

UPM-KYMMENE

ANNUAL REPORT 2000



UPM-KYMMENE

ANNUAL REPORT 2000



Information for shareholders

Annual General Meeting

UPM-Kymmene Corporation will hold its Annual General Meeting on Thursday, 22 March 2001 beginning at 1.30 pm at Finlandia Hall, Congress Wing, address Mannerheimintie 13 e, 00100 Helsinki.

Instructions for participation will be given in the summons to the meeting and can also be found on the company's Internet page at <http://www.upm-kymmene.com>.

Dividend

The Board of Directors has decided to propose to the Annual General Meeting that a dividend of EUR 1.50 per share be paid in respect of the 2000 financial year. The record date for dividend payment is 27 March 2001, and the payment date is 3 April 2001.

Stock exchange listings

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

Helsinki Exchanges
Trading code: UPM1V

New York Stock Exchange
Trading code: UPM

UPM-Kymmene
Investor Relations

Tel. int. +358 204 15 0033, fax +358 204 15 0303

E-mail: ir@upm-kymmene.com

IR phone in the USA 877 487 2349 (toll-free)

Financial information in 2001

During 2001, UPM-Kymmene will publish the following financial information in Finnish, Swedish, English, German and French:

6 February	Financial Review 2000
24 April	Interim Review for January – March
2 August	Interim Review for January – June
25 October	Interim Review for January – September

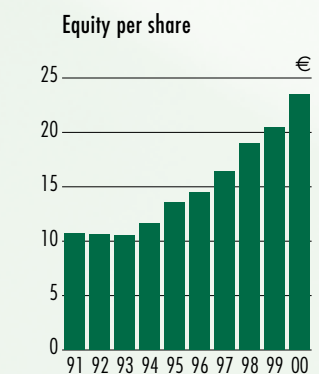
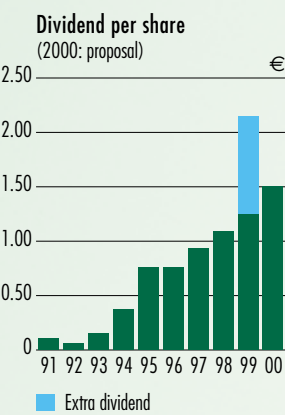
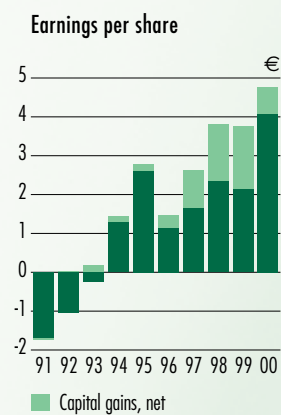
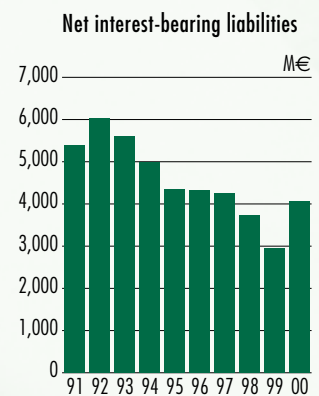
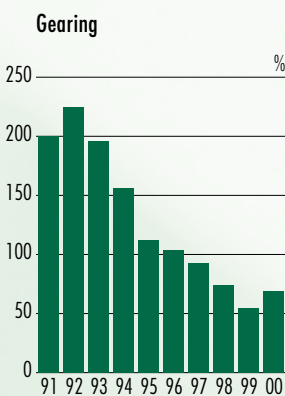
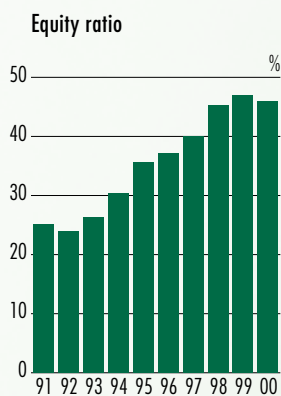
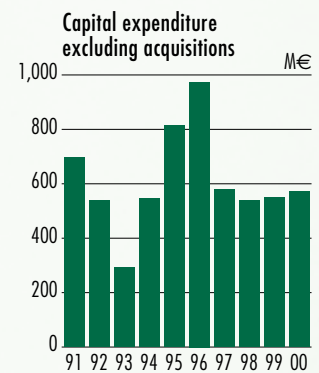
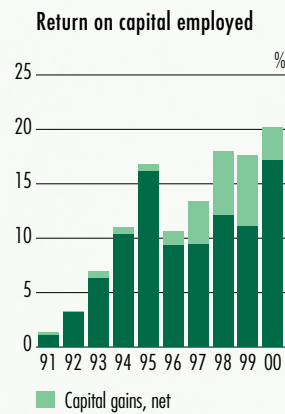
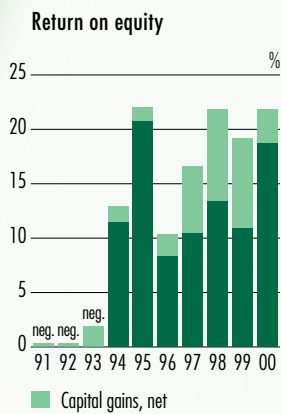
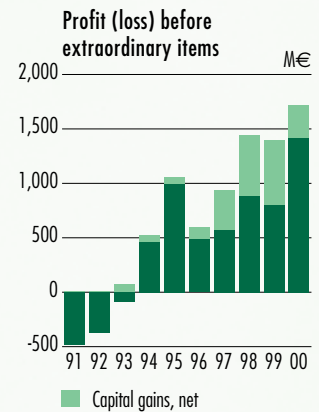
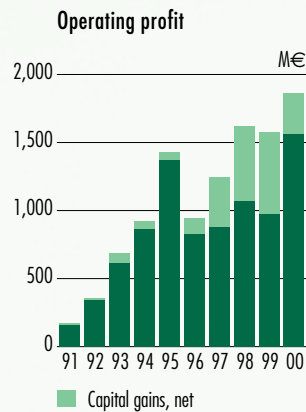
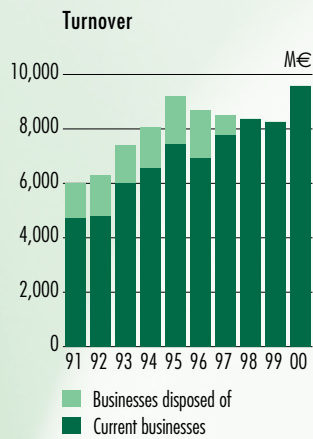
These publications can be ordered from UPM-Kymmene's Head Office, address P.O. Box 380, 00101 Helsinki, Finland, tel. int. +358 204 15 0022, Corporate Communications, or fax +358 204 15 110.

Bulletins can also be found on UPM-Kymmene's Internet pages, address <http://www.upm-kymmene.com>.

Contents

Key financial information 1991–2000	2
The year in brief	3
Review by the President	4
Strong player in the forest industry	6
Business on a global scale	8
Clear goals	10
Business operations	
Printing Papers	12
Converting Materials	18
Wood Products	20
Resources	22
Environment	26
Personnel	28
Investment	30
Development projects	31
Events in 2000	32
Accounts for 2000	
Report of the Board of Directors	34
Board's proposal for the distribution of profits	37
Consolidated accounts	
Profit and loss account	38
Balance sheet	39
Cash flow statement	40
Notes to the consolidated accounts	42
Parent company accounts	
Profit and loss account	54
Funds statement	54
Balance sheet	55
Notes to the parent company accounts	56
Calculation of key indicators	65
Quarterly figures 1999–2000	66
Key figures 1991–2000	67
Information on shares	68
Report of the Auditors	72
Corporate governance, Board of Directors and Auditors	73
Executive Board	76
Production plants and sales network	78
Addresses	80

Key financial information 1991–2000



The year in brief

	2000	1999	1998
Turnover, EUR million	9,583	8,261	8,365
Operating profit, EUR million	1,860	1,573	1,620
Profit before extraordinary items, EUR million	1,717	1,398	1,437
Earnings per share, EUR	4.77	3.77	3.82
Cash flow from operations per share, EUR	6.38	4.79	3.92
Dividend per share (2000: Board's proposal)	1.50	2.15*	1.09
Return on equity, %	21.9	19.2	21.8
Return on capital employed, %	20.2	17.6	18.0
Equity to assets ratio at end of period, %	46.0	47.0	45.3
Gearing ratio at end of period, %	69	55	74
Shareholders' equity per share at end of period, EUR	23.45	20.46	18.96
Capital expenditure and acquisitions, EUR million	2,175	609	696

* Includes an extra dividend of EUR 0.90.

Formulae for calculation of indicators are shown on page 65.

- ▶ Profit for 2000 was a new record.
- ▶ Growth continued through acquisitions in North America and China.
- ▶ Disposal of non-core businesses continued.
- ▶ Total of EUR 557 million paid in dividends.
- ▶ Own shares bought back over past three years at a cost of EUR 867 million, 10.9% of total shares.



* For Resources, operating profit derives mainly from internal sales of market pulp

Review by the President



Paper was in good demand during 2000, although towards the year-end a shortage of orders necessitated some downtime, particularly in coated fine paper production. The good demand was reflected in the pulp market as declining stocks and rising prices.

Demand for magazine papers, the company's main product, grew substantially, and demand for newsprint also continued to rise. Demand for fine paper showed a clear decline during the final quarter. In Europe, coated magazine paper prices showed modest rises, whereas prices for uncoated magazine paper and newsprint remained the same as they had been for a couple of years. Fine paper prices rose up until the autumn.

Converting materials were in better demand than the year before, but higher raw material prices could not be incorporated in full to end product prices. Plywood was in good demand all year. Demand for sawn timber was brisk on European markets. Sales prices rose during the first half of the year but began to fall towards the year-end.

Business concepts based on customer focus were further developed, and the management and efficiency of the entire delivery chain were improved. As before, we worked smoothly with all our customers, for which I express my gratitude to all concerned.

UPM-Kymmene's financial result for

2000 was the best in the company's history, and well ahead of the long-term financial targets. This was achieved despite the fact that prices in euros for magazine paper and newsprint were only about average.

Earnings per share, including net capital gains, were EUR 4.77, compared with EUR 3.77 in 1999. Excluding net capital gains, the figure was EUR 4.08, almost double that for the year before. Return on equity was 21.9% including net capital gains, and 18.7% excluding net capital gains. Return on capital employed, for which we have set ourselves a target of 15% over the business cycle, was 20.2% with net capital gains included and 17.1% without net capital gains.

During 2000, UPM-Kymmene paid out a record EUR 557 million in dividends. Including an extra dividend of EUR 0.90, this represents altogether EUR 2.15 per share. The Board of Directors' proposal for a dividend of EUR 1.50 per share for the 2000 financial year offers a very competitive dividend return for investors in relation to the market as a whole.

During 2000, the company bought back 9.3 million of its own shares with a total value of around EUR 279 million. More shares have been bought back this year. Despite the substantial dividend payments, share buy-backs and company acquisitions and investments designed to boost growth, the company's balance sheet

has remained strong. The equity ratio at the end of 2000 was 46%, and gearing 69%, which is well below the maximum set at 100%.

In relative terms, the company's share performance was strong during the year. Although the share price at the end of the year was below that a year earlier, the share still outperformed the forest industry index (without UPM-Kymmene) on the Helsinki Exchanges. The same applies in comparison to forest industry indexes on other stock exchanges.

The biggest single project of the year was the proposed merger with Champion International. The aim was to become a major player in the US forest industry in a single step through a share swap.

The intervention of a third party made this impossible, however, and the whole project had to be reconsidered. In the end, UPM-Kymmene decided to withdraw because the price to be paid for the company in question would not have been in the interests of UPM-Kymmene's shareholders.

To strengthen its position in magazine papers, its most important product, the company placed an offer for the Canadian company Repap Enterprises Inc. As a result, the Miramichi mill was quickly acquired and incorporated into the company. Following the acquisition, UPM-Kymmene now has a very strong position in the North American magazine papers market.

Business in North America was further expanded in the converting materials sector. The self-adhesive labelstock manufacturer Raflatrac began work on building a new plant in the United States. The siliconized release papers manufacturer Lohja increased its exports, and at the end of the year decided to acquire the siliconizing business of Rexam PLC.

In China, UPM-Kymmene had already acquired a 49% interest in a fine paper mill at Changshu near Shanghai. Following a transaction with the majority shareholder in the summer, UPM-Kymmene now has 100% ownership of the mill. The mill has an excellent location by the Yangtze river, and the large site is well supplied with infrastructure, including a shipping terminal. The growth prospects for this modern, high-capacity mill are good in view of the potential afforded by China and neighbouring markets.

Turning to the wood products business, the distribution network was greatly expanded, notably in Britain and Denmark. In Finland, a wide-ranging investment programme was launched to improve competitiveness.

The company's progress and the results achieved during the past year are thanks to the Group's employees, who have worked unstintingly in pursuit of greater efficiency and to reach the targets set.

Our aim is a corporate culture in which

the company and its employees share the same goals. We believe that a culture of this kind will encourage everyone to enjoy their work and at the same time secure the company's future financial success. We want to give everyone the opportunity to do their best and to use their knowledge and skills in pursuit of common goals.

Further progress was made in the management of environmental affairs during the year, and almost all UPM-Kymmene's main production plants as well as the forestry department now employ systems that comply with the international standard ISO 14001.

The company is investing strongly in stepping up the use of renewable energy sources such as forest chips, and projects to build power plants fired with biofuels are currently under way. As part of its energy strategy, UPM-Kymmene seeks to secure competitive energy supplies at stable prices, to make more efficient use of energy, and to step up the use of energy sources that do not contribute to the greenhouse effect.

Progress in forest certification was made in several countries. Finland's certification system, which is both demanding and reliable, received recognition under the pan-European scheme. At the end of the year, around 95% of Finland's forests, including all UPM-Kymmene's forests, had been certified. Thanks to this, the company

was the first to start deliveries to various markets of products bearing an environmental label.

The forest industry has undergone substantial consolidation in recent years and the trend looks set to continue. UPM-Kymmene's target is to grow on the market and to be one of the leading players in the industry.

Demand for the company's products is expected to remain fairly steady this year, although capacity utilization rates in the early part of the year are likely to be down on last year due to a slackening in demand for fine paper and to market conditions for magazine paper in North America.

Newsprint and magazine paper prices were raised on European markets at the turn of the year just ended. On the other hand, production costs are expected to rise due, in particular, to the indirect impact of oil prices on the company's freight and chemical costs. The prospects at present are for a fairly satisfactory year in 2001.





Strong player in the forest industry

UPM-Kymmene is one of the world's biggest papermakers and the largest producer of magazine papers. Turnover in 2000 was EUR 9.6 billion. The company's market capitalization at the end of 2000 was EUR 9.5 billion.

UPM-Kymmene is one of the most profitable companies in the forest industry.

Major force in all its business areas:



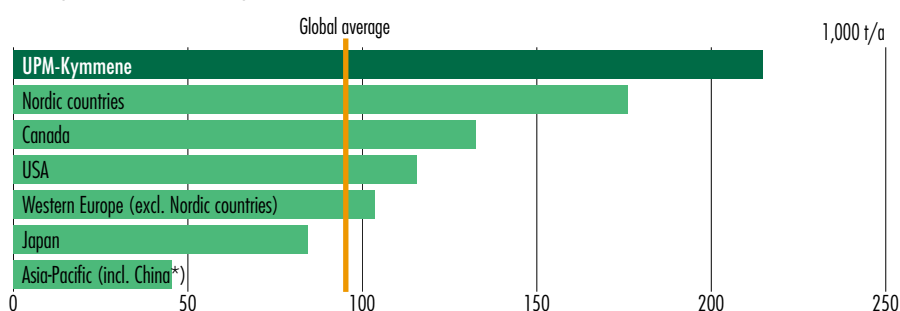
Printing Papers

UPM-Kymmene is the world's biggest producer of magazine paper, for which it has a capacity of 4.6 million t/a. This represents roughly 20% of global magazine paper capacity.

The company is also among Europe's biggest manufacturers of newsprint and fine papers, with market shares of 17% and 14%, respectively. UPM-Kymmene's printing paper machines rank among the best in the world in terms of size and competitiveness.

Printing Papers	Capacity (1,000 t/a)	European position	Global position
Magazine paper	4,570	1	1
Newsprint	1,780	3	5
Fine paper	2,430	3	6
Total	8,780	2	4

Average capacities of printing paper machines



* China excl. paper machines under 3 m wide

Source: Jaakko Pöyry



Converting Materials

UPM-Kymmene is the world's biggest manufacturer of label papers and siliconized papers. The company converts its label papers into self-adhesive labelstock, of which it is the leading supplier in Europe and number two in the world. UPM-Kymmene also enjoys strong positions in other special papers and converted products.

Converting Materials	European position	Global position
Label papers	1	1
Self-adhesive labelstock (Raflatac)	1	2
Envelope papers	1	
Industrial wrappings (Walki Wisa)	1	1
Siliconized papers (Lohja)	1	1

Production capacity for special papers totals 870,000 t/a.



Wood Products

UPM-Kymmene is Europe's third largest supplier of sawn timber. UPM-Kymmene is the largest plywood producer in Europe in terms of production capacity, and one of the world's leading producers of high-quality plywoods.

Wood Products	Capacity (1,000 m ³)	European position
Sawn timber	2,390	3
Plywood	850	1



Business on a global scale

UPM-Kymmene has production plants in 14 countries, including Finland, Germany, Great Britain, France, the United States, Canada and China. Its paper manufacturing capacity totals 9.7 million t/a. The company also has its own global sales network. The number of people employed by the UPM-Kymmene Group is roughly 33,000.

Sales to the Group's most important markets – the EU and the United States – contribute over 80% of total turnover.

Printing Papers

UPM-Kymmene's magazine paper is used to produce magazines, newspaper supplements, printed advertising material and sales catalogues. Most of this magazine paper is supplied to buyers in Western Europe. The next most important market is the United States.

The company manufactures newsprint for publishers and printers, and for other uses such as telephone directories and mail order catalogues. Almost all newsprint is sold on the Western European market.

UPM-Kymmene's fine paper is supplied mainly to paper merchants, office supplies wholesalers, printers and converters. Uses for fine paper include copy-

ing and non-impact printing, direct mail advertising and specialist magazines. The main markets for UPM-Kymmene's fine paper are in Western Europe and Asia.

Converting Materials

The main focus of UPM-Kymmene's Converting Materials operations is on label papers and self-adhesive labelstock for manufacturers of price, product and ADP labels. The company's packaging papers are used for products such as wrappings for the forest and steel industries. UPM-Kymmene is a major supplier of composite materials for the packaging industry and for technical purposes. Also manufactured are envelope papers for converters and siliconized papers for hygiene products and self-adhesive labels. The sales network for the division's products covers the whole of the industrialized world, with Western Europe the main market.

Wood Products

The Wood Products division focuses on the production and distribution of sawn timber and plywood for a variety of purposes. Special plywoods are supplied to the building industry and transport vehicle manufacturers. The division's products are sold

principally in Western Europe. The division also includes chains of builders' merchants specializing in wood-based materials in Finland, Denmark, Ireland and Great Britain.

Resources

The company's most important resources are forest, chemical pulp and energy. The company is largely self-sufficient in both chemical pulp and electrical power.

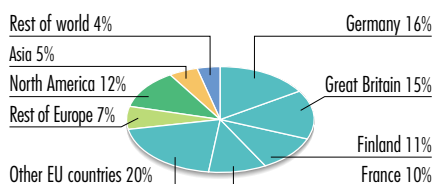
UPM-Kymmene is the largest private forest owner in Finland. It owns 930,000 hectares of forest in Finland, 77,000 hectares in the United States and 3,000 hectares in Great Britain. Acquisition of the Miramichi mill has given UPM-Kymmene the right to use 690,000 hectares of forest in Canada.

Towards sustainable development

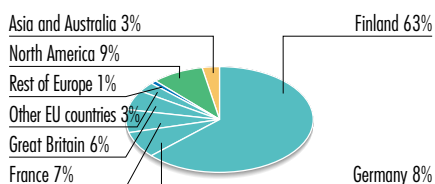
In all its business operations, UPM-Kymmene takes its social, ecological and economic responsibilities seriously, and complies with the principles of sustainable development. The company expects the same sense of responsibility from its employees and business partners.

Environmental protection is an integral part of everyday activities. The aim is a

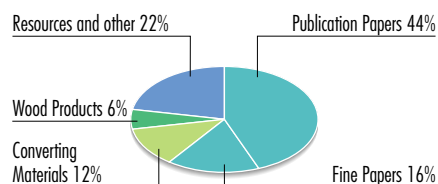
Turnover by market, 2000
9,583 M€



Personnel by area, 31.12.2000
32,755



Capital employed by division, 31.12.2000
10,448 M€





continuous reduction in the loadings attributable to products over their lifetimes.

As the company expands and becomes more international, social responsibility is becoming increasingly important. The company has issued a separate guide outlining its business ethics.

Human resources

The cornerstones of UPM-Kymmene's personnel policy are target setting, continuous development of employee knowledge and skills, and maintaining a high level of motivation. Training is provided for employees, and there are incentive schemes based on individual performance, productivity and financial results. In UPM-Kymmene's corporate culture the individual is respected and creativity encouraged.

Broadly-based ownership

At the end of 2000, UPM-Kymmene had 61,664 registered shareholders. The number of shareholders increased by 9,500 during the year. Non-Finnish nationals held around 55% of the company's shares. UPM-Kymmene Corporation shares are quoted on the stock exchanges in Helsinki (UPM1V) and New York (NYSE: UPM).

THE COMPANY'S STRENGTHS

Global activities

UPM-Kymmene has production plants in 14 countries, the most important being in Finland, France, Germany, Great Britain, the United States, Canada and China. The company also has a sales network covering the whole world.

Long-term customer relations

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

Skilled personnel

UPM-Kymmene's most significant advantage over its competitors is the high technical expertise of its employees.

Modern machines

The company's mills employ the latest technology and are among the most competitive in the world.

Strong business focus and market shares

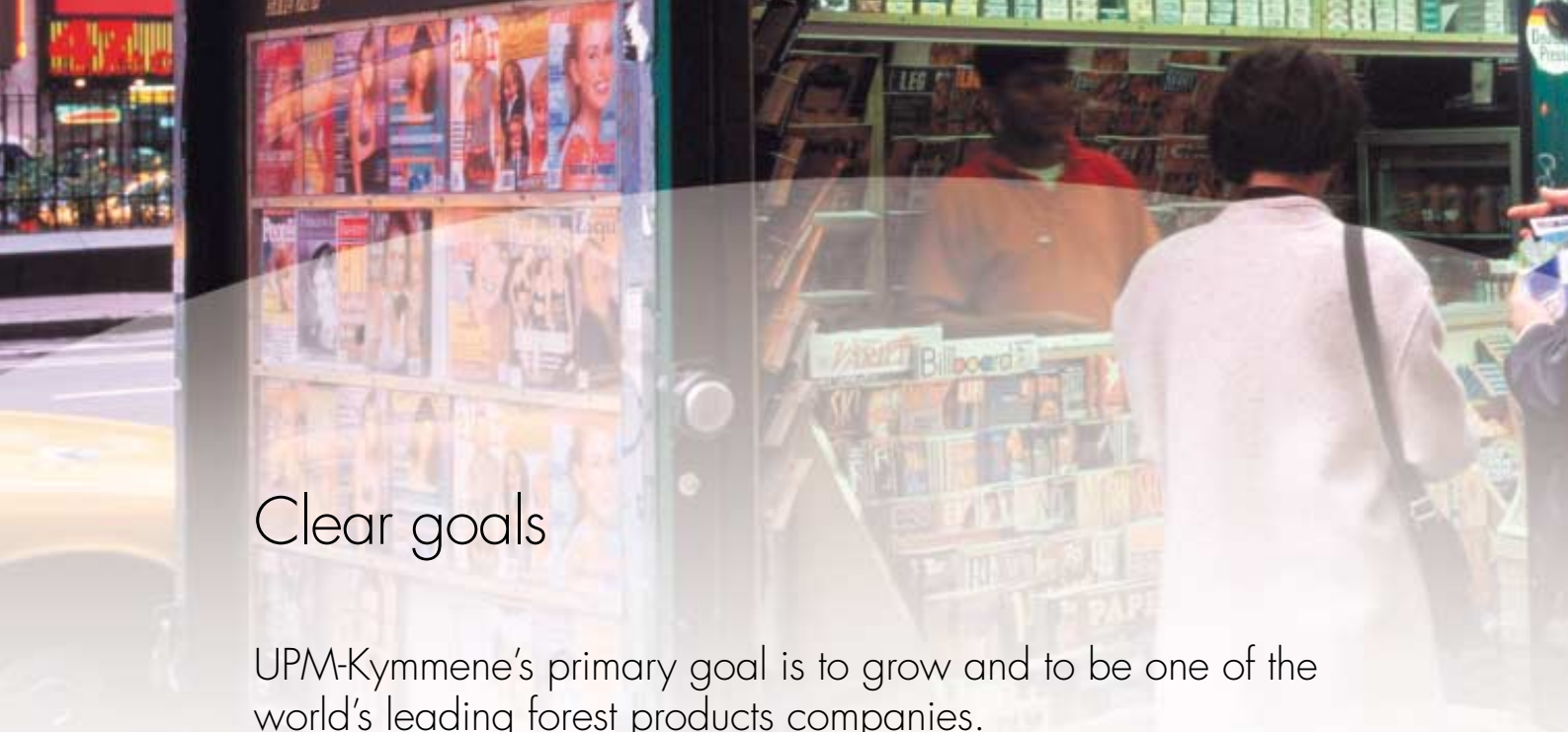
UPM-Kymmene has focused its activities by investing in its core businesses and by divesting non-core assets and activities. In all its main products, the Group is among the leading manufacturers in the most important markets.

Strong vertical integration

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

The company is largely self-sufficient in chemical pulp and electrical power, and the company's forests provide about 9% of the necessary raw material. In producing pulp, paper and wood products, the company makes proper and efficient use of its raw material.

UPM-Kymmene's converting business is based to a large extent on raw material supplied by its own paper mills as well as in-house expertise.



Clear goals

UPM-Kymmene's primary goal is to grow and to be one of the world's leading forest products companies.

The company seeks to achieve preferred supplier status with its customers, to offer its employees rewarding work, and to increase its shareholder value.

