

ANNUAL REPORT  
**2020**



# 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 are present in people's daily life worldwide. Suominen's net sales in 2020 were EUR 458.9 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

458.9

Operating profit, EUR million

39.5

Employees

689

Share of new products  
from net sales over

25%



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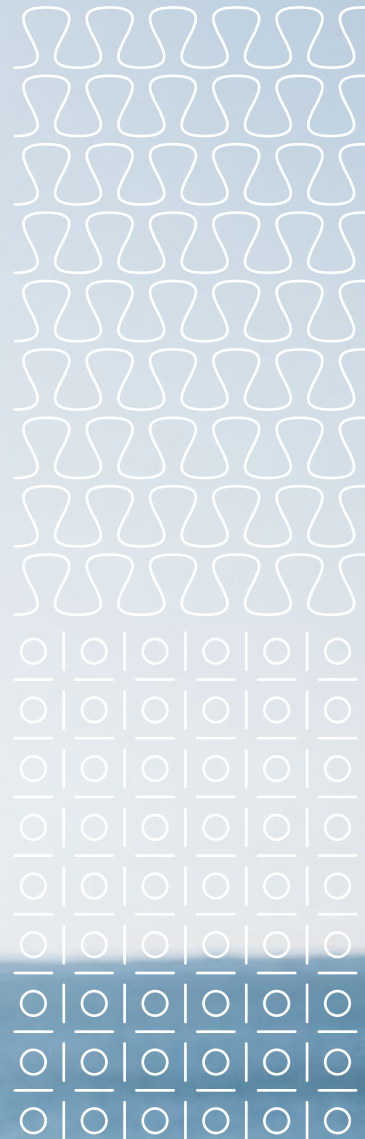
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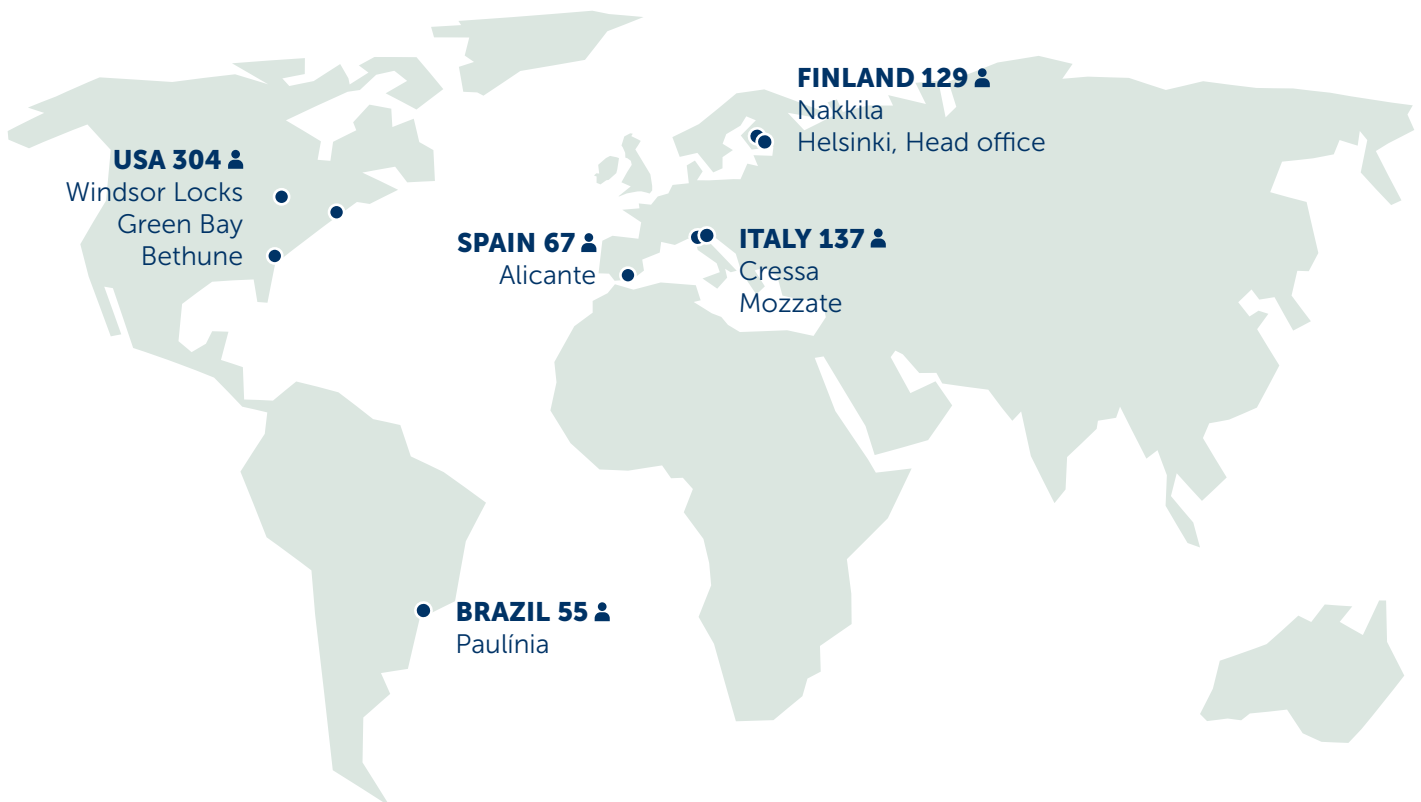
SUOMINEN IN BRIEF

# SUOMINEN TODAY

Our vision is to be the frontrunner for nonwovens innovation and sustainability

Suominen manufactures nonwovens as roll goods for wipes and other applications. The end products made of Suominen’s nonwovens are present in people’s daily life worldwide.

Suominen’s net sales in 2020 were EUR 458.9 million and we have nearly 700 professionals working in Europe and in the Americas. Suominen’s shares are listed on Nasdaq Helsinki.



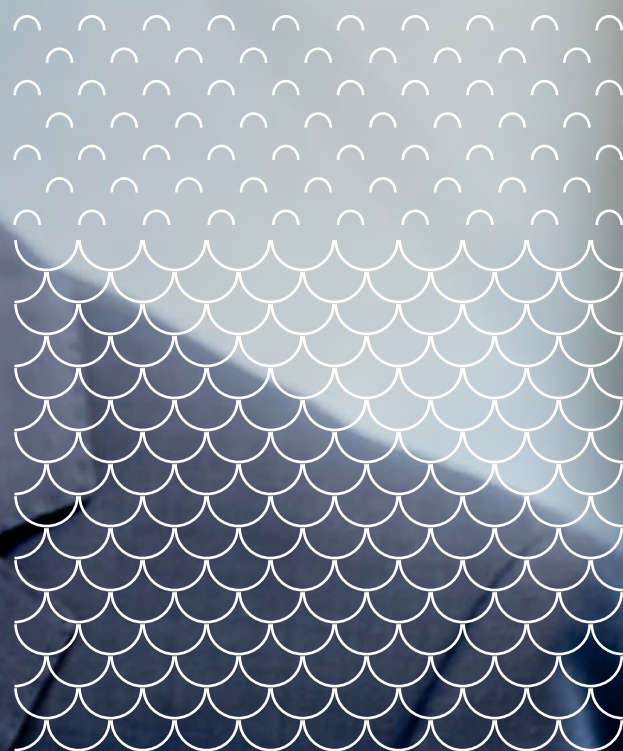
Suominen has two business areas, the Americas and Europe. In 2020, net sales of the Americas business area amounted to EUR 289.1 million and net sales of the Europe business area to EUR 169.9 million.

Net sales by business area





# PRESIDENT & CEO'S REVIEW



The coronavirus pandemic created challenges for both societies and companies in 2020.

COVID-19 affected also all activities at Suominen, but with comprehensive safety measures we were able to ensure the safety of our personnel and to run our operations.

Financially 2020 was a record year for us.

2020 was the first year of implementing our new strategy, which was published in January. The target of our strategy is to grow and improve our profitability. During the year we announced three investments in line with our strategy, two in Italy and one in the United States, as well as a cooperation agreement with Ahlstrom-Munksjö's Stålldalen plant in Sweden.

Our net sales increased by 11.5% to EUR 458.9 million, mainly due to higher sales volumes. The single biggest factor in our sales growth was the increased demand for wiping products due to the coronavirus pandemic. New products accounted for over 25 percent of our net sales also in 2020; by new products we mean products launched less than three years ago. This reflects our strong commitment to R&D and our ability to meet our customers' needs.

Our operating profit improved significantly to EUR 39.5 million in 2020. This was due to higher production and sales volumes, favorable raw material prices, and better production and raw material efficiency.

### Consistent progress in sustainability

Sustainability is a cornerstone of our strategy and we are continuously

developing new, environmentally friendly products. We launched several products made from biodegradable, renewable plantbased fibers in 2020. Sustainability is also important to our customers and other stakeholders – I believe that sustainable products will continue to provide a competitive edge for us.

During the year, we published our sustainability agenda and the related targets and KPIs. Our agenda focuses on four themes: people and safety, sustainable nonwovens, low-impact manufacturing, and corporate citizenship. We have defined concrete targets and plans for each theme, and we are systematically progressing towards our targets.

Occupational safety is a key priority for us, and our target is to have zero lost time accidents. We progressed well in this respect in 2020, with only one lost time accident being reported at our production sites. Our second people related target is to strengthen our employee engagement.

In terms of environmental impact, we are committed to continuously improving our operational efficiency and efficient use of natural resources. We aim to reduce our energy consumption, greenhouse gas emissions, water consumption and landfill waste by 20% per ton of product by 2025, compared to the base year of 2019. We successfully made headway towards these targets in 2020.

Regarding sustainable nonwovens, our target is to grow our sales by 50% by 2025, and to launch more than 10 sustainable products each year. Sales of these products grew by 22.5% and we launched nine sustainable products in 2020.

For us sustainability is not only about environmentally friendly products and minimizing the environmental impact of our operations; we highlight the

Operating profit, EUR million

39.5

Net sales, EUR million

458.9

EBITDA, EUR million

60.9

Sales of sustainable products increased\*

22.5%

\* Compared to base year 2019

importance of sustainable business practices throughout our value chain. Accordingly, we renewed our Code of Conduct in 2020.

### We will continue to implement our strategy through our focus areas

We have divided our strategy implementation into five areas: Operational excellence, Sustainability leadership, Differentiate with innovation and commercial excellence, Great place to work and Dual operating model.

Our strategic focus areas will continue to guide our work in 2021. We are continuously improving the efficiency and quality of our operations and promoting the health and safety of our employees. We leverage our unique asset base and pioneering know-how in nonwovens to strengthen our leadership position in sustainable nonwovens. We serve our customers with the best products and services, and we harness our organization's positive energy and commitment to deliver results.

### Towards the future

Looking at the year 2021 ahead we see twofold development. The pandemic has increased consumption of nonwovens

in all our markets and the demand is expected to continue on a high level. In the long term, COVID-19 may lead to a sustained increase in the use of nonwovens for cleaning and disinfection products. However, the risks related to the pandemic remain relevant. These risks include potential shortages of raw materials, issues linked to logistics as well as potential closures of customers' or our own plants due to virus infections or authority decisions.

Our priority continues to be safeguarding the health and safety of our employees and our ability to serve our customers. We will also continue the systematic implementation of our strategy. Our strong financial performance in 2020 places us in a good position going forward.

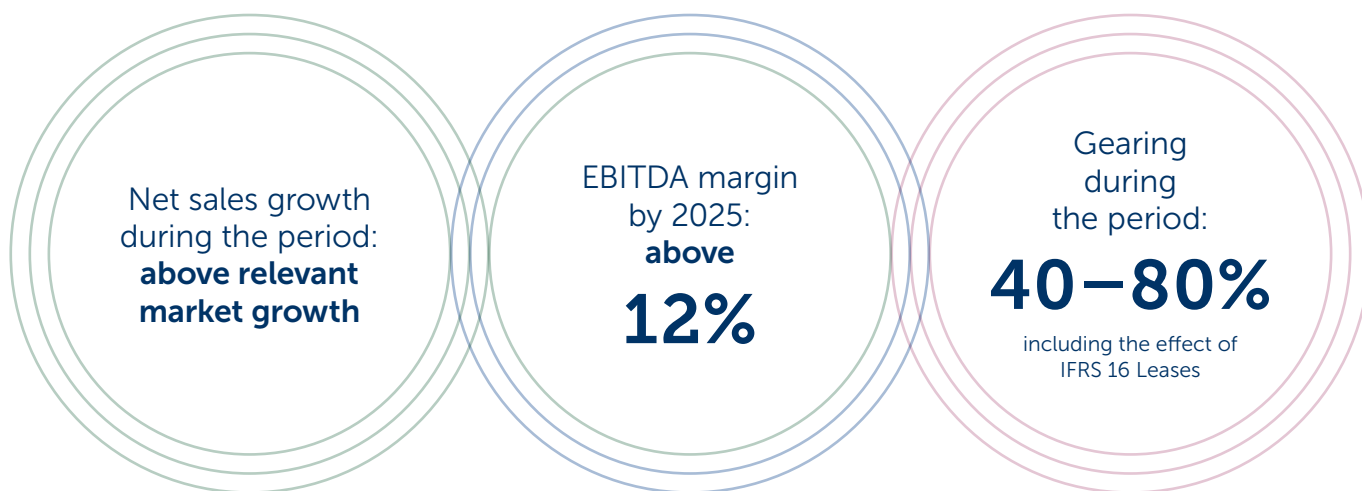
To finish, I would like to thank our personnel for their commitment during the challenging year of 2020, and their contribution in achieving our record result. I would also like to thank our customers, shareholders, and other stakeholders for their good cooperation.

**Petri Helsky**  
President & CEO



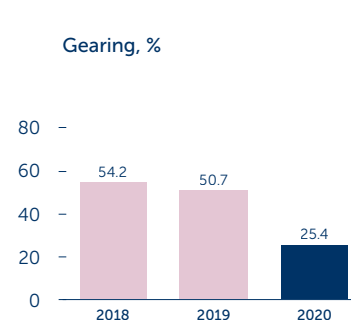
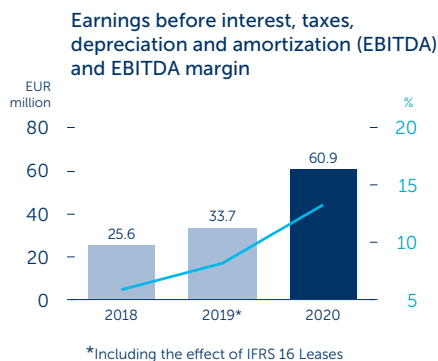
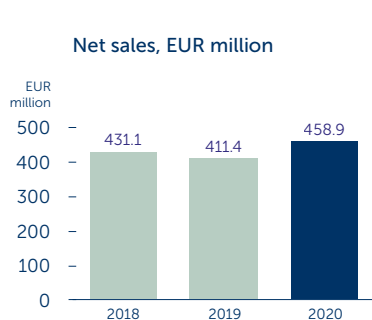
# FINANCIAL TARGETS

## Targets 2020–2025



## How to get there?

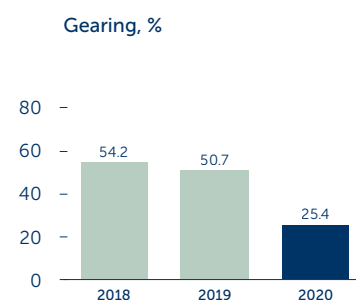
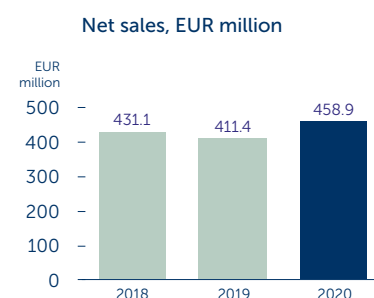
GROWTH	PROFITABILITY	GEARING
<ul style="list-style-type: none"> <li>Sustainable products growing above the market</li> <li>Innovation to capture the market growth</li> <li>Targeted investments to meet the growing demand</li> </ul>	<ul style="list-style-type: none"> <li>Effective utilization of production lines</li> <li>Margin improvement through new products as well as production and raw material efficiency</li> <li>Continued fixed cost control</li> </ul>	<ul style="list-style-type: none"> <li>Balanced investment plan</li> <li>Maintain healthy cash flow from operations</li> </ul>



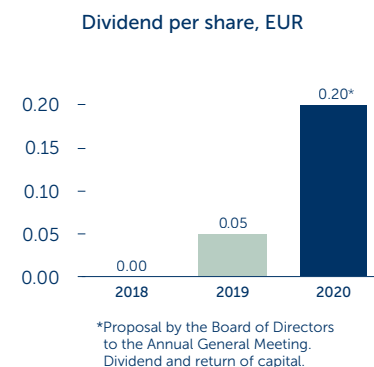
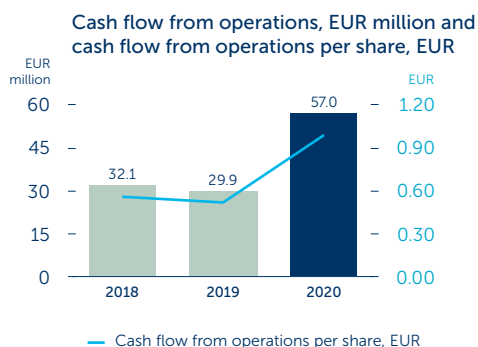
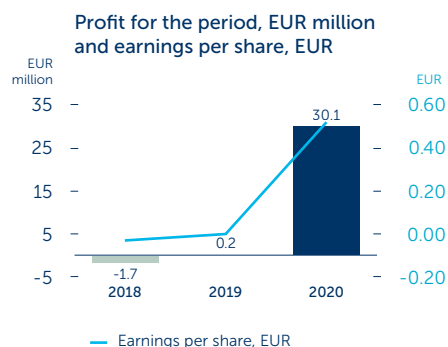
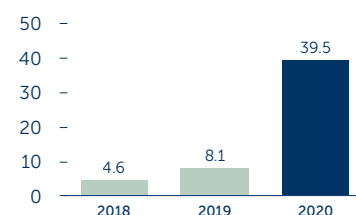
# KEY FIGURES

FINANCIAL	2020	2019
Net sales, EUR million	458.9	411.4
EBITDA, EUR million	60.9	33.7
Comparable operating profit, EUR million	39.5	8.1
Profit for the period, EUR million	30.1	0.2
Earnings per share, EUR	0.52	0.00
Dividend and return of capital per share, total, EUR*	0.20	0.05
Cash flow from operations, EUR million	57.0	29.9
Cash flow from operations per share, EUR	0.99	0.52
Capital expenditure, EUR million	10.4	11.2
Equity ratio, %	46.0	42.7
Equity per share, EUR	2.53	2.30
Gearing, %	25.4	50.7
Return on invested capital (ROI), %	16.7	3.7
EMPLOYEES	2020	2019
Number of employees, average	689	685
Number of lost time accidents	1	6

\*In 2020, proposal by the Board of Directors to the Annual General Meeting



Comparable operating profit, EUR million



# 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 145.9 million
- Total liabilities: EUR 171.5 million

### NATURAL RESOURCES

- Water 7,074,528 m<sup>3</sup>
- Raw materials
  - Wood-based 54%
  - Oil-based 44%
  - Other 2%
- Energy 1,989,957 GJ
  - Natural gas 42%
  - Grid electricity 37%
  - Steam 21%

### INTELLECTUAL CAPABILITIES

- Suominen brand and our way of operating
- R&D expenses EUR 2.8 million
- 15 R&D professionals
- 55 granted and 17 pending patents
- 54 trademarks and design patents
- Piloting facility
- Technical knowhow
- IT systems

### 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

## SUOMINEN



**689 employees**  
on average



**8 production plants**  
on three continents



**Net sales**  
**EUR 458.9 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 4,062.6 tons

### EMISSIONS

- Direct greenhouse gas emissions  
45,423 tons of CO<sub>2</sub>e
- Indirect greenhouse gas emissions  
74,197 tons of CO<sub>2</sub>e

### WATER

- Treated water from operations

## IMPACTS

### CUSTOMERS

- Improved product performance
- Suominen brand value
- Customer satisfaction

### EMPLOYEES

- Wages and salaries EUR 41.3 million
- Professional development
- Fair employment practices and equal opportunities
- Safe workplace: 1 lost time accident

### PARTNERS

- Spend on materials and services EUR 313.9 million
- Business growth
- Ethical business
- Interest to creditors

### SHAREHOLDERS

- Dividend and return of capital  
(Board's proposal) EUR 11.5 million

### ENVIRONMENT

- Waste and emission load from operations and end products
- Sustainable product portfolio includes compostable and dispersible end products
- No untreated water discharge

### SOCIETY

- Corporate income tax EUR 3.8 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 basically describes our business 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 the outcomes of our business activities and impacts describe how our business activities affect the world around us.

# OPERATING ENVIRONMENT

Suominen is the global market leader in nonwovens for wipes, and among the largest spunlace nonwovens producers in the world. Our main market areas are Europe and North America. We also hold a strong position in the South American markets.

The operating environment was highly marked by the COVID-19 pandemic in 2020

The global demand for nonwovens is growing continuously. The growth depends mainly on consumer demand, which 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.

The operating environment was highly marked by the COVID-19 pandemic in 2020. Where other business activities were shut down by the authorities, our nonwovens production was classified as essential in fighting the pandemic. We were able to run our operations with limited impacts due to implementing strict safety procedures to minimize the risk of workplace infections very early in the spring. Throughout all this time, our primary focus has been in safeguarding the health and safety of our employees and to maintain business continuity.

The pandemic increased sales volumes in all our markets and we expect the demand to continue on a high level. In the long term, COVID-19 may lead to a sustained increase in the use of nonwovens for cleaning and disinfection products.

## Megatrends

Global megatrends set a solid base for our strategy and support our growth forecasts thanks to their impact on consumer behavior. The megatrends relevant to Suominen 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 is 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 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 the 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



bacteria and viruses is also contributing to the increase in demand for nonwovens.

### Increasing need for sustainable products

Consumer behavior, legislation and regulations are driving the market towards more sustainable products. In Europe, one of the most significant changes in operating environment is the European Plastic Strategy and European Commission’s Single-Use Plastics Directive (SUPD). The directive aims to protect the environment and to reduce marine pollution.

