Suominen Corporation Interim Report 25 October 2018 at 8:00 am (EET)

Suominen Corporation's Interim Report for 1 January–30 September 2018:

Net sales increased, operating profit declined

KEY FIGURES

	7-9/ 2018	7-9/ 2017	**1-9/ 2018**	1-9/ 2017	1-12/ 2017
Net sales, EUR million	**104.8**	102.4	**321.3**	327.3	426.0
Comparable operating profit, EUR million	**0.5**	4.6	**5.0**	15.3	15.0
Operating profit, EUR million	**0.5**	4.6	**5.0**	15.3	15.0
Profit for the period, EUR million	**-1.1**	1.8	**0.3**	8.2	14.5
Earnings per share, basic, EUR	**-0.02**	0.03	**0.01**	0.15	0.27
Earnings per share, diluted, EUR	**-0.02**	0.03	**0.01**	0.14	0.25
Cash flow from operations per share, EUR	**0.13**	0.04	**0.41**	0.35	0.39
Return on invested capital, rolling 12 months, %	**–**	–	**2.3**	8.3	6.6
Gearing, %	**–**	–	**58.1**	56.5	59.5*

*restated

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

Highlights in July-September 2018:

- Net sales increased by 2% and amounted to EUR 104.8 million (102.4).
- Operating profit declined by 89% to EUR 0.5 million (4.6) due to continued price increases of raw materials and other resources and slower than expected impact of the 3P program
- Cash flow from operations strengthened to EUR 7.7 million (2.3).
- The new manufacturing line at Bethune, SC, US plant line continued to contribute positively on Suominen's gross profit.
- Suominen's President & CEO changed: Nina Kopola left the company on 3 August and Pekka Ojanpää was appointed as the new President & CEO. Tapio Engström acts as interim President & CEO.

- On 13 September, Suominen revised its guidance and announced that in 2018, its net sales will be at the level of 2017 and its comparable operating profit will be significantly lower than in 2017. In 2017, Suominen's net sales amounted to EUR 426.0 million and operating profit to EUR 15.0 million. In financial year 2017 Suominen had no items affecting the comparability of the operating profit. The calculation of comparable operating profit is explained in the disclosures of this release.

Tapio Engström, President & CEO (interim), comments on Suominen's third quarter of 2018:

"Suominen's main market areas are Europe and North America. In the euro area, the consumer confidence index turned to decline in the third quarter, however still remaining at a healthy level. In the United States, the consumer confidence index continued strong. Our nonwovens are, for the most part, used in daily consumer goods, and in these target markets the general economic situation and consumer confidence drive the development of consumer demand.

The decline in our profitability with an operating profit decrease to EUR 0.5 million reflects both the impact of the long economic upturn resulting in increased costs and a tense competitive situation with an oversupplied market. The costs of several of our key resources, including raw materials, energy and logistics, have continued to be in a steep rise. While the profitability developed negatively, Suominen's cash flow from operations remained strong in the third quarter and was EUR 7.7 million, thanks to a positive development in net working capital.

In the end of 2017 we launched the so-called 3P program, which focuses on improving Suominen's profitability through Pricing, Performance and Planning. Although the impacts of the program have been slower than what we expected, we have continued rigorously with the improvement actions.

Determined measures taken in pricing as well as the favorable change in the product portfolio had a positive impact on the net sales as our net sales increased to EUR 104.8 million. The global price increases announced on 19 September will improve our profitability in the longer term. Approximately half of our net sales is tied to contracts that include a pass-through clause concerning raw material price fluctuations. Passing on the price changes of these raw materials to the customers usually takes two to five months.

Considering performance, our new manufacturing line at the Bethune, SC, US plant continued to contribute positively to the company's gross profit in the third quarter. The positive development of the net production volumes clearly indicate that the stability and efficiency of the new line has further improved. The ongoing growth investment initiative at our plant in Green Bay, WI, US is proceeding as planned. We expect the enhanced capabilities to be in full utilization by end of 2019.

In planning, our on-going group-wide ICT systems renewal plays an important role. The systems renewal continued as scheduled in the third quarter and the new systems were taken into use at our plant in Windsor Locks, CT, US. Today, five out of our eight plants operate through the new ICT systems. We expect all plants to have the new systems in place during the first half of 2019.

In September, Suominen took again one step forward in its strategy by introducing Suominen Intelligent Nonwovens™ concept to the market. The first of its kind in the world of nonwovens, the concept makes it possible to embed digital features into Suominen nonwovens. The launch really proves that we are able to create nonwovens that others cannot.

We announced on 13 September 2018 that Suominen decreases its estimate regarding the net sales and operating profit development. We expect that for the full year 2018, our net sales will be at the level of 2017 and the comparable operating profit will be significantly lower than in 2017."

NET SALES

July–September 2018

In July–September 2018, Suominen's net sales increased by 2% from the comparison period to EUR 104.8 million (102.4). Measures taken in pricing had a positive impact on the net sales, even though sales volumes decreased from the comparison period. The strengthening of the USD compared to EUR increased the net sales by EUR 0.6 million.

Suominen has two business areas, Convenience and Care. Convenience business area supplies nonwovens as roll goods for a wide range of wiping applications. Care business area manufactures nonwovens for hygiene products and medical applications. Net sales of the Convenience business area amounted to EUR 95.6 million (93.0) and net sales of the Care business area EUR 9.1 million (9.3).

