Suominen

Creating Convenience

ANNUAL REPORT 2012

Suominen manufactures nonwovens, wipes and packaging that create convenience to everyday life

Contents

	NONWOVENS	CODI WIPES	FLEXIBLES	TOTAL*
	600 persons	184 persons	451 persons	1,252 persons
PRODUCTION PLANTS	7	1	3	11
NET SALES	358M€	49M€	53M€	455M€
% OF GROUP NET SALES	78%	11%	11%	

*Number of employees on December 31, 2012. The figure includes 17 people employed by the parent company, marked with orange color on the map.

Financial result in brief

The impacts of the acquisition of Ahlstrom's Home and Personal business at the end of 2011 are now visible for the first time in Suominen's annual result, of which the Nonwovens business unit generates a significant share. The group net sales amounted to EUR 454.9 million.

Over the course of 2012, Suominen's operations were developed according to plan and the company carried out several profitability improvement projects as part of the comprehensive Summit program. Key measures of the program included rationalization of the nonwovens production and the discontinuation of the production of polypropylene staple fibers at the Nakkila plant in Finland. Through the Summit program, Suominen achieved structural cost savings of around EUR 10 million during 2012.

Impairment losses and other non-recurring items recognized during the year decreased the operating profit. Operating profit before non-recurring items was EUR 13.7 million and EUR 0.9 after the non-recurring items.

The Board of Directors proposes that no dividend be paid for financial year 2012.

Main events 2012

- **10 December 2012** Mr. Olli E. Juvonen was appointed Vice President, General Manager of the Flexibles business area and member of the Corporate Executive Team in Suominen Corporation.
- **5 December 2012** Suominen Corporation revised its financial targets. New medium term targets are related to improvement in the company's relative profitability, solid capital structure and organic growth.
- **5 December 2012** Suominen announced recognition of impairment loss of goodwill and revisited the outlook for 2012.
- **19 November 2012** The representatives notified by the company's three largest shareholders were elected to Suominen Corporation's Nomination Committee. The representatives are: Jan Lång, President & CEO, Ahlstrom); Timo Ritakallio, Deputy CEO, Ilmarinen; and Risto Murto, Executive Vice President, Varma. Jorma Eloranta, Chairman of Suominen's Board of Directors, serves as the Nomination Committee's expert member.
- **2 November 2012** Suominen decided to terminate the production of polypropylene staple fibres at its Nakkila facility as part of the company's broader performance improvement program.
- **22 October 2012** Mr. Tapio Engström was appointed Chief Financial Officer and member of the Corporate Executive Team in Suominen Corporation.
- **27 September 2012** Suominen announced that the transfer of the Brazilian operations of Ahlstrom's Home and Personal business, acquired in end 2011, will be postponed due to the delay in permission process by local authorities.
- **21 August 2012** The codetermination negotiations at the Tampere plant of Suominen were completed. Due to the low demand for products of Suominen Flexible Packaging Ltd, 151 people will be temporarily laid off in short periods for 40 days maximum.
- **2 July 2012** The codetermination negotiations at Suominen Nonwovens Ltd were completed. The operations of Suominen Nonwovens Ltd's production facility in Nakkila will be sharpened by closing down production lines and rationalizing administrative and supportive functions. The number of employees will be reduced by a maximum of 76 employees.
- **2 May 2012** Mr. Petri Rolig, Deputy CEO, announced he will resign from Suominen in the end of May 2012.
- **4 April 2012** The Annual General Meeting of Suominen Corporation was held in Helsinki. The Annual General Meeting resolved, among other things, to establish a Nomination Committee and to change the company's Finnish language name to Suominen Oyj.
- **17 February 2012** Mr. Hannu Sivula was appointed Vice President, Human Resources and a member of the Corporate Executive Team of Suominen Corporation.
- **17 February 2012** The Board of Directors of Suominen Corporation resolved on a new share-based incentive plan for the group key employees.

All releases disclosed in 2012 are available at www.suominen.fi

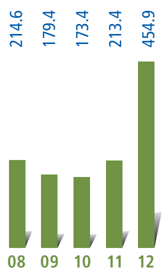
Key Figures

	2012	2011	2010	2009	2008
Net sales, € million	**454.9**	213.4	173.4	179.4	214.6
Operating profit excluding non-recurring items, € million	**13.7**	-1.1	-3.8	7.3	0.0
Operating profit, € million	**0.9**	-4.8	-10.8	6.7	-4.0
Profit before income taxes, € million	**-9.5**	-10.0	-15.7	1.0	-8.8
Cash flow from operations, € million	**24.9**	-2.9	-2.5	26.8	18.9
Capital expenditure, € million	**4.0**	4.0	6.2	4.5	3.9
Equity ratio, %	**34.5**	32.2	27.9	29.9	24.6
Equity per share, € *	**0.39**	0.44	0.70	1.01	0.98
Earnings per share, € *	**-0.05**	-0.11	-0.34	0.02	-0.31
Cash flow per share, € *	**0.10**	-0.03	-0.06	0.74	0.98
Gearing, %	**100.7**	111.0	174.0	161.2	229.9
Return on invested capital (ROI), %	**0.4**	-3.7	-10.6	6.4	-2.9
Average personnel	**1,220**	907	901	944	1,019

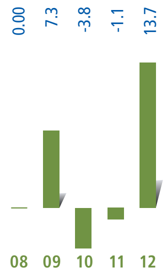
* figures in comparison years 2007-2009 adjusted to share issue

The operations acquired from Ahlstrom included in reporting as of Nov 1, 2011.

Net sales, € million

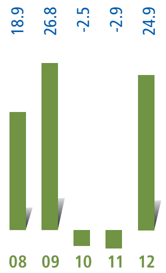


Operating profit excluding non-recurring items, € million

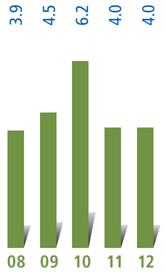


Profit before income taxes, € million

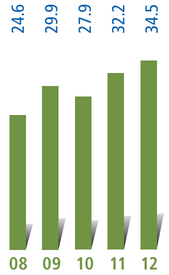
Cash flow from operations, € million



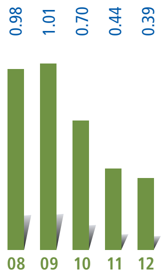
Capital expenditure, € million



Equity ratio, %

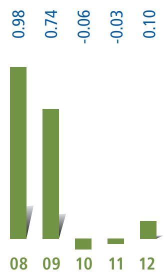


Equity per share, €

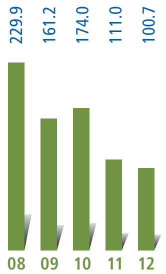


Earnings per share, €

Cash flow per share, €

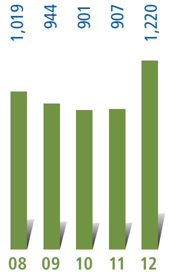


Gearing, %



Return on invested capital (ROI), %

Average personnel



A new Suominen – a new strategic direction

We improved our profitability and updated the financial targets

2012 was the first full year of operations for the new Suominen. With our acquisition of Ahlstrom's Home and Personal business operations in November 2011, we more than doubled our net sales and added some 500 new Suominen employees from around the world to our ranks overnight. In that light, calling our company the "New Suominen" is no exaggeration. The new Suominen is the global market leader in nonwovens for wipes.

As I have previously mentioned in various contexts, in the first half of 2012 we focused on improving our profitability and especially on cutting costs. Our task was to bring the company's profitability into the positive, and in this we succeeded: over the course of the year, the Summit program aiming at cost reductions even slightly exceeded its targets and generated structural cost savings totaling approximately EUR 10 million, corresponding to roughly two percent of our net sales.

Our operational result improved considerably, although impairment losses and other non-recurring items pushed our reported operating profit into EUR 0,9 million. Our operating profit excluding non-recurring items was EUR 13.7 (-1.1) million. Suominen's Board of Directors proposes that the company will not distribute dividend for financial year 2012.

Thanks to our streamlined cost structure and other improvements achieved in 2012, we are well placed to continue our work as an even more profitable company.

Role of higher value-added products gaining in importance

In the second half of 2012, we turned our focus to clarifying Suominen's future direction and to updating our strategy. Our renewed strategy has three cornerstones:

- The Suominen Way
- Step Change in Profitability
- In the Lead

In terms of how Suominen's staff operates, The Suominen Way can be described in three words: Empowerment, Accountability and Passion. We have chosen these as the cornerstones for our operations and to serve as the foundation for Suominen's corporate culture. The company's business culture cannot, however, be dictated; rather, it is formed on the basis of the behavior of the employees. With Ahlstrom's business being integrated with Suominen, the entire year involved creating a common corporate culture and way of operating. The starting point for integrating the businesses has been finding and adopting the best possible shared practices. I am very pleased that, on the basis of the feedback I have received, our employees are very enthusiastic about the new strategy and they are willing to work towards achieving our common goals.

Achieving a Step Change in Profitability is a key short-term target and the second important cornerstone of our strategy. It is only when our operations are profitable that we can invest in growth. The above-mentioned Summit program, which was launched at the start of 2012, has played a key role in this. The program involved some very difficult measures, such as discontinuing our fiber production, and closing down two nonwoven lines at the Nakkila plant in Finland, as well as temporarily laying off personnel at our Tampere unit. We have also adjusted our operations in line with demand and boosted operational efficiency at other units. We will continue to streamline our processes, boost our efficiency and further improve our cost-effectiveness in the future, too.

The third cornerstone of our strategy is In the Lead. We are already the biggest player in the industry, but our goal is also to be the best in an ever-toughening competitive playing field. This cornerstone will define the longer-term measures that will help us to attain that goal. Behind it all is our customers' success, which is also an important prerequisite for Suominen's success. Our strategic measures are linked to, among other things, increasing the share of products with greater added value in our product range, and having a more in-depth understanding of the needs of our product end users.

Targeting a more than 10 percent return on invested capital

In connection with the renewed strategy, Suominen's Board of Directors set new medium-term financial targets for the company. Our ambitious targets reflect the realization of our strategy and are linked to improving profitability, stabilizing our capital structure and growth.

Our aim is to achieve a clear improvement in our relative profitability. Our target level is a more than 10 percent return on invested capital (ROI). Our ROI in 2012 was EUR 0.4 percent.

We target a solid capital structure with a gearing ratio principally between 40 and 80 percent. Our gearing in 2012 was 100.7 percent.

In addition, we aim for organic growth in net sales that exceeds the average in the industry.

Sustainability reporting initiated

Suominen wants to be proactive in building a more sustainable future. We have summed up Suominen's sustainability principles in a statement, which was published on the company's website in December 2012. The statement, as well as Suominen's first Sustainability Report, is also a part of this Annual Report.

I would like to express my warm gratitude to Suominen's shareholders, financiers, customers and personnel for 2012. We had a very eventful year and we fulfilled several important goals. We will continue along the same path and with the same enthusiasm in 2013.

Nina Kopola
President and CEO

Renewed strategy focuses on common operating culture, improved profitability and market leadership

Suominen revised its strategy in the course of 2012. The goal is that by 2015, Suominen has earned a reputation as an innovator and mover of the market and has a corporate culture that is built more strongly on motivation, accountability and entrepreneurial spirit than before. The three cornerstones of the strategy are The Suominen Way, Step Change in Profitability and In the Lead.

The Suominen Way

The way of operating for Suominen's employees can be described in three words: Empowerment, Accountability, and Passion.

Empowerment means that Suominen's employees have the possibility and also the power to perform their work as efficiently as possible. This also gives them both the opportunity and the responsibility to develop the company's operations and processes to the best of their ability. Being empowered also means having the capability to make quick and timely decisions in one's personal area of responsibility. Developing one's own competence is included in the duties of every Suominen employee.

Along with opportunities and power, every Suominen employee **is accountable** for his or her work and particularly for the agreed results of that work. According to the Suominen way, making excuses plays no part in situations where mistakes or deviations have occurred; instead, the matter is swiftly corrected and improved. Suominen's personnel are also aware of their responsibility in terms of how their actions affect, for example, their colleagues, customers and business partners.

Suominen people are known for **the passion** they have for the work they do and for getting things done. The work is done "with a cool head, a warm heart and clean hands", i.e. with drive, with passion, and with a high level of ethics. The employees work as a team and share their knowledge and best practices with one another.

Suominen Way forms a clear common value base, on which all of the Group's actions and decision-making can rest.

Suominen's mission is to provide products and solutions that create convenience to people's everyday life.

Step Change in Profitability

Suominen has ambitious financial targets and clear guidelines for reaching them. The targets encompass relative profitability, a stable capital structure and business growth.

Suominen aims to clearly improve its relative profitability and has set the target level for its return on investments (ROI) at more than 10%. In addition, Suominen targets a solid capital structure with a gearing ratio principally between 40% and 80%. The company also aims to increase its organic net sales growth at a rate that exceeds the average growth rate in the industry.

Suominen's Summit program, launched at the start of 2012 and in force until the end of the first quarter 2013, has played a key role in improving the company's profitability. Among other things, the program has involved significant demand-based adjustment and streamlining measures. The company's efforts to streamline processes, boost efficiency and improve cost-effectiveness continue.

Suominen's production operations are based on customer demand and continuous operational improvement. The company can swiftly adjust its production volumes according to demand.

In the Lead

Suominen strives to position itself in the minds of its customers as an innovator and mover of the market. Such a position allows Suominen to contribute to its customers' business success through the company's products and services and to stand out from the competition, emerging as the winner amid intensifying competition. Suominen's key strengths are quality and reliability.

The company is increasing the share of sales coming from products with higher added value. Suominen examines the possibility of strengthening the position of its Nonwovens business in end-use applications beyond the scope of wipes. At the same time, the company intends to maintain its position as the global market leader in wipes.

Understanding the needs of product end users is the key to Suominen's future success. The needs of end users will also guide the product and service development. Suominen proactively monitors changes in the markets and in the needs of end users and swiftly responds to these changes by developing new products and services in co-operation with its customers.

Suominen continuously improves its technological and materials know-how for the benefit of its customers. This ensures the delivery of high-quality products and enables innovative and agile product development.

Strategic actions in 2012

THE SUOMINEN WAY

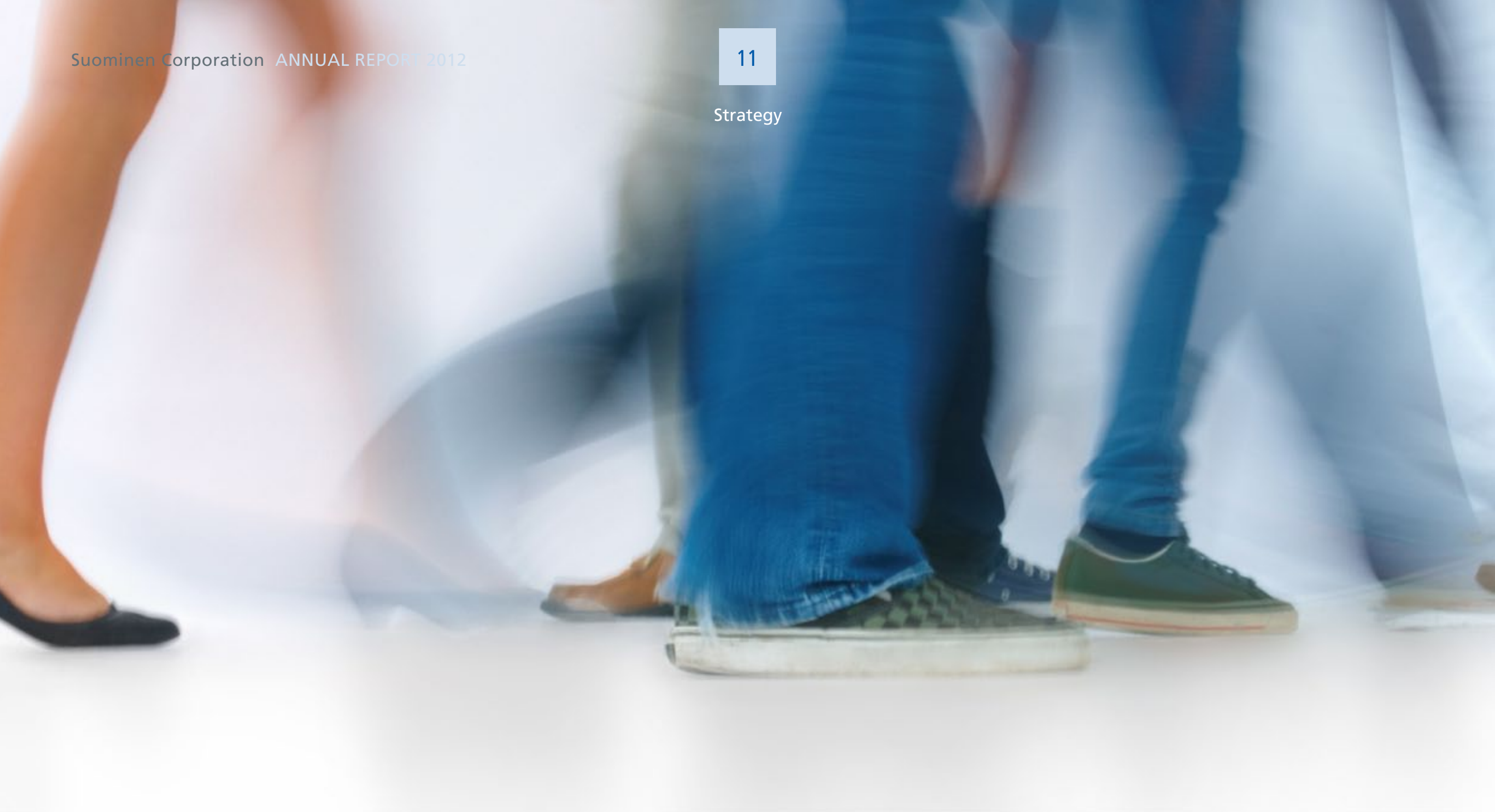
- Integrating the business acquired from Ahlstrom in 2011 as part of Suominen. Creating common ways of working and the start of a common corporate culture.
- Revising the employee incentive scheme. The new scheme was introduced at the start of 2013.

STEP CHANGE IN PROFITABILITY

- Launch of the Summit program with aim to achieve cost savings. The program included:
  - Major adjustment measures at the Nakkila plant
  - Temporary lay-offs in the Flexibles business unit.
- Implementing measures to reduce the amount of waste at various plants.
- Re-focusing the S+ program to continuously improve operations.

IN THE LEAD

- Introducing measures to increase the share of products with greater added value.
- Introducing new, common tools and ways of operating to boost the efficiency of the product development process and project activities.
- Updating the marketing strategy to make it more customer-focused.



Financial targets

The Board of Directors of Suominen Corporation set new medium term financial targets for the company in December 2012. The targets are related to improvement in the company's relative profitability, solid capital structure and organic growth. Suominen aims to further strengthen its position as the global market leader in nonwovens for wipes.

PROFITABILITY

Suominen aims to clearly improve its relative profitability. The target level of the company's return on investment (ROI) is to be above 10%. In 2012, Suominen's ROI was 0.4%.

CAPITAL STRUCTURE

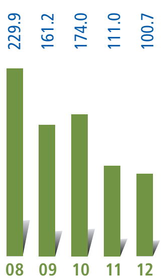
Suominen aims to have a solid capital structure with a gearing ratio principally between 40% and 80%. In 2012, Suominen's gearing ratio was 100.7%.

GROWTH

Suominen aims to increase its net sales at a rate that exceeds the average growth rate of the industry.

Return on invested capital (ROI), %

Gearing, %



When calculating return on investment and gearing ratios, the company applies the accounting principles and formulas used in the Financial Statements.

Emerging market areas as growth engines

Wiping product markets continue to grow

A growing middle class with purchasing power, the increase in life expectancy and urbanization are boosting the global demand for wiping products and flexible packaging. At the same time, the importance of health and hygiene is rising and consumers are prepared to invest more money in furthering these areas. Personalization, the stronger emphasis on choosing one's lifestyle and heightened environmental awareness are all also opening up new possibilities for wiping product and packaging manufacturers.

The outlook for the macro economy and the confidence of households in their own financial standing also affect the demand for wiping products and packaging used in daily consumer goods, even though the demand for consumer goods is not very cyclical in nature.

Global market leader in emerging markets

The global markets for wiping products are expected to grow some 4.5% annually. Growth is expected to be somewhat slower in Europe, but considerably more robust in emerging markets, such as South America, Eastern Europe, Asia, the Middle East and Northern Africa.

Suominen is the global market leader in nonwovens for wipes. Presently, the largest global market segment (around 40% market share) for wiping nonwovens are products used for baby care. Household wipes (slightly more than 20%), industrial wipes (slightly more than 20%) and personal hygiene and cosmetics-related products (around 12%) make up other key wiping product areas.

The European markets for flexible packaging are expected to grow at a rate of approximately 2% per year. The strongest growth will be seen in Eastern Europe, for example in Russia and Poland.

Long-term partnerships with customers

The customers of Suominen's Nonwovens business unit are converters of the roll goods of Suominen; typically major, globally operating international brand and private label manufacturers. Customers particularly value high and consistent quality in nonwovens, which helps them to ensure that they can keep their brand promise to consumers. Suominen's customer relationships are, for the most part, long term. Product development is also carried out collaboratively with customers.

The customers of the Codi Wipes unit are primarily brand product manufacturers and retail chains operating in Central and Northern Europe. The unit also serves manufacturers and marketers of private label products. Codi Wipes' customers value partnership, good service and seamless co-operation in, for example, product development.

The customer base of the Flexibles unit is broad and includes mainly European companies in the fields of industry, services and retail. Most of the customers are retail chains or manufacturers of food, hygiene or other brand products.

Raw materials procured through reliable suppliers

The key raw materials for Suominen's wiping products are viscose, polypropylene, polyester, pulp and cotton, while polyethylene is used for flexible packaging. The prices of oil-based raw materials in particular fluctuated significantly during the past year.

The changes in raw material prices affect Suominen's financial result quickly because, for the most part, Suominen only purchases enough raw materials for its warehouse to meet the demands of a few weeks. The price adjustment mechanisms included in Suominen's sales contracts offset the changes in raw material prices with a delay of 3 to 5 months on average.

Suominen purchases all of the raw materials it requires from long-standing partners. In 2012, the company shut down the polypropylene staple fiber production line at its Nakkila plant as part of the Summit program's goal of improving profitability.

