

## SUOMINEN CORPORATION INTERIM REPORT 1 JANUARY - 30 SEPTEMBER 2005 (IFRS)

### A LOSS SHOWN

- Net sales: EUR 149.8 million (EUR 170.4 million 1 January - 30 September 2004)
- Operating profit: EUR -1.9 million (7.8)
- Earnings/share: EUR -0.10 (0.17)
- Cash flow from operations/share: EUR -0.04 (0.16)
- Return on invested capital (ROI): -0.2 % (6.3)
- Prospects for the rest of the year: Suominen expects to show a loss for the final quarter or the year and for the financial year 2005.

### FINANCIAL RESULTS

Net sales of Suominen Corporation's continuing operations, excluding sold Inka, were EUR 50.1 million (53.5) and operating profit EUR 0.1 million (0.9) in the third quarter. Loss before taxes was EUR 0.8 million (0.2).

Net sales of continuing operations, excluding sold Inka, totalled EUR 149.8 million (170.4) for the nine-month period. Loss before taxes was EUR 4.8 million (+5.0) and loss after taxes EUR 3.4 million (+4.3) With profit after taxes from discontinued operations of EUR 0.9 million (-0.3), Suominen Corporation recorded a loss of EUR 2.4 million (+4.1) for the period under review.

The Wipes and Nonwovens business area recorded an operating loss of EUR 1.7 million (+6.0) while Flexible Packaging showed an operating profit of EUR 0.2 million (1.9). The fall in prices for oil-based raw materials in the previous quarter levelled off, and sales prices improved slightly.

During the period under review, the Wipes and Nonwovens business area recorded net sales of EUR 96.7 million or 19 per cent less than for the same period in 2004.

Net sales of Wet Wipes amounted to EUR 50.7 million, or 23 per cent less than in the previous year. Sales volumes, sales prices, and margins from converting were down from the previous year. Volumes from brand manufacturers lost in 2004 were replaced, for example, with increased sales to retail chains. Costs were at a high level and operations were not profitable as a result of the production difficulties of early 2005 and measures taken to secure adequate production. The efficiency of the production lines improved and starting from September the number of production shifts and temporary labour were reduced.

Net sales of Nonwovens decreased by 5 per cent and were EUR 52.9 million. Total sales volume decreased on the previous year. Sales of hydroentangled nonwovens remained on the previous year's level. Deliveries to the US market decreased markedly while European deliveries grew. The growth was a result of internal deliveries increasing three-fold and of new sales. Sales of thermally bonded nonwovens declined due to switches to an alternative product.

Net sales of Flexible Packaging, which amounted to EUR 53.2 million, were up 4 per cent on the previous year. Sales of hygiene product packaging increased by 18 per cent. Sales of food packaging also increased. Sales of packaging for the retail trade and for special products were on the level of the previous year. Improved sales prices, lower prices for oil-based raw materials, and an increased volume improved the segment's financial performance on the previous quarter. For the entire period under review, raw material costs were substantially higher than last year.

### DIVESTMENT OF BUSINESS OPERATIONS

In late September, Suominen sold the entire share capital of Inka Oy, which manufactures lifting and strapping products, to funds managed by Midinvest Management Oy and to Inka's operative management. The total price, including Inka's outstanding liabilities, was EUR 6.6 million. In addition, the financial lease of Inka's plant facilities, worth EUR 1.7 million, was removed from Suominen's balance sheet. The profit on the sale and Inka's result for the period after taxes, totalling EUR 0.9 million, have been entered in the statement of income under Profit/loss from discontinued operations after Profit/loss for the period from continuing operations. The figures for 2004 have also been restated.

### FINANCING

Interest-bearing liabilities totalled EUR 104.6 million or EUR 4.3 million more than at the beginning of the year. Net financial costs were EUR 2.9 million (EUR 2.9 million). They were 1.9 per cent (1.7 %) of net sales. Mainly due to an increase in inventories, EUR 7.3 million in working capital was tied up in the cash flow statement. The equity ratio was 29.1 per cent (29.0 %) and the ratio of interest-bearing net liabilities to shareholders' equity (gearing ratio) was 180.5 per cent (168.1 %). Cash flow per share from operations was EUR -0.04 (0.16).

