



Metsä Tissue Corp.

INTERIM REPORT 1(7)
3 August 2000, at 9.00 am

METSÄ TISSUE'S FIRST-HALF TURNOVER EUR 292.3 MILLION. RESULT BEFORE EXTRAORDINARY ITEMS A LOSS OF EUR 17.6 MILLION

- **Metsä Tissue's turnover for January – June 2000 was EUR 292.3 million (287.7 million last year).**
- **The group made a loss on operations of EUR 13.1 million (profit of 14.2 million).**
- **The loss before extraordinary items was EUR 17.6 million (profit of 10.6 million).**
- **The equity ratio was 26.2 per cent (31.5).**
- **The loss per share was EUR 0.59 (earnings of 0.23).**
- **On 31 May 2000, Metsä-Serla Corporation announced it had agreed to sell its Metsä Tissue Corporation shares to Svenska Cellulosa Aktiebolaget SCA. Before it can be finally implemented, the sale requires the approval of the EU's competition authority.**

Turnover and results

Metsä Tissue's turnover for the period January – June was EUR 292.3 million, an increase of 1.6 per cent on last year's corresponding figure of EUR 287.7 million. Turnover for 1999 includes board production in Poland and sales of giftwrap and disposable tableware in Germany, which were discontinued in 1999. On a comparable basis, the growth in turnover was approximately 6 per cent.

There was a loss on operations of EUR 13.1 million, 4.5 per cent of turnover, compared with an operating profit of EUR 14.2 million, 4.9 per cent, for the first half of last year. The loss made during the review period is due primarily to the spiralling cost of the company's main raw materials, which the company has been unable to pass on to sales prices at the same rate. The strike by the Finnish Paperworkers' Union in April reduced operating profit by some EUR 2 million.

Before extraordinary items there was a loss of EUR 17.6 million (profit of 10.6 million). After taxes and minority interests there was a loss of EUR 17.7 million (6.8 million profit).

Minority interests contributed EUR 0.2 million to the financial result, while direct taxes, including the change in deferred tax liability, were EUR 0.3 million.

Key figures

The loss per share was EUR 0.59 (earnings of 0.23). Return on capital employed was –7.1 per cent (8.1). Return on equity was –26.7 per cent (8.9).

The equity ratio was 26.2 per cent (31.5) and the net gearing ratio was 187.1 per cent (132.4).

Financial position and liquidity

The group's liquidity was good throughout the review period. Liquid assets at the end of June were EUR 9.6 million (17.4 million at 31 December 1999). In addition, the group has EUR 45.8 million in unutilized credit facilities (52.2 million at 31 December 1999), of which EUR 41.1 million are committed and EUR 4.7 million uncommitted.

Interest-bearing net liabilities were EUR 232.3 million (200.9 million at 31 December 1999). The cash flow from operations before investments was –16.1 million euros (5.9 million) and capital expenditure was EUR 11.7 million (16.3 million).

Net financial expenses were EUR 4.5 million, 1.5 per cent of turnover.

Shares and shareholders

The highest quotation for Metsä Tissue Corporation shares during the review period was EUR 14.20 and the lowest EUR 9.50. The average quotation was EUR 11.56. At 30 June 2000, the company's shares were quoted at EUR 13.60.

During the review period, the company's shares were traded to a total value of EUR 14.3 million, which represents 4 per cent of the total number of shares. The company's market capitalization at 30 June 2000 was EUR 408 million.

At the end of June, Metsä Tissue had 1,541 registered shareholders. Metsä-Serla Corporation holds 65.58 per cent of the share capital and international investors 26.0 per cent.

On 31 May 2000, Metsä-Serla Corporation announced it had agreed to sell its shares in Metsä Tissue Corporation to SCA Mölnlycke Holding B.V., a

subsidiary of Svenska Cellulosa Aktiebolaget SCA (SCA). The purchase price for the shares is EUR 15 per share. Metsä-Serla owns 19,675,000 Metsä Tissue shares, corresponding to 65.58 per cent of the share capital and the total number of votes. SCA B.V. already owns 5,781,200 Metsä Tissue Corporation shares, corresponding to 19.27 per cent of the share capital and the total number of votes. The sale will give SCA B.V. 84.85 per cent of Metsä Tissue's share capital and voting rights.

