



Metsä Tissue Corporation

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METSÄ TISSUE'S POSITIVE FINANCIAL TREND STRONGER DURING SECOND QUARTER

- **Metsä Tissue's consolidated turnover for the period January – June 2001 was EUR 325.3 million (292.3 million for the same period last year).**
- **Operating profit was EUR 11.5 million (loss of 13.1 million).**
- **Profit before extraordinary items was EUR 7.0 million (loss of 17.6 million).**
- **The equity ratio was 26.4 per cent (24.9% at 31 December 2000).**
- **Earnings per share were EUR 0.14 (loss of 0.59).**
- **Profitability is expected to improve compared with last year, and a clear profit is anticipated for the year as a whole.**

Turnover and results

Metsä Tissue's turnover for the first half of the year was EUR 325.3 million, up 11.3 per cent on last year's corresponding figure of EUR 292.3 million.

Operating profit was EUR 11.5 million, 3.5 per cent of turnover, compared with an operating loss of EUR 13.1 million (4.5%) for this period last year. The improved result is due to the fact that price rises introduced and measures to reduce costs have during the review period almost covered the substantial rise in the cost of the main raw materials that began in the second half of 1999 and continued during last year. Prices for the main raw materials have fallen further during the review period. However, because of the strengthening of the US dollar against the euro, market pulp prices in local currencies have remained high. Production has proceeded without interruptions.

Profit before extraordinary items was EUR 7.0 million (loss of 17.6 million). Profit after taxes and minority interests was EUR 4.3 million (loss of 17.7 million).

Most notable events during the review period

Revitalization measures deferred for almost the whole of 2000 due to the impending change of ownership have now been stepped up.

In June, Metsä Tissue announced changes in its business approach and in the structure of its organization with effect from 1 July 2001. The company's strong local organizations will be restructured to provide greater support for unified, internationally expanded operations and for the utilization of resources in business operations.

Key figures

Earnings per share were EUR 0.14 (loss of 0.59). The return on capital employed was 6.4 per cent (-7.1%). The return on equity was 7.0 per cent (-26.7%).

The equity ratio was 26.4 per cent (24.9% at 31 December 2000). The net gearing ratio was 174.1 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 June were EUR 19.4 million (19.4 million at 31 December 2000). In addition, the group has EUR 45.5 million in unutilized credit facilities (14.5 million at 31 December 2001), of which EUR 41.2 million are committed and EUR 4.3 million uncommitted.

Interest-bearing net liabilities were EUR 212.8 million (239.2 million at 31 December 2000). The cash flow from operations before investments was EUR 38.2 million (-16.1 million). Capital expenditure was 10.7 million (11.7 million).

Net financial expenses were EUR 4.6 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 6.70. The average price quoted was EUR 8.30. At the end of June, the company's shares were quoted at EUR 8.52.

During the first six months, Metsä Tissue's shares were traded to a total value of EUR 9.9 million, which represents 4.0 per cent of the total number of shares. The company's market capitalization at 30 June was EUR 255.6 million.

At the end of the review period, Metsä Tissue had 1,500 registered shareholders. M-real Corporation holds 65.8 per cent of the share capital and international investors 22.7 per cent.

The Board of Directors has no current authorization to issue shares or to issue convertible bonds or options.

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 have fallen during the review period, but the weakness of the euro against the dollar has kept prices paid for raw materials in local currencies high. Sales volumes have remained satisfactory, but the decline in the general economic situation could cause product sales to fall during the second half of the year.

The **Consumer** business area returned a profit on operations of EUR 6.7 million (loss of 8.8 million). Turnover rose 15.1 per cent to EUR 176.5 million (153.4 million). The higher turnover is due largely to increased product prices. Sales volumes in the Nordic countries were about the same as for this period last year, while volumes in continental Europe have shown modest growth.

The **Away-from-Home** business area produced an operating profit of EUR 4.1 million (loss of 1.7 million). Turnover was 12.7 per cent up at EUR 88.5 million (78.5 million). Sales volumes were about the same as for this period last year.

Sales of **Table Top** products were slightly down on last year due to slimming of the product portfolio. The decline in sales volume is expected to be only temporary. Measures taken to develop both sales and production have made business much more profitable.

Other Operations produced an operating profit of EUR 1.5 million (loss of 2.3 million). Turnover was EUR 62.1 million (63.9 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, which have developed more favourably than during the first half of last year. Sales volumes for tissue base paper were under the previous year level. Base paper prices have fallen since the end of last year.

Investments

Investment for the first six months totalled EUR 10.7 million (11.7 million), consisting of EUR 5.6 million in share purchases (0.5 million) and EUR 5.1 million in investments in fixed assets (11.2 million). During the review period, Metsä Tissue undertook to redeem a 20.4 per cent minority interest in its Polish subsidiary Metsä Tissue S.A at a cost of 19.0 million Polish zlotys in accordance with a contract signed in 1997. As a result, Metsä Tissue's ownership of the company will rise to 99.7 per cent. Investments in tangible fixed assets concerned mainly replacements and rationalizations.

Personnel

The Metsä Tissue Group had an average of 3,000 employees during the review period (3,255). The number of employees at the end of June was 3,162 (3,369).

Outlook

Demand for tissue products has so far remained steady, but the continuing decline in the general economic situation could have an unfavourable impact on the way the market develops. No rise in raw material prices is anticipated in the near future. In production, the focus is on improving cost effectiveness.

Profitability is expected to be better than last year, and the result for the year to be well in profit.

The figures presented in this bulletin are unaudited.

