



m·real

Make it real.

annual report 2000



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Metsä-Serla Corporation's Annual General Meeting held on 2 April 2001, resolved that the company's business name will be M-real corporation. This Annual Report covers the year 2000, and on the following pages the name of the company is written Metsä-Serla. Beginning 6 April 2001, the official name of the company is M-real corporation.

Metsä-Serla is specialized in producing and in selling high-quality papers and paperboard grades for demanding end uses. Metsä-Serla is Europe's leading supplier of printing and office papers as well as magazine papers. Within merchanting, the company is Europe's third largest player.

Of Metsä-Serla's core businesses, Paper and Packaging, with their organizational emphasis on end use, reflect the essence of the company's strategy – customer orientation. For customers, global sales network and the merchanting business form a primary interface with the company and its products.

By focusing on and increasing the breadth of its core businesses, Metsä-Serla is seeking a continuous increase in its competitiveness, profitability and shareholder value.

Metsä-Serla's Annual General Meeting has decided on 2 April 2001 that the company's official business name is to be changed to M-real Oyj (M-real Corporation in English). The new name became effective on 6 April 2001.

The new name, M-real, is a key step in implementing the company's strategy in which Metsä-Serla, Modo Paper and Zanders will be formed into a new kind of paper and packaging company with a stronger end customer focus.

The company's name change will apply to all of Metsä-Serla and to the company's wholly owned subsidiaries, like Modo Paper, UK Paper and Biberist. This will be carried out respecting at the same time also local mill names. The change will not concern Metsä Tissue Corporation nor Zanders Feinpapiere AG being publicly listed companies with Metsä-Serla as majority shareholder. The name will not be applied to the company's paper merchandising business either, in order to ensure its arms-length operations.

The name M-real and the phrase "make it real" have been created to unify a company currently comprising several corporate

names into a single European corporation and of providing a clear focus for the businesses. The company is committed to becoming a truly customer-focused organisation that supports its customers get the best out of paper and the new name is the first step in this change. Rather than seeing paper as just an everyday product, the company sees paper as integral to how its end customers deliver experiences, for example through packaging, magazines and books. In the office environment, the company also believes that paper is fundamental to how ideas are expressed and brought to life. At the same time, M-real is a genuine, down-to-earth name reflecting the background and tradition of paper and the company that makes it.

In carrying out the re-branding, the M-real company name will take a position alongside the company's product names, becoming a common denominator. The spectrum of the product names now used within the corporation will be pared down and unified to get the maximum benefit from the potential offered by the new company name. Stronger existing product brands will be used and developed also in the future.

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Information for Shareholders

Annual general meeting

The Annual General Meeting of Metsä-Serla Corporation will be held at the company's Head Office, Revontulentie 6, 02100 Espoo, on Monday, 2 April 2001, beginning at 6 p.m. Finnish time. Shareholders wishing to take part in the Annual General Meeting and to exercise their right to vote must be registered in the list of shareholders kept by Finnish Central Securities Depository Ltd by 23 March 2001 at the latest and should announce their intention to attend the meeting before 4.30 p.m. Finnish time on 29 March 2001, either by telephoning Ms Eija Niittynen on +358 1046 94530, by sending a telefax to Ms Eija Niittynen on +358 1046 94529 or an e-mail message to ejja.niittynen@metsaserla.com or by writing to Metsä-Serla Corporation, Eija Niittynen, Revontulentie 6, 02100 Espoo, Finland. Any proxies should be submitted at the time such shareholders notify the company of their intention to attend.

The Board of Directors proposes that a dividend of EUR 0.60 for the

2000 financial year be paid on 12 April 2001 to shareholders who are entered by 5 April 2001 at the latest in the list of shareholders kept by Finnish Central Securities Depository Ltd.

Financial information

The financial reports are published in Finnish, Swedish, English, German, and French. Copies can be obtained from Metsä-Serla Corporation, Corporate Communications, Revontulentie 6, 02100 Espoo, tel. +358 1046 94542 and fax +358 1046 94531 or by e-mail at taina.haralaskela@metsaserla.com.

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

On Metsä-Serla's English-language Internet pages, material of interest to investors can be found in the section on our Investor Relations service. Stock exchange announcements, interim reports and financial information on these pages are updated in

real time. The pages give a company presentation that is regularly updated when financial reports are published. Information on the Group's organization, products, sales network and environmental issues can also be found on the Internet pages. Also, Group publications can be ordered and feedback sent via the Internet.

The address of Metsä-Serla's website is www.metsaserla.com.

Shares

The company has a total of 138,999,425 shares. Each share has a nominal value of EUR 1.70. Information on Metsä-Serla Corporation's shares is given on pages 84 – 89.

Metsä-Serla's Series A and Series B shares are quoted on Helsinki Exchanges. Within the electronic HETI trading system the codes of the shares are MESAS and MESBS, respectively. Metsä-Serla's Series B shares are also quoted on the London Stock Exchange and on the Bavarian Stock Exchange.

Share register

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

Metsä-Serla Corporation will publish the following financial reports in 2001:

- Financial Results for year 2000 6.2.
- Interim Report January – March 2001 3.5.
- Interim Report January – June 2001 1.8.
- Interim Report January – September 2001 30.10.

Metsä-Serla will publish its Annual Report for year 2000 in electronic format on the week commencing 26th February, 2001. Printed version will be published later.

Investor relations

Veli-Matti Mynttinen Executive Vice President & CFO Tel. +358 10 469 4655 Fax +358 10 469 4141 GSM +358 50 2895 E-mail: veli-matti.mynttinen@metsaserla.com	Antti Nummi Investor Relations Manager Tel. +358 10 469 4432 Fax +358 10 469 4531 GSM +358 50 598 9629 E-mail: antti.nummi@metsaserla.com	Hannu Ikävalko Business Analyst Tel. +358 10 469 4987 Fax +358 10 469 4458 GSM +358 50 598 9615 E-mail: hannu.ikavalko@metsaserla.com	Corporate Communications Tel. +358 10 469 4542 Fax +358 10 469 4531
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Metsä-Serla Group	2000	1999	Change
Turnover, EUR million	5 898	4 044	46%
Operating profit, EUR million	604	352	72%
– Operating profit, %	10.2	8.7	
Profit after financial items, EUR million	459	268	71%
– % of turnover	7.8	6.6	
Return on capital employed, %	13.5	10.5	
Return on equity, %	15.5	10.6	
Interest-bearing net liabilities, EUR million **)	3 383	1 161	192%
Gearing ratio, % **)	146	56	
Equity ratio, % **)	29.7	45.1	
Earnings per share, EUR	2.20	1.34	64%
Equity per share, EUR	14.05	12.28	14%
Dividend per share, EUR *)	0.60	0.45	33%
Market capitalization, 31 Dec. EUR million	1 167	1 589	–27%
Gross capital expenditure, EUR million ***)	2 150	394	446%
Cash flow from operations	507	362	40%
Personnel at 31 December	19 594	14 900	32%

*) Board of Directors' proposal for 2000

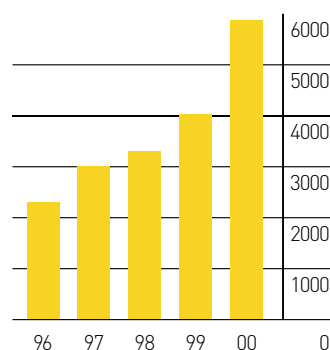
**) the convertible subordinated capital notes are included in shareholders' equity

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

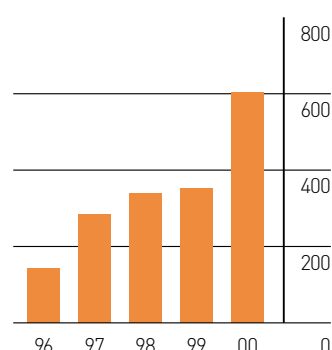
Main events in 2000

- In February, a decision was taken on a capital expenditure programme to develop the Kangas paper mill and to convert its production to coated products. Apart from purchasing a coating machine, the investment programme includes the building in Joutseno of a chemithermal mechanical pulp (CTMP) plant. The coating machine investment will be completed in March of the current year and the CTMP plant in the latter part of the year.
- At the end of May, an agreement was signed on acquiring the entire shares outstanding in Modö Paper AB of Sweden. The deal came into force in August.
- In connection with the Modö Paper acquisition, an agreement was made on the sale of the corrugated packaging business to SCA. The transaction was completed at the beginning of September.
- The acquisition of the Hungarian carton and label manufacturer Cofinec came into force at the end of September.
- In November, an agreement was signed on the purchase of a 72 per cent holding in the German company Zanders Feinpapiere AG. The deal came into force at the beginning of January 2001. At the end of January, Metsä-Serla's holding in Zanders was about 88 per cent, following additional purchases of its shares.
- In the first part of the year, a capital expenditure programme was launched at the Husum mill with the aim of changing the production of PM 8 over from uncoated to coated grades of paper. The investment comprises, among other things, the building of a coating machine. The capital expenditure programme will be completed in May of the current year.
- The pulp companies Oy Metsä-Botnia Ab and Oy Metsä-Rauma Ab, which are owned jointly by Metsä-Serla, UPM-Kymmene and Metsä-liitto Osuuskunta, were merged at the end of the year.

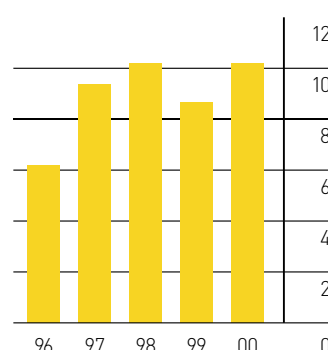
Turnover, EUR million



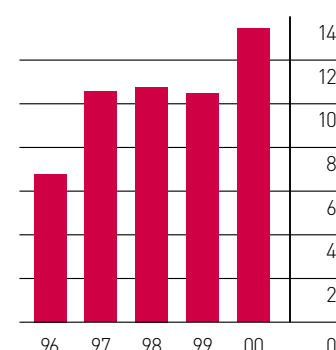
Operating profit, EUR million



Operating profit, %



Return on capital employed, %





President's Review

Jorma Vaajoki
President and CEO

The year 2000 was a record year for Metsä-Serla in more ways than one: the Company's efforts in benchmarking and restructuring were rewarded by record profits and the four intensive years of transformation culminated in two major acquisitions, those of Modo Paper and Zanders.

Dear shareholder

Since launching the new strategy, Metsä-Serla has grown from EUR two billion sales in 1996 into the present level of EUR eight billion in sales, pushing the Company into the big league of pulp and paper manufacturers. All this growth has been accomplished with good and growing profitability. Size isn't all that matters, though: Metsä-Serla is one of the most focused among its peers and is the leading supplier in the fastest growing and rapidly changing European fine paper market.

All Metsä-Serla's core business groups Paper, Packaging and Merchancing did well in 2000. The major acquisitions of Modo Paper and Zanders and their integration notwithstanding, the Paper group was able to maintain very good profitability and to ensure continued success of the acquired businesses. The Packaging group was ready to take advantage of the improved market conditions and provided a handsome contribution to the Company's overall profitability. The Merchancing group was busy integrating the Metsä-Serla and Modo Paper organizations into a restructured and efficient unit, while catering to their daily business as usual. Pulp joint venture Metsä-Botnia was able to exploit fully the excellent market situation. Only Metsä Tissue suffered during the past year: significant restructuring costs and high pulp prices combined to cause losses for the company.

The paper market boomed for most of the year. Only in the fall did order inflow start to decline somewhat, mainly due to speculation rather than slumping demand. The global industry consolidation has advanced in big strides creating larger and larger producers of pulp and paper. As a result of this process, the supply and demand of pulp and paper seemed to be better in balance last year.

Of the different paper customer groups, it is expected that Home and Office will be the fastest growing, and that demand for new products will be the highest in this customer group as office technology and Internet use advances rapidly. This sector is currently using the bulk of uncoated fine paper. However, the consumption is changing fast towards more value-added papers, like coated fine papers and specialty paper applications. As the leading supplier to this customer group, Metsä-Serla has excellent opportunities of taking advantage of this shift in consumer behavior. Of other important customer groups, Commercial Printers became increasingly important to Metsä-Serla as they are mostly using coated fine papers. For the Publishing sector using magazine papers, Metsä-Serla with Myllykoski is an important supplier, currently number three in these papers in Europe. With the acquisition of Zanders, Metsä-Serla grew into a leadership role in supplying specialty papers for demanding end-use as well.

With the generally well developing European economy, the Folding Boxboard business did well. In all major customer groups – Cosmetics, Pharmaceuticals, Cigarettes and Confectioneries – demand was very good and prices increased significantly over the year. Wallpaper baseboard business was also revitalized as the end product wallpaper found again more customers mainly in Russia. In keeping with the strategy of the Packaging Group, a box manufacturer was acquired in Hungary to further enhance Metsä-Serla's know-how and ability to serve global consumer goods manufacturers.

Metsä-Serla's Merchanting operations, located mainly in the U.K., improved their performance as integration of local merchants Alliance Paper, Guppy and Classic Paper into Premier Paper Group progressed. Modo Paper's Merchanting operations had been restructured into an efficient entity before the integration with Metsä-Serla and were better able to utilize the improved market situation.

The excellent market situation allowed all pulp mills within Metsä-Botnia to operate smoothly and with high rate of capacity utilization. Cooperation with the various paper and board mills improved the profits of all parties. In Modo Paper, pulp production was already integrated with the paper mills.

The common objective for Metsä-Serla's major capital expenditure

projects is the quest for new products with greater value added, rather than greater quantities of the same. The conversion projects from uncoated to coated paper grades at Kangas and at Husum have progressed well. At year-end it was also decided to modernize both the Äänekoski and Kyro board mills. This project will focus Äänekoski mill to produce high-grade folding boxboard. The upgrade of the Kyro mill will facilitate concentration of Metsä-Serla's wallpaper baseboard production to Kyro. In Joutseno, both Metsä-Botnia's pulp mill rebuild and the closely located Metsä-Serla's new construction of the BCTMP mechanical pulp mill have progressed on schedule and within their financial budget. The new BCTMP products from Joutseno will be utilized as raw material in Kangas, Husum, and Äänekoski.

During the past year, Metsä-Serla has undergone a major restructuring. Overall, the company has grown very rapidly, becoming much more focused and much more pan-European in the process. As an element of the transformation, the corrugated packaging business was sold. Instead, Metsä-Serla acquired more fine and specialty paper business and merchanting business, significantly increasing its market share and know how in these core business sectors. It was also decided to merge the pulp-producing company Metsä-Rauma into Metsä-Botnia, making UPM-Kymmene and Metsä-Serla equal

partners at 47 percent ownership of the new Metsä-Botnia, whereas Metsäliitto holds the remaining six percent. Metsä-Serla's share of pulp production within Metsä-Botnia and the integrated pulp of Modo Paper is basically consumed by the company's paper, board and tissue operations. In addition, Metsä-Serla is annually buying some 800,000 tons of market pulp. The divisions of Paper and Packaging were created by customer groups. This is highlighting the customer orientation of Metsä-Serla's strategy. The company's management has also been strengthened as a result of the fast growth and the massive changes by creating a new position of a Chief Operating Officer (COO).

The year 2000 has been exceptionally busy for Metsä-Serla, demanding extra efforts from everyone as we have radically changed the company. I wish to express to all Metsä-Serla personnel my most sincere thanks for making the success of year 2000 possible.

After an excellent 2000, the outlook for 2001 remains fairly positive. The economies of Europe and Asia still seem to be developing positively. The U.S. economy seems to be slowing down, but providing reasonable growth there is achieved the rest of the world should be able to enjoy a fairly healthy economic climate. Assuming that such a world economic scenario materializes, the pulp and paper industry should



have a relatively satisfactory basis to operate on. As a result of the massive consolidation that has already taken place in the industry, it can be assumed that cyclicity will diminish, thus helping to attain more stable profitability.

In the year 2001, Metsä-Serla's main challenges and opportunities lie in finalization of the well-advancing integration process with Modo Paper and Zanders, thus realizing the synergy potential achievable with both. Respecting local cultures has been and will in the future be a key factor for Metsä-Serla's success now that the Company's business and personnel is more pan-European than ever before.

Against this background, Metsä-Serla is expecting to generate earnings, in euro terms, in the current year that are at least on par with last year.

Jorma Vaajoki
President and CEO

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Metsä-Serla's Business Areas

Metsä-Serla is one of Europe's leading suppliers of paper and paper-board. As Metsä-Serla has quadrupled its turnover in just over five years, it has become one of the most advanced companies in its industry. With the acquisition of Modo Paper of Sweden and Zanders Feinpapiere of Germany, Metsä-Serla now ranks as Europe's largest producer of fine paper.

Metsä-Serla is known as a customer-oriented and innovative paper company. Because it is Europe's third largest paper merchant, Metsä-Serla has an excellent knowledge of customers' needs, enabling it to react quickly right from the product development stage. A comprehensive logistics network is also a valuable resource for the company as it develops various e-business applications.

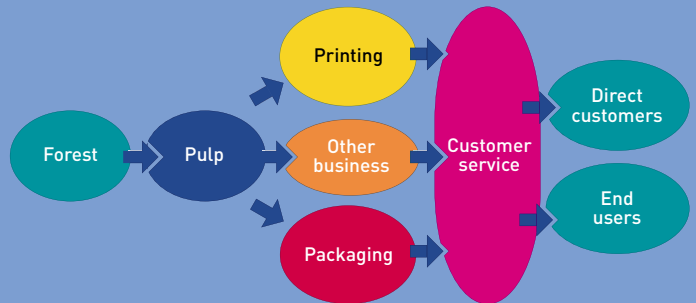
At present, Metsä-Serla's annual paper and board production capacity is 6.1 million tons, 60% of which is produced at locations outside Finland. Via its associated company Metsä-Botnia, Metsä-Serla has ensured a supply of pulp, its most important raw material. Metsä-Serla's main shareholder is Metsäliitto, a cooperative made up of Finnish forest owners. Of the company's 22,300 employees, 16,200 work outside Finland.

Paper business

Metsä-Serla is Europe's largest producer of fine paper and together with Myllykoski, the third largest producer of magazine paper. Following the acquisition of Modo Paper and Zanders, Metsä-Serla's fine paper production capacity is 4.1 million tons a year. Coated fine paper is used in printed art books, annual reports, brochures, advertising matter and many other applications. The main use of uncoated fine paper is for copier and forms paper.

Today, Metsä-Serla's production capacity is 1.2 million tons of magazine paper a year, making Metsä-Serla Europe's third. Coated (LWC) and uncoated (SC) magazine paper is used as a material for magazines,

Strategic value chain



various weekly newsletters and supplements, and high-quality advertising catalogues.

Packaging business

The main articles manufactured by the mills belonging to Metsä-Serla's Packaging Group are various board grades used in consumer packaging. Folding boxboard is typically used in cosmetics, pharmaceutical, tobacco and food packaging. The company has a particularly strong market position within packaging for internationally well-known premium brand name products. This is due primarily to the company's high-quality folding boxboard products that are manufactured using chemical pulp as the raw material. Metsä-Serla is Europe's second largest producer of folding boxboard, with an annual capacity of 580,000 tonnes. The company also manufactures linerboard and fluting – which are used in corrugated packaging – as well as wallpaper. Metsä-Serla is the world's largest producer of wallpaper.

Metsä-Serla has focused on coated and uncoated fine papers and magazine papers with a high degree of added value, as well as on packaging boards for consumer products.

Paper merchandising business

The paper merchandising network, owned by Metsä-Serla, covers all of Europe and serves some 50,000 different customers, principally comprising printeries, publishing houses, advertising agencies, banks and retail chains. The merchandising network supplies its customers with both Metsä-Serla's own papers and those made by other companies. Following the acquisition of Modo Paper, Metsä-Serla now ranks as Europe's third largest paper merchant. It is the only large European forest company that has a major share of the paper merchandising trade across Europe.

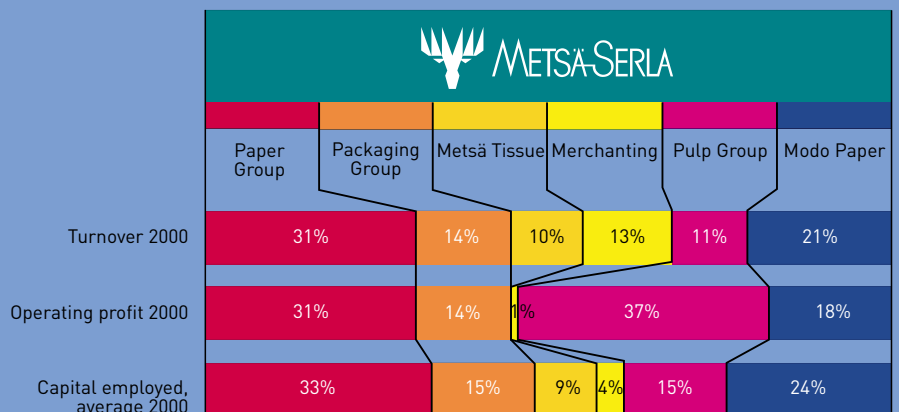
Metsä-Serla's organization

Metsä-Serla's revamped organization comprises three strategic business areas: the Paper Group, the Packaging Group and the Merchandising Group. The new Paper Marketing Support function will help to strengthen Metsä-Serla's customer-oriented focus: excellent customer service, end use-driven and innovative product development, an efficient distri-

bution organization and e-business development projects.

Responsibility for product sales and marketing is exercised by the Forest Alliance sales organization. Metsä-Serla's products are sold in over 70 countries worldwide. In some 30 countries, Metsä-Serla has its own sales company and in 40 markets, it operates through an agent. Metsä-Serla has production facilities in Finland, Sweden, Germany, Switzerland, Austria, France and Great Britain. Thanks to the ownership arrangements that have been carried out, Metsä-Serla's pulp operations are fully integrated into the paper and board operations.

Organization







The operation of Metsä-Serla's Paper Group is geared towards coated papers. The Paper Group's main products are coated and uncoated fine papers, coated magazine papers (LWC) and speciality papers. Typical uses of the products include high-quality printed products, advertising publications, annual reports and magazines in addition to printer output and copiers. Speciality papers have a variety of uses, such as labels and self-adhesive papers.

Today, through the acquisition of Modo Paper, Metsä-Serla's Paper Group is also a major pulp producer. Integrated pulp production for the paper mills is organized within four pulp mills that are located in Sweden, Germany, France and Austria. The production capacity for pulp is 1.3 million tons a year. The main products are bleached short and long-fibred pulp.

In Europe, Metsä-Serla is the largest producer of both coated and uncoated fine papers. Due to the Zanders acquisition, the Paper Group's range of fine papers is among the most comprehensive on the market. The Zanders products also bring forth a significant strengthening of the Paper Group's speciality paper segment. Metsä-Serla's Paper Group, together with Myllykoski, is Europe's third largest producer of coated magazine paper.

The Paper Group's main market is Western Europe. Important markets outside Europe are the United States and Australia. The

Paper Group's mills are located in Finland, Sweden, Germany, France, Switzerland, Austria and Great Britain.

In the year under review, the Paper Group's profitability was not as good as 1999. Operating profit was EUR 216.3 million [227.1 million in 1999], or 11.1 per cent of turnover [13.3]. Operating profit for magazine papers was up from the previous year due to improved demand and increased delivery volumes. The profitability for fine papers, however, weakened because the increase in the selling prices of fine paper could not fully offset the sharp rise in the price of pulp. The Paper Group's profitability trend was partly supported by the weakening in the euro against the most important export currencies, the United States dollar and the British pound.

The Paper Group's turnover was up 15 per cent to EUR 1,956 million (1,705). Delivery volumes grew by 2 per cent from the previous year.

Demand for the Paper Group's main products mostly held up well throughout the year. There was particularly brisk demand for fine papers in the first half of the year. In the second half of 2000, the order books for fine papers consequently began to weaken markedly. The rise in the prices of fine papers that began in 1999, continued until November 2000, after which, prices levelled out. The slow upward trend in magazine paper prices that started in the summer 1999 continued at a moderate rate until late summer and evened out thereafter.

Magazine papers

The division's mills enjoyed steady demand throughout the year and reached high rates of capacity utilization. The growth in delivery volumes increased operating profit compared with the previous year.

Delivery volumes of coated magazine paper by European manufacturers were up 10 per cent from the previous year. The good demand for magazine papers

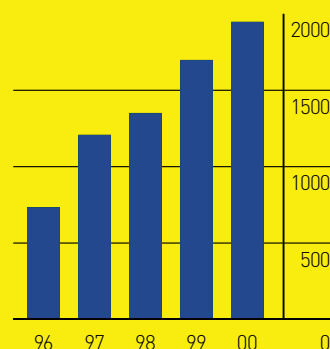
continued on an even keel all year and prices were on the rise during the spring and summer. On average, selling prices during the year under review, were 3 per cent higher than they were in 1999.

Metsä-Serla's delivery volumes of coated magazine papers grew by 6 per cent in the report period and the capacity utilization rate rose to 96 per cent (93). Owing to the increased delivery volumes and the favourable trend in foreign exchange rates, the Magazine Paper Division's operating profit improved on the previous year and was EUR 136.6 million (126.2).

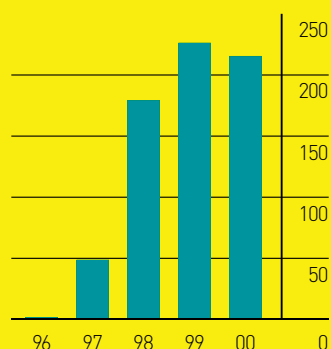
Fine papers

The pleasant demand situation in the first half of 2000 weakened towards the end of the year and the sharp rise in the price of pulp could not be offset in full through increases in paper prices. The positive productivity and earnings trend at the Kirkniemi fine paper mill continued into its fourth year running.

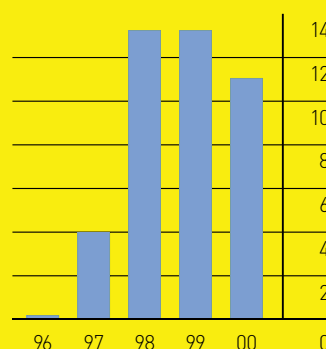
Turnover, EUR million



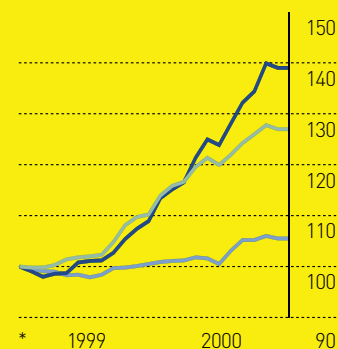
Operating profit, EUR million



Operating profit, %



Paper market price, USD/t



The figures do not include Modo Paper.

* Index 1/1999 = 100

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

During 2000, the volume of **coated fine paper** delivered by European producers grew by 4 per cent. The capacity utilization rate of this industry segment improved somewhat from the previous year. Selling prices rose several times during the year and were on average 13 per cent higher than in 1999.

Metsä-Serla's deliveries of coated fine papers were up 4 per cent from 1999. In particular, the Kirkniemi and Äänekoski fine paper mills increased their deliveries. The product group's capacity utilization rate rose to 94 per cent (92). The continuing good profitability trend at the Kirkniemi and Äänekoski fine paper mills brought a significant improvement in the Fine Paper Division's operating profit.

Delivery volumes of **uncoated fine paper** by European manufacturers increased by 4 per cent from the previous year. A factor that eased the position of producers was the reduced volumes of imported paper from Southeast Asia and South America. Good demand, a balanced supply and demand situation, in addition to the rapid rise in the price of pulp, supported the rise in paper prices. Average selling prices during the report period were 15 per cent higher than they were one year ago.

Metsä-Serla's deliveries of uncoated fine papers declined by 5 per cent, compared with 1999. The delivery volumes fell mainly because of the capital expenditure shutdowns of PM 4 at Kangas. When the machine line is completed, it will change over to producing coated products. The product group had a capacity utilisation rate of 90 per cent (91).

Metsä-Serla's delivery volumes of **speciality papers** decreased by 13 per cent, compared with the previous year. The fall in delivery volumes was a consequence of closing down wallpaper manufacture at the Kangas mill during the report period.

Operating profit generated by Metsä-Serla's Fine Paper Division weakened in comparison with 1999 and was EUR 79.7 million (100.9). Profitability declined towards the end of the year as the demand situation diminished.

Capital expenditures

During 2000, a decision was made to join together the sheeting operations of UK Paper's Sittingbourne and New Thames mills by centralizing sheet cutting at New Thames and building a new pallet warehouse for the mill. As a consequence of the investment, the headcount at UK Paper will decrease by 90 employees during 2001.

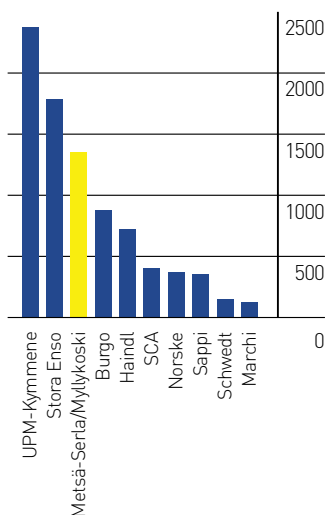
The investment programme that was launched in the early months of the year, with the aim of further developing the Kangas paper mill and converting its production over to coated grades, has progressed according to plans. The project includes the purchase of a coating machine and the building of a chemithermal mechanical pulp plant with an annual capacity of more than 200,000 tons in Joutseno. The coating machine investment will be completed in March of the current year and the other parts of the investment programme will reach completion in the latter part of 2001. The total cost of the investment is EUR 200 million.

Near-term outlook

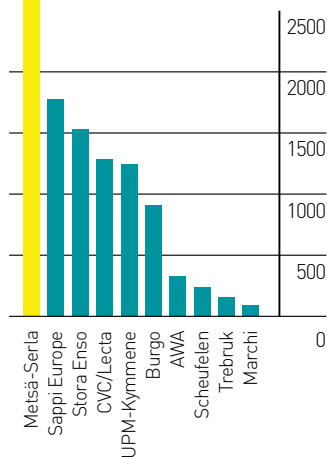
The growth in the world economy is predicted to slow down in 2001, when compared with 2000, but nevertheless it will remain favourable. This refers to the stable growth in paper consumption both in Europe and globally. It is estimated that the process of consolidation within the paper industry will continue ahead.

