

# **Suominen Corporation**

## **Interim Report**

**1 January - 30 September 2007**

Presentation 24 October 2007



## Performance

**Kalle Tanhuanpää**  
**President and CEO**

## Suominen highlights

EUR million	Q3/2007	Q3/2006	1-9/2007	1-9/2006	2006
<b>Net sales</b>	55.7	51.4	<b>161.2</b>	148.4	202.6
<b>Operating profit</b>	0.5	0.3	<b>2.2</b>	0.4	1.2
<b>Net result</b>	-0.3	-0.4	<b>-0.4</b>	-1.7	-1.8
<b>EPS, EUR</b>	-0.01	-0.02	<b>-0.02</b>	-0.05	-0.08

+ healthy growth

+ Cost savings in the Stairs to Top program

+ improved efficiency in Flexible Packaging

+ brisk demand on nonwoven

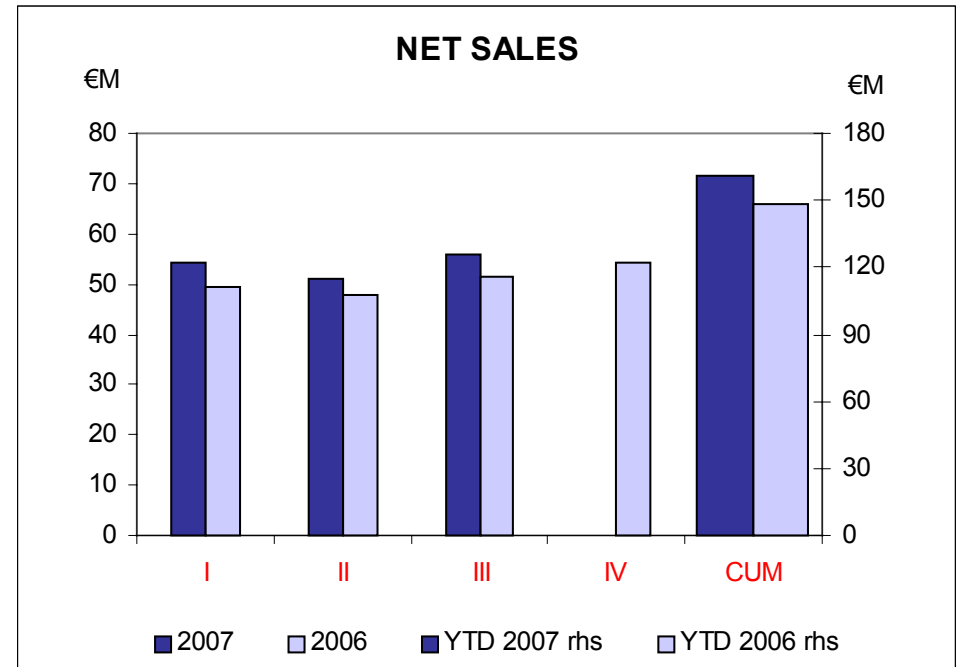
- inefficiencies in Wipes and Nonwovens

- net sales in Wet Wipes

- raw material price increases

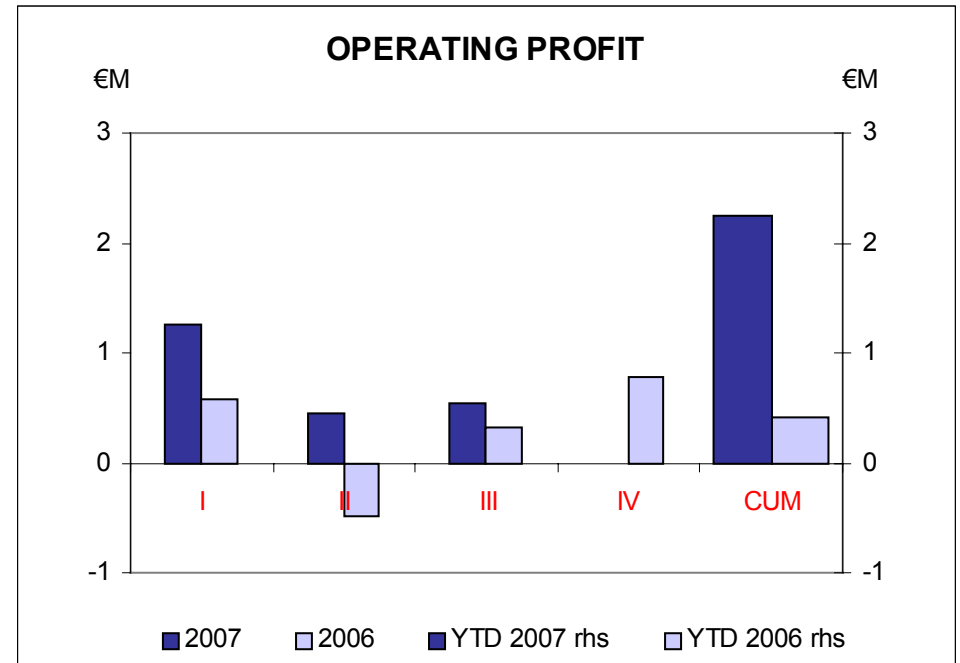
## Sales volumes up

- Net sales in Q3 grew by 8%.
- For the 9-month period net sales grew by 9%.
- Trend in sales was driven by volume growth and was especially strong in Nonwovens.

