Suominen

Annual Report 2006

Creating Convenience

Financial Information

Interim Report 1 January – 31 March,
issued 25 April 2007
Interim Report 1 January – 30 June,
issued 23 July 2007
Interim Report 1 January – 30 September,
issued 24 October 2007

The Annual Report, Interim Reports, and other Stock Exchange Releases are published in Finnish and English. They are available on the Company's Internet pages at www.suominen.fi immediately after publication. The Internet pages also contain information on how to join the mailing list for Annual and Interim Reports. The English editions are translations of the Finnish originals, which will prevail in the event of any dispute.

The Annual General Meeting

The Annual General Meeting of Suominen Corporation will be held on Thursday 29 March 2007, at 10 a.m. in the Conference Hall of the Palace Restaurant, Eteläranta 10, Helsinki.

Shareholders who are entered in the Company's Register of Shareholders maintained by Finnish Central Securities Depository Ltd. on 19 March 2007 are entitled to attend the Annual General Meeting. Notice of attendance at the Annual General Meeting is requested by 4 p.m. on Thursday 22 March 2007, either in writing to Suominen Corporation, P.O. Box 380, FI-33101 Tampere, by e-mail at minna.lehtonen@suominen.fi, by telephone at +358 (0)10 214 3535 or by fax at +358 (0)10 214 3536.

Payment of the dividend

The Board of Directors proposes to the Annual General Meeting of Shareholders that a dividend of EUR 0.06 per share be paid for the financial year 2006. The dividend will be paid to a shareholder registered in the Company's Register of Shareholders maintained by Finnish Central Securities Depository Ltd. on the record day 3 April 2007. The Board of Directors proposes to the Annual General Meeting that the dividend be paid on 12 April 2007.

Contents

We provide products and solutions that bring greater convenience to people's everyday lives.

Welcome to the World of Suominen

We play an important part behind the scenes in a surprisingly wide range of areas, providing products and services that bring greater convenience to many aspects of people's everyday lives. Whether we're talking about comfort, fresh air, or hygiene. Everything we do at Suominen is aimed at making things that bit easier for all of us, adding extra quality of life that we can all appreciate. By working together with our customers and partners – everywhere.

Creating Convenience

Suominen Corporation specialises in high-quality wet wipes, nonwovens, and flexible packaging, which it supplies to major brands, consumer goods producers, and the retail sector – primarily in Europe.

Suominen is the third-largest producer of wet wipes in Europe, with a focus on baby care, personal care, and household cleaning products. Suominen leads the field in the personal hygiene products area, for example.

The Group has a significant share of the European market for nonwovens, and also sells into the North American market. In addition to supplying companies producing consumer and industrial products, a growing proportion of the Group's nonwovens are today used in in-house wet wipe production.

Suominen-produced flexible packaging can be found in numerous food, hygiene, and retail applications across Northern Europe and a growing number of markets in Eastern Central Europe. Suominen is the retail flexible packaging leader in Finland, and is particularly strong in bakery and frozen food applications – and is a leading supplier of packaging for hygiene products in a number of segments regionally.

Production facilities are based in Finland, the Netherlands, Poland, and Sweden, and the Company employs approximately 1 050 people.



- Improved cost structure
- Increased sales in the second half
- Organisational development
- Improved result
- Strong cash flow

- Slow sales in the first half
- Higher raw material and energy costs
- Demand fluctuations resulted in higher production costs
- Sales challenges in Wipes and Nonwovens business area

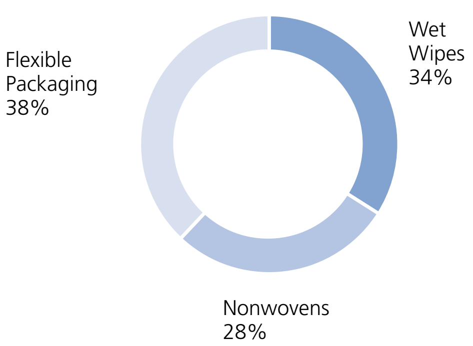
Key Figures for 2006

Suominen recorded an improved result in 2006 compared to 2005, but again booked a pre-tax loss. Sales developed unevenly during the year, rising during the latter half. Sales margins improved on 2005, but the Group was unable to pass on all the higher costs it incurred to product prices. The cost-saving programme initiated in autumn 2005 was completed successfully, and the EUR 6 million in savings achieved were above-target. The result includes non-recurring costs of EUR 0.7 million associated with the closure of the Kauhava plant.

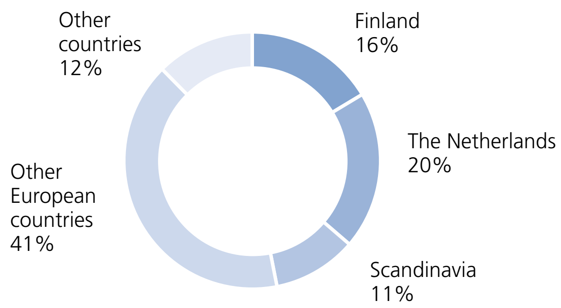
	2006	2005
Net sales, € million	**202.6**	195.2
Operating profit, € million	**1.2**	-3.1
as % of net sales	**0.6**	-1.6
Profit before taxes, € million	**-2.7**	-6.8
Profit for the period, € million	**-1.8**	-3.7
Earnings/share, €	**-0.08**	-0.15

	2006	2005
Cash flow from operations/share, €	**0.53**	0.01
Return on invested capital (ROI), %	**0.9**	-0.8
Return on equity (ROE), %	**-3.1**	-6.2
Equity ratio, %	**32.3**	31.2
Personnel at the end of the year	**1 048**	1 103

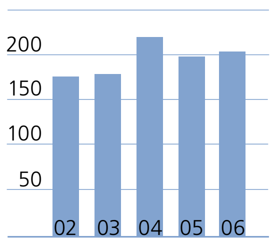
Net sales by business unit



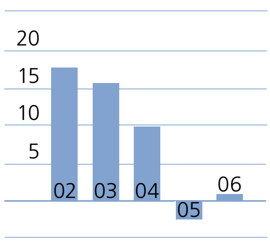
Net sales by market area



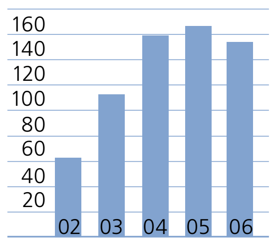
Net sales, € million



Operating profit, € million



Gearing, %



Review by the President and CEO

When I joined the Suominen team in spring 2006, I quickly learnt that our customers and our other stakeholders see the Group as a highly expert partner and one that they enjoy working with. The quality of our products and services are also ranked very highly.

Despite these strengths, our financial performance last year remained modest, although we did succeed in improving our result compared to the difficult year we experienced in 2005. The ongoing overcapacity typical of nonwovens and wet wipes in particular, together with the price fluctuations characteristic of the polymers that we use, provided their own challenges. By drawing on our inherent strengths, and through determined internal measures and developing our operations, however, I believe that we will be able to improve our performance, and significantly so.

The main emphasis of our operations in 2006 was on strengthening our platform and securing strong cash flow for the Group. We approved a EUR 5 million cost-cutting programme early on in the year, and succeeded in exceeding the programme's target by around EUR 1 million, which played a decisive part in our performance improvement. Cost savings were focused on our Wet Wipes business unit in particular, and saw some reductions in personnel. We also launched a programme to streamline the cost structure of our Flexible Packaging business area, and closed our Kauhava plant as the first stage in this.

Building a sustainable future for Suominen

While savings and cost-cutting will be important in building a sustainable foundation for the future, we did not forget the importance of focused investments, and decided to increase printing capacity at our modern plant in Poland. The new machine will be fully operational in summer 2007 and will enable us to take advantage of developments in Europe's fastest-growing markets.

We also launched a number of other initiatives designed to secure our future potential. We updated our strategy and annual planning processes; and held two internal workshops attended by senior management from across the Group that were themed around developing performance-driven management and outlining where we want to be in the future and committing to this future.

To be a good investment for our current investors and an attractive one for future investors, a partner capable of delivering real added value to our customers, and a positive workplace for our employees, we need to foster a true 'can do' spirit at Suominen. Which is why many of our recent efforts have focused on development projects carried out in close cooperation with our customers, defining our key processes, and instilling a greater insistence on the need for continuous improvement. In the autumn, we introduced the Stairs to Top programme embracing the entire Group that will address projects designed to cut costs, improve efficiency, and generate growth.

Focusing on synergies

The importance of leveraging the synergies that exist between Suominen's units, as a means of improving operations and driving growth, was highlighted as part of our strategy work. We believe that we can achieve valuable cost savings and streamline operations through common, Group-wide programmes. We will also be able to develop attractive, highly differentiated products by leveraging the extensive innovation potential that we possess across the entire wet wipes chain – in nonwovens, lotions, packaging, and end-product manufacturing.

To provide us with the tools to manage and drive these projects, we decided to allocate the responsibility for developing our three key processes – innovation and product development, operational efficiency, and purchasing and logistics – to three members of senior management. This will help push developments forward and ensure the rapid adoption of best practices in our various units.

Profitable, long-term growth

Suominen's products, whether wet wipes, nonwovens, or flexible packaging, offer an excellent foundation for growth in our main markets, where a healthy lifestyle, wellbeing, personal care, and convenience are increasingly dominant trends, both for leading brands and private label goods.

Our strategy here will be to concentrate on profitable, long-term growth, and on product and market segments where we can achieve a leading position through our know-how and in cooperation with our customers. Our goal is to offer our customers products and solutions that are competitive, innovative, and offer real added value. The fact that we already enjoy a leading position in a number of segments only underlines our potential.

In conclusion, I would like to thank all our partners, shareholders, and our own personnel for their contribution as we move forward. Together, we will create true convenience.

Kalle Tanhuanpää

Creating New Opportunities

Founded in 2001, but with a history that goes back over 100 years, Suominen serves customers in the consumer goods industry and the retail sector that include a number of major international brands and leading manufacturers of hygiene, personal care, and food products.

The Group's products – whether wet wipes, nonwovens, or flexible packaging – are all based around the same underlying philosophy of bringing greater convenience to people's everyday lives.

Suominen aims to do this, and achieve long-term profitable growth, by being the preferred partner for its key customers, and by providing real added value, through a combination of excellent cost efficiency and operational performance, continuous improvement, and a mix of capabilities that we believe is unique in the industry.

The Suominen advantage

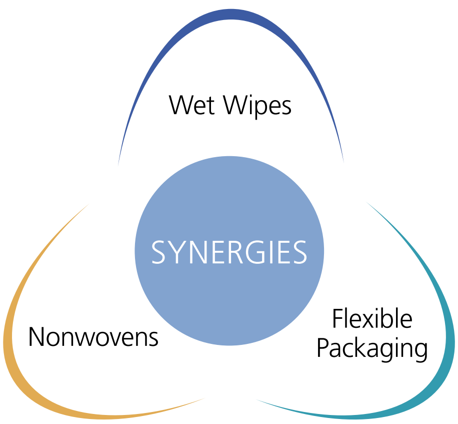
Working together to make the most of Suominen's capabilities enables us to offer customers, and their customers, new levels of convenience.

This is perhaps best highlighted in wet wipes, where Suominen offers expertise across every component of the overall offering – from excellent cleaning efficiency to ease of use, from lotions, through in-house nonwoven production, to packaging that is easy to open and use.

Capabilities such as these are particularly valuable for large, multinational brands that want to outsource some of their product development processes to dedicated specialists and streamline their internal operations. They are equally valuable for retail brands as well, where Suominen can supply both complete ready-to-go concepts and products.

An integrated chain, extending from nonwovens and lotion to packaging and complete products – combined with our position as an industry-leading supplier – have already made Suominen a respected partner for its customers. And even more importantly, will continue to do so into the future.

Through the best in partnership, reliability, quality and safety, and innovation.



Leveraging our synergies

Suominen's range of process and product expertise – know-how in fibres, nonwovens, and packaging material to lotions and end-product integration – means that the Group can offer a wide range of solutions. A growing number of our customers will benefit from this unique combination, and we will continue to develop our synergy-driven strengths further to offer even more. The future, we believe, will be all about combining skills, synergies, and imagination.

Four key foundations

Suominen's strategy is built around four key foundations:

- Long-term cooperation with key customers based on development-driven partnership
- An efficient value chain driven by operational excellence, continuous improvement, and comprehensive cost consciousness
- Profitable long-term growth through a truly value-added offering tailored to today´s needs
- Unique Group-wide synergies.

Suominen's Guiding Wheel

Suominen has highlighted three key drivers behind what it describes as its Guiding Wheel: partnership, trust, and expertise. The dialogue, openness, and competence that these drivers represent will play a central part in Suominen's future success. We are passionate about our business and getting things done.

Our core purpose is to provide products and solutions that bring greater convenience to people's everyday lives.

Partnership
We engage in constant dialogue with our customers to ensure that we understand their needs and the needs of consumers. This enables us to work as a dynamic team throughout the value chain.

Trust
We believe in open communications and cooperation. We are committed to accountability and standing behind what we say.

Expertise
We value know-how and believe in constant improvement. Ideas and plans, however good, only provide real added value when we make them happen.

Renewing the Suominen Promise

Suominen launched a series of initiatives in autumn 2006 under an umbrella programme known as Stairs to Top, designed to address both short-term and long-term challenges and opportunities, and build on the success of the previous cost-saving programme.

Over the short term, these will focus on consolidating the current financial position and strengthening the Company's foundation for the future. Efforts designed to reduce costs and emphasise more cost-efficient operations have already yielded results, in areas such as personnel reductions and savings in general costs, production transfers designed to optimise efficiency, the use of cheaper energy sources, and improved logistics and purchasing. Personnel reductions have been made in the Netherlands, and the Kauhava plant in Finland has been closed.

With the help of more determined hands-on production management, output and yield in many areas has steadily improved, and a number of production records have also been achieved. Parallel to these developments, work has also been intensified to identify best practices across the Group and ensure that success in areas such as purchasing and logistics in one part of the business can be leveraged to benefit Suominen as a whole. Similar work has been launched to identify and develop the Group's key processes.

Together, these efforts are intended to introduce a more clearly performance-driven business culture at all levels of the organisation.

Longer term, Suominen aims to continue to pursue the growth of its core businesses and enhance the Group's ability to anticipate future consumer and other trends in the marketplace and tailor its offering to these developments more effectively.

A challenging market

Health, beauty, and wellness are becoming increasingly important consumer trends, together with convenience. Strong brands, and the companies behind them, continue to be important and will remain so. Retail brands promoted by local and regional retailers are also growing.

All of Suominen's markets are continuing to grow, although the pattern of this growth varies both in terms of products and geographical region.

Growth in wet wipes is expected to slightly exceed overall growth in consumption, with customised applications and promotional items driving this in terms of value, while the baby and toddler segment will remain flat. Overcapacity and price pressures continue to be a challenge; and are also issues for nonwovens. Annual growth in the latter is likely to be similar to that expected in wet wipes, with the mass market remaining very much price-driven.

Flexible packaging is the fastest-growing segment of the packaging business, with the bulk of this growth concentrated in Eastern Europe, where growth over the next few years is expected to be considerably higher than in Western Europe, which is likely to remain flat. This growth will range across areas as diverse as tissues, bakery products, and frozen vegetables and ready meals. Production is shifting to Eastern Europe, to take advantage of these growth expectations and the lower labour costs typical of the region.

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.

"Working together and learning from each other helps us grow safely and securely."

Making more of synergies

Making more of synergies was identified as an important development area for Suominen in 2006. Synergy teams were established at the beginning of October covering the Group's key processes – innovation and product development, operational efficiency, and purchasing and logistics – and headed by the vice presidents of the Group's three businesses.

"Our customers are among the leading players in their fields, and they expect the best of us. To continue to succeed here, we need to be smarter and nimbler than our competitors," says Petri Rolig, Vice President and General Manager of Flexible Packaging, and responsible for Group-level innovation.

"Change is the only permanent factor today, and we need to be more proactive in releasing more of our potential to meet this challenge and improve all aspects of our performance, not least in innovation – thinking in new ways, responding in new ways, and working together in new ways, internally and with our customers."

Committed to quality and the environment

Suominen's customers expect quality, and the Group is committed to ensuring that its products and processes deliver on quality. High standards and ongoing product and process development – measured against annual environmental, safety, and quality targets – ensure that customers benefit from the maximum added value.

Total quality management is implemented across the Group, and nonwoven production is also ISO 14001-certified. Quality, environmental, and safety systems in flexible packaging operations have been integrated into a single operating system. Joint development programmes and audits are used with suppliers and other partners to ensure an uninterrupted chain of high quality, safety, and environmental standards.

Given the fact that Suominen's products are used in a wide variety of personal hygiene, health care, and food products, hygiene is the subject of special attention. Comprehensive guidelines and procedures ensure clean working environments at all locations.

Reducing the environmental impact of both production and products is a priority at Suominen. On the production side, the nonwovens plant at Nakkila, for example, now sends its production waste to a new heating plant fired on a combination of this waste and wood chips developed in collaboration with Finland's largest utility, Fortum. A local district heat company also benefits from the plant´s output.

Product and process development teams incorporate environmental and safety requirements into their work from the very start of projects – to provide customers with products that meet their needs and use raw materials, energy, and other resources as efficiently as possible.

Innovative product development

Research and product development is an important area for Suominen in ensuring that the Group can offer its customers ever-better and more innovative solutions. Suominen works closely with customers' R&D teams to help them respond rapidly and flexibly to the changing needs of consumers and other end-users, and incorporate extended feature sets or completely new features, and anticipate upcoming trends in areas such as recyclability and product security. Customer-specific solutions are prioritised for brand products, and in-house concepts for private labels.

Development facilities and specialist personnel are concentrated in a central research laboratory, and the Group operates advanced pilot lines for manufacturing wet wipes and developing and testing fibres, nonwovens, wet wipes, and multilayer film materials.

In the wet wipes area, Suominen is continuing to focus on developing lotion and packaging solutions, leveraging the synergies offered by its own wet wipes liquids production plant. Development work in nonwovens concentrates on extending the range of products for both general and industrial wipes, and developing techniques such as embossment as a means of improving the effectiveness of wipes and offering greater variety.

In the flexible packaging area, Suominen is addressing improved functionality, as well as easy-to-use and reclosable solutions, through the use of thinner films and enhanced converting, and the visual appearance of products, with the help of advanced printing and high-quality laminating techniques. Increasing the user-friendliness of packaging is also a priority for consumers, as is enhanced shelf visibility for retailers.

“We want to be our customers’ preferred partner.”

Safer with Minigrip

Suominen's Minigrip bags have become something of a classic over the years. The versatility and durability of their innovative easy-to-open, easy-to-close design – and the ease with which they can be printed or written on – has seen them used everywhere from people's freezers at home, for storing last summer's strawberries, to industry, for items such as electronics components and spare parts.

The latest area to benefit from Minigrip products has been airport and airline security. Following the introduction of tougher safety regulations in the EU, many people have found that 1-litre Minigrip bags are ideal for packing things like carry-on cosmetics and beverages, as they are transparent and resealable.


NIVEA
Baby
Toddies


NIVEA
Baby
Fresh-Lotion
okidoki
NIVEA
Baby
Sensitive

Wet Wipes

Products

- Wet wipes for
  - babies and toddlers
- Personal care wipes for
  - facial cleansing
  - cleansing and freshening the body
- Household cleaning wipes for
  - all-purpose cleaning
  - floors and glass

Customers and markets

The market for wet wipes is continuing to grow as people value the convenience and ease these products offer. Growth is fastest in the cosmetic wipes and personal hygiene areas. Developments in the largest product segment, baby care, and household cleaning are more modest in contrast. Suominen is Europe's market leader in personal cosmetic wet wipes, with just under 20 per cent of the market.

Leading consumer brands represent Suominen's most important customers in the wet wipes area, followed by retail chains. The growth in the market share of private labels has reduced end-product price levels and led to tougher competition. Europe remains the main market area for Suominen's wet wipes.

Business operations

Wet Wipes makes use of a variety of manufacturing technologies and folding techniques. Combined with strong in-house lotion expertise, this enables the business to offer a comprehensive range of products; while its central location in Europe offers excellent logistics. Modern production machinery and an efficient cost structure are also key factors in the business' success.

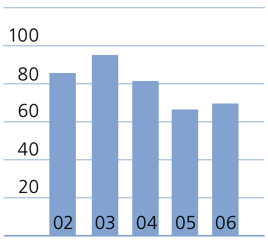
A strong commitment to product development, quality production, and the overall expertise of the Suominen Group make Wet Wipes an attractive partner, and one that is capable of meeting all the requirements of the most demanding customers. Anticipating consumer trends, introducing range extensions on a continuous basis, and developing product properties are all key features of the Suominen approach.

2006 in focus

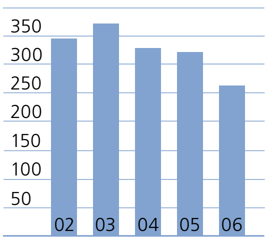
Wet Wipes recorded net sales of EUR 69.3 million in 2006, an increase of 7 per cent on the EUR 64.9 million booked in 2005. Gross investments totalled EUR 1.0 million, and the business employed an average of 262 people.

Sales volumes increased compared to 2005, and a number of major new product projects were launched during the second half of the year. Wet Wipes introduced a more customer-driven organisation at the end of 2005, with dedicated customer service functions for brand and retail chain customers. Increased sales to the latter progressed more slowly than expected, however. Production, logistics processes, and support functions were all streamlined. Particular attention was given to promoting and developing the expertise of personnel. Overall, the reorganisation project succeeded as planned, and the business exceeded its cost-savings targets.

