Annual Report 2016

Suominen

Investing in product leadership

The completion of the Bethune investment brings Suominen's multi-year growth investment program to a successful end. During the program, we spent more than EUR 60 million to improve our manufacturing capabilities globally.

Global market leader

Our nonwovens are the preferred choice for companies big and small, for the greatest brand owners in the world, for manufacturers of private label consumer products, and for producers of world-class medical applications.

Change takes time

The year 2016 brought Suominen both disappointments and successes. We were not able to achieve our targeted growth but we are definitely on the right track.

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Renata Rinaldi

Plant Manager
Paulínia, Brazil

Renata led Suominen's Paulínia growth investment project, which expands our offering in the promising South American nonwovens market. She kept the successful project team focused and helped to cross all hurdles with her persistence. Having worked at Suominen and its predecessors since 1999, Renata has grown not just into her leadership position, but also into an embodiment of The Suominen Way.

Suominen in brief

Suominen manufactures nonwovens as roll goods for wipes and for hygiene products and medical applications. Suominen is the global market leader in nonwovens for wipes. The company employs nearly 650 people in Europe and in the Americas. The Suominen share (SUY1V) is listed on the Nasdaq Helsinki Stock Exchange.

Suominen is the global market leader in nonwovens for wipes.

Wiping products made of Suominen's nonwovens include, for instance, wipes for personal hygiene and baby care, as well as for household and workplace wiping. The company's hygiene product applications include, for example, sanitary pads, diapers and adult incontinence products. Surgical drapes and swabs are examples of the medical applications.

Suominen's locations

Suominen as a company

- The global market leader in nonwovens for wipes and among the TOP10 nonwoven producers worldwide
- Two business areas: Convenience and Care
- The Convenience business area offers nonwovens for a range of wiping applications.
- The Care business area provides nonwovens for use in hygiene and medical products.

Five reasons to invest in Suominen

1. Our production plants are located on three continents, in key market areas close to our customers.
2. We operate in growing markets.
3. Our customer relationships are often global and long-term – more than 10 years on average.
4. We have a clear vision and an ambitious strategy to achieve it – with a promising track record.
5. Our dividend policy is to distribute approximately 30% of our profit for the period in annual dividends.

Main applications for nonwovens, % of net sales 2016

38 %
For baby wipes

25 %
For personal care wipes

18 %
For household wipes

10 %
For workplace wipes

8 %
For hygiene & medical products

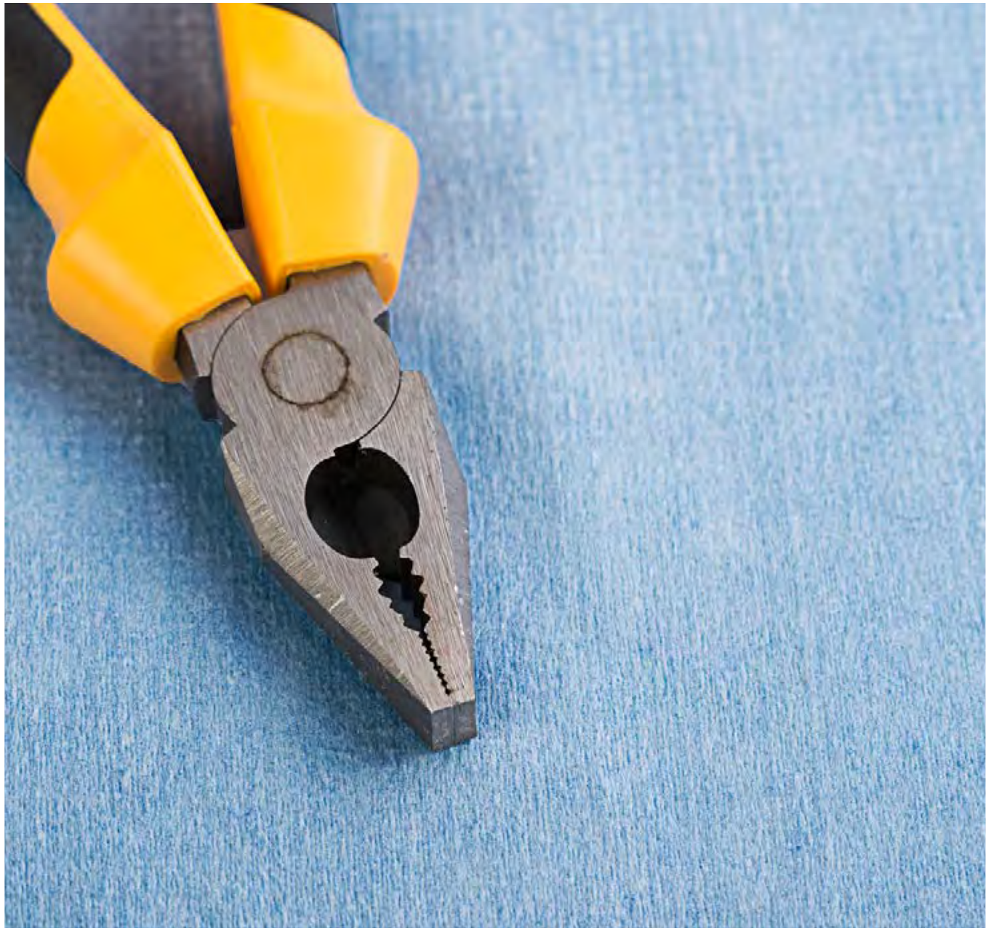
Read more at suominen.fi
> About us / Suominen as a company

Stefan has been working hard to develop I-Plan, a demand management tool that will give Suominen a far-reaching view required for a demand-driven supply chain. It enables us to plan for an efficient and timely high-quality supply better than ever before. Through his work on the tool, Stefan plays a key role in transforming how we both think and work at Suominen.

Stefan Anselment

Global Demand Management Systems Manager
Alicante, Spain

How we create value

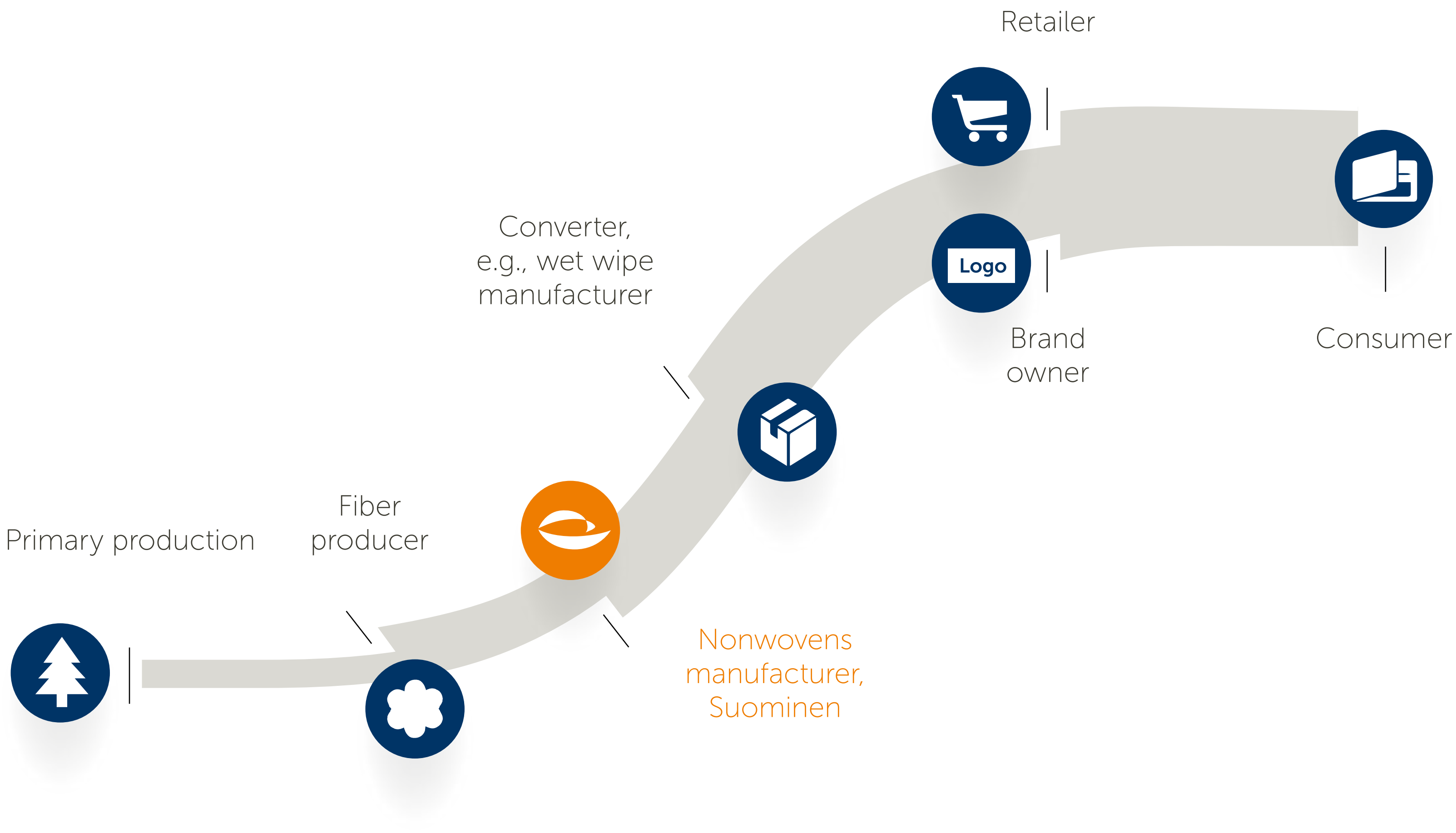


Our purpose is to make nonwovens continuously better for people. By doing so, Suominen creates value through its operations for all its stakeholders – e.g., customers, employees and shareholders.

Value chain

Suominen is a 100% nonwovens manufacturer that operates business-to-business. Even so, understanding the needs of both consumers and professionals using product made of nonwovens is at the heart of our strategy. That is because we have to be able to proactively forecast what our customers and end users will need in the future in order to live up to our vision to be a Market Driven Product Leader.

Suominen's value chain



Value Creation Model

Information concerning year 2016 in brackets.

Resources

Funding
- Cash flow from operations (EUR 28.5 million)
- Total liabilities (EUR 172.8 million)
- Total equity (EUR 142.8 million)

Natural resources
- Water (5,202,914 m^3)
- Raw materials (136,387 tons)
  - Wood-based
  - Oil-based
- Energy (1,663,509 GJ)
  - Natural gas
  - Grid electricity
  - Steam

People
- 646 employees on average
- Employee training (EUR 316,382)

Intellectual capabilities
- Suominen brand
- The Suominen Way
- R&D
- Patents
- Professional & leadership capabilities
- ICT systems

Social relationships
- Customer relations
- R&D cooperation with stakeholders
- Consumer dialogue
- Suppliers
- Manufacturing partners
- Local communities
- Professional networks

Manufacturing platform
- Eight production plants
- Geographically and technically broad manufacturing base

Strategy and operating environment

Vision:
Market Driven Product Leader

↑

Strategy:

1. Deliver superior value in thoughtfully selected market applications
2. Drive proactive key account management for mutual value creation
3. Execute demand-driven supply chain
4. Evolve culture and capabilities to build a strong product company

↑

Our purpose is to make nonwovens continuously better for people.

Emerging global middle class
Aging population
Population growth
Rising healthcare expenditure
Growing consciousness of health
Legislation

Outputs

Products & solutions
- Nonwovens for wipes, hygiene products and medical applications

Brands
- We Love Wipes
- Product brands

Waste & emissions
- Direct and indirect greenhouse gas emissions (129,733 tons)
- Waste to landfill (1,400 tons)
- Treated water from operations

Impacts

Customers
- Accelerated business
- Improved product performance
- Suominen brand value
- Customer satisfaction

Employees
- Wages and salaries (EUR 35.9 million)
- Professional development
- Striving for non-discrimination and equal opportunities
- Safe workplace (AFR 7.34)

Partners
- Payments (EUR 307.5 million)
- Business growth
- Ethical business

Shareholders
- Dividend paid (EUR 5.0 million)

Environment
- Waste and emissions load from operations and end-products
- Compostable and dispersible end-products
- No untreated water

Society
- More convenient lifestyle
- Improved hygiene
- Contribution to reducing the number of infections
- Corporate income taxes paid (EUR 6.3 million)
- Employment

How does the Model work?

Suominen's Value Creation Model depicts our whole value creation process: what kind of resources we utilize in executing our strategy, what are the outputs and, ultimately, the impacts of our business activities. The Model reflects Suominen's intent to gradually progress towards so-called integrated reporting scheme.

The Value Creation Model is basically our business model in a nutshell, which means that only the most essential matters are listed. Still, not all listed matters bear equal importance, nor is their respective relevance presented in the model. That's why the model should be considered primarily as a whole.

In the Value Creation Model, Resources are what we utilize in our business activities. The Strategy section describes the heart of Suominen's business together with some of the external drivers, such as megatrends, that may have an impact on our operating environment

Outputs are what comes out of our business activities. Impacts describe how our business activities and our outputs affect the world around us.

Strategy 2015–2017

Vision – where?

Market Driven Product Leader

Financial targets

- Organic net sales growth at a rate that exceeds the industry average (approx. 3%)
- A return on investment of more than 12%
- A gearing between 40% and 80%

Strategy – how?

- Deliver superior value in thoughtfully selected market applications
- Drive proactive key account management for mutual value creation
- Execute demand-driven supply chain
- Evolve culture and capabilities to build a strong product company

Purpose – why?

Our purpose is to make nonwovens continuously better for people

Vision – where?

Our vision, to be a Market Driven Product Leader, reflects where Suominen is headed and what we want to be at the end of this strategy period.

Strategy – how?

Our strategy defines how Suominen will achieve its vision and the targets set for this strategy period. In the execution of the strategy, we will focus on developing four key areas.

Purpose – why?

Suominen's purpose is to make nonwovens continuously better for people. It is the reason for our existence and the foundation of everything we do at Suominen. It tells us what we actually work for. Therefore, it is also a fundamental part of our strategies – the previous, current and the next one as well.

Read more at suominen.fi
> About Us / Business

Peter Fox

Investment Manager
Bethune, SC, USA

Peter was heavily involved in building a new production line in Bethune from the very beginning. The complexity of the project challenged our organization every step of the way. Peter, with his technical expertise and passion that clearly reflects the Suominen Way, held a key role in supporting the engineering and construction phases and thus in making the largest organic investment in Suominen's history happen.

Year 2016

We are
on the right track
but change takes time.

From the President & CEO

The year 2016 brought Suominen both disappointments and successes. We were not able to achieve our targeted growth, mainly due to intensified competition. However, we continued our growth investment program as planned and we are very close to its completion. This is important for Suominen's future growth, as the investments increase our capacity to produce nonwovens with higher added value and, consequently, support in transforming our product portfolio in line with our strategy.

Suominen's main market areas are North America and Europe. In 2016, we experienced increased competition particularly in nonwovens for baby wipes in both European and North American markets, and in nonwovens for flushables in Europe, which made it challenging to forecast the demand. South America is still a small market area for us, but we are happy with the results achieved there, despite the difficult economic situation in some of the countries.

Two years of Suominen's three-year product leadership strategy are behind us. The frank conclusion at this point is that while we have not made progress at our targeted pace, we are definitely on the right track.

Net sales and operating profit decreased, cash flow from operations grew

Mainly due to the tightened competitive situation affecting sales volumes and pricing, Suominen's net sales declined by 6.1% to EUR 416.9 million. The share of products with higher added value in the net sales continued to grow in 2016.

The share of nonwovens with higher added value in our net sales rose to 62%.

Comparable operating profit decreased to EUR 25.6 million, or 6.1% of net sales, reflecting the lower sales volumes and the pressure in pricing. Our continued work to enhance our strategic capabilities, such as R&D resources, the new manufacturing capabilities in Bethune, SC, USA; or the renewal of our ICT systems, created some EUR 3 million of extra costs in 2016 but are essential for the acceleration of growth and for the improvement of profitability.

The cash flow from operations remained strong and increased to EUR 28.5 million. The profit of financial year 2016 was EUR 15.2 million, reflecting earnings per share of EUR 0.29.

In line with Suominen's dividend policy, the Board of Directors of Suominen proposes to the Annual General Meeting a dividend of EUR 0.11 per share to be paid for the financial year 2016.

Growth investment program as good as completed

The most significant project we worked on throughout the year was the investment in Bethune, where we installed a new wetlaid production line. This investment increases our capacity to produce nonwovens with higher added value, including materials for household and workplace wiping, medical products, flushable wipes and personal care products. These market applications are forecasted to grow at healthy rates.

Technology-wise, the new wetlaid line gives us an upper hand, since there is not another nonwovens production line like it anywhere in the world. This is possible as Suominen has the longest experience in producing wetlaid nonwovens in the market, and we made the most of our unique expertise when engineering the new line. The first commercial orders are scheduled to be delivered from the new production line in the first quarter of 2017.

The completion of the Bethune investment brings Suominen's multi-year growth investment program to a successful end. During the program, we spent more than EUR 60 million to improve our manufacturing capabilities globally. We are convinced that every penny of it will bring us closer to our strategic aim: achieving product leadership.

Suominen was recognized with two awards in 2016.

Successes and more focus on product development

Product development has played a key role in transforming Suominen's product portfolio. In 2016, the share of nonwovens with higher added value in our net sales rose to 62% while only four years ago, in 2012, the share was 53%. That demonstrates clearly a success, but we are not done yet. The transformation will continue, supported by our enhanced product development and manufacturing capabilities.

The new production line is serving fast-growing applications.

Our product development ran at full steam throughout the year, creating multiple new products in 2016. We developed several new materials exclusively for our key customers, for example a one-of-a kind nonwoven substrate for a global consumer goods company, to be used in household wipes. In addition, the work to develop R&D and Product Management at Suominen continued with multiple new hires and a reshaping of our product development process.

Suominen was recognized with two awards in 2016. First, our FIBRELLA® Lite nonwoven won the RISE® Durable Product Award for successfully combining strength, softness and light weight together in one material, making it the preferred material for stretch parts in, e.g., baby diapers and adult incontinence products. The second recognition for Suominen was the Rockline Partnership Recognition from Rockline Industries, one of the largest global producers of consumer products specializing in wet wipes, for extraordinary accomplishments as a nonwovens supplier. We were delighted to receive these awards, since they demonstrate our innovativeness and ability to create mutual value together with our customers, both centerpieces of Suominen's strategy.

Work on sustainability opens up opportunities

2016 was the second year of executing Suominen's first-ever sustainability agenda. We continued to improve our energy and water efficiency, and to decrease greenhouse gas emissions from our operations. Safety rates improved slightly after the disappointment in 2015, and blind hiring, Suominen's pioneering recruitment process, was rooted into our organization with many new hires. It has been thrilling to see how blind hiring has resonated also with people outside Suominen, like the NGOs and the media as a means of promoting diversity and ensuring equal opportunities for job applicants. Our efforts in promoting social responsibility have an impact beyond Suominen.

The focus that Suominen has placed on sustainability has also been noted by our customers. As an example a global consumer goods company invited us to participate in their sustainable innovation network. Only a handful of companies are involved in the network, so we are very proud to be part of that select group and look forward to the new opportunities it may provide us.

On top of all that, I would like to highlight that Suominen published its Supplier Code of Conduct in 2016. Our intention in publishing it is to endorse responsible business practices in the nonwovens industry and to encourage all companies in our value chain to pay attention to the sustainability of their operations. I would like to stress that the Supplier Code of Conduct is not just a piece of paper: Suominen has already excluded raw material suppliers after finding the responsibility of their business practices insufficient. It all comes down to doing the right thing.

The focus that Suominen has placed on sustainability has also been noted by our customers.

Five-year milestone reached

We celebrated Suominen's fifth anniversary last November. Suominen as we know it today was formed officially on 1 November 2011, when the financially struggling Suominen made a surprise move and acquired a large nonwovens for wiping business unit from Ahlstrom. The acquisition instantly turned Suominen, a small North European company, into a global, multicultural company with nonwovens as its key business.

I joined Suominen one month after the acquisition, and we have come a long way since beginning our transformation into a financially vital, focused, profit-making company and market-leading nonwovens manufacturer. Taking a look back gives a healthy perspective in assessing where Suominen is now and where we are headed.

What next?

This year we will bring our current strategy to a close and prepare for the next strategy period. We are confident that we are on the right track and do not see a need to change our course markedly.

Also in the coming strategy period we aim to increase the share of products with higher added value in the net sales, which enables us to grow the net sales and improve profitability. In reaching these targets, the new technological opportunities offered by the production line built in our Bethune plant play a fundamental part. If we succeed in the execution of our future strategy, the net sales of Suominen will exceed EUR 600 million in 2021. Moreover, we are targeting to elevate our operating profit to an essentially higher level, above 10% of net sales.

Nina Kopola
President & CEO

Strategy execution

In 2016, Suominen launched determined actions on each of the four focus areas of its strategy to build future growth opportunities.

1. Delivering superior value in thoughtfully selected market applications

The largest ever investment in organic growth in Suominen's history, the new production line built at the Bethune plant in SC, USA, combines wetlaid and composite technology in a novel way, since it is tailor-made based on our unique technical expertise. Our technological lead coupled with our evolving market insight enables us to create unique nonwovens solutions based on true market needs. The new production line has been installed and we target to start commercial deliveries during the first quarter of 2017.

In 2016, Suominen started to leverage the investments made in its plants in Alicante, Spain, and Paulínia, Brazil. At both plants, the investments in production technology targeted an increase in the sales of nonwovens with higher added value. A very concrete example of how enhanced capability leads to an elevated product offering is the launch of AIRLACE™ for Workplace in early January 2017. The supply of this novel nonwoven for professional use would not have been possible without the investment in the Alicante plant in Spain.

On top of technology investments, Suominen continued to boost its product development in 2016. The determined work is bearing fruit: While Suominen made no public product launches in 2016, we created several new nonwoven materials exclusively for our customers.

2. Creating mutual value with our customers

Suominen's customer base is diverse: Our nonwovens are the preferred choice for companies big and small, for the greatest brand owners in the world, for manufacturers of private label consumer products, and for producers of world-class medical applications.

Our nonwovens are the preferred choice for companies big and small.

Suominen is known for its long relationships with its customers. On average, our customer relationships have lasted for more than 10 years.

We often work together with our customers from the very beginning of the product development process. We combine our knowledge of raw materials, technologies and nonwovens markets with our customers' in-depth insight into end-user needs. The outcome is a high-performance nonwoven product with higher added value for all parties – the end user, our customer and Suominen. A very recent example of this kind of mutual value creation is the esteemed Rockline Partnership Recognition, which Suominen received from one of the largest global producers of consumer products specializing in wet wipes. Suominen received the award also in 2014.

3. Executing a demand-driven supply chain

Process standardization and harmonization work was initiated already a couple of years ago at Suominen. Determinedly, step by step, the company has progressed in the process harmonization work and is currently implementing a key strategic transformation program to enhance demand, supply and order management. Comprehensive ICT systems renewal is a key part of the program, ensuring that once the program is completed, Suominen can run an efficient, global and harmonized supply chain with uniform tools and ways of working.

An essential element of building a demand-driven supply chain is to understand demand. To that end, Suominen has created a demand management process and tools, both unique in its industry, and also has a dedicated demand management team in place.

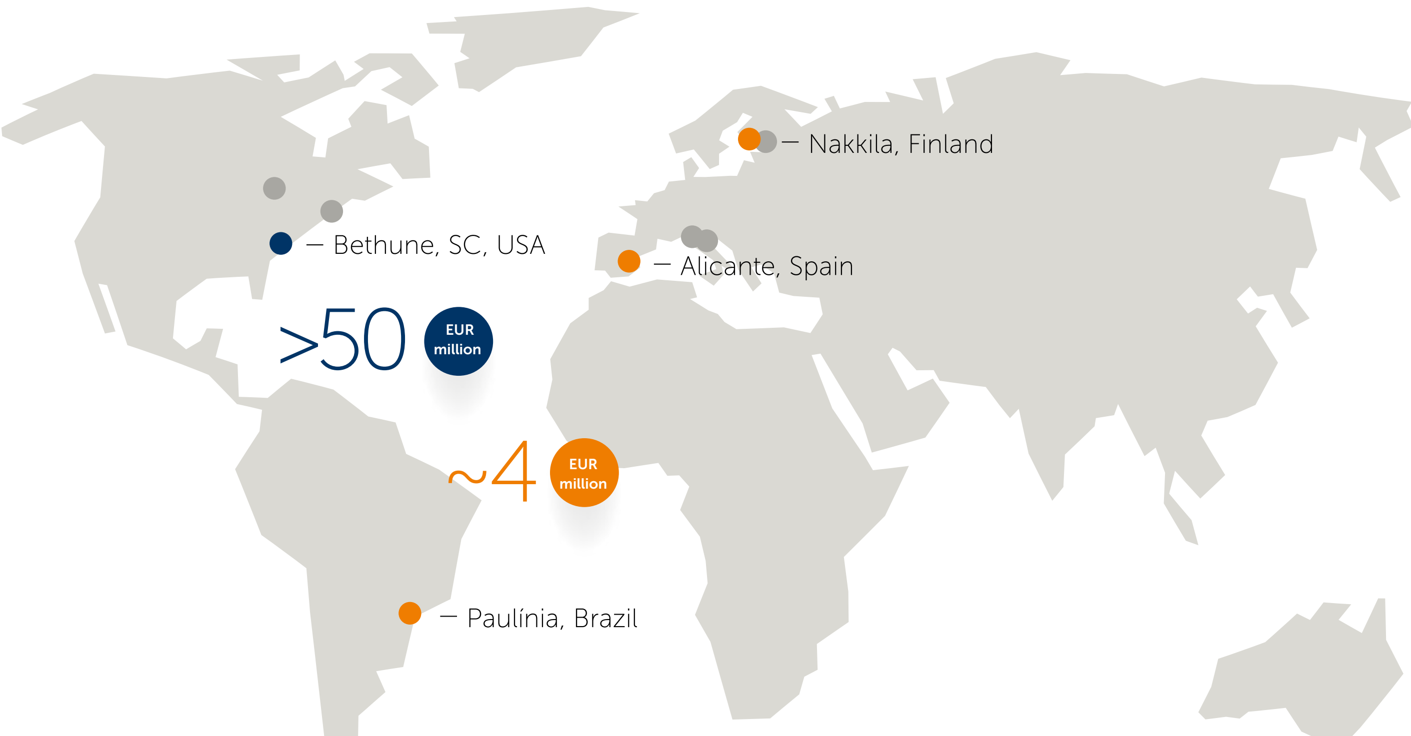
4. Evolving culture and capabilities

One of the most interesting aspects of capability development in 2016 was Suominen's dedication to improving its customer interface. The functions with the most direct impact on value creation in cooperation with customers – that is, R&D, Product Management and Sales & Customer service – made several important recruitments in 2016. The ability to understand market needs and combine that knowledge with our in-depth experience in raw materials and technologies makes Suominen a winning team.

For more information about Suominen's strategy, see page 11.

This Annual Report contains short stories on how Suominen employees have contributed to executing Suominen's strategy. From our nearly 650 experts on three continents, we chose five professionals to be featured more closely. To read more about Renata, Stefan, Peter, Vish and Nina, please check pages 3, 6, 12, 23 and 32.

Suominen's growth investment program



Location	Value	Segments	Market growth	Competitive situation
Bethune	> EUR 50 million	Flushables	+9% (NA)	Tightening
		Household wiping	+7% (NA)	Balanced
		Workplace wiping	+5-7%	Balanced
Paulínia	EUR 4 million	Medical	+3-5%	Emerging market
Alicante		Workplace wiping	+5-7%	Balanced
Nakkila		Several segments	+2%	Mixed

Estimates based on third party forecasts and management analysis, reflecting averages.

Convenience business area

Suominen is the global market leader in nonwovens for wipes, with a market share of approximately 20%, and we want to be the preferred partner in the supply of superior nonwoven innovations. We help to improve the lives of consumers all over the world by making nonwovens that clean and care for people's loved ones, homes and workplaces.

385.5 EUR million

Net sales in 2016, Convenience

The Convenience business area offers nonwovens for an extensive range of wiping applications. In 2016, the business area accounted for 92% of Suominen's total net sales. The main end use applications for our nonwovens for wipes are:

- Baby care, e.g., baby and toddler wipes (38% of Suominen's total net sales in 2016)
- Personal care, e.g., eye pads and facial masks, including flushable products (25%)
- Household care, e.g., hard surface cleaning products and glass cleaning wipes (18%)
- Workplace applications, e.g., surface disinfecting in healthcare and food service (10%).

The customers of Convenience include global consumer brands, manufacturers of private label products, retail chains and regional nonwoven converters. Our customer relationships are typically very long, on average more than ten years.

The main market areas for Convenience are North America and Europe, and we also have a foothold in the South American market.

Convenience in 2016

The net sales of the Convenience business area totaled EUR 385.5 million in 2016 (EUR 411.5 million in 2015).

In 2016, the growth project continued in our plant in Bethune, SC, USA, with a major investment in a new production line. The installations at the Bethune plant were completed in December 2016. The new production line will increase our capacity in wetlaid technology and will, at first, meet the growing demand for nonwovens for household and workplace wiping, flushable wipes and personal care products.

Suominen's new product development was constant throughout the year.

Suominen's new product development was constant throughout the year, even though no public product launches were announced. However, as a result of determined development projects carried out in close cooperation with customers, Suominen introduced several new nonwoven materials directly to its key customers. One of the most important product launches was a novel nonwoven substrate for household wiping, developed exclusively for a global consumer goods company. Another example of a non-public product launch is the next generation dispersible nonwoven for flushable wipes, which we introduced to select customers. This product is our best dispersible nonwoven yet and, as a product that disperses even more quickly when flushed down the toilet, it keeps Suominen ahead of the competition.

In May, Suominen launched the Suominen@work nonwovens product line for workplace wiping applications. End-use applications for these nonwovens could include, for instance, wipes used in fast food restaurants, healthcare facilities and factory workshops. The launch was one of the key steps in increasing the share of nonwovens with higher added value in Suominen's product portfolio, which is the company's strategic aim.

In late 2016, Suominen was awarded

Suominen was awarded the 2016 Rockline Partnership Recognition.

the 2016 Rockline Partnership Recognition for being a Best in Class Supplier and Partner. Rockline Industries is one of the largest global producers of consumer products specializing in wet wipes and a key customer for Suominen. The recognition demonstrates successful efforts in creating Mutual Value Partnerships with customers, which is one of Suominen's strategic focus areas.

Despite the various crises in South America, and the unstable business environment in Brazil during 2016, Suominen's business on the continent continues to be healthy and growing.

Convenience outlook

The new wetlaid production line in Bethune, SC, USA, is expected to start production in the first quarter of 2017 and the first orders from customers should be fulfilled during that same quarter.

The outlook for the Convenience business area continues to be auspicious, as demand for nonwovens used in wiping products is projected to increase in all market areas.

The forecasted growth varies across applications. For instance, the growth rate in nonwovens for baby wipes is around 2% in our main market areas, reflecting the relative maturity of these markets. On the other hand, the forecasted growth rates in nonwovens for flushable wipes,

The outlook for the Convenience business area continues to be auspicious.

for example, are as high as 9% in the same geographical areas.

Growth rates may vary widely also across market areas. This is visibly illustrated, for example, in nonwovens for household wipes, as the growth rate for the application is projected to be 2% in Europe, but 7% in North America. The variation in estimated growth rates indicates, among other things, that the market for disposable household wipes is still emerging in Europe, and the continent is affected by the prolonged recession.

All in all, the conditions for growth are favorable, as the growth of the middle class, appreciation of a healthy lifestyle, well-being and a high level of personal hygiene, as well as efforts to achieve everyday comfort and convenience, are global megatrends that are gaining momentum.

The estimated growth rates for market segments by geographical market

	North America	EMEA	South America
Baby wiping	2%	2%	5%
Personal care products	6%	6%	*
Flushable wiping	7%	9%	*
Household wiping	7%	2%	*
Workplace wiping	5%	3%	*

* Commercially small amounts supplied

Care business area

In nonwovens for hygiene and medical products, Suominen is still a small but growing supplier with its Care business area. Suominen makes people's lives better by offering high quality nonwoven components for select medical and hygiene applications for use in acute, institutional and home care settings.

31.3 EUR million

Net sales in 2016, Care

In 2016, the Care business area accounted for 8% of Suominen's net sales. The main market areas for Care are North America, South America and Europe.

The main end-use applications for Suominen's nonwovens for hygiene products are:

- Baby diapers
- Feminine hygiene products
- Adult incontinence products

The main end-use applications for medical products include:

- Wound care applications
- Surgical drape components
- Patient care applications

For example, feminine care products can consist of several layers of different materials, with nonwovens being just one of them.

Customers of the Care business area include global consumer brands, manufacturers of medical and hygiene products and regional nonwoven converters.

Care in 2016

The net sales of the Care business area totaled EUR 31.3 million in 2016 (EUR 32.4 million in 2015).

One of the highlights for Care was in early 2016, when Suominen won the RISE® Durable Product Award for innovation in new commercial nonwoven durable products with its FIBRELLA® Lite nonwoven, which is used in the stretch parts of absorbent hygiene products, such as baby diapers. A nonwoven spunlaced product, FIBRELLA® Lite combines traditionally incompatible features like strength, softness, stretchability and light weight together in one material.

The most important growth-enabling projects for the Care business area were

production line improvements in Alicante, Spain, and Paulínia, Brazil. They expand Suominen's production capabilities in nonwovens for medical applications and

The investments support the offering of our recently developed nonwovens for medical products.

offering of our recently developed nonwovens in the segment, i.e., FIBRELLA® Zorb and FIBRELLA® Zorb+, which were developed for surgical drapes, and FIBRELLA® Perf, a nonwoven substrate for wound care products.

The investment in a new wetlaid production line in our plant in Bethune, SC, USA, also benefits Care. Completed in December 2016, the new production line will help us meet the growing demand for nonwovens for medical products, among other applications.

Care outlook

Solid growth in product demand is forecasted to continue in the Care business area.

The main market areas for Care are Americas and Europe. The investment made at Suominen's plant in Brazil also enables the business area to supply medical and hygiene products in South America.

In North America, demand for nonwovens for medical products is projected to grow roughly 5%, while in Europe the estimated annual growth rate is around 3%. These growth forecasts are supported by the current global health and well-being megatrends: an increase in the number of pandemics and hospital-acquired infections, as well as the challenges and changing operating models faced by the healthcare sector.

In nonwovens for hygiene products, annual market growth in North America

Developing business relationships can take time in medical and hygiene markets.

and Europe is close to 4%. The growth prospects for hygiene applications are driven by demographic factors such as population growth, the increase in income in developing countries and the aging of the population in developed countries.

The goal for the Care business area is to achieve substantial growth. This will be sought by concentrating on two areas: firstly, on expanding our product portfolio through developing new products and, secondly, on nurturing our existing customers while gaining new customers, because developing business relationships can take time in medical and hygiene markets.