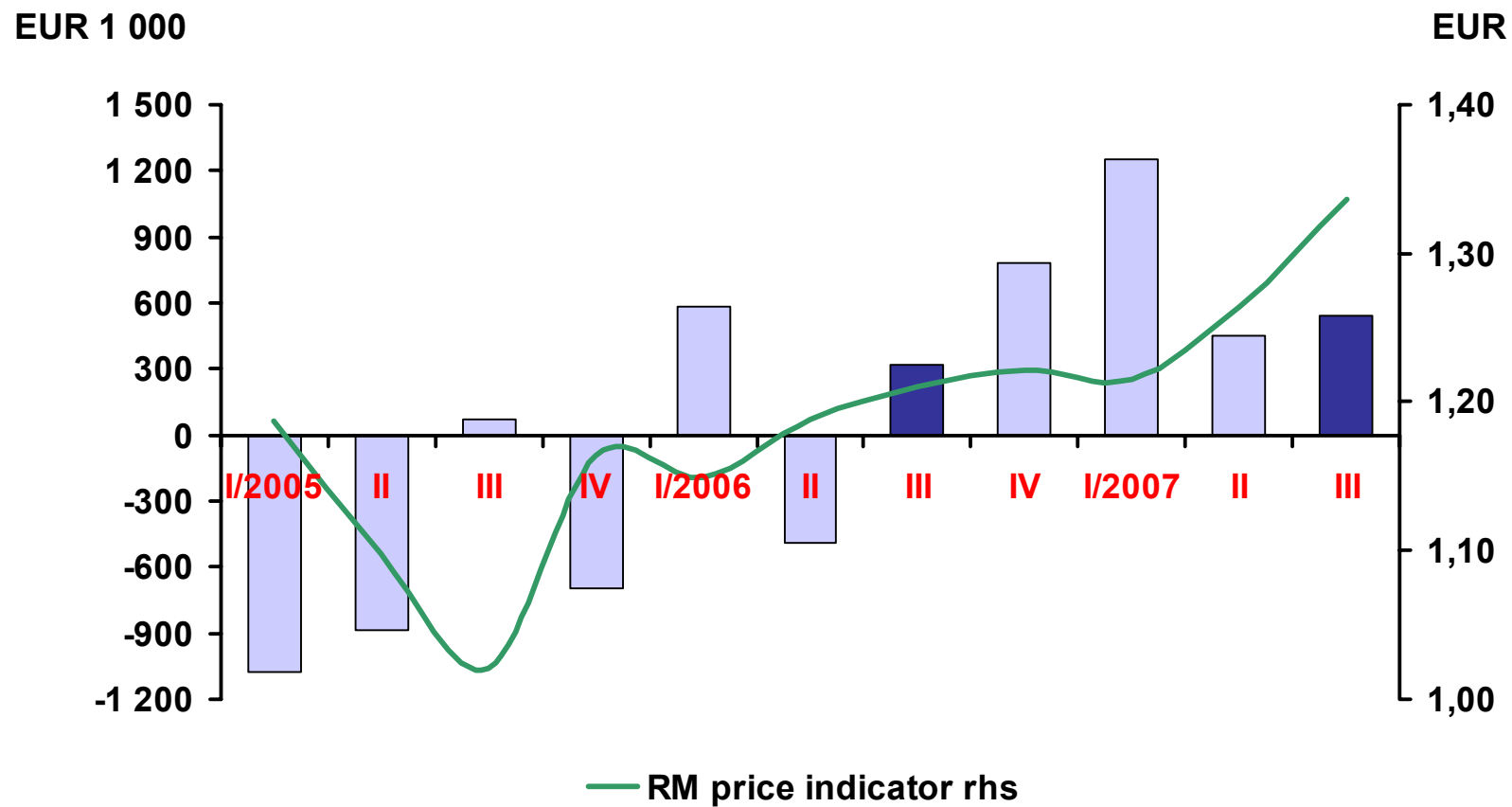


## Improved result

- Operating profit up from Q3/2006.
- Operating profit for the 9-month period EUR 2.2 million (0.4).
- Profit before taxes EUR -0.6 million (-2.5).
- Performance improved thanks to higher sales volumes. Stairs to Top efficiency-enhancement program contributed EUR 3.0 million.
- Raw material prices continued to rise and were higher than in 2006.
- Production efficiency in Wipes and Nonwovens was below expectations.

