



Metsä Tissue Corp.

INTERIM REPORT 1(8)

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## **METSÄ TISSUE'S FIRST-QUARTER PROFIT UP AT EUR 9.6 MILLION**

- **The Metsä Tissue Group's profit before extraordinary items rose to EUR 9.6 million (EUR 2.1 million for the first quarter of 2001).**
- **Turnover fell by 1.9 per cent to EUR 159.2 million (EUR 162.3 million).**
- **Earnings per share were EUR 0.22 (EUR 0.02).**
- **Return on capital employed was 14.0 per cent and return on equity 18.4 per cent.**
- **Cash flow after capital expenditure was EUR 19.6 million.**
- **The gearing ratio fell to 104.8 per cent (123.2 per cent at 31 December 2001).**
- **A letter of intent was signed to acquire a controlling interest in the Polish tissue manufacturer ZPK.**

### **Financial result and turnover**

Operating profit rose to EUR 11.6 million, 7.3 per cent of turnover (4.4 million and 2.7 per cent). The improved profit is the result of higher sales volumes, greater efficiency and lower costs. Compared with the final quarter of 2001, operating profit was down by EUR 2.2 million, mainly due to lower average sales prices but also because of the increased measures undertaken to secure the company's long-term development. In addition, disruptions to production in continental Europe resulted in some extra costs, which in turn affected the result for the review period.

Consolidated turnover was 1.9 per cent down at EUR 159.2 million (162.3 million for the first quarter last year). Sales volumes were up by a total of about 3 per cent, but average sales prices were 5 per cent lower than for this period

last year. About half of the fall in sales prices was due to the substantial drop in market prices for base papers.

Net financial expenses were EUR 2.0 million (2.3 million), 1.3 per cent of turnover (1.4 per cent). Profit before extraordinary items was EUR 9.6 million (2.1 million). After taxes and minority interest there was a profit of EUR 6.6 million (0.5 million).

### **Main events during the review period**

Programmes aimed at improving the cost-effectiveness of business operations were continued at all the company's mills.

In March, a letter of intent was signed to purchase 25.5 per cent of the shares of the Polish tissue manufacturer Zakłady Papiernicze w Krapkowicach S.A. (ZPK). When implemented, the purchase will raise Metsä Tissue's interest in ZPK from the present 25.5 per cent to over 50 per cent. The cost of the shares concerned is around EUR 1.3 million and is based on the debt-free value of the whole of ZPK (100%), which is roughly EUR 10 million. Conclusion of the final agreement depends on the results of a due diligence process and on approval by the Polish authorities. Approval could be given during the current year. Metsä Tissue's share of the Polish consumer market would increase to almost 20 per cent as a result of the share purchase. The transaction will have no material impact on Metsä Tissue's earnings per share ratio for 2002.

### **Key figures**

Earnings per share for the first quarter were EUR 0.22 (0.02). Capital invested in business operations was EUR 329.1 million at the end of the period (342.3 million at 31 December 2001), and the return on capital employed was 14.0 per cent (4.9). Return on equity was 18.4 per cent (1.7).

### **Financial situation and liquidity**

The cash flow from operations was good during the review period, and the Group's financial solidity improved as a result. The cash flow before capital expenditure was EUR 22.0 million (8.6 million). The gearing ratio was 104.8 per cent (123.2 per cent at 31 December 2001) and the equity ratio 32.8 per cent (31.5 per cent at 31 December 2001).

Interest-bearing net liabilities at the end of the review period were EUR 182.8 million (200.9 million). The Group's liquidity was good during the period. Liquid funds at 31 March 2002 were EUR 29.0 million (26.3 million at 31 December 2001). In addition, the Group had EUR 93.4 million in unutilized credit facilities (74.8 million), of which EUR 89.0 million was committed and EUR 4.4 million uncommitted.

## Shares and shareholders

During the review period, the highest quotation for Metsä Tissue Corp. shares was EUR 10.10 and the lowest EUR 8.50. The average quotation was EUR 9.70. At the end of the period, the company's shares were quoted at EUR 10.00.

