Metsä Tissue Corp. STOCK EXCHANGE RELEASE 1(8)

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METSÄ TISSUE'S POSITIVE PROFIT TREND CONTINUES – PROFIT FOR JANUARY – SEPTEMBER 2002 UP TO EUR 32.1 MILLION

- **The Metsä Tissue Group's profit before extraordinary items for the period January – September was EUR 32.1 million, more than double that for the same period in 2001 (14.6 million).**

- **Turnover fell by 1.9 per cent to EUR 477.1 million (486.4 million).**

- **Earnings per share rose to EUR 0.78 (0.25).**

- **Return on capital employed was 15.0 per cent (8.5) , and return on equity 20.7 per cent (11.0).**

- **The gearing ratio fell to 85.0 per cent (123.2 per cent at 31 December 2001).**

- **In line with its target, the Group will achieve a better financial result before extraordinary items for the whole of 2002 than the year before.**

Financial result and turnover

Operating profit for the nine months to September rose to EUR 37.2 million, 7.8 per cent of turnover (22.7 million and 4.7 per cent). Operating profit for the third quarter was EUR 17.2 million, up by EUR 8.8 million on the previous quarter. The increase is due to improvements within the product mix, greater cost-effectiveness, lower costs and a better sales season for the third quarter compared with the second quarter.

Turnover for January – September was EUR 477.1 million, down 1.9 per cent on last year's corresponding figure of EUR 486.4 million. Sales volumes were up by a total of almost 3 per cent, but average sales prices were some 5 per cent lower than for this period last year. This was mainly due to lower market prices for base papers and to a fall in certain sales prices for converted products.

As a result of loan repayments and lower interest rates, the Group's net financial expenses fell to EUR 5.1 million, 1.1 per cent of turnover (8.1 million and 1.7 per cent for this period last year). Profit for the period before extraordinary items more than doubled to EUR 32.1 million (14.6 million). After taxes and minority interest there was a profit of EUR 23.1 million (7.6 million).

Main events

Metsä Tissue is vigorously developing all areas of its business operations. Market-oriented investment and development programmes are being implemented to raise the degree of converting and product quality, particularly of consumer products, and at the same time to make production significantly more efficient. The programmes will raise the degree of converting and improve product quality in order to make Metsä Tissue's products very competitive. Most of the investment and development programmes will be carried out during 2002-2004 and the total investment cost will be around EUR 90 million. New production lines will go into operation from spring 2003 and the development programmes will be largely complete by the end of 2004.

The investment and development programmes earmarked for the Nordic countries will cost roughly EUR 30 million. The programmes will boost product quality development, notably that of brand name products, and lead to a significant improvement in cost-effectiveness. These programmes will be implemented to a large extent by the end of 2003.

A programme to develop Metsä Tissue's business operations in Poland was decided on during the review period. The aims are to raise converting capacity at the Krapkowice and Warsaw mills, to improve product quality and to at least double productivity. Around EUR 15 million will be invested in developing business in Poland over the next two years.

In October, after the end of the review period, Metsä Tissue decided to launch a major investment and development programme for its operations in Germany. The programme is designed to raise converting levels and quality, particularly of consumer products, and to improve productivity by more than a third. Logistic arrangements will be rationalized, and there are also plans to build a rail link to the Kreuzau mill. The investment required by the development programme, which has already been started, will be around EUR 45 million. Most of the programme will be carried out by the end of 2004. The programme also includes significant staff reductions, and for this purpose a provision for costs of around EUR 3 million will be entered in the accounts at the end of 2002.

On 11 October 2002, Metsä Tissue acquired a further 9.9 per cent of the shares of the Polish tissue company Zaklady Papiernicze w Krapkowicach S.A. (ZPK), after Poland's Ministry of the Interior had given its approval for the sale. This brought Metsä Tissue's interest in the company up to 50.3 per cent. ZPK will be included in Metsä Tissue's consolidated accounts from October. The cost of the acquisition was based on the (100%) debt-free value of the whole of ZPK, which is approximately EUR 10 million. The share acquisition gives Metsä Tissue almost 20 per cent of the Polish consumer market and makes the company Poland's largest supplier of converted tissue products in terms of volume. The acquisition will have no material impact on Metsä Tissue's earnings per share for 2002.

During the summer, raw material prices began to rise appreciably, particularly for waste paper, packaging materials and energy. More recently the rise in prices has started to level out.

