



Metsä Tissue Corp.

INTERIM REPORT 1(7)
29 October 2001 at 3 pm

METSÄ TISSUE'S POSITIVE PROFIT TREND CONTINUED DURING THIRD QUARTER

- **Turnover for the Metsä Tissue Group for the period January – September 2001 was EUR 486.4 million (EUR 448.8 million for this period last year), growth by 8.4 per cent.**
- **Operating profit was EUR 22.7 million (EUR 12.2 million loss).**
- **Profit before extraordinary items was EUR 14.6 million (EUR 19.2 million loss).**
- **The equity ratio was 27.1 per cent (24.9 per cent at 31 December 2000).**
- **Earnings per share were EUR 0.25 (loss of EUR 0.69).**

The profit and cash flow targets set for 2001 will be met.

Turnover and financial result

Consolidated turnover for January – September was EUR 486.4 million, up 8.4 per cent on the EUR 448.8 million for the same period last year.

Operating profit was EUR 22.7 million, 4.7 per cent of turnover (operating loss of 12.2 million, 2.7 per cent). The improved financial result is due to stabilized business activity, lower costs and better sales prices. Sales volumes increased but did not quite reach the target level. Production has proceeded without disruption.

Profit before extraordinary items was EUR 14.6 million (loss of EUR 19.2 million). After taxes and minority interest there was a profit of EUR 7.6 million (loss of EUR 20.6 million). Third quarter profit has been effected by reserves totalling EUR 4.0 million set aside for reorganization of activities over the next two years. In previous years, the minority interest share of the losses of its Polish subsidiary has totalled EUR 2.4 million. Following redemption of this minority interest, these losses have been returned into the consolidated profit.

Main events during the review period

Metsä Tissue's business operations have become generally more stable and efficient. The effects are particularly apparent in business in continental Europe.

On 1 July 2001, Metsä Tissue introduced a new business practice and organizational structure. The former structure with strong local organizations was replaced by a structure that provides greater support for the Group's expanded international operations and makes better use of existing resources in business activities.

In June, Metsä Tissue introduced a "We Build Value" process, the aim of which is to create a single set of values for the Group and to define the factors that are critical in competition and which will lead to business success. The process will be completed by the end of this year.

Key figures

Earnings per share were EUR 0.25 (loss of 0.69). Return on capital employed was EUR 8.5 per cent (-4.4). Return on equity was 11.0 per cent (-21.0). The equity ratio was 27.1 per cent (24.9 per cent at 31 December 2000). The gearing ratio was 161.8 per cent (198.8 per cent at 31 December 2000).

Financial situation and liquidity

The Group's liquidity was good during the review period. Liquid funds at the end of September were EUR 20.7 million (19.4 million at 31 December 2000). In addition, the Group has EUR 59.3 million in unutilized credit facilities (14.5 million at 31 December 2000), of which EUR 55.2 million was committed and EUR 4.1 million uncommitted.

Interest-bearing net liabilities were EUR 196.0 million (239.2 million at 31 December 2000). The cash flow from operations, before capital expenditure, was EUR 56.6 million (-4.6 million). Capital expenditure was EUR 13.9 million (18.6 million).

Net financial expenses were EUR 8.1 million, 1.7 per cent of turnover.

Shares and shareholders

During the review period, the highest quotation for Metsä Tissue Corp. shares was EUR 12.00 and the lowest EUR 6.70. The average quotation was EUR 8.37. At the end of the period, the company's share were quoted at EUR 9.10.

During the nine months to September, Metsä Tissue shares were traded to a value of EUR 12.7 million, representing 5.1 per cent of the total number of the company's shares. The company's market capitalization at the end of the review period was EUR 273 million.

At the end of the review period Metsä Tissue had 1,496 registered shareholders. M-real Corporation holds 65.6 per cent of the company's share capital, while 23.0 per cent is owned by foreign investors.

The Board of Directors has no current authorization to issue shares, convertible bonds or share 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 continued steadily. The balance between supply and demand will remain under pressure in the near future as new capacity continues to come onto the market faster than growth in demand.

