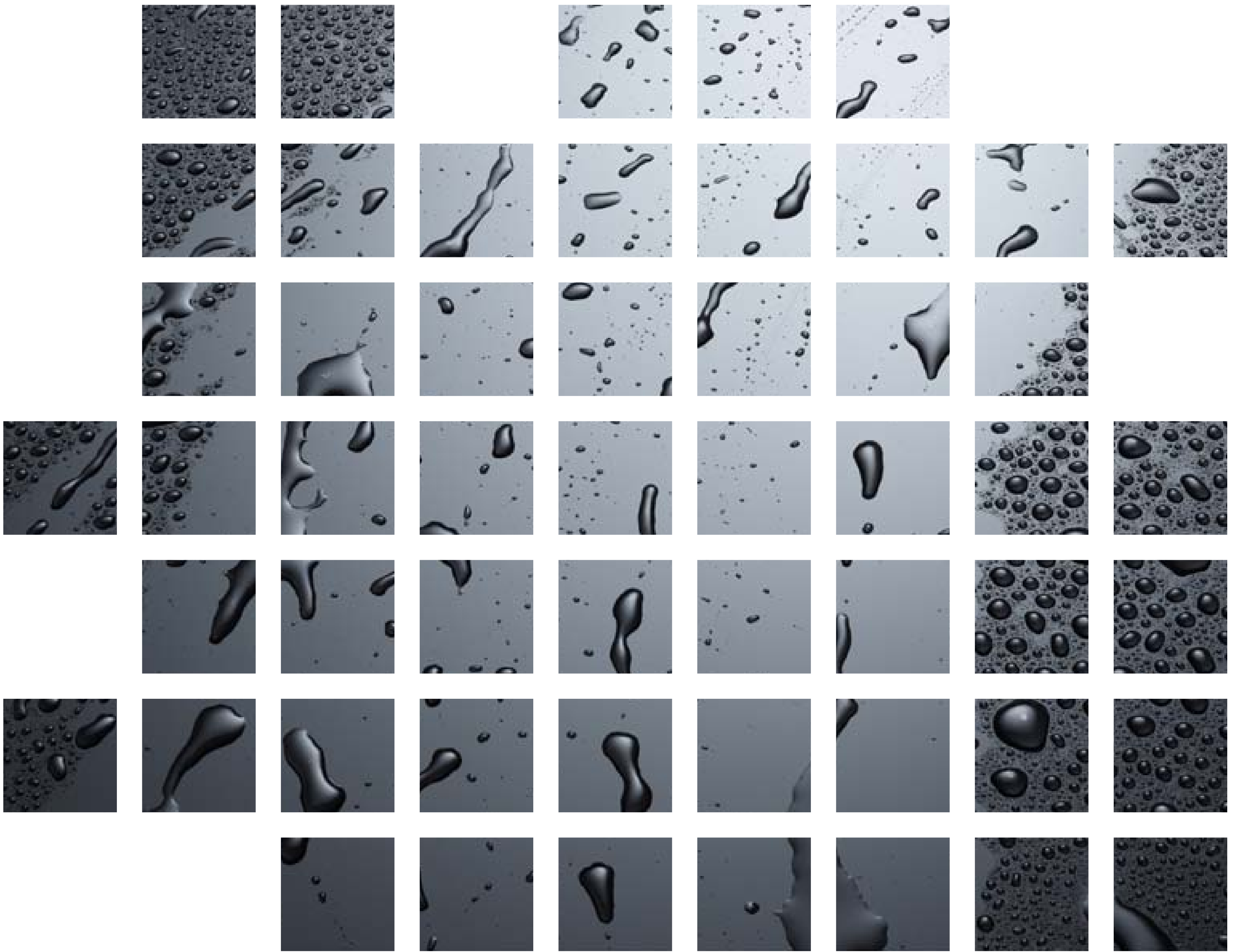
Suominen
Creating Convenience



Financial Statements 2011

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Report by the Board of Directors

During the year under review, Suominen acquired the Home and Personal nonwovens business, with net sales of approximately EUR 320 million, from Ahlstrom Corporation. As a result of the acquisition, Suominen has become the global market leader in nonwovens for wipes. The transaction was valued at approximately EUR 170 million, around EUR 87 million of which was raised through a share issue.

The merger entered into force as of 1 November 2011, which means the net sales and result of the acquired business was included in Suominen's financial figures for two months. Suominen's net sales in 2011 were EUR 216.3 million; net sales in the previous year were EUR 173.4 million. Operating profit for the year, excluding non-recurring items, were negative, and stood at EUR 1.1 million (–3.8). Non-recurring items of EUR 3.7 million (7.1 million) related to the business acquisition and to the closure of the plant in Nastola. The low economic cycle affected Suominen's business such that customers' purchasing behaviour was cautious and price-conscious. Nonwovens' comparable sales volumes remained at the previous year's level, but Codi Wipes' and Flexibles' volumes decreased. The result improved mostly as a result of lower operating expenses.

Earnings per share were EUR –0.11 (–0.34). Cash flow from operations was EUR –0.03 per share (–0.06). The Board of Directors proposes that no dividend be paid for the financial year 2011.

Group financial results

Suominen generated net sales of EUR 85.5 million (45.3) in the fourth quarter. Operating profit before non-recurring items was EUR 0.3 million (–3.8). Profit before taxes was EUR –3.3 million (–10.3) and profit after taxes EUR –3.8 million (–10.3). Non-recurring costs were EUR 2.7 million (EUR 2.0 million excluding write-downs of EUR 5 million).

Net sales for the whole year totalled EUR 216.3 million (173.4). Operating loss before non-recurring costs was 1.1 million (–3.8) and after these items EUR 4.8 million (10.8). Profit before taxes was EUR –10.0 million (–15.7) and profit after taxes EUR –9.5 million (–14.4). Net sales grew 25% from the previous year as a consequence of the merger. Average sales prices improved thanks to price hikes and raw material clauses included in sales contracts, which successfully compensated for the increasing raw material prices. The rise in raw material prices in the first half of the year ceased in the summer and followed a slightly downward trend towards the end of the year. Shorter review periods for some raw material clauses included in sales contracts were implemented. The increase in sales prices coupled with both a slowdown in demand and stiffening competition led to a decline in delivery volumes. The decreased operating costs were the biggest factor behind the improvement in the comparable operating result. Tight capital control and management of cash was continued. Operative investments were kept at a low level. In the cash flow statement, the cash flow from operations stood at EUR 2.9 million negative, with the working capital of the acquired businesses included in investment cash flows.

Acquisition of Home and Personal business

On 4 August 2011, Suominen concluded an agreement with Ahlstrom Corporation on the acquisition of the company's Home and Personal nonwovens business at a transaction value of EUR 170 million. The transaction was finalised on 31 October 2011. The business encompasses three nonwoven manufacturing plants in the US and in Europe, as well as a unit in Brazil, which will be consolidated to Suominen during 2012 after all the approvals from the authorities have been received. Nonwovens are used in the manufacture of baby wipes, household and personal hygiene wipes, and for industrial wiping products. The pro forma net sales of business in 2011 was EUR 321 million and operating profit before non-recurring costs was EUR 5.3 million, and after them EUR 2.4 million. The number of transferred employees was 450. Along with the transaction, Suominen became a global market leader as a manufacturer of nonwoven materials for wipes. By expanding operations geographically and with a strong market position, Suominen will be well-positioned to respond to customer needs by offering comprehensive sales and product development resources, as well as a more extensive product range worldwide.

To finance the acquisition, Suominen organised a share issue from 5 to 11 October 2011, which raised EUR 87.2 million in new capital. Suominen agreed on a syndicated credit facility of EUR 150 million, which was used to finance the transaction and refinance the company's previous syndicated facility of EUR 44 million.

Cost-saving and operational enhancement programme

The most significant savings in Suominen's efficiency programme were generated by the closure of the Nastola flexible packaging plant and the rationalisation measures that were implemented in Codi Wipes in the previous year. The Nastola plant's production was transferred to Tampere, in Finland, and Poland, which will save costs and boost operations. The other efficiency measures related to improving production yield and efficiency in the units. The positive impact of the savings and efficiency programmes on the result for the entire year amounted to some EUR 5 million. Similar cost-efficiency programmes have been in use in the Home and Personal business, particularly with the goals of reducing wastage and boosting production efficiency.

Financing

To finance the Home and Personal business transaction, Suominen executed a share issue in October which raised EUR 87.2 million in new capital and, at the same time, Suominen's capital loan was converted into shares in the amount of EUR 2.2 million. The increase in shareholders' equity, after the deduction of EUR 2.0 million in costs relating to the share issues, was EUR 87.3 million.

Net sales and operating profit

Net sales € 1,000	2011	2010	Change %	2009
Wiping				
– Codi Wipes	**55,623**	56,371	–1.3	64,479
– Nonwovens	**102,121**	59,084	72.8	56,905
– Eliminations	**–5,431**	–7,296	–25.6	–7,888
Total	**152,313**	108,159	40.8	113,496
Flexibles	**64,848**	66,140	–2.0	66,894
Non-allocated items	**–873**	–861		–1,036
Net sales, total	**216,289**	173,438		179,354

Operating profit		2011		2010		2009
	€ 1,000	% of net sales	€ 1,000	% of net sales	€ 1,000	% of net sales
Wiping	**–2,172**	**–1.4**	–2,689	–2.5	4,299	3.8
Flexibles	**721**	**1.1**	–999	–1.5	3,412	5.1
Non-allocated items	**313**		–115		–480	
Operating profit before impairment losses and non-recurring items	**–1,138**	**–0.5**	–3,803	–2.2	7,295	4.1
Non-recurring items	**–3,691**		–1,952		–589	
Impairment losses			–5,069			
Operating profit	**–4,829**	**–2.2**	–10,824	–6.2	6,706	3.7

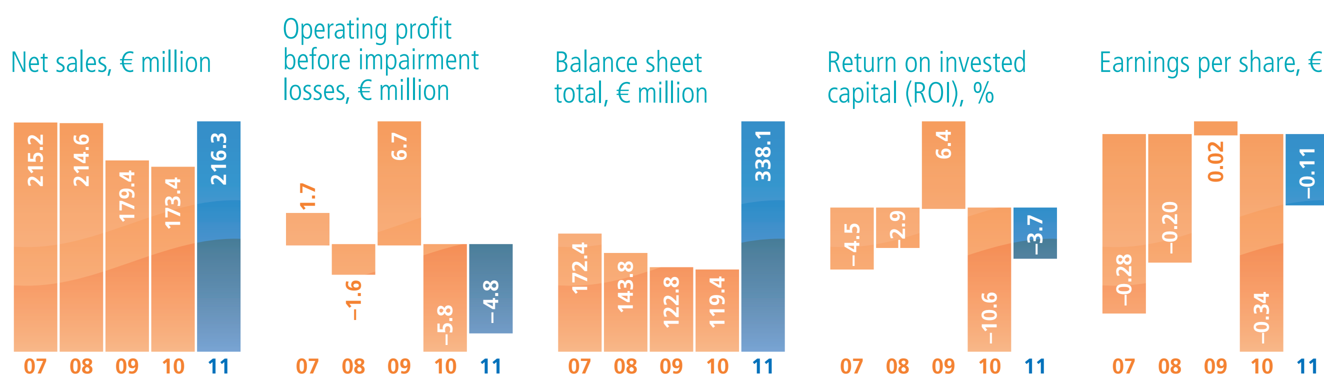
The Group's interest-bearing net liabilities totalled EUR 120.8 million (57.9). Cash and bank receivables included the share of the Brazilian transaction, which totalled EUR 25 million and is being held in a escrow account. Repayments of non-current loans totalled EUR 52.7 million, including a loan conversion of EUR 44 million. Net financial expenses were EUR 5.2 million (4.8) or 2.4 % (2.8) of net sales. Net financial expenses included exchange rate gains of EUR 2.1 million. The increased cost of financing was due to the higher loan amount and the rise in the average interest rate on the loans. The amount of working capital grew by EUR 25.2 million compared to 1 January 2011, including the working capital of the acquired business, which was EUR 22.4 million. A total of EUR 1.9 million was released in working capital (EUR 1.1 million tied up). Funds used for the acquired businesses totalled EUR 139.8 million. Trade receivables amounting to EUR 10.9 million (14.0) were sold to the bank. The equity ratio was 32.2 (27.9) and the net gearing 111.0 % (174.0). Cash flow from operations was EUR –2.9 million (–2.5) and EUR –0.03 per share (–0.06).

Investments

The company's gross investments in production totalled EUR 4.0 million (6.2). Planned depreciation amounted to EUR 9.8 million (9.3). Nonwovens accounted for EUR 1.5 million (1.7), Codi Wipes for EUR 0.4 million (0.6) and Flexibles for EUR 1.9 million (3.8) of total investments. The Group's investments were in efficiency enhancement and maintenance.

Segment results

The net sales of Wiping totalled EUR 152.3 million (108.2). The increase in net sales is attributed to the inclusion of the two-month net sales figure, EUR 42.9 million, of the acquired Home and Personal business in the segment's figures. The comparable change in net sales was –2%. The segment's operating loss was EUR 3.1 million (3.7), of which the two-month share of the merged businesses was EUR 0.7 million. The non-recurring items related to the transfer of the assets at the business combination were EUR 0.9 million locally.



Investments by business unit

€ million	2011	2010	2009
Codi Wipes	**0.4**	0.6	1.0
Nonwovens	**1.5**	1.7	1.5
Flexibles	**1.9**	3.8	2.0
Non-allocated items	**0.2**		
Total	**4.0**	6.2	4.5
% of net sales	**1.8**	3.6	2.5

Invested capital

€ 1,000	31 Dec. 2011	31 Dec. 2010	31 Dec. 2009
Non-current assets	**190,743**	75,052	82,601
Current assets	**147,342**	44,309	40,229
Deferred tax liability	**–3,661**	–2,930	–3,065
Trade payables	**–44,208**	–11,982	–11,552
Accruals and deferred income	**–11,113**	–7,219	–7,669
Other non-interest bearing liabilities	**–8,634**	–2,662	–2,994
Total	**270,469**	94,568	97,550

Key figures

	2011	2010	2009
Return on invested capital, %	**–3.7**	–10.6	6.4
Return on equity, %	**–20.9**	–37.3	2.4
Equity ratio, %	**32.2**	27.9	29.9
Gearing, %	**111.0**	174.0	161.2
Earnings/share, EUR	**–0.11**	–0.34	0.02
Equity/share, EUR	**0.44**	0.70	1.01

Net sales of Nonwovens totalled EUR 102.1 million (59.1). Nonwovens' comparable 12-month net sales increased 9% to EUR 375 million, but delivery volumes remained at the same level as in 2010. The sales (pro forma) of the acquired plants that manufacture nonwovens are also included in the comparison figures. The application areas for nonwoven materials are distributed as follows: baby wipes accounted for 55% of sales, household wipes for 17%, personal care wipes for 16% and industrial and other wipes for 12%. Among the application areas, the strongest growth was seen in personal care wipes, with growth of approximately one fifth on the previous year. Use of nonwovens for household wipes and industrial wipes increased by around one tenth, whereas baby wipes' delivery volumes recorded no change from the previous year.

Regionally, the North American markets accounted for around half of sales, and growth there was 7% compared to 2010. Europe's share amounted to just under half of total sales, but growth was slightly brisker, at 11%. Sales to South American markets were on a par with the previous year.

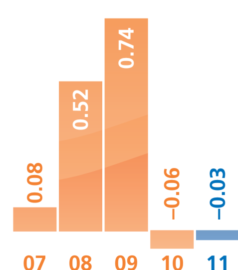
The development of sales in the last two months of 2011 declined compared to the preceding months. This was due to the stiffening competition in the European markets, and the interruption of one production line due to fire damage. Among the cost factors affecting Nonwovens, oil- and pulp-based raw material prices increased in the first half of the year, but the price trend took a downward path during the autumn. The increased competition in the European markets negatively influenced sales volumes, particularly towards the end of the year. With respect to volumes, production expenses remained high and synergy benefits from the business merger could not yet be capitalised on during the last two months of the year. One production line in Italy was interrupted, but the insurance compensation covered the resulting direct costs.

The integration of the businesses was started in the fourth quarter of 2011, after obtaining the relevant permits from the competition authorities. The integration work was started in a number of working groups. Nonwovens' sales and product development organisations were combined, as were purchasing and supply chain operations. Analysis and exploitation of the synergy benefits of the merger were also started.

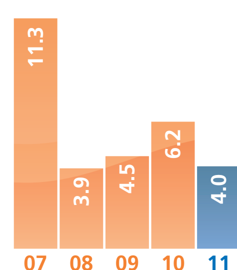
Net sales of Codi Wipes, at EUR 55.6 million (56.4), declined by one per cent on the previous year due to decrease in sales of moist toilet wipes. Sales of baby wipes and personal care wipes remained at the same level as in the corresponding period in 2010. Also average sales prices were on par with the previous year. The unit's operating expenses decreased as a result of the rationalisation measures and personnel reductions early in the year.

Net sales of Flexibles totalled EUR 64.8 million (66.1) and operating loss was EUR 0.1 million (1.9). Sales volumes decreased 10 per cent compared to 2010, primarily as a result of reduced sales in the food packaging sector. Sales of hygiene packaging and security and system packaging remained on the same level as in the previous year. Retail sector sales decreased slightly on the year 2010. Sales prices were raised on the basis of raw material clauses and through general price increases. The active pricing

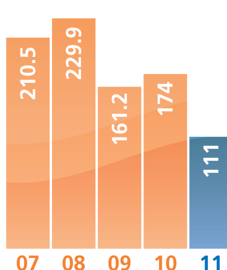
Cash flow per share, €



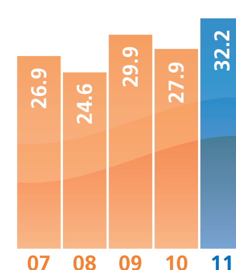
Investments, € million



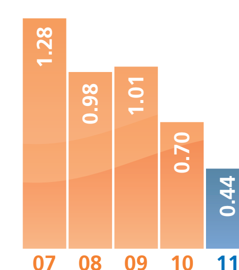
Gearing, %



Equity ratio, %



Equity/share, €



policy, however, led to some losses of clients. The rising prices for plastic-based raw materials levelled out during the summer and declined slightly towards the end of the year.