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

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

UPM-Kymmene seeks to provide its employees with rewarding work that encourages enterprise and the desire for self-improvement.

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

The company seeks to meet its financial goals in a socially and ecologically sustainable way.

Financial objectives

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

The long-term goal is to achieve a return on equity greater than that for risk-free investments, e.g. at least five percentage points above the yield of the Finnish government's 10-year euro-denominated bonds. At the end of 2000, the minimum target for return on equity, as defined above, was 10.5%.

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

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

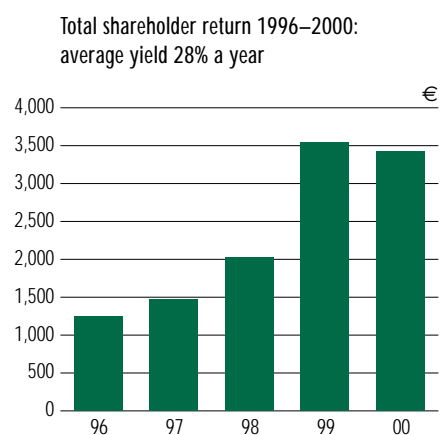
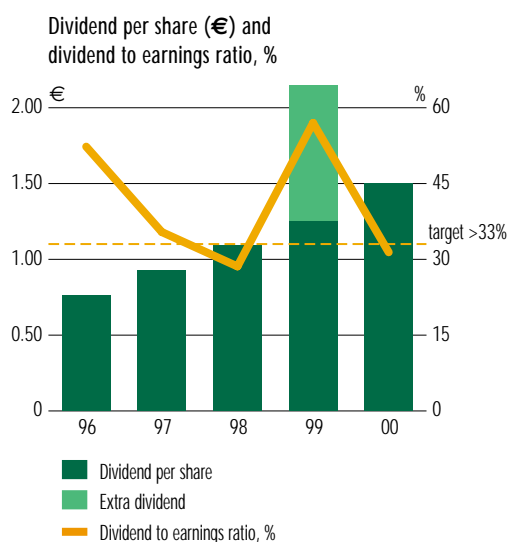
Dividend policy

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

Meeting financial targets

		2000	1999	1998	1997	1996
Return on equity, %	Min. target	10.5	9.7	9.8	11.0	12.1
Return on equity, %	Achieved	21.9	19.2	21.8	16.6	10.4
excluding capital gains	Achieved	18.7	10.9	13.4	10.4	8.3
	Target	Achieved				
Equity to assets ratio, %	>40	46.0	47.0	45.3	40.1	37.2
Gearing ratio, %	<100	69	55	74	93	104
Dividend per share, EUR	Growing	1.50	2.15*	1.09	0.93	0.76
Dividend to earnings ratio, %	>33	31.4	57.0	28.6	35.4	52.3

* Includes an extra dividend of EUR 0.90.



Value of a EUR 1000 investment, made in January 1996, at the end of each year assuming dividends received have been reinvested in the company's shares.

Printing Papers

UPM-Kymmene Printing Papers strengthened its position by acquiring a magazine paper mill in Canada and a fine paper mill in China.

UPM-Kymmene Printing Papers Key figures by division

M€	2000	1999	1998
Publication papers			
Turnover	4,132	3,440	3,561
Operating profit *	560	490	584
Capital employed	3,960	3,672	3,700
ROCE, %	14.1	13.3	15.8
Capital expenditure and acquisitions	1,288	289	278
Personnel at 31.12	10,277	8,750	8,736
Production, 1,000 t	5,540	5,103	5,268
Capacity utilization rate, %	95	91	95
Fine papers			
Turnover	1,617	1,219	1,218
Operating profit *	201	101	123
Capital employed	1,359	1,086	1,072
ROCE, %	14.8	9.3	11.5
Capital expenditure and acquisitions	620	76	38
Personnel at 31.12	4,199	3,521	3,771
Production, 1,000 t	1,911	1,626	1,558
MG paper, 1,000 t	20	20	20
Capacity utilization rate, %	95	89	89

* Operating profit for 2000 includes non-recurrent charges of EUR 30 million for the Publication Papers division and EUR 14 million for the Fine Papers division.

Profitability

The Printing Papers business was more profitable than the year before. The main reasons were high capacity utilization rates at the mills and the savings made through more efficient production. Moreover, fine paper prices increased clearly.

The turnover for Publication Papers division was 20% up on the year before. The capacity utilization rate was 95% (91).

The Fine Papers division also recorded a higher turnover. The capacity utilization rate was 95% (89).

The market

In Western Europe, the volume of printed advertising grew by 9% during 2000. Printed material has kept its established position as a medium for advertising.

Demand for paper was brisk during the year. The strike by Finnish paperworkers in April disrupted deliveries to customers.

Demand for coated magazine paper rose by 10% in Western Europe and by 5% in the United States. Growth in demand for

uncoated magazine paper was strong both in Western Europe (9%) and in the United States (13%).

In Europe, magazine paper prices were marginally higher than the year before, price rises coming in the second half of the year. In the United States, prices were 11% higher than the 1999 average for coated grades and 2% higher for uncoated grades.

Demand for newsprint rose by 5% in Western Europe and remained unchanged in the United States.

Special newsprint for use in newspaper supplements, books and directories was also in good demand throughout the year.

In the newsprint business, long-term delivery contracts are the norm, which explains why prices remained steady during the year.

Demand for fine paper was especially brisk during the first half of the year. The market for coated fine paper weakened considerably towards the end of the year, when demand for uncoated fine paper also slackened. Despite this, demand for coated



fine paper was 3% higher than the year before in Western Europe, and demand for uncoated fine paper was 2% higher.

Fine paper prices rose during 2000 in both Western Europe and the United States. In Western Europe, prices for uncoated grades rose by an average of 14% and those for coated grades by 15%. In Asia, prices fell due to local over-supply.

Capital expenditure and restructuring
In August, a share purchase agreement was signed with APRIL (Asia Pacific International Holdings Ltd.) giving UPM-Kymmene full ownership of Changshu fine paper mill in China. The mill's paper machine, which started up in March 1999, has a capacity of 350,000 t/a of uncoated fine paper. Around 80% of production is sheeted. The 188 hectare site also has its own shipping terminal for convenient handling of incoming raw materials and outgoing products. The mill's energy is supplied by its own coal-fired power plant.



UPM-Kymmene Printing Papers Turnover by market 2000

M€	Publication Papers	%	Fine Papers	%
Finland	136	3	49	3
Other EU countries	2,394	58	1,243	77
Other European countries	257	6	153	10
North America	941	23	4	–
Rest of world	404	10	168	10
	4,132	100	1,617	100

Global demand for printing papers 2000

mill. t/a	Newsprint and magazine papers	Fine papers
Western Europe	19.4	17.8
North America	21.2	20.4
Rest of world	19.0	30.7
Total	59.6	68.9

kg per capita/a	Newsprint and magazine papers	Fine papers
Western Europe	49.7	45.6
North America	70.0	67.3
Rest of world	3.6	5.8
Total	9.9	11.5



At the end of August, UPM-Kymmene made an offer to buy the Canadian magazine paper manufacturer Repap Enterprises Inc. The deal was approved by a meeting of Repap shareholders on 16 October, since which date the company's mill has operated under the name UPM-Kymmene Miramichi as part of UPM-Kymmene's Publication Papers division. Production is integrated, comprising a paper mill, ground-wood mill, chemical pulp mill and two sawmills. The paper mill has two modern machines, total capacity 450,000 t/a of LWC paper. The groundwood mill has an output of 125,000 t/a, while the chemical pulp mill has a capacity of 235,000 t/a of bleached softwood pulp. Capacity for sawn

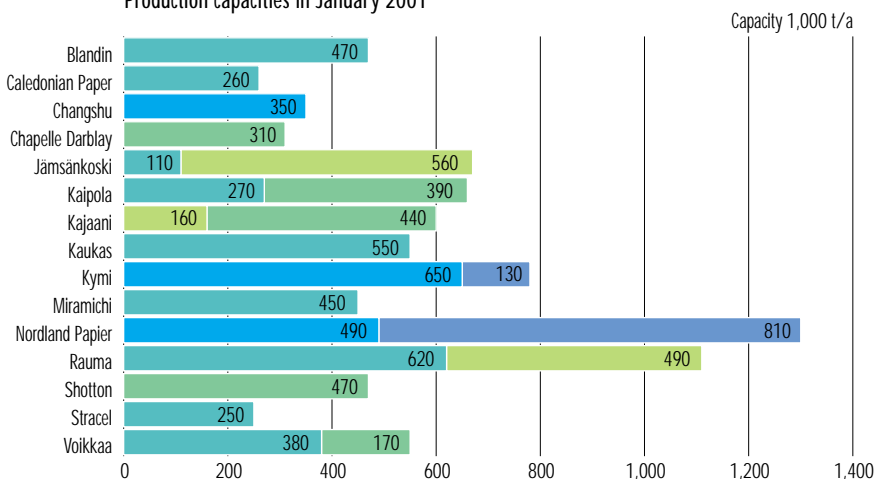
timber production is 130,000 cubic metres a year.

Rebuild of PM 1 at the Stracel mill in France was completed in January 2000. The machine is now producing UPM Pro, a new type of coated paper designed specially for multi-colour print jobs on newspaper presses.

Work on rebuilding Kaukas PM 1, which produces double-coated high-brightness grades (MWC), was completed in January 2001. The machine produces UPM Star for high-quality magazines.

The rebuild of Kymi's PM 8 involves a changeover from uncoated fine paper to coated grades. The rebuild will be completed during autumn 2001.

UPM-Kymmene Printing Papers
Production capacities in January 2001

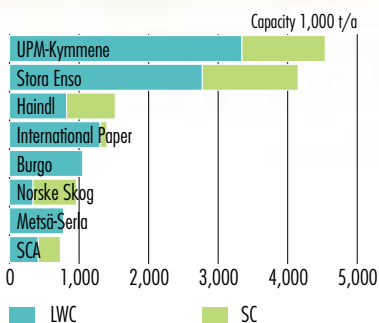


Production capacities, total

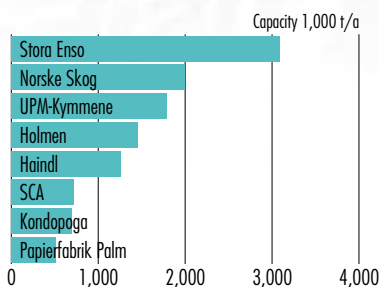
Paper grade (no. of paper machines)	1,000 t/a
LWC paper (16)	3,360
SC paper (5)	1,210
Newsprint (10)	1,780
Uncoated fine paper (8)	1,490
Coated fine paper	940
Total no. of paper machines 39	8,780



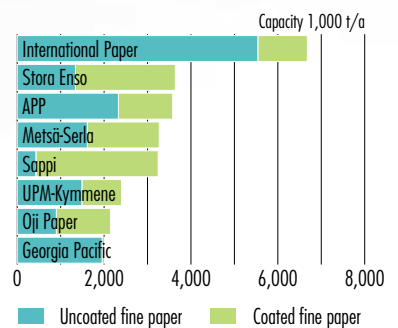
World's biggest magazine paper manufacturers



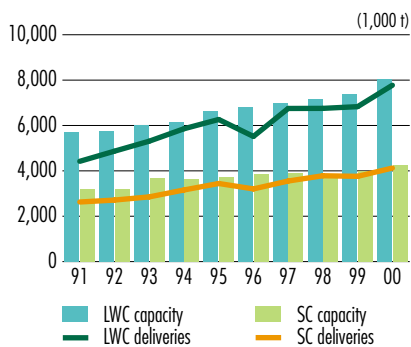
Europe's biggest newsprint manufacturers



World's biggest fine paper manufacturers

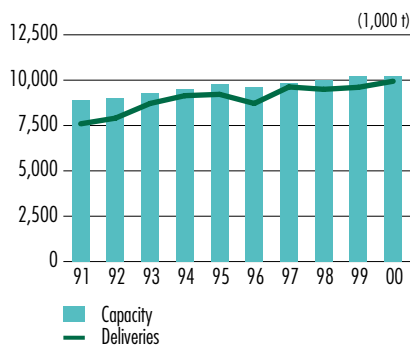


Magazine paper production capacities in Western Europe and total deliveries



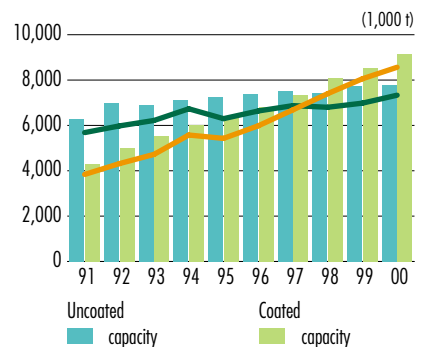
Source: CEPI/PRINT

Newsprint production capacities in Western Europe and total deliveries



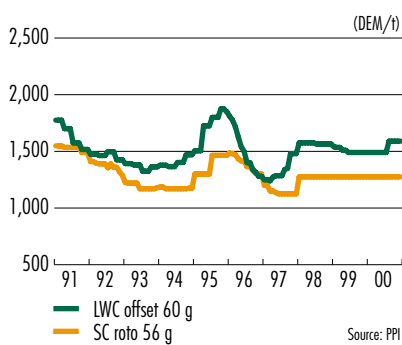
Source: CEPI/PRINT

Fine paper production capacities in Western Europe and total deliveries



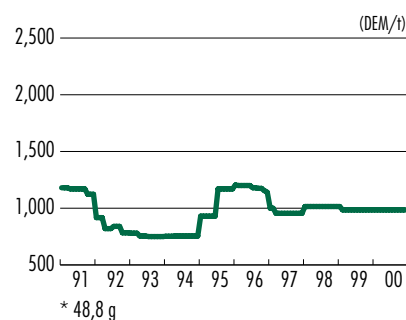
Source: CEPI/FINE and UPM-Kymmene

Magazine paper prices in Germany



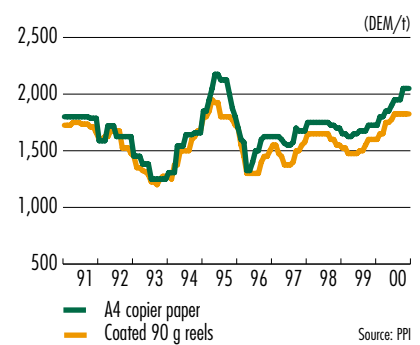
Source: PPI

Newsprint * prices in Germany



Source: PPI

Fine paper prices in Germany



Source: PPI

Global customer segments and product groups

UPM-Kymmene seeks to acquire an in-depth understanding of its customers' needs and business operations and to provide customers with tailor-made services. Overall responsibility for the printing papers business is carried by global customer segments:

- Magazine publishers
- Mail order companies and retailers
- Printers
- Newspaper publishers
- Specialist publishers
- Merchants

Local customer segments and teams are responsible for developing services for individual customers and for actual contacts with customers.

The system caters for the special requirements of both local and multinational

customers. Production and product development can respond swiftly to changes in the market and in demand.

Product groups are responsible for the efficiency and productivity of the production units. They are also responsible for the development of new technology and production processes in line with changes in markets and customers' requirements.

A lot of work was devoted to new information systems, the aim being to develop customer-specific solutions to help customers choose their paper and to improve management of ordering, delivery and stock routines.

At the printing and paper industry fair at Düsseldorf, UPM-Kymmene exhibited its new transport system for large printing paper reels. The system allows reels up to 365 cm in width to be carried in the vertical position, thus reducing handling during transport.





UPM-Kymmene Printing Papers

Coated magazine papers (LWC, MWC and MFC)

Coated magazine paper for magazines, catalogues, brochures, direct mail advertising and other advertising material

Uncoated magazine papers (SC and MFS)

Uncoated grades for magazines, newspaper supplements and Sunday editions, catalogues and printed advertising

Newsprint (news)

Paper for newspapers, printed advertising and telephone directories

Fine papers (WFU and WFC)

Uncoated fine papers for writing, copying, non-impact printing, continuous stationery, envelopes, direct mail advertising, books and other printed products

Coated fine papers for high-quality 4-colour printing jobs such as art books, advertising publications, annual reports, direct mail advertising and magazines

LWC	<i>light-weight coated paper</i>
MWC	<i>medium-weight coated paper</i>
MFC	<i>machine-finished coated paper</i>
SC	<i>supercalendered paper</i>
MFS	<i>machine-finished uncoated speciality paper</i>
news	<i>newsprint</i>
WFU	<i>uncoated woodfree paper</i>
WFC	<i>coated woodfree paper</i>

Converting Materials

UPM-Kymmene is a major producer of label and packaging materials and envelope papers. In several product segments it is the leading producer in Europe and a major force globally.

UPM Converting

M€	2000	1999	1998
Turnover	1,940	1,734	1,685
Operating profit	132	129	85
Capital employed	1,280	1,173	1,156
ROCE, %	10.3	11.0	7.3
Capital expenditure and acquisitions	105	134	159
Personnel at 31.12	6,409	7,477	7,902
Paper production, 1,000 t	814	745	653

UPM Converting Turnover by business unit

M€	2000	1999	1998
Label papers	313	248	210
Packaging papers	190	163	137
Envelope papers	172	140	131
Converting units	1,431	1,317	1,332
Others + internal sales	-166	-134	-125
	1,940	1,734	1,685

UPM Converting Turnover by market

2000	M€	%
Finland	126	7
Other EU countries	1,225	63
Other European countries	199	10
North America	251	13
Rest of world	139	7
	1,940	100

Turnover for the Converting Materials division in its present form was up 18% on the previous year. Demand for the division's products was extremely good during the first half of the year but returned to normal after the summer.

Despite improvements in the market and greater efficiency in production, operating profit improved only slightly, largely due to the rise in raw material costs.

UPM Converting continued to focus on its core businesses by divesting non-core operations and clarifying its structure. The paper sack manufacturer Walki Sack and Rosenlew's carrier bags and PE films businesses were sold during the year. The businesses sold have an annual turnover of EUR 170 million and employ 1,300 persons.

A New Ventures group was set up to promote the utilization of innovations and seek new business opportunities.

SPECIAL PAPERS

Label Papers

Production of label papers increased and the unit strengthened its position on the world market. Market leadership in release papers is expected to be further strengthened once Tervasaari's PM 5 changes over to production of release paper in 2001.

Packaging Papers

Production of packaging papers reached record levels. Good demand meant that Wisapaper's PM 1 and Tervasaari's PM 6, both of which have recently been rebuilt, could be run at full capacity. Both machines are now more cost effective.

Envelope Papers

Thanks to strong demand the unit achieved record production and sales. However, the rise in raw material costs affected financial results, notably for white envelope papers, despite several price rises during the year.

CONVERTING UNITS

Raflatac

Raflatac continued its global expansion by acquiring a South African producer of self-adhesive labelstock and increasing its interest in a plant in Australia from 50 to 100%. It was also decided to build a new plant in the United States for start-up in summer 2001.

The Raflatac subsidiary Rafsec continued its development of smart labels based on radio-frequency technology. Production of Rafsec's identification labels continued and the first pilot projects were launched.



Lohja

Lohja improved its global market position by increasing its sales, particularly to North America. The launch of on-line siliconized papers produced on Lohja's PM 1 went ahead as planned.

In December, Lohja signed an agreement to buy the siliconizing business of Rexam PLC. The purchase concerns three production plants in the United States and one in the Netherlands. In 1999 the plants had a turnover of USD 180 million and employed 640 people.

Walki Wisa

Walki Wisa produced another good financial result. Good demand, particularly during the first half of the year, coupled with improved production efficiency, helped to offset the effects of higher raw material costs.

Walki Films

Walki Films' position as Europe's leading manufacturer of vacuum and modified atmosphere plastic films was strengthened with the start-up in June of the new production line at Valkeakoski. Sales volumes were up 16%. High raw material costs adversely affected financial results

**UPM Converting
Units and main products**

LABEL PAPERS

- Tervasaari Face paper for self-adhesives (PM 5: capacity 60,000 t/a)
Release paper (PM 8: 130,000 t/a)
- Jämsänkoski Face paper for self-adhesives (PM 3: 110,000 t/a)

PACKAGING PAPERS

- Wisapaper White and brown kraft papers (PM 1: 165,000 t/a)
- Tervasaari Brown sack and kraft papers (PM 6: 115,000 t/a)

Kymi Paper, part of the Fine Papers division, also produces white kraft paper (20,000 t/a)

ENVELOPE PAPERS

- Tervasaari Tinted envelope papers (PM 7: 90,000 t/a)
- Docelles White envelope paper (PM 1: 115,000 t/a)

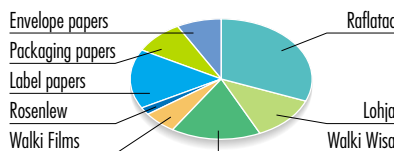
Kymi Paper, part of the Fine Papers division, also produces white envelope paper (about 50,000 t/a)

CONVERTING UNITS

- Rafitac Self-adhesive labelstock for manufacturers of price, product and ADP labels
- Lohja Siliconized release materials for hygiene products, labels and industrial applications
- Walki Wisa Wrappings for the paper, steel and mechanical wood-processing industries
Composite materials for the packaging industry and technical purposes
- Walki Films Vacuum and modified atmosphere plastic films for the food industry
- Rosenlew Intermediate bulk containers



**UPM Converting
Turnover by unit, 2000
Current businesses**



Wood Products

UPM-Kymmene is Europe's largest producer of plywood and one of the continent's biggest producers of sawn timber. The company's Wood Products division also operates distribution chains specializing in wood-based building supplies.

UPM-Kymmene Wood Products

M€	2000	1999	1998
Turnover	1,490	1,301	1,331
Operating profit *	75	80	92
Capital employed	603	545	568
ROCE, %	12.5	14.7	16.2
Capital expenditure and acquisitions	94	37	48
Personnel at 31.12	7,407	6,706	7,032
Production, 1,000 m ³			
Sawn timber	2,117	1,911	2,104
Plywood	793	729	698

Operating profit for 2000 includes non-recurring items of EUR -9 million.

UPM-Kymmene Wood Products Turnover by market

2000	M€	%
Finland	426	29
Other EU countries	918	62
Other European countries	52	4
North America	13	1
Rest of world	81	4
	1,490	100

UPM-Kymmene Wood Products Turnover by business area

M€	2000	1999	1998
Sawmilling and joinery	455	414	449
Plywood	500	451	482
Building supplies trade	586	478	458
Other + internal sales	-51	-42	-58
	1,490	1,301	1,331

Profitability

The division's operating profit was about the same as the year before.

The profitability of sawmilling was affected by the higher cost of wood raw material, and by the weak trend in prices due to the abundance of sawn timber on the market.

Plywood production and deliveries increased by 9% and profitability continued to be good. Concerted efforts in product development and a greater focus on custom-made products improved the financial result.

Wood-based building supplies were in strong demand all year and profitability was good.

The market

Building activity was brisk throughout the year in the main markets of Europe, and deliveries of both timber and plywood were well up on the year before.

Sawn timber was in plentiful supply, and this weakened the trend in prices. Production of sawn timber rose sharply in the Nordic and Baltic countries and Russia. Supplies of building timber also increased as a result of the storm damage in main-

land Europe. The trend in whitewood prices was good early in the year but tailed off later. Increased exports to Japan helped to bring the whitewood market into balance. Redwood prices progressed better than whitewood all year.

Plywood was in good demand on all the main markets. Demand for spruce plywood was particularly strong, and prices rose. Prices for birch plywood remained steady despite greater supplies from competing countries.

Capital expenditure and restructuring The most notable investment was the purchase of Aureskoski Oy. Aureskoski's sawmills have a total production capacity of 300,000 m³/a, about 100,000 m³ of which is further processed goods. In 1999 the company had a turnover of EUR 72 million and a workforce of 260. It was decided to expand production at the Kaukas and Heinola sawmills. Work to modernize Seikku sawmill began at the end of the year. In November, an agreement was signed to purchase a French planing mill. During the year it was decided to discontinue operations at Kuopio sawmill and Kajaani joinery factory. Lapua sawmill, which belonged to Aureskoski, was sold.



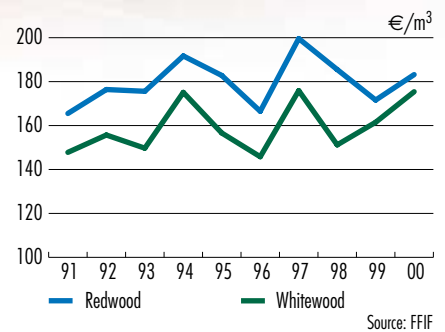
It was decided to increase production capacity for conifer plywood. The capacity of the Pellos mills will be raised by 180,000 m³ by autumn 2001. Shares were purchased in the Otepää plywood mill in Estonia.

Substantial investments were also made in distribution. Brooks Group expanded by acquiring the business operations of Charles Manson Ltd in Great Britain. In Denmark, Anco Træ extended its sales network by acquiring four Danish timber merchants. Following these acquisitions, annual turnover from sales of wood-based building supplies will rise by 20%.

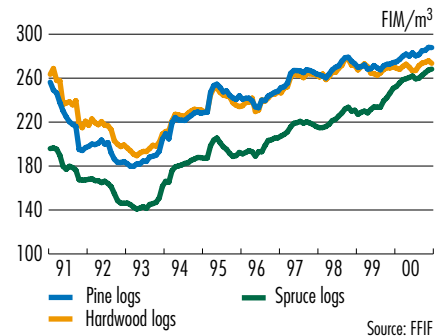
UPM-Kymmene Wood Products Units and main products

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

Prices of Finnish sawn timber, 1991–2000



Monthly stumpage rates for logs in Finland, 1991–2000



Resources

Pulp production and consumption

1,000 t	2000	1999	1998
Production			
Chemical pulp			
own production	1,967	1,846	1,913
from associated companies	692	625	655
Mechanical pulp	2,678	2,670	2,939
Recycled fibre pulp	749	598	467
Total	6,086	5,739	5,974
Consumption			
Chemical pulp	3,126	2,646	2,536
Mechanical pulp	2,691	2,674	2,942
Recycled fibre pulp	751	601	471
Total	6,568	5,921	5,949

Pulp production capacity

2000	1,000 t/a
Kaukas	680
Kymi	520
Miramichi	235
Wisaforest	620
Tervasaari	225
Own production capacity, total	2,280
Share in associated company	
Oy Metsä-Botnia Ab	900

Chemical pulp (= pulp not included in the divisions)

M€	2000	1999	1998
Turnover	731	767	526
of which internal	539	400	360
Operating profit	480	95	73
of which attributable to associated companies	171	32	41
Capital employed	877	952	1,040
ROCE, %	54.7	10.0	7.0
Capital expenditure	28	24	12
Personnel at 31.12	1,365	1,379	1,695

Kymi pulp mill is part of the Fine Papers division, Miramichi pulp mill belongs to the Publication Papers division, and Tervasaari and part of Wisaforest to the Converting Materials division.