January–September 2018

In January–September 2018, Suominen's net sales decreased by 2% from the comparison period to EUR 321.3 million (327.3). Measures taken in pricing and in portfolio transformation had a positive impact on the net sales but were counteracted by the weakening of the US dollar compared with euro, which decreased the net sales by EUR 13.0 million. Sales volumes decreased slightly from the comparison period.

Net sales of the Convenience business area amounted to EUR 293.1 million (297.8) and net sales of the Care business area EUR 28.3 million (29.5).

In January–September, the product portfolio developed in line with the company's strategy, as the share of products with high added value increased to 62% (59%). The share of nonwovens for baby wipes declined to 38% (41%). The share of nonwovens for personal care wipes grew to 23% (20%) and the share of home care wipes increased to 20% (19%). The share of workplace wipes remained at 9% and medical & hygiene applications at 9%. All nonwovens for wiping products belong to the Convenience business area and nonwovens for hygiene and medical products to the Care business area.

OPERATING PROFIT AND RESULT

July–September 2018

Operating profit declined by 89% from the comparison period and amounted to EUR 0.5 million (4.6), mainly due to the significantly increased costs of several of our key resources, including raw materials, energy and logistics and a slower than expected impact of the 3P program. At the same time there is overcapacity on the markets. The impact of sales price increases was not yet material in operating profit. The effect of US dollar exchange rate fluctuation had no material impact on operating profit.

Profit before income taxes was EUR -1.1 million (3.5), and profit for the reporting period was EUR -1.1 million (1.8).

January–September 2018

Operating profit decreased by 68% and was EUR 5.0 million (15.3) mainly due to lower sales prices in the first quarter, overcapacity on the markets as well as higher raw material costs. In addition, we faced some issues with delivery efficiency. The weakening of the US dollar compared to euro decreased the operating profit by EUR 0.2 million.

Profit before income taxes was EUR 0.9 million (13.7), and profit for the reporting period was EUR 0.3 million (8.2).

FINANCING

The Group's net interest-bearing liabilities at nominal value amounted to EUR 76.1 million (74.9) at the end of the review period. The gearing ratio was 58.1% (56.5%) and the equity ratio 42.3% (43.1%).

In January–September, net financial expenses were EUR -4.0 million (-1.6), or -1.2% (-0.5%) of net sales. During the comparison period of 2017 the capitalization of borrowing costs in fixed assets required by IAS 23 standard decreased interest expenses recognized in the statement of profit or loss by EUR 2.2 million. Fluctuations in exchange rates decreased the net financial expenses by EUR 0.1 million (in 2017, increased by EUR 0.1 million). Recognition of loan receivables at fair value increased the net financial expenses by EUR 0.2 million.

Cash flow from operations in July-September was EUR 7.7 million (2.3) and in January-September EUR 23.7 million (18.6), representing a cash flow per share of EUR 0.41 (0.35).

In the third quarter the change in working capital was positive by EUR 4.1 million (-4.4), which was the main driver for improved cash flow from operations during the quarter. In addition, less net financial expenses than in the third quarter of 2017 were paid.

The improvement in the cash flow from operations in January-September was mainly due to the fact that less cash was tied up to working capital (EUR 0.6 million, EUR 6.9 million tied up in the corresponding period last year). The corporate income tax refunds of EUR 7.0 million received in the second quarter improved the cash flow from operations. In addition, less net financial expenses than in the corresponding period of the previous year were paid.

CAPITAL EXPENDITURE

In January-September, the gross capital expenditure totaled EUR 9.8 million (31.7) and was mainly related to the investment in the group-wide renewal of ICT systems as well as to the growth investment initiative at Suominen's plant in Green Bay, WI, USA.

Out of Suominen's eight plants, five are currently operating with the renewed ICT systems as the implementation of the new systems was conducted successfully in the Green Bay, WI, USA plant in the first quarter, both Italian plants in the second quarter and the Windsor Locks, CT, USA plant in the third quarter.

Other investments were mainly for maintenance. Depreciation and amortization for the review period amounted to EUR 15.4 million (14.0).

INFORMATION ON SHARES AND SHARE CAPITAL

Share capital

The number of Suominen's registered shares was 58,259,219 shares on 30 September 2018, equaling to a share capital of EUR 11,860,056.00.

Share trading and price

The number of Suominen Corporation shares traded on Nasdaq Helsinki from 1 January to 30 September 2018 was 2,547,703 shares, accounting for 4.4% of the average number of shares (excluding treasury shares). The highest price was EUR 4.60, the lowest EUR 2.54 and the volume-weighted average price EUR 3.52. The closing price at the end of review period was EUR 2.56. The market capitalization (excluding treasury shares) was EUR 147.2 million on 30 September 2018.

Treasury shares

On 30 September 2018, Suominen Corporation held 762,970 treasury shares.

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

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

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

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

The number of shares forming the remuneration portion which is payable in shares will be determined based on the share value in the stock exchange trading maintained by Nasdaq Helsinki Ltd, calculated as the trade volume weighted average quotation of the share during the one-month period immediately following the date on which the Interim Report of January–March 2018 of the company is published. The shares were given out of the own shares held by the company by the decision of the Board of Directors on 31 May 2018.

Share-based incentive plans for the management and key employees

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

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

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

CHANGE OF PRESIDENT & CEO

Suominen Corporation announced on 3 August 2018, that the Board of Suominen Corporation had appointed Mr. Pekka Ojanpää as the new President & CEO of the Company. Ojanpää works currently as the President & CEO of Lassila & Tikanoja Plc and will start as Suominen's President & CEO latest on 3 February 2019.

