Suominen Corporation Financial Statement Release 31 January 2019 at 8:00 am (EET)

Suominen Corporation's Financial Statement Release for 1 Jan–31 Dec 2018:

Net sales grew, profitability declined, cash flow from operations remained strong

Key figures

	10-12/ 2018	10-12/ 2017	**1-12/ 2018**	1-12/ 2017
Net sales, EUR million	**109.8**	98.7	**431.1**	426.0
Comparable operating profit, EUR million	**-0.4**	-0.3	**4.6**	15.0
Operating profit, EUR million	**-0.4**	-0.3	**4.6**	15.0
Profit for the period, EUR million	**-2.0**	6.3	**-1.7**	14.5
Earnings per share, basic, EUR	**-0.04**	0.12	**-0.03**	0.27
Earnings per share, diluted, EUR	**-0.04**	0.11	**-0.03**	0.25
Cash flow from operations per share, EUR	**0.15**	0.04	**0.56**	0.39
Return on invested capital, rolling 12 months, %	**–**	–	**2.3**	6.6
Gearing, %	**–**	–	**54.2**	59.5
Distribution of funds per share, EUR *			**–**	0.11

* 2018 proposal to the Annual General Meeting.

In this Financial Statement Release, the figures shown in brackets refer to the comparison period last year if not otherwise stated.

Highlights in October–December 2018:

- Net sales increased by 11.2% and were EUR 109.8 million (98.7).
- Operating profit fell to EUR -0.4 million (-0.3).
- Suominen conducted successful trials at the new manufacturing line at Bethune, US plant related with the planned extension of the line's product offering.
- Petri Helsky was appointed Suominen's President & CEO and he started with the company on 7 January 2019.

- Suominen expects that in 2019, its net sales will be at the level of 2018 and comparable operating profit, excluding the positive effect of applying IFRS 16 Leases, will improve from 2018. In 2018, Suominen's net sales amounted to EUR 431.1 million and operating profit to EUR 4.6 million. In financial years 2018 and 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.

- The Board of Directors proposes that no dividend will be distributed and no capital will be returned from the reserve for invested unrestricted equity for the financial year 2018.

Tapio Engström, Senior Vice President & CFO and interim President & CEO from 3 August 2018 to 7 January 2019, comments on Suominen's full financial year 2018:

"Suominen's main market areas are Europe and North America. In the euro area, the consumer confidence index declined throughout the year, being at the end of the financial year roughly at the level of the beginning of 2017. In the United States, the consumer confidence index development was nearly flat in 2018, remaining, however, 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.

Suominen's net sales increased to EUR 431.1 (426.0) million. Our firm measures taken in pricing had a positive impact on our topline, even though they were counteracted by the weakening of the USD compared to euro. The measures taken in pricing can have an effect on our product portfolio and net sales as we are moving away from less profitable products.

Transforming our product portfolio is one of the key drivers of our strategy. In 2018, the product portfolio developed to the right direction, as the share of products with relatively higher added value in our portfolio increased to 61% (58%).

Our profitability development was clearly a disappointment, as operating profit decreased to EUR 4.6 million and profit for the period was negative. The situation reflects the impacts of both the significantly increased costs of several key resources, particularly raw materials and transportation, and the tight price competition, particularly in two major product categories, baby wipes and flushables. On a positive note, Suominen's cash flow from operations remained strong in 2018 and was EUR 32.1 million.

Our actions taken in order to improve profitability focused on pricing, performance and planning. Despite the measures taken throughout 2018, the impact on profitability was slower than we expected, but we continue in 2019 with a wide range of profitability improvement actions.

In performance, our new manufacturing line at the Bethune, SC, USA plant plays a central role. The new line contributed positively to the company's gross profit in the second and third quarter. In the fourth quarter the gross profit contribution of the new line weakened temporarily as we conducted successful trials related with the planned extension of the line's product offering. Moreover, the ongoing growth investment initiative at our plant in Green Bay, WI, USA proceeded as planned and we anticipate the new capabilities to be in full utilization by end of 2019.

In planning, the on-going Group-wide ICT systems renewal plays a central role. The systems renewal progressed as scheduled and at the end of 2018 six out of our eight plants operated through the new systems. We expect the entire plant network to have the new systems in place in the first half of 2019.

In 2018, Suominen introduced in total four new products or product concepts to the market. In September, we launched Suominen Intelligent Nonwovens™ - a unique concept in the world of nonwovens that embeds digital features into nonwovens. In the fourth quarter, Suominen launched FIBRELLA® Cozy, BIOLACE® Move and BIOLACE® Cozy for absorbent hygiene products. BIOLACE® Move and BIOLACE® Cozy are made of renewable raw materials, responding to the consumers' growing demand for more sustainable products. All products launched are nonwovens with high added value, in line with our strategic direction.

In August, President & CEO of Suominen changed as **Nina Kopola** left the company and **Pekka Ojanpää** was appointed as the new President & CEO. A couple of months later we faced a tragic loss when Pekka Ojanpää, who was set to start as President & CEO of Suominen in December, died accidentally. Our thoughts are with Pekka's family.

In December we were able to announce good news: **Petri Helsky** was appointed Suominen's President & CEO as of 7 January 2019. "

Petri Helsky comments his first weeks as President & CEO of Suominen:

"Suominen is a globally leading player in the nonwovens industry which has in the past few years further improved its capabilities decisively. I see a lot of long term potential in the company and it is obvious that expectations for future success are high – both inside and outside of Suominen. Clearly, we have challenges to tackle but having now had the chance to start to truly familiarize myself with the company and to meet personally the members of Suominen team, I couldn't be more excited. We are determined to take necessary measures in order to improve the company's profitability."

NET SALES

October–December 2018

In the fourth quarter, Suominen's net sales increased by 11.2% from the comparison period to EUR 109.8 (98.7) million. The increase in net sales was primarily due to improved sales prices, mainly thanks to the global price increases announced in September 2018. The strengthening of the US dollar compared to euro, Suominen's reporting currency, increased the net sales by EUR 1.8 million in the fourth quarter.

Suominen has two business areas, Convenience and Care. Net sales of Convenience business area were EUR 102.9 (90.7) million and net sales of Care business area EUR 6.8 (8.0) million in the fourth quarter. 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.

Financial year 2018

In 2018, Suominen's net sales increased by 1.2% from the comparison period to EUR 431.1 (426.0) million, mainly thanks to improved sales prices. Sales volumes for the full year remained at the level of 2017. The weakening of the USD compared to euro, Suominen's reporting currency, decreased the net sales of 2018 by EUR 10.9 million.

Net sales of Convenience business area were EUR 396.0 (388.6) million and net sales of Care business area EUR 35.1 (37.5) million.

In 2018, the product portfolio developed to the right direction, as the share of products with relatively higher added value in our product portfolio increased to 61% (58%). The share of nonwovens for baby wipes declined to 39% (41%). The share of nonwovens for personal care wipes grew to 22% (21%) and the share of home care wipes to 20% (19%). The share of workplace wipes remained at 9% (9%) and medical & hygiene applications decreased to 8% (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

October–December 2018

Operating profit turned to negative and was EUR -0.4 (-0.3) million. The continued rise of the costs of Suominen's key resources, such as raw materials, energy and logistics, as well as the costs related with the planned trials conducted at the new manufacturing line at Bethune plant during the quarter burdened profitability. The sales price increases we achieved in the very competitive environment did not fully compensate the effect of the continued increase in the costs of our key resources. The strengthening of the US dollar compared to euro, Suominen's reporting currency, did not have a material impact on operating profit.

Result before income taxes in the fourth quarter was EUR -1.9 (-1.3) million and profit for the period EUR -2.0 (6.3) million. The income taxes for the period were EUR -0.1 million, while they were positive in the corresponding period of the previous year (EUR +7.6 million) thanks to the federal corporate income tax rate decrease in the USA.

