



Suominen Corporation Half-Year Financial Report 9 August 2017 at 1:00 pm (EEST)

Suominen Corporation's Half-Year Financial Report for January 1 - June 30, 2017:

## Net sales grew, cash flow from operations remained good, operating profit decreased

| KEY FIGURES                                      | 4-6/         | 4-6/  | 1-6/         | 1-6/  | 1-12/ |
|--|--------------|-------|--------------|-------|-------|
|  | 2017         | 2016  | 2017         | 2016  | 2016  |
| Net sales, EUR million                           | <b>112.0</b> | 108.8 | <b>224.9</b> | 212.7 | 416.9 |
| Comparable operating profit, EUR million         | <b>4.4</b>   | 8.7   | <b>10.6</b>  | 14.2  | 25.6  |
| Operating profit, EUR million                    | <b>4.4</b>   | 8.7   | <b>10.6</b>  | 14.2  | 25.6  |
| Profit for the period, EUR million               | <b>2.1</b>   | 5.2   | <b>6.4</b>   | 8.7   | 15.2  |
| Earnings per share, basic, EUR                   | <b>0.04</b>  | 0.10  | <b>0.12</b>  | 0.16  | 0.29  |
| Earnings per share, diluted, EUR                 | <b>0.04</b>  | 0.09  | <b>0.11</b>  | 0.15  | 0.26  |
| Cash flow from operations per share, EUR         | <b>0.19</b>  | 0.15  | <b>0.31</b>  | 0.33  | 0.56  |
| Return on invested capital, rolling 12 months, % | -            | -     | <b>9.7</b>   | 13.5  | 11.6  |
| Gearing, %                                       | -            | -     | <b>53.7</b>  | 24.5  | 39.6  |

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

### Highlights in April–June 2017:

- Net sales increased by 3% to EUR 112.0 million (108.8).
- Operating profit decreased by 49% to EUR 4.4 million (8.7).
- Cash flow from operations improved to EUR 10.2 million (7.6).
- The new production line at the Bethune plant in SC, USA was started up and the first invoiced products were delivered. However, the start-up progress has been slower than anticipated and Suominen estimates the new line to generate less sales in 2017 than it had previously forecasted.
- Suominen repeats its revised estimate, disclosed on 20 July 2017, and expects that for the full year 2017, its net sales will improve from year 2016 but its comparable operating profit will fall short of the 2016 level. In 2016, Suominen's net sales amounted to EUR 416.9 million and comparable operating profit to EUR 25.6 million. The calculation of comparable operating profit is explained in the consolidated financial statements of 2016.

**Nina Kopola**, President & CEO, comments on Suominen's second quarter of 2017:

"In the second quarter of 2017, the consumer confidence remained strong in our main market regions, Europe and North America. Consumers' optimism was also reflected in the demand of Suominen's products.

Suominen's net sales grew by 3% to EUR 112.0 million. As our key target during this strategy period is

growth, I was pleased with the healthy growth in our sales volumes. Sales value did not develop as positively as volumes, and the unfavorable change in the product mix offset the impact of volume growth. A very fierce competitive situation, especially in nonwovens for baby wipes and flushables, led to lower sales prices.

The largest project in our growth investment program, a new wetlaid line in the Bethune plant in SC, USA, was started up during the quarter, as we estimated in our interim report for Q1. The market interest towards the new line has been significant. The first invoiced products have been delivered to customers. However, the start-up progress has been technically more challenging than we anticipated and some final testing still remains to be done. Therefore we estimate – as we disclosed on 20 July 2017 – that the new line will generate less sales in 2017 than we had previously forecasted. Moreover, lower-than-forecasted net sales combined with the line's cost level that reflects normal operational status will have a negative impact on the company's operating profit in 2017.

In addition to the Bethune investment, we have taken other major measures to ensure growth in line with our strategy. We have strengthened our Technology team and are implementing a significant renewal of our ICT systems. These measures, together with the lower sales prices, burdened our profitability in the second quarter. Our operating profit decreased to EUR 4.4 million.

Cash flow from operations improved from the corresponding period to EUR 10.2 million, thanks to the freed working capital.

Once the new manufacturing line in Bethune is fully operational, we will significantly increase our capacity to supply high added value nonwovens products especially for the growing home and workplace wiping markets, supporting a favorable development of our product mix in the future. The completion of the Bethune investment will also close the investment program planned for 2015–2017.

During the second quarter, we continued to launch new high added value products to the market. In April, we introduced a new nonwoven substrate to our Suominen@work offering targeted for professional use. GENESIS® Pro All Purpose is the strongest professional wipes material on the market, outperforming its competitors in key performance areas, such as thickness and absorption capacity. In May, we launched FIBRELLA® Wrap for undercast paddings and cushions used in wound care onto the growing South American market. The earlier growth investment made in production technology in Paulínia, Brazil plant enables Suominen to supply the new product from the plant.

In April, we published a new Changemaker strategy for the next five-year period ending in 2021. If we succeed in its execution, Suominen's net sales will grow at a rate that doubles the average market growth, making Suominen a company with a net sales over EUR 600 million in 2021."

## **NET SALES**

### **April–June 2017**

In April–June 2017, Suominen's net sales increased by 3% from the comparison period to EUR 112.0 million (108.8). Improved demand was reflected in growing sales volumes, which in turn increased net sales, whereas lower sales prices had a negative effect on net sales. The changes in US dollar exchange rate compared to euro improved net sales by EUR 1.5 million from the comparison period.

Suominen has two business areas, Convenience and Care. Convenience business area supplies nonwovens as roll goods for a wide range of wiping applications. Care business area manufactures

nonwovens for hygiene products and medical applications. Net sales of the Convenience business area were EUR 103.0 million (99.5) and net sales of the Care business area EUR 9.1 million (9.3). Due to the reclassification of a customer between applications, the figures for the comparison period have been restated.

### **January–June 2017**

In January–June 2017, Suominen's net sales increased by 6% from the comparison period last year to EUR 224.9 million (212.7). Improved demand was reflected in growing sales volumes, which in turn improved net sales, whereas decreased sales prices had a negative effect on net sales. The changes in US dollar exchange rate improved net sales during January–June 2017 by EUR 3.8 million.

Net sales of the Convenience business area were EUR 204.8 million (193.9) and net sales of the Care business area EUR 20.2 million (18.7).

The main application areas for nonwoven materials supplied by Suominen in January–June were baby wipes (accounting for 41% of the sales), personal care wipes (19%), home wipes (20%), wipes for workplace use (9%), and hygiene and medical products (9%). All nonwovens for wiping products belong to the Convenience business area and nonwovens for hygiene and medical products to the Care business area.

As the demand for baby wipes produced by Suominen's global key customers grew, the share of nonwovens for baby wipes in Suominen's net sales increased from the comparison period. Of the products with high added value, nonwovens for home wipes increased their share in the portfolio while the share of personal care products declined.

## **OPERATING PROFIT AND RESULT**

### **April–June 2017**

Operating profit decreased by 49% and amounted to EUR 4.4 million (8.7). Lower gross profit and costs related to the growth investments burdened the operating profit. USD/EUR exchange rate fluctuation had no material impact on operating profit.

Profit before income taxes was EUR 4.1 million (7.7), and profit for the quarter was EUR 2.1 million (5.2).

### **January–June 2017**

Operating profit fell by 25% to EUR 10.6 million (14.2). Lower gross profit and costs related to the growth investments burdened the operating profit. USD/EUR exchange rate fluctuation improved operating profit by EUR 0.3 million.