Key figures

Earnings per share for the review period rose to EUR 0.78, compared with EUR 0.25 for this period last year. Capital invested in business operations at the end of the period was EUR 334.1 million (342.3 million at 31 December 2001). Return on capital employed for the period rose to 15.0 per cent (8.5 per cent) and return on equity was 20.7 per cent (11.0 per cent).

Financing

The cash flow from operations has remained good during the review period, resulting in a further decrease in net gearing. The cash flow before capital expenditure was EUR 64.5 million (56.6 million) and after capital expenditure EUR 42.6 million (42.7 million). The gearing ratio at the end of September was 85.0 per cent (123.2 per cent at 31 December 2001) and the equity ratio 35.5 per cent (31.5 per cent at 31 December 2001).

Interest-bearing liabilities stood at EUR 174.0 million at the end of the period (196.0 million). The Group's liquidity was good throughout the review period. Liquid funds at 30 September were EUR 37.9 million (26.3 million at 31 December 2001). In addition, the Group had EUR 89.3 million in unutilized credit facilities (74.8 million at 31 December 2001), of which EUR 85.0 million was committed and EUR 4.4 million uncommitted.

In spring, Metsä Tissue signed important contracts to hedge the cost of its chemical pulp raw material. The contracts cover around 20 per cent of annual consumption up to mid-2005. Metsä Tissue also has currency derivative contracts to cover sales in Norwegian and Danish crowns should the exchange rates for these currencies vary against the Swedish crown. At the end of the review period, these sales were hedged up to the end of 2003. The period for which the Group's loans are subject to fixed rates of interest was 9.2 months at the end of the review period.

Shares and shareholders

During the review period, the highest quotation for Metsä Tissue Corporation's shares was EUR 10.80 and the lowest EUR 8.50. The average quotation was EUR 9.80. At the end of the period, the company's shares were quoted at EUR 9.50.

During the nine months to September, Metsä Tissue shares were traded to a total value of EUR 16.7 million, representing 5.7 per cent of the company's shares. The company's market capitalization at the end of the review period was EUR 285 million.

At the end of September, Metsä Tissue had 1,497 registered shareholders. M-real Corporation holds 65.6 per cent of the company's share capital, and 21.7 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

Growth in demand for tissue paper products has been extremely slow in Europe. At the same time, new production capacity has come onto the market, and this has further intensified competition.

Turnover for the **Consumer** business area fell by 3.9 per cent to EUR 257.2 million (267.6 million). Operating profit was EUR 17.4 million, 6.8 per cent of turnover (13.5 million and 5.1 per cent). In continental Europe, sales volumes showed marginal growth. Because of intense competition, average sales prices were somewhat lower than for this period last year. Metsä Tissue's own brands further strengthened their positions in the Nordic countries. Sales of Mola products in Poland were almost a third up on this period last year.

The **Away-from-Home** business area booked a turnover of EUR 133.6 million, 2.1 per cent up on last year's figure of EUR 130.8 million. Operating profit improved to EUR 15.1 million, 11.3 per cent of turnover (8.1 million and 6.2 per cent). In terms of volumes, product sales were up slightly on last year but average sales prices showed little change. The improved financial result is attributable to lower costs and to the favourable trend in the structure of sales. Towards the end of the review period Metsä Tissue brought onto the market a new streamlined Katrin product range, including modernized dispenser systems.

Other operations produced a turnover of EUR 91.4 million (90.2 million). Operating profit was EUR 5.5 million, 6.0 per cent of turnover (1.9 million and 2.1 per cent). The **Baking & Cooking** business area increased its sales volumes on the previous year, with further converted products accounting for a higher proportion of sales. Profitability improved thanks to greater business efficiency and to the cost savings achieved. The volume of **tissue base paper** sales was roughly the same as for this period last year, but average sales prices were lower than a year ago. Base paper prices were raised during the third quarter in order to restore profitability to a satisfactory level.

The **Table Top** business area's sales volumes were about the same as last year and below the targets set. However, operating profit improved thanks to greater efficiency and lower costs.

Investments

Total investments during the review period were EUR 21.9 million (13.9 million). A total of EUR 1.1 million was spent on share purchases (5.2 million) and EUR 20.8 million on investments in tangible fixed assets (8.7 million). Share purchases made during the second quarter included acquisition of a further 15.6 per cent of the shares of ZPK and an additional 20 per cent of the share capital of Mäntän Energia Oy, in which Metsä Tissue now has a 45 per cent interest.