On 12 July 2000, SCA announced that it had received written assurances from Metsä Tissue Corporation's minority shareholders who are prepared to sell their shares. Following such sales, SCA's interest in Metsä Tissue would exceed 90 per cent.

Final implementation of these agreements requires the approval of the EU's competition authority.

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.

Prices for converted tissue products were higher than during the first half of 1999 both in the Nordic countries and in continental Europe. In Poland, product prices and sales volumes have risen as higher quality tissue products have accounted for a greater share of total sales. Efforts to raise product prices in line with rising raw material costs are continuing in all markets.

The **Consumer** business area returned a loss on business operations of EUR 8.8 million, as against a profit of EUR 6.3 million for the first half of last year. Turnover rose by 11.2 per cent to EUR 153.4 million (137.9 million). Sales of tissue products in the Nordic countries and continental Europe were up on the same period last year. Sales by the Table Top business have gone according to plan, and demand for napkins is good.

The **Away-from-Home** business area returned an operating loss of EUR 1.7 million (profit of 5.0 million). Turnover was down 5.5 per cent at EUR 78.5 million (83.2 million). The lower turnover is due to the removal of disposable tableware from the product range. However, sales of main products in all markets were higher than for this period last year.

Other operations resulted in an operating loss of EUR 2.3 million (profit of 4.2 million). Turnover was down 12.5 per cent at EUR 63.9 million (73.0 million). Other operations comprise the Baking and Cooking product area, tissue base paper and, up to the end of this year, sales of feminine hygiene products. Sales of tissue base paper were lower due to increased converting activity within the company.

Investments

Investment for the review period totalled EUR 11.7 million (16.3 million) and comprised mainly replacements and rationalization projects.

Personnel

The Metsä Tissue Group had an average of 3,255 employees (3,478) during the period January – June. The number of employees at 30 June was 3,369 (3,584).

Outlook

Measures to improve cost-effectiveness at the company's Nordic mills continued. In Germany, priority is being given to making logistics more efficient and to achieving major improvements in cost-effectiveness.

Raw material prices and the successful introduction of price rises for tissue products are the two key factors affecting financial results. Higher raw material costs have been passed on to sales prices more slowly than expected, and for this reason the financial result for 2000 before extraordinary items will be a clear loss.

The figures presented in this bulletin are unaudited.

Espoo, 2 August 2000

BOARD OF DIRECTORS

Enclosures

- Profit and loss account and balance sheet
- Key figures
- Quarterly data

For more information, please contact

Hannu Anttila, Chief Executive Officer
Tel. +358 1046 94959, mobile +358 50 2398

Mikko Hietanen, Chief Financial Officer
Tel. +358 1046 94595, mobile +358 50 558 1280

Metsä Tissue Corporation will publish its Interim Report for January – September on Thursday, 26 October 2000.

This Interim Report, the Annual Report for 1999, the company's stock exchange bulletins and other financial information are also available on the Internet at www.metsatissue.com

METSÄ TISSUE GROUP (unaudited)

PROFIT AND LOSS ACCOUNT (MEUR)	1-6/00	%	1-6/99	%	Change	%	1-12/99	%
Turnover	292.3	100.0	287.7	100.0	4.6	1.6	585.7	100.0
Other operating income	2.3		1.7		0.6		4.0	
Operating expenses	289.0		258.5		30.4		540.0	
Depreciation according to plan	18.8		16.7		2.1		33.5	
Operating profit/loss	-13.1	-4.5	14.2	4.9	-27.3		16.2	2.8
Net exchange gains/losses	0.1		0.0		0.1		0.2	
Other financial income/expenses	-4.6		-3.7		-0.9		-7.3	
Profit/loss before extraordinary items	-17.6	-6.0	10.6	3.7	-28.2		9.1	1.6
Extraordinary income	0.0		0.0		0.0		0.7	
Extraordinary expenses	0.0		0.0		0.0		-2.6	
Profit/loss before taxes and minority interest	-17.6	-6.0	10.6	3.7	-28.2		7.2	1.2
Taxes	-0.3		-4.1		3.8		-6.5	
Minority interest	-0.2		-0.3		0.1		-0.7	
Profit/loss for the period	-17.7	-6.1	6.8	2.4	-24.5		1.4	0.2