In January–June, profit before income taxes was EUR 10.2 million (13.0), and profit for the reporting period was EUR 6.4 million (8.7). Lower financial expenses improved the profit for the period.

## **FINANCING**

The Group's net interest-bearing liabilities amounted to EUR 72.1 million (32.0) at the end of the review period. The gearing ratio was 53.7% (24.5%) and the equity ratio 43.0% (43.6%).

In January–June, net financial expenses were EUR -0.4 million (-1.2), or 0.2% (0.6%) of net sales. Fluctuations in exchange rates did not have any material effect on the financial items, while in the comparison period they decreased the financial expenses by EUR 0.4 million. During the first six months 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 1.6 million (0.4).

Cash flow from operations in April–June was EUR 10.2 million (7.6) and in January–June EUR 16.3 million (16.7), representing a cash flow per share of EUR 0.31 (0.33). The cash flow from operations in the second quarter of 2017 improved from the corresponding period as we were able to free working capital. In the second quarter the change in working capital was EUR +0.3 million (-4.6). The slight decline in the cash flow from operations in the first half of the year was mainly due to the lower profit and higher paid financial items. However, there was a decrease income taxes and less working capital was tied up during the reporting period than during the corresponding period in the previous year. The financial items in the cash flow from operations, in total EUR -2.4 million (-1.9), were principally impacted by the interests of the debenture bond paid during the reporting period. In the first half of the year, EUR 2.5 million was tied up in working capital (3.2).

## **CAPITAL EXPENDITURE**

In January–June, the gross capital expenditure totaled EUR 24.2 million (11.6) and was mainly related to the investment in a new production line at the Bethune, SC, USA plant. In addition, Suominen is in the process of renewing its ICT systems. The first implementation of the ICT renewal program was conducted successfully at the Alicante plant in Spain in April without major issues. Other investments were mainly for maintenance. Depreciation and amortization for the review period amounted to EUR 9.2 million (9.1).

## **INFORMATION ON SHARES AND SHARE CAPITAL**

### **Share capital**

The number of Suominen's registered shares was 53,794,935 shares on 30 June 2017, equaling to a share capital of EUR 11,860,056.00.

The number of shares increased in June 2017 in total by 2,129,293 shares due to the share conversions of the hybrid bond notes and accrued interests. The conversion of the hybrid bond to equity has been recorded into the reserve for invested unrestricted equity.

### **Share trading and price**

The number of Suominen Corporation shares traded on Nasdaq Helsinki from 1 January to 30 June 2017 was 2,838,587 shares, accounting for 5.6% of the average number of shares (excluding treasury shares). The highest price was EUR 5.22, the lowest EUR 3.86 and the volume-weighted average price EUR 4.47. The closing price at the end of review period was EUR 4.95. The market capitalization (excluding treasury shares) was EUR 261.9 million on 30 June 2017.

### **Treasury shares**

On 30 June 2017, Suominen Corporation held 876,280 treasury shares. In accordance with the resolution by the Annual General Meeting, in total 16,807 shares were transferred to the members of the Board of Directors as their remuneration payable in shares during the reporting period.

### **Hybrid bond**

In February 2014, Suominen Corporation issued a convertible hybrid bond of EUR 17.5 million. The holders of the bond notes are entitled to convert the notes and the potential accrued capitalized interest related to the notes into Suominen shares. The conversion period started on 11 February 2014 and will end on 10 February 2018.

In June 2017, bond notes and the accrued capitalized interest related to the notes were converted to total of 2,129,293 new shares in Suominen Corporation. The conversion rate was recorded under the invested non-restricted equity fund of Suominen.

The number of shares in Suominen may increase in total by maximum of 4,547,680 shares on the basis of the conversion of the remaining bond notes and the potential capitalized interest, if the conversion is carried out by issuing new shares in Suominen.

### **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 share-based incentive plan is divided into Performance Share Plan and Matching Share Plan. The plans are described in detail in the Financial Statements 2016 and in the Remuneration Statement 2016 of Suominen Corporation, available on the company's website, [www.suominen.fi](http://www.suominen.fi) > Investors > Corporate Governance.

### **ANNUAL GENERAL MEETING**

The Annual General Meeting (AGM) of Suominen Corporation was held on 15 March 2017. The AGM decided that a dividend of EUR 0.11 per share will be paid for the financial year 2016.

The AGM adopted the financial statements and the consolidated financial statements for the financial year 2016 and discharged the members of the Board of Directors and the President & CEO from liability.

The AGM decided that the remuneration payable to the members of the Board remains unchanged, with the exception of the remuneration of the Chair of the Board which will be increased by EUR 10,000. The Chair of the Board of Directors will be paid an annual fee of EUR 60,000, Deputy Chair of the Board an annual fee of EUR 37,500 and other Board members an annual fee of EUR 28,000. Further, the members of the Board will receive a fee of EUR 500 for each meeting held in the home country of respective member and a fee of EUR 1,000 per each meeting held elsewhere than in home country of respective member. 60% of the annual remuneration is paid in cash and 40% in Suominen Corporation's shares. Compensation for expenses is paid in accordance with the company's valid travel policy.

The AGM decided that the number of Board members remains unchanged at six (6). 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. Mr. Jan Johansson was elected as a new member and as Chair of the Board of Directors. The decisions concerning the remuneration of the Board, the number of the members in the Board as well as the composition of the Board were in accordance with the proposals by the Shareholders' Nomination Board.

Ernst & Young Oy, accountant firm, was elected as auditor of Suominen Corporation, with Ms. Kristina Sandin, Authorized Public Accountant, as the principal auditor.

### **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 and Jaana Tuominen were re-elected as members. Jan Johansson was 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 2017 authorized the Board of Directors to repurchase a maximum of 400,000 of the company's own shares. The shares shall be repurchased to be used in company's share-based incentive programs, in order to disburse the remuneration of the members of the Board of Directors, for use as consideration in acquisitions related to the company's business, or to be held by the company, to be conveyed by other means or to be cancelled. The 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 repurchase authorization is valid until 30 June 2018.

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

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

On 2 June 2017, Oy Etra Invest Ab (a company under the controlling power of Mr Erkki Etola) notified Suominen that its shareholding in the company will cross the 10% flagging threshold due to the conversion of the bond notes and accrued interests of the hybrid bond issued by Suominen Corporation into Suominen shares.

### **BUSINESS RISKS AND UNCERTAINTIES**

The estimate on the development of Suominen's net sales is partially based on forecasts and delivery plans received from the company's customers. Changes in these forecasts and plans, resulting from changes in the market conditions or in customers' inventory levels, may affect Suominen's net sales. Due to the continued uncertainty in the general economic situation and the cautious consumer purchasing habits, the forecasts include uncertainty.

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. The Group's ten largest customers accounted for 63% of the Group net sales in 2016. Long-term contracts are preferred with the largest customers. In practice the customer relationships are long-term and last for several years. Customer-related credit risks are managed in accordance with a risk policy approved by the Board of Directors. Credit limits are confirmed for customers on the basis of credit ratings and customer history. Suominen also uses export credit guarantees and insures against customer risks to a limited extent.

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

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

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

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

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

Suominen continuously invests in its manufacturing facilities and information systems. 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.

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

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

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

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

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

General risks related to business operations are described in the Report of the Board of Directors 2016.

## **BUSINESS ENVIRONMENT**

Suominen's nonwovens are, for the most part, used in daily consumer goods, such as wet wipes as well as 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. At these market areas, the growth in the demand for nonwovens has typically exceeded the growth of gross domestic product by a couple of percentage points. Moreover, Suominen has operated in the growing South American markets since 2014.