Chemical Pulp

UPM-Kymmene obtains most of the chemical pulp it needs from its own mills and its associated company.

UPM-Kymmene's chemical pulp consumption rose by 18%. The pulp mills operated at 94% of capacity (96%). Production was affected by a strike lasting about a week in spring.

Pulp was in good demand, and at times was in short supply. The market price of bleached long-fibre pulp was USD 630/t at the start of the year and rose steadily to USD 710 at the beginning of July. Demand slackened towards the end of the year.

Thanks to the good market and to profit improvement programmes at the mills, the efficiency and profitability of pulp production were very good.

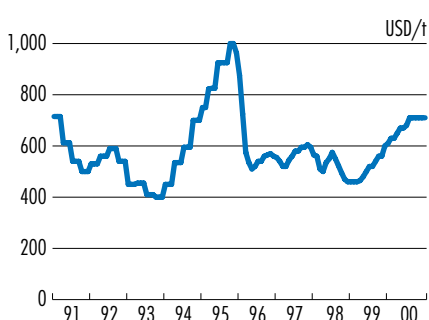
The pulp mill belonging to Miramichi, which was acquired in October, has a total capacity of 235,000 t/a of long-fibre softwood sulphate, 135,000 tonnes of which is used by the company's own paper mill.

Consumption of waste paper increased considerably as a result of expansions at all those mills using recycled fibre and due to high capacity utilization rates. Waste paper prices rose early in the year but began to fall towards the end.

The associated company Metsä-Rauma was merged with Metsä-Botnia at the end of the year. UPM-Kymmene has a 47.0% interest in Metsä-Botnia.

The new fibre line at Metsä-Botnia's Joutseno mill will start up in May 2001, raising the mill's capacity by around 200,000 t/a. Once the new line is in production, Metsä-Botnia will have a pulp production capacity of 2.63 million t/a.

Market pulp* prices, 1991–2000



* Bleached pine pulp

Source: PPI

Energy

UPM-Kymmene is working to increase the use of biofuels and to improve energy efficiency at its mills.

Electricity procurement for the year was 19.0 TWh (19.8), of which 15.2 TWh (14.8) was consumed by the company's own mills and 3.8 TWh (5.0) was sold. There was a further drop in the price of electricity purchased by the Group from outside.

The generating capacity available to UPM-Kymmene in Finland through in-house and leased capacity and through associated companies totalled approximately 2,000 MW at the end of the year. The most important associated companies in terms of energy are Pohjolan Voima Oy, in which the company has a 38.5% holding, and Kemijoki Oy, of whose hydropower shares UPM-Kymmene owns 19.0%.

Heat generated from fuels procured by the Group, plus purchased heat and heat generated by thermomechanical pulp-

ing totalled 29.0 TWh (27.1). Biofuels accounted for 62% of fuel procurement, the same as the year before.

Through Pohjolan Voima Oy, UPM-Kymmene is involved in building mill power plants designed to burn domestic fuels at Pietarsaari, Jämsänkoski, Kuusankoski and Ristiina. The new plants are due for completion in 2001–2002 and will allow significant increases in the use of biofuels and the generation of combined heat and power.

As a signatory to the Ministry of Trade and Industry's energy-saving agreement, UPM-Kymmene continued to carry out energy efficiency audits at its pulp and paper mills. The first stage of these audits will be completed during 2001.



Electricity procurement and consumption

GWh	2000	1999	1998
Procurement			
Hydropower	3,238	2,795	3,317
Back-pressure power	2,875	2,767	3,041
Nuclear power shares	4,434	4,450	4,200
Thermal energy shares	1,392	1,661	1,609
Purchased electricity	7,054	8,122	9,349
Total	18,993	19,795	21,516
Consumption			
Mills in Finland	11,501	10,947	11,481
Mills abroad	3,702	3,843	4,235
Sales	3,790	5,005	5,800
Total	18,993	19,795	21,516

Sources of thermal energy

GWh	2000	1999	1998
Black liquor	9,023	8,540	8,357
Bark and other biofuels	6,947	6,520	6,480
Heat recovery from			
TMP production	2,020	2,212	2,225
Peat	1,256	1,354	1,366
Purchased heat	1,285	1,110	1,444
Natural gas	6,469	5,886	6,307
Oil	1,027	875	870
Coal	975	562	635
Total	29,002	27,059	27,684

Energy unit (Finland)

M€	2000	1999	1998
Turnover	352	391	475
of which internal	290	286	315
Operating profit	69	71	90
Capital employed	482	513	516
ROCE, %	14.2	13.9	17.4

Wood Procurement

Most of the wood raw material used by UPM-Kymmene comes from certified forests.

UPM-Kymmene's wood consumption

million m ³	2000	1999	1998
Finland	21.7	20.7	21.0
Great Britain	0.8	0.8	1.0
United States	0.6	0.6	0.5
France	0.4	0.9	2.2
Canada	0.4	–	–
	23.9	23.0	24.7

Wood procurement in Finland

M€	2000	1999	1998
Turnover	1 148	1 066	1 090
of which internal	955	877	898
Operating profit	55	48	34
incl. net stumpage income	45	39	21
Capital employed	1 116	1 152	1 163
ROCE, %	4,7	4,2	3,0
Personnel at 31.12	1 438	1 447	1 520
Felling in own forest, million m ³	2,0	1,9	1,1

The UPM-Kymmene Group used a total of 23.9 million m³ of wood raw material (23.0 million in 1999). The mills in Finland accounted for 21.7 million m³ of this, while wood consumption at the mills in Great Britain, France, the USA and Canada totalled 2.2 million m³ (2.3 million).

Wood procurement

The Group's 31 production plants in Finland consumed a total of 21.7 million m³ of wood raw material (20.7 million). By-products (chips and sawdust) from the Group's own sawmills and plywood mills provided 2.4 million m³ of this (2.0 million). Of the total used, 74% came from private forests, 2% from state-owned forests and 9% from the Group's own forests. The remaining 15% was imported, mainly from Russia.

Besides supplying its own mills, the forestry department delivered 4.8 million m³ of wood to associated companies and other outside customers (5.0 million).

0.1 million m³ of wood-based fuel (approx. 280 GWh) obtained from logging waste was supplied to the Group's power plants.

Prices paid at the mills rose by an average of 1%. This was mainly due to a rise in stumpage rates for logs.

In Great Britain, the volume of wood procured rose to 825,000 m³. The main supplier was the Forestry Commission, which provided about 40% of the total.

The Group does not own forest in France. Wood raw material for Stracel is procured by the mill's own forestry organization in the form of chips from sawmills or roundwood from forest owners. The volume procured in 2000 was 435,000 m³. Just under half of the mill's wood chips come from Germany. The storm damage that occurred in December 1999 is still requiring special arrangements in wood procurement.

In the United States, Blandin paper mill in Minnesota obtains around 150,000 m³ of wood, a quarter of its requirement, from its own forests. Blandin's forestry department procures about the same amount from private forest owners. Purchases from the federal government, the state of Minnesota and the corporate sector account for just under 50% of total purchases. Total wood procurement in 2000 was around 530,000 m³.

The Miramichi mills in New Brunswick, Canada, have an annual wood consumption of about 2 million m³. Almost 40% of this is obtained under long-term agreements from forests leased from the State.



Company forests

UPM-Kymmene obtained 9% of all its wood raw material from its own forests.

In Finland, the company owns 930,000 hectares of forestry land, of which 770,000 hectares is commercial forest. Felling in the company's own forests provided 2.0 million m³ (1.9 million m³), slightly less than the volume that can be felled sustainably. Standing reserves in the Group's forest are approximately 80 million m³. In addition to this, the forestry department manages 180,000 hectares of private forest.

In Britain, UPM-Kymmene owns 3,000 hectares of forest, while its subsidiary Tilhill Forestry manages 163,000 hectares of private forest.

In the USA, UPM-Kymmene owns 77,000 hectares of forest.

In Canada, UPM-Kymmene has 15,000 hectares of forest and also leases 690,000 hectares of State-owned forest.

In Uruguay, UPM-Kymmene has a 38.4% interest in Forestal Oriental, a company that owns around 31,000 hectares of eucalyptus plantations.

Forest certification

UPM-Kymmene promotes the use of forest certification in different countries, as certification can be used to prove that the wood raw material used in making products was obtained from well-tended, sustainably managed forests. At the end of 2000, around 95% of all Finland's forest had received certification under the national system. The forestry department and Schauman Wood obtained chain of custody certificates for their wood raw material, and the first products carrying the PEFC label were delivered to customers.

Certification systems used by UPM-Kymmene

Country	National system	International system
Finland	FFCS	PEFC
Great Britain	UKWAS	FSC
France	In progress	–
USA	SFI	–
Canada	CSA	–
Uruguay	–	FSC



Environment

UPM-Kymmene complies with the principles of sustainable development. As a major user of wood raw material and energy, the company is fully conscious of its environmental responsibilities.

Management of environmental affairs

In managing its environmental affairs UPM-Kymmene's goals are sparing use of raw materials and energy, efficient recycling and continuous reductions in environmental loadings. General environmental management objectives for all production plants and other activities are set out in the company's environmental policy. In line with these objectives, production plants and activities have detailed programmes aimed at continuously improving work on behalf of the environment.

In setting, implementing and following up these objectives, the company uses verified environmental management systems. Roughly 80% of UPM-Kymmene's total production is covered by such systems.

Role of legislation

Legislation imposes minimum requirements for environmental protection at

industrial production plants. In practice, environmental protection is an integral part of the technical and economic development of production plants and products and thus covers not just production processes but also procurement and delivery chains. The aim is to achieve an overall reduction in environmental impacts.

In Europe, emissions from production plants to air, water and soil will be included in an Integrated Pollution Prevention Control (IPPC) permit.

In the USA, the level of environmental protection required at production plants is stipulated in both federal and state legislation.

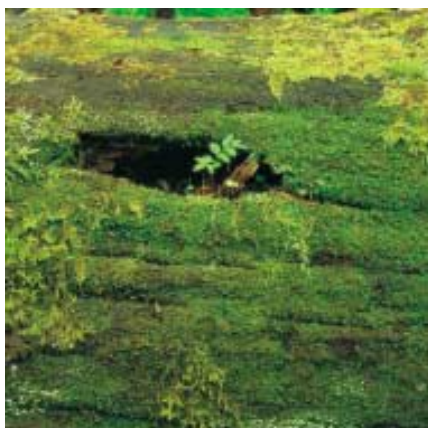
The standard of environmental protection at UPM-Kymmene's mills is continuously being compared, both within the Group and with that at competitors' mills. In addition, performance in environmental protection is compared with that achiev-

able with processes and equipment meeting the criteria for Best Available Technology (BAT), as defined by the EU.

Reducing environmental loadings

Total sulphur dioxide emissions from the Group's mills were 6.4% down on the previous year, while COD loadings to recipients were 7.6% down. The volume of waste taken for landfilling was 4.0% higher.

Environmental loadings from the Wood Products and Converting Materials divisions differ from those due to pulp and paper production. Work being done by Wood Products to cut environmental loadings mainly concerns the procurement and transport of wood raw material and reductions in noise levels. For Converting Materials, the most important issues are reducing amounts of production waste and emissions of volatile organic carbon (VOC)





compounds. UPM-Kymmene's products can either be recycled or used for energy generation.

UPM-Kymmene is preparing to implement the recommendations of the Kyoto convention on climate change by further stepping up the use of renewable fuels in its energy generation. Renewable fuels account for roughly 58% of all fuels used by the Group to generate heat and electricity.

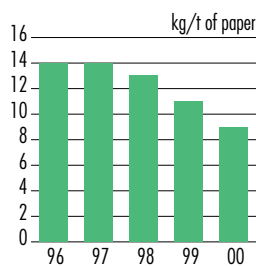
Environment-related investment

The main investments aimed at direct reductions in environmental loadings concerned renewal of the landfill site at Lappeenranta, the collection system for malodorous gases at the Tervasaari mills, and expansion of Kymi's biological wastewater treatment plant. Capital expenditure on environmental protection was EUR 28 million (30 million) and the necessary operating expenditure was EUR 58 million (44 million). In addition, environment-related and other energy taxes totalled EUR 47 million (46 million).

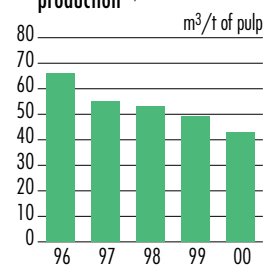
UPM-Kymmene will publish a separate environmental report for 2000.

Emissions from UPM-Kymmene's pulp and paper mills

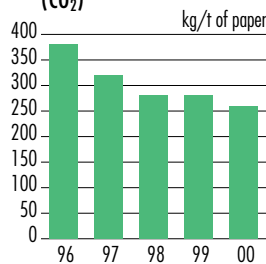
Chemical oxygen demand (COD)



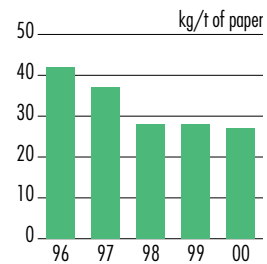
Average volume of process waste water from pulp production ¹⁾



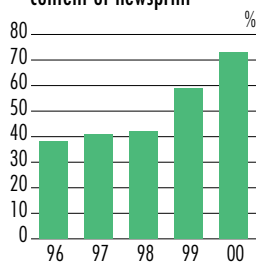
Fossil carbon dioxide (CO₂)



Landfill waste ²⁾



Average recycled fibre content of newsprint ³⁾



¹⁾ 1996–99: Kaukas, Kymi, Tervasaari, Pietarsaari and Stracel; 2000: Kaukas, Kymi, Tervasaari and Pietarsaari

²⁾ Wastes also include building and demolition wastes

³⁾ Chapelle Darblay, Kaipola and Shotton

Figures for 2000 do not include Changshu and Miramichi.

Personnel

UPM-Kymmene's own values – openness, trust and initiative – guide the Group in all its activities.

UPM-Kymmene's aim is a corporate culture that seeks to encourage creativity and initiative and at the same time shows respect for the individual. Success for the company and its employees is seen as a common goal. Employees' self-assurance and motivation are supported through clearly defined targets, suitable challenges, adequate feedback and fair rewards.

Human resources

UPM-Kymmene seeks to provide a framework within which employees have every opportunity to do their best and use their full range of skills in pursuit of commonly agreed goals. Special importance is given to development discussions between employees and their superiors and to remuneration and recruitment policy. For this purpose, UPM-Kymmene has developed its own Human Potential (HUPO) scheme. An index devised as part of the scheme

provides a measure of the Group's human resources and reflects changes. The index can be used to study the working community in relation to factors such as expertise, qualifications, motivation, teamwork and the work of superiors.

Incentives

UPM-Kymmene is extending its incentive schemes ever more widely throughout its divisions and business units. In most cases, earnings comprise a fixed basic salary, performance-related pay, and payments under the Group's profit-sharing scheme. Payments under the latter for 2000 total EUR 44 million.

Expertise

Employee training is carried out largely through internal training schemes. The basic elements of these are upper and middle management and professional

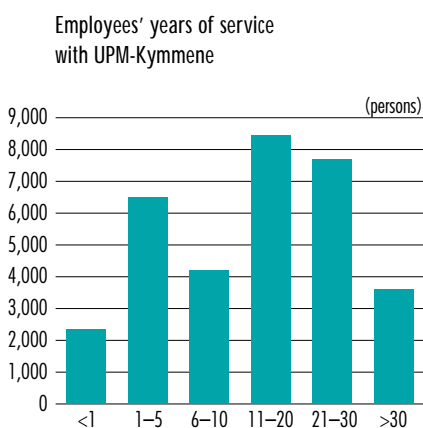
expertise.

A new 1-year MBA programme was launched in March. Training in the Group's management principles continued in programmes planned for middle management and foremen. Some 400 people took part in these during the year.

Papermaking skills and expertise are secured by making use of training arrangements in each country where UPM-Kymmene operates. In Finland, training in papermaking is given at the Group's industrial training colleges in Valkeakoski and Kuusankoski. During the year, 220 people underwent training at these colleges. On the wood products side, training is given largely under apprenticeship schemes.

In addition to these training courses, much importance is attached to on-the-job training. The company values and supports private study outside working hours.

Calculated for the entire personnel, the





average number of days spent in training was 2.4. The cost of training was EUR 22 million (26 million).

Employer image

Surveys show that UPM-Kymmene is one of Finland's most popular employers. The company was represented at a major recruitment fair, where it signed cooperation agreements with schools and universities.

Group cooperation

The division of responsibilities for matters dealt with at the Group's cooperation meetings was reviewed. Matters concerning the Group as a whole are dealt with by the European Forum, which continues to be the main platform for discussions between employers and employees. Cooperation meetings are also held by the different divisions and also in other countries.

Key indicators

	2000	1999	1998
Turnover per person, EUR (= Turnover/average no. of employees)	294,000	256,000	243,000
Value added per person, EUR (= Turnover – materials and services / average no. of employees)	137,000	118,000	112,000
Remunerations based on financial performance, EUR million	44	21	13
Training costs, EUR million (= Training costs incl. salaries and indirect employee costs)	22	26	29
Average no. of days spent in training (= No. of days of training/average no. of employees)	2.4	2.8	2.8
Personnel turnover, % (= No. of persons leaving/average no. of employees)	5.3	5.7	6.5
No. of man-days lost through strikes	49,500	3,600	700

Personnel by country at end of year

	2000	1999	1998
Finland	20,719	21,066	21,811
Germany	2,699	2,493	2,532
France	2,226	2,419	2,979
Great Britain	1,959	1,738	1,827
Ireland	272	236	220
Denmark	268	129	173
Spain	183	355	208
Belgium	123	129	124
Portugal	89	68	84
The Netherlands	84	223	170
Sweden	75	189	204
Italy	48	48	50
Estonia	20	22	20
Norway	19	106	109
Czech Republic	11	84	82
Other European countries	114	115	107
USA	1,441	1,395	1,543
Canada	1,518	4	4
China	685	28	13
Rest of world	202	116	91
Total	32,755	30,963	32,351

Investment

Investments are targeted so as to secure a good return on capital employed and to maintain the condition of production machinery and its technological competitiveness in the long term.

Capital expenditure, excluding company acquisitions, was EUR 571 million (548 million). This represents 6.0% (6.6) of turnover, i.e. less than depreciation according to plan.

The focus of production investment was on the Group's core businesses. Besides plant maintenance, investments are made to improve product quality and the cost-effectiveness of the production units.

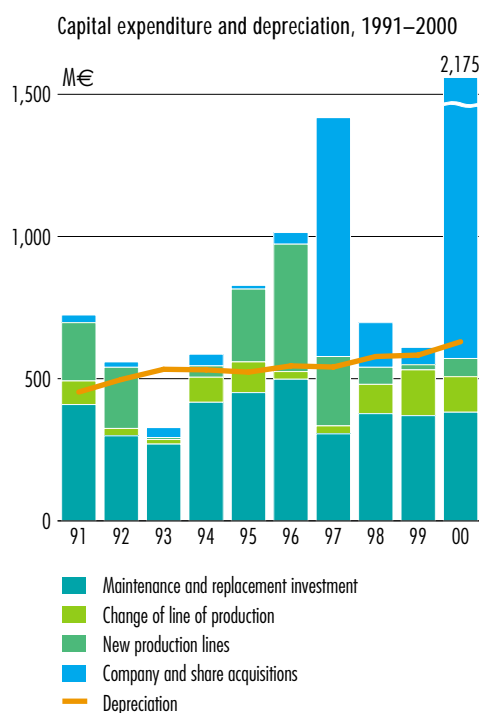
Maintenance and replacement investments in existing production machinery

totalled EUR 395 million (370 million). In addition to this, EUR 176 million (178 million) was spent on changes in production and on new production units and production lines.

Company acquisitions cost a total of EUR 1,604 million (61 million). The biggest acquisitions were Miramichi's coated mechanical papers mill in Canada and the fine paper mill at Changshu in China.

Restructuring also continued through divestments, the company selling off non-core or poorly profitable businesses.

Sales of fixed assets, including shares in listed companies, totalled EUR 544 million (709 million).



Main investments in production plants, 2000–2001

	Total cost, M€
Investments completed in 2000	
– Stracel PM 1, rebuild	83
– Blandin PM 6, modernization	22
Investments due for completion in 2001	
– Kymi PM 8, modernization and production change	280
– Kaukas PM 1, modernization	60
– Raflatac, new factory in USA	52
– Tervasaari PM 5, conversion to produce release paper	28
– Pellós, new plywood line	31
– Seikku sawmill, modernization	25



Development projects

Research and development

A total of EUR 44 million (41 million) was spent on research and development during the year. This does not include the substantial development work done in connection with investments and normal operations at the mills.

A considerable amount of R&D work is commissioned from the Finnish Pulp and Paper Research Institute, which is financed partly by the Finnish forest industry. UPM-Kymmene is also a member of many industrial research laboratories in other countries. The company is involved in numerous national pulp and paper technology programmes coordinated by the National Technology Agency of Finland.

UPM-Kymmene also supports research at universities and colleges by sponsoring students working on theses and dissertations.

In the Publication Papers division, the emphasis of development work was on improving the optical properties of paper. Examples of the new paper grades developed with this in mind are Stracel's new coldset and heatset grades. These new papers are distinguished not just by their optical properties but also by their excellent printability. Concepts have also been developed for newsprint and uncoated magazine papers with improved brightness and opacity.

Paper surface properties were further developed for the main printing processes, and the web strength of paper was improved to withstand the stresses of high-speed printing. Paper manufacture has also been

made more productive through the development of more economic fibre blends and/or pigment systems, which have helped to cut raw material costs, overcome bottlenecks in production processes and improve management of the paper machine wet end.

UPM-Kymmene developed its digital printing paper grades during the year. The Digi-paper range includes both fine papers and grades containing mechanical pulp in both sheets and reels.

The emphasis of development work by the Fine Papers division was on raising the production of coated fine papers. Examples of this are the rebuild of Nordland Papier's PM 4, conversion of Kymi Paper's PM 8 to produce coated fine paper, and the start of coating at the fine paper mill in China. UPM-Kymmene worked with several of its key suppliers to improve quality, quality consistency and papermaking productivity.

The Converting Materials division has been working to make more effective use of materials during converting, for example by reducing the basis weight of its label papers. The Raflatac subsidiary Rafsec continued its development of smart labels based on radio-frequency technology. Production of Rafsec's identification labels continued and the first pilot projects were launched. Lohjan Paperi developed on-machine siliconized paper grades for new applications.

In the Wood Products division, R&D work was centred on Lahti. New plywood surfacing solutions developed in conjunction with Walki Films of the Converting Materials division were put on the market. These are aimed mainly at the transport vehicle and concrete industries.

Other development projects

The purpose of the e-business centre opened during the year is to generate electronic business solutions and apply them in practice. The idea is to provide customers with additional services, improve efficiency and reduce costs.

UPM-Kymmene is actively involved in developing electronic business in the forest industry as a whole, and is seeking to produce an Internet-based global standard for communication.

Existing e-business sites are already being used in purchasing, and the company is preparing to transfer its purchasing to a web network. It is expected that this will bring considerable cost savings.

The goals set for the Chain 2000 project are to support customer focus in business operations, further develop monitoring of the supply chain from mill to customer, and pave the way for electronic business.

Events in 2000

January

- 12 UPM-Kymmene opened an office in Beijing, China.
- 17 Brooks Group in Ireland signed an agreement to acquire the British timber products sales chain of Charles Manson Group.
- 28 UPM-Kymmene's employees collected almost FIM 2 million for the Children's Hour appeal.

February

- 1 Raflatac, a member of the Converting Materials division, announced its intention to build a plant to produce self-adhesive labelstock in the United States. Production will begin during 2001.
- 17 The boards of UPM-Kymmene and the US company Champion International Corporation agreed that the two companies would merge.
- 24 Decision to rebuild Kaukas PM 1 to produce UPM Star paper. A new pre-coating unit will also be built for the line. Work to be carried out in January 2001.

March

- 7 Schauman Wood, part of the Wood Products division, signed an agreement with Forestex AS and Sylvester AS to set up FSS Plywood AS, a joint venture in Estonia. The new company's plywood mill at Otepää was officially opened on 30 November.
- 10 UPM-Kymmene's Magazine and Newsprint divisions were combined to form the Publication Papers division.

May

- 2 Raflatac signed an agreement to purchase Vynide, the special self-adhesive laminates manufacturing subsidiary of the South African company Polifin Ltd.
- 10 The Board of Champion International Corporation announced that it had received fresh offers from both

UPM-Kymmene and International Paper and that the offer from International Paper was the better. UPM-Kymmene announced it was reviewing the situation and that, in line with the original agreement made with Champion, it would be able to submit a new offer by 12 May.

- 11 Decision to change production on Tervasaari PM 5 from face papers for self-adhesives and specialities to release papers in 2001.
- 12 UPM-Kymmene announced it was withdrawing from the Champion deal on the grounds that, following the offer from International Paper, the merger could not have been completed at a price acceptable to UPM-Kymmene's shareholders. EUR 230 million in compensation was received for termination of the agreement.
- 23 Decision to build a new biofuel-fired power plant at the Jämsänkoski mill. The plant will start up in spring 2002.
- 30 Decision to merge the associated company Metsä-Rauma with the associated company Metsä-Botnia.

