

## SUOMINEN CORPORATION INTERIM REPORT 1 JANUARY - 31 MARCH 2007 (IFRS)

### SUOMINEN RECORDED A PROFIT

	1-3/2007	1-3/2006	1-12/2006
Net sales, EUR million	<b>54.3</b>	49.3	202.6
Operating profit, EUR million	<b>1.3</b>	0.6	1.2
Profit/loss for the period, EUR million	<b>0.2</b>	-0.3	-1.8
Earnings/share, EUR	<b>0.01</b>	-0.01	-0.08
Return on invested capital (ROI), %	<b>3.5</b>	1.7	0.9
Cash flow from operations/share, EUR	<b>-0.05</b>	0.15	0.53
Cash flow from operations before interest-bearing receivables/share, EUR	<b>0.10</b>	0.19	0.53

Suominen recorded a profit for the first quarter thanks to a good development of sales and efficiency-enhancement measures.

Outlook: Net sales during 2007 are expected to increase and the operating profit and results are expected to improve on those of 2006.

#### Financial results

Suominen Corporation's net sales for the first quarter totalled EUR 54.3 million (49.3), up 10 per cent on the figure for the corresponding period in 2006. The volume of sales developed strongly in all units. Operating profit was EUR 1.3 million (0.6), profit before taxes EUR 0.3 million (-0.3) and profit after taxes EUR 0.2 million (-0.3).

Prices for raw materials rose on the corresponding period in 2006. Energy and transportation costs decreased

#### Cost saving and operational enhancement programme

In autumn 2006 a decision was taken on an operational enhancement programme called Stairs to Top, which is an action programme to develop operations and improve efficiency on a continuous basis, and to increase sales. Systematic work on the plans and actions included in the programme continued in the Group's units. Cost savings and efficiency-enhancement measures generated over EUR 1 million during the period under review.

#### Financing

Interest-bearing liabilities totalled EUR 92.1 million, i.e. EUR 2.8 million more than at the beginning of the year. Liabilities include capital loans of EUR 4 million. Net financial expenses were EUR 0.9 million (0.9) or 1.7 per cent (1.9) of net sales. A total of EUR 5.0 million was tied up in working capital in the cash flow statement, including EUR 3.6 million of interest-bearing prepayments of Finnish Employment Pension Scheme (TyEL) contributions for the whole year. The equity ratio was 31.3 per cent (32.2), and the gearing ratio (ratio of interest-bearing net liabilities to shareholders' equity) was 159.1 per cent (158.3). Cash flow from operations was EUR -0.05 per share (0.15).

#### Investments

The Company's gross investments in production totalled EUR 2.3 million (0.8). Planned depreciation amounted to EUR 3.6 million (3.7). Wet Wipes accounted for EUR 0.8 million, Nonwovens EUR 0.4 million and Flexible Packaging EUR 1.1 million of total investments. The

investments focussed on the extension of Flexible Packaging's production facilities in Poland, and replacement and maintenance investments.

#### Segment results

During the period under review, net sales of the Wipes and Nonwovens business area totalled EUR 34.5 million, an increase of 12 per cent on the corresponding period in 2006, as sales of both wet wipes and nonwovens continued to grow. Internal deliveries decreased. External purchases of nonwovens for use in standard wet wipes increased as planned. The Wipes and Nonwovens business area recorded an operating profit of EUR 0.6 million (-0.4).

Net sales of Wet Wipes totalled EUR 18.0 million and rose by 7 per cent on the previous year due to increased sales volumes. Average sales prices fell slightly. It is estimated that growth in the European wet wipe markets continued. Deliveries to brand owners increased, while there were no significant changes in the sales to retailers. The efficiency of production continued to improve, but cost-savings in personnel costs were behind planned.

Net sales of Nonwovens increased by 6 per cent to EUR 17.9 million thanks to increased sales of hydroentangled material. Sales of thermally bonded nonwovens remained at the same level as in 2006. Average sales prices were at the same level as in the corresponding period in 2006. The price increase of viscose raw material had a negative impact on performance. The unit saved in energy and logistics costs. The new power plant for process heat reduced energy costs, even though the price for the main fuel, wood chips, was rising. Suominen decided on an investment of EUR 1.2 million to improve production efficiency in the Nonwovens business unit. The investment will improve the processing of process waters, increase the capacity of the unit, and enable the manufacture of new products.