Net sales, € million
pro forma 2002–2003



Average personnel



"Our goal is to seek growth from both innovative brand goods and retailers' own brands. As part of our Stairs to Top programme, we will be directing additional sales efforts to France, Germany, Benelux, and the Nordic countries in particular. We are also aiming to continue working even more closely with our customers as a development partner, and launching new, enhanced wet wipe solutions in partnership with them. We will continue to develop the synergies that exist between Suominen's various units, and a growing number of our concepts will be based on the Group's own product components and knowhow."
Pekka Rautala, Vice President and General Manager


okidoki


Savett fresh


Savett toilet

Nonwovens

Products

- Nonwoven materials used for manufacturing wet wipes for baby care, personal hygiene, beauty care, and households
- Industrial applications include wet and dry wipes for a variety of uses
- Suominen nonwovens are also used in other hygiene products and wound care products

Customers and markets

Demand for nonwovens is continuing to grow steadily, both through growth in existing applications and product extensions in wiping. The growth in demand for nonwovens in wipes and hygiene products is slightly outpacing overall consumer demand. Demand for wound care products is steady. Following the new production capacity that has come on stream in the industry over the last few years, the market continues to remain challenging. A growing proportion of Suominen's nonwovens are converted in-house today into wet wipes.

Suominen's customers in the nonwovens area include some of the world's leading consumer brands, which Suominen supplies with material for wet wipes, wound care products, and disposable hygiene products. Europe continues to be the main market for Suominen's nonwovens, and the Group has a major position on the European market. Sales outside Europe mainly go to North America.

Business operations

Nonwovens produces nonwoven roll goods for further processing by customers or in-house use. Material produced using hydroentanglement technology is mainly used in wet wipes, industrial wipes and wound care products, while thermally bonded material is used in hygiene products.

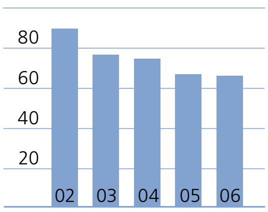
The main raw materials used in production comprise polypropylene, viscose and polyester fibre, pulp, and cotton. Polypropylene is the principle material used in the unit's integrated fibre manufacturing process, which enables customised products to be produced rapidly for specific customer needs. Efficient production systems and comprehensive product development capabilities provide a solid foundation for close cooperation with the Group's key customers. Advanced, modern pilot equipment covering the entire manufacturing portfolio provide valuable support here.

2006 in focus

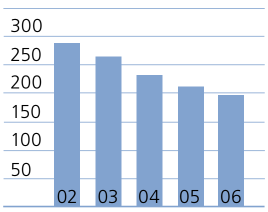
Nonwovens recorded net sales of EUR 67.3 million in 2006, virtually unchanged from the EUR 67.5 million booked in 2005. Gross investments totalled EUR 1.2 million; and the business employed an average of 193 people.

Developments varied quite substantially between the first and second halves of the year. While the order book during the first half was below expectations, production figures recovered to good levels from the summer onwards. An upward trend in raw material prices and higher energy and freight costs had a negative impact on performance, and could not be passed on in their entirety to sales prices, given the tough market situation. Product development saw an increase in the number of customer-driven development projects.

Net sales, € million



Average personnel



"Improving the efficiency of our operations is our key target, which is also supported by our new organisation. Our most important goals as part of the Stairs to Top programme will be increasing sales in the wipes and hygiene segments, improving the efficiency of our raw material usage, and cutting logistic and energy costs. Our product development will focus on differentiating our products intended for wet wipe applications by increasing the number of raw material options we can use and making various technical enhancements. We will also continue to work more closely with Suominen's other businesses."

Sakari Santa-Paavola, Vice President and General Manager


HORTEX


ISO
Gourmet
Coca-Cola

Flexible Packaging

Products

- Food packaging
  - films and bags for baked goods and frozen foods
  - films and labels for liquids
- Hygiene packaging
  - Wrap films and bags for tissue products
  - packaging for feminine care products and incontinence products
- Retail packaging
  - carrier bags, garbage sacks, and bags on the roll for fruits and vegetables
  - Minigrip bags
  - security bags, tape bags, and system packaging

Customers and markets

Demand for packaging material is growing at a steady couple of per-cent annually. Flexible packaging is expected to account for a growing proportion of this material in the future, thanks to technological de-velopments that will improve cost efficiency, open up new product application opportunities, and make lighter-weight packaging possible. The use of packaging is expected to continue to grow faster in Eastern Europe than in Western Europe.

Suominen Flexible Packaging's cus-tomers include major hygiene and food product manufacturers and retail chains in Northern and East-ern Europe.

Suominen is the market leader in the retail packaging segment in Finland, and works closely with the country's leading retail chains. In the field of food packaging, Suominen is also a strong player in supplying packaging solutions for customers in the bakery and frozen food in-dustries. Flexible Packaging is the leading supplier for its international hygiene packaging customers in Europe in a number of regional and product segments.

Business operations

Suominen produces a wide range of consumer packaging products. Premium materials and high-quality printing guarantee that customers' products stand out on the shelf. Customer-driven product develop-ment ensures that Suominen devel-ops solutions that meet consumer expectations in areas such as ease of use, reclosability, and recyclabil-ity.

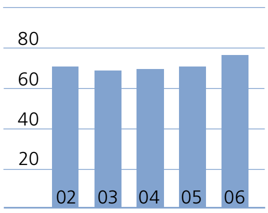
Suominen is committed to further developing its core flexoprinting, lamination, and converting tech-nologies. Production facilities are located in Finland, Poland, and Sweden; the Polish site, in particu-lar, has been developed significantly in recent years to serve the growing markets of Eastern Europe.

2006 in focus

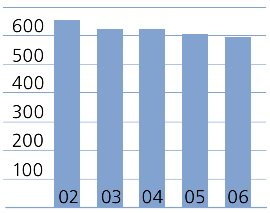
Flexible Packaging recorded net sales of EUR 76.0 million in 2006, an increase of 6 per cent on the EUR 71.8 million booked in 2005. Gross investments totalled EUR 2.1 million; and the business employed an average of 593 people.

Net sales grew well above the long-term average growth typical of the business. This positive development was largely based on an increase in the ratio of value-added prod-ucts. Growth was strongest in the hygiene packaging area, thanks to close cooperation with customers and the use of new printing oppor-tunities. Growth was also strong in security packaging. Sales of retail packaging fell back, in contrast, and production at the Tampere plant was downsized to match this. The Kauhava plant, which produced bakery packaging, was closed at the end of the year, and production switched to other sites.

Net sales, € million



Average personnel



"We are committed to retaining our leading mar-ket position in Finland and growing in Northern and Eastern Europe. As part of the Stairs to Top programme, we will be targeting improving our production efficiency and increasing sales of new products. Our focus in terms of product develop-ment will be on ease of use and improving the potential of our products to stand out from the competition with the help of advanced printing and other techniques. We also intend expanding our production capacity at our Polish plant."
Petri Rolig, Vice President and General Manager

Corporate Governance

Suominen Corporation is a Finnish listed company and observes the Finnish Companies Act, other regulations covering listed companies, and the requirements of its own Articles of Association in its decision-making and administration. Suominen's system of administration and supervision complies with the Corporate Governance recommendation issued by the Helsinki Exchange, the Central Chamber of Commerce, and the Confederation of Finnish Industry and Employers that came into force as of 1 July 2004.

Business organisation

Suominen Corporation has two main business areas: Wipes and Nonwovens, and Flexible Packaging, of which the former is divided into two business units: Wet Wipes and Nonwovens. Financially accountable vice presidents report to the Company's President and CEO. Financial management provides support for all areas of operation.

General Meetings of Shareholders

Suominen Corporation's highest decision-making authority is exercised by the Company's shareholders at General Meetings of Shareholders. These meetings decide on matters specified in the Companies Act, such as the acceptance of the Company's financial statements and the payment of dividends, the release from liability of members of the Board of Directors and the President and CEO, the election of members of the Board of Directors and Auditors and the compensation paid to them, and amendments to the Articles of Association. An Annual General Meeting is held annually on a date determined by the Board of Directors before the end of April. Annual General Meetings address matters specified as coming within their authority in the Articles of Association and other proposals put before them. Extraordinary General Meetings are convened when necessary to consider specific proposals put before them for consideration. General Meetings of Shareholders are convened by the Board of Directors.

Each Suominen Corporation share entitles its holder to one vote. Under the Articles of Association, no shareholder may cast more than one fifth of the total number of votes represented at the General Meeting of Shareholders. The Company is not aware of any shareholder agreements concerning the use of voting rights or restrictions related to the conveyance of its shares.

Shareholders shall be invited to General Meetings through an invitation published in a daily newspaper in the Company's domicile specified by the Board of Directors that shall also include the agenda of the meeting. The Board of Directors' proposals to a General Meeting and the invitation shall also be announced in a stock exchange release.

The members of the Board of Directors, the President and CEO, and candidates nominated for Board membership shall attend General Meetings, unless there are well-founded reasons for their absence.

Board of Directors

In accordance with the Articles of Association, Suominen Corporation's Board of Directors shall comprise a minimum of three members and a maximum of seven. Members are elected by the Annual General Meeting. Their term of office shall expire on conclusion of the first Annual General Meeting following their election. A person aged 70 years or older cannot be elected to the Board of Directors. The Board elects a Chairman and a Deputy Chairman from among its members.

Suominen Corporation's Annual General Meeting, held on 20 March 2006, elected Heikki Bergholm, Kai Hannus, Pekka Laaksonen, Juhani Lassila, Mikko Maijala, and Heikki Mairinoja to the Board of Directors. More details of Board members can be found on page 23 of the Annual Report.

The Board of Directors has evaluated the independence of its members in accordance with Section 18 of the Finnish Corporate Governance recommendation and established that all its members are independent of the Company and significant shareholders.

Charter of the Board of Directors

The Board of Directors is responsible for the administration and appropriate organisation of Suominen's operations. The Board is responsible for taking decisions on matters that are likely to have a major impact on the Company's operations; and convenes according to an annual meeting plan.

The duties of the Board include:
- deciding on the Company's corporate structure and organisation
- nominating and dismissing the President and CEO

- deciding on the salaries, bonuses, and other benefits paid to the President and CEO and his immediate subordinates
- deciding on the Company's salary and incentive system
- considering and approving annual accounts, annual reports, financial statement releases, and interim reports
- monitoring and supervising the Group's performance and ensuring the effectiveness of its management
- approving the Company's operating policies (financing policy, insurance and risk management policy, and principles for corporate governance)
- deciding on the acquisition and assignment of fixed assets
- deciding on strategically and financially significant investments, acquisitions, divestments, or other arrangements
- deciding on financial borrowings and pledging securities
- considering and approving strategies and action plans
- establishing a dividend policy and confirming the Company's targets.

In view of the number of members of the Board of Directors and its meeting schedule, it has not been considered appropriate to divide the Board's operations between separate audit, nomination, and compensation committees.

Meeting practice

In accordance with its advance schedule, the Board of Directors meets at least eight times a year. Where appropriate, meetings can be held in the form of teleconferences. The Board of Directors convenes under the direction of the Chairman or, if the Chairman is unable to attend, the Deputy Chairman. Items of business are generally presented by the President and CEO. Minutes are taken of meetings by the CFO. The Board convened 13 times in 2006, of which three meetings were held in the Group's business units. The average attendance rate at meetings was 99 per cent.

Self-evaluation

The Board of Directors reviews its operations and procedures through an annual self-assessment.

President and CEO

The President and CEO of Suominen Corporation is appointed by the Board of Directors, and is responsible for day-to-day operations in accordance with the Companies Act and guidelines and instructions provided by the Board of Directors.

Corporate Executive Team

Suominen Corporation's Executive Team, appointed by the Board of Directors, supports the President and CEO in developing the Company's strategy, considering major operational matters or matters of principle, and ensuring an adequate flow of information across the Group. The Executive Team comprises, as Chairman, the President and CEO, and the Vice Presidents and General Managers of the Flexible Packaging, Wet Wipes, and Nonwovens businesses, and the Vice President and CFO.

The Company's organisation is outlined on the Suominen web site (Suominen Corporation - Administration, Suominen Corporation Organisation Chart).

Salaries and emoluments

Board of Directors

The Annual General Meeting determines the emoluments paid to the members of Suominen Corporation's Board of Directors in advance, for one year at a time. The Chairman of the Board is paid EUR 30 000, the Deputy Chairman EUR 22 500, and members EUR 18 750. A total of 40 per cent of these sums are paid in the form of Company shares.

The members of the Board of Directors do not come within the scope of the Company's stock option programme or incentive scheme, and are not provided with a pension by the Company.

President and CEO and other executives

The Board of Directors determines the salary, bonuses, and other benefits paid to the President and CEO, which totalled EUR 360 430 in 2006.

A written contract has been made with the President and CEO, under which he shall have a six-month period of notice if the Company terminates his employment or if the President and CEO terminates his employment with the Company. Should the Company terminate the President and CEO's contract of employment, an additional compensation corresponding to 12 months' salary shall also be paid.

Separate emoluments are not paid to the members of the Boards of Directors of the Company's subsidiaries. The Board of Directors determines the salaries, bonuses, and other benefits paid to the Executive Team serving under the President and CEO.

The Company provides key personnel with an incentive scheme based on the performance of the Company's units and its consolidated performance and the success of the Company's efficiency-enhancement and new business development initiatives (Stairs to Top programme). The Board of Directors approves the basic fundamentals of the incentive scheme. The President and CEO has been granted a stock option plan that will provide him with 100 000 stock options entitling him to subscribe under clearly specified terms to an equivalent number of Company shares.

Auditing

PricewaterhouseCoopers Oy, Authorised Public Accountants, with Heikki Lassila, APA, as Principal Auditor, act as Suominen Corporation's auditors.

The auditors and the President and CEO agree an audit plan annually that takes account of the fact that Suominen does not have an internal audit organisation of its own. Internal audit findings are reported to the President and CEO and the relevant management concerned.

The fees paid to PricewaterhouseCoopers for the statutory auditing of the Group companies totalled EUR 104 thousand in 2006. The fees paid to the auditing company and companies belonging to the same group for non-audit services totalled EUR 2 thousand.

Internal control and risk management

The financial development of the Company is monitored monthly using an operative reporting system covering the entire Group. Sales reports are prepared, as applicable, on a daily, weekly, and monthly basis. In addition to numerical data, result and balance sheet reporting covers budgets, forecasts, and investment reports.

The duties of Suominen's controller function also include an internal audit dimension as part of the support provided to the Company's businesses.

The Company has insurance, financing, credit, and electricity supply policies confirmed by the Board of Directors.

Guidelines for insiders

Suominen Group observes the guidelines contained in the Finnish Securities Market Act concerning the declaration of insider holdings, the maintenance of an insider register and a Company-specific insider register, the guidelines on insiders issued by the Helsinki Exchange, and the Company's own insider guidelines approved by the Board of Directors.

The members of the Board of Directors, the President and CEO, and the Principal Auditor are included in the Company's public insider register maintained as part of the SIRE Service by the Finnish Central Securities Depository.

The Company also maintains a register of Company-specific, non-public insiders. Permanent insiders listed here include the members of the Corporate Executive Team and certain financial administration personnel. A project-specific insider register is maintained covering major or otherwise important projects. The Vice President and CFO is responsible for insider issues.

Insiders are not allowed to trade in securities issued by the Company for a period beginning one week after the end of a financial period or a financial year and ending with the publication of the interim report or financial statement release for the period or financial year in question (closed window). Insiders must consult the person responsible for insider issues for advice on the legal and procedural implications of any trading in securities that they might plan.

The shareholdings of the Company's public insiders are presented on page 26 and via the NetSire Service, which can be accessed via the Company's Internet site under Investors – Shares – Insiders.

Board of Directors

Mikko Maijala, b. 1945
Licentiate of Technology
Member of the Board since 2005,
Deputy Chairman 2005, Chairman since 2006
Chairman of the Board of Chemec Ltd
Managing Director of Roquette Nordica Ltd
Holds 1 050 000 Suominen Corporation shares
Has controlling power in Maijala Investment Oy, which holds 76 100 Suominen Corporation shares

Pekka Laaksonen, b. 1956
M.Sc. (Econ.)
Member of the Board since 2001, Deputy Chairman since 2006
Senior Executive Vice President, Stora Enso Oyj
Holds 52 566 Suominen Corporation shares

Heikki Bergholm, b. 1956
M.Sc. (Eng.)
Member of the Board since 2001, Chairman 2001–2002
Chairman of the Board of Componenta Corporation and Lakan Betoni Oy
Member of the Board of Kemira Oyj, MB Funds Ltd, and Medone Ltd
Holds 1 722 137 Suominen Corporation shares

Kai Hannus, b. 1945
Licentiate of Technology
Member of the Board since 2006
Head Industry Relations, Ciba Speciality Chemicals
Member of the Board of Chemical Industry Federation of Finland
Chairman of the Scientific Advisory Board of Chemical Industry Federation of Finland
Holds 2 060 Suominen Corporation shares

Juhani Lassila, b. 1962
M.Sc. (Econ.)
Member of the Board since 2005
Managing Director of Agros Corporation
Chairman of the Board of Evald and Hilda Nissi Foundation
Member of the Board of Comptel Corporation and Lassila & Tikanoja plc
Holds 24 123 Suominen Corporation shares
Has a controlling power in Evald and Hilda Nissi Foundation, which holds 2 138 490 Suominen Corporation shares

Heikki Mairinoja, b. 1947
M.Sc. (Eng.), B.Sc. (Econ.)
Member of the Board since 2001
Member of the Board of Kyro Corporation, Perlos Corporation, Ensto Ltd., and Lindström Invest Oy
Holds 17 447 Suominen Corporation shares
Has a controlling power in Monaccio Oy, which holds 2 550 Suominen Corporation shares

President and CEO

Heikki Bergholm until 4 May 2006

Kalle Tanhuanpää since 4 May 2006

Auditors

PricewaterhouseCoopers Oy
Authorised Public Accountants

Principal Auditor **Heikki Lassila**, APA

From the left: Sakari Santa-Paavola, Pekka Rautala, Petri Rolig, Kalle Tanhuanpää, and Arto Kiiskinen

Corporate Executive Team

Kalle Tanhuanpää, b. 1952
B.Sc. (Econ.)
President and CEO
Joined Suominen Corporation in 2006
Holds 20 000 Suominen Corporation shares

Arto Kiiskinen, b. 1953
M.Sc. (Econ.)
Vice President and CFO
Joined Suominen Corporation in 2001
Holds 13 169 Suominen Corporation shares

Pekka Rautala, b. 1951
M.Sc. (Econ.)
Vice President
General Manager of the Wet Wipes business unit
Joined a Suominen company in 2004
Holds 1 500 Suominen Corporation shares

Petri Rolig, b. 1963
M.Sc. (Eng.)
Vice President
General Manager of the Flexible Packaging business area
Joined a Suominen company in 2006
Holds 5 000 Suominen Corporation shares

Sakari Santa-Paavola, b. 1958
Vice President
General Manager of the Nonwovens business unit
Joined a Suominen company in 1983
Holds 900 Suominen Corporation shares

Share Capital and Shareholders

Share capital

The registered share capital of Suominen Corporation totals EUR 11 860 056 and the number of issued shares 23 720 112. Shares have a book counter value of EUR 0.50 and no nominal value. Suominen Corporation shares are quoted on the OMX Helsinki Exchange (Nordic list, Small cap) under 'Consumer Staples'. The trading code is SUY1V and the ISIN code is FI0009010862.

Each Suominen Corporation share carries one (1) vote at the General Meeting of Shareholders. Under the Articles of Association, no shareholder may cast more than one fifth (1/5) of the total number of votes represented at the General Meeting of Shareholders. Shares afford equal rights to the distribution of the Company's assets.

In order to participate at the General Meeting of Shareholders, a shareholder must inform the Company by the date mentioned on the invitation at the latest.

Redemption obligation

The Articles of Association contain a clause stating that a shareholder whose holding of all shares of the Company, or the votes afforded by the shares, reaches or exceeds 33 1/3 or 50 per cent, has an obligation upon request by other shareholders to redeem their shares in accordance with the procedure stipulated in the Articles of Association.

Share trading

A total of 7 000 722 Suominen Corporation shares were traded on the OMX Helsinki Exchange between January and December 2006, equivalent to 29.5 per cent of shares included in the Company's share capital. The trading price varied between EUR 2.80 and EUR 3.85. The share closed the year at EUR 2.97, giving the Company a market capitalisation of EUR 70 296 903 as of the end of the year.

Company shares

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 of Shareholders held on 20 March 2006 authorised the Board of Directors to decide on the acquisition of Company's own shares within one year from the Annual General Meeting using assets available for the distribution of profits, provided that the par value of Company's own shares and its subsidiaries, combined with the par value of Company's 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 time of acquisition. The authorisation can be used in business acquisitions, to finance investments, to implement incentive programmes, and for other purposes. Based on this authorisation, the Company has repurchased 50 000 of its own shares. The average price of the repurchased shares was EUR 3.15 per share.

The Annual General Meeting also authorised the Board of Directors to decide on the conveyance of the Company's own shares. Under this authorisation, the Company conveyed 14 008 of its own shares between 1 January and 31 December 2006 at EUR 3.64 per share.

On 31 December 2006, Suominen Corporation held a total of 51 121 of its own shares, accounting for 0.2 per cent of the share capital and votes.

Stock options in 2006

Under Suominen Corporation's stock option plan, a maximum of 300 000 stock options shall be issued to the President and CEO of the Company as specified by the Board of Directors. These stock options entitle the holder to subscribe to a maximum of 300 000 Suominen Corporation shares with a equivalent book value of EUR 0.50 each.

Each stock option entitles its holder to subscribe to one (1) share of Suominen Corporation. The number of Company shares may increase, as a result of such subscriptions, by a maximum of 300 000 new shares, and the share capital by a maximum of EUR 150 000.

The subscription period for the 2006A stock options is from 2 May 2008 to 30 October 2009, for the 2006B stock options the corresponding period in 2009 and 2010, and for the 2006C stock options the corresponding period in 2010 and 2011. The Board is authorised to start the subscription period at an earlier time at its discretion.

The share subscription price for the 2006A stock options shall be the trade volume-weighted average price of the Company share on the Helsinki Exchange in May 2006, for the 2006B stock options the weighted average price in May 2007, and for the 2006C stock options the weighted average price in May 2008. The subscription price of the stock options shall be reduced by the amount of dividend per share agreed on after the option pricing period and paid prior to the share subscription.

