



Metsä Tissue Corporation

INTERIM REPORT 1(8)
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METSÄ TISSUE'S RESULT TURNS TO PROFIT. PROFIT BEFORE EXTRAORDINARY ITEMS FOR JANUARY - MARCH WAS EUR 2.1 MILLION (LOSS OF EUR 5.4 MILLION FOR THIS PERIOD LAST YEAR)

- **Metsä Tissue's turnover for January – March 2001 was EUR 162.3 million (147.5 million for this period last year).**
- **Operating profit was EUR 4.4 million (loss of 3.3 million).**
- **Profit before extraordinary items was EUR 2.1 million (loss of 5.4 million).**
- **The equity ratio was 25.7 per cent (24.9 at 31 December 2000).**
- **Earnings per share were EUR 0.02 (loss of 0.18).**
- **The decision in January by the European Union's competition authority prevented M-real and SCA from going ahead with their agreed sale of Metsä Tissue shares to SCA. Metsä Tissue thus remains a listed company.**
- **Profitability is forecast to improve further during 2001, and the company expects to show a clear profit for the year as a whole.**

Turnover and results

Metsä Tissue's turnover for the first quarter of 2001 was EUR 162.3 million, up 10 per cent on the previous year's figure of EUR 147.5 million.

Operating profit was EUR 4.4 million, 2.7 per cent of turnover (loss of 3.3 million and 2.2 per cent). The improvement is due to the fact that price rises during the review period have almost covered the substantial rise in the cost of raw materials, which began in the second half of 1999 and continued last year. Although raw material prices have fallen slightly, they are still much higher than the average for last year. Production has gone smoothly, and the results of the investment and development

programmes carried out over the past two years are beginning to improve financial results.

Profit before extraordinary items was EUR 2.1 million (loss of 5.4 million). After taxes and minority interests there was a profit of EUR 0.5 million (loss of 5.5 million).

Direct taxes, including the change in deferred tax liability, were EUR 1.6 million, including EUR 0.5 million in taxes for the previous financial period.

Most notable events during the financial period

The decision issued by the European Commission on 31 January 2001 prevented M-real from selling its controlling interest in Metsä Tissue to the Swedish company SCA. Metsä Tissue continues to operate as a listed company, and the revitalization and development measures deferred for almost the whole of 2000 due to the impending change of ownership have now been started.

Key figures

Earnings per share were EUR 0.02 (loss of 0.18). Return on capital employed was 4.9 per cent (-3.6). Return on equity was 1.7 per cent (-15.9).

The equity ratio was 25.7 per cent, compared with 24.9 per cent at 31 December 2000. The net gearing ratio was 193.8 per cent (198.8 at 31 December 2000).

Financial position and liquidity

The group's liquidity was good throughout the review period. Liquid assets at the end of March were EUR 14.3 million (19.4 million at 31 December 2000). In addition, the group has EUR 24.7 million in unutilized credit facilities (14.5 million at 31 December 2000), of which EUR 20.2 million are committed and EUR 4.5 million uncommitted.

Interest-bearing net liabilities were EUR 231.7 million (239.2 million at 31 December 2000). The cash flow from operations before investments was EUR 8.6 million (-5.5 million). Capital expenditure was EUR 2.2 million (5.4 million).

Net financial expenses were EUR 2.3 million, 1.4 per cent of turnover.

Shares and shareholders

The highest quotation for Metsä Tissue Corporation shares during the review period was EUR 12.00 and the lowest EUR 7.29. The average quotation was EUR 9.74. At

22 March 2001, the company's shares were quoted at EUR 8.80. There was no further trading in Metsä Tissue shares on the Helsinki Stock Exchange in March.

During the first quarter, the company's shares were traded to a total value of EUR 0.3 million, representing 0.1 per cent of the total number of shares. The company's market capitalization at 30 March 2001 was EUR 264.0 million.

At the end of the period, Metsä Tissue Corporation had 1,487 registered shareholders. M-real Corporation holds 65.58 per cent of the share capital and international investors 25.3 per cent.

Business area reviews

The company's business areas are Consumer, Away-from-Home and Other Operations. The Table Top business is a separate product area within the Consumer and Away-from-Home business areas.

Demand for tissue products has remained steady. Product prices have been raised to the extent that they almost cover the increase in the cost of raw materials during 1999 and 2000. Prices for the main raw materials in US dollars fell slightly during the review period, but the weakness of the euro against the dollar has kept prices paid for raw materials in local currencies high.

