Suominen

Annual Report | 2019

This is Suominen

Suominen manufactures nonwovens as roll goods for wipes and other applications. Our vision is to be the frontrunner for nonwovens innovation and sustainability. The end products made of Suominen's nonwovens, such as wet wipes, feminine care products and swabs, are present in people's daily life worldwide. Suominen's net sales in 2019 were EUR 411.4 million and we have nearly 700 professionals working in Europe and in the Americas. Suominen's shares are listed on Nasdaq Helsinki.

Net sales, EUR million

411.4

Operating profit, EUR million

8.1

Employees

685

Share of new products from net sales over

20%

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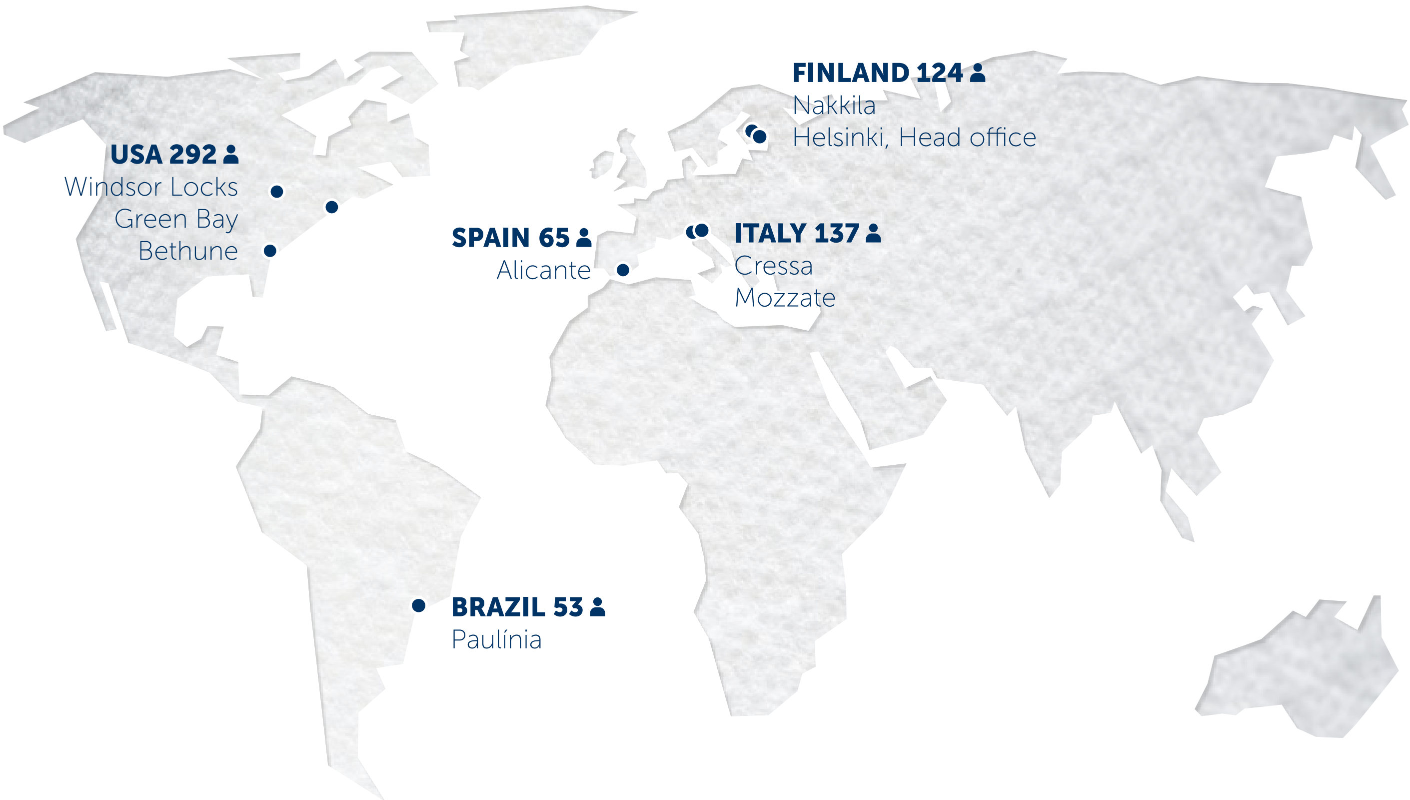
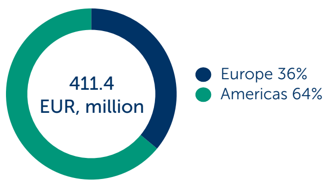


Since July 1, 2019, Suominen has had two business areas, the Americas and Europe. In 2019, net sales of the Americas business area amounted to EUR 261.7 million and net sales of the Europe business area to EUR 149.8 million.

Net sales by business area



President & CEO's review

In 2019 we worked to create a new strategy for the company and made good progress in many important areas. Going forward, we will focus on growth and improving our profitability through innovation and sustainability.

In 2019 we made good progress in many areas. We completed a Group-wide IT systems renewal, and our systematic improvement actions in operations led to improvement in operational performance. Good results were also achieved in our variable cost optimization programs.

Our operating profit improved in 2019 and amounted to EUR 8.1 million. The main driver was improvement in gross profit, which was due to lower raw material prices, higher sales prices and better raw material efficiency.

Our net sales were EUR 411.4 million. New products accounted for more than 20 percent of net sales. By new products, we refer to products that are less than three years old. This is a sign of our strong research and development work and our eagerness to meet our customers' changing needs.

The markets are shifting towards more sustainable products, due to both legislation and higher demand for plastic free alternatives among consumers. The market for sustainable nonwovens is growing globally, and we at Suominen are well placed to respond to this increasing demand.

New strategy aiming for growth and improved profitability

We worked a lot on updating Suominen's strategy last year and launched the new strategy in early 2020. Our vision is to be the frontrunner for nonwovens innovation and sustainability. The goal of our strategy is growth and improved profitability, and our main focus is on wipes. We will strengthen our capabilities in Europe and the Americas, and evaluate our opportunities in Asia, the world's largest market for nonwovens.

The five focus areas of our strategy are Operational excellence, Sustainability leadership, Differentiate with innovation and commercial excellence, Great place to work and Dual operating model. We are in the process of defining the concrete targets for these focus areas and the implementation of the related programs will begin this year.

We updated also the company's financial targets. We will grow by creating innovative and more sustainable nonwovens for our customers, and we will improve our profitability through more efficient operations and by building a high performance culture.

Halfway through 2019 we carried out an organizational change, thanks to which we can implement our new strategy effectively and flexibly. I am certain that our new strategy and organization ensure us a good position to build Suominen's success.

Sustainability is the key element in our new strategy

Sustainability is one of the cornerstones of our new strategy and as part of our business strategy work, we also renewed our sustainability agenda. Our sustainability agenda consists of four themes which are the most important to our business and stakeholders. These themes are People and safety, Sustainable nonwovens, Low-impact manufacturing, and Corporate citizenship.

Sustainability is of ever growing importance to our customers and stakeholders. We help our customers to

Operating profit, EUR million

8.1

Net sales, EUR million

411.4

Share of new products from net sales over

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Employees

685

achieve their own environmental targets by offering them products made from e.g. renewable, recycled, compostable and plastic-free raw materials.

The EU Plastic Strategy and the limitations it sets for single-use plastic products will challenge businesses to develop alternatives with lower environmental impacts. One of the key focus areas of our research and development work is sustainability. We are continuously developing new, more environmentally friendly products for our sustainable product portfolio.

Our goal is to offer carbon footprint calculations for all of our products in 2020. A longer-term goal is to add other responsibility indicators to the sustainability index of our products.

For us sustainability does not just mean more environmentally friendly products and minimizing the environmental impacts of our own operations, we also stress responsible business practices throughout the value chain.

Building a result-oriented team

As part of our strategy update process we also reviewed our values, which are: ownership, teamwork, performance and integrity. These values lay the foundation of our operations and guide our way of working and management practices.

Suominen has almost 700 employees on three continents. A skilled and committed personnel plays key role in maintaining our competitiveness, and we invest in improving our personnel's engagement and performance. Our goal is to build an engaged, result-oriented work community that operates in line with our values.

Occupational safety is one of our most important topics. In 2019 we had six lost time accidents (LTA) and we continue to develop our practices and guidelines further to prevent all accidents. In the long run, our goal is obviously zero accidents.

I see plenty of opportunities ahead of us. Our new strategy, innovative and responsible way of thinking, customer-oriented approach and committed personnel place us in a good position for 2020.

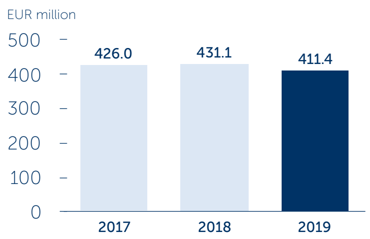
I would like to thank our committed personnel for their good work and our customers, shareholders and other stakeholders for good cooperation.

Petri Helsky
President & CEO

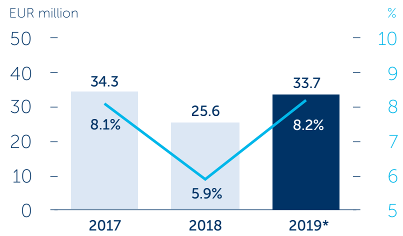
New financial targets

In line with its new strategy launched in January 2020, Suominen announced new financial targets that are valid from 2020 onwards. Suominen is targeting net sales growth above the relevant market growth and improved profitability with EBITDA margin above 12 percent in 2025. To reach these new targets, Suominen will implement its strategy with its five focus areas: Operational excellence, Sustainability leadership, Differentiate with innovation and commercial excellence, Great place to work and Dual operating model. Read more about our new strategy on pages 14–16.

Net sales, EUR million

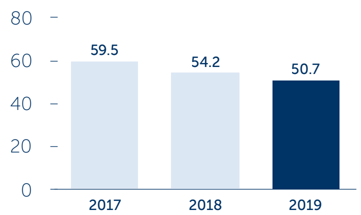


Earnings before interest, taxes, depreciation and amortization (EBITDA) and EBITDA margin



*Including the effect of IFRS 16 Leases

Gearing, %



Targets

EBITDA margin by 2025: **above** 12%

Net sales growth during the period: **above relevant market growth**

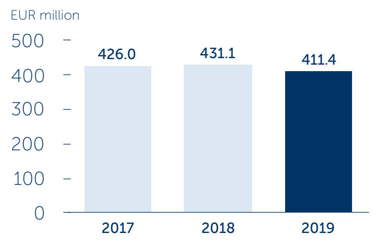
Gearing during the period: 40–80%
including the effect of IFRS 16 Leases

Key figures

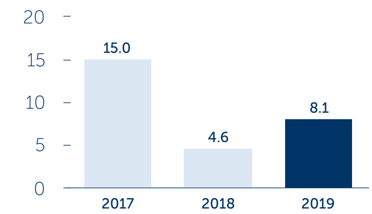
FINANCIAL	2019	2018
Net sales, EUR million	**411.4**	431.1
Comparable operating profit, EUR million	**8.1**	4.6
Profit for the period, EUR million	**0.2**	-1.7
Earnings per share, EUR	**0.00**	-0.03
Divivend per share,EUR*	**0.05**	–
Cash flow from operations, EUR million	**29.9**	32.1
Cash flow from operations per share, EUR	**0.52**	0.56
Capital expenditure, EUR million	**11.2**	13.6
Equity ratio, %	**42.7**	40.7
Equity per share, EUR	**2.30**	2.27
Gearing, %	**50.7**	54.2
Return on invested capital (ROI), %	**3.7**	2.3
EMPLOYEES		
Number of employees, average	**685**	676
Number of lost time accidents	**6**	4
ENVIRONMENTAL		
Energy consumption, GJ	**1,764,511**	1,903,062
Greenhouse gas emissions, tons of CO_2e	**114,686**	126,791
Waste to landfill, tons	**3,398**	2,703
Water intake, m^3	**6,578,264**	6,444,709

* In 2019, proposal by the Board of Directors to the Annual General Meeting

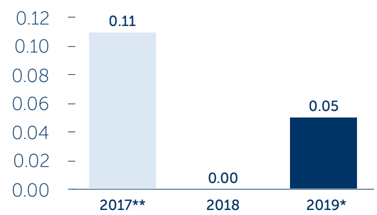
Net sales, EUR million



Comparable operating profit, EUR million

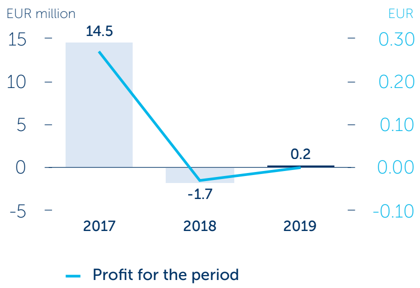


Dividend per share, EUR

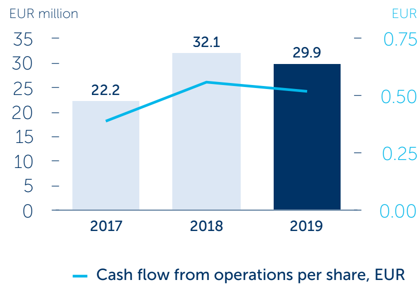


*Proposal by the Board of Directors to the Annual General Meeting
**Return of capital

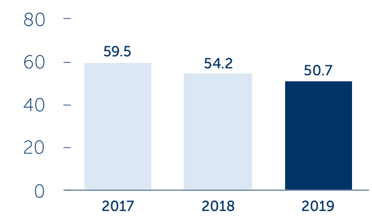
Profit for the period, EUR million and earnings per share, EUR



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

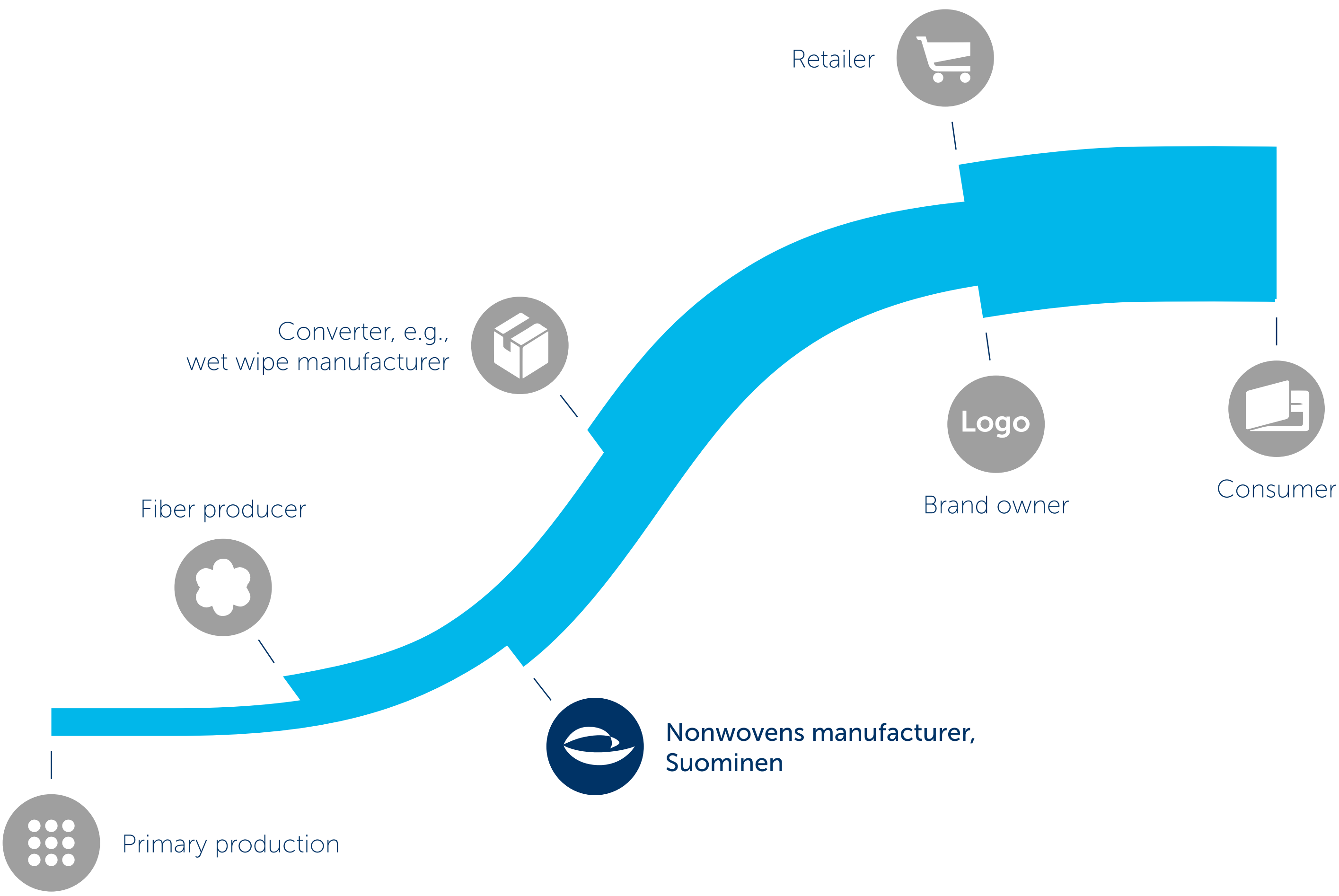


Gearing, %



How we create value

Suominen is a nonwovens manufacturer operating in global markets. Suominen creates value by taking fiber raw materials and turning them into nonwovens that our customers convert into both consumer and professional end products.



Value creation model

Inputs

FINANCIAL RESOURCES

- Total equity: EUR 132.5 million
- Total liabilities: EUR 177.6 million
- Cash flow from operations: EUR 29.9 million

NATURAL RESOURCES

- Water 6,578,264 m^3
- Raw materials
  - Wood-based 58%
  - Oil-based 41%
  - Other 1%
- Energy 1,764,511 GJ
  - Natural gas 42%
  - Grid electricity 37%
  - Steam 21%

INTANGIBLE RESOURCES

- Suominen brand and our way of operating
- 52 granted and 16 pending patents
- 53 design patents
- Technical and management capabilities

SOCIAL RELATIONSHIPS

- Customer and supplier relations
- R&D cooperation with stakeholders
- Consumer dialogue
- Manufacturing partners
- Professional networks
- Memberships in associations
- Local communities

MANUFACTURING RESOURCES

- Geographically and technically broad manufacturing base
- IT systems

Suominen

685 employees on average

8 production plants on three continents

Net sales EUR **411.4** million

SUOMINEN'S STRATEGY: GROWTH AND PROFITABILITY

We will grow by creating innovative and more sustainable nonwovens for our customers and improve our profitability through more efficient operations and a high performance culture. Our main focus is on wipes. We will strengthen our capabilities in Europe and Americas, and evaluate opportunities in Asia.

Outputs

PRODUCTS AND SOLUTIONS
- Nonwovens for wipes and other applications

WASTE
- Waste to landfill 3,398 tons

EMISSIONS
- Direct greenhouse gas emissions 41,983 tons of CO_2e
- Indirect greenhouse gas emissions 72,703 tons of CO_2e

WATER
- Treated water from operations

Impacts

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

EMPLOYEES
- Wages and salaries EUR 37.6 million
- Professional development
- Fair employment practices and equal opportunities
- Safe workplace: 6 lost time accidents

PARTNERS
- Materials and services EUR 298.5 million
- Business growth
- Ethical business

SHAREHOLDERS
- Dividend (Board's proposal) EUR 2.9 million

ENVIRONMENT
- Waste and emission load from operations and end-products
- Compostable and dispersible end-products
- No untreated water

SOCIETY
- Corporate income tax EUR 1.9 million
- Employment

How does the model work?

Suominen's value creation model depicts our whole value creation process: the resources we utilize in executing our strategy, the outputs and, ultimately, the impacts of our business activities.

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 matters described bear equal importance, nor is their respective relevance presented in the model. That's why the model should be reviewed primarily as a whole.

In the value creation model *inputs* are what we utilize in our business activities. The *Suominen* section describes Suominen's business and operations briefly.

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

Operating environment

Suominen's main market areas are Europe and North America. We have a strong position in the growing South American markets. Suominen is the global market leader in nonwovens for wipes, and we are among the largest spunlace nonwovens producers in the world

The demand for non-wovens is growing globally

The demand for nonwovens is growing globally. The market for spunlace, the nonwovens technology where Suominen is the leader with the largest global asset base, will grow in all regions.

Growth in demand for nonwovens depends mostly on consumer demand. Consumer demand is a combination of the general economic situation and consumers' confidence in the development of their personal finances. However, demand for fast-moving consumer goods – that is, end-products for which most of Suominen's products are used – is not very cyclical in nature.

Megatrends

The global megatrends set a solid base for our strategy and support our growth forecasts, thanks to their impact on consumer behavior. They include population growth, growing global middle class, aging population, increasing consciousness of health, well-being and environment, rising healthcare expenditure, and individualism including demand for "made for me" products.

There is a direct correlation between the rise in the standard of living and, for example, demand for hygiene products. The rise in the standard of living combined with evolving lifestyles will be reflected in the consumer behavior of the prospering middle class. In addition to essential commodities, the consumption of this demographic will center around solutions that make daily routines easier and less time-consuming. The use of disposable household wipes and beauty care wipes are examples of this phenomenon.

With the aging of the population and changing healthcare models, new needs are emerging and demand for nonwovens used in, for example, medical applications and incontinence products is increasing. On the other hand, the need to find cost-effective solutions to combat hospital-acquired infections and various pandemics is also contributing to the increase in demand for nonwovens.

Drive for sustainable products

Legislation and regulations drive the market towards more sustainable products. In Europe, one of the most significant change in operating environment is the European Plastic Strategy and European Commission's Single-Use Plastics (SuP) directive. The directive aims to protect the environment and reduce marine pollution.

Initiatives similar to SuP have emerged also in other regions such as Canada and California. Concern over sewer blockages and marine pollution caused by inappropriate disposal of nonwoven products have been raised in some regions.

SuP impacts end-products made of nonwovens since many wet wipes are traditionally at least partially made of raw materials containing plastics. For sanitary towels and wet wipes, the European Commission suggests new obligations on labeling and raising consumer awareness. In addition, extended producer responsibility sets new requirements for producers of wet wipes.

Regulation along with changes in consumer behavior are driving the market to develop more sustainable alternatives. Suominen is well placed to respond to this market change.

	EUROPE	AMERICAS
Market size	In 2019 the consumption of spunlace nonwoven was 322.9 kt*	In 2019, the consumption of spunlace nonwoven was 334.2 kt*
Market characteristics	**Europe** In Europe, all consumer wipes categories are highly competitive. All categories are dominated by spunlace technology with exception of Coform for baby wipes and Wetlaid Spunlace (WLS) for moist toilet tissue. The market of branded and private label end-products is highly fragmented. There is overcapacity in spunlace and wetlaid spunlace. Single-use Plastic directive is boosting sustainability. Regulations on flushable wipes in Europe are expected to impact the moist toilet tissue category in particular. Leading trends in Europe are ethical living (e.g. cruelty free, vegan) and sustainability (e.g. plastic free movement).	**North America** North America is by far the biggest consumer market for wipes. The market has diversified use of nonwoven technology for wipes applications. All wipes categories are growing with particularly strong growth in private label, winning share from brands. Household products have a fairly big share in the North American wipes market. Leading trends are transparency in the value chain and fewer and more natural ingredients. **South America** South American market is dominated by baby category and by branded players, but other segments are growing. Demand for spunlace is higher than the capacity, and the market is supplied by local players and imports. South American market has large unmet need in nonwoven products but pricing is a barrier to purchase. However, recently there has been improvement in access and availability. Rising consumer awareness, high focus on sustainability and reducing single-use plastic products are the leading trends.
Suominen	Net sales of Europe business area were EUR 149.8 million, corresponding to 36% of the net sales in 2019. Suominen had 326 employees in Europe in 2019. Suominen has two plants in Italy, one plant in Spain and one plant in Finland. Suominen's headquarters is located in Helsinki, Finland.	Net sales of the Americas business area were EUR 261.7 million, corresponding to 64% of the net sales in 2019. Suominen had 345 employees in the Americas in 2019. Suominen has three plants in USA and one plant in Brazil.

*Source: Estimate by Smithers Pira

Strategy

Suominen's new strategy for 2020–2025 was published in January 2020. Our vision is to be the frontrunner for nonwovens innovation and sustainability.

Mission

Enabling our customers to win by creating quality nonwovens

Vision

Frontrunner for nonwovens innovation and sustainability

Strategy: Growth and profitability

We will grow by creating innovative and more sustainable nonwovens for our customers and improve our profitability through more efficient operations and a high performance culture. Our main focus is on wipes. We will strengthen our capabilities in Europe and Americas, and evaluate opportunities in Asia.

Strategic focus areas

- Operational excellence
- Sustainability leadership
- Differentiate with innovation and commercial excellence
- Great place to work
- Dual operating model

Values

Ownership | Teamwork | Performance | Integrity

Our values

Ownership **Teamwork** **Performance** **Integrity**

The goal of our strategy is growth and improved profitability

Our mission is to enable our customers to win by creating quality nonwovens. The goals of our strategy are growth and improved profitability. We will by grow by creating innovative and more sustainable nonwovens for our customers, and improve our profitability through more efficient operations and by building a high performance culture. Our main focus is on wipes. We will strengthen our capabilities in Europe and the Americas, and evaluate our opportunities in Asia.

To reach our strategic goals, we have defined five focus areas. Our vision is to be the frontrunner for nonwovens innovation and sustainability.

Continuous improvement and cost-efficiency

In our **Operational excellence** focus area we improve the efficiency of our operations, promote occupational health and safety and increase cost conciousness across the organization. In our World Class Operations program, launched in 2019, we continue to systematically develop our operations and improve our performance and cost efficiency. Occupational safety is a key topic for us and we are continuously striving to improve our safety culture. We focus on sharing common guidelines and best practices between our locations, and raising employee awareness of safety issues.

Sustainable products and operations

The goal of our **Sustainability leadership** focus area is to leverage our pioneering fiber-based nonwovens know-how and our unique asset base to achieve a leading position in the sustainable nonwovens market. Demand for sustainable nonwovens is growing globally, and we are continuously developing new products for our sustainable product portfolio to meet this market change.

We also aim to minimize the environmental impacts of our production and strengthen responsible business practices in our own operations and throughout our supply chain.

Our target is to offer carbon footprint calculations for all of our products in 2020. Our longer-term goal is to provide more comprehensive information about our products' sustainability aspects and integrate other environmental and social responsibility indicators to our product sustainability index.

Innovation and commercialization

With the focus area **Differentiate with innovation and commercial excellence** we aim to offer best-in-class products and build closer customer relationships. Our research and development is forward-looking and customer-oriented. Our R&D focuses on sustainable products, product patterning and dispersibility. We aim to accelerate the commercialization of our innovations.

In 2020, we will start a sales training program to boost our sales expertise and ensure even more effective use of our competitive edge. By strengthening our commercial excellence we will be able to respond even better to our customers' needs and improve our market position.

Committed and result-oriented work community

Our **Great place to work** focus area concentrates on harnessing the organization's positive energy and commitment to deliver results. We will conduct a global personnel survey in 2020 and use the results to create concrete action plans in order to develop our employee engagement and performance. We will develop our systems to reward excellent performance. Our goal is to build a committed, result-oriented work community that operates in line with our values.

As part of the strategy work, we updated our values which are Ownership, Teamwork, Performance and Integrity. Our values guide all our operations. We will integrate these values into our daily ways of working.

Optimized operating models

The goal of our **Dual operating model** focus area is to optimize our operations by introducing separate operating models for specialty and standard business. We will channel standard products into the production lines that are best suited for them while making specialty products on smaller and more flexible production lines. With this approach we can deliver improved cost-efficiency while addressing more diversed customer needs with specialty products.

CASE | Strategy process

Setting up a new strategy

Our new strategy is based on significant employee involvement. We had over half of our white collar employees from all functions gathered together in regional workshops to define what Suominen must do to be successful. Our new strategy is truly a joint effort and we are excited about building the future success of Suominen together.

Lynda Kelly
Senior Vice President,
Business Development

Sustainability

Sustainability at Suominen

Sustainability means that we do things efficiently and responsibly in terms of the environment, people and the economy. All three dimensions are critical throughout our value chain, from raw material supply to end product. How we want to promote sustainable development is to innovate sustainable products and to continuously improve the current ways of working. This is how we want to participate in creating a more sustainable future.

We innovate sustainable products

Materiality

The identification of the most material sustainability aspects helps us to prioritize our work and efforts in terms of sustainability. At Suominen, the material sustainability topics are defined according to their significance for Suominen's business as well as stakeholders' expectations. To make sure that Suominen's sustainability work continues to focus on the most important sustainability topics we conducted a materiality assessment in collaboration with an independent third party in the summer of 2019.

The survey consisted of two phases, a web-based questionnaire and in-depth interviews for certain stakeholder representatives. The respondents in the survey represented a wide range of stakeholders including customers, employees, shareholders, investors, suppliers and industry associations. The survey results were analyzed in Suominen's internal workshop. As a result of our analysis, the six most material sustainability topics for Suominen were chosen. The results of the assessment serve as the basis for our Sustainability Agenda 2020–2025.

Material topics

- Eco-friendly products
- Health and safety
- Energy efficiency
- Waste prevention
- Financial stability
- Employee engagement

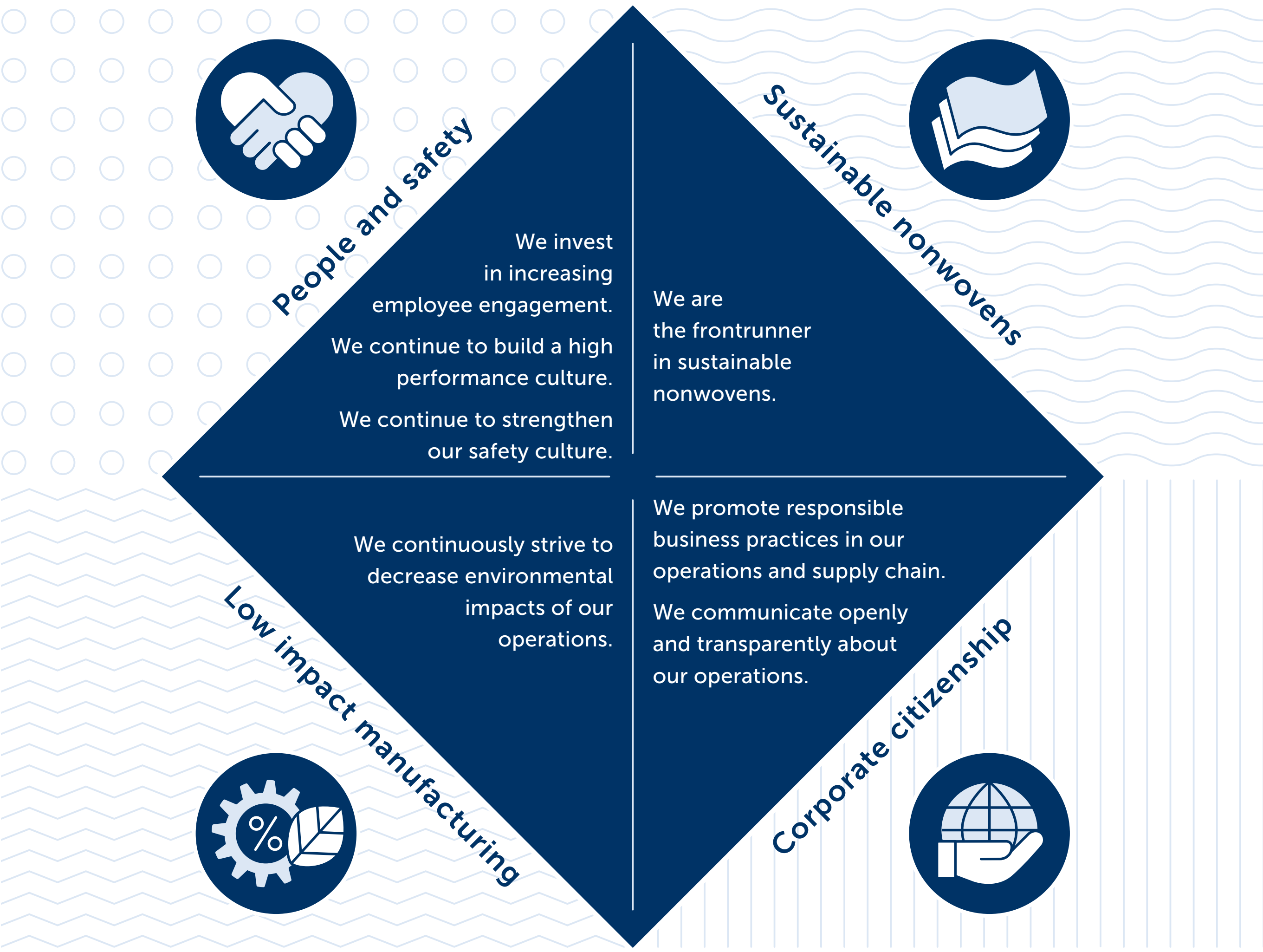
Our agenda focuses on four themes

Revised sustainability agenda 2020–2025

Suominen revised its sustainability agenda as part of the business strategy work. The revised agenda was published in January 2020. The agenda crystallizes the sustainability themes and targets for the strategy period 2020–2025. The agenda was approved by the Executive team and it will be monitored regularly.

The agenda focuses on four themes, People and safety, Sustainable nonwovens, Low-impact manufacturing and Corporate citizenship. These themes were defined based on the materiality analysis. Creation of concrete action plans and the definition of KPIs for each focus area will continue during 2020. We will also continue to increase internal awareness of sustainability related topics and systematically integrate sustainability thinking into all our processes.