The consumer confidence remained strong also in the second quarter of 2017 both in North America and in Europe.

Suominen assesses the trend in the demand for its products on the basis of both the general market situation and, above all, on the basis of the framework agreements drawn up with its customers. In general, the growth in the demand in Suominen's target markets in 2017 is expected to continue, on average, at the pace of 2016.



## **OUTLOOK FOR 2017**

Suominen expects that for the full year 2017, its net sales will improve from year 2016 but its comparable operating profit will fall short of the 2016 level.

In 2016, Suominen's net sales amounted to EUR 416.9 million and comparable operating profit to EUR 25.6 million. The calculation of comparable operating profit is explained in the consolidated financial statements of 2016.

## **ANALYST AND PRESS CONFERENCE**

Nina Kopola, President & CEO, and Tapio Engström, CFO, will present Suominen's financial result for Q2 2017 in Finnish at an analyst and press conference in Helsinki today on 9 August at 2:00 pm (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](http://www.suominen.fi).

A teleconference and a webcast on the Q2 2017 financial result will be held today on 9 August at 4:00 pm (EEST). The conference can be attended by phone at +44 20 3059 8125 (password: Suominen) and it is held in English. The conference can be accessed also at [www.suominen.fi/webcast](http://www.suominen.fi/webcast).

A replay of the conference can be accessed shortly after the conference has ended at [www.suominen.fi](http://www.suominen.fi) or by phone at +44 121 260 4861, using access code 6670150#.

## **NEXT FINANCIAL REPORT**

Suominen Corporation will publish its Interim report for January–September 2017 on 27 October 2017 approximately at 8:00 am (EEST).

## **SUOMINEN GROUP 1 JANUARY–30 JUNE 2017**

This half-year financial report has been prepared in accordance with the principles defined in IAS 34 Interim Financial Reporting. The principles for preparing the half-year report are the same as those used for preparing the consolidated financial statements for 2016. Changes to published accounting standards and interpretations, together with the new accounting standards that came into force on 1 January 2017, are presented in the consolidated financial statements for 2016. The new standards to be applied on 1 January 2018 and 2019 respectively (IFRS 15 Revenue from Contracts with Customers, IFRS 9 Financial Instruments and IFRS 16 Leases) as well as their effect on the consolidated financial statements of Suominen have been described in the consolidated financial statements of 2016.

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

This half-year financial report has not been audited.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

| EUR thousand                                      | 30.6.2017      | 30.6.2016 | 31.12.2016 |
|---|----------------|-----------|------------|
| <b>Assets</b>                                     |                |           |            |
| <b>Non-current assets</b>                         |                |           |            |
| Goodwill  | 15,496         | 15,496    | 15,496     |
| Intangible assets                                 | 15,795         | 13,385    | 14,133     |
| Property, plant and equipment                     | 140,194        | 100,499   | 135,510    |
| Loan receivables                                  | 5,836          | 7,093     | 6,836      |
| Available-for-sale assets                         | 777            | 777       | 777        |
| Other non-current receivables                     | 1,959          | 2,327     | 2,524      |
| Deferred tax assets                               | 3,697          | 4,330     | 3,424      |
| <b>Total non-current assets</b>                   | <b>183,753</b> | 143,907   | 178,698    |
| <b>Current assets</b>                             |                |           |            |
| Inventories                                       | 39,735         | 32,739    | 42,631     |
| Trade receivables                                 | 59,563         | 57,888    | 53,946     |
| Loan receivables                                  | 2,550          | 1,250     | 1,550      |
| Other current receivables                         | 5,159          | 5,583     | 7,274      |
| Assets for current tax                            | 974            | 2,156     | 2,008      |
| Cash and cash equivalents                         | 20,379         | 56,545    | 29,522     |
| <b>Total current assets</b>                       | <b>128,360</b> | 156,161   | 136,929    |
| <b>Total assets</b>                               | <b>312,113</b> | 300,069   | 315,628    |
| <b>Equity and liabilities</b>                     |                |           |            |
| Share capital                                     | 11,860         | 11,860    | 11,860     |
| Share premium account                             | 24,681         | 24,681    | 24,681     |
| Reserve for invested unrestricted equity          | 76,262         | 69,732    | 70,855     |
| Treasury shares                                   | -44            | -44       | -44        |
| Fair value and other reserves                     | 398            | 205       | 10         |
| Exchange differences                              | 2,923          | 6,440     | 12,613     |
| Other equity                                      | 7,044          | 334       | 6,324      |
| Total equity attributable to owners of the parent | 123,125        | 113,209   | 126,300    |
| Hybrid bond                                       | 10,950         | 17,503    | 16,525     |
| <b>Total equity</b>                               | <b>134,074</b> | 130,712   | 142,824    |
| <b>Liabilities</b>                                |                |           |            |
| <b>Non-current liabilities</b>                    |                |           |            |
| Deferred tax liabilities                          | 10,726         | 10,811    | 11,195     |
| Liabilities from defined benefit plans            | 988            | 1,070     | 1,081      |
| Other non-current liabilities                     | 706            | 329       | 364        |
| Debentures  | 75,000         | 75,000    | 75,000     |

|  |                |         |         |
|--|----------------|---------|---------|
| Other non-current interest-bearing liabilities | <b>9,089</b>   | 16,250  | 11,574  |
| Total non-current liabilities                  | <b>96,510</b>  | 103,460 | 99,214  |
| <b>Current liabilities</b>                     |                |         |         |
| Current interest-bearing liabilities           | <b>16,729</b>  | 5,632   | 7,923   |
| Liabilities for current tax                    | <b>2,692</b>   | 2,625   | 280     |
| Trade payables and other current liabilities   | <b>62,108</b>  | 57,639  | 65,388  |
| Total current liabilities                      | <b>81,529</b>  | 65,897  | 73,590  |
| <b>Total liabilities</b>                       | <b>178,039</b> | 169,357 | 172,804 |
| <b>Total equity and liabilities</b>            | <b>312,113</b> | 300,069 | 315,628 |

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| EUR thousand                      | <b>4-6/2017</b> | 4-6/2016 | <b>1-6/2017</b> | 1-6/2016 | 1-12/2016 |
|-----------------------------------|-----------------|----------|-----------------|----------|-----------|
| <b>Net sales</b>                  | <b>112,002</b>  | 108,832  | <b>224,922</b>  | 212,701  | 416,862   |
| Cost of goods sold                | <b>-100,122</b> | -93,830  | <b>-199,368</b> | -185,907 | -364,636  |
| <b>Gross profit</b>               | <b>11,880</b>   | 15,002   | <b>25,554</b>   | 26,794   | 52,226    |
| Other operating income            | <b>587</b>      | 470      | <b>936</b>      | 1,099    | 1,909     |
| Sales and marketing expenses      | <b>-1,951</b>   | -1,818   | <b>-3,809</b>   | -3,576   | -7,364    |
| Research and development          | <b>-1,217</b>   | -994     | <b>-2,481</b>   | -1,831   | -4,330    |
| Administration expenses           | <b>-4,936</b>   | -3,931   | <b>-9,630</b>   | -8,270   | -16,191   |
| Other operating expenses          | <b>27</b>       | -67      | <b>80</b>       | -12      | -629      |
| <b>Operating profit</b>           | <b>4,391</b>    | 8,661    | <b>10,649</b>   | 14,204   | 25,622    |
| Net financial expenses            | <b>-285</b>     | -967     | <b>-442</b>     | -1,211   | -3,190    |
| <b>Profit before income taxes</b> | <b>4,105</b>    | 7,694    | <b>10,207</b>   | 12,993   | 22,432    |
| Income taxes                      | <b>-1,988</b>   | -2,475   | <b>-3,850</b>   | -4,333   | -7,199    |
| <b>Profit for the period</b>      | <b>2,117</b>    | 5,219    | <b>6,357</b>    | 8,660    | 15,233    |
| <b>Earnings per share, EUR</b>    |                 |          |                 |          |           |
| Basic                             | <b>0.04</b>     | 0.10     | <b>0.12</b>     | 0.16     | 0.29      |
| Diluted                           | <b>0.04</b>     | 0.09     | <b>0.11</b>     | 0.15     | 0.26      |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

