Annual Report 2018

1898
2018

Suominen

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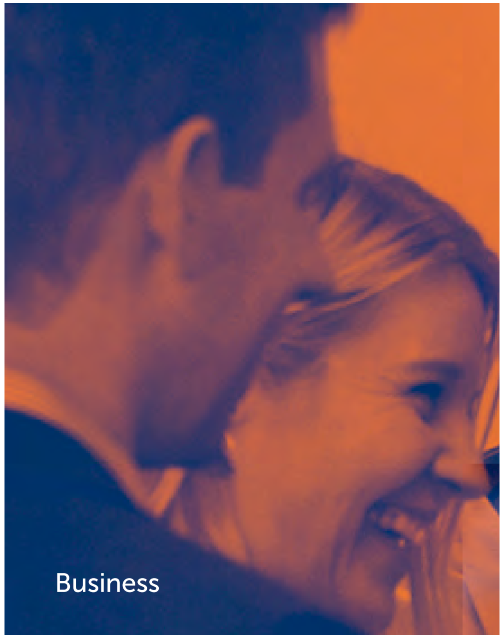
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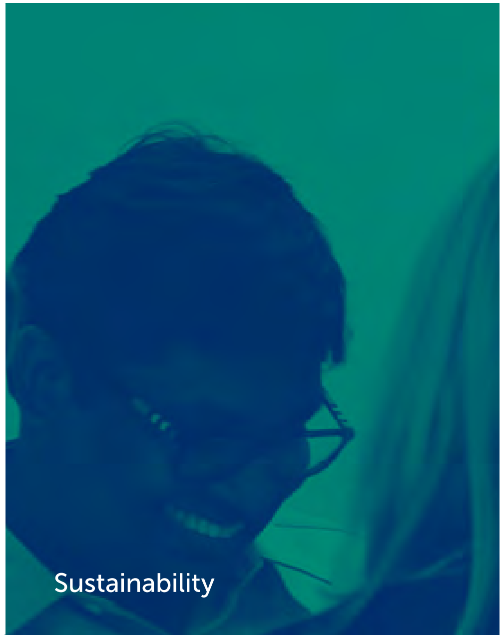
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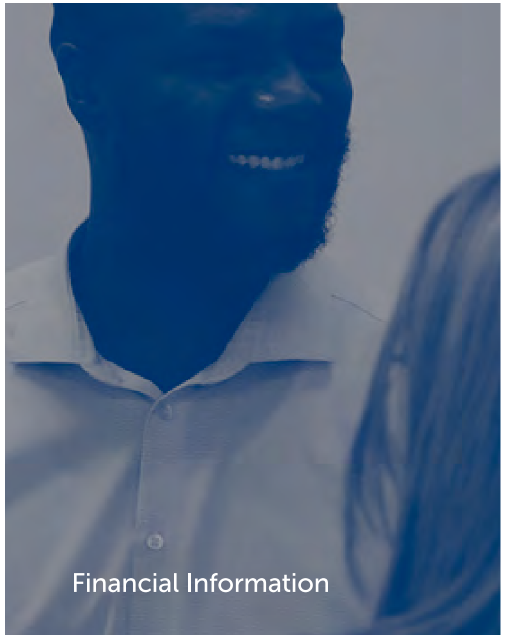

Financial Information

Business

Suominen is the global market leader in nonwovens for wipes and supplies nonwovens also for hygiene products and medical applications. Suominen's main market areas are North America and Europe and the company operates also in South American markets.

Muralidhar Lalagiri

Product Development Manager

USA

Suominen in brief

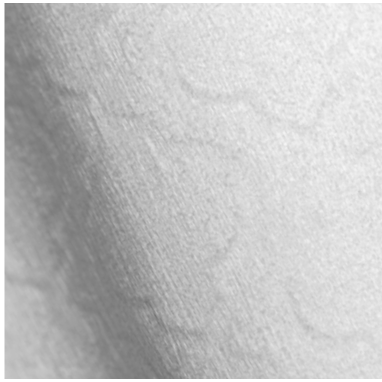
Suominen manufactures nonwovens as roll goods for wipes, hygiene products and medical applications. Suominen is the global market leader in nonwovens for wipes. The company employs nearly 700 people in Europe and in the Americas.

The Suominen share (SUY1V) is listed on the Nasdaq Helsinki Stock Exchange.

Examples of wiping products made of Suominen's nonwovens include wipes for personal care and baby care, as well as for household and professional cleaning.

The company's hygiene product applications include, for example, sanitary pads, diapers and adult incontinence products. Surgical drapes and swabs are examples of the medical applications.

Operations on three continents



Suominen’s business areas

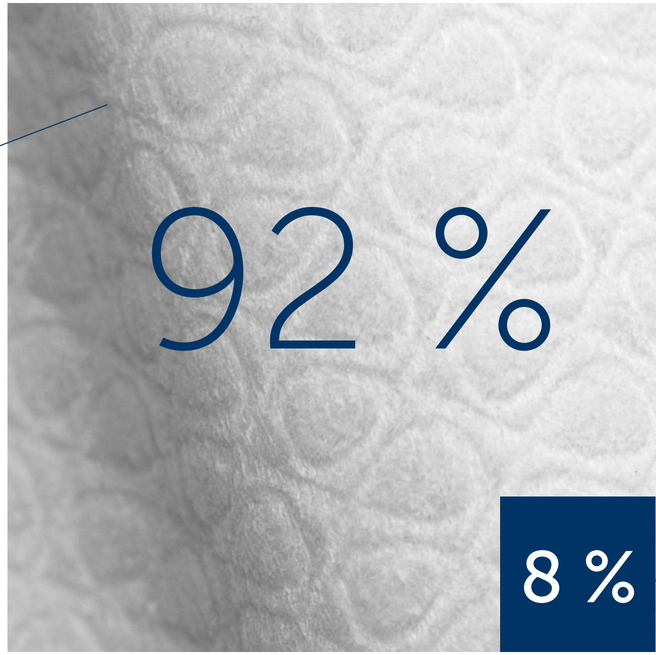
CONVENIENCE

39 % For baby wipes

22 % For personal care wipes

20 % For home wipes

9 % For workplace wipes



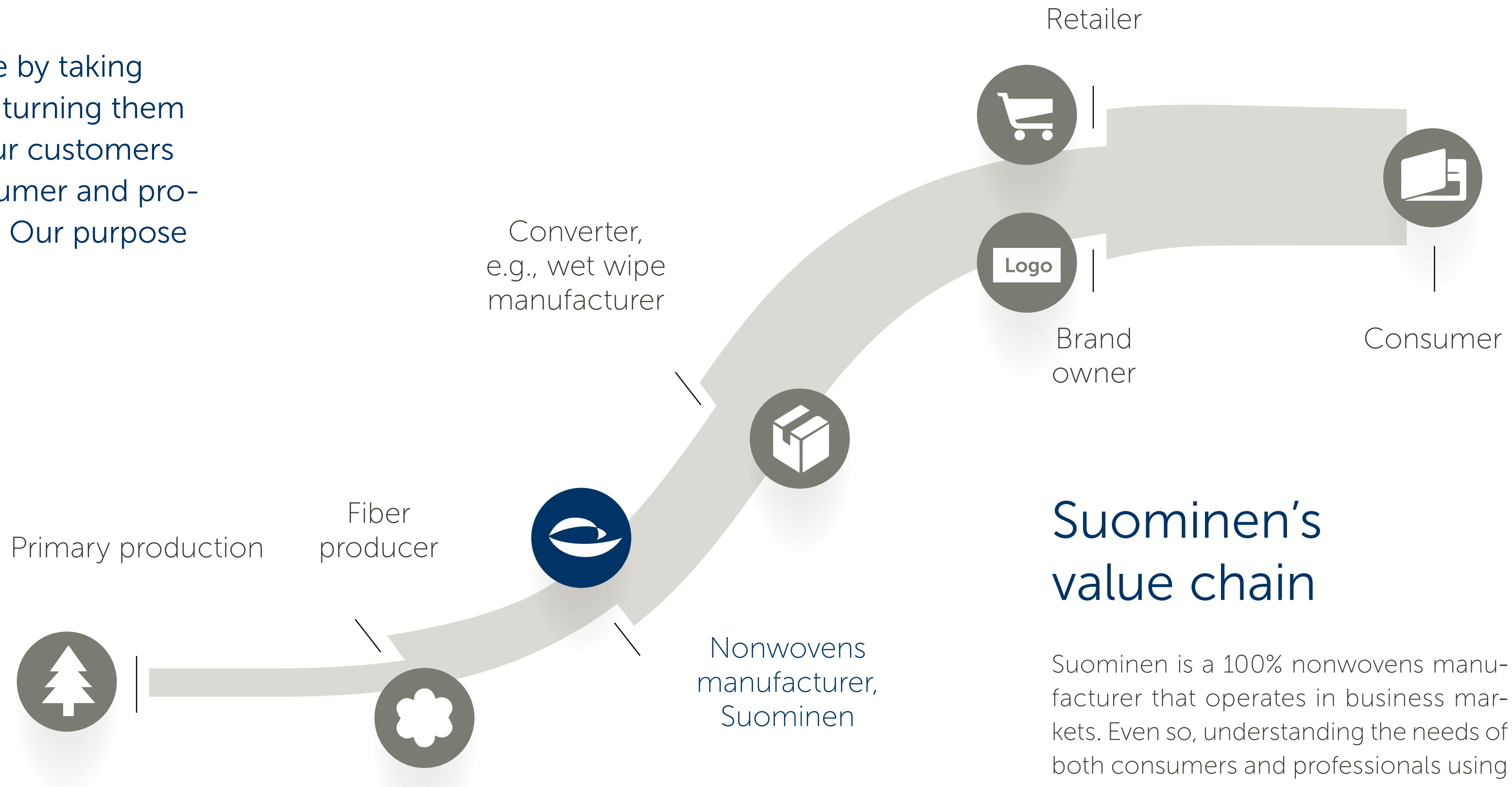
CARE

8 % For hygiene & medical products

Read more at suominen.fi
> About us / Suominen as a company

How we create value

Suominen creates value by taking fiber raw materials and turning them into nonwovens that our customers convert into both consumer and professional end products. Our purpose is to make life better.



Suominen's value chain

Suominen is a 100% nonwovens manufacturer that operates in business markets. Even so, understanding the needs of both consumers and professionals using products made of nonwovens is at the heart of our strategy.

Value Creation Model

Information concerning year 2018 in brackets.

Resources

Funding
- Cash flow from operations (EUR 32,1 million)
- Total liabilities (EUR 190.2 million)
- Total equity (EUR 130.5 million)

Natural resources
- Water (6,444,709 m³)
- Raw materials (134,389 tons)
  - Wood-based
  - Oil-based
- Energy (1,903,062 GJ)
  - Natural gas
  - Grid electricity
  - Steam

People
- 676 employees on average
- Employee training (EUR 181,051)

Intellectual capabilities
- Suominen brand
- The Suominen Way
- R&D
- Patents
- Professional & leadership capabilities
- ICT systems

Social relationships
- Customer relations
- R&D cooperation with stakeholders
- Consumer dialogue
- Suppliers
- Manufacturing partners
- Local communities
- Professional networks

Manufacturing platform
- Eight production plants
- Geographically and technically broad manufacturing base

Strategy and operating environment

We change the way people think about nonwovens

Best in business

Creating nonwovens that others cannot

Community of changemakers

We make life better

Suominen

Emerging global middle class
Aging population
Population growth
Individualism

Rising healthcare expenditure
Growing consciousness of health
Legislation

Outputs

Products & solutions
- Nonwovens for wipes, hygiene products and medical applications

Brands
- We Love Wipes
- Product brands

Waste & emissions
- Direct and indirect greenhouse gas emissions (143,723 tons)
- Waste to landfill (2,702 tons)
- Treated water from operations

Impacts

Customers
- Accelerated business
- Improved product performance
- Suominen brand value
- Customer satisfaction

Employees
- Wages and salaries (EUR 35.6 million)
- Professional development
- Striving for non-discrimination and equal opportunities
- Safe workplace (AFR 3.20)

Partners
- Payments (EUR 328.7 million)
- Business growth
- Ethical business

Shareholders
- Return of capital (EUR 6.3 million)

Environment
- Waste and emissions load from operations and end-products
- Compostable and dispersible end-products
- No untreated water

Society
- More convenient lifestyle
- Improved hygiene
- Contribution to reducing the number of infections
- Corporate income taxes (EUR 0.8 million)
- Employment

How does the Model work?

Suominen's Value Creation Model depicts our whole value creation process: the resources we utilize in executing our strategy, and the outputs and, ultimately, the impacts of our business activities.

The Value Creation Model is basically our business model in a nutshell, which means that only the most essential matters are listed. Still, not all matters described bear equal importance, nor is their respective relevance presented in the model. That's why the model should be reviewed primarily as a whole.

In the Value Creation Model, Resources are what we utilize in our business activities. The Strategy section describes the heart of Suominen's business together with some of the external drivers, such as megatrends, that may have an impact on our operating environment.

Outputs are what comes out of our business activities. Impacts describe how our business activities and our outputs affect the world around us.

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Changemaker strategy

Suominen's strategy that extends to 2021 is called the Changemaker strategy. It was introduced in 2017 and builds on the work done during the past two strategy periods.

Suominen's Changemaker strategy is built on the determined work done in the past. It focuses on the competitive edge Suominen has built during the past years which includes, for example, investments in production technology and in product development capacity and capability.

In the Changemaker strategy, Suominen aims at profitable growth by increasing the share of products with high added value in its portfolio. The strategy also outlines a new means of pursuing growth, as we are examining opportunities to expand our business to new market regions, primarily to Asia.

We change the way people think about nonwovens

Best in business

Creating nonwovens that others cannot

Community of changemakers

We make life better

Suominen

Vision and purpose

Suominen's vision, "We change the way people think about nonwovens", describes our aspiration not only to exceed our customers' expectations with our innovations, but also to elevate the overall perception of the role of nonwovens. This is because nonwovens are not all the same; instead, every square meter of Suominen nonwovens is packed with carefully selected features tailored to match the needs of the end user in a specific use.

Suominen's purpose statement, "Our purpose is to make life better", reflects the fundamental role that the end products made of our nonwovens play in daily life. By doing our job at Suominen better, we improve people's lives.

Three cornerstones of the strategy

Suominen's Changemaker strategy has three cornerstones that depict how we plan to execute the strategy and what aspects we will improve in our operations in order to be successful.

1. Best in business

In the first cornerstone, Suominen aims at being the best in its industry at turning end user needs into a commercial success that benefits both our customers and ourselves. That requires deepening our understanding about the needs of our customer's customer and cooperating with customers to create mutual value. Our supply chain must be demand-driven, and we want to make our product brands the most appealing in the industry. Also, we are looking for new growth opportunities.

2. Creating nonwovens that others cannot

The second cornerstone is about developing and producing unique nonwovens that other companies are not able to create. To an extent, this holds true already today, but we are not yet the technological and innovative force we want to be in the industry. We are working to make our innovation machine even more powerful and quicker to react to changing end user needs. Our nonwovens will have smart functionalities. In addition, we want to offer the most sustainable nonwovens in the market.

3. Community of changemakers

The third cornerstone deals with Suominen as a group of people. We are a geographically dispersed company, but we want to overcome that by evolving into a true community on a global scale. To accomplish that, we are looking for a new means of interaction in order to feel more connected to each other. We also want to stir up our passion for creating change – whether inside the company or in the nonwovens industry. Internally that requires leading with trust, building management practices that support everyone's daily work and being more active and open in sharing information.

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From the Interim President & CEO:

A tough year

2018 was the second year of executing our Changemaker strategy. It was not an easy year but despite that we saw progress.

The year 2018 was a tough one from the start. We experienced price pressure and overcapacity on the market, primarily in two of our biggest product applications, nonwovens for baby wipes and flushable products as well as significantly increased costs of several key resources, particularly raw materials and transportation. On the positive side, our new production line in Bethune, SC, USA, was ramping up and turned positive on gross profit in the second quarter.

In 2018, Suominen's net sales increased to EUR 431.1 (426.0) million. Our firm measures taken in pricing had a positive impact on our top line, even though they were counteracted by the weakening of the USD compared to euro. Our profitability development was clearly a disappointment, as operating profit decreased to EUR 4.6 million and profit for the period was negative. Suominen's cash flow from operations remained strong in 2018 and was EUR 32.1 million.

We worked throughout the year to overcome our troubles by introducing new initiatives and decisively executing our strategy, which I believe builds a foundation for better results in 2019.

Growth investments

The new production line in Bethune became constantly more stable and efficient, and finally in the second quarter of 2018 the production line turned positive on gross profit. The positive development of the net production volumes and contribution to gross profit continued until the last quarter, when we conducted planned trials to expand the line's product offering. While the trials were successful, they burdened the line's profitability temporarily.

The production line has already proven to be what we originally wanted. It takes our production technology to a totally new level in the industry and will provide Suominen's customers with unique benefits by adding new possibilities for designing nonwoven products. The line is tailor-made, based on Suominen's technology expertise, which ensures superior capabilities compared to any turn-key solution. As said, we make only high added value nonwovens on the production line and that will inevitably increase the share of those products in our portfolio.

In addition to Bethune, we have two other significant investment projects in implementation. The first is a group-wide ICT systems renewal, which plays an important role in harmonizing our global core processes. We have six production plants out of eight already operating with the new systems. We expect all plants to have the new systems in place during the first half of 2019. The second investment project involves installation of new carding machinery on an existing production line at our Green Bay, WI, USA plant. The project is proceeding as planned and its new capabilities are expected to be in full utilization by end of 2019.

Portfolio transformation progresses

Transforming our product portfolio is one of the key drivers of the Changemaker strategy. In practice, this means growing the share of so-called high added value nonwovens – that is, nonwovens for household wipes, workplace wipes and hygiene products – and decreasing our dependence on baby wipes.

We made incremental progress in portfolio transformation, decreasing the share of nonwovens for baby wipes.

In 2018, we made incremental progress in portfolio transformation, decreasing the share of nonwovens for baby wipes to 39% of our net sales (41% in 2017). Portfolio transformation of this magnitude does not happen overnight and that is why I am pleased with our progress. In the last months of 2018, we made several public launches of new nonwovens for hygiene products, which is a good example of Suominen's efforts to further increase the share of high added value nonwovens in the product portfolio.

Embedding digital features into nonwovens

In September, we introduced the Suominen Intelligent Nonwovens™ concept to the market. The first of its kind in the world of nonwovens, the concept makes it possible to embed digital features into our products. All these features are machine-readable with a smartphone or any similar device. This offers, e.g., improved product safety and traceability to our converter customers and a new kind of sophisticated marketing platform for brands.

Suominen Intelligent Nonwovens™ is something that our customers have never seen before and it puts Suominen in the top position in combining digitality with nonwovens. We have seen only a glimpse of what it is capable of, but we already know that it perfectly embodies one of the three cornerstones of our strategy, *Creating nonwovens that others cannot.*

Getting ready for Single-Use Plastic directive

Probably the most significant change in our operating environment in recent years was when the European Commission published the proposal for the Single-Use Plastics (SUP) directive. Its aim is to protect the environment and it suggests several measures to decrease littering caused by single-use plastic products with a special focus on marine littering.

The public discussion around the proposal is focused on banning products such as plastic cutlery and straws, but it has impacts on end products made of nonwovens, too, since many wet wipes are at least partially made of raw materials containing plastics. For sanitary towels and wet wipes, the European Commission suggests new obligations on labelling and raising consumer awareness. The Commission also suggests extended producer responsibility for wet wipes, which would mean that producers – that is, Suominen's customers – would need to support in covering the costs of waste management and cleaning.

Suominen supports the reduction of marine pollution and the European Commission's proposal to improve the labeling of wet wipes. We also support the objective to deliver more information for consumers regarding the concept of wet wipes and their appropriate disposal methods. We are ready to cooperate to find mitigating solutions. However, we also emphasize that wipes, wherein most of our nonwovens are used, have an important and irreplaceable role in modern society.

We are closely monitoring how the SUP directive impacts our value chain, but it is expected that overall concerns around single-use plastics will increase in the future, requiring the nonwovens industry to develop products with a smaller environmental impact. This will be achieved through many different actions, for example, increasing the use of pulp as a raw material. Pulp has the potential to be a much more significant raw material for us because it is the most environmentally friendly fiber available to us, and Suominen has the technological capability to increase its use. Looking back, Suominen is no stranger to environmental matters. For example, our BIOLACE® product line made of renewable, biodegradable raw materials is already more than a decade old. In November, we extended the BIOLACE® product line with two new products, which proves that Suominen is determined to take the lead position in a business environment that emphasizes sustainability.

Restoring profitability

Declining profitability is a challenge for Suominen, but we are working our way up. The previously mentioned product portfolio transformation is the most important measure in improving our profitability but, on top of that, we also initiated other profitability improvement actions in late 2017. The actions focus on improving profitability through pricing, performance and planning.

As for pricing, we did something we had not done for as long as we can remember when we announced global price increases in September. These applied to all Suominen products and were our response to an unprecedented increase in raw material, freight and utility prices. We were not alone with this announcement as numerous customers and competitors did the same as pressure affected the whole value chain.

As we cannot simply cost-cut our way out of this situation, on top of taking a firmer approach to pricing, we will also improve our operational performance, and capitalize on the new ICT systems in order to plan better. We have already seen some results in the form of improved product prices but in general we are continuing our efforts in 2019 and we anticipate that the biggest gains are still ahead of us.

CEO change

In August, President & CEO of Suominen changed as Nina Kopola left the company. Nina had led the company from December 2011 and under her leadership Suominen transformed from a company with a narrow geographic footprint and diversified businesses into the globally leading nonwovens company. On the same date, Pekka Ojanpää was appointed as the new President & CEO.

A couple of months later we faced a tragic loss when Pekka Ojanpää, who was set to start as President & CEO of Suominen in December, died accidentally. Our thoughts are with Pekka's family.

Building on the good things

The year ended with good news as Suominen's Board of Directors appointed Petri Helsky as the new President & CEO as of 7 January 2019. This clears our way forward and helps us all to stay focused. Welcome Petri!

As you can read above, 2018 was a rollercoaster. It brought Suominen everything one can possibly imagine, from disappointments and changes in operating environment to tragedy and new innovations. I want to thank every Suominen employee for your hard work and for staying focused. I also want to thank all our other stakeholders who took part in our journey during 2018.

Let us build on the good things we have achieved in recent years and realize the potential that is within us.

Tapio Engström
President & CEO
(interim) until 7 January 2019

Suominen is a globally leading player in the nonwovens industry and it has decisively further improved its capabilities in the past few years. I see a lot of long-term potential in the company and it is obvious that expectations for future success are high – both inside and outside of Suominen. Clearly, we have challenges to tackle but having now had the chance to start to truly familiarize myself with the company and to meet personally the members of Suominen team, I could not be more excited. We are determined to take necessary measures in order to improve the company's profitability.

Petri Helsky
President & CEO
as of 7 January 2019

Convenience business area

Suominen's Convenience business area offers nonwovens for a wide range of wiping products: baby care, personal care, household and workplace wipes. In 2018, Convenience accounted for 92% of our net sales and its customers include some of the world's best-known consumer brands.

Net sales in 2018, Convenience

Suominen is the global market leader in nonwovens for wipes, with a market share of approximately 20%.

The Convenience business area offers nonwovens for an extensive range of wiping applications. The main end use applications for our nonwovens for wipes are:

- Baby wipes (39% of Suominen's total net sales in 2018)
- Personal care, e.g., eye pads and facial masks, including moist toilet tissue and other flushable products (22%)
- Household wipes, e.g., hard surface cleaning products and glass cleaning wipes (20%)
- Workplace wipes, e.g., general purpose wipes, surface disinfecting wipes for healthcare and food service (9%)

The customers of Convenience include global consumer brands, manufacturers of private label products, retail chains and regional nonwoven converters. Our customer relationships are typically very long, on average more than ten years.

The main market areas for Convenience are North America and Europe, and we also have a foothold in the South American market.

Convenience in 2018

The net sales of the Convenience business area totaled EUR 396.0 million in 2018 (EUR 388.6 million in 2017). Growth in net sales reflected the healthy development of sales prices.

We suffered from input price increases as there were unprecedented rises in raw material, freight and utility prices. We took several measures to counter this development that has decreased our profitability. These included announcing a price increase of all Suominen products, working on outdated price mechanisms and initiating several other actions targeting to profitability improvement through enhancing pricing, performance and planning.

The Suominen Intelligent Nonwovens™ concept makes it possible to embed digital, machine-readable features into our products.

Our new wetlaid production line in Bethune, SC, USA turned positive on gross profit. We served several customers from the state-of-the-art production line and we continue to add new products to our offering from the line. In the fourth quarter the gross profit contribution of the new line weakened temporarily as we conducted successful trials related with the planned extension of the line's product offering.

In February, we announced another smaller growth investment at our plant in Green Bay, WI, USA. The project involves the installation of new carding machinery representing the latest technology on an existing spunlace production line. It will improve our capability to supply high added value nonwovens for household wipes, personal care products and workplace wipes. We expect the new machinery to be in full utilization by end of 2019.

The key launch of the year was Sustainable Product Portfolio, which aggregates all Suominen nonwovens that address different kinds of sustainability needs.

The Convenience business area had two key launches in 2018. The first was Suominen Intelligent Nonwovens™, a concept that makes it possible to embed digital, machine-readable features into our products. This offers, e.g., improved product safety and traceability to our converter customers and a new kind of sophisticated marketing platform towards consumers for brands. The concept was made possible by Suominen's unique capability to produce nonwovens with extremely high definition patterns wherein all kinds of digital features can be coded without deteriorating other functionalities or changing how nonwoven looks to the naked eye.

The second key launch of the year was Sustainable Product Portfolio, which aggregates all Suominen nonwovens that address different kinds of sustainability needs, be it plastic-free, biodegradability, recycled content or something else. Sustainable Product Portfolio was our response to increasing concerns of how environmentally friendly single-use products are, a discussion that has been bubbling under the surface for some time but surfaced when the European Commission published its proposal for the Single-Use Plastics directive. With Sustainable Product Portfolio, we are taking this environmental issue head on and offering our customers nonwoven products that perform as well as conventional products but, in addition, respond to changing regulation and the needs of environmentally conscious consumers.

Read more at suominen.fi
> About us / Business

Care business area

Suominen's Care business area offers nonwovens for specialty hygiene and medical applications. In 2018, Care accounted for 8% of our net sales. Customers of the business area include global consumer brands, leading regional companies and manufacturers of medical supplies.

Net sales in 2018, Care

The Care business area is in a challenger position with a currently small market share. Nonwovens for hygiene products are one of Suominen's focus applications for growth, and in medical applications, Suominen aims at serving carefully selected niche markets.

The main end use applications for Suominen's nonwovens for hygiene products are:

- Feminine hygiene products
- Adult incontinence products
- Baby diapers

The main end use applications for medical products include:

- Wound care applications
- Surgical drape components
- Patient care applications

In hygiene and medical applications, nonwovens most often serve as components of complex end products. For example, a feminine care product consists of several layers of different materials, with Suominen's nonwovens being one of them, providing critical functionality to the total performance of the finished article.

Customers of the Care business area include global consumer brands, manufacturers of medical devices and regional nonwoven converters. The main geographies for Care are North America, South America and Europe.

Care in 2018

The net sales of the Care business area totaled EUR 35.1 million in 2018 (EUR 37,5 million in 2017), representing 8% of Suominen's group net sales.

In 2018, the Care business area also suffered from input price increases as there were unprecedented rises in raw material, freight and utility prices. This had a negative impact on Suominen's profitability, but we took proactive measures to counter the situation, including a price increase of all Suominen products, working on outdated price mechanisms and initiating several other actions targeting to profitability improvement through enhancing pricing, performance and planning.

During 2018, Suominen did not publicly launch new nonwovens for medical applications but still the product portfolio was renewed. In addition, the production of the colored FIBRELLA® Zorb+ nonwoven, which has been previously made only in the USA, was started also at the Alicante, Spain plant, thanks to investments in production machinery made in the past years. This stabilized the sales of FIBRELLA® Zorb+, making an important contribution to Suominen's small but profitable medical business.

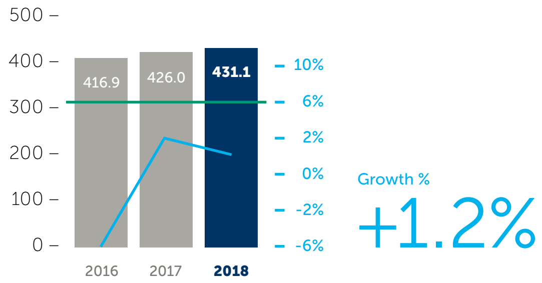
In October, we made three significant new product launches in nonwovens hygiene products. First we launched FIBRELLA® Cozy, a topsheet material for absorbent hygiene products, such as pantyliners, that is superior in softness and excellent in fluid management. It is bonded with water and without any binders, making it a safe, skin-friendly and odorless material. As a result, FIBRELLA® Cozy is an attractive choice for hygiene brands and converters to target health-conscious consumers.

Two other launches were about extending Suominen's more-than-a-decade old BIOLACE® product line. The two products were BIOLACE® Move for acquisition and distribution layers (ADL) and BIOLACE® Cozy for topsheets, both to be used as components in absorbent hygiene products. The timing of extending the BIOLACE® product line was perfect as the European Commission published the proposal for the Single-Use Plastics directive the aim of which is to protect the environment. This prospective change put sustainability high on our customers' priority list, which we saw in increased demand for nonwovens that are, for example, plastic-free or biodegradable. We expect this change in the operating environment to boost the demand for BIOLACE® products and other sustainable nonwovens.

Key figures

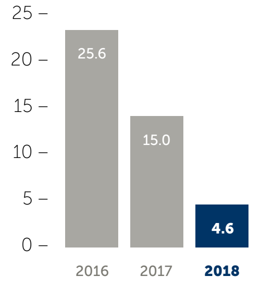
Net sales, EUR million

431.1



Comparable operating profit, EUR million

4.6



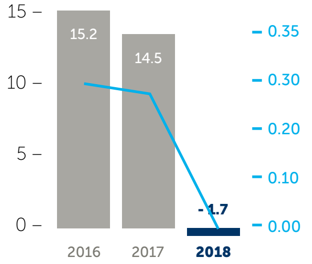
	2018	2017	2016
Net sales, EUR million	**431.1**	426.0	416.9
Comparable operating profit, EUR million	**4.6**	15.0	25.6
Profit for the period, EUR million	**-1.7**	14.5	15.2
Earnings per share, EUR	**-0.03**	0.27	0.29
Divivend per share, € *	**0**	0.11	0.11
Cash flow from operations, EUR million	**32.1**	22.2	28.5
Cash flow per share, EUR	**0.56**	0.39	0.56

	2018	2017	2016
Capital expenditure, EUR million	**13.6**	37.2	53.3
Equity ratio, %	**40.7**	42.5**	45.3
Equity per share, EUR	**2.27**	2.38**	2.81
Gearing, %	**54.2**	59.5**	39.6
Return on invested capital (ROI), %	**2.3**	6.6	11.6
Number of employees, average	**676**	670	646

*Dividend or return of capital. In 2018, proposal by the Board of Directors.
**Restated

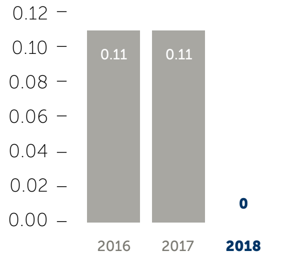
Key figures

Profit for the period and earnings per share, EUR million



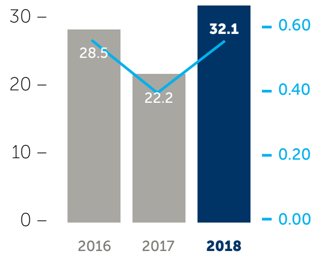
Earnings per share, EUR

Dividend per share, EUR*



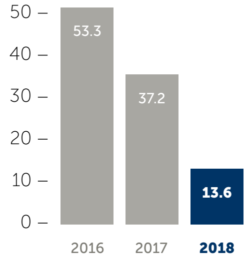
* In 2018, proposal by the Board of Directors

Cash flow from operations and cash flow per share, EUR million



Cash flow per share, EUR

Capital expenditure, EUR million



Financial targets 2017–2021

During the five-year strategic period ending in 2021, Suominen aims to:

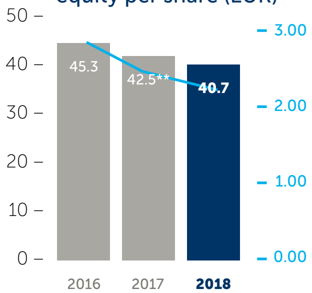
Reach an average return on investment (ROI) of 15% during the period

Reach an average annual net sales growth rate of 6% during the period

Operate with a gearing principally in the range of 40-80%

Green lines in graphs indicate the target level for 2017–2021.

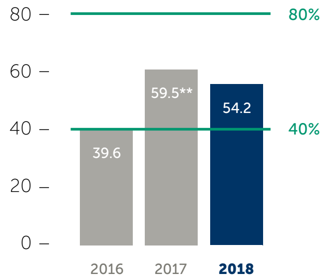
Equity ratio (%) and equity per share (EUR)



Equity per share, EUR

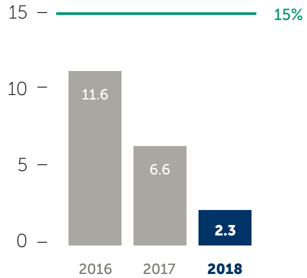
** Restated

Gearing %

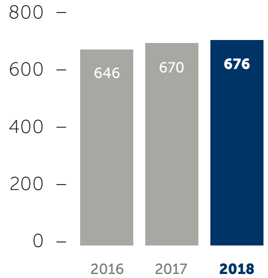


** Restated

Return on invested capital (ROI), %



Number of employees, average



Sustainability

At Suominen, sustainability means the ability to create value for our customer with respect for the environment as well as enhancing the well-being and quality of life of our employees and people indirectly involved in our operations.

Kyra Dorsey

Product Development Manager

USA

Non-financial Statement

Introduction

Suominen's non-financial information required by Directive 2014/95/EU and the Finnish Accounting Act is disclosed in this Sustainability section of the Annual Report 2018.

Suominen's business model, policies as well as risks and risk management are described below as part of this Non-financial Statement. Information on thematic aspects as well as the outcome of our policies, including environmental, social and employee matters, respect for human rights, and anti-corruption and bribery, can be found in the subsequent parts of the Sustainability section.

Information presented in the Sustainability section has been approved by the Board of Directors of Suominen Corporation. Sustainability data presented in this section has not been audited.

Business model

Suominen manufactures nonwovens as roll goods for wipes, hygiene products and medical applications. Suominen sources its raw materials from fiber producers in global markets and sell products to converters or brand owners who then convert and package nonwoven fabrics into both consumer goods and professional end products. Suominen's main market areas are North America and Europe. In addition, the company operates in South American markets.

More information about Suominen's business model can be found in the How we create value subsection in this Annual Report starting on page 6.

Policies

Suominen is a Finnish publicly listed company and observes the Finnish Limited Liability Companies Act, EU Regulation No. 596/ 2014 on Market Abuse (MAR), Securities Market Act and other regulations covering listed companies, the Finnish Corporate Governance Code 2015, and the requirements of its own Articles of Association in its decision-making and administration. Detailed information about governance at Suominen can be found in the Corporate Governance Statement of Suominen Corporation for 2018, starting on page 34 of this Annual report.

Suominen has two sets of sustainability-related policies. Suominen's own operations are guided by the Code of Conduct, approved by the Board of Directors of Suominen Corporation. The Code of Conduct describes the practices and principles adopted by the Suominen Corporation and its subsidiaries and it addresses issues such as fair business practices, financial regulations, human rights and environment. Suominen requires all its employees to comply with the Code of Conduct.

Our requirements for our suppliers are described in the Supplier Code of Conduct, which discusses issues such as wages and working hours, child labor and forced labor, and the environment. The Supplier Code of Conduct was upgraded in 2018 to better address human rights as well as corruption and bribery. All our suppliers must comply with the Supplier Code of Conduct in order to become and remain a supplier to Suominen.

Both the Code of Conduct and the Supplier Code of Conduct can be found in the Sustainability section on Suominen's website (www.suominen.fi). The outcome of these policies and relevant key performance indicators are described in a subsequent part of this Sustainability section.

Risks and risk management

Suominen has a total of eight production plants located in Europe, the Unites Stated and Brazil. We source our raw materials from the global market and our main market areas are Europe and the United States. In 2018, we employed an average of 676 people.

Our operations are associated with certain sustainability risks. We are currently working to better identify and evaluate material risks and risk management practices related to human rights, the environment, social issues, and corruption and bribery. The purpose is to address sustainability-related risks better and incorporate these into our business risk management process.

More information about Suominen's business risks and management practices can be found in the Report by the Board of Directors 2018 starting on page 50 of the Annual Report.

Human rights

Suominen recognizes its responsibility to respect the protection of human rights. There is a risk that human rights might be violated in Suominen's own operations or in the company's supply chain. Human rights violations could lead, for instance, to negative impacts and decreased well-being of individuals and damage to Suominen's reputation.

Suominen complies with local, regional and international laws and regulations and respects the protection of human rights as defined in the United Nation's Universal Declaration on Human Rights. In its Code of Conduct, Suominen commits to respecting human rights as an employer. Suominen does not tolerate any kind of discrimination, including discrimination due to age, gender, religion, ethnic origin, race, disabilities, sexual orientation, political opinion or position within the company. Moreover, the company does not tolerate any form of forced or compulsory labor, or the use of child labor. Suominen upholds the freedom of association and the effective recognition of the right to collective bargaining. The company follows the so-called blind hiring principle when possible in new recruitments to mitigate discrimination in recruitment process. Moreover, the company monitors pay equity between men and women annually in order to identify potential discriminatory remuneration practices.

Suominen employees are expected to comply with the Code of Conduct and employees are not allowed to take any action that violates these human rights principles, either directly or indirectly. Suominen encourages its employees to report if they suspect any kind of behavior in breach of the Code of Conduct by contacting their supervisor, Human Resources function or through the external whistleblowing channel. In 2019, Suominen will arrange Code of Conduct training for its salaried employees.

In 2018, Suominen upgraded its Supplier Code of Conduct to better address human rights. All Suominen suppliers must commit to respecting human rights as set forth in internationally recognized standards, such as the United Nation's Universal Declaration on Human Rights and the International Labor Organization (ILO) Declaration on the Fundamental Principles and Rights at Work. The company prohibits child labor and forced labor, including bonded, involuntary, prison or indentured labor, and expects its suppliers to refrain from any form of discrimination, including discrimination based on religion, disability, ethnic or national origin, gender, sexual orientation, marital status, age, political opinion, organizational position, political affiliation or union membership; or other characteristic protected by local law. Moreover, workers' rights to join labor unions, seek representation and/or join workers' councils should be acknowledged by Suominen's suppliers.

All Suominen's suppliers are engaged to comply with requirements described in the upgraded Supplier Code. Currently, these issues are being incorporated into Suominen's supplier audit process, and in order to mitigate risks related to human rights in our supply chains, our target is to have the majority of Suominen's fiber suppliers audited for compliance by 2021.

Social and employee matters

Suominen has committed to ensure its employees, contractors and others working at the company a fair, safe, equal and healthy work environment. However, Suominen is a manufacturing company with most of its employees working in production facilities, which exposes employees to certain safety risks. If realized, these safety risks could cause fatalities, serious injuries or other negative impacts on individuals and their families. They may also have a negative impact on Suominen's reputation as an employer and decrease its opportunities to attract, keep and hire qualified employees.

Suominen's risk management practices are based on preventive safety work and Suominen has implemented Life Saving Rules and a Behavior-Based Safety program covering employees working both at Suominen's manufacturing sites and at the office premises.

In addition to safety risks, Suominen employees might experience harassment and discrimination or other issues, such as an unhealthy work-life balance. These risks could have a negative impact on the well-being of individuals or lead to legal ramifications or have a negative impact on Suominen's reputation as an employer. In its Code of Conduct, Suominen prohibits any kind of discrimination within the company. Suominen aims to follow a blind hiring principle to mitigate discrimination in recruitment processes and annually monitors pay equity between men and women, the rate of absences due to illness and work-life balance of employees.

Anti-corruption and bribery

Corruption and bribery might occur in Suominen's own operations or in company's supply chain. Corruption and bribery incidents could potentially lead to legal ramifications, negatively impact Suominen's business relationships and damage its corporate reputation.

In the Code of Conduct, Suominen commits to refrain from all unfair business practices, such as fraud, corruption and bribery. All the employees are encouraged to seek advice from managers or the human resources function if they identify or suspect even a potential conflict of interest or other unfair business practices.

