

## SUOMINEN CORPORATION INTERIM REPORT 1 JANUARY - 30 JUNE 2006 (IFRS)

### PROFIT OF SUOMINEN IMPROVED BUT A LOSS WAS SHOWN

- Net sales: EUR 97.0 million (EUR 99.7 million 1 Jan. - 30 June 2005)
- Operating profit: EUR 0.1 million (-2.0)
- Earnings/share: EUR -0.05 (-0.11)
- Cash flow from operations/share: EUR 0.12 (-0.17)
- Return on invested capital (ROI): 0.3 % (-1.9 %)
- Prospects for the rest of the year: Net sales are expected to be on the level of 2005. Operating profit and profit for the financial year are expected to improve over 2005. However, loss after taxes is still expected.

#### Financial results

Net sales of Suominen Corporation's continuing operations for the second quarter were EUR 47.7 million (51.0) and operating profit EUR -0.5 million (-0.9). Loss before taxes was EUR 1.4 million (-1.7).

Net sales of the continuing operations for the first two quarters totalled EUR 97.0 million (99.7). The volume of sales declined by 3 per cent on the same period of the previous year due to falling sales of Nonwovens. Operating profit was EUR 0.1 million (-2.0), loss before taxes EUR 1.8 million (-3.9) and loss after taxes EUR 1.2 million (-2.6). Prices for oil-based raw materials were on a higher level than those of the same period in 2005. The cost reduction programme decided in the autumn has proceeded as planned, and savings during the first half of the year amounted to a good EUR 3 million.

During the period under review, the Wipes and Nonwovens business area recorded net sales of EUR 60.0 million or 8 per cent less than for the same period in 2005. The Wipes and Nonwovens business area recorded an operating loss of EUR 0.8 million (-1.3).

Net sales of Wet Wipes totalled EUR 33.6 million and rose 1 per cent on the previous year. The market for wet wipes in Europe continues to grow slowly; competition, however, has remained intense. Growth was below anticipated as start-up of some new customer development projects was delayed. New sales to retail chains proved to be more difficult than expected. Measures to improve production efficiency have proceeded according to plan, customer service was restored to normal level and operating costs were down from last year. There were 77 fewer employees than during the previous year. At the beginning of the year, the unit's sales were reorganised to reflect the division of customers between brand goods companies and retail chains.

Net sales of Nonwovens decreased by 11 per cent and were EUR 32.2 million. Decline in the volume of sales was due to smaller sales of thermally bonded hygiene product material than that of the previous year. Deliveries of the nonwovens used in wipes to the Wet Wipes unit continued to grow while external sales declined due to sluggish demand for nonwovens during the second

quarter. Sales prices were on the level of the previous year. Alignment of the unit's costs to reflect reduced sales continued. Higher energy prices raised the costs of heating, electricity, and freight. The now operational heating plant will curb the rise in costs of process heat in the future.

Net sales of Flexible Packaging, which amounted to EUR 37.1 million, were up 6 per cent on the previous year. Flexible Packaging showed an operating profit of EUR 1.4 million (-0.4). The increase in net sales was due to higher sales prices and changes in the sales mix. In terms of quantity, deliveries fell by 4 per cent. Sales of hygiene product packaging rose on the previous year and sales of food packaging were on the level of the previous year. Deliveries of retail packaging declined clearly. Growth in the production volume of the Polish plant continued. Measures to adjust the production in line with the demand were taken in the retail sector. Negotiations between labour and management regarding closure of the Kauhava plant were brought to a conclusion on 17 July 2006; the plant concentrates on the manufacture of bread packaging. Closure of the plant will result in nonrecurring costs of about half million euros for the second half of this year. The annual savings beginning in 2007 will represent similar figure.

#### Financing

Interest-bearing liabilities totalled EUR 96.2 million or EUR 2.9 million less than at the beginning of the year. Liabilities include a capital loan of EUR 4 million. Net financial costs were EUR 1.9 million (EUR 2.0 million). They were 2.0 per cent (2.0 %) of net sales. EUR 1.4 million in working capital was tied up in the cash flow statement. The equity ratio was 31.2 per cent (28.2 %) and the ratio of interest-bearing net liabilities to shareholders' equity (gearing ratio) was 169.3 per cent (189.3 %). Cash flow per share from operations was EUR 0.12 (-0.17).