June

- 5 UPM-Kymmene's Finnish forestry unit received chain-of-custody certification for its system for tracing the origins of certified wood. Verification was by Det Norske Veritas.
- 7 Decision to invest EUR 80 million in improving the competitiveness of UPM-Kymmene Wood Products. This included acquisition of Aureskoski Oy and modernization and development of the sawmills of United Sawmills and Schauman Wood's Pellos plywood mills. Aureskoski was consolidated in July.
- 7 Decision to build a biofuel-fired power plant at Kuusankoski for completion in autumn 2002.
- 13 UPM-Kymmene and the Swedish company J D Stenqvist AB signed an agreement under which Rosenlew, a member of the Converting Materials division, sold its plastic carrier bag and other retail products business to Stenqvist. The deal was completed in October.
- 13 An extraordinary general meeting of shareholders approved proposals to distribute an extra dividend, to invalidate a number of the company's own shares and to buy back a number of the company's own shares. Buying back of own shares commenced on 21 June.
- 13 Decision to raise production capacity and improve quality at the Jämsänkoski mill. The investment will be completed in March 2001.



UPM-Kymmene Paper, Changshu, China (23 August 2000)

- 15 Walki Films, part of the Converting Materials division, started up a new production line at Valkeakoski, raising production capacity there by a third.
- 21 UPM-Kymmene signed a letter of intent to sell its paper sack producer Walki Sack to the Swedish company Korsnäs AB. The sale was completed in November.
- 30 Combitrans and UPM-Kymmene renewed their 3-year partnership-based transport and cooperation agreement. At the same time UPM-Kymmene relinquished its interest in Combitrans.

July

- 3 UPM-Kymmene set up an e-business centre to generate electronic business solutions and apply them in practice.
- 4 Raflatac signed a letter of intent to buy the business operations of a joint venture from the Australian company Consolidated Paper Industries Group (CPI).
- 31 UPM-Kymmene purchased a controlling 51.6% interest in Converflex, a flexo printing plant in Sweden specializing in printing ream wrappings.

August

- 23 UPM-Kymmene and APRIL agreed that the fine paper mill at Changshu in China would be transferred completely to UPM-Kymmene ownership. At the same time, a contract was signed to supply Changshu mill with short-fibre chemical pulp over a period of six and a half years.
- 29 UPM-Kymmene signed an agreement to purchase the Canadian paper manufacturer Repap. The deal was closed on 16 October, when a general meeting of Repap shareholders gave its approval and the necessary approval of the authorities was obtained. The Repap New Brunswick business purchased is now operating under the name UPM-Kymmene Miramichi Inc.
- 31 Anco Træ, a member of the Wood Products division, agreed to purchase four companies supplying timber products from the Danish company H. Reimar Nielsen Holding A/S. The companies were consolidated at the beginning of October.

September

- 4 UPM-Kymmene and the German company Rheinische Kunststoffwerke GmbH (RKW) signed a letter of intent concerning the sale to RKW of the PE films and sacks business of Rosenlew, a member of the Converting Materials division. The business in question was transferred to its new owner at the turn of the year.

October

- 3 The Converting Materials division decided to set up a New Ventures group to develop new business opportunities together with the division's units and to secure adequate resources for projects.
- 13 UPM-Kymmene became the first in the world to be granted the right to use the PEFC environmental label for its wood raw material and plywood products.

November

- 9 The Wood Products division purchased a planing mill from the French company C.E.M.
- 15 Decision to close down Kuopio sawmill, a member of United Sawmills, as the mill is unprofitable.
- 16 United Sawmills sold its Lapua sawmill.
- 21 The world's first products bearing the PEFC label left Schauman Wood for the Netherlands.
- 24 Work began on building a new Pellos 3 plywood production line at Schauman Wood's Pellos mill. The new line will start up in August–September 2001.
- 29 UPM-Kymmene was fined FIM 10 million by the competition authority for participating in meetings to monitor trading in wood raw material. The company has appealed against the ruling.

December

- 21 Lohja, a member of the Converting Materials division, signed an agreement to buy Rexam Release, the siliconizing business of Rexam PLC. The purchase concerns three production plants in the United States and one in the Netherlands.



UPM-Kymmene Miramichi Inc., Canada (29 August 2000).

Report of the Board of Directors

The market

Demand for paper was good throughout the year. After the summer, however, the order book for coated fine papers deteriorated, requiring production stoppages to re-establish supply equilibrium.

On the pulp market, good demand for paper manifested itself in the form of rising prices and at times abnormally low stock levels. The pulp market peaked in early autumn after the price of bleached long-fibre pulp had risen to USD 710 from USD 630 at the beginning of the year. In the final quarter, demand for pulp declined and a number of suppliers reported production stoppages. At the end of the year contract prices for bleached long-fibre pulp were still at their autumn level.

Demand for the company's main products, magazine papers, grew strongly during the year. According to advance figures, demand for LWC paper grew by about 10% in Western Europe and 5% in North America. Demand for SC paper grew by about 9% in Western Europe and 13% in North America. Demand for newsprint also continued to rise, growing by 5% in Western Europe and about 1% in North America.

In Europe, average prices for newsprint and SC paper were at the same level as in the previous year. The price of LWC paper rose moderately. In the United States, publication paper prices increased more clearly.

The growth in demand for fine papers clearly slackened in the final quarter. Over the year as a whole, the growth in demand for both coated and uncoated fine papers was about 4%, according to advance figures. In North America, demand for coated and uncoated fine papers is estimated to have declined by about 1% and 3%, respectively.

Fine paper prices rose until the autumn, following in the path of pulp prices. The rising trend in prices was halted when the market levelled off in the early autumn. Nonetheless, average fine paper prices in Europe were 15–18% higher than in the previous year.

Demand for converting materials was better than in the previous year. However, it was not possible to pass on all of the increase in raw material costs to finished product prices.

Sawn timber prices strengthened during the first half of the year but began to falter towards the end of the year, mainly due to increased supply. Building work and demand for sawn timber remained brisk in Europe. Demand for plywood was good throughout the year.

Changes in Group composition

In August, UPM-Kymmene made two important acquisitions. UPM-Kymmene and the Canadian company Repap Enterprises Inc. (Repap) made an agreement on the purchase of Repap's shares for CAD 160 million (EUR 123 million). The agreement was approved by an extraordinary meeting of Repap's shareholders on 16 October 2000, and the company was amalgamated with a UPM-Kymmene subsidiary on the same day. The company's enterprise value, after the assumption of debt, is put at EUR 1.06 billion. Now operating under the name UPM-Kymmene Miramichi, the newly acquired business comprises two coated magazine paper machines (LWC), a pulp mill and two sawmills.

Also in August, UPM-Kymmene agreed with APRIL (Asia

Pacific International Holdings Ltd.) and its principal owners on the purchase of a 51% interest in Changshu fine paper mill in China at a cost of USD 150 million. The company now owns 100% of this mill. The deal involved new security being arranged for the USD 121 million loan provided earlier by UPM-Kymmene to APRIL. The new security is a shareholding of approximately 12% in the pulp producer Riaupulp.

In January, Brooks Group Limited, an Irish subsidiary within UPM-Kymmene's Wood Products division, purchased the British timber merchants Charles Manson Group.

In June, UPM-Kymmene's United Sawmills Ltd agreed to purchase the Finnish sawmilling company Aureskoski Oy. The acquisition was approved by the Finnish Competition Authority in July.

Also in June, the company announced the sale of UPM Converting's paper sack production (Walki Sack) to Korsnäs AB, and Rosenlew's plastic carrier bag and other retail product businesses to J D Stenqvist. The deals were completed in October–November.

In August, Anco Træ A/S, which is part of UPM-Kymmene's Wood Products division, signed an agreement with the Danish timber merchant H. Reimar Nielsen Holding A/S on the acquisition of four builders' merchants. The companies were consolidated at the beginning of October.

At the beginning of September, UPM-Kymmene and the German company Rheinische Kunststoffwerke GmbH (RKW) signed a letter of intent under which Rosenlew would sell its PE-film and sack business to RKW. The transaction took place at the turn of the year.

In December, UPM Converting's Lohja Group signed an agreement to acquire Rexam Release, the siliconizing business of Rexam PLC. The purchase price was USD 123 million. In 1999 the business generated a turnover of approximately USD 180 million. The transaction will be finalized after the approval of the regulatory authorities.

Earnings

Profit before extraordinary items, excluding net capital gains, was EUR 1,417 million (800 million).

Earnings per share were EUR 4.77 (3.77), return on equity was 21.9% (19.2) and return on capital employed was 20.2% (17.6). Excluding net capital gains, earnings per share were EUR 4.08 (2.13), return on equity was 18.7% (10.9) and return on capital employed was 17.1% (11.1).

Operating profit was EUR 1,860 million (1,573 million). Operating profit includes net gains from the sale of shares and fixed assets and non-recurrent asset writedowns totalling EUR 300 million (598 million). Gains on the sale of listed shares were EUR 485 million (420 million), with Nokia shares accounting for EUR 489 million (384 million). At the end of the year the company held 25.3 million Nokia shares. Other net capital gains, writedowns and restructurings showed a deficit of EUR 57 million (surplus of EUR 214 million). In addition, standardization of UPM-Kymmene Miramichi's depreciation schedule resulted in a EUR 128 million writedown on fixed assets. The 35-year maximum depreciation period previously applied to Miramichi's pulp and paper machines was reduced to 20 years, thereby bringing it into line with UPM-Kymmene's standard practice.

Operating profit for the final quarter, excluding net capital gains, was EUR 407 million, an improvement on the corresponding period of the previous year (EUR 296 million) but lower than in the third quarter of this year (EUR 468 million).

Operating profit for Printing Papers was better than in 1999 thanks to higher average prices and delivery volumes. Strikes kept the gates of Finland's mills closed for eight days, causing estimated losses of EUR 60 million in the second quarter. Operating profit for UPM Converting and Wood Products remained at the previous year's level. Operating profit for the chemical pulp business improved significantly. Most of UPM-Kymmene's pulp production is used in the Group's own paper mills, all internal sales being at market price.

Profit before extraordinary items was EUR 1,717 million (1,398 million). Financial expenses net of income were EUR 143 million (175 million), including dividend income of EUR 50 million (11 million). Financing expenses rose in the final quarter owing to acquisitions. Extraordinary items, EUR 142 million (0 million) consisted of compensation, net of expenses and taxes, received in consideration of the termination of the merger agreement with Champion International Corporation. Taxes were EUR 494 million (404 million) and profit for the financial year was EUR 1,366 million (994 million).

The company's EUR 200 million cost-saving and rationalization programme for 1999–2000 was completed according to plan.

Production and turnover

UPM-Kymmene's paper production was 8.285 million tonnes (7.494 million), of which mills acquired during the year accounted for 167,000 tonnes. Publication paper production rose by 9%. Fine paper production rose by 18% and that of speciality papers by 9%. The average capacity utilization rate was 95% (91), with the highest rate of 97% being achieved in the third quarter. In the final quarter, production was reduced to bring it into line with demand. The capacity utilization rate was 94% on the average, and for individual paper grades as follows: magazine paper 93%, newsprint 99%, uncoated fine paper 94% and coated fine paper 87%.

Sawn timber production was 2.117 million cubic metres (1.911 million), up 11% on the previous year. Plywood production rose 9% to 793,000 cubic metres (729,000).

Turnover was EUR 9,583 million (8,261 million), up 16%. Exports from Finland and overseas operations accounted for 89% of turnover (87).

Personnel

The average number of employees in 2000 was 32,640 (32,269) for the Group and 12,433 (12,556) for the parent company. At the end of the year the Group had 32,755 employees (30,963).

Capital expenditure

Gross capital expenditure, excluding acquisitions, totalled EUR 571 million (548 million), which was less than depreciation according to plan. Including acquisitions, capital expenditure was EUR 2,175 million (609) million. The sale of shares and other fixed assets totalled EUR 544 million (709 million).

The biggest investment projects completed during the year

	Turnover			Operating profit ²⁾		
	2000	1999	1998	2000	1999	1998
	M€	M€	M€	M€	M€	M€
Publication Papers	4,132	3,440	3,561	560	490	584
Fine Papers	1,617	1,219	1,218	201	101	123
Converting Materials	1,940	1,734	1,685	132	129	85
Wood Products	1,490	1,301	1,331	75	80	92
Resources						
Chemical pulp ¹⁾	731	567	526	480	95	73
Forest ¹⁾	1,148	1,066	1,090	55	48	34
Energy ¹⁾	352	391	475	69	71	90
Other	354	473	509	-12	-39	-14
Internal sales	-2,181	-1,930	-2,030			
Total	9,583	8,261	8,365	1,560	975	1,067
Capital gains, net				300	598	553
Group, total	9,583	8,261	8,365	1,860	1,573	1,620
¹⁾ Internal sales						
Chemical pulp	539	400	360			
Forest	955	877	898			
Energy	290	286	315			
²⁾ Divisional operating profit figures for the year 2000 include non-recurrent charges of EUR 30 million in Publication Papers, EUR 14 million in Fine Papers, and EUR 9 million in Wood Products.						

	Capital employed (average) ¹⁾			ROCE		
	2000	1999	1998	2000	1999	1998
	M€	M€	M€	%	%	%
Publication Papers	3,960	3,672	3,700	14.1	13.3	15.8
Fine Papers	1,359	1,086	1,072	14.8	9.3	11.5
Converting Materials	1,280	1,173	1,156	10.3	11.0	7.3
Wood Products	603	545	568	12.5	14.7	16.2
Resources						
Chemical pulp	877	952	1,040	54.7	10.0	7.0
Forest	1,116	1,152	1,163	4.9	4.2	3.0
Energy	482	513	516	14.2	13.9	17.4
¹⁾ For the divisions and Resources, capital employed includes non-current assets together with stocks and trade receivables less trade payables (=operating capital).						

were the change in the line of production of Stracel's paper machine and the rebuild of the press section of Blandin's PM 6. The biggest projects in progress at the turn of the year were the rebuild of Kymi's PM 8 and the construction of a coating line.

Research and development

Research and development expenditure was EUR 44 million (41 million), representing 0.5% (0.5%) of turnover. In addition to this, a great deal of development work was carried out in connection with investment projects and the normal operation of the company's mills. In printing papers, the most significant product development efforts focused on improving the optical characteristics of paper grades, developing products suitable for digital printing, and

raising productivity through the development of more economic fibre mixtures. In UPM Converting, a Raflatac subsidiary continued to work on the development of intelligent labels based on radio frequency technology.

The environment

Capital expenditure on environmental protection was EUR 28 million (30 million); the corresponding operating expenses were EUR 58 million (44 million). Approximately 80% of the company's production is now covered by certificated environmental management systems.

Financing

The equity to assets ratio at 31 December 2000 was 46.0% (47.0). The gearing ratio was 69% (55).

The cash flow from operations was EUR 1,639 million (1,264 million). The acquisitions made during the year resulted in interest-bearing net liabilities rising by EUR 1,131 million to EUR 4,071 million (2,940 million). The Group's loans carried an average rate of interest of 5.6% (4.9), the average maturity at the year-end being 7.4 years (8.6).

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

Shares

The trading volumes in UPM-Kymmene shares on the Helsinki and New York stock exchanges were EUR 6,157 million (4,834 million) and EUR 135 (36 million), respectively. The highest quotation was EUR 44.90 in January and the lowest EUR 24.91 in March.

The Extraordinary General Meeting held on 13 June 2000 decided to lower the company's share capital by declaring void the 7,538,000 own shares held by the company.

The Extraordinary General Meeting approved a proposal that the company purchase before the next Annual General Meeting at least 200 and at most 12,900,000 of its own shares using funds available for distribution of profit. The meeting authorized the Board of Directors to decide on the disposal of shares so purchased.

In accordance with the decision of the Annual General Meeting, the company purchased, between 21 June and 31 December 2000, 9,325,708 of its own shares at an average price of EUR 29.94 per share, i.e. a total outlay of EUR 279.2 million. During January 2001, the company purchased 1,369,495 own shares for EUR 43.7 million at an average price of EUR 31.94 per share. At 31 January 2001, the company held 10,695,203 own shares, representing about 4.1% of the total number of shares.

During the year, a total of 942,162 shares were subscribed through the conversion of bonds from the 1994 bond issue.

At the end of the year the number of shares in issue was 259,973,119 and the share capital EUR 437,243,393. Share subscriptions under convertible bonds and options issued to management could raise the total number of shares to a maximum of 269,733,109.

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

Extra dividend

At the Extraordinary General Meeting held on 13 June 2000, it was decided to pay an extra dividend of EUR 0.90 per share for the year 1999. Including the dividend of EUR 1.25 per share decided by the Annual General Meeting, the total amount distributed as dividend for 1999 was EUR 557 million.

Company directors

At the Annual General Meeting, the following persons, whose terms of office expired at the meeting, were re-elected as members of the Board of Directors: Carl H. Amon III, (a partner of the international law firm White & Case LLP), L.J. Jouhki (Managing Partner of Thom Companies), Anton Lenstra (President of Unilever PLC's Business Group Africa and Middle East), Jouko K. Leskinen, Tauno Matomäki, Juha Niemelä (President and Chief Executive Officer of UPM-Kymmene Corporation), Jorma Ollila (Chairman and Chief Executive Officer of Nokia Corporation), Gustaf Serlachius, and Vesa Vainio (Chairman of Nordea plc). President Martti Ahtisaari and Matti Kavetvuo (President and Chief Executive Officer of Pohjola Group Insurance Corporation) were elected as new members of the Board. At its first meeting the Board elected Tauno Matomäki to serve as its chairman and Jouko K. Leskinen and Gustaf Serlachius as its vice chairmen.

Litigation

In March 1999, the European Commission presented UPM-Kymmene with a "Statement of Objection" alleging participation by the company's predecessors in a price cartel concerning newsprint during the period 1989–1995. The company's response to the allegation is being considered by the Commission. No provision has been made in this respect.

The company has no other significant matters of litigation.

Outlook for 2001

Economic growth is forecast to continue in Europe and Asia. The US economy is expected to recover from the current slowdown during the year.

Given the large share of European sales and high proportion of late-cycle businesses, the demand for the company's products is expected to remain relatively stable, although capacity utilization during the early part of the year is forecast to be somewhat lower than last year.

Publication paper prices were raised on the European market at the turn of the year. On the other hand, production costs are expected to rise, due especially to the indirect effect of oil prices on freight and chemical costs.

Capital expenditure, excluding acquisitions, is expected to be about EUR 800 million.

Board of Directors' proposal for the distribution of profits

The consolidated balance sheet shows unrestricted shareholders' equity at 31 December 2000 of EUR 4,482 million, of which distributable funds comprise EUR 2,528,000,000.00.

The parent company balance sheet shows unrestricted shareholders' equity at 31 December 2000 of EUR 2,759 million, of which distributable funds comprise EUR 2,479,314,978.21.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.50 (= FIM 8.92) per share be paid on the shares outstanding at the record date, the remainder being retained.

On 6 February 2001, there are 249,277,916 outstanding shares and the corresponding amount to be paid in dividends is EUR 373.9 million.

Helsinki, 6 February 2001

Tauno Matomäki
Chairman

Jouko K. Leskinen

Gustaf Serlachius

Martti Ahtisaari

Carl H. Amon III

L.J. Jouhki

Matti Kavetvu

Anton Lenstra

Juha Niemelä

Jorma Ollila

Vesa Vainio

Consolidated profit and loss account

MEUR	Note	2000	1999	1998
Turnover	(1)	9,583	8,261	8,365
Other operating income	(2)	539	622	649
Costs and expenses	(3)	-7,741	-6,710	-6,832
Share of results of associated companies	(4)	153	14	53
Depreciation according to plan and value adjustments	(5)	-674	-614	-615
Operating profit		1,860	1,573	1,620
Share of results of associated companies		-	2	25
Financial income and expenses	(6)	-143	-177	-208
Profit before extraordinary items		1,717	1,398	1,437
Extraordinary income	(7)	230	-	-
Extraordinary expenses		-30	-	-
Income tax on extraordinary items		-58	-	-
Profit after extraordinary items		1,859	1,398	1,437
Income taxes	(8)	-494	-404	-407
Minority interest		1	-	-1
Profit for the financial period		1,366	994	1,029

Consolidated balance sheet

MEUR	Note	31.12.2000	31.12.1999
ASSETS			
Non-current assets			
Intangible assets	(9)	156	93
Goodwill on consolidation	(10)	548	217
Tangible assets	(11)	7,561	6,564
Investments held as non-current assets	(12)	1,619	1,631
Own shares	(13)	279	236
		<u>10,163</u>	<u>8,741</u>
Current assets			
Stocks	(14)	1,184	1,008
Non-current receivables	(15)	63	11
Current receivables	(16)	1,475	1,499
Cash in hand and at bank		228	321
		<u>2,950</u>	<u>2,839</u>
Total		<u>13,113</u>	<u>11,580</u>

MEUR	Note	31.12.2000	31.12.1999
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	(17)	437	448
Share premium reserve		199	167
Revaluation reserve		366	364
Reserve for own shares		279	236
Legal reserve		672	673
Retained earnings		2,837	2,654
Profit for the financial period		1,366	994
		<u>6,156</u>	<u>5,536</u>
Minority interest		19	22
Provisions	(18)	130	115
Liabilities			
Deferred tax liability	(19)	732	827
Non-current liabilities	(20)	3,702	2,888
Current liabilities	(21)	2,374	2,192
		<u>6,808</u>	<u>5,907</u>
Total		<u>13,113</u>	<u>11,580</u>

Consolidated cash flow statement

MEUR	Additional information	2000	1999	1998
Cash flow from operating activities				
Operating profit		1,860	1,573	1,620
Adjustments to operating profit	a)	153	41	-31
Change in net working capital	b)	-13	1	-16
Interest received		49	6	33
Interest paid		-243	-204	-260
Dividends received		76	11	11
Other financial income and expenses		22	48	-10
Direct taxes paid	c)	-265	-212	-291
Cash from operating activities		<u>1,639</u>	<u>1,264</u>	<u>1,056</u>
Cash flow from investing activities				
Acquisition of Group companies net of cash acquired	d)	-271	-13	-1
Investments in associated company shares		-8	-14	-118
Investments in other shares		-2	-12	-11
Purchase of tangible and intangible assets		-592	-568	-572
Proceeds from sale of Group companies net of cash disposed ...		25	4	-19
Proceeds from sale of associated companies		-40	180	3
Proceeds from sale of other shares		292	240	624
Proceeds from sale of tangible and intangible assets		3	158	94
Increase in other long-term investments		-38	-57	-120
Decrease in other long-term investments		159	-	14
Termination of Champion agreement		143	-	-
Cash used in investing activities		<u>-329</u>	<u>-82</u>	<u>-106</u>
Cash flow before financing activities		1,310	1,182	950
Cash flow from financing activities				
Increase in long-term liabilities		137	962	630
Decrease in long-term liabilities		-763	-1,172	-869
Increase (+) or decrease (-) in current interest-bearing liabilities ..		19	-543	-238
Increase (-) or decrease (+) in interest-bearing receivables		44	-12	2
Dividends paid		-324	-290	-249
Extra dividends paid for 1999		-233	-	-
Purchase of own shares		-279	-236	-309
Other items		1	9	66
Cash used in financing activities		<u>-1,398</u>	<u>-1,282</u>	<u>-967</u>
Net increase (+) or decrease (-) in cash and cash equivalents ..	e)	-93	-92	-22
Cash and cash equivalents at 1 Jan.		<u>321</u>	<u>413</u>	<u>435</u>
Cash and cash equivalents at 31 Dec.		<u>228</u>	<u>321</u>	<u>413</u>

Additional information on consolidated cash flow statement

MEUR	2000	1999	1998
a)			
Adjustments to operating profit			
Depreciation and value adjustments	674	614	615
Gains (–) or losses (+) on sale of fixed assets	–493	–581	–613
Share of results (+/–) of associated companies	–153	–14	–53
Other	125	22	20
Total	153	41	–31
b)			
Change in net working capital			
Increase (–) or decrease (+) in stocks	–99	79	–30
Increase (–) or decrease (+) in non-interest-bearing receivables	63	–258	185
Increase (+) or decrease (–) in current non-interest-bearing liabilities	23	180	–171
Total	–13	1	–16
c)			
Taxes paid			
Taxes paid, total	–588	–367	–391
Allocated to sale of shares	246	155	98
Allocated to sale of other fixed assets	19	–	2
Allocated to termination of the Champion agreement	58	–	–
Total	–265	–212	–291
d)			
Additional information on acquisition of Group companies			
Effect of acquired companies on consolidated assets and liabilities			
Non-current assets	–1,574	–29	–11
Current assets	–324	–23	–18
Non-current liabilities	1,252	11	14
Current liabilities	295	27	7
Other items	12	–	–11
Cash flow	–339	–14	–19
Relinquishment of own shares	–	–	19
Less cash and cash equivalents of acquired companies	68	1	–1
Cash flow on acquisition net of cash acquired	–271	–13	–1
e)			
Effect of exchange rate differences on cash and cash equivalents			
Cash and cash equivalents at 1 Jan.	321	413	435
Effect of exchange rate changes	–5	8	–5
	316	421	430
Increase (+) or decrease (–) in cash and cash equivalents ...	–88	–100	–17
Cash and cash equivalents at 31 Dec.	228	321	413

Notes to the consolidated accounts

Accounting policies

Use of the euro in the accounts

The accounts for 2000 have been prepared in euro. Figures stated in Finnish markka for 1998 and previous years have been converted into euro using the official conversion rate, 1 euro = 5.94573 markka.

Principles of consolidation

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

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

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

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

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

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

Foreign currencies

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

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

Exchange differences on derivative contracts relating to the Group's net cash flow are entered under turnover. Other exchange differences arising from hedging instruments are entered under financial income and expenses. Open derivative contracts are valued at the middle rate of exchange prevailing at the balance sheet date and are entered in the profit and loss account. The exception is derivative contracts relating to the Group's net cash flow, which are entered in the profit and loss account as the cash flow is credited or debited.

Tangible and intangible assets and depreciation

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

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

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

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

Own shares

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

Stocks

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

Appropriations

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

Deferred taxes

Deferred tax liabilities and assets are recorded in the consolidated balance sheet and are calculated from timing differences. Deferred tax liability is calculated on revaluations. Accumulated depreciation difference and untaxed reserves (appropriations) are divided into shareholders' equity and deferred tax liability in the consolidated balance sheet. Under Finland's Companies Act, those portions of untaxed reserves and accumulated depreciation difference included in shareholders' equity are excluded from distributable funds.

Provisions

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

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

Turnover

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

Research and development

Research and development costs are expensed as incurred.