In 2018, Suominen updated its Supplier Code of Conduct to better address issues related to unfair business practices, corruption and bribery. Suppliers must comply with all applicable anti-corruption laws and regulations and suppliers are prohibited from engaging in any form of corruption, extortion, embezzlement or money laundering.

Environmental matters

Suominen is a manufacturing company, producing nonwoven materials both from renewable and non-renewable raw materials. Suominen's own operations and the operations of companies on the Suominen supply chain might cause harm to the environment, which may lead to legal ramifications or damage to Suominen's reputation. Suominen's business is also prone to risks related to changes in regulation, especially related to increasing requirements regarding environmental impacts of disposable products. Suominen's environmental risk management is based on certified environmental and quality management systems. All Suominen plants have a certified quality management system (ISO 9001) and seven out of eight plants have a certified environmental management system (ISO 14001) in place. Suominen is committed to take environmental aspects into consideration in its operations and our goal is to minimize the environmental impacts of our products throughout their life cycle. Suominen also requires its suppliers to continuously improve the environmental responsibility of its operations and work to protect biodiversity and mitigate climate change.

Whistleblowing practice

Suominen has established a whistleblowing practice with an external Compliance Officer and encourages all its employees to report any violation of the company's Code of Conduct. This third-party whistleblowing system enables anonymous reporting of any suspected illegal or unethical activities. On top of the external whistleblowing system, suspected violations can be reported to managers or the Human Resources function.

Subject to applicable mandatory laws and regulations, Suominen does not tolerate any retaliation against anyone who reports, in good faith, suspected violations of the Code of Conduct. Further, no retaliation will be tolerated against anyone who participated or assists in the investigation of a report by Suominen. Any retaliation will be assessed as a breach of the Code of Conduct.

Suominen reporting practices

Suominen continuously collects health, safety and environmental data from its production units and reports it annually as a part of the Annual Report. Offices and other premises with no production activities are excluded from this data due to the materiality principle. The reporting period for all presented data is one calendar year and the enclosed historical data presented in the graphics encompasses the last five years.

Environmental, health and safety data covers all the production sites. The Windsor Locks plant in CT, USA is co-operated with Ahlstrom-Munksjö Oyj and only the resources used by Suominen's production lines are taken into account in the environmental figures. In the health and safety figures, all of the employees who have worked on Suominen production lines but are not on Suominen's payroll are excluded. Calculation principles and boundaries for each indicator are presented in the Sustainability data section starting on page 31.

Sustainability at Suominen

At Suominen, sustainability means the ability to create value for our customers with respect for the environment as well as enhancing the well-being and quality of life of our employees and people indirectly involved in our operations. Our work towards more sustainable operations consists of daily-based activities, responsible decision-making and long-term projects, which enables us to develop more sustainable business practices in the long term.

We have recognized that global sustainability challenges, such as biodiversity loss, climate change and inequality, are growing and related problems are more widely acknowledged. These challenges require us to act and challenge ourselves to set more ambitious goals and plans in terms of sustainability.

Sustainability Agenda 2018–2021

2018 was the first implementation year of Suominen's sustainability agenda for the years 2018–2021. This Suominen's second sustainability agenda defines its stance on sustainability through the three focus areas: improve the quality of life of people throughout the value chain, decrease environmental impacts of Suominen's manufacturing processes, and measuring and managing more comprehensively the environmental footprint of Suominen's product portfolio.

The sustainability agenda defines concrete longer-term goals related to environmental and social responsibility. We have initiated activities under all three focus areas and each focus area has long-term targets to be accomplished by 2021. The agenda acts as a guideline for our work and helps us to focus our efforts and resources on concrete actions during this strategy period.

Focus areas of sustainability agenda:

1. A caring company Suominen aims to improve the quality of life of its employees and aims at business free of social risks. The strategic targets in this focus area address health and safety, employee well-being and responsible sourcing of raw materials.

Theme	Target 2021
Health & safety	We will have zero lost time accidents.
Employee well-being	Target to be defined after a pilot project for measuring well-being is completed in 2019.
Sourcing	Majority of our fiber suppliers are audited for compliance with the upgraded Supplier Code of Conduct by 2021.

2. Low-impact manufacturing Suominen improves the lives of its employees and ensures business free of social risks. The strategic targets in this focus area address health and safety, employee well-being and responsible sourcing of raw materials.

Theme	Target 2021
Water efficiency	We will use 8% less water per ton of product compared to the 2016 level.
Energy efficiency	We will use 8.5% less energy per ton of product compared to the 2016 level.
CO^2 emissions	Our carbon dioxide emissions per ton of product will be 7% lower compared to the 2016 level.
Waste to landfill	We will produce zero waste to landfill.

3. The most sustainable nonwovens Suominen strives to offer the most sustainable nonwovens in the market. As there is no industry standard or other method to measure the sustainability of nonwoven materials, Suominen has decided to create a method of its own, a so-called product sustainability index. Strategic targets will be set after the index is created in 2019.

Theme	Target 2021
Sustainable products	Target to be defined after a product sustainability index is created in 2019.

During the first implementation year of the Sustainability Agenda, the Supplier Code of Conduct was upgraded to better address human rights and fair business practices and we are continuing our work towards our target to have the majority of Suominen's fiber suppliers audited for the compliance by 2021.

In 2018 we were not able to initiate a pilot project for measuring employee well-being and the project and related target setting were postponed to 2019.

For the second year in a row, we were not able to improve our key environmental performance indicators. The main reason for this was the prolonged ramp-up phase of our new production line in the Bethune, SC, USA plant. However, we expect to reach our long-term low-impact manufacturing targets as planned.

The Suominen Product Sustainability Index project started in 2018, but the target setting was postponed to 2019. The purpose of the Product Sustainability Index is to evaluate and manage the environmental impacts of Suominen's products throughout their value chain in a more comprehensive manner. More information about Suominen's current sustainable product offering can be found in the Sustainable Product Portfolio section below.

Sustainable Product Portfolio

In 2018, public concern regarding disposable products and related environmental impacts, especially marine plastic pollution, increased. European Commission published its proposal for the Single-Use Plastics (SUP) directive, aiming to protect the environment and suggesting several measures to decrease littering caused by single-use plastic products. The public discussion affected Suominen in the form of increased customer demand for nonwovens made of renewable materials having a lower environmental impact. Having a sustainable product offering is one of the core elements of Suominen's Sustainability Agenda. Due to increasing environmental concerns, we need to find more sustainable options to meet the needs of modern societies. In 2018, Suominen launched the Sustainable Product Portfolio to highlight more environmentally-sound products.

Suominen already has a large portfolio of products made of renewable and biodegradable raw materials and we are continuously looking for alternative materials to replace plastics in our products. We extended our current offering by launching new nonwoven products to broaden our sustainable offering and we are continuously developing new products into this portfolio, which consists of products made of renewable, recycled, compostable and plastic free raw materials as well as totally dispersible flushable products.

We are currently working on developing new metrics to evaluate and manage sustainability aspects of our product portfolio more comprehensively.

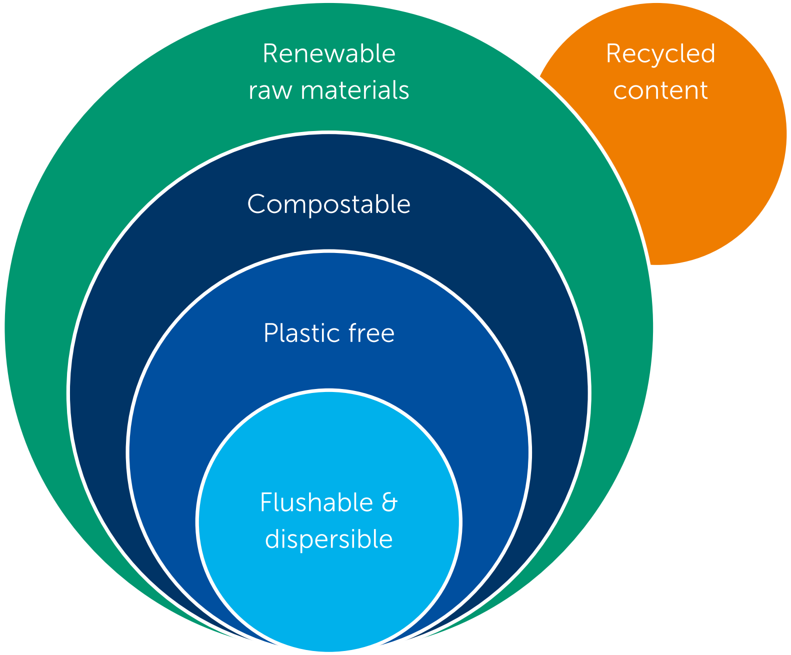
Suominen supports Sustainable Development Goals

Suominen contributes to the United Nations' Sustainable Development Goals either through its own operations or through its offering. We have identified ten of the SDGs to be the most relevant to our business and our Sustainability Agenda supports our work towards these goals.

A caring company

SDG 3: Good health and well-being:

One cornerstone of Suominen's Sustainability Agenda is to be a caring company – it means taking care of our employees and people involved in our operations. We promote health and a safe working environment and we are also contributing to this goal through our product offering since many hygiene



Suominen Sustainable Product Portfolio consists of products made of recycled, renewable, compostable and plastic free raw materials as well as totally dispersible flushable products.

products on the market today utilize our nonwoven fabrics as a substrate material.

SDG 5: Gender equality: Suominen promotes gender equality, our principle is "equal pay for equal contribution". Suominen monitors pay gaps between male and female workers and corrective action is taken when inequalities are found. Suominen also voluntarily supports the Women's Bank initiative that works to finance female entrepreneurship and livelihood through donations and in accordance with the principles of sustainable development.

SDG 8: Decent work and economic growth: Suominen does not tolerate any forms of modern slavery or child labor in its operations or in its supply chain. Suominen strives to offer all of its employees a safe and secure working environment. Suominen also supports the employment of youth, and in 2018, we took part in the "Responsible Summer Job" campaign in Finland that helps youth develop essential skills and a positive outlook on future working life.

SDG 10: Reduced inequalities: Suominen promotes diversity and equal opportunities for all. One example is Suominen's blind hiring recruiting process: All personal information is hidden during the recruiting process and the evaluation of applicants is only based on their competency.

Low-impact manufacturing

SDG 6: Clean water and sanitation: Suominen is committed to increase its water efficiency. We treat all discharged process water and discharged water from our processing sites is as clean or cleaner than our intake water.

SDG 7: Affordable and clean energy: When possible, Suominen uses low-carbon energy sources and continuously aims to increase the energy efficiency of its production processes.

SDG 13: Climate action: Suominen is committed to improve its greenhouse gas efficiency. Suominen is also continuously developing new products made of renewable raw materials to decrease consumption of fossil-based raw materials.

SDG 14: Life below water: Suominen supports all the actions required to reduce marine pollution. Suominen is continuously developing its product offering to be able to offer biodegradable products that disintegrate also in a marine environment. We support awareness raising and labelling measures in order to promote the right disposal methods for nonwoven products to avoid their inappropriate disposal and possible contribution to marine pollution.

SDG 15: Life on land: We promote sustainable and responsible forest management practices and we also produce nonwovens made of certified raw materials, respecting sustainable forest management practices.

The most sustainable nonwovens

SDG 12: Responsible consumption and production: We are continuously seeking possibilities to improve our raw material efficiency as we have recognized the need for more efficient use of natural resources. We are also investigating possibilities to improve our waste management practices to reduce the amount of landfilled waste. As part of our sustainable agenda, we have launched a project aiming to improve the management of our products' environmental footprint throughout their life cycle.

Social responsibility

As a caring company we want to ensure our employees and business partners a fair, safe, equal and healthy work environment. Our intention is to endorse responsible business practices throughout our value chain. We have committed to respect human rights in our operations and we expect nothing less from our business partners.

Our ethical guidelines are described in our Code of Conduct and we expect all of our employees to adhere to these principles. We also expect our fiber suppliers to be fully committed to our Supplier Code of Conduct and to be in compliance with all applicable laws and international treaties.

Employees

In 2018, Suominen spent EUR 181,051 (EUR 254,167 in 2017) on personnel training. During the past years, we have had on-going training programs related to our operating system renewal and personnel training related to the ramp-up of the new production line in Bethune. Consequently, the reduction in training costs in 2018 is related to decreasing training needs within these programs rather than reduced contribution to employee training in general level.

We continued to monitor absences due to illnesses, and unfortunately our absences rate increased from the previous year, as absences amounted to 2.2% of total working hours (1.6% in 2017).

In 2018, Suominen continued to implement its professional development process covering executive management, middle management and specialists, 117 employees in total. The process consists of a bi-annual structured employee–manager discussion and a self-reflective questionnaire measuring issues such as motivation, work load and career plans.

Equal opportunities

Suominen respects human and labor rights and treats all employees fairly and equally. We promote diversity and ensure equal opportunities for job applicants by following blind hiring principle in recruiting. The blind hiring process was established in 2015 and was established in 2015 and we are utilizing these principles in new recruitments when possible, including top management. All the personal information, such as name, gender, ethnicity and age, is masked from the recruiting manager and applicants are only assessed based on their achievements. The purpose of the blind hiring principles is to avoid any unconscious bias affecting the recruitment process.

In 2018, Suominen continued to monitor pay equity between men and women for the fourth year in a row by analyzing the indexed salaries of all salaried employees globally, covering 287 people in total. Employees with hourly wages, approximately 419 people, were excluded from the analysis because of the comparability issues between salaried and hourly employees. As a result of pay-equity analysis, women's salaries in Suominen were on average 80% of men's salaries (81% in 2017). On executive management and middle management level, women's salaries were higher than men's, but the highest pay gap exists amongst the specialists. Our conclusion is that gender pay gaps still exist at Suominen and it is important to continue monitoring them and take corrective actions when needed.

Suominen continued to report on the CEO pay ratio for transparent remuneration for the third year a row. In practice, the CEO pay ratio is a comparison between the salary of the President & CEO* and the average salary of salaried employees. In 2018, the CEO pay ratio at Suominen was 6.01 (6.02 in 2017). Further information on compensation at Suominen can be found in the Remuneration Statement, starting on page 42.

At the end of 2018, 22% of Suominen's total workforce, i.e. 690 employees, were women (22 % in 2017) and 78% were men (78% in 2017). Of the 117 employees included in the Suominen Variable Remuneration System, 33.3% were women (38.6% in 2017) and 67.7% were men (61.4% in 2017). The Suominen Variable Remuneration System is a global short-term incentive plan that rewards specialists, middle management and executive management if targets set for both personal and organizational performance are met. Of Suominen's top management, the Corporate Executive Team, 14.3% were women (25% in 2017) and 85.7% were men (75% in 2017). Due to relatively small target group, small organizational changes cause notable variations on gender balance at percentage level.

95% of Suominen's total workforce were permanent employees and 5% had fixed-term contracts. All Suominen's employees, including those employed in a so-called at-will employment relationship are included in the permanent employee

*) In 2018, annualized President & CEO salary was used for CEO pay ratio calculation.

figure. 59% of Suominen's total workforce are hourly employees and 41% are salaried employees. Hourly employees are typically production line operators and other production workers, and salaried employees include specialists, middle management and executive management.

Safety

A safe workplace is one of our top priorities. Our key objective is to ensure that, after a working day, our employees can return home in good health.

In 2018, we continued to target zero lost-time accidents. This target was not reached, but all our safety performance indicators show positive progress. In total, four lost-time accidents (LTA) occurred at Suominen sites in 2018 (five in 2017). Four out of eight sites were able to reach the LTA target in 2018. The accident frequency rate (AFR) decreased to 3.20 in 2018 (4.06 in 2017) and the accident severity rate (ASR) decreased to 0.10 (0.15 in 2017).

The Behavior-Based Safety program kept rolling for the fifth year in the row in 2018. The program covers all the Suominen employees, both working at production sites and at office premises. The program emphasizes the individual's own responsibility in occupational safety and focuses on influencing the attitude and motivation of individuals. The program is implemented through safety walks, where a trained employee walks through the premises identifying both safe and unsafe behaviors and conditions, and then engages in an open discussion with the employees. In 2018, the Behavior-Based safety program was complemented by virtual safety walks for non-operational employees. The focus is to help everyone to understand the importance of safe behavior and how these principles can be incorporated into daily lives of all employees.

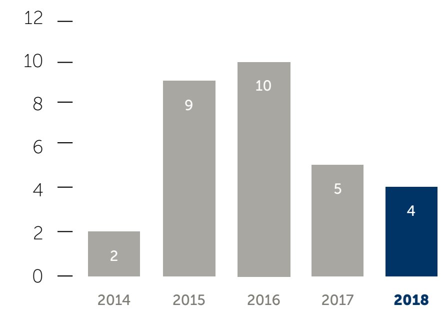
Safety walks training is mandatory for all new employees as part of their onboarding process. By the end of 2018, more than 25,000 safety walks were performed globally. Altogether 4,792 unsafe actions or conditions were identified that need to be rectified, resulting in more than 3,000 hours of work fully dedicated to safety walks and improving occupational safety.

Suominen develops occupational safety according to the principle of continuous improvement and constantly shares the best practices of individual plants to benefit the entire plant network. In improving safety, Suominen places particular emphasis on influencing attitudes, behavior and operating models and on building a culture of work safety. Safety monitoring is part of the daily activities of our production plants.

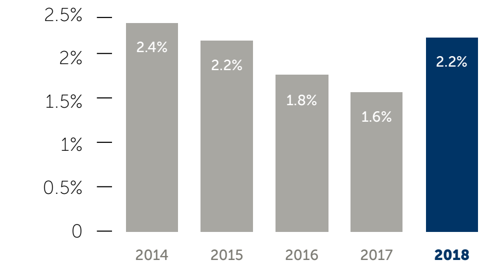
Anti-corruption and bribery

Suominen refrains from all unfair business practices, such as fraud, corruption and bribery. Suominen has a whistleblowing practice in place, which enables reporting of any suspected violations of the Code of Conduct to an external Compliance Officer. In 2018, no suspected violations of the Code of Conduct were reported through our third-party whistleblowing channel regarding corruption and bribery.

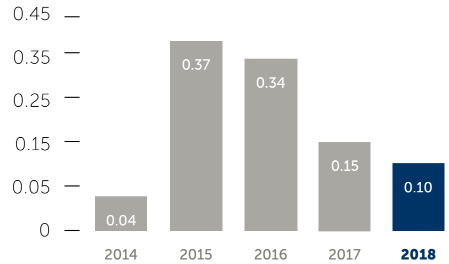
Number of lost time accidents (LTA)



Absences due to illness, % of total working hours

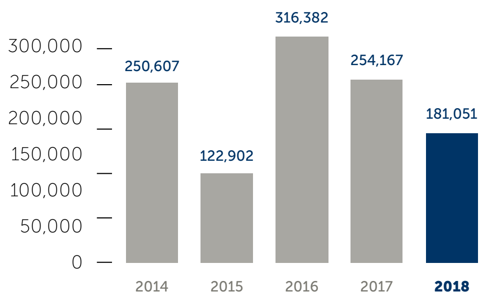


Accident severity rate



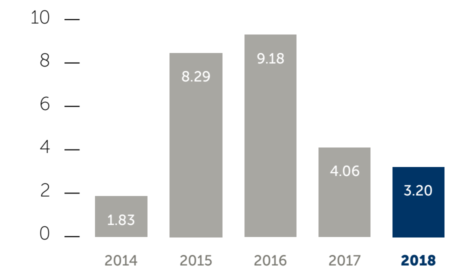
Number of absence days due to accidents divided total hours per 1,000

Personnel training costs, EUR



* Paulinia unit included in reporting as of Feb 1, 2014

Accident frequency rate



Number of accidents divided total worked hours per 1,000,000

Environmental responsibility

For Suominen, environmental responsibility means responsible use of natural resources with the smallest possible impact on the environment. The main environmental impacts from our operations stem from the production of purchased raw materials, consumption of water and energy, and generated landfilled waste. Improving our energy and water efficiency and reducing the amount of landfilled waste and the carbon footprint continue to be our key environmental targets. We have set goals and action plans for these focus areas and regularly monitor our performance and progress towards our goals.

Suominen is committed to considering the environmental impacts of its operations in accordance with the International Chamber of Commerce's (ICC) principles of sustainable development. Environmental responsibility requires daily commitment. We prioritize the continuous improvement and streamlining of our operations, and fostering the principle of reusing and recycling materials. Seven out of eight of Suominen's production sites have a certified environmental management system (ISO14001) in place.

Raw materials

Raw materials play a vital role in our business since they account for roughly 60–70% of our expenses. In 2018, Suominen purchased 134,389 tons of fiber raw materials (139,514 tons in 2017), most of it being viscose, pulp, polypropylene and polyester. 52.9% of Suominen's raw materials originated from renewable resources (49.7% in 2017).

Wood-based fibers, such as viscose and pulp, are the main source of renewable raw materials that we use today. Suominen supports responsible forest management practices and we also produce nonwovens made of certified raw materials, including FSC® (FSC-N002523) and PEFC certified materials.

We are also continuously looking for new innovative raw materials and possibilities to use recycled fibers in our production in order to minimize the environmental impacts of our products throughout the value chain.

Energy efficiency

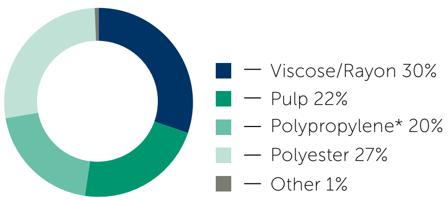
Improving energy efficiency continued to be one of our focus areas. For the second year in a row, our energy efficiency decreased. In 2018, the energy efficiency was 13.77 GJ/ton of product (13.19* GJ/ton in 2017). An increase in energy consumption was expected due to the ramp-up phase of a new production line in Bethune and was slightly bigger than our energy efficiency target of 13.38 GJ per ton of product for 2018.

Renewable energy sources accounted for 10.1% of the total energy consumption in 2018 (12.5% in 2017).*

Suominen has set the energy efficiency target of 13.1 GJ/t for the year 2019 and our long-term reduction target is 8.5% by 2021 compared to the baseline year of 2016, equivalent to 11.65 GJ/t.

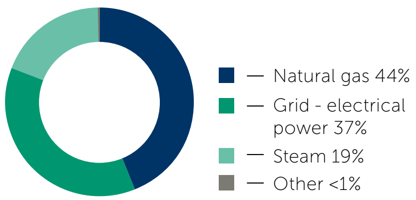
* Restated

Raw materials purchased in 2018
(in total 134,389 tons)

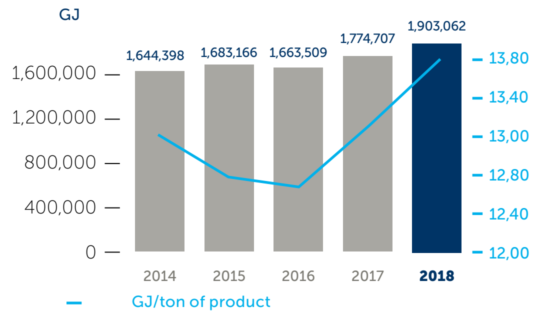


* Including sourced PP Spunbond

Energy consumption in 2018
(in total 1,903,062 GJ)



Energy consumption and energy efficiency



Paulinia unit included in reporting as of Feb 1, 2014

Water efficiency

The water efficiency target for the year 2018 was set to 42.77 m^3 per ton of product as we expected the new wetlaid production line in Bethune to reach its full capacity.

However, as the ramp-up phase of the new line was longer than we had anticipated, its negative impact was greater than we expected, and we were not able to meet the set target. In 2018, our water efficiency rate was 46.6 m^3/t (39.6 m^3/t in 2017).

The wetlaid production technology is used at two Suominen production sites, in Windsor Locks, CT, USA and in Bethune, SC, USA. The wetlaid production technology requires significantly more water than our other production technologies and the water intake of our wetlaid production lines covers the majority of the Suominen's water intake. Therefore our investments in wetlaid production technology increase our total water consumption. However, Suominen aims to offset the impact of the new wetlaid production line on group level and is committed to improve its long-term water efficiency by 8% by the year 2021 compared to the baseline year of 2016, equivalent to 36.6 m^3/t. For 2019, Suominen has set a water efficiency target of 42.15 m^3/t.

We treat all of our process water prior to discharge and therefore all the water used in Suominen's operations is as clean or cleaner than it was when taken into our process.

Carbon dioxide emissions

In 2018, Suominen's total carbon dioxide emissions from its operations and from purchased energy (Scope 1 and 2) were 1.04* tons of carbon dioxide equivalent per ton of product (1.01 t CO_2e in 2017). We are aiming to reduce our greenhouse gas emissions by improving our energy efficiency and we have set a long-term GHG reduction target of 7% by the year 2021 compared to baseline of 2016.

Suominen purchases part of its energy from companies that have lower carbon dioxide emissions. As a result, in 2018 we reduced our emissions to the atmosphere by more than 8,403 metric tons of CO_2 equivalent when compared to the average for the region, which means a 9.04% reduction in carbon dioxide emissions when compared to location-based emissions.

*An estimate. The GHG emissions of Windsor Locks have been estimated according to their energy consumption due to lack of reliable information.

Waste to landfill

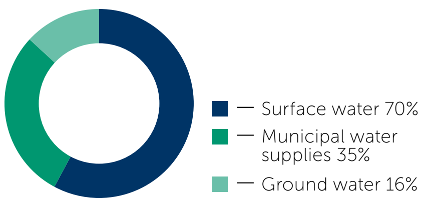
In 2018, the amount of landfilled waste increased to 19.6 kg/ton of product (16.8 kg/t in 2017), and it was slightly higher than our landfilled waste target of 18.8** kg per ton of product.

**Restated

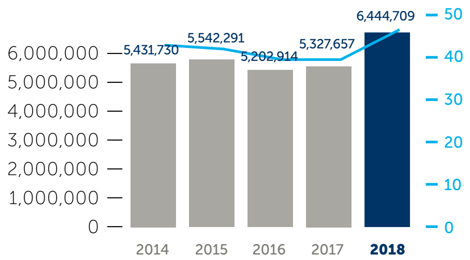
The amount of landfilled production waste has increased during the past years. The main reason for this negative development is the loss of partners who are able to recycle or utilize our production waste. At the moment, we are working to find new partners. Also, ramp-up phase of our new production line in Bethune has taken longer than anticipated, which also had an impact on the increased waste volumes.

Suominen has set a target of 19.6 kg/t for landfilled waste for 2019 and we are still aiming to achieve our long-term target of zero waste to landfill by 2021. In order to meet this target, Suominen is placing greater focus on investigating new possibilities and partnerships to increase its material efficiency and utilization of production waste.

Water intake by source in 2018 (in total 6,444,709 m^3)



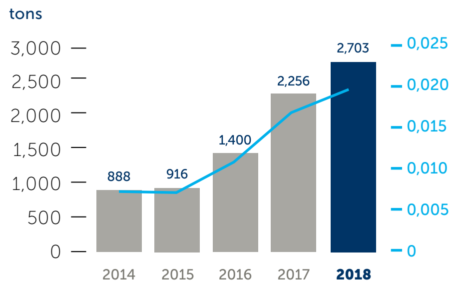
Water intake (m^3) and water efficiency (m^3/ton of product)



— m^3/ton of product

Paulinia unit included in reporting as of Feb 1, 2014

Waste to landfill

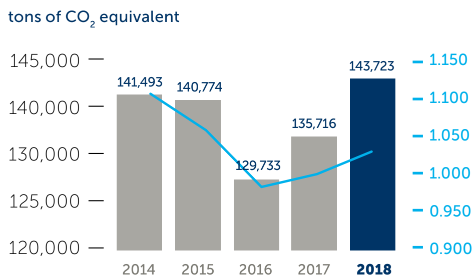


— tons/ton of product

Paulinia unit included in reporting as of Feb 1, 2014

Greenhouse gas emissions*

*including direct and indirect emissions



— CO_2 -ekvivalenttitonnia/tuotettu tonni

Paulinia unit included in reporting as of Feb 1, 2014

Governance and economic responsibility

Economic impacts

Suominen remains an economically vital company. Net sales growth, healthy profitability, strong cash flow and a solid financial position are prerequisites in the long term for meeting our financial obligations to our various stakeholders and contributing to increasing general economic well-being.

Tax footprint

Suominen Group's ("Suominen") tax footprint represents the economic impact on society arising from Suominen's operations in the countries where it operates. Suominen's business operations result in liabilities to pay taxes and similar payments, as well as in a liability to collect and remit taxes and similar payments that arise from the business activities of the group companies.

Suominen's tax footprint arises from the business operations in the countries where it operates. Suominen has not entered into any arrangements aiming to change or rearrange its tax burden from what arises from normal business operations. The trading of goods between Suominen group companies is extremely limited. The group companies receiving intra-group services are charged a service fee. The pricing of the service fee is in line with the arm's length principle.

Suominen has companies only in those five countries – Brazil, Finland, Italy, Spain and the United States – where it has both production and sales operations. In respect of taxes and similar payments, Suominen applies the laws and regulations of each country.

The main markets of the Finnish group companies are abroad. Due to this, the export sales of these companies significantly exceed their domestic sales. No value added tax is levied on export sales. This leads to a situation where the Finnish group companies' deductible value added tax on their purchases subject to value added tax is considerably higher than the value added tax they remit based on their taxable sales. As a result, Suominen receives a refund of value added tax in Finland.

Suominen's tax footprint includes not only the taxes and similar payments that are group companies' costs, but also the taxes and similar payments which the group companies collect and remit, such as indirect taxes. Deferred taxes which arise from the timing differences between taxation and accounting and are recognized in accounting are not included in the tax footprint.

Stakeholder	Direct financial impact in 2018	
Customers	Net sales EUR 431.1 million	Suominen's major customers include global consumer brands and private label manufacturers.
Employees	Wages and salaries EUR 35.6 million	Suominen employed some 676 people in Europe and in North and South America in 2018.
Partners	Materials and services EUR 328.7 million	Suominen purchases raw materials and other products and services from local and international business partners.
Society	Corporate income taxes paid EUR 0.8 million	Suominen is a significant employer in the communities where we operate, which makes us a promoter of general well-being.
Financiers	Net financial expenses EUR 5.6 million	
Shareholders	Approximately EUR 6.3 million in total were paid as return of capital in 2018 from the financial year 2017.	On 31 December 2018, Suominen had 3,920 shareholders.

In 2018, Suominen employed on average 676 people in its operations. As a result, Suominen generated a positive economic contribution to the surrounding society in the form of employees' income taxes, as well as social security contributions both by the company and the employees. Thus, Suominen's tax footprint includes also the collected and remitted employees' income taxes as well as social security contributions, but the employer's taxes are clearly separated from the employees' taxes and payments in the report.

Suominen's corporate income taxes are significantly affected by tax losses generated in the past in certain countries where Suominen operates. Based on local tax laws and regulations, tax losses are carried forward and deducted from the taxable profits generated in the future. At the moment, Suominen's taxable result does not incur corporate income tax payments in Finland, as it has tax losses carried forward from past years. Suominen is subject to group tax consolidation methods in several countries based on each country's tax laws and regulations, which effectively means that Suominen's local companies are taxed on the local consolidated taxable income.

The corporate income taxes Suominen pays in the USA are impacted by local tax incentives, which allow companies to deduct up to 50 or 100% of the acquisition cost of the investments taken into use during the year as accelerated tax depreciations. As Suominen made a large investment in the Bethune plant in South Carolina, the combined taxable result of the American subsidiaries decreased considerably in 2018 and 2017. The use of the accelerated tax depreciations decreases the taxable result of the year in which they are utilized and defers the payment of corporate income taxes into the future. The utilization of the accelerated depreciations will decrease the tax-deductible expenses of future years and concurrently increase the taxable result, as well as the paid corporate income of those years.

The group companies also pay property and real estate taxes based on the land and buildings they own, as well as different fiscal payments levied, for example, on manufacturing operations. In addition, there are some levied taxes, for example in Brazil, that are based on a percentage of the company's net sales. Suominen does not consider these as indirect taxes to be collected and remitted, but as taxes that are costs for the group companies.

EUR thousand	2018		2017	
Taxes and similar payments borne	**Finland**	**Other countries**	**Finland**	**Other countries**
Corporate income tax, tax on profit*	4	-1,633	-13	6,335
Corporate income tax, tax on turnover	-	-1,129	-	-786
Property taxes**	-66	-801	-67	-591
Employer contributions and taxes	-1,537	-9,292	-1,513	-9,077
VAT as expense	-30	-34	-34	-7
Custom duties on export***	-	-83	-	-53
Custom duties on import***	-622	-2,306	-598	-1,706
Excise duties	-129	-115	-110	-229
Other taxes and similar payments	-35	-191	-38	-189
TOTAL	**-2,415**	**-15,582**	**-2,374**	**-6,302**

Taxes and similar payments collected and paid	Finland	Other countries	Finland	Other countries
Net VAT	4,818	-3,231	7,981	-4,840
Payroll taxes and similar payments collected and paid	-2,768	-7,805	-2,652	-7,761
Withholding taxes on various payments	-406	-133	-272	-119
Other taxes collected and paid	-	-13	-	-
TOTAL	**1,644**	**-11,182**	**5,057**	**-12,720**

* Corporate income taxes do not include any deferred taxes. The corporate income taxes for 2017 were in total positive thanks to utilization of accelerated tax depreciations in the USA.

** Taxes on real estates.

*** Custom duties are borne by the company importing or exporting goods and not collected and/or paid by some other tax payer. For these reasons custom duties are reported as taxes borne.

Helsinki 30 January 2019

Jan Johansson
Chair of the Board

Risto Anttonen

Andreas Ahlström

Hannu Kasurinen

Laura Raitio

Jaana Tuominen

Petri Helsky
President & CEO

Sustainability data

Social performance	2014	2015	2016	2017	2018	Boundaries & calculation principles
Absence due to illness	2.4%	2.2%	1.8%	1.6%	**2.2%**	Covers personnel on Suominen's payroll. Share of total working hours
CEO paying ratio	-	-	7.66	6.02	**6.01**	President & CEO's salary divided by salaried employees' average salary
Personnel training cost, EUR	250,607	122,902	316,382	254,167	**181,051**	Covers training costs of personnel on Suominen' s payroll
Proportional representation of women, %						
In total workforce	-	-	22.0%	22.0%	**22.0%**	Covers personnel on Suominen's payroll
In top management	28.6%	28.6%	28.6%	25.0%	**14.3%**	Covers Corporate Executive Team
Safety indicators						
Lost time accidents (LTA)	2	9	10*	5	**4**	Covers personnel on Suominen's payroll. Number of accidents resulting in an absence from work. Business travelling included, commuting excluded
Accident severity rate (ASR)	0.04	0.37	0.34	0.15	**0.10**	Covers personnel on Suominen's payroll. Number of absence days due to accidents divided by total worked hours per 1000
Accident frequency rate (AFR)	1.83	8.29	9.18*	4.06	**3.20**	Covers personnel on Suominen's payroll. Number of accidents divided by total worked hours per 1,000,000
Total workforce						
Average employees	591	614	646	670	**676**	Covers personnel on Suominen's payroll
Permanent employees	-	-	94%	96%	**95%**	Covers personnel on Suominen's payroll, including at-will employees in the USA
Fixed-term employees	-	-	6%	4%	**5%**	Covers personnel on Suominen's payroll
Hourly employees %			63%	60%	**59%**	Covers personnel on Suominen's payroll
Salaried employees %			37%	40%	**41%**	Covers personnel on Suominen's payroll

Environmental performance

Energy consumption by source, GJ

Source	2014	2015	2016	2017	2018	
Grid	637,406.1	663,165.9	649,210.3	673,063.9	**700,912.8**	Covers all Suominen's production lines
Natural gas	769,663.4	728,034.6	725,227.9	782,615.4*	**830,205.7**	Covers all Suominen's production lines
Steam	231,207.5	286,145.2	283,370.8	313,810.4	**367,212.8**	Covers all Suominen's production lines
Other	6,121.0	5,820.8	5,700.1	5,217.7	**4,730.8**	Covers all Suominen's production lines
Total	1,644,398.1	1,683,166.4	1,663,509.1	1,774,707.5*	**1,903,062.1**	Covers all Suominen's production lines

* Restated

Energy efficiency, GJ per ton of product						
	13.02	12.78	12.69	13.19*	**13.77**	Covers all Suominen's production sites

Greenhouse gas emissions, tons of CO_2 equivalent	2014	2015	2016	2017	**2018**	
Direct (scope 1)	44,115.10	42,201.96	41,563.76	44,867.26	**47,937.96**	Direct GHG emissions form Suominen's own operation, covers all Suominen's production lines
Indirect (Scope 2)	97,377.40	98,571.73	88,169.20	90,848.80	**95,785.22****	Indirect GHG emissions from purchased energy, location-based, covers all Suominen's production lines
Total	141,492.50	140,773.69	129,732.96	135,716.06	**143,723.18****	

Greenhouse gas emissions, tons of CO_2 equivalent per ton of product						
Direct (scope 1)	0.35	0.32	0.32	0.33	**0.35**	Covers all Suominen's production sites
Indirect (Scope 2)	0.77	0.75	0.67	0.68	**0.69****	Covers all Suominen's production sites
Total	1.12	1.07	0.99	1.01	**1.04****	

Raw material consumption, tons						
	138,519	138,215	136,387	139,514	**134,388.9**	Covers all Suominen's production sites

Waste to landfill						
Tons	888.31	916.47	1,399.63	2,256.47	**2,702.75**	Covers all Suominen's production sites
kg/ product	7.03	6.96	10.68	16.77	**19.55**	Covers all Suominen's production sites

Water efficiency m^3 per ton of product						
	43.01	42.08	39.69	39.6	**46.63**	Covers all Suominen's production sites

Water intake by source, m^3

Source	2014	2015	2016	2017	**2018**	
Surface water	3,805,396	3,990,096	3,820,329	3,404,628	**3,727,089**	Covers all Suominen's production sites
Ground water	557,605	480,743	436,014	1,137,453	**1,870,796**	Covers all Suominen's production sites
Municipal water supplies	1,068,729	1.1071,452	946,571	785,576	**846,824**	Covers all Suominen's production sites
Total	5,431,730	5,542,291	5,202,917	5,327,657	**6,444,709**	

* Restated

** An estimate. The GHG emissions of Windsor Locks have been estimated according to their energy consumption due to lack of reliable information.

Corporate Governance

The Corporate Governance section presents the Corporate Governance Statement and Remuneration Statement for 2018. The section also includes a letter from the Chair of the Personnel & Remuneration Committee as well as information about the members of the Board and the management team.

Johanna Sirén

Assistant Product Manager

Finland

Corporate Governance Statement of Suominen Corporation for 2018

Suominen Corporation (hereinafter "Suominen" or "Company") complies with the Finnish Corporate Governance Code 2015 (hereinafter "Code") issued by the Securities Market Association. This Corporate Governance Statement (hereinafter "Statement") is prepared in accordance with the Code and is published as a separate statement in connection with the Report by the Board of Directors. The Statement has been published simultaneously with the Financial Statements and Report by the Board of Directors as a Stock Exchange Release, and it is available also on Suominen's website, www.suominen.fi.

The Audit Committee and the Board of Directors of Suominen Corporation have reviewed the Statement. The Statement will not be updated during the financial year, but up-to-date information on its various topics is available on Suominen's website.

The Finnish Corporate Governance Code 2015 is available on the website of the Securities Market Association, www.cgfinland.fi.

1. Descriptions concerning Corporate Governance

Suominen Group

Responsibility for Suominen Group's business operations is held by the constitutional bodies required by the applicable laws and regulations. Suominen's decision-making bodies are the General Meeting of Shareholders, the Board of Directors with its two Committees, and the President & CEO, supported by the Corporate Executive Team and Corporate Leadership Team.

The Group's supreme decision-making body is the General Meeting of Shareholders, where shareholders exercise their decision-making power. The Board of Directors is responsible for the Company's management and its appropriate organization. As the Group's parent company, Suominen Corporation is responsible for the Group's management, accounting and financing, product development and management of intellectual property, human resources, ICT, as well as communications and investor relations.

While Suominen has two business areas, Convenience and Care, the Company has only one operating segment.

Shareholder's Nomination Board of Suominen Corporation

Suominen has a permanent Shareholders' Nomination Board established by the Annual General Meeting. The task of the Nomination Board is to prepare and present to the Annual General Meeting and, if necessary, to an Extraordinary General Meeting, a proposal on the remuneration of the members of the Board of Directors, a proposal on the number of members of the Board of Directors and a proposal on the members and the Chair of the Board of Directors. In addition, the task of the Nomination Board is to seek potential successors for the board members.