In line with the development programmes, investments in fixed assets were mainly directed at product development work and at raising the production efficiency of the converting lines.

Personnel

The Metsä Tissue Group had an average of 2,979 employees during the period January – September (3,022). The number at the end of September was 2,950 (2,961).

Outlook

Demand for tissue products is expected to remain relatively stable in the near future. No appreciable growth is anticipated, and competition will thus continue to be extremely fierce. Overall, no major changes are anticipated in raw material prices during the rest of the year.

Metsä Tissue will continue with its programmes aimed at product development and at making business more cost effective in all its business areas. In line with its target, the Group will achieve a better financial result before extraordinary items for the whole of 2002 than the year before. The gearing ratio will remain below 100 per cent, which is the long-term target.

The figures presented in this report are unaudited.

Espoo, 29 October 2002

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Enclosures
Consolidated profit and loss account and balance sheet
Cash flow statement and quarterly figures
Key figures

Metsä Tissue Corporation's Financial Statement Bulletin will be published on Thursday 6 February 2003.

Interim reports, annual reports, 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)	**Q1-3/02**	**%**	**Q1-3/01**	**%**	**Change**	**%**	**Q1-4/01**	**%**
Turnover	**477.1**	**100.0**	**486.3**	**100.0**	**-9.2**	**-1.9**	**649.6**	**100.0**
Other operating income	2.9		2.8		0.1		5.2	
Operating expenses	413.8		436.2		-22.4		578.2	
Depreciation according to plan	29.0		30.2		-1.2		40.1	
Operating profit	**37.2**	**7.8**	**22.7**	**4.7**	14.5		**36.5**	**5.6**
Net exchange gains/losses	-0.7		0.5		-1.2		1.0	
Other financial income/expenses	-4.4	-1.1	-8.7	-1.7	4.3		-10.3	-1.4
Profit before extraordinary items	**32.1**	**6.7**	**14.6**	**3.0**	**17.6**		**27.1**	**4.2**
Extraordinary income	0.0		0.0		0.0		0.0	
Extraordinary expenses	0.0		0.0		0.0		0.0	
Profit before taxes and minority interest	**32.1**	**6.7**	**14.6**	**3.0**	**17.6**		**27.1**	**4.2**
Taxes	-9.1		-4.6		-4.5		-0.7	
Minority interest	0.0		2.4		-2.4		2.4	
Profit for the period	**23.1**	**4.8**	**7.6**	**1.6**	**15.5**		**24.1**	**3.7**

BALANCE SHEET (EUR million)	**Q3/02**	**%**	**Q3/01**	**%**	**Q4/01**	**%**
Assets						
Fixed assets and other non-current assets	242.9	53.8	249.7	55.9	250.1	55.8
Inventories	66.0	14.6	72.1	16.1	69.1	15.4
Other current assets	142.6	31.6	124.8	27.9	129.1	28.8
Total	**451.4**	**100.0**	**446.6**	**100.0**	**448.4**	**100.0**
Liabilities						
Shareholders' equity						
Restricted equity	100.1		100.1		100.1	
Unrestricted equity	59.7		20.7		40.9	
Shareholders equity, total	159.8	35.4	120.8	27.0	141.0	31.4
Minority interest	0.3	0.1	0.4	0.1	0.3	0.1
Provisions for future costs	12.1	2.7	10.1	2.3	13.4	3.0
Liabilities						
Long term liabilities	167.7		178.1		169.3	
Short term liabilities	111.5		137.1		124.4	
Liabilities, total	279.2	61.8	315.2	70.6	293.7	65.5
Total	**451.4**	**100.0**	**446.6**	**100.0**	**448.4**	**100.0**

METSÄ TISSUE GROUP
(unaudited)