BALANCE SHEET (MEUR)	6/2000	%	6/1999	%	12/1999	%
Assets						
Fixed assets and other non-current assets	286.7	60.4	288.7	61.1	291.1	61.5
Inventories	75.2	15.8	68.8	14.5	67.6	14.3
Other current assets	112.8	23.8	115.3	24.4	114.8	24.2
Total	474.7	100.0	472.8	100.0	473.5	100.0
Liabilities						
Shareholders' equity						
Restricted equity	100.1		100.0		100.0	
Unrestricted equity	22.2		46.5		42.3	
Total	122.3	25.8	146.5	31.0	142.3	30.1
Minority interest	1.9	0.4	2.6	0.5	2.1	0.4
Provisions for future costs	10.1	2.1	7.5	1.6	9.5	2.0
Liabilities						
Long term liabilities	210.2		207.8		206.0	
Short term liabilities	130.2		108.4		113.6	
Total	340.4	71.7	316.2	66.9	319.5	67.5
Total	474.7	100.0	472.8	100.0	473.5	100.0

KEY FIGURES	1-6/00	1-6/99	1-12/99
Share related indicators. EUR			
Earnings per share	-0.59	0.23	0.11
with dilution effect of warrants	-0.57	0.22	0.11
Shareholders' equity per share	4.08	4.88	4.74
Investments			
Gross investments, MEUR	11.7	16.5	32.8
Investments (% turnover)	4.0	5.7	5.6
Net interest-bearing liabilities, MEUR	232.3	197.3	200.9
Financial ratios			
Return on equity, %	-26.7	8.9	1.8
Return on capital invested, %	-7.1	8.1	4.6
Gearing, %	187.1	132.4	139.1
Equity ratio, %	26.2	31.5	30.5
Personnel			
Personnel, average	3,255	3,478	3,459
Personnel, as at period end	3,369	3,584	3,355
Leasing commitments, MEUR			
Payments due during the next 12 months	5.5	2.5	4.3
Payments due in subsequent years	20.1	3.1	12.3
Derivatives, MEUR			
Currency derivatives	39.6	63.7	125.4
Commodity derivatives	0.0	22.6	19.0
Mortgages, MEUR	54.2	56.5	54.3
Guarantees, MEUR	1.0	1.2	1.0

QUARTERLY DATA
1999 - 2000

TURNOVER MEUR	2000			1999					
	1-6	4-6	1-3	1-6	1-12	10-12	7-9	4-6	1-3
Consumer	153.4	75.1	78.3	137.9	283.3	73.4	72.0	70.2	67.8
Away-from-Home	78.5	39.4	39.1	83.2	169.4	43.5	42.7	40.3	42.8
Other operations	63.9	31.0	32.9	73.0	145.9	39.7	33.3	34.6	38.4
Internal sales	-3.5	-0.8	-2.7	-6.4	-12.8	-3.3	-3.2	-2.8	-3.5
Total	292.3	144.7	147.5	287.7	585.7	153.2	144.8	142.2	145.5

OPERATING PROFIT/LOSS MEUR	2000			1999					
	1-6	4-6	1-3	1-6	1-12	10-12	7-9	4-6	1-3
Consumer	-8.8	-5.8	-3.0	6.3	6.1	-2.7	2.5	1.9	4.4
Away-from-Home	-1.7	-1.8	0.2	5.0	6.4	-1.4	2.8	1.7	3.3
Other operations	-2.3	-2.0	-0.3	4.2	5.7	-0.1	1.6	1.8	2.3
Group costs	-0.3	-0.2	-0.1	-1.2	-2.0	-0.4	-0.4	-0.5	-0.7
Total	-13.1	-9.8	-3.3	14.2	16.2	-4.6	6.6	4.9	9.3
Operating margin -%	-4.5	-6.8	-2.2	4.9	2.8	-3.0	4.5	3.4	6.4
Net exchange gains/losses	0.1	-0.1	0.2	0.0	0.2	0.2	0.0	0.2	-0.2
Other financial income and expenses	-4.6	-2.3	-2.3	-3.7	-7.3	-1.8	-1.9	-2.0	-1.6
Profit/loss before extraordinary items	-17.6	-12.2	-5.4	10.6	9.1	-6.2	4.7	3.1	7.5