Annual Report 2000

Metsä Tissue

Contents

Information for shareholders

WELCOME TO THE ANNUAL GENERAL MEETING

Metsä Tissue Corporation will hold its Annual General Meeting on Tuesday 13 March 2001 beginning at 2.00 pm in the auditorium at Metsä Tapiola, address Revontulentie 6, Espoo.

Shareholders wishing to attend the Annual General Meeting must be registered in the list of shareholders maintained by Finnish Central Securities Depository Ltd no later than 2 March 2001.

Shareholders wishing to attend the Annual General Meeting must inform the company by 4.00 pm on Friday 9 March 2001 at the latest either by writing to Metsä Tissue Corp., Marja Viljanen, Revontulentie 8 C, 02100 Espoo, Finland, by phoning +358 1046 94926 or by e-mail to marja.viljanen@metsatissue.com. Any letters of attorney must be submitted at the same time.

The invitation to the Annual General Meeting was published in Helsingin Sanomat on 22 February 2001.

DIVIDEND

At 31 December 2000, Metsä Tissue Corporation had unrestricted shareholders' equity of EUR 18.4 million. Distributable funds accounted for EUR -14.5 million. The parent company had distributable unrestricted equity of EUR 26.2 million.

As the Group has no distributable funds, the Board of Directors proposes that no dividend be distributed in respect of the 2000 financial year.

INTERIM REPORTS

Metsä Tissue publishes interim reports in Finnish, Swedish, English and German. In 2001, interim reports will be published as follows:

January - March: 26 April
January - June: 1 August
January - September: 29 October

This Annual Report, interim reports and previous annual reports can be ordered from:

Metsä Tissue Corp., Corporate Communications
Revontulentie 8 C, 02100 Espoo, Finland
Tel. +358 1046 16
Fax +358 1046 94949

E-mail: **info@metsätissue.com**

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

CHANGES OF NAME OR ADDRESS

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

Metsä Tissue Group

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

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

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

Our targets will be reached through efficiency and profitability, by means of which we ensure a competitive return on investment for our shareholders. Metsä Tissue's mills are located in Finland, Germany, Sweden and Poland. The Metsä Tissue Group employs a total of 3,000 people. Metsä Tissue Corporation is quoted on the Helsinki Stock Exchange and is part of both the Metsä-Serla Group and the Metsäliitto Group.

PRODUCTION CAPACITY AND PRODUCTS BY MILL

Mill	Paper machine	Capacity, t/a Tissue	Other	Products	Brand names
Mänttä	PM 1	33,000		industrial towels and wipes, AfH products	Katrin
	PM 9	24,000		bathroom tissue, handkerchiefs	Lambi
	PM 10	38,000		bathroom tissue, kitchen towels	Serla
	PM 5		9,000	baking and cooking papers	
	PM 7		16,000	baking and cooking papers	
Katrinefors	PM 35	40,000		bathroom tissue, AfH products	Katrin
	PM 36	37,000		bathroom tissue, kitchen towels	Serla
Pauliström	PM 6	22,000		bathroom tissue, kitchen towels	Lambi
Nyboholm	CCM 1	15,000		bathroom tissue, kitchen towels	Leni, Lambi
	PM 3	8,500			
Varsova		20,000		bathroom tissue, kitchen towels	Mola, Katrin
Hedwigsthal	PM 1	18,000		bathroom tissue	
	PM 3	22,000		handkerchiefs	Mola, Lambi
Stotzheim	PM 2	20,000		napkins and tablecloths	Fasana
Strepp	PM 1	17,000		speciality tissue	
	PM 3	22,000		bathroom tissue, speciality tissue	
	PM 4	29,000		bathroom tissue, kitchen towels	Katrin
	PM 5	55,000		bathroom tissue, kitchen towels, AfH products	

Business areas

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

BUSINESS AREAS

CONSUMER

Turnover: EUR 317.8 million.
Customers: Private households, wholesalers and retailers.
Brands: Lambi, Leni, Serla, Fasana and Mola.
Products: Bathroom tissue, kitchen towels, handkerchiefs, facial tissue and napkins.
Main markets: Nordic countries, continental Europe (Germany, Poland, Switzerland, France, Benelux countries and Austria), Great Britain and Ireland.
Mills: Mänttä (Finland), Katrinefors, Paulisträm and Nyboholm (Sweden), Strepp, Hedwigsthal and Stotzheim (Germany), Warsaw (Poland).

AWAY-FROM-HOME

Turnover: EUR 165.4 million.
Customers: Health care, industry, public services and other services.
Brands: Katrin, Saga and Fasana.
Products: Bathroom tissue, paper towels, facial tissue, industrial wipes, dispensing systems and napkins.
Main markets: Nordic countries, continental Europe (Germany, Poland, Switzerland, France, Benelux countries and Austria) Great Britain and Ireland.
Mills: Mänttä (Finland), Katrinefors (Sweden), Strepp and Stotzheim (Germany), Warsaw (Poland).

PRODUCT AREAS

Table Top

Customers: Private households and major consumers in the services sector, such as restaurants.
Brand: Fasana.
Products: Napkins and tablecloths.
Main market: Continental Europe.
Mill: Stotzheim (Germany).

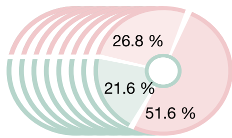
Baking and Cooking

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

The year in brief

- Metsä Tissue's turnover rose by 4.0 per cent to EUR 609.2 million (EUR 585.7 million in 1999). Calculated on a comparative basis, turnover rose by 7.6 per cent.
- Before extraordinary items there was a loss of EUR 21.7 million (profit of EUR 9.1 million). The loss per share was EUR 0.64 (earnings of EUR 0.11).
- The unsatisfactory trend in financial result is due to the rapid rise in raw material costs, which could only be covered by raising product prices after a certain delay. Profitability improved during the third quarter. By the end of the financial period a basis for profitable business had been restored.
- Programmes to improve cost-effectiveness were in progress at all mills. The greatest need for development remains in continental Europe.
- The company's brands further strengthened their positions in the Nordic countries. In Poland, market positions were strengthened through quality development and launch of the Mola brand.
- Sales of Katrin away-from-home products and Ultimatic dispensing systems grew as planned. Uncertainty over the company's future ownership made it difficult to acquire new AfH customers.
- In Baking and Cooking, in-house converted products increased their share of sales. Sales by the Table Top product area rose by 9 per cent in continental Europe, the most important market.
- The Compact Concept Mill (CCM) production line started up at Nyboholm at the end of 1999 was in steady production early in 2000.
- In May, Metsä Tissue's principal owner, Metsä-Serla, agreed to sell its shares in Metsä Tissue to the Swedish company SCA. The decision announced by the European Commission in January 2001 prevents the sale of the shares from going ahead.

Turnover



Consumer
Away-from-home
Other operations

KEY FIGURES	2000	1999
Turnover, MEUR	609.2	585.7
Operating profit/loss, MEUR	-11.9	16.2
Profit/loss before extraordinary items, MEUR	-21.7	9.1
Profit/loss for the period, MEUR	-19.3	1.4
Return on equity (ROE), %	-14.9	1.8
Return on capital employed (ROCE), %	-3.1	4.6
Interest-bearing net liabilities, MEUR	239.2	200.9
Equity ratio, %	24.9	30.5
Gearing, %	198.8	139.1
Gross capital expenditure, MEUR	22.7	32.8
Cash flow from operations, MEUR	-15.4	22.7
Earnings/loss/share, EUR	-0.64	0.11
Shareholders' equity/share, EUR	3.95	4.74
Dividend/share, EUR		0.12
Personnel at year-end	3,048	3,355

CEO's review

The year just ended was an exceptionally difficult one for the entire tissue business. The industry was hit by an unprecedentedly sharp rise in costs, while at the same time over-capacity in production and the gathering pace of restructuring in the retail trade hindered attempts by Metsä Tissue and its competitors to compensate for higher costs by raising product prices correspondingly. These were the main reasons why Metsä Tissue's financial result was below target and showed a clear loss for the year.

First-half financial results were also affected by a number of investment projects concerning marketing, production and information systems. Strikes by paperworkers in Finland also had both direct and indirect impacts on deliveries and financial results.

Business stability was restored towards the end of the year, when price rises and measures to reduce costs began to be felt. Since the summer earnings have grown faster than raw material costs, which did not stop rising until the end of the year.

On a brighter note, I am pleased to report that, as planned, we have been able to further strengthen our own brand names so that these now represent a higher proportion of total sales.

Our company was the subject of an acquisition process that has now finally reached its conclusion. This naturally had its own effect on the year just ended. It began early in the year amid much speculation and ended the year with proceedings instigated by the competition authority. The long period of uncertainty over the company's future brought about by these events naturally affected the motivation of our employees and made it difficult for us to win new customers. Despite all this we have been able to maintain both our customer relations and our market shares. The thanks for this go to our employees and business partners.

Metsä Tissue continues as an independent listed company. We must now make an even more determined effort to raise the value of our company. Only in this way can we fulfil our strategy of becoming a strong European player in our chosen business areas.

Metsä Tissue's long-range plan designates 2001 as a year in which we utilize our resources to the full. This means that while we shall continue with normal measures to improve profitability, we shall not be launching any major investment projects or other major new projects. Instead, we shall seek to derive maximum benefit from our present resources. By far our greatest challenge is to make our German operations profitable.

We have planned a much better financial position in 2001, when we expect to show a profit.

Espoo, February 2001

Hannu Anttila
CEO

Consumer

KEY FIGURES, MEUR	2000	1999	Change-%
Turnover	317.8	283.3	12.2
Operating profit/loss	-10.9	6.1	
Operating margin, %	-3.4	2.2	

Sales and marketing of kitchen towels, bathroom tissue, handkerchiefs, facial tissue and napkins for household use are the responsibility of the Consumer business area. The main markets are the Nordic countries and continental Europe, notably Germany, Switzerland and Poland. Metsä Tissue has about 45 per cent of the Nordic market for these products and six per cent of the market in continental Europe.

The Consumer business area had a turnover of EUR 317.8 million (EUR 283.3 million) in 2000. There was a loss on operations of EUR 10.9 million (EUR 6.1 million profit).

The financial result was weakened by sharp rises in the cost of chemical pulp, recycled fibre, packaging materials and energy. Consolidations in the retail sector, especially in Europe, have intensified competition for consumer products. Stoppages in production during the first half of the year disrupted deliveries in the Nordic countries.

IMPORTANCE OF BRANDED PRODUCTS STILL GROWING

The brand names Lambi, Leni and Serla have extremely strong positions in the Nordic market, accounting for about 74 per cent of sales in this region in 2000.

The re-launch of the Leni brand name as a high-quality product series in Sweden and Norway met the targets set. Metsä Tissue's clear market leadership in premium products was strengthened even further. In Finland, quality improvements were made in the autumn to Serla brand bathroom tissue and kitchen towels in line with the strategy for this brand name and in response to growing demands from the market. This has further strengthened Serla's market position.

