

# SUOMINEN CORPORATION

**Financial Statements  
1 January - 31 December 2006**

**Presentation 12 February 2007**

## **Performance**

**Kalle Tanhuanpää, President and CEO**

## 2006 highlights

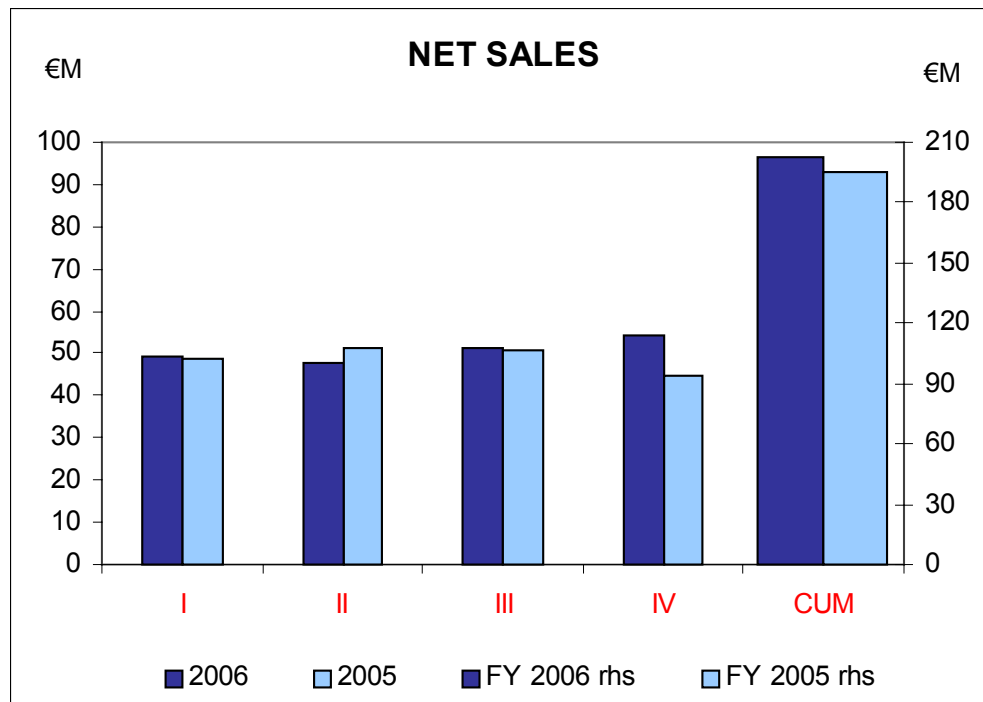
EUR million *	Q4 2006	Q4 2005	2006	2005
Net sales	54.2	44.6	202.6	195.2
Operating profit	0.8	-1.3	1.2	-3.1
Net result	-0.1	-1.6	-1.8	-4.7
EPS, EUR	0.00	-0.07	-0.08	-0.20

\*Continuing operations

- Net sales up by 4 % thanks to strong sales in Q4.
- Performance continued to improve, but result still in red.
- EUR 6 million cost savings materialised.
- Higher average sales prices did not fully compensate cost increases.
- Prices for oil-based raw materials peaked in Q4.
- Board to propose a dividend of EUR 0.06 per share.