Initiatives similar to SUPD have emerged also in other regions. Concern over sewer blockages and

marine pollution caused by, among other reasons, the inappropriate disposal of nonwoven products have been raised in some regions.

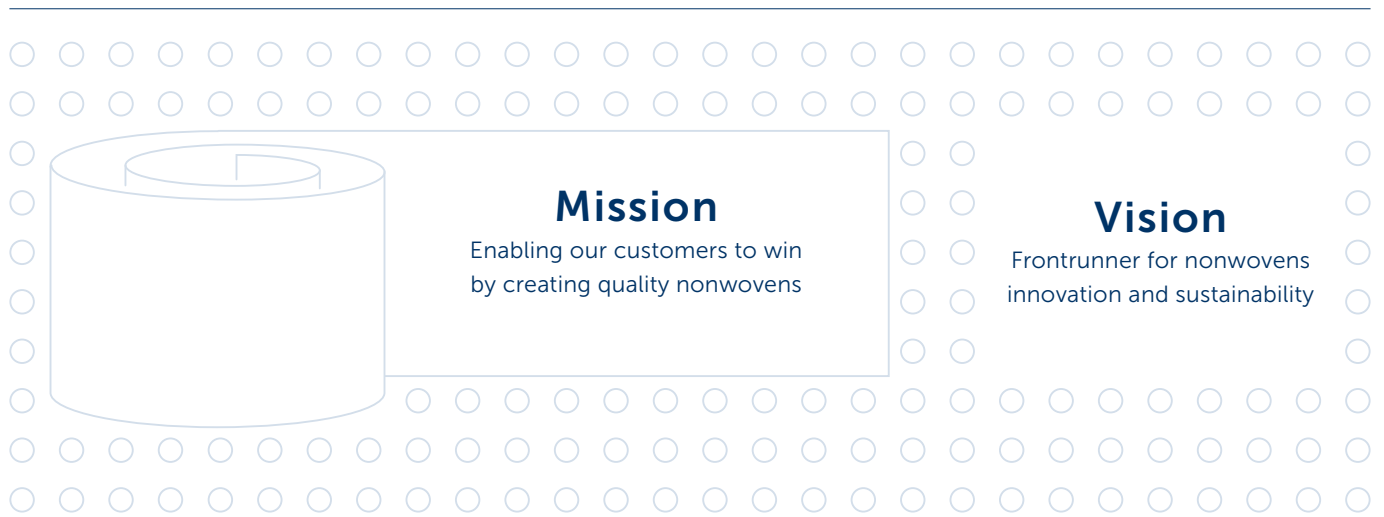
SUPD impacts end products made of nonwovens since many wet wipes are traditionally made of at least partially raw materials containing plastics. Labeling requirements under the Directive for products containing plastic will enter into force in summer 2021.

The demand of sustainable nonwovens is growing and there is clear need to develop more ecological alternatives. Suominen is well placed to respond to this market change.

	EUROPE	AMERICAS
<b>COVID-19 impacts</b>	The COVID-19 pandemic has increased consumption of nonwovens in all our markets and the demand is expected to continue on a high level. In the long term, COVID-19 may lead to a sustained increase in the use of nonwovens for cleaning and disinfection products. However, the risks related to the pandemic remain relevant. These risks include potential shortages of raw materials, issues linked to logistics as well as potential closures of customers’ or our own plants due to virus infections or authority decisions.	
<b>Market characteristics</b>	<p><b>Europe</b></p> <p>In Europe, all consumer wipe categories are highly fragmented and competitive.</p> <p>Single-Use Plastic directive is important topic for nonwovens industry driving sustainability.</p> <p>Leading trends in Europe are ethical living (e.g. cruelty free, vegan) and sustainability (e.g. plastic free movement).</p>	<p><b>North America</b></p> <p>North America is the largest consumer market for wipes. 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.</p> <p>Leading trends are transparency in the value chain and fewer and more natural ingredients.</p> <p><b>South America</b></p> <p>South American market is dominated by baby category and by branded players, but other segments are growing.</p> <p>Rising consumer awareness, high focus on sustainability and reducing single-use plastic products are the leading trends.</p>
<b>Suominen</b>	Net sales of the Europe business area were EUR 169.9 million, corresponding to 37% of Suominen’s net sales in 2020. Suominen had 333 employees in Europe in 2020. 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 289.1 million, corresponding to 63% of Suominen’s net sales in 2020. Suominen had 359 employees in the Americas in 2020. Suominen has three plants in USA and one plant in Brazil.

# STRATEGY

At the beginning of 2020, we published our new strategy for the period 2020–2025 and started to implement our five strategic focus areas. The core in our strategy is sustainability, and our sustainability agenda fully supports our achievement of our targets.



**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.





Suominen's vision is to be the frontrunner for nonwovens innovation and sustainability and our mission is to enable our customers to win by creating quality nonwovens. The main objectives of our strategy are growth and improved profitability. We pursue growth by creating innovative and more sustainable nonwovens for our customers and improve our profitability through more efficient operations and a high performance culture. Our focus is on wipes. We strengthen our capabilities in Europe and the Americas and evaluate our opportunities in Asia.

We execute our strategy through our five strategic focus areas.

### Focusing on operational efficiency

In our **Operational excellence** focus area, we continuously improve the efficiency and quality of our operations, promote occupational health and safety of our employees and increase cost awareness throughout the organization.

Within the framework of our World Class Operations program, we continue to systematically develop our operations and enhance our performance and cost efficiency. A concrete example of our continuous improvement approach is the regular sharing of best practices between our plants to further improve our operational efficiency.

Occupational safety is a key topic for us, and we systematically strengthen our safety culture and employees' safety awareness by taking into use the best-in-class practices, tools and systems. The COVID-19 pandemic has required even more attention to health and safety issues than normally. Since the beginning of the pandemic we have focused on safeguarding our employees' health through extensive global and local safety measures and protocols.

### Taking sustainability to the next level

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. Many of the biggest global challenges and concerns of our time are related to environmental issues. As part of this development, the demand for sustainable nonwovens is growing globally. We are leading this market change by

continuously developing new ecological products for our product offering.

During 2020, we introduced several new sustainable products made of biodegradable and renewable plant-based fibers. We are continuing our determined work to create new sustainable products and, among other things, investigate opportunities to use new renewable fibers as raw materials.

We strive to use resources efficiently and to operate with the smallest possible impacts on the environment. In 2020, we set new targets to decrease these impacts and defined action plans and timelines to reach our targets as part of our sustainability agenda. Our target is to reduce our energy consumption, greenhouse gas emissions, water consumption and waste to landfill by 20% per ton of product by 2025, compared to the base year 2019.

We also renewed our Code of Conduct during 2020 and a mandatory training will be arranged to all employees in 2021.

### Offering leading innovations and increasing customer understanding

Through our **Differentiate with innovation and commercial excellence** focus area, we aim to offer best-in-class products and build closer customer relationships. Our customer-centric research and development focuses on creating sustainable products, product patterning and superior dispersibility. In 2020, the share of new products was over 25% of our net sales.

In 2020, we launched a program to further develop our sales capabilities and common processes. By strengthening our commercial excellence, we will be able to reach the full potential of our competitive advantages. We also further developed our key account management practices.

During the year, we conducted a global customer survey to strengthen our understanding of the needs of our customers to further enhance their experience.

### Strengthening employee engagement

Our **Great place to work** focus area concentrates on harnessing the organization's positive energy and commitment to deliver results. In 2020, we conducted a global employee engagement survey. The results will be used to create actionable development plans to further increase our employee engagement.

# Strategic highlights of the year

- Investment project started in Italy to increase the capacity by restarting an idled line
- Investment project started in Italy to increase capabilities in sustainable nonwovens
- Investment project started in the USA to increase capabilities to offer new, innovative products
- Cooperation agreement with Ahlstrom-Munksjö
- 9 sustainable product launches
- Share of new products over 25% of net sales
- Sustainability targets and KPIs defined
- Rockline's Supplier Innovation Award

We continuously develop our processes and practices to identify excellent performance and to reward for it through a pay-for-performance compensation model. In 2020, we revamped our job architecture and further improved our rewarding and performance development processes.

## Optimizing our 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 allocate standard products into the production lines that are best

suited for them, while making specialty products on smaller and more flexible production lines.

In 2020, we defined targets and KPIs related to optimization of operating models and developed an asset strategy for all our production lines. We will continue to implement operating models which enable us to deliver higher volume standard products with improved cost-efficiency and, at the same time, address the more diverse customer needs concerning specialty products, often produced in lower volumes.



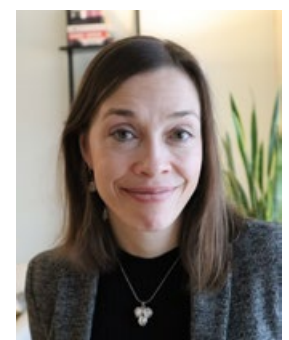
## CASE | Strategy

### IMPLEMENTING NEW STRATEGY

Our new strategy, aiming at growth and profitability, was introduced in January 2020, followed by a townhall event in each location where everyone had a chance to get more information and ask questions. Based on the new strategy, we identified 12 strategic objectives and established projects for each to drive actions to reach them.

We measure the results of this work with company's KPIs and the results are reported regularly to the whole organization. Managers also talk about the strategy in their teams. According to a survey conducted in November, personnel feedback to our strategy communication has been really positive.

**Anna Savo**  
Manager, Strategy Implementation & Process Excellence





SUSTAINABILITY



# SUSTAINABILITY AT SUOMINEN

Sustainability is at the core of our strategy and business. Our vision is to be the frontrunner in nonwovens innovation and sustainability. Sustainability is an integrated part of all our operations.

Suominen's sustainability agenda was published in January 2020

## Materiality

Identification of the most material aspects of sustainability helps us to prioritize our work and efforts in this area. At Suominen, material sustainability topics are defined according to their significance to Suominen's business and stakeholders' expectations. A materiality assessment was conducted in 2019. The process included a stakeholder survey sent to stakeholders such as customers, employees, institutional investors, suppliers, industry associations and owners, and interviews with key stakeholders. The current business environment and key market drivers affecting the industries in which Suominen and its customers operate were also reviewed as part of the process. The topics were then assessed — on the basis of their importance to Suominen and its stakeholders — at an internal workshop involving key experts and management.

As a result of our analysis, the six most material sustainability topics for Suominen were chosen: Eco-friendly products, health and safety, energy efficiency, waste prevention, financial stability and employee engagement. The results of the assessment served as the basis for our sustainability agenda 2020–2025.

## Sustainability agenda 2020–2025

Suominen's sustainability 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 Board of Directors and progress in different areas is regularly monitored.

The agenda focuses on four themes, People and safety, Sustainable nonwovens, Low-impact manufacturing and Corporate citizenship.

## Sustainability agenda 2020–2025



## Most relevant UN Sustainable Development Goals for Suominen



**SDG 8: Decent work and economic growth**  
 Suominen promotes responsible business practices throughout the value chain and does not tolerate slavery, forced or child labor, or human trafficking in any form in its own or its suppliers' operations. Suominen promotes equal opportunities for all. Our principle is "equal pay for an equal contribution". A safe workplace is one of our top priorities, and we are continuously striving to improve our safety culture in order to achieve an accident-free workplace



**SDG 12: Responsible consumption and production**  
 Our goal is to use natural resources as efficiently as possible and strive for minimization of waste in production, by recycling and finding alternative outlets for non-recyclable waste. With our product

offering, we contribute to this goal by taking account of the entire value chain in our product design, in order to decrease any negative impacts on the environment. We publicly report our activities and progress towards our sustainability goals.



**SDG 13: Climate action**  
 Suominen is committed to reducing the greenhouse gases emitted due to 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 the carbon

footprint of our products and developing solutions with a smaller climate impact.

## Our sustainability targets and key performance indicators (KPIs)

	INDICATOR	TARGET FOR 2025	RESULT FOR 2020	PROGRESS	
 <b>People and safety</b>	Lost time accident	0	1	In progress	
	Employee engagement index	73%	69%	In progress	
 <b>Sustainable nonwovens</b>	Number of sustainable product launches	Over 10 per year	9	In progress	 
	Sales of sustainable products	50% increase in sales <sup>1</sup>	22.5% increase in sales <sup>1</sup>	In progress	
 <b>Corporate citizenship</b>	Coverage of renewed Code of Conduct	100% of existing employees and new hires	Code of Conduct renewed	In progress	
	Supplier audits	Raw material suppliers audited against supplier code (based on risk assessment)	Auditing process planning ongoing	In progress	
 <b>Low impact manufacturing</b>	Energy consumption (GJ/t of product)	20% reduction <sup>1</sup>	8.0% reduction <sup>1</sup>	In progress	 
	Process waste to landfill (kg/t of product)	20% reduction <sup>1</sup>	2.4% reduction <sup>1</sup>	In progress	
	Water consumption (m <sup>3</sup> /t of product)	20% reduction <sup>1</sup>	12.2% reduction <sup>1</sup>	In progress	
	Greenhouse gas emissions (t/t of product)	20% reduction <sup>1, 2</sup>	14.9% reduction <sup>1, 2</sup>	In progress	

<sup>1</sup> Compared to the base year 2019

<sup>2</sup> Target is set for Scope 1 and 2 emissions (emissions from our own operations and purchased energy generation)

## 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.

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## Our people

In 2020, our operating environment was significantly impacted by the COVID-19 pandemic. Securing the health and safety of our nearly 700 employees was a top priority for Suominen. In our development work, we focused on understanding the level and drivers of our employee engagement and on enhancing our processes to promote a high performance culture.

Securing the health and safety of our employees is of the utmost importance in all situations

### Safeguarding our employees

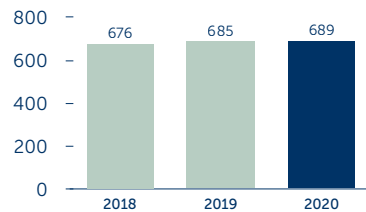
The COVID-19 pandemic affected the operating environment of companies around the world in many ways. For Suominen, securing the health and safety of its employees is in all situations of the utmost importance. In 2020, we implemented various safety and other precautionary measures, and we continuously monitored the development of the pandemic.

At the beginning of the pandemic, a COVID-19 task force with participants

from all our locations was established, and it held weekly – and later biweekly – meetings. To assess the impact of COVID-19 in daily work, we also conducted two pulse surveys among our employees, one in the spring and the other in December. A large majority of the respondents felt that they had been able to work effectively despite the pandemic, have confidence in the company's response to the pandemic, and feel safe carrying out their duties during the pandemic. Thanks to our dedicated



Number of employees, average



people and our proactive approach and actions, the exceptional situation had only a limited impact on our ability to serve our customers and to run our operations.

### Advancing employee engagement

Increasing employee engagement is one of our key people-related targets in our Sustainability Agenda for 2020–2025. As an important step in this work, we conducted a global employee engagement survey in the second half of 2020. The response rate for the survey was 79%.

The survey results identified both positive areas and opportunities for improvement. With regard to the positives, our people appreciate Suominen’s commitment to safety and sustainability, know our strategy and what is expected of them, and have strong confidence in the company’s future. The opportunities to further increase the level of engagement relate to employee feedback and recognition, communication, and career development. The results have been shared with the relevant team leaders to be further discussed within their teams and to be used as the basis for creating targeted, actionable development plans. We have a follow-up procedure in place to ensure that the plans are implemented and to support the systematic development of our employee engagement and performance culture.

Based on the results, our employee engagement index is 69%, which is on par with global manufacturing companies. The index is a combination of questions concerning our people’s likelihood to recommend and stay in the company, organizational pride, and commitment. The result means that 69% of the survey participants responded favorably to those questions.

Further developing our recruitment and onboarding processes and the related experiences is an important long-term target for us. We will also strengthen and communicate our employer brand more actively to increase employee commitment, retention, satisfaction, and attraction.

### In pursuit of high performance

Building a high performance culture is an important element in Suominen’s strategy and Sustainability Agenda. We are aiming for a culture in which people are encouraged to exceed expectations – to go the extra mile – and are enabled to perform to their full potential. To support the successful implementation of our strategy and the high performance culture, we ensure that our employees’ targets and actions are aligned with the company’s strategy and objectives.

We continuously develop our processes and practices to identify, foster, and reward excellent performance and to drive a pay-for-performance compensation model. In 2020, we worked extensively on our job architecture and further developed our performance development and reward systems and processes.

Suominen’s performance development discussion process consists of regular employee – manager discussions covering topics such as success in reaching the previous year’s targets, setting targets for the ongoing year, and identifying

development needs and plans. During the year, we strengthened the quality of target setting and promoted a feedback culture to further enhance the process. In 2020, the employee – manager discussions covered 75% of our employees. Our target for 2021 is to develop and harmonize the performance and development discussion process also for our blue-collar employees globally.

### Promoting equal opportunities

Suominen has nearly 700 employees, representing more than a dozen nationalities working in eight locations on three continents. We recognize the business benefits of having a diverse workforce and want to offer a fair workplace with equal opportunities for everyone. We do not tolerate any kind of discrimination, including discrimination based on 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.

### Supporting personal and professional development

It is crucial for our success that we identify and develop the competencies and capabilities needed to reach our strategic objectives. An important part of this is to systematically support our employees' personal growth ambitions and continuous professional development. In 2020, health and safety issues related to the COVID-19 pandemic somewhat slowed our training activities. However, we started a global program to further develop our sales capabilities and common processes, and we also carried out a number of local training programs covering topics such as safety, quality, and best practices.

# 689

employees

We support our employees' personal growth ambitions and continuous professional development



### CASE | Employee well-being

## WALKING FOR HEALTH AND THE AMAZON RAINFORESTS

During a global well-being campaign in October 2020, our employees who participated in the campaign walked a total of 13,400 km which meant virtually passing through all our locations in Europe and the US, starting from Helsinki headquarters all the way to Bethune, South Carolina. By reaching set milestones our employees were able to increase the amount Suominen would donate to charity. Based on the total outcome our campaign resulted in donating 2,000 Euros to WWF for their work in protecting the Amazon rainforests. Safe and energetic walks to everyone in the future too!

**Päivi Nieminen**  
Senior Specialist, HR



# Safety

We focus on safety and accident prevention, and we have a strong safety culture. The health and safety of Suominen’s employees is our key priority.

## Progress in safety

Safety is one of our key people-related targets. Our target is to have zero lost-time accidents (LTA). In 2020, progress was positive. One LTA occurred at Suominen sites in 2020 (6 in 2019) and seven out of eight sites were able to reach the zero LTA target in 2020. In 2020, the accident frequency rate (AFR) decreased to 0.79 (4.95), and the accident severity rate (ASR) was 0.14 (0.12). We keep records of all work-related accidents and near misses and identify their causes.

our employees safe and healthy. Suominen monitored the COVID-19 situation closely and implemented extensive precautions to protect our employees and to ensure a safe working environment on our sites. Global rules and recommendations were implemented, including a business travel ban, limitations on physical meetings and plant visits, and other measures. Thanks to our proactive approach, there were only limited impacts on our ability to serve our customers and run our operations during 2020.

## Safety during the pandemic

The year 2020 was marked worldwide by the COVID-19 pandemic. Our primary focus during the year was to keep

## Our safety work

Suominen’s safety work is based on preventive work, and Suominen has implemented Life Saving Rules and



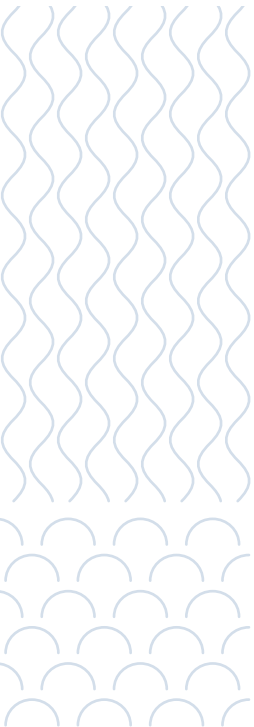
### CASE | Safety

## SAFETY FIRST IN DIFFICULT TIMES

The safety of our employees has been a key priority since the very beginning of COVID-19 pandemic. We have taken strict proactive measures, e.g. all business traveling is prohibited, special focus on hygiene has been paid, and working from home is encouraged whenever possible. Virtual meetings are also encouraged. We continue to fight the pandemic together.

**Juan Carlos Esteve**  
Director, HSEQ





a Behavior Based Safety program covering employees working both at Suominen’s manufacturing sites and at office premises.

The Behavior Based Safety program kept rolling for the seventh year in a row in 2020. The program emphasizes the individual’s own responsibility in safety and focuses on influencing the attitude and motivation of individuals.

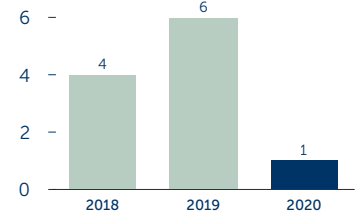
The program is implemented through safety walks, in which an employee walks through the premises identifying both safe and unsafe behaviors and conditions, and then engages in an open discussion with other employees.

Safety walk training is mandatory for all new employees as part of their onboarding process. In 2020, over 11,800 safety walks were performed globally. Altogether, 1,614 unsafe actions or conditions were identified that need to be rectified. However, as a precautionary measure, safety walks were suspended in early 2020 to ensure social distances in our sites due to the COVID-19 pandemic.

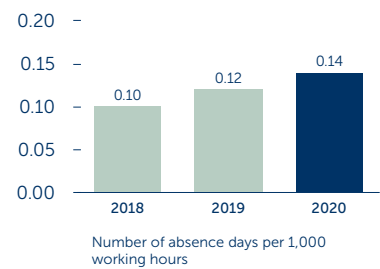
Suominen develops safety at the workplace according to the principle of continuous improvement and constantly shares the best practices at individual plants to benefit the entire plant network. In improving safety, Suominen places particular emphasis on influencing attitudes, behavior, and operating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

In 2021, we will continue on strengthening our safety culture.

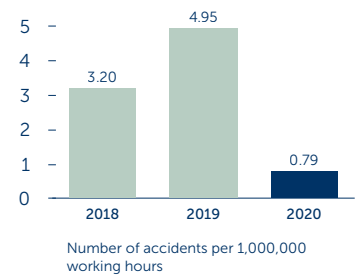
Number of lost time accidents (LTA), own employees



Accident severity rate (ASR)



Accident frequency rate (AFR)





## LOW IMPACT MANUFACTURING

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

### Utilizing resources efficiently

The most significant environmental impacts resulting nonwovens production include consumption of water and energy, generation of greenhouse gases, and

landfill waste. We regularly follow these consumption and emission levels and have set reduction targets for each of these.