During the three months January – March, Metsä Tissue shares were traded to a total value of EUR 7.4 million, representing 2.5 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 300 million.

At 31 March 2002, Metsä Tissue had 1,518 registered shareholders. M-real Corporation holds 65.6 per cent of the company's share capital, and 22.2 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

Demand for tissue products has risen slowly in Europe. At the same time, new production capacity has come onto the market, and competition has therefore remained extremely fierce.

The **Consumer** business area's turnover fell by 0.2 per cent to EUR 87.3 million (87.5 million). Operating profit was EUR 5.6 million, 6.4 per cent of turnover (2.3 million and 2.6 per cent). Sales volumes were somewhat higher, especially in continental Europe. Average sales prices were slightly lower than last year, partly due to the introduction of the euro at the beginning of January 2002. Metsä Tissue's own brands strengthened their positions in the Nordic countries. In Poland, the overall economic trend has been weak. However, sales of Mola brand products were up by more than a third compared with this period last year.

Turnover for the **Away-from-Home** business area was EUR 44.2 million, up 0.2 per cent on last year's corresponding figure of EUR 44.1 million. Operating profit was EUR 4.7 million, 10.7 per cent of turnover (1.6 million and 3.6 per cent). In terms of volumes, product sales were up on this period last year in the Nordic countries but about the same in continental Europe. Average sales prices were somewhat lower than the first quarter last year, primarily due to changes in the structure of sales. Cost reductions contributed to the improvement in financial result.

Turnover for **Other Operations** fell to EUR 29.4 million (31.6 million). Operating profit was EUR 1.4 million, 4.6 per cent of turnover (0.9 million and 2.8 per cent. In the **Baking & Cooking** business area, further converted products increased their share of sales in line with the targets, although overall sales volumes were down slightly. Profitability improved thanks to greater efficiency and lower costs. Tissue base paper sales were the same as for this period last year in volume terms, but sales prices were considerably lower.

Sales by the **Table Top** business area were the same as last year, but failed to reach the targets. Thanks to greater cost-effectiveness and lower costs, operations were just about in profit.

## **Investments**

Investment during the review period amounted to only EUR 2.4 million (2.2 million). The entire sum was used for acquisition of fixed assets. Investments will be stepped up during the rest of the year, with special emphasis on raising the efficiency of converting lines and on product development.

## **Annual General Meeting**

The company's Annual General Meeting held on 19 March 2002 decided that the Board of Directors would have six members. Antti Oksanen, Arimo Uusitalo, Ari Heiniö, Jouko M. Jaakkola, Curt Lindbom and Jussi Länsiö continue as members. The Board of Directors elected from among its members Antti Oksanen as Chairman and Arimo Uusitalo as Vice Chairman.

The Meeting approved a proposal that Metsä Tissue Corp. distribute a dividend of EUR 0.10 per share for the 2001 financial period, a total dividend payment of EUR 3.0 million. The date for dividend payment was 5 April 2002.

## **Personnel**

The Metsä Tissue Group had an average of 2,916 employees during the period January - March (2,964). The number at the end of March was 2,936 (2,942).

## **Outlook**

It is expected that demand for tissue products will remain relatively stable in the near future and that competition will continue to be extremely fierce. Raw material prices are forecast to rise to some extent during the next few months.

Programmes aimed at making business more cost effective, at product development and at developing converting operations will be continued at all Metsä Tissue's mills. The Group's targets for 2002 are to return a higher profit before extraordinary items than the previous year and to reduce the gearing ratio.

The figures presented in this report are unaudited.

Helsinki, 25 April 2002

BOARD OF DIRECTORS

**More information**

Hannu Anttila, President and Chief Executive Officer  
Tel. +358 1046 94959, GSM +358 50 2398

Timo Suuriniemi, Chief Financial Officer  
Tel. +358 1046 94580, GSM +358 50 560 8271

**Enclosures**

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

Metsä Tissue Corporation's Interim Report for January – June 2002 will be published on Tuesday, 30 July 2002.