Net sales of Flexible Packaging totalled EUR 19.9 million, an increase of 7 per cent on the previous year. Flexible Packaging generated an operating profit of EUR 1.0 million (1.0). The increase in net sales was due to higher sales volumes. The volumes of hygiene packaging and carrier bags for the retail trade grew above average growth, while food packaging volumes were on the level of the previous year. The investment in the new printing machine in the Polish plant proceeded as planned, and new production is due to commence next summer. During the period under review, a decision was taken to extend

the facility in Poland. All production from the Kauhava plant was transferred to other plants. Improvement of efficiency continued, and negotiations were started with the representatives of employees at the Swedish plant to adjust operations. As a result of the negotiations, a reduction of 13 people will be made in personnel during 2007.

#### **Annual general meeting of shareholders**

Suominen Corporation's Annual General Meeting of Shareholders was held on 29 March 2007. The General Meeting decided that a dividend of EUR 0.06 per share be paid for 2006. The dividends were paid on 12 April 2007.

The General Meeting approved the financial statements for 2006 and released the members of the Board of Directors and the President and CEO from liability for the financial period.

The General meeting elected Heikki Bergholm, Kai Hannus, Pekka Laaksonen, Juhani Lassila, Mikko Majjala and Heikki Mairinoja to the Board of Directors. In its initial meeting, the Board of Directors elected Mikko Majjala as Chairman and Pekka Laaksonen as Deputy Chairman.

PricewaterhouseCoopers Oy, Authorised Public Accountants, with Heikki Lassila, APA, as the principal auditor, were elected as auditors of Suominen Corporation.

#### **Amendments to the articles of association**

The Annual General Meeting of Shareholders held on 29 March 2007 adopted the following amendments to the Articles of Association:

- 1) Clause 3 on the minimum and maximum share capital and the number of shares was omitted.
- 2) Clause 4 on the book-entry system was amended so as to delete all sections but the sentence stating that the Company's shares are incorporated in the book-entry system.
- 3) Clause 8 was amended so as to replace the expression "authorise to sign the Company name" by the expression "authorise to represent the Company" in line with the terminology of the new Finnish Companies Act.
- 4) Clause 12 was amended so as to stipulate that the invitation to the General Meeting of Shareholders shall be published no later than 17 days prior to the General Meeting of Shareholders.
- 5) Clause 14, point 1 was amended so as to stipulate that the financial statements, including the consolidated financial statements, and the report by the Board of Directors shall be presented at the Annual General Meeting of Shareholders; and points 3 and 4 amended so as to stipulate that the Annual General Meeting of Shareholders shall decide on the approval of the financial statements and the consolidated financial statements and the use of the profit shown in the balance sheet.

#### **Company shares**

The number of Suominen Corporation's shares traded on the Helsinki Stock Exchange from 1 January to 31 March 2007 was 2,643,690 or 11.1 per cent of the shares included in the Company's share capital. The trading

price varied from EUR 2.97 to EUR 3.79. The final trading price was EUR 3.50. The Company's market capitalisation was EUR 82.8 million on 31 March 2007.

#### **The company's own shares**

On 1 January 2007, the Company held 51,121 of its own shares, with an acquisition value of EUR 3.19 per share.

The Annual General Meeting of Shareholders held on 29 March 2007 authorised the Board of Directors to decide on the acquisition of a maximum of 1,186,000 of the Company's own shares. The authorisation will be valid for 18 months after the decision of the General Meeting. The repurchased shares will be used as payment in business acquisitions or other arrangements in the Company's business, to finance investments, to implement incentive programmes, will be held by the Company, or will be otherwise conveyed or cancelled. The Company's own shares will be repurchased otherwise than in proportion to the holdings of the shareholders by using non-restricted equity through public trading on the Helsinki Stock Exchange at the market price prevailing at the time of acquisition.

The General Meeting also authorised the Board of Directors to decide on the conveyance of a maximum of 1,237,000 of the Company's own shares. The authorisation will be valid for 18 months after the end of the General Meeting.

During the period under review, the Board of Directors did not exercise its authorities to buy or convey the Company's own shares. On 31 March 2007, Suominen Corporation held a total of 51,121 of its own shares, accounting for 0.2 per cent of the share capital and votes.

