

## **SUOMINEN CORPORATION INTERIM REPORT JANUARY 1 – JUNE 30, 2002**

### **SUOMINEN'S FINANCIAL PERFORMANCE IMPROVES**

- Net sales: EUR 85.3 million (EUR 88.1 million January 1 - June 30, 2001)
- Operating profit: EUR 8.6 million (EUR 5.8 million)
- Earnings/share: EUR 0.32 (EUR 0.18)
- Cash flow from operations/share: EUR 0.60 (EUR 0.61)
- Return on invested capital (ROI): 15.4 per cent (9.8 per cent)
- Profit after taxes for the full year is estimated to increase on the previous year.

Suominen Corporation's figures in this Interim Report are pro forma for the period of 2001 prior to the demerger of the former Lassila & Tikanoja plc. The pro forma calculating principles are explained in Appendix No. 1.

#### **FINANCIAL RESULTS**

Suominen Corporation's profit before taxes was EUR 7.3 million (4.4) in the first six months of 2002.

Nonwovens recorded an operating profit of EUR 6.1 million (3.1) and Flexible Packaging EUR 3.2 million (3.0). Webbing Products recorded an operating loss of EUR -0.5 million (-0.1).

For Nonwovens, financial results and profitability rose, thanks to improved cost effectiveness and low raw material prices during the first quarter. Net sales were on the level of the same period last year. Sales of hydroentangled wiping product materials increased substantially, while those of hygiene product materials decreased by a comparable volume. Demand for products was steady through the review period. Prices of oil-based raw materials rose considerably during the second half of the review period.

For Flexible Packaging, operating profit was up by six per cent from the same period last year. Net sales were on the level of the previous year. Deliveries of packaging for hygiene products and bakery products increased while sales of retail packaging decreased on the previous year. Raw material prices rose during the second quarter.

For Webbing Products, the financial results continued

to be negative. Net sales fell by a quarter on the previous year. Sales volumes decreased due to rationalisation of the Company's operations and to slack demand. Production was brought into line with demand.

#### **FINANCING**

Interest-bearing liabilities totalled EUR 54.7 million or EUR 16.8 million less than on 30 June, 2001. Net financial costs were EUR 1.3 million (EUR 1.4 million). They were 1.5 per cent (1.6 %) of net sales and 15.1 per cent (23.9 %) of operating profit. EUR 3.6 million in working capital were tied up in the cash flow statement. The equity ratio was 41.9 per cent (36.8 %). The ratio of interest-bearing net liabilities to shareholders' equity (the gearing ratio) was 86.0 per cent as opposed to 108.1 per cent a year earlier. Cash flow per share from operations was EUR 0.60 (0.61).

#### **INVESTMENTS**

The Company's gross investments totalled EUR 3.8 million (EUR 6.7 million). Planned depreciation was EUR 7.8 million (7.7). Of the total gross investments Nonwovens represented EUR 1.6 million and Flexible Packaging EUR 2.1 million. In Nonwovens, investment concentrated on modernisation of the hydro entanglement lines; product quality and production efficiency increased. In Flexible Packaging, investment concentrated on increasing printing capacity at the plant in Poland and on increasing and renewing film extrusion capacity in Finland.

#### **COMPANY SHARES**

The volume of Suominen Corporation's shares traded on Helsinki Exchanges from January through June was 4 271 054 shares or 27.0 per cent of the total. The trading price of the shares varied between EUR 6.01 and EUR 4.52. The final trading price was EUR 5.40. The market value of the company shares on June 30, 2002 was EUR 85.5 million.

On March 27, 2002 the company announced that Heikki Bergholm's holding of the shares and of voting power in Suominen Corporation exceeded 5 per cent.

## AUTHORISATION FOR THE BOARD OF DIRECTORS TO ACQUIRE AND TO CONVEY THE COMPANY'S OWN SHARES

The Annual General Meeting on March 13, 2002 authorised the Board of Directors to decide on the acquisition of the Company's own shares within one year of the Annual General Meeting of Shareholders using assets available for distribution of profits, provided that the combined par value of the shares of the Company and its subsidiaries thus acquired 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.

The Board of Directors has not exercised its authorisation.

## 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.

## PROSPECTS FOR THE REMAINDER OF THE YEAR

Suominen's customers operate mainly in the consumer products industry, and the demand for their products is not particularly sensitive to cyclic fluctuation.

Sales of nonwovens are expected to increase on the first half of the year. Demand for flexible packaging looks stable. Sales of webbing products are expected to remain on the low level of the first two quarters during the rest of the year. The rise in raw material prices will exert some pressure on costs during the second half of the year. Strengthening of the Euro against the dollar will not have an effect on the financial results. The Company will concentrate on sales and on increasing operating efficiency. The financial results for the second half of the year are also expected to improve on the same period of the previous year.