Nonwovens: Future growth through products with higher added value

Suominen's Nonwovens business unit operates in growing markets. Globally, the nonwovens market is growing at an annual rate of 7 to 8 per cent and, for the wiping-products, annual global growth of 4.5 per cent is expected. Growth is somewhat lower in Europe, but is considerably more robust in emerging markets, such as South America, Eastern Europe, Asia, the Middle East and Northern Africa.

The biggest application for wipes is baby care, which makes up roughly 40% of the wiping products market. Household wipes (slightly more than 20%), industrial wipes (slightly more than 20%) and personal hygiene and cosmetics-related products (around 12%) make up the other key wiping applications for nonwovens.

Suominen is the world's leading producer of nonwovens in wiping products.

Six-fold increase in net sales following acquisition, the number of plants from one to seven

In late 2011, Suominen acquired Ahlstrom's Home and Personal business area. As a result of the acquisition, the net sales of Suominen's Nonwovens unit grew approximately six-fold and the number of production plants increased from one to seven.

Nonwovens' production plants are located in the United States, Italy, Spain and Finland, close to Suominen's customers. Net sales generated and volumes produced are approximately equivalent when comparing the US and European plants. The fact that Suominen has a broad asset portfolio both technologically and geographically allows a lot of flexibility as Suominen can transfer its production from one site to another,

CUSTOMERS
- International brands
- Private label manufacturers

END-USE AREAS
- Baby care products
- Hygiene products
- Household wiping product
- Industrial wiping products
- Medical products
- Personal care products

this of course done with the customer's support. Flexibility creates a clear advantage for a continuous and stable supply.

Nonwovens' focus in 2012 was on integrating the operations with Ahlstrom's Home and Personal businesses, acquired in 2011, as part of a project entitled Summit. As well as this integration, the project also covers realization of synergy benefits in sales, sourcing and optimization of production lines and logistics solutions. The starting point for the integration was the sharing of best practices between the combined businesses. All Suominen Nonwoven's employees took part in the integration work, for example through various working groups.

The production line that was damaged in a fire at the Mozzate plant in Italy in September 2011 was started up again in May 2012. The production break did not cause any major interruptions in supply to customers, as production was successfully transferred to other Suominen plants.

The transaction involving Ahlstrom's Home and Personal Brazilian unit has been delayed by various operating authorisations, although approval from the competition authorities has already been granted. Suominen and Ahlstrom are continuing to examine the prerequisites and alternatives for completing the transaction.

Financial development in 2012

The Nonwovens business unit is part of Suominen's Wiping segment. The segment's net sales in 2012 amounted to EUR 403.2 (149.4) million and operating profit excluding non-recurring items amounted to EUR 18.8 (-2.2) million. Operating profit including the non-recurring items was EUR 5.5 million (-3.1).

Net sales of Nonwovens business unit totaled EUR 357.9 million (99.2) in 2012. Nonwovens' comparable full year net sales (pro forma) were EUR 365 million in 2011, of which net sales decreased by 2%. Delivery volumes decreased slightly. The main application areas for Suominen's nonwoven materials were baby wipes, household wipes, personal care wipes, and industrial wipes. Sales of nonwovens for personal care and household wipes increased, while in other applications sales declined.

Consumer demand in the wet wipe applications favored on the American markets was stronger than in product areas typical of Europe. European net sales were also affected by the tightening competition.

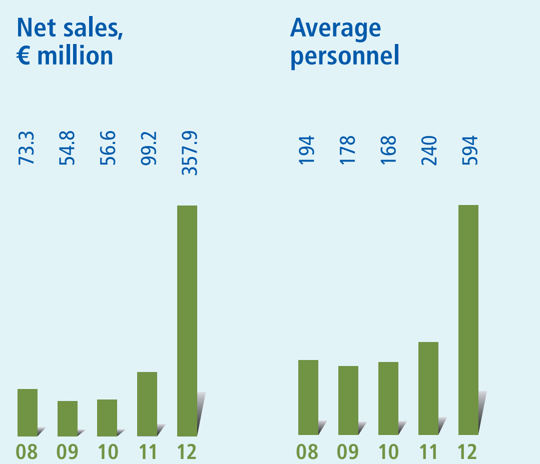
Costs of the Nonwovens business unit declined thanks to the successful Summit program. The program slightly exceeded its targets in 2012, and resulted to cost savings representing approximately two per cent of the net sales. The permanent improvement in cost structure will be fully visible in the unit's financial result after the first quarter of 2013, when the Summit project will be completed. The measures and procedures included in the project will be incorporated to the daily operations of Nonwovens.

In its production of nonwovens, Suominen primarily uses polypropylene, viscose, wood pulp, polyester and cotton. As raw material costs account for more than half of Nonwovens' net sales, procurement efficiency has a clear impact on the unit's profitability. In the full-year financial result of 2012, the total impact of the fluctuations in raw material prices during the year was not significant.

As part of the Summit project, the codetermination negotiations at Nakkila, Finland plant were completed. The plant's operations will be reshaped with the objective of turning the result to positive. A decision was made to close down the plant's thermobond production and one spunlace line. Additionally, the in-house production of polypropylene staple fibers was closed. A long-term supply agreement for the raw material replaces the in-house production. Due to measures taken, the number of employees has been reduced by over 70 employees, which led to non-recurring compensations of EUR 0.4 million for the termination period. An impairment loss of EUR 5.5 million to fixed assets was recognized, with no effect on cash flow.

Strategy for the future

Suominen's Nonwovens business unit intends to boost its net sales by developing its product range and increasing its understanding of the end customers.



The operations acquired from Ahlstrom included in reporting as of Nov 1, 2011.

The unit aims to increase the share of products with higher added value in its net sales and introduce new, for example more environmentally sustainable, wiping products to the markets. In its product development, the unit will rely on its broad technological expertise and strong key customer relationships. Suominen is also examining opportunities to strengthen its existing position in the nonwovens end-use areas outside of wiping.

Furthermore, Nonwovens will focus on improving its profitability by developing and boosting the efficiency of both its production and supply operations.

Shared value base enabled successful integration

The acquisition of Ahlstrom's Home and Personal business area by Suominen at the end of 2011 transformed Suominen overnight the single largest global producer of nonwoven materials for wiping products. This rapid growth was not without its own challenges. The creation of what was effectively a whole new company included a crucial task to merge a mix of international company cultures.

A vital factor in the resultant successful integration was that, while there was indeed a varied mix of cultures in the new company, the general value base of Suominen closely matched that of Ahlstrom. Shared values and ideas of trust, partnership and expertise proved to be the glue which bound the people together into one forward-looking company.

The integration comprised also the retention and development of customer relationships around the globe. Becoming truly global after being mainly focused on Europe was another important step in the process of creating New Suominen. Significant markets, such as the USA and Asia, were reassured by a global marketing campaign to support Suominen Nonwovens statement of "Now the biggest name in nonwovens for wipes."

Codi Wipes developed its product range

Suominen's Codi Wipes business unit is one of Europe's largest producers of wet wipes. The unit's products consist of wet wipes in consumer packages that are delivered ready for store shelves. Codi Wipes products are used in, for instance, baby care, cosmetics applications, such as make-up removal and skin exfoliation, and personal hygiene care. The products are also used for cleaning household surfaces.

The market for wet wipes in Western Europe continues to grow; the fastest growth rate can be seen in baby-care wipes (approx. 4% annual growth) and in beauty-care products (roughly 4–5% annual growth). The main market area for Codi Wipes is Central and Northern Europe.

Operations guided by promoting sustainability

Codi Wipes aims to be its customers' most valued partner, recognized for its ability to combine strong production and product development expertise with in-depth knowledge of consumers' needs. The business unit's production plant is located in Veenendaal in the Netherlands, close to its most significant customers.

In 2012, Codi Wipes introduced new, more environmentally friendly products to the markets and developed several new wet wipes designed to make people's day-to-day lives easier. Such products include, for example, wipes for cleaning tv screens, pet care wipes and wipes for car cleaning and for disinfecting.

CUSTOMERS

- Retail chains
- International brand and private label manufacturers

END-USE AREAS

- Baby care wipes
- Beauty and cosmetic wipes
- Personal hygiene wipes
- Household wiping products

The business unit took in 2012 a number of significant measures to reduce the environmental load of its operations and products and to further improve its occupational health and safety. Codi Wipes will continually strive to reduce its use of oil-based raw materials and increase the share of natural fibers used in its nonwovens. Furthermore, the Veenendaal plant has projects in place to reduce water and energy consumption and to lower its waste volumes. To learn more about Suominen's and Codi Wipes' corporate responsibility, please visit the Sustainability section of the Annual Report.

Financial development in 2012

Codi Wipes forms Suominen's Wiping segment together with the Nonwovens business unit. The segment's net sales in 2012 amounted to EUR 403.2 (149.4) million and operating profit excluding impairment losses and other non-recurring costs amounted to EUR 18.8 (-2.2) million. Including the non-recurring items, the segment's operating profit was EUR 5.5 (-3.1) million.

Codi Wipes' net sales declined to EUR 49.4 (55.6) million. Sales of personal hygiene wipes remained at the previous year's level; sales of baby wipes decreased, and sales of moist toilet wipes grew slightly. Average sales prices fell short of previous year's level. The decline in margins was partly compensated by savings in operating expenses, for example, through demand-driven staffing solutions.

During the fourth quarter of 2012, Suominen performed goodwill impairment testing on the Codi Wipes business unit, placing greater emphasis on market risks than in prior tests, due to the market uncertainty. Based on the results of the tests, Suominen recognized a goodwill impairment loss of EUR 7.3 million in the Codi Wipes business unit. The recognition had no effect on cash flow.

Strategy for the future

Codi Wipes will seek growth by further expanding its product range to include products with greater added value. The unit will also continue to deepen its customer relationships, using the Codi Connect co-operation concept, among other means. The Codi Connect concept combines Codi Wipes' know-how in sales, marketing and product development with the respective expertise of its customers and partners, with the aim of developing new product concepts and adding value for the customer. In addition, the unit will continue to implement measures to improve profitability.

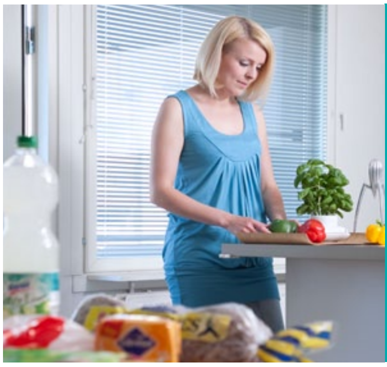
Flexibles: Business turnaround program launched at the end of 2012

Suominen's Flexibles business unit produces printed plastic film consumer packaging for industry and trade, as well as security and system packaging, for example for companies in security business and for paper wholesalers. The unit has two production plants in Finland and one in Poland as well as sales offices in Sweden and in Russia. In 2012, Suominen Flexibles celebrated 60 years of operations. The company originally operated under the name Amerplast.

The European markets for flexible packaging are expected to grow at a rate of approximately 2% per year, with Eastern Europe showing the strongest growth. The most important market areas for Suominen's Flexibles are Finland and the other Nordic countries, as well as Central Europe and Russia.

Product and service development to benefit customers

An investment decision resulted in new laser perforation equipment at Flexibles' Tampere plant. Perforation enables packages to be easily and cleanly opened along



CUSTOMERS
- Manufacturers of food and hygiene products
- International brand product manufacturers and retail chains

END-USE AREAS
- Food packaging
- Hygiene packaging
- Retail carrier bags
- Security and system packaging

a line of small holes made in the plastic film. The laser equipment enhances the diversity and efficiency of packaging perforation. The equipment will initially be used primarily for tissue packages, but its possibilities also extend to other product groups and applications. The new equipment was taken into use in early 2013.

Suominen Flexibles launched in 2012 together with its business partner a new Amer 3D product for three-dimensional design of packages. By three-dimensional visualizing, customers can easily test for instance colors, surface materials and visual effects and ensure the package is functional also in retail environment. Fast and efficient packaging design accelerates customer's own business, as products can be commercialized quickly and in a cost efficient manner.

Financial development in 2012

Net sales of the Flexibles unit totaled EUR 52.7 million (64.8), a decrease of 19% from the previous year. Sales of hygiene packaging decreased due to customer losses at the end of 2011. Sales of food packaging and retail carrier bags were also down, while sales of security and system packaging increased. Flexibles managed to offset its customer losses by procuring new business, but weak consumer demand is hindering these efforts. In order to save costs, the unit decided in August 2012 to lay off personnel for a maximum period of 40 days.

The unit recorded an operating loss of EUR 2.8 million (+0.7) before non-recurring items, and a loss of EUR 2.3 million (-0.1) after them. The total impact of the changes in raw material prices for flexible packaging had a slightly negative effect on profitability. Operating expenses decreased as a result of the rationalization measures carried out in production in 2011.

Strategy for the future

At the end of 2012, Flexibles launched a business turnaround program, headed by the new General Manager of the business area, who took up the post in December. The goals of the program include developing sales, establishing closer customer relationships and improving the unit's profitability, among other things. Several new development opportunities for the business area's operations have already been identified and resolved in the program since the start of 2013.

Suominen's Sustainability Statement

Throughout history, our purpose in Suominen has been to make life easier for people. We strongly believe in this mission and strive to incorporate it in everything we do. We want to create greater convenience for our customers and their customers all the way to the end of the value chain – the everyday life of people.

Creating convenience in a sustainable world is the next stage for us as a company and our industry as a whole. We are ready to take on this challenge when developing new products and solutions together with our customers and suppliers. The journey has already begun, as we are continuously searching for raw materials with lesser environmental impact, such as natural fibers and materials from renewable resources, and developing environmentally friendly lotions for our products. We also work constantly to improve our operations by reducing water and energy consumption as well as the amount of waste and waste water generated by the production process.

We work actively with the industry associations, such as EDANA, and we see sustainability as an important part in shaping the future of our industry. Just as EDANA endeavors to be ahead of the game when helping out its members to adapt to the changes in the nonwovens market, we at Suominen also want to be proactive in embracing these changes and in striving for a balance between the social, economic, and environmental needs of a more sustainable future.

Empowerment, accountability and passion. These are three words we use to describe our way of working. We believe that sustainability comes alive in small and concrete everyday actions in our organization through employees that are empowered to continuously improve processes for the sake of the environment and safety. Further, our employees are accountable for their actions. The result of their work is to be seen, for instance, in continuous decline in incident levels, increased use of recycled plastics in retail packaging products and significant reduction of waste in our nonwovens production. The employees of Suominen feel passionate about what they do and how they do it.

We work with a cool head, warm heart and clean hands. This means growing our business in a responsible way, reporting truthfully and openly, and not tolerating discrimination based on religion, race, age or sex.

Our long-term goal is to be in the lead of the market by using our understanding of technology and materials to create products that meet the demand of modern day consumers while constantly working to decrease the environmental impact of our operations. Simply put, to create convenience in a sustainable world.

Nina Kopola
President and CEO

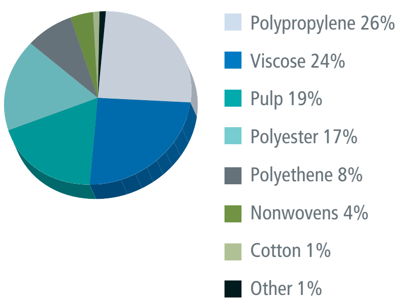
Environmental responsibility

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

Reducing environmental impacts requires long-term development work, an important element of which is the harmonization of key indicators between the various business areas and units. Suominen's goal is to have ever more comprehensive, commensurable data available in the future on the impacts of the company's operations. This would allow development measures to be targeted efficiently, and as effectively as possible.

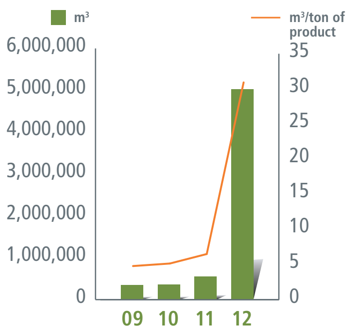
The environmental impacts of Suominen's operations primarily stem from the raw materials, energy and water

Raw material usage in 2012



The operations acquired from Ahlstrom included in reporting as of Nov 1, 2011.

Water consumption and water efficiency



used in production and from the waste generated during the production process. In 2012, Suominen's production plants used a total of 149,392 tons of raw material, 1,588,729 gigajoules of energy and 5,021,159 m^3 of water. Landfill waste generated at the production plants amounted to 1,812 tons.

Nonwovens: energy efficiency improved, water consumption and the amount of landfilled waste decreased

The environmental responsibility work of the Nonwovens unit is based on the Environmental Guidelines published by the industry association EDANA. Efficient use of all resources throughout the production chain, be it raw materials, energy or water, is the key in the business unit's environmental efforts. From the environmental point of view, a more sustainable product may imply a lighter grammage, or minimized amount of material loss in its production. However, the product characteristics perceived by the customer and end-user, as well as user experience, must remain unchanged even though less raw materials or other resources were used in the production.

The key raw materials used by Suominen's Nonwovens business unit are polypropylene, viscose, pulp, and polyester. In addition to fibers and other raw materials, the business unit also procures pre-fabricated nonwoven materials for its composite products. The main environmental impacts of Nonwovens unit are related to the use of raw materials, energy and water consumption, and waste volumes. Energy consumption, representing the most significant of these areas, has been successfully reduced by, for example, improving the energy-efficiency of the dryers used in production and by improving heat recovery. The energy consumption of plants in relation to production volumes is closely monitored, with the goal of further improving energy efficiency also in 2013. In 2012, the business unit could reduce also its water consumption as well as the volumes of landfilled waste.

Following the acquisition of Ahlstrom's Home and Personal business at the end of 2011, Nonwovens reassessed the its environmental impacts. In 2012, the key performance indicators were harmonized to meet the practices commonly adopted within the industry.

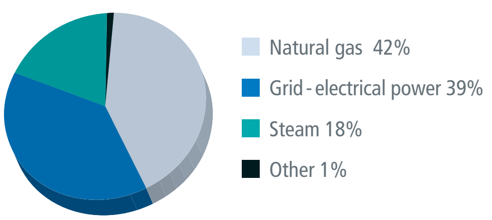
The Alicante plant in Spain, the Windsor Locks plant in the US, and the Nakkila plant in Finland all have ISO 14001 environmental certification. In 2012, the Green Bay plant in the US was also granted the ISO 14001 certification. The Nakkila plant is additionally PEFC-certified, as well as the Mozzate plant in Italy, that achieved the PEFC certification at the end of 2012. The PEFC (Programme for the Endorsement of Forest Certification schemes) is an international forest certification scheme. Both Mozzate and Cressa plants of the Italian production unit are FSC-certified. FSC (Forest Stewardship Council) certification promotes environmentally sound forestry.

Codi Wipes: Sustainability Program guides operations

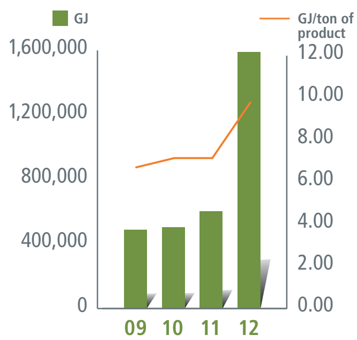
The most significant sustainability action taken by the Codi Wipes unit in 2012 was the drawing up of a Sustainability Program. The Program encompasses four parts: raw materials, production, distribution and end users. The unit's most important raw materials are nonwovens and various chemicals. Being a converter, the environmental impacts of Codi Wipes are relatively minor compared to many other industrial activities.

Codi Wipes' production does not contaminate the soil and generates relatively low greenhouse gas emissions and hardly any VOC (volatile organic compound) emissions. The unit's main environmental impacts stem from the wastewater resulting from production and energy consumption.

Energy consumption by source in 2012



Energy consumption and energy efficiency



The operations acquired from Ahlstrom included in reporting as of Nov 1, 2011.

Codi Wipes closely monitors the unit's energy and water consumption, as well as its waste and wastewater volumes. The waste-reduction target set for 2012 was not reached, due to the unit's expanded product portfolio. Codi Wipes succeeded, however, in a project of decreasing the pollution degree of its wastewater.

Other important environmental projects of 2012 included increasing the use of environmentally friendly fibers, as well as the launch of the new energy-savings program, and reducing the volume of waste generated in production. Codi Wipes's efforts led to the unit being granted FSC certification in July of 2012.

Flexibles: air-conditioning solutions helped cut VOC emissions

The environmental impacts of the Flexibles unit are reduced, above all, by improving waste recycling, by reducing the amount of waste generated, by cutting down on energy consumption, by minimizing hazardous emissions into the air and by increasing the share of recycled materials in the unit's products. The key raw materials used by the unit are polyethylene and polypropylene, as well as various solvents and printing inks.

In addition to the group's common indicators, the unit also keeps track of its hazardous waste volumes, its use of recycled materials, and its VOC emissions, which were successfully cut during the year by improving air-conditioning solutions. Hazardous waste volumes were reduced by developing ink recycling, and the utilization rate for recycled materials was improved through product development. The most important single environmental project in the Tampere unit was the fire-extinguishing-water plan launched in 2012, which was designed to minimize the environmental damage caused by fires.

Codi Wipes set ambitious environmental targets

Sustainability is systematically integrated in the Codi Wipe's operations, and is guided by the Sustainability Program that was drawn up in 2012. The three-year program encompasses four parts: raw materials, production, distribution and end users.

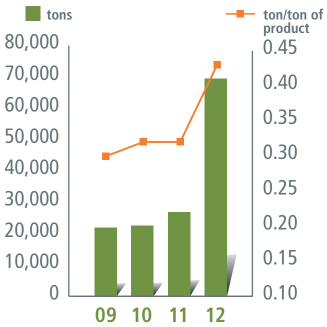
Different targets, which are aimed at reducing the environmental load, have been defined for raw materials. The goal is that by 2015, for example, more than half of the volume of fibers used comes from recycled materials, more than ten percent of films are made from recycled materials and more than 80 percent of board packages are FSC or PEFC certified.

Some examples of the targets set for production are zero lost-time injuries, reducing waste volumes by half, and reducing water and energy consumption by 30 percent per produced package.

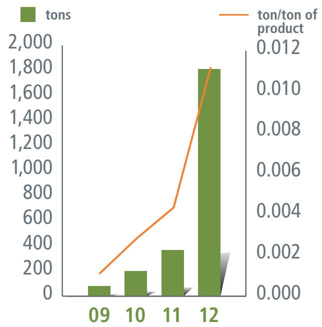
In transport, the goal is to minimize the carbon footprint of deliveries. The target of a more than 20 percent reduction in CO_2 emissions per ton-km has been set. This is being achieved by, for example, maintaining a high fill-rate for transport trucks.

