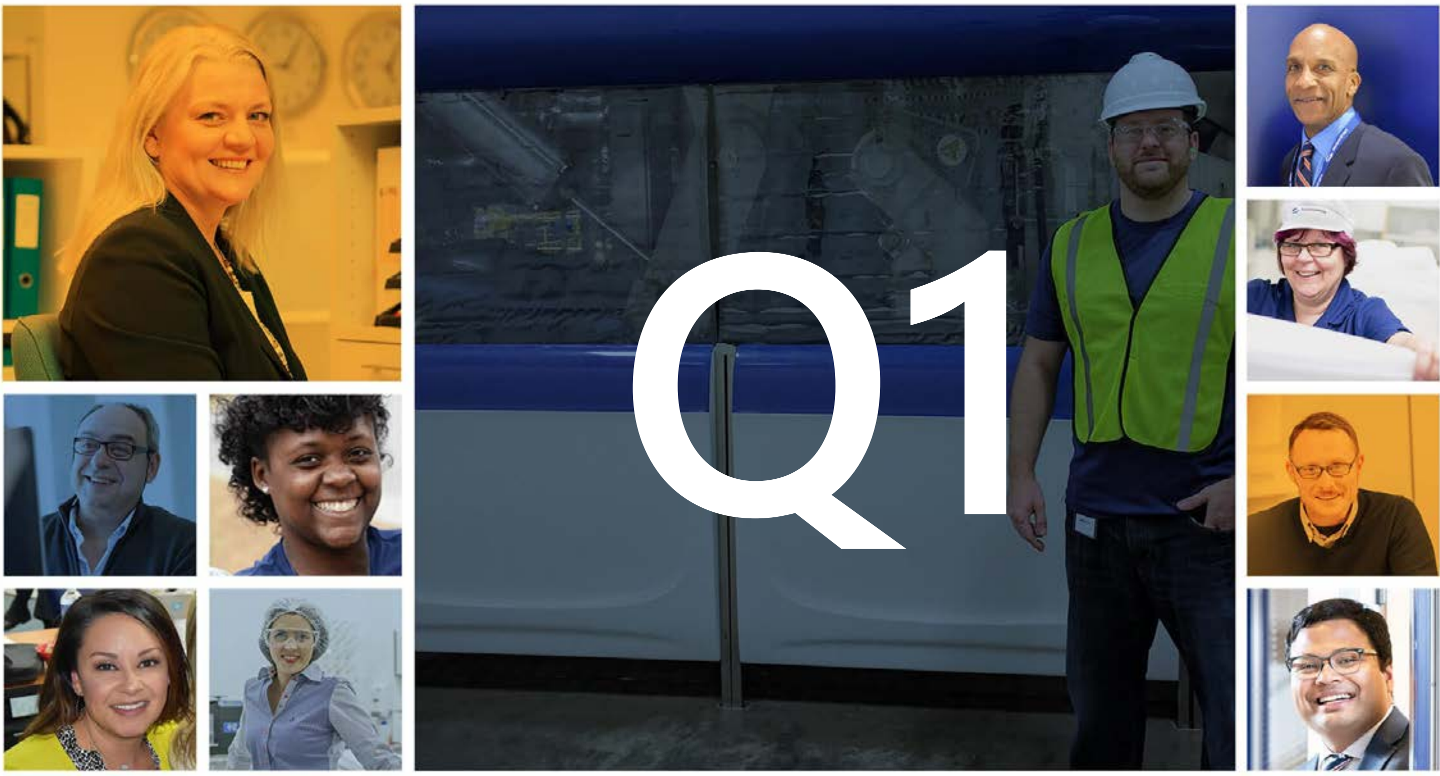
Suominen Corporation

Interim Report 1 Jan – 31 Mar 2018



26 Apr 2018

Suominen Corporation Interim Report 26 April 2018 at 8:00 am (EEST)

Suominen Corporation's Interim Report for 1 January – 31 March 2018:

Sales volumes continued to grow, net sales and operating profit declined

KEY FIGURES

	1-3/ 2018	1-3/ 2017	1-12/ 2017
Net sales, EUR million	**106.6**	112.9	426.0
Comparable operating profit, EUR million	**1.5**	6.3	15.0
Operating profit, EUR million	**1.5**	6.3	15.0
Profit for the period, EUR million	**-0.4**	4.2	14.5
Earnings per share, basic, EUR	**-0.01**	0.08	0.27
Earnings per share, diluted, EUR	**-0.01**	0.07	0.25
Cash flow from operations per share, EUR	**0.09**	0.12	0.39
Return on invested capital, rolling 12 months, %	**4.6**	11.7	6.6
Gearing, %	**68.2**	50.2	59.5*

*restated

In this financial report, figures shown in brackets refer to the comparison period last year if not otherwise stated.

Highlights in January–March 2018:

- Net sales decreased by 6% and amounted to EUR 106.6 million (112.9). The impact of EUR/USD exchange rate changes on net sales was exceptionally high, EUR -9 million.
- Operating profit declined by 75% to EUR 1.5 million (6.3) mainly due to pressure on sales prices. Moreover, we experienced certain issues with delivery efficiency.
- Cash flow from operations remained healthy and was EUR 5.2 million (6.1).
- Optimization of the output of the new manufacturing line at Bethune, SC, USA plant line continued. The customer deliveries continued to develop positively, even though the progress was still slower than anticipated.

- The Annual General Meeting decided to distribute in total EUR 6.3 million (EUR 0.11 per share) as return of capital.

- Suominen repeats its estimate, disclosed on 30 January 2018, and expects that in 2018, its net sales and comparable operating profit will improve from 2017. In 2017, Suominen's net sales amounted to EUR 426.0 million and operating profit to EUR 15.0 million. In financial year 2017 Suominen had no items affecting the comparability of the operating profit. The calculation of comparable operating profit is explained in the disclosures of this release.

Nina Kopola, President & CEO, comments on Suominen's first quarter of 2018:

"Consumer confidence remained strong in the beginning of 2018 both in the United States as well as in the euro zone. North America and Europe are Suominen's main market areas.

Consumers' optimism in the first quarter was also reflected in the demand of nonwoven products. Our volumes sold increased to a level that represents one of the highest in Suominen's history. However, despite of achieving volume growth for the fifth consecutive quarter, Suominen's financial development in the first quarter was a disappointment. Due to the weakening of USD compared to EUR and the pressure on sales prices, our net sales declined to EUR 106.6 million. The total impact of the changes in currency rates was EUR 9 million negative in the first quarter compared to the corresponding period last year.

Suominen's operating profit decreased to EUR 1.5 million. The unacceptable level of profitability was mainly attributable to the downward pressure on sales prices that has continued since mid-2017. As raw material prices have in general increased, this has therefore strongly affected our profitability. Unfortunately, we also experienced certain issues with delivery efficiency, including unplanned production downtime due to disruptions in power supply and technical difficulties at the new line at the Bethune plant. In spite of very challenging market situation, we were able to slightly increase our average sales prices in Q1.

The loss for the reporting period was EUR -0.4 million. Despite the weakened profitability, Suominen's cash flow from operations remained healthy, at EUR 5.2 million.

We continued to optimize the output from the new manufacturing line at Bethune, SC, USA. The customer deliveries continued to develop positively, even though the progress was still slower than anticipated. We did not see the anticipated turn to positive gross profit during Q1 from the new manufacturing line.

To correct the course of the profitability development, we initiated already in the end of 2017 an improvement program called 3P. The program focuses on improving the profitability through Pricing, Performance and Planning. On top of those, we carry on our determined work with the product portfolio transformation. The tools to mitigate the raw material price increases include the price mechanism -based sales as well as our own separate pricing measures. Both tools have an impact with a certain lag. The increase in average sales prices mentioned above represents the first tangible results of the program. Going forward, our intention is to continue capturing the full value of our products and be more firm in pricing, aiming to improve profitability.