As the registered number of issued shares of Suominen totals 23 720 112, the maximum number of shares may rise to 24 020 112 after stock option subscriptions.

Other authorisation granted to the Board of Directors

The Board of Directors is not currently authorised to issue shares, convertible bonds, or bonds with warrants.

Shares held by management on 31 December 2006

The members of the Company's Board of Directors and the President and CEO owned, either directly or via a company or organisation in which they held controlling power, 5 105 473 shares on 31 December 2006. These shares entitle holders to 21.6 per cent of voting rights.

Policy regarding dividend payment

On 12 February 2007, the Board of Directors established a set of new financial targets for Suominen between 2007 and 2009. According to these targets, the size of the dividend will be raised while ensuring the sound growth of the Company.

Insiders subject to the declaration requirement	Shares on 31 December 2006
Mikko Maijala, Chairman of the Board	1 050 000
Maijala Investment Oy	76 100
Pekka Laaksonen, Deputy Chairman of the Board	52 566
Heikki Bergholm, Member of the Board	1 722 137
Kai Hannus, Member of the Board	2 060
Juhani Lassila, Member of the Board	24 123
Evald and Hilda Nissi Foundation	2 138 490
Heikki Mairinoja, Member of the Board	17 447
Monaccio Oy	2 550
Kalle Tanhuanpää, President and CEO	20 000
Heikki Lassila, Principal Auditor	0

Members of the Corporate Executive Team	Shares on 31 December 2006
Kalle Tanhuanpää, President and CEO	20 000
Arto Kiiskinen, Vice President, CFO	13 169
Pekka Rautala, Vice President, General Manager	1 500
Petri Rolig, Vice President, General Manager	5 000
Sakari Santa-Paavola, Vice President, General Manager	900

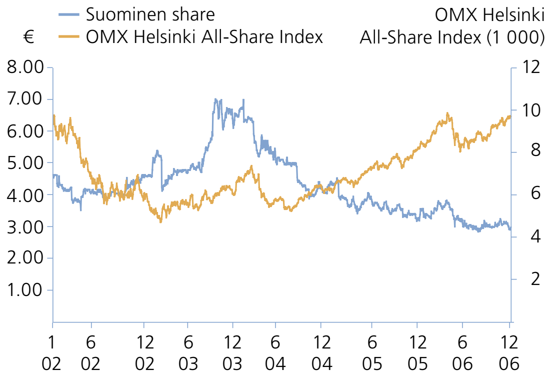
Shareholders by category

	Number of shareholders	Percentage	Total shares held in each category	Percentage of shares and voting power
Companies	199	7.1	2 566 372	10.8
Financial institutions and insurance companies	22	0.8	3 429 712	14.5
Public institutions	15	0.5	3 358 498	14.2
Non-profit organisations	46	1.6	3 008 963	12.7
Individuals	2 498	89.2	10 693 753	45.1
Foreign shareholders	20	0.7	477 941	2.0
	2 800	100.0	23 535 239	99.2
Shares registered in a nominee´s name			113 480	0.5
Shares held by the Company			51 121	0.2
Shares not transferred to the book-entry system			20 272	0.1
Total			**23 720 112**	**100.0**

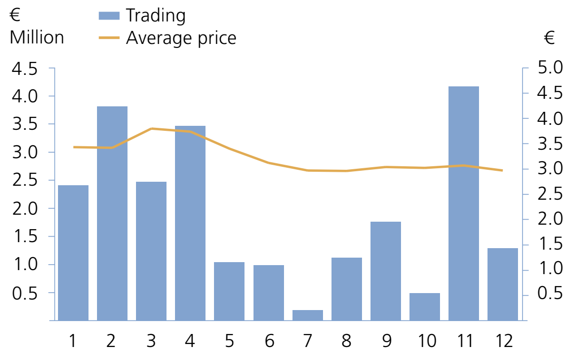
Distribution of share ownership

Number of shares	Number of shareholders	Percentage	Total shares held in each category	Percentage of shares and voting power
1 – 100	310	11.1	20 133	0.1
101 – 500	853	30.5	267 906	1.1
501 – 1 000	577	20.6	472 003	2.0
1 001 – 5 000	726	25.9	1 743 686	7.4
5 001 – 10 000	167	6.0	1 254 521	5.3
10 001 – 50 000	123	4.4	2 532 834	10.7
50 001 – 100 000	11	0.4	730 406	3.1
100 001 – 500 000	24	0.9	4 722 851	19.8
over 500 000	9	0.3	11 790 899	49.7
	2 800	100.0	23 535 239	99.2
Shares registered in a nominee´s name			113 480	0.5
Shares held by the Company			51 121	0.2
Shares not transferred to the book-entry system			20 272	0.1
Total			**23 720 112**	**100.0**

Adjusted share price development, 2002 – 2006



Trading and average share price monthly, 2006



The largest shareholders on 31 December 2006

	Shareholder	Number of shares	Percentage of shares and voting power
1.	Evald and Hilda Nissi Foundation	2 138 490	9.0
2.	Ilmarinen Mutual Pension Insurance Company	1 911 552	8.1
3.	Heikki Bergholm	1 722 137	7.3
4.	Sampo Life Insurance Company Ltd.	1 398 424	5.9
5.	Tapiola Mutual Pension Insurance Company	1 283 850	5.4
6.	Mikko Maijala	1 050 000	4.4
7.	Juhani Maijala	1 041 360	4.4
8.	Eeva Maijala	709 886	3.0
9.	Veikko Laine Oy	535 200	2.3
10.	Argonius Oy	355 050	1.5
11.	Aktia Capital Mutual Fund	317 550	1.3
12.	Nordea Nordic Small Cap Mutual Fund	314 450	1.3
13.	OP-Focus Special Fund	300 600	1.3
14.	Etra Invest Oy	300 000	1.3
15.	Samfundet Folkhälsan i Svenska Finland rf	300 000	1.3
16.	Jorma Takanen	299 900	1.3
17.	OP-Suomi Arvo Mutual Fund	289 800	1.2
18.	ABN Amro Small Cap Finland Mutual Fund	236 379	1.0
19.	Arvo Finland Value Mutual Fund	199 700	0.8
20.	Celeres Pension Mutual Fund	187 016	0.8

All information concerning the Company´s shares is based on the book-entry securities register as of 31 December 2006.

Investor relations

Suominen Corporation’s investor relations are the responsibility of President and CEO Kalle Tanhuanpää. Investor communications are the responsibility of Vice President and CFO Arto Kiiskinen.

Statements regarding corporate finances and performance are issued exclusively by the Board of Directors and the President and CEO. No appointments will be arranged for investors with Company representatives, nor will any comments on financial performance be issued, during the silent period observed between the end of a financial period and the disclosure of the results for that period.

The financial performance of the Company is monitored and assessed by at least the analysts listed below:

eQ Bank	Robert Liljequist	tel. +358 (0)9 6817 8654
FIM Securities	Kim Gorschelnik	tel. +358 (0)9 6134 6234
OKO Bank plc	Mikael Nummela	tel. +358 (0)10 252 4414

Suominen Corporation is not responsible for analysts’ comments or forecasts.

Summary of Stock Exchange Releases Published in 2006

15 February	**Financial Statement Release 1 January–31 December 2005**
15 February	**Kalle Tanhuanpää appointed President and CEO**
15 February	**Notice of Annual General Meeting of Shareholders**
20 March	**Decisions of the Annual General Meeting** - The AGM decided that no dividend would be paid for 2005; and authorised the Board of Directors to acquire and convey Company shares over a period of one year from the AGM.
26 April	**Interim report 1 January–31 March 2006**
31 May	**Employee negotiations started at Flexible Packaging's Kauhava plant**
8 June	**Petri Rolig appointed head of Suominen Flexible Packaging**
22 June	**Suominen's estimated net sales and profit for 2006** - Suominen announced that changes in the market situation were likely to result in reduced sales of Suominen's nonwovens and wet wipes compared to the Group's earlier estimates. As a result, net sales for 2006 were expected to be similar to those for 2005. The Company's operating profit and profit for the financial year were expected to improve compared to 2005, however, although a loss after taxes was still expected.
17 July	**Employee negotiations at Kauhava concluded** - Employee negotiations at Flexible Packaging's Kauhava plant were concluded, and it was decided to close the plant by the end of 2006 and transfer production to other plants.
24 July	**Interim report 1 January–30 June 2006**
27 September	**Vice Presidents to assume Group-level responsibilities** - Responsibilities for Suominen's key processes – innovation and product development, operational efficiency, and purchasing and logistics – have been allocated to the Group's Vice Presidents.
26 October	**Interim report 1 January–30 September 2006**
26 October	**Repurchase of Company shares** - Suominen announced that it would repurchase a maximum of 50 000 Company shares, based on the authorisation granted to the Board of Directors by the AGM.

All Stock Exchange Releases and Announcements can be consulted at www.suominen.fi – News.

Report by the Board of Directors

Suominen recorded an improved result in 2006 compared to 2005, but again booked a pre-tax loss. Sales developed unevenly during the year, rising during the latter half. Sales margins improved on 2005, but the Group was unable to pass on all the higher costs it incurred to product prices. The cost-saving programme initiated in autumn 2005 was completed successfully, and the EUR 6 million in savings achieved were above-target. The result includes non-recurring costs of EUR 0.7 million associated with the closure of the Kauhava plant.

Suominen Corporation's continuing operations generated net sales of EUR 202.6 million in 2006, up 4 per cent on the figure for 2005. A loss before taxes of EUR 2.7 million (-6.8) was recorded on continuing operations. Earnings per share from continuing operations were EUR -0.08 (-0.20).

The Board of Directors will propose paying a dividend of EUR 0.06 per share for the year.

Financial results

Suominen Corporation's continuing operations generated net sales of EUR 54.2 million (44.6 million) during the fourth quarter of the year, operating profit of EUR 0.8 million (-1.3 million), and loss before taxes of EUR 0.3 million (-2.1 million).

Net sales from continuing operations for the year as a whole totalled EUR 202.6 million (195.2), up 4 per cent on 2005. The continuing operations generated operating profit of EUR 1.2 million (-3.1), loss before taxes of EUR 2.7 million (-6.8), and loss after taxes of EUR 1.8 million (-4.7).

Sales during the second half of 2006 were higher than during the first half, as a result of both stronger demand and new products. Net sales of Wipes and Nonwovens and Flexible Packaging both improved on 2005. Cost savings of EUR 6 million and improved sales price management contributed to enhanced performance, while the increase in the cost of oil-based raw materials and energy had a negative impact. The closure of Flexible Packaging's Kauhava plant resulted in non-recurring costs of EUR 0.7 during the last quarter. Production volumes were below sales volumes, which reduced the Group's profit but released working capital. Suominen has adopted the option in the amendment to IAS 19 Employee benefits, to recognise actuarial gains and losses directly in equity. Net of tax, the sum recorded in equity is EUR 1.4 million.

Strategic realignment

The Group's strategy was realigned in 2006 and now gives greater focus to leveraging product and operational synergies between Suominen's units. As part of this, overall responsibility for developing innovation and product development, operational efficiency, and purchasing and logistics has been given to three members of the Executive Team. Work has been started on building a business model capable of taking more systematic advantage of the Group's synergy potential, particularly in terms of growing sales of Wet Wipes and enhancing the operations of the Group as a whole. A series of action programmes was launched covering the continuous development of operations and developing and updating the Group's product offering. These programmes have been broken down into detailed actions that will be included in the annual planning process.

Cost-saving and operational enhancement programmes

Suominen announced a wide-ranging cost-saving programme in autumn 2005 designed to improve operational efficiency and profitability. The programme included operational improvements and reductions in personnel, primarily in the Netherlands. The programme also focused on enhancing procurement and logistics, improving production yields, and transferring flexible packaging production to Poland. The programme covered numerous areas within different units across the Group. Overall savings of EUR 6 million were achieved in 2006. It was decided in summer 2006 to close Flexible Packaging's Kauhava plant, and production previously based there has been transferred to other units.

A decision to introduce a new efficiency and business enhancement programme was taken in autumn 2006. Detailed programmes were approved for units as part of strategic and operational planning under an umbrella initiative known as Stairs to Top – to develop and improve operations on a continuous basis and increase sales. While the previous programme primarily focused on cutting costs, efforts in 2007 will address the business from a wider perspective, and focus more attention on boosting sales and launching new products. Profitability will be improved by reducing costs and improving efficiency. Efficiency-enhancement measures will include increasing production volumes, extending production runs, and improving production speeds, for example. The aim is to achieve approximately EUR 6 million in improved efficiency in 2007, of which half will come from cost savings unrelated to volume performance.

Financing

Interest-bearing liabilities as of the end of the year totalled EUR 89.3 million or EUR 9.8 million less than at the beginning of the year. Liabilities included capital loans of EUR 4 million. Cash flow before change in working capital was EUR 16.0 million (10.2). A total of EUR 1.9 million was freed up from working capital (EUR 5.4 million was tied up in 2005). Net financial costs were EUR 3.9 million (3.7) equivalent to 1.9 per cent (1.9) of net sales. The equity ratio was 32.3 per cent (31.2) and the gearing ratio was 154.4 per cent (167.6). Cash flow from operations was EUR 12.5 million (0.1) or EUR 0.53 per share (0.01).

Investments

The Company's gross investments in production totalled EUR 4.3 million (7.7). Planned depreciation was EUR 14.6 million (15.6). The largest projects were the construction of the buildings for a new power plant at Nakkila (EUR 0.6 million) and payments on a new printing machine in Poland (EUR 0.6 million). Other investments were largely of a replacement and maintenance nature.

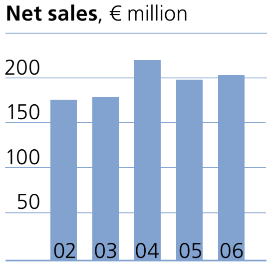
Net sales and operating profit

Net sales

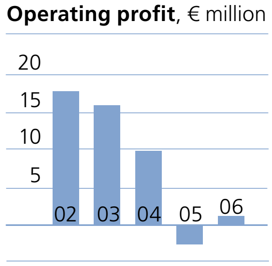
€ 1 000	**2006**	2005	Change %	2004
Wipes and Nonwovens				
- Wet Wipes	**69 299**	64 911	6.8	81 330
- Nonwovens	**67 296**	67 476	-0.3	74 861
- Eliminations	**-9 687**	-8 947	8.3	-3 360
Total	**126 908**	123 440	2.8	152 831
Flexible Packaging	**75 987**	71 837	5.8	69 244
Consolidation items and eliminations	**-268**	-116		-238
Net sales, continuing operations, total	**202 627**	195 161	3.8	221 837

Operating profit	**2006**		2005		2004	
	€ 1 000	**% of net sales**	€ 1 000	% of net sales	€ 1 000	% of net sales
Wipes and Nonwovens	**-149**	**-0.1**	-3 452	-2.8	5 541	3.6
Flexible Packaging	**1 958**	**2.6**	72	0.1	1 834	2.6
Consolidation items and eliminations	**-619**		249		2 636	
Operating profit from continuing operations	**1 190**	**0.6**	-3 131	-1.6	10 011	

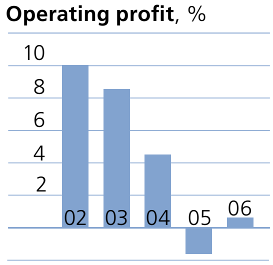
Net sales, € million



Operating profit, € million



Operating profit, %



Research and development

R&D is concentrated in the Group's business units, and employed a total of 27 people as of the end of the year. R&D expenditure totalled EUR 2.6 million (2.9), equivalent to 1.3 per cent (1.5) of net sales. Suominen invests in R&D to offer its customers ever-better materials and more innovative solutions. Innovation has been identified as a key Group process, and joint projects and development work are coordinated at Group level by Flexible Packaging's Vice President and General Manager. Group units all have access to Nonwovens' extensive test and pilot equipment. Product development in 2006 focused on improving the properties of hygiene and frozen food packaging, premium-quality nonwovens, and developing in-house wet wipe product concepts.

Segment results

Net sales of Wipes and Nonwovens business area totalled EUR 126.9 million in 2006, an increase of 3 per cent on 2005. The Wipes and Nonwovens business area recorded an operating loss of EUR 0.1 million (-3.5).

Net sales of Wet Wipes totalled EUR 69.3 million, up 7 per cent on 2005. Deliveries rose in baby wipes and personal care wipes, while

Investments by business unit

€ million	**2006**	2005	2004
Wet Wipes	**1.0**	2.3	5.2
Nonwovens	**1.2**	2.6	1.8
Flexible Packaging	**2.1**	2.8	7.6
Total	**4.3**	7.7	14.6
% of net sales	**2.1**	4.0	6.6

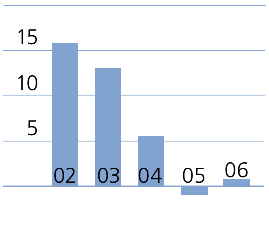
Invested capital

€ 1 000	**31 December 2006**	31 December 2005
Non-current assets	**114 055**	125 596
Current assets	**61 801**	60 237
Deferred tax liability	**-6 768**	-7 639
Pension liabilities	**-314**	-342
Trade payables	**-12 935**	-9 417
Accruals and deferred income	**-6 754**	-8 155
Other non-interest bearing liabilities	**-3 007**	-3 210
Total	**146 078**	157 070

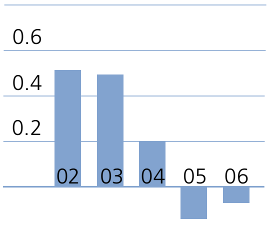
Key figures

	2006	2005	2004
Return on invested capital, %	**0.9**	-0.8	6.2
Return on equity, %	**-3.1**	-6.2	7.4
Equity ratio, %	**32.3**	31.2	31.0
Gearing, %	**154.4**	167.6	160.3
Earnings/share, €	**-0.08**	-0.15	0.20
Equity/share, €	**2.40**	2.44	2.58

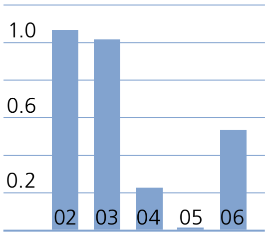
Return on invested capital, %



Earnings/share, €



Cash flow from operations/ share, €



household cleaning wipes deliveries fell. The postponement of new product projects to the second half of the year, and a slower-than-expected growth in sales to retail chains, slowed overall sales growth. The retail chain sales organisation launched at the beginning of the year was strengthened with the addition of sales resources covering Germany and France. The increased use of in-house nonwovens in wet wipe products was based on the Group's own concepts to an increasing extent. Production efficiency-enhancement and cost-saving programmes progressed as planned.

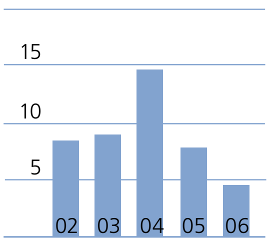
Net sales of Nonwovens remained unchanged on 2005, at EUR 67.3 million. Sales of thermally bonded hygiene product material were lower compared to 2005. External and internal deliveries of nonwovens for use in wet wipes increased. A decline in inventories at wet wipe manufacturers in the lead-up to the summer resulted in a strong recovery in demand towards the end of the year. This large fluctuation in demand increased costs. Production volumes fell short of sales volumes. Higher energy costs increased heating, electricity, and freight costs. Lower-cost process heat is now available at Nakkila following the commissioning of Fortum's new solid fuel-fired power plant.

Net sales at Flexible Packaging totalled EUR 76.0 million, an increase

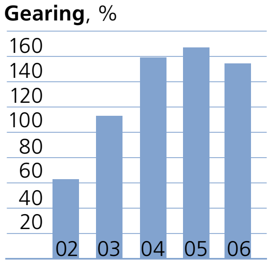
Quarterly results

€ 1 000	I/2006	II/2006	III/2006	IV/2006	I–IV/2006
Net sales					
Wipes and Nonwovens					
- Wet Wipes	16 813	16 773	17 826	17 887	69 299
- Nonwovens	16 922	15 281	17 031	18 062	67 296
- eliminations	-2 991	-2 824	-2 034	-1 838	-9 687
Total	30 744	29 230	32 823	34 111	126 908
Flexible Packaging	18 596	18 491	18 768	20 132	75 987
Consolidation items and eliminations	-38	-65	-150	-15	-268
Net sales, continuing operations, total	**49 302**	**47 656**	**51 441**	**54 228**	**202 627**
Operating profit					
Wipes and Nonwovens	-355	-452	-34	692	-149
% of net sales	-1.2	-1.5	-0.1	2.0	-0.1
Flexible Packaging	991	362	475	130	1 958
% of net sales	5.3	2.0	2.5	0.6	2.6
Consolidation items and eliminations	-52	-402	-124	-41	-619
Operating profit from continuing operations	584	-492	317	781	1 190
% of net sales	1.2	-1.0	0.6	-1.4	0.6
Net financial expenses	-927	-966	-969	-1 065	-3 927
Profit before income taxes, continuing operations	**-343**	**-1 458**	**-652**	**-284**	**-2 737**

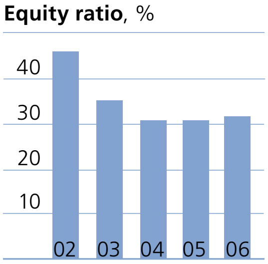
Investments, € million



Gearing, %



Equity ratio, %



of 6 per cent on 2005, while an operating profit of EUR 2.0 (0.1 million) was recorded. Higher sales were driven by increased sales prices and changes in the sales mix. Hygiene and food packaging volumes both rose, while retail packaging deliveries declined, which saw a slight reduction in total tonnage delivered. Production transfers to Poland and increased deliveries in Central Europe resulted in higher output at the business' Polish plant. The transfer of production from the Kauhava plant, which had concentrated on bakery packaging, to other plants proceeded as planned. The closure did cause a drop in overall production volumes, however. The Kauhava premises were sold at the beginning of 2007. The closure of the plant resulted in non-recurring costs of some EUR 0.7 million, but is expected to yield annual savings in operating expenses of around EUR 0.5 million from 2007 onwards. Given the strong level of demand, it has been decided to increase printing capacity in Poland. Valued at approximately EUR 2.6 million, this investment is due to be completed in summer 2007.