## We operate according to the relevant standardized management systems

### How do we operate?

Suominen is committed to continuously improving its production efficiency and the efficient utilization of natural resources. Environmental responsibility requires daily commitment and continuous development. Suominen’s Environmental Best Practice team shares best practices and knowledge regarding environmental matters between our sites and actively seeks opportunities and solutions to reduce the environmental impacts from our operations.

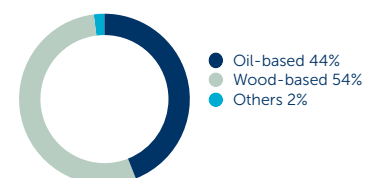
We operate according to the relevant standardized management systems. All of our sites are certified according to ISO 9001 quality management standard and 7 out of 8 sites’ environmental management systems are certified according to the ISO 14001 standard with the last one to be certified in early 2021. In addition, two of our production sites’ energy management systems are certified according to the ISO 50001 standard and safety management systems according to the ISO 45001 standard.

## Raw materials

Raw materials play a vital role in our business since they account for roughly 60–70% of our expenses. Suominen uses fiber materials, such as cellulose-based fibers, polypropylene and polyester in nonwovens production. The share of raw materials from renewable sources accounted for 54% (58% in 2019), most of it being cellulosic 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 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 the minimization of waste in our production by recycling and finding alternative outlets for non-recyclable production waste.

Raw materials purchased in 2020



# Water

Water is an essential resource for Suominen as it is used in our nonwovens 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 production processes, mainly through evaporation. Our water use and discharges are regulated by 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 discharging. 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.

Our target is 20% reduction in water consumption per ton of production by 2025, the baseline being 2019.

In 2020, Suominen’s water consumption decreased by 12.2% per ton of product compared to the year 2019. We managed to improve our water efficiency at most of our production plants.

# Energy

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

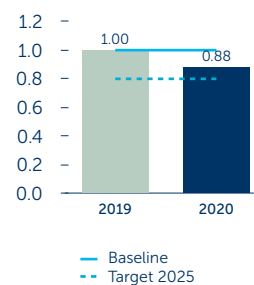
Our target is 20% reduction in energy consumption per ton of product by 2025, the baseline being 2019.

In 2020, our energy consumption decreased by 8.0% per ton of product compared to the year 2019. In order to meet our energy efficiency improvement targets, we are continuing to identify and implement energy saving initiatives at our plants.

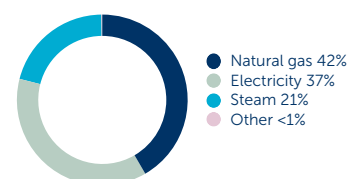
Water intake by source in 2020



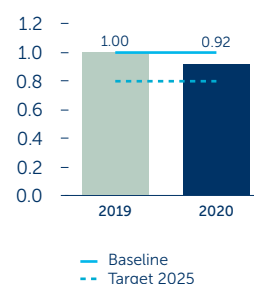
Water consumption per ton of product (indexed)



Energy consumption in 2020



Energy consumption per ton of product (indexed)



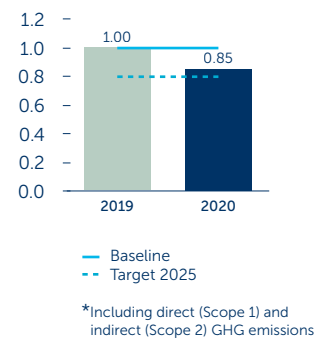
# Greenhouse gas emissions

Suominen reports its direct greenhouse gas emissions (Scope 1) and its indirect greenhouse gas emissions from purchased energy production (Scope 2). Direct greenhouse gases originate from the consumption of fossil fuels used mainly for the generation of process heat. Indirect emissions are caused by the production of purchased electricity and steam.

Our target is 20% reduction in greenhouse gas emissions per ton of product by 2025, the baseline being 2019.

In 2020, our greenhouse gas emissions decreased by 14.9% per ton of product compared to the year 2019. 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 also other ways to decrease greenhouse gas emissions from our operations.

Greenhouse gas emissions\* per ton of product (indexed)

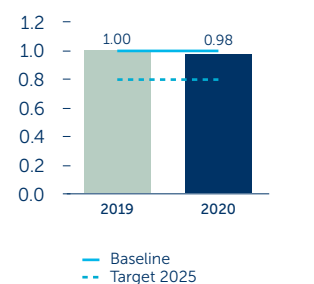


# Waste to landfill

Our target is 20% reduction in waste to landfill per ton of product by 2025, the baseline being 2019.

In 2020 the amount of landfilled production waste decreased by 2.4% per ton of product compared to the year 2019. Four out of our eight production sites are already generating zero waste to landfill. In waste management Suominen's first priority is to prevent waste generation in the first place by improving its material efficiency. Secondly, we work actively with partners that can use our waste material for different end uses.

Production waste to landfill per ton of product (indexed)







## SUSTAINABLE NONWOVENS

Consumer behavior and legislation are driving the need for more sustainable products. By continuously developing new and innovative solutions with a reduced environmental impact, we are able to provide a comprehensive offering of sustainable nonwovens for our customers.

**Our target is  
50% increase  
in sales of  
sustainable  
nonwovens by  
2025**

Sustainable nonwovens is one of the four focus areas in our sustainability agenda. Our target is a 50% increase in sales of sustainable nonwovens by 2025 compared to 2019, and to have at least 10 sustainable product launches per year.

### **Comprehensive offering**

Suominen's Sustainable Product Portfolio consists of products made of renewable,

recycled and/or plastic-free raw materials as well as compostable and totally dispersible nonwovens. Different aspects of sustainability are important to different customers and by offering solutions in these different categories, we can meet the varying sustainability-related needs of our customers and end users.

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. By offering more environmentally sound products, we are able to help our customers to reduce the environmental impacts of their own products and to achieve their own sustainability goals.

In 2020, our share of sustainable nonwovens increased by 22.5% and we launched nine sustainable products.

### Sustainable solutions at the center of our innovation work

Sustainability is one of the focus areas in our R&D. We strive to reduce the environmental impact of our products without compromising excellent functionalities and quality.

The environmental impacts of the nonwovens production process comprise only a part of the total environmental impacts of nonwoven products. We are committed to decreasing the environmental impacts of our products by taking into consideration the entire supply chain, such as using raw materials with lower environmental impacts and optimizing transportation distances.

To be able to offer even wider range of sustainable products to our customers in future, we are constantly researching new potential fibers. We are actively co-operating with start-ups as well as well-established companies that are developing new innovative fibers.



#### CASE | R&D

### RECORD TIME DEVELOPMENT PROCESS FOR A NEW INNOVATIVE NONWOVEN FOR FACE MASKS

When difficulties arose in sourcing high-quality face masks in Finland during the COVID-19 pandemic in the spring, we started working towards a solution. With open-minded and seamless co-operation with our partners, we succeeded starting the production of FIBRELLA® Shield in only six weeks. Normally a process this kind would take two years. We worked around the clock and the fact that it was about saving lives got us all to go the extra mile needed.

**Miika Nikinmaa**  
Manager, R&D





## CORPORATE CITIZENSHIP

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

### WE SUPPORT



Suominen is a global company with operations on three continents. We collaborate with a significant number of stakeholders in a multicultural environment every day. We develop our stakeholder relationships in a fair and responsible way and promote transparency in our communications.

Through global operations we provide employment and business opportunities,

generating a positive economic contribution to the surrounding society. Our tax footprint arises from the business operations in the countries where we operate.

We are committed to full compliance with all applicable national and international laws, regulations, and generally accepted practices. We support UN Global Compact. Suominen refrains from all unfair business practices, such as fraud, corruption, and bribery.

## We adhere to high ethical standards in all our activities

### 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 our 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 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

Our daily operations are guided by Suominen's Code of Conduct and other related policies which are the cornerstones of our sustainable business practices. Suominen renewed its Code of

Conduct during 2020 and it was published in the first quarter of 2021. The Code of Conduct states Suominen's expectations for doing business responsibly, ethically and consistently, according to our values, our policies, and the law. The Code of Conduct addresses issues such as fair business practices, financial regulations, human rights, and environment. The Code is adopted by the Suominen Corporation and its subsidiaries and it applies to everybody working for the company, wherever they are in the world. A mandatory training program about the renewed Code of Conduct will be arranged for all employees in 2021.

Our requirements for our suppliers are described in the Supplier Code of Conduct, which discusses issues such as human rights, wages and working hours, child labor and forced labor, corruption and bribery and the environment. We expect our business partners to act responsibly and all our suppliers to comply with our Supplier Code of Conduct.

In accordance with the renewed sustainability agenda's targets, we will 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](http://www.suominen.fi).

## Stakeholder dialogue

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

We want to engage in open and continuous dialogue with our stakeholders

Suominen conducts a stakeholder survey every other year and the latest survey took place in 2019. At that time, a public web-based survey for all our stakeholders was conducted to assess expectations 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. The results were analyzed in internal workshop and as a result, six material topics were defined: eco-friendly products, health and safety, energy efficiency, waste prevention, financial stability and employee engagement.

In October 2020 Suominen conducted a global employee engagement survey, gaining an overall participation rate of approximately 80 percent of all employees. The survey identified both positive areas of impact on employee engagement, as well as areas of the greatest opportunity for improvement. The results are used as a basis for creating concrete development plans. Overall, Suominen's employee engagement is at a good level.

STAKEHOLDER GROUP	EXPECTATIONS AND INTERESTS	MEETING STAKEHOLDER EXPECTATIONS	ENGAGEMENT CHANNELS
<b>Employees</b>	<ul style="list-style-type: none"> <li>- Safe working environment</li> <li>- Compensation and benefits</li> <li>- Development opportunities</li> <li>- Equal treatment, well-being, and workplace culture</li> </ul>	<ul style="list-style-type: none"> <li>- Continuous development of safety at workplace</li> <li>- Fair and equal compensation and benefits</li> <li>- Individual competence development plans</li> <li>- HR principles and blind recruiting</li> <li>- Open communication</li> <li>- Code of Conduct</li> </ul>	<ul style="list-style-type: none"> <li>- Daily interaction</li> <li>- Performance development discussions</li> <li>- Global intranet, internal newsletter</li> <li>- Stakeholder survey</li> <li>- Global employee engagement survey and local pulse surveys</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>- Long-term partnership</li> <li>- Open communication and co-operation</li> </ul>	<ul style="list-style-type: none"> <li>- Co-operation with suppliers</li> <li>- Smooth and efficient raw material quality assurance process</li> <li>- Supplier Code of Conduct</li> </ul>	<ul style="list-style-type: none"> <li>- Supplier meetings and other direct contacts</li> <li>- Requests for tender and contracts</li> <li>- Supplier Code of Conduct</li> <li>- Stakeholder survey</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>- Product safety</li> <li>- Innovation and product development</li> <li>- Reducing environmental impact</li> <li>- Responsible fiber sourcing</li> <li>- Value for the customer</li> <li>- Long-term partnership</li> <li>- Cost competitiveness</li> </ul>	<ul style="list-style-type: none"> <li>- Quality assurance through audits and certifications</li> <li>- Sustainable product portfolio and product development with customers</li> <li>- Development of personnel skills</li> <li>- Open communication and onsite visits</li> <li>- Participation to exhibitions and trade fairs</li> </ul>	<ul style="list-style-type: none"> <li>- Meetings and other direct contacts</li> <li>- Exhibitions and other industry events and industry media</li> <li>- External communication e.g. customer newsletter</li> <li>- Audits and certificates</li> <li>- Stakeholder survey</li> <li>- Requests for tender and contracts</li> </ul>
<b>Investors, shareholders, analysts</b>	<ul style="list-style-type: none"> <li>- Market value and dividends</li> <li>- Sustainable growth</li> <li>- Accurate, consistent, and reliable information</li> <li>- Risk assessment and management</li> <li>- Product development</li> <li>- Sustainability</li> </ul>	<ul style="list-style-type: none"> <li>- Communication based on Finnish laws, EU directives, stock exchange rules and regulations</li> <li>- Implementation of our strategy aiming for growth and profitability</li> <li>- Implementation of our sustainability agenda</li> <li>- Transparent reporting, responsibility reporting based on GRI standard</li> </ul>	<ul style="list-style-type: none"> <li>- Annual General Meeting</li> <li>- Quarterly and annual reporting</li> <li>- Stock exchange and press releases</li> <li>- Shareholder and analyst events</li> <li>- Website and other digital channels</li> <li>- Stakeholder survey</li> </ul>
<b>Political decision-makers, public authorities, NGOs</b>	<ul style="list-style-type: none"> <li>- Regulatory compliance</li> <li>- Responsible supply chain</li> <li>- Responsible operations</li> </ul>	<ul style="list-style-type: none"> <li>- Compliance with laws and regulations</li> <li>- Whistleblowing channel</li> <li>- Responsibility reporting based on GRI standard</li> </ul>	<ul style="list-style-type: none"> <li>- Reporting and other external communication</li> <li>- Direct contacts</li> </ul>
<b>Society and local communities</b>	<ul style="list-style-type: none"> <li>- Fair employment practices</li> <li>- Responsible and sustainable production</li> <li>- Regulatory compliance</li> <li>- Tax contribution</li> </ul>	<ul style="list-style-type: none"> <li>- Jobs and fair compensation</li> <li>- Good corporate citizenship</li> <li>- Tax contribution</li> </ul>	<ul style="list-style-type: none"> <li>- Media</li> <li>- External communication</li> <li>- Events</li> </ul>

## Tax footprint

Suominen'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's tax footprint arises from the business operations in the countries where it operates. Suominen has not entered into any arrangements aiming to change or rearrange its tax burden from what arises 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 only in those five countries – Brazil, Finland, Italy, Spain and the USA – where it has both production and sales operations. In respect of taxes and similar payments, Suominen applies the laws and regulations of each country.

Suominen's tax footprint arises from the business operations in the countries where it operates

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.

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.

In 2020, Suominen employed on average 689 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 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 normally 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.

In 2020, Suominen utilized in the USA the COVID-19 related tax reliefs which allowed companies to carry back losses to past years. This resulted in Suominen receiving a federal corporate income tax refund from prior years and decreased the total federal corporate income taxes for 2020.

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, for example, on manufacturing operations. 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

EUR thousand	2020		2019	
	Finland	Other countries	Finland	Other countries
Corporate income tax, tax on profit*	-2	-2,851	0	-1,351
Property taxes	-73	-984	-73	-952
Employer contributions and taxes	-1,786	-10,215	-1,490	-9,925
VAT as expense	-20	-5	-20	-2
Custom duties on export**	-	-22	-	-23
Custom duties on import**	-450	-1,305	-606	-1,792
Excise duties	-18	-151	-236	-126
Other taxes and similar payments	-21	-525	-25	-210
<b>TOTAL</b>	<b>-2,370</b>	<b>-16,059</b>	<b>-2,450</b>	<b>-14,380</b>

### Taxes and similar payments collected and paid

EUR thousand	2020		2019	
	Finland	Other countries	Finland	Other countries
Net VAT	3,355	-4,887	3,510	-4,010
Payroll taxes and similar payments collected and paid	-2,936	-8,650	-2,881	-8,912
Withholding taxes on various payments	-150	-121	-	-114
<b>TOTAL</b>	<b>269</b>	<b>-13,658</b>	<b>629</b>	<b>-13,036</b>

\* Corporate income taxes do not include any deferred taxes.

\*\* Custom duties are borne by the company importing or exporting goods and not collected and/or paid by some other tax payer. For these reasons custom duties are reported as taxes borne.

# REPORTING PRINCIPLES

Suominen publishes its sustainability report as part of its Annual Report. The previous Sustainability Report, covering 2019, was published in February 2020.

Suominen is reporting according to the Core option of the Global Reporting Initiative (GRI) standards. This means that our reporting includes all General Disclosures required by the Core options and Sector Disclosures relevant to Suominen.

A materiality assessment, including stakeholder engagement, was conducted in 2019, serving as the basis for decisions on material themes and disclosures. The relative priority for material topics was determined as an outcome of a stakeholder survey and management workshop.

The reporting period for all presented data is one calendar year (January 1–December 31, 2020) and the enclosed historical data encompasses the last one, two or three years, depending on the topic.

## **Economic responsibility**

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 used in 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 on the basis of our financial statements, with more detailed human resources data being derived from separately collected statistics. This data represents the situation at the end of 2020. 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 the GRI index.

## **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 information is based on separately collected statistics. The Windsor Locks plant in Connecticut, USA, is operated jointly with Ahlstrom-Munksjö Oyj; only consumption data on the environmental impacts of Suominen's production lines is 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 the GRI index.

# GRI INDEX

GRI STANDARD		LOCATION	COMMENTS	OMISSIONS AND REASONS FOR OMISSIONS
<b>GRI 102: General disclosure</b>				
<b>Organizational profile</b>				
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, 92		
102-8	Information on employees and other workers	AR 3, 22–23, 40, 46, See comments	The Windsor Locks plant in CT, USA is co-operated with Ahlstrom-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. There is limited seasonal variation during vacation periods at our plants.	
102-9	Supply chain	AR 9–11, 28		
102-10	Significant changes to the organization and its supply chain	AR 4–6, 85		
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 33–34		
102-13	Membership of associations	AR 46		
<b>Strategy</b>				
102-14	Statement from senior decision-maker	AR 4–6		
102-15	Key impacts, risks, and opportunities	AR 4–6, 86–89		
<b>Ethics and integrity</b>				
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
<b>Governance structure</b>				
102-18	Governance structure	AR 52		
102-22	Composition of the highest governance body and its committees	AR 53–55		
102-23	Chair of the highest governance body	AR 54		
102-35	Remuneration policies	AR 62–70		
102-36	Process for determining remuneration	AR 62–70		
<b>Stakeholder engagement</b>				
102-40	List of stakeholder groups	AR 36		
102-41	Collective bargaining agreements	AR 46		
102-42	Identifying and selecting stakeholders	AR 35–36		
102-43	Approach to stakeholder engagement	AR 35–36		
102-44	Key topics and concerns raised	AR 35–36		
<b>Reporting practice</b>				
102-45	Entities included in the consolidated financial statements	AR 112		
102-46	Defining report content and topic Boundaries	AR 18, 40		
102-47	List of material topics	AR 18		
102-48	Restatements of information	AR 40		
102-49	Changes in reporting	AR 40		
102-50	Reporting period	AR 40		
102-51	Date of most recent report	AR 40		
102-52	Reporting cycle	AR 40		
102-53	Contact point for questions regarding the report	See comments	Noora Rantanen, Manager, Sustainability & Marketing firstname.lastname@suominencorp.com	
102-54	Claims of reporting in accordance with the GRI Standards	AR 40		
102-55	GRI content index	AR 41–45		
102-56	External assurance	See comments		Suominen's sustainability report has not been externally assured.

GRI STANDARD		LOCATION	COMMENTS	OMISSIONS AND REASONS FOR OMISSIONS
<b>GRI 103: Management approach</b>				
103-1	Explanation of the material topic and its Boundary	AR 18, 40		
103-2	The management approach and its components	AR 50		
103-3	Evaluation of the management approach	AR 50		
<b>ECONOMIC STANDARDS</b>				
<b>GRI 201: Economic performance</b>				
201-1	Direct economic value generated and distributed	AR 46		
<b>GRI 205: Anti-corruption</b>				
205-1	Operations assessed for risks related to corruption	AR 81		
205-2	Communication and training about anti-corruption policies and procedures	AR 34, 81		
205-3	Confirmed incidents of corruption and actions taken	See comments	No incidents in 2020 reported.	
<b>GRI 206: Anti-competitive behavior</b>				
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	See comments	No cases in 2020 reported.	

GRI STANDARD		LOCATION	COMMENTS	OMISSIONS AND REASONS FOR OMISSIONS
<b>ENVIRONMENTAL STANDARDS</b>				
<b>GRI 302: Energy</b>				
302-1	Energy consumption within the organization	AR 29, 47		
302-4	Reduction of energy consumption	AR 29, 47		
<b>GRI 303- Water</b>				
303-1	Interactions with water as a shared resources	AR 29, 47		
303-2	Management of water discharge-related impacts	AR 29, 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 29, 47		Breakdown by fresh water and other water as no other water is used.
303-4	Water Discharge	AR 29, 47		Breakdown by fresh water and other water as no other water is used.
303-5	Water Consumption	AR 29, 47		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.
<b>GRI 305: Emissions</b>				
305-1	Direct (Scope 1) GHG emissions	AR 30, 48		
305-2	Energy indirect (Scope 2) GHG emissions	AR 30, 48		
305-5	Reduction of GHG emissions	AR 30, 48		
<b>GRI 306: Effluents and waste</b>				
306-2	Waste by type and disposal method	AR 30, 48		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 2020.	
<b>GRI 307: Environmental compliance</b>				
307-1	Non-compliance with environmental laws and regulations	See comments	No significant fines in 2020.	
<b>GRI 308: Supplier environmental assessment</b>				
308-1	New suppliers that were screened using environmental criteria	AR 34, see comments	100% of the new suppliers were screened using environmental criteria	

GRI STANDARD		LOCATION	COMMENTS	OMISSIONS AND REASONS FOR OMISSIONS
<b>SOCIAL STANDARDS</b>				
<b>GRI 401: Employment</b>				
401-1	New employee hires and employee turnover	AR 49		
<b>GRI 403: Occupational health and safety</b>				
403-1	Occupational health and safety management system	AR 25–26, 40, 50		
403-2	Hazard identification, risk assessment, and incident investigation	AR 25–26, 40, 50		
403-3	Occupational health services	AR 22–23, 25–26, 40, 50, see comment	Not reported in detail.	
403-4	Worker participation, consultation, and communication on occupational health and safety	AR 25–26, 40, 50		
403-5	Worker training on occupational health and safety	AR 25–26, 40, 50		
403-6	Promotion of worker health	AR 21–24, 50		
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	AR 22–23, 25–26, 40, 50		
403-9	Work-related injuries	AR 25–26, 50, see comments	Main types of injuries are cuts, bruising, strains, burns, grazes and sprains.	
<b>GRI 404: Training and education</b>				
404-3	Percentage of employees receiving regular performance and career development reviews	AR 24, 49		
<b>GRI 405: Diversity and equal opportunity</b>				
405-1	Diversity of governance bodies and employees	AR 49, 55		
<b>GRI 406: Non-discrimination</b>				
406-1	Incidents of discrimination and corrective actions taken	See comments	No incidents in 2020 reported.	
<b>GRI 414: Supplier social assessment</b>				
414-1	New suppliers that were screened using social criteria	AR 34, see comments	100% of the new suppliers were screened using social criteria.	
<b>GRI 418: Customer privacy</b>				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	See comments	No incidents in 2020 reported.	
<b>GRI 419: Socioeconomic compliance</b>				
419-1	Non-compliance with laws and regulations in the social and economic area	See comments	No incidents in 2020 reported.	