Demand for coated magazine paper is expected to grow by 3 per cent in Western Europe. Capacity utilization in the sector is nevertheless expected to fall because the capacity of the three new paper machines

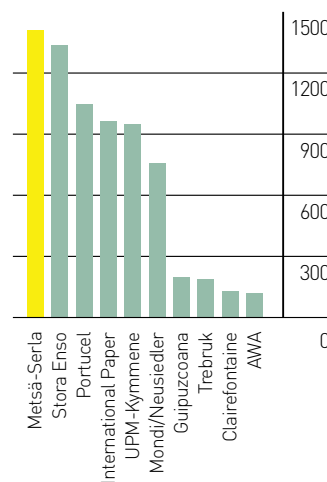
Coated magazine paper – major producers in Europe, 1000 t *



Coated fine paper – major producers in Europe, 1000 t *



Uncoated fine paper – major producers in Europe, 1000 t



* Including ongoing projects

that were completed in 2000 will be in use, for the first time, over the current full calendar year.

The demand for coated fine paper is forecast to grow by 5 per cent during 2001. It is nevertheless estimated that the product group's capacity utilisation will fall owing to increased capacity when three product lines, which presently manufacture uncoated fine paper in Europe, change their production orientation over to coated grades.

Demand for uncoated fine paper in Western Europe is estimated to grow by 2 per cent and the sector's capacity utilisation is set to rise. The increase in capacity utilization rates will be supported by the changeover of several production lines, to the manufacture of coated grades instead of uncoated papers.

A central objective for Metsä-Serla's Paper Group during 2001 is to round out the integration process at Modo Paper's mills and to set in motion Zanders' integration into the Group. A second central objective is to carry through both the technical and commercial aspects of the product orientation changes at Kangas and Husum. An essential element of this process is to ensure that the new BCTMP plant, which is to be built in Joutseno, starts promptly. To thoroughly survey the synergy benefits which Modo Paper and Zanders offer, a comprehensive internal benchmarking program will be carried out at the pulp and paper mills.

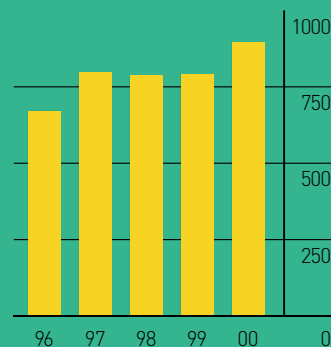
In the current year, the Paper Group's comparable operating profit, (including the operating profit generated by Modo Paper and Zanders over the entire calendar year 2000) is estimated to fall short of the previous year, owing to the weakening capacity utilization rates for coated paper grades, as well as to the production losses caused by rebuilds of the machine lines and the extra costs of starting the lines up again.

Paper Group		2000	1999	Change
Magazine paper		619.8	552.6	12%
Fine paper		1 335.9	1 152.0	16%
Turnover, Paper Group	EUR million	1 955.7	1 704.6	15%
<hr/>				
./. Internal sales, Group		-165.9	-152.8	
Turnover, external	EUR million	1 789.8	1 551.8	15%
<hr/>				
Magazine paper		136.6	126.2	8%
Fine paper		79.7	100.9	-21%
Operating profit	EUR million	216.3	227.1	-5%
<hr/>				
Magazine paper		22.0	22.8	
Fine paper		6.0	8.8	
Operating profit	%	11.1	13.3	
<hr/>				
Magazine paper		422.9	437.8	-3%
Fine paper		883.3	759.2	16%
Capital employed (average)	EUR million	1 306.2	1 197.0	9%
<hr/>				
Magazine paper		1.5	1.3	
Fine paper		1.5	1.5	
Capital turnover rate		1.5	1.4	
<hr/>				
Magazine paper		30.4	28.6	
Fine paper		9.1	13.5	
Return on capital employed	%	16.0	19.0	
<hr/>				
Magazine paper		1 311	1 317	0%
Fine paper		2 667	2 792	-4%
Personnel (average)		3 978	4 109	-3%
<hr/>				
Investment in fixed assets	EUR million	145.7	61.8	136%
<hr/>				
PRODUCTION, 1 000 t				
Magazine paper		745	695	7%
Fine paper, coated		1 103	1 044	6%
Fine paper, uncoated		394	406	-3%

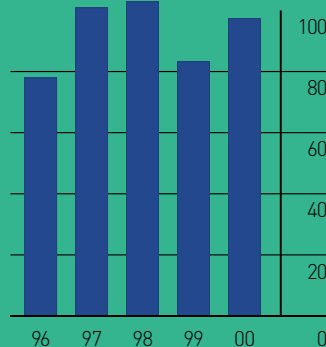
The figures presented in the table do not include Modo Paper's figures.

The operational emphasis of Metsä-Serla's Packaging Group is focused on serving the packaging needs of international brand name companies. The Packaging Group is specialized in consumer packaging for the cosmetics, pharmaceutical, food-processing, beverage, tobacco and consumer electronics industries.

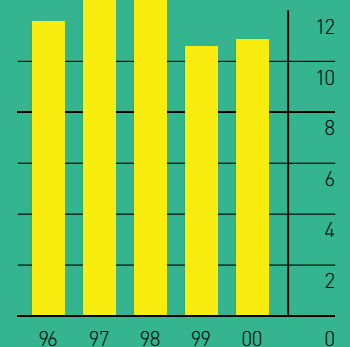
Turnover, EUR million



Operating profit, EUR million



Operating profit, %



The bulk of its sales consist of fibre-based packaging raw materials for these product areas. A separate product area of the Packaging Group is wallpaper base in which Metsä-Serla is the market leader in Europe and worldwide.

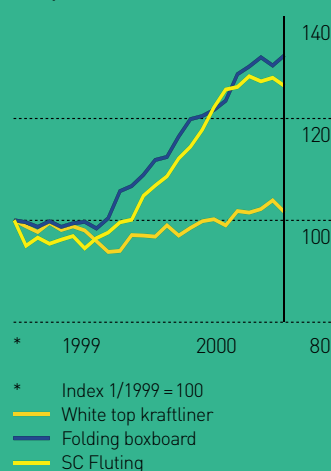
The Packaging Group consists of six paperboard mills in Finland and additional carton mills in Finland and Hungary. The Board Division is responsible for the operations of the paperboard mills and the marketing of paperboard to carton manufacturers and printing works. The Customer Division is in charge of producing and marketing cartons and packaging solutions.

About two thirds of the Packaging Group's deliveries go to countries in Western Europe. Outside Europe, China is one of the biggest market areas. The importance of the United States is also increasing especially for speciality products.

During the year under review, the Packaging Group's profitability improved, compared with the previous year. Operating profit was EUR 97.6 million (83.6 million in 1999). The growth in demand, which began in autumn of 1999, continued ahead strongly throughout the year. Prices of the main raw materials rose steadily all year. The resulting increase in costs was nevertheless offset both through improved efficiency and by raising selling prices. Nearly all the board mills set production records for the year. The Packaging Group's turnover was up 13 per cent to EUR 900 million (792).

Demand for folding boxboard grades picked up in the latter part of 1999 and continued on strongly throughout the report year. The growth in demand in Western Europe was 3 per cent at the annual level. Metsä-Serla's deliveries of folding boxboard to Western Europe grew at the

Paperboard market price, USD/t



same rate. The growth in delivery volumes was limited by a lack of capacity from time to time. Owing to the steady demand and the rise in raw material prices, selling prices of folding boxboard rose during the year. Average selling prices were 8 per cent higher than they were in 1999.

The demand for liner and fluting was also very favourable during the report year except for the last months of the year, when demand began to slacken somewhat. Despite the good demand, the delivery volumes of liner and fluting remained at the previous year's level due to the strike-induced production losses in the spring and to a shortfall in capacity from time to time. During 2000, the Packaging Group succeeded in shifting the orientation of liner deliveries – in line with targets – from uncoated to coated products. The rise in the degree of added value also contributed to the increase in the average selling prices of the products that were up 25 per cent on the previous year. The average prices of fluting were also 25 per cent higher than they were in 1999.

The demand for wallpaper base was once again weaker than it was last year, but improved towards the end of the year. The delivery volumes were down 5 per cent on 1999. Selling prices were, on average, 7 per cent higher than they were a year earlier.

The growth in demand in specific segments was the strongest in those end-use areas in which the high level of quality of the packaging materials is a prime factor. Delivery volumes, particularly to the cosmetics, pharmaceutical and hygiene product industries, grew by 13 per cent, with deliveries to the food-processing industry up 9 per cent.

Structural changes and capital expenditures

Metsä-Serla re-organized its carton production by divesting its non-core

units that were specialized in transport packaging. In September, Metsä-Serla acquired the Hungarian company Cofinex, which specializes in the manufacture of consumer packaging. The customers of the new company, which operates under the name Metsä Petöfi, are a number of global manufacturers of brand name products. The efficiency of carton manufacturing operations in Finland was increased by their centralization at the Tako Carton Plant Ltd units in Tampere and Järvenpää and by closing the Simpele carton plant.

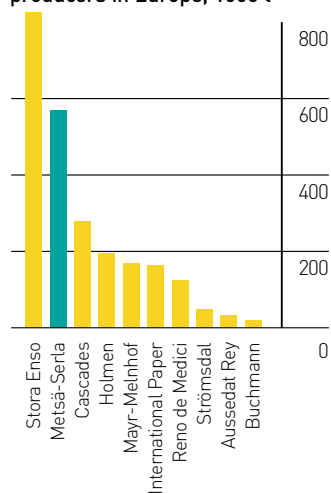
As part of product specialization in line with Metsä-Serla's strategy, towards the end of the year, decisions were made concerning modernizing the wallpaper machine at Kyro and the board machine at Äänekoski. Other capital expenditures made during the year include environmental protection, raising product quality and boosting the efficiency of operations through debottlenecking.

Near-term outlook

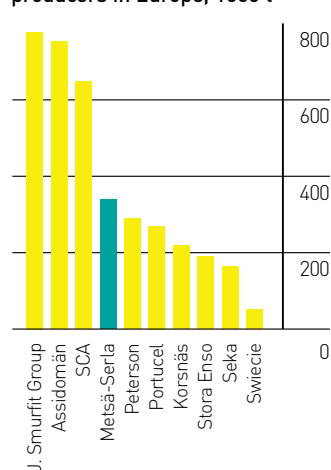
The demand situation for folding boxboard grades is favourable, and there are no major indications of a fall in demand over the short term. The supply and demand for packaging paper board grades is in good balance and it is believed that the situation will hold steady in the near future, thereby maintaining a stable price level for the products. The increase in worldwide e-commerce is likely to change the packaging needs of consumer products and to strengthen the demand for the products and services of Metsä-Serla's Packaging Group. During the current financial year, Metsä-Serla builds up its strategic capabilities for improving the service it provides to global consumer product companies to help them meet the growing demands of their logistics and packaging functions. In the current year, the profitability of the Packaging Group is forecast to remain at last year's level.

Packaging Group		2000	1999	Change
Turnover, Packaging Group	EUR million	899.5	792.0	14%
./. Internal sales, Group		-18.0	-13.5	
Turnover, external	EUR million	881.5	778.5	13%
Operating profit	EUR million	97.6	83.6	17%
Operating profit	%	10.9	10.6	
Capital employed (average)	EUR million	615.0	627.2	-2%
Capital turnover rate		1.5	1.3	
Return on capital employed	%	16.0	14.0	
Personnel (average)		2 597	2 520	3%
Investment in fixed assets	EUR million	46.0	64.1	-28%
PRODUCTION, 1 000 t				
Paperboard		672	639	5%
Fluting		244	241	1%
Liner		169	151	12%
CTMP		106	108	-2%

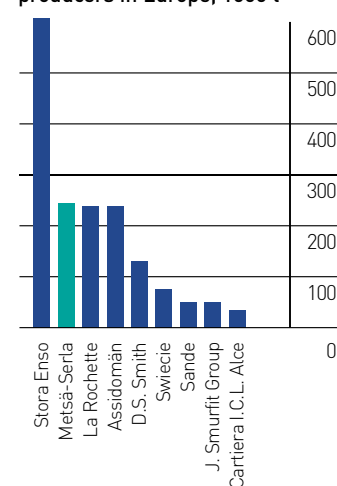
Folding boxboard – major producers in Europe, 1000 t

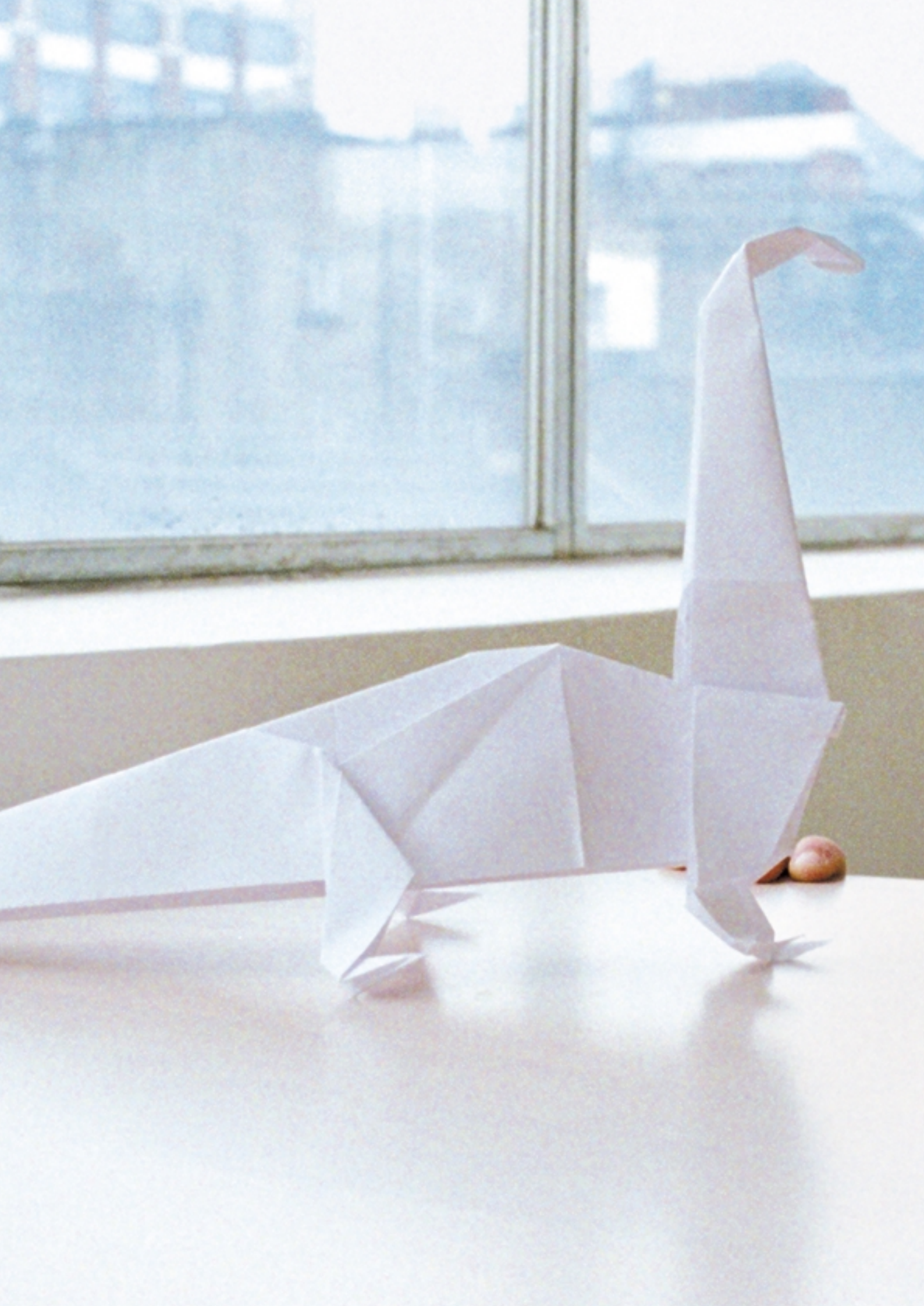


Kraftliner – major producers in Europe, 1000 t



SC Fluting – major producers in Europe, 1000 t







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

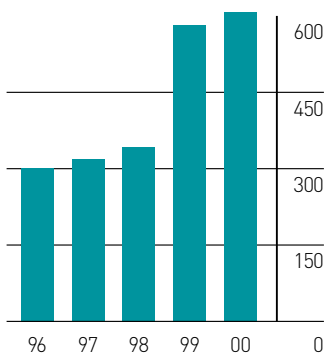
Metsä Tissue's business areas carry the names Consumer and Away-from-Home. The Table-Top business, which specializes in table napkins, comprises a separate product area within the Consumer and Away-from-Home business areas. The production plants are located in Finland, Sweden, Germany and Poland.

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

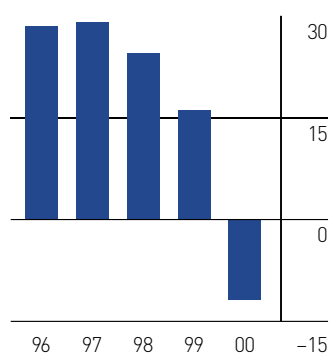
Metsä Tissue's turnover grew by 4 per cent from the previous year and was EUR 609 million (586 million in 1999). Turnover in 1999 includes the turnover of businesses that have already been discontinued, and the growth in comparable turnover was 8 per cent.

Metsä Tissue reported an operating loss of EUR 11.9 million (oper-

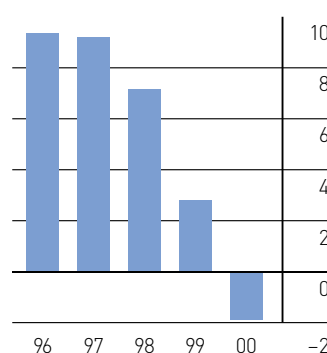
Turnover, EUR million



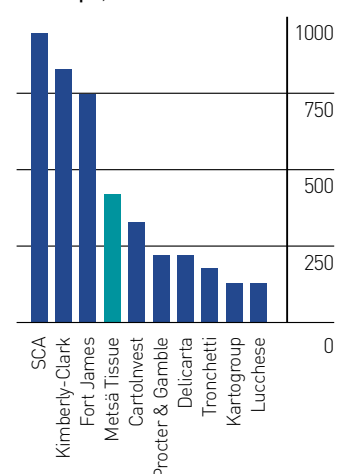
Operating profit, EUR million



Operating profit, %



Tissue – major producers in Europe, 1000 t



ating profit of 16.2 million in 1999) and the operating loss margin was 1.9 per cent (operating profit of 2.8 per cent in 1999). The negative result occurred because the price increases and other operational efficiency-boosting measures that were carried out during 2000 did not suffice to cover rapidly escalating raw material prices. Earnings were at their weakest in the first half of the year, but in the third quarter the earnings trend headed upwards.

Within the Consumer business area, the company further strengthened the market position of its brands in the Nordic countries. Sales volumes held steady. In Sweden, the re-launch of the Leni brand, positioning it in the highest quality category went ahead according to expectations. Price increases have been put through in all markets, and in the Nordic countries, the price increases have nearly offset the rises in costs. The tight competitive situation in Germany delayed price increases.

In the Away-from-Home business area, the sales volumes in

the Nordic countries were at the previous year's level and prices could be raised nearly in line with the rise in raw material costs. Sales of Katrin products and Ultimatic dispenser systems continued to grow. Sales volumes in continental Europe were up from 1999. The growth was nonetheless smaller than expected.

In the Baking and Cooking products area, the share of own converting increased and the business remained fairly stable in spite of tougher competition.

The most important market for the Table-Top product area is continental Europe, where sales were up 9 per cent from the previous year. The focus of operations was on launching the Fasana collection and on lifting cost effectiveness.

Programs aiming at improving cost-effectiveness, were in progress at all the plants, involving measures such as paring down the product range and carrying out rationalization investments. There is still a large need to develop the operations of the

mills and plants in Central Europe.

The stock exchange in 2000

The price of Metsä Tissue's shares on Helsinki Exchanges varied from a low of EUR 9.50 to a high of EUR 14.20 during the report year. The average share price was EUR 12.43. Share turnover amounted to EUR 22.2 million, representing 6 per cent of the shares outstanding. Metsä-Serla's holding of Metsä Tissue's shares is 65.58 per cent.

Capital expenditures

Production of Katrin Ultimatic products at the Mänttä mill was modernized and expanded. Converting capacity for Baking and Cooking products was enhanced.

In spring 2000, the Katrinefors mill and the city of Mariestad launched a project to build a power plant that will use the mill's de-inked waste and wood chips. Scheduled for completion in 2002, the power plant will reduce the mill's environmental load and ensure a supply of energy at competitive prices far into the future.

Near-term outlook

The growth in production capacity in the industry has exceeded the increase in demand, leading to a tighter market situation. Structural arrangements in the industry are expected to continue.

A significant improvement in cost-effectiveness has been achieved through development projects that have been carried out. In particular, the mills in Germany are undertaking a restructuring of the product range and de-bottlenecking of production will make possible further improvements in operational efficiency.

Price increases, as well as restructuring and efficiency-boosting measures, will improve the profitability of operations. It is estimated that the rise in the cost of raw materials has come to a halt, and this will put the company in a better position to operate more profitably. Metsä Tissue will have improved profitability during 2001 and is to report a profit for the year.

Tissue Group		2000	1999	Change
Turnover, Tissue Group	EUR million	609.2	585.7	4%
./. Internal sales, Group		-3.4	-2.4	
Turnover, external	EUR million	605.8	583.3	4%
Operating profit	EUR million	-11.9	16.2	-173%
Operating profit	%	-1.9	2.8	
Capital employed (average)	EUR million	370.8	356.9	4%
Capital turnover rate		1.6	1.6	
Return on capital employed	%	-3.1	4.6	
Personnel (average)		3 205	3 459	-7%
Investment in fixed assets	EUR million	22.7	32.8	-31%
PRODUCTION, 1 000 t				
Tissue		402	442	-9%

Forest Alliance is Metsä-Serla's and Myllykoski's sales network for paper and paperboard products. Forest House operations cover Merchanding, Trading and Sheet-ing which are separate business units.

Forest Alliance

Forest Alliance offers services worldwide through more than 70 local sales companies or agents. The sales network enables Metsä-Serla and Myllykoski to implement their strategies and business objectives, with Forest Alliance assuming responsibility for maintaining infrastructure connected with the sales and delivery chain, including personnel, management and administration of the sales companies, payment transfers and information system support.

During the report period, the network of sales companies was expanded by reactivating Forest Alliance's own sales companies in Hong Kong and Singapore. The sales for MD Papier mills as well as Myllykoski owned Lang mill in Germany were transferred to be handled through Forest Alliance network. The operational integration of Modo Paper's 10 sales companies with 120 persons into Forest Alliance sales organisation was completed by the end of the year. After the integration the sales through Forest Alliance's sales network will amount to an annual volume of more than 6 million tons of paper and board products.

Forest Alliance sold 3.6 million tons of paper and paperboard in 2000, amounting to a total of about EUR 3 billion, excluding Modo Paper. The most important product groups were magazine papers (41%), fine papers (25%) and packaging boards (34%).

Forest Alliance channelled resources into development of information systems for sales and logistics functions, covering the whole supply chain. This development work continues during the current year and will be completed in year 2002.

Forest House

Following the acquisition of Modo Paper, Metsä-Serla's Merchanding Group became Europe's third largest fine paper merchant. It operates in 23 countries in Europe and serves some 50,000 customers with strong market positions in the UK, the Nordic and Baltic countries, Benelux, Poland, Austria and Hungary.

The cornerstones of the merchanting group's operation include excellent procurement and supplier relationships, first-class customer service, and advances in logistics. Business between Metsä-Serla's mills and the Merchanting Group is done on market terms.

Forest House turnover, without the Modo integration, increased by 20 per cent to EUR 815 million (679 million in 1999) due to higher selling prices as well as the expansion in trading operations resulting in an operating profit of EUR 9.9 million (6.4).

The combined Forest House and Modo merchanting shows aggregate delivery volumes of 1.5 million tons and a total turnover of EUR 1,700 million. The combined operating profit was EUR 46 million for the year.

During the year 2000, the UK merchants Alliance Paper, Guppy Paper and Classic Papers were merged into a single company named Premier Paper. Significant cost savings have been achieved by way of the merger and consolidation of operations.

Other changes included the sale of Sweden-based paper merchant, Grafiskt Papper AB, in December, as a condition of the EU Commission's approval of the Modo Paper deal.

In the second half of the year, the integration of Metsä-Serla's and Modo Paper's merchanting operations into a single business entity began at both a group level and in certain geographic markets. In Norway, the two existing merchants Basberg and Carl Jonsson were merged to become the largest paper merchant in that market, trading as Basberg.

In the Baltic States of Estonia, Latvia and Lithuania, the operating companies Amerpap and Modo Paper joined forces, with one head office in each country. They will eventually bear the new name chosen for the merchanting group. Synergies will be created by merging warehousing, distribution, purchasing and administration systems within each coun-

try, and other functions, such as backselling, may be further consolidated across all three Baltic States.

Integration of functions at group level will continue at least throughout the current year, and is expected to yield synergy benefits particularly in the areas of purchasing and logistics.

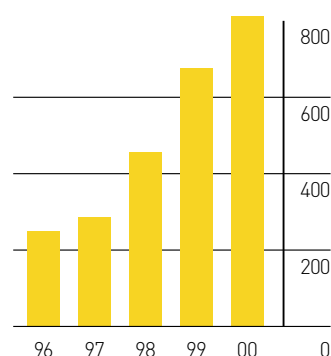
Other priorities are the expansion of eBusiness operations, already well established in Finland, Norway and Sweden. Projects are underway in the UK, Hungary, Russia, Holland, Austria, Belgium and the Baltics. Plans are in place for participation in industry-wide eBusiness projects.

The Merchanting Group is now ready to take the next step in European trade of the development of German and French markets. Excellent growth is also expected in Eastern Europe, where the markets are expanding faster than in the more mature markets of Western Europe.

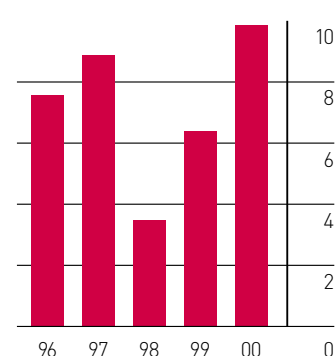
Merchanting Group		2000	1999	Change
Turnover, Merchanting Group	EUR million	814.7	678.7	20%
./. Internal sales, Group		-6.2	-8.8	
Turnover, external	EUR million	808.5	669.9	21%
Operating profit	EUR million	9.9	6.4	55%
Operating profit	%	1.2	0.9	
Capital employed (average)	EUR million	150.8	124.3	21%
Capital turnover rate		5.4	5.5	
Return on capital employed	%	6.6	5.9	
Personnel (average)		1 020	1 077	-5%
Investment in fixed assets	EUR million	5.5	7.8	-29%

The comments and figures presented in the text and table do not include Modo Paper's figures.

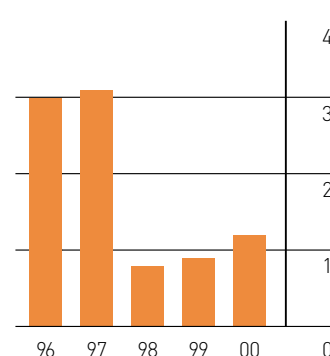
Merchanting Group
Turnover, EUR million



Operating profit, EUR million



Operating profit, %



Oy Metsä-Botnia Ab, in which Metsä-Serla has a 47 per cent holding, is a strategic resource company whose main task is to assure a disturbance-free supply of pulp on competitive terms to its owner companies, Metsä-Serla and UPM-Kymmene.

Joint ownership results in shared capital expenditure and shared risk.

Metsä-Rauma was merged with Metsä-Botnia at the end of the year.

Metsä-Botnia's pulp mills are located in Joutseno, Kaskinen, Kemi, Rauma and Äänekoski. The pulp mills have an aggregate annual production of 2.5 million tons, 80 per cent of which is delivered to the paper and board mills of the owner companies, while the rest is sold mainly on the European market.

The Pulp Group's production units are specialized in producing different grades of pulp, with the Rauma and Joutseno mills primarily producing pulp raw material for wood-containing printing papers. Kaskinen and Äänekoski make pulp for fine papers and folding boxboard, while Kemi supplies pulp for tissue and speciality papers as well as linerboard.

The Pulp Group's profitability improved markedly, as compared with the previous year. The group's operating profit was EUR 258.6 million (65.9 million in 1999). The main factors improving profitability were the increased market prices of pulp and the strong United

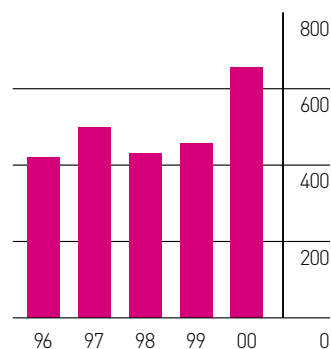
States dollar against euro. During the year 2000, the average price in foreign currency of bleached softwood pulp was 31 per cent higher and the price of hardwood pulp 52 per cent higher than in the previous year.

The Pulp Group's delivery volumes declined by 1.5 per cent from 1999. The decline in delivery volumes was largely attributed to the strike in the first part of the year and to the production shutdowns which customers carried out in the latter part of 2000. The Pulp Group's turnover was up 43 per cent to EUR 657 million (458).

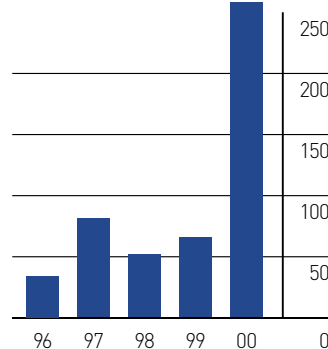
Pulp demand was very good throughout the first half of the year in all markets, and the pulp mills ran at high rates of capacity utilisation. After the summer, demand for pulp in Asia weakened and Chinese and Korean paper producers wound down their pulp inventories, which had built up in the first part of the year. At the year's end, signs of a slowdown were surfacing in pulp demand in Europe too.