Mola bathroom tissue, the first such consumer product to enter the Polish market under its own brand name, had a successful year following its launch in 1999. The marketing and sales network now covers the entire country, and the brand is competing well in the Polish market. Although consumers' disposable incomes have grown in Poland and demand for high-quality products is increasing, consumer preferences similar to those elsewhere in Europe are still only just forming.

COMPETITIVE ADVANTAGE FROM LOGISTICS

Efficient Consumer Response (ECR) cooperation in the Nordic countries has expanded from just a few major wholesalers to include some retail chains and individual stores, which are now better equipped for category management. Joint projects are now under way not just in Finland and Sweden but also in Denmark. The logistics solution developed by Metsä Tissue designed for the use of economic transport units aroused greater interest among customers during the year.

There has been a noticeable change in consumers' buying habits in the Nordic countries during the past year. Demand for high-quality products has risen considerably while interest in products in the middle price range has fallen.

Development work aimed at greater environmental friendliness continued as planned. All strategic branded products now carry the Nordic Swan or Bra Miljöval label. Environmental labels have also been granted for some of the products manufactured by Metsä Tissue for private labels.

COMPETITIVE PRODUCTION MEANS GREATER SUCCESS

Metsä Tissue will continue to work to strengthen the positions of its brand names in both the high quality and mainstream segments. Further changes are anticipated in the industry and in the retail trade, underscoring the importance of competitive production plants and products.

MARKET REVIEW

The tissue market is divided into premium products made from virgin fibre and mainstream products made from recycled fibre. In the Nordic countries premium products continue to increase their share of the market. In Europe, sales of private label products have risen considerably.

Demand on the Nordic tissue market has remained steady. The prospects for volume growth are limited in the bathroom tissue segment, but there is potential for growth in all other product groups. Metsä Tissue's primary aim is to raise the value of the market by selling a greater proportion of high-quality products.

Competition throughout Europe has been intensified by restructuring within the retail trade and by overcapacity. Pressure from costs caused the market to be more fiercely contested than the year before.

MAIN MARKETS

The three biggest suppliers – Metsä Tissue, SCA and Fort James – have over 80 per cent of the market for tissue products sold to households in the Nordic countries. Metsä Tissue is the market leader with around 45 per cent of the market. No major changes took place in the Nordic market in terms of market shares during the year.

Metsä Tissue's other main markets are Germany, Poland, the Benelux countries, Switzerland, France and the Baltic countries. The company has about six per cent of the market in these areas. The biggest competitors are SCA, Kimberly-Clark, Fort James and Procter & Gamble.

MARKET OUTLOOK

The rise in raw material costs is expected to come to an end during the next year. The higher costs have now been largely passed on to consumer prices. In the Nordic countries work will continue during 2001 to make products more competitive and ensure they meet consumers' needs even better. The medium and long-term growth prospects are good.

Consolidations among both customers and competitors continue. In its products Metsä Tissue will continue to emphasize quality and to develop its range in response to expectations from the market. A full appreciation of customers' needs, together with competitive production plants, are the keys to Metsä Tissue's success in the future.

Away-from-Home

KEY FIGURES, MEUR	2000	1999	Change-%
Turnover	165.4	169.4	-2.4
Operating profit	0.7	6.4	
Operating margin, %	0.4	3.8	

The Away-from-Home business area sells and markets tissue paper products and their dispensers to large consumers in health care, industry, the service sector and public services. The main markets are the Nordic countries and continental Europe. Sales to the Baltic countries and Great Britain have also gained in importance.

Turnover for the Away-from-Home business area in 2000 was EUR 165.4 million (EUR 169.4 million). Operating profit was EUR 0.7 million (EUR 6.4 million). The prospects for growth are good. Branded products continued to account for an increasing proportion of turnover, representing 85 per cent of the sales volume in the Nordic countries and 55 per cent elsewhere in Europe.

Turnover was down on the previous year because of divestment of the disposable tableware and other disposable products businesses. On a comparative basis, turnover showed a favourable trend. The weaker financial result is due to the substantially higher cost of raw materials, which it has not been possible to pass on in full to product prices.

STEADY DEMAND FOR AWAY-FROM-HOME PRODUCTS

Special attention was given to improving cost effectiveness. The business area's success is based on the Katrin "Less is More" concept, under which customers are supplied with cost-effective solutions. High quality, the Ultimatic dispenser system and a comprehensive range of products are the key factors in the business area's success. Efforts will continue to further develop this concept and to improve the related logistic solutions.

New dispensers were placed on the market during the year. The market position of the Katrin brand name was maintained, as planned, through marketing measures stressing the importance of hygiene. Marketing of One-stop paper towels, which were launched in 1999, continued during the year.

The Away-from-Home business area's customer relations remained stable, but uncertainty over the company's future ownership made it difficult to win new customers.

FOCUSING OF LOGISTICS THE KEY TO FUTURE SUCCESS

There was a major change in logistics arrangements in May, when the warehouse in Bork, Germany, became an AfH centre for continental Europe. Products from Finland, Sweden and Poland are sent to the centre, from where they are distributed. The centre will be in full operation by early 2001.

Metsä Tissue strengthened its position in Poland during the year under review. New production of Away-from-Home products was the focus of attention, and manufacture of Katrin products was started. Converting capacity at the Polish mill has been increased, and there have also been significant improvements in product quality and the reliability of deliveries. A high proportion of the Polish mill's production is being sold on the growing markets of continental Europe.

The new converting line at Mänttä produces Ultimatic paper towels in rolls. The production line started up at the end of the year, and the growing capacity will be exploited in full during 2001. In Sweden and Germany, existing production capacity was utilized.

MARKET REVIEW

Metsä Tissue's main competitors in the away-from-home market are SCA, Kimberly-Clark and Fort James. The four largest suppliers have over 55 per cent of the European market.

Metsä Tissue supplies customers in Europe's main away-from-home markets through its own sales organization and via merchants.

Pronounced consolidation and internationalization in the retail sector will alter demand in the future. To be able to respond to large-scale changes in purchasing volumes, suppliers must have efficient systems and adequate production capacity.

Demand is expected to remain steady in the future. In the Nordic countries, demand for away-from-home products will continue to grow at around one per cent a year. Elsewhere in Europe, annual growth has remained at around four per cent.

Growth in consumption is expected to rise in the future, as people spend more time away from home. The importance of high quality and hygiene will also be underscored. Increasing attention will be given to the reliability and functionality of towel systems, particularly in the food and health care sectors. Profitability is expected to show an improvement in 2001.

Table Top

***T**he Table Top product area is responsible for the production, development and marketing of napkins. The main markets are continental Europe – in particular Germany and Switzerland – and the Nordic countries. In 2000, Metsä Tissue's own brands accounted for about 30 per cent of the product area's turnover and private labels for 70 per cent.*

Sales by the product area in 2000 rose by 9 per cent. This compares with overall growth in the market of 6-7 per cent over the same period.

Production of napkins at the Bork mill in Germany was discontinued at the end of May and the entire production was transferred to Stotzheim. The product range was rationalized and old stocks disbanded during the early part of the year. The two new converting machines started up in 1999 reached the production capacity targets set. In design printing the emphasis was on further developing 4-colour printing.

In Germany, Duni is still the market leader. Metsä Tissue is now in second place in terms of volumes sold through discount stores, supermarkets and hypermarkets. Demand is good at present.

In Poland, Table Top products are manufactured under a licensing agreement with a Polish-German company. The Polish market has been growing at some 5-6 per cent annually.

STRONGER POSITION THROUGH CLEARER PRODUCT RANGE

Improvements to the Fasana range have increased consumers' interest in these products.

Early in the year the product area consolidated its market position and strengthened its customer base. Efforts in sales promotion planning and seasonal campaigns arranged in different stores were well received by customers. The Fasana brand achieved a modest strengthening of its market position.

It was possible to pass on only part of the rise in raw material costs to retail prices.

In working together with its customers, the product area focused increasingly on supermarkets and hypermarkets. The marked trends towards consolidation in the retail trade and towards pan-European business are affecting the product area's future. Exports to the Nordic countries and Great Britain have been stepped up.

MORE SPENDING ON HOMES AND DECOR

Demand for Table Top products in continental Europe has grown and preferences are shifting towards higher quality products. In Germany, disposable incomes have risen and people are spending more on their homes and interiors. Napkins are everyday products in continental Europe, whereas in the Nordic countries kitchen paper is more commonly used during weekdays.

MARKET OUTLOOK

The strength of the Table Top product area is in the versatility of its production: napkins in single colours and with printed designs are produced at the same plant. In single-colour napkins, Metsä Tissue is among the market leaders in terms of converting efficiency. In napkins with printed designs, Metsä Tissue's strength lies in its ability to offer a wide range that also encompasses the private label segment. The production plant is situated in Germany in the centre of Europe's most densely populated and affluent market.

Demand looks set to develop favourably in the future. In all consumer product segments there is a preference for high quality products and design. The product area will continue to seek greater competitiveness and better profitability by improving the cost-effectiveness of production.

Baking and Cooking

The Baking and Cooking product area produces and markets baking and cooking papers for households and large-scale consumers, and greaseproof base paper for independent converters. During 2000 a sound foundation was laid for growth in the years ahead. The product area retained its positions in its main markets, which are continental Europe, the Nordic countries, North America and Asia.

Products are manufactured at the Mänttä mill in Finland. Over 90 per cent of production is exported. Half of turnover derives from converted paper and the other half from base papers sold to customers for further converting. Converted products represented a higher proportion of production during 2000.

The Baking and Cooking product area's growth has been slightly faster than the market average. Turnover benefited from increased sales of more profitable products at the expense of products involving a lower value-added input. The product area increased its sales, particularly of products for more demanding uses, largely in continental Europe.

In Finland and the Baltic countries, products are marketed to households under the Serla brand name and to large-scale consumers under the Katrin brand name. The most important large-scale customers are bakeries, the food industry in general, and converters.

TOWARDS MORE EFFICIENT PRODUCTION

Investments in production during 2000 were aimed mainly at raising converting capacity. A new converting line for consumer products went into operation at the Mänttä mill, giving Metsä Tissue the highest converting capacity for consumer reels in the entire industry. Sales of converted products showed overall growth.

During 2000, growth continued in line with the strategy, production was made more efficient, and the market positions of products were secured. The commitment to product and basic research was sustained.

Several price rises were introduced during the year. Over-capacity in the baking and cooking papers business prevented rising costs from being incorporated fully into product prices.

The production of Metsä Tissue's Baking and Cooking products was awarded the Nordic Swan environmental label at the beginning of the year.

MARKET SHOWING GROWTH

The biggest manufacturers of greaseproof paper besides Metsä Tissue are the Peterson Group, Ahlstrom Sibille and Union. The situation on the market for cooking and baking papers is fairly stable and no major changes in demand are anticipated in the near future, with annual growth expected to continue at around 2-3 per cent. There have been no significant changes in consumption in the Nordic countries. In countries on the fringe of Europe, however, there is growing demand for baking paper, which is now finding its way into households in Mediterranean countries.

The Baking and Cooking product area has made a determined effort to develop the market and to stimulate growth in consumption. The company's strength is based on its clear way of working. Demand is expected to remain good in the future. Work will continue this year to strengthen the position of the company's own brand names.