CASH FLOW STATEMENT (EUR million)	**Q1-3/2002**	**Q1-3/2001**	**Q1-4/2001**
Profit before extraordinary items	**32.5**	**14.6**	**27.1**
Depreciation according to plan	29.0	30.2	40.1
Direct taxes	-7.3	-5.8	-9.7
Other changes	-1.2	4.3	7.6
Funds from operations	**52.9**	**43.3**	**65.1**
Change in working capital	11.5	13.3	20.6
Cash flow from operations	**64.5**	**56.6**	**85.7**
Capital expenditure 1)	-21.9	-13.9	-21.1
Disposals and other changes in fixed assets			0.9
Cash flow after capital expenditure	**42.6**	**42.7**	**65.5**
Dividends	-3.0		0.0
Other items	-1.6	0.5	-0.7
Change in net interest-bearing liabilities	**37.9**	**43.2**	**64.9**
(+ = decrease, - = increase)			

1) Excluding interest-bearing liabilities of acquired companies

QUARTERLY DEVELOPMENT
2001 - 2002

TURNOVER			**2002**				**2001**			
EUR million	**Q1-3**	**Q3**	**Q2**	**Q1**	**Q1-3**	**Q1-4**	**Q4**	**Q3**	**Q2**	**Q1**
Consumer	257.3	86.2	83.8	87.3	267.6	359.3	91.6	91.1	89.0	87.5
Away-from-Home	133.7	45.9	43.6	44.2	130.8	173.5	42.7	42.2	44.4	44.1
Other operations	91.3	31.6	30.3	29.4	90.2	121.0	30.8	28.1	30.4	31.6
Internal sales	-5.1	-1.4	-2.0	-1.7	-2.2	-4.2	-1.9	-0.5	-0.8	-0.9
Total	**477.1**	**162.3**	**155.7**	**159.2**	**486.4**	**649.6**	**163.3**	**161.0**	**163.0**	**162.3**

OPERATING PROFIT			**2002**				**2001**			
EUR million	**Q1-3**	**Q3**	**Q2**	**Q1**	**Q1-3**	**Q1-4**	**Q4**	**Q3**	**Q2**	**Q1**
Consumer	17.4	7.9	3.9	5.6	13.5	21.9	8.4	6.8	4.5	2.3
Away-from-Home	15.1	6.4	4.0	4.7	8.1	12.1	4.0	4.1	2.5	1.6
Other operations	5.5	3.1	1.0	1.4	1.9	3.7	1.8	0.4	0.7	0.9
Group costs	-0.8	-0.2	-0.5	-0.1	-0.9	-1.3	-0.3	-0.1	-0.4	-0.3
Total	**37.2**	**17.2**	**8.4**	**11.6**	**22.7**	**36.5**	**13.8**	**11.1**	**7.2**	**4.4**
Operating margin, %	7.8	10.6	5.4	7.3	4.7	5.6	8.4	6.9	4.4	2.7
Net exchange gains/losses	-0.7	-0.2	-0.1	-0.4	0.5	1.0	0.5	-1.0	0.6	0.9
Other financial income and expenses	-4.4	-1.5	-1.3	-1.6	-8.6	-10.3	-1.8	-2.5	-2.9	-3.2
Profit before extraordinary items	**32.1**	**15.5**	**7.0**	**9.6**	**14.6**	**27.1**	**12.5**	**7.6**	**4.9**	**2.1**

METSÄ TISSUE GROUP
(unaudited)

KEY FIGURES	Q1-3/2002	Q1-3/2001	Q1-4/2001
Share related indicators, EUR			
Earnings per share	0.78	0.25	0.80
Shareholders’ equity per share	5.33	4.03	4.70
Investments			
Gross investments, MEUR	21.9	13.9	21.1
Investments, % turnover	4.6	2.9	3.2
Net interest bearing liabilities, MEUR	136.1	196.0	174.1
Financial ratios			
Return on equity, %	20.7	11.0	20.2
Return on capital invested, %	15.0	8.5	10.3
Capital turnover	1.88	1.80	1.80
Gearing, %	85.0	161.8	123.2
Equity ratio, %	35.5	27.1	31.5
Personnel			
Personnel, average	2,979	3,022	3,000
Personnel, at the end of period	2,950	2,961	2,923
Leasing commitments, MEUR			
Payments due during next 12 months	2.4	2.9	2.7
Payments due in subsequent years	3.6	2.7	3.5
Derivatives, MEUR			
Currency derivatives	93.7	87.0	70.8
Interest rate derivatives	240.0		
Commodity derivatives	55.9	0.0	26.1
Mortgages, MEUR	2.7	2.4	2.4
Guarantees, MEUR	0.1	0.5	0.1
Other liabilities, MEUR	0.0	0	0.0