### INVESTMENTS

The Company's gross investments in production totalled EUR 6.5 million (EUR 8.7 million). Planned depreciation was EUR 11.3 million (11.9). Of total investments Wet Wipes accounted for EUR 2.2 million, Nonwovens EUR 2.1 million and Flexible Packaging EUR 2.2 million. Investments in the Wet Wipes unit focused on the new production line and on modernisation of the lines. In Nonwovens, the investments were made in a heating plant, which is fired with wood chip and nonwoven waste instead of oil. Flexible Packagings' investments included machinery in Poland and an incineration plant for volatile organic compounds in Tampere.

### COMPANY SHARES

The volume of Suominen Corporation's shares traded on Helsinki Exchanges from January through September was 4 955 208 shares or 20.9 per cent of the total. The trading price of the shares varied between EUR 3.38 and 4.52. The final trading price was EUR 3.57. Market capitalisation was EUR 84.6 million on 30 September 2005.

**OWN SHARES OF THE COMPANY**

On 1 January 2005, the Company held 29 294 of its own shares, with an acquisition value of EUR 5.22 per share. Within the authorisation granted to the Board of Directors by the Annual General Meeting, the Company has conveyed 14 165 of its own shares in the period under review. The price of the conveyed shares was EUR 3.60 per share. On 30 September 2005 Suominen Corporation held a total of 15 129 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.

**PROSPECTS FOR THE REST OF THE YEAR**

On the basis of contracts concluded, use forecasts provided by customers and orders in hand, net sales for 2005 are expected to decrease by approximately 10 per cent from 2004. In October, the prices of Suominen's principal oil-based raw materials, polyethylene and polypropylene, have turned up sharply. This will somewhat weaken the Company's financial performance compared with earlier estimates. On 25 October, the Board of Directors decided on a program to lower operating costs by some EUR 5 million per year beginning in 2006. The costs of the programme, estimated at EUR 1 million, will be entered for the final quarter of this year. The Company expects to show a loss for the final quarter of the year and for the financial year 2005.

**SUOMINEN CORPORATION CONSOLIDATED 1 JANUARY - 30 SEPTEMBER 2005 (IFRS)****STATEMENT OF INCOME**

EUR 1 000	7 - 9/2005	7 - 9/2004	1 - 9/2005	1 - 9/2004	1 - 12/2004
<b>Net sales</b>	50 117	53 464	<b>149 803</b>	170 376	222 019
Cost of goods sold	-47 098	-48 722	<b>-142 463</b>	-151 377	-197 985
<b>Gross profit</b>	3 019	4 742	<b>7 340</b>	18 999	24 034
Other operating income	54	237	<b>663</b>	1 164	2 739
Sales and marketing expenses	-1 010	-1 197	<b>-3 277</b>	-3 630	-4 897
Research and development	-465	-664	<b>-1 633</b>	-1 947	-2 618
Administration expenses	-1 512	-2 251	<b>-4 822</b>	-6 635	-8 749
Other operating expenses	-28	3	<b>-197</b>	-144	-578
<b>Operating profit</b>	58	870	<b>-1 926</b>	7 807	9 931
Financial income and expenses	-876	-1 077	<b>-2 888</b>	-2 854	-4 127
<b>Profit before income taxes</b>	-818	-207	<b>-4 814</b>	4 953	5 804
Income taxes *	154	-232	<b>1 451</b>	-618	-701
<b>Profit/loss for the period from continuing operations</b>	-664	-439	<b>-3 363</b>	4 335	5 103
Profit/loss from discontinued operations	819	202	<b>931</b>	-283	-442
<b>Profit/loss for the period</b>	155	-237	<b>-2 432</b>	4 052	4 661
Earnings/share from continuing operations, EUR	-0.03	-0.02	<b>-0.14</b>	0.17	0.22
Earnings/share from discontinued operations, EUR	0.03	0.01	<b>0.04</b>	-0.01	-0.02
Earnings/share from continuing and discontinued operations, EUR	0.01	-0.01	<b>-0.10</b>	0.17	0.20

\* Tax on the profit for the period under review, including the effect of changed tax rate. In the Netherlands they are included in the figures of 2005 and in Finland in the corresponding figures of 2004.