The **Consumer** business area made a profit on operations of 2.3 million (loss of 3.0 million). Turnover rose by 11.7 per cent to EUR 87.5 million (78.3 million). Most of the increase in turnover is due to higher product prices. Sales of converted tissue products in the Nordic countries and continental Europe were about the same as for this period last year. The company continues to pursue the goal of further strengthening the position of its own brands in the Nordic countries. In continental Europe, the company is working for greater collaboration with customers and a stronger market position. Sales by the **Table Top** business were marginally down on last year due to slimming of the product portfolio. The fall in sales volume is expected to be only temporary.

The **Away-from-Home** business area produced an operating profit of EUR 1.6 million (0.2 million). Turnover was up 12.7 per cent at EUR 44.1 million (39.1 million). Sales volumes were about the same as for this period last year. The growth in turnover is due largely to higher product prices. The company is intensifying its commitment to the Katrin 'Less is More' concept and to stepping up collaboration with customers.

Other Operations returned an operating profit of EUR 0.9 million (loss of 0.3 million). Turnover was EUR 31.6 million (32.9 million). Other Operations comprise the **Baking and Cooking** product area and sales of tissue base paper. Within the Baking and Cooking product area, products converted by the company have increased their share of sales, and sales have developed favourably in comparison with last year. Sales volumes for tissue base paper were down on last year.

Investments

Investment for the first quarter totalled EUR 2.2 million (5.4 million). The focus was on replacement and rationalization projects.

Annual General Meeting

The Annual General Meeting of 13 March 2001 decided that the Board of Directors would have seven members. Antti Oksanen, Arimo Uusitalo, Ari Heiniö, Jussi Länsiö, Curt Lindbom and Jorma Vaajoki continue as members. Jouko M. Jaakkola was elected a new member of the Board of Directors.

The meeting decided that no dividend would be paid for the 2000 financial year as the consolidated accounts closed at 31 December 2000 as adopted by the meeting show no funds available for distribution as dividend.

Personnel

The Metsä Tissue Group had an average of 2,964 employees during the review period (3,239). The number of employees at the end of March was 2,942 (3,196).

Outlook

Metsä Tissue continues to operate as a listed company, and the revitalization and development measures deferred for almost the whole of 2000 due to the impending change of ownership have now been started.

Increases in sales prices for the company's products have almost completely covered the rise in costs for the main raw materials. In production, the company is concentrating on improving cost effectiveness and raising the rate of its capacity utilization. Operations last year were disrupted by the strike in the Finnish paper industry, fairly large investment programmes and the impending change of ownership, which affected almost the whole year. During the present year there will be no such disruptions. The group's profitability is expected to show a further improvement during 2001 and the result for the year is forecast to be a clear profit.

The figures presented in this bulletin are unaudited.

Espoo, 25 April 2001

BOARD OF DIRECTORS

Enclosures

Profit and loss account and balance sheet
Key figures
Quarterly data

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Metsä Tissue Corporation will publish its Interim Report for January-June on Wednesday, 1 August 2001.

This Interim Report, the Annual Report for 2000, the company's stock exchange bulletins and other financial information are also available on the internet at www.metsatissue.com.

METSÄ TISSUE CORPORATION

Mikko Hietanen
Chief Financial Officer

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METSÄ TISSUE GROUP (unaudited)

PROFIT AND LOSS ACCOUNT (MEUR)	Q1/01	%	Q1/00	%	Change	%	Q1-4/00	%
Turnover	162.3	100.0	147.5	100.0	14.8	10.0	609.2	100.0
Other operating income	0.8		1.5		-0.7		5.5	
Operating expenses	149		142.9		6.1		589.2	
Depreciation according to plan	9.7		9.4		0.3		37.4	
Operating profit/loss	4.4	2.7	-3.3	-2.2	7.7		-11.9	-1.9
Net exchange gains/losses	0.9		0.2		0.7		0.8	
Other financial income/expenses	-3.2	-2.0	-2.3	-1.6	-0.9		-10.6	-1.6
Profit/loss before extraordinary items	2.1	1.3	-5.4	-3.7	7.5		-21.7	-3.6
Extraordinary income	0.0		0.0		0.0		0.0	
Extraordinary expenses	0.0		0.0		0.0		0.0	
Profit/loss before taxes and minority interest	2.1	1.3	-5.4	-3.7	7.5		-21.7	-3.6
Taxes	-1.6		-0.2		-1.4		2.0	
Minority interest	0.0		-0.1		0.1		-0.4	
Profit/loss for the period	0,5	0.3	-5.5	-3.7	6.0		-19.3	-3.2