# GRI APPENDIX

## GRI 102-8 Information on employees and other workers

### a. Total number of employees by employment contract by gender

	Women	Men
Permanent	153	531
Temporary	3	5

### b. Total number of employee by employment contract by region

	Europe	Americas
Permanent	325	359
Temporary	8	0

### c. Total number of employees by employment type

	Women	Men
Full-time	147	535
Part-time	9	1

## 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

Agrupación Textil Alcoyana  
Aitex, Asociación de investigación de la industria textil  
Ateval, Asociación de Empresarios del Textil de la Comunidad Valenciana

## GRI 102-41 Collective bargaining agreements

Overall, 55% of Suominen employees are covered by collective bargaining agreements. Participation in collective bargaining agreements varies significantly between regions; South America 87%, Europe 100% and North America 0%. This reflects common practice in these regions.

## GRI 201-1 Direct economic value generated and distributed

### Revenue, EUR million

Net sales	458.9
Other operating income	2.6
Revenues from financial investments	1.3
Total revenue	462.7

### Operating costs, EUR million

Direct production expenses: materials and services	-314.2
Indirect production expenses, R&D and SGA: services and other expenses	-17.8
Other operating expenses	-2.2
Total operating costs	-334.2

### Employee wages, salaries and benefits, EUR million

Wages and salaries	-41.3
Pensions	-3.0
Other personnel expenses	-18.6
Total employee wages, salaries and benefits	-62.9

### Payments to providers of capital, EUR million

Interest expenses	-4.2
Other financial expenses	-1.4
Total payments to providers of capital	-5.6

### Payments to government, EUR million

Current income tax charge for the year and previous years	-2.6
Other income taxes	-0.7
Total payments to government	-3.3

### Retained in business, EUR million

56.8



## Energy

### GRI 302-1: Energy consumption within the organization

### GRI 302-4: Reduction of energy consumption

Energy consumption, GJ		2020	2019	2018
Non-renewable fuel consumed				
Natural gas	302-1 a	835,926.4	737,187.4	830,205.7
Other non-renewables	302-1 a	4,356.4	3,611.4	4,730.8
Renewable fuel consumed	302-1 b	0	0	0
Purchased electricity	302-1 c	731,302.1	657,695.1	700,912.8
Purchased steam	302-1 c	418,297.6	365,950.1	367,212.8
Total energy consumption	302-1 e	1,989,957.3	1,764,510.6	1,903,062.1
Change in total energy consumption	302-4	225,446.7	-138,551.5	128,354.6

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

Water withdrawal by source, ML		All areas			Areas with water stress		
		2020	2019	2018	2020	2019	2018
Surface water	303-3 a&b	3,967	3,703	3,727	0	0	0
Ground water	303-3 a&b	2,199	2,073	1,871	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	909	803	847	106	101	113
Total		7,075	6,578	6,445	106	101	113

Water discharge by type of destination, ML		All areas		Areas with water stress	
		2020	2019	2020	2019
Surface water	304-4 a&c	5,590	5,320	0	0
Ground water	304-4 a&c	0	0	0	0
Seawater	304-4 a&c	0	0	0	0
Third-party water	304-4 a&c	555	551	21	20
Total		6,145	5,871	21	20

Water consumption	303-5 a&b	929	707	85	81
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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 data before 2019 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 emissions**

Greenhouse gas emissions, tons of CO <sub>2</sub> e		2020	2019	2018
Direct (Scope 1) emissions	305-1	45,423	41,983	47,914
Biogenic Direct (Scope 1) emissions	305-1	0	0	0
Energy indirect (Scope 2) emissions – market based	305-2	74,197	72,704	78,877
Energy indirect (Scope 2) emissions – location based	305-2	88,136	80,389	85,773
Total emissions (Scope 1 and Scope 2 – market based)		119,619	114,686	126,791
Change of total emissions	305-5	4,933	-12,105	-4,428

Suominen's direct (Scope 1) greenhouse gas (GHG) emissions are from the sources owned by Suominen and they are expressed as CO<sub>2</sub>e, which covers greenhouse gases as described in Kyoto Protocol (CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PCFs, SF<sub>6</sub> and NF<sub>3</sub>). No biogenic emissions are generated from our operations as only fossil 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 market- 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 USA's national statistics or eGRID database.

## GRI 306-2 Waste by type and disposal method

**Waste by type and disposal method**

		2020	2019	2018
Non-hazardous waste, tons				
Energy recovery	306-2 b	1,639.0	1,871.3	N/A
Landfill	306-2 b	4,062.6	3,398.2	2,702.8
Hazardous waste, tons				
Total amount of hazardous waste	306-2 a	10.1	13.3	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
<b>Number of employees</b>			
<b>By age group</b>			
Under 30	21	31	52
30–50	191	213	404
Over 50	121	115	236
<b>By gender</b>			
Women	80	76	156
Men	253	283	536
<b>Number of new hires</b>			
<b>By age groups</b>			
Under 30	25	14	39
30–50	17	37	54
Over 50	4	9	13
<b>By gender</b>			
Women	20	14	34
Men	26	46	72
<b>Employee turnover</b>			
<b>By age group</b>			
Under 30	11	14	25
30–50	7	31	38
Over 50	6	16	22
<b>By gender</b>			
Women	12	4	16
Men	12	57	69
<b>Total employee turnover rate</b>	<b>7%</b>	<b>17%</b>	<b>12%</b>

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

### Percentage of employees receiving regular performance and career development review

	Men	Women
White collar	94%	83%
Blue collar	66%	63%

## 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	2	1

## Our management approach

	PEOPLE AND SAFETY	LOW IMPACT MANUFACTURING	SUSTAINABLE NONWOVENS	CORPORATE CITIZENSHIP
<b>Description and purpose of the management method</b>	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.			
<b>Policies and commitments</b>	<ul style="list-style-type: none"> <li>- Suominen HR principles and regional policies</li> <li>- Code of Conduct</li> <li>- Compensation and benefits policy</li> <li>- Blind hiring when possible</li> <li>- Safety principles and Behavior Based Safety program</li> <li>- Privacy policy</li> <li>- ISO 45001 (in 2 out of 8 plants)</li> </ul>	<ul style="list-style-type: none"> <li>- ISO 14001 certification (in 7 out of 8 plants)</li> <li>- ISO 9001 (in all plants)</li> <li>- ISO 50001 (in 2 out of 8 plant)</li> <li>- Local environmental Policies</li> <li>- Code of Conduct</li> </ul>	<ul style="list-style-type: none"> <li>- Supplier Code of Conduct</li> <li>- Suominen offers traceability certifications for FSC®, PEFC &amp; SFI, as well as skin-safe certifications like OEKO-TEX</li> </ul>	<ul style="list-style-type: none"> <li>- Code of Conduct</li> <li>- Supplier Code of Conduct</li> <li>- Anti-corruption policy</li> <li>- Treasury policy</li> <li>- Risk management policy</li> <li>- Tax policy</li> <li>- Credit policy</li> <li>- Related party policy</li> <li>- Competition law compliance policy</li> <li>- Insider policy</li> <li>- Business agreement policy</li> <li>- Disclosure policy</li> </ul>
<b>Objectives</b>	<ul style="list-style-type: none"> <li>- We invest in increasing employee engagement</li> <li>- We continue to build a high performance culture</li> <li>- We continue to strengthen our safety culture</li> </ul>	<ul style="list-style-type: none"> <li>- We continuously strive to decrease environmental impacts of our operations</li> </ul>	<ul style="list-style-type: none"> <li>- We are the frontrunner in sustainable nonwovens</li> </ul>	<ul style="list-style-type: none"> <li>- We promote responsible business practices in our operations and supply chain</li> <li>- We communicate openly and transparently about our operations</li> </ul>
<b>Resources and responsibilities</b>	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, Sourcing and Finance
	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, IR and Sustainability function coordinates the work and supports other functions when needed.			
<b>Grievance mechanism</b>	Suspected misconduct can be reported e.g. 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.			
<b>Evaluation of the management method</b>	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



CORPORATE  
GOVERNANCE

# CORPORATE GOVERNANCE STATEMENT OF SUOMINEN CORPORATION FOR 2020

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](http://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](http://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 Chair and members of the Board of Directors and the decision on their remuneration
- Discharging the members of the Board of Directors and the President & 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 2020

The Annual General Meeting was held in Helsinki on March 19, 2020. Due to the COVID-19 pandemic, the meeting was held in the shortest and simplest possible form. A total of 18 shareholders representing a total of 36,464,271 shares and votes were present at the meeting – six of them in person and others being represented through a proxy. One Board member 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](http://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 who appoint one member each. The largest shareholders shall be determined on the basis of the registered holdings in the Company's shareholders' register held by Euroclear Finland Ltd as of the first working day in September. 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 2020

Shareholders' representatives on the Nomination Board in 2020 were Lasse Heinonen, representing Ahlstrom Capital B.V. (formerly 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 the Board of Directors acted as the fourth member of the Nomination Board. Lasse Heinonen acted as the Chair of the Nomination Board.

In 2020, the Nomination Board convened three times. The attendance rate at the meetings 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 the proper 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, the Finnish Corporate Governance Code and the Board's Charter. The main duties are the following:

- to approve the Company's strategy and oversee its implementation
- to approve the Company's long-term targets and monitor their implementation
- to approve the annual business plan
- to approve major business acquisitions, divestments, investments or expenditures
- to approve major external funding (both debt and equity), capitalization of subsidiaries, and guarantees and mortgages

- to decide on the appointment and dismissal of the CEO and other members of the Executive Team and to decide on their terms of employment and remuneration
- to approve the Company's organizational structure
- to monitor and supervise the Company's performance and to ensure the effectiveness of its management
- to decide on the Company's share-based long term incentive schemes
- to approve the Company's financial reports, including annual accounts, interim reports, report by the Board of Directors and financial statement releases
- to ensure that the Company has adequate planning, information and control systems and resources for monitoring results and managing risks
- to convene General Meetings
- to establish a dividend policy and make a proposal on distribution of dividend
- to make a proposal concerning the election of the auditor and the auditing fees, and
- to make other proposals to General Meetings.

### Board of Directors in 2020

The 2020 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 2021.

Board member	Member since	Born	Nationality	Education	Main occupation	Share ownership
Jan Johansson	2017, Chair since 2017	1954	Swedish	LL.M.	Board Professional	29,563
Andreas Ahlström	2015	1976	Finnish	M.Sc. (Econ. and Business Adm.)	Investment Director, Ahlström Capital Oy	19,180
Björn Borgman	2020	1975	Swedish	M.Sc. (Industrial Engineering)	CEO, HL Display AB	8,890
Nina Linander	2020	1959	Swedish	B.Sc. (Econ.), MBA	Board Professional	17,669
Sari Pajari-Sederholm	2019	1968	Finnish	M.Sc. (Tech.)	SVP, Sales and Marketing, Metsä Board Corporation	8,401
Laura Raitio	2015	1962	Finnish	Licentiate of Technology	Board Professional	19,180
<b>Until March 19, 2020</b>						
Risto Anttonen	2011	1949	Finnish	B.Sc. (Econ)	Board Professional	
Hannu Kasurinen	2012	1963	Finnish	M.Sc. (Econ.)	EVP, Packaging Materials Division, Stora Enso Oyj	



### 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, Ahlstrom Capital 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 2020, the Board of Directors convened 11 times, of which three times per capsulam. 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	11/11
Andreas Ahlström	Deputy Chair	11/11
Björn Borgman	Member	10/10
Nina Linander	Member	10/10
Sari Pajari-Sederholm	Member	11/11
Laura Raitio	Member	11/11
<b>Until March 19, 2020</b>		
Risto Anttonen	Deputy Chair	1/1
Hannu Kasurinen	Member	1/1

### Self-evaluation

In 2020, 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 2020. 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.

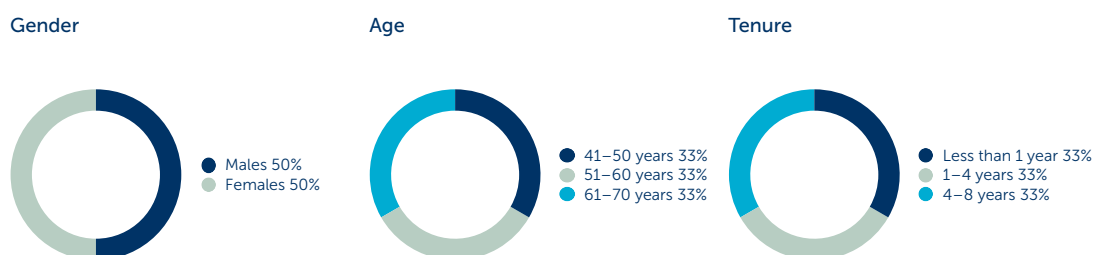
### Diversity principles of the Board of Directors

At Suominen, diversity has been recognized as an essential success factor in the long term. When 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, 2020)



The essentials of the diversity principles are described in this Statement. They can be reviewed in their entirety at [www.suominen.fi](http://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 Audit Committee assists the Board in supervising the Company's 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 autonomous decision-making powers unless the Board resolves otherwise on certain matters.

The Chair and members of the Audit Committee are elected annually by the Board from among its members. The Audit Committee comprises at least three members. The members of the Audit Committee must be independent of the Company, and at least one member must also be independent of the Company's significant shareholders.

#### *Audit Committee in 2020*

The Audit Committee consisted of Nina Linander (Chair as of March 19, 2020), Hannu Kasurinen (Chair until March 19, 2020), Andreas Ahlström and Laura Raitio.

In 2020, 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
Nina Linander	Chair	3/3
Andreas Ahlström	Member	4/4
Laura Raitio	Member	4/4
<b>Until March 19, 2020</b>		
Hannu Kasurinen	Chair	1/1

### Personnel and Remuneration Committee

The Personnel and Remuneration Committee assists the Board by preparing remuneration and appointment matters concerning the company's CEO and other members of the Executive Team. 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 by the Board from among its members. The Committee comprises at least three members. The members of the Committee must be independent of the Company.

#### *Personnel and Remuneration Committee in 2020*

The Personnel and Remuneration Committee consisted of Jan Johansson (Chair), Björn Borgman and Sari Pajari-Sederholm.

In 2020, the Personnel and Remuneration Committee convened twice. 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	2/2
Björn Borgman	Member	2/2
Sari Pajari-Sederholm	Member	2/2

## 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 2020, 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 & CEO	22,676
Toni Tamminen	2019	1978	Finnish	D.Sc. (Tech.), M.Sc. (Econ.)	CFO	2,700
Lynda Kelly	2014	1964	US	B.Sc.	SVP, Business Development and as of April 6, interim SVP, Americas	18,759
Markku Koivisto	2017	1971	Finnish	M.Sc. (Tech.)	SVP, Europe & R&D	14,822
Klaus Korhonen	2019	1974	Finnish	LL.M.	SVP, HR & Legal	14,676
Mimoun Saim	2011	1964	French	ENSI Engineering	SVP, Operations	29,060

**Ernesto Levy** acted as SVP, Americas until April 6, 2020.

## Suominen's operative organization

Suominen's operative organization consists of two business areas, Europe and Americas, and seven global functions supporting the business: Operations, Finance, Sourcing, R&D, HR & Legal, 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. 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 is based on the Company's Code of Conduct, values, policies 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. Nominated Process Owners are responsible for ensuring that efficient internal process controls are defined and implemented across the organization.

The ICT function ensures that the security checks of ICT systems throughout the Group are functioning and 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 Company's intranet. 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 policies, 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 the EU Market Abuse Regulation ("MAR"), the Finnish Securities Markets Act, the decisions, regulations, guidelines and standards issued by the Finnish Ministry of Finance and the Financial Supervisory Authority, the rules of Nasdaq Helsinki Ltd as well as the Guidelines for Insiders issued by Helsinki Exchange in force at any given time. In addition, the Board of Directors of the Company has approved an Insider Policy to inform the governing bodies and employees of Suominen and its affiliated companies of the regulations in force pertaining to insider trading.

#### Directors required to submit notifications

Based on the MAR, 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, the President & CEO and other members of the Executive Team 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](http://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 Markets Act or other applicable regulations, 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, 2020 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 2020

Auditor's fees and services	EUR thousand
Auditing	519
Non-audit related fees (tax and other consulting fees)	5
<b>Total</b>	<b>524</b>

### Principles for related party transactions

The Company complies with legislation regarding related party transactions and ensures, in accordance with the legislation and the Finnish Corporate Governance Code, that the requirements set for the monitoring, assessment, decision-making and reporting of related party transactions are complied with. The Board of Directors has approved Suominen's Related Party Policy defining the principles for monitoring and assessing related party transactions.

Suominen has defined the parties that are related to the Company and Suominen's Finance function maintains a list of such persons and entities. The Company can carry out transactions with its related parties provided that such transactions are made within the Company's ordinary course of business and on customary, arm's-length terms. The Board of Directors decides on related party transactions that are made either outside the Company's ordinary course of business or on other than customary, arm's-length terms.

Related party transactions are monitored regularly by the Company's Finance function as part of the Company's normal reporting and monitoring procedures. Members of the Board of Directors and the Executive Team are also obligated to report any planned related party transactions or ones they have become aware of to the CFO without undue delay once the transaction has been brought to their attention.

# REMUNERATION REPORT OF SUOMINEN CORPORATION

## 1. Introduction

### REMUNERATION POLICY FOR GOVERNING BODIES OF SUOMINEN CORPORATION AT A GLANCE

According to the Remuneration Policy (the "Remuneration Policy" or "Policy") for Governing Bodies of Suominen Corporation ("Suominen" or the "Company") approved by the Annual General Meeting (the "AGM") on March 19, 2020, Suominen's aim is to offer a framework for remuneration that incentivizes to pursue towards the Company's long-term financial performance and shareholder value creation.

The Policy has the following guiding principles:

1. Total remuneration opportunity shall be competitive enough in relation to the market
2. Performance-based incentives form a significant part of the President & CEO's total target remuneration in order to emphasize a strong pay-for-performance alignment
3. Majority of the performance-based incentives emphasize long-term, rather than short-term performance and have a straight link to shareholder value
4. Share ownership requirement is set for the President & CEO in order to ensure balanced risk taking

The General Meeting determines the remuneration of the Board of Directors (the "Board"). The Shareholders' Nomination Board prepares the proposal for the General Meeting.

The President & CEO's (the "CEO") remuneration consists of a fixed base salary (including fringe benefits) and variable incentives. Variable incentives can be short-term, such as cash bonuses, or long-term, such as share-based incentive plans. Share-based incentive plans can be used for rewarding for performance and/or for retention purposes. The aim of the Board is that variable remuneration shall form a significant portion of the annual remuneration opportunity at the target level granted to the CEO. On average, variable incentives shall at target level be equal to the CEO's fixed annual salary. If performance exceeds the Board's expectations, the variable incentives shall exceed the fixed annual salary.

The Board may deviate from the Policy in certain exceptional situations.

To read the full Policy, please visit our website: [www.suominen.fi/en/investors/corporate-governance/remuneration](http://www.suominen.fi/en/investors/corporate-governance/remuneration)

### 2020 REMUNERATION AT A GLANCE

Level of the Board's remuneration has remained rather stable during the past years with occasional increases to annual and meeting fees. In 2020, as per the decision of the AGM, the annual fees were increased and a fee for telephone conference meetings was introduced. In addition, the payment frequency was changed so that all meeting fees related to 2020 were actually paid during the year. Therefore, total Board remuneration paid in 2020 includes some meeting fees from 2019 and all 2020 fees. These changes combined are visible as increased total remuneration for the Board in 2020.

Our current President & CEO started in Suominen in January 2019 and therefore did not receive any variable pay in 2019. The total pay for the CEO increased from 2019 to 2020 due to receiving a performance based annual bonus payment during 2020. Additionally, the CEO was awarded the first instalment of the Matching Restricted Share Plan, which was paid out in autumn 2020 and increased the value of his total pay.

The year 2020 was record high for Suominen in terms of financial results. This is also visible in the earned variable remuneration of the CEO and other Suominen employees as well.

Our strategic ambition of profitable growth was very well achieved during 2020 and shareholder value creation (measured as Total Shareholder Return, TSR) was excellent. For the CEO, this resulted in maximum pay-out (to be paid in 2021) under the Global Short-Term Incentive (the "STI") Plan and also to a share-based reward under the Long-Term Incentive (the "LTI") Plan's Performance Period 2018–2020 (pay-out being between the threshold and target level and to be paid in 2021).



## 1.1 Letter from the Chair of the Personnel and Remuneration Committee

Dear Shareholders,

As the Chair of the Personnel and Remuneration Committee (the "PRC"), I am pleased to present Suominen's Remuneration Report for the financial year 2020. The report has been approved by the Board of Directors on February 3, 2021.

The Remuneration Report describes the remuneration for our Governing Bodies as required by the Finnish Securities Market Act, the Finnish Limited Liability Companies Act and the Finnish Corporate Governance Code 2020 (the "Governance Code") issued by the Securities Markets Association. The report presents information on the remuneration of the CEO and the Board during the financial year 2020. It also presents the development of average employee remuneration and company performance over the past five financial years in comparison to the CEO and Board remuneration.

For further information on the Company, Board and executive remuneration, to review the Remuneration Policy that was approved at the 2020 AGM, and to see other remuneration related information, including summaries of the Executive Team remuneration and incentive plans, please visit our website: [www.suominen.fi/en/investors/corporate-governance/remuneration](http://www.suominen.fi/en/investors/corporate-governance/remuneration).

