Metsä Tissue Corp. FINANCIAL STATEMENT BULLETIN

6 February 2002 at 9 am

METSÄ TISSUE RETURNS IMPROVED FINANCIAL RESULT FOR 2001 – PROFIT EUR 27.1 MILLION

- **Metsä Tissue´s profit before extraordinary items was EUR 27.1 million (loss of EUR 21.7 million in 2000).**
- **Turnover was up by 6.6 per cent at EUR 649.6 million (609.2 million).**
- **Earnings per share were EUR 0.80 (loss of EUR 0.64).**
- **The equity ratio was 31.5 per cent (24.9).**
- **The Board of Directors proposes that a dividend of EUR 0.10 per share be paid for the 2001 financial period.**
- **The profit and cash flow targets set for 2001 were achieved.**

Turnover and results

Consolidated turnover rose 6.6 per cent on the previous year to reach EUR 649.6 million (609.2 million). Of the increase, roughly 2 percentage points is attributable to growth in sales volumes and about 5 percentage points to higher sales prices.

Operations showed an operating profit of EUR 36.5 million, compared with an operating loss of EUR 11.9 million for this period last year. Operating profit was 5.6 per cent of turnover (-1.9). The improved financial result is due primarily to greater business stability, higher sales prices for products and lower costs. Operating profit was reduced by provisions of EUR 6.1 million made for reorganization of operations over the next two years.

Depreciation was EUR 40.1 million (37.4 million). The increase in depreciation is due largely to the investments completed at the end of 2000.

Net financial expenses were EUR 9.3 million, 1.4 per cent of turnover (9.8 million and 1.6 per cent). Financial expenses were reduced through loan repayments and by the fall in interest rates towards the end of the year.

Profit before extraordinary items was EUR 27.1 million, 4.2 per cent of turnover (loss of 27.1 million, -3.6 per cent). In previous years, the part separated to the minority in Metsä Tissue´s Polish subsidiary has totalled EUR 2.4 million. Following redemption of a minority interest in this subsidiary, these losses have been re-entered in the consolidated profit and loss account during 2001.

Profit after taxes and minority interests was EUR 24.1 million (loss of 19.3 million). In the accounts, tax for the period is reduced by deferred tax receivables of EUR 5.8 million on tax-deductible losses in respect of the subsidiaries in Germany.

Main events during the financial period

The ruling issued by the European Commission at the end of January 2001 prevented M-real from selling its majority interest in Metsä Tissue to the Swedish group SCA. Metsä Tissue thus continues operations as a stock exchange listed company.

The main emphasis during 2001 was on making basic operations more stable and more efficient. Programmes aimed at improving cost-effectiveness were implemented at all mills, among the measures being development of the product portfolio and rationalization investments. The effects of bringing greater stability and efficiency to operations have been particularly apparent in continental Europe.

As a result of the We Build Value process introduced last June, strategic goals were set for the group, its organizational structure was developed, and the values that now guide activities were defined together with the company's employees. The group's internal business practices and organizational structure were changed with effect from 1 July 2001 by replacing the existing strong local organizations by a structure that provides greater support for the group's unified international operations.

Key figures

Earnings per share for the financial year were EUR 0.80 (loss of 0.64). Capital invested in business operations at the end of the year was EUR 342.3 million (378.9 million). The return on capital employed was 10.3 per cent (-3.1). Return on equity was 20.2 per cent (-14.9).

Financial situation and liquidity

The cash flow from business operations was good during 2001, and the group's financial solidity improved considerably. The cash flow from operations before investments was EUR 85.7 million (-15.4 million). The equity ratio was 31.5 per cent (24.9) and the gearing ratio was 123.2 per cent (198.8).

The group’s interest-bearing liabilities fell thanks to the good cash flow and stood at EUR 200.9 million at the end of the year (258.6 million).

Liquidity was good throughout the year. Liquid funds at 31 December were EUR 26.3 million (18.8 million). In addition, the group had EUR 74.8 million in unutilized credit facilities (14.5 million), of which EUR 70.5 million were committed and EUR 4.3 million uncommitted.