#### Investments

The Company's gross investments in production totalled EUR 1.4 million (4.3). Planned depreciation was EUR 7.4 million (7.7). Of total investments Wet Wipes accounted for EUR 0.3 million, Nonwovens EUR 0.4 million and Flexible Packaging EUR 0.6 million. Investments were replacements and in maintenance of machinery.

#### Company shares

The volume of Suominen Corporation's shares traded on Helsinki Exchanges from 1 January through 30 June was 4 045 493 shares or 17.1 per cent of the total. The trading price of the shares varied between EUR 2.98 and 3.85. The final trading price was EUR 3.18. Market capitalisation was EUR 75.4 million on 30 June 2006.

#### Own shares of the company

On 1 January 2006, the Company held 15 129 of its own shares, with an acquisition value of EUR 5.22 per share. The Annual General Meeting held on 20 March 2006 authorised the Board of Directors to decide on the acquisition of the Company's own shares within one year

from the Annual General Meeting of Shareholders using assets available for distribution of profits, provided that the par value of the shares of the Company and its subsidiaries thus acquired, combined with the par value of own shares acquired previously by the Company and its subsidiaries, does not exceed 5 per cent of the Company's total share capital at the moment of acquisition. The authorisation can be used in possible business acquisitions, to finance investments, to carry out incentive programmes and for other purposes.

The Annual General Meeting also authorised the Board of Directors to decide on the conveyance of the Company's own shares. Within the authorisation the Company has conveyed 14 008 of its own shares as emoluments to the Board of Directors in the period under review. The price of the conveyed shares was EUR 3.64 per share. On 30 June 2006 Suominen Corporation held a total of 1 121 of its own shares, accounting for 0.0 per cent of the share capital and votes.

In the period under review the Board of Directors did not exercise its authority to buy the Company's own shares.

#### **Stock options 2006**

The Annual General Meeting held on 20 March 2006 decided to issue stock options to the recruited President and CEO of Suominen Corporation. A maximum of 300 000 stock options shall be issued in the manners specified by the Board of Directors, which stock options entitle their holders to subscribe for a maximum of 300 000 Suominen Corporation's shares with an accounting equivalent value of EUR 0.50 each.

The Board of Directors decided to issue 100 000 stock options according to the 2006A stock option plan. The share subscription price for the 2006A stock options is the trade volume weighted average price of the Company share on the Helsinki Exchanges in May 2006 or EUR 3.40. The subscription period for the 2006A stock options is from 2 May 2008 until 30 October 2009.

#### **Other authorisation for the board of directors**

The Board of Directors is not currently authorised to issue shares or to launch a convertible bond or a bond with warrants.

#### **Changes in group organisation and management**

Heikki Bergholm was President and CEO of the Company until 4 May 2006, when he was succeeded by Kalle Tanhuanpää.

Petri Rolig has been appointed Vice President and General Manager of Flexible Packaging as of 1 October 2006. Juha Henttonen, currently holding the position, will then move to work on projects within the Group. Petri Rolig will start at Flexible Packaging on 1 August 2006.

Esa Palttala, Executive Vice President of the Wipes and Nonwovens business area, is going to retire at the end of July 2006. Vice President Pekka Rautala, General Manager of the Wet Wipes business unit and Vice President Sakari Santa-Paavola, General Manager of the Nonwovens business unit will report to Kalle Tanhuanpää, the President and CEO of Suominen Corporation, as of 1 August 2006.

#### **Prospects for the rest of the year**

On the basis of market forecast and use forecasts provided by customers, net sales for 2006 are expected to be on the level of 2005. Use of our own nonwovens in the manufacture of wet wipes will continue to grow as planned.

The cost cutting program, decided in autumn 2005, will realise as planned. Possible changes in prices for oil-based raw materials and energy will affect the anticipated financial performance. The Company's operating profit and profit for the financial year are expected to improve over 2005. However, loss after taxes is still expected.