Production and development

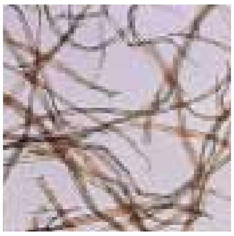
E*fforts towards continuous upgrading of product quality and greater production efficiency continued during the year in review. Strengthening of branded products has consistently been the focus in product development.*

The targets set for the Compact Concept Mill production line at Nyboholm were achieved during the first year of operation.

The biggest investments during 2000 concerned the Mänttä mill, where improvements were made in Away-from-Home production and in Baking and Cooking converting capacity.

In Germany, the focus was on greater inter-mill collaboration and efficiency. Streamlining of operations continued with divestment of several non-core activities.

In Poland, the drive to upgrade product quality and increase the efficiency of operations continued. Outsourcing of non-core activities began with transfer of the steam generation plant to an outside operator.



PRODUCTION

The Swedish mills reached their production targets in converted products. Production of base paper was affected by two one-week investment stoppages at Pauliström. The efficiency of converting improved slightly.

In Finland, there were strikes by some sub-contractors in February - March, followed by a one-week papermakers' strike at Mänttä in April. This disrupted deliveries and it was several months before normality was restored. Investments completed during 2000 will improve Mänttä's product palette and increase efficiency from the beginning of 2001.

Tissue production in Germany increased, and the efficiency of production improved by some 10 per cent.

In Poland, there was a significant increase in the efficiency of tissue production. Raw material shortages caused production to fall slightly.

FOCUS ON BRAND BUILDING

The EUR 9-10 million investment programme started at Mänttä in 1999 will be completed in 2001. Production, converting and maintenance are all being modernized with the aim of raising efficiency, improving product quality and supporting product development. The dry end of paper machine 10 was rebuilt. Investment in the converting line for Baking and Cooking products has almost doubled production capacity for these products. A new production line for industrial towels was started up in December.

In Sweden, development of Lambi and Serla brands was continued.

In Germany, production at the Bork mill was stopped and all Table Top production was transferred to the Stotzheim mill. The Bork facility now serves as a distribution centre, mainly for Away-from-Home products.

In Poland, upgrading of the whole production process continued in support of marketing of the new higher quality Mola brand.

Environment

Certification of the environmental management systems of the Finnish and German mills in accordance with the ISO 14001 standard was completed during the year in review. At the Swedish mills, certification was completed in January 2001. Work on building a new energy plant at Katrinefors went ahead. The plant will eliminate the use of fossil fuels and fully utilize the mill's and the surrounding community's biofuel capacity.

The plan to build a new combined heat and power plant in Mariestad together with the municipal energy company matured and construction work got under way. The plant, scheduled to come on stream in late 2001, will burn deinking and effluent treatment plant sludges from the Katrinefors mill and wood fuel produced from logging residues. The new plant will replace 20,000 m^3 of fuel oil. Recovery of energy from flue gases will give an additional boost to energy efficiency.

Deinking sludge is a moist fuel containing about 50 per cent fibre. At Mänttä, the sludge has been utilized in road construction and in landfill site capping. Energy solutions are also being studied at Mänttä, where the main fuel is currently peat. Implementation of the European Union landfill directive is due to ban landfilling of organic matter as of 2005.

The biggest direct environmental investment was in improving effluent treatment in Germany.

PRODUCT LABELS AND FOREST CERTIFICATION

It is Metsä Tissue's policy to develop products and production in such a way that they meet the criteria for all eco-labels relevant to Metsä Tissue customers. Eco-labelling is a market entry condition in Sweden, and the branded products of the company's Nordic and German mills have been awarded the Nordic Swan label. Some production in Sweden also meets the criteria of the Swedish Bra miljöval label.

The criteria for the Swan label were revised during the year. The new criteria include a limit value for pulp mill energy consumption. Metsä Tissue's mills comply with this requirement. The new criteria also require that a minimum of 15 per cent of the virgin pulp used in production must originate from certified forests. The administrators of the Swan label have approved the Finnish Forest Certification System (FFCS), which has also been endorsed by the Pan European Forest Certification Scheme (PEFC). Certification covered over 90 per cent of Finnish forests at the end of the year. The corresponding Swedish certification system has been submitted to PEFC for endorsement.

PCB CLAIMS QUASHED

Emissions of chlorinated organics from Finnish pulp mills are regularly monitored. At the end of September, much prominence was given in the media to claims that, according to the latest studies, Mänttä mill was responsible for elevated PCB concentrations in receiving waters. However, a careful investigation established that there are no PCB emissions from Mänttä mill's production processes.

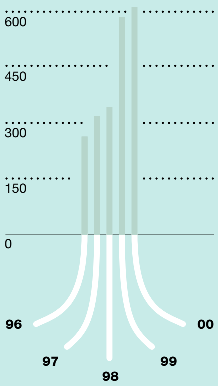
Quartely development 1999-2000

TURNOVER	2000					1999				
MEUR	**1-12**	**10-12**	**7-9**	**4-6**	**1-3**	1-12	10-12	7-9	4-6	1-3
Consumer	317.8	84.2	80.2	75.1	78.3	283.3	73.4	72.0	70.2	67.8
Away-from-Home	165.4	44.4	42.5	39.5	39.1	169.4	43.5	42.7	40.3	42.8
Other operations	133.3	35.0	34.5	31.0	32.9	145.9	39.7	33.3	34.6	38.4
Internal sales	-7.4	-3.2	-0.7	-0.8	-2.7	-12.8	-3.3	-3.2	-2.8	-3.5
Total	609.2	160.3	156.5	144.8	147.5	585.7	153.2	144.8	142.2	145.5

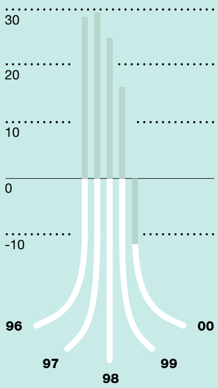
OPERATING PROFIT/LOSS	2000					1999				
MEUR	**1-12**	**10-12**	**7-9**	**4-6**	**1-3**	1-12	10-12	7-9	4-6	1-3
Consumer	-10.9	-1.9	-0.1	-5.8	-3.0	6.1	-2.7	2.5	1.9	4.4
Away-from-Home	0.7	1.2	1.2	-1.8	0.2	6.4	-1.4	2.8	1.7	3.3
Other operations	-0.6	1.5	0.2	-2.0	-0.3	5.7	-0.1	1.6	1.8	2.3
Internal items	-1.1	-0.4	-0.3	-0.2	-0.1	-2.0	-0.4	-0.4	-0.5	-0.7
Total	-11.9	0.3	0.9	-9.8	-3.3	16.2	-4.6	6.6	4.9	9.3
Operating profit/loss/turnover, %	-1.9	0.2	0.6	-6.8	-2.3	2.8	-3.0	4.5	3.4	6.4
Net exchange gains/losses	0.8	0.4	0.3	-0.1	0.2	0.2	0.2	0.0	0.2	-0.2
Other financial income and expenses	-10.6	-3.2	-2.8	-2.3	-2.3	-7.3	-1.8	-1.9	-2.0	-1.6
Profit/loss after financial items	-21.7	-2.5	-1.6	-12.2	-5.4	9.1	-6.2	4.7	3.1	7.5

Report of the Board for the financial period 1 January - 31 December 2000

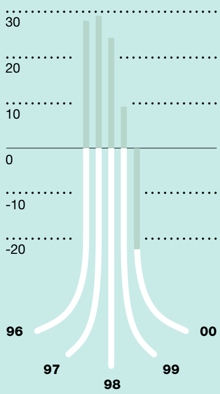
Turnover, MEUR



Operating profit/loss, MEUR



Profit/loss before extraordinary items, MEUR



The figures presented in this Annual Report for 1996-1997 have been calculated as if the reorganization of the Group on 30 September 1997 had been in force since 1 January 1996.

GENERAL

Metsä Tissue is the market leader in tissue papers in the Nordic countries. Through company acquisitions in Poland in 1997 and Germany in 1998, Metsä Tissue has established a sound business basis for profitable growth in continental Europe. The company's main tissue products are bathroom tissue, kitchen towels, paper towels, industrial wipes, napkins and handkerchiefs. The company is also the European market leader in greaseproof papers for baking and cooking.

The company's business areas are Consumer, Away-from-Home and Other Operations, which includes baking and cooking papers and tissue base paper. The Table Top business, which specializes in napkins, is a separate product area within the Consumer and Away-from-Home business areas.

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

For the away-from-home market, Metsä Tissue offers its Katrin product range throughout Europe. Katrin is the leading brand in the Nordic away-from-home market.

TURNOVER AND RESULTS

Consolidated turnover rose 4.0 per cent to EUR 609.2 million (585.7 million). The figure for 1999 includes turnover for businesses since divested, and on a comparative basis the increase in turnover was 7.6 per cent.

There was a loss on operations of EUR 11.9 million, 1.9 per cent of turnover (profit of 16.2 million and 2.8 per cent). This unsatisfactory development is due largely to the fact that the rapid rise in costs could only be compensated for by raising product prices and improving efficiency levels after some delay. The financial result was poorest in the first half of the year, but showed a turn for the better during the third quarter.

Depreciation was EUR 37.4 million (33.5 million). The increase in depreciation is due to the timing of major investments, which were introduced at the end of 1999 and beginning of 2000.

Net financial expenses were EUR 9.8 million, 1.6 per cent of turnover (7.1 million and 1.2 per cent). The increase is due partly to an increase in the Group's debts and also to higher interest rates.

Before extraordinary items there was a loss of EUR 21.7 million, -3.6 per cent of turnover (profit of 9.1 million, 1.6 per cent).

The loss after taxes and minority interests was EUR 19.3 million (profit of 1.4 million).

MAIN EVENTS DURING THE FINANCIAL PERIOD

The main focus of activity in all markets was on raising product prices in line with the higher production costs. A programme of price rises was largely completed by the end of the year, although it failed to keep pace with the rise in costs. As a result, business early in the year showed a loss. The basis for profitable business was restored at the end of the period.

Price rises were introduced fastest in the Nordic countries, where most of the company's products are sold under their own brand names. The introduction of price rises was much slower in continental Europe, and some prices will not be raised until 2001.

Programmes to improve cost-effectiveness were in progress at all mills and involved measures such as slimming product ranges and rationalization investments. The need for development remains greatest in continental Europe.

At the end of May, the company's principal owner, Metsä-Serla, signed an agreement to sell its interest in Metsä Tissue to the Swedish company SCA. The agreement was conditional on the approval of the EU competition authority. The decision issued by the European Commission at the end of January 2001 prevents the sale of Metsä Tissue shares from going ahead.

KEY FIGURES

The loss per share for the financial year was EUR 0.64 (earnings of 0.11). Capital invested in business operations at the end of the year was EUR 378.9 million (362.7 million). The return on capital employed was -3.1 per cent (4.6). Return on equity was -14.9 per cent (1.8).

FINANCIAL SITUATION AND LIQUIDITY

The cash flow from operations (before investments) was EUR -15.4 million (22.7 million). The equity ratio was 24.9 per cent (30.5) and the gearing ratio was 198.8 per cent (139.1).