Interim reports, annual reports, the company's stock exchange bulletins and other financial information are also available on the Internet at [www.metsatissue.com](http://www.metsatissue.com)

**METSÄ TISSUE GROUP**

(unaudited)

<b>PROFIT AND LOSS ACCOUNT</b> (EUR million)	<b>Q1/02</b>	<b>%</b>	<b>Q1/01</b>	<b>%</b>	<b>Change</b>	<b>%</b>	<b>Q1-4/01</b>	<b>%</b>
<b>Turnover</b>	<b>159.2</b>	<b>100.0</b>	<b>162.3</b>	<b>100.0</b>	<b>-3.1</b>	<b>-1.9</b>	<b>649.6</b>	<b>100.0</b>
Other operating income	1.2		0.8		0.4		5.2	
Operating expenses	139.1		149.0		-9.9		578.2	
Depreciation according to plan	9.7		9.7		0.0		40.1	
<b>Operating profit/loss</b>	<b>11.6</b>	<b>7.3</b>	<b>4.4</b>	<b>2.7</b>	<b>7.2</b>		<b>36.5</b>	<b>5.6</b>
Net exchange gains/losses	-0.4		0.9		-1.3		1.0	
Other financial income/expenses	-1.6	-1.3	-3.2	-1.4	1.6		-10.3	-1.4
<b>Profit/loss before extraordinary items</b>	<b>9.6</b>	<b>6.0</b>	<b>2.1</b>	<b>1.3</b>	<b>7.5</b>		<b>27.1</b>	<b>4.2</b>
Extraordinary income	0.0		0.0		0.0		0.0	
Extraordinary expenses	0.0		0.0		0.0		0.0	
<b>Profit/loss before taxes and minority interest</b>	<b>9.6</b>	<b>6.0</b>	<b>2.1</b>	<b>1.3</b>	<b>7.5</b>		<b>27.1</b>	<b>4.2</b>
Taxes	-3.0		-1.6		-1.4		-0.7	
Minority interest	0.0		0.0		0.0		2.4	
<b>Profit/loss for the period</b>	<b>6.6</b>	<b>4.1</b>	<b>0.5</b>	<b>0.3</b>	<b>6.1</b>		<b>24.1</b>	<b>3.7</b>

<b>BALANCE SHEET (EUR million)</b>	<b>Q1/02</b>	<b>%</b>	<b>Q1/01</b>	<b>%</b>	<b>Q4/01</b>	<b>%</b>
<b>Assets</b>						
Fixed assets and other non-current assets	244.3	54.8	267.1	57.5	250.1	55.8
Inventories	66.9	15.0	77.2	16.6	69.1	15.4
Other current assets	134.7	30.2	120.6	25.9	129.1	28.8
<b>Total</b>	<b>445.9</b>	<b>100.0</b>	<b>464.8</b>	<b>100.0</b>	<b>448.4</b>	<b>100.0</b>
<b>Liabilities</b>						
Shareholders' equity						
Restricted equity	100.2		100.1		100.1	
Unrestricted equity	45.7		17.6		40.9	
Shareholders equity, total	145.9	32.7	117.7	25.3	141.0	31.4
Minority interest	0.3	0.1	1.9	0.4	0.3	0.1
Provisions for future costs	13.0	2.9	6.3	1.4	13.4	3.0
Liabilities						
Long term liabilities	169.3		201.3		169.3	
Short term liabilities	117.4		137.7		124.4	
Liabilities, total	286.7	64.3	339.0	72.9	293.7	65.5
<b>Total</b>	<b>445.9</b>	<b>100.0</b>	<b>464.8</b>	<b>100.0</b>	<b>448.4</b>	<b>100.0</b>

**METSÄ TISSUE GROUP**

(unaudited)