The operating loss includes non-recurring expenses of EUR 0.8 million from the closure of the Nastola plant (1.2). The operating result excluding non-recurring items improved slightly over the previous year. Flexibles' operating expenses decreased from last year as a result of the rationalisation measures carried out. The Nastola plant was closed during the year under review and the production machines were transferred to the plants in Poland and Tampere, in Finland. As a consequence of the measure, the net reduction of personnel was more than 50 employees. The operations of the Swedish sales office were discontinued and local warehousing services were outsourced. The loss of customer led to a reduction of some 20 employees at the plant in Poland in the fourth quarter.

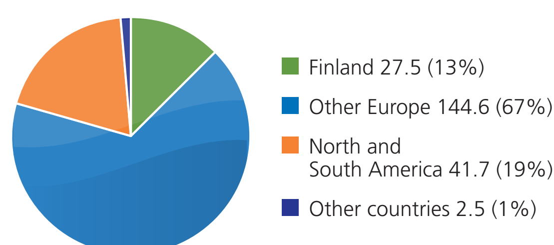
Quarterly results

€ 1,000	I/2011	II/2011	III/2011	IV/2011	I-IV/2011
Net sales					
Wiping					
– Codi Wipes	13,985	13,586	14,936	13,116	55,623
– Nonwovens	15,091	14,985	12,971	59,074	102,121
– eliminations	–1,131	–1,911	–778	–1,611	–5,431
Total	27,946	26,660	27,129	70,578	152,313
Flexibles	16,561	17,019	16,210	15,059	64,848
Non-allocated items	–203	–294	–227	–149	–873
Net sales, total	**44,303**	**43,386**	**43,112**	**85,488**	**216,289**
Operating profit					
Wiping	–298	60	–1,674	–260	–2,172
% of net sales	–1.1	0.2	–6.2	–0.4	–1.4
Flexibles	–62	512	340	–69	721
% of net sales	–0.4	3.0	2.1	–0.5	1.1
Non-allocated items	–57	–230	–72	672	313
Operating profit before non-recurring costs	–417	342	–1,406	344	–1,138
% of net sales	–0.9	0.8	–3.3	0.4	–0.5
Non-recurring costs	–195	–302	–492	–2,702	–3,691
Operating profit	–612	40	–1,899	–2,359	–4,829
% of net sales	–1.4	0.1	–4.4	–2.8	–2.2
Net financial expenses	–1,547	–1,457	–1,255	–938	–5,197
Profit before income taxes	**–2,159**	**–1,417**	**–3,153**	**–3,297**	**–10,026**

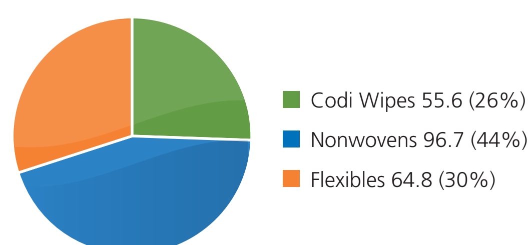
Research and development

The Group's R&D is concentrated in the business units, and employed a total of 51 (28) people as of the end of the year. R&D expenditure totalled EUR 1.9 million (2.0), equivalent to 0.9% per cent (1.1) of net sales. Suominen invests in R&D to offer its customers ever-better materials and more functional solutions. The Group units have extensive test and pilot equipment.

Net sales by market area, € million



Net sales by business unit, € million



Personnel

In 2011, Suominen employed an average of 907 people. At year end the number of employees stood at 1 240. Flexibles' production at the Nastola plant was discontinued and the plant's production was transferred to Poland and Tampere. The measure resulted in a personnel reduction of approximately 50 people in the business area. The number of personnel at the Polish plant was reduced by around 20 in the autumn due to low demand. The company has complied with local legislation and accepted practices concerning lay-offs and notice periods.

In 2011, a total of EUR 29.9 million was paid in salaries and emoluments.

Group personnel on 31 December

	2011	2010	2009
Codi Wipes	**173**	181	219
Nonwovens	**609**	171	175
Flexibles	**448**	526	540
Group management and administration	**10**	12	11
Total	**1,240**	890	945
Average personnel	**907**	901	944
Salaries and bonuses, € 1,000	**29,900**	29,293	32,079

The aim of Suominen's personnel strategy is to support business development, and thereby, the employees' training and motivation and their commitment to the company's goals. The units have target-oriented programmes to improve employees' skills and their wellbeing at work.

Personnel: key figures

	2011	2010	2009
Incentive bonuses, € 1,000	**405**	689	429
% of salaries and wages	**1.4**	2.1	1.3
Sick absences, % of total number of working hours	**5.2**	5.5	5.3
Training costs, € 1,000	**208**	190	413

Environment

Suominen is committed to the principles of sustainable development of the International Chamber of Commerce (ICC). Environmental permits are required for operations in some of the Group's units. The units are responsible for environmental issues, but the environmental management systems are coordinated on a common basis throughout the Group. Of Suominen's units, Nakkila, Alicante and Windsor Locks plants are ISO 14001 certified.

Environmental and safety requirements are incorporated into product and process development projects from the very start. The aim is make as efficient use as possible of raw materials, energy, and other resources, such as packaging materials and transport services. The group is focused to systematically reduce the amount of waste and improving energy efficiency in its operations. Also environmentally friendly materials are offered in product alternatives.

The Group's main environmental impact is related to wastewater, solid mixed waste, and the use of printing inks and solvents. Byproduct generated during nonwoven production is sold for recycling or fired together with bio-fuel. Nakkila operates a wastewater line constructed in collaboration with the municipalities in the Pori region, through which wastewater is piped to Pori for treatment. The other Suominen sites utilize also municipal waste treatment or have their own purification plants. Recycled plastics are used in retail packaging products, where more than half of the materials are recycled materials. VOC emissions generated during the printing of plastic film are incinerated.

Environmental figures

	2011	2010	2009
Treated wastewater, 1,000 m3	**90**	287	289
Landfill waste, tonnes	**596**	1,536	1,719
Incinerated waste fibre, tonnes	**1,052**	176	361
Recycled plastic, tonnes	**4,448**	3,115	3,550
VOC emissions, tonnes	**218**	236	277

As a number of different chemicals are used in Suominen's production processes, plants need to address the risk of hazardous substances being released into the environment. This is accomplished with the help of an environmental risk management programme integrated into the quality and environmental systems used in production operations.

Suominen's overall environmental expenditure totalled EUR 1.1 million in 2011 (1.1), and environmental-related investments totalled EUR 0.2 million (0.5).

Business risks and uncertainties

Developments and changes in consumer demand in Europe and the USA govern the demand for Suominen's products. Changes in the economic situation also play a role in affecting consumer behaviour, and there is a risk that consumers will alter their purchasing habits. The deterioration in the general economic situation has in fact affected purchasing habits in that consumers are increasingly buying more affordable products and the private label goods of retail chains.

Suominen's customer base is concentrated, which adds to the customer-specific risk. This may affect Suominen's result if customers' purchasing habits become more cautious as a result of a general fall in consumption, or if net sales are negative. The Group's ten largest customers currently account for 54 per cent of its net sales (64), long-term contracts being preferred in the case of the largest customers. 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. Suominen also uses export credit guarantees and insures against customer risks to a limited extent.

Plastic-based products are not considered an environmentally friendly solution in all application areas, which may increase the risk of a decline in their demand. However, it is difficult to find alternatives for the products in Suominen's range. New-technology products and imports from low-cost countries may reduce the

competitiveness of Suominen's products. These risks are mitigated, however, by the quality requirements expected of many products, which existing cheaper offerings are incapable of meeting, and by the challenges associated with transport and distribution.

Suominen has no competitors with a completely similar product offering. However, the company has numerous regional, national or international competitors in its different product groups. There is currently oversupply in several product groups and additional production capacity is planned for Europe in, for example, nonwovens. If Suominen Corporation is not able to compete with an attractive product offering, it may lose some of its market share, and the competition may lead to increased pricing pressure on the company's products.

Suominen uses certain technologies in its production. In the company 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.

Extended interruptions in supplies of Suominen's main raw materials could disrupt production and have a negative impact on the Group's overall business operations. As Suominen sources its raw materials from a number of major international suppliers, significant interruptions are unlikely. Suominen's units purchase a significant amount of oil- and pulp-based raw materials. Rapid changes in the global market prices of raw materials affect the company's profitability. Rapid changes of raw material prices have an effect on Suominen's financial performance, as stocks equal two to four weeks consumption. Passing on price changes in these materials to the prices Suominen charges its contract customers takes between two to five months.

Suominen's efficiency programmes include measures to improve production efficiency, for example through better yields, higher machine speeds and shorter set-up times. The full impact of the efficiency measures will be seen as soon as production volumes grow. Substantial synergy benefits are expected to be realised in the business acquisition. Postponed or failed efficiency measures and synergy exploitation will have a negative impact on the company's profit.

Suominen aims to protect its business against product liability risks through the use of systematic quality assurance processes and products liability insurance. R&D is responsible for ensuring the underlying safety of the group´s products during their development. Ongoing 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.

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. Managing damage risk forms part of the operational management of the Group's units. Risks of this type are insured in order to guarantee the continuity of operations. On 21 September 2011, a fire broke out at the Mozzate plant in Italy, causing damage to one of the production lines. As Suominen has valid damage and business interruption insurance, it is expected that the damage will be compensated and the financial losses caused by the interruption of business will be covered. The incident, however, bears greater risks than usual in terms of restoring the situation to how it was before the fire.

Suominen is subject to income taxes in numerous jurisdictions. Significant judgement is required to determine the total amount of income tax at Group level. There are many transactions and calculations that leave room for uncertainty as to the final amount of tax. Taxation risks also relate to changes in tax rates or tax legislation, or misinterpretations, and materialisation of the risk 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 balance sheet require that the deferred tax assets can be recovered in future taxable income.

The Group's financial risks are managed in accordance with a policy approved by the Board of Directors. Financial risks relate to the adequacy of funding, credit risks, and the market risks associated with financial instruments, divided into currency, interest rate, and commodity risks. Suominen's credit arrangements include covenants that the company must meet. The financial covenants included in the credit agreement of EUR 150 million concluded in October 2011 are the net-debt-to-EBITDA ratio and debt/equity ratio. At year-end 2012, Suominen's net debts cannot be greater than 3.2 times the EBITDA, and the company's debt/equity ratio must be less than 100 per cent. These key figures in the 2011 Financial Statements were 3.9 and 98 per cent. Should Suominen default on its obligations, the banks have the right to declare the loans due and payable and to renegotiate the terms. According to Suominen's estimates, this would lead at least to increased financing costs resulting from the banks' upfront fees and higher interest rate margins.

Goodwill is tested annually to determine whether there is any impairment. The test calculations require forecasts and actual cash flows may deviate from the forecast future discounted cash flows, as the long economic life-time of our non-current assets, changes in the estimated product prices, production costs, and in interest rates used in discounting may result in significant write-downs. Impairment test calculations are based on present estimates of future developments. The value in use of Codi Wipes exceeds the carrying amount by EUR 2.9 million.

The Home and Personal acquisition in Brazil is delayed, as Suominen must receive approval from the authorities on the purchase of the business situated in Brazil. Approval is expected during the first quarter of 2012, but there is no guarantee of this.

General meetings of shareholders and information on shares

Share capital

On 1 January 2011, the registered number of Suominen's issued shares totalled 47,395,014 shares. During the year under review, the share amount crew by 198,539,108 shares due to share issue. On 31 December 2011, the number of shares totalled 245,934,122 shares. The fully paid share capital amounted to EUR 11,860,056.

General Meetings

Suominen Corporation's Annual General Meeting of Shareholders was held on 30 March 2011. The General Meeting decided that no dividend be paid for the financial year 2010.

The General Meeting approved the financial statements of the parent company and the Group for the financial year 2010 and released the members of the Board of Directors and the President and CEO from liability for the period. Heikki Bergholm, Kai Hannus, Suvi Hintsanen, Juhani Lassila, Mikko Maijala, and Heikki Mairinoja were elected to the Board of Directors. At its organising meeting, the Board elected Mikko Maijala as Chairman and Heikki Mairinoja as Deputy Chairman. PricewaterhouseCoopers Oy, Authorised Public Accountants, with Heikki Lassila, APA, as the principal auditor, were elected as auditors of Suominen Corporation.

An Extraordinary General Meeting of Shareholders was held on 12 September 2011. The General Meeting authorised the Board of Directors to decide on the issue of a maximum of 280,000,000 new shares in one or more share issues against payment.

The Extraordinary General Meeting elected Risto Anttonen, Jorma Eloranta, Suvi Hintsanen, Mikko Maijala and Heikki Mairinoja as the new members of the Board of Directors. The elections were conditional and only came into effect on 21 October 2011 upon completion of the transaction between the company and Ahlstrom Corporation.

The Extraordinary General Meeting resolved to establish a Nomination Committee comprising shareholders or representatives of shareholders to prepare proposals for the following Annual General Meeting concerning the election and remuneration of the members of the Board of Directors. The resolution of the Extraordinary General Meeting regarding the establishment of the Nomination Committee was conditional and only came into effect on 21 October 2011 upon the completion of the transaction between the company and Ahlstrom Corporation. The Nomination Committee comprises the three largest shareholders or representatives of such shareholders; in addition the Chairman of the Board of Directors serves an expert member.

Changes of the Articles of Association

The Extraordinary General Meeting held on 12 September 2011, resolved to amend section 11 of the Articles of Association of the company concerning notice of the General Meeting of Shareholders, to delete the second paragraph of section 12 with regard to voting restrictions, and to delete section 14 regarding the redemption obligations. The amendments of the Articles of Association were conditional and came into effect on 21 October 2011.

Share issue

On 3 October 2011, the Board of Directors of Suominen Corporation decided to execute a share issue to the public and on a conversion share issue to the holders of Suominen's capital loan of 2008, in order to finance the acquisition of the Home and Personal business area from Ahlstrom Corporation. A minimum of 188,888,889 and a maximum of 266,666,667 new shares were offered at the subscription price of EUR 0.45 per share, and a maximum of 8,888,889 new shares in the conversion share issue at the subscription price of EUR 0.45 per share. The subscription period for the share issue and the conversion share issue ended on 11 October 2011.

The Board of Directors approved the subscriptions of 193,739,111 new shares, which correspond to a total of EUR 87.2 million, and the subscriptions of 4,799,997 new shares in the conversion share issue. The outstanding capital loan of EUR 4 million was converted to shares by a total of EUR 2.2 million.

The shares subscribed for in the share issue and in the conversion share issue correspond together to 418.9 per cent of all the company's shares and voting rights related to them prior to the share issues and 80.7 per cent of shares and voting rights related to them following the share issue and the conversion share issue. The shares subscribed for in the share issue and the conversion share issue were entered in the Trade Register on 21 October 2011. Trading in the new shares commenced on 24 October 2011. As a result of the share issues, the number of Suominen's shares increased by 198,539,108 shares to 245,934,122 shares. The total subscriptions of the share issue and the conversion share issue were EUR 89.3 million. The cost of the share issue was EUR 2,016 thousand, which reduced the net amount of EUR 87,346 thousand credited to the invested non-restricted equity fund.

Share trading and price

The number of Suominen Corporation shares traded on NASDAQ OMX Helsinki before the share issue, from 1 January to 21 October 2011, was 3,387,036 shares. The trading price varied between EUR 0.36 and EUR 0.64. On 21 October 2011, the final trading price was EUR 0.45.

The number of Suominen Corporation shares traded on NASDAQ OMX Helsinki after the share issue from 24 October to 31 December 2011 was 543,305 shares. The trading price varied between EUR 0.39 and EUR 0.46. The final trading price was EUR 0.39, giving the company a market capitalisation of EUR 95.9 million on 31 December 2011.

Own shares

On 1 January 2011, the company held 168,805 of its own shares, accounting for 0.36 per cent of the share capital and votes.

The Annual General Meeting of Shareholders held in 2010 authorised the Board of Directors to decide on the acquisition of a maximum of 200,000 of the company's own shares and on the conveyance of a maximum of 200,682 of the company's

own shares. The authorisations were valid for 18 months after the end of the General Meeting, which was until 23 September 2011. The acquisition authorisation was exercised during 2010 to acquire 123,595 shares, which means that on 1 January 2011 the remaining authorisation was for 76,405 shares. This authorisation was not exercised during 2011. Within the authorisation granted to the Board of Directors, 108,507 of the company's own shares were conveyed as emoluments to the members of Suominen Corporation's Board of Directors.

On 31 December 2011, Suominen Corporation held a total of 60,298 of its own shares, accounting for 0.0 per cent of the share capital and votes.

Stock options

Suominen's stock option plan 2009 is currently in effect. From the previous 2006 and 2007 stock option plans, the last 2006C and 2007B stock options expired on 30 October 2011.

A total of 300,000 2009A stock options have been granted at the subscription price of EUR 0.95. A total of 50,000 of these have been returned to the company, i.e. the option right holders still have 250,000 shares. The subscription period for the 2009A stock options is from 2 May 2011 to 30 October 2012.

A total of 300,000 2009B stock options have been granted at the subscription price of EUR 0.96. The number of shares that can be subscribed under the stock option is 300,000. The subscription period for the 2009B stock options is from 2 May 2012 to 30 October 2013.

As the registered number of Suominen's issued shares totals 245,934,122, the number of shares may rise to a maximum of 246,484,122 after stock option subscriptions.

Other authorisations granted to the Board of Directors

The Board of Directors still has authorisation to issue 300,000 more stock options in accordance with the 2009 stock option plan, which would entitle holders to subscribe for 300,000 Suominen shares. According to the authorisation granted by the Extraordinary General Meeting held on 12 September 2011, the Board of Directors has authorisation to issue a further 81,460,892 new shares. The Board of Directors has no other authorisations to issue special rights entitling to shares, option rights and/or convertible bonds.

Management

The Board of Directors that was elected at Suominen's Extraordinary General Meeting took up its tasks and convened on 21 October 2011, electing Jorma Eloranta as Chairman of the Board and Mikko Maijala as Deputy Chairman from amongst its members.