Consumers are taken into consideration in the sustainability work, for example, by offering them information about how to use products correctly and how to dispose of them appropriately.

Direct and indirect CO_2 emissions



Waste to landfill



Social responsibility

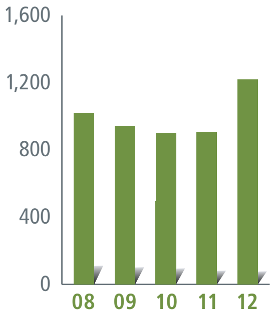
Suominen's social responsibility extends from its employees all the way to consumers. The company's solutions bring convenience to people's daily life and promote well-being. Moreover, Suominen is committed to offering all of its employees a safe and healthy work environment.

The company's product range includes, for example, nonwoven materials for various types of wipes, for hygiene and incontinence products and for wound-care products. Suominen also manufactures, among other things, high-quality food packaging that reduces food wastage and ensures the safety of the product.

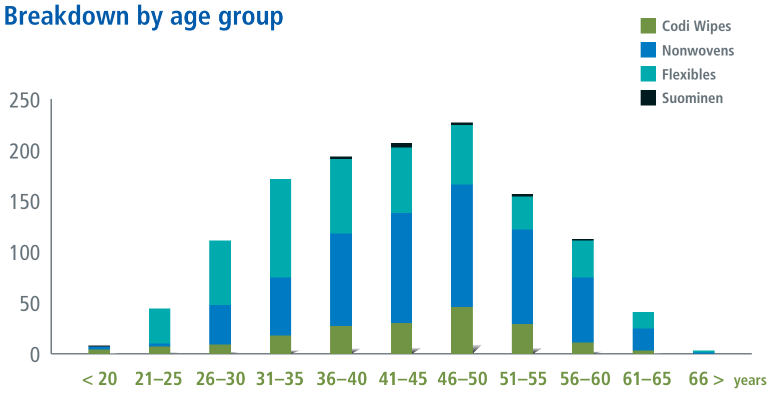
Superior quality and customer satisfaction are achieved through the efforts of professional, motivated and committed staff. Good personnel management lays the foundation for the employees' well-being and, in turn, for the company's success.

Suominen employs roughly 1,220 people around the world. In addition to Finland, Suominen has production operations in the US, Italy, Spain, the Netherlands and Poland, and sales offices in Sweden and Russia.

Number of employees



Breakdown by age group



The operations acquired from Ahlstrom included in reporting as of Nov 1, 2011.

All HR development work at Suominen is carried out systematically, justly, transparently and objectively. The diverse competence of the employees is reinforced in a goal-oriented manner in order to meet the demands of flexible production and customers.

In 2012, a Job Family Concept was defined at Suominen Nonwovens, on the basis of which the expectations, competencies required, goals and pay levels for each task were identified. The definitions were launched in early 2013 aiming to clarify In addition, the Development Discussion and Target Setting and Review Discussion system for upper and middle management was updated to allow personal targets and job functions to be aligned in a more systematic way with Suominen's strategic targets.

The principles of transparency and objectivity also guided the codetermination negotiations that took place between May and July 2012 at Suominen Nonwovens Ltd as part of Suominen's profitability-improvement program. The operations of the Nakkila plant were streamlined by closing down production lines and by enhancing administrative and support functions. The codetermination negotiations were carried out in a constructive spirit, with no production breaks, and alternative solutions were sought together with the personnel in several negotiation rounds. The negotiations resulted in a staff reduction of more than 70 people at the Nakkila plant. Suominen was able to re-hire two of the permanent employees who were let go as a result of the negotiations.

Work on behalf of a safe workplace

Suominen is committed to offering all of its employees a safe and healthy work environment. The company believes that all injuries can be avoided, and aim is set for zero injuries. Suominen's occupational health care also focuses on preventive measures.

Occupational safety is developed systematically. Every business unit has its own development program,

Wellbeing at work through cooperation

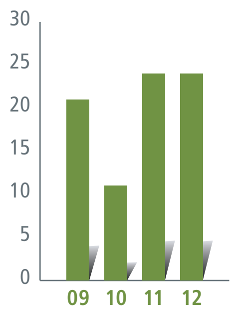
Suominen Flexibles took part in the Chemical Industry Federation of Finland's "Good Morning – Good Tomorrow" project, which aimed to promote wellbeing at work, develop know-how, lengthen careers, reduce morbidity and increase productivity.

The goal of Flexibles' project was to compile various management practices of occupational wellbeing and put best practices into action. Taking part in the project on behalf of Suominen were representatives of different personnel groups, HR administration and occupational health-care services.

The project resulted in the creation of a file that contains clear descriptions of all the practices, which means the entire staff now has access to information concerning the current rewarding practices and personnel benefits. The project also raised a number of new ideas and development proposals. In addition, a number of unsettled or controversial matters were resolved. The easily accessible operating models and practices will save time for supervisors in the future.

The most important outcome of the project was its impact on teamwork and the overall corporate culture of Suominen Flexibles, which is now even more open and participatory. Also pleased with the project were the representatives of personnel groups, who considered it a good way to encourage the commitment of the employees. The work continues along the lines of fine-tuning the operating practices and providing guidance on them.

Lost time accidents (LTA)



The operations acquired from Ahlstrom included in reporting as of Nov 1, 2011.

and in some cases occupational safety is a part of the company's incentive system. Suominen strives to preempt risks, and dangerous near-miss situations are analyzed so that they can be avoided in the future. Occupational safety performance is measured, monitored and assessed according to the set indicators.

Every Suominen employee is responsible for occupational safety. Employees are encouraged to observe safety in everything they do, and to take the initiative and step in when they become aware of a possible risk situation. Risk data is compiled in the near-miss system. At the Nakkila plant, for instance, Suominen's personnel are actively involved in making the work environment a safer place, for instance, through the 5S methodology, which focuses on productivity, safety and well-being in the workplace. Suominen Flexibles participated in a project called "Good Morning – Good Tomorrow", organized by the Chemical Industry Federation of Finland. Please read a seperate story about the project for further information.

One outcome of Suominen's systematic efforts is the high level of occupational safety in the company. Now the focus of the occupational safety work is, above all, on maintaining this strong level and achieving an even better performance. In 2012, there were 24 lost-time accidents in the Suominen group, and the total number of days lost due to injury was 539.

Practical safety actions taken in business units: even one accident is one too many

The Nonwovens business unit placed particular emphasis on harmonizing the occupational safety indicators of the production units that joined Suominen at the end of 2011 following the business acquisition and those of the Nakkila unit in order to produce commensurable data. Another aim during the year was ensuring that occupational safety remained at the good level achieved, despite the many changes that the acquisition brought with it. The plants implemented a number of projects aimed at improving occupational safety. The safety doors around the carded fiber line were modified in several plants so that they lock automatically and cannot be opened while the production line is running. At the Nakkila plant, special attention was paid to the use of safety boots, and the decision was made to invest in a radiotelephone system. Internal safety audits have been vital part of daily operations for several years at all plants.

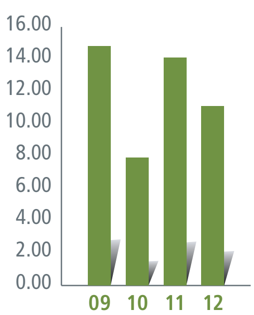
Even though occupational safety level developed positively during the year, with exceptionally good results at some plants, the Cressa plant in Italy and the Bethune plant in US, among others, the overall, very ambitious target of zero lost-time accidents was not met. The safety development efforts will focus even more strongly on changing human behavior and attitudes in order to achieve the target.

At the Flexibles unit in Tampere, chemical safety in particular was improved. During a two-week training period, employees working with printing inks were given additional information on the risks related to printing inks and solvent fumes. The Tampere unit also introduced an occupational safety team campaign, in which a supervisor and a worker together take on an area of occupational safety for development. The results indicate that this working mode speeds up the progress of corrective measures.

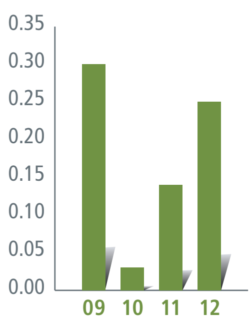
Flexibles' Tampere unit achieved good results in the electronic processing of near-miss reports. The person who makes a report can now monitor the progress of the subsequent corrective measures. This more transparent processing has increased the number of reports tenfold.

A corporate fine of EUR 10,000 was imposed on Suominen Flexibles Ltd at the end of 2012 for an occupational safety infraction. The court decision concerns an incident that took place several years ago, and action has been taken in the areas that were mentioned in the grounds for the decision. Also at Flexibles business unit, efforts to improve occupational safety continue.

Accident frequency rate (AFR)



Accident severity rate (AFR)



The operations acquired from Ahlstrom included in reporting as of Nov 1, 2011.

Codi Wipes' employees participated in a occupational health study that involved mapping out potential early hearing damage in certain stages of the production process. Also in 2012, a risk assessment of situations in which an employee has imbibed a considerable amount of alcohol in the evening preceding a work shift was carried out, and guidelines on how to handle such situations were drawn up. Exposure risks of all chemicals have been evaluated based on calculations and verified by in-situ measurements. Reporting on near-miss situations was also improved in the unit.

Excellent safety results at Cressa and Bethune plants

The long-term work carried out to improve safety at the workplace is reflected in the positive trend in the injury statistics of the production units. The safety target for Nonwovens is crystal clear: even one lost-time accident is one too many.

At all nonwovens plants, regularly implemented internal safety audits are essential in the daily operations. Each accident and near-miss situation is analyzed carefully, and the analyses lead to corrective actions. All employees are encouraged to bring forth the observed safety risks. Risks are managed systematically and are handled actively. In 2012, Nonwovens business unit started to systematically gather information on good safety practices. The representatives of each plant meet monthly to share best practices.

In 2012, the Bethune plant in the US, part of the Nonwovens business unit, reached a milestone of three years without a single lost-time injury. The plant was awarded by the South Carolina Chamber of Commerce for its excellent safety results in spring 2012. For long, the employees at the Bethune plant have been encouraged to actively participate in improving safety, either by bringing forth the safety risks or observed best practices.

Within the same business unit, the Cressa plant in Italy is close to reach three years with no lost-time accidents. The various aspects of occupational safety have been ingrained to the daily activities of both the local management and the entire personnel. At Cressa, preventive safety measures include, for example, the daily assessment of potential risks. Each near miss event or accident leads to root cause analysis to avoid similar incidents in future, with a strong involvement by the shop floor employees and a careful follow-up of the corrective actions taken. Additionally, a number of safety trainings were organized for employees in 2012.

Economic responsibility

Suominen is an economically responsible company whose cornerstones are financial profitability and operational efficiency. Suominen complies with local laws and regulations, good governance and other generally accepted business practices. The group strives to operate according to the expectations of society at large and to those of the stakeholders within its operating environment.

Suominen bears its financial obligations towards its stakeholders and society, and participates in increasing financial well-being. In 2012, based on the definition of economic value added by Global Reporting Initiative, Suominen generated EUR 454.9 million and distributed EUR 447,0 million in economic added value to its stakeholders. These figures include sales revenue from customers, purchases from suppliers, salaries and wages to employees, financial expenses, and tax payments. No dividends were paid to Suominen's shareholders in 2012.

Suominen reduced its cost structure in 2012 as part of the Summit program. The Summit program includes the integration of Ahlstrom's Home and Personal business with Suominen and covers the realization of synergy benefits in sales, sourcing, production line optimizations and logistics solutions. The objective of the performance-improving measures was to achieve cost savings representing approximately two percent of Suominen's net sales. At year-end, the amount of cost savings totaled around EUR 10 million (slightly more than 2% of net sales). The Summit program will end in the first quarter of 2013.

The financial impacts of Suominen's operations are specified in greater detail in the table below.

STAKEHOLDER	DIRECT IMPACT IN 2012	
Customers	Net sales € 454.9 million	Suominen's major customers include international brand-name goods and private label manufacturers and retail chains.
Employees	Wages and salaries € 52.0 million	Suominen employed an average of 1,220 people in Europe and the US in 2012.
Co-operation partners	Materials and services € 381.6 million	Suominen purchases raw materials and other products and services from local and international co-operation partners.
Society	Corporate income taxes paid € 3.0 million	Suominen and its units are significant employers in the communities where they operate and thereby promoters of general well-being.
Financiers	Net financial expenses € 10.4 million	
Shareholders	No dividends were paid for the 2011 financial year.	

Suominen's financial targets are presented on page 11.

About sustainability reporting at Suominen

Suominen's 2012 Annual Report covers for the first time the three pillars of sustainability – financial, social and environmental responsibility. Corporate responsibility is featured more prominently in the 2012 Annual Report than before, and Suominen will continue to report on its corporate responsibility every year in its Annual Report.

The reporting period is financial year, i.e. 1 January – 31 December, 2012. The next sustainability review will be published in early 2014.

The Sustainability report focuses on the aspects of sustainability that Suominen has determined to be of key significance. Data on the environmental performance and occupational safety has been collected from the group's production units, but in accordance with the materiality principle, those locations that do not have production operations (such as sales and corporate offices) have not been included.

When making comparisons between financial periods, it should be noted that Suominen acquired Ahlstrom's Home and Personal business on November 1, 2011, from which date the six production units that previously belonged to Ahlstrom have been included in Suominen's reporting figures. For that reason, the group key figures have changed considerably especially in comparisons between the years 2011 and 2012. The closed plants of the Flexibles business unit (the Nastola plant in Finland, closed in 2011, and the Norrköping plant in Sweden, closed in 2010) have been excluded from the historic sustainability data.

The Windsor Locks plant in the US is co-operated by Suominen and Ahlstrom Corporation. In environmental indicators, only the resources used by Suominen at the Windsor Locks plant are included. In safety indicators, employees that have worked in Suominen's production lines but are not on Suominen payroll are excluded.

Suominen continues to enhance its sustainability reporting with the goal of open and equal communication to all stakeholders.

Corporate Governance Statement of Suominen Corporation for 2012

The company complies with the Finnish Corporate Governance Code 2010 issued by the Securities Market Association (below "Recommendation"). The Corporate Governance Statement, required by the Finnish Corporate Governance Code, Recommendation 54, is published as separate statement in connection with the Report by the Board of Directors. The statement can also be viewed on the website of Suominen Corporation, at www.suominen.fi/corporate_governance.

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

An Extraordinary General Meeting of Shareholders held on 12 September 2011 resolved to establish a Nomination Committee to prepare proposals for the following Annual General Meeting concerning the election of the members of the Board of Directors. Suominen Corporation has not established any committees to prepare matters for consideration by the Board, as the size of the company and the extent of its business are not seen as sufficient to warrant splitting up the Board's work in this way. The Board of Directors discharges the duties of the audit committee described in the Recommendation.

The Finnish Corporate Governance Code 2010 for listed companies is available at the website of the Securities Market Association, www.cgfinland.fi.

Suominen group

Responsibility for Suominen group's business operations belongs to the constitutional bodies required by the Limited Liability Companies Act: the General Meeting of Shareholders, which elects the members of the Board of Directors; and the President and CEO, who is appointed by the Board of Directors.

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

Suominen Corporation has two reporting segments: Wiping and Flexibles.

Board of Directors

Composition of the Board of Directors in 2012

The Extraordinary General meeting held on 12 September 2011 elected Mr. Risto Anttonen, Mr. Jorma Eloranta, Ms. Suvi Hintsanen, Mr. Mikko Maijala and Mr. Heikki Mairinoja as the members of the Board of Directors. The resolutions of the Extraordinary General Meeting regarding the number of members of the Board of Directors and the election of members of the Board of Directors were conditional and came into effect upon the completion of the transaction between the company and Ahlstrom Corporation, announced on 4 August 2011. The Board of Directors acted in this composition from October 21, 2011 until the Annual General Meeting held on 4 April 2012.

The Annual General Meeting held on 4 April 2012 re-elected Risto Anttonen, Jorma Eloranta, Suvi Hintsanen, and Heikki Mairinoja as the members of the Board of Directors. Additionally, Mr Hannu Kasurinen was elected as a new member of the Board of Directors. Biographical details of the members are as follows.

- Jorma Eloranta, b. 1951, M Sc (Tech), Chairman of the Board
- Risto Anttonen, b. 1949, B Sc (Econ), Deputy Chairman of the Board
- Suvi Hintsanen, b. 1967, M Sc (Econ), Senior Vice President, Business Development, Pohjola Bank plc
- Hannu Kasurinen, b. 1963, M Sc (Econ), Executive Vice President, Building and Living Business Area, Stora Enso Corporation
- Heikki Mairinoja, b. 1947, M Sc (Eng), B Sc (Econ)

Tasks and responsibilities of the Board of Directors

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

- deciding on the company's corporate structure and organization
- nominating and dismissing the President and CEO
- deciding on the salaries, bonuses, and other benefits paid to the President and CEO and his immediate subordinates
- deciding on the company's salary and incentive system

- considering and approving annual accounts, reports by the Board of Directors, financial statement releases, and interim reports
- monitoring and supervising the group's performance and ensuring the effectiveness of its management
- approving the company's operating policies (financing policy, insurance and risk management policy, and principles for corporate governance)
- deciding on the acquisition and assignment of fixed assets
- deciding on strategically and financially significant investments, acquisitions, divestments, or other arrangements
- deciding on financial borrowings and pledging securities
- considering and approving strategies and action plans
- establishing a dividend policy and confirm the company's targets.

Meeting practice

The Board of Directors convenes under the direction of the Chairman or, if the Chairman is unable to attend, the Deputy Chairman. Matters are generally presented by the President and CEO. Meeting minutes are kept and they are taken by the CFO.

In 2012, the Board of Directors convened 17 times, of which six times per capsulam. The average attendance rate at meetings was 98%.

Evaluation of independence

The Board of Directors has evaluated the independence of its members. All members are independent of the company. The members of the Board are independent of significant shareholders, with the exception of Risto Anttonen who has acted as CEO and Deputy CEO of Ahlstrom Corporation in the last three years prior to the commencement of his board membership.

Self-evaluation

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

Nomination Committee of the company

Both the Extraordinary General Meeting of Shareholders held on 12 September 2011 and the Annual General Meeting held on April 4 2012 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 tasks of the Nomination Committee are:

- to prepare the proposal for the Annual General Meeting concerning the members of the Board of Directors;
- to prepare the proposal for the Annual General Meeting concerning the remuneration of the members of the Board of Directors;
- to seek successor candidates to the Board of Directors; and
- to present the proposals to the Annual General Meeting concerning the members of the Board of Directors and their remuneration.

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

Board committees

Suominen Corporation has not established any committees to prepare matters for consideration by the Board, as the size of the company and the extent of its business are not seen as sufficient to warrant splitting up the Board's work in this way. The Board of Directors discharges the duties of the audit committee described in the Recommendation, section 27.

In view of the number of members of the Board and its meeting schedule, it has not been considered appropriate to divide the Board's operations between separate audit, nomination, and com-pensation committees. The Board of Directors discharges the duties of audit committee (Recommendation, Section 27).

President and CEO and the Corporate Executive Team

The President and CEO of Suominen Corporation is appointed by the Board of Directors. The President and CEO is responsible for day-to-day operations in accordance with the Companies Act and guidelines and instructions provided by the Board of Directors. The President and CEO is responsible for ensuring that the company's accounting practices comply with the law and that its assets are reliably managed. The President and CEO acts as the chairman of the Corporate Executive Team and as the direct superior of the Team's members.

Mrs Nina Kopola, b. 1960, M.Sc. (Chemical Eng.), Technology Licentiate acts as the President and CEO of Suominen Corporation.

The President and CEO is supported by the Corporate Executive Team that comprised in 2012, in addition to the President and CEO who acts as its

Chairman, the Executive Vice President of Nonwovens business unit, the Vice President of Codi Wipes, the Vice President of Flexibles, the CFO and the Vice President, Human Resources.

Insider management

Suominen group observes the guidelines for insiders issued by the NASDAQ OMX Helsinki Ltd on 9 October 2009 and the company's own insider guidelines approved by the Board of Directors.

The members of the Board of Directors, the President and CEO and the Principal Auditor are included in the company's public insider register. The public register is available at Suominen's website via the online service provided by Euroclear Finland Ltd.

The company also maintains a company-specific register of non-public insiders. Permanent insiders listed here include the members of the Corporate Executive Team and certain other employees of the company, who by virtue of their position or responsibilities regularly receive insider information. A project-specific insider register is maintained to cover persons that are involved with the planning and preparation of significant projects dealing with insider information. The Senior Vice President and CFO is responsible for Suominen's insider management.

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

Description of the main features of the internal control and risk management systems in relation to the financial reporting process

Control environment

Control is imbedded in the organization of Suominen and takes place as various check-ups in processes and as encompassing reporting helping to monitor and manage the business.

Suominen has no separate organization for control or internal audit. The company purchases internal audit services from an external partner. Suominen's control environment is based on given instructions, business culture and on the way of working adopted by company's managers and employees. Suominen has established its values, or Guiding Principles, which enforce an active and ethical way to work with various stakeholders and within the group. In cascading the working principles in the organization, honesty, transparency and working in teams are integral parts in establishing high moral behavior throughout the company.

The foundation of the internal control process relating to the financial reporting is built up around the group's policies approved by the Board of Directors and other directives and instructions. The responsibility structure of the group is based on authority inherent in the positions and work descriptions, segregation of duties and the two-eyes and one-over principles. Effective internal control requires that duties are properly segregated to employees and potential conflicts of interests are identified and eliminated. Satisfactory control environment is ensured through internal analyses and evaluations of key processes as well as through revisions made by external auditors.

The group Finance supports the Business Units in analyzing their performance and in the decision-making concerning various business choices. Business Controllers at unit level have the task to ensure that the control procedures are in place at various units. IT function's role is to maintain the security checks of systems throughout the group companies.

Risk assessment

Risk management is considered an integral part of running the business, and identification and assessment of risk is an essential element of internal control. The aim is to focus on the material risks that are significant from the business perspective. Risks are divided into business risks caused by changes in the business environment and operational risks, which may be a result of shortcomings in the way that the organization manages its processes.

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

Risks relating to financial reporting are evaluated and monitored by the Board, aiming to ensure that the financial reporting of the corporation is reliable, supports decision making and serves the needs of external stakeholders. Valuation of assets and liabilities according to various evaluation assumptions and criteria may constitute a risk.