The Group-wide renewal of ICT systems continued in the first quarter as the new systems were taken into use at our Green Bay, WI, USA plant. The ICT systems renewal represents an enabler for growth. With the new ICT systems, we are able to clearly improve our planning and optimization of the operations in line with our Changemaker strategy. We expect that most of Suominen's plants run with the new systems by end of 2018.

To further enhance our capability to supply high added value nonwovens, we decided to invest in new carding machinery representing the latest technology at our plant in Green Bay, WI, USA. The investment is valued at approximately EUR 6 million and it is again one step forward in the implementation of our strategy.

Another important milestone for Suominen was the launch of the Sustainability Agenda in the beginning of 2018. The agenda spans until 2021 and defines Suominen's stance on sustainability through its three focus areas, connecting our activities to the Changemaker strategy and to the United Nations' Sustainable Development Goals. Moreover, the agenda includes concrete longer-term goals related to environmental and social responsibility.

The Annual General Meeting held on 15 March 2018 decided that a return of capital of EUR 0.11 per share was to be paid for the financial year 2017. I am satisfied that despite the decline in profitability in 2016 and 2017, we have been able to maintain solid distribution of funds to our shareholders."

NET SALES

In January–March 2018, Suominen's net sales decreased by 6% from the comparison period to EUR 106.6 million (112.9). Sales volumes increased, but the weakening of USD compared to EUR and the pressure on sales prices affected net sales. The weakening of the USD compared to EUR decreased the net sales by EUR 9 million.

Suominen has two business areas, Convenience and Care. Convenience business area supplies nonwovens as roll goods for a wide range of wiping applications. Care business area manufactures nonwovens for hygiene products and medical applications. Net sales of the Convenience business area were EUR 97.5 million (101.9) and net sales of the Care business area EUR 9.2 million (11.1).

The main application areas for nonwoven materials supplied by Suominen in January–March were baby wipes (accounting for 39% of the sales), personal care wipes (23%), home care wipes (20%), hygiene and medical products (9%), and wipes for workplace use (9%). All nonwovens for wiping products belong to the Convenience business area and nonwovens for hygiene and medical products to the Care business area. The proportions of nonwovens for baby wipes, home care wipes as well as medical and hygiene products decreased from the comparison period, while the share of nonwovens for personal care grew.

OPERATING PROFIT AND RESULT

Operating profit declined by 75% and amounted to EUR 1.5 million (6.3) mainly due to the downward pressure on sales prices. Moreover, we experienced certain issues with delivery efficiency, affecting our margins. The effect of US dollar exchange rate fluctuation did not have any material effect on operating profit.

Profit before income taxes was EUR -0.3 million (6.1), and profit for the reporting period was EUR -0.4 million (4.2).

FINANCING

The Group's net interest-bearing liabilities at nominal value amounted to EUR 86.5 million (70.2) at the end of the review period. The gearing ratio was 68.2% (50.2%) and the equity ratio 41.2% (44.2%).

In January–March, net financial expenses were EUR -1.9 million (-0.2), or 1.8% (0.1%) of net sales. During the first quarter of the comparison period the capitalization of borrowing costs in fixed assets required by IAS 23 standard decreased interest expenses recognized in the statement of profit or loss by EUR 0.8 million. Fluctuations in exchange rates increased the financial items by EUR 0.7 million. In the comparison period the fluctuations in exchange rates decreased the financial items by EUR 0.1 million.

Cash flow from operations was EUR 5.2 million (6.1), representing a cash flow per share of EUR 0.09 (0.12). The decline in the cash flow from operations was mainly due to the lower financial result. The financial items in the cash flow from operations, in total EUR -0.8 million (-2.1), were principally impacted by the interests of the debenture bond paid during the reporting period. EUR 0.7 million was tied up in working capital (in Q1 2017: tied up EUR 2.8 million).

In accordance with the decision of the Annual General Meeting held on 15 March 2018, a return of capital (EUR 0.11 per share), in total EUR 6.3 million, affected the cash flow from financing. It was paid on 28 March 2018.

CAPITAL EXPENDITURE

The gross capital expenditure totaled EUR 2.2 million (11.2) and was mainly related to the investment in the group-wide renewal of ICT systems. Out of Suominen's eight plants, two are now operating with the renewed systems as the implementation of the new systems was conducted successfully in the Green Bay, WI, USA plant in the first quarter. Other investments were mainly for maintenance. Depreciation and amortization for the review period amounted to EUR 5.0 million (4.7).

INFORMATION ON SHARES AND SHARE CAPITAL

Share capital

The number of Suominen's registered shares was 58,259,219 shares on 31 March 2018, equaling to a share capital of EUR 11,860,056.00.

Share trading and price

The number of Suominen Corporation shares traded on Nasdaq Helsinki from 1 January to 31 March 2018 was 793,480 shares, accounting for 1.4% of the average number of shares (excluding treasury shares). The highest price was EUR 4.60, the lowest EUR 3.66 and the volume-weighted average price EUR 4.16. The closing price at the end of review period was EUR 3.74. The market capitalization (excluding treasury shares) was EUR 214.9 million on 31 March 2018.

Treasury shares

On 31 March 2018, Suominen Corporation held 786,712 treasury shares.

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

The portion of the remuneration of the members of the Board of Directors which shall be paid in shares

The Annual General Meeting held on 15 March 2018 decided that the remuneration payable to the members of the Board remains unchanged. 60% of the annual remuneration is paid in cash and 40% in Suominen Corporation's shares.

The number of shares forming the remuneration portion which is payable in shares will be determined based on the share value in the stock exchange trading maintained by Nasdaq Helsinki Ltd, calculated as the trade volume weighted average quotation of the share during the one month period immediately following the date on which the Interim Report of January–March 2018 of the company is published. The shares will be given out of the own shares held by the company by the decision of the Board of Directors by 1 June 2018 at the latest.

Share-based incentive plans for the management and key employees

The Group management and key employees participate the company's share-based incentive plan. The plans are described in detail in the Financial Statements 2017 and in the Remuneration Statement 2017 of Suominen Corporation, available on the company's website, www.suominen.fi > Investors > Corporate Governance.

The Board of Directors of Suominen Corporation resolved on 6 March 2018 on a directed share issue without payment for the reward payment from Suominen's Matching Share Plan 2015 and from the Performance Share Plan 2015 (Performance Period 2015–2017). The resolution on the directed share issue without payment was based on the authorization granted to the Board of Directors by the Annual General Meeting held on 16 March 2016.

The plans had in total 14 participants. Based on the terms and conditions of the plans and after the deduction of the cash portion of the reward for taxes, the number of shares earned by the participants was 89,568 shares.

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) of Suominen Corporation was held on 15 March 2018.

The AGM adopted the Financial Statements and the Consolidated Financial Statements for the financial year 2017 and discharged the members of the Board of Directors and the President & CEO from liability for the financial year 2017.

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

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

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

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

The AGM authorized the Board of Directors to decide on the repurchase of the company's own shares. The decision was in accordance with the proposal by the Board of Directors. The terms and conditions of the authorization are explained later in this interim report.

Constitutive meeting and permanent committees of the Board of Directors

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

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

Authorizations of the Board of Directors

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

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

NOTIFICATIONS UNDER CHAPTER 9, SECTION 5 OF THE SECURITIES MARKET ACT

During the review period Suominen received no notifications under Chapter 9, Section 5 of the Securities Market Act.