| EUR thousand   | 4-6/2017      | 4-6/2016 | 1-6/2017       | 1-6/2016 | 1-12/2016 |
|--|---------------|----------|----------------|----------|-----------|
| <b>Profit for the period</b>   | <b>2,117</b>  | 5,219    | <b>6,357</b>   | 8,660    | 15,233    |
| <b>Other comprehensive income:</b>   |               |          |                |          |           |
| <b>Other comprehensive income that will be subsequently reclassified to profit or loss</b>     |               |          |                |          |           |
| Exchange differences   | <b>-9,229</b> | 5,496    | <b>-10,522</b> | 1,563    | 7,881     |
| Fair value changes of cash flow hedges and available-for-sale assets                           | <b>201</b>    | -221     | <b>209</b>     | 397      | 245       |
| Reclassified to profit or loss   | <b>-21</b>    | 86       | <b>-17</b>     | 69       | 116       |
| Reclassified to property, plant and equipment  | <b>187</b>    | -133     | <b>187</b>     | -133     | -188      |
| Income taxes related to other comprehensive income   | <b>669</b>    | -743     | <b>841</b>     | -229     | -410      |
| <b>Total</b>   | <b>-8,193</b> | 4,484    | <b>-9,302</b>  | 1,666    | 7,644     |
| <b>Other comprehensive income that will not be subsequently reclassified to profit or loss</b> |               |          |                |          |           |
| Remeasurements of defined benefit plans  | -             | -        | <b>43</b>      | -        | -110      |
| Income taxes related to other comprehensive income   | -             | -        | <b>-12</b>     | -        | 16        |
| <b>Total</b>   | -             | -        | <b>31</b>      | -        | -93       |
| <b>Total comprehensive income for the period</b>   | <b>-6,075</b> | 9,705    | <b>-2,915</b>  | 10,327   | 22,784    |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

| EUR thousand                      | Share capital | Share premium account | Reserve for invested unrestricted equity | Treasury shares | Exchange differences |
|-----------------------------------|---------------|-----------------------|--|-----------------|----------------------|
| <b>Equity 1 January 2017</b>      | <b>11,860</b> | <b>24,681</b>         | <b>70,855</b>                            | <b>-44</b>      | <b>12,613</b>        |
| Profit / loss for the period      | -             | -                     | -  | -               | -                    |
| Other comprehensive income        | -             | -                     | -  | -               | -9,690               |
| <b>Total comprehensive income</b> | -             | -                     | -  | -               | <b>-9,690</b>        |
| Share-based payments              | -             | -                     | -  | -               | -                    |
| Dividend distribution             | -             | -                     | -  | -               | -                    |
| Conveyance of treasury shares     | -             | -                     | 84                                       | -               | -                    |
| Conversion of hybrid bond         | -             | -                     | 5,323                                    | -               | -                    |
| Hybrid bond                       | -             | -                     | -  | -               | -                    |
| <b>Equity 30 June 2017</b>        | <b>11,860</b> | <b>24,681</b>         | <b>76,262</b>                            | <b>-44</b>      | <b>2,923</b>         |

|                                   | Fair value<br>and other<br>reserves | Other<br>equity | Total          | Hybrid<br>bond | Total equity   |
|-----------------------------------|-------------------------------------|-----------------|----------------|----------------|----------------|
| <b>Equity 1 January 2017</b>      | <b>10</b>                           | <b>6,324</b>    | <b>126,300</b> | <b>16,525</b>  | <b>142,824</b> |
| Profit / loss for the period      | –                                   | 6,357           | 6,357          | –              | 6,357          |
| Other comprehensive income        | 388                                 | 31              | -9,271         | –              | -9,271         |
| <b>Total comprehensive income</b> | <b>388</b>                          | <b>6,388</b>    | <b>-2,915</b>  | <b>–</b>       | <b>-2,915</b>  |
| Share-based payments              | –                                   | 230             | 230            | –              | 230            |
| Dividend distribution             | –                                   | -5,585          | -5,585         | –              | -5,585         |
| Conveyance of treasury shares     | –                                   | –               | 84             | –              | 84             |
| Conversion of hybrid bond         | –                                   | –               | 5,323          | -5,323         | –              |
| Hybrid bond                       | –                                   | -313            | -313           | -252           | -564           |
| <b>Equity 30 June 2017</b>        | <b>398</b>                          | <b>7,044</b>    | <b>123,125</b> | <b>10,950</b>  | <b>134,074</b> |

| EUR thousands                     | Share<br>capital | Share<br>premium<br>account | Reserve for<br>invested<br>unrestricted<br>equity | Treasury<br>shares | Exchange<br>differences |
|-----------------------------------|------------------|-----------------------------|---|--------------------|-------------------------|
| <b>Equity 1 January 2016</b>      | <b>11,860</b>    | <b>24,681</b>               | <b>69,652</b>                                     | <b>-44</b>         | <b>5,097</b>            |
| Profit / loss for the period      | –                | –                           | –   | –                  | –                       |
| Other comprehensive income        | –                | –                           | –   | –                  | 1,343                   |
| <b>Total comprehensive income</b> | <b>–</b>         | <b>–</b>                    | <b>–</b>  | <b>–</b>           | <b>1,343</b>            |
| Share-based payments              | –                | –                           | –   | –                  | –                       |
| Dividend distribution             | –                | –                           | –   | –                  | –                       |
| Conveyance of treasury shares     | –                | –                           | 80  | –                  | –                       |
| Hybrid bond                       | –                | –                           | –   | –                  | –                       |
| <b>Equity 30 June 2016</b>        | <b>11,860</b>    | <b>24,681</b>               | <b>69,732</b>                                     | <b>-44</b>         | <b>6,440</b>            |

| EUR thousands                     | Fair value<br>and other<br>reserves | Other<br>equity | Total          | Hybrid<br>bond | Total equity   |
|-----------------------------------|-------------------------------------|-----------------|----------------|----------------|----------------|
| <b>Equity 1 January 2016</b>      | <b>-118</b>                         | <b>-3,076</b>   | <b>108,052</b> | <b>17,664</b>  | <b>125,716</b> |
| Profit / loss for the period      | –                                   | 8,660           | 8,660          | –              | 8,660          |
| Other comprehensive income        | 323                                 | –               | 1,666          | –              | 1,666          |
| <b>Total comprehensive income</b> | <b>323</b>                          | <b>8,660</b>    | <b>10,327</b>  | <b>–</b>       | <b>10,327</b>  |
| Share-based payments              | –                                   | 151             | 151            | –              | 151            |
| Dividend distribution             | –                                   | -5,030          | -5,030         | –              | -5,030         |
| Conveyance of treasury shares     | –                                   | –               | 80             | –              | 80             |
| Hybrid bond                       | –                                   | -370            | -370           | -162           | -532           |
| <b>Equity 30 June 2016</b>        | <b>205</b>                          | <b>334</b>      | <b>113,209</b> | <b>17,503</b>  | <b>130,712</b> |