Of the group’s interest-bearing liabilities, 94 per cent were tied to a maximum of 12-month variable market interest rates and the rest to fixed interest rates. The average rate of interest on the group’s interest-bearing liabilities at the end of the financial period was 3.76 per cent (5.40).

The market

Tissue sales in Europe are currently just over 5 million tonnes annually. The tissue markets served by Metsä Tissue represent around 3.5 million tonnes. Metsä Tissue’s share of these markets is roughly 10 per cent. As a result of the weakening of the general economic situation, growth in demand for tissue has momentarily slowed down somewhat. In terms of volumes, the market is growing by 0-1 per cent a year in the Nordic countries, by 1-2 per cent in continental Europe, and by 5-7 per cent in Poland. The increase in tissue manufacturing capacity has recently exceeded growth in demand.

The European tissue market has been considerably fragmented, with almost every country forming its own market. Extremely fierce competition in the retail trade, particularly in continental Europe, coupled with consolidations in this business and the introduction of the euro in January 2002, provide a basis for greater harmony in the marketplace.

Having risen sharply during the previous year, prices for the main raw materials fell during 2001. The price of chemical pulp, Metsä Tissue’s main raw material, in euros was on average 16 per cent below that for the previous year. There was also an appreciable drop in the prices of recycled paper in continental Europe following the previous year’s peak levels.

Business areas

Turnover for the **Consumer** business area rose by 13.1 per cent to EUR 359.3 million (317.8 million). Operating profit was EUR 21.9 million, 6.1 per cent of turnover (-10.9 million and –3.4 per cent). The growth in turnover is due largely to price rises introduced in the second half of the previous year. Sales volumes were up slightly in continental Europe but were unchanged in the Nordic countries. The growth in sales volumes was achieved by new high-quality products. The company’s own brand names strengthened their position in the Nordic market. In Poland, the position of the company’s Mola brand products improved in line with the targets.

The **Away-from-Home** business area produced a turnover of EUR 173.5 million, an increase of 4.9 per cent on the previous year's EUR 165.4 million. Operating profit was EUR 12.1 million, 7.0 per cent of turnover (0.7 million and 0.4). In terms of volumes, product sales were almost the same as the previous year, despite the fall-off in demand on away-from-home markets following the events of 11 September. The improvement in operating profit was achieved primarily through more focused activities and decreases in costs. Katrin products accounted for a greater proportion of total sales.

Turnover from **Other Operations** fell to EUR 121.0 million (133.3 million). Operating profit was EUR 3.7 million, 3.1 per cent of turnover (loss of 0.6 million and –0.5). The **Baking & Cooking** business area increased its sales of further converted products in proportion to total sales and focused on baking and cooking papers. Sales volumes were up slightly on the previous year, while profitability was also somewhat better. The volume of tissue base paper sales was unchanged on the year before, but there was a clear fall in prices during the first half of the year.

Sales by the **Table Top** business area were 10 per cent up on the year before. Cost-effectiveness was improved and, having previously made a heavy loss, operations showed a profit. The business area worked to develop both marketing and sales, with particular attention to its Fasana brand products.

Investments

In Metsä Tissue's long-range plan, 2001 was designated a year in which existing resources would be utilized to the full. This meant there would be no major new investments, and investments in fixed assets accordingly comprised smallish replacement and rationalization projects designed to improve cost-effectiveness.

Investment during the period totalled EUR 21.1 million (22.7 million), of which EUR 5.1 million (0.5 million) was used for share acquisitions and EUR 16.0 million (22.2 million) for acquisition of fixed assets.

During the period, Metsä Tissue redeemed the 20.4 per cent minority interest in its Polish subsidiary Metsä Tissue S.A. for EUR 5.1 million on the basis of an agreement signed in 1997. This brought Metsä Tissue's interest in the company up to 99.7 per cent.

In addition to the actual investments, in spring 2000 the Katrinefors mill and the city of Mariestad embarked on an investment project to build a power plant to use the mill's deinking waste and wood chips as fuel. The project, which cost EUR 23 million, is being carried out by Katrinefors Kraftvärme AB, in which Metsä Tissue has a 50 per cent interest. Energy generation at the new power plant began towards the end of 2001 as planned. Metsä Tissue's responsibility in the project is limited to a long-term purchasing agreement.