The inventories of the pulp producers in the Norscan countries (North America and Scandinavia) were low throughout the spring

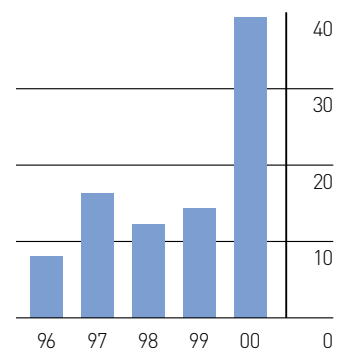
Turnover, EUR million



Operating profit, EUR million



Operating profit, %



and the early autumn. In March and November, inventories nevertheless rose strongly and totalled 1.7 million tons at the end of December.

The price of pulp rose steadily during 2000. The market price of bleached softwood pulp was 630 dollars a ton in the first quarter, after which, it began to rise and was 710 dollars at the end of the year. The price of birch pulp at the start of 2000 was 580 euros and it rose to 795 euros towards the end of the year.

Capital expenditures

The fibre-line investment at the Joutseno pulp mill is progressing as scheduled, and will come on line in May 2001. The EUR 250 million modernization investment will raise the mill's capacity by 200,000 tons. The increase in production consists of long-fibre reinforcing pulp, all of which will go to Metsä-Botnia's owner companies for use at their paper mills. The fibre-line investment is the last stage in the development program at the Joutseno mill, after which, the mill will have an annual production capacity of 600,000 tons.

Near-term outlook

The primary objectives for 2001 are to amplify the customer-oriented way of working throughout the entire organization in addition to placing the new fibre-line at Joutseno in use and to obtain the fullest benefit from the investment.

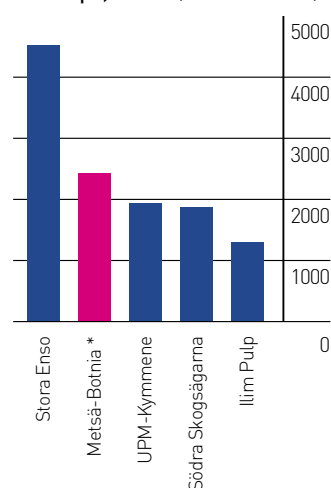
As 2001 gets under way, a slight oversupply of pulp casts a small shadow over the business outlook. Keeping the markets in balance and inventories in check will call for a lower rate of capacity utilization. There will be some new pulp capacity later in the year, mainly short-fibre grades.

The Pulp Group's profitability is largely dependent on the trend in the market situation and the adjustment of pulp production worldwide, in step with demand. The aim will be to maintain the price level of pulp by curtailing output. Owing to lower rates of capacity utilisation and a weaker dollar, profitability in 2001 will fall short of last year's figure.

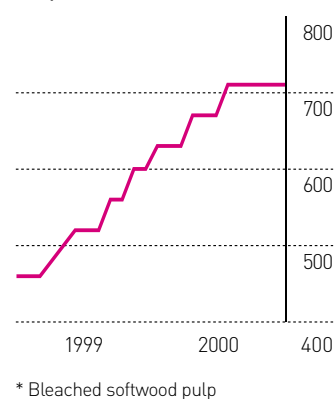
Pulp Group		2000	1999	Change
Turnover, Pulp Group	EUR million	656.7	458.3	43%
./. Internal sales, Group		-269.9	-182.4	
Turnover, external	EUR million	386.8	275.9	40%
Operating profit	EUR million	258.6	65.9	292%
Operating profit	%	39.4	14.4	
Capital employed (average)	EUR million	605.7	597.9	1%
Capital turnover rate	%	1.1	0.8	
Return on capital employed	%	43.8	11.1	
Personnel (average)		787	809	-3%
Investment in fixed assets	EUR million	77.2	25.1	208%
PRODUCTION, 1 000 t				
Pulp Group		1 080	1 062	2%

All figures are stated in terms of Metsä-Serla's proportional holding.

Pulp - major producers in Europe, 1000 t (* incl. Rauma)



Pulp market price * USD/t



Modo Paper came into being on 1 October 1999, when Holmen and SCA combined their fine paper and merchandising operations. At the end of May, Metsä-Serla signed an agreement on the purchase of Modo Paper's remaining outstanding shares. The deal entered into force on 9 August 2000.

Work on integrating Modo Paper into Metsä-Serla had a positive start during the second half of 2000, and is continuing ahead.

Modo Paper's profitability improved substantially during the report period, as compared with the previous year. Operating profit was EUR 268.2 million (102.4 million in 1999) and the operating profit margin was 10.3 per cent (4.8). Profitability was improved by the rise in selling prices, increased delivery volumes and the weak euro against the US dollar. Turnover was up 22 per cent to EUR 2,605 million (2,143). In the second half of 2000, profitability weakened somewhat compared with the first half. Profitability was hurt by the longer than estimated shutdown for the repair of a recovery boiler at the Alizay mill, the week-long maintenance shutdown at the Husum mill and the slower market situation near the turn of the year.

Demand for fine paper during the report period was favourable, although weakened in the latter part of 2000, when compared with the first half. European manufacturers' deliveries of both coated and uncoated fine paper grew by 4 per cent from the previous year. Modo Paper's fine paper deliveries from the mills were up 6 per cent. Paper merchants' deliveries increased by 3 per cent.

Three major capital expenditure projects were launched at Modo Paper during the report period. The largest of the projects is the production changeover of Paper Machine 8 at Husum from uncoated fine papers to coated grades. The project that costs EUR 285 million comprises, for instance, the building of a new coating machine with an annual capacity of 300,000 tons. Production of coated paper on the new line will begin in May of 2001. At the Alizay mill, an EUR 20 million capital expenditure project was

started for the purpose of installing a new A4 cut size line and modernizing the old A4 cut size line. The purpose of the investment is to reduce the mill's production of reels and to improve profitability by concentrating on sheet production. The project will be completed in February of 2001. A decision has been made to modernize Paper Machine 3 at the Hallein mill. The investment of EUR 15 million aims to raise the machine's annual capacity by 25,000 tons, to improve paper quality and to increase the use of integrated pulp. The project will be completed in June 2001.

Modo Paper's figures are included in Metsä-Serla's consolidated annual accounts as from 1 July 2000.

From the beginning of the current year, Modo Paper will report its figures and developments as part of Metsä-Serla's Paper Group and Merchancing Group.

Modo Paper		7-12 / 2000	1-6 / 2000	1-12 / 2000	1-12 / 1999 (pro forma)
Fine paper		811.4	807.9	1 619.3	1 337.0
Merchants		657.1	628.4	1 285.5	1 080.6
Internal sales, Modo Paper		-135.5	-164.0	-299.5	-274.6
Turnover, Modo Paper	EUR million	1 333.0	1 272.3	2 605.3	2 143.0
<i>./. Internal sales, Group</i>		-6.3	0.0	-6.3	0.0
Turnover, external	EUR million	1 326.7	1 272.3	2 599.0	2 143.0
Fine paper		105.2	123.7	228.9	71.5
Merchants		18.7	20.6	39.3	30.9
Operating profit	EUR million	123.9	144.3	268.2	102.4
Fine paper		13.0	15.3	14.1	5.3
Merchants		2.8	3.3	3.1	2.9
Operating profit	%	9.3	11.3	10.3	4.8
Capital employed (average)	EUR million	1 858.6	1 836.2	1 847.4	1 778.3
Capital turnover rate		1.4	1.4	1.4	1.2
Return on capital employed	%	14.0	16.0	15.0	5.8
Fine paper		4 928	4 800	4 864	4 900
Merchants		2 097	2 063	2 080	2 052
Personnel (average)		7 025	6 863	6 944	6 952
Investment in fixed assets	EUR million	205.6	63.7	269.3	123.2
PRODUCTION, 1 000 t					
Fine paper, coated		262	272	534	505
Fine paper, uncoated		627	617	1 244	1 154
Pulp		603	634	1 237	1 194





The basis of Metsä-Serla's environmental policy is to make environmental affairs an integral part of business operations. The paramount environmental aspects, from the standpoint of the company's operations, are sustainable silviculture; the sustainable use of natural resources and energy; emissions and effluents arising in production; wastes and recycling, transports and risk management.

The company regards environmental issues as a matter of utmost responsibility and sees its obligations, at the same time, ensuring that its products are of high quality and in good demand.

Preparing to meet future obligations

To comply with the conditions of environmental permits, new capital expenditures will be needed at the Husum mill over the next few years. A project for expanding the biological treatment plant is already under way at Hallein mill.

The year 2000 saw the publication of the reference document for the Best Available Techniques (BAT), which is a key concept of the European Union's directive on Integrated Pollution Prevention and Control (IPPC). The BAT definitions are not estimated to necessitate major investment needs at Metsä-Serla's facilities.

The European Union's Waste Incineration directive was approved in December 2000. The directive does not encompass fibre-containing wastes arising in the manufacture of primary fibre and paper or wood wastes if they are burnt in the boilers of the industrial plants themselves and the resultant energy is recovered. Accordingly, the regulations pursuant to the directive are not estimated to cause the Group to undertake capital expenditures.

Metsä-Serla is preparing to combat climate change above all, by increasing the proportion of biofuels within its total energy production. In autumn, a decision was taken to build a new power plant at Äänekoski mill. The new power plant increases the proportion of biofuel and reduces the use of oil in power generation. At the end of 2000, biofuels accounted for about 67 per cent of aggregate energy use at Metsä-Serla units.

Stakeholders pose challenges

The certification of forests offers to industrial companies that use wood as a raw material the possibility of demonstrating that their wood pro-

cessments come from sustainably managed forests. There are two international certification frameworks for forests: PEFC (Pan European Forest Certification) and the worldwide FSC (Forest Certification Council). In practice, PEFC is the most widely recognized system in areas based on private forest ownership, whereas FSC predominates in areas where the bulk of the woodlands are in the hands of large private owners.

Metsä-Serla's wood-using mills are located in Finland, Sweden, Germany, Austria and France. For the most part, they use local wood as their raw material. In addition, wood is imported to Finland and Sweden from Russia and the Baltic countries. During the report year, the national certification systems in Finland, Sweden, Germany, Austria and France were approved within the PEFC system. At the end of the year, nearly all of the wood used by Metsä-Serla's mills in Finland came from certified forests. The wood procurement of Metsäliitto Osuuskunta, which is in charge of Metsä-Serla's wood procurements, received a Chain of Custody certificate in 2000. The certified wood raw material coming to Metsä-Serla's mills in Sweden has received accreditation according to the FSC system. Certification work is in progress in the other countries where the Group operates. The origin of wood imported from Russia and Baltic countries is ascertained by means of audits.

Food and pharmaceutical manufacturers, in particular, must demonstrate that the packaging used in their products complies with the hygienic and chemical purity requirements. As a supplier of packaging materials, Metsä-Serla develops its processes actively with the aim of achieving a continually improving level of product hygiene.

Old environmental liabilities

During the report year, the research and renovation costs for old environmental liabilities amounted to EUR 0,5 million. Provisions have not been made for the remaining liabilities because they are not estimated to have a material impact on the company's financial position. Metsä-Serla's liabilities for closed operations and sites leased out to other companies are itemized in the company's environmental report.

The merger of Metsä-Serla and Modö Paper during 2000 set a challenging integration process in motion. To support the integration process, an extensive round of interviews with management and key employees was carried out with the aim of finding the best qualified people for different positions. As part of the integration process, an agreement on European Works Council (EWC) was made.

Promoting job well-being

As part of the long-term activities aimed at maintaining working ability which are carried out across Metsä-Serla, an extensive survey of salaried employees' job well-being was conducted at the Group's units in Finland. The study delved into the resource factors influencing employees' job well-being, such as job satisfaction and supervisor skills and input.

The study supports the goal-oriented development of the personnel and workplaces. The results of the study will be used for the active and future-oriented development of actions to promote the personnel's job well-being.

Competence management

The continuous and systematic development of the personnel is one of the key success factors for a rapidly internationalizing and growing company and organization. This calls not only for consistent and ongoing development programs but also for clear analysis in sizing-up the initial situation and objectives to be realized.

During the past year, Metsä-Serla has started to define the key competencies for its executives. This work will point the way not only to development work de-

signed for top management but also for the personnel as a whole. At the same time, the company has been building an extensive personnel administration information system which in future will be used to manage all the sub-areas of personnel administration except for payroll accounting.

Ensuring the management potential

Since 1993, the Metsä-Serla Academy has systematically developed leadership and management skills that are used in grooming Metsä-Serla's top management and executive potential. During 2000, the reworking of Metsä-Serla Academy's programmes was launched with the aim of supporting the development of management's key competencies and offering a lifelong learning path for the company's key employees. The programmes have been recast in accordance with the structure of the new business groups and divisions as well as customer segments. The programmes are now more oriented towards customers and end use.

Cooperation with universities and institutes of technology, dissertations and trainee-exchange activities can be deployed to ensure that

Metsä-Serla is perceived as an attractive employer amongst poly-technical and university graduates.

Precision-trained pros

Metsä Instituutti Silva was established in 1999. Its first maintenance and mill operation specialists, who were precision-schooled for the needs of Metsä-Serla's mills, will complete their studies in the spring 2001. Their training has gone ahead according to plans: the bulk of the "book learning" or theoretical instruction was obtained at the mills under the supervision of instructors. The second annual class, which is made up of 28 students selected from among 780 applicants, started their studies in the autumn 2000.

Metsä Instituutti Silva functions as the prime recruitment channel for Metsä-Serla's units in Finland and it also produces further education services. As Metsä-Serla builds an international presence, Silva is also internationalizing. For example, it has started to export its recruitment training model to Central Europe.

Future challenges and opportunities

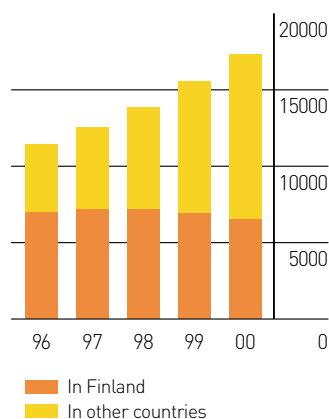
The joining of forces between Metsä-Serla, Modo Paper and Zanders creates potential that

must be tapped in an unbiased manner. By means of a systematic exchange of experience and information all parties can ensure that the best practices are put into use. On the other hand, the management of ever-growing and internationalizing operations, the need to maintain the working ability of baby-boomers and facilitating employee mobility pose challenges which must be overcome so that Metsä-Serla can maintain and develop its attractiveness as an employer.

Metsä-Serla's personnel by country on 31 December

	2000	1999
Finland	6 068	6 539
Germany	3 320	2 300
Sweden	2 883	736
Great Britain	2 171	1 669
France	969	51
Austria	920	0
Switzerland	594	602
Hungary	590	9
Poland	496	440
Belgium	293	0
The Netherlands	251	107
Denmark	116	559
Greece	0	457
Lithuania	22	373
Russia	18	703
Others countries	883	355
Total	19 594	14 900

Personnel, average



Innovation is a means of gaining a substantial improvement in the efficiency of capital employed within the forest industry. The achievements of Metsä-Serla's innovation process are evaluated by studying both, the profitability of already completed investments and the expected returns on proprietary technologies that have been developed or are in the pipeline. The results indicate, by means of research and development work, that shareholder value of forest product companies can be increased significantly.

The importance of industrial rights has gained in emphasis as products become more specialized and competencies grow in depth and breadth. This has called for further inputs into managing the intangible assets related to them and expanded efforts to increase their value.

Strategic research

Metsä-Serla has concentrated to the fullest extent on utilizing the characteristics of aspen fibres in products that use less raw material and energy. Methods have been developed for the further conversion, cultivation and processing of fibres used in scarce-resource products. Furthermore, the cultivation of aspen is being prioritized.

Strategic research is being conducted to ensure success in the business environment of the future. Envisioning scenarios of alternative business environments in the future is an important element of this research work. Future-related issues are discussed and analyzed at Metsä-Serla's units by means of tailor-made scenario tools.

New products and processes

Within the Paper Group, the project centring on the manufacture and use of mechanical pulp was extended, by carrying out quality assurance and process development connected with the CTMP plant investment at Joutseno Pulp. The product reorientation at the PM 4 of Kangas mill, which will now manufacture a new coated and calendered Galerie One product, will offer customers an excellent print quality for direct marketing with a 20 per cent smaller grammage. The largest strategic development project during the year was the changeover in the production orientation at Kangas and Husum from uncoated papers to coated products.

The priority for the Packaging Group's research and development activities in the past year was focused on developing the characteristics of board raw material so that it is more in line with customers' packaging requirements. In cooperation with customers, the development effort has resulted not only in improved quality characteristics of the various types of board but has also yielded entirely new grades.

Supporting ongoing operations

Within the Pulp Group, increasing the amount of long fibered reinforcing pulp, including related quality development projects, was one of the priority areas during the year under review.

As part of the integration process of Metsä-Serla and Modö Paper, the Paper Group has carried out a survey of all the ongoing product development projects, and measures have been started with the aim of unifying similar mill projects and improving information exchange.

The Packaging Group participated in a number of national and European cooperation projects with the purpose of amplifying knowledge on the characteristics of paper-based packaging materials in food packaging. As part of the cooperation projects, new testing methods were being compared in several research institutes.

Organization and financing

The technology strategies that were worked out by the business groups during the year will point the way for the Group's development activities in coming years.

Strengthening R&D activities is part of the Pulp Group's strategy. In line with this aim, towards the end of the year R&D resources were organized according to a process management model within an R&D competence centre and the focus of the activities was directed at improving their customer orientation.

The Paper Group's R&D activities strengthened and internationalized to a considerable extent as a result of the purchase of Modö Paper. The R&D activities were reorganized during the year. R&D activities are based on technology centres which support the division and carry out strategic development projects. These technology centres are located in Örnköldvik (Business Papers), Kirkniemi (Publishing Paper) and Stockstad (Commercial Print). In this connection, a company that develops research services and has sales and marketing activities was formed in Örnköldvik. The company will concentrate on process research connected with chemical pulp and carry out physical and chemical analyses.

In 2000, the Company invested about EUR 33 million in research and development (17).

The primary objective of the Metsä-Serla Group, apart from profitability, is to maintain a strong balance sheet structure that is in good equilibrium. The average equity ratio target across business cycles has been set at a minimum of 45 per cent and the gearing ratio target is for a maximum level of 80 per cent.

The Group's financial position and financing events are discussed in the Report of the Board of Directors on pages 46 – 53.

Management of financial risks

Financing risks involved in business operations are managed in accordance with the financing policy confirmed by the Company's Board of Directors and management. This policy defines detailed operating instructions for the management of factors such as foreign exchange, interest rate, liquidity and counterparty risk as well as for the use of derivative instruments. The aim is to hedge against significant financing risks, to balance the cash flow and to give the business units time to adjust their operations to changed conditions.

Foreign exchange risks

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

Most of the Group's costs are generated in the euro-zone

or Sweden, but a large part of the sales income is obtained in currencies other than Finnish markka. This means that due to changes in foreign exchange rates, trade receivables can fluctuate whilst production costs remain unchanged. Similarly, the pricing of products is also done in currencies other than the Finnish markka. This foreign currency exposure includes foreign currency-denominated accounts receivable, accounts payable, orders booked as well as a certain part of the budgeted net foreign currency cash flow. The main instruments used for hedging are loans taken out in foreign currency, forward rate agreements and options.

The Group's annual foreign currency exposure is about EUR 1.4 billion, of which part constitutes exposure to the euro and part to the Swedish krona. The main currencies are the United States dollar, USD 430 million, and the British pound, GBP 390 million. A strengthening in the dollar and the pound sterling therefore has a positive effect on the Group's net profit, though with a lag, and

a weakening in these currencies has a negative effect on profits, also with a lag.

The hedging policy has been to hedge the foreign exchange cash flow for three months on average. The amount of hedging for specific currencies can vary depending on the exchange rates and expectations prevailing at any given time, on interest differences among the currencies as well as on the significance for the Group's earnings of a change in foreign exchange rates.

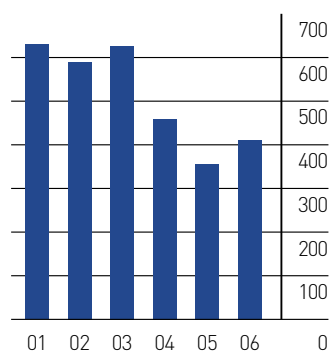
At the end of the year, the foreign currency exposure was hedged on average for 6 months. The degree of hedging during the year varied between 3 and 6 months. For dollar and pound sterling forwards, foreign currency exposure averaging between 3 and 6 months was hedged during the year.

In managing its foreign exchange risks, the Metsä-Serla Group employs value-at-risk analysis based on probability calculations. The risk figure reflects the largest possible write-down of the foreign currency position based on histori-

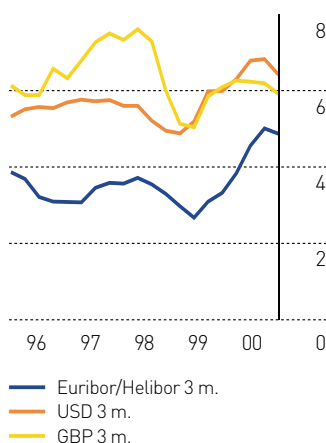
cal information, using the probability assigned during a given period. The calculations take into account the cash flow exposure and the items hedging it. The calculations employ historical volatilities and correlations for a period of one year and are carried out using Monte Carlo simulation. The risk figure based on the foreign exchange exposure at 31 December 2000 was EUR 32 million with a 99 per cent range of confidence during a one month period of analysis, and the risk figure during the year fluctuated in the range of EUR 6 and 32 million.

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

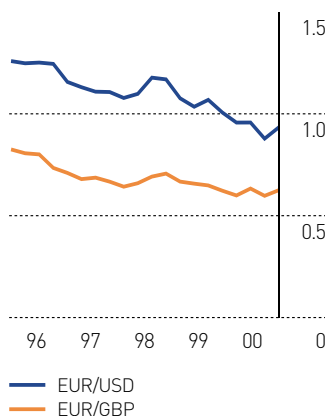
Repayment of long-term loans, EUR million



Interest rate trends, 3 m., %



Exchange rate trends, EUR



The risk in translating foreign currency-denominated shareholders' equity arises when the shareholders' equity amounts of overseas subsidiaries and associated companies are consolidated and translated into euros in the annual accounts. The Group hedges the foreign currency-denominated shareholders' equity items of international subsidiaries by means of loans taken out in foreign currency and through foreign currency derivatives. A minimum of 50 per cent of the equity exposure subject to risk must be hedged if the hedging can in practice be carried out. The degree of hedging at 31 December 2000 was 88 per cent.

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

Interest rate risk

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

Metsä-Serla aims to hedge the most important interest rate risks. How fast a change in the level of interest rates is reflected in net financial expenses in the profit and loss account depends on the periods during which investments, loans and derivatives are tied to fixed interest rates, i.e. on how long the interest rate of a financial item is fixed. The instru-

ments used to manage interest rate risk are forward rate agreements, futures, interest rate swaps and options.

The duration of the Group's net interest rate position at 31 December 2000 was 5 months and the average interest rate was 5.5 per cent. During the year the duration varied in the range of 5 – 16 months.

The Group's interest rate sensitivity, i.e. an estimate of the effect of an interest rate change of one per cent in one direction on net interest costs in 2001 is about EUR 22 million based on the exposure at the end of 2000.

Liquidity risks

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

The amount of the Group's liquid assets and investments at the end of the year was EUR 289 million. In addition to these, at the balance sheet date the Group had available committed credit facility agreements in an amount of about EUR 0.9 billion.

To cover its short-term financing needs, the Group was able to employ domestic and foreign commercial paper programmes and non-binding lines of credit in an amount of about EUR 0.7 billion. At the balance sheet date, the Group's interest-bearing liabilities totalled about EUR 3.8 billion.

In order to increase the efficiency of liquidity management, during the financial year the Group continued to develop euro- and pound-denomi-

nated cash pools within which liquidity is managed on a centralized basis by the Group's internal bank.

Investment policy and counterparty risk

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

At the end of 2000, EUR 289 million of the total liquidity consisted of liquid assets. The investment of these assets productively and securely has been decided as part of the financing policy, which covers the selection of investment instruments and markets as well as the management of counterparty risk. The instrument and market are chosen in such a way that the investment can be converted to cash quickly and at a small cost. Because only the most creditworthy financial institutions are chosen as counterparties, defaults on payment obligations are not anticipated.

Metsä Finance

Metsä Group Financial Services Oy (Metsä Finance) is the Group's subsidiary which is specialized in financing and acts as the Group's internal bank. Its task is the management of financing risks, the optimization of financing costs, the maintenance of adequate liquidity as well as negotiations concerning financing and maintaining relationships with providers or financing. In addition, it produces financing information and training for the Group companies. Metsä Finance had a payroll of 21 employees.

Derivative agreements

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

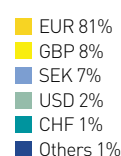
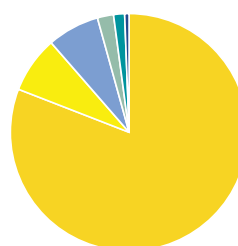
	Maturity months	Counter-values 31.12.2000 (EUR million)
Forward foreign exchange contracts	< 12 months	21.5
Foreign exchange options bought and sold	< 12 months	6.5
Forward interest rate agreements	< 12 months	0.5
Interest rate options bought and sold	< 2 years	4.1
Interest rate swaps	< 10 years	11.8

At Note 26 (Contingent liabilities) a schedule is given of the gross amount and fair values of derivative contracts at 31 December 2000.

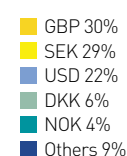
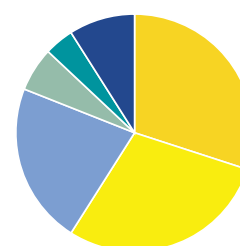
Exchange rates against euro at 31.12.

	2000	1999	1998	1997	1996
GBP	0.6241	0.6217	0.7055	0.6660	0.7333
USD	0.9305	1.0046	1.1667	1.1048	1.2425
DEM	1.9558	1.9558	1.9558	1.9782	1.9311
FRF	6.5596	6.5596	6.5596	6.6206	6.5109
SEK	8.8313	8.5625	9.4874	8.7265	8.5507
FIM	5.9457	5.9457	5.9457	5.9890	5.7700

Currency breakdown of loans



Foreign currency breakdown of currency exposure



TURNOVER EUR million	2000	1999	2000				1999			
	I-IV	I-IV	IV	III	II	I	IV	III	II	I
Paper Group	1 955.7	1 704.6	513.6	498.0	478.3	465.8	470.9	424.5	407.5	401.7
– Magazine paper	619.8	552.6	170.9	155.6	149.2	144.1	155.0	138.0	134.1	124.5
– Fine paper	1 335.9	1 152.0	342.7	342.4	329.1	321.7	314.9	286.5	273.4	277.2
Packaging Group	899.5	792.0	239.4	233.3	212.0	214.8	209.8	197.3	196.8	188.1
Tissue Group	609.2	585.7	160.4	156.5	144.8	147.5	153.2	144.8	142.2	145.5
Merchanting Group	814.7	678.7	195.2	212.3	210.7	196.5	176.8	163.5	170.7	167.7
Pulp Group	656.7	458.3	181.8	175.2	147.6	152.1	133.7	127.2	102.3	95.1
Modo Paper	1 333.0		654.0	679.0						
– Fine paper	811.4		394.0	417.4						
– Merchants	657.1		342.1	315.0						
– Internal sales, Modo Paper	-135.5		-82.1	-53.4						
Divested units	116.5	223.1			59.4	57.1	58.2	57.0	55.2	52.7
Internal sales and others	-487.5	-398.8	-118.0	-115.0	-129.9	-124.6	-105.5	-106.0	-96.5	-90.8
METSÄ-SERLA GROUP	5 897.8	4 043.6	1 826.4	1 839.3	1 122.9	1 109.2	1 097.1	1 008.3	978.2	960.0

OPERATING PROFIT AND RESULT EUR million	2000	1999	2000				1999			
	I-IV	I-IV	IV	III	II	I	IV	III	II	I
Paper Group	216.3	227.1	48.5	63.7	48.9	55.2	68.1	58.0	48.2	52.8
– Magazine paper	136.6	126.2	35.9	38.6	28.9	33.2	40.1	31.4	28.0	26.7
– Fine paper	79.7	100.9	12.6	25.1	20.0	22.0	28.0	26.6	20.2	26.1
Packaging Group	97.6	83.6	23.0	32.4	15.2	27.0	19.0	22.1	19.3	23.2
Tissue Group	-11.9	16.2	0.3	0.9	-9.8	-3.3	-4.6	6.6	4.9	9.3
Merchanting Group	9.9	6.4	-2.6	4.7	3.9	3.9	1.1	1.0	1.1	3.2
Pulp Group	258.6	65.9	72.9	78.5	54.6	52.6	32.5	26.4	5.5	1.5
Modo Paper	123.9	0.0	47.5	76.4						
– Fine paper	105.2		36.9	68.3						
– Merchants	18.7		10.6	8.1						
Divested units	5.5	15.6			3.4	2.1	3.1	6.0	2.6	3.9
Other operations	-95.9	-63.2	-24.0	-15.0	-34.2	-22.7	-15.3	-13.7	-15.8	-18.5
Operating Profit	604.0	351.6	165.7	241.5	82.0	114.8	103.9	106.4	65.8	75.4
– % of turnover	10.2	8.7	9.1	13.1	7.3	10.3	9.5	10.6	6.7	7.9
Net exchange gains/losses	-8.0	-6.7	-6.5	6.3	-4.3	-3.5	-2.1	-1.0	-3.6	0.1
Other financial income and expenditure	-137.5	-76.8	-41.0	-56.9	-18.9	-20.7	-20.0	-20.9	-18.0	-17.8
PROFIT BEFORE EXTRAORDINARY ITEMS	458.5	268.1	118.2	190.9	58.8	90.6	81.7	84.5	44.2	57.7
– % of turnover	7.8	6.6	6.5	10.4	5.2	8.2	7.4	8.4	4.5	6.0

KEY FIGURES	Turnover EUR million		Operating profit EUR million		Operating profit %		Capital employed average, EUR million		Return on capital employed, %		Personnel, average	
	00	99	00	99	00	99	00	99	00	99	00	99
Paper Group	1 955.7	1 704.6	216.3	227.1	11.1	13.3	1 306.2	1 197.0	16.0	19.0	3 978	4 109
– Magazine paper	619.8	552.6	136.6	126.2	22.0	22.8	422.9	437.8	30.4	28.6	1 311	1 317
– Fine paper	1 335.9	1 152.0	79.7	100.9	6.0	8.8	883.3	759.2	9.1	13.5	2 667	2 792
Packaging Group	899.5	792.0	97.6	83.6	10.9	10.6	615.0	627.2	16.0	14.0	2 597	2 520
Tissue Group	609.2	585.7	-11.9	16.2	-1.9	2.8	370.8	356.9	-3.1	4.6	3 205	3 459
Merchanting Group	814.7	678.7	9.9	6.4	1.2	0.9	150.8	124.3	6.6	5.9	1 020	1 077
Pulp Group	656.7	458.3	258.6	65.9	39.4	14.4	605.7	597.9	43.8	11.1	787	809
Modo Paper	1 333.0		123.9		9.3		929.0		14.0		3 513	
– Fine paper	811.4		105.2		13.0						2 464	
– Merchants	657.1		18.7		2.8						1 049	
Divested units	116.5	223.1	5.5	15.6	4.7	7.0					1 277	2 616
Internal sales and others operations	-487.5	-398.8	-95.9	-63.2			892.5	698.8			1 036	982
METSÄ-SERLA GROUP	5 897.8	4 043.6	604.0	351.6	10.2	8.7	4 870.0	3 602.1	13.5	10.5	17 413	15 572

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In line with its initial strategy, Metsä-Serla is focusing on its Printing, Packaging and Paper Merchandising business areas. The company strengthened its position within these businesses by making major acquisitions during the report year. Through purchasing Modo Paper, Metsä-Serla became Europe's largest supplier of coated and uncoated fine papers and Europe's third largest paper merchant. The Zanders acquisition bolsters the company's position as a manufacturer of high-quality coated fine papers. The acquisition of Cofinec, which is specialized in consumer packaging, was a direct step towards becoming a packaging supplier that serves global manufacturers of branded products, rather than being a producer of packaging raw materials.