BUSINESS RISKS AND UNCERTAINTIES

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

Suominen's customer base is fairly concentrated, which adds to the customer-specific risk. This may affect Suominen's financial result if customers' purchasing habits become more cautious as a result of a changes in consumption, or as a result of sales losses. In 2017, the Group's ten largest customers accounted for

63% (63%) of the Group net sales. Long-term contracts are preferred with the largest customers. In practice the customer relationships are long-term and last for several years. Customer-related credit risks are managed in accordance with a risk policy approved by the Board of Directors. Credit limits are confirmed for customers on the basis of credit ratings and customer history. Suominen also uses export credit guarantees and insures against customer risks to a limited extent.

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

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

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

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

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

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

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

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

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

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

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

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

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

BUSINESS ENVIRONMENT

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

Consumer confidence remained strong in the beginning of 2018 both in the United States as well as in the euro zone. Consumers’ optimism was reflected in the demand of nonwoven products.

Suominen assesses the trend in the demand for its products on the basis of both the general market situation and, above all, on the basis of the framework agreements drawn up with its customers. The new manufacturing capacity that has come on stream has somewhat saturated the markets, primarily in nonwovens for baby wipes and flushables.

At large, the growth in the demand in Suominen’s target markets is expected to continue in 2018, on average, at the pace of 2017.

OUTLOOK FOR 2018

Suominen repeats its estimate, disclosed on 30 January 2018, and expects that in 2018, its net sales and comparable operating profit will improve from 2017. In 2017, Suominen's net sales amounted to EUR 426.0 million and operating profit to EUR 15.0 million. In financial year 2017 Suominen had no items affecting the comparability of the operating profit. The calculation of comparable operating profit is explained in the disclosures of this release.

ANALYST AND PRESS CONFERENCE

Nina Kopola, President & CEO, and Tapio Engström, CFO, will present the Q1 financial result in Finnish at an analyst and press conference in Helsinki on Thursday, 26 April at 11:00 am (EEST). The conference will take place at Suominen's Helsinki office, address Itämerentori 2. The presentation material will be available after the analyst and press conference at www.suominen.fi

A teleconference and a webcast on the Q1 financial result will be held on 26 April at 3:00 pm (EEST). The conference can be attended by phone at +44 20 3936 2999 (passcode 76 65 40) or accessed at www.suominen.fi/webcast. The conference call will be held in English.

A replay of the conference can be accessed at www.suominen.fi/webcast or by phone at 1 845 709 8569 (United States), 020 3936 3001 (United Kingdom) or +44 20 3936 3001 (all other locations), using access code 61 58 04.

NEXT FINANCIAL REPORT

Suominen Corporation will publish its Half Year Report 2018 on Friday, 3 August 2018 approximately at 8:00 am (EEST).

SUOMINEN GROUP 1 JANUARY–31 MARCH 2018

The figures in these interim financial statements are mainly presented in EUR thousands. As a result of rounding differences, the figures presented in the tables do not necessarily add up to total.

This interim report has not been audited.

This interim report has been prepared in accordance with the principles defined in IAS 34 Interim Financial Reporting. The principles for preparing the interim report are the same as those used for preparing the consolidated financial statements for 2017, with the exception of the effect of the new accounting standards and interpretations which came into force on 1 January 2018.

Below are disclosed separately those new standards, amendments and interpretations, which have been applied from 1 January 2018 and which have a material effect on Suominen. Other new or amended standards or interpretations applicable from 1 January 2018 are not material for Suominen Group. The effects of the changes in accounting principles on Suominen's opening balances in the statement of financial position are presented in separate tables at the end of this interim report.

IFRS 15 Revenue from Contracts with Customers

The standard defines a five-step model to recognize revenue based on contracts with customers. In accordance with IFRS 15, the timing of the revenue recognition can take place over time or at a point of time, depending on the transfer of control. The new standard has no material effect on revenue recognition in Suominen, but it increases the disclosure information in the consolidated financial statements.

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

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

The payment terms and times differ depending on the customer. The applied payment term and the length of the payment time are affected by, among other things, the credit risk and prior payment behavior of the customer. In addition, the geographical location of the invoicing production plant as well of the customer have an effect on the payment terms. Suominen has preferred payment terms defined in the credit policy, but for commercial reasons it is possible to deviate from these payment terms. For the most part trade receivables are due within 30-90 days from the invoicing date.

There are no significant financing components in the transaction prices and the considerations are paid in cash.

Some of the customer contracts include a definition of a rebate, which is granted to the customer if the delivered quantities exceed the predefined level, i.e. in these cases the transaction price includes a variable consideration. The effect of the variable consideration on the transaction price is taken into account in revenue recognition by estimating the probability of the realization of the rebate for each contract. The estimation is based on the most likely amount. When estimating the probability, Suominen takes into account the historical information of the customer (such as whether the deliveries in the past have reached the level which entitles the customer to receive the rebate), the current situation at the time of the delivery of the goods as well as forecasts on future deliveries. The uncertainty inherent in estimating the variable consideration is considered to be so immaterial that the variable consideration has not been constrained. The estimated transaction price is reassessed latest at the end of each reporting period. This did not change the revenue recognition principles of Suominen.

The receivable from the customer is recognized at the transaction price. This means in practice that both the invoiced trade receivable from the customer and recognized revenue are adjusted in accounting with an accrual based on the estimated rebate amount. This did change Suominen's practice in recognizing amounts in the statement of financial position, as previously the rebate accrual was recognized in accrued expenses. The opening balances in the statement of financial position have been restated accordingly.

In some of the customer contracts the transaction price of the goods is tied to the raw material costs of Suominen. The effect of the raw material prices on transaction prices is, however, applied only to future transaction prices and they do not affect the prices of already delivered goods. As the delivered quantities are distinct performance obligations, raw material clauses are not applied retrospectively.

Sales prices are defined in the customer contracts separately for each product. The price for each customer is based on, among other things, quantities, transaction currency and the geographical location of the customer. Variable considerations (rebates) are allocated to the performance obligations which are included in the contract, unless otherwise agreed in the contract. In these cases the variable considerations are allocated only to those performance obligations they relate to.

Suominen has no material incremental costs of obtaining a contract which would fulfill the capitalization criteria. Any incremental costs are recognized as expense when incurred, as the amortization period of such capitalized incremental costs would be one year or less. Suominen has no such costs to fulfill a contract which would fulfill the capitalization criteria of IFRS 15.95-97.

IFRS 15 requires an entity to disaggregate revenue into categories, which are relevant for the entity to evaluate the financial performance and which are regularly reviewed by the chief operating decision maker. The relevant revenue disaggregation categories for Suominen are business areas (based on customers or end products of customers) and geographical areas.

IFRS 9 Financial Instruments

IFRS 9 changed the classification and measurement of financial assets and includes a new model for assessing the impairment of the financial assets based on expected credit losses. The classification and measurement of financial liabilities did not materially change from IAS 39. Hedge accounting can be applied to a larger number of risk exposures than before and hedge accounting principles have been harmonized with those used in risk management.

IFRS 9 changed the classification and measurement of some financial assets of Suominen. Suominen has defined its business model for managing the financial assets and based on the model as well as the characteristics of the financial assets, determined the classification of the financial assets.

Certain loan receivables, which in accordance with IAS 39 were classified as loans and other receivables and measured at amortized cost, are under IFRS 9 financial assets at fair value through profit or loss, as they, among other things, include terms which are not basic terms for loan receivables. For these loan receivables the credit risk is taken into account when determining the fair value of the receivables. Some of the loan receivables continued to be measured at amortized cost also under IFRS 9, as the their contractual cash flows consist solely of payments of principal and interest, and Suominen's aim is to hold the receivables until maturity in order to collect the contractual cash flows. For these loan receivables the credit risk and impairment losses are estimated based on 12-month expected credit losses, or if there has been an increase in the credit risk related to the receivable, based on lifetime expected credit losses.