**SUOMINEN CORPORATION CONSOLIDATED 1 JANUARY - 30 JUNE 2006 (IFRS)**

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. Suominen has adopted IFRS 2 standard, Share-based payment. Otherwise the principles for preparing the interim report are the same as used for preparing the financial statements for 2005. Changes to published accounting standards and interpretations as well as new accounting standards, which came into force on 1 January 2006, are presented in the financial statements for 2005. Suominen has not adopted the new options and changes in its accounting principles allowed by the new standards and interpretations. Adjustments were made to the principles of revenue recognition and presentation of exchange rate differences in the statement of income. They have also changed the comparative information but the effect on financial results and shareholders' equity is minor. The figures in this interim report have not been audited.

**STATEMENT OF INCOME**

EUR 1 000	4 - 6/2006	4 - 6/2005	1 - 6/2006	1 - 6/2005	1 - 12/2005
<b>Net sales</b>	47 656	51 040	<b>96 958</b>	99 698	195 161
Cost of goods sold	-45 050	-48 826	<b>-90 919</b>	-95 202	-185 077
<b>Gross profit</b>	2 606	2 214	<b>6 039</b>	4 496	10 084
Other operating income	185	451	<b>357</b>	609	1 754
Sales and marketing expenses	-942	-1 115	<b>-1 827</b>	-2 267	-4 419
Research and development	-506	-575	<b>-1 026</b>	-1 168	-2 468
Administration expenses	-1 709	-1 683	<b>-3 182</b>	-3 310	-6 595
Other operating expenses	-107	-176	<b>-233</b>	-319	-936
<b>Operating profit</b>	-473	-884	<b>128</b>	-1 959	-2 580
Interest and other financial income and expenses	-993	-971	<b>-1 964</b>	-2 054	-3 864
Fair value gains and losses	27	110	<b>71</b>	92	199
<b>Profit before income taxes</b>	-1 439	-1 745	<b>-1 765</b>	-3 921	-6 245
Income taxes	482	462	<b>561</b>	1 274	2 065
<b>Profit/loss for the period, continuing operations</b>	-957	-1 283	<b>-1 204</b>	-2 647	-4 180
Profit/loss from discontinued operations		93		135	1 075
<b>Profit/loss for the period</b>	-957	-1 190	<b>-1 204</b>	-2 512	-3 105
Earnings/share from continuing operations, EUR	-0.04	-0.05	<b>-0.05</b>	-0.11	-0.18
Earnings/share from discontinued operations, EUR				0.01	0.05
Earnings/share from continuing and discontinued operations, EUR	-0.04	-0.05	<b>-0.05</b>	-0.11	-0.13

Tax on the profit for the period under review is calculated according to Group's estimated average tax rate for 2006.

**KEY FIGURES ON STATEMENT OF INCOME**

	4 - 6/2006	4 - 6/2005	1 - 6/2006	1 - 6/2005	1 - 12/2005
Net sales, change, % *	-6.6		<b>-2.7</b>		
Gross profit, % **	5.5	4.3	<b>6.2</b>	4.5	5.2
Operating profit, % **	-1.0	-1.7	<b>0.1</b>	-2.0	-1.3
Financial income and expenses, % **	-2.0	-1.7	<b>-2.0</b>	-2.0	-1.9
Profit before income taxes, % **	-3.0	-3.4	<b>-1.8</b>	-3.9	-3.2
Profit from continuing operations, % **	-2.0	-2.5	<b>-1.2</b>	-2.7	-2.1
Profit from discontinued operations, % **		0.2		0.1	0.6
Profit for the period year, % **	-2.0	-2.3	<b>-1.2</b>	-2.5	-1.6

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

\*\* As of net sales.