On 17 November 2011, the following representatives of the three largest shareholders were elected to the Nomination Committee: Mr Jan Lång, President & CEO, Ahlstrom Corporation, Timo Ritakallio, Deputy CEO, Ilmarinen Mutual Pension Insurance Company, and Risto Murto, Deputy CEO, Varma Mutual Pension Insurance Company. Jorma Eloranta, Chairman of Suominen Corporation's Board of Directors, serves as the Nomination Committee's expert member.

Technology Licentiate Nina Kopola was named President and CEO of Suominen Group as of 1 December 2011, at which time Petri Rolig transferred to the post of Deputy CEO.

Jean-Marie Becker was appointed Executive Vice President and General Manager of the Nonwovens business unit and a member of the Corporate Executive Team as of 1 November 2011.

Outlook

Suominen's products are used in daily consumer goods, such as wet wipes and plastic packaging. The general economic situation determines the development of consumer demand, even though the demand for consumer goods is not very cyclical in nature. Consumers' cautious purchasing behaviour is expected to continue hand in hand with muted economic growth. Supply exceeds demand for many of Suominen's products, especially in Europe, and new production capacity is even being built in some product groups.

The company estimates the trend in 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 clients. Suominen estimates that demand for its products will remain at the level of 2011 in the mature markets of Europe and North America. In South America and Eastern Europe, the growth in demand will be greater. There will be no significant change in the comparable sales volumes compared to the previous year.

Suominen's most substantial cost factor – the price development of oil- and pulp-based raw material – was in decline at the end of 2011. Chiefly on the basis of the price trend in oil raw materials, it is estimated that the decline in Suominen's raw material prices will cease and possibly rise yet again. Suominen will continue to streamline its operating costs and the company has launched a separate project to ensure the realisation of synergy benefits related to the acquisition of the Home and Personal business. Suominen will focus on developing its core business.

The acquisition of the Brazilian unit of the Home and Personal business transaction is expected to be realised once approval from the Brazilian authorities has been obtained in the first quarter of 2012.

Suominen's net sales will increase considerably as the Home and Personal business's figures are included in the Group's net sales. It is estimated that the result after taxes for the year will improve over that of 2011.

Proposal by the board of directors

The parent company's distributable assets as of the end of 2011 totalled EUR 87,750,657.81 of which the loss for the year was EUR 7,612,205.36.

The Board of Directors will propose at the Annual General Meeting to be held on 4 April 2012 that these funds be distributed as follows:

No dividend be paid for the financial year, EUR	0.00
Leaving on the retained earnings account, EUR	87,750,657.81

Consolidated Balance Sheet

31 December € 1,000	Note	2011	2010
ASSETS			
Non-current assets			
Goodwill	4, 27	**34,298**	18,498
Intangible assets	4, 27	**13,146**	776
Tangible non-current assets	5,27	**139,886**	53,873
Available-for-sale financial assets	8	**212**	212
Held-to-maturity investments		**445**	354
Deferred tax assets	9	**2,756**	1,339
Non-current assets, total		**190,743**	75,052
Current assets			
Inventories	10	**45,972**	24,373
Trade receivables	11	**41,798**	10,817
Income tax receivables		**1,205**	200
Other receivables	12	**17,480**	5,666
Restricted financial assets	13	**25,000**	
Cash and cash equivalents	14	**15,887**	3,253
Current assets, total		**147,342**	44,309
Assets, total		**338,085**	119,361
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	15	**11,860**	11,860
Share premium account	15	**24,681**	24,681
Invested non-restricted equity fund	15	**97,054**	9,708
Fair value and other reserves	15	**–484**	665
Translation differences	15	**–637**	515
Other shareholders' equity	15	**–23,737**	–14,143
Shareholders' equity, total		**108,737**	33,286
Liabilities			
Non-current liabilities			
Deferred tax liabilities	9	**3,661**	2,930
Provisions	17	**280**	280
Other non-current liabilities	20, 2	**1,234**	
Capital loans	16	**920**	4,000
Interest-bearing liabilities	16, 20	**138,247**	33,137
Pension liabilities	16, 20	**1,714**	2,686
Non-current liabilities, total		**146,056**	43,033
Current liabilities			
Interest-bearing liabilities	16, 20	**19,929**	19,459
Capital loans	16	**920**	2,000
Income tax payables	29	**724**	
Trade payables and other liabilities	18, 19	**61,720**	21,583
Current liabilities, total		**83,292**	43,042
Liabilities, total		**229,348**	86,075
Shareholders' equity and liabilities, total		**338,085**	119,361

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

Consolidated Statement of Income

1 January–31 December € 1,000	Note	2011	2010
Net sales	2	**216,289**	173,438
Cost of goods sold		**–205,650**	–165,277
Gross profit		**10,638**	8,161
Other operating income	25	**2,109**	859
Sales and marketing expenses		**–4,050**	–3,927
Research and development		**–1,866**	–1,951
Administration expenses		**–8,492**	–6,333
Other operating expenses	25	**–3,168**	–2,564
Operating profit before impairment losses		**–4,829**	–5,755
Impairment losses	27		–5,069
Operating profit / loss		**–4,829**	–10,824
Financial income	28	**205**	11
Financial expenses	28	**–5,402**	–4,851
Profit/loss before income taxes		**–10,026**	–15,664
Income taxes	29	**494**	1,302
Profit/loss for the period		**–9,531**	–14,362

Profit for the period is attributable to the equity holders of the company.

Earnings per share attributable to the equity holders of the company			
– earnings per share before impairment losses on goodwill, €	30	**–0.11**	–0.22
– earnings per share, €	30	**–0.11**	–0.34

There are no dilutive effects on earnings per share.

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

Consolidated Statement of Comprehensive Income

1 January–31 December € 1,000	Note	2011	2010
Profit / loss for the period		**–9,531**	–14,362
Other comprehensive income			
Total exchange difference on foreign operations	15	**–1,594**	854
Fair value changes of cash flow hedges	15	**–1,731**	1,661
Other reclassifications		**–20**	–2
Income tax on other comprehensive income	15	**906**	–654
Total other comprehensive income		**–2,440**	1,859
Total comprehensive income for the period		**–11,971**	–12,503

Statement of Changes in Shareholders' Equity

€ 1,000	Share capital	Share premium account	Invested non-restricted equity fund	Own shares	Trans-lation diffe-rences	Fair value reserves	Retained earnings	Total
Total equity at 1 Jan. 2011	**11,860**	**24,681**	**9,708**	**–163**	**515**	**828**	**–14,143**	**33,286**
Profit / loss for the period							–9,531	–9,531
Other comprehensive income					–1,152	–1,268	–20	–2,440
Total comprehensive income for the period					**–1,152**	**–1,268**	**–9,552**	**–11,971**
Share-based payments							26	26
Share issue			87,346					87,346
Conveyance of own shares				120			–69	51
Total contributions by and distributions to owners			**87,346**	**120**			**–43**	**87,423**
Total equity at 31 Dec. 2011	**11,860**	**24,681**	**97,054**	**–43**	**–637**	**–441**	**–23,737**	**108,737**
Total equity at 1 Jan. 2010	11,860	24,681		–1	–117	–401	,667	36,689
Profit / loss for the period							–14,362	–14,362
Other comprehensive income					632	1,229	–2	1,859
Total comprehensive income for the period					632	1,229	–14,364	–12,503
Share-based payments							29	29
Share issue			9,708					9,708
Dividend							–474	–474
Repurchase of own shares				–213				–213
Conveyance of own shares				51			–1	50
Total contributions by and distributions to owners			9,708	–162			–446	9,100
Total equity at 31 Dec. 2010	11,860	24,681	9,708	–163	515	828	–14,143	33,286

Consolidated Cash Flow Statement

1 January–31 December € 1,000	Note	2011	2010
Operations			
Profit/loss for the period		**–9,531**	–14,362
Adjustments on profit/loss for the period	31	**14,161**	17,614
Cash flow before change in working capital		**4,630**	3,252
Increase/decrease in current non-interest-bearing receivables		**–36,639**	–84
Increase/decrease in inventories		**5,225**	–1,777
Increase/decrease in current non-interest-bearing liabilities		**33,321**	807
Cash flow before financial income/expenses and taxes		**6,537**	2,198
Interest expenses		**–10,038**	–4,637
Interest income		**205**	11
Direct taxes paid		**397**	–31
Cash flow from operations		**–2,898**	–2,459
Investments			
Investments in tangible and intangible assets		**–4,231**	–5,966
Acquisition of business operations	3	**–139,810**	
Proceeds from sale of tangible and intangible assets		**1,628**	751
Cash flow from investments		**–142,414**	–5,215
Financing			
Non-current loans drawn		**148,250**	8,000
Repayments of non-current loans		**–48,563**	–23,731
Repayments of capital loans		**–4,160**	–2,000
Change in commercial papers			988
Change in current loans			17,000
Share issue		**87,346**	9,708
Repurchase and conveyance of own shares		**51**	–163
Dividends paid			–474
Cash flow from financing		**182,924**	9,328
Change in cash and cash equivalents		**37,613**	1,654
Cash and cash equivalents 1 Jan.		**3,253**	1,589
Unrealised exchange rate differences		**21**	10
Change in cash and cash equivalents		**37,613**	1,654
Cash and cash equivalents 31 Dec. *	13, 14	**40,887**	3,253

* Includes both restricted financial assets and cash and cash equivalents.

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

Notes to the Consolidated Financial Statements

1. Principles for preparing consolidated financial statements

Basic information

Suominen Corporation is a public company domiciled in Tampere, Finland (Vestonkatu 24, FI-33580 Tampere) that manufactures wet wipes, nonwovens, and flexible packaging for consumer goods companies and retail chains. Suominen's consolidated financial statements are prepared in compliance with the International Financial Reporting Standards (IFRS) applicable within the EU, and according to effective IAS- and IFRS -standards and SIC- and IFRIC -interpretations at 31 December 2011.

These consolidated financial statements were approved for publication by the Board of Directors on 17 February 2012.

New and amended standards and interpretations effective during the financial year

The amendments and interpretations of IFRS standards which came into effect in 2011 had no essential impact on the consolidated financial statements.

Application of new and amended IFRS standards and IFRIC interpretations

The IASB has published the following standards and interpretations whose application will be mandatory in 2012 or later. The group has not early adopted these standards, but will adopt them in later periods.

The following standards and interpretations will be adopted by the group in 2012:

IFRS 9 Financial Assets – Classification and Measurement The standard represents the first milestone in the IASB's planned replacement of IAS 39. It addresses classification and measurement of financial assets. The next steps involve reconsideration and re-exposure of the classification and measurement requirements for financial liabilities, impairment testing methods for financial assets, and development of enhanced guidance on hedge accounting. The Group will adopt the amendment in its 2013 financial statements at earliest. However, the amendment is still subject to EU endorsement. Management is assessing the impact of these changes on the financial statements of the group.

IFRS 9 Financial Liabilities – Classification and Measurement. The second part of IFRS 9 was published in October 2010. It complements previously issued IFRS 9, 'Financial instruments' to include guidance on financial liabilities. The accounting and presentation for financial liabilities shall remain the same except for those financial liabilities for which fair value option is applied. The Group will adopt the amendment in its 2013 financial statements at earliest. However, the amendment is still subject to EU endorsement. The change is not expected to impact the recognition of financial liabilities of the group.

IFRS 7 (amendment) Disclosures – Transfers of financial assets. The amendment adds disclosure requirements related to risk exposures derived from transferred assets. Additional disclosures, where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, are required. The amendment can increase the disclosures in the notes to financial statements in the future. The Group will adopt the standard in its 2012 financial statements at earliest. However, the standard is still subject to EU endorsement. Management is currently assessing the impact of the standard on the financial statements of the group.

IFRS 7 (amendment) Financial Instruments: disclosures – Derecognition. This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. Earlier application subject to EU endorsement is permitted. The Group will adopt the amendment in its 2012 financial statements at earliest. However, the amendment is still subject to EU endorsement. Management is assessing the impact of these changes on the financial statements of the group.

IAS 12 (amendment). Income taxes – Deferred tax. IAS 12 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes – recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The Group will adopt the amendment in its 2012 financial statements at earliest. However, the amendment is still subject to EU endorsement. Management is assessing the impact of these changes on the financial statements of the group.

IFRS 10 Consolidated financial statements. The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other

entities) to present consolidated financial statements. Defines the principle of control, and establishes controls as the basis for consolidation Set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. Sets out the accounting requirements for the preparation of consolidated financial statements. The Group will adopt the amendment in its 2013 financial statements at earliest. However, the amendment is still subject to EU endorsement. The revised standard is not expected to have an impact on the consolidated financial statements.

IFRS 11 Joint arrangements. IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group will adopt the amendment in its 2013 financial statements at earliest. However, the amendment is still subject to EU endorsement. Management is assessing the impact of these changes on the financial statements of the group.

IFRS 12 Disclosures of interests in other entities. IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group will adopt the amendment in its 2013 financial statements at earliest. However, the amendment is still subject to EU endorsement. The revised standard is not expected to have an impact on the consolidated financial statements

IFRS 13 Fair value measurement. IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The Group will adopt the amendment in its 2013 financial statements at earliest. However, the amendment is still subject to EU endorsement. Management is assessing the impact of theses changes on the financial statements of the group.

IAS 27 (revised) Separate financial statements. IAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The Group will adopt the amendment in its 2013 financial statements at earliest. However, the amendment is still subject to EU endorsement. The revised standard is not expected to have an impact on the consolidated financial statements.

IAS 28 (revised 2011) Associates and joint ventures. IAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The Group will adopt the amendment in its 2013 financial statements at earliest. However, the amendment is still subject to EU endorsement. The revised standard is not expected to have an impact on the consolidated financial statements.

IAS 1 (amendment) Presentation of financial statement – other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The Group will adopt the amendment in its 2013 financial statements at earliest. However, the amendment is still subject to EU endorsement. Management is assessing the impact of these changes on the financial statements of the group.

IAS 19 (amendment). These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. The Group will adopt the amendment in its 2013 financial statements at earliest. However, the amendment is still subject to EU endorsement. Management is assessing the impact of these changes on the financial statements of the group.

IFRS 9 Financial instruments. IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for) financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. The Group will adopt the amendment in its 2015 financial statements at earliest. However, the amendment is still subject to EU endorsement. Management is assessing the impact of these changes on the financial statements of the group.

IAS32 (amendment) Offsetting Financial Assets and Financial Liabilities. The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32..The amendments clarify that the right of set-off must be available today – that is, it is not contingent on a future event. It also must be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendments also clarify that certain gross settlement mechanisms are effectively equivalent to net settlement and would therefore satisfy the IAS 32 criterion in these instances. The Group will adopt the amendment in its 2014 financial statements at earliest. However, the amendment is still subject to EU endorsement. Management is assessing the impact of these changes on the financial statements of the group.

IFRS 7 (amendment) Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities. The amended disclosures require more extensive disclosures than are currency required on offset financial asset and liabilities. The disclosures focus on

quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset in the balance sheet. The Group will adopt the amendment in its 2013 financial statements at earliest. However, the amendment is still subject to EU endorsement. Management is assessing the impact of these changes on the financial statements of the group.

Consolidation principles

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

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

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

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

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

Segment reporting

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

Segment reporting follows the same accounting principles as consolidated financial reporting. The costs and revenues as well as assets and liabilities of the segments are allocated on a consistent basis. All inter-segment sales are based on market prices, and they are eliminated on consolidation.

Foreign currency translation

The consolidated financial statements are presented in euros, as this is the operating and reporting currency used by the Parent Company. The income statements of Group companies outside Finland have been translated into euros at the average rate for the financial year, and the balance sheets at the reference rate quoted by the European Central Bank on the day the books were closed.

Translation differences arising from the elimination of the shareholders' equities of foreign subsidiaries are included in the consolidated equity. Translation differences arising from loans to subsidiaries regarded as capital investments are treated in a similar manner to the translation differences for subsidiaries' equity. The exchange rate difference of the loans taken to hedge the net investments in subsidiaries are recognised in the equity until the ownership in the subsidiary ceases partially or in full.

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

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

Intangible assets

Goodwill

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

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

Other intangible assets

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

Other items which are recognised as other intangible assets, are development and procurement costs that are directly attributable to the design and testing of identifiable and unique software as well as customer relations which were identifiable assets at business combination. They are valued at their original acquisition cost and depreciated using planned straight-line depreciation on the basis of their probable economic life.

The depreciation periods used for intangible assets are as follows:

Intangible rights	3–13 years
Customer relations	13 years
Other long-term expenses	5–10 years

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

Tangible non-current assets

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

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

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

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

Buildings and structures	10–40 years
Machinery and equipment	4–17 years
Other tangible assets	3–5 years

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

Gains and losses from the sale and disposal of fixed assets are calculated as a difference between the sales price and the carrying value, and recognised as other operating income or expenses.

Impairment losses

The carrying amounts of assets are evaluated at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount is estimated.

Recoverable amount of goodwill and other intangible assets, that have an indefinite useful life, is estimated annually.

An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount. Impairment losses immediately recognised in profit or loss. The recoverable amounts of intangible and tangible assets are defined either on the basis of fair value less costs or value in use, if higher. When defining the value in use of an asset, future cash flows are discounted to the present value using the average cost of capital of the relevant cash-generating unit. Specific risks associated with the asset are included in the discount rate.

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

Research and development

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

Leasing contracts – group as a tenant

Leasing contracts in which the risks and benefits associated with the assets are mainly transferred to the company are classified according to the IAS 17 standard as financial leases. Property acquired under finance lease is depreciated and recognised as a non-current asset, and finance cost for finance leasing is recognised as an interest-bearing liability. The payments associated with operating leases are expensed in rentals of equal size over the lease term.

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

Financial assets

Financial assets have been classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on purpose for which the financial assets were acquired. Management determines the classification of the financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term.

Derivatives are also categorised as held for trading unless they are designated as hedging instruments as Suominen has derivatives for currency hedging. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. On the closing date, Suominen held only non-current held-to-maturity loans.The group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet.