Financial year 2018

Operating profit decreased and amounted to EUR 4.6 million (15.0). The continued rise of the costs of Suominen's key resources, the experienced issues with the delivery efficiency in the US as well as the costs related with the planned trials conducted at the Bethune plant during the fourth quarter burdened profitability. The increased average sales prices did not fully compensate the effect of the continued increase in the costs of our key resources. The weakening of the US dollar compared to euro, Suominen's reporting currency, decreased the operating profit by EUR 0.1 million.

During 2018, Suominen changed the methodology to calculate and recognize expected credit losses of trade receivables in line with application of IFRS 9. During the financial year, Suominen's provisions for credit losses of trade receivables totaled EUR -0.7 million (-0.1). Historically, Suominen's realized credit losses have been immaterial.

In 2018, profit before income taxes was EUR -1.0 (12.4) million. Income taxes were EUR -0.8 (+2.0) million, and the profit for the period to EUR -1.7 (14.5) million.

FINANCING

The Group's net interest-bearing liabilities, calculated with the nominal value of the interest-bearing liabilities at the end of the review period, 31 December 2018, amounted to EUR 70.8 million (81.4). Gearing was 54.2% (59.5%, restated) and equity ratio 40.7% (42.5%, restated).

In 2018, net financial expenses were EUR -5.6 million (-2.6), or 1.3% (0.6%) of net sales. In 2017, net financial expenses were decreased by EUR 2.2 million due to the capitalization of borrowing costs in fixed assets as required by IAS 23 standard. Net effect of changes in foreign exchange rates in financial items were EUR 0.3 million (-0.6). In addition, a bad debt provision based on expected credit losses totaling EUR 0.6 million was recognized of loan receivables.

Cash flow from operations in the fourth quarter was EUR 8.5 million (3.6) and in full year 2018 EUR 32.1 million (22.2). Cash flow from operations per share in 2018 was EUR 0.56 (0.39). The financial items in the cash flow from operations, in total EUR -4.7 million (-5.6), were principally impacted by the interests paid during the reporting period. In total EUR 5.6 million was freed from the working capital (2017: tied up 8.0).

CAPITAL EXPENDITURE

In 2018, the gross capital expenditure totaled EUR 13.6 million (37.2). Gross capital investments were mainly related to the growth investment initiative at the Green Bay plant, WI, USA as well as to the Group-wide renewal of ICT systems. The implementation of the ICT renewal program was run without any major issues throughout the year, and at the end of 2018 six plants out of the total of eight plants were running with the new ICT system. The other investments were mainly for maintenance.

Depreciation and amortization for the review period amounted to EUR -21.0 million (-19.3).

PERSONNEL

During 2018, Suominen employed 676 people (670) in average, and 690 (663) people at the end of 2018. The new employees were hired primarily to Operations function.

SHARE INFORMATION

Share capital

The number of Suominen's registered shares was 58,259,219 on 31 December 2018, equaling to a share capital of EUR 11,860,056.00. Suominen has one series of shares. Each share carries one vote in the Shareholders' Meeting and right to an equally-sized dividend. Suominen's shares are affiliated in a book-entry system.

Share trading and price

The number of Suominen Corporation shares (SUY1V) traded on NASDAQ Helsinki from 1 January to 31 December 2018 was 3,643,880 shares, accounting for 6.3% of the average number of shares (excluding treasury shares). The highest price was EUR 4.60, the lowest EUR 1.80 and the volume-weighted average price EUR 3.10. The closing price at the beginning of the review period, on 2 January 2018, was EUR 4.55 and the closing price on the last trading date of the review period, on 28 December 2018, was EUR 2.05.

The market capitalization (excluding treasury shares) was EUR 117.9 million on 31 December 2018.

Treasury shares

On 31 December 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.

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 June 2019. On 31 December 2018, the remaining maximum number of shares to be conveyed was 4,872,826 shares.

Remuneration of the Board payable in shares

The Annual General Meeting held on 15 March 2018 decided that the remuneration payable to the members of the Board remains unchanged. 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 number of shares forming the remuneration portion which is payable in shares was 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 treasury shares held by the company by the decision of the Board of Directors on 31 May 2018. Since the decision taken by the Board of Directors was essentially an execution of a detailed resolution taken by the AGM, the Board did not exercise independent discretion when it decided on the transfer of the shares. The transferred shares are of the same class as the company’s other shares.

Share-based incentive plans for the management and key employees valid in 2018

In 2018, Suominen had a share-based incentive plan for the Group management and Group key employees, which was divided into Performance Share Plan and Matching Share Plan. The first vesting period of the Performance Share Plan as well as the Matching Share Plan vested in 2018. The number of treasury shares distributed to the participants based on the terms of the plans was 89,568 shares.

Performance Share Plans

The first Performance Share Plan includes three vesting periods, calendar years 2015–2017, 2016–2018 and 2017–2019. The Board of Directors will decide separately on new earnings periods. In addition, the Board of Directors will decide on the Plan’s performance criteria and required performance levels for each criterion at the beginning of a vesting period. The Performance Share Plan is directed to approximately 15–20 people. The Board of Directors is entitled to reduce the rewards agreed in the Performance Share Plan if the limits set by the Board of Directors for the share price are reached.

The reward of the Plan from the period 2015–2017 was based on the Suominen Group’s net sales growth, earnings before interest and taxes (EBIT%) and return on invested capital (ROI%).

The potential reward of the Plan from the period 2016–2018 will be based on the Suominen Group´s net sales growth, earnings before interest and taxes (EBIT%) and return on invested capital (ROI %). The rewards to be paid on the basis of the performance period 2016–2018 correspond to the value of an approximate maximum total of 245,000 Suominen Corporation shares (including also the proportion to be paid in cash).

The potential reward of the Plan from the period 2017–2019 will be based on the Suominen Group´s net sales growth, earnings before interest and taxes (EBIT%) and return on invested capital (ROI %). The rewards to be paid on the basis of the performance period 2017–2019 correspond to the value of an approximate maximum total of 480,000 Suominen Corporation shares (including also the proportion to be paid in cash).

The potential reward from the earnings periods 2016–2018 and 2017–2019 will be paid partly in the company's shares and partly in cash in 2019 and 2020, respectively. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to the participant. As a rule, no reward will be paid if a participant´s employment or service ends before the reward payment.

The President & CEO of the company must hold 50% of the net number of shares given on the basis of the Plan, as long as his or her shareholding in total corresponds to the value of his or her annual gross salary. A member of the Corporate Executive Team must hold 50% of the net number of shares given on the basis of the Plan, as long as his or her shareholding in total corresponds to the value of half of his or her annual gross salary. Such number of shares must be held as long as the participant's employment or service in a group company continues.

The second Performance Share Plan includes one three-year performance period, calendar years 2018–2020. It is directed to approximately 20 people, including President & CEO. The plan includes share price cap mechanism which cuts the reward if the limits set by the Board of Directors for the share price are reached.

The potential reward of the plan from the performance period 2018–2020 is based on the Relative Total Shareholder Return (TSR) and Earnings before Interest and Taxes margin (EBIT%). The potential rewards to be paid on the basis of the performance period 2018–2020 correspond to the value of an approximate maximum total of 502,000 Suominen shares (including also the proportion to be paid in cash).

The potential rewards from the performance period 2018–2020 will be paid partly in the Company's shares and partly in cash in 2021. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to the participant. As a rule, no reward will be paid, if a participant's employment or service ends before the reward payment.

A member of the Corporate Executive Team must hold 50% of the net number of shares given on the basis of the Plan, as long as his or her shareholding in total corresponds to the value of half of his or her annual gross salary. The President & CEO of the Company must hold 50% of the net number of shares given on the basis of the Plan, as long as his or her shareholding in total corresponds to the value of his or her annual gross salary. Such number of shares must be held as long as the participant's employment or service in a group company continues.