**BALANCE SHEET**

EUR 1 000	6/2006	6/2005	12/2005
<b>Assets</b>			
Non-current assets			
Goodwill	34 195	34 195	34 195
Intangible assets	987	1 024	1 022
Tangible non-current assets	80 899	95 248	88 129
Available-for-sale investments	978	347	878
Deferred tax assets	1 577	2 727	1 788
Non-current assets, total	118 636	133 541	126 012
Current assets			
Inventories	32 510	32 397	30 214
Trade receivables and other receivables	21 922	24 471	21 765
Interest-bearing receivables		270	270
Other current receivables	8 216	6 689	6 822
Cash at bank and in hand	277	1 320	1 166
Current assets, total	62 925	65 147	60 237
<b>Assets, total</b>	<b>181 561</b>	<b>198 688</b>	<b>186 249</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	2 136	-179	368
Translation differences	484	325	760
Other shareholders' equity	17 512	19 328	18 735
Shareholders' equity, total	56 673	56 015	56 404
Liabilities			
Non-current liabilities			
Deferred tax liabilities	7 682	9 439	7 639
Pension liabilities	2 085	4 355	2 283
Provisions	200	460	200
Capital loans	2 000	4 000	4 000
Interest-bearing liabilities	70 338	71 254	68 864
Other non-current liabilities	31	50	30
Non-current liabilities, total	82 336	89 558	83 016
Current liabilities			
Interest-bearing liabilities	21 887	30 087	24 277
Provisions	200	140	200
Capital loans	2 000	2 000	2 000
Income tax liabilities	251	1 012	472
Trade payables and other current liabilities	18 214	19 876	19 880
Current liabilities, total	42 552	53 115	46 829
Liabilities, total	124 888	142 673	129 845
<b>Shareholders' equity and liabilities, total</b>	<b>181 561</b>	<b>198 688</b>	<b>186 249</b>

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

EUR 1 000	Share capital	Share premium account	Own shares	Translation differences	Fair value reserves	Retained earnings	Total
<b>Total equity at 1 January 2006 (restated)</b>	<b>11 860</b>	<b>24 681</b>	<b>-79</b>	<b>760</b>	<b>447</b>	<b>18 735</b>	<b>56 404</b>
Cash flow hedges							
Hedge result deferred in equity					2 290		2 290
Translation differences				-276			-276
Deferred tax in equity					-595		-595
Share-based payment						3	3
<b>Net income recognised directly in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-276</b>	<b>1 695</b>	<b>3</b>	<b>1 422</b>
Net income for the period						-1 204	-1 204
<b>Total recognised income and expense for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-276</b>	<b>1 695</b>	<b>-1 201</b>	<b>218</b>
Conveyance of own shares			73			-22	51
<b>Balance at 30 June 2006</b>	<b>11 860</b>	<b>24 681</b>	<b>-6</b>	<b>484</b>	<b>2 142</b>	<b>17 512</b>	<b>56 673</b>

EUR 1 000	Share capital	Share premium account	Own shares	Translation differences	Fair value reserves	Retained earnings	Total
<b>Total equity at 1 January 2005 (restated)</b>	<b>11 860</b>	<b>24 681</b>	<b>-154</b>	<b>485</b>	<b>-442</b>	<b>21 840</b>	<b>58 270</b>
Cash flow hedges							
Hedge result deferred in equity					463		463
Translation differences				-160			-160
Deferred tax in equity					-120		-120
<b>Net income recognised directly in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-160</b>	<b>343</b>	<b>0</b>	<b>183</b>
Net income for the period						-2 512	-2 512
<b>Total recognised income and expense for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-160</b>	<b>343</b>	<b>-2 512</b>	<b>-2 329</b>
Conveyance of own shares			74				74
<b>Balance at 30 June 2005 (restated)</b>	<b>11 860</b>	<b>4 681</b>	<b>-80</b>	<b>325</b>	<b>-99</b>	<b>19 328</b>	<b>56 015</b>

<b>KEY FIGURES</b>	<b>6/2006</b>	<b>6/2005</b>	<b>12/2005</b>
Earnings/share, EUR, continuing operations	<b>-0.05</b>	-0.11	-0.18
Earnings/share, EUR, discontinued operations		0.01	0.05
Earnings/share, EUR, continuing and discontinued operations	<b>-0.05</b>	-0.11	-0.13
Equity/share, EUR	<b>2.39</b>	2.36	2.38
Cash flow from operations/share, EUR	<b>0.12</b>	-0.17	0.01
Return on equity, % (ROE)	<b>-4.2</b>	-9.3	-5.4
Return on invested capital, % (ROI)	<b>0.3</b>	-1.9	-0.5
Equity ratio, %	<b>31.2</b>	28.2	30.3
Gearing, %	<b>169.3</b>	189.3	172.2
Gross investments, EUR 1 000	<b>1 429</b>	4 257	7 714
Depreciation, EUR 1 000	<b>7 373</b>	7 718	15 561