## SUOMINEN CORPORATION CONSOLIDATED JANUARY 1 - JUNE 30, 2002

### STATEMENT OF INCOME

EUR 1000	1.1. - 30.6.2002	%	1.1. - 30.6.2001 Pro forma	%	Change %	1.1.-31.12.2001 Pro forma	%
<b>Net sales</b>	<b>85 314</b>	<b>100.0</b>	88 087	100.0	-3.1	174 115	100.0
Cost of goods sold	-71 796	-84.2	-77 028	-87.4	-6.8	-152 111	-87.4
<b>Gross profit</b>	<b>13 518</b>	<b>15.8</b>	11 059	12.6	22.2	22 004	12.6
Sales and marketing expenses	-2 341	-2.7	-2 136	-2.4		-4 194	-2.4
Administration expenses	-2 957	-3.5	-3 565	-4.0		-6 642	-3.8
Other operating income and expenses	433	0.5	465	0.5		1 018	0.6
Depreciation on goodwill	-10	0.0	-14			-28	0.0
<b>Operating profit</b>	<b>8 643</b>	<b>10.1</b>	5 809	6.6	48.8	12 158	7.0
Financial income and expenses	-1 306	-1.5	-1 387	-1.6	-5.8	-2 886	-1.7
<b>Profit before extraordinary items</b>	<b>7 337</b>	<b>8.6</b>	4 422	5.0	65.9	9 272	5.3
Extraordinary items	0		19				
<b>Profit before income taxes</b>	<b>7 337</b>	<b>8.6</b>	4 441	5.0	65.2	9 272	5.3
Income taxes *	-2 277	-2.7	-1 515	-1.7		-2 801	-1.6
<b>Profit for the period</b>	<b>5 060</b>	<b>5.9</b>	2 926	3.3	72.9	6 471	3.7

\* Taxes on the profit for the period under review

**BALANCE SHEET**

EUR 1000	30.6.2002	30.6.2001 Pro forma	31.12.2001
<b>Assets</b>			
Fixed assets			
Intangible assets	515	634	636
Tangible assets	92 554	101 453	97 613
Financial assets	384	460	425
Fixed assets, total	93 453	102 547	98 674
Current assets			
Inventories	17 253	19 781	17 565
Non-current receivables	93	94	94
Current receivables	25 106	25 257	22 025
Cash at bank and in hand	4 203	9 097	2 090
Current assets, total	46 655	54 229	41 774
Assets, total	140 108	156 776	140 448
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity			
Share capital	7 913	7 913	7 913
Other restricted equity	10 648	10 648	10 648
Equity in untaxed reserves	21 603	24 228	23 867
Other unrestricted equity	18 596	14 931	18 610
Shareholders' equity, total	58 760	57 720	61 038
Liabilities			
Deferred tax liability	11 167	11 976	11 829
Non-current liabilities	24 824	37 384	33 668
Current liabilities	45 357	49 696	33 913
Liabilities, total	81 348	99 056	79 410
Shareholders' equity and liabilities, total	140 108	156 776	140 448

**KEY FIGURES**

	6/2002	6/2001 Pro forma	12/2001 Pro forma
Earnings/share, EUR	0,32	0.18	0.41
Equity/share, EUR	3,71	3.65	3.86
Cash flow from operations/share, EUR	0,60	0.61	1.66
Return on equity, % (ROE)	16,9	9.7	10.5
Return on invested capital, % (ROI)	15,4	9.8	10.7
Equity ratio, %	41,9	36.8	43.5
Gearing, %	86,0	108.1	81.5
Gross investments, EUR 1000	3 806	6 678	10 704
Depreciation, EUR 1000	7 857	7 711	15 235

**CASH FLOW STATEMENT**

EUR 1000	1.1. - 30.6.2002	1.1. - 30.6.2001 Pro forma	1.1. - 31.12.2001 Pro forma
Cash flow before change in working capital	16 675	13 273	26 748
Change in working capital	-3 588	1 788	6 737
Financial items and taxes	-3 573	-5 434	-7 273
<b>Cash flow from operations</b>	<b>9 514</b>	<b>9 627</b>	<b>26 212</b>
Investments	-3 616	-6 875	-11 405
Proceeds from sale of fixed assets	145	664	925
<b>Cash flow from investing activities</b>	<b>-3 471</b>	<b>-6 211</b>	<b>-10 480</b>
Dividends paid	-6 341	-7 892	-7 892
Change in interest-bearing liabilities	2 845	9 195	-10 408
Effect of exchange rate changes	-436	95	376
<b>Change in cash and cash equivalents</b>	<b>2 111</b>	<b>4 814</b>	<b>-2 192</b>

## FIGURES BY BUSINESS AREA

<b>NET SALES</b> EUR 1000	<b>1.1. - 30.6.2002</b>	1.1. - 30.6.2001 Pro forma	Change %	1.1. - 31.12.2001 Pro forma
Nonwovens	<b>42 451</b>	42 233	0.5	85 264
Flexible Packaging	<b>35 899</b>	36 457	-1.5	72 370
Webbing Products	<b>6 908</b>	9 320	-25.9	16 328
Other *	<b>56</b>	77		153
<b>Total</b>	<b>85 314</b>	88 087	-3.1	174 115

<b>OPERATING PROFIT</b> EUR 1000	<b>1.1. - 30.6.2002</b>	<b>% of net sales</b>	1.1. - 30.6.2001 Pro forma	<b>% of net sales</b>	1.1.-31.12.2001 Pro forma	<b>% of net sales</b>
Nonwovens	<b>6 142</b>	<b>14.5</b>	3 146	7.4	7 811	9.2
Flexible Packaging	<b>3 206</b>	<b>8.9</b>	3 020	8.3	5 682	7.9
Webbing Products	<b>-474</b>	<b>-6.9</b>	-150	-1.6	-986	-6.0
Other *	<b>-231</b>		-207		-349	
<b>Total</b>	<b>8 643</b>	<b>10.1</b>	5 809	6.6	12 158	7.0

\* Includes the parent company and consolidation items.