Held-to-maturity investments

Held-to-maturity investments are non-derivatives that have fixed payments maturing on a fixed date, where the relevant group has firm intent and ability to hold the instrument until maturity. They are carried at amortised cost using the effective interest method and they are included in non-current assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. As of the closing date, Suominen held only non-current available-for-sale financial assets.

Regular purchases and sales of financial assets are recognised on the trade-date. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other operative income and expense' in the period in which they arise. Changes in the fair value of available-for-sale instruments are recognised directly in equity. When an available-for-sale instrument is sold or impaired, any cumulative change in the fair value in equity is removed from equity and recognised in the income statement as 'other operating income and expenses'. Interest on available-for-sale instruments, calculated by using the effective interest method, is recognised in the income statement under financial items.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Suominen designates derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge). The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other operating income and expenses'. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place).

The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'financial expenses'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'other operative income and expenses'. Accordingly, the gain or loss related to the ineffective portion of electricity derivatives is recognised in the income statement as a correction to electricity expenses.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer

expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'other operative income and expenses'.

Derivative instruments at fair value through profit or loss

There are derivatives that do not meet the criteria for hedge accounting. Changes in the fair value of such derivatives are recognised in the income statement as part of the item 'other operating income and expenses'.

Revenue recognition

Revenue comprises the fair value of the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

Sale of goods and services

Revenue from the sale of goods and services is recognised when the entity has transferred the significant risks and rewards of ownership of the goods to the buyer. In general the recognition is done when the goods are delivered in accordance with contractual terms. Revenue from rent is recognized evenly during the term ot tenancy Revenue from services is recognised during the financial year when the service has been done.

Dividends and interest income

Dividends are recognised when the shareholder's right to receive payment is established. Interest is recognised using the effective interest method.

Inventory

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

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

Obsolete items contained in inventories are written down.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'selling and marketing costs'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are recognized in the income statement as other operating expenses.

Cash at bank and in hand

Cash at bank and in hand includes cash and cash equivalents. They are classified in loans and receivables.

Shareholders' equity, dividend and company shares

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

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

The proceeds from the share issuance are recognized in the invested non-restricted equity fund according to the resolution taken by the General Meeting of Shareholders. The costs of share issuance are reducing the fund recognized.

Earnings per share

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

Share-based payments

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

Pension schemes

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

Pension schemes are classified either as defined contribution plans or defined benefit plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into

a separate entity Contributions to defined contribution plans are expensed during the period to which the contribution relates.

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

Actuarial gains and losses and changes in them in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are recorded directly in equity over the expected average remaining service lives of the employees concerned.

Suominen has a personnel benefit scheme in Italy. In other countries Suominen has defined contribution plans as a pension scheme.

Financial liabilities

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities depending on whether they mature within 12 months of the closing of the books.

In accordance with the Finnish Companies Act, capital loans are loans that are prioritised only after other unsecured loans. Interest and instalment payments on capital loans will be made only if the non restricted equity and the amount of capital loans exceed the amount of loss from the previous financial year. Capital loans are classified as liabilities and they are stated at amortised cost. Interest on these loans is recognised as interest expense in the income statement.

Provisions and conditional liabilities

Provisions are costs recognised as liabilities in the balance sheet, as they are present obligations and as it is probable that fulfilment of the obligation will require financial payment or cause financial loss. Conditional liabilities, which are not recognised as liabilities in the balance sheet, are possible obligations that have not been confirmed yet.

A provision is recognised when:

- the group has a present legal or constructive obligation as a result of past events,
- it is probable that an outflow of resources will be required to settle the obligation, and
- the amount can be estimated reliably.

Changes in provisions are recognised in the income statement.

Income taxes

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

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

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

Discontinued business operations

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

Government grants

Grants received to compensate for costs are recognised in the income statement for the period for which the related costs are recognised as expenses. Grants related to the purchase of property are deducted from the acquisition cost.

Other operating income and expenses

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

Losses from the sales of assets, other expenses not associated with normal operations, losses on the ineffective portion of cash flow hedging and net losses on currency derivatives, are booked as other operating expenses. Expenses due to reorganising arrangements are also recognised as other operating expenses.

Financial income and expenses

The following income, expense, gain, and loss items will be reported as 'financial income and expenses' in annual closing:

- gains and losses on financial assets at fair value through profit or loss, on available-for-sale financial assets, on held-to-maturity investments, on loans and receivables and on financial liabilities stated at amortised cost ,
- interest income and expenses on financial assets and liabilities,

- income and expenses on provisions , and
- amount of impairment losses on each category of financial assets.

These items are recognised as financial income and expenses excluding credit losses on trade receivables which are recognised as other operating expenses.

Critical accounting estimates and judgements

Estimates and judgements are continually 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 assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(1) Estimated impairment of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 4. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. The realised cash flows can differ from estimated discounted cash flows, as the financial utilisation time is long and the estimated sales prices, production costs, and the changes in discount rate used in the calculations can lead to substantial recognition of impairment losses. The sensitivity of these calculations is described in note 4.

2) Value of tangible assets

Book value of tangible assets is comparable to the recoverable amount of assets if there is reason to assume that the fair value is the book value. The recoverable amount can be fair value or a use value, if higher, calculated by discounting the future cash flows at the current interest rate. The amount and timing of cash flows include risks.

(3) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues on the basis of estimates related to whether additional taxes will be due. The Group makes judgements over the accounting principles concerning tax assets when preparing the annual accounts. The management evaluates the probability of subsidiaries to generate taxable income against unused tax losses or unused tax credits.

If the final tax outcome is different from the amounts that were initially recorded, such differences will affect the current tax receivables and deferred tax assets as well as current tax liabilities and deferred tax liabilities for the periods the differences are realized. The sensitivity of tax calculation can be measured as an effect of actual final taxable result deviating by 10% from the management's estimates. Decrease in the income tax receivables would be EUR 313 thousand if the difference is unfavourable and increase in the income tax receivables EUR 313 thousand if the difference is favourable.

2. Segment information

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

The assets and liabilities of business areas include only assets and liabilities directly connected to the business of the segment,including goodwill.

Non-allocated items in income statement include expenses that are not divided to segments. Non-allocated assets include corporation's administration items, loans and other receivables and shares. Non-allocated liabilities include corporation's administration items, loans from financial institutions and investors and taxes.

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

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

Business area segments 2011

€ 1,000	Wiping	Flexibles	Non-allocated items	Eliminations	Total
Net sales					
– Net sales total	157,761	94,203	2,635		254,599
– Internal sales	–5,431	–29,089		–3,606	–38,127
– Exchange rate differences	–17	–266		99	–183
External sales total	**152,313**	**64,848**	**2,635**	**–3,507**	**216,289**
Operating profit before impairment losses	**–3,072**	**–69**	**–1,540**	**–148**	**–4,829**
Impairment losses					
Operating profit	**–3,072**	**–69**	**–1,540**	**–148**	**–4,829**
Assets, goodwill excluded	274,882	44,372	308,714	–324,181	303,788
Goodwill	34,298				34,298
Total assets	**309,180**	**44,372**	**308,714**	**–324,181**	**338,085**
Liabilities	**49,616**	**11,175**	**368,102**	**–199,545**	**229,348**
Gross investments	**1,910**	**1,851**	**203**		**3,964**
Depreciation	**6,524**	**3,049**	**262**		**9,835**
Impairment losses					
Average personnel (adjusted as full-time)	**418**	**479**	**10**		**907**

Business area segments 2010

€ 1,000	Wiping	Flexibles	Non-allocated items	Eliminations	Total
Net sales					
– Net sales total	115,439	91,487	1,384		208,310
– Internal sales	–7,296	–24,553		–2,246	–34,094
– Exchange rate differences	16	–794		1	–777
External sales total	108,159	66,140	1,384	–2,245	173,438
Operating profit before impairment losses	–3,699	–1,941	–110	–4	–5,755
Impairment losses	–4,906	–163			–5,069
Operating profit	–8,605	–1,941	–110	–4	–10,824
Assets, goodwill excluded	49,152	45,950	110,315	–104,555	100,863
Goodwill	18,498				18,498
Total assets	67,650	45,950	110,315	–104,555	119,361
Liabilities	11,620	10,048	87,917	–23,511	86,075
Gross investments	2,278	3,788	124		6,190
Depreciation	6,117	3,181	24		9,322
Impairment losses	4,906	163			5,069
Average personnel (adjusted as full-time)	369	521	11		901

Geographical segments

Net sales by the location of external customers

€ 1,000	2011	2010
Finland	**27,547**	27,053
Other Europe	**144,561**	129,387
North and South America	**41,665**	10,530
Other countries	**2,515**	6,468
Total	**216,289**	173,438

Assets including goodwill by the location of the assets

€ 1,000	2011	2010
Finland	**106,432**	73,830
Other Europe	**110,878**	45,531
North America	**120,775**	
Total	**338,085**	119,361

Gross investments by country

€ 1,000	2011	2010
Finland	**2,328**	3,746
Other Europe	**1,451**	2,444
North America	**185**	
Total	**3,964**	6,190

3. Business combinations

Suominen acquired the Home and Personal nonwovens business from Ahlstrom in October 2011. The productions plants involved in the transaction are located in the United States of America, Italy, Spain and Brazil. The business operations excluding Brazil were transferred to Suominen on 31 October 2011. All the approvals for Brazilian business transfer are expected to be received from the authorities at the beginning of 2012.

As a result of the acquisition, Suominen will grow substantially and become a global market leader in nonwovens for wipes. The aquired business covers notably wider geographical markets than Suominen's Wiping segment and broadens the product offering for nowoven materials used in household and industrial wiping products. The transaction was realised primarly by purchasing the business assets and liabilities in the companies establised in various countries. Local goodwill arising from the business combination is tax deductible. Goodwill on consolidation is not amortized.

Consideration	Fair values
Cash	101,158
Equity intruments, 66,666,666 ordinary shares 0.45 euro each	30,000
Total consideration transferred	**131,158**

Recognized amounts of identifiable assets acquired and liabilities assumed according to the initial calculations:

€ 1,000	Note	Fair values
Property, plan and equipment	5	89,124
Intangible assets	4	12,584
Other non-current assets		18
Inventories	10	26,795
Trade and other receivables	11,12	6,171
Cash	13	1,030
Total assets		**135,722**
Personnel benefits	20	872
Borrowings	15	9,784
Other liabilities and provisions	18	9,708
Total liabilities		**20,364**
Total identifiable net assets		**115,358**
Goodwill	4	15,800
Total		**131,158**

Goodwill on business combination	
Consideration	131,158
Total identifiable net assets	–115,358
Goodwill	**15,800**

The fair value of the 66.7 ordinary shares issued as a part of the consideration paid, EUR 30 million by Ahlstrom Corporation, was based on the published share price EUR 0.45 on the date of realisation.

In the business combination, the equipment and real estate related to production have been recognized at fair value. The fair value of trade and other receivables is EUR 6.2 million. The gross value of them is EUR 6.3 million and EUR 0.1 million is expected to be uncollectable. Customer relations and technology have been recognized as intanbible assets at their vair value of EUR 12.6 million. The fair value of intangible assets is determined on the basis of their economic useful lives and discounted cash flow.

Goodwill includes intangible rights (i.e. synergy benefits and employee know-how) that do not fulfill all of the conditions of IFRS 3 for being recognized as separate assets.

The fair value of debts and liabilities is EUR 20.4 million. The fair value of personnel benefits is based on actuarial calculations. Costs

related to the business combination, totalling EUR 2.9 million, are included in other operating expenses.

As of 1 November 2011, the acquired business has generated net sales of EUR 42.9 million. The result after taxes is EUR –1.1 million. The group's net sales would have been EUR 491.7 million and operating profit EUR 1.0 million, had the transaction been realised in the beginning of 2011, and the costs of it occurred at the end of 2010.

Business combinations 2010

Suominen had no business combinations in 2010.

4. Intangible assets

€ 1,000	Intangible rights	Goodwill	Other capitalised expenditure	Pre-payments	Total 2011
2011					
Acquisition cost 1 Jan.	2,361	18,498	777	113	**21,749**
Business combination	6,596	15,800	5,988		**28,384**
Translation difference	–4		–1		**–5**
Transfers between items	190			–190	
Writedown	–1				**–1**
Increase	19		1	203	**223**
Acquisition cost 31 Dec.	**9,161**	**34,298**	**6,765**	**126**	**50,349**
Accumulated depreciation 1 Jan.	–1,972		–503		**–2,475**
Translation difference	4				**4**
Accumulated depreciation on decrease and transfers	1				**1**
Depreciation for the financial year	–280		–155		**–436**
Accumulated depreciation 31 Dec.	**–2,247**		**–658**		**–2,906**
Book value 31 Dec.	**6,913**	**34,298**	**6,106**	**126**	**47,443**

€ 1,000	Intangible rights	Goodwill	Other capitalised expenditure	Pre-payments	Total 2011
2010					
Acquisition cost 1 Jan.	1,282	23,404	1,119	85	25,890
Translation difference	1		51		52
Other changes	941			1	942
Transfers between items	129			–129	
Decrease/sale			–401		–401
Impairment losses		–4,906			–4,906
Writedown	–5				–5
Increase	13		8	156	177
Acquisition cost 31 Dec.	2,361	18,498	777	113	21,749
Accumulated depreciation 1 Jan.	–919		–772		–1,691
Translation difference	–1		–51		–52
Other changes	–941				–941
Accumulated depreciation on decrease and transfers	5		399		404
Depreciation for the financial year	–116		–79		–195
Accumulated depreciation 31 Dec.	–1,972		–503		–2,475
Book value 31 Dec.	389	18,498	274	113	19,274

Intangible rights and other intangible assets

At business combination customer relations and intangible rights were transferred to Suominen at fair value of EUR 12.6 million. The fair value of assets were defined based on their useful lives and discounted cash flows.

Goodwill

Suominen has goodwill from the acquisition of Codi in 2003 and the business operations of Home and Personal business from Ahlstrom in 2011. At the end of 2011 the remaining goodwill of Codi was EUR 18,497 thousand, total amount allocated to Codi Wipes. In the business combination of 2011 a goodwill of EUR 15,800 euro was generated, and the total amount was allocated in the cash generating unit Nonwovens.

In the consolidated financial statements the recoverable amount for the business was determined as the value in use in impairment testing. Projected cash flows are based on actual performance and five-year forecasts based on business strategy. The main assumptions underlying these forecasts were revised at the balance sheet date. Cash flow in the residual period beyond the five-year forecasted period was extrapolated using the growth rates for the relevant business areas. The key assumptions regarding the values in use are linked to the sales trend prevailing in the cash-generating units, cost and investment levels, and the discount rate used.

The annual growth rate for Codi Wipes during the period covered by the forecast has been estimated at 4.3 per cent. In 2011 the net sales was on the same level as previous year. The unit plans to grow together with its key customers and with the help of new applications. Operations will be rationalized further. Thanks to the increased volumes and rationalization of the cost structure the profitability is expected to improve from the present level. The annual growth rate for Nonwovens during the forecast period has been estimated at 1.6 per cent. In the beginning of the period, though, the demand is expected to be moderate as the economic situation will influence the customer behavior in the market. Sales prices are expected to first decrease slightly due to the economic downturn, but to recover afterwards on the earlier levels. Cost savings are expected in the cash-generating unit in the beginning of the forecast period. The amounts of the investments needed for replacing the existing capacity has been estimated based on the planned depreciation in each cash-generating unit.

The rate used in discounting has been derived by using targeted capital structure of the cash generating units at the time of impairment test. Net gearing, or ratio of net debt to equity, is 80 per cent. Cost of capital has been calculated as a weighted average cost before taxes for equity and debt and taking into the consideration the risk-free rate, and the risk margins of equity and debt respectively. Discounting rates in the impairment tests have increased from last year because of rises in the risk margins have overweighed the fall in the risk-free 10-year bond rates.

The critical assumptions in the test calculations are as follows:

	Nonwovens 2011	Codi Wipes 2011	2010
Rate of discounting	11.0%	10.4%	10.8%
Growth of Net Sales 2012–16 (2011–15) p.a.	1.6%	4.3%	3.0%
Annual growth rate in the residual period	0.5%	0.5%	0.5%
Operating profit in the residual period %	6.8%	6.2%	6.2%
Replacement investments / Net Sales	4.2%	2.6%	3.5%

Impairment testing is based on present estimates of future developments. The uncertainty in measuring the values in use for cash-generating units was captured by analyzing variations in the amount or timing of cash flows. The element of uncertainty and risk has been accounted for in the residual growth figure that is 1 to 2 percent points lower than expected growth and taking into consideration the testing errors of past impairment tests. Somewhat likely changes in the key assumptions may lead to a situation where the carrying amount of Codi Wipes exceeds the fair value of it. The value in use applied for Codi Wipes exceeded the carrying amount by EUR 2.9 million.

Risk analysis has taken into account of the possibility of adverse changes in the general assumptions underlying the calculations used. Margins in the calculation assumptions to lower the value in use to be same as the carrying amount are as follows:

	2011	2010
Rate of discounting	1.0%	1.0%
Operating profit in the residual period	–1.3%	–0.6%
Growth of Net Sales 2012–16 (2011–2015) p.a.	–1.3%	–0.8%
Growth of residual	–1.6%	–1.4%
Replacement investments / Net Sales	1.3%	0.9%

A potential consumption-based inflation could raise interest rates but also lead to a more favorable trend in sales as consumer demand increases. A 1 per cent annual increase in residual growth figure of the cash-generating units would in such a situation be offset by a rise in the discount rate by 0.8 per cent for the value in use to be unchanged.