The PRC prepares matters relating to the appointment, dismissal, remuneration, pension, benefits and other material terms of employment of the CEO and other members of the Executive Team, as well as matters relating to the Company's share based incentive plans. The PRC 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. Despite the COVID-19 pandemic, the PRC has been able to manage its activities in a normal manner utilizing telephone conference meetings.

The CEO started in January 2019 and we made good progress in many important areas during 2019. The overall company performance in 2019 was good which is also

visible in the CEO's remuneration paid in 2020. Total pay for the CEO increased from 2019 to 2020 due to receiving variable pay from the annual Global STI and from the Matching Restricted Share Plan.

Our financial results were record high in 2020. Our employees have done a fantastic job in working towards our strategic priorities and targets. The year 2020 was characterized by the COVID-19 pandemic, which has caused major challenges for the society as a whole. Our primary focus at Suominen has been, and continues to be, to safeguard the health and safety of our employees while keeping our operations running. Thanks to our proactive approach, the exceptional situation had only a limited impact on our ability to serve our customers and to run our operations. The COVID-19 pandemic increased sales volumes in all our markets. Record high 2020 financial result is also visible in our people's remuneration from variable incentive plans (to be paid in 2021). The CEO achieved maximum earnings from the Global STI Plan 2020, from which the reward will be paid in spring 2021.

The Performance Period of the LTI Plan launched in 2018 came to an end at the end of 2020. The potential reward from the Performance Period 2018–2020 was based on the Relative Total Shareholder Return (TSR) and Earnings before Interest and Taxes margin (EBIT%). The Company's financial performance especially in 2018 was weak, improved in 2019 and achieved record high levels in 2020, and consequently some shares will be awarded to the participants, including the CEO, as a reward in spring 2021.

During 2020, we have complied with and executed the Remuneration Policy as approved by the 2020 AGM. There was no need to temporarily deviate from the Policy.

This is the first Remuneration Report for Suominen as required by the new Governance Code. We will continue to welcome shareholder feedback regarding our remuneration and reporting.

### **Jan Johansson**

Chair of the Board and the Personnel and Remuneration Committee

## 1.2 Pay-for-performance during the preceding five years

This section presents a comparison between the remuneration of the CEO and the Board, the average employee remuneration and the Company performance for the financial years 2016 to 2020. During 2016–2020 our financial performance has fluctuated but we have had a strong upwards trend in 2019 and 2020.

Our current CEO started in his position in January 2019 after which the Company's new strategy was defined and launched in early 2020. The implementation of our strategy is progressing well, and the benefits of that new strategy are starting to be visible. Financially the year 2020 was a record year for Suominen as we achieved the highest ever net sales and operating profit. Sales volumes increased by the pandemic-driven high demand for wipes, while sales prices decreased following lower raw material prices. Our operating profit improved significantly thanks to higher production and sales volumes, favorable raw material prices, and improved production and raw material efficiency.

The current CEO, when joining in 2019, was invited to participate to the LTI Performance Period of 2018–2020 and a separate Matching Restricted Share Plan. The potential reward from the Performance Period 2018–2020 was based on the Relative Total Shareholder Return (TSR) and Earnings before Interest and Taxes margin (EBIT %). The Company's business performance especially in 2018 was weak, improved in 2019 and achieved record high levels in 2020 with the consequence that shares will be awarded to the CEO in spring 2021.

As per the Terms and Conditions of the Matching Restricted Share Plan, the 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 first part of the matching shares was delivered in autumn 2020 and the second part will be delivered in autumn 2021.

The CEO also has been granted participation to the LTI Performance Periods 2019–2021, 2020–2022 and 2021–2023 that are currently on-going. The CEO must hold 50% of the net number of shares given on the basis of the Performance Share Plan as long as his shareholding in total corresponds to the value of his annual gross

salary. Such number of shares must be held as long as his employment or service in Suominen continues.

The objective of our Remuneration Policy is to enable Suominen to offer the CEO a remuneration structure that incentivizes towards the achievement of Suominen's strategic targets and long-term shareholder value creation. Short-term and long-term performance-based remuneration is used for rewarding good performance, and the Board annually selects the optimal performance metrics for each of the performance-based incentives. KPI selections aim to steer our employees and the CEO specifically towards the implementation of Suominen's strategy and achievement of sustainable financial results in a competitive market.

Rewards under the LTI Performance Periods are currently awarded based on three-year relative Total Shareholder Return. This is the most important performance indicator that the Board closely follows to assess whether our strategy has been successfully implemented in the long term. The PRC believes it is appropriate to reward the Company's key employees for attaining long-term targets linked to the relative TSR as it is a holistic way of measuring our overall success as a company in terms of shareholder value creation.

On the other hand, financial and operative metrics and strategic targets are being set and followed on an annual Global STI Plan, which aligns short-term strategic actions to long-term shareholder value creation. For the financial year 2019, the CEO's STI reward from the period was based on Group EBIT and certain personal targets. EBIT target achievement was between threshold and target level, whereas the outcome of the personal targets reached maximum level. In 2020, the CEO's reward from the STI was based on Group EBIT, Group Value Add and specific personal targets. All targets for the CEO reached the maximum outcome as aligned with the record high 2020. The maximum reward from the STI Plan for the CEO was and is capped at 60% of annual base salary.

Suominen's Remuneration Policy is aligned with the remuneration principles applied to all Suominen employees. The remuneration shall be fair and reflect the competencies required to fulfill the requirements of

each position. Pay-for-performance philosophy is widely followed in Suominen and many of the performance metrics in the CEO's incentive plans are concurrently used in the employees' incentive plans.

As Suominen has operations on three continents, the remuneration markets in which Suominen operates vary to an extent. The PRC believes that the most appropriate internal comparison of the development of remuneration over time is to compare the CEO and Board remuneration with the average total pay of all Suominen employees. Employee remuneration is inherently less volatile than executive pay as a smaller portion of total remuneration consists of variable remuneration and therefore typically remains rather stable. However, as our incentive plans are, to a varying degree, bound to the same or related performance indicators, and remuneration is also aligned with the performance of the company, region and/or site for all personnel, the average employee pay has increased during the past years due to improved company performance.

As the Board members do not participate in any incentive schemes, the Board remuneration has remained rather stable with occasional increases to annual and meeting fees. Variation mainly occurs due to different number of meetings during the year. In 2020, there was a change of actually paying all 2020 meeting fees during the financial year, which is visible as increased total remuneration for the Board.

During the last five years, remuneration for the CEO has been aligned quite well with the company performance. Exception is year 2018, which is due to the severance payments made to the previous CEO. It is important to note that the CEO remuneration in a specific year partly reflects the performance of the preceding year in terms of annual bonus and previous three years in terms of long-term incentive payments. Therefore, the exceptional performance in 2020 will not be fully visible in the CEO remuneration until in 2021.

See the table on the next page for specific values.

## Five year development of remuneration and company performance

	2016	2017	2018	2019	2020
Current CEO (Petri Helsky) total remuneration <sup>1</sup> (EUR, '000)				474.6	745.4
Index <sup>2</sup>				101%	158%
Previous CEO (Nina Kopola) total remuneration <sup>3</sup> (EUR, '000)	471.5	419.1	985.1		
Interim CEO (Tapio Engström) total remuneration <sup>4</sup> (EUR, '000)			99.7		
Index <sup>2</sup>	100%	89%	230%		
Employee pay (average) <sup>5</sup> (EUR, '000)	50.3	53.1	52.7	54.9	59.9
Index <sup>2</sup>	100%	106%	105%	109%	119%
Total Board remuneration <sup>6</sup> (EUR, '000)	227.3	242.5	236.0	244.5	275.3
Index <sup>2</sup>	100%	107%	104%	108%	121%
Jan Johansson		60.0	67.0	70.0	76.3
Andreas Ahlström	32.7	33.5	31.5	33.0	38.0
Laura Raitio	32.2	33.5	32.0	33.0	38.0
Sari Pajari-Sederholm				28.0	37.3
Björn Borgman					33.3
Nina Linander					43.5
Risto Anttonen	42.2	43.0	41.5	43.0	4.5
Hannu Kasurinen	32.7	33.5	32.0	33.5	4.5
Jaana Tuominen	32.7	33.5	32.0	4.0	
Jorma Eloranta	54.8	5.5			
3-year Total Shareholder Return (TSR) <sup>7</sup> (%)	64.1%	45.3%	-57.5%	-34.0%	11.6%
Share price development <sup>8</sup> (EUR)	3.88	4.54	2.24	2.34	4.90
Index <sup>2</sup>	100%	117%	58%	60%	126%
EBITDA (EUR, '000 000)	44.1	34.3	25.6	33.7	60.9
Index <sup>2</sup>	100%	78%	58%	76%	138%

<sup>1</sup> Current CEO started in January 2019. No annual bonuses or LTI based payments were paid to the CEO in 2019. CEO total remuneration includes all payments made to the CEO during the financial year

<sup>2</sup> First year in the time-series set at 100%

<sup>3</sup> Previous CEO pay in 2018 includes base and benefits until August 3, 2018, severance payments of EUR 482,819 and the value of receiving 14,182 shares as reward. No LTI based payments occurred in 2016 and 2017. Previous CEO total remuneration includes all payments made to the CEO during the financial year

<sup>4</sup> Interim CEO total remuneration in 2018 is for the time period he acted as interim CEO: August 4, 2018-December 31, 2018

<sup>5</sup> Employee pay is the wages and salaries of our personnel as stated in the Financial Statements divided by the average number of employees during the respective financial year

<sup>6</sup> Total Board remuneration may fluctuate during years due to different number of Board and/or Committee meetings arranged. In addition, for 2020, the fee structure was changed slightly and all fees related to 2020 were actually paid during the year. Therefore, year 2020 is not fully comparable to previous years as it includes some meeting fees from 2019 and all 2020 fees

<sup>7</sup> Total Shareholder Return (share price increase plus dividend yield) is calculated based on 3-month closing average prior to end of financial year. For example the 3-year TSR for 2016 is calculated as (Q4 2016 average share price - Q4 2013 average share price) / Q4 2013 average share price + (paid dividends in 2014, 2015 and 2016) / Q4 2013 average share price

<sup>8</sup> Share price development is calculated based on 3-month closing average prior to end of financial year

### 1.3 Information on the previous vote for the Remuneration Policy and any deviations or clawbacks made

At the AGM on March 19, 2020, the shareholders resolved to favor the Remuneration Policy pursuant to the Board's proposal. The PRC and the Board have considered the feedback provided by the shareholders at the 2020 AGM and have concluded that there is currently no need to present an amended Remuneration Policy at the 2021 AGM.

During 2020, Suominen has not exercised any rights to reclaim (clawback) or cancel (malus) any paid or unpaid incentives.

Also, there was no need to deviate from the Policy during 2020.

## 2. Remuneration of the Board of Directors for the preceding financial year

As stated in the Remuneration Policy approved at the 2020 AGM, the General Meeting determines the remuneration paid to the members of the Board in advance, for one year at a time. Shareholders' Nomination Board prepares independently a proposal on the remuneration of the Board to be presented for the General Meeting.

The basis for determination of the Board 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 to fulfill their duties.

Suominen's AGM held on March 19, 2020 resolved that the remuneration payable to the members of the Board is as follows:

- The Chair will be paid an annual fee of EUR 66,000
- The Deputy Chair and other Board members an annual fee of EUR 31,000
- Chair of the Audit Committee will be paid an additional fee of EUR 10,000
- Further, the members of the Board will receive a fee for each Board and Committee meeting 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
- EUR 250 for each meeting held as telephone conference

60% of the annual fee was paid in cash and 40% in Suominen's shares. The number of shares to be 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 the one-month period immediately following the date on which the interim report of January–March 2020 of the Company was published. The shares were transferred out of the own shares held by the Company by the decision of the Board on May 26, 2020.

Members of the Board are not employees of Suominen and do not participate in any Suominen incentive scheme or pension arrangement. All payments to the members of the Board during the financial year 2020 have been in compliance with the Remuneration Policy. In 2020, the following fees were paid to the members of the Board:

## Remuneration of the Board of Directors in 2020

		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	39,600.93	26,399.07	8,320	10,250	76,250
Andreas Ahlström	Deputy Chair	18,600.05	12,399.95	3,908	7,000	38,000
Laura Raitio	Member	18,600.05	12,399.95	3,908	7,000	38,000
Sari Pajari-Sederholm	Member	18,600.05	12,399.95	3,908	6,250	37,250
Björn Borgman	Member as of March 19, 2020	18,600.05	12,399.95	3,908	2,250	33,250
Nina Linander	Chair of Audit Committee as of March 19, 2020	24,598.94	16,401.06	5,169	2,500	43,500
Risto Anttonen	Member until March 19, 2020		N/A	N/A	4,500	4,500
Hannu Kasurinen	Member until March 19, 2020		N/A	N/A	4,500	4,500

Remuneration of the members of the Board of Directors, including the value of the remuneration paid in Suominen shares, totaled EUR 275,250 in 2020.

Additionally, compensation for expenses has been paid in accordance with the Company's travel policy.

### 3. Remuneration of the President & CEO for the preceding financial year

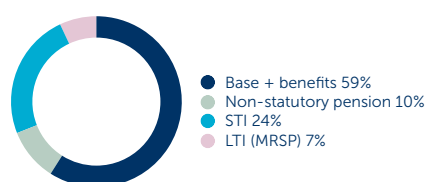
In 2020, the CEO’s remuneration consisted of fixed base salary (including fringe benefits), supplementary pension and variable incentives. Payments from variable incentives were made under the annual Global STI Plan 2019 and Matching Restricted Share Plan.

In 2020, the CEO was paid a total remuneration of EUR 745,398. Total remuneration consisted of salaries and benefits EUR 442,451, supplementary pension payments EUR 71,315, Annual STI (cash bonus) EUR 181,712 and value of LTI reward from the Matching Restricted Share Plan EUR 49,921 (4,676 Suominen shares + cash proportion to cover taxes).

The payment under the annual Global STI Plan was based on overall achievement between target and maximum for the KPIs set for 2019.

The relative proportion of fixed pay was 66% and variable pay 34%. The PRC considers the one-off Matching Restricted Share Plan award made to the CEO to be variable pay as the reward value is determined by the share price at a future date. Non-statutory pensions are considered neither fixed nor variable pay.

Total CEO pay in 2020 in proportions



#### STI 2019 KPIs and achievement for the President & CEO<sup>1</sup>

KPI	Weight	Achievement
Group EBIT	50%	Between threshold and target
Personal targets	50%	Reached maximum
<b>Total</b>	<b>100%</b>	<b>Between target and maximum</b>

<sup>1</sup> STI 2019 paid during 2020

**The CEO remuneration in 2020 is further described in the table below.**

Element	Quantum	Purpose, link to strategy and description from the remuneration policy	Comment on compliance
<b>Base Salary + Benefits</b>	<p>Paid in 2020 (including holiday pay):</p> <p>Base salary: EUR 424,862</p> <p>Benefits: EUR 17,588</p>	<p>The purpose is to provide fixed remuneration that is competitive with the external market and reflects the scale and complexity of the Company's business. Base salary includes taxable fringe benefits, such as company car, lunch and telephone. Base salary is determined based on variety of factors, such as market level and the individual's skills and experience. Base salary is typically reviewed annually.</p>	<p>Complies with the Policy: The CEO has benefits such as company car, health insurance, lunch and telephone. The CEO did not receive a base salary increase in 2020 and based on external remuneration benchmark, the salary level is competitive with the external market.</p>
<b>Supplementary Pension Arrangement</b>	<p>Paid in 2020: EUR 71,315</p>	<p>The purpose is to provide a competitive level of retirement income. The supplementary pension plan is a defined-contribution pension scheme. The pension allowance is determined based on the CEO's annual base salary, benefits and cash bonus.</p>	<p>Complies with the Policy: The CEO participates in a non-statutory defined contribution pension plan. The Company's contribution was 11.5% of the annual base salary, benefits and cash bonus in 2020. Pension starts from the age of 63.</p>
<b>Cash Bonus (Short-Term Remuneration)</b>	<p>Earned from financial year 2019, paid in 2020: EUR 181,712</p> <p>Earned from financial year 2020, to be paid in 2021: EUR 244,800</p>	<p>The purpose is to steer towards and reward for the achievement of short-term financial and operational performance and to support the delivery of the business strategy. Performance is measured over one year and the cash bonus is paid after the year end. The cash bonus is paid in cash based on achieved one-year performance.</p>	<p>Complies with the Policy: Maximum STI% in 2019 and 2020 was 60% of the annual base salary (excluding holiday pay). In 2019, the total achievement was between target and maximum and in 2020 reached maximum.</p>
<b>Share-Based Incentive Plans (Long-Term Remuneration)</b>	<p>Matching Restricted Share Plan ("MRSP") paid in 2020: 10,000 gross shares with a value of EUR 49,921. Net shares delivered: 4,676</p> <p>Matching Restricted Share Plan ("MRSP") to be paid in 2021: 10,000 gross shares</p> <p>Earned from LTI Performance Period 2018–2020, to be paid in 2021: 22,581 gross shares</p>	<p>The purpose is to reward for the delivery of long-term shareholder value, to align the President &amp; CEO's interests with those of the shareholders and to increase the value of the Company by offering a share ownership-based reward structure. The President &amp; CEO may have share-based incentive plans, which reward for Company performance or which are used for retention purposes.</p> <p>Currently Suominen's performance-based long-term incentive mechanism is a Performance Share Plan (the "PSP"), which offers the President &amp; CEO the opportunity of earning predetermined number of Suominen shares as a reward. Payment of the reward is dependent on the achievement of performance targets set by the Board of Directors and continued employment. Matching Restricted Share Plan (the "MRSP") is used for retention purposes and to promote immediate share ownership.</p> <p>The Board of Directors resolves the maximum number of shares that can be earned from the Performance Share Plan. Long-term incentive awards are denominated in number of Suominen shares but paid in shares and cash intending to cover the taxes that incur from the receipt of shares.</p>	<p>Complies with the Policy: The CEO was eligible in the PSP Performance Period 2018–2020 in which the total achievement of the two KPIs was between threshold and target. Therefore, the CEO will be rewarded with 22,581 gross shares in spring 2021. The Board has resolved the maximum number of shares that can be earned from the PSP. Additionally, the performance based LTI plans have a share price cap, which cuts the reward if the limits set by the Board for the share price are reached. These limits were not reached in Performance Period 2018–2020.</p> <p>In the MRSP, the CEO has invested in Suominen shares and in return for the investment, he shall receive free Suominen shares in relation to his own investment after a vesting period. Prerequisite for the reward payment is continuation of service. The matching shares will be delivered in two equal installments in 2020 and 2021, 10,000 gross shares in each. First installment of 4,676 net shares were delivered to the CEO during 2020. Payment was made partially in shares and cash.</p> <p>The CEO is also eligible for PSP Performance Periods 2019–2021, 2020–2022 and 2021–2023 in which his total potential reward from all Performance Periods combined corresponds approximately to the value of 504,500 shares (including also the proportion to be paid in cash).</p>
<b>Share Ownership Prerequisite</b>		<p>The CEO must hold 50% of the net number of shares given based on long-term performance-based plan, until his or her shareholding in total corresponds to the value of his/her annual gross salary. Such number of shares must be held as long as his or her service in the Company continues.</p>	<p>Complies with the Policy: The CEO has not yet received any shares from performance-based plans.</p>



# Board of Directors

DECEMBER 31, 2020



## JAN JOHANSSON

b. 1954  
LL.M.  
Member of the Board since 2017  
Chair of the Board since 2017  
Independent member  
Shareholding\*:  
29,563 Suominen shares



## ANDREAS AHLSTRÖM

b. 1976  
M. Sc. (Economics and Business Administration)  
Investment Director,  
Ahlström Capital Oy  
Member of the Board since 2015  
Deputy Chair of the Board since 2020  
Non-independent member  
Shareholding\*:  
19,180 Suominen shares



## BJÖRN BORGMAN

b. 1975  
M.Sc. (Industrial Engineering)  
CEO, HL Display AB  
Member of the Board since 2020  
Independent member  
Shareholding\*:  
8,890 Suominen shares



## NINA LINANDER

b. 1959  
B.Sc. (Economics) and MBA  
Member of the Board since 2020  
Independent member  
Shareholding\*:  
17,669 Suominen shares



## SARI PAJARI- SEDERHOLM

b. 1968  
M.Sc. (Technology)  
Senior Vice President, Sales and Marketing, Metsä Board Corporation  
Member of the Board since 2019  
Independent member  
Shareholding\*:  
8,401 Suominen shares



## LAURA RAITIO

b. 1962  
Licentiate of Technology (Forest Products Technology)  
Member of the Board since 2015  
Independent member  
Shareholding\*:  
19,180 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](http://www.suominen.fi). Information on the Board's remuneration is included in Suominen's Remuneration Report.

\*Shareholding refers to shares and share-based rights of each director and the corporations over which he/she exercises control in on December 31, 2020.

# Executive Team

DECEMBER 31, 2020



## PETRI HELSKY

President & CEO  
 b. 1966  
 M.Sc. (Economics)  
 M.Sc. (Technology)  
 Joined Suominen in 2019  
 Shareholding\*:  
 22,676 Suominen shares



## TONI TAMMINEN

CFO  
 b. 1978  
 D.Sc. (Technology)  
 M.Sc. (Economics)  
 Joined Suominen in 2019  
 Shareholding\*:  
 2,700 Suominen shares



## LYNDA A. KELLY

SVP, Americas & Business  
 Development  
 b. 1964  
 B.Sc. (Business Administration/  
 Marketing)  
 Joined Suominen in 2014  
 Shareholding\*:  
 18,759 Suominen shares



## MARKKU KOIVISTO

SVP, Europe & R&D  
 b. 1971  
 M.Sc. (Technology)  
 Joined Suominen in 2017  
 Shareholding\*:  
 14,822 Suominen shares



## KLAUS KORHONEN

SVP, HR & Legal  
 b. 1974  
 LL.M.  
 Joined Suominen in 2019  
 Shareholding\*:  
 14,676 Suominen shares



## MIMOUN SAÏM

SVP, Operations  
 b. 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 and remuneration of the members of Suominen's Executive Team is available at [www.suominen.fi](http://www.suominen.fi).

\*Shareholding refers to the shares and share-based rights of each executive and corporations over which he/she exercises control in on December 31, 2020.