During the report period, Metsä-Serla's profitability improved significantly in comparison with the previous year. Consolidated profit for the financial year before extraordinary items grew by more than 70 per cent. The improvement in

profitability was attributed largely to the higher price level in all product groups, from the increased demand of magazine paper, to the strong United States dollar and pound sterling against the euro, and also to the integration of Modo Paper within the Group from 1 July 2000. The price of pulp rose strongly during the year. This meant a large improvement in the Pulp Group's profitability; however, it weakened the profitability of other businesses, especially fine paper and Metsä Tissue. This happened because the prices of end products could not be increased in step with rises in the price of pulp.

Consolidated operating profit was EUR 604 million (352 million in 1999) and profit before extraordinary items totalled EUR 459 million (268). Operating profit was boosted by the Packaging Group and particularly by the Pulp Group, whereas the Paper Group's operating profit (net of Modo Paper) weakened somewhat as compared with the previous year. Metsä Tissue's operating result was negative.

The Board of Directors will propose to the Annual General Meeting, to be held on 2nd April 2001, the payment of a dividend of EUR 0.60 per share, representing 27 per cent of earnings per share. The dividend paid for 1999 was EUR 0.45 (FIM 2.70).

The economic environment

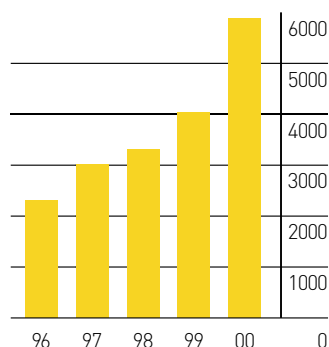
Metsä-Serla's most important market area is Western Europe. The largest trading partners are the UK, Germany and France. The United States economy and the dollar also have a considerable importance for the company's operations.

The strong growth in the world economy brought a buoyant start to the year, propelled by the "new economy", the United States economy grew at an annual rate of more than six per cent. Western Europe by nearly four per cent and Japan also appeared to have snapped out of its nearly ten-year-long recession when it reported a growth rate of two per cent. At the beginning of April, the belief in ever-expanding growth prospects of the "new economy" began to

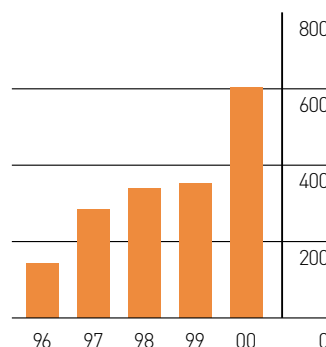
weaken. The rapid slide in the value of technology shares, which started off in the United States, spread and turned into a global share price decline. With the stock prices continuing to slip during the spring and summer, the forecast was for a slowdown in the growth rate of the world economy both in Europe and North America. From late autumn onwards, the pace of growth of the United States' economy began to show clear signs of slowing down. Notwithstanding in 2000, the United States economy achieved 5 per cent growth and the European Union also posted growth of nearly 3.5 per cent. Regional differences within Europe were relatively large: Finland's gross domestic product grew by more than 5 per cent, Germany and France by over 3 per cent, whereas Italy's growth rate was a bit more than 2 per cent.

Whilst growth was in full swing in the first months of the year, raw material prices also rose strongly, but the rise tapered off and came to a halt towards the end of the year. To combat inflationary pressures, the central banks raised

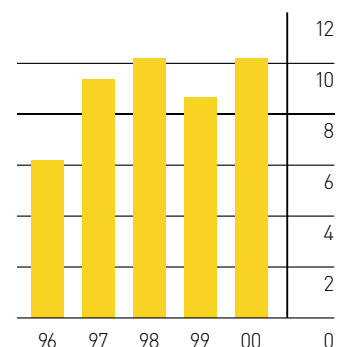
Turnover, EUR million



Operating profit, EUR million



Operating profit, %



their official interest rates during the year: the European Central Bank by 1.75 percentage point, the United States Federal Reserve Bank by 1.00 percentage point, and Sweden's Central Bank by 0.75 percentage point. In the latter part of the year, long interest rates headed downwards and inflation expectations subsided.

In the currency markets, the euro decreased in value up to the very end of the year. The value of the euro was nevertheless impacted more by capital movements due to currency flows, rather than by the chronic uncertainty that dogged the single currency in 1999. In the latter part of the year, the euro began to strengthen. At year end, it was just about 7 per cent weaker against the United States dollar than it was at the end of 1999. Against the British pound, the euro reached the prevailing level at the end of 1999.

The market

Demand for the paper grades produced by Metsä-Serla remained good throughout the year, except for the weakening

in demand for fine papers in the latter half of the year. At the annual level, deliveries of both coated and uncoated fine papers, nevertheless, grew by 4 per cent in Western Europe. The strong demand for coated magazine paper held steady all year and delivery volumes in Western Europe were up 10 per cent. The prices of fine papers rose several times during the year, in step with sharply higher pulp prices. The selling prices of Metsä-Serla's coated fine papers (net of Modo Paper) were 13 per cent higher than a year ago and the selling prices of uncoated papers were 15 per cent higher. Increases in the prices of magazine papers were also implemented to some extent in the

course of the year. Average selling prices were 3 per cent higher than they were a year earlier.

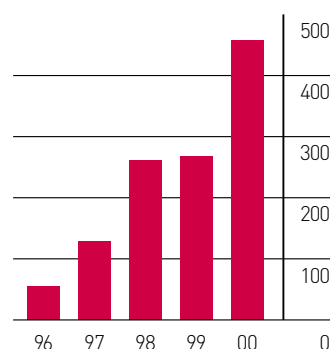
The increased demand for folding boxboard towards the end of 1999 continued ahead strongly throughout the report year. Demand grew at an annualized 3 per cent in Western Europe. Demand for wallpaper base fell somewhat compared with the previous year but picked up again during the autumn. Selling prices of folding boxboard rose during the year and were on average, 8 per cent higher than they were a year ago. Demand for liner and fluting was also very strong during the report period and the prices rose by 25 per cent.

Demand for tissue paper in the Nordic countries and continental Europe was on par with the previous year. Prices rose during the year, although the tight competitive situation delayed the rise in tissue prices in Germany.

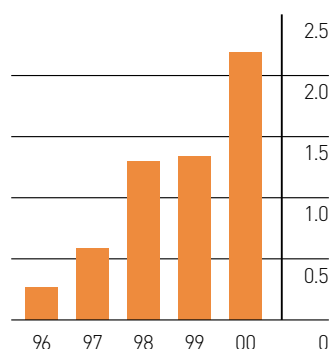
Pulp enjoyed very strong demand throughout the first half of the year. After the summer, demand nevertheless weakened in Asia. Towards the end of the year, signs of a slowdown in the demand for pulp were also apparent in Europe. The market price of bleached softwood pulp rose from USD 630 in the first quarter of the year to USD 710 at the end of the year.

Key figures	Turnover EUR million		Operating profit EUR million		Personnel average	
	00	99	00	99	00	99
Paper Group	1 955.7	1 704.6	216.3	227.1	3 978	4 109
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Metsä-Serla Group	5 897.8	4 043.6	604.0	351.6	17 413	15 572

Profit before extraordinary items, EUR million



Earnings per share, EUR



Turnover and profit

Metsä-Serla's consolidated turnover for 2000 was EUR 5,898 million (4,044). Of the growth in turnover, EUR 1,330 million was attributable to the acquisition of Modo Paper. The divestment of the corrugated packaging business, in turn, reduced the turnover figure. In comparable terms, the growth in turnover was 16 per cent. Exports from Finland and sales by subsidiaries abroad accounted for 91 per cent of turnover (89). In summation, 62 per cent (44) of Metsä-Serla's turnover came from products manufactured outside Finland. Other operating income amounted to EUR 63 million, of which gains on the sale of fixed assets accounted for EUR 12 million.

The Group's operating profit improved by more than 70 per cent and was EUR 604 million (352), or 10.2 per cent of turn-over (8.7).

The Paper Group's operating profit (net of Modo Paper) weakened somewhat and was EUR 216 million (227). The Packaging Group, however, reported an

improvement in operating profit, to EUR 98 million (84). The Tissue Paper Group (Metsä Tissue Corporation) reported an operating loss of EUR 12 million (operating profit of EUR 16). The Merchancing Group's operating profit (net of Modo Paper) improved somewhat and was EUR 10 million (6). The Pulp Group's operating profit nearly quadrupled and was EUR 259 million (66). Modo Paper's operating profit, less amortization of goodwill, was EUR 108 million during the period 1 July – 31 December 2000.

Metsä-Serla's profit before extraordinary items was up more than 70 per cent to EUR 459 million (268). The Group's net financial expenses amounted to EUR 145.5 million (83.5). Financial expenses were increased by the interest expenses and non-recurring expenses of arranging financing for the acquisition of Modo Paper, and by the higher level of interest rates.

Extraordinary income totalled EUR 63.0 million. The sum comprises the capital gain realized on

the sale of the corrugated packaging business. Extraordinary expenses amounted to EUR 5.5 million, including the booking of a charge for the parent company's and Oy Metsä-Botnia Ab's pension liability which rose in previous years.

Profit before taxes and minority interest was EUR 516 million (295). The minority interest share of the result was a loss of EUR 7 million, which was attributable, nearly in its entirety, to the minority holding in Metsä Tissue Corporation. Direct taxes, including the deferred tax liability for the financial year, totalled EUR 183.0 million (88.4).

Earnings per share were EUR 2.20 (1.34). The return on capital employed was 13.5 per cent (10.5).

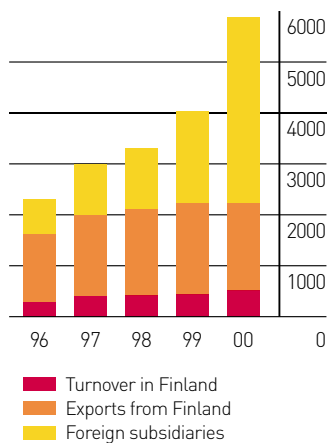
Financial position

Metsä-Serla's financial position and liquidity remained good throughout the year.

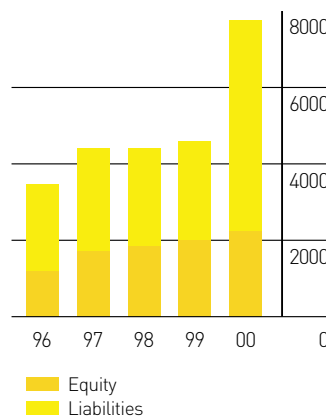
Consolidated interest-bearing net liabilities stood at EUR 3,383 million at the end of the financial year (1,160). The Group's cash

Turnover by countries	2000	1999
Great Britain	1 199.8	904.1
Germany	872.3	565.0
Finland	521.8	441.7
France	462.4	284.3
Spain	237.8	138.9
Sweden	235.9	134.4
Italy	205.4	116.8
The Netherlands	195.0	104.9
USA	184.8	121.9
Switzerland	146.1	119.2
Denmark	144.6	147.8
Poland	129.8	77.8
Belgium	125.8	71.1
Austria	92.5	45.7
Norway	92.0	68.2
Australia	78.2	55.0
Hong Kong	70.7	50.6
Russia	65.4	51.8
China	56.9	54.2
Greece	51.0	65.3
Canada	49.6	27.2
Ireland	45.5	29.7
Baltic countries	44.7	32.7
India	43.6	33.8
Japan	22.5	12.7
Portugal	11.3	9.1
Other Europe	6.6	79.3
Other Asia	181.2	45.7
Other countries	324.6	154.7
Metsä-Serla Group	5 897.8	4 043.6

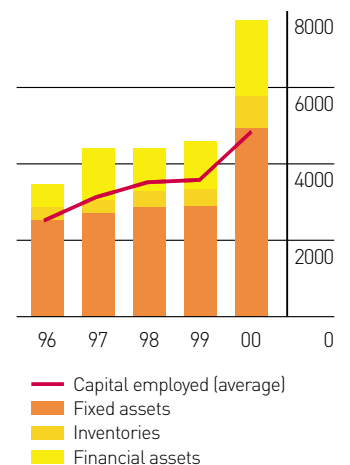
Turnover, EUR million



Financial structure, EUR million



Capital employed, EUR million



flow from operations was EUR 507 million (362).

The Group's liquid funds and investments totalled EUR 289 million at the end of the year (251). In addition to these funds, on 31 December 2000, the Group had its disposal binding credit facility agreements amounting to about EUR 0.9 billion. To cover its short-term financing needs, the Group was able to make use of domestic and international non-binding commercial paper programmes and credit facilities to a total value of about EUR 0.7 billion. At the close of the year, 19 per cent of the Group's long-term loans were denominated in foreign currencies. Of these loans, 83 per cent was subject to variable interest rates and the remainder, to fixed interest rates. The average interest rate for all of Metsä-Serla's loans was 5.5 per cent at the end of 2000.

In February of the report year, Metsä-Tissue Corporation signed an EUR 15 million 12-year loan agreement with the Nordic Investment Bank.

In July, Metsä-Serla signed an EUR 1.7 billion syndicated loan with an international bank syndicate. The loan is made up of two tranches, the first of which is a 364 day EUR 1.0 billion loan to finance the acquisition of Modo Paper and the second tranche an EUR 700 million 5-year revolving credit facility to refinance Modo Paper's existing debt.

In October, Metsä-Botnia signed an EUR 100 million 12-year loan agreement with the European Investment Bank.

In November, Metsä-Serla signed 10-year loan agreements in a total amount of EUR 135 million with Finnish pension insurance companies.

In December, Metsä-Serla signed an EUR 100 million 12-year loan agreement with the European Investment Bank.

Standard & Poors lowered the short-term credit rating of Metsä-Serla and Metsä Group Financial Services Oy to A-3 in May (from A2). In addition, it placed Metsä-

Serla's long-term credit rating (BBB) on CreditWatch Negative to provide for any fall in the credit rating. Moody's Investor Service changed the outlook for Metsä-Serla's and Metsä Group Financial Service's long (Baa2) and short-term (P2) loans from neutral to negative in November.

The equity ratio at the close of the year, was 29.7 per cent (45.1) and the gearing ratio 146 per cent (56) with the inclusion of the subordinated capital notes in shareholders' equity.

Distributable shareholders' equity in the consolidated balance sheet at 31 December 2000 was EUR 791 million (627).

Board of Directors and Auditors

The Annual General Meeting, held on 23 March 2000, re-elected the following persons to seats on Metsä-Serla's Board of Directors for a term extending until the next Annual General Meeting: Asmo Kalpala, Erkki Karmila, Runar Lillandt, Matti Niemi, Antti Oksanen, Antti Tanskanen and Arimo Uusitalo. Timo

Haapanen was elected to the Board as a new member in place of Seppo T. Niemi.

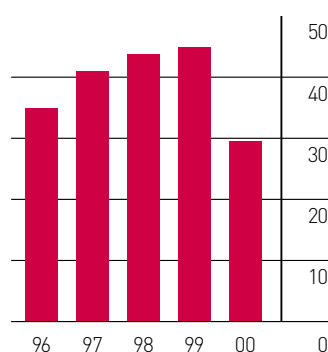
The firm of public accountants, SVH Price-waterhouse Coopers Oy and Ilkka Haarlaa, M. Sc. (Econ.), Authorized Public Accountant, was chosen as the company's auditors.

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

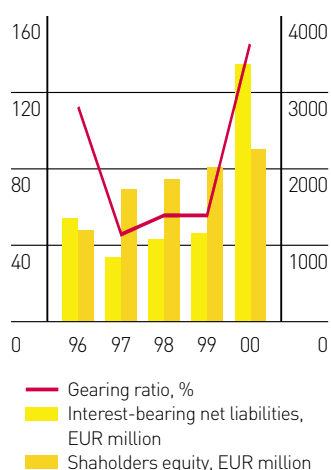
Acquisitions, divestments and other changes in the Group structure

At the end of May, Metsä-Serla signed an agreement with Holmen AB (publ) and Svenska Cellulosa Aktiebolaget SCA (publ) concerning the purchase of the entire shares outstanding in Modo Paper AB for a purchase price of EUR 1 560 million. Modo Paper's debt-free purchase price was EUR 2 250 million. The deal came into force on 9 August 2000, following approval by the EU Commission.

Equity ratio, %



Gearing ratio, %



In conjunction with the Modo Paper deal, Metsä-Serla sold its corrugated packaging business to SCA for a debt-free price of EUR 200 million. The corrugated packaging transaction came into force on 1 September 2000 following approval by the EU Commission.

As part of the EU Commission's decision concerning Modo Paper, Metsä-Serla gave its commitment to sell Grafiskt Papper Norden AB, a paper merchant that operates in Sweden. In November, Metsä-Serla sold its shares in Grafiskt Papper to Buhrmann International B.V. for 45 million Swedish crowns. The deal came into force in December following approval by the EU Commission and the Swedish competition authorities.

In June, Metsä-Serla entered into an agreement with Frantschach AG of Austria concerning the purchase of Cofinec's carton and label business in Hungary for a debt-free purchase price of EUR

43 million. The deal came into force at the end of September.

In November, Metsä-Serla signed an agreement with International Paper concerning the acquisition of an approx. 72 per cent shareholding in Zanders Feinpapiere AG. The shares were sold at a price of EUR 86 million (EUR 43 per share). The company's enterprise value is about EUR 245 million. The EU Commission approved the deal on 18 December 2000 and it came into effect on 3 January 2001. In addition, Metsä-Serla has purchased Zanders's shares on the open market for a value of EUR 29 million (EUR 60 per share on average), as a consequence of which Metsä-Serla's shareholding in Zanders totals about 88 per cent.

In May, the Shareholders' Meeting of Oy Metsä-Botnia Ab and Oy Metsä-Rauma Ab resolved in a merger between Metsä-Rauma with Metsä-Botnia. The merger came into effect on 31 December 2000, after which Metsä-Serla's shareholding in Metsä-Botnia fell

to 46.4 per cent, from the previous figure of 52.3 per cent, as a result of Metsä-Serla's lower shareholding (29.3) in Metsä-Rauma. After the close of the financial year, Metsä-Serla has purchased from Metsäliitto Osuuskunta 0.6 per cent of Metsä-Botnia's shares, after which Metsä-Serla's holding of Metsä-Botnia is 47 per cent.

In June, Metsä-Serla and Metsä-Botnia announced that they had concluded an agreement on selling the shares they own in Transfennica Oyj to Finlines Plc together with Transfennica's other shareholders. The conditions, which the competition authorities placed on the deal, were not acceptable to Finlines, and in December, the parties announced that they were cancelling the deal.

Capital expenditures

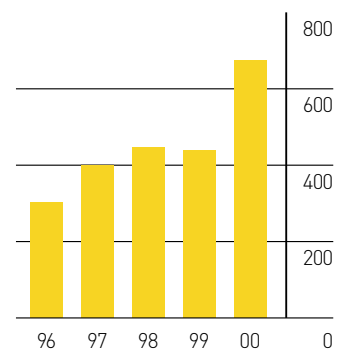
Metsä-Serla's capital expenditures on fixed assets in 2000 totalled EUR 510 million, including EUR 205 million of Modo Paper's capital expenditures for the period 1 July – 31 December

2000. The aggregate purchase price of the shares in acquired companies was EUR 1,640 million, debt-free purchase price of EUR 2,330 million.

The development programme and coating machine investment at the Kangas paper mill are progressing according to plans. The coating paper investment will be completed in March of the current year. In Joutseno, the building of a chemithermal mechanical pulp (CTMP) plant with an annual capacity of more than 200,000 tonnes – which is also part of the investment – will be completed towards the end of the year. The total costs of the investment programme are EUR 200 million.

The development project, of EUR 285 million, at the Husum paper mill is continuing according to plans. The project comprises a coating machine and the necessary modifications to paper machine 8 with the aim of converting the production orientation towards coated grades.

Funds from operation, EUR million



The EUR 250 million modernization investment for the fibrelines of Metsä-Botnia's Joutseno pulp mill, which began near the end of 1999, will be completed in May 2001. The investment will raise the mill's annual capacity by 200,000 tonnes. The increase in production will be used in its entirety by Metsä-Botnia's owner companies.

During the report period, a new automated warehouse was placed in use at the Biberst paper mill. In addition, one slitter-winder was rebuilt and one cut size line was modernized.

At UK Paper's mills, a capital expenditure programme aimed at debottlenecking and raising paper quality was continued. In addition, a decision was taken on combining the sheeting operations of the mills and building a new pallet warehouse for the New Thames mill.

At the Alizay paper mill, a EUR 20 million investment for installing a new A4 cut size line and modern-

izing the old A4 cut size line was started during the past year.

A decision has been taken to modernize Paper Machine 3 at the Hallein paper mill. One of the aims of the investment project of EUR 15 million is to raise the annual capacity of the machine by 25,000 tonnes.

In December, Metsä-Serla's Board of Directors decided to carry out a capital expenditure programme of about EUR 100 million to modernize the Kyro wallpaper machine and the Äänekoski folding box-board machine. The decision means that Äänekoski will move away from wallpaper production, whereby operations will be centralized in Kyro. The Äänekoski board machine will specialize in board for pharmaceutical packaging.

Wood and energy procurement

Wood procurement for Metsä-Serla is handled by its parent company, Metsäliitto Osuuskunta. During 2001, responsibility for

procuring the wood used by the mills abroad will also be transferred to Metsäliitto. Metsä-Serla owns about 150,000 hectares (375,000) of woodlands, including the forests owned by Metsä-Botnia. The responsibility for silviculture rests with Metsäliitto Osuuskunta's subsidiary Metsämännut Oy. The wood resources of the forests are estimated at about 12 million cubic metres. The going value of company's land and forest holdings are estimated at about EUR 220 million (220). Fellings in the company's forests produced a total of about 200,000 cubic metres of wood (175,000).

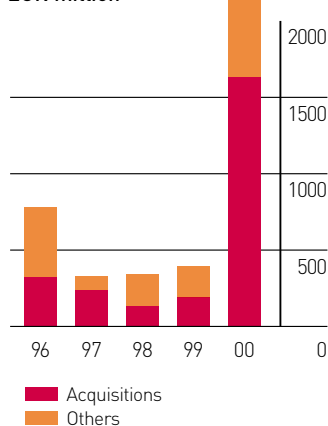
Wood consumption by Metsä-Serla's mills in Finland, including Metsä-Botnia, was 11.0 million cubic metres during the report year (11.0). The average price of pulp wood at the mills remained at the previous year's level.

The electric power consumption of the Metsä-Serla Group's mills in Finland was 4,500 GWh, of

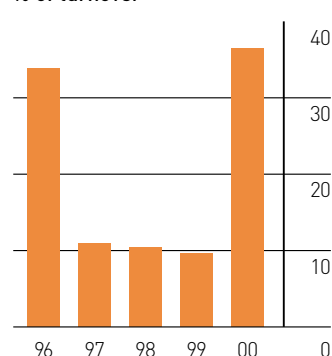
which 74 per cent was generated by power plants at the mills. Similarly, the electric power consumption of Metsä-Serla's wholly or partially owned mills and plants outside Finland (including Modo Paper) was 3,500 GWh, of which the power plants at the mills accounted for 31 per cent. The amount of fuel burned to produce heat for the facilities in Finland was 16,100 GWh, of which the Group's own wood-based fuels made up 73 per cent. The use of fuels at the plants outside Finland to produce heat was 11,000 GWh, with wood-based fuels representing 6,300 GWh of the figure. Total energy consumption was on par with the previous year, taking into account the changes in the corporate structure.

The rise in the price of oil that started in 1999, peaked towards the end of the report year. Natural gas, which is generally tied to the price of oil, became more costly, particularly at the mills in continental Europe. In Finland, the biggest rise in the price of natural

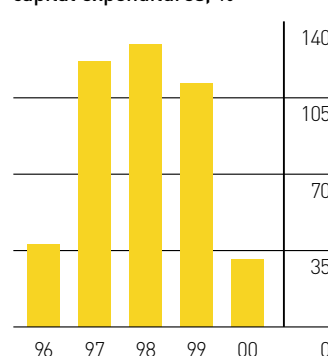
Gross capital expenditures, EUR million



Gross capital expenditures, % of turnover



Internal financing of capital expenditures, %



gas came during the beginning of year 2001. The price of coal also headed upwards, boosted further by the depreciation of the euro against the United States dollar. Towards the end of the year, coal imported to Finland was nearly 50 per cent more expensive than a year earlier. In relation to energy commodities, only the price of electricity remained stable. To summarize, energy costs rose markedly compared with the previous year.

In the late months of the year, a decision was taken to build a new bark boiler, including its turbines, at the Äänekoski mills. The capital expenditure will contribute to ensuring the potential for developing production. In addition, it will increase the proportion of bioenergy in the production of heat and electricity. Metsä-Serla is a minority shareholder in the company that has been established to carry out the capital expenditure programme.

The Group's total energy consumption, excluding structural

changes, has remained steady for several years now. The plant investments that will be carried out in Finland during the current year will mean an increase in the need for electricity, which will lead to larger purchases of market electricity. Taking into account the MODO Paper and Zanders units, Metsä-Serla's relative weight as a purchaser of electricity and natural gas will grow both in Scandinavia and in continental Europe. In coming years, the company will develop its procurement of electricity with a view of tapping to the fullest the advantages of an increasingly deregulated energy market.

Research and development

Industrial rights have taken on an increased significance in step with the specialization of products and the honing of keener competencies. As a result, further efforts have been made to improve the management of intangible assets and to increase their value.

Metsä-Serla has carried out a full-scale programme aimed at exploiting the properties of aspen

fibres in products with a lower raw material and energy input. Methods have been developed for the further conversion, cultivation and processing of the fibres of these scarce-resource products and the cultivation of aspen is being promoted.

The product reorientation at the PM 4 in Kangas mill, which will now manufacture a new Galerie One coated and calendered product, will offer customers an excellent print quality for direct marketing with a 20 per cent smaller grammage.

The priority for the Packaging Group's research and development activities in the past year was focused on developing the characteristics of board raw material so that it is more in line with customers' packaging requirements. In cooperation with customers, the development effort has resulted not only in improved quality characteristics of the various types of board but has also yielded entirely new grades.

At the Pulp Group, projects aimed at increasing the production volume of reinforcing pulp including related quality development were one of the priority areas.

The company's research and development expenditures in 2000 amounted to EUR 33 million (17).

Management of environmental risks

The company regards environmental issues as a matter of utmost responsibility and sees its obligations, at the same time, ensuring that its products are of high quality and in good demand.

The development of the best available technology (BAT) which is a part of the European Union's directive for Integrated Pollution Protection and Control (IPPC), is not estimated to cause major investment needs at Metsä-Serla's production units.

At the end of 2000, nearly all the wood used by Metsä-Serla's mills in Finland came from certified forests. In Swedish mills, about

a quarter of the wood comes from certified forests. Certification work is in progress in the other countries. In 2000, Metsäliitto's wood procurement received a Chain of Custody certificate for management of the wood origin process.

In 2001, Metsä-Serla will publish a separate environmental report.

Personnel

In 2000, Metsä-Serla and its subsidiaries employed an average of 17,413 people (15,572). The payroll at the end of the year was 19 594 employees (14,900), of whom 6,068 worked in Finland (6,539) and 13,526 worked outside Finland (8,361). The acquisitions of Modo Paper and Cofinec increased the number of personnel by 7,680 employees. The divestments of the corrugated packaging business and Grafiskt Papper in turn, reduced the headcount by 2,530 employees. As a consequence of efficiency-boosting measures the number of personnel was reduced by 456 employees.

The Group's total payroll includes 50 per cent of the personnel of the MD Papier mills in Germany, 52.3 per cent of Oy Metsä-Botnia Ab's personnel, and 29.3 per cent of Oy Metsä-Rauma Ab's personnel.

The parent company had an average payroll of 3,833 employees compared with 3,821 employees a year earlier.