**CASH FLOW STATEMENT**

EUR 1 000	1 - 6/2006	1 - 6/2005	1 - 12/2005
Operations			
Operating profit	<b>128</b>	-1 959	-2 580
Total adjustments	<b>7 400</b>	7 596	13 320
Cash flow before change in working capital	<b>7 528</b>	5 637	10 739
Change in working capital	<b>-1 435</b>	-5 739	-5 446
Financial items	<b>-2 380</b>	-2 608	-4 156
Taxes paid	<b>-868</b>	-1 317	-994
Cash flow from operations	<b>2 845</b>	-4 027	144
Investments			
Investments in tangible and intangible assets	<b>-1 422</b>	-4 576	-8 087
Cash flow from investing activities of discontinued operations		292	5 748
Proceeds from sale of fixed assets and other proceeds	<b>665</b>	195	399
Cash flow from investing activities	<b>-757</b>	-4 089	-1 940
Financing			
Non-current loans drawn	<b>5 000</b>	5 000	15 000
Repayments of non-current loans	<b>-3 587</b>	-12 887	-17 368
Capital loans	<b>-2 000</b>	-2 000	-2 000
Change in current loans	<b>-2 329</b>	16 887	4 964
Cash flow from financing	<b>-2 916</b>	7 000	596
<b>Change in cash and cash equivalents</b>	<b>-828</b>	-1 116	-1 200

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

EUR 1 000	1 - 6/2006	1 - 6/2005	Change, %	1 - 12/2005
Net sales				
- Wet Wipes	<b>33 586</b>	33 155	1.3	64 911
- Nonwovens	<b>32 203</b>	36 340	-11.4	67 476
- eliminations	<b>-5 815</b>	-4 640	25.3	-8 947
Total	<b>59 974</b>	64 855	-7.5	123 440
Operating profit	<b>-771</b>	-1 317	41.4	-2 901
% of net sales	<b>-1.3</b>	-2.0		-2.3
Assets	<b>120 387</b>	127 854		123 858
Liabilities	<b>12 751</b>	17 250		14 027
Investments	<b>748</b>	2 586		4 893
Depreciation	<b>4 429</b>	4 740		9 682
Average personnel	<b>450</b>	542		532

**Flexible Packaging**

EUR 1 000	1 - 6/2006	1 - 6/2005	Change, %	1 - 12/2005
Net sales	<b>37 087</b>	34 899	6.3	71 837
Operating profit	<b>1 353</b>	-400	438.3	72
% of net sales	<b>3.6</b>	-1.1		0.1
Assets	<b>55 221</b>	59 388		59 552
Liabilities	<b>7 723</b>	7 205		7 901
Investments	<b>617</b>	1 664		2 784
Depreciation	<b>2 917</b>	2 922		5 812
Average personnel	<b>600</b>	610		607

**Consolidation Items**

EUR 1 000	1 - 6/2006	1 - 6/2005	Change, %	1 - 12/2005
Net sales	-103	-56		-116
Operating profit	-454	-242		249
Assets	5 953	11 446		2 839
Liabilities	104 414	118 218		107 917
Investments	64	7		37
Depreciation	27	56		67
Average personnel	10	11		11

**NET SALES BY MARKET AREA**

EUR 1 000	1 - 6/2006	1 - 6/2005	1 - 12/2005
Finland	16 296	17 267	34 649
Scandinavia	10 688	10 096	20 299
The Netherlands	12 032	14 142	23 302
Other Europe	47 329	49 648	98 932
Other Countries	10 613	8 545	17 979
Net sales, continuing operations, total	96 958	99 698	195 161

**INFORMATION ON RELATED PARTIES**

Members of the Board of Directors and the President and CEO of the parent company are related parties. The Company has no investments in associates.