Read more a suominen.fi

> About Us / Business

> About Us / Operating environment

Key figures

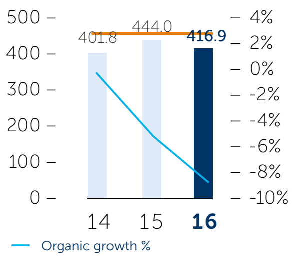
	2016	2015	2014
Net sales, EUR million	**416.9**	444.0	401.8*
Comparable operating profit, EUR million	**25.6**	31.2	26.9*
Profit for the period, EUR million	**15.2**	17.0	10.2*
Earnings per share, EUR	**0.29**	0.32	0.19*
Cash flow from operations, EUR million	**28.5**	27.3	37.1
Cash flow per share, EUR	**0.56**	0.54	0.75

*Continuing operations.

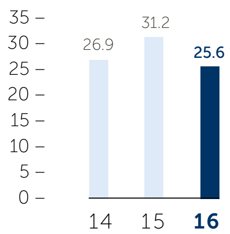
	2016	2015	2014
Gross capital expenditure, EUR million	**53.3**	23.7	7.1*
Equity ratio, %	**45.3**	43.2	41.2
Equity per share, EUR	**2.81**	2.50	2.19
Gearing, %	**39.6**	25.9	34.7
Return on invested capital (ROI), %	**11.6**	15.9	15.7*
Number of employees, average	**646**	614	591*

*Continuing operations.

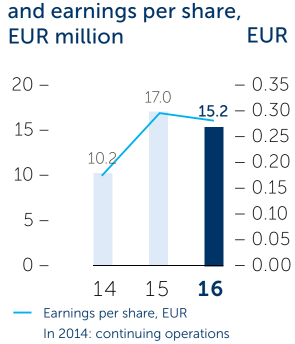
Net sales, EUR million



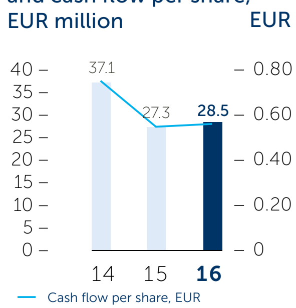
Comparable operating profit, EUR million



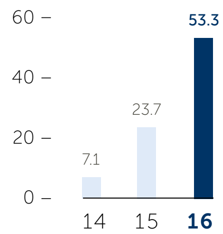
Profit for the period and earnings per share, EUR million



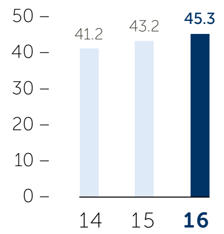
Cash flow from operations and cash flow per share, EUR million



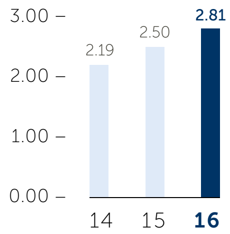
Gross capital expenditure, EUR million



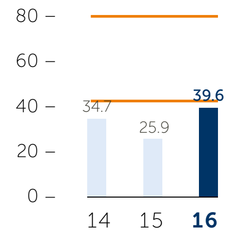
Equity ratio, %



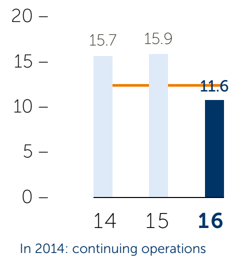
Equity per share, EUR



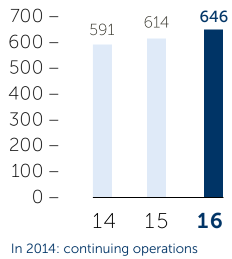
Gearing, %



Return on invested capital (ROI), %



Number of employees, average



Financial targets 2015–2017

Growth
Suominen aims to increase its net sales organically at a rate that exceeds the average growth rate of the industry (approximately 3%).

Profitability
Suominen aims to improve its relative profitability. The target level of the company's return on investment (ROI) is to be above 12%.

Capital structure
Suominen aims to have a solid capital structure with a gearing ratio principally between 40% and 80%.

Orange lines indicate the target level.

Figures refer to continuing operations unless otherwise stated.

Vish Mazumder

Product Development Manager
Windsor Locks, CT, USA

Vish joined the Suominen R&D team in February 2016 and has already brought a tremendous amount of consumer focus and disciplined product research understanding to our business. He ensures that the voice of the consumer is reflected in all our work. Given his experience in the consumer goods industry, he is changing the way Suominen manages and thinks about innovation.

Sustainability

Suominen's purpose is to make nonwovens continuously better for people, which obliges us to take environmental and social matters into account in decision-making.

Sustainability strategy

2016 was the second implementation year of Suominen's first-ever sustainability strategy, which was drawn up to support our business targets. The sustainability strategy defines where Suominen targets its efforts and resources during the 2015–2017 period.

The focus areas in Suominen's sustainability strategy, determined through a materiality analysis, are:

- Reaching product leadership
- Operating sustainably across the company
- Fostering responsibility through the value chain

At Suominen, sustainable development concerns both day-to-day work, e.g., the development of more responsible nonwovens, and distinct projects and programs. In 2016, these sustainability programs included a Non-Discrimination and Equal Opportunities Program, in the form of rooting the blind hiring principle into our organization, and a program involving a Supplier Code of Conduct.

In August 2016, Suominen published its Supplier Code of Conduct, which establishes the standards for conducting business with the company and deals with matters such as freedom of association and discrimination. The Supplier Code of Conduct has already had an impact on how Suominen sources its raw materials. As an example, we have stopped doing business with certain suppliers until they rectify their operations to match the requirements set in the Supplier Code of Conduct.

We have stopped doing business with certain suppliers until they rectify their operations to match the requirements set in the Supplier Code of Conduct.

Another highlight in Suominen's work on sustainable development issues in 2016 was the invitation from a global consumer goods company for Suominen to participate in their sustainable innovation network. This is an indication of the successful execution of our sustainability strategy, as only a few companies were invited to join the network; the outcome of this very recently generated new opportunity remains to be seen in the future.

Focus areas of sustainability at Suominen

Sustainability reporting at Suominen

Suominen's Annual Report 2016 examines sustainability from the social, environmental and economic perspectives of responsibility. We report on our sustainability work every year in the Annual Report.

Health, safety and environmental data is collected from Suominen's production units. In accordance with the materiality principle, locations that do not have production operations are not included in the data.

The graphics in the Sustainability section present historical data as of 2012 and reflect Suominen's continuing operations.

The Windsor Locks plant in CT, USA, is co-operated by Suominen and Ahlstrom Corporation. Only the resources used by Suominen at the Windsor Locks plant are taken into account in the environmental figures. In the safety indicators, personnel who have worked on Suominen's production lines but are not on Suominen's payroll are excluded.

We continuously develop our sustainability reporting with the goal of open, meaningful and equal stakeholder communication.

Social responsibility

The basis of social responsibility at Suominen is to ensure employees a fair, safe, equal, and healthy work environment. This is a self-evident part of our sustainability strategy, which states that we focus on operating sustainably across the company.

Suominen started to monitor more closely the work-life balance of its executive management, middle management and specialists.

Successfully executing the business strategy requires the determined development of employees' capabilities and promoting motivation. In 2016, Suominen spent EUR 316,382 (EUR 122,902) on personnel training. The significant increase in personnel training costs was a result of investing in the training needs of Suominen's major process and ICT system renewal project, the production line investment in Bethune and training supporting strategy implementation, e.g. project management and commercial skills.

We were pleased to see that the declining trend in employee absences due to illness continued in 2016, as absences amounted to 1.8% of total working hours (2.2% in 2015).

In 2016, Suominen started to monitor more closely the work-life balance of its executive management, middle management and specialists, 111 employees in total, as part of personal development reviews. Work-life balance was measured with six claims related to the employees' own views on their work-life balance and stress management, but also to the views of their family members and friends.

Employees answered each claim on a scale of 1 (Fully disagree) to 4 (Fully agree). The average value calculated on all six answers of all employees was 2.95, which equals Good. Suominen will continue to monitor the work-life balance of its employees also in the future.

Equal opportunities

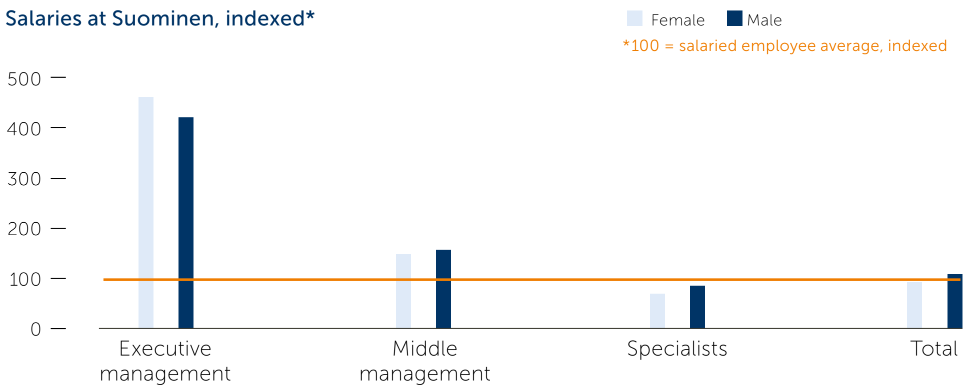
Having a fair place to work with equal opportunities for all means that Suominen respects human and labor rights and treats all employees equally. We do not tolerate any kind of discrimination and we are committed to the equal pay for equal contribution principle. In addition, we follow the blind hiring principle in our recruiting.

In 2016, Suominen continued to monitor pay equity between men and women by analyzing the indexed salaries of all salaried employees globally, i.e. some 290 people in total. The analysis was conducted for the first time in 2015, and the 2016 analysis was identical in its approach. Employees with hourly wages were excluded from the analysis because of the comparability issues between salaried and hourly employees.

Salaries at Suominen did not change markedly during 2016. Due to the relatively small size of the target groups in the analysis, organizational changes and exchange rate fluctuations may have a disproportional impact on the results of the analysis. We concluded that the overall pay equity continued to be fairly good.

Gender pay gaps still exist at Suominen, but they are caused by a structural imbalance, i.e. women and men not being equally represented in all functions and on all organizational levels, rather than

Salaries at Suominen, indexed*



Average Salary	Male	Female
Executive management	419	462
Middle management	157	148
Specialists	86	70
Total	**108**	**92**

men and women being paid unequally for the same work. Suominen will continue to monitor the gender pay gaps and is committed to taking corrective measures whenever necessary.

To further increase the transparency of its remuneration, Suominen has begun reporting on the CEO pay ratio, that is, a comparison between the salary of the President & CEO and the average salary of salaried employees. In 2016, the CEO pay ratio at Suominen was 7.66.

Suominen has begun reporting on the CEO pay ratio.

Further information on compensation at Suominen can be found in the Remuneration Statement, on page 41.

22% of Suominen's total workforce, i.e. 646 employees, were women and 78% were men. Of the 110 employees included in the Suominen Variable Remuneration System, 39% were women and 61% were men. The Suominen Variable Remuneration System is a global short-term incentive plan that rewards specialists, middle management and executive management if targets set for both personal and organizational performance are met. Of Suominen's top management, the Corporate Executive Team, 29% were women and 71% were men.

94% of Suominen's total workforce were permanent employees and 6% had fixed-term contracts. Suominen's employees in the USA are employed in a so-called at-will employment relationship and, in this statistic, are included in the permanent employee figure.

63% of Suominen's total workforce are hourly employees and 36% are salaried employees. Hourly employees are typically production line operators and other production workers, and salaried employees include specialists, middle management and executive management.

Safety

Zero lost-time accidents continued to be Suominen's target also in 2016. After a disappointing 2015, we managed to improve all three safety rates.

In total, eight lost-time accidents (LTA) occurred at Suominen sites in 2016 (nine in 2015). The Accident Frequency Rate (AFR) decreased to 7.34 in 2016 (8.29 in 2015) and the accident severity rate (ASR) also decreased slightly to 0.34 (0.37).

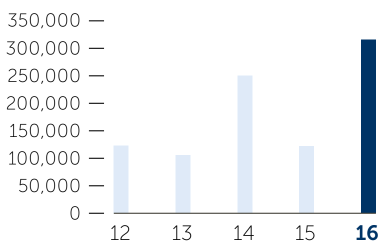
The Behavior-Based Safety program kept rolling for the third year in 2016. The program emphasizes the individual's responsibility in safety and is implemented through safety walks. In a safety walk, a trained employee walks through the plant premises, identifying both safe and unsafe behaviors and conditions, and then engages in an open discussion with the employees.

During 2016, a total of nearly 17,000 safety walks took place at Suominen's production plants, allowing us to identify more than 3,700 unsafe actions and unsafe conditions that need to be rectified. That amounts to more than 2,400 hours of work fully dedicated to improving occupational safety.

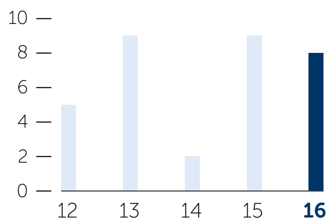
After a disappointing 2015, we managed to improve all three safety rates.

Suominen develops occupational safety according to the principle of continuous improvement and constantly shares the best practices of individual plants to benefit the entire plant network. In improving safety, Suominen places particular emphasis on influencing attitudes, behavior and operating models and on building a culture of work safety. Safety monitoring is part of the daily activities of our production plants.

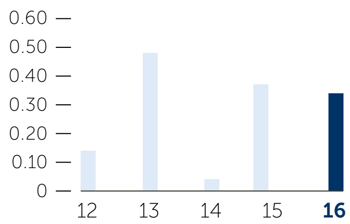
Personnel training costs, EUR



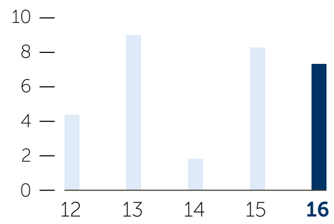
Lost time accidents (LTA)



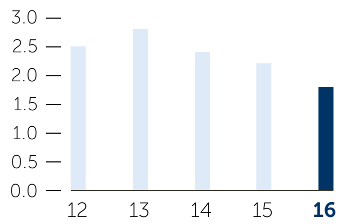
Accident severity rate (ASR)



Accident frequency rate (AFR)



Absences due to illness, % of total working hours



Environmental responsibility

Suominen strives to reduce its direct environmental load and minimize the environmental impacts of its products throughout their life cycle. In our own operations, we focus on improving our energy and water efficiency and reducing the amount of landfill waste.

Suominen supports responsible forest management.

Suominen is committed to considering the environmental impacts of its operations in accordance with the International Chamber of Commerce's (ICC) principles of sustainable development. We have identified that our environmental impacts are primarily related to the raw materials, energy and water used in production, and to the waste generated during the production process. We prioritize the continuous improvement and streamlining of our operations and foster the principle of reusing and recycling materials.

Raw materials

Raw materials play a prominent role in Suominen's business since they constitute approximately 60–70% of our expenses. In 2016, Suominen purchased 136,387 tons of fiber raw material (138,215 tons in 2015), most of it being viscose, pulp, polypropylene and polyester. Renewable resources accounted for 50.6% of the raw materials Suominen consumed in 2016 (48.2% in 2015).

Suominen supports responsible forest management and continues to improve its sourcing accordingly. This is critical to Suominen's operations, since wood-derived fibers – viscose, fluff pulp and wood pulp – account for nearly all of the renewable raw materials we use today.

The favorable trend continued and Suominen managed to reduce its energy consumption.

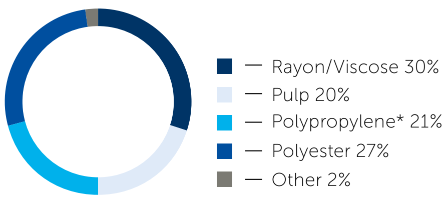
Suominen also produces nonwovens made of certified raw materials, including FSC® (FSC-N002523)- and PEFC-certified materials. The up-to-date certification list of Suominen plants is available on Suominen's website.

Energy and water efficiency

We continued to focus on improving Suominen's energy and water efficiency in 2016.

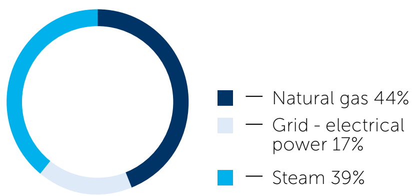
In energy efficiency, the favorable trend continued and Suominen managed to reduce its energy consumption to 12.69 GJ per ton of product (12.78 GJ/t in 2015) by, for example, investing in

Raw material usage in 2016 (in total 136,387 tons)

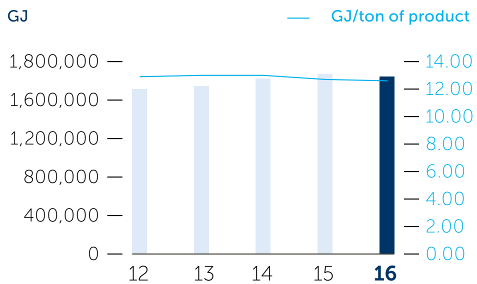


*Including sourced PP Spunbond

Energy consumption in 2016 (in total 1,663,509 GJ)



Energy consumption and energy efficiency



production line efficiency improvements, installing a new energy recovery system in our Cressa, Italy, plant and starting to adopt LED lighting in Suominen production plants.

Renewable energy sources accounted for 19.3% of the energy consumption in 2016 (21.9% in 2015).

In water efficiency, the goal was set at consumption of 40.06 m³ per ton of product (5.5% reduction from 2015). We beat our water efficiency target for the year, achieving an efficiency of 39.69 m³/t (42.08 m³/t in 2015). The improvement was made possible by, among other things, investing in a cooling water recovery system in Green Bay, WI, USA plant.

Thanks to our continuous efforts to improve our water-treatment systems, all the water used in Suominen's operations is as clean or cleaner than it was when taken into our process.

We expect Suominen's water consumption to increase during 2017 as we begin production on the new wetlaid production line in Bethune, SC, USA. Currently, Suominen's plant in Windsor Locks, CT, USA, alone represents around 70% of our water consumption due to the wetlaid production technology utilized at the plant. However, the water consumption in Bethune is expected to be lower than in Windsor Locks, since the new production line represents state-of-the art technology.

Greenhouse gas emissions

In 2016, Suominen's total greenhouse gas emissions (scope 1 and scope 2) fell to 0.99 tons of CO_2 equivalent per ton of product, down from 1.07 t/t in 2015. Suominen has not set targets for reducing greenhouse gas emissions but, instead, aims at reducing emissions by setting energy-efficiency targets.

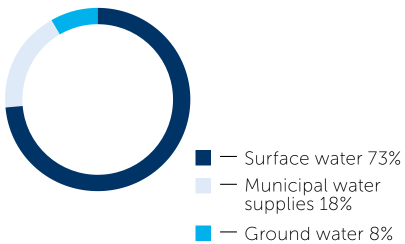
Whenever possible, Suominen purchases energy from companies that have lower greenhouse gas emissions. As a result, in 2016 we reduced our emissions to the atmosphere by more than 9,000 metric tons of CO_2 equivalent when compared to the average for the region, which means a 9.45% reduction in greenhouse gas emissions when compared to location-based emissions.

Waste to landfill

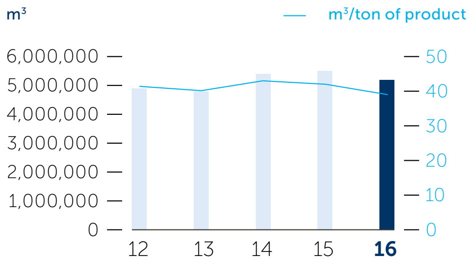
Suominen's target for landfill waste in 2016 was 6.86 kg per ton of product (1.5% reduction from 2015). However, after two fairly steady years, waste volumes increased to 10.7 kg/t in 2016 (6.96 kg/t in 2015). This was due to not being able to recycle some of the waste generated in one of our plants. All other seven production plants achieved their waste reduction targets. In the future, we aim to meet our waste reduction targets by placing greater focus on improving recycling.

Whenever possible, Suominen purchases energy from companies that have lower greenhouse gas emissions.

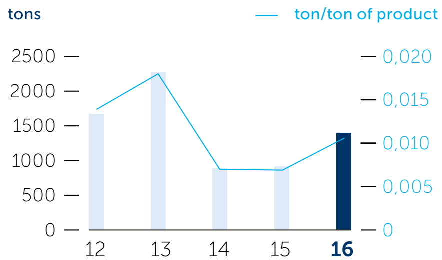
Water intake by source in 2016 (in total 5,202,914 m³)



Water consumption (m³) and water efficiency (m³/ton of product)

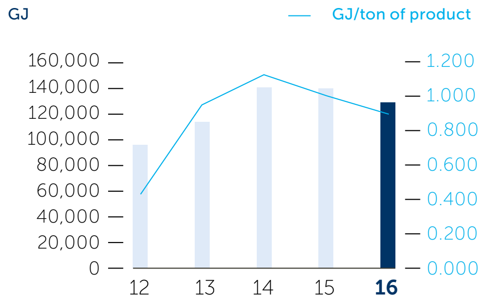


Waste to landfill



Greenhouse gas emissions*

*including direct and indirect emissions



Economic responsibility

The year 2016 did not change Suominen's position as an economically vital company. Net sales growth, healthy profitability, strong cash flow and a solid financial position are prerequisites in the long term for meeting our financial obligations to our various stakeholders and contributing to increasing general economic well-being.

We started working on expanding Suominen's tax reporting.

At the end of 2016, we started working on expanding Suominen's tax reporting as a part of future Annual Reports to make our economic impacts more transparent going forward.

Stakeholder	Direct financial impact in 2016	
Customers	Net sales EUR 416.9 million	Suominen's major customers include global consumer brands and private label manufacturers.
Employees	Wages and salaries EUR 35.9 million	Suominen employed some 650 people in Europe and in North and South America in 2016.
Partners	Materials and services EUR 307.5 million	Suominen purchases raw materials and other products and services from local and international business partners.
Society	Corporate income taxes paid EUR 6.3 million	Suominen is a significant employer in the communities where we operate, which makes us a promoter of general well-being.
Financiers	Net financial expenses EUR 3.2 million	
Shareholders	Approximately EUR 5.0 million in total were paid as dividends in 2016 from the financial year 2015.	On 31 December 2016, Suominen had 4,862 shareholders.

Read more at suominen.fi

> Careers / Blind hiring
> Certified raw materials are finding their way into nonwovens
> Suominen publishes its Supplier Code of Conduct
> Sustainability at Suominen

Sustainability data

Social performance

Absences due to illness, % of total working hours	2012	2013	2014	2015	2016
	2.5	2.8	2.4	2.2	**1.8**

CEO pay ratio*	2012	2013	2014	2015	2016
	-	-	-	-	**7.66**

* President & CEO's salary dividend by salaried employees' average salary.

Personnel training costs, EUR	2012	2013	2014	2015	2016
	123,000	106,125	250,607	122,902	**316,382**

Proportional representation of women, %	2012	2013	2014	2015	2016
In total workforce	-	-	-	-	**22.0%**
In top management	16.7%	14.3%	28.6%	28.6%	**28.6%**

Safety indicators	2012	2013	2014	2015	2016
Lost time accidents (LTA)	5	9	2	9	**8**
Accident severity rate (ASR)	0.14	0.48	0.04	0.37	**0.34**
Accident frequency rate (AFR)	4.37	9.00	1.83	8.29	**7.34**

Total workforce	2012	2013	2014	2015	2016
Average employees	603	550	591	614	**646**
Permanent employees**, %	-	-	-	-	**94%**
Fixed-term employees, %	-	-	-	-	**6%**
Hourly employees, %	-	-	-	-	**63.4%**
Salaried employees, %	-	-	-	-	**36.6%**

** Including at-will employees in the USA.

Environmental performance

Energy consumption by source, GJ

Source	2012	2013	2014	2015	2016
Grid	622,707.2	587,842.9	637,406.1	663,165.9	**649,210.3**
Natural gas	638,930.1	718,704.5	769,663.4	728,034.6	**725,227.9**
Steam	282,330.5	261,004.4	231,207.5	286,145.2	**283,370.8**
Other	5,050.0	4461.7	6,121	5,820.8	**5,700.1**
Total	1,549,017.8	1,572,013.5	1,644,398.1	1,683,166.4	**1,663,509.1**

Energy efficiency, GJ per ton of product	2012	2013	2014	2015	2016
	12.91	13.02	13.02	12.78	**12.69**

Greenhouse gas emissions, tons of CO_2 equivalent	2012	2013	2014	2015	2016
Direct (scope 1)	35,354.26	41,207.00	44,115.10	42,201.96	**41,563.76**
Indirect (scope 2)	61,282.24	73,472.00	97,377.40	98,571.73	**88,169.20**
Total	96,636.50	114,679.00	141,492.50	140,773.69	**129,732.96**

Greenhouse gas emissions, tons of CO_2 equivalent per ton of product

	2012	2013	2014	2015	2016
Direct (scope 1)	0.29	0.34	0.35	0.32	**0.32**
Indirect (scope 2)	0.51	0.61	0.77	0.75	**0.67**
Total	0.81	0.95	1.12	1.07	**0.99**

Raw material usage, tons	2012	2013	2014	2015	2016
	-	-	138,519	138,215	**136,387**

Waste to landfill	2012	2013	2014	2015	2016
Tons	1,675.00	2,278.00	888.31	916.47	**1,399.63**
Kg per ton of product	13.96	18.87	7.03	6.96	**10.68**

Water efficiency, m^3 per ton of product	2012	2013	2014	2015	2016
	41.44	40.27	43.01	42.08	**39.69**

Water intake by source, m^3

Source	2012	2013	2014	2015	2016
Surface water	3,301,526	3,185,211	3,805,396	3,990,096	**3,820,329**
Ground water	613,675	626,840	557,605	480,743	**436,014**
Municipal water supplies	1,055,598	1,048,897	1,068,729	1,071,452	**946,571**
Total	4,970,799	4,860,948	5,431,730	5,542,291	**5,202,914**

All figures refer to continuing operations.

Nina has played an important role in a major process and ICT system renewal project that Suominen started in late 2015. The project supports Suominen's growth endeavors by unifying our ways of working globally and by developing demand, supply and order management. As a team leader, Nina has brought business insight to one of the project tracks, and her attitude exemplifies the purpose of the project: enhancing global cooperation.

Nina Paananen

Customer Service Manager
Nakkila, Finland

Corporate Governance Statement of Suominen Corporation for 2016

1. Introduction

In financial year 2016, Suominen Corporation (hereinafter "Suominen") complied with the Finnish Corporate Governance Code 2015 (hereinafter "Code") issued by the Securities Market Association. The Corporate Governance Statement (hereinafter "Statement"), required by the Code; Chapter 7, Section 7 of the Securities Markets Act; and Section 7 of the Ministry of Finance's Decree on the Regular Duty of Disclosure of an Issuer of a Security, is published as a separate statement in connection with the Report by the Board of Directors. The Statement has been published simultaneously with the Financial Statements and Report by the Board of Directors as a Stock Exchange Release and it is available also on Suominen's website, www.suominen.fi.

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

The Finnish Corporate Governance Code 2015 is available on the website of the Securities Market Association, www.cgfinland.fi.

2. Descriptions concerning Corporate Governance

Suominen Group

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

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

While Suominen has two business areas, Convenience and Care, the company has only one operating segment.

Shareholder's Nomination Board of Suominen Corporation

Suominen has a permanent Shareholders' Nomination Board established by the Annual General Meeting. The task of the Nomination Board is to prepare and present to the Annual General Meeting and, if necessary, to an Extraordinary General Meeting, a proposal on the remuneration of the members of the Board of Directors, a proposal on the number of members of the Board of Directors and a proposal on the members and the Chair of the Board of Directors. In addition, the task of the Nomination Board is to seek potential successors for the board members.

The Nomination Board shall consist of four (4) members, three of which shall be appointed by the company's three largest shareholders, who shall appoint one member each. The Chair of the company's Board of Directors shall serve as the fourth member.

The Nomination Board is established to exist and serve until the General Meeting of the company decides otherwise. The members shall be nominated annually and their term of office shall end when new members are nominated to replace them. The members of the Nomination Board shall be independent of the company, and a person belonging to the company's operative management cannot be a member of the Nomination Board.

The shareholders entitled to appoint members to the Nomination Board during financial year 2016 were determined on the basis of the registered holdings in the company's shareholder register on 1 September 2015 and on 1 September 2016.

From 1 January to 1 September 2016, 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

- Mikko Mursula, Chief Investment Officer of Ilmarinen Mutual Pension Insurance Company

- Reima Rytsölä, Executive Vice-President, Investments of Varma Mutual Pension Insurance Company

- Jorma Eloranta, Chair of Suominen's Board of Directors.

As of 2 September 2016, 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

- Erkki Etola, CEO of Oy Etra Invest Ab

- Reima Rytsölä, Executive Vice-President, Investments of Varma Mutual Pension Insurance Company

- Jorma Eloranta, Chair of Suominen's Board of Directors.

In financial year 2016, the Nomination Board convened three times. The attendance rate at the meetings was 100%.

Board of Directors

Composition in 2016

Until the Annual General Meeting of 2016, held on 16 March 2016, Mr. Jorma Eloranta (Chair), Mr. Risto Anttonen (Deputy Chair), Mr. Andreas Ahlström, Mr. Hannu Kasurinen, Ms. Laura Raitio and Ms. Jaana Tuominen formed the Board of Directors of Suominen.

The Annual General Meeting held on 16 March 2016 re-elected Andreas Ahlström, Risto Anttonen, Jorma Eloranta, Hannu Kasurinen, Laura Raitio and Jaana Tuominen as members of the Board of Directors. The term of office of the members of the Board of Directors ends at the close of the Annual General Meeting 2017.

Biographical details of the members are as follows:

Jorma Eloranta
Chair of the Board
b. 1951
M. Sc. (Tech.), Dr. Sc. (Tech.) h.c.
Shareholding*: 40,030 Suominen shares

Risto Anttonen
Deputy Chair of the Board
b. 1949
B. Sc. (Econ.)
Shareholding*: 28,830 Suominen shares

Andreas Ahlström
b. 1976
M. Sc. (Econ. and Business Adm.)
Investment Director, Ahlström Capital Oy
Shareholding*: 5,360 Suominen shares

Hannu Kasurinen
b. 1963
M. Sc. (Econ.)
Senior Vice President, Head of Carton Board Business Unit, Stora Enso Corporation
Shareholding*: 19,210 Suominen shares

Laura Raitio
b. 1962
Licentiate of Technology (Forest Products)
CEO, Diacor terveyspalvelut Oy
Shareholding*: 5,360 Suominen shares

Jaana Tuominen
b. 1960
M. Sc. (Chem. Eng.)
CEO, Paulig Group
Shareholding*: 9,306 Suominen shares

* Shares and share-based rights of each director and corporations over which he/she exercises control in the company and its group companies on 31 December 2016.

Independence of the directors

The Board of Directors has evaluated the independence of its members. All members are independent of the company. All members are also independent of its significant shareholders, with the exception of Andreas Ahlström, who acted as Investment Director at Ahlström Capital Oy. The largest shareholder of Suominen, AC Invest Two B.V., is a group company of Ahlström Capital.

Tasks and responsibilities

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

- deciding on the company's corporate structure and organization
- nominating and dismissing the President & CEO
- deciding on the salaries, bonuses, and other benefits paid to the President & CEO and his/her immediate subordinates
- deciding on the company's salary and incentive scheme
- considering and approving annual accounts, reports by the Board of Directors, financial statement releases, and interim reports
- monitoring and supervising the Group's performance and ensuring the effectiveness of its management
- approving the company's operating policies (financing policy, insurance and risk management policy, and principles for corporate governance)
- deciding on the acquisition and disposal of fixed assets
- deciding on strategically and financially significant investments, acquisitions, divestments, or other arrangements

- deciding on financial borrowings and pledging securities
- considering and approving strategies and action plans
- establishing a dividend policy and confirming the company's targets.

The Board of Directors is elected by the General Meeting of Shareholders. It consists of at least three and at most seven members.

Meeting practice

The Board of Directors convenes under the direction of the Chair or, if the Chair is unable to attend, the Deputy Chair. Principally, the matters are presented by the President & CEO.

In 2016, the Board of Directors convened 18 times, of which 9 times per capsulam. The attendance rate at meetings was 100%. The participation of each individual member is presented in the table below.

Name		Participation
Jorma Eloranta	Chair	18/18
Risto Anttonen	Deputy Chair	18/18
Andreas Ahlström	Member	18/18
Hannu Kasurinen	Member	18/18
Laura Raitio	Member	18/18
Jaana Tuominen	Member	18/18

Self-evaluation

In financial year 2016, after each of its meetings, the Board assessed the preparations of the meeting, the course of the meeting and its own operations, in line with the principle of continuous development. The Chair of the Board of Directors interviews each member of the board individually once a year in order to further develop the operations of the Board and to focus its attention to the most relevant matters.

In addition, the Board of Directors reviewed its operations and procedures in the financial year 2016 through an internal self-assessment. The results of the assessment were submitted confidentially also to the use of the Nomination Board.

Diversity principles of the Board of Directors of Suominen Corporation

At Suominen, diversity has been recognized as an essential success factor in the long term. Also in considering the Board's composition, diversity is assessed through a number of viewpoints. Diversity in the Board's competencies, experience and opinions promotes openness for new ideas and helps the Board support and challenge the company management. Further, diversity promotes open discussion, integrity of decision making, good corporate governance, effective supervision of both the Board and the management, as well as supports succession planning.

The Nomination Board of Suominen's shareholders evaluates the number of the members of the Board, its composition and the competence requirements of the Board in the light of the present and future needs of the company. When assessing the composition of the board, the Nomination Board considers, among other things, whether the Board possesses a broad range of business knowledge and members representing both genders and various ages. It is Suominen's objective to have both men and women in its Board.

It is fundamental that the final proposal of the Nomination Board to the Annual General Meeting is based on the qualifications and competencies of each candidate. In addition, candidates must also have the possibility to devote a sufficient amount of time for the Board work.

The essentials of the diversity principles are describe in this Statement. They can be reviewed in their entirety at www.suominen.fi.

Fulfillment of the diversity principles

The Annual General Meeting of Suominen held on 16 March 2016 elected six members to the Board of Directors of the company. Two of the six members are women. All members of the Board of Directors of Suominen hold an academic degree either from business economics or technical sciences. Considering their experience, they represent international business in all its broadness and therefore bring diverse expertise and versatile perspectives to the board work. The youngest member of the Board of Directors turned 40 and the oldest 67 years during 2016. The Annual General Meeting held on 16 March 2016 decided to remove the limitation regarding the age of a member of the Board from the company's Articles of Association.

The diversity principles and their fulfillment will be reported annually as a part of the Corporate Governance Statement of Suominen.

Board committees

Audit Committee

The main tasks of the Audit Committee relate to ensuring the company's good governance, accounting and financial reporting, internal control systems and the monitoring of the activities of the external auditing. The Audit Committee prepares for the Board matters that fall under its areas of responsibilities, but it does not have independent decision-making powers unless the Board resolves otherwise on certain matters.

The Chair and members of the committee are elected annually at the Board's constitutive meeting. At least three members are elected to the committee. The members of the Audit Committee must be independent of the company, and at least one member must be independent of the company's significant shareholders.

From 1 January 2016 until 16 March 2016, until the constitutive meeting of the Board, the Audit Committee consisted of Hannu Kasurinen as Chair and Andreas Ahlström and Laura Raitio as members. In its constitutive meeting on 16 March 2016, the Board of Directors elected Hannu Kasurinen as Chair and Andreas Ahlström and Jaana Tuominen as members of the Audit Committee.

