



Metsä Tissue Corp.

INTERIM REPORT 1(8)
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METSÄ TISSUE'S TURNOVER FOR JANUARY – SEPTEMBER EUR 448.8 MILLION, RESULT BEFORE EXTRAORDINARY ITEMS A LOSS OF EUR 19.2 MILLION

- **Metsä Tissue's turnover for January – September 2000 was EUR 448.8 million (432.5 million last year).**
- **The group made a loss on operations of EUR 12.2 million (profit of 20.8 million).**
- **The loss before extraordinary items was EUR 19.2 million (profit of 15.3 million).**
- **The equity ratio was 25.5 per cent (31.8).**
- **The loss per share was EUR 0.69 (earnings of 0.31).**
- **Profitability shows turn for the better during third quarter. The need to develop activities in continental Europe is still great.**
- **On 26 September 2000, the European Union's competition authority decided to pass the transaction between Metsä-Serla and SCA relating to the sale of Metsä Tissue shares on to its second-phase handling, which will take roughly four months. Metsä-Serla owns 65.58 per cent of Metsä Tissue's shares.**

Turnover and results

Metsä Tissue's turnover for the period January – September was EUR 448.8 million, an increase of 3.8 per cent on last year's corresponding figure of EUR 432.5 million. Turnover for 1999 includes turnover for operations that have now been discontinued. On a comparable basis, the growth in turnover was about 7 per cent.

There was a loss on operations of EUR 12.2. million, -2.7 per cent of turnover, compared with an operating profit of EUR 20.8 million (4.8 per cent) for this period last year. The loss made during the review period is due primarily to the fact that price rises and other measures aimed at raising efficiency have

not yet covered the rise in the cost of raw materials and other production inputs. Nevertheless, profitability showed a turn for the better during the third quarter.

Before extraordinary items there was a loss for the period of EUR 19.2 million (profit of 15.3 million). After taxes and minority interests there was a loss of EUR 20.6 million (9.2 million profit).

Minority interests contributed EUR 0.3 million to the financial result, while direct taxes, including the change in deferred tax liability, were EUR 1.7 million.

Key figures

The loss per share was EUR 0.69 (earnings of 0.31). Return on capital employed was –4.4 per cent (7.9). Return on equity was –21.0 per cent (7.9).

The equity ratio was 25.5 per cent (31.8) and the net gearing ratio was 193.8 per cent (131.0).

Financial position and liquidity

The group's liquidity was good throughout the review period. Liquid assets at the end of September were EUR 10.6 million (17.4 million at 31 December 1999). In addition, the group has EUR 28.5 million in unutilized credit facilities (45.8 million at 31 December 1999), of which EUR 23.8 million are committed and EUR 4.7 million uncommitted.

Interest-bearing net liabilities were EUR 234.5 million (200.9 million at 31 December 1999). The cash flow from operations before investments was EUR –4.6 million (11.6 million) and capital expenditure was EUR 18.6 million (22.6 million).

Net financial expenses were EUR 7.0 million, 1.6 per cent of turnover.

Shares and shareholders

The highest quotation for Metsä Tissue Corporation shares during the review period was EUR 14.20 and the lowest EUR 9.50. The average quotation was EUR 12.12. At 19 September 2000, the company's shares were quoted at EUR 13.50. There was no further trading in Metsä Tissue shares on the Helsinki Stock Exchange during September.

During the review period, the company's shares were traded to a total value of EUR 21.7 million, which represents 17.2 per cent of the total number of shares. The company's market capitalization at 29 September 2000 was EUR 405 million.

At the end of September, Metsä Tissue had 1,485 registered shareholders. Metsä-Serla Corporation holds 65.58 per cent of the share capital and international investors 25.3 per cent.

On 31 May 2000, Metsä-Serla Corporation announced it had agreed to sell its shares in Metsä Tissue Corporation to SCA Mölnlycke Holding B.V., a subsidiary of Svenska Cellulosa Aktiebolaget SCA (SCA). The purchase price for the shares is EUR 15 per share. Metsä-Serla owns 19,675,000 Metsä Tissue shares, corresponding to 65.58 per cent of the share capital and the total number of votes. SCA B.V. already owns 5,781,200 Metsä Tissue Corporation shares, corresponding to 19.27 per cent of the share capital and the total number of votes. The sale will give SCA B.V. 84.85 per cent of Metsä Tissue's share capital and voting rights.