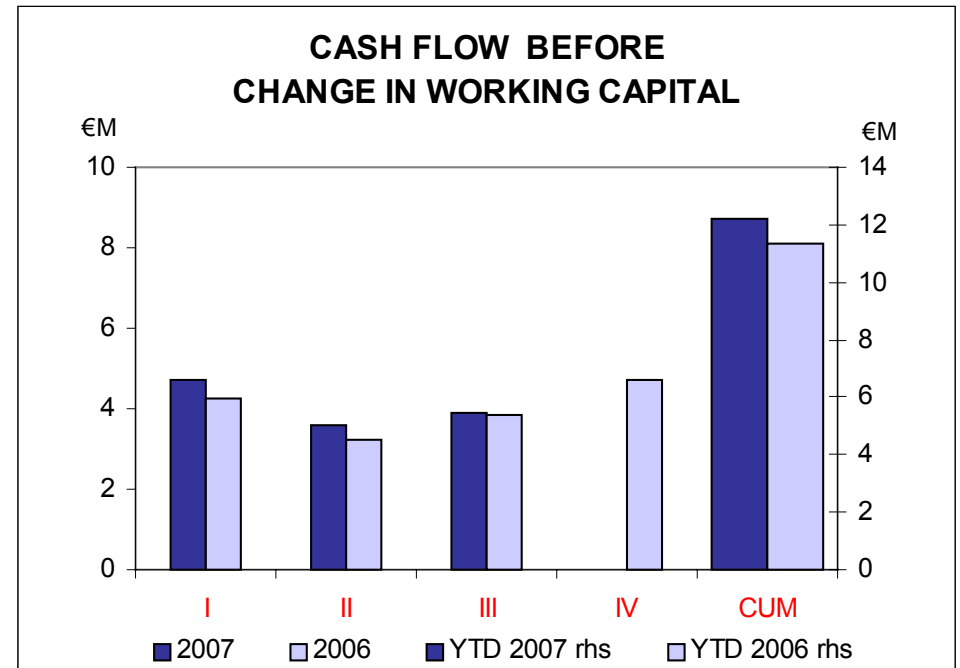


## Operating profit vs. raw material prices



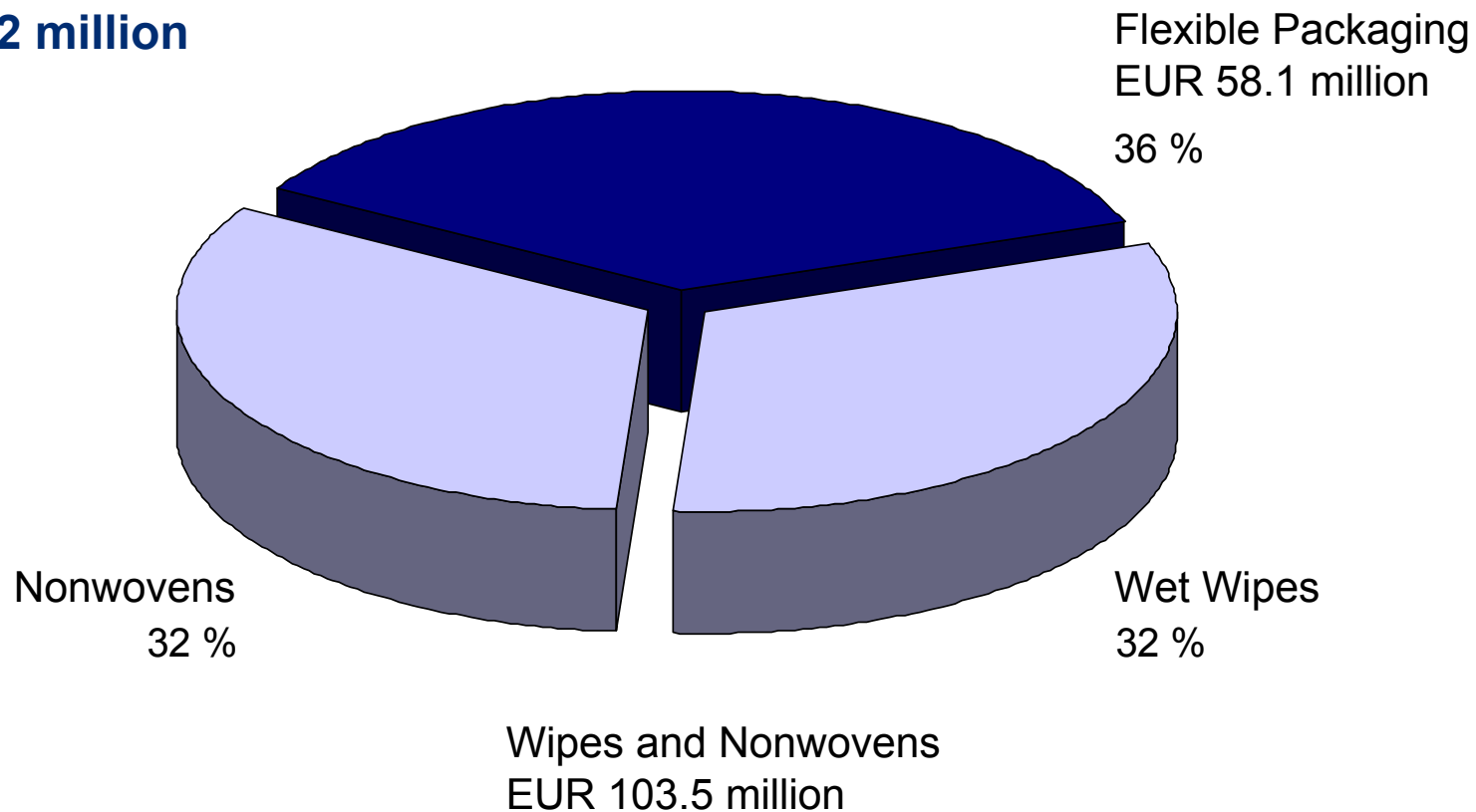
## Operating cash flow

- Cash flow before change in working capital was EUR 12.2 million (11.3).
- Cash flow from operations was EUR 3.6 million (7.6). Cash was tied up in working capital.
- Gross investment payments were EUR 11.0 million, sale of assets EUR 1.4 million.