## FINANCIAL RESULTS DURING THE PAST YEAR

EUR 1000	1.7. - 30.9. 2001 Pro forma	1.10. - 31.12. 2001	1.1. - 31.3. 2002	<b>1.4. - 30.6. 2002</b>	1.7.2001 - 30.6.2002 Pro forma
<b>Net sales</b>					
Nonwovens	21 930	21 101	20 460	<b>21 991</b>	85 482
Flexible Packaging	17 445	18 468	17 614	<b>18 285</b>	71 812
Webbing Products	3 541	3 467	3 338	<b>3 570</b>	13 916
Other *	28	48	30	<b>26</b>	132
<b>Net sales, total</b>	<b>42 944</b>	<b>43 084</b>	<b>41 442</b>	<b>43 872</b>	<b>171 342</b>
<b>Operating profit</b>					
Nonwovens	2 817	1 848	2 666	<b>3 476</b>	10 807
% of net sales	12.9	8.8	13.0	<b>15.8</b>	12.6
Flexible Packaging	1 157	1 505	1 836	<b>1 370</b>	5 868
% of net sales	6.6	8.1	10.4	<b>7.5</b>	8.2
Webbing Products	-206	-631	-175	<b>-299</b>	-1 311
% of net sales	-5.8	-18.2	-5.2	<b>-8.4</b>	-9.4
Other *	152	-314	-36	<b>-195</b>	-393
<b>Operating profit, total</b>	<b>3 920</b>	<b>2 408</b>	<b>4 291</b>	<b>4 352</b>	<b>14 971</b>
% of net sales	9.1	5.6	10.4	<b>9.9</b>	8.7
<b>Net financial expenses</b>	<b>-844</b>	<b>-655</b>	<b>-660</b>	<b>-646</b>	<b>-2 805</b>
<b>Profit before extraordinary items</b>	<b>3 076</b>	<b>1 753</b>	<b>3 631</b>	<b>3 706</b>	<b>12 166</b>

\* Includes the parent company and consolidation items.

<b>AVERAGE PERSONNEL</b>	<b>6 months/2002</b>	6 months/2001 Pro forma	12 months/2001 Pro forma
Nonwovens	<b>288</b>	324	309
Flexible Packaging	<b>652</b>	638	640
Webbing Products	<b>152</b>	182	178
Other	<b>9</b>	6	8
<b>Total</b>	<b>1 101</b>	1 150	1 135

#### **CONTINGENT LIABILITIES**

EUR 1000	<b>30.6.2002</b>	31.12.2001
<b>For own debts</b>		
Real estate mortgages	20 944	20 944
Business mortgages	5 214	11 257
<b>Other own commitments</b>		
Leasing payments and commitments	124	31

#### **DERIVATIVE CONTRACTS**

EUR 1000	<b>30.6.2002</b>	<b>31.12.2001</b>
<b>Currency derivatives</b>		
Nominal value	9 673	5 995
Current value	286	-122
<b>Interest rate derivatives</b>		
Nominal value	15 200	15 200
Current value	-262	-331

The figures have not been audited.

Helsinki, 22 July , 2002

SUOMINEN CORPORATION  
Board of Directors

**APPENDIX No. 1.****ACCOUNTING PRINCIPLES FOR PRO FORMA COMPARATIVE FIGURES**

The pro forma comparative figures of Suominen Corporation are based on the financial statements of the Lassila & Tikanoja Group for the period January 1 - September 30, 2001. The Suominen Corporation Group comprises the companies listed in the Demerger Plan.

The consolidated financial statements have been drawn up so that the total equities of the new groups formed correspond with the demerged group's equity as per September 30, 2000.

The financial items in the statements of income of the group's parent company include calculatory interest expenses for the period January 1 - September 30, 2001. Taxes have been calculated on the profit for the period using the prevailing tax rate. The amount of fixed expenses from operations as an

independent listed company entered in the statements of income of the group's parent company correspond to the actual expenses of the demerged company. The parent company balance sheet accords with the Demerger Plan. Group contributions in previous years have been taken into account in the parent company statements of income in accordance with the post-demerger group structure. Suominen Corporation is considered to have paid half the dividends paid out by Lassila & Tikanoja plc in the past few years.

Suominen Corporation's internal eliminations have been adjusted to fit the post-demerger group structure. In the comparative figures, profits and losses arising from sales of shares have been transferred from 'Other operating income and expenses' to 'Extraordinary income and expenses'.