#### **Stock options 2007**

The Annual General Meeting of Shareholders held on 29 March 2007 approved the Board of Directors' proposal to issue stock options to the Executive Team of Suominen Corporation. A maximum of 200,000 stock options shall be issued as specified by the Board of Directors. Each stock option entitles its holder to subscribe for one (1) share of Suominen Corporation. The number of Company shares may increase as a result of such subscriptions by a maximum of 200,000 shares, and the share capital by a maximum of EUR 100,000.

The subscription period for the 2007A stock options is from 2 May 2009 to 30 October 2010, for the 2007B stock options, the corresponding period in 2010 and 2011. However, the Board of Directors is authorised to start the subscription period at an earlier time at its own discretion.

The share subscription price for the 2007A stock options shall be the trade volume-weighted average price of the Company's share on the Helsinki Stock Exchange in May 2007, and for the 2007B stock options the weighted average price in May 2008. The subscription price shall be reduced if the Company distributes dividends or other funds from the reserves of non-restricted equity or if the Company reduces its share capital by distributing share capital to the shareholders.

As the registered number of Suominen's issued shares totals 23,720,112, the number of shares may rise to a maximum of 24,220,112 after stock option subscriptions, taking into account the previous stock option plan.

**Other authorisation for the board of directors**

The Board of Directors is not currently authorised to issue shares, convertible bonds or bonds with warrants.

**Outlook**

Net sales for 2007 are expected to increase on the previous year, and profit for the financial year is expected to be positive.

The estimate on sales growth is based on forecasts given by customers and on our own forecasts. Profitability is expected to improve due to planned cost-savings, improved efficiency and growth in sales.

Expanding operations in Poland, in particular, is expected to increase investments to a level of EUR 12 million in 2007.

**Near-future uncertainties**

Uncertainties affecting Suominen's business are described in the report by the Board of Directors for 2006. The estimate on the development of Suominen's net sales is partly based on forecasts given by customers. Changes in the market situation or changes in products and suppliers may change net sales from the forecast. Rapid fluctuations in raw material prices may affect Suominen's margins. The sensitivity of Suominen's goodwill to changes in the business environment is described in the notes to the financial statements for 2006. The installation of the printing machine at Flexible Packaging's Polish plant is due to be completed next summer. A delay in start-up is possible, but the unit is experienced at starting up new machinery.

**SUOMINEN CORPORATION CONSOLIDATED 1 JANUARY - 31 MARCH 2007 (IFRS)**

This interim report has been prepared in compliance with IAS 34 Interim Financial Reporting. Principles for preparing the interim report are the same as those used for preparing the financial statements for 2006, and this interim report should be read parallel to the financial statements for 2006. Amendments to and interpretations of published accounting standards and new accounting standards that came into effect on 1 January 2007 are presented in the financial statements for 2006. Suominen has adopted the IFRS 7 Financial Instruments: Disclosures standard, which came into effect on 1 January 2007, and the amendments to IAS 1 relating to it. The Company also complies with the interpretation of IFRIC 10 Interim Financial Reporting and Impairment, which prohibits, for example, the reversal of impairment losses recognised for goodwill during previous interim periods. In its principles for preparing the financial statements, Suominen has not applied any changes allowed by the published new standards and interpretations prior to their official introduction. The most important reform known concerns segment reporting, the standard on which will enter into force on 1 January 2009.

The figures in this interim report have not been audited.

**STATEMENT OF INCOME**

EUR 1 000	1-3/2007	1-3/2006	1-12/2006
<b>Net sales</b>	<b>54 299</b>	49 302	202 627
Cost of goods sold	<b>-50 252</b>	-45 886	-189 522
<b>Gross profit</b>	<b>4 047</b>	3 416	13 105
Other operating income	<b>475</b>	172	724
Sales and marketing expenses	<b>-1 045</b>	-885	-3 567
Research and development	<b>-435</b>	-520	-2 009
Administration expenses	<b>-1 692</b>	-1 473	-6 292
Other operating expenses	<b>-100</b>	-126	-771
<b>Operating profit</b>	<b>1 250</b>	584	1 190
Interest and other financial income and expenses	<b>-945</b>	-971	-4 024
Fair value gains and losses	<b>6</b>	44	97
<b>Profit before income taxes</b>	<b>311</b>	-343	-2 737
Income taxes	<b>-80</b>	58	954
<b>Profit/loss for the period</b>	<b>231</b>	-285	-1 783
Earnings/share, EUR	<b>0.01</b>	-0.01	-0.08