Personnel

The Metsä Tissue group had an average of 3,000 employees (3,205) during the financial period. The number at the end of December was 2,923 (3,048).

Employees by country:

	31 Dec. 2000	31 Dec. 2001	Average(2001)
Finland	673	672	704
Other Nordic countries	700	685	718
Germany	1,279	1,280	1,274
Poland	358	253	268
Other countries	38	33	36
Total	3,048	2,923	3,000

General meeting of shareholders, Board of Directors and auditors

Metsä Tissue Corporation held its Annual General Meeting on 13 March 2001. The following persons were elected members of the Board of Directors: Ari Heiniö, Curt Lindbom, Jouko M. Jaakkola, Jussi Länsiö, Antti Oksanen, Arimo Uusitalo and Jorma Vaajoki. The term of office of members of the Board of Directors extends until the end of the Annual General Meeting to be held in 2002. The Board elected Antti Oksanen as its Chairman and Arimo Uusitalo as its Vice Chairman. Jorma Vaajoki resigned his membership of the Board on 30 November 2001.

SVH Pricewaterhouse Coopers Oy (authorized public accountants) were re-elected as the company’s auditors, with Göran Lindell, APA, responsible for the audit.

Hannu Anttila was President and CEO of Metsä Tissue during the year.

Outlook for 2002

Growth in demand for tissue products in the near future is expected to be slower, on average, than in recent years because of the general economic situation. New production capacity on the European tissue market, together with increasing competition within the retail trade, will make the market more difficult. The trend towards consolidation in the retail business is expected to continue.

Metsä Tissue will continue its programmes introduced at all mills designed to improve cost-effectiveness and further develop its converting operations. Increasing emphasis will be given to product development. Prices for the main raw materials are expected to show a modest rise during the next year.

Metsä Tissue has set itself the target for 2002 of improving profit before extraordinary items compared with 2001. The group intends to further improve its solidity.

Proposal for the distribution of profit

At 31 December 2001, Metsä Tissue Corporation had distributable funds of EUR 12,439,000. The company’s Board of Directors has decided to propose to the Annual General Meeting to be held on 19 March 2002 that a dividend of EUR 0.10 per share be paid for the financial period ending 31 December 2001.

The figures presented in this report are unaudited.

Espoo, 5 February 2002

BOARD OF DIRECTORS

More information

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Enclosures

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

Metsä Tissue Corporation´s Interim Report for January - March 2002 will be published on Friday, 26 April 2002.

Interim Reports, Annual Report 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)	**Q1-4/01**	**%**	**Q1-4/00**	**%**	**Change**	**%**
Turnover	**649.6**	**100.0**	**609.2**	**100.0**	**40.4**	**6.6**
Other operating income	5.2		5.5		**-0.3**	
Operating expenses	578.2		589.2		**-11.0**	
Depreciation according to plan	40.1		37.4		**2.7**	
Operating profit/loss	**36.5**	**5.6**	-11.9	**-1.9**	**48.4**	
Net exchange gains/losses	1.0		0.8		**0.2**	
Other financial income/expenses	-10.3	**-1.4**	-10.6	**-1.6**	**0.3**	
Profit/loss before extraordinary items	**27.1**	**4.2**	-21.7	**-3.6**	**48.8**	
Extraordinary income	0.0		0.0		**0.0**	
Extraordinary expenses	0.0		0.0		**0.0**	
Profit/loss before taxes and minority interest	**27.1**	**4.2**	**-21.7**	**-3.6**	**48.8**	
Taxes	-0.7		2.0		**-2.7**	
Minority interest	2.4		-0.4		**2.8**	
Profit/loss for the period	**24.1**	**3.7**	**-19.3**	**-3.2**	**43.4**	