Sustainability agenda 2020–2025



Suominen supports UN Sustainable Development Goals

The Sustainable Development Goals (SDG) adopted by the United Nations in 2015 define international sustainable development focus areas and goals. We want to do our part to promote the achievement of the goals in our value chain by increasing our positive impacts and decreasing our negative impacts. We have identified three SDG's which covers the areas where we can make the biggest contribution and our sustainability agenda guides our work towards these goals.

SDG 8: Decent work and economic growth

Goal 8 focuses on promoting sustainable economic growth and decent work for all, including protection of labor rights and safe and secure working environment, equal pay and elimination of any kind of forced or child labor.

Suominen promotes responsible business practices throughout the value chain and does not tolerate any kind of slavery, forced or child labor or human trafficking in its own or its suppliers' operations. Suominen promotes equal opportunities for all. Our principle is "equal pay for equal contribution". A safe workplace is one of our top priority and we are continuously striving to improve our safety culture to achieve an accident free workplace.

SDG 12: Responsible consumption and production

Goal 12 emphasis efficient use of natural resources and responsible consumption, the main targets being efficient management of natural resources, reduction of waste generation and adoption of sustainable business practices and reporting by companies. Our goal is to use natural resources as efficiently as possible and strive for minimization of waste in our production and finding alternative outlets for non-recyclable waste. With our product offering we contribute to this goal by taking into account the whole value chain in our product design in order to decrease any negative impacts on the environment. We report our activities and progress towards our sustainability goals publicly.

SDG 13: Climate action

Goal 13 focuses on mitigating climate change and its impacts. Suominen is committed to reduce greenhouse gases from its operations by improving its energy efficiency and finding alternative low-carbon energy sources. With our product offering we are contributing to this goal by calculating carbon footprint of our products including the whole value chain and developing solutions with smaller impact on climate.

Our targets and key topics

THEME	TARGET 2020–2025	KEY TOPICS IN 2020	SDG
People and safety	We invest in increasing employee engagement. We continue to build a high performance culture. We continue to strengthen our safety culture.	- Continue our work to strengthen our safety culture - Internal safety campaign - Conduct a global employee engagement survey - Revise employees performance management and target setting process to support Suominen's strategic objectives	8 DECENT WORK AND ECONOMIC GROWTH
Low-impact manufacturing	We continuously strive to decrease environmental impacts of our own operations.	- Continue our work to find solutions to minimize environmental impacts of our operations - Revise environmental performance targets and KPIs, and create and implement a concrete action plan	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION
Sustainable nonwovens	We are the frontrunner in sustainable nonwovens.	- Define clear KPIs and a concrete action plan for our product offering helping us to develop more sustainably-sound products - Finalize carbon footprint calculations for all active products - Strengthen internal and external awareness about our sustainable solutions	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION
Corporate citizenship	We promote responsible business practices in our operations and supply chain. We communicate openly and transparently about our operations.	- Renew and relaunch Code of Conduct - Update & distribute the updated Supplier Code of Conduct - Develop an audit process to support responsible business practices throughout the value chain	8 DECENT WORK AND ECONOMIC GROWTH

Our management approach

	PEOPLE AND SAFETY	LOW IMPACT MANUFACTURING	SUSTAINABLE NONWOVENS	CORPORATE CITIZENSHIP
Description and purpose of the management method	Our work is guided by our Code of Conduct and our values: ownership, teamwork, performance, integrity. The purpose of the management method is to ensure the implementation of the strategy and the achievement of the targets as planned.			
Policies and commitments	- Suominen HR principles and regional policies - Code of Conduct - Blind hiring when possible - Safety principles and Behavior Based safety program - OHSAS 18001 (in 2 out of 8 plants)	- ISO 14001 certification (in 7 out of 8 plants) - ISO 9001 (in all plants) - ISO 50001 (in 2 out of 8 plant) - Local environmental policies - Code of Conduct	- Supplier Code of Conduct - Suominen offers traceability certifications for FSC®, PEFC & SFI, as well as skin-safe certifications like OEKO-TEX	- Code of Conduct - Supplier Code of Conduct - Anti-corruption policy - Competition law compliance policy
Objectives	- We invest in increasing employee engagement - We continue to build a high-performance culture - We continue to strengthen our safety culture	- We continuously strive to decrease environmental impacts of our operations	- We are the frontrunner in sustainable nonwovens	- We promote responsible business practices in our operations and supply chain - We communicate openly and transparently about our operations
Resources and responsibilities	Leading functions: HR and HSEQ	Leading functions: Operations and HSEQ	Shared responsibility for several functions (e.g. Business Development, Sourcing, R&D and Operations)	Leading functions: Legal and Sourcing
	The leading functions of each theme are responsible for implementation, monitoring, management and evaluation of progress towards the goals set for each area. The Communications and Sustainability function coordinates the work and supports other functions when needed.			
Grievance mechanism	Suspected misconduct is reported to the supervisor, the supervisor's supervisor, local or corporate HR function, or through the whistle-blowing channel. Suominen does not accept any retaliation against anyone who reports a suspected violation of the Code of Conduct or other policies in good faith. Further, no retaliation will be tolerated against anyone who participates or assists in the investigation of a report by Suominen.			
Evaluation of the management method	Compliance, internal control and audits, incident reports, assessment of occupational safety risks, performance and development discussions, employee engagement surveys, one-to-one discussions, incident reports submitted by employees, employee exit surveys	Compliance, external audits including ISO 9001:2015 and ISO 14001:2015 audits, incident reports and monitoring and evaluating our KPIs	Compliance, audits by customers, monitoring and evaluating our KPIs, audits of our supply chain	Compliance and evaluation of the efficiency of our policies

The progress towards our set targets can be found under the specific sections in the Annual Report. We published our revised sustainability agenda and targets in the beginning of 2020. Progress under the revised sustainability agenda will be reported first time in Annual Report 2020.

People and safety

Occupational safety and the overall well-being of employees is a priority for Suominen. We invest in increasing employee engagement. We continue to build a high performance culture and to strengthen our safety culture.

Our people

Suominen has almost 700 employees representing more than a dozen nationalities working in eight locations on three continents. Our values – Ownership, Teamwork, Performance and Integrity – form the foundation for all our work. In 2019, our main focus was on enabling smooth organizational changes and supporting employees in this change.

Focusing on employee engagement

Action plans in employee engagement

Increasing employee engagement is one of our key people related targets in our revised sustainability agenda for 2020–2025. Our target is to conduct a global employee engagement survey in 2020. We will use the results of this survey as a baseline for future surveys and to create concrete action plans in order to systematically develop our employee engagement and performance in future.

Our longer term target is to further develop our onboarding process and new employees' onboarding experience to enhance new employee engagement, productivity and retention. We will also be seeking ways to strengthen and communicate our employer brand more actively, both internally and externally, to drive employee commitment, retention, satisfaction and attraction.

Driving for high performance

Building a high-performance culture is a key element in Suominen's new strategy and sustainability agenda. We aim to find ways to ensure that our employees' activities are in alignment with the company's objectives and will result in successful implementation of the strategy. We will continuously develop our processes and practices that help us foster and reward excellent performance.

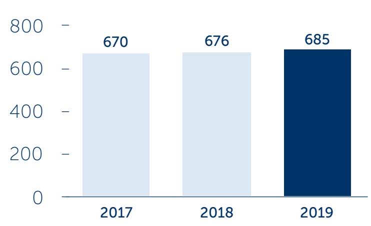
Suominen's performance and development discussion process consists of bi-annual employee-manager discussions covering topics such as achievement of previous year's targets, target setting for ongoing year and identifying development needs and plans. Structured feedback discussion is also part of the process. In 2019, the process covered 73% of employees in total. In 2020, we will focus on further developing our performance culture by for example driving pay-for-performance principle, strengthening the quality of target setting and promoting feedback culture. Our target is also to develop and harmonize the performance and development discussion process for blue collar employees globally.

> Building a high-performance culture is a key element in our new strategy

Developing competencies

Identifying and developing the competencies and capabilities that are needed to achieve our strategic objectives is vital for our success. We want our employees to be able to perform at their top potential every day and we want to support their growth ambitions and continuous professional development. In 2019 we had several training programs supporting our local needs, for example safety, quality and best practices trainings.

Number of employees, average



685
employees

We support equal opportunities

We want to offer a fair place to work and treat all employees in an equal manner. Suominen recognizes the business benefits of having a diverse workforce and aims to provide equal opportunities for everyone. We do not accept any kind of discrimination, including discrimination due to e.g. age, gender, religion or ethnic origin. When making employee related decisions, for example when recruiting, promoting, rewarding or developing our personnel, we pay special attention to equality matters. Our rewarding is based on the requirements and complexity of the position and the employee's performance.

A concrete way for promoting diversity and ensuring equal opportunities for job applicants is the blind hiring principle that we follow in recruiting when possible. In the blind hiring process all not job related personal information, such as the applicant's name, gender or age, is masked from the recruiting manager and applicants are selected for interviews only based on their qualifications and achievements. The purpose of the blind hiring is to avoid any unconscious bias affecting the recruitment process.

CASE | Employee well-being

Enforcing the group spirit by running

A group of employees from our Alicante plant attended a running and trekking event in Benejama, a town near the plant. Everyone encouraged one another to endure and the 15 km trail offered wonderful views of the mountains and the valley. The run has become a tradition and we are definitely going to attend also next year!

Guillermo Melia
Plant Controller,
Alicante

Safety

A safe workplace is one of our top priorities. We want everyone to return home safely every day.

Safety in 2019 and way forward

In the revised Sustainability Agenda we continue to have strong focus on safety, accident prevention and a strong safety culture. Our long term target is to have zero lost-time accidents (LTA).

Altogether 6 (4) LTAs occurred at Suominen sites in 2019. Four out of eight sites were able to reach the zero LTA target in 2019. The accident frequency rate (AFR) incresed to 4.95 in 2019 (3.20) and the accident severity rate (ASR) increased to 0.12 (0.10). We keep record of all work-related accidents and identify their causes.

In 2020, the development of safety work will focus on strengthening our safety culture. We will also launch a new internal safety campaign.

Suominen develops safety according to the principle of continuous improvement

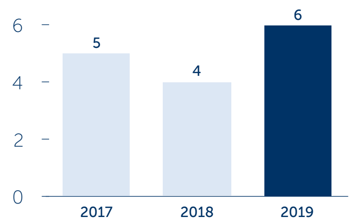
CASE | Safety

Building a culture of work safety

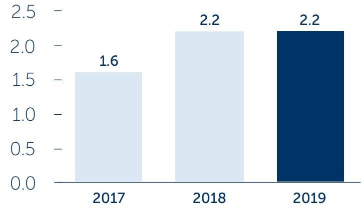
Suominen Safety Award is an annual recognition by the Executive Team to the Suominen plant that shows the greatest commitment to improving safety. In 2019 the Paulínia plant in Brazil was honored thanks to its great safety results in 2018 and having demonstrated exemplary commitment in driving the culture in safety matters towards proactivity.

Juan Carlos Esteve
Global HSEQ Director

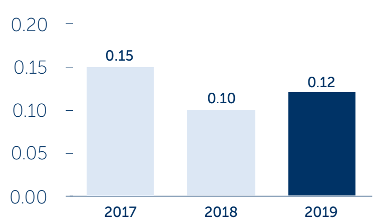
Number of lost time accidents (LTA), own employees



Absences due to illness, % of total working hours

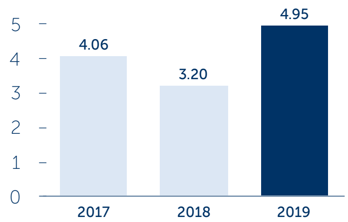


Accident severity rate (ASR)



Number of absence days due to accidents divided total hours per 1,000

Accident frequency rate (AFR)



Number of accidents divided total worked hours per 1,000,000

Our safety work

Suominen's safety work is based on preventive work and Suominen has implemented Life Saving Rules and a Behavior Based Safety program covering employees working both at Suominen's manufacturing sites and at the office premises.

The Behavior Based Safety program kept rolling for the sixth year in the row in 2019. The program emphasizes the individual's own responsibility in safety and focuses on influencing the attitude and motivation of individuals.

The program is implemented through safety walks, where an employee walks through the premises identifying both safe and unsafe behaviors and conditions, and then engages in an open discussion with other employees.

Safety walk training is mandatory for all new employees as part of their onboarding process. By the end of 2019, almost 24,000 safety walks were performed globally. Altogether 4,500 unsafe actions or conditions were identified that need to be rectified.

Suominen develops safety at the workplace 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.

Minimizing environmental impact

For Suominen, environmental responsibility means efficient utilization of resources with the smallest possible impact on environment. We continuously strive to reduce environmental impacts caused by our operations.

Utilizing resources efficiently

The most significant environmental impacts resulting from nonwovens production include consumption of water and energy, generated greenhouse gases and landfill waste and we regularly follow these consumption and emission levels.

We published our revised sustainability agenda in the beginning of 2020 and the work related to setting new targets and KPIs is ongoing. We will report our progress towards our new targets starting in 2020.

We continuously strive to reduce environmental impacts

How we operate?

Suominen is committed to continuously improving its production efficiency and the efficient utilization of natural resources. Environmental responsibility requires daily commitment and to further develop Suominen's environmental work, an Environmental Best Practice team was created in 2019. The purpose is to share best practices and knowledge regarding environmental matters between our sites and to find opportunities and solutions to reduce the environmental impacts from our operations.

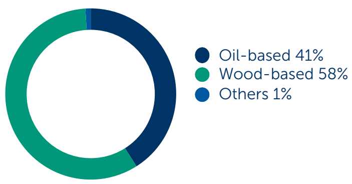
We operate according to the relevant standardized management systems. All of our sites are certified according to ISO 9001 quality management standard and 7 out of 8 sites' environmental management systems are certified according to the ISO 14001 standard. In addition, 2 out of 8 production sites' energy management systems are certified according to the ISO 50001.

Raw materials

Raw materials play a vital role in our business since they account for roughly 60-70% of our expenses. Suominen has over 40 raw material suppliers globally. Suominen uses fiber materials, such as polypropylene, polyester and cellulose-based fibers in nonwoven production. In 2019, the share of raw materials from renewable sources accounted for 58% (53%), most of it being cellulose fibers such as viscose and pulp. We support responsible forest management practices, and we offer nonwovens produced from FSC (FSC-N002523), PEFC and SFI certified raw materials.

Suominen is constantly looking for the solutions to decrease the environmental impacts of nonwoven products throughout the value chain. The efficient utilization of raw materials is therefore one of our top priorities. We are continuously working to find ways to improve our material efficiency and we strive for minimization of waste in our production and finding alternative outlets for non-recyclable production waste.

Raw materials purchased in 2019



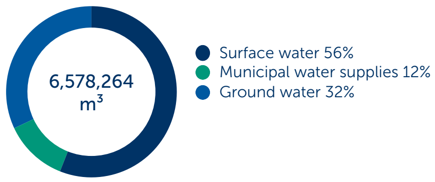
Water

Water is an essential resource for Suominen as it is used in our nonwoven production processes to bind fibers together into nonwoven fabrics. Approximately 90% of the water taken into our processes is returned back to the water bodies or sanitary sewer systems, which means that only 10% of our water intake is consumed in our processes, mainly through evaporation. Our water use and discharges are regulated by the national or regional authorities and we constantly monitor the quality of discharged water. All water is treated either in our own or municipal water treatment plants before discharge. The wetlaid production technology that is used at two Suominen production sites requires significantly more water than other production technologies. Wetlaid production accounts for 77% of Suominen's total water intake.

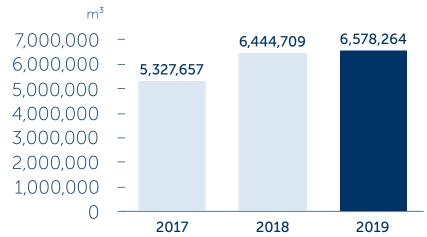
Suominen has evaluated the scarcity of water at our sites by using Water Resource Institute's Water Risk Atlas. One of our production sites is located in a "high risk area" where water can be considered a scarce resource. The water intake of this site accounts for approximately 1.5% of Suominen's total water intake.

In 2019, Suominen's water consumption per ton of product increased by 10% compared to the year 2018. We managed to improve our water efficiency at most of our production plants. However, our wetlaid production lines consumed more water than previously which impacted our total water intensity rate negatively in 2019.

Water intake by source in 2019



Water intake

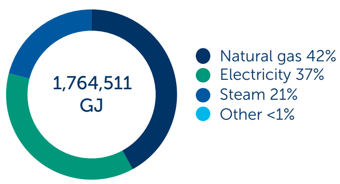


Energy

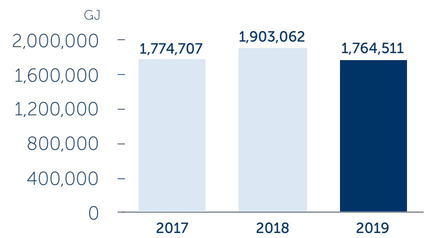
Our energy consumption consists of the usage of fuels for heat and steam generation and the use of purchased electricity and steam.

In 2019, our energy intensity ratio was at the same level as in 2018. In order to improve our energy efficiency improvement targets, we are putting greater focus on the measuring and optimization of our energy consumption as well as detecting inefficiencies and improvement possibilities at our production sites.

Energy consumption in 2019

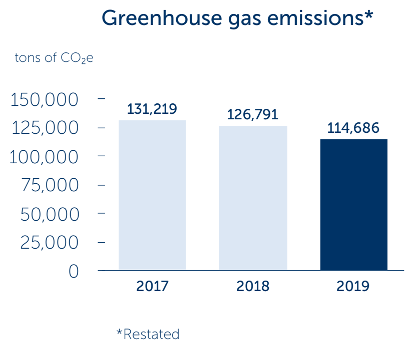


Energy consumption



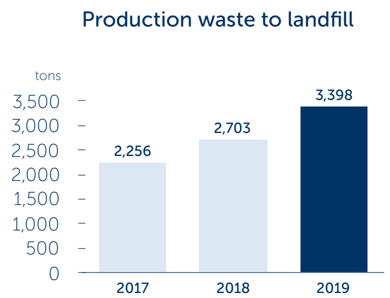
Greenhouse gas emissions

Suominen reports its direct greenhouse gas emissions (Scope 1) and its indirect greenhouse gas emissions from purchased energy production (Scope2). Direct greenhouse gases originate from the consumption of fossil fuels mainly used for the generation of process heat. Indirect emissions are caused by the production of purchased electricity and steam. In 2019, our greenhouse gas intensity rate decreased by 2% compared to the year 2018. Improvements in energy efficiency have a direct impact on our greenhouse gas emissions. Therefore, all our efforts to improve our energy efficiency also contribute to lower greenhouse gas emissions. We are continuously looking for the ways to decrease greenhouse gas emissions from our operations.



Waste to landfill

In 2019 the amount of landfilled production waste increased by 26% even though 3 out of our 8 production sites are already generating zero waste to landfill. The main reason for increased waste amount is that we have lost important outlets for our production waste. In waste management Suominen's first priority is to prevent waste generation in the first place by improving its material efficiency. Secondarily, we are evaluating new possibilities and cooperation partners to utilize our production waste and we expect to see progress in 2020.



Sustainable nonwovens

Global environmental concerns – such as diminishing resources, climate change and marine plastic pollution – are creating new market expectations and demand for sustainable nonwoven products. These global challenges drive also us to constantly develop new and innovative solutions with a smaller environmental impact.

New and innovative solutions

Developing products with smaller environmental impacts

Suominen has recognized the growing demand for more sustainable products. Suominen's current Sustainable Product Portfolio consists of products made of renewable, recycled and/or plastic-free raw materials as well as compostable and totally dispersible nonwovens. We are constantly developing new products for this portfolio. We are also committed to decreasing the environmental impacts of our products by taking into consideration the entire supply chain. This can be achieved by using raw materials with lower environmental impacts and optimizing our own processes as well as transportation distances.

In 2020 Suominen is setting concrete targets and key performance indicators to measure the environmental impacts of its products. Being able to develop more environmentally sound products also helps our customers to reduce the environmental impacts of their own products and to achieve their own sustainability goals.

Measuring the environmental impacts of nonwoven products

The environmental impacts of the nonwovens production process comprise only a part of the total environmental impacts of nonwoven products. For that reason, it is important to take account of impacts caused in the other stages of the value chain, such as production of raw materials.

Suominen is currently measuring the environmental impacts of its products by calculating their carbon footprint. This means that greenhouse gases associated with the product in different stages of its value chain are added up to gain a full understanding of the climate impact of each product. Our target is to provide carbon footprint information of all our products in 2020. Our long-term goal is to provide even more comprehensive information about the sustainability of our products and to integrate other relevant environmental and social aspects to our product sustainability index.

CASE | R&D

Developing eco-friendly products with superior functionality

Sustainability is one of the key focus areas in our research and development. We strive to reduce the environmental impact of our products without compromising functionality or quality. Bio GENESIS® is a breakthrough innovation with unique functionality. It is biodegradable, renewable and completely plastic-free, yet three times stronger than a paper towel which makes it perfect for a variety of applications.

Pramod Shanbhag
Director,
Global Project Portfolio

Corporate citizenship

Suominen operates in a responsible and globally aligned manner.
We want to support responsible operations in our supply chain and in society at large by respecting human rights, being a good corporate citizen and mitigating environmental impacts caused by our own operations.

We strive to operate in a responsible and globally aligned manner

Suominen is a global company with operations on three continents. We collaborate with a significant number of stakeholders in a multicultural environment every day.

With global operations we provide employment and business opportunities to a wide range of stakeholders. We promote transparency in our communications with our stakeholders and strive to ensure that all our operations are carried out in a responsible and globally aligned manner.

Our daily operations are guided by Suominen's Code of Conduct and other related policies. These create the foundation for our sustainable business practices. We expect our business partners to act responsibly and to comply with our Supplier Code of Conduct. Read more about the Code of Conduct on page 42.

Stakeholder dialogue

Suominen's stakeholders are entities or individuals that have an impact on or are affected by our business. Our stakeholder groups differ greatly and the focus areas and the channels of communication vary according to the stakeholders' needs.

Continuous interaction with our stakeholders is a key aspect of Suominen's approach to sustainability. Stakeholder dialogue provides important insights into the expectations and concerns our stakeholders have and helps us to identify the opportunities and risks in our operating environment. We want to engage in open and continuous dialogue with our stakeholders and strive to transparent communication through various channels.

In 2019 we conducted a public web-based survey for all our stakeholders.

In 2019, we conducted a public web-based survey for all our stakeholders

The purpose of the survey was to assess the expectations of our stakeholders and to collect information and insights into how we can develop our sustainability work further. The web-based survey was supplemented with in-depth interviews with selected key stakeholders.

In the survey results our stakeholders addressed the importance of sustainability, which was seen as a combination of environmentally and socially responsible operations and eco-friendly products. All stakeholder groups addressed the importance of a sustainable product offering. In addition, our customers underlined product safety and performance. Employees emphasized areas close to their work, such as employee health, safety, and development. Shareholders highlighted environmental areas such as circular economy and sustainable production and supply chain.

STAKEHOLDER GROUP	ENGAGEMENT CHANNELS	EXPECTATIONS AND INTERESTS	MEETING STAKEHOLDER EXPECTATIONS
Employees	- Daily interaction - Performance development discussions - Global intranet, internal newsletter and discussion channel - Stakeholder survey	- Safe working environment - Compensation and benefits - Development opportunities - Equal treatment, well-being and workplace culture	- Continuous development of safety at work place - Fair compensation and benefits - Individual competence development plans - HR principles and blind recruiting - Open communication - Code of Conduct
Suppliers	- Supplier meetings and other direct contacts - Requests for tender and contracts - Supplier Code of Conduct - Stakeholder survey	- Long-term partnership - Open communication and co-operation	- Co-operation with suppliers - Smooth and efficient raw material quality assurance process - Supplier Code of Conduct
Customers	- Meetings and other direct contacts - Exhibitions and other industry events and industry media - Communication - Audits and certificates - Stakeholder survey - Requests for tender and contracts	- Product safety - Innovation and product development - Reducing environmental impact - Responsible fiber sourcing - Value for the customer - Long-term partnership - Cost competitiveness	- Quality assurance through audits and certifications - Sustainable product portfolio and product development with customers - Development of personnel skills - Open communication and onsite visits - Participation to exhibitions and trade fairs
Investors, shareholders, analysts	- Annual General Meeting - Quarterly and annual reporting - Stock exchange and press releases - Shareholder and analyst events - Website and other digital channels - Stakeholder survey	- Market value and dividends - Sustainable growth - Accurate, consistent and reliable information - Risk assessment and management - Product development - Sustainability	- Communication based on Finnish laws, EU directives, stock exchange rules and regulations
Political decision-makers, public authorities, NGOs	- Reporting and other external communication - Direct contacts	- Regulatory compliance - Responsible supply chain - Responsible operations	- Compliance with laws and regulations - Whistleblowing channel - Responsibility reporting based on GRI standard
Society and local communities	- Media - External communication - Events	- Fair employment practices - Responsible and sustainable production - Regulatory compliance - Tax contribution	- Jobs and fair compensation - Good corporate citizenship - Tax contribution

Tax footprint

Suominen Group's tax footprint represents the economic impact on society arising from Suominen's operations in the countries where it operates. Suominen's business operations result in liabilities to pay taxes and similar payments, as well as in a liability to collect and remit taxes and similar payments that arise from the business activities of the group companies.

Suominen has not entered into any arrangements aiming to change or rearrange its tax burden from what results from normal business operations. The trading of goods between Suominen group companies is extremely limited. The group companies receiving intra-group services are charged a service fee. The pricing of the service fee is in line with the arm's length principle.

Suominen has companies in the five countries – Brazil, Finland, Italy, Spain and the United States – where it has both production and sales operations. With respect to taxes and similar payments, Suominen applies the laws and regulations of each country.

The main markets of the Finnish group companies are abroad. Due to this, the export sales of these companies significantly exceed their domestic sales. No value added tax is levied on export sales. This leads to a situation where the Finnish group companies' deductible value added tax on their purchases subject to value added tax is considerably higher than the value added tax they remit based on their taxable sales. As a result, Suominen receives a refund of value added tax in Finland.

Suominen's tax footprint includes not only the taxes and similar payments that are group companies' costs, but also the taxes and similar payments which the group companies collect and remit, such as indirect taxes. Deferred taxes which arise from the timing differences between taxation and accounting and are recognized in accounting are not included in the tax footprint.

In 2019, Suominen employed on average 685 people in its operations. As a result, Suominen generated a positive economic contribution to the surrounding society in the form of employees' income taxes, as well as social security contributions both by the company and the employees. Thus, Suominen's tax footprint includes also the collected and remitted employees' income taxes as well as social security contributions, but the employer's taxes are clearly separated from the employees' taxes and payments in the report.

Suominen's tax footprint arises from the business operations in the countries where we operate

Suominen generated a positive economic contribution to the surrounding society

Suominen's corporate income taxes are significantly affected by tax losses generated in the past in certain countries where Suominen operates. Based on local tax laws and regulations, tax losses are carried forward and deducted from the taxable profits generated in the future. At the moment, Suominen's taxable result does not incur corporate income tax payments in Finland, as it has tax losses carried forward from past years. Suominen is subject to group tax consolidation methods in several countries based on each country's tax laws and regulations, which effectively means that Suominen's local companies are taxed on the local consolidated taxable income.

The corporate income taxes Suominen pays in the USA are impacted by local tax incentives, which allow companies to deduct up to 50 or 100 percent of the acquisition cost of the investments taken into use during the year as accelerated tax depreciations. As Suominen made a large investment at the Bethune plant in South Carolina, the effect of the accelerated tax depreciations decrease the combined taxable result of the American subsidiaries also in 2019. The use of the accelerated tax depreciations decreases the taxable result of the year in which they are utilized and defers the payment of corporate income taxes into the future. The utilization of the accelerated depreciations will decrease the tax-deductible expenses of future years and concurrently increase the taxable result as well as the paid corporate income of those years.

The group companies also pay property and real estate taxes based on the land and buildings they own, as well as different fiscal payments levied on e.g. manufacturing operations. In addition, there are some levied taxes, for example in Brazil, that are based on a percentage of the company's net sales. Suominen does not consider these as indirect taxes to be collected and remitted, but as taxes that are costs for the Group companies.

Taxes and similar payments borne

	2019		2018	
EUR thousand	Finland	Other countries	Finland	Other countries
Corporate income tax, tax on profit *	0	-1,351	4	-1,633
Corporate income tax, tax on turnover	-	-1,474	-	-1,129
Property taxes**	-73	-952	-66	-801
Employer contributions and taxes	-1,490	-9,925	-1,537	-9,292
VAT as expense	-20	-2	-30	-34
Customs duties on export***	-	-23	-	-83
Customs duties on import***	-606	-1,792	-622	-2,306
Excise duties	-236	-126	-129	-115
Other taxes and similar payments	-25	-203	-35	-191
TOTAL	**-2,450**	**-15,847**	**-2,415**	**-15,582**

Taxes and similar payments collected and paid

	2019		2018	
EUR thousand	Finland	Other countries	Finland	Other countries
Net VAT	3,510	-2,536	4,818	-3,231
Payroll taxes and similar payments collected and paid	-2,881	-8,912	-2,768	-7,805
Withholding taxes on various payments	0	-114	-406	-133
Other taxes collected and paid	-	-7	-	-13
TOTAL	**629**	**-11,569**	**1,644**	**-11,182**

* Corporate income taxes do not include any deferred taxes.
** Taxes on real estates.
*** Customs duties are borne by the company importing or exporting goods and not collected and/or paid by some other tax payer. For these reasons customs duties are reported as taxes borne.

Ethical guidelines

In all our activities, we adhere to high ethical standards. We keep our promises and develop our stakeholder relationships in a fair and responsible way.

We are committed to full compliance with all applicable national and international laws, regulations and generally accepted practices. Suominen refrains from all unfair business practices, such as fraud, corruption and bribery. The company has a whistleblowing practice established with an external partner.

Human rights

Suominen is committed to the United Nations (UN) Guiding Principles on Business and Human Rights and the International Labor Organization (ILO) Declaration on the Fundamental Principles and Rights at Work. In its Code of Conduct Suominen commits to respecting human rights as an employer. Suominen does not tolerate any kind of discrimination, any form of forced or compulsory labor, or the use of child labor.

Suominen does not tolerate any kind of discrimination

Suominen works consistently to ensure that human rights are respected across the value chain. Suominen requires its raw material suppliers to commit to ethical conduct, full compliance with all applicable national laws and international treaties, and to respect human rights as set forth in internationally recognized standards and treaties.

Code of Conduct

Suominen's Code of Conduct describes the practices and principles adopted by the Suominen Corporation and its subsidiaries and it addresses issues such as fair business practices, financial regulations, human rights and environment. Suominen requires all its employees to comply with the Code of Conduct.

Suominen's Code of Conduct will be updated in 2020 and we will launch a new mandatory training program for all employees in 2021–2022.

Our requirements for our suppliers are described in the Supplier Code of Conduct, which discusses issues such as wages and working hours, child labor and forced labor, and the environment. The Supplier Code of Conduct was upgraded in 2018 to better address human rights as well as corruption and bribery.

At the moment, 85 percent of our suppliers comply with the upgraded Supplier Code of Conduct. In accordance with the renewed sustainability agenda, our target is that 100% of raw material suppliers have signed our Supplier Code of Conduct by the end of 2020. In addition, we aim to establish a process for third party supplier sustainability audits.

Read more

Suominen 's Code of Conduct and the Supplier Code of Conduct can be found at **www.suominen.fi**.

Reporting principles

Suominen publishes its sustainability report as part of the Annual Report. This is the first time we are reporting in accordance with the Global Reporting Initiative standards.

Suominen's Sustainability Report, covering 2018, was published in February 2019. In the Annual Report 2019 we are for the first time reporting in accordance with the Core option of the Global Reporting Initiative (GRI) standards. This means that our reporting includes all the General Disclosures required by the Core options and Sector Disclosures relevant to Suominen.

The sustainability materiality assessment, including stakeholder engagement, was conducted in summer 2019, serving as the basis for the decisions on the material themes and disclosures. The relative priority of the material topics was determined as an outcome of the stakeholder survey and management workshop. As an outcome of this process, focus areas of our revised sustainability agenda were formed. Topic boundaries are defined to cover Suominen's operations and manufacturing sites and when relevant also Suominen's suppliers.

The reporting period for all presented data is one calendar year (January 1–December 31, 2019) and the enclosed historical data encompasses the last three years.

Economic responsibility

The figures related to economic responsibility are based on Suominen's consolidated financial statements, which are prepared in accordance with the International Financial Reporting Standards (IFRS), including International Accounting Standards (IAS) and Interpretations issued by the International Financial Reporting Interpretations Committee (SIC and IFRIC).

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

People and safety

Information regarding the total number of personnel is reported according to the information presented in our financial statements with the more detailed human resources data derived from separately collected statistics. This data represents the situation at the end of 2019. Incident data is collected continuously by using the group-wide accident reporting system covering all Suominen employees. The calculation principles and boundaries for each indicator are explained in more detail in connection of particular indicator.