Pension arrangements

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

Extraordinary income and expenses

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

Income taxes

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

Group

1 Turnover by division MEUR	2000	1999	1998
Publication Papers	4,132	3,440	3,561
Fine Papers	1,617	1,219	1,218
Converting Materials	1,940	1,734	1,685
Wood Products	1,490	1,301	1,331
Chemical pulp	731	567	526
Forest	1,148	1,066	1,090
Energy	352	391	475
Other	354	473	509
Intra-Group sales	-2,181	-1,930	-2,030
	9,583	8,261	8,365

Turnover by market MEUR	2000	1999	1998
Germany	1,565	1,360	1,253
Great Britain	1,398	1,212	1,207
Finland	1,020	1,102	1,142
France	982	823	890
Other EU countries	1,938	1,687	1,771
Other European countries	670	570	559
North America	1,201	886	854
Rest of world	809	621	689
	9,583	8,261	8,365

2 Other operating income MEUR	2000	1999	1998
Capital gains on disposal of fixed assets	523	593	635
Income from rents	13	11	10
Other	3	18	4
	539	622	649

3 Costs and expenses MEUR	2000	1999	1998
Change in stocks of finished goods and work in progress	-122	36	-2
Production for own use	-18	-15	-13
Materials and services			
Raw materials, consumables and goods			
Purchased during the period	4,573	3,758	3,954
Change in stocks	-2	35	2
External services	678	628	560
	5,109	4,442	4,501

Personnel expenses	2000	1999	1998
Salaries and fees			
Salaries of boards of directors and managing directors	21	21	22
Other salaries	1,158	1,067	1,097
	1,179	1,088	1,119

Indirect employee costs	2000	1999	1998
Pension expenses	112	122	141
Other indirect employee costs	178	159	147
	290	281	288

Other operating costs and expenses ¹⁾	2000	1999	1998
	1,163	899	924
	7,741	6,710	6,832

¹⁾ The year 2000 figure includes a EUR 128 million writedown caused by the standardization of Miramichi's depreciation practice.

The annual salaries, emoluments in kind and fees paid to the Parent Company's Managing Director and Deputy Managing Director in 2000 were EUR 0.504 million (0.431 million) and EUR 0.361 million (0.327 million), respectively.

At 31 December 2000, none of the Group's managing directors, deputy managing directors or members of the boards of directors had any loans outstanding from the company or its subsidiaries.

Personnel (average)	2000	1999	1998
Publication Papers	9,350	9,146	9,147
Fine Papers	3,821	3,677	3,881
Converting Materials	7,602	7,764	8,753
Wood Products	7,267	6,877	7,398
Chemical pulp	1,485	1,601	1,808
Forest	1,447	1,510	1,564
Energy	37	42	43
Other	1,631	1,652	1,788
Total	32,640	32,269	34,382

4	Share of results of associated companies MEUR	2000	1999	1998
	Oy Metsä-Botnia Ab	171	32	41
	Pohjolan Voima Oy	-4	6	8
	Others	-14	-24	4
	Total included in operating profit	153	14	53

5	Depreciation according to plan and value adjustments MEUR	2000	1999	1998
	Depreciation according to plan			
	Formation expenses	-	1	2
	Intangible rights	3	3	4
	Goodwill	1	1	1
	Goodwill on consolidation	20	15	18
	Other capitalized expenditure	20	18	14
	Buildings	69	64	65
	Machinery and equipment	505	469	461
	Other tangible assets	12	12	13
		630	583	578
	Value adjustments on non-current assets	44	31	37
		674	614	615

6	Financial income and expenses MEUR	2000	1999	1998
	Income from other investments held as non-current assets			
	Dividend income	50	11	11
	Interest received	21	8	5
	Other interest and financial income			
	Other interest income	26	13	26
	Other financial income	4	2	3
	Exchange differences	5	2	-4
	Interest expenses and other financial expenses			
	Interest expenses	-234	-201	-241
	Other financial expenses	-15	-12	-8
	Share of results of associated companies	-	2	25
		-143	-175	-183

7	Extraordinary items MEUR	2000	1999	1998
	Extraordinary income ¹⁾	230	-	-
	Taxes on extraordinary income	-66	-	-
		164	-	-
	Extraordinary expenses ¹⁾	-30	-	-
	Taxes on extraordinary expenses	8	-	-
		-22	-	-
		142	-	-

¹⁾ Extraordinary income and expenses are associated with the Champion agreement and its termination.

8	Income taxes MEUR	2000	1999	1998
	Taxes for the financial period	564	428	377
	Included in extraordinary items	-58	-	-
	Taxes from previous periods	22	-6	22
	Change in deferred taxes ²⁾	-34	-18	8
		494	404	407
	²⁾ Change in deferred taxes			
	From timing differences	-2	-41	6
	From consolidation eliminations	-0	-3	-26
	From appropriations	-32	26	28
		-34	-18	8

Group

9 Intangible assets MEUR	2000	1999
Formation expenses		
Acquisition cost at 1 Jan.	19	17
Increases	–	–
Decreases	–	–
Difference on translation	–	2
Acquisition cost at 31 Dec.	19	19
Accumulated depreciation at 1 Jan.	–19	–16
Difference on translation	–	–2
Decreases	–	–
Depreciation for the period	–	–1
Accumulated depreciation at 31 Dec.	–19	–19
Book value at 31 Dec.	–	–
Intangible rights		
Acquisition cost at 1 Jan.	48	45
Difference on translation	–	–
Increases	41	3
Decreases	–8	–1
Transfers between balance sheet items	–	1
Acquisition cost at 31 Dec.	81	48
Accumulated depreciation at 1 Jan.	–33	–31
Accumulated depreciation on decreases and transfers	5	2
Depreciation for the period	–3	–3
Value adjustments and their cancellations	–	–1
Accumulated depreciation at 31 Dec.	–31	–33
Book value at 31 Dec.	50	15
Goodwill		
Acquisition cost at 1 Jan.	13	12
Difference on translation	–	1
Increases	11	–
Decreases	–10	–
Transfers between balance sheet items	–	–
Acquisition cost at 31 Dec.	14	13
Accumulated depreciation at 1 Jan.	–8	–7
Accumulated depreciation on decreases and transfers	3	–
Depreciation for the period	–1	–1
Accumulated depreciation at 31 Dec.	–6	–8
Book value at 31 Dec.	8	5
Other capitalized expenditure		
Acquisition cost at 1 Jan.	183	159
Difference on translation	1	–
Increases	23	14
Decreases	–44	–7
Transfers between balance sheet items	2	17
Acquisition cost at 31 Dec.	165	183
Accumulated depreciation at 1 Jan.	–116	–102
Accumulated depreciation on decreases and transfers	43	5
Depreciation for the period	–20	–18
Value adjustments and their cancellations	–	–1
Accumulated depreciation at 31 Dec.	–93	–116
Book value at 31 Dec.	72	67

MEUR	2000	1999
Advance payments		
Acquisition cost at 1 Jan.	6	6
Increases	20	6
Decreases	–	–1
Transfers between balance sheet items	–	–5
Book value at 31 Dec.	26	6

10 Goodwill on consolidation MEUR	2000	1999
Acquisition cost at 1 Jan.	272	268
Increases	352	14
Decreases	–1	–
Transfers between balance sheet items and other changes	–10	–10
Acquisition cost at 31 Dec.	613	272
Accumulated depreciation at 1 Jan.	–55	–50
Accumulated depreciation on decreases and transfers	10	10
Depreciation for the period	–20	–15
Accumulated depreciation at 31 Dec.	–65	–55
Book value at 31 Dec.	548	217

EUR 155 million in goodwill arising on consolidation has been allocated to machinery and equipment (63 million), EUR 75 million to land (76 million), EUR 21 million to shares (21 million), EUR 15 million to build-ings (17 million) and EUR 11 million to intangible rights (0 million).

11 Tangible assets MEUR	2000	1999
Land and water areas		
Acquisition cost at 1 Jan.	605	603
Difference on translation	1	2
Increases	14	4
Decreases	–5	–6
Transfers between balance sheet items	15	2
Acquisition cost at 31 Dec.	630	605
Accumulated depreciation at 1 Jan.	–	–
Value adjustments and their cancellations	–7	–
Accumulated depreciation at 31 Dec.	–7	–
Revaluations ¹⁾	567	567
Book value at 31 Dec.	1,190	1,172
¹⁾ Revaluations		
Value at 1 Jan.	567	585
Decreases	–	–18
Value at 31 Dec.	567	567

MEUR	2000	1999
Buildings		
Acquisition cost at 1 Jan.	2,005	1,944
Difference on translation	8	34
Increases	301	40
Decreases	-57	-46
Transfers between balance sheet items	27	33
Acquisition cost at 31 Dec.	2,284	2,005
Accumulated depreciation at 1 Jan.	-733	-677
Difference on translation	-3	-9
Accumulated depreciation on acquired companies	-61	-
Accumulated depreciation on decreases and transfers	29	21
Depreciation for the period	-67	-64
Value adjustments and their cancellations	-1	-4
Accumulated depreciation at 31 Dec.	-836	-733
Book value at 31 Dec.	1,448	1,272
Machinery and equipment		
Acquisition cost at 1 Jan.	8,496	8,090
Difference on translation	46	170
Increases	1,577	336
Decreases	-246	-200
Transfers between balance sheet items	88	100
Acquisition cost at 31 Dec.	9,961	8,496
Accumulated depreciation at 1 Jan.	-4,619	-4,228
Difference on translation	-21	-82
Accumulated depreciation on acquired companies	-394	-
Accumulated depreciation on decreases and transfers	201	187
Depreciation for the period	-503	-472
Value adjustments and their cancellations	-43	-24
Accumulated depreciation at 31 Dec.	-5,379	-4,619
Book value at 31 Dec.	4,582	3,877
Other tangible assets		
Acquisition cost at 1 Jan.	231	224
Difference on translation	1	3
Increases	49	11
Decreases	-7	-11
Transfers between balance sheet items	-13	4
Acquisition cost at 31 Dec.	261	231
Accumulated depreciation at 1 Jan.	-135	-128
Difference on translation	-	-2
Accumulated depreciation on acquired companies	-7	-
Accumulated depreciation on decreases and transfers	12	7
Depreciation for the period	-12	-12
Accumulated depreciation at 31 Dec.	-142	-135
Book value at 31 Dec.	119	96
Advance payments and construction in progress		
Acquisition cost at 1 Jan.	147	168
Difference on translation	1	5
Increases	267	169
Decreases	-47	-33
Transfers between balance sheet items	-146	-162
Book value at 31 Dec.	222	147

12 Investments held as non-current assets

MEUR	2000	1999
Holdings in associated companies		
Acquisition cost at 1 Jan.	717	928
Difference on translation	-	1
Increases	217	16
Decreases	-10	-51
Transfers between balance sheet items	-106	-177
Acquisition cost at 31 Dec.	818	717
Accumulated depreciation at 1 Jan.	-4	0
Value adjustments and their cancellations	-11	-4
Accumulated depreciation at 31 Dec.	-15	-4
Revaluations ¹⁾	103	103
Book value at 31 Dec.	906	816
¹⁾ Revaluations		
Value at 1 Jan.	103	127
Decreases	-	-24
Value at 31 Dec.	103	103
Holdings in associated companies include net unamortized goodwill of EUR 20 million (17 million). Of this amount, EUR 15 million (11 million) relates to Pohjolan Voima Oy's shares.		
Receivables from associated companies		
Acquisition cost at 1 Jan.	180	304
Increases	5	6
Decreases	-80	-31
Transfers between balance sheet items	-11	-99
Acquisition cost at 31 Dec.	94	180
Accumulated depreciation at 1 Jan.	-55	-52
Value adjustments and their cancellations	4	-3
Accumulated depreciation at 31 Dec.	-51	-55
Book value at 31 Dec.	43	125
Other shares and holdings		
Acquisition cost at 1 Jan.	401	235
Difference on translation	-	-4
Increases	22	13
Decreases	-6	-18
Transfers between balance sheet items	-1	175
Acquisition cost at 31 Dec.	416	401
Accumulated depreciation at 1 Jan.	-27	-26
Value adjustments and their cancellations	-4	-1
Accumulated depreciation at 31 Dec.	-31	-27
Revaluations ¹⁾	61	61
Book value at 31 Dec.	446	435
¹⁾ Revaluations		
Value at 1 Jan.	61	61
Value at 31 Dec.	61	61
Market values and basis for valuations		
The book value of shares in companies listed on the Helsinki Stock Exchange is EUR 208 million. The market value at 31 December 2000 was EUR 1,477 million. The difference is due mainly to the value of Nokia Corporation shares.		

Group

MEUR	2000	1999
Other receivables		
Acquisition cost at 1 Jan.	255	54
Increases	347	93
Decreases	-379	-2
Transfers between balance sheet items	1	110
Acquisition cost at 31 Dec.	224	255
Book value at 31 Dec.	224	255

13 Own shares MEUR	2000	1999
Acquisition cost at 1 Jan.	236	289
Increases	279	236
Own shares declared void	-236	-289
Book value at 31 Dec.	279	236

At 31 December 2000, the Group (parent company) held 9,325,708 (7,538,000) own shares, which represented EUR 16 million (13 million) of the share capital and had a total purchase price of EUR 279 million (236 million).

14 Stocks MEUR	2000	1999
Raw materials and consumables	411	352
Work in progress	57	45
Finished products and goods	658	519
Other stocks	2	39
Advance payments	56	53
	1,184	1,008

15 Non-current receivables MEUR	2000	1999
Trade receivables	1	-
Loan receivables	2	2
Other receivables	37	6
Prepayments and accrued income	23	3
	63	11

16 Current receivables MEUR	2000	1999
Trade receivables	1,186	1,093
Loan receivables	18	13
Other receivables	124	171
Prepayments and accrued income ¹⁾	147	222
	1,475	1,499

¹⁾ Main items included in current prepayments and accrued income

Personnel expenses	13	16
Interest income	18	19
Income taxes	34	28
Currency derivatives	23	76
Indirect taxes	12	21
Others	47	62
	147	222

Receivables from associated and participating interest companies

Trade receivables	14	31
Loan receivables	-	12
Prepayments and accrued income	-	29
	14	72

Some Group companies in Great Britain, France, Italy and Germany have made agreements with third parties concerning their trade receivables (asset securitization). The Group companies in question have agreed to sell the ownership right to specified trade receivables on a continuous and irrevocable basis. The value of the receivables sold on the basis of the asset securitization agreement at 31 December 2000 was EUR 252 (115) million, and it is presented on the consolidated balance sheet as a decrease in trade receivables. The security associated with the asset securitization programme is reported on the consolidated balance sheet under other receivables. The expenses incurred in the sales of these receivables are included in financial expenses on the consolidated profit and loss account. Increases and decreases in trade receivables are reported on the consolidated cash flow statement as cash generated from operations.

Interest-bearing receivables	2000	1999
Non-current assets		
Loan receivables	219	345
Current assets		
Loan receivables	3	2
Trade receivables	6	13
Other receivables	25	60
Cash in hand and at bank	228	321
	481	741

17 Shareholders' equity MEUR

	Share capital	Share premium reserve	Revaluation reserve	Reserve for own shares	Legal reserve	Retained earnings	Shareholders' equity, total
Shareholders' equity at 1 Jan. 1999	467	111	622	289	676	3,146	5,311
Convertible bond loan 1994	3	34	–	–	–	–	37
Own shares declared void	–22	22	–	–289	–	–	–289
Cancellation of revaluations	–	–	–42	–	–	–	–42
Deferred tax liability on revaluations	–	–	–216	–	–	–	–216
Transferred to reserve for own shares	–	–	–	236	–	–236	–
Dividends paid	–	–	–	–	–	–289	–289
Profit for the period	–	–	–	–	–	994	994
Translation differences and other	–	–	–	–	–3	33	30
Shareholders' equity at 31 Dec. 1999	448	167	364	236	673	3,648	5,536
Convertible bond loan 1994	2	19	–	–	–	–	21
Own shares declared void	–13	13	–	–236	–	–	–236
Deferred tax liability from revaluations	–	–	2	–	–	–	2
Transferred to reserve for own shares	–	–	–	279	–	–279	–
Dividends paid	–	–	–	–	–	–558	–558
Profit for the period	–	–	–	–	–	1,366	1,366
Translation differences and other	–	–	–	–	–1	26	25
Shareholders' equity at 31 Dec. 2000	437	199	366	279	672	4,203	6,156

Distributable funds at 31 Dec. MEUR	2000	1999
Reserve for own shares	279	236
Retained earnings	2,837	2,654
Profit for the period	1,366	994
Portion of accumulated depreciation difference and untaxed reserves transferred to shareholders' equity	–1,675	–1,685
Cost of acquisition of own shares	–279	–236
Distributable funds at 31 Dec.	2,528	1,963

18 Provisions MEUR	2000	1999
Pension provisions	72	68
Other	58	47
	130	115

Group

19	Deferred tax liability MEUR	2000	1999
	Deferred tax liability		
	From timing differences	152	145
	From consolidation eliminations	14	12
	From appropriations	655	688
	From revaluations ¹⁾	214	216
		1,035	1,061

	Deferred tax receivable		
	From timing differences	260	192
	From consolidation eliminations	43	42
		303	234

	Deferred tax liability net	732	827
--	----------------------------	-----	-----

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

20	Non-current liabilities MEUR	2000	1999
	Bond loans	1,804	1,210
	Convertible bond loans	117	101
	Loans from financial institutions	853	614
	Pension loans	652	711
	Trade payables	–	2
	Other liabilities	276	250
		3,702	2,888

	Payables to associated companies		
	Other liabilities	31	31
		31	31

Repayment schedule for long-term loans

In 2002–2005 / 2001–2004		2000	1999
	Bond loans	620	–
	Convertible bond loans	117	101
	Loans from financial institutions	688	400
	Pension loans	268	276
	Trade payables	–	2
	Payables to associated and participating interest companies	31	31
	Other liabilities	210	161
		1,934	971

	In 2006– / 2005–		
	Bond loans	1,185	1,210
	Convertible bond loans	–	–
	Loans from financial institutions	165	214
	Pension loans	383	435
	Other liabilities	35	58
		1,768	1,917

	Total at 31 Dec.	3,702	2,888
--	------------------	-------	-------

Bond loans	Interest, %	Initial loan, mill.	2000	1999
Fixed interest				
1988–2000	4.75	CHF 100	–	62
1995–2005	7.72	USD 155	166	155
1993–2000	9.75	FIM 50	–	8
1993–2008	9.10	FIM 22	4	4
1997–2007	6.875	USD 225	242	224
1997–2027	7.45	USD 375	403	374
1999–2009	6.35	EUR 250	250	250
1999–2029	4.46	JPY 11,000	103	107
1999–2029	4.55	JPY 10,000	94	97
2000–2010	3.55	JPY 10,000	93	–
1995–2005 ¹⁾	10.625	USD 350	183	–
1998–2004 ¹⁾	9.00	USD 200	183	–
1999–2004 ¹⁾	11.50	USD 150	83	–
			1,804	1,219
			1,804	1,281
			–	–71
			1,804	1,210

Subordinated convertible bond loans	Interest, %	Initial loan million	2000	1999
Convertible bond loan 1994 ²⁾	6.50	FIM 960	81	101
Convertible bond loan 1998 ³⁾	6.00	USD 45	36	–
– current portion			–	–
Convertible bond loans, long-term portion			117	101

¹⁾ Loans transferred from Repap.

²⁾ The subordinated convertible bonds may be exchanged for shares between January and October each year. Each FIM 10,000 debenture entitles the holder to 78 shares at a computed price of FIM 128.21 (EUR 21.56) per share. Under the terms of the issue, the company has had the right, from 25 March 1998, to reduce the loan period.

³⁾ Following the acquisition of Repap by UPM-Kymmene, the holders of subordinated bonds are entitled to subscribe special shares in Repap's successor company, i.e. UPM-Kymmene Canada Holdings Inc., instead of shares in Repap. According to the terms of the special shares, the outstanding special shares may be redeemed at the company's discretion for CAD 0.20 per share. As the conversion price into special shares is USD 0.35, it is not expected that the convertible bond loan would be exchanged for shares.

21 Current liabilities MEUR	2000	1999
Bond loans	–	71
Loans from financial institutions	417	292
Pension loans	69	68
Advances received	13	18
Trade payables	704	625
Bills of exchange payable	206	188
Other liabilities	330	318
Accruals and deferred income ¹⁾	635	612
	2,374	2,192

Payables to associated and participating interest companies		
Trade payables	33	28
Other liabilities	–	10
Accruals and deferred income	–	7
	33	45

¹⁾ Main items included in current accruals and deferred income		
Personnel expenses	244	194
Interest income	2	2
Interest expenses	44	43
Income tax	104	170
Currency derivatives	11	14
Indirect taxes	39	42
Others	192	147
	636	612

Net interest-bearing liabilities		
Interest-bearing liabilities		
Non-current liabilities		
Bond loans	1,804	1,210
Convertible bond loans	117	101
Loans from financial institutions	853	614
Pension loans	652	711
Other liabilities	257	246
	3,683	2,882
Current liabilities		
Amortization of long-term loans	296	431
Bills of exchange payable	206	188
Other current liabilities	367	180
	869	799
Interest-bearing liabilities, total	4,552	3,681

Interest-bearing receivables		
Non-current assets		
Loan receivables	219	345
Current assets		
Loan receivables	3	2
Trade receivables	6	13
Other receivables	25	60
Cash in hand and at bank	228	321
Interest-bearing receivables, total	481	741
Net interest-bearing liabilities	4,071	2,940

22 Contingent liabilities MEUR	2000	1999
Mortgages ¹⁾		
As security against own debts	945	504
Guarantees		
Guarantees for loans		
On behalf of associated and participating interest companies	73	80
On behalf of others	4	6
Other guarantees		
On own commitments	58	41
On behalf of others	4	2
Pension liabilities		
Direct liabilities	3	4
Leasing commitments ²⁾		
Commitments for 2001/2000	17	15
Commitments for subsequent years	63	57
Other commitments	70	47

¹⁾ Includes securities of EUR 450 million for Miramichi's bond loans. The other mortgages given by the Group and the parent company relate mainly to reborrowing of statutory employment pension contributions. Mortgages have been given either to the lender or the guarantor.

²⁾ UPM-Kymmene has also leased certain power plants under long-term agreements and uses the electrical power generated by these plants in its production. The company has the right, but not the obligation, to purchase these power plants or shares therein. Leasing commitments are EUR 20 million in 2001 and subsequently EUR 158 million up to 2012. UPM-Kymmene estimates that the market value of these agreements exceeds the above commitments.

Directors' pension commitments

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

Group

Market and nominal values of the Group's derivative agreements open at 31 December.

	Market value		Nominal value	
	2000	1999	2000	1999
Currency derivatives				
Forward contracts	-5	-26	2,845	1,348
Option contracts				
bought	1	3	30	212
written	-	-3	60	270
Swap contracts	-	20	320	498
Interest rate derivatives				
Forward contracts	-5	1	4,234	2,655
Option contracts				
bought	-	-	-	-
written	-	-	-	-
Swap contracts	3	-69	2,419	3,203
Other derivatives ¹⁾				
Forward contracts	-15	-	91	11

¹⁾ Other derivatives include pulp, paper and electricity derivatives. The parent company's share of their market value is EUR 0 million (0 million) and that of their nominal value EUR 6 million (11 million).

Interest rate derivatives are included under interest expenses during the period of validity of the contracts. Currency derivatives are included in the financial result at market value except for those relating to net currency flows, which are entered in the profit and loss account as the cash flow is credited or debited. The outcomes of other derivatives are entered in the profit and loss account as the cash flow is credited or debited.

Methods used to determine the current values of derivative contracts

Derivative contracts are valued at the present value of the cash flows arising from them.

Financial risks

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

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

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

Foreign currency risks

Management of foreign currency exposure is divided into two parts: that relating to foreign currency flows and that relating to foreign currency denominated balance sheet items.

The first concerns the 12-month forecasted commercial foreign currency flows and their related hedging. Hedging 50% of the net foreign currency flow for the 12 months ahead is considered neutral. The overall hedging rate may vary between 25 and 100%, and the hedging rates for individual currencies between 0 and 100%. The table below shows the nominal and market values of the hedging instruments as well as their middle rates at 31 December 2000.

Currency	Nominal value of instruments MEUR	Market value of instruments MEUR	Middle rates of instruments
USD	436	2	0.9254
GBP	313	1	0.6212
CAD	-202	-12	1.2965
SEK	57	3	8.3369
DKK	49	-	7.4990
JPY	47	6	95.51
CHF	46	-1	1.5381
NOK	39	-	8.3047
Others	40	1	
Total	825	-	

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

The Group's financial results and competitiveness are also affected indirectly by the domestic currencies of its main competitors, principally the US dollar, the Canadian dollar and the Swedish krona. Exposure to these risks is not hedged. However, the company's own production in the United States and Canada reduces this risk.

The balance sheet position comprises foreign currency denominated debts and receivables. According to the Group's Financial Policy, the aim is a fully hedged position. At 31 December 2000 the balance sheet position was EUR 346 million. It mainly comprises financing operations concerning China. Foreign currency risks associated with the shareholders' equity of foreign subsidiaries are not hedged.

Interest rate risks

According to the Group's Financial Policy, the financing of foreign subsidiaries occurs in their own domestic currencies. As a consequence of this policy, the Group's most important loan currencies are the euro, U.S. dollar, sterling and Canadian dollar. China is the only exception to this domestic currency rule.

The Group's interest-bearing net debts (including derivatives) at 31 December 2000 were broken down by currency as follows:

Currency	Amount BEUR	Average interest rate, %	Interest rate sensitivity ¹⁾ MEUR
EUR	2.4	5.2	11
USD	1.2	7.3	4
GBP	0.2	6.2	2
CAD	0.1	5.8	3
Others	0.2	6.5	0
Total	4.1	5.8	20

¹⁾ Effect of a one percentage point rise in market rates of interest on the Group's net interest expenses over the following 12 months.

Management of interest rate risks is based on the 12-month average duration of the net debt portfolio as defined in the Group's Financial Policy. This relatively short duration is based on the assumption that, on average, yield curves will be positive. This approach thus reduces interest costs in the long term. The duration may deviate from the 12-month norm by +/- 6 months. At 31 December 2000, the average duration of the net debt portfolio was 12.7 months.

Liquidity and refinancing risks

The Group seeks to maintain adequate liquidity under all circumstances by means of efficient cash management and restricting investments to those that can be realized quickly. Cash funds are only invested where the credit risk is limited. In addition to cash funds of EUR 228 million, at 31 December 2000 the Group had unused committed credit facilities amounting to EUR 1.7 billion.