The previous President & CEO, Ms. Nina Kopola, left her position as President & CEO and Mr.Tapio Engström, SVP, CFO, was appointed as Suominen's interim President & CEO as of 3 August 2018.

ANNUAL GENERAL MEETING

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

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

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

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

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

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

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

Constitutive meeting and permanent committees of the Board of Directors

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

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

Authorizations of the Board of Directors

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

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

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

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

BUSINESS RISKS AND UNCERTAINTIES

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

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

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

Suominen’s customer base is fairly concentrated, which adds to the customer-specific risk. This may affect Suominen’s financial result if customers’ purchasing habits become more cautious as a result of a changes in consumption, or as a result of sales losses. In 2017, the Group’s ten largest customers accounted for 63% (63%) of the Group net sales. Long-term contracts are preferred with the largest customers. In practice the customer relationships are long-term and last for several years. Customer-related credit risks are managed in accordance with a risk policy approved by the Board of Directors. Credit limits are confirmed for customers on the basis of credit ratings and customer history. Suominen also uses export credit guarantees and insures against customer risks to a limited extent.

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

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

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

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

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

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

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

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

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

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

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

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

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

BUSINESS ENVIRONMENT

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

In the euro area, the consumer confidence index turned to decline in the third quarter, however remaining at healthy level. In the United States, consumer confidence index remained generally strong. Suominen assesses the trend in the demand for its products based on both the general market situation and, above all, based on the framework agreements drawn up with its customers. The new manufacturing capacity that has come on stream has somewhat saturated the markets, primarily in nonwovens for baby wipes and flushables.

Especially towards the end of 2018, the business environment has turned more challenging as the prices of several key resources (raw materials, energy, logistics) have increased steeply. The current conditions for global trade create uncertainty in the business environment, which can have a further negative impact on raw material prices.

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

OUTLOOK FOR 2018

Suominen expects that in 2018, its net sales will be at the level of 2017 and its comparable operating profit will be significantly lower than in 2017. In 2017, Suominen's net sales amounted to EUR 426.0 million and operating profit to EUR 15.0 million. In financial year 2017 Suominen had no items affecting the comparability of the operating profit. The calculation of comparable operating profit is explained in the disclosures of this release.

EVENTS AFTER THE REPORTING PERIOD

One of Suominen's raw material suppliers, Kelheim Fibres GmbH, has reported a fire at their factory in Germany. This fire will cause a shortage of a raw material Suominen uses in its production of certain flushable products. We are currently evaluating the effects of the incident and implementing measures to minimize the impact to our customers.

ANALYST AND PRESS CONFERENCE

Tapio Engström, President & CEO (Interim), will present the Q3 financial result in Finnish at an analyst and press conference in Helsinki on Thursday, 25 October at 11:00 am (EEST). The conference will take place at Suominen's Helsinki office, address Itämerentori 2. The presentation material will be available after the analyst and press conference at www.suominen.fi

A teleconference and a webcast on the Q3 financial result will be held on 25 October at 3:00 pm (EEST). The conference can be attended by phone at +44 20 3936 2999 (access code 952259) or through www.suominen.fi/webcast. The conference call will be held in English. A replay of the conference can be accessed at www.suominen.fi/webcast or by phone at +44 20 3936 3001, using access code 536106.

NEXT FINANCIAL REPORT

Suominen Corporation will publish its Financial Statement Release 2018 on Thursday 31 January approximately at 8:00 am (EET).

SUOMINEN GROUP 1 JANUARY–30 SEPTEMBER 2018

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

This interim report has not been audited.

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

The new standards, amendments and interpretations, which have been applied from 1 January 2018 and which have a material effect on Suominen have been disclosed in Suominen's January-March 2018 Interim Report. Other new or amended standards or interpretations applicable from 1 January 2018 are not material for Suominen Group. Also the effects of the changes in accounting principles on Suominen's opening balances in the statement of financial position are presented separately in Suominen's January-March 2018 Interim Report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR thousand	**30.9.2018**	30.9.2017	Restated 31.12.2017
Assets			
Non-current assets			
Goodwill	**15,496**	15,496	15,496
Intangible assets	**20,439**	16,016	17,470
Property, plant and equipment	**130,539**	139,601	136,649
Loan receivables	**3,072**	5,836	3,072
Equity instruments	**777**	777	777
Other non-current receivables	**1,291**	1,895	1,744
Deferred tax assets	**4,933**	4,568	5,142
Total non-current assets	**176,547**	184,188	180,349
Current assets			
Inventories	**50,601**	41,520	44,241
Trade receivables	**56,051**	59,421	53,934
Loan receivables	**4,105**	2,200	4,337
Other current receivables	**3,902**	4,897	4,236
Assets for current tax	**913**	1,362	7,703
Cash and cash equivalents	**17,639**	14,209	27,240
Total current assets	**133,210**	123,609	141,692
Total assets	**309,757**	307,797	322,040
Equity and liabilities			
Equity			
Share capital	**11,860**	11,860	11,860
Share premium account	**24,681**	24,681	24,681
Reserve for invested unrestricted equity	**81,185**	76,375	87,423
Treasury shares	**-44**	-44	-44
Fair value and other reserves	**264**	266	264
Exchange differences	**-2,457**	-399	-3,151
Retained earnings	**15,492**	8,841	15,761
Total equity attributable to owners of the parent	**130,981**	121,580	136,794
Hybrid bond	**–**	10,983	–
Total equity	**130,981**	132,564	136,794
Liabilities			