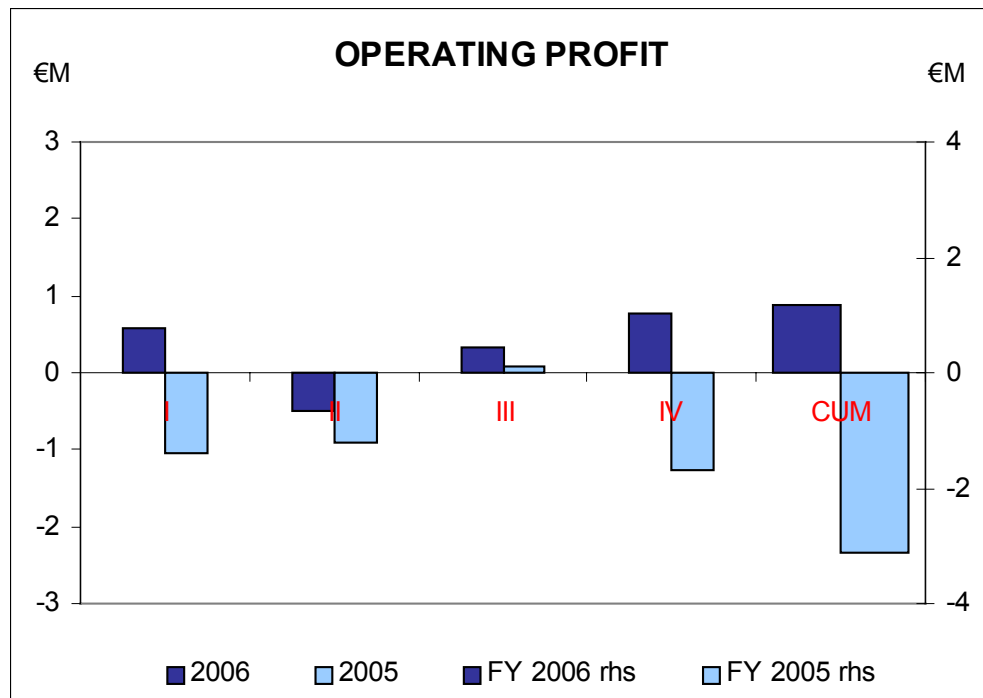
## Positive sales trend

- Q4 net sales up from last year and preceding quarters.
- Net sales for total year grew by 4 % thanks to better demand and new product projects.
- Sales grew in all three units in the second half of the year.



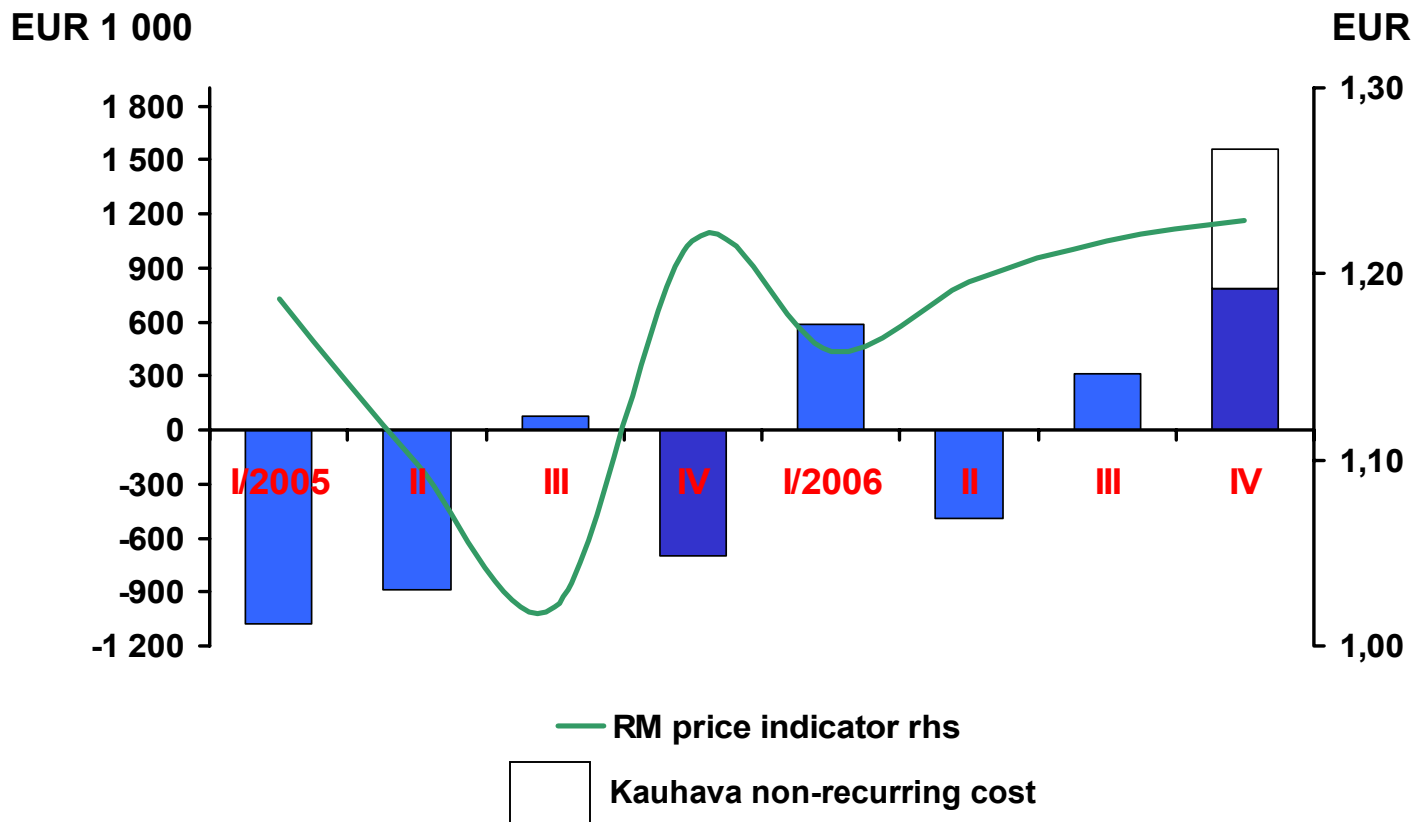
## Profit improvement continued

- Improved cost base.
- Kauhava closure, EUR 0.7 million, burdened the last quarter.
- Production was lower than sales, which lowered profit but improved cash-flow.
- Costs of energy, electricity and freights higher than in 2005.



