

Metsä Tissue – the year 2008 in brief

In 2008, Metsä Tissue continued investing in its own brands and strengthened its position in central Europe and Scandinavia. Local converting was launched in Russia.

The operating result of Tissue and Cooking Papers increased and was EUR 43 million, excluding non-recurring items. The increase was boosted by volume growth (+3 per cent), the increase in sales prices and the sales structure (a total of 5 per cent).

The sales of Metsä Tissue's own brands increased by 12 per cent compared with the previous year. Lambi's strong success continued with invoicing clearly exceeding EUR 100 million.

Exchange rate development, the weakened British pound and the US dollar in particular, had a negative impact on sales and operating result. Part of the negative effects caused by higher raw material, energy and transportation costs were successfully minimised by making operations more effective and by increasing sales prices. The closure and divestment expenses and financing arrangements of the warehouse in Bork, Germany, were written off in September.

Markets

The market situation for tissue and cooking papers is reasonable; in particular, the demand for branded products is expected to continue its growth.

Central and eastern Europe still remain growth areas for the tissue industry. In eastern Europe, growth is boosted by increased consumption and the development of consumption behaviour towards more high-quality products. However, the growth predictability for the eastern European market has weakened due to the economic downturn.

It is expected that structural changes in the industry will continue.

Major events

Investments, the boosting of operations and the launch of a converting unit in Russia strengthened Metsä Tissue's position in central Europe, Scandinavia and Russia. Corporate and environmental responsibility also played an essential

role. The company is carrying out long-term work to save energy, decrease emissions and make transportation more effective.

Business development in Russia proceeded as intended. In May, local converting was launched in Naro Fominsk, near Moscow. The new converting unit manufactures Katrin Away-from-Home products as well as Lambi and Mola consumer products.

During the first stage of the Away-from-Home business development programme, a rewinder was transferred from the Swedish-based Mariestad mill to the Krapkowice mill in Poland, where production started during the summer.

The modernisation of PM36 at the Mariestad mill and investments in the Mänttä mill improved the product quality, efficiency of the production lines, and reduced energy consumption.

In September, the Swedish mills launched a maintenance project aiming for higher productivity. The best maintenance practices will be documented and deployed at all Metsä Tissue units.

In continental Europe, the operating model for supply chain was renewed. Metsä Tissue signed a cooperation contract that covers the construction of a new 36,000 square metre warehouse in Düren, Germany, near its Kreuzau mill. The warehouse was opened in December. Earlier in autumn, the warehouse in Bork, Germany, was closed down and sold. As a result of these measures, the number of storage locations decreased by five. The reforms will make the supply chain more effective and improve customer service.

The finished goods warehouse of the Slovakia-based Zilina mill burned down in March. Despite considerable damage, the impact to customers was successfully minimised. New warehouse facilities will be gradually completed during the first quarter of 2009.

In Finland, a new Serla cleaning paper was launched in autumn and received good feedback from consumers. The Serla toilet papers and tissues, and the look of the Serla and Mola brands were also renewed. In Germany, several seasonal product concepts were introduced, which combined coloured paper, topical patterns and fresh scents. In the Away-from-Home business, the Saga brand was

integrated into the Katrin brand and, at the same time, the products were also grouped into three quality grades.

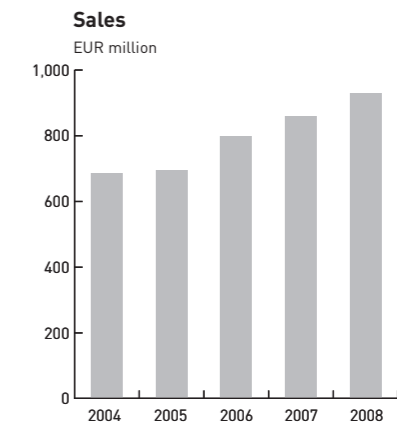
In September, Metsä Tissue signed a EUR 238 million syndicated loan. This five-year credit facility replaced the existing facility which was due to mature in June 2009.

Outlook

The general economic uncertainty is not expected to have a considerable impact on the demand for tissue and cooking papers. However, it is expected that the growth in emerging markets, in particular, will slow down. The credit risks will also increase. While demand for large-scale consumer products may weaken due to the decrease in travel and services purchasing, the same trend may increase the demand for consumer products.

It is expected that the raw material cost inflation will reverse itself. Energy expenses and the price of electricity, in particular, are likely to continue their increase and thus cause cost pressure.

Metsä Tissue will continue to invest in product development and its own product brands and boost their sales. Private label products are developed through innovative campaign products. Improving the efficiency of business and production will continue, as will the business development in eastern Europe. As Russia is one of the most rapidly growing tissue and cooking paper markets in Europe, Metsä Tissue aims to utilise the opportunities it offers.



Key figures

EUR million	2008	2007	2006
Sales	930	861	799
EBITDA	98	84	70
Depreciation and impairment losses	-56	-49	-51
Operating result	42	35	19
Non-recurring items	-1	-2	0
Operating result excluding non-recurring items	43	37	19
ROOC excluding non-recurring items, %	5.6	4.8	2.6
Gross capital expenditure	33	26	103
Personnel at year-end	3,222	3,308	3,405