Non-current liabilities			
Deferred tax liabilities	**15,002**	10,516	14,558
Liabilities from defined benefit plans	**898**	953	984
Other non-current liabilities	**17**	760	49
Debentures	**80,341**	75,000	95,192
Other non-current interest-bearing liabilities	**100**	192	162
Total non-current liabilities	**96,358**	87,421	110,945
Current liabilities			
Debentures	**15,672**	–	–
Current interest-bearing liabilities	**92**	21,980	15,118
Liabilities for current tax	**141**	4,523	32
Trade payables and other current liabilities	**66,513**	61,310	59,152
Total current liabilities	**82,418**	87,812	74,302
Total liabilities	**178,776**	175,233	185,247
Total equity and liabilities	**309,757**	307,797	322,040

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

EUR thousand	**7-9/2018**	7-9/2017	**1-9/2018**	1-9/2017	1-12/2017
Net sales	**104,768**	102,380	**321,344**	327,302	425,996
Cost of goods sold	**-98,178**	-92,119	**-296,852**	-291,488	-383,839
Gross profit	**6,589**	10,261	**24,493**	35,815	42,157
Other operating income	**936**	387	**2,131**	1,323	1,764
Sales and marketing expenses	**-1,599**	-1,549	**-5,210**	-5,358	-7,262
Research and development	**-883**	-1,142	**-2,692**	-3,623	-4,739
Administration expenses	**-4,207**	-3,388	**-13,228**	-13,019	-16,861
Other operating expenses	**-347**	49	**-539**	129	-59
Operating profit	**488**	4,618	**4,955**	15,267	15,000
Net financial expenses	**-1,626**	-1,139	**-4,010**	-1,581	-2,570
Profit before income taxes	**-1,138**	3,478	**945**	13,686	12,430
Income taxes	**-7**	-1,672	**-649**	-5,522	2,048
Profit / loss for the period	**-1,145**	1,807	**296**	8,164	14,478
Earnings per share, EUR					
Basic	**-0.02**	0.03	**0.01**	0.15	0.27
Diluted	**-0.02**	0.03	**0.01**	0.14	0.25

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	**7-9/2018**	7-9/2017	**1-9/2018**	1-9/2017	1-12/2017
Profit for the period	**-1,145**	1,807	**296**	8,164	14,478
Other comprehensive income:					
Other comprehensive income that will be subsequently reclassified to profit or loss					
Exchange differences	**169**	-3,658	**1,039**	-14,180	-17,083
Fair value changes of cash flow hedges	–	-4	–	205	267
Reclassified to profit or loss	–	26	–	9	13
Reclassified to property, plant and equipment	–	-153	–	34	-35
Income taxes related to other comprehensive income	**-70**	334	**-345**	1,175	1,328
Total	**99**	-3,455	**694**	-12,756	-15,510
Other comprehensive income that will not be subsequently reclassified to profit or loss					
Remeasurements of defined benefit plans	–	–	–	43	15
Income taxes related to other comprehensive income	–	–	–	-12	-4
Total	**–**	–	**–**	31	11
Total other comprehensive income	**99**	-3,455	**694**	-12,726	-15,500
Total comprehensive income for the period	**-1,046**	-1,648	**990**	-4,562	-1,022

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR thousand	Share capital	Share premium account	Reserve for invested unrestricted equity	Treasury shares
Equity 1 January 2018	**11,860**	**24,681**	**87,423**	**-44**
Effect of changes in IFRS standards	–	–	–	–
Restated equity 1 January 2018	**11,860**	**24,681**	**87,423**	**-44**
Profit / loss for the period	–	–	–	–

Other comprehensive income	–	–	–	–
Total comprehensive income	**–**	**–**	**–**	**–**
Share-based payments	–	–	–	–
Return of capital	–	–	-6,322	–
Unpaid return of capital, booking back to equity	–	–	0	–
Conveyance of treasury shares	–	–	84	–
Equity 30 September 2018	**11,860**	**24,681**	**81,185**	**-44**

EUR thousand	Exchange differences	Fair value and other reserves	Retained earnings	Total equity
Equity 1 January 2018	**-3,151**	**264**	**15,084**	**136,117**
Effect of changes in IFRS standards	–	–	677	**677**
Restated equity 1 January 2018	**-3,151**	**264**	**15,761**	**136,794**
Profit / loss for the period	–	–	296	296
Other comprehensive income	694	–	–	694
Total comprehensive income	**694**	**–**	**296**	**990**
Share-based payments	–	–	-564	-564
Return of capital	–	–	–	-6,322
Unpaid return of capital, booking back to equity	–	–	–	0
Conveyance of treasury shares	–	–	–	84
Equity 30 September 2018	**-2,457**	**264**	**15,492**	**130,981**

	Share capital	Share premium account	Reserve for invested unrestricted equity	Treasury shares	Exchange differences
Equity 1 January 2017	**11,860**	**24,681**	**70,855**	**-44**	**12,613**
Profit / loss for the period	–	–	–	–	–
Other comprehensive income	–	–	–	–	-13,012
Total comprehensive income	**–**	**–**	**–**	**–**	**-13,012**
Share-based payments	–	–	–	–	–
Dividend distribution	–	–	–	–	–
Conveyance of treasury shares	–	–	84	–	–
Conversion of hybrid bond	–	–	5,436	–	–
Hybrid bond	–	–	–	–	–
Equity 30 September 2017	**11,860**	**24,681**	**76,375**	**-44**	**-399**