SHAREHOLDERS

At the end of the review period, on 31 December 2018, Suominen Corporation had in total 3,919 shareholders. Suominen is not aware of any shareholder agreements related with the shareholding or use of voting rights. Detailed information on the management shareholding and a table presenting the largest shareholders is available in the notes of this Financial Statement Release.

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).

COMPOSITION OF THE NOMINATION BOARD

In accordance with the decision taken by the Annual General Meeting of Suominen Corporation, the representatives notified by the company's three largest shareholders have been elected to Suominen Corporation's permanent Nomination Board. In addition, Chair of the company's Board of Directors shall serve as the fourth member. The shareholders entitled to appoint members to the Nomination Board during financial year 2018 were determined on the basis of the registered holdings in the Company's shareholder register on 1 September 2017 and on 1 September 2018.

From 1 January to 4 September 2018, the members of the Nomination Board were:

- Thomas Ahlström, Managing Director of Antti Ahlström Perilliset Oy and member of the Board of Directors of Ahlström Capital, nominated by AC Invest Two B.V.;
- Erkki Etola, CEO of Oy Etra Invest Ab, nominated by Oy Etra Invest Ab;
- Reima Rytsölä, Executive Vice-President of Varma Mutual Pension Insurance Company; nominated by Varma Mutual Pension Insurance Company;
- Jan Johansson, Chair of Suominen's Board of Directors.

As of 4 September 2018, the members of the Nomination Board were:

- Lasse Heinonen, President & CEO of Ahlström Capital, nominated by AC Invest Two B.V.;
- Erkki Etola, CEO of Oy Etra Invest Ab, nominated by Oy Etra Invest Ab (until 30 November 2018);
- Reima Rytsölä, Executive Vice-President, Investments of Varma Mutual Pension Insurance Company; nominated by Varma Mutual Pension Insurance Company;
- Jan Johansson, Chair of Suominen's Board of Directors.

On 30 November 2018, Oy Etra Invest Ab informed Suominen that Roger Hagborg, Investment Advisory Professional, TVF TopCo Limited, replaces Erkki Etola, CEO of Oy Etra Invest Ab, as a member appointed by Oy Etra Invest Ab of the Shareholders' Nomination Board of Suominen Corporation.

The Nomination Board shall submit its proposals to the Board of Directors no later than 1 February prior to the Annual General Meeting.

CHANGE OF PRESIDENT & CEO

Suominen Corporation announced on 3 August 2018 that Nina Kopola leaves her position as President & CEO of Suominen and that the Board of Directors had appointed Pekka Ojanpää as the new President & CEO, starting on 3 February 2019 at latest. Suominen announced on 1 November 2018 that Pekka Ojanpää would start at Suominen on 1 December 2018. Pekka Ojanpää died in an aviation accident on 23 November 2018.

Suominen Corporation announced on 19 December 2018 that the Board of Directors has appointed Petri Helsky as the new President & CEO of Suominen. Before joining Suominen, Helsky had acted as the CEO of Metsä Tissue Corporation. He started as the President & CEO of Suominen on 7 January 2019.

Tapio Engström, Senior Vice President & CFO acted as Suominen's interim President & CEO from 3 August 2018 until 7 January 2019.

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). Jan Johansson was re-elected as Chair of the Board of Directors and Andreas Ahlström, Risto Anttonen, Hannu Kasurinen, Laura Raitio and 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 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 in this Financial Statement Release.

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.

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 2018, the Group's ten largest customers accounted for 65% (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.

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 and consumer confidence 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 declined throughout the year, being at the end of the financial year roughly at the level of the beginning of 2017. In the United States, the consumer confidence index development was nearly flat in 2018, remaining, however, strong.

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. There is currently overcapacity in the market, mainly in nonwovens for baby wipes and flushables.

At large, the growth in the demand in Suominen's target markets is expected to continue in 2019, on average, at the pace of 2018.

OUTLOOK FOR 2019

Suominen expects that in 2019, its net sales will be at the level of 2018 and comparable operating profit, excluding the positive effect of applying IFRS 16 Leases, will improve from 2018. In 2018, Suominen's net sales amounted to EUR 431.1 million and operating profit to EUR 4.6 million. In financial years 2018 and 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.

PROPOSAL BY THE BOARD OF DIRECTORS FOR THE USE OF THE PROFIT

The profit of the financial year 2018 of Suominen Corporation, the parent company of Suominen Group, was EUR 3,062,267.24. The funds distributable as dividends, including the profit for the period, were EUR 9,655,243 and total distributable funds were EUR 90,840,409.

The Board of Directors proposes that no dividend will be distributed and no capital will be returned from the reserve for invested unrestricted equity for the financial year 2018 and that the profit shall be transferred to retained earnings.

DISCLOSURE OF THE FINANCIAL STATEMENTS AND THE REPORT BY THE BOARD OF DIRECTORS

Suominen Corporation will publish its Financial Statements, Report by the Board of Directors, Auditor's Report, Corporate Governance Statement, Remuneration Statement and Non-Financial Report concerning the financial year 2018 on 26 February 2019 at the latest in its Annual Report 2018. The above documents will be published as a Stock Exchange Release and they will be available also at www.suominen.fi > Investors > Corporate Governance.

ANNUAL GENERAL MEETING 2019

The Annual General Meeting of Suominen Corporation will be held on 19 March 2019 at the Finlandia Hall, Helsinki. The Board of Directors will convene the Annual General Meeting by issuing a Notice to the Annual General Meeting as a Stock Exchange Release. The notice to the Annual General Meeting will also be published at www.suominen.fi.

EVENTS AFTER THE REPORTING PERIOD

Suominen announced on 9 January 2019 that Tapio Engström, Senior Vice President & CFO of Suominen Corporation and a member of Suominen's Executive Team, will leave Suominen on 8 July 2019 at the latest. Recruitment process for new CFO has been started.

Suominen announced on 30 January 2019 that the Board of Directors of Suominen Corporation resolved on a new share-based incentive plan for the Group management and Group key employees.

The new three-year earnings period of the Performance Share Plan includes calendar years 2019–2021. The Board of Directors of the Company decides on the Plan's performance criteria and required performance levels for each criterion at the beginning of an earnings period. The Performance Share Plan is directed to approximately 20 people.

The potential reward of the Plan from the performance period 2019–2021 will be based on the Relative Total Shareholder Return (TSR). The rewards to be paid on the basis of the performance period 2019–2021 correspond to the value of an approximate maximum total of 729,000 Suominen Corporation shares (including also the proportion to be paid in cash).

The Board of Directors will be entitled to reduce the rewards agreed in the Performance Share Plan if the limits set by the Board of Directors for the share price are reached.

The potential rewards from the performance periods 2019–2021 will be paid partly in the Company's shares and partly in cash in 2022. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to the participant. As a rule, no reward will be paid, if a participant´s employment or service ends before the reward payment.

A member of the Corporate Executive Team must hold 50 per cent of the net number of Shares given on the basis of the Plan, as long as his or her shareholding in total corresponds to the value of half of his or her annual gross salary. The President & CEO of the Company must hold 50 per cent of the net number of Shares given on the basis of the Plan, as long as his or her shareholding in total corresponds to the value of his or her annual gross salary. Such number of Shares must be held as long as the participant's employment or service in a group company continues

THE NEXT FINANCIAL REPORT

Suominen Corporation will publish its Interim Report for January–March 2019 on Wednesday, 24 April 2019 approximately at 3.00 pm EEST.

ANALYST AND PRESS CONFERENCE

Petri Helsky, President & CEO, and Tapio Engström, CFO, will present the financial result in Finnish at an analyst and press conference in Helsinki on Thursday, 31 January at 11.00 am (EET). 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.