The Nomination Board shall consist of four (4) members, three of which shall be appointed by the Company's three largest shareholders, who shall appoint one member each. The Chair of the Company's Board of Directors shall serve as the fourth member. The Nomination Board is established to exist and serve until the General Meeting of the Company decides otherwise. The members shall be nominated annually, and their term of office shall end when new members are nominated to replace them. The members of the Nomination Board shall be independent of the Company, and a person belonging to the Company's operative management cannot be a member of the Nomination Board. The shareholders entitled to appoint members to the Nomination Board during financial year 2018 were determined on the basis of the registered holdings in the Company's shareholder register on 1 September 2017 and on 1 September 2018.

From 1 January to 4 September 2018, the members of the Nomination Board were:

- Thomas Ahlström, Managing Director of Antti Ahlström Perilliset Oy and member of the Board of Directors of Ahlström Capital, nominated by AC Invest Two B.V.;

- Erkki Etola, CEO of Oy Etra Invest Ab, nominated by Oy Etra Invest Ab;

- Reima Rytsölä, Executive Vice-President of Varma Mutual Pension Insurance Company; nominated by Varma Mutual Pension Insurance Company;

- Jan Johansson, Chair of Suominen's Board of Directors.

As of 4 September 2018, the members of the Nomination Board were:

- Lasse Heinonen, President & CEO of Ahlström Capital, nominated by AC Invest Two B.V.;

- Erkki Etola, CEO of Oy Etra Invest Ab, nominated by Oy Etra Invest Ab (until 30 November 2018);

- Reima Rytsölä, Executive Vice-President, Investments of Varma Mutual Pension Insurance Company; nominated by Varma Mutual Pension Insurance Company;

- Jan Johansson, Chair of Suominen's Board of Directors.

On 30 November 2018, Oy Etra Invest Ab informed Suominen that Mr. Roger Hagborg, Investment Advisory Professional, TVF TopCo Limited, replaces Mr. Erkki Etola, CEO of Oy Etra Invest Ab, as a member appointed by Oy Etra Invest Ab of the Shareholders' Nomination Board of Suominen Corporation.

In financial year 2018, the Nomination Board convened once. The attendance rate at the meeting was 100%.

Board of Directors

Tasks and responsibilities

The main duty of the Board of Directors of Suominen is to direct Suominen Group's strategy in a way that it, in the long run, enables the delivery of the financial targets set for Suominen Group and maximizes shareholder value while simultaneously taking into account the expectations of the key stakeholders.

The Board of Directors is responsible for the administration and appropriate organization of Suominen's operations. The Board is responsible for making decisions on matters that are likely to have a major impact on the Company's operations. The Board convenes according to an annual meeting plan. The main duties of the Board include:

- deciding on the Company's corporate structure and organization
- nominating and dismissing the President & CEO
- deciding on the salaries, bonuses and other benefits paid to the President & CEO and his/her immediate subordinates
- deciding on the Company's salary and incentive scheme
- considering and approving annual accounts, reports by the Board of Directors, 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 disposal of real estate
- deciding on strategically and financially significant investments, acquisitions, divestments, or other arrangements
- deciding on obtaining credit and pledging securities
- considering and approving strategies and action plans
- establishing a dividend policy and confirming the Company's targets.

The members of the Board of Directors are elected by the General Meeting of Shareholders. Pursuant to the Articles of Association of the Company, the Board consists of at least three and at most seven members.

Board of Directors in 2018

Until the Annual General Meeting of 2018, held on 15 March 2018, Jan Johansson (Chair), Risto Anttonen (Deputy Chair), Andreas Ahlström, Hannu Kasurinen, Laura Raitio and Jaana Tuominen formed the Board of Directors of Suominen.

On 15 March 2018, the Annual General Meeting re-elected Andreas Ahlström, Risto Anttonen, Jan Johansson, Hannu Kasurinen, Laura Raitio and Jaana Tuominen as members of the Board of Directors. Jan Johansson was also re-elected as Chair of the Board of Directors. The term of office of the members of the Board of Directors ends at the close of the Annual General Meeting 2019.

Biographical details of the Directors

Jan Johansson, Chair of the Board
b. 1954
Master of Laws
Shareholding*: 11,614 Suominen shares

Risto Anttonen, Deputy Chair of the Board
b. 1949
B. Sc. (Econ.)
Shareholding*: 36,089 Suominen shares

Andreas Ahlström
b. 1976
M. Sc. (Econ. and Business Adm.)
Investment Director, Ahlström Capital Oy
Shareholding*: 10,779 Suominen shares

Hannu Kasurinen
b. 1963
M. Sc. (Econ.)
Senior Vice President, Head of Carton Board Business Unit, Stora Enso Corporation
Shareholding*: 24,629 Suominen shares

Laura Raitio
b. 1962
Licentiate of Technology (Forest Products)
Shareholding*: 10,779 Suominen shares

Jaana Tuominen
b. 1960
M. Sc. (Chem. Eng.)
President and CEO, Fiskars Corporation
Shareholding*: 14,725 Suominen shares

* Shares and share-based rights of each Director and corporations over which he/she exercises control in the Company and its group companies on 31 December 2018

Independence of the Directors
The Board of Directors has evaluated the independence of its members. All members are independent of the Company. All members are also independent of its significant shareholders, with the exception of Andreas Ahlström, who acts as Investment Director at Ahlström Capital Oy. The largest shareholder of Suominen, AC Invest Two B.V., is a group Company of Ahlström Capital.

Meeting practice
The Board of Directors convenes under the direction of the Chair or, if the Chair is unable to attend, the Deputy Chair. Principally, the matters are presented by the President & CEO.

In 2018, the Board of Directors convened 19 times, of which five times per capsulam. The attendance rate at the meetings was 99%. The participation of each individual member is presented in the table below.

Name		Participation
Jan Johansson	Chair	19/19
Risto Anttonen	Deputy Chair	19/19
Andreas Ahlström	Member	19/19
Hannu Kasurinen	Member	19/19
Laura Raitio	Member	18/19
Jaana Tuominen	Member	18/19

Self-evaluation
In 2018, after most of its meetings, the Board assessed the preparations of the meeting, the course of the meeting, and its own operations, in line with the principle of continuous development.

The Board of Directors conducted an annual evaluation of its operation and working methods during financial year 2018. The assessment was conducted by an external evaluating company. The results of the assessment were discussed confidentially also with the Nomination Board members to whom the report was provided.

Diversity principles of the Board of Directors
At Suominen, diversity has been recognized as an essential success factor in the long term. Also, in considering the Board's composition, diversity is assessed through a number of viewpoints. Diversity in the Board's competencies, experience and opinions promotes openness to new ideas and helps the Board support and challenge the Company's management. Furthermore, diversity promotes open discussion, integrity in decision making, good corporate governance, and effective supervision of both the Board and the management, and it also supports succession planning.

The Nomination Board of Suominen's shareholders evaluates the number of members on the Board, its composition and the competence requirements of the Board in the light of the present and future needs of the Company. When assessing the composition of the Board, the Nomination Board considers, among other things, whether the Board possesses a broad range of business knowledge and members representing both genders and various ages. It is Suominen's objective to have both men and women on its Board.

It is fundamental that the Nomination Board's final proposal to the Annual General Meeting is based on the qualifications and competencies of each candidate. In addition, candidates must also have the possibility to devote a sufficient amount of time to the Board work.

The essentials of the diversity principles are described in this Statement. They can be reviewed in their entirety at www.suominen.fi.

Fulfillment of the diversity principles in 2018

The Annual General Meeting of Suominen held on 15 March 2018 elected six members to the Board of Directors of the Company. Two of the six members are women. All members of the Board of Directors hold an academic degree either in law, business economics or technical sciences. Considering their experience, they represent international business in all its broadness and therefore bring diverse expertise and versatile perspectives to the Board work. The youngest member of the Board of Directors turned 42 and the oldest 69 years in 2018.

Board committees
Audit Committee
The main tasks of the Audit Committee relate to ensuring the Company's good governance, accounting and financial reporting, internal control systems and monitoring the activities of the external audit. The Audit Committee prepares for the Board matters that fall under its areas of responsibility, but it does not have independent decision-making powers

unless the Board resolves otherwise on certain matters.

The Chair and members of the committee are elected annually at the Board's constitutive meeting. At least three members are elected to the committee. The members of the Audit Committee must be independent of the Company, and at least one member must be independent of the Company's significant shareholders.

From 1 January 2018 until 15 March 2018, until the constitutive meeting of the Board held after the Annual General Meeting, the Audit Committee consisted of Hannu Kasurinen as Chair and Andreas Ahlström and Jaana Tuominen as members. In its constitutive meeting on 15 March 2018, Hannu Kasurinen was re-elected as the Chair and Andreas Ahlström was re-elected as member. Laura Raitio was elected as a new member to the Audit Committee.

In 2018, the Audit Committee convened four times. The attendance rate at the meetings was 100%. The participation of each individual member is presented in the table below.

Name		Participation
Hannu Kasurinen	Chair	4/4
Andreas Ahlström	Member	4/4
Jaana Tuominen	Member until 15 March 2018	1/1
Laura Raitio	Member as of 15 March 2018	3/3

Personnel and Remuneration Committee

The Personnel and Remuneration Committee prepares the remuneration and appointment matters concerning the Company's President & CEO and other senior management, as well as principles and procedures related to the remuneration of the Company's employees. The Committee prepares for the Board matters that fall under its areas of responsibility, but it does not have independent decision-making powers unless the Board resolves otherwise on individual matters.

The Chair and members of the committee are elected annually at the Board's constitutive meeting. The majority of the members of the Personnel and Remuneration Committee must be independent of the Company. The President & CEO or a member of the Company's or Group's management may not be a member of the Personnel and Remuneration Committee.

From 1 January 2018 until the constitutive meeting of the Board of Directors held on 15 March 2018, the members of the Personnel and Remuneration Committee were Jan Johansson (Chair), Risto Anttonen and Laura Raitio. In its constitutive meeting held on 15 March 2018, the Board of Directors re-elected Jan Johansson as the Chair and Risto Anttonen and Laura Raitio as members.

In 2018, the Personnel and Remuneration Committee convened twice. The attendance rate at the meetings was 100%. The participation of each individual member is presented in the table below.

Name		Participation
Jan Johansson	Chair	2/2
Risto Anttonen	Member	2/2
Laura Raitio	Member	2/2

President & CEO

The President & CEO of Suominen is appointed by the Board of Directors. The President & CEO is responsible for day-to-day operations in accordance with the Companies Act and guidelines and instructions provided by the Board of Directors. The President & CEO is in charge of the day-to-day management of Suominen Group and is responsible for ensuring that the Company's accounting practices comply with the law and that its assets are reliably managed pursuant to the Finnish Limited Liability Companies Act. The President & CEO acts as the Chair of the Corporate Executive Team and the Corporate Leadership Team and as the immediate supervisor of the teams' members.

Nina Kopola, b. 1960, M.Sc. (Chemical Eng.), Technology Licentiate, acted as the President & CEO of Suominen Corporation until 3 August 2018. She held* on 31 December 2018 in total 99,354 Suominen shares.

Tapio Engström, Senior Vice President and CFO, was nominated as the interim President & CEO of Suominen Corporation as of 3 August 2018. He held* on 31 December 2018 in total 40,328 Suominen shares.

Pekka Ojanpää was appointed as President & CEO of Suominen Corporation on 3 August and he was expected to start in this position in December 2018. However, Pekka Ojanpää died in an aviation accident on 23 November 2018. Tapio Engström continued in his role as the interim President & CEO of Suominen until 7 January 2019, when Petri Helsky started as President & CEO.

Other executives

The President & CEO is supported by the Corporate Executive Team and Corporate Leadership Team. In 2018, the Corporate Executive Team comprised, in addition to the President & CEO, the following executives:

Tapio Engström

Senior Vice President and CFO, interim President & CEO from 3 August 2018 to 7 January 2019
M.Sc. (Accounting)
b. 1963
Shareholding*: 40,328 Suominen shares

Lynda A. Kelly
Senior Vice President, Care
B.Sc. (Business Administration/Marketing)
b. 1964
Shareholding*: 18,759 Suominen shares

Larry L. Kinn
Senior Vice President, Operational Excellence
B.A. (Chemistry)
b. 1957
Shareholding*: 11,918 Suominen shares

Markku Koivisto
Senior Vice President, Chief Technology Officer
M.Sc. (Tech.)
b. 1971
Shareholding*: 14,822 Suominen shares

Ernesto S. Levy
Senior Vice President, Convenience
BIE (Industrial Engineering),
MBA (Marketing)
b. 1969
Shareholding*: 27,834 Suominen shares

Mimoun Saïm
Senior Vice President, Global Operations
ENSI Engineering
b. 1964
Shareholding*: 29,060 Suominen shares

Hannu Sivula
Senior Vice President, Human Resources
M.Soc.Sc.
b. 1966
Shareholding*: 35,647 Suominen shares

* Shares and share-based rights of each executive and corporations over which he/she exercises control in the Company and its group companies on 31 December 2018.

In 2018, the Corporate Leadership Team comprised, in addition to the members of the Corporate Executive Team, the Chief Information Officer, the Vice President of Sourcing, and the Vice President of Corporate Communications & Investor Relations.

2. Descriptions of internal control procedures and the main features of risk management systems

Internal control

Control environment

Control operations are embedded in the activities of Suominen's organization. Controlling is executed in connection with the steering of business processes, supported by comprehensive reporting.

Suominen's control environment is based on instructions, the business culture and the way of working adopted by the Company's managers and employees. The Group has established values or guiding principles, which encourage everyone at Suominen to adopt an active and ethical way of working both with various stakeholders and within the Group. In cascading the principles in the organization, honesty, transparency and working in teams are integral elements of establishing high ethical standards throughout the Company.

The foundation of the internal control process relating to activities is based on the Group's policies approved by the Board of Directors and other directives and instructions. The responsibility structure of the Group is based on authority inherent in the positions and work descriptions, segregation of duties and the "four-eyes" and "one-over" decision-making principles. Effective internal control requires that duties are properly allocated to employees and potential conflicts of interests are identified and eliminated. A satisfactory control environment is ensured through internal analyses and evaluations of key processes.

The Group Finance function supports the business units in analyzing their performance and profitability and in the decision-making concerning various business choices. Controllers at the unit level are responsible for ensuring that control procedures are in place and implemented in the units. It is the ICT function's task to ensure that the security checks of ICT systems throughout the Group companies are functioning and are conducted at a sufficient level.

Control activities

Internal control activities are in place to, among other things, verify that the Company's financial reports provide a true and fair view of the Group's financial position. It is the duty of the Board of Directors and the President & CEO to organize the internal control activities. Each member of the Board of Directors receives a monthly report on the Group's result and financial position.

In practice, control activities are conducted in the meetings of the Board of Directors and the management groups, where the results of the activities are reviewed. Group Finance and the Group's controller network support and coordinate the financial management and control of the activities of the Group.

Internal control at Suominen has been decentralized across Group functions, who monitor compliance with the operating guidelines approved by the Board concerning their areas of responsibility. In addition to the Group-level guidance, control measures are also taken at the business unit and plant level. Control measures include both general and more detailed control procedures aimed at preventing, revealing and correcting errors and deviations.

In day-to-day business operations, several control activities are exercised to prevent potential errors and deviations in financial reporting. Moreover, control activities are in place to help reveal and correct the identified errors. Suominen categorizes its control activities into three categories. Documented instructions help the organization to standardize the monitoring of tasks. Continuous and regular reporting conveying feedback on the performance of Group functions and entities ensures that instructions and defined processes are followed. In critical processes, specific authorizations are needed in the work flow, either for security or for verification needs.

The need for separate evaluations, as well as their scope and frequency, is defined by assessing risks and the effectiveness of ongoing monitoring procedures. Information security and related control activities play a key role when the features of ICT systems are being defined and applied.

Information and communication

The Group accounting manual, policies approved by the Board and other directives and instructions relating to financial reporting are updated and communicated on a regular basis by management to all affected employees and are also available in the intranet systems of the Group companies. In addition, a standard reporting package is used by the units. Group management and business unit management conduct monthly reviews that include an analysis of performance metrics and indicators assisting management to better understand the underlying business performance.

Follow-up

Ongoing responsibility for follow-up rests with the business units' management and controller functions.

Regular inspections by quality auditors or customer audit personnel cover also the internal controls of supply chain processes.

The Group's Finance function monitors the operations and processes of the Group units and the accuracy of external and internal financial reporting.

Risk management

Risk management is considered an integral part of running the business of Suominen, and the identification and assessment of risks is an essential element of internal control. The aim is to focus on the material risks that are significant from a business perspective. Risks are categorized into business risks caused by changes in the business environment and operational risks, caused by deficiencies in Suominen's processes.

Operational risks are considered to potentially have a material value in transactions with external parties. However, the Group's instructions, process check-ups, allocation of tasks and standards set up by total quality operating systems help to establish a prudent environment in which exposure to material risks can be mitigated.

Risks relating to financial reporting are evaluated and monitored by the Board, aiming to ensure that the financial reporting of the Group is reliable, supports decision-making and serves the needs of external stakeholders. The valuation of assets, liabilities and contingent liabilities based on various evaluation assumptions and criteria may constitute a risk.

Future estimates and assumptions on the reporting date involving a significant risk of causing material changes in the carrying amounts of assets and liabilities are continuously evaluated. Complex and evolving factors having an impact on business circumstances may add uncertainty to the assessment of the carrying amounts of assets. To avoid errors in stating the fair values of assets or liabilities, regular check-ups are made, e.g. by comparing material flows, values, and quantitative and qualitative data with the information in accounting. The risk of errors due to irregularities and discontinuities in information is reduced by using established and automated system-based audit trails.

3. Other information

Internal audit

Suominen does not have a separate internal auditing organization. The Company's auditor presents annually the external audit plan to the Audit Committee.

The Audit Committee considers annually whether there is a need to perform extended audit procedures. If the Audit Committee finds it necessary, it agrees separately with the Company's auditor on extended audit procedures. Findings related to extended audit procedures are reported to the Audit Committee, the President & CEO and the relevant management concerned.

Insider management

Suominen complies with EU Regulation No. 596/2014 on market abuse ("MAR") and Nasdaq Helsinki Ltd's guidelines for insiders in force at any given time. In addition, the Board of Directors of the Company has confirmed specific insider guidelines for the Company to complement Nasdaq Helsinki Ltd's guidelines for insiders.

Directors required to submit notifications

Based on the MAR Regulation, Suominen no longer maintains a public insider register. Instead, Suominen maintains a list of the Company's directors and persons closely associated with them. Persons on that list have an obligation to notify Suominen and the Finnish Financial Supervisory Authority of all transactions made with Suominen's financial instruments by them or on behalf of them. Suominen will disclose the notifications it has received as stock exchange releases as soon as possible.

At Suominen Corporation, the members of the Board of Directors and the President & CEO have been defined as subject to the requirement to report their transactions.

The information presented on the Management shareholdings page at www.suominen.fi has not been updated after 3 July 2016 due to the MAR regulation. Disclosed stock exchange releases on the transaction notifications of directors and persons closely associated with them can be viewed at www.suominen.fi (> Investors > Share and shareholdings > Management transactions).

Closed period

Since the MAR regulation came into force, as of 3 July 2016, Suominen's defined directors are subject to comply with the so-called closed period. The closed period applies prior to the disclosure of financial reports and lasts 30 calendar days, including the date of disclosure of a financial report. During the closed period, Suominen's defined directors may not trade with the share or other financial instrument of the Company. Core persons preparing financial reports, among others, are also subject to a similar 30-day closed period. The times of the closed periods are disclosed through a stock exchange release and in the event calendar available on the Company's website.

During a closed period, trading with Suominen's financial instruments by defined directors and core persons is possible only in certain very exceptional situations. An example of such an exceptional situation is a transaction conducted by a director or core person to participate in a share-saving scheme for Suominen employees which is a prerequisite of a director's or a core person's position. Any exceptions to the 30-day-long closed period requires the Company's approval of the transaction in question. The exception cannot be applied if a director or a core person has inside information.

Trading by directors and core persons

Directors and core persons must, in addition to abiding by the closed period and other trade restrictions, time their trading so that it does not weaken the general trust in the securities market. Suominen recommends that directors and core persons make long-term investments in the Company's shares and other financial instruments. Further, it is also recommendable to time the trading to a point in time when the market has as complete knowledge of the factors affecting the value of the share or the financial instrument as possible.

Monitoring and control

The Insider Officer of Suominen is the Company's Chief Financial Officer. The Insider Officer is generally responsible for the administration of the Company's insider issues.

Without limiting the obligations arising from MAR, the Securities Marketing Act or Nasdaq's Insider Guidelines, the Company's insider administration assumes responsibility for the following:

- internal communications concerning insider issues
- training in insider issues within the Company
- preparing and maintaining lists of directors and their closely associated persons
- receiving notifications concerning the transactions of directors and their closely associated persons, going through the notifications and forwarding them to the Financial Supervisory Authority (if the director/closely associated person has authorized the Company to do so) and publishing the related stock exchange release
- preparing and maintaining project-specific insider lists
- preparing lists of personnel who are defined as core persons
- monitoring insider issues
- administering the information to be published on the internet, if needed

Auditing

The Annual General Meeting held on 15 March 2018 re-elected Ernst & Young Oy, Authorized Public Accountant firm, as auditor of the Company. Ernst & Young Oy appointed Toni Halonen, Authorized Public Accountant, as the responsible auditor of the Company.

The auditors and the Audit Committee of Suominen agree annually on an audit plan. In 2018, the fees paid to Ernst & Young for the statutory auditing of the Group companies totaled EUR 465 thousand. The fees paid to the auditing company and companies belonging to the same group for non-audit services such as tax, IFRS and other services, totaled EUR 74 thousand.

Letter from the Chair of the Personnel and Remuneration Committee

Dear Shareholder,

This Chair's letter aims at addressing some of the most relevant events in 2018 from the Personnel and Remuneration Committee's perspective. As always, there were planned, anticipated and positive events, but also negative surprises. For 2018, unfortunately, the balance lies more toward the unfavorable side.

Suominen has, under Nina Kopola's leadership starting at the end of 2011, transformed from a company characterized by a narrow geographic footprint and diversified businesses into the leading player in its field, purely focused on nonwovens. In order to capitalize on the groundwork and accelerate profitable growth, the Board of Directors appointed Pekka Ojanpää in August 2018 to lead Suominen forward.

During the period between Nina Kopola's departure in August and Pekka Ojanpää's planned start in December, Tapio Engström, Chief Financial Officer of the Company, acted as interim President & CEO. Unfortunately, he was forced to continue as an interim President & CEO also for a second term due to Pekka Ojanpää's tragic death in an aviation accident on 23 November 2018. Petri Helsky was appointed President & CEO on 19 December 2018, and he assumed the position on 7 January 2019.

All other members of the Corporate Executive Team continued in their respective positions as in the previous year and during 2018 there were no significant changes in the organizational structure of the company.

In 2018, the Personnel and Remuneration Committee focused on remuneration issues. Suominen initiated in December 2017 a new share-based long-term incentive (LTI) plan for some 20 executives and key specialists. The first earnings period of the LTI 2018 plan covers the years 2018–2020. The earnings criteria and metrics in the new long-term incentive plan are strongly aligned both with the "Pay for Performance" principle and shareholders' interests. Earnings criteria are also designed to take into account both Suominen's markets and value chains, as well as its strategic development phase. Performance in the new long-term incentive plan is measured by two separate metrics: average relative profitability (EBIT %) and relative Total Shareholder Value (TSR). Both targets span over the earnings period of three years, so they clearly focus on longer term development. The TSR metric benchmarks Suominen against all other companies in Nasdaq Helsinki. A potential incentive will be paid in 2021 only if Suominen delivers better shareholder value, a combination of share price and dividends, than the bottom 30% of the companies in the Nasdaq Helsinki stock exchange. A full incentive for TSR will be paid if Suominen scores in the top 10th percentile.

The first incentives of the LTI 2015 plan were paid in 2018. The total number of net shares earned during the earnings period 2015–2017 was 89,568.

Suominen's global short-term incentive plan creates a strong link between organizational performance and individual rewarding for approximately 120 key persons. For 2018, the targets for organizational performance delivered no pay-out, which highlights that accurately designed ambitious targets mirror results.

Suominen closely monitors development in remuneration reporting in Finland and on the European level. Suominen has initiated preparations for implementing the EU Shareholders' Rights Directive. Our objective is to provide all relevant target audiences with timely, open and transparent information concerning Suominen's remuneration. This Chair's letter is a continuation of the practice Suominen started in its Annual Report 2015 and it represents a concrete step towards new reporting standards. If you have any ideas or suggestions on how we can better serve our shareholders, please send them to Hannu Sivula, SVP, Human Resources: hannu.sivula@suominencorp.com.

Jan Johansson

Chair of the Personnel and Remuneration Committee

Remuneration Statement 2018 of Suominen Corporation

Suominen Corporation ("Suominen" or "Company") complies with the Finnish Corporate Governance Code 2015 ("Code") issued by the Securities Market Association. This Remuneration Statement has been prepared in accordance with the guidance provided in the Reporting section of the Code. The Code is available on the Association's website at www.cgfinland.fi.

A. Decision-making procedure concerning the remuneration

Board of Directors

The Annual General Meeting determines the remuneration paid to the members of the Board of Directors in advance, for one year at a time. Shareholders' Nomination Board prepares independently a proposal on the remuneration of the Board of Directors for the Annual General Meeting.

President & CEO and other executives

The Board of Directors of Suominen determines the salary, bonuses and other benefits paid to the President & CEO and to other executives (members of the Corporate Executive Team and the Corporate Leadership Team, reporting directly to the President & CEO). The Board of Directors determines also the severance payments of the President and CEO in the case of termination of his or her contract. The remuneration of the President & CEO and other executives consists of a fixed monthly salary and benefits, a performance-based bonus (short-term remuneration), and share-based incentive plans (long-term remuneration).

The Personnel and Remuneration Committee of the Board of Directors of Suominen prepares the remuneration and appointment matters concerning the Company's President & CEO and other executives, as well as principles and procedures related to the remuneration of the Company's employees. The Committee does not have independent decision-making power unless the Board resolves otherwise on individual matters.

B. Main principles of remuneration

Suominen strives to have a remuneration system that is systematic, structured and predictable with strong performance orientation. The consistency and competitiveness of the rewards are ensured through systematic internal and external comparisons that also take into consideration the local market conditions. Suominen's remuneration system aims to ensure that a fixed proportion of the total reward is individually targeted and actively examined. The goal of an active remuneration system is to ensure that the Company's employer image in the eyes of both current and potential key employees is attractive. Clear indicators that reflect performance, as well as a focus on the achieved results, ensure that the reward is justified, goal-oriented and offers incentive. By selecting goals for the variable rewards, the aim is to steer management towards implementing Suominen's strategy and achieving the financial targets. Short- and long-term performance-based remuneration is used to reward good performance and to contribute both to the Company's financial success and to the favorable development of its shareholder value.

Main principles of remuneration of the Board of Directors

The remuneration of Suominen's Board of Directors is based on fixed annual remuneration and meeting fees.

Suominen's Annual General Meeting held on 15 March 2018 decided that the remuneration payable to the members of the Board remains unchanged. Consequently, the Chair of the Board of Directors was paid an annual fee of EUR 60,000, Deputy Chair of the Board an annual fee of EUR 37,500 and other Board members an annual fee of EUR 28,000. 60% of the annual remuneration was paid in cash and 40% in Suominen Corporation's shares.

Of the remuneration payable in shares as described above, the number of shares transferred was determined based on the share value in the stock exchange trading maintained by Nasdaq Helsinki Ltd, calculated as the trade volume-weighted average quotation of the share during one-month period immediately following the date on which the interim report of January–March 2018 of the Company was published. The shares were given out of the treasury shares held by the Company on 31 May 2018.

Further, the members of the Board of Directors are paid a fee for attending meetings. Each member of the Board will receive EUR 500 for each meeting attended in the home country of the respective member and EUR 1,000 for each meeting attended elsewhere than in the home country of the respective member. Compensation for expenses is paid in accordance with the Company's valid travel policy.

The participation to the Board's Committees is not compensated separately.

Members of Suominen's Board of Directors do not have an employment relationship with the Company. They are not included in the Company's share-based incentive plans and they do not have any pension contracts with the Company.

Suominen Corporation shares that have been received as remuneration for the Board membership are not subject to restrictions or ownership obligations.

Main principles of remuneration of the President & CEO

The remuneration of the President & CEO consists of a fixed monthly salary and benefits, performance-based bonus (short-term remuneration), and share-based incentive plans (long-term remuneration). The principles reported in this Remuneration Statement were applied to both Nina Kopola's contract (President & CEO until 3 August 2018) and Petri Helsky's contract (President & CEO as of 7 January 2019).

Long-term remuneration: share-based incentive plans

Incentive plan for calendar years 2015–2019

The Board of Directors of Suominen decided on 4 December 2014 on two share-based incentive plans for the Group management (including President & CEO) and Group key employees: Performance Share Plan and Matching Share Plan. The aim of the plans is to combine the objectives of the shareholders and the persons participating in the plans in order to increase the value of the Company in the long-term, to bind the participants to the Company, and to offer them competitive reward plans based on earning and accumulating the Company's shares.

Performance Share Plan

The Performance Share Plan includes three earnings periods, calendar years 2015–2017, 2016–2018 and 2017–2019. The Performance Share Plan is directed to approximately 20 people, including President & CEO. The Plan includes a share price cap mechanism which cuts the reward if the limits set by the Board of Directors for the share price are reached.

The reward of the Plan from the performance period 2015–2017 was based on the Suominen Group´s net sales growth, earnings before interest and taxes margin (EBIT%) and return on invested capital (ROI %). The rewards paid on the basis of the performance period 2015–2017 are reported in this Remuneration Statement.

The reward of the Plan from the performance period 2016–2018 was based on the Suominen Group's net sales growth, earnings before interest and taxes margin (EBIT %) and return on invested capital (ROI %). No rewards will be paid based on the performance period 2016–2018.

The potential reward of the Plan from the performance period 2017–2019 will be based on the Suominen Group´s net sales growth, earnings before interest and taxes margin (EBIT %) and return on invested capital (ROI %). The rewards to be paid on the basis of the performance period 2017–2019 correspond to the value of an approximate maximum total of 480,000 Suominen Corporation shares, of which the maximum portion of the President & CEO would be the value of 80,000 shares (both including also the proportion to be paid in cash).

The fulfilment of the performance criteria of each earnings period is monitored annually and the potential rewards from the earnings period 2017–2019 will be paid in 2020. The potential rewards will be paid partly in the Company's shares and partly in cash. The cash proportion of the reward is intended to cover taxes and tax-related costs arising from the reward to the participant. As a rule, no reward will be paid, if a participant´s employment or service ends before the reward payment.

The President & CEO of the Company must hold 50% of the net number of shares given based on the Plan, as long as his or her shareholding in total corresponds to the value of his/her annual gross salary. Such number of shares must be held as long as his or her service in a group Company continues.

Matching Share Plan

The Matching Share Plan included one three-year vesting period, calendar years 2015–2017. The rewards paid based on the plan are reported in this Remuneration Statement.

The terms and conditions of the share-based incentive plans were technically revised due to the reverse share split decided by the Annual General Meeting on 16 March 2016 and implemented on 21 March 2016.

Incentive plan for calendar years 2018 and beyond

On 11 December 2017, the Board of Directors of Suominen approved a new share-based incentive plan for the Group management (including President & CEO) and Group key employees. The aim of the new plan is to combine the objectives of the shareholders and the persons participating in the plan in order to increase the value of the Company in the long-term, to bind the participants to the Company, and to offer them competitive reward plans based on earning and accumulating the Company´s shares.

Performance Share Plan 2018

The new Performance Share Plan includes currently two three-year performance periods, calendar years 2018–2020 and 2019–2021. The Performance Share Plan is directed to approximately 20 people. The Plan includes a share price cap mechanism which cuts the reward if the limits set by the Board of Directors for the share price are reached.

The potential reward of the Plan from the performance period 2018–2020 is based on the Relative Total Shareholder Return (TSR) and Earnings before Interest and Taxes margin (EBIT %). The potential rewards to be paid on the basis of the performance period 2018–2020 correspond to the value of an approximate maximum total of 502,000 Suominen shares, of which the maximum portion of the President & CEO would be the value of 88,000 shares (both including also the proportion to be paid in cash).

The potential reward of the Plan from the performance period 2019–2021 will be based on the Relative Total Shareholder Return (TSR). The potential rewards to be paid on the basis of the performance period 2019–2021 correspond to the value of an approximate maximum total of 729,000 Suominen Corporation shares (including also the proportion to be paid in cash).

Reward payment and ownership obligation

The potential rewards from the performance periods 2018–2020 and 2019–2021 will be paid partly in the Company's shares and partly in cash in 2021 and 2022, respectively. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to the participant. As a rule, no reward will be paid, if a participant´s employment or service ends before the reward payment.

The President & CEO of the Company must hold 50% of the net number of shares given on the basis of the plan, as long as her shareholding in total corresponds to the value of his or her annual gross salary. Such number of shares must be held as long as her employment or service in a group Company continues.

Short-term remuneration

Suominen applies an annual bonus scheme based on the principles approved by the Board of Directors in advance for one year at a time.

For the financial year 2018, President & CEO's potential reward from the period was based on net sales growth, return on invested capital and certain personal targets and it may not exceed 60% of the annual salary.

Term of notice and severance pay

According to the written contract made with the President & CEO, the period of notice is six months should either the Company or the President & CEO terminate the contract. Should the Company terminate the President & CEO's contract, severance pay corresponding to 12 months' salary shall be paid. The President & CEO has no specific contract related to the termination of his contract due to a public tender offer.

Supplementary pension arrangement of the President & CEO

In addition to the statutory pension arrangements, Suominen's President & CEO has a supplementary pension arrangement granting benefits for old-age, disability and survivor's pension at the age of 63. The supplementary pension is a defined-contribution pension scheme and corresponds to 11.5% of the President & CEO's annual salary (as defined in the Finnish Employees Pensions Act) for the year in question. The supplementary pension premium is based on the calculated annual earnings (fixed monthly salary plus estimated bonus). Any possible difference between the actual and calculated payment is taken into account in the following year's payments.

Main principles of remuneration of other executives

The remuneration of the other executives (Corporate Executive Team and Corporate Leadership Team) consists of a fixed monthly salary and benefits, a performance-based bonus (short-term remuneration), and of a share-based incentive plans (long-term remuneration).

The remuneration system described above concerning the President & CEO is applied also to the members of Corporate Executive Team and Corporate Leadership Team, with the following exceptions:

- Long-term remuneration through the share-based incentive plans: A member of the Corporate Executive Team must hold 50% of the net number of shares given on the basis of the Plan, as long as his or her shareholding in total corresponds to the value of half of his or her annual gross salary.

- Short-term remuneration: For other Corporate Executive Team members, the bonus may not exceed 50% of the annual salary and for Corporate Leadership Team members 40% of the annual salary. In 2018 the performance-based bonus was based on organizational financial targets which are net sales growth and return on investment (ROI%) (with actualization ranging from 0 to 100%) and personal performance (with actualization ranging from 0 to 100%). The payable bonus is calculated by adding together the weighted actualization of the personal performance and the actualization of the corporate financial performance.

- The other executives are not covered by any special supplementary pension schemes. Pension arrangements in countries without statutory pensions are arranged through Suominen's normal supplementary pension programs.

The executives and other key persons of Suominen act as members of the Boards of Directors in the Company's subsidiaries. Separate compensation is not paid for that duty.

C. Remuneration report

Remuneration of the President & CEO and Corporate Executive Team in 2018

In financial year 2018, the salaries and benefits paid to Nina Kopola, President & CEO until 3 August 2018, totaled EUR 905,429 including severance payments of EUR 482,819 and an estimated bonus of EUR 64,979. Additionally, she had a health insurance, of which the costs for the Company were EUR 587 in 2018. Supplementary pension payments for Nina Kopola were in total EUR 79,689. Nina Kopola received in total 14,182 Suominen shares as remuneration based on the Performance Share Plan 2015–2017 and from the Matching Share Plan.

In financial year 2018, the salaries and benefits paid to Tapio Engström, Suominen's Senior Vice President and CFO, for acting as the interim President & CEO as of 3 August 2018 until 7 January 2019, totaled EUR 287,176. During his time as the interim President & CEO, he received increased base salary without any specific extra benefits. Tapio Engström received in total 7,062 Suominen shares as remuneration based on the Performance Share Plan 2015-2017 and from the Matching Share Plan.

The salaries and benefits paid to the other members of the Corporate Executive Team totaled EUR 1,477,733. In the financial year 2018, no bonuses were paid to the members of the Corporate Executive Team. Other members of the Corporate Executive Team received in total 48,822 Suominen shares as remuneration based on the Performance Share Plan 2015–2017 and from the Matching Share Plan.

Remuneration of the Board of Directors in financial year 2018

		Annual remuneration paid in cash, EUR	Value of the annual remuneration paid in shares, EUR	Annual remuneration paid in shares, nr of shares	Meeting fees, EUR	Total, EUR
Jan Johansson	Chair	36,002.22	23,997.78	6,800	7,000	67,000
Risto Anttonen	Deputy Chair	22,501.39	14,998.61	4,250	4,000	41,500
Andreas Ahlström	Member	16,802.21	11,197.79	3,173	3,500	31,500
Hannu Kasurinen	Member	16,802.21	11,197.79	3,173	4,000	32,000
Laura Raitio	Member	16,802.21	11,197.79	3,173	4,000	32,000
Jaana Tuominen	Member	16,802.21	11,197.79	3,173	4,000	32,000

Remuneration of the members of the Board of Directors, including the value of the remuneration paid in Suominen shares, totaled EUR 236,000 in financial year 2018.

Board of Directors

Jan Johansson

b. 1954

Master of Laws

Member of the Board since 2017, Chair of the Board since 2017

Independent member

Shareholding*: 11,614 Suominen shares

Risto Anttonen

b. 1949

M.Sc. (Econ)

Member of the Board since 2011, Deputy Chair of the Board of Directors since 2012

Independent member

Shareholding*: 36,089 Suominen shares

Andreas Ahlström

b. 1976

M. Sc. (Econ. and Business Adm.)

Investment Director, Ahlström Capital Oy

Member of the Board since 2015

Non-independent member

Shareholding*: 10,779 Suominen shares

Hannu Kasurinen

b. 1963

M.Sc. (Econ.)

Senior Vice President, Head of Carton Board Business Unit, Stora Enso Corporation

Member of the Board since 2012
Independent member

Shareholding*: 24,629 Suominen shares

Laura Raitio

b. 1962

Licentiate of Technology (Forest Products Technology)

Member of the Board since 2015

Independent member

Shareholding*: 10,779 Suominen shares

Jaana Tuominen

b. 1960

M.Sc. (Chem. Eng.)

President and CEO, Fiskars Corporation

Member of the Board since 2014

Independent member

Shareholding*: 14,725 Suominen shares

More detailed, up-to-date information on the principal working experience and positions of trust of the members of the Board is available at www.suominen.fi.
Information on the Board's remuneration is included in Suominen's Remuneration Statement.

*Shareholding refers to shares and share-based rights of each director and the corporations over which he/she exercises control in the company and its group companies on 31 December 2018.

Corporate Executive Team

Tapio Engström

President & CEO (interim) from 3 August 2018 to 7 January 2019; Senior Vice President, Chief Financial Officer

b. 1963

M.Sc. (Accounting)

Joined Suominen in 2012

Shareholding*: 40,328 Suominen shares

Petri Helsky

President & CEO as of 7 January 2019

b. 1966

M.Sc (Econ.) International Marketing, M.Sc. (Eng.) Chemical Engineering

Joined Suominen in 2019

Shareholding*: 0 Suominen shares

Lynda A. Kelly

Senior Vice President, Care

b. 1964

B.Sc. (Business Administration/Marketing)

Joined Suominen in 2014

Shareholding*: 18,759 Suominen shares

Larry L. Kinn

Senior Vice President, Operational Excellence

b. 1957

B.A. (Chemistry)

Joined Suominen in 2011

Shareholding*: 11,918 Suominen shares

Markku Koivisto

Senior Vice President and Chief Technology Officer

b. 1971

M.Sc. (Tech.)

Joined Suominen in 2017

Shareholding*: 14,822 Suominen shares

Ernesto Levy

Senior Vice President, Convenience

b. 1969

BIE (Industrial Engineering), MBA (Marketing)

Joined Suominen in 2015

Shareholding*: 27,834 Suominen shares

Mimoun Saïm

Senior Vice President, Operations

b. 1964

ENSI Engineering

Joined Suominen in 2011

Shareholding*: 29,060 Suominen shares

Hannu Sivula

Senior Vice President, Human Resources

b. 1966

M.Soc.Sc

Joined Suominen in 2012

Shareholding*: 35,647 Suominen shares

More detailed, up-to-date information on the principal working experience and positions of trust of the members of Suominen's Corporate Executive Team is available at www.suominen.fi. Information on their remuneration is included in the Suominen's Remuneration Statement.