Refinancing risks are minimized by ensuring that the loan portfolio has a balanced maturity schedule and that loans have sufficiently long maturities. The average loan maturity at 31 December 2000 was 7.4 years (8.6 years at 31 December 1999).

Loan maturity schedule at 31 December 2000

Year	Loan repayments MEUR	Committed credit facilities MEUR	Use of committed credit facilities MEUR	Total MEUR
2001	-869	1,745	-	492
short-term ¹⁾	-573	-	-	-
long-term	-296	-385	-	-
2002	-355	-322	-	-677
2003	-269	-591	-	-860
2004	-553	-447	-	-1,000
2005	-704	-	-	-704
2006	-126	-	-	-126
2007	-353	-	-	-353
2008	-90	-	-	-90
2009-	-1,233	-	-	1,233
Total	-4,552	-	-	-4,552

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

The most important financing programmes currently in use are:

- Domestic commercial paper programme, EUR 500 million
- Euro commercial paper programme, USD 500 million
- Medium term note programme, EUR 2 billion
- Revolving credit facility, EUR 716 million (matures 2001-2003)
- Revolving credit facility, EUR 895 million (matures 2003-2004)

Parent company accounts

Profit and loss account

1.1–31.12, MEUR	Note	2000	1999
Turnover	(1)	4,780	4,207
Increase (+) or decrease (–) in finished goods ...		20	–31
Production for own use		14	8
Other operating income	(2)	527	551
Raw materials and services			
Raw materials and consumables			
Purchases during the financial period		–2,322	–2,105
Increase (–) or decrease (+) in stocks		–5	1
External services		–301	–273
		–2,628	–2,377
Personnel expenses			
Wages and salaries	(3)	–454	–429
Social security expenses			
Pension expenses		–66	–69
Other social security expenses		–48	–50
		–568	–548
Depreciation and value adjustments	(4)		
Depreciation according to plan		–282	–275
Value adjustments to goods held as non-current assets		–4	–5
		–286	–280
Other costs and expenses		–490	–415
Operating profit		1,369	1,115
Financial income and expenses			
Income from investments held as non-current assets			
Income from Group companies		42	6
Income from participating interest companies ..		7	53
Income from other shares and holdings		65	14
Interest income from Group companies		47	50
Interest income from other companies		21	8
Other interest and financial income			
Other interest income from Group companies ..		24	13
Other interest income from other companies ..		16	5
Other financial income from Group companies ..		27	95
Other financial income from other companies ..		3	1
Interest and other financial expenses			
Interest expenses paid to Group companies ..		–13	–13
Interest expenses paid to other companies ...		–155	–153
Other financial expenses paid to Group companies		–7	–
Other financial expenses paid to other companies		–22	–85
		55	–6
Profit before extraordinary items		1,424	1,109
Extraordinary items	(5)		
Extraordinary income		471	164
Extraordinary expenses		–30	–5
		441	159
Profit before appropriations and taxes		1,865	1,268
Appropriations			
Increase (–) or decrease (+) in accumulated depreciation difference		47	13
Income taxes	(6)	–552	–362
Profit for the financial period		1,360	919

Funds statement

MEUR	2000	1999
Business operations		
Operating profit	1,369	1,115
Adjustments to operating profit ^{a)}	–190	–248
Change in net working capital ^{b)}	–94	–148
Interest	–60	–90
Dividends received	93	52
Other financial items	62	–42
Taxes ^{c)}	–287	–177
Net cash flow from operations	893	462
Investments		
Purchase of shares	–512	–31
Purchase of other fixed assets	–264	–227
Sale of shares	381	434
Sale of other fixed assets	21	43
Increase in other non-current investments	–665	–157
Decrease in other non-current investments	502	157
Termination of Champion agreement	143	–
Total cash used in investments	–394	219
Cash flow before financing	499	681
Financing		
Increase in non-current liabilities	121	862
Decrease in non-current liabilities	–243	–865
Increase (–) or decrease (+) in interest-bearing receivables	–154	72
Increase (+) or decrease (–) in interest-bearing current liabilities	293	–418
Purchase of own shares	–279	–236
Dividends paid	–557	–289
Group contributions, received and paid	171	114
Share issue and share conversions	21	37
Other items	–	–
Total financing	–627	–723
Increase (+) or decrease (–) in liquid funds	–128	–42
Liquid funds at 1 Jan.	268	310
Liquid funds at 31 Dec.	140	268
a) Adjustments to operating profit		
Depreciation	282	275
Gains (+) or losses (–) on sale of fixed assets ..	–476	–528
Value adjustments on non-current assets	4	5
Total	–190	–248
b) Change in net working capital		
Increase (–) or decrease (+) in stocks	–20	45
Increase (–) or decrease (+) in non-interest-bearing receivables	–82	–200
Increase (+) or decrease (–) in non-interest-bearing current liabilities	8	7
Total	–94	–148
c) Taxes due to extraordinary items and the sale of fixed assets are presented on a net basis.		

Balance sheet

MEUR	Note	31.12.2000	31.12.1999	MEUR	Note	31.12.2000	31.12.1999
ASSETS				EQUITY AND LIABILITIES			
Non-current assets				Shareholders' equity (11)			
Intangible assets (7)				Share capital 437 448			
Intangible rights	2	2		Share premium reserve	199	167	
Goodwill	–	4		Revaluation reserve	555	555	
Other capitalized expenditure	31	35		Reserve for own shares	279	236	
Advance payments	24	5		Legal reserve	632	632	
		57	46	Retained earnings	1,119	1,038	
Tangible assets (8)				Profit for the financial period	1,360	919	
Land and water areas	1,033	1,032			4,581	3,995	
Buildings	540	552		Appropriations			
Machinery and equipment	1,923	2,028		Accumulated depreciation difference	1,581	1,628	
Other tangible assets	51	50		Provisions (12)			
Advance payments and construction in progress	102	53		Provisions for pensions	15	18	
	3,649	3,715		Other provisions	16	5	
Investments (9)					31	23	
Holdings in Group companies	2,683	1,486		Liabilities			
Receivables from Group companies	477	773		Non-current (13)			
Holdings in participating interest companies ..	596	713		Bond loans	1,355	1,210	
Receivables from participating interest				Convertible bond loans	81	101	
companies	70	156		Loans from financial institutions	408	466	
Other shares and holdings	347	352		Pension loans	576	638	
Other receivables	218	249		Payables to Group companies	4	3	
Own shares	279	236		Payables to participating interest companies ..	31	31	
	4,670	3,965		Other liabilities	1	1	
	8,376	7,726			2,456	2,450	
Current assets				Current (14)			
Stocks				Bond loans			
Raw materials and consumables	142	144			–	71	
Work in progress	5	6		Loans from financial institutions	129	127	
Finished products and goods	112	93		Pension loans	62	61	
Advance payments	56	52		Advances received	11	17	
	315	295		Trade payables	212	195	
Receivables				Bills of exchange payable	206	188	
Current (10)				Payables to Group companies	606	411	
Trade receivables	208	193		Payables to participating interest companies ..	25	39	
Receivables from Group companies	1,141	811		Other liabilities	217	80	
Receivables from participating interest				Accruals and deferred income	224	261	
companies	13	49			1,692	1,450	
Loan receivables	17	1			4,148	3,900	
Other receivables	55	73					
Prepayments and accrued income	76	130					
	1,510	1,257					
Cash in hand and at bank							
	140	268					
	1,965	1,820					
Total assets				Total liabilities			
		10,341	9,546			10,341	9,546

Parent company

1 Turnover

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

2 Other operating income MEUR	2000	1999
Capital gains on disposal of fixed assets	518	542
Income from rents	8	8
Other	1	1
	527	551

3 Personnel expenses MEUR	2000	1999
Salaries and fees		
Salaries of the Managing Director, Deputy Managing Director and members of the Board of Directors ¹⁾	1	1
Other salaries	453	428
	454	429

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

Loans to company directors

At 31 December 2000, the company's Managing Director, Deputy Managing Director and members of the Board of Directors had no loans outstanding from the company or its subsidiaries.

4 Depreciation according to plan and value adjustments MEUR	2000	1999
Depreciation according to plan		
Goodwill	1	1
Other capitalized expenditure	10	11
Buildings	29	28
Machinery and equipment	237	229
Other tangible assets	5	6
	282	275

Value adjustments		
Value adjustments on non-current assets	4	5
	286	280

5 Extraordinary items MEUR	2000	1999
Extraordinary income		
Group contributions	241	164
Termination of Champion agreement	230	–
	471	164
Extraordinary expenses		
Group contributions	–	–5
Expenses related to Champion agreement	–30	–
	–30	–5
	441	159

6 Income taxes M€	2000	1999
Taxes on business income for the financial period	414	311
Income taxes from previous periods	10	7
Income taxes on extraordinary items	128	44
	552	362

Deferred tax liabilities and receivables

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

Deferred tax liability comprises mainly depreciation differences, for which the deferred tax liability at 31 December 2000 was EUR 458 million (472 million).

Deferred tax liability is not stated separately for revaluations. Applying a tax rate of 29% to the amount of the revaluations, the potential tax liability arising from the sale of revalued assets is EUR 207 million (207 million).

7 Intangible assets MEUR	2000	1999
Intangible rights		
Acquisition cost at 1 Jan.	6	6
Transfers between balance sheet items	1	–
Acquisition cost at 31 Dec.	7	6
Accumulated depreciation at 1 Jan.	–4	–3
Accumulated depreciation on decreases and transfers	–1	–
Value adjustments and their cancellations	–	–1
Accumulated depreciation at 31 Dec.	–5	–4
Book value at 31 Dec.	2	2
Goodwill		
Acquisition cost at 1 Jan.	9	9
Decreases	–6	–
Acquisition cost at 31 Dec.	3	9
Accumulated depreciation at 1 Jan.	–5	–4
Accumulated depreciation on decreases and transfers	3	–
Depreciation for the period	–1	–1
Accumulated depreciation at 31 Dec.	–3	–5
Book value at 31 Dec.	–	4
Other capitalized expenditure		
Acquisition cost at 1 Jan.	97	90
Increases	5	4
Decreases	–1	–
Transfers between balance sheet items	–14	3
Acquisition cost at 31 Dec.	87	97
Accumulated depreciation at 1 Jan.	–62	–55
Accumulated depreciation on decreases and transfers	16	4
Depreciation for the period	–10	–11
Accumulated depreciation at 31 Dec.	–56	–62
Book value at 31 Dec.	31	35
Advance payments		
Acquisition cost at 1 Jan.	5	4
Increases	20	6
Transfers between balance sheet items	–1	–5
Book value at 31 Dec.	24	5

8 Tangible assets MEUR	2000	1999
Land and water areas		
Acquisition cost at 1 Jan.	484	483
Increases	3	4
Decreases	–2	–3
Acquisition cost at 31 Dec.	485	484
Revaluations at 1 Jan.	548	566
Cancellation of revaluations 1 Jan. – 31 Dec.	–	–18
Revaluations at 31 Dec.	548	548
Book value at 31 Dec.	1,033	1,032
Buildings		
Acquisition cost at 1 Jan.	863	845
Increases	13	11
Decreases	–3	–1
Transfers between balance sheet items	5	8
Acquisition cost at 31 Dec.	878	863
Accumulated depreciation at 1 Jan.	–311	–284
Accumulated depreciation on decreases and transfers	2	2
Depreciation for the period	–29	–28
Value adjustments and their cancellations	–	–1
Accumulated depreciation at 31 Dec.	–338	–311
Book value at 31 Dec.	540	552
Machinery and equipment		
Acquisition cost at 1 Jan.	4,266	4,104
Increases	110	130
Decreases	–55	–9
Transfers between balance sheet items	34	41
Acquisition cost at 31 Dec.	4,355	4,266
Accumulated depreciation at 1 Jan.	–2,238	–2,023
Accumulated depreciation on decreases and transfers	47	17
Depreciation for the period	–237	–229
Value adjustments and their cancellations	–4	–3
Accumulated depreciation at 31 Dec.	–2,432	–2,238
Book value at 31 Dec.	1,923	2,028
Other tangible assets		
Acquisition cost at 1 Jan.	114	112
Increases	6	2
Decreases	–1	–
Acquisition cost at 31 Dec.	119	114
Accumulated depreciation at 1 Jan.	–64	–59
Accumulated depreciation on decreases and transfers	1	1
Depreciation for the period	–5	–6
Accumulated depreciation at 31 Dec.	–68	–64
Book value at 31 Dec.	51	50
Advance payments and construction in progress		
Acquisition cost at 1 Jan.	53	76
Increases	106	68
Decreases	–18	–31
Transfers between balance sheet items	–39	–60
Book value at 31 Dec.	102	53

Parent company

9	Investments held as non-current assets				MEUR	
	MEUR	2000	1999	MEUR	2000	1999
Holdings in Group companies						
Acquisition cost at 1 Jan.		1,581	1,577	Acquisition cost at 1 Jan.	181	307
Increases		1,116	4	Increases	5	3
Decreases		-25	-	Decreases	-80	-30
Transfers between balance sheet items		106	-	Transfers between balance sheet items	-11	-99
Acquisition cost at 31 Dec.		2,778	1,581	Acquisition cost at 31 Dec.	95	181
Accumulated depreciation at 1 Jan.		-97	-94	Accumulated depreciation at 1 Jan.	-25	-25
Value adjustments and their cancellations		-	-3	Accumulated depreciation at 31 Dec.	-25	-25
Accumulated depreciation at 31 Dec.		-97	-97	Book value at 31 Dec.	70	156
Revaluations at 1 Jan.		2	2	Other shares and holdings		
Cancellation of revaluations 1 Jan. – 31 Dec.		-	-	Acquisition cost at 1 Jan.	316	199
Revaluations at 31 Dec.		2	2	Increases	-	13
Book value at 31 Dec.		2,683	1,486	Decreases	-4	-18
Receivables from Group companies						
Acquisition cost at 1 Jan.		773	778	Transfers between balance sheet items	4	122
Increases		339	63	Acquisition cost at 31 Dec.	316	316
Decreases		-646	-138	Accumulated depreciation at 1 Jan.	-25	-24
Transfers between balance sheet items		11	70	Value adjustments and their cancellations	-5	-1
Acquisition cost at 31 Dec.		477	773	Accumulated depreciation at 31 Dec.	-30	-25
Book value at 31 Dec.		477	773	Revaluations at 1 Jan.	61	61
Holdings in participating interest companies						
Acquisition cost at 1 Jan.		614	748	Revaluations at 31 Dec.	61	61
Increases		8	13	Book value at 31 Dec.	347	352
Decreases		-5	-25	Other receivables		
Transfers between balance sheet items		-109	-122	Acquisition cost at 1 Jan.	249	43
Acquisition cost at 31 Dec.		508	614	Increases	342	91
Accumulated depreciation at 1 Jan.		-4	-	Decreases	-373	-2
Value adjustments and their cancellations		-11	-4	Transfers between balance sheet items	-	117
Accumulated depreciation at 31 Dec.		-15	-4	Acquisition cost at 31 Dec.	218	249
Revaluations at 1 Jan.		103	127	Book value at 31 Dec.	218	249
Cancellation of revaluations 1 Jan. – 31 Dec.		-	-24	Own shares		
Revaluations at 31 Dec.		103	103	Acquisition cost at 1 Jan.	236	289
Book value at 31 Dec.		596	713	Increases	279	236
Receivables from participating interest companies						
Acquisition cost at 1 Jan.				Own shares declared void	-236	-289
Increases				Book value at 31 Dec.	279	236
Decreases						
Transfers between balance sheet items						
Acquisition cost at 31 Dec.						
Accumulated depreciation at 1 Jan.						
Value adjustments and their cancellations						
Accumulated depreciation at 31 Dec.						
Revaluations at 1 Jan.						
Cancellation of revaluations 1 Jan. – 31 Dec.						
Revaluations at 31 Dec.						
Book value at 31 Dec.						

At 31 December 2000, the company held 9,325,708 (7,538,000) shares, which represented FIM 16 million (13 million) of the share capital and had a total purchase price of FIM 279 million (236 million).

10 Current receivables

MEUR	2000	1999
Trade receivables	533	468
Loan receivables	826	550
Other receivables	56	74
Prepayments and accrued income *)	95	165
	1,510	1,257

*) Main items included in current prepayments and accrued income

Personnel expenses	7	9
Interest income	25	25
Income taxes	21	21
Others	42	110
	95	165

MEUR	2000	1999
Receivables from Group companies		
Trade receivables	313	265
Loan receivables	809	538
Other receivables	1	1
Prepayments and accrued income	18	7
	1,141	811

Receivables from participating interest companies

Trade receivables	12	10
Loan receivables	–	11
Prepayments and accrued income	1	28
	13	49

11 Shareholders' equity

MEUR	Share capital	Share premium reserve	Revaluation reserve	Reserve for own shares	Legal reserve	Retained earnings	Shareholders' equity, total
Shareholders' equity at 1 Jan. 1998	467	111	597	289	632	1,563	3,659
Convertible bond loan 1994	3	34	–	–	–	–	37
Own shares declared void	–22	22	–	–289	–	–	–289
Cancellation of revaluations	–	–	–42	–	–	–	–42
Transferred to reserve for own shares	–	–	–	236	–	–236	–
Share issue	–	–	–	–	–	–289	–289
Profit for the period	–	–	–	–	–	919	919
Shareholders' equity at 31 Dec. 1999	448	167	555	236	632	1,957	3,995
Convertible bond loan 1994	2	19	–	–	–	–	21
Own shares declared void	–13	13	–	–236	–	–	–236
Transferred to reserve for own shares	–	–	–	279	–	–279	–
Share issue	–	–	–	–	–	–557	–557
Other changes	–	–	–	–	–	–2	–2
Profit for the period	–	–	–	–	–	1,360	1,360
Shareholders' equity at 31 Dec. 2000	437	199	555	279	632	2,479	4,581

Distributable funds at 31 Dec.

MEUR	2000	1999
Reserve for own shares	279	236
Retained earnings	1,119	1,038
Profit for the period	1,360	919
Cost of acquisition of own shares	–279	–236
Distributable funds at 31 Dec.	2,479	1,957

12 Provisions

MEUR	2000	1999
Pension provisions	15	18
Tax provisions	12	1
Others	4	4
	31	23

Parent company

13 Non-current liabilities MEUR

	2000	1999
Bond loans	1,355	1,210
Convertible bond loans	81	101
Loans from financial institutions	408	466
Pension loans	576	638
Other liabilities	36	35
	<u>2,456</u>	<u>2,450</u>
Payables to Group companies		
Other liabilities	4	3
	<u>4</u>	<u>3</u>
Payables to associated and participating interest companies		
Other liabilities	31	31
	<u>31</u>	<u>31</u>
Long-term loans and their repayment schedule		
In 2002–2005 / 2001–2004		
Bond loans	166	–
Convertible bond loans	81	101
Loans from financial institutions	305	338
Pension loans	244	245
Payables to Group companies	1	–
Payables to participating interest companies	31	31
	<u>828</u>	<u>715</u>
In 2006– / 2005–		
Bond loans	1,189	1,210
Loans from financial institutions	103	128
Pension loans	332	393
Payables to Group companies	3	3
Other liabilities	1	1
	<u>1,628</u>	<u>1,735</u>
Total at 31 Dec.	<u>2,456</u>	<u>2,450</u>

Bond loans		Interest, %		Initial loan, mill.		2000	1999
Fixed interest							
1988–2000	4.75	CHF	100	–	62		
1995–2005	7.72	USD	155	166	155		
1993–2000	9.75	FIM	50	–	8		
1993–2008	9.10	FIM	22	4	4		
1997–2007	6.875	USD	225	242	224		
1997–2027	7.45	USD	375	403	374		
1999–2009	6.35	EUR	250	250	250		
1999–2029	4.46	JPY	11,000	103	107		
1999–2029	4.55	JPY	10,000	94	97		
2000–2010	3.55	JPY	10,000	93	–		
Bond loans, total						<u>1,355</u>	<u>1,281</u>
– current portion						–	–71
Bond loans, long-term portion						<u>1,355</u>	<u>1,210</u>
Convertible bond loans							
Subordinated convertible bond loan 1994 ¹⁾							
	6.50	FIM	960	81	101		
– current portion						–	–
Convertible bond loans, long-term portion						<u>81</u>	<u>101</u>

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

14 Current liabilities MEUR	2000	1999
Bond loans	–	71
Loans from financial institutions	129	127
Pension loans	62	61
Advances received	11	17
Trade payables	263	242
Bills of exchange payable	206	188
Other liabilities	765	475
Accruals and deferred income *)	256	269
	<u>1,692</u>	<u>1,450</u>
Payables to Group companies		
Trade payables	26	25
Other liabilities	548	385
Accruals and deferred income	32	1
	<u>606</u>	<u>411</u>
Payables to associated and participating interest companies		
Trade payables	25	22
Other liabilities	–	10
Accruals and deferred income	–	7
	<u>25</u>	<u>39</u>
*) Main items included in current accruals and deferred income		
Personnel expenses	103	86
Interest expenses	34	41
Currency derivatives	11	14
Income tax	72	112
Others	36	16
	<u>256</u>	<u>269</u>

15 Contingent liabilities MEUR	2000	1999
Mortgages ¹⁾		
As security against own debts	332	387
Guarantees		
Guarantees for loans		
On behalf of Group companies ²⁾	352	329
On behalf of associated and participating interest companies	73	80
On behalf of others	1	2
Other guarantees		
On behalf of Group companies	58	52
On behalf of others	2	1
Leasing commitments ³⁾		
Commitments for 2001/2000	–	1
Commitments for subsequent years	–	5
Other commitments ⁴⁾		

¹⁾ See Group, note 22.

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

³⁾ See Group, note 22.

⁴⁾ See Group, note 22: Market and nominal values of open derivative agreements.

Shares and holdings ¹⁾

	Production Sales and distribution Other	Parent company holding, %	Group holding, %
Group companies			
Anco Træ A/S, DK	▲	68.95	100.00
AS Puukeskus, EE	▲		100.00
Aureskoski Oy	■		100.00
A/O Fin-Stroimaterial, RU	▲		100.00
Blandin Paper Company, US	■		100.00
Bonvesta Oy	●	100.00	100.00
Brooks Group Ltd, IE	▲		100.00
Caledonian Paper plc, GB	■		100.00
Chapelle Darblay S.A., FR	■		100.00
Converflex Ab, SE	■		100.00
DCP-Lohja Inc, US	■		100.00
Forexplo S.A., FR	●		99.96
Galten Tømmerhandel A/S, DK	▲		100.00
Kalso-Teollisuus Oy	■		100.00
Kjellerup Tømmerhandel A/S, DK	▲		100.00
Kokkolan Puutavara Oy - Gamlakarleby Trävaru Ab	▲		100.00
Kymi Paper Oy	■	100.00	100.00
Lohja Papierprodukte GmbH, DE	▲		100.00
Lohjan Paperi Oy	■	100.00	100.00
Mahogany Oy	■	100.00	100.00
Nordland Papier AG, DE	■	100.00	100.00
Nortrans Spedition GmbH, DE	▲		75.00
NV Rosenlew S.A., BE	■	98.63	100.00
Oy Alfa-Bag Ab	■	100.00	100.00
Oy Rauma Stevedoring Ltd	▲	100.00	100.00
Papeteries de Docelles S.A., FR	■		100.00
Parkanon Lista Oy	■	100.00	100.00
Puukeskus Oy	▲	100.00	100.00
Rabopale S.A., FR	■		99.94
Raflatac AB, SE	▲		100.00
Raflatac A/S, DK	▲		100.00
Raflatac CZ s.r.o, CZ	▲		100.00
Raflatac GmbH, DE	▲		100.00
Raflatac Handels GmbH, AT	▲		100.00
Raflatac Iberica S.A., ES	▲		100.00
Raflatac Italia s.r.l, IT	▲		100.00
Raflatac Ltd, GB	■		100.00
Raflatac Oy	■	100.00	100.00
Raflatac Polska Sp. z o.o., PL	▲		100.00
Raflatac Production GmbH, DE	■		100.00
Raflatac Singapore Pte Ltd, SG	▲		100.00
Raflatac South Africa (PTY) Ltd, ZA	■		100.00
Raflatac S.A., FR	■		99.99
Raflatac (M) SDN BHD, MY	■		100.00
Raflatac (Oceania) Pty Ltd, AU	■		100.00
Rosenlew - St. Frères Emballage S.A., FR	■		99.99
Rosenlew Inc., US	■		100.00
Rosenlew Minibulk Ltd, GB	▲	100.00	100.00
Rosenlew Portugal Embalagens SA, PT	■	100.00	100.00
Rosenlew S.A., FR	■		99.94
Sapro S.A., FR	●		99.76
Schauman B.V., NL	▲		100.00
Schauman Iberica S.A., ES	▲		100.00
Schauman Wood Istanbul, TR	▲		100.00
Schauman Wood AB, SE	▲		100.00
Schauman Wood Oy	■	100.00	100.00