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

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

Derivative instruments for which hedge accounting is not applied, are recognized under IFRS 9 at fair value through profit or loss.

Trade receivables are measured under IFRS 9 at amortized cost. The value of trade receivables depends on the transaction price of sold goods. Transaction price is measured in accordance with IFRS 15 Revenue from Contracts with Customers standard. In defining the transaction price, for example the variable considerations included in the contracts, such as volume rebates, are taken into account. This means that the transaction price can be lower than the sales amount invoiced from the customer. Suominen had recognized already before the application of IFRS 9 the estimated customer rebates and other potential variable considerations in profit or loss, so there were no result effects of applying IFRS 15 on transaction price. As the accruals for variable considerations were presented in the statement of financial position as accrued expenses before IFRS 9 was applied and under IFRS 9 as items decreasing trade receivables, the carrying amount of trade receivables changed under IFRS 9. The opening balances in the statement of financial position have been restated accordingly.

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

In accordance with IFRS 9, the expected credit losses on trade receivables are a probability-weighted estimate of credit losses over the expected life. Historically Suominen's realized credit losses have mainly been immaterial and a large part of the trade receivables are from international customers with high credit ratings. The main change in applying IFRS 9 is that credit losses will be recognized earlier than before. Applying the provision matrix in evaluating the impairment losses of trade receivables had no material effect on Suominen's first quarter result compared with the corresponding period of the previous year.

IFRS 9 did not change the measurement or classification of financial liabilities.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments to IFRS 2 changed the recognition and measurement of share-based payment transactions which have net settlement features for withholding tax obligations. Under such transactions the entity withholds a number of shares that is equal to the monetary value of the employee's tax obligation from the total number of shares that would have otherwise been issued to the employee upon exercise or vesting, and transfers the amount in cash to tax authorities on behalf of the employee.

After the application of the amendments of IFRS 2, the previously cash-settled portion of share-based payment transactions which have net settlement features for withholding tax obligations is recognized and measured as equity-settled. At transition date, the carrying value of the liability for the cash-settled portion of any unvested share-based payment arrangement which has net settlement features has been reclassified in equity.

As Suominen's share-based payment programs have net settlement features, the amendment changed Suominen's accounting and measurement for cash-settled share-based payments. The opening balances in the statement of financial position have been restated accordingly, and the change increased the consolidated equity by approximately EUR 0.7 million.

IFRIC Interpretation 22: Foreign Currency Transactions and Advance Considerations

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

Suominen has applied the interpretation prospectively to transactions taking place on or after 1 January 2018. Application of the interpretation has no material effect on Suominen's consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	**31.3.2018**	31.3.2017	Restated 31.12.2017
Assets			
Non-current assets			
Goodwill	**15,496**	15,496	15,496
Intangible assets	**18,346**	14,542	17,470
Property, plant and equipment	**129,907**	140,355	136,649
Loan receivables	**3,072**	6,836	3,072
Equity instruments	**777**	777	777
Other non-current receivables	**1,618**	2,514	1,744
Deferred tax assets	**5,479**	3,570	5,142
Total non-current assets	**174,694**	184,091	180,349
Current assets			
Inventories	**42,999**	39,452	44,241
Trade receivables	**58,065**	59,264	53,934
Loan receivables	**4,337**	1,550	4,337
Other current receivables	**3,190**	4,770	4,236
Assets for current tax	**7,496**	1,911	7,703
Cash and cash equivalents	**17,047**	25,653	27,240
Total current assets	**133,134**	132,599	141,692
Total assets	**307,828**	316,690	322,040
Equity and liabilities			
Equity			
Share capital	**11,860**	11,860	11,860
Share premium account	**24,681**	24,681	24,681
Reserve for invested unrestricted equity	**81,101**	70,855	87,423
Treasury shares	**-44**	-44	-44
Fair value and other reserves	**264**	41	264
Exchange differences	**-6,235**	11,473	-3,151
Retained earnings	**15,239**	4,940	15,761
Total equity attributable to owners of the parent	**126,866**	123,806	136,794
Hybrid bond	**–**	16,096	–
Total equity	**126,866**	139,902	136,794
Liabilities			
Non-current liabilities			
Deferred tax liabilities	**14,147**	11,171	14,558

Liabilities from defined benefit plans	**914**	998	984
Other non-current liabilities	**17**	505	49
Debentures	**95,463**	75,000	95,192
Other non-current interest-bearing liabilities	**131**	11,387	162
Total non-current liabilities	**110,671**	99,061	110,945
Current liabilities			
Current interest-bearing liabilities	**10,120**	17,815	15,118
Liabilities for current tax	**78**	1,541	32
Trade payables and other current liabilities	**60,092**	58,371	59,152
Total current liabilities	**70,290**	77,727	74,302
Total liabilities	**180,962**	176,788	185,247
Total equity and liabilities	**307,828**	316,690	322,040

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

EUR thousand	**1-3/2018**	1-3/2017	1-12/2017
Net sales	**106,616**	112,920	425,996
Cost of goods sold	**-98,769**	-99,246	-383,839
Gross profit	**7,847**	13,674	42,157
Other operating income	**624**	349	1,764
Sales and marketing expenses	**-1,780**	-1,859	-7,262
Research and development	**-808**	-1,264	-4,739
Administration expenses	**-4,337**	-4,694	-16,861
Other operating expenses	**2**	52	-59
Operating profit	**1,548**	6,258	15,000
Net financial expenses	**-1,876**	-157	-2,570
Profit before income taxes	**-328**	6,101	12,430
Income taxes	**-44**	-1,862	2,048
Profit / loss for the period	**-372**	4,240	14,478
Earnings per share, EUR			
Basic	**-0.01**	0.08	0.27
Diluted	**-0.01**	0.07	0.25

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	**1-3/2018**	1-3/2017	1-12/2017
Profit for the period	**-372**	4,240	14,478
Other comprehensive income:			
Other comprehensive income that will be subsequently reclassified to profit or loss			
Exchange differences	**-3,339**	-1,293	-17,083
Fair value changes of cash flow hedges	–	8	267
Reclassified to profit or loss	–	4	13
Reclassified to property, plant and equipment	–	–	-35
Income taxes related to other comprehensive income	**255**	172	1,328
Total	**-3,084**	-1,110	-15,510
Other comprehensive income that will not be subsequently reclassified to profit or loss			
Remeasurements of defined benefit plans	–	43	15
Income taxes related to other comprehensive income	–	-12	-4
Total	**–**	31	11
Total other comprehensive income	**-3,084**	-1,079	-15,500
Total comprehensive income for the period	**-3,457**	3,160	-1,022

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR thousand	Share capital	Share premium account	Reserve for invested unrestricted equity	Treasury shares
Published equity 1 January 2018	**11,860**	**24,681**	**87,423**	**-44**
Effect of changes in IFRS standards	–	–	–	–
Restated equity 1 January 2018	**11,860**	**24,681**	**87,423**	**-44**
Profit / loss for the period	–	–	–	–
Other comprehensive income	–	–	–	–
Total comprehensive income	**–**	**–**	**–**	**–**
Share-based payments	–	–	–	–
Return of capital	–	–	-6,322	–
Conveyance of treasury shares	–	–	–	–
Equity 31 March 2018	**11,860**	**24,681**	**81,101**	**-44**