On 12 July 2000, SCA announced that it had received written assurances from Metsä Tissue Corporation's minority shareholders who are prepared to sell their shares. Following such sales, SCA's interest in Metsä Tissue would exceed 90 per cent.

Final implementation of these agreements requires the approval of the EU's competition authority. On 26 September 2000, the European Union's competition authority decided to pass the transaction relating to the sale of Metsä Tissue shares on to its second-phase handling, which will take approximately four months.

Business area reviews

The company's business areas are Consumer, Away-from-Home and Other Operations. The Table Top business area is a separate product area within the Consumer and Away-from-Home business areas.

Demand for tissue products has remained good. Product prices were raised further during the third quarter in all business areas. Sales prices are clearly higher than they were last year. Efforts are continuing to raise product prices in line with higher raw material costs.

The **Consumer** business area returned a loss on operations of EUR 8.9 million, compared with a profit of 8.8 million for this period last year. Turnover rose by 11.3 per cent to EUR 233.6 million (209.9 million). Sales of converted tissue products in the Nordic countries and continental Europe were up on this period last year. Metsä Tissue's own brands accounted for a higher proportion of sales. Sales by the **Table Top** business have developed favourably, and sales for the autumn period have started particularly well.

The **Away-from-Home** business area returned an operating loss of EUR 0.5 million (profit of 7.8 million). Turnover fell by 3.8 per cent to EUR 121.1 million (125.9 million). The fall in turnover is due to a pruning of the product range in

continental Europe. On a comparative basis, turnover showed a slight increase. Sales in the Nordic countries have continued to be quite good.

Other Operations produced an operating loss of EUR 2.1 million (profit of 5.8 million). Turnover fell by 7.4 per cent to EUR 98.4 million (106.3 million). Other Operations comprise the **Baking and Cooking** product area, tissue base paper and, up to the end of this year, sales of feminine hygiene products. Within the Baking and Cooking product area, products converted by the company have increased their share of sales.

Investments

Investment for the review period totalled EUR 18.6 million (22.6 million). The focus was on raising the degree of converting and on rationalization projects. Most of this year's investments have now been completed and their impact on profitability during the remainder of the year will be positive. Investments in the near future will be centred mainly on improving product characteristics.

Personnel

The Metsä Tissue Group had an average of 3,247 employees (3,491) during the period January – September. The number of employees at the end of September was 3,097 (3,410).

Outlook

The successful introduction of price rises will continue to be the main factor affecting financial results. Measures to raise cost-effectiveness will continue at all mills. The higher cost of raw materials and other production inputs has been passed on to sales prices more slowly than expected, and for this reason the financial result for 2000 before extraordinary items will be a clear loss. Price rises for products, both implemented and ongoing, combined with measures designed to raise efficiency, will significantly improve the company's profit-making viability by the end of the financial period.

The figures presented in this bulletin are unaudited.

Espoo, 25 October 2000

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 accounts for the 2000 financial year on 14.2.2001.

This Interim Report, the Annual Report for 1999, 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 (MEUR)	1-9/00	%	1-9/99	%	Change	%	1-12/99	%
Turnover	448,8	100,0	432,5	100,0	16,3	3,8	585,7	100,0
Other operating income	3,5		2,7		0,8		4,0	
Operating expenses	436,3		389,1		47,2		540,0	
Depreciation according to plan	28,2		25,3		2,9		33,5	
Operating profit/loss	-12,2	-2,7	20,8	4,8	-33,0		16,2	2,8
Net exchange gains/losses	0,4		0,0		0,4		0,2	
Other financial income/expenses	-7,4	-1,7	-5,5	-1,3	-1,9		-7,3	
Profit/loss before extraordinary items	-19,2	-4,3	15,3	3,5	-34,5		9,1	1,6
Extraordinary income	0,0		0,0		0,0		0,7	
Extraordinary expenses	0,0		0,0		0,0		-2,6	
Profit/loss before taxes and minority interest	-19,2	-4,3	15,3	3,5	-34,5		7,2	1,2
Taxes	-1,7		-6,5		4,8		-6,5	
Minority interest	-0,3		-0,4		0,1		-0,7	
Profit/loss for the period	-20,6	-4,6	9,2	2,1	-29,8		1,4	0,2