The Group's interest-bearing liabilities were EUR 258.6 million (218.3 million). A long-term EUR 15 million loan agreement was signed in February with Nordiska Investeringsbanken. The loan will be used to finance the Group's investments in Sweden.

Liquidity was good throughout the financial year. Liquid funds at 31 December were EUR 19.4 million (17.4 million). In addition, the Group had EUR 14.5 million in unutilized credit facilities (52.2 million), of which EUR 10.0 million was committed and EUR 4.5 million uncommitted.

Of the Group's interest-bearing liabilities, 95 per cent were tied to market interest rates and the rest to fixed interest rates.

The average rate of interest on the Group's interest-bearing liabilities at the end of the financial period was 5.40 per cent (4.22).

THE MARKET

Tissue sales in Europe are currently around 5 million tonnes annually. The tissue markets served by Metsä Tissue represent around 3.4 million tonnes. Metsä Tissue's share of these markets is 9-10 per cent. In terms of volumes, the market is growing by about one per cent a year in the Nordic countries, by 2-3 per cent in continental Europe and by 5-7 per cent in Poland. As growth shifts increasingly towards higher quality products, the total value of the market is rising faster than the growth in volume. In recent years the tissue business has become much more consolidated through acquisitions and mergers.

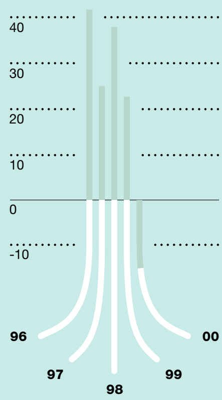
The marked rise in the cost of the company's main raw materials that began in autumn 1999 continued up to the end of 2000. The euro-denominated price of chemical pulp, the principal raw material, rose by almost 45 per cent during the year under review. Waste paper prices also rose, particularly in continental Europe. Between early autumn 1999 and the end of 2000, the rise in raw material costs corresponded to almost 25 per cent of Metsä Tissue's turnover.

Coupled with higher energy prices, the sharp rise in raw material costs led to increases in market prices for products, although their introduction was delayed by competition for market shares and by intense competition in the retail trade in continental Europe.

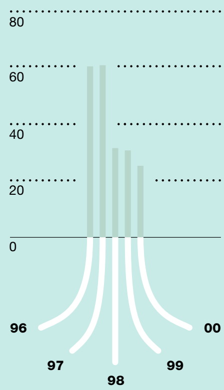
BUSINESS AREAS

Turnover for the Consumer business area rose by 12.2 per cent to EUR 317.8 million (283.3 million). There was a loss on operations of EUR 10.9 million, -3.4 per cent of turnover (profit of 6.1 million, 2.2 per cent). The company further strengthened the position of its brand names in the Nordic countries. Sales volumes were unchanged on the previous year. In Sweden, re-launch of the Leni brand name in the highest quality segment succeeded as planned. Prices were raised on all markets, and those introduced in the Nordic countries almost covered the rise in costs. In Germany, intense competition delayed the introduction of price rises, some until 2001. In Poland, launch of the Mola brand coupled with higher product quality improved prices and strengthened Metsä Tissue's market position.

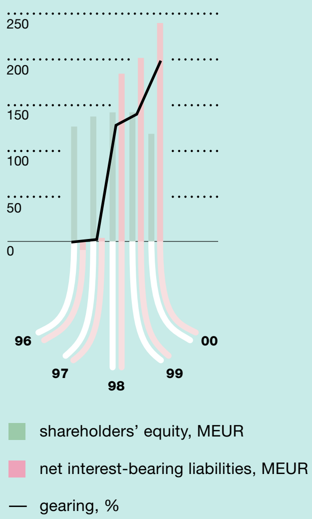
Cash flow from operations, MEUR



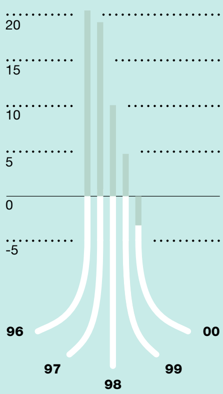
Equity ratio, %



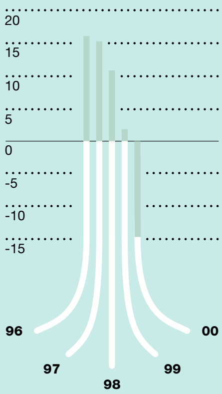
Gearing, %



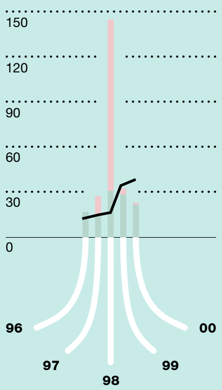
Return on capital employed, %



Return on equity, %



Capital expenditure and depreciation



other capital expenditure, MEUR

company acquisitions, MEUR

— depreciation MEUR

The Away-from-Home business area had a turnover of EUR 165.4 million, down slightly on the previous year (169.4 million). Operating profit was EUR 0.7 million, 0.4 per cent of turnover (6.4 million, 3.8 per cent). Turnover for 1999 includes turnover from businesses that have since been divested, and on a comparative basis turnover showed a favourable trend. In the Nordic countries, sales volumes were unchanged on the previous year, and sales prices were raised almost enough to cover the rise in raw material costs. Sales of Katrin products and Ultimatic dispensing systems increased according to plan. The goal is to strengthen still further the market position of Katrin products both in the Nordic countries and in continental Europe. Sales volumes in continental Europe were up on 1999. Growth was smaller than forecast, however, as the target for winning new customers was not reached.

Turnover from Other Operations fell to EUR 133.3 million (145.9 million). There was a loss on operations of EUR 0.6 million, -0.5 per cent of turnover (profit of 5.7 million, 3.9 per cent). In the Baking and Cooking product area, in-house converting accounted for a greater share of total sales, and business remained fairly stable despite increased competition. The volume of base tissue sales was reduced by the increased volume of in-house converting, a strike in the spring, and the Group's investments.

The most important market for the Table Top product area is continental Europe, where sales showed growth of 9 per cent on the previous year. Activities during the year focused on launching the Fasana range of products and raising cost-effectiveness.

INVESTMENTS

Investment during the financial period totalled EUR 22.7 million (32.8 million), of which EUR 0.5 million (3.7 million) was used for company acquisitions and EUR 22.2 million (29.1 million) for acquisition of fixed assets.

Investment concerned mainly replacements and rationalizations, as a result of which cost-effectiveness has been improved. Some investments were designed to raise the value added in converting and to develop product characteristics.

The CCM production line that started up at the Nyboholm mill at the end of 1999 achieved a steady level of production early in 2000, as expected. Production of Katrin Ultimatic products at the Mänttä mill was modernized and expanded. Converting capacity for Baking and Cooking products was increased.

In spring 2000, the Katrinefors mill and the city of Mariestad began a project to build a power plant to use the mill's deinking waste and wood chips as fuel. The plant is due to come on stream at the end of 2001, and will reduce the mill's environmental loading and secure energy supplies at competitive prices well into the future. The project will cost an estimated EUR 23 million and is being carried out by Katrinefors Kraftvärme AB, in which Metsä Tissue has a 50 per cent interest. Metsä Tissue's commitment is restricted to a long-term purchasing agreement.

PERSONNEL

Metsä Tissue had an average of 3,205 employees (3,459) during the financial period. The number at 31 December was 3,048 (3,355).

Employees by country:	1999	2000	Average
Finland	738	673	730
Other Nordic countries	712	700	729
Germany	1,452	1,279	1,319
Poland	410	358	384
Other countries	43	38	43
Total	3,355	3,048	3,205

GENERAL MEETING OF SHAREHOLDERS, BOARD OF DIRECTORS AND AUDITORS

Metsä Tissue Corporation's Annual General Meeting was held on 23 March 2000. The following persons were re-elected as members of the Board of Directors: Ari Heiniö, Curt Lindbom, Jussi Länsiö, Antti Oksanen, Juhani Saarela, Arimo Uusitalo and Jorma Vaajoki. The term of office of members of the Board of Directors extends until the end of the Annual General Meeting to be held in 2001. The Board elected Antti Oksanen as its Chairman and Arimo Uusitalo as its Vice Chairman.

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

The Annual General Meeting also approved a proposal to convert Metsä Tissue's share capital and the nominal value of its shares into euros. So that the nominal value of the share would be exact to one-tenth of a euro, the meeting decided to raise the company's share capital by FIM 3,232,230 through a transfer from the share premium account. As a result, the company now has a share capital of EUR 51.0 million and the nominal value of its share is EUR 1.70.

Hannu Anttila was CEO of Metsä Tissue during the financial year.

EVENTS OCCURRING AFTER THE CLOSING OF ACCOUNTS

The decision issued by the European Commission on 31 January 2001 prevents Metsä-Serla's controlling interest in Metsä Tissue from being sold to SCA.

OUTLOOK FOR 2001

The acquisition process concerning the company continued for most of the year but came to an end in January 2001. Metsä Tissue will continue to operate as an independent listed company. Measures to revitalize activities and raise efficiency, which were held back by the acquisition process, will now go ahead immediately.

Demand for tissue is expected to show a further growth in volume of about one per cent a year in the Nordic countries, 3-4 per cent in continental Europe and 5-7 per cent in Poland. Growth in production capacity will outstrip growth in demand and lead to greater competition. Restructuring of the tissue business is expected to continue.

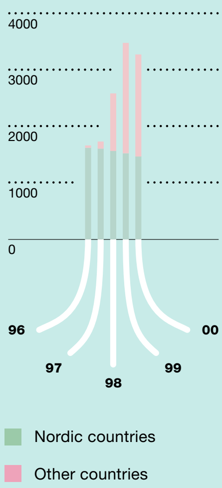
During 2000, a programme of price rises was introduced, a small number of which will be implemented early in 2001. Once this is complete, the rise in raw material costs will have been largely covered by the rise in product prices. Projects carried out during 2000 and earlier have significantly improved cost-effectiveness. Greater efficiency levels can be achieved by revising the product portfolio and overcoming bottlenecks in production, most particularly at the mills in Germany.

Higher product prices, coupled with revitalization and efficiency measures, are expected to improve the Group's profitability. The rise in raw material costs is now thought to have stopped, and this will secure a basis for profitable business. The Group anticipates better profitability in 2001 and expects to record a clear profit.