Kindly enroll in to Eeva Oinonen at eeva.oinonen@suominencorp.com or by phone at +358 10 214 3551.

A teleconference and a webcast on the Q4 and FY2018 financial result will be held on 31 January 2019 at 4:00 pm (EET). The conference can be attended by phone at +44 20 3936 2999. Please use the password 91 47 67. The conference can be accessed also through Suominen's website www.suominen.fi/webcast.

The conference call will be held in English. A replay of the conference can be accessed at www.suominen.fi or by phone at +44 20 3936 3001, using access code 482553.

SUOMINEN GROUP 1 JANUARY–31 DECEMBER 2018

The consolidated financial statements of Suominen have been audited. The Auditor's report has been signed on 30 January 2019. Quarterly information, half-year report and interim reports have not been audited.

As a result of rounding differences, the figures presented in the tables do not necessarily add up to total.

ACCOUNTING PRINCIPLES

The consolidated financial statements of Suominen Group are prepared in accordance with International Financial Reporting Standards (IFRS), including International Accounting Standards (IAS) and Interpretations issued by the International Financial Reporting Interpretations Committee (SIC and IFRIC). International Financial Reporting Standards are standards and their interpretations adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the European Parliament and of the Council. The Notes to the Financial Statements are also in accordance with the Finnish Accounting Act and Ordinance and the Finnish Companies' Act.

This financial statement release has been prepared in accordance with the principles defined in IAS 34 Interim Financial Reporting as approved by the European Union. Financial statement release does not include all information required for full financial statements.

The principles for preparing consolidated financial statements are the same as those used for preparing the consolidated financial statements for 2017, except that the following standards and interpretations have been applied from 1 January 2018:

- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
- IFRIC Interpretation 22: Foreign Currency Transactions and Advance Considerations

Other new or amended standard, annual improvements or interpretations applicable from 1 January 2018 are not material for Suominen Group.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers has been applied from1 January 2018. Suominen has applied the standard retrospectively so that the cumulative effect of applying IFRS 15 has been recognized as of 1 January 2018. The new standard had no material effect on revenue recognition in Suominen.
Net sales include the total invoicing value of products less sales tax, discounts and rebates. Foreign exchange differences arising from trade receivables are recognized as sales adjustments.

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

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

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

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

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

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

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

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

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

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments and its amendments has been applied from1 January 2018. The new standard replaced the standard IAS 39 Financial Instruments:

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

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

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

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

Derivative instruments for which hedge accounting is not applied, are recognized also under IFRS 9 at fair value through profit or loss, and applying IFRS 9 did not change the recognition or measurement of them.

Trade receivables are measured under IFRS 9 at amortized cost. The value of trade receivables depends on the transaction price of sold goods. Transaction price is measured in accordance with IFRS 15 Revenue from Contracts with Customers standard. In defining the transaction price, for example the variable considerations included in the contracts, such as volume rebates, are taken into account. This means that the transaction price can be lower than the sales amount invoiced from the customer.

Suominen had recognized already before the application of IFRS 9 the estimated customer rebates and other potential variable considerations in profit or loss, so there were no result effects of applying IFRS 15 on transaction price. As the accruals for variable considerations were presented in the statement of financial position as accrued expenses before IFRS 9 was applied and under IFRS 9 as items decreasing trade receivables, the carrying amount of trade receivables for the comparison period changed under IFRS 9.

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

Compared with IAS 39, IFRS 9 did not change the measurement or classification of financial liabilities.

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

The amendments to IFRS 2, applied from 1 January 2018, changed the recognition and measurement of share-based payment transactions which have net settlement features for withholding tax obligations. Under such transactions the entity withholds a number of shares that is equal to the monetary value of the employee's tax obligation from the total number of shares that would have otherwise been issued to the employee upon exercise or vesting, and transfers the amount in cash to tax authorities on behalf of the employee.

Previously the cash-settled share-based payment transactions were measured at fair value at the reporting date and recognized as a liability in the statement of financial position. After the application of the amendments of IFRS 2, the previously cash-settled portion of share-based payment transactions which have net settlement features for withholding tax obligations is recognized and measured as equity-settled. At transition date, the cash-settled portion of any unvested share-based payment arrangement which has net settlement features was remeasured and recognized as equity-settled and recognized in equity at fair value. The liability for the cash settled transaction has been derecognized from the statement of financial position, and any effect of the remeasurement has been recognized in equity. The effect of the change increased the consolidated equity by EUR 0.7 million. Prior periods are not restated.

IFRIC Interpretation 22: Foreign Currency Transactions and Advance Considerations

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

Suominen has applied the IFRIC 22 interpretation prospectively to transactions taking place on or after 1 January 2018. Application of the interpretation did not have any material effect on Suominen's consolidated financial statements.

New and amended IFRS standards and IFRIC interpretations published but mandatory in 2019 or later:

Below are disclosed separately those new standards, amendments and interpretations which will have a material effect on Suominen. Other new or amended standards or interpretations applicable from 1 January 2019 or later are not material for Suominen Group.

IFRS 16 Leases

IFRS 16 Leases will be effective for the reporting periods beginning on 1 January 2019 or later, if approved by European Union. In accordance with the new standard, the lessee will recognize assets and liabilities for the rights and obligations created by leases. The new standard will increase interest-bearing liabilities and property, plant and equipment in the consolidated financial statements of Suominen. In addition, the rental expenses recognized in profit or loss will decrease and depreciation and amortization as well as interest expenses will increase. This will affect operating profit.

Suominen owns the majority of its production facilities (ie. buildings and land) as well as all of its production lines. The most significant leasing agreements Suominen has consist of the leased production facilities in Italy and Windsor Locks, USA. Other leasing agreements are mainly leasing agreements on offices and smaller machinery and equipment.

The carrying amounts of the lease liabilities and right-of-use assets depend on, among other things, the length of the leasing contracts as well as the potential options and possibilities to lengthen or shorten the lease term. The carrying amounts are especially affected with the estimates made of the lease terms and possible renewals of the lease agreements of the production facilities. At the end of the reporting period Suominen estimates that the carrying amounts of lease liabilities and right-of-use assets arising from application of IFRS 16 will be approximately EUR 15-17 million.

Suominen will apply the modified retrospective approach in application of IFRS 16. With this approach the comparative information is not restated and the cumulative effect of applying the new standard will be recognized to the opening balance of retained earnings on 1 January 2019.

IFRIC Interpretation 23: Uncertainty over Income Tax Treatments

IFRIC 23 Interpretation clarifies the accounting of uncertainty in accounting for income taxes. Under IFRIC 23 the key test is whether it is probable the tax authority will accept the company's chosen tax treatment. If it is probable that the tax authority accepts the company's chosen tax treatment in the tax return, there is no uncertainty which would have to be recognized in the financial statements. If it is not probable, then the uncertainty is reflected in the measurement of current or deferred tax. The uncertainty is reflected in the measurement by using either the most likely amount of the expected value, which ever predicts the outcome better.

The judgements and estimates applied in estimating the uncertainty over an income tax treatment are reassessed if facts and circumstances change. In accordance with the interpretation, the company has to determine, whether to consider each tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty in tax treatments has to be followed.

The interpretation is effective for reporting periods beginning on 1 January 2019 or later. Suominen will apply the interpretation by adjusting equity on initial application 1 January 2019 without restating comparative information.

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement

The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period and due to the changes in the plan, the net defined benefit liability or asset is remeasured, an entity is required to determine the current service cost for the remainder of the period using the actuarial assumptions used in the remeasurement. The entity is also required to determine the net interest for the remainder of the period using the remeasured net defined benefit liability or asset and using the discount rate used in remeasurement.