*Shareholding refers to the shares and share-based rights of each executive and corporations over which he/she exercises control in the company and its group companies on 31 December 2018.

Financial Information

This section includes the Report by the Board of Directors, consolidated and parent company financial statements, Auditor's report, Proposal by the Board of Directors for the use of the profit and information on key figures.

Gian Luca Polosa

Technology Development Manager

Italy

Financial information

1 January–31 December 2018

Contents

Report by the Board of Directors 2018

Highlights of Suominen's financial year 2018

- Net sales grew, profitability remained below expectations.
- President & CEO of the Company changed.
- To improve profitability, Suominen executed a number of corrective actions, focusing on pricing, performance and planning.
- The new manufacturing line at Bethune, SC, USA improved its performance during the year. The planned extension of the line's product offering started during the fourth quarter of 2018.
- Suominen introduced four new nonwovens products or product concepts to the market, including the unprecedented Suominen Intelligent Nonwovens™.
- Suominen celebrated its 120th anniversary.
- No distribution of dividend nor return of capital is proposed to the Annual General Meeting.

The figures shown in brackets refer to the performance in 2017, unless otherwise stated.

Net sales grew, profitability remained below expectations

In 2018, Suominen's net sales increased by 1.2% to EUR 431.1 (426.0) million. The determined measures taken in pricing had a positive impact on the net sales, even though they were partially counteracted by the weakening of the USD compared to euro. Net sales of Convenience business area were EUR 396.0 (388.6) million and net sales of Care business area EUR 35.1 (37.5) million.

In 2018, the product portfolio developed to the right direction, as the share of products with relatively higher added value in the net sales increased to 61% (58%).

The Company's profitability remained below expectations, as operating profit decreased to EUR 4.6 million and profit for the period was negative.

President & CEO of Suominen changed

On 3 August 2018, Suominen's President & CEO Nina Kopola left her position as President & CEO of the Company and Tapio Engström, CFO, was appointed interim President & CEO, effective immediately.

On the same day the Board of Directors of Suominen appointed Pekka Ojanpää as the new President & CEO. He was expected to start in his position in December 2018. However, in November, the whole Suominen community faced a tragic loss when Pekka Ojanpää died in an aviation accident. The thoughts of the members of the Board are with his family.

On 19 December 2018 Suominen announced that Petri Helsky has been appointed as President & CEO. Petri Helsky joined Suominen on 7 January 2019.

Measures taken to improve profitability focused on pricing, performance and planning

Declining profitability was a challenge for Suominen in 2018. The transformation of the Company's product portfolio is the most crucial measure in improving the profitability. Since the transformation of the portfolio is an incremental process which takes time, the Company implemented a number of determined measures to improve profitability through pricing, performance and planning.

As for pricing, Suominen announced global price increases in September. These applied to all Suominen products, responding to unprecedented increase in raw material, freight and energy prices. In addition, the Company took numerous pricing measures of smaller scale during the year.

Considering performance, Suominen's new manufacturing line at the Bethune, SC, US plant improved its performance and trials regarding the planned extension of the line's product offering were conducted successfully in the fourth quarter. Moreover, the ongoing growth investment initiative at the Green Bay plant in WI, USA proceeded as planned and its new capabilities are expected to be in full utilization by end of 2019.

In planning, the ongoing Group-wide ICT systems renewal plays an important role. The systems renewal continued as scheduled. At the end of 2018, six out of Suominen's eight plants operate through the new ICT systems.

The new manufacturing line at Bethune, SC, USA improved its performance

The ramp-up of the new production line in Bethune continued and the line became constantly more stable and efficient. In the second quarter of 2018 the production line turned positive on gross profit, but in the fourth quarter, the trials conducted successfully in connection with the planned extension of the line's product offering burdened temporarily the line's profitability.

The new production line will create a strong competitive edge for Suominen. It takes the Company's production technology to a completely new level and will provide Suominen's customers with unique benefits as it offers new possibilities for designing nonwoven products. The line is tailor-made, based on Suominen's technological expertise, which ensures superior capabilities compared to any turn-key solution. The new manufacturing line will focus on supplying high added value nonwovens, which will increase the share of those products in the portfolio.

Suominen introduced four new products to the market, including Suominen Intelligent Nonwovens™

Suominen introduced in total four new products or product concepts to the market. In September, Suominen Intelligent Nonwovens™ was launched. The concept is unique in the world of nonwovens and enables embedding digital features into nonwovens.

In the fourth quarter, Suominen launched FIBRELLA® Cozy, BIOLACE® Move and BIOLACE® Cozy. BIOLACE® Move and BIOLACE® Cozy are spunlace products made of renewable raw materials, responding to the consumers' growing demand for more sustainable products.

All products launched are nonwovens with high added value, in line with the Company's strategic intent to increase the share of high added value products in its portfolio.

Suominen celebrated its 120th anniversary

Throughout the year, Suominen celebrated its 120-year history. Juho Wiktor Suominen (1877–1935) established a tannery workshop in Nakkila, Finland on 16 April 1898. One of Suominen's eight production plants is still located at the same site today.

Already in 1908, Juho W. Suominen's company operated as a factory-like tannery powered by a steam engine. Later, the changes in the market forced the Company to alter its course several times. In 1965 Suominen started manufacturing nonwoven products, e.g. for carpeting, wadding and single-use wipes. From 2014 onwards Suominen has been a pure nonwovens company.

The Board proposes no dividend nor return of capital

The Board of Directors proposes that no dividend will be distributed and no capital will be returned from the reserve for invested unrestricted equity for the financial year 2018 and that the profit shall be transferred to retained earnings.

Net sales

In 2018, Suominen's net sales increased by 1.2% from the comparison period to EUR 431.1 (426.0) million, mainly thanks to improved sales prices. Sales volumes for the full year remained at the level of 2017. The weakening of the USD compared to euro, Suominen's reporting currency, decreased the net sales of 2018 by EUR 10.9 million.

Net sales of Convenience business area were EUR 396.0 (388.6) million and net sales of Care business area EUR 35.1 (37.5) million.

In 2018, the product portfolio developed to the right direction, as the share of products with relatively higher added value increased to 61% (58%). The share of nonwovens for baby wipes declined to 39% (41%). The share of nonwovens for personal care wipes grew to 22% (21%) and the share of home care wipes to 20% (19%). The share of workplace wipes remained at 9% (9%) and medical & hygiene applications decreased to 8% (9%). All nonwovens for wiping products belong to the Convenience business area and nonwovens for hygiene and medical products to the Care business area.

Operating profit and result

Operating profit decreased and amounted to EUR 4.6 (15.0) million. The continued rise of the costs of Suominen's key resources, the issues with the delivery efficiency experienced in the US as well as the costs related with the planned trials conducted at the Bethune plant during the fourth quarter burdened profitability. The increased average sales prices did not fully compensate the effect of the continued increase in the costs of our key resources. The weakening of the US dollar compared to euro, Suominen's reporting currency, decreased the operating profit by EUR 0.1 million.

During 2018, Suominen changed the methodology to calculate and recognize expected credit losses of trade receivables in line with application of IFRS 9. During the financial year, Suominen's provisions for credit losses of trade receivables totaled EUR -0.7 (-0.1) million. Historically, Suominen's realized credit losses have been immaterial.

In 2018, profit before income taxes was EUR -1.0 (12.4) million. Income taxes were EUR -0.8 (+2.0) million, and the profit for the period to EUR -1.7 (14.5) million.

Net sales and operating profit

EUR thousand	2018	2017	2016
Net sales	431,109	425,996	416,862
Operating profit	4,594	15,000	25,622
Comparable operating profit	4,594	15,000	25,622

Financing

The Group's net interest-bearing liabilities, calculated with the nominal value of the interest-bearing liabilities at the end of the review period, 31 December 2018, amounted to EUR 70.8 (81.4) million. Gearing was 54.2% (59.5%, restated) and equity ratio 40.7% (42.5%, restated).

In 2018, net financial expenses were EUR -5.6 (-2.6) million, or 1.3% (0.6%) of net sales. In 2017, net financial expenses were decreased by EUR 2.2 million due to the capitalization of borrowing costs in fixed assets as required by IAS 23 standard. Net effect of changes in foreign exchange rates in financial items was EUR 0.3 (-0.6) million. In addition, a bad debt provision based on expected credit losses totaling EUR 0.6 million was made of loan receivables.

Cash flow from operations was EUR 32.1 (22.2) million. Cash flow from operations per share in 2018 was EUR 0.56 (0.39). The financial items in the cash flow from operations, in total EUR -4.7 (-5.6) million, were principally impacted by the interests paid during the reporting period. In total EUR 5.6 million was freed from the working capital (2017: tied up 8.0).

Capital expenditure

In 2018, the gross capital expenditure totaled EUR 13.6 (37.2) million. Gross capital investments were mainly related to the growth investment initiative at the Green Bay plant, WI, USA as well as to the Group-wide renewal of ICT systems. The implementation of the ICT renewal program was run without any major issues throughout the year, and at the end of 2018 six plants out of the total of eight plants were running with the new ICT system. The other investments were mainly for maintenance.

Depreciation and amortization for the review period amounted to EUR -21.0 (-19.3) million.

Capital expenditure and depreciation, amortization and impairment

EUR thousand	2018	2017	2016
Gross capital expenditure	13,580	37,210	53,320
% of net sales	3.2	8.7	12.8
Depreciation and amortization	-21,018	-19,349	-18,520

Key ratios

Key ratios	2018	2017	2016
Return on equity (ROE), %	-1.3	10.6	11.6
Return on invested capital (ROI), %	2.3	6.6	11.6
Equity ratio, %	40.7	42.5 (**	45.3
Interest-bearing net debt, EUR million(*	70.8	81.4	56.6
Capital employed, EUR million	232.0	247.3 (**	237.3
Gearing, %	54.2	59.5 (**	39.6

(* At nominal value
(** Restated

Key ratios per share

Key ratios per share	2018	2017	2016
Earnings per share, EUR, total, basic	-0.03	0.27	0.29
Earnings per share, EUR, total, diluted	-0.03	0.25	0.26
Cash flow from operations per share, EUR	0.56	0.39	0.56
Equity per share, EUR	2.27	2.38 (*	2.81
Price per earnings per share (P/E) ratio	-68.5	16.5	14.1
Dividend or return of capital per share, EUR (**	–	0.11	0.11
Dividend payout ratio / payout ratio for return of capital, %	–	41.0	37.6
Dividend yield, %	–	2.49	2.66

(* Restated
(** 2018 the proposal of the Board of Directors to Annual General Meeting

Key ratios per share are share issue adjusted. Definition for key ratios per share is presented in the Consolidated Financial Statements.

Quarterly development 2018

EUR thousand	Q1 2018	Q2 2018	Q3 2018	Q4 2018	2018
Net sales	109,764	104,768	109,961	106,616	431,109
Comparable operating profit	-361	488	2,919	1,548	4,594
% of net sales	-0.3	0.5	2.7	1.5	1.1
Items affecting comparability	–	–	–	–	–
Operating profit	-361	488	2,919	1,548	4,594
% of net sales	-0.3	0.5	2.7	1.5	1.1
Net financial expenses	-1,547	-1,626	-507	-1,876	-5,557
Profit before income taxes	-1,908	-1,138	2,411	-328	-963
% of net sales	-1.7	-1.1	2.2	-0.3	-0.2

Research and development

At Suominen, research and development activities are organized into Technology function. In the end of 2018, The Technology function had 19 (21) employees. Research and development expenses amounted to EUR 3.5 (4.7) million, corresponding to 0.8% (1.1%) of net sales.

Suominen's vision is to change the way people think about nonwovens. In addition, one of the three cornerstones of the Company's strategy is to be able to create nonwovens others cannot. These aspirations drive the Company to focus on research and development in order to be able to offer its customers materials and solutions that have unique or superior functionalities. Suominen's target is to increase the share of products with higher added value in its portfolio.

Suominen Corporation owns all business-related patents and related technologies, know-how, processes, recipes and all other solutions developed by Suominen Corporation. The Company is targeting to have extensive industrial rights to the nonwoven-based solutions and technologies thereto as well as test and pilot equipment needed. This way it can offer best possible support to the group companies to satisfy the current and future customer needs.

Employees

During 2018, Suominen employed 676 (670) people in average, and 690 (663) people at the end of 2018. The new employees were hired primarily to the Operations function.

Personnel related key ratios

	2018	2017	2016
Average number of personnel	676	670	646
Wages and salaries, EUR thousand	-35,647	-35,577	-32,482

Environment

Suominen's goal is to reduce the environmental load caused by its operations and to minimize the environmental impacts of its products throughout their life cycle. In addition to continuously improving and enhancing its operations, Suominen's environmental efforts are guided by the principles of reusing and recycling materials. Suominen is committed to taking into consideration the environmental impacts of its operations in accordance with the principles of sustainable development of the International Chamber of Commerce (ICC).

Suominen complies with the local legislation and official guidelines wherever it operates. Separate environmental permits are required for operations in some of the Group's units. Of Suominen's eight production units, seven plants – Alicante, Bethune, Cressa, Green Bay, Mozzate, Nakkila and Windsor Locks – operate an ISO 14001 environmental management system.

The environmental impacts of Suominen's operations primarily stem from the raw materials, energy and water used in production and from the waste generated during the production process. Environmental requirements are incorporated into product and process development projects from the very start, with the aim of using raw materials, energy, water and other resources, such as packaging materials and transport services, as efficiently as possible. The Group focuses on systematically lowering its waste volumes and making its use of energy and water more efficient. Currently, Suominen's product range includes certified products made of renewable raw materials. In addition, the Company is constantly developing its product offering, taking into account not only the environmental performance but also the social aspects.

The materials used in the manufacture of products mainly consist of viscose, pulp, polypropylene and polyester. There is the risk that production plants might release hazardous substances into the environment. Suominen strives to control environmental risks by means of the quality and environmental systems used in production operations.

In 2018, Suominen's production plants used a total of 134,389 tons of raw materials (139,514 in 2017), 1,903,062 gigajoules (1,774,708) of energy and 6,444,709 m^3 (5,327,657 m^3) of water. Landfill waste generated at the production plants amounted to 2,703 tons (2,256 tons).

The environmental performance of Suominen is presented more extensively in the Non-financial Report included in the Company's Annual Report 2018.

The environmental expenditure of the Group was EUR 2.3 (2.2) million. No material environment-related investments were made.

Share information

Share capital

The number of Suominen's registered shares was 58,259,219 on 31 December 2018, equaling to a share capital of EUR 11,860,056.00. Suominen has one series of shares. Each share carries one vote in the Shareholders' Meeting and right to an equally-sized dividend. Suominen's shares are affiliated in a book-entry system.

Share trading and price

The number of Suominen Corporation shares (SUY1V) traded on Nasdaq Helsinki from 1 January to 31 December 2018 was 3,643,880 shares, accounting for 6.3% of the average number of shares (excluding treasury shares). The highest price was EUR 4.60, the lowest EUR 1.80 and the volume-weighted average price EUR 3.10. The closing price at the beginning of the review period, on 2 January 2018, was EUR 4.55 and the closing price on the last trading date of the review period, on 28 December 2018, was EUR 2.05.

The market capitalization (excluding treasury shares) was EUR 117.9 million on 31 December 2018.

Authorizations of the Board of Directors

The Annual General Meeting (AGM) held on 15 March 2018 authorized the Board of Directors to decide on the repurchase a maximum of 400,000 of the Company's own shares. The Company's own shares shall be repurchased otherwise than in proportion to the holdings of the shareholders by using the non-restricted equity through trading on regulated market organized by Nasdaq Helsinki Ltd at the market price prevailing at the time of acquisition. The shares shall be repurchased and paid in accordance with the rules of Nasdaq Helsinki Ltd and Euroclear Finland Ltd. The shares shall be repurchased to be used in Company's share-based incentive programs, to disburse the remuneration of the members of the Board of Directors, for use as consideration in acquisitions related to the Company's business, or to be held by the Company, to be conveyed by other means or to be cancelled. The Board of Directors shall decide on other terms and conditions related to the repurchase of the Company's own shares. The repurchase authorization shall be valid until 30 June 2019 and it revokes all earlier authorizations to repurchase Company's own shares.

The AGM held on 16 March 2016 authorized the Board of Directors to decide on issuing new shares and/or conveying the Company's own shares held by the Company and/or granting special rights entitling to shares referred to in Chapter 10, Section 1 of the Finnish Limited Liability Companies Act. New shares may be issued and/or Company's own shares held by the Company or its group Company may be conveyed at the maximum amount of 5,000,000 shares in aggregate. The maximum number of new shares that may be subscribed and own shares held by the Company that may be conveyed by virtue of the options and other special rights granted by the Company is 5,000,000 shares in total which number is included in the maximum number stated earlier. The authorization is valid until 30 June 2019. On 31 December 2018, the remaining maximum number of shares to be conveyed was 4,872,826 shares.

Remuneration of the Board payable in shares

The Annual General Meeting held on 15 March 2018 decided that the remuneration payable to the members of the Board remains unchanged. The Chair of the Board of Directors will be paid an annual fee of EUR 60,000, Deputy Chair of the Board an annual fee of EUR 37,500 and other Board members an annual fee of EUR 28,000. Further, the members of the Board will receive a fee of EUR 500 for each meeting held in the home country of respective member and a fee of EUR 1,000 per each meeting held elsewhere than in home country of respective member. 60% of the annual remuneration is paid in cash and 40% in Suominen Corporation's shares. Compensation for expenses is paid in accordance with the Company's valid travel policy.

The number of shares forming the remuneration portion which is payable in shares was determined based on the share value in the stock exchange trading maintained by Nasdaq Helsinki Ltd, calculated as the trade volume weighted average quotation of the share during the one month period immediately following the date on which the Interim Report of January–March 2018 of the Company was published. The shares were given out of the treasury shares held by the Company by the decision of the Board of Directors on 31 May 2018. Since the decision taken by the Board of Directors was essentially an execution of a detailed resolution taken by the AGM, the Board did not exercise independent discretion when it decided on the transfer of the shares. The transferred shares are of the same class as the Company's other shares.

Share-based incentive plans for the management and key employees valid in 2018

In 2018, Suominen had a share-based incentive plan for the Group management and Group key employees, which was divided into Performance Share Plan and Matching Share Plan. The first vesting period of the Performance Share Plan as well as the Matching Share Plan vested in 2018. The number of treasury shares distributed to the participants based on the terms of the plans was 89,568 shares.

Performance Share Plan

The first Performance Share Plan includes three vesting periods, calendar years 2015–2017, 2016–2018 and 2017–2019. The Board of Directors will decide separately on new earnings periods. In addition, the Board of Directors will decide on the Plan's performance criteria and required performance levels for each criterion at the beginning of a vesting period. The Performance Share Plan is directed to approximately 15–20 people. The Board of Directors is entitled to reduce the rewards agreed in the Performance Share Plan if the limits set by the Board of Directors for the share price are reached.

The reward of the Plan from the period 2015–2017 was based on the Suominen Group's net sales growth, earnings before interest and taxes (EBIT%) and return on invested capital (ROI%).

The reward of the Plan from the period 2016–2018 was based on the Suominen Group's net sales growth, earnings before interest and taxes (EBIT%) and return on invested capital (ROI %). No rewards will be paid on the basis of the performance period 2016–2018.

The potential reward of the Plan from the period 2017–2019 will be based on the Suominen Group's net sales growth, earnings before interest and taxes (EBIT%) and return on invested capital (ROI %). The rewards to be paid on the basis of the performance period 2017–2019 correspond to the value of an approximate maximum total of 480,000 Suominen Corporation shares (including also the proportion to be paid in cash).

The potential reward from the earnings period 2017–2019 will be paid partly in the Company's shares and partly in cash in 2020. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to the participant. As a rule, no reward will be paid if a participant's employment or service ends before the reward payment.

The President & CEO of the Company must hold 50% of the net number of shares given on the basis of the Plan, as long as his or her shareholding in total corresponds to the value of his or her annual gross salary. A member of the Corporate Executive Team must hold 50% of the net number of shares given on the basis of the Plan, as long as his or her shareholding in total corresponds to the value of half of his or her annual gross salary. Such number of shares must be held as long as the participant's employment or service in a group company continues.

The second Performance Share Plan includes one three-year performance period, calendar years 2018–2020. It is directed to approximately 20 people, including the President & CEO. The plan includes a share price cap mechanism which cuts the reward if the limits set by the Board of Directors for the share price are reached.

The potential reward of the plan from the performance period 2018–2020 is based on the Relative Total Shareholder Return (TSR) and earnings before interest and taxes margin (EBIT%). The potential rewards to be paid on the basis of the performance period 2018–2020 correspond to the value of an approximate maximum total of 502,000 Suominen shares (including also the proportion to be paid in cash).

The potential rewards from the performance period 2018–2020 will be paid partly in the Company's shares and partly in cash in 2021. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to the participant. As a rule, no reward will be paid, if a participant's employment or service ends before the reward payment.

A member of the Corporate Executive Team must hold 50% of the net number of shares given on the basis of the Plan, as long as his or her shareholding in total corresponds to the value of half of his or her annual gross salary. The President & CEO of the Company must hold 50% of the net number of shares given on the basis of the Plan, as long as his or her shareholding in total corresponds to the value of his or her annual gross salary. Such number of shares must be held as long as the participant's employment or service in a group Company continues.

Shareholders

At the end of the review period, on 31 December 2018, Suominen Corporation had in total 3,920 shareholders. Suominen is not aware of any shareholder agreements related with the shareholding or use of voting rights. Detailed information on the management shareholding and a table presenting the largest shareholders is available in Note 15 of the Consolidated Financial Statements.

Treasury shares

On 31 December 2018, Suominen Corporation held 762,970 treasury shares. The Board of Directors of Suominen Corporation resolved on 6 March 2018 on a directed share issue without payment for the reward payment from Suominen's Matching Share Plan 2015 and from the Performance Share Plan 2015 (Performance Period 2015–2017). The number of treasury shares distributed to the participants was 89,568 shares.

In accordance with the resolution by the Annual General Meeting, in total 23,742 shares were transferred to the members of the Board of Directors as their remuneration payable in shares during the reporting period.

Notifications under Chapter 9, Section 5 of the Securities Market Act

Suominen Corporation received on 26 April 2018 a notification referred to in Chapter 9, Section 5 of the Securities Market Act. According to the notification, the shareholding of TVF TopCo Limited in Suominen Corporation crossed the 5% flagging threshold and was 5.68% of shares and votes in Suominen Corporation. TVF TopCo Limited is ultimately owned by the Triton Value Fund (TVF).

Information Pursuant of Ordinance 1020/2012 by Ministry of Finance, not presented in the Consolidated Financial Statements

There are no restrictions of transfer neither redemption or approval clauses related to the shares of Suominen Corporation or securities entitling to shares.

Suominen Corporation is not participating any arrangements where the financial rights related to a share or a security entitling to hold a share would have been separated.

In accordance with the Articles of Association of Suominen Corporation and the Limited Liability Companies Act, the Shareholders' Meeting elects the Board of Directors. In accordance with the Articles of Association, the Board of Directors decides on the nomination of the President & CEO. The Articles of Association includes no specific stipulation on altering the Articles of Association. Shareholders' Meeting decides on share issues and acquisition of own shares, in accordance with the Limited Liability Companies Act.

The members of the Board of Directors have no specific contracts with the Company regarding compensation in case a member resigns, is dismissed or his/her task ceases to exist due to a public tender offer. The President & CEO has no separate contract to be applied if his/her contract would be terminated due to a public tender offer. In accordance with the employment contract made by the Company and the President & CEO, should the Company terminate the President & CEO's contract of employment, severance pay corresponding to 12 months' salary shall be paid. Other principal terms and conditions of the service contract of the President & CEO are presented in Note 33 of the Consolidated Financial Statements and in the Remuneration Statement 2018 of Suominen Corporation.

Composition of the Nomination Board

In accordance with the decision taken by the Annual General Meeting of Suominen Corporation, the representatives notified by the Company's three largest shareholders have been elected to Suominen Corporation's permanent Nomination Board. In addition, the Chair of the Company's Board of Directors shall serve as the fourth member. The shareholders entitled to appoint members to the Nomination Board during financial year 2018 were determined on the basis of the registered holdings in the Company's shareholder register on 1 September 2017 and on 1 September 2018.

From 1 January to 4 September 2018, the members of the Nomination Board were:

- Thomas Ahlström, Managing Director of Antti Ahlström Perilliset Oy and member of the Board of Directors of Ahlström Capital, nominated by AC Invest Two B.V.;
- Erkki Etola, CEO of Oy Etra Invest Ab, nominated by Oy Etra Invest Ab;
- Reima Rytsölä, Executive Vice President of Varma Mutual Pension Insurance Company, nominated by Varma Mutual Pension Insurance Company;
- Jan Johansson, Chair of Suominen's Board of Directors.

As of 4 September 2018, the members of the Nomination Board were:

- Lasse Heinonen, President & CEO of Ahlström Capital, nominated by AC Invest Two B.V.;
- Erkki Etola, CEO of Oy Etra Invest Ab, nominated by Oy Etra Invest Ab (until 30 November 2018);
- Reima Rytsölä, Executive Vice President, Investments of Varma Mutual Pension Insurance Company; nominated by Varma Mutual Pension Insurance Company;
- Jan Johansson, Chair of Suominen's Board of Directors.

On 30 November 2018, Oy Etra Invest Ab informed Suominen that Roger Hagborg, Investment Advisory Professional, TVF TopCo Limited, replaces Erkki Etola, CEO of Oy Etra Invest Ab, as a member appointed by Oy Etra Invest Ab of the Shareholders' Nomination Board of Suominen Corporation.

The Nomination Board shall submit its proposals to the Board of Directors no later than 1 February prior to the Annual General Meeting.

Annual General Meeting

The Annual General Meeting (AGM) of Suominen Corporation was held on 15 March 2018. The AGM adopted the Financial Statements and the Consolidated Financial Statements for the financial year 2017 and discharged the members of the Board of Directors and the President & CEO from liability for the financial year 2017.

The AGM decided that a return of capital of EUR 0.11 per share will be paid, in total EUR 6.3 million. The decision was in accordance with the proposal by the Board of Directors.

The AGM decided that the remuneration payable to the members of the Board remains unchanged. The Chair will be paid an annual fee of EUR 60,000, Deputy Chair of the Board an annual fee of EUR 37,500 and other Board members an annual fee of EUR 28,000. Further, the members of the Board will receive a fee of EUR 500 for each meeting of the Board of Directors held in the home country of the respective member and a fee of EUR 1,000 per each meeting of the Board of Directors held elsewhere than in the home country of the respective member. 60% of the remuneration is paid in cash and 40% in Suominen Corporation's shares. Compensation for expenses is paid in accordance with the Company's valid travel policy. The decision was in accordance with the proposal by the Shareholders' Nomination Board.

The AGM decided that the number of Board members remains unchanged at six (6). Jan Johansson was re-elected as Chair of the Board of Directors and Andreas Ahlström, Risto Anttonen, Hannu Kasurinen, Laura Raitio and Jaana Tuominen were re-elected as members of the Board of Directors. The decisions were in accordance with the proposal by the Shareholders' Nomination Board.

Ernst & Young Oy, Authorised Public Accountant firm, was re-elected as the auditor of the Company for the next term of office in accordance with the Articles of Association. Ernst & Young Oy appointed Toni Halonen, Authorised Public Accountant, as the principal responsible auditor of the Company. The AGM decided that the auditor's fee would be paid according to the invoice accepted by the Company. The decisions were in accordance with the proposal of the Board of Directors and the recommendation by the Audit Committee.

The AGM authorized the Board of Directors to decide on the repurchase of the Company's own shares. The decision was in accordance with the proposal by the Board of Directors. The terms and conditions of the authorization have been explained earlier in this report.

Constitutive meeting and permanent committees of the Board of Directors

In its organizing meeting held on 15 March 2018 after the AGM, the Board of Directors re-elected Risto Anttonen as Deputy Chair of the Board.

The Board of Directors elected from among its members the members for the Audit Committee and Personnel and Remuneration Committee. Hannu Kasurinen was re-elected as the Chair of the Audit Committee and Andreas Ahlström was re-elected as member. Laura Raitio was elected as a new member to the Audit Committee. Jan Johansson was re-elected as the Chair of the Personnel and Remuneration Committee and Risto Anttonen and Laura Raitio were re-elected as members.

Composition of the Corporate Executive Team

In financial year 2018, the members of Suominen's Corporate Executive Team were:

Tapio Engström, Senior Vice President, CFO and interim President & CEO from 3 August to 7 January 2019

Lynda A. Kelly, Senior Vice President, Care business area

Larry Kinn, Senior Vice President, Operational Excellence

Markku Koivisto, Senior Vice President, Chief Technology Officer

Ernesto S. Levy, Senior Vice President, Convenience business area

Mimoun Saïm, Senior Vice President, Global Operations

Hannu Sivula, Senior Vice President, Human Resources

On 7 January 2019, Petri Helsky started as the President & CEO of Suominen Corporation and as the Chair of the Corporate Executive Team.

Nina Kopola acted as President & CEO and Chair of the Corporate Executive Team until 3 August 2018.

Business risks and uncertainties

Global political developments and changes in consumer preferences could have an adverse effect on Suominen. For instance, a political decision that constrains the global free trade may significantly impact the availability and price of certain raw materials, which would in turn affect Suominen's business and profitability. Suominen's geographical and customer-industry diversity provides partial protection against this risk.

The demand for Suominen's products depends on the development of consumer preferences. Historically, changes in global consumer preferences have had mainly positive impact on Suominen, as they have resulted in the growing demand for products made of nonwovens. However, certain factors, including consumers' attitude towards the use of products made even partially of oil-based raw materials, or their perception on the sustainability of disposable products in general, might rapidly change the consumers' preferences and buying habits. Suominen monitors the consumer trends proactively and develops its product offering accordingly. The Company has had biodegradable, 100% plant-based nonwovens in its portfolio for over 10 years. Suominen also interacts with policymakers regarding the so-called Single-Use Plastic Directive proposal in the European Union.

The estimate on the development of Suominen's net sales is partially based on forecasts and delivery plans received from the Company's customers. Changes in these forecasts and plans, resulting from changes in the market conditions or in customers' inventory levels, may affect Suominen's net sales.

Suominen's customer base is fairly concentrated, which adds to the customer-specific risk. This may affect Suominen's financial result if customers' purchasing habits become more cautious as a result of a changes in consumption, or as a result of sales losses. In 2018, the Group's ten largest customers accounted for 65% (63%) of the Group net sales. Long-term contracts are preferred with the largest customers. In practice the customer relationships are long-term and last for several years. Customer-related credit risks are managed in accordance with a risk policy approved by the Board of Directors. Credit limits are confirmed for customers on the basis of credit ratings and customer history.

The relevance of the United States in Suominen's business operations increases the significance of the exchange rate risk related to USD in the Group's total exchange risk position. Suominen hedges this foreign exchange position in accordance with its hedging policy.

The risks that are characteristic to South American region, including significant changes in business environment or exchange rates, could have an impact on Suominen's operations in Brazil.

Suominen purchases significant amounts of pulp- and oil-based raw materials annually. Raw materials are the largest cost item for operations. Rapid changes in the global market prices of raw materials have an impact on the Company's profitability. Suominen's stocks equal to two to four weeks' consumption and passing on the price changes of these raw materials to the prices Suominen charges its contract customers takes two to five months.

Extended interruptions in the supply of Suominen's main raw materials could disrupt production and have a negative impact on the Group's overall business operations. As Suominen sources most of its raw materials from a number of major international suppliers, significant interruptions in the production of the majority of Suominen's products are unlikely.

Suominen has numerous regional, national and international competitors in its different product groups. There is currently oversupply in some product groups in Suominen's both principal market regions. Products based on new technologies and imports from countries of lower production costs may reduce Suominen's competitive edge. If Suominen is not able to compete with an attractive product offering, it may lose some of its market share. Competition may lead to increased pricing pressure on the Company's products.

Suominen continuously invests in its manufacturing facilities. The deployment of the investments may delay from what was planned, the costs of the investments may increase from what has been expected or the investments may create less business benefits than anticipated. The deployment phase of investments may cause temporary interruptions in operations.

Suominen's operations are dependent on the integrity, security and stable operation of its ICT systems and software as well as on the successful management of cyber risks. If Suominen's ICT systems and software were to become unusable or significantly impaired for an extended period of time, or the cyber risks are realized, Suominen's reputation as well as ability to deliver products at the appointed time, order raw materials and handle inventory could be adversely impacted.

There could be a risk of Suominen's business operations being interrupted due to abrupt and unforeseen events, such as power outages or fire and water damage. Suominen may not be able to control these events through predictive actions, which could lead to interruptions in business. Risks of this type are insured in order to guarantee the continuity of operations. As Suominen has valid damage and business interruption insurance, it is expected that the damage would be compensated, and the financial losses caused by the interruption of business would be covered.

Suominen uses certain technologies in its production. In the management's view, the chosen technologies are competitive and there is no need to make major investments in new technologies. However, it cannot be excluded that the Company's technology choices could prove wrong, and the development of new or substitute technologies would then require investments.

Suominen aims to protect its business against product liability risks through the use of systematic quality assurance processes and product liability insurance. The Technology function of the Company is responsible for ensuring the underlying safety of the Group's products during their development. Continuous quality control is designed to guarantee product quality during production. Management considers it unlikely that the Group will face significant product liability-related claims and is unaware of any such claims.

Suominen is subject to corporate income taxes in numerous jurisdictions. Significant judgment is required to determine the total amount of corporate income tax at Group level. There are many transactions and calculations that leave room for uncertainty as to the final amount of the income tax. Tax risks relate also to changes in tax rates or tax legislation or misinterpretations, and materialization of the risks could result in increased payments or sanctions by the tax authorities, which in turn could lead to financial loss. Deferred tax assets included in the statement of financial position require that the deferred tax assets can be recovered against the future taxable income.

The Group is exposed to several financial risks, such as foreign exchange, interest rate, counterparty, liquidity and credit risks. The Group's financial risks are managed in line with a policy confirmed by the Board of Directors. The financial risks are described in Note 3 of the Consolidated Financial Statements.

Suominen performs goodwill impairment testing annually. In impairment testing the recoverable amounts are determined as the value in use, which comprises the discounted projected future cash flows. Actual cash flows can differ from the discounted projected future cash flows. Uncertainties related to the projected future cash flows include, among others, the long economic useful life of the assets and changes in the forecast sales prices of Suominen's products, production costs as well as discount rates used in testing. Due to the uncertainty inherent in the future, it is possible that Suominen's recoverable amounts will be insufficient to cover the carrying amounts of assets, particularly goodwill. If this happens, it will be necessary to recognize an impairment loss, which, when implemented, will weaken the result and equity. Goodwill impairment testing has been described in the Consolidated Financial Statements.

Business environment

Suominen's nonwovens are, for the most part, used in daily consumer goods, such as wet wipes as well as in hygiene and medical products. In these target markets of Suominen, the general economic situation and consumer confidence determines the development of consumer demand, even though the demand for consumer goods is not very cyclical in nature. North America and Europe are the largest market areas for Suominen. In addition, the Group operates in South American markets. The growth in the demand for nonwovens has typically exceeded the growth of gross domestic product by a couple of percentage points.

In the euro area, the consumer confidence index declined throughout the year, being at the end of the financial year roughly at the level of the beginning of 2017. In the United States, the consumer confidence index development was nearly flat in 2018, remaining, however, strong.

Suominen assesses the trend in the demand for its products on the basis of both the general market situation and, above all, on the basis of the framework agreements drawn up with its customers. There is currently overcapacity in the market, mainly in nonwovens for baby wipes and flushables.

At large, the growth in the demand in Suominen's target markets is expected to continue in 2019, on average, at the pace of 2018.

Information on the separate financial statements of the parent company

Key ratios of the parent company

EUR thousand	2018	2017	2016
Net sales	22,788	21,574	19,729
Operating profit / loss	-2,181	-1,804	-1,631
% of net sales	-9.6	-8.4	-8.3
Net financial expenses	5,863	173	8,567
Profit / loss before appropriations and income taxes	3,682	-1,631	6,936
Profit / loss for the period	3,062	-463	7,723
Return on invested capital, %	2.4	1.8	2.4
Salaries	-3,538	-2,880	-2,299
Average number of personnel	27	30	27

The separate financial statements of Suominen Corporation have been prepared according to the Finnish Accounting Act, the Accounting Decree and other laws and regulations relating to financial statements (FAS). The consolidated financial statements of Suominen Group have been prepared in compliance with the International Financial Reporting Standards (IFRS).

Net sales of Suominen Corporation were EUR 22.8 (21.6) million and operating loss EUR -2.2 (-1.8) million. Net financial expenses were EUR +5.9 (+0.2) million. Profit/loss for the period was EUR 3.1 (-0.5) million. There are no related party loans except loans to other Suominen group companies.

In financial year 2018, the parent Company had on average 27 (30) employees and at the end of the year 29 (28) employees.

Outlook for 2019

Suominen expects that in 2019, its net sales will be at the level of 2018 and comparable operating profit, excluding the positive effect of applying IFRS 16 Leases, will improve from 2018. In 2018, Suominen's net sales amounted to EUR 431.1 million and operating profit to EUR 4.6 million. In financial years 2018 and 2017 Suominen had no items affecting the comparability of the operating profit.

Proposal by the Board of Directors for the use of the profit

The profit of the financial year 2018 of Suominen Corporation, the parent company of Suominen Group, was EUR 3,062,267.24. The funds distributable as dividends, including the profit for the period, were EUR 9,655,243 and total distributable funds were EUR 90,840,409.

The Board of Directors proposes that no dividend will be distributed and no capital will be returned from the reserve for invested unrestricted equity for the financial year 2018 and that the profit shall be transferred to retained earnings.

Corporate Governance Statement and Non-financial Report

The Corporate Governance Statement 2018 of Suominen Corporation has been disclosed as a separate statement at www.suominen.fi > Investors > Corporate Governance. Also, the Remuneration Statement 2018 has been disclosed and can be retrieved from the same address. Both statements are included also in the Company's Annual Report 2018.

Suominen's Non-financial Report as required by Directive 2014/95/EU and the Finnish Accounting Act is disclosed as a separate statement at www.suominen.fi > Investors > Corporate Governance and it also forms the Sustainability section of the Company's Annual Report 2018.

Events after the reporting period

Suominen announced on 9 January 2019 that Tapio Engström, Senior Vice President & CFO of Suominen Corporation and a member of Suominen's Executive Team, will leave Suominen on 8 July 2019 at the latest. Recruitment process for new CFO has been started.

Suominen announced on 30 January 2019 that the Board of Directors of Suominen Corporation resolved on a new share-based incentive plan for the Group management and Group key employees.

The new three-year earnings period of the Performance Share Plan includes calendar years 2019–2021. The Board of Directors of the Company decides on the Plan's performance criteria and required performance levels for each criterion at the beginning of an earnings period. The Performance Share Plan is directed to approximately 20 people.

The potential reward of the Plan from the performance period 2019–2021 will be based on the Relative Total Shareholder Return (TSR). The rewards to be paid on the basis of the performance period 2019–2021 correspond to the value of an approximate maximum total of 729,000 Suominen Corporation shares (including also the proportion to be paid in cash).

The Board of Directors will be entitled to reduce the rewards agreed in the Performance Share Plan if the limits set by the Board of Directors for the share price are reached.

The potential rewards from the performance periods 2019–2021 will be paid partly in the Company's shares and partly in cash in 2022. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to the participant. As a rule, no reward will be paid, if a participant's employment or service ends before the reward payment.