Espoo, 5 February 2001

BOARD OF DIRECTORS

Average numbers of employees



Consolidated profit and loss account

EUR 1 000

	1.1-31.12.2000	1.1-31.12.1999
Turnover[6]	609 173	585 704
Change in stocks of finished goods and		
work in progress +/-	16 993	1 343
Interest in associated companies[1]	-986	-194
Other operating income[2]	5 519	4 001
Raw materials and services		
Raw materials and consumables		
Purchased during the financial year	322 122	266 026
Change in stocks	3 325	328
Outside services	8 051	8 966
Staff expenses[3]	131 282	133 949
Depreciation and value adjustments[4]	37 386	33 483
Other operating expenses	140 407	131 868
	642 574	574 621
Operating profit/loss	-11 874	16 233
Financial income and expenses[5]		
Income from affiliated and associated companies	59	69
Income from other investments held as non-current assets	110	41
Other interest and financial income	107	112
Net exchange gains and losses	846	161
Interest and other financial expenses	-10 970	7 505
	-9 848	-7 122
Profit/loss before extraordinary items	-21 722	9 111
Extraordinary items[7]		
Extraordinary income		657
Extraordinary expenses		2 556
		-1899
Profit/loss before appropriations and taxes	-21 722	7 212
Direct taxes[8]	1 995	-6 487
Profit/loss before minority interest	-19 726	725
Minority interest	-379	-660
Profit/loss for the period	-19 347	1 386

Consolidated balance sheet

EUR 1 000

	31.12.2000	31.12.1999
Assets		
Non-current assets		
Intangible assets[9]		
Intangible rights	2 171	2 547
Goodwill	12 523	14 089
Consolidated goodwill	7 113	8 159
Other capitalized long-term expenses	758	470
Advance payments and work in progress		574
	22 564	25 838
Tangible assets[9]		
Land and water	8 805	8 882
Buildings and constructions	67 038	71 942
Machinery and equipment	166 255	173 086
Other tangible assets	389	184
Advance payments and work in progress	4 679	5 887
	247 165	259 980
Investments[10][23]		
Shares in associated companies	5 535	4 331
Other shares and participations	286	364
Other receivables	205	557
	6 026	5 261
Current assets		
Inventories		
Raw materials and consumables	25 416	29 009
Finished products/goods	55 089	38 630
	80 505	67 639
Debtors[11][12][13]		
Trade debtors	86 278	86 351
Amounts owed by affiliated companies	2 955	3 488
Amounts owed by associated companies	560	580
Other debtors	15 614	4 132
Prepayments and accrued income	2 448	3 548
	107 855	98 103
Cash and equivalents	18 838	16 668
Total assets	482 955	473 490

Consolidated balance sheet

EUR 1 000

	31.12.2000	31.12.1999
Shareholders' equity and liabilities		
Shareholders' equity(14)		
Subscribed capital	51 000	50 456
Share premium account	48 898	49 442
Legal reserve	172	134
Capital in untaxed reserves from previous years	36 821	33 087
Retained earnings	930	7 814
Profit/loss for the period	-19 347	1 386
	118 475	142 319
Minority interest	1 865	2 119
Provisions(15)	5 823	9 508
Creditors(16)(18)(19)(20)(21)		
Long-term creditors		
Loans from financial institutions	150 288	149 300
Pension loans	10 468	10 684
Deferred tax liability	18 883	19 877
Other creditors	23 621	26 119
	203 260	205 980
Short-term creditors		
Loans from financial institutions	10 382	29 237
Pension loans	598	624
Advances received	916	925
Trade creditors	30 392	35 496
Bills of exchange payable	180	246
Amounts owed to affiliated companies	63 249	6 927
Amounts owed to associated companies	1 206	1 545
Other creditors	21 626	2 740
Accruals and deferred income	24 983	35 823
	153 532	113 564
Total shareholders' equity and liabilities	482 955	473 490

Consolidated cash flow statement

EUR 1 000

	1.1-31.12.2000	1.1-31.12.1999
Funds from operations		
Operating profit/loss	-11 874	16 233
Depreciation according to plan	37 386	33 483
Change in provisions for future costs	-3 685	484
Net financial items	-9 848	-7 122
Taxes	1 349	-5 347
	13 328	37 731
Change in working capital		
Inventories (- = increase, + = decrease)	-12 866	-962
Interest-free receivables (- = increase, + = decrease)	-13 831	-10 699
Interest-free liabilities (+ = increase, - = decrease)	-2 030	-3 348
	-28 727	-15 009
Cash flow from operations	-15 399	22 722
Changes in fixed assets		
Capital expenditure	-22 713	-32 841
Sales and other changes in fixed assets	676	564
	-22 037	-32 277
Cash flow after capital expenditure	-37 436	-9 555
Financing		
Change in interest-bearing liabilities (+ = increase, - = decrease)	40 310	12 151
Change in interest-bearing receivables (- = increase, + = decrease)	4 236	1 085
Dividend	-3 532	-7 064
Other items, including translation differences	-1 602	-1 682
	39 412	4 490
Change in liquid funds	1 976	-5 065

Parent company profit and loss account

EUR 1 000

	1.1-31.12.2000	1.1-31.12.1999
Turnover(6)	184 468	190 435
Change in stocks of finished goods and work in progress +/-	3 487	-541
Other operating income(2)	2 538	3 551
Raw materials and services		
Raw materials and consumables		
Purchased during the period	106 404	96 054
Change in stocks	215	-593
Outside services	10 601	9 879
Staff expenses(3)	34 779	35 964
Depreciation and value adjustments(4)	9 228	8 113
Other operating expenses	31 413	34 532
	192 640	183 950
Operating profit/loss	-2 147	9 496
Financial income and expenses(5)		
Income from affiliated and associated companies	4 745	8 966
Income from other investments held as non-current assets	5	9
Other interest and financial income	6 240	3 193
Net exchange gains and losses	706	119
Interest and other financial expenses	-7 432	-4 901
	4 264	7 385
Profit before extraordinary items	2 116	16 881
Profit before appropriations and taxes	2 116	16 881
Change in untaxed reserves	2 296	2 849
Direct taxes(8)	-120	-3 087
Profit for the period	4 293	16 642

Parent company balance sheet

EUR 1 000

	31.12.2000	31.12.1999
Assets		
Non-current assets		
Intangible assets[9]		
Intangible rights	768	438
Other capitalized long-term expenses	77	164
Advance payments and work in progress		573
	845	1 176
Tangible assets[9]		
Land and water	259	259
Buildings and constructions	10 040	10 924
Machinery and equipment	46 933	43 845
Other tangible assets	41	44
Advance payments and work in progress	148	3 125
	57 421	58 198
Investments[10][23]		
Shares in affiliated companies	130 359	80 359
Receivables from affiliated companies	108 773	118 364
Interests in associated companies	4 991	4 538
Other shares and participations	285	318
Other receivables	205	32
	244 612	203 611
Current assets		
Inventories		
Raw materials and consumables	4 209	4 424
Finished products/goods	16 666	13 179
	20 875	17 603
Debtors[11][12][13]		
Trade debtors	24 209	26 198
Amount owed by affiliated companies	8 352	9 274
Amounts owed by associated companies	22	25
Other debtors	2 808	1 927
Prepayments and accrued income	982	1 515
	36 374	38 939
Cash and equivalents	23 273	2 759
Total assets	362 500	322 287

Parent company balance sheet

EUR 1000

	31.12.2000	31.12.1999
Shareholders' equity and liabilities		
Shareholders' equity[14]		
Share capital	51 000	50 456
Share premium account	48 898	49 442
Retained earnings	21 949	8 839
Profit for the period	4 293	16 642
	126 141	125 380
Untaxed reserves		
Accumulated depreciation difference	30 804	33 100
Provisions for liabilities and charges[15]	2 801	2 768
Liabilities[16][18][19][20][21]		
Long-term		
Loans from financial institutions	149 879	116 189
Pension premium loans	5 686	6 284
	155 565	122 473
Short-term		
Loans from financial institutions	1 250	9 715
Pension loans	598	624
Advance payments	833	925
Accounts payable	7 242	8 419
Liabilities to affiliated companies	26 928	8 931
Liabilities to associated companies	1 206	1 545
Other liabilities	1 931	2 088
Accruals and deferred income	7 202	6 320
	47 190	38 566
Total liabilities	202 755	161 039
Total shareholders' equity and liabilities	362 500	322 287

Parent company cash flow statement

EUR 1 000

	1.1-31.12.2000	1.1-31.12.1999
Funds from operations		
Operating profit/loss	-2 147	9 496
Depreciation according to plan	9 228	8 113
Change in provisions for future costs	33	425
Net financial items	4 264	7 385
Taxes	-120	-3 087
	11 258	22 333
Change in working capital		
Inventories (- = increase, + = decrease)	-3 272	-52
Interest-free receivables (- = increase, + = decrease)	2 324	-7 092
Interest-free liabilities (+ = increase, - = decrease)	-5 569	9 356
	-6 517	2 213
Cash flow from operations	4 740	24 545
Changes in fixed assets		
Capital expenditure	-58 732	-7 765
Sales and other changes in fixed assets	192	69
	-58 539	-7 696
Cash flow after capital expenditure	-53 799	16 849
Financing		
Change in interest-bearing liabilities (+ = increase, - = decrease)	47 285	2 782
Change in interest-bearing receivables (- = increase, + = decrease)	9 660	-11 417
Dividend	-3 532	-7 064
	53 413	-15 699
Change in liquid funds	-386	1 150

Accounting principles

PRINCIPLES OF CONSOLIDATION

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

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

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

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

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

FOREIGN CURRENCIES

The profit and loss accounts of foreign subsidiaries have been translated into euros at the average of the Bank of Finland's buying and selling rates for the financial period. The balance sheets have been translated using the average of the Bank of Finland's buying and selling rates at 31 December 2000. This does not apply to currencies within the euro area, which are translated into Finnish markka according to the fixed conversion rates announced by the European Central Bank. Translation differences arising on consolidation are entered under unrestricted equity.

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

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

TURNOVER

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

PENSIONS AND PENSION FUNDING

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

RESEARCH AND DEVELOPMENT

Research and development costs are expensed as incurred.

LEASING

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

INVENTORIES

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

FIXED ASSETS AND DEPRECIATION

Fixed assets are stated at cost less accumulated depreciation according to plan. Depreciation charged in the profit and loss account is calculated on a straight-line basis so as to write off the cost of fixed assets over their expected useful lives.

The principal annual rates adopted are as follows:

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

EXTRAORDINARY INCOME AND EXPENSES

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

APPROPRIATIONS

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

FUTURE COSTS AND LOSSES

Future costs and losses to which the Group is committed and which are likely to be realized are included in the profit and loss account under the appropriate expense heading and in the balance sheet under provisions for future costs whenever the exact amount or date of occurrence is not known.