| EUR thousands                     | Share capital | Share premium account | Reserve for invested unrestricted equity | Treasury shares | Exchange differences |
|-----------------------------------|---------------|-----------------------|--|-----------------|----------------------|
| <b>Equity 1 January 2016</b>      | <b>11,860</b> | <b>24,681</b>         | <b>69,652</b>                            | <b>-44</b>      | <b>5,097</b>         |
| Profit / loss for the period      | -             | -                     | -  | -               | -                    |
| Other comprehensive income        | -             | -                     | -  | -               | 7,516                |
| <b>Total comprehensive income</b> | <b>-</b>      | <b>-</b>              | <b>-</b>                                 | <b>-</b>        | <b>7,516</b>         |
| Share-based payments              | -             | -                     | -  | -               | -                    |
| Dividend distribution             | -             | -                     | -  | -               | -                    |
| Conveyance of treasury shares     | -             | -                     | 80                                       | -               | -                    |
| Conversion of hybrid bond         | -             | -                     | 1,124                                    | -               | -                    |
| Hybrid bond                       | -             | -                     | -  | -               | -                    |
| <b>Equity 31 December 2016</b>    | <b>11,860</b> | <b>24,681</b>         | <b>70,855</b>                            | <b>-44</b>      | <b>12,613</b>        |

| EUR thousands                     | Fair value and other reserves | Other equity  | Total          | Hybrid bond   | Total equity   |
|-----------------------------------|-------------------------------|---------------|----------------|---------------|----------------|
| <b>Equity 1 January 2016</b>      | <b>-118</b>                   | <b>-3,076</b> | <b>108,052</b> | <b>17,664</b> | <b>125,716</b> |
| Profit / loss for the period      | -                             | 15,233        | 15,233         | -             | 15,233         |
| Other comprehensive income        | 128                           | -93           | 7,551          | -             | 7,551          |
| <b>Total comprehensive income</b> | <b>128</b>                    | <b>15,140</b> | <b>22,784</b>  | <b>-</b>      | <b>22,784</b>  |
| Share-based payments              | -                             | 190           | 190            | -             | 190            |
| Dividend distribution             | -                             | -5,030        | -5,030         | -             | -5,030         |
| Conveyance of treasury shares     | -                             | -             | 80             | -             | 80             |
| Conversion of hybrid bond         | -                             | -             | 1,124          | -1,124        | -              |
| Hybrid bond                       | -                             | -899          | -899           | -16           | -915           |
| <b>Equity 31 December 2016</b>    | <b>10</b>                     | <b>6,324</b>  | <b>126,300</b> | <b>16,525</b> | <b>142,824</b> |

**CONSOLIDATED STATEMENT OF CASH FLOWS**

| EUR thousand  | 1-6/2017       | 1-6/2016 | 1-12/2016 |
|---|----------------|----------|-----------|
| <b>Cash flow from operations</b>  |                |          |           |
| Profit for the period   | 6,357          | 8,660    | 15,233    |
| Total adjustments to profit the period                                  | 14,558         | 14,455   | 29,783    |
| Cash flow before changes in net working capital                         | 20,915         | 23,115   | 45,016    |
| Change in net working capital   | -2,476         | -3,238   | -6,277    |
| Financial items   | -2,369         | -1,932   | -3,895    |
| Income taxes  | 252            | -1,264   | -6,348    |
| <b>Cash flow from operations</b>  | <b>16,322</b>  | 16,682   | 28,496    |
| <b>Cash flow from investments</b>                                       |                |          |           |
| Investments in property, plant and equipment and intangible assets      | -25,135        | -10,662  | -49,553   |
| Cash flow from disposed businesses                                      | 287            | 313      | 313       |
| Adjustments of purchase consideration                                   | -              | 161      | 161       |
| Sales proceeds from property, plant and equipment and intangible assets | -              | -        | 8         |
| <b>Cash flow from investments</b>                                       | <b>-24,848</b> | -10,188  | -49,072   |
| <b>Cash flow from financing</b>   |                |          |           |
| Repayment of current interest-bearing liabilities                       | -2,220         | -        | -         |
| Drawdown of current interest-bearing liabilities                        | 10,000         | -26      | -3,359    |
| Repayment in loan receivables   | -              | 450      | 1,000     |
| Payment of hybrid bond interest   | -642           | -624     | -624      |
| Dividend distribution   | -5,585         | -5,030   | -5,030    |
| <b>Cash flow from financing</b>   | <b>1,552</b>   | -5,230   | -8,013    |
| <b>Change in cash and cash equivalents</b>                              | <b>-6,974</b>  | 1,263    | -28,588   |
| Cash and cash equivalents at the beginning of the period                | 29,522         | 55,570   | 55,570    |
| Effect of changes in exchange rates                                     | -2,169         | -287     | 2,540     |
| Change in cash and cash equivalents                                     | -6,974         | 1,263    | -28,588   |
| <b>Cash and cash equivalents at the end of the period</b>               | <b>20,379</b>  | 56,545   | 29,522    |

| <b>KEY RATIOS</b>  | <b>4-6/<br/>2017</b> | 4-6/<br>2016 | <b>1-6/<br/>2017</b> | 1-6/<br>2016 | 1-12/<br>2016 |
|--|----------------------|--------------|----------------------|--------------|---------------|
| Change in net sales, % *   | <b>2.9</b>           | -3.6         | <b>5.7</b>           | -5.4         | -6.1          |
| Gross profit, as percentage of net sales, %  | <b>10.6</b>          | 13.8         | <b>11.4</b>          | 12.6         | 12.5          |
| Comparable gross profit, as percentage of net sales, %   | <b>10.6</b>          | 13.8         | <b>11.4</b>          | 12.6         | 12.5          |
| Operating profit, as percentage of net sales, %  | <b>3.9</b>           | 8.0          | <b>4.7</b>           | 6.7          | 6.1           |
| Comparable operating profit, as percentage of net sales, %                                     | <b>3.9</b>           | 8.0          | <b>4.7</b>           | 6.7          | 6.1           |
| Net financial items, as percentage of net sales, %   | <b>-0.3</b>          | -0.9         | <b>-0.2</b>          | -0.6         | -0.8          |
| Profit before income taxes, as percentage of net sales, %                                      | <b>3.7</b>           | 7.1          | <b>4.5</b>           | 6.1          | 5.4           |
| Profit for the period, as percentage of net sales, %   | <b>1.9</b>           | 4.8          | <b>2.8</b>           | 4.1          | 3.7           |
| Gross capital expenditure, EUR thousands   | <b>12,957</b>        | 8,061        | <b>24,180</b>        | 11,588       | 53,320        |
| Depreciation, amortization, impairment losses and reversal of impairment losses, EUR thousands | <b>4,556</b>         | 4,544        | <b>9,207</b>         | 9,146        | 18,520        |
| Return on equity, rolling 12 months, %   | -                    | -            | <b>9.5</b>           | 12.9         | 11.6          |
| Return on invested capital, rolling 12 months, %   | -                    | -            | <b>9.7</b>           | 13.5         | 11.6          |
| Equity ratio, %  | -                    | -            | <b>43.0</b>          | 43.6         | 45.3          |
| Gearing, %   | -                    | -            | <b>53.7</b>          | 24.5         | 39.6          |
| Average number of personnel  | -                    | -            | <b>667</b>           | 637          | 646           |
| Earnings per share, EUR, basic   | <b>0.04</b>          | 0.10         | <b>0.12</b>          | 0.16         | 0.29          |
| Earnings per share, EUR, diluted   | <b>0.04</b>          | 0.09         | <b>0.11</b>          | 0.15         | 0.26          |
| Cash flow from operations per share, EUR   | <b>0.19</b>          | 0.15         | <b>0.31</b>          | 0.33         | 0.56          |
| Equity per share, EUR  | -                    | -            | <b>2.53</b>          | 2.60         | 2.81          |
| Number of shares, end of period, excluding treasury shares                                     | -                    | -            | <b>52,918,655</b>    | 50,323,145   | 50,772,555    |
| Share price, end of period, EUR  | -                    | -            | <b>4.95</b>          | 4.02         | 4.14          |
| Share price, period low, EUR   | -                    | -            | <b>3.86</b>          | 3.61         | 3.49          |
| Share price, period high, EUR  | -                    | -            | <b>5.22</b>          | 6.20         | 6.20          |
| Volume weighted average price during the period, EUR   | -                    | -            | <b>4.47</b>          | 4.38         | 4.24          |
| Market capitalization, EUR million   | -                    | -            | <b>261.9</b>         | 202.3        | 210.2         |
| Number of traded shares during the period  | -                    | -            | <b>2,838,587</b>     | 8,754,693    | 13,611,634    |
| Number of traded shares during the period, % of average number of shares                       | -                    | -            | <b>5.6</b>           | 17.4         | 27.0          |