FINANCIAL  
INFORMATION

# FINANCIAL INFORMATION

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This PDF document does not constitute the Report of Board of Directors or Financial Statements as required by ESEF regulation.

# REPORT BY THE BOARD OF DIRECTORS 2020

## Highlights of Suominen's financial year 2020

- Net sales increased by 11.5% and were EUR 458.9 million (411.4)
- Operating profit improved significantly to EUR 39.5 million (8.1)
- Cash flow from operations was strong and was EUR 57.0 million (29.9)
- Board of Directors proposes to the Annual General meeting a dividend of EUR 0.10 per share and in addition to the dividend, a return of capital of EUR 0.10 per share

Key figures	2020	2019	2018
Net sales, EUR million	458.9	411.4	431.1
EBITDA, EUR million	60.9	33.7	25.6
Comparable operating profit, EUR million	39.5	8.1	4.6
Operating profit, EUR million	39.5	8.1	4.6
Profit for the period, EUR million	30.1	0.2	-1.7
Earnings per share, basic, EUR	0.52	0.00	-0.03
Earnings per share, diluted, EUR	0.52	0.00	-0.03
Cash flow from operations per share, EUR	0.99	0.52	0.56
Return on invested capital, rolling 12 months, %	16.7	3.7	2.3
Gearing, %	25.4	50.7	54.2
Dividend and return of capital per share, total, EUR*	0.20*	0.05	-

\* 2020 the proposal of the Board of Directors to Annual General Meeting

The figures shown in brackets refer to the performance in 2019, unless otherwise stated.

### Net sales

In 2020, Suominen's net sales increased by 11.5% from the comparison period to EUR 458.9 million (411.4). Sales volumes increased while sales prices decreased following lower raw material prices. Currencies impacted net sales negatively by EUR 11.7 million.

Net sales of Americas business area were EUR 289.1 million (261.7) and net sales of Europe business area EUR 169.9 million (149.8).

### Operating profit and result

Operating profit improved significantly and amounted to EUR 39.5 million (8.1) due to higher production and sales volumes, favorable raw material prices, and improved production and raw material efficiency. Currencies impacted operating profit negatively by EUR 2.2 million.

In 2020, profit before income taxes was EUR 33.9 million (2.1). Income taxes for the financial year, EUR -3.8 million (-1.9), were impacted by recognition of additional deferred tax assets from previous years' losses as the possibility to utilize the losses has increased. The

corporate income taxes were also positively impacted in the first quarter by the US tax reliefs enacted as a result of the COVID-19 pandemic.

The profit for the period was EUR 30.1 million (0.2).

### Net sales, EBITDA and operating profit

EUR thousand	2020	2019	2018
Net sales	458,893	411,412	431,109
EBITDA	60,924	33,668	25,613
Operating profit	39,492	8,129	4,594
Comparable operating profit	39,492	8,129	4,594

### 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, 2020, amounted to EUR 37.1 million (67.2). Gearing was 25.4% (50.7%) and equity ratio 46.0% (42.7%).

In 2020, net financial expenses were EUR -5.6 million (-6.0), or 1.2% (1.5%) of net sales. Net effect of changes in foreign exchange rates in financial items were EUR -0.4 million (+0.2). The net financial expenses include a bad debt provision based on expected credit losses of loan receivables totaling EUR -0.7 million and a fair value change of assets of EUR +0.3 million.

Cash flow from operations in 2020 was EUR 57.0 million (29.9). Cash flow from operations per share in 2020 was EUR 0.99 (0.52). The financial items in the cash flow from operations, in total EUR -4.3 million (-5.2), were principally impacted by the interests paid during the reporting period. The income taxes in the cash flow from operations were positively impacted by an appr. EUR 2.6 million tax refund due to US tax reliefs. The change in the net working capital was EUR 1.0 million negative (EUR 1.6 million positive).

On July 13, 2020 Suominen announced that it had entered into a new single-currency syndicated revolving credit facility agreement of EUR 100 million with a maturity of three years with two one-year extension options. The lenders for the facility are Danske Bank A/S, Finland Branch and Nordea. The new credit facility includes leverage ratio and gearing as financial covenants. The margin of the facility will increase or decrease

dependent on Suominen meeting two sustainability key performance indicators ("KPI"), namely:

- Increase in the sales of sustainable products
- Reduction of greenhouse gas emissions

The new credit facility replaced the EUR 100 million syndicated revolving credit facility agreement provided by Nordea and Svenska Handelsbanken AB (publ), Branch Operation in Finland as the lenders.

### Capital expenditure

Suominen announced in April that it strengthens its capabilities for sustainable products by enhancing one of its production lines in Cressa, Italy. The investment is made in line with the strategy and will increase Suominen's ability to respond to the growing demand of sustainable nonwovens. The total value of the investment is approx. EUR 4 million and it will be finalized during the second half of 2021.

Suominen announced in August that it increases its spunlace capacity in Europe by upgrading and restarting one of its existing production lines in Cressa, Italy. The investment will strengthen Suominen's capabilities in Europe and it is made in line with the strategy aiming for growth. The total value of the investment is approx. EUR 8 million and it will be finalized during the second half of 2021.

Suominen announced in November that it increases its capabilities in the Americas by upgrading one of its production lines in Bethune, South Carolina, USA. The investment will widen Suominen's offering to its customers in the US in line with the Suominen strategy targeting growth and profitability. The total value of the investment is approx. EUR 6 million and the investment project will be finalized during the second half of 2021.

In 2020, the gross capital expenditure totaled EUR 10.4 million (11.2). The largest items in gross capital investments were mainly related to the investments in Cressa. The other investments were mainly for maintenance.

Depreciations and amortizations were EUR -21.4 million (-25.5).

### Capital expenditure and depreciation and amortization

EUR thousand	2020	2019	2018
Gross capital expenditure	10,406	11,198	13,580
% of net sales	2.3	2.7	3.2
Depreciation and amortization	-21,432	-25,529	-21,018

### Key ratios

	2020	2019	2018
Return on equity (ROE), %	21.6	0.2	-1.3
Return on invested capital (ROI), %	16.7	3.7	2.3
Equity ratio, %	46.0	42.7	40.7
Interest-bearing net debt, EUR million*	37.1	67.2	70.8
Capital employed, EUR million	246.2	241.6	232.0
Gearing, %	25.4	50.7	54.2

\* At nominal value

### Key ratio per shares

	2020	2019	2018
Earnings per share, EUR, basic	0.52	0.00	-0.03
Earnings per share, EUR, diluted	0.52	0.00	-0.03
Cash flow from operations per share, EUR	0.99	0.52	0.56
Equity per share, EUR	2.53	2.30	2.27
Price per earnings per share (P/E) ratio	9.7	590.6	-68.5
Dividend and return of capital per share, EUR*	0.20	0.05	-
Dividend payout ratio, %	38.2	1,278.4	-
Dividend yield, %	3.94	2.16	-

\* 2020 the proposal of the Board of Directors to Annual General Meeting

Key ratios per share are share issue adjusted. Definitions for key ratios per share are presented in the consolidated financial statements. Key ratios are alternative performance measures and the definitions of them are presented in the annual report.

### Quarterly development 2020

EUR thousand	Q4 2020	Q3 2020	Q2 2020	Q1 2020	2020
Net sales	111,086	115,435	122,170	110,203	458,893
EBITDA	13,546	18,107	17,989	11,282	60,924
% of net sales	12.2	15.7	14.7	10.2	13.3
Operating profit	8,530	12,907	12,391	5,664	39,492
% of net sales	7.7	11.2	10.1	5.1	8.6
Net financial expenses	-64	-1,761	-1,813	-1,945	-5,582
Profit before income taxes	8,466	11,146	10,579	3,719	33,910
% of net sales	7.6	9.7	8.7	3.4	7.4

### Impacts of the COVID-19 pandemic on Suominen

The health and safety of Suominen's employees is our key priority. Suominen aims to secure the health and safety of its employees through several measures and is closely monitoring the COVID-19 situation. Thanks to our proactive approach, so far there has been only limited impact on our ability to serve our customers and run our operations.

As a nonwovens manufacturer Suominen is an integral part of the supply chain making disinfecting and cleaning

products for fighting the coronavirus. The authorities have classified our nonwovens production as essential in the jurisdictions where other business activities have been shut down.

The pandemic has increased consumption of nonwovens in all our markets and the demand is expected to continue on a high level. In the long term COVID-19 may lead to a sustained increase in the demand for nonwovens for cleaning and disinfection products.

Both Suominen's financial position and cash flow have remained strong throughout the pandemic.

The key risks caused by COVID-19 are related to the health and safety of Suominen personnel and customers, possible shortages of raw materials, issues linked to logistics as well as potential closures of customers' or our own plants due to virus infections or authority decisions. These risks remain valid in the beginning of 2021 as unfortunately the coronavirus situation has been deteriorating in many countries and so far vaccinations in many countries have not progressed as rapidly as could perhaps have been hoped. Some of these risks have materialized as some of our customers' production facilities have been temporarily closed because of infections.

We have implemented extensive precautions to protect the health and safety of our employees and to ensure business continuity and progress of our strategic projects during these unusual times. We continuously monitor the raw material situation closely and we have identified risk mitigation measures such as utilization of supplementary raw material sources.

The vast majority of our customers have experienced increased demand for their products and thus our customer credit risks have not materially increased. The COVID-19 pandemic has not increased Suominen's risk of impairment losses on non-current assets.

## Research and development

At Suominen, research and development activities are organized into R&D function. In the end of 2020, R&D function had 15 (19) employees. Research and development expenses amounted to EUR 2.8 million (3.4), corresponding to 0.6% (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 or plastic-free materials.

Suominen Corporation, the parent company of the Group, 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 2020, Suominen employed 689 people (685) on average, and 691 (669) people at the end of 2020. The increase was primarily in the Operations function.

### Personnel related key ratios

	2020	2019	2018
Average number of personnel	689	685	676
Wages and salaries, EUR thousand	-41,303	-37,620	-35,647

## Suominen's statement of non-financial information

### 1. Business model

Suominen manufactures nonwovens as roll goods. Suominen sources its raw materials from fiber producers globally and sells its 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 the South American markets. In 2020, Suominen's net sales were EUR 458.9 million and the company employed 689 people on average.

Suominen's vision is to be the frontrunner for nonwovens innovation and sustainability. Suominen aims to grow by creating innovative and more sustainable nonwovens for its customers and to 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. 9

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 sustainability agenda and concrete targets and KPIs for 2020–2025 were launched in 2020. Our target is to be the most sustainable nonwovens company



on the market. We strive to decrease environmental impacts of our operations and to continuously develop our safety culture and employee engagement as well as responsible sourcing of raw materials.

### **Risk management at Suominen**

Suominen's risk management model covers strategic, operational, financial, and hazard risks. Our risk management process is based on systematic and periodic risk assessments where key risks are identified and risk management and mitigation actions captured. The process is managed by Suominen's Risk Management Officer. Each risk is assigned a risk owner who is responsible for the risk mitigation actions. In 2020, 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 items are described in more detail in the Business risk and uncertainties section.

## **2. 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. This 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 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 is approved by the Board of Directors, and the Executive Team is responsible for defining and leading the implementation of sustainability initiatives to meet the targets.

## **3. 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, to reduce the environmental impacts of our own operations and to continuously develop responsible sourcing practices.

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

The general operating principles governing the management of environmental issues are documented in Suominen's Code of Conduct. Seven out of our eight plants have a certified environmental management system (ISO14001) 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 sustainability agenda, targets, and KPIs for 2020–2025 in 2020. Minimizing environmental impacts of our own operations and developing and offering sustainable nonwovens are the key environment-related themes in our sustainability agenda.

Our target is to reduce our energy consumption, greenhouse gas emissions, water intake and waste to landfill by 20% per ton of product by 2025 compared to the base year 2019. In 2020, our energy consumption decreased by 8.0%, greenhouse gas emissions by 14.9%, water consumption by 12.2% and waste to landfill 2.4%. All figures are per ton of product and compared to the base year 2019.

Regarding sustainable products, our target is to increase their sales by 50% by 2025 and to have over 10 sustainable product launches per year. In 2020, our sales of sustainable products increased by 22.5% compared to 2019 and we had 9 sustainable product launches.

There were no significant environmental incidents resulting from major permit violations, claims or compensations in 2020.

You can read more about our sustainability work in the Annual Report p. 18.

#### 4. Social and personnel-related issues

##### Operating principles

Suominen’s material aspects relating to social and personnel-related issues are health and safety and employee engagement. Suominen has committed to ensure its employees, contractors and others working for the company a safe and healthy work environment. Suominen has a strong focus on occupational safety and accident prevention. Suominen has established lifesaving rules and a Behavior Based Safety Program to enforce its safety culture.

Suominen is also committed to providing a fair and respectful place to work. 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 expect everyone to be treated with respect and do not tolerate any form of harassment. We follow blind hiring principle in new recruitments when possible to promote diversity and to ensure equal opportunities when applying for a job.

We provide working conditions that comply with local statutory requirements and collective bargaining agreements and we support basic labor rights as defined in the Declaration on Fundamental Principles and Rights at Work by the International Labour Organization. We respect our employees’ right to form or join trade unions and to bargain collectively. We specifically and strictly prohibit and do not tolerate or engage in any forms of forced labor, child labor, human trafficking or slavery.

The operating principles concerning health, safety and our labor practices are documented in the Code of Conduct.

##### Performance indicators, targets and results

Suominen launched its sustainability agenda, targets, and KPIs for 2020–2025 in 2020. Safety, increasing employee engagement and building a high-performance culture are the key people-related themes on our sustainability agenda.

Reducing the number of accidents is the key target of Suominen’s safety work. Our target is to have zero lost time accidents. In 2020, one lost time accident occurred at our plants.

Increasing employee engagement is a key sustainability target relating to our people. We conducted a global employee engagement survey in 2020, and based on the results our employee engagement index in 2020 was 69%. The index is a combination of questions concerning our people’s retention, likelihood to recommend the company, organizational pride and commitment. The results from the survey will be used to create concrete action plans in order to systematically develop our employee engagement in the future. Our target is that our engagement index will be 73% by 2025.

Indicator	2020	2019	2018
Health and safety	1 LTA*	6 LTA*	4 LTA*
Employee engagement index	69%	N/A	N/A

\*Lost time accident

You can read more about our sustainability work in the Annual Report p. 18.

#### 5. 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. Our commitment to respecting human rights is stated in our Code of Conduct which was renewed in 2020 according to our sustainability agenda targets. Training on the Code will be held for all employees during 2021.

All of Suominen’s suppliers are expected to comply with Suominen’s Supplier Code of Conduct. Our target is to establish a raw material supplier auditing process and to have our suppliers (based on risk assessment) audited against the Supplier Code by 2025. Human right topics will be incorporated into this supplier auditing process.

In 2020, no violations related to human rights were reported.

## 6. Prevention of corruption and bribery

Suominen is committed to complying with all applicable laws and regulations. Suominen's operations are ethical and transparent and our responsibility requirements apply also to our suppliers.

Suominen's Code of Conduct and Anti-Corruption Policy guide our operations regarding the prevention of corruption and bribery. All employees are expected to be aware of and comply with applicable laws and regulations and are encouraged to seek legal advice if in doubt. Any employee who becomes aware of an actual or potential violation of the Code has the responsibility to speak up. Our Code of Conduct was renewed in 2020 according to our sustainability agenda targets and training will be arranged for all employees.

We select our business partners carefully and collaborate only with those who conduct business ethically and responsibly. We expect our suppliers and the business partners that act on our behalf to understand and comply with all applicable laws and regulations and to apply the same legal and ethical standards that Suominen practices. Suominen's suppliers must also comply with our Supplier Code of Conduct which prohibits all forms of corruption. Bribes, kickbacks, facilitating and similar payments to government officials or to Suominen employees or agents acting on Suominen's behalf are prohibited. Our target is to establish a raw material supplier auditing process and to have our suppliers (based on risk assessment) audited against our Supplier Code by 2025. Corruption and bribery topics will be incorporated into this supplier auditing process.

In 2020, no corruption or bribery cases were identified.

## Share information

### Share capital

The number of Suominen's registered shares was 58,259,219 on December 31, 2020, 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, 2020 was 12,937,753 shares, accounting for 22.5% of the average number of shares (excluding treasury shares). The highest price was EUR 5.36, the lowest EUR 2.00 and the volume-weighted average price EUR 4.29. The closing price at the beginning of the review period, on January 2, 2020, was EUR 2.34 and the closing price on the last trading date of the review period, on December 30, 2020, was EUR 5.08.

The market capitalization (excluding treasury shares) was EUR 292.4 million on December 31, 2020.

### Authorizations of the Board of Directors

The Annual General Meeting (AGM) held on March 19, 2020 authorized the Board of Directors to decide on the repurchase of 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 the 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, 2021 and it revokes all earlier authorizations to repurchase company's own shares.

The AGM held on March 19, 2020 also 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, 2021.

On May 28, 2020 Suominen announced about the portion of the annual remuneration of the members of the Board of Directors which was paid in shares. The total number of the shares that were granted out of the treasury shares was 29,121 shares. On September 16, 2020, in accordance with the matching share-based payment program, 9,352 shares were transferred to the participants of the program.

After these transactions, the maximum amount of the authorization is 4,961,527 shares in aggregate.

## Remuneration of the Board payable in shares

The AGM held on March 19, 2020 confirmed the remuneration of the Board of Directors. The Chair will be paid an annual fee of EUR 66,000 and the Deputy Chair and other Board members an annual fee of EUR 31,000. Chair of the Audit Committee will be paid an additional fee of EUR 10,000. Further, the members of the Board will receive a fee for each Board and Committee meeting 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.

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 2020 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 28, 2020.

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 2020

The Group management and key employees participate in the company's share-based incentive plans. The earlier plans are described in detail in the Remuneration Report of Suominen Corporation, available on the company's website [www.suominen.fi](http://www.suominen.fi).

On December 11, 2017 the Board of Directors approved a share-based incentive plan for the Group management and key employees. The aim of the plan is to combine the objectives of the shareholders and the persons participating in the plan in order to increase the value of the company in long-term, to build loyalty to the company

and to offer them competitive reward plans based on earning and accumulating the company's shares. The plan includes three 3-year performance periods, calendar years 2018–2020, 2019–2021 and 2020–2022.

### Performance Share Plan performance periods

Period	2018–2020	2019–2021	2020–2022
Incentive based on	Total Shareholder Return (TSR) and EBIT %	Total Shareholder Return (TSR)	Total Shareholder Return (TSR)
Potential reward payment	Will be paid partly in Suominen shares and partly in cash in spring 2021	Will be paid partly in Suominen shares and partly in cash in spring 2022	Will be paid partly in Suominen shares and partly in cash in spring 2023
Participants	13 people	16 people	18 people
Maximum number of shares	319,000	546,000	756,500

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

#### Matching Restricted Share Plan 2019–2021

The Board of Directors of Suominen Corporation approved on June 4, 2019 a Matching Restricted Share Plan for 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 the 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.

The first vesting period of the Matching Restricted Share Plan ended in September and in total 9,352 shares were transferred to the participants.

#### Shareholders

At the end of the review period, on December 31, 2020, Suominen Corporation had in total 6,219 shareholders. Suominen is not aware of any shareholder agreements related with the shareholding or use of voting rights. Detailed information on the management shareholding and a table presenting the largest shareholders is available in the notes of this Financial Statement.

#### Treasury shares

On December 31, 2020, Suominen Corporation held 690,878 treasury shares.

In accordance with the resolution by the Annual General Meeting, in total 29,121 shares were transferred to the members of the Board of Directors as their remuneration payable in shares in May.

In accordance with the matching share-based payment program, 9,352 shares were transferred to the participants of the program in September.

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

Suominen Corporation received on October 28, 2020 a notification referred to in Chapter 9, Section 5 and 6 of the Securities Market Act. According to the notification, the shareholding of Varma Mutual Pension Insurance Company in Suominen Corporation had fallen below the threshold of 5%.

Suominen Corporation announced on December 29, 2020 a notification referred to in Chapter 9, Section 5 and 6 of the Securities Market Act. According to the notification, Ahlström Capital Oy, as a result of an intragroup merger in which AC Invest Two B.V. has been merged into its parent company Ahlstrom Capital B.V., Ahlstrom Capital B.V. has therefore as of December 28, 2020 become the direct shareholder in Suominen Corporation. Ahlstrom Capital B.V. is a 100% owned subsidiary of Ahlström Capital Oy.

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

There are neither restrictions of transfer nor 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 and the Chair of 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 service contract made by the company and the President & CEO, should the company terminate the President & CEO's contract of service, 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 Report 2020 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 2020 were determined on the basis of the registered holdings in the company's shareholder register on September 1, 2020 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.

Suominen's three largest registered shareholders on the basis of the registered holdings in the company's shareholders' register on September 1, 2020, Ahlstrom Capital B.V., Oy Etra Invest Ab and Varma Mutual Pension Insurance Company renominated the following members to the Shareholders' Nomination Board:

- Lasse Heinonen, President & CEO of Ahlström Capital Oy, as a member appointed by Ahlstrom Capital 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, 2020.

The AGM adopted the Financial Statements and the Consolidated Financial Statements for the financial year 2019 and discharged the members of the Board of Directors and the President & CEO from liability for the financial year 2019. The AGM approved the Remuneration Policy for the governing bodies.

The AGM decided, in accordance with the proposal by the Board of Directors, that a dividend of EUR 0.05 per share will be paid.

The AGM confirmed the remuneration of the Board of Directors. The Chair will be paid an annual fee of EUR 66,000 and the Deputy Chair and other Board members an annual fee of EUR 31,000. Chair of the Audit Committee will be paid an additional fee of EUR 10,000. Further, the members of the Board will receive a fee for each Board and Committee meeting 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. 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). Mr. Jan Johansson was re-elected as Chair of the Board of Directors and Mr. Andreas Ahlström, Ms. Sari Pajari-Sederholm and Ms. Laura Raitio were re-elected as members of the Board. Mr. Björn Borgman and Ms. Nina Linander were elected as new members 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 Mr. 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 on the issuance of shares and granting of options and the issuance of special rights entitling to shares.

Suominen published a stock exchange release on March 19, 2020 concerning the resolutions of the Annual General Meeting and the organizing meeting of the Board of Directors. The stock exchange release and the meeting materials can be viewed on Suominen's website at [www.suominen.fi](http://www.suominen.fi).