EUR thousand	Exchange differences	Fair value and other reserves	Retained earnings	Total equity
Published equity 1 January 2018	**-3,151**	**264**	**15,084**	**136,117**
Effect of changes in IFRS standards	–	–	677	**677**
Restated equity 1 January 2018	**-3,151**	**264**	**15,761**	**136,794**
Profit / loss for the period	–	–	-372	-372
Other comprehensive income	-3,084	–	–	-3,085
Total comprehensive income	**-3,084**	**–**	**-372**	**-3,457**
Share-based payments	–	–	-149	-149
Return of capital	–	–	–	-6,322
Conveyance of treasury shares	–	–	–	–
Equity 31 March 2018	**-6,235**	**264**	**15,239**	**126,866**

EUR thousand	Share capital	Share premium account	Reserve for invested unrestricted equity	Treasury shares	Exchange differences
Equity 1 January 2017	**11,860**	**24,681**	**70,855**	**-44**	**12,613**
Profit / loss for the period	–	–	–	–	–
Other comprehensive income	–	–	–	–	-1,141
Total comprehensive income	**–**	**–**	**–**	**–**	**-1,141**
Share-based payments	–	–	–	–	–
Dividend distribution	–	–	–	–	–
Hybrid bond	–	–	–	–	–
Equity 31 March 2017	**11,860**	**24,681**	**70,855**	**-44**	**11,473**

EUR thousand	Fair value and other reserves	Other equity	Total	Hybrid bond	Total equity
Equity 1 January 2017	**10**	**6,324**	**126,300**	**16,525**	**142,824**
Profit / loss for the period	–	4,240	4,240	–	4,240
Other comprehensive income	30	31	-1,079	–	-1,079
Total comprehensive income	**30**	**4,271**	**3,160**	**–**	**3,160**
Share-based payments	–	102	102	–	102
Dividend distribution	–	-5,585	-5,585	–	-5,585
Hybrid bond	–	-171	-171	-428	-600
Equity 31 March 2017	**41**	**4,940**	**123,806**	**16,096**	**139,902**

EUR thousand	Share capital	Share premium account	Reserve for invested unrestricted equity	Treasury shares	Exchange differences
Equity 1 January 2017	**11,860**	**24,681**	**70,855**	**-44**	**12,613**
Profit / loss for the period	–	–	–	–	–
Other comprehensive income	–	–	–	–	-15,764
Total comprehensive income	**–**	**–**	**–**	**–**	**-15,764**
Share-based payments	–	–	–	–	–
Dividend distribution	–	–	–	–	–
Conveyance of treasury shares	–	–	84	–	–
Conversion of hybrid bond	–	–	16,484	–	–
Hybrid bond	–	–	–	–	–
Equity 31 December 2017	**11,860**	**24,681**	**87,423**	**-44**	**-3,151**
Effect of changes in IFRS standards	–	–	–	–	–
Restated equity 31 December 2017	**11,860**	**24,681**	**87,423**	**-44**	**-3,151**

EUR thousand	Fair value and other reserves	Retained earnings	Total	Hybrid bond	Total equity
Equity 1 January 2017	**10**	**6,324**	**126,300**	**16,525**	**142,824**
Profit / loss for the period	–	14,478	14,478	–	14,478
Other comprehensive income	254	11	-15,500	–	-15,500
Total comprehensive income	**254**	**14,489**	**-1,022**	**–**	**-1,022**
Share-based payments	–	338	338	–	338
Dividend distribution	–	-5,585	-5,585	–	-5,585
Conveyance of treasury shares	–	–	84	–	84
Conversion of hybrid bond	–	–	16,484	-16,484	–
Hybrid bond	–	-481	-481	-41	-522
Equity 31 December 2017	**264**	**15,084**	**136,117**	**–**	**136,117**
Effect of changes in IFRS standards	–	677	**677**	–	**677**
Restated equity 31 December 2017	**264**	**15,761**	**136,794**	**–**	**136,794**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	**1-3/2018**	1-3/2017	**1-12/2017**
Cash flow from operations			
Profit for the period	**-372**	4,240	14,478
Total adjustments to profit the period	**7,237**	7,045	21,069
Cash flow before changes in net working capital	**6,865**	11,285	35,547
Change in net working capital	**-732**	-2,763	-8,028
Financial items	**-769**	-2,067	-5,575
Income taxes	**-192**	-337	207
Cash flow from operations	**5,172**	6,118	22,152
Cash flow from investments			
Investments in property, plant and equipment and intangible assets	**-3,622**	-13,536	-33,839
Cash flow from disposed businesses	–	–	287
Adjustments of purchase consideration	**–**	–	–
Sales proceeds from property, plant and equipment and intangible assets	–	–	5
Cash flow from investments	**-3,622**	-13,536	-33,548
Cash flow from financing			
Drawdown of non-current interest-bearing liabilities	–	–	25,730
Drawdown of current interest-bearing liabilities	–	10,000	25,000
Repayment of current interest-bearing liabilities	**-5,029**	-27	-27,263
Repayment in loan receivables		–	1,550
Tender and issuance costs of the bonds	–	–	-5,190
Payment of hybrid bond interest	–	-642	-642
Return of capital / dividend distribution	**-6,322**	-5,585	-5,585
Cash flow from financing	**-11,351**	9,331	13,599
Change in cash and cash equivalents	**-9,801**	-3,671	2,203
Cash and cash equivalents at the beginning of the period	**27,240**	29,522	29,522
Effect of changes in exchange rates	**-392**	-197	-4,485
Change in cash and cash equivalents	**-9,801**	-3,671	2,203
Cash and cash equivalents at the end of the period	**17,047**	25,653	27,240

KEY RATIOS

	1-3/2018	1-3/2017	1-12/2017
Change in net sales, % *	**-5.6**	8.7	2.2
Gross profit, as percentage of net sales, %	**7.4**	12.1	9.9
Comparable gross profit, as percentage of net sales, %	**7.4**	12.1	9.9
Operating profit, as percentage of net sales, %	**1.5**	5.5	3.5
Comparable operating profit, as percentage of net sales, %	**1.5**	5.5	3.5
Net financial items, as percentage of net sales, %	**-1.8**	-0.1	-0.6
Profit before income taxes, as percentage of net sales, %	**-0.3**	5.4	2.9
Profit for the period, as percentage of net sales, %	**-0.3**	3.8	3.4
Gross capital expenditure, EUR thousand	**2,236**	11,223	37,210
Depreciation and amortization, EUR thousand	**4,999**	4,651	19,349
Return on equity, rolling 12 months, %	**7.4**	12.0	10.6
Return on invested capital, rolling 12 months, %	**4.6**	11.7	6.6
Equity ratio, %. **	**41.2**	44.2	42.5
Gearing, %. **	**68.2**	50.2	59.5
Average number of personnel	**664**	659	670
Earnings per share, EUR, basic	**-0.01**	0.08	0.27
Earnings per share, EUR, diluted	**-0.01**	0.07	0.25
Cash flow from operations per share, EUR	**0.09**	0.12	0.39
Equity per share, EUR, **	**2.21**	2.76	2.38
Number of shares, end of period, excluding treasury shares	**57,472,507**	50,772,555	57,382,939
Share price, end of period, EUR	**3.74**	4.56	4.42
Share price, period low, EUR	**3.66**	3.86	3.86
Share price, period high, EUR	**4.60**	4.65	5.22
Volume weighted average price during the period, EUR	**4.16**	4.21	4.53
Market capitalization, EUR million	**214.9**	231.5	253.6
Number of traded shares during the period	**793,480**	1,711,401	5,405,584
Number of traded shares during the period, % of average number of shares	**1.4**	3.4	10.4

* Compared with the corresponding period in the previous year.
** Restated due to application of new IFRS standards.