A member of the Corporate Executive Team must hold 50% of the net number of shares given on the basis of the Plan, as long as his or her shareholding in total corresponds to the value of half of his or her annual gross salary. The President & CEO of the Company must hold 50% of the net number of shares given on the basis of the Plan, as long as his or her shareholding in total corresponds to the value of his or her annual gross salary. Such number of shares must be held as long as the participant's employment or service in a group company continues

SUOMINEN CORPORATION
Board of Directors

Consolidated financial statements (IFRS)

Consolidated statement of financial position

EUR thousand

	Note	31 December 2018	Restated 31 December 2017
ASSETS			
Non-current assets			
Goodwill	5	15,496	15,496
Intangible assets	6	21,231	17,470
Property, plant and equipment	7	129,391	136,649
Loan receivables	11	3,348	3,072
Equity instruments	10	777	777
Other non-current receivables	11	1,393	1,744
Deferred tax assets	29	2,540	5,142
Total non-current assets		**174,175**	**180,349**
Current assets			
Inventories	9	51,583	44,241
Trade receivables	11	58,097	53,934
Loan receivables	11	4,017	4,337
Other current receivables	11	4,118	4,236
Assets for current tax	29	974	7,703
Cash and cash equivalents		27,757	27,240
Total current assets		**146,545**	**141,692**
TOTAL ASSETS		**320,720**	**322,040**

	Note	31 December 2018	Restated 31 December 2017
EQUITY AND LIABILITIES			
Equity			
Share capital	15	11,860	11,860
Share premium account		24,681	24,681
Reserve for invested unrestricted equity		81,185	87,423
Treasury shares		-44	-44
Fair value and other reserves		264	264
Exchange differences	14	-669	-3,151
Retained earnings		13,237	15,761
Total equity attributable to owners of the parent		**130,513**	**136,794**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	29	12,373	14,558
Liabilities from defined benefit plans	20	847	984
Other non-current liabilities	21	17	49
Debenture bonds	17	80,615	95,192
Other non-current interest-bearing liabilities	17	84	162
Total non-current liabilities		**93,935**	**110,945**
Current liabilities			
Debenture bonds	17	15,687	–
Current interest-bearing liabilities	17	5,078	15,118
Liabilities for current tax	29	121	32
Trade payables and other current liabilities	21	75,386	59,152
Total current liabilities		**96,272**	**74,302**
Total liabilities		**190,207**	**185,247**
TOTAL EQUITY AND LIABILITIES		**320,720**	**322,040**

Consolidated statement of profit or loss

EUR thousand

	Note	1 January–31 December 2018	1 January–31 December 2017
Net sales	22	**431,109**	**425,996**
Cost of goods sold		-399,826	-383,839
Gross profit		**31,283**	**42,157**
Other operating income	24	2,528	1,764
Sales and marketing expenses		-7,048	-7,262
Research and development expenses		-3,515	-4,739
Administration expenses		-17,599	-16,861
Other operating expenses	24	-1,055	-59
Operating profit		**4,594**	**15,000**
Net financial expenses	28	-5,557	-2,570
Profit before income taxes		**-963**	**12,430**
Income taxes	29	-757	2,048
Profit for the period		**-1,720**	**14,478**
Earnings per share, EUR			
Basic	31	-0.03	0.27
Diluted		-0.03	0.25

Consolidated statement of comprehensive income

EUR thousand

	1 January–31 December 2018	1 January–31 December 2017
Profit for the period	**-1,720**	**14,478**
Other comprehensive income:		
Other comprehensive income that will be subsequently reclassified to profit or loss:		
Exchange differences	2,936	-17,083
Fair value changes of cash flow hedges	–	267
Reclassified to profit or loss	–	13
Reclassified to property, plant and equipment	–	-35
Income taxes related to other comprehensive income	-454	1,328
Total	**2,482**	**-15,510**
Other comprehensive income that will not be subsequently reclassified to profit or loss:		
Remeasurements of defined benefit plans	-41	15
Income taxes related to other comprehensive income	11	-4
Total	**-29**	**11**
Total other comprehensive income	**2,452**	**-15,500**
Total comprehensive income for the period	**732**	**-1,022**

Consolidated statement of changes in equity

EUR thousand

	Note	Share capital	Share premium account	Reserve for invested unrestricted equity	Treasury shares	Exchange differences	Fair value and other reserves	Retained earnings	Total equity attributable to owners of the parent
Equity 1 January 2018		**11,860**	**24,681**	**87,423**	**-44**	**-3,151**	**264**	**15,761**	**136,794**
Profit for the period		–	–	–	–	–	–	-1,720	-1,720
Other comprehensive income	14	–	–	–	–	2,482	–	-29	2,452
Total comprehensive income		**–**	**–**	**–**	**–**	**2,482**	**–**	**-1,749**	**732**
Share-based payments		–	–	–	–	–	–	-775	-775
Unpaid return of capital back to equity		–	–	0	–	–	–	–	0
Return of capital		–	–	-6,322	–	–	–	–	-6,322
Conveyance of treasury shares		–	–	84	–	–	–	–	84
Equity 31 December 2018		**11,860**	**24,681**	**81,185**	**-44**	**-669**	**264**	**13,237**	**130,513**

	Note	Share capital	Share premium account	Reserve for invested unrestricted equity	Treasury shares	Exchange differences	Fair value and other reserves	Retained earnings	Total equity attributable to owners of the parent	Hybrid bond	Total equity
Equity 1 January 2017		**11,860**	**24,681**	**70,855**	**-44**	**12,613**	**10**	**6,324**	**126,300**	**16,525**	**142,824**
Profit for the period		–	–	–	–	–	–	14,478	14,478	–	14,478
Other comprehensive income	14	–	–	–	–	-15,764	254	11	-15,500	–	-15,500
Total comprehensive income		**–**	**–**	**–**	**–**	**-15,764**	**254**	**14,489**	**-1,022**	**–**	**-1,022**
Share-based payments		–	–	–	–	–	–	338	338	–	338
Distribution of dividend		–	–	–	–	–	–	-5,585	-5,585	–	-5,585
Conveyance of treasury shares		–	–	84	–	–	–	–	84	–	84
Conversion of hybrid bond		–	–	16,484	–	–	–	–	16,484	-16,484	–
Hybrid bond		–	–	–	–	–	–	-481	-481	-41	-522
Equity 31 December 2017, published		**11,860**	**24,681**	**87,423**	**-44**	**-3,151**	**264**	**15,084**	**136,117**	**–**	**136,117**
Effect of changes in IFRS standards		–	–	–	–	–	–	677	677	–	677
Equity 31 December 2017, restated		**11,860**	**24,681**	**87,423**	**-44**	**-3,151**	**264**	**15,761**	**136,794**	**–**	**136,794**

Consolidated statement of cash flows

EUR thousand

	Note	1 January– 31 December 2018	1 January– 31 December 2017
Cash flow from operations			
Profit for the period		-1,720	14,478
Total adjustments to profit for the period	32	27,210	21,069
Cash flow before changes in net working capital		25,490	35,547
Change in net working capital		5,621	-8,028
Financial items		-4,677	-5,575
Income taxes		5,715	207
Cash flow from operations		**32,148**	**22,152**
Cash flow from investments			
Investments in property, plant and equipment and intangible assets		-15,039	-33,839
Cash flow from disposed businesses		198	287
Sales proceeds from property, plant and equipment and intangible assets		4	5
Cash flow from investments		**-14,837**	**-33,548**
Cash flow from financing			
Drawdown of non-current interest-bearing liabilities	17	–	25,730
Drawdown of current interest-bearing liabilities	17	5,000	25,000
Repayment of current interest-bearing liabilities	17	-15,118	-27,263
Repayment of loan receivables		–	1,550
Tender and issuance costs of the bonds		–	-5,190
Return of capital / distribution of dividends		-6,322	-5,585
Payment of hybrid bond interest		–	-642
Cash flow from financing		**-16,440**	**13,599**
Change in cash and cash equivalents		**871**	**2,203**
Cash and cash equivalents at the beginning of the period		27,240	29,522
Effect of changes in exchange rates		-355	-4,485
Change in cash and cash equivalents		871	2,203
Cash and cash equivalents at the end of the period		**27,757**	**27,240**

Notes to the consolidated financial statements (IFRS)

1. SIGNIFICANT ACCOUNTING POLICIES - CONSOLIDATED FINANCIAL STATEMENTS

Basic information

Suominen Corporation is a public limited liability company organized under the laws of the Republic of Finland and domiciled in Helsinki, Finland (Itämerentori 2, 00180 Helsinki, Finland). Suominen's shares are publicly traded in the Nasdaq Helsinki Ltd. (Mid Cap) in Helsinki, Finland. Suominen Corporation is the parent of the Group. The Group manufactures nonwovens mainly for consumer goods companies.

The Board of Directors of Suominen Corporation has in its meeting on 30 January 2019 approved these financial statements to be published. According to the Finnish Limited Liability Companies Act, the shareholders have a possibility to approve or reject or make a decision on altering the financial statements in a General Meeting to be held after the publication of the financial statements.

Basis for presentation

The consolidated financial statements of Suominen Group are prepared in accordance with International Financial Reporting Standards (IFRS), including International Accounting Standards (IAS) and Interpretations issued by the International Financial Reporting Interpretations Committee (SIC and IFRIC). International Financial Reporting Standards are standards and their interpretations adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the European Parliament and of the Council. The Notes to the Financial Statements are also in accordance with the Finnish Accounting Act and Ordinance and the Finnish Limited Liability Companies Act.

The consolidated financial statements include the financial statements of Suominen Corporation and its subsidiaries. The functional and reporting currency of the parent is euro, which is also the reporting currency of the consolidated financial statements. Functional currencies of subsidiaries are determined by the primary economic environment in which they operate.

The financial year of Suominen Group as well as of the parent and subsidiaries is the calendar year ending 31 December.

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies.

The figures in Suominen's consolidated financial statements are mainly presented in EUR thousands. Due to rounding differences the figures presented in tables do not necessarily add up to the totals of the tables.

New accounting standards

Suominen has applied the following new or revised or amended standards and interpretations from 1 January 2018:

* IFRS 15 Revenue from Contracts with Customers. The application of the new standard is described in Note 22 Revenue.

* IFRS 9 Financial Instruments. The application of the new standard is described in the following notes to the consolidated financial statements:

  * Note 10: Equity instruments
  * Note 11: Receivables
  * Note 12: Financial assets
  * Note 28: Financial income and expenses

Compared with IAS 39, the application of IFRS 9 did not change the measurement or classification of financial liabilities.

* Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions. The amendments have been described in Note 30 Share-based payments.

* IFRIC Interpretation 22: Foreign Currency Transactions and Advance Considerations. When a non-monetary asset or liability arises from the payment or receipt of a foreign currency advance consideration before the related asset, expense or income is recognized, the non-monetary items are recognized in the statement of financial position using the transaction date exchange rate. The interpretation clarifies that when the non-monetary item related to the advance consideration is derecognized and the related asset, expense or income is recognized, the the exchange rate used is the rate used in the initial recognition of the advance consideration, and no revaluation due to changes in foreign exchange rates is made.

Suominen has applied the IFRIC 22 interpretation prospectively to transactions taking place on or after 1 January 2018. Application of the interpretation did not have any material effect on Suominen's consolidated financial statements.

The effect of the standards applied from 1 January 2018 on the consolidated statement of financial position, key ratios per share and alternative performance measures are presented in Note 35.

Other new or amended standards, annual improvements or interpretations applicable from 1 January 2018 are not material for Suominen Group.

New and amended IFRS standards and IFRIC interpretations published but mandatory in 2019 or later

Below are disclosed separately those new standards, amendments and interpretations which will have a material effect on Suominen. Other new or amended standards or interpretations applicable from 1 January 2019 or later are not material for Suominen Group.

IFRS 16 Leases

IFRS 16 Leases will be effective for the reporting periods beginning on 1 January 2019 or later, if approved by European Union. In accordance with the new standard, the lessee will recognize assets and liabilities for the rights and obligations created by leases. The new standard will increase interest-bearing liabilities and property, plant and equipment in the consolidated financial statements of Suominen. In addition, the rental expenses recognized in profit or loss will decrease and depreciation as well as interest expenses will increase. This will affect operating profit.

Suominen owns the majority of its production facilities (ie. buildings and land) as well as all of its production lines. The most significant leasing agreements Suominen has consist of the leased production facilities in Italy and Windsor Locks, USA. Other leasing agreements are mainly leasing agreements on offices and smaller machinery and equipment.

The carrying amounts of the lease liabilities and right-of-use assets depend on, among other things, the length of the leasing contracts as well as the potential options and possibilities to lengthen or shorten the lease term. The carrying amounts are especially affected with the estimates made of the lease terms and possible renewals of the lease agreements of the production facilities. At the end of the reporting period Suominen estimates that the carrying amounts of lease liabilities and right-of-use assets arising from application of IFRS 16 will be approximately EUR 15-17 million.

Suominen will apply the modified retrospective approach in application of IFRS 16. With this approach the comparative information is not restated and the cumulative effect of applying the new standard will be recognized to the opening balance of retained earnings on 1 January 2019.

IFRIC Interpretation 23: Uncertainty over Income Tax Treatments

IFRIC 23 Interpretation clarifies the accounting of uncertainty in accounting for income taxes. Under IFRIC 23 the key test is whether it is probable that the tax authority will accept the company's chosen tax treatment. If it is probable that the tax authority accepts the company's chosen tax treatment in the tax return, there is no uncertainty which would have to be recognized in the financial statements. If it is not probable, then the uncertainty is reflected in the measurement of current or deferred tax. The uncertainty is reflected in the measurement by using either the most likely amount or the expected value, which ever predicts the outcome better.

The judgements and estimates applied in estimating the uncertainty over an income tax treatment are reassessed if facts and circumstances change.

In accordance with the interpretation, the company has to determine, whether to consider each tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty in tax treatments has to be followed.

The interpretation is effective for reporting periods beginning on 1 January 2019 or later. Suominen will apply the interpretation by adjusting equity on initial application on 1 January 2019 without restating comparative information.

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement

The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period and due to the changes in the plan, the net defined benefit liability or asset is remeasured, an entity is required to determine the current service cost for the remainder of the period using the actuarial assumptions used in the remeasurement. The entity is also required to determine the net interest for the remainder of the period using the remeasured net defined benefit liability or asset and using the discount rate used in remeasurement.

A plan amendment, curtailment or settlement may reduce or eliminate a surplus in a defined benefit plan, which may cause the effect of the asset ceiling to change. As the defined benefit plans of Suominen have no surplus, this has no effect on Suominen

The amendments are effective for reporting periods beginning on 1 January 2019 or later. As the amendments are applied prospectively to amendments, curtailments or settlements that occur on or after the date of the first application, there is no effect on the consolidated financial statements of Suominen at transition.

Consolidation principles

The consolidated financial statements include the parent and its subsidiaries. Subsidiaries are companies in which the parent has, based on its holding, more than half of the voting rights directly or via its subsidiaries or over which it otherwise has control. The Group has control over an entity when it has a participation in the entity and is exposed to or has right to its variable revenues and can influence the revenues by using its control over the entity.

Divested subsidiaries are included in the consolidated financial statements until the control is lost, and companies acquired during the reporting period are included from the date when the control has been transferred to Suominen. Acquisitions of subsidiaries are accounted for under the acquisition method under which the purchase consideration is allocated to the acquired identifiable assets and liabilities assumed, which are measured at fair value at the acquisition, and the residual is recognized as goodwill. The transaction costs related to a business combination are recognized in profit or loss.

All intra-group transactions are eliminated as part of the consolidation process. Unrealized losses are eliminated only to the extent that there is no evidence of impairment.

Foreign subsidiaries

In the consolidated financial statements, the statements of profit or loss, statements of comprehensive income and statements of cash flows of foreign subsidiaries have been translated into euros using the average exchange rates of the reporting period and the statements of financial positions have been translated using the closing exchange rates at the end of the reporting period.

The exchange difference arising from translating the statements of profit or loss, statements of comprehensive income and statements of financial position using the different exchange rates is recognized as other comprehensive income and included in equity as cumulative exchange difference. Exchange differences arising from the translation of the net investments in foreign subsidiaries in non-euro area are also recognized in other comprehensive income and included in equity as cumulative exchange difference (Note 14).

On the disposal of all or part of a foreign subsidiary, the cumulative amount or proportionate share of the exchange difference is reclassified from equity to profit or loss as a reclassification item in the same period in which the gain or loss on disposal is recognized.

Transactions in foreign currencies

In their own day-to-day accounting the Group companies translate transactions in foreign currencies into their own reporting or functional currency at the exchange rates prevailing on the dates of the transactions. At the end of the reporting period, the unsettled balances of foreign currency transactions are measured at the exchange rates prevailing at the end of the reporting period. Foreign exchange gains and losses arising from trade receivables are entered as adjustments of net sales and foreign exchange gains and losses related to trade payables are recorded as adjustments of costs of goods sold. Foreign exchange gains and losses arising from financial items are recorded as financial income and expenses.

Reportable segments

Suominen has no reportable segments.

The business of Suominen consists of one operating segment, Nonwovens. The net sales of Suominen consist entirely of net sales of the Nonwovens operating segment. All the products Suominen produces and sells are nonwoven products, and the production process and technology of all the products are similar, as they are produced using the same production lines. Also other resources, such as raw materials and production management, are common to all products. The customers are mainly converters of nonwovens, and the risks or profitability related to products or customers do not differ from each other. Also distribution of the products is similar.

The sales organization of Suominen is organized not only geographically but also as Convenience and Care business areas based on customers or end products of the customers. Account management of major customers ("Global Accounts") is, however, centralized and independent of the business areas. Suominen reports net sales not only by business areas but also by geographical areas.

As the resources are not dedicated to either Convenience or Care business areas, the allocation of production capacity or other resources either to Convenience or Care products depends at each moment of the orders received and unutilized production capacity.

The chief operating decision maker of Suominen is the President & CEO, who is assisted by the Corporate Executive Team. The President & CEO makes decisions on allocating the resources of the Group. However, material items, such as major investments, as well as items which are required by governing law to be decided by the Board of Directors, are presented to the Board for approval.

Entity-wide disclosures are presented in Note 23.

Research and development

Expenditure on research and development is recognized in profit or loss. Expenditure on product and process development is not capitalized as no separate assets are developed in the research and development activities or future economic benefits arising from the assets cannot be reliably assessed.

Government grants

Government or other grants are recognized in profit or loss in the same periods in which the corresponding expenses are incurred. The grants received are recognized as offsetting items of the expenses incurred. Government grants received to acquire property, plant and equipment or other assets are deducted from the acquisition cost of the assets in question.

Provisions

A provision is recognized when there is a present legal or constructive obligation arising from past events and it is probable, that the fulfillment of the obligation requires payment and generates outflow of economic benefits from the company, and when the amount of the obligation can be measured reliably. Provisions are recognized as liabilities in the statement of financial position. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the time value of money is material, provisions are discounted.

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

Dividends and other distribution of funds

Dividends or other distribution of funds proposed by the Board of Directors are not recognized in the financial statements until they have been approved by the shareholders at the Annual General Meeting.

Audit

Quarterly information as well as interim reports are not audited.

Other accounting principles

Accounting principles related to assets, liabilities and line items in the statement of profit or loss are presented in the disclosure information related to each item.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the end of the reporting period and the recognized amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

The following items include critical accounting estimates: impairment testing of assets, especially of goodwill; estimated fair values of property, plant and equipment and intangible assets acquired in an acquisition and their estimated useful lives; useful lives of other intangible assets and property, plant and equipment; measurement of inventories and trade and loan receivables; recognition and measurement of deferred taxes and estimates of the amount and probability of provisions.

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events, that are believed to be reasonable under the circumstances.

Critical accounting estimates and judgements are presented in the disclosure information related to each item.

3. FINANCIAL RISK MANAGEMENT

Suominen is exposed to customary financial risks relating to its global businesses such as foreign exchange and interest rate risks, counterparty risk, funding and liquidity risks and credit risk. The treasury policy approved by Suominen Corporation's Board of Directors defines the authorities, responsibilities and principles to be followed in the Group. Financial risk management is centralized within Suominen Group Treasury which acts as an in-house bank providing financial services for subsidiaries within the Group. Financial risk management is governed by the Treasury Policy. The policy includes principles and risk limits relating to debt structure, counterparties, bank relations and interest rate and foreign exchange risk management.

In accordance with the treasury policy the President & CEO approves all major funding operations and the main principles to be followed when hedging financial risks. The CFO is responsible for ensuring that the policy is observed throughout the Group, and for individual financial operations concerning funding, managing liquidity and financial risks.

Foreign exchange risk

Suominen Group operates internationally and is therefore exposed to transaction and translation risks arising from fluctuations in foreign exchange rates which may have an effect on profit or loss and financial position of the Group. Transaction risks mainly arise from cash flows generated by purchase and sales activities while translation risks arise from converting items in the statements of profit or loss and the statements of financial position of non-euro subsidiaries as well as other currency-denominated assets and liabilities into the Group's functional currency euro. The aim of the Group's foreign exchange risk management is to hedge earnings from operations and to avoid exchange rate volatility in cash flows, profit or loss and in financial position.

In addition to US dollar, which generates the most significant currency impacts to Suominen, also Brazilian real affects the Group's foreign exchange risk.

The foreign exchange transaction exposure comprises of already known and estimated currency cash flows for the next 12 months. The transaction risks arise mainly from the USD transactions in the euro area and in Brazil and from EUR transactions in the USA and Brazil. The USD risk arises both from USD business and treasury transactions. The exchange rate risks are hedged case by case.

Common derivative contracts are used in hedging to some extent, as their pricing can be verified on the markets. Suominen does not apply hedge accounting in currency hedging for the transaction risks. Changes in fair values of currency hedging instruments are recognized in profit or loss.

Suominen applied hedge accounting for currency derivatives hedging foreign exchange risk arising from acquisition of property, plant and equipment. The amount arising from the foreign exchange hedge recognized in property, plant and equipment was EUR -35 thousand during the comparison period.

The consolidated transaction exposure at the end of the reporting period is presented in the table below:

	Transaction exposure 2018		Transaction exposure 2017	
EUR thousand	12 months cash flow	Hedged with currency forwards	12 months cash flow	Hedged with currency forwards
USD/EUR	-773	-1,397	-5,317	-1,334
EUR/BRL	-1,740	–	-1,218	–
USD/BRL	-10,624	–	-8,409	–

Correspondingly, the translation exposure at the end of the reporting period was as follows:

Translation exposure 2018 against EUR

EUR thousand	Granted loans	Cash and cash equivalents and internal loans taken	External loans taken	Equity of foreign subsidiaries	Hedged with currency derivatives	Open exposure
BRL	–	3,636	–	16,797	–	20,433
USD	50,154	16,302	–	69,956	–	136,412

Translation exposure 2017 against EUR

EUR thousand	Granted loans	Cash and cash equivalents and internal loans taken	External loans taken	Equity of foreign subsidiaries	Hedged with currency derivatives	Open exposure
BRL	–	4,938	–	18,341	–	23,279
USD	47,883	7,632	–	84,237	–	139,752

Granted loans consist of intra-group loans granted to the foreign subsidiaries (+). The loans granted to subsidiaries in USD are in substance equity as the repayment is not anticipated in foreseeable future. These loans amounted to USD 57.4 million, equaling to EUR 50.2 million at the end of the reporting period. The exchange differences from these loans are recognized in exchange differences in other comprehensive income as they are in substance exchange differences arising from equity. Exchange rate differences arising from both internal and external loans taken are recognized in profit or loss.

The translation exposure arising from the US dollar was hedged partly during 2017 with external USD loans amounting to USD 20.1 million. These USD loans were repaid during 2017.

Sensitivity analysis of financial instruments

The international reporting standards require disclosing sensitivity analysis of financial instruments. The table in the following page summarizes the sensitivity of financial instruments on foreign exchange risk at the end of the reporting period. In the sensitivity analysis, the financial instruments include currency forward contracts and intra-group short-term and long-term currency denominated receivables and liabilities. Sensitivities of the currency rates at the end of the reporting period are estimated based on the actual volatility of the currencies over the past 12 months. The exchange rate sensitivity is calculated for the following 12 months by using the rates at the end of the reporting period. The change in the exchange rate is the change of euro rate against the US dollar rate.

2018

EUR thousand	Currency strengthens %	A. Effect on profit after tax	B. Effect on equity after tax (excluding A)	Currency weakens %	A. Effect on profit after tax	B. Effect on equity after tax (excluding A)
USD/EUR	7	-81	2,884	7	81	-2,884

2017

EUR thousand	Currency strengthens %	A. Effect on profit after tax	B. Effect on equity after tax (excluding A)	Currency weakens %	A. Effect on profit after tax	B. Effect on equity after tax (excluding A)
USD/EUR	7	-76	2,693	7	76	-2,693

Effectiveness and sensitivity analysis of currency hedging

The management has assessed the effectiveness of hedging by combining the estimated net cash flow for 12 months in foreign currencies with the compensating effect of the hedging instruments. The net effect from the change in exchange rates as described above on profit after taxes in 2018 is estimated to be EUR - / + 125 thousand (EUR - / + 374 thousand). Sensitivities of exchange rates at the end of the reporting period are estimated based on the actual volatility of the currencies over the past 12 months. The exchange rate sensitivity is calculated for the following 12 months by using the currency rates at the end of the reporting period.

2018

EUR thousand	Currency strengthens / weakens %	Effect on 12 months' currency cash flow	Effect on hedging instruments	Net effect after tax
USD/EUR	+7 / -7	-56 / +56	-100 / +100	-125 / +125

Interest rate risk

Suominen is exposed to interest rate risk when it funds its operations with euro or currency denominated debt. The risk arises from the repricing of floating rate debt and with the raising of new floating rate debt. A fixed rate debt is subject to fair value risk. The aim of interest rate risk management is to bring predictability to interest expenses by keeping the duration within the agreed limits with an optimal mix of fixed and floating rate debt. Suominen's loan portfolio comprises both floating and fixed interest rate loans. The loans drawn from the revolving credit facility are floating rate loans. Suominen'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 12 and 48 months. At the end of 2018 it was 38 months (45 months in 2017).

At the end of the reporting period the carrying amount of the Group's loans with fixed interest rates was EUR 96.5 million (EUR 95.5 million) and with floating interest rates EUR 5.0 million (EUR 15.0 million).

The sensitivity of interest rate risk is calculated based on a 0.5 percentage point shift in the interest rate curve. The table below illustrates the sensitivity of floating interest rate loans and Suominen's result to a change of 0.5 percentage point in interest rates during a one year period:

	2018		2017	
EUR thousand	Change in interest rate, percentage points	Effect on profit after tax	Change in interest rate, percentage points	Effect on profit after tax
Floating rate loans	+ /- 0.5	- /+20	+ /- 0.5	- /+60

At the end of the reporting period the cash and cash equivalents of the Group were EUR 27.8 million (EUR 27.2 million). Cash and cash equivalents have not been included in the sensitivity analysis.

Credit risk

The most significant individual credit risks relate to trade receivables from international companies with high credit ratings. The credit risk policy approved by the Board of Directors governs the principles to be followed when granting credit to customers and the responsibilities of the organization in this area. Credit is granted to customers after a credit approval process has been completed. The credit exposure of customers is reported at least once a month to the persons responsible for sales. Expected credit losses of trade receivables recognized in profit or loss totaled EUR 672 thousand in 2018 (EUR 110 thousand). The ageing structure of the trade receivables is disclosed in Note 11 to the consolidated financial statements. The maximum credit risk arising from trade receivables equals the carrying amount of the trade receivables. The determination of the credit risk related to trade receivables is disclosed in Note 11.

The Group has agreed on a supply chain financing program which covers one fourth of the sales at the end of the reporting period. In accordance with the supply chain financing agreement, the Group has transferred the rights and responsibilities of these receivables to the counterparty of the agreement.

In addition to trade receivables Suominen has credit risk arising from loan receivables granted in 2014 in connection with the sale of the Flexibles business unit. The collaterals securing the loan receivables as well determination of the credit risk related to loan receivables are disclosed in Note 11 of the consolidated financial statements.

The Board of Directors of Suominen has approved a counterpart list of companies and financial institutions with good credit ratings. These companies are allowed counterparts in investment activities and derivative contracts. The amount which can be invested in a single counterpart is capped. Liquid funds can be invested with reputable banks with sufficient credit ratings or in commercial papers offering high liquidity and credit ratings. The Group's maximum exposure to credit risk equals to carrying amount of financial assets at the end of the reporting period.

Liquidity and refinancing risk

Suominen aims to use different sources of funding. With its house banks Suominen has long and trustworthy relations and acquires advisory and other services from them. Refinancing risk is managed by diversifying loan maturities.

Suominen entered in September 2017 into a syndicated credit facility agreement consisting of a single-currency revolving credit facility of EUR 100 million with a maturity of four years. The lenders for the facility are Nordea Bank AB (publ), Finnish Branch and Svenska Handelsbanken AB (publ), Branch Operation in Finland. The bank facility includes leverage ratio and gearing as financial covenants.

In September 2017, Suominen Corporation announced issuance of a EUR 85 million unsecured bond which carries a fixed annual interest at the rate of 2.50% and matures on 3 October 2022. The bond has been listed on Nasdaq Helsinki Ltd. since 10 October 2017.

In September 2017 Suominen Corporation announced a voluntary tender offer for its EUR 75 million bond issued in 2014. As a result of the tender offer, in total EUR 59,270,000 of the bond notes were repurchased.

The average maturity of drawn loans within the committed facility agreements was 3.1 years (3.7 years) at the end of the reporting period. At the end of the reporting period the unused revolving credit facility was EUR 91 million.

Suominen Group Treasury has established several cash pooling structures with Group's house banks in order to manage the liquidity of the Group.

The maturity of financial liabilities and derivatives is presented as undiscounted cash flows in the following table. The table includes both interest payments and repayments of capital.

Maturity analysis of financial liabilities 2018

EUR thousand			Falling due			
Financial liabilities	Carrying amount	Contractual cash flows	Less than 6 months	6–12 months	1–2 years	2–5 years
Debentures	96,301	109,918	344	18,199	2,125	89,250
Loans from financial institutions	5,000	5,032	5,032	–	–	–
Finance lease liabilities	162	173	51	35	87	–
Other financial liabilities	308	308	308	–	–	–
Trade payables	66,677	66,677	66,677	–	–	–
Total	**168,448**	**182,108**	**72,412**	**18,234**	**2,212**	**89,250**

Maturity analysis of leasing obligations is disclosed in Note 34.

		Falling due			
Contingent liabilities	Total	Less than 6 months	6–12 months	1–2 years	2–5 years
Guarantees	10,516	3,000	1,500	163	5,853
Contractual commitments to acquire property, plant and equipment	1,128	1,128	–	–	–
Total	**11,644**	**4,128**	**1,500**	**163**	**5,853**

Maturity analysis of financial liabilities 2017

EUR thousand

Financial liabilities	Carrying amount	Contractual cash flows	Falling due: Less than 6 months	6–12 months	1–2 years	2–5 years
Debentures	95,192	112,731	344	2,469	18,543	91,375
Loans from financial institutions	15,000	15,044	15,044	–	–	–
Finance lease liabilities	280	304	66	66	85	87
Other financial liabilities	301	301	301	–	–	–
Trade payables	52,145	52,145	52,047	98	–	–
Total	**162,918**	**180,525**	**67,802**	**2,633**	**18,628**	**91,462**

Maturity analysis of leasing obligations is disclosed in Note 34.

Contingent liabilities	Total	Falling due: Less than 6 months	6–12 months	1–2 years	2–5 years
Guarantees	9,865	3,000	1,500	163	5,202
Contractual commitments to acquire property, plant and equipment	86	86	–	–	–
Total	**9,951**	**3,086**	**1,500**	**163**	**5,202**

4. MANAGEMENT OF CAPITAL

Suominen's management of capital aims to support business activities by ensuring the conditions to operate by means of the Group's financial position and capital structure. In addition, the aim is to increase the shareholder value by targeting at a competitive return on invested capital. The capital structure must ensure debt financing of the Group. In the capital management planning process both current and future needs of the business are taken into consideration together with securing the competitive pricing of financing.

The Board of Directors of Suominen monitors the equity ratio and gearing. Gearing is calculated as the ratio between interest-bearing net debt to equity. Equity ratio is calculated as the ratio between equity to the total assets adjusted with advance payments received.

The capital structure can be influenced by distributing dividends or other funds and share issues. If there is a need, the Group can buy back own shares or issue new shares as authorized by the general meetings, or decide to sell assets or businesses to reduce liabilities.

The Group's equity ratio was 40.7% (42.5%, restated) and gearing was 54.2% (59.5%, restated) on 31 December 2018. Suominen has as a selected supplier -status a Supply Chain Financing program with certain customers. Under the program the trade receivables are sold on a non-recourse basis. The program releases capital employed.

The funding is managed by maintaining good relations with the financial institutions. The cooperation with the banks is built on long-lasting relationships.

Suominen plans to cover the loan amortization needs with its cash flow from operations and if needed, by disposal of non-core business operations and assets.

The Group's loan agreements include covenant terms which are linked to consolidated key figures. The credit facility includes leverage ratio and gearing as financial covenants. If the covenant terms are not fulfilled, negotiations with the lenders will be initiated.

Interest-bearing liabilities of Suominen are presented in Note 17 of the consolidated financial statements.

Equity ratio and gearing at the end of the reporting period

Reference	EUR million	2018	Restated 2017
Note 17	Nominal value of interest-bearing liabilities	105.9	116.0
Note 11	Interest-bearing receivables	-7.4	-7.4
Consolidated statement of financial position	Cash and cash equivalents	-27.8	-27.2
	Interest-bearing net debt	70.8	81.4
	Total equity attributable to owners of the parent	130.5	136.8
	Assets total - advances received	320.7	322.0
	Gearing, %	54.2	59.5
	Equity ratio, %	40.7	42.5

5. GOODWILL

EUR thousand

Impairment testing of goodwill

In impairment testing the recoverable amount for the cash generating unit is determined as the value in use. Value in use comprises the discounted projected future cash flows. Projected cash flows are based on actual performance, annual plans as well as five-year forecasts based on the Group's strategy. The main assumptions of forecasts are always reviewed during the impairment testing. Cash flows in the period beyond the five-year forecasted period are extrapolated using the growth rates for Suominen's business. The key assumptions used in the value in use are sales trend of the cash-generating unit, expense levels and the discount rate used.

The replacement investments needed for maintaining the existing production capacity have been estimated based on the planned depreciation during the useful lives of each asset in the cash-generating unit.

The annual growth rate for Suominen's net sales during the period covered by the forecast (2018–2022) has been estimated at 4.2%. In 2017, Suominen announced of its strategy covering five years. The strategy is building on the foundation that was built during the 2012–2014 and 2015–2017 strategy periods. The theme for the 2012–2014 period was to stabilize the company and for the 2015–2017 period to lay foundation for growth. This was supported with the growth investment program, particularly at Alicante, Paulinia and Bethune sites. These investments enable Suominen to produce more products with higher value add at these sites and the new line in Bethune increased also the capacity of the Suominen production platform.

The discount rate has been derived by using targeted capital structure at the time of impairment test. Gearing, or ratio of net debt to equity, is 65%. Cost of capital has been calculated as a weighted average pre-tax rate for equity and debt and taking into the consideration the risk-free rate and risk margins of equity and debt respectively. Discount rate used in the calculation is the weighted average of the risk-free 10-year government bond rates in the countries where Suominen operates.

Impairment testing is based on present estimates of future development at the time of impairment testing. The uncertainty in measuring the values in use is captured by analyzing variations in the amount or timing of cash flows. The element of uncertainty and risk has been accounted for in the discount rates and by taking into consideration experience from previous impairment tests.

When performing impairment testing, not only the carrying amount of goodwill is included in the tested carrying amount but also the carrying amount of property, plant and equipment as well as net working capital. If the pre-tax discount rate would increase by 1.205 percentage points or the annual terminal operating profit percentage would decrease by 0.683 percentage points, the recoverable amount would equal the carrying amount.

The critical assumptions in impairment testing

	2018	2017
Pre-tax discount rate	13.7%	13.4%
Growth in net sales 2018–2022 (2017–2021)	4.2%	8.4%
Annual terminal growth rate	1.0%	1.0%
Annual terminal operating profit percentage	6.3%	11.0%

Accounting principles

Goodwill represents the excess of the purchase consideration over the fair value of acquired net assets. Goodwill is allocated to those cash generating units which benefit from the acquired net assets as well as from synergies arising from the acquisition. The carrying amount of goodwill is tested at least annually for impairment. If the impairment testing indicates, that the recoverable amount of the cash generating unit which includes goodwill is lower than its carrying amount, an impairment loss of goodwill and of other assets, if applicable, is recognized in the statement of profit or loss. The impairment loss of goodwill will not be reversed during subsequent reporting periods.

Suominen has recognized goodwill from the acquisition of the business operations of Home and Personal business from Ahlstrom in 2011. At the end of the reporting period, the carrying amount of goodwill was EUR 15,495 thousand (EUR 15,495 thousand in 2017). The Group has one operating segment (Nonwovens), which is also a cash generating unit to which goodwill has been allocated in its entirety.

Critical accounting estimates and judgements

Goodwill is tested annually for possible impairment. The recoverable amounts have been determined based on the assets' value in use which require the use of estimates. The actual cash flows can differ from estimated discounted future cash flows. Uncertainties related to the projected future cash flows include, among others, the long economic useful lives of the assets, the estimated sales prices, production costs and changes in discount rate used in testing.

6. INTANGIBLE ASSETS

EUR thousand

Accounting principles

Intangible rights include patents, trademarks, software licences as well as customer relations which were identifiable assets at the business combination and are measured at fair value at the acquisition date. Other intangible assets are development and other costs which are directly attributable to the design and testing of identifiable and unique software or similar intangible assets. If an intangible asset is a qualifying asset as defined in IAS 23, i.e. an asset that necessarily takes a substantial period of time to get ready, the borrowing costs are capitalized into the initial acquisition cost of the asset.

Subsequent expenditure on intangible assets is capitalized only if the future economic benefits from the asset exceed the initially planned level. Otherwise the expenditure is recognized as an expense in the statement of profit or loss.

Intangible rights and other intangible assets are recognized in the statement of financial position at their initial acquisition cost less cumulative amortization and impairment losses, if any. They are amortized using planned straight-line amortization during of their estimated useful lives. Intangible assets from acquisition of a subsidiary are stated at their fair values at the date of the acquisition.

Suominen has no other intangible assets than goodwill which have indefinite useful life. Goodwill and intangible assets not yet available for use are tested annually for impairment. Disclosure information of goodwill is presented in Note 5 of the consolidated financial statements.

Other intangible assets are tested for impairment if there are indications that the asset may be impaired. Impairment testing is described in Note 27 of the consolidated financial statements.

Amortization periods for intangible assets

Goodwill .... no amortization
Intangible rights .... 3–13 years
Customer relations .... 13 years
Other intangible assets .... 5–10 years
Advance payments and assets under construction .... no amortization

Critical accounting estimates and judgements

If there is indication of impairment, the carrying amounts of intangible assets are compared with their recoverable amounts. The recoverable amount is the higher of fair value and value in use. Value in use is calculated by discounting the future cash flows arising from the the asset. If the recoverable amount of an asset is lower than the carrying amount, an impairment loss is recognized. Both the amounts and timing of the cash flows are based on management estimates.

Useful lives of intangible assets are based on management's best estimate of the period the asset is expected to be available for use by Suominen. The actual useful life can, however, differ from the expected useful life resulting in adjustment of annual amortization of the asset or in recognizing of an impairment loss.

	Intangible rights	Goodwill	Other intangible assets	Advance payments and assets under construction	Total 2018
Acquisition cost 1 January	**15,010**	**15,496**	**7,386**	**7,714**	**45,606**
Exchange difference	-17	–	19	0	2
Additions	120	–	13	6,024	6,157
Decreases and disposals	–	–	-158	–	-158
Reclassifications	9,078	–	-393	-9,078	-393
Acquisition cost 31 December	**24,191**	**15,496**	**6,867**	**4,660**	**51,215**
Accumulated amortization and impairment losses 1 January	**-9,095**	**–**	**-3,490**	**-56**	**-12,640**
Exchange difference	12	–	5	–	17
Amortization for the reporting period	-1,787	–	-583	–	-2,371
Decreases and disposals	–	–	158	–	158
Reclassifications	–	–	349	–	349
Accumulated amortization and impairment losses 31 December	**-10,870**	**–**	**-3,562**	**-56**	**-14,488**
Carrying amount 31 December	**13,321**	**15,496**	**3,304**	**4,606**	**36,727**

	Intangible rights	Goodwill	Other intangible assets	Advance payments and assets under construction	Total 2017
Acquisition cost 1 January	**13,724**	**15,496**	**7,546**	**3,212**	**39,978**
Exchange difference	-43	–	-159	0	-202
Additions	139	–	–	5,823	5,962
Capitalized borrowing costs	–	–	–	65	65
Decreases and disposals	-90	–	–	-36	-126
Reclassifications	1,280	–	–	-1,350	-70
Acquisition cost 31 December	**15,010**	**15,496**	**7,386**	**7,714**	**45,606**
Accumulated amortization and impairment losses 1 January	**-7,348**	**–**	**-2,945**	**-56**	**-10,349**
Exchange difference	34	–	77	–	111
Amortization for the reporting period	-1,871	–	-622	–	-2,493
Decreases and disposals	90	–	–	–	90
Accumulated amortization and impairment losses 31 December	**-9,095**	**–**	**-3,490**	**-56**	**-12,640**
Carrying amount 31 December	**5,915**	**15,496**	**3,896**	**7,660**	**32,966**

In 2011, EUR 5,979 thousand of the purchase consideration related to the acquisition of Ahlstrom's Home and Personal business was allocated to customer relations. At the end of the reporting period, the carrying amount of these customer relations was EUR 2,683 thousand.