In compliance with the resolution of the Annual General Meeting, on April 3, 2020 Suominen paid out dividends of EUR 2.9 million for 2019, corresponding to EUR 0.05 per share.

### Constitutive meeting and permanent committees of the Board of Directors

In its organizing meeting held after the AGM, the Board of Directors elected Andreas Ahlström 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. Nina Linander was 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 Sari Pajari-Sederholm was re-elected as a member. Björn Borgman was elected as a new member to the Personnel and Remuneration Committee.

Suominen published a stock exchange release on March 19, 2020 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](http://www.suominen.fi).

### Changes in the Executive Team

Suominen announced on March 19, 2020, that Ernesto Levy, Senior Vice President, Americas business area and a member of Suominen's Executive Team, had decided to pursue career opportunities outside the company and would leave Suominen on April 6, 2020. Lynda Kelly was nominated to act as the interim SVP, Americas business area in addition to her role as SVP, Business Development.

On December 11, 2020, Suominen announced that Lynda Kelly (B.Sc.) has been appointed Senior Vice President, Americas business area as of January 1, 2021.

## 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 global competitors in its different product groups. 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 it generally takes two to five months for raw material price changes to be reflected in Suominen's customer pricing either through automatic pricing mechanisms or negotiated price changes.

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 2020, the Group's ten largest customers accounted for 67% (65%) of the Group net sales. Long-term contracts are preferred with the largest customers. In practice the customer relationships are long-term and last for several years. Customer-related credit risks are managed in accordance with a 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 possible changes in consumer preferences. Historically, such changes have had mainly a positive impact on Suominen, as they have resulted in the growing demand for products made of nonwovens. This was clearly visible in 2020 as the COVID-19 pandemic increased the demand for nonwovens for cleaning and disinfecting wipes. 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 change the consumers' 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 and hence is well positioned to respond to changes in customer preferences related to sustainability and climate change.



## 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 information and communication systems and software as well as on the successful management of cyber attack risks. If Suominen's information and communication 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 described in 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.

## Non-financial risks and their management

The assessment of Suominen's most significant risks also covers significant non-financial risks. 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.

### Risks related to the environment and climate change

Environmental risks have been identified as part of the ISO14001 environmental management system (excl. Paulinia plant in 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.

Suominen could be impacted by risks related to climate change including weather-related events such as storms, floods, droughts, fires, hurricanes and other extreme weather conditions that may damage the company's production facilities or disrupt its value chains. Suominen manages these risks with appropriate precautions, business continuity plans and insurances. As an example, risks relating to continuity of raw material supply are managed by working with multiple international suppliers, and risks relating to the company's own manufacturing facilities are reduced for example by Suominen's geographical diversity.

### 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 people 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 topics are incorporated into the Code of Conduct and will also be incorporated in to supplier audit process.

Suominen does not tolerate corruption or bribery in any form. As stated in Suominen's Code of Conduct and Anti-Corruption Policy, Suominen does not offer, give, solicit, or accept any improper or corrupt payments or benefits in return for a favorable decision or improper business advantage. Suominen expects all service providers, agents, consultants, and other third parties who act on its behalf to adhere to the same standards. 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 the 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.

Looking at the year ahead, we see a twofold development. The pandemic has increased consumption

of nonwovens in all our markets and the demand is expected to continue on a high level. In the long term, COVID-19 may lead to a sustained increase in the use of nonwovens for cleaning and disinfection products. However, the risks related to the pandemic, such as possible shortages of raw materials, issues linked to logistics as well as potential closures of customers' or our own plants due to virus infections or authority decisions remain relevant. We have already started to experience exceptional volatility in the cost and availability of raw materials and transportation.

## Information on the separate financial statements of the parent company

### Key ratios of the parent company

EUR thousand	2020	2019	2018
Net sales	27,936	22,066	22,788
Operating profit/loss	5,401	-1,367	-2,181
% of net sales	19.3	-6.2	-9.6
Net financial expenses	4,712	1,244	5,863
Profit/loss before appropriations and income taxes	10,113	-123	3,682
Profit/loss for the period	6,585	-1,269	3,062
Return on invested capital, %	4.6	2.5	1.8
Salaries	-4,296	-3,036	-3,538
Average number of personnel	33	29	27

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

Net sales of Suominen Corporation were EUR 27.9 million (22.1) and operating profit EUR 5.4 million (-1.4). Net financial expenses were EUR +4.7 million (+1.2). Profit/loss for the period was EUR 6.6 million (-1.3). There are no related party loans except loans to other Suominen group companies.

In the financial year 2020, the parent company had on average 33 (29) employees and at the end of the year 33 (30) employees.

## Outlook

Suominen expects that its comparable EBITDA (earnings before interest, taxes, depreciation and amortization) in 2021 will be in line with 2020. The demand for nonwovens is expected to remain strong, however the rising volatility in the raw material and transportation markets increases uncertainty and may impact the result negatively. In 2020, Suominen's comparable EBITDA was EUR 60.9 million.

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

The profit of the financial year 2020 of Suominen Corporation, the parent company of Suominen Group, was EUR 6,584,937.34. The funds distributable as dividends, including the profit for the period, were EUR 12,095,497 and total distributable funds were EUR 93,456,859.

The Board of Directors proposes that a dividend of EUR 0.10 per share shall be distributed for the financial year 2020 and that the profit shall be transferred to retained earnings. In addition, the Board of Directors proposes, that in addition to the dividend, a return of capital of EUR 0.10 per share shall be distributed for the financial year 2020 from the reserve for invested unrestricted equity.

On February 3, 2021 the company had 57,568,341 issued shares, excluding treasury shares. With this number of shares, the total amount of dividends to be distributed would be EUR 5,756,834.10 and the total amount of the return of capital would be EUR 5,756,834.10, in total EUR 11,513,668.20.

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

The record date is March 29, 2021 and the dividend would be paid on April 8, 2021.

## Corporate Governance Statement, Remuneration Report and Statement on Non-Financial Information

The Corporate Governance Statement 2020 and Remuneration Report 2020 of Suominen Corporation have been disclosed as separate statements at

[www.suominen.fi](http://www.suominen.fi) > Investors > Corporate Governance.

Both statements are included also in the company's Annual Report 2020.

Suominen's statement on Non-financial information 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

Suominen Corporation received a notification on January 15, 2021 referred to Chapter 9, Section 5 and 6 of the Securities Market Act. According to the notification, the shareholding of companies controlled by Mr. Erkki Etola in Suominen Corporation has crossed the 15% flagging threshold.

Suominen Corporation received a notification on January 18, 2021 referred to Chapter 9, Section 5 and 6 of the Securities Market Act. According to the notification, the shareholding of Elo Mutual Pension Insurance Company in Suominen Corporation has fallen under the 5% flagging threshold.

## Proposals by the Nomination Board to the Annual General Meeting 2021 of Suominen

### 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 Andreas Ahlström, Björn Borgman, Nina Linander, Sari Pajari-Sederholm and Laura Raitio would be re-elected as members of Suominen Corporation's Board of Directors.

Out of the current Board members, the Chair of the Board Jan Johansson has informed that he is not available as a candidate for the Board of Directors.

In addition, the Nomination Board proposes that Jaakko Eskola would be elected as a new member of the Board of Directors.

Mr. Jaakko Eskola (born 1958, M.Sc. (Eng.), Finnish citizen) currently works as Senior Advisor to the Board and Executive Team of Wärtsilä Corporation. He has held a number of senior positions at Wärtsilä since 1998. Mr. Eskola is the outgoing Chair of the Board at Ahlstrom-Munksjö Oyj, Deputy Chair of the Board at Varma Mutual Pension Insurance Company, and a member of the Board at the Finnish Foundation for Share Promotion.

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, Ahlstrom Capital 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](http://www.suominen.fi).

The Nomination Board proposes to the Annual General Meeting that Mr. Jaakko Eskola would be 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 remains unchanged and would be as follows: the Chair would be paid an annual fee of EUR 66,000 and the Deputy Chair and other Board members an annual fee of EUR 31,000. 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 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 500 for each meeting attended by telephone or other electronic means. No fee is paid for decisions made without convening a meeting. In 2020 the fee for meetings held as a telephone conference was EUR 250. 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 2021 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, 2021 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 2, 2020, Lasse Heinonen, Managing Director, Ahlström Capital Oy, nominated by Ahlstrom Capital B.V., Erik Malmberg, Investment Advisory Professional, Triton Advisers AB, nominated by Oy Etra Invest Ab, and 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.

### **The Board of Directors of Suominen Corporation resolved on a new share-based Long-Term Incentive Plan for management and key employees**

The Board of Directors of Suominen Corporation has resolved on February 3, 2021 on a new share-based Long-Term Incentive Plan for the management and 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 2021–2023**

The new long-term Performance Share Plan has one three-year Performance Period, which includes calendar years 2021–2023. The Performance Share Plan is directed

to approximately 20 people, including the President & CEO of Suominen.

The Board of Directors resolved that the potential reward for the Performance Period 2021–2023 will be based on the Relative Total Shareholder Return (TSR). The maximum total amount of potential share rewards to be paid on the basis of the Performance Period 2021–2023 is approximately 470,000 shares of Suominen Corporation, representing the gross reward before the deduction of taxes and tax-related costs arising from the reward.

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

### **Reward payment and ownership obligation for the management**

If the targets of the Plan are reached, rewards will be paid to participants in spring 2024 after the end of the Performance Period. The potential rewards from the Performance Period 2021–2023 will be paid partly in the company's shares and partly in cash. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to the participant. The company also has the right to pay the reward fully in cash under certain circumstances. 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) 2020

## Consolidated statement of financial position

EUR thousand

	Note	December 31, 2020	December 31, 2019		Note	December 31, 2020	December 31, 2019
<b>ASSETS</b>				<b>EQUITY AND LIABILITIES</b>			
<b>Non-current assets</b>				<b>Equity</b>			
Goodwill	5	15,496	15,496	Share capital	16	11,860	11,860
Intangible assets	6	16,748	20,020	Share premium account		24,681	24,681
Property, plant and equipment	7	104,666	121,584	Reserve for invested unrestricted equity		81,361	81,269
Right-of-use assets	8	17,784	14,319	Treasury shares		-44	-44
Loan receivables	12	3,978	3,650	Fair value and other reserves		-7	264
Equity instruments	11	768	777	Exchange differences	15	-13,933	707
Other non-current receivables	12	73	70	Retained earnings		41,962	13,715
Deferred tax assets	31	4,034	2,091				
<b>Total non-current assets</b>		<b>163,548</b>	<b>178,007</b>	<b>Total equity attributable to owners of the parent</b>		<b>145,882</b>	<b>132,452</b>
<b>Current assets</b>				<b>Liabilities</b>			
Inventories	10	35,431	39,257	<b>Non-current liabilities</b>			
Trade receivables	12	51,128	46,728	Deferred tax liabilities	31	13,320	12,786
Loan receivables	12	3,476	3,845	Liabilities from defined benefit plans	20	774	788
Other current receivables	12	5,675	3,820	Non-current provisions	21	1,797	1,608
Assets for current tax	31	247	701	Non-current lease liabilities	17	14,892	10,464
Cash and cash equivalents		57,877	37,741	Other non-current liabilities	22	17	17
<b>Total current assets</b>		<b>153,833</b>	<b>132,093</b>	Debenture bonds	17	82,862	81,714
<b>TOTAL ASSETS</b>		<b>317,381</b>	<b>310,100</b>	<b>Total non-current liabilities</b>		<b>113,662</b>	<b>107,375</b>
				<b>Current liabilities</b>			
				Current provisions	21	250	-
				Current lease liabilities	17	2,539	2,986
				Current interest-bearing liabilities	17	-	14,000
				Liabilities for current tax	31	415	5
				Trade payables and other current liabilities	22	54,634	53,282
				<b>Total current liabilities</b>		<b>57,838</b>	<b>70,273</b>
				<b>Total liabilities</b>		<b>171,499</b>	<b>177,648</b>
				<b>TOTAL EQUITY AND LIABILITIES</b>		<b>317,381</b>	<b>310,100</b>

## Consolidated statement of profit or loss

EUR thousand

	Note	Restated	
		January 1– December 31, 2020	January 1– December 31, 2019
<b>Net sales</b>	<b>23</b>	<b>458,893</b>	<b>411,412</b>
Cost of goods sold		-389,123	-374,501
<b>Gross profit</b>		<b>69,770</b>	<b>36,911</b>
Other operating income	25	2,584	2,903
Sales, marketing and administration expenses		-27,946	-27,267
Research and development expenses		-2,767	-3,376
Other operating expenses	25	-2,150	-1,041
<b>Operating profit</b>		<b>39,492</b>	<b>8,129</b>
Net financial expenses	30	-5,582	-5,998
<b>Profit before income taxes</b>		<b>33,910</b>	<b>2,132</b>
Income taxes	31	-3,794	-1,907
<b>Profit for the period</b>		<b>30,116</b>	<b>225</b>
<b>Earnings per share, EUR</b>			
Basic	33	0.52	0.00
Diluted		0.52	0.00

## Consolidated statement of comprehensive income

EUR thousand

	January 1– December 31, 2020	January 1– December 31, 2019
<b>Profit for the period</b>	<b>30,116</b>	<b>225</b>
<b>Other comprehensive income:</b>		
<b>Other comprehensive income that will be subsequently reclassified to profit or loss:</b>		
Exchange differences	-15,504	1,570
Reclassified to profit or loss	-327	-
Income taxes related to other comprehensive income	929	-193
<b>Total</b>	<b>-14,902</b>	<b>1,377</b>
<b>Other comprehensive income that will not be subsequently reclassified to profit or loss:</b>		
Fair value changes of equity instruments	-8	-
Remeasurements of defined benefit plans	-10	75
Income taxes related to other comprehensive income	3	-21
<b>Total</b>	<b>-15</b>	<b>54</b>
<b>Total other comprehensive income</b>	<b>-14,917</b>	<b>1,431</b>
<b>Total comprehensive income for the period</b>	<b>15,199</b>	<b>1,656</b>

## 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
<b>Equity January 1, 2020</b>		<b>11,860</b>	<b>24,681</b>	<b>81,269</b>	<b>-44</b>	<b>707</b>	<b>264</b>	<b>13,715</b>	<b>132,452</b>
Profit for the period		-	-	-	-	-	-	30,116	30,116
Other comprehensive income	15	-	-	-	-	-14,640	-270	-7	-14,917
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-14,640</b>	<b>-270</b>	<b>30,109</b>	<b>15,199</b>
Distribution of dividend		-	-	-	-	-	-	-2,876	-2,876
Share-based payments		-	-	-	-	-	-	1,015	1,015
Conveyance of treasury shares		-	-	92	-	-	-	-	92
<b>Equity December 31, 2020</b>		<b>11,860</b>	<b>24,681</b>	<b>81,361</b>	<b>-44</b>	<b>-13,933</b>	<b>-7</b>	<b>41,962</b>	<b>145,882</b>

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



## Consolidated statement of cash flows

EUR thousand

	Note	January 1– December 31, 2020	January 1– December 31, 2019
<b>Cash flow from operations</b>			
Profit for the period		30,116	225
Total adjustments to profit for the period	34	34,626	34,585
<b>Cash flow before changes in net working capital</b>		<b>64,742</b>	<b>34,810</b>
Change in net working capital		-1,023	1,631
Financial items		-4,289	-5,222
Income taxes		-2,438	-1,324
<b>Cash flow from operations</b>		<b>56,991</b>	<b>29,894</b>
<b>Cash flow from investments</b>			
Investments in property, plant and equipment and intangible assets		-10,885	-10,520
Sales proceeds from property, plant and equipment and intangible assets		12	73
<b>Cash flow from investments</b>		<b>-10,873</b>	<b>-10,447</b>
<b>Cash flow from financing</b>			
Drawdown of current interest-bearing liabilities	17	15,000	38,000
Repayment of current interest-bearing liabilities	17	-31,968	-47,572
Distribution of dividend		-2,876	–
<b>Cash flow from financing</b>		<b>-19,845</b>	<b>-9,572</b>
<b>Change in cash and cash equivalents</b>		<b>26,274</b>	<b>9,875</b>
Cash and cash equivalents at the beginning of the period		37,741	27,757
Effect of changes in exchange rates		-6,138	109
Change in cash and cash equivalents		26,274	9,875
<b>Cash and cash equivalents at the end of the period</b>		<b>57,877</b>	<b>37,741</b>

# 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. (Small Cap, from January 1, 2021 in Mid Cap). Suominen Corporation is the parent company of the Group. The Group manufactures nonwovens mainly for consumer goods companies.

The Board of Directors of Suominen Corporation has in its meeting on February 3, 2021 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

#### New or amended standard, annual improvements or interpretations applicable from January 1, 2020:

- Definition of Material – Amendments to IAS 1 and IAS 8. According to the amendment, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of the financial statements make on the basis of those financial statements. The amendment has no material effect on Suominen's consolidated financial statements.

Other new or amended standard, annual improvements or interpretations applicable from January 1, 2020 were not material for Suominen Group.

#### New and amended IFRS standards and IFRIC interpretations published but mandatory from January 1, 2021 or later:

- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, applicable from January 1, 2021. The amendment has no effect on Suominen due to the structure of Suominen's debt portfolio as well as due to having EURIBOR as the benchmark interest rate. In addition, at the end of the reporting period 2020 Suominen was not applying hedge accounting.

- Improvements to IFRS (2018–2020 cycle):

Improvement to IFRS 9 – Fees in the “10 percent” Test for Derecognition of Financial Liabilities, applicable from January 1, 2022. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. The fees include only fees paid or received between the borrower and the lender.

- Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract, applicable from January 1, 2022. The amendment specifies which costs need to be included and which cannot be included in the provision when assessing whether a contract is onerous or loss-making. The amendment applies a directly related cost approach, which means that general and administrative are in most cases excluded from the provisions made of onerous contracts. The amendments must be applied prospectively. The amendment does not change the accounting for onerous contracts in Suominen’s financial statements.

- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current, applicable from January 1, 2023. The amendment specifies the requirements for classifying liabilities as current or non-current, by clarifying for example what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period and that classification is unaffected by the likelihood that an entity will exercise its deferral right. The amendment will be applied retrospectively.

Other new or amended standards, improvements or annual improvements applicable from January 1, 2021 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.

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.

The COVID-19 pandemic has not materially increased Suominen's risk of impairment losses of non-current assets nor increased customer credit risk.

The management estimates, that the withdrawal of the United Kingdom from the European Union in the beginning of 2021 (Brexit) has no material effect on Suominen, as the export sales to the area in 2020 represented less than 5% of the total net sales. The customer risk is not expected to grow as the customers in the area are mainly large international companies.

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 complied 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:

EUR thousand	Transaction exposure 2020		Transaction exposure 2019	
	12 months' cash flow	Hedged with currency forwards	12 months' cash flow	Hedged with currency forwards
USD/EUR	6,665	-2,991	-2,775	-1,500
EUR/BRL	-660	-	-1,632	-
USD/BRL	-7,804	-	-6,167	-

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

#### Translation exposure 2020 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	-	4,246	-	13,000	-	17,246
USD	46,802	36,286	-	70,595	-	153,683

#### 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

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 46.8 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 in the table in 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 the euro rate against the US dollar rate.

**2020**

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	8	-	3,014	-8	-	-3,014

**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

**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 2020 is estimated to be EUR + / - 237 thousand (EUR - / + 214 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.

**2020**

EUR thousand	Currency strengthens / weakens %	Effect on 12 months' currency cash flow	Effect on hedging instruments	Net effect after tax
USD/EUR	+8 / -8	537 / -537	-241 / +241	237 / -237

**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 can comprise 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 2020 duration excluding the lease liabilities was 21 months (28 months in 2019).

At the end of the reporting period the carrying amount of the Group's loans with fixed interest rates was EUR 82.9 million (EUR 81.7 million). There were no loans with floating interest rates at the end of 2020 (2019: EUR 14.0 million). Lease liabilities were EUR 17.4 million (EUR 13.5 million).

The sensitivity of interest rate risk is calculated as the effect of a 0.5 percentage point shift in the interest rate curve during one year on floating interest rate loans. At the end of 2020, Suominen had no floating interest rate loans.

EUR thousand	2020		2019	
	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

At the end of the reporting period the cash and cash equivalents of the Group were EUR 57.9 million (EUR 37.7 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 464 thousand in 2020 (EUR 942 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 vast majority of the customers of Suominen have during the COVID-19 pandemic experienced increased demand for their products and thus the customer credit risks have not materially increased.

The Group has agreed on a supply chain financing program which covers one fifth 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 July 2020 into a new single-currency syndicated revolving credit facility agreement of EUR 100 million with a maturity of three years. The lenders for the facility are Danske Bank A/S, Finland Branch and Nordea. The new facility replaced the previous EUR 100 million credit facility from 2017, which had Nordea Bank AB (publ), Finnish Branch and Svenska Handelsbanken AB (publ), Branch Operation in Finland as lenders.

The new credit facility has two one-year extension options. The new credit facility includes leverage ratio and gearing as financial covenants. The margin of the facility will increase or decrease dependent on Suominen meeting two sustainability key performance indicators, namely increase in the sales of sustainable products and reduction of greenhouse gas emissions.

In addition, Suominen has a EUR 85 million unsecured bond issued in September 2017, 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.

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 the committed facility agreements was 2.5 years (1.7 years) at the end of the reporting period. At the end of the reporting period the unused revolving credit facility was EUR 98 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 following table. The table includes both interest payments and repayments of capital.