	31.3.2018	31.3.2017	31.12.2017
Interest-bearing net debt, EUR thousands			
Non-current interest-bearing liabilities, nominal value	**100,861**	86,387	100,892
Current interest-bearing liabilities, nominal value	**10,120**	17,815	15,118
Interest-bearing receivables and cash and cash equivalents	**-24,457**	-34,038	-34,650
Interest-bearing net debt	**86,525**	70,163	81,360

CALCULATION OF KEY RATIOS AND ALTERNATIVE PERFORMANCE MEASURES

Key ratios per share are either IFRS key ratios (earnings per share) or required by Ordinance of the Ministry of Finance in Finland or alternative performance measures (cash flow from operations per share).

Some of the other key ratios Suominen publishes are alternative performance measures. An alternative performance measure is a key ratio which has not been defined in IFRS standards. Suominen believes that the use of alternative performance measures provides useful information for example to investors regarding the Group's financial and operating performance and makes it easier to make comparisons between the reporting periods.

The link between the components of the key ratios per share and the consolidated financial statements is presented in the consolidated financial statements of 2017. The link between the components of the alternative performance measures and the consolidated financial statements is presented in Suominen's Annual Report for 2017.

Calculation of key ratios per share

Earnings per share

$$\text{Basic earnings per share (EPS)} = \frac{\text{Profit for the period adjusted with interest on hybrid bond, net of tax}}{\text{Share-issue adjusted average number of shares excluding treasury shares}}$$

$$\text{Diluted earnings per share (EPS)} = \frac{\text{Profit for the period}}{\text{Average diluted share-issue adjusted number of shares excluding treasury shares}}$$

EUR thousand	**31.3.2018**	**31.3.2017**	**31.12.2017**
Profit for the period	-372	4,240	14,478
Interest on hybrid bond net of tax	–	-171	-481
Total	-372	4,069	13,997

Average share-issue adjusted number of shares	57,401,848	50,772,555	52,145,416
Average diluted share-issue adjusted number of shares excluding treasury shares	57,442,076	57,858,575	57,798,395

Earnings per share

EUR			
Basic	-0.01	0.08	0.27
Diluted	-0.01	0.07	0.25

Cash flow from operations per share

Cash flow from operations per share	=	Cash flow from operations / Share-issue adjusted number of shares excluding treasury shares, end of reporting period

	31.3.2018	31.3.2017	31.12.2017
Cash flow from operations, EUR thousand	5,172	6,118	22,152
Share-issue adjusted number of shares excluding treasury shares, end of reporting period	57,472,507	50,772,555	57,382,939
Cash flow from operations per share, EUR	0.09	0.12	0.39

Equity per share

Equity per share	=	Total equity / Share-issue adjusted number of shares excluding treasury shares, end of reporting period

	31.3.2018	31.3.2017	restated 31.12.2017
Total equity, EUR thousand	126,866	139,902	136,794
Share-issue adjusted number of shares excluding treasury shares, end of reporting period	57,472,507	50,772,555	57,382,939
Equity per share, EUR	2.21	2.76	2.38

Market capitalization

Market capitalization	=	Number of shares at the end of reporting period excluding treasury shares x share price at the end of period

	31.3.2018	31.3.2017	31.12.2017
Number of shares at the end of reporting period excluding treasury shares	57,472,507	50,772,555	57,382,939
Share price at end of the period, EUR	3.74	4.56	4.42
Market capitalization, EUR million	214.9	231.5	253.6

Share turnover

Share turnover	=	The proportion of number of shares traded during the period to weighted average number of shares excluding treasury shares

	31.3.2018	31.3.2017	31.12.2017
Number of shares traded during the period	793,480	1,711,401	5 405 584
Average number of shares excluding treasury shares	57 401 848	50,772,555	52,145,416
Share turnover, %	1.4	3.4	10.4

Calculation of key ratios and alternative performance measures

Operating profit and comparable operating profit

Operating profit (EBIT)	=	Profit before income taxes + net financial expenses
Comparable operating profit (EBIT)	=	Profit before income taxes + net financial expenses, adjusted with items affecting comparability

In order to improve the comparability of result between reporting periods, Suominen presents comparable operating profit as an alternative performance measure. Operating profit is adjusted with material items that are considered to affect comparability between reporting periods. These items include, among others, impairment losses or reversals of impairment losses, gains or losses from the sales of property, plant and equipment or intangible assets or other assets and restructuring costs. Suominen did not have any items affecting comparability in 2018 or 2017.

EBITDA

EBITDA	=	EBIT + depreciation, amortization and impairment losses

EUR thousand	**31.3.2018**	**31.3.2017**	**31.12.2017**
Operating profit	1,548	6,258	15,000
+ Depreciation, amortization and impairment losses	4 999	4,651	19,349
EBITDA	6,546	10,909	34,349

Gross capital expenditure

EUR thousand	**31.3.2018**	**31.3.2017**	**31.12.2017**
Increases in intangible assets	1,375	10,175	6,027
Increases in property, plant and equipment	862	1,048	31,183
Gross capital expenditure	2,236	11,223	37,210

Interest-bearing net debt

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

Interest-bearing net debt	=	Interest-bearing liabilities at nominal value - interest-bearing receivables - cash and cash equivalents

EUR thousand	**31.3.2018**	**31.3.2017**	**31.12.2017**
Interest-bearing liabilities	105,714	104,201	110,472
Tender and issuance costs of the debentures	5,267	–	5,538

Interest bearing receivables	-7,409	-8,386	-7,409
Cash and cash equivalents	-17 047	-25,653	-27,240
Interest-bearing net debt	86,525	70,163	81,361
Interest-bearing liabilities	105,714	104,201	110,472
Tender and issuance costs of the debentures	5,267	–	5,538
Nominal value of interest-bearing liabilities	110,981	104,201	110,472

Return on equity (ROE), %

$$\text{Return on equity (ROE), \%} = \frac{\text{Profit for the reporting period (rolling 12 months) x 100}}{\text{Total equity (quarterly average)}}$$

EUR thousand	31.3.2018	restated 31.3.2017	31.12.2017
Profit for the reporting period (rolling 12 months)	9,866	16,032	14,478
Total equity 31 March 2017 / 31 March 2016 / 31 December 2016	139,902	120,806	142,824
Total equity 30 June 2017 / 30 June 2016 / 31 March 2017	134,074	130,712	139,902
Total equity 30 September 2017 / 30 September 2016 / 30 June 2017	132,564	135,186	134,074
Total equity 31 December 2017 / 31 December 2016 / 30 September 2017	136,794	142,824	132,564
Total equity 31 March 2018 / 31 March 2017 / 31 December 2017	126,866	139,902	136,794
Average	134,040	133,886	137,232
Return on equity (ROE), %	7.4	12.0	10.6

Invested capital

Invested capital = Total equity + interest-bearing liabilities

EUR thousand	31.3.2018	31.3.2017	restated 31.12.2017
Total equity	126,866	139,902	136,794
Interest-bearing liabilities	105,714	104,201	110,472
Invested capital	232,580	244,103	247,266

Return on invested capital (ROI), %

$$\text{Return on invested capital (ROI), \%} = \frac{\text{Operating profit + financial income (rolling 12 months) x 100}}{\text{Invested capital, quarterly average}}$$

EUR thousand	**31.3.2018**	**31.3.2017**	restated **31.12.2017**
Operating profit (rolling 12 months)	10,289	26,338	15,000
Financial income (rolling 12 months)	745	750	767
Total	11,034	27,087	15,766
Invested capital 31 March 2017 / 31 March 2016 / 31 December 2016	244,103	217,181	237,321
Invested capital 30 June 2017 / 30 June 2016 / 31 March 2017	234,892	227,594	244,103
Invested capital 30 September 2017 / 30 September 2016 / 30 June 2017	229,735	228,648	234,892
Invested capital 31 December 2017 / 31 December 2016 / 30 September 2017	247,266	237,321	229,735
Invested capital 31 March 2018 / 31 March 2017 / 31 December 2017	232,580	244,103	247,266
Average	237,715	230,969	238,664
Return on invested capital (ROI), %	4.6	11.7	6.6