## Operating profit vs. raw material prices

- RM-escalators work with delay (3 - 6 months).



## **Actions and programs 2006**

- Cost savings program amounted to EUR 6 million.
- Improved sales price management.
- The production of Kauhava plant smoothly transferred to other units. Calculated annual savings will be EUR 0.5 million.
- Solid fuel plant in Nakkila will lower energy costs by more than EUR 0.5 million.
- Reduction in personnel continued.

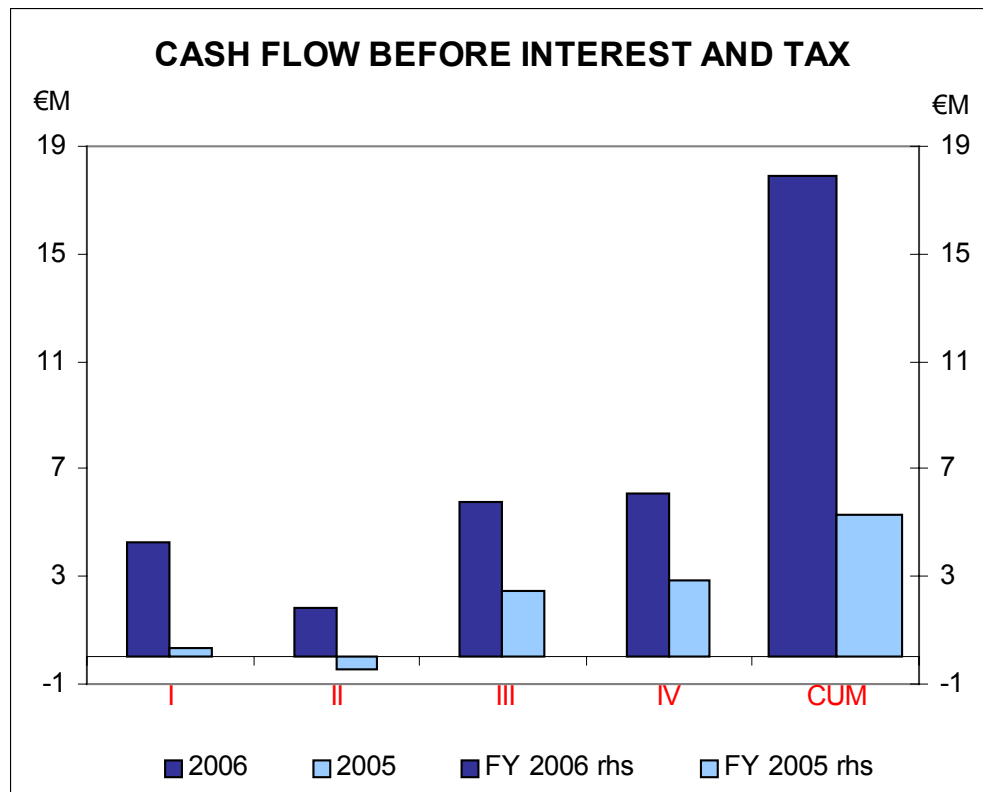
## Initiatives 2006

- Enlargement of printing capacity in Poland started. New press on stream next summer.
- Development of key processes organised to focus on internal synergies, efficiency and savings.
- As a part of the strategy work, Stairs to Top - efficiency and business enhancement program launched to continue the previous cost savings program.
- Customer focused new product development activated with several new projects.