The **Consumer** business area posted an operating profit of EUR 13.5 million (loss of 8.9 million). Turnover was up 14.6 per cent at EUR 267.6 million (233.6 million). The higher turnover is due mainly to rises in product prices introduced last year. In the Nordic countries, sales volumes were the same as for this period last year. In continental Europe, sales volumes showed modest growth, which has been achieved through the development of new high-quality products. In Poland, the Mola brand has been successfully launched.

Operating profit for the **Away-from-Home** business area was EUR 8.1 million (loss of 0.5 million). Turnover was up 8.0 per cent at EUR 130.8 million (121.1 million). In terms of volume, product sales were about the same as last year. The improved profit is attributable primarily to more focused activities and lower costs.

The sales volume for **Table Top** products was marginally lower than last year due to trimming of the product range. Measures to develop both sales and production have made activities considerably more profitable. A major drive is under way to develop the Fasana brand.

Other Operations produced an operating profit of EUR 1.9 million (loss of 2.1 million). Turnover was EUR 90.2 million (98.4 million). The Other Operations business area includes the **Baking&Cooking** product area and sales of tissue base paper. The share of own converting increased in the Baking&Cooking product area. Profitability has not developed quite in line with plans. In volume terms, sales of tissue base paper were the same as for this period a year ago. Prices have fallen since the end of last year, but are now no longer falling.

Investments

In its long-range plans, Metsä Tissue has designated 2001 as a year in which it will make full use of existing resources. For this reason, no major new investments have been made this year, and fixed asset investments have mainly concerned replacement and rationalization projects.

Investments during the review period totalled EUR 13.9 million (18.6 million), of which EUR 5.2 million (0.5 million) was invested in shares and EUR 8.7 million (18.1 million) in tangible fixed assets. During the period Metsä Tissue redeemed, in accordance with an agreement signed in 1997, a 20.4 per cent minority interest in its Polish subsidiary Metsä Tissue S.A. at a cost of EUR 5.2 million. Metsä Tissue now holds 99.7 per cent of this company's share capital.

Personnel

The Metsä Tissue Group had an average of 3,022 employees during the review period (3,247). The number at the end of September was 2,961 (3,097). To secure the systematic development of the Group's human resources, Anne Silfverberg has been appointed

Director, Human Resources Development, and a member of the Management Team with effect from 28 October 2001.

Outlook

Demand for tissue products has so far continued steadily, but a further deterioration in the general economic situation could have an unfavourable impact on the market development. Raw material prices are no longer falling, and a slight increase in some prices is anticipated. The focus of operational business operations is on improving cost-effectiveness and raising the service level.

The profit and cash flow targets set for 2001 will be met. As a result, the Group's financial solidity will improve considerably, although it will still be below the long-range target.

The figures presented in this report are unaudited.

Espoo, 29 October 2001

BOARD OF DIRECTORS

Enclosures

- Consolidated profit and loss account and balance sheet
- Key figures
- Quarterly figures

More information

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Metsä Tissue Corporation's Financial Statement Bulletin for 2001 will be published on Wednesday, 6 February 2002.

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)	Q1-3/01	%	Q1-3/00	%	Change	%	Q1-4/00	%
Turnover	486.4	100.0	448.8	100.0	37.6	8.4	609.2	100.0
Other operating income	2.8		3.5		-0.7		5.5	
Operating expenses	436.3		436.3		0.0		589.2	
Depreciation according to plan	30.2		28.2		2.0		37.4	
Operating profit/loss	22.7	4.7	-12.2	-2.7	34.9		-11.9	-1.9
Net exchange gains/losses	0.5		0.4		0.1		0.8	
Other financial income/expenses	-8.6	-1.7	-7.4	-1.7	-1.1		-10.6	-1.6
Profit/loss before extraordinary items	14.6	3.0	-19.2	-4.3	33.9		-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	14.6	3.0	-19.2	-4.3	33.9		-21.7	-3.6
Taxes	-4.6		-1.7		-2.9		2.0	
Minority interest	2.4		-0.3		2.7		-0.4	
Profit/loss for the period	7.6	1.6	-20.6	-4.6	28.2		-19.3	-3.2