BALANCE SHEET (MEUR)	Q1/2001	%	Q1/2000	%	Q4/2000	%
Assets						
Fixed assets and other non-current assets	267.1	57.5	291.4	60.6	275.8	57.1
Inventories	77.2	16.6	74.7	15.5	80.5	16.7
Other current assets	120.6	25.9	114.8	23.9	126.7	26.2
Total	464.8	100.0	480.9	100.0	483.0	100.0
Liabilities						
Shareholders' equity						
Restricted equity	100.1		100.1		100.1	
Unrestricted equity	17.6		35.6		18.4	
Total	117.7	25.3	135.7	28.2	118.5	24.5
Minority interest	1.9	0.4	2.1	0.4	1.9	0.4
Provisions for future costs	6.3	1.4	9.2	1.9	5.8	1.2
Liabilities						
Long term liabilities	201.3		214.8		203.3	
Short term liabilities	137.7		119.1		153.5	
Total	339.0	72.9	333.9	69.4	356.8	73.9
Total	464.8	100.0	480.9	100.0	483.0	100.0

KEY FIGURES	Q1/01	Q1/00	Q1-4/00
Share related indicators, EUR			
Earnings per share	0.02	-0.18	-0.64
Shareholders' equity per share	3.92	4.52	3.95
Investments			
Gross investments, MEUR	2.2	5.4	22.7
Investments, % turnover	1.4	3.6	3.7
Net interest-bearing liabilities, MEUR	231.7	219.4	239.2
Financial ratios			
Return on equity, %	1.7	-15.9	-14.9
Return on capital invested, %	4.9	-3.6	-3.1
Gearing, %	193.8	159.2	198.8
Equity ratio, %	25.7	28.7	24.9
Personnel			
Personnel, average	2 964	3 239	3 205
Personnel, at the end of period	2 942	3 196	3 048
Leasing commitments, MEUR			
Payments due during next 12 months	2.7	5.6	3.0
Payments due in subsequent years	3.3	16.4	3.5
Derivatives, MEUR			
Currency derivatives	30.5	55.6	11.9
Commodity derivatives	0.0	0.0	0.0
Mortgages, MEUR	2.2	54.3	2.2
Guarantees, MEUR	0.5	1.0	0.5
Other liabilities, MEUR	5.0		4.7

QUARTERLY DEVELOPMENT
1999 - 2001

Turnover MEUR	2001	2000					1999				
	Q1	Q1-4	Q4	Q3	Q2	Q1	Q1-4	Q4	Q3	Q2	Q1
Consumer	87.5	317.8	84.2	80.2	75.1	78.3	283.3	73.4	72.0	70.2	67.8
Away-from-Home	44.1	165.4	44.4	42.5	39.5	39.1	169.4	43.5	42.7	40.3	42.8
Other operations	31.6	133.3	35.0	34.5	31.0	32.9	145.9	39.7	33.3	34.6	38.4
Internal sales	-0.9	-7.4	-3.2	-0.7	-0.8	-2.7	-12.8	-3.3	-3.2	-2.8	-3.5
Total	162.3	609,2	160,3	156,5	144,8	147,5	585,7	153,2	144,8	142,2	145,5

Operating profit MEUR	2001	2000					1999				
	Q1	Q1-4	Q4	Q3	Q2	Q1	Q1-4	Q4	Q3	Q2	Q1
Consumer	2.3	-10.9	-1.9	-0.1	-5.8	-3.0	6.1	-2.7	2.5	1.9	4.4
Away-from-Home	1.6	0.7	1.2	1.2	-1.8	0.2	6.4	-1.4	2.8	1.7	3.3
Other operations	0.9	-0.6	1.5	0.2	-2.0	-0.3	5.7	-0.1	1.6	1.8	2.3
Group costs	-0.3	-1.1	-0.4	-0.3	-0.2	-0.1	-2.0	-0.4	-0.4	-0.5	-0.7
Total	4.4	-11.9	0.3	0.9	-9.8	-3.3	16.2	-4.6	6.6	4.9	9.3
Operating margin, %	2.7	-1.9	0.2	0.6	-6.8	-2.3	2.8	-3.0	4.5	3.4	6.4
Net exchange gains/losses	0.9	0.8	0.4	0.3	-0.1	0.2	0.2	0.2	0.0	0.2	-0.2
Other financial Income and expenses	3.2	-10.6	-3.2	-2.8	-2.3	-2.3	-7.3	-1.8	-1.9	-2.0	-1.6
Profit/loss before extraordinary items	2.1	-21.7	-2.5	-1.6	-12.2	-5.4	9.1	-6.2	4.7	3.1	7.5