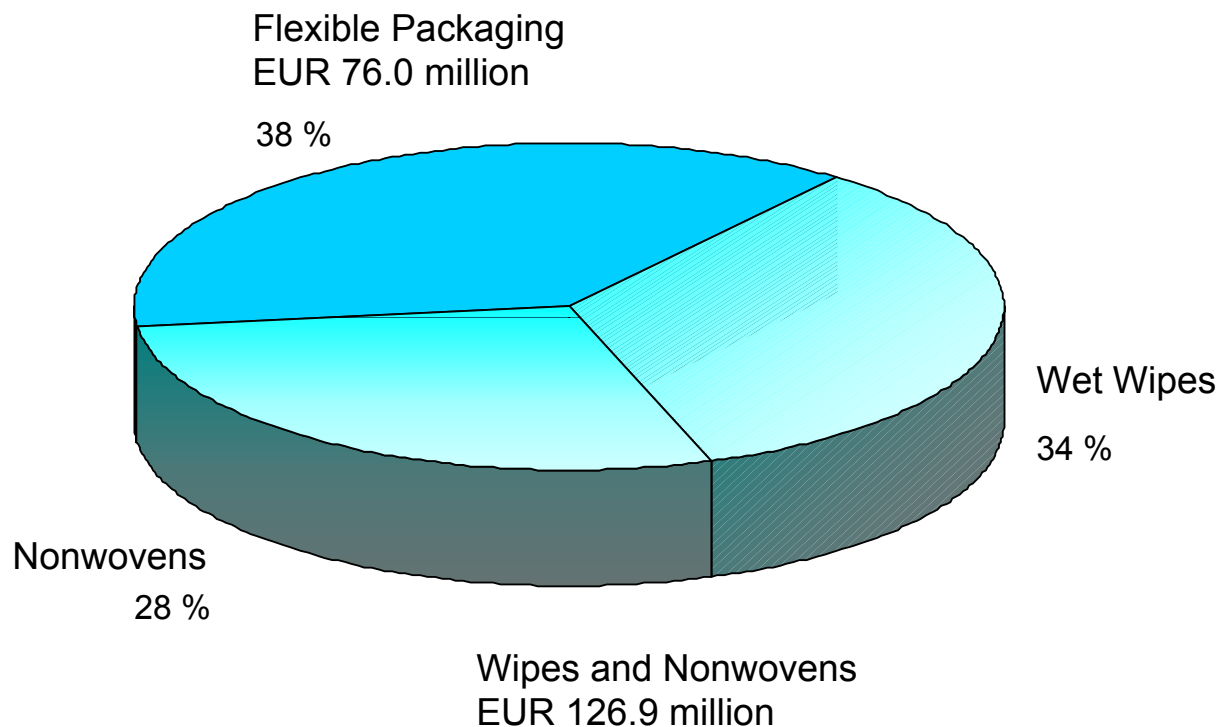
## Operating cash flow

- Cash flow from operations clearly better than 2005.
- Low level of investments helped to reduce debt.