Events after the close of the financial period

At the end of May Metsä-Serla signed, in connection with the agreement concerning the Modo Paper acquisition, an agreement on the sale to SCA of its 65.58 per cent holding in Metsä Tissue Corporation. The EU Commission announced on 26 September 2000 that it had decided to defer the sale of the Metsä Tissue Corporation shares to a so-called second stage follow-up examination. The EU Commission's decision on the deal was received on 31 January 2001. The decision blocks the sale of a majority holding in Metsä Tissue to SCA under the terms of the agreement

signed in May. The commercially acceptable solutions which Metsä-Serla and SCA presented for carrying through the deal were not sufficient for the Commission.

Metsä Tissue Corporation will continue its operations as a separate listed company. Metsä-Serla's objective is to increase the value of its holding in Metsä Tissue.

Near-term outlook

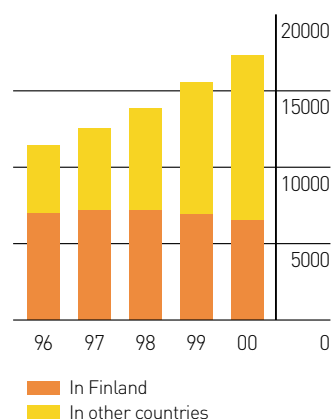
Economic growth in the industrial countries is forecast to slow down in the current year when compared to last year. Across the European Union, the contraction of economic growth is forecasted, thus far, to be lesser in extent than in North America. The Asian economies are projected to continue at the level of 2000.

Despite the slowdown in economic growth, paper consumption is expected to grow in Western Europe. Demand for coated magazine paper and coated fine paper is forecast to be on a par with last year. The capacity utilization rates of product groups are neverthe-

less forecasted to fall due to the impact of additional capacity that has or will come on stream. The demand situation for packaging boards is good and there are no signs of a drop in demand in the short-term. Keeping pulp supply and demand in balance will call for a lower capacity utilization rate. In the current year, the average price in foreign currency terms of all the main products is predicted to be higher than it was last year. If the dollar and pound sterling continue on their recent downward trend, this will nevertheless be a factor reducing sales revenues in euro terms.

Metsä-Serla Group is anticipated to generate earnings, in euro terms, in the current year that are at least on par with last year.

Personnel, average



	1.1.-31.12.2000		1.1.-31.12.1999	
	EUR million		EUR million	
		%		%
Turnover (1)	5 897.8	100.0	4 043.6	100.0
Change in stocks of finished goods and in work in progress	94.5		-34.3	
Share of profit from associated companies (2)	10.1		1.0	
Other operating income (3)	62.7		56.0	
Materials and services				
Raw materials and consumables	3 399.3		2 087.2	
Costs of external services	109.3		119.7	
Employee costs (4)	817.0		644.7	
Depreciation (5)	355.5		254.7	
Other operating expenses	780.0	5 461.1	608.4	3 714.7
Operating profit	604.0	10.2	351.6	8.7
Financial income and expense (6) (7)				
Interest income from Group companies	0.1		0.6	
Income from other financial investments	11.1		2.1	
Other interest and similar income	40.8		23.9	
Net exchange gains/losses	-8.0		-6.7	
Interest expense and similar charges	-189.5	-145.5	-103.4	-83.5
Profit before extraordinary items	458.5	7.8	268.1	6.6
Extraordinary items (8)				
Extraordinary income	63.0		29.3	
Extraordinary expenses	-5.5	57.5	-2.6	26.7
Profit before tax	516.0	8.7	294.8	7.3
Taxation (9)	-183.0		-88.4	
Profit before minority interest	333.0	5.6	206.4	5.1
Minority interest	6.7		-0.3	
Profit for the financial period	339.7	5.8	206.1	5.1

Turnover

Consolidated turnover was EUR 5,898 million (4,044 million in 1999). Turnover grew by EUR 1,854 million, or 45.8 per cent, on the previous year. The acquisition of Modo Paper lifted turnover by EUR 1,333 million. The divestment of the corrugated packaging business in turn reduced turnover by EUR 107 million. The remainder of the growth in turnover was attributable nearly in its entirety to higher selling prices and to a United States dollar and British pound that were substantially stronger than they were a year ago. The exchange rate of the dollar was on average 13.5 per cent higher and the exchange rate of the pound 7.5 per cent higher against the euro than they were in 1999.

Operating profit

The Group's operating profit was up EUR 252 million compared with the previous year and totalled EUR 604 million. Operating profit also improved as a ratio of turnover and was 10.2 per cent (8.7). Following amortization of goodwill, Modo Paper accounted for EUR 108 million of the increase in operating profit.

The Paper Group's operating profit weakened somewhat, which was due largely to the fact that pulp raw material costs for fine paper outstripped the rise in selling prices. The Packaging Group's operating profit improved on the previous year thanks to increased deliveries of folding boxboard and higher selling prices than a year ago. Metsä Tissue reported an operating loss, which was due to the rapid rise in raw material costs. It was not possible to offset the rise in costs by raising selling prices at the same rate. The Pulp Group's operating profit nearly quadrupled on the previous year. Operating profit improved thanks to strongly rising selling prices and the strong United States dollar during the year.

Profit before extraordinary items

Profit before extraordinary items was EUR 459 million (268). Net financial expenses, not including foreign exchange differences, totalled EUR 137.5 million (76.8). About EUR 55 million of the increase in financial expenses was due to the Modo Paper acquisition and non-recurring costs connected with financing the deal. The remainder of the growth in financial expenses was attributable to the slightly higher level of interest rates than a year ago. Financial items include EUR 8.0 million of foreign exchange losses on loans denominated in foreign currency (a gain of 6.7).

Extraordinary items

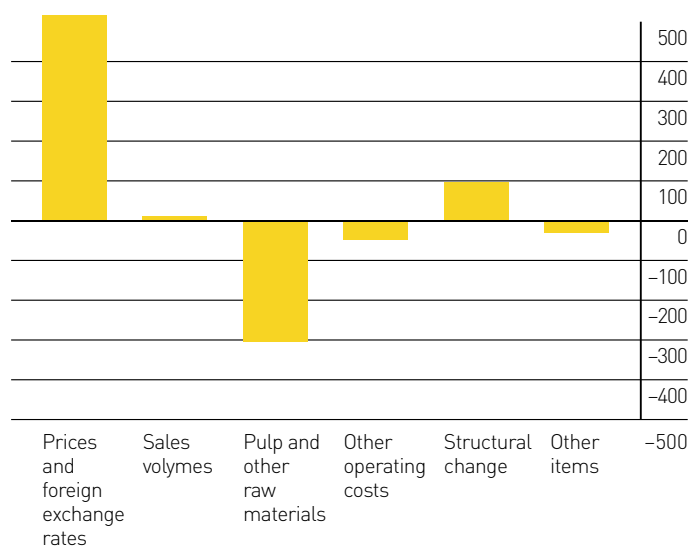
Extraordinary income amounted to EUR 63.0 million, which derives from the capital gain on the divestment of the corrugated packaging business. Extraordinary expenses amounted to EUR 5.5 million, including a charge to expense for the pension liability of Metsä-Serla Corporation and Oy Metsä-Botnia Ab which arose in previous years.

Taxation and minority interest

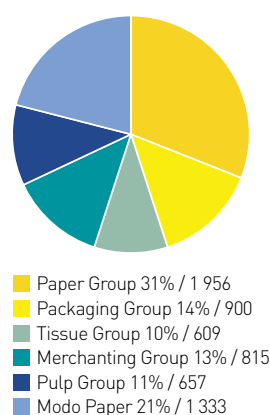
The Group's direct taxes totalled EUR 183.0 million, of which EUR 174.3 million represented taxes payable for the financial year. Taxes include an increase of EUR 17.1 million in the deferred tax liability.

Minority interests resulted in a loss of EUR 6.7 million, which was attributable nearly in its entirety to the minority interest in Metsä Tissue Corporation.

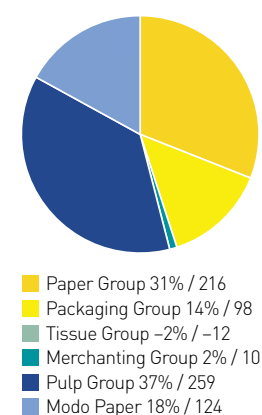
Comparative analysis of operating profit in 2000 vs 1999, EUR million



Turnover by business group, % / EUR million



Operating profit by business group, % / EUR million



ASSETS	31.12.2000 EUR million	%	31.12.1999 EUR million	%
Fixed assets				
Intangible assets (10)				
Intangible assets	21.1		23.0	
Purchased goodwill	24.1		28.3	
Goodwill arising on consolidation	771.0		107.4	
Other capitalized expenditure	16.8	833.0	11.1	169.8
		10.7		3.7
Tangible assets (10) (12)				
Land	361.6		261.9	
Buildings	780.0		544.5	
Plant and equipment	2 361.0		1 593.2	
Other tangible assets	23.4		16.9	
Payments in advance and assets in the course of construction	326.3	3 852.3	66.8	2 483.3
		49.4		53.9
Financial investments (11) (12)				
Shares in Group companies	29.7		0.7	
Amounts owed by Group companies	19.7		9.2	
Investments in associated companies	128.5		114.4	
Amounts owed by associated companies	42.7		69.4	
Other investments	57.9		56.9	
Other receivables	13.8	292.3	11.8	262.4
		3.7		5.7
Fixed assets total	4 977.6	63.8	2 915.5	63.3
Current assets				
Inventories				
Raw materials and consumables	261.4		170.8	
Finished goods and goods for resale	547.6		233.9	
Advance payments	35.8	844.8	36.6	441.3
		10.8		9.6
Receivables (14) (15) (17)				
Accounts receivable	1 396.3		784.5	
Amounts owed by Group companies	39.6		89.9	
Amounts owed by associated companies	14.7		3.5	
Loan receivables	0.5		0.1	
Other receivables	168.1		73.2	
Prepayments and accrued income (16)	67.3	1 686.5	49.7	1 000.9
		21.6		21.6
Investments				
Current financial assets	51.4	0.7	76.0	1.6
Cash at bank and in hand	237.5	3.0	174.6	3.8
Current assets total	2 820.2	36.2	1 692.8	36.7
ASSETS TOTAL	7 797.8	100.0	4 608.3	100.0

SHAREHOLDERS' EQUITY AND LIABILITIES	31.12.2000 EUR million	%	31.12.1999 EUR million	%
Shareholders' equity (18)				
Share capital	236.3		233.8	
Share premium account	257.9		260.4	
Revaluation reserve	104.7		104.7	
Other reserves	1.7		1.5	
Retained earnings	1 012.2		904.8	
Profit for the financial period	339.7	1 952.5	206.1	1 711.3
Convertible subordinated capital notes	310.4	4.0	310.4	6.7
Shareholders' equity total	2 262.9	29.0	2 021.7	43.9
Minority interest	52.4	0.7	55.6	1.2
Provisions for liabilities and charges (19)	72.8	0.9	39.4	0.9
Liabilities (20) (21)				
Long-term liabilities (23)				
Bonds and debentures	477.1		445.2	
Loans from financial institutions	1 784.6		739.5	
Pension premium loans	146.4		11.0	
Deferred tax liabilities (22)	433.5		234.4	
Other liabilities	132.6		70.4	
Accruals and prepaid income (25)	4.4	2 978.6	1.7	1 502.2
Short-term liabilities (24)				
Bonds and debentures	114.8		0.1	
Loans from financial institutions	634.7		215.3	
Pension premium loans	0.6		0.6	
Advance payments	3.4		1.7	
Accounts payable	464.7		277.4	
Bills of exchange payable	17.1		0.2	
Amounts owed to Group companies	190.9		63.3	
Amounts owed to associated companies	129.1		6.7	
Other liabilities	448.3		134.4	
Accruals and prepaid income (25)	427.5	2 431.1	289.7	989.4
Liabilities total	5 409.7	69.5	2 491.6	54.1
SHAREHOLDERS' EQUITY AND LIABILITIES TOTAL	7 797.8	100.0	4 608.3	100.0

Assets and capital employed

The Group's total assets stood at EUR 7,798 million, an increase of EUR 3,190 million on the previous year. The changes that took place in the Group's balance sheet structure were:

	EUR million
Capital expenditures on fixed assets (including Modo Paper's capital expenditures 1.7. – 31.12.)	510
Fixed assets of acquired companies	1 277
Fixed assets of divested companies	-106
Goodwill	706
Depreciation	-355
Inventories ¹⁾	404
Accounts receivable ¹⁾	611
Liquid funds	38
Other items ¹⁾	105
Changes, total	3 190

¹⁾ includes the effects of acquired and divested companies

Total assets were increased above all by the acquisition of Modo Paper, which added about EUR 2,950 million to the balance sheet. In addition, total assets were lifted by the increased accounts receivable and inventory values due to higher selling prices and raw material costs (pulp and recycled fibres) as well as the acquisition of Cofinac. The balance sheet was in turn reduced by the divestment of the corrugated packaging business. The Group's liquid funds increased to EUR 289 million (251 million in 1999). Capital expenditures on fixed assets during the financial year are discussed in the Report of the Board of Directors. At the end of the year capital employed totalled EUR 6,092 million. Its breakdown by business area is shown in the table below.

Financing

Consolidated shareholders' equity, net of minority interest but including in shareholders' equity the Group's convertible subordinated capital notes, stood at EUR 2,263 million at the end of the financial year (2,022). Interest-bearing liabilities totalled EUR 3,776 million, an increase of EUR 2,207 million on the previous year.

Interest-bearing net liabilities (= interest-bearing liabilities less liquid funds and other interest-bearing receivables) totalled EUR 3,383 million at the end of the financial year, up EUR 2,223 million on the figure a year earlier. The acquisition of Modo Paper added EUR 2,250 million to interest-bearing net liabilities.

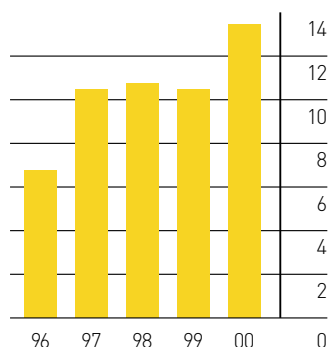
Key ratios

The return on capital employed improved markedly on the previous year and was 13.5 per cent (10.5). The equity ratio was 29.7 per cent (45.1) and the gearing ratio was 146 per cent (56), including in shareholders' equity the Group's convertible subordinated capital notes.

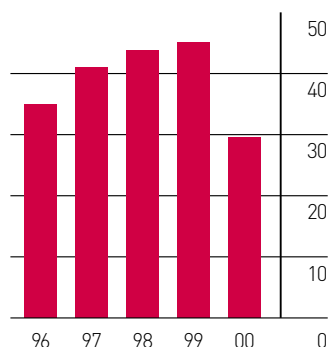
Capital employed 31 December

EUR million	2000	1999	Change
Paper Group	1 361.7	1 250.6	111.1
Packaging Group	618.7	611.5	7.2
Tissue Group	378.9	362.9	16.0
Merchanting Group	167.1	148.5	18.6
Pulp Group	625.7	585.4	40.3
Modo Paper	1 823.1	0.0	1 823.1
Total	4 975.2	2 958.9	2 016.3
Others	1 116.6	687.9	428.7
Metsä-Serla Group, total	6 091.8	3 646.8	2 445.0

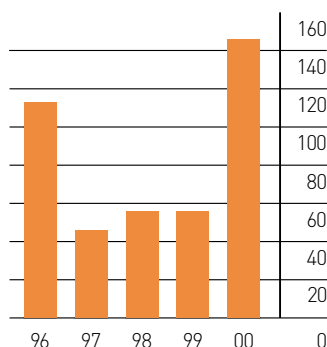
Return on capital employed, %



Equity ratio, %



Gearing ratio, %



	Group		Parent company	
	2000 EUR million	1999 EUR million	2000 EUR million	1999 EUR million
Funds from operations				
Operating profit *	593.8	350.5	142.3	167.0
Depreciation according to plan	355.6	254.7	102.2	99.5
Change in provisions for liabilities and charges	35.1	-4.8	-1.5	-0.7
Net financial items *	-132.6	-76.7	-25.2	-8.8
Extraordinary items	-5.5	-2.6		
Taxation *	-169.4	-80.8	-51.6	-39.8
Total	677.0	440.3	166.2	217.2
Change in working capital				
Inventories (increase -, decrease +)	-98.0	22.6	-41.2	17.0
Current receivables (increase -, decrease +)	-183.4	-145.6	-35.5	158.7
Non-interest-bearing current liabilities (increase +, decrease -)	111.6	45.1	68.1	-208.1
Total	-169.8	-77.9	-8.6	-32.4
Cash flow from operations	507.2	362.4	157.6	184.8
Changes in fixed assets				
Gross capital expenditures	-2 150.0	-394.0	-1 812.0	-239.8
Disposals and other changes in fixed assets	120.7	28.1	146.6	20.8
Cash flow after capital expenditures	-1 522.1	-3.5	-1 507.8	-34.2
Financing				
Change in interest-bearing liabilities (increase +, decrease -)	2 206.8	-46.0	1 967.9	-204.3
Interest-bearing net debt of companies acquired and divested	-635.8			
Change in interest-bearing long-term receivables (increase -, decrease +)	53.8	1.9	-379.6	110.7
Dividend	-64.4	-63.9	-63.1	-60.8
Group contributions			24.4	7.7
Other changes				3.5
Change in liquid funds	38.3	-111.5	41.8	-177.5
GROUP	31.12.2000	Change	31.12.1999	Change
	EUR million	EUR million	EUR million	EUR million
Interest-bearing liabilities	3 776.4	2 206.8	1 569.6	-46.0
Interest-bearing receivables	-104.7	53.8	-158.5	1.9
Liquid funds	-288.9	-38.3	-250.6	111.5
Interest-bearing net liabilities	3 382.8	2 222.3	1 160.5	67.4

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

	1.1.-31.12.2000		1.1.-31.12.1999	
	EUR million		EUR million	
		%		%
Turnover	1 601.5	100.0	1 436.1	100.0
Change in stocks of finished goods and in work in progress	33.8		-14.5	
Other operating income (3)	33.0		31.6	
Materials and services				
Raw materials and consumables	894.1		711.2	
Costs of external services	96.6		84.5	
Employee costs (4)	187.0		180.8	
Depreciation (5)	102.2		99.5	
Other operating expenses	246.1	1 526.0	210.2	1 286.2
Operating profit	142.3	8.9	167.0	11.6
Financial income and expense (6) (7)				
Interest income from Group companies	48.1		52.8	
Income from other financial investments	37.0		18.0	
Other interest and similar income	32.9		8.0	
Net exchange gains/losses	-2.0		-24.1	
Interest expense and similar charges	-141.2	-25.2	-63.5	-8.8
Profit before extraordinary items	117.1	7.3	158.2	11.0
Extraordinary items (8)				
Extraordinary income	101.8		9.1	
Extraordinary expenses	-6.2	95.6	-71.7	-62.6
Profit before appropriations and taxes	212.7	13.3	95.6	6.7
Appropriations				
Change in depreciation differences	3.6		-15.0	
Taxation (9)	-51.6		-39.8	
Profit for the financial period	164.7	10.3	40.8	2.8

Parent Company Balance Sheet

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ASSETS	31.12.2000 EUR million	%	31.12.1999 EUR million	%
Fixed assets				
Intangible assets (10)				
Intangible assets	11.7		13.7	
Purchased goodwill	11.2		13.2	
Other capitalized expenditure	5.8	28.7	9.0	35.9
Tangible assets (10) (12)				
Land	183.4		183.7	
Buildings	180.3		189.4	
Plant and equipment	682.3		734.1	
Other tangible assets	6.2		6.6	
Payments in advance and assets in the course of construction	88.3	1 140.5	11.8	1 125.6
Financial investments (11) (12)				
Shares in Group companies	2 019.0		393.7	
Amounts owed by Group companies	382.3		323.5	
Investments in associated companies	401.3		395.3	
Amounts owed by associated companies	2.1		0.1	
Other investments	52.4		52.3	
Other receivables	0.7	2 857.8	5.5	1 170.4
Fixed assets total	4 027.0	77.0	2 331.9	75.3
Current assets				
Inventories				
Raw materials and consumables	40.8		30.4	
Finished goods and goods for resale	121.4		87.6	
Advance payments	7.2	169.4	10.3	128.3
Receivables (14) (15) (17)				
Accounts receivable	25.9		20.3	
Amounts owed by Group companies	885.4		551.3	
Amounts owed by associated companies	4.0		0.7	
Other receivables	34.0		25.0	
Prepayments and accrued income (16)	15.6	964.9	13.3	610.6
Investments				
Current financial assets	3.4	0.1	0.7	0.0
Cash at bank and in hand	66.9	1.3	27.8	0.9
Current assets total	1 204.6	23.0	767.4	24.7
ASSETS TOTAL	5 231.6	100.0	3 099.3	100.0

SHAREHOLDERS' EQUITY AND LIABILITIES	31.12.2000 EUR million	%	31.12.1999 EUR million	%
Shareholders' equity (18)				
Share capital	236.3		233.8	
Share premium account	257.9		260.4	
Revaluation reserve	81.7		81.7	
Retained earnings	388.9		411.2	
Profit for the financial period	164.7	1 129.5	40.8	1 027.9
		21.6		33.2
Convertible subordinated capital notes	310.4	5.9	310.4	10.0
Shareholders' equity total	1 439.9	27.5	1 338.3	43.2
Provisions for liabilities and charges				
Accumulated depreciation difference	525.0	10.0	528.6	17.1
Obligatory provisions (19)	14.4	0.3	16.0	0.5
Liabilities (20) (21)				
Long-term liabilities (23)				
Bonds and debentures	491.0		455.2	
Loans from financial institutions	1 495.9		465.6	
Pension premium loans	134.8		0.3	
Amounts owed to Group companies	4.2		4.0	
Other liabilities	2.1	2 128.0	3.6	928.7
		40.7		30.0
Short-term liabilities (24)				
Bonds and debentures	67.3		0.1	
Loans from financial institutions	473.6		46.1	
Advance payments	0.5		0.4	
Accounts payable	62.3		47.7	
Amounts owed to Group companies	387.5		80.9	
Amounts owed to associated companies	2.5		2.6	
Other liabilities	15.2		10.4	
Accruals and prepaid income (25)	115.4	1 124.3	99.5	287.7
		21.4		9.2
Liabilities total	3 252.3	62.2	1 216.4	39.2
SHAREHOLDERS' EQUITY AND LIABILITIES TOTAL	5 231.6	100.0	3 099.3	100.0

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

Currency used in the financial statements

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

Principles of consolidation

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

Subsidiaries

The consolidated financial statements include the accounts of Metsä-Serla Corporation and all those subsidiaries in which the parent company controlled, directly or indirectly, over 50% of the voting rights at 31 December 2000.

The financial period of all companies ended on 31 December 2000.

Subsidiaries acquired or established during the financial period have been consolidated from the

date of their acquisition. Modo Paper is included in the consolidated financial statements as from 1 July 2000. Companies in which a controlling interest has been given up during the financial year are included in the consolidated financial statements up to the time of relinquishing control. The corrugated packaging business which was divested during the financial year is included in the consolidated financial statements up to 30 June 2000.

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

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

The purchase method of consolidation has been adopted. Goodwill, being the excess of purchase consideration over the fair value of the net assets of acquired companies, is amortized on a straight-line basis. The goodwill

arising from the purchase of production capacity or a significant market share is amortized on a straight-line basis over the estimated economic life not exceeding ten years and other such items over five years. During 2000, the depreciation or amortization period for production capacity or goodwill values arising on the acquisition of a significant market share have been changed such that in special situations the estimated economic life can be up to a maximum of twenty years instead of the previous ten years.

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

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

Resource companies

The policy applied in Metsä-Serla Corporation's consolidated financial statements has been changed as from 1 January 2000. The change concerns the inclusion of the resource companies Oy Metsä-Botnia Ab and Oy Metsä-Rauma Ab in the consolidated financial statements. Previously Oy Metsä-

Botnia Ab was included in the consolidated financial statements as a subsidiary (a holding of 52.3%) and Oy Metsä-Rauma Ab as an associated company using the equity method (a holding of 29.3%). Beginning on 1 January 2000 the profit and loss account and balance sheet items of both companies as well as the notes to their annual accounts have been consolidated within the Metsä-Serla Group in accordance with the percentage holding. The comparison data has been changed to correspond to the new policy. The change in the method of consolidation does not have a material impact on shareholders' equity items.

Associated companies

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

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

Companies in which the Group has a 50 per cent interest are consolidated using the proportional method.

For each company, the appropriate lines in the profit and loss account, balance sheet and notes to the accounts have been entered in the consolidated financial statements to reflect the 50 per cent ownership. The method of consolidation does not have an effect on shareholders' equity items.

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

Investments in associated companies which are not material to consolidated profits or shareholders' equity are included in the consolidated balance sheet at cost. A list of the major associated companies is given under "Shares and investments" on pages 79 – 83.

Turnover

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

delivery costs as well as bad debts are dealt with in the profit and loss account as operating expenses.

Transactions and balance sheet items in foreign currency

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

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

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

with the introduction of the euro were realized in 1998.

Exchange rate differences arising from derivative contracts used to hedge sales or purchases have been entered as an adjustment to the corresponding item in the profit and loss account. The unrealized exchange rate differences of derivative contracts as well as loans that are classified as instruments hedging future cash flows and, from the beginning of 1999 also realized exchange rate differences have been entered as credits or charges to income concurrently with the cash flow hedged in accordance with the principles of hedged accounting.

Pensions and pension funding

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

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

The uncovered pension liability which is the employee's own responsibility has been stated

before 2000 in non-current assets in the balance sheet and the pension liability under long-term liabilities. It has been booked as an expense in 2000.

Overseas subsidiaries make pension arrangements in accordance with local practice.

Establishment costs, research and development

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

Inventories

Inventories are valued at the lower of cost or net realizable value at the end of the financial period. Cost is determined on either a FIFO or an average cost basis. Cost is calculated to include the variable cost of manufacture and an appropriate proportion of the fixed costs of acquisition and manufacture.

Tangible fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation according to plan except for certain land, buildings and investments, which are stated at re-valued amounts.

Depreciation charged in the profit and loss account is calculated on a straight-line basis so as to write off the cost of fixed assets over

their expected useful lives. The useful lives of fixed assets, broken down by the type of asset, are:

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

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

Leasing

As a rule, leasing payments are treated as rental expenses. Major assets held under financing leases are included in fixed assets and the capital element of the leasing commitments is included under liabilities. The capital element of lease payments is then applied to reduce the outstanding liability and the interest element is charged against profits. Payments made under other leases are charged against profits as rental costs. Material capital gains arising in sale and leaseback situations and the deferred tax receivable from them are periodized over the duration of the agreement.

Extraordinary income and expenses

Substantial income and expenses arising on transactions of an

abnormal nature, such as the divestment of businesses, are presented in the profit and loss account as extraordinary items.

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

Appropriations, including untaxed reserves

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

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

in the balance sheet with the after-tax balance of appropriations included as part of non-restricted shareholders' equity.

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

Future costs and losses

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

Taxation

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

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

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

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



Notes to the Accounts

Profit and Loss Account, EUR million

1. Breakdown of turnover

The breakdown of turnover by operating group and geographical market areas is presented in the Report of the Board of Directors on page 46 – 53.

2. Share of operating profit from associated companies

	Percentage holding	Share of profit	Goodwill amortization	Share of profits of the companies	Goodwill remaining
Myllykoski Paper Oy	35.0	18.9	-8.6	10.3	54.1
Other associated companies			-0.2	-0.2	1.0
		18.9	-8.8	10.1	55.1

The unamortized amount of consolidated goodwill for associated companies at 31 Dec. 2000 was EUR 55.1 million (1999: EUR 64.5 million) and the amount of the Group reserve that was not credited to income was EUR 0.0 million (1999: EUR 1.3 million).

	Group		Parent Company	
	2000	1999	2000	1999
3. Other operating income				
Rental income	4.4	4.2	3.7	3.6
Gains on disposal of fixed assets	11.8	23.9	10.0	14.4
Service revenues	14.2	10.3	12.3	10.3
Other items	32.3	17.6	7.0	3.3
	62.7	56.0	33.0	31.6
4. Employee costs				
Wages and fees	554.7	432.0	106.7	100.0
Pension expenses	77.9	60.7	25.5	26.8
Other social expenses	184.4	152.0	54.8	54.0
	817.0	644.7	187.0	180.8
Salaries and emoluments paid to management				
Managing directors and their alternates	12.1	8.0	0.5	0.4
Members of the board and deputies	1.2	1.1	0.2	0.2
	13.3	9.1	0.7	0.6

Pension commitments to management

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

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

The average number of employees by operating group is presented in the Report of the Board of Directors on page 47.