Minimizing environmental impacts

Consolidated environmental and energy data covers all our production units. Offices and other premises with no production activities are excluded from this data due to the materiality principle. Consolidated environmental data is collected on a monthly basis from Suominen's production units based on invoices and consumption information while some of the information is based on separately collected statistics. The Windsor Locks plant in Connecticut, USA is operated jointly with Ahlström-Munksjö Oyj, and only the consumption information and environmental impacts of Suominen's production lines are taken into account in the environmental figures. Suominen calculates its Scope 1 and 2 greenhouse gas emissions according to the Greenhouse gas protocol. The calculation principles and boundaries for each indicator are explained in more detail in connection of particular indicator.

GRI index

GRI STANDARD		LOCATION	COMMENTS	OMISSIONS AND REASONS FOR OMISSIONS
GRI 102: General disclosure				
Organizational profile				
102-1	Name of the organization	See comments	Suominen Corporation	
102-2	Activities, brands, products, and services	AR 3		
102-3	Location of headquarters	See comments	Karvaamokuja 2 B, 00380 Helsinki, Finland	
102-4	Location of operations	AR 3		
102-5	Ownership and legal form	See comments	Suominen Corporation is a public company and its shares are listed on Nasdaq Helsinki.	
102-6	Markets served	AR 3, 12–13		
102-7	Scale of the organization	AR 3, 8, 10–11, 90		
102-8	Information on employees and other workers	AR 3, 24, 43, 49, See comments	The Windsor Locks plant in CT, USA is co-operated with Ahlström Munksjö Oyj and there a significant amount of work is performed by workers who are not Suominen's employees. Otherwise, contractors are mainly used in different maintenance and construction work, which are typically seasonal in nature.	
102-9	Supply chain	AR 9–11, 30, 35, 42		
102-10	Significant changes to the organization and its supply chain	AR 4–6, 83		
102-11	Precautionary Principle or approach	See comments	Suominen's risk management process enables the company to manage risks in order to avoid any harm to the environment and ensure the continuity of its operations.	
102-12	External initiatives	AR 41–42		
102-13	Membership of associations	AR 49		
Strategy				
102-14	Statement from senior decision-maker	AR 4–6		
102-15	Key impacts, risks, and opportunities	AR 4–6, 83–86		
Ethics and integrity				
102-16	Values, principles, standards, and norms of behavior	AR 14–16, Code of Conduct, Supplier Code of Conduct		
102-17	Mechanisms for advice and concerns about ethics	Code of Conduct		

GRI STANDARD		LOCATION	COMMENTS	OMISSIONS AND REASONS FOR OMISSIONS
Governance structure				
102-18	Governance structure	AR 54		
102-22	Composition of the highest governance body and its committees	AR 55–57		
102-23	Chair of the highest governance body	AR 56, 69		
102-35	Remuneration policies	AR 64–67		
102-36	Process for determining remuneration	AR 64–67		
Stakeholder engagement				
102-40	List of stakeholder groups	AR 37		
102-41	Collective bargaining agreements	AR 49		
102-42	Identifying and selecting stakeholders	AR 36–37		
102-43	Approach to stakeholder engagement	AR 36–37		
102-44	Key topics and concerns raised	AR 36–37		
Reporting practice				
102-45	Entities included in the consolidated financial statements	AR 109		
102-46	Defining report content and topic Boundaries	AR 18, 43		
102-47	List of material topics	AR 18		
102-48	Restatements of information	AR 43		
102-49	Changes in reporting	AR 43		
102-50	Reporting period	AR 43		
102-51	Date of most recent report	AR 43		
102-52	Reporting cycle	AR 43		
102-53	Contact point for questions regarding the report	See comments	Sustainability specialist Minna Päällysaho, minna.paallysaho@suominencorp.com	
102-54	Claims of reporting in accordance with the GRI Standards	AR 43		
102-55	GRI content index	AR 44–48		
102-56	External assurance	See comments	Suominen's sustainability report has not been externally assured.	

GRI STANDARD		LOCATION	COMMENTS	OMISSIONS AND REASONS FOR OMISSIONS
GRI 103: Management approach				
103-1	Explanation of the material topic and its Boundary	AR 18, 43		
103-2	The management approach and its components	AR 22		
103-3	Evaluation of the management approach	AR 22		
ECONOMIC STANDARDS				
GRI 201: Economic performance				
201-1	Direct economic value generated and distributed	AR 49		
GRI 205: Anti-corruption				
205-1	Operations assessed for risks related to corruption	AR 78		
205-2	Communication and training about anti-corruption policies and procedures	AR 42, 78		
205-3	Confirmed incidents of corruption and actions taken	See comments	No incidents in 2019 reported.	
GRI 206: Anti-competitive behavior				
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	See comments	No cases in 2019 reported.	
ENVIRONMENTAL STANDARDS				
GRI 302: Energy				
302-1	Energy consumption within the organization	AR 31, 50		
302-4	Reduction of energy consumption	AR 31, 50		Comparison year, to which energy reduction target should be based on, is not reported as Suominen is currently revising its sustainability agenda and related targets. Therefore information is not available at the moment.

GRI STANDARD		LOCATION	COMMENTS	OMISSIONS AND REASONS FOR OMISSIONS
GRI 303- Water				
303-1	Interactions with water as a shared resources	AR 31, 50		
303-2	Management of water discharge-related impacts	AR 31, See comments	Our water use and discharges are regulated by the national or regional authorities and we monitor the quality and volume of discharged water according to the requirements set by authorities.	
303-3	Water withdrawal by source	AR 31, 50		Breakdown by fresh water and other water as no other water is used.
303-4	Water Discharge	AR 31, 50		Breakdown by fresh water and other water as no other water is used.
303-5	Water Consumption	AR 31, 50		Breakdown by fresh water and other water as only fresh water is used. Change in water storages is not reported as it is not relevant for our operations.
GRI 305: Emissions				
305-1	Direct (Scope 1) GHG emissions	AR 32, 51		
305-2	Energy indirect (Scope 2) GHG emissions	AR 32, 51		
305-5	Reduction of GHG emissions	AR 32, 51		Comparison year, to which GHG emission target should be based on, is not reported as Suominen is currently revising its sustainability agenda and related targets. Therefore information is not available at the moment.
GRI 306: Effluents and waste				
306-2	Waste by type and disposal method	AR 32, 51		Breakdown of hazardous waste is omitted as the amount of hazardous waste accounts only 0.5% of the total amount of generated waste, which is not material amount.
306-3	Significant spills	See comments	No significant spills in 2019.	
GRI 307: Environmental compliance				
307-1	Non-compliance with environmental laws and regulations	See comments	No significant fines in 2019.	
GRI 308: Supplier environmental assessment				
308-1	New suppliers that were screened using environmental criteria	AR 41–42		

GRI STANDARD		LOCATION	COMMENTS	OMISSIONS AND REASONS FOR OMISSIONS
SOCIAL STANDARDS				
GRI 401: Employment				
401-1	New employee hires and employee turnover	AR 52		
GRI 403: Occupational health and safety				
403-1	Occupational health and safety management system	AR 22, 27–28, 43		
403-2	Hazard identification, risk assessment, and incident investigation	AR 22, 27–28, 43		
403-3	Occupational health services	AR 22, 27–28, 43	Not reported in detail this year.	
403-4	Worker participation, consultation, and communication on occupational health and safety	AR 22, 27–28, 43		
403-5	Worker training on occupational health and safety	AR 22, 27–28, 43		
403-6	Promotion of worker health	AR 22, 27–28, 43	Not reported in detail this year.	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	AR 22, 27–28, 43	Not reported in detail this year.	
403-9	Work-related injuries	AR 22, 27–28, See comments	Main types of injuries are sprains, strains, cuts and bruising.	
GRI 404: Training and education				
404-3	Percentage of employees receiving regular performance and career development reviews	AR 25, 52		
GRI 405: Diversity and equal opportunity				
405-1	Diversity of governance bodies and employees	AR 52, 57		
GRI 406: Non-discrimination				
406-1	Incidents of discrimination and corrective actions taken	See comments	No incidents in 2019 reported.	
GRI 414: Supplier social assessment				
414-1	New suppliers that were screened using social criteria	AR 41–42		
GRI 418: Customer privacy				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	See comments	No incidents in 2019 reported.	
GRI 419: Socioeconomic compliance				
419-1	Non-compliance with laws and regulations in the social and economic area	See comments	No incidents in 2019 reported.	

GRI Appendix

GRI 102-8 Information on employees and other workers

a. Total number of employee by employment contract by gender

	Women	Men
Permanent	142	522
Temporary	4	3

b. Total number of employee by employment contract by region

	Europe	Americas
Permanent	319	345
Temporary	7	0

c. Total number of employees by employment type

	Women	Men
Full-time	139	523
Part-time	7	2

GRI 102-13 Memberships in associations

Suominen's key memberships by country. Suominen is also involved in different professional networks and chambers of commerce.

Finland
EDANA
Finnish Business and Society (FiBS)
Finnish textile and fashion

USA
INDA Association of the Nonwoven Fabrics Industry

Brazil
ABINT Nonwovens Industry Brazilian Association

Spain
Aitex, Asociación de investigación de la industria textile
Ateval, Asociación de Empresarios del Textil de la Comunidad Valenciana

GRI 102-41 Collective bargaining agreements

Overall, 56% of Suominen employees are covered by collective bargaining agreements. Participation in collective bargaining agreements varies significantly between regions; South America 89%, Europe 100% and North America 0%. This reflects common practice in these regions.

GRI 201-1 Direct economic value generated and distributed

Revenues, EUR million	
Net sales	411.4
Other operating income	2.9
Revenues from financial investments	1.0
Total revenues	415.3

Operating costs, EUR million	
Direct production expenses: materials and services	-298.5
Indirect production expenses, R&D and SGA: services and other expenses	-19.5
Other operating expenses	-1.0
Total operating costs	-319.1

Employee wages, salaries and benefits, EUR million	
Wages and salaries	-37.6
Pensions	-3.0
Other personnel expenses	-17.8
Total employee wages, salaries and benefits	-58.4

Payments to providers of capital, EUR million	
Interest expenses	-4.8
Other financial expenses	-1.9
Total payments to provides of capital	-6.7

Payments to government, EUR million	
Current income tax charge for the year and previous years	-1.4
Other income taxes	-0.1
Total payments to government	-1.5

Retained in business, EUR million	
	29.6

ENERGY

GRI 302-1: Energy consumtion within the organization
GRI 302-4: Reduction of energy consumption

Energy consumption, GJ		2019	2018	2017
Non-renewable fuel consumed				
Natrual gas	302-1 a	737,187.4	830,205.7	782,615.4*
Other non-renewables	302-1 a	3,611.4	4,730.8	5,217.7
Renewable fuel consumed	302-1 b	0	0	0
Purchased electricity	302-1 c	657,695.1	700,912.8	673,063.9
Purchased steam	302-1 c	365,950.1	367,212.8	313,810.4
Total energy consumption	302-1 e	1,764,510.6	1,903,062.1	1,774,707.5
Change in total energy consumption	302-4	-138,851.5	128,354.6	111,198.4

*restated since some minor updates were made to natural gas consumption data.
Energy sold outside organization is not reported as Suominen does not generate any energy to be sold outside the organization.

WATER

GRI 303-3: Water withdrawal
GRI 303-4: Water discharge
GRI 303-5: Water consumption

		All areas			Areas with water stress		
Water withdrawal by source (in ML)		2019	2018	2017	2019	2018	2017
Surface water	303-3 a&b	3,703	3,727	3,405	0	0	0
Ground water	303-3 a&b	2,073	1,871	1,137	0	0	0
Seawater	303-3 a&b	0	0	0	0	0	0
Produced water	303-3 a&b	0	0	0	0	0	0
Third-party water	303-3 a&b	803	847	786	101	113	121
Total		6,578	6,445	5,328	101	113	121

Water discharge in 2019 by type of destination (in ML)		All areas	Areas with water stress
Surface water	304-4 a&c	5,320	0
Ground water	304-4 a&c	0	0
Seawater	304-4 a&c	0	0
Third-party water	304-4 a&c	551	20
Total		5,871	20
Water consumption in 2019	303-5 a&b	707	81

Figures presented here are based on the data collected from Suominen sites. We started to report water discharge and water consumption in 2019 according to the GRI reporting standard and therefore no historical data is presented. World Resource Institute's "Aqueduct Water Risk Atlas" is used for defining areas with water stress. Areas with water stress are defined as areas where the ratio of annual water withdrawal to annual renewable water supply is high or extremely high. Our water intake and discharge are regulated by national or regional authorities. For certain chemicals threshold limits are set by the authorities and the quality of discharged water is followed according to the monitoring plan.

EMISSIONS

GRI 305-1 Direct (Scope 1) GHG emissions
GRI 305-2 Energy indirect (Scope 2) GHG emissions
GRI 305-5: Reduction of GHG emisssions

Greenhouse gas emissions, tons of CO_2e		2019	2018	2017
Direct (Scope 1) emissions	305-1	41,983	47,914	44,867
Biogenic Direct (Scope 1) emissions	305-1	0	0	0
Energy indirect (Scope 2) emissions – market based	305-2	72,704	78,877	86,354
Energy indirect (Scope 2) emissions – location based	305-2	80,389	85,773	92,973
Total emissions (Scope 1 and Scope 2 – market based)		114,686	126,791	131,219
Change of total emissions	305-5	-12,105	-4,428	n.a

Suominen's direct (Scope 1) greenhouse gas (GHG) emissions are from the sources owned by Suominen and they are expressed as CO_2e, which covers greenhouse gases as described in Kyoto Protocol (CO_2,CH_4, N_20, HFCs, PCFs, SF_6 and NF_3). No biogenic emissions are generated form our operations as only fossils fuels are used.

In 2019, we revised Scope 2 greenhouse gas emissions calculation and also some updates were made to the greenhouse gas data. Therefore figures presented regarding Scope 2 emissions are restated. Scope 2 emissions are calculated according to the Greenhouse Gas Protocol's "A Corporate Accounting and Reporting Standard" and covers emissions from purchased electricity and steam. Market-based emissions are used for target setting and following our progress. Greenhouse Gas Protocol's calculation hierarchy and related emissions factors are used for the calculation of marked- and location-based methods. Market-based emissions are mainly derived from the local suppliers or when appropriate residual mixes (RE-DISS project) are used. Emissions factors used for local-based emissions are derived from national statistics or eGRID database.

GRI 306-2 Waste by type and disposal method

Waste by type and disposal method

Non-hazartous waste		2019	2018	2017
Energy recovery	306-2 b	1,871.3	n.a	n.a
Landfill	306-2 b	3,398.2	2,702.8	2,256.5
Hazardous waste				
Total amount of hazardous waste	306-2 a	13.3	n.a	n.a

Only waste disposal methods relevant for Suominen are presented.

GRI 401-1: New employee hires and employee turnover

Employee distribution and turnover

	Europe	Americas	Total
Number of empoyees			
By age group			
Under 30	18	24	42
30–50	196	199	395
Over 50	112	122	234
By gender			
Women	78	68	146
Men	248	277	525
Number of new hires			
By age groups			
Under 30	13	13	26
30–50	19	32	51
Over 50	4	6	10
By gender			
Women	17	9	26
Men	19	42	61
Number of leavings			
By age group			
Under 30	9	14	23
30–50	15	29	44
Over 50	10	16	26
By gender			
Women	23	46	69
Men	11	13	24
Total employee turnover rate	10%	17%	14%

GRI 404-3 Percentage of employees receiving regular performance and career development reviews

Percentage of empoloyees receiving regular performance and career development review

	Men	Women
White-collar	86%	80%
Blue collar	65%	77%

GRI 405-1 Diversity of governance bodies and employees

Diversity of Executive Team

By age group	Men	Women
Under 30	0	0
30–50	3	0
Over 50	3	1

Corporate Governance

Corporate Governance Statement of Suominen Corporation for 2019

Suominen Corporation ("Suominen" or the "Company") complies with the Finnish Corporate Governance Code 2020 (the "Code") issued by the Securities Market Association. The Code is available on the internet at **www.cgfinland.fi**.

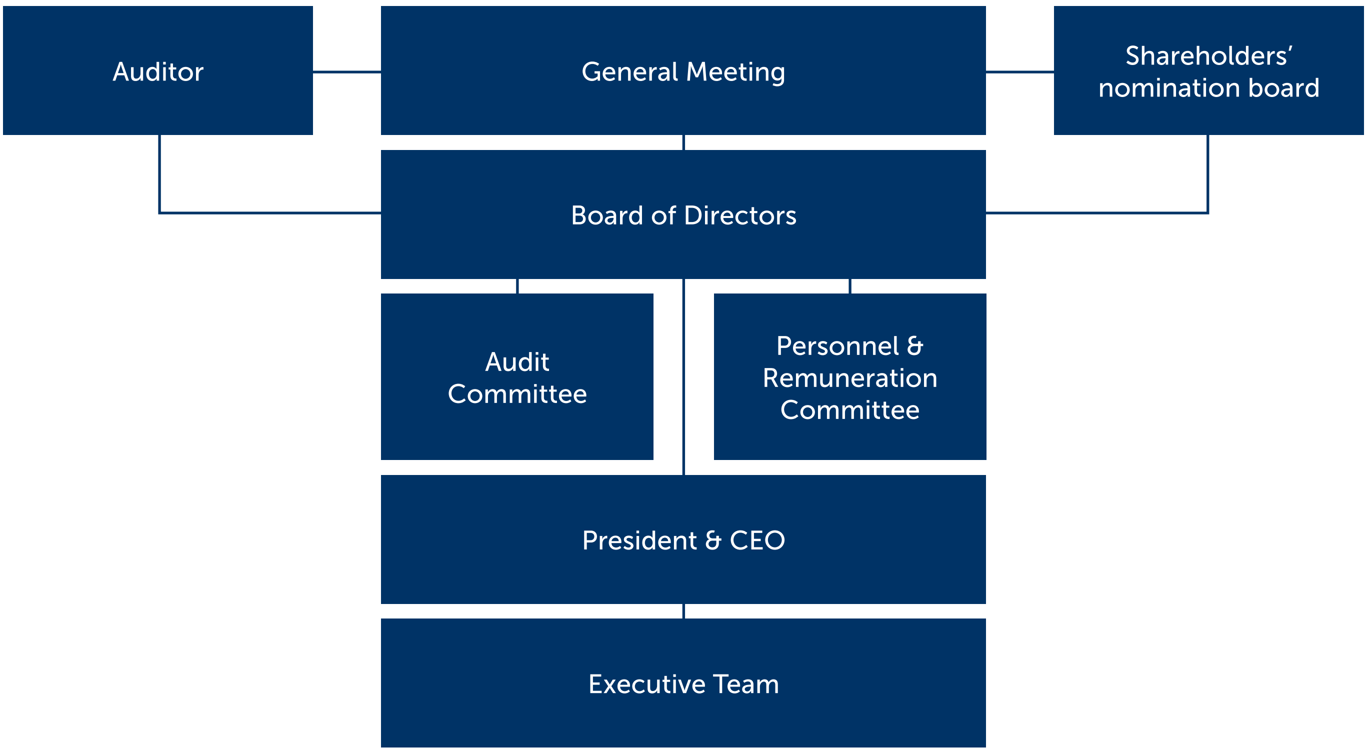
This Corporate Governance Statement (the "Statement") is published separately from the report of Board of Directors. This Statement has been published simultaneously with the Financial Statements and Report by the Board of Directors as a Stock Exchange Release, and it is available also on Suominen's 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.

1. Suominen's governing bodies

Responsibility for the Company's operations is held by the constitutional bodies required by the applicable laws and regulations. Suominen's decision-making bodies are the General Meeting of Shareholders, the Board of Directors with its two Committees, and the President & CEO, supported by the Executive Team.



General Meeting of Shareholders

Suominen's supreme decision-making body is the General Meeting of Shareholders, where shareholders exercise their decision-making power. The Annual General Meeting is held once per year before the end of April on a date determined by the Board of Directors. It decides on the matters stipulated in the Finnish Companies Act and Suominen's Articles of Association. Such matters include:

- Adoption of the financial statements
- Use of the profit shown on the balance sheet
- Election of the Chairman, Vice Chairman and members of the Board of Directors and the decision on their remuneration
- Discharging the members of the Board of Directors and the President and CEO from liability, and
- Election of the Auditor and the decision on the Auditor's compensation.

Suominen publishes a notice of the Annual General Meeting of Shareholders on the Company's website no earlier than two months and no later than three weeks prior to the meeting, however, at least nine (9) days prior to the record date of the meeting. In order to participate in the Annual General Meeting, a shareholder must inform the Company of the participation at the latest on the date mentioned in the invitation. The date may not be earlier than ten (10) days before the meeting.

Annual General Meeting in 2019

The Annual General Meeting was held in Helsinki on March 19, 2019. A total of 44 shareholders representing a total of 37,252,806 shares and votes were present at the meeting. All Board members, the candidate for Board membership and the Auditor of the Company were present at the meeting. The Annual General Meeting documents are available on the Company's website **www.suominen.fi**.

Shareholder's Nomination Board

Suominen has a permanent Shareholders' Nomination Board established by the 2013 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 consists of four (4) members, three of which are appointed by the Company's three largest shareholders registered in Euroclear on September 1, who appoint one member each. The Chair of the Company's Board of Directors serves as the fourth member. The Nomination Board is established to exist and serve until the General Meeting of the Company decides otherwise. The members are nominated annually, and their term of office ends 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.

Nomination Board in 2019

Shareholders' representatives on the Nomination Board in 2019 were Lasse Heinonen, representing AC Invest Two B.V., Erik Malmberg representing Oy Etra Invest Ab and Hanna Kaskela representing Varma Mutual Pension Insurance Company. Jan Johansson, Chair of Suominen's Board of Directors served as a fourth member of the Nomination Board. Lasse Heinonen acted as the Chair of the Nomination Board.

In 2019, the Nomination Board convened six times. The attendance rate at the meeting was 100%.

Board of Directors

The main duty of the Board of Directors of Suominen is to direct Suominen's strategy in a way that it, in the long run, enables the delivery of the financial targets set for Suominen and maximizes shareholder value while simultaneously taking into account the expectations of the key stakeholders.

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. The Board convenes according to an annual meeting plan.

The members of the Board of Directors are elected by the General Meeting of Shareholders. Pursuant to the Articles of Association of the Company, the Board shall have at least three and no more than seven members.

The main duties

The duties of the Board are defined in the Finnish laws and regulations, Suominen's Articles of Association and the Finnish Corporate Governance Code. The main duties are the following:

- 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 Company'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 real property
- deciding on strategically and financially significant investments, acquisitions, divestments, or other arrangements
- deciding on obtaining credit and pledging securities
- considering and approving strategy, sustainability agenda and action plans
- establishing a dividend policy and confirming the Company's targets.

Board of Directors in 2019

The 2019 Annual General Meeting elected six members to Suominen´s Board of Directors. The term of office of the members of the Board of Directors ends at the close of the Annual General Meeting 2020.

Board member	Member since	Born	Nationality	Education	Main occupation	Share ownership
Jan Johansson	2017, Chairman since 2017	1954	Swedish	Master of Laws	Board Professional	21,243
Risto Anttonen	2011	1949	Finnish	B.Sc. (Econ)	Board Professional	42,107
Andreas Ahlström	2015	1976	Finnish	M.Sc. Econ. and Business Adm.)	Investment Director, Ahlström Capital Oy	15,272
Hannu Kasurinen	2012	1963	Finnish	M.Sc. (Econ.)	EVP, Packaging Materials Division, Stora Enso Corporation	29,122
Laura Raitio	2015	1962	Finnish	Licentiate of Technology	Board Professional	15,272
Sari Pajari	2019	1968	Finnish	M.Sc. (Tech.)	SVP, Sales and Marketing, Metsä Board Corporation	4,493
Until March 19, 2019						
Jaana Tuominen	2014	1960	Finnish	M.Sc. (Tech.)	President and CEO, Fiskars Corporation	

Independence of the Board members

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 acts as Investment Director at Ahlström Capital Oy. The largest shareholder of Suominen, AC Invest Two B.V., is a group Company of Ahlström Capital.

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 2019, the Board of Directors convened 11 times, of which 1 time per capsulam. The attendance rate at the meetings was 98.5%. The participation of each individual member is presented in the table below.

Name		Participation
Jan Johansson	Chair	11/11
Risto Anttonen	Deputy Chair	11/11
Andreas Ahlström	Member	11/11
Hannu Kasurinen	Member	11/11
Laura Raitio	Member	11/11
Sari Pajari	Member	9/10
Until march 19, 2019		
Jaana Tuominen	Member	1/1

Performance evaluation

In 2019, after most 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 Board of Directors conducted an annual evaluation of its operation and working methods during financial year 2019. The assessment was conducted internally. The results of the assessment were discussed confidentially also with the Nomination Board members to whom the report was provided.

Diversity principles of the Board of Directors

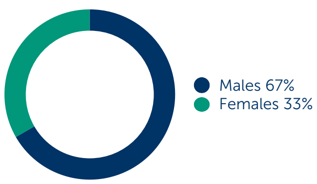
At Suominen, diversity has been recognized as an essential success factor in the long term. Also, in considering the Board's composition, diversity is assessed through a number of viewpoints. Diversity in the Board's competencies, experience and opinions promotes openness to new ideas and helps the Board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

The Nomination Board of Suominen's shareholders evaluates the number of members on 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 on its Board.

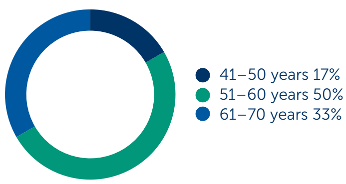
It is fundamental that the Nomination Board's final proposal to the Annual General Meeting is based on the qualifications and competencies of each candidate. In addition, candidates must also have the possibility to devote a sufficient amount of time to the Board work.

Board Diversity (December 31, 2019)

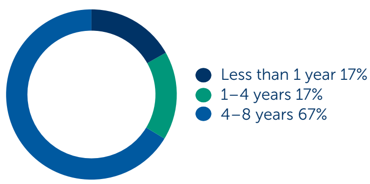
Gender



Age



Tenure



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

Board committees

The Board of Directors has two permanent committees: the Audit Committee and the Personnel and Remuneration Committee. The Board of Directors elects the members of the committees among its members at its annual organizing meeting. Both Committees report to the Board on their activities after each Committee meeting.

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 monitoring the activities of the external audit. The Audit Committee prepares for the Board matters that fall under its areas of responsibility, 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.

Audit Committee in 2019

The Audit Committee consisted of Hannu Kasurinen as Chair and Andreas Ahlström and Laura Raitio as members.

In 2019, the Audit Committee convened 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	4/4

Personnel and Remuneration Committee

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

The Chair and members of the committee are 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.

Personnel and Remuneration Committee in 2019

The Personnel and Remuneration Committee consisted of Jan Johansson (Chair), Risto Anttonen, Laura Raitio (until March 19, 2019) and Sari Pajari (as of March 19, 2019).

In 2019, the Personnel and Remuneration Committee convened 3 times. The attendance rate at the meetings was 100%. The participation of each individual member is presented in the table below.

Name		Participation
Jan Johansson	Chair	3/3
Risto Anttonen	Member	3/3
Sari Pajari	Member as of March 19, 2019	3/3
Laura Raitio	Member until March 19, 2019	-

President & CEO

The President & CEO (Managing Director) of Suominen 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 in charge of the day-to-day management of Suominen Group and is responsible for ensuring that the Company's accounting practices comply with the law and that its assets are reliably managed pursuant to the Companies Act. The President & CEO acts as the Chair of the Executive Team as the immediate supervisor of the team's members.

Petri Helsky, born 1966, serves as the President & CEO of Suominen. Mr. Helsky holds Master of Science degrees both in Engineering and Economics.

Executive Team

The President & CEO is supported by the Executive Team. In 2019, the Executive Team consisted of:

Executive Team member	Team member since	Born	Nationality	Education	Position	Share ownership
Petri Helsky	2019	1966	Finnish	M.Sc. (Tech.), M.Sc. (Econ.)	President and CEO	10,000
Toni Tamminen	2019	1978	Finnish	D.Sc. (Tech.), M.Sc. (Econ.)	CFO since July 2019	
Klaus Korhonen	2019	1974	Finnish	LL.M.	SVP, HR and Legal Affairs since August 2019	10,000
Lynda Kelly	2014	1964	US	B.Sc.	SVP, Business Development Until July 1, SVP Care	18,759
Markku Koivisto	2017	1971	Finnish	M.Sc. (Tech.)	CTO and as of July 1 SVP, Europe business area	14,822
Ernesto Levy	2015	1969	US	BIE & MBA	SVP, Americas business area Until July 1, SVP, Convenience	27,834
Mimoun Saïm	2011	1964	French	ENSI Engineering	SVP, Operations	29,060

Tapio Engström acted as CFO until April 2019. **Hannu Sivula** acted as SVP, HR until July 2019 and **Larry Kinn** acted as SVP, Operational Excellence until July 2019.

Suominen's operative organization

As of July 1, 2019, Suominen's operative organization consists of two business areas, Europe and Americas (until July 1 Suominen's business areas were Convenience and Care), and seven global functions supporting the business: Operations, Finance, Sourcing, Technology, HR & Legal Affairs, Business Development and Communications & IR. The Company only has one operating segment.

2. 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 the way of working adopted by the Company's managers and employees. The Company has established 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 Company. 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 based on the Company's policies approved by the Board of Directors and other directives and instructions. The responsibility structure of the Company 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.

The Company's Finance function supports the business areas and subsidiaries in analyzing their performance and profitability and in the decision-making concerning various business choices. Controllers at the subsidiary level are responsible for ensuring that control procedures are in place and implemented in the subsidiaries. The ICT function ensures that the security checks of ICT systems throughout the Group are functioning and are conducted at a sufficient level.

Control activities

Internal control activities are in place to, among other things, verify that the Company's financial reports provide a true and fair view of the Company's financial position. 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 a monthly report on the Company's result and financial position.

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

Internal control at Suominen has been decentralized across global functions, who monitor compliance with the operating guidelines approved by the Board concerning their areas of responsibility. In addition to the Group-level guidance, control measures are also taken at the business area and plant level. Control measures include both general and more detailed control procedures aimed at preventing, revealing and correcting errors and deviations.

In day-to-day business operations, several control activities are exercised to prevent potential errors and deviations in financial reporting. Moreover, control activities are in place to help reveal and correct the identified errors. Suominen categorizes its 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 global functions and each Group company 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, is 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 Company's Financial Manual, policies approved by the Board and other directives and instructions relating to financial reporting are updated and communicated on a regular basis by the management to all affected employees and are also available in the intranet systems of the Group. In addition, a standard reporting package is used by the business areas and the subsidiaries. Group management and business area 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 area management and controller functions.

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

The Company's Finance function monitors the operations and processes of the subsidiaries 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 strategic, operational, financial and hazard risks.

Operational risks are considered to potentially have a material value in transactions with external parties. However, the Company's 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 Company 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 quantitative and qualitative 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.

3. Other information

Internal audit

Suominen does not have a separate internal audit organization. The Company's auditor presents annually the external audit plan to the Audit Committee.

The Audit Committee considers annually whether there is a need to perform extended audit procedures. If the Audit Committee finds it necessary, it agrees separately with the Company's auditor or other suitable parties on extended audit procedures. Findings related to extended audit procedures are reported to the Audit Committee, the President & CEO and the relevant management.

Insider management

Suominen complies with EU Regulation No. 596/2014 on market abuse ("MAR") and 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.

Directors required to submit notifications

Based on the MAR Regulation, Suominen no longer maintains a public insider register. Instead, Suominen maintains a list of the Company's directors and persons closely associated with them. Persons on that list have an obligation to notify Suominen and the Finnish Financial Supervisory Authority of 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 as subject to the requirement to report their transactions.

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

Suominen's defined directors are subject to comply with the so-called closed period. The closed period applies prior to the disclosure of financial reports and lasts 30 calendar days, including the date of disclosure of a financial report. During the closed period, Suominen's defined directors may not trade with the share or another financial instrument of the Company. Core persons preparing financial reports, among others, are also 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 the Company's 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 is a transaction conducted by a director or core person to participate in a share-saving scheme for Suominen employees which is a prerequisite of a director's or a core person's position. Any exceptions to the 30-day-long closed period requires the Company's approval of 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 must, in addition to abiding by the closed period and other trade restrictions, time their trading so that it does not weaken the general trust in the securities market. Suominen recommends that directors and core persons make long-term investments in 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 of the Company's insider matters.

Without limiting the obligations arising from MAR, the Securities Marketing Act or Nasdaq's Insider Guidelines, the Company's insider administration assumes responsibility for 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 concerning the transactions of directors and their closely associated persons, going through the notifications and forwarding them to the Financial Supervisory Authority (if the director/closely associated person has authorized the Company to do so) and publishing the related stock exchange release, preparing and maintaining project-specific insider lists, preparing lists of personnel who are defined as core persons, monitoring insider issues, and administering the information to be published on the internet, if needed.

Auditing

The Annual General Meeting held on March 19, 2019 re-elected Ernst & Young Oy, Authorized Public Accountant firm, as auditor of the Company. Ernst & Young Oy appointed Toni Halonen, Authorized Public Accountant, as the principally responsible auditor of the Company. The auditors and the Audit Committee of Suominen agree annually on an audit plan.

Audit fees in 2019

Auditor's fees and services	EUR thousand
Auditing	488
Non-audit related fees (tax and other consulting fees)	46
TOTAL	**534**

Principles for related party transactions

Suominen's related parties comprise Suominen Corporation and its subsidiaries as well as the members of the Board of Directors and Executive Team and their close family members as well as companies in which the individuals mentioned, alone or jointly with others, exercise control. Suominen maintains a list of its related parties. Any business transactions between the company and its related parties can be identified through the company's ERP system. The company continuously develops its processes for monitoring and identifying related party transactions and for ensuring such transactions are in the ordinary course of business and at arm's-length terms.