	Fair value and other reserves	Other equity	Total	Hybrid bond	Total equity
Equity 1 January 2017	**10**	**6,324**	**126,300**	**16,525**	**142,824**
Profit / loss for the period	–	8,164	8,164	–	8,164
Other comprehensive income	256	31	-12,726	–	-12,726
Total comprehensive income	**256**	**8,195**	**-4,562**	**–**	**-4,562**
Share-based payments	–	338	338	–	338
Dividend distribution	–	-5,585	-5,585	–	-5,585
Conveyance of treasury shares	–	–	84	–	84
Conversion of hybrid bond	–	–	5,436	-5,436	–
Hybrid bond	–	-430	-430	-105	-535
Equity 30 September 2017	**266**	**8,841**	**121,580**	**10,983**	**132,564**

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

EUR thousand	Fair value and other reserves	Retained earnings	Total	Hybrid bond	Total equity
Equity 1 January 2017	**10**	**6,324**	**126,300**	**16,525**	**142,824**
Profit / loss for the period	–	14,478	14,478	–	14,478
Other comprehensive income	254	11	-15,500	–	-15,500

Total comprehensive income	**254**	**14,489**	**-1,022**	**–**	**-1,022**
Share-based payments	–	338	338	–	338
Dividend distribution	–	-5,585	-5,585	–	-5,585
Conveyance of treasury shares	–	–	84	–	84
Conversion of hybrid bond	–	–	16,484	-16,484	–
Hybrid bond	–	-481	-481	-41	-522
Equity 31 December 2017	**264**	**15,084**	**136,117**	**–**	**136,117**
Effect of changes in IFRS standards	–	677	**677**	–	**677**
Restated equity 31 December 2017	**264**	**15,761**	**136,794**	**–**	**136,794**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	**1-9/2018**	1-9/2017	**1-12/2017**
Cash flow from operations			
Profit for the period	**296**	8,164	14,478
Total adjustments to profit the period	**20,014**	22,228	21,069
Cash flow before changes in net working capital	**20,310**	30,392	35,547
Change in net working capital	**-614**	-6,921	-8,028
Financial items	**-2,241**	-4,457	-5,575
Income taxes	**6,228**	-434	207
Cash flow from operations	**23,682**	18,578	22,152
Cash flow from investments			
Investments in property, plant and equipment and intangible assets	**-11,105**	-29,700	-33,839
Cash flow from disposed businesses	**198**	287	287
Sales proceeds from property, plant and equipment and intangible assets	**1**	–	5
Cash flow from investments	**-10,906**	-29,412	-33,548
Cash flow from financing			
Drawdown of non-current interest-bearing liabilities	–	–	25,730
Drawdown of current interest-bearing liabilities	–	10,000	25,000
Repayment of current interest-bearing liabilities	**-15,088**	-5,309	-27,263
Repayment in loan receivables	–	350	1,550
Tender and issuance costs of the bonds	–	–	-5,190
Payment of hybrid bond interest	–	-642	-642
Return of capital / dividend distribution	**-6,322**	-5,585	-5,585
Cash flow from financing	**-21,410**	-1,186	13,599
Change in cash and cash equivalents	**-8,634**	-12,022	2,203

Cash and cash equivalents at the beginning of the period	**27,240**	29,522	29,522
Effect of changes in exchange rates	**-967**	-3,291	-4,485
Change in cash and cash equivalents	**-8,634**	-12,022	2,203
Cash and cash equivalents at the end of the period	**17,639**	14,209	27,240

KEY RATIOS

	7-9/ 2018	7-9/ 2017	**1-9/ 2018**	1-9/ 2017	1-12/ 2017
Change in net sales, % *	**2.3**	-1.4	**-1.8**	3.4	2.2
Gross profit, as percentage of net sales, %	**6.3**	10.0	**7.6**	10.9	9.9
Comparable gross profit, as percentage of net sales, %	**6.3**	10.0	**7.6**	10.9	9.9
Operating profit, as percentage of net sales, %	**0.5**	4.5	**1.5**	4.7	3.5
Comparable operating profit, as percentage of net sales, %	**0.5**	4.5	**1.5**	4.7	3.5
Net financial items, as percentage of net sales, %	**-1.6**	-1.1	**-1.2**	-0.5	-0.6
Profit before income taxes, as percentage of net sales, %	**-1.1**	3.4	**0.3**	4.2	2.9
Profit for the period, as percentage of net sales, %	**-1.1**	1.8	**0.1**	2.5	3.4
Gross capital expenditure, EUR thousand	**3,081**	7,470	**9,758**	31,651	37,210
Depreciation and amortization, EUR thousand	**5,302**	4,770	**15,425**	13,976	19,349
Return on equity, rolling 12 months, %	**–**	–	**5.0**	7.2	10.6
Return on invested capital, rolling 12 months, %	**–**	–	**2.3**	8.3	6.6
Equity ratio, %	**–**	–	**42.3**	43.1	42.5
Gearing, %	**–**	–	**58.1**	56.5	59.5
Average number of personnel	**–**	–	**673**	671	670
Earnings per share, EUR, basic	**-0.02**	0.03	**0.01**	0.15	0.27
Earnings per share, EUR, diluted	**-0.02**	0.03	**0.01**	0.14	0.25
Cash flow from operations per share, EUR	**0.13**	0.04	**0.41**	0.35	0.39
Equity per share, EUR	**–**	–	**2.28**	2.50	2.38
Number of shares, end of period, excluding treasury shares	**–**	–	**57,496,249**	52,963,615	57,382,939
Share price, end of period, EUR	**–**	–	**2.56**	4.49	4.42
Share price, period low, EUR	**–**	–	**2.54**	3.86	3.86
Share price, period high, EUR	**–**	–	**4.60**	5.22	5.22
Volume weighted average price during the period, EUR	**–**	–	**3.52**	4.54	4.53
Market capitalization, EUR million	**–**	–	**147.2**	237.8	253.6

Number of traded shares during the period	–	–	**2,547,703**	4,424,147	5,405,584
Number of traded shares during the period, % of average number of shares	–	–	**4.4**	8.6	10.4

* Compared with the corresponding period in the previous year.