\* Compared with the corresponding period in the previous year.

|   | <b>30.6.2017</b> | 30.6.2016 | 31.12.2016 |
|---|------------------|-----------|------------|
| <b>Interest-bearing net debt, EUR thousands</b> |                  |           |            |
| Non-current interest-bearing liabilities        | <b>84,089</b>    | 91,250    | 86,574     |
| Current interest-bearing liabilities            | <b>16,729</b>    | 5,632     | 7,923      |



|  |                |         |         |
|--|----------------|---------|---------|
| Interest-bearing receivables and cash and cash equivalents | <b>-28,765</b> | -64,889 | -37,908 |
| Interest-bearing net debt                                  | <b>72,053</b>  | 31,994  | 56,589  |

## CALCULATION OF KEY RATIOS

### Key ratios per share

#### Earnings per share

Basic earnings per share are calculated by dividing the net result attributable to owners of the parent (adjusted with interest on hybrid bond, net of tax) by the weighted share-issue adjusted average number of shares outstanding during the reporting period, excluding shares acquired by the Group and held as treasury shares.

When calculating diluted earnings per share, the weighted share-issue adjusted average number of shares outstanding during the year is adjusted by the effect of the hybrid bond on the number of shares.

The dilutive effect of the hybrid bond on the number of shares is calculated by assuming that the remaining amount of the bond is fully converted into shares at the issuance date. In addition, the cumulative accrued interest during the whole loan period on the remaining loan amount is assumed to have been converted into shares at the issuance date.

When calculating diluted earnings per share the number of shares is adjusted also with the effects of the share-based incentive plans.

| EUR thousands   | <b>30.6.2017</b> | <b>30.6.2016</b> | <b>31.12.2016</b> |
|---|------------------|------------------|-------------------|
| Profit for the period   | 6,357            | 8,660            | 15,233            |
| Interest on hybrid bond net of tax  | -313             | -370             | -486              |
| Total   | 6,044            | 8,290            | 14,747            |
| Average share-issue adjusted number of shares                                   | 50,892,795       | 50,312,746       | 50,343,806        |
| Average diluted share-issue adjusted number of shares excluding treasury shares | 57,790,098       | 58,143,241       | 58,024,756        |
| Earnings per share, EUR   |                  |                  |                   |
| Basic   | 0.12             | 0.16             | 0.29              |
| Diluted   | 0.11             | 0.15             | 0.26              |

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

|   | <b>30.6.2017</b> | <b>30.6.2016</b> | <b>31.12.2016</b> |
|---|------------------|------------------|-------------------|
| Cash flow from operations, EUR thousand | 16,322           | 16,682           | 28,496            |

|  |            |            |            |
|--|------------|------------|------------|
| Share-issue adjusted number of shares excluding treasury shares, end of reporting period | 52,918,655 | 50,323,145 | 50,772,555 |
| Cash flow from operations per share, EUR   | 0.31       | 0.33       | 0.56       |

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

|  | <b>30.6.2017</b> | <b>30.6.2016</b> | <b>31.12.2016</b> |
|--|------------------|------------------|-------------------|
| Total equity, EUR thousand   | 134,074          | 130,712          | 142,824           |
| Share-issue adjusted number of shares excluding treasury shares, end of reporting period | 52,918,655       | 50,323,145       | 50,772,555        |
| Equity per share, EUR  | 2.53             | 2.60             | 2.81              |

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

|   | <b>30.6.2017</b> | <b>30.6.2016</b> | <b>31.12.2016</b> |
|---|------------------|------------------|-------------------|
| Number of shares at the end of reporting period excluding treasury shares | 52,918,655       | 50,323,145       | 50,772,555        |
| Share price at end of the period, EUR                                     | 4.95             | 4.02             | 4.14              |
| Market capitalization, EUR million  | 261.9            | 202.3            | 210.2             |

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

|  | <b>30.6.2017</b> | <b>30.6.2016</b> | <b>31.12.2016</b> |
|--|------------------|------------------|-------------------|
| Number of shares traded during the period          | 2,838,587        | 8,754,693        | 13,611,634        |
| Average number of shares excluding treasury shares | 50,892,795       | 50,312,746       | 50,343,806        |
| Share turnover, %                                  | 5.6              | 17.4             | 27.0              |

### **Other key ratios**

EBITDA = Profit before depreciation, amortization and impairment (operating profit + depreciation, amortization and impairment losses)

| EUR thousand                                       | <b>30.6.2017</b> | <b>30.6.2016</b> | <b>31.12.2016</b> |
|--|------------------|------------------|-------------------|
| Operating profit                                   | 10,649           | 14,204           | 25,622            |
| + Depreciation, amortization and impairment losses | 9,207            | 9,146            | 18,520            |
| EBITDA   | 19,856           | 23,350           | 44,142            |

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

| EUR thousand | <b>30.6.2017</b> | <b>30.6.2016</b> | <b>31.12.2016</b> |
|--------------|------------------|------------------|-------------------|
|--------------|------------------|------------------|-------------------|

|                              |         |         |         |
|------------------------------|---------|---------|---------|
| Interest-bearing liabilities | 100,818 | 96,882  | 94,497  |
| Interest bearing receivables | -8,386  | -8,343  | -8,386  |
| Cash and cash equivalents    | -20,379 | -56,545 | -29,522 |
| Interest-bearing net debt    | 72,053  | 31,994  | 56,589  |

Return on equity (ROE), % = Profit for the reporting period (rolling 12 months) x 100 / Total equity (quarterly average)

| EUR thousand   | 30.6.2017 | 30.6.2016 | 31.12.2016 |
|--|-----------|-----------|------------|
| Profit for the reporting period (rolling 12 months)                | 12,930    | 15,954    | 15,233     |
| Total equity 30 June 2016 / 30 June 2015 / 31 December 2015        | 130,712   | 119,328   | 125,716    |
| Total equity 30 September 2016 / 30 September 2015 / 31 March 2016 | 135,186   | 120,360   | 120,806    |
| Total equity 31 December 2016 / 31 December 2015 / 30 June 2016    | 142,824   | 125,716   | 130,712    |
| Total equity 31 March 2017 / 31 March 2016 / 30 September 2016     | 139,902   | 120,806   | 135,186    |
| Total equity 30 June 2017 / 30 June 2016 / 31 December 2016        | 134,074   | 130,712   | 142,824    |
| Average  | 136,540   | 123,384   | 131,049    |
| Return on equity (ROE), %  | 9.5       | 12.9      | 11.6       |