Remuneration Statement of Suominen Corporation

This Remuneration Statement describes Suominen Corporation's ("Suominen" or the "Company") remuneration principles and the remuneration of the Board of Directors, President & CEO and other members of the Executive Team in 2019. This Statement has been prepared in accordance with the Finnish Corporate Governance Code 2015 (the "Code"). The Code is available on the Securities Market Association's website at **www.cgfinland.fi**.

A. Decision-making procedure concerning the remuneration

Board of Directors

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

President & CEO and other executives

The Personnel and Remuneration Committee of the Board of Directors of Suominen prepares the remuneration matters concerning the Company's President & CEO and other executives. The Personnel and Remuneration Committee continuously evaluates the appropriateness of the President & CEO's and other executives' remuneration by assessing how their remuneration is positioned to the market and ensuring the remuneration is aligned with the Company's strategy and the shareholders' interests.

The Personnel and Remuneration Committee does not have independent decision-making power unless the Board of Directors resolves otherwise on individual matters. The Board of Directors determines the salary, bonuses and other benefits paid to the President & CEO and to other members of the Executive Team. The General Meeting or the Board of Directors authorized by the General Meeting, decides on the issue of shares, stock options or other special rights entitling to shares to the President & CEO or other executives. The President & CEO or the other executives are not involved in the decision-making process regarding their own remuneration.

The Board of Directors determines also the severance payments of the President & CEO in the case of termination of his or her contract.

B. Main principles of remuneration

Suominen strives to have a remuneration system that incentivizes to pursue towards the Company's long-term financial performance and shareholder value creation. The Company aims to offer remuneration that attracts, motivates and retains the best possible management and Board members who drive Suominen's performance and strategy in alignment with essential stakeholder interests. The Policy's goal is to ensure that the philosophy of paying for performance is applied to Suominen's remuneration.

Main principles of remuneration of the Board of Directors

The basis for determination of the Board of Directors' remuneration is to ensure that the remuneration is competitive in relation to the market and that the remuneration reflects the competencies and efforts required from the members of the Board of Directors to fulfill their duties.

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

Suominen's Annual General Meeting held on March 19, 2019 decided that the remuneration payable to the members of the Board remains unchanged. Consequently, the Chair of the Board of Directors was paid an annual fee of EUR 60,000, Deputy Chair of the Board an annual fee of EUR 37,500 and other Board members an annual fee of EUR 28,000. 60% of the annual remuneration was paid in cash and 40% in Suominen's 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, calculated as the trade volume-weighted average quotation of the share during one-month period immediately following the date on which the interim report of January–March 2019 of the Company was published. The shares were given out of the treasury shares held by the Company on May 31, 2019. 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 valid travel policy.

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 share-based incentive plans and they do not have any pension contracts with the Company. Suominen shares that have been received as remuneration for the Board membership are not subject to restrictions or ownership obligations.

Main principles of remuneration of the President & CEO

Suominen strives to offer the President & CEO a remuneration structure that incentivizes towards the achievement of Suominen's strategic targets and long-term shareholder value creation, while at the same time retaining the President & CEO in the Company. The consistency and competitiveness of remuneration is ensured through systematic internal and external comparisons that take into consideration the local market conditions.

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

Long-term remuneration

Share-based incentive plans

Incentive plan for calendar years 2015–2019

The Board of Directors of Suominen decided on December 4, 2014 on two share-based incentive plans for the Group management (including the President & CEO) and Group key employees: Performance Share Plan and Matching Share Plan. The aim of the plans was 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.

The Performance Share Plan included three earnings periods, calendar years 2015–2017, 2016–2018 and 2017–2019. The Performance Share Plan was directed to approximately 20 people, including the President & CEO. The Plan included a share price cap mechanism which cuts the reward if the limits set by the Board of Directors for the share price are reached. The objectives for the last performance period 2017–2019 of the Plan were Suominen Group's net sales growth, earnings before interest and taxes margin (EBIT %) and return on invested capital (ROI %). As the set objectives were not met, no rewards will be paid on the basis of the Plan.

The Matching Share Plan included only one three-year vesting period, calendar years 2015–2017.

Incentive plan for calendar years 2018 and beyond

On December 11, 2017, the Board of Directors of Suominen approved a new share-based incentive plan for the Group management (including the President & CEO) and Group key employees. The aim of the new 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 plans based on earning and accumulating the Company's shares.

Performance Share Plan 2018

The new Performance Share Plan currently includes three 3-year performance periods, calendar years 2018–2020, 2019–2021 and 2020–2022. The Performance Share Plan is directed to approximately 20 people. The Plan includes a share price cap mechanism which cuts the reward if the limits set by the Board of Directors for the share price are reached. The potential reward of the Plan from the performance period 2018–2020 is based on the Relative Total Shareholder Return (TSR) and Earnings before Interest and Taxes margin (EBIT %). The potential rewards to be paid on the basis of the performance period 2018–2020 correspond to the value of an approximate maximum total of 502,000 Suominen shares, of which the maximum portion of the President & CEO would be the value of 88,000 shares (both including also the proportion to be paid in cash). The potential reward of the Plan from the performance periods 2019–2021 and 2020–2022 is based on the Relative Total Shareholder Return (TSR). The potential rewards to be paid on the basis of the performance period 2019–2021 correspond to the value of an approximate maximum total of 729,000 Suominen shares, of which the maximum portion of the President & CEO would be the value of 151,500 shares (both including also the proportion to be paid in cash). The potential rewards to be paid on the basis of the performance period 2020–2022 correspond to the value of an approximate maximum total of 893,000 Suominen shares, of which the maximum portion of the President & CEO would be the value of 224,500 shares (both including also the proportion to be paid in cash).

Reward payment and ownership obligation

The potential rewards from the performance periods 2018–2020, 2019–2021 and 2020–2022 will be paid partly in the Company's shares and partly in cash in 2021, 2022 and 2023, 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. Such number of shares must be held as long as his or her employment or service in a group Company continues.

Matching Restricted Share Plan 2019–2021

On June 4, 2019 the Board of Directors of approved a new share-based incentive plan for selected Group key employees. The aim is to align the objectives of the shareholders and key employees in order to increase the value of the Company in the long-term, to retain key employees at the Company, and to offer them a competitive reward plan that is based on acquiring, receiving and accumulating the Company's shares.

The Matching Restricted Share Plan is directed to selected key employees in the Suominen Group. The prerequisite for receiving a reward from the plan is that a participant acquires the company's shares, amounting to the number resolved by the Board.

If the prerequisites set for a participant have been fulfilled and his or her employment or service in a company belonging to the Suominen Group is in force at the time of the reward payment, he or she will receive matching shares as a reward.

The plan includes vesting periods, the duration of which is resolved by the Board. The potential reward will be paid partly in shares and partly in cash after a vesting period. The cash proportion is intended to cover taxes and tax-related costs arising from the rewards to the plan participants.

The prerequisite for reward payment is that a participant's employment or service is in force upon reward payment. The plan rewards to be allocated in 2019–2021 will amount to a maximum total of 200,000 Suominen shares including also the proportion to be paid in cash.

The President & CEO is included in the Matching Restricted Share Plan. According to the Plan, the President & CEO is entitled to receive in total 20,000 Suominen shares (gross before taxes) on the condition that he has personally invested into 10,000 Suominen shares. The matching shares will be delivered in two equal installments in 2020 and 2021.

Short-term remuneration

Suominen applies an annual bonus scheme based on the principles approved by the Board of Directors in advance for one year at a time. For the financial year 2019, the President & CEO's potential reward from the period was based on EBIT and certain personal targets, and it 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 his 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 members of the Executive Team consists of a fixed monthly salary and benefits, a performance-based bonus (short-term remuneration), and of share-based incentive plans (long-term remuneration). The remuneration system described above concerning the President & CEO is applied also to the other members of the Executive Team, with the following exceptions:

- Long-term remuneration through the share-based incentive plans: A member of the Executive Team must hold 50% of the net number of shares given on the basis of the performance-based 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 Executive Team members, the bonus may not exceed 50% of the annual salary.
- 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 in the Company's subsidiaries. Separate compensation is not paid for such duties.

C. Remuneration report

Remuneration of the President & CEO and Executive Team in 2019

In 2019, the salaries and benefits paid to Petri Helsky, President & CEO, totaled EUR 423,672. Additionally, he had a health insurance, of which the costs for the Company were EUR 3,712 in 2019. Supplementary pension payments for Petri Helsky were in total EUR 50,903. No bonuses were paid to the President & CEO in 2019.

The salaries and benefits paid to the other members of the Executive Team totaled EUR 1,637,226, including bonuses of EUR 67,522. In 2019, the members of the Executive Team received no Suominen shares, stock options or other share-based rights as remuneration.

Remuneration of the Board of Directors in 2019

		Annual remuneration paid in cash, EUR	Value of the annual remuneration paid in shares, EUR	Annual remuneration paid in shares, nr of shares	Meeting fees, EUR	Total, EUR
Jan Johansson	Chair	35,999.67	24,000.33	9,629	10,000	**70,000**
Risto Anttonen	Deputy Chair	22,500.10	14,999.90	6,018	5,500	**43,000**
Andreas Ahlström	Member	16,801.18	11,198.82	4,493	5,000	**33,000**
Hannu Kasurinen	Member	16,801.18	11,198.82	4,493	5,500	**33,500**
Sari Pajari	Member as of March 19, 2019	16,801.18	11,198.82	4,493	-	**28,000**
Laura Raitio	Member	16,801.18	11,198.82	4,493	5,000	**33,000**
Jaana Tuominen	Member until March 19, 2019	-	-	-	4,000	**4,000**

Remuneration of the members of the Board of Directors, including the value of the remuneration paid in Suominen shares, totaled EUR 244,500 in 2019.

Board of Directors

December 31, 2019

Jan Johansson

b. 1954

Master of Laws

Member of the Board since 2017

Chair of the Board of Directors since 2017

Independent member

Shareholding*:
21,243 Suominen shares

Risto Anttonen

b. 1949

B.Sc. (Econ.)

Member of the Board since 2011

Deputy Chair of the Board of Directors since 2012

Independent member

Shareholding*:
42,107 Suominen shares

Andreas Ahlström

b. 1976

M. Sc. (Ecnomics and Business Administration)

Investment Director, Ahlström Capital Oy

Member of the Board of Directors since 2015

Non-independent member

Shareholding*:
15,272 Suominen shares

Hannu Kasurinen

b. 1963

M.Sc. (Econ.)

Executive Vice President, Packaging Materials Division, Stora Enso Corporation

Member of the Board of Directors since 2012

Independent member

Shareholding*:
29,122 Suominen shares

Laura Raitio

b. 1962

Licentiate of Technology (Forest Products Technology)

Member of the Board of Directors since 2015

Independent member

Shareholding*:
15,272 Suominen shares

Sari Pajari

b. 1968

M. Sc. (Tech.)

Senior Vice President, Sales and Marketing, Metsä Board Corporation 2017–

Member of the Board of Directors since 2019

Independent member

Shareholding*:
4,493 Suominen shares

More 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 December 31, 2019.

Executive Team

December 31, 2019

Petri Helsky

President & CEO

b. 1966

M.Sc (Econ.)
M.Sc. (Tech.)

Joined Suominen in 2019

Shareholding*:
10,000 Suominen shares

Toni Tamminen,

CFO

b. 1978

D.Sc. (Tech.)
M.Sc. (Econ.)

Joined Suominen in 2019

Shareholding*: -

Lynda A. Kelly

Senior Vice President,
Business Development

b. 1964

B.Sc. (Business Administration/
Marketing)

Joined Suominen in 2014

Shareholding*:
18,759 Suominen shares

Markku Koivisto

Chief Technology Officer
SVP, Europe business area

b. 1971

M.Sc. (Tech.)

Joined Suominen in 2017

Shareholding*:
14,822 Suominen shares

Klaus Korhonen

Senior Vice President,
Human Resources and
Legal Affairs

b. 1974

LL.M.

Joined Suominen in 2019

Shareholding*:
10,000 Suominen shares

Ernesto Levy

Senior Vice President,
Americas business area

b. 1969

BIE (Industrial Engineering),
MBA (Marketing)

Joined Suominen in 2015

Shareholding*:
27,834 Suominen shares

Mimoun Saïm

Senior Vice President,
Global Operations

s. 1964

ENSI Engineering

Joined Suominen in 2011

Shareholding*:
29,060 Suominen shares

More detailed, up-to-date information on the principal working experience and positions of trust of the members of Suominen's Executive Team is available at **www.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 December 31, 2019.

Financial information

Financial information

January 1–December 31, 2019

Report by the Board of Directors 2019

Highlights of Suominen's financial year 2019

- Net sales decreased by 4.6% and were EUR 411.4 million (431.1)
- Operating profit improved to EUR 8.1 million (4.6)
- Cash flow from operations remained strong and was EUR 29.9 million (32.1)
- Petri Helsky started as President and CEO on January 7, 2019
- New business areas, Americas and Europe, started from July 1, 2019
- Board of Directors proposes to the Annual General meeting a dividend of EUR 0.05 per share

The figures shown in brackets refer to the performance in 2018, unless otherwise stated.

Key figures	2019	2018	2017
Net sales, EUR million	411.4	431.1	426.0
Comparable operating profit, EUR million	8.1	4.6	15.0
Operating profit, EUR million	8.1	4.6	15.0
Profit for the period, EUR million	0.2	-1.7	14.5
Earnings per share, basic, EUR	0.00	-0.03	0.27
Earnings per share, diluted, EUR	0.00	-0.03	0.25
Cash flow from operations per share, EUR	0.52	0.56	0.39
Return on invested capital, rolling 12 months, %	3.7	2.3	6.6
Gearing, %	50.7	54.2	59.5
Dividend per share, EUR	0.05*	–	0.11**

* 2019 the proposal of the Board of Directors to Annual General Meeting
** Return of capital

Net sales

In 2019, Suominen's net sales decreased by 4.6% from the comparison period to EUR 411.4 million (431.1), Our sales volumes decreased from the comparison period, whilst sales prices increased slightly. The strengthening of the USD compared to EUR increased the net sales by EUR 12.5 million.

Net sales of Americas business area were EUR 261.7 million (259.9) and net sales of Europe business area EUR 149.8 million (171.3).

In 2019, the share of nonwovens for baby wipes was 40% (39%), for personal care wipes 18% (22%), for home care wipes 24% (20%), for workplace wipes 9% (9%) and for medical & hygiene applications 8% (8%).

Operating profit and result

Operating profit improved and amounted to EUR 8.1 million (4.6). The application of IFRS 16 Leases improved the operating profit by EUR 0.2 million. The negative impact of foreign exchange rates was approximately EUR -1.8 million. Due to the reorganization operating profit included EUR 0.5 million restructuring costs.

In 2019, profit before income taxes was EUR 2.1 million (-1.0). Income taxes were EUR -1.9 million (-0.8), and the profit for the period to EUR 0.2 million (-1.7).

Net sales and operating profit

EUR thousand	2019	2018	2017
Net sales	411,412	431,109	425,996
Operating profit	8,129	4,594	15,000
Comparable operating profit	8,129	4,594	15,000

Financing

The Group's net interest-bearing liabilities, calculated with the nominal value of the interest-bearing liabilities at the end of the review period, December 31, 2019, amounted to EUR 67.2 million (70.8). Gearing was 50.7% (54.2%) and equity ratio 42.7% (40.7%).

In 2019, net financial expenses were EUR -6.0 million (-5.6), or 1.5% (1.3%) of net sales. Net effect of changes in foreign exchange rates in financial items was EUR 0.2 million (+0.3). In addition, a bad debt provision based on expected credit losses totaling EUR 0.5 million (0.6) was recognized from loan receivables.

Cash flow from operations in 2019 was EUR 29.9 million (32.1). Cash flow from operations per share in 2019 was EUR 0.52 (0.56). The financial items in the cash flow from operations, in total EUR -5.2 million (-4.7), were principally impacted by the interests paid during the reporting period. The change in the net working capital was EUR 1.6 million positive (EUR 5.6 million positive).

In September the remaining part, EUR 15.7 million, of the debenture bond issued in 2014 was repaid in accordance with the terms of the bond.

Capital expenditure

In 2019, the gross capital expenditure totaled EUR 11.2 million (13.6). Gross capital investments were mainly related to the growth investment initiative at the Green Bay plant, WI, USA as well as to the Group-wide renewal of ICT systems. All of Suominen's eight plants are now operating with the renewed ICT systems as the implementation of the new systems was conducted successfully during the second quarter of 2019 at the Paulínia, Brazil and Bethune, USA, plants. The other investments were mainly for maintenance.

Depreciation and amortization for the review period amounted to EUR -25.5 million (-21.0).

Capital expenditure and depreciation and amortization

EUR thousand	2019	2018	2017
Gross capital expenditure	11,198	13,580	37,210
% of net sales	2.7	3.2	8.7
Depreciation and amortization	-25,529	-21,018	-19,349

Key ratios

	2019	2018	2017
Return on equity (ROE), %	0.2	-1.3	10.6
Return on invested capital (ROI), %	3.7	2.3	6.6
Equity ratio, %	42.7	40.7	42.5
Interest-bearing net debt, EUR million*	67.2	70.8	81.4
Capital employed, EUR million	241.6	232.0	247.3
Gearing, %	50.7	54.2	59.5

* At nominal value

Key ratios are alternative performance measures and the definitions of them are presented in the annual report.

Key ratio per shares

	2019	2018	2017
Earnings per share, EUR, basic	0.00	-0.03	0.27
Earnings per share, EUR, diluted	0.00	-0.03	0.25
Cash flow from operations per share, EUR	0.52	0.56	0.39
Equity per share, EUR	2.30	2.27	2.38
Price per earnings per share (P/E) ratio	590.6	-68.5	16.5
Dividend or distributed funds per share, EUR*	0.05	–	0.11
Dividend payout ratio/ payout ratio for distribution of funds, %	1,278.4	–	41.0
Dividend yield, %	2.16	–	2.49

* 2019 the proposal of the Board of Directors to the Annual General Meeting

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

Quarterly development 2019

EUR thousand	Q1 2019	Q2 2019	Q3 2019	Q4 2019	2019
Net sales	94,459	103,363	103,824	109,766	411,412
Comparable operating profit	1,405	1,108	2,655	2,961	8,129
% of net sales	1.5	1.1	2.6	2.7	2.0
Items affecting comparability	–	–	–	–	–
Operating profit	1,405	1,108	2,655	2,961	8,129
% of net sales	1.5	1.1	2.6	2.7	2.0
Net financial expenses	-1,926	-1,080	-1,695	-1,297	-5,998
Profit before income taxes	-521	28	960	1,665	2,132
% of net sales	-0.6	0.0	0.9	1.5	0.5

Research and development

At Suominen, research and development activities are organized into Technology function. At the end of 2019, Technology function had 19 (19) employees. Research and development expenses amounted to EUR 3.4 million (3.5), corresponding to 0.8% (0.8%) of net sales.

Suominen's vision is to be the frontrunner for nonwovens innovation and sustainability. In addition, one of the five focus areas of the strategy is to differentiate with innovation and commercial excellence. Legislation and consumer behavior drive for more sustainable products and we are preparing for the growing demand by continuously developing new products made of renewable, recycled, compostable and plastic-free materials.

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 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

During 2019, Suominen employed 685 people (676) in average, and 669 people (690) at the end of 2019. The decrease came primarily from the Operations function.

Personnel related key ratios

	2019	2018	2017
Average number of personnel	685	676	670
Wages and salaries, EUR thousand	-37,620	-35,647	-35,577

Suominen's statement of non-financial information

Business model

Suominen manufactures nonwovens as roll goods. Suominen sources its raw materials from fiber producers in global markets and sell products to converters and brand owners who then convert and package nonwoven fabrics into both consumer goods and professional end products. Suominen's main market areas are North America and Europe. Suominen also operates in South American markets. Suominen's net sales were EUR 411.4 million and the Group employed 685 people on average.

Suominen's vision is to be the frontrunner for nonwovens innovation and sustainability. Suominen will grow by creating innovative and more sustainable nonwovens for our customers and improve its profitability through more efficient operations and a high performance culture. Suominen's main focus is on wipes. More information about Suominen's value creation can be found in the Annual Report p. 10.

Sustainability is an integral part of Suominen's strategy. The company is committed to systematic development of responsible business in its strategy and operations. Suominen's revised sustainability agenda was launched in January 2020. Our target is to be the most sustainable nonwovens company in the market. We strive to decrease environmental impacts of our operations and continuously develop our safety work and employee engagement as well as responsible sourcing of raw materials. The process of defining concrete targets, KPIs and actions will continue in 2020.

Risk management at Suominen

Suominen's risk management model covers strategic, operational, financial and hazard risks. The risk management process includes systematic and periodic risk assessments where key risks are identified and risk management actions captured. Suominen's risk management process is managed by the Risk Management Officer. Each risk is assigned a risk owner, who is responsible for the related risk mitigation actions. In 2019 risk assessment was integrated in the strategy process and risks were assessed against Suominen's strategic objectives. Suominen's risks and risk management practices, including risks related to non-financial information, are described in more detail in the Business risk and uncertainties section of this report.

Identification of material sustainability themes for Suominen

In order to determine the most material sustainability themes for Suominen from the company's business and stakeholders' perspective, a materiality assessment was conducted in 2019. The process included a global stakeholder survey and an internal workshop. The respondents in the survey represented a wide range of stakeholders including customers, employees, shareholders, investors, suppliers and industry associations. As a result of the process Suominen has defined four sustainability themes covering the most material sustainability topics for us: people and safety, sustainable nonwovens, low impact manufacturing and corporate citizenship.

Suominen's sustainability agenda, related goals and supporting policies are owned and monitored by the Executive Team. All Suominen's operations are responsible for implementing the company level sustainability initiatives to meet the targets.

The environment

Operating principles

For Suominen the material aspects of environmental responsibility include our targets to minimize the environmental impacts of our products throughout their life cycle, reduce the environmental impacts of our own operations and continuously develop responsible sourcing practices.

We have recognized that in order to reduce environmental impacts of our nonwovens we need to take under consideration the whole value chain. Therefore, we are committed to developing more sustainable products by using raw materials with smaller environmental footprint as well as continuously minimizing environmental impacts of our own production. The most material environmental impacts of our own production are water consumption, waste generation and energy consumption and related greenhouse gases generated.

The general operating principles governing the management of environmental issues are documented in Suominen's Code of Conduct. Seven out of eight sites have certified environmental management system (ISO 14001) and related environmental policies in place. In addition, all Suominen plants have a certified quality management system (ISO 9001) in place. Our supplier Code of Conduct includes requirements concerning environmental responsibility.

Performance indicators, targets and results

Suominen launched its revised sustainability agenda for 2020–2025 in January 2020. The results based on the revised agenda's targets will be reported from 2020 onwards. You can read more about our revised sustainability agenda from the Annual Report p. 19.

Sustainable nonwovens is one key theme in our sustainability agenda. The process of defining the indicators is ongoing and results about the new targets set for sustainable nonwovens will be reported from 2020 onwards.

Energy consumption and production waste are used as indicators of environmental impact of Suominen's own operations. There were no significant environmental incidents resulting from major permit violations, claims or compensations in 2019.

Social and personnel-related issues

Operating principles

Suominen's material aspects related to social and personnel-related issues are health and safety and employee engagement. Suominen has committed to ensuring its employees, contractors and others working at the company a fair, safe, equal and healthy work environment. Suominen has a strong focus on occupational safety and accident prevention and any kind of discrimination within the company is prohibited.

Suominen is committed to providing a fair place to work which means that Suominen respects labor rights and treats all employees in an equal manner. Suominen recognizes the business benefits of having a diverse workforce and aims to provide equal opportunities for everyone. We do not accept any kind of discrimination, including discrimination due to age, gender, religion or ethnic origin.

We support basic labor rights as defined in the Declaration on Fundamental Principles and Rights at Work by the International Labour Organization. Suominen upholds the freedom of association and the effective recognition of the right to collective bargaining. Suominen does not accept any form of forced or compulsory labor, or the use of child labor.

We follow blind hiring principle in new recruitments when possible to promote diversity and to ensure equal opportunities when applying for a job.

Safety is a top priority for Suominen and we strive to ensure a healthy and safe working environment for both our own people and partners. The operating practices concerning safety are documented in the Code of Conduct. Suominen has established Life Saving Rules and Behavior Based Safety Program to enforce its safety culture.

Indicator	2019	2018	2017
Energy consumption (GJ)	1,764,510	1,903,062	1,774708
Waste to landfill (tons)	3,398	2,703	2,256

Performance indicators, targets and results

Suominen launched its revised sustainability agenda for 2020–2025 in January 2020. The results based on the new targets will be reported from 2020 onwards. You can read more about our revised sustainability agenda from the Annual Report p. 19.

Increasing employee engagement and building a high-performance culture are key people-related themes in our sustainability agenda 2020–2025. Results about the new targets set for employee engagement and high-performance culture will be derived from an employee engagement survey and reported from 2020 onwards.

Safety is one of key sustainability aspects related to personnel. Reducing the number of accidents is a key target of Suominen's safety work. Our long term target is zero lost time accidents.

Respect for human rights

Suominen recognizes its responsibility to respect human rights and requires its business partners to do the same.

Suominen complies with local, regional and international laws and regulations and respects the protection of human rights as defined in the United Nation's Universal Declaration on Human Rights. In its Code of Conduct, Suominen commits to respecting human rights as an employer.

Suominen employees are expected to comply with the Code of Conduct. Suominen encourages its employees to report if they suspect any kind of behavior in breach of the Code of Conduct by contacting their supervisor, Human Resources function or through the external whistleblowing channel. As part of our revised sustainability agenda, our target is to renew our Code of Conduct and train our employees with it by 2022.

All Suominen's suppliers are expected to comply with Suominen's Supplier Code of Conduct. Human rights issues will be incorporated into Suominen's supplier auditing process that will be created during 2020. Our target is to have the majority of Suominen's raw material suppliers audited by 2021.

In 2019 there were no reported violations of human rights.

Prevention of corruption and bribery

Suominen is committed to complying with corporate governance and responsible business principles. Suominen's operations are ethical and transparent and our responsibility requirements apply also to our suppliers.

Suominen's Code of Conduct, Anti-corruption policy and Competition policy guide our operations regarding corruption, bribery and competition law compliance. The company's all employees are encouraged to seek advice from managers or the Human Resources function or through the external whistleblowing channel, if they identify or suspect even a potential conflict of interest or other unfair business practices. As part of our revised sustainability agenda our target is to renew our Code of Conduct and train all our employees with it by 2022.

Suominen's suppliers must comply with all applicable anti-corruption laws and regulations and our Supplier Code of Conduct. Suppliers are prohibited from engaging in any form of corruption, extortion, embezzlement or money laundering. Bribes, kickbacks, facilitating payments and similar payments to government officials or to Suominen employees or agents acting on Suominen's behalf are prohibited. Corruption and bribery issues will be incorporated into Suominen's supplier auditing process that will be created during 2020. Our target is to have the majority of Suominen's raw material suppliers audited by 2021.

In 2019 there were no identified corruption or bribery cases.

Indicator	Target	2019	2018	2017
Health and safety	Zero lost time accident	6 LTA*	4 LTA*	5 LTA*

*Lost time accident

Share information

Share capital

The number of Suominen's registered shares was 58,259,219 on December 31, 2019, equaling to a share capital of EUR 11,860,056.00. Suominen has one series of shares. Each share carries one vote in the Shareholders' Meeting and right to an equally-sized dividend. Suominen's shares are affiliated in a book-entry system.

Share trading and price

The number of Suominen Corporation shares (SUY1V) traded on Nasdaq Helsinki from January 1 to December 31, 2019 was 4,655,863 shares, accounting for 8.1% of the average number of shares (excluding treasury shares). The highest price was EUR 2.70, the lowest EUR 2.04 and the volume-weighted average price EUR 2.38. The closing price at the beginning of the review period, on January 2, 2019, was EUR 2.14 and the closing price on the last trading date of the review period, on December 30, 2019, was EUR 2.31.

The market capitalization (excluding treasury shares) was EUR 132.9 million on December 31, 2019.

Authorizations of the Board of Directors

The Annual General Meeting (AGM) held on March 19, 2019 authorized the Board of Directors to decide on the repurchase a maximum of 400,000 of the company's own shares. The company's own shares shall be repurchased otherwise than in proportion to the holdings of the shareholders by using the non-restricted equity through trading on regulated market organized by Nasdaq Helsinki Ltd at the market price prevailing at the time of acquisition. The shares shall be repurchased and paid in accordance with the rules of Nasdaq Helsinki Ltd and Euroclear Finland Ltd. The shares shall be repurchased to be used in company's share-based incentive programs, 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 Board of Directors shall decide on other terms and conditions related to the repurchase of the company's own shares. The repurchase authorization shall be valid until June 30, 2020 and it revokes all earlier authorizations to repurchase company's own shares.

The Annual General Meeting (AGM) held on March 19, 2019 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 options and other special rights referred to in Chapter 10, Section 1 of the Finnish Companies Act. New shares may be issued, and the company's own shares may be conveyed to the company's shareholders in proportion to their current shareholdings in the company; or by waiving the shareholder's pre-emption right, through a directed share issue if the company has a weighty financial reason to do so, such as, for example, using the shares as consideration in possible acquisitions or other arrangements related to the company's business, as financing for investments, using shares as part of the company's incentive program or using the shares for disbursing the portion of the Board members' remuneration that is to be paid in shares. The new shares may also be issued without payment to the company itself. 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 Board of Directors may grant options and other special rights referred to in Chapter 10, Section 1 of the Finnish Companies Act, which carry the right to receive against payment new shares or own shares held by the company. The right may also be granted to the company's creditor in such a manner that the right is granted on condition that the creditor's receivable is used to set off the subscription price ("Convertible Bond"). However, options and other special rights referred to in Chapter 10, Section 1 of the Companies Act cannot be granted as part of the company's remuneration plan.

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 above.

The authorizations shall revoke all earlier authorizations regarding share issue and issuance of special rights entitling to shares. The Board of Directors shall decide on all other terms and conditions related to the authorizations. The authorizations shall be valid until June 30, 2020.

On May 29, 2019 Suominen announced about the portion of the annual remuneration of the members of the Board of Directors which was paid in shares. The aggregate number of the shares that were granted out of the Company's treasury shares was 33,619 shares. After this, the maximum amount of authorization is 4,966,381 shares in aggregate.

Remuneration of the Board payable in shares

The Annual General Meeting held on March 19, 2019 decided that the remuneration payable to the members of the Board remains unchanged. 60% of the annual remuneration is paid in cash and 40% in Suominen Corporation's shares.

The number of shares forming the remuneration portion which is payable in shares was determined based on the share value in the stock exchange trading maintained by Nasdaq Helsinki Ltd, calculated as the trade volume-weighted average quotation of the share during the one month period immediately following the date on which the Interim Report of January–March 2019 of the company was published. The shares were given out of the treasury shares held by the company by the decision of the Board of Directors on May 31, 2019.

Since the decision taken by the Board of Directors was essentially an execution of a detailed resolution taken by the AGM, the Board did not exercise independent discretion when it decided on the transfer of the shares. The transferred shares are of the same class as the company's other shares.

Share-based incentive plans for the management and key employees valid in 2019

Performance Share Plan 2015–2019

The last vesting period (2017–2019) of the Performance Share Plan 2015–2019 ended in 2019. The potential reward of the Plan from the period 2017–2019 was 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 corresponded to the value of an approximate maximum total of 480,000 Suominen Corporation shares (including also the proportion to be settled in cash). No rewards will be paid for the vesting period of 2017–2019.

Performance Share Plan 2018

The Performance Share Plan 2018 currently includes two 3-year performance periods, calendar years 2018–2020 and 2019–2021. The Performance Share Plan is directed to approximately 20 people. The Plan includes a share price cap mechanism which cuts the reward if the limits set by the Board of Directors for the share price are reached. The potential reward of the Plan from the performance period 2018–2020 is based on the Relative Total Shareholder Return (TSR) and earnings before interest and taxes margin (EBIT%). The potential rewards to be paid on the basis of the performance period 2018–2020 correspond to the value of an approximate maximum total of 502,000 Suominen shares, of which the maximum portion of the President & CEO would be the value of 88,000 shares (both including also the proportion to be paid in cash). The potential reward of the Plan from the performance period 2019–2021 is based on the Relative Total Shareholder Return (TSR). The potential rewards to be paid on the basis of the performance period 2019–2021 correspond to the value of an approximate maximum total of 729,000 Suominen shares, of which the maximum portion of the President & CEO would be the value of 151,500 shares (both including also the proportion to be paid in cash).

The potential rewards from the performance periods 2018–2020 and 2019–2021 will be paid partly in the company's shares and partly in cash in 2021 and 2022, 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. Such number of shares must be held as long as his or her employment or service in a group company continues.

Matching Restricted Share Plan 2019–2021

The Matching Restricted Share Plan is directed to selected key employees in the Suominen Group. The prerequisite for receiving a reward from the plan is that a participant acquires the company's shares, amounting to the number resolved by the Board.

If the prerequisites set for a participant have been fulfilled and his or her employment or service in a company belonging to the Suominen Group is in force at the time of the reward payment, he or she will receive matching shares as a reward.

The plan includes vesting periods, the duration of which is resolved by the Board. The potential reward will be paid partly in shares and partly in cash after a vesting period. The cash proportion is intended to cover taxes and tax-related costs arising from the rewards to the plan participants.

The prerequisite for reward payment is that a participant's employment or service is in force upon reward payment. The plan rewards to be allocated in 2019–2021 will amount to a maximum total of 200,000 Suominen Corporation shares including also the proportion to be paid in cash.