## Break down of net sales 1 - 9/2007

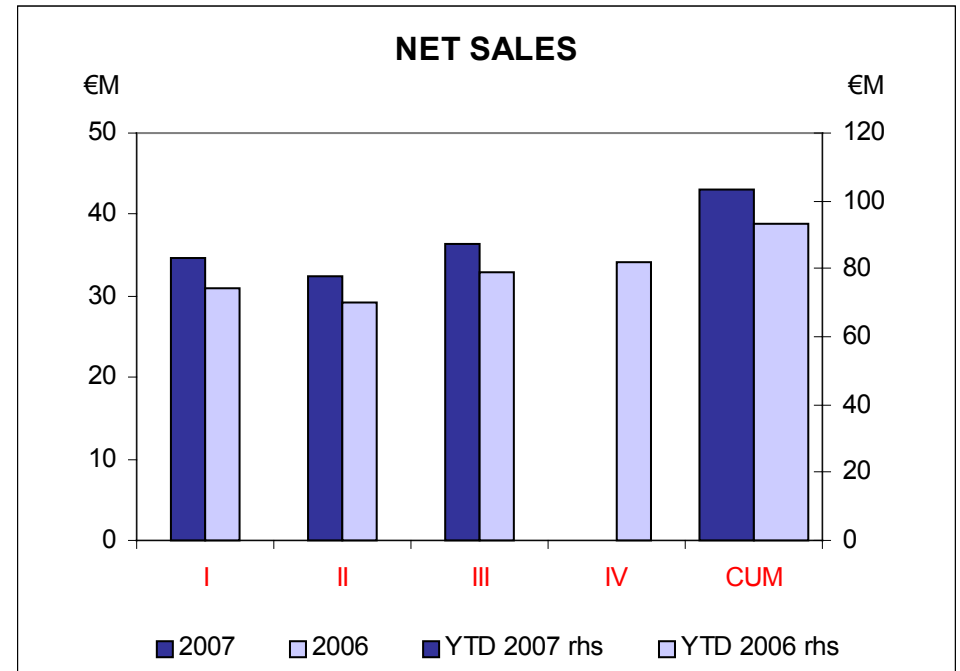
**EUR 161.2 million**





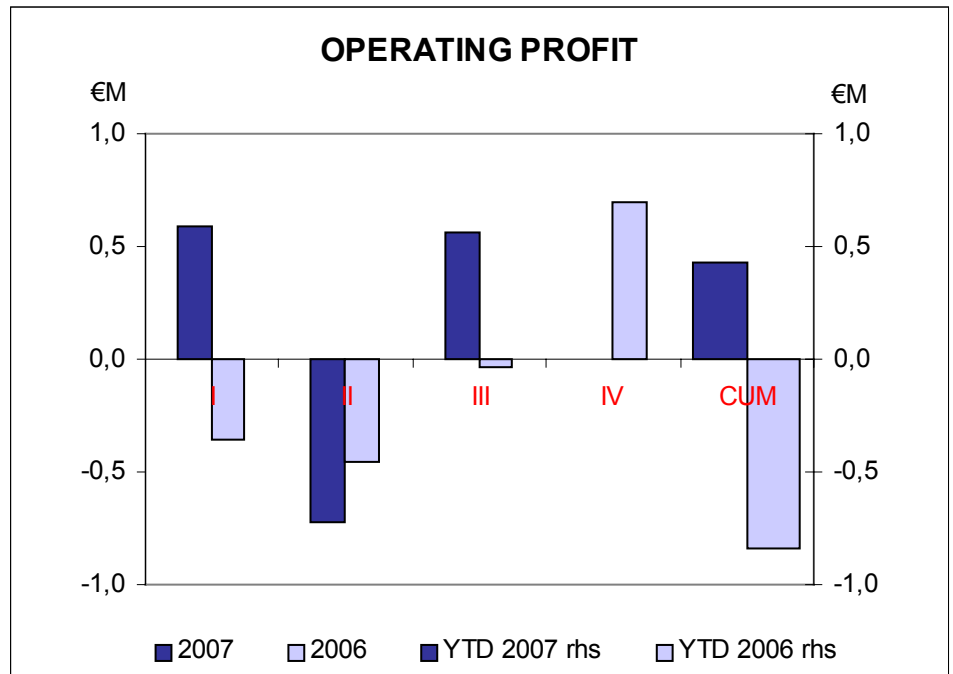
## Wipes and Nonwovens - strong growth continued

- Net sales up by 11% in Q3.
- Net sales grew by 12% for the 9-month period.
- Net sales of Wet Wipes were on the level of the previous year, volumes grew somewhat.
- Sales to brand customers were up, deliveries to retailers declined.
- Net sales of Nonwovens improved by 19%. Sales to the US market were especially strong.