Organisation and personnel

Changes in Group organisation and management

Heikki Bergholm served as the President and CEO of Suominen Corporation until 4 May 2006, when Kalle Tanhuanpää took over the position.

Esa Palttala, Executive Vice President of the Wipes and Nonwovens business area, retired on 1 August 2006, following which 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, now report to Kalle Tanhuanpää, the President and CEO of Suominen Corporation. Petri Rolig took over as Vice President and General Manager of Flexible Packaging on 1 October 2006, when his predecessor, Juha Henttonen, transferred to Group projects.

Suominen decided on 27 September 2006 to revise its organisation and give Group-level responsibility for developing innovation and product development to Petri Rolig. Responsibility for developing operational efficiency has been given to Pekka Rautala, and responsibility for developing purchasing and logistics to Sakari Santa-Paavola.

Suominen Corporation's Executive Team comprises the President and CEO, the Vice President and General Manager of the Flexible Packaging business area, the Vice President and General Manager of the Wet Wipes business unit and the Vice President and General Manager of the Nonwovens business unit, and the Vice President and CFO.

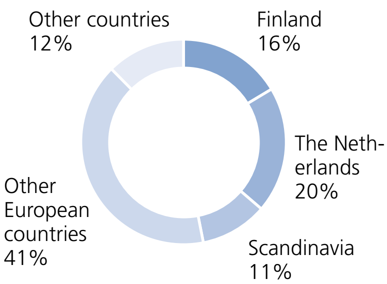
Personnel

Personnel reductions implemented in connection with the profitability enhancement programme launched in autumn 2005 affected a total of just under 80 people, with half of these redundancies taking place in 2006. The closure of Flexible Packaging's Kauhava plant resulted in the loss of 45 jobs. The Group observes all relevant local legislation and statutory redundancy procedures when making reductions of this type.

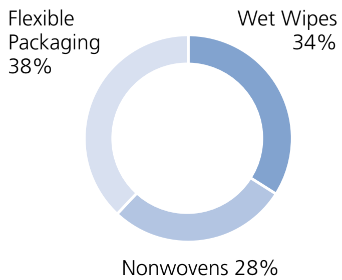
HR management and personnel play an important part in customer satisfaction performance and achieving long-term financial targets. The Group has prioritised introducing a more target- and future-driven mindset, and has increased the use of goal-oriented and teamwork tools across the Suominen organisation.

The goal of Suominen's HR strategy is to develop the expertise of the Group's specialist and management staff in particular, increase employees' commitment to the Company, and promote their capabilities and overall workplace satisfaction. Extensive workplace surveys and follow-ups were carried out in all units.

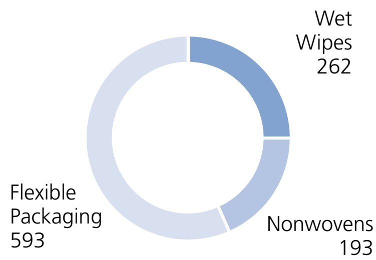
Net sales by market area, 2006



Net sales by business unit, 2006



Average personnel, 2006



All units held performance and development discussions, which covered some 46 per cent of the Group´s personnel. The Group spent a total of EUR 326 thousand (excluding salary costs related to the time in question) on training provided by outside companies.

Incentive bonuses, based primarily on operational performance, are paid to personnel to promote employee commitment and motivation. These accounted for some 1.2 per cent of salaries and wages paid in 2006, or EUR 491 thousand. Some 37 per cent of personnel are covered by this system of incentive bonuses.

Work on promoting occupational safety continued in 2006, with the overall aim of achieving zero accidents at work through unit-specific safety development programmes. Sick leave accounted for 6.1 per cent of the total number of hours worked in 2006.

Environment

Suominen is committed to complying with the principles contained in the International Chamber of Commerce's (ICC) Business Charter for Sustainable Development. Environmental permits are required for operations in the Group's units, and the units concerned are responsible for permit-related issues and environmental policy generally. The relevant mechanisms and management systems are coordinated on a common basis throughout the Group, however. The environment is prioritised at unit level from employee induction and training onwards.

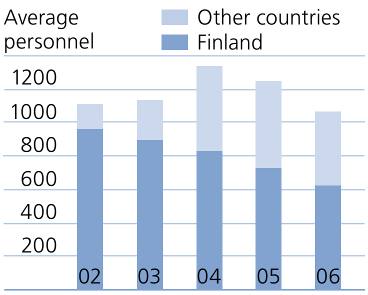
Suominen's overall aim is to minimise the Group's impact on the environment as efficiently as possibly, in terms both of financial and production performance. Continuous development efforts are focused on the environment, and environmental issues are highlighted in areas such as product development, which aims to achieve the most efficient use of materials possible and enhance recyclability and the development of environmentally friendly products.

The Nonwovens unit is environmentally certified to the ISO 14001 standard, and Wet Wipes aims to achieve equivalent certification in 2007. The Group's main environmental impact is related to wastewater, solid mixed waste, and the use of printing inks and solvents. The Group has achieved a reduction in the amount of its problem-waste: in 2006 the amount was 220 tonnes, while the corresponding figures in 2005 and 2004 were 240 tonnes and 293 tonnes. A new power plant was commissioned by Nonwovens in summer 2006, fired on a mix of biofuel and by-product generated during nonwoven production. The new plant has made an important contribution to reducing Suominen's environmental impact. In 2006, the amount of waste fibre burned was 1 209 tonnes, and the amounts in 2005 and 2004 were

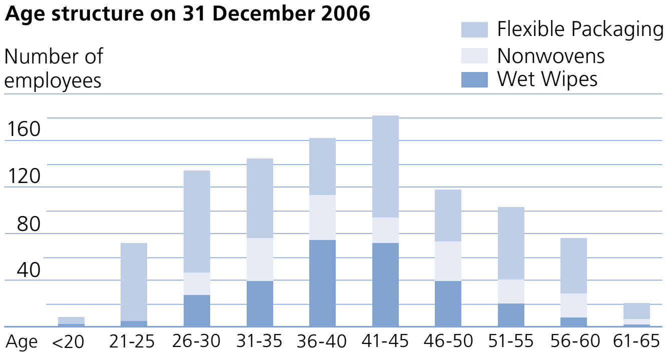
Group personnel on 31 December

	2006	2005	2004
Wet Wipes	**280**	287	300
Nonwovens	**187**	202	221
Flexible Packaging	**569**	604	614
Group Management and administration	**12**	10	11
Total	**1 048**	1 103	1 146
Average personnel, continuing operations	**1 058**	1 150	1 192
Salaries and bonuses, € 1 000	**41 471**	44 756	45 520

Personnel, 2002–2006



Age structure on 31 December 2006



1 554 tonnes and 1 040 tonnes. VOC emissions generated during printing at plants in Poland and Tampere in Finland are incinerated, and ionised in Sweden. Flexible Packaging uses recycled plastics in its retail packaging products, which compromise almost 50 per cent recycled material.

As a number of different chemicals are used in Suominen's production processes, plants need to address the risk of hazardous substances entering the environment, which they do through an environmental risk management programme integrated with the quality and environmental systems used in production operations. R&D, for its part, is responsible for ensuring that due attention is given to the environmental impact of all new products and services that are developed.

Suominen's overall environmental expenditure totalled EUR 1.3 million in 2006 (1.3), and environmental-related investments totalled EUR 0.8 million (1.0). The largest single project was the construction of a new power plant, which accounted for EUR 0.6 million.

Business risks and uncertainties

Developments and changes in European consumer demand play a key part in determining demand for Suominen's products. Consumers are expected to continue to value products that offer greater ease and convenience in people's everyday lives. Shifts in consumer preferences between branded products and private labels also impact demand for Suominen's products, although this is reduced by the fact that the Group supplies customers in both segments.

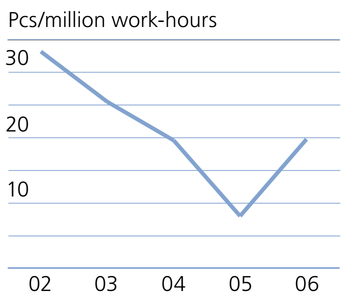
Some consolidation has taken place among Suominen's customers in recent years; and the Group believes that it will benefit from this development, although a narrower customer base will increase customer-specific risks. The Group's 10 largest customers currently account for 58 per cent (55) of Suominen's net sales. Customer-related credit risks are managed in accordance with a risk policy approved by the Board of Directors. Credit limits for individual customers are confirmed based on credit ratings and customer history. Insurance cover includes receivables that do not meet credit requirements.

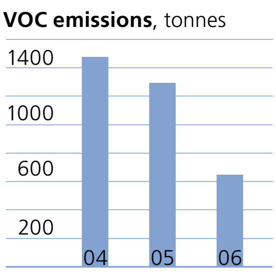
New-technology products and imports from low-cost countries could reduce the competitiveness of Suominen's products. These risks are mitigated, however, by the quality requirements expected of many products and which existing cheaper offerings are incapable of meeting, and by the challenges associated with transport and distribution over longer distances typical of these cheaper products.

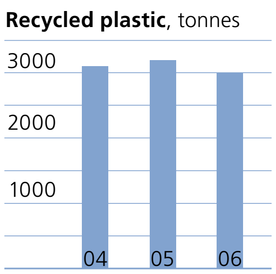
Extended interruptions in supplies of the main raw materials used by Suominen could disrupt production and have a negative impact on the Group's overall operations. As Suominen sources its raw materials from a number of major international suppliers, significant interruptions are unlikely. The prices of the oil-based raw materials used by Suominen are largely determined on the international commodities market, which makes it difficult to forecast how they will develop. Suominen currently spends around EUR 40 million annually on purchases of oil-based raw materials. Passing on price changes in these materials to the prices Suominen charges its contract customer takes between three to six months.

Suominen aims to protect its business against product liability risks through the use of systematic quality assurance processes and product liability insurance. R&D is responsible for ensuring the underlying safety of the Group's products during both their development and production. Ongoing quality control is designed to guarantee end-product quality. Management considers

Lost time injuries (>1 day)
Frequency 2002–2006







it unlikely that the Group will face significant product liability-related claims, and is unaware of any such claims.

Managing damage risk forms part of the operational management of the Group's units. Risks of this type are covered by the Group's indemnity insurance to guarantee continuity of operations. An insurance policy approved by the Board of Directors regulates insurance practise across the Group, and an external insurance broker is used to identify and manage Suominen's insurance cover. Policies taken out with reputable insurance companies provide property, loss of profit, and liability cover.

The Group's financial risks are managed in accordance with a policy approved by the Board of Directors. These risks cover funding, interest rates, foreign exchange, commodities, and counterparties. The principles observed in risk management are detailed in note 25 of the notes to the consolidated financial statements. The central assumptions and sensitivity of the calculations associated with testing the Group's business value are described in note 9 of the notes to the consolidated financial statements.

General Meetings of Shareholders and information on shares

General Meetings of Shareholders

The Annual General Meeting of Shareholders held on 20 March 2006 elected the following members to the Board of Directors: Heikki Bergholm, Kai Hannus, Pekka Laaksonen, Juhani Lassila, Mikko Maijala, and Heikki Mairinoja. Mikko Maijala has served as Chairman and Pekka Laaksonen as Deputy Chairman of the Board.

PricewaterhouseCoopers Oy, Authorised Public Accountants, with Heikki Lassila, APA, as the principal auditor, were elected as auditors of Suominen Corporation.

The Annual General Meeting decided that no dividend would be paid for the financial year ending 31 December 2005.

Share capital and shares

The registered share capital of Suominen Corporation totals EUR 11 860 056, and the number of shares issued, 23 720 112, with a book counter value of EUR 0.50 per share. The volume of Suominen Corporation's shares traded on the Helsinki Stock Exchange between 1 January and 31 December was 7 000 722 shares, equivalent to 29.5 per cent of the Company's shares. The trading price of the shares ranged between EUR 2.80 and 3.85. The final trading price was EUR 2.97, giving the Company a market capitalisation of EUR 70 296 903 million on 31 December 2006.

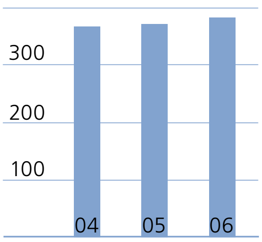
Own shares of the Company

On 1 January 2006, the Company held 15 129 of its own shares, with an acquisition value of EUR 5.22 per share.

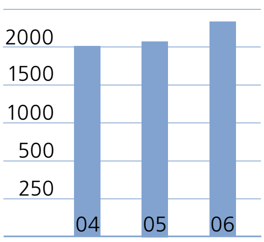
The Annual General Meeting held on 20 March 2006 authorised the Board of Directors to decide on the conveyance of the Company's own shares. In accordance with this authorisation, the Company has conveyed 14 008 shares to Board members by way of remuneration at a price of EUR 3.64 per share.

The Annual General Meeting also 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 Com-

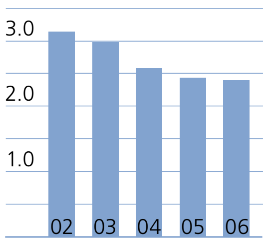
Treated waste water, 1 000 m³



Landfill waste, tonnes



Equity/share, €



pany's total share capital at the time of acquisition. The authorisation in question can be used in possible business acquisitions, to finance investments, to carry out incentive programmes and for other purposes. The Company has repurchased 50 000 of its own shares in accordance with this authorisation at an average price of EUR 3.15 per share.

On 31 December 2006, Suominen Corporation held a total of 51 121 of its own shares, accounting for 0.2 per cent of its share capital and votes.

Stock options in 2006

Under an authorisation given by the Annual General Meeting, the Board of Directors decided to grant Suominen Corporation's President and CEO 100 000 stock options under the 2006A stock option programme, which covers a total of 300 000 stock options. Waiving the pre-emption right of shareholders was considered appropriate, as the stock options in question are intended to form part of the Group's incentive scheme designed to consolidate recipients' commitment to the Company. The subscription price of the shares covered by the 2006A share option programme is EUR 3.40, equivalent to the average price, weighted by the volume of trading in the Company's shares, on the Helsinki Stock Exchange in May 2006. The subscription period for the shares concerned is between 2 May 2008 and 30 October 2009.

Other Board authorisations

The Board of Directors has no current authorisation to issue shares or to launch a convertible bond or a bond with warrants.

Capital loans

Suominen Corporation's capital loans total EUR 4 million, and the remaining payments on the principle and interest payments will fall due on 30 June 2007 and 30 June 2008. The interest on the loans in question is 5 per cent. Repayment of the loan and payment of interest is dependent on distributable equity; and payment can only be made after other liabilities have been met.

Outlook

Net sales during 2007 as a whole are expected to improve on those recorded in 2006, and the profit for the financial year is expected to be positive.

Sales are expected to grow compared to 2006, on the basis of projections by the Group's customers and the Group's own forecasts. Profitably is expected to continue to improve as a result of planned cost savings, efficiency-enhancement efforts, and higher sales. Rapid fluctuations in the price of oil-based raw materials could affect margins.

Expanding operations in Poland in particular will increase investments in 2007 to an estimated EUR 12 million.

Proposal for the distribution of profit

The Parent Company's distributable assets as of the end of 2006 totalled EUR 22 652 822.21, of which the profit for the year was EUR 249 405.75. The Board of Directors will propose at the Annual General Meeting to be held on 29 March 2007 that these funds should be distributed as follows:

A dividend of EUR 0.06 be paid on each of the 23 668 991 shares, €	1 420 139.46
Leaving on the retained earnings account, €	21 232 682.75

The financial position of the Company has not materially changed after the balance sheet date, and it is the Board of Directors´ opinion that the proposed distribution of funds does not compromise the Company´s liquidity.

Consolidated Statement of Income

1 January – 31 December € 1 000	Note	2006	%	2005 *	%
Net sales	1, 2	**202 627**	100.0	195 161	100.0
Cost of goods sold		**-189 522**	-93.5	-185 628	-95.1
Gross profit		**13 105**	6.5	9 533	4.9
Other operating income	3	**724**	0.4	1 754	0.9
Sales and marketing expenses		**-3 567**	-1.8	-4 419	-2.3
Research and development		**-2 009**	-1.0	-2 468	-1.3
Administration expenses		**-6 292**	-3.1	-6 595	-3.4
Other operating expenses	3	**-771**	-0.4	-936	-0.5
Operating profit		**1 190**	0.6	-3 131	-1.6
Interest and other financial income and expenses	6	**-4 024**	-2.0	-3 864	-2.0
Fair value gains and losses	6	**97**	0.0	199	0.1
Profit before income taxes		**-2 737**	-1.4	-6 796	-3.5
Income taxes	7	**954**		2 051	
Profit/loss for the period from continuing operations		**-1 783**	-0.9	-4 745	-2.4
Profit/loss for the period from discontinued operations				1 075	
Profit/loss for the period		**-1 783**	-0.9	-3 670	-1.9
Earnings per share from continuing operations, €	8	**-0.08**		-0.20	
Earnings per share from discontinued operations, €	8			0.05	
Earnings per share from continuing and discontinued operations, €	8	**-0.08**		-0.15	

There are no dilutive effects on earnings per share.

* Restated. Changes in accounting principles are specified in note 1 of the notes to the consolidated financial statements.

The notes to the financial statements are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

31 December € 1 000	Note	2006	2005*
Assets			
Non-current assets			
Goodwill	9	**34 195**	34 195
Intangible assets	9, 5	**944**	1 022
Tangible non-current assets	10, 5	**77 168**	88 129
Available-for-sale financial assets	12	**766**	878
Held-to-maturity investments		**100**	
Deferred tax asset	15	**882**	1 372
Non-current assets, total		**114 055**	125 596
Current assets			
Inventories	17	**27 840**	30 214
Trade receivables	18	**25 583**	21 765
Loan receivables	13		270
Income tax receivables		**918**	925
Other current receivables	18	**6 240**	5 897
Cash at bank and in hand	19	**1 220**	1 166
Current assets, total		**61 801**	60 237
Assets, total		**175 856**	185 833
Shareholders´ equity and liabilities			
Shareholders´ equity			
Share capital	20	**11 860**	11 860
Share premium account	20	**24 681**	24 681
Fair value and other reserves	20	**1 185**	368
Translation differences	20	**738**	760
Other shareholders´ equity	20	**18 279**	20 260
Shareholders´ equity, total		**56 743**	57 929
Liabilities			
Non-current liabilities			
Deferred tax liabilities	15	**6 768**	7 639
Pension liabilities	16	**314**	342
Provisions	23	**85**	200
Capital loans	21, 22, 26	**2 000**	4 000
Interest-bearing liabilities	22, 26	**63 133**	68 864
Other non-current liabilities		**13**	30
Non-current liabilities, total		**72 313**	81 075
Current liabilities			
Interest-bearing liabilities	22, 26	**22 202**	24 277
Provisions	23	**115**	200
Capital loans	21, 22, 26	**2 000**	2 000
Income tax payables	7	**67**	472
Trade payables and other current liabilities	24	**22 416**	19 880
Current liabilities, total		**46 800**	46 829
Liabilities, total		**119 113**	127 904
Shareholders´ equity and liabilities, total		**175 856**	185 833

* Restated. Changes in accounting principles are specified in note 1 of the notes to the consolidated financial statements.

The notes to the financial statements are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

1 January – 31 December € 1 000	2006	2005
Operations		
Operating profit	**1 190**	-3 131
Adjustments:		
Depreciation	**14 694**	15 561
Unrealised exchange rate differences	**384**	-176
Gains and losses from sales of fixed assets	**-26**	24
Change in provisions	**-200**	-200
Change in pension benefit plans	**-27**	-1 247
Other adjustments	**30**	92
Cash flow before change in working capital	**16 045**	10 923
Increase/decrease in current non-interest-bearing receivables	**-4 324**	-858
Increase/decrease in inventories	**2 374**	-5 364
Increase/decrease in current non-interest-bearing liabilities	**3 829**	592
Cash flow before financial income/expenses and taxes	**17 924**	5 293
Interest expenses	**-4 913**	-4 289
Interest income	**77**	133
Direct taxes paid	**-605**	-993
Cash flow from operations	**12 483**	144
Investments		
Investments in tangible and intangible assets	**-3 135**	-8 087
Proceeds from sale of tangible and intangible assets	**667**	385
Proceeds from sale of business operations *		5 748
Interest received from investments		14
Cash flow from investments	**-2 468**	-1 940
Financing		
Non-current loans drawn	**5 000**	15 000
Repayments of non-current loans	**-10 792**	-17 368
Change in capital loans	**-2 000**	-2 000
Change in current loans	**-2 014**	4 964
Repurchase of own shares	**-157**	
Cash flow from financing	**-9 963**	596
Change in cash and cash equivalents	**52**	-1 200
Cash and cash equivalents 1 Jan.	**1 166**	2 387
Unrealised exchange rate differences	**2**	-21
Change in cash and cash equivalents	**52**	-1 200
Cash and cash equivalents 31 Dec.	**1 220**	1 166

* Proceeds from sale of business operations:

Sale of business operations		2 755
Repayment of intra-group loans		3 863
Proceeds from sale of business operations	**0**	6 618
Investments to sold business operations		-870
Net cash flow from sale of business operations	**0**	5 748

The notes to the financial statements are an integral part of these consolidated financial statements.

Consolidated Statement of Recognised Income and Expense

1 January – 31 December € 1 000	Note	**2006**	2005
Foreign currency translation difference for foreign operations	20	**240**	275
Cash flow hedges			
Hedge result deferred in equity	20	**1 932**	1 867
Transferred from equity to statement of income	20	**-711**	-665
Defined benefit plan actuarial gains (+) and losses (-)	16	**-99**	-1 743
Income tax on income and expense recognised directly in equity	15	**-547**	140
Income and expense recognised directly in equity		**815**	-126
Profit/loss for the period		**-1 783**	-3 670
Total recognised income and expense for the period		**-968**	-3 796

According to the IAS 1.96 standard, the income and expense recognised in equity are stated in the consolidated statement of income. The statement of changes in shareholders´ equity in note 20 reconciles the changes in share capital, reserves, and retained earnings during the financial year.