	2000	Group 1999	Parent Company 2000	1999
5. Depreciation				
Depreciation according to plan				
Intangible rights	7.2	6.3	4.0	3.8
Purchased goodwill	3.9	3.5	2.0	2.2
Consolidation goodwill	41.4	19.5		
Other capitalized expenditure	4.8	6.1	4.4	5.8
Buildings and constructions	39.6	30.5	10.8	10.2
Machinery and equipment	256.0	186.3	80.4	77.0
Other tangible assets	2.6	2.5	0.6	0.5
Total depreciation according to plan	355.5	254.7	102.2	99.5
Depreciation difference			-4.2	15.0
Total depreciation			98.0	114.5
6. Financial income and expenses				
Dividend income	1.8	1.0	61.5	58.7
Interest income from non-current investments	9.4	1.7	23.6	12.1
Other interest income	39.7	22.4	32.9	7.6
Other financial income	1.1	1.5		0.4
Write-downs on non-current investments		0.6		
Interest expenses	180.7	97.9	130.6	60.0
Other financial expenses	8.8	4.9	10.6	3.5
	-137.5	-76.8	-23.2	15.3
Exchange rate differences	-8.0	-6.7	-2.0	-24.1
Financial income and expenses, total	-145.5	-83.5	-25.2	-8.8
7. Exchange gains/losses in the profit and loss account				
Exchange differences on sales				
Exchange differences on derivatives	-22.2	-49.8	-13.0	-36.1
Other exchange differences	-4.5	28.1	-4.4	24.3
	-26.7	-21.7	-17.4	-11.8
Exchange differences on purchases				
Exchange differences on derivatives	-2.0			
Other exchange differences	-4.6	0.4	-0.4	-0.4
	-6.6	0.4	-0.4	-0.4
Exchange differences on financing				
Exchange gains				
Realized	31.1	1.5	28.2	0.9
Unrealized	0.4	1.2	0.2	
Exchange losses				
Realized	-28.5	-3.9	-23.6	-3.5
Unrealized	-11.0	-5.5	-6.8	-21.4
	-8.0	-6.7	-2.0	-24.1
Exchange differences, total	-41.3	-28.0	-19.8	-36.3

	2000	Group	1999	Parent Company	2000	1999
8. Extraordinary income and expenses						
Extraordinary income						
Profit on sales of shares	63.0			75.9		
Losses on mergers			29.3			
Group contributions received				25.9	9.1	
	63.0		29.3	101.8	9.1	
Extraordinary expenses						
Losses on merger						70.3
Group contributions granted				1.5	1.4	
Other	5.5		2.6	4.7		
	5.5		2.6	6.2		71.7
9. Direct taxes						
Income taxes for the financial period	-174.3		-78.6	-51.2	-39.7	
Income taxes for previous periods	8.4		-0.4	-0.4	-0.1	
Change in deferred taxes	-17.1		-9.4			
	-183.0		-88.4	-51.6	-39.8	
Income taxes on ordinary operations	-175.0		-88.0	-27.4	-37.5	
Income taxes on extraordinary items	-16.4			-23.8	-2.2	
	-191.4		-88.0	-51.2	-39.7	
Change in deferred tax liabilities						
From appropriations and other periodization differences	21.5		1.4			
From consolidation			6.6			
Translation differences			-0.3			
Netting against assets	-5.2		6.5			
	16.3		14.2			
Change in deferred tax assets						
From appropriations and other periodization differences	-2.0		1.7			
From consolidation	6.4		-3.4			
Netting against liabilities	-5.2		6.5			
	-0.8		4.8			

10. Intangible and tangible assets

	Intangible rights	Purchased goodwill	Consolidation goodwill	Other capitalized expenditure	Land	Buildings	Plant and equipment	Other tangible assets	Construction in progress
Group									
Acquisition costs, 1 Jan.	47.3	38.0	214.5	40.6	112.3	728.5	2 839.8	33.0	66.8
Increases during the period	7.6	0.1	718.6	12.2	105.0	528.9	2 069.1	13.0	345.6
Transfers between items	1.0			-0.4	0.8	1.2	29.6	-0.1	-32.1
Decreases during the period	-1.9	-1.1	-20.8	-3.7	-4.6	-56.4	-218.7	-2.8	-54.0
Acquisition cost, 31 Dec. 2000	54.0	37.0	912.3	48.7	213.5	1 202.2	4 719.8	43.1	326.3
Accumulated depreciation 1 Jan.	-26.8	-9.2	-107.7	-29.5	-1.5	-427.6	-2 204.6	-17.4	
Accumulated difference on deductions and transfers	1.1	0.2	7.8	2.4	0.2	11.1	101.8	0.3	
Depreciation for the period	-7.2	-3.9	-41.4	-4.8		-39.6	-256.0	-2.6	
Accumulated depreciation 31 Dec. 2000	-32.9	-12.9	-141.3	-31.9	-1.3	-456.1	-2 358.8	-19.7	
Revaluations					149.4	33.9			
Book value, 31 Dec. 2000	21.1	24.1	771.0	16.8	361.6	780.0	2 361.0	23.4	326.3
Book value, 31 Dec. 1999	23.0	28.3	107.4	11.1	261.9	544.5	1 593.2	16.9	66.8

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

Accumulated depreciation includes the accumulated depreciation of acquired subsidiaries.

'The Plant and equipment account' includes EUR 2.198 million for production machinery and equipment.

	Intangible rights	Purchased goodwill	Other capitalized expenditure	Land	Buildings	Plant and equipment	Other tangible assets	Construction in progress
Parent company								
Acquisition costs, 1 Jan.		24.4	20.0	31.7	48.7	247.3	1 141.4	11.6
Increase during the period		1.8		1.4	0.8	1.5	18.7	
Transfers between items		0.3				0.7	10.2	0.1
Decrease during the period		-0.1		-0.3	-1.1	-1.1	-9.9	
Acquisition costs, 31 Dec. 2000		26.4	20.0	32.8	48.4	248.4	1 160.4	11.7
Accumulated depreciation 1 Jan		-10.7	-6.8	-22.6	-0.1	-57.8	-407.3	-4.9
Accumulated depreciation on deductions and transfers						0.5	9.6	
Depreciation for the period		-4.0	-2.0	-4.4		-10.8	-80.4	-0.6
Accumulated depreciation 31 Dec. 2000		-14.7	-8.8	-27.0	-0.1	-68.1	-478.1	-5.5
Revaluations					135.1			
Book value, 31 Dec. 2000		11.7	11.2	5.8	183.4	180.3	682.3	6.2
Book value, 31 Dec. 1999		13.7	13.2	9.0	183.7	189.4	734.1	6.6

The Plant and equipment account includes EUR 657.7 million for production machinery and equipment.

The undepreciated portion of capitalized interest expenses for the Group and the parent company under the balance sheet item 'Buildings' at 31 Dec. 2000 was EUR 1.8 million (1999: EUR 2.1 million) and under the balance sheet item 'Plant and equipment' it was EUR 6.5 million for the Group (1999: EUR 8.9 million), and EUR 6.5 million for the parent company (1999: EUR 7.6 million) and under 'Other tangible assets' EUR 4.5 million (1999: EUR 3.4 million). Capitalized interest expenses during the 2000 financial year were EUR 1.4 million (1999: EUR 0.0 million).

11. Investments

	Shares in Group companies	Shares in associated companies	Other shares and partici- pations	Receivables from Group companies	Receiv- ables from associated companies	Other current receivables	Total
Group							
Acquisition costs 1 Jan. 2000	0.7	114.4	54.3	9.2	69.4	11.8	259.8
Increases during the period	29.0	16.0	3.1	10.5		13.6	72.2
Decreases during the period		-1.9	-1.8		-26.7	-11.6	-42.0
Acquisition costs, 31 Dec. 2000	29.7	128.5	55.6	19.7	42.7	13.8	290.0
Revaluations			2.6				2.6
Reductions in revaluations			-0.3				-0.3
Book value, 31 Dec. 2000	29.7	128.5	57.9	19.7	42.7	13.8	292.3
Parent company							
Balance sheet value, 1 Jan. 2000	392.0	395.3	52.3	323.5	0.1	5.5	1 168.7
Increases during the period	1 705.1	6.0	0.4	197.7	2.0		1 911.2
Decreases during the period	-79.8		-0.3	-125.6	-13.3	-4.8	-223.8
Transfers between items				-13.3	13.3		
Acquisition costs, 31 Dec. 2000	2 017.3	401.3	52.4	382.3	2.1	0.7	2 856.1
Revaluations	1.7						1.7
Book value, 31 Dec. 2000	2 019.0	401.3	52.4	382.3	2.1	0.7	2 857.8

12. Revaluations

	1 Jan.	Increases	Decreases	31 Dec.
Group				
Land	150.0		-0.6	149.4
Buildings	34.1		-0.2	33.9
Shares	2.6		-0.3	2.3
	186.7		-1.1	185.6
Parent company				
Land and water areas	135.1			135.1
Shares	1.7			1.7
	136.8			136.8

Revaluations are based on estimates by independent valuers of the current value of assets at the dates of valuation.

The deferred tax liability for revaluations was EUR 53.8 million for the Group and EUR 39.7 million for the parent company, when calculated according to a 29% tax base.

13. Loan receivables from management

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

	2000	Group 1999	Parent Company 2000	1999
14. Current assets / long-term receivables				
Receivables from Group companies		14.2		
Amounts owed by others				
Accounts receivable	0.3			
Loan receivables	0.1			
Other current receivables	0.3			
Tax assets	4.3	4.7		
	5.0	18.9		
15. Current assets / short-term receivables				
Amounts owed by Group companies				
Accounts receivable	2.5	1.4	213.0	201.3
Loan receivables	26.4	71.8	262.2	2.5
Other current receivables	8.2		376.0	332.6
Prepayments and accrued income	2.5	2.5	34.2	14.8
Amounts owed by associated companies				
Accounts receivable	5.2	1.0	0.1	0.1
Loan receivables	3.7	1.5		
Other current receivables	3.6	0.7	3.6	0.7
Prepayments and accrued income	2.1	0.3	0.2	
Amounts owed by others				
Accounts receivable	1 396.1	784.5	25.9	20.3
Loan receivables	0.4	0.1		
Other current receivables	163.5	68.5	34.0	25.0
Prepayments and accrued income	67.3	49.7	15.6	13.3
	1 681.5	982.0	964.8	610.6
16. Prepayments and accrued income				
Interest	13.3	11.2	0.9	0.7
Insurance	4.5	3.5	1.3	2.1
Discounts	3.8	6.7	2.2	2.3
Others	45.7	28.3	11.2	8.2
	67.3	49.7	15.6	13.3
17. Interest-bearing receivables				
Loan receivables and other non-current assets	104.7	158.5	385.1	324.3
Liquid funds and other current assets	288.9	250.6	671.9	311.3
	393.6	409.1	1 057.0	635.6

18. Shareholders' equity

	Group		Parent Company	
	2000	1999	2000	1999
Share capital, 1 Jan.				
Series A shares	61.1	61.1	61.1	61.1
Series B shares	172.7	172.7	172.7	172.7
Total	233.8	233.8	233.8	233.8
Change in nominal value				
Series A shares	0.7		0.7	
Series B shares	1.8		1.8	
Total	2.5		2.5	
Share capital, 31 Dec.				
Series A shares	61.8	61.1	61.8	61.1
Series B shares	174.5	172.7	174.5	172.7
Total	236.3	233.8	236.3	233.8
Share premium account, 1 Jan.	260.4	260.4	260.4	260.4
Change in nominal value	-2.5		-2.5	
Share premium account, 31 Dec.	257.9	260.4	257.9	260.4
Revaluation reserve, 1 Jan.	104.7	104.7	81.7	81.7
Increases/decreases during the period				
Revaluation reserves, 31 Dec.	104.7	104.7	81.7	81.7
Reserve funds and reserves stipulated by the Articles of Association at 1 Jan.	1.5	0.4		
Increase/decrease	0.2	1.1		
Reserve funds and reserves stipulated by the Articles of Association at 31 Dec.	1.7	1.5		
Retained earnings, 1 Jan.	1 110.9	955.7	452.0	472.0
Dividends paid	-63.1	-60.8	-63.1	-60.8
Transfers to restricted equity	-0.2	-1.1		
Change in translation differences on consolidation	-35.0	9.0		
Other increase/decrease	-0.4	2.0		
Profit for the financial period	339.7	206.1	164.7	40.8
Other reserves and retained earnings, 31 Dec.	1 351.9	1 110.9	553.6	452.0
Convertible subordinated capital notes issued				
Convertible subordinated capital notes, 1 Jan.	310.4	310.4	310.4	310.4
Convertible subordinated capital notes, 31 Dec.	310.4	310.4	310.4	310.4
Shareholders's equity	2 262.9	2 021.7	1 439.9	1 338.3

Convertible subordinated capital notes

The convertible subordinated notes are provided for under Section 5 of the Companies Act. The notes have a total value of USD 350 million, comprising 350,000 convertible notes, each with a nominal value of USD 1000. The notes carry interest at 4.375% and may be used to subscribe for the company's shares at a price of EUR 9.75 each. In conjunction with such conversion, the USD denominated notes will be converted into euros using the exchange rate USD 1 = EUR 0.887. Conversion of all notes will lead to a maximum increase in the share capital of EUR 54,126,643. Holders of the convertible subordinated capital notes have the right to subscribe for the company's Series B shares during the period 15 January 1998 to 1 October 2002. The company has the right to redeem the notes, should the conditions specified in the agreement be fulfilled, from 15 October 2000. USD 250 million of the issue was subscribed for by Finnish and foreign investors and USD 100 million by Metsäliitto Osuuskunta. The notes have been booked at the exchange rate USD 1.1274/euro. The exchange rate of the United States dollar at 31 December, 2000 was 0.93050 per euro, whereby the exchange rate difference of the issue was EUR 65.7 million. The exchange rate difference has not been booked because the company believes that the notes will be converted into shares before the maturity date.

	Group	
	2000	1999
Distributable funds		
Retained earnings	1 351.9	1 110.9
Untaxed reserves in shareholders' equity	-537.5	-483.9
Other non-distributable items	-23.2	
Distributable funds	791.2	627.0
Untaxed reserves, 31 Dec.		
Accumulated depreciation difference	1 021.8	816.4
Other reserves	3.0	0.7
	1 024.8	817.1
Deferred tax liability in untaxed reserves	-312.5	-260.8
	712.3	556.3
Minority interest in untaxed reserves	-12.7	-12.9
	699.6	543.4
Reserves at the date of acquisition	-162.1	-59.5
Untaxed reserves in shareholders' equity, 31 Dec.	537.5	483.9

19. Provision for liabilities and charges

	1 Jan.	Increase	Decrease	31 Dec.
Group				
Pension liability reserve	11.8	1.5	-3.1	10.2
Provision for unemployment pension costs	8.2	1.2	-3.8	5.6
Provision for expenses on closure of businesses	10.8	38.0	-6.7	42.1
Provision for rental costs	4.5	0.9	-0.4	5.0
Other payments	4.1	9.6	-3.8	9.9
	39.4	51.2	-17.8	72.8
Parent company				
Pension liability reserve	5.5		-0.3	5.2
Provision for unemployment pension costs	5.0	0.8	-1.7	4.1
Provision for expenses on closure of businesses	0.9		-0.1	0.8
Provision for rental costs	4.6		-0.3	4.3
	16.0	0.8	-2.4	14.4

20. Liabilities

		Group		Parent Company	
		2000	1999	2000	1999
Long-term					
Non-interest bearing		515.5	277.9		1.0
Interest bearing		2 535.9	1 263.7	2 128.0	927.7
		3 051.4	1 541.6	2 128.0	928.7
Short-term					
Non-interest bearing		1 190.6	683.4	254.7	185.7
Interest bearing		1 240.5	306.0	869.7	102.0
		2 431.1	989.4	1 124.4	287.7
Bonds					
	Interest %				
1994 – 2001	5.97	67.3	62.2	67.3	67.2
1996 – 2002	7.55	143.0	143.0	143.0	143.0
1999 – 2002	5.54	35.0	35.0	35.0	35.0
1999 – 2004	5.60	10.0	10.0	10.0	10.0
1999 – 2006	4.88	186.1	195.0	200.0	200.0
2000 – 2001	3.76	47.5			
2000 – 2005	5.39	35.0		35.0	
2000 – 2005	5.82	5.0		5.0	
2000 – 2005	5.74	10.0		10.0	
2000 – 2007	5.92	35.0		35.0	
2000 – 2008	5.71	18.0		18.0	
Total		591.9	445.2	558.3	455.2
Bonds with equity warrants					
1997 – 2000 ¹⁾			0.1		0.1
		591.9	445.3	558.3	455.3

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

Each II equity warrant entitles its holder to subscribe for five Metsä-Serla Corporation series B share with a nominal value of EUR 9.42 during 3 May 1999 – 2 May 2001.

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

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

The share subscription periods began as follows:

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

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

21. Long-term debts with amortization plan

	Bonds	Bank loans	Pension loans	Other loans	Total
2001	114.8	562.9	0.6	1.0	679.3
2002	178.0	413.1	0.6	0.3	592.0
2003		610.5	17.4	1.2	629.1
2004	10.0	433.4	17.4	0.2	461.0
2005	50.0	290.4	17.3		
2006–	239.1	64.8	93.2	2.4	399.5
Total, 31 Dec. 2000	591.9	2 375.1	146.5	5.1	3 118.6

22. Deferred taxes

	Group	
	2000	1999
Deferred tax liability		
For periodization differences	482.0	266.0
For appropriations		6.6
Netting against assets	-48.5	-38.2
Total	433.5	234.4
Tax assets		
For periodization differences	42.3	20.1
For appropriations	10.5	22.7
Netting against liabilities	-48.5	-38.2
Total	4.3	4.6

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

Deferred tax assets totalling EUR 65.6 million have not been recorded in the balance sheet because there is uncertainty regarding the extent to which they can be used.

23. Long-term liabilities

	Group		Parent Company	
	2000	1999	2000	1999
Amounts owed to Group companies				
Other liabilities			4.2	4.0
Amounts owed to associated companies				
Other liabilities	1.1			
Amounts owed to others				
Bonds and debentures	477.1	445.2	491.0	455.2
Loans from financial institutions	1 784.6	739.5	1 495.9	465.6
Pension premium loans	146.4	11.0	134.8	0.3
Deferred tax liabilities	433.5	234.4		
Other liabilities	131.5	70.4	2.1	3.6
Accruals and deferred income	4.4	1.7		
	2 978.6	1 502.2	2 128.0	928.7

24. Short-term liabilities

	Group		Parent Company	
	2000	1999	2000	1999
Amounts owed to Group companies				
Accounts payable	8.9	14.2	23.5	17.9
Other liabilities	170.0	36.2	327.3	56.1
Accruals and deferred income	12.0	12.9	36.7	6.9
Amounts owed to associated companies				
Accounts payable	46.0	6.7	2.5	2.6
Accruals and deferred income	83.1			
Amounts owed to others				
Bonds and debentures	114.8	0.1	67.3	0.1
Loans from financial institutions	634.7	215.3	473.6	46.1
Pension premium loans	0.6	0.6		
Advance payments	3.4	1.7	0.5	0.4
Accounts payable	464.7	277.4	62.3	47.7
Bills of exchange, payable	17.1	0.2		
Other liabilities	448.3	134.4	15.2	10.4
Accruals and deferred income	427.5	289.7	115.4	99.5
	2 431.1	989.4	1 124.3	287.7

25. Accruals and deferred income

Long-term				
Compensation and contribution commitments	1.7	1.6		
Others	2.7	0.1		
	4.4	1.7		
Short-term				
Accruals of wage, salary and staff costs	85.7	60.3	26.3	24.9
Tax periodization	72.4	75.6	14.2	15.7
Interests	54.3	28.6	38.7	23.4
Accruals of purchases	108.9	46.0	14.0	5.2
Freight costs	8.6	3.6	1.1	0.7
Provisions for discounts	34.8	22.1	11.5	11.2
Others	62.8	53.5	9.6	18.4
	427.5	289.7	115.4	99.5

26. Contingent liabilities

	2000	Group 1999	Parent Company 2000	1999
For own liabilities				
Liabilities secured by pledges				
Loans from financial institutions		0.4		
Other liabilities	0.8	0.7		
Pledges granted	13.6	1.9		
Liabilities secured by mortgages				
Loans from financial institutions	200.2	219.7	102.6	102.5
Real-estate mortgages	252.3	270.3	102.6	102.5
On behalf of Group companies				
Pledges				
Real-estate mortgages	3.7	3.7	3.7	3.7
Guarantee liabilities	1.8	14.5	1 681.1	956.3
On behalf of associated companies				
Real-estate mortgages	0.3	0.3	0.3	0.3
Guarantee liabilities	0.0	0.4		
On behalf of others				
Pledges	0.0	0.1		
Guarantee liabilities	193.9	29.1	160.5	25.7
Other liabilities				
As security for own commitments	3.2	0.3		
Leasing commitments				
Payments due in following year	13.7	12.7	6.8	3.5
Payments due in subsequent years	51.1	63.0	37.9	28.0
Total				
Mortgages	256.3	274.3	106.6	106.5
Pledges	13.6	2.0		
Guarantees	195.7	43.9	1 841.6	982.0
Promissory notes	0.5	1.3		
Other liabilities	3.2	0.3		
Leasing liabilities *	64.8	75.7	44.7	31.5
	534.1	397.5	1 992.9	1 119.9

* Leasing liabilities do not include the financial lease liabilities itemized on page 78.

Group

	Group	
	2000	1999
Financial lease agreements		
Value of assets in the consolidated balance sheet		
Land	1.1	0.5
Plant and equipment	5.8	13.4
Buildings	68.7	3.4
	75.6	17.3
Financial lease liabilities		
Short-term	19.9	2.9
Long-term	33.9	22.8
	53.8	25.7
Future leasing payments		
Year 2000		3.3
Year 2001	19.5	3.3
Year 2002	8.5	3.3
Year 2003	7.4	3.1
Year 2004	6.4	2.6
Year 2005	5.7	2.6
Next years	14.3	12.2
Future leasing payments, total	61.8	30.4

Group

Liabilities due to open derivative contracts	2000		1999	
	Gross amount	Going value	Gross amount	Going value
I Interest rate derivatives				
Forward agreements	100.0	-0.1	2 919.0	
Options				
Purchased	483.2	-0.8	1 563.5	
Sold	483.2	-1.3	1 531.4	
Interest rate swap agreements	644.1	-9.9	577.6	-14.0
II Currency derivatives				
Forward agreements	1 369.2	15.7	777.4	-10.3
Options				
Purchased	507.0	6.6	417.9	-4.0
Sold	497.3	1.9	460.9	-2.1

27. Major group companies and other shareholdings ¹⁾

	Country	Number of shares	Parent company's holding, %	Group's holding, %	Currency	Nominal value of shares, thousand	Currency	Book value, thousand
Shares and participations owned by the same group								
Biowatti Oy	Finland	5 114	5.00	6.39	FIM	256	EUR	43
Metsäliitto Osuuskunta	Finland	179 171			FIM	3 583	EUR	607
Shares in subsidiaries								
in Finland								
Alakoski Oy	Finland	5 278	52.78	52.78	FIM	5	EUR	27
Amerpapp Oy	Finland	5 600	100.00	100.00	FIM	28 000	EUR	4 719
Oy Board International Ab	Finland	796	100.00	100.00	FIM	80	EUR	115
Forest Alliance Oy	Finland	10 000	89.97	100.00	FIM	1 000	EUR	3 347
Oy Hangö Stevedoring Ab	Finland	113	75.33	75.33	FIM	565	EUR	2 700
Metsä Group Financial Services Oy	Finland	25 500	51.00	51.00	FIM	25 500	EUR	5 147
Metsä Tissue Corporation	Finland	19 675 000	65.58	65.58	FIM	196 750	EUR	96 986
Savon Sellu Oy	Finland	200 010	100.00	100.00	FIM	20 001	EUR	11 773
Tako Carton Plant Ltd	Finland	330 101	100.00	100.00	FIM	33 010	EUR	6 352
In other countries								
Forest Alliance Scandinavia AS	Norway	50	100.00	100.00	NOK	50	EUR	5
Forest House B.V.	The Netherlands	400	100.00	100.00	NLG	40	EUR	14
Metsä Petöfi Folding Carton Ltd	Hungary	1	100.00	100.00	HUF	1 707 142	EUR	43 000
Metsä-Serla A.G.	Switzerland	188	100.00	100.00	CHF	94	EUR	24
Metsä-Serla Holding GmbH	Germany		100.00	100.00	DEM	50	EUR	820 751
Metsä-Serla Holdings Plc	Great Britain	146 750 000	100.00	100.00	GBP	146 750	EUR	210 308
Metsä-Serla								
NL Holding B.V.	The Netherlands	5 350	100.00	100.00	NLG	4 650	EUR	4 266
Modo Paper AB **)	Sweden	31 417 749	49.50	100.00	SEK	628 355	EUR	772 011
Price & Pierce Holdings B.V.	The Netherlands	28	70.00	70.00	NLG	28	EUR	3 535
Silva International								
Paper Holdings B.V.	The Netherlands	1 000	100.00	100.00	NLG	1 000	EUR	3 047
Zanders Feinpapier AG ***)	Germany	442 965	15.70	15.70	DEM	22 148	EUR	29 051
Associated companies								
Fin-Trans A/S	Denmark	238	0.00	23.84	DKK	120	EUR	31
Kemi Shipping Oy	Finland	64 974	0.00	23.21	FIM	649	EUR	38
Oy Metsä-Botnia Ab *	Finland	41 690	46.41	46.41	FIM	416 900	EUR	269 307
Metsäliitto-Yhtymän								
Tehdasmittaus Oy	Finland	132	33.00	33.00	FIM	132	EUR	22
Metsämannut Oy	Finland	35	30.00	34.70	FIM	35	EUR	6
Mittaportti Oy	Finland	464	0.00	15.49	FIM	23	EUR	4
MMM Logisware Oy	Finland	1 500	33.33	33.33	FIM	2	EUR	506
Mylykoski Paper Oy	Finland	105 000	35.00	35.00	EUR	21 000	EUR	122 178
Mäntän Energia Oy	Finland	2 000	25.00	41.40	FIM	1 000	EUR	168
Paperinkeräys Oy	Finland	18 186	20.20	20.20	FIM	182	EUR	31
Plastiröll Oy	Finland	39	39.00	39.00	FIM	39	EUR	2 478
Simon Turvejaloste Oy	Finland	5	0.00	15.47	FIM	46	EUR	8
Oy Transfennica Ab	Finland	38 434	32.73	36.65	FIM	3 843	EUR	2 746
Yhteistoiminta Oy	Finland	23	0.00	23.21	FIM	93	EUR	16
Ultimatic Systems GmbH	Switzerland	70	0.00	30.61	CHF	700	EUR	1 908
Varma Services Ltd	Great Britain	2 809	0.00	28.10	GBP	3	EUR	262
Zakłady Papiernicze w Krapkowicach S.A	Poland	461 506	0.00	16.26	PLN	4 616	EUR	2 990

* Goodwill is amortized over ten years.

**] Goodwill is amortized over twenty years.

***] Holding increased to 87.4% on 3 January 2001.

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

	Country	Number of shares	Parent company's holding, %	Group's holding, %	Currency	Nominal value of shares, thousand	Book value, thousand	Currency	thousand
Subgroups in Finland									
Oy Board International Ab									
- Board AG	Switzerland	500	100,00	100,00	CHF	50		EUR	13
Oy Metsä-Botnia Ab									
- Botnia Pulps GmbH	Germany	1 000	100.00	46.41				EUR	24
- Botnia Pulps Ltd	Germany	1 000	100.00	46.41				EUR	14
- Oy Botnia Mill Services Ab	Finland	3 600	60.00	27.85	EUR	605		EUR	281
- Kaskisten Lämpö Oy	Finland	350	70.00	32.49	EUR	59		EUR	27
- Oy Silva Shipping Ab	Finland	300 000	100.00	46.41	EUR	336		EUR	409
Metsä Tissue Corporation									
- Metsä Tissue Holding GmbH	Germany		100.00	100.00	DEM	126 942		EUR	64 906
- Metsä Tissue GmbH	Germany		100.00	100.00	DEM	22 520		EUR	68 533
- Halstrick Polska Sp.z.o.o.	Poland		100.00	100.00	PLN	1 149		EUR	326
- Halstrick Transportgesellschaft mbH+Co.KG	Germany		100.00	100.00	DEM	639		EUR	153
- Strepp France S.a.r.l.	France		100.00	100.00	FRF	50		EUR	20
- Metsä Tissue Immobilienverwaltungs GmbH	Germany		100.00	100.00	DEM	50		EUR	29
- Metsä Tissue S.a.r.l.	France	99	99.00	99.00	FRF	1 535		EUR	315
- Metsä Tissue Ltd	Great Britain	100	100.00	100.00	GBP	0		EUR	72
- Metsä Tissue Sales S.A.	Poland	1 000	100.00	100.00	PLN	100		EUR	26
- Tissu Canarias S.A.	Spain	39 092	63.05	63.05	ESP	19 546		EUR	599
- Metsä Tissue S.A.	Poland	1 280 438	79.28	79.28	PLN	5 621		EUR	11 769
- Metsä Tissue Holding AB	Sweden	100 000	100.00	100.00	SEK	10 000		EUR	52 979
- Metsä Tissue AB	Sweden	2 000 000	100.00	100.00	SEK	200 000		SEK	576 450
- Metsä Tissue A/S	Denmark	1 000	100.00	100.00	DKK	500		SEK	270
- Metsä Tissue AS	Norway	6 020	100.00	100.00	NOK	602		SEK	482
Forest Alliance Ltd									
- Baltic Forest Terminals Ltd	Poland	1 000	96.00	100.00	PLZ	100		EUR	168
- Forest Alliance CZ S.r.o.	Czech Republic		100.00	100.00	CZK	100		EUR	3
- Forest Alliance France S.A.	France	8 211	100.00	100.00	FRF	821		EUR	219
- Forest Alliance Hong Kong Ltd	Hong Kong	100	99.00	100.00	HKD	10		EUR	1
- Forest Alliance Ibérica S.A.	Spain	10 000	100.00	100.00	ESP	10 000		EUR	67
- Forest Alliance Ireland Ltd	Ireland	5 000	100.00	100.00	IEP	5		EUR	6
- Forest Alliance Italia S.r.l.	Italy	100 000	100.00	100.00	ITL	100 000		EUR	51
- Forest-Alliance Kft	Hungary	10	90.00	100.00	HUF	1 000		EUR	14
- Forest Alliance Nederland B.V.	The Netherlands	400	100.00	100.00	NLG	40		EUR	20
- Forest Alliance Polska Ltd	Poland	2 320	100.00	100.00	PLZ	116		EUR	55
- Forest Alliance Portugal Lda	Portugal		95.00	100.00	PTE	400		EUR	2
- Forest Alliance Pte Ltd	Singapore	10 000	100.00	100.00	SGD	10		EUR	4
- Forest Alliance Scandinavia A/S	Norway	1 430	100.00	100.00	DKK	715		EUR	64
- Forest Alliance Scandinavia AB	Sweden	1 000	100.00	100.00	SEK	100		DKK	41
- Forest Alliance Slovakia S.r.o.	Slovak		100.00	100.00	SKK	100		EUR	6
- Forest Alliance UK Ltd	Great Britain	25 000	100.00	100.00	GBP	25		EUR	264
- Forest Alliance USA Corporation	USA	180	100.00	100.00	USD			EUR	4
- Forest Logistics N.V.	Belgium	750	75.00	75.00	BEF	1 875		EUR	47
- Metsä-Serla Direx Oy	Finland	3 000	100.00	100.00	FIM	3 000		EUR	505
- N.V. Forest Alliance Belgium S.A.	Belgium	1 250	99.92	100.00	BEF	1 250		EUR	35