There are estimates and assumptions that involve a significant risk of causing material changes in the carrying amounts of assets and liabilities, and these estimates and assumptions are continually evaluated and benchmarked against other similar entities. Complex and/or changing business circumstances may present a challenge when assessing the carrying amounts of assets. To avoid errors in stating the fair values of assets or liabilities, regular check-ups are made, e.g. by comparing material flows, values, and quantity and quality data with the information given in the accounts. The risk of errors caused by irregularities and discontinuities in information is reduced by using established and automated system-based audit trails.

Control activities

The control activities include general as well as detailed controls, which aim at preventing, revealing and correcting errors and deviations. In addition to the group level instructions, control activities are also conducted at unit and plant levels.

Several control activities are applied in the ongoing business processes to ensure that potential errors or deviations in the financial reporting are prevented, discovered and corrected. Suominen divides control activities into following three categories. Documented instructions help the organization to standardize the monitoring of tasks. Continuous and regular reporting conveying feedback on performance of group functions and entities ensures that instructions and defined processes are followed. In processes considered as critical, specific authorizations are needed in the work-flow, either for security or verification needs.

In practice, control activities are conducted in management group meetings, where results of the activities are reviewed. More focused control is exercised when specific reconciliation of accounts or analyses of the processes for financial reporting are conducted. The need for separate evaluations, as well as their scope and frequency, will be defined by assessing risks and the effectiveness of ongoing monitoring procedures. It is the responsibility of Business Controllers to ensure that control activities in the financial processes are appropriate and in accordance with the group's policies and instructions. Control activities based on Information Tech-nology security procedures are a vital part of IT-system features.

Information and communication

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

Follow-up

Ongoing responsibility for follow-up rests with the business units' management groups and controller functions. In addition, separate internal control reviews on key financial processes are conducted with external auditors on a rolling basis. The results of the reviews are reported to employees involved.

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

The group's Finance function also carries out comprehensive case-by-case controls of unit functions or processes. The Finance function also monitors the accuracy of external and internal financial reporting.

Board of Directors

Jorma Eloranta

b. 1951
M.Sc. (Tech.)
Member of the Board of Directors since 2011, Chairman since 2011

Independent of the company and its significant shareholders

Risto Anttonen

b. 1949
B.Sc. (Econ.)
Member of the Board since 2011, Deputy Chairman since 2012

Independent of the company, but not independent of a significant shareholder

Detailed, up-to-date information on the principal working experience and positions of trust as well as on the sharehold-ings of the members of the Board of Directors is available on Suominen's website www.suominen.fi/board_members. Additionally, Suominen's Salary and Remuneration Report of 2012 is available via the same page.

Suvi Hintsanen

b. 1967
M.Sc. (Econ.)
Senior Vice President, Business Development, Pohjola Bank (until Dec 31 2012), OP-Services Ltd (as of Jan 1 2013)
Member of the Board since 2010

Independent of the company and its significant shareholders

Hannu Kasurinen

b. 1963
M.Sc. (Econ.)
Member of Group Executive Board, Stora Enso Group
Executive Vice President, Building and Living
Business Area, Stora Enso Corporation
Member of the Board since 2012

Independent of the company and its significant shareholders

Heikki Mairinoja

b. 1947
M.Sc. (Eng.), B.Sc. (Econ.)
Member of the Board since 2001, Deputy Chairman in 2009–2011

Independent of the company and its significant shareholders

Corporate Executive Team

Nina Kopola

b. 1960
M.Sc. (Chemical Eng),
Technology Licentiate
President and CEO

Joined Suominen Corporation in 2011

Tapio Engström

b. 1963
M.Sc. (Accounting)
CFO

Joined Suominen Corporation in 2012

Hannu Sivula

b. 1966
M.Soc.Sc.
Vice President, Human Resources

Joined Suominen Corporation in 2012

Detailed, up-to-date information on the principal working experience and positions of trust as well as on the shareholdings of the members of Suominen's Corporate Executive Team is available on Suominen's website www.suominen.fi/cet. Information on their remuneration is included in the Suominen's Salary and Remuneration Report of 2012, available via the same web page.

Jean-Marie Becker

b. 1957
B.Sc. (Tech.)
Executive Vice President
General Manager of the Nonwovens Business Unit

Joined Suominen Corporation in 2011

Erik van Deursen

b. 1968
MBA
Vice President
General Manager of the Codi Wipes business unit

Joined Suominen Corporation in 2009

Olli E. Juvonen

b. 1951
B.Sc. (Econ.)
Vice President
General Manager of the Flexibles business area

Joined Suominen Corporation in 2012

Arto Kiiskinen acted as CFO of Suominen and as a member of the Corporate Executive Team until 22 October 2012.
Mikko Pellinen acted as Vice President and General Manager of Suominen Flexibles and as a member of the Corporate Executive Team until 10 December 2012.

Financial statements 1 January – 31 December 2012

Contents

Report by the Board of Directors

The impacts of the acquisition of Ahlstrom's Home and Personal business at the end of 2011 are now visible for the first time in Suominen's annual result, of which the Nonwovens business unit generates a significant share. Consumer confidence remained more stable in North America than in Europe during 2012, which also resulted in variations in demand for Suominen's products in those market areas. In the comparable pro forma assessment, the company's net sales for the whole year fell from the previous year. Group's net sales increased significantly in comparison with 2011.

Over the course of 2012, Suominen's operations were developed according to plan and the company carried out several profitability improvement projects as part of the comprehensive Summit program. Key measures of the program included rationalization of the nonwovens production and the discontinuation of the production of polypropylene staple fibers at the Nakkila plant in Finland. Through the Summit program, Suominen achieved structural cost savings of around EUR 10 million during 2012. This slightly exceeds the original target, which was approximately two per cent of the net sales.

At the end of 2012, Suominen's strategy was sharpened, and new financial targets were set for the company. The renewed strategy focuses on a common operating culture, improving profitability, growing the share of products with higher value added, and a market leadership. Suominen aims at a clear improvement in relative profitability, with a return on investments (ROI) of more than 10%; a solid capital structure with a gearing ratio between 40% and 80%; and organic net sales growth that exceeds the average growth rate in the industry.

Impairment losses and other non-recurring items recognized during the year decreased the operating profit. Operating profit before non-recurring items was EUR 13.7 million and EUR 0.9 after the non-recurring items. The profit after taxes was EUR -11.9 million.

Earnings per share were EUR -0.05 (-0.11). Cash flow from operations per share was EUR 0.10 (-0.03). The Board of Directors proposes that no dividend be paid for financial year 2012.

Suominen's Corporate Governance Statement of 2012 has been published as a separate statement at Suominen website, www.suominen.fi/corporate_governance. Additionally, Suominen has published its Salary and Remuneration Statement for 2012, which is available at the same internet page.

Group financial result

Suominen's net sales were EUR 454.9 million (213.4). Operating profit before non-recurring items was EUR 13.7 million (-1.1) and after them EUR 0.9 million (-4.8), profit before taxes was EUR -9.5 million (-10.0) and profit after taxes EUR -11.9 million (-9.5).

Net sales decreased by 5% compared to the EUR 479 million pro forma net sales in 2011 due to a decline in sales volumes and reduced sales prices in Europe. The most significant factor affecting the European volumes was the burning down of a production line in Italy in the autumn of 2011. The production of the burnt spunlace line was discontinued for the first five months of 2012. Regionally, demand was stronger in the US markets than in Europe.

Non-recurring items, equaling altogether EUR 12.8 million in net value, comprised impairment losses and the restructuring costs in the Nonwovens and Codi Wipes business units as well as profits from sales of assets in the Flexibles business unit.

As part of the restructuring of the Nonwovens business unit's operations at the Nakkila plant in Finland, the production capacity was cut down, resulting to terminations of in total 69 permanent and 4 temporary employment contracts. The restructurings led to non-recurring costs totaling EUR 5.9 million, comprising of costs of the termination period (EUR 0.4 million) and an impairment loss recognized to non-current assets (EUR 5.5 million). The impairment loss had no cash flow effect.

During the fourth quarter of 2012, Suominen performed goodwill impairment testing on its Codi Wipes business unit and recognized an impairment loss of goodwill of EUR 7.3 million. The recognition had no cash flow effect.

In the Flexibles business unit, temporary layoffs were implemented to reduce costs. Flexibles' former production plant in Nastola, Finland, was sold during the period under review, resulting in a non-recurring gain of EUR 0.5 million.

Though the impairment losses decreased Suominen's operating profit, the benefits of the integration of Suominen and Ahlstrom's Home and Personal business were clearly visible in the improving operational profitability. The reduction of the group's operating costs continued according to plan as specified in the Summit program. The program includes the integration of Ahlstrom's Home and Personal business with Suominen and covers the realization of synergy benefits in sales, sourcing, optimization of production lines and logistics solutions. The aim of efficiency measures was to create cost savings representing about 2% of net sales. At the closing date, the amount of cost savings totaled approximately EUR 10 million (slightly exceeding 2% of net sales). The Summit project will end in the first quarter of 2013.

The prices of raw materials, representing the biggest part of costs, fluctuated during the course of the year, but the fluctuations had no significant impacts in the full-year financial result.

Cash flow from operations was EUR 24.9 million (-2.9). EUR 5.0 million in working capital has been released in 2012, representing 1.1% of the net sales. Capital expenditure was kept at a low level.

Completion of business acquisition

The acquisition of the Brazilian unit belonging to the Home and Personal business operations acquired from Ahlstrom has been delayed. Suominen and Ahlstrom are continuing to examine the prerequisites and alternatives for completing the transaction.

Net sales and operating profit

Net sales € 1 000	2012	2011	Change %	2010
Wiping				
- Codi Wipes	**49,436**	55,623	-11.1	56,371
- Nonwovens	**357,873**	99,182	260.8	56,566
- Eliminations	**-4,108**	-5,431	-24.4	-7,296
Total	**403,201**	149,374	169.9	105,641
Flexibles	**52,698**	64,848	-18.7	66,140
Non-allocated items	**-991**	-873		-861
Total	**454,909**	213,350	113.2	170,920

Operating profit	2012 1 000 €	2012 % of net sales	2011 1 000 €	2011 % of net sales	2010 1 000 €	2010 % of net sales
Wiping	**18,803**	**4.7**	-2,172	-1.5	-2,852	-2.7
Flexibles	**-2,786**	**-5.3**	721	1.1	-836	-0.1
Non-allocated items	**-2,293**		313		-115	
Operating profit excl. non-recurring items	**13,724**	**3.0**	-1,138	-0.5	-3,803	-2.2
Non-recurring items	**-12,777**		-3,691		-7,021	
Operating profit	**947**	**0.2**	-4,829	-2.3	-10,824	-6.3

Financing

The group's interest-bearing net liabilities amounted to EUR 97.2 million (120.8) at the end of the review period. EUR 25 million held on escrow account and included in the cash and bank were used in loan repayments. Suominen updated its financing agreements with the banks during the final quarter. At the end of 2012, the net debt to EBITDA ratio was not to exceed 4.9 and the net debt to equity ratio not to exceed 145%. At the end of the review period, the net debt to EBITDA ratio was 2.9 and the net debt to equity ratio was 101%. Also the repayment schedule of loans was postponed.

Net financial expenses were EUR 10.4 million (5.2), or 2.3% (2.4%) of net sales. The increase in financial expenses was caused by the increased borrowing and higher average interest rates on loans. A total of EUR 5.0 million was released in working capital (1.9). Trade receivables amounting to EUR 13.1 million (10.9) were sold to the bank. The equity ratio was 34.5% (32.2) and the net gearing 100.7% (111.0%). Cash flow from operations was EUR 24.9 million (-2.9), representing a cash flow of EUR 0.10 per share (-0.03).

Capital expenditure

The company's gross investments in production totaled EUR 4.0 million (4.0) in 2012. Planned depreciation amounted to EUR 19.6 million (9.8). Nonwovens accounted for EUR 1.9 million (1.5), Codi Wipes for EUR 0.7 million (0.4) and Flexibles for EUR 0.6 million (1.9) of total investments. The group's investments were in maintenance.

Capital expenditure by business unit

€ 1 000	2012	2011	2010
Codi Wipes	**710**	396	602
Nonwovens	**1,900**	1,514	1,677
Flexibles	**553**	1,851	3,788
Non-allocated items	**845**	203	123
Total	**4,008**	3,964	6,190
% of net sales	**0.9**	1.9	3.6

Invested capital

€ 1 000	31.12.2012	31.12.2011	31.12.2010
Non-current assets	**163,816**	191,338	75,052
Current assets	**115,125**	146,747	44,309
Deferred tax liabilities	**-5,653**	-3,661	-2,930
Trade payables	**-46,381**	-44,208	-11,982
Accruals and prepayments	**-13,064**	-11,113	-7,219
Other non-interest-bearing liabilities	**-6,066**	-8,634	-2,662
Total	**207,776**	270,469	94,568

Key figures

	2012	2011	2010
Return on capital invested (ROI), %	**0.4**	-3.7	-10.6
Return on equity (ROE), %	**-11.2**	-20.9	-37.3
Equity ratio, %	**34.5**	32.2	27.9
Gearing ratio, %	**100.7**	111.0	174.0
Earnings/share, EUR	**-0.05**	-0.11	-0.34
Equity/share, EUR	**0.39**	0.44	0.70

More key figures and their calculation rules are shown in the consolidated financial statements of the group.

Net sales and financial results in segments

Wiping

The Wiping segment of Suominen consists of two business units: Nonwovens and Codi Wipes. The net sales of the Wiping segment totaled EUR 403.2 million (149.4).

The operating profit of the Wiping segment was EUR 18.8 million (-2.2), excluding the impairment losses and non-recurring costs. Including the non-recurring items, the segment's operating profit was EUR 5.5 million (-3.1). The result improved thanks to the business acquisition. The overall development of sales margins was satisfactory due to the positive changes in the product mix.

Net sales of the Nonwovens business unit totaled EUR 357.9 million (99.2) in 2012. Nonwovens' comparable full year net sales (pro forma) were EUR 365 million in 2011, of which net sales decreased by 2%. Delivery volumes declined slightly in comparison with comparable operations. The main application areas for nonwoven materials were distributed as follows: baby wipes accounted for 47% of sales, household wipes for 19%, personal care wipes for 18%, and industrial wipes for 10%. Sales of nonwovens for personal care and household wipes increased, while in other application areas sales declined.

Consumer demand in the wet wipes applications favored on the American markets was stronger than in product areas typical of Europe. European net sales were also affected by the tightening competition, a consequence of increased production capacity. At Suominen's plant in Italy, the ramp up of the efficient spunlace production line, which had been interrupted since autumn 2011 due to damage from fire, was completed in early summer.

In the annual figures, the total impact of the changes in raw material prices was not significant in 2012.

The codetermination negotiations at the nonwoven plant in Nakkila in Finland reached a conclusion. The plant's operations will be reshaped with the objective of achieving a positive financial result. A decision was made to close down the plant's thermobond production, one spunlace line and the in-house production of polypropylene staple fibers. Due to the measures taken, the number of employees reduced by over 70 employees, which led to non-recurring compensations of EUR 0.4 million paid for the termination period. An impairment loss of EUR 5.5 million to fixed assets was recognized due to the reductions in production capacity.

Costs of the Nonwovens business unit declined thanks to the Summit program. The program identified several targets for cost savings, and the resulting permanent improvement in cost structure will be fully visible in Suominen's financial result after the first quarter of 2013, when the Summit project will be completed. The measures and procedures included in the project will be incorporated into the daily operations of Nonwovens, in keeping with the group strategy that aims to achieve significant improvements in profitability.

Net sales of the Codi Wipes business unit decreased by 11% to EUR 49.4 million (55.6). Sales of personal hygiene wipes remained at the previous year's level, with a 50% share of the sales; sales of moist toilet wipes grew slightly (10% share) but sales of baby wipes decreased (40% share). Average sales prices reduced from the previous year. The decline in margins caused by the decreased volume was partly compensated by savings in operating expenses.

During the fourth quarter of 2012, Suominen performed goodwill impairment testing on the Codi Wipes business unit, placing greater emphasis on market risks than in prior tests due to the market uncertainty. Based on the results of the tests, Suominen recognized a goodwill impairment loss of EUR 7.3 million in the Codi Wipes business unit. The recognition had no effect on the cash flow. After the recognition of the goodwill impairment loss, EUR 11.2 million of goodwill remains in the cash generating unit.

Flexibles

In 2012, net sales of the Flexibles segment totaled EUR 52.7 million (64.8), falling 19% from the previous year. Sales of hygiene packaging decreased due to customer losses at the end of 2011. Sales of food packaging and retail carrier bags declined, while sales of security and system packaging increased. Flexibles managed to compensate the customer losses through the procurement of new business, but weak consumer demand on the Flexibles market is slowing down the compensation. As customer estimates provided no signs of any immediate change for the positive, employees were temporarily laid off to achieve cost savings.

The operating loss of the segment was EUR -2.8 million (-0.7) excluding non-recurring items and EUR -2.3 million (-0.1) including them. The total impact of the changes in raw material prices for flexible packaging slightly decreased profitability. Operating expenses were lower than in the previous year thanks to the rationalization measures carried out in production in 2011.

Financial development, quarterly

€ 1 000	Q1/2012	Q2/2012	Q3/2012	Q4/2012	Q1-Q4/2012
Net sales					
Wiping					
- Codi Wipes	13,118	12,278	12,161	11,880	**49,436**
- Nonwovens	85,673	89,394	97,917	84,890	**357,873**
- eliminations	-1,333	-1,175	-711	-889	**-4,108**
Total	97,458	100,496	109,366	95,880	**403,201**
Flexibles	13,906	12,766	12,658	13,369	**52,698**
Non-allocated items	-578	-180	-255	-278	**-991**
Net sales, total	**111,087**	**113,082**	**121,769**	**108,971**	**454,909**
Operating profit					
Wiping	3,751	3,874	8,146	3,032	**18,803**
% of net sales	3.8	3.9	7.4	3.2	**4.7**
Flexibles	-576	-816	-576	-818	**-2,786**
% of net sales	-4.1	-6.4	-4.5	-6.1	**-5.3**
Non-allocated items	-468	-664	-891	-270	**-2,293**
Operating profit before non-recurring items	2,707	2,394	6,679	1,944	**13,724**
% of net sales	2.4	2.1	5.5	1.8	**3.0**
Non-recurring items	484	-2,700	-445	-10,116	**-12,777**
Operating profit, total	3,190	-306	6,234	-8,171	**947**
% of net sales	2.9	-0.3	5.1	-7.5	**0.2**
Net financial expenses	-2,731	-2,494	-2,954	-2,230	**-10,409**
Profit before income taxes	**459**	**-2,800**	**3,280**	**-10,402**	**-9,463**

Research and Development

The group's R&D employed a total of 27 (33) people as of the end of the year. R&D expenditure totaled EUR 3.9 million (1.9), equivalent to 0.9% (0.9%) of net sales. Suominen invests in R&D to offer its customers ever-better materials and more functional solutions. Suominen´s R&D is a centralized function. For example in Nonwovens, Suominen Corporation owns all the business-related patents, technologies, know-how, processes, recipes and solutions developed by Suominen Corporation. The company is targeting to have extensive industrial rights to the nonwoven-based wiping solutions and technologies thereto as well as test and pilot equipment needed. This way it can offer best possible support to the group companies to satisfy the current and future customer needs.

Personnel

In 2012, Suominen employed an average of 1,220 (907) people. At year end the number of employees stood at 1,232 (1,229).

The number of employees of the Nakkila plant, belonging to Suominen's Nonwovens unit, reduced by more than 70 in 2012 due to significant rationalizing measures. In Flexibles business unit, employees were temporarily laid off due to fluctuations in demand in order to achieve cost reductions. In connection with the reductions and temporary laid offs, Suominen has complied with local legislation and accepted practices concerning layoffs and notice periods.

In 2012, a total of EUR 52.0 million was paid in wages and salaries.

Number of employees on December 31

	2012	2011	2010
Codi Wipes	**174**	162	181
Nonwoven	**590**	609	171
Flexibles	**451**	448	526
Group management and administration	**17**	10	12
Total	**1,232**	1,229	890
Number of employees, average	**1,220**	907	901
Wages and salaries, 1 000 €	**51,971**	30,552	29,293

The goal of Suominen's HR strategy is to support business operations, and thereby, the employees' competence development, motivation and their commitment to the company's goals is promoted. Suominen has target-oriented programs to improve employees' working ability, skills and wellbeing at work.

Key HR indicators

	2012	2011	2010
Incentives paid, 1 000 €	**2,238**	405	689
% of wages and salaries	**4.7**	1.4	2.1
Sick absences, % of total working hours	**3.9**	5.2	5.5
Training costs, 1 000 €	**261**	208	190

Environment

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

Suominen complies with the local legislation and official guidelines everywhere the company operates. Separate environmental permits are required for operations in some of the group's units. Of Suominen's units, the Nakkila, Alicante and Windsor Locks units are ISO 14001 certified.

The environmental impacts of Suominen's operations primarily stem from the raw materials, energy and water used in production and from the waste generated during the production process. Environmental and safety requirements are incorporated into product and process development projects from the very start, with the aim of using raw materials, energy, water and other resources, such as packaging materials and transport services, as efficiently as possible. The group focuses on systematically lowering its waste volumes and making its operations more energy efficient. Suominen's product range also includes products made from environmentally friendly materials.

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

Reducing environmental impacts requires long-term development work, an important element of which is the harmonization of key indicators between the various business areas and units. Suominen's goal is to have more comprehensive, commensurable data available in the future on the impacts of the company's operations. This would allow development measures to be targeted efficiently, and as effectively as possible.

In 2012, Suominen's production plants used a total of 149,392 tons of raw material, 1,588,729 gigajoules of energy and 5,021,159 m^3 of water. Landfill waste generated at the production plants amounted to 1,812 tons.

Suominen's overall environmental expenditure was EUR 1.6 million (1.1). No major environment-related investments were made.

Business risks and uncertainties

The estimate on the development of Suominen's net sales is partially based on the forecasts and delivery plans provided for Suominen by its 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. Due to the continued uncertainty in the general economic situation and the cautious consumer purchasing habits, the forecasts include uncertainty.

Suominen has numerous regional, national or international competitors in its different product groups. There is currently oversupply in several product groups. Products based on new technologies and imported 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'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 as a result of sales losses. The group's ten largest customers currently account for 57% (54%) 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.

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.

Suominen purchases significant amounts of oil and pulp-based raw materials annually. Raw materials are the largest cost item for operations. Rapid changes in the global market prices of raw materials affect the company's profitability. 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. Changes in raw material prices have a rapid effect on Suominen's financial performance, as stocks equal two to four weeks consumption and passing on price changes in these materials to the prices Suominen charges its contract customers takes between two to five months.

