



## Suominen Corporation

**Interim Report**  
**1 January – 30 September 2008**

**Presentation 22 October 2008**

### Suominen highlights

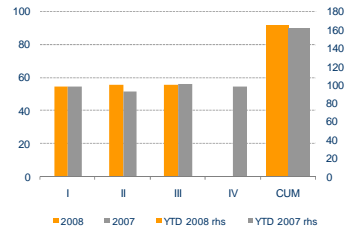
EUR million	Q3/2008	Q3/2007	Q1-Q3/2008	Q1-Q3/2007	2007
Net sales	55.2	55.7	<b>164.8</b>	161.2	215.2
Operating profit before goodwill amortisation	-0.8	0.5	<b>-0.3</b>	2.2	1.7
Operating profit	-0.8	0.5	<b>-0.3</b>	2.2	-6.8
Net result	-1.5	-0.3	<b>-2.9</b>	-0.4	-10.1
EPS, EUR	-0.06	-0.01	<b>-0.12</b>	-0.02	-0.43
Cash flow from operations/share, EUR	0.38	0.05	<b>0.51</b>	0.15	0.12

- Sales up from the previous year.
- Strong cash flow from operations.
- Further cost savings and improvements in efficiency recorded.
- Sales in some areas of Nonwovens and Flexibles disappointment.
- Q3 raw material prices on record high level.

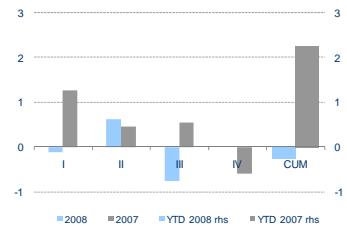
## Suominen performance

- Net sales EUR 164.8 million (161.2).
- Q3 operating profit EUR -0.8 million (0.5), cumulative operating profit EUR -0.3 million (2.2).
- Prices of raw materials in Flexibles peaked in the summer, but have softened towards the autumn.
- Sales volume decreases were offset partly by new sales.
- Stock levels were brought down, which meant relatively higher cost burden.
- Energy and personnel costs have increased.
- Stairs to Top programmes progressed in cost savings and efficiency enhancement.

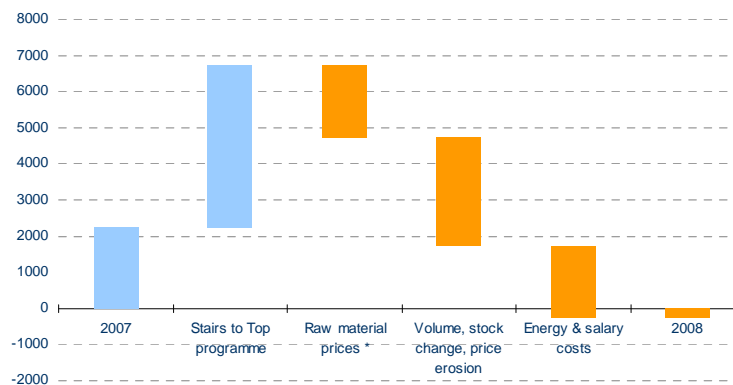
Net sales, €M



Operating profit before goodwill amortisation, €M



## Factors affecting the change in EBIT for Q1-Q3, 1000 €

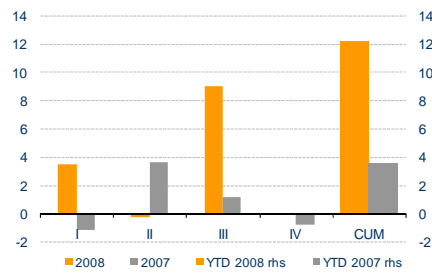


\* Incl. delay in escalators.

## Operating cash flow

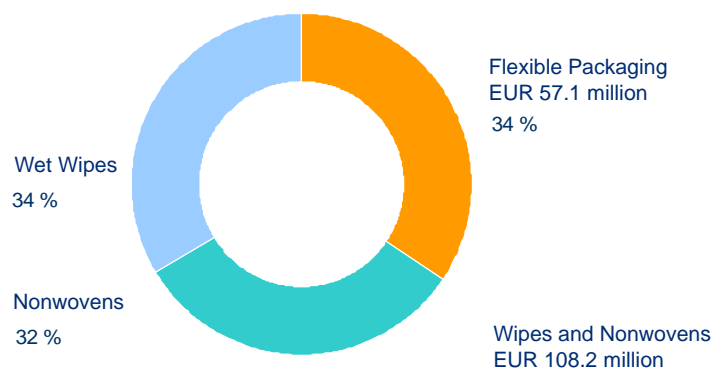
- Strong cash flow from operations: EUR 12.1 million (3.6).
- Working capital down by EUR 6.0 million (up by 6.4) thanks to decline in stock.
- Gross investments were EUR 3.5 million (9.6), only 1/3rd of depreciation.
- Equity ratio at 27.2 per cent, capital loans included in equity 33.4 per cent.
- Net reduction of debt by EUR 8.0 million.

Cash flow from operations, €M



## Break down of net sales 1 - 9/2008

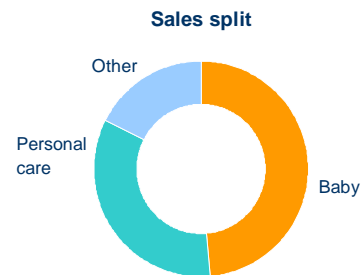
EUR 164.8 million



### Business area: Wiping - Codi Wipes

- Net sales up by 8% thanks to volume.
- Sales of personal care and moist toilet wipes up from 2007. Baby wipes stable.
- Sales prices declined on average, partly also due to changes in sales mix.
- Inventory levels down as planned. Positive development in operational efficiency.
- Revision of product portfolio under way.
- Local employee negotiations were started.