**KEY FIGURES ON STATEMENT OF INCOME**

	7 - 9/2005	7 - 9/2004	1 - 9/2005	1 - 9/2004	1 - 12/2004
Net sales, change, % *	-6.3		<b>-12.1</b>		
Gross profit, % **	6.0	8.9	<b>4.9</b>	11.2	10.8
Operating profit, % **	0.1	1.6	<b>-1.3</b>	4.6	4.5
Financial income and expenses, % **	-1.7	-2.0	<b>-1.9</b>	-1.7	-1.9
Profit before income taxes, % **	-1.6	-0.4	<b>-3.2</b>	2.9	2.6
Profit from continuing operations, % **	-1.3	-0.8	<b>-2.2</b>	2.5	2.3
Profit from discontinued operations, % **	1.6	0.4	<b>0.6</b>	-0.2	-0.2
Profit for the period, % **	0.3	-0.4	<b>-1.6</b>	2.4	2.1

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

\*\* As of net sales.

**BALANCE SHEET**

EUR 1 000	9/2005	9/2004	12/2004
<b>Assets</b>			
Non-current assets			
Goodwill	<b>34 195</b>	34 197	34 195
Intangible assets	<b>1 040</b>	967	1 064
Tangible non-current assets	<b>90 918</b>	98 738	98 878
Financial assets	<b>329</b>	454	362
Deferred tax assets	<b>1 960</b>	1 999	2 029
Available-for-sale investments from discontinued operations	<b>600</b>		
Non-current assets, total	<b>129 042</b>	136 355	136 528
Current assets			
Inventories	<b>27 652</b>	27 317	26 724
Trade receivables and other receivables	<b>32 155</b>	33 859	32 988
Receivables from discontinued operations	<b>6 035</b>		
Cash at bank and in hand	<b>843</b>	2 128	2 387
Current assets, total	<b>66 685</b>	63 304	62 099
<b>Assets, total</b>	<b>195 727</b>	199 659	198 627
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity			
Share capital	<b>11 860</b>	11 860	11 860
Share premium account	<b>24 681</b>	24 671	24 681
Fair value reserve	<b>193</b>	67	-442
Other shareholders' equity	<b>20 271</b>	21 393	22 373
Shareholders' equity, total	<b>57 005</b>	57 991	58 472
Liabilities			
Non-current liabilities			
Deferred tax liabilities	<b>9 049</b>	10 759	10 421
Pension liabilities	<b>4 400</b>	5 839	4 265
Capital loans	<b>4 000</b>	6 000	6 000
Interest-bearing liabilities	<b>79 451</b>	69 714	68 406
Other non-current liabilities	<b>471</b>	556	512
Non-current liabilities, total	<b>97 371</b>	92 868	89 604
Current liabilities			
Interest-bearing liabilities	<b>19 165</b>	21 901	23 876
Capital loans	<b>2 000</b>	2 000	2 000
Trade payables and other current liabilities	<b>20 186</b>	24 899	24 675
Current liabilities, total	<b>41 351</b>	48 800	50 551
Liabilities, total	<b>138 722</b>	141 668	140 155
<b>Shareholders' equity and liabilities, total</b>	<b>195 727</b>	199 659	198 627

**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 31 Dec. 2004</b>	<b>11 860</b>	<b>24 681</b>	<b>-154</b>	<b>485</b>	<b>-442</b>	<b>22 042</b>	<b>58 472</b>
Cash flow hedges							
Hedge result deferred in equity					858		858
Translation differences				256			256
Deferred tax in equity					-223		-223
<b>Net income recognised directly in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>256</b>	<b>635</b>	<b>0</b>	<b>891</b>
Net income for the period						-2 432	-2 432
<b>Total recognised income and expense for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>256</b>	<b>635</b>	<b>-2 432</b>	<b>-1 541</b>
Conveyance of own shares			74				74
<b>Balance at 30 September 2005</b>	<b>11 860</b>	<b>24 681</b>	<b>-80</b>	<b>741</b>	<b>193</b>	<b>19 610</b>	<b>57 005</b>