## Breakdown of net sales 1 - 12/2006

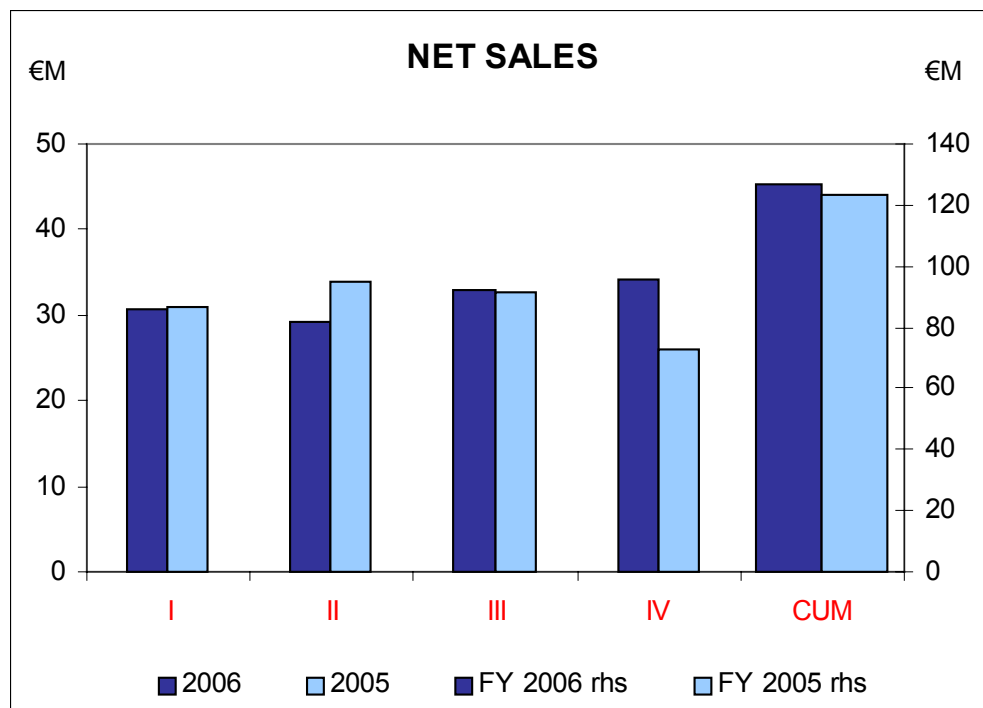
EUR 202.6 million



## Wipes and Nonwovens

### - Sales starting to move up

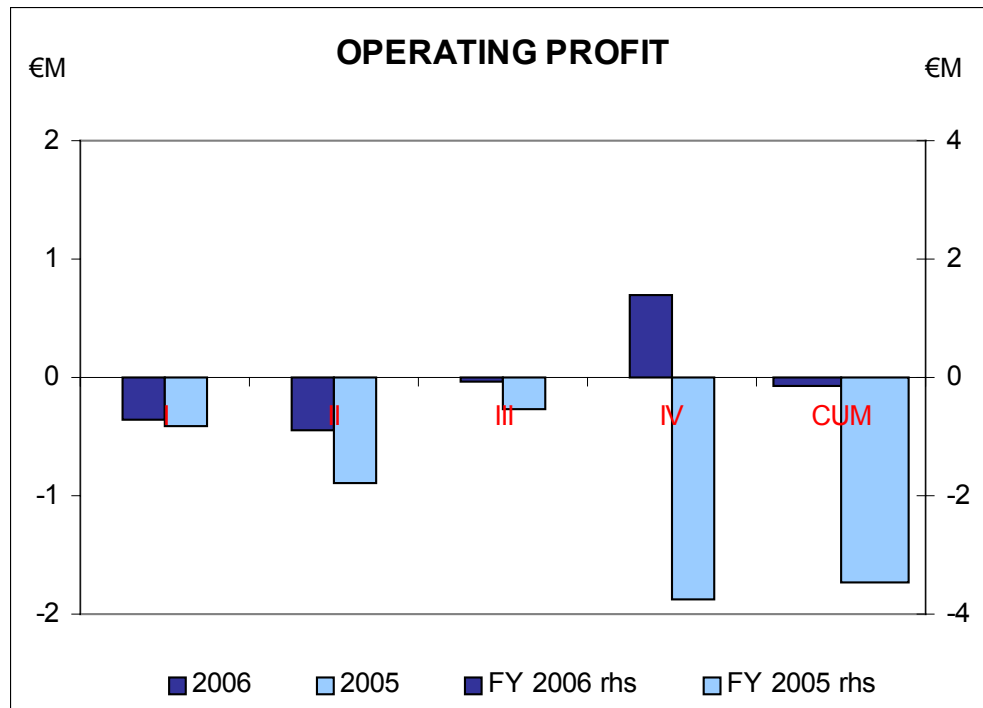
- Net sales in Q4 grew strongly.
- Net sales 3 % higher than in 2005. Sales in Wet Wipes up by 7 %.
- Growth both in baby and personal care wet wipes.
- New product projects in Wet Wipes on stream in the second half of the year after some delay.
- Sales to new retail brand customers waiting for tender season.
- Sales of nonwovens brisk in fall and full year sales on the level of 2005 in spite of decline of thermobonded sales.



## Wipes and Nonwovens

### - Q4 operating profit turned black

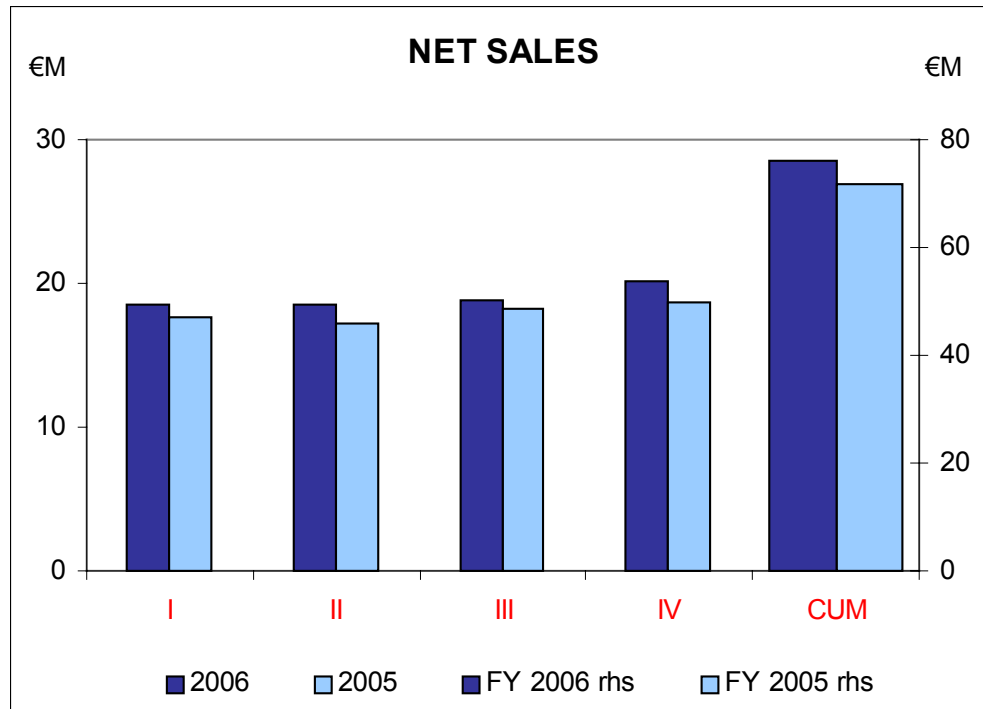
- Higher sales volume improved profitability.
- As planned, cost savings achieved, and number of personnel down by 100.
- Higher utilisation of automatic lines in Wet Wipes boosted efficiency.
- Production somewhat lower than sales. Uneven demand for nonwovens increased costs.
- Energy costs peaked. In future Nonwovens will benefit from the new solid fuel plant.