**KEY FIGURES ON STATEMENT OF INCOME**

	1-3/2007	1-3/2006	1-12/2006
Net sales, change, % *	<b>10.1</b>	1.3	3.8
Gross profit, % **	<b>7.5</b>	6.9	6.5
Operating profit, % **	<b>2.3</b>	1.2	0.6
Financial income and expenses, % **	<b>-1.7</b>	-1.9	-1.9
Profit before income taxes, % **	<b>0.6</b>	-0.7	-1.4
Profit for the period year, % **	<b>0.4</b>	-0.6	-0.9

\* Compared with the corresponding period of the previous year.

\*\* As of net sales.

**BALANCE SHEET**

EUR 1 000	3/2007	3/2006	12/2006
<b>Assets</b>			
Non-current assets			
Goodwill	34 195	34 195	34 195
Intangible assets	945	1 027	944
Tangible non-current assets	74 861	84 599	77 168
Available-for-sale financial assets	725	878	766
Held-to-maturity investments	100	100	100
Deferred tax assets	888	1 278	882
Non-current assets, total	111 714	122 077	114 055
Current assets			
Inventories	29 147	29 579	27 840
Trade receivables	25 540	24 083	25 583
Loan receivables		270	
Other current receivables	8 163	5 002	6 240
Income tax receivables	1 257	903	918
Cash at bank and in hand	282	976	1 220
Current assets, total	64 389	60 813	61 801
<b>Assets, total</b>	<b>176 103</b>	<b>182 890</b>	<b>175 856</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity			
Share capital	11 860	11 860	11 860
Share premium account	24 681	24 681	24 681
Fair value and other reserves	955	1 828	1 185
Translation differences	560	591	738
Other shareholders' equity	17 106	19 979	18 279
Shareholders' equity, total	55 162	58 939	56 743
Liabilities			
Non-current liabilities			
Deferred tax liabilities	6 083	7 803	6 768
Pension liabilities	290	260	314
Provisions	85	200	85
Capital loans	2 000	4 000	2 000
Interest-bearing liabilities	62 817	66 737	63 133
Other non-current liabilities	12	30	13
Non-current liabilities, total	71 287	79 030	72 313
Current liabilities			
Interest-bearing liabilities	25 318	23 285	22 202
Provisions	115	200	115
Capital loans	2 000	2 000	2 000
Income tax liabilities	697	520	67
Trade payables and other current liabilities	21 524	18 916	22 416
Current liabilities, total	49 654	44 921	46 800
Liabilities, total	120 941	123 951	119 113
<b>Shareholders' equity and liabilities, total</b>	<b>176 103</b>	<b>182 890</b>	<b>175 856</b>

**CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE**

EUR 1 000	1-3/2007	1-3/2006	1-12/2006
Foreign currency translation difference for foreign operations	-241	-169	240
Cash flow hedges			
Hedge result deferred in equity	-325	2 966	1 932
Transferred from equity to statement of income	14	-994	-711
Defined benefit plan actuarial gains (losses)	-22	-17	-99
Income tax on income and expense recognised directly in equity	151	-507	-547
Income and expense recognised directly in equity	-423	1 279	815
Profit for the period	231	-285	-1 783
<b>Total recognised income and expense for the period</b>	<b>-192</b>	994	-968

According to IAS 1.96 standard the income and expense recognised in equity are stated in the consolidated statement of income. The above calculation replaces the statement of changes in shareholder's equity.