In 2016, the Audit Committee convened four (4) times. The attendance rate at the meetings was 100%. The participation of each individual member is presented in the table below.

Name		Participation
Hannu Kasurinen	Chair	4/4
Andreas Ahlström	Member	4/4
Laura Raitio	Member until 16 March 2016	1/1
Jaana Tuominen	Member as of 16 March 2016	3/3

Personnel and Remuneration Committee

The Personnel and Remuneration Committee will prepare the remuneration and appointment matters concerning the company's President & CEO and other members of senior management, as well as principles and procedures related to the remuneration of the company's employees. The Committee will prepare for the Board matters that fall under its areas of responsibilities, but it does not have independent decision-making powers unless the Board resolves otherwise on individual matters.

The Chair and members of the committee will be elected annually at the Board's constitutive meeting. The majority of the members of the Personnel and Remuneration Committee must be independent of the company. The President & CEO or a member of the company's or Group's management may not be a member of the Personnel and Remuneration Committee.

From 1 January 2016 until the constitutive meeting of the Board of Directors held on 16 March 2016, the members of the Personnel and Remuneration Committee were Jorma Eloranta (Chair), Risto Anttonen and Jaana Tuominen. In its constitutive meeting held on 16 March 2016, the Board of Directors elected Jorma Eloranta as the Chair of the Personnel and Remuneration Committee and Risto Anttonen and Laura Raitio as members.

In financial year 2016, the Personnel and Remuneration Committee convened three (3) times. The attendance rate at the meetings was 100%. The participation of each individual member is presented in the table below.

Name		Participation
Jorma Eloranta	Chair	3/3
Risto Anttonen	Member	3/3
Jaana Tuominen	Member until 16 March 2016	0/0
Laura Raitio	Member as of 16 March 2016	3/3

President & CEO

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

Ms **Nina Kopola**, b. 1960, M.Sc. (Chemical Eng.), Technology Licentiate, acts as the President & CEO of Suominen Corporation. Nina Kopola held (directly and through corporations over which she exercises control in the company and its group companies) on 31 December 2016 in total 85,172 Suominen shares.

Other executives

The President & CEO is supported by the Corporate Executive Team and Corporate Leadership Team. In 2016 the Corporate Executive Team comprised, in addition to the President & CEO who acts as its Chair, the following executives:

Tapio Engström
Senior Vice President, CFO
M.Sc. (Accounting)
b. 1963
Shareholding*: 33,266 Suominen shares

Lynda A. Kelly
Senior Vice President, Care
B.Sc. (Business Administration/Marketing)
b. 1964
Shareholding*: 10,000 Suominen shares

Larry L. Kinn
Senior Vice President,
Operations Americas
B.A. (Chemistry)
b. 1957
Shareholding*: 6,348 Suominen shares

Ernesto S. Levy
Senior Vice President,
Convenience BIE (Industrial Engineering), MBA (Marketing)
b. 1969
Shareholding*: 12,000 Suominen shares

Mimoun Saïm
Senior Vice President, Operations EMEA
ENSI Engineering
b. 1964
Shareholding*: 21,525 Suominen shares

Hannu Sivula
Senior Vice President,
Human Resources M.Soc.Sc.
b. 1966
Shareholding*: 29,345 Suominen shares

* Shares and share-based rights of each director and corporations over which he/she exercises control in the company and its group companies on 31 December 2016.

The Corporate Leadership Team comprises, in addition to the members of the Corporate Executive Team, the Vice President of R&D, the Vice President of Investments & Technology, the CIO, the Vice President of Marketing & Product Management, the Vice President of Sourcing, and the Vice President of Corporate Communications & Investor Relations.

3. Descriptions of internal control procedures and the main features of risk management systems

Internal control

Control environment

Control operations are embedded in the activities of Suominen's organization. Controlling is executed in connection with the steering of business processes, supported by comprehensive reporting.

Suominen's control environment is based on instructions, the business culture and on the way of working adopted by the company's managers and employees. The Group has established its values or guiding principles which encourage everyone at Suominen to adopt an active and ethical way of working both with various stakeholders and within the Group. In cascading the principles in the organization, honesty, transparency and working in teams are integral elements of establishing high ethical standards throughout the company.

The foundation of the internal control process relating to activities is built up around the Group's policies approved by the Board of Directors and other directives and instructions. The responsibility structure of the Group is based on authority inherent in the positions and work descriptions, segregation of duties and the "four-eyes" and "one-over" decision making principles. Effective internal control requires that duties are properly allocated to employees and potential conflicts of interests are identified and eliminated. A satisfactory control environment is ensured through internal analyses and evaluations of key processes as well as through revisions conducted by external auditors.

Group Finance function supports the business units in analyzing their performance and profitability and in the decision-making concerning various business choices. Business Controllers at the unit level are responsible for ensuring that control procedures are in place and implemented in the units. It is the ICT function's task to ensure that the security checks of ICT systems throughout the Group companies are functioning and are conducted at a sufficient level.

Control activities

The internal control activities are in place, among others, to verify that the company's financial reports provide true and fair information about the financial position of the Group. It is the duty of the Board of Directors and the President & CEO to organize the internal control activities. Each member of the Board of Directors receives monthly a report on the financial position of the Group.

In practice, control activities are conducted in the meetings of the Board of Directors and the management groups, where the results of the activities are reviewed. Group Finance and the company's controller network support and coordinate the financial management and control of the activities of the Group.

The internal control of Suominen has been decentralized across Group functions, who monitor the compliance of the operating guidelines approved by the Board concerning their areas of responsibility. In addition to the Group-level guidance, controlling measures are taken also at business unit and plant level. Controlling measures include both general and more detailed control procedures aiming to prevent, reveal and correct errors and deviations.

In the continuing business operations several controls activities are exercised to prevent potential errors and deviations in financial reporting. Moreover, the control activities are in place to help reveal and correct the identified errors. Suominen categorizes control activities into three categories. Documented instructions help the organization to standardize the monitoring of tasks. Continuous and regular reporting conveying feedback on the performance of Group functions and entities ensures that instructions and defined processes are followed. In critical processes, specific authorizations are needed in the work flow, either for security or for verification needs.

The need for separate evaluations, as well as their scope and frequency, will be defined by assessing risks and the effectiveness of ongoing monitoring procedures. Information security and related control activities play a key role when the features of ICT systems are being defined and applied.

Information and communication

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

Follow-up

Ongoing responsibility for follow-up rests with the business units' management and controller functions.

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

The Group's Finance function monitors the operations and processes of the Group units and the accuracy of external and internal financial reporting.

Risk management

Risk management is considered an integral part of running the business of Suominen, and the identification and assessment of risks is an essential element of internal control. The aim is to focus on the material risks that are significant from a business perspective. Risks are categorized into business risks caused by changes in the business environment and operational risks, caused by deficiencies in Suominen's processes.

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

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

Future estimates and assumptions on the reporting date involving a significant risk of causing material changes in the carrying amounts of assets and liabilities are continuously evaluated. Complex and evolving factors having an impact on business circumstances may add uncertainty to the assessment of the carrying amounts of assets. To avoid errors in stating the fair values of assets or liabilities, regular check-ups are made, e.g. by comparing material flows, values, and quantity and quality data with the information in accounting. The risk of errors due to irregularities and discontinuities in information is reduced by using established and automated system-based audit trails.

4. Other information

Internal audit

Suominen does not have a separate internal auditing organization. The company's auditor agrees with the Audit Committee on the annual auditing plan that takes into account that Suominen does not have an internal auditing organization. The auditing plan includes, among other things, the extended auditing of internal controls. Internal audit findings are reported to the Audit Committee, President & CEO and the relevant management concerned.

Related party transactions

As Suominen Corporation considers its potential related party transactions not to deviate from the company's normal business operations, the company does not report the decision-making procedure applied in connection with related party transactions. Related party transactions made in financial year 2016 are reported in the consolidated financial statements.

Insider management

Suominen complies with Nasdaq Helsinki Ltd's guidelines for insiders in force at any given time. In addition, the Board of Directors of the company has confirmed specific insider guidelines for the company to complement Nasdaq Helsinki Ltd's guidelines for insiders. Company's insider guidelines were completely renewed due to Market Abuse Regulation ((EU) N:o 596/2014, "MAR"), effective as of 3 July 2016.

As a result of the MAR regulation, Suominen has decided that after 3 July 2016 it will not maintain company specific register of permanent insiders. Persons involved in potential insider projects will be entered into project specific insider lists, established as needed.

Directors required to submit notifications

Based on MAR regulation, Suominen is no longer obliged to maintain a public insider register. Instead, Suominen maintains a list of company's directors and persons closely associated with them. Persons entered into that list have an obligation to notify Suominen and Finnish Financial Supervisory Authority all transactions made with Suominen's financial instruments by them or on behalf of them. Suominen will disclose the notifications it has received as stock exchange releases as soon as possible.

At Suominen Corporation, the members of the Board of Directors and the President & CEO have been defined to be subject to the requirement to notify their transactions.

The information presented on the Management shareholdings web page will not be updated after 3 July 2016. Disclosed stock exchange releases on the transaction notifications of directors and persons closely associated with them can be viewed at www.suominen.fi (> Investors > Share and shareholdings > Management transactions).

Closed period

Since the MAR regulation came in to force, as of 3 July 2016, Suominen's defined directors are subject to comply with so called closed period. The closed period is applied prior to disclosure of financial reports. It lasts 30 calendar days, including the date of disclosure of a financial report. During the closed period, defined directors of Suominen may not trade with the share or another financial instrument of the company. Also core persons preparing financial reports, among others, are subject to a similar 30-day closed period. The times of the closed periods are disclosed through a stock exchange release and in the event calendar available on Suominen website.

During a closed period, trading with Suominen's financial instruments by defined directors and core persons is possible only in certain very exceptional situations. An example of such an exceptional situation could be transaction conducted by director or core person to participate a share saving scheme of Suominen employees, which is a prerequisite for a director's or a core person's position. Making an exception to the 30-days-long closed period requires that the company gives approval for the transaction in question. The exception cannot be applied if a director or a core person has inside information.

Trading by directors and core persons

Directors and core persons, in addition to abiding by the closed period and other trade restrictions, must time their trading so that their trading does not weaken the general trust for the securities market. Suominen recommends that directors and core persons shall make long-time investments to the company's shares and other financial instruments. Further, it is also recommendable to time the trading to a point in time, when the market has as complete knowledge of the factors affecting the value of the share or the financial instrument as possible.

Monitoring and control

The Insider Officer of Suominen is the company's Chief Financial Officer. The Insider Officer is generally responsible for the administration insider issues with the company.

Without limiting to the obligations coming from MAR, Securities Marketing Act or Nasdaq Insider Guidelines, the company's insider administration will assume responsibility for the following:

- internal communications concerning insider issues
- training in insider issues within the company
- preparing and maintaining lists of directors and their closely associated persons
- receiving notifications, which concern the transactions of the directors' and their closely associated persons, going-through the notifications and forwarding those to the Financial Supervisory Authority (if a directors/closely associated person has authorized the company to do so) and publishing the relating stock exchange release
- preparing and maintaining project-specific insider lists
- preparing lists of personnel, who are defined as core persons
- monitoring of the insider issues
- administering the information to be published on the Internet, if needed.

Auditing

The Annual General Meeting held on 16 March 2016 re-elected Ernst & Young Oy, Authorized Public Accountant firm, as auditor of the company, with Kristina Sandin, Authorized Public Accountant, as the principal auditor.

The auditors and the Audit Committee of Suominen agree annually on an audit plan that takes into account that Suominen does not have a separate internal auditing organization. Internal audit findings are reported to the Audit Committee, President & CEO and the relevant management concerned.

In 2016, the fees paid to Ernst & Young for the statutory auditing of the Group companies totaled EUR 459 thousand. The fees paid to the auditing company and companies belonging to the same group for non-audit services such as tax, IFRS and other services, totaled EUR 24 thousand.

Letter from the Chair of the Personnel and Remuneration Committee

Dear Shareholder,

2016 marked the halfway point in Suominen's 2015–2017 strategic period. The year was characterized by steady development rather than significant changes. Suominen has adopted the principle of "structure follows strategy". In line with the vision of becoming a Market Driven Product Leader, Suominen's organization is built on two business areas (Convenience and Care), two production entities (Americas and EMEA), centralized product development and global supporting functions. The organization is headed by two management teams: the Corporate Executive Team and the Corporate Leadership Team, both led by the President & CEO. Suominen made no major changes to the organization in 2016, and all management team members continued in their respective positions as in the previous year.

As the name and charter imply, the Personnel and Remuneration Committee focuses on preparing remuneration and appointment matters concerning the company's President & CEO and other members of senior management, as well as principles and procedures related to the remuneration of the company's employees. A key theme in the Personnel and Remuneration Committee's work is to ensure that the company has the plans, processes, and means to secure talented people at present and in the future. Preparing for the future refers not only to immediate successor candidates, but also to the next generation of management and talent on a longer term, aligned with the strategy.

2016 represented continuity also in terms of remuneration. Suominen initiated in 2015 a share-based long-term incentive plan for executives, and its second earnings period covering 2016–2018 commenced last year. The earnings criteria in the long-term incentive plans are essential in creating sustainable competitiveness and performance. They take into account both Suominen's markets and its strategic development phase. Suominen operates in growing markets and segments and its strategy is geared to create growth. It is natural that growth is also an earnings criterion in the long-term incentive plan. Two other metrics – relative profitability and return on investment – are also key drivers in re-positioning Suominen as a high-value-adding nonwovens company. The long-term incentive plan is underway and the first incentives, if any, will be paid in 2018. No payments were made in 2016.

In the shorter term, Suominen's annual incentive plans are based on the same principles, with direct "pay for performance" consequences. In concrete terms, as the financial result for 2016 fell short of our plans and targets, the global short-term incentive plan will deliver no rewards.

In steering the planning of all remuneration practices, the Personnel and Remuneration Committee draws on various relevant data sources. External benchmarking improves both retention and Suominen's competitiveness on the global candidate market.

We will closely follow any developments in remuneration reporting in Finland and on the European level. Our objective is to monitor the anticipated changes, adopt them gradually and provide all relevant target audiences with timely, open and transparent information concerning Suominen's remuneration. This Chair's letter, continuing the practice we started last year, represents a concrete step towards new reporting standards. If you have any ideas or suggestions on how we can better serve our shareholders, please send them to Mr. Hannu Sivula, SVP, Human Resources: hannu.sivula@suominencorp.com.

Jorma Eloranta

Chair of the Personnel and Remuneration Committee

Remuneration Statement 2016 of Suominen Corporation

In financial year 2016 Suominen Corporation (Suominen) complied with the Finnish Corporate Governance Code 2015 issued by the Securities Market Association ("Code"). The Code is available on the Association's website at www.cgfinland.fi. This Remuneration Statement has been prepared in accordance with the guidance provided in the Reporting section of the Code.

A. Decision-making procedure concerning the remuneration

Board of Directors

The Annual General Meeting determines the remuneration paid to the members of the Board of Directors in advance, for one year at a time. The Nomination Board prepares independently a proposal on the remuneration of the Board of Directors for the Annual General Meeting.

President & CEO and other executives

The Board of Directors of Suominen determines the salary, bonuses and other benefits paid to the President & CEO and to other executives (members of the Corporate Executive Team and the Corporate Leadership Team serving under the President & CEO). The remuneration of the President & CEO and other executives consists of a fixed monthly salary and benefits, of a performance-based bonus (short-term remuneration), and of a share-based incentive plans (long-term remuneration).

The Personnel and Remuneration Committee of the Board of Directors of Suominen prepares the remuneration and appointment matters concerning the company's President & CEO and other executives, as well as principles and procedures related to the remuneration of the company's employees. The Committee does not hold independent decision-making power as the matters are resolved by the Board.

B. Main principles of remuneration

The goals set for Suominen's rewards are consistency, goal-orientedness, and incentive. The consistency and competitiveness of the rewards are ensured through systematic internal and external comparisons that also take into consideration local market conditions. Suominen's reward system aims to ensure that a fixed proportion of the total reward is individually targeted and actively examined. The goal of an active reward system is to ensure that the company has a good employer brand, in the eyes of both current and new key employees. Clear indicators that reflect performance, as well as a focus on the results that have been achieved ensure that the reward is well-founded, goal-oriented and offers incentive. By selecting goals for the variable rewards, the aim is to steer management towards implementing Suominen's strategy and achieving the financial targets. Short- and long-term performance-based remuneration is used to reward good performance and to contribute to the company's financial success and the favorable development of its shareholder value.

Main principles of remuneration of the Board of Directors

The remuneration of Suominen's Board of Directors is based on fixed annual remuneration and meeting fees.

Suominen's Annual General Meeting held on 16 March 2016 resolved to keep the remuneration of the members of the Board of Directors unchanged. The annual remuneration of the Chair of the Board of Directors is EUR 50,000, of the Deputy Chair EUR 37,500 and of the members, EUR 28,000. 60% of the annual remuneration is paid in cash and 40% in Suominen Corporation shares.

Of the remuneration payable in shares as described above, the number of shares transferred was determined based on the share value in the stock exchange trading maintained by Nasdaq Helsinki Ltd, and 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 2016 of the company was published. Shares were given out of the treasury shares held by the company by the decision of the Board of Directors on 2 June 2016.

Further, the members of the Board of Directors are paid a fee for attending meetings. Each member of the Board will receive EUR 500 for each meeting attended in the home country of the respective member and EUR 1,000 for each meeting attended elsewhere than in the home country of the respective member. Compensation for expenses is paid in accordance with the company's travel rules that are in force at the time. The participation to the Board's Committees is not compensated separately.

Members of Suominen's Board of Directors do not have an employment relationship with the company. They are not included in the company's stock option programs or share-based incentive plans and they do not have any pension contracts with the company.

Suominen Corporation shares that have been received as remuneration for the Board membership are not subject to restrictions or ownership obligations set by Suominen.

Main principles of remuneration of the President & CEO

The remuneration of the President & CEO consists of a fixed monthly salary and benefits, of a performance-based bonus (short-term remuneration), and of a share-based incentive plans (long-term remuneration).

Long-term remuneration: share-based incentive plan

The Board of Directors of Suominen decided on 4 December 2014 on two new share-based incentive plans for the Group management and Group key employees. The plan is divided in two; to Performance Share Plan and Matching Share Plan. The aim of the new plans is to combine the objectives of the shareholders and the persons participating in the plans in order to increase the value of the company in the long-term, to bind the participants to the company, and to offer them competitive reward plans based on earning and accumulating the company's shares.

Performance Share Plan

The Performance Share Plan includes currently three vesting periods, calendar years 2015–2017, 2016–2018 and 2017–2019. The Board of Directors will decide separately on new vesting periods. In addition, the Board of Directors will decide on the Plan's performance criteria and required performance levels for each criterion as well as the participating persons at the beginning of an earnings period. The Performance Share Plan is directed to approximately 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 potential reward of the Plan from the performance period 2015–2017 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 2015–2017 correspond to the value of an approximate maximum total of 460,000 Suominen Corporation shares, of which the maximum portion of the President & CEO would be the value of 84,000 shares (both including also the proportion to be paid in cash).

The potential reward of the Plan from the performance 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, of which the maximum portion of the President & CEO would be the value of 53,000 shares (both including also the proportion to be paid in cash).

The potential reward of the Plan from the performance 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, of which the maximum portion of the President & CEO would be the value of 80,000 shares (both including also the proportion to be paid in cash).

The fulfilment of the performance criteria of each vesting period is monitored annually and the potential rewards from the earnings periods 2015–2017, 2016–2018 and 2017–2019 will be paid in 2018, 2019, and 2020, respectively. The potential rewards will be paid partly in the company's shares and partly in cash. The cash proportion of the reward 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 her shareholding in total corresponds to the value of her annual gross salary. Such number of shares must be held as long as her service in a group company continues.

Matching Share Plan

The Matching Share Plan includes one three-year vesting period, calendar years

2015–2017. The prerequisite for receiving reward on the basis of this plan is that a person participating in the plan owns or acquires the company's shares up to the number determined by the Board of Directors. Furthermore, receiving of reward is tied to the continuance of participant´s employment or service upon reward payment.

The members of the Corporate Executive Team and the Corporate Leadership Team belong to the target group of the Matching Share Plan. The rewards to be paid on the basis of the Matching Share Plan correspond to the value of an approximate maximum total of 110,000 Suominen Corporation shares, of which the maximum portion of the President & CEO would be the value of 20,000 shares (both including also the proportion to be paid in cash). In order to implement the Matching Share Plan, a share issue against payment was directed to the target group. A maximum total of 110,000 new shares in the company were offered in the share issue for subscription. The share subscription price for the new shares was EUR 3.35 per share, which equals with the trade volume weighted average quotation of the share on Nasdaq Helsinki Ltd during 1–30 November 2014 and with the fair value approved by the Finnish tax authorities. In total 101,477 new Suominen shares were subscribed. The share subscription price was credited to the company's reserve for invested unrestricted equity.

The decision on the share issue was based on the authorization by the Annual General Meeting of Shareholders held on 26 March 2014.

The terms and conditions of the share-based incentive plans were technically revised due to the reverse share split decided by the Annual General Meeting on 16 March 2016 and implemented on 21 March 2016. Moreover, also the figures concerning the value or amount of shares in this Statement have been revised to match with the number of shares and the share price after the reverse split.

Short-term remuneration

Suominen applies a bonus scheme based on the principles approved by the Board of Directors in advance for one year at a time. For the President & CEO, the reward from the period is based on Suominen Group's profit before taxes and may not exceed 60% of the annual salary.

Term of notice and severance pay

According to the written contract made with the President & CEO, the period of notice is six months should either the company or the President & CEO terminate the contract. Should the company terminate the President & CEO's contract, severance pay corresponding to 12 months' salary shall be paid. The President & CEO has no specific contract related to the termination of her contract due to a public tender offer.

Supplementary pension arrangement of the President & CEO

In addition to the statutory pension arrangements, Suominen's President & CEO has a supplementary pension arrangement granting benefits for old-age, disability and survivor's pension at the age of 63. The supplementary pension is a defined-contribution pension scheme and corresponds to 11.5% of the President & CEO's annual salary (as defined in the Finnish Employees Pensions Act) for the year in question. The supplementary pension premium is based on the calculated annual earnings (fixed monthly salary plus estimated bonus). Any possible difference between the actual and calculated payment is taken into account in the following year's payments.

Main principles of remuneration of other executives

The remuneration of the other executives (Corporate Executive Team and Corporate Leadership Team) consists of a fixed monthly salary and benefits, a performance-based bonus (short-term remuneration), and of a share-based incentive plans (long-term remuneration). The remuneration system described above concerning the President & CEO is applied also to the members of Corporate Executive Team and Corporate Leadership Team, with the following exceptions:

- Long-term remuneration:
  Other executives 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.
- Short-term remuneration:
  For other executives, the bonus may not exceed 50% of the annual salary. In 2016 the performance-based bonus was based on the EBITDA (with actualization ranging from 0 to 100 %) and personal performance (with actualization ranging from 0 to 100 %). The payable bonus is calculated by multiplying the actualization of the personal performance by the actualization of the EBITDA.
- The other executives are not covered by any special supplementary pension schemes. Pension arrangements in countries without statutory pensions are arranged through Suominen's normal supplementary pension programs.

The executives and other key persons of Suominen act as members of the Boards of Directors of the company's subsidiaries. Separate compensation is not paid for that duty.

C. Remuneration report

Remuneration of the President & CEO and Corporate Executive Team in 2016

In financial year 2016, the salaries and benefits paid to the President & CEO totaled EUR 425,593 including a bonus of EUR 94,473. Additionally, the President & CEO has a health insurance, of which the costs for the company were EUR 418 in 2016. Supplementary pension payments for the President & CEO were in total EUR 45,892. In financial year 2016, the President & CEO received no Suominen shares, stock options or other share-based rights as remuneration.

The salaries and benefits paid to the other members of the Corporate Executive Team totaled EUR 1,442,626 including bonuses of EUR 188,119. In financial year 2016, the members of the Corporate Executive Team received no Suominen shares, stock options or other share-based rights as remuneration.

Remuneration of the Board of Directors in 2016

		Annual remuneration paid in cash, EUR	Annual remuneration paid in shares, EUR	Annual remuneration paid in shares, number of shares	Meeting fees, EUR	Total, EUR
Jorma Eloranta	Chair	30,320	19,999	5,213	4,500	54,819
Risto Anttonen	Deputy Chair	22,740	15,000	3,910	4,500	42,240
Andreas Ahlström	Member	16,980	11,198	2,919	4,500	32,678
Hannu Kasurinen	Member	16,980	11,198	2,919	4,500	32,678
Laura Raitio	Member	16,980	11,198	2,919	4,000	32,178
Jaana Tuominen	Member	16,980	11,198	2,919	4,500	32,678

Remuneration of the members of the Board of Directors totaled EUR 227,271 in financial year 2016.

Board of Directors

Jorma Eloranta

b. 1951

M.Sc. (Tech.), Dr. Sc. (Tech.) h.c.

Member of the Board since 2011, Chair of the Board since 2011

Independent member

Shareholding*: 40,030 Suominen shares

Risto Anttonen

b. 1949

M.Sc. (Econ)

Member of the Board since 2011, Deputy Chair of the Board since 2012

Independent member

Shareholding*: 28,830 Suominen shares

Andreas Ahlström

b. 1976

M. Sc. (Econ. and Business Adm.)

Investment Director, Ahlström Capital Oy

Member of the Board since 2015

Non-independent member

Shareholding*: 5,360 Suominen shares

Hannu Kasurinen

b. 1963

M.Sc. (Econ.)

Senior Vice President, Head of Carton Board Business Unit, Stora Enso Corporation

Member of the Board since 2012

Independent member

Shareholding*: 19,210 Suominen shares

Laura Raitio

b. 1962

Licentiate of Technology (Forest Products Technology)

CEO, Diacor terveyspalvelut Oy

Member of the Board since 2015

Independent member

Shareholding*: 5,360 Suominen shares

Jaana Tuominen

b. 1960

M.Sc. (Chem. Eng.)

CEO of Paulig Group

Member of the Board since 2014

Independent member

Shareholding*: 9,306 Suominen shares

Detailed, up-to-date information on the principal working experience and positions of trust of the members of the Board is available at www.suominen.fi.
Information on the Board's remuneration is included in Suominen's Remuneration Statement.

*Shareholding refers to shares and share-based rights of each director and the corporations over which he/she exercises control in the company and its group companies on 31 December 2016.

Corporate Executive Team

Nina Kopola

President & CEO

b. 1960

M.Sc. (Chem. Eng.), Technology Licentiate

Joined Suominen in 2011

Shareholding*: 85,172 Suominen shares

Tapio Engström

Senior Vice President, CFO

b. 1963

M.Sc. (Accounting)

Joined Suominen in 2012

Shareholding*: 33,266 Suominen shares

Lynda A. Kelly

Senior Vice President, Care

b. 1964

B.Sc. (Business Administration/Marketing)

Joined Suominen in 2014

Shareholding*: 10,000 Suominen shares

Larry L. Kinn

Senior Vice President, Operations Americas

b. 1957

B.A. (Chemistry)

Joined Suominen in 2011

Shareholding*: 6,348 Suominen shares

Ernesto Levy

Senior Vice President, Convenience

b. 1969

BIE (Industrial Engineering), MBA (Marketing)

Joined Suominen in 2015

Shareholding*: 12,000 Suominen shares

Mimoun Saïm

Senior Vice President, Operations EMEA

b. 1964

ENSI Engineering

Joined Suominen in 2011

Shareholding*: 21,525 Suominen shares

Hannu Sivula

Senior Vice President, Human Resources

b. 1966

M.Soc.Sc

Joined Suominen in 2012

Shareholding*: 29,345 Suominen shares

Detailed, up-to-date information on the principal working experience and positions of trust of the members of Suominen's Corporate Executive Team is available at suominen.fi.
Information on their remuneration is included in the Suominen's Remuneration Statement.

*Shareholding refers to the shares and share-based rights of each executive and corporations over which he/she exercises control in the company and its group companies on 31 December 2016.

Report by the Board of Directors 2016

Highlights of Suominen's financial year 2016

- Net sales and operating profit declined, cash flow from operations grew from the comparison period.
- The share of products with higher added value in the net sales increased in line with the strategy.
- The growth investment program reached its final leg.
- The Board's dividend proposal, EUR 0.11 per share, is in line with the company's dividend policy.

Net sales and operating profit declined, cash flow from operations grew

In 2016, Suominen's net sales fell from the previous year by 6.1% to EUR 416.9 million (444.0). Comparable operating profit fell by 18.0% and amounted to EUR 25.6 million (31.2). Operating profit was EUR 25.6 million (31.8). There were no items affecting comparability during the reporting period. Profit before income taxes was EUR 22.4 million (26.5) and profit for the period EUR 15.2 million (17.0). The cash flow from operations continued strong and amounted to EUR 28.5 million (27.3).

Earnings per share amounted to EUR 0.29 (0.32) and cash flow from operations per share was EUR 0.56 (0.54).

Suominen's Board of Directors has set three medium-term financial targets for the company in order to monitor the success in the execution of the strategy. In 2016, the targeted growth was not achieved and the return on investments, 11.6%, fell slightly short of the target (target level over 12%). The gearing was close to the lower limit of the target range, at 39.6% (target: 40–80%). The determined work produced good results in many respects, but the growth investment program and the focus to improve product development and commercial know-how generated new net sales in a slower pace than predicted. These efforts are essential for the acceleration of Suominen's growth and for the improvement of the profitability.

The share of products with higher added value in the net sales grew

The sales mix of Suominen developed favorably in financial year 2016, which is also a further reflection of the partial success of our strategic measures. The share of products with higher added value in our net sales grew from the comparison period and was 62% (60%). The continuation of this trend creates the conditions for future net sales and profitability growth.

The growth investment program reached its final leg

Building a new production line at the Bethune plant in South Carolina, USA is the largest single initiative in the entire EUR 60 million growth investment program. With this investment, Suominen will take wetlaid technology to a whole new level in the nonwovens industry. The new production line is unique in that it is tailored based on Suominen's technology know-how. It focuses especially on the manufacture of nonwovens for household and workplace wiping and for flushable applications. Demand for these products is expected to grow at an annual rate of 5–9%, depending on the geographical area. The Bethune investment enables Suominen to reach its strategic target to become the product leader. Moreover, it creates conditions to the further development of the product portfolio as well as to the future improvement of both net sales and profitability.

Originally, the total value of the Bethune investment was estimated to be close to EUR 50 million. This estimate will be exceeded, as Suominen disclosed on 9 August 2016.

The equipment installations of the new production line at Bethune were completed in the end of 2016. Suominen plans to start customer deliveries from the new production line during the first quarter of 2017. The completion of the Bethune investment project closes also the entire growth investment program for the strategic period of 2015–2017.

The Board's dividend proposal, EUR 0.11 per share, is in line with the company's dividend policy

Suominen's policy is to distribute approximately 30% of its profit for the period in annual dividends. In assessing its proposal for the payment of dividends, the company's Board of Directors will also consider Suominen's future investment needs and the solidity of its financial position.

Suominen's Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.11 per share will be paid for the financial year 2016.

Net sales

In 2016, Suominen's net sales fell by 6.1% from the comparison period to EUR 416.9 million (444.0). The decline in net sales was attributable to the tightened competition decreasing the demand and the pricing pressure in selected product groups. Net sales were affected by both lower sales prices and volumes, approximately in equal proportions. Additionally, the revenue recognition of larger than usual number of customer deliveries were postponed into 2017. The strengthening of the USD compared to EUR increased the net sales of 2016 by approximately EUR 0.7 million.

Suominen has two business areas, Convenience and Care. Convenience business area supplies nonwovens as roll goods for household, personal care, workplace and baby care wiping products. Care business area manufactures nonwovens for hygiene products and medical applications.

Net sales of Convenience business area were EUR 385.5 million (411.5) and net sales of Care business area EUR 31.3 million (32.4). The main application areas for nonwoven materials supplied by Suominen were baby wipes (accounting for 38% of the sales), personal care wipes (25%), household wipes (18%), wipes for workplace use (10%), and hygiene and medical products (8%). The share of baby wipes in the product portfolio declined by two percentage points from 2015 and the share of personal care wipes grew by three percentage points. The development was in line with Suominen's strategy.

Operating profit and result

Comparable operating profit decreased by 18.0% and amounted to EUR 25.6 million (31.2). Operating profit was EUR 25.6 million (31.8). The operating profit was burdened by lowered sales volumes and pricing pressure created by tightened competition. Moreover, the efforts made to improve R&D resources, to build the new production line at the Bethune plant, and to renew the ICT systems increased Suominen's costs and consequently decreased the operating profit by approximately EUR 3 million. Items affecting comparability in 2015, EUR +0.5 million, consisted of reversal of previously made impairment losses of the re-opened production line in Nakkila plant in Finland.

In 2016, profit before income taxes was EUR 22.4 million (26.5), and profit for the period was EUR 15.2 million (17.0).

Net sales and operating profit

EUR thousand	2016	2015	2014(*
Net sales	416,862	444,042	401,762
Operating profit	25,622	31,778	25,897
Comparable operating profit	25,622	31,249	26,851

(* Continuing operations

Financing

The Group's net interest-bearing liabilities at the end of the review period, 31 December 2016, amounted to EUR 56.6 million (32.5). Gearing was 39.6% (25.9%) and equity ratio 45.3% (43.2%).

In 2016, net financial expenses were EUR -3.2 million (-5.3), or 0.8% (1.2%) of net sales. In 2016, net financial expenses were improved by lower foreign exchange losses than in 2015 (EUR -0.2 million) as well as capitalization of borrowing costs in fixed assets as required by IAS 23 standard, which decreased interest expenses by EUR 1.3 million. In 2015, financial expenses increased by EUR -1.2 million due to fluctuations in exchange rates. In addition, in 2015 financial expenses increased also by EUR -0.4 million as an impairment loss of shares in a real estate company, classified as available-for-sale, was recognized. The shares of the real estate company were divested in July 2015.

Cash flow from operations was EUR 28.5 million (27.3). Cash flow from operations per share in 2016 was EUR 0.56 (0.54). The financial items in the cash flow from operations, in total EUR -3.9 million (-6.4), were principally impacted by the interests paid during the reporting period. In total EUR 6.3 million was tied up in working capital (2015: tied up 7.9). Cash flow from financing improved due to repayments of loan receivables (EUR 1.0 million) granted in connection with the divestment of the Flexibles business area in July 2014. Cash flow from financing was decreased by repayment of loan in September, EUR 3.3 million.

Capital expenditure

In 2016, the gross capital expenditure totaled EUR 53.3 million (23.7). Gross capital investments increased mainly due to the progress of the investment in a new wetlaid production line at the Bethune plant in SC, USA. In addition, Suominen runs currently a group-wide renewal of ICT systems. The other investments were mainly for maintenance.

Suominen completed the machinery installations of the new production line at the Bethune plant in the financial year 2016. The total value of the growth investment of the Bethune plant was originally estimated to be roughly EUR 50 million. This original estimate will be exceeded, as Suominen announced on 9 August 2016.