The notes to the financial statements are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Principles for preparing the consolidated financial statements

Basic information

Suominen Corporation is a public company domiciled in Tampere, Finland (Vestonkatu 24, FI-33580 Tampere) that manufactures wet wipes, nonwovens, and flexible packaging for consumer goods companies and retail chains. Suominen's consolidated financial statements are prepared in compliance with the International Financial Reporting Standards (IFRS) applicable within the EU.

Suominen Corporation adopted the IFRS 2 standard, Share-based Payment during 2006. Suominen has also adopted the amendment of the IAS 19 standard concerning the option to recognise actuarial gains and gains of defined benefit plans directly to shareholders' equity. The adopted standard and amendment have an impact on the recognition of share-based payments and amount of pension liability and equity.

The following amendments and interpretations of IFRS standards came into effect in 2006:
- Amendment to IAS 21: treatment of foreign currency-denominated net investments in foreign subsidiaries
- Amendments to IAS 39: changes in hedge accounting of highly probable forecasted intra-group transactions, fair value option for financial assets and liabilities, and the initial recognition of contingent liabilities to third parties and options for subsequent measurement (also includes changes in IFRS 4).
- IFRIC 4: determining whether an arrangement contains a lease.
- IFRIC 8: application of IFRS 2.

The above changes and interpretations have not had a substantive impact on Suominen's financial statements.

The new IFRS 1 (amended) and IFRS 6 standards are not applicable to Suominen. Other interpretations published by the IFRIC than those referred to above have not had an impact on the consolidated financial statements.

The Parent Company prepares its financial statements in accordance with Finnish accounting standards (FAS).

These consolidated financial statements were approved for publication by the Board of Directors on 12 February 2007.

Consolidation principles

Financial figures are presented in thousands of euros and are based on original acquisition costs, unless otherwise stated.

The preparation of the consolidated financial statements in accordance with international accounting practice requires the Company's management to use accounting estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reported periods. These estimates and assumptions are based on historical experience and other sound and reasonable suppositions under the circumstances current when the financial statements are being prepared. Actual results may differ from these assumptions.

The consolidated financial statements include those companies in which Suominen Corporation held, either directly or indirectly, over 50 per cent of voting rights and control during the financial year.

Subsidiaries are included in the consolidated financial statements from the date control is acquired to when control is surrendered. The assets and liabilities of such acquisitions are recognised using the acquisition cost method at fair value on the acquisition date. The purchase price is allocated to the relevant assets at fair value, and the unallocated part of the acquisition cost capitalised to the balance sheet as goodwill.

All inter-company transactions, balances and unrealised margins of intra-group deliveries, intra-group receivables and liabilities, and internal profit distribution have been eliminated.

The consolidated financial statements are presented in euros, as this is the operating and reporting currency used by the Parent Company. The income statements of Group companies outside Finland have been translated into euros at the average rate for the financial year, and the balance sheets at the reference rate quoted by the European Central Bank on the day the books were closed. Translation differences arising from the elimination of the shareholders' equities of foreign subsidiaries are included in the consolidated distributable equity. Translation differences arising from loans to subsidiaries regarded as capital investments are treated in a similar manner to the translation differences arising from the shareholders' equity of the subsidiaries.

Business transactions denominated in foreign currencies are entered at the rates current on the date of the transactions concerned or equivalent rates. Exchange rate differences resulting from translation are booked in the income statement. Receivables and liabilities denominated in foreign currencies are translated into euros at the reference rate of the European Central Bank on the day the books were closed.

Foreign currency profits and losses associated with the Group's main business operations are recognised as adjustment items related to the expenses incurred through sales or purchases and manufacturing. Gains and losses from currency derivatives are booked in other operating income and expenses. Other financing-related currency gains and losses are booked at net value in financial income and expenses.

Intangible assets

Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of net assets of the acquired company. Goodwill from acquisitions made prior to the transition to IFRS has been calculated at the time of transition using Finnish Accounting Standards. In line with the IFRS 3 standard, the goodwill arising from the acquisition of Cod International BV has not been depreciated since 31 December 2003.

Goodwill has been allocated to cash-generating units, and the carrying amount is tested annually for impairment at the balance sheet date. If the present value of the future cash flow of a business is expected to be less than the carrying amount of the cash-generating unit, the impairment loss is recognised in the statement of income.

Other intangible assets
Other intangible assets include patents and software licences, and are entered in the balance sheet at the original acquisition cost and depreciated using planned straight-line depreciation on the basis of their probable economic life.

Other long-term expenses include planning costs, which are valued at their original acquisition cost and depreciated using planned straight-line depreciation on the basis of their probable economic life.

The depreciation periods used for intangible assets are as follows:

Intangible rights	5 – 10 years
Software licences	3 – 5 years
Other long-term expenses	5 – 10 years

Future expenditure on intangible assets is capitalised only if the economic benefits to the Company from the assets increase above the level originally planned. Otherwise, expenditure is immediately recognised in the statement of income.

Tangible non-current assets

Tangible non-current assets consist mainly of land areas, buildings, structures, machinery, and equipment; and are primarily entered in the balance sheet at their direct acquisition cost less planned depreciation and impairment. Interest expenses during construction projects are not capitalised. If a fixed asset consists of several items with different economic lives, the items concerned are treated separately.

When part of a fixed asset is renewed, the cost of the new item is capitalised. Other subsequent costs are capitalised only if the future economic benefit to the Company is increased by the new item. All other expenditure, such as normal maintenance and repair, is charged to the statement of income during the financial period in which it is incurred.

Tangible fixed assets are depreciated using planned straight-line depreciation on the basis of their expected economic life. Land areas are not depreciated.

The depreciation periods used for tangible non-current assets are as follows:

Buildings and structures	10 – 40 years
Machinery and equipment	4 – 15 years
Other tangible assets	3 – 5 years

Depreciation is calculated on the period in which the asset becomes operational.

Gains and losses from the sale and disposal of fixed assets are recognised as other operating income or expenses.

Impairment losses

The carrying amounts of assets are evaluated at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount. Impairment losses are charged to the stament of income. The recoverable amounts of intangible and tangible assets are defined either on the basis of fair value less costs or value in use, if higher. When defining the value in use of an asset, future cash flows are discounted to the present value using the average cost of capital of the relevant cash-generating unit. Specific risks associated with the asset are included in the discount rate.

A previously recognised impairment loss on plant and equipment and intangible assets, with the exception of impairment losses from goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount. However, a reversal is not made to an extent higher than the carrying amount (less accumulated depreciation) that would have been determined if no impairment loss had been recognised in previous years. Impairment losses from goodwill are never reversed.

Research and development

Expenditure on research and development is expensed during the year in which it occurs. Expenditure on product and process development is not capitalised, as no separate assets are developed and future economic benefits cannot be assessed as required under IAS 38. There was no capitalised expenditure related to research and development on the balance sheet date.

Leasing contracts

The payments associated with operating leases are expensed in rentals of equal size over the lease term. The long-term contract covering process heat sourced from a power plant adjacent to the Nonwovens site in Finland has been treated as an operating lease, as a major part of the thermal energy generated by the plant is supplied to third parties. Long-term leasing contracts on premises are treated as operating leases when the lessee is not responsible for major obligations at the end of the lease.

Leasing contracts in which the risks and benefits associated with the assets are mainly transferred to the Company are classified according to the IAS 17 standard as financial leases. Following the sale of Inka's business operations, the Group does not have any financial leases on its balance sheet.

Financial assets and liabilities

Financial assets are classified on the basis of the intended use to be made of them, and are recognised on the settlement date. Transaction costs are included in the initial book value of the financial assets concerned when the item is not recognised at fair value through profit or loss.

Available-for-sale financial assets
The valuation of publicly quoted securities held as available-for-sale financial assets is based on fair value, equivalent to the market price on the balance sheet date. Loan receivables are recognised at fair value by discounting the expected cash flows to the present value using the effective interest rate on the balance sheet date. Changes in fair value are recognised in equity until the asset is sold or otherwise disposed of. On disposal of an asset, the changes in fair value recognised in equity are included in the profit or loss. Impairment tests are made when there is objective indication of impairment. Definite impairment losses on assets are recognised in profit or loss. Unlisted equity securities are recognised at acquisition cost, as fair values cannot be measured reliably.

Available-for-sale financial assets are included in the balance sheet on the settlement date, which is the date Suominen gains access to the cash flow resulting from the asset, and removed from the balance sheet when such funds are no longer available to the Company.

As of the closing date, Suominen held only non-current available-for-sale financial assets.

Held-to-maturity investments
Held-to-maturity investments are measured at amortised cost. Gains and losses from held-to-maturity investments are booked in financial income and expenses when the investment is recognised in the balance sheet, when they are impaired, or when the acquisition cost is amortised.

Held-to-maturity investments are recognised in the balance sheet on the settlement date, which is the date Suominen gains access to the cash flow resulting from the investment, and removed from the balance sheet when such funds are no longer available to the Company.

As of the closing date, Suominen held only non-current held-to-maturity investments.

Trade receivables and other receivables
Trade and other receivables are valued at cost. If there is objective evidence that a receivable cannot be collected according to the terms of the original contract, a credit loss is recorded. Credit losses are expensed in the statement of income as other operating expenses.

Trade receivables are included in the balance sheet when the revenue is recognised. Other receivables are included in the balance sheet when Suominen gains access to the relevant cash flow. Trade receivables and other receivables are removed from the balance sheet when Suominen receives payment equivalent to the receivable or when Suominen is no longer entitled to the relevant cash flow.

As of the closing date, Suominen held only current trade receivables and other receivables.

Cash at bank and in hand
Cash at bank and in hand includes cash and cash equivalents and other short-term investments. They are carried at fair value through profit or loss.

Liabilities
Interest-bearing debts are classified as originated loans and are recognised at amortised cost. Interest and significant transaction costs are charged to the statement of income over the term of the loan, using the effective interest method. The interest rate risk of a major part of interest-bearing debt is hedged under cash flow hedge accounting rules.

Interest-bearing debts are included in non-current or current interest-bearing liabilities, depending on whether they mature within 12 months of the closing of the books or later.

Financial derivatives

Suominen's risk management policy provides guidelines on the use of financial derivatives. Derivative instruments are booked at fair value based on their market price on the closing date. The fair value of all derivative contracts is recorded in the balance sheet as other current receivables and liabilities.

The Company applies IAS 39 cash flow hedge accounting in respect of specified interest swap agreements used to fix the interest rate of floating rate loans. Cash flow hedge accounting is also applied to a predetermined part of the Company's electricity purchases to eliminate price fluctuations over a given period. Hedges must be effective both prospectively and retrospectively. The effectiveness of hedge accounting is documented at the hedge inception and on an ongoing basis.

Changes in the fair value of an outstanding derivative contracts qualifying for hedge accounting are recorded in the fair value reserve in equity. When a hedge instrument expires either in part or in full, interest income or expense is booked in interest income or expenses in the statement of income, and the settlement gains or losses of electricity derivatives as adjustments to electricity costs. Changes in the fair value of derivatives that do not qualify for hedge accounting and settlements for electricity derivatives are recognised directly in profit or loss.

The Group does not apply IAS 39 hedge accounting in the hedging of foreign exchange risk. Outstanding forward currency contracts are valued at fair value. Changes in the fair value and the settlement result of forward contracts are booked immediately in other operating income and expenses.

Inventory

Purchase costs are determined using the first-in-first-out principle. The value of inventories includes all the direct and indirect costs associated with their purchase. The cost of manufactured products includes the cost of materials, direct labour, and other direct costs, together with the relevant share of general manufacturing overheads, but excluding sales, general administration, and financing costs.

Inventories are valued at the cost of purchase or the probable lower net realisable value, which is the estimated sale price in the ordinary course of business, less the costs of completion and selling expenses.

Obsolete items contained in inventories are written down.

Shareholders' equity, dividend, and Company shares

The dividend proposed by the Board of Directors is not entered in the accounts, and dividends are only booked following the resolution taken by the General Meeting of Shareholders.

The treasury shares acquired by the Company and the related costs are presented as deductions of equity. The funds received are entered in equity on disposal.

Capital loans that are subordinated to other loans under the Finnish Companies Act are entered in the balance sheet as interest-bearing liabilities, and interest expenses are booked as financial expenses.

Revenue recognition

Sales revenue is recognised in the statement of income when risks and rewards connected with the ownership of goods sold are transferred to the buyer, which is normally the date of delivery.

Indirect sales taxes, discounts given, and foreign exchange differences from sales are deducted from sales revenue when calculating net sales. Sales freight costs and other sales and delivery costs are treated appropriately, as either cost of goods sold or sales expenses. Credit losses are included in other operating expenses.

Earnings per share

Non-diluted earnings per share are calculated using the weighted average number of shares for the period in question. The average number of shares used in calculating diluted earnings per share is adjusted for the number of Company shares held and the dilution effect of stock options. The Group does not hold any convertible bonds that would dilute earnings per share.

Share-based payments

The Group has granted the President and CEO a number of stock options. The fair value of these options is booked as personnel expenses at the time the option right was granted and recorded in equity for the same amount. The fair value of the options is determined on the day they are granted and periodised till the end of the subscription period. The fair value of the options is calculated using the binomial model based on the statistical Wiener process. At the time the options are granted, the number of options to be exercised and the expected term form the basis for amortising the cost of the benefit.

Pension schemes

Suominen Corporation operates pension schemes to cover the pension benefits of its employees in various countries in accordance with local legislation and established local practice. In Finland, the Finnish Employment Pension Scheme (TyEL) is mainly used. Pension schemes may include additional pension benefits, options for early retirement, or compensation for disability.

Pension schemes are classified either as defined contribution plans or defined benefit plans. Contributions to defined contribution plans are expensed during the period to which the contribution relates.

The present value of the pension obligations of defined benefit plans is determined using the projected unit credit method, and plan assets are recognised at fair value on the balance sheet date. Pension costs are recognised in the statement of income, spreading regular costs over the service time of employees calculated by actuaries annually. The Company's pension obligation is calculated as the present value of estimated future pension payments, using the discount rates of government or equivalent securities.

Actuarial gains and losses and the changes in them are recorded directly in equity in accordance with the IAS 19.93A standard.

Provisions

Provisions comprise expenditure for which the Group has present legal or constructive obligation, but which remains unrealised and the amount of which can be reliably estimated. Provisions are recognised in the balance sheet provided that the exact amount and timing of the future expenditure is uncertain. Otherwise, the expenditure is included in the accrued expenses. Changes in provisions are entered under the expenses in question in the statement of income.

A restructuring provision is booked only when a detailed and a fully compliant plan has been prepared for it and the implementation of the plan has been started or notification of it has been made to those affected by the arrangement.

Income taxes

The Group's income taxes include income taxes of Group companies based on taxable profit for the financial period, together with tax adjustments for previous periods and the change of deferred income taxes.

Deferred tax assets and liabilities are recognised for all temporary differences arising from the difference between the tax basis of assets and liabilities and their carrying amounts. Temporary differences arise among others from unused tax losses, depreciation differences, provisions, defined benefit pensions, revaluation of hedging instruments, intra-group margins in inventory, and recognition of assets at fair value at business acquisitions.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are calculated using the tax rate in force or which has been enacted by the balance sheet date and is expected to apply for the following years. Deferred tax liability is not provided on goodwill.

Discontinued business operations

Gains and losses from the disposal of business operations are presented separately net of taxes in the statement of income.

Government grants and subsidies

Government or other grants are recognised in the statement of income in the same periods in which the expenses they are intended to offset. Grants relating to investments are deducted from acquisition costs.

Other operating income and expenses

Gains from the sales of assets, net gains on currency derivatives, and sales other than product sales, such as royalties and rental income, are booked as other operating income.

Losses from the sales of assets, other expenses not associated with normal operations, and net losses on currency derivatives, are booked as other operating expenses.

Critical judgements in applying accounting policies and key sources of estimation uncertainty

Impairment of assets
When goodwill, other intangible assets, and tangible assets are tested for impairment, management is required to estimate future discounted cash flows that are expected to result from the use of the assets and their eventual disposal. Actual cash flows could vary from the estimated discounted future cash flows, as changes in the long useful lives of the Company's assets, changes in the estimated future sales prices of products, changes in production costs, and changes in the discount rate used could lead to significant impairment charges. The key assumptions used in testing goodwill and the sensitivity of calculations to changes in related factors are outlined in note 9 to the consolidated financial statements.

Employee benefits
Several statistical and other actuarial assumptions are used in calculating the expenses and liabilities related to pension benefit plans. These factors include assumptions about the discount rate, expected return on plan assets, changes in future compensation, and withdrawal turnover. Statistical estimates may differ significantly from actual results, due to changing market and economic conditions, and changes in the service period of plan participants. The changes in actuarial assumptions are recognised in equity and not in the statement of income, which could have a significant impact on the Group's profit or loss.

Taxes
The Group reviews the carrying amount of deferred tax assets at each balance sheet date. The Group considers whether it is probable that the subsidiaries will have sufficient taxable profits against which the unused tax losses or unused tax credits can be utilised. The factors used in these estimates may differ from actual outcome, which could result in significant valuation allowance of deferred tax assets recognised in the statement of income.

New standards and interpretations

The IASB has published the following standards, amendments, and interpretations that Suominen will not apply prior to their official introduction.

Standard or interpretation	IASB publication date	EU status	Comes into force on
IFRIC 10 Interim financial reporting and impairment	20 July 2006	Not announced	1 Nov. 2006
IFRS 7 Financial instruments: Disclosures	18 Aug. 2005	11 Jan. 2006	1 Jan. 2007
IAS 1 (amended) Presentation of financial statements: Capital disclosures	18 Aug. 2005	11 Jan. 2006	1 Jan. 2007
IFRIC 11, IFRS 2 Group and treasury share transactions	2 Nov. 2006	Not announced	1 March 2007
IFRS 8 Segment reporting	30 Nov. 2006	Not announced	1 Jan. 2009

The standards and amendments due to come into force in 2007 are not expected to have a substantive impact on Suominen's financial statements. The Group's current estimate is that the most important new notes required under IFRS 7 will cover expanded quantitative analyses and additional notes on equity and capital. IFRIC 12 Service Concession Agreements does not affect Suominen.

The impact of changes in accounting principles on published IFRS figures

(Annual figures for 2005, quarterly figures between Q1/2005 and Q3/2006, and segment figures)

The principles used for revenue recognition and presenting exchange rate differences in the statement of income have been amended from the second quarter onwards, and this has also changed the comparative data. Gains and losses from the currency forward deals have been transferred from net sales to other operating income and expenses. The recognition of revenue from sales has been adjusted in accordance with delivery terms. Actuarial gains and losses associated with pension liability are now presented in shareholders' equity rather than the statement of income.

The recognition of revenue from sales changes the reported figures of net sales, trade receivables, and inventories, and corrects the profit for the period and retained earnings by the margin value of unsold goods in inventory. Exchange rate differences affect the statement of income in respect of financial income and expenses and operating expenses. The impact of these adjustments on the result and shareholders' equity is minimal. The changes made in the treatment of pension liabilities affect production-related pension expenses, the amount of the pension liability debt, equity, deferred tax assets, and changes in the latter. The change increased shareholders' equity by a net sum of EUR 1.4 million and reduced the result for 2005 after tax by EUR 0.4 million.

Statement of income

€ 1 000	Net sales	Operating profit	Profit before income taxes	Profit/loss for the period
Reported 2005	195 915	-2 513	-6 291	-3 151
Impact of changes	-754	-618	-505	-519
Restated 2005	**195 161**	**-3 131**	**-6 796**	**-3 670**

€ 1 000	Net sales	Operating profit	Profit before income taxes	Profit/loss for the period
Q1–Q4/2006:				
Reported Q1/2006	49 227	663	-264	-185
Impact of changes	75	-79	-79	-100
Restated Q1/2006	**49 302**	**584**	**-343**	**-285**
Reported Q1–Q2/2006	96 958	128	-1 765	-1 204
Impact of changes		-36	-36	-78
Restated Q1–Q2/2006	**96 958**	**92**	**-1 801**	**-1 282**
Reported Q1–Q3/2006	148 399	464	-2 398	-1 613
Impact of changes		-55	-55	-118
Restated Q1–Q3/2006	**148 399**	**409**	**-2 453**	**-1 731**

Balance sheet

€ 1 000	Non-current assets	Inventories	Trade and other current receivables	Share-holders´ equity	Non-current liabilities	Current liabilities	Total balance sheet
Reported 2005	126 042	28 044	32 720	56 560	83 016	47 230	186 806
Impact of changes	-446	2 170	-2 697	1 369	-1 941	-401	-973
Restated 2005	**125 596**	**30 214**	**30 023**	**57 929**	**81 075**	**46 829**	**185 833**
Q1–Q4/2006:							
Reported Q1/2006	122 510	27 534	33 886	57 666	80 954	45 310	183 930
Impact of changes	-433	2 045	-2 652	1 273	-1 924	-389	-1 040
Restated Q1/2006	**122 077**	**29 579**	**31 234**	**58 939**	**79 030**	**44 921**	**182 890**
Reported Q1–Q2/2006	118 636	32 510	30 415	56 673	82 336	42 552	181 561
Impact of changes	-449			1 457	-1 905		-449
Restated Q1–Q2/2006	**118 188**	**32 510**	**30 415**	**58 130**	**80 431**	**42 552**	**181 113**
Reported Q1–Q3/2006	115 998	27 285	35 240	56 425	81 856	40 242	178 523
Impact of changes	-464			1 422	-1 886		-464
Restated Q1–Q3/2006	**115 534**	**27 285**	**35 240**	**57 847**	**79 970**	**40 242**	**178 059**

Segment reporting

Wipes and Nonwovens

€ 1 000	Net sales	Operating profit	Assets	Liabilities
Reported 2005	124 190	-2 924	124 415	14 428
Impact of changes	-750	-528	-1 669	-3 323
Restated 2005	**123 440**	**-3 452**	**122 746**	**11 105**
Q1–Q4/2006:				
Reported Q1/2006	30 669	-276	121 365	13 761
Impact of changes	75	-79	-607	-2 313
Restated Q1/2006	**30 744**	**-355**	**120 758**	**11 448**
Reported Q1–Q2/2006	59 974	-771	120 387	12 751
Impact of changes		-36		-1 905
Restated Q1–Q2/2006	**59 974**	**-807**	**120 387**	**10 846**
Reported Q1–Q3/2006	92 797	-786	116 902	13 156
Impact of changes		-55		-1 886
Restated Q1–Q3/2006	**92 797**	**-841**	**116 902**	**11 270**

Flexible Packaging

€ 1 000	Net sales	Operating profit
Reported 2005	71 841	163
Impact of changes	-4	-91
Restated 2005	**71 837**	**72**

The reported figures for Flexible Packaging were not restated in 2006.