5. Tangible assets

€ 1,000	Land areas	Buildings	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total 2011
2011						
Acquisition cost 1 Jan.	1,363	63,193	200,537	536	2,564	**268,193**
Business combination	1,046	10,147	74,365	37	3,529	**89,124**
Translation difference	4	–54	3,041		–276	**2,715**
Increase		450	537		2,692	**3,678**
Decrease/sale			–5,405		–468	**–5,872**
Writedown			–45			**–45**
Other changes			119		–11	**108**
Transfers between items		867	3,878	31	–4,776	
Acquisition cost 31 Dec.	**2,412**	**74,602**	**277,027**	**604**	**3,255**	**357,900**
Acquisition cost 1 Jan.		–42,612	–171,250	–458		**–214,320**
Translation difference		147	949	–1		**1,096**
Other changes			–38			**–38**
Accumulated depreciation on decrease and transfers			4,646			**4,646**
Depreciation for the financial year		–2,367	–7,012	–20		**–9,399**
Accumulated depreciation 31 Dec.		**–44,831**	**–172,704**	**–479**		**–218,014**
Book value 31 Dec.	**2,412**	**29,771**	**104,323**	**125**	**3,255**	**139,886**
Balance sheet value of machinery and equipment in production			**100,043**			

€ 1,000	Land areas	Buildings	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total 2010
2010						
Acquisition cost 1 Jan.	1,349	61,757	142,344	206	2,792	208,448
Translation difference	22	220	1,282		7	1,531
Fully depreciated			–107			–107
Increase		138	800		4,946	5,884
Decrease/sale	–8	–182	–8,086			–8,276
Writedown			–1,505			–1,505
Other changes		704	61,228	330	119	62,381
Transfers between items		556	4,744		–5,300	
Impairment losses			–163			–163
Acquisition cost 31 Dec.	1,363	63,193	200,537	536	2,564	268,193
Accumulated depreciation 1 Jan.		–39,724	–111,576	–104		–151,404
Translation difference		–36	–868			–904
Other changes		–692	–61,064	–330		–62,086
Fully depreciated			107			107
Accumulated depreciation on decrease and transfers		94	9,000			9,094
Depreciation for the financial year		–2,254	–6,849	–24		–9,127
Accumulated depreciation 31 Dec.		–42,612	–171,250	–458		–214,320
Book value 31 Dec.	1,363	20,581	29,287	78	2,564	53,873
Balance sheet value of machinery and equipment in production			27,023			

The fair values of the assets transferred at business combination were EUR 1.0 million for land and water areas, EUR 72.5 million for machinery and equipment, and EUR 3.6 million for other tangible assets. The fair values at acquistion were defined by using external appraisals and estimeted useful lives of the assets.

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

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

6. Group companies

	Percentage of total number of shares and voting power
Codi International BV, Veenendaal, The Netherlands	100.0
Suominen Nonwovens Ltd., Nakkila, Finland	100.0
Suominen Flexible Packaging Ltd., Tampere, Finland	100.0
Suominen Polska Sp. z o.o., Grodzisk Mazowiecki, Poland	100.0
Flexmer Ltd., Tampere, Finland	100.0
Suominen Italy Holding, s.r.l. Mozzate, Italy	100.0
Suominen Spain Holding, S.A., Alicante, Spain	100.0
Suominen US Holding, Inc., Windsor Locks, The United States of America	100.0
Owned through subsidiaries:	
Suominen Flexible Packaging AB, Norrköping, Sweden	100.0
ZAO Suominen, St. Petersburg, Russia	100.0
Suominen Ikamer Ltd., Tampere, Finland	100.0
Cressa Nonwovens s.r.l., Mozzate, Italy	100.0
Mozzate Nonwovens s.r.l., Mozzate, Italy	100.0
Alicante Nonwovens S.A.U., Alicante, Spain	100.0
Bethune Nonwovens, Inc., Bethune, The United States of America	100.0
Green Bay Nonwovens, Inc. Green Bay, The United States of America	100.0
Windsor Locks Nonwovens, Inc., Windsor Locks, The United States of America	100.0

7. Financial assets by category determined by IAS 39

On 31 December 2011 the book value of non-current and current financial assets were total EUR 84,174 thousand (2010: EUR 16,824 thousand).

€ 1,000	Classes by instruments nature							Note
	Financial assets at fair value through profit or loss	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Derivatives held for hedge accounting	Book value	Fair value	
2011								
Available-for-sale financial assets				212		212	212	8
Held-to-maturity investments		445				445	445	
Trade receivables			41,798			41,798	41,798	11
Other receivables	39		832			871	871	12
Restricted financial assets			25,000			25,000	25,000	14
Cash and cash equivalents			15,887			15,887	15,887	13
Total	**39**	**445**	**83,517**	**212**		**84,174**	**84,174**	
2010								
Available-for-sale financial assets				212		212	212	8
Held-to-maturity investments		354				354	354	
Trade receivables			10,817			10,817	10,817	11
Derivatives held for hedge accounting					1,106	1,106	1,106	20
Other receivables			1,082			1,082	1,082	12
Cash and cash equivalents			3,253			3,253	3,253	13
Total		354	15,152	212	1,106	16,824	16,824	

Principles in estimating fair value for financial assets

Available-for-sale financial assets and held-to-maturity investments

Available-for-sale financial assets and held-to-maturity investments are non-derivatives that are carried at amortised cost using the effective interest method. As of the closing date the book value of these assets equals to fair value.

Trade receivables, other receivables, cash and cash equivalents

The book value of non-derivative receivables and cash equivalents equals to fair value based on short maturity of these current assets.

8. Available-for-sale financial assets

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

€ 1,000	2011	2010
Book value 1 Jan.	**212**	212
Book value 31 Dec.	**212**	212

9. Deferred taxes

€ 1,000	2011	2010
Deferred tax assets		
Recognised in equity		
Fair valuation of derivative financial instruments	**168**	
Recognised in income statement		
Tangible assets	**–3**	29
Unused tax losses	**2,119**	1,129
Other temporary differences	**472**	181
Total deferred tax assets	**2,756**	1,339

€ 1,000	2011	2010
Deferred tax liabilities		
Recognised in equity		
Fair valuation of derivative financial instruments		296
Translation differences	**734**	25
Recognised in income statement		
Tangible assets	**2,154**	2,532
Other temporary differences	**773**	77
Total deferred tax liabilities	**3,661**	2,930
Net deferred tax liabilities	**905**	1,591

Deferred income tax recognised in equity during the year	2011	2010
Cash flow hedges	**446**	–432
Translation differences	**443**	–222
Total	**888**	–654

Deferred tax assets refer to the confirmed tax losses that can probably be used in future years against taxable income generated in the same country. Deferred tax assets are based on the estimated realisation of the related tax benefit through future taxable income.

At the balance sheet date group had total EUR 9.0 million confirmed tax losses from previous years. New tax losses of the financial year based on the result of the year are expected to be EUR 16.3 million. Suominen has recognised deferred tax assets EUR 8.2 million for the previous losses and EUR 6.9 million for the financial year´s losses.

It is estimated that Suominen is not capable in loss balancing until several years, which causes significant uncertainty in balancing tax losses. Tax losses concerned will get old in 2020.

No deferred tax liability is recognised for the undistributed profits of subsidiaries, as the group decides the distribution of such profit and no such distribution is likely in the immediate future.

10. Inventories

€ 1,000	2011	2010
Raw materials and consumables	**20,763**	9,769
Work in progress	**3,989**	3,152
Finished products and goods	**21,099**	11,452
Advance payments	**122**	
Total inventories	**45,972**	24,373

The value at cost of inventories totals EUR 46,386 thousand (EUR 25,092 thousand). The value has been reduced by EUR 414 thousand to cover obsolete stock (EUR 719 thousand).

11. Trade receivables

The ageing structure of the trade receivables and the recognized credit losses:

€ 1,000	2011	2010
Not yet due	**36,688**	7,660
Past due date		
less than 5 days	**1,039**	222
5–30 days	**2,859**	1,301
31–120 days	**1,070**	1,495
more than 120 days	**141**	139
	5,110	3,156
Total trade receivables	**41,798**	10,817

Booked credit losses on trade receivables were EUR 76 thousand (2010: EUR 31 thousand)

Trade receivables by currency:

€ 1,000	2011	2010
EUR	**20,048**	7,555
SEK	**446**	986
PLN	**407**	477
RUB	**1,130**	1,397
NOK	**269**	107
USD	**19,264**	164
Other currencies	**233**	131
Total	**41,798**	10,817

Suominen has a program to sell trade receivables with irrevocable rights to the bank. At the date of balance sheet the total of EUR 10.9 million of trade receivables (EUR 14.0 million) was sold to the bank.

12. Other receivables

€ 1,000	2011	2010
Other receivables		
Fair values of derivatives in hedge accounting		1,106
Indirect taxes	**3,192**	1,626
Business combination	**4,700**	
Other	**776**	440
Total other receivables	**8,668**	3,172

The receivable for the business combination will be cleared when the final transfer price will be defined based on the value of the transferring working capital items.

Accrued income and prepaid expenses		
Social security and healthcare	**101**	106
Statutory and other insurances	**308**	10
Indirect taxes	**99**	
Insurance compensations	**570**	
Discounts	**832**	1,082
Loan arrangements	**4,998**	447
Other	**1,904**	849
Total accrued income and prepaid expenses	**8,812**	2,494
Total other current receivables	**17,480**	5,666

13. Restricted financial assets

€ 1,000	2011	2010
Deposit on the escrow account for the initial consideration on the Brazilian business operations	**25,000**	
Total	**25,000**	

14. Cash and cash equivalents

€ 1,000	2011	2010
Total cash and cash equivalents	**15,887**	3,253

The fair value of cash and cash equivalents equal to their nominal value.

15. Share capital

Share capital	Number of shares	Registered share capital, €	Share premium account, €	Invested non-resticted equity fund, €	Own shares, €	Total, €
31 Dec 2010	47,395,014	11,860,056	24,680,588	9,708,433	–163,365	46,085,712
Share issue	198,539,108			87,345,978		87,345,978
Conveyance of own shares					119,746	119,746
31 Dec 2011	**245,934,122**	**11,860,056**	**24,680,588**	**97,054,411**	**–43,619**	**133,551,436**

The registered number of issued shares of Suominen totals 245,934,122 shares and EUR 11,860,056. Maximum share capital is 20 000 000 euros. Share has no nominal value. Suominen Corporation shares are listed on NASDAQ OMX Helsinki Ltd. All issued shares are fully paid up.

The Members of the Board of Directors and the President and CEO of Suominen Corporation owned a total of 3,717,042 shares (2010: 6,166,089 shares) as of 31 December 2011. These shares represented 1.5% (December 2010: 13.0%) of the total number of shares and votes.

Conversion of capital loan

At the share issuance capital loan was converted into share capital by 4,799,997 shares at price of EUR 0.45 which equals to EUR 2,159,999.

Stock options

In connection with the share issue in June Board decided to correct stock option terms in the way that enables option holders to subscribe the same share of the Company as before share issue.. Subscription prices are corrected as described below.

Option	Exchange ratio	Subscription price per share	Subscription period	Number of shares to be subscribed	End of vesting period
2009A	1:1	0.95	2 May 2011 – 30 Oct, 2012	250,000	2 May 2011
2009B	1:1	0.96	2 May 2012 – 30 Oct 2013	300,000	2 May 2012
				550,000	

	2011 Average subscription price € / share	Options (pcs)	2010 Average subscription price € / share	Options (pcs)
In the beginning of financial year	**0.99**	**870,000**	1.95	425,000
Share issue effect on options to be subscribed			0.44	425,000
Granted new options, serie 2009B			0.96	300,000
Expired options, serie 2006C	**1.05**	**–200,000**		
Expired options, serie 2007A			1.94	–170,000
Expired options, serie 2007B	**1.05**	**–120,000**		
Returned options, serie 2007B			1.05	–60,000
Returned options, serie 2009A			0.95	–50,000
At the end of financial year	**0.96**	**550,000**	0.99	870,000

During the financial year stock options, serie 2006C and 2007B, were expired at no value. No options were exercised.

Stock option plan	2009A	2009B
Fair value at grant date	0.17	0.21
Grant date	16 Jun 2009	2 Dec 2010
Share price at grant date	1.46	1.49
Share price adjusted to share issue	0.95	0.96
Number of outstanding options on 31 December	250,000	300,000
Expected volatility (%)	30%	38%
Expected vesting period at grant date (years)	3.4	3.4
Risk-free interest rate (%)	1.50%	1.70%

Option rights

Under the stock option plan 2006 stock options serie 2006C were expired at no value. Also stock options serie 2007A under stock option plan 2007 were expired at no value.

Under the 2009 stock option plan, a maximum of 900,000 stock options shall be issued to the President and CEO and to the members of the Corporate Executive Team as specified by the Board of Directors. Each stock option entitles its holder to subscribe for one Suominen Corporation's share. Of the stock options 300,000 have been marked with the symbol 2009A, 300,000 with the symbol 2009B, and 300,000 with the symbol 2009C. According to the 2009A stock option plan a total of 300,000 stock options has been issued in 2009. The share subscription price for the stock options is the trade volume-weighted average price of the company share on NASDAQ OMX Helsinki Ltd. in May 2009 adjusted to share issue, EUR 0.95. The subscription period for the 2009A stock options is from 2 May 2011 to 30 October 2012. According to the 2009B stock option plan a total of 300,000 stock options has been issued in 2010. The share subscription price for the stock options is the trade volume-weighted average price of the company share on NASDAQ OMX Helsinki Ltd. in December 2010 adjusted to share issue, EUR 0.96. 50,000 stock options, serie 2009A have been returned to the Group. The share subscription rights for the 2009C option rights will be determined in 2011.

As the registered number of Suominen's issued shares totals 245,934,122, the number of shares may rise to a maximum of 246,484,122 after stock option.

The fair values of the stock options and shares granted to the President and CEO will be booked to the statement of income as expenses during the period in question, in accordance with IFRS 2 Share-based payment. A total of EUR 26,000 of share-based expenses was booked to the statement of income in 2011 (EUR 29,000 in 2010). The fair values are measured using a binomial model (Cox-Ross-Rubinstein variation).

Stock option terms and conditions

The stock options entitle the holder to subscribe Suominen Corporation shares at the subscription price and over a period determined in the terms and conditions of the stock option plan. The exchange ratio for all stock options is 1:1. Those stock options whose share subscription period has not commenced and which have not yet been vested may not be transferred to a third party. Should a participant cease to be employed by Suominen for any reason other than retirement or death, such a person shall without delay offer to the Company, free of charge, those options whose share subscription period has not commenced. After the subscription period, the subscription rights shall expire with no value.

The entitlement to dividends of the shares subscribed for pursuant to the option rights, together with other shareholder rights, shall commence once the increase in share capital has been entered in the trade register. The share subscription periods and prices are presented in the table above. The subscription prices will, as per the dividend record date, be reduced by the amount of dividend. The subscription price shall, however, always be at least the book counter value of the shares. Pursuant to stock options outstanding on 31 December 2011, a maximum of 550,000 new shares may be subscribed for, which is 0.2 per cent of the current number of shares and votes. As a result of these subscriptions, the shareholders' equity may increase by a maximum of EUR 525,500. On 31 December 2011, a subsidiary held 50,000 options of which subscription price is with serie 2009A options 0.95 euros,

The portion of the shares that may be subscribed for pursuant to these options is 0.0 per cent of the current number of shares. As a result of these subscriptions, the share capital may increase by a maximum of EUR 47,500.

Fair value reserve

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

€ 1,000	2011 Cash flow hedges	Total	2010 Cash flow hedges	Total
Fair value reserve at 1 Jan.	**828**	**828**	–401	–401
Cash flow hedges deferred in equity	**–1,731**	**–1,731**	1,661	1,661
Total	**–903**	**–903**	1,260	1,260
Deferred taxes	**463**	**463**	–432	–432
Fair value reserve at 31 Dec.	**–441**	**–441**	828	828

Other reserves

Translation differences

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

16. Financial liabilities

On 31 December 2011 the book value of non-current and current financial liabilities were total EUR 205,691 thousand (2010: EUR 73,265 thousand).

€ 1,000	2011 Book value	Fair value	2010 Book value	Fair value	note
Non-current					
Loans from financial institutions	**138,247**	**137,993**	33,137	31,780	21
Pension loans	**1,714**	**1,523**	2,686	2,367	21
Capital loans	**920**	**807**	4,000	3,405	21
Total	**140,881**	**140,323**	39,823	37,552	
Current *					
Repayment of non-current liabilities					
Loans from financial institutions	**18,957**	**19,013**	17,500	18,450	21
Pension loans	**971**	**947**	971	947	21
Capital loans	**920**	**900**	2,000	1,962	21
Commercial papers			988	988	
Derivatives held for hedge accounting	**674**	**674**			21
Trade payables	**44,208**	**44,208**	11,982	11,982	18,19
Total	**65,731**	**65,741**	33,442	34,330	
Total	**206,611**	**206,065**	73,264	71,882	

* In the balance sheet under current liabilities.

Financial liabilities are other than liabilities held for trading and derivative liabilities according to the definitions in the IFRS 7 and IAS 39 standards, and are valued at amortised cost.

Principles in estimating fair value for financial liabilities

Loans
Fair values for fixed-interest bearing liabilities have been calculated by discounting future cash flows at the appropriate interest rate prevailing on the closing date (2.95–4.25 per cent). Pension loans and capital loans have fixed interest rates, while loans from financial institutions have floating interest rates.Fair value for the loans with floating interest rate is the same as book value.

Derivative financial instruments
Fair values for electricity derivatives are determined by using the forward prices in Nordpool for the same period and

discounting them with relevant interest rates. Fair values for currency derivatives are determined by using the spot rates and relevant swap points based on interest rate differences at the balance sheet date. Fair values for interest rate swaps are determined by using the quotes based on euribor curves and discounting future cash flows with relevant interest rates. Fair values for naphta derivatives are based on oil-futures and USD/EUR forward rates.

Trade payables
The book value of trade payables equals to fair value based on short maturity of these current liabilities.

Repayments

€ 1,000	Loans from financial institutions	Pension loans	Capital loans
2012	18,957	971	920
2013	51,587	571	920
2014	27,390	571	
2015	11,140	571	
2016	48,130		
2017–			

Capital loan 1/2008

Suominen Corporation issued a EUR 10 million Capital Loan in the Finnish book-entry system. The loan is repaid in five equal installments annually starting 14th of March 2009. The principal may be repaid and interest paid only in so far as the sum total of the unrestricted equity and all of the capital loans of the Suominen Corporation at the time of payment exceed the loss on the balance sheet to be adopted for the latest financial period or the loss on the balance sheet from more recent financial statements (Capital Restraint). The principal and interest are subordinate to all other debts in the liquidation and bankruptcy of the company. The loan is unsecured.