KEY FIGURES	Q1/2002	Q1/2001	Q1-4/2001
<b>Share related indicators, EUR</b>			
Earnings per share	0.22	0.02	0.80
Shareholders' equity per share	4.86	3.92	4.70
<b>Investments</b>			
Gross investments, MEUR	2.4	2.2	21.1
Investments, % turnover	1.5	1.4	3.2
Net interest bearing liabilities, MEUR	153.3	231.7	174.1
<b>Financial ratios</b>			
Return on equity, %	18.4	1.7	20.2
Return on capital invested, %	14.0	4.9	10.3
Gearing ratio, %	104.8	193.8	123.2
Equity ratio, %	32.8	25.7	31.5
<b>Personnel</b>			
Personnel, average	2,916	2,964	3,000
Personnel, at the end of period	2,936	2,942	2,923
<b>Leasing commitments, MEUR</b>			
Payments due during next 12 months	2.9	2.7	2.7
Payments due in subsequent years	3.8	3.3	3.5
<b>Derivatives, MEUR</b>			
Currency derivatives	60.9	30.5	70.8
Commodity derivatives	74.7	0.0	26.1
<b>Mortgages, MEUR</b>	2.5	2.2	2.4
<b>Guarantees, MEUR</b>	0.1	0.5	0.1
<b>Other liabilities, MEUR</b>	0.0	5.0	0.0

**METSÄ TISSUE GROUP**  
(unaudited)

**QUARTERLY DEVELOPMENT**  
**2000 - 2002**

<b>TURNOVER</b> EUR million	<b>2002</b> <b>Q1</b>	<b>Q1-4</b>	<b>Q4</b>	<b>2001</b> <b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q1-4</b>	<b>Q4</b>	<b>2000</b> <b>Q3</b>	<b>Q2</b>	<b>Q1</b>
Consumer	87.3	359.3	91.6	91.1	89.0	87.5	317.8	84.2	80.2	75.1	78.3
Away-from-Home	44.2	173.5	42.7	42.2	44.4	44.1	165.4	44.4	42.5	39.5	39.1
Other operations	29.4	121.0	30.8	28.1	30.4	31.6	133.3	35.0	34.5	31.0	32.9
Internal sales	-1.7	-4.2	-1.9	-0.5	-0.8	-0.9	-7.4	-3.2	-0.7	-0.8	-2.7
<b>Total</b>	<b>159.2</b>	<b>649.6</b>	<b>163.3</b>	<b>161.0</b>	<b>163.0</b>	<b>162.3</b>	<b>609.2</b>	<b>160.3</b>	<b>156.5</b>	<b>144.8</b>	<b>147.5</b>

<b>OPERATING PROFIT/LOSS</b> EUR million	<b>2002</b> <b>Q1</b>	<b>Q1-4</b>	<b>Q4</b>	<b>2001</b> <b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q1-4</b>	<b>Q4</b>	<b>2000</b> <b>Q3</b>	<b>Q2</b>	<b>Q1</b>
Consumer	5.6	21.9	8.4	6.8	4.5	2.3	-10.9	-1.9	-0.1	-5.8	-3.0
Away-from-Home	4.7	12.1	4.0	4.1	2.5	1.6	0.7	1.2	1.2	-1.8	0.2
Other operations	1.4	3.7	1.8	0.4	0.7	0.9	-0.6	1.5	0.2	-2.0	-0.3
Group costs	-0.1	-1.3	-0.3	-0.1	-0.4	-0.3	-1.1	-0.4	-0.3	-0.2	-0.1
<b>Total</b>	<b>11.6</b>	<b>36.5</b>	<b>13.8</b>	<b>11.1</b>	<b>7.2</b>	<b>4.4</b>	<b>-11.9</b>	<b>0.3</b>	<b>0.9</b>	<b>-9.8</b>	<b>-3.3</b>
Operating margin, %	7.3	5.6	8.4	6.9	4.4	2.7	-1.9	0.2	0.6	-6.8	-2.3
Net exchange gains/losses	-0.4	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	-1.6	-10.3	-1.8	-2.5	-2.9	-3.2	-10.6	-3.2	-2.8	-2.3	-2.3
<b>Profit/loss before extraordinary items</b>	<b>9.6</b>	<b>27.1</b>	<b>12.5</b>	<b>7.6</b>	<b>4.9</b>	<b>2.1</b>	<b>-21.7</b>	<b>-2.5</b>	<b>-1.6</b>	<b>-12.2</b>	<b>-5.4</b>