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. 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 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.

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. 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 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. At year-end 2012, Suominen's net debts were not to be greater than 4.9 times the EBITDA, and the company's gearing ratio had to be less than 145%. These key figures in the end of 2012 were 2.9 and 101%. In the end of 2013 the covenants are 3.6 and 125%. 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. The financial risks are described in note 22 of the consolidated financial statements of the group.

Goodwill is tested annually to determine whether there is any impairment. The test calculations are based on closing date estimates of future developments. The actual cash flows may deviate from the forecast future discounted cash flows, as the long economic life-time of the company's non-current assets, changes in the estimated sales volumes, product prices, production costs, and in interest rates used in discounting may result in impairment recognitions. The fair value based on value in use of assets or businesses in total or in part do necessarily correspond to the price that a third party would pay for them.

Suominen and Ahlstrom are continuing to examine the prerequisites and alternatives for completing the transaction of Ahlstrom's Home and Personal acquisition in Brazil. The conditions for achieving a solution are that a common agreement be reached on the acquisition and that financers approve of the acquisition and its financing. The delay or cancellation of the acquisition of the Brazilian unit would not cause financial losses for Suominen.

Information on shares and share capital

Share capital

The registered number of Suominen's issued shares totals 245,934,122 shares, equaling a share capital of EUR 11,860,056.00. The share capital and the management´s ownership of the shares is described in the note 15. Distribution of shareholding and the largest shareholders are included in the consolidated financial statements.

Annual General Meeting

The Annual General Meeting (AGM) of Suominen Corporation was held on 4 April, 2012. The General Meeting decided that no dividend is paid for the financial year 2011.

The AGM adopted the financial statements and the consolidated financial statements for the financial year 2011 and discharged the members of the Board of Directors and the CEOs from liability.

The AGM confirmed the number of members of the Board of Directors to be five (5). The AGM elected Mr Risto Anttonen, Mr Jorma Eloranta, Ms Suvi Hintsanen, Mr Hannu Kasurinen and Mr Heikki Mairinoja as the members of the Board of Directors for the next term of office in accordance with the Articles of Association. In its constitutive meeting, the Board of Directors elected Jorma Eloranta as its Chairman and Risto Anttonen as Deputy Chairman.

PricewaterhouseCoopers Oy, Authorized Public Accountants, was re-elected as auditor, with Heikki Lassila, Authorised Public Accountant, as the principal auditor.

The AGM decided to amend the section 1 of the Articles of Association regarding the name of the company. The company's name in Finnish is Suominen Oyj instead of Suominen Yhtymä Oyj.

The AGM resolved to establish a Nomination Committee comprising of 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 three largest shareholders or representatives of such shareholders are elected to the Nomination Committee, which in addition shall comprise the Chairman of the Board of Directors as an expert member.

Share trading and price

The number of Suominen Corporation shares traded on NASDAQ OMX Helsinki from 1 January to 31 December 2012 was 3,660,581 shares, accounting for 1.5% of the share capital and votes. The trading price varied between EUR 0.33 and EUR 0.47. The closing trading price was EUR 0.35, giving the company a market capitalization of EUR 86,055,838 on 31 December 2012.

Own shares

On 1 January 2012 and 31 December 2012, Suominen Corporation held 60,298 of its own shares, accounting for 0.0% of the share capital and votes.

Stock options

Option right holders hold 200,000 of Suominen's 2009B stock options. The subscription period for the 2009B stock options is from 2 May 2012 to 30 October 2013 and the subscription price is EUR 0.96.

As the registered number of Suominen's issued shares totals 245,934,122, the number of shares may rise to a maximum of 246,134,122 after stock option subscriptions.

Share-based rewards

The target group of Suominen's share-based incentive plan consists of approximately 14 employees. The rewards to be paid on the basis of the plan correspond to the value of an approximate maximum total of 5,050,000 Suominen Corporation shares, including also the cash-settled part. The aim of the plan is to combine the objectives of the shareholders and the key employees in order to increase the value of the company, to commit the key employees to the company, and to offer them a competitive reward plan based on long-term shareholding in the company. The plan includes one performance period, the calendar years 2012–2014. The potential reward from the performance period will be based on Suominen group's cumulative Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) and cumulative cash flow, and it will be paid in 2015 partly in the company's shares and partly in cash.

Capital loan

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. At the share issuance in 2011 EUR 2,159,999 of the capital loan was converted into equity. 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. On the balance sheet date the remaining loan amount was EUR 920 thousand.

The loan carries an interest coupon of 11.5%. 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% units 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.

Authorizations of the Board of Directors

The Annual General Meeting has authorized the Board of Directors to repurchase a maximum of 3,000,000 of the company's own shares. The Board of Directors is also authorized 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 Companies Act. A maximum of 50,000,000 new shares may be issued. 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 special rights granted by the company is 10,000,000 shares in total which number is included in the maximum number stated earlier (50,000,000). The authorizations shall be valid until 30 June 2013.

Group management

During 2012 there were the following changes in the group management:

› Mr Olli E. Juvonen was appointed Vice President, General Manager of the Flexibles business area and member of the Corporate Executive Team in Suominen Corporation as of 10 December, 2012.
› Mr Tapio Engström was appointed Chief Financial Officer and member of the Corporate Executive Team in Suominen Corporation as of 22 October, 2012.
› Mr. Petri Rolig, Deputy CEO, resigned from Suominen in the end of May 2012.
› Mr Hannu Sivula was appointed Vice President, Human Resources and a member of the Corporate Executive Team of Suominen Corporation as of 17 February 2012.

On the balance sheet date the members of the Corporate Executive Team were Mrs Nina Kopola, the President and CEO, Mr Tapio Engström, CFO, Mr Hannu Sivula, Vice President Human Resources, Mr Jean-Marie Becker, Executive Vice President and General Manager of the Nonwovens Business Unit, Mr Erik van Deursen, Vice President and General Manager of Codi Wipes business unit and Mr Olli E. Juvonen, Vice President and General Manager of Flexible business area.

Outlook for 2013

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 behavior is expected to continue hand in hand with the muted economic growth. Supply exceeds demand for many of Suominen's products, especially in Europe, and even more new production capacity is 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 the demand for its products will remain at the level of 2012.

Suominen continues to streamline its operating costs and realize the synergy benefits related to the acquisition of Ahlstrom's Home and Personal business.

The company estimates that its net sales for the full year 2013 will remain at the level of 2012. Operating profit excluding non-recurring items is expected to improve from year 2012. In 2012, Suominen's net sales were EUR 454.9 million and operating profit excluding non-recurring items EUR 13.7 million.

Proposal on distribution of funds

The parent company's distributable assets as of the end of 2012 totaled EUR 84,692,995.95 of which the loss for the financial year, EUR 3,057,661.86 has been deducted.

The Board of Directors will propose at the Annual General Meeting to be held on 26 March, 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	**84,692,995.95**

Consolidated Balance Sheet

€ 1 000	Note	2012	2011
ASSETS			
Non-current assets			
Goodwill	4, 28	**26,715**	34,298
Intangible assets	4, 28	**12,529**	13,333
Tangible non-current assets	5, 28	**118,019**	139,886
Available-for-sale financial assets	8	**19**	25
Held-to-maturity investments		**466**	445
Deferred tax assets	9	**6,067**	3,351
Non-current assets, total		**163,816**	191,338
Current assets			
Inventories	10	**42,431**	45,972
Trade receivables	11	**45,328**	41,798
Income tax receivables		**1,293**	610
Other receivables	12	**11,772**	17,480
Restricted financial assets	13		25,000
Cash and cash equivalents	14	**14,301**	15,887
Current assets, total		**115,125**	146,747
Assets, total		**278,940**	338,085
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**	97,054
Fair value and other reserves	15	**-1,253**	-484
Translation differences	15	**-549**	-637
Other shareholders´ equity	15	**-35,536**	-23,737
Shareholders´ equity, total		**96,258**	108,737
Liabilities			
Non-current liabilities			
Deferred tax liabilities	9	**5,653**	3,661
Provisions	18	**280**	280
Other non-current liabilities	20, 21	**1,035**	1,234
Capital loans	17		920
Interest-bearing liabilities	17, 22	**88,884**	138,247
Pension liabilities	17, 22	**1,143**	1,714
Non-current liabilities, total		**96,995**	146,056
Current liabilities			
Interest-bearing liabilities	17, 22	**20,571**	19,929
Capital loans	17	**920**	920
Income tax payables	30	**737**	724
Trade payables and other liabilities	19, 20	**63,460**	61,719
Current liabilities, total		**85,688**	83,291
Liabilities, total		**182,683**	229,348
Shareholders' equity and liabilities, total		**278,940**	338,085

The notes to the financial statements are an integral part of the consolidaded financial statement

Consolidated Statement of Income

1 January–31 December

€ 1 000	Note	**2012**	2011
Net sales	2	**454,909**	213,350
Cost of goods sold		**-417,262**	-205,507
Gross profit		**37 647**	7 842
Other operating income	26	**6,838**	4,905
Sales and marketing expenses		**-7,574**	-4,050
Research and development		**-3,903**	-1,866
Administration expenses		**-18,717**	-4,801
Other operating expenses	26	**-568**	-3,168
Operating profit non-recurring items		**13,724**	-1,138
Non-recurring items	26, 27, 28	**-12,777**	-3,691
Operating profit / loss		**947**	-4,829
Financial income	29	**110**	205
Financial expenses	29	**-10,519**	-5,402
Profit/loss before income taxes		**-9,462**	-10,026
Income taxes	30	**-2,409**	494
Profit/loss for the period		**-11,872**	-9,531

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 non-recurring items, €	31	**0.00**	-0.07
- earnings per share, €	31	**-0.05**	-0.11

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	2012	2011
Profit / loss for the period		**-11,872**	-9,531
Other comprehensive income			
Total exchange difference on foreign operations	15	**-438**	-1,594
Fair value changes of cash flow hedges	15	**-1,007**	-1,714
Other reclassifications		**-6**	-20
Income tax on other comprehensive income	15	**765**	888
Total other comprehensive income		**-686**	-2,441
Total comprehensive income for the period		**-12,558**	-11,971

Statement of Changes in Shareholders´ Equity

€ 1 000	Share capital	Share premium account	Invested non-restricted equity fund	Own shares	Translation differences	Fair value reserves	Retained earnings	Total
Total equity at 1 Jan. 2012	**11,860**	**24,681**	**97,054**	**-43**	**-637**	**-441**	**-23,737**	**108,737**
Profit / loss for the period							**-11,872**	**-11,872**
Other comprehensive income					**88**	**-769**	**-6**	**-686**
Total comprehensive income for the period					**88**	**-769**	**-11,878**	**-12,558**
Share-based payments							**79**	**79**
Total contributions by and distributions to owners							**79**	**79**
Total equity at 31 Dec. 2012	**11,860**	**24,681**	**97,054**	**-43**	**-549**	**-1,210**	**-35,535**	**96,258**
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	-9,551	-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

Consolidated Cash Flow Statement

1 January–31 December € 1 000	Note	**2012**	2011
Operations			
Profit/loss for the period		**-11,872**	-9,531
Adjustments on profit/loss for the period	32	**44,594**	14,161
Cash flow before change in working capital		**32,722**	4,630
Increase/decrease in current non-interest-bearing receivables		**2,178**	-36,639
Increase/decrease in inventories		**3,413**	5,225
Increase/decrease in current non-interest-bearing liabilities		**-630**	33,321
Cash flow before financial income/expenses and taxes		**37,683**	6,537
Interest expenses		**-9,815**	-10,038
Interest income		**110**	205
Direct taxes paid		**-3,040**	397
Cash flow from operations		**24,938**	-2,898
Investments			
Investments in tangible and intangible assets		**-3,619**	-4,231
Acquisition of business operations	3		-139,810
Proceeds from sales of tangible and intangible assets		**2,115**	1,628
Cash flow from investments		**-1,504**	-142,414
CASH FLOW FROM FINANCING			
Financing			
Non-current loans drawn			148,250
Repayments of non-current loans		**-38,713**	-48,563
Repayments of capital loans		**-920**	-4,160
Change in current loans		**-10,550**	
Share issue			87,346
Repurchase and conveyance of own shares			51
Cash flow from financing		**-50,183**	182,924
Change in cash and cash equivalents		**-26,749**	37,612
Cash and cash euivalents 1 Jan.		**40,887**	3,253
Unrealised exchange rate differences		**163**	21
Change in cash and cash equivalents		**-26,749**	37,613
Cash and cash equivalents 31 Dec.	13,14	**14,301**	40,887

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, 33580 Tampere, Finland) 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 2012.

These consolidated financial statements were approved for publication by the Board of Directors on 15 February 2013.

New and amended standards and interpretations effective during the financial year

The amendments and interpretations of IFRS standards which came into effect in 2012 had no essential impact on the consolidated financial statements.

New and amended IFRS standards and IFRIC interpretations published but mandatory in 2013 or later:

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. It defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the accounting requirements for the preparation of consolidated financial statements. The group will adopt the amendment in its 2014 financial statements at earliest. 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 2014 financial statements at earliest. Management is assessing the impact of these changes on the consolidated financial statements.

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 2014 financial statements at earliest. The revised standard is not expected to have material 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 IFRS. The group will adopt the amendment in its 2013 financial statements. Management is assessing the impact of these changes on the consolidated financial statements.

IAS 27 (revised 2011) Separate financial statements. The revised standard includes provisions on separate financial statements. The group will adopt the amendment in its 2014 financial statements. The revised standard is not expected to have an impact on the consolidated financial statements.

IAS 28 (revised 2011) Associates and joint ventures. The revised standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The group will most likely adopt the amendment in its 2014 financial statements. 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. Management is assessing the impact of these changes on the financial statements of the group.

IAS 19 Employee Benefits (amendment). These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. All actuarial gains and losses will be recognized in the other comprehensive income. The group will adopt the amendment in its 2013 financial statements. The revised standard is not expected to have a material impact on the consolidated financial statements.

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: amortized 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 consolidated financial statements.

IAS 32 Financial Instruments: Presentation. Amendment on asset and liability offsetting. 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. The group will adopt the amendment in its 2014 financial statements. Management is assessing the impact of these changes on the consolidated financial statements.

IFRS 7 (amendment) Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities. This amendment requires more extensive disclosures than are currently required on offsetting financial asset and liabilities. The standard focuses on quantitative information about recognized financial instruments that are offset in the statement of financial position, as well as those recognized 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. Management is assessing the impact of these changes on the consolidated financial statements.

Amendments to **IFRSs 10, 11 and 12** on transition guidance. These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied. The group will adopt the amendment in its 2014 financial statements at earliest. Management is assessing the impact of these changes on the consolidated financial statements.

Annual improvements 2011. The annual improvements in the 2009-2011 reporting cycle include changes to: IFRS 1, 'First time adoption', IAS 1, 'Financial statement presentation', IAS 16, 'Property plant and equipment', IAS 32, 'Financial instruments; Presentation', IAS 34, 'Interim financial reporting'. The group will adopt the amendment in its 2013 financial statements at earliest. These amendments are still subject to EU endorsement. Management is assessing the impact of these changes on the consolidated financial statements.

Reporting 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.

Consolidation principles

The consolidated financial statements include those companies in which Suominen Corporation held, either directly or indirectly, over 50% of voting rights or otherwise 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 recognized 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 acquisition are recognised in profit or loss when occurring.

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

The group has two reportable segments, Wiping and Flexibles. The Wiping segment consists of two operating segments, Nonwovens and Codi Wipes, that are consolidated and presented in one reportable segment.

The segmentation is based on the reporting structure of the company. The risk and profitability of the products and customers of the different reporting segments are dissimilar.

The assets and liabilities of the segment include the operational items and the goodwill allocated to them. The non-allocated revenues and costs are items of the group not distributed to the segments. The non-allocated assets are items related to the group management, loans and other receivables and investments to shares. The non-allocated liabilities include items related to the group management, loans from the financial institutions and investors as well as corporate taxes.

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 euro area 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 translation differences from the loans taken to hedge the net investments in the foreign subsidiaries are recognized in the other comprehensive income until the foreign subsidiary is fully or partly devested.

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 balance sheet date.

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 has been allocated to cash generating units that benefit from the acquired net assets and synergies, 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. The impairment loss of goodwill is never reversed.

Other intangible assets

Other intangible assets include patents, software licences and customer relations which were identifiable assets at business combination. 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 recognized as other intangible assets, are development and procurement costs that are directly attributable to the design and testing of identifiable and unique software or assets of similar nature. 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:

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 recognized in the statement of income.

Tangible non-current assets

Tangible non-current assets consist mainly of land areas, buildings, structures, machinery, and equipment; and are primarily recognized in the balance sheet at their direct acquisition cost less planned depreciation and potential impairment. 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 and the eventual carrying value is written off. 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:

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 recognized 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 recognized whenever the carrying amount exceeds the recoverable amount. Impairment losses are immediately recognized 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 recognized 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 recognized 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 capitalized, as no separate assets are developed and future economic benefits cannot be assessed as required under IAS 38. There was no capitalized 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 recognized as a non-current asset, and finance cost for finance leasing is recognized as an interest-bearing liability. The depreciation period of an leased asset is either the economic life time of the assets or the lease period if less. The lease payments are split into a financial cost and instalment of the loan by using the equal interest rate for each period. 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 hedges 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. On the closing date, Suominen held only non-current available-for-sale financial assets.

Regular purchases and sales of financial assets are recognized on the trade-date. Investments are initially recognized 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 recognized at fair value and transaction costs are expensed in the income statement. Financial assets are derecognized 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 amortized 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 operative income and expenses'. Interest on available-for-sale instruments, calculated by using the effective interest method, is recognized 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 recognized in profit or loss – is removed from equity and recognized in the income statement.

Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Suominen designates derivatives as hedges of a particular risk associated with a recognized 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 qualified as cash flow hedges is recognized in equity. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the income statement within 'financial expenses'. The gain or loss relating to the ineffective portion is recognized 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. 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).

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 recognized when the forecast transaction is ultimately recognized 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.

The group documents the relationship between the hedged instrument and the hedging instrument as well as the target for the risk management and the hedging strategy in the beginning of the hedge accounting. The group makes and documents prospective effectiveness tests at the initial recognition and retrospective effectiveness tests at each balance sheet date.

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 recognized 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 or sales 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 recognized 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 to tenancy. Revenue from services is recognized during the financial year when the service has been done.

Dividends and interest income

Dividends are recognized when the shareholder´s right to receive payment is established. Interest is recognized 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 recognized initially at fair value and subsequently measured at amortized 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 reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the impairment 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, and the amount of the loss is recognized in the income statement within 'other operating expenses'. Subsequent recoveries of amounts previously written off are recognized in the income statement as other operating income.

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 following 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 are estimated for the basis for amortising the cost of the benefit.

The proceeds from the share subscription are recognized in the invested non-restricted equity fund. The costs of share issuance are reducing the fund recognized.

Suominen has a share-based incentive plan targeted to the key employees of the group. According to the terms and conditions of the plan, shares of Suominen Corporation are granted. The rewards are partly settled in cash. The expected annual cost of the expected reward is recognized in personnel costs in profit or loss. The fair value of the cash-settled part of the reward is recognized in liabilities. The fair value is calculated by using the share price on the balance sheet date. The equity-settled part is recognized in equity by using the share price of the granting date.

Pension schemes

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

Pension schemes are classified either as defined contribution plans or defined benefit plans. 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 recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized 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 and is amortized over the period of the facility.

Borrowings are classified as current liabilities in case 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 recognized as interest expense in the income statement.

Provisions and conditional liabilities

Provisions are costs recognized 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 recognized 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 local taxable profit for the financial period, together with tax adjustments for previous periods and the change of deferred income taxes as well as changes in the deferred tax assets and liabilities arising from the consolidation.

Deferred tax assets and liabilities are recognized 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, personnel benefit schemes, revaluation of hedging instruments, intra-group margins in inventory, and recognition of assets at fair value at business acquisitions.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. 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 recognized in the income statement for the period for which the related costs are recognised as expenses. Grants received are recognized to offset the expenses in question. 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 and the proceeds from the recycled goods, 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 restructuring are also recognized as other operative 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 amortized 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 recognized as financial income and expenses excluding credit losses on trade receivables, which are recognized as other operative expenses.

Non-recurring items

Certain financial performance indicators are reported excluding non-recurring items. These indicators are applied in the group's financial statements to eliminate the profit or loss impact of certain significant transactions which are unusual or infrequent in nature, like impairment losses of assets, gains or losses from the sales of tangible or intangible assets and restructuring costs. Any measures derived with eliminating non-recurring items are not measures of financial reporting under the IFRS.

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 utilization 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 recognizes 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.

2. Segment information

Suominen Corporation has two reportable segments, Wiping and Flexibles. The Wiping segment consists of two operational segments, Nonwovens and Codi Wipes, that are combined and presented as one reportable segment, because the criterias of IFRS 8.12 are met for combining. These operating segments are also cash flow generating units, whose goodwill as been tested.

The segmentation is based on the organisational and the reporting structure of the company. The top operative decisicion maker of Suominen is the President and CEO, who is assisted by the Corporate Executive Team. The President and CEO presents the major items, like investments above EUR 1 million and those required by law to the Board of Directors for their approval. By following the ruling of the Corporate Governance the President and CEO allocates the resources to the segments and the lower organisational levels. The risk and profitability of the products and customers of the different reporting segments are dissimilar.

Non-allocated items in income statement include expenses that are not split 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.