The loan carries an interest coupon of 11.5 per cent. If the issuer is not capable of paying principal or interest either in part or in total because of the Capital Restraint the unpaid amount remains as debt of the company and has an overdue interest rate of 2 per cent over the loan rate. The issuer shall pay the overdue principal, interest rate and overdue rate as soon as it is possible according to the Capital Restraint.

The holder of bearer bond in the book-entry system is entitled to demand that the loan principal and accrued interest will be paid if half of the shareholder's equity has been acquired directly or indirectly by a person or company (or a group of persons or companies acting together) or if such a person or company or such persons or companies get the right to nominate majority of the members of the Board of Directors of the issuer.

At share issuance in October 2011 a total of EUR 2.2 million of the capital loan was converted into share capital. After the conversion the remaining capital loan amount EUR 1.8 million will expire according to the terms and conditions of the loan.

17. Provisions

€ 1,000	2011	2010
Provisions 1 Jan.	**280**	280
Provisions 31 Dec.	**280**	280

Provisions include a reserve booked in 2009 on the estimated future losses of a rental guarantee obligation of a discontinued business. During the financial year no changes were recognised.

18. Trade payables

Trade payables by currency

€ 1,000	2011	2010
EUR	**22,759**	10,185
PLN	**1,845**	1,284
SEK	**76**	75
USD	**19,498**	429
Other currencies	**29**	9
Total	**44,208**	11,982

At business combination trade receivables totalling to EUR 4.1 million were transferred to Suominen.

19. Other liabilities

€ 1,000	2011	2010
Trade payables	**44,208**	11,982
Other liabilities		
Received advance payments	**685**	
Indirect taxes	**924**	150
Payroll	**2,103**	714
Other liabilities	**3,733**	1,518
Total other liabilities	**6,760**	2,382
Accrued expenses		
Interest	**1,806**	839
Fair value of derivatives in hedge accounting	**674**	
Discounts	**588**	400
Payroll an social security	**3,844**	4,003
Other accrued expenses	**3,840**	1,977
Total accrued expenses	**10,753**	7,219
Total trade payables and other current liabilities	**61,720**	21,583
Accrued expenses, non-current		
Other accrued expenses	**362**	
Total accrued expenses, non-current	**362**	

20. Employee benefits

Suominen has a defined benefit plan in Italy as defined by IAS19. According to the local practice the arrangement is not funded. The total amount of the defined benefit plan is based on the years of employment and the closing payroll of the key personnel. The liability arising from the arrangement is defined by using the actuarial calculations.

The benefit arrangement was transferred to Suominen at business combination in November 2011.

€ 1,000	2011	2010
Arrangements related to post-employment benefits		
Present value on employment benefit		
Present value of the unfunded obligation	**873**	
Employment benefit recognized in the balance sheet of 31 Dec	**873**	
Present value of net obligation		
Net obligation on 31 Oct	**866**	
Interest cost	**7**	
Net liability in balance sheet of 31 Dec	**873**	
Expenses recognized in the statement of income:		
Interest cost	**7**	
Total expenses recognized in the statement of income	**7**	
Expenses allocated by function:		
Procurement and production	**7**	
Total expenses allocated by function	**7**	

Principal actuarial assumptions

At 31 Dec.	2011	2010
Discount rate (%)	**5.00**	
Expected rate on return on plan assets (%)	**2.67**	
Expected rate of inflation (%)	**2.00**	
Expected average remaining working life (years)	**17.58**	

21. Financing and financial risk management

Suominen Corporation is exposed to several financial risks in its business operations. Risks include foreign exchange risk, interest risk, counterpart risk, liquidity risk and commodity risk. The financing policy approved by Suominen's Board of Directors defines the authorities, responsibilities and principles to be observed in the group. Financing and financial risk management is the responsibility of the group's financial administration. The purpose of financial risk management is to hedge the Group against significant financial risks.

Different financial instruments subject to prior approvals are used in risk management. Financial instruments used in hedging are exposed to changes in market prices, the solvency of counterparts or the liquidity of instruments.

Responsibilities and authorities in Suominen's risk management are defined in the group's financial policy approved and confirmed yearly by the Board of Directors. The President and CEO approves all major funding operations and the main principles to be followed when hedging financial risks. The CFO is responsible for ensuring that the policy is observed throughout the group, and for individual financial operations concerning funding, managing liquidity and financial risks. The group's financial administration is responsible for all contracts entered into concerning funding, market money investments, and managing exchange rate and interest rate risks. It also negotiates the financial agreements and handles the financial transactions between financial institutions and the group companies. Business units are responsible for providing the group with the information necessary to identify and manage the risks concerned.

Market risk

a) Foreign exchange risk

The group operates internationally and is therefore exposed to foreign exchange risk related to business transactions and translation of balance sheet items into the domestic currency of euro. The aims of the company's foreign exchange risk management are to hedge earnings from business operations, and avoid exchange rate losses. Currency transactions are designed to reduce exchange-rate-related risks and avoid losses of this type.

Foreign exchange risks comprise the transaction risks arising from cash flows from operations and the translation risks resulting from the currency value change of balance sheet items denominated in foreign currencies. Most of the group's exports are denominated in euros. The foreign exchange transaction position comprises of already known and estimated cash flows for the next 12 months. The main currencies are Swedish crowns, Polish zlotys, US dollars and Russian roubles. The transaction risks in Swedish crowns and Russian roubles arises from currency denominated sales. Polish zloty risk arises from local production costs while sales are partly in EUR. USD risk from raw material purchases. The translation risk is caused by a change in the value of investments in subsidiaries denominated in SEK and PLN. The hedged foreign exchange position for a 12-month period should vary between 3 and 9 months under company policy.

The translation risk is generated by the foreign exchange rate fluctuation in the investments to the subsidiaries in USD, SEK and PLN.

Common derivative contracts are used in hedging, as their pricing can be verified on the market. Suominen does not adopt IAS 39 hedge accounting in currency hedging for the transaction risk. Changes in market values of currency hedging instruments are recognised in the statement of income.

Transaction position at 31 December:

	Transaction position 2011		Transaction position 2010	
€ 1,000	12 months cash flow	Currency hedges	12 months cash flow	Currency hedges
SEK	**11,159**	**–1,908**	4,463	–2,454
USD	**–6,461**	**7,190**	–4,146	1,272
PLN	**–8,724**	**2,141**	–4,482	1,500
NOK	**1,872**	**–516**	2,023	–679
RUB	**1,928**	**–575**	1,542	–392
Other		**0**	2,537	
Total nominal value	**8,840**	**6,898**	19,193	5,226

The transaction position includes receivables in foreign currencies total of EUR 5,834 thousand (EUR 3,129 thousand) and payables total

Correspondingly the translation position is as follows:

Translation position 2011

€ 1,000	Loans	Capital investments in foreign subsidiaries	Hedged	Open exposure
SEK	–2,778	3,608		830
PLN	7,235	2,862		10,097
USD	57,749	40,037	–90,439	7,347

Translation position 2010

€ 1,000	Loans	Capital investments in foreign subsidiaries	Hedged	Open exposure
SEK	–1,789	3,744		1,955
PLN	8,114	3,590		11,704

Capital investments in foreign subsidiaries include both cash contributions in equity and loans that can be associated as equity. Suominen has an Equity Hedge program for hedging the translation position in USD. The holding in the subsidiaries in the USA is hedged with an external loan of the same size. Lending in USD to the subsidiaries is hedged with an external loan.

As required by IFRS 7, the table below summarizes the sensitivity of financial instruments on currency risk at the date of the balance sheet. Financial items include currency forwards, currency investments, short-term and long-term currency receivables and short-term and long-term currency payables. Sensitivities in currency rates of the balance sheet date are estimated on the basis of the actual volatility of the currencies over the past 12 months at a probability confidence level of 10 per cent.

Exchange rate sensitivity of transaction position

	2011			2011		
€ 1,000	Currency change, %	Impact on profit after taxes	Impact on equity	Currency change, %	Impact on profit after taxes	Impact on equity
SEK	**11**	**125**		**–11**	**–125**	
USD	**16**	**–824**		**–16**	**824**	
PLN	**15**	**–78**		**–15**	**78**	
NOK	**10**	**18**		**–10**	**–18**	
RUB	**12**	**–49**		**–12**	**49**	
Total		**–807**			**807**	

	2010			2010		
€ 1,000	Currency change, %	Impact on profit after taxes	Impact on equity	Currency change, %	Impact on profit after taxes	Impact on equity
SEK	9	103		–9	–103	
USD	15	–112		–15	112	
PLN	14	–72		–14	72	
NOK	9	38		–9	–38	
RUB	22	–163		–22	163	
Total		–206			206	

The management assesses the hedging effectiveness by combining the estimated net cash flow in foreign exchange to the effect of the hedging instruments. The net impact caused by the weakening of currency rates as described above on annual profit after taxes is estimated to be EUR +/–1.8 million (+/–0.5) as follows.

€ 1,000	Currency strengthens/wakens, %	Impact on 12 months currency cash flow	Impact on currency derivatives	Net impact (after taxes)
SEK	11	+–1,146	–+288	+–598
USD	16	–+1,045	+–628	–+418
PLN	15	+–1,269	–+101	+–1,168
NOK	10	–+189	–+71	+–118
RUB	12	–+215	–+95	+–120
Total		**+–1,773**	**+–72**	**+–1,845**

b) Interest rate risk

The group's interest rate risks are linked to general increases in interest rates and the associated increases in interest costs. In an ideal world, it would be possible to compensate for increases in interest rates through stronger business resulting from an improved business climate. Demand for the Company's end products is primarily dependent on overall demand for consumer goods in the hygiene and food sectors, both sectors that are subject to relatively little cyclicality. As the business is capital-intensive and the economic lifetime of production equipment is long, the use of fixed interest rates in the company's loan portfolio is to be recommended. However, lower interest costs can be achieved over the long term with short-term interest rates. The interest rate risk associated with the company's loan portfolio is diversified to ensure that the portfolio comprises both floating and fixed interest rates spread over a range of interest periods. The 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 36 months. As of the end of 2011, it was 35 months (12).

The amount of the group's loans with floating interest rate at the end of the year is EUR 155 million (48.9). The nominal value of interest rate swaps, hedging the cash flow of interest payments, is EUR 76.5 million (13.8). In the interest rate swaps, the Suominen Corporation pays approximately 1.3 per cent fixed interest (2.8) and receives 0.7 per cent floating rate (1.2).

The company applies cash flow hedge accounting to interest swap contracts to fix the interest flow of floating-rate loans and to fix the floating interest cash flow that will be realised with high probability in accordance with IAS 39. Hedging must be effective both prospectively and retrospectively. The effectiveness of hedges are documented at the start of hedge transactions and tested during the hedging period. The effectiveness of hedging in respect of interest rate derivatives is obtained mathematically.

The sensitivity of interest rate risk is calculated on the basis of a 0.5 per cent shift in the interest rate curve. Based on the actual volatility of interest rates over the past 12 months, the probability of such is at its highest for long term loans. A shift in the interest rate curve of 0.5 per cent would have affected the interest costs of the company loans and interest rate swaps during a period of 12 months as follows:

€ 1,000	Change of Interest, %	Impact on profit after taxes	Impact on Equity	Change of Interest%	Impact on profit after taxes	Impact on Equity
2011						
Net liabilities	+0.5%	–573		–0.5%	573	
Interest rate swaps	+0.5%	335	286	–0.5%	–335	–286
Total		**–238**			**238**	
2010						
Net liabilities	+0.5%	–181		–0.5%	181	
Interest rate swaps	+0.5%	53	62	–0.5%	–53	–69
Total		–128			128	

Impact on profit is the result of a change in the interest cash flows. In addition, a change in the value of swap agreements qualifying as cash flow hedges is recorded as an adjustment in the fair value reserve in equity. Cash flows of interest hedging instruments are expected to realise during years 2012–2016.

Electricity price risk

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

The Group's electricity price risk exposure is reviewed on a rolling basis in three-year periods. Exposure at the end of 2011 was hedged by establishing that fixed-price electricity will account for 52 per cent (70) of projected usage in 2012, 39.2 per cent (13) in 2013, and 0 per cent (0) in 2013. Price hedging is done with OTC contracts. According these contracts Suominen pays on average EUR 46.2 / MWh (43.11).

Cash flow hedge accounting is also applied to electricity purchases, to neutralise fluctuations in the price of electricity over specific periods. Hedging must be effective both prospectively and retrospectively. The effectiveness of hedges are documented at the start of hedge transactions and tested during the hedging period. The effectiveness of hedging is tested on the basis of an established regression in Monte Carlo simulation. The change in the value of the effective hedging instruments is recognised in the statement of income along with the hedged cash flow. All hedges were effective at the year end.

The price sensitivity of electricity derivatives has been estimated on the basis of the volatility of monthly average prices of the past 12 months so that the probability of price changes compared to the year-end price is +/–10 per cent.

2011 Price change, € / MWh	Impact on profit after taxes	Impact on equity	2010 Price change, € / MWh	Impact on profit after taxes	Impact on equity
+17	74	955	+19	0	1,321
–17	–46	–1,028	–19	–7	–1,313

The above estimation covers only the impact of changes in the market values of electricity derivatives.

Credit risks

The most significant individual credit risks relate to trade receivables from international companies with high credit ratings. The biggest ten trade receivables account for 39 per cent of all trade receivables. 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 organisation in this area. Credit is granted to customers after a credit approval process has been completed. In addition, Suominen has limited credit risk insurance cover for designated customers. The credit situation of customers is reported at least once a month to the persons responsible for sales. During the financial year, credit losses recorded through profit and loss totalled EUR 76 thousand (31). The trade receivables are grouped according to how old they are in note 11 to the consolidated financial statements. The maximum amount of credit losses from trade receivables, EUR 41.8 million, is close to nominal value, because the company does not insure its sale receivables or get guarantees other than in cases export guarantees are available.

The Board of Directors has approved a counterpart list of companies and financial institutions with good credit ratings for investment activities and the use of derivative contracts. The amount invested in a single counterpart is capped. Liquid funds are invested with reputable banks with sufficient credit ratings or in commercial papers offering high liquidity and credit ratings. The maximum exposure to credit risk is equal to the book value of financial assets at the end of the financial year.

Liquidity risk

Suominen aims to maintain adequate financing buffers at all times to be able to meet its short-term commitments. The estimated cash flow from operations, liquid assets, unused loan facilities and committed undrawn facility agreements shall cover projected financing needs for the next 12 months. Refinancing risk is managed by diversifying across financial sources and institutions. In addition, loan maturities are also diversified. The average maturity of drawn loans in accordance with committed facility agreements was 2.2 years (2.0) at year-end. To finance the acquisition of Home and Personal business Suominen agreed on a loan facility of EUR 150 million consisting of a loan of EUR 85 million repaid during 5 year, a EUR 20 million revolving credit facility and a EUR 45 million loan that after one year can be rolled over for one year for the amount of EUR 35 million. The first repayments of the loan, EUR 20 million, will be made in September 2012.

Suominen has commercial paper programmes totalling EUR 40 million, fully unused at the year-end.

The maturity of loans and derivatives is presented in the following table. The value of loans and hedging instruments are discounted but others are undiscounted as they have short maturities. Table includes both interest payments and repayments of capital.

31 December 2011 € 1,000	Balance sheet value / limit	Cash flow	Under 6 months	6–12 months	1–2 years	2–4 years	over 4 years
Financial assets							
Trade receivables	41,798	41,798	41,798				
Other receivables	1,489	1,489	1,489				
Cash and at bank	15,887	15,887	15,887				
Restricted financial assets	25,000	25,000	25,000				
Total	**84,174**	**84,174**	**84,174**	**0**	**0**	**0**	**0**
Financial liabilities							
Trade payables	44,208	–44,208	–44,208				
Loans from financial institutions	157,204	–154,328		–19,042	–78,246	–57,039	
Pension loans	2,686	–2,322	–509	–530	–1,282		
Capital loans	1,840	–1,869			–1,869	0	
Derivatives, hedge accounting	674	–674	–674				
Total	**206,612**	**–203,400**	**–45,391**	**–19,572**	**–81,397**	**–57,039**	**0**
Total value of loan facilities							
Loan facilities, over 6 months	4,284			0	534	3,750	0
Total	**4,284**		**0**	**0**	**534**	**3,750**	**0**
Derivative contracts							
Currency forward deals	11						
Cash flow, receivable		74	74				
Cash flow, payable		–63	–63				
Interest rate derivatives							
Hedge accounting	–216	–327	–67	–127	–249	116	
Electricity derivatives							
Hedge accounting	–458	–458	–315		–143		

31 December 2010 € 1,000	Balance sheet value / limit	Cash flow	Under 6 months	6–12 months	1–2 years	2–4 years	over 4 years
Financial assets							
Trade receivables	10,817	10,817	10,817				
Other receivables	1,648	1,648	1,648				
Cash and at bank	3,253	3,253	3,253				
Derivatives, hedge accounting	1,106	1,106	1,106				
Total	16,824	16,824	16,824	0	0	0	0
Financial liabilities							
Trade payables	11,982	–11,982	–11,982				
Loans from financial institutions	36,750	–44,449	–15,950	–3,545	–8,076	–16,072	–805
Pension loans	3,657	–4,193	–523	–562	–1,148	–1,400	–560
Capital loans	6,000	–6,283	–1,962	0	–2,284	–2,038	
Loan facilities, over 6 months							
Amount drawn	13,888	–15,832	–10,117	–969	–1,262	–3,485	
Commercial papers	988	–987	–987				
Total	73,265	–83,725	–41,522	–5,076	–12,768	–22,994	–1,365
Total value of loan facilities							
Loan facilities, over 6 months	14,000			1,000	3,000	10,000	0
Total	14,000		0	1,000	3,000	10,000	0
Derivative contracts							
Currency forward deals	–138						
Cash flow, receivable		4	4				
Cash flow, payable		–141	–141				
Interest rate derivatives							
Hedge accounting	–143	–143	–83	–34	–26	0	
Electricity derivatives							
Hedge accounting	1,249	1,249	1,163		86		

22. Capital management

Suominen's capital management aims to support business activities by ensuring good conditions by means of the group's balance sheet and capital structure and to increase the shareholder value by aiming at a competitive return on invested capital. The capital structure shall be such that the debt financing can be ensured.