BALANCE SHEET (MEUR)	9/2000	%	9/1999	%	12/1999	%
Assets						
Fixed assets and other non-current assets	281,5	59,3	285,8	60,1	291,1	61,5
Inventories	77,9	16,4	74,9	15,7	67,6	14,3
Other current assets	115,6	24,3	115,1	24,2	114,8	24,2
Total	475,0	100,0	475,8	100,0	473,5	100,0
Liabilities						
Shareholders' equity						
Restricted equity	100,0		100,0		100,0	
Unrestricted equity	19,0		48,9		42,3	
Total	119,0	25,1	148,9	31,3	142,3	30,1
Minority interest	1,9	0,4	2,3	0,5	2,1	0,4
Provisions for future costs	7,9	1,7	7,0	1,5	9,5	2,0
Liabilities						
Long term liabilities	206,1		205,3		206,0	
Short term liabilities	140,1		112,3		113,6	
Total	346,2	72,9	317,6	66,8	319,5	67,5
Total	475,0	100,0	475,8	100,0	473,5	100,0

METSÄ TISSUE GROUP (unaudited)

KEY FIGURES	1-9/00	1-9/99	1-12/99
Share related indicators, EUR			
Earnings per share	-0,69	0,31	0,11
with dilution effect of warrants	-0,67	0,30	0,11
Shareholders' equity per share	3,97	4,96	4,74
Investments			
Gross investments, MEUR	18,6	22,6	32,8
Investments, % turnover	4,1	5,2	5,6
Net interest-bearing liabilities, MEUR	234,5	198,1	200,9
Financial ratios			
Return on equity, %	-21,0	7,9	1,8
Return on capital invested, %	-4,4	7,9	4,6
Gearing, %	193,8	131,0	139,1
Equity ratio, %	25,5	31,8	30,5
Personnel			
Personnel, average	3 247	3 491	3 459
Personnel, at the end of period	3 097	3 410	3 355
Leasing commitments, MEUR			
Payments due during next 12 months	4,0	2,6	4,3
Payments due in subsequent years	13,1	2,9	12,3
Derivatives, MEUR			
Currency derivatives	14,0	107,1	125,4
Commodity derivatives	0,0	19,9	19,0
Mortgages, MEUR	64,0	54,3	54,3
Guarantees, MEUR	0,7	1,2	1,0

METSÄ TISSUE
GROUP (unaudited)

QUARTERLY DATA
1999 - 2000

TURNOVER MEUR	2000				1999					
	1-9	7-9	4-6	1-3	1-9	1-12	10-12	7-9	4-6	1-3
Consumer	233,6	80,2	75,1	78,3	209,9	283,3	73,4	72,0	70,2	67,8
Away-from-Home	121,1	42,5	39,5	39,1	125,9	169,4	43,5	42,7	40,3	42,8
Other operations	98,4	34,5	31,0	32,9	106,3	145,9	39,7	33,3	34,6	38,4
Internal sales	-4,2	-0,7	-0,8	-2,7	-9,5	-12,8	-3,3	-3,2	-2,8	-3,5
Total	448,8	156,5	144,8	147,5	432,5	585,7	153,2	144,8	142,2	145,5

OPERATING PROFIT MEUR	2000				1999					
	1-9	7-9	4-6	1-3	1-9	1-12	10-12	7-9	4-6	1-3
Consumer	-8,9	-0,1	-5,8	-3,0	8,8	6,1	-2,7	2,5	1,9	4,4
Away-from-Home	-0,5	1,2	-1,8	0,2	7,8	6,4	-1,4	2,8	1,7	3,3
Other operations	-2,1	0,2	-2,0	-0,3	5,8	5,7	-0,1	1,6	1,8	2,3
Group costs	-0,7	-0,4	-0,2	-0,1	-1,6	-2,0	-0,4	-0,4	-0,5	-0,7
Total	-12,2	0,9	-9,8	-3,3	20,8	16,2	-4,6	6,6	4,9	9,3
Operating margin -%	-2,7	0,6	-6,8	-2,3	4,8	2,8	-3,0	4,5	3,4	6,4
Net exchange gains/losses	0,4	0,3	-0,1	0,2	0,0	0,2	0,2	0,0	0,2	-0,2
Other financial income/expenses	-7,4	-2,8	-2,3	-2,3	-5,5	-7,3	-1,8	-1,9	-2,0	-1,6
Profit before extraordinary items	-19,2	-1,6	-12,2	-5,4	15,3	9,1	-6,2	4,7	3,1	7,5