Invested capital = Total equity + interest-bearing liabilities

| EUR thousand                 | 30.6.2017 | 30.6.2016 | 31.12.2016 |
|------------------------------|-----------|-----------|------------|
| Total equity                 | 134,074   | 130,712   | 142,824    |
| Interest-bearing liabilities | 100,818   | 96,882    | 94,497     |
| Invested capital             | 234,892   | 227,594   | 237,321    |

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

| EUR thousand  | 30.6.2017 | 30.6.2016 | 31.12.2016 |
|---|-----------|-----------|------------|
| Operating profit (rolling 12 months)                            | 22,067    | 28,229    | 25,622     |
| Financial income (rolling 12 months)                            | 761       | 712       | 727        |
| Total   | 22,828    | 28,941    | 26,349     |
| Invested capital 30 June 2016 / 30 June 2015 / 31 December 2015 | 227,594   | 204,328   | 222,578    |

|  |         |         |         |
|--|---------|---------|---------|
| Invested capital 30 September 2016 / 30 September 2015 / 31 March 2016 | 228,648 | 202,027 | 217,181 |
| Invested capital 31 December 2016 / 31 December 2015 / 30 June 2016    | 237,321 | 222,578 | 227,594 |
| Invested capital 31 March 2017 / 31 March 2016 / 30 September 2016     | 244,103 | 217,181 | 228,648 |
| Invested capital 30 June 2017 / 30 June 2016 / 31 December 2016        | 234,892 | 227,594 | 237,321 |
| Average  | 234,512 | 214,741 | 226,664 |
| Return on invested capital (ROI), %                                    | 9.7     | 13.5    | 11.6    |

Equity ratio, % = Total equity x 100 / Total assets  
- advances received

| EUR thousand      | 30.6.2017 | 30.6.2016 | 31.12.2016 |
|-------------------|-----------|-----------|------------|
| Total equity      | 134,074   | 130,712   | 142,824    |
| Total assets      | 312,113   | 300,069   | 315,628    |
| Advances received | -21       | 0         | -3         |
|                   | 312,092   | 300,069   | 315,625    |
| Equity ratio, %   | 43.0      | 43.6      | 45.3       |

Gearing, % = Interest-bearing net debt x 100 /  
Total equity

| EUR thousand              | 30.6.2017 | 30.6.2016 | 31.12.2016 |
|---------------------------|-----------|-----------|------------|
| Interest-bearing net debt | 72,053    | 31,994    | 56,589     |
| Total equity              | 134,074   | 130,712   | 142,824    |
| Gearing, %                | 53.7      | 24.5      | 39.6       |

#### NET SALES BY GEOGRAPHICAL MARKET AREA

| EUR thousand            | 1-6/2017 | 1-6/2016 | 1-12/2016 |
|-------------------------|----------|----------|-----------|
| Finland                 | 1,288    | 1,285    | 2,386     |
| Rest of Europe          | 81,655   | 82,396   | 158,118   |
| North and South America | 136,163  | 123,914  | 246,287   |
| Rest of the world       | 5,817    | 5,105    | 10,071    |
| Total                   | 224,922  | 212,701  | 416,862   |

**QUARTERLY DEVELOPMENT**

| EUR thousand                  | 2017    |         | 2016    |         |         |         |
|-------------------------------|---------|---------|---------|---------|---------|---------|
|                               | 4-6     | 1-3     | 10-12   | 7-9     | 4-6     | 1-3     |
| Net sales                     | 112,002 | 112,920 | 100,365 | 103,796 | 108,832 | 103,869 |
| Comparable operating profit   | 4,391   | 6,258   | 3,540   | 7,878   | 8,661   | 5,543   |
| as % of net sales             | 3.9     | 5.5     | 3.5     | 7.6     | 8.0     | 5.3     |
| Items affecting comparability | -       | -       | -       | -       | -       | -       |
| Operating profit              | 4,391   | 6,258   | 3,540   | 7,878   | 8,661   | 5,543   |
| as % of net sales             | 3.9     | 5.5     | 3.5     | 7.6     | 8.0     | 5.3     |
| Net financial items           | -285    | -157    | -1,149  | -830    | -967    | -244    |
| Profit before income taxes    | 4,105   | 6,102   | 2,391   | 7,047   | 7,694   | 5,299   |
| as % of net sales             | 3.7     | 5.4     | 2.4     | 6.8     | 7.1     | 5.1     |

**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 2017 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 2017 was 16,807 shares. The shares were transferred on 2 June 2017 and the value of the transferred shares totaled EUR 83,795, or approximately EUR 4.98574 per share.

Other salaries and remuneration paid to the related parties during the first half of the year amounted to EUR 1,098 thousand, obligatory pension payments EUR 165 thousand, voluntary pension payment EUR 38 thousand, and accruals based on share-based incentive plans EUR 446 thousand.

**CHANGES IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS**

| EUR thousand                                     | 30.6.2017                           |                      | 30.6.2016                           |                      | 31.12.2016                          |                      |
|--|-------------------------------------|----------------------|-------------------------------------|----------------------|-------------------------------------|----------------------|
|  | Property,<br>plant and<br>equipment | Intangible<br>assets | Property,<br>plant and<br>equipment | Intangible<br>assets | Property,<br>plant and<br>equipment | Intangible<br>assets |
| Carrying amount at the beginning of the period   | <b>135,510</b>                      | <b>14,133</b>        | 97,931                              | 13,275               | 97,931                              | 13,275               |
| Capital expenditure                              | <b>21,076</b>                       | <b>3,104</b>         | 10,287                              | 1,301                | 50,020                              | 3,300                |
| Disposals  | -                                   | <b>-36</b>           | -                                   | -                    | -                                   | -89                  |
| Depreciation, amortization and impairment losses | <b>-7,929</b>                       | <b>-1,278</b>        | -7,995                              | -1,147               | -16,162                             | -2,358               |
| Exchange differences and other changes           | <b>-8,463</b>                       | <b>-129</b>          | 275                                 | -43                  | 3,721                               | 4                    |
| Carrying amount at the end of the period         | <b>140,195</b>                      | <b>15,795</b>        | 100,499                             | 13,385               | 135,510                             | 14,133               |

Goodwill is not included in intangible assets.

**CHANGES IN INTEREST-BEARING LIABILITIES**

| EUR thousand   | 1-6/2017       | 1-6/2016 | 1-12/2016 |
|--|----------------|----------|-----------|
| <b>Total interest-bearing liabilities at the beginning of the period</b> | <b>94,497</b>  | 96,862   | 96,862    |
| Current liabilities at the beginning of the period                       | <b>7,923</b>   | 3,363    | 3,363     |
| Repayment of current liabilities   | <b>-2,220</b>  | -26      | -3,358    |
| Drawdown of current liabilities  | <b>10,000</b>  | 102      | 102       |
| Reclassification from non-current liabilities                            | <b>1,568</b>   | 2,258    | 7,899     |
| Exchange rate difference   | <b>-543</b>    | -65      | -84       |
| Current liabilities at the end of the period                             | <b>16,728</b>  | 5,632    | 7,923     |
| Non-current liabilities at the beginning of the period                   | <b>11,574</b>  | 18,498   | 18,498    |
| Drawdown of non-current liabilities                                      | -              | 368      | 368       |
| Reclassification to current liabilities                                  | <b>-1,568</b>  | -2,258   | -7,899    |
| Exchange rate difference   | <b>-917</b>    | -358     | 607       |
| Non-current liabilities at the end of the period                         | <b>9,089</b>   | 16,250   | 11,574    |
| Debentures at the beginning of the period                                | <b>75,000</b>  | 75,000   | 75,000    |
| Debentures at the end of the period                                      | <b>75,000</b>  | 75,000   | 75,000    |
| <b>Total interest-bearing liabilities at the end of the period</b>       | <b>100,817</b> | 96,882   | 94,497    |

In accordance with IAS 32, the hybrid bond is included in equity.