	30.9.2018	30.9.2017	31.12.2017
Interest-bearing net debt, EUR thousands			
Non-current interest-bearing liabilities, nominal value	**85,100**	75,192	100,892
Current interest-bearing liabilities, nominal value	**15,822**	21,980	15,118
Interest-bearing receivables and cash and cash equivalents	**-24,815**	-22,245	-34,650
Interest-bearing net debt	**76,107**	74,927	81,360

CALCULATION OF KEY RATIOS AND ALTERNATIVE PERFORMANCE MEASURES

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

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

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

Calculation of key ratios per share

Earnings per share

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

Diluted earnings per share (EPS) Profit for the period

= Average diluted share-issue adjusted number of shares excluding treasury shares

EUR thousand	**30.9.2018**	**30.9.2017**	**31.12.2017**
Profit for the period	296	8,164	14,478
Interest on hybrid bond net of tax	–	-313	-481
Total	296	7,851	13,997

Average share-issue adjusted number of shares	57,459,736	51,578,302	52,145,416
Average diluted share-issue adjusted number of shares excluding treasury shares	57,492,454	57,795,891	57,798,395

Earnings per share

EUR			
Basic	0.01	0.15	0.27
Diluted	0.01	0.14	0.25

Cash flow from operations per share

$$\text{Cash flow from operations per share} = \frac{\text{Cash flow from operations}}{\text{Share-issue adjusted number of shares excluding treasury shares, end of reporting period}}$$

	30.9.2018	**30.9.2017**	**31.12.2017**
Cash flow from operations, EUR thousand	23,682	18,578	22,152
Share-issue adjusted number of shares excluding treasury shares, end of reporting period	57,496,249	52,963,615	57,382,939
Cash flow from operations per share, EUR	0.41	0.35	0.39

Equity per share

$$\text{Equity per share} = \frac{\text{Total equity}}{\text{Share-issue adjusted number of shares excluding treasury shares, end of reporting period}}$$

	30.9.2018	30.9.2017	restated 31.12.2017
Total equity, EUR thousand	130,981	132,564	136,794
Share-issue adjusted number of shares excluding treasury shares, end of reporting period	57,496,249	52,963,615	57,382,939
Equity per share, EUR	2.28	2.50	2.38

Market capitalization

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

	30.9.2018	30.9.2017	31.12.2017
Number of shares at the end of reporting period excluding treasury shares	57,496,249	52,963,615	57,382,939
Share price at end of the period, EUR	2.56	4.49	4.42
Market capitalization, EUR million	147.2	237.8	253.6

Share turnover

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

	30.9.2018	30.9.2017	31.12.2017
Number of shares traded during the period	2,547,703	4,424,147	5 405 584
Average number of shares excluding treasury shares	57 459 736	51,578,302	52,145,416
Share turnover, %	4.4	8.6	10.4

Calculation of key ratios and alternative performance measures

Operating profit and comparable operating profit

Operating profit (EBIT) = Profit before income taxes + net financial expenses

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

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

EBITDA

EBITDA	=	EBIT + depreciation, amortization and impairment losses

EUR thousand	**30.9.2018**	**30.9.2017**	**31.12.2017**
Operating profit	4,955	15,267	15,000
+ Depreciation, amortization and impairment losses	15,425	13,976	19,349
EBITDA	20,380	29,243	34,349

Gross capital expenditure

EUR thousand	**30.9.2018**	**30.9.2017**	**31.12.2017**
Increases in intangible assets	4,636	4,001	6,027
Increases in property, plant and equipment	5,122	27,649	31,183
Gross capital expenditure	9,758	31,651	37,210

Interest-bearing net debt

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

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

EUR thousand	**30.9.2018**	**30.9.2017**	**31.12.2017**
Interest-bearing liabilities	96,205	97,172	110,472
Tender and issuance costs of the debentures	4,717	–	5,538
Interest bearing receivables	-7,176	-8,036	-7,409
Cash and cash equivalents	-17 639	-14,209	-27,240
Interest-bearing net debt	76,107	74,927	81,360
Interest-bearing liabilities	96,205	97,172	110,472

Tender and issuance costs of the debentures	4,717	–	5,538
Nominal value of interest-bearing liabilities	100,922	97,172	110,472

Return on equity (ROE), %

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

EUR thousand	**30.9.2018**	**30.9.2017**	restated **31.12.2017**
Profit for the reporting period (rolling 12 months)	6,610	9,796	14,478
Total equity 30 September 2017 / 30 September 2016 / 31 December 2016	132,564	135,186	142,824
Total equity 31 December 2017 / 31 December 2016 / 31 March 2017	136,794	142,824	139,902
Total equity 31 March 2018 / 31 March 2017 / 30 June 2017	126,866	139,902	134,074
Total equity 30 June 2018 / 30 June 2017 / 30 September 2017	132,631	134,074	132,564
Total equity 30 September 2018 / 30 September 2017 / 31 December 2017	130,981	132,564	136,794
Average	131,967	136,910	137,232
Return on equity (ROE), %	5.0	7.2	10.6