7. PROPERTY, PLANT AND EQUIPMENT

EUR thousand

Accounting principles

Property, plant and equipment consist mainly of land, buildings and structures and machinery and equipment. They are recognized in the statement of financial position at their acquisition cost less cumulative depreciation and impairment losses, if any. When an asset consists of major components with different useful lives, they are accounted for as separate items. Assets from acquisition of a subsidiary are stated at their fair values at the date of the acquisition.

When part of an asset in property, plant and equipment is replaced, the cost of the replacement is capitalized and the eventual remaining carrying amount of the replaced asset is derecognized. Other subsequent expenditure is capitalized only if the future economic benefits to the company from the asset are enhanced. Ordinary maintenance and repair charges are expensed as incurred.

Borrowing costs are capitalized as part of the acquisition cost of property, plant and equipment if the assets are qualifying assets as defined in IAS 23 Borrowing Costs.

Depreciation is recognized on a straight-line basis over expected useful lives. Depreciation begins when the asset is available for its intended use. Land is not depreciated since it is deemed to have indefinite useful life.

Gains and losses from the sales and disposals of property, plant and equipment are determined as a difference between the sales price and the carrying amount of the asset and they are recognized as other operating income or expenses.

Depreciation periods for property, plant and equipment

Land	no deprecation
Building and constructions	10–40 years
Machinery and equipment	4–20 years
Other intangible assets	3–5 years
Advance payments and assets under construction	no deprecation

Critical accounting estimates and judgements

If there is indication of impairment, the carrying amounts of property, plant and equipment are compared with their recoverable amounts. The recoverable amount is the higher of fair value and value in use. Value in use is calculated by discounting the future cash flows arising from the the asset. If the recoverable amount of an asset is lower than the carrying amount, an impairment loss is recognized. Both the amounts and timing of the cash flows are based on management estimates.

Useful lives of property, plant and equipment are based on management's best estimate of the period the asset is expected to be available for use by Suominen. The actual useful life can, however, differ from the expected useful life resulting in adjustment of annual depreciation of the asset or in recognizing of an impairment loss.

	Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and assets under construction	**Total 2018**
Acquisition cost 1 January	**3,524**	**59,298**	**224,227**	**487**	**3,594**	**291,132**
Exchange difference	-159	897	5,336	-1	107	6,180
Additions	–	–	15	24	7,322	7,360
Capitalized borrowing costs	–	–	–	–	63	63
Decreases and disposals	–	-21	–	–	–	-21
Reclassifications	–	1,691	4,484	508	-6,290	393
Acquisition cost 31 December	**3,365**	**61,865**	**234,062**	**1,020**	**4,796**	**305,107**
Accumulated depreciation and impairment losses 1 January	**–**	**-31,104**	**-122,762**	**-448**	**-170**	**-154,483**
Exchange difference	–	-76	-2,174	1	-8	-2,257
Decreases and disposals	–	21	–	–	–	21
Depreciation for the reporting period	–	-2,382	-16,208	-58	–	-18,648
Reclassifications	–	–	-9	-339	–	-349
Accumulated depreciation and impairment losses 31 December	**–**	**-33,541**	**-141,154**	**-844**	**-178**	**-175,717**
Carrying amount 31 December	**3,365**	**28,324**	**92,908**	**175**	**4,619**	**129,391**

	Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and assets under construction	**Total 2017**
Acquisition cost 1 January	**3,993**	**46,810**	**173,026**	**470**	**57,252**	**281,552**
Exchange difference	-469	-2,310	-11,883	-2	-6,760	-21,423
Additions	–	–	694	–	28,361	29,054
Capitalized borrowing costs	–	–	–	–	2,164	2,164
Capitalized cash flow hedges	–	–	–	–	-35	-35
Decreases and disposals	–	-33	-217	–	–	-250
Reclassifications	–	14,832	62,607	20	-77,388	70
Acquisition cost 31 December	**3,524**	**59,298**	**224,227**	**487**	**3,594**	**291,132**
Accumulated depreciation and impairment losses 1 January	**–**	**-29,953**	**-115,451**	**-445**	**-193**	**-146,042**
Exchange difference	–	734	7,407	1	23	8,166
Decreases and disposals	–	33	217	–	–	250
Depreciation for the reporting period	–	-1,918	-14,935	-4	–	-16,857
Accumulated depreciation and impairment losses 31 December	**–**	**-31,104**	**-122,762**	**-448**	**-170**	**-154,483**
Carrying amount 31 December	**3,524**	**28,194**	**101,465**	**41**	**3,424**	**136,649**

	2018	**2017**
Carrying amount of production machinery and equipment	91,017	99,463

Contractual commitments to acquire property, plant and equipment are presented in Note 34.

Assets under finance leases

Machinery and equipment include assets under finance lease. The carrying amount of the leased assets was EUR 149 thousand (EUR 266 thousand) at the end of the reporting period and depreciation of the assets during the reporting period was EUR 117 thousand (EUR 117 thousand).

8. GROUP COMPANIES

Company	Domicile	Ownership, %	Owned by parent company
Suominen Corporation	Helsinki, Finland		
Suominen Nonwovens Ltd.	Nakkila, Finland	100%	x
Mozzate Nonwovens S.r.l.	Mozzate, Italy	100%	x
Cressa Nonwovens S.r.l.	Mozzate, Italy	100%	
Suominen Spain Holding, S.A.U.	Alicante, Spain	100%	x
Alicante Nonwovens S.A.U.	Alicante, Spain	100%	
Suominen US Holding, Inc.	Delaware, USA	100%	x
Bethune Nonwovens, Inc.	Bethune, South Carolina, USA	100%	
Green Bay Nonwovens, Inc.	Green Bay, Wisconsin, USA	100%	
Windsor Locks Nonwovens, Inc.	Windsor Locks, Connecticut, USA	100%	
Suominen Brasil Indústria e Comercio de Não-Tecidos Ltda.	Paulínia, Brazil	100%	x

9. INVENTORIES

EUR thousand

Inventories	2018	2017
Raw materials and consumables	28,903	24,866
Work in progress	2,051	3,168
Finished goods	19,711	15,884
Advance payments for inventory	918	323
Total inventories	51,583	44,241
Write-down of inventory	-1,409	-1,044
Reversals of write-down of inventory	143	196
Inventories recognized as expense during the period	-333,251	-319,590

Accounting principles

Cost of inventories is measured using the FIFO (first-in-first-out) principle or weighted average cost. The value of inventory includes all direct and indirect costs associated with purchase. The cost of manufactured products includes the cost of materials, direct labour and other direct costs, including general manufacturing overheads. The cost of inventories excludes sales, administration and financing costs. Borrowing costs are not capitalized in inventory.

Inventories are valued at the lower of cost and the probable net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

Obsolete items in inventories are written down.

Inventories recognized as expense during the period are included in cost of goods sold in the statement of profit or loss.

Critical accounting estimates and judgements

Measurement of inventories includes some management estimates. Inventories are measured at the lower of cost and net realizable value. Net realizable value is used in testing the recoverable amount of inventories in order to avoid the inventories being carried in excess of the amount expected to be realized from their sale or use.

10. EQUITY INSTRUMENTS

EUR thousand

	At fair value through profit or loss	Designated at fair value through other comprehensive income	Total 2018
Carrying amount 1 January	347	429	777
Carrying amount 31 December	347	429	777

	At fair value through profit or loss	Designated at fair value through other comprehensive income	Total 2017
Carrying amount 1 January	347	429	777
Carrying amount 31 December	347	429	777

Accounting principles

For investments in equity instruments, ie. shares, IFRS 9 enables the entity to make an irrevocable election of classification and measurement by equity instrument. Suominen classifies some of the investments in equity instruments at fair value through profit or loss. With the classification both the fair value changes and possible gains and losses on disposal are recognized in profit or loss. Some equity instruments are classified at fair value through other comprehensive income, and both the fair value changes and possible gains and losses on disposal are recognized in other comprehensive income without subsequent recycling to profit or loss.

Equity instruments consist of unlisted shares. At the disposal of its Flexibles business unit Suominen acquired shares in Bright Maze Oy. The ownership represents 19.9% of shares and votes in Bright Maze Oy. Shares in Bright Maze Oy are measured at fair value through profit or loss.

Other equity instruments are designated to be measured at fair value through other comprehensive income as they are not material items in the consolidated financial statements of Suominen.

If there is no active market for the equity instruiment or if the securities are not listed, the Group measures fair value with valuation techniques. If there is no asset-specific data available from transactions between independent parties, the fair values used for the asset is for example the present value of discounted cash flows arising from the asset or fair values other instruments which are substantially identical than the asset.

Application of IFRS 9 had no effect on the fair values of the equity instruments.

11. RECEIVABLES

EUR thousand

Non-current receivables	2018	Restated 2017
Loan receivables	3,348	3,072
Other non-current receivables	1,393	1,744
Total non-current receivables	**4,741**	**4,815**
Current receivables		
Trade receivables	58,097	53,934
Loan receivables	4,017	4,337
Other current receivables	867	1,535
Prepaid expenses and accrued income	3,251	2,701
Total current receivables	**66,232**	**62,507**

Prepaid expenses and accrued income consist mainly of accruals of financial items, accruals related to sales and other accruals. Other receivables, both non-current and current, include, among others, receivables related to indirect taxes.

Prepaid expenses and accrued income related to derivative instruments are disclosed in more detail in Note 19 of the consolidated financial statements.

Credit quality of other receivables is based on the debtors' payment history. Other receivables are not past due nor impaired. The carrying amount of other receivables equals the maximum exposure to credit risk.

At the disposal of the Flexibles business in 2014 it was agreed, that part of the consideration depended on the result of the sold business incurred after the disposal. This receivable was presented in other non-current receivables and it was measured at fair value through profit or loss. The remaining receivable was received in 2018.

Suominen has with a "selected supplier" status a Supply Chain Financing Program with certain customers. In accordance with the program, trade receivables are sold so that the contractual rights to receive the cash flows from the trade receivables cease.

Ageing analysis of trade receivables and credit risk exposure

Trade receivables 31 December 2018

		Past due					
	Current	< 5 days	5–30 days	31–120 days	> 120 days	Total past due	Total
Trade receivables	49,129	1,928	4,687	1,957	1,478	10,050	59,179
Allowance for expected credit losses	–	–	-2	-118	-962	-1,082	-1,082
Carrying amount of trade receivables	**49,129**	**1,928**	**4,685**	**1,839**	**516**	**8,967**	**58,097**

Trade receivables 31 December 2017

		Past due					
	Current	< 5 days	5–30 days	31–120 days	> 120 days	Total past due	Total
Trade receivables	47,218	2,388	3,024	1,243	485	7,140	54,358
Allowance for expected credit losses	–	–	-3	-41	-380	-424	-424
Carrying amount of trade receivables	**47,218**	**2,388**	**3,021**	**1,202**	**105**	**6,716**	**53,934**

Expected credit losses of trade receivables and changes in the allowance for expected credit losses of trade receivables

Allowance for expected credit losses 1 January	**-424**	**-358**
Exchange difference	-30	44
Realized	30	0
Reversed	15	–
Charge for the year	-672	-111
Allowance for expected credit losses 31 December	**-1,082**	**-424**
Expected credit losses of trade receivables recognized during the period, net	-672	-110

Currency analysis of trade receivables	2018	Restated 2017
EUR	32,494	33,262
USD	20,633	17,354
BRL	4,824	3,319
Other currencies	146	–
Total	**58,097**	**53,934**

Loan receivables

At the disposal of the Flexibles business in 2014 Suominen Corporation granted two loans to Bright Maze Oy, the acquiree: Vendor Loan Note and Subordinated Loan Note. The accrued interests of both loans are capitalized annually in December.

The interest rate of the Vendor Loan Note was 6% p.a. The loan matured on 31 December 2018. Due to the default in repayment of the loan, the interest rate of the loan has increased. The security for the loan includes some receivables of Bright Maze Oy, shares in Amerplast Oy as well as a mortgage over Bright Maze Oy. Suominen has a second priority pledge of the security.

The interest rate ot the Subordinated Loan Note is 9% p.a. and it will be fully repaid at its maturity on 31 July 2024. The Subordinated Loan is not secured and it is the last in the ranking order. Prior to the maturity, Suominen has the right to convert the loan into equity at its sole discretion.

Should the ownership structure of Bright Maze Group change materially, both loan receivables with the accrued and capitalized interest will be repaid prematurely. The debtor may repay the loans at any time.

Accounting principles

Loan receivables

Each loan receivable is individually analyzed for credit risk and a possible impairment loss. These analyses are based on the financial position, late payments as well as future cash flows of the debtor. Debtors have no external credit rating.

Vendor Loan Note, which in accordance with IAS 39 was classified as loans and other receivables and measured at amortized cost, is under IFRS 9 a financial asset at fair value through profit or loss, as it includes terms which are not basic terms for loan receivables. For this loan receivable the expected credit risk is taken into account when determining the fair value of the receivable. Credit risk is evaluated based on lifetime expected credit losses as due to defaults in payments in accordance with the payment plan the credit risk has increased significantly since initial recognition. Impairment losses arising from increased credit risk are recognized in financial expenses (Note 28).

The Subordinated Loan Note continues to be measured at amortized cost also under IFRS 9, as its contractual cash flows consist solely of payments of principal and interest, and Suominen's aim is to hold the receivable until maturity in order to collect the contractual cash flows. For this loan receivable the credit risk and impairment losses are estimated based on 12-month expected credit losses, or if there has been an increase in the credit risk related to the receivable, based on lifetime expected credit losses.

Trade receivables

Trade receivables are measured under IFRS 9 at amortized cost. The value of trade receivables depends on the transaction price of sold goods. Transaction price is measured in accordance with IFRS 15 Revenue from Contracts with Customers. In defining the transaction price, for example the variable considerations included in the contracts, such as volume rebates, are taken into account. This means that the transaction price can be lower than the sales amount invoiced from the customer.

Suominen had recognized already before the application of IFRS 9 the estimated customer rebates and other potential variable considerations in profit or loss, so there were no result effects of applying IFRS 15 on transaction price. As the accruals for variable considerations were presented in the statement of financial position as accrued expenses before IFRS 9 was applied and under IFRS 9 as items decreasing trade receivables, the carrying amount of trade receivables for the comparison period changed under IFRS 9.

Suominen applies the practical expedient allowed by IFRS 9 for credit losses arising from trade receivables and uses a provision matrix in estimating the credit losses based on historical experience on realized credit losses. In accordance with the provision matrix, the credit losses of trade receivables are based on lifetime expected credit losses. Trade receivables are categorized based on days past due as well as on risk characteristics of the customers taking into account the customers' capability to pay all contractual amounts as agreed in the contracts. Risk characteristics include, among others, the geographical risk related to the customer, the payment behavior and the financial position of the customer.

The expected credit losses on trade receivables are a probability-weighted estimate of credit losses over the expected life. Suominen's realized credit losses have mainly been immaterial. The impact of application of IFRS 9 was that expected credit losses of trade receivables (provisions for bad debts) are recognized earlier than before.

Approximately half of the trade receivables were at the end of the reporting period from international customers with high credit rating. These customers are capable to pay their overdue receivables and the credit risk is not considered to be significantly increased even if the receivables were overdue for more than 30 days.

If it has been estimated that the credit risk of other overdue trade receivables has significantly increased, expected credit losses have been recognized. In addition, the overdue receivables are under collection procedures or payment plans with the customers have been made. Suominen also monitors continuously that payment plans are followed.

Critical accounting estimates and judgements

Measurement of trade and loan receivables includes some management estimates. If the management estimates that the carrying amount of a trade or loan receivable exceeds its fair value, an impairment loss is recognized. Estimates and judgements are used also in defining the expected credit losses.

12. FINANCIAL ASSETS

EUR thousand

Classification of financial assets

	At fair value through profit or loss	At amortized cost	Designated at fair value through other comprehensive income	Carrying amount	Fair value
Equity instruments	347	–	429	777	777
Other non-current receivables	–	–	–	–	–
Loan receivables	4,017	3,348	–	7,365	7,365
Trade receivables	–	58,097	–	58,097	58,097
Interest and other financial receivables	–	491	–	491	491
Derivative receivables	9	–	–	9	9
Cash and cash equivalents	–	27,757	–	27,757	27,757
Total 31 December 2018	**4,374**	**89,693**	**429**	**94,496**	**94,496**

	At fair value through profit or loss	At amortized cost	Designated at fair value through other comprehensive income	Carrying amount	Fair value
Equity instruments	347	–	429	777	777
Other non-current receivables	214	–	–	214	214
Loan receivables	4,337	3,072	–	7,409	7,409
Trade receivables	–	53,934	–	53,934	53,934
Interest and other financial receivables	–	670	–	670	670
Derivative receivables	24	–	–	24	24
Cash and cash equivalents	–	27,240	–	27,240	27,240
Total 31 December 2017	**4,923**	**84,916**	**429**	**90,268**	**90,268**

Accounting principles

Suominen has defined its business model for managing financial assets and based on the model as well as the characteristics of the financial assets, determined the classification of the financial assets.

Trade day accounting is applied to regular purchases and sales of financial assets. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred to an external party and the Group has transferred substantially all the risks and rewards related to the ownership of the assets to an external party.

Financial assets at fair value through profit or loss

Certain loan receivables, which in accordance with IAS 39 were classified as loans and other receivables and measured at amortized cost, are under IFRS 9 financial assets at fair value through profit or loss, as they, among other things, include terms which are not basic terms for loan receivables. Loan receivables at fair value through profit or loss are described in Note 11.

Financial assets at fair value through profit or loss include equity instruments. More information is presented in Note 10.

Derivative instruments, for which hedge accounting is not applied, are recognized also under IFRS 9 at fair value through profit or loss. Disclosure information on derivative instruments is presented in Note 19.

Gains or losses arising from changes in the fair value of assets at fair value through profit or loss are recognized in the statement of profit or loss either in other operative income and expenses or in financial items, depending on the nature of the asset.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity instruments. More information is presented in Note 10.

Financial assets at amortized cost

Loan and trade receivables at amortized cost are described in Note 11.

Cash and cash equivalents are measured under IFRS 9 at amortized cost. Under IFRS 9 also cash and cash equivalents are subject to credit loss assessment, and credit losses are recognized based on either 12-month expected credit losses, or if there has been a significant increase in the credit risk related to the receivable, based on lifetime expected credit losses. Based on the situation at the end of the reporting period and taking into account the counterparty credit risk related to deposits in banks, there are no credit losses from cash and cash equivalents.

Cash and cash equivalents comprise cash. Bank overdrafts are included in current interest-bearing liabilities.

13. FAIR VALUE HIERARCHY

EUR thousand

Fair value hierarchy in 2018

Financial assets at fair value	Level 1	Level 2	Level 3
Equity instruments	–	–	777
Loan receivables	–	–	4,017
Currency derivatives	–	9	–
Total in 2018	**–**	**9**	**4,793**

Fair value hierarchy in 2017

Financial assets at fair value			
Other non-current receivables	–	–	214
Loan receivables	–	–	4,337
Equity instruments	–	–	777
Currency derivatives	–	24	–
Total in 2017	**–**	**24**	**5,327**

Fair value changes in Level 3

Financial assets at fair value	
Total 1 January 2017	1,277
Settlements	-287
Total 31 December 2017	**990**
Reclassification (due to application of IFRS 9)	4,337
Total 31 December 2017 (restated)	**5,327**
Recognized in profit or loss	
Interest income	268
Fair value change	-16
Impairment loss	-588
Settlements	-198
Total 31 December 2018	**4,793**

Financial liabilities at fair value	
Total 1 January 2017	253
Settlements	-253
Total 31 December 2017	**–**

At the end of reporting periods 2018 and 2017 Suominen had no financial liabilities at fair value.

Items recognized in profit or loss have been recognized in financial items.

There were no transfers in the fair value measurement hierachy levels during the reporting periods.

Fair values in Level 1 are based on quoted prices (unadjusted) in active markets for identifical assets or liabilities.

The fair value for financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is applicable and rely as little as possible on entity specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in Level 2.

Fair values for currency forward contracts are determined by using the spot rates and relevant swap points based on interest rate differences at the end of the reporting period.

The fair values of financial instruments on Level 3 are based on related inputs, which are not based on observable market information but significantly on management estimates which are used in generally accepted valuation methods.

The fair value of the shares in Bright Maze Oy on Level 3 is measured using an EBITDA multiplier and a comparable data analysis. If there is no asset-specific data available from transactions between independent parties, the fair values used for the equity instrument is for example the present value of discounted cash flows arising from the asset or fair values other instruments which are substantially identical than the asset.

The fair value of the loan receivables on Level 3 is measured by deducting the lifetime expected credit losses from the loan receivable.

14. OTHER COMPREHENSIVE INCOME

EUR thousand

2018	Exchange differences	Fair value and other reserves	Retained earnings	Total
Profit for the period	–	–	-1,720	-1,720
Exchange differences	2,936	–	–	2,936
Income tax on exchange differences	-454	–	–	-454
Defined benefit plans, remeasurements	–	–	-41	-41
Defined benefit plans, remeasurement, income taxes	–	–	11	11
Total comprehensive income	**2,482**	**–**	**-1,750**	**732**

2017	Exchange differences	Fair value and other reserves	Retained earnings	Total
Profit for the period	–	–	14,478	14,478
Exchange differences	-17,083	–	–	-17,083
Income tax on exchange differences	1,319	–	–	1,319
Fair value changes, cash flow hedges	–	267	–	267
Fair value changes, cash flow hedges, income taxes	–	11	–	11
Cash flow hedges, reclassified to profit or loss	–	13	–	13
Cash flow hedges, reclassified to profit or loss, income taxes	–	-3	–	-3
Cash flow hedges, reclassified to property, plant and equipment	–	-35	–	-35
Defined benefit plans, remeasurements	–	–	15	15
Defined benefit plans, remeasurement, income taxes	–	–	-4	-4
Total comprehensive income	**-15,764**	**253**	**14,489**	**-1,022**

Accounting principles – exchange differences

The exchange differences arising from translating the statements of profit or loss, statements of comprehensive income and statements of financial position into euro using the different exchange rates are recognized as other comprehensive income and included in equity as cumulative exchange difference. Exchange differences arising from the translation of the net investments in foreign subsidiaries in non-euro area are also recognized in other comprehensive income and included in equity as cumulative exchange difference.

Some loans granted to the subsidiaries are in substance part of a net investment in the subsidiary, as settlement of the loan is not likely to occur in the foreseeable future. The exchange differences arising from those loans are recognized in other comprehensive income and exchange differences in equity.

15. INFORMATION OF SUOMINEN SHARE

Share capital and number of shares

The registered share capital of Suominen Corporation totals EUR 11,860,056. The number of Suominen's registered shares on 31 December 2018 was 58,259,219 shares.

Suominen has one series of shares. Each share has one vote in the General Meeting of the shareholders and all the shares have equal rights to dividend or other distribution of equity. Suominen share has no nominal value. Suominen Corporation shares are listed on Nasdaq Helsinki Ltd.

Share trading and price

The number of Suominen Corporation shares traded on Nasdaq Helsinki from 1 January to 31 December 2018 was 3,643,880 shares (5,405,584 shares), accounting for 6.3% (10.4%) of the average number of shares (excluding treasury shares). The highest price was EUR 4.60 (EUR 5.22), the lowest EUR 1.80 (EUR 3.86) and the volume-weighted average price EUR 3.10 (EUR 4.53). The closing price at the end of reporting period was EUR 2.05 (EUR 4.42). The market capitalization (excluding treasury shares) was EUR 117.9 million on 31 December 2018 (EUR 253.6 million).

Treasury shares

The treasury shares acquired by Suominen and the related costs are presented as deductions of equity. At disposal of acquired treasury shares the consideration received is recognized in equity. In accordance with the Limited Liability Companies Act, treasury shares do not entitle to shareholder rights, such as right to receive dividend or other distribution of funds, or right to attend General Meeting.

At the end of the reporting period Suominen held 762,970 treasury shares. In March 2018 Suominen's Board of Directors resolved on a directed share issue without payment for the reward payment from share-based payment plans of 2015. In total 89,568 shares were conveyed to the participants of the plan. In accordance with the resolution by the Annual General Meeting, 23,742 shares were transferred on 31 May 2018 to the members of the Board of Directors as their remuneration payable in shares.

The share ownership of related parties in Suominen is disclosed in Note 33 of the consolidated financial statements.

Share-based plans

The share-based incentive plans are described in Note 30 of the consolidated financial statements.

Suominen has no option plans.

Number of shares

Changes in number of shares

Number of shares 1 January 2017	**51,665,642**
Conversions of the hybrid bond	6,593,577
Number of shares 31 December 2017	**58,259,219**
Number of shares 31 December 2018	**58,259,219**

Changes in treasury shares

Number of shares 1 January 2017	**893,087**
Conveyance of treasury shares, reward for the Board of Directors	-16,807
Number of treasury shares 31 December 2017	**876,280**
Conveyance of treasury shares, reward for the Board of Directors	-23,742
Conveyance of treasury shares, share-based payment plans	-89,568
Number of shares 31 December 2018	**762,970**

Number of shares	31 December 2018	31 December 2017
Number of shares excluding treasury shares	57,496,249	57,382,939
Share-issue adjusted number of shares excluding treasury shares	57,496,249	57,382,939
Average number of shares excluding treasury shares	57,468,939	52,145,416
Average share-issue adjusted number of shares excluding treasury shares	57,468,939	52,145,416
Average diluted share-issue adjusted number of shares excluding treasury shares	57,508,720	57,798,395

Notifications in 2018 under Chapter 9, Section 5 of the Securities Market Act

Suominen Corporation received on 26 April 2018 a notification referred to in Chapter 9, Section 5 of the Securities Market Act. According to the notification, the shareholding of TVF TopCo Limited in Suominen Corporation crossed the 5% flagging threshold and was 5.68% of shares and votes in Suominen Corporation. TVF TopCo Limited is ultimately owned by the Triton Value Fund (TVF).

Largest shareholders 31 December 2018

Shareholder	Number of shares	% of shares and votes
AC Invest Two BV	13,953,357	23.95%
Oy Etra Invest Ab	6,009,167	10.31%
Varma Mutual Pension Insurance Company	4,500,000	7.72%
Nordea Bank ABP	3,980,941	6.83%
Ilmarinen Mutual Pension Insurance Company	3,546,892	6.09%
Pension Insurance Company Elo	3,024,651	5.19%
OP-Suomi Arvo	1,976,760	3.39%
H. Kuningas & Co. Ltd	1,300,000	2.23%
Nissi Evald and Hilda	1,000,000	1.72%
Nordea Nordic Small Cap Fund	989,909	1.70%
Heikki Bergholm	979,841	1.68%
Nordea Life Assurance Finland Ltd	954,000	1.64%
Mikko Maijala	855,147	1.47%
Mandatum Life Insurance Company	841,981	1.45%
Juhani Maijala	794,026	1.36%
15 largest total	44,706,672	76.74%
Other shareholders	8,136,143	13.97%
Nominee registered	4,649,385	7.98%
Treasury shares	762,970	1.31%
In joint account (not in the book-entry securities system)	4,049	0.01%
Total	**58,259,219**	**100.00%**

Ownership distribution 31 December 2018

	Number of shareholders	% of total	Number of shares	% of shares and votes
Corporations	163	4.2%	4,655,110	7.99%
Financial and insurance corporations	18	0.5%	12,977,156	22.27%
General government	7	0.2%	12,267,284	21.06%
Non-profit institutions	16	0.4%	1,424,741	2.45%
Households	3,684	94.2%	7,463,185	12.81%
Foreign countries	21	0.5%	14,055,339	24.13%
Total	3,909	100.0%	52,842,815	90.70%
Nominee registered	10		4,649,385	7.98%
In joint account (not in the book-entry securities system)			4,049	0.01%
Treasury shares	1		762,970	1.31%
Total	**3,920**		**58,259,219**	**100.00%**

Shareholders by share ownership 31 December 2018

Number of shares	Number of shareholders	% of total	Number of shares	% of shares and votes
1–100	1,177	30.0%	55,607	0.10%
101–500	1,354	34.5%	362,521	0.62%
501–1,000	546	13.9%	421,526	0.72%
1,001–5,000	601	15.3%	1,326,922	2.28%
5,001–10,000	105	2.7%	755,773	1.30%
10,001–50,000	83	2.1%	1,700,231	2.92%
50,001–100,000	15	0.4%	1,123,478	1.93%
100,001–500,000	18	0.5%	4,066,440	6.98%
more than 500,000	20	0.5%	47,679,702	81.84%
Total	3,919	100.0%	57,492,200	98.68%
In joint account (not in the book-entry securities system)			4,049	0.01%
Treasury shares	1		762,970	1.31%
Total	**3,920**		**58,259,219**	**100.00%**

16. HYBRID BOND

EUR thousand

Suominen issued on 10 February 2014 a convertible hybrid bond of EUR 17,500,000, which was classified as an equity instrument, to finance the acquisition of the nonwovens operations in Brazil. The bond consisted of 175 bond notes, each having the nominal value of EUR 100,000. The bond did not have a guarantee or other collateral.

A bond note entitled the bondholder to convert the bond note and the potential accrued interest for shares in Suominen at the conversion rate of EUR 2.50 per share. The period for converting started on 11 February 2014 and would have ended on 10 February 2018. In 2017 the hybrid bond was in its entirety converted into shares. The number of shares in Suominen increased through the conversion by 6,593,577 shares.

The value of the shares issued through conversion of the hybrid bond was recognized in the reserve for invested unrestricted equity, which increased in 2017 thanks to the conversion by EUR 16.5 million.

If Suominen distributed dividend before 10 February 2018, the bondholders were entitled to a compensation equaling to the dividend. In 2017, interests totaling EUR 0.6 million were paid due to dividend distribution.

In accordance with IAS 32, the hybrid bond of Suominen was classified as an equity instrument instead of a financial liability as the interest and loan payments were fully controlled by the company and payments were not connected to any other loans.

Changes in the hybrid bond

Hybrid bond 1 January 2017	**16,337**
Capitalization of interests	285
Conversion into shares	-16,622
Hybrid bond 31 December 2017	**–**

17. INTEREST-BEARING LIABILITIES

EUR thousand

In September 2017, Suominen Corporation announced issuance of an unsecured bond with a nominal value of EUR 85 million and which carries a fixed annual interest of 2.50% and matures on 3 October 2022. The bond has been listed on Nasdaq Helsinki Ltd. since 10 October 2017. The bond constitutes a direct and unsecured obligation of Suominen and it is guaranteed as for own debt by certain subsidiaries of Suominen Corporation.

In September 2017, Suominen Corporation announced a voluntary tender offer for its EUR 75 million bond. As a result of the tender offer, in total EUR 59,270,000 of the bond notes were repurchased. In addition, some of the terms and conditions of the remaining bonds were changed in the Noteholders' meeting.

In connection with issuing the bond, Suominen entered into a syndicated credit facility agreement consisting of a single-currency revolving credit facility of EUR 100 million with a maturity of four years. The credit facility includes leverage ratio and gearing as financial covenants. The credit facility has floating interest rates.

	2018			2017		
	Carrying amount	Fair value	Nominal value	Carrying amount	Fair value	Nominal value
Non-current interest-bearing liabilities						
Finance lease liabilities	84	84	84	162	162	162
Debentures	80,615	80,750	85,000	95,192	102,647	100,730
Total	**80,698**	**80,834**	**85,084**	**95,354**	**102,809**	**100,892**
Current interest-bearing liabilities						
Current loans from financial institutions	5,000	5,000	5,000	15,000	15,000	15,000
Finance lease liabilities	78	78	78	118	118	118
Debentures	15,687	16,156	15,730	–	–	–
Total	**20,765**	**21,234**	**20,808**	**15,118**	**15,118**	**15,118**
Total	**101,463**	**102,068**	**105,892**	**110,472**	**117,927**	**116,010**

It is the opinion of Suominen that presenting interest-bearing liabilities not only at amortized cost but also at nominal value gives relevant additional information to the investors.

Change in interest-bearing liabilities

	2018	2017
Total interest-bearing liabilities at the beginning of the period	**110,472**	**94,497**
Current liabilities at the beginning of the period	15,118	7,923
Repayment of current liabilities, cash flow items	-15,118	-27,264
Drawdown of current liabilities, cash flow items	5,000	25,000
Reclassification from non-current liabilities	15,749	11,412
Periodization of debenture to amortized cost, non-cash flow items	16	–
Exchange rate difference	–	-1,953
Current liabilities at the end of the period	20,765	15,118
Non-current liabilities at the beginning of the period	162	11,574
Reclassification to current liabilities	-78	-11,412
Non-current liabilities at the end of the period	84	162
Non-current debentures at the beginning of the period	95,192	75,000
Issuance of the new debenture bond, cash flow items	–	25,730
Reclassification to current liabilities	-15,671	–
Periodization of debenture to amortized cost, non-cash flow items	1,093	-348
Tender and issuance costs of the debentures, cash flow items	–	-5,190
Non-current debentures at the end of the period	80,615	95,192
Total interest-bearing liabilities at the end of the period	**101,463**	**110,472**
Maturity of interest-bearing liabilities		
2019 (2018)	20,765	15,118
2020 (2019)	67	15,708
2021 (2020)	17	67
2022 (2021)	80,615	17
2023– (2022–)	–	79,563
Total	**101,463**	**110,472**
Interest-bearing liabilities by currency		
EUR	101,463	110,472
Total	**101,463**	**110,472**

Finance lease liabilities

Future minimum lease payments, maturing in	2018	2017
Not later than 1 year	85	132
Later than 1 year and not later than 5 years	87	173
Total future minimum lease payments	**173**	**305**
Future finance expense	-11	-25
Present value of future minimum lease payments	**162**	**280**

Present value of future minimum lease payments, maturing in		
Not later than 1 year	78	118
Later than 1 year and not later than 5 years	84	162
Present value of future minimum lease payments	**162**	**280**

Accounting principles

Listed debentures are recognized at amortized cost using the effective interest method. The fair value of a listed debenture is measured using the market price at the end of the reporting period.

Fees paid on loan facilities are recognized as transaction costs of the loan to the extent that it is probable that the facility will be drawn down. In this case, the fee is recognized in the statement of financial position until the draw-down of the loan occurs, and it is recognized in profit or loss over the loan period. If it is not probable that the loan facility will be utilized, the fee will be immediately recognized in profit or loss.

18. CLASSIFICATION OF FINANCIAL LIABILITIES

EUR thousand

	At amortized cost	Carrying amount	Fair value	Nominal value
Loans from financial institutions	5,000	5,000	5,000	5,000
Debentures	96,301	96,301	96,906	100,730
Finance lease liabilities	162	162	162	162
Interest accruals	725	725	725	725
Other current liabilities	308	308	308	308
Trade payables	66,677	66,677	66,677	66,677
Total 31 December 2018	**169,173**	**169,173**	**169,778**	**173,602**

	At amortized cost	Carrying amount	Fair value	Nominal value
Loans from financial institutions	15,000	15,000	15,000	15,000
Debentures	95,192	95,192	102,647	100,730
Finance lease liabilities	280	280	280	280
Interest accruals	736	736	736	736
Other current liabilities	301	301	301	301
Trade payables	52,145	52,145	52,145	52,145
Total 31 December 2017	**163,654**	**163,654**	**171,109**	**169,192**

Accounting principles

Financial liabilities are classified as current liabilities if they mature within 12 months from the end of the reporting period.

A financial liability or a part of a financial liability is removed from the statement of financial position when the liability is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired.

Derivative instruments are presented in Note 19 of the consolidated financial statements.

Interest-bearing liabilities are presented in Note 17 of the consolidated financial statements.

Trade payables

Trade payables are measured at amortized cost. The carrying amount of trade payables equals to fair value based on their short maturity.

19. DERIVATIVE INSTRUMENTS

EUR thousand

Derivative receivables and liabilities in statement of financial position

	2018	2017
Receivables		
Derivatives, hedge accounting not applied	9	24

The fair values of derivatives are recognized in the statement of financial position as gross amounts and they can be offset with each other only in case of breach of contractual terms or bankruptcy. If offset, the derivative receivables from counterparty would be EUR 9 thousand.

Accounting principles

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, on the nature of the item being hedged. Suominen can designate derivatives as hedges of a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction (cash flow hedge). The full fair value of a hedging derivative is classified as a current asset or liability. Other derivatives are classified as a current assets or liabilities.

Fair values for currency forward contracts are determined by using the spot rates and relevant swap points based on interest rate differences at the end of the reporting period.

Derivative instruments at fair value through profit or loss

Most of the Group's derivative transactions, while providing economic hedges, do not qualify for hedge accounting under IFRS 9, and therefore changes in the fair values of these derivative instruments are recognized immediately in profit or loss.

Hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income and presented in fair value reserve in equity.

When a hedging instrument expires or is sold, or when a hedge no longer meets the hedge accounting criteria, any cumulative gain or loss existing in equity at that time remains in equity and is recognized in profit or loss when the forecasted transaction is ultimately recognized in profit or loss. If a forecast transaction is no longer expected to incur, the cumulative gain or loss recognized in equity is immediately recognized in profit or loss in the same line item in statement of profit or loss where the forecasted transaction would have been recognized.

At the inception of hedge accounting, Suominen documents the relationship between the hedged item and the hedging instrument as well as the aim for the risk management and the hedging strategy. At the inception of the hedge the Group tests and documents the effectiveness of the hedging relationship by assessing the ability of the hedging instrument to offset the fair value changes arising from the hedged item. The Group tests effectiveness retrospectively also at the end of each reporting period.

In 2017, currency forward contracts designated to hedge forecasted cash flows related to acquisition of certain assets in property, plant and equipment were classified as hedging instruments and thus hedge accounting was applied. The effective portion of changes in the fair value of these derivatives was recognized in other comprehensive income and presented in fair value reserve in equity until the liabilility related to acquisition of the asset was recognized in the statement of financial position. When the liability was recognized in the statement of financial position, the portion of the fair value of the derivative recognized in fair value reserve was reclassified to adjust the acquisition cost of the asset, and future changes in fair value of the derivative were recognized in profit or loss in financial items.

Nominal and fair values of derivative contracts

	2018				2017			
	Nominal value	Fair value, net	Fair value, positive	Fair value, negative	Nominal value	Fair value, net	Fair value, positive	Fair value, negative
Currency forward contracts								
Hedge accounting not applied	1,397	9	9	–	1,334	24	24	–

Derivative instruments in profit or loss	2018	2017
Cost of goods sold		
Currency derivatives, hedge accounting not applied	33	-68
Ineffective part of cash flow hedging, electricity derivatives	–	-39
Cash flow hedging, electricity derivatives, realized	–	-13
Other operating expenses		
Currency derivatives, hedge accounting not applied	-65	192
Net financial expenses		
Interest rate differences of currency derivatives	-28	-61
Interest rate swaps, hedge accounting not applied	–	-14

Derivative instruments in other comprehensive income		
Fair value changes of cash flow hedges, electricity derivatives	–	-56
Fair value changes of cash flow hedges, currency derivatives	–	323
Cash flow hedges, electricity derivatives, amounts reclassified to profit or loss	–	13
Cash flow hedges, currency derivatives, amounts reclassified to property, plant and equipment	–	-35
Total	–	245

20. DEFINED BENEFIT PLANS

EUR thousand

Suominen has a defined benefit termination plan in Italy (TFR, Trattamento di Fine Rapporto). The plan is unfunded and closed for new entrants. The benefits paid are based, among other things, on service years and end salary of the participants. The obligation is determined based on calculation made by independent actuaries.

Accounting principles

The defined benefit obligations are measured as the present value of the estimated future cash flows using interest rates of government securities that have maturity terms approximating the terms of related liabilities or similar long-term interests. Plan assets, if any, are recognized at fair value at the end of the reporting period.

For the defined benefit plans, costs are assessed using the projected unit credit method. Under this method the cost is charged to profit or loss so as to spread over the service lives of employees. However, there are normally no other costs than the net interest arising from the defined benefit plan of Suominen in Italy.

Only past service costs due to plan amendments as well as net interest on net defined benefit liability can be recognized in profit or loss. Service costs, if any, are recognized in profit or loss as employee benefits and net interest in financial items. Remeasurements of net defined benefit liability, such as actuarial gains and losses, are recognized in other comprehensive income in the period in which they occur with no subsequent recycling to profit or loss.