DIRECT TAXES

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

1. Share of profits of associated companies

	Holding %	Share of profit for financial period	Goodwill depreciation	Share of company's profit	Goodwill book value
Mäntän Energia Oy	25.0	60		60	
Ultimatic Systems GmbH	46.7	-119	-99	-218	597
Zaklady Papiernicze w Krapkowicach S.A.	24.8	-947	119	-828	-2 379
		-1 006	20	-986	-1 782

2. Other operating income

	Group 2000	Group 1999	Parent company 2000	Parent company 1999
Rental income	603	235	41	41
Gains on disposals of fixed assets	237		33	
Service revenues	691	1 144	2 148	3 288
Other items	3 988	2 622	315	222
	5 519	4 001	2 538	3 551

3. Personnel costs

	Group 2000	Group 1999	Parent company 2000	Parent company 1999
Wages and salaries	91 852	92 473	20 001	19 776
Pension expenses	8 800	9 501	5 677	6 312
Other personnel costs	30 630	31 975	9 101	9 877
	131 282	133 949	34 779	35 964

Salaries and fees to members of Board of Directors and managing directors				
Managing director and his deputy	1 474	1 093	161	185
Members and deputy members of Board of Directors	138	237	137	130
	1 612	1 330	299	315

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

4. Depreciation

	Group 2000	Group 1999	Parent company 2000	Parent company 1999
Depreciation according to plan				
Intangible rights	821	582	362	260
Goodwill	1 573	917		
Consolidation goodwill	1 245	1 242		
Other capitalized expenditure	227	134	88	88
Buildings and constructions	5 315	4 881	882	870
Machinery and equipment	28 124	25 696	7 893	6 892
Other tangible assets	81	31	3	3
Total	37 386	33 483	9 228	8 113
Depreciation difference			-2 162	-2 849
Depreciation total	37 386	33 483	7 066	5 265

	Group 2000	Group 1999	Parent company 2000	Parent company 1999
Depreciation difference at beginning of period			33 100	35 948
Depreciation difference			-2 162	-2 849
Depreciation difference on assets sold			-134	
Depreciation difference at period end			30 804	33 100

Notes to the accounts (Profit and loss account)

EUR 1 000

5. Financial income and expenses	Group		Parent company	
	2000	1999	2000	1999
Dividends				
From affiliated companies		9	4 733	8 944
From associated companies	59	60	12	22
Other	110	41	5	9
	169	110	4 750	8 975
Income from non-current financial assets	169	110	4 750	8 975
Other interest and financial income				
Other interest income from affiliated companies		15	6 134	3 178
Other interest income from others	107	97	106	15
Other financial income from others	1 207	161	1 023	119
	1 314	273	7 263	3 312
Income from non-current financial assets and other interest and financial income	1 483	383	12 013	12 287
Interests and other financial expenses				
Interest expenses to affiliated companies	-1 237	-1 294	-428	-1 324
Interest expenses to others	-8 784	-5 823	-6 865	-3 189
Other financial expenses to others	-1 310	-388	-456	-388
	-11 331	-7 505	-7 749	-4 901
Financial income and expenses total	-9 848	-7 122	4 264	7 385

EUR 1 000

6. Exchange gains and losses in profit and loss account	**Group**		**Parent company**	
	2000	**1999**	**2000**	**1999**
Exchange differences on sales				
Exchange differences on derivatives	-2 735	-599	-2 735	-741
Other exchange differences	311	2 175	235	1 449
	-2 424	1 576	-2 500	708
Exchange differences on purchases				
Exchange differences on derivatives	2 641	222	2 641	222
Other exchange differences	-42	1 374	-23	9
	2 599	1 596	2 618	231
Exchange differences on financing				
Exchange gains				
Realized	1 013	399	1 008	382
Unrealized	178	177	15	136
Exchange losses				
Realized	-311	-365	-293	-349
Unrealized	-34	-50	-24	-50
	846	161	706	119
Exchange gains and losses total	1 021	3 333	824	1 058

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

8. Direct taxes				
Taxes for the period	-1 878	-4 889		-3 079
Taxes for previous periods	3 227	-457	-120	-9
Change in deferred tax				
Change in deferred tax liability	-20	-1 286		
Change in deferred tax receivable	666	146		
	1 995	-6 487	-120	-3 087

In relation to taxation for the companies in Germany and Poland, the deferred tax receivable on tax-deductible losses has not been included in calculating the change in deferred tax receivable. Taxes for previous periods entered in the 2000 accounts include a tax refund of EUR 3,449,000 in respect of dividends paid by subsidiaries in Germany.

EUR 1 000

9. Intangible and tangible assets

	Intangible rights	Goodwill	Consolidated goodwill	Other capitalized expenditure	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Work in progress
Group									
Acquisition cost 1.1	4 990	14 496	10 576	2 108	8 816	111 635	390 588	398	6 725
Increased	194			491	4	538	18 137	281	2 616
Moved between items	579					237	3 846		-4 662
Decreased					-15	-12	-14 723	-26	
Acquisition cost 31.12	5 763	14 496	10 576	2 599	8 805	112 398	397 848	653	4 679
Accumulated depreciations 1.1	-2 771	-400	-2 218	-1 614		-40 057	-217 331	-209	
Accumulated depreciations on movements and deductions						12	12 862	26	
Depreciation for the period	-821	-1 573	-1 245	-227		-5 315	-28 124	-81	
Accumulated depreciations 31.12	-3 592	-1 973	-3 463	-1 841		-45 360	-231 593	-264	
Book value 31.12	2 171	12 523	7 113	758	8 805	67 038	166 255	389	4 679

The acquisition cost of fixed assets of companies acquired by the group through share purchases are entered under the group's accumulated acquisition costs and accumulated depreciation under the group's accumulated depreciation. The machinery and equipment account includes EUR 161,910,000 for production machinery and equipment.

	Intangible rights	Goodwill	Consolidated goodwill	Other capitalized expenditure	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Work in progress
Parent company									
Book value 1.1	2 441			1 722	259	16 306	85 305	69	3 699
Increased	113						8 016		148
Moved between items	579					-3	3 122		-3 699
Decreased						-12	-1 403		
Book value 31.12	3 133			1 722	259	16 292	95 040	69	148
Accumulated depreciations 1.1	-2 003			-1 557		-5 382	-41 460	-25	
Accumulated depreciations on movements and deductions						12	1 246		
Depreciation for the period	-362			-88		-882	-7 893	-3	
Accumulated depreciations 31.12	-2 365			-1 645		-6 252	-48 107	-28	
Book value 31.12	768			77	259	10 040	46 933	41	148

The machinery and equipment account includes EUR 46,638,000 for production machinery and equipment.

10. Investments

	Shares in affiliated companies	Shares in associated companies	Other shares and participations	Receivables from affiliated companies	Receivables from associated companies	Other receivables	Total
Group							
Purchase cost 1.1		4 331	364			557	5 252
Increase		1 204	3			256	1 463
Decrease			-81			-608	-689
Purchase cost 31.12		5 535	286			205	6 026
Book value 31.12		5 535	286			205	6 026
Parent company							
Book value 1.1	80 359	4 538	318	118 364		32	203 611
Increase	50 000	453	3	40 455		256	91 167
Decrease			-36	-50 046		-83	-50 165
Purchase cost 31.12	130 359	4 991	285	108 773		205	244 612
Book value 31.12	130 359	4 991	285	108 773		205	244 612

11. Receivables from the management

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

12. Current receivables

	Group		Parent company	
	2000	**1999**	**2000**	**1999**
Receivables from others				
Accounts receivable	86 278	86 351	24 209	26 198
Loans receivable		4		
Other receivables	15 614	4 132	2 808	1 927
Accruals	2 448	3 548	982	1 515
Receivables from affiliated companies				
Accounts receivable	2 955	3 315	8 352	9 033
Other receivables		173		241
Receivables from associated companies				
Accounts receivable	22	25	22	25
Loans receivable	538	555		
	107 855	98 103	36 374	38 939

Notes to the accounts (Balance sheet)

EUR 1 000

13. Accruals

	Group		Parent company	
	2000	**1999**	**2000**	**1999**
Taxes	16	579	5	579
Insurance	256	76	235	35
Leasing	1 087	1 054		
Other	1 089	1 839	743	901
	2 448	3 548	982	1 515

14. Shareholders' equity

	Group 2000	Group 1999	Parent company 2000	Parent company 1999
Share capital 1.1	50 456	50 456	50 456	50 456
Increase	544		544	
Share capital 31.12	51 000	50 456	51 000	50 456
Share premium account 1.1	49 442	49 442	49 442	49 442
Decrease	-544		-544	
Share premium account 31.12	48 898	49 442	48 898	49 442
Legal reserve 1.1	134			
Increase/decrease	38	134		
Legal reserve 31.12	172	134		
Other reserves and profit funds 1.1	42 286	42 002	25 481	15 908
Dividends	-3 532	-7 064	-3 532	-7 064
Moved to restricted equity				
Change in translation difference	-1 021	4 543		
Other items	18	1 420		-5
Profit/loss for the financial period	-19 347	1 386	4 293	16 642
Other reserves and profit funds 31.12	18 404	42 286	26 242	25 481
Shareholders' equity total	118 475	142 319	126 141	125 380
Distributable funds				
Other funds and profit brought forward	18 404	42 286	26 242	25 481
Untaxed reserves in shareholders' equity	-32 937	-35 386		
Distributable funds	-14 533	6 900	26 242	25 481
Untaxed reserves 31.12	69 241	72 674	30 804	33 100
Deferred tax liability from untaxed reserves	-19 696	-20 680		
	49 545	51 994		
Reserves at the date of purchase	-16 608	-16 608		
Untaxed reserves in shareholders' equity 31.12	32 937	35 386		

15. Reserves for future costs	1.1	Increase	Decrease	31.12
Group				
Reserve for unemployment pension insurance	2 675	110		2 785
Reserve for business termination				
and restructuring	4 776		-4 520	256
Other items	2 057	1 587	-862	2 782
	9 508	1 697	-5 382	5 823
Parent company				
Reserve for unemployment pension insurance	2 675	57		2 732
Reserve for effluent disposal	93		-24	69
	2 768	57	-24	2 801

16. Liabilities	Group		Parent company	
	2000	1999	2000	1999
Long-term				
Non-interest bearing	18 883	19 915		
Interest bearing	184 377	186 065	155 565	122 473
	203 260	205 980	155 565	122 473
Short-term				
Non-interest bearing	79 334	81 364	21 826	27 303
Interest bearing	74 198	32 200	25 364	11 263
	153 532	113 564	47 190	38 566

17. Long-term loans and repayment scheme	Loans from financial institutions	Pension loans	Other loans	Total
Group				
2 001	1 323	598		1 921
2 002	17 178	574		17 752
2 003	17 178	552		17 730
2 004	92 181	531		92 712
2 005	9 877	512		10 389
2006-	13 874	8 299		22 173
	151 611	11 066		162 677

18. Deferred tax liability	Group		Parent company	
	2000	1999	2000	1999
From untaxed reserves	19 695	20 680		
From provisions	-812	-803		
	18 883	19 877		

EUR 1 000

19. Long-term liabilities	Group		Parent company	
	2000	1999	2000	1999
Liabilities to others				
Loans from financial institutions	150 288	149 300	149 879	116 189
Pension loans	10 468	10 684	5 686	6 284
Deferred tax liability	18 883	19 877		
Other interest-bearing liabilities	23 621	26 081		
Other non-interest bearing liabilities		38		
	203 260	205 980	155 565	122 473

20. Short-term liabilities				
Liabilities to others				
Loans from financial institutions	10 382	29 237	1 250	9 715
Pension loans	598	624	598	624
Advance payments	916	925	833	925
Accounts payable	30 392	35 496	7 242	8 419
Bills of exchange payable	180	246		
Accruals	24 983	35 823	7 202	6 320
Other short-term interest-bearing liabilities	3 413	2 093		
Other short-term non-interest bearing liabilities	18 213	647	1 931	2 088
Liabilities to affiliated companies				
Accounts payable	2 969	3 369	4 245	4 607
Other short-term interest-bearing liabilities	59 625		22 683	
Other short-term non-interest bearing liabilities	655	3 558		4 324
Liabilities to associated companies				
Accounts payable	1 206	1 545	1 206	1 545
	153 532	113 564	47 190	38 566

