

## SUOMINEN CORPORATION INTERIM REPORT 1 JANUARY – 30 SEPTEMBER 2004

### SUOMINEN'S RESULTS DECLINED

- Net sales: EUR 179.0 million (EUR 120.3 million 1 January - 30 September 2003)
- Operating profit: EUR 6.8 million (EUR 11.0 million)
- Earnings/share: EUR 0.10 (EUR 0.33)
- Cash flow from operations/share: EUR 0.16 (EUR 0.78)
- Return on invested capital (ROI): 5.9% (13.8 %)
- Prospects for the rest of the year: Net sales for the full year are expected to increase by about 30 per cent on the previous year. Operating profit for 2004 and profit for the financial year are estimated to decline significantly from the previous year.

### FINANCIAL RESULTS

Suominen Corporation recorded net sales of EUR 179.0 million during the nine-month period, representing an increase of 49 per cent on the previous year. The increase was due to the company acquisition in the Wet Wipes business area. Without the acquisition, there would have been a decrease in net sales of 6 per cent. Profit before taxes for the nine months amounted to EUR 3.9 million (9.4). Profit after taxes, EUR 2.4 million (6.8), was calculated on the basis of a tax rate of 29 % for the part of deferred tax liability in Finland. The change of corporate income tax rate to 26 % will decrease taxes for the whole year by 0.7 million euros, based on a preliminary estimate.

The Wet Wipes business area recorded an operating profit of EUR 1.5 million, Nonwovens an operating profit of EUR 3.5 million (5.7) and Flexible Packaging an operating profit of EUR 1.7 million (3.0). The operating profit for Other Business Operations was EUR 0.1 million (2.3).

Net sales of Suominen Wet Wipes during the nine months were EUR 66.1 million or 11 per cent less than in the same period of the previous year. Along the year, competition on the European wet wipes market has increased essentially and brand products have lost market shares. The emphasis on brand products in Suominen's Wet Wipes business area has thus contributed to the decline in sales. Sales and profitability in Wet Wipes developed significantly below expectations. There was a rise in the volumes of baby wipes, whereas the volumes of personal care wipes and the volumes of household cleaning wipes dropped considerably from the level of the previous year. Compared with 2003, prices for end products decreased more than raw material prices. This reduced the margin obtained from converting. Judging from changes in supply agreements and order forecasts from customers, sales for the final quarter of the year will fall substantially short of those for the previous quarters. Costs have been cut, and further sizeable reductions will be made to meet the lower capacity utilisation rate. Modernisation of production facilities continued.

The financial results of Nonwovens were weaker than in

the previous year, a consequence of declining sales prices and rising raw material prices. Net sales were down by 6 per cent and totalled EUR 55.6 million. The challenges faced by manufacturers of brand products on the European wet wipes market are also evident in the net sales recorded by Nonwovens. Sales volumes of hydro-entangled wiping products increased from 2003, mainly as a result of growth in deliveries to the United States. The sales volumes of hygiene product materials increased while the volumes of health care product materials remained on the previous year's level. Rationalisation has made production more efficient and improved the cost position of operations.

Net sales of Flexible Packaging amounted to EUR 51.1 million, which was one per cent less than in the previous year. The decrease was caused by lower sales prices and fluctuation in exchange rates. Financial results weakened as sales prices declined and raw material prices continued to rise. The rise in raw material prices is passed on to sales prices partly and with delay. The volume of sales rose slightly on the previous year in all product groups, most in food packaging. In Poland, volumes continued to increase. The plant expansion in Poland is now operational and will be fully utilised. In Russia, sales were down from the figures for the same period of 2003.

In Other Business Operations, Inka recorded an operating loss of EUR 0.2 million, which was primarily due to the expenses arising from reorganisation of operations. Inka's production was centralised in Virrat, Finland and Estonia.

### FINANCING

Interest-bearing liabilities totalled EUR 90.0 million or EUR 13.6 million more than at the beginning of the year. In addition, the company has EUR 8 million in capital loans. Net financial costs were EUR 2.9 million (EUR 1.6 million). They were 1.6 per cent (1.4 %) of net sales and 42.2 per cent (14.9 %) of operating profit. EUR 3.7 million in working capital was tied up according to the cash flow statement. Taxes paid amounted to EUR 9.4 million, consisting of advance payments for the current year and accrued taxes for previous years. When the company's capital loans are included in shareholders' equity, the equity ratio was 35.0 per cent (45.5 %) and the ratio of interest-bearing net liabilities to shareholders' equity (the gearing ratio) was 130.8 (65.7). Including the capital loans in liabilities, the corresponding figures were 30.8 per cent and 162.0. Cash flow from operations per share was EUR 0.16 (0.78).