A plan amendment, curtailment or settlement may reduce or eliminate a surplus in a defined benefit plan, which may cause the effect of the asset ceiling to change. As the defined benefit plans of Suominen have no surplus, this has no effect on Suominen

The amendments are effective for reporting periods beginning on 1 January 2019 or later. As the amendments are applied prospectively to amendments, curtailments or settlements that occur on or after the date of the first application, there is no effect on the consolidated financial statements of Suominen at transition.

STATEMENT OF FINANCIAL POSITION

EUR thousand	31.12.2018	Restated 31.12.2017
Assets		
Non-current assets		
Goodwill	**15,496**	15,496
Intangible assets	**21,231**	17,470
Property, plant and equipment	**129,391**	136,649
Loan receivables	**3,348**	3,072
Equity instruments	**777**	777
Other non-current receivables	**1,393**	1,744
Deferred tax assets	**2,540**	5,142
Total non-current assets	**174,175**	180,349
Current assets		
Inventories	**51,583**	44,241
Trade receivables	**58,097**	53,934
Loan receivables	**4,017**	4,337
Other current receivables	**4,118**	4,236
Assets for current tax	**974**	7,703
Cash and cash equivalents	**27,757**	27,240
Total current assets	**146,545**	141,692
Total assets	**320,720**	322,040
Equity and liabilities		
Equity		
Share capital	**11,860**	11,860
Share premium account	**24,681**	24,681
Reserve for invested unrestricted equity	**81,185**	87,423
Treasury shares	**-44**	-44
Fair value and other reserves	**264**	264
Exchange differences	**-669**	-3,151
Retained earnings	**13,237**	15,761
Total equity attributable to owners of the parent	**130,513**	136,794
Liabilities		
Non-current liabilities		
Deferred tax liabilities	**12,373**	14,558
Liabilities from defined benefit plans	**847**	984

Other non-current liabilities	**17**	49
Debentures	**80,615**	95,192
Other non-current interest-bearing liabilities	**84**	162
Total non-current liabilities	**93,935**	110,945
Current liabilities		
Debentures	**15,687**	–
Current interest-bearing liabilities	**5,078**	15,118
Liabilities for current tax	**121**	32
Trade payables and other current liabilities	**75,386**	59,152
Total current liabilities	**96,272**	74,302
Total liabilities	**190,207**	185,247
Total equity and liabilities	**320,720**	322,040

STATEMENT OF PROFIT OR LOSS

EUR thousand	**10-12/2018**	10-12/2017	**1-12/2018**	1-12/2017
Net sales	**109,764**	98,694	**431,109**	425,996
Cost of goods sold	**-102,974**	-92,352	**-399,826**	-383,839
Gross profit	**6,790**	6,342	**31,283**	42,157
Other operating income	**397**	441	**2,528**	1,764
Sales and marketing expenses	**-1,838**	-1,904	**-7,048**	-7,262
Research and development	**-823**	-1,116	**-3,515**	-4,739
Administration expenses	**-4,371**	-3,842	**-17,599**	-16,861
Other operating expenses	**-516**	-188	**-1,055**	-59
Operating profit	**-361**	-267	**4,594**	15,000
Net financial expenses	**-1,547**	-988	**-5,557**	-2,570
Profit before income taxes	**-1,908**	-1,256	**-963**	12,430
Income taxes	**-108**	7,570	**-757**	2,048
Profit / loss for the period	**-2,016**	6,314	**-1,720**	14,478
Earnings per share, EUR				
Basic	**-0.04**	0.12	**-0.03**	0.27
Diluted	**-0.04**	0.11	**-0.03**	0.25

STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	**10-12/2018**	10-12/2017	**1-12/2018**	1-12/2017

Profit for the period	**-2,016**	6,314	**-1,720**	14,478
Other comprehensive income:				
Other comprehensive income that will be subsequently reclassified to profit or loss				
Exchange differences	**1,897**	-2,903	**2,936**	-17,083
Fair value changes of cash flow hedges	–	62	–	267
Reclassified to profit or loss	–	4	–	13
Reclassified to property, plant and equipment	–	-69	–	-35
Income taxes related to other comprehensive income	**-109**	153	**-454**	1,328
Total	**1,788**	-2,754	**2,482**	-15,510
Other comprehensive income that will not be subsequently reclassified to profit or loss				
Remeasurements of defined benefit plans	**-41**	-28	**-41**	15
Income taxes related to other comprehensive income	**11**	8	**11**	-4
Total	**-29**	-20	**-29**	11
Total other comprehensive income	**1,758**	-2,774	**2,452**	-15,500
Total comprehensive income for the period	**-258**	3,541	**732**	-1,022

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 31 December 2018	**11,860**	**24,681**	**81,185**	**-44**

EUR thousand	Exchange differences	Fair value and other reserves	Retained earnings	Total equity attributable to owners of the parent
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	–	–	-1,720	-1,720
Other comprehensive income	2,482	–	-29	2,452
Total comprehensive income	**2,482**	**–**	**-1,749**	**732**
Share-based payments	–	–	-775	-775
Return of capital	–	–	–	-6,322
Unpaid return of capital, booking back to equity	–	–	–	0
Conveyance of treasury shares	–	–	–	84
Equity 31 December 2018	**-669**	**264**	**13,237**	**130,513**

	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**

	Fair value and other reserves	Retained earnings	Total equity attributable to owners of the parent	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**

STATEMENT OF CASH FLOWS

EUR thousand	**1-12/2018**	1-12/2017
Cash flow from operations		
Profit for the period	**-1,720**	14,478
Total adjustments to profit the period	**27,210**	21,069
Cash flow before changes in net working capital	**25,490**	35,547
Change in net working capital	**5,621**	-8,028
Financial items	**-4,677**	-5,575
Income taxes	**5,715**	207
Cash flow from operations	**32,148**	22,152
Cash flow from investments		
Investments in property, plant and equipment and intangible assets	**-15,039**	-33,839
Cash flow from disposed businesses	**198**	287
Sales proceeds from property, plant and equipment and intangible assets	**4**	5
Cash flow from investments	**-14,837**	-33,548
Cash flow from financing		
Drawdown of non-current interest-bearing liabilities	–	25,730
Drawdown of current interest-bearing liabilities	**5,000**	25,000
Repayment of current interest-bearing liabilities	**-15,118**	-27,263
Repayment in loan receivables	–	1,550
Tender and issuance costs of the bonds	–	-5,190
Payment of hybrid bond interest	–	-642
Return of capital / dividend distribution	**-6,322**	-5,585
Cash flow from financing	**-16,440**	13,599
Change in cash and cash equivalents	**871**	2,203
Cash and cash equivalents at the beginning of the period	**27,240**	29,522
Effect of changes in exchange rates	**-355**	-4,485
Change in cash and cash equivalents	**871**	2,203
Cash and cash equivalents at the end of the period	**27,757**	27,240