## Flexible Packaging

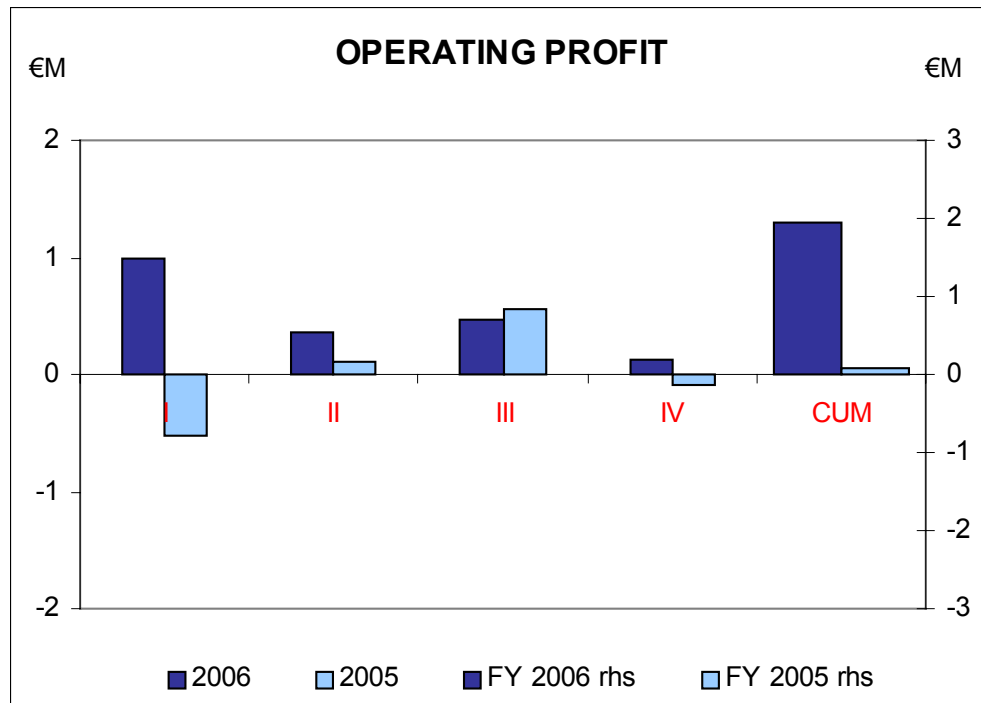
### - Sales growth in value added products

- Net sales in Q4 up by 8 %.
- Net sales for 2006 up by 6 % thanks to improved average prices.
- Growth was high in hygiene and food sectors.
- Share of international sales grew to 62 %.
- Production in Poland in a strong growth path. Further investments underway to meet with the demand.



## Flexible Packaging - Changes in structure

- Average margin up as a result of improved product mix.
- Prices for raw materials peaked in Q4.
- A number of efficiency initiatives successfully launched.
- Nonrecurring costs of EUR 0.7 million for 2006 from the Kauhava plant closure hit the Q4 result.
- Production volumes low in December due to holiday season.



## Outlook

- Net sales for 2007 are expected to grow from 2006, and profit for the financial year is expected to turn positive.
- Sales growth is based on the forecasts provided by customers and on our own estimates.
- Profitability is expected to improve thanks to planned cost savings, better operational efficiency and increased sales.
- Rapid changes in oil-based raw materials may affect margins.
- Capital expenditure for 2007 is anticipated at a level of EUR 12 million.

## Financial targets

The Board of Directors has established a set of new financial targets for Suominen between 2007 and 2009:

To gradually increase operating profit to 7 %.

To achieve an average annual growth in net sales of more than 5 %.

To gradually reduce gearing to 120 %.