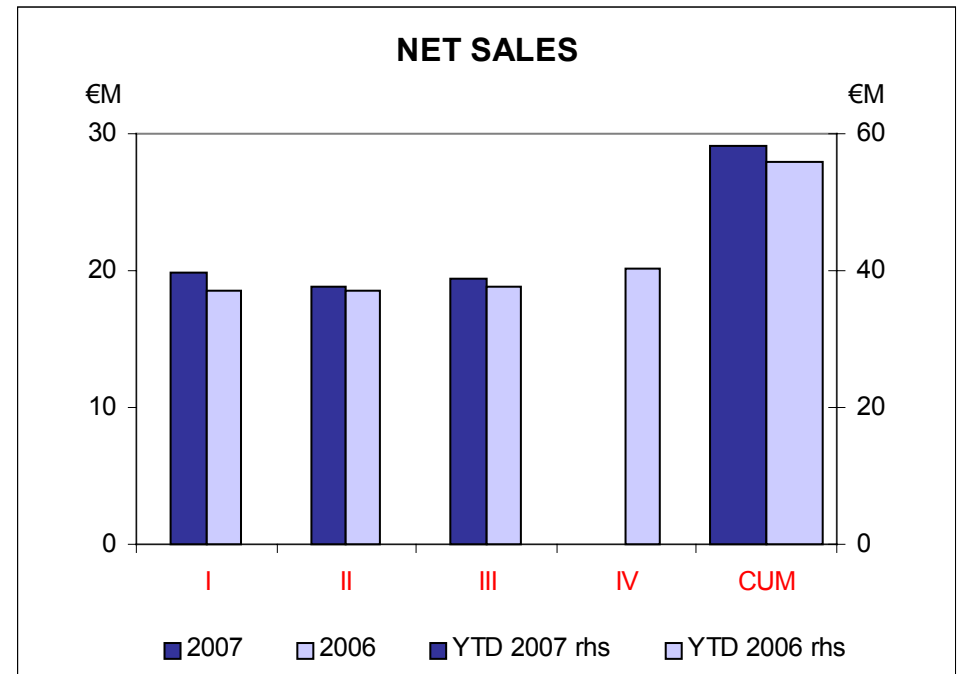
## Wipes and Nonwovens - production coughed

- Assortment re-launches started to improve order book in Wet Wipes but production line manning was geared for higher volumes.
- Operational efficiency in Wet Wipes started to turn to better. Warehouse automation was ramped up.
- Continued increases in raw material prices affected Nonwovens' result. Escalators work with delay.
- Nonwovens' production failed to reach targeted efficiency.
- The new water treatment system will start by the end of the year.