Depreciation, amortization and impairment losses for the review period amounted to EUR -18.5 million (-18.2). The figure for 2015 does not include the reversal of an impairment loss made at Nakkila plant due to the re-opening of a production line. The reversal amounted to EUR +0.5 million.

Capital expenditure and depreciation, amortization and impairment

EUR thousand	2016	2015	2014(*
Gross capital expenditure	53,320	23,660	7,066
% of net sales	12.8	5.4	1.8
Depreciation and amortization	-18,520	-17,975	-15,576
Impairment losses and reversals of impairment losses, net	–	291	–

(* Continuing operations

Key ratios	2016	2015	2014
Return on equity (ROE), %	11.6	14.4	5.1
Return on invested capital (ROI), %	11.6	15.9	12.0
Return on invested capital (ROI), continuing operations, %	11.6	15.9	15.7
Equity ratio, %	45.3	43.2	41.2
Interest-bearing net debt, EUR million	56.6	32.5	37.8
Capital employed, continuing operations, EUR million	237.3	222.6	193.8
Gearing, %	39.6	25.9	34.7

Key ratios per share	2016	2015	2014
Earnings per share, EUR, continuing operations (*	0.29	0.32	0.19
Earnings per share, EUR, discontinued operations (*	–	–	-0.10
Earnings per share, EUR, total, basic (*	0.29	0.32	0.09
Earnings per share, EUR, total, diluted (*	0.26	0.29	0.09
Cash flow from operations per share, EUR (*	0.56	0.54	0.75
Equity per share, EUR (*	2.81	2.50	2.19
Price per earnings per share (P/E) ratio	14.1	19.4	47.5
Dividend or distributed funds per share, EUR (**	0.11	0.10 (*	0.05 (*
Dividend payout ratio / payout ratio for distribution of funds, %	37.6	31.3	58.6
Dividend yield, %	2.66	1.61	1.23

(* Comparative information adjusted with the effects of the reverse share split.

(** 2016 the proposal of the Board of Directors to Annual General Meeting of distribution of dividends. In 2014 distribution of funds.

Key ratios per share are share issue adjusted. Definition for key ratios is presented in the consolidated financial statements.

Quarterly development 2016

EUR thousand	Q1 2016	Q2 2016	Q3 2016	Q4 2016	2016
Net sales	103,869	108,832	103,796	100,365	416,862
Comparable operating profit	5,543	8,661	7,878	3,540	25,622
% of net sales	5.3	8.0	7.6	3.5	6.1
Operating profit	5,543	8,661	7,878	3,540	25,622
% of net sales	5.3	8.0	7.6	3.5	6.1
Net financial expenses	-244	-967	-830	-1,149	-3,190
Profit before income taxes	5,299	7,694	7,047	2,391	22,432

Research and development

In 2016, Suominen finalized and implemented the product development processes defined in 2015. The Group's Research & Development function had 20 (18) employees in the end of the year. Research and development expenses amounted to EUR 4.3 million (3.5), corresponding to 1.0% (0.8%) of net sales.

Suominen's vision is to become a Market-Driven Product Leader. Suominen focuses on research and development in order to be able to offer its customers materials and solutions that have superior functionalities and to increase the share of products with higher added value in its portfolio.

Suominen Corporation owns all business-related patents and related technologies, know-how, processes, recipes and all other solutions developed by Suominen Corporation. The company is targeting to have extensive industrial rights to the nonwoven-based solutions and technologies thereto as well as test and pilot equipment needed. This way it can offer best possible support to the group companies to satisfy the current and future customer needs.

Employees

In 2016, Suominen employed an average of 646 (614) people. The number of employees in the end of the financial year was 650 (636). The new employees were hired primarily for the Bethune plant in the USA as its manufacturing capacity is expanding; as well as to other positions having strategic importance, such as R&D and product management.

Personnel related key ratios

	2016	2015	2014
Average number of personnel, continuing operations	646	614	591
Average number of personnel	646	614	826
Wages and salaries, continuing operations, EUR thousand	35,939	36,016	32,474

Environment

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

Suominen complies with the local legislation and official guidelines wherever it operates. Separate environmental permits are required for operations in some of the Group's units. Of Suominen's eight production units, seven plants – Alicante, Bethune, Cressa, Green Bay, Mozzate, Nakkila and Windsor Locks – operate an ISO 14001 environmental management system.

The environmental impacts of Suominen's operations primarily stem from the raw materials, energy and water used in production and from the waste generated during the production process. Environmental requirements are incorporated into product and process development projects from the very start, with the aim of using raw materials, energy, water and other resources, such as packaging materials and transport services, as efficiently as possible. The Group focuses on systematically lowering its waste volumes and making its use of energy and water more efficient. Currently, Suominen's product range includes certified products made of renewable raw materials. In addition, the company is constantly developing its product offering, taking into account not only the environmental performance but also the social aspects.

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

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

In 2016, Suominen's production plants used a total of 136,387 tons of raw materials (138,215 in 2015), 1,663,509 gigajoules (1,683,166) of energy and 5,202,914 m^3 (5 542 291 m^3) of water. Landfill waste generated at the production plants amounted to 1,400 tons (916).

The environmental performance of Suominen is presented more extensively in the Sustainability section of the company's Annual Report 2016. The sustainability data is not audited.

The environmental expenditure of the Group was EUR 2.2 million (2.2). No material environment-related investments were made.

Share information

Share capital

The number of Suominen's registered shares was 51,665,642 on 31 December 2016, 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.

The number of shares increased in 2016 in total by 449,410 shares attributable to the conversions of the hybrid bond notes and accrued interests into shares. The conversion of the hybrid bond to equity has been recorded into the reserve for invested unrestricted equity.

Reverse share split

The Annual General Meeting of Suominen Corporation held on 16 March 2016 decided to reduce the number of shares in the company without reducing share capital in a reverse share split procedure pursuant to the Chapter 15, Section 9 of the Limited Liability Companies Act (624/2005) so that each five (5) shares shall be merged as one (1) share.

Before the reverse share split, Suominen Corporation had in total 252,425,616 shares. After the reverse share split, the total number of shares in Suominen Corporation was 51,216,232. The new number of shares was registered with the Trade Register on 22 March 2016 and trading with the merged shares commenced on the same day. The reverse split did not have an impact on the treasury shares held by Suominen (913,886 shares at the date of the reverse split). In accordance with the Limited Liability Companies Act, treasury shares do not entitle to shareholder rights, such as right to receive dividend or other distribution of funds, or right to attend General Meeting.

The purpose of merging the shares was to increase the interest for the company's shares, facilitate the trade in the shares and to increase flexibility in defining the amount of dividend.

Share trading and price

The number of Suominen Corporation shares (SUY1V) traded on Nasdaq Helsinki from 1 January to 31 December 2016 was 13,611,634 shares, accounting for 27.0% of the average number of shares (excluding treasury shares). The highest price was EUR 6.20, the lowest EUR 3.49 and the volume-weighted average price EUR 4.24. The closing price at the beginning of the review period, on 4 January 2016, was EUR 6.05 and the closing price at the end of review period, on 30 December 2016, was EUR 4.14.

The market capitalization (excluding treasury shares) was EUR 210.2 million on 31 December 2016.

Authorizations of the Board of Directors

The Annual General Meeting (AGM) held on 16 March 2016 authorized the Board of Directors to repurchase a maximum of 400,000 of the company's own shares. The shares shall be repurchased to be used in company's share-based incentive programs, in order to disburse the remuneration of the members of the Board of Directors, for use as consideration in acquisitions related to the company's business, or to be held by the company, to be conveyed by other means or to be cancelled. The company's own shares shall be repurchased otherwise than in proportion to the holdings of the shareholders by using the non-restricted equity through trading on regulated market organized by Nasdaq Helsinki Ltd at the market price prevailing at the time of acquisition. The repurchase authorization is valid until 30 June 2017.

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.

Remuneration of the Board payable in shares

Suominen's Annual General Meeting held on 16 March 2016 resolved to keep the remuneration of the members of the Board of Directors unchanged. The annual remuneration of the Chair of the Board of Directors is EUR 50,000, of the Deputy Chair EUR 37,500 and of the members EUR 28,000. Further, the members of the Board of Directors are paid a fee for attending meetings, such that each member of the Board will receive EUR 500 for each meeting attended in the home country of the respective member and EUR 1,000 for each meeting attended elsewhere than in the home country of the respective member. 60% of the annual remuneration is paid in cash and 40% in Suominen Corporation shares.

Of the remuneration payable in shares as described above, the number of shares transferred was determined based on the share value in the stock exchange trading maintained by Nasdaq Helsinki Ltd, and 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 2016 of the company was published. Shares (in total 20,799 shares) were given out of the treasury shares held by the company by the decision of the Board of Directors on 2 June 2016. 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.

Share-based incentive plans for the management and key employees

Suominen Corporation has a share-based incentive plan for the Group management and Group key employees, which is divided into Performance Share Plan and Matching Share Plan.

Performance Share Plan

The 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 potential reward of the Plan from the period 2015–2017 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 2015–2017 correspond to the value of an approximate maximum total of 460,000 Suominen Corporation shares (including also the proportion to be paid in cash).

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).

Suominen's Board of Directors decided on 9 December 2016 on a new vesting period of 2017–2019. 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 rewards from the earnings periods 2015–2017, 2016–2018 and 2017–2019 will be paid partly in the company's shares and partly in cash in 2018, 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.

Matching Share Plan 2015

The Matching Share Plan includes one three-year vesting period, calendar years 2015–2017. The prerequisite for receiving reward on the basis of this plan is that a person participating in the plan owns or acquires the company's shares up to the number determined by the Board of Directors. Furthermore, receiving of reward is tied to the continuance of participant´s employment or service upon reward payment.

The members of the Corporate Executive Team and the Corporate Leadership Team belong to the target group of the Matching Share Plan. The rewards to be paid on the basis of the Matching Share Plan correspond to the value of an approximate maximum total of 110,000 Suominen Corporation shares (including also the proportion to be paid in cash).

In order to implement the Matching Share Plan, a share issue against payment was directed to the target group. A maximum total of 550,000 new shares in the company (110,000 shares after the reverse share split) were offered in the share issue for subscription. The share subscription price for the new shares was EUR 0.67 per share (EUR 3.35 after the reverse share split), which equals with the trade volume weighted average quotation of the share on Nasdaq Helsinki Ltd during 1 November – 30 November 2014 and with the fair value approved by the Finnish tax authorities. In total 507,388 new Suominen shares (101,477 after the reverse share split) were subscribed for. The share subscription price was credited to the company's reserve for invested unrestricted equity. The decision on the share issue was based on the authorization granted to the Board of Directors by the Annual General Meeting of Shareholders held on 26 March 2014.

The terms and conditions of the share-based incentive plans were technically revised due to the reverse share split implemented on 21 March 2016.

Hybrid bond and conversion of the bond notes into Suominen shares in 2016

In February 2014, Suominen Corporation issued a EUR 17.5 million convertible hybrid bond. In accordance with the terms and conditions of the bond, the bondholders have a right to convert the bond notes and the accrued interest related to the notes into Suominen shares. The conversion period started on 11 February 2014 and will end on 10 February 2018. Conversion Rate pursuant to the original terms of the bond was EUR 0.50 per share and was determined market-based. The average volume-weighted share price of the company's share during the last three (3) months before the issue of the bond was EUR 0.48. After the reverse share split, conducted on 21 March 2016, the Conversion Rate is EUR 2.50, in accordance with the Reverse Split Ratio.

In 2016, bond notes and the accrued interest related to the notes were converted to total of 449,410 new shares in Suominen Corporation. The conversion rate was recorded in the reserve for invested unrestricted equity of Suominen.

The number of shares in Suominen may increase by maximum of 7,020,320 shares on the basis of the conversion of the bond notes and the potential capitalized interest, if the conversion is carried out by issuing new shares in Suominen.

Shareholders

At the end of 2016, Suominen Corporation had in total 4,862 shareholders. Suominen is not aware of any shareholder agreements related with the shareholding or use of voting rights. Detailed information on the shareholding of the members of the Board of Directors and company management is available in the consolidated financial statements. The largest shareholders and the breakdown of the shareholding are presented in Note 15 of the consolidated financial statements.

Treasury shares

At the end of review period, on 31 December 2016, Suominen Corporation held 893,087 treasury shares. In accordance with the resolution by the Annual General Meeting, in total 20,799 shares were transferred on 2 June 2016 to the members of the Board of Directors as their remuneration payable in shares.

Notifications under Chapter 9, Section 5 of the Securities Market Act

On 10 June 2016, Suominen Corporation received a notification in accordance with Chapter 9, Section 5 of the Securities Market Act. According to the notification, the total shareholding of Mr. Erkki Etola and companies under his controlling power in Suominen Corporation had exceeded the 10% flagging threshold. According to the notification, Mr. Erkki Etola and companies under his controlling power (Oy Etra Invest Ab and Tiiviste-Group Oy) hold 4,139,164 shares and votes directly (8.08% of all shares and votes) and 1,477,080 shares and votes through financial instruments (2.88% of all shares and votes).

Information Pursuant of Decree 1020/2012 by Ministry of Finance, not presented in the consolidated financial statements

There are no restrictions of transfer neither redemption or approval clauses related to the shares of Suominen Corporation or securities entitling to shares.

Suominen Corporation is not participating any arrangements where the financial rights related to a share or a security entitling to hold a share would have been separated.

In accordance with the Articles of Association of Suominen Corporation and the Limited Liability Companies Act, the Shareholders' Meeting elects the Board of Directors. In accordance with the Articles of Association, the Board of Directors decides on the nomination of the President & CEO. The Articles of Association includes no specific stipulation on altering the Articles of Association. Shareholders' Meeting decides on share issues and acquisition of own shares, in accordance with the Limited Liability Companies Act.

The members of the Board of Directors have no specific contracts with the company regarding compensation in case a member resigns, is dismissed or his/her task ceases to exist due to a public tender offer. The President & CEO has no separate contract to be applied if her contract would be terminated due to a public tender offer. In accordance with the contract made by the company and the President & CEO, should the company terminate the President & CEO's contract, severance pay corresponding to 12 months' salary shall be paid. Other principal terms and conditions of the service contract of the President & CEO are presented in Note 32 of the consolidated financial statements and in the Remuneration Statement 2016 of Suominen Corporation.

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. The shareholders entitled to appoint members to the Nomination Board were determined on the basis of the registered holdings in the company's shareholders' register on 2 September 2016.

The representatives appointed to the Nomination Board were Thomas Ahlström, member of the Board of Directors of Ahlström Capital and Managing Director of Antti Ahlström Perilliset Oy; Erkki Etola, CEO of Oy Etra Invest Ab; and Reima Rytsölä, Executive Vice-President, Investments, of Varma Mutual Pension Insurance Company. Jorma Eloranta, Chair of Suominen's Board of Directors, serves as the fourth member of the Nomination Board.

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

Annual General Meeting

The Annual General Meeting (AGM) of Suominen Corporation was held on 16 March 2016. The AGM decided that a dividend or EUR 0.02 per share will be paid for the financial year 2015.

The AGM adopted the financial statements and the consolidated financial statements for the financial year 2015 and discharged the members of the Board of Directors and the President & CEO from liability.

The AGM confirmed the number of members of the Board of Directors to be six (6). The AGM re-elected Mr. Andreas Ahlström, Mr. Risto Anttonen, Mr. Jorma Eloranta, Mr. Hannu Kasurinen, Ms. Laura Raitio and Ms. Jaana Tuominen as members of the Board of Directors for the next term of office, expiring at the end of the first Annual General Meeting following their election. The remuneration of the members of the Board of Directors was resolved to remain unchanged. The resolutions were in accordance with the proposals submitted by the Nomination Board of shareholders of Suominen.

Ernst & Young Oy, Authorized Public Accountant firm, was elected as auditor of Suominen Corporation, with Ms. Kristina Sandin, Authorized Public Accountant, as the principal auditor. 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 resolved to amend the company's Articles of Association so that the limitation regarding Board members age was be removed from article 4 of the Articles of Association and that in the future the Chair of the Board of Directors is elected by the General Meeting instead of the Board of Directors. In addition a corresponding technical addition were made to the article 13 of the Articles of Association. The decision to amend the Articles of Association was in accordance with the proposal of the Board of Directors.

The AGM decided to amend the Section 1 of the resolution by the General Meeting on 26 March 2013 regarding the establishment of the permanent Shareholders' Nomination Board. The change was related to the earlier decision taken by the AGM to amend the Articles of Association and was made in accordance with the proposal by the Board of Directors.

The AGM decided that the number of all shares in the company shall be reduced without reducing share capital in a reverse share split procedure pursuant to the Chapter 15, Section 9 of the Limited Liability Companies Act (624/2005) so that each five (5) shares shall be merged as one (1) share. The decision was in accordance with the proposal by the Board of Directors.

The AGM decided to authorize the Board of Directors to decide on the repurchase of the company's own shares, on the share issue and granting of options and other special rights entitling to shares referred to in Chapter 10, Section 1 of the Companies Act.

The valid authorizations of the Board of Directors are explained above.

Constitutive meeting and permanent committees of the Board of Directors

In its constitutive meeting held after the Annual General Meeting on 16 March 2016, the Board of Directors elected from among its members a Chair and Deputy Chair as well as members for the Audit Committee and Personnel and Remuneration Committee.

The Board of Directors re-elected Jorma Eloranta as Chair and Risto Anttonen as Deputy Chair of the Board of Directors, in accordance with the recommendation by the Nomination Board of Suominen's shareholders.

Hannu Kasurinen was re-elected as Chair of the Audit Committee. Andreas Ahlström was re-elected and Jaana Tuominen elected as members of the Audit Committee. Jorma Eloranta was re-elected as Chair of the Personnel and Remuneration Committee and Risto Anttonen was re-elected as a member. Laura Raitio was elected as a new member to the Personnel and Remuneration Committee.

Composition of the Corporate Executive Team in 2016

During 2016 and on 31 December 2016, the members of Suominen's Corporate Executive Team were:

Nina Kopola, President & CEO,
Chair of the Corporate Executive Team

Tapio Engström, Senior Vice President, CFO

Lynda A. Kelly, Senior Vice President, Care business area

Larry Kinn, Senior Vice President, Operations Americas

Ernesto S. Levy, Senior Vice President, Convenience business area

Mimoun Saïm, Senior Vice President, Operations EMEA

Hannu Sivula, Senior Vice President, Human Resources

Business risks and uncertainties

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

Suominen's customer base is fairly concentrated, which adds to the customer-specific risk. This may affect Suominen's financial result if customers' purchasing habits become more cautious as a result of a changes in consumption, or if sales to a certain customer decreases. The Group's ten largest customers currently account for 63% (65%) of the Group net sales. Long-term contracts are preferred with the largest customers. In practice the customer relationships are long-term and last for several years. Customer-related credit risks are managed in accordance with a risk policy approved by the Board of Directors. Credit limits are confirmed for customers on the basis of credit ratings and customer history. Suominen also uses export credit guarantees and insures against customer risks to a limited extent.

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

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

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

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

Suominen has numerous regional, national and international competitors in its different product groups. There is currently an 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.

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 product liability insurance. R&D function of the company is responsible for ensuring the underlying safety of the Group´s products during their development. Continuous quality control is designed to guarantee product quality during production. Management considers it unlikely that the Group will face significant product liability-related claims and is unaware of any such claims.

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

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

Business environment

Suominen's nonwovens are, for the most part, used in daily consumer goods, such as wet wipes as well as in hygiene and medical products. In these target markets of Suominen, the general economic situation determines the development of consumer demand, even though the demand for consumer goods is not very cyclical in nature. North America and Europe are the largest market areas for Suominen. At these market areas, the growth in the demand for nonwovens has typically exceeded the growth of gross domestic product by a couple of percentage points. Moreover, Suominen has operated in the growing South American markets since 2014.

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. Due to the new manufacturing capacity that has recently entered to the markets, primarily in nonwovens for baby wipes and flushables, assessing the competitive situation during the review period was more challenging than earlier.

At large, the growth in the demand in Suominen's target markets is expected to continue in 2017, on average, at the pace of 2016.

Information on the separate financial statements of the parent company

Key ratios of the parent company

EUR thousand	2016	2015
Net sales	19,729	22,594
Operating profit/loss	-1,631	832
% of net sales	-8.3	3.7
Net financial expenses	8,567	9,268
Profit before income taxes	6,936	10,100
Profit for the period	7,723	9,990
Return on invested capital, %	2.4	3.7
Salaries	2,299	3,921
Average number of personnel	27	27

The separate financial statements of Suominen Corporation have been prepared according to the Finnish Accounting Act, the Accounting Decree and other laws and regulations relating to financial statements (FAS). The consolidated financial statements of Suominen Group have been prepared in compliance with the International Financial Reporting Standards (IFRS).

Net sales of Suominen Corporation were EUR 19.7 million (22.6) and operating profit/loss EUR -1.6 million (0.8). Net financial expenses were EUR +8.6 million (+9.3). Profit for the period was EUR 7.7 million (10.0). There are no related party loans except loans to other Suominen group companies.

In the financial year 2016, the parent company had on average 27 (27) employees and at the end of the year 29 (27) employees.

The parent company has a French branch office, address Suominen Corporation, 101, rue Concordet, 38090 Vaulx-Milieu, reg. number 790118079.

Outlook for 2017

Suominen expects that for the full year 2017, its net sales will improve from year 2016. Also the comparable operating profit is estimated to improve from year 2016, provided that the new production line at the Bethune plant will be started up as planned. In 2016, Suominen's net sales amounted to EUR 416.9 million and comparable operating profit to EUR 25.6 million. The calculation of comparable operating profit is defined in the consolidated financial statements in connection with the calculation of key figures.

Proposal on distribution of dividend

The profit of the financial year 2016 of Suominen Corporation, the parent company of Suominen Group, was EUR 7,722,811. The funds distributable as dividends, including the profit for the period, were EUR 12,640,843 and total distributable funds were EUR 83,496,233. There have been no significant changes in the company's financial position after the end of the review period.

The Board of Directors proposes that a dividend of EUR 0.11 per share shall be distributed for the financial year that ended on 31 December 2016 and that the rest of the profit shall be transferred to retained earnings. On 31 January 2017 the company had 50,772,555 issued shares, excluding treasury shares. With this number of shares, the total amount of dividends to be distributed would be EUR 5,584,981.05. The record date is 17 March 2017 and the dividend will be paid on 24 March 2017.

The Corporate Governance Statement 2016 of Suominen Corporation has been disclosed as a separate statement at www.suominen.fi > Investors > Corporate Governance. Also the Remuneration Statement of Suominen has been disclosed and can be retrieved from the same address. Both statements are included also in the company's Annual Report 2016.

SUOMINEN CORPORATION
Board of Directors

Financial Statements

1 January–31 December 2016

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Consolidated statement of financial position

EUR thousand

	Note	31 December 2016	31 December 2015
ASSETS			
Non-current assets			
Goodwill	5	15,496	15,496
Intangible assets	6	14,133	13,275
Property, plant and equipment	7	135,510	97,931
Loan receivables	11	6,836	7,793
Available-for-sale assets	10	777	777
Other non-current receivables	11	2,524	2,402
Deferred tax assets	28	3,424	4,491
Total non-current assets		**178,698**	**142,165**
Current assets			
Inventories	9	42,631	32,557
Trade receivables	11	53,946	51,547
Loan receivables	11	1,550	1,000
Other current receivables	11	7,274	7,038
Assets for current tax	28	2,008	1,874
Cash and cash equivalents		29,522	55,570
Total current assets		**136,929**	**149,585**
TOTAL ASSETS		**315,628**	**291,750**

EUR thousand	Note	31 December 2016	31 December 2015
EQUITY AND LIABILITIES			
Equity			
Share capital	15	11,860	11,860
Share premium account		24,681	24,681
Reserve for invested unrestricted equity		70,855	69,652
Treasury shares		-44	-44
Fair value and other reserves		10	-118
Exchange differences	14	12,613	5,097
Retained earnings		6,324	-3,076
Total equity attributable to owners of the parent		**126,300**	**108,052**
Hybrid bond	16	16,525	17,664
Total equity		**142,824**	**125,716**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	28	11,195	10,890
Liabilities from defined benefit plans	20	1,081	1,105
Other non-current liabilities	21	364	651
Debentures	17	75,000	75,000
Other non-current interest-bearing liabilities	17	11,574	18,498
Total non-current liabilities		**99,214**	**106,144**
Current liabilities			
Current interest-bearing liabilities	17	7,923	3,363
Liabilities for current tax	28	280	47
Trade payables and other current liabilities	21	65,388	56,479
Total current liabilities		**73,590**	**59,889**
Total liabilities		**172,804**	**166,034**
TOTAL EQUITY AND LIABILITIES		**315,628**	**291,750**

Consolidated statement of profit or loss

EUR thousand

	Note	1 January - 31 December 2016	1 January - 31 December 2015
Net sales	22	**416,862**	**444,042**
Cost of goods sold		-364,636	-386,042
Gross profit		**52,226**	**58,000**
Other operating income	23	1,909	2,637
Sales and marketing expenses		-7,364	-7,760
Research and development expenses		-4,330	-3,527
Administration expenses		-16,191	-16,709
Other operating expenses	23	-629	-862
Operating profit		**25,622**	**31,778**
Net financial expenses	27	-3,190	-5,302
Profit before income taxes		**22,432**	**26,476**
Income taxes	28	-7,199	-9,456
Profit for the period		**15,233**	**17,020**
Earnings per share, EUR	30		
Basic		0.29	0.32
Diluted		0.26	0.29

Consolidated statement of comprehensive income

EUR thousand

	1 January - 31 December 2016	1 January - 31 December 2015
Profit for the period	**15,233**	**17,020**
Other comprehensive income:		
Other comprehensive income that will be subsequently reclassified to profit or loss:		
Exchange differences	7,881	2,356
Fair value changes of cash flow hedges and available-for-sale assets	245	-970
Reclassified to profit or loss	116	669
Reclassified to property, plant and equipment	-188	91
Income taxes related to other comprehensive income	-410	-632
Total	**7,644**	**1,514**
Other comprehensive income that will not be subsequently reclassified to profit or loss:		
Remeasurements of defined benefit plans	-110	-26
Income taxes related to other comprehensive income	16	8
Total	**-93**	**-18**
Total other comprehensive income	**7,551**	**1,496**
Total comprehensive income for the period	**22,784**	**18,516**

Consolidated statement of changes in equity

EUR thousand

	Note	Share capital	Share premium account	Reserve for invested unrestricted equity	Treasury shares	Exchange differences	Fair value and other reserves	Retained earnings	Total	Hybrid bond	Total equity
Equity 1 January 2016		**11,860**	**24,681**	**69,652**	**-44**	**5,097**	**-118**	**-3,076**	**108,052**	**17,664**	**125,716**
Profit for the period		–	–	–	–	–	–	15,233	15,233	–	15,233
Other comprehensive income	14	–	–	–	–	7,516	128	-93	7,551	–	7,551
Total comprehensive income		**–**	**–**	**–**	**–**	**7,516**	**128**	**15,140**	**22,784**	**–**	**22,784**
Share-based payments		–	–	–	–	–	–	190	190	–	190
Distribution of dividend		–	–	–	–	–	–	-5,030	-5,030	–	-5,030
Conveyance of treasury shares		–	–	80	–	–	–	–	80	–	80
Conversion of hybrid bond		–	–	1,124	–	–	–	–	1,124	-1,124	–
Hybrid bond		–	–	–	–	–	–	-899	-899	-16	-915
Equity 31 December 2016		**11,860**	**24,681**	**70,855**	**-44**	**12,613**	**10**	**6,324**	**126,300**	**16,525**	**142,824**

	Note	Share capital	Share premium account	Reserve for invested unrestricted equity	Treasury shares	Exchange differences	Fair value and other reserves	Retained earnings	Total	Hybrid bond	Total equity
Equity 1 January 2015		**11,860**	**24,681**	**97,192**	**-44**	**3,419**	**96**	**-46,890**	**90,313**	**18,424**	**108,737**
Profit for the period		–	–	–	–	–	–	17,020	17,020	–	17,020
Other comprehensive income	14	–	–	–	–	1,730	-216	-18	1,496	–	1,496
Total comprehensive income		**–**	**–**	**–**	**–**	**1,730**	**-216**	**17,002**	**18,516**	**–**	**18,516**
Share-based payments		–	–	–	–	–	–	316	316	–	316
Share issue		–	–	340	–	–	–	–	340	–	340
Distribution of funds		–	–	-2,504	–	–	–	–	-2,504	–	-2,504
Reversal of undistributed dividends		–	–	–	–	–	–	2	2	–	2
Conveyance of treasury shares		–	–	80	–	–	–	–	80	–	80
Reclassifications		–	–	-27,448	–	-51	–	27,499	–	–	–
Conversion of hybrid bond		–	–	1,992	–	–	–	–	1,992	-1,992	–
Hybrid bond		–	–	–	–	–	–	-1,004	-1,004	1,232	228
Equity 31 December 2015		**11,860**	**24,681**	**69,652**	**-44**	**5,097**	**-118**	**-3,076**	**108,052**	**17,664**	**125,716**

Consolidated statement of cash flows

EUR thousand

	Note	1 January - 31 December 2016	1 January - 31 December 2015
Cash flow from operations			
Profit for the period		15,233	17,020
Total adjustments to profit for the period	31	29,783	32,870
Cash flow before changes in net working capital		45,016	49,890
Change in net working capital		-6,277	-7,921
Financial items		-3,895	-6,425
Income taxes		-6,348	-8,269
Cash flow from operations		**28,496**	**27,274**
Cash flow from investments			
Investments in property, plant and equipment and intangible assets		-49,553	-22,369
Adjustments of purchase consideration		161	–
Cash flow from disposed businesses		313	167
Sales proceeds from property, plant and equipment and intangible assets		8	10
Cash flow from investments		**-49,072**	**-22,192**
Cash flow from financing			
Drawdown of other non-current interest-bearing liabilities	17	–	15,000
Repayment of other non-current interest-bearing liabilities	17	–	-3,333
Changes in current interest-bearing liabilities	17	-3,359	-14
Repayment of loan receivables		1,000	600
Share issue		–	340
Distribution of dividends		-5,030	–
Distribution of funds		–	-2,504
Payment of hybrid bond interest		-624	–
Cash flow from financing		**-8,013**	**10,089**
Change in cash and cash equivalents		**-28,588**	**15,171**
Cash and cash equivalents at the beginning of the period		55,570	38,430
Effect of changes in exchange rates		2,540	1,968
Change in cash and cash equivalents		-28,588	15,171
Cash and cash equivalents at the end of the period		**29,522**	**55,570**

Notes to the consolidated financial statements (IFRS)

1. SIGNIFICANT ACCOUNTING POLICIES – CONSOLIDATED FINANCIAL STATEMENTS

Basic information

Suominen Corporation is a public limited liability company organized under the laws of the Republic of Finland and domiciled in Helsinki, Finland (Itämerentori 2, 00180 Helsinki, Finland). Suominen's shares are publicly traded in the Nasdaq Helsinki Ltd. (Mid Cap) in Helsinki, Finland. Suominen Corporation is the parent of the Group. The Group manufactures nonwovens mainly for consumer goods companies.

The Board of Directors of Suominen Corporation has in its meeting on 31 January 2017 approved these financial statements to be published. According to the Finnish Companies Act, the shareholders have a possibility to approve or reject or make a decision on altering the financial statements in a General Meeting to be held after the publication of the financial statements.

Basis for presentation

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.

The consolidated financial statements include the financial statements of Suominen Corporation and its subsidiaries. The functional and reporting currency of the parent is euro, which is also the reporting currency of the consolidated financial statements. Functional currencies of subsidiaries are determined by the primary economic environment in which they operate.

The financial year of Suominen Group as well as of the parent and subsidiaries is the calendar year ending 31 December.

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies.

The figures in Suominen's consolidated financial statements are mainly presented in EUR thousands. Due to rounding differences the figures presented in tables do not necessarily add up to the totals of the tables.

New accounting standards

Suominen has applied the following new or revised or amended standards and interpretations from 1 January 2016:

Amendments to IAS 1 Presentation of Financial Statements clarify, among other things, the materiality requirements of IAS 1. The amendments are effective for the reporting periods beginning on 1 January 2016 or later, and they allow the entity to decrease immaterial disclosure information in the consolidated financial statements.

Annual Improvements 2012–2014, effective for reporting periods beginning on 1 January 2016 or later. The impacts of the standards vary but are not material for Suominen's consolidated financial statements.

New and amended IFRS standards and IFRIC interpretations published but mandatory in 2017 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 2017 or later are not material for Suominen Group.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers is to be applied for the reporting periods beginning on 1 January 2018 or later. The new standard defines a five-step model to recognize revenue based on contracts with customers and replaces the current standards IAS 18 and IAS 11 as well as their interpretations. The timing of the revenue recognition can take place over time or at a point of time, depending on the transfer of control. The new standard will have no material effect on revenue recognition in Suominen, but it will increase the disclosure information in the consolidated financial statements.

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

The performance obligation is satisfied when the goods have been delivered to the customer, ie. the performance obligation is satisfied at a point of time. In most cases the goods are handed over to the customer when the goods leave the production plant. If, in accordance with the terms of delivery, the risks and rewards of ownership of the goods as well as control over the goods are transferred to the customer only when the goods have been delivered to the customer, revenue is recognized only when the customer has received the goods. This does not change the current 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 does not change the current 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 will change the current practice in recognizing amounts in the statement of financial position, as currently the rebate accrual is recognized in accrued expenses.

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 are to be applied for the reporting period beginning on 1 January 2018 or later. The new standard replaces the current standard IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 changes the classification and measurement of financial assets and includes a new model for assessing the impairment of the financial assets based on expected credit losses. The classification and measurement of financial liabilities do not materially change from IAS 39. Hedge accounting can be applied to a larger number of risk exposures than before and hedge accounting principles have been harmonized with those used in risk management.

IFRS 9 will change 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 have been classified as loans and other receivables and measured at amortized cost, will be under IFRS 9 financial assets at fair value through profit or loss, as they, among other things, include terms which are not basic terms for loan receivables. For these loan receivables the credit risk is taken into account when determining the fair value of the receivables. Some of the loan receivables will continue 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. Based on the situation at the end of the reporting period, Suominen does not expect material negative fair value changes or credit losses arise from the loan receivables.

For investments in equity instruments IFRS 9 enables 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, Suominen does not expect to recognize material 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. At the end of the reporting period Suominen has applied hedge accounting only to cash flow hedges, and applying IFRS 9 will not change the recognition or measurement of them.

Trade receivables are measured under IFRS 9 at amortized cost. Under IAS 39 they are classified as loans and other receivables and measured 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 recognizes already currently in profit or loss the estimated customer rebates and other potential variable consideration, so the effects of applying IFRS 15 on transaction price are not estimated to be material. As the accruals for variable considerations are presented in the statement of financial position as accrued expenses before IFRS 9 is applied and under IFRS 9 as items decreasing trade receivables, the carrying amount of trade receivables will change under IFRS 9.

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

In accordance with IFRS 9, the expected credit losses on trade receivables are a probability-weighted estimate of credit losses over the expected life. As historically Suominen's realized credit losses have mainly been immaterial and as approximately half of the trade receivables were at the end of the reporting period from international customers with high credit rating, Suominen estimates that recognizing credit losses from trade receivables in accordance with IFRS 9 will not have any material effect on profit or loss. The main change would be that credit losses will be recognized earlier than before.