Shareholders

At the end of the review period, on December 31, 2019, Suominen Corporation had in total 3,710 shareholders. Suominen is not aware of any shareholder agreements related with the shareholding or use of voting rights. Detailed information on the management shareholding and a table presenting the largest shareholders is available in the Notes of the consolidated financial statements.

Treasury shares

On December 31, 2019, Suominen Corporation held 729,351 treasury shares.

In accordance with the resolution by the Annual General Meeting, in total 33,619 shares were transferred during the reporting period 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

Suominen Corporation received on December 13, 2019 a notification referred to in Chapter 9, Section 5 and 6 of the Securities Market Act. According to the notification, the shareholding of Bolero Holdings SARL (Luxembourg) in Suominen Corporation crossed the 5% flagging threshold and was 5.81%. The number of shares owned by Bolero Holdings SARL is 3,382,052. Bolero Holdings SARL is 100% owned by Gondelero Holdings SARL, which is 100% owned by Bolero Trust.

Suominen Corporation received on December 13, 2019 a notification referred to in Chapter 9, Section 5 and 6 of the Securities Market Act. According to the notification, the shareholding of TVF TopCo Limited in Suominen Corporation fell below the threshold of 5%. TVF TopCo Limited is ultimately owned by the Triton Value Fund (TVF).

Information pursuant of Ordinance 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 in 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 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 his/her contract would be terminated due to a public tender offer. In accordance with the employment contract made by the company and the President & CEO, should the company terminate the President & CEO's contract of employment, 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 35 of the consolidated financial statements and in the Remuneration Statement 2019 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. In addition, Chair of the company's Board of Directors shall serve as the fourth member. The shareholders entitled to appoint members to the Nomination Board during financial year 2019 were determined on the basis of the registered holdings in the Company's shareholder register on September 1, 2018 and on September 2, 2019. The Nomination Board shall submit its proposals to the Board of Directors no later than February 1 prior to the Annual General Meeting.

From January 1 to September 2, 2019, the members of the Nomination Board were:
- Lasse Heinonen, President & CEO of Ahlström Capital, nominated by AC Invest Two B.V.;
- Roger Hagborg, Investment Advisory Professional, TVF TopCo Limited, nominated by Oy Etra Invest Ab;
- Reima Rytsölä, Executive Vice President, Investments of Varma Mutual Pension Insurance Company; nominated by Varma Mutual Pension Insurance Company;
- Jan Johansson, Chair of Suominen's Board of Directors.

Suominen's three largest registered shareholders on the basis of the registered holdings in the company's shareholders' register on September 2, 2019, AC Invest Two B.V., Oy Etra Invest Ab and Varma Mutual Pension Insurance Company, nominated the following members to the Shareholders' Nomination Board from September 3, 2019:
- Lasse Heinonen, President & CEO of Ahlström Capital Oy, as a member appointed by AC Invest Two B.V.;
- Erik Malmberg, Investment Advisory Professional, Triton Advisers AB, as a member appointed by Oy Etra Invest Ab;
- Hanna Kaskela, Director of Responsible Investments, Varma Mutual Pension Insurance Company;
- Jan Johansson, Chair of Suominen's Board of Directors.

Annual General Meeting

The Annual General Meeting (AGM) of Suominen Corporation was held on March 19, 2019.

The AGM adopted the Financial Statements and the Consolidated Financial Statements for the financial year 2018 and discharged the members of the Board of Directors and the President & CEO from liability for the financial year 2018.

The AGM decided that no dividend will be distributed and no capital will be returned from the reserve for invested unrestricted equity for the financial year 2018, and the profit shall be transferred to retained earnings.

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

The AGM decided that the number of Board members remains unchanged at six (6). Jan Johansson was re-elected as Chair of the Board of Directors and Andreas Ahlström, Risto Anttonen, Hannu Kasurinen and Laura

Raitio were re-elected as members of the Board of Directors. Sari Pajari was elected as a new member of the Board.

Ernst & Young Oy, Authorised Public Accountant firm, was re-elected as the auditor of the company for the next term of office in accordance with the Articles of Association. Ernst & Young Oy appointed Toni Halonen, Authorised Public Accountant, as the principally responsible auditor of the company.

The AGM authorized the Board of Directors to decide on the repurchase of the company's own shares and to resolve the issuance of shares and granting of options and the issuance of special rights entitling to shares. The terms and conditions of the authorization are explained earlier in this report.

Constitutive meeting and permanent committees of the Board of Directors

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

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

Suominen published a stock exchange release on March 19, 2019 concerning the resolutions of the Annual General Meeting and the organizing meeting of the Board of Directors. The stock exchange release and an introduction of the Board members can be viewed on Suominen's website at **www.suominen.fi**.

Changes in the Executive Team

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

Suominen announced on January 9, 2019, that the CFO of Suominen Corporation and member of Suominen Executive Team Tapio Engström will leave Suominen. His last day at Suominen was May 3. Toni Tamminen, D.Sc. (Tech.), M.Sc. (Econ.) started as CFO and member of Suominen Executive Team on July 30, 2019. Sirpa Koskinen, VP, Group Controller acted as interim CFO until Toni Tamminen started.

On April 24, 2019 Suominen announced its new business areas and changes in the Executive Team. Various changes in the Executive Team responsibilities were announced simultaneously. Ernesto Levy was appointed Senior Vice President, Americas business area, previously SVP, Convenience business area. Markku Koivisto was appointed interim Senior Vice President, Europe business area, he continues also in his role as CTO. Lynda Kelly was appointed Senior Vice President, Business Development, previously SVP, Care business area. Larry Kinn, SVP Operational Excellence, retired in July. At the same time Suominen announced that the Corporate Leadership Team was discontinued.

On May 20, 2019 Suominen announced that Hannu Sivula, Senior Vice President, Human Resources will leave the company. Klaus Korhonen (LL.M) started as Senior Vice President, Human Resources and Legal Affairs and as a member of Suominen's Executive Team on August 19, 2019.

Business risks and uncertainties

Manufacturing risks

Suominen has production plants in several European countries, United States and Brazil. Interruptions at the plants caused for example by machinery breakdown can cause production losses and delivery problems. Ongoing maintenance and investments aiming to extend the lifetime of the assets are an essential part of ensuring the operational efficiency of the existing production lines.

Suominen's operations could be disrupted due to abrupt and unforeseen events beyond the company's control, such as power outages or fire and water damage. Suominen may not be able to control such 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.

Competition

Suominen has numerous regional, national and international competitors in its different product groups. There is currently oversupply in some product groups in Suominen's principal markets. 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.

Price and availability of raw materials

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

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

Market and customer risks

Suominen's customer base is fairly concentrated, which increases the potential impact of changes in customer specific sales volumes. In 2019, the Group's ten largest customers accounted for 65% (65%) of the Group's 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 credit policy approved by the Board of Directors. Credit limits are confirmed for customers on the basis of credit ratings and customer history.

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

Changes in legislation, political environment or economic conditions

Suominen's business and products can be affected directly or indirectly by political decisions and changes in government regulations for example in areas such as environmental policy or waste legislation. An example of such legislation is the EU's Single-Use Plastics Directive that focuses on reducing marine litter. The potential exists for similar regulations to expand worldwide. This creates demand for more sustainable products, and Suominen is well placed to respond to this increasing demand.

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

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

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

Investments

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.

Cyber and information security

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

Financial risks

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 describedin the Note 3 of the consolidated financial statements.

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

Deferred tax assets included in the statement of financial position require that the deferred tax assets can be recovered against the future taxable income.

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

Risks related to Suominen's report on non-financial information and their management

The assessment of Suominen's most significant risks also covers significant non-financial risks. In addition, Suominen has identified risks related to the non-financial themes. A typical effect of the realization of a non-financial risk would be a negative reputation effect. Suominen's Code of Conduct guides our all operations. Suominen requires that all of its employees comply with the Code of Conduct. Suominen's suppliers are expected to comply with the company's Supplier Code of Conduct, which establishes the standards for conducting business with Suominen.

Environmental risks

Environmental risks have been identified as part of the ISO14001 environmental management system (excl. Paulínia, Brazil), and they are controlled and managed by each production plant. The most significant identified environmental risks include binder or chemical spills and fires at production sites, which may cause harm to environment. These risks are managed by identifying and executing mitigation actions to minimize likelihood and severity of environmental risks.

Social and employee-related risks

Suominen's success is dependent upon the professional competence and expertise of its management and personnel, its ability to secure employee commitment, and success in recruiting skilled workers in the future. Suominen implements and continuously develops processes and practices that enable us to attract, motivate and retain talented employees. We work for building and maintaining a culture of high performance where people are encouraged to set the bar higher and are able to perform at their top potential every day.

Occupational safety related risks are managed through continuous safety work and by ensuring that work guidelines are followed. To minimize safety risks Suominen has established Life Saving Rules, which are mandatory for everyone to comply in any circumstances. As preventive measure, Suominen has a Behavior Based Safety (BBS) program in use, which is implemented through safety walks with the purpose to identify unsafe and safe behavior or conditions as well as corrective actions to improve safe working conditions.

Risks related to human rights and corruption or bribery

Suominen has identified risks related to human rights in safe working conditions and inappropriate treatment of employees. Suominen has zero tolerance for any kind of discrimination. Human rights issues are incorporated into the Code of Conduct and will be incorporated in to supplier audit process, which will be created during 2020.

Suominen has zero tolerance to corruption. In its Code of Conduct and Anti-corruption Policy Suominen commits to refrain from all unfair business practices, including corruption and bribery, and expects the same of service providers and other third parties working on its behalf. Suominen has set up internal and external whistleblower channels for reporting any suspected non-compliance, and expects all employees and suppliers to report any violations of the Code of Conduct or the Supplier Code of Conduct to the company.

Business environment

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

The consumer confidence indexes in euro area and in the United States fluctuated slightly throughout the year, staying strong in both geographical areas the whole time. Suominen assesses the trend in the demand for its products on the bases of both the general market situation and, above all, on the basis of the framework agreements drawn up with its customers. There is currently overcapacity on the market, mainly in nonwovens for baby wipes and flushables.

At large, the growth in the demand in Suominen's target markets is expected to continue in 2020, on average, at the pace of 2019.

Changes in the group structure

Suominen Spain Holding S.A.U. merged into Alicante Nonwovens S.A.U. in December 2019.

Information on the separate financial statements of the parent company

Key ratios of the parent company

EUR thousand	2019	2018	2017
Net sales	22,066	22,788	21,574
Operating profit/loss	-1,367	-2,181	-1,804
% of net sales	-6.2	-9.6	-8.4
Net financial expenses	1,244	5,863	173
Profit/loss before appropriations and income taxes	-123	3,682	-1,631
Profit/loss for the period	-1,269	3,062	-463
Return on invested capital, %	2.5	1.8	1.8
Salaries	-3,036	-3,538	-2,880
Average number of personnel	29	27	30

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 22.1 million (22.8) and operating loss EUR -1.4 million (-2.2). Net financial expenses were EUR +1.2 million (+5.9). Profit/loss for the period was EUR -1.3 million (3.1). There are no related party loans except loans to other Suominen group companies.

In the financial year 2019, the parent company had on average 29 employees (27) and at the end of the year 30 employees (29).

Outlook for 2020

Suominen gave its long term net sales target for the strategy period 2020–2025 on January 8, 2020, which is that our net sales growth will be above relevant market growth. Suominen will no longer give short-term net sales guidance.

Suominen expects that in 2020, its comparable operating profit will improve from 2019. In 2019, Suominen's operating profit amounted to EUR 8.1 million. In financial years 2019 and 2018 Suominen had no items affecting the comparability of the operating profit.

Proposal by the Board of Directors for the use of the profit

The loss of the financial year 2019 of Suominen Corporation, the parent company of Suominen Group, was EUR -1,268,595.40. The funds distributable as dividends, including the loss for the period, were EUR 8,386,647 and total distributable funds were EUR 89,655,609.

The Board of Directors proposes that a dividend of EUR 0.05 per share shall be distributed for the financial year 2019 and that the loss shall be transferred to retained earnings. On January 29, 2020 the company had 57,529,868 issued shares, excluding treasury shares. With this number of shares, the total amount of dividends to be distributed would be EUR 2,876,493.40.

There have been no significant changes in the company's financial position after the end of the review period.

Corporate Governance Statement, Remuneration Statement and Non-financial Report

The Corporate Governance Statement 2019 and Remuneration Statement 2019 of Suominen Corporation have been disclosed as separate statements at **www.suominen.fi**. Both statements are included also in the company's Annual Report 2019.

Suominen's Non-financial Report as required by Directive 2014/95/EU and the Finnish Accounting Act is disclosed as part of this Board of Directors Report.

Events after the reporting period

New strategy and financial targets

On January 8, 2020 Suominen announced its new strategy and financial targets for years 2020–2025. According to its new strategy Suominen will grow by creating innovative and more sustainable nonwovens for its customers and improve its profitability through more efficient operations, and by building a high performance culture. Suominen's main focus is on wipes. Suominen's vision is to be the frontrunner for nonwovens innovation and sustainability.

Suominen's five focus areas to achieve its strategic targets are Operational excellence, Sustainability leadership, Differentiate with innovation and commercial excellence, Great place to work and Dual operating model.

Suominen's Board of Directors has set the following financial targets for the strategy period 2020–2025:

- Net sales growth during the period: above relevant market growth
- EBITDA margin by 2025: above 12%
- Gearing during the period: 40–80%, including the effect of IFRS 16 Leases

Revised sustainability agenda

On January 13, 2020 Suominen announced its revised Sustainability agenda for 2020–2025. A thorough stakeholder survey, interviews with stakeholder representatives, as well as internal workshop with management served as the basis for renewing the agenda. Suominen's Sustainability agenda has four themes which represent the topics that are defined the most important to its business and stakeholders. Sustainability themes are People and safety, Sustainable nonwovens, Low-impact manufacturing and Corporate citizenship.

Nomination Board proposals to the Annual General Meeting

On January 27, 2020 the Shareholders' Nomination Board (Nomination Board) gave its proposal covering the composition of the Board of Directors and remuneration of the Board members to the next Annual General Meeting to be held on March 19, 2020.

Proposal on the number of the members, on the composition, and on the Chair of the Board of Directors

The Nomination Board of Suominen Corporation's shareholders proposes to the Annual General Meeting that the number of Board members remains unchanged and would be six (6).

The Nomination Board proposes to the Annual General Meeting that Jan Johansson, Andreas Ahlström, Sari Pajari and Laura Raitio would be re-elected as members of Suominen Corporation's Board of Directors.

Out of the current Board members, both Risto Anttonen and Hannu Kasurinen have informed that they are not available as candidates for the Board of Directors.

In addition, the Nomination Board proposes that Björn Borgman and Nina Linander would be elected as new members of the Board of Directors.

Björn Borgman (born 1975, M.Sc. Industrial Engineering) currently works as Group Commercial Director at HL Display AB and prior to that he has held several international positions at Reckitt Benckiser, including Vice President Sales Canada and Country Manager Sweden. Borgman is a Swedish citizen.

Nina Linander (born 1959, B.Sc. (Econ.), MBA) is a professional board member. She has previously worked in various roles at Stanton Chase International, Electrolux and Vattenfall. Linander is a Swedish citizen.

All candidates have given their consent to the election. All candidates are independent of the company. The candidates are also independent of Suominen's significant shareholders, with the exception of Andreas Ahlström who acts currently as Investment Director at Ahlström Capital Oy. The largest shareholder of Suominen Corporation, AC Invest Two B.V. is a group company of Ahlström Capital Oy. The candidate information relevant considering their service for the Board of Directors is presented at the company website **www.suominen.fi**.

The Nomination Board proposes to the Annual General Meeting that Jan Johansson would be re-elected as the Chair of the Board of Directors.

Proposal on the Board remuneration

The Nomination Board of the shareholders of Suominen Corporation proposes to the Annual General Meeting that the remuneration of the Board of Directors would be as follows: the Chair would be paid an annual fee of EUR 66,000 (2019: EUR 60,000) and the Deputy Chair and other Board members an annual fee of EUR 31,000 (2019: EUR 37,500 for the Deputy Chair and EUR

28,000 for other members). The Nomination Board also proposes that the Chair of the Audit Committee would be paid an additional fee of EUR 10,000. The annual fees have not been increased for the Chair since 2017 and for the members since 2012.

Further, the Nomination Board proposes that the fees payable for each Board and Committee meeting would be as follows: EUR 500 for each meeting held in the home country of the respective member, EUR 1,000 for each meeting held elsewhere than in the home country of the respective member and EUR 250 for each meeting held as telephone conference. No fee is paid for decisions made without a separate meeting. In 2019 no meeting fees were paid for Committee meetings or Board meetings held as a telephone conference. Otherwise the meeting fees are proposed to remain unchanged.

60% of the annual fees is paid in cash and 40% in Suominen Corporation's shares. The number of shares to be transferred will be determined based on the share value in the stock exchange trading maintained by Nasdaq Helsinki Ltd, calculated as the trade volume-weighted average quotation of the share during the one-month period immediately following the date on which the interim report of January–March 2020 of the company is published. The shares will be transferred out of the own shares held by the company by the decision of the Board of Directors by May 31, 2020 at the latest.

Compensation for expenses will be paid in accordance with the company's valid travel policy.

The composition of the Nomination Board

The members of the Nomination Board are, as of September 3, 2019, Mr. Lasse Heinonen, Managing Director, Ahlström Capital, nominated by AC Invest Two B.V., Mr. Erik Malmberg, Investment Advisory Professional, Triton Advisers AB, nominated by Oy Etra Invest Ab, and Ms. Hanna Kaskela, Director of Responsible Investments, Varma Mutual Pension Insurance Company, nominated by Varma. Jan Johansson, Chair of Suominen's Board of Directors, serves as the fourth member of the Nomination Board. Lasse Heinonen acts as the Chair of the Nomination Board. All of the proposals made by the Nomination Board were unanimous.

New earnings period for management's and key employees' incentive plan

On January 29, 2020 Suominen announced that the Board of Directors of Suominen resolved to continue Group management's and key employees' share-based incentive plan with a new earnings period.

The new three-year earnings period of the Performance Share Plan includes calendar years 2020–2022 and is directed to approximately 20 people.

The potential reward of the Plan from the performance period 2020–2022 will be based on the Relative Total Shareholder Return (TSR). The rewards to be paid on the basis of the performance period 2020–2022 correspond to the value of an approximate maximum total of 893,000 Suominen Corporation shares (including also the portion to be paid in cash). The Board of Directors will be entitled to reduce the rewards agreed in the Performance Share Plan if the limits set by the Board of Directors for the share price are reached.

The potential rewards from the performance period 2020–2022 will be paid partly in the company's shares and partly in cash in 2023. The cash portion is intended to cover taxes and tax-related costs arising from the reward to the participant. As a rule, no reward will be paid, if a participant's employment or service ends before the reward payment.

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

Suominen Corporation
Board of Directors

Consolidated financial statements (IFRS)

Consolidated statement of financial position

EUR thousand

	Note	December 31, 2019	December 31, 2018
ASSETS			
Non-current assets			
Goodwill	5	15,496	15,496
Intangible assets	6	20,020	21,231
Property, plant and equipment	7	121,584	129,391
Right-of-use assets	8	14,319	–
Loan receivables	12	3,650	3,348
Equity instruments	11	777	777
Other non-current receivables	12	70	1,393
Deferred tax assets	31	2,091	2,540
Total non-current assets		**178,007**	**174,175**
Current assets			
Inventories	10	39,257	51,583
Trade receivables	12	46,728	58,097
Loan receivables	12	3,845	4,017
Other current receivables	12	3,820	4,118
Assets for current tax	31	701	974
Cash and cash equivalents		37,741	27,757
Total current assets		**132,093**	**146,545**
TOTAL ASSETS		**310,100**	**320,720**

	Note	December 31, 2019	December 31, 2018
EQUITY AND LIABILITIES			
Equity			
Share capital	16	11,860	11,860
Share premium account		24,681	24,681
Reserve for invested unrestricted equity		81,269	81,185
Treasury shares		-44	-44
Fair value and other reserves		264	264
Exchange differences	15	707	-669
Retained earnings		13,715	13,237
Total equity attributable to owners of the parent		**132,452**	**130,513**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	31	12,786	12,373
Liabilities from defined benefit plans	20	788	847
Provisions	21	1,608	–
Non-current lease liabilities	17	10,464	84
Other non-current liabilities	22	17	17
Debenture bonds	17	81,714	80,615
Total non-current liabilities		**107,375**	**93,935**
Current liabilities			
Debenture bonds	17	–	15,687
Current lease liabilities	17	2,986	78
Current interest-bearing liabilities	17	14,000	5,000
Liabilities for current tax	31	5	121
Trade payables and other current liabilities	22	53,282	75,386
Total current liabilities		**70,273**	**96,272**
Total liabilities		**177,648**	**190,207**
TOTAL EQUITY AND LIABILITIES		**310,100**	**320,720**

Consolidated statement of profit or loss

EUR thousand

	Note	January 1– December 31, 2019	January 1– December 31, 2018
Net sales	**23**	**411,412**	**431,109**
Cost of goods sold		-377,255	-399,826
Gross profit		**34,157**	**31,283**
Other operating income	25	2,903	2,528
Sales and marketing expenses		-7,273	-7,048
Research and development expenses		-3,376	-3,515
Administration expenses		-17,240	-17,599
Other operating expenses	25	-1,041	-1,055
Operating profit		**8,129**	**4,594**
Net financial expenses	30	-5,998	-5,557
Profit before income taxes		**2,132**	**-963**
Income taxes	31	-1,907	-757
Profit for the period		**225**	**-1,720**
Earnings per share, EUR			
Basic	33	0.00	-0.03
Diluted		0.00	-0.03

Consolidated statement of comprehensive income

EUR thousand

	January 1– December 31, 2019	January 1– December 31, 2018
Profit for the period	225	-1,720
Other comprehensive income:		
Other comprehensive income that will be subsequently reclassified to profit or loss:		
Exchange differences	1,570	2,936
Income taxes related to other comprehensive income	-193	-454
Total	**1,377**	**2,482**
Other comprehensive income that will not be subsequently reclassified to profit or loss:		
Remeasurements of defined benefit plans	75	-41
Income taxes related to other comprehensive income	-21	11
Total	**54**	**-29**
Total other comprehensive income	**1,431**	**2,452**
Total comprehensive income for the period	**1,656**	**732**

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 equity attributable to owners of the parent**
Equity January 1, 2019		**11,860**	**24,681**	**81,185**	**-44**	**-669**	**264**	**13,237**	**130,513**
Profit for the period		–	–	–	–	–	–	225	225
Other comprehensive income	15	–	–	–	–	1,377	–	54	1,431
Total comprehensive income		**–**	**–**	**–**	**–**	**1,377**	**–**	**279**	**1,656**
Share-based payments		–	–	–	–	–	–	198	198
Conveyance of treasury shares		–	–	84	–	–	–	–	84
Equity December 31, 2019		**11,860**	**24,681**	**81,269**	**-44**	**707**	**264**	**13,715**	**132,452**

	Note	Share capital	Share premium account	Reserve for invested unrestricted equity	Treasury shares	Exchange differences	Fair value and other reserves	Retained earnings	**Total equity attributable to owners of the parent**
Equity January 1, 2018		**11,860**	**24,681**	**87,423**	**-44**	**-3,151**	**264**	**15,761**	**136,794**
Profit for the period		–	–	–	–	–	–	-1,720	-1,720
Other comprehensive income	15	–	–	–	–	2,482	–	-29	2,452
Total comprehensive income		**–**	**–**	**–**	**–**	**2,482**	**–**	**-1,749**	**732**
Share-based payments		–	–	–	–	–	–	-775	-775
Unpaid return of capital back to equity		–	–	0	–	–	–	–	0
Return of capital		–	–	-6,322	–	–	–	–	-6,322
Conveyance of treasury shares		–	–	84	–	–	–	–	84
Equity December 31, 2018		**11,860**	**24,681**	**81,185**	**-44**	**-669**	**264**	**13,237**	**130,513**

Consolidated statement of cash flows

EUR thousand

	Note	January 1–December 31, 2019	January 1–December 31, 2018
Cash flow from operations			
Profit for the period		225	-1,720
Total adjustments to profit for the period	34	34,585	27,210
Cash flow before changes in net working capital		**34,810**	**25,490**
Change in net working capital		1,631	5,621
Financial items		-5,222	-4,677
Income taxes		-1,324	5,715
Cash flow from operations		**29,894**	**32,148**
Cash flow from investments			
Investments in property, plant and equipment and intangible assets		-10,520	-15,039
Cash flow from disposed businesses		–	198
Sales proceeds from property, plant and equipment and intangible assets		73	4
Cash flow from investments		**-10,447**	**-14,837**
Cash flow from financing			
Drawdown of current interest-bearing liabilities	17	38,000	25,000
Repayment of current interest-bearing liabilities	17	-47,572	-35,118
Return of capital		–	-6,322
Cash flow from financing		**-9,572**	**-16,440**
Change in cash and cash equivalents		**9,875**	**871**
Cash and cash equivalents at the beginning of the period		27,757	27,240
Effect of changes in exchange rates		109	-355
Change in cash and cash equivalents		9,875	871
Cash and cash equivalents at the end of the period		**37,741**	**27,757**

Notes to the consolidated financial statements

NOTE 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 (Karvaamokuja 2 B, 00380 Helsinki, Finland). Suominen's shares are publicly traded in the Nasdaq Helsinki Ltd. (Mid Cap; from January 1, 2020 in Small Cap). 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 January 29, 2020 approved these financial statements to be published. According to the Finnish Limited Liability 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 Limited Liability 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 December 31.

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, revised or amended standards and interpretations from January 1, 2019:

IFRS 16 Leases

IFRS 16 Leases was effective for the reporting periods beginning on January 1, 2019 or later. In accordance with the standard, the lessee recognized assets and liabilities for the rights and obligations created by leases. The application of the standard increased interest-bearing liabilities and property, plant and equipment (right-of-use assets) in the consolidated financial statements of Suominen. In addition, the rental expenses recognized in profit or loss decreased and depreciation as well as interest expenses have increased. This affected operating profit.

Suominen has applied the modified retrospective approach in application of IFRS 16. With this approach the comparative information is not restated. Leases are disclosed in Note 26, right-of-use assets in Note 8 and lease liabilities in Note 17.

IFRIC Interpretation 23: Uncertainty over Income Tax Treatments

The interpretation was applied from January 1, 2019. Suominen applied the interpretation without restating comparative information. Income taxes are disclosed in Note 31.

The effect of the standards applied from January 1, 2019 on the consolidated statement of financial position is presented in Note 37.

Other new or amended standard, annual improvements or interpretations applicable from January 1, 2019 are not material for Suominen Group.

New and amended IFRS standards and IFRIC interpretations published but mandatory in 2020 or later:

The new or amended standards or interpretations applicable from January 1, 2020 or later are not material for Suominen Group.

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-euro area are also recognized in other comprehensive income and included in equity as cumulative exchange difference (Note 15).

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 mainly similar. Also other resources, such as 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.

Since July 1, 2019, the sales organization of Suominen is organized geographically as Europe and Americas business areas. Account management of major customers ("Global Accounts") is, however, centralized and independent of the business areas.

The production facilities of Suominen are managed centrally, and also the high level supply planning is a centralized function. The centralized supply planning optimizes the use of the Group's production capacity. The manufacturing of the products is allocated, based on the technical parameters of the products and available production capacity, to the production facilities Also the allocation of marketing and R&D resources on different products or production technologies is decided centrally.

The chief operating decision maker of Suominen is the President & CEO, who is assisted by the 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 24.

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.

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.

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.

NOTE 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.

The carrying amounts of the lease liabilities and right-of-use assets are affected, among other things, with the management estimates made of the lease terms and possible renewals of the lease agreements.

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.

Critical accounting estimates and judgements are presented in the disclosure information related to each item.

NOTE 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 and credit 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 of the Group. Transaction risks mainly arise from cash flows generated by sale of products and purchase of materials used in production while translation risks arise from converting 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 and in financial position.

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

The foreign exchange transaction exposure comprises of committed and estimated currency cash flows for the next 12 months. The transaction risk arises mainly from the USD transactions in the euro area and in Brazil and from euro transactions in the USA and Brazil. The transaction risk related to USD arises both from operational and financial transactions. The exchange rate risks are hedged case by case.

Common derivative contracts are used in hedging to some extent, 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.

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

	Transaction exposure 2019		Transaction exposure 2018	
EUR thousand	12 months' cash flow	Hedged with currency forwards	12 months' cash flow	Hedged with currency forwards
USD/EUR	-2,775	-1,500	-773	-1,397
EUR/BRL	-1,632	–	-1,740	–
USD/BRL	-6,167	–	-10,624	–

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

Translation exposure 2019 against EUR

EUR thousand	Internal loan receivables	Cash and cash equivalents and internal interest-bearing liabilities	External interest-bearing liabilities	Equity of foreign subsidiaries	Hedged with currency derivatives	Open currency exposure
BRL	–	5,592	–	13,248	–	18,840
USD	51,118	23,711	–	72,123	–	146,952

Translation exposure 2018 against EUR

EUR thousand	Internal loan receivables	Cash and cash equivalents and internal interest-bearing liabilities	External interest-bearing liabilities	Equity of foreign subsidiaries	Hedged with currency derivatives	Open currency exposure
BRL	–	3,636	–	16,797	–	20,433
USD	50,154	16,302	–	69,956	–	136,412

Internal loan receivables consist of loan receivables granted by Suominen Corporation to subsidiaries outside of the euro area (+). The loan receivables from subsidiaries denominated in USD are in substance equity as the repayment is not anticipated in foreseeable future. These loan receivables amounted to USD 57.4 million, equaling to EUR 51.1 million at the end of the reporting period. The exchange differences from these loan receivables are recognized in exchange differences in other comprehensive income as they are in substance exchange differences arising from equity. Exchange rate differences arising from other internal and external interest-bearing liabilities are recognized in profit or loss.

Sensitivity analysis of financial instruments

IFRS requires disclosing sensitivity analysis of financial instruments. In the sensitivity analysis on the following page, the financial instruments include currency forward contracts, intra-group currency denominated loan receivables and intra-group currency denominated interest-bearing liabilities. 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 the US dollar rate.

2019

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	6	–	2,360	6	–	-2,360

2018

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	7	-81	2,884	7	81	-2,884

Effectiveness and sensitivity analysis of currency hedging

The management has assessed the effectiveness of hedging by combining the estimated net cash flows 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 2019 is estimated to be EUR - / + 214 thousand (EUR - / + 125 thousand). Sensitivities of exchange 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 currency rates at the end of the reporting period.

2019

EUR thousand	Currency strengthens / weakens %	Effect on 12 months' currency cash flow	Effect on hedging instruments	Net effect after tax
USD/EUR	+6 / -6	-160 / +160	-107 / +107	-214 / +214

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 the 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. Suominen's loan portfolio comprises both floating and fixed interest rate loans. The loans drawn from the revolving credit facility are floating rate loans. 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 48 months. At the end of 2019 duration excluding the lease liabilities was 28 months (38 months in 2018).

At the end of the reporting period the carrying amount of the Group's loans with fixed interest rates was EUR 81.7 million (EUR 96.5 million) and with floating interest rates EUR 14.0 million (EUR 5.0 million). Lease liabilities were EUR 13.5 million (EUR 0.2 million).

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:

	2019		2018	
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	-/+56	+/- 0.5	-/+20

At the end of the reporting period the cash and cash equivalents of the Group were EUR 37.7 million (EUR 27.8 million). Cash and cash equivalents have not been included in the sensitivity analysis.

Credit risk

The most significant individual credit risks relate to trade receivables from international companies mainly with high credit ratings. The credit 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. Expected credit losses of trade receivables recognized in profit or loss totaled EUR 942 thousand in 2019 (EUR 672 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 determination of the credit risk related to trade receivables is disclosed in Note 12.

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 as well determination of the credit risk related to loan receivables are disclosed in Note 12 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.

Suominen entered in September 2017 into a syndicated credit facility agreement consisting of a single-currency revolving credit facility of EUR 100 million with a maturity of four years. The lenders for the facility are Nordea Bank AB (publ), Finnish Branch and Svenska Handelsbanken AB (publ), Branch Operation in Finland. The bank facility includes leverage ratio and gearing as financial covenants.

In September 2017, Suominen Corporation issued a EUR 85 million unsecured bond which carries a fixed annual interest at the rate of 2.50% and matures on October 3, 2022. The bond is listed on Nasdaq Helsinki Ltd. since October 10, 2017.

The bond issued in 2014 was due in September 2019, and Suominen repaid the remaining capital, EUR 15.7 million, of the bond.

The average maturity of drawn loans within the committed facility agreements was 2.4 years (3.1 years) at the end of the reporting period. At the end of the reporting period the unused revolving credit facility was EUR 82 million.

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 table on the following page. The table includes both interest payments and repayments of capital.

Maturity analysis of financial liabilities 2019

EUR thousand

			Falling due				
Financial liabilities	Carrying amount	Contractual cash flows	Less than 6 months	6–12 months	1–2 years	2–5 years	After 5 years
Debentures	81,714	91,375	–	2,125	2,125	87,125	–
Loans from financial institutions	14,000	14,051	14,051	–	–	–	–
Lease liabilities	13,450	16,087	1,835	1,901	3,556	7,501	1,294
Other financial liabilities	411	411	411	–	–	–	–
Trade payables	44,495	44,495	43,952	543	–	–	–
Total	**154,069**	**166,420**	**60,249**	**4,570**	**5,681**	**94,626**	**1,294**

Maturity analysis of leasing obligations arising from operative leasing contracts is disclosed in Note 26.