21. Accruals	**Group**		**Parent company**	
	2000	**1999**	**2000**	**1999**
Accruals of wage, salary and staff costs	7 716	13 259	4 916	5 036
Interests	1 111	587	1 111	587
Accruals of purchases	5 970	4 931		
Insurances	228	2 903	228	214
Provisions for discounts	4 770	3 980		
Others	5 188	10 164	947	482
	24 983	35 823	7 202	6 320

22. Liability Commitments				
On own debts				
Liabilities secured by real estate mortgages				
Loans from financial institutions		49 278		
Other loans	1 167			
Real estate mortgages		52 049		
Chattel mortgages	2 174	2 236		
On behalf of Group companies				
Guarantee liabilities	28	971		
On behalf of others				
Guarantee liabilities	503			
Other liabilities				
As security for own commitments	96	112		
Leasing commitments*				
Payments due in next 12 months	3 028	5 531	932	825
Payments due in subsequent years	3 501	16 493	404	832
Total				
Real estate mortgages		52 049		
Chattel mortgages	2 174	2 236		
Guarantees	531	971		
Other liabilities	96	112		
Leasing liabilities	6 529	22 024	1 336	1 657
	9 330	77 392	1 336	1 657

** Sum does not include the following leasing liabilities capitalized in the balance sheet*

Notes to the accounts (Balance sheet)

EUR 1 000

Group	Gross amount 2000	Market value	Unrecognized valuation difference	Gross amount 1999
Liabilities due to open derivative contracts				
Currency derivatives				
Forward agreements	3 887	-118	37	13 867
Options				
Purchased	4 000	70	47	52 000
Sold	4 000	53	36	59 500
Commodity derivatives				19 028

	Group 2000	Group 1999
Financial leasing agreements		
Value of assets in consolidated balance sheet		
Land and water	1 063	544
Machinery and equipment	5 837	4 213
Buildings	6 164	3 386
	13 064	8 143
Financial lease liabilities		
Short-term	8 970	2 093
Long-term	4 094	6 050
	13 064	8 143
Future leasing payments		
Year 2001	3 530	1 872
Subsequent years	17 477	10 741
Future leasing payments, total	21 007	12 613

Other liabilities

Redemption liability in respect of minority share interest in Metsä Tissue´s Polish subsidiary Metsä Tissue S.A. EUR 4,714,000.

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

23. Shares and participations

Name of company	Domicile	Holdings %	Number of shares	Nominal value 1 000s	Book value 1 000s
Affiliated companies					
Owned by Metsä Tissue Corp.					
Metsä Tissue Holding GmbH	Germany	100.00		126 942 DEM	64 906 EUR
Metsä Tissue Ltd	UK	100.00	100		72 EUR
Metsä Tissue Holding Ab	Sweden	100.00	100 000	10 000 SEK	52 979 EUR
Tissu Canarias S.A.	Spain	63.05	39 092	19 546 ESP	599 EUR
Metsä Tissue Sales S.A.	Poland	100.00	1 000	100 PLN	26 EUR
Metsä Tissue S.A.	Poland	79.28	1 280 438	5 621 PLN	11 769 EUR
Owned by Metsä Tissue Holding AB					
Metsä Tissue AB	Sweden	100.00	2 000 000	200 000 SEK	576 450 SEK
Metsä Tissue A/S	Denmark	100.00	1 000	500 DKK	270 SEK
Metsä Tissue AS	Norway	100.00	6 020	602 NOK	482 SEK
Owned by Metsä Tissue Holding GmbH					
Metsä Tissue GmbH	Germany	100.00		22 520 DEM	68 533 EUR
Metsä Tissue Immobilienverwaltungs GmbH	Germany	100.00		50 DEM	29 EUR
Metsä Tissue S.A.R.L.	France	99.00	99	1 535 FRF	315 EUR
Owned by Metsä Tissue GmbH					
Halstrick Polska Sp. Zo.o.	Poland	100.00		2 262 PLN	326 EUR
Halstrick Transportgesellschaft mbH + Co. KG	Germany	100.00		639 DEM	153 EUR
Strepp France S.A.R.L.	France	100.00		50 FRF	20 EUR
Associated companies					
Owned by Metsä Tissue Corp.					
Mäntän Energia Oy	Finland	25.00	1 000	500 FIM	84 EUR
Ultimatic Systems GmbH	Switzerland	46.67	70	70 CHF	1 908 EUR
Zaklady Papiernice w Krapkowicach S.A.	Poland	24.79	461 506	4 616 PLN	2 990 EUR
Owned by Metsä Tissue AB					
Papperåtervinnings AB*	Sweden	33.00	333	33 SEK	75 SEK
Katrinefors Kraftvärme AB*	Sweden	50.00	250	250 SEK	250 SEK
Other shares and holdings					
Owned by Metsä Tissue Corp.					
Housing companies	Finland				280 EUR
Other	Finland				21 EUR
Owned by affiliated companies	Sweden				100 SEK
	Germany				103 EUR

* The companies are not included in the consolidation of associated companies.

Calculation of key ratios

Return on equity, %	=	$\dfrac{\text{Profit before extraordinary items - direct taxes}}{\text{Shareholders' equity + minority interest (average)}}$
Return on capital employed, %	=	$\dfrac{\text{Profit before extraordinary items + interest expense, net exchange gains/losses and other financial expenses}}{\text{Total assets - interest-free liabilities (average)}}$
Equity ratio, %	=	$\dfrac{\text{Shareholders' equity + minority interest}}{\text{Total assets - advance payments received}}$
Gearing ratio, %	=	$\dfrac{\text{Interest-bearing liabilities - liquid assets}}{\text{Shareholders' equity + minority interests}}$
Earnings per share	=	$\dfrac{\text{Profit before extraordinary items - minority interest - direct taxes}}{\text{Adjusted number of shares (average)}}$
Shareholders' equity per share	=	$\dfrac{\text{Shareholders' equity}}{\text{Adjusted number of shares at 31.12}}$
Dividend per share	=	$\dfrac{\text{Dividend}}{\text{Adjusted number of shares at 31.12}}$
Dividend per profit, %	=	$\dfrac{\text{Dividend per share}}{\text{Earnings per share}}$
Dividend yield, %	=	$\dfrac{\text{Dividend per share}}{\text{Share price at 31.12}}$
Price/earnings (P/E) ratio	=	$\dfrac{\text{Adjusted share price at 31.12}}{\text{Earnings per share}}$
Adjusted average share price	=	$\dfrac{\text{Total traded volume of shares (FIM)}}{\text{Total adjusted traded volume of shares (units)}}$
Market capitalization	=	Number of shares x market price at 31.12
Net interest-bearing liabilities/turnover, %	=	$\dfrac{\text{Interest-bearing liabilities - interest-bearing financial assets}}{\text{Turnover}}$
Cash flow from operations	=	Cash flow from operations in cash flow statement

Five years in figures *1996-2000 pro forma*

PROFIT AND LOSS ACCOUNT (MEUR)	2000	1999	1998	1997*	1996*
Turnover	609.2	585.7	342.7	318.4	302.1
Other operating income	5.5	4.0	2.6	1.8	1.3
Interests in associated companies	-1.0	-0.2	-0.1	-0.1	0.0
Operating expenses	588.2	539.8	303.6	275.5	262.0
Depreciation according to plan	37.4	33.5	16.8	15.4	13.0
Operating profit/loss	-11.9	16.2	24.8	29.3	28.5
Interest and other financial expenses, net	-9.8	-7.1	-0.7	-0.4	-0.7
Profit/loss before extraordinary items	-21.7	9.1	24.1	28.9	27.8
Extraordinary items	0	-1.9	0,0	0,0	-
Profit/loss before taxes and minority interest	-21.7	7.2	24.1	28.9	27.8
Direct taxes	2.0	-6.5	-8.5	-8.3	-8.2
Profit/loss for the period before minority interest	-19.7	0.7	15.6	20.5	19.6
Minority interest	-0.4	-0.7	-1.8	0.0	-0.1
Profit/loss for the period	-19.3	1.4	17.4	20.5	19.5
BALANCE SHEET (MEUR)					
Total assets	483	473.5	462.3	242.5	212.1
Shareholders' equity	118.5	142.3	142.0	137.6	126.5
Minority interest	1.9	2.1	2.7	8.3	0.4
Interest-bearing liabilities, short-term	74.2	32.2	87.5	11.6	3.5
long-term	184.4	186.1	118.6	11.2	12.1
Interest-free liabilities, short term	79.3	81.4	80.1	62.3	53.0
long-term	18.9	19.9	23.0	11.6	16.6
Net interest-bearing liabilities					
Interest-bearing liabilities, total	258.6	218.3	206.1	22.7	15.6
Cash and equivalents	18.9	16.7	20.7	21.5	9.2
Other interest-bearing assets	0.5	0.7	1.8	0.6	10.0
Net interest-bearing liabilities, total	239.2	200.9	183.6	0.6	-3.5
RETURN ON CAPITAL EMPLOYED AND FINANCIAL SITUATION					
Return on equity, %	-14.9	1.8	10.8	15.1	15.9
Return on capital employed, %	-3.1	4.6	10.0	19.2	20.5
Operating profit/loss, % of turnover	-1.9	2.8	7.2	9.2	9.4
Gearing, %	198.8	139.1	126.8	0.4	-2.8
Equity ratio, %	24.9	30.5	31.3	60.2	59.8
OTHER INFORMATION					
Cash flow from operations	-15.4	22.7	38.0	25.0	41.8
Capital expenditures	22.7	32.8	145.2	27.3	17.0
Investment, % of turnover	3.7	5.6	42.4	8.6	5.6
Employees, average	3 205	3 459	2 580	1 725	1 688
Employees at 31 Dec.	3 048	3 355	3 687	1 591	1 618
SHARE-RELATED INDICATORS					
Earnings/loss per share, EUR	-0.64	0.11	0.58	0.68	0.65
Shareholders' equity per share, EUR	3.95	4.74	4.73	4.59	4.22
Adjusted no. of shares, average, 1000	30 000	30 000	30 000	30 000	30 000
Dividend per share, EUR	-	0.12	0.24	0.24	
Dividend/profit, %	0.0	109.1	41.4	34.6	
Dividend yield, %	0.00	0.94	2.98	2.67	
Price/earnings (P/E) ratio	neg.	116.36	13.62	12.90	

* The figures for 1996-1997 in this report have been calculated as if the restructuring of the Group on 30 September 1997 had been in force since 1 January 1996.

Board of Directors' proposal for the distribution of profits

The unrestricted shareholders' equity of the Group at 31 December 2000 was FIM 109,425,000.00 (EUR 18,404,000.00). Funds available for distribution as profit are FIM -86,411,100.00 (EUR -14,533,300.00). The parent company's distributable unrestricted shareholders' equity was FIM 156,028,997.13 (EUR 26,242,193.50). As the Group has no distributable funds, the Board of Directors proposes to the Annual General Meeting that no dividend be paid in respect of the 2000 financial period and that the profit for the period be transferred to the retained earnings account.