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

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. The new standard will replace the current standard IAS 17 Leases. 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 as well as intangible assets 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 25–30 million.

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

The amendments to IFRS 2, effective for annual periods beginning on or after 1 January 2018, will change 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 are 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.

Currently the cash-settled share-based payment transactions are 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 currently cash-settled portion of share-based payment transactions which have net settlement features for withholding tax obligations will be 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 will be remeasured and recognized as equity-settled at fair value and recognized in equity. The liability for the cash settled transaction will be derecognized from the statement of financial position, and any effect of the remeasurement will be recognized in equity.

As Suominen's share-based payment programs have net settlement features, the amendment will change Suominen's accounting and measurement for cash settled share-based payments.

Consolidation principles

The consolidated financial statements include the parent and its subsidiaries. Subsidiaries are companies in which the parent has, based on its holding, more than half of the voting rights directly or via its subsidiaries or over which it otherwise has control. The Group has control over an entity when it has a participation in the entity and is exposed to or has right to its variable revenues and can influence the revenues by using its control over the entity.

Divested subsidiaries are included in the consolidated financial statements until the control is lost, and companies acquired during the reporting period are included from the date when the control has been transferred to Suominen. Acquisitions of subsidiaries are accounted for under the acquisition method under which the purchase consideration is allocated to the acquired identifiable assets and liabilities assumed, which are measured at fair value at the acquisition, and the residual is recognized as goodwill. The transaction costs related to a business combination are recognized in profit or loss.

All intra-group transactions are eliminated as part of the consolidation process. Unrealized losses are eliminated only to the extent that there is no evidence of impairment.

Foreign subsidiaries

In the consolidated financial statements, the statements of profit or loss, statements of comprehensive income and statements of cash flows of foreign subsidiaries have been translated into euros using the average exchange rates of the reporting period and the statements of financial positions have been translated using the closing exchange rates at the end of the reporting period.

The exchange difference arising from translating the statements of profit or loss, statements of comprehensive income and statements of financial position using the different exchange rates is recognized as other comprehensive income and included in equity as cumulative exchange difference. Exchange differences arising from the translation of the net investments in foreign subsidiaries in non-euroarea are also recognized in other comprehensive income and included in equity as cumulative exchange difference (Note 14).

On the disposal of all or part of a foreign subsidiary, the cumulative amount or proportionate share of the exchange difference is reclassified from equity to profit or loss as a reclassification item in the same period in which the gain or loss on disposal is recognized.

Transactions in foreign currencies

In their own day-to-day accounting the Group companies translate transactions in foreign currencies into their own reporting or functional currency at the exchange rates prevailing on the dates of the transactions. At the end of the reporting period, the unsettled balances of foreign currency transactions are measured at the exchange rates prevailing at the end of the reporting period. Foreign exchange gains and losses arising from trade receivables are entered as adjustments of net sales and foreign exchange gains and losses related to trade payables are recorded as adjustments of costs of goods sold. Foreign exchange gains and losses arising from financial items are recorded as financial income and expenses.

Reportable segments

Suominen has no reportable segments.

The business of Suominen consists of one operating segment, Nonwovens. The net sales of Suominen consist entirely of net sales of the Nonwovens operating segment. All the products Suominen produces and sells are nonwoven products, and the production process and technology of all the products are similar, as they are produced using the same production lines. Also other resources, such as raw materials and production management, are common to all products. The customers are mainly converters of nonwovens, and the risks or profitability related to products or customers do not differ from each other. Also distribution of the products is similar.

The sales organization of Suominen is organized not only geographically but also as Convenience and Care business areas based on customers or end products of the customers. Account management of major customers ("Global Accounts") is, however, centralized and independent of the business areas. Suominen reports net sales not only by business areas but also by geographical areas.

As the resources are not dedicated to either Convenience or Care business areas, the allocation of production capacity or other resources either to Convenience or Care products depends at each moment of the orders received and unutilized production capacity.

The chief operating decision maker of Suominen is the President & CEO, who is assisted by the Corporate Executive Team. The President & CEO makes decisions on allocating the resources of the Group. However, material items, such as major investments, as well as items which are required by governing law to be decided by the Board of Directors, are presented to the Board for approval.

Entity-wide disclosures are presented in Note 22.

Revenue recognition

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.

Revenue is recognized after the risks and rewards of ownership of the goods have been transferred to the buyer. Normally, revenue recognition takes place at the date of the delivery in accordance with the delivery terms.

Research and development

Expenditure on research and development is recognized in profit or loss. Expenditure on product and process development is not capitalized as no separate assets are developed in the research and development activities or future economic benefits arising from the assets cannot be reliably assessed.

Accounting for leases

Suominen Group has entered into various operating leases, the payments under which are treated as rentals and charged to profit or loss over the lease term.

Leases of property, plant and equipment where Suominen has substantially all the rewards and risks of ownership, are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Lease payments are allocated between liability and finance charges. The lease liabilities net of finance charges are included in interest-bearing liabilities with the interest element charged to profit or loss over the lease period.

Property, plant and equipment acquired under finance lease contracts are depreciated over the shorter of the useful life of the asset or the lease period.

IFRIC 4 Determining Whether an Arrangement Contains a Lease is applied to such agreements, which are not leases in legal form, but which in substance convey the right to use an asset for an agreed period of time in return for a payment. If an arrangement or part of it is determined to be a lease, it or part of it is classified as finance or operating lease and accounted for under the guidance in IAS 17 Leases.

Long-term leasing contracts on premises are classified as an operating leases as the risks and benefits related to ownership have not been transferred to the lessee and Suominen has no major obligations at the end of the lease period.

Rental income is recognized in accordance with the lease agreement during the lease period.

Government grants

Government or other grants are recognized in profit or loss in the same periods in which the corresponding expenses are incurred. The grants received are recognized as offsetting items of the expenses incurred. Government grants received to acquire property, plant and equipment or other assets are deducted from the acquisition cost of the assets in question.

Provisions and contingent liabilities

A provision is recognized when there is a present legal or constructive obligation arising from past events and it is probable, that the fulfillment of the obligation requires payment and generates outflow of economic benefits from the company, and when the amount of the obligation can be measured reliably. Provisions are recognized as liabilities in the statement of financial position. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the time value of money is material, provisions are discounted.

A restructuring provision is recognized only when a detailed and fully compliant plan has been prepared for it and the implementation of the plan has been started or notification of it has been made known to those whom the arrangement concerns.

Contingent liabilities are not recognized as liabilities in the statement of financial position. They are possible obligations which have not yet been confirmed and are reported separately in Note 33 of the consolidated financial statements.

Dividends and other distribution of funds

Dividends or other distribution of funds proposed by the Board of Directors are not recognized in the financial statements until they have been approved by the shareholders at the Annual General Meeting.

Audit

Quarterly information as well as interim reports are not audited.

Other accounting principles

Accounting principles related to assets, liabilities and line items in the statement of profit or loss are presented in the disclosure information related to each item.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the end of the reporting period and the recognized amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

The following items include critical accounting estimates: impairment testing of assets, especially of goodwill; estimated fair values of property, plant and equipment and intangible assets acquired in an acquisition and their estimated useful lives; useful lives of other intangible assets and property, plant and equipment; measurement of inventories and trade and loan receivables; recognition and measurement of deferred taxes and estimates of the amount and probability of provisions.

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events, that are believed to be reasonable under the circumstances.

Goodwill

Goodwill is tested annually for possible impairment. The recoverable amounts have been determined based on the assets' value in use which require the use of estimates. The actual cash flows can differ from estimated discounted future cash flows. Uncertainties related to the projected future cash flows include, among others, the long economic useful lives of the assets, the estimated sales prices, production costs and changes in discount rate used in testing. At the end of the reporting period, the carrying amount of goodwill was EUR 15.5 (15.5) million.

Property, plant and equipment and intangible assets

If there is indication of impairment, the carrying amounts of property, plant and equipment and intangible assets are compared with their recoverable amounts. The recoverable amount is the higher of fair value and value in use. Value in use is calculated by discounting the future cash flows arising from the the asset. If the recoverable amount of an asset is lower than the carrying amount, an impairment loss is recognized. Both the amounts and timing of the cash flows are based on management estimates.

Useful lives of intangible assets and property, plant and equipment are based on management's best estimate of the period the asset is expected to be available for use by Suominen. The actual useful life can, however, differ from the expected useful life resulting in adjustment of annual depreciation or amortization of the asset or in recognizing of an impairment loss.

Income taxes

Recognition and measurement of deferred tax liabilities and assets include management estimates, especially deferred tax assets arising from confirmed tax losses of group companies or from other temporary differences. Deferred tax assets are recognized for deductible temporary differences and tax losses to the extent that it is probable that taxable profit will be available against which tax credits and deductible temporary differences can be utilized. All tax liabilities and assets are reviewed at the end of the reporting period and changes are recognized in comprehensive income. At the end of the reporting period, the carrying amount of deferred tax assets was EUR 3.4 (4.5) million and the carrying amount of deferred tax liabilities EUR 11.2 (10.9) million.

Group companies can be subjects of tax audits. In these tax audits the tax authorities can challenge Suominen's view of the taxable income and not fully accept it. In these cases the recognized amounts are adjusted, if needed, in order to correspond the expected future payments. The possible adjustments as well as the recognized income tax liability are based on estimates of the outcome of the tax audit.

Income taxes are disclosed in Note 28 of the consolidated financial statements.

Provisions and contingent liabilities

If the management has assessed that as a result of a past event Suominen has a legal or constructive obligation, and that it is probable, that an outflow of resources will be required to settle the obligation, the management has estimated the amount of provision recognized from the obligation. The amount of the provision is the management's best estimate of the amount required to settle the obligation at the end of the reporting period.

A contingent liability is a possible obligation which is not recognized as a liability in the statement of financial position as, for example, its existence is not yet confirmed and is not in control of the company. The management uses estimates to assess the amount of contingent liabilities disclosed as contingent liabilities.

Inventories and trade and loan receivables

Measurement of inventories and trade and loan receivables includes some management estimates. Inventories are measured at lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Net realizable value is used in testing the recoverable amount of inventories in order to avoid the inventories being carried in excess of the amount expected to be realized from their sale or use. If management estimates that the carrying amount of a trade or loan receivable exceeds its fair value, an impairment loss is recognized. For example payment defaults or late payments are considered as indications of impairment of the receivable. The carrying amount of inventory was at the end of the reporting period EUR 42.6 (32.6) million, the carrying amount of trade receivables was EUR 53.9 (51.5) million and the carrying amount of loan receivables was EUR 8.4 (8.8) million.

3. FINANCIAL RISK MANAGEMENT

Suominen is exposed to customary financial risks relating to its global businesses such as foreign exchange and interest rate risks, counterparty risk, funding and liquidity risks, credit risk and commodity risk. The treasury policy approved by Suominen Corporation's Board of Directors defines the authorities, responsibilities and principles to be followed in the Group. Financial risk management is centralized within Suominen Group Treasury which acts as an in-house bank providing financial services for subsidiaries within the Group. Financial risk management is governed by the Treasury Policy. The policy includes principles and risk limits relating to debt structure, counterparties, bank relations and interest rate and foreign exchange risk management.

In accordance with the treasury policy the President & CEO approves all major funding operations and the main principles to be followed when hedging financial risks. The CFO is responsible for ensuring that the policy is observed throughout the Group, and for individual financial operations concerning funding, managing liquidity and financial risks.

Foreign exchange risk

Suominen Group operates internationally and is therefore exposed to transaction and translation risks arising from fluctuations in foreign exchange rates which may have an effect on profit or loss and financial position. Transaction risks mainly arise from cash flows generated by purchase and sales activities while translation risks arise from converting items in the statements of profit or loss and the statements of financial position of non-euro subsidiaries as well as other currency-denominated assets and liabilities into the Group's functional currency euro. The aim of the Group's foreign exchange risk management is to hedge earnings from operations and to avoid exchange rate volatility in cash flows, profit or loss or in financial position.

In addition to US dollar, which generates the most significant currency impacts to Suominen, also Brazilian real affects the Group's foreign exchange risk.

The foreign exchange transaction exposure comprises of already known and estimated currency cash flows for the next 12 months. The transaction risks arise mainly from the USD transactions in the euro area and in Brazil and from EUR transactions in the USA and Brazil. The USD risk arises both from USD business and treasury transactions. The exchange rate risk related to the Brazilian unit is hedged case by case. In accordance with the hedging policy, the foreign currency hedging should hedge the cash flows arising from sales, purchases and interest payments in foreign currencies of the following 3 and 9 months.

Common derivative contracts are used in hedging, as their pricing can be verified on the markets. Suominen does not apply hedge accounting in currency hedging for the transaction risks. Changes in fair values of currency hedging instruments are recognized in profit or loss. Suominen has applied in 2015 hedge accounting for net investment in a foreign operation, where the fair value changes of the hedging instrument determined to be effective have been recognized in other comprehensive income.

Suominen has applied hedge accounting for currency derivatives hedging foreign exchange risk arising from acquisition of property, plant and equipment. The amount arising from the foreign exchange hedge recognized in property, plant and equipment was EUR -188 thousand during the reporting period.

The consolidated transaction exposure at the end of the reporting period is presented in the table below:

	Transaction exposure 2016		Transaction exposure 2015	
EUR thousand	12 months cash flow	Hedged with currency forwards	12 months cash flow	Hedged with currency forwards
USD/EUR	-6,646	3,927	-17,977	14,737
EUR/BRL	-1,406	–	-2,176	–
USD/BRL	-5,401	–	-911	–

Correspondingly, the translation exposure at the end of the reporting period was as follows:

Translation exposure 2016 against EUR

EUR thousand	Granted loans	Cash and cash equivalents and internal loans taken	External loans taken	Equity of foreign subsidiaries	Hedged with currency derivatives	Open exposure
BRL	–	3,897	–	19,533	–	23,430
USD	54,479	15,383	-19,110	71,874	–	122,626

Translation exposure 2015 against EUR

EUR thousand	Granted loans	Cash and cash equivalents and internal loans taken	External loans taken	Equity of foreign subsidiaries	Hedged with currency derivatives	Open exposure
BRL	–	3,380	–	15,181	–	18,561
USD	56,698	48,101	-21,862	62,617	–	145,553

Granted loans consist of intra-group loans granted to the foreign subsidiaries (+). The loans granted to subsidiaries in USD are in substance equity as the repayment is not anticipated in foreseeable future. These loans amounted to USD 57.4 million, equaling to EUR 54.5 million at the end of the reporting period. The exchange differences from these loans are recognized in exchange differences in other comprehensive income as they are in substance exchange differences arising from equity. Exchange rate differences arising from both internal and external loans taken are recognized in profit or loss.

The translation exposure arising from the US dollar is hedged with external USD loans amounting to USD 20.1 million, equaling to EUR 19.1 million at the end of the reporting period. The equity of the subsidiaries in the USA was hedged with a currency derivative of USD 39.4 million in 2015. This hedge was closed during the reporting period 2015.

Sensitivity analysis of financial instruments

The international reporting standards require disclosing sensitivity analysis of financial instruments. The table in the following page summarizes the sensitivity of financial instruments on foreign exchange risk at the end of the reporting period. In the sensitivity analysis, the financial instruments include currency forward contracts, intra-group short-term and long-term currency denominated receivables and liabilities and external currency denominated borrowings. Sensitivities of the currency rates at the end of the reporting period are estimated based on the actual volatility of the currencies over the past 12 months. The exchange rate sensitivity is calculated for the following 12 months by using the rates at the end of the reporting period. The change in the exchange rate is the change of euro rate against US dollar rate.

2016

EUR thousand	Currency strengthens %	A. Effect on profit after tax	B. Effect on equity after tax (excluding A)	Currency weakens %	A. Effect on profit after tax	B. Effect on equity after tax (excluding A)
USD/EUR	10	-1,767	3,907	-10	1,767	-3,907

2015

EUR thousand	Currency strengthens %	A. Effect on profit after tax	B. Effect on equity after tax (excluding A)	Currency weakens %	A. Effect on profit after tax	B. Effect on equity after tax (excluding A)
USD/EUR	12	-2,231	3,509	-12	2,231	-3,509

Effectiveness and sensitivity analysis of currency hedging

The management has assessed the effectiveness of hedging by combining the estimated net cash flow for 12 months in foreign currencies with the compensating effect of the hedging instruments. The net effect from the change in exchange rates as described above on profit after taxes in 2016 is estimated to be EUR - / + 179 thousand (EUR - / + 307 thousand). Sensitivities of exchange rates at the end of the reporting period are estimated based on of the actual volatility of the currencies over the past 12 months. The exchange rate sensitivity is calculated for the following 12 months by using the currency rates at the end of the reporting period.

2016

EUR thousand	Currency strengthens / weakens %	Effect on 12 months' currency cash flow	Effect on hedging instruments	Net effect after tax
USD/EUR	10	-682	403	-179

Interest rate risk

Suominen is exposed to interest rate risk when it funds its operations with euro or currency denominated debt. The risk arises from the repricing of floating rate debt and with the raising of new floating rate debt. A fixed rate debt is subject to fair value risk. The aim of interest rate risk management is to bring predictability to interest expenses by keeping the duration within the agreed limits with an optimal mix of fixed and floating rate debt. The interest rate risk associated with Suominen's loan portfolio is diversified to ensure that the portfolio comprises both floating and fixed interest rate loans spread over a range of interest periods. Suominen's Board of Directors has determined the interest rate structure of the loan portfolio and the range in which it can vary. The average interest duration can vary between 12 and 36 months. At the end of 2016 it was 27 months (35 months in 2015).

At the end of the reporting period the amount of the Group's loans with fixed interest rates was EUR 75.4 million (EUR 75.0 million) and with floating interest rates EUR 19.1 million (EUR 21.9 million). Fixed interest rate loans were denominated in EUR and the floating rate loans were denominated in USD. At the end or during the reporting period, the Group did not have any interest rate swaps.

The sensitivity of interest rate risk is calculated based on a 0.5 percentage point shift in the interest rate curve. The table below illustrates the sensitivity of floating interest rate loans and Suominen's result to a change of 0.5 percentage point in interest rates during a one year period:

	2016		2015	
EUR thousand	Change in interest rate, percentage points	Effect on profit after tax	Change in interest rate, percentage points	Effect on profit after tax
Floating rate loans	+ /- 0.5	- /+78	+ /- 0.5	- /+87

At the end of the reporting period the cash and cash equivalents of the Group were EUR 29.5 (EUR 55.6 million). Cash and cash equivalents have not been included in the sensitivity analysis.

Electricity price risk

Suominen's operational policy on electricity procurement covers purchases of electricity of the Group's Finnish unit and the principles to be followed in managing electricity price risks. Increases in the market price of electricity are managed through the use of fixed-price contracts and some immaterial electricity derivatives.

Hedge accounting is applied in accounting for electricity derivatives. Electricity derivatives are used in order to neutralize fluctuations in the price of electricity over specific periods. Hedging must be effective both prospectively and retrospectively. The effectiveness of the hedges is documented at the beginning of hedging and tested for effectiveness during the hedging period. The effectiveness of hedging is tested based on an established regression. The changes in fair values of the effective hedging instruments are recognized in profit or loss when the hedged item is affecting profit or loss.

The price sensitivity of electricity derivatives has been presented in the table below.

2016

Price change EUR / MWh	Effect on profit after tax	Effect on equity
+5	–	88
-5	–	-88

2015

Price change EUR / MWh	Effect on profit after tax	Effect on equity
+5	0	140
-5	0	-140

Credit risk

The most significant individual credit risks relate to trade receivables from international companies with high credit ratings. The largest ten trade receivables account for 49 percent of all trade receivables. The credit risk policy approved by the Board of Directors governs the principles to be followed when granting credit to customers and the responsibilities of the organization in this area. Credit is granted to customers after a credit approval process has been completed. The credit exposure of customers is reported at least once a month to the persons responsible for sales. Credit losses recognized in profit or loss totaled EUR 318 thousand in 2016 (EUR 2 thousand). The ageing structure of the trade receivables is disclosed in Note 12 to the consolidated financial statements. The maximum credit risk arising from trade receivables equals the carrying amount of the trade receivables. The Group has agreed on a supply chain financing program which covers one fourth of the sales at the end of the reporting period. In accordance with the supply chain financing agreement, the Group has transferred the rights and responsibilities of these receivables to the counterparty of the agreement.

In addition to trade receivables Suominen has credit risk arising from loan receivables granted in 2014 in connection with the sale of the Flexibles business unit. The collaterals securing the loan receivables are disclosed in Note 11 of the consolidated financial statements.

The Board of Directors of Suominen has approved a counterpart list of companies and financial institutions with good credit ratings. These companies are allowed counterparts in investment activities and derivative contracts. The amount which can be invested in a single counterpart is capped. Liquid funds can be invested with reputable banks with sufficient credit ratings or in commercial papers offering high liquidity and credit ratings. The Group's maximum exposure to credit risk equals to carrying amount of financial assets at the end of the reporting period.

Liquidity and refinancing risk

Suominen aims to use different sources of funding. With its house banks Suominen has long and trustworthy relations and acquires advisory and other services from them. Refinancing risk is managed by diversifying loan maturities. In September 2014, Suominen signed a five year EUR 55 million credit facility with Nordea Bank plc and Pohjola Bank plc and issued a EUR 75 million fixed rate bond with a loan period of five years. The bond is listed on the Nasdaq Helsinki Ltd. The average maturity of drawn loans within the committed facility agreements was 2.4 years (3.4 years) at the end of the reporting period. At the end of the reporting period the unused revolving credit facility was EUR 23 million. The credit facility is valid until September 2018.

Suominen Group Treasury has established several cash pooling structures with Group's house banks in order to manage the liquidity of the Group.

The maturity of financial liabilities and derivatives is presented as undiscounted cash flows in the following table. The table includes both interest payments and repayments of capital.

Maturity analysis of financial liabilities 2016

EUR thousand			Falling due			
Financial liabilities	Carrying amount	Contractual cash flows	Less than 6 months	6–12 months	1–2 years	2–5 years
Debentures	75,000	84,844	1,641	1,641	3,281	78,281
Loans from financial institutions	19,106	19,688	2,575	5,629	11,484	–
Finance lease liabilities	391	437	66	66	132	173
Other financial liabilities	253	253	253	–	–	–
Trade payables	50,248	50,248	50,248	–	–	–
Total	**144,998**	**155,470**	**54,782**	**7,336**	**14,897**	**78,454**

			Falling due			
Derivative instruments	Carrying amount	Contractual cash flows	Less than 6 months	6–12 months	1–2 years	2–5 years
Currency forward contracts	327					
Cash inflows (-)		-5,240	-5,240	–	–	–
Cash outflows (+)		5,540	5,540	–	–	–
Total	**327**	**300**	**300**	**0**	**0**	**–**

Maturity analysis of leasing obligations is disclosed in Note 33.

		Falling due			
Contingent liabilities	Total	Less than 6 months	6–12 months	1–2 years	2–5 years
Guarantees	17,773	6,785	200	163	10,625
Contractual commitments to acquire property, plant and equipment	5,517	5,517	–	–	–
Total	**23,290**	**12,302**	**200**	**163**	**10,625**

Maturity analysis of financial liabilities 2015

EUR thousand

Financial liabilities	Carrying amount	Contractual cash flows	Falling due: Less than 6 months	6–12 months	1–2 years	2–5 years
Debentures	75,000	88,125	1,641	1,641	3,281	81,563
Loans from financial institutions	21,862	22,472	210	3,558	18,705	–
Other financial liabilities	630	630	262	–	368	–
Trade payables	44,682	44,682	44,682	–	–	–
Total	**142,174**	**155,909**	**46,794**	**5,199**	**22,353**	**81,563**

Derivative instruments	Carrying amount	Contractual cash flows	Falling due: Less than 6 months	6–12 months	1–2 years	2–5 years
Currency forward contracts	297					
Cash inflows (-)		-18,911	-7,011	-9,280	-2,620	–
Cash outflows (+)		19,334	7,120	9,512	2,702	–
Electricity forward contracts	242					
Cash outflows (+)		243	–	197	46	–
Total	**539**	**666**	**109**	**429**	**128**	**–**

Contingent liabilities	Total	Falling due: Less than 6 months	6–12 months	1–2 years	2–5 years
Guarantees	22,621	6,310	525	2,500	13,286
Contractual commitments to acquire property, plant and equipment	16,083	4,183	9,280	2,620	–
Total	**38,704**	**10,493**	**9,805**	**5,120**	**13,286**

4. MANAGEMENT OF CAPITAL

Suominen's management of capital aims to support business activities by ensuring the conditions to operate by means of the Group's financial position and capital structure. In addition, the aim is to increase the shareholder value by targeting at a competitive return on invested capital. The capital structure must ensure debt financing of the Group. In the capital management planning process both current and future needs of the business are taken into consideration together with securing the competitive pricing of financing.

The Board of Directors of Suominen monitors the equity ratio and gearing. Gearing is calculated as the ratio between interest-bearing net debt to equity. Equity ratio is calculated as the ratio between equity to the total assets adjusted with advance payments received.

The capital structure can be influenced by distributing dividends or other funds and share issues. If there is a need, the Group can buy back own shares or issue new shares as authorized by the general meetings, or decide to sell assets or businesses to reduce liabilities.

The Group's equity ratio was 45.3 (43.2) percent and gearing was 39.6 (25.9) percent on 31 December 2016. Suominen has as a selected supplier status a Supply Chain Financing program with certain customers. Under the program the trade receivables are sold on a non-recourse basis. The program releases capital employed.

Equity ratio and gearing at the end of the reporting period

EUR million	2016	2015
Interest-bearing liabilities	94.5	96.9
Interest-bearing receivables	-8.4	-8.8
Cash and cash equivalents	-29.5	-55.6
Interest-bearing net debt	56.6	32.5
Equity	142.8	125.7
Assets total - advances received	315.6	291.2
Gearing, %	39.6	25.9
Equity ratio, %	45.3	43.2

The funding is managed by maintaining good relations with the financial institutions. The cooperation with the banks is built on long-lasting relationships.

Suominen plans to cover the loan amortization needs with its cash flow from operations and if needed, by disposal of non-core business operations and assets.

The Group's loan agreements include covenant terms which are linked to consolidated key figures. If the covenant terms are not fulfilled, negotiations with the lenders will be initiated.

Interest-bearing liabilities of Suominen are presented in Note 17 and hybrid bond in Note 16 of the consolidated financial statements.

5. GOODWILL

EUR thousand

Goodwill represents the excess of the purchase consideration over the fair value of acquired net assets. Goodwill is allocated to those cash generating units which benefit from the acquired net assets as well as from synergies arising from the acquisition. The carrying amount of goodwill is tested at least annually for impairment. If the impairment testing indicates, that the recoverable amount of the cash generating unit which includes goodwill is lower than its carrying amount, an impairment loss of goodwill and of other assets, if applicable, is recognized in the statement of profit or loss. The impairment loss of goodwill will not be reversed during subsequent reporting periods.

Suominen has recognized goodwill from the acquisition of the business operations of Home and Personal business from Ahlstrom in 2011. At the end of the reporting period, the carrying amount of goodwill was EUR 15,495 thousand (EUR 15,495 thousand in 2015). The Group has one operating segment (Nonwovens), which is also a cash generating unit to which goodwill has been allocated in its entirety.

In impairment testing the recoverable amount for the cash generating unit is determined as the value in use. Value in use comprises of the discounted projected future cash flows. Projected cash flows are based on actual performance, annual plans as well as five-year forecasts based on the Group's strategy. The main assumptions of forecasts are always reviewed during the impairment testing. Cash flows in the period beyond the five-year forecasted period are extrapolated using the growth rates for Suominen's business. The key assumptions used in the value in use are sales trend of the cash-generating unit, expense levels and the discount rate used.

The replacement investments needed for maintaining the existing production capacity have been estimated based on the planned depreciation during the useful lives of each asset in the cash-generating unit.

The annual growth rate for Suominen's net sales during the period covered by the forecast (2017–2020) has been estimated at 4.4 percent. In 2016, Suominen continued to follow its "In the Lead" strategy. The Group aims to increase the share of products with higher added value in its product portfolio and focuses, among other things, on streamlining its processes and especially on accelerating the product development process.

The discount rate has been derived by using targeted capital structure at the time of impairment test. Gearing, or ratio of net debt to equity, is 70 percent. Cost of capital has been calculated as a weighted average pre-tax rate for equity and debt and taking into the consideration the risk-free rate and risk margins of equity and debt respectively. Discount rate used in the calculation is the weighted average of the risk-free 10-year government bond rates in the operating countries where Suominen operates.

Impairment testing is based on present estimates of future development at the time of impairment testing. The uncertainty in measuring the values in use is captured by analyzing variations in the amount or timing of cash flows. The element of uncertainty and risk has been accounted for in the discount rates and by taking into consideration experience from previous impairment tests.

The management does not foresee that any eventual changes in the critical assumptions would lead into impairment of goodwill.

The critical assumptions in impairment testing

	2016	2015
Discount rate	11.6%	12.0%
Growth in net sales 2017–2020 (2016–2020)	4.4%	6.6%
Annual terminal growth rate	1.0%	1.0%
Annual terminal operating profit percentage	10.9%	10.8%

6. INTANGIBLE ASSETS

EUR thousand

Intangible rights include patents, trademarks, software licences as well as customer relations which were identifiable assets at the business combination and are measured at fair value at the acquisition date. Other intangible assets are development and other costs which are directly attributable to the design and testing of identifiable and unique software or similar intangible assets. If an intangible asset is a qualifying asset as defined in IAS 23, i.e. an asset that necessarily takes a substantial period of time to get ready, the borrowing costs are capitalized into the initial acquisition cost of the asset.

Subsequent expenditure on intangible assets is capitalized only if the future economic benefits from the asset exceed the initially planned level. Otherwise the expenditure is recognized as an expense in the statement of profit or loss.

Intangible rights and other intangible assets are recognized in the statement of financial position at their initial acquisition cost less cumulative amortization and impairment losses, if any. They are amortized using planned straight-line amortization during of their estimated useful lives. Intangible assets from acquisition of a subsidiary are stated at their fair values at the date of the acquisition.

Suominen has no other intangible assets than goodwill which have indefinite useful life. Goodwill and intangible assets not yet available for use are tested annually for impairment. Disclosure information of goodwill is presented in Note 5 of the consolidated financial statements.

Other intangible assets are tested for impairment if there are indications that the asset may be impaired. Impairment testing is described in Note 26 of the consolidated financial statements.

Amortization periods for intangible assets

Goodwill	no amortization
Intangible rights	3–13 years
Customer relations	13 years
Other intangible assets	5–10 years
Advance payments and assets under construction	no amortization

	Intangible rights	Goodwill	Other intan-gible assets	Advance payments and assets under construction	Total 2016
Acquisition cost 1 January	**11,643**	**15,496**	**7,533**	**1,996**	**36,667**
Exchange difference	46	–	90	4	139
Additions	158	–	12	3,016	3,185
Capitalized borrowing costs	–	–	–	115	115
Decreases and disposals	–	–	-89	–	-89
Reclassifications	1,878	–	–	-1,918	-40
Acquisition cost 31 December	**13,724**	**15,496**	**7,546**	**3,212**	**39,978**
Accumulated amortization and impairment losses 1 January	**-5,587**	**–**	**-2,253**	**-56**	**-7,896**
Exchange difference	-30	–	-65	–	-95
Amortization for the reporting period	-1,731	–	-627	–	-2,358
Accumulated amortization and impairment losses 31 December	**-7,348**	**–**	**-2,945**	**-56**	**-10,349**
Carrying amount 31 December	**6,375**	**15,496**	**4,600**	**3,158**	**29,629**

	Intangible rights	Goodwill	Other intan-gible assets	Advance payments and assets under construction	Total 2015
Acquisition cost 1 January	**10,296**	**15,496**	**7,482**	**609**	**33,882**
Exchange difference	-24	–	45	-1	20
Additions	174	–	15	2,735	2,925
Capitalized borrowing costs	–	–	–	2	2
Decreases and disposals	-153	–	-9	–	-162
Reclassifications	1,349	–	–	-1,349	–
Acquisition cost 31 December	**11,643**	**15,496**	**7,533**	**1,996**	**36,667**
Accumulated amortization and impairment losses 1 January	**-4,195**	**–**	**-1,681**	**–**	**-5,876**
Exchange difference	23	–	61	–	85
Decreases and disposals	143	–	9	–	152
Amortization for the reporting period	-1,559	–	-643	–	-2,201
Impairment losses for the reporting period	–	–	–	-56	-56
Accumulated amortization and impairment losses 31 December	**-5,587**	**–**	**-2,253**	**-56**	**-7,896**
Carrying amount 31 December	**6,055**	**15,496**	**5,279**	**1,941**	**28,771**

In 2011, EUR 5,979 thousand of the purchase consideration related to the acquisition of Ahlstrom's Home and Personal business was the allocated to customer relations. At the end of the reporting period, the carrying amount of these customer relations was EUR 3,603 thousand.

Assets under finance leases

Intangible rights include assets under finance lease. The carrying amount of the leased asset was EUR 36 thousand at the end of the reporting period (EUR 67 thousand) and amortization of the assets during the reporting period was EUR 31 thousand (EUR 31 thousand).

7. PROPERTY, PLANT AND EQUIPMENT

EUR thousand

Property, plant and equipment consist mainly of land, buildings and structures and machinery and equipment. They are recognized in the statement of financial position at their acquisition cost less cumulative depreciation and impairment losses, if any. When an asset consists of major components with different useful lives, they are accounted for as separate items. Assets from acquisition of a subsidiary are stated at their fair values at the date of the acquisition.

When part of an asset in property, plant and equipment is replaced, the cost of the replacement is capitalized and the eventual remaining carrying amount of the replaced asset is derecognized. Other subsequent expenditure is capitalized only if the future economic benefits to the company from the asset are enhanced. Ordinary maintenance and repair charges are expensed as incurred.

Borrowing costs are capitalized as part of the acquisition cost of property, plant and equipment if the assets are qualifying assets as defined in IAS 23 Borrowing Costs.

Depreciation is recognized on a straight-line basis over expected useful lives. Depreciation begins when the asset is available for its intended use. Land is not depreciated since it is deemed to have indefinite useful life.

Gains and losses from the sales and disposals of property, plant and equipment are determined as a difference between the sales price and the carrying amount of the asset and they are recognized as other operating income or expenses.

Depreciation periods for property, plant and equipment

Land	no deprecation
Building and constructions	10–40 years
Machinery and equipment	4–17 years
Other intangible assets	3–5 years
Advance payments and assets under construction	no deprecation

Assets under finance leases

Machinery and equipment include assets under finance lease acquired during the reporting period. The carrying amount of the leased asset was EUR 383 thousand at the end of the reporting period and depreciation of the assets during the reporting period was EUR 88 thousand.

	Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and assets under construction	Total 2016
Acquisition cost 1 January	**3,479**	**44,819**	**159,327**	**467**	**16,581**	**224,674**
Exchange difference	513	1,288	4,464	3	754	7,022
Additions	–	53	1,215	–	47,801	49,069
Capitalized borrowing costs	–	–	–	–	1,139	1,139
Capitalized cash flow hedges	–	–	–	–	-188	-188
Decreases and disposals	–	–	-36	–	–	-36
Reclassifications	–	649	8,056	–	-8,834	-129
Acquisition cost 31 December	**3,993**	**46,810**	**173,026**	**470**	**57,252**	**281,552**
Accumulated depreciation and impairment losses 1 January	**–**	**-27,822**	**-98,297**	**-437**	**-187**	**-126,744**
Exchange difference	–	-442	-2,877	-1	-6	-3,327
Decreases and disposals	–	–	36	–	–	36
Reclassifications	–	-1	154	–	–	154
Depreciation for the reporting period	–	-1,689	-14,467	-6	–	-16,162
Accumulated depreciation and impairment losses 31 December	**–**	**-29,953**	**-115,451**	**-445**	**-193**	**-146,042**
Carrying amount 31 December	**3,993**	**16,857**	**57,574**	**26**	**57,059**	**135,510**

	Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and assets under construction	Total 2015
Acquisition cost 1 January	**3,977**	**43,473**	**149,417**	**471**	**1,149**	**198,488**
Exchange difference	-498	159	5,764	-4	121	5,544
Additions	–	766	1,997	–	17,806	20,570
Capitalized borrowing costs	–	–	–	–	72	72
Capitalized cash flow hedges	–	–	–	–	91	91
Decreases and disposals	–	-1	-89	–	–	-90
Reclassifications	–	421	2,237	–	-2,658	–
Acquisition cost 31 December	**3,479**	**44,819**	**159,327**	**467**	**16,581**	**224,675**
Accumulated depreciation and impairment losses 1 January	**–**	**-26,327**	**-83,008**	**-431**	**–**	**-109,767**
Exchange difference	–	143	-1,780	1	-4	-1,640
Decreases and disposals	–	1	89	–	–	90
Reclassifications	–	-11	11	–	–	–
Depreciation for the reporting period	–	-1,627	-14,139	-8	–	-15,774
Impairment losses for the reporting period	–	–	–	–	-183	-183
Reversals of impairment losses for the reporting period	–	–	530	–	–	530
Accumulated depreciation and impairment losses 31 December	**–**	**-27,822**	**-98,297**	**-437**	**-187**	**-126,744**
Carrying amount 31 December	**3,479**	**16,997**	**61,028**	**31**	**16,395**	**97,931**

	2016	**2015**
Carrying amount of production machinery and equipment	54,221	61,109

Contractual commitments to acquire property, plant and equipment are presented in Note 33.

8. GROUP COMPANIES

Company	Domicile	Ownership, %	Owned by parent company
Suominen Corporation	Helsinki, Finland		
Suominen Nonwovens Ltd.	Nakkila, Finland	100%	x
Suominen Italy Holding, s.r.l.	Mozzate, Italy	100%	x
Cressa Nonwovens s.r.l.	Mozzate, Italy	100%	
Mozzate Nonwovens s.r.l.	Mozzate, Italy	100%	
Suominen Spain Holding, S.A.U.	Alicante, Spain	100%	x
Alicante Nonwovens S.A.U.	Alicante, Spain	100%	
Suominen US Holding, Inc.	Delaware, USA	100%	x
Bethune Nonwovens, Inc.	Bethune, South Carolina, USA	100%	
Green Bay Nonwovens, Inc.	Green Bay, Wisconsin, USA	100%	
Windsor Locks Nonwovens, Inc.	Windsor Locks, Connecticut, USA	100%	
Suominen Brasil Indústria e Comercio de Não-Tecidos Ltda.	Paulinia, Brazil	100%	x

9. INVENTORIES

EUR thousand

Cost of inventories is measured using the FIFO (first-in-first-out) principle or weighted average cost. The value of inventory includes all direct and indirect costs associated with purchase. The cost of manufactured products includes the cost of materials, direct labour and other direct costs, including general manufacturing overheads. The cost of inventories excludes sales, administration and financing costs. Borrowing costs are not capitalized in inventory.

Inventories are valued at lower of cost or the probable net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

Obsolete items in inventories are written down.

Inventories	2016	2015
Raw materials and consumables	20,126	16,354
Work in progress	3,400	2,218
Finished goods	19,104	13,985
Total inventories	**42,631**	**32,557**

Write-down of inventory	-675	-622
Reversals of write-down of inventory	221	142
Inventories recognized as expense during the period	-306,318	-326,590

Inventories recognized as expense during the period are included in cost of goods sold in the statement of profit or loss.

10. AVAILABLE-FOR-SALE ASSETS

EUR thousand

	2016	2015
Carrying amount 1 January	**777**	**1,124**
Reclassification	–	421
Fair value changes recognized in other comprehensive income	–	-318
Decreases	–	-450
Carrying amount 31 December	**777**	**777**

Available-for-sale assets consist of unlisted shares. At the disposal of its Flexibles business unit Suominen acquired shares in Bright Maze Oy. The ownership represents 19.9 percent of shares and votes in Bright Maze Oy. In 2015 Suominen sold shares in a real estate company, which were classified as available-for-sale.

Reclassification in 2015 included assets previously classified as held-to-maturity.

Definition of available-for-sale assets is disclosed in Note 12 of the consolidated financial statements.

11. RECEIVABLES

EUR thousand

Non-current receivables	2016	2015
Loan receivables	6,836	7,793
Other non-current receivables	2,524	2,402
Total non-current receivables	**9,360**	**10,195**
Current receivables		
Trade receivables	53,946	51,547
Loan receivables	1,550	1,000
Other current receivables	1,662	1,567
Prepaid expenses and accrued income	5,612	5,470
Total current receivables	**62,770**	**59,584**

Prepaid expenses and accrued income consist mainly of accruals of financial items, accruals related to sales and other accruals.

Other receivables, both non-current and current, include, among others, receivables related to indirect taxes.

Prepaid expenses and accrued income related to derivative instruments are disclosed in more detail in Note 19 of the consolidated financial statements.

Credit quality of other receivables is based on the debtors' payment history. Other receivables are not past due nor impaired.

At the disposal of the Flexibles business in 2014 it was agreed, that part of the consideration depends on the result of the sold business incurred after the disposal. This receivable is presented in other non-current receivables and it is measured at fair value through profit or loss.

Loan receivables

At the disposal of the Flexibles business in 2014 Suominen Corporation granted two loans to Bright Maze Oy, the acquiree: Vendor Loan Note and Subordinated Loan Note. The accrued interests of both loans are capitalized annually in December.

The interest rate of the Vendor Loan Note is 6 percent p.a. and it is has been repaid semiannually as from June 2015. The loan matures on 31 December 2018. The interest rate ot the Subordinated Loan Note is 9 percent p.a. and it is fully repaid at its maturity on 31 July 2024. The security for the loan includes some receivables of Bright Maze Oy, shares in Amerplast Oy as well as a mortgage over Bright Maze Oy.

Should the ownership structure of Bright Maze Group change materially, both loan receivables with the accrued and capitalized interest will be repaid prematurely. The debtor may repay the loans at any time.

The Subordinated Loan is not secured and it is the last in the ranking order. Prior to the maturity, Suominen has the right to convert the loan into equity at its sole discretion.

Each loan receivable is individually analyzed for a possible impairment loss. These analyses are based on the financial position and future cash flows of the debtor. Debtors have no external credit rating.

These loan receivables are measured at amortized cost, and at the end of the reporting period the carrying amounts of both loan receivables equal their fair values.

Trade receivables

Measurement of trade receivables is described in Note 12 of the consolidated financial statements.

Suominen has with a "selected supplier" status a Supply Chain Financing Program with certain customers. In accordance with the program, trade receivables are sold so that the contractual rights to receive the cash flows from the trade receivables cease.

Historically Suominen has had minimal credit losses. However, Suominen recognized during the reporting period unexceptionally large bad debt provision arising from trade receivables from Venezuelan customers.

Ageing analysis of trade receivables	2016	2015
Not due	48,148	44,854
Overdue		
Less than 5 days	2,371	2,647
5–30 days	2,939	3,196
31–120 days	329	763
More than 120 days	516	172
Total overdue	6,156	6,777
	54,304	51,631
Allowance account	-358	-85
Carrying amount of trade receivables	**53,946**	**51,547**

Impairment losses of trade receivables and changes in allowance account of trade receivables

Allowance account 1 January	-85	-85
Exchange difference	-40	–
Utilized	85	–
Charge for the year	-318	–
Allowance account 31 December	**-358**	**-85**
Credit losses during the period	-318	-2

A bad debt provision related to Venezuelan customers was recognized during the reporting period.

Currency analysis of trade receivables

EUR	29,007	30,227
USD	20,941	18,605
BRL	3,350	2,172
Other currencies	648	543
Total	**53,946**	**51,547**

12. FINANCIAL ASSETS

EUR thousand

Classification of financial assets

	Fair value through profit or loss	Loans and receivables	Available-for-sale assets	Derivatives, hedge accounting applied	Carrying amount	Fair value
Available-for-sale assets	–	–	777	–	777	777
Other non-current receivables	501	–	–	–	501	501
Loan receivables	–	8,386	–	–	8,386	8,386
Trade receivables	–	53,946	–	–	53,946	53,946
Interest and other financial receivables	–	869	–	–	869	869
Derivative receivables	30	–	–	43	73	73
Cash and cash equivalents	–	29,522	–	–	29,522	29,522
Total 31 December 2016	**530**	**92,723**	**777**	**43**	**94,072**	**94,072**

Other non-current receivables include a contingent consideration of EUR 501 thousand (EUR 813 thousand) arising from the disposal of the Flexibles business in 2014.

	Fair value through profit or loss	Loans and receivables	Available-for-sale assets	Derivatives, hedge accounting applied	Carrying amount	Fair value
Available-for-sale assets	–	–	777	–	777	777
Other non-current receivables	813	–	–	–	813	813
Loan receivables	–	8,793	–	–	8,793	8,793
Trade receivables	–	51,547	–	–	51,547	51,547
Interest and other financial receivables	–	1,297	–	–	1,297	1,297
Cash and cash equivalents	–	55,570	–	–	55,570	55,570
Total 31 December 2015	**813**	**117,207**	**777**	**–**	**118,797**	**118,797**

Financial assets have been classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the financial assets at initial recognition of the asset.

Trade day accounting is applied to regular purchases and sales of financial assets. Financial assets, which are not measured at fair value through profit or loss are initially recognized at fair value with transaction costs. Financial assets at fair value through profit or loss are initially recognized at fair value and transaction costs are recognized as expenses in the statement of profit or loss. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred to an external party and the Group has transferred substantially all the risks and rewards related to the ownership of the assets to an external party. Available-for-sale assets and assets at fair value through profit or loss are subsequently measured at fair value. Loans and receivables are measured at amortized cost using the effective interest method.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading or assets which are initially classified as assets at fair value through profit of loss. A financial asset is classified at fair value through profit or loss if it has been acquired principally for the purpose of selling it in the near future. Derivatives for which hedge accounting is not applied are classified as held for trading.

Other non-current receivables measured at fair value through profit or loss are contingent sales considerations. The fair value of the receivables is based on estimated repayments in accordance with the terms of the agreement.

Gains or losses arising from changes in the fair value of assets at fair value through profit or loss are recognized in the statement of profit or loss either in other operative income and expenses or in financial items, depending on the nature of the asset.

Loans and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and which are not quoted in an active market. They are included in current assets, except if they mature after more than 12 months after the end of the reporting period, in which case they are classified as non-current assets. The Group's loans and receivables include loan receivables, trade and other receivables and cash and cash equivalents.

Each loan receivable is individually analyzed for a possible impairment loss. These analyses are based on the financial position and future cash flows of the debtor. Loan receivables are measured at amortized cost, and at the end of the reporting period the carrying amounts of loan receivables equal their fair values.

Trade receivables are carried at the original invoice amount less an estimate made for doubtful receivables. Estimate made for doubtful receivables is based on a periodic review of all outstanding amounts. For example payment defaults or late payments are considered as indications of impairment of the receivable. Impairment losses of trade receivables are recorded in a separate allowance account within trade receivables, and the impairment losses are recognized in profit or loss as other operating expenses. If the impairment loss is final, the trade receivable is derecognized from the allowance account. If a payment is later received from the impaired receivable, the received amount is recognized in profit or loss as a deduction of other operating expenses. If no impairment loss has been recognized in the allowance account and the impairment loss of the trade receivable is found to be final, impairment loss is recognized directly as deduction of trade receivables. The maximum credit risk arising from trade receivables equals the carrying amount of the trade receivables. Due to the short maturity the trade receivables are not discounted.

Cash and cash equivalents comprise cash and other financial assets, if any. Other financial assets are highly liquid investments with remaining maturities at the date of acquisition of three months or less. Bank overdrafts are included in current interest-bearing liabilities.

The carrying amounts of other receivables and cash and cash equivalents equal their fair values.

Available-for-sale assets

Available-for-sale assets are non-derivatives which are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose them within 12 months from the end of the reporting period. At the end of the reporting period Suominen held only non-current available-for-sale assets.

Changes in the fair value of available-for-sale assets, net of tax, are recognized in other comprehensive income. When available-for-sale assets are sold or an impairment loss is recognized, the cumulative fair value changes recognized in other comprehensive income are reclassified from equity to statement of profit or loss. Interest income on available-for-sale assets, calculated with the effective interest method, is recognized in financial items in the statement of profit or loss.

The Group assesses at the end of the reporting period whether there is objective evidence that an asset or a group of assets classified as available-for-sale is impaired. If the fair value of equity instruments classified as available-for-sale is significantly or has been for a prolonged period lower than the acquisition cost, it is considered as an indicator of impairment. The impairment loss is measured as the difference between the acquisition cost and the fair value, less any impairment loss on the asset previously recognized in profit or loss. The impairment loss is recognized in the statement of profit or loss.

The fair values of quoted securities are based on closing prices of the securities at the end of the reporting period. If there is no active market for the asset or if the securities are unlisted, the Group measures fair value with valuation techniques. If there is no asset-specific data available from transactions between independent parties, the fair values used for the asset are either the present value of discounted cash flows arising from the asset or fair values other instruments which are substantially identical than the asset. Some unlisted equity instruments are presented in the statement of financial position at acquisition cost less impairment losses, if any.

Derivatives

Disclosure information on derivative instruments is presented in Note 19 of the consolidated financial statements.

13. FAIR VALUE HIERARCHY

EUR thousand

Fair value hierarchy in 2016

Financial assets at fair value	Level 1	Level 2	Level 3
Other non-current receivables	–	–	501
Available-for-sale assets	–	–	777
Currency derivatives	–	43	–
Electricity derivatives	–	30	–
Total in 2016	**–**	**73**	**1,277**

Financial liabilities at fair value			
Other current liabilities	–	–	253
Currency derivatives	–	327	–
Total in 2016	**–**	**327**	**253**

Fair value hierarchy in 2015

Financial assets at fair value			
Other non-current receivables	–	–	813
Available-for-sale assets	–	–	777
Total in 2015	**–**	**–**	**1,590**

Financial liabilities at fair value			
Other non-current liabilities	–	–	368
Other current liabilities	–	–	262
Currency derivatives	–	297	–
Electricity derivatives	–	242	–
Total in 2015	**–**	**539**	**630**

Fair value changes in Level 3

Financial assets at fair value	
Total 1 January 2015	2,104
Settlements	-167
Disposal	-450
Fair value changes recognized in other comprehensive income	-318
Reclassification from held-to-maturity assets	421
Total 31 December 2015	**1,590**
Settlements	-313
Total 31 December 2016	**1,277**

Financial liabilities at fair value	
Total 1 January 2015	1,079
Settlements	-405
Recognized in profit or loss	-44
Total 31 December 2015	**630**
Settlements	-362
Recognized in profit or loss	-15
Total 31 December 2016	**253**

Items recognized in profit or loss have been recognized in financial items.

There were no transfers in the fair value measurement hierachy levels during the reporting periods. An asset classified previously as held-to-maturity was reclassified to Level 3 during 2015.

Fair values in Level 1 are based on quoted prices (unadjusted) in active markets for identifical assets or liabilities.

The fair value for financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is applicable and rely as little as possible on entity specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in Level 2.

Fair values for electricity forward contracts are determined by using the quoted forward prices in Nordpool for the same period and discounting them with relevant interest rates to the end of the reporting period.

Fair values for currency forward contracts are determined by using the spot rates and relevant swap points based on interest rate differences at the end of the reporting period.

The fair values of financial instruments on Level 3 are based on related inputs, which are not based on observable market information but significantly on management estimates which are used in generally accepted valuation methods.

The fair value of the shares in Bright Maze Oy on Level 3 is measured using an EBITDA multiplier and a comparable data analysis. The fair valued of other available-for-sale assets is the acquisition cost less impairment losses, if any.

14. OTHER COMPREHENSIVE INCOME

EUR thousand

2016	Exchange differences	Fair value and other reserves	Retained earnings	Total
Profit for the period	–	–	15,233	15,233
Exchange differences	7,881	–	–	7,881
Income tax on exchange differences	-365	–	–	-365
Fair value changes, cash flow hedges	–	245	–	245
Fair value changes, cash flow hedges, income taxes	–	-22	–	-22
Cash flow hedges, reclassified to profit or loss	–	116	–	116
Cash flow hedges, reclassified to profit or loss, income taxes	–	-23	–	-23
Cash flow hedges, reclassified to property, plant and equipment	–	-188	–	-188
Defined benefit plans, remeasurements	–	–	-110	-110
Defined benefit plans, remeasurement, income taxes	–	–	16	16
Total comprehensive income	**7,516**	**128**	**15,140**	**22,784**

2015	Exchange differences	Fair value and other reserves	Retained earnings	Total
Profit for the period	–	–	17,020	17,020
Exchange differences	2,356	–	–	2,356
Income tax on exchange differences	-626	–	–	-626
Fair value changes, cash flow hedges	–	-652	–	-652
Fair value changes, cash flow hedges, income taxes	–	65	–	65
Fair value changes, available-for-sale assets	–	-318	–	-318
Fair value changes, available-for-sale assets, income taxes	–	64	–	64
Cash flow hedges, reclassified to profit or loss	–	206	–	206
Cash flow hedges, reclassified to profit or loss, income taxes	–	-41	–	-41
Available-for-sale assets, reclassified to profit or loss	–	463	–	463
Available-for-sale assets, reclassified to profit or loss, income taxes	–	-93	–	-93
Cash flow hedges, reclassified to property, plant and equipment	–	91	–	91
Defined benefit plans, remeasurements	–	–	-26	-26
Defined benefit plans, remeasurement, income taxes	–	–	8	8
Total comprehensive income	**1,730**	**-216**	**17,002**	**18,516**

Exchange differences

The exchange differences arising from translating the statements of profit or loss, statements of comprehensive income and statements of financial position into euro using the different exchange rates are recognized as other comprehensive income and included in equity as cumulative exchange difference. Exchange differences arising from the translation of the net investments in foreign subsidiaries in non-euro area are also recognized in other comprehensive income and included in equity as cumulative exchange difference.

Some loans granted to the subsidiaries are in substance part of a net investment in the subsidiary, as settlement of the loan is not likely to occur in the foreseeable future. The exchange differences arising from those loans are recognized in other comprehensive income and exchange differences in equity.

Suominen was hedging the net investment in the US operations. The net investment in the US operations was hedged with a USD 39 million currency forward contract until 24 September 2015. The exchange differences arising from the hedging instruments were recognized in other comprehensive income and in exchange differences in equity.

15. INFORMATION OF SUOMINEN SHARE

Share capital and number of shares

The Annual General Meeting of Suominen Corporation held on 16 March 2016 decided to reduce the number of shares in the company without reducing share capital in a reverse share split procedure pursuant to the Chapter 15, Section 9 of the Limited Liability Companies Act (624/2005) so that each five shares shall be merged as one share.

Before the reverse share split, Suominen Corporation had in total 252,425,616 shares. After the reverse share split, the total number of shares in Suominen Corporation was 51,216,232. The new number of shares was registered with the Trade Register on 22 March 2016 and trading with the merged shares commenced on the same day. The reverse split did not have an impact on the treasury shares held by Suominen (913,886 shares at the date of the reverse split). In accordance with the Limited Liability Companies Act, treasury shares do not entitle to shareholder rights, such as right to receive dividend or other distribution of funds, or right to attend General Meeting.

The registered share capital of Suominen Corporation totals EUR 11,860,056. The number of Suominen's registered shares on 31 December 2016 was 51,665,642 shares. The number of shares increased in the reporting period in total by 449,410 shares, due to the share conversions of the hybrid bond notes and accrued interests. The conversion of the hybrid bond to equity was recorded into the reserve for invested unrestricted equity.

Suominen has one series of shares. Each share has one vote in the general meeting of the shareholders and all the shares have equal rights to dividend or other distribution of equity. Suominen share has no nominal value. Suominen Corporation shares are listed on Nasdaq Helsinki Ltd.

Treasury shares

The treasury shares acquired by Suominen and the related costs are presented as deductions of equity. At disposal of acquired treasury shares the consideration received is recognized in equity.

At the end of the reporting period Suominen held 893,087 treasury shares. In accordance with the resolution by the Annual General Meeting, 20,799 shares were transferred on 2 June 2016 to the members of the Board of Directors as their remuneration payable in shares.

The share ownership of related parties in Suominen are disclosed in Note 32 of the consolidated financial statements.

Share-based plans

The share-based incentive plans are described in Note 29 of the consolidated financial statements.

Suominen has no option plans.

Share trading and price

The number of Suominen Corporation shares traded on Nasdaq Helsinki from 1 January to 31 December 2016 was 13,611,634 shares (19,502,550 shares), accounting for 27.0 (38.9) percent of the average number of shares (excluding treasury shares). The highest price was EUR 6.20 (EUR 6.65), the lowest EUR 3.49 (EUR 3.75) and the volume-weighted average price EUR 4.24 (EUR 5.05). The closing price at the end of reporting period was EUR 4.14 (EUR 6.20). The market capitalization (excluding treasury shares) was EUR 210.2 million on 31 December 2016 (EUR 311.9 million).

Number of shares

Changes in number of shares

Number of shares 1 January 2015 (*	**50,317,933**
Conversions of the hybrid bond (*	796,821
Share issue subject to payment (*	101,477
Number of shares 31 December 2015 (*	**51,216,232**
Conversions of the hybrid bond	449,410
Number of shares 31 December 2016	**51,665,642**

Changes in treasury shares

Number of shares 1 January 2015 (*	**1,091,806**
Conveyance of treasury shares, share-based incentive plan (*	-160,526
Conveyance of treasury shares, reward for the Board of Directors (*	-17,394
Number of treasury shares 31 December 2015	**913,886**
Conveyance of treasury shares, reward for the Board of Directors	-20,799
Number of shares 31 December 2016	**893,087**

Number of shares	31 December 2016	31 December 2015
Number of shares excluding treasury shares	50,772,555	50,302,346
Share-issue adjusted number of shares excluding treasury shares	50,772,555	50,302,346
Average number of shares excluding treasury shares	50,343,806	50,119,433
Average share-issue adjusted number of shares excluding treasury shares	50,343,806	50,183,437
Average diluted share-issue adjusted number of shares excluding treasury shares	58,024,756	58,208,870

(* Adjusted to reflect the effect of the reverse share split.

Notifications in 2016 under chapter 9, section 5 of the Securities Market Act

On 10 June 2016, Suominen Corporation received a notification in accordance with Chapter 9, Section 5 of the Securities Market Act. According to the notification, the total shareholding of Mr. Erkki Etola and companies under his controlling power in Suominen Corporation had exceeded the 10% flagging threshold. According to the notification, Mr. Erkki Etola and companies under his controlling power (Oy Etra Invest Ab and Tiiviste-Group Oy) hold 4,139,164 shares and votes directly (8.08% of all shares and votes) and 1,477,080 shares and votes through financial instruments (2.88% of all shares and votes).

Largest shareholders 31 December 2016

Shareholder	Number of shares	% of shares and votes
AC Invest Two BV	13,953,357	27.01%
Oy Etra Invest Ab	5,055,120	9.78%
Varma Mutual Pension Insurance Company	4,500,000	8.71%
Ilmarinen Mutual Pension Insurance Company	3,251,811	6.29%
Pension Insurance Company Elo	3,024,651	5.85%
Nordea Nordic Small Cap Fund	1,537,152	2.98%
Nordea Bank Finland Plc	1,425,836	2.76%
OP Delta Fund	1,210,283	2.34%
Nissi Evald and Hilda	1,000,000	1.94%
Heikki Bergholm	880,168	1.70%
Nordea Life Assurance Finland Ltd	712,000	1.38%
Juhani Maijala	657,346	1.27%
Mikko Maijala	625,918	1.21%
Skandinaviska Enskilda Banken, Helsinki Branch	590,985	1.14%
Onvest Investment Ltd.	501,338	0.97%
15 largest total	38,925,965	75.34%
Other shareholders	9,717,783	18.81%
Nominee registered	2,124,758	4.11%
Treasury shares	893,087	1.73%
In joint account (not in the book-entry securities system)	4,049	0.01%
Total	**51,665,642**	**100.00 %**

Ownership distribution 31 December 2016

	Number of shareholders	% of total	Number of shares	% of shares and votes
Corporations	216	4.5%	8,248,617	15.97%
Financial and insurance corporations	18	0.4%	6,021,196	11.65%
General government	4	0.1%	11,072,758	21.43%
Non-profit institutions	20	0.4%	1,406,494	2.72%
Households	4,575	94.3%	7,852,730	15.20%
Foreign countries	19	0.4%	14,041,953	27.18%
Total	4,852	100.0%	48,643,748	94.15%
Nominee registered	9		2,124,758	4.11%
In joint account (not in the book-entry securities system)			4,049	0.01%
Treasury shares	1		893,087	1.73%
Total	**4,862**		**51,665,642**	**100.00%**

Shareholders by share ownership 31 December 2016

Number of shares	Number of shareholders	% of total	Number of shares	% of shares and votes
1–100	1,319	27.1%	63,584	0.12%
101–500	1,780	36.6%	485,775	0.94%
501–1,000	726	14.9%	558,975	1.08%
1,001–5,000	767	15.8%	1,680,778	3.25%
5,001–10,000	122	2.5%	901,069	1.74%
10,001–50,000	94	1.9%	1,958,915	3.79%
50,001–100,000	18	0.4%	1,353,644	2.62%
100,001–500,000	20	0.4%	4,839,801	9.37%
more than 500,000	15	0.3%	38,925,965	75.34%
Total	4,861	100.0%	50,768,506	98.26%
In joint account (not in the book-entry securities system)			4,049	0.01%
Treasury shares	1		893,087	1.73%
Total	**4,862**		**51,665,642**	**100.00%**

16. HYBRID BOND

EUR thousand

Suominen issued on 10 February 2014 a convertible hybrid bond of EUR 17,500,000, which is classified as an equity instrument, to finance the acquisition of the nonwovens operations in Brazil. The bond consisted of 175 bond notes, each having the nominal value of EUR 100,000. The bond does not have a guarantee or other collateral.

The principal of the bond has a fixed annual interest of 5.95 percent until 10 February 2018, and after that a fixed annual interest of 6.95 percent until 10 February 2019. After 10 February 2019, the principal of the bond will have a fixed annual interest of 7.95 percent. The interest accrued for the bond will be capitalized to the principal of the bond annually on 10 February until 10 February 2018. Thereafter, commencing on 10 May 2018, the interest is payable in the discretion of the Board of Directors quarterly on 10 February, 10 May, 10 August and 10 November. No interest shall be paid on the capitalized interest until 10 February 2018. After that date, the capitalized interest shall be a part of the principal of the bond and annual interest shall be paid to the whole amount of the principal in accordance with the terms of the bond.

Suominen has the right to redeem the bond in whole or in part on 10 February 2018 or thereafter, on each interest payment date, at the nominal value of the bond with the accrued interest.

A bond note entitles the bondholder to convert the bond note and the potential accrued interest for shares in Suominen at the conversion rate of EUR 2.50 per share (conversion rate changed due to the reverse share split). The period for converting started on 11 February 2014 and ends on 10 February 2018. The number of shares to be received through the conversion must always be at least 40,000. In 2016 in total EUR 1.0 million of the bond principal as well as EUR 0.1 million of accrued interests were converted in shares. The number of shares in Suominen increased through the conversion by 449,410 shares.

If the total remaining value of the hybrid bond including accrued interest at the end of the reporting period were converted in new shares through a share issue, the number of shares in Suominen would increase by 7,020,320 shares.

The value of the shares issued through conversion of the hybrid bond is recognized in the reserve for invested unrestricted equity, which increased in 2016 thanks to the conversion by EUR 1.1 million.

If Suominen distributes dividend before 10 February 2018, the bondholders are entitled to a compensation equaling to the dividend. The compensation will be paid the same date as the dividend, and the paid compensation will be deducted from the interests accrued or to be accrued. The compensation deducted from interests accrued or to be accrued will decrease the amount of interests capitalized as principal of the bond and thus the number of shares to be converted with the bond. In 2016, interests totaling EUR 0.6 million were paid due to dividend distribution.

Changes in the hybrid bond

Hybrid bond 1 January 2015	**17,500**
Capitalization of interests	1,332
Conversion into shares	-1,992
Hybrid bond 31 December 2015	**16,840**
Capitalization of interests	616
Conversion into shares	-1,119
Hybrid bond 31 December 2016	**16,337**

In accordance with IAS 32, a hybrid bond can be classified as an equity instrument instead of a financial liability if the interest and loan payments are fully controlled by the company and payments are not connected to any other loans. The hybrid bond is initially recognized at amortized cost. The hybrid bond of Suominen is classified as equity. The accrued interests are capitalized and recognized in the retained earnings in the consolidated financial statements.

17. INTEREST-BEARING LIABILITIES

EUR thousand

	2016		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current interest-bearing liabilities				
Loans from financial institutions	11,294	11,294	18,498	18,498
Finance lease liabilities	280	280	–	–
Debentures	75,000	78,503	75,000	77,175
Total	**86,574**	**90,076**	**93,498**	**95,673**
Current interest-bearing liabilities				
Current part of non-current loans from financial institutions	7,812	7,812	–	–
Current loans from financial institutions	–	–	3,363	3,363
Finance lease liabilities	111	111	–	–
Total	**7,923**	**7,923**	**3,363**	**3,363**
Total	**94,497**	**97,999**	**96,862**	**99,037**

Interest-bearing liabilities

Interest-bearing financial liabilities are recognized initially at fair value. Interest-bearing financial liabilities are subsequently recognized at amortized cost using the effective interest method.

Fees paid on loan facilities are recognized as transaction costs of the loan to the extent that it is probable that the facility will be drawn down. In this case, the fee is recognized in the statement of financial position until the draw-down of the loan occurs, and it is recognized in profit or loss over the loan period. If it is not probable that the loan facility will be utilized, the fee will be immediately recognized in profit or loss.

Listed debentures are initially recognized at fair value, net of transaction costs. Debentures are subsequently recognized at amortized cost using the effective interest method. The fair value of a listed debenture is measured using the market price at the end of the reporting period.

Change in interest-bearing liabilities

	2016	2015
Total interest-bearing liabilities at the beginning of the period	**96,862**	**85,014**
Current liabilities at the beginning of the period	3,363	3,347
Repayment of current liabilities	-3,358	-3,347
Drawdown of current liabilities	102	3,363
Reclassification from non-current liabilities	7,899	–
Exchange rate difference	-84	–
Current liabilities at the end of the period	7,923	3,363
Non-current liabilities at the beginning of the period	18,498	6,667
Repayment of non-current liabilities	–	-6,667
Drawdown of non-current liabilities	368	18,498
Reclassification to current liabilities	-7,899	–
Exchange rate difference	607	–
Non-current liabilities at the end of the period	11,574	18,498
Debentures at the beginning of the period	75,000	75,000
Debentures at the end of the period	75,000	75,000
Total interest-bearing liabilities at the end of the period	**94,497**	**96,862**

Maturity of interest-bearing liabilities		
2017 (2016)	7,923	3,363
2018 (2017)	11,412	7,904
2019 (2018)	75,078	10,595
2020 (2019)	67	75,000
2021– (2020–)	17	–
Total	**94,497**	**96,862**

Interest-bearing liabilities by currency		
EUR	75,391	75,000
USD	19,106	21,862
Total	**94,497**	**96,862**

In 2014, Suominen issued a debenture bond of EUR 75 million and entered into a EUR 55 million syndicated credit facilities agreement. The loans from financial institutions include leverage ratio and gearing as financial covenants. The loans from financial institutions have floating interest rates.

The debenture is listed on Nasdaq Helsinki Ltd. The fair value of the debenture is based on its market value at the end of the reporting period. The bond has a maturity of five years and the principal of the bond is repaid in full at the end of the loan period. The debenture constitutes a direct and unsecured obligation of Suominen and it is guaranteed as for own debt by certain subsidiaries of Suominen Corporation. The bond carries a fixed coupon with an interest rate of 4.375 percent per annum and the interest is paid semiannually.

In December 2015 Suominen converted its loans from financial institutions from EUR to USD. At the same time Suominen drew down a new USD denominated loan, which corresponded EUR 15 million at the date of the drawdown.

Finance lease liabilities

Future minimum lease payments, maturing in	2016	2015
Not later than 1 year	132	–
Later than 1 year and not later than 5 years	305	–
Later than 5 years	–	–
Total future minimum lease payments	**437**	**–**
Future finance expense	-46	–
Present value of future minimum lease payments	**391**	**–**
Present value of future minimum lease payments, maturing in		
Not later than 1 year	111	–
Later than 1 year and not later than 5 years	280	–
Later than 5 years	–	–
Present value of future minimum lease payments	**391**	**–**

18. CLASSIFICATION OF FINANCIAL LIABILITIES

EUR thousand

	Fair value through profit or loss	At amortized cost	Derivatives, hedge accounting applied	Carrying amount	Fair value
Loans from financial institutions	–	19,106	–	19,106	19,106
Debentures	–	75,000	–	75,000	78,503
Finance lease liabilities	–	391	–	391	391
Derivatives, hedge accounting applied	–	–	327	327	327
Interest accruals	–	912	–	912	912
Other current liabilities	253	–	–	253	253
Trade payables	–	50,248	–	50,248	50,248
Total 31 December 2016	**253**	**145,656**	**327**	**146,236**	**149,739**

	Fair value through profit or loss	At amortized cost	Derivatives, hedge accounting applied	Carrying amount	Fair value
Loans from financial institutions	–	21,862	–	21,862	21,862
Debentures	–	75,000	–	75,000	77,175
Other non-current liabilities	368	–	–	368	368
Derivatives, no hedge accounting applied	30	–	–	30	30
Derivatives, hedge accounting applied	–	–	509	509	509
Interest accruals	–	914	–	914	914
Other current liabilities	262	–	–	262	262
Trade payables	–	44,682	–	44,682	44,682
Total 31 December 2015	**660**	**142,458**	**509**	**143,627**	**145,802**

Financial liabilities are classified as current liabilities if they mature within 12 months from the end of the reporting period.

A financial liability or a part of a financial liability is removed from the statement of financial position when the liability is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired.

Derivative instruments are presented in Note 19 of the consolidated financial statements.

Interest-bearing liabilities are presented in Note 17 of the consolidated financial statements.

Trade payables

Trade payables are measured at amortized cost. The carrying amount of trade payables equals to fair value based on their short maturity.

Other financial liabilities

Financial liabilities at fair value through profit or loss are liabilities which arose from acquisition of certain intangible assets. Their fair values are calculated by discounting the probable future cash flows to the end of the reporting period.