The Board of Directors monitors the capital structure as regards the equity ratio and gearing. In the calculation of these key figures, capital loans, over which senior debts take priority, are included in the shareholders' equity. The capital structure can be influenced by dividend policy, share issues and the use of capital loans. The group has announced its objective to increase dividend yield, however, thereby simultaneously ensuring the company's healthy development. If necessary, the group can buy its own shares, issue new shares or decide to sell assets or parts of businesses to reduce liabilities.

Suominen's equity ratio (capital loans included in the shareholder's equity) was 32.8 per cent (32.9) at year-end, and it's gearing, capital loans included in the shareholder's equity, was 107.5 per cent (132.1). Suominen has a capital loan in its balance sheet since 2008. It is subordinate to all other debts and thus closer to the definition of equity. The capital loan amounted to EUR 1.8 million at year-end. The group utilizes sale of receivables program releasing capital employed in the balance sheet. At the year-end the amount of sold receivables was EUR 10.9 million. The company aims at improving the balance sheet by selling non-core or underperforming assets.

At the date of the balance sheet, the equity ratio and gearing were as follows:

€ million	2011	2010
Interest bearing liabilities	**161.7**	61.3
– Capital loans	**–1.8**	–6
Interest bearing receivables	**0**	–0.1
Financial assets	**–40.9**	–3.3
(A) Net liabilities	**119.0**	51.9
(B) Shareholder's equity	**108.7**	33.3
(C) Capital loans	**1.8**	6
(D) Balance sheet total – advance payments	**337.4**	119.4
Gearing, A/(B+C)	**107.5%**	132.1%
Equity ratio, (B+C)/D	**32.8%**	32.9%

The funding is managed by maintaining good relations with the financial institutions. The cooperation with the banks is built on long-lasting relations. The main funding of Suominen is the syndicated loan facility of EUR 150 million. The loan covenants include the debt service ratio and gearing. The covenants in the facility agreement also limit granting collaterals, big business acquisitions, investments, dividends, amount of net liabilities of the group as well as major changes in the business operations and the changes in the supermajority of the ownership of the company. Default in the terms and conditions entitle lenders to use acceleration clauses. Cross default clauses apply for indebtedness in execs of EUR 2.0 million giving the right of other lenders to declare their loans due and payable prior maturity.

The debt service ratio covenant, which is the ratio of senior net debt to EBITDA, has to be less than 3.2, whereas it was 3.9 at year-end. The ratio is calculated quarterly by using the pro forma figures and the EBIT of the past four quarters. Net gearing may not exceed 100 per cent at the end of 2012, when it was 98.0 per cent at year-end. Dividends can be paid according to the terms and conditions of the agreement up to EUR 1 million in 2012 and 3 million in 2013 provided that the ratio of senior net debt to EBITDA after the payments is under 2.5.

Suominen plans to cover the amortization needs with its cash flow from operations and by sale of non-core business operations and assets. In the beginning of 2012 the company agreed to sell the real estate in Nastola for EUR 1.8 million.

23. Values of derivative financial instruments

2011 € 1,000	Nominal value	Fair value total	Positive fair value	Negative fair value	Note
Instrument					
Currency derivatives					
Held for trading	8,501	11	74	–63	
Interest rate derivatives					
Held for hedge accounting	76,492	–216		–216	
Held for trading					
Electricity derivatives					
Held for hedge accounting	2,860	–458		–458	
Held for trading					
Electricity derivatives, MWh	61,416				

2010 € 1,000	Nominal value	Fair value total	Positive fair value	Negative fair value	Note
Currency derivatives					
Held for trading	5,172	–138	4	–142	21
Interest rate derivatives					
Held for hedge accounting	13,833	–143		–143	21
Held for trading					
Electricity derivatives					
Held for hedge accounting	2,638	1,249	1,249		21
Held for trading					
Electricity derivatives, MWh	70,140				

24. Fair value measurement hierarchy

€ 1,000	Level 1	Level 2	Level 3
Assets measured at fair value			
Assets held for sale			212
Total			**212**
Derivatives measured at fair value			
Currency derivatives		11	
Interest rate derivatives		–216	
Electricity derivatives		–458	
Total		**–663**	

During the financial year there were no transfers in the three-level fair value measurement hierachy. Values in hierachy level 1 are directly based on values quoted in an active market.

The fair value for financial instruments that are not traded in an active market is determined by using valuation techniques.

These valuation techniques maximise 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 fair value of an instrument are observable, the instrument is included in level 2.

Fair values for electricity derivatives are determined by using the forward prices in Nordpool for the same period and discounting them with relevant interest rates. Fair values for currency derivatives are determined by using the spot rates and relevant swap points based on interest rate differences at the balance sheet date. Fair values for interest rate swaps are determined by using the quotes based on euribor curves and discounting future cash flows with relevant interest rates.

If one or more of the significant inputs is based on mangement evaluation and not observable market data, the instrument is included in level 3.

25. Other operating income and expenses

€ 1,000	2011	2010
Other operating income		
Profit from sale of fixed assets	**402**	384
Indemnities	**974**	74
Rents	**109**	43
Recovery of bad debts	**17**	3
Net profit from currency derivatives	**184**	89
Other operating income	**423**	266
Total	**2,109**	860

€ 1,000	2011	2010
Other operating expenses		
Losses on sale and write-down of fixed assets		41
Damage expenses and contributions	**136**	24
Bad debts	**77**	31
Expenses on reorganising arrangements:		
- Severance payments		1,725
- Other expenses		227
Derivatives excluded from hedge accounting		348
Other	**2,955**	169
Total	**3,168**	2,564

Total costs of EUR 2.9 million related to the business combination of Nonwoven were recognized in 2011. The costs consist of fees paid to external consultants and lawyers as well as asset transfer taxes. Insurance indemnity of EUR 1.0 million related to the fire in Mozzate was recognized in statement of income.

In 2010 Suominen booked provisions for the costs of reorganization in Codi Wipes and in Flexibles business areas. The provision on Flexibles reorganization costs is accounted for the costs of closing down the manufacturing operations in Nastola and transferring production to other Flexibles' business units. A provision booked in Codi Wipes is connected to reorganising arrangements, which cause the number of personnel to decline by 19 persons.

Fees paid to the auditors

€ 1,000	2011	2010
Statutory audit	138	105
Other services	656	79
Share issuance	111	62
Total	**905**	247

The fees have been paid to the principal auditor. Share issuance fees are reducing the increase in equity.

26. Personnel expenses

€ 1,000	2011	2010
Salaries and other compensations	**30,552**	29,264
Share-based payments	**26**	29
Pension expenditure		
Defined benefit plans	**7**	
Defined contribution plans	**3,518**	4,058
Other payroll connected expenses	**3,988**	3,728
Total	**38,092**	37,079
Average number of personnel	**907**	901

Details on employee benefits paid to management are specified in note 35. Related party disclosure.

27. Depreciation, amortisation, and impairment losses

€ 1,000	2011	2010
By function		
Procurement and production	**9,357**	9,055
Sales and marketing	**81**	12
Research and development	**92**	123
Administration	**306**	132
Impairment losses		5,069
Total	**9,835**	14,391

€ 1,000	2011	2010
By asset group		
Buildings and constructions	**2,367**	2,254
Machinery and equipment	**7,012**	7,012
Other tangible assets	**20**	24
Impairment losses on goodwill		4,906
Other intangible assets	**436**	195
Total	**9,835**	14,391

28. Financial income and expenses

€ 1,000	2011	2010
Interest income on financial assets recognised at fair value through profit of loss	**205**	11
Financial income	**205**	11
Interest expenses on loans valued at amortised cost	**–5,799**	–3,191
Exchange rate differences (net)	**2,004**	–359
Derivatives, not in hedge accounting	**94**	
Expenses on sales of receivables	**–249**	–149
Other financial expenses	**–1,451**	–1,152
Financial expenses	**–5,402**	–4,851
Financial income and expenses, total	**–5,197**	–4,840

Foreing exchange gains were recognized for the external and intra-group borrowings in US dollars.

Foreign exchange gains and losses recognised in the statement of income

€ 1,000	2011	2010
Net sales	**–183**	–777
Other operating income	**184**	
Cost of goods sold	**–209**	603
Financial income and expenses	**2,098**	–359
Foreign exchange gains and losses, total	**1,890**	–534

29. Income taxes

€ 1,000	2011	2010
Income taxes for financial year	**534**	88
Income taxes from previous years	**–1**	1
Deferred taxes	**–39**	1,213
Income taxes total	**494**	1,302
Profit before taxes	**–10,026**	–15,664
Tax calculated at the domestic corporate tax rate of 26%	**2,607**	4,073
Not deductible impairment losses on goodwill		–1,276
Effect of different tax rates in foreign subsidiaries	**–33**	–14
Expenses not deductible for tax purposes	**–87**	–29
Not recognised deferred tax assets on period's taxable losses	**–1,937**	–1,679
Other temporary differences	**–56**	226
Tax charge total	**494**	1,302

30. Earnings per share

€ 1,000	2011	2010
Profit for the period	**–9,531**	–14,362
Shares in thousands		
Average weighted number of shares	**86,454**	41,866
Earnings per share attributable to the equity holders of the Company		
– earnings per share, €	**–0.11**	–0.34

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

31. Adjustments on cash flow statement

Adjustments on operations cash flow from 1 Jan to 31 Dec.

€ 1,000	2011	2010
Adjustments on profit/loss for the period		
Income taxes	**–494**	–1,302
Financial income and expenses	**5,197**	4,840
Depreciation	**9,835**	9,322
Impairment losses		5,069
Gains and losses on sales of fixed assets	**–402**	–344
Other adjustments	**25**	29
Total	**14,161**	17,614

32. Lease commitments

€ 1,000	2011	2010
Operating leases, real estates		
Minimum lease payments on irrevocable contracts		
Not later than 1 year	**5,059**	2,787
Later than 1 year and not later than 5 years	**15,565**	6,914
Later than 5 years	**8,881**	3,701
Total	**29,505**	13,402

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

The leasing liabilities on real estates transferred to Suominen at business combination was EUR 18.8 million.

€ 1,000	2011	2010
Operating leases, machinery and equipment		
Falling due in 1 year	**967**	977
Falling due in between 1 year and subsequent 5 years	**2,245**	1,708
Falling due after five years	**250**	
Total	**3,462**	2,685

Lease commitments on other operating leases were increased by EUR 0.8 million at business combination.

33. Contingent liabilities

€ 1,000	2011	2010
Secured loans		
Loans from financial institutions	**158,264**	49,607
Total	**158,264**	49,607
Nominal values of mortgages		
Real estate mortgages	**22,914**	24,045
Floating charges	**211,515**	60,069
Pledged subsidiary shares and loans	**213,554**	82,982
Total	**447,983**	167,096
Other contingent liabilities		
Guarantees on behalf of third parties	**1,432**	1,995
Total	**1,432**	1,995

Guarantees are connected to facility finance lease of discontinued business and to loan for company founded for waste water disposal.

34. Environmental costs

€ 1,000	2011	2010
In the statement of income		
Cost of goods sold	**1,089**	1,101
– including depreciation	**184**	175
In the balance sheet		
Tangible assets	**207**	512

35. Related party transactions

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

€ 1,000	2011	2010
Employee benefits paid to the members of the Board of Directors, the President and CEO, and the members of the Corporate Executive Team		
Salaries and other short-term employee benefits	**1,046**	1104
Share-based payments	**26**	29
Total	**1,072**	1133
Salaries and other short-term employee benefits paid to the members of the Board of Directors, and the President and CEO		
Jorma Eloranta, Chairman as from 21 October 2011	**32**	
Risto Anttonen	**18**	
Mikko Maijala, Chairman until 20 October 2011, Deputy Chairman as from 21 October 2011	**30**	30
Heikki Mairinoja, Deputy Chairman until 20 October 2011, member as from 21 October 2011	**23**	23
Suvi Hintsanen	**19**	19
Juhani Lassila	**19**	19
Kai Hannus	**19**	19
Heikki Bergholm	**19**	19
Petri Rolig, President and CEO until 30 November 2011	**254**	377
Nina Kopola, President and CEO as from 1 December 2011	**24**	
Total	**407**	506

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

Board members are not included in stock option plans.

The former President and CEO Petri Rolig has received 200,000 Suominen Corporation 2006C stock options, 150,000 Suominen Corporation 2009A and 100,000 Suominen Corporation 2009B stock options, and the members of the Corporate Executive Team 120,000 Suominen Corporation 2007B, 100,000 Suominen Corporation 2009A and 200,000 Suominen Corporation 2009B stock options under a stock option plan detailed in note 15 of the notes to the consolidated financial statements.

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

Shares held by management on 31 December 2011

The members of the Company's Board of Directors and the President and CEO owned, either directly or via a company or organisation in which they held controlling power, 3,717,042 shares on 31 December 2011. These shares entitle holders to 1.5 per cent of voting rights.

Insiders subject to the declaration requirement	Shares
Jorma Eloranta, Chairman of the Board as from 21 October 2011	28,767
Mikko Maijala, Chairman of the Board until 20 October 2011, Deputy Chairman of the Board as from 21 October 2011	3,399,977
Maijala Investment Oy	158,990
Heikki Mairinoja, Deputy Chairman of the Board until 20 October 2011, Member of the Board as from 21 October 2011	107,340
Monaccio Oy	9,900
Suvi Hintsanen, Member of the Board	25,333
Risto Anttonen, Member of the Board	15,502
Nina Kopola, President and CEO as from 1 December 2011	
Heikki Lassila, Principal Auditor	
Total	**3,717,042**

Members of the Corporate Executive Team	
Nina Kopola, President and CEO (as from 1 December 2011)	
Petri Rolig, Deputy CEO (President and CEO until 30 November 2011)	100,000
Arto Kiiskinen, Vice President and CFO	66,338
Mikko Pellinen, Vice President and General Manager	
Jan-Marie Becker, Executive Vice President and General Manager	
Erik van Deursen, Vice President and General Manager	
Total	**166,338**

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

€ 1,000	2011	2010
Loans received from related parties		
Suominen capital loan 1/2008	**200**	660
Interests paid to related parties	**76**	101

Loan is unsecured. Loan terms are described in note 16.

Other related-party transactions

€ 1,000	2011	2010
Sales of goods and services	**1,402**	
Purchases of goods and services	**1,517**	
Trade and other receivables	**5,337**	
Trade and other payables	**2,370**	

Other related-party transactions are transactions with Ahlstrom.

Parent Company Statement of Income

1 January–31 December € 1,000	Note	2011	2010
Net sales		**2,635**	1,384
Cost of goods sold			
Gross profit		**2,635**	1,384
Other operating income	2	**117**	145
Administration expenses *		**–4,157**	–1,657
Other operating expenses	2	**–228**	
Operating profit before depreciation on tangible assets		**–1,633**	–128
Depreciation on tangible assets			–8,306
Operating profit		**–1,633**	–8,434
Financial income	6	**2,304**	800
Financial expenses	6	**–8,243**	–4,017
Profit before income taxes		**–7,572**	–11,651
Group contributions		**721**	731
Profit before depreciation difference and income taxes		**–6,851**	–10,920
Change in depreciation difference		**–760**	2
Profit/loss for the period		**–7,612**	–10,918

* Includes non-recurring items EUR 1.6 million.

Parent Company Balance Sheet

31 December € 1,000	Note	2011	2010
ASSETS			
Non-current assets			
Intangible assets	5, 7	**5,812**	164
Tangible non-current assets	5, 8	**25**	32
Shares and participations			
Participations in Group companies	9	**137,519**	80,429
Other shares and participations	9	**9**	9
Loans receivable			
Loans receivable from Group companies		**80,105**	10,453
Non-current assets, total		**223,470**	91,087
Current assets			
Other current receivables	10	**40,975**	10,364
Restricted financial assets		**25,000**	
Cash at bank and in hand		**11,932**	2,801
Current assets, total		**77,907**	13,165
Assets, total		**301,377**	104,252
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	11	**11,860**	11,860
Share premium account	12	**24,681**	24,681
Other shareholders' equity	12	**87,751**	7,966
Shareholders' equity, total		**124,292**	44,507
Appropriations			
Accumulated depreciation difference		**764**	3
Compulsory provisions	14	**280**	280
Liabilities			
Non-current liabilities			
Capital loans	13	**920**	4,000
Interest-bearing liabilities	13	**134,930**	32,334
Non-current liabilities, total		**135,850**	36,334
Current liabilities			
Capital loans	13	**920**	2,000
Interest-bearing liabilities			
Loans from financial institutions	13	**19,929**	19,459
Loans from Group companies	13	**14,121**	
Trade payables and other current liabilities	15	**5,221**	1,668
Current liabilities, total		**40,191**	23,127
Liabilities, total		**176,041**	59,461
Shareholders' equity and liabilities, total		**301,377**	104,251

Parent Company Cash Flow Statement

1 January–31 December € 1,000	Note	2011	2010
Operations			
Profit/loss for the period		**–7,612**	–10,917
Adjustments on profit/loss for the period	17	**6 155**	10,813
Cash flow before change in working capital		**–1,457**	–104
Increase/decrease in current non-interest-bearing receivables		**–12,139**	1,932
Increase/decrease in current non-interest-bearing liabilities		**3,570**	30
Cash flow before financial income/expenses and taxes		**–10,026**	1,858
Interest expenses paid and received		**–5,939**	–3,216
Cash flow from operations		**–15,965**	–1,358
Investments			
Investments in tangible and intangible assets		**–62,925**	–124
Change in non-current loan receivable		**–69,652**	3,276
Change in current loan receivable		**–18,535**	–8,222
Cash flow from investments		**–151,112**	–5,070
Financing			
Change in non-current loans		**102,597**	–6,466
Change in capital loans		**–4,160**	–2,000
Change in current loans		**469**	9,988
Dividends paid			–475
Other financial items		**14,837**	–2,380
Cash flow from financing		**201,208**	8,212
Change in cash and cash equivalents		**34,131**	1,784
Cash and cash equivalents 1 Jan.		**2,801**	1,017
Change in cash and cash equivalents		**34,131**	1,784
Cash and cash equivalents 31 Dec. *		**36,932**	2,801

* Restricted financial assets and cash at hand and in bank.