Invested capital

Invested capital = Total equity + interest-bearing liabilities

EUR thousand	**30.9.2018**	**30.9.2017**	restated **31.12.2017**
Total equity	130,981	132,564	136,794
Interest-bearing liabilities	96,205	97,172	110,472
Invested capital	227,186	229,735	247,266

Return on invested capital (ROI), %

Return on invested capital (ROI), % = Operating profit + financial income (rolling 12 months) x 100

Invested capital, quarterly average

EUR thousand	30.9.2018	30.9.2017	restated 31.12.2017
Operating profit (rolling 12 months)	4,688	18,807	15,000
Financial income (rolling 12 months)	786	764	767
Total	5,473	19,571	15,766
Invested capital 30 September 2017 / 30 September 2016 / 31 December 2016	229,735	228,648	237,321
Invested capital 31 December 2017 / 31 December 2016 / 31 March 2017	246,589	237,321	244,103
Invested capital 31 March 2018 / 31 March 2017 / 30 June 2017	232,580	244,103	234,892
Invested capital 30 June 2018 / 30 June 2017 / 30 September 2017	238,589	234,892	229,735
Invested capital 30 September 2018 / 30 September 2017 / 31 December 2017	227,186	229,735	247,266
Average	234,936	234,940	238,664
Return on invested capital (ROI), %	2.3	8.3	6.6

Financial income does not include fair value changes of liabilities at fair value through profit or loss.

Equity ratio, %

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

EUR thousand	30.9.2018	30.9.2017	restated 31.12.2017
Total equity	130,981	132,564	136,794
Total assets	309,757	307,797	322,040
Advances received	-48	-2	-8
	309,709	307,795	322,033
Equity ratio, %	42.3	43.1	42.5

Gearing, %

Gearing, % = Interest-bearing net debt x 100

Total equity

EUR thousand	30.9.2018	30.9.2017	restated 31.12.2017
Interest-bearing net debt	76,107	74,927	81,360
Total equity	130,981	132,564	136,794
Gearing, %	58.1	56.5	59.5

NET SALES BY GEOGRAPHICAL MARKET AREA

EUR thousand	1-9/2018	1-9/2017	1-12/2017
Finland	**1,891**	1,949	2,510
Rest of Europe	**116,758**	120,755	160,817
North and South America	**196,799**	196,719	252,176
Rest of the world	**5,896**	7,879	10,494
Total	**321,344**	327,302	425,996

QUARTERLY SALES DEVELOPMENT BY BUSINESS AREA

	2018			2017			
EUR thousand	7-9	4-6	1-3	10-12	7-9	4-6	1-3
Convenience	95,634	99,947	97,481	90,737	92,999	102,976	101,850
Care	9,145	9,962	9,152	8,031	9,294	9,072	11,084
Unallocated exchange differences	-12	52	-17	-74	87	-46	-14
Total	104,768	109,961	106,616	98,694	102,380	112,002	112,920

QUARTERLY DEVELOPMENT

	2018			2017			
EUR thousand	7-9	4-6	1-3	10-12	7-9	4-6	1-3
Net sales	104,768	109,961	106,616	98,694	102,380	112,002	112,920
Comparable operating profit	488	2,919	1,548	-267	4,618	4,391	6,258
as % of net sales	0.5	2.7	1.5	-0.3	4.5	3.9	5.5
Items affecting comparability	–	–	–	–	–	–	–
Operating profit	488	2,919	1,548	-267	4,618	4,391	6,258
as % of net sales	0.5	2.7	1.5	-0.3	4.5	3.9	5.5
Net financial items	-1,626	-507	-1,876	-988	-1,139	-285	-157
Profit before income taxes	-1,138	2,411	-328	-1,256	3,478	4,105	6,102
as % of net sales	-1.1	2.2	-0.3	-1.3	3.4	3.7	5.4

RELATED PARTY INFORMATION

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

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

The Annual General Meeting held on 15 March 2018 resolved that 40% of the annual remuneration for the Board of Directors is paid in Suominen Corporation's shares. The number of shares transferred to the members of the Board of Directors as their remuneration payable in shares for 2018 was 23,742 shares. The shares were transferred on 1 June 2018 and the value of the transferred shares totaled EUR 83,788, or approximately EUR 3.53 per share.

Other salaries paid to the related parties, excluding share-based payments, during January-September 2018 amounted to EUR 1,402 thousand, obligatory pension payments to EUR 182 thousand, voluntary pension payments to EUR 51 thousand. During the third quarter, part of the accrual for the remaining share-based payments was reversed as the vesting conditions will not be fully fulfilled. The net of accruals and reversals of the accruals based on the non-vested share-based incentive plans was EUR -228 thousand. In addition, a provision for a severance payment of EUR 731 thousand related to the change of President & CEO was recognized during the third quarter.

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

CHANGES IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	30.9.2018		30.9.2017		31.12.2017	
EUR thousands	**Property, plant and equipment**	**Intangible assets**	Property, plant and equipment	Intangible assets	Property, plant and equipment	Intangible assets
Carrying amount at the beginning of the period	**136,649**	**17,470**	135,510	14,133	135,510	14,133
Capital expenditure	**5,122**	**4,636**	27,649	4,001	31,183	6,027
Disposals	**0**	**–**	–	-36	–	-36
Depreciation, amortization and impairment losses	**-13,790**	**-1,635**	-12,043	-1,933	-16,857	-2,493
Exchange differences and other changes	**2,559**	**-32**	-11,515	-150	-13,187	-161

Carrying amount at the end of the period	**130,540**	**20,439**	139,601	16,016	136,649	17,470

Goodwill is not included in intangible assets.