19. DERIVATIVE INSTRUMENTS

EUR thousand

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, on the nature of the item being hedged. Suominen designates derivatives as hedges of a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction (cash flow hedge). The full fair value of a hedging derivative is classified as a current asset or liability. Trading derivatives are classified as a current assets or liabilities.

Hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income and presented in fair value reserve in equity.

Both the realized gain or loss of the electricity derivatives as well as the ineffective portion of the hedging are recognized through profit or loss as an adjustment of electricity expenses.

Currency forward contracts designated to hedge forecasted cash flows related to acquisition of certain assets in property, plant and equipment are classified as hedging instruments and thus hedge accounting is applied. The effective portion of changes in the fair value of these derivatives is recognized in other comprehensive income and presentd in fair value reserve equity until the liabilility related to acquisition of the asset is recognized in the statement of financial position. When the liability is recognized in the statement of financial position, the portion of the fair value of the derivative recognized in fair value reserve is reclassified to adjust the acquisition cost of the asset, and future changes in fair value of the derivative are recognized in profit or loss in financial items.

The effective portion of currency hedges to hedge net investments in foreign operations (equity hedge) is recognized in exchange differences in other comprehensive income and the ineffective portion in the exchange differences in financial items. On the disposal of the foreign operation the exchange differences recognized in equity are reclassified in profit or loss. Suominen had in 2015 currency hedges to hedge net investment in foreign operations.

When a hedging instrument expires or is sold, or when a hedge no longer meets the hedge accounting criteria, any cumulative gain or loss existing in equity at that time remains in equity and is recognized in profit or loss when the forecasted transaction is ultimately recognized in profit or loss. If a forecast transaction is no longer expected to incur, the cumulative gain or loss recognized in equity is immediately recognized in profit or loss in the same line item in statement of profit or loss where the forecasted transaction would have been recognized.

At the inception of hedge accounting, Suominen documents the relationship between the hedged item and the hedging instrument as well as the aim for the risk management and the hedging strategy. At the inception of the hedge the Group tests and documents the effectiveness of the hedging relationship by assessing the ability of the hedging instrument to offset the fair value changes arising from the hedged item. The Group tests effectiveness retrospectively also at the end of each reporting period.

Derivative instruments at fair value through profit or loss

Some of the Group's derivative transactions, while providing economic hedges, do not qualify for hedge accounting under IAS 39, and therefore changes in the fair values of these derivative instruments are recognized immediately in profit or loss.

Derivative receivables and liabilities in statement of financial position

	2016	2015
Receivables		
Derivatives, hedge accounting applied	43	–
Derivatives, hedge accounting not applied	30	–
Liabilities		
Derivatives, hedge accounting applied	327	509
Derivatives, hedge accounting not applied	–	30

Nominal and fair values of derivative contracts

	2016				2015			
	Nominal value	Fair value, net	Fair value, positive	Fair value, negative	Nominal value	Fair value, net	Fair value, positive	Fair value, negative
Currency forward contracts								
Hedge accounting applied	5,240	-327	–	-327	16,114	-267	–	-267
Hedge accounting not applied	2,396	30	30	–	3,196	-30	–	-30
Electricity forward contracts								
Hedge accounting applied	594	43	43	–	1,229	-242	–	-242

The fair values of derivatives are recognized in the statement of financial position as gross amounts and they can be offset with each other only in case of breach of contractual terms or bankruptcy. If offset, the derivative receivables from counterparty would be EUR 73 thousand and liabilities EUR 327 thousand.

Fair values for electricity forward contracts are determined by using the quoted forward prices in Nordpool for the same period and discounting them with relevant interest rates to the end of the reporting period.

Fair values for currency forward contracts are determined by using the spot rates and relevant swap points based on interest rate differences at the end of the reporting period.

Derivative instruments in profit or loss	2016	2015
Cost of goods sold		
Currency derivatives, hedge accounting not applied	88	-6
Ineffective part of cash flow hedging, electricity derivatives	59	-73
Cash flow hedging, electricity derivatives, realized	-116	-206
Other operating expenses		
Currency derivatives, hedge accounting not applied	-73	-525
Net financial expenses		
Currency derivatives, ineffective part of hedging net investment in foreign entity	–	-143
Currency derivatives, ineffective part of cash flow hedging	-34	–
Currency derivatives, hedge accounting not applied	–	72
Interest rate differences of currency derivatives	-146	-51

Derivative instruments in other comprehensive income	2016	2015
Exchange differences, hedging of net investment in foreign entity	–	-2,724
Fair value changes of cash flow hedges, electricity derivatives	108	-324
Fair value changes of cash flow hedges, currency derivatives	137	-328
Cash flow hedges, electricity derivatives, amounts reclassified to profit or loss	116	206
Cash flow hedges, currency derivatives, amounts reclassified to property, plant and equipment	-188	91
Total	**173**	**-3,079**

20. DEFINED BENEFIT PLANS

EUR thousand

Suominen has a defined benefit termination plan in Italy (TFR, Trattamento di Fine Rapporto). The plan is unfunded and closed for new entrants. The benefits paid are based, among other things, on service years and end salary of the participants. The obligation is determined based on calculation made by independent actuaries.

The defined benefit obligations are measured as the present value of the estimated future cash flows using interest rates of government securities that have maturity terms approximating the terms of related liabilities or similar long-term interests. Plan assets, if any, are recognized at fair value at the end of the reporting period.

For the defined benefit plans, costs are assessed using the projected unit credit method. Under this method the cost is charged to profit or loss so as to spread over the service lives of employees.

Only past service costs due to plan amendments as well as net interest on net defined benefit liability can be recognized in profit or loss. Service costs are recognized in profit or loss as employee benefits and net interest in financial items. Remeasurements of net defined benefit liability, such as actuarial gains and losses, are recognized in other comprehensive income in the period in which they occur with no subsequent recycling to profit or loss.

	2016	2015
Defined benefit liabilities in the statement of financial position		
Present value of unfunded obligations	1,081	1,105
Deficit	1,081	1,105
Change in defined benefit obligation		
Present value of defined benefit obligation 1 January	1,105	1,151
Charged to profit or loss:		
Past service cost - plan amendments (gain - / loss +)	–	-34
Interest expenses	22	21
Total recognized in profit or loss (gain - / loss +)	22	-14
Remeasurements:		
Actuarial gain (-) / loss (+) from change in financial assumptions	110	26
Total remeasurments	110	26
Benefits paid	-155	-59
Present value of defined benefit obligation 31 December	**1,081**	**1,105**
Changes in plan assets		
Plan assets 1 January	–	–
Employer contributions	155	59
Benefits paid	-155	-59
Plan assets 31 December	**–**	**–**
Remeasurements recognized in other comprehensive income		
Recognized in other comprehensive income 1 January (gain - / loss +)	405	379
Actuarial gain (-) / loss (+) on defined benefit obligation during the reporting period	110	26
Recognized in other comprehensive income 31 December (gain - / loss +)	**516**	**405**
Significant actuarial assumptions		
Discount rate (%)	1.20	2.00
Rate of future price inflation (%)	1.80	1.80
Average remaining service period (years)	15.7	15.7
Sensitivity analysis of actuarial assumptions		
Decrease in discount rate by 0.25 percentage points		
Effect on defined benefit obligation	37	37
Increase in discount rate by 0.25 percentage points		
Effect on defined benefit obligation	-36	-37
Expected payments to plan participants in the future years from the defined benefit obligation		
Within 1 year	30	28
Between 1–2 years	51	56
Between 3–5 years	112	68
Between 6–10 years	378	367
Total	**572**	**520**

21. TRADE PAYABLES AND OTHER LIABILITIES

EUR thousand

Other non-current liabilities	2016	2015
Liability from acquisition of intangible assets	–	368
Accrued expenses and deferred income	364	283
Total other non-current liabilities	**364**	**651**

Current liabilities		
Trade payables	50,248	44,682
Advances received	3	596
Other liabilities	1,644	1,474
Accrued expenses and deferred income	13,493	9,727
Total trade payables and other current liabilities	**65,388**	**56,479**

Accrued expenses and deferred income include, among others, accrued interest expenses, accruals for annual and other discounts, accrued personnel expenses and other accruals.

Other liabilities include, among others, liabilities from indirect taxes and current portion of the liability from acquisition of intangible assets (Note 18).

Currency analysis of trade payables		
EUR	23,859	23,585
USD	25,777	20,901
BRL	569	154
Other currencies	44	43
Total	**50,248**	**44,682**

22. ENTITY-WIDE DISCLOSURES

EUR thousand

The net sales of Suominen Group consist entirely of sales of nonwovens. Sales to two customers exceed each 10 percent of total net sales. Net sales to one of these customers amounted to EUR 82.1 million (85.6) and to the other EUR 54.5 million (65.2).

Net sales by geographical destination	2016	2015
Finland	2,386	2,724
Rest of Europe	158,118	159,854
USA	211,481	234,304
Rest of North and South America	34,807	37,331
Rest of the world	10,071	9,830
Total	**416,862**	**444,042**

Net sales by business area		
Convenience	385,526	411,542
Care	31,284	32,427
Unallocated exchange differences of sales	52	74
Total	**416,862**	**444,042**

Property, plant and equipment and intangible assets by geographical location		
Finland	15,531	14,431
Rest of Europe	24,969	26,512
USA	114,910	77,543
Brazil	9,728	8,215
Total	**165,139**	**126,702**

23. OTHER OPERATING INCOME AND EXPENSES

EUR thousand

Gains from the disposal of property, plant and equipment and intangible assets, insurance compensations and revenues other than from product sales, such as rental income and proceeds from sale of recycled products, are recognized as other operating income.

Losses from the sales of assets as well other expenses not associated with ordinary operations are recognized as other operating expenses.

Other operating income	2016	2015
Gains from disposal of intangible assets and property, plant and equipment	8	–
Indemnities	14	293
Rental income	256	349
Sales of recycled products	1,377	1,806
Other operating income	255	189
Total	**1,909**	**2,637**

Recycled products consist of waste generated in the manufacturing process as well as products which do not fulfill quality requirments. These products are sold for recycling.

The future non-cancellable minimum lease payments (rental income) are disclosed in Note 33 of the consolidated financial statements.

Other operating expenses		
Credit losses	-318	-2
Currency derivatives, hedge accounting not applied	-73	-525
Other operating expenses	-238	-335
Total	**-629**	**-862**

24. FEES PAID TO AUDITORS

EUR thousand

Fees paid to auditors are included in administration expenses.

Ernst & Young Oy (EY) has been acting as the principal auditor of the Group and the parent company since the Annual General Meeting of 2015.

Fees paid to auditors	2016	2015
Fees for statutory audit, EY	-459	-329
Fees for statutory audit, PwC	–	-96
Official statements, EY	–	-3
Other services, principal auditor	-24	-26
Total	**-484**	**-453**

25. EMPLOYEE BENEFITS

EUR thousand

	2016	2015
Wages and salaries	-34,380	-34,778
Share-based payments	-265	-1,238
Defined benefit plans	–	34
Pensions, defined contribution plans	-2,008	-1,914
Other personnel expenses	-15,771	-16,154
Total	**-52,424**	**-54,050**
Average number of personnel	646	614
Number of personnel, end of reporting period	650	636
in Finland	128	124

Management remuneration is disclosed in detail in Note 32 of the consolidated financial statements.

Share-based payments are disclosed in more detail in Note 29 of the consolidated financial statements.

Defined benefit plans are disclosed in more detail in Note 20 of the consolidated financial statements.

Pension benefits

The Group has several pension plans in accordance with local conditions and practices where it operates. The plans are generally funded through premium payments to insurance companies or similar entities. The pension schemes are in accordance with local legislation and based on established local practice. Pension schemes may include additional pension benefits, options for early retirement, or compensation for disability.

Pension schemes are classified either as defined contribution pension plans or defined benefit pension plans. A defined contribution pension plan is a plan under which the Group pays fixed contributions into a separate entity and has no obligation to pay further contributions if the separate entity has no sufficient assets to pay all employee benefits. The contributions to defined contribution plans are charged to profit or loss in the period to which the contributions relate.

Suominen has a defined benefit termination plan in Italy (TFR) (Note 20). In other countries Suominen has defined contribution pension plans.

26. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

EUR thousand

Depreciation, amortization and impairment losses by function	2016	2015
Depreciation and amortization		
Cost of goods sold	-15,872	-15,476
Sales and marketing expenses	-688	-643
Research and development	-945	-922
Administration expenses	-1,016	-934
Total	**-18,520**	**-17,975**
Impairment losses and reversals of impairment losses		
Cost of goods sold	–	530
Administration expenses	–	-238
Total	**–**	**291**
Total by function		
Cost of goods sold	-15,872	-14,946
Sales and marketing expenses	-688	-643
Research and development	-945	-922
Administration expenses	-1,016	-1,173
Total	**-18,520**	**-17,684**

Depreciation, amortization and impairment losses by asset category		
Depreciation and amortization by asset category		
Intangible rights	-1,731	-1,559
Other intangible assets	-627	-643
Buildings and constructions	-1,689	-1,627
Machinery and equipment	-14,467	-14,139
Other tangible assets	-6	-8
Total	**-18,520**	**-17,975**
Impairment losses and reversals of impairment losses		
Machinery and equipment	–	530
Property, plant and equipment, advance payments and assets under construction	–	-183
Intangible assets, advance payments and assets under construction	–	-56
Total	**–**	**291**
Total by asset category		
Intangible rights	-1,731	-1,559
Other intangible assets	-627	-643
Intangible assets, advance payments and assets under construction	–	-56
Buildings and constructions	-1,689	-1,627
Machinery and equipment	-14,467	-13,609
Other tangible assets	-6	-8
Property, plant and equipment, advance payments and assets under construction	–	-183
Total	**-18,520**	**-17,684**

The carrying amounts of property, plant and equipment as well as of intangible assets are assessed to determine whether there are any indications that the carrying amounts of the assets exceed their recoverable amounts and an impairment loss should be recognized. Indications of the assets' possible impairment can be a significant decline in an asset's market value, adverse changes in the business environment, adverse changes in the extent to which or manner in which an asset is used or expected to be used, or a deterioration in financial performance below what was expected.

If such indications of impairment exist, the recoverable amounts are measured for those assets for which there are indications of impairment. Recoverable amount is the higher of fair value of the asset less costs of disposal and value in use. When measuring an asset's value in use, the future cash flows derived from the asset are discounted by using discount rates which reflect the average cost of capital before taxes of the asset or, if the asset belongs to a cash generating unit, of that cash generating unit. The risk inherent in the value in use is captured by analyzing variations in the amount or timing of cash flows.

An impairment loss of an asset can be reversed if a positive change in the estimates of the recoverable amount has occured. The impairment loss made in prior years is reversed no more than up to the value which would have been determined for the asset, net of amortization or depreciation, had no impairment loss been recognized in prior years. In 2015 a reversal of an impairment loss on a production line in Nakkila plant in Finland was made as the line was re-opened and taken into production use.

Impairment testing of goodwill is presented in Note 5.

27. FINANCIAL INCOME AND EXPENSES

EUR thousand

Financial income	2016	2015
Interest income from loans and receivables	717	716
Other interest income	10	7
Available-for-sale assets, disposal	–	11
Fair value changes of liabilities at fair value through profit or loss	15	44
Total	**743**	**778**
Financial expenses		
Interest expenses on liabilities at amortized cost	-2,493	-3,361
Interest expenses on defined benefit plans	-22	-21
Other interest expenses	-3	-19
Currency derivatives, interest rate difference	-146	-51
Financial expenses on sale of trade receivables	-169	-112
Other financial expenses	-877	-954
Available-for-sale assets, disposal	–	-364
Total	**-3,710**	**-4,882**
Net exchange rate differences	**-222**	**-1,199**
Total financial income and expenses	**-3,190**	**-5,302**

Interest expenses are accrued for and mainly recognized in profit or loss for each period. If an asset is a qualifying asset as defined in IAS 23 Borrowing Costs, the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized to the acquisition cost of the asset. The capitalization applies mainly to property, plant and equipment and intangible assets.

Capitalized borrowing costs during the reporting period were EUR 1,254 thousand (74 thousand). The capitalization rate used was 5.12 percent.

Currency differences in operating profit		
Net sales	-46	794
Cost of goods sold	-87	-401
Other operating expenses	20	212

28. INCOME TAXES

EUR thousand

The consolidated financial statements include current taxes, which are based on the taxable results of the group companies for the reporting period together with tax adjustments for previous reporting periods, calculated in accordance with the local tax rules, and the change in deferred tax liabilities and assets.

Income taxes which relate to items recognized in other comprehensive income are also recognized in other comprehensive income.

Suominen has some uncertain tax positions due to local tax audits as the tax authorities have challenged the tax deductible expenses Suominen has declared in the income tax returns. Suominen has assessed for each tax audit whether the interpretations of the tax authorities are justified and adjusted the recognized amounts, if needed, in order to correspond the expected future payments. Even though the management estimates that the end results of the tax audits will not result in material additional costs exceeding the already recognized amounts, the actual results can differ from the estimates.

The Group's deferred tax liabilities and assets have been calculated for temporary differences, which have been obtained by comparing the carrying amount of each asset or liability item with their tax bases. Deferred tax assets are recognized for deductible temporary differences and tax losses to the extent that it is probable that taxable profit will be available, against which tax credits and deductible temporary differences can be utilized. In calculating deferred tax liabilities and assets, the tax rate used is the tax rate in force at the time of preparing the financial statements or which has been enacted by end of the reporting period. Changes in tax rates have been taken into account when calculating deferred taxes. Corporate income tax rate in Finland is 20 (20) percent.

Principal temporary differences arise from depreciation and amortization of property, plant and equipment and intangible assets, defined benefit plans, recognition of net assets of acquired companies at fair value, measuring available-for-sale assets and derivative instruments at fair value, share-based payments and confirmed tax losses.

Income tax charge in statement of profit or loss	2016	2015
Current income tax charge	-5,664	-7,331
Adjustments in respect of current income tax of previous years	-117	-530
Change in deferred tax assets	-536	143
Change in deferred tax liabilities	-108	-1,602
Other income taxes	-775	-137
Total income tax charge	**-7,199**	**-9,456**
Income taxes recognized in other comprehensive income		
Exchange differences	-365	-626
Cash flow hedges, fair value changes	-22	65
Cash flow hedges, reclassified to profit or loss	-23	-41
Available-for-sale assets, fair value changes	–	64
Available-for-sale assets, reclassified to profit or loss	–	-93
Defined benefit plans, remeasurements	16	8
Total taxes recognized in other comprehensive income	**-394**	**-624**
Income taxes recognized in other equity		
Retained earnings, adjustment of interest expense on hybrid bond	-291	228
Total recognized in other equity	**-291**	**228**

The Group companies have tax losses, totalling EUR 20.6 (26.3) million, which can be applied against future taxable income. A deferred tax asset has not been recognized for all tax losses, due to the uncertainty regarding the extent to which they can be used. When preparing the 2016 financial statements, the management has estimated that Suominen is able to utilize the unused tax losses for which deferred tax asset has been recognized. In addition, it will take several years before the tax losses expire or there is no expiry date for the losses.

Deferred tax liability has not been recognized in 2016 or 2015 of the undistributed earnings of Finnish or foreign subsidiaries, as the majority of such earnings can be transferred to the owner without any tax consequences.

Reconciliation of income tax expense calculated at statutory tax rates with income tax expense in the statement of profit or loss

	2016	2015
Profit before income taxes	**22,432**	**26,476**
Income taxes at the tax rate applicable to the parent	-4,486	-5,295
Difference due to different tax rates of foreign subsidiaries	-2,469	-3,291
Tax exempt income and non-deductible expenses	364	39
Effect of changes in tax rates and tax laws	-1	-19
Losses, for which no deferred tax asset is recognized	-133	-262
Deferred taxes recognized during the reporting period in respect of previous years' temporary differences	441	545
Deferred taxes reversed during the reporting period	-74	-902
Adjustments in respect of current income tax of previous periods and witholding and other income taxes	-892	-666
Use of losses, for which no deferred tax asset has been recognized	51	204
Eliminations	–	191
Income taxes in the statement of profit or loss	**-7,199**	**-9,456**
Effective tax rate, percent	32.1	35.7
Tax assets and liabilities in the statement of financial position		
Deferred tax assets	3,424	4,491
Assets for current tax	2,008	1,874
Deferred tax liabilities	11,195	10,890
Liabilities for current tax	280	47

Reconciliation of deferred tax assets	1 January 2016	Exchange difference	Recognized in profit or loss	Recognized in other comprehensive income or in equity	Reclassifications	31 December 2016
Employee benefits	235	–	-47	16	–	204
Cash flow hedging	47	–	-11	-36	–	–
Property, plant and equipment and intangible assets	1,252	193	-257	–	–	1,188
Tax losses	1,988	–	-747	–	–	1,241
Other temporary differences	970	73	527	-778	–	791
Total	**4,491**	**266**	**-536**	**-798**	**–**	**3,424**
	1 January 2015					**31 December 2015**
Employee benefits	244	–	-15	8	-2	235
Cash flow hedging	-7	–	30	24	–	47
Available-for-sale assets	-37	–	–	37	–	–
Property, plant and equipment and intangible assets	1,930	-288	-106	–	-284	1,252
Tax losses	2,693	–	-1,165	–	460	1,988
Other temporary differences	693	-5	1,399	-943	-173	970
Total	**5,516**	**-293**	**143**	**-875**	**–**	**4,491**

Reconciliation of deferred tax liabilities	1 January 2016	Exchange difference	Recognized in profit or loss	Recognized in other comprehensive income or in equity	Reclassifications	31 December 2016
Property, plant and equipment and intangible assets	8,821	247	166	–	–	8,902
Other temporary differences	2,004	63	-152	–	–	2,219
Available-for-sale assets	65	–	–	–	–	65
Cash flow hedging	–	–	–	9	–	9
Exchange differences	–	–	-122	-122	–	–
Total	**10,890**	**310**	**-108**	**-113**	**–**	**11,195**
	1 January 2015					**31 December 2015**
Property, plant and equipment and intangible assets	7,725	861	-461	–	-227	8,821
Other temporary differences	1,064	117	-596	–	227	2,004
Available-for-sale assets	–	–	–	65	–	65
Exchange differences and hedging of net investment in foreign entities	–	–	-545	-545	–	–
Total	**8,789**	**978**	**-1,602**	**-479**	**–**	**10,890**

29. SHARE-BASED PAYMENTS

Suominen has share-based incentive plans targeted to the key employees of the Group. In accordance with the terms of the plans, shares of Suominen Corporation are granted to the participants if vesting conditions are met. The rewards are partly settled in cash.

The granted amount of the incentive plans settled in shares is measured at fair value at the grant date, and the cash-settled part of the plans is measured at fair value at the reporting or payment date.

The expenses arising from the incentive plans have been recognized in profit or loss during the vesting period. The cash-settled portion of the incentive plans is recorded as a liability in the statement of financial position, if it has not been paid, and the portion settled in shares has been recorded in retained earnings in equity. Suominen has recognized other personnel costs arising from the share-based incentive plans to the extent it is liable to pay them.

Share-based incentive plan 2012–2014

The share-based incentive plan was targeted to the key personnel of the Group. The share-based incentive plan was settled in March 2015. In accordance with the terms and conditions of the plan, in total 160,526 shares in Suominen (number of shares after reverse share split) were transferred to seven key employees. The total expense in 2015 was EUR 828 thousand, of which EUR 153 thousand was settled in shares and EUR 675 thousand in cash.

Share-based incentive plans 2015–2017

The Board of Directors of Suominen Corporation approved on 4 December 2014 two new share-based incentive plans for the Group management and key employees. The aim of the new plans is to combine the objectives of the shareholders and the persons participating in the plans in order to increase the value of the company in the long-term, to bind the participants to the company, and to offer them competitive reward plans based on earning and accumulating the company´s shares.

Performance share plan 2015–2017

The new performance share plan includes one vesting period, calendar years 2015–2017. The Board of Directors of Suominen Corporation will decide on further vesting periods. The Board of Directors will decide on the plan's vesting conditions and required performance levels for each condition at the beginning of a vesting period. The rewards to be paid on the basis of the vesting period 2015–2017 correspond to the value of an approximate maximum total of 460,000 Suominen Corporation shares (including also the portion to be settled in cash). 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.

Matching share plan 2015–2017

The new matching share plan includes one three-year vesting period, calendar years 2015–2017. The prerequisite for receiving reward on the basis of this plan is that a person participating in the plan owns or acquires the company´s shares up to the number determined by the Board of Directors. Furthermore, receiving of reward is tied to the continuance of participant´s employment or service upon reward payment.

The members of the Corporate Executive Team and the Corporate Leadership Team belong to the target group of the matching share plan. The rewards to be paid on the basis of the matching share plan correspond to the value of an approximate maximum total of 110,000 Suominen Corporation shares (including also the portion to be settled in cash).

Reward payment and ownership obligation for the management

The potential rewards from the vesting periods 2015–2017 will be settled partly in the company's shares and partly in cash in 2018. The cash portion is intended to cover income taxes and tax-related costs arising from the reward to the participant. 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 percent of the net number of shares given on the basis of the plans, 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 must hold 50 percent of the net number of shares given on the basis of the plans until 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

Share-based incentive plan 2016–2018

The Board of Directors of Suominen Corporation approved on 8 December 2015 a new vesting period in the share-based incentive plan (performance share plan) for the Group management and key employees. The new vesting period includes calendar years 2016–2018. The aim of the plan is to combine the objectives of the shareholders and the persons participating in the plan in order to increase the value of the company in the long-term, to bind the participants to the company, and to offer them competitive reward plan based on earning and accumulating the company´s shares.

The rewards to be paid on the basis of the vesting period 2016–2018 correspond to the value of an approximate maximum total of 245,000 Suominen Corporation shares (including also the portion to be settled in cash). The Board of Directors will decide separately on new vesting periods. The Board of Directors will decide on the plan's vesting conditions and required performance levels for each condition at the beginning of a vesting period. 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.

Reward payment and ownership obligation for the management

The potential rewards from the vesting periods 2016–2018 will be settled partly in the company's shares and partly in cash in 2019. The cash portion is intended to cover income taxes and tax-related costs arising from the reward to the participant. 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 percent 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 must hold 50 percent of the net number of shares given on the basis of the plan until 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.,

Share-based incentive plan 2017–2019

The Board of Directors of Suominen Corporation approved on 9 December 2016 a new vesting period in the share-based incentive plan (performance share plan) for the Group management and key employees. The new vesting period includes calendar years 2017–2019. The aim of the plan is to combine the objectives of the shareholders and the persons participating in the plan in order to increase the value of the company in the long-term, to bind the participants to the company, and to offer them competitive reward plan based on earning and accumulating the company´s shares. The plan is directed to approximately 20 people.

The rewards to be paid on the basis of the vesting period 2017–2019 correspond to the value of an approximate maximum total of 480,000 Suominen Corporation shares (including also the portion to be settled in cash). The Board of Directors will decide separately on new vesting periods. The Board of Directors will decide on the plan's vesting conditions and required performance levels for each condition at the beginning of a vesting period. 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.

Reward payment and ownership obligation for the management

The potential rewards from the vesting period 2017–2019 will be settled partly in the company's shares and partly in cash in 2020. The cash portion is intended to cover income taxes and tax-related costs arising from the reward to the participant. 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 percent 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 must hold 50 percent of the net number of shares given on the basis of the plan until 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.

Measurement of instruments granted during the reporting period

Share price at grant date, EUR	4.02
Expected annual dividends, EUR	0.09
Share price at the end of the reporting period, EUR	4.14
Fair value at the end of the reporting period, EUR	2,370,355

Effect on the profit for the period and on financial position in 2016

EUR thousand	Share-based incentive plans 2015–2017	Share-based incentive plan 2016–2018	Share-based incentive plan 2017–2019	Total
Expense for the reporting period	66	187	17	**270**
Recognized in equity in 2016	72	109	8	**189**
Recognized as liability	269	86	10	**364**

Information on share-based incentive plans	Matching share plan 2015–2017	Share-based incentive plan 2015–2017	Share-based incentive plan 2016–2018	Share-based incentive plan 2017–2019	Total / weighted average
Maximum number of shares, including the portion to be settled in cash	110,000	460,000	245,000	480,000	**1,295,000**
Initial grant date	30 January 2015	30 January 2015	8 December 2015	9 December 2016	
Vesting date	31 May 2018	31 May 2018	31 May 2019	31 May 2020	
Vesting conditions	Share ownership	Net sales growth, EBIT %, ROI %	Net sales growth, EBIT %, ROI %		
	Employment precondition until reward payment	Employment precondition until reward payment	Employment precondition until reward payment	Employment precondition until reward payment	
Maximum contractual life, years	3.3	3.3	3.5	3.5	
Remaining contractual life, years	1.4	1.4	2.4	3.4	**2.3**
Number or persons at the end of reporting period	13	13	13	22	
Payment method	Shares and cash	Shares and cash	Shares and cash	Shares and cash	

Changes in 2016	Matching share plan 2015–2017	Share-based incentive plan 2015–2017	Share-based incentive plan 2016–2018	Share-based incentive plan 2017–2019	Total
Outstanding at the beginning of the period	105,478	428,500	245,000	–	**778,978**
Granted	–	–	–	466,000	**466,000**
Forfeited	–	–	–	–	**0**
Exercised	–	–	–	–	**0**
Outstanding at the end of the period	**105,478**	**428,500**	**245,000**	**466,000**	**1,244,978**

30. EARNINGS PER SHARE

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

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

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

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

Profit for the period

EUR thousands	2016	2015
Profit for the period	**15,233**	**17,020**
Interest on hybrid bond net of tax	-486	-986
Total	**14,747**	**16,034**

Number of shares

Average share-issue adjusted number of shares	50,343,806	50,183,437
Average diluted share-issue adjusted number of shares excluding treasury shares	58,024,756	58,208,870

Earnings per share

EUR		
Basic	0.29	0.32
Diluted	0.26	0.29

Number of shares and key ratios for the comparison period have been adjusted with the effect of the reverse share split.

31. ADJUSTMENTS TO STATEMENT OF CASH FLOWS

EUR thousand

Adjustments to cash flow from operations	2016	2015
Adjustments to profit for the period		
Income taxes	7,199	9,456
Financial income and expenses	3,190	5,302
Depreciation, amortization and impairment losses	18,520	17,684
Gains and losses from disposal of property, plant and equipment and intangible assets	8	–
Other non-cash flow items in profit for the period	865	428
Total	**29,783**	**32,870**

32. RELATED PARTIES

Parties are considered to be related parties if a party is able to exercise control over the other or substantially influence its decision-making concerning its finances and business operations.

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.

During 2015 in total 150,239 shares in Suominen were transferred to related parties in accordance with the terms of the vested share-based incentive plan. In total 65,172 shares were transferred to the President & CEO and 85,067 shares to other members of the Corporate Executive Team (the number of the transferred shares have been adjusted with the effect of the reverse share split). In accordance with the terms of plan, part of the reward was a cash payment to cover related income taxes. The fair value of the shares and the cash part of the reward was EUR 1,637 thousand at the date when the shares were transferred.

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

Management remuneration

Remuneration of Board of Directors

	2016		2015	
EUR	annual fee	meeting fee	annual fee	meeting fee
Jorma Eloranta, Chair of the Board of Directors	50,319	4,500	50,320	5,500
Risto Anttonen, Deputy Chair of the Board	37,740	4,500	37,740	5,500
Hannu Kasurinen	28,178	4,500	28,179	5,500
Jaana Tuominen	28,178	4,500	28,179	5,500
Andreas Ahlström (member of the Board of Directors from 19 March 2015)	28,178	4,500	28,179	–
Laura Raitio (member of the Board of Directors from 19 March 2015)	28,178	4,000	28,179	–
Suvi Hintsanen (member of the Board of Directors until 19 March 2015)	–	–	–	5,500
Total	**200,771**	**26,500**	**200,776**	**27,500**

The Annual General Meeting held on 16 March 2016 resolved that 40 percent 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 2016 was 20,799 shares. The shares were transferred on 2 June 2016 and the value of the transferred shares totaled EUR 79,793, or approximately EUR 3.83638 per share.

The members of the Board of Directors have no pension arrangements with Suominen.

The members of the Board of Directors have no specific agreements related to termination of the membership in the Board due to a public tender offer.

Remuneration of the President & CEO
as paid

EUR	2016	2015
Salaries	312,280	328,820
Bonuses	94,473	109,693
Share-based incentive plan	-	741,959
Total salaries	406,753	1,180,471
Fringe benefits	18,840	17,203
Total	**425,593**	**1,197,674**
Statutory pensions	30,643	53,275
Supplementary pensions	45,892	57,772

A written contract has been made with the President & CEO, under which she has a six-month period of notice. Should the company terminate the contract, additional compensation corresponding to the 12 months' salary will also be paid. The President & CEO has a supplementary pension plan, with a cost of 11.5 percent of her annual salary as defined in the Finnish Pension Law. The supplementary pension arrangement grants pension benefits at the age of 63. The President & CEO has no specific agreement related to termination of contract due to a public tender offer.

Remuneration of other members of the Corporate Executive Team
as paid

EUR	2016	2015
Salaries	1,190,889	1,099,843
Bonuses	188,119	310,205
Share-based incentive plan	-	891,355
Total salaries	1,379,008	2,301,403
Fringe benefits	43,618	35,884
Total	**1,422,626**	**2,337,287**
Statutory pensions	118,205	75,840
Supplementary pensions	73,102	60,150

The members of the Corporate Executive Team have normally no other pension arrangements than statutory pensions. Supplementary pension arrangements are arrangements in countries without statutory pensions. The retirement age of other members of the Corporate Executive Team is according to the normal local legislation.

Managements' share ownership
number of shares

Board of Directors	31 December 2016	31 December 2015
Jorma Eloranta, Chair of the Board of Directors	40,030	34,847
Risto Anttonen, Deputy Chair of the Board	28,830	24,920
Hannu Kasurinen	19,210	16,291
Jaana Tuominen	9,306	6,387
Andreas Ahlström	5,360	2,441
Laura Raitio	5,360	2,441
Total	**108,096**	**87,327**
Total % of shares and votes	0.21%	0.17%
Corporate Executive Team		
Nina Kopola, President & CEO	85,172	85,172
Tapio Engström	33,266	31,266
Larry L. Kinn	6,348	12,348
Lynda A. Kelly	10,000	10,000
Ernesto Levy	12,000	12,000
Mimoun Saïm	21,525	21,525
Hannu Sivula	29,345	29,345
Total	**197,656**	**201,656**
Total % of shares and votes	0.39%	0.40%

Number of shares for the comparison period have been adjusted with the effect of the reverse share split.

Share-based incentives plans are disclosed in Note 29 of the consolidated financial statements. The accrual based on the new share-based incentive plan for the related parties was EUR 212 thousand at the end of the reporting period.

33. CONTINGENT LIABILITIES

EUR thousand

Guarantees and other commitments	2016	2015
On own committments	16,810	18,487
Other own commitments	4,069	4,620
On behalf of others	963	4,134
Total	**21,841**	**27,241**

Other contingencies		
Contractual commitments to acquire property, plant and equipment	5,517	16,083
Total	**5,517**	**16,083**

Guarantees on own commitments are guarantees given to suppliers. Guarantees on behalf of others are guarantees given on behalf of the Flexibles business unit disposed in 2014.