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

	Production	Parent company	Group
	Sales and distribution	holding,	holding,
	Other	%	%
Schauman Wood S.A., FR	■		100.00
Shotton Paper Company Plc, GB	■		100.00
Silkeborg Tømmerhandel A/S, DK	▲		100.00
Sterling - Lohja Ltd, GB	■		100.00
Stracel S.A., FR	■		99.98
Tilhill Forestry Ltd, GB	●		100.00
Trælastimporten i Århus A/S, DE	▲		100.00
United Sawmills Ltd	■	92.92	100.00
UPM-Asunnot Oy	●	77.00	100.00
UPM-Kymmene GmbH, AT	▲	100.00	100.00
UPM-Kymmene AB, SE	▲		100.00
UPM-Kymmene AG, CH	▲	100.00	100.00
UPM-Kymmene Asia Pacific Pte Ltd., SG	▲		100.00
UPM-Kymmene AS, NO	▲	100.00	100.00
UPM-Kymmene A/S, DK	▲	100.00	100.00
UPM-Kymmene Beteiligungs GmbH, DE	●	25.00	100.00
UPM-Kymmene B.V., NL	▲		100.00
UPM-Kymmene Canada Holdings Inc., CA	●	0.20	100.00
UPM-Kymmene Comercializacao de Papel, Lda, PT	▲	0.30	100.00
UPM-Kymmene Distribution n.v., BE	▲	100.00	100.00
UPM-Kymmene Distribution Sp. z o.o., PL	▲	100.00	100.00
UPM-Kymmene Finance B.V., NL	●	100.00	100.00
UPM-Kymmene Fine-Paper GmbH, DE	●		100.00
UPM-Kymmene Forest Products (Suzhou) Pte. Ltd, SG	●	100.00	100.00
UPM-Kymmene Groupe S.A., FR	●	98.78	100.00
UPM-Kymmene Inc., US	▲		100.00
UPM-Kymmene Investments, Inc., US	●	100.00	100.00
UPM-Kymmene Ltd, GB	▲		100.00
UPM-Kymmene Miramichi Inc., CA	■		100.00
UPM-Kymmene Paper, CN	■		100.00
UPM-Kymmene Pty. Ltd., AU	▲		100.00
UPM-Kymmene Sales GmbH, DE	▲		100.00
UPM-Kymmene SA, FR	▲		100.00
UPM-Kymmene Seaways Oy Ltd	▲	100.00	100.00
UPM-Kymmene Seven Seas Oy	▲		100.00
UPM-Kymmene Sp. z o.o., PL	▲	100.00	100.00
UPM-Kymmene Srl., IT	▲	99.98	100.00
UPM-Kymmene S.A., ES	▲		100.00
UPM-Kymmene S.A./N.V., BE	▲		100.00
UPM-Kymmene UK plc, GB	●	80.73	100.00
UPM-Kymmene Wood GmbH, DE	▲		100.00
UPM-Kymmene Wood Ltd, GB	▲		100.00
UPM-Kymmene Wood S.A., FR	▲	0.87	100.00
UPM-Kymmene (Canada) Inc., CA	▲		100.00
UPM Net Services sa / nv, BE	●	1.07	100.00
UPM Pack GmbH, DE	▲		100.00
UPM Pack Srl., IT	▲	100.00	100.00
UPM Pack S.A., ES	▲	100.00	100.00
UPM Pack S.A., FR	▲		99.94
UPM Raflatac Inc., US	▲		100.00
UPM Speciality Papers Ltd, GB	▲		100.00
Walki-Films, Inc., US	▲		100.00
Walki-Neoplastica B.V., NL	■	50.00	50.00
Walki Films Deutschland K & K Verpackungen GmbH, DE	▲		99.94
Walki Films Ltd, GB	▲		100.00
Walki Films S.A., FR	■		99.99
Walki Wisa GmbH, DE	■		99.96
Walki Wisa Ltd, GB	■		100.00
Walkisoft Finland Oy	●	100.00	100.00
Werla Insurance Company Ltd, GB	●	100.00	100.00

	Parent company holding, %	Group holding, %
Associated and participating interest companies		
AS Forestex, EE	33.72	33.72
Cervuctum Oy	31.25	31.25
Chudowo-RWS, RU		34.40
Compania Forestal Oriental S.A., UY	38.38	38.38
Corenso United Oy Ltd	29.00	29.00
Oy Finnish Peroxides Ab	25.00	25.00
Jyväs-Helmi Oy	45.00	45.00
Kainuun Voima Oy	50.00	50.00
Oy Keskuslaboratorio - Centrallaboratorium Ab	38.46	38.65
Oy Metsä-Botnia Ab	47.00	47.00
Niedermayr Papierwarenfabrik Ag, DE	32.00	32.00
Paperinkeräys Oy	22.98	22.98
Petersonwalki Oy	30.00	30.00
Pohjolan Voima Oy	38.52	38.52
Sterol Technologies Oy	35.00	35.00
Steveco Oy	31.99	31.99
Oy Timberpak Ab	33.33	33.33
Oy Transfennica Ab	49.91	49.91

	Number of shares	Parent company holding, %	Group holding, %	Book value MEUR
Other shares and holdings				
Kemijoki Oy	100,797	4.13	4.13	167.0
Metso Oyj	19,922,115	14.71	14.71	122.2
Nokia Oyj	25,298,944	0.54	0.54	10.5
Pohjola-Yhtymä Vakuutus Oyj, A	479,002	1.18	1.18	16.1
Pohjola-Yhtymä Vakuutus Oyj, B ¹⁾	189,501	0.47	0.47	2.8
Polar Kiinteistöt Oyj	14,836,442	8.24	8.24	3.0
Silja Oyj Abp	1,899,423	3.02	3.02	1.6

¹⁾ An additional 5,000 Pohjola-Yhtymä Vakuutus Oyj B shares are included in stocks.

Calculation of key indicators

Formulae for calculation of financial indicators

Return on equity, %:

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

Return on capital employed, %:

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

Equity to assets ratio, %:

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

Gearing ratio, %:

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

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

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

Formulae for calculation of adjusted share-related indicators

Earnings per share:

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

Shareholders' equity per share:

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

Dividend per share:

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

Dividend to earnings ratio, %:

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

Effective dividend yield, %:

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

P/E ratio:

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

Market capitalization:

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

Adjusted share price at end of period:

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

Adjusted average share price:

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

¹⁾ In 1993–1997, shareholders' equity includes a capital loan (1993–96: EUR 126 million, 1997: EUR 101 million).

Share prices and shares traded are based on trading on the Helsinki Exchanges.

Key exchange rates for the euro at end of period	IV/2000	III/2000	II/2000	I/2000	IV/1999	III/1999	II/1999	I/1999
USD	0.9305	0.8765	0.9556	0.9553	1.0046	1.0665	1.0328	1.0742
CAD	1.3965	1.3198	1.4157	1.3879	1.4608	1.5652	1.5262	1.6211
JPY	106.92	94.94	100.57	98.53	102.73	112.67	124.82	127.81
GBP	0.6241	0.5967	0.6323	0.5985	0.6217	0.6475	0.6563	0.6663
SEK	8.8313	8.5265	8.4210	8.2825	8.5625	8.7235	8.7470	8.8870

Quarterly figures 1999–2000

MEUR	2000	1999	IV/2000	III/2000	II/2000	I/2000	IV/1999	III/1999	II/1999	I/1999
Turnover										
Publication Papers	4,132	3,440	1,234	1,022	960	916	1,013	857	799	771
Fine Papers	1,617	1,219	426	430	371	390	343	297	293	286
Converting Materials	1,940	1,734	485	495	485	475	459	435	431	409
Wood Products	1,490	1,301	390	351	395	354	347	311	337	306
Resources										
Chemical pulp	731	567	204	198	166	163	171	142	128	126
Forest	1,148	1,066	309	267	264	308	293	247	238	288
Energy	352	391	96	84	80	92	98	90	90	113
Other	354	473	74	91	95	94	107	139	115	112
Internal sales	-2,181	-1,930	-586	-540	-500	-555	-524	-465	-454	-487
Turnover, total	9,583	8,261	2,632	2,398	2,316	2,237	2,307	2,053	1,977	1,924
Operating profit ¹⁾										
Publication Papers	560	490	145	163	126	126	162	136	84	108
Fine Papers	201	101	34	64	47	56	32	15	21	33
Converting Materials	132	129	19	45	31	37	18	41	39	31
Wood Products	75	80	11	11	29	24	21	12	27	20
Resources										
Chemical pulp ²⁾	480	95	139	140	96	105	59	38	4	-6
Forest	55	48	16	17	11	11	11	23	5	9
Energy	69	71	23	18	14	14	21	16	14	20
Other	-12	-39	20	10	-26	-16	-28	-17	3	3
Total, excluding net capital gains	1,560	975	407	468	328	357	296	264	197	218
% of turnover	16.3	11.8	15.5	19.5	14.2	16.0	12.8	12.9	10.0	11.3
Capital gains, net	300	598	-7	-29	-8	344	390	70	69	69
Operating profit, total	1,860	1,573	400	439	320	701	686	334	266	287
% of turnover	19.4	19.0	15.2	18.3	13.8	31.3	29.7	16.3	13.5	14.9
Financial income and expenses	-143	-175	-78	-39	0	-26	-42	-45	-42	-46
Profit before extraordinary items	1,717	1,398	322	400	320	675	644	289	224	241
Extraordinary items	142	-	-	-	142	-	-	-	-	-
Profit after extraordinary items	1,859	1,398	322	400	462	675	644	289	224	241
Income taxes	-494	-404	-108	-97	-97	-192	-184	-69	-76	-75
Minority interest	1	0	1	0	0	0	0	0	0	0
Profit for the period	1,366	994	215	303	365	483	460	220	148	166

¹⁾ Divisional operating profit figures for the year 2000 include non-recurrent charges of EUR 13 million and EUR 17 million in Publication Papers (IV/2000 and III/2000, respectively), EUR 14 million in Fine Papers (IV/2000), and EUR 9 million in Wood Products (IV/2000).

²⁾ Includes share of the results of associated companies

171	32	46	52	28	45	18	18	-5	1
-----	----	----	----	----	----	----	----	----	---

Production figures

	2000	1999	IV/2000	III/2000	II/2000	I/2000	IV/1999	III/1999	II/1999	I/1999
Publication Papers	5,540	5,103	1,514	1,434	1,264	1,328	1,352	1,382	1,182	1,187
Fine Papers	1,911	1,626	507	504	442	458	441	418	384	383
Other papers	834	765	201	225	191	217	194	202	192	177
Total (1,000 t)	8,285	7,494	2,222	2,163	1,897	2,003	1,987	2,002	1,758	1,747
Sawn timber (1,000 m ³)	2,117	1,911	594	470	530	523	549	419	481	462
Plywood (1,000 m ³)	793	729	218	165	202	208	205	157	184	183
Chemical pulp (1,000 t)	1,965	1,846	527	524	417	499	460	459	444	483

Notes to the tables on page 67

¹⁾ The figures for 1990–1995 are based on the combined consolidated financial statements (FAS) of Kymmene and Repola. Share-related indicators are based on the share exchange ratios for the two companies' shares on amalgamation merger at 30 April 1996.

²⁾ Includes the Rauma engineering group and Simpele's board and packaging unit.

³⁾ Proposal

⁴⁾ The 1999 figure includes an extra dividend payment of EUR 0.90.

⁵⁾ Trading on the Helsinki Exchanges. Own shares bought by the company are included in shares traded. Shares traded and share prices for 1996 are for the period 1 May – 31 December.

⁶⁾ Figures reported in Finnish markka for the years 1990 – 1998 have been converted into euro using the official conversion rate, 1 euro = 5.94573 markka.

⁷⁾ The comparative figures have been adjusted with regard to acquisitions to correspond to the year 2000 accounting practice.

Key figures 1991–2000 ^{1) 6)}

Operations (MEUR)	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Turnover	9,583	8,261	8,365	7,776	6,921	7,452	6,542	6,008	4,809	4,736
Turnover, businesses disposed of ²⁾	–	–	–	702	1,784	1,754	1,525	1,386	1,474	1,271
Total turnover	9,583	8,261	8,365	8,478	8,705	9,206	8,067	7,394	6,283	6,007
Operating profit, excluding capital gains, net	1,560	976	1,067	877	826	1,370	860	613	345	157
% of turnover	16.3	11.8	12.8	10.3	9.5	14.9	10.7	8.3	5.5	2.6
Operating profit, total	1,860	1,573	1,620	1,242	940	1,430	921	685	358	169
% of turnover	19.4	19.0	19.4	14.7	10.8	15.5	11.4	9.3	5.7	2.8
Profit/loss before extraordinary items	1,717	1,398	1,437	937	598	1,056	523	–15	–362	–474
% of turnover	17.9	16.9	17.2	11.1	6.9	11.5	6.5	–0.2	–5.8	–7.9
Profit/loss after extraordinary items	1,859	1,398	1,437	937	597	960	467	–14	–307	–387
% of turnover	19.4	16.9	17.2	11.1	6.9	10.4	5.8	–0.2	–4.9	–6.4
Profit/loss for the period	1,366	994	1,029	703	386	639	320	–8	–162	–292
% of turnover	14.3	12.0	12.3	8.3	4.4	6.9	4.0	–0.1	–2.6	–4.9
Exports from Finland and foreign operations	8,563	7,165	7,219	6,522	7,361	8,029	7,037	6,401	5,214	5,042
Exports from Finland	5,216	4,873	4,571	4,152	4,209	4,710	4,349	3,805	2,678	2,699
Fixed assets and other long-term investments	10,163	8,741	8,802	8,530	8,124	7,691	7,621	7,890	7,835	7,225
Stocks	1,184	1,008	1,054	1,047	1,368	1,600	1,224	1,141	1,257	1,431
Other current assets	1,766	1,831	1,593	1,827	1,899	1,912	1,905	1,986	2,180	2,213
Assets	13,113	11,580	11,449	11,404	11,391	11,203	10,750	11,017	11,272	10,869
Shareholders' equity	6,156	5,536	5,311	4,538	4,007	3,753	3,177	2,851	2,653	2,673
Minority interest	19	22	24	27	149	128	17	18	19	22
Provisions	130	115	103	105	74	36	39	33	0	0
Non-current liabilities	4,434	3,715	3,628	3,767	3,591	3,871	4,209	4,834	5,201	5,111
Current liabilities	2,374	2,192	2,383	2,967	3,570	3,415	3,308	3,281	3,399	3,063
Equity and liabilities	13,113	11,580	11,449	11,404	11,391	11,203	10,750	11,017	11,272	10,869
Capital employed at year end	10,448	9,004	9,319	9,371	9,147	8,879	8,835	9,373	9,463	8,934
Return on equity, %	21.9	19.2	21.8	16.6	10.4	22.0	12.9	–0.4	–8.3	–13.4
Return on capital employed, %	20.2	17.6	18.0	13.4	10.6	16.8	11.0	7.0	3.3	1.3
Equity to assets ratio, %	46.0	47.0	45.3	40.1	37.2	35.6	30.3	26.4	24.0	25.2
Gearing ratio, %	69	55	74	93	104	112	156	196	225	200
Net interest-bearing liabilities	4,071	2,940	3,739	4,252	4,320	4,358	4,978	5,613	6,023	5,393
Gross capital expenditure on fixed assets ⁷⁾	2,175	609	696	1,418	1,015	827	586	328	559	724
% of turnover	22.7	7.4	8.3	16.7	11.7	9.0	7.3	4.4	8.9	12.0
Gross capital expenditure excluding acquisitions	571	548	539	578	974	814	545	293	540	697
% of turnover	6.0	6.6	6.4	6.8	11.2	8.8	6.8	4.0	8.6	11.6
Personnel at year end	32,755	30,963	32,351	33,814	32,826	33,308	33,176	32,564	33,688	36,403
Personnel at year end, businesses disposed of ²⁾	–	–	–	–	10,810	11,363	10,812	10,173	10,118	12,668
Personnel at year end, total	32,755	30,963	32,351	33,814	43,636	44,671	43,988	42,737	43,806	49,071
Adjusted share-related indicators										
Earnings per share, EUR (diluted 2000: 4.70)	4.77	3.77	3.82	2.62	1.45	2.76	1.45	–0.05	–0.99	–1.66
Shareholders' equity per share, EUR	23.45	20.46	18.96	16.41	14.52	13.56	11.62	10.56	10.63	10.72
Dividend per share, EUR ³⁾	1.50	2.15	1.09	0.93	0.76	0.76	0.37	0.15	0.06	0.11
Dividend to earnings ratio, % ⁴⁾	31.4	57.0	28.6	35.4	52.3	27.4	25.5	neg.	neg.	neg.
Effective dividend yield, % ⁴⁾	4.1	5.4	4.6	5.0	4.7	5.5	2.5	1.0	0.8	1.5
P/E ratio	7.7	10.6	6.3	7.0	11.2	5.0	10.2	neg.	neg.	neg.
Share price at 31 Dec., EUR	36.55	40.00	23.88	18.33	16.23	13.80	14.76	14.52	7.43	7.15
Market capitalization	9,502	10,663	6,630	4,957	4,340	3,690	3,948	3,852	1,968	1,894
Shares traded ⁵⁾	6,157	4,834	3,374	3,125	1,162	–	–	–	–	–
Shares traded (1000s)	200,411	158,437	147,035	151,054	73,187	–	–	–	–	–
Shares traded, % of all shares	77.2	59.0	53.4	56.2	41.1	–	–	–	–	–
Lowest quotation, EUR	24.91	22.00	16.82	15.81	14.38	–	–	–	–	–
Highest quotation, EUR	44.90	42.50	29.26	25.63	17.66	–	–	–	–	–
Average quotation for the period, EUR	30.72	30.51	22.95	20.69	15.87	–	–	–	–	–
Number of shares, average (1000s)	256,817	264,018	269,723	268,888	267,374	265,779	260,081	254,479	249,601	249,387
Number of shares at end of period (1000s)	250,647	259,031	264,844	270,389	267,374	267,377	262,587	258,120	249,601	249,387
Production figures										
Publication papers	5,540	5,103	5,268	4,817	4,052	4,742	4,452	4,096	3,693	3,551
Fine papers	1,911	1,626	1,558	1,681	1,429	1,356	1,484	1,292	1,129	1,118
Other papers	834	765	673	700	653	635	672	636	629	587
Total (1000 t)	8,285	7,494	7,499	7,198	6,134	6,733	6,608	6,024	5,451	5,256
Sawn timber (1000 m ³)	2,117	1,911	2,104	2,050	1,857	1,939	2,075	1,957	1,777	1,532
Plywood (1000 m ³)	793	729	698	710	617	585	534	442	303	286
Chemical pulp (1000 t)	1,965	1,846	1,913	1,963	1,874	2,000	2,040	1,972	1,830	1,924

Information on shares

Share capital

Under UPM-Kymmene Corporation's Articles of Association, the company's issued share capital may be not less than EUR 250,000,000 and not more than EUR 1,000,000,000. The issued share capital may be increased or reduced between these limits without amendment to the Articles of Association. The company's shares have no nominal value.

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

At 31 December 2000, the number of shares in issue was 259,973,119 and the share capital was EUR 437,243,393 euro. If the remainder of the convertible bonds issued by the company in 1994 are fully converted into 3,759,990 shares, and all 6,000,000 shares attached to the share options distributed to the company's directors are also subscribed, the share capital of UPM-Kymmene Corporation will rise to EUR 453,658,685 and the number of shares to 269,733,109, of which the new shares will represent 3.62% (1.40% from the convertible bond loan and 2.22% from the share options).

Own shares

UPM-Kymmene Corporation's Extraordinary General Meeting, held on 13 June 2000, decided to declare void 7,538,000 own shares held by the company.

The General Meeting approved a proposal by the Board of Directors that before the next Annual General Meeting the company buy back at least 100 and at most 12.9 million of its own shares.

In accordance with the decision of the General Meeting, between 21 June and 31 December 2000 the company acquired 9,325,708 own shares at an average price of EUR 29.94 per share, the total acquisition cost being EUR 279.2 million. In January 2001 the company acquired 1,369,495 own shares at an average price of EUR 31.94 per share, the total acquisition cost being EUR 43.7 million. At 31 January 2001 the company held 10,695,203 of its own shares, representing approximately 4.1% of the share capital.

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

Authorization to increase share capital

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

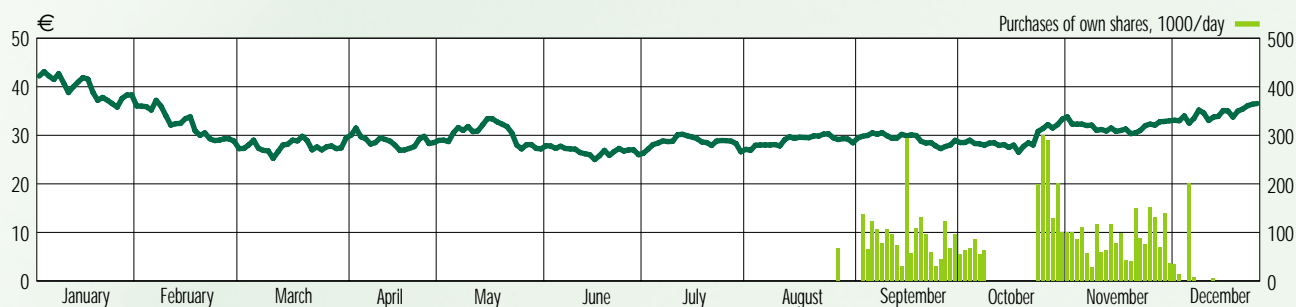
Redemption clause

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

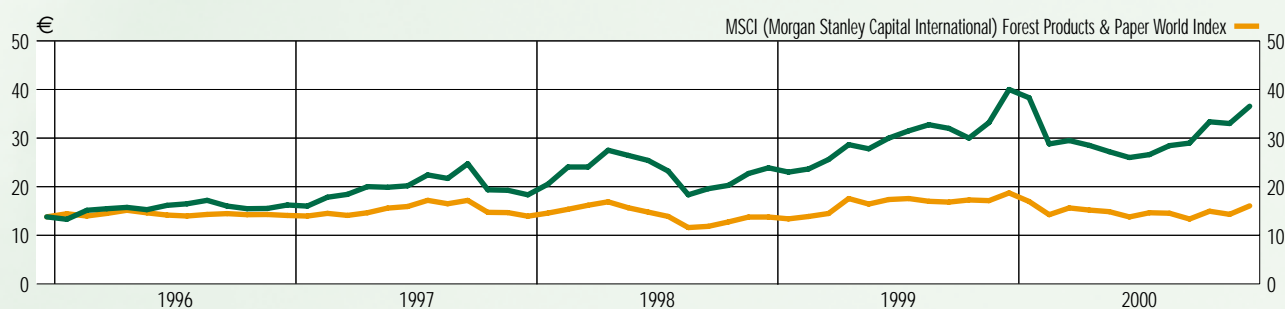
Changes in number of shares and share capital, 30 April 1996 – 31 December 2000

	Number of shares	Share capital FIM	Share capital EUR
Formation of share capital in the merger at 30 April 1996			
81,998,240 Kymmene Corporation shares (exchange ratio 5:7)	114,797,536	1,147,975,360	193,075,595
152,576,131 Repola Ltd shares (exchange ratio 1:1)	152,576,131	1,525,761,310	256,614,631
Share capital at 30 April 1996	267,373,667	2,673,736,670	449,690,226
1996			
Exchanged under convertible bond issue (1994)	156	1,560	263
Share capital at 31 Dec. 1996	267,373,823	2,673,738,230	449,690,489
1997			
Subscribed under warrant bond issue 1991/II	1,500,000	15,000,000	2,522,819
Exchanged under convertible bond issue (1993)	1,508,230	15,082,300	2,536,661
Exchanged under convertible bond issue (1994)	6,708	67,080	11,282
Share capital at 31 Dec. 1997	270,388,761	2,703,887,610	454,761,251
1998			
Exchanged under convertible bond issue (1993)	6,165,322	61,653,220	10,369,327
Exchanged under convertible bond issue (1994)	1,051,986	10,519,860	1,769,313
Share capital at 31 Dec. 1998	277,606,069	2,776,060,690	466,899,891
1999			
Own shares declared void	-12,762,082		-21,464,281
Exchanged under convertible bond issue (1994)	1,724,970		2,901,191
Share capital at 31 Dec. 1999	266,568,957		448,336,801
2000			
Own shares declared void	-7,538,000		-12,678,011
Exchanged under convertible bond issue (1994)	942,162		1,584,603
Share capital at 31 Dec. 2000	259,973,119		437,243,393

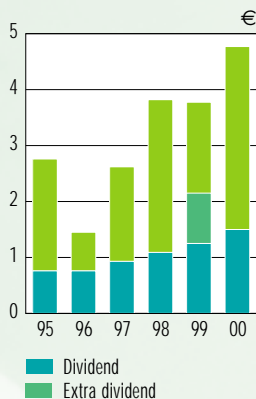
Share price and purchases of own shares in 2000



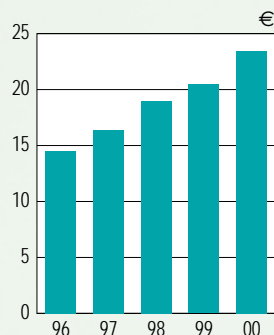
Share price 1996 – 2000



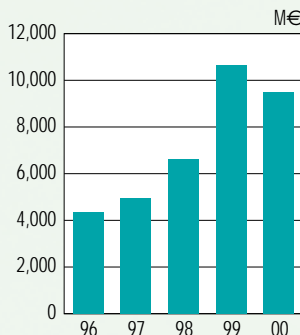
Earnings and dividend per share



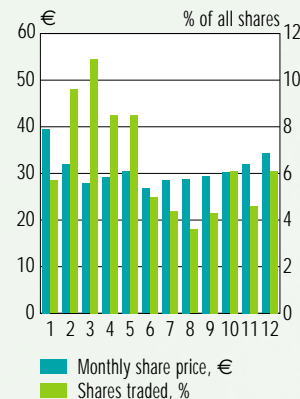
Shareholders' equity per share



Market capitalization



Monthly average share price and shares traded 1–12/2000



Repurchases of own shares 1998–2000

	Current programme 31.1.2001	1999	1998
Shares purchased, mill.	10.7	7.5	13.5
% of share capital	4.1	2.8	5.0
Total acquisition price, EUR mill.	323	236	309
Price per share, EUR	30.20	31.24	22.84

Distribution of shareholders at 31 December 2000

Size of shareholding	Number of shareholders	% of shareholders	Number of shares, million	% of shares
1 – 100	22,784	37.0	1.2	0.5
101 – 1,000	30,720	49.8	11.1	4.3
1,001 – 10,000	7,414	12.0	19.4	7.5
10,001 – 100,000	646	1.1	16.2	6.2
100,001 – 1,000,000	87	0.1	27.0	10.3
1,000,001 –	13	0.0	33.5	12.8
Total	61,664	100.0	108.4	41.6
Nominee-registered			142.2	54.7
Not registered as book entry units			0.1	0.1
Own shares held by the company			9.3	3.6
Total			260.0	100.0

Stock exchange trading

The company's shares are listed on the Helsinki and London stock exchanges. 4.4 million shares were traded on the New York Stock Exchange. First listed in New York on 29 June 1999, the number of shares traded in the remainder of that year was 1.1 million.