To raise the size of the dividend, and ensure the sound growth of the Company.

## 2007

- The Kauhava premises were sold
- Extension of Flexible Packaging's Polish plant

# Financials

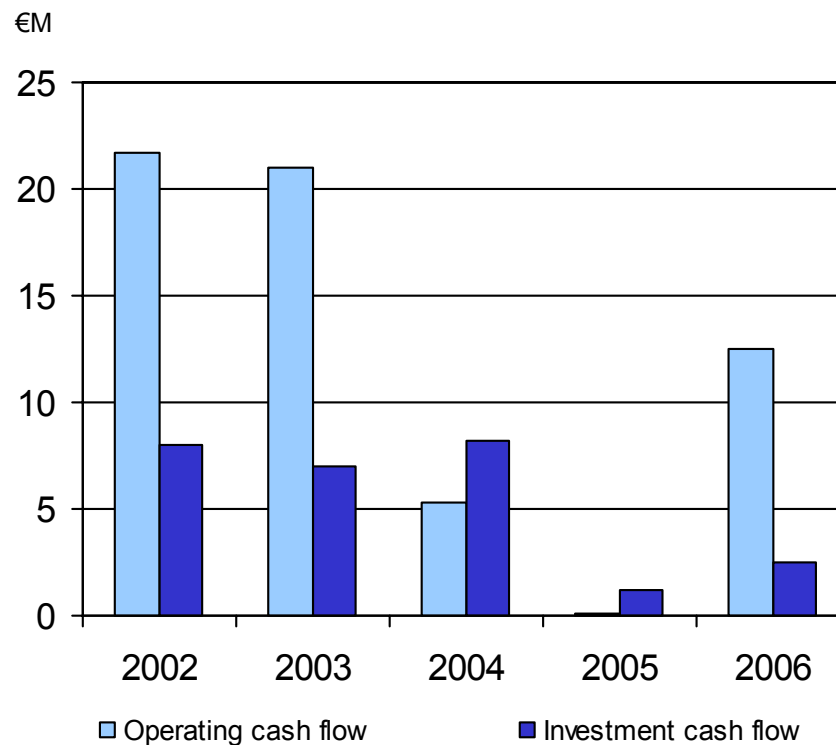
Arto Kiiskinen, CFO

## P&L in brief

EUR million	Q4 2006	Q4 2005	FY 2006	FY 2005
Net sales	<b>54.2</b>	44.6	<b>202.6</b>	195.2
Operating profit	<b>0.8</b>	-1.3	<b>1.2</b>	-3.1
Profit before taxes	<b>-0.3</b>	-2.1	<b>-2.7</b>	-6.8
Profit/loss for the period	<b>-0.1</b>	-1.6	<b>-1.8</b>	-3.7

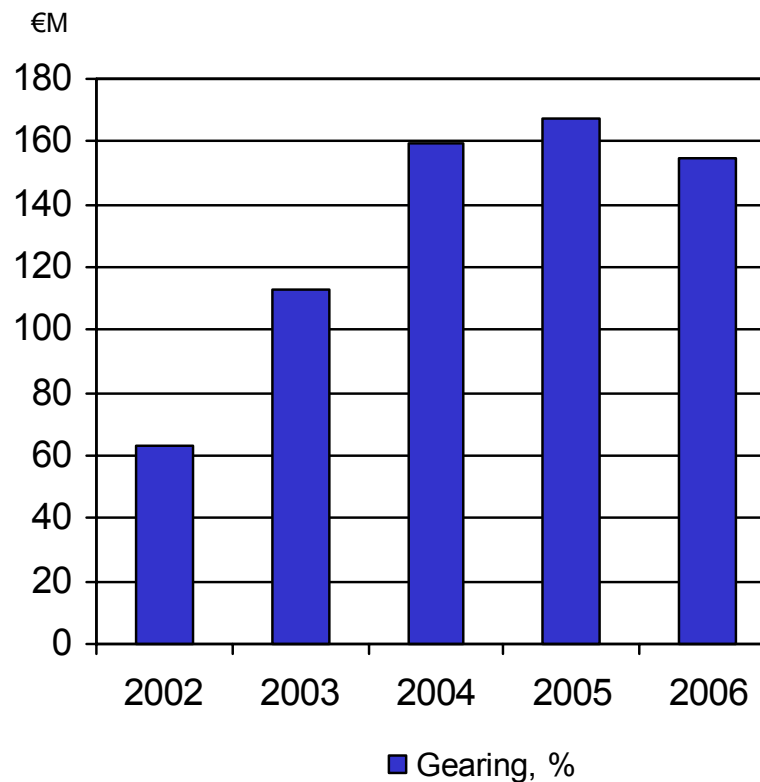
## Cash flow

EUR million	2006	2005
Cash flow from operations	<b>12.5</b>	0.1
Cash flow from investing activities	<b>-2.5</b>	-1.9
Cash flow from financing	<b>-10.0</b>	0.6
Change in cash and cash equivalents	<b>0.1</b>	-1.2