Espoo, 5 February 2001

Antti Oksanen	Arimo Uusitalo	Ari Heiniö
Jussi Länsiö	Curt Lindbom	Jorma Vaajoki
Juhani Saarela		

Hannu Anttila
Chief Executive Officer

Auditor's report

TO THE SHAREHOLDERS OF METSÄ TISSUE CORPORATION

We have audited the accounting, the financial statements and the corporate governance of Metsä Tissue Corporation for the period 1.1 - 31.12.2000. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with Finnish Standards on Auditing. These standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to ascertain that the members of the Board of Directors and the Managing Director have legally complied with the rules of the Companies' Act.

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

Espoo, 14 February 2001

SVH Pricewaterhouse Coopers Oy
Authorised Public Accountants

Göran Lindell
Authorised Public Accountant

Shares and shareholders

BREAKDOWN OF SHAREHOLDINGS AT 31 DECEMBER 2000

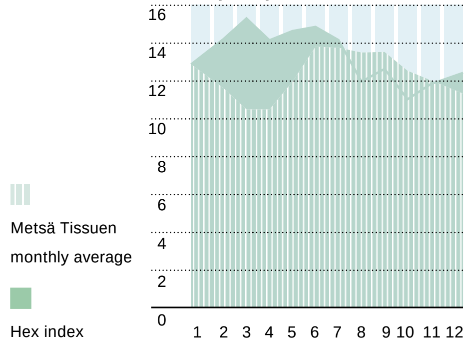
Shares	Number of shareholders	% of all share-holders	Number of shares owned	% of all shares and votes
1-100	467	31.58	39,988	0.13
101-1,000	878	59.36	365,904	1.22
1,001-10,000	95	6.42	229,440	0.76
10,001-100,000	28	1.89	1,002,818	3.34
over 100,000	11	0.74	28,361,850	94.54

MAIN SHAREHOLDERS AT 31 DECEMBER 2000

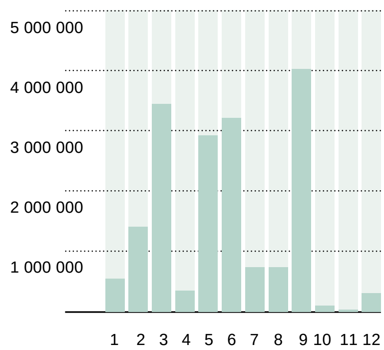
Name	Number of shares	% of shares and votes
1. Metsä-Serla Corp.	19,675,000	65.58
2. SCA Mölnlycke Holding BV	5,781,200	19.27
3. Merita Life Insurance	252,445	0.84
4. MeritaNordbanken Foresta Fund	204,400	0.68
5. Optiomi Oy	165,000	0.55
6. Metsäliitto Osuuskunta	161,100	0.54
7. Evli Options Ltd	150,050	0.50
8. Mutual Insurance Company Enterprise-Fennia	114,500	0.38
9. Mutual Insurance Company Pension-Fennia	101,000	0.34
10. Palkkiyhtymä Oy	100,000	0.33

At 31 December 2000, foreign investors held 7,559,505 of the company's shares, representing 25.20 per cent of the shares and votes.

VOLUMES TRADED 1 JANUARY - 31 DECEMBER 2000 (EUR)

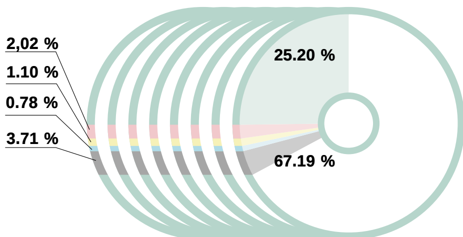


SHARE PERFORMANCE IN 2000



SHAREHOLDERS BY GROUP AT 31 DECEMBER 2000

	Number of shares
Companies	20,157,450
Financial institutions and insurance companies	1,114,195
Public bodies	234,500
Non-profit organizations	329,130
Households	605,220
Foreign investors *	7,559,505



* *Also includes nominee-registered shares.*

SHARES AND SHARE CAPITAL

Metsä Tissue's Annual General Meeting approved a proposal to change the company's share capital and the nominal value of its shares into euros. To make the nominal value of the share exact to one-tenth of a euro (EUR 1.70), the meeting decided to raise the company's share capital by FIM 3,232,230 by transferring this amount from the company's share premium account. The meeting also decided that those sections of the Articles of Association relating to the share capital and nominal value of the company's shares be amended to read that (Article 4) the company's minimum share capital shall be EUR 50,456,378 and the maximum share capital EUR 201,825,512 and that (Article 5) the nominal value of the company's share shall be EUR 1.70. The share capital may be increased or decreased within these limits without amendment to the Articles of Association. At 31 December 2000, the company's fully paid-in share capital, as registered in the Trade Register, was EUR 51,000,000. The total number of shares is 30,000,000. Each share entitles the holder to one vote at a general meeting of shareholders and all shares carry the same right to receive dividend.

SHARE LISTING AND SHARE PERFORMANCE

The company's shares are quoted on HEX Ltd, Helsinki Exchanges under the heading "other industry". The number of the company's shares traded during 2000 was 1,789,385. The year's highest quotation was EUR 14.20 and the lowest EUR 9.50. The average quotation was EUR 12.43. At the balance sheet date the shares were quoted at EUR 13.00, giving the company a market capitalization of EUR 390 million.

At the balance sheet date, Metsä Tissue had 1,479 registered shareholders. Metsä-Serla Corporation holds 65.58 per cent of the shares and international investors 25.20 per cent.

Trend in share price, EUR	2000	1999
Highest	14.20	14.50
Lowest	9.50	6.46
At end of period	13.00	12.80
Average	12.43	10.94

VOLUMES TRADED ON HEX LTD, HELSINKI EXCHANGES

	2000	1999
Number of shares	1,789,385	10,638,741
% of total shares	6.0	35.5
Number of shares at year-end	30,000,000	30,000,000
Market capitalization at year-end, EUR thousand	390,000	384,000
Number of shareholders	1,479	1,767

MANAGEMENT OPTIONS SCHEME

The Annual General Meeting of 20 March 1998 decided to issue 1,000,000 options to key personnel within Metsä Tissue Corporation. The company will issue the maximum number of 1,000,000 options, of which 300,000 will bear the letter A, 300,000 the letter B and 400,000 the letter C. Each option entitles the holder to subscribe one Metsä Tissue Corporation share, nominal value EUR 1.70.

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

Exercise of all options would increase the share capital by 1,000,000 new shares, i.e. by EUR 1,700,000. The shares offered for subscription under the options scheme represent 3.2 per cent of the company's shares and 3.2 per cent of the votes.

At 31 December 2000, a total of 28 people held directors' share options.

DIRECTORS' SHAREHOLDINGS

The members of the Board of Directors own 1,600 Metsä Tissue shares. CEO Hannu Anttila owns 75,000 of the company's 1998 share options. The members of the Board of Directors do not hold options. Other directors hold a total of 500 Metsä Tissue shares.

BOARD'S AUTHORITY TO RAISE THE SHARE CAPITAL

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

Corporate Governance

GENERAL MEETING OF SHAREHOLDERS

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

BOARD OF DIRECTORS

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

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

The Board of Directors normally meets once a month. In 2000, the Board held 11 meetings.

CHIEF EXECUTIVE OFFICER

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

SALARIES AND REMUNERATIONS

The remunerations paid to the members of the Board of Directors are confirmed by the general meeting of shareholders for one year ahead. Salaries, fees and benefits in kind paid to the members of the Board of Directors and the CEO in 2000 totalled EUR 298,954.

Fees paid to the Board of Directors in 2000 totalled EUR 137,494. Hannu Anttila, the company's CEO, received salary, fees and benefits in kind totalling EUR 161,460 in 2000.

BUSINESS ORGANIZATION

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

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

Board of Directors, Management Group and Auditor

INFORMATION ON MEMBERS OF THE BOARD OF DIRECTORS

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

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

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

Jussi Länsiö, b. 1952
Member of the Board • Bachelor of Science in Economics • Managing Director of Hartwall Plc • Member of the Boards of Sonera Corporation, Baltic Beverages Holding AB and Jokerit HC

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

Jorma Vaajoki, b.1949
Member of the Board • Master of Science in Engineering, Master of Science in Economics and Business Administration • President and CEO of Metsä-Serla Corporation • Chairman of the Boards of MD Papier GmbH, Modo Paper AB, Forest House B.V. and Forest Alliance Oy • Member of the Boards of Myllykoski Paper Oy, the Finnish Forest Industries Federation, Noviant Oy and of certain other Metsä-Serla subsidiaries • Member of the Supervisory Boards of Varma-Sampo and Landesbank Schleswig-Holstein

Juhani Saarela, b. 1955
Member of the Board • Master of Science in Economics, eMBA • Executive Vice President of Metsä-Serla Corporation • Chairman of the Boards of Metsä Tissue AB, Metsä Petöfi and Tako Board Mill • Member of the Boards of the Finnish Institute at Athens and Forest Alliance Ltd.

MANAGEMENT GROUP

Hannu Anttila, b. 1955
Master of Science in Economics and Business Administration • Chief Executive Officer • Hannu Anttila has 75,000 Metsä Tissue Corporation 1998 share options

Per Hellström, b. 1950
Director, Information Technology, Chief Financial Officer (Metsä Tissue GmbH) • Per Hellström has 50,000 Metsä Tissue Corporation 1998 share options

Mikko Hietanen, b. 1955
Master of Science in Economics • Chief Financial Officer, Communications • Mikko Hietanen has 50,000 Metsä Tissue Corporation 1998 share options

Paavo Liestalo, b. 1958
Master of Science in Economics • Director, Consumer business area (Nordic countries and Great Britain) • Paavo Liestalo has 50,000 Metsä Tissue Corporation 1998 share options

Kari Muttilainen, b. 1955
Master of Science in Economics • Director, Away-from-Home business area • Kari Muttilainen has 50,000 Metsä Tissue Corporation 1998 share options

Raija Mörö, b. 1958
Master of Science in Forestry • Director, Mänttä mill and Baking and Cooking product area • Raija Mörö has 20,000 Metsä Tissue Corporation 1998 share options

Antti Pokki, b. 1946
Master of Science in Engineering • Managing Director (Metsä Tissue GmbH), business development • Antti Pokki has 50,000 Metsä Tissue Corporation 1998 share options

Hubert Schönbein, b. 1953
Master of Science in Economics and Business Adminmistration • Sales Director, Consumer business area (continental Europe) • Hubert Schönbein has no Metsä Tissue share options

Olli-Matti Tahvanainen, b. 1948
Master of Science in Economics • Director, Table Top product area and Stotzheim mill • Olli-Matti Tahvanainen has 30,000 Metsä Tissue Corporation 1998 share options

Lars Warvne, b. 1955
Master of Science in Chemical Engineering • Managing Director (Metsä Tissue AB), production development • Lars Warvne has 50,000 Metsä Tissue Corporation 1998 share options

Auditor

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

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