In the year 2000, 200.4 million UPM-Kymmene Corporation shares were traded on the Helsinki Exchanges (1999: 158.4 million). This represents 77.2% (59.0%) of the total number of shares. The lowest quotation during this period was EUR 24.91 and the highest EUR 44.90. Total trading in UPM-Kymmene Corporation shares on the Helsinki Exchanges in the year 2000 was EUR 6,157 million (1999: EUR 4,834 million). The company's shares are also traded on SEAQ International in London, and in Germany on the Freie Markt in Frankfurt, Berlin and Munich.

Taxation value of shares in Finland

For Finnish taxation purposes, the company's share was given a value of FIM 145.67 (EUR 24.50) in the year 2000.

Shareholder agreements

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

Directors' interest

At the end of the year, the members of the Board of Directors, the Managing Director and Deputy Managing Director owned a total of 1,335,000 UPM-Kymmene Corporation shares (including those held by under-age children and by organizations or foundations of which the person has control). These represent 0.51% of the share capital and 0.53% of the voting rights. The members of the Board of Directors, the Managing Director and Deputy Managing Director hold convertible bonds issued in 1994 for a total nominal value of FIM 380,000 (EUR 63,911). The Managing Director and Deputy Managing Director have additionally received 250,000 share options. Conversion of these convertible bonds and equity options into shares could raise UPM-Kymmene Corporation's share capital by EUR 425,455, i.e. by 252,964 shares. The shares would have represented 0.10% of the share capital and 0.10% of the voting rights of the company at 31 December 2000.

Shareholder breakdown by sector at 31.12.2000

	%
Companies	7.5%
Financial institutions and insurance companies	10.0%
Public bodies	6.5%
Non-profitmaking organizations	6.6%
Households	14.1%
Non-Finnish nationals	55.3%
Total	100,0%

Biggest shareholders at 31 December 2000

	Shares at 31 Dec. 2000	% of shares	% of votes
Pohjola Group Insurance Corporation	2,436,998	0.94	0.97
Pohjola Non-Life Insurance Company Ltd	5,955,000	2.29	2.38
Suomi Mutual Life Assurance Company Ltd	3,370,000	1.30	1.34
Pohjola Life Assurance Company Ltd ¹⁾	1,402,800	0.54	0.55
	13,164,798	5.06	5.24
Industrial Insurance Company Ltd	4,134,500	1.59	1.65
Sampo Enterprise Insurance Company Ltd	798,400	0.31	0.32
Sampo-Leonia Insurance Company plc	1,954,087	0.75	0.78
	6,886,987	2.65	2.75
Ilmarinen Mutual Pension Insurance Company ²⁾	5,430,500	2.09	2.07
Varma-Sampo Mutual Pension Insurance Company	3,221,270	1.24	1.29
Gustaf Serlachius (repr. 5 shareholders)	3,140,575	1.21	1.25
Merita Plc Pension Fund	452,635	0.17	0.18
Merita Plc Pension Foundation	1,036,585	0.40	0.41
Merita Life Assurance Ltd	211,880	0.08	0.07
Merita Bank Plc	200,231	0.08	0.08
ArosMaizels Equities Oy	42,825	0.02	0.02
Merita Group ³⁾	1,944,156	0.75	0.76
Sanoma-WSOY plc	1,338,388	0.51	0.40
Sanoma Finance AG	492,880	0.19	0.20
	4) 1,831,268	0.70	0.59
Valfin Oy	1,670,596	0.64	0.67
Svenska litteratursällskapet i Finland	1,660,135	0.64	0.66
The Finnish Cultural Foundation	975,513	0.38	0.39
Foreign owners	143,705,092	55.28	57.33
Others	67,016,521	25.78	27.00
	250,647,411	96.41	100.00
Shares held by UPM-Kymmene Corporation	9,325,708	3.59	–
Total	259,973,119	100.00	100.00

¹⁾ Includes 34,000 lent shares.

²⁾ Includes 250,200 lent shares.

³⁾ Includes 30,937 lent and 42,825 nominee-registered shares.

⁴⁾ Includes 345,000 lent and 275,000 nominee-registered shares. Lent shares have no voting rights.

On 20 January 2000, UPM-Kymmene received notification that on 18 January 2000 the holdings of investment funds belonging to the Franklin Resources group had fallen to 4.3% of the company's share capital. The Franklin Resources group held authorizations to exercise 0.66% of the voting rights in the company, and the total proportion of voting rights administered by the group had fallen from 5.57% to 4.96% on 18 January 2000.

On 20 March 2000, the company received notification that the holdings of investment funds belonging to the Franklin Resources group had risen to 4.43%. On 15 March 2000 the total proportion of voting rights administered by the Franklin Resources group was 5.24%.

On 22 May 2000, the company received notification that on 18 May 2000 the holdings of investment funds belonging to the Franklin Templeton group had risen to 5.03%. On 18 May 2000 the total proportion of voting rights administered by the Franklin Templeton group was 6.02%.

CONVERTIBLE BONDS AND DIRECTORS' SHARE OPTIONS

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

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

Conversion ratio

Bondholders are entitled to convert their bonds into UPM-Kymmene Corporation shares, each FIM 10,000 bond entitling the holder to subscribe 78 UPM-Kymmene Corporation shares. The calculated conversion price of the share is FIM 128.21 (21.56). The maximum increase in the share capital due to conversion of the bonds is EUR 12,593,912, i.e. 7,488,000 shares.

Conversion period

The period during which the bonds can be converted into UPM-Kymmene Corporation shares ends on 25 March 2004. The conversion period is 1 January to 31 October each year. Bondholders also have the right to convert their bonds into shares during a period to be specified by the Board of Directors in the event that UPM-Kymmene Corporation decides to merge with another company. By 31 December 2000, a total of 3,728,010 shares had been subscribed under the issue at a total cost of FIM 477,950,000, with 942,162 shares being subscribed in the year 2000.

Shareholders' rights

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

UPM-Kymmene Canada Holdings Inc's
subordinated bond loan 1998, USD 45,000,000

Following the acquisition of Repap by UPM-Kymmene, the holders of subordinated bonds are entitled to subscribe special shares in Repap's successor company, i.e. UPM-Kymmene Canada Holdings Inc., instead of shares in Repap. According to the terms of the special shares, the outstanding special shares may be redeemed at the company's discretion for CAD 0.20 per share. As the conversion price into special shares is USD 0.35, it is not expected that the convertible bond loan would be exchanged for shares.

The loan period ends on 30 June 2005 and the coupon rate is 6.00%.

Share options to key personnel

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

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

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

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

Report of the Auditors

To the Shareholders of UPM-Kymmene Corporation

We have audited the accounts, the accounting records and the administration of UPM-Kymmene Corporation for the financial year 2000. The accounts prepared by the Board of Directors and the Managing Director include, for both the group and the parent company, a report on operations, an income statement, a balance sheet and notes to the accounts. We provide our opinion on the accounts and the administration based on our audit.

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

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

Helsinki, 14 February 2001

SVH Pricewaterhouse Coopers Oy
Authorised Public Accountants

Tauno Haataja
Authorised Public Accountant

Lars Blomquist
Authorised Public Accountant

Corporate governance, Board of Directors and Auditors

Corporate governance

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

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

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

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

The Board of Directors consists of at least five and no more than 12 members. The Board of Directors currently consists of 11 members. Members of the Board of Directors are elected for a term of one year that begins at the end of the general meeting of shareholders at which they are elected and terminates at the end of the next Annual General Meeting. Members of the Board of Directors may be elected or removed only by a resolution of shareholders in general meeting.

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

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

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

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

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

Pursuant to the Companies Act, the Board of Directors elects the company's President and Chief Executive Officer, for whom a written contract of employment has been drawn up.

During 2000, the Board of Directors met 19 times.

Board of Directors

Chairman

Tauno Matomäki

Vice Chairmen

Jouko K. Leskinen

Gustaf Serlachius (from 21 March 2000)

Iiro Viinanen (to 21 March 2000)

Members

Martti Ahtisaari (from 21 March 2000)

Carl H. Amon III

L.J. Jouhki

Matti Kavetvuo (from 21 March 2000)

Anton Lenstra

Juha Niemelä

Jorma Ollila

Vesa Vainio

Auditors

SVH Pricewaterhouse Coopers Oy

(Authorized Public Accountants)

Lars Blomquist (APA)

Deputy auditors

Pricewaterhouse Coopers Oy

(Authorized Public Accountants)

Merja Lindh (APA)

Executive Board

Juha Niemelä

Martin Granholm

Jan-Henrik Kulp

Heikki Sara

Kari Toikka

Ismo Lepola

Matti J. Lindahl

Pentti Kallio

Kari Makkonen

Board of Directors

Tauno Matomäki
Chairman

Jouko K. Leskinen
Vice Chairman

Gustaf Serlachius
Vice Chairman



Martti Ahtisaari

Carl H. Amon III

L.J. Jouhki



Matti Kavetvuo

Anton Lenstra

Juha Niemelä



Jorma Ollila

Vesa Vainio



Tauno Matomäki, born 1937

Member since 1996, Chairman since 1998, Vice Chairman in 1996.
M.Sc. (Eng.), D.Sc. (Tech.) h.c.
President and Chief Executive Officer of Rauma-Repola Oy 1987–1990. President and Chief Executive Officer of Repola Ltd 1991–1995. Chairman of the Board of Directors of Rauma Corporation 1991–1997. Member of the Supervisory Boards of several Finnish companies.
Owns 8,560 UPM-Kymmene Corporation shares.

Jouko K. Leskinen, born 1943

Member since 1996, Vice Chairman since 1998.
LLM.
President and Chief Executive Officer of the Sampo Group to 31 December 2000.
Member of the boards of Nokia Corporation and Finnlines plc. Member of the supervisory boards of Fortum Corporation, Orion Corporation and Finnair Oyj. Chairman of the Board of HOK Corporation.
Owns 6,369 UPM-Kymmene Corporation shares.

Gustaf Serlachius, born 1935

Member since 1996, Vice Chairman since 2000.
B.B.A.
Chairman of the Board of the Gösta Serlachius Fine Arts Foundation.
Managing Director of G.A. Serlachius Oy 1969–1986, Chairman of the Board of Directors of Metsä-Serla Corporation 1987–1993, member of the Board of Directors of Oy Metsä-Botnia Ab 1973–1990 and member of the Board of Directors of Repola Ltd 1990–1995.
Owns 840,000 UPM-Kymmene Corporation shares.

Martti Ahtisaari, born 1937

Member since 21 March 2000.
Teacher Training Course Graduate, University of Oulu. Granted honorary doctorates by several universities.
Positions in several international organizations and foundations, including Co-Chairman of the Board of the EastWest Institute. Held several posts in Finland's Ministry for Foreign Affairs and the United Nations, including Finland's Ambassador to Tanzania, UN Commissioner for Namibia and Secretary of State at the Ministry for Foreign Affairs. President of the Republic of Finland 1994–2000. Member of the Board of Directors of Elcoteq Network Oyj.

Does not own UPM-Kymmene Corporation shares.

Carl H. Amon III, born 1943

Member since 1999.
Juris Doctor degree.
Partner, international law firm White & Case LLP. Joined White & Case LLP in 1968, partner since 1976. Has worked at the New York, London, Brussels, Hong Kong, Jakarta and Prague offices of White & Case LLP. Responsible for development of White & Case LLP's practice in Central and Eastern Europe in 1990–1995.
Owns 300 UPM-Kymmene Corporation shares.

L.J. Jouhki, born 1944

Member since 1996, Chairman in 1997.
M.Sc. (Econ.).
Managing Partner of Thom Companies (Thominvest Oy, Thomproperties Oy and Thomesto Oy).
Member of the boards of Finnlines plc (Chairman), Fortum Corporation (Vice Chairman), Oyj Hartwall Abp and Sanoma-WSOY Corporation. Member of the Supervisory Board of Merita Bank Plc.
Nominee for 452,547 UPM-Kymmene Corporation shares.

Matti Kavetvuo, born 1944

Member since 21 March 2000.
M.Sc. (Eng.), B.Sc. (Econ.).
President and Chief Executive Officer of Pohjola Group Insurance Corporation. President and CEO of Instrumentarium Corporation 1979–1984, President and CEO of Orion Corporation 1985–1991 and President and CEO of Valio Ltd 1992–1999.
Member of the boards of Alma Media Corporation, Finnlines plc, Lassila & Tikanoja Corporation and Marimekko Corporation.
Does not own UPM-Kymmene Corporation shares.

Anton Lenstra, born 1949

Member since 1999.
B.Sc. (Soc.Sci.), MBA.
President of Unilever PLC's Business Group Africa and Middle East.
Several posts, including Marketing Director, with Procter & Gamble Benelux N.V. 1976–1984. Joined Unilever N.V. in 1989 as Managing Director of the subsidiary Lever Sunlight B.V. Managed Unilever's operations in China, Hong Kong, Taiwan and other Asian countries 1992–1997.
Does not own UPM-Kymmene Corporation shares.

Juha Niemelä, born 1946

Member since 1998.
M.Sc. (Econ.), D.Sc. (Econ.) h.c.
President and Chief Executive Officer of UPM-Kymmene Corporation since it was founded in 1996. Held several posts in United Paper Mills Ltd from 1971 to 1983, including marketing and mill manager positions, member of the Executive Board 1983–1993 and Executive Vice President and member of the Board of Directors 1993–1995.
Member of the boards of Oy Metsä-Botnia Ab and the Confederation of Finnish Industry and Employers (TT). Chairman of the Confederation of European Paper Industries (CEPI).
Owns 6,015 UPM-Kymmene Corporation shares, 70,000 Class A warrants, 70,000 Class B warrants, and FIM 50,000 in bonds from the 1994 bond issue convertible into 390 shares of the company.

Jorma Ollila, born 1950

Member since 1997.
M.Sc. (Eng.), M.Sc. (Pol.Sci.), M.Sc. (Econ.), Ph.D (Pol.Sci.) h.c. and D.Sc. (Tech.) h.c.
Chairman and Chief Executive Officer of Nokia Corporation.
Member of the boards of the Ford Motor Company and Otava Books and Magazines Group Ltd. Deputy Chairman of the Board of the Confederation of Finnish Industry and Employers (TT).
Owns 10,000 UPM-Kymmene Corporation shares and holds FIM 330,000 in bonds from the 1994 bond issue convertible into 2,574 shares of the company.

Vesa Vainio, born 1942

Member since 1996, Vice Chairman in 1997.
LLM.
Chairman of Nordea plc.
Member of the boards of Nokia Corporation and Wärtsilä NSD Oy Ab, Vice Chairman of the Board of Directors of Wärtsilä Corporation, and Chairman of the Board of the Finnish Central Chamber of Commerce.
Owns 14 UPM-Kymmene Corporation shares.

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

Executive Board

Juha Niemelä
Martin Granholm
Jan-Henrik Kulp



Heikki Sara
Kari Toikka
Ismo Lepola



Matti J. Lindahl
Pentti Kallio
Kari Makkonen



Juha Niemelä, born 1946

President and Chief Executive Officer of UPM-Kymmene Corporation since 1996 and a member of the Board of Directors. See Board of Directors, page 75.

Martin Granholm, born 1946

Executive Vice President of UPM-Kymmene Corporation since 1996.
M.Sc. (Eng.).
Joined Oy Wilh. Schauman Ab in 1970 and held posts in project, production and administrative functions. Following Schauman's merger with Kymmene in 1988 he was Managing Director of the subsidiary Wisaforest Oy Ab and President of Kymmene in 1992–1995. Owns 11,195 UPM-Kymmene Corporation shares, 55,000 Class A warrants and 55,000 Class B warrants.

Jan-Henrik Kulp, born 1943

Chief Financial Officer since 1996.
B.Sc. (Econ.).
Posts in financial administration with Oy Kaukas Ab from 1967 and Financial Director from 1977. Appointed Chief Financial Officer of Kymmene in 1986. Member of the Executive Board of Kymmene 1987–1995. Owns 1,596 UPM-Kymmene Corporation shares, 35,000 Class A warrants and 35,000 Class B warrants.

Heikki Sara, born 1946

Senior Vice President, Resources, since 1996.
D.Tech.
Joined United Paper Mills in 1976 holding several posts including Development Manager, Mill Director and Vice President for Jämsänkoski business unit. Member of the Executive Board of United Paper Mills 1993–1995. Owns 2,000 UPM-Kymmene Corporation shares, 35,000 Class A warrants and 35,000 Class B warrants.

Kari Toikka, born 1950

Senior Vice President, Investor Relations and Administration, since 1998.
M.Sc. (Econ.), qualified as Authorized Public Accountant.
Several posts in United Paper Mills from 1976. Vice President, Corporate Planning, for Repola Ltd 1990–1995 and member of the Executive Board 1994–1995. UPM-Kymmene Corporation Vice President, Investor Relations, 1996–1998.
Owns 2,450 UPM-Kymmene Corporation shares, 35,000 Class A warrants and 35,000 Class B warrants.

Ismo Lepola, born 1941

President, Publication Papers, from March 2000.
M.Sc. (Eng.).
Served with Oy Kyro Ab 1967–1983 as Laboratory Manager, Technical Director, Deputy Managing Director and Managing Director. Member of the Executive Board of United Paper Mills 1984–1995. President, Magazine Papers, with UPM-Kymmene Corporation 1996 to March 2000.
Owns 2,200 UPM-Kymmene Corporation shares, 35,000 Class A warrants and 35,000 Class B warrants.

Matti J. Lindahl, born 1946

President, Fine Papers, since 1997.
B.Sc. (Econ.).
President of Finnboard 1990–1992, and President of Wisaforest Oy Ab 1992–1993. Chief Executive Officer of Nordland Papier AG since 1994.
Owns 35,000 UPM-Kymmene Corporation Class A warrants and 35,000 Class B warrants.

Pentti Kallio, born 1949

President, Converting Materials, since 1999.
M.Sc. (Econ.).
Joined Finnmap in 1974, held several posts with Oy Transfennica Ab 1976–1985 before rejoining Finnmap, where he was responsible for logistics 1985–1987, member of the Management Board responsible for financing and administration 1987–1996, and President 1996–1997. Head of UPM-Kymmene's marketing services for the paper divisions 1997–1998 and Managing Director of the Walkisoft group 1998–1999.
Owns 6,273 UPM-Kymmene Corporation shares, 35,000 Class A warrants and 35,000 Class B warrants.

Kari Makkonen, born 1947

President, Wood Products, since January 2000.
M.Sc. (Econ.).
Joined Rauma-Repola Oy in 1972 and held several management posts in production, sales and general administration in the mechanical woodworking division. Member of the Executive Board of Rauma-Repola from 1986. President of United Paper Mills Ltd's mechanical woodworking division and member of the Executive Board 1991–1995. President, Sawmilling, with UPM-Kymmene Corporation 1996–1999.
Owns 7,500 UPM-Kymmene Corporation shares, 35,000 Class A warrants and 35,000 Class B warrants, and FIM 80,000 in bonds from the 1994 bond issue convertible into 624 shares of the company.

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

Production plants and sales network

Sales network

● Sales company or agent (countries listed below)

EUROPE

Austria
Belgium
Bulgaria
Croatia
Czech Republic
Denmark
Estonia
Finland
France
Germany
Great Britain
Greece
Hungary
Iceland
Ireland
Italy
Latvia
Lithuania
Malta
Netherlands
Norway
Poland
Portugal
Rumania
Russia
Slovakia
Slovenia
Spain
Sweden
Switzerland
Turkey
Ukraine

AFRICA

Algeria
Morocco
South Africa

ASIA

China
Cyprus
Hong Kong
India
Israel
Japan
Jordan
Lebanon
Malaysia
Republic of Korea
Singapore
Syria
Taiwan
United Arab Emirates

AUSTRALIA

NORTH AMERICA
Canada
Mexico
United States

SOUTH AMERICA

Argentina
Brazil
Chile
Peru
Venezuela



Production plants

- Printing Papers
- Converting Materials
- ▲ Wood Products
- ▼ Chemical pulp

Australia

- Rafalac Oceania Pty Ltd, Braeside (Melbourne)

Belgium

- NV Rosenlew SA, Izegem

Canada

- ▲ UPM-Kymmene Miramichi, New Brunswick

China

- UPM-Kymmene Paper, Changshu
- Rafalac (Shanghai) Co Ltd, Shanghai

Finland

- Kymi Paper Oy, Kuusankoski
- UPM-Kymmene Jämsänkосki, Jämsänkосki
- UPM-Kymmene Kaipola, Kaipola
- UPM-Kymmene Kajaani, Kajaani
- UPM-Kymmene Kaukas, Lappeenranta
- UPM-Kymmene Rauma, Rauma
- UPM-Kymmene Voikkaa, Voikkaa
- Oy Alfa-Bag Ab, Kokkola
- Lohjan Paperi Oy, Lohja
- Rafalac Oy, Jyväskylä

- Rafalac Oy, Tampere
- UPM-Kymmene Jämsänkосki PM3, Jämsänkосki
- UPM-Kymmene Tervasaari, Valkeakосki
- UPM-Kymmene Walki Can, Valkeakосki
- UPM-Kymmene Walki Films, Valkeakосki
- UPM-Kymmene Walki Wisa, Pietarsaari
- UPM-Kymmene Walki Wisa, Valkeakосki
- UPM-Kymmene Wisapaper, Pietarsaari

United Sawmills

- ▲ Alholma Sawmill, Pietarsaari
- ▲ Aureskoski Oy, Parkano
- ▲ Heinola Sawmill, Heinola
- ▲ Kajaani Sawmill, Kajaani
- ▲ Kaukas Sawmill, Lappeenranta
- ▲ Korkeakосki Sawmill, Korkeakосki
- ▲ Kuopio Sawmill, Kuopio
- ▲ Leivonmäki Sawmill, Leivonmäki
- ▲ Parkano Sawmill, Parkano
- ▲ Seikku Sawmill, Pori

Timber Components

- ▲ Heinola Mill, Heinola
- ▲ Luumäki Mill, Luumäki
- ▲ Parkanon Lista, Parkano

Schauman Wood

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



Finland
7■ 11●
25▲ 4▼

Chemical pulp

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

France

- Chapelle Darblay, Grand-Couronne
- Stracel SA, Strasbourg
- Papeteries de Docelles, Docelles
- Raflatac SA, Pompey (Nancy)
- Rosenlew-Saint Frères Emballage SA, Beauval

- Rosenlew SA, Montceau-les-Mines
- Walki Films SA, Epemon
- ▲ Rabopale, Boulogne-sur-Mer
- ▲ Schauman Wood SA, Loulay

Germany

- Nordland Papier AG, Dörpen
- Raflatac Productions GmbH, Hirschhorn
- Walki Wisa GmbH, Werk Steinfurt, Steinfurt
- Walki Wisa GmbH, Werk Jülich, Jülich

Great Britain

- Caledonian Paper plc, Irvine
- Shotton Paper Company plc, Shotton
- Raflatac Ltd, Scarborough, Yorks
- Sterling-Lohja Ltd, Glossop
- Walki Wisa Ltd, Garstang

Malaysia

- Raflatac (M) Sdn Bhd, Johor, West Malaysia

Portugal

- Rosenlew Portugal Embalagens SA, Travasso

South Africa

- Raflatac South Africa Pty Ltd, Pinetown, Natal

Spain

- Raflatac Ibérica Producción SA, Polinyà (Barcelona)

Sweden

- Converflex AB, Örnsköldsvik

USA

- Blandin Paper Company, Grand Rapids, MN
- DCP-Lohja Inc, Cullman, AL
- DCP-Lohja Inc, Dixon, IL
- Rosenlew Inc, Houston, TX

Addresses

Head Office

UPM-Kymmene Corporation
Eteläesplanadi 2
P.O. Box 380
FIN-00101 Helsinki
Tel. +358 204 15 111
Fax +358 204 15 110
<http://www.upm-kymmene.com>

UPM-Kymmene Corporation
Corporate Communications
Eteläesplanadi 2
P.O. Box 380
FIN-00101 Helsinki
Tel. +358 204 15 111
Fax +358 204 15 0308

UPM-Kymmene Corporation
Investor Relations
Eteläesplanadi 2
P.O. Box 380
FIN-00101 Helsinki
Tel. +358 204 15 0033
Fax +358 204 15 0303
E-mail: ir@upm-kymmene.com

Printing Papers

UPM-Kymmene Publication Papers
Management and Divisional Staff
Eteläesplanadi 2
P.O. Box 380
FIN-00101 Helsinki
Tel. +358 204 15 111
Fax +358 204 15 110

UPM-Kymmene Fine
Management
Postfach 1160
D-26888 Dörpen
Germany
Tel. +49 4963 4010
Fax +49 4963 401 401

Converting Materials

UPM Converting
Management and Divisional Staff
Eteläesplanadi 2
P.O. Box 380
FIN-00101 Helsinki
Tel. +358 204 15 111
Fax +358 204 15 0736

Wood Products

UPM-Kymmene Wood Products
Management and Divisional Staff
Eteläesplanadi 2
P.O. Box 380
FIN-00101 Helsinki
Tel. +358 204 15 111
Fax +358 204 15 0388

It should be noted that certain statements herein which are not historical facts, including, without limitation those regarding expectations for market growth and developments; expectations for growth and profitability; and statements preceded by "believes", "expects", "anticipates", "foresees", or similar expressions, are forward-looking statements. Since these statements are based on current plans, estimates and projections, they involve risks and uncertainties which may cause actual results to materially differ from those expressed in such forward-looking statements. Such factors include, but are not limited to: (1) operating factors such as continued success of manufacturing activities and the achievement of efficiencies therein, continued success of product development, acceptance of new products or services by the Group's targeted customers, success of the existing and future collaboration arrangements, changes in business strategy or development plans or targets, changes in the degree of protection created by the Group's patents and other intellectual property rights, the availability of capital on acceptable terms; (2) industry conditions, such as strength of product demand, intensity of competition, prevailing and future global market prices for the Group's products and the pricing pressures thereto, financial condition of the customers and the competitors of the Group, the potential introduction of competing products and technologies by competitors; and (3) general economic conditions, such as rates of economic growth in the Group's principal geographic markets or fluctuations in exchange and interest rates.

Printed by:
F.G. Lönnerberg

Paper:
Nordland Papier AG, a member of the UPM-Kymmene Group
Pages: nopaCoat Premium Silk 135 g/m²
Cover: nopaCoat Premium Silk 250 g/m²

**UPM-Kymmene Group**

Eteläesplanadi 2

P.O. Box 380

FIN-00101 Helsinki

Tel. +358 204 15 111

Fax +358 204 15 110

<http://www.upm-kymmene.com>