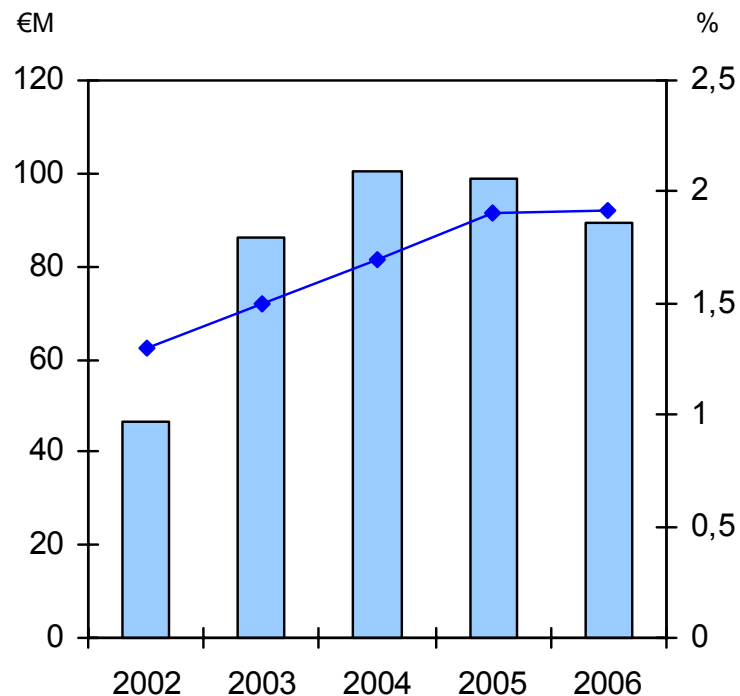
## Financial gearing

	2006	2005
Equity ratio, %	<b>32.3</b>	31.2
Gearing, %	<b>154.4</b>	167.6
Net debt to adjusted capital ratio, %	<b>60.7</b>	62.7



## Interest bearing debt

	2006	2005
Interest bearing debt	<b>89.3</b>	99.1
Financial income and expence	<b>3.9</b>	3.7



Interest bearing debt (lhs)

Financial items, % of net sales (rhs)

## Net sales by business area

EUR million	2006	2005
Wipes and Nonwovens		
- Wet Wipes	<b>69.3</b>	64.9
- Nonwovens	<b>67.3</b>	67.5
- eliminations	<b>-9.7</b>	-8.9
Total	<b>126.9</b>	123.4
Flexible Packaging	<b>76.0</b>	71.8
Consolidation items and eliminations	<b>-0.3</b>	-0.1
Net sales, continuing operations, total	<b>202.6</b>	195.2

## Earnings by business area

EUR million	2006	2005
Wipes and Nonwovens	-0.1	-3.5
Flexible Packaging	2.0	0.1
Consolidation items and eliminations	-0.7	0.3
Operating profit from continuing operations	1.2	-3.1

## Wipes and Nonwovens - Segment information

EUR million	2006	2005
Net sales	<b>126.9</b>	123.4
Operating profit	<b>-0.1</b>	-3.5
Personnel, average	<b>455</b>	532
Net assets	<b>102.8</b>	111.6
Investments	<b>2.2</b>	4.9

## Flexible Packaging - Segment information

EUR million	<b>2006</b>	2005
Net sales	<b>76.0</b>	71.8
Operating profit	<b>2.0</b>	0.1
Personnel, average	<b>593</b>	607
Net assets	<b>43.9</b>	51.7
Investments	<b>2.1</b>	2.8

## Key figures

	2006	2005
Earnings/share, EUR	<b>-0.08</b>	-0.15
Equity/share, EUR	<b>2.40</b>	2.44
Cash flow from operations/share, EUR	<b>0.53</b>	0.01
Return on equity, % (ROE)	<b>-3.1</b>	-6.2
Return on invested capital, % (ROI)	<b>0.9</b>	-0.8
Equity ratio, %	<b>32.3</b>	31.2
Equity ratio, %, capital loans in equity	<b>34.6</b>	34.4
Gearing, %	<b>154.4</b>	167.6
Gearing, %, capital loans in equity	<b>137.7</b>	142.5
Gross investments, EUR million	<b>4.3</b>	7.7
Depreciation and impairment losses, EUR million	<b>14.7</b>	15.6