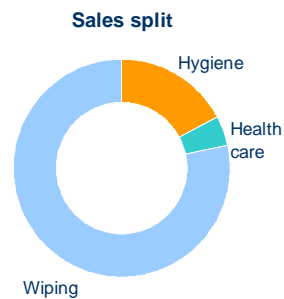
	Q3	LY	Q1-Q3	LY
Net sales, €M	19.5	10 %	55.4	8 %



### Business area: Wiping - Nonwovens

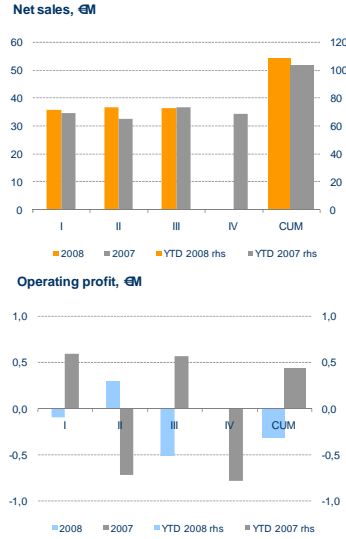
- Net sales up by 4%.
- Volumes in hygiene sector up from previous year. In wiping materials, sales shifted to Europe.
- Internal deliveries progressed.
- Average sales prices were higher, but did not fully compensate higher raw-material costs.
- Line modification carried out in summer increased temporarily wastage. Production in unprofitable product line was discontinued.
- Temporary layoffs planned because of softer demand in the autumn.

	Q3	LY	Q1-Q3	LY
Net sales, €M	19.2	-10 %	60.8	4 %



### Business area: Wiping

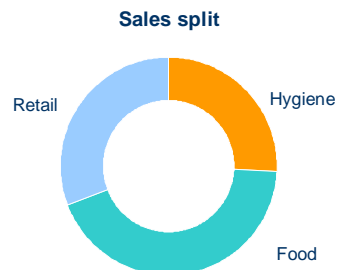
- Net sales EUR 108.2 million, up by 5% from the previous year.
- Operating profit EUR -0.3 million (0.4).
- Result on red because of high raw material costs, high wastage, and operational costs.



### Business area: Flexibles

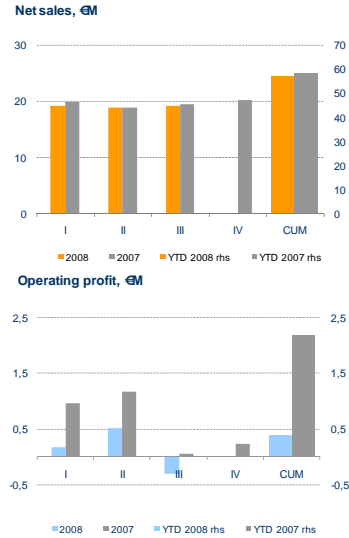
- Net sales, EUR 57.1 million, were slightly down on the previous year.
- Deliveries of hygiene packaging down on 2007.
- Sales of food packaging on the level of the previous year. Sales of printed films and laminates progressed.
- Demand for carrier bags continued on anticipated level. Order inflow in security and system packaging recovered in the end of the period.

	Q3	LY	Q1-Q3	LY
Net sales, €M	19.2	-1 %	57.1	-2 %



## Business area: Flexibles

- Operating profit, EUR 0.4 million, down from EUR 2.2 million in 2007.
- Raw material prices in Q3 were sky-high since the input prices for crackers were fixed at a high level in July.
- Sales price increases agreed with customers in summer are effective from early fall.
- Inventory level down also in Flexibles.
- Production volumes in Poland up by 15% thanks to the increased printing capacity.
- Reduction in personnel 35 persons since the beginning of 2008.



## Outlook

- Turmoil in the financial markets and the anticipated slowing down of economic growth will probably affect consumer demand in Europe. However, consumption in Suominen's main product groups is expected to remain more stable than the general consumer demand.
- The focus of Suominen's operations is on securing improvement in profitability, cash flow and capital structure. The ongoing cost-saving and efficiency-enhancement programme is expected to improve Suominen's competitiveness.
- The prices of the main raw materials used by Suominen have been very volatile. Plastic resin prices have decreased during the autumn. Energy prices have remained high and personnel costs have increased.
- Suominen's net sales are expected to be on the level of the previous year. Underlying operating profit is expected to be on the level of 2007 at best. Whole year result is expected to be on loss.

## Near-term uncertainties

- Due to the uncertain global economic situation, the forecasts are more vulnerable to risks than before.
- Fundamentals, like lower oil prices, increased production capacity and softer overall demand, indicate that raw material prices could come down, but future market prices are still impossible to predict.
- Stairs to Top programmes are progressing but in case of volumes drop the efficiency enhancement programmes may suffer.
- Potential major restructuring measures would involve booking of non-recurring costs upfront.
- Changes in general economic situation or business environment may have an effect on the value of group goodwill.
- Suominen intends to extend the loan maturity of the Group by refinancing most of its debt. Banks that Suominen has relied on traditionally seem to be less affected by the financial crisis but still the environment may be challenging.

## Work plan

### • Instant focus

- Cost savings & efficiency programmes boost
  - Labour reductions
  - Discontinue unprofitable product areas
  - Yield improvement
- Sales volume hunting with correct prices
- Raw material cost reduction



### • Mid term priorities

- Continuation of Stairs to Top improvement programmes
- More focus on innovation and commercialisation of new products/solutions
- Sustainability will be more visible on the agenda
- Wiping and selected business segments in Flexibles drive growth