### INVESTMENTS

The Company's gross investments in production totalled EUR 8.9 million (EUR 5.3 million). Planned depreciation amounted to EUR 13.5 million (10.8). Of the total investments Wet Wipes represented EUR 2.4 million, Nonwovens EUR 1.4 million and Flexible Packaging EUR 4.8 million. The most important investment project was the expansion of the Flexible Packaging plant in Poland, completed in May.

### EXTRAORDINARY GENERAL MEETING

An Extraordinary General Meeting of shareholders in Suominen Corporation was held on 2 September 2004. The General Meeting decided on payment of an extra dividend of EUR 0.29 per share for the financial year ended 31 December 2003. Thus the dividend per share based on the financial results for 2003 totals EUR 0.59 per share.

### COMPANY SHARES

The volume of trading in Suominen Corporation's shares on the Helsinki Exchanges from January through September was 5 048 173 shares or 21.3 per cent of the shares in the share capital. The trading price varied between EUR 4.22 and 6.99. The final trading price was EUR 4.30. The market capitalisation was EUR 102.0 million on 30 September 2004.

### OWN SHARES OF THE COMPANY

On 1 January 2004 the Company held 38 293 of its own shares, with an acquisition value of EUR 5.22 per share. Within the authorisation granted to the Board of Directors in 2003, the Company conveyed 8 999 of its own shares in the period under review. The average price of the conveyed shares was EUR 6.31. On 30 September 2004 Suominen Corporation held a total of 29 294 of its own shares, accounting for 0.1 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.

### 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.

### GROUP MANAGEMENT

Suominen Corporation's Senior Vice President, responsible for Marketing and Business Development, terminated his employment relationship as of 1 October 2004.

### TRANSITION TO IFRS REPORTING

Suominen's financial statements for 2004 will be drawn up in accordance with Finnish national accounting standards. The transition date for calculation of comparative figures for IFRS reporting was 1 January 2004. The financial statements and interim reports for 2005 will be drawn up in conformance with IFRS regulations.

Suominen's Board of Directors has approved the principles according to which IFRS financial statements will be made. Most of the data for the transition IFRS balance sheet have already been calculated. By the end of the year, indirect costs for inventory will have been included in stock values and the obligation of defined-benefit pension plans will have been calculated.

Changes in Suominen's accounting principles will take place in the following items:

- IFRS 1 Transition provision, valuation of non-current assets on the transition IFRS balance sheet and revaluations.
- IAS 2 Inventory, inclusion of indirect manufacturing costs in stock values.

- IAS 3 Exclusion of depreciation on goodwill.
- IAS 12 Income taxes, recording of deferred tax liabilities and receivables, depending mainly on other IAS related changes.
- IAS 17 Lease agreements, treatment of sale and leaseback agreement as financial leasing agreements.
- IAS 19 Employee benefits, obligation to be recorded for defined-benefit pension plans.
- IAS 36 Impairment testing, especially testing of goodwill.
- IAS 39 Financing instruments, valuation of available-for-sale investments at fair value.
- IAS 40 Investment property, valuation at fair value.

Once sufficiently reliable quantitative data are available, Suominen will observe the recommendations for providing information on the effects of changes in accounting policies in connection with drawing up the 2004 financial statements.

### OUTLOOK FOR THE REST OF THE YEAR

On the basis of contracts made, customer-need forecasts and orders in hand, net sales in 2004 are expected to increase by approximately 30 per cent on the previous year as a result of the acquisition in the Wet Wipes business area. In general, sales prices for products will be lower than in 2003, and will not be offset by reduced operating costs. In addition, the rapid increase in the prices of oil-based raw materials continued, further reducing the Company's profit expectations. Both operating profit for 2004 and profit for the financial year are expected to decline significantly from the previous year.