Espoo 31 July 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-September on Monday, 29 October 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 GROUP (unaudited)

PROFIT AND LOSS ACCOUNT (EUR million)	Q1-2/01	%	Q1-2/00	%	Change	%	Q1-4/00	%
Turnover	325.3	100.0	292.3	100.0	33.0	11.3	609.2	100.0
Other operating income	2.1		2.3		-0.2		5.5	
Operating expenses	296.4		289.0		7.4		589.2	
Depreciation according to plan	19.5		18.8		0.7		37.4	
Operating profit/loss	11.5	3.5	-13.1	-4.5	24.6		-11.9	-1.9
Net exchange gains/losses	1.5		0.1		1.4		0.8	
Other financial income/expenses	-6.1	-1.9	-4.6	-1.6	-1.5		-10.6	-1.6
Profit/loss before extraordinary items	7.0	2.2	-17.6	-6.0	24.6		-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	7.0	2.2	-17.6	-6.0	24.6		-21.7	-3.6
Taxes	-2.8		-0.3		-2.5		2.0	
Minority interest	0.0		-0.2		0.2		-0.4	
Profit/loss for the period	4.3	1.3	-17.7	-6.1	22.0		-19.3	-3.2

BALANCE SHEET (EUR million)	Q2/2001	%	Q2/2000	%	Q4/2000	%
Assets						
Fixed assets and other non-current assets	264.7	57.2	286.7	60.4	275.8	57.1
Inventories	68.3	14.8	75.2	15.8	80.5	16.7
Other current assets	129.8	28.0	112.8	23.8	126.7	26.2
Total	462.8	100.0	474.7	100.0	483.0	100.0
Liabilities						
Shareholders' equity						
Restricted equity	100.1		100.1		100.1	
Unrestricted equity	21.7		22.2		18.4	
Total	121.8	26.3	122.3	25.8	118.5	24.5
Minority interest	0.4	0.1	1.9	0.4	1.9	0.4
Provisions for future costs	6.3	1.4	10.1	2.1	5.8	1.2
Liabilities						
Long term liabilities	190.1		210.2		203.3	
Short term liabilities	144.2		130.2		153.5	
Total	334.3	72.2	340.4	71.7	356.8	73.9
Total	462.8	100.0	474.7	100.0	483.0	100.0

KEY FIGURES	Q1-2/01	Q1-2/00	Q1-4/00
Share related indicators, EUR			
Earnings per share	0.14	-0.59	-0.64
Shareholders' equity per share	4.06	4.08	3.95
Investments			
Gross investments, EUR million	10.7	11.7	22.7
Investments, % turnover	3.3	4.0	3.7
Net interest-bearing liabilities, EUR million	212.8	232.2	239.2
Financial ratios			
Return on equity, %	7.0	-26.7	-14.9
Return on capital invested, %	6.4	-7.1	-3.1
Gearing, %	174.1	187.1	198.8
Equity ratio, %	26.4	26.2	24.9
Personnel			
Personnel, average	3,000	3,255	3,205
Personnel, at the end of period	3,162	3,369	3,048
Leasing commitments, EUR million			
Payments due during next 12 months	3.2	5.5	3.0
Payments due in subsequent years	3.0	20.1	3.5
Derivatives, EUR million			
Currency derivatives	35.6	39.6	11.9
Commodity derivatives	0.0	0.0	0.0
Mortgages, EUR million	2.3	54.2	2.2
Guarantees, EUR million	0.5	1.0	0.5
Other liabilities, EUR million	0.0		4.7

QUARTERLY DEVELOPMENT 2000 - 2001

Turnover MEUR	2001			2000					
	Q1-2	Q2	Q1	Q1-2	Q1-4	Q4	Q3	Q2	Q1
Consumer	176.5	89.0	87.5	153.4	317.8	84.2	80.2	75.1	78.3
Away-from-Home	88.5	44.4	44.1	78.5	165.4	44.4	42.5	39.5	39.1
Other operations	62.1	30.4	31.6	63.9	133.3	35.0	34.5	31.0	32.9
Internal sales	-1.8	-0.8	-0.9	-3.5	-7.4	-3.2	-0.7	-0.8	-2.7
Total	325.3	163.0	162.3	292.3	609.2	160.3	156.5	144.8	147.5

Operating profit EUR million	2001			2000					
	Q1-2	Q2	Q1	Q1-2	Q1-4	Q4	Q3	Q2	Q1
Consumer	6.7	4.5	2.3	-8.8	-10.9	-1.9	-0.1	-5.8	-3.0
Away-from-Home	4.1	2.5	1.6	-1.7	0.7	1.2	1.2	-1.8	0.2
Other operations	1.5	0.7	0.9	-2.3	-0.6	1.5	0.2	-2.0	-0.3
Group costs	-0.8	-0.4	-0.3	-0.3	-1.1	-0.4	-0.3	-0.2	-0.1
Total	11.5	7.2	4.4	-13.1	-11.9	0.3	0.9	-9.8	-3.3
Operating margin, %	3.5	4.4	2.7	-4.5	-1.9	0.2	0.6	-6.8	-2.3
Net exchange gains/losses	1.5	0.6	0.9	0.1	0.8	0.4	0.3	-0.1	0.2
Other financial income and expenses	-6.1	-2.9	-3.2	-4.6	-10.6	-3.2	-2.8	-2.3	-2.3
Profit/loss before extraordinary items	7.0	4.9	2.1	-17.6	-21.7	-2.5	-1.6	-12.2	-5.4