2. Segment information

Business areas are the primary segments in Suominen Corporation´s segment reporting. Business area segments are based on the operating organisation and reporting structure. Products manufactured by one business area segment are of the same risk and profitability level and different from those manufactured by other segments.

The assets and liabilities of business areas include only assets and liabilities directly connected to the business of the segment. The goodwill allocated to the assets is also included.

Geographical segments are the secondary segments in segment reporting. Geographical segments are based on different business environments and the risks and profitability in them. Net sales of geographical segments are reported according to the location of customers and assets according to the location of assets. Goodwill is allocated to Finland.

Segment reporting follows the same accounting principles as consolidated financial reporting. Business transactions between segments are made using market prices and eliminated at consolidation.

Business area segments, 2006

€ 1 000	Wipes and Nonwovens	Flexible Packaging	Consolidation and eliminations	Total
Net sales				
- Wet Wipes	69 299			
- Nonwovens	67 296			
Eliminations	-9 687			
Total net sales	**126 908**	**75 987**	**-268**	**202 627**
Operating profit	**-149**	**1 958**	**-619**	**1 190**
Assets, goodwill excluded	82 520	55 127	4 014	141 661
Goodwill	34 195			34 195
Total assets	**116 715**	**55 127**	**4 014**	**175 856**
Liabilities	**13 943**	**11 228**	**93 942**	**119 113**
Gross investments	**2 150**	**2 122**	**65**	**4 337**
Depreciation and impairment charges	**8 768**	**5 873**	**53**	**14 694**
Average personnel (adjusted as full-time)	**455**	**593**	**10**	**1 058**

Business area segments, 2005

€ 1 000	Wipes and Nonwovens	Flexible Packaging	Consolidation and eliminations	Total
Net sales				
- Wet Wipes	64 911			
- Nonwovens	67 476			
Eliminations	-8 947			
Total net sales	123 440	71 837	-116	195 161
Operating profit	-3 452	72	249	-3 131
Assets, goodwill excluded	88 551	59 552	3 535	151 638
Goodwill	34 195			34 195
Total assets	122 746	59 552	3 535	185 833
Liabilities	11 105	7 901	108 898	127 904
Gross investments	4 893	2 784	37	7 714
Depreciation and impairment charges	9 682	5 812	67	15 561
Average personnel (adjusted as full-time)	532	607	103	1 242

Geographical segments

Net sales by the location of external customers

€ 1 000	2006	2005
Finland	**33 208**	34 649
Scandinavia	**21 539**	20 299
The Netherlands	**40 348**	23 302
Other Europe	**82 421**	98 932
Other countries	**25 111**	17 980
Total	**202 627**	195 161

Assets including goodwill by the location of the assets

€ 1 000	2006	2005
Finland	**113 673**	122 097
Scandinavia	**6 949**	7 017
The Netherlands	**37 070**	38 209
Other Europe	**18 173**	18 510
Total	**175 865**	185 833

Gross investments by country

€ 1 000	2006	2005
Finland	**2 271**	4 679
Scandinavia	**147**	132
The Netherlands	**966**	2 176
Other Europe	**953**	727
Total	**4 337**	7 714

3. Other operating income and expenses

€ 1 000	2006	2005
Other operating income		
Profit from sale of fixed assets	**136**	195
Indemnities	**31**	1 036
Rents	**19**	18
Recovery of bad debts	**76**	112
Net profit from currency derivatives	**111**	
Other	**351**	393
Total	**724**	1 754
Other operating expenses		
Losses on sale and write-down of fixed assets	**86**	44
Damage expenses and contributions	**21**	138
Bad debts	**154**	74
Net losses from currency derivatives		418
Derivatives excluded from hedge accounting	**272**	
Other	**238**	262
Total	**771**	936

4. Personnel expenses

€ 1 000	2006	2005
Salaries and other compensations	**33 156**	35 259
Share-based payments	**19**	
Pension expenditure		
Defined benefit plans	**685**	933
Change in deferred pension liability	**-27**	-1 247
Defined contribution plans	**3 177**	3 630
Other payroll connected expenses	**4 461**	6 181
Total	**41 471**	44 756
Average number of personnel	**1 058**	1 242

Details on employee benefits paid to management are specified in note 33. Related party disclosure.

5. Depreciation, amortisation, and impairment charges

€ 1 000	2006	2005
By function		
Procurement and production	**14 114**	14 877
Sales and marketing	**55**	44
Research and development	**271**	242
Administration	**254**	398
Total	**14 694**	15 561
By asset group		
Buildings and constructions	**3 373**	3 413
Machinery and equipment	**11 041**	11 870
Other tangible assets	**73**	79
Other intangible assets	**207**	199
Total	**14 694**	15 561

6. Financial income and expenses

€ 1 000	2006	2005
Interest income	**36**	207
Dividend income	**6**	3
Profit from sales of available-for-sale assets		14
Other financial income, total	**0**	14
Interest expense	**-3 942**	-4 131
Impairment charges from available-for-sale financial assets	**-112**	
Exchange rate differences (net)	**-2**	56
Other financial expenses	**-10**	-13
Other financial expenses, total	**-124**	43
Total	**-4 024**	-3 864
Derivatives excluded from hedge accounting	**97**	199
Gains and losses on derivatives, total	**97**	199

Foreign exchange gains and losses recognised in the statement of income

€ 1 000	2006	2005
Net sales	**-518**	-337
Cost of goods sold	**134**	244
Financial income and expenses	**-2**	56
Foreign exchange gains and losses, total	**-386**	-37

7. Income taxes

€ 1 000	2006	2005
Income taxes for financial year	**378**	1 020
Income taxes from previous years	**-45**	41
Deferred taxes	**-1 287**	-3 112
Income taxes total	**-954**	-2 051

Profit before taxes	**-2 738**	-6 219
Tax calculated at the domestic corporate tax rate of 26%	**-712**	-1 617
Effect of different tax rates in foreign subsidiaries	**-40**	-194
Expenses not deductible for tax purposes	**16**	7
Effect of changes in the valuation of tax assets		-225
Other temporary differences	**28**	
Other items	**-31**	-22
Effect of changed tax rate*	**-215**	
Tax charge total	**-954**	-2 051

* In the Netherlands, the tax rate has been reduced from 29.6 per cent to 25.5 per cent.

8. Earnings per share

€ 1 000	2006	2005
Profit for the period	**-1 783**	-3 670

Shares in thousands		
Average weighted number of shares	**23 709**	23 701
Earnings per share from continuing operations, €	**-0.08**	-0.20
Earnings per share from discontinued operations, €		0.05
Earnings per share from continuing and discontinued operations, €	**-0.08**	-0.15

Suominen´s stock option plan does not have a dilutive effect on earnings per share. Options have a dilutive effect only when the exercise price is lower than the market price of the share.

9. Intangible assets

2006 € 1 000	Intangible rights	Goodwill	Other capitalised expenditure	Pre-payments	**Total 2006**
Acquisition cost 1 Jan.	1 113	34 855	790	26	**36 784**
Translation difference	-5		14		**9**
Fully depreciated	-65				**-65**
Transfers between items	57			-57	**0**
Decrease/sale	-3				**-3**
Writedown	-219				**-219**
Increase	83		14	31	**128**
Acquisition cost 31 Dec.	**961**	**34 855**	**818**	**0**	**36 634**
Accumulated depreciation 1 Jan.	-800	-660	-107		**-1 567**
Translation difference	5		-13		**-8**
Fully depreciated	65				**65**
Accumulated depreciation on transfers	221				**221**
Depreciation for the financial year	-114		-92		**-206**
Accumulated depreciation 31 Dec.	**-623**	**-660**	**-212**	**0**	**-1 495**
Book value 31 Dec. 2006	**338**	**34 195**	**606**	**0**	**35 139**

Goodwill has not been depreciated since 1 Jan. 2004.

2005 € 1 000	Intangible rights	Goodwill	Other capitalised expenditure	Pre-payments	Total 2005
Acquisition cost 1 Jan.	1 134	34 855	763		36 752
Translation difference			-13		-13
Fully depreciated	-112				-112
Transfers between items	45			-45	0
Increase	46		40	71	157
Acquisition cost 31 Dec.	1 113	34 855	790	26	36 784
Accumulated depreciation 1 Jan.	-795	-660	-38		-1 493
Translation difference			13		13
Fully depreciated	112				112
Depreciation for the financial year	-117		-82		-199
Accumulated depreciation 31 Dec.	-800	-660	-107	0	-1 567
Book value 31 Dec. 2005	313	34 195	683	26	35 217

Following the principle of allocating goodwill to cash-generating units, EUR 22 797 thousand of the goodwill generated by the acquisition of Codi International BV in 2003 has been allocated to Wet Wipes and EUR 11 398 thousand to Nonwovens. The recoverable amount for the business was determined as the value in use in impairment testing. Projected cash flows are based on actual performance and five-year forecasts based on business strategy. The main assumptions underlying these forecasts were revised as part of the closing. Cash flow in the residual period beyond the five-year forecasted period was extrapolated using the growth rates for the relevant business areas. The key assumptions regarding the values in use are linked to the sales trend prevailing in the cash-generating units, cost levels, and the discount rate used.

The annual growth rate for Wet Wipes during the period covered by the forecast has been estimated at 8 per cent (11%), based on predicted ongoing market growth above that of the overall market, new delivery contracts, and sales growth in new geographical areas. Cost savings already made in the unit and improvements in operational efficiency are expected to continue to enhance the unit’s profitability. The annual growth rate for Nonwovens has been estimated at 5 per cent (6%), based on developments in the nonwovens sector generally and increased intra-group deliveries. Annual growth of 0.5 per cent (0.5%) has been assumed for the residual period in Wet Wipes, and 0 per cent (0%) in Nonwovens. Pre-tax discount rates of 9.3 per cent (8.2%) and 8.9 per cent (8.0%) have been used for Wet Wipes and Nonwovens respectively. Business profitability used in determining residual value has been based on the long-term performance of the sector, in the form of an operating profit of 6 per cent (5%) for Wet Wipes and 9 per cent (10%) for Nonwovens.

Impairment testing calculations are based on present estimates of future developments. The uncertainty in measuring the values in use for cash-generating units was captured by analysing variations in the amount or timing of cash flows. The uncertainty and risk contained in the calculations has been taken account of through a downward adjustment in the strategy figures. The element of uncertainty has also been recognised by using residual period growth, which is 1 – 2 per cent lower than expected growth. Profitability during the residual period has also been estimated at 1 – 2 per cent lower than expected. Risk analysis has taken account of the possibility of adverse changes in the general assumptions underlying the calculations used.

Wet Wipes and Nonwovens are moving towards greater integration and a single unit in which the product offering, pricing, and production management share similar goals. Unit-specific calculations are affected by the transfer prices used in intra-group deliveries. Transfer pricing is based on market pricing. For the purposes of the impairment testing of goodwill for 2006, the Wipes and Nonwovens business area was divided into two cash-generating units. In this separate analysis, the value in use for Wet Wipes exceeded the carrying amount by EUR 7 million (EUR 8 million). Adverse changes in key assumptions could reduce the value in use, making it equal to the carrying amount. This would be the case if the discount rate rose by 1 per cent (1.6), if the 0.5 per cent growth in net sales during the residual period would change to a decline of 1.4 per cent (0.8%) annually, or if residual value operating profit was 0.9 percentage points (0.8%) below the estimate. Although consumption-based inflation could raise interest rates, this would also mean a more favourable trend in sales as consumer demand increases. A 1% increase in demand in the test calculations, combined with the impact this would have both on inflation and on interest rates, would require the discount rate to rise by 1.6 per cent (2.4%) for the value in use and the carrying amount to be equal.

10. Tangible assets

2006 € 1 000	Land areas	Buildings	Machinery and equipment	Other tangible assets	Advance payments and work in progress	**Total 2006**
Acquisition cost 1 Jan.	1 647	57 430	129 396	368	5 108	**193 949**
Translation difference	6	36	259	20	6	**327**
Fully depreciated		-866	-11 810	-4		**-12 680**
Increase		48	528		3 537	**4 113**
Decrease/sale		-68	-4 151	-232	-17	**-4 468**
Writedown		-3	-1 436		-6	**-1 445**
Transfers between items		321	6 446	21	-6 788	**0**
Acquisition cost 31 Dec.	**1 653**	**56 898**	**119 232**	**173**	**1 840**	**179 796**
Accumulated depreciation 1 Jan.		-27 380	-78 297	-143		**-105 820**
Translation difference		-6	-130	-20		**-156**
Fully depreciated		866	11 810	4		**12 680**
Accumulated depreciation on decrease and transfers		70	4 854	232		**5 156**
Depreciation for the financial year		-3 291	-11 041	-73		**-14 405**
Impairment charges		-83				**-83**
Accumulated depreciation 31 Dec.	**0**	**-29 824**	**-72 804**	**0**	**0**	**-102 628**
Book value 31 Dec. 2006	**1 653**	**27 074**	**46 428**	**173**	**1 840**	**77 168**
Balance sheet value of machinery and equipment in production			**43 391**			

2005 € 1 000	Land areas	Buildings	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total 2005
Acquisition cost 1 Jan.	1 602	58 847	136 607	329	9 680	207 065
Translation difference	39	259	217		48	563
Fully depreciated		-786	-10 354	-44		-11 184
Increase	25	163	1 136	9	6 356	7 689
Decrease/sale	-19	-2 952	-5 490		-8	-8 469
Writedown		-24	-1 691			-1 715
Transfers between items		1 923	8 971	74	-10 968	0
Acquisition cost 31 Dec.	1 647	57 430	129 396	368	5 108	193 949
Accumulated depreciation 1 Jan.		-27 140	-80 939	-108		-108 187
Translation difference		-28	-3			-31
Fully depreciated		786	10 354	44		11 184
Accumulated depreciation on decrease and transfers		2 415	4 161			6 576
Depreciation for the financial year		-3 413	-11 870	-79		-15 362
Accumulated depreciation 31 Dec.	0	-27 380	-78 297	-143	0	-105 820
Book value 31 Dec. 2005	1 647	30 050	51 099	225	5 108	88 129
Balance sheet value of machinery and equipment in production			47 222			

The carrying amounts of tangible assets are reviewed to determine whether there is any indication of impairment, such as a significant decline in an asset's market value, adverse changes in the business environment, adverse changes in the extent to which or manner in which an asset is used or expected to be used, or a deterioration in financial performance below what was expected.

If such indication exists, the recoverable amount is estimated as either the fair value of the asset less selling expenses or the value in use, if this is higher. When estimating an asset's value in use, the relevant future cash flows are discounted by using the average cost of capital before taxes of the cash-generating unit concerned. The risk inherent in the value in use is captured by analysing variations in the amount or timing of cash flows. Future cash flows from tangible assets are estimated over a period of five years, and the residual value of an asset is its probable fair value less the selling cost.

11. Group companies

	Percentage of total number of shares and voting power
Codi International BV, Veenendaal, The Netherlands	100.0
Suominen Nonwovens Ltd., Nakkila, Finland	100.0
Suominen Flexible Packaging Ltd., Tampere, Finland	100.0
Suominen Polska Sp. z o.o., Grodzisk Mazowiecki, Poland	100.0
Flexmer Ltd., Tampere, Finland	100.0

Owned through subsidiaries:

Suominen Flexible Packaging AB, Norrköping, Sweden	100.0
ZAO Suominen, St. Petersburg, Russia	100.0
Suominen Sverige AB, Norrköping, Sweden	100.0
Suominen Ikamer Ltd., Tampere, Finland	100.0

12. Available-for-sale financial assets

Available-for-sale financial assets include listed and unlisted shares and loan receivables.

€ 1 000	**2006**	2005
Book value 1 Jan.	**878**	310
Increases		601
Disposals		-33
Impairment charges	**-112**	
Book value 31 Dec.	**766**	878

13. Loan receivables

€ 1 000	**2006 Book value**	2005 Book value
Current		
Receivables from disposed business operations		270
Current loan receivables	**0**	270

Loan receivables are recognised at fair value.

14. Discontinued operations

The entire share capital of Inka Oy was sold in 2005 to funds managed by Midinvest Management Oy and to Inka´s operative management. Inka was included in other business operations in segment reporting.

€ 1 000	**2006**	2005*
Revenue		7 915
Expenses		-7 676
Tax		-80
Profit after taxes	**0**	159
Profit from disposal:		
Other operating income		1 156
Tax		-240
Profit for the year from discontinued operations	**0**	1 075

€ 1 000	**2006**	2005*
Cash flow from operations		302
Cash flow from investing activities		5 578
Cash flow from financing activities		-132
Total cash flow from discontinued operations	**0**	5 748

* 1 Jan. – 30 Sept. 2005

€ 1 000	**2006**	2005
Net assets and liabilities of disposals		
Cash and cash equivalents		79
Property, plant and equipment		3 963
Inventories		3 179
Receivables		1 683
Payables		-1 655
Financial lease		-1 785
Net assets in discontinued operations	**0**	5 464
Gain on disposal		1 075
Total consideration	**0**	6 539
Satisfied by cash and cash equivalents		
Deferred consideration		870
Cash consideration		5 748
Cash and cash equivalents in subsidiary disposed		-79
Net cash inflow arising on disposals	**0**	6 539

15. Deferred taxes

€ 1 000	**2006**	2005
Deferred tax assets by types of temporary differences		
Employee benefits	**80**	90
Reorganisation reserve	**52**	104
Unused tax losses	**694**	823
Other temporary differences	**56**	355
Total	**882**	1 372
Deferred tax liabilities		
Tangible assets	**5 644**	7 113
Inventories	**339**	319
Fair valuation of derivative financial instruments	**477**	313
Translation differences in equity	**262**	
Other temporary differences	**46**	-106
Total	**6 768**	7 639
Net deferred tax liabilities	**5 886**	6 267
Deferred income tax recognised in equity during the year		
Cash flow hedges	**-320**	-313
Translation differences	**-262**	
Pension liabilities	**35**	453
Total	**-547**	140

Deferred tax assets refer to the confirmed tax losses that can probably be used in future years against taxable income generated in the same country. The Group had tax losses totalling EUR 2 947 thousand (EUR 2 983 thousand) on the closing date. A total of EUR 509 thousand of these losses will expire during the next five years. Deferred tax assets are recognised based on the estimated realisation of the related tax benefit though future taxable income.

No deferred tax liability is recognised from the non-distributed profits of subsidiaries, as the Group decides the distribution of such profit and no such distribution is likely in the immediate future.

16. Employee benefits

The pension schemes of the companies in Suominen Corporation are classified either as defined contribution plans or defined benefit plans. Contributions to defined contribution plans are expensed during the period to which the contribution relates. The Group currently has a defined contribution plan in the Netherlands. The present value of the pension obligations of defined benefit schemes is determined using the projected unit credit method, and plan assets are determined at fair value on the closing date. Pension costs are booked to the statement of income, spreading regular costs over the service time of the employees concerned calculated by actuaries annually. The pension liability is determined as the present value of future pension payments calculated using the interest rates of government securities or equivalent securities for discount rate purposes. Actuarial gains and losses, together with changes in them, are booked to equity in accordance with IAS 19.93A.

€ 1 000	2006	2005
Reconciliation of assets and liabilities recognised in the balance sheet		
Present values of obligations		
Unfunded obligations		10
Funded obligations	**11 569**	11 605
Fair value of plan assets	**-11 255**	-11 273
Net liability in balance sheet	**314**	342
Plan assets		
Debt instruments	**11 255**	11 273
Plan assets total	**11 255**	11 273
Expenses recognised in the statement of income		
Current service cost*	**575**	786
Interest cost	**497**	531
Curtailment		-1 202
Expected return on plan assets	**-495**	-510
Other costs	**81**	81
Total expenses recognised in statement of income	**658**	-314
Expenses allocated by function		
Procurement and production	**658**	-314

* Current service cost of the employer

Present value of obligations 1 Jan.		
Unfunded obligations		165
Funded obligations	**11 614**	10 612
Interest cost	**497**	531
Current service cost	**907**	1 179
Paid benefits	**-195**	-325
Actuarial gains (-) and losses (+) from the obligation	**-1 254**	654
Curtailment		-1 202
Present value of obligations 31 Dec.	**11 569**	11 614

€ 1 000	2006	2005
Present value of assets 1 Jan.	**11 273**	10 215
Expected return on plan assets	**495**	510
Received payments	**1 011**	1 449
Other payments	**-81**	-81
Paid benefits	**-195**	-325
Unrecognised actuarial gains (+) and losses (-)	**-1 248**	-495
Present value of assets 31 Dec.	**11 255**	11 273

The actual return on plan assets was EUR 510 thousand in 2005 and EUR 495 thousand in 2006.

Actuarial gains and losses recognised in equity

€ 1 000	2006	2005
Accumulated amount 1 Jan.	**1 941**	3 639
Change during year	**-99**	-1 698
Accumulated amount 31 Dec.	**1 842**	1 941

Principal actuarial assumptions

At 31 Dec.	2006	2005
Discount rate (%)	**4.25**	4.00
Expected rates of return on plan assets (%)	**4.25**	4.00
Expected rates of salary increase (%)	**1.50**	1.50
Expected rates of pension increase (%)	**1.50**	1.50
Expected average remaining working life (years)	**7.93**	7.40

17. Inventories

€ 1 000	2006	2005
Raw materials and consumables	**10 380**	9 598
Work in progress	**4 742**	5 713
Finished products and goods	**12 718**	14 903
Total inventories	**27 840**	30 214

The value at cost of inventories totals EUR 28 468 thousand (EUR 30 649 thousand). The figure has been reduced by EUR 628 thousand to cover obsolete stock (EUR 435 thousand).