Equity ratio, %

$$\text{Equity ratio, \%} = \frac{\text{Total equity x 100}}{\text{Total assets - advances received}}$$

EUR thousand	**31.3.2018**	**31.3.2017**	restated **31.12.2017**
Total equity	126,866	139,902	136,794
Total assets	307,828	316,690	322,040
Advances received	-33	-2	-8
	307,795	316,688	322,033
Equity ratio, %	41.2	44.2	42.5

Gearing, %

Gearing, % = $\frac{\text{Interest-bearing net debt x 100}}{\text{Total equity}}$

EUR thousand	**31.3.2018**	**31.3.2017**	restated **31.12.2017**
Interest-bearing net debt	86,525	70,163	81,361
Total equity	126,866	139,902	136,794
Gearing, %	68.2	50.2	59.5

NET SALES BY GEOGRAPHICAL MARKET AREA

EUR thousand	**1-3/2018**	**1-3/2017**	**1-12/2017**
Finland	**719**	707	2,510
Rest of Europe	**41,331**	40,319	160,817
North and South America	**62,578**	68,244	252,176
Rest of the world	**1,988**	3,650	10,494
Total	**106,616**	112,920	425,996

QUARTERLY DEVELOPMENT

	2018		**2017**		
EUR thousand	**1-3**	**10-12**	**7-9**	**4-6**	**1-3**
Net sales	106,616	98,694	102,380	112,002	112,920
Comparable operating profit	1,548	-267	4,618	4,391	6,258
as % of net sales	1.5	-0.3	4.5	3.9	5.5
Items affecting comparability	–	–	–	–	–
Operating profit	1,548	-267	4,618	4,391	6,258
as % of net sales	1.5	-0.3	4.5	3.9	5.5
Net financial items	-1,876	-988	-1,139	-285	-157
Profit before income taxes	-328	-1,256	3,478	4,105	6,102
as % of net sales	-0.3	-1.3	3.4	3.7	5.4

RELATED PARTY INFORMATION

The related parties of Suominen include the members of the Board of Directors, President & CEO and the members of the Corporate Executive Team as well as their family members and their controlled companies. In addition, shareholders who have a significant influence in Suominen through share ownership are included in related parties. Suominen has no associated companies.

In its transactions with related parties Suominen follows the same commercial terms as in transactions with third parties.

Salaries paid to the related parties, excluding share-based payments, during the first quarter of 2018 amounted to EUR 417 thousand, obligatory pension payments EUR 95 thousand, and accruals based on the non-vested share-based incentive plans EUR 164 thousand.

During the review period in total 70,066 shares in Suominen were transferred to related parties in accordance with the terms of the vested share-based incentive plans. In total 14,182 shares were transferred to the President & CEO and 55,884 shares to other members of the Corporate Executive Team. In accordance with the terms of plan, part of the reward was a cash payment to cover related income taxes. The fair value of the shares and the cash part of the reward was EUR 545 thousand at the date when the shares were transferred.

CHANGES IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	31.3.2018		31.3.2017		31.12.2017	
EUR thousands	**Property, plant and equipment**	**Intangible assets**	Property, plant and equipment	Intangible assets	Property, plant and equipment	Intangible assets
Carrying amount at the beginning of the period	**136,649**	**17,470**	135,510	14,133	135,510	14,133
Capital expenditure	**862**	**1,375**	10,175	1,048	31,183	6,027
Disposals	**–**	**–**	–	–	0	-36
Depreciation, amortization and impairment losses	**-4,516**	**-483**	-4,020	-630	-16,857	-2,493
Exchange differences and other changes	**-3,088**	**-16**	-1,309	-9	-13,187	-161
Carrying amount at the end of the period	**129,907**	**18,346**	140,355	14,542	136,649	17,470

Goodwill is not included in intangible assets.

CHANGES IN INTEREST-BEARING LIABILITIES

EUR thousand	**1-12/2017**	1-3/2017	1-12/2017
Total interest-bearing liabilities at the beginning of the period	**110,472**	94,497	94,497
Current liabilities at the beginning of the period	**15,118**	7,923	7,923
Repayment of current liabilities, cash flow items	**-5,029**	–	-27,264
Drawdown of current liabilities, cash flow items	**–**	10,000	25,000
Drawdown of current liabilities, non-cash flow items	**–**	–	–
Reclassification from non-current liabilities	**31**	2	11,412
Exchange rate difference	**–**	-110	-1,953
Current liabilities at the end of the period	**10,120**	17,815	15,118
Non-current liabilities at the beginning of the period	**162**	11,574	11,574
Drawdown of non-current liabilities, non-cash flow items	**–**	–	–
Reclassification to current liabilities	**-31**	-29	-11,412
Exchange rate difference	**–**	-159	–
Non-current liabilities at the end of the period	**131**	11,387	162

Debentures at the beginning of the period	**95,192**	75,000	75,000
Issuance of the new debenture bond, cash flow items	**–**	–	25,730
Periodization of debenture to amortized cost, non-cash flow items	**270**	–	-348
Tender and issuance costs of the debentures, cash flow items	**–**	–	-5,190
Debentures at the end of the period	**95,462**	75,000	95,192
Total interest-bearing liabilities at the end of the period	**105,714**	104,202	110,472

CONTINGENT LIABILITIES

EUR thousands	**31.3.2018**	31.3.2017	31.12.2017
Other commitments			
Operating leases	**16,380**	12,645	8,614
Contractual commitments to acquire property, plant and equipment	**2,438**	5,517	86
Guarantees			
On own behalf	**10,588**	11,133	9,865
Other own commitments	**3,332**	3,926	3,484
On behalf of others	**–**	979	–
Total	**13,920**	16,038	13,349

NOMINAL AND FAIR VALUES OF DERIVATIVE INSTRUMENTS

	31.3.2018		**31.3.2017**		**31.12.2017**	
EUR thousand	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Fair value
Currency forward contracts						
Hedge accounting applied	–	–	4,684	-32	–	–
Hedge accounting not applied	1,907	1	1,927	10	1,334	24
Electricity derivatives						
Hedge accounting applied	–	–	448	-50	–	–
Hedge accounting not applied	–	–	989	-19	–	–

FINANCIAL ASSETS BY CATEGORY

a. Fair value through profit or loss
b. Financial assets at amortized cost
c. Financial assets at fair value through other comprehensive income
d. Derivatives, hedge accounting applied
e. Carrying amount
f. Fair value

EUR thousand	a.	b.	c.	d.	e.	f.
			Classification			
Equity instruments	347	–	429	–	777	777
Other non-current receivables	198	–	–	–	198	198
Loan receivables	4,337	3,072	–	–	7,409	7,409
Trade receivables	–	58,065	–	–	58,065	58,065
Derivatives	4	–	–	–	4	4
Interest and other financial receivables	–	757	–	–	757	757
Cash and cash equivalents	–	17,047	–	–	17,047	17,047
Total 31.3.2018	**4,887**	**78,942**	**429**	**–**	**84,257**	**84,257**

EUR thousand	a.	b.	c.	d.	e.	f.
Equity instruments	347	–	429	–	777	777
Other non-current receivables	214	–	–	–	214	214
Loan receivables	4,337	3,072	–	–	7,409	7,409
Trade receivables	–	53,934	–	–	53,934	53,934
Derivatives	24	–	–	–	24	24
Interest and other financial receivables	–	670	–	–	670	670
Cash and cash equivalents	–	27,240	–	–	27,240	27,240
Total 31.12.2017	**4,923**	**84,916**	**429**	**–**	**90,268**	**90,268**

The figures for 31.12.2017 have been reclassified and restated to reflect the effects of applying IFRS 9 and IFRS 15.