Some subsidiaries of Suominen have guaranteed the external loans of Suominen Corporation. The maximum guaranteed amount is the unpaid principal of the loans and unpaid accrued interest expenses at the end of the reporting period.

Rental and leasing expenses

Suominen Group has entered into various operating leases, the payments under which are treated as rentals and charged to profit or loss over the lease term.

Total rental and leasing expenses	-3,988	-3,611

Minimum lease payments under non-cancellable operating leases in future periods		
Within one year	3,808	3,381
Between 1–5 years	3,853	4,971
After 5 years	5,427	4,489
Total	**13,088**	**12,841**

Minimum non-cancellable lease payments (rental income) in future periods		
Within one year	204	196
Between 1–5 years	59	57
After 5 years	–	–
Total	**262**	**253**

Rental income is recognized as other operating income (Note 23).

Key ratios

	2016	2015	2014
Net sales, EUR million	416.9	444.0	401.8
Comparable operating profit, EUR million	25.6	31.2	26.9
% of net sales	6.1	7.0	6.7
Operating profit, EUR million,	25.6	31.8	25.9
% of net sales	6.1	7.2	6.4
Profit before income taxes, EUR million	22.4	26.5	17.8
% of net sales	5.4	6.0	4.4
Profit for the period, continuing operations, EUR million	15.2	17.0	10.2
% of net sales	3.7	3.8	2.5
Loss for the period from discontinued operations, EUR million	–	–	-5.2
% of net sales	–	–	-1.3
Profit for the period, EUR million	15.2	17.0	5.0
% of net sales	3.7	3.8	1.2
Cash flow from operations, EUR million	28.5	27.3	37.1
Total assets, EUR million	315.6	291.7	264.6
Return on equity (ROE), %	11.6	14.4	5.1
Return on invested capital (ROI), %	11.6	15.9	12.0
Return on invested capital (ROI), continuing operations, %	11.6	15.9	15.7
Equity ratio, %	45.3	43.2	41.2
Interest-bearing net debt, EUR million	56.6	32.5	37.8
Capital employed, EUR million	237.3	222.6	193.8
Gearing, %	39.6	25.9	34.7
Gross capital expenditure, continuing operations, EUR million	53.3	23.7	7.1
% of net sales	12.8	5.3	1.8
Depreciation, amortization, impairment losses and reversals of impairment losses, continuing operations, EUR million	-18.5	-17.7	-15.6
Expenditure on research and development, continuing operations, EUR million	4.3	3.5	2.9
as % of net sales	1.0	0.8	0.7
Average number of personnel, continuing operations	646	614	591

Key ratios per share

	2016	2015	2014
Earnings per share, EUR, continuing operations	0.29	0.32	0.19
Earnings per share, EUR, discontinued operations	–	–	-0.10
Earnings per share, EUR, total, basic	0.29	0.32	0.09
Earnings per share, EUR, total, diluted	0.26	0.29	0.09
Cash flow from operations per share, EUR	0.56	0.54	0.75
Equity per share, EUR	2.81	2.50	2.19
Price per earnings per share (P/E) ratio	14.13	19.41	45.45
Dividend or distributed funds per share, EUR (*	0.11	0.10	0.05
Dividend payout ratio / payout ratio for distribution of funds, %	37.6	31.3	58.6
Dividend yield, %	2.66	1.61	1.23
Number of shares, end of period, excluding treasury shares	50,772,555	50,302,346	49,226,126
Average number of shares excluding treasury shares	50,343,806	50,119,433	49,215,791
Average share-issue adjusted number of shares excluding treasury shares	50,343,806	50,183,437	49,588,585
Share price, end of period, EUR	4.14	6.20	4.05
Share price, period low, EUR	3.49	3.75	2.35
Share price, period high, EUR	6.20	6.65	4.10
Volume-weighted average price during the period, EUR	4.24	5.05	2.90
Market capitalization, EUR million	210.2	311.9	199.4
Number of traded shares during the period	13,611,634	19,502,550	19,547,060
Number of traded shares during the period, % of average number of shares (share turnover)	27.0	38.9	39.7

Key ratios per share are share-issue adjusted.

Key ratios for the comparison periods have been adjusted with the effect of the reverse share split.

(* 2016 the proposal of the Board of Directors to Annual General Meeting of distribution of dividends. In 2014 distribution of funds.

Calculation of key ratios

Earnings per share

Basic earnings per share (EPS), continuing operations	=	Profit from continuing operations adjusted with interest on hybrid bond, net of tax / Share-issue adjusted average number of shares excluding treasury shares
Basic earnings per share (EPS), discontinued operations	=	Result of discontinued operations / Share-issue adjusted average number of shares excluding treasury shares
Diluted earnings per share (EPS)	=	Profit for the period / Average diluted share-issue adjusted average number of shares excluding treasury shares

Calculation of earnings per share is disclosed in Note 30.

Operating profit

Operating profit (EBIT)	=	Profit of continuing operations after depreciation, amortization and impairment
Comparable operating profit (EBIT)	=	Profit of continuing operations after depreciation, amortization and impairment adjusted with items affecting comparability

In accordance with the recommendation by European Securities and Markets Authority, Suominen no longer presents operating profit excluding non-recurring items as an alternative performance measure. 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.

EUR thousand	2016	2015
Operating profit	25,622	31,778
Reversal of impairment losses	–	-530
Comparable operating profit	25,622	31,248

Reversal of impairment loss, EUR +0.5 million, is the reversal of a previously made impairment loss related to the re-opened production line in Nakkila plant in Finland. The reversal of the impairment loss is recognized in costs of goods sold.

Key ratios per share

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

	2016	2015
Cash flow from operations, EUR thousand	28,496	27,274
Share-issue adjusted number of shares excluding treasury shares, end of reporting period	50,772,555	50,302,346
Cash flow from operations per share, EUR	0.56	0.54

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

	2016	2015
Total equity, EUR thousand	142,824	125,716
Share-issue adjusted number of shares excluding treasury shares, end of reporting period	50,772,555	50,302,346
Equity per share, EUR	2.81	2.50

$$\text{Dividend / distribution of funds per share} = \frac{\text{Dividend paid / funds distributed for the reporting period}}{\text{Number of issued shares at end of the period excluding treasury shares}}$$

	2016	2015
Dividend paid / funds distributed for the reporting period, EUR thousand	5,585	5,030
Number of issued shares at end of the period excluding treasury shares	50,772,555	50,302,346
Dividend / distribution of funds per share, EUR	0.11	0.10

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

	2016	2015
Dividend / distribution of funds per share x 100	11.00	10.00
Basic earnings per share, EUR	0.29	0.32
Dividend payout ratio / payout ratio for distribution of funds, %	37.6	31.3

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

	2016	2015
Dividend / distribution of funds per share x 100	11.00	10.00
Share price at end of the period, EUR	4.14	6.20
Dividend yield, %	2.66	1.61

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

	2016	2015
Share price at end of the period, EUR	4.14	6.20
Basic earnings per share, EUR	0.29	0.32
Price per earnings per share (P/E)	14.13	19.41

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

	2016	2015
Number of shares at the end of reporting period excluding treasury shares	50,772,555	50,302,346
Share price at end of the period, EUR	4.14	6.20
Market capitalization, EUR miilion	210.2	311.9

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

	2016	2015
Number of shares traded during the period	13,611,634	19,502,550
Average number of shares excluding treasury shares	50,343,806	50,119,433
Share turnover, %	27.0	38.9

Other key ratios

EBITDA	=	Profit of continuing operations before depreciation, amortization and impairment (EBIT + depreciation, amortization and impairment losses)

EUR thousand	2016	2015
Operating profit	25,622	31,778
+ Depreciation, amortization and impairment losses	18,520	17,684
EBITDA	44,142	49,462

Cash and cash equivalents	=	Cash + other financial assets
Interest-bearing net debt	=	Interest-bearing liabilities - interest-bearing receivables - cash and cash equivalents

EUR thousand	2016	2015
Interest-bearing liabilities	94,497	96,862
Interest bearing receivables	-8,386	-8,793
Cash and cash equivalents	-29,522	-55,570
Interest-bearing net debt	56,589	32,499

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

EUR thousand	2016	2015
Profit for the reporting period (rolling 12 months)	15,233	17,020
Total equity 31 December 2015 / 2014	125,716	108,737
Total equity 31 March 2016 / 2015	120,806	115,051
Total equity 30 June 2016 / 2015	130,712	119,328
Total equity 30 September 2016 / 2015	135,186	120,360
Total equity 31 December 2016 / 2015	142,824	125,716
Average	131,049	117,838
Return on equity (ROE), %	11.6	14.4

Invested capital = Total equity + interest-bearing liabilities

EUR thousand	2016	2015
Total equity	142,824	125,716
Interest-bearing liabilities	94,497	96,862
Invested capital	237,321	222,578

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

EUR thousand	2016	2015
Operating profit (rolling 12 months)	25,622	31,778
Financial income (rolling 12 months)	727	734
Total	26,349	32,512
Invested capital 31 December 2015 / 2014	222,578	193,750
Invested capital 31 March 2016 / 2015	217,181	200,051
Invested capital 30 June 2016 / 2015	227,594	204,328
Invested capital 30 September 2016 / 2015	228,648	202,027
Invested capital 31 December 2016 / 2015	237,321	222,578
Average	226,664	204,547
Return on invested capital (ROI), %	11.6	15.9

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

EUR thousand	2016	2015
Total equity	142,824	125,716
Total assets	315,628	291,750
Advances received	-3	-596
	315,625	291,154
Equity ratio, %	45.3	43.2

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

EUR thousand	2016	2015
Interest-bearing net debt	56,589	32,499
Total equity	142,824	125,716
Gearing, %	39.6	25.9

Parent company financial statements (FAS)

Income statement

EUR	Note	1 January - 31 December 2016	1 January - 31 December 2015
Net sales		**19,729,199.83**	**22,594,195.19**
Cost of goods sold		-909,309.26	-660,065.77
Gross profit		**18,819,890.57**	**21,934,129.42**
Other operating income	2	216,060.82	918,390.99
Sales and marketing expenses		-1,359,124.38	-1,958,150.56
Research and development		-2,570,894.24	-2,508,650.87
Administration expenses		-8,759,412.87	-8,609,574.72
Other operating expenses	2	-7,977,953.34	-8,944,058.58
Operating profit/loss		**-1,631,433.44**	**832,085.68**
Financial income	6	13,749,791.41	15,221,113.35
Financial expenses	6	-5,182,830.65	-5,953,120.18
Total financial income and expenses		**8,566,960.76**	**9,267,993.17**
Profit before changes in untaxed reserves and income taxes		**6,935,527.32**	**10,100,078.85**
Change in depreciation difference	7	-36,670.79	29,316.01
Group contributions	7	1,150,000.00	–
Income taxes	8	-326,046.03	-139,870.83
Profit for the period		**7,722,810.50**	**9,989,524.03**

The figures for the comparison period have been restated to apply the amended Accounting Act.

Balance sheet

EUR	Note	31 December 2016	31 December 2015
ASSETS			
Non-current assets			
Intangible assets	5,9	8,602,156.93	7,854,292.52
Tangible assets	5,10	157,299.00	134,960.50
Investments			
Shares in subsidiaries	11	107,869,783.56	107,945,554.70
Other investments	11	28,500.46	28,500.46
Loan receivables			
Loan receivables from group companies		54,479,146.19	84,439,377.26
Loan receivables from others		6,835,828.18	7,793,257.55
Total non-current assets		**177,972,714.32**	**208,195,942.99**
Current assets			
Loan receivables		1,550,000.00	1,000,000.00
Trade receivables	12	6,830.61	21,626.41
Other current receivables	12	82,208,873.29	16,803,528.45
Cash and cash equivalents		24,246,408.43	51,111,880.68
Total current assets		**108,012,112.33**	**68,937,035.54**
TOTAL ASSETS		**285,984,826.65**	**277,132,978.53**

EUR	Note	31 December 2016	31 December 2015
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	14	11,860,056.00	11,860,056.00
Share premium account		24,680,587.83	24,680,587.83
Reserve for invested unrestricted equity		70,855,390.30	69,652,071.98
Fair value reserve		42,885.00	–
Other equity		4,918,032.20	-41,257.23
Profit for the period		7,722,810.50	9,989,524.03
Total shareholders' equity	**13**	**120,079,761.83**	**116,140,982.61**
Untaxed reserves			
Depreciation difference		1,378,482.79	1,341,812.00
Liabilities			
Non-current liabilities			
Interest-bearing liabilities			
Debentures	15	75,000,000.00	75,000,000.00
Hybrid bond	15	16,337,133.39	16,840,200.00
Loans from financial institutions	15	11,293,988.95	18,498,362.13
Other non-current liabilities	16	187,386.61	1,173,936.00
Total non-current liabilities		**102,818,508.95**	**111,512,498.13**
Current liabilities			
Interest-bearing liabilities			
Loans from financial institutions	15	7,811,567.31	3,363,338.71
Current loans from group companies	15	51,666,116.54	41,474,476.66
Trade payables and other non-current liabilities	16	2,230,389.23	3,299,870.42
Total current liabilities		**61,708,073.08**	**48,137,685.79**
Total liabilities		**164,526,582.03**	**159,650,183.92**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**285,984,826.65**	**277,132,978.53**

Cash flow statement

EUR thousand	Note	1 January - 31 December 2016	1 January - 31 December 2015
Cash flow from operations			
Profit for the period		**7,723**	**9,990**
Adjustments to profit for the period	19	-6,885	-6,340
Cash flow from operations before change in net working capital		838	3,650
Increase (-) or decrease (+) in trade and other receivables		739	262
Increase (+) or decrease (-) in interest-free current liabilities		-572	-1,004
Cash flow from operations before payments of financial items and income taxes		1,005	2,907
Paid and received interests and other financial items		3,313	142
Paid income taxes		-600	-267
Cash flow from operations		**3,718**	**2,782**
Cash flow from investments			
Capital expenditure	9,10	-3,546	-2,306
Proceeds from disposal of tangible and intangible assets		–	10
Purchase price adjustments		76	–
Dividend income from subsidiaries		4,046	4,626
Cash flow from investments		**575**	**2,329**

EUR thousand	Note	1 January - 31 December 2016	1 January - 31 December 2015
Cash flow from financing			
Share issue	13	–	340
Repayments of non-current interest-bearing liabilities	15	–	-3,333
Draw-down of non-current interest-bearing liabilities	15	–	15,000
Change in current interest-bearing liabilities	15	5,685	6,494
Change in non-current loan receivables		4,122	600
Change in current loan receivables		-37,153	-3,959
Dividend distribution / distribution of funds	13	-5,030	-2,504
Cash flow from financing		**-32,377**	**12,638**
Change in cash and cash equivalents		**-28,083**	**17,749**
Cash and cash equivalents 1 January		51,112	33,930
Exchange difference		1,218	-567
Change in cash and cash equivalents		-28,083	17,749
Cash and cash equivalents 31 December		**24,246**	**51,112**

Parent company financial statements (FAS)

1. ACCOUNTING POLICIES

Suominen Corporation is a public limited liability company organized under the laws of the Republic of Finland and domiciled in Helsinki, Finland (Itämerentori 2, 00180 Helsinki, Finland). Suominen's shares are publicly traded on Nasdaq Helsinki Ltd. (Mid Cap) in Helsinki, Finland. Suominen Corporation is the parent company of the Group.

The financial statements of Suominen Corporation are prepared in accordance with Finnish Accounting Standards (FAS). The consolidated financial statements of Suominen Group are prepared in accordance with International Financial Reporting Standards (IFRS), and Suominen Corporation applies in its separate financial statements the same accounting principles as Suominen Group to the extent it is possible within the framework of Finnish accounting practice. The accounting principles of Suominen Group are presented in the Notes to the consolidated financial statements (Note 1).

The main differences in the accounting principles between Suominen Corporation's separate financial statements and Suominen Group's consolidated financial statements are presented below.

Net sales

Net sales consist of sales of services to group companies and of royalty income.

Financial assets and liabilities and derivative instruments

Financial assets and liabilities with the exception of derivative instruments are recognized at cost or at cost less impairment losses. Derivatives are recognized at fair value. Due to the amended Accounting Act, also electricity derivatives are currently recognized at fair value (comparative information has not been restated). Currency derivatives, if not hedging financial items, are recognized in other operating income and expenses. If hedge accounting as defined in IAS 39 is applied, the effective portion of changes in the fair value of derivatives is recognized in fair value reserve in equity. Both fair value measurement of derivatives as well as hedge accounting are presented in Note 19 of the consolidated financial statements.

Finance leasing

Lease payments are recognized as lease expenses. Leasing obligations are presented as contingent liabilities.

Untaxed reserves

Untaxed reserves consist of a depreciation difference. This difference between scheduled depreciation and amortization and the depreciation and amortization deducted in arriving to taxable profit is presented as a separate item in the income statement and in the balance sheet.

Hybrid bond

Hybrid bond is presented as a liability in the separate financial statements of the parent company.

2. OTHER OPERATING INCOME AND EXPENSES

EUR thousand

	1 January - 31 December 2016	1 January - 31 December 2015
Other operating income		
Rental income	–	42
Gains from currency derivatives	122	523
Other operating income	94	353
Total	**216**	**918**
Other operating expenses		
Services purchased from group companies	-7,781	-7,295
Losses from currency derivatives	-196	-1,047
Other operating expenses	-1	-78
Total	**-7,978**	**-8,420**

3. PERSONNEL EXPENSES

EUR thousand

Salaries	-2,299	-3,921
Pension expenses	-479	-538
Other personnel costs	-89	-265
Total	**-2,866**	**-4,723**
Average number of personnel	27	27
Number of personnel, end of period	29	27

Management remuneration

Management remuneration is presented in Note 32 of the consolidated financial statements.

4. AUDIT FEES

EUR thousand

	1 January - 31 December 2016	1 January - 31 December 2015
Statutory audit (EY)	-145	-35
Statutory audit, previous auditors (PwC)	–	-75
Official statements	–	-3
Tax consulting	-7	-1
Other services	-17	-17
Total	**-169**	**- 131**

Ernst & Young Oy (EY) has been acting as the principal auditor of the Group and the parent company since the Annual General Meeting of 2015.

5. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

EUR thousand

Depreciation, amortization and impairment by function		
Cost of goods sold	-205	-137
Sales and marketing expenses	-116	-74
Research and development	-1,650	-1,630
Administration expenses	-473	-471
Total	**-2,444**	**-2,311**
Depreciation, amortization and impairment by asset category		
Machinery and equipment	-59	-37
Intangible rights	-2,385	-2,274
Total	**-2,444**	**-2,311**

6. FINANCIAL INCOME AND EXPENSES

EUR thousand

	1 January - 31 December 2016	1 January - 31 December 2015
Interest income from group companies	7,539	7,616
Interest income from others	595	592
Dividend income from group companies	4,046	4,626
Other financial income from group companies	175	237
Other financial income from others	44	11
Net currency exchange differences	1,351	2,140
Interest expenses to group companies	-258	-206
Interest expenses to others	-4,361	-4,684
Impairment losses on investments	–	-364
Other financial expenses to others	-564	-698
Total	**8,567**	**9,268**

7. APPROPRIATIONS

EUR thousand

Increase (-) or decrease (+) in cumulative accelerated depreciation	-37	29
Received group contributions	1,150	–
Total	**1,113**	**29**

8. INCOME TAXES

EUR thousand

Withholding taxes and other direct taxes	-341	-122
Income taxes from previous years	15	- 18
Total	**-326**	**- 140**

9. INTANGIBLE ASSETS

EUR thousand

	Intangible rights	Advance payments and construction in progress	**Total 2016**	Total 2015
Acquisition cost 1 January	13,048	1,924	**14,973**	12,403
Additions	158	3,016	**3,173**	2,778
Decreases and disposals	–	–	**–**	-209
Reclassifications	1,834	-1,874	**-40**	–
Acquisition cost 31 December	**15,040**	**3,066**	**18,106**	**14,972**
Accumulated amortization 1 January	-7,118	–	**-7,118**	-5,043
Amortization for the period	-2,385	–	**-2,385**	-2,218
Decreases and disposals	–	–	**–**	143
Accumulated amortization 31 December	**-9,504**	**–**	**-9,504**	**-7,118**
Carrying amount 31 December	**5,536**	**3,066**	**8,602**	**7,854**

10. TANGIBLE ASSETS

EUR thousand

	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	**Total 2016**	Total 2015
Acquisition cost 1 January	460	18	–	**478**	469
Additions	6	–	35	**41**	9
Reclassifications	75	–	-35	**40**	–
Acquisition cost 31 December	**542**	**18**	**–**	**560**	**478**
Accumulated depreciation 1 January	-343	–	–	**-343**	-307
Depreciation for the period	-59	–	–	**-59**	-37
Accumulated depreciation 31 December	**-402**	**–**	**–**	**-402**	**-343**
Carrying amount 31 December	**140**	**18**	**–**	**157**	**135**

11. INVESTMENTS

EUR thousand

	Shares in group companies	Other investments	**Total 2016**	Total 2015
Carrying amount 1 January	107,946	29	**107,974**	104,782
Additions	–	–	**–**	5,029
Decreases and disposals	-76	–	**-76**	-1,837
Carrying amount 31 December	**107,870**	**29**	**107,898**	**107,975**

Group companies are presented in Note 8 of the consolidated financial statements.

The Finnish company Flexmer Oy merged into Suominen Corporation on 31 December 2015.

In 2016, in accordance with the purchase agreement, the purchase price of the Brazilian subsidiary, Suominen Brasil Indústria e Comercio de Não-Tecidos Ltda. (acquired in 2014) was adjusted.

	Share of shares and votes, %	Number of shares	Nominal value of shares, EUR thousand	Carrying amount of shares, EUR thousand	Equity of the company, EUR thousand	Profit/loss in the latest financial statements, EUR thousand
Kiinteistö Oy Killinpolku, Virrat, Finland	25.0	1	8	8	-	-
Bright Maze Oy, Helsinki, Finland	19.9	19,900	20	20	-1,769	-436

12. OTHER CURRENT RECEIVABLES

EUR thousand

	31 December 2016	31 December 2015
Trade receivables	**7**	**22**
Other receivables	**212**	**647**
Prepaid expenses and accrued income		
Indirect taxes	127	128
Income taxes	402	127
Receivables from sale of subsidiary shares	501	813
Prepaid transaction costs of loans	869	1,297
Other	91	126
Total prepaid expenses and accrued income	**1,990**	**2,492**
Receivables from group companies		
Trade receivables	–	3
Interest-bearing receivables	77,248	10,741
Interest-free receivables	2,759	2,920
Total	**80,007**	**13,665**
Total other current receivables	**82,209**	**16,804**

13. SHAREHOLDERS' EQUITY

EUR thousand

	31 December 2016	31 December 2015
Share capital 1 January and 31 December	11,860	11,860
Share premium account 1 January and 31 December	24,681	24,681
Treasury shares 1 January and 31 December	-44	-44
Reserve for invested unrestricted equity 1 January	69,652	97,192
Conveyance of treasury shares	80	80
Share issue	–	340
Distribution of funds	–	-2,504
Conversion of hybrid bond	1,124	1,992
Transfer to retained earnings	–	-27,448
Reserve for invested unrestricted equity 31 December	70,855	69,652
Fair value reserve 1 January	–	–
Fair value changes	43	–
Fair value reserve 31 December	43	–
Retained earnings 1 January	9,992	-27,448
Dividend distribution	-5,030	–
Reversal of unpaid dividends	–	2
Transfer from reserve for invested unrestricted equity	–	27,448
Retained earnings 31 December	4,962	2
Profit/loss for the period	7,723	9,990
Shareholders' equity 31 December	**120,080**	**116,141**

Distributable funds EUR	**31 December 2016**
Retained earnings 31 December	4,961,651
Reserve for invested unrestricted equity 31 December	70,855,390
Treasury shares 31 December	-43,619
Profit for the period	7,722,811
Distributable funds	**83,496,233**

Funds available for dividend distribution EUR	
Retained earnings 31 December	4,961,651
Treasury shares 31 December	-43,619
Profit for the period	7,722,811
Funds available for dividend distribution	**12,640,843**

14. SHARE CAPITAL

Share capital and shares are presented in Note 15 of the consolidated financial statements.

15. INTEREST-BEARING LIABILITIES

EUR thousand

	31 December 2016	31 December 2015
Non-current interest-bearing liabilities		
Debentures	75,000	75,000
Loans from financial institutions	11,294	18,498
Hybrid bond	16,337	16,840
Total non-current interest-bearing liabilities	**102,631**	**110,339**
Current interest-bearing liabilities		
Non-current interest-bearing liabilities falling due in the following year		
Loans from financial institutions	7,812	3,363
Loans from group companies	51,666	41,474
Total current interest-bearing liabilities	**59,478**	**44,838**
Total interest-bearing liabilities	**162,109**	**155,176**

Hybrid bond is presented in Note 16 of the consolidated financial statements. Hybrid bond has no due date.

Repayments of external non-current interest-bearing liabilities

	2017	2018	2019	2020
Loans from financial institutions	7,812	11,294	–	–
Debentures	–	–	75,000	–
Total	**7,812**	**11,294**	**75,000**	**–**

16. INTEREST-FREE LIABILITIES

EUR thousand

	31 December 2016	31 December 2015
Non-current interest-free liabilities		
Accrued interest on hybrid bond	187	824
Other non-current liabilities	–	350
Total non-current interest-free liabilities	**187**	**1,174**
Current interest-free liabilities		
Trade payables	549	681
Other current liabilities	357	515
Accrued expenses		
Accrued interest expenses	912	914
Accrued personnel expenses	411	1,115
Unrealized loss from currency derivatives	–	25
Other accrued expenses	1	5
Total accrued expenses	**1,324**	**2,059**
Liabilities to group companies		
Trade payables	–	16
Other liabilities to group companies	–	28
Total	**–**	**44**
Total current interest-free liabilities	**2,230**	**3,300**
Total interest-free liabilities	**2,417**	**4,474**

17. CONTINGENT LIABILITIES

EUR thousand

	31 December 2016	31 December 2015
Guarantees		
On behalf of group companies	18,385	21,188
On behalf of others	963	4,135
On own behalf	61	11
Total	**19,409**	**25,333**

Guarantees on behalf of group companies are guarantees given to suppliers. Guarantees on behalf of others are guarantees given on behalf of the Flexibles business which was disposed in 2014.

Rental and leasing obligations		
Falling due within next 12 months	216	189
Falling due later	516	701
Total	**732**	**891**

18. DERIVATIVE INSTRUMENTS

EUR thousand

Nominal and fair values of derivative instruments	31 December 2016	
	Nominal value	Fair value
Currency forward contracts		
External	2,396	30
Electricity derivatives		
Electricity forward contracts	594	43

Nominal and fair values of derivative instruments	31 December 2015	
	Nominal value	Fair value
Currency forward contracts		
External	2,272	-25
Electricity derivatives		
Electricity forward contracts	1,229	-242

19. ADJUSTMENTS TO CASH FLOW STATEMENT

EUR thousand

	1 January - 31 December 2016	1 January - 31 December 2015
Adjustment to profit for the period		
Change in depreciation difference	37	-29
Group contributions	-1,150	–
Merger loss	–	524
Financial income and expenses	-8,567	-9,268
Income taxes	326	140
Depreciation and amortization	2,444	2,311
Other non-cash items in profit for the period	25	-17
Total adjustments to profit for the period	**-6,885**	**-6,340**

Proposal by the Board of Directors for distribution of dividend

The profit of the financial year 2016 of Suominen Corporation, the parent company of Suominen Group, was EUR 7,722,811. The funds distributable as dividends, including the profit for the period, were EUR 12,640,843 and total distributable funds were EUR 83,496,233.

The Board of Directors proposes that a dividend of EUR 0.11 per share shall be distributed for the financial year 2016 and that the rest of the profit shall be transferred to retained earnings. On 31 January 2017 the company had 50,772,555 issued shares, excluding treasury shares. With this number of shares, the total amount of dividends to be distributed would be EUR 5,584,981.05.

There have been no significant changes in the company's financial position after the end of the review period.

Helsinki 31 January 2017

Jorma Eloranta
Chair of the Board

Risto Anttonen

Andreas Ahlström

Hannu Kasurinen

Laura Raitio

Jaana Tuominen

Nina Kopola
President & CEO

Auditor's report

To the Annual General Meeting of Suominen Corporation

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Suominen Corporation (business identity code 1680141-9) for the year ended 31 December, 2016. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

• the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU

• the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations gtoverning the preparation of financial statements in Finland and comply with statutory requirements.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

1) Revenue recognition

Refer to the Summary of significant accounting policies and Note 22

Revenue is recognised when the risks and rewards of the underlying products have been transferred to the customer. The management of the Group focuses on sales as a key performance measure which could create an incentive for sales to be recognized before the risks and rewards have been transferred. Revenue recognition is a key audit matter due to the identified risk of material misstatement.

Our audit procedures to address the risk of material misstatement relating to revenue recognition, included:

• Assessing the Group's accounting policies over revenue recognition and comparing them with applicable accounting standards;

• Understanding the nature of revenues, degree of automation and unusual contractual terms;

• Testing revenue recognition including testing the associated internal controls where applicable. Our testing included obtaining third party confirmations, agreeing recognized amounts to customer contracts and, verifying the customer acceptance of delivery, where relevant.

• Performing substantive analytical review procedures on revenues; and

• Assessing the Group's disclosures in respect of revenues

2) Valuation of property, plant and equipment

Refer to the Summary of significant accounting policies, the Critical accounting estimates and judgments and Note 7

The Group has multiple production facilities located in several countries requiring significant investments. Property, plant and equipment were significant to our audit as a consequence of significant product line investment during the year. Carrying value of tangible fixed assets in the financial statements is EUR 135,5 million (43 % of total assets) of which investments during the financial period amount to EUR 50,2 million.

As part of the accounting for investments management judgement impacts the carrying value of property, plant and equipment and their respective depreciation profiles. These judgments include:

• the decision to capitalise or expense costs;

• the annual asset life review and review of depreciation methodology including the impact of changes in the Group's strategy; and

• the timeliness of the transfer from assets under construction to completed assets

Our audit procedures included among others evaluating the capitalisation policies, performing tests of details on costs capitalised and assessing the timeliness of the transfer of assets under construction to completed assets as well as assessing the appropriateness of asset lives applied in the calculation of depreciation.

3) Income taxes

Refer to the Critical accounting estimates and judgments and Note 28

The Group operates in a number of jurisdictions around the world, with differing tax regimes, resulting in different subjective interpretation of local tax laws especially relating to complex tax matters. The Group has extensive international operations, which requires judgments and estimates in relation to tax matters and exposures resulting in the recognition of tax assets and liabilities. These judgements and estimates are open to assessment from multiple tax authorities. The future actual outcome of the decisions concerning these tax exposures may result in materially higher or lower realized taxes than what has been preliminary included in the accompanying financial statements.

We included in our audit team local and international tax specialists to analyse and assess the assumptions used to determine tax positions and corroborating the assumptions with supporting evidence. We tested the amounts recognised as current and deferred tax, including the assessment of other judgemental tax positions. This area of our audit procedures included, among others, assessment of the impact of the Group's correspondence with relevant tax authorities and the evaluation of tax exposures. In addition with respect to deferred tax assets we assessed management's assumptions to determine the probability that deferred tax assets recognised in the statement of financial position will be recovered through taxable income in future years and available tax planning strategies. We also assessed the Group's disclosures in the consolidated financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our report thereon. We obtained the report of the Board of Directors prior to the date of the auditor's report, and the Annual Report is expected to be made available to us after the date of the auditor's report.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement in the information included in the report of the Board of Directors, we are required to report this fact. We have nothing to report in this regard.

Helsinki January 31, 2017

Ernst & Young Oy
Authorized Public Accountant Firm

Kristina Sandin
Authorized Public Accountant

Information for shareholders

Financial information

In 2017, Suominen Corporation continues to distribute financial information on quarterly basis and will disclose the following financial releases:

Interim Report January–March on Wednesday 26 April approximately at 13.00

Half Year Report January–June on Wednesday 9 August approximately at 13.00

Interim Report January–September on Friday 27 October approximately at 8:00.

Suominen's Financial Statement Release of 2016 was published on 31 January 2017.

Financial reports and other Stock Exchange Releases are published in Finnish and English and are available on the company's website www.suominen.fi immediately after their publication. The English editions are translations of the Finnish originals, which will prevail in the event of any dispute.

The Annual Report 2016, including the Report by the Board of Directors, Financial statements, Corporate Governance Statement and Remuneration Statement, will be published on 22 February 2017 at the latest.

All times are Eastern European Time (EET/EEST).

The Annual General Meeting

Notice is given to the shareholders of Suominen Corporation to the Annual General Meeting to be held on Wednesday 15 March 2017 at 10.00 am at Finlandia Hall (Mannerheimintie 13 e, 00100 Helsinki). The reception of persons registered for the meeting will commence at 9.00 am. During the coffee service after the Annual General Meeting, shareholders will have the opportunity to meet the management of the company.

Notice of the Annual General Meeting has been announced as stock exchange release on 31 January 2017. All materials to the Annual General Meeting are available on the company's website www.suominen.fi > Investors > Corporate Governance > General Meetings of Shareholders > AGM 2017.

Each shareholder who is registered on 3 March 2017 in the shareholders' register of the company held by Euroclear Finland Ltd has the right to participate in the Annual General Meeting. A shareholder, who wishes to participate in the Annual General Meeting, shall register for the meeting no later than 10 March 2017 before 4.00 p.m. by giving a prior notice of participation, which shall be received by the company no later than on the abovementioned date and time. Such notice can be given:

a) by e-mail to agm@suominencorp.com

b) by telephone +358 (0)10 214 3551, Monday–Friday between 8.00 a.m. and 4.00 p.m.

c) by regular mail to Suominen Corporation, Itämerentori 2, FI-00180 Helsinki, Finland

d) by fax +358 (0)9 773 1109

In connection with the registration, a shareholder shall notify his/her name, personal identification number, address, telephone number and the name of a possible assistant or proxy representative and the personal identification number of the proxy representative.

Payment of the dividend

The Board of Directors proposes that a dividend of EUR 0.11 per share shall be paid regarding the financial year of 2016. The record date for the payment of the dividend is 17 March 2017 and the dividend shall be paid on 24 March 2017.

Investor relations

In all investor relations matters, please contact
Anu Heinonen, Vice President,
Corporate Communications & IR, tel. +358 10 214 3555.

Requests for management appointments shall be addressed to Eeva Oinonen, Executive Assistant,
PA to President & CEO, tel. +358 (0)10 214 3551.

E-mail addresses follow the format
firstname.lastname@suominencorp.com.

Closed and silent period

Suominen applies the principle of closed period before the publications of its financial reports. The time frame of the closed period is 30 calendar days. During the closed period, defined directors and core persons of Suominen may not trade or conduct other transactions relating to the share or another financial instrument of the company. In 2017, the closed periods are scheduled as follows:

2–31 January

28 March–26 April

11 July–9 August

28 September–27 October.

Additionally, Suominen applies the principle on silent period. It commences 30 days prior to the publishing of a financial report and ends on the date publishing thereof. No investor meetings are organized during the silent period nor are the Group's financial results or development commented.

Suominen Corporation

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Detailed contact information to Suominen locations worldwide is available at www.suominen.fi

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