		Falling due			
Contingent liabilities	Total	Less than 6 months	6–12 months	1–2 years	2–5 years
Guarantees	9,906	4,500	–	163	5,243
Commitments to leases not yet commenced	33	33	–	–	–
Total	**9,939**	**4,533**	**–**	**163**	**5,243**

Maturity analysis of financial liabilities 2018

EUR thousand

			Falling due				
Financial liabilities	Carrying amount	Contractual cash flows	Less than 6 months	6–12 months	1–2 years	2–5 years	More than 5 years
Debentures	96,301	109,918	344	18,199	2,125	89,250	–
Loans from financial institutions	5,000	5,032	5,032	–	–	–	–
Lease liabilities	162	173	51	35	87	–	–
Other financial liabilities	308	308	308	–	–	–	–
Trade payables	66,677	66,677	66,677	–	–	–	–
Total	**168,448**	**182,108**	**72,412**	**18,234**	**2,212**	**89,250**	–

Maturity analysis of leasing obligations arising from operative leasing contracts is disclosed in Note 26.

		Falling due			
Contingent liabilities	Total	Less than 6 months	6–12 months	1–2 years	2–5 years
Guarantees	10,516	3,000	1,500	163	5,853
Contractual commitments to acquire property, plant and equipment	1,128	1,128	–	–	–
Total	**11,644**	**4,128**	**1,500**	**163**	**5,853**

NOTE 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 42.7% (40.7%) and gearing was 50.7% (54.2%) on December 31, 2019.

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	2019	2018	**Reference**
Nominal value of interest-bearing liabilities	112.4	105.9	Note 17
Interest-bearing receivables	-7.5	-7.4	Note 12
Cash and cash equivalents	-37.7	-27.8	Consolidated statement of financial position
Interest-bearing net debt	**67.2**	**70.8**	
Total equity attributable to owners of the parent	132.5	130.5	
Assets total - advances received	310.0	320.7	
Gearing, %	50.7	54.2	
Equity ratio, %	42.7	40.7	

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 assets.

The Group's loan agreements include covenant terms which are linked to consolidated key figures. The credit facility includes leverage ratio and gearing as financial covenants. If the covenant terms are not fulfilled, negotiations with the lenders will be initiated. The financial covenants are calculated excluding the effect of application of IFRS 16.

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

NOTE 5 Goodwill

EUR thousand

Impairment testing of goodwill

In impairment testing the recoverable amount for the cash generating unit is determined as the value in use. Value in use comprises 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, the profitability of the business, 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. Replacement investments include also renewals of lease contracts.

The annual growth rate for Suominen's net sales during the period covered by the forecast (2020–2024) has been estimated at 3.2%. On January 8, 2020, Suominen announced of its strategy covering five years. The strategy is building on the foundation that was built during the previous strategy periods. Part of the previous years' strategy was the growth investment program, particularly at Alicante, Paulinia and Bethune sites. These investments enable Suominen to produce more products with higher value add at these sites and the new line in Bethune increased also the capacity of the Suominen production platform.

The discount rate has been derived by using targeted capital structure at the time of the impairment test. Gearing, or ratio of net debt to equity, is 65%. The application of IFRS 16 Leases increased the amount of interest-bearing liabilities in the statement of financial position This has been taken into account in the calculation of the discount rate. 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. The components of the cost of capital are revised annually.

Discount rate used in the calculation is the weighted average of the risk-free 10-year government bond rates in the 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.

When performing impairment testing, not only the carrying amount of goodwill is included in the tested carrying amount but also the carrying amount of property, plant and equipment and right-of-use assets as well as net working capital. If the pre-tax discount rate would increase by 3.3 percentage points or the annual terminal operating profit percentage would decrease by 2.0 percentage points, the recoverable amount would equal the carrying amount.

The critical assumptions in impairment testing

	2019	2018
Pre-tax discount rate	9.2%	13.7%
Growth in net sales 2020–2024 (2018–2022)	3.2%	4.2%
Annual terminal growth rate	1.0%	1.0%
Annual terminal operating profit percentage	6.4%	6.3%

Accounting principles

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 2018). The Group has one operating segment (Nonwovens), which is also a cash generating unit to which goodwill has been allocated in its entirety.

Critical accounting estimates and judgements

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.

NOTE 6 Intangible assets

EUR thousand

	Intangible rights	Goodwill	Other intangible assets	Advance payments and assets under construction	Total 2019
Acquisition cost January 1	**24,191**	**15,496**	**6,867**	**4,660**	**51,214**
Exchange difference	-1	–	15	0	14
Additions	102	–	3	2,119	2,224
Decreases and disposals	-1,784	–	-2	–	-1,786
Reclassifications	6,381	–	26	-6,405	3
Acquisition cost December 31	**28,889**	**15,496**	**6,910**	**375**	**51,669**
Accumulated amortization and impairment losses January 1	**-10,870**	**–**	**-3,562**	**-56**	**-14,488**
Exchange difference	1	–	-5	–	-4
Amortization for the reporting period	-2,856	–	-592	–	-3,448
Decreases and disposals	1,784	–	2	–	1,786
Reclassifications	–	–	0	–	0
Accumulated amortization and impairment losses December 31	**-11,940**	**–**	**-4,158**	**-56**	**-16,154**
Carrying amount December 31	**16,948**	**15,496**	**2,752**	**319**	**35,515**

	Intangible rights	Goodwill	Other intangible assets	Advance payments and assets under construction	Total 2018
Acquisition cost January 1	**15,010**	**15,496**	**7,386**	**7,714**	**45,606**
Exchange difference	-17	–	19	0	2
Additions	120	–	13	6,024	6,157
Decreases and disposals	–	–	-158	–	-158
Reclassifications	9,078	–	-393	-9,078	-393
Acquisition cost December 31	**24,191**	**15,496**	**6,867**	**4,660**	**51,214**
Accumulated amortization and impairment losses January 1	**-9,095**	**–**	**-3,490**	**-56**	**-12,640**
Exchange difference	12	–	5	–	17
Amortization for the reporting period	-1,787	–	-583	–	-2,371
Decreases and disposals	–	–	158	–	158
Reclassifications	–	–	349	–	349
Accumulated amortization and impairment losses December 31	**-10,870**	**–**	**-3,562**	**-56**	**-14,488**
Carrying amount December 31	**13,320**	**15,496**	**3,304**	**4,605**	**36,727**

In 2011, EUR 5,979 thousand of the purchase consideration related to the acquisition of Ahlstrom's Home and Personal business was allocated to customer relations. At the end of the reporting period, the carrying amount of these customer relations was EUR 2,223 thousand.

Accounting principles

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 29 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

Critical accounting estimates and judgements

If there is indication of impairment, the carrying amounts of 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 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 amortization of the asset or in recognizing of an impairment loss.

NOTE 7 Property, plant and equipment

EUR thousand

	Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and assets under construction	Total 2019
Acquisition cost January 1	**3,365**	**61,865**	**234,062**	**1,020**	**4,796**	**305,107**
Application of IFRS 16	–	–	-470	–	–	-470
Exchange difference	-7	515	2,590	0	85	3,182
Additions	–	131	559	–	8,096	8,786
Capitalized borrowing costs	–	–	–	–	188	188
Decreases and disposals	–	-22	-1,883	-3	–	-1,908
Reclassifications	–	331	3,444	266	-4,042	-3
Acquisition cost December 31	**3,358**	**62,819**	**238,301**	**1,283**	**9,122**	**314,883**
Accumulated depreciation and impairment losses January 1	**–**	**-33,541**	**-141,154**	**-844**	**-178**	**-175,717**
Application of IFRS 16	–	–	321	–	–	321
Exchange difference	–	-80	-1,120	0	-3	-1,203
Decreases and disposals	–	22	1,882	3	–	1,907
Depreciation for the reporting period	–	-2,413	-16,135	-60	–	-18,608
Reclassifications	–	-14	0	14	–	0
Accumulated depreciation and impairment losses December 31	**–**	**-36,026**	**-156,206**	**-888**	**-181**	**-193,301**
Carrying amount December 31	**3,358**	**26,793**	**82,096**	**395**	**8,942**	**121,584**

	Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and assets under construction	Total 2018
Acquisition cost January 1	**3,524**	**59,298**	**224,227**	**487**	**3,594**	**291,132**
Exchange difference	-159	897	5,336	-1	107	6,180
Additions	–	–	15	24	7,322	7,360
Capitalized borrowing costs	–	–	–	–	63	63
Decreases and disposals	–	-21	–	–	–	-21
Reclassifications	–	1,691	4,484	508	-6,290	393
Acquisition cost December 31	**3,365**	**61,865**	**234,062**	**1,020**	**4,796**	**305,107**
Accumulated depreciation and impairment losses January 1	**–**	**-31,104**	**-122,762**	**-448**	**-170**	**-154,483**
Exchange difference	–	-76	-2,174	1	-8	-2,257
Decreases and disposals	–	21	–	–	–	21
Depreciation for the reporting period	–	-2,382	-16,208	-58	–	-18,648
Reclassifications	–	–	-9	-339	–	-349
Accumulated depreciation and impairment losses December 31	**–**	**-33,541**	**-141,154**	**-844**	**-178**	**-175,717**
Carrying amount December 31	**3,365**	**28,324**	**92,908**	**175**	**4,619**	**129,391**

	2019	2018
Carrying amount of production machinery and equipment	80,451	91,017

Contractual commitments to acquire property, plant and equipment are presented in Note 36.

Accounting principles

Property, plant and equipment consist mainly of land, buildings and structures as well as of 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 depreciation
Buildings and constructions	10–40 years
Machinery and equipment	4–20 years
Other tangible assets	3–5 years
Advance payments and assets under construction	no depreciation

Critical accounting estimates and judgements

If there is indication of impairment, the carrying amounts of property, plant and equipment 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 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 of the asset or in recognizing of an impairment loss.

NOTE 8 Right-of-use assets

EUR thousand

	Right-of-use land	Right-of-use buildings	Right-of-use machinery and equipment	Right-of-use office spaces	Other right-of-use assets	Total 2019
Acquisition cost January 1	**77**	**14,698**	**1,712**	**748**	**31**	**17,267**
Exchange difference	–	97	7	14	–	119
Additions	–	25	512	409	–	946
Decreases	-2	-138	-218	-27	-31	-416
Acquisition cost December 31	**75**	**14,683**	**2,013**	**1,145**	**–**	**17,916**
Accumulated depreciation and impairment losses January 1	**–**	**–**	**-321**	**–**	**–**	**-321**
Exchange difference	–	4	1	0	–	6
Decreases	–	–	194	–	7	201
Depreciation for the reporting period	-6	-2,676	-606	-188	-7	-3,483
Accumulated depreciation and impairment losses December 31	**-6**	**-2,672**	**-731**	**-187**	**–**	**-3,597**
Carrying amount December 31	**69**	**12,011**	**1,282**	**958**	**–**	**14,319**

Suominen owns the majority of its production facilities (ie. buildings and land) as well as all of its production lines. The most significant lease contracts Suominen has consist of the leased production facilities in Italy and Windsor Locks, USA. In addition, part of the production facility in Spain is leased. Other lease contracts are mainly lease contracts of offices, smaller machinery and equipment, such as forklifts and office equipment, as well as leases of vehicles.

Lease contracts are disclosed in Note 26.

NOTE 9 Group companies

Company	Domicile	Ownership, %	Owned by parent company
Suominen Corporation	Helsinki, Finland		
Suominen Nonwovens Ltd.	Nakkila, Finland	100%	x
Mozzate Nonwovens S.r.l.	Mozzate, Italy	100%	x
Cressa Nonwovens S.r.l.	Mozzate, Italy	100%	
Alicante Nonwovens S.A.U.	Alicante, Spain	100%	x
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.	Paulínia, Brazil	100%	x

Suominen Spain Holding S.A.U. merged into Alicante Nonwovens S.A.U. in December 2019.

NOTE 10 Inventories

EUR thousand

	2019	2018
Inventories		
Raw materials and consumables	20,353	28,903
Work in progress	1,388	2,051
Finished goods	17,431	19,711
Advance payments for inventory	86	918
Total inventories	**39,257**	**51,583**
Write-down of inventory	-1,252	-1,409
Reversals of write-down of inventory	151	143
Inventories recognized as expense during the period	-310,937	-333,251

Accounting principles

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

Critical accounting estimates and judgements

Measurement of inventories includes some management estimates. Inventories are measured at lower of cost and net realizable value. 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.

NOTE 11 Equity instruments

EUR thousand

	At fair value through profit or loss	Designated at fair value through other comprehensive income	Total 2019
Carrying amount January 1	**347**	**429**	**777**
Carrying amount December 31	**347**	**429**	**777**

	At fair value through profit or loss	Designated at fair value through other comprehensive income	Total 2018
Carrying amount January 1	**347**	**429**	**777**
Carrying amount December 31	**347**	**429**	**777**

Accounting principles

For investments in equity instruments, ie. shares, 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 the fair value changes and the possible gains and losses on disposal are recognized in other comprehensive income without subsequent recycling to profit or loss.

Equity instruments consist of unlisted shares. At the disposal of its Flexibles business unit Suominen acquired shares in Bright Maze Oy. The ownership represents 19.9% of shares and votes in Bright Maze Oy. Shares in Bright Maze Oy are measured at fair value through profit or loss.

Other equity instruments are designated to be measured at fair value through other comprehensive income as they are not material items in the consolidated financial statements of Suominen.

If there is no active market for the equity instruiment or if the securities are not listed, 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 is for example the present value of discounted cash flows arising from the asset or fair values other instruments which are substantially identical than the asset.

NOTE 12 Receivables

EUR thousand

	2019	2018
Non-current receivables		
Loan receivables	3,650	3,348
Other non-current receivables	70	1,393
Total non-current receivables	**3,720**	**4,741**
Current receivables		
Trade receivables	46,728	58,097
Loan receivables	3,845	4,017
Other current receivables	1,447	867
Prepaid expenses and accrued income	2,373	3,251
Total current receivables	**54,394**	**66,232**

Ageing analysis of trade receivables and credit risk exposure

Trade receivables December 31, 2019

		Past due					
	Current	< 5 days	5–30 days	31–120 days	> 120 days	Total past due	**Total**
Trade receivables	40,042	2,321	2,760	1,499	2,135	8,714	**48,757**
Allowance for expected credit losses	–	–	0	-106	-1,922	-2,028	**-2,028**
Carrying amount of trade receivables	**40,042**	**2,321**	**2,760**	**1,393**	**213**	**6,686**	**46,728**

Trade receivables December 31, 2018

		Past due					
	Current	< 5 days	5–30 days	31–120 days	> 120 days	Total past due	**Total**
Trade receivables	49,129	1,928	4,687	1,957	1,478	10,050	**59,179**
Allowance for expected credit losses	–	–	-2	-118	-962	-1,082	**-1,082**
Carrying amount of trade receivables	**49,129**	**1,928**	**4,685**	**1,839**	**516**	**8,967**	**58,097**

Expected credit losses of trade receivables and changes in the allowance for expected credit losses of trade receivables

	2019	2018
Allowance for expected credit losses January 1	**-1,082**	**-424**
Exchange difference	-6	-15
Realized	–	30
Reversed	37	15
Charge for the year	-979	-687
Allowance for expected credit losses December 31	**-2,028**	**-1,082**
Expected credit losses of trade receivables recognized during the period, net	-942	-672

Currency analysis of trade receivables

	2019	2018
EUR	26,930	32,494
USD	16,387	20,633
BRL	3,269	4,824
Other currencies	142	146
Total	**46,728**	**58,097**

Prepaid expenses and accrued income consist mainly of accruals of financial items and other accruals related to expenses. 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. The carrying amount of other receivables equals the maximum exposure to credit risk.

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.

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% p.a. The loan matured on December 31, 2018. Due to the default in repayment of the loan, the interest rate of the loan has increased. 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. Suominen has a second priority pledge of the security. As the credit risk related to the loan receivable has increased, Suominen has recognized impairment loss of the receivable.

The interest rate ot the Subordinated Loan Note is 9% p.a. and it will be fully repaid at its maturity on July 31, 2024. 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.

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.

Accounting principles

Loan receivables

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

Vendor Loan Note is a financial asset at fair value through profit or loss, as it includes terms which are not basic terms for loan receivables. For this loan receivable the expected credit risk is taken into account when determining the fair value of the receivable. Credit risk is evaluated based on lifetime expected credit losses as due to defaults in payments in accordance with the payment plan the credit risk has increased significantly since initial recognition. Impairment losses arising from increased credit risk are recognized in financial expenses (Note 30).

The Subordinated Loan Note is measured at amortized cost, as its contractual cash flows consist solely of payments of principal and interest, and Suominen's aim is to hold the receivable until maturity in order to collect the contractual cash flows. For this loan receivable 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.

Trade receivables

Trade receivables are measured under IFRS 9 at amortized cost. The value of trade receivables depends on the transaction price of sold goods. Transaction price is measured in accordance with IFRS 15 Revenue from Contracts with Customers. 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 applies the practical expedient allowed by IFRS 9 for credit losses arising from trade receivables and uses a provision matrix in estimating the credit losses based on historical experience on realized credit losses. In accordance with the provision matrix, the credit losses of trade receivables are based on lifetime expected credit losses. Trade receivables are categorized based on days past due as well as on risk characteristics of the customers taking into account the customers' capability to pay all contractual amounts as agreed in the contracts. Risk characteristics include, among others, the geographical risk related to the customer, the payment behavior and the financial position of the customer.

The expected credit losses on trade receivables are a probability-weighted estimate of credit losses over the expected life. Suominen's realized credit losses have historically been immaterial. There is however, a risk that some bad debt provisions made in 2018 and 2019 will be realized credit losses due to the customers' financial difficulties. In accordance with IFRS 9, which has been applied from 2018, the expected credit losses of trade receivables (provisions for bad debts) are recognized earlier than before.

A large part of the trade receivables were at the end of the reporting period from international customers with high credit rating. These customers are capable to pay their overdue receivables and the credit risk is not considered to be significantly increased even if the receivables were overdue for more than 30 days.

If it has been estimated that the credit risk of other overdue trade receivables has significantly increased, expected credit losses have been recognized. In addition, the overdue trade receivables are under collection procedures or payment plans with the customers have been made. Suominen also monitors continuously that payment plans are followed.

Critical accounting estimates and judgements

Measurement of trade and loan receivables includes some management estimates. If the management estimates that the carrying amount of a trade or loan receivable exceeds its fair value, an impairment loss is recognized. Estimates and judgements are used also in defining the expected credit losses.

NOTE 13 Financial assets

EUR thousand

Classification of financial assets

	At fair value through profit or loss	At amortized cost	Designated at fair value through other comprehensive income	Carrying amount	Fair value
Equity instruments	347	–	429	777	777
Loan receivables	3,845	3,650	–	7,495	7,495
Trade receivables	–	46,728	–	46,728	46,728
Interest and other financial receivables	–	313	–	313	313
Cash and cash equivalents	–	37,741	–	37,741	37,741
Total December 31, 2019	**4,193**	**88,432**	**429**	**93,054**	**93,054**

	At fair value through profit or loss	At amortized cost	Designated at fair value through other comprehensive income	Carrying amount	Fair value
Equity instruments	347	–	429	777	777
Loan receivables	4,017	3,348	–	7,365	7,365
Trade receivables	–	58,097	–	58,097	58,097
Interest and other financial receivables	–	491	–	491	491
Derivative receivables	9	–	–	9	9
Cash and cash equivalents	–	27,757	–	27,757	27,757
Total December 31, 2018	**4,374**	**89,693**	**429**	**94,496**	**94,496**

Accounting principles

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

Trade day accounting is applied to regular purchases and sales of financial assets. 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.

Financial assets at fair value through profit or loss

Certain loan receivables are under IFRS 9 financial assets at fair value through profit or loss, as they, among other things, include terms which are not basic terms for loan receivables. Loan receivables at fair value through profit or loss are described in Note 12.

Financial assets at fair value through profit or loss include equity instruments. More information is presented in Note 11.

Derivative instruments, for which hedge accounting is not applied, are recognized under IFRS 9 at fair value through profit or loss. Disclosure information on derivative instruments is presented in Note 19.

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.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity instruments. More information is presented in Note 11.

Financial assets at amortized cost

Loan and trade receivables at amortized cost are described in Note 12.

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

Cash and cash equivalents comprise cash. If bank overdrafts are in use, they are included in current interest-bearing liabilities.

NOTE 14 Fair value hierarchy

EUR thousand

Fair value hierarchy in 2019

Financial assets at fair value	Level 1	Level 2	Level 3
Equity instruments	–	–	777
Loan receivables	–	–	3,845
Total in 2019	**–**	**–**	**4,622**

Fair value hierarchy in 2018

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

At the end of reporting periods 2019 and 2018 Suominen had no financial liabilities at fair value.

Fair value changes in Level 3

Financial assets at fair value	
Total January 1, 2018	**5,327**
Recognized in profit or loss	
Interest income	268
Fair value change	-16
Impairment loss	-588
Settlements	-198
Total December 31, 2018	**4,793**
Recognized in profit or loss	
Interest income	345
Impairment loss	-517
Total December 31, 2019	**4,622**

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.

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 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. If there is no asset-specific data available from transactions between independent parties, the fair values used for the equity instrument is for example the present value of discounted cash flows arising from the asset or fair values other instruments which are substantially identical than the asset.

The fair value of the loan receivables on Level 3 is measured by deducting the lifetime expected credit losses from the loan receivable.

NOTE 15 Other comprehensive income

EUR thousand

2019	Exchange differences	Fair value and other reserves	Retained earnings	**Total**
Profit for the period	–	–	225	225
Exchange differences	1,570	–	–	1,570
Income tax on exchange differences	-193	–	–	-193
Defined benefit plans, remeasurements	–	–	75	75
Defined benefit plans, remeasurement, income taxes	–	–	-21	-21
Total comprehensive income	**1,377**	**–**	**279**	**1,656**

2018	Exchange differences	Fair value and other reserves	Retained earnings	**Total**
Profit for the period	–	–	-1,720	-1,720
Exchange differences	2,936	–	–	2,936
Income tax on exchange differences	-454	–	–	-454
Defined benefit plans, remeasurements	–	–	-41	-41
Defined benefit plans, remeasurement, income taxes	–	–	11	11
Total comprehensive income	**2,482**	**–**	**-1,750**	**732**

Accounting principles – 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 differences.

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.

NOTE 16 Information of Suominen share

Share capital and number of shares

The registered share capital of Suominen Corporation totals EUR 11,860,056. The number of Suominen's registered shares on December 31, 2019 was 58,259,219 shares.

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. 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.

At the end of the reporting period Suominen held 729,351 treasury shares. In accordance with the resolution by the Annual General Meeting, 33,619 shares were transferred on May 31, 2019 to the members of the Board of Directors as their remuneration payable in shares.

The share ownership of related parties in Suominen is disclosed in Note 35 of the consolidated financial statements.

Share-based plans

The share-based incentive plans are described in Note 32 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 January 1 to December 31, 2019 was 4,655,863 shares (3,643,880 shares), accounting for 8.1% (6.3%) of the average number of shares (excluding treasury shares). The highest price was EUR 2.70 (EUR 4.60), the lowest EUR 2.04 (EUR 1.80) and the volume-weighted average price EUR 2.38 (EUR 3.10). The closing price at the end of reporting period was EUR 2.31 (EUR 2.05). The market capitalization (excluding treasury shares) was EUR 132.9 million on December 31, 2019 (EUR 117.9 million).

Number of shares

Changes in number of shares

Number of shares January 1, 2018	**58,259,219**
Number of shares December 31, 2018	**58,259,219**
Number of shares December 31, 2019	**58,259,219**

Changes in treasury shares

Number of shares January 1, 2018	**876,280**
Conveyance of treasury shares, reward for the Board of Directors	-23,742
Conveyance of treasury shares, share-based payment plans	-89,568
Number of shares December 31, 2018	**762,970**
Conveyance of treasury shares, reward for the Board of Directors	-33,619
Number of shares December 31, 2019	**729,351**

Number of shares	December 31, 2019	December 31, 2018
Number of shares excluding treasury shares	57,529,868	57,496,249
Share-issue adjusted number of shares excluding treasury shares	57,529,868	57,496,249
Average number of shares excluding treasury shares	57,515,960	57,468,939
Average share-issue adjusted number of shares excluding treasury shares	57,515,960	57,468,939
Average diluted share-issue adjusted number of shares excluding treasury shares	57,601,340	57,508,720

Notifications in 2019 under Chapter 9, Section 5 of the Securities Market Act

Suominen Corporation received on December 13, 2019 a notification referred to in Chapter 9, Section 5 and 6 of the Securities Market Act. According to the notification, the shareholding of Bolero Holdings SARL (Luxembourg) in Suominen Corporation crossed the 5% flagging threshold and was 5.81%. The number of shares owned by Bolero Holdings SARL is 3,382,052. Bolero Holdings SARL is 100% owned by Gondelero Holdings SARL, which is 100% owned by Bolero Trust.

Suominen Corporation received on December 13, 2019 a notification referred to in Chapter 9, Section 5 and 6 of the Securities Market Act. According to the notification, the shareholding of TVF TopCo Limited in Suominen Corporation fell below the threshold of 5%. TVF TopCo Limited is ultimately owned by the Triton Value Fund (TVF).

Largest shareholders December 31, 2019

Shareholder	Number of shares	% of shares and votes
AC Invest Two B.V.	13,953,357	23.95%
Oy Etra Invest Ab	7,770,000	13.34%
Varma Mutual Pension Insurance Company	4,500,000	7.72%
Nordea Bank ABP	3,729,456	6.40%
Ilmarinen Mutual Pension Insurance Company	3,046,892	5.23%
Pension Insurance Company Elo	3,024,651	5.19%
Mandatum Life Insurance Company	1,876,957	3.22%
Oy H. Kuningas & Co. AB	1,567,416	2.69%
Nordea Life Assurance Finland Ltd	1,272,000	2.18%
Nissi Evald and Hilda Fund	1,000,000	1.72%
Nordea Nordic Small Cap Fund	989,909	1.70%
Heikki Bergholm	979,841	1.68%
Mikko Maijala	855,147	1.47%
Juhani Maijala	794,026	1.36%
Tiiviste-Group Ltd	665,404	1.14%
15 largest total	**46,025,056**	**79.00%**
Other shareholders	7,004,022	12.02%
Nominee registered	4,496,741	7.72%
Treasury shares	729,351	1.25%
In joint account (not in the book-entry securities system)	4,049	0.01%
Total	**58,259,219**	**100.00%**

Ownership distribution December 31, 2019

	Number of shareholders	% of total	Number of shares	% of shares and votes
Corporations	160	4.3%	4,880,809	8.38%
Financial and insurance corporations	14	0.4%	13,804,353	23.69%
General government	7	0.2%	11,510,912	19.76%
Non-profit institutions	15	0.4%	1,420,141	2.44%
Households	3,483	94.2%	7,343,921	12.61%
Foreign countries	20	0.5%	14,068,942	24.15%
Total	**3,699**	**100.0%**	**53,029,078**	**91.02%**
Nominee registered	10		4,496,741	7.72%
In joint account (not in the book-entry securities system)			4,049	0.01%
Treasury shares	1		729,351	1.25%
Total	**3,710**		**58,259,219**	**100.00%**

Shareholders by share ownership December 31, 2019

Number of shares	Number of shareholders	% of total	Number of shares	% of shares and votes
1–100	1,155	31.1%	54,000	0.09%
101–500	1,265	34.1%	337,092	0.58%
501–1,000	507	13.7%	394,364	0.68%
1,001–5,000	544	14.7%	1,197,745	2.06%
5,001–10,000	115	3.1%	828,657	1.42%
10,001–50,000	70	1.9%	1,431,277	2.46%
50,001–100,000	15	0.4%	1,086,411	1.86%
100,00–500,000	20	0.5%	4,434,585	7.61%
more than 500,000	18	0.5%	47,761,688	81.98%
Total	**3,709**	**100.0%**	**57,525,819**	**98.74%**
In joint account (not in the book-entry securities system)			4,049	0.01%
Treasury shares	1		729,351	1.25%
Total	**3,710**		**58,259,219**	**100.00%**

NOTE 17 Interest-bearing liabilities

EUR thousand

In September 2017, Suominen Corporation issued an unsecured bond with a nominal value of EUR 85 million and which carries a fixed annual interest of 2.50% and matures on October 3, 2022. The bond is listed on Nasdaq Helsinki Ltd. The bond constitutes a direct and unsecured obligation of Suominen and it is guaranteed as for own debt by certain subsidiaries of Suominen Corporation.

The remaining portion, EUR 15.7 million, of the bond issued in 2014 was repaid in accordance with the bond terms in September 2019.

In connection with issuing the bond in 2017, Suominen entered into a syndicated credit facility agreement consisting of a single-currency revolving credit facility of EUR 100 million with a maturity of four years. The credit facility includes leverage ratio and gearing as financial covenants. The financial covenants are calculated excluding the effect of application of IFRS 16. The credit facility has floating interest rates.

	2019			2018		
	Carrying amount	Fair value	Nominal value	Carrying amount	Fair value	Nominal value
Non-current interest-bearing liabilities						
Lease liabilities	10,464	10,464	10,464	84	84	84
Debentures	81,714	86,063	85,000	80,615	80,750	85,000
Total	**92,177**	**96,526**	**95,464**	**80,698**	**80,834**	**85,084**
Current interest-bearing liabilities						
Current loans from financial institutions	14,000	14,000	14,000	5,000	5,000	5,000
Lease liabilities	2,986	2,986	2,986	78	78	78
Debentures	–	–	–	15,687	16,156	15,730
Total	**16,986**	**16,986**	**16,986**	**20,765**	**21,234**	**20,808**
Total	**109,163**	**113,512**	**112,450**	**101,463**	**102,068**	**105,892**

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

Change in interest-bearing liabilities

	2019	2018
Total interest-bearing liabilities at the beginning of the period	**101,463**	**110,472**
Current liabilities at the beginning of the period	**20,765**	**15,118**
Application of IFRS 16	2,664	–
Repayment of current liabilities, cash flow items	-47,572	-35,118
Drawdown of current liabilities, cash flow items	38,000	25,000
Increases in current liabilities, non-cash flow items	218	–
Decreases of current liabilities, non-cash flow items	-99	–
Reclassification from non-current liabilities	2,942	15,749
Periodization of debenture to amortized cost, non-cash flow items	43	16
Exchange rate difference, non-cash flow item	25	–
Current liabilities at the end of the period	**16,986**	**20,765**
Non-current liabilities at the beginning of the period	**84**	**162**
Application of IFRS 16	12,622	–
Increases in non-current liabilities, non-cash flow items	733	–
Decreases of non-current liabilities, non-cash flow items	-121	–
Reclassification to current liabilities	-2,942	-78
Exchange rate difference, non-cash flow item	88	–
Non-current liabilities at the end of the period	**10,464**	**84**
Non-current debentures at the beginning of the period	**80,615**	**95,192**
Reclassification to current liabilities	–	-15,671
Periodization of debenture to amortized cost, non-cash flow items	1,099	1,093
Non-current debentures at the end of the period	**81,714**	**80,615**
Total interest-bearing liabilities at the end of the period	**109,163**	**101,463**

Maturity of interest-bearing liabilities		
2020 (2019)	16,986	20,765
2021 (2020)	2,997	67
2022 (2021)	84,712	17
2023 (2022)	1,852	80,615
2024– (2023–)	2,616	–
Total	**109,163**	**101,463**

Interest-bearing liabilities by currency		
EUR	104,340	101,463
USD	4,657	–
BRL	166	–
Total	**109,163**	**101,463**

Accounting principles

Listed debentures are 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.

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.

Lease liabilities are disclosed in Note 26.

NOTE 18 Classification of financial liabilities

EUR thousand

	At amortized cost	Carrying amount	Fair value	Nominal value
Loans from financial institutions	14,000	14,000	14,000	14,000
Debentures	81,714	81,714	86,063	85,000
Lease liabilities	13,450	13,450	13,450	13,450
Interest accruals	551	551	551	551
Other current liabilities	440	440	440	440
Trade payables	44,495	44,495	44,495	44,495
Total December 31, 2019	**154,650**	**154,650**	**158,999**	**157,936**

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

Accounting principles

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, including lease liabilities, are described 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.

NOTE 19 Derivative instruments

EUR thousand

Derivative receivables and liabilities in statement of financial position

	2019	2018
Receivables		
Derivatives, hedge accounting not applied	–	9

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 0 thousand.

Nominal and fair values of derivative contracts

	2019				2018			
	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 not applied	–	–	–	–	1,397	9	9	–

Derivative instruments in profit or loss

	2019	2018
Cost of goods sold		
Currency derivatives, hedge accounting not applied	16	33
Other operating expenses		
Currency derivatives, hedge accounting not applied	-31	-65
Net financial expenses		
Interest rate differences of currency derivatives	-24	-28

Accounting principles

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 can designate derivatives as hedges of a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction (cash flow hedge).

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 at fair value through profit or loss

Most of the Group's derivative transactions, while providing economic hedges, do not qualify for hedge accounting under IFRS 9, and therefore changes in the fair values of these derivative instruments are recognized immediately in profit or loss.

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.

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.

NOTE 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.