BALANCE SHEET (EUR million)	Q3/2001	% Q3/2000	% Q4/2000	%		
Assets						
Fixed assets and other non-current assets	249.7	55.9	281.5	59.3	275.8	57.1
Inventories	72.1	16.1	77.9	16.4	80.5	16.7
Other current assets	124.8	27.9	115.6	24.3	126.7	26.2
Total	446.6	100.0	475.0	100.0	483.0	100.0
Liabilities						
Shareholders' equity						
Restricted equity	100.1		100.0		100.1	
Unrestricted equity	20.7		19.0		18.4	
Total	120.8	27.1	119.0	25.1	118.5	24.5
Minority interest	0.4	0.1	1.9	0.4	1.9	0.4
Provisions for future costs	10.1	2.3	7.9	1.7	5.8	1.2
Liabilities						
Long term liabilities	178.1		206.1		203.3	
Short term liabilities	137.1		140.1		153.5	
Total	315.2	70.6	346.2	72.9	356.8	73.9
Total	446.6	100.0	475.0	100.0	483.0	100.0

KEY FIGURES	Q1-3/01	Q1-3/00	Q1-4/00
Share related indicators, EUR			
Earnings per share	0.25	-0.69	-0.64
Shareholders' equity per share	4.03	3.97	3.95
Investments			
Gross investments, EUR million	13.9	18.6	22.7
Investments, % turnover	2.9	4.1	3.7
Net interest-bearing liabilities, MEUR	196.0	234.5	239.2
Financial ratios			
Return on equity, %	11.0	-21.0	-14.9
Return on capital invested, %	8.5	-4.4	-3.1
Gearing, %	161.8	193.8	198.8
Equity ratio, %	27.1	25.5	24.9
Personnel			
Personnel, average	3022	3247	3205
Personnel, at the end of period	2961	3097	3048
Leasing commitments, EUR million			
Payments due during next 12 months	2.9	4.0	3.0
Payments due in subsequent years	2.7	13.1	3.5
Derivatives, EUR million			
Currency derivatives	87.0	14.0	11.9
Commodity derivatives	0.0	0.0	0.0
Mortgages, EUR million	2.4	64.0	2.2
Guarantees, EUR million	0.5	0.7	0.5
Other liabilities, EUR million	0.0		4.7

QUARTERLY DEVELOPMENT
2000 - 2001

Turnover EUR million	2001				2000					
	Q1-3	Q3	Q2	Q1	Q1-3	Q1-4	Q4	Q3	Q2	Q1
Consumer	267.6	91.1	89.0	87.5	233.6	317.8	84.2	80.2	75.1	78.3
Away-from-Home	130.8	42.2	44.4	44.1	121.1	165.4	44.4	42.5	39.5	39.1
Other operations	90.2	28.1	30.4	31.6	98.4	133.3	35.0	34.5	31.0	32.9
Internal sales	-2.2	-0.5	-0.8	-0.9	-4.2	-7.4	-3.2	-0.7	-0.8	-2.7
Total	486.4	161.0	163.0	162.3	448.8	609.2	160.3	156.5	144.8	147.5

Operating profit EUR million	2001				2000					
	Q1-3	Q3	Q2	Q1	Q1-3	Q1-4	Q4	Q3	Q2	Q1
Consumer	13.5	6.8	4.5	2.3	-8.9	-10.9	-1.9	-0.1	-5.8	-3.0
Away-from-Home	8.1	4.1	2.5	1.6	-0.5	0.7	1.2	1.2	-1.8	0.2
Other operations	1.9	0.4	0.7	0.9	-2.1	-0.6	1.5	0.2	-2.0	-0.3
Group costs	-0.9	-0.1	-0.4	-0.3	-0.7	-1.1	-0.4	-0.3	-0.2	-0.1
Total	22.7	11.1	7.2	4.4	-12.2	-11.9	0.3	0.9	-9.8	-3.3
Operating margin, %	4.7	6.9	4.4	2.7	-2.7	-1.9	0.2	0.6	-6.8	-2.3
Net exchange gains/losses	0.5	-1.0	0.6	0.9	0.4	0.8	0.4	0.3	-0.1	0.2
Other financial income and expenses	-8.6	-2.5	-2.9	-3.2	-7.4	-10.6	-3.2	-2.8	-2.3	-2.3
Profit/loss before extraord.items	14.6	7.6	4.9	2.1	-19.2	-21.7	-2.5	-1.6	-12.2	-5.4