Segment information 2012

€ 1 000	Wiping	Flexibles	Non-allocated items	Eliminations	Total
Net sales					
– Net sales total	**407,430**	**74,129**			**481,558**
– Internal sales	**-4,108**	**-20,507**	**13,161**	**-14,051**	**-25,505**
– Exchange rate differences	**-120**	**-923**		**-101**	**-1,144**
External sales total	**403,201**	**52,698**	**13,161**	**-14,151**	**454,909**
Operating profit before non-recurring items	**18,803**	**-2,786**	**31**	**-2,324**	**13,724**
Non-recurring items	**-13,261**	**484**			**-12,777**
Operating profit	**5,542**	**-2,302**	**31**	**-2,324**	**947**
Assets, goodwill excluded	**210,369**	**37,087**	**274,284**	**-269,515**	**252,225**
Goodwill	**26,715**				**26,715**
Total assets	**237,084**	**37,087**	**274,284**	**-269,515**	**278,940**
Liabilities	**53,446**	**8,634**	**247,243**	**-126,640**	**182,683**
Gross investments	**2,608**	**554**	**846**		**4,008**
Depreciation	**15,358**	**2,868**	**1,380**		**19,606**
Impairment losses	**12,816**				**12,816**
Average personnel (full-time equivalents)	**758**	**453**	**9**		**1,220**

Segment information 2011

€ 1 000	Wiping	Flexibles	Non-allocated items	Eliminations	Total
Net sales					
– Net sales total	154,822	94,203			249,025
– Internal sales	-5,431	-29,089	2,635	-3,606	-35,492
– Exchange rate differences	-17	-266		99	-183
External sales total	149,374	64,848	2,635	-3,507	213,350
Operating profit before non-recurring items	-2,172	721	461	-148	-1,138
Non-recurring items	-900	-790	-2,001		-3,691
Operating profit	-3,072	-69	-1,540	-148	-4,829
Assets, goodwill excluded	207,730	44,372	308,714	-257,029	303,788
Goodwill	34,298				34,298
Total assets	242,028	44,372	308,714	-257,029	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
Average personnel (full-time equivalents)	418	479	10		907

Geographical areas

Net sales (external) by the location of customers

€ 1 000	**2012**	2011
Finland	**23,917**	27,547
Other Europe	**205,570**	141,622
North and South America	**213,776**	41,665
Other countries	**11,645**	2,515
Total	**454,909**	213,350

Assets including goodwill by the location of the assets

€ 1 000	**2012**	2011
Finland	**73,515**	129,050
Other Europe	**90,277**	99,127
North America	**115,192**	109,908
Total	**278,984**	338,085

Gross investments by country

€ 1 000	**2012**	2011
Finland	**1,420**	2,328
Other Europe	**1,526**	1,451
North America	**1,062**	185
Total	**4,008**	3,964

3. Business combinations

Business combinations 2012

The group did not have any business combinations in 2012.

The acquisition of the business operations of the Home and Personal nonwovens business of Ahlstrom included originally the operations in Brazil. The Brazilian operations were not transferred to Suominen by 31 December 2012. Due to the delay in transfer the original agreement expired and the parties are now together investigating the possibilities and alternatives to make the transfer. Suominen has no commitments related to this transfer.

The final calculations of the business combination were prepared in 2012, and the changes compared to the preliminary calculations presented in the financial statements of 2011 were minor. The change in net assets was less than 0.2 million euro, when the operative working capital items were finalized. The value of the production line in construction and subject to the insurance indemnity due to the fire was increased by EUR 0.3 million and the goodwill reduced by the same amount.

Business combinations 2011

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 and Spain. The business operations excluding Brazil were transferred to Suominen on 31 October 2011.

4. Intangible assets

2012 € 1 000	Intangible rights	Goodwill	Other capitalized expenditure	Pre-payments	Total 2012
Acquisition cost 1 Jan.	**9,161**	**34,298**	**6,765**	**126**	**50,349**
Business combination					
Translation difference	**4**		**189**		**192**
Transfers between items	**200**			**-200**	
Decrease/sale		**-305**			**-305**
Impairment losses		**-7,278**			**-7,278**
Increase			**33**	**714**	**747**
Acquisition cost 31 Dec.	**9,364**	**26,715**	**6,986**	**640**	**43,706**
Accumulated depreciation 1 Jan.	**-2,247**		**-658**		**-2,906**
Translation difference	**-16**		**3**		**-14**
Depreciation for the financial year	**-1,000**		**-542**		**-1,542**
Accumulated depreciation 31 Dec.	**-3,264**		**-1,198**		**-4,462**
Book value 31 Dec.	**6,101**	**26,715**	**5,788**	**640**	**39,244**
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

Intangible rights and other intangible assets
At business combination customer relations and intangible rights were transferred to Suominen at fair value of MEUR 12.6.

The fair value of assets were defined based on their useful lives and discounted cash flows.

Intangible assets – goodwill

Suominen has goodwill from the acquisition of Codi Wipes in 2003 and the business operations of Home and Personal business from Ahlstrom in 2011. In the beginning of the financial year the remaining goodwill of Codi Wipes was EUR 18,497 thousand, of which an impairment loss of EUR 7,278 thousand was recognized. Thus on the balance sheet date the remaining goodwill allocated to the cash generating unit Codi Wipes was EUR 11,219 thousand. The goodwill generated from the business combination of Ahlstrom Home and Personal business was on the balance sheet date EUR 15,495 thousand, and the total amount was allocated in the cash flow generating unit Nonwovens. The final calculations of the business combination were prepared in 2012. The value of the production line in construction due to the fire and subject to the insurance indemnity was increased by EUR 0.3 million and thus the goodwill reduced to EUR 15,495 thousand.

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 of the net sales of Codi Wipes during the period covered by the forecast has been estimated at 4.3%. The unit plans to grow together with its key customers and with the help of new applications. Thanks to the increased volumes and rationalization of the cost structure the profitability is expected to improve from the present level. However, the long-term view does not speak for the same levels of projected cash flows as they have been in the past, and therefore the present value of the future cash flows is lower than the carrying value of the assets, and the goodwill allocated to the cash flow generating unit Codi Wipes was impaired by EUR 7,278 thousand in 2012.

The value in use is based on the management view and does not necessarily equal to the potential market prices of the assets.

The annual growth rate for Nonwovens during the period covered by the forecast has been estimated at 3.0%. In the beginning of the review period the calculations are based on the lower demand of the wiping products due to the economic situation especially in Europe. The sales prices are first expected to reduce slightly because of the economic downturn, but thereafter to recover to the earlier levels. Thanks to the cost-saving-program Summit cost reductions have been achieved in the cash generating unit. According to the management view no such adverse changes are likely to come up in the expectations that would lead into an impairment of assets.

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. Gearing, or ratio of net debt to equity, is 70 %. 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.

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.

The critical assumptions in the test calculations are:

	Nonwovens 2012	Nonwovens 2011	**Codi Wipes 2012**	Codi Wipes 2011
Rate of discounting	**11.7 %**	11.0 %	**10.5 %**	10.4 %
Growth of Net Sales 2013–17 (2012–16)	**3.0 %**	1.6 %	**4.3 %**	4.3 %
Annual growth rate in the residual period	**0.5 %**	0.5 %	**0.5 %**	0.5 %
Opting profit in the residual period %	**7.1 %**	6.8 %	**4.3 %**	6.2 %

5. Tangible assets

2012 € 1 000	Land areas	Buildings	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total 2012
Acquisition cost 1 Jan.	**2,412**	**74,602**	**277,027**	**604**	**3,255**	**357,900**
Translation difference	**39**	**459**	**225**	**-1**	**-8**	**713**
Increase		**7**	**1,223**		**2,031**	**3,261**
Decrease or sale	**-50**	**-3,895**	**-9,700**	**-9**		**-13,654**
Impairment losses		**-3,196**	**-56,049**			**-59,245**
Writedown			**-1,685**	**-27**	**-3**	**-1,716**
Other changes			**-127**	**-1**		**-127**
Transfers between items		**473**	**4,081**	**-53**	**-4,501**	
Acquisition cost 31 Dec.	**2,400**	**68,451**	**214,994**	**513**	**773**	**287,132**
Acquisition cost 1 Jan.		**-44,831**	**-172,704**	**-479**		**-218,015**
Translation difference		**-113**	**-491**			**-604**
Other changes				**1**		**1**
Accumulated depreciation on decrease and transfers		**3,106**	**10,718**	**38**		**13,862**
Depreciation for the financial year		**-2,740**	**-15,306**	**-19**		**-18,064**
Impairment losses		**1,762**	**51,945**			**53,707**
Accumulated depreciation 31 Dec.		**-42,816**	**-125,837**	**-460**		**-169,113**
Book value 31 Dec.	**2,400**	**25,635**	**89,157**	**53**	**773**	**118,019**
Balance sheet value of machinery and equipment in production			**87,379**			

2011 € 1 000	Land areas	Buildings	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total 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 or 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
Accumulated depreciation 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	104,322	125	3,255	139,886
Balance sheet value of machinery and equipment in production			100,043			

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 cash-generating unit concerned. The risk inherent in the value in use is captured by analysing variations in the amount or timing of cash flows. Future cash flows from tangible assets are estimated over a period of five years, and the residual value of an asset is its probable fair value less the selling cost.

Due to closing down the thermobond production, one spunlace line and the in-house production of propylene stable fibres in Nakkila plant, impaiment losses of EUR 4,104 thousand were recognized for the production machinery and equipment and EUR 1,434 thousand for the buildings. The carrying value of the machinery equals to the sales or scrappimg value of them. The insurance indemnity of EUR 2,0 million included in the prepayments of the machinery in 2011 is transferred into the carrying value of the machinery and equipment after the rebuilding in Mozzate as part of the realized fixing costs of EUR 2,305 thousand.

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 2012 the book value of non-current and current financial assets were total EUR 60,808 thousand (2011: EUR 84,059 thousand).

2012	Classes by instruments nature							Note
€ 1 000	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	
Available-for-sale financial assets				**19**		**19**	**19**	**8**
Held-to-maturity investments		**466**				**466**	**466**	
Trade receivables			**45,328**			**45,328**	**45,328**	**11**
Restricted financial assets	**60**		**590**			**650**	**650**	**12**
Cash and cash equivalents			**14,301**			**14,301**	**14,301**	**13**
Total	**60**	**466**	**60,220**	**19**		**60,764**	**60,764**	

2011	Classes by instruments nature							Note
€ 1 000	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	
Available-for-sale financial assets				25		25	25	8
Held-to-maturity investments		445				445	445	
Trade receivables			41,798			41,798	41,798	11
Derivatives held for hedge accounting	74		832			906	906	12
Restricted financial assets			25,000			25,000	25,000	14
Cash and cash equivalents			15,887			15,887	15,887	13
Total	74	445	83,517	25		84,059	84,059	

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 amortized 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 unlisted shares.

€ 1 000	**2012**	2011
Book value 1 Jan.	**19**	25
Book value 31 Dec.	**19**	25

9. Deferred taxes

€ 1 000	2012	2011
Deferred tax assets		
Recognized in equity		
Fair valuation of derivative financial instruments	**436**	168
Recognized in income statement		
Long-term expenses	**248**	-3
Unused tax losses	**5,424**	2,714
Other temporary differences	**417**	472
Total deferred tax assets	**6,525**	3,351
Deferred tax liabilities		
Recognized in equity		
Translation differences		734
Recognized in income statement		
Tangible assets	**5,642**	2,154
Employment benefits	**107**	
Other temporary differences	**362**	773
Total deferred tax liabilities	**6,111**	3,661
Defermed taxes in balance sheet		
Deferred tax assets	**6,067**	3,351
Deferred tax liabilities	**5,653**	3,661
Net deferred tax liabilities	**-414**	310

Deferred income tax recognized in equity during the year

€ 1 000	2012	2011
Cash flow hedges	**239**	446
Translation differences	**526**	443
Total	**765**	888

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 26.4 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 10.4 million. Suominen has recognized deferred tax assets EUR 20.7 million for the previous and financial year´s losses and left unrecognized deferred tax assets for losses of EUR 16.0 million.

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 mainly expire in 2019–2021.

No deferred tax liability is recognized 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, also because in most cases these profits are transferred to the group without any tax consequences.

10. Inventories

€ 1 000	2012	2011
Raw materials and consumables	**15,501**	20,763
Work in progress	**4,112**	3,989
Finished products and goods	**22,818**	21,099
Prepayments		122
Total inventories	**42,431**	45,972

The value at cost of inventories totals EUR 43,266 thousand (EUR 46,386 thousand). The value has been reduced by EUR 835 thousand to cover obsolete stock (EUR 414 thousand). The acquisition value of the inventories included in the raw material purchases and change in inventory was 399,424 thousand euro (205,507 thousand).

11. Trade receivables

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

€ 1 000	2012	2011
Not yet due	**39,428**	36,688
Past due date		
less than 5 days	**2,054**	1,039
5–30 days	**3,099**	2,859
31–120 days	**698**	1,070
more than 120 days	**49**	141
	5,900	5,110
Total trade receivables	**45,328**	41,798

Booked credit losses on trade receivables were EUR 231 thousand (2011: EUR 76 thousand)

Trade receivables by currency:

€ 1 000	2012	2011
EUR	**26,884**	20,048
SEK	**359**	446
PLN	**437**	407
RUB	**1,264**	1,130
NOK	**284**	269
USD	**15,667**	19,264
Other currencies	**433**	233
Total	**45,328**	41,798

Suominen has a program to sell trade receivables with irrevocable rights to the bank. At the date of balance sheet the total of EUR 13.1 million of trade receivables (EUR 10.9 million) was sold to the bank.

12. Other receivables

€ 1 000	**2012**	2011
Other receivables		
Indirect taxes	**5,462**	3,192
Business combination		4,700
Other	**162**	776
Total other receivables	**5,623**	8,668

The receivable for the business combination in 2011 was cleared when the final transfer price was defined based on the value of the transferring working capital items.

Accrued income and prepaid expenses		
Social security and healthcare	**92**	101
Statutory and other insurances	**5**	308
Indirect taxes	**134**	99
Insurance compensations	**55**	570
Rebates	**590**	832
Loan arrangements	**4,091**	4,998
Other	**1,181**	1,904
Total accrued income and prepaid expenses	**6,149**	8,812
Total other current receivables	**11,772**	17,480

13. Financial assets on escrow account

€ 1 000	**2012**	2011
Deposit on the escrow account for the initial consideration on the Brazilian business operations		25,000
Total		25,000

The escrow account for the aqcuistion of the Brazilian operations was settled in 2012 against the loan.

14. Cash and cash equivalents

€ 1 000	**2012**	2011
Total cash and cash equivalents	**14,301**	15,887

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 2011	245,934,122	11,860,056	24,680,588	97 054 411	-43,619	133,551,436
31 Dec 2012	**245,934,122**	**11,860,056**	**24,680,588**	**97,054,411**	**-43,619**	**133,551,436**

The registered equity of Suominen totals EUR 11,860,056 and number of issued shares 245,934,122 shares. Suominen has one serie of shares. Each share has one vote in the general meeting of the company and all the shares have an equal right to the dividend and the company assets. Maximum share capital is 20 000 000 euros. Shares have no nominal value. Suominen Corporation shares are listed on NASDAQ OMX Helsinki Ltd. All issued shares are fully paid up. The company held 60,298 treasury shares at the balance sheet date.

The Members of the Board of Directors and the President and CEO of Suominen Corporation owned a total of 354,240 shares (2011: 3,717,042 shares) as of 31 December 2012. These shares represented 0.1% (December 2012 1.5%) of the total number of shares and votes.

Revaluation reserve and invested non-restricted equity fund
The revaluation reserve is the difference between the subscribtion price and the nominal value according to the former corporation act in Finland. The invested non-restricted fund includes other investments associated to equity and the part of the subscribtion value of the shares that is not resolved to be recognized in the share capital.

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	**2012** **Cash flow hedges**	**Total**	2011 Cash flow hedges	Total
Fair value reserve at 1 Jan.	**-441**	**-441**	828	828
Cash flow hedges deferred in equity	**-1,007**	**-1,007**	-1,714	-1,714
Total	**-1,448**	**-1,448**	-886	-886
Deferred taxes	**239**	**239**	446	446
Total	**-1,210**	**-1,210**	-441	-441

Other reserves

Translation difference
Translation differences are the exchange rate differences arising from the elimination of the acquisition costs of the group's non-euro companies. Some loans granted to the subsidiaries can be associated to equity because of the non-existing repayment plan. The translation differences of such loans are recognized in the translation difference in equity. Suominen has an Equity Hedge program to hedge the translation position in USD. The investment in the United States of America is hedged with an external loan of USD 39 million. The exchange rate differences from the direct investments in capital and Equity Hedge loan are recognized in the other comprehensive income.

16. Share-based payments

Stock options

Option	Exchange ratio	Subscription price per share after share issue	Subscription period	Number of shares to be subscribed	End of vesting period
2009B	1:1	0,96 *	2 May 2012–30 Oct 2013	200,000	2 May 2012

	2012 Average subscription price € / share	**Options (pcs)**	2011 Average subscription price € / share	Options (pcs)
In the beginning of financial year	**0.96**	**550,000**	0.00	870,000
Expired options, serie 2006C			1.05	-200,000
Expired options, serie 2007B			1.05	-120,000
Returned options, serie 2009A	**0.95**	**-250,000**		
Returned options, serie 2009B	**0.96**	**-100,000**		
In the end of the financial year	**0.96**	**200,000**	0.96	550,000

Under the stock option plan 2009 stock options serie 2009A were expired at no value. During the financial year no options were commenced.

Stock option plan	**2009B**
Fair value at grant date	0.21
Grant date	12/2/2010
Share price at grant date	1.49
Share price adjusted to share issue *	0.96
Number of outstanding options on 31 December	300,000
Expected vesting period at grant date (years)	38%
Expected vesting period at grant date (years)	3.4

* Related to the share issuance in June 2010 the Board of Directors resolved to revised the stock option plan in such a way, that the propotional number of the shares will be the same as before the share issuance. The revised amounts are in the table.

Option rights

Under the stock option plan 2009 stock options serie 2009A 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. During the financial year stock options, serie 2009A has expired. 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. The subscription period for the 2009B stock options is from 2 May 2012 to 30 October 2013. During the financial year a total of 100,000 of options 2009B were returned to the company. The Board of Directors has not used its authorization to issue any stock options 2009C.

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 5 thousand euro of share-based expenses was booked to the statement of income in 2012 (EUR 29 thousand in 2011). 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 2012, a maximum of 200,000 new shares may be subscribed for, which is 0.1% of the current number of shares and votes. As a result of these subscriptions, the shareholders´ equity may increase by a maximum of EUR 192,000.

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% of the current number of shares. As a result of these subscriptions, the equity may increase by a maximum of EUR 96,000.

Share-based rewards

The Performance Share Plan is targeted to the key personnel of the group. The program is aiming at combining the targets of the owners and the key personnel to increase the value of the company and the commitment of the key personnel by offering them a long-term incentive plan based on the ownership of the company. Under the plan, Suominen shares are awarded to the key personnel. A part of the reward is settled in cash.

The Performance Share Plan is conditional to

- granted on 19 March 2012
- earning period 2012-2015
- settled in cash and in shares
- the maximum number of Suominen shares payable under the plan is 583,000, partly settled in cash and partly in shares
- the earning criteria are the EBITDA and the cash flow of the earning period

The fair value of the equity settled part is calculated by using the share price of 0.42 euro on the granting date, and thus 73 thousand euro is recognized in employment benefits and in equity. The fair value of the cash-settled part is calculated by using the share price of the balance sheet date, 0.35 euro, and thus 56 thousand euro is recognized in employment benefits and in liabilities.

17. Financial liabilities

On 31 December 2012 the book value of non-current and current financial liabilities were total EUR 159,789 thousand (2011: EUR 206,675 thousand).

€ 1 000	**2012** Book value	Fair value	2011 Book value	Fair value	note
Non-current					
Loans from financial institutions	**88,884**	**83,736**	138,247	137,993	22
Pension loans	**1,143**	**1,185**	1,714	1,523	22
Capital loans			920	807	22
Total	**90,027**	**84,921**	140,881	140,323	
Current[*)]					
Repayment of non-current liabilities					
Loans from financial institutions	**20,000**	**20,054**	18,957	19,013	22
Pension loans	**571**	**611**	971	947	22
Capital loans	**920**	**924**	920	900	22
Derivatives not held for hedge accounting	**62**	**62**	64	64	
Derivatives held for hedge accounting	**1,822**	**1,822**	674	674	22
Trade payables	**46,381**	**46,381**	44,208	44,208	19, 20
Total	**69,262**	**69,853**	65,794	65,805	
Total	**159,789**	**154,744**	206,675	206,128	

* 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 amortized 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 (2.95–4.45%). 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 and USD libor curves and discounting future cash flows with relevant interest 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
2013	20,000	571	920
2014	17,638	571	
2015	8,000	571	
2016	63,746		
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. At the share issuance in 2011 EUR 2,159,999 of the capital loan was converted into equity. 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%. 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% units 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.

18. Provisions

€ 1 000	2012	2011
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 recognized.

19. Trade payables

Trade payables by currency

€ 1 000	2012	2011
EUR	**22,444**	22,759
PLN	**569**	1,845
SEK	**4,441**	76
USD	**18,874**	19,498
Other currencies	**53**	29
Total	**46,381**	44,208

20. Other liabilities

€ 1 000	2012	2011
Trade payables	**46,381**	44,208
Other liabilities		
Received advance payments	**18**	685
Indirect taxes	**449**	924
Payroll	**2,549**	2,103
Other liabilities	**1,017**	3,733
Total other liabilities	**4,015**	6,760
Accrued expenses		
Interest	**1,035**	1,806
Fair value of derivatives in hedge accounting	**1,822**	674
Rebates	**1,631**	588
Payroll an social security	**4,802**	3,844
Other accrued expenses	**3,775**	3,840
Total accrued expenses	**13,064**	10,753
Total trade payables and other current liabilities	**63,460**	61,720

Accrued expenses, non-current		
Other accrued expenses	**190**	362
Total accrued expenses, non-current	**190**	362

21. 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	2012	2011
Arrangements related to post-employment benefits		
Present value on employment benefit		
Benefit obligations at 31 Dec.	**845**	873
Present value of net obligation		
Net obligation on 31 Oct.	**873**	866
Interest cost	**43**	7
Expenses paid	**-71**	
Net liability in balance sheet of 31 Dec.	**845**	873
Change in defined benefit obligation		
Fair value 1 Jan		
Unfunded	**873**	826
Interest cost	**43**	47
Benefits paid	**-71**	0
Fair value 31 Dec	**845**	873
Expenses recognized in the statement of income		
Interest cost	**43**	7
Benefits paid	**-71**	
Total expenses recognized in the statement of income	**-28**	7
Expenses allocated by function		
Procurement and production	**-28**	7
Total expenses allocated by function	**-28**	**7**

Principal actuarial assumptions

At 31 Dec.	2012	2011
Discount rate (%)	**5.00**	5.00
Expected rate on return on plan assets (%)	**2.67**	2.67
Expected rate of inflation (%)	**2.00**	2.00
Expected average remaining working life (years)	**16.07**	17.58

22. 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 Corporation's Board of Directors defines the authorities, responsibilities and principles to be observed in the group. Financing and financial risk management is the responsibility of the group's financial administration. The purpose of financial risk management is to hedge the group against significant financial risks.

A variety of 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 Corporation'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 financial risk management is centralized to the group's financial administration, who is making all the market operations with the approved counter-parties. 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.