	2018	2017
Defined benefit liabilities in the statement of financial position		
Present value of unfunded obligations	847	984
Deficit	847	984
Change in defined benefit obligation		
Present value of defined benefit obligation 1 January	984	1,081
Charged to profit or loss:		
Interest expenses	13	15
Total recognized in profit or loss (gain - / loss +)	13	15
Remeasurements:		
Actuarial gain (-) / loss (+) from change in financial assumptions	-41	-15
Total remeasurments	-41	-15
Benefits paid	-109	-97
Present value of defined benefit obligation 31 December	**847**	**984**
Changes in plan assets		
Plan assets 1 January	–	–
Employer contributions	109	97
Benefits paid	-109	-97
Plan assets 31 December	**–**	**–**
Remeasurements recognized in other comprehensive income		
Recognized in other comprehensive income 1 January (gain - / loss +)	501	516
Actuarial gain (-) / loss (+) on defined benefit obligation during the reporting period	-41	-15
Recognized in other comprehensive income 31 December (gain - / loss +)	**460**	**501**
Significant actuarial assumptions		
Discount rate (%)	1.60	1.30
Rate of future price inflation (%)	1.80	1.80
Average remaining service period (years)	15.2	15.2
Sensitivity analysis of actuarial assumptions		
Decrease in discount rate by 0.25 percentage points		
Effect on defined benefit obligation	34	36
Increase in discount rate by 0.25 percentage points		
Effect on defined benefit obligation	-33	-35
Expected payments to plan participants in the future years from the defined benefit obligation		
Within 1 year	31	9
Between 1-2 years	52	57
Between 3-5 years	313	121
Between 6-10 years	251	424
Total	**647**	**611**

21. TRADE PAYABLES AND OTHER LIABILITIES

EUR thousand

Other non-current liabilities	2018	Restated 2017
Accrued expenses and deferred income	17	49
Total other non-current liabilities	**17**	**49**

Current liabilities		
Trade payables	66,677	52,145
Advances received	27	8
Other liabilities	1,331	1,750
Accrued expenses and deferred income	7,352	5,250
Total trade payables and other current liabilities	**75,386**	**59,153**

Accrued expenses and deferred income include, among others, accrued interest expenses, accrued personnel expenses and other accruals.

Other liabilities include, among others, liabilities from indirect taxes.

Currency analysis of trade payables		
EUR	28,207	29,449
USD	38,334	22,371
BRL	132	285
Other currencies	4	39
Total	**66,677**	**52,145**

22. REVENUE FROM CONTRACTS WITH CUSTOMERS

EUR thousand

The net sales of Suominen Group consist entirely of sales of nonwovens. In 2018, sales to three customers exceeded each 10% of total net sales. Net sales to one of these customers amounted to EUR 84.6 million (85.5) and to another EUR 67.7 million (57.7). In addition, one more customer exceeded the 10% threshold in 2018. Sales to this customer were in 2018 EUR 43.9 million.

Other operating income is presented in Note 24.

Net sales by geographical destination	2018	2017
Finland	2,415	2,510
Rest of Europe	153,133	160,817
USA	233,204	216,565
Rest of North and South America	34,984	35,610
Rest of the world	7,372	10,494
Total	**431,109**	**425,996**

Net sales by business area		
Convenience	395,977	388,562
Care	35,107	37,482
Unallocated exchange differences of sales	24	-47
Total	**431,109**	**425,996**

Accounting principles

IFRS 15 Revenue from Contracts with Customers has been applied from 1 January 2018. Suominen has applied the standard retrospectively so that the cumulative effect of applying IFRS 15 has been recognized as of 1 January 2018. The new standard had no material effect on revenue recognition in Suominen.

Net sales include the total invoicing value of products less sales tax, discounts and rebates. Foreign exchange differences arising from trade receivables are recognized as sales adjustments.

The goods Suominen sells are nonwoven rolls. The customer can benefit from each nonwoven roll either on its own or together with other resources readily available to the customer. The delivered goods have been identified in the contracts Suominen has made with the customer (for example the quality and measurements of the product have been defined). The contracts often define the target for quantities to be delivered, but the customer is not committed to the quantities. The supplied quantities are based on the customer's purchase orders and each supplied quantity is invoiced separately.

The performance obligation is satisfied when the goods have been delivered to the customer, ie. the performance obligation is satisfied at a point of time. In most cases the goods are handed over to the customer when the goods leave the production plant. If, in accordance with the terms of delivery, the risks and rewards of ownership of the goods as well as control over the goods are transferred to the customer only when the goods have been delivered to the customer, revenue is recognized only when the customer has received the goods. This did not change the revenue recognition principles of Suominen.

The payment terms and times differ depending on the customer. The applied payment term and the length of the payment time are affected by, among other things, the credit risk and prior payment behavior of the customer. In addition, the geographical location of the invoicing production plant as well of the customer have an effect on the payment terms. Suominen has preferred payment terms defined in the credit policy, but for commercial reasons it is possible to deviate from these payment terms. For the most part trade receivables are due within 30–90 days from the invoicing date.

There are no significant financing components in the transaction prices and the considerations are paid in cash.

Some of the customer contracts include a definition of a rebate, which is granted to the customer if the delivered quantities exceed the predefined level, i.e. in these cases the transaction price includes a variable consideration. The effect of the variable consideration on the transaction price is taken into account in revenue recognition by estimating the probability of the realization of the rebate for each contract. The estimation is based on the most likely amount. When estimating the probability, Suominen takes into account the historical information of the customer (such as whether the deliveries in the past have reached the level which entitles the customer to receive the rebate), the current situation at the time of the delivery of the goods as well as forecasts on future deliveries. The uncertainty inherent in estimating the variable consideration is considered to be so immaterial that the variable consideration has not been constrained. The estimated transaction price is reassessed latest at the end of each reporting period. This did not change the revenue recognition principles of Suominen.

The receivable from the customer is recognized at the transaction price. This means in practice that both the invoiced trade receivable from the customer and recognized revenue are adjusted in accounting with an accrual based on the estimated rebate amount. This changed the previous practice in recognizing amounts in the statement of financial position, as previously the rebate accrual was recognized in accrued expenses. The opening balances have been restated to reflect the change.

In some of the customer contracts the transaction price of the goods is tied to the raw material costs of Suominen. The effect of the raw material prices on transaction prices is, however, applied only to future transaction prices and they do not affect the prices of already delivered goods. As the delivered quantities are distinct performance obligations, raw material clauses are not applied retrospectively.

Sales prices are defined in the customer contracts separately for each product. The price for each customer is based on, among other things, quantities, transaction currency and the geographical location of the customer. Variable considerations (rebates) are allocated to the performance obligations which are included in the contract, unless otherwise agreed in the contract. In these cases the variable considerations are allocated only to those performance obligations they relate to.

Suominen has no material incremental costs of obtaining a contract which would fulfill the capitalization criteria. Any incremental costs are recognized as expense when incurred, as the amortization period of such capitalized incremental costs would be one year or less. Suominen has no such costs to fulfill a contract which would fulfill the capitalization criteria of IFRS 15.95-97.

23. ENTITY-WIDE DISCLOSURES

EUR thousand

Property, plant and equipment and intangible assets by geographical location	2018	2017
Finland	23,370	19,750
Rest of Europe	20,963	22,879
USA	115,356	119,355
Brazil	6,429	7,629
Total	**166,118**	**169,614**

Net sales by geographical destination as well as net sales by business area are presented in Note 22.

24. OTHER OPERATING INCOME AND EXPENSES

EUR thousand

Other operating income	2018	2017
Gains from disposal of intangible assets and property, plant and equipment	4	5
Indemnities	34	26
Rental income	258	252
Sales of recycled products	2,170	1,221
Other operating income	62	259
Total	**2,528**	**1,764**

Recycled products consist of waste generated in the manufacturing process as well as products which do not fulfill quality requirments. These products are sold for recycling.

The future non-cancellable minimum lease payments (rental income) are disclosed in Note 34 of the consolidated financial statements.

Other operating expenses		
Expected credit losses of trade receivables during the period, net	-672	-110
Currency derivatives, hedge accounting not applied	-65	192
Other operating expenses	-318	-141
Total	**-1,055**	**-59**

Accounting principles

Gains from the disposal of property, plant and equipment and intangible assets, insurance compensations and revenues other than from product sales, such as rental income and proceeds from sale of recycled products, are recognized as other operating income.

Losses from the sales of assets, expected credit losses of trade receivables as well other expenses not associated with ordinary operations are recognized as other operating expenses.

25. FEES PAID TO AUDITORS

EUR thousand

Fees paid to auditors are included in administration expenses.

Ernst & Young Oy has been acting as the principal auditor of the Group and the parent company since the Annual General Meeting of 2015.

Fees paid to auditors	2018	2017
Fees for statutory audit	-465	-444
Other services	-74	-55
Total	**-539**	**-498**

The fees paid by the parent company of the Group, Suominen Corporation, are presented below.

Fees paid to auditors, Suominen Corporation		
Fees for statutory audit	-128	-116
Other services	-73	-55
Total	**-201**	**-171**

26. EMPLOYEE BENEFITS

EUR thousand

	2018	2017
Wages and salaries	-36,084	-34,898
Share-based payments	438	-680
Pensions, defined contribution plans	-2,508	-2,677
Other personnel expenses	-17,271	-16,594
Total	**-55,426**	**-54,849**
Average number of personnel	676	670
Number of personnel, end of reporting period	690	663
in Finland	132	127

Management remuneration is disclosed in detail in Note 33 of the consolidated financial statements.

Share-based payments are disclosed in more detail in Note 30 of the consolidated financial statements.

Defined benefit plans are disclosed in more detail in Note 20 of the consolidated financial statements.

Accounting principles – pension benefits

The Group has several pension plans in accordance with local conditions and practices in the countries where it operates. The plans are generally funded through premium payments to insurance companies or similar entities. The pension schemes are in accordance with local legislation and based on established local practices. Pension schemes may include additional pension benefits, options for early retirement, or compensation for disability.

Pension schemes are classified either as defined contribution pension plans or defined benefit pension plans. A defined contribution pension plan is a plan under which the Group pays fixed contributions into a separate entity and has no obligation to pay further contributions if the separate entity has no sufficient assets to pay all employee benefits. The contributions to defined contribution plans are charged to profit or loss in the period to which the contributions relate.

Suominen has a defined benefit termination plan in Italy (TFR) (Note 20). In other countries Suominen has defined contribution pension plans.

27. DEPRECIATION AND AMORTIZATION

EUR thousand

Depreciation and amortization by function	2018	2017
Cost of goods sold	-18,553	-16,603
Sales and marketing expenses	-920	-755
Research and development	-145	-828
Administration expenses	-1,400	-1,163
Total	**-21,018**	**-19,349**

Depreciation and amortization by asset category		
Intangible rights	-1,787	-1,871
Other intangible assets	-583	-622
Buildings and constructions	-2,382	-1,918
Machinery and equipment	-16,208	-14,935
Other tangible assets	-58	-4
Total	**-21,018**	**-19,349**

Accounting principles

The amortization of intangible assets is described in Note 6 and the depreciation of property, plant and equipment in Note 7.

The carrying amounts of property, plant and equipment as well as of intangible assets are assessed to determine whether there are any indications that the carrying amounts of the assets exceed their recoverable amounts and an impairment loss should be recognized. Indications of the assets' possible impairment can be 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 indications of impairment exist, the recoverable amounts are measured for those assets for which there are indications of impairment. Recoverable amount is the higher of fair value of the asset less costs of disposal and value in use. When measuring an asset's value in use, the future cash flows derived from the asset are discounted by using discount rates which reflect the average cost of capital before taxes of the asset or, if the asset belongs to a cash generating unit, of that cash generating unit. The risk inherent in the value in use is captured by analyzing variations in the amount or timing of cash flows.

An impairment loss of an asset can be reversed if a positive change in the estimates of the recoverable amount has occured. The impairment loss made in prior years is reversed no more than up to the value which would have been determined for the asset, net of amortization or depreciation, had no impairment loss been recognized in prior years.

Impairment testing of goodwill is presented in Note 5.

28. FINANCIAL INCOME AND EXPENSES

EUR thousand

Financial income	2018	2017
Interest income from receivables at amortized cost	519	429
Interest income from receivables at fair value through profit or loss (*	268	320
Other interest income	2	9
Currency derivatives, interest rate difference	13	8
Total	**801**	**766**

Financial expenses		
Interest expenses on liabilities at amortized cost	-4,022	-1,634
Interest expenses on defined benefit plans	-13	-15
Other interest expenses	0	0
Interest rate swaps	–	-14
Currency derivatives, interest rate difference	-41	-70
Financial expenses on sale of trade receivables	-695	-372
Other financial expenses	-1,296	-629
Total	**-6,067**	**-2,735**

Losses from receivables at fair value through profit or loss		
Fair value change	-16	–
Impairment loss (*	-588	–
Total	**-604**	**–**

Net exchange rate differences	**313**	**-602**
Total financial income and expenses	**-5,557**	**-2,570**

(* From loan receivables, that are mandatorily measured at fair value through profit or loss in accordance with IFRS 9.

Currency differences in operating profit	2018	2017
Net sales	5	-214
Cost of goods sold	-560	339
Other operating expenses	-8	-2

Accounting principles

Accounting of transactions in foreign currencies is described in Note 1.

Interest expenses are accrued for and mainly recognized in profit or loss for each period. If an asset is a qualifying asset as defined in IAS 23 Borrowing Costs, the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized to the acquisition cost of the asset. The capitalization applies mainly to property, plant and equipment and intangible assets.

Capitalized borrowing costs during the reporting period were EUR 63 thousand (EUR 2,228 thousand). The capitalization rate used was 4.16%.

The credit risk related to loan receivables is initially estimated based on 12-month expected credit losses. If the credit risk has increased significantly since initial recognition, the credit risk is evaluated based on lifetime expected credit losses. Payment defaults or late payments can be considered as indications of impairment of the receivable or increase in the credit risk of the receivable.

29. INCOME TAXES

EUR thousand

Income tax charge in statement of profit or loss	2018	2017
Current income tax charge	-1,328	6,475
Adjustments in respect of current income tax of previous years	-25	-45
Change in deferred tax assets	2,112	701
Change in deferred tax liabilities	-1,426	-4,969
Other income taxes	-90	-114
Total income tax charge	**-757**	**2,048**
Income taxes recognized in other comprehensive income		
Exchange differences	-454	1,319
Cash flow hedges, fair value changes	–	11
Cash flow hedges, reclassified to profit or loss	–	-3
Defined benefit plans, remeasurements	11	-4
Total taxes recognized in other comprehensive income	**-443**	**1,324**
Income taxes recognized in other equity		
Retained earnings, adjustment of interest expense on hybrid bond	–	120
Total recognized in other equity	**–**	**120**

The decrease in the federal corporate income tax rate in the USA from 35% to 21% had a significant positive effect on the Group's income taxes in the comparison period. The impact of the decrease in the US federal tax rate on the Group's income taxes was approximately EUR +8.3 million. Less than half of the total effect arose from the revaluation of net deferred tax liabilities with the new 21% tax rate and more than half from accelerated tax depreciations, as the related deferred tax liability is recognized with the lower tax rate.

In the comparison period Suominen was able to utilize in the 2017 income taxes in the USA the accelerated tax depreciations as allowed by the US federal tax laws. The accelerated tax depreciations were applied mainly to the Bethune production line investment but also to other investments. In accordance with the US federal tax laws, it was possible to carry back tax losses against taxable profits of the previous years. The tax carry back was recognized with the 35% tax rate which was applicable in 2017.

The utilization of the accelerated tax depreciations postpones the payment of income taxes to subsequent years as tax depreciations which can utilized in the future decrease.

The Group companies have tax losses, totalling EUR 34.0 million (EUR 26.5 million), which can be applied against future taxable income. A deferred tax asset has not been recognized for all tax losses due to the uncertainty regarding the extent to which they can be used. When preparing the 2018 financial statements, the management has estimated that Suominen is able to utilize the unused tax losses for which deferred tax asset has been recognized. In addition, it will take several years before the tax losses expire or there is no expiry date for the losses.

Deferred tax liability has not been recognized in 2018 or 2017 of the undistributed earnings of Finnish or foreign subsidiaries, as the majority of such earnings can be transferred to the owner without any tax consequences.

Accounting principles

The consolidated financial statements include current taxes, which are based on the taxable results of the group companies for the reporting period together with tax adjustments for previous reporting periods, calculated in accordance with the local tax rules, and the change in deferred tax liabilities and assets.

Income taxes which relate to items recognized in other comprehensive income are also recognized in other comprehensive income.

Suominen has some uncertain tax positions due to local tax audits as the tax authorities have challenged the tax deductible expenses Suominen has declared in the income tax returns. Suominen has assessed for each tax audit whether the interpretations of the tax authorities are justified and adjusted the recognized amounts, if needed, in order to correspond the expected future payments. Even though the management estimates that the end results of the tax audits will not result in material additional costs exceeding the already recognized amounts, the actual results can differ from the estimates. Should the final outcome of the tax audits differ from the outcome estimated by Suominen, the estimated possible additional costs at the end of the reporting period would total to approximately EUR 0.5 million.

The Group's deferred tax liabilities and assets have been calculated for temporary differences, which have been obtained by comparing the carrying amount of each asset or liability item with their tax bases. Deferred tax assets are recognized for deductible temporary differences and tax losses to the extent that it is probable that taxable profit will be available, against which tax credits and deductible temporary differences can be utilized. In calculating deferred tax liabilities and assets, the tax rate used is the tax rate in force at the time of preparing the financial statements or which has been enacted by end of the reporting period. Changes in tax rates have been taken into account when calculating deferred taxes. Corporate income tax rate in Finland is 20% (20%).

Principal temporary differences arise from depreciation and amortization of property, plant and equipment and intangible assets, defined benefit plans, recognition of net assets of acquired companies at fair value, measuring assets at fair value, share-based payments and confirmed tax losses.

Reconciliation of income tax expense calculated at statutory tax rates with income tax expense in the statement of profit or loss

	2018	2017
Profit before income taxes	**-963**	**12,430**
Income taxes at the tax rate applicable to the parent	193	-2,486
Difference due to different tax rates of foreign subsidiaries	-551	-2,182
Tax exempt income and non-deductible expenses	-588	-177
Effect of changes in tax rates and tax laws	–	8,244
Losses, for which no deferred tax asset is recognized	-319	-1,430
Deferred taxes recognized during the reporting period in respect of previous years' temporary differences	80	930
Deferred taxes reversed during the reporting period	-143	-76
Adjustments in respect of current income tax of previous periods and witholding and other income taxes	-116	-159
Use of losses, for which no deferred tax asset has been recognized	688	87
Minimum income tax	–	-702
Income taxes in the statement of profit or loss	**-757**	**2,048**
Effective tax rate, %	N/A	N/A
Tax assets and liabilities in the statement of financial position		
Deferred tax assets	2,540	5,142
Assets for current tax	974	7,703
Deferred tax liabilities	12,373	14,558
Liabilities for current tax	121	32

Critical accounting estimates and judgements

Recognition and measurement of deferred tax liabilities and assets include management estimates, especially deferred tax assets arising from confirmed tax losses of group companies or from other temporary differences. Deferred tax assets are recognized for deductible temporary differences and tax losses to the extent that it is probable that taxable profit will be available against which tax credits and deductible temporary differences can be utilized. All tax liabilities and assets are reviewed at the end of the reporting period and changes are recognized in comprehensive income.

Group companies can be subjects of tax audits. In these tax audits the tax authorities can challenge Suominen's view of the taxable income and not fully accept it. In these cases the recognized amounts are adjusted, if needed, in order to correspond the expected future payments. The possible adjustments as well as the recognized income tax liability are based on estimates of the outcome of the tax audit.

Reconciliation of deferred tax assets	1 January 2018	Exchange difference	Recognized in profit or loss	Recognized in other comprehensive income or in equity	31 December 2018
Employee benefits	344	–	-265	11	90
Property, plant and equipment and intangible assets	1,290	-49	-574	–	667
Tax losses	1,992	–	2,131	–	4,123
Other temporary differences	1,517	-51	820	-454	1,832
Total	**5,142**	**-100**	**2,112**	**-443**	**6,712**
Offsetting with deferred tax liabilities					-4,172
Total	**5,142**				**2,540**

	1 January 2017	Exchange difference	Recognized in profit or loss	Recognized in other comprehensive income or in equity	31 December 2017
Employee benefits	204	–	144	-4	344
Property, plant and equipment and intangible assets	1,188	-134	237	–	1,290
Tax losses	1,241	–	751	–	1,992
Other temporary differences	791	-163	-430	1,319	1,517
Total	**3,424**	**-298**	**701**	**1,315**	**5,142**

Reconciliation of deferred tax liabilities	1 January 2018	Exchange difference	Recognized in profit or loss	Recognized in other comprehensive income or in equity	31 December 2018
Property, plant and equipment and intangible assets	13,127	582	-1,119	–	14,829
Other temporary differences	1,365	-21	-307	–	1,651
Equity instruments	65	–	–	–	65
Total	**14,558**	**561**	**-1,426**	**–**	**16,545**
Offsetting with deferred tax assets					-4,172
Total	**14,558**				**12,373**

	1 January 2017	Exchange difference	Recognized in profit or loss	Recognized in other comprehensive income or in equity	31 December 2017
Property, plant and equipment and intangible assets	8,902	-1,284	-5,509	–	13,127
Other temporary differences	2,219	-193	540	-120	1,365
Equity instruments	65	–	–	–	65
Cash flow hedging	9	–	–	-9	–
Total	**11,195**	**-1,477**	**-4,969**	**-129**	**14,558**

30. SHARE-BASED PAYMENTS

Suominen has share-based incentive plans targeted to the key employees of the Group. In accordance with the terms of the plans, shares of Suominen Corporation are granted to the participants if vesting conditions are met. The rewards are partly settled in cash. The cash portion is intended to cover income taxes and tax-related costs arising from the reward to the participant. No reward will be paid, if a participant's employment or service ends before the reward payment. The Board of Directors will be entitled to reduce the rewards agreed in the plan if the limits set by the Board of Directors for the share price are reached.

The aim of the plans is to combine the objectives of the shareholders and the persons participating in the plans in order to increase the value of the company in the long-term, to bind the participants to the company, and to offer them competitive reward plans based on earning and accumulating the company's shares.

A member of the Corporate Executive Team must hold 50% of the net number of shares given on the basis of the plans, as long as his or her shareholding in total corresponds to the value of half of his or her annual gross salary. The President & CEO must hold 50% of the net number of shares given on the basis of the plans until his or her shareholding in total corresponds to the value of his or her annual gross salary. Such number of shares must be held as long as the participant's employment or service in a group company continues

Share-based incentive plans 2015–2017

The Board of Directors of Suominen Corporation approved on 4 December 2014 two new share-based incentive plans for the Group management and key employees.

Performance share plan 2015–2017

The performance share plan included one vesting period, calendar years 2015–2017. The Board of Directors of Suominen Corporation decided on further vesting periods, on the plan's vesting conditions and required performance levels for each condition at the beginning of a vesting period. The rewards paid on the basis of the vesting period 2015–2017 corresponded to the value of an approximate maximum total of 460,000 Suominen Corporation shares (including also the portion to be settled in cash).

Matching share plan 2015–2017

The matching share plan included one three-year vesting period, calendar years 2015–2017. The prerequisite for receiving reward on the basis of this plan was that a person participating in the plan owned or acquired the company's shares up to the number determined by the Board of Directors. Furthermore, receiving of reward was tied to the continuance of participant's employment or service upon reward payment.

The members of the Corporate Executive Team and the Corporate Leadership Team belonged to the target group of the matching share plan. The rewards paid on the basis of the matching share plan corresponded to the value of an approximate maximum total of 127,478 Suominen Corporation shares (including also the portion to be settled in cash).

Reward payment

The rewards from the vesting periods 2015–2017 were settled partly in the company's shares and partly in cash in 2018. In total 89,568 shares were conveyed to the participants of the plan. The total reward payment, including both the portion paid in shares and in cash, was at the time the reward was paid in total EUR 700 thousand.

Share-based incentive plan 2016–2018

The Board of Directors of Suominen Corporation approved on 8 December 2015 a new vesting period in the share-based incentive plan (performance share plan) for the Group management and key employees. The vesting period included calendar years 2016–2018.

The rewards to be paid on the basis of the vesting period 2016–2018 correspond to the value of an approximate maximum total of 245,000 Suominen Corporation shares (including also the portion to be settled in cash). The Board of Directors decided separately on new vesting periods. The Board of Directors decided on the plan's vesting conditions and required performance levels for each condition at the beginning of a vesting period.

Reward payment

The potential rewards from the vesting periods 2016–2018 will be settled partly in the company's shares and partly in cash in 2019.

Share-based incentive plan 2017–2019

The Board of Directors of Suominen Corporation approved on 9 December 2016 a new vesting period in the share-based incentive plan (performance share plan) for the Group management and key employees. The vesting period includes calendar years 2017–2019. The plan is directed to approximately 20 people.

The rewards to be paid on the basis of the vesting period 2017–2019 correspond to the value of an approximate maximum total of 480,000 Suominen Corporation shares (including also the portion to be settled in cash). The Board of Directors will decide separately on new vesting periods. The Board of Directors will decide on the plan's vesting conditions and required performance levels for each condition at the beginning of a vesting period.

Reward payment

The potential rewards from the vesting period 2017–2019 will be settled partly in the company's shares and partly in cash in 2020.

Share-based incentive plan 2018–2020

The Board of Directors of Suominen Corporation approved on 11 December 2017 a share-based incentive plan (performance share plan) for the Group management and key employees. The vesting period includes calendar years 2018–2020. The plan is directed to approximately 20 people.

The rewards to be paid on the basis of the vesting period 2018–2020 correspond to the value of an approximate maximum total of 502,000 Suominen Corporation shares (including also the portion to be settled in cash). The Board of Directors will decide separately on new vesting periods. The Board of Directors will decide on the plan's vesting conditions and required performance levels for each condition at the beginning of a vesting period.

Reward payment

The potential rewards from the vesting period 2018–2020 will be settled partly in the company's shares and partly in cash in 2021

Measurement of instruments granted during the reporting period

No instruments were granted during the reporting period.

Accounting principles

The amendments to IFRS 2, applied from 1 January 2018, changed the recognition and measurement of share-based payment transactions which have net settlement features for withholding tax obligations. Under such transactions the entity withholds a number of shares that is equal to the monetary value of the employee's tax obligation from the total number of shares that would have otherwise been issued to the employee upon exercise or vesting, and transfers the amount in cash to tax authorities on behalf of the employee.

Previously the cash-settled share-based payment transactions were measured at fair value at the reporting date and recognized as a liability in the statement of financial position. After the application of the amendments of IFRS 2, the previously cash-settled portion of share-based payment transactions which have net settlement features for withholding tax obligations is recognized and measured as equity-settled. At transition date, the cash-settled portion of any unvested share-based payment arrangement which has net settlement features was remeasured and recognized as equity-settled and recognized in equity at fair value. The liability for the cash settled transaction has been derecognized from the statement of financial position, and any effect of the remeasurement has been recognized in equity. The effect of the change increased the consolidated equity by EUR 0.7 million (Note 35). Prior periods are not restated.

Effect on the profit for the period and on financial position in 2018

EUR thousand	Share-based incentive plans 2015–2017	Share-based incentive plan 2016–2018	Share-based incentive plan 2017–2019	Share-based incentive plan 2018–2020	**Total**
Expense (-) for the reporting period	15	375	286	-210	**466**
Recognized in equity in 2018	-15	-360	-270	204	**-441**
Recognized as liability 31 December 2018	–	–	–	6	**6**
Estimate of the amount for settling the employees' tax obligation 31 December 2018	–	–	–	104	**104**

Information on share-based incentive plans	Matching share plan 2015–2017	Share-based incentive plan 2015–2017	Share-based incentive plan 2016–2018	Share-based incentive plan 2017–2019	Share-based incentive plan 2018–2020	Total / weighted average
Maximum number of shares, including the portion to be settled in cash	–	460,000	245,000	480,000	502,000	1,687,000
Initial grant date	30 January 2015	30 January 2015	8 December 2015	9 December 2016	11 December 2017	
Vesting date	12 March 2018	12 March 2018	31 May 2019	31 May 2020	31 May 2021	
Vesting conditions	Share ownership	Net sales growth, EBIT %, ROI %	Net sales growth, EBIT %, ROI %	Net sales growth, EBIT %, ROI %	EBIT %, total shareholder return (TSR)	
	Employment precondition until reward payment	Employment precondition until reward payment	Employment precondition until reward payment	Employment precondition until reward payment	Employment precondition until reward payment	
Maximum contractual life, years	3.1	3.1	3.5	3.5	3.5	
Remaining contractual life, years	–	–	0.4	1.4	2.4	1.2
Number or persons at the end of reporting period	–	–	8	16	18	
Payment method	Shares and cash	Shares and cash	Shares and cash	Shares and cash	Shares and cash	

Changes in 2018	Matching share plan 2015–2017	Share-based incentive plan 2015–2017	Share-based incentive plan 2016–2018	Share-based incentive plan 2017–2019	Share-based incentive plan 2018–2020	Total
Outstanding at the beginning of the period	127,478	428,500	218,000	421,000	502,000	1,696,978
Forfeited	–	-380,508	-218,000	-93,000	-107,000	-798,508
Exercised	-127,478	-47,992	–	–	–	-175,470
Outstanding at the end of the period	–	–	–	328,000	395,000	723,000

The fair values of share-based incentive plans have been determined at the grant date, and the fair value is recognized in profit or loss during the vesting period. Due to the amendment of IFRS 2 applied from 1 January 2018, both the portion settled in shares and the portion settled in cash are recognized in equity. After the application of the amendment 1 January 2018, also the fair value of the cash portion for the remaining vesting period is based on the fair value at grant date. The share-based incentive plan 2018–2020 includes a market condition (total shareholder return), which has been taken into account when determining the fair value at the grant date. The fair value based on market condition is not changed during the vesting period. If the other vesting conditions of the plan (service condition and result based conditions) are not fulfilled, the cost estimates based on these conditions are reversed.

31. EARNINGS PER SHARE

Calculation of earnings per share

Basic earnings per share are calculated by dividing the net result attributable to owners of the parent (in 2017 also adjusted with interest on hybrid bond, net of tax) by the weighted share-issue adjusted average number of shares outstanding during the reporting period, excluding shares acquired by the Group and held as treasury shares.

When calculating diluted earnings per share in 2017, the weighted share-issue adjusted average number of shares outstanding during the year was adjusted by the effect of the hybrid bond on the number of shares.

The dilutive effect of the hybrid bond on the number of shares was calculated by assuming that the remaining amount of the bond is fully converted into shares at the issuance date. In addition, the cumulative accrued interest during the whole loan period on the remaining loan amount was assumed to have been converted into shares at the issuance date. At the end of the 2017 reporting period, the hybrid bond in its entirety was converted into shares.

When calculating diluted earnings per share the number of shares is adjusted also with the effects of the share-based incentive plans.

Profit for the period

EUR thousand	2018	2017
Profit for the period	**-1,720**	**14,478**
Interest on hybrid bond net of tax	–	-481
Total	**-1,720**	**13,997**

Number of shares

Average share-issue adjusted number of shares	57,468,939	52,145,416
Average diluted share-issue adjusted number of shares excluding treasury shares	57,508,720	57,798,395

Earnings per share

EUR		
Basic	-0.03	0.27
Diluted	-0.03	0.25

32. ADJUSTMENTS TO STATEMENT OF CASH FLOWS

EUR thousand

Adjustments to cash flow from operations	2018	2017
Adjustments to profit for the period		
Income taxes	757	-2,048
Financial income and expenses	5,557	2,570
Depreciation, amortization and impairment losses	21,018	19,349
Gains and losses from disposal of property, plant and equipment and intangible assets	-4	5
Other non-cash flow items in profit for the period	-119	1,193
Total	**27,210**	**21,069**

33. RELATED PARTIES

Management remuneration

Remuneration of Board of Directors

EUR	2018 annual fee	2018 meeting fee	2017 annual fee	2017 meeting fee
Jan Johansson, Chair of the Board of Directors (from 15 March 2017)	60,000	7,000	60,001	–
Jorma Eloranta, Chair of the Board of Directors (until 15 March 2017)	–	–	–	5,500
Risto Anttonen, Deputy Chair of the Board	37,500	4,000	37,502	5,500
Hannu Kasurinen	28,000	4,000	27,998	5,500
Jaana Tuominen	28,000	4,000	27,998	5,500
Andreas Ahlström	28,000	3,500	27,998	5,500
Laura Raitio	28,000	4,000	27,998	5,500
Total	**209,500**	**26,500**	**209,495**	**33,000**

The Annual General Meeting held on 15 March 2018 resolved that 40% of the annual remuneration for the Board of Directors is paid in Suominen Corporation's shares. The number of shares transferred to the members of the Board of Directors as their remuneration payable in shares for 2018 was 23,742 shares. The shares were transferred on 31 May 2018 and the value of the transferred shares totaled EUR 83,788, or approximately EUR 3.53 per share.

The members of the Board of Directors have no pension arrangements with Suominen.

The members of the Board of Directors have no specific agreements related to termination of the membership in the Board due to a public tender offer.

Remuneration of the President & CEO

Nina Kopola, until 3 August 2018

EUR	2018	2017
Salaries	203,771	312,392
Bonus	64,979	49,586
Share-based payments	117,341	–
Severance payment, including salary during the period of notice	482,819	–
Total salaries	868,910	361,978
Fringe benefits	36,519	18,660
Total	**905,429**	**380,638**
Statutory pensions	108,019	55,497
Supplementary pensions	79,689	38,497

Fringe benefits and pensions include also fringe benefits and pensions based on severance payments. Bonus is an estimate of the bonus to be paid from 2018. In total the severance payment, including fringe benefit, pensions and bonus estimate is EUR 679 thousand.

Tapio Engström (CFO, interim President & CEO)
as paid

EUR	2018
Salaries	224,690
Bonuses	–
Share-based payments	62,246
Total salaries	286,936
Fringe benefits	240
Total	**287,176**
Statutory pensions	37,226

Tapio Engström acted as an interim President & CEO from 3 August 2018 to 7 January 2019. During that time he received increased base salary without any specific extra benefits. His remuneration of 2017 is included in "Remuneration of other members of the Corporate Executive Team".

A written contract has been made with the new President & CEO, Petri Helsky, who started in his position in January 2019. Based on the agreement he has a six-month period of notice. Should the company terminate the contract, additional compensation corresponding to the 12 months' salary will also be paid. The President & CEO has a supplementary pension plan, with a cost of 11.5% of his annual salary as defined in the Finnish Pension Law. The supplementary pension arrangement grants pension benefits at the age of 63. The President & CEO has no specific agreement related to termination of contract due to a public tender offer.

Remuneration of other members of the Corporate Executive Team
as paid

EUR	2018	2017
Salaries	1,030,183	1,301,474
Bonuses	–	31,960
Share-based payments	373,830	–
Total salaries	1,404,013	1,333,434
Fringe benefits	73,720	60,690
Total	**1,477,733**	**1,394,124**
Statutory pensions	148,649	172,177
Supplementary pensions	20,000	20,000

The members of the Corporate Executive Team have normally no other pension arrangements than statutory pensions. Supplementary pension arrangements in the USA are included in statutory pensions. The retirement age of other members of the Corporate Executive Team is according to the normal local legislation.

Share-based incentives plans are disclosed in Note 30 of the consolidated financial statements. The net of accruals and reversals of the accruals based on the non-vested share-based incentive plans was EUR -409 thousand at the end of the reporting period.

In 2018, in accordance with the terms of the share-based payment plans, 14,182 shares in Suominen Corporation were transferred to President & CEO Nina Kopola, 7,062 shares to CFO and President & CEO (interim) Tapio Engstöm, and 48,822 shares to other members of the Corporate Executive Team.

Management's share ownership
number of shares

Board of Directors	31 December 2018	31 December 2017
Jan Johansson, Chair of the Board of Directors	11,614	4,814
Risto Anttonen, Deputy Chair of the Board	36,089	31,839
Hannu Kasurinen	24,629	21,456
Jaana Tuominen	14,725	11,552
Andreas Ahlström	10,779	7,606
Laura Raitio	10,779	7,606
Total	**108,615**	**84,873**
Total % of shares and votes	0.19%	0.15%

Corporate Executive Team		
Nina Kopola, President & CEO, until 3 August 2018	–	85,172
Tapio Engström, CFO, President & CEO (interim) from 3 August 2018 until 7 January 2019	40,328	33,266
Larry L. Kinn	11,918	6,348
Lynda A. Kelly	18,759	10,000
Ernesto Levy	27,834	12,000
Mimoun Saïm	29,060	21,525
Hannu Sivula	35,647	29,345
Markku Koivisto	14,822	10,000
Total	**178,368**	**207,656**
Total % of shares and votes	0.31%	0.36%

Accounting principles

Parties are considered to be related parties if a party is able to exercise control over the other or substantially influence its decision-making concerning its finances and business operations.

Suominen Group's related parties include the parent of the Group (Suominen Corporation) and subsidiaries. In addition, the related parties of Suominen include the members of the Board of Directors, President & CEO and the members of the Corporate Executive Team as well as their family members and their controlled companies. In addition, shareholders who have a significant influence in Suominen through share ownership are included in related parties. Suominen has no associated companies.

In its transactions with related parties Suominen follows the same commercial terms as in transactions with third parties.

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

34. CONTINGENT LIABILITIES

EUR thousand

Guarantees and other commitments	2018	2017
On own commitments	10,516	9,865
Other own commitments	2,863	3,484
Total	**13,378**	**13,349**

Other contingencies		
Contractual commitments to acquire property, plant and equipment	1,128	86
Total	**1,128**	**86**

Guarantees on own commitments are guarantees given to suppliers.

Some subsidiaries of Suominen have guaranteed the external loans of Suominen Corporation. The maximum guaranteed amount is the unpaid principal of the loans and unpaid accrued interest expenses at the end of the reporting period.

Accounting principles – contingent liabilities

A contingent liability is a possible obligation which is not recognized as a liability in the statement of financial position as, for example, its existence is not yet confirmed and is not in control of the company. The management uses estimates to assess the amount of contingent liabilities.

Rental and leasing expenses

Total rental and leasing expenses	-4,313	-4,305

Minimum lease payments under non-cancellable operating leases in future periods		
Within one year	3,991	3,756
Between 1–5 years	9,545	3,113
After 5 years	2,180	1,745
Total	**15,716**	**8,614**

Minimum non-cancellable lease payments (rental income) in future periods		
Within one year	251	183
Between 1–5 years	113	52
After 5 years	–	–
Total	**363**	**235**

Accounting principles – leases (IAS 17)

Suominen Group has entered into various operating leases, the payments under which are treated as rentals and charged to profit or loss over the lease term.

Leases of property, plant and equipment where Suominen has substantially all the rewards and risks of ownership, are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Lease payments are allocated between liability and finance charges. The lease liabilities net of finance charges are included in interest-bearing liabilities with the interest element charged to profit or loss over the lease period.

Property, plant and equipment acquired under finance lease contracts are depreciated over the shorter of the useful life of the asset or the lease period.

IFRIC 4 Determining Whether an Arrangement Contains a Lease is applied to such agreements, which are not leases in legal form, but which in substance convey the right to use an asset for an agreed period of time in return for a payment. If an arrangement or part of it is determined to be a lease, it or part of it is classified as finance or operating lease and accounted for under the guidance in IAS 17 Leases.

Long-term leasing contracts on premises are classified as an operating leases as the risks and benefits related to ownership have not been transferred to the lessee and Suominen has no major obligations at the end of the lease period.

Rental income is recognized in accordance with the lease agreement during the lease period. Rental income is recognized as other operating income (Note 24).

Information of the application of the new lease standard (IFRS 16) from 1 January 2019 is described in Note 1.