## Flexible Packaging - solid sales development

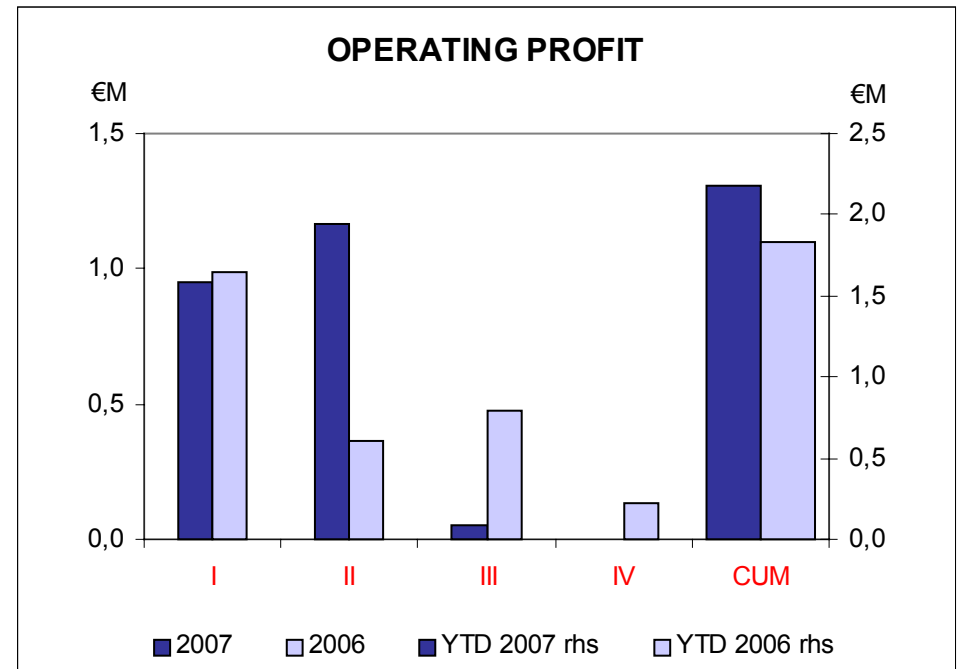
- Net sales up by 3% in Q3.
- Net sales grew by 4% for the 9-month period.
- Growth most visible in retail packaging and special products, but demand was steady for hygiene and food sectors.
- Sales of PET bottle labels progressed well.
- Sales in eastern Europe continued to increase.



# Flexible Packaging

## - Q3 suffered from high raw-material prices

- Raw material prices increased costs.
- Printing press in Poland started, but caused some start-up costs.
- Efficiency-enhancement program improved printing and converting.
- Structural changes also contributed to the result. Reductions in personnel in Sweden will be completed by the end of the year.



## Outlook

- Net sales for 2007 are expected to improve from last year.
- Suominen's and particularly Wet Wipes' net sales in Q4 are expected to be higher than those of the previous quarters.
- The recent sharp rise in raw material prices is expected to have peaked for the time being.
- Suominen's operating profit is expected to increase on the previous year and result for the financial year is expected to be positive.
- Sales growth is based on the forecasts provided by customers and on our own estimates.
- Profitability is expected to improve thanks 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.



# Financials

Arto Kiiskinen

CFO

## P&L in brief

EUR million	Q3/2007	Q3/2006	1-9/2007	1-9/2006	2006
Net sales	55.7	51.4	<b>161.2</b>	148.4	202.6
Operating profit	0.5	0.3	<b>2.2</b>	0.4	1.2
Profit before taxes	-0.5	-0.7	<b>-0.6</b>	-2.5	-2.7
Profit/loss for the period	-0.3	-0.4	<b>-0.4</b>	-1.7	-1.8