	2019	2018
Defined benefit liabilities in the statement of financial position		
Present value of unfunded obligations	788	847
Deficit	788	847

Change in defined benefit obligation

Present value of defined benefit obligation January 1	**847**	**984**
Charged to profit or loss:		
Interest expenses	13	13
Total recognized in profit or loss (gain - / loss +)	**13**	**13**
Remeasurements:		
Actuarial gain (-) / loss (+) from change in demographic assumptions	1	–
Actuarial gain (-) / loss (+) from change in financial assumptions	85	-41
Demographic experience adjustments	-80	–
Total remeasurments	**6**	**-41**
Benefits paid	-78	-109
Present value of defined benefit obligation December 31	**788**	**847**

Changes in plan assets

Plan assets January 1	**–**	**–**
Employer contributions	78	109
Benefits paid	-78	-109
Plan assets December 31	**–**	**–**

	2019	2018
Significant actuarial assumptions		
Discount rate (%)	0.60	1.60
Rate of future price inflation (%)	1.75	1.80
Average remaining service period (years)	16.6	15.2
Sensitivity analysis of actuarial assumptions		
Decrease in discount rate by 0.25 percentage points		
Effect on defined benefit obligation	23	34
Increase in discount rate by 0.25 percentage points		
Effect on defined benefit obligation	-24	-33
Expected payments to plan participants in the future years from the defined benefit obligation		
Within 1 year	14	31
Between 1–2 years	35	52
Between 3–5 years	47	313
Between 6–10 years	266	251
Total	**362**	**647**

Accounting principles

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. However, there are normally no other costs than the net interest arising from the defined benefit plan of Suominen in Italy.

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, if any, 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.

NOTE 21 Provisions

EUR thousand

	Restoration provisions
January 1, 2019	**1,511**
Exchange difference	6
Effect of discounting	91
December 31, 2019	**1,608**

Accounting principles

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.

The provisions of Suominen consist of the obligations to restore the leased premises at the end of the lease contracts (Note 26).

NOTE 22 Trade payables and other liabilities

EUR thousand

	2019	2018
Other non-current liabilities		
Accrued expenses and deferred income	17	17
Total other non-current liabilities	**17**	**17**
Current liabilities		
Trade payables	44,495	66,677
Advances received	58	27
Other liabilities	1,198	1,331
Accrued expenses and deferred income	7,531	7,352
Total trade payables and other current liabilities	**53,282**	**75,386**

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

Other liabilities include, among others, liabilities from indirect taxes.

Currency analysis of trade payables

EUR	16,894	28,207
USD	27,284	38,334
BRL	314	132
Other currencies	3	4
Total	**44,495**	**66,677**

NOTE 23 Revenue from contracts with customers

EUR thousand

The net sales of Suominen Group consist entirely of sales of nonwovens. In 2019, sales to three customers exceeded each 10% of total net sales. Net sales to these customers amounted to EUR 68.2 million (67.7), EUR 66.7 million (84.6) and EUR 45.1 million (43.9).

Other operating income is presented in Note 25.

	2019	2018
Net sales by geographical destination		
Finland	2,527	2,415
Rest of Europe	145,055	153,133
USA	225,764	233,204
Rest of North and South America	33,796	34,984
Rest of the world	4,270	7,372
Total	**411,412**	**431,109**
Net sales by business area		
Europe	149,790	171,292
Americas	261,678	259,877
Unallocated exchange differences of sales and internal sales	-56	-60
Total	**411,412**	**431,109**

Accounting principles

Suominen applies IFRS 15 Revenue from Contracts with Customers in 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.

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.

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.

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.

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.

NOTE 24 Entity-wide disclosures

EUR thousand

Property, plant and equipment, intangible assets and right-of-use assets by geographical location

	2019	2018
Finland	22,899	23,370
Rest of Europe	27,986	20,963
USA	114,386	115,356
Brazil	6,147	6,429
Total	**171,419**	**166,118**

Net sales by geographical destination as well as net sales by business area are presented in Note 23.

NOTE 25 Other operating income and expenses

EUR thousand

Other operating income	2019	2018
Gains from disposal of intangible assets and property, plant and equipment	73	4
Indemnities	204	34
Rental income	279	258
Sales of recycled products	1,672	2,170
Other operating income	674	62
Total	**2,903**	**2,528**

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

Other operating expenses		
Expected credit losses of trade receivables during the period, net	-942	-672
Currency derivatives, hedge accounting not applied	-31	-65
Other operating expenses	-68	-318
Total	**-1,041**	**-1,055**

Accounting principles

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 (Note 26) and proceeds from sale of recycled products, are recognized as other operating income. Also gains arising from modifications in lease contracts are recognized as other operating income.

Losses from the sales of assets, expected credit losses of trade receivables as well other expenses not associated with ordinary operations are recognized as other operating expenses. Also losses arising from modifications in lease contracts are recognized as other operating income.

NOTE 26 Leases

EUR thousand

Suominen owns the majority of its production facilities (ie. buildings and land) as well as all of its production lines. The most significant lease contracts Suominen has consist of the leased production facilities in Italy and Windsor Locks, USA. In addition, part of the production facility in Spain is leased. Other lease contracts are mainly lease contracts of offices, smaller machinery and equipment, such as forklifts and office equipment, as well as leases of vehicles.

Suominen acts also as a lessor to a minor extent in some of its production facilities where it leases parts of the real estates it owns. These lease contracts are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of the underlying assets to the lessees. The lease payments received from these lease contracts are recognized as other operating income on a straight-line basis in accordance with the terms of the lease contracts (Note 25).

Income and expenses in the statement of profit or loss arising from leases	2019
Depreciation expense of right-of-use assets (Note 8)	-3,483
Rental expenses relating to short-term leases*	-638
Rental expenses relating to leases of low value assets	-95
Expenses arising from non-lease components of the leasing contracts and non-deductible indirect taxes	-30
Gains and losses arising from lease modifications	0
Rental income	279
Total in operating profit	**-3,966**
Interest expenses on lease liabilities (Note 30)	-908
Interest expenses on provisions related to leasing contracts (Note 30)	-91
Total income and expenses	**-4,966**

* Includes also rental expenses from leases ending within 12 months from the transition date of January 1, 2019.

In 2018, the rental and lease expenses (IAS 17) recognized in profit and loss were EUR -4,313 thousand, depreciation of the assets under finance leases EUR -117 thousand and interest expenses on finance lease liabilities EUR -14 thousand. Rental income was EUR 258 thousand.

Cash outflow for leases	2019	2018
Paid interest expenses on lease liabilities	-873	-14
Repayment of finance lease liabilities	-2,842	-118
Rental expenses	-762	-4,313
Total cash outflow for leases	**-4,478**	**-4,445**

Reconciliation of lease liabilities in accordance with IFRS 16 at the date of initial application with operating lease commitments in accordance with IAS 17 as of December 31, 2018

Operating lease commitments December 31, 2018	**15,716**
Effect of discounting	-3,012
Short-term leases and leases of low value assets	-522
Non-cancellable commitments for future leases	-423
Estimated lease period longer than non-cancellable operating lease period	3,544
VAT of leases, not included in lease liability	-17
Lease liabilities January 1, 2019	**15,286**

Minimum lease payments under non-cancellable operating leases in future periods	2019	2018
Within one year	90	3,991
Between 1–5 years	89	9,545
After 5 years	–	2,180
Total	**179**	**15,716**

Commitments to leases not yet commenced are disclosed in Note 36.

Minimum non-cancellable lease payments (rental income) in future periods		
Within one year	294	251
Between 1–2 years	115	113
Between 2–3 years	–	–
Between 3–4 years	–	–
Between 4–5 years	–	–
After 5 years	–	–
Total	**408**	**364**

Accounting principles

If a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, the contract is or contains a lease.

Suominen assesses at each contract inception whether a contract is or contains a lease. If the contract is a lease, Suominen, as a lessee, recognizes in accordance with IFRS 16 Leases the right-of-use assets (Note 8) and lease liabilities (Note 17) for the rights and obligations created by leases.

Suominen applies the recognition exemptions allowed by IFRS 16. This means that low value asset leases are recognized as rental expenses on straight-line basis in the statement of profit or loss. Based on the standard as well as the materiality principle, Suominen has defined that an asset is of low value if its value as new is EUR 5,000 or less. Such assets are for example computers and other smaller office equipment.

The recognition exemptions allow also that leases, where the lease term is initially 12 months or less and the leases do not contain purchase options, are recognized as rental expenses on straight-line basis in the statement of profit or loss. The election for short-term leases has to be made by the class of the underlying asset. In Suominen, for example leases of temporary warehouses as well as short-term leases of machinery and equipment and vehicles are included in short-term leases.

In addition, the lease and non-lease components are not separated for all asset classes, such as vehicles and forklifts.

Gains arising from modifications in lease contracts are recognized as other operating income and losses as other operating expenses (Note 25).

Transition to applying IFRS 16

Suominen has applied the modified retrospective approach in application of IFRS 16. With this approach the comparative information is not restated and the lease liabilities at transition date equaled the present value of remaining lease payments. In addition, IFRS 16 was not applied to leases ending within 12 months from the transition date of January 1, 2019 nor to low value leases. At transition, IFRS 16 has also been applied only to contracts which had previously been identified as leases. The discount rates used in calculation of the lease liabilities were the discount rates at transition date. The discount rates used were incremental borrowing rates, and the weighted average of these rates was 6.42% p.a.

Lease liabilities

At the commencement date of a lease, Suominen recognizes a lease liability measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or rate and amounts expected to be paid under residual value guarantees. If the lease contract contains a purchase option and it is reasonable certain that the option will be exercised, the exercise price is included in the lease payments. Also, if it is reasonable certain that the lease will be terminated, the termination penalties are included in the lease payments.

In calculating the present value of the lease liabilities, Suominen uses either the interest rate implicit in the lease or, if that is not easily attainable, the incremental borrowing rate at the commencement date of the lease. The majority of the lease liabilities are calculated with the incremental borrowing rate, defined separately for each group company taking into account the geographical location and credit worthiness of each company.

After the commencement date, the carrying amount of lease liabilities is reduced for the lease payments made and increased to reflect interest on the lease liability. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments, such as a change to future payments resulting from a change in an index or rate used to determine the lease payments or a change in the assessment of an option to purchase the asset.

Part of the Group's lease contracts continue with a new lease term unless the contract is terminated during the termination period defined in the contract. As both the lessee and the lessor have a right to terminate the contract without the other party's consent and without sanctions, the recognized lease terms of these contracts do not include the use of the option to extend the lease. In addition, there are some lease contracts which include options to extend the lease, but it is unlikely that these options are exercised. The lease period taken into account of these lease contract is the initial lease term excluding the use of the option.

The lease contracts of all Suominen's leased production facilities include either an option to extend the lease or they continue automatically, if they are not terminated during the termination period. If neither of the contract parties has terminated the contract during the termination period, Suominen redefines the remaining lease period.

When the lease contract includes variable lease payments based on an index, the lease liability is initially measured using the index at the commencement date of the lease. The lease liabilities arising from these lease contracts are remeasured when the lease payments change due to the change in the index.

Right-of-use assets

Suominen recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are subsequently measured at cost, less cumulative depreciation and impairment losses, and are adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities initially recognized, initial direct cost incurred, and lease payment made before the commencement date less any lease incentives received.

Some of the lease contracts of the production facilities include an obligation to restore the underlying asset to the condition required by the terms and conditions of the lease. These restoration obligations (Note 21) are recognized as provisions in the statement of financial position and the initial amount is included in the cost of the right-of-use asset.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If the ownership of the leased asset transfers to Suominen at the end of the lease or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Critical accounting estimates and judgements

The carrying amounts of the right-of-use assets and lease liabilities 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.

NOTE 27 Fees paid to auditors

EUR thousand

Fees paid to auditors are included in administration expenses.

Ernst & Young Oy 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	2019	2018
Fees for statutory audit	-488	-465
Other services	-46	-74
Total	**-534**	**-539**

The fees paid by the parent company of the Group, Suominen Corporation, are presented below.

Fees paid to auditors, Suominen Corporation		
Fees for statutory audit	-123	-128
Other services	-46	-73
Total	**-169**	**-201**

NOTE 28 Employee benefits

EUR thousand

	2019	2018
Wages and salaries	-37,422	-36,084
Share-based payments	-198	438
Pensions, defined contribution plans	-2,952	-2,508
Other personnel expenses	-17,783	-17,271
Total	**-58,355**	**-55,426**

Average number of personnel	685	676
Number of personnel, end of reporting period	669	690
in Finland	122	132

Management remuneration is disclosed in detail in Note 35 of the consolidated financial statements.

Share-based payments are disclosed in more detail in Note 32 of the consolidated financial statements.

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

Accounting principles – pension benefits

The Group has several pension plans in accordance with local conditions and practices in the countries 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 practices. 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.

NOTE 29 Depreciation and amortization

EUR thousand

	2019	2018
Depreciation and amortization by function		
Cost of goods sold	-21,993	-18,553
Sales and marketing expenses	-1,250	-920
Research and development	-205	-145
Administration expenses	-2,092	-1,400
Total	**-25,539**	**-21,018**

	2019	2018
Depreciation and amortization by asset category		
Intangible rights	-2,856	-1,787
Other intangible assets	-592	-583
Buildings and constructions	-2,413	-2,382
Machinery and equipment	-16,135	-16,208
Other tangible assets	-60	-58
Right-of-use assets	-3,483	–
Total	**-25,539**	**-21,018**

Accounting principles

The amortization of intangible assets is described in Note 6, the depreciation of property, plant and equipment in Note 7 and the depreciation of right-of-use assets in Note 8.

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.

Impairment testing of goodwill is presented in Note 5.

NOTE 30 Financial income and expenses

EUR thousand

	2019	2018
Financial income		
Interest income from receivables at amortized cost	616	519
Interest income from receivables at fair value through profit or loss*	345	268
Other interest income	0	2
Currency derivatives, interest rate difference	19	13
Total	**981**	**801**
Financial expenses		
Interest expenses on liabilities at amortized cost	-3,731	-4,008
Interest expenses on lease liabilities	-908	-14
Interest expenses on defined benefit plans	-13	-13
Interest expenses on discounted provisions	-91	–
Other interest expenses	-1	0
Currency derivatives, interest rate difference	-43	-41
Financial expenses on sale of trade receivables	-651	-695
Other financial expenses	-1,247	-1,296
Total	**-6,686**	**-6,067**
Losses from receivables at fair value through profit or loss		
Fair value change	–	-16
Impairment loss *	-517	-588
Total	**-517**	**-604**
Net exchange rate differences	**224**	**313**
Total financial income and expenses	**-5,998**	**-5,557**

* From loan receivables, that are mandatorily measured at fair value through profit or loss in accordance with IFRS 9.

Currency differences in operating profit		
Net sales	-22	5
Cost of goods sold	-316	-560
Other operating expenses	-21	-8

Accounting principles

Accounting of transactions in foreign currencies is described in Note 1.

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 188 thousand (EUR 63 thousand). The average capitalization rate used was 3.9%.

The credit risk related to loan receivables is initially estimated based on 12-month expected credit losses. If the credit risk has increased significantly since initial recognition, the credit risk is evaluated based on lifetime expected credit losses. Payment defaults or late payments can be considered as indications of impairment of the receivable or increase in the credit risk of the receivable (Note 12).

NOTE 31 Income taxes

EUR thousand

	2019	2018
Income tax charge in statement of profit or loss		
Current income tax charge	-1,392	-1,328
Adjustments in respect of current income tax of previous years	-28	-25
Change in deferred tax assets	-867	2,112
Change in deferred tax liabilities	451	-1,426
Other income taxes	-71	-90
Total income tax charge	**-1,907**	**-757**
Income taxes recognized in other comprehensive income		
Exchange differences	-193	-454
Defined benefit plans, remeasurements	-21	11
Total taxes recognized in other comprehensive income	**-214**	**-443**

The Group companies have tax losses, totaling EUR 29.4 million (EUR 34.0 milion), 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 2019 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 2019 or 2018 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

	2019	2018
Profit before income taxes	**2,132**	**-963**
Income taxes at the tax rate applicable to the parent	-426	193
Difference due to different tax rates of foreign subsidiaries	-651	-551
Tax exempt income and non-deductible expenses	-658	-588
Effect of changes in tax rates and tax laws	5	–
Losses, for which no deferred tax asset is recognized	-149	-319
Deferred taxes recognized during the reporting period in respect of previous years' temporary differences	-9	80
Deferred taxes reversed during the reporting period	-92	-143
Adjustments in respect of current income tax of previous periods and witholding and other income taxes	-99	-116
Use of losses, for which no deferred tax asset has been recognized	173	688
Income taxes in the statement of profit or loss	**-1,907**	**-757**
Effective tax rate, %	89.5	N/A
Tax assets and liabilities in the statement of financial position		
Deferred tax assets	2,091	2,540
Assets for current tax	701	974
Deferred tax liabilities	12,786	12,373
Liabilities for current tax	5	121

Accounting principles

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. Should the final outcome of the tax audits differ from the outcome estimated by Suominen, the estimated possible additional costs at the end of the reporting period would total to approximately EUR 0.5 million.

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%).

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 assets at fair value and confirmed tax losses.

IFRIC 23 Interpretation, applicable from January 1, 2019, clarified the accounting of uncertainty in accounting for income taxes. Under IFRIC 23 the key test is whether it is probable that the tax authority will accept the company's chosen tax treatment. If it is probable that the tax authority accepts the company's chosen tax treatment in the tax return, there is no uncertainty which would have to be recognized in the financial statements. If it is not probable, then the uncertainty is reflected in the measurement of current or deferred tax. The uncertainty is reflected in the measurement by using either the most likely amount or the expected value, which ever predicts the outcome better.

The judgements and estimates applied in estimating the uncertainty over an income tax treatment are reassessed if facts and circumstances change.

In accordance with the interpretation, the company has to determine, whether to consider each tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty in tax treatments has to be followed.

Critical accounting estimates and judgements

Recognition and measurement of deferred tax liabilities and assets include management estimates, especially in 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.

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.

Reconciliation of deferred tax assets

	January 1, 2019	Exchange difference	Recognized in profit or loss	Recognized in other comprehensive income or in equity	Offsetting with deferred tax liabilities	December 31, 2019
Employee benefits	90	–	63	-21	–	132
Property, plant and equipment and intangible assets	667	8	-384	–	–	292
Tax losses	4,123	117	-1,011	–	–	3,229
Other temporary differences	1,832	52	465	-193	–	2,156
Total	**6,712**	**177**	**-867**	**-214**	**–**	**5,809**
Offsetting with deferred tax liabilities	-4,172	-183	–	–	637	-3,718
Total	**2,540**	**-6**	**-867**	**-214**	**637**	**2,091**

	January 1, 2018	Exchange difference	Recognized in profit or loss	Recognized in other comprehensive income or in equity	Offsetting with deferred tax liabilities	December 31, 2018
Employee benefits	344	–	-265	11	–	90
Property, plant and equipment and intangible assets	1,290	-49	-574	–	–	667
Tax losses	1,992	–	2,131	–	–	4,123
Other temporary differences	1,517	-51	820	-454	–	1,832
Total	**5,143**	**-100**	**2,112**	**-443**	**–**	**6,712**
Offsetting with deferred tax liabilities	–	–	–	–	-4,172	-4,172
Total	**5,143**	**-100**	**2,112**	**-443**	**-4,172**	**2,540**

Reconciliation of deferred tax liabilities

	January 1, 2019	Exchange difference	Recognized in profit or loss	Recognized in other comprehensive income or in equity	Offsetting with deferred tax assets	December 31, 2019
Property, plant and equipment and intangible assets	14,829	297	716	–	–	14,410
Other temporary differences	1,651	112	-265	–	–	2,028
Equity instruments	65	–	–	–	–	65
Total	**16,545**	**409**	**451**	**–**	**–**	**16,504**
Offsetting with deferred tax assets	-4,172	-183	–	–	637	-3,718
Total	**12,373**	**226**	**451**	**–**	**637**	**12,786**

	January 1, 2018	Exchange difference	Recognized in profit or loss	Recognized in other comprehensive income or in equity	Offsetting with deferred tax assets	December 31, 2018
Property, plant and equipment and intangible assets	13,127	582	-1,119	–	–	14,829
Other temporary differences	1,365	-21	-307	–	–	1,651
Equity instruments	65	–	–	–	–	65
Total	**14,558**	**561**	**-1,426**	**–**		**16,545**
Offsetting with deferred tax assets	–	–	–	–	-4,172	-4,172
Total	**14,558**	**561**	**-1,426**	**–**	**-4,172**	**12,373**

NOTE 32 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 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. The Board of Directors of Suominen Corporation is entitled to reduce the rewards as agreed in the plan if the limits set by the Board of Directors for the share price are not reached.

The aim of the 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.

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

Share-based incentive plan 2016–2018

The share-based incentive plan 2016–2018 ended during the financial year, and no incentives were paid as the vesting conditions were not met.

Share-based incentive plan 2017–2019

The Board of Directors of Suominen Corporation approved on December 9, 2016 a new vesting period in the share-based incentive plan (performance share plan) for the Group management and key employees. The vesting period included calendar years 2017–2019. The plan was directed to approximately 20 people.

The potential rewards to be paid on the basis of the vesting period 2017–2019 corresponded 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 decided on the plan's vesting conditions and required performance levels for each condition at the beginning of a vesting period.

No rewards from the vesting period 2017–2019 will be paid.

Share-based incentive plan 2018–2020

The Board of Directors of Suominen Corporation approved on December 11, 2017 a share-based incentive plan (performance share plan) for the Group management and key employees. The vesting period includes calendar years 2018–2020. The plan is directed to approximately 20 people.

The rewards to be paid on the basis of the vesting period 2018–2020 correspond to the value of an approximate maximum total of 502,000 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 potential rewards from the vesting period 2018–2020 will be settled partly in the company's shares and partly in cash in 2021.

Share-based incentive plan 2019–2021

The Board of Directors of Suominen Corporation resolved on January 30, 2019 on a new share-based incentive plan for the Group management and Group key employees. The three-year vesting period of the new share-based plan includes calendar years 2019–2021. The Board of Directors decides on the performance criteria and required performance levels for each criterion at the beginning of each vesting period. The plan is directed to approximately 20 people.

The potential reward of the plan from the vesting period 2019–2021 will be based on the Relative Total

Shareholder Return (TSR). The rewards to be paid on the basis of the vesting period 2019–2021 correspond to the value of an approximate maximum total of 729,000 Suominen Corporation shares (including also the portion to be settled in cash).

The potential rewards from the vesting periods 2019–2021 will be settled partly in shares and partly in cash in 2022.

Matching share plan 2019–2021

The Board of Directors of Suominen Corporation approved June 4, 2019 on a new share-based incentive plan. The matching share plan is directed to selected key employees in the Suominen Group. The prerequisite for receiving a reward from the plan is that a participant acquires the company's shares, amounting to the number resolved by the Board. If the prerequisites set for a participant have been fulfilled and his or her employment or service in a company belonging to the Suominen Group is in force at the time of the reward payment, he or she will receive matching shares as a reward.

The plan includes vesting periods, the duration of which is resolved by the Board. The potential reward will be settled partly in shares and partly in cash after a vesting period.

The plan rewards to be settled in 2019–2021 will amount to a maximum total of 200,000 Suominen Corporation shares (including also the portion to be settled in cash).

Measurement of instruments granted during the reporting period

No instruments were granted during the reporting period.

Effect on the profit for the period and on financial position in 2019

EUR thousand	
Expense (-) for the reporting period	-198
Recognized in equity in 2019	198
Recognized as liability December 31, 2019	6
Estimate of the amount for settling the employees' tax obligation December 31, 2019	209

Accounting principles

The fair values of the shares to be potentially settled based on the share-based plans are measured at grant dates based on the market value of the share. If the plan includes market conditions, they are taken into account in the fair value. The fair value is recognized in profit or loss during the vesting period.

When the vesting conditions of a share-based incentive plan include market conditions, such as TSR ("Total Shareholder Return"), the fair value measured at grant date will not be subsequently changed and the cost estimate recognized will not be reversed, if the market condition does not vest. If the other vesting conditions of the plan (such as service condition and result based conditions) are not fulfilled, the cost estimates based on these conditions are reversed.

Suominen has share-based payment transactions which have net settlement features for withholding tax obligations. At the time of exercise or vesting Suominen withholds a number of shares that is equal to the monetary value of the employee's tax obligation from the total number of shares that would have otherwise been issued to the employee, and transfers the amount in cash to tax authorities on behalf of the employee. In accordance with IFRS 2, in these cases both the portion settled in shares and the portion settled in cash are recognized in equity and also the fair value of the cash portion is based on the fair value at grant date.

Information on share-based incentive plans

	Share-based incentive plan 2017–2019	Share-based incentive plan 2018–2020	Share-based incentive plan 2019–2021	Matching share plan 2019–2021	**Total / weighted average**
Maximum number of shares, including the portion to be settled in cash	480,000	502,000	729,000	200,000	1,911,000
Initial grant date	December 9, 2016	December 11, 2017	January 30, 2019	June 4, 2019	
Vesting date	March 21, 2020	March 21, 2021	March 21, 2022	September 13, 2021	
Vesting conditions	Net sales growth, EBIT%, ROI%	EBIT%, total shareholder return (TSR)	Total shareholder return (TSR)	Share ownership	
	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	3.1	2.3	
Remaining contractual life, years	–	1.2	2.2	1.7	1.3
Number or persons at the end of reporting period	–	14	19	2	
Payment method	Shares and cash	Shares and cash	Shares and cash	Shares and cash	

Changes in 2019	Share-based incentive plan 2017–2019	Share-based incentive plan 2018–2020	Share-based incentive plan 2019–2021	Matching share plan 2019–2021	**Total**
Outstanding at the beginning of the period	328,000	395,000	–	–	723,000
Granted	–	–	650,000	40,000	690,000
Forfeited	-328,000	-122,000	–	–	-450,000
Exercised	–	–	–	–	–
Outstanding at the end of the period	**–**	**273,000**	**650,000**	**40,000**	**963,000**

NOTE 33 Earnings per share

Profit for the period

EUR thousand	2019	2018
Profit for the period	**225**	**-1,720**

Number of shares

Average share-issue adjusted number of shares	57,515,960	57,468,939
Average diluted share-issue adjusted number of shares excluding treasury shares	57,601,340	57,508,720

Earnings per share

EUR		
Basic	0.00	-0.03
Diluted	0.00	-0.03

Calculation of earnings per share

Basic earnings per share are calculated by dividing the net result attributable to owners of the parent 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 number of shares is adjusted with the effects of the share-based incentive plans.

NOTE 34 Adjustments to statement of cash flows

EUR thousand

Adjustments to cash flow from operations

	2019	2018
Adjustments to profit for the period		
Income taxes	1,907	757
Financial income and expenses	5,998	5,557
Depreciation, amortization and impairment losses	25,539	21,018
Gains and losses from disposal of property, plant and equipment and intangible assets	-74	-4
Other non-cash flow items in profit for the period	1,215	-119
Total	**34,585**	**27,210**

NOTE 35 Related parties

Management remuneration

Remuneration of Board of Directors

	2019		2018	
EUR	annual fee	meeting fee	annual fee	meeting fee
Jan Johansson, Chair of the Board of Directors	60,000	10,000	60,000	7,000
Risto Anttonen, Deputy Chair of the Board	37,500	5,500	37,500	4,000
Hannu Kasurinen	28,000	5,500	28,000	4,000
Andreas Ahlström	28,000	5,000	28,000	3,500
Laura Raitio	28,000	500	28,000	4,000
Sari Pajari from March 19, 2019	28,000	–	–	–
Jaana Tuominen until March 19, 2019	–	4,000	28,000	4,000
Total	**209,500**	**30,500**	**209,500**	**26,500**

The Annual General Meeting held on March 19, 2019 resolved that 40% of the annual remuneration for the Board of Directors is paid in Suominen Corporation's shares. The number of shares transferred to the members of the Board of Directors as their remuneration payable in shares for 2019 was 33,619 shares. The shares were transferred on May 31, 2019 and the value of the transferred shares totaled EUR 83,796, or approximately EUR 2.49 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

Petri Helsky
as paid

EUR	2019
Salaries	407,444
Total salaries	407,444
Fringe benefits	16,228
Total	**423,672**
Statutory pensions	70,986
Supplementary pensions	50,903

A written contract has been made with the President & CEO, Petri Helsky, who started in his position in January 2019. Based on the agreement he 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% of his 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.

Tapio Engström (CFO, interim President & CEO)

as paid

EUR	2018
Salaries	224,690
Share-based payments	62,246
Total salaries	286,936
Fringe benefits	240
Total	**287,176**
Statutory pensions	37,226

Tapio Engström acted as an interim President & CEO from August 3, 2018 to January 7, 2019. During that time he received increased base salary without any specific extra benefits.

Nina Kopola, until August 3, 2018

EUR	2018
Salaries	203,771
Bonus*	64,979
Share-based payments	117,341
Severance payment, including salary during the period of notice	482,819
Total salaries	868,910
Fringe benefits	36,519
Total	**905,429**
Statutory pensions	108,019
Supplementary pensions	79,689

Fringe benefits and pensions included also fringe benefits and pensions based on severance payments. Bonus* was an estimate of the bonus to be paid from 2018. In total the severance payment, including fringe benefits, pensions and the bonus estimate was EUR 679 thousand.

Remuneration of other members of the Corporate Executive Team

as paid

EUR	2019	2018
Salaries	1,240,166	1,030,183
Bonuses	67,522	–
Severance payment, including salary during the period of notice	241,211	–
Share-based payments	–	373,830
Total salaries	1,548,899	1,404,013
Fringe benefits	88,327	73,720
Total	**1,637,226**	**1,477,733**
Statutory pensions	171,017	148,649
Supplementary pensions	20,000	20,000

The members of the Executive Team have normally no other pension arrangements than statutory pensions. Supplementary pension arrangements in the USA are included in statutory pensions. The retirement age of other members of the Executive Team is according to the normal local legislation.

Managements' share ownership

number of shares

	December 31, 2019	December 31, 2018
Board of Directors		
Jan Johansson, Chair of the Board of Directors	21,243	11,614
Risto Anttonen, Deputy Chair of the Board	42,107	36,089
Hannu Kasurinen	29,122	24,629
Andreas Ahlström	15,272	10,779
Laura Raitio	15,272	10,779
Sari Pajari from March 19, 2019	4,493	–
Jaana Tuominen until March 19, 2019	–	14,725
Total	**127,509**	**108,615**
Total % of shares and votes	0.22%	0.19%
Executive Team		
Petri Helsky	10,000	–
Toni Tamminen	–	–
Klaus Korhonen	10,000	–
Lynda Kelly	18,759	18,759
Ernesto Levy	27,834	27,834
Mimoun Saïm	29,060	29,060
Markku Koivisto	14,822	14,822
Tapio Engström	–	40,328
Larry Kinn	–	11,918
Hannu Sivula	–	35,647
Total	**110,475**	**178,368**
Total % of shares and votes	0.19%	0.31%

Share-based incentives plans are disclosed in Note 32 of the consolidated financial statements. The net of accruals and reversals of the accruals based on the non-vested share-based incentive plans was EUR 157 thousand at the end of the reporting period.

In 2018, in accordance with the terms of the share-based payment plans, 14,182 shares in Suominen Corporation were transferred to President & CEO Nina Kopola, 7,062 shares to CFO and President & CEO (interim) Tapio Engstöm, and 48,822 shares to other members of the Executive Team.

Accounting principles

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 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.

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

NOTE 36 Contingent liabilities

EUR thousand

	2019	2018
Guarantees and other commitments		
On own commitments	9,906	10,516
Other own commitments	2,203	2,863
Total	**12,108**	**13,378**

Other contingencies		
Contractual commitments to acquire property, plant and equipment	–	1,128
Commitments to leases not yet commenced	33	–
Total	**33**	**1,128**

Guarantees on own commitments are guarantees given to suppliers.

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.

Minimum lease payments under non-cancellable operating leases in future periods are disclosed in Note 26.

Accounting principles – contingent liabilities

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.

NOTE 37 Effects of application of IFRS 16

EUR thousand

	Basis for restatement	Published December 31, 2018	Restatement	Restated January 1, 2019
Assets				
Non-current assets				
Goodwill		15,496	–	15,496
Intangible assets		21,231	–	21,231
Property, plant and equipment		129,391	-149	129,242
Right-of-use assets	IFRS 16	–	16,946	16,946
Loan receivables		3,348	–	3,348
Equity instruments		777	–	777
Other non-current receivables		1,393	–	1,393
Deferred tax assets		2,540	–	2,540
Total non-current assets		**174,175**	**16,797**	**190,972**
Current assets				
Inventories		51,583	–	51,583
Trade receivables		58,097	–	58,097
Loan receivables		4,017	–	4,017
Other current receivables		4,118	–	4,118
Assets for current tax		974	–	974
Cash and cash equivalents		27,757	–	27,757
Total current assets		**146,545**	**–**	**146,545**
Total assets		**320,720**	**16,797**	**337,517**

	Basis for restatement	Published December 31, 2018	Restatement	Restated January 1, 2019
Equity and liabilities				
Equity				
Share capital		11,860	–	11,860
Share premium account		24,681	–	24,681
Reserve for invested unrestricted equity		81,185	–	81,185
Treasury shares		-44	–	-44
Fair value and other reserves		264	–	264
Exchange differences		-669	–	-669
Retained earnings		13,237	–	13,237
Total equity attributable to owners of the parent		**130,513**	**–**	**130,513**
Liabilities				
Non-current liabilities				
Deferred tax liabilities		12,373	–	12,373
Liabilities from defined benefit plans		847	–	847
Provisions	IFRS 16	–	1,511	1,511
Non-current lease liabilities	IFRS 16	84	12,622	12,706
Other non-current liabilities		17	–	17
Debentures		80,615	–	80,615
Total non-current liabilities		**93,935**	**14,132**	**108,067**
Current liabilities				
Debentures		15,687	–	15,687
Current lease liabilities	IFRS 16	78	2,664	2,742
Other current interest-bearing liabilities		5,000	–	5,000
Liabilities for current tax		121	–	121
Trade payables and other current liabilities		75,386	–	75,386
Total current liabilities		**96,272**	**2,664**	**98,936**
Total liabilities		**190,207**	**16,796**	**207,003**
Total equity and liabilities		**320,720**	**16,796**	**337,517**

NOTE 38 Events after the reporting period

New strategy and financial targets

On January 8, 2020 Suominen announced its new strategy and financial targets for years 2020–2025. According to its new strategy Suominen will grow by creating innovative and more sustainable nonwovens for its customers and improve its profitability through more efficient operations, and by building a high performance culture. Suominen's main focus is on wipes. Suominen's vision is to be the frontrunner for nonwovens innovation and sustainability.