BALANCE SHEET (EUR million)	**Q4/2001**	**%**	**Q4/2000**	**%**
Assets				
Fixed assets and other non-current assets	250.1	55.8	275.8	57.1
Inventories	69.1	15.4	80.5	16.7
Other current assets	129.1	28.8	126.7	26.2
Total	**448.4**	**100.0**	**483.0**	**100.0**
Liabilities				
Shareholders' equity				
Restricted equity	100.1		100.1	
Unrestricted equity	40.9		18.4	
Total	**141.0**	**31.4**	**118.5**	**24.5**
Minority interest	0.3	0.1	1.9	0.4
Provisions for future costs	13.4	3.0	5.8	1.2
Liabilities				
Long term liabilities	169.3		203.3	
Short term liabilities	124.4		153.5	
Total	**293.7**	**65.5**	**356.8**	**73.9**
Total	**448.4**	**100.0**	**483.0**	**100.0**

METSÄ TISSUE GROUP (unaudited)

KEY FIGURES	Q1-4/01	Q1-4/00
Share related indicators, EUR		
Earnings per share	0.8	-0.64
Shareholders' equity per share	4.7	3.95
Investments		
Gross investments, EUR million	21.1	22.7
Investments, % turnover	3.2	3.7
Net interest-bearing liabilities, MEUR	174.1	239.2
Financial ratios		
Return on equity, %	20.2	-14.9
Return on capital invested, %	10.3	-3.1
Gearing, %	123.2	198.8
Equity ratio, %	31.5	24.9
Personnel		
Personnel, average	3,000	3,205
Personnel, at the end of period	2,923	3,048
Leasing commitments, EUR million		
Payments due during next 12 months	2.7	3.0
Payments due in subsequent years	3.5	3.5
Derivatives, EUR million		
Currency derivatives	70.8	11.9
Commodity derivatives	26.1	0.0
Mortgages, EUR million	2.4	2.2
Guarantees, EUR million	0.1	0.5
Other liabilities, EUR million	0.0	4.7

QUARTERLY DEVELOPMENT
2000 - 2001

Turnover EUR million	2001 Q1-4	 Q4	 Q3	 Q2	 Q1	2000 Q1-4	 Q4	 Q3	 Q2	 Q1
Consumer	359.3	91.6	91.1	89.0	87.5	317.8	84.2	80.2	75.1	78.3
Away-from-Home	173.5	42.7	42.2	44.4	44.1	165.4	44.4	42.5	39.5	39.1
Other operations	121.0	30.8	28.1	30.4	31.6	133.3	35.0	34.5	31.0	32.9
Internal sales	-4.2	-1.9	-0.5	-0.8	-0.9	-7.4	-3.2	-0.7	-0.8	-2.7
Total	**649.6**	**163.3**	**161.0**	**163.0**	**162.3**	**609.2**	**160.3**	**156.5**	**144.8**	**147.5**

Operating profit EUR million	2001 Q1-4	 Q4	 Q3	 Q2	 Q1	2000 Q1-4	 Q4	 Q3	 Q2	 Q1
Consumer	21.9	8.4	6.8	4.5	2.3	-10.9	-1.9	-0.1	-5.8	-3.0
Away-from-Home	12.1	4.0	4.1	2.5	1.6	0.7	1.2	1.2	-1.8	0.2
Other operations	3.7	1.8	0.4	0.7	0.9	-0.6	1.5	0.2	-2.0	-0.3
Group costs	-1.3	-0.3	-0.1	-0.4	-0.3	-1.1	-0.4	-0.3	-0.2	-0.1
Total	**36.5**	**13.8**	**11.1**	**7.2**	**4.4**	**-11.9**	**0.3**	**0.9**	**-9.8**	**-3.3**
Operating margin, %	5.6	8.4	6.9	4.4	2.7	-1.9	0.2	0.6	-6.8	-2.3
Net exchange gains/losses	1.0	0.5	-1.0	0.6	0.9	0.8	0.4	0.3	-0.1	0.2
Other financial income and expenses	-10.3	-1.8	-2.5	-2.9	-3.2	-10.6	-3.2	-2.8	-2.3	-2.3
Profit/loss before extraordinary items	**27.1**	**12.5**	**7.6**	**4.9**	**2.1**	**-21.7**	**-2.5**	**-1.6**	**-12.2**	**-5.4**