KEY RATIOS

	10-12/ 2018	10-12/ 2017	**1-12/ 2018**	1-12/ 2017
Change in net sales, % *	**11.2**	-1.7	**1.2**	2.2
Gross profit, as percentage of net sales, %	**6.2**	6.4	**7.3**	9.9
Comparable gross profit, as percentage of net sales, %	**6.2**	6.4	**7.3**	9.9
Operating profit, as percentage of net sales, %	**-0.3**	-0.3	**1.1**	3.5
Comparable operating profit, as percentage of net sales, %	**-0.3**	-0.3	**1.1**	3.5
Net financial items, as percentage of net sales, %	**-1.4**	-1.0	**-1.3**	-0.6
Profit before income taxes, as percentage of net sales, %	**-1.7**	-1.3	**-0.2**	2.9
Profit for the period, as percentage of net sales, %	**-1.8**	6.4	**-0.4**	3.4
Gross capital expenditure, EUR thousand	**3,822**	5,559	**13,580**	37,210
Depreciation and amortization, EUR thousand	**5,594**	5,373	**21,018**	19,349
Return on equity, rolling 12 months, %	**–**	–	**-1.3**	10.6
Return on invested capital, rolling 12 months, %	**–**	–	**2.3**	6.6
Equity ratio, %	**–**	–	**40.7**	42.5
Gearing, %	**–**	–	**54.2**	59.5
Average number of personnel	**–**	–	**676**	670
Earnings per share, EUR, basic	**-0.04**	0.12	**-0.03**	0.27
Earnings per share, EUR, diluted	**-0.04**	0.11	**-0.03**	0.25
Cash flow from operations per share, EUR	**0.15**	0.04	**0.56**	0.39
Equity per share, EUR	**–**	–	**2.27**	2.38
Dividend / distribution of funds per share, EUR **	**–**	–	–	0.11
Price per earnings per share (P/E) ratio	**–**	–	–	16.47
Dividend payout ratio / payout ratio for distribution of funds, %	**–**	–	–	41.0
Dividend yield, %	**–**	–	–	2.49
Number of shares, end of period, excluding treasury shares	**–**	–	**57,496,249**	57,382,939
Share price, end of period, EUR	**–**	–	**2.05**	4.42
Share price, period low, EUR	**–**	–	**1.80**	3.86
Share price, period high, EUR	**–**	–	**4.60**	5.22
Volume weighted average price during the period, EUR	**–**	–	**3.10**	4.53
Market capitalization, EUR million	**–**	–	**117.9**	253.6
Number of traded shares during the period	**–**	–	**3,643,880**	5,405,584
Number of traded shares during the period, % of average number of shares	**–**	–	**6.3**	10.4

* Compared with the corresponding period in the previous year.

** 2018 is the proposal by the Board of Directors.

Interest-bearing net debt, EUR thousands	**31.12.2018**	31.12.2017
Non-current interest-bearing liabilities, nominal value	**85,084**	100,892
Current interest-bearing liabilities, nominal value	**20,808**	15,118
Interest-bearing receivables and cash and cash equivalents	**-35,122**	-34,650
Interest-bearing net debt	**70,770**	81,360

CALCULATION OF KEY RATIOS

Key ratios per share

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).

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. At the end of the 2017 reporting period, the hybrid bond in its entirety was converted into shares.

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

EUR thousand	**31.12.2018**	**31.12.2017**
Profit for the period	-1,720	14,478
Interest on hybrid bond net of tax	–	-481
Total	-1,720	13,997

Average share-issue adjusted number of shares	57,468,939	52,145,416
Average diluted share-issue adjusted number of shares excluding treasury shares	57,805,720	57,798,395

Earnings per share

EUR		
Basic	-0.03	0.27
Diluted	-0.03	0.25

Cash flow from operations per share

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

	31.12.2018	31.12.2017
Cash flow from operations, EUR thousand	32,148	22,152
Share-issue adjusted number of shares excluding treasury shares, end of reporting period	57,496,249	57,382,939
Cash flow from operations per share, EUR	0.56	0.39

Equity per share

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

	31.12.2018	restated 31.12.2017
Total equity attributable to owners of the parent, EUR thousand	130,513	136,794
Share-issue adjusted number of shares excluding treasury shares, end of reporting period	57,496,249	57,382,939
Equity per share, EUR	2.27	2.38

Dividend / return of capital per share

Dividend / return of capital per share	=	Dividend paid / return of capital for the reporting period / Number of issued shares at end of the period excluding treasury shares

	2018	2017
Dividend paid / return of capital for the reporting period, EUR thousand	0	6 312
Number of issued shares at end of the period excluding treasury shares	57,496,249	57,382,939
Dividend / return of capital per share, EUR	N/A	0.11

Dividend payout ratio / payout ratio for return of capital, %

$$\text{Dividend payout ratio / payout ratio for return of capital, \%} = \frac{\text{Dividend / return of capital per share x 100}}{\text{Basic earnings per share}}$$

	2018	2017
Dividend / return of capital per share x 100	0.00	11.00
Basic earnings per share, EUR	-0.03	0.27
Dividend payout ratio / payout ratio for return of capital, %	N/A	41.0

Dividend yield, %

$$\text{Dividend yield, \%} = \frac{\text{Dividend / return of capital per share x 100}}{\text{Share price at end of the period}}$$

	2018	2017
Dividend / return of capital per share x 100	0.00	11.00
Share price at end of the period, EUR	2.05	4.42
Dividend yield, %	N/A	2.49

Price per earnings per share (P/E)

$$\text{Price per earnings per share (P/E)} = \frac{\text{Share price at end of the period}}{\text{Basic earnings per share}}$$

	2018	2017
Share price at end of the period, EUR	2.05	4.42
Basic earnings per share, EUR	-0.03	0.27
Price per earnings per share (P/E)	-68.49	16.47

Market capitalization

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

	2018	2017
Number of shares at the end of reporting period excluding treasury shares	57,496,249	57,382,939
Share price at end of the period, EUR	2.05	4.42
Market capitalization, EUR million	117.9	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

	2018	2017
Number of shares traded during the period	3,643,880	5,405,584
Average number of shares excluding treasury shares	57,468,939	52,145,416
Share turnover, %	6.3	10.4

Alternative performance measures

Some of Suominen's key ratios 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 comparison between the reporting periods.

Operating profit and comparable operating profit

Operating profit, or earnings before interest and taxes (EBIT) is an important measure of profitability as by ignoring income taxes and financial items it focuses solely on the company's ability to generate profit from operations. Operating profit is presented as a separate line item in the consolidated statement of profit or loss.

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 2017 or 2016.

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

EBITDA

EBITDA is an important measure that focuses on the operating performance excluding the effect of depreciation and amortization, financial items and income taxes, in other words what is the margin on net sales after deducting operating expenses.

EBITDA	=	EBIT + depreciation, amortization and impairment losses

EUR thousand	**2018**	**2017**
Operating profit	4,594	15,000
+ Depreciation, amortization and impairment losses	21,018	19,349
EBITDA	25,613	34,349

Gross capital expenditure

Suominen considers gross capital expenditure as a relevant measure in order to understand for example how the Group maintains and renews its production machinery and facilities. Gross capital expenditure includes also capitalized borrowing costs and capitalized cash flow hedges.

EUR thousand	**2018**	**2017**
Increases in intangible assets	6,157	6,027
Increases in property, plant and equipment	7,423	31,183
Gross capital expenditure	13,580	37,210

Interest-bearing net debt

Suominen considers interest-bearing net debt to be an important measure for investors to be able to understand the Group's indebtedness. 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	**2018**	**2017**
Interest-bearing liabilities	101,463	110,472
Tender and issuance costs of the debentures	4,429	5,538
Interest bearing receivables	-7,365	-7,409
Cash and cash equivalents	-27 757	-27,240
Interest-bearing net debt	70,770	81,360
Interest-bearing liabilities	101,463	110,472
Tender and issuance costs of the debentures	4,429	5,538
Nominal value of interest-bearing liabilities	105,892	116,010

Return on equity (ROE), %

The return on equity is one of the most important profitability ratios used by owners and investors. The ratio measures the ability of a company to generate profits from its shareholders' investments in the company and it defines the yield on the company's equity during the reporting period.

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

EUR thousand	2018	Restated 2017
Profit for the reporting period (rolling 12 months)	-1,720	14,478
Total equity attributable to owners of the parent 31 December 2017 (* / 2016	136,794	142,824
Total equity attributable to owners of the parent 31 March 2018 / 2017	126,866	139,902
Total equity attributable to owners of the parent 30 June 2018 / 2017	132,631	134,074
Total equity attributable to owners of the parent 30 September 2018 / 2017	130,981	132,564
Total equity attributable to owners of the parent 31 December 2018 / 2017 (*	130,513	136,794
Average	131,557	137,232
Return on equity (ROE), %	-1.3	10.6

(* Restated.