	Country	Number of shares	Parent company's holding, %	Group's holding, %	Currency	Nominal value of shares, thousand	Currency	Book value, thousand
Subgroups in other countries								
Modo Paper AB								
MoDo Invest AB	Sweden	1 000	100.00	100.00	SEK	100	SEK	100
Modo Paper Logistics AB	Sweden	1 000	100.00	100.00	SEK	100	SEK	107
AB PM 8 i Husum	Sweden	25 000	100.00	100.00	SEK	2 500	SEK	2 451
Semla Paper AB	Sweden	1 000	100.00	100.00	SEK	100	SEK	95
Örnsköldsviks Stuveri AB	Sweden	5 400	100.00	100.00	SEK	540	SEK	5 185
MoDo Paper S.A.	Spain	1 000	100.00	100.00	ESP	10 000	SEK	709
Modo Paper AG	Germany	200	100.00	100.00	DEM	200	SEK	200
MoDo Paper Italia Srl	Italy	20 000	100.00	100.00	ITL	80 000	SEK	99
MoDo Paper Ltd	Great Britain	5 000	100.00	100.00	GBP	5	SEK	3 241
MoDo Pulp Ltd	Great Britain	1 000	100.00	100.00	GBP	1	SEK	1 482
Modo Pulp Srl	Italy	20 000	100.00	100.00	ITL	20 000	SEK	109
MoDo Paper AG	Switzerland	100	100.00	100.00	CHF	50	SEK	422
MoDo Denmark A/S	Denmark	5	100.00	100.00	DKK	600	SEK	1 366
Modo Paper Logistics Ltd	Great Britain	100	100.00	100.00	GBP	0	SEK	147
MoDo Distribution GmbH	Germany		100.00	100.00	DEM	50	SEK	249
Modo Paper Distribucìon SA	Spain	225 114	95.80	100.00	ESP	225 114	SEK	14 181
Lammbi AB	Sweden	1 000	100.00	100.00	SEK	100	SEK	66
SIA Modo Mezs	Latvia	800	100.00	100.00	LVL	80	SEK	2 223
Modo Miskas UAB	Lithuania	1 000	100.00	100.00	LTL	250	SEK	5 785
Modo Paper Reinsurance	Switzerland	19 995	100.00	100.00	CHF	11 596	SEK	11 546
Modo Paper France SAS	France	12 786 663	100.00	100.00	FRF	1 278 666	SEK	1 681 327
– Modo Paper Alizay SA	France	3 005 590	59.92	100.00	FRF	315 446	FRF	659 120
– Modo Paper Alizay SNC	France	39 999 999	99.99	100.00	FRF	262 383	FRF	400 000
– Modo Paper PSM SA	France	1 502 494	99.99	100.00	FRF	147 836	FRF	200 000
– Modo Paper Coupe Service SA	France	2 494	99.76	100.00	FRF	262	FRF	4 090
– Modo Paper SNC	France	2 499	99.96	100.00	FRF	262	FRF	500
– Modo Pulp SA	France	11 535	99.90	100.00	FRF	1 135	FRF	100
– Fimacel SA	France	102 260	34.08	100.00	FRF	10 062	FRF	146 928
– Modo Paper Alizay SA	France	2 002 385	39.92	100.00	FRF	210 157	FRF	40 048
– Modo Paper Logistics SA	France	4 994	99.88	100.00	FRF	1	FRF	267 678
– Fimacel SA	France	197 735	65.91	100.00	FRF	19 456	FRF	257 607
Svenskt Papper AB	Sweden	400 000	100.00	100.00	SEK	40 000	SEK	91 400
– Swenord Cell AB	Sweden	100	100.00	100.00	SEK	100	SEK	100
– Basberg Papir A/S	Norway	100	100.00	100.00	NOK	100	SEK	870
– Carl Jonsson Papir A/S	Norway	7 800	100.00	100.00	NOK	1 950	NOK	1 602
MoDo Merchants Benelux BV	The Netherlands	4 831	100.00	100.00	NLG	4 831	SEK	9 592
– MoDo van Gelder BV	The Netherlands	40	100.00	100.00	NLG	40	NLG	40
– MoDo Papier Belgium NV	Belgium	8 225	100.00	100.00	BEF	16 000	NLG	874
– MoDo Paper Benelux BV	The Netherlands	175	100.00	100.00	NLG	175	NLG	175
MoDo Merchants AB	Sweden	1 000	100.00	100.00	SEK	100	SEK	10 120
– MoDo Paper East AB	Sweden	12 000	100.00	100.00	SEK	12 000	SEK	10 000
– MoDo Paper Eesti AS	Estonia	8 491	100.00	100.00	EEK	8 491	SEK	5 003
– AS MoDo Paper Latvia	Latvia	219 000	9.30	100.00	LVL	3 418	EEK	11 650
– UAB MoDo Paper Lietuva	Lithuania	163 020	81.51	100.00	LTL	3 257	EEK	9 238
– AS MoDo Paper Latvia	Latvia	2 101 605	90.70	100.00	LVL	1 475	SEK	25 582
– UAB MoDo Paper Lietuva	Lithuania	36 980	18.49	100.00	LTL	370	SEK	2 602
– ZAO MoDo Paper Moscow	Russia	500	100.00	100.00	RUR	256	SEK	0
– Amerpap Poligrafija UAB	Lithuania	20 000	100.00	100.00	LTL	2 000	SEK	0
– Amerpap Eesti AS	Estonia	500	100.00	100.00	EEK	500	SEK	3 827
– Amerpap Latvia SIA	Latvia	4 000	100.00	100.00	LVL	400	SEK	3 094
MoDo Holdings Ltd	Great Britain	300 000	100.00	100.00	GBP	300	SEK	91 748
– MoDo Merchants Ltd	Great Britain	400 000	100.00	100.00	GBP	400	GBP	800
– GM2 Logistics Ltd.	Great Britain	250 000	50.00	100.00	GBP	250	GBP	250

	Country	Number of shares	Parent company's holding, %	Group's holding, %	Currency	Nominal value of shares, thousand	Currency	Book value, thousand
Modo Paper GmbH	Germany	5	100.00	100.00	DEM	40 100	SEK	2 606 868
- Tatra Papiervertriebs GmbH	Germany		90.00	90.00	DEM	50	DEM	50
- Papierfabrik Miesbach GmbH	Germany		100.00	100.00	DEM	50	DEM	100
- Chemische Werke Zell-Wildshausen GmbH	Germany		100.00	100.00	DEM	1 100	DEM	1 090
- Chemische Werke Zell-Wildshausen GmbH & Co.	Germany	5 210	98.00	98.00	DEM	501	DEM	501
- SCA Wertstoff Verwertung GmbH	Germany		100.00	100.00	DEM	850	DEM	1 071
- Modo Paper Wifstavarfs AB	Sweden		100.00	100.00	DEM	9 200	DEM	9 275
- Modo Paper Hallein AG	Austria		100.00	100.00	EUR	70	DEM	0
- SCA/PWA Alpha UK Ltd.	Great Britain		100.00	100.00	GBP	40 600	DEM	119 124
- James McNaughton Paper Group Ltd.	Great Britain	9 392 507	93.93	93.93	GBP	9 393	GPB	52 528
- James McNaughton Paper Merchants Ltd.	Great Britain	75 000	100.00	100.00	GBP	75	GPB	67
- James McNaughton Agencies Ltd.	Great Britain	40 000	100.00	100.00	GBP	10	GPB	10
- McNaughton Publishing Papers Ltd.	Great Britain	100	100.00	100.00	GBP	0	GPB	0
- McNaughton Paper N.I. Ltd.	Great Britain	930	93.10	93.10	GBP	1	GPB	132
- McNaughton Paper Ireland Ltd.	Ireland	157 135	93.20	93.20	GBP	157	GPB	622
- McNaughton Paper Ireland Manufacturing Ltd.	Ireland	1 000	100.00	100.00	GBP	1	GPB	0
- Printall Display Ltd.	Great Britain	50 000	100.00	100.00	GBP	50	GPB	489
- County Paper Company Ltd.	Great Britain	182	100.00	100.00	GBP	0	GPB	857
- Carefree Paper Company Ltd.	Great Britain	100	100.00	100.00	GBP	0	GPB	29
- Brian J. Small (Paper) Ltd.	Great Britain	52 185	100.00	100.00	GBP	52	GPB	0
- GM2 Logistics Ltd.	Great Britain	250 000	50.00	100.00	GBP	250	GPB	250
- Ingram Group Ltd.	Great Britain	50 000	100.00	100.00	GBP	50	GPB	0
- Paper Management Services Ltd	Great Britain	2	100.00	100.00	GBP	0	GPB	855
- Buhomij B.V.	The Netherlands	570	70.00	70.00	NLG	285	DEM	54 212
- Grafisch Papier Nijmegen B.V.	The Netherlands	190	100.00	100.00	NLG	95		
- GP Mullaart B.V.	The Netherlands	42	100.00	100.00	NLG	21		
- Printec B.V.	The Netherlands	80	100.00	100.00	NLG	40		
- Papier Service B.V.	The Netherlands	20	100.00	100.00	NLG	10		
- Paper One B.V.	The Netherlands	50	100.00	100.00	NLG	25		
- Uniepapier Flevoland B.V.	The Netherlands	400	51.00	51.00	NLG	40		
- Uniepapier Zwolle B.V.	The Netherlands	400	51.00	51.00	NLG	40		
- Uniepapier Haarlem B.V.	The Netherlands	400	100.00	100.00	NLG	40		
- Uniepapier Lelystad B.V.	The Netherlands	400	51.00	51.00	NLG	40		
- Uniepapier Tilburg B.V.	The Netherlands	400	51.00	51.00	NLG	40		
- Uniepapier Randstad B.V.	The Netherlands	400	51.00	51.00	NLG	40		
- Uniepapier Groningen B.V.	The Netherlands	400	51.00	51.00	NLG	40		
- GPG Papier N.V.	Belgium	300 000	100.00	100.00	BEF	300 000	NLG	5 393
- GPG N.V.	Belgium	80 000	100.00	100.00	BEF	80 000	NLG	2 949
- Modo Paper Ltd.	Great Britain		100.00	100.00	GBP	10	DEM	47
- Modo Paper S.a.r.l.	France		100.00	100.00	FRF	100	DEM	42
- Modo Paper Benelux SA/NV	Belgium		100.00	100.00	BEF	1 750	DEM	86
- Modo Paper B.V.	The Netherlands		100.00	100.00	NLG	100	DEM	27
- Modo Paper s.r.l.	Italy		95.00	95.00	ITL	80 000	DEM	105
- Modo Paper S.A.	Spain		100.00	100.00	ESP	10 000	DEM	200
- Modo Paper GmbH, Wien	Austria		100.00	100.00	ATS	500	DEM	74
- Modo Paper AG	Switzerland		100.00	100.00	CHF	50	DEM	171

	Country	Number of shares	Parent company's holding, %	Group's holding, %	Currency	Nominal value of shares, thousand	Currency	Book value, thousand
- Modo Paper Trade GmbH	Germany		100.00	100.00	DEM	33 000	DEM	0
- PW Deutschland GmbH	Germany	17 500	100.00	100.00	DEM	1 750	DEM	7 580
- IT-Papier GmbH, Austria	Austria	22 081	74.50	74.50	ATS	22 081	DEM	2 357
- ECCO-Papier Sp.z.o.o.	Poland	31 861	63.00	63.00	PLN	8 762	DEM	4 952
- Modo Paper Distribucìon SA	Spain		4.20	100.00	ESP	234 541	DEM	0
- Schramm-Papirgros A/S, Denmark	Denmark	48 000	69.27	69.27	DKK	4 800	DEM	4 952
- ECCO Hungaria Kft.	Hungary		100.00	100.00	HUF	50 000	DEM	2 501
- SCA Paper Trade s.r.l.	Romania	1 800	80.00	80.00	ROL	432 000	DEM	1 471
- Interpapier d.o.o.	Slovak		100.00	100.00	SLT	6 015	DEM	349
- Modo Paper Trade AB	Sweden	300 000	100.00	100.00	SEK	3 000	DEM	0
- ECCO Paper CZ s.r.o.	Czech Republic		100.00	100.00	CZK	100	DEM	1 658
- ECCO Paper YU Trade d.o.o.	Yugoslavia		100.00	100.00	DEM	34	DEM	10
- ECCO Paper SK s.r.o. Ruzomberok / Slowakei	Slovak		100.00	100.00	SKK	6 000	DEM	306
- MODO PAPER d.o.o.	Croatia		100.00	100.00	KUNA	500	DEM	134
Metsä-Serla Holding GmbH								
- Forest Alliance Deutschland GmbH	Germany	2	100.00	100.00	DEM	100	EUR	179
- Metsä-Serla Papier GmbH	Germany	1	100.00	100.00	DEM	50	EUR	17 353
- Papierfabrik Albbbruck GmbH & Co.KG *	Germany		50.00	50.00			EUR	88 112
- MD Papier GmbH & Co.KG *	Germany		50.00	50.00			EUR	108 946
- Modo Fine Paper Holding Ab **)	Sweden	100	100.00	100.00	SEK	100	EUR	442 928
- Modo Paper Ab	Sweden	32 052 451	50.50	100.00	SEK	641 049	SEK	2 865 000
Metsä-Serla NL Holding B.V.								
- Papierfabrik Biberist AG	Switzerland	10 000	100.00	100.00	CHF	10 000	NLG	13 365
- Winpac B.V.	The Netherlands	3 000	100.00	100.00	NLG	3 000	NLG	11 169
Metsä-Serla Holdings Plc								
- Alliance Paper Group Plc *	Great Britain	1 041 334	100.00	100.00	GBP	1 041	GBP	16 830
- Classic Papers Ltd	Great Britain	246 465	100.00	100.00	GBP	246	GBP	6 904
- Cuppy Paper Ltd *	Great Britain	7 000 000	100.00	100.00	GBP	7 000	GBP	14 445
- Hedsor Ltd *	Great Britain	495 000	100.00	100.00	GBP	495	GBP	5 527
- Grovehurst Energy Ltd	Great Britain	50	50.00	50.00	GBP		GBP	400
- New Thames Paper Company Ltd	Great Britain	88 000 000	100.00	100.00	GBP	88 000	GBP	58 239
- Premier Paper Group Ltd	Great Britain	10 000 001	100.00	100.00	GBP	10 000	GBP	38 198
- UK Paper (Graphic and Business Papers) Ltd	Great Britain	72 800 001	100.00	100.00	GBP	72 800	GBP	14 028
- UK Paper Group Services Ltd	Great Britain	26 314 842	100.00	100.00	GBP	26 315	GBP	5 662
Price & Pierce Holdings B.V.								
- Price & Pierce Inc	USA	375 000	100.00	100.00	USD		NLG	5 940
- Price & Pierce Europe Ltd	Great Britain		100.00	100.00	GBP		USD	336
- Price & Pierce (Asia Pacific) Pte Ltd	Singapore	500 000	100.00	100.00	SGD		NLG	6 600
- Price & Pierce (HK) Ltd	Hong Kong	99 999	100.00	100.00	HKD		NLG	660
Other shareholdings								
Gasum Oy	Finland	1 060	2.00	2.00	FIM	21 200	EUR	11 774
Keräyskuitu Oy	Finland	4 378	14.60	14.60	FIM	4 378	EUR	771
Keskustalaboratorio Oy	Finland	1 133 136	18.70	20.98	FIM	1 133	EUR	325
Noviant Oy	Finland	600 000	19.24	19.24	FIM	18 000	EUR	10 091
Pohjolan Voima Oy	Finland	1 092 382	2.49	3.28	FIM	10 918	EUR	26 130
Sato-Yhtymä Oy	Finland	32 110			FIM	321	EUR	2 805

*) Goodwill is amortized over ten years.

**) Goodwill is amortized over twenty years.

The book value of listed shares was EUR 97.0 million and the market value was EUR 216.8 million.

Share capital and shares at 31 December 2000

The company's paid-in share capital on the balance sheet date was EUR 236,299,022.50. The company has a total of 138,999,425 shares, which are divided into 36,340,550 Series A shares and 102,658,875 Series B shares. All shares have a nominal value of EUR 1.70. Each Series A share entitles its holder to 20 votes at a General Meeting of Shareholders, and each Series B share entitles the holder to one (1) vote. All shares carry the same right to receive a dividend. The company's issued share capital may not be less than EUR 168,188,000 and not more than EUR 672,752,000. The issued share capital may be increased or decreased within these limits without amendments to the Articles of Association.

Stock exchange listings and share prices

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

A total of 51.9 million Metsä-Serla shares were traded on Helsinki Exchanges (53.0 million 1999) and 61.9 million on the London Stock Exchange (56.4). At the end of the year, 30.9 per cent of the company's shares were owned by non-Finnish nationals (36.2), of which 99.1 per cent were registered with a nominee. The price of Metsä-Serla's Series A shares fell by 27 per cent and for the Series B shares it fell by 26.4 per cent during 2000. The high for Series A shares was EUR 12.70 and for Series B shares the high was EUR 12.90. The lowest quotations were EUR 6.53 for Series A shares and EUR 6.32 for Series B shares. The

average share prices were EUR 8.11 (8.14) and EUR 8.65 (8.25), respectively. At the end of the year the company's market capitalization was EUR 1,167 million (1,589.1).

Bond loans with equity warrants; directors' interest**Bond loan with equity warrants 1997**

Bonds with equity warrants to a total value of FIM 750,000 were offered for subscription by the Group's key personnel in 1997. The loan was paid back in its entirety at the end of year 2000. The bonds matured in three years and carried no interest. Each bond had a nominal value of FIM 1,000 and carries 1,200 A warrants, 1,200 B warrants and 1,600 C warrants. Each warrant entitles its holder to subscribe for one Metsä-Serla Series B share with a nominal value of EUR 1.70 at a price of EUR 8.75.

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

Exercise of all warrants would increase the number of Series B shares by 2,782,000 and the share capital by EUR 4.73 million. This represents 2.00 per cent of the company's share capital and 0.34 per cent of the total number of votes.

Bond loan with equity warrants 1994

In 1994, the company issued bonds with equity warrants to a total value of FIM 260,000 (EUR 43,728.86) for subscription by the company's management. The loan period was 2 May 1994 to 2 May 1999 and the

interest was 5 per cent. Each FIM 1,000 (EUR 168.19) bond carried 200 I warrants and 400 II warrants.

The subscription period for the I warrants ended on 2 May 1999. No share subscriptions were made. Each II warrant entitles its holder to subscribe for five Metsä-Serla Series B shares with a nominal value of EUR 1.70 each at a fixed price of EUR 9.42 during the period 3 May 1999 to 2 May 2001.

If all the warrants of the 1994 issue are exercised, the number of Metsä-Serla's shares outstanding can rise by a maximum of 320 000 Series B shares and the share capital by a maximum of EUR 0.54 million. This represents 0.23 per cent of the company's present share capital and 0.04 per cent of the votes.

Directors' interest

The members of the Board of Directors and the Chief Executive Officer owned a total of 5,375 Metsä-Serla shares at 31 December 2000. This represents 0.04 per cent of the company's shares and 0.00 per cent of the voting rights carried by the shares. President and CEO Vaajoki owns 360,000 warrants attached to the 1997 bonds. The members of the Board of Directors do not hold any share options. Members of management own 4,200 Metsä Tissue Corporation shares. Management does not own shares in any company belonging to the Metsä-Serla Group.

Convertible subordinated capital notes

An extraordinary general meeting of shareholders on 29 September 1997 authorized the company's Board of Directors to decide on the issue of convertible subordinated capital notes to a value of USD 250 million

on the Finnish and foreign capital markets. The purpose of the loan is to improve the Group's equity ratio and financial position. To ensure that the issue was well subscribed, the notes were offered preferentially to Finnish and foreign institutional investors in disapplication of existing shareholders' rights.

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

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

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

Holders of the notes have the right to subscribe for Metsä-Serla's Series B shares from 15 January 1998 to 1 January 2002. Exercise of all conversion rights would raise the total number of Series B shares by 31,839,202 and the share capital by EUR 54.1 million. This represents 22.9 per cent of the company's present share capital and 3.8 per cent of the voting rights.

Board of Directors' authority to issue shares

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

Metsä-Serla's main shareholders

Share register at 29 December 2000		Series A	Series B	Total	% of votes	% of shares
1	Metsäliitto Osuuskunta	25 351 535	32 555 900	57 907 435	65.1%	¹⁾ 41.7%
2	Varma-Sampo Mutual Pension Insurance Company	2 803 544	2 633	2 806 177	6.8%	2.0%
3	Industrial Insurance Company Ltd	1 624 005		1 624 005	3.9%	1.2%
4	Central Union of Agricultural Producers and Forest Owners	904 249	489 060	1 393 309	2.2%	1.0%
5	Tapiola General Mutual Insurance Company	576 000	670 000	1 246 000	1.5%	0.9%
6	Local Government Pensions Institution		1 200 000	1 200 000	0.1%	0.9%
7	Ilmarinen Mutual Pension Insurance Company	1 023 325		1 023 325	2.5%	0.7%
8	Tapiola Mutual Pension Insurance Company	293 000	392 500	685 500	0.8%	0.5%
9	Tapiola Mutual Life Assurance Company	509 370	120 000	629 370	1.2%	0.5%
10	Metsäliitto Employees' Pension Foundation	16 070	577 900	593 970	0.1%	0.4%
11	Polaris Pension Fund	227 770	311 505	539 275	0.6%	0.4%
12	FIM Forte Investment Fund	0	461 500	461 500	0.1%	0.3%
13	Equity Fund Aktia Secura	0	377 000	377 000	0.0%	0.3%
14	Elit Capital Oy	82 000	277 495	359 495	0.2%	0.3%
15	Aurum Life Assurance Company Ltd		324 000	324 000	0.0%	0.2%
16	Equity Fund Merita Foresta	86 000	198 100	284 100	0.2%	0.2%
17	Evli-Select Finnish Equity Fund	0	280 000	280 000	0.0%	0.2%
18	Svenska Handelsbanken AB	0	276 049	276 049	0.0%	0.2%
19	Valio Oy		250 750	250 750	0.0%	0.2%
20	Eläke-Fennia General Mutual Insurance Company		245 000	245 000	0.0%	0.2%

¹⁾ Includes also the registrations in January 2001.

Breakdown of shareholders

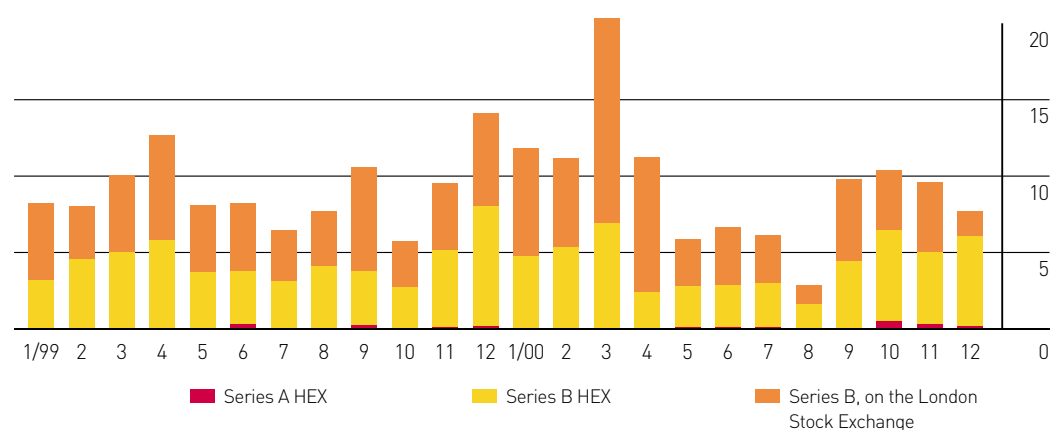
Shares	Number of shareholders	% of share- holders	Total shares	% of shares	Number of votes	% of all votes
Series A						
1 – 20	131	4.89	1 582	0.00	31 640	0.00
21 – 50	165	6.15	6 601	0.02	132 020	0.02
51 – 100	324	12.09	27 088	0.07	541 760	0.07
101 – 500	1 249	46.59	374 340	1.03	7 486 800	1.03
501 – 1 000	376	14.02	306 849	0.84	6 136 980	0.84
1 001 – 5 000	365	13.61	807 222	2.22	16 144 440	2.22
over 5 000	71	2.65	34 802 538	95.77	696 050 760	95.77
On the waiting list			0	0.00	0	0.00
Grand total account			14 330	0.04	286 600	0.04
Number issued			36 340 550	100.00	726 811 000	100.00
Series B						
1 – 20	7 324	19.9	93 815	0.09	93 815	0.09
21 – 50	6 442	17.51	234 183	0.23	234 183	0.23
51 – 100	6 405	17.41	481 346	0.47	481 346	0.47
101 – 500	10 754	29.22	2 826 917	2.75	2 826 917	2.75
501 – 1 000	2 718	7.39	2 211 113	2.15	2 211 113	2.15
1 001 – 5 000	2 574	6.99	5 668 426	5.52	5 668 426	5.52
over 5 000	582	1.58	90 528 711	88.18	90 528 711	88.18
On the waiting list			0	0.00	0	0.00
Grand total account			614 364	0.60	614 364	0.60
Number issued			102 658 875	100.00	102 658 875	100.00

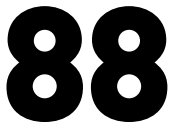
Share issues 1992 – 2000

Type of issue	Subscription period	Ratio of issue or subscriber	Subscription price, EUR	Number of new shares	Date of payment EUR million	Increase in share capital EUR million	New share capital
Rights issue	9.12.1991– 17.1.1992	1 new for 12 old	A: 17.66 B: 9.25	559 084 1 020 809	17.1.1992	4.7 8.6	171.6
Directed issue	29.6.1993		B: 28.09	3 460 000	29.6.1993	29.1	200.7
Subscription through warrants (B)	1988		25.12	148		0.0	
	1989		25.12	1272		0.0	
			24.05	1844		0.0	
	1990		24.05	80		0.0	
	1991		24.05	–		0.0	
	1992		24.05	–		0.0	
	1993		24.05	3 185 492		26.8	
				3 188 836		26.8	227.5
Placement	18.11.1993		B: 37.84	250 000	18.11.1993	2.1	229.6
Placement	30.6.1995	Oy Kyro Ab	B: 35.34	500 000	30.6.1995	4.2	233.8
Change in nominal value	5.5.2000					2.5	236.3

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

Traded volumes in 1999 and 2000, Million units



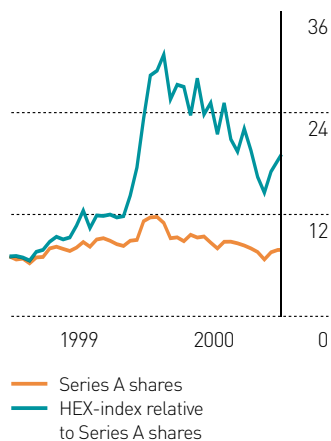


Share performance

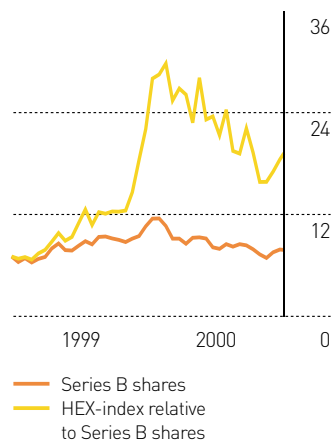
	2000	1999	1998	1997	1996	
Adjusted prices, EUR						
Series A	highest	12.70	11.40	10.26	8.43	6.14
	lowest	6.53	5.90	5.05	5.38	4.10
	at year end	8.10	11.10	7.06	6.90	5.82
	average price	8.11	8.14	7.72	6.93	5.14
Series B	highest	12.90	11.70	10.60	8.88	6.22
	lowest	6.32	5.85	4.96	5.72	4.14
	at year end	8.50	11.55	6.98	7.15	5.80
	average price	8.65	8.25	7.77	7.32	5.09
Trading in shares, units on Helsinki Exchanges						
Series A	1 381 515	1 220 478	4 074 089	1 982 720	1 698 835	
% of total no. of Series A	3.8	3.4	11.2	5.5	4.7	
Series B	50 478 814	51 827 710	68 834 117	58 556 696	48 018 128	
% total no. of Series B	49.2	50.5	67.1	57.0	46.8	
On the London Stock Exchange						
Units	61 931 494	56 445 888	31 303 949	27 376 194	12 891 724	
% of total no. of Series B	60.3	55.0	30.5	26.7	12.6	
Number of shares at the end of year						
Series A	36 340 550	36 340 550	36 340 550	36 340 550	36 340 550	
Series B	102 658 875	102 658 875	102 658 875	102 658 875	102 658 875	
Total	138 999 425	138 999 425	138 999 425	138 999 425	138 999 425	
Adjusted number of shares at 31 Dec.	138 999 425	138 999 425	138 999 425	138 999 425	138 999 425	
Market capitalization of shares at 31 Dec., EUR million	1 167.0	1 589.1	973.3	984.4	807.3	
Number of shareholders *	38 149	33 652	35 485	33 598	35 302	

* Shareholders in book-entry system.