35. RESTATEMENT OF PREVIOUSLY PUBLISHED FIGURES

EUR thousand

	Basis for restatement	Published 31 December 2017	Restatement	Restated 31 December 2017
Assets				
Non-current assets				
Goodwill		15,496	–	15,496
Intangible assets		17,470	–	17,470
Property, plant and equipment		136,649	–	136,649
Loan receivables		3,072	–	3,072
Equity instruments		777	–	777
Other non-current receivables		1,744	–	1,744
Deferred tax assets		5,142	–	5,142
Total non-current assets		**180,349**	**–**	**180,349**
Current assets				
Inventories		44,241	–	44,241
Trade receivables	IFRS 15 / IFRS 9	57,560	-3,626	53,934
Loan receivables		4,337	–	4,337
Other current receivables		4,236	–	4,236
Assets for current tax		7,703	–	7,703
Cash and cash equivalents		27,240	–	27,240
Total current assets		**145,318**	**-3,626**	**141,692**
Total assets		**325,666**	**-3,626**	**322,040**
Equity and liabilities				
Equity				
Share capital		11,860	–	11,860
Share premium account		24,681	–	24,681
Reserve for invested unrestricted equity		87,423	–	87,423
Treasury shares		-44	–	-44
Fair value and other reserves		264	–	264
Exchange differences		-3,151	–	-3,151
Retained earnings	IFRS 2	15,084	677	15,761
Total equity attributable to owners of the parent		**136,117**	**677**	**136,794**

	Basis for restatement	Published 31 December 2017	Restatement	Restated 31 December 2017
Liabilities				
Non-current liabilities				
Deferred tax liabilities		14,558	–	14,558
Liabilities from defined benefit plans		984	–	984
Other non-current liabilities	IFRS 2	350	-301	49
Debentures		95,192	–	95,192
Other non-current interest-bearing liabilities		162	–	162
Total non-current liabilities		**111,246**	**-301**	**110,945**
Current liabilities				
Current interest-bearing liabilities		15,118	–	15,118
Liabilities for current tax		32	–	32
Trade payables and other current liabilities	IFRS 2 / IFRS 15 / IFRS 9	63,154	-4,002	59,152
Total current liabilities		**78,304**	**-4,002**	**74,302**
Total liabilities		**189,550**	**-4,303**	**185,247**
Total equity and liabilities		**325,666**	**-3,626**	**322,040**

Measurement categories of financial assets

IAS 39 – published
a. Fair value through profit or loss
b. Loans and receivables
c. Available-for-sale assets

IFRS 9 – restated
d. Fair value through profit or loss
e. Financial assets at fair value through other comprehensive income
f. Financial assets at amortized cost

	Measurement category IAS 39			Measurement category IFRS 9		
EUR thousand	a.	b.	c.	d.	e.	f.
Equity instruments	–	–	777	347	429	–
Other non-current receivables	214	–	–	214	–	–
Loan receivables	–	7,409	–	4,337	–	3,072
Trade receivables	–	57,560	–	–	–	53,934
Derivatives	24	–	–	24	–	–
Interest and other financial receivables	–	670	–	–	–	670
Cash and cash equivalents	–	27,240	–	–	–	27,240
Total 31 December 2017	**238**	**92,880**	**777**	**4,923**	**429**	**84,916**

The carrying amount of trade receivables has been restated due to application of IFRS 15 and IFRS 9.

Key ratios per share

	Published 31 December 2017	Restated 31 December 2017
Equity per share		
Total equity attributable to owners of the parent	136,117	136,794
Share-issue adjusted number of shares at the end of reporting period, excluding treasury shares	57,382,939	57,382,939
Equity per share, EUR	2.37	2.38

Alternative performance measures(*

Equity ratio		
Total equity attributable to owners of the parent	136,117	136,794
Total assets	325,666	322,040
Advances received	-8	-8
Total	**325,659**	**322,033**
Equity ratio, %	41.8%	42.5%
Gearing		
Net debt at nominal value	81,360	81,360
Total equity	136,117	136,794
Gearing, %	59.8%	59.5%

(* Alternative performance measures are not a part of the financial statements.

36. EVENTS AFTER THE REPORTING PERIOD

Suominen announced on 9 January 2019 that the CFO of Suominen Corporation and a member of Suominen Executive Team Tapio Engström will leave Suominen on 8 July 2019 at the latest. Recruitment process for new CFO has been started.

Suominen announced on 30 January 2019 that the Board of Directors of Suominen Corporation resolved on a new share-based incentive plan for the Group management and Group key employees.

The three-year vesting period of the new share-based plan includes calendar years 2019–2021. The Board of Directors decides on the performance criteria and required performance levels for each criterion at the beginning of each vesting period. The plan is directed to approximately 20 people.

The potential reward of the plan from the vesting period 2019–2021 will be based on the Relative Total Shareholder Return (TSR). The rewards to be paid on the basis of the vesting period 2019–2021 correspond to the value of an approximate maximum total of 729,000 Suominen Corporation shares (including also the portion to be paid in cash).

The Board of Directors will be entitled to reduce the rewards agreed in the plan if the limits set by the Board of Directors for the share price are reached.

The potential rewards from the vesting periods 2019–2021 will be settled partly in shares and partly in cash in 2022. The cash portion is intended to cover taxes and tax-related costs arising from the reward to the participant. As a rule, no reward will be paid, if a participant´s employment or service ends before the reward payment.

A member of the Corporate Executive Team must hold 50% of the net number of shares given on the basis of the plan, as long as his or her shareholding in total corresponds to the value of half of his or her annual gross salary. The President & CEO of the Company must hold 50% of the net number of shares given on the basis of the plan, as long as his or her shareholding in total corresponds to the value of his or her annual gross salary. Such number of shares must be held as long as the participant’s employment or service in a group company continues.

Key ratios per share

Key ratios per share are share-issue adjusted.

	2018	2017	2016
Earnings per share, EUR	-0.03	0.27	0.29
Earnings per share, EUR, total, diluted	-0.03	0.25	0.26
Cash flow from operations per share, EUR	0.56	0.39	0.56
Equity per share, EUR	2.27	2.38 (**	2.81 (***
Price per earnings per share (P/E) ratio	-68.49	16.47	14.13
Dividend or return of capital per share, EUR (*	0.00	0.11	0.11
Dividend payout ratio / payout ratio for return of capital, %	N/A	41.0	37.6
Dividend yield, %	N/A	2.49	2.66
Number of shares, end of period, excluding treasury shares	57,496,249	57,382,939	50,772,555
Average number of shares excluding treasury shares	57,468,939	52,145,416	50,343,806
Average share-issue adjusted number of shares excluding treasury shares	57,468,939	52,145,416	50,343,806
Share price, end of period, EUR	2.05	4.42	4.14
Share price, period low, EUR	1.80	3.86	3.49
Share price, period high, EUR	4.60	5.22	6.20
Volume weighted average price during the period, EUR	3.10	4.53	4.24
Market capitalization, EUR million	117.9	253.6	210.2
Number of traded shares during the period	3,643,880	5,405,584	13,611,634
Number of traded shares during the period, % of average number of shares (share turnover)	6.3	10.4	27.0

(* 2018 the proposal of the Board of Directors to Annual General Meeting.
(** Restated due to application of new IFRS standards.
(*** In calculation of the key ratio equity includes the hybrid bond.

Calculation of key ratios per share

Key ratios per share are either IFRS key ratios (earnings per share) or required by Ordinance of the Ministry of Finance in Finland or alternative performance measures (cash flow from operations per share).

Earnings per share

$$\text{Basic earnings per share (EPS)} = \frac{\text{Profit for the period adjusted with interest on hybrid bond, net of tax}}{\text{Share-issue adjusted average number of shares excluding treasury shares}}$$

$$\text{Diluted earnings per share (EPS)} = \frac{\text{Profit for the period}}{\text{Average diluted share-issue adjusted number of shares excluding treasury shares}}$$

Calculation of earnings per share is disclosed in Note 31.

Cash flow from operations per share

$$\text{Cash flow from operations per share} = \frac{\text{Cash flow from operations}}{\text{Share-issue adjusted number of shares excluding treasury shares, end of reporting period}}$$

Reference		2018	2017
Consolidated statement of cash flows	Cash flow from operations, EUR thousand	32,148	22,152
Note 15	Share-issue adjusted number of shares excluding treasury shares, end of reporting period	57,496,249	57,382,939
	Cash flow from operations per share, EUR	0.56	0.39

Equity per share

$$\text{Equity per share} = \frac{\text{Total equity attributable to owners of the parent}}{\text{Share-issue adjusted number of shares excluding treasury shares, end of reporting period}}$$

Reference		2018	Restated 2017
Consolidated statement of financial position	Total equity attributable to owners of the parent, EUR thousand	130,513	136,794
Note 15	Share-issue adjusted number of shares excluding treasury shares, end of reporting period	57,496,249	57,382,939
	Equity per share, EUR	2.27	2.38

Dividend / return of capital per share

$$\text{Dividend / return of capital per share} = \frac{\text{Dividend paid / return of capital for the reporting period}}{\text{Number of issued shares at end of the period excluding treasury shares}}$$

Reference		2018	2017
The proposal by the Board	Dividend paid / return of capital for the reporting period, EUR thousand	0	6,312
Note 15	Number of issued shares at end of the period excluding treasury shares	57,496,249	57,382,939
	Dividend / return of capital per share, EUR	0.00	0.11

Dividend payout ratio / payout ratio for return of capital, %

$$\text{Dividend payout ratio / payout ratio for return of capital, \%} = \frac{\text{Dividend / return of capital per share x 100}}{\text{Basic earnings per share}}$$

Reference		2018	2017
	Dividend / return of capital per share x 100	0.00	11.00
Note 31	Basic earnings per share, EUR	-0.03	0.27
	Dividend payout ratio / payout ratio for return of capital, %	N/A	41.0

Dividend yield, %

$$\text{Dividend yield, \%} = \frac{\text{Dividend / return of capital per share x 100}}{\text{Share price at end of the period}}$$

Reference		2018	2017
	Dividend / return of capital per share x 100	0.00	11.00
Note 15	Share price at end of the period, EUR	2.05	4.42
	Dividend yield, %	N/A	2.49

Price per earnings per share (P/E)

Price per earnings per share (P/E) = Share price at end of the period / Basic earnings per share

Reference		2018	2017
Note 15	Share price at end of the period, EUR	2.05	4.42
Note 31	Basic earnings per share, EUR	-0.03	0.27
	Price per earnings per share (P/E)	-68.49	16.47

Market capitalization

Market capitalization = Number of shares at the end of reporting period excluding treasury shares x share price at the end of period

Reference		2018	2017
Note 15	Number of shares at the end of reporting period excluding treasury shares	57,496,249	57,382,939
Note 15	Share price at end of the period, EUR	2.05	4.42
	Market capitalization, EUR million	117.9	253.6

Share turnover

Share turnover = The proportion of number of shares traded during the period to weighted average number of shares excluding treasury shares

Reference		2018	2017
Note 15	Number of shares traded during the period	3,643,880	5,405,584
Note 15	Average number of shares excluding treasury shares	57,468,939	52,145,416
	Share turnover, %	6.3	10.4

Parent company financial statements (FAS)

Income statement

EUR	Note	1 January– 31 December 2018	1 January– 31 December 2017
Net sales		**22,787,995.48**	**21,573,935.06**
Cost of goods sold		-2,666,268.11	-1,791,147.75
Gross profit		**20,121,727.37**	**19,782,787.31**
Other operating income	2	200,080.49	215,554.78
Sales and marketing expenses		-1,488,847.90	-1,628,136.59
Research and development		-1,138,671.41	-2,603,629.41
Administration expenses		-9,697,284.11	-7,970,353.16
Other operating expenses	2	-10,178,307.89	-9,600,500.36
Operating loss		**-2,181,303.45**	**-1,804,277.43**
Financial income	6	11,671,536.83	12,663,887.68
Financial expenses	6	-5,808,210.78	-12,490,660.91
Total financial income and expenses		**5,863,326.05**	**173,226.77**
Profit / loss before changes in untaxed reserves and income taxes		**3,682,022.60**	**-1,631,050.66**
Change in depreciation difference	7	-604,846.66	1,223,080.72
Income taxes	8	-14,908.70	-54,916.40
Profit / loss for the period		**3,062,267.24**	**-462,886.34**

Balance sheet

EUR	Note	31 December 2018	31 December 2017
ASSETS			
Non-current assets			
Intangible assets	5,9	16,368,892.48	12,026,782.06
Tangible assets	5,10	85,764.72	117,977.93
Investments			
Shares in subsidiaries	11	107,869,783.56	107,869,783.56
Other investments	11	28,500.46	28,500.46
Loan receivables			
Loan receivables from group companies		78,295,611.33	77,149,424.47
Loan receivables from others		3,348,327.28	3,071,859.89
Other non-current receivables	12	5,800.00	9,600.00
Total non-current assets		**206,002,679.83**	**200,273,928.37**
Current assets			
Loan receivables		4,016,847.50	4,337,383.76
Other current receivables	12	36,340,147.23	44,718,299.80
Cash and cash equivalents		21,898,890.63	18,890,446.78
Total current assets		**62,255,885.36**	**67,946,130.34**
TOTAL ASSETS		**268,258,565.19**	**268,220,058.71**

EUR	Note	31 December 2018	31 December 2017
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	14	11,860,056.00	11,860,056.00
Share premium account		24,680,587.83	24,680,587.83
Reserve for invested unrestricted equity		81,185,166.57	87,423,152.11
Other equity		6,592,975.31	7,055,861.65
Profit / loss for the period		3,062,267.24	-462,886.34
Total shareholders' equity	**13**	**127,381,052.95**	**130,556,771.25**
Untaxed reserves			
Depreciation difference		760,248.73	155,402.07
Liabilities			
Non-current liabilities			
Interest-bearing liabilities			
Debentures	15	85,000,000.00	100,730,000.00
Total non-current liabilities		**85,000,000.00**	**100,730,000.00**
Current liabilities			
Interest-bearing liabilities			
Debentures	15	15,730,000.00	–
Loans from financial institutions	15	5,000,000.00	15,000,000.00
Current loans from group companies	15	30,787,495.00	18,724,132.58
Trade payables and other non-current liabilities	16	3,599,768.51	3,053,752.81
Total current liabilities		**55,117,263.51**	**36,777,885.39**
Total liabilities		**140,117,263.51**	**137,507,885.39**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**268,258,565.19**	**268,220,058.71**

Cash flow statement

EUR thousand	Note	1 January– 31 December 2018	1 January– 31 December 2017
Cash flow from operations			
Profit / loss for the period		**3,062**	**-463**
Adjustments to profit / loss for the period	19	-3,305	1,293
Cash flow from operations before change in net working capital		-243	830
Increase (-) or decrease (+) in trade and other receivables		670	1,460
Increase (+) or decrease (-) in interest-free current liabilities		1,108	-203
Cash flow from operations before payments of financial items and income taxes		1,535	2,087
Paid and received interests and other financial items		2,276	1,222
Paid income taxes		-26	-43
Cash flow from operations		**3,784**	**3,267**
Cash flow from investments			
Capital expenditure	9,10	-6,995	-4,823
Proceeds from disposal of tangible and intangible assets		–	70
Dividend income from subsidiaries		1,897	5,921
Cash flow from investments		**-5,098**	**1,167**

EUR thousand	Note	1 January– 31 December 2018	1 January– 31 December 2017
Cash flow from financing			
Change in non-current interest-bearing liabilities	15	–	25,730
Change in current interest-bearing liabilities	15	1,392	-29,535
Change in non-current loan receivables		2,100	-937
Change in current loan receivables		7,261	8,393
Tender and issuance costs of the bonds		–	-5,190
Return of capital / distribution of dividends	13	-6,322	-5,585
Cash flow from financing		**4,431**	**-7,124**
Change in cash and cash equivalents		**3,118**	**-2,690**
Cash and cash equivalents 1 January		18,890	24,246
Exchange difference on cash and cash equivalents		-109	-2,666
Change in cash and cash equivalents		3,118	-2,690
Cash and cash equivalents 31 December		**21,899**	**18,890**

1. ACCOUNTING POLICIES

Suominen Corporation is a public limited liability company organized under the laws of the Republic of Finland and domiciled in Helsinki, Finland (Itämerentori 2, 00180 Helsinki, Finland). Suominen's shares are publicly traded on Nasdaq Helsinki Ltd. (Mid Cap) in Helsinki, Finland. Suominen Corporation is the parent company of the Group.

The financial statements of Suominen Corporation are prepared in accordance with Finnish Accounting Standards (FAS). The consolidated financial statements of Suominen Group are prepared in accordance with International Financial Reporting Standards (IFRS), and Suominen Corporation applies in its separate financial statements the same accounting principles as Suominen Group to the extent it is possible within the framework of Finnish accounting practice. The accounting principles of Suominen Group are presented in the notes to the consolidated financial statements.

The main differences in the accounting principles between Suominen Corporation's separate financial statements and Suominen Group's consolidated financial statements are presented below.

Net sales

Net sales consist of sales of services to group companies and of royalty income.

Financial assets and liabilities and derivative instruments

Financial assets and liabilities with the exception of derivative instruments are recognized at cost or at cost less impairment losses. Derivatives are recognized at fair value. Currency derivatives, if not hedging financial items, are recognized in other operating income and expenses. If hedge accounting as defined in IFRS 9 is applied, the effective portion of changes in the fair value of derivatives is recognized in fair value reserve in equity. Both fair value measurement of derivatives as well as hedge accounting are presented in Note 19 of the consolidated financial statements.

Finance leasing

Lease payments are recognized as lease expenses. Leasing obligations are presented as contingent liabilities.

Untaxed reserves

Untaxed reserves consist of a depreciation difference. This difference between scheduled depreciation and amortization and the depreciation and amortization deducted in arriving to taxable profit is presented as a separate item in the income statement and in the balance sheet.

2. OTHER OPERATING INCOME AND EXPENSES

EUR thousand

	1 January–31 December 2018	1 January–31 December 2017
Other operating income		
Gains from currency derivatives	–	206
Other operating income	200	9
Total	**200**	**216**
Other operating expenses		
Services purchased from group companies	-10,106	-9,545
Losses from currency derivatives	-65	-15
Other operating expenses	-8	-41
Total	**-10,178**	**-9,601**

3. PERSONNEL EXPENSES

EUR thousand

Salaries	-3,538	-2,880
Pension expenses	-418	-485
Other personnel costs	-223	-143
Total	**-4,179**	**-3,508**
Average number of personnel	27	30
Number of personnel, end of period	29	28

Management remuneration

Management remuneration is presented in Note 33 of the consolidated financial statements.

4. AUDIT FEES

EUR thousand

	1 January–31 December 2018	1 January–31 December 2017
Statutory audit	-128	-116
Tax consulting	-6	-22
Other services	-68	-33
Total	**-201**	**-171**

Ernst & Young Oy (EY) has been acting as the principal auditor of the Group and the parent company since the Annual General Meeting of 2015.

5. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

EUR thousand

Depreciation, amortization and impairment by function		
Cost of goods sold	-603	-360
Sales and marketing expenses	-365	-197
Research and development	-173	-1 416
Administration expenses	-699	-537
Total	**-1,840**	**-2,510**
Depreciation, amortization and impairment by asset category		
Machinery and equipment	-38	-79
Intangible rights	-1,802	-2,432
Total	**-1,840**	**-2,510**

6. FINANCIAL INCOME AND EXPENSES

EUR thousand

	1 January–31 December 2018	1 January–31 December 2017
Interest income from group companies	6,276	6,088
Interest income from others	655	606
Dividend income from group companies	1,897	5,921
Other financial income from group companies	45	48
Net currency exchange differences	2,799	-6,839
Interest expenses to group companies	-112	-88
Interest expenses to others	-3,002	-4,285
Impairment losses and fair value changes of financial assets	-604	–
Other financial expenses to others	-2,090	-1,278
Total	**5,863**	**173**

7. APPROPRIATIONS

EUR thousand

Increase (-) or decrease (+) in cumulative depreciation difference	-605	1,223
Total	**-605**	**1,223**

8. INCOME TAXES

EUR thousand

Withholding taxes and other direct taxes	-18	-55
Income taxes from previous years	4	–
Total	**-15**	**-55**

9. INTANGIBLE ASSETS

EUR thousand

	Intangible rights	Advance payments and construction in progress	**Total 2018**	Total 2017
Acquisition cost 1 January	16,349	7,523	**23,872**	18,106
Additions	120	6,024	**6,144**	5,962
Decreases and disposals	–	–	**–**	-196
Reclassifications	8,980	-8,980	**–**	–
Acquisition cost 31 December	**25,450**	**4,566**	**30,016**	23,872
Accumulated amortization 1 January	-11,845	–	**-11,845**	-9,504
Amortization for the period	-1,802	–	**-1,802**	-2,432
Decreases and disposals	–	–	**–**	90
Accumulated amortization 31 December	**-13,647**	**–**	**-13,647**	-11,845
Carrying amount 31 December	**11,803**	**4,566**	**16,369**	12,027

10. TANGIBLE ASSETS

EUR thousand

	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	**Total 2018**	Total 2017
Acquisition cost 1 January	444	18	–	**462**	560
Additions	–	–	6	**6**	39
Decreases and disposals	–	–	–	**–**	-137
Acquisition cost 31 December	**444**	**18**	**6**	**468**	462
Accumulated depreciation 1 January	-344	–	–	**-344**	-402
Depreciation for the period	-38	–	–	**-38**	-79
Decreases and disposals	–	–	–	**–**	137
Accumulated depreciation 31 December	**-382**	**–**	**–**	**-382**	-344
Carrying amount 31 December	**62**	**18**	**6**	**86**	118

11. INVESTMENTS

EUR thousand

	Shares in group companies	Other investments	**Total 2018**	Total 2017
Carrying amount 1 January	107,870	29	**107,898**	107,898
Carrying amount 31 December	**107,870**	**29**	**107,898**	107,898

Group companies are presented in Note 8 of the consolidated financial statements.

	Share of shares and votes, %	Number of shares	Nominal value of shares, EUR thousand	Carrying amount of shares, EUR thousand	Equity of the company, EUR thousand	Profit/loss in the latest financial state-ments, EUR thousand
Kiinteistö Oy Killinpolku, Virrat, Finland	25.0	1	8	8	-	-
Bright Maze Oy, Helsinki, Finland	19.9	19,900	20	20	-3,013	-499

12. RECEIVABLES

EUR thousand

	31 December 2018	31 December 2017
Non-current receivables		
Rental deposits	6	10
Total non-current receivables	**6**	**10**
Current receivables		
Other receivables	**185**	**380**
Prepaid expenses and accrued income		
Income taxes	400	397
Receivables from sale of subsidiary shares	–	214
Transaction costs of loans	4,384	5,600
Prepaid expenses	357	–
Unrealized gain from currency derivatives	9	24
Other	–	6
Total prepaid expenses and accrued income	**5,150**	**6,241**
Receivables from group companies		
Trade receivables	–	320
Interest-bearing receivables	31,005	36,957
Interest-free receivables	–	820
Total	**31,005**	**38,097**
Total other current receivables	**36,340**	**44,718**

13. SHAREHOLDERS' EQUITY

EUR thousand

	31 December 2018	31 December 2017
Share capital 1 January and 31 December	11,860	11,860
Share premium account 1 January and 31 December	24,681	24,681
Treasury shares 1 January and 31 December	-44	-44
Reserve for invested unrestricted equity 1 January	87,423	70,855
Return of capital	-6,322	–
Conveyance of treasury shares	84	84
Conversion of hybrid bond	–	16,484
Unpaid returns of capital	0	–
Reserve for invested unrestricted equity 31 December	81,185	87,423
Fair value reserve 1 January	–	43
Fair value changes	–	-43
Fair value reserve 31 December	–	–
Retained earnings 1 January	6,637	12,684
Dividend distribution	–	-5,585
Retained earnings 31 December	6,637	7,099
Profit / loss for the period	3,062	-463
Shareholders' equity 31 December	**127,381**	**130,557**

Distributable funds EUR	**31 December 2018**
Retained earnings 31 December	6,636,595
Reserve for invested unrestricted equity 31 December	81,185,167
Treasury shares 31 December	-43,619
Profit / loss for the period	3,062,267
Distributable funds	**90,840,409**

Funds available for dividend distribution EUR	
Retained earnings 31 December	6,636,595
Treasury shares 31 December	-43,619
Profit / loss for the period	3,062,267
Funds available for dividend distribution	**9,655,243**

14. SHARE CAPITAL

Share capital and shares are presented in Note 15 of the consolidated financial statements.

15. INTEREST-BEARING LIABILITIES

EUR thousand

	31 December 2018	31 December 2017
Non-current interest-bearing liabilities		
Debentures	85,000	100,730
Total non-current interest-bearing liabilities	**85,000**	**100,730**
Current interest-bearing liabilities		
Debentures	15,730	–
Loans from financial institutions	5,000	15,000
Loans from group companies	30,787	18,724
Total current interest-bearing liabilities	**51,517**	**33,724**
Total interest-bearing liabilities	**136,517**	**134,454**

Repayments of external non-current interest-bearing liabilities

	2019	2020	2021	2022	2023
Debentures	–	–	–	85,000	–

16. INTEREST-FREE LIABILITIES

EUR thousand

	31 December 2018	31 December 2017
Current interest-free liabilities		
Trade payables	1,412	1,692
Other current liabilities	89	134
Accrued expenses		
Accrued interest expenses	725	736
Accrued personnel expenses	1,073	484
Other accrued expenses	40	8
Total accrued expenses	**1,838**	**1,228**
Liabilities to group companies		
Trade payables	260	–
Total	**260**	**–**
Total current interest-free liabilities	**3,600**	**3,054**

17. CONTINGENT LIABILITIES

EUR thousand

	31 December 2018	31 December 2017
Guarantees		
On behalf of group companies	12,318	12,490
On own behalf	89	61
Total	**12,408**	**12,551**

Guarantees on behalf of group companies are guarantees given to suppliers and lessors.

Rental and leasing obligations		
Falling due within next 12 months	250	239
Falling due later	509	365
Total	**760**	**604**

18. DERIVATIVE INSTRUMENTS

EUR thousand

Nominal and fair values of derivative instruments	31 December 2018	
	Nominal value	Fair value
Currency forward contracts		
External	1,397	9

Nominal and fair values of derivative instruments	31 December 2017	
	Nominal value	Fair value
Currency forward contracts		
External	1,334	24

19. ADJUSTMENTS TO CASH FLOW STATEMENT

EUR thousand

	1 January–31 December 2018	1 January–31 December 2017
Adjustment to profit / loss for the period		
Change in depreciation difference	605	-1,223
Financial income and expenses	-5,863	-173
Income taxes	15	55
Depreciation and amortization	1,840	2,510
Other non-cash items in profit for the period	98	124
Total adjustments to profit / loss for the period	**-3,305**	**1,293**

Proposal by the Board of Directors for the use of the profit

The profit of the financial year 2018 of Suominen Corporation, the parent company of Suominen Group, was EUR 3,062,267.24. The funds distributable as dividends, including the profit for the period, were EUR 9,655,243 and total distributable funds were EUR 90,840,409.

The Board of Directors proposes that no dividend will be distributed and no capital will be returned from the reserve for invested unrestricted equity for the financial year 2018 and that the profit shall be transferred to retained earnings.

There have been no significant changes in the company's financial position after the end of the review period.

Helsinki 30 January 2019

Jan Johansson Chair of the Board	Risto Anttonen	Andreas Ahlström
Hannu Kasurinen	Laura Raitio	Jaana Tuominen
	Petri Helsky President & CEO	

Auditor's report

(Translation of the Finnish original)

To the Annual General Meeting of Suominen Corporation

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Suominen Corporation (business identity code 1680141-9) for the year ended 31 December, 2018. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

• the consolidated financial statements give a true and fair view of the Group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

• the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report.

We are independent of the parent company and of the Group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in Note 25 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Revenue recognition

We refer to the Group's accounting policies and the Note 22

Revenue from customer contracts is recognised when the control of the underlying products have been transferred to the customer.

The management of the Group focuses on sales as a key performance measure which could create an incentive for sales to be recognized before the risks and rewards have been transferred.

Revenue recognition was determined to be a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2) due to the identified risk of material misstatement in timely revenue recognition.

Our audit procedures to address the risk of material misstatement relating to revenue recognition, included, among others:

• assessing the Group's accounting policies over revenue recognition and comparing them with applicable accounting standards;

• understanding the nature of revenues, degree of automation and unusual contractual terms;

• testing revenue recognition including testing the associated internal controls where applicable. Our testing included obtaining third party confirmations, agreeing recognized amounts to customer contracts and verifying the customer acceptance of delivery, where relevant.

• performing substantive analytical audit procedures on revenues; and

• assessing the Group's disclosures in respect of revenues.

Income taxes

Refer to the Critical accounting estimates and judgments and Note 29

The Group operates in a number of jurisdictions around the world, with differing tax regimes. When preparing the financial statements, management makes assumptions and judgments in relation to tax issues and exposures. Income taxes was a key audit matter due to the inherent uncertainty of complying with evolving tax regulations in multiple different tax jurisdictions and the recovery of deferred tax assets recognised with respect to tax loss carryforwards.

Our audit procedures to address the risk of material misstatement relating to revenue recognition, included, among others:

- We assessed the Group's process around recording and assessing income taxes.
- We involved our tax specialists to assist us in performing an assessment of the Group's correspondence with relevant tax authorities, to evaluate the recorded tax provisions for relevant risks.
- We assessed the assumptions used with our tax specialists, especially related to the utilization of deferred tax assets.
- We assessed relevant tax opinions from third parties obtained by the management.
- We also considered the appropriateness of the Group's disclosures in respect of income taxes.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the Group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the Group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 19.3.2015, and our appointment represents a total period of uninterrupted engagement of 4 years.

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 30.1.2019

Ernst & Young Oy
Authorized Public Accountant Firm

Toni Halonen
Authorized Public Accountant

Key ratios

	2018	2017	2016
Net sales, EUR million	431.1	426.0	416.9
Comparable operating profit, EUR million	4.6	15.0	25.6
% of net sales	1.1	3.5	6.1
Operating profit, EUR million	4.6	15.0	25.6
% of net sales	1.1	3.5	6.1
Profit before income taxes, EUR million	-1.0	12.4	22.4
% of net sales	-0.2	2.9	5.4
Profit for the period, EUR million	-1.7	14.5	15.2
% of net sales	-0.4	3.4	3.7
Cash flow from operations, EUR million	32.1	22.2	28.5
Total assets, EUR million	320.7	322.0 (*	315.6 (**
Return on equity (ROE), %	-1.3	10.6	11.6 (**
Return on invested capital (ROI), %	2.3	6.6	11.6 (**
Equity ratio, %	40.7	42.5 (*	45.3 (**
Interest-bearing net debt, EUR million	70.8	81.4	56.6
Capital employed, EUR million	232.0	247.3 (*	237.3 (**
Gearing, %	54.2	59.5 (*	39.6 (**
Gross capital expenditure, EUR million	13.6	37.2	53.3
% of net sales	3.2	8.7	12.8
Depreciation, amortization, impairment losses and reversals of impairment losses, EUR million	-21.0	-19.3	-18.5
Expenditure on research and development, EUR million	3.5	4.7	4.3
as % of net sales	0.8	1.1	1.0
Average number of personnel	676	670	646

(* Restated due to application of new IFRS standards.

(** In calculation of the key ratio equity includes the hybrid bond.

Calculation of key ratios

Some of Suominen's key ratios are alternative performance measures. An alternative performance measure is a key ratio which has not been defined in IFRS standards. Suominen believes that the use of alternative performance measures provides useful information for example to investors regarding the Group's financial and operating performance and makes it easier to make comparisons between the reporting periods.

Operating profit and comparable operating profit

Operating profit, or earnings before interest and taxes (EBIT) is an important measure of profitability as by ignoring income taxes and financial items it focuses solely on the company's ability to generate profit from operations. Operating profit is presented as a separate line item in the consolidated statement of profit or loss.

Operating profit (EBIT)	=	Profit before income taxes + net financial expenses
Comparable operating profit (EBIT)	=	Profit before income taxes + net financial expenses, adjusted with items affecting comparability

In order to improve the comparability of result between reporting periods, Suominen presents comparable operating profit as an alternative performance measure. Operating profit is adjusted with material items that are considered to affect comparability between reporting periods. These items include, among others, impairment losses or reversals of impairment losses, gains or losses from the sales of property, plant and equipment or intangible assets or other assets and restructuring costs. Suominen did not have any items affecting comparability in 2018 or 2017.

EBITDA

EBITDA is an important measure that focuses on the operating performance excluding the effect of depreciation and amortization, financial items and income taxes, in other words what is the margin on net sales after deducting operating expenses.

EBITDA	=	EBIT + depreciation, amortization and impairment losses

Reference	EUR thousand	2018	2017
Consolidated statement of profit or loss	Operating profit	4,594	15,000
Note 27	+ Depreciation, amortization and impairment losses	21,018	19,349
	EBITDA	25,613	34,349

Gross capital expenditure

Suominen considers gross capital expenditure as a relevant measure in order to understand for example how the Group maintains and renews its production machinery and facilities.

Gross capital expenditure includes also capitalized borrowing costs and capitalized cash flow hedges.

Reference	EUR thousand	2018	2017
Note 6	Increases in intangible assets	6,157	6,027
Note 7	Increases in property, plant and equipment	7,423	31,183
	Gross capital expenditure	13,580	37,210

Cash and cash equivalents

Cash and cash equivalents = Cash + other financial assets

Interest-bearing net debt

Suominen considers interest-bearing net debt to be an important measure for investors to be able to understand the Group's indebtedness. It is the opinion of Suominen that presenting interest-bearing liabilities not only at amortized cost but also at nominal value gives relevant additional information to the investors.

Interest-bearing net debt = Interest-bearing liabilities at nominal value – interest-bearing receivables – cash and cash equivalents

Reference	EUR thousand	2018	2017
Note 17	Interest-bearing liabilities	101,463	110,472
	Tender and issuance costs of the debentures	4,429	5,538
Note 11	Interest bearing receivables	-7,365	-7,409
Consolidated statement of financial position	Cash and cash equivalents	-27,757	-27,240
	Interest-bearing net debt	70,770	81,360
Note 17	Interest-bearing liabilities	101,463	110,472
	Tender and issuance costs of the debentures	4,429	5,538
Note 17	Nominal value of interest-bearing liabilities	105,892	116,010

Return on equity (ROE), %

The return on equity is one of the most important profitability ratios used by owners and investors. The ratio measures the ability of a company to generate profits from its shareholders' investments in the company and it defines the yield on the company's equity during the reporting period.

$$\text{Return on equity (ROE), \%} = \frac{\text{Profit for the reporting period (rolling 12 months) x 100}}{\text{Total equity attributable to owners of the parent (quarterly average)}}$$

Reference	EUR thousand	2018	Restated 2017
Consolidated statement of profit or loss	Profit for the reporting period (rolling 12 months)	-1,720	14,478
	Total equity attributable to owners of the parent 31 December 2017 (* / 2016	136,794	142,824
	Total equity attributable to owners of the parent 31 March 2018 / 2017	126,866	139,902
	Total equity attributable to owners of the parent 30 June 2018 / 2017	132,631	134,074
	Total equity attributable to owners of the parent 30 September 2018 / 2017	130,981	132,564
Consolidated statement of financial position	Total equity attributable to owners of the parent 31 December 2018 / 2017 (*	130,513	136,794
	Average	131,557	137,232
	Return on equity (ROE), %	-1.3	10.6

(* Restated.

Invested capital

Invested capital = Total equity + interest-bearing liabilities

Reference	EUR thousand	2018	Restated 2017
Consolidated statement of financial position	Total equity attributable to owners of the parent	130,513	136,794 (*
Note 17	Interest-bearing liabilities	101,463	110,472
	Invested capital	231,977	247,266

(* Restated.

Return on invested capital (ROI), %

Return on invested capital is one of the most important key ratios. It measures the relative profitability of the company, ie. the yield on the capital invested in the company.

$$\text{Return on invested capital (ROI), \%} = \frac{\text{Operating profit + financial income (rolling 12 months) x 100}}{\text{Invested capital, quarterly average}}$$

Reference

Consolidated statement of profit or loss

Note 28

EUR thousand	2018	Restated 2017
Operating profit (rolling 12 months)	4,594	15,000
Financial income (rolling 12 months)	801	758
Total	5,395	15,758
Invested capital 31 December 2017 (* / 2016	247,266	237,321
Invested capital 31 March 2018 / 2017	232,580	244,103
Invested capital 30 June 2018 / 2017	238,589	234,892
Invested capital 30 September 2018 / 2017	227,186	229,735
Invested capital 31 December 2018 / 2017 (*	231,977	247,266
Average	235,520	238,663
Return on invested capital (ROI), %	2.3	6.6

(* Restated.

Equity ratio, %

Equity ratio is an important key ratio as it measures the solidity of the company, the company's tolerance for losses and ability to cover its long-term commitments. The performance measure shows how much of the company's assets are financed with equity. The equity creates a buffer against potential losses, and equity ratio represents the level of this buffer.

$$\text{Equity ratio, \%} = \frac{\text{Total equity attributable to owners of the parent x 100}}{\text{Total assets - advances received}}$$

Reference	EUR thousand	2018	Restated 2017
Consolidated statement of financial position	Total equity attributable to owners of the parent	130,513	136,794
Consolidated statement of financial position	Total assets	320,720	322,040
Note 21	Advances received	-27	-8
		320,694	322,032
	Equity ratio, %	40.7	42.5

Gearing, %

Gearing represents the ratio between the equity invested by the owners of the company and the interest-bearing liabilities borrowed from financiers. Gearing is an important performance measure in assessing the financial position of a company. A high gearing is a risk factor which might limit the possibilities for growth of a company and narrow its financial freedom.

$$\text{Gearing, \%} = \frac{\text{Interest-bearing net debt x 100}}{\text{Total equity}}$$

Reference	EUR thousand	2018	Restated 2017
	Interest-bearing net debt	70,770	81,360
Consolidated statement of financial position	Total equity attributable to owners of the parent	130,513	136,794
	Gearing, %	54.2	59.5

Information for shareholders

Financial information

In 2019, Suominen Corporation discloses financial information on quarterly basis and will publish the following financial releases:

Interim Report January–March on Wednesday 24 April approximately at 3.00 pm

Half Year Report January–June on Wednesday 7 August approximately at 1.00 pm

Interim Report January–September on Tuesday 22 October approximately at 3.00 pm.

Suominen's Financial Statement Release of 2018 was published on 31 January 2019. All times are Eastern European Time (EET/EEST).

Financial reports and other Stock Exchange Releases are published in Finnish and English and are available on the company's website www.suominen.fi immediately after their publication. The English editions are translations of the Finnish originals, which will prevail in the event of any dispute.

The Annual General Meeting

Notice is given to the shareholders of Suominen Corporation to the Annual General Meeting to be held on Tuesday 19 March 2019 at 10.00 am at Finlandia Hall (Helsinki Hall), at the address Mannerheimintie 13 e, 00100 Helsinki. The reception of persons who have registered for the meeting will commence at 9.00 am. During the coffee service after the Annual General Meeting, shareholders will have the opportunity to meet the management of the company.

Notice of the Annual General Meeting has been announced as stock exchange release on 31 January 2019. All materials to the Annual General Meeting are available on the company's website www.suominen.fi > Investors > Corporate Governance > General Meetings of Shareholders > AGM 2019.

Each shareholder who is registered on 7 March 2019 in the shareholders' register of the company held by Euroclear Finland Ltd has the right to participate in the Annual General Meeting. A shareholder whose shares are registered on his/her personal Finnish book-entry account is registered in the shareholders' register of the company.

A shareholder, who wishes to participate in the Annual General Meeting, shall register for the meeting no later than 14 March 2019 before 4.00 pm (EET) by giving a prior notice of participation, which shall be received by the company no later than on the abovementioned date and time. Such notice can be given:

a) by e-mail to the address agm@suominencorp.com

b) by telephone +358 (0)10 214 3551, Monday-Friday between 8.00 a.m. and 4.00 p.m.

c) by regular mail to Suominen Corporation, Itämerentori 2, FI-00180 Helsinki, Finland

d) by fax +358 (0)9 773 1109

In connection with the registration, a shareholder shall notify his/her name, personal identification number, address, telephone number and the name of a possible assistant or proxy representative and the personal identification number of the proxy representative.

Payment of the dividend

The Board of Directors proposes that no dividend will be distributed and no capital will be returned from the reserve for invested unrestricted equity for the financial year 2018 and that the profit shall be transferred to retained earnings.

Investor relations

For investors, the primary point of contact at Suominen is Emilia Peltola, Vice President, Corporate Communications & IR, tel. +358 10 214 3082.

Requests for management appointments shall be addressed to Eeva Oinonen, Executive Assistant, PA to President & CEO, tel. +358 10 214 3551.

E-mail addresses follow the format firstname.lastname@suominencorp.com.

Closed and silent period

Suominen applies the principle of closed period before the publications of its financial reports. The time frame of the closed period is 30 calendar days. During the closed period, defined Directors and Core persons of Suominen may not trade or conduct other transactions relating to the share or another financial instrument of the company. In 2019, the closed periods are scheduled as follows:

26 March–24 April

9 July–7 August

23 September–22 October

Additionally, Suominen applies the principle of silent period. It commences 30 days prior to the publishing of a financial report and ends on the date publishing thereof. No investor meetings are organized during the silent period nor are the Group's financial results or development commented.

Suominen Corporation

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Suominen