18. Other current receivables

€ 1 000	2006	2005
Other receivables		
Fair values of derivatives	**1 867**	1 191
Indirect taxes	**1 288**	849
Other	**40**	29
Total other receivables	**3 195**	2 069
Accrued income and prepaid expenses		
Social security and healthcare	**143**	143
Discounts	**1 838**	1 925
Other	**1 064**	1 760
Total accrued income and prepaid expenses	**3 045**	3 828
Total other current receivables	**6 240**	5 897

19. Cash and cash equivalents

€ 1 000	**2006**	2005
Total cash and cash equivalents	**1 220**	1 166

20. Share capital

Share capital	Number of shares	Registered share capital, €	Share premium account, €	Own shares, €	Total, €
31 Dec. 2005	23 720 112	11 860 056	24 680 588	-78 683	36 461 961
Conveyance of own shares				72 853	72 853
Repurchase of own shares				-157 329	-157 329
31 Dec. 2006	**23 720 112**	**11 860 056**	**24 680 588**	**-163 159**	**36 377 485**

Suominen's total number of shares is 23 720 112 (December 2005: 23 720 112). Shares have a book counter value of EUR 0.50 per share. All issued shares are fully paid up.

The Board of Directors used the authorisation granted by the Annual General Meeting on 20 March 2006 and acquired 50 000 Company shares between 3 November and 17 November 2006.

The members of the Board of Directors and the President and CEO of Suominen Corporation owned a total of 2 888 333 shares (2005: 2 513 295 shares) as of 31 December 2006. These shares represented 12.2 per cent (December 2005: 10.6 per cent) of the total number of shares and votes.

Stock options

Option	**Exchange ratio**	**Subscription price/share**	**Subscription period**	**Number of shares to be subscribed 31 Dec. 2006**	**End of vesting period**
2006A	1:1	3.40	2 May 2008 – 30 Oct. 2009	100 000	2 May 2008

Stock option plan	**2006A**
Fair value at grant date (EUR)	0.67
Grant date	22 June 2006
Share price at grant date (EUR)	3.09
Number of outstanding options on 31 December 2006	100 000
Expected volatility (%)	25 %
Expected vesting period at grant date (years)	3.4
Risk-free interest rate (%)	3.65 %

Option rights
The Annual General Meeting held on 20 March 2006 approved the proposal by the Board of Directors to grant stock options to Suominen Corporation's new President and CEO. A maximum of 300 000 stock options can be granted in the manner specified by the Board of Directors, entitling the holder to subscribe to a maximum of 300 000 Suominen Corporation shares. The exchange ratio for all stock options is 1:1. The programme is divided into three series, A, B, and C. On 22 June 2006, the Board of Directors granted 100 000 2006A stock options. These will have a subscription price of EUR 3.40 per share, equivalent to the weighted average price of the Company share on the Helsinki Exchanges in May 2006. The subscription period for the 2006A stock options is from 2 May 2008 until 30 October 2009.

The fair values of the stock options and shares granted to the President and CEO will be booked to the statement of income as expenses during the period in question, in accordance with IFRS 2 Share-based payment. A total of EUR 19 000 of share-based expenses was booked to the statement of income in 2006 (EUR 0 in 2004 and 2005). The fair values are measured using a binomial model (Cox-Ross-Rubinstein variation).

Stock option terms and conditions
The stock options entitle the holder to subscribe Suominen Corporation shares at the subscription price and over a period determined in the terms and conditions of the stock option plan. The exchange ratio for all stock options is 1:1. Those stock options whose share subscription period has not commenced and which have not yet been vested may not be transferred to a third party. Should a participant cease to be employed by Suominen for any reason other than retirement or death, such a person shall without delay offer to the Company, free of charge, those options whose share subscription period has not commenced. After the subscription period, the subscription rights shall expire with no value. The entitlement to dividends of the shares subscribed for pursuant to the option rights, together with other shareholder rights, shall commence once the increase in share capital has been entered in the trade register. The share subscription periods and prices are presented in the table above. The subscription prices will, as per the dividend record date, be reduced by the amount of dividend. The subscription price shall, however, always be at least the book counter value of the shares. Pursuant to stock options outstanding on 31 December 2006, a maximum of 100 000 new shares may be subscribed for, which is 0.4 per cent of the current number of shares and votes. As a result of these subscriptions, the share capital may increase by a maximum of EUR 50 000. On 31 December 2006, a subsidiary held 200 000 options that have not yet been vested. The portion of the shares that may be subscribed for pursuant to these options is 0.8 per cent of the current number of shares. As a result of these subscriptions, the share capital may increase by a maximum of EUR 100 000.

Statement of changes in shareholders´ equity

€ 1 000	Share capital	Share premium account	Own shares	Translation diffe-rences	Fair value reserves	Actuarial gains and losses	Retained earnings	Total
Total equity at 31 Dec. 2004 (reported)	**11 860**	**24 681**	**-154**	**485**	**-442**	**0**	**22 042**	**58 472**
Effect of restatement*						2 726	-99	**2 627**
Total equity at 1 Jan. 2005 (restated)	**11 860**	**24 681**	**-154**	**485**	**-442**	**2 726**	**21 943**	**61 099**
Net income recognised directly in equity				275	889	-1 290		**-126**
Effect of restatement*							32	**32**
Net income for the period (reported)							-3 151	**-3 151**
Total recognised income and expense for the period	**0**	**0**	**0**	**275**	**889**	**-1 290**	**-3 119**	**-3 245**
Business transactions with shareholders								
Conveyance of own shares			75					**75**
Total equity at 31 Dec. 2005 (restated)	**11 860**	**24 681**	**-79**	**760**	**447**	**1 436**	**18 824**	**57 929**
Net income recognised directly in equity				-22	901	-64		**815**
Share-based payments							19	**19**
Other changes							-131	**-131**
Net income for the period							-1 783	**-1 783**
Total recognised income and expense for the period	**0**	**0**	**0**	**-22**	**901**	**-64**	**-1 895**	**-1 080**
Business transactions with shareholders								
Acquired own shares			-157					**-157**
Conveyance of own shares			73				-22	**51**
Total equity at 31 Dec. 2006	**11 860**	**24 681**	**-163**	**738**	**1 348**	**1 372**	**16 907**	**56 743**

* Effect of restatement is described in note 1 of notes to the consolidated financial statements.

Fair value reserve

Changes in the fair value of the available-for-sale financial assets and derivative instruments included in cash flow hedging according to the IAS 39 standard are included in the fair value reserve.

€ 1 000	**2006 Cash flow hedges**	**Total**	2005 Cash flow hedges	Total
Fair value reserve at 1 Jan.	**447**	**447**	-442	-442
Cash flow hedges deferred in equity	**1 932**	**1 932**	1 867	1 867
Cash flow hedges recognised from equity to profit or loss	**-711**	**-711**	-665	-665
Total	**1 668**	**1 668**	760	760
Deferred taxes	**-320**	**-320**	-313	-313
Fair value reserve at 31 Dec.	**1 348**	**1 348**	447	447

Other reserves

Translation differences

Translation differences are the exchange rate differences arising from the elimination of the acquisition costs of the Group’s non-euro companies.

21. Capital loans

Suominen has two capital loans with a total value of EUR 4 million. Loans drawn in October 2003 had an original value of EUR 10 million, and are being repaid in five equal instalments annually beginning on 30 June 2004. Amortisation or repayment will only be made if the restricted equity and other non-distributable items in the balance sheets adopted by the Corporation and the Group for the previous financial year are fully covered. Repayment or an outstanding instalment will be deferred to future financial years on the due dates agreed in the loan agreement until the loans have been fully paid.

The interest payable is fixed at 5.0 per cent p.a. Interest may be paid on the loans only when the amount can be distributed as profit in accordance with the balance sheets adopted for the Corporation and the Group for the previous financial year. If this condition is not met, the interest payable will be deferred to future financial years on the due dates agreed in the loan agreement.

The Corporation has not provided any collateral security for the capital loans.

22. Interest-bearing liabilities

	2006		2005	
€ 1 000	**Book value**	**Fair value**	Book value	Fair value
Current*				
Repayment of non-current liabilities				
Loans from financial institutions	**10 793**	**11 019**	7 395	7 452
Pension loans	**905**	**1 034**	1 465	1 652
Capital loans	**2 000**	**2 141**	2 000	2 249
Current loans	**8 000**	**8 000**		
Commercial papers	**5 402**	**5 402**	15 417	15 417
Non-current				
Loans from financial institutions	**57 731**	**57 491**	65 455	65 427
Pension loans	**2 504**	**2 423**	3 409	3 396
Capital loans	**2 000**	**1 933**	4 000	3 927
Total non-current interest-bearing liabilities	**89 335**	**89 443**	99 141	99 520

*In the balance sheet under current liabilities.

Interest-bearing liabilities are other than liabilites held for trading and derivative liabilities according to the definitions in the IAS 39 standard, and are valued at amortised cost. Fair values for these liabilities have been calculated by discounting future cash flows at the appropriate interest rate prevailing on the closing date (4.15–5.70 per cent). The weighted average borrowing rate of non-current loans on the balance sheet date was 4.00 per cent (3.97%). Pension loans and capital loans have fixed interest rates, while loans from financial institutions have floating interest rates.

Non-current loan agreements include financial covenant on the equity ratio and other normal terms that restrict granting guarantees, major acquisitions, or the disposal of present business. Any breach of these covenants would entitle the lenders to call in loans immediately provided that the amount exceeds EUR 3 million. No such breaches took place during the financial year.

€ 1 000		Loans from financial institutions	Pension loans	Capital loans
Repayments				
	2007	10 793	905	2 000
	2008	12 955	904	2 000
	2009	29 026	400	
	2010	10 500	400	
	2011	3 000	400	
	2012–	2 250	400	

23. Provisions

€ 1 000	**2006**	2005
Provisions 1 Jan.	**400**	600
Provisions used during the year	**-200**	-200
Provisions 31 Dec.	**200**	400
Non-current	**85**	
Current	**115**	

Provisions are rent commitments for the real estate in Turku.

24. Trade payables and other current liabilities

€ 1 000	**2006**	2005
Trade payables	**12 935**	9 417
Other current liabilities		
Prepayments	**100**	
Derivative liabilities		408
Other current liabilities	**2 629**	2 372
Total other current liabilities	**2 729**	2 780
Accrued expenses		
Interest	**401**	481
Discounts	**21**	154
Payroll and social security	**4 953**	4 970
Other accrued expenses	**1 377**	2 078
Total accrued expenses	**6 752**	7 683
Total trade payables and other current liabilities	**22 416**	19 880

25. Financing and financial risk management

The financing policy approved by Suominen Corporation's Board of Directors defines the authorities, responsibilities, and principles to be observed in the Group. Financing and financial risk management is the responsibility of the Group's financial administration. The purpose of financial risk management is to hedge the Group against significant financial risks. Financial risks are categorised in the policy into risks related to funding, liquidity and counterparty risks, foreign exchange risks, and interest rate risk management. Electricity price-related risk management is covered by a separate policy.

Liabilities
Suominen's Board of Directors is responsible for approving the Group's financing policy and any changes made to it. The President and CEO approves all major funding operations and the main principles to be followed when hedging financial risks. The CFO is responsible for monitoring that the policy is observed throughout the Group, and for individual financial operations in respect of funding and managing liquidity and financial risks. The Group's financial administration is responsible for all contracts entered into in respect of funding, market money investments, and managing exchange rate and interest rate risks. It also negotiates the financial agreements and handles the financial transactions between financial institutions and Group companies. Business units are responsible for providing the Group with the information necessary to identify and manage the risks concerned.

Refinancing and liquidity risks
In funding, the principles of the financing policy are observed in handling relations with banks, in the choice of financial instruments, in loan maturities, in the management of refinancing risks, and in the issuance of securities and covenants. The aim is to handle financing so that the confidence of financial institutions towards the Group remains on a high level.

The Board of Directors approves credit lines, the main terms of credit agreements, and security arrangements. In funding, the banks used should have good credit rating. To ensure the independence of the Company from its sources of financing, the proportion of one single financial institution should remain at a reasonable level of total funding.

Refinancing risk is managed by diversification across financial sources and institutions. Cooperation with banks is based on long-standing business relationships. Suominen's most important lender accounts for 24 per cent of the Group's total liabilities. In addition, loan maturities are diversified. The average loan maturity at the end of the year was 2.5 years (3.0). Note 22 of the notes to the financial statements presents the annual repayments of long-term loans. The Company's commercial paper programme amounts to EUR 40 million, and commercial papers valued at EUR 5.4 million (15.4) were outstanding at the end of the year.

The Group's lending is primarily unsecured. Pledges can be issued to special financial institutions when necessary. The main terms of loan agreements, including covenants, have been harmonised along common lines.

To meet its short-term commitments, the Group needs adequate financing buffers. The Company's estimated cash flow from operations, liquid assets, unused loan facilities, and committed undrawn facility agreements must cover projected financing needs for the next 12 months. The liquidity position, which includes liquid assets and undrawn committed facilities less drawn short-term credits, amounted to EUR 25.0 million (29.9) at the end of the year.

Liquid funds are invested with reputable banks and in commercial papers offering high liquidity and credit ratings. The Board of Directors has approved a counterparty list for these investments.

Foreign exchange risks
The aim of the Company's foreign exchange risk management is to hedge earnings from business operations and avoid exchange rate losses. Currency transactions are designed to reduce exchange-related risks and avoid losses of this type.

Foreign exchange risks comprise the transaction risks arising from cash flows from operations and the translation risks resulting from the translation of balance sheet items denominated in foreign currencies. Most of the Group's exports are denominated in euros. The Group's transaction position is composed mainly of Swedish crowns and US dollars. Foreign exchange items in the balance sheet are mainly in Swedish crowns and Polish zlotys. The open, unhedged foreign exchange position for a 12-month period must not exceed 10 per cent of net sales under Company policy. At the end of the year, the transaction position amounted to EUR 6.7 million (9.7), and the translation position to EUR 12.1 million (12.0).

Normal derivative contracts are used in hedging, as their pricing can be verified on the market.

In the event that the currencies contained in the Group's net cash flow were to weaken by 10 per cent in respect of closing exchange rates against the euro, this would have a EUR 0.7 million negative impact on the result over the following 12-month period, excluding indirect impact. This decline in foreign exchange would also affect the Group's translation risk and reduce the Group's equity ratio by 0.5 per cent.

Interest rate risks
The Group's interest rate risks are linked to general increases in interest rates and the associated increases in interest costs. In an ideal world, it would be possible to compensate for increases in interest rates through stronger business resulting from an improved business climate. Demand for the Company's end-products is largely dependent on overall demand for consumer goods in the hygiene and food sectors, both sectors that are subject to relatively little cyclicality. As the business is capital-intensive and the economic lifetime of production equipment long, the use of fixed interest rates in the Company's loan portfolio is to be recommended. However, lower interest costs can be achieved over the long term with

short-term interest rates. The interest rate risk associated with the Company's loan portfolio is diversified to ensure that the portfolio comprises both floating and fixed interest rates spread over a range of interest periods. The Company's Board of Directors has determined the interest rate structure of the loan portfolio and the range in which it can vary. The average interest duration can vary between 18 and 36 months. As of the end of 2006, it was 24 months (28).

An increase in interest rates of one per cent across the whole interest rate curve would increase the interest payable by the Group by EUR 200 thousand over the following year. The same change would reduce the fair value of interest-bearing debt by EUR 325 thousand, excluding interest rate hedges.

Electricity price risk
Suominen's operational policy on electricity procurement covers purchases of the Group's Finnish units and the principles to be followed in managing electricity price risks. An independent consultant is employed to assist the Company in electricity purchases and related risk management. Increases in the market price of electricity are managed through the use of fixed-price contracts and electricity derivatives.

The Group's electricity price risk exposure is reviewed on a rolling basis in three-year periods. Exposure at the end of 2006 was hedged by establishing that fixed-price electricity will account for 75 per cent (78) of projected usage in 2007, 66 per cent (66) in 2008, and 39 per cent (0) in 2009.

An increase of 10 per cent in the price of electricity would increase the Company's electricity costs by EUR 100 thousand over the next year.

Credit risks
Suominen Corporation does not have any significant risk concentrations. The credit risk policy approved by the Board of Directors governs the principles to be followed when lending to customers and the responsibilities of the organisation in this area. Credit is granted to customers on completion of a credit approval process. Suominen has limited credit risk insurance cover for designated customers. The Board has approved a counter-party list of companies and financial institutions with good credit ratings for derivative contracts and investments. The amount invested in a single counter-party is also capped.

Hedge accounting
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 electricity purchases, to neutralise fluctuations in the price of electricity over specific periods. Hedging must be effective both prospectively and retrospectively. The effectiveness of hedges are documented at the start of hedge transactions and tested during the hedging period. The effectiveness of hedging in respect of derivatives is tested analytically based on established regression or by using Monte Carlo simulation. The change in the value of the effective hedging instruments is recognised in the statement of income along with the hedged cash flow.

26. Debt structure

Debt type € 1 000	**31 Dec. 2006** **Amount drawn**	**Amount available**	**Total**	2007	Maturity of facility/loan 2008	2009	2010	2011	Later	31 Dec. 2005 Amount drawn	Amount available	Total
Committed revolving facilities	**20 898**	**9 102**	**30 000**			23 000	6 000	1 000		17 484	23 516	41 000
Term loans	**56 138**		**56 138**	8 800	13 860	16 528	10 900	3 400	2 650	60 240		60 240
Capital loans	**4 000**		**4 000**	2 000	2 000					6 000		6 000
Current back-up facilities (< 1 y)	**2 897**	**26 103**	**29 000**	29 000							20 600	20 600
Commercial paper programmes and other current loan facilities	**5 402**	**34 598**	**40 000**	40 000						15 417	24 583	40 000
Total	**89 335**	**69 803**	**159 138**	79 800	15 860	39 528	16 900	4 400	2 650	99 141	68 699	167 840

27. Nominal values of derivative financial instruments

Instrument € 1 000	**31 Dec. 2006** **Nominal value**	2007	Maturity structure 2008	2009	2010	2011	Later	31 Dec. 2005 Nominal value
Currency derivatives								
Held for trading	**9 750**	9 750						11 791
Interest rate derivatives								
Held for hedge accounting	**55 633**	6 967	10 966	25 200	10 000	2 500		62 600
Held for trading	**5 000**	5 000						5 000
Electricity derivatives								
Held for hedge accounting	**5 353**	1 848	1 990	1 515				5 353
Held for trading	**285**	285						285

28. Fair values of derivative financial instruments

Instrument € 1 000	**31 Dec. 2006** **Positive fair value**	**Negative fair value**	**Fair value total**	31 Dec. 2005 Positive fair value	Negative fair value	Fair value total
Currency derivatives						
Held for trading	**23**	**-28**	**-5**	4	-88	-84
Interest rate derivatives						
Held for hedge accounting	**1 082**		**1 082**	139	-443	-304
Held for trading		**-7**	**-7**		-104	-104
Electricity derivatives						
Held for hedge accounting	**902**	**-121**	**781**	909		909
Held for trading	**22**	**-12**	**10**	351	-69	282

29. Currency risk hedging

€ 1 000	Transaction exposure 12-month net cash flow	cash flow hedges	Translation exposure, capital investment
SEK	8 370	-5 199	4 748
USD	7 010	-2 278	
PLN	-3 385		7 385
Other currencies	4 441	-2 274	
Total	**16 436**	**-9 751**	**12 133**

30. Lease commitments

€ 1 000	**2006**	2005
Operating leases, real estates		
Minimum lease payments		
Not later than 1 year	**3 226**	2 538
Later than 1 year and not later than 5 years	**9 490**	6 420
Later than 5 years	**8 969**	1 248
Total	**21 685**	10 206

Nonwoven's long-term contract covering the purchase of process heat from a nearby heating plant is treated as an operating lease, because a major portion of the energy is sold to third parties.

Operating leases, machinery and equipment		
Falling due next year	**966**	786
Falling due in subsequent years	**1 671**	1 482
Total	**2 637**	2 268

31. Contingent liabilities

€ 1 000	**2006**	2005
Secured loans		
Loans from financial institutions	**5 810**	1 052
Total	**5 810**	1 052
Nominal values of mortgages		
Real estate mortgages	**5 046**	
Business mortgages	**1 177**	1 177
Total	**6 223**	1 177
Other contingent liabilities		
Guarantees on behalf of third parties	**1 642**	1 721
Total	**1 642**	1 721

Guarantees on behalf of third parties secure the financial lease arrangement of discontinued operations. The Group has given no other pledges, mortgages, or guarantees on behalf of any other third parties.

32. Environmental costs

€ 1 000	**2006**	2005
In the statement of income		
Cost of goods sold	**1 253**	1 552
- including depreciation	**194**	178
In the balance sheet		
Tangible assets	**784**	1 988

33. Related party transactions

The Suominen Group has related party relationships with the members of the Board of Directors, the President and CEO, and the members of the Executive Team.

€ 1 000	**2006**	2005
Employee benefits paid to the members of the Board of Directors, the President and CEO, and the members of the Executive Team		
Salaries and other short-term employee benefits	**1 181**	927
Share-based payments	**19**	
Total	**1 200**	927

Salaries and other short-term employee benefits paid to the members of the Board of Directors, and the President and CEO		
Matti Kavetvuo, Chairman (until 20 March 2006)		30
Mikko Maijala, Chairman (since 20 March 2006)	**30**	23
Pekka Laaksonen	**23**	19
Juhani Lassila	**19**	19
Heikki Mairinoja	**19**	19
Kai Hannus	**19**	
Heikki Bergholm, Member of the Board, President and CEO (until 4 May 2006)	**112**	246
Kalle Tanhuanpää, President and CEO (since 4 May 2006)	**267**	
Total	**488**	355

The members of the Board of Directors, the President and CEO, and the members of the Executive Team have no pension arrangements with Suominen.