## SUOMINEN CORPORATION CONSOLIDATED, 1 JANUARY - 30 SEPTEMBER 2004

## STATEMENT OF INCOME

EUR 1 000	1 - 9/2004	%	1 - 9/2003	%	Change %	1 - 12/2003	%
<b>Net sales</b>	<b>178 971</b>	<b>100.0</b>	120 288	100.0	48.8	179 750	100.0
Cost of goods sold	<b>-160 521</b>	<b>-89.7</b>	-104 826	-87.1	53.1	-158 065	-87.9
<b>Gross profit</b>	<b>18 450</b>	<b>10.3</b>	15 462	12.9	19.3	21 685	12.1
Sales and marketing expenses	<b>-4 276</b>	<b>-2.4</b>	-3 391	-2.8		-4 780	-2.7
Administration expenses	<b>-6 973</b>	<b>-3.9</b>	-3 641	-3.0		-6 149	-3.4
Other operating income and expenses	<b>951</b>	<b>0.5</b>	2 597	2.2		5 085	2.8
Depreciation on goodwill	<b>-1 328</b>	<b>-0.7</b>	-5	0.0		-474	-0.3
<b>Operating profit</b>	<b>6 824</b>	<b>3.8</b>	11 022	9.2	-38.1	15 367	8.5
Financial income and expenses	<b>-2 881</b>	<b>-1.6</b>	-1 643	-1.4	75.3	-2 707	-1.5
<b>Profit before income taxes</b>	<b>3 943</b>	<b>2.2</b>	9 379	7.8	-58.0	12 660	7.0
Income taxes *	<b>-1 590</b>	<b>-0.9</b>	-2 552	-2.1		-3 734	-2.1
<b>Profit for the period</b>	<b>2 353</b>	<b>1.3</b>	6 827	5.7	-65.5	8 926	5.0

\*Taxes on the profit for the period under review.

## BALANCE SHEET

EUR 1 000	9/2004	9/2003	12/2003
<b>Assets</b>			
Fixed assets			
Intangible assets	<b>33 841</b>	415	37 114
Tangible assets	<b>97 049</b>	81 364	100 519
Financial assets	<b>557</b>	686	629
Fixed assets, total	<b>131 447</b>	82 465	138 262
Current assets			
Inventories	<b>24 685</b>	18 092	24 311
Current receivables	<b>33 873</b>	24 305	29 980
Cash at bank and in hand	<b>2 128</b>	4 847	6 702
Current assets, total	<b>60 686</b>	47 244	60 993
Assets, total	<b>192 133</b>	129 709	199 255
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity			
Share capital	<b>11 860</b>	7 913	11 860
Own shares	<b>153</b>	200	200
Other restricted equity	<b>27 801</b>	10 648	27 801
Equity in untaxed reserves	<b>13 287</b>	17 840	16 751
Other unrestricted equity	<b>6 204</b>	22 585	14 202
Capital loans	<b>8 000</b>		10 000
Shareholders' equity, total	<b>67 305</b>	59 186	80 814
Provisions	<b>600</b>		665
Liabilities			
Deferred tax liability	<b>9 573</b>	9 212	11 179
Non-current liabilities	<b>68 046</b>	27 755	57 134
Current liabilities	<b>46 609</b>	33 556	49 463
Liabilities, total	<b>124 228</b>	70 523	117 776
Shareholders' equity and liabilities, total	<b>192 133</b>	129 709	199 255

<b>KEY FIGURES</b>	<b>9/2004</b>	<b>9/2003</b>	<b>12/2003</b>
Earnings/share, EUR	<b>0.10</b>	0.33	0.43
Equity/share, EUR	<b>2.50</b>	2.88	2.98
Cash flow from operations/share, EUR	<b>0.16</b>	0.78	1.01
Return on equity, % (ROE)	<b>4.8</b>	15.5	14.6
Return on invested capital, % (ROI)	<b>5.9</b>	13.8	13.2
Equity ratio, %	<b>30.8</b>	45.5	35.5
Equity ratio, %, capital loans in equity	<b>35.0</b>		40.5
Gearing, %	<b>162.0</b>	65.7	112.9
Gearing, %, capital loans in equity	<b>130.8</b>		86.5
Gross investments, EUR 1 000	<b>8 928</b>	5 262	66 387
Depreciation, EUR 1 000	<b>13 520</b>	10 763	15 514

**CASH FLOW STATEMENT**

<b>EUR 1 000</b>	<b>9/2004</b>	<b>9/2003</b>	<b>12/2003</b>
Cash flow before change in working capital	<b>19 486</b>	18 945	26 478
Change in working capital	<b>-3 734</b>	2 264	2 762
Financial items and taxes	<b>-12 002</b>	-5 181	-8 217
<b>Cash flow from operations</b>	<b>3 750</b>	16 028	21 022
Investments	<b>-9 816</b>	-5 384	-64 087
Proceeds from sale of fixed assets	<b>3 665</b>	4 420	7 104
<b>Cash flow from investing activities</b>	<b>-6 151</b>	-964	-56 982
Proceeds from issuance of share capital			21 100
Change in capital loans	<b>-2 000</b>		10 000
Dividends paid	<b>-13 988</b>	-11 034	-22 102
Change in interest-bearing liabilities	<b>13 555</b>	-2 825	30 012
Effect of exchange rate changes	<b>260</b>	13	23
<b>Change in cash and cash equivalents</b>	<b>-4 574</b>	1 218	3 073