**CASH FLOW STATEMENT**

EUR 1 000	1-3/2007	1-3/2006	1-12/2006
Operations			
Operating profit	1 250	584	1 190
Total adjustments	3 469	3 673	14 855
Cash flow before change in working capital	4 719	4 257	16 045
Change in working capital	-1 469	969	1 978
Financial items	-583	-452	-4 835
Taxes paid	-331	-225	-605
Cash flow from operations before interest-bearing receivables	2 336	4 549	12 583
Change in interest-bearing receivables	-3 536	-937	-100
Cash flow from operations	-1 200	3 612	12 483
Investments			
Investments in tangible and intangible assets	-3 421	-944	-3 135
Proceeds from sale of fixed assets and other proceeds	898	287	666
Cash flow from investing activities	-2 523	-657	-2 469
Financing			
Repurchase of own shares			-157
Non-current loans drawn		-2 128	5 000
Repayments of non-current loans	-316		-10 792
Capital loans			-2 000
Change in current loans	3 118	-991	-2 015
Cash flow from financing	2 802	-3 119	-9 964
<b>Change in cash and cash equivalents</b>	<b>-922</b>	-164	51
<b>KEY FIGURES</b>	<b>3/2007</b>	<b>3/2006</b>	<b>12/2006</b>
Earnings/share, EUR	0.01	-0.01	-0.08
Equity/share, EUR	2.33	2.49	2.40
Cash flow from operations/share, EUR	-0.05	0.15	0.53
Cash flow from operations before interest-bearing receivables/share, EUR	0.10	0.19	0.53
Return on equity (ROE), %	1.7	-2.0	-3.1
Return on invested capital (ROI), %	3.5	1.7	0.9
Equity ratio, %	31.3	32.2	32.3
Gearing, %	159.1	158.3	154.4
Gross investments, EUR 1 000	2 283	835	4 337
Depreciation and impairment losses, EUR 1 000	3 560	3 700	14 694

**SEGMENT REPORTING****Wipes and Nonwovens**

EUR 1 000	1-3/2007	1-3/2006	Change, %	1-12/2006
Net sales				
- Wet Wipes	17 997	16 813	7.0	69 299
- Nonwovens	17 901	16 922	5.8	67 296
- eliminations	-1 354	-2 991	-54.7	-9 687
Total	34 544	30 744	12.4	126 908
Operating profit	587	-355		-149
% of net sales	1.7	-1.2		-0.1
Assets	117 020	120 325		116 435
Liabilities	12 188	11 448		13 943
Net assets	104 832	108 877		102 492
Investments	1 140	580		2 150
Depreciation and impairment losses	2 152	2 225		8 768
Average personnel	467	445		455

**Flexible Packaging**

EUR 1 000	1-3/2007	1-3/2006	Change, %	1-12/2006
Net sales	19 865	18 596	6.8	75 987
Operating profit	952	991		1 958
% of net sales	4.8	5.3		2.6
Assets	56 032	56 623		55 127
Liabilities	7 870	7 624		8 313
Net assets	48 162	48 999		46 814
Investments	1 143	254		2 122
Depreciation and impairment losses	1 395	1 462		5 873
Average personnel	586	596		593

**Consolidation Items**

EUR 1 000	1-3/2007	1-3/2006	1-12/2006
Net sales	-110	-38	-268
Operating profit	-289	-52	-619
Assets	3 051	5 942	4 294
Liabilities	99 463	104 879	96 857
Investments		1	65
Depreciation and impairment losses	13	13	53
Average personnel	12	10	10

**NET SALES BY MARKET AREA**

EUR 1 000	1-3/2007	1-3/2006	1 - 12/2006
Finland	8 239	8 169	33 208
Scandinavia	5 747	5 301	21 539
The Netherlands	4 452	6 743	40 348
Other Europe	25 963	23 400	82 421
Other Countries	9 898	5 689	25 111
<b>Net sales, total</b>	<b>54 299</b>	<b>49 302</b>	<b>202 627</b>

**QUARTERLY FIGURES**

EUR 1 000	II/2006	III/2006	IV/2006	I/2007	II/2006-I/2007
<b>Net sales</b>					
Wipes and Nonwovens					
- Wet Wipes	16 773	17 826	17 887	17 997	70 483
- Nonwovens	15 281	17 031	18 062	17 901	68 275
- eliminations	-2 824	-2 034	-1 838	-1 354	-8 050
Total	29 230	32 823	34 111	34 544	130 708
Flexible Packaging	18 491	18 768	20 132	19 865	77 256
Consolidation items and eliminations	-65	-150	-15	-110	-340
Net sales, total	47 656	51 441	54 228	54 299	207 624
<b>Operating profit</b>					
Wipes and Nonwovens	-452	-34	692	587	793
% of net sales	-1.5	-0.1	2.0	1.7	0.6
Flexible Packaging	362	475	130	952	1 919
% of net sales	2.0	2.5	0.6	4.8	2.5
Consolidation items and eliminations	-402	-124	-41	-289	-856
Operating profit, total	-492	317	781	1 250	1 856
% of net sales	-1.0	0.6	1.4	2.3	0.9
Net financial expenses	-966	-969	-1 065	-939	-3 939
Profit before income taxes	-1 458	-652	-284	311	-2 083