CHANGES IN INTEREST-BEARING LIABILITIES

EUR thousand	**1-9/2018**	1-9/2017	1-12/2017
Total interest-bearing liabilities at the beginning of the period	**110,472**	94,497	94,497
Current liabilities at the beginning of the period	**15,118**	7,923	7,923
Repayment of current liabilities, cash flow items	**-15,088**	-5,309	-27,264
Drawdown of current liabilities, cash flow items	**–**	10,000	25,000
Reclassification from non-current liabilities	**62**	10,172	11,412
Exchange rate difference	**–**	-807	-1,953
Current liabilities at the end of the period	**92**	21,980	15,118
Non-current liabilities at the beginning of the period	**162**	11,574	11,574
Reclassification to current liabilities	**-62**	-10,172	-11,412
Exchange rate difference	**–**	-1,210	–
Non-current liabilities at the end of the period	**100**	192	162
Non-current debentures at the beginning of the period	**95,192**	75,000	75,000
Issuance of the new debenture bond, cash flow items	**–**	–	25,730
Periodization of debenture to amortized cost, non-cash flow items	**819**	–	-348
Tender and issuance costs of the debentures, cash flow items	**–**	–	-5,190
Reclassification to current debentures	**-15,671**	–	–
Non-current debentures at the end of the period	**80,341**	75,000	95,192
Current debentures at the beginning of the period	–	–	–
Periodization of debenture to amortized cost, non-cash flow items	**1**	–	–
Reclassification from non- current debentures	**15,671**	–	–
Current debentures at the end of the period	**15,672**	–	–
Total interest-bearing liabilities at the end of the period	**96,205**	97,172	110,472

CONTINGENT LIABILITIES

EUR thousand	**30.9.2018**	30.9.2017	31.12.2017
Other commitments			
Operating leases	**15,363**	7,822	8,614
Contractual commitments to acquire property, plant and equipment	**1,659**	–	86
Guarantees			
On own behalf	**10,888**	12,106	9,865
Other own commitments	**3,021**	3,633	3,484
Total	**13,910**	15,739	13,349

NOMINAL AND FAIR VALUES OF DERIVATIVE INSTRUMENTS

	30.9.2018		**30.9.2017**		**31.12.2017**	
EUR thousand	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Fair value
Currency forward contracts						
Hedge accounting not applied	2,617	-12	2,677	11	1,334	24
Electricity derivatives						
Hedge accounting applied	–	–	150	3	–	–

FINANCIAL ASSETS BY CATEGORY

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

	Classification					
EUR thousand	**a.**	**b.**	**c.**	**d.**	**e.**	**f.**
Equity instruments	347	–	429	–	777	777
Other non-current receivables	–	–	–	–	–	–
Loan receivables	4,337	2,839	–	–	7,176	7,176
Trade receivables	–	56,051	–	–	56,051	56,051
Derivatives	–	–	–	–	–	–
Interest and other financial receivables	–	941	–	–	941	941
Cash and cash equivalents	–	17,639	–	–	17,639	17,639
Total 30.9.2018	**4,685**	**77,470**	**429**	**–**	**82,584**	**82,584**

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

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

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

FINANCIAL LIABILITIES

	30.9.2018			31.12.2017		
EUR thousand	**Carrying amount**	**Fair value**	**Nominal value**	Carrying amount	Fair value	Nominal value
Non-current financial liabilities						
Debentures	80,341	82,450	85,000	95,192	102,647	100,730
Finance lease liabilities	100	100	100	162	162	162
Total non-current financial liabilities	80,441	82,550	85,100	95,354	102,809	100,892
Current financial liabilities						
Debentures	15,672	16,307	15,730	–	–	–
Current part of non-current loans from financial institutions and current loans from financial institutions	–	–	–	15,000	15,000	15,000
Finance lease liabilities	92	92	92	118	118	118
Derivatives, hedge accounting not applied	12	12	12	–	–	–
Interest accruals	2,128	2,128	2,128	736	736	736
Other current liabilities	274	274	274	301	301	301
Trade payables	56,301	56,301	56,301	52,145	52,145	52,145
Total current financial liabilities	74,479	75,115	74,537	68,300	68,300	68,300
Total	**154,920**	**157,665**	**159,637**	**163,654**	**171,109**	**169,192**

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

FAIR VALUE MEASUREMENT HIERARCHY

EUR thousands	**Level 1**	**Level 2**	**Level 3**
Financial assets and liabilities at fair value			
Loan receivables	–	–	4,337
Equity instruments	–	–	777
Total	**–**	**–**	**5,114**
Derivatives at fair value			
Currency forward contracts, liabilities	–	-24	–
Total	**–**	**-24**	**–**

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

RESTATEMENT OF PREVIOUSLY PUBLISHED FIGURES

Restatement of previously published figures is presented in the Interim report for January-March 2018.

SUOMINEN CORPORATION
Board of Directors

For additional information, please contact:
Tapio Engström, President & CEO (Interim), tel. +358 (0)10 214 300

Suominen in brief

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

Distribution:
Nasdaq Helsinki
Main media
www.suominen.fi