Suominen's five focus areas to achieve its strategic targets are Operational excellence, Sustainability leadership, Differentiate with innovation and commercial excellence, Great place to work and Dual operating model.

Suominen's Board of Directors has set the following financial targets for the strategy period 2020–2025:

- Net sales growth during the period: above relevant market growth
- EBITDA margin by 2025: above 12%
- Gearing during the period: 40–80%, including the effect of IFRS 16 Leases

Revised sustainability agenda

On January 13, 2020 Suominen announced its revised Sustainability agenda for 2020–2025. A thorough stakeholder survey, interviews with stakeholder representatives, as well as internal workshop with management served as the basis for renewing the agenda. Suominen's Sustainability agenda has four themes which represent the topics that are defined the most important to its business and stakeholders. Sustainability themes are People and safety, Sustainable nonwovens, Low-impact manufacturing and Corporate citizenship.

Shareholders' Nomination Board proposal regarding Board composition and remuneration ahead of the 2020 Annual General Meeting

On January 27, 2020 the Shareholders' Nomination Board (Nomination Board) gave its proposal covering the composition of the Board of Directors and remuneration of the Board members to the next Annual General Meeting.

The Nomination Board of Suominen Corporation's shareholders proposed to the Annual General Meeting that the number of Board members remains unchanged and would be six.

The Nomination Board proposed to the Annual General Meeting that Jan Johansson, Andreas Ahlström, Sari Pajari and Laura Raitio would be re-elected as members of Suominen Corporation's Board of Directors. The Nomination Board proposed to the Annual General Meeting that Jan Johansson would be re-elected as the Chair of the Board of Directors.

In addition, the Nomination Board proposed that Björn Borgman and Nina Linander would be elected as new members of the Board of Directors.

The Nomination Board of the shareholders of Suominen Corporation proposed to the Annual General Meeting that the remuneration of the Board of Directors would be as follows: the Chair would be paid an annual fee of EUR 66,000 (2019: EUR 60,000) and the Deputy Chair and other Board members an annual fee of EUR 31,000 (2019: EUR 37,500 for the Deputy Chair and EUR 28,000 for other members). The Nomination Board also proposes that the Chair of the Audit Committee would be paid an additional fee of EUR 10,000.

Further, the Nomination Board proposed that the fees payable for each Board and Committee meeting would be as follows: EUR 500 for each meeting held in the home country of the respective member, EUR 1,000 for each meeting held elsewhere than in the home country of the respective member and EUR 250 for each meeting held as telephone conference. No fee is paid for decisions made without a separate meeting. Otherwise the meeting fees are proposed to remain unchanged.

60% of the annual fees is paid in cash and 40% in Suominen Corporation's shares. The number of shares to be transferred will be determined based on the share value in the stock exchange trading maintained by Nasdaq Helsinki Ltd, calculated as the trade volume-weighted average quotation of the share during the one-month period immediately following the date on which the interim report of January–March 2020 of the company is published. The shares will be transferred out of the own shares held by the company by the decision of the Board of Directors by May 31, 2020 at the latest.

New vesting period of the share-based incentive plan

On January 29, 2020 Suominen announced that the Board of Directors of Suominen resolved to continue Group management's and key employees' share-based incentive plan with a new earnings period.

The new three-year vesting period of the performance share plan includes calendar years 2020–2022 and is directed to approximately 20 people.

The potential reward of the plan from the performance period 2020–2022 will be based on the Relative Total Shareholder Return (TSR). The rewards to be paid on the basis of the performance period 2020–2022 correspond to the value of an approximate maximum total of 893,000 Suominen Corporation shares (including also the portion to be settled in cash). The Board of Directors will be entitled to reduce the rewards agreed in the performance share plan if the limits set by the Board of Directors for the share price are reached.

The potential rewards from the performance period 2020–2022 will be settled partly in the company's shares and partly in cash in 2023. The cash portion is intended to cover taxes and tax-related costs arising from the reward to the participant. As a rule, no reward will be paid, if a participant's employment or service ends before the reward payment.

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

Key ratios per share

Key ratios per share are share-issue adjusted.

	2019	2018	2017
Earnings per share, EUR	0.00	-0.03	0.27
Earnings per share, EUR, diluted	0.00	-0.03	0.25
Cash flow from operations per share, EUR	0.52	0.56	0.39
Equity per share, EUR	2.30	2.27	2.38
Price per earnings per share (P/E) ratio	590.63	-68.49	16.47
Dividend or return of capital per share, EUR*	0.05	–	0.11
Dividend payout ratio / payout ratio for return of capital, %	1,278.4	N/A	41.00
Dividend yield, %	2.16	N/A	2.49
Number of shares, end of period, excluding treasury shares	57,529,868	57,496,249	57,382,939
Average number of shares excluding treasury shares	57,515,960	57,468,939	52,145,416
Average share-issue adjusted number of shares excluding treasury shares	57,515,960	57,468,939	52,145,416
Share price, end of period, EUR	2.31	2.05	4.42
Share price, period low, EUR	2.04	1.80	3.86
Share price, period high, EUR	2.70	4.60	5.22
Volume-weighted average price during the period, EUR	2.38	3.10	4.53
Market capitalization, EUR million	132.9	117.9	253.6
Number of traded shares during the period	4,655,863	3,643,880	5,405,584
Number of traded shares during the period, % of average number of shares (share turnover)	8.1	6.3	10.4

*2019 the proposal of the Board of Directors to the Annual General Meeting.

Calculation of key ratios per share

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

Earnings per share

Basic earnings per share (EPS) = $\dfrac{\text{Profit for the period}}{\text{Share-issue adjusted average number of shares excluding treasury shares}}$

Diluted earnings per share (EPS) = $\dfrac{\text{Profit for the period}}{\text{Average diluted share-issue adjusted number of shares excluding treasury shares}}$

Calculation of earnings per share is disclosed in Note 33.

Cash flow from operations per share

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

Reference		2019	2018
Consolidated statement of cash flows	Cash flow from operations, EUR thousand	29,894	32,148
Note 16	Share-issue adjusted number of shares excluding treasury shares, end of reporting period	57,529,868	57,496,249
	Cash flow from operations per share, EUR	0.52	0.56

Equity per share

Equity per share = $\dfrac{\text{Total equity attributable to owners of the parent}}{\text{Share-issue adjusted number of shares excluding treasury shares, end of reporting period}}$

Reference		2019	2018
Consolidated statement of financial position	Total equity attributable to owners of the parent, EUR thousand	132,452	130,513
Note 16	Share-issue adjusted number of shares excluding treasury shares, end of reporting period	57,529,868	57,496,249
	Equity per share, EUR	2.30	2.27

Dividend / return of capital per share

$$\text{Dividend / return of capital per share} = \frac{\text{Dividend paid / return of capital for the reporting period}}{\text{Number of issued shares at end of the period excluding treasury shares}}$$

Reference		2019	2018
The proposal by the Board	Dividend paid / return of capital for the reporting period, EUR thousand	2,876	–
Note 16	Number of issued shares at end of the period excluding treasury shares	57,529,868	57,496,249
	Dividend / return of capital per share, EUR	0.05	N/A

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

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

Reference		2019	2018
	Dividend / return of capital per share x 100	5.00	–
Note 33	Basic earnings per share, EUR	0.00	-0.03
	Dividend payout ratio / payout ratio for return of capital, %	1,278.4	N/A

Dividend yield, %

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

Reference		2019	2018
	Dividend / return of capital per share x 100	5.00	–
Note 16	Share price at end of the period, EUR	2.31	2.05
	Dividend yield, %	2.16	N/A

Price per earnings per share (P/E)

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

Reference		2019	2018
Note 16	Share price at end of the period, EUR	2.31	2.05
Note 33	Basic earnings per share, EUR	0.00	-0.03
	Price per earnings per share (P/E)	590.63	-68.49

Market capitalization

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

Reference		2019	2018
Note 16	Number of shares at the end of reporting period excluding treasury shares	57,529,868	57,496,249
Note 16	Share price at end of the period, EUR	2.31	2.05
	Market capitalization, EUR million	132.9	117.9

Share turnover

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

Reference		2019	2018
Note 16	Number of shares traded during the period	4,655,863	3,643,880
Note 16	Average number of shares excluding treasury shares	57,515,960	57,468,939
	Share turnover, %	8.1	6.3

Parent company financial statements (FAS)

Income statement

EUR

	Note	January 1– December 31, 2019	January 1– December 31, 2018
Net sales		**22,065,941.00**	**22,787,995.48**
Cost of goods sold		-3,354,479.11	-2,666,268.11
Gross profit		**18,711,461.89**	**20,121,727.37**
Other operating income	2	897.95	200,080.49
Sales and marketing expenses		-1,796,044.82	-1,488,847.90
Research and development		-1,466,557.10	-1,138,671.41
Administration expenses		-7,542,612.74	-9,697,284.11
Other operating expenses	2	-9,274,262.83	-10,178,307.89
Operating profit / loss		**-1,367,117.65**	**-2,181,303.45**
Financial income	6	13,318,662.12	11,671,536.83
Financial expenses	6	-12,074,175.59	-5,808,210.78
Total financial income and expenses		**1,244,486.53**	**5,863,326.05**
Profit / loss before appropriations and income taxes		**-122,631.12**	**3,682,022.60**
Change in depreciation difference	7	-402,717.08	-604,846.66
Group contributions	7	-575,516.34	–
Income taxes	8	-167,730.86	-14,908.70
Profit / loss for the period		**-1,268,595.40**	**3,062,267.24**

Balance sheet

EUR

	Note	December 31, 2019	December 31, 2018
ASSETS			
Non-current assets			
Intangible assets	5, 9	15,703,546.33	16,368,892.48
Tangible assets	5, 10	155,054.92	85,764.72
Investments			
Shares in subsidiaries	11	106,363,783.56	107,869,783.56
Other investments	11	28,500.46	28,500.46
Loan receivables			
Loan receivables from group companies		51,118,451.13	78,295,611.33
Loan receivables from others		3,649,676.74	3,348,327.28
Other non-current receivables	12	5,800.00	5,800.00
Total non-current assets		**177,024,813.14**	**206,002,679.83**
Current assets			
Loan receivables			
Loan receivables from group companies		39,360,006.22	31,005,147.92
Loan receivables from others		3,845,427.38	4,016,847.50
Trade receivables		20,501.20	–
Other current receivables	12	4,207,364.71	5,334,999.31
Cash and cash equivalents		29,895,561.75	21,898,890.63
Total current assets		**77,328,861.26**	**62,255,885.36**
TOTAL ASSETS		**254,353,674.40**	**268,258,565.19**

EUR

	Note	December 31, 2019	December 31, 2018
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		81,268,962.08	81,185,166.57
Other equity		9,655,242.55	6,592,975.31
Profit / loss for the period		-1,268,595.40	3,062,267.24
Total shareholders' equity	**13**	**126,196,253.06**	**127,381,052.95**
Untaxed reserves			
Depreciation difference		1,162,965.81	760,248.73
Liabilities			
Non-current liabilities			
Interest-bearing liabilities			
Debentures	15	85,000,000.00	85,000,000.00
Total non-current liabilities		**85,000,000.00**	**85,000,000.00**
Current liabilities			
Interest-bearing liabilities			
Debentures	15	–	15,730,000.00
Loans from financial institutions	15	14,000,000.00	5,000,000.00
Current loans from group companies	15	24,999,201.96	30,787,495.00
Trade payables and other non-current liabilities	16	2,995,253.57	3,599,768.51
Total current liabilities		**41,994,455.53**	**55,117,263.51**
Total liabilities		**126,994,455.53**	**140,117,263.51**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**254,353,674.40**	**268,258,565.19**

Cash flow statement

EUR thousand

	Note	January 1– December 31, 2019	January 1– December 31, 2018
Cash flow from operations			
Profit / loss for the period		**-1,269**	**3,062**
Adjustments to profit / loss for the period	19	2,900	-3,305
Cash flow from operations before change in net working capital		**1,632**	**-243**
Increase (-) or decrease (+) in trade and other receivables		-259	670
Increase (+) or decrease (-) in interest-free current liabilities		-580	1,108
Cash flow from operations before payments of financial items and income taxes		**792**	**1,535**
Paid and received interests and other financial items		2,261	2,276
Paid income taxes		-27	-26
Cash flow from operations		**3,026**	**3,784**
Cash flow from investments			
Capital expenditure	9, 10	-2,704	-6,995
Investments in subsidiaries	11	-5,000	–
Dividend income from subsidiaries	6	4,239	1,897
Cash flow from investments		**-3,465**	**-5,098**
Cash flow from financing			
Change in current interest-bearing liabilities	15	-13,008	2,063
Change in non-current loan receivables		–	2,100
Change in current loan receivables		21,097	5,952
Return on capital / distribution of dividends	13	–	-6,322
Cash flow from financing		**8,089**	**3,794**
Change in cash and cash equivalents		**7,650**	**2,481**
Cash and cash equivalents January 1		**21,899**	**18,890**
Exchange difference on cash and cash equivalents		347	528
Change in cash and cash equivalents		7,650	2,481
Cash and cash equivalents December 31		**29,896**	**21,899**

NOTE 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 (Karvaamokuja 2 B, 00380 Helsinki, Finland). Suominen's shares are publicly traded on Nasdaq Helsinki Ltd. (Mid Cap in 2019; Small Cap from January 1, 2020). 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.

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. Currency derivatives, if not hedging financial items, are recognized in other operating income and expenses. If hedge accounting as defined in IFRS 9 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.

Leases

Lease payments are recognized as lease expenses. Leasing obligations are presented as contingent liabilities

Debentures

Debentures are presented at nominal value in the balance sheet, and periodized transaction costs are recognized in prepayments.

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.

Group contributions

Group contributions given are presented as appropriations.

NOTE 2 Other operating income and expenses

EUR thousand

	January 1–December 31, 2019	January 1–December 31, 2018
Other operating income		
Other operating income	1	200
Total	**1**	**200**
Other operating expenses		
Services purchased from group companies	-9,223	-10,106
Losses from currency derivatives	-31	-65
Other operating expenses	-21	-8
Total	**-9,274**	**-10,178**

NOTE 3 Personnel expenses

EUR thousand

	January 1–December 31, 2019	January 1–December 31, 2018
Salaries	-3,036	-3,538
Pension expenses	-530	-463
Other personnel costs	-116	-178
Total	**-3,682**	**-4,179**
Average number of personnel	29	27
Number of personnel, end of period	30	29

Management remuneration

Management remuneration is presented in Note 35 of the consolidated financial statements.

NOTE 4 Audit fees

EUR thousand

	January 1–December 31, 2019	January 1–December 31, 2018
Statutory audit	-123	-128
Tax consulting	-4	-6
Other services	-42	-68
Total	**-169**	**-201**

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.

NOTE 5 Depreciation, amortization and impairment

EUR thousand

	January 1–December 31, 2019	January 1–December 31, 2018
Depreciation, amortization and impairment by function		
Cost of goods sold	-1,047	-603
Sales and marketing expenses	-621	-365
Research and development	-179	-173
Administration expenses	-1,057	-699
Total	**-2,903**	**-1,840**
Depreciation, amortization and impairment by asset category		
Machinery and equipment	-40	-38
Intangible rights	-2,863	-1,802
Total	**-2,903**	**-1,840**

NOTE 6 Financial income and expenses

EUR thousand

	January 1–December 31, 2019	January 1–December 31, 2018
Interest income from group companies	7,026	6,276
Interest income from others	809	655
Dividend income from group companies	4,239	1,897
Other financial income from group companies	45	45
Net currency exchange differences	1,200	2,799
Interest expenses to group companies	-146	-112
Interest expenses to others	-2,818	-3,002
Impairment losses and fair value change of financial assets	-7,023	- 604
Other financial expenses to others	-2,087	-2,090
Total	**1,244**	**5,863**

NOTE 7 Appropriations

EUR thousand

	January 1–December 31, 2019	January 1–December 31, 2018
Increase (-) or decrease (+) in cumulative depreciation difference	-403	-605
Given group contributions	-576	–
Total	**-978**	**-605**

NOTE 8 Income taxes

EUR thousand

	January 1–December 31, 2019	January 1–December 31, 2018
Income taxes from financial year	-118	–
Withholding taxes and other direct taxes	-50	-18
Income taxes from previous years	0	4
Total	**-168**	**-15**

NOTE 9 Intangible assets

EUR thousand

	Intangible rights	Advance payments and construction in progress	**Total 2019**	Total 2018
Acquisition cost January 1	**25,450**	**4,566**	**30,016**	23,872
Additions	102	2,095	**2,197**	6,144
Decreases and disposals	-1,704	–	**-1,704**	–
Reclassifications	6,342	-6,342	**–**	–
Acquisition cost December 31	**30,189**	**320**	**30,509**	30,016
Accumulated amortization January 1	**-13,647**	**–**	**-13,647**	-11,845
Amortization for the period	-2,863	–	**-2,863**	-1,802
Decreases and disposals	1,704	–	**1,704**	–
Accumulated amortization December 31	**-14,806**	**–**	**-14,806**	-13,647
Carrying amount December 31	**15,384**	**320**	**15,704**	16,369

NOTE 10 Tangible assets

EUR thousand

	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	**Total 2019**	Total 2018
Acquisition cost January 1	**444**	**18**	**6**	**468**	462
Additions	–	–	110	**110**	6
Decreases and disposals	-113	–	–	**-113**	–
Reclassifications	103	13	-116	**–**	–
Acquisition cost December 31	**434**	**31**	**–**	**465**	468
Accumulated depreciation January 1	**-382**	**–**	**–**	**-382**	-344
Depreciation for the period	-40	-1	–	**-40**	-38
Decreases and disposals	113	–	–	**113**	–
Accumulated depreciation December 31	**-309**	**-1**	**–**	**-309**	-382
Carrying amount December 31	**125**	**30**	**–**	**155**	86

NOTE 11 Investments

EUR thousand

	Shares in group companies	Other investments	**Total 2019**	Total 2018
Carrying amount January 1	**107,870**	**29**	**107,898**	107,898
Investments	5,000	–	**5,000**	–
Impairment losses	-6,506	–	**-6,506**	–
Carrying amount December 31	**106,364**	**29**	**106,392**	107,898

Group companies are presented in Note 9 of the consolidated financial statements.

	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	8	-17
Bright Maze Oy, Helsinki, Finland	19.9	19,900	20	20	-5,189	-2,146

NOTE 12 Receivables

EUR thousand

	December 31, 2019	December 31, 2018
Non-current receivables		
Rental deposits	6	6
Total non-current receivables	**6**	**6**
Current receivables		
Other receivables	**91**	**185**
Prepaid expenses and accrued income		
Income taxes	259	400
Transaction costs of loans	3,167	4,384
Prepaid expenses	690	357
Unrealized gain from currency derivatives	–	9
Total prepaid expenses and accrued income	**4,116**	**5,150**
Receivables from group companies		
Trade receivables	21	–
Interest-bearing receivables	39,360	31,005
Total	**39,381**	**31,005**
Total other current receivables	**43,588**	**36,340**

NOTE 13 Shareholders' equity

EUR thousand

	December 31, 2019	December 31, 2018
Share capital January 1 and December 31	11,860	11,860
Share premium account January 1 and December 31	24,681	24,681
Treasury shares January 1 and December 31	-44	-44
Reserve for invested unrestricted equity January 1	**81,185**	**87,423**
Return of capital	–	-6,322
Conveyance of treasury shares	84	84
Reserve for invested unrestricted equity December 31	**81,269**	**81,185**
Retained earnings January 1	**9,699**	**6,637**
Retained earnings December 31	**9,699**	**6,637**
Profit / loss for the period	-1,269	3,062
Shareholders' equity December 31	**126,196**	**127,381**

Distributable funds EUR	December 31, 2019
Retained earnings December 31	9,698,862
Reserve for invested unrestricted equity December 31	81,268,962
Treasury shares December 31	-43,619
Profit / loss for the period	-1,268,595
Distributable funds	**89,655,609**

Funds available for dividend distribution EUR	
Retained earnings December 31	9,698,862
Treasury shares December 31	-43,619
Profit / loss for the period	-1,268,595
Funds available for dividend distribution	**8,386,647**

NOTE 14 Share capital

Share capital and shares are presented in Note 16 of the consolidated financial statements.

NOTE 15 Interest-bearing liabilities

EUR thousand

	December 31, 2019	December 31, 2018
Non-current interest-bearing liabilities		
Debentures	85,000	85,000
Total non-current interest-bearing liabilities	**85,000**	**85,000**
Current interest-bearing liabilities		
Debentures	–	15,730
Loans from financial institutions	14,000	5,000
Loans from group companies	24,999	30,787
Total current interest-bearing liabilities	**38,999**	**51,517**
Total interest-bearing liabilities	**123,999**	**136,517**

Repayments of external non-current interest-bearing liabilities

	2020	2021	2022	2023	2024
Debentures	–	–	85,000	–	–

NOTE 16 Interest-free liabilities

EUR thousand

	December 31, 2019	December 31, 2018
Current interest-free liabilities		
Trade payables	909	1,412
Other current liabilities	122	89
Accrued expenses		
Accrued interest expenses	523	725
Accrued personnel expenses	797	1,073
Other accrued expenses	69	40
Total accrued expenses	**1,388**	**1,838**
Liabilities to group companies		
Trade payables	–	260
Other liabilities to group companies	576	–
Total	**576**	**260**
Total current interest-free liabilities	**2 995**	**3 600**

NOTE 17 Contingent liabilities

EUR thousand

	December 31, 2019	December 31, 2018
Guarantees		
On behalf of group companies	11,746	12,318
On own behalf	28	89
Total	**11,774**	**12,408**

Guarantees on behalf of group companies are guarantees given to suppliers and lessors.

	December 31, 2019	December 31, 2018
Rental and leasing obligations		
Falling due within next 12 months	279	250
Falling due later	450	509
Total	**729**	**760**

NOTE 18 Derivative instruments

EUR thousand

Nominal and fair values of derivative instruments	December 31, 2019 Nominal value	December 31, 2019 Fair value	December 31, 2018 Nominal value	December 31, 2018 Fair value
Currency forward contracts				
External	–	–	1,397	9

NOTE 19 Adjustments to cash flow statement

EUR thousand

	January 1– December 31, 2019	January 1– December 31, 2018
Adjustment to profit / loss for the period		
Change in depreciation difference	403	605
Group contributions	576	–
Financial income and expenses	-1,244	-5,863
Income taxes	168	15
Depreciation and amortization	2,903	1,840
Other non-cash items in profit for the period	96	98
Total adjustments to profit / loss for the period	**2,900**	**-3,305**

Proposal by the Board of Directors for the use of the profit

The loss of the financial year 2019 of Suominen Corporation, the parent company of Suominen Group, was EUR -1,268,595.40. The funds distributable as dividends, including the loss for the period, were EUR 8,386,647 and total distributable funds were EUR 89,655,609.

The Board of Directors proposes that a dividend of EUR 0.05 per share shall be distributed for the financial year 2019 and that the loss shall be transferred to retained earnings. On January 29, 2020 the company had 57,529,868 issued shares, excluding treasury shares. With this number of shares, the total amount of dividends to be distributed would be EUR 2,876,493.40.

There have been no significant changes in the company's financial position after the end of the review period.

Helsinki January 29, 2020

Jan Johansson
Chairman of the Board

Risto Anttonen

Andreas Ahlström

Hannu Kasurinen

Laura Raitio

Sari Pajari

Petri Helsky
President and CEO

Auditor's report (Translation of the Finnish original)

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 December 31, 2019. The financial statements comprise the consolidated statement of financial position, statement of profit or loss, 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 governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

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.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in Note 27 to the consolidated financial statements.

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.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue Recognition *We refer to the Group's accounting policies and the Note 23* Revenue from customer contracts is recognised when the control of the underlying products have been transferred to the customer. Revenue is a key performance measure used by the Group, which could create an incentive for premature revenue recognition. Revenue recognition was determined to be a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2) due to the identified risk of material misstatement in timely revenue recognition.	Our audit procedures to address the risk of material misstatement relating to revenue recognition, included, among others: - 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 audit procedures on revenues; and - assessing the Group's disclosures in respect of revenues
Income taxes *Refer to the Critical accounting estimates and judgments and Note 31* The Group operates in a number of jurisdictions around the world, with differing tax regimes. When preparing the financial statements, management makes assumptions and judgments in relation to tax issues and exposures. Income taxes was a key audit matter due to the inherent uncertainty of complying with evolving tax regulations in multiple different tax jurisdictions and the recovery of deferred tax assets recognised with respect to tax loss carryforwards.	We performed, among others, the following audit procedures: - We assessed the Group's process around recording and assessing income taxes. - We involved our tax specialists to assist us in performing an assessment of the Group's correspondence with relevant tax authorities, to evaluate the recorded tax provisions for relevant risks. - We assessed the assumptions used with our tax specialists, especially related to the utilization of deferred tax assets. - We assessed relevant tax opinions from third parties obtained by the management. - We also considered the appropriateness of the Group's disclosures in respect of income taxes.

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 parent company or the Group 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

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 19.3.2015, and our appointment represents a total period of uninterrupted engagement of 5 years.

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 29.1.2020

Ernst & Young Oy
Authorized Public Accountant Firm

Toni Halonen
Authorized Public Accountant

Key ratios

	2019	2018	2017
Net sales, EUR million	411.4	431.1	426.0
Comparable operating profit, EUR million	8.1	4.6	15.0
% of net sales	2.0	1.1	3.5
Operating profit, EUR million,	8.1	4.6	15.0
% of net sales	2.0	1.1	3.5
Profit before income taxes, EUR million	2.1	-1.0	12.4
% of net sales	0.5	-0.2	2.9
Profit for the period, EUR million	0.2	-1.7	14.5
% of net sales	0.1	-0.4	3.4
Cash flow from operations, EUR million	29.9	32.1	22.2
Total assets, EUR million	310.1	320.7	322.0
Return on equity (ROE), %	0.2	-1.3	10.6
Return on invested capital (ROI), %	3.7	2.3	6.6
Equity ratio, %	42.7	40.7	42.5
Interest-bearing net debt, EUR million	67.2	70.8	81.4
Capital employed, EUR million	241.6	232.0	247.3
Gearing, %	50.7	54.2	59.5
Gross capital expenditure, EUR million	11.2	13.6	37.2
% of net sales	2.7	3.2	8.7
Depreciation, amortization, impairment losses and reversals of impairment losses, EUR million	-25.5	-21.0	-19.3
Expenditure on research and development, EUR million	3.4	3.5	4.7
as % of net sales	0.8	0.8	1.1
Average number of personnel	685	676	670

Calculation of key ratios

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

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

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

In order to improve the comparability of result between reporting periods, Suominen presents comparable operating profit as an alternative performance measure. Operating profit is adjusted with material items that are considered to affect comparability between reporting periods. These items include, among others, impairment losses or reversals of impairment losses, gains or losses from the sales of property, plant and equipment or intangible assets or other assets and restructuring costs. Suominen did not have any items affecting comparability in 2019 or 2018.

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

EBITDA	=	EBIT + depreciation, amortization and impairment losses

Reference	EUR thousand	2019	2018
Consolidated statement of profit or loss	Operating profit	8,129	4,594
Note 29	+ Depreciation, amortization and impairment losses	25,539	21,018
	EBITDA	33,668	25,613

Gross capital expenditure
Suominen considers gross capital expenditure as a relevant measure in order to understand for example how the Group maintains and renews its production machinery and facilities. The gross investments do not include increases in right-of-use assets.

Gross capital expenditure includes also capitalized borrowing costs and capitalized cash flow hedges.

Reference	EUR thousand	2019	2018
Note 6	Increases in intangible assets	2,224	6,157
Note 7	Increases in property, plant and equipment	8,974	7,423
	Gross capital expenditure	11,198	13,580

Cash and cash equivalents

Cash and cash equivalents	=	Cash + other financial assets

Interest-bearing net debt

Suominen considers interest-bearing net debt to be an important measure for investors to be able to understand the Group's indebtedness. It is the opinion of Suominen that presenting interest-bearing liabilities not only at amortized cost but also at nominal value gives relevant additional information to the investors.

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

Reference	EUR thousand	2019	2018
Note 17	Interest-bearing liabilities	109,163	101,463
	Tender and issuance costs of the debentures	3,286	4,429
Note 12	Interest bearing receivables	-7,495	-7,365
Consolidated statement of financial position	Cash and cash equivalents	-37,741	-27,757
	Interest-bearing net debt	67,213	70,770
Note 17	Interest-bearing liabilities	109,163	101,463
	Tender and issuance costs of the debentures	3,286	4,429
Note 17	Nominal value of interest-bearing liabilities	112,450	105,892

Return on equity (ROE), %

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

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

Reference	EUR thousand	2019	2018
Consolidated statement of profit or loss	Profit for the reporting period (rolling 12 months)	225	-1,720
Consolidated statement of financial position	Total equity attributable to owners of the parent December 31, 2018 / 2017	130,513	136,794
	Total equity attributable to owners of the parent March 31, 2019 / 2018	133,776	126,866
	Total equity attributable to owners of the parent June 30, 2019 / 2018	133,178	132,631
	Total equity attributable to owners of the parent September 30, 2019 / 2018	136,871	130,981
	Total equity attributable to owners of the parent December 31, 2019 / 2018	132,452	130,513
	Average	133,358	131,557
	Return on equity (ROE), %	0.2	-1.3

Invested capital

Invested capital = Total equity + interest-bearing liabilities

Reference	EUR thousand	2019	2018
Consolidated statement of financial position	Total equity attributable to owners of the parent	132,452	130,513
Note 17	Interest-bearing liabilities	109,163	101,463
	Invested capital	241,615	231,977

Return on invested capital (ROI), %

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

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

Reference	EUR thousand	2019	2018
Consolidated statement of profit or loss	Operating profit (rolling 12 months)	8,129	4,594
Note 30	Financial income (rolling 12 months)	981	801
	Total	9,110	5,395
	Invested capital December 31, 2018 / 2017	231,977	247,266
	Invested capital March 31, 2019 / 2018	250,259	232,580
	Invested capital June 30, 2019 / 2018	249,752	238,589
	Invested capital September 30, 2019 / 2018	246,660	227,186
	Invested capital December 31, 2019 / 2018	241,615	231,977
	Average	244,053	235,520
	Return on invested capital (ROI), %	3.7	2.3

Equity ratio, %

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

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

Reference	EUR thousand	2019	2018
Consolidated statement of financial position	Total equity attributable to owners of the parent	132,452	130,513
Consolidated statement of financial position	Total assets	310,100	320,720
Note 22	Advances received	-58	-27
		310,042	320,694
	Equity ratio, %	42.7	40.7

Gearing, %

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

$$\text{Gearing, \%} = \frac{\text{Interest-bearing net debt x 100}}{\text{Total equity}}$$

Reference	EUR thousand	2019	2018
Consolidated statement of financial position	Interest-bearing net debt	67,213	70,770
	Total equity attributable to owners of the parent	132,452	130,513
	Gearing, %	50.7	54.2

Information for shareholders

Financial calendar

Suominen will publish its Financial Statements Release, Half Year Financial Report and two Interim Reports in 2020 as follows:

January 29, 2020	Financial Statements Release for 2019
April 23, 2020	Interim Report for January–March 2020
August 12, 2020	Half Year Financial Report for January–June 2020
October 22, 2020	Interim Report for January–September 2020

The Annual General Meeting

Notice is given to the shareholders of Suominen Corporation to the Annual General Meeting to be held on Thursday March 19, 2020 at 10.00 am at Finlandia Hall (Helsinki Hall), at the address Mannerheimintie 13 e, 00100 Helsinki. The reception of persons who have 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 to the Annual General Meeting has been announced as a Stock Exchange release on January 29, 2020. All materials to the Annual General meeting are available on the company's website **www.suominen.fi**

Each shareholder who is registered on March 9, 2020 in the shareholders' register of the company held by Euroclear Finland Ltd has the right to participate in the Annual General Meeting. A shareholder whose shares are registered on his/her personal Finnish book-entry account is registered in the shareholders' register of the company.

A shareholder, who wishes to participate in the Annual General Meeting, shall register for the meeting no later than March 16, 2020 before 4.00 p.m. (EET) 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 the address 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, Karvaamokuja 2 B, FI-00380, Helsinki, Finland

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 0.05 per share shall be paid based on the adopted balance sheet regarding the financial year of 2019. Calculated on the basis of the current total amount of shares, excluding treasury shares, a total of EUR 2,876,493.40 would be paid as dividend. The record date for the payment of the dividend is March 23, 2020 and the dividend shall be paid on April 3, 2020.

Investor relations

Emilia Peltola, Vice President, Communications, IR and Sustainability
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Request for management appointments:
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Silent period

Suominen observes a 30-day silent period prior to the publication of financial results. During this time, Suominen does not comment on the company's financial situation, markets or outlook, and neither do Suominen's executives or employees meet with representatives of capital markets or financial media.

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