**TAXES FOR THE PERIOD UNDER REVIEW**

Taxes for the period under review are calculated on the basis of the Group's tax rate for the whole year, which is estimated to be 25 per cent in 2007. Taxes for the corresponding period in 2006 were 17 per cent on loss before taxes due to non-deductible expenses.

**SHARE CAPITAL**

The registered number of issued shares of Suominen totals 23,720,112 shares or EUR 11,860,056. On 31 March 2007, the Company held 51,121 of its own shares. There were no changes in share capital during the period under review. A dividend of EUR 0.06 per share, which totals to EUR 1,420,139.46, was paid on 12 April 2007. Unpaid dividend is booked to the balance sheet as a liability.

**INFORMATION ON RELATED PARTIES**

Suominen has related party relationships with the members of the Board of Directors, and the President and CEO of the Parent Company and the members of the Corporate Executive Team. The Company has no investments in associated companies. Salaries paid to the related parties amounted to EUR 240 thousand.

**MOVEMENTS IN BORROWINGS**

1 000 e	1-3/2007	1-3/2006
Total borrowings on 1 January	89 335	99 142
Current loans from financial institutions on 1 January	8 000	
Change in current loans from financial institutions	-8 000	
Current loans from financial institutions on 31 March	0	
Commercial papers on 1 January	5 402	15 417
Change in commercial papers	11 116	-991
Commercial papers on 31 March	16 518	14 426
Non-current loans on 1 January	71 993	77 725
Change in non-current loans	-316	-2 128
Non-current loans on 31 March	71 617	75 597
Capital loans on 1 January and 31 March	4 000	6 000
Total borrowings on 31 March	92 135	96 023

**CHANGES IN FIXED ASSETS**

EUR 1 000	1-3/2007		1-3/2006		1-12/2006	
	Tangible	Intangible	Tangible	Intangible	Tangible	Intangible
Book value at the beginning of the period	77 168	944	88 129	1 022	88 129	1 022
Investments	2 250	33	788	47	4 108	129
Decreases	-762	-16	-302		- 672	
Depreciation and impairments	-3 509	-51	-3 652	-48	-14 505	-189
Translation differences and other changes	-286	35	-364	6	108	-18
Book value at the end of the period	74 861	945	84 599	1 027	77 168	944

**CONTINGENT LIABILITIES**

EUR 1 000	3/2007	3/2006	12/2006
<b>For own debt</b>			
Real estate mortgages	5 046		5 046
Corporate mortgages	1 177	1 177	1 177
<b>Other own commitments</b>			
Leasing payments and commitments	8 500	2 062	8 555
Rent commitments	14 984	12 404	15 767
Guarantee commitment for financial lease of discontinued operations	1 621	1 702	1 642

**NOMINAL AND FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS**

EUR 1 000	3/2007	3/2006	12/2006
<b>Currency derivatives</b>			
Nominal value	9 563	11 778	9 750
Fair value	56	36	-5
<b>Interest rate derivatives</b>			
Nominal value	60 633	67 600	60 633
Fair value	1 120	533	1 075
<b>Electricity derivatives</b>			
Nominal value	5 551	5 894	5 638
Fair value	407	2 280	791

Helsinki, 25 April 2007

SUOMINEN CORPORATION

Board of Directors

Additional information: Mr. Kalle Tanhuanpää, President and CEO, tel. +358 (0)10 214 300.

Suominen Corporation  
Vestonkatu 24  
P.O. Box 380  
FI-33101 Tampere  
Finland

Telephone +358 (0)10 214 300  
+358 (0)10 214 3530  
Fax

www.suominen.fi  
firstname.lastname@suominen.fi

VAT Reg. FI16801419  
Domicile Tampere