Invested capital

Invested capital = Total equity attributable to owners of the parent + interest-bearing liabilities

EUR thousand	2018	Restated 2017
Total equity attributable to owners of the parent	130,513	136,794 (*
Interest-bearing liabilities	101,463	110,472
Invested capital	231,977	247,266

(* Restated.

Return on invested capital (ROI), %

Return on invested capital is one of the most important key ratios. It measures the relative profitability of the company, ie. the yield on the capital invested in the company.

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

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

EUR thousand	2018	Restated 2017

Operating profit (rolling 12 months)	4,594	15,000
Financial income (rolling 12 months)	801	758
Total	5,395	15,758
Invested capital 31 December 2017 (* / 2016	247,266	237,321
Invested capital 31 March 2018 / 2017	232,580	244,103
Invested capital 30 June 2018 / 2017	238,589	234,892
Invested capital 30 September 2018 / 2017	227,186	229,735
Invested capital 31 December 2018 / 2017 (*	231,977	247,266
Average	235,520	238,663
Return on invested capital (ROI), %	2.3	6.6

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

(* Restated.

Equity ratio, %

Equity ratio is an important key ratio as it measures the solidity of the company, the company's tolerance for losses and ability to cover its long-term commitments. The performance measure shows how much of the company's assets are financed with equity. The equity creates a buffer against potential losses, and equity ratio represents the level of this buffer.

$$\text{Equity ratio, \%} = \frac{\text{Total equity attributable to owners of the parent x 100}}{\text{Total assets - advances received}}$$

EUR thousand	2018	Restated 2017
Total equity attributable to owners of the parent	130,513	136,794
Total assets	320,720	322,040
Advances received	-27	-8
	320,694	322,032
Equity ratio, %	40.7	42.5

Gearing, %

Gearing represents the ratio between the equity invested by the owners of the company and the interest-bearing liabilities borrowed from financiers. Gearing is an important performance measure in assessing the financial position of a company. A high gearing is a risk factor which might limit the possibilities for growth of a company and narrow its financial freedom.

Gearing, %	=	Interest-bearing net debt x 100 / Total equity attributable to owners of the parent

EUR thousand	2018	Restated 2017
Interest-bearing net debt	70,770	81,360
Total equity attributable to owners of the parent	130,513	136,794
Gearing, %	54.2	59.5

NET SALES BY GEOGRAPHICAL MARKET AREA

EUR thousand	**1-12/2018**	**1-12/2017**
Finland	**2,415**	2,510
Rest of Europe	**153,133**	160,817
North and South America	**268,188**	252,176
Rest of the world	**7,372**	10,494
Total	**431,109**	425,996

QUARTERLY DEVELOPMENT

	2018				**2017**			
EUR thousand	**10-12**	**7-9**	**4-6**	**1-3**	**10-12**	**7-9**	**4-6**	**1-3**
Net sales	109,764	104,768	109,961	106,616	98,694	102,380	112,002	112,920
Comparable operating profit	-361	488	2,919	1,548	-267	4,618	4,391	6,258
as % of net sales	-0.3	0.5	2.7	1.5	-0.3	4.5	3.9	5.5
Items affecting comparability	–	–	–	–	–	–	–	–
Operating profit	-361	488	2,919	1,548	-267	4,618	4,391	6,258
as % of net sales	-0.3	0.5	2.7	1.5	-0.3	4.5	3.9	5.5
Net financial items	-1,547	-1,626	-507	-1,876	-988	-1,139	-285	-157
Profit before income taxes	-1,908	-1,138	2,411	-328	-1,256	3,478	4,105	6,102
as % of net sales	-1.7	-1.1	2.2	-0.3	-1.3	3.4	3.7	5.4

QUARTERLY SALES BY BUSINESS AREA

	2018				**2017**			
EUR thousand	**10-12**	**7-9**	**4-6**	**1-3**	**10-12**	**7-9**	**4-6**	**1-3**
Convenience	102,915	95,634	99,947	97,481	90,737	92,999	102,976	101,850
Care	6,848	9,145	9,962	9,152	8,031	9,294	9,072	11,084
Unallocated exchange differences	2	-12	52	-17	-74	87	-46	-14
Total	109,764	104,768	109,961	106,616	98,694	102,380	112,002	112,920

INFORMATION ON RELATED PARTIES

Suominen Group's related parties include the parent of the Group (Suominen Corporation) and subsidiaries. In addition, 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.

Management remuneration

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 31 May 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-December 2018 amounted to EUR 1,459 thousand, obligatory pension payments to EUR 228 thousand, voluntary pension payments to EUR 60 thousand. During 2018, 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 -409 thousand. In addition, a provision for a severance payment of EUR 679 thousand, related to the change of President & CEO was recognized.

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 Nina Kopola, 7,062 to CFO and President & CEO (interim) Tapio Engström and 48,822 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 value of the shares and the cash part of the reward was EUR 553 thousand.

Management share ownership
Number of shares

Board of Directors	**31 December 2018**
Jan Johansson, Chair of the Board of Directors	11,614
Risto Anttonen, Deputy Chair of the Board	36,089
Hannu Kasurinen	24,629
Jaana Tuominen	14,725
Andreas Ahlström	10,779
Laura Raitio	10,779
Total	**108,615**
Total % of shares and votes	0.19%

Corporate Executive Team	
Tapio Engström, CFO, President & CEO (interim) from 3 August 2018 until 7 January 2019	40,328

Larry L. Kinn	11,918
Lynda A. Kelly	18,759
Ernesto Levy	27,834
Mimoun Saïm	29,060
Hannu Sivula	35,647
Markku Koivisto	14,822
Total	**178,368**
Total % of shares and votes	0.31%

THE LARGEST SHAREHOLDERS ON 31 DECEMBER 2018

	Shareholder	Number of shares	% of shares and votes
1.	AC Invest Two BV	13,953,357	23.95%
2.	Oy Etra Invest Ab	6,009,167	10.31%
3.	Varma Mutual Pension Insurance Company	4,500,000	7.72%
4.	Nordea Bank ABP	3,980,941	6.83%
5.	Ilmarinen Mutual Pension Insurance Company	3,546,892	6.09%
6.	Pension Insurance Company Elo	3,024,651	5.19%
7.	OP-Suomi Arvo	1,976,760	3.39%
8.	H. Kuningas & Co. Ltd	1,300,000	2.23%
9.	Nissi Evald and Hilda	1,000,000	1.72%
10.	Nordea Nordic Small Cap Fund	989,909	1.70%
11.	Heikki Bergholm	979,841	1.68%
12.	Nordea Life Assurance Finland Ltd	954,000	1.64%
13.	Mikko Maijala	855,147	1.47%
14.	Mandatum Life Insurance Company	841,981	1.45%
15.	Juhani Maijala	794,026	1.36%
	15 largest total	44,706,672	76.74%
	Other shareholders	8,136,143	13.97%
	Nominee registered	4,649,385	7.98%
	Treasury shares	762,970	1.31%
	In joint account (not in the book-entry securities system)	4,049	0.01%
	Total	**58,259,219**	**100.00%**

CHANGES IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	31.12.2018		31.12.2017	
EUR thousands	**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
Capital expenditure	**7,423**	**6,157**	31,183	6,027
Disposals	**0**	**–**	0	-36

Depreciation, amortization and impairment losses	**-18,648**	**-2,371**	-16,857	-2,493
Exchange differences and other changes	**3,967**	**-25**	-13,187	-161
Carrying amount at the end of the period	**129,391**	**21,231**	136,649	17,470

Intangible assets excluding goodwill.