Notes to the Financial Statements of the Parent Company

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

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

Fixed assets

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

The depreciation periods are:

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

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

Net sales

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

Pension costs

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

Items denominated in foreign currencies

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

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

Valuation of financial derivatives and hedge accounting

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

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

Shares and participations

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

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

Income taxes

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

2. Other operating income and expenses

€ 1,000	2011	2010
Other operating income		
Return from insurance reserves		
Return from bad debts	**28**	46
Income from dividends		40
Profit from currency derivatives		59
Other	**89**	
Total	**117**	145
Other operating expenses		
Losses from currency derivatives	**37**	
Other	**191**	
Total	**228**	

3. Personnel expenses

€ 1,000	2011	2010
Salaries and other compensations	**1,314**	812
Pension expenditure		
Defined contribution plans	**79**	99
Other payroll connected expenses	**31**	25
Total	**1,424**	936

Salaries and bonuses paid to management		
Members of the Boards of Directors, and President and CEO	**407**	506

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

Average number of personnel	**6**	7

4. Fees paid to auditors

€ 1,000	2011	2010
Statutory audit	**52**	38
Other services	**244**	65
Share issuance	**111**	62
Yhteensä	**407**	165

5. Depreciations and impairment charges

€ 1,000	2011	2010
By function		
Administration	**194**	24
Impairment losses		8,306
Total	**194**	8,330
By asset group		
Machinery and equipment	**7**	9
Other intangible assets	**187**	15
Impairment losses		8,306
Total	**194**	8,330

6. Financial income and expenses

€ 1,000	2011	2010
Interest income	**2,304**	705
Interest expense	**–6,599**	–4,017
Exchange rate differences (net)	**–1,644**	95
Total	**–5,939**	–3,216

7. Intangible assets

€ 1,000	Intangible rights	Advance payments and work in progress	Total 2011	Total 2010
Acquisition cost 1 Jan.	214	113	**327**	202
Increase	5,632	203	**5,835**	122
Writedown				–5
Other changes				8
Transfers between items	190	–190		
Acquisition cost 31 Dec.	**6,036**	**126**	**6,162**	327
Accumulated depreciation 1 Jan.	–163		**–163**	–145
Depreciation for the financial year	–187		**–187**	–15
Accumulated depreciation on decrease and transfers				5
Other changes				–8
Accumulated depreciation 31 Dec.	**–350**		**–350**	–163
Book value 31 Dec.	**5,686**	**126**	**5,812**	164

8. Tangible assets

€ 1,000	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total 2011	Total 2010
Acquisition cost 1 Jan.	226	16	2	**244**	240
Increase					2
Other changes					2
Acquisition cost 31 Dec.	**226**	**16**	**2**	**244**	244
Accumulated depreciation 1 Jan.	–212			**–212**	–201
Depreciation for the financial year	–7			**–7**	–9
Other changes					–2
Accumulated depreciation 31 Dec.	**–219**			**–219**	–212
Book value 31 Dec.	**7**	**16**	**2**	**25**	32

9. Shares and participations

€ 1,000	Participations in Group companies	Other shares	Total 2011	Total 2010
Acquisition cost 1 Jan.	80,429	9	**80,438**	88,744
Impairment losses				–8,306
Acquisition cost 31 Dec.	**137,519**	**9**	**137,528**	80,438
Book value 31 Dec.	**137,519**	9	**137,528**	80,438

Group companies	Percentage of total numberof shares and voting power %
Codi International BV, Veenendaal, The Netherlands	100.0
Suominen Nonwovens Ltd., Nakkila, Finland	100.0
Suominen Flexible Packaging Ltd., Tampere, Finland	100.0
Suominen Polska Sp. z o.o., Grodzisk Mazowiecki, Poland	100.0
Flexmer Ltd., Tampere, Finland	100.0
Suominen Italy Holding, s.r.l., Mozzate, Italy	100.0
Suominen Spain Holding, S.A., Alicante, Spain	100.0
Suominen US Holding, Inc., Windsor Locks, The United States of America	100.0
Owned through subsidiaries:	
Suominen Flexible Packaging AB, Norrköping, Sweden	100.0
ZAO Suominen, St. Petersburg, Russia	100.0
Suominen Ikamer Ltd., Tampere, Finland	100.0
Cressa Nonwovens s.r.l., Mozzate, Italy	100.0
Mozzate Nonwovens s.r.l., Mozzate, Italy	100.0
Alicante Nonwovens S.A.U., Alicante, Spain	100.0
Bethune Nonwovens, Inc., Bethune, The United States of America	100.0
Green Bay Nonwovens, Inc. Green Bay, The United States of America	100.0
Windsor Locks Nonwovens, Inc., Windsor Locks, The United States of America	100.0

Real estate companies	Percentage of total number of shares and voting power %	Number of shares pcs	Nominal value of shares € 1 000	Book value of shares € 1 000	Shareholders' equity of the company € 1 000	Profit/loss in the latest financial statements € 1 000
Participating interests						
Kiinteistö Oy Killinpolku, Virrat, Finland	25.0	1	8	8	112	

10. Other current receivables

€ 1,000	2011	2010
Other receivables	**4,897**	16
Accrued income and prepaid expenses		
Social security and healthcare	**1**	1
Statutory insurances	**18**	2
Interest	**54**	
Loan provisions and arrangement fees	**4,998**	447
Other	**292**	78
Accrued income and prepaid expenses, total	**5,363**	528
Receivables from Group companies		
Interest-bearing receivables	**26,757**	8,223
Other receivables	**3,958**	1,597
Total	**30,715**	9,820
Other current receivables, total	**40,975**	10,364

11. Shareholders' equity

€ 1,000	2011	2010
Share capital 1 Jan. and 31 Dec.	**11,860**	11,860
Share premium account 1 Jan. and 31 Dec.	**24,681**	24,681
Reserve for own shares 1 Jan.	**–163**	
Increase		–213
Other changes	**120**	50
Reserve for own shares 31 Dec.	**–43**	–163
Invested non-restricted equity fund 1. Jan.	**9,708**	
Increase	**87,346**	9,708
Invested non-restricted equity fund 31. Dec	**97,054**	9,708
Retained earnings 1 Jan.	**–1,580**	9,811
Dividends paid		–475
Transfer to reserve for own shares	**–68**	1
Retained earnings 31 Dec.	**–1,648**	9,337
Profit for the financial year	**–7,611**	–10,918
Shareholders' equity 31 Dec.	**124,293**	44,505

€ 1,000	2011	2010
Distributable assets		
Retained earnings 1 Jan.	**–1,648**	9,811
Invested non-restricted equity fund	**97,054**	9,708
Own shares	**–43**	–163
Non-restricted equity 31 Dec.	**95,363**	9,648
Profit for the financial year	**–7,611**	–10,918
Distributable assets	**87,752**	–1,270

12. Share capital

See note 15 in notes to the consolidated financial statements.

13. Interest-bearing liabilities

€ 1,000	2011	2010
Current *		
Repayment of capital loans	**920**	2,000
Repayment of non-current liabilities		
Loans from financial institutions	**18,957**	17,500
Pension loans	**971**	971
Repayment of non-current liabilities	**19,929**	18,471
Current loans		
Loans from Group companies	**14,121**	
Commercial papers		988
Total current interest-bearing liabilities	**34,969**	21,459
Non-current		
Capital loans	**920**	4,000
Loans from financial institutions	**132,799**	29,250
Pension loans	**1,714**	2,686
Loans from Group companies	**417**	398
Total non-current interest-bearing liabilities	**135,850**	36,334
Interest-bearing liabilities, total	**170,819**	57,793

* In the balance sheet under current liabilities.

Repayments

€ 1,000	2012	2013	2014	2015	2016	2017–
Repayments of non-current loans in future						
Loans from financial institutions	18,957	46,140	27,390	11,140	48,130	
Pension loans	971	571	571	571		
Capital loans	920	920				
Total	20,848	47,631	27,961	11,711	48,130	

14. Provisions

Compulsory provision against estimated financial losses on rental liability of discontinued business operation.

€ 1,000	2011	2010
Provisions 1 Jan.	**280**	280
Provisions 31 Dec.	**280**	280

15. Trade payables and other current liabilities

€ 1,000	2011	2010
Trade payables	**2,772**	700
Other current liabilities	**36**	26
Accrued expenses		
Interest	**1,785**	814
Payroll and social security	**548**	120
Other accrued expenses	**43**	6
Accrued expenses, total	**2,394**	940
Liabilities to Group companies		
Other liabilities	**19**	2
Trade payables and other current liabilities, total	**5,221**	1,668

16. Contingent liabilities

€ 1,000	2011	2010
Guarantees		
Guarantees for loans		
Guarantees on behalf of Group companies	**2,685**	3,887
Other contingent liabilities		
Guarantees on behalf of Group companies	**4,912**	5,283
Guarantees on behalf of third parties	**1,432**	1,995
Total	**9,029**	11,165

€ 1,000	2011	2010
Nominal values of mortgages		
Pledged business mortgages, subsidiary shares and loans	**302,792**	83,429
Total	**302,792**	83,429
Rent liabilities		
Falling due next year		26
Total		26
Operating leases		
Falling due next year	**54**	37
Falling due in subsequent years	**127**	37
Total	**181**	74

17. Adjustments on cash flow statement

Adjustments on operations cash flow 1 January–31 December

€ 1,000	2011	2010
Adjustments on profit/loss for the period		
Change in depreciation difference	**760**	–2
Group contributions	**–721**	–731
Financial income and expenses	**5,939**	3,216
Depreciation	**195**	24
Depreciation on tangible assets (intragroup shares)		8,306
Other adjustments	**–18**	
Total	**6,155**	10,813

Signing of the Financial Statements

Proposal of the Board of Directors for the distribution of profit

The Board of Directors proposes to the Annual General Meeting to be held on 4 April 2012 for the distribution of profit as follows:

Parent Company profit for 1 January – 31 December 2011	–7,612,205.36 €
Retained earnings according to the parent company balance sheet	–1,647,928.22 €
Invested non-restricted equity fund	97,054,410.60 €
Own shares	–43,619.21 €
Total	87,750,657.81 €
Board proposes that no dividend is paid for the financial year	0.00 €
Leaving on the non-restricted equity	87,750,657.81 €

The financial position of the company has not materially changed after the balance sheet date.

Helsinki, 17 February 2012

Jorma Eloranta Chairman	Mikko Maijala	Risto Anttonen
Suvi Hintsanen	Heikki Mairinoja	Nina Kopola President and CEO

The Auditor’s Note

Our auditor’s report has been issued today.

Tampere, 8 March 2012

PricewaterhouseCoopers Oy

Authorised Public Accountants

Heikki Lassila
Authorised Public Accountant

Auditor's Report

(Translation from the Finnish Original)

To the Annual General Meeting of Suominen Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Suominen Corporation for the year ended 31 December, 2011. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

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, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Tampere, 8 March 2012

PricewaterhouseCoopers Oy
Authorised Public Accountants

Heikki Lassila, Authorised Public Accountant

Share capital and shareholders

Distribution of share ownership on 31 December 2011

Number of shares	Number of shareholders	Percentage	Total shares held in each category	Percentage of shares and voting power
1–100	214	8.1	12,676	0.0
101–500	539	20.3	162,895	0.1
501–1,000	452	17.0	370,619	0.2
1,001–5,000	933	35.2	2,294,772	0.9
5,001–10,000	211	8.0	1,612,899	0.7
10,001–50,000	229	8.6	4,535,446	1.8
50,001–100,000	30	1.1	2,112,607	0.9
100,001–500,000	17	0.6	3,722,537	1.5
over 500,000	28	1.1	231,029,105	93.9
	2,653	100.0	245,853,556	100.0
Shares held by the company			60,298	0.0
Shares not transferred to the book-entry system			20,268	0.0
Total	**2,653**		**245,934,122**	**100.0**
out of which shares registered in a nominee’s name	5		339,332	0.1

Shareholders by category on 31 December 2011

	Number of shareholders	Percentage	Total shares held in each category	Percentage of shares and voting power
Companies	151	5.7	110,361,213	44.9
Financial institutions and insurance companies	3	0.2	23,338,535	9.5
Public institutions	7	0.3	68,233,874	27.7
Non-profit organisations	33	1.2	15,335,537	6.2
Individuals	2,445	92.3	26,836,096	10.9
Foreign shareholders	9	0.3	1,408,969	0.6
	2,648	100.0	245,514,224	99.8
Shares registered in a nominee’s name	5		339,332	0.1
Shares held by the Company			60,298	0.0
Shares not transferred to the book-entry system			20,268	0.0
Total	**2,653**		**245,934,122**	**100.0**

The largest shareholders on 31 December 2011

Shareholder	Number of shares	Percentage of shares and voting power
1. Ahlstrom Corporation	66,666,666	27.1
2. Ilmarinen Mutual Pension Insurance Company	27,111,992	11.0
3. Varma Mutual Pension Insurance Company	22,500,000	9.2
4. Mandatum Life Insurance Company Limited	22,322,535	9.1
5. Finnish Industry Investment Ltd	22,222,222	9.0
6. Tapiola Mutual Pension Insurance Company	14,123,255	5.7
7. Oy Etra Invest Ab	12,223,320	5.0
8. Evald ja Hilda Nissi Foundation	6,943,646	2.8
9. Heikki Bergholm	5,319,405	2.2
10. The Finnish Innovation Fund Sitra	4,444,444	1.8
11. Mikko Maijala	3,399,977	1.4
12. Juhani Maijala	3,286,743	1.3
13. Onninen-Sijoitus Oy	2,500,000	1.0
14. Pharmacy Pension Fund	2,222,222	0.9
15. Yleisradio Pension Fund	2,222,222	0.9
16. Finnish Cultural Foundation	2,222,221	0.9
17. Eeva Maijala	1,515,995	0.6
18. AC Invest Two B.V.	1,355,555	0.6
19. Harald Relander	1,260,000	0.5
20. Oy Chemec Ab	1,111,112	0.5

Key figures

Adjusted key figures per share

	IFRS 2011	IFRS 2010	IFRS 2009	IFRS 2008	IFRS 2007
Earnings/share (EPS) before impairment losses, €	**–0.11**	–0.22	0.02	–0.20	–0.07
Earnings/share (EPS) from continuing operations, €	**–0.11**	–0.34	0.02	–0.31	–0.43
Earnings/share (EPS) from continuing and discontinued operations, €	**–0.11**	–0.34	0.02	–0.20	–0.28
Cash flow from operations/share, €	**–0.03**	–0.06	0.74	0.52	0.08
Equity/share, €	**0.44**	0.70	1.01	0.98	1.28
Dividend/share, €			0.02		
Dividend/earnings, %			84.4		
Dividend/earnings before share issue, %			55.2		
Dividend/cash flow from operations, %			2.7		
Dividend yield, %			1.3		
P/E ratio	**–3.51**	–1.52	67.1	–3.3	–7.4
Share price					
lowest, €	**0.36**	0.48	0.65	0.60	2.01
highest, €	**0.64**	1.74	1.93	2.25	3.79
average, €	**0.49**	0.79	1.27	1.50	3.21
at year end, €	**0.39**	0.52	1.59	0.66	2.07
Market capitalisation on 31 Dec., € million	**95.9**	24.6	37.7	15.6	49.0
Number of shares					
average during the year	**85,887,023**	35,532,883	23,707,065	23,699,569	23,679,266
at year end	**245,873,824**	47,226,209	23,709,430	23,665,055	23,683,769
adjusted with share issue (factor 1.53)		41,768,853	36,254,774	36,243,311	36,229,277
Number of shares traded as	**3,930,341**	3,306,822	4,251,828	4,251,828	8,765,455
percentage of the average during the year	**4.6**	9.3	17.9	17.9	37.0
percentage of the average during the year, adjusted with share issue		7.9	11.7	11.7	24.2

No dividends were recognised during the financial year.

Key figures on financial performance

	IFRS 2011	IFRS 2010	IFRS 2009	IFRS 2008	IFRS 2007
Net sales, € million	**216.3**	173.4	179.4	214.6	215.2
Export and international operations, € million	**188.7**	146.4	149.5	179.7	181.1
as % of net sales	**87.3**	84.4	83.3	83.7	84.2
Operating profit before impairment losses, € million	**–4.8**	–5.8	6.7	–1.6	1.7
as % of net sales	**–2.2**	–3.3	3.7	–0.7	0.8
Operating profit, € million	**–4.8**	–10.8	6.7	–4.0	–6.8
as % of net sales	**–2.2**	–6.2	3.7	–1.9	–3.1
Profit before taxes, € million	**–10.0**	–15.7	1.0	–8.8	–10.7
as % of net sales	**–4.6**	–9.0	0.6	–4.1	–5.0
Profit for the financial year, € million	**–9.5**	–14.4	0.9	–7.2	–10.1
as % of net sales	**–4.4**	–8.3	0.5	–3.4	–4.7
Cash flow from operations, € million	**–2.9**	–2.5	26.8	18.9	2.7
Balance sheet total, € million	**338.1**	119.4	122.8	143.8	172.4
Return on equity (ROE), %	**–20.9**	–37.3	2.4	–16.7	–18.8
Return on invested capital (ROI), %	**–3.7**	–10.6	6.4	–2.9	–4.5
Equity ratio, %	**32.2**	27.9	29.9	24.6	26.9
Equity ratio, %, capital loans in equity	**32.8**	32.9	36.4	31.6	28.0
Gearing, %	**111.0**	174.0	161.2	229.9	210.5
Gearing, %, capital loans in equity	**107.5**	132.1	114.4	157.2	197.7
Gross investments, € million	**4.0**	6.2	4.5	3.9	11.3
as % of net sales	**1.8**	3.6	2.5	1.8	5.2
Expenditure on R&D, € million	**1.9**	2.0	2.3	2.2	2.1
as % of net sales	**0.9**	1.1	1.3	1.0	1.0
Average personnel	**907**	901	944	1,019	1,070

Calculation of the key figures

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

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