**QUARTERLY FIGURES**

EUR 1 000	III/2005	IV/2005	I/2006	II/2006	III/2005 -II/2006
<b>Net sales</b>					
Wipes and Nonwovens					
- Wet Wipes	17 537	14 219	16 813	16 773	65 342
- Nonwovens	17 373	13 763	16 922	15 281	63 339
- eliminations	-2 217	-2 090	-2 991	-2 824	-10 122
Total	32 693	25 892	30 744	29 230	118 559
Flexible Packaging	18 288	18 650	18 596	18 491	74 025
Consolidation items and eliminations	-107	47	-38	-65	-163
Net sales, continuing operations, total	50 874	44 589	49 302	47 656	192 421
<b>Operating profit</b>					
Wipes and Nonwovens	-283	-1 301	-338	-433	-2 355
% of net sales	-0.9	-5.0	-1.1	-1.5	-2.0
Flexible Packaging	561	-89	991	362	1 825
% of net sales	3.1	-0.5	5.3	2.0	2.5
Consolidation items and eliminations	-204	695	-52	-402	37
Operating profit from continuing operations	74	-695	601	-473	-493
% of net sales	0.1	-1.6	1.2	-1.0	-0.3
Net financial expenses	-837	-866	-927	-966	-3 596
Profit before income taxes, continuing operations	-763	-1 561	-326	-1 439	-4 089

**CHANGES IN FIXED ASSETS**

EUR 1 000	1 - 6/2006		1 - 6/2005		1 - 12/2005	
	Tangible	Intangible	Tangible	Intangible	Tangible	Intangible
Book value at the beginning of the period	88 129	1 022	98 878	1 064	98 878	1 064
Investments	1 270	59	4 200	57	7 557	157
Decreases	-678		-51	-10	-3 608	
Depreciation and impairments	-7 275	-98	-7 622	-96	-15 362	-199
Translation differences and other changes	-547	4	-157	9	664	
Book value at the end of the period	80 899	987	95 248	1 024	88 129	1 022

**CONTINGENT LIABILITIES**

EUR 1 000	6/2006	6/2005	12/2005
<b>For own debt</b>			
Real estate mortgages	5 046		
Corporate mortgages	1 177	2 006	1 177
<b>Other own commitments</b>			
Leasing payments and commitments	2 172	3 942	2 268
Rent commitments	11 892	10 283	10 206
Guarantee commitment for financial lease of discontinued operations	1 682		1 721

**NOMINAL VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS**

EUR 1 000	6/2006	6/2005	12/2005
<b>Currency derivatives</b>			
Intended for trading	11 631	9 896	11 791
<b>Interest rate derivatives</b>			
Intended for hedge accounting			
Maturity under 1 year	6 967	300	6 967
Maturity 2 - 5 years	55 333	47 300	50 633
Maturity 6 - 10 years			5 000
Total	62 300	47 600	62 600
Intended for trading			
Maturity 2 - 5 years	5 000	5 000	5 000
Total	5 000	5 000	5 000
<b>Electricity derivatives</b>			
Intended for hedge accounting			
Maturity under 1 year	611	788	912
Maturity 2 - 5 years	4 506	3 703	2 529
Total	5 117	4 491	3 441
Intended for trading			
Maturity under 1 year	908	606	1 905
Maturity 2 - 5 years	69	65	69
Total	977	671	1 974



**FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS**

EUR 1 000	6/2006	6/2005	12/2005
<b>Currency derivatives</b>			
Intended for trading	-68	35	-84
<b>Interest rate derivatives</b>			
Intended for hedge accounting	971	-1 336	-304
Intended for trading	-33	-219	-104
<b>Electricity derivatives</b>			
Intended for hedge accounting	1 939	1 217	909
Intended for trading	215	86	282

Suominen uses derivatives only to hedge against operating risks. In line with IAS standards, derivatives are divided into contracts that qualify for hedge accounting and into other derivatives i.e. derivatives held for trading. The Company applies cash flow hedge accounting to interest swap contracts to fix the interest flow of floating rate loans in accordance with IAS 39. Cash flow hedge accounting is also applied to the procurement of electricity, whereby the fluctuations in the price of electricity are fixed for the desired period. Hedging must be effective in both prospective and retrospective testing. The effectiveness of the hedge is documented at the inception of the hedge transaction and tested during the hedging period. The effective portions of interest rate derivatives and electricity derivatives are recognised in fair value reserve under equity.

Suominen Corporation does not apply hedge accounting according to IAS 39 for its currency risk hedging. The outstanding currency forward deals are valued at fair value, and changes in fair value are entered in the statement of income as other operating income and expenses. Fair values of derivative contracts are recognised in balance sheet under receivables and payables.

Helsinki, 24 July 2006

SUOMINEN CORPORATION

Board of Directors

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