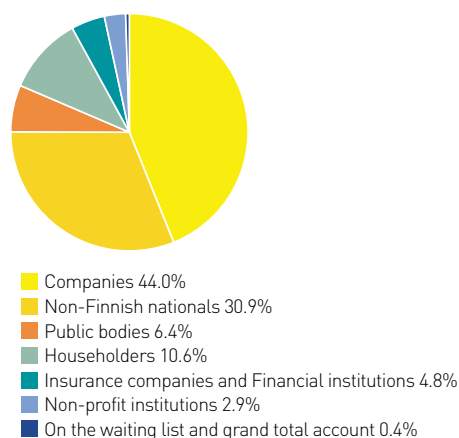
Series A shares, average monthly share price, EUR



Series B shares, average monthly share price, EUR



Breakdown of Metsä-Serla's shareholders at 31 Dec. 2000

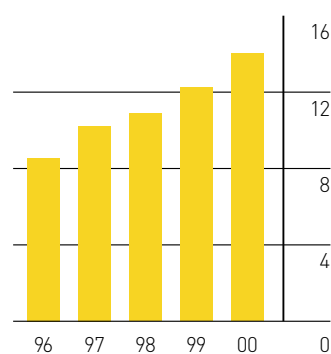


Figures per share

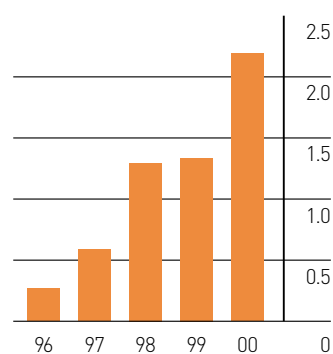
	2000	1999	1998	1997	1996
Calculation of earnings per share, EUR million					
Profit before extraordinary items	458.5	268.1	261.7	128.4	55.2
- minority interest	6.7	-0.3	-3.8	4.2	-3.2
- taxation	-183.0	-88.4	-88.8	-101.3	-37.6
+ tax adjustment for extraordinary items	16.4	0	4.6	44.1	17.2
+ Other adjustments	6.6	6.6	6.6	6.6	6.6
= Earnings, EUR million	305.2	186.0	180.3	82.0	38.2
- Adjusted number of shares (average)	138 999 425	138 999 425	138 999 425	138 999 425	138 999 425
= Earnings per share, EUR (Diluted 2000: EUR 1.84)	2.20	1.34	1.30	0.59	0.27
Shareholders' equity per share, EUR	14.05	12.28	10.93	10.26	8.59
Dividend per share, EUR	¹⁾ 0.60	0.45	0.44	0.30	0.17
Dividend per profit, %	27.3	33.6	33.7	41.9	60.6
Nominal value per share, EUR	1.70	1.68	1.68	1.68	1.68
Dividend yield, %					
Series A	7.4	4.1	6.2	4.4	2.9
Series B	7.1	3.9	6.3	4.2	2.9
Price/equity ratio (P/E ratio)					
Series A	3.7	8.3	5.4	9.5	21.2
Series B	3.9	8.6	5.4	9.9	21.1
P/BV, %					
Series A	57.7	90.4	64.6	69.5	67.7
Series B	60.5	94.1	63.8	72.0	67.5

¹⁾ Board's proposal

Equity per share, EUR



Earnings per share, EUR



90

Calculation of Key Ratios

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

	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Profit and loss account, EUR million										
Turnover	5 898	4 044	3 320	3 014	2 313	2 240	1 599	1 542	1 304	1 301
– change %	45.9	21.8	10.1	30.3	3.2	40.6	3.4	18.3	0.2	-11.4
Exports from Finland	1 719	1 805	1 704	1 595	1 326	1 267	906	883	673	637
Exports and foreign subsidiaries	5 376	3 603	2 893	2 598	2 012	1 760	1 312	1 298	1 076	1 020
Operating profit	604	352	340	283	143	401	156	170	121	66
– % of turnover	10.2	8.7	10.2	9.4	6.2	17.9	9.8	11.0	9.3	5.1
Profit before extraordinary items	459	268	262	128	55	322	132	51	-49	-107
– % of turnover	7.8	6.6	7.9	4.3	2.4	14.4	8.3	3.3	-3.7	-8.2
Profit before taxes and minority interests	516	295	273	358	120	322	128	127	15	-94
– % of turnover	8.7	7.3	8.2	11.9	10.4	14.4	8.0	8.2	1.2	-7.2
Balance sheet, EUR million										
Balance sheet total	7 798	4 608	4 419	4 423	3 474	3 123	2 368	2 358	2 217	2 246
Shareholders' equity	2 263	2 022	1 865	1 737	1 195	1 147	967	892	662	666
Interest-bearing net liabilities	3 383	1 161	1 086	844	1 361	1 109	623	713	1 137	1 164
Dividends and figures per share *										
Dividends, EUR million	83.4 ¹⁾	63.1	60.8	42.1	23.4	32.7	23.0	9.2	–	–
Dividend per share, EUR	0.60 ¹⁾	0.45	0.44	0.30	0.17	0.24	0.17	0.07	–	–
Dividend/profit, %	27.3 ¹⁾	34.0	33.7	51.3	61.3	16.0	22.3	54.0	–	–
Earnings per share, EUR (diluted 2000: EUR 1.84)	2.20	1.34	1.30	0.59	0.27	1.47	0.76	0.12	-1.17	-2.35
Shareholders' equity per share, EUR ³⁾	14.05	12.28	10.93	10.26	8.59	8.24	7.10	6.53	6.56	6.90
Profitability										
Return on capital employed, %	13.5	10.5	10.8	10.5	6.8	18.8	10.8	10.1	7.5	4.9
Return on equity, % ³⁾	15.5	10.6	11.3	5.3	2.9	22.0	10.5	5.3	neg	neg
Financial position										
Equity ratio, % ²⁾	29.7	45.1	43.9	41.1	35.0	42.4	41.7	38.2	30.2	29.9
Equity ratio, % ³⁾	25.7	38.4	36.9	34.1						
Gearing ratio, % ²⁾	146	56	56	46	113	86	64	79	171	174
Gearing ratio, % ³⁾	184	83	86	77						
Funds from operations, EUR million	677	440	449	401	303	409	203	212	96	-14
Internal financing of capital expenditures, %	31	112	130	122	38	82	167	189	94	neg.
Net interest expenses, EUR million	131.7	73.8	83.8	70.9	70.4	84.5	58.4	98.4	123.0	110.1
Interest cover	6.1	7.0	6.4	6.7	5.3	5.8	4.5	3.2	1.8	0.9
Other information										
Gross capital expenditure, EUR mill.	2 150	394	344	329	787	492	121	113	101	92
– % of turnover	36.5	9.7	10.4	10.9	34.0	21.9	7.6	7.3	7.8	7.1
R&D expenditure, EUR million	33	17	15	14	15	15	13	13	11	10
– % of turnover	0.6	0.4	0.5	0.4	0.7	0.7	0.8	0.8	0.8	0.8
Personnel, average	17 413	15 572	13 885	12 637	11 463	10 106	9 061	9 047	9 384	10 522
– of whom in Finland	6 584	6 966	7 208	7 248	7 006	7 162	6 385	6 425	6 674	7 529

¹⁾ Board's proposal

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

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

* Change in nominal value of shares taken into account

The 1991–1995 figures for the resource companies Metsä-Botnia and Metsä-Rauma have not been adjusted for comparability according to the new consolidation policy. Deferred tax has not been included under provisions since 1993. The calculation of key ratios is presented on page 90.

	EUR
The Group's distributable funds according to the balance sheet at 31 Dec. 2000	791 206 000.00
Nonrestricted shareholders' equity in the parent company balance sheet at 31 Dec. 2000,	
Retained earnings	388 865 718.81
Net profit for 2000	164 745 889.92
Total	<u>553 611 608.73</u>
The Board of Directors proposes the following to the Annual General Meeting:	
A dividend of EUR 0.60 per share be paid on 138,999,425 Series A and B shares	83 399 655.00
For use by the Board of Directors for beneficial purposes	100 000.00
To be transferred to the Retained earnings account	470 111 953.73
	<u>553 611 608.73</u>

Espoo, 5 February 2001

Antti Oksanen

Arimo Uusitalo

Timo Haapanen

Asmo Kalpala

Erkki Karmila

Runar Lillandt

Matti Niemi

Antti Tanskanen

Jorma Vaajoki
President and CEO

To the shareholders of Metsä-Serla Corporation

We have audited the accounting, the financial statements and the corporate governance of Metsä-Serla Corporation for the period 1.1. – 31.12.2000. 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 President. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management as well as evaluating the overall

presentation of the financial statements. The purpose of our audit of corporate governance is to ascertain that the members of the Board of Directors, the President and the President's deputy 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, including the consolidated financial statements, can be adopted and the members of the parent company's Board of Directors, the President and the President's deputy can be discharged from liability for the period audited by us. The proposal by the Board of Directors concerning the distributable equity is in compliance with the Companies Act.

Espoo, 14 February 2001

Ilkka Haarlaa
Authorized Public Accountant

SVH Pricewaterhouse Coopers Oy
Authorized Public Accountants

Göran Lindell
Authorized Public Accountant

Annual General Meeting

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

Board of Directors

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

Under the Companies Act, the task of the Board of Directors is to attend to the Company's

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

As a rule, the Board of Directors meets once a month. In 2000, the Board of Directors had 18 meetings.

The Board of Directors has a Compensation Committee com-

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

The Compensation Committee prepares and presents for decision by the Board of Directors matters connected with the salaries, fringe benefits and other conditions of employment of the President as well as decides on the salaries, fringe benefits and other conditions of employment of officers who report directly to the President. It is also the task of the Board's Compensation Committee generally to keep abreast of issues connected with the compensation, fringe benefits and other conditions of employment of management and persons working in key expert positions as well as to issue the related regulations, instructions and recommendations in order to ensure the Company's continuing competitiveness.

President

The Company's President is elected by the Board of Directors. The task of the President is to attend to the Company's running administration in accordance with the instructions and regulations issued by the Board of Directors. The President since 1996 has been Jorma Vaajoki.

Salaries and remuneration

The remuneration of the members of the Board of Directors is confirmed by the Annual General Meeting each year in advance. Emoluments paid to the Board of Directors in 2000 totalled FIM 1 161 043.48. President and CEO Jorma Vaajoki was paid salary and remuneration in 2000, including fringe benefits, in a total amount of FIM 2 730 528, of which the bonus for the 1999 financial year was FIM 477 528.

Operational organization

The Metsä-Serla Group is organized operationally into four business groups: the Paper Group, Packaging Group, Merchanting Group and Metsä Tissue Corporation. The marketing of Metsä-Serla's products is handled by

a separate sales network, Forest Alliance, which is also responsible for the marketing of the products of the Myllykoski Group, Metsä-Serla's alliance partner, in areas other than the USA.

Managing the Group is the responsibility of the President and CEO, who also is the Chairman of the Board. The most important matters are prepared for decision by the President and the Board of Directors in meetings of the Corporate Executive Board, in which the participating members are President Jorma Vaajoki, and Jouko M. Jaakkola (Operations), Aarre Metsävirta (Paper Group), Juhani Saarela (Packaging Group) and Veli-Matti Mynttinen (Finance and Treasury).

The Group's Operational Management Board attends to the company's daily management. The Management Board is chaired by Jouko M. Jaakkola and its members are Aarre Metsävirta, Juhani Saarela, Veli-Matti Mynttinen, Josef Wanzenböck (Paper Merchanting), Karl-Johan Lindborg (Paper Merchanting), Erkki Varis (Metsä-Botnia) and

Ari Himma (Personnel Director as of 2nd April, 2001).

Insiders

In addition to the insider data on statutory insiders subject to the relevant provisions of the Securities Market Act, Metsä-Serla maintains insider data, within the SIRE system of Finnish Central Securities Depository Ltd, on 24 other persons belonging to the group of so-called insiders by definition. Metsä-Serla complies with the requirements of the Guidelines for Insiders, which was published by Helsinki Exchanges on 1 November 1999.



Antti Oksanen, 56

Chairman of the Board since 1995
Member of the Board since 1993

Master of Science in Forestry
Titular Mining Counsellor

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

President of Metsäliitto Group, President & CEO of Metsäliitto Osuuskunta

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

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



Arimo Uusitalo, 58

Vice Chairman of the Board since 1994
Member of the Board since 1994

Master of Science in Agriculture and Forestry
Titular Farming Counsellor
Farmer

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



Erkki Karmila, 59

Member of the Board since 1992

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

Deputy Managing Director, Finnish Export Credit 1981–82 and Managing Director 1982–83,

Vice President of Kansallis-Osake-Pankki, 1983–91, Director of the Invest in Finland Bureau, 1992

Deputy Managing Director of the Nordic Investment Bank.



Antti Tanskanen, 54

Member of the Board since 1992

Ph.D. in Economics

Professor of Economics at Jyväskylä University 1979–96 and Rector 1988–91, Chairman and President of the Academy of Finland 1992–96

Chairman and CEO, OKOBANK Group, Chairman of the Executive Boards of OKOBANK Group

Central Cooperative and OKOBANK Osuuspankkien Keskuspankki Oyj since 1997

Member of the Unico Banking Group Steering Committee since 1996, Chairman of the Board of the Finnish Bankers' Association since 2000, Chairman of the Board of YIT Corporation since 2000, member of the Board of Ilmarinen Mutual Pension Insurance Company since 2000.



Runar Lillandt, 56

Member of the Board since 1999

Agriculture and forestry polytechnic graduate
Farmer

Chairman of the Supervisory Board of Metsäliitto Osuuskunta since 1999

Member of the Supervisory Board of Atria since 1993

Chairman of the Supervisory Board of Pohjanmaan Liha since 1994

Member of the Board of Suupohjan Osuuspankki since 1997

Member of the Forestry Board of MTK (The Central Union of Agricultural Producers and Forest Owners) since 1996

Member of the Supervisory Board of Pellervo Confederation of Finnish Cooperatives since 1999

Chairman of the Coastal Forestry Centre since 1996.



Matti Niemi, 53

Member of the Board since 1999

Master of Science in Economics

Various management positions at Postipankki Oy, 1974–1995
Executive Vice President of Pension Varma Mutual Insurance company, 1996–98
Executive Vice President of Varma-Sampo Mutual Pension Insurance Company, 1998–

Member of the Board of Uponor Oyj (formerly Asko Oyj) since 1994, member of the Board of ICL Invia Oyj since 2000.



Asmo Kalpala, 50

Member of the Board since 1990

Master of Science in Economics

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

Chairman of the Boards and President of the Tapiola Insurance Group

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



Timo Haapanen, 61

Member of the Board since 2000

Agronomist
Farmer

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

SECRETARY TO THE BOARD OF DIRECTORS
Nina Kuulusa, Master of Law (trained on the bench)

Metsä-Serla's auditors
SVH Pricewaterhouse Coopers Oy,
Authorized Public Accountants

Göran Lindell, Authorized Public Accountant

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



Jorma Vaajoki, 51

President and CEO (1996)

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

Chairman of the Board and member of the Board of Group subsidiaries.

Member of the Supervisory Board of Varma Sampo Insurance Company and Landesbank Schleswig-Holstein.

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



Juhani Saarela, 45

Executive Vice President,
Packaging Group (1998).

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

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



Jouko M. Jaakkola, 56

Executive Vice President (2000)

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



Aarre Metsävirta, 56

Executive Vice President,
Paper Group (1996)

Mr Metsävirta has spent his entire career in the forest industry, beginning in 1972 in various positions at the Varkaus Paper Industry of A. Ahlström Oy, where he worked in different capacities, his final position being Director of Research of the pulp and paper units. In 1983 he joined Rauma-Repola Oy, where he was Technical Director and later Senior Vice President of the Paper Division. He left to become Executive Vice President of Tampella Ltd in 1998 before becoming President of Tampella Forest Inc. in 1991. He was appointed Chairman of the Board of Veitsiluoto Oy in 1994 and joined Metsä-Serla in 1996, where he was appointed Executive Vice President and Group Executive of the Paper Group.

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



Veli-Matti Mynttinen, 45

Executive Vice President
and CFO (1999)

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

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

Paper Group

Paper Mill	Country	Machines	Coated Magazine Paper	Coated Fine Paper	Uncoated Fine Paper	Specialty Paper	Total
Kirkniemi	Finland	3	350	350			700
Äänekoski	Finland	1		180			180
Kangas **)	Finland	2		340			340
Simpele	Finland	1				50	50
Albbruck *)	Germany	3	270				270
Dachau *)	Germany	2	235				235
Plattling *)	Germany	2	340				340
Stockstadt	Germany	2		195	205		400
Bergisch Gladbach	Germany	5		350			350
Düren	Germany	4				100	100
Husum **)	Sweden	3		300	380		680
Wifsta	Sweden	1			155		155
Silverdalen	Sweden	1		80			80
Alizay	France	1			290		290
Pont Sainte Maxence	France	2			120		120
Biberist	Switzerland	3		370	65		435
Sittingbourne	UK	2		200			200
New Thames	UK	1			230		230
Hallein	Austria	2		270			270
Total		41	1 195	2 635	1 445	150	5 425

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

***) After rebuild is completed

Pulp mills

Pulp Mill	Country	Pulp	Total
Stockstadt	Germany	170	170
Husum	Sweden	690	690
Alizay	France	310	310
Hallein	Austria	150	150
Total		1 320	1 320

Packaging Group

Mill	Country	Machines	Folding Boxboard	Wallpaper Base	Cartons	Kraftliner	SC-fluting	CTMP	Total
Tampere	Finland	3	225						225
Kyröskoski	Finland	2	130	85					215
Äänekoski	Finland	1	65	50					115
Simpele	Finland	1	160						160
Tampere	Finland				20				20
Petöfi	Hungary				30				30
Kemi	Finland	1				340			340
Kuopio	Finland	1					245		245
Lielähti	Finland							110	110
Total			580	135	50	340	245	110	1 460

Metsä Tissue

Mill	Country	Machines	Tissue	HD paper	Total
Mänttä	Finland	5	95	25	120
Katrinefors	Sweden	2	77		77
Pauliström	Sweden	1	22		22
Nyboholm	Sweden	2	24		24
Warsaw	Poland	1	20		20
Hedwigstahl	Germany	2	40		40
Halstrick	Germany	1	20		20
Strepp	Germany	4	123		123
Total		18	421	25	446

Metsä-Botnia *)

Mill	Country	Pulp	Total
Äänekoski	Finland	485	485
Kemi	Finland	560	560
Kaskinen	Finland	425	425
Rauma	Finland	570	570
Joutseno	Finland	410	410
Total		2 450	2 450

*) Metsä-Serla share is 47% of the capacity

Other shareholdings

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

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Metsä-Serla Worldwide

Algeria
Argentina
Australia
Austria
Bangladesh
Belgium
Brazil
Bulgaria
Canada
Chile
China
Colombia
Costa Rica
Croatia
Czech Republic
Cyprus
Denmark
Ecuador
Estonia
Finland
France
Germany
Great Britain
Greece
Hong Kong
Hungary
Iceland
India
Indonesia
Ireland
Israel
Italy
Japan
Jordan
Korea
Latvia
Lebanon
Lithuania
Malaysia
Mexico
The Netherlands
Norway
Pakistan
Paraguay
Peru
Poland
Portugal
Romania
Russia
Singapore
Slovakia
Slovenia
South Africa
Spain
Sri Lanka
Sweden
Switzerland
Syria
Taiwan
Thailand
Turkey
Ukraine
U.S.A.
Venezuela





METSÄ-SERLA CORPORATION**Corporate Administration**

President & CEO Jorma Vaajoki
Senior Executive Vice President & COO
Jouko M. Jaakkola
Executive Vice President, Group Executive,
Paper Group Aarre Metsävirta
Executive Vice President & CFO
Veli-Matti Mynttinen

Executive Vice President, Group Executive,
Packaging Group Juhani Saarela
Managing Director, Merchandising Group
Karl-Johan Lindborg

Managing Director, Merchandising Group
Josef Wanzenböck

Chief Executive Officer, Metsä Tissue
Corporation Hannu Anttila

Managing Director, Forest Alliance Ltd.
Claes Ehrnrooth

Vice President, Corporate Purchasing
Touko Antola

Vice President, Research & Development
Lars Gädda

Vice President, Corporate Communications
Rauno Heinonen

Vice President, Human Resources,
Ari Himma (as of 2nd April, 2001)

Business Analyst Hannu Ikävalko

Vice President, Accounting and Financial
Control

Marja-Liisa Kauppinen

Vice President, E-Business Development
Pekka Korhonen

Vice President, Legal Affairs Nina Kuulusa
Senior Vice President, Human Resources

Olli Lehtinen

Vice President, Logistics Services
Seppo Mäkinen

Senior Vice President, Business Development
Matti Mörsky

Vice President, Internal Audit Reima Nyman

Vice President, Energy Esko Partio

Vice President, Environmental Affairs
Armi Temmes

Senior Vice President, Legal Affairs
Seppo Tuomola

METSÄ GROUP FINANCIAL SERVICES LTD

Heikki Saarinen, President

Revontulentie 6, FIN-02100 ESPOO

Tel. +358 1046 01

Fax +358 1046 94695

METSÄ-SERLA CORPORATION**Metsä-Serla Corporation****Corporate Administration**

PO Box 20 Tel. +358 1046 11
FIN-02020 METSÄ Fax +358 1046 94355
FINLAND
Revontulentie 6
FIN-02100 ESPOO
FINLAND

Metsä-Serla Corporation**Research and Development**

PO Box 44 Tel. +358 1046 42999
FIN-08701 VIRKKALA Fax +358 1046 42412
FINLAND

Kievarintie 23

FIN-08700 VIRKKALA

FINLAND

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

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

PAPER GROUP**Management & Marketing support****Metsä-Serla Corporation Paper Group**

PO Box 20 Tel. +358 1046 11
FIN-02020 METSÄ Fax +358 1046 94393
FINLAND (Management)

Revontulentie 6 Fax +358 1046 94620
FIN-02100 ESPOO (Marketing support)

FINLAND

PUBLISHING PAPER DIVISION**Mills****Metsä-Serla Corporation Kirkniemi Mills**

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

*] The following companies and units are
jointly owned by Metsä-Serla Corporation
and Myllykoski Corporation:

***] MD Papier GmbH & Co. KG Albruck Mill**

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

***] MD Papier GmbH & Co. KG Dachau Mill**

Ostenstrasse 5 Tel. +49 8131 727 0
D-85221 DACHAU Fax +49 8131 727 248
GERMANY

***] MD Papier GmbH & Co. KG Plattling Mill**

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

****] Myllykoski Paper**

46800 ANJALANKOSKI Tel. +358 5 8511
FINLAND Fax +358 5 851 25 01

*] Metsä-Serla's ownership 50%

**] Metsä-Serla's ownership 35%

COMMERCIAL PRINTING DIVISION**Mills****Metsä-Serla Corporation****Äänekoski Art Paper Mill**

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

Metsä-Serla Corporation**Kangas Paper Mill**

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

Vapaaherrantie 13

FIN-40320 JYVÄSKYLÄ

FINLAND

Papierfabrik Biberist AG

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

UK Paper (Graphic & Business Papers)**Limited Sittingbourne Mill**

Sittingbourne Tel. +44 1795 564000
GB-Kent ME10 3ET Fax +44 1795 564001
UNITED KINGDOM

MODO PAPER AB Silverdalen Mill

SE-577 02 SILVERDALEN Tel. +46 495 15100
SWEDEN Fax +46 495 40189

MODO PAPER Stockstadt GmbH

Obernburger Strasse 1-9 Tel. +49 602 74200
DE-63811 Fax +49 602 7420245
STOCKSTADT A.M.
GERMANY

MODO PAPER Hallein AG

Salzachtal-Bundesstr. 88 Tel. +43 624 58900
AU-5400 HALLEIN Fax +43 624 589 0224
AUSTRIA

MODO PAPER PSM SA

1227, Rue Pasteur Tel. +33 344 704 200
C.S. 40319 Fax +33 344 725 198
FR-60723 PONT SAINT-EMAXENCE
FRANCE

BUSINESS PAPER DIVISION**Mills****New Thames Paper Company Limited****New Thames Mill**

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

MODO PAPER Alizay SA

Z.I. du Clos Pré Tel. +33 2350 27272
FR-27460 ALIZAY Fax +33 2350 21460
FRANCE

MODO PAPER AB**Husum Mill**

SE-890 35 HUSUM Tel. +46 663 18000
SWEDEN Fax +46 663 18508

MODO PAPER Wifstavarfs AB

SE-861 84 TIMRÅ Tel. +46 60 164 500
SWEDEN Fax +46 60 573 152

SPECIALITY PAPER DIVISION**Metsä-Serla Corporation****Simpele Paper Mill**

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

MODO PAPER AB**Silverdalen Mill**

SE-577 02 SILVERDALEN Tel. +46 495 15100
SWEDEN Fax +46 495 40189

Zanders Feinpapiere AG**Gohrsmühle Mill**

An der Gohrsmühle Tel. +49 2202 15-0
51465 BERGISCH Fax +49 2202 15-2806
GLADBACH
GERMANY

Reflex Mill

Veldener Str. 121-131 Tel. +49 2421 497-0
52349 DÜREN Fax +49 2421 497-437
GERMANY

Metsä-Serla Corporation**Joutseno BCTMP Mill**

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

PACKAGING GROUP**Management****Metsä-Serla Corporation****Packaging Group**

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

CUSTOMER DIVISION

**Metsä-Serla Corporation
Packaging Group****Customer Division**

PO Box 20
FIN-02020 METSÄ
FINLAND
Revontulentie 6 Tel. +358 1046 11
FIN-02100 ESPOO Fax +358 1046 94905
FINLAND

Mills**Tako Carton Plant Ltd
Tampere Plant**

PO Box 207 Tel. +358 1046 35399
FIN-33101 TAMPERE Fax +358 1046 35375
FINLAND
Lielahdenkatu 14
FIN-33400 TAMPERE
FINLAND

**Tako Carton Plant Ltd
Järvenpää Plant**

PO Box 79 Tel. +358 1046 35299
FIN-04401 JÄRVENPÄÄ Fax +358 1046 35250
FINLAND
Neulakatu 4
FIN-04400 JÄRVENPÄÄ
FINLAND

Metsä Petöfi Folding Carton Ltd.**Metsä Petöfi Self-Adhesive Label Ltd.**

6000 Kecskemét Tel. +36 76 510 242
H-Külső-Szegedi út 6 Fax +36 76 320 503
HUNGARY

BOARD DIVISION

**Metsä-Serla Corporation
Packaging Group****Board Division**

PO Box 224 Tel. +358 1046 33999
FIN-33101 TAMPERE Fax +358 1046 33158
FINLAND Fax +358 1046 33790
Keskustori 5 A
FIN-33100 TAMPERE
FINLAND

Mills**Metsä-Serla Corporation
Packaging Group****Äänekoski Board Mill**

PO Box 400 Tel. +358 1046 43999
FIN-44101 ÄÄNEKOSKI Fax +358 1046 43444
FINLAND

Oy Metsä-Botnia Ab**Kemiart Liners (linerboard)**

See Oy Metsä-Botnia Ab

**Metsä-Serla Corporation
Packaging Group**

Kyro Board Mill Tel. +358 1046 34999
FIN-39200 KYRÖSKOSKI Fax +358 1046 34190
FINLAND

Metsä-Serla Corporation**Packaging Group****Lielähti CTMP Mill**

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

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

PO Box 57 Tel. +358 1046 46999
FIN-70101 KUOPIO Fax +358 1046 46212
FINLAND
Sorsasalo
70420 KUOPIO
FINLAND

Metsä-Serla Corporation**Packaging Group****Simpele Board Mill**

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

Metsä-Serla Corporation**Packaging Group****Tako Board Mill**

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

MERCHANTING GROUP

Forest House

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

Amsterdam office:**Forest House B.V.**

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

MERCHANTING

Management

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

As of 1st June, 2001:**Tolworth Tower**

Ewell Road
Surbiton
GB-SURREY KT6 7EL
UNITED KINGDOM

TRADING

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

5 Shenton Way Tel. +65 224 9788
35-02 UIC Building Fax +65 224 9718
SINGAPORE 068808

Price and Pierce Europe Limited

Tolworth Tower Tel. +44 208 390 3830
Ewell Road Fax +44 208 399 7967
Surbiton
GB-SURREY KT6 7EL
UNITED KINGDOM

As of 8th May, 2001:**The White House**

18 Church Street
Leatherhead
GB-SURREY
UNITED KINGDOM

Price and Pierce International Inc.

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

SHEETING SERVICES

Management

Winpac BV
Papierbaan 50
Surbiton
NL-9670 AG WINSCHOTEN
THE NETHERLANDS

SALES NETWORK

Forest Alliance Ltd.

PO Box 75652 Tel. +31 20 572 70 70
NL-1070 AR Fax +31 20 572 70 77
AMSTERDAM
THE NETHERLANDS
De Lairessestraat 180
NL-1075 HM AMSTERDAM
THE NETHERLANDS

METSÄ-TISSUE GROUP

Corporate office**Metsä-Tissue Corporation**

PO Box 25 Tel. +358 1046 16
FIN-02020 METSÄ Fax +358 1046 949 49
FINLAND
Revontulentie 8 C
FIN-02100 ESPOO
FINLAND

MILLS

Mänttä mill

PO Box 300 Tel. +358 1046 479 99
FIN-35801 MÄNTTÄ Fax +358 3 474 2957
FINLAND
Tehtaankatu 16
FIN-35800 MÄNTTÄ
FINLAND

Strepp Mill

Theo-Strepp-Strasse 2-6 Tel. +49 2422 560
D-52372 KREUZAU Fax +49 2422 4940
GERMANY

Hedwigsthal Mill

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

Stotzheim Mill

Adolf-Halstrick-Str. Tel. +49 2251 8120
D-53881 EUSKIRCHEN- Fax +49 2251 812 209
STOTZHEIM
GERMANY

Warsaw Mill

ul. Mirkowska 45 Tel. +48 22 754 8000
PL-05-520 Fax +48 22 754 2800
KONSTANCIN-JEZIORNA
POLAND

Tissu Canarias S.A.

C/. Josefina Mayor, 5 Tel. +34 928 700 200
Polígono Industrial Fax +34 928 700 077
El Goro
35.219 Telde
LAS PALMAS DE GRAN CANARIA
SPAIN

Katrinefors mill

Hölländaregatan 4 Tel. +46 501 640 00
S-542 88 MARIESTAD Fax +46 501 103 10
SWEDEN

Pauliström mill

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

Nyboholm mill

S-570 16 KVILLSFORS Tel. +46 383 734 100
SWEDEN Fax +46 383 461 146

PULP GROUP – OY METSÄ-BOTNIA AB

Management and Marketing**Oy Metsä-Botnia Ab**

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

**Metsä-Serla Oyj / M-real
Annual Report 2000**

Graphic Design: Wolff Olins, London

Production: Viherjuuren Ilme Oy and
Viherjuuren Viestintätoimisto Oy, Helsinki

Photographs: Wolff Olins and Jarmo Mustonen

Printing: Sävypaino, Espoo

Paper: Metsä-Serla/M-real

Cover: Galerie Art Silk 300 g/m²

Inside pages: Galerie Art Silk 130 g/m²

m·real