**FIGURES BY BUSINESS AREA****NET SALES**

<b>EUR 1 000</b>	<b>9/2004</b>	<b>9/2003</b>	<b>Change %</b>	<b>12/2003</b>
Wet Wipes	<b>66 068</b>			22 425
Nonwovens	<b>55 569</b>	59 306	-6.3	77 490
Flexible Packaging	<b>51 063</b>	51 407	-0.7	68 791
Others*	<b>6 271</b>	9 575	-34.5	11 044
<b>Total</b>	<b>178 971</b>	120 288	48.8	179 750

**OPERATING PROFIT**

<b>EUR 1 000</b>	<b>9/2004</b>	<b>%</b>	<b>9/2003</b>	<b>%</b>	<b>12/2003</b>	<b>%</b>
Wet Wipes	<b>1 479</b>	<b>2.2</b>			1 221	5.4
Nonwovens	<b>3 516</b>	<b>6.3</b>	5 732	9.7	6 016	7.8
Flexible Packaging	<b>1 690</b>	<b>3.3</b>	3 029	5.9	4 385	6.4
Others*	<b>139</b>	<b>2.2</b>	2 261	23.6	3 746	33.9
<b>Total</b>	<b>6 824</b>	<b>3.8</b>	11 022	9.2	15 368	8.5

\*Include Other Business Operations and consolidation items.

**QUARTERLY FIGURES**

EUR 1 000	IV/2003	I/2004	II/2004	III/2004	IV/2003- III/2004
<b>Net sales</b>					
Wet Wipes	22 425	23 082	23 220	19 766	88 493
Nonwovens	18 184	19 891	18 057	17 621	73 753
Flexible Packaging	17 384	16 642	17 405	17 016	68 447
Others*	1 469	2 475	2 394	1 402	7 740
Net sales, total	59 462	62 090	61 076	55 805	238 433
<b>Operating profit</b>					
Wet Wipes	1 221	508	826	145	2 700
% of net sales	5.4	2.2	3.6	0.7	3.1
Nonwovens	284	1 472	1 466	578	3 800
% of net sales	1.6	7.4	8.1	3.3	5.2
Flexible Packaging	1 356	884	602	204	3 046
% of net sales	7.8	5.3	3.5	1.2	4.5
Others*	1 485	188	162	-211	1 624
% of net sales	101.1	7.6	6.8	-15.0	21.0
Operating profit, total	4 346	3 052	3 056	716	11 170
% of net sales	7.3	4.9	5.0	1.3	4.7
Net financial expenses	-1 064	-1 015	-782	-1 084	-3 945
Profit before extraordinary items	3 282	2 037	2 274	-368	7 225

\*Include Other Business Operations and consolidation items.

<b>AVERAGE PERSONNEL</b>	9/2004	9/2003	12/2003
Wet Wipes*	337		86
Nonwovens	198	229	227
Flexible Packaging	623	628	621
Inka	143	147	145
Product and Process Development	33	36	36
Group Management, Finance and Procurement	14	13	13
Total	1 348	1 053	1 128

\*At the end of 2003 the personnel of the business area were 337.

**CONTINGENT LIABILITIES**

EUR 1 000	9/2004	12/2003
<b>For own debts</b>		
Real estate mortgages	14 612	14 612
Corporate mortgages	5 707	5 707
<b>Other own commitments</b>		
Leasing payments and commitments	3 752	3 758
Rent commitments	10 869	13 542

**DERIVATIVE CONTRACTS**

EUR 1 000	9/2004	12/2003
<b>Currency derivatives</b>		
Nominal value	9 440	7 896
Current value	-54	94
<b>Interest rate derivatives</b>		
Nominal value	52 900	43 200
Current value	-712	-526
<b>Electricity derivatives</b>		
Nominal value	4 026	3 864
Current value	619	388

The figures have not been audited.

Helsinki, 19 October 2004

SUOMINEN CORPORATION  
Board of Directors

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