EUR 1 000	Share capital	Share premium account	Own shares	Translation differences	Fair value reserves	Retained earnings	Total
<b>Total equity at 1 Jan. 2004</b>	<b>11 860</b>	<b>24 671</b>	<b>-200</b>	<b>0</b>	<b>413</b>	<b>31 356</b>	<b>68 100</b>
Available-for-sale investments							
Valuation gain transferred to income statement					-594		-594
Cash flow hedges							
Hedge result deferred in equity					103		103
Translation differences				114			114
Deferred tax in equity					145		145
<b>Net income recognised directly in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>114</b>	<b>-346</b>	<b>0</b>	<b>-232</b>
Net income for the period						4 052	4 052
<b>Total recognised income and expense for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>114</b>	<b>-346</b>	<b>4 052</b>	<b>3 820</b>
Dividend						-13 975	-13 975
Conveyance of own shares			46				46
<b>Balance at 30 September 2004</b>	<b>11 860</b>	<b>24 671</b>	<b>-154</b>	<b>114</b>	<b>67</b>	<b>21 433</b>	<b>57 991</b>

<b>KEY FIGURES</b>	<b>9/2005</b>	<b>9/2004</b>	<b>12/2004</b>
Earnings/share, EUR, continuing operations	<b>-0.14</b>	0.17	0.22
Earnings/share, EUR, discontinued operations	<b>0.04</b>	-0.01	-0.02
Earnings/share, EUR, continuing and discontinued operations	<b>-0.10</b>	0.17	0.20
Equity/share, EUR	<b>2.40</b>	2.45	2.47
Cash flow from operations/share, EUR	<b>-0.04</b>	0.16	0.22
Return on equity, % (ROE)	<b>-5.7</b>	8.5	7.5
Return on invested capital, % (ROI)	<b>-0.2</b>	6.3	6.0
Equity ratio, %	<b>29.1</b>	29.0	29.5
Gearing, %	<b>180.5</b>	168.1	167.4
Gross investments, EUR 1 000	<b>6 503</b>	8 681	14 661
Depreciation, EUR 1 000	<b>11 263</b>	11 853	15 715

**CASH FLOW STATEMENT**

EUR 1 000	1 - 9/2005	1 - 9/2004	1 - 12/2004
Cash flow before change in working capital	9 752	19 526	23 013
Change in working capital	-7 266	-3 734	-5 659
Financial items and taxes	-3 426	-12 042	-12 088
<b>Cash flow from operations</b>	<b>-940</b>	3 750	5 266
Investments	-6 894	-9 816	-14 375
Proceeds from sale of fixed assets	197	3 665	6 159
<b>Cash flow from investing activities</b>	<b>-6 698</b>	-6 151	-8 216
Change in capital loans	-2 000	-2 000	-2 000
Dividends paid		-13 988	-13 988
Change in interest-bearing liabilities	8 072	13 555	14 176
Effect of exchange rate changes	22	260	447
<b>Change in cash and cash equivalents</b>	<b>-1 544</b>	-4 574	-4 315

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

EUR 1 000	1 - 9/2005	1 - 9/2004	Change %	1 - 12/2004
Wipes and Nonwovens				
- Wet Wipes	50 692	66 068	-23.3	81 330
- Nonwovens	52 878	55 569	-4.8	75 043
- eliminations	-6 857	-2 209		-3 360
Total	96 713	119 428	-19.0	153 013
Flexible Packaging	53 165	51 063	4.1	69 244
Consolidation items and eliminations	-75	-115	34.8	-238
Net sales, continuing operations, total	149 803	170 376	-12.1	222 019

**OPERATING PROFIT**

	1 - 9/2005		1 - 9/2004		1 - 12/2004	
	EUR 1 000	%	EUR 1 000	%	EUR 1 000	%
Wipes and Nonwovens	-1 716	-1.8	6 049	5.1	5 501	3.6
Flexible Packaging	240	0.5	1 916	3.8	1 834	2.6
Consolidation items and eliminations	-450		-158		2 596	
Operating profit from continuing operations	-1 926	-1.3	7 807	4.6	9 931	4.5