CONTINGENT LIABILITIES

Guarantees and other commitments	**2018**	**2017**
On own commitments	10,516	9,865
Other own commitments	2,863	3,484
Total	**13,378**	**13,349**

Other contingencies		
Contractual commitments to acquire property, plant and equipment	1,128	86
Total	**1,128**	**86**

Rental obligations		
Within one year	3,991	3,756
Between 1 - 5 years	9,545	3,113
After 5 years	2,180	1,745
Total	**15,716**	**8,614**

NOMINAL AND FAIR VALUES OF DERIVATIVE INSTRUMENTS

	31.12.2018		**31.12.2017**	
EUR thousand	**Nominal value**	**Fair value**	**Nominal value**	**Fair value**
Currency forward contracts hedge accounting not applied	1,397	9	1,334	24

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. Carrying amount
e. Fair value

EUR thousand	**a.**	**b.**	**c.**	**d.**	**e.**
Equity instruments	347	–	429	777	777
Loan receivables	4,017	3,348	–	7,365	7,365
Trade receivables	–	58,097	–	58,097	58,097
Derivatives	9	–	–	9	9

Interest and other financial receivables	–	491	–	491	491
Cash and cash equivalents	–	27,757	–	27,757	27,757
Total 31.12.2018	**4,373**	**89,693**	**429**	**94,496**	**94,496**

EUR thousand	a.	b.	c.	d.	e.
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**

Principles in estimating fair value for financial assets for 2018 are mainly the same as those used in consolidated financial statements for 2017, with the exception of the changes from the application of IFRS 9 as of 1 January 2018. The changes in estimating fair value of financial assets are described in accounting principles in the consolidated financial statements.

CHANGES IN INTEREST-BEARING LIABILITIES

	2018	2017
Total interest-bearing liabilities at the beginning of the period	**110,472**	**94,497**
Current liabilities at the beginning of the period	15,118	7,923
Repayment of current liabilities, cash flow items	-15,118	-27,264
Drawdown of current liabilities, cash flow items	5,000	25,000
Reclassification from non-current liabilities	15,749	11,412
Periodization of debenture to amortized cost, non-cash flow items	16	–
Exchange rate difference	–	-1,953
Current liabilities at the end of the period	20,765	15,118
Non-current liabilities at the beginning of the period	162	11,574
Reclassification to current liabilities	-78	-11,412
Non-current liabilities at the end of the period	84	162
Non-current debentures at the beginning of the period	95,192	75,000
Issuance of the new debenture bond, cash flow items	–	25,730
Reclassification to current liabilities	-15,671	–
Periodization of debenture to amortized cost, non-cash flow items	1,093	-348
Tender and issuance costs of the debentures, cash flow items	–	-5,190
Non-current debentures at the end of the period	80,615	95,192
Total interest-bearing liabilities at the end of the period	**101,463**	**110,472**

FINANCIAL LIABILITIES

	At amortized cost	Carrying amount	Fair value	Nominal value
Loans from financial institutions	5,000	5,000	5,000	5,000
Debentures	96,301	96,301	96,906	100,730
Finance lease liabilities	162	162	162	162
Interest accruals	725	725	725	725
Other current liabilities	308	308	308	308
Trade payables	66,677	66,677	66,677	66,677
Total 31 December 2018	**169,173**	**169,173**	**169,778**	**173,602**

	At amortized cost	Carrying amount	Fair value	Nominal value
Loans from financial institutions	15,000	15,000	15,000	15,000
Debentures	95,192	95,192	102,647	100,730
Finance lease liabilities	280	280	280	280
Interest accruals	736	736	736	736
Other current liabilities	301	301	301	301
Trade payables	52,145	52,145	52,145	52,145
Total 31 December 2017	**163,654**	**163,654**	**171,109**	**169,192**

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

FAIR VALUE MEASUREMENT HIERARCHY

Fair value hierarchy in 2018

Financial assets at fair value	Level 1	Level 2	Level 3
Equity instruments	–	–	777
Loan receivables	–	–	4,017
Currency derivatives	–	9	–
Total in 2018	**–**	**9**	**4,793**

Fair value hierarchy in 2017

Financial assets at fair value	Level 1	Level 2	Level 3
Other non-current receivables	–	–	214
Loan receivables	–	–	4,337
Equity instruments	–	–	777
Currency derivatives	–	24	–
Total in 2017	**–**	**24**	**5,327**

Principles in estimating fair value for financial assets for 2018 are mainly the same as those used in consolidated financial statements for 2017, with the exception of the changes from the application of IFRS 9 as of 1 January 2018. The changes in estimating fair value of financial assets are described in accounting principles in the consolidated financial statements.

RESTATEMENT OF PREVIOUSLY PUBLISHED FIGURES

Consolidated statement of financial position

EUR thousand		**Published 31.12.2017**	restatement 31.12.2017	**Restated 31.12.2017**
Assets				
Non-current assets				
Goodwill		**15,496**	–	**15,496**
Intangible assets		**17,470**	–	**17,470**
Property, plant and equipment		**136,649**	–	**136,649**
Loan receivables		**3,072**	–	**3,072**
Equity instruments		**777**	–	**777**
Other non-current receivables		**1,744**	–	**1,744**
Deferred tax assets		**5,142**	–	**5,142**
Total non-current assets		**180,349**	**–**	**180,349**
Current assets				
Inventories		**44,241**	–	**44,241**
Trade receivables	IFRS 15 / IFRS 9	**57,560**	-3,626	**53,934**
Loan receivables		**4,337**	–	**4,337**
Other current receivables		**4,236**	–	**4,236**
Assets for current tax		**7,703**	–	**7,703**
Cash and cash equivalents		**27,240**	–	**27,240**
Total current assets		**145,318**	**-3,626**	**141,692**
Total assets		**325,666**	**-3,626**	**322,040**
Equity and liabilities				
Equity				
Share capital		**11,860**	–	**11,860**
Share premium account		**24,681**	–	**24,681**
Reserve for invested unrestricted equity		**87,423**	–	**87,423**
Treasury shares		**-44**	–	**-44**
Fair value and other reserves		**264**	–	**264**
Exchange differences		**-3,151**	–	**-3,151**
Retained earnings	IFRS 2	**15,084**	677	**15,761**
Total equity attributable to owners of the parent		**136,117**	**677**	**136,794**
Liabilities				
Non-current liabilities				
Deferred tax liabilities		**14,558**	–	**14,558**
Liabilities from defined benefit plans		**984**	–	**984**
Other non-current liabilities	IFRS 2	**350**	-301	**49**
Debentures		**95,192**	–	**95,192**

Other non-current interest-bearing liabilities		**162**	–	**162**
Total non-current liabilities		**111,246**	**-301**	**110,945**
Current liabilities				
Current interest-bearing liabilities		**15,118**	–	**15,118**
Liabilities for current tax		**32**	–	**32**
Trade payables and other current liabilities	IFRS 2 / IFRS 15 / IFRS 9	**63,154**	-4,002	**59,152**
Total current liabilities		**78,304**	**-4,002**	**74,302**
Total liabilities		**189,550**	**-4,303**	**185,247**
Total equity and liabilities		**325,666**	**-3,626**	**322,040**

Measurement categories of financial assets

IAS 39 - published

a. Fair value through profit or loss

b. Loans and receivables

c. Available-for-sale assets

IFRS 9 – restated

d. Fair value through profit or loss

e. Financial assets at fair value through other comprehensive income

f. Financial assets at amortized cost

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

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

Key ratios and alternative performance measures

	Published	Restated
	31.12.2017	**31.12.2017**

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

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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 nearly 700 people in Europe and in the Americas. Suominen's net sales in 2018 amounted to EUR 431.1 million. The Suominen share (SUY1V) is listed in Nasdaq Helsinki Stock Exchange (Mid Cap). Read more at www.suominen.fi.

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