**CONTINGENT LIABILITIES**

| EUR thousands  | 30.6.2017     | 30.6.2016 | 31.12.2016 |
|--|---------------|-----------|------------|
| <b>Other commitments</b>   |               |           |            |
| Operating leases   | <b>8,735</b>  | 12,318    | 13,088     |
| Contractual commitments to acquire property, plant and equipment | <b>2,620</b>  | 9,446     | 5,517      |
| <b>Guarantees</b>  |               |           |            |
| On own behalf  | <b>12,322</b> | 20,776    | 16,810     |
| Other own commitments  | <b>3,780</b>  | 3,868     | 4,036      |
| On behalf of others  | -             | 960       | 963        |
| <b>Total</b>   | <b>16,103</b> | 25,604    | 21,841     |

**NOMINAL AND FAIR VALUES OF DERIVATIVE INSTRUMENTS**

| EUR thousands                 | 30.6.2017     |            | 30.6.2016     |            | 31.12.2016    |            |
|-------------------------------|---------------|------------|---------------|------------|---------------|------------|
|                               | Nominal value | Fair value | Nominal value | Fair value | Nominal value | Fair value |
| Currency forward contracts    |               |            |               |            |               |            |
| Hedge accounting applied      | 1,977         | 111        | 11,978        | -36        | 5,240         | -327       |
| Hedge accounting not applied  | 2,892         | 19         | 2,225         | -23        | 2,372         | 30         |
| Electricity forward contracts |               |            |               |            |               |            |
| Hedge accounting applied      | 300           | -4         | 913           | -150       | 594           | 43         |

**CLASSIFICATION OF FINANCIAL ASSETS**

- a. Financial assets at fair value through profit or loss
- b. Loans and receivables
- c. Available-for-sale assets
- d. Derivatives, hedge accounting applied
- e. Carrying amount
- f. Fair value

| EUR thousand                             | Classification |               |            |            |               |               |
|--|----------------|---------------|------------|------------|---------------|---------------|
|  | a.             | b.            | c.         | d.         | e.            | f.            |
| Available-for-sale assets                | -              | -             | 777        | -          | 777           | 777           |
| Other non-current receivables            | 214            | -             | -          | -          | 214           | 214           |
| Loan receivables                         | -              | 8,386         | -          | -          | 8,386         | 8,386         |
| Trade receivables                        | -              | 59,563        | -          | -          | 59,563        | 59,563        |
| Derivatives                              | 24             | -             | -          | 111        | 134           | 134           |
| Interest and other financial receivables | -              | 947           | -          | -          | 947           | 947           |
| Cash and cash equivalents                | -              | 20,379        | -          | -          | 20,379        | 20,379        |
| <b>Total 30.6.2017</b>                   | <b>237</b>     | <b>89,275</b> | <b>777</b> | <b>111</b> | <b>90,399</b> | <b>90,399</b> |

| EUR thousand                             | Classification |               |            |           |               |               |
|--|----------------|---------------|------------|-----------|---------------|---------------|
|  | a.             | b.            | c.         | d.        | e.            | f.            |
| Available-for-sale assets                | -              | -             | 777        | -         | 777           | 777           |
| Other non-current receivables            | 501            | -             | -          | -         | 501           | 501           |
| Loan receivables                         | -              | 8,386         | -          | -         | 8,386         | 8,386         |
| Trade receivables                        | -              | 53,946        | -          | -         | 53,946        | 53,946        |
| Derivatives                              | 30             | -             | -          | 43        | 73            | 73            |
| Interest and other financial receivables | -              | 869           | -          | -         | 869           | 869           |
| Cash and cash equivalents                | -              | 29,522        | -          | -         | 29,522        | 29,522        |
| <b>Total 31.12.2016</b>                  | <b>530</b>     | <b>92,723</b> | <b>777</b> | <b>43</b> | <b>94,072</b> | <b>94,072</b> |

Principles in estimating fair value for financial assets for 2017 are the same as those used for preparing the consolidated financial statements for 2016.

**FINANCIAL LIABILITIES**

| EUR thousand  | 30.6.2017       |                | 31.12.2016      |                |
|---|-----------------|----------------|-----------------|----------------|
|   | Carrying amount | Fair value     | Carrying amount | Fair value     |
| <b>Non-current financial liabilities</b>  |                 |                |                 |                |
| Loans from financial institutions   | 8,867           | 8,867          | 11,294          | 11,294         |
| Debentures  | 75,000          | 77,933         | 75,000          | 78,503         |
| Finance lease liabilities   | 222             | 222            | 280             | 280            |
| <b>Total non-current financial liabilities</b>  | <b>84,089</b>   | <b>87,022</b>  | <b>86,574</b>   | <b>90,076</b>  |
| <b>Current financial liabilities</b>  |                 |                |                 |                |
| Current part of non-current loans from financial institutions and current loans from financial institutions | 16,614          | 16,614         | 7,812           | 7,812          |
| Finance lease liabilities   | 115             | 115            | 111             | 111            |
| Derivatives, no hedge accounting applied  | 5               | 5              | -               | -              |
| Derivatives, hedge accounting applied   | 4               | 4              | 327             | 327            |
| Interest accruals   | 908             | 908            | 912             | 912            |
| Other current liabilities   | -               | -              | 253             | 253            |
| Trade payables  | 49,364          | 49,364         | 50,248          | 50,248         |
| <b>Total current financial liabilities</b>  | <b>67,009</b>   | <b>67,009</b>  | <b>59,662</b>   | <b>59,662</b>  |
| <b>Total</b>  | <b>151,099</b>  | <b>154,031</b> | <b>146,236</b>  | <b>149,739</b> |

Principles in estimating fair value for financial liabilities for 2017 are the same as those used for preparing the consolidated financial statements for 2016.

**FAIR VALUE MEASUREMENT HIERARCHY**

| EUR thousands   | Level 1  | Level 2    | Level 3    |
|---|----------|------------|------------|
| <b>Financial assets and liabilities at fair value</b> |          |            |            |
| Other non-current receivables                         | -        | -          | 214        |
| Available-for-sale assets                             | -        | -          | 777        |
| <b>Total</b>  | <b>-</b> | <b>-</b>   | <b>991</b> |
| <b>Derivatives at fair value</b>                      |          |            |            |
| Currency forward contracts, liabilities               | -        | -5         | -          |
| Currency forward contracts, receivables               | -        | 134        | -          |
| Electricity forward contracts, liabilities            | -        | -4         | -          |
| <b>Total</b>  | <b>-</b> | <b>125</b> | <b>-</b>   |

Principles in estimating fair value for financial assets and their hierarchies for 2017 are the same as



those used for preparing the consolidated financial statements for 2016. There were no transfers in the fair value measurement hierarchy levels during the reporting period.

SUOMINEN CORPORATION  
Board of Directors

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### **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 some 650 people in Europe and in the Americas. Suominen's net sales in 2016 amounted to EUR 416.9 million and comparable operating profit to EUR 25.6 million. The Suominen share (SUY1V) is listed in Nasdaq Helsinki Stock Exchange (Mid Cap). Read more at [www.suominen.fi](http://www.suominen.fi).