**RETURN ON INVESTED CAPITAL, %**

	1 - 9/2005	1 - 9/2004	1 - 12/2004
Wipes and Nonwovens	-2.1	7.3	4.9
Flexible Packaging	0.6	5.2	3.7
Total	-0.2	6.3	6.0

**NET SALES BY MARKET AREA**

EUR 1 000	1 - 9/2005	1 - 9/2004	1 - 12/2004
Finland	26 256	28 020	37 975
Scandinavia	15 253	14 192	18 834
The Netherlands	19 925	23 777	30 845
Other Europe	75 781	88 536	110 865
Other Countries	12 588	15 851	23 500
Net sales, continuing operations, total	149 803	170 376	222 019

**QUARTERLY FIGURES**

EUR 1 000	IV/2004	I/2005	II/2005	III/2005	IV/2004- III/2005
<b>Net sales</b>					
Wipes and Nonwovens					
- Wet Wipes	15 262	15 465	17 690	17 537	65 954
- Nonwovens	19 474	18 185	17 999	16 694	72 352
- eliminations	-1 151	-2 281	-2 359	-2 217	-8 008
<b>Total</b>	<b>33 585</b>	<b>31 369</b>	<b>33 330</b>	<b>32 014</b>	<b>130 298</b>
Flexible Packaging	18 181	17 634	17 318	18 213	71 346
Consolidation items and eliminations	-123	20	15	-110	-198
<b>Net sales, continuing operations, total</b>	<b>51 643</b>	<b>49 023</b>	<b>50 663</b>	<b>50 117</b>	<b>201 446</b>
<b>Operating profit</b>					
Wipes and Nonwovens	-548	-462	-923	-331	-2 264
% of net sales	-1.6	-1.5	-2.8	-1.0	-1.7
Flexible Packaging	-82	-497	142	595	158
% of net sales	-0.5	-2.8	0.8	3.3	0.2
Consolidation items and eliminations	2 754	-101	-143	-206	2 304
% of net sales	-2 239.0	-505.0	-953.3	187.3	-1 163.6
<b>Operating profit from continuing operations</b>	<b>2 124</b>	<b>-1 060</b>	<b>-924</b>	<b>58</b>	<b>198</b>
% of net sales	4.1	-2.2	-1.8	0.1	0.1
<b>Net financial expenses</b>	<b>-1 273</b>	<b>-1 123</b>	<b>-889</b>	<b>-876</b>	<b>-4 161</b>
<b>Profit before income taxes, continuing operations</b>	<b>851</b>	<b>-2 183</b>	<b>-1 813</b>	<b>-818</b>	<b>-3 963</b>

**AVERAGE PERSONNEL**

	1 - 9/2005	1 - 9/2004	1 - 12/2004
Wet Wipes	328	337	329
Nonwovens	213	234	231
Flexible Packaging	608	623	621
Inka	122	143	140
Group Management and Administration	11	11	11
<b>Total</b>	<b>1 282</b>	<b>1 348</b>	<b>1 332</b>

**CONTINGENT LIABILITIES**

EUR 1 000	9/2005	12/2004
<b>For own debts</b>		
Real estate mortgages	0	14 612
Business mortgages	1 177	5 707
<b>Other own commitments</b>		
Leasing payments and commitments	2 301	3 653
Rent commitments	10 069	9 588
Guarantee commitment for financial lease of discontinued operations	1 741	0

**DERIVATIVE CONTRACTS**

EUR 1 000	9/2005	12/2004
<b>Currency derivatives</b>		
Nominal value	9 984	8 831
Current value	-94	39
<b>Interest rate derivatives</b>		
Nominal value	52 600	52 900
Current value	-1 088	-929
<b>Electricity derivatives</b>		
Nominal value	4 678	4 391
Current value	1 250	122

Current values of derivative contracts are recognised in balance sheet under receivables and payables. The effective portions of interest rate derivatives and electricity derivatives are recognised in fair value reserve under equity.

The figures have not been audited.

Helsinki, 26 October 2005

SUOMINEN CORPORATION

Board of Directors

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