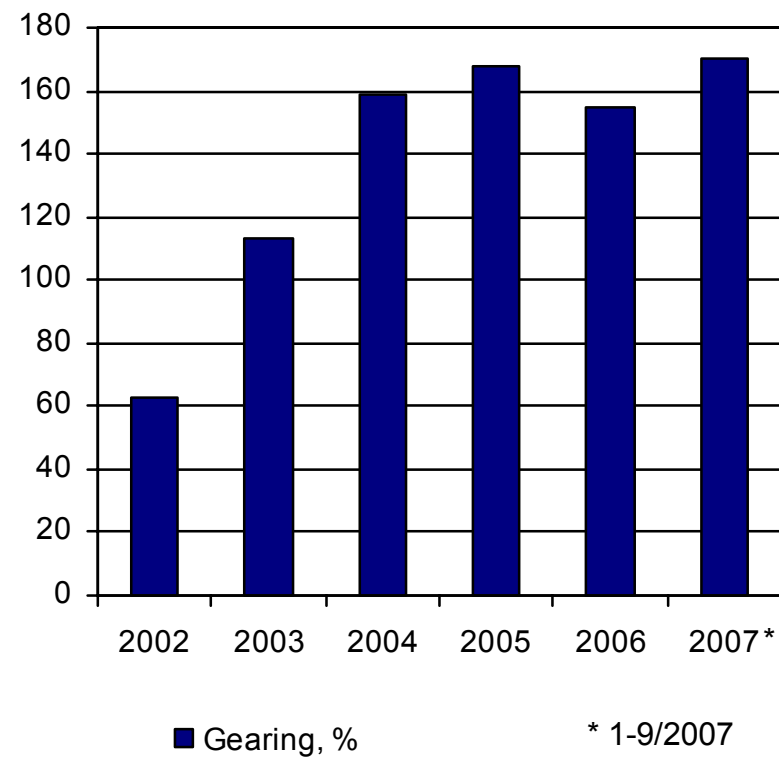
## Cash flow

EUR million	1-9/2007	1-9/2006	2006
Cash flow before change in working capital	<b>12.2</b>	11.3	16.0
Cash flow from operations	<b>3.6</b>	7.6	12.5
Cash flow from investing activities	<b>-9.6</b>	-1.7	-2.5
Cash flow from financing	<b>6.5</b>	-6.2	-10.0
Change in cash and cash equivalents	<b>0.5</b>	-0.3	0.1



## Gearing

	1-9/2007	1-9/2006	2006
Equity ratio, %	<b>30.4</b>	32.5	32.3
Gearing, %	<b>170.6</b>	158.2	154.4
Net debt to adjusted capital ratio, %	<b>63.4</b>	61.3	60.7



## Net sales by business area

EUR million	Q3/2007	Q3/2006	1-9/2007	1-9/2006	2006
Wipes and Nonwovens					
- Wet Wipes	17.8	17.8	<b>51.3</b>	51.4	69.3
- Nonwovens	21.4	17.0	<b>58.4</b>	49.2	67.3
- eliminations	-2.6	-2.0	<b>-6.1</b>	-7.8	-9.7
Total	36.5	32.8	<b>103.5</b>	92.8	126.9
Flexible Packaging	19.4	18.8	<b>58.1</b>	55.9	76.0
Consolidation items and eliminations	-0.2	-0.2	<b>-0.4</b>	-0.3	-0.3
Net sales, total	55.7	51.4	<b>161.2</b>	148.4	202.6

## Operating profit by business area

EUR million	Q3/2007	Q3/2006	1-9/2007	1-9/2006	2006
Wipes and Nonwovens	0.6	0.0	<b>0.4</b>	-0.8	-0.1
Flexible Packaging	0.1	0.5	<b>2.2</b>	1.8	2.0
Consolidation items and eliminations	-0.1	-0.1	<b>-0.3</b>	-0.6	-0.6
Operating profit, total	0.5	0.3	<b>2.2</b>	0.4	1.2

## Wipes and Nonwovens - segment information

EUR million	1-9/2007	1-9/2006	2006
Net sales	<b>103.5</b>	92.8	126.9
Operating profit	<b>0.4</b>	-0.8	-0.1
Personnel, average	<b>470</b>	453	455
Net assets	<b>103.0</b>	105.2	102.5
Investments	<b>3.8</b>	1.1	2.2

## Flexible Packaging - segment information

EUR million	1-9/2007	1-9/2006	2006
Net sales	<b>58.1</b>	55.9	76.0
Operating profit	<b>2.2</b>	1.8	2.0
Personnel, average	<b>597</b>	599	593
Net assets	<b>50.4</b>	47.7	46.8
Investments	<b>5.8</b>	1.0	2.1

## Key figures

	1-9/2007	1-9/2006	2006
Earnings/share, EUR	<b>-0.02</b>	-0.07	-0.08
Equity/share, EUR	<b>2.33</b>	2.44	2.40
Cash flow from operations/share, EUR	<b>0.15</b>	0.32	0.53
Return on equity (ROE), %	<b>-1.1</b>	-4.0	-3.1
Return on invested capital (ROI), %	<b>2.1</b>	0.5	0.9
Equity ratio, %	<b>30.4</b>	32.5	32.3
Gearing, %	<b>170.6</b>	158.2	154.4
Gross investments, EUR million	<b>9.6</b>	2.2	4.3
Depreciation and impairment losses, EUR million	<b>10.4</b>	11.0	14.7

# Creating Convenience