Shares owned by the members of the Board of Directors are specified on page 26. Board and Executive Team members are not included in stock option plans.

The President and CEO has received 100 000 Suominen Corporation 2006A stock options under a stock option plan detailed in note 20 of the notes to the consolidated financial statements.

No loans, guarantees, or other collaterals have been given on behalf of related parties.

A written contract has been made with the President and CEO, under which he shall have a six-month period of notice if the Company terminates his employment or if the President and CEO terminates his employment with the Company. Should the Company terminate the contract, additional compensation corresponding to 12 months' salary shall also be paid.

Parent Company Statement of Income

1 January–31 December € 1 000	Note	2006	%	2005	%
Net sales		**1 556**	100.0	1 534	100.0
Cost of goods sold		**-84**	-5.4	-54	-3.5
Gross profit		**1 473**	94.6	1 480	96.5
Other operating income	2	**297**	19.1	1 447	94.3
Administration expenses		**-2 091**	-134.4	-1 940	-126.5
Other operating expenses	2	**-57**	-3.7	-13	-0.9
Operating profit		**-379**	-24.3	972	63.4
Financial income and expenses	5	**-2 054**	-132.0	2 038	132.9
Profit before income taxes		**-2 433**	-156.3	3 011	196.3
Group contributions		**2 635**		9 000	
Profit before depreciation difference and income taxes		**202**		12 011	
Change in depreciation difference		**4**		15	
Income taxes	6	**43**		-1 796	
Profit/loss for the period		**249**	16.0	10 230	666.8

Parent Company Balance Sheet

31 December € 1 000	Note	2006	2005
Assets			
Non-current assets			
Intangible assets	4, 7	**40**	56
Tangible non-current assets	4, 8	**105**	105
Shares and participations			
Participations in Group companies	9	**99 639**	99 639
Other shares and participations	9	**21**	21
Loans receivable			
Loans receivable from Group companies		**35 932**	47 500
Loans receivable from others		**488**	600
Non-current assets, total		**136 225**	147 921
Current assets			
Other current receivables	10	**6 714**	6 442
Cash at bank and in hand		**498**	801
Current assets, total		**7 213**	7 243
Assets, total		**143 438**	155 164
Shareholders´ equity and liabilities			
Shareholders´ equity			
Share capital	11	**11 860**	11 860
Share premium account	11	**24 681**	24 681
Retained earnings	11	**22 861**	22 718
Shareholders´ equity, total		**59 402**	59 259
Appropriations			
Accumulated depreciation difference		**10**	15
Compulsory provisions	14	**200**	400
Liabilities			
Non-current liabilities			
Capital loans	13	**2 000**	4 000
Interest-bearing liabilities	13	**56 676**	62 225
Non-current liabilities, total		**58 676**	66 225
Current liabilities			
Capital loans	13	**2 000**	2 000
Interest-bearing liabilities			
Loans from financial institutions	13	**22 202**	24 277
Loans from Group companies	13	**3**	1 351
Trade payables and other current liabilities	15	**945**	1 637
Current liabilities, total		**25 150**	29 265
Liabilities, total		**83 826**	95 490
Shareholders´ equity and liabilities, total		**143 438**	155 164

Parent Company Cash Flow Statement

1 January – 31 December € 1 000	2006	2005
Operations		
Operating profit	**-379**	972
Adjustments:		
Depreciation	**53**	66
Other adjustments	**-175**	-1 346
Cash flow before change in working capital	**-501**	-261
Increase/decrease in current non-interest-bearing receivables	**-2 189**	-969
Increase/decrease in current non-interest-bearing liabilities	**-548**	-234
Cash flow before financial income/expenses and taxes	**-3 238**	-1 511
Interest expenses paid and received	**-2 022**	-2 063
Direct taxes paid	**-18**	1 886
Cash flow from operations	**-5 278**	-1 688
Investments		
Investments in tangible and intangible assets	**-76**	-45
Proceeds from sale of tangible and intangible assets	**42**	51
Proceeds from sale of business operations		2 768
Loan receivable from disposed business operations		3 300
Change in non-current loan receivable	**13 284**	-17 346
Change in currrent loan receivable	**220**	-870
Interest income from investments		14
Dividends received		3 940
Cash flow from investments	**13 470**	-8 188
Financing		
Acquisition of own shares	**-157**	
Change in non-current loans	**-5 214**	588
Change in capital loans	**-2 000**	-2 000
Change in current loans	**-3 759**	1 236
Other financial items	**2 635**	9 000
Cash flow from financing	**-8 495**	8 824
Change in cash and cash equivalents	**-303**	-1 052
Cash and cash equivalents 1 Jan.	**801**	1 852
Unrealised exchange rate differences		1
Change in cash and cash equivalents	**-303**	-1 052
Cash and cash equivalents 31 Dec.	**498**	801

Notes to the Financial Statements of the Parent Company

1. Principles for preparing the financial statements of the Parent Company

The financial statements of Suominen Corporation have been prepared according to Finnish Accounting Standards (FAS).

Fixed assets

Fixed assets are entered in the balance sheet at direct acquisition cost less planned depreciation. They are depreciated with planned straight-line depreciation calculated on the basis of their probable economic life.

The depreciation periods are:

Vehicles	4 years
Machinery and equipment	4 – 10 years
Intangible assets and other long-term expenditure	4 – 10 years

Depreciation is calculated starting from the period the fixed assets become operational.

Net sales

Indirect sales taxes, discounts provided, and foreign exchange differences from sales are deducted from sales revenue. Net sales consist of sales of intra-group services and rent income.

Pension costs

All employees of the Company are included in a mandatory pension insurance policy taken out with an insurance company. Pension costs are accrued following the same timing and principles as salaries.

Items denominated in foreign currencies

Business transactions denominated in foreign currencies are entered at the exchange rates current on the date of transaction. Receivables and liabilities denominated in foreign currencies are translated into euros at the reference rate of the European Central Bank on the day the books are closed.

The exchange rate differences from business transactions, receivables, and liabilities are entered in the statement of income as sales deductions or as adjustments to the cost of sales. Gains and losses on the forward contracts hedging sales income and purchases are entered as other operating income and expenses. The net sum of exchange rate differences on other financial instruments is entered in financial income and expenses.

Valuation of financial derivatives and hedge accounting

Derivatives are evaluated in the notes to the financial statements in the mark-to-market value on the day the books are closed. Changes in mark-to-market value of derivatives are immediately recognised in statement of income as financial income and expenses. Gains and losses on the matured forward contracts hedging sales income and purchases are entered as in other operating income and expenses.

When any interest rate or electricity derivative matures, the interest income or expense of interest rate derivatives is recognised in profit or loss as financial income and expenses, and the clearing gain or loss of electricity derivatives is recognised in profit or loss as adjustment to electricity purchases.

Shares and participations

Investments to subsidiaries are valued at acquisition cost. The valuation of listed shares is based on fair value, which is the market value on the balance sheet date. Unlisted shares are valued at acquisition cost, because no reliable fair values are available.

Impairment charge is booked when there is reliable external evidence, that the fair value is permanently reduced.

Income taxes

Accrual-based taxes determined in accordance with the financial results of the Company, paid taxes and received advances from previous periods following the local legal requirements, are included in the statement of income.

2. Other operating income and expenses

€ 1 000	**2006**	2005
Other operating income		
Profit from sales of fixed assets	**11**	51
Profit from sales of shares		1 154
Net profit from currency derivatives		-46
Other	**286**	288
Total	**297**	1 447
Other operating expenses		
Losses on sales and writedown of fixed assets	**6**	13
Credit losses	**50**	
Other operating expenses	**1**	
Total	**57**	13

3. Personnel expenses

€ 1 000	**2006**	2005
Salaries and other compensations	**813**	716
Pension expenditure		
Defined contribution plans	**32**	62
Other payroll connected expenses	**31**	25
Total	**876**	803

Salaries and bonuses paid to management		
Members of the Boards of Directors, and President and CEO	**488**	355

The President and CEO of the Company has statutory pension insurance.

Average number of personnel	**6**	7

4. Depreciation

€ 1 000	**2006**	2005
By function		
Administration	**53**	66
Total depreciation	**53**	66
By asset group		
Machinery and equipment	**27**	40
Other intangible assets	**26**	26
Total depreciation	**53**	66

5. Financial income and expenses

€ 1 000	**2006**	2005
Interest income	**1 725**	1 675
Dividend income		3 940
Interest expense	**-3 678**	-3 703
Impairment charges from available-for-sale financial assets	**-112**	
Exchange rate differences (net)	**11**	126
Total	**-2 054**	2 038

6. Income taxes

€ 1 000	**2006**	2005
Income taxes for the financial year	**-3**	-1 755
Income taxes for previous years	**45**	-41
Income taxes total	**42**	-1 796

7. Intangible assets

€ 1 000	Intangible rights **2006**	2005
Acquisition cost 1 Jan.	**127**	156
Increase	**11**	7
Decrease/sale	**-42**	
Fully depreciated	**-5**	-36
Acquisition cost 31 Dec.	**91**	127
Accumulated depreciation 1 Jan.	**-71**	-81
Fully depreciated	**4**	36
Accumulated depreciation on decrease and transfers	**42**	
Depreciation for the financial year	**-26**	-26
Accumulated depreciation 31 Dec.	**-51**	-71
Book value 31 Dec.	**40**	56

8. Tangible assets

€ 1 000	Machinery and equipment	Other tangible assets	Advance payments and work in progress	**Total 2006**	Total 2005
Acquisition cost 1 Jan.	143	16	18	**177**	268
Increase	64			**64**	39
Decrease/sale	-41			**-41**	-40
Fully depreciated	-38			**-38**	-90
Transfers between items	18		-18	**0**	0
Acquisition cost 31 Dec.	**146**	**16**	**0**	**162**	177
Accumulated depreciation 1 Jan.	-71			**-71**	-132
Fully depreciated	38			**38**	90
Accumulated depreciation on decrease and transfers	3			**3**	10
Depreciation for the financial year	-27			**-27**	-40
Accumulated depreciation 31 Dec.	**-57**	**0**	**0**	**-57**	-72
Book value 31 Dec. 2006	**89**	**16**	**0**	**105**	0
Book value 31 Dec. 2005	71	16	18	0	105

9. Shares and participations

€ 1 000	Participations in Group companies	Other shares	**Total 2006**	Total 2005
Acquisition cost 1 Jan.	99 639	21	**99 660**	101 377
Decrease/sale			**0**	-1 717
Acquisition cost 31 Dec.	**99 639**	**21**	**99 660**	99 660
Book value 31 Dec. 2006	**99 639**	**21**	**99 660**	0
Book value 31 Dec. 2005	99 639	21	0	99 660

Group companies

	Precentage of total number of shares and voting power
Codi International BV, Veenendaal, The Netherlands	100.0
Suominen Nonwovens Ltd., Nakkila, Finland	100.0
Suominen Flexible Packaging Ltd., Tampere, Finland	100.0
Suominen Polska Sp. z o.o., Grodzisk Mazowiecki, Poland	100.0
Flexmer Ltd., Tampere, Finland	100.0
Owned through subsidiaries:	
Suominen Flexible Packaging AB, Norrköping, Sweden	100.0
ZAO Suominen, St. Petersburg, Russia	100.0
Suominen Sverige AB, Norrköping, Sweden	100.0
Suominen Ikamer Ltd., Tampere, Finland	100.0

10. Other current receivables

€ 1 000	**2006**	2005
Other receivables		370
Accrued income and prepaid expenses		
Social security and healthcare	**1**	1
Indirect taxes	**59**	
Loan provisions and arrangement fees	**112**	78
Other	**99**	477
Accrued income and prepaid expenses, total	**271**	556
Receivables from Group companies		
Loan receivables	**3 472**	5 200
Other receivables	**2 971**	315
Total	**6 443**	5 515
Other current receivables, total	**6 714**	6 441

11. Shareholders´ equity

€ 1 000	**2006**	2005
Share capital 1 Jan. and 31 Dec.	**11 860**	11 860
Share premium account 1 Jan. and 31 Dec.	**24 681**	24 681
Reserve for own shares 1 Jan.	**-79**	153
Increase	**-157**	
Decrease	**73**	-232
Reserve for own shares 31 Dec.	**-163**	-79
Retained earnings 1 Jan.	**22 798**	12 415
Transfer to reserve for own shares	**-22**	153
Retained earnings 31 Dec.	**22 776**	12 568
Profit for the financial year	**249**	10 230
Shareholders´ equity 31 Dec.	**59 402**	59 259
Distributable assets		
Retained earnings 1 Jan.	**22 566**	12 415
Own shares	**-163**	-79
Retained earnings 31 Dec.	**22 402**	12 336
Profit for the financial year	**249**	10 230
Distributable assets	**22 653**	22 566

12. Share capital

See note 20 in notes to the consolidated financial statements.

13. Interest-bearing liabilities

€ 1 000	**2006**	2005
Current*		
Repayment of capital loans	**2 000**	2 000
Repayment of non-current liabilities		
Loans from financial institutions	**7 895**	7 395
Pension loans	**905**	1 465
Repayment of non-current liabilities	**8 800**	8 860
Current loans		
Current loans from financial institutions	**8 000**	
Commercial papers	**5 402**	15 417
Loans from Group companies	**3**	1 351
Total current interest-bearing liabilities	**24 205**	27 628

€ 1 000	**2006**	2005
Non-current		
Capital loans	**2 000**	4 000
Loans from financial institutions	**53 774**	58 419
Pension loans	**2 505**	3 409
Loans from Group companies	**397**	397
Total non-current interest-bearing liabilities	**58 676**	66 225
Interest-bearing liabilities, total	**82 881**	93 853

*In the balance sheet under current liabilities.

Repayments

€ 1 000	2007	2008	2009	2010	2011	2012-
Repayments of non-current loans in future						
Loans from financial institutions	7 895	11 895	26 129	10 500	3 000	2 250
Pension loans	905	904	400	400	400	400
Total	8 800	12 799	26 529	10 900	3 400	2 650

14. Provisions

Provisions are rental commitments for the real estate in Turku.

€ 1 000	**2006**	2005
Provisions 1 Jan.	**400**	600
Provisions used during the year	**-200**	-200
Provisions 31 Dec.	**200**	400

15. Trade payables and other current liabilities

€ 1 000	**2006**	2005
Trade payables	**323**	512
Other current liabilities	**88**	92
Accrued expenses		
Interest	**354**	425
Payroll and social security	**179**	77
Income tax payables		431
Other accrued expenses		100
Accrued expenses, total	**533**	1 033
Liabilities to Group companies		
Other liabilities	**1**	
Trade payables and other current liabilities, total	**945**	1 637

16. Operating lease commitments

€ 1 000	**2006**
Minimum payments of irrevocable operating leases	
Not later than 1 year	**510**
Later than 1 year	**382**
Total	**892**

17. Contingent liabilities

€ 1 000	**2006**	2005
Guarantees		
Guarantees for loans		
Guarantees on behalf of Group companies	**6 855**	7 036
Other contingent liabilities		
Guarantees on behalf of Group companies	**6 463**	366
Guarantees on behalf of third parties	**1 642**	1 721
Total	**14 960**	9 123
Operating leases		
Falling due next year	**12**	
Falling due in subsequent years	**28**	
Total	**40**	0

Signing of the Financial Statements

Proposal by the Board of Directors to the Annual General Meeting

Parent Company profit for 1 January–31 December 2006	€	249 405.75
Distributable assets according to the Parent Company balance sheet on 1 January 2006	€	22 565 983.13
Own shares	€	-162 566.67
Total	€	22 652 822.21
The Board of Directors proposes that a dividend of EUR 0.06 be paid on each of the 23 668 991 shares	€	1 420 139.46
Leaving on the retained earnings account	€	21 232 682.75

The financial position of the Company has not materially changed after the balance sheet date, and it is the Board of Directors' opinion that the proposed distribution of funds does not compromise the Company´s liquidity.

Helsinki, 12 February 2007

Mikko Maijala Chairman	Pekka Laaksonen	Heikki Bergholm
Kai Hannus	Juhani Lassila	Heikki Mairinoja
Kalle Tanhuanpää President and CEO		

Auditors' Report

To the shareholders of Suominen Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Suominen Corporation for the period 1.1. – 31.12.2006. The Board of Directors and the President and CEO have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors and the parent company's financial statements and administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report of the Board of Directors and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine whether the members of the Board of Directors and the President and CEO of the parent company have complied with the rules of the Companies' Act.

Consolidated financial statements

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, report of the Board of Directors and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the President and CEO of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Companies' Act.

Tampere, 5 March 2007

PricewaterhouseCoopers Oy
Authorised Public Accountants

Heikki Lassila
Authorised Public Accountant

Key Figures

Adjusted key figures per share

	IFRS 2006	IFRS 2005	IFRS 2004	FAS 2004	FAS 2003	FAS 2002
Earnings/share (EPS) from continuing operations, €	**-0.08**	-0.20	0.22			
Earnings/share (EPS) from discontinued operations, €		0.05	-0.02			
Earnings/share (EPS) from continuing and discontinued operations, €	**-0.08**	-0.15	0.20	0.14	0.43	0.53
Cash flow from operations/share, €	**0.53**	0.01	0.22	0.22	1.01	1.06
Equity/share, €	**2.40**	2.44	2.58	2.55	2.98	3.14
Dividend/share, € *	**0.06**				0.59	1.08
Dividend/earnings, % *					156.5	204.7
Dividend/cash flow from operations, %	**11.4**				66.5	101.8
Dividend yield, % *	**2.0**				9.0	23.3
P/E ratio	**-39.5**	-15.9	18.8	29.6	15.3	8.8
Share price						
lowest, €	**2.80**	3.17	3.84	3.84	4.12	3.48
highest, €	**3.85**	4.52	6.99	6.99	7.01	4.81
average, €	**3.32**	3.67	5.25	5.25	5.88	4.04
at year end, €	**2.97**	3.18	4.04	4.04	6.56	4.62
Market capitalisation on 31 Dec., € million	**70.3**	75.4	95.7	95.7	155.4	94.7
Number of shares held outside the Company						
average during the year	**23 709 255**	23 701 335	23 688 974	23 688 974	20 786 936	20 536 706
at year end	**23 668 991**	23 704 983	23 690 818	23 690 818	23 681 819	20 493 185
Number of shares traded as	**7 000 722**	6 955 745	7 320 156	7 320 156	6 576 231	8 731 941
percentage of the average during the year	**29.5**	29.3	30.9	30.9	31.6	42.5

*Proposal by the Board of Directors

Key figures on financial performance

	IFRS 2006	IFRS 2005	IFRS 2004	FAS 2004	FAS 2003	FAS 2002
Net sales, € million	**202.6**	195.2	222.0	233.2	179.8	174.8
Export and international operations, € million	**169.5**	160.3	184.0	191.4	137.3	129.4
as % of net sales	**86.9**	82.1	82.9	82.1	76.4	74.0
Operating profit, %, € million	**1.2**	-3.1	9.9	8.0	15.4	17.4
as % of net sales	**0.6**	-1.6	4.5	3.4	8.5	10.0
Profit before taxes, € million	**-2.7**	-6.8	5.8	4.1	12.7	15.1
as % of net sales	**-1.4**	-3.5	2.6	1.8	7.0	8.6
Profit from continuing operations, € million	**-1.8**	-4.7	5.3			
as % of net sales	**-0.9**	-2.4	2.4			
Profit from discontinued operations, € million		1.1	-0.4			
as % of net sales		0.6	-0.2			
Profit for the financial year, € million	**-1.8**	-3.7	4.9	3.2	8.9	10.8
as % of net sales	**-0.9**	-1.9	2.2	1.4	5.0	6.2
Cash flow from operations, € million	**12.5**	0.1	5.3	5.3	21.0	21.8
Balance sheet total, € million	**175.9**	185.8	197.4	192.3	199.3	137.2
Return on equity (ROE), %	**-3.1**	-6.2	7.4	5.0	14.6	17.9
Return on invested capital (ROI), %	**-0.9**	-0.8	6.2	5.2	13.2	15.7
Equity ratio, %	**32.3**	31.2	31.0	31.4	35.5	47.0
Equity ratio, %, capital loans in equity	**34.5**	34.4	35.0	35.6	40.5	47.0
Gearing, %	**154.4**	167.6	160.3	159.2	112.9	66.5
Gearing, %, capital loans in equity	**137.7**	142.5	130.2	128.9	86.5	66.5
Gross investments, € million	**4.3**	7.7	14.6	14.9	66.4	8.0
as % of net sales	**2.1**	4.0	6.6	6.4	36.9	4.6
Expenditure on R&D, € million	**2.0**	2.7	2.7	3.1	2.9	2.6
as % of net sales	**1.0**	1.4	1.2	1.3	1.6	1.5
Average personnel	**1 058**	1 242	1 332	1 332	1 128	1 104

Calculation of the Key Figures

Earnings/share	Profit before income taxes – income taxes / Adjusted number of shares held outside the Group (average)
Cash flow from operations/ share	Cash flow from operations as in the cash flow statement / Adjusted number of shares held outside the Group (average)
Equity/share	Shareholders' equity / Adjusted number of shares held outside the Group at year end
Dividend/share	Dividend/share for the financial year / Adjustment coefficient for share issues after the financial year
Dividend/earnings, %	Dividend/share x 100 / Earnings/share
Dividend/cash flow from operations, %	Dividend/share x 100 / Cash flow from operations/share
Dividend yield, %	Dividend/share x 100 / Adjusted share price at year end
P/E ratio	Adjusted share price at year end / Earnings/share
Market capitalisation	Number of shares held outside the Group at year end x adjusted share price at year end
Return on equity (ROE), %	(Profit before income taxes – income taxes) x 100 / Shareholders' equity (quarterly average)
Return on invested capital (ROI), %	(Profit before income taxes + profit from discontinued operations + interest and other financial expenses) x 100 / (Balance sheet total - non-interest bearing liabilities) (quarterly average)
Equity ratio, %	Shareholders' equity x 100 / Balance sheet total – advances received
Gearing, %	(Interest-bearing liabilities – interest-bearing receivables – cash at bank and in hand) x 100 / Shareholders' equity

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