Principles in estimating fair value of financial assets for 2018 are the same as those used for preparing the consolidated financial statements for 2017 with the exception of certain loan receivables, which are under IFRS 9 measured at fair value through profit and loss (previously at amortized cost).

FINANCIAL LIABILITIES

	31.3.2018			31.12.2017		
EUR thousand	**Carrying amount**	**Fair value**	**Nominal value**	Carrying amount	Fair value	Nominal value
Non-current financial liabilities						
Debentures	95,463	102,491	100,730	95,192	102,647	100,730
Finance lease liabilities	131	131	131	162	162	162
Total non-current financial liabilities	95,594	102,622	100,861	95,354	102,809	100,892
Current financial liabilities						

Current part of non-current loans from financial institutions and current loans from financial institutions	10,000	10,000	10,000	15,000	15,000	15,000
Finance lease liabilities	120	120	120	118	118	118
Derivatives, hedge accounting not applied	3	3	3	–	–	–
Interest accruals	1,100	1,100	1,100	736	736	736
Other current liabilities	207	207	207	301	301	301
Trade payables	51,672	51,672	51,672	52,145	52,145	52,145
Total current financial liabilities	63,103	63,103	63,103	68,300	68,300	68,300
Total	**158,697**	**165,725**	**163,964**	**163,654**	**171,109**	**169,192**

Principles in estimating fair value for financial liabilities for 2018 are the same as those used for preparing the consolidated financial statements for 2017.

FAIR VALUE MEASUREMENT HIERARCHY

EUR thousands	**Level 1**	**Level 2**	**Level 3**
Financial assets and liabilities at fair value			
Other non-current receivables	–	–	198
Loan receivables	–	–	4,337
Equity instruments	–	–	777
Total	**–**	**–**	**5,312**
Derivatives at fair value			
Currency forward contracts, receivables	–	4	–
Currency forward contracts, liabilities	–	-3	–
Total	**–**	**1**	**–**

Principles in estimating fair value of financial assets and their hierarchies for 2018 are the same as those used for preparing the consolidated financial statements for 2017 with the exception of certain loan receivables, which are under IFRS 9 measured at fair value through profit and loss (previously at amortized cost). There were no transfers in the fair value measurement hierarchy levels during the reporting period.

RESTATEMENT OF PREVIOUSLY PUBLISHED FIGURES

Consolidated statement of financial position

	Published	restatement	**Restated**
EUR thousand	**31.12.2017**	31.12.2017	**31.12.2017**
Assets			
Non-current assets			
Goodwill	**15,496**	–	**15,496**
Intangible assets	**17,470**	–	**17,470**

Property, plant and equipment		**136,649**	–	**136,649**
Loan receivables		**3,072**	–	**3,072**
Equity instruments		**777**	–	**777**
Other non-current receivables		**1,744**	–	**1,744**
Deferred tax assets		**5,142**	–	**5,142**
Total non-current assets		**180,349**	**–**	**180,349**
Current assets				
Inventories		**44,241**	–	**44,241**
Trade receivables	IFRS 15 / IFRS 9	**57,560**	-3,626	**53,934**
Loan receivables		**4,337**	–	**4,337**
Other current receivables		**4,236**	–	**4,236**
Assets for current tax		**7,703**	–	**7,703**
Cash and cash equivalents		**27,240**	–	**27,240**
Total current assets		**145,318**	**-3,626**	**141,692**
Total assets		**325,666**	**-3,626**	**322,040**
Equity and liabilities				
Equity				
Share capital		**11,860**	–	**11,860**
Share premium account		**24,681**	–	**24,681**
Reserve for invested unrestricted equity		**87,423**	–	**87,423**
Treasury shares		**-44**	–	**-44**
Fair value and other reserves		**264**	–	**264**
Exchange differences		**-3,151**	–	**-3,151**
Retained earnings	IFRS 2	**15,084**	677	**15,761**
Total equity attributable to owners of the parent		**136,117**	**677**	**136,794**
Hybrid bond		**–**	–	**–**
Total equity		**136,117**	**677**	**136,794**
Liabilities				
Non-current liabilities				
Deferred tax liabilities		**14,558**	–	**14,558**
Liabilities from defined benefit plans		**984**	–	**984**
Other non-current liabilities	IFRS 2	**350**	-301	**49**
Debentures		**95,192**	–	**95,192**
Other non-current interest-bearing liabilities		**162**	–	**162**
Total non-current liabilities		**111,246**	**-301**	**110,945**

Current liabilities				
Current interest-bearing liabilities		**15,118**	–	**15,118**
Liabilities for current tax		**32**	–	**32**
Trade payables and other current liabilities	IFRS 2 / IFRS 15 / IFRS 9	**63,154**	-4,002	**59,152**
Total current liabilities		**78,304**	**-4,002**	**74,302**
Total liabilities		**189,550**	**-4,303**	**185,247**
Total equity and liabilities		**325,666**	**-3,626**	**322,040**

Measurement categories of financial assets

IAS 39

a. Fair value through profit or loss

b. Loans and receivables

c. Available-for-sale assets

IFRS 9

d. Fair value through profit or loss

e. Financial assets at fair value through other comprehensive income

f. Financial assets at amortized cost

	Measurement category IAS 39			**Measurement category IFRS 9**		
EUR thousand	a.	b.	c.	d.	e.	f.
Equity instruments	–	–	777	347	429	–
Other non-current receivables	214	–	–	214	–	–
Loan receivables	–	7,409	–	4,337	–	3,072
Trade receivables	–	57,560	–	–	–	53,934
Derivatives	24	–	–	24	–	–
Interest and other financial receivables	–	670	–	–	–	670
Cash and cash equivalents	–	27,240	–	–	–	27,240
	238	92,880	777	4,923	429	84,916

The carrying amount of trade receivables has been restated due to application of IFRS 15 and IFRS 9.

Key ratios and alternative performance measures

	Published	Restated
	31.12.2017	**31.12.2017**
EUR thousand		
Equity ratio		

Total equity	136,117	136,794
Total assets	325,666	322,040
Advances received	-8	-8
Total	325,659	322,033
Equity ratio, %	41.8%	42.5%
Gearing		
Net debt at nominal value	81,360	81,360
Total equity	136,117	136,794
Gearing, %	59.8%	59.5%
Equity per share		
Total equity	136,117	136,794
Share-issue adjusted number of shares at the end of reporting period, excluding treasury shares	57,382,939	57,382,939
Equity per share, euro	2.37	2.38

SUOMINEN CORPORATION
Board of Directors

For additional information, please contact:
Nina Kopola, President & CEO, tel. +358 (0)10 214 300
Tapio Engström, Senior Vice President and CFO, tel. +358 (0)10 214 300

Suominen in brief

Suominen manufactures nonwovens as roll goods for wipes as well as for medical and hygiene products. The end products made of Suominen's nonwovens – wet wipes, feminine care products and swabs, for instance – bring added value to the daily life of consumers worldwide. Suominen is the global market leader in nonwovens for wipes and employs over 650 people in Europe and in the Americas. Suominen's net sales in 2017 amounted to EUR 426.0 million and operating profit to EUR 15.0 million. The Suominen share (SUY1V) is listed in Nasdaq Helsinki Stock Exchange (Mid Cap). Read more at www.suominen.fi.

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