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 arises mainly from the sales to the Swedish customers denominated in crowns. Polish zloty risk arises from local production costs while sales are partly in EUR. USD risk arises from raw material purchases and interest payments in US dollars. The hedged foreign exchange position for a 12-month period should vary between 3 and 9 months under the hedging 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 recognized in profit or loss.

	Transaction position 2012		Transaction position 2011	
€ 1 000	12 months´ cash flow	Currency hedges	12 months´ cash flow	Currency hedges
SEK	**-20,859**	**7,146**	11,159	-1,908
USD	**-9,448**	**3,865**	-6,461	7,190
PLN	**-6,460**	**2,947**	-8,724	2,141
NOK	**2,311**	**-817**	1,872	-516
RUB	**1,883**	**-595**	1,928	-575
Other	**5,254**			
Total nominal value	**46,215**	**15,370**	30,144	12,330

The transaction position above includes receivables in foreign currencies total of EUR 5,591 thousand (EUR 5,834 thousand) and payables total of EUR 7,004 thousand (EUR 2,780 thousand). The outflows are in the table shown as negative values and the inflows as positive values.

Correspondingly the translation position is as follows:

Translation position 2012

€ 1 000	Loans granted	Loans taken	Capital investments in foreign subsidiaries	Hedged with loans	Open exposure
SEK		**-3,106**	**3 469**		**363**
PLN	**9,988**	**-73**	**675**		**10,589**
USD	**57,395**		**44,407**	**-44,414**	**57,387**

Translation position 2011

€ 1 000	Loans granted	Loans taken	Capital investments in foreign subsidiaries	Hedged with loans	Open exposure
SEK		-2,778	3,608		830
PLN	9,275	-30	2,862		12,107
USD	56,633		40 037	-90,439	6,231

Loans consist of intra-group loans granted to the foreign subsidiaries (+) and loans taken from them (-). A part of the granted loans can be associated to equity because of the non-existing repayment plan. These lendings amount to USD 62.7 million equalling to EUR 47.5 million and PLN 32.5 million equalling to EUR 8.0 million. The translation differences of these lendings are recognized in the other comprehensive income. Capital investments in foreign subsidiaries include cash contributions in 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 USD 39 million (USD 52 million in 2011). USD 19 million of the borrowings was a deficit in the cash pool and was not included in the Equity Hedge program. The exchange rate differences related to the capital investments and the Equity Hedge loan are recognized in the other comprehensive income.

The sensitivity analysis of financial instruments

As required by IFRS 7, the table below summarizes the sensitivity of financial instruments on currency risk at the date of the balance sheet. In the sensitivity analysis below, the financial instruments include currency forwards, intra-group currency investments, intra-group short-term and long-term currency receivables and payables, granted intra-group loans associated to equity and external net borrowings. External borrowings in the Equity Hedge program are not included in the sensitivity analysis because the foreign exchange differences are fully offset by those in the net investments. 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%. The exchange rate sensitivity is calculated for the following 12 months by using the rates on the balance sheet date.

2012

€ 1 000	Rate change %	Impact on profit after tax	Impact on equity	Rate change %	Impact on profit after tax	Impact on equity
SEK	**9**	**-697**		**-9**	**697**	
PLN	**10**	**-76**	**603**	**-10**	**76**	**-603**
USD	**11**	**1,708**	**3,948**	**-11**	**-1,708**	**-3,948**
NOK	**7**	**27**		**-7**	**-27**	
RUB	**10**	**45**		**-10**	**-45**	
Total		**1,008**	**4,551**		**-1,008**	**-4,551**

2011

€ 1 000	Rate change %	Impact on profit after tax	Impact on equity	Rate change %	Impact on profit after tax	Impact on equity
SEK	11	-515		-11	515	
PLN	16	655	881	-16	-655	-881
USD	15	-5,148		-15	5,148	
NOK	10	-57		-10	57	
RUB	12	863		-12	-863	
Total		-4,203	881		4,203	-881

The effectiveness and sensitivity analysis of hedging

The management assesses the hedging effectiveness by combining the estimated net cash flow for 12 months in foreign exchange to the effect of the hedging instruments. Additionally, the management assesses the impact of the changes in exchange rates on the financial instruments and capital investments in foreign currencies. The net impact caused by the change in currency rates as described above on annual profit after taxes in 2012 is estimated to be EUR +/-0.9 million (+/-1.8) and on equity EUR 6.0 million. 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%. The exchange rate sensitivity is calculated for the following 12 months by using the rates on the balance sheet date.

€ 1 000	Currency stengthens/ weakens %	Impact on 12 months currency cash flow	Impact on hedging instruments	Net impact after tax	Net impact on translation position or equity
SEK	9	+-1,317	+-433	+-883	+-236
USD	11	+-722	+-441	+-281	+-5,159
PLN	10	+-453	+-304	+-149	+-653
NOK	7	+-116	+-58	+-58	
RUB	10	+-139	+-61	+-78	
Total		**+-1,331**	**+-451**	**+-880**	**+-6,048**

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 company's Board of Directors has determined the interest rate structure of the loan portfolio and the range in which it can vary. The average interest duration can vary between 12 and 36 months. As of the end of 2012, it was 32 months (35).

The amount of the group's loans with floating interest rate at the end of the year is EUR 101.5 million (155), of which 71.5 million were denominated in EUR and 30 million in USD. The nominal value of interest rate swaps, hedging the cash flow of interest payments, is EUR 64.6 million (76.5). In the interest rate swaps, the Suominen Corporation pays approximately 1.3% fixed interest (1.3) and receives 0.54% floating rate (0.65).

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 is 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:

2012 € 1 000	Change in Interest %	Impact on profit after tax	Impact on Equity	Change in Interest %	Impact on profit after tax	Impact on Equity
Net liabilities	**+0.5 %**	**-404**		**-0.5 %**	**404**	
Interest rate swaps	**+0.5 %**	**358**	**847**	**-0.5 %**	**-358**	**-847**
Total		**-47**			**47**	

2011 € 1 000	Change in Interest %	Impact on profit after tax	Impact on Equity	Change in Interest %	Impact on profit after tax	Impact on Equity
Net liabilities	+0.5 %	-573		-0.5 %	573	
Interest rate swaps	+0.5 %	335	286	-0.5 %	-335	-286
Total		-238			238	

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 2013–2016.

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 company group's electricity price risk exposure is reviewed on a rolling basis in three-year periods. Exposure at the end of 2012 was hedged by establishing that fixed-price electricity will account for 81% (52) of projected usage in 2013, 65% (39) in 2014, and 16% (0) in 2014. Price hedging is done with OTC contracts. According these contracts Suominen pays on average EUR 44.6 / MWh (46.2).

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. The change in the value of the effective hedging instruments is recognized in the statement of income along with the hedged cash flow.

The price sensitivity of electricity derivatives has been estimated on the basis of the volatility of the prices so that the probability of price changes compared to the year-end price is +/-10%. The volatility has been estimated based on the past price changes and the market view embedded in the option prices.

2012		
Price change € / MWh	Impact on profit After tax	Impact on equity
+12	**104**	**686**
-12	**-20**	**-770**

2011		
Price change € / MWh	Impact on profit After tax	Impact on equity
+17	56	721
-17	0	-776

Credit risks

The most significant individual credit risks relate to trade receivables from international companies with high credit ratings. The biggest ten trade receivables, all related to the nonwoven business, account for 42% 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 231 thousand (76). The ageing structure of the trade receivables is shown in note 11 to the consolidated financial statements. The maximum amount of credit losses from trade receivables, EUR 36 million, when a 20% coverage of the credit insurance is considered. For the remaining trade receivables the maximum credit risk is close to nominal value.

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 group's 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 2.7 years (2.2) at year-end. To finance the acquisition of Home and Personal business Suominen agreed on a loan facility that was renegotiated in autumn 2012 to reflect the financial situation of the company. The facility consists of a loan of EUR 80 million with the final repayment in 2016, EUR 16 million bridge financing maturing in 2013 and in 2014, EUR 20 million revolving credit facility and EUR 8 million facility for trade finance, both bullet loans and maturing in 2016.

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. Table includes the undiscounted values of both interest payments and repayments of capital.

31 December 2012 € 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	**45,328**	**45,328**	**45,328**				
Other receivables	**1,075**	**1,075**	**1,075**				
Derivatives, in hedge accounting	**2**	**2**	**2**				
Cash and at bank	**14,345**	**14,345**	**14,345**				
Total	**60,750**	**60,750**	**60,750**				
Financial liabilities							
Trade payables	**46,381**	**-46,381**	**-46,381**				
Loans from financial institutions	**108,884**	**-124,836**	**-7,429**	**-7,321**	**-28,314**	**-81,773**	
Pension loans	**1,714**	**-1,932**	**-303**	**-325**	**-1,303**		
Capital loans	**920**	**-941**	**-941**				
Derivatives, in hedge accounting	**1,822**	**-1,822**	**-1,822**				
Guarantee commitments	**1,199**	**-1,199**					**-1,199**
Total	**160,920**	**-177,112**	**-56,876**	**-7,646**	**-29,617**	**-81,773**	**-1,199**
Committed credit limits							
Commitment credit limits, over 6 months	**20,000**					**-20,000**	
Total	**20,000**					**-20,000**	
Derivative contracts							
Currency forward deals	**-1**						
Cash flow, receivables		**61**	**61**				
Cash flow, payable		**-62**	**-62**				
Interest rate derivatives							
Hedge accounting	**-1,538**	**-1,796**	**-367**	**-350**	**-1,113**	**34**	
Electricity derivatives	**-282**	**-282**	**-224**		**-58**		
Hedge accounting							

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				
Financial assets on escrow	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	-180,185	-19,820	-87,083	-73,282	
Pension loans	2,686	-2,493	-517	-550	-1,427		
Capital loans	1,840	-1,869			-1,869		
Derivatives, in hedge accounting		674	-674	-674			
Guarantee commitments	1,432	-1,432					-1,432
Total	208,044	-230,861	-45,399	-20,370	-90,379	-73,282	-1,432
Committed credit limits							
Credit limits, over 6 months	4,284				534	3,750	
Total	4,284				534	3,750	
Derivative contracts							
Currency forward deals	11						
Cash flow, receivable		74	74				
Cash flow, liability		-63	-63				
Interest rate derivatives							
Hedge accounting	-216	230	-37	-12	-48	327	
Electricity derivatives							
Hedge accounting	-458	-458	-315		-143		

23. 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. The capital structure can be influenced by dividend policy, share issues and the use of capital loans. The group can buy upon need its own shares, issue new shares or decide to sell assets or parts of businesses to reduce liabilities.

The group's equity ratio (capital loans included in the shareholder's equity) was 34.8% (32.8) at year-end, and it's gearing, capital loans included in the shareholder's equity, was 98.8% (107.5). 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 0.9 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 13.1 million.

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

€ Million	**2012**	2011
Interest bearing liabilities	**111.5**	161.7
-Capital loans	**-0.9**	-1.8
Interest bearing receivables	**-0.3**	0
Financial assets	**-14.3**	-40.9
(A) Net liabilities	**96.0**	119.0
(B) Shareholder's equity	**96.3**	108.7
(C) Capital loans	**0.9**	1.8
(D) Balance sheet total –advance payments	**278.8**	337.4
Gearing, A/(B+C)	**98.8 %**	107.6 %
Equity ratio, (B+C)/D	**34.8 %**	32.8 %

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 158 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 excess of EUR 2.0 million giving the right of other lenders to declare their loans due and payable prior maturity. The dividend payments are limited to EUR 1 million in 2013 and 2014.

The debt service ratio covenant, which is the ratio of senior net debt to EBITDA, has to be less than 3.6 in the end of 2013, whereas it was 2.9 at year-end of 2012. Gearing may not exceed 125% at the end of 2013, when it was 100.7% at year-end of 2012. Investments are limited to EUR 10 million in 2013.

Suominen plans to cover the amortization needs with its cash flow from operations and by sale of non-core business operations and assets.

24. Values of derivative financial instruments

Instrument € 1 000	2012 Nominal value	Fair value total	Positive fair value	Negative fair value	2011 Nominal value	Fair value total	Positive fair value	Negative fair value	note
Currency derivatives									
held for trading	**15,370**	**-1**	**61**	**-62**	8,501	11	74	-63	22
Interest rate derivatives									
held for hedge accounting	**64,648**	**-1,538**		**-1,538**	76,492	-216		-216	22
held for trading									
Sähköjohdannaiset									
suojauslaskennassa	**3,746**	**-282**	**2**	**-284**	2,860	-458		-458	22
ei suojauslaskennassa									
Electricity derivatives, MWh	**87,600**				61,416				

25. Fair value measurement hierarchy

€ 1 000	Level 1	Level 2	Level 3
Assets measured at fair value			
Assets held for sale			19
Total			**19**
Derivatives measured at fair value			
Currency derivatives		-7	
Interest rate derivatives		-1,538	
Electricity derivatives		-282	
Total		**-1,827**	

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 and USD libor 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.

26. Other operating income and expenses

€ 1 000	2012	2011
Other operating income		
Profit from sale of fixed assets	**725**	402
Indemnities	**3,176**	974
Rents	**245**	109
Recovery of bad debts	**1**	17
Derivatives, not in hedge accounting		184
Recycled products	**1,832**	2,939
Other operating income	**859**	607
Total	**6,838**	5,232
Other operating expenses		
Losses on sale and write-down of fixed assets		
Damage expenses and contributions	**85**	136
Bad debts	**224**	77
Derivatives, not in hedge accounting		209
Other	**259**	2,746
Total	**568**	3,168

Insurance indemnity of MEUR 3.1 related to the fire in Mozzate was recognized in statement of income in 2012. Recycled products are second choice products sold.

The profit from the sales of the real estate in Nastola EUR 0.5 million is included in the profit from sale of fixed assets.

Other operating expenses in 2011 are related to the business combination of Nonwoven. The costs consist of fees paid to external consultants as well as asset transfer taxes.

Fees paid to the auditors

€ 1 000	2012	2011
Statutory audit	**349**	138
Other services	**174**	656
Share issuance		111
Total	**523**	905

Share issuance fees are reducing the increase in equity.

27. Personnel expenses

€ 1 000	2012	2011
Salaries and other compensations	**51,971**	30,552
Share-based payments	**134**	26
Pension expenditure		
Defined benefit plans	**28**	7
Defined contribution plans	**4,256**	3,518
Other payroll connected expenses	**14,162**	3,988
Total	**70,551**	38,092
Average number of personnel	**1,220**	907

Details on employee benefits paid to management are specified in note 36. Related party transactions.

The employment termination costs in EUR 0.4 million in Nakkila are included in the personnel expenses.

28. Depreciation, amortization, and impairment losses

€ 1 000	2012	2011
By function		
Procurement and production	**18,004**	9,357
Sales and marketing	**460**	81
Research and development	**934**	92
Administration	**208**	306
Impairment losses, production	**5,538**	
Impairment losses , administration	**7,278**	
Total	**32,422**	9,835
By asset group		
Buildings and constructions	**2,739**	2,367
Impairment losses on buildings and constructions	**1,434**	
Machinery and equipment	**15,306**	7,012
Impairment losses on machinery and equioment	**4,104**	
Other tangible assets	**22**	20
Impairment losses on goodwill	**7,278**	
Other intangible assets	**1,539**	436
Total	**32,422**	9,835

Impairment losses on builgings, constructions and machinery and equipment are related to the restructuring in Nakkila, a total of EUR 5.5 million.

29. Financial income and expenses

€ 1 000	2012	2011
Interest income on financial assets recognized at fair value through profit of loss	**110**	205
Financial income	**110**	205
Interest expenses on loans valued at amortized cost	**-7,694**	-5,799
Exchange rate differences (net)	**268**	2,004
Derivatives, not in hedge accounting		94
Expenses on sales of receivables	**-196**	-249
Other financial expenses	**-2,898**	-1,451
Financial expenses	**-10,519**	-5,402
Financial income and expenses, total	**-10,409**	-5,197

Foreign exchange gains and losses recognized in the statement of income

€ 1 000	2012	2011
Net sales	**-1 207**	-183
Other operating income	**-27**	184
Cost of goods sold	**-135**	-209
Financial income and expenses	**268**	2 098
Foreign exchange gains and losses, total	**-1 101**	1 890

30. Income taxes

€ 1 000	2012	2011
Income taxes for financial year	**-3 595**	534
Income taxes from previous years	**5**	-1
Deferred taxes	**1 182**	-39
Income taxes total	**-2 409**	494
Profit before taxes	**-9 462**	-10,026
Tax calculated at the domestic corporate tax rate of 24.5% (26%)	**2,318**	2,607
Not deductible impairment losses on goodwill	**-1,783**	
Effect of different tax rates in foreign subsidiaries	**-2,218**	-33
Expenses not deductible for tax purposes	**-587**	-87
Not recognized deferred tax assets on period´s taxable losses	**-255**	-1,937
Other temporary differences	**116**	-56
Tax charge total	**-2,409**	494

31. Earnings per share

€ 1 000	2012	2011
Profit for the period	**-11,872**	-9,531
Shares in thousands		
Average weighted number of shares	**245,874**	86,454
Earnings per share attributable to the equity holders of the company		
earnings per share before non-recurring items, €	**0.00**	-0.11
earnings per share, €	**-0.05**	-0.11

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.

32. Adjustments on cash flow statement

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

€ 1 000	**2012**	2011
Adjustments on profit/loss for the period		
Income taxes	**2,409**	-494
Financial income and expenses	**10,409**	5,197
Depreciation	**19,606**	9,835
Impairment losses	**12,816**	
Gains and losses on sales of fixed assets	**-725**	-402
Other adjustments	**79**	26
Total	**44,594**	14,161

33. Lease commitments

€ 1 000	**2012**	2011
Operating leases, real estates		
Minimum lease payments on irrevocable contracts		
Not later than 1 year	**5,489**	5,059
Later than 1 year and not later than 5 years	**14,373**	15,592
Later than 5 years	**7,314**	8,881
Total	**27,177**	29,532

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.

In the business combination in 2011 real estate leases were transferred in Italy, in the USA and in Spain.

Operating leases, machinery and equipment		
Falling due in 1 year	**996**	967
Falling due in between 1 year and subsequent 5 years	**1,710**	2,265
Falling due after five years		250
Total	**2,706**	3,482

34. Contingent liabilities

€ 1 000	**2012**	2011
Secured loans		
Loans from financial institutions	**107,861**	158,264
Total	**107,861**	158,264
Nominal values of mortgages		
Real estate mortgages	**27,045**	27,045
Floating charges*	**193,988**	194,414
Pledged subsidiary shares and loans	**209,160**	217,812
Total	**430,193**	439,271
Other contingent liabilities		
Guarantees on behalf of third parties	**1,199**	1,432
Total	**1,199**	1,432

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

* Includes 0.4 MEUR of intangible assets, 93.2 MEUR of tangible assets and 34.7 MEUR of inventories.

35. Environmental costs

€ 1 000	**2012**	2011
In the statement of income		
Cost of goods sold	**1,571**	1,089
- including depreciation	**218**	184
In the balance sheet		
Tangible assets	**42**	207

36. 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	2012	2011
Employee benefits paid to the members of the Board of Directors, the President and CEO, and the members of the Executive Team		
Salaries and other short-term employee benefits	**1,386**	1,046
Post-employment benefits	**38**	
Share-based payments	**79**	26
Total	**1,503**	1,072

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	**53**	32
Risto Anttonen, member until 4 April 2012, Deputy Chairman as from 5 April 2012	**40**	18
Mikko Maijala, Chairman until 20 October 2011, Deputy Chairman from 21 October 2011 until 4 April 2012	**3**	30
Heikki Mairinoja, Deputy Chairman until 20 October 2011, member as from 21 October 2012	**31**	23
Suvi Hintsanen	**31**	19
Hannu Kasurinen as from 5 April 2012	**28**	
Juhani Lassila until 20 October 2011		19
Kai Hannus until 20 October 2011		19
Heikki Bergholm until 20 October 2011		19
Petri Rolig, President and CEO until 30 November 2011		254
Nina Kopola, President and CEO as from 1 December 2011	**305**	24
Total	**491**	457

The members of the Board of Directors and the members of the Executive Team have no pension arrangements with Suominen. Board members are not included in stock option plans. Stock option plans are described in the note 16.

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 the 12 months' salary shall also be paid. The President and CEO has a supplementary pension plan, a cost of 11.5% of her annual income as defined in the Finnish Pension Law.

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, 354,240 shares on 31 December 2012. These shares entitle holders to 0.1% of voting rights.

Insiders subject to the declaration requirement	Shares, pcs
Jorma Eloranta, Chairman of the Board as from 21 October 2011	77,571
Risto Anttonen, member until 4 April 2012, Deputy Chairman as from 5 April 2012	52,106
Heikki Mairinoja, Deputy Chairman until 20 October 2011, member as from 21 October 2012	134,670
Monaccio Oy	9,900
Suvi Hintsanen, Member of the Board	52,663
Hannu Kasurinen, Member as from 5 April 2012	27,330
Nina Kopola, President and CEO	
Heikki Lassila, Principal Auditor	
Total	**354,240**

Members of the Corporate Executive Team

The members of the Corporate Executive Team did not have any shares on 31 December 2012.

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

€ 1 000	2012	2011
Loans received from related parties		
Suominen capital loan 1/2008		200
Interests paid to related parties		76

Loan is unsecured. Loan terms are described in note 17.

Other related-party transactions

€ 1 000	2012	2011
Sales of goods and services	**19,653**	1,402
Purchases of goods and services	**54,191**	1,517
Trade and other receivables	**1,049**	5,337
Trade and other payables	**2,165**	2,370

Other related-party transactions are transactions with Ahlstrom Corporation and its subsidiaries and associated companies.

Parent Company Statement of Income

1 January–31 December € 1 000	Note	2012	2011
Net sales		**13,161**	2,635
Cost of goods sold		**-1,020**	
Gross profit		**12,141**	2,635
Other operating income	2	**129**	117
Sales and marketing expenses		**-94**	
Research and development		**-3,057**	
Administration expenses		**-7,162**	-4,157
Other operating expenses	2	**-393**	-228
Operating profit before non-recurring items		**1,564**	-1,634
Impairment losses on investments		**-8,778**	
Operating profit		**-7,214**	-1,634
Financial income	6	**14,520**	2,304
Financial expenses	6	**-9,955**	-8,243
Profit before income taxes		**-2,648**	-7,573
Group contributions		**28**	721
Profit before depreciation difference and income taxes		**-2,620**	-6,852
Change in depreciation difference		**-437**	-760
Profit/loss for the period		**-3,058**	-7,612

Parent Company Balance Sheet

31 December € 1 000	Note	2012	2011
ASSETS			
Non-current assets			
Intangible assets	5, 7	**8,868**	5,812
Tangible non-current assets	5, 8	**127**	25
Shares and participations			
Participations in group companies	9	**131,241**	137,519
Other shares and participations	9	**9**	9
Loans receivable			
Loans receivable from group companies		**77,384**	80,105
Non-current assets, total		**217,629**	223,470
Current assets			
Other current receivables	10	**35,383**	40,975
Financial assets on escrow account			25,000
Cash at bank and in hand		**10,983**	11,932
Current assets, total		**46,366**	77,907
Assets, total		**263,995**	301,376
SHAREHOLDERS´ EQUITY AND LIABILITIES			
Shareholders´ equity			
Share capital	12	**11,860**	11,860
Share premium account	11	**24,681**	24,681
Other shareholders´ equity	11	**84,693**	87,751
Shareholders´ equity, total		**121,234**	124,291
Appropriations			
Accumulated depreciation difference		**1,201**	764
Compulsory provisions	13	**280**	280
Liabilities			
Non-current liabilities			
Capital loans	13		920
Interest-bearing liabilities	13	**85,291**	134,930
Non-current liabilities, total		**85,291**	135,850
Current liabilities			
Capital loans	13	**920**	920
Interest-bearing liabilities			
Loans from financial institutions	13	**20,071**	19,929
Loans from group companies	13	**31,834**	14,121
Trade payables and other current liabilities	15	**3,164**	5,222
Current liabilities, total		**55,989**	40,191
Liabilities, total		**141,280**	176,041
Shareholders´ equity and liabilities, total		**263,995**	301,376

Parent Company Cash Flow Statement

1 January–31 December

€ 1 000	Note	2012	2011
Operations			
Profit/loss for the period		**-3,058**	-7,612
Adjustments on profit/loss for the period	17	**5,737**	6,155
Cash flow before change in working capital		**2,679**	-1,457
Increase/decrease in current non-interest-bearing receivables		**8,154**	-12,139
Increase/decrease in current non-interest-bearing liabilities		**-2,058**	3,570
Cash flow before financial income/expenses and taxes		**8,775**	-10,026
Interest expenses paid and received		**-1,680**	-5,939
Cash flow from operations		**7,095**	-15,965
Investments			
Investments	7,8,9	**-6,745**	-62,925
Change in non-current loan receivable		**2,721**	-69,652
Change in current loan receivable		**-2,563**	-18,535
Cash flow from investments		**-6,587**	-151,112
Financing			
Repurchase of own shares			119
Share issue			87,346
Change in non-current loans		**-49,639**	102,597
Change in capital loans		**-920**	-4,160
Change in current loans		**143**	469
Dividends paid		**6,245**	
Other financial items		**17,714**	14,837
Cash flow from financing		**-26,457**	201,208
Change in cash and cash equivalents		**-25,949**	34,131
Cash and cash equivalents 1 Jan.		**36,932**	2,801
Change in cash and cash equivalents		**-25,949**	34,131
Cash and cash equivalents 31 Dec.*		**10,983**	36,932

* Financial assets on escrow account 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 recognized 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 recognized in profit or loss as financial income and expenses, and the clearing gain or loss of electricity derivatives is recognized 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	2012	2011
Other operating income		
Recovered bad debts	**54**	28
Recovered VAT from previous year	**62**	
Gains from currency derivatives	**13**	
Other		89
Total	**129**	117
Other operating expenses		
Losses from currency derivatives	**383**	37
Other	**10**	191
Total	**393**	228

3. Personnel expenses

€ 1 000	2012	2011
Salaries and other compensations	**1,705**	1,314
Pension expenditure		
Defined contribution plans	**350**	79
Other payroll connected expenses	**41**	31
Total	**2,096**	1,424

Salaries and bonuses paid to management		
Members of the Boards of Directors, and President and CEO	**305**	407

The President and CEO of the company has a statutory pension insurance and a supplementary pension plan, a cost of 11.5% of her annual income as defined in the Finnish Pension Law.

Average number of personnel	**9**	6

4. Fees paid to auditors

€ 1 000	2012	2011
Statutory audit	**86**	52
Other services	**77**	244
Share issuance fees		111
Total	**163**	407

5. Depreciations and impairment charges

€ 1 000	2012	2011
By function		
Research and development	**1,017**	
Administration expenses	**70**	194
Impairment losses	**8,778**	
Total	**9,865**	194
By asset group		
Machinery and equipment	**10**	7
Other intangible assets	**1,077**	187
Impairment losses	**8,778**	
Total	**9,865**	194

6. Financial income and expenses

€ 1 000	2012	2011
Interest income	**7,489**	2,304
Dividend income	**6,246**	
Other financial income	**786**	
Interest expense	**-7,225**	-6,599
Exchange rate differences (net)		-1,644
Other financial expenses	**-2,730**	
Other financial expenses	**-2,730**	-1,644
Total	**4,566**	-5,939

7. Intangible assets

€ 1 000	Intangible rights	Advance payments and work in progress	Total 2012	Total 2011
Acquisition cost 1 Jan.	6,036	126	**6,162**	327
Increase	3,419	714	**4,133**	5,835
Transfers between items	200	-200		
Acquisition cost 31 Dec.	9,655	640	**10,295**	6,162
Accumulated depreciation 1 Jan.	-350		**-350**	-163
Depreciation for the financial year	-1,077		**-1,077**	-187
Accumulated depreciation 31 Dec.	-1,427		**-1,427**	-350
Book value 31 Dec.	8,228	640	**8,868**	5,812

8. Tangible assets

€ 1 000	Machinery and equipment	Other tangible assets	Advance payments and work in progress	**Total 2012**	Total 2011
Acquisition cost 1 Jan.	228	16		**244**	244
Increase	112			**112**	
Acquisition cost 31 Dec.	340	16		**356**	244
Accumulated depreciation 1 Jan.	-219			**-219**	-212
Depreciation for the financial year	-10			**-10**	-7
Accumulated depreciation 31 Dec.	-229			**-229**	-219
Book value 31 Dec.	111	16		**127**	25

9. Shares and participations

€ 1 000	Participations in group companies	Other shares	**Total 2012**	Total 2011
Acquisition cost 1 Jan.	137,519	9	**137,528**	80,438
Increases	2,500		**2,500**	57,090
Impairment losses	-8,778		**-8,778**	
Acquisition cost 31 Dec.	131,241	9	**131,250**	137,528
Book value 31 Dec.	131,241	9	**131,250**	137,528

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

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	101	-7

10. Other current receivables

€ 1 000	2012	2011
Trade receivables	**18**	
Other receivables	**158**	4,897
Accrued income and prepaid expenses		
Social security and healthcare	**3**	1
Statutory insurances		18
Indirect tax	**25**	
Gains from currency derivatives	**28**	
Interest		54
Loan provisions and arrangement fees	**4,091**	4,998
Other	**25**	292
Accrued income and prepaid expenses, total	**4,172**	5,363
Receivables from group companies		
Interest-bearing receivables	**29,320**	26,757
Other receivables	**1,715**	3,958
Total	**31,035**	30,715
Other current receivables, total	**35,383**	40,975

11. Shareholders´ equity

€ 1 000	2012	2011
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.	**-43**	-163
Other changes	**-1**	120
Reserve for own shares 31 Dec.	**-44**	-43
Invested non-restricted equity fund 1. Jan.	**97,054**	9,708
Increase		87,346
Invested non-restricted equity fund 31. Dec	**97,054**	97,054
Retained earnings 1 Jan.	**-9,260**	-1,580
Transfer to reserve for own shares		-68
Retained earnings 31 Dec.	**-9,260**	-1,648
Profit for the financial year	**-3,058**	-7,612
Shareholders´ equity 31 Dec.	**121,233**	124,292
Distributable assets		
Retained earnings 1 Jan.	**-9,260**	-1,648
Invested non-restricted equity fund	**97,054**	97,054
Own shares	**-44**	-43
Non-restricted equity 31 Dec.	**87,750**	95,363
Profit for the financial year	**-3,058**	-7,612
Distributable assets	**84,692**	87,751

12. Share capital

See note 15 in notes to the consolidated financial statements.

13. Interest-bearing liabilities

€ 1 000	2012	2011
Current *		
Repayment of capital loans	**920**	920
Repayment of non-current liabilities		
Loans from financial institutions	**19,500**	18,957
Pension loans	**571**	971
Repayment of non-current liabilities	**20,071**	19,928
Current loans		
Loans from group companies	**31,834**	14,121
Total current interest-bearing liabilities	**52,825**	34,969
Non-current		
Capital loans		920
Loans from financial institutions	**83,720**	132,799
Pension loans	**1,143**	1,714
Loans from group companies	**428**	417
Total non-current interest-bearing liabilities	**85,291**	135,850
Interest-bearing liabilities, total	**138,116**	170,819

* In the balance sheet under current liabilities

Repayments

€ 1 000	2013	2014	2015	2016	2017	2018-
Repayments of non-current loans in future						
Loans from financial institutions	19,500	17,138	7,500	59 081		
Pension loans	571	571	571			
Capital loans	920					
Total	20,991	17,709	8,071	59,081		

14. Provisions

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

€ 1 000	2012	2011
Provisions 1 Jan.	**280**	280
Provisions 31 Dec.	**280**	280

15. Trade payables and other current liabilities

€ 1 000	2012	2011
Trade payables	**954**	2,772
Other current liabilities	**64**	36
Accrued expenses		
Interest	**960**	1,785
Payroll and social security	**413**	548
Losses from currency derivative		18
Other accrued expenses	**200**	43
Accrued expenses, total	**1,573**	2,394
Liabilities to group companies		
Other liabilities	**573**	19
Trade payables and other current liabilities, total	**3,164**	5,221

16. Contingent liabilities

€ 1 000	2012	2011
Guarantees		
Guarantees for loans		
Guarantees on behalf of group companies	**5,670**	5,466
Other contingent liabilities		
Guarantees on behalf of group companies	**4,583**	4,912
Guarantees on behalf of third parties	**1,199**	1,432
Total	**11,452**	11,810
Nominal values of mortgages		
Pledged business mortgages, subsidiary shares and loans	**232,319**	241,168
Total	**232,319**	241,168
Operating leases		
Falling due next year	**87**	54
Falling due in subsequent years	**221**	127
Total	**308**	181
Rent liabilities		
Falling due next year	**13**	
Total	**13**	

17. Adjustments on cash flow statement

Adjustments on operations cash flow
1 January - 31 December

€ 1 000	2012	2011
Adjustments on profit/loss for the period		
Change in depreciation difference	**438**	760
Group contributions	**-28**	-721
Financial income and expenses	**-4,566**	5,939
Depreciation	**1,087**	195
Depreciation on tangible assets (intragroup shares)	**8,778**	
Other adjustments	**28**	-18
Total	**5,737**	6 155

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 26 March 2013 for the distribution of profit as follows:

Parent company profit for 1 January–31 December 2012	-3,057,661.86 €
Retained earnings according to the parent company balance sheet	-9,260,133.58 €
Invested non-restricted equity fund	97,054,410.60 €
Own shares	-43,619.21 €
Total	84,692,995.95 €
Board proposes that no dividend is paid for the financial year	0.00 €
Leaving on the non-restricted equity	84,692,995.95 €

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

Helsinki, 15 February 2013

Jorma Eloranta
Chairman

Heikki Mairinoja

Risto Anttonen

Suvi Hintsanen

Hannu Kasurinen

Nina Kopola
President and CEO

The Auditor´s Note

Our auditor´s report has been issued today.

Helsinki, 15 February 2013

PricewaterhouseCoopers Oy
Authorised Public Accountants

Heikki Lassila
Authorised Public Accountant

Auditor’s Report

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 2012. The financial statements comprise the consolidated statement of financial position, statement of income, 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.

Helsinki, 15 February 2013

PricewaterhouseCoopers Oy
Authorised Public Accountants

Heikki Lassila
Authorised Public Accountant

Share Capital and Shareholders

Distribution of share ownership on 31 December 2012

Number of shares	Number of shareholders	Percentage	Total shares held in each category	Percentage of shares and voting power
1–100	235	8.6 %	14,157	0.0 %
101–500	542	19.8 %	166,968	0.1 %
501–1 000	440	16.1 %	360,549	0.1 %
1 001–5 000	951	34.7 %	2,375,789	1.0 %
5 001–10 000	238	8.7 %	1,836,196	0.7 %
10 001–50 000	251	9.2 %	5,136,528	2.1 %
50 001–100 000	33	1.2 %	2,295,846	0.9 %
100 001–500 000	20	0.7 %	4,388,186	1.8 %
over 500 000	27	1.0 %	229,279,337	93.2 %
	2,737	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	**2,737**		**245,934,122**	**100.0 %**
out of which shares registered in a nominee´s name	7		334,233	0.1 %

Shareholders by category 31 December 2012

	Number of shareholders	Percentage	Total shares held in each category	Percentage of shares and voting power
Companies	151	5.5 %	110,340,465	44.9 %
Financial institutions and insurance companies	4	0.1 %	23,361,885	9.5 %
Public institutions	8	0.3 %	67,355,840	27.4 %
Non-profit organisations	26	1.0 %	15,248,662	6.2 %
Individuals	2,532	92.7 %	27,805,022	11.3 %
Foreign shareholders	9	0.3 %	1,407,449	0.6 %
	2 730	100.0 %	245,519,323	99.8 %
Shares registered in a nominee´s name	7		334,233	0.1 %
Shares held by the company			60,298	0.0 %
Shares not transferred to the book-entry system			20,268	0.0 %
Total	**2 737**		**245,934,122**	**100.0 %**

The largest shareholders on 31 December 2012

Shareholder		Total shares held in each category	Percentage of shares and voting power
1.	Ahlstrom Corporation	66,666,666	27.1 %
2.	Ilmarinen Mutual Pension Insurance Company	26,422,103	10.7 %
3.	Varma Mutual Pension Insurance Company	22,500,000	9.2 %
4.	Mandatum Life Insurance Company Limited	22,222,222	9.0 %
5.	Finnish Industry Invenstment 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	5,141,710	2.1 %
10.	The Finnish Innovation Fund Sitra	4,444,444	1.8 %
11.	Mikko Maijala	3,337,337	1.4 %
12.	Juhani Maijala	3,286,743	1.3 %
13.	Onninen-Sijoitus Oy	2,500,000	1.0 %
14.	Yleisradion Eläkesäätiö	2,222,222	0.9 %
15.	Finnish Cultural Foundation	2,222,221	0.9 %
16.	Apteekkien Eläkekassa	2,014,077	0.8 %
17.	Eeva Maijala	1,578,635	0.6 %
18.	AC Invest Two B.V.	1,355,555	0.6 %
19.	Harald Relander	1,280,000	0.5 %
20.	Oy Chemec Ab	1,111,112	0.5 %

Key Figures

Adjusted key figures per share

	IFRS 2012	IFRS 2011	IFRS 2010	IFRS 2009	IFRS 2008
Earnings/share (EPS) before non-recurring items, €	**0.00**	-0.07	-0.21	0.06	-0.13
Earnings/share (EPS) from continuing operations, €	**-0.05**	-0.11	-0.34	0.02	-0.31
Earnings/share (EPS) from continuing and discounting operations before share issuance, €				0.04	-0.31
Cash flow from operations/share, €	**0.10**	-0.03	-0.06	0.74	0.52
Cash flow from operations/share before share issuance, €				1.13	0.80
Equity/share, €	**0.39**	0.44	0.70	1.01	0.98
Equity/share before share issuance, €				1.55	1.50
Dividend/share, €				0.02	
Dividend/earnings, %				84.4	
Dividend/earnings before share issue, %				55.2	
Dividend/cash flow from operations, %				2.7	
Dividend/cash flow from operations before share issuance, €				1.8	
Dividend yield, % *				1.3	
P/E ratio	**-7.25**	-3.51	-1.52	67.1	-3.3
P/E ratio from continuing operations before share issuance				43.8	-2.2
Share price					
lowest, €	**0.33**	0.36	0.48	0.65	0.60
highest, €	**0.47**	0.64	1.74	1.93	2.25
average, €	**0.39**	0.49	0.79	1.27	1.50
at year end, €	**0.35**	0.39	0.52	1.59	0.66
Market capitalisation on 31 Dec., € million	**86.1**	95.9	24.6	37.7	15.6
Number of shares					
average during the year	**245,873,824**	85,887,023	35,532,883	23,707,065	23,699,569
at year end	**245,873,824**	245,873,824	47,226,209	23,709,430	23,665,055
adjusted with share issue (factor 1.53)			41,768,853	36,254,774	36,243,311
Number of shares traded as	**3,660,581**	3,930,341	6,639,579	3,306,822	4,251,828
percentage of the average during the year	**1.5**	4.6	18.7	13.9	17.9
percentage of the average during the year, adjusted with share issue			15.9	9.1	11.7

No dividends were recognized in 2012.

Key figures on financial performance

	IFRS 2012	IFRS 2011	IFRS 2010	IFRS 2009	IFRS 2008
Net sales, € million	**454.9**	213.4	170.9	177.2	211.6
Export and international operations, € million	**431.0**	188.7	146.4	149.5	179.7
as % of net sales	**94.7**	88.4	85.6	84.4	84.9
Operating profit before non-recurring items, € million	**13.7**	-1.1	-3.8	7.3	0.0
as % of net sales	**3.0**	-0.5	-2.2	4.1	0.0
Operating profit, € million	**0.9**	-4.8	-10.8	6.7	-4.0
as % of net sales	**0.2**	-2.3	-6.3	3.8	-1.9
Profit before taxes, € million	**-9.5**	-10.0	-15.7	1.0	-8.8
as % of net sales	**-2.1**	-4.7	-9.2	0.6	-4.2
Profit for the financial year, € million	**-11.9**	-9.5	-14.4	0.9	-7.2
as % of net sales	**-2.6**	-4.5	-8.3	0.5	-3.4
Cash flow from operations, € million	**24.9**	-2.9	-2.5	26.8	18.9
Balance sheet total, € million	**278.9**	338.1	119.4	122.8	143.8
Return on equity (ROE), %	**-11.2**	-20.9	-37.3	2.4	-16.7
Return on invested capital (ROI), %	**0.4**	-3.7	-10.6	6.4	-2.9
Equity ratio, %	**34.5**	32.2	27.9	29.9	24.6
Equity ratio, %, capital loans in equity	**34.8**	32.8	32.9	36.4	31.6
Gearing, %	**100.7**	111.0	174.0	161.2	229.9
Gearing, %, capital loans in equity	**98.8**	107.5	132.1	114.4	157.2
Gross investments, € million	**4.0**	4.0	6.2	4.5	3.9
as % of net sales	**0.9**	1.9	3.6	2.5	1.8
Expenditure on R&D, € million	**3.9**	1.9	2.0	2.3	2.2
as % of net sales	**0.9**	0.9	1.1	1.3	1.0
Average personnel	**1,220**	907	901	944	1,019

Calculation of the Key Figures

Earnings/share	profit before income taxes - income taxes adjusted number of shares held outside the group (average)
Cash flow from operations/share	cash flow from operations as in the cash flow statement adjusted number of shares held outside the group (average)
Equity/share	shareholders' equity adjusted number of shares held outside the group at year end
Dividend/share	dividend/share for the financial year adjustment coefficient for share issues after the financial year
Dividend/earnings, %	dividend/share x 100 earnings/share
Dividend/cash flow from operations, %	dividend/share x 100 cash flow from operations/share
Dividend yield, %	dividend/share x 100 adjusted share price at year end
P/E ratio	adjusted share price at year end earnings/share
Market capitalisation	Number of shares held outside the group at year end x adjusted share price at year end
Return on equity (ROE), %	(profit before income taxes - income taxes) (last 12 months) x 100 shareholders' equity (quarterly average)
Return on invested capital (ROI), %	(profit before income taxes + profit from discontinued operations + interest and other financial expenses) (last 12 months) x 100 (balance sheet total - non-interest bearing liabilities) (quarterly average)
Equity ratio, %	shareholders' equity x 100 balance sheet total - advances received
Gearing, %	(interest-bearing liabilities - interest-bearing receivables - cash at bank and in hand) x 100 shareholders' equity

Information for Shareholders

Financial Information

In 2013, Suominen Corporation will publish financial reports as follows:
Interim Report 1 January–31 March on 19 April 2013
Interim Report 1 January–30 June on 17 July 2013
Interim Report 1 January–30 September on 23 October 2013

Financial Statement Release of 2012 was published on 15 February 2013. Financial reports and other Stock Exchange Releases are published in Finnish and English and are available on the company's website www.suominen.fi immediately after publication. The internet pages also contain information on how to join the mailing list for releases. All financial reports and other releases will be distributed via e-mail. The English editions are translations of the Finnish originals, which will prevail in the event of any dispute.

The Annual General Meeting

The Annual General Meeting of Suominen Corporation will be held on Tuesday 26 March 2013, at 10 a.m. in the Finlandia Hall's Veranda, Hall 4, Mannerheimintie 13 e, Helsinki. The reception of persons who have registered for the meeting will commence at 9.00 a.m. Notice of the Annual General Meeting has been announced as stock exchange release on 15 February 2013. All materials to the Annual General Meeting are available on the company's website www.suominen.fi/agm-2013.

Shareholders who are entered in the company's Register of Shareholders maintained by Euroclear Finland Ltd on 14 March 2013 are entitled to attend the Annual General Meeting. Notice of attendance at the Annual General Meeting is requested by 4 p.m. on 19 March 2013, either

a) by e-mail at agm@suominen.fi,
b) by telephone at +358 (0)10 214 3551,
c) in writing to Suominen Corporation, Porkkalankatu 20 A, FI-00180 or
d) by fax at +358 (0)10 214 3530.

The notice of attendance must include the name of the shareholder, his or her personal id number, address, phone number and the name of an eventual assistant or representative and the representative´s personal id number.

Payment of the dividend

The Board of Directors proposes to the Annual General Meeting of Shareholders that no dividend be paid for the financial year of 2012.

Investor relations

Investor relations of Suominen Corporation are the responsibility of Anu Heinonen, Communications Director, tel. +358 10 214 3555.
Requests for appointments shall be addressed to Eeva Oinonen, Executive Assistant, PA to President and CEO, tel. +358 (0)10 214 3551.
E-mail addresses follow the format firstname.lastname@suominencorp.com.

No appointments will be arranged with the company's representatives, nor will they comment on the financial results during the period between the end of the financial period and the disclosure of the results.

Suominen Corporation

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Suominen

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