**Maturity analysis of financial liabilities 2020**

EUR thousand

Financial liabilities	Carrying amount	Contractual cash flows	Falling due				
			Less than 6 months	6–12 months	1–2 years	2–5 years	After 5 years
Debentures	82,862	89,250	–	2,125	87,125	–	–
Lease liabilities	17,431	21,744	1,783	1,737	3,273	7,834	7,118
Other financial liabilities	455	455	455	–	–	–	–
Trade payables	42,024	42,024	41,888	136	–	–	–
<b>Total</b>	<b>142,772</b>	<b>153,473</b>	<b>44,127</b>	<b>3,997</b>	<b>90,398</b>	<b>7,834</b>	<b>7,118</b>

Derivative instruments	Carrying amount	Contractual cash flows	Falling due			
			Less than 6 months	6–12 months	1–2 years	2–5 years
Currency forward contracts	1					
Cash inflows (-)		-1,032	-1,032	–	–	–
Cash outflows (+)		1,035	1,035	–	–	–
<b>Total</b>	<b>1</b>	<b>3</b>	<b>3</b>	<b>–</b>	<b>–</b>	<b>–</b>

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

Contingent liabilities	Total	Falling due			
		Less than 6 months	6–12 months	1–2 years	2–5 years
Guarantees	3,917	–	–	163	3,755
Commitments to leases not yet commenced	34	34	–	–	–
Contractual commitments to acquire property, plant and equipment	6,586	6,124	373	89	–
<b>Total</b>	<b>10,537</b>	<b>6,158</b>	<b>373</b>	<b>251</b>	<b>3,755</b>

**Maturity analysis of financial liabilities 2019**

EUR thousand

Financial liabilities	Carrying amount	Contractual cash flows	Falling due				
			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	–	–	–
<b>Total</b>	<b>154,069</b>	<b>166,420</b>	<b>60,249</b>	<b>4,570</b>	<b>5,681</b>	<b>94,626</b>	<b>1,294</b>

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

### Maturity analysis of financial liabilities 2019

Contingent liabilities	Total	Falling due			
		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	–	–	–
<b>Total</b>	<b>9,939</b>	<b>4,533</b>	<b>–</b>	<b>163</b>	<b>5,243</b>

## 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.

At the end of 2020, the Group's equity ratio was 46.0% (42.7%) and gearing was 25.4% (50.7%).

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	2020	2019	Reference
Nominal value of interest-bearing liabilities	102.4	112.4	Note 17
Interest-bearing receivables	-7.5	-7.5	Note 12
Cash and cash equivalents	-57.9	-37.7	Consolidated statement of financial position
<b>Interest-bearing net debt</b>	<b>37.1</b>	<b>67.2</b>	
Total equity attributable to owners of the parent	145.9	132.5	
Assets total - advances received	317.4	310.0	
Gearing, %	25.4	50.7	
Equity ratio, %	46.0	42.7	

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.

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.

On January 8, 2020, Suominen announced of its strategy covering five years. In accordance with the strategy, Suominen aims to grow by creating innovative and more sustainable nonwovens for the customers and aims to improve profitability through more efficient operations and a high performance culture. The main focus is on wipes.

The annual growth rate for Suominen's net sales during the period covered by the forecast (2021–2025) has been estimated at 1.8%. The estimated growth rate has decreased from the previous year as the financial performance Suominen has improved significantly in 2020 due to the increase in demand for wiping products caused by the COVID-19 pandemic. Based on the market research information and comments and investment plans of Suominen's customers, the high demand is expected to continue also going forward.

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 60%. The lease liabilities in the statement of financial position have 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 the 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 the experience from the 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 11.1 percentage points or the annual terminal operating profit percentage would decrease by 6.45 percentage points, the recoverable amount would equal the carrying amount.

### The critical assumptions in impairment testing

	2020	2019
Pre-tax discount rate	9.0%	9.2%
Growth in net sales 2021–2025 (2020–2024)	1.8%	3.2%
Annual terminal growth rate	1.0%	1.0%
Annual terminal operating profit percentage	8.9%	6.4%

### 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.

At the end of the reporting period, the carrying amount of goodwill was EUR 15,495 thousand (EUR 15,495 thousand in 2019). 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 2020
<b>Acquisition cost January 1</b>	<b>28,889</b>	<b>15,496</b>	<b>6,910</b>	<b>375</b>	<b>51,669</b>
Exchange difference	-35	-	-138	-	-173
Additions	48	-	-	258	306
Decreases and disposals	-657	-	-167	-	-823
Reclassifications	577	-	-	-577	-
<b>Acquisition cost December 31</b>	<b>28,823</b>	<b>15,496</b>	<b>6,605</b>	<b>56</b>	<b>50,978</b>
<b>Accumulated amortization and impairment losses January 1</b>	<b>-11,940</b>	<b>-</b>	<b>-4,158</b>	<b>-56</b>	<b>-16,154</b>
Exchange difference	34	-	110	-	144
Amortization for the reporting period	-2,985	-	-564	-	-3,549
Decreases and disposals	657	-	167	-	823
<b>Accumulated amortization and impairment losses December 31</b>	<b>-14,235</b>	<b>-</b>	<b>-4,445</b>	<b>-56</b>	<b>-18,736</b>
<b>Carrying amount December 31</b>	<b>14,588</b>	<b>15,496</b>	<b>2,160</b>	<b>-</b>	<b>32,243</b>

	Intangible rights	Goodwill	Other intangible assets	Advance payments and assets under construction	Total 2019
<b>Acquisition cost January 1</b>	<b>24,191</b>	<b>15,496</b>	<b>6,867</b>	<b>4,660</b>	<b>51,214</b>
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
<b>Acquisition cost December 31</b>	<b>28,889</b>	<b>15,496</b>	<b>6,910</b>	<b>375</b>	<b>51,669</b>
<b>Accumulated amortization and impairment losses January 1</b>	<b>-10,870</b>	<b>-</b>	<b>-3,562</b>	<b>-56</b>	<b>-14,488</b>
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
<b>Accumulated amortization and impairment losses December 31</b>	<b>-11,940</b>	<b>-</b>	<b>-4,158</b>	<b>-56</b>	<b>-16,154</b>
<b>Carrying amount December 31</b>	<b>16,948</b>	<b>15,496</b>	<b>2,752</b>	<b>319</b>	<b>35,515</b>

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 1,763 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 2020
<b>Acquisition cost January 1</b>	<b>3,358</b>	<b>62,819</b>	<b>238,301</b>	<b>1,283</b>	<b>9,122</b>	<b>314,883</b>
Exchange difference	-613	-3,629	-15,193	0	-795	-20,230
Additions	-	-	-	-	10,009	10,009
Capitalized borrowing costs	-	-	-	-	91	91
Decreases and disposals	-	-	-5,876	-	-	-5,876
Reclassifications	-2	534	9,115	82	-9,730	-
<b>Acquisition cost December 31</b>	<b>2,744</b>	<b>59,724</b>	<b>226,348</b>	<b>1,364</b>	<b>8,698</b>	<b>298,878</b>
<b>Accumulated depreciation and impairment losses January 1</b>	<b>-</b>	<b>-36,026</b>	<b>-156,206</b>	<b>-888</b>	<b>-181</b>	<b>-193,301</b>
Exchange difference	-	1,286	9,573	0	15	10,874
Decreases and disposals	-	-	2,568	-	-	2,568
Depreciation for the reporting period	-	-2,203	-12,077	-75	-	-14,354
<b>Accumulated depreciation and impairment losses December 31</b>	<b>-</b>	<b>-36,943</b>	<b>-156,142</b>	<b>-963</b>	<b>-166</b>	<b>-194,213</b>
<b>Carrying amount December 31</b>	<b>2,744</b>	<b>22,782</b>	<b>70,206</b>	<b>402</b>	<b>8,532</b>	<b>104,666</b>

	Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and assets under construction	Total 2019
<b>Acquisition cost January 1</b>	<b>3,365</b>	<b>61,865</b>	<b>234,062</b>	<b>1,020</b>	<b>4,796</b>	<b>305,107</b>
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
<b>Acquisition cost December 31</b>	<b>3,358</b>	<b>62,819</b>	<b>238,301</b>	<b>1,283</b>	<b>9,122</b>	<b>314,883</b>
<b>Accumulated depreciation and impairment losses January 1</b>	<b>-</b>	<b>-33,541</b>	<b>-141,154</b>	<b>-844</b>	<b>-178</b>	<b>-175,717</b>
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
<b>Accumulated depreciation and impairment losses December 31</b>	<b>-</b>	<b>-36,026</b>	<b>-156,206</b>	<b>-888</b>	<b>-181</b>	<b>-193,301</b>
<b>Carrying amount December 31</b>	<b>3,358</b>	<b>26,793</b>	<b>82,096</b>	<b>395</b>	<b>8,942</b>	<b>121,584</b>

	2020	2019
Carrying amount of production machinery and equipment	68,968	80,451

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 2020
<b>Acquisition cost January 1</b>	<b>75</b>	<b>14,683</b>	<b>2,013</b>	<b>1,145</b>	<b>–</b>	<b>17,916</b>
Exchange difference	–	-436	-92	-62	–	-591
Additions	1	6,688	654	12	55	7,410
Decreases	–	-66	-186	–	–	-252
<b>Acquisition cost December 31</b>	<b>76</b>	<b>20,869</b>	<b>2,389</b>	<b>1,095</b>	<b>55</b>	<b>24,483</b>
<b>Accumulated depreciation and impairment losses January 1</b>	<b>-6</b>	<b>-2,672</b>	<b>-731</b>	<b>-187</b>	<b>–</b>	<b>-3,597</b>
Exchange difference	–	191	42	21	1	255
Decreases	–	–	172	–	–	172
Depreciation for the reporting period	-6	-2,603	-666	-235	-19	-3,530
<b>Accumulated depreciation and impairment losses December 31</b>	<b>-13</b>	<b>-5,084</b>	<b>-1,183</b>	<b>-401</b>	<b>-18</b>	<b>-6,699</b>
<b>Carrying amount December 31</b>	<b>63</b>	<b>15,785</b>	<b>1,206</b>	<b>694</b>	<b>37</b>	<b>17,784</b>

	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
<b>Acquisition cost January 1</b>	<b>77</b>	<b>14,698</b>	<b>1,712</b>	<b>748</b>	<b>31</b>	<b>17,267</b>
Exchange difference	–	97	7	14	–	119
Additions	–	25	512	409	–	946
Decreases	-2	-138	-218	-27	-31	-416
<b>Acquisition cost December 31</b>	<b>75</b>	<b>14,683</b>	<b>2,013</b>	<b>1,145</b>	<b>–</b>	<b>17,916</b>
<b>Accumulated depreciation and impairment losses January 1</b>	<b>–</b>	<b>–</b>	<b>-321</b>	<b>–</b>	<b>–</b>	<b>-321</b>
Exchange difference	–	4	1	0	–	6
Decreases	–	–	194	–	7	201
Depreciation for the reporting period	-6	-2,676	-606	-188	-7	-3,483
<b>Accumulated depreciation and impairment losses December 31</b>	<b>-6</b>	<b>-2,672</b>	<b>-731</b>	<b>-187</b>	<b>–</b>	<b>-3,597</b>
<b>Carrying amount December 31</b>	<b>69</b>	<b>12,011</b>	<b>1,282</b>	<b>958</b>	<b>–</b>	<b>14,319</b>

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 Comércio de Não-Tecidos Ltda.	Paulínia, Brazil	100%	x

## NOTE 10 Inventories

EUR thousand

	2020	2019
<b>Inventories</b>		
Raw materials and consumables	21,121	20,353
Work in progress	2,134	1,388
Finished goods	12,096	17,431
Advance payments for inventory	81	86
<b>Total inventories</b>	<b>35,431</b>	<b>39,257</b>
Write-down of inventory	-1,896	-1,252
Reversals of write-down of inventory	1,254	151
Inventories recognized as expense during the period	-325,814	-310,937

## 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 2020
<b>Carrying amount January 1</b>	<b>347</b>	<b>429</b>	<b>777</b>
Change in fair value	-	-8	-8
<b>Carrying amount December 31</b>	<b>347</b>	<b>421</b>	<b>768</b>

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

## 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 instrument 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

	2020	2019
<b>Non-current receivables</b>		
Loan receivables	3,978	3,650
Other non-current receivables	73	70
<b>Total non-current receivables</b>	<b>4,051</b>	<b>3,720</b>
<b>Current receivables</b>		
Trade receivables	51,128	46,728
Loan receivables	3,476	3,845
Other current receivables	3,270	1,447
Prepaid expenses and accrued income	2,406	2,373
<b>Total current receivables</b>	<b>60,279</b>	<b>54,394</b>

### Ageing analysis of trade receivables and credit risk exposure

#### Trade receivables December 31, 2020

	Current	Past due				Total past due	Total
		< 5 days	5–30 days	31–120 days	> 120 days		
Trade receivables	44,736	2,545	3,452	426	2,182	8,605	<b>53,341</b>
Allowance for expected credit losses	–	–	-2	-25	-2,187	-2,213	<b>-2,213</b>
<b>Carrying amount of trade receivables</b>	<b>44,736</b>	<b>2,545</b>	<b>3,450</b>	<b>402</b>	<b>-5</b>	<b>6,391</b>	<b>51,128</b>

#### Trade receivables December 31, 2019

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

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

	2020	2019
<b>Allowance for expected credit losses January 1</b>	<b>-2,028</b>	<b>-1,082</b>
Exchange difference	54	-6
Realized	222	-
Reversed	192	37
Charge for the year	-653	-979
<b>Allowance for expected credit losses December 31</b>	<b>-2,213</b>	<b>-2,028</b>
Expected credit losses of trade receivables recognized during the period, net	-464	-942

**Currency analysis of trade receivables**

	2020	2019
EUR	27,396	26,930
USD	20,036	16,387
BRL	3,621	3,269
Other currencies	75	142
<b>Total</b>	<b>51,128</b>	<b>46,728</b>

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 was initially 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 of 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 2020 and 2019 will be realized credit losses due to the customers' financial difficulties.

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.

Suominen monitors constantly the open balances of the customers and takes action if payments are delayed. The COVID-19 pandemic has increased the credit risk of certain customers depending on the markets in which they operate, but as a whole, also the customers have experienced increased demand of their products and thus their credit risks and Suominen's expected credit losses arising from trade receivables have not materially increased.

### **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	–	421	768	768
Loan receivables	3,476	3,978	–	7,454	7,454
Trade receivables	–	51,128	–	51,128	51,128
Interest and other financial receivables	–	378	–	378	378
Derivative receivables	61	–	–	61	61
Cash and cash equivalents	–	57,877	–	57,877	57,877
<b>Total December 31, 2020</b>	<b>3,885</b>	<b>113,360</b>	<b>421</b>	<b>117,666</b>	<b>117,666</b>

	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
<b>Total December 31, 2019</b>	<b>4,193</b>	<b>88,432</b>	<b>429</b>	<b>93,054</b>	<b>93,054</b>

### 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 2020

Financial assets at fair value	Level 1	Level 2	Level 3
Equity instruments	–	–	768
Loan receivables	–	–	3,476
Currency derivatives	–	61	–
<b>Total in 2019</b>	<b>–</b>	<b>61</b>	<b>4,244</b>

Financial liabilities at fair value	Level 1	Level 2	Level 3
Currency derivatives	–	1	–
<b>Total in 2020</b>	<b>–</b>	<b>1</b>	<b>–</b>

### Fair value hierarchy in 2019

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

At the end of reporting period 2019 Suominen had no financial liabilities at fair value.

### Fair value changes in Level 3

Financial assets at fair value	
<b>Total January 1, 2019</b>	<b>4,793</b>
Recognized in profit or loss	
Interest income	345
Impairment loss	-517
<b>Total December 31, 2019</b>	<b>4,622</b>
Recognized in profit or loss	
Interest income	372
Impairment loss	-742
Recognized in other comprehensive income	
Impairment loss	-8
<b>Total December 31, 2020</b>	<b>4,244</b>

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

There were no transfers in the fair value measurement hierarchy levels during the reporting periods.

Fair values in Level 1 are based on quoted prices (unadjusted) in active markets for identical 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

2020	Exchange differences	Fair value and other reserves	Retained earnings	Total
Profit for the period	–	–	30,116	30,116
Exchange differences	-15,504	–	–	-15,504
Income tax on exchange differences	864	–	–	864
Reclassified to profit or loss	–	-327	–	-327
Reclassified to profit or loss, income tax	–	65	–	65
Fair value changes of equity instruments	–	-8	–	-8
Defined benefit plans, remeasurements	–	–	-10	-10
Defined benefit plans, remeasurement, income taxes	–	–	3	3
<b>Total comprehensive income</b>	<b>-14,640</b>	<b>-270</b>	<b>30,109</b>	<b>15,199</b>

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
<b>Total comprehensive income</b>	<b>1,377</b>	<b>–</b>	<b>279</b>	<b>1,656</b>

### 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, 2020 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 690,878 treasury shares. In accordance with the resolution by the Annual General Meeting, 29,121 shares were transferred on May 28, 2020 to the members of the Board of Directors as their remuneration payable in shares. In accordance with the matching share-based payment program, 9,352 shares were transferred to the participants of the program in September.

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 January 1–December 31, 2020 was 12,937,753 shares (4,655,863 shares), accounting for 22.5% (8.1%) of the average number of shares (excluding treasury shares). The highest price was EUR 5.36 (EUR 2.70), the lowest EUR 2.00 (EUR 2.04) and the volume-weighted average price EUR 4.29 (EUR 2.38). The closing price at the end of reporting period was EUR 5.08 (EUR 2.31). The market capitalization (excluding treasury shares) was EUR 292.4 million on December 31, 2020 (EUR 132.9 million).

### Number of shares

#### Changes in number of shares

<b>Number of shares January 1, 2019</b>	<b>58,259,219</b>
<b>Number of shares December 31, 2019</b>	<b>58,259,219</b>
<b>Number of shares December 31, 2020</b>	<b>58,259,219</b>

#### Changes in treasury shares

<b>Number of shares January 1, 2019</b>	<b>762,970</b>
Conveyance of treasury shares, reward for the Board of Directors	-33,619
<b>Number of shares December 31, 2019</b>	<b>729,351</b>
Conveyance of treasury shares, reward for the Board of Directors	-29,121
Conveyance of treasury shares, share-based plan	-9,352
<b>Number of shares December 31, 2020</b>	<b>690,878</b>

<b>Number of shares</b>	December 31, 2020	December 31, 2019
Number of shares excluding treasury shares	57,568,341	57,529,868
Share-issue adjusted number of shares excluding treasury shares	57,568,341	57,529,868
Average number of shares excluding treasury shares	57,549,842	57,515,960
Average share-issue adjusted number of shares excluding treasury shares	57,549,842	57,515,960
Average diluted share-issue adjusted number of shares excluding treasury shares	57,796,591	57,601,340

### Notifications in 2020 under Chapter 9, Sections 5 and 6 of the Securities Market Act

Suominen Corporation received October 28, 2020 a notification referred to in Chapter 9, Section 5 and 6 of the Securities Market Act. According to the notification, the shareholding of Varma Mutual Pension Insurance Company in Suominen Corporation had fallen below the threshold of 5%.

Suominen Corporation announced on December 29, 2020 a notification referred to in Chapter 9, Section 5 and 6 of the Securities Market Act. According to the notification, Ahlström Capital Oy, as a result of an intragroup merger in which AC Invest Two B.V. has been merged into its parent company Ahlstrom Capital B.V., Ahlstrom Capital B.V. has therefore as of December 28, 2020 become the direct shareholder in Suominen Corporation. Ahlstrom Capital B.V. is a 100% owned subsidiary of Ahlström Capital Oy.

### Largest shareholders December 31, 2020

Shareholder	Number of shares	% of shares and votes
Ahlstrom Capital B.V.	13,953,357	23.95%
Oy Etra Invest Ab	7,770,000	13.34%
Euroclear Bank SA/NV	3,182,604	5.46%
Ilmarinen Mutual Pension Insurance Company	3,046,892	5.23%
Pension Insurance Company Elo	3,024,651	5.19%
Varma Mutual Pension Insurance Company	2,189,751	3.76%
Mandatum Life Insurance Company	2,002,536	3.44%
Nordea Life Assurance Finland Ltd	1,812,000	3.11%
Oy H. Kuningas & Co. AB	1,567,416	2.69%
Skandinaviska Enskilda Banken (publ.)	1,161,138	1.99%
Nordea Nordic Small Cap Fund	989,909	1.70%
Mikko Majjala	855,147	1.47%
Juhani Majjala	794,026	1.36%
Laakkosen Arvopaperi Oy	750,000	1.29%
Nordea Bank ABP	721,273	1.24%
<b>15 largest total</b>	<b>43,820,700</b>	<b>75.22%</b>
Other shareholders	8,511,831	14.61%
Nominee registered	5,231,761	8.98%
Treasury shares	690,878	1.19%
In joint account (not in the book-entry securities system)	4,049	0.01%
<b>Total</b>	<b>58,259,219</b>	<b>100.00%</b>

**Ownership distribution December 31, 2020**

	Number of shareholders	% of total	Number of shares	% of shares and votes
Corporations	227	3.7%	4,247,651	7.29%
Financial and insurance corporations	20	0.3%	14,559,516	24.99%
General government	7	0.1%	8,536,196	14.65%
Non-profit institutions	17	0.3%	1,282,363	2.20%
Households	5,912	95.2%	9,642,983	16.55%
Foreign countries	24	0.4%	14,063,822	24.14%
<b>Total</b>	<b>6,207</b>	<b>100.0%</b>	<b>52,332,531</b>	<b>89.83%</b>
Nominee registered	11		5,231,761	8.98%
In joint account (not in the book-entry securities system)			4,049	0.01%
Treasury shares	1		690,878	1.19%
<b>Total</b>	<b>6,219</b>		<b>58,259,219</b>	<b>100.00%</b>

**Shareholders by share ownership December 31, 2020**

Number of shares	Number of shareholders	% of total	Number of shares	% of shares and votes
1–100	1,885	30.3%	88,661	0.15%
101–500	2,198	35.3%	607,457	1.04%
501–1,000	873	14.0%	695,652	1.19%
1,001–5,000	956	15.4%	2,121,485	3.64%
5,001–10,000	146	2.3%	1,067,348	1.83%
10,001–50,000	108	1.7%	2,290,674	3.93%
50,001–100,000	17	0.3%	1,272,747	2.18%
100,001–500,000	16	0.3%	3,073,907	5.28%
more than 500,000	19	0.3%	46,346,361	79.55%
<b>Total</b>	<b>6,218</b>	<b>100.0%</b>	<b>57,564,292</b>	<b>98.81%</b>
In joint account (not in the book-entry securities system)			4,049	0.01%
Treasury shares	1		690,878	1.19%
<b>Total</b>	<b>6,219</b>		<b>58,259,219</b>	<b>100.00%</b>

## NOTE 17 Interest-bearing liabilities

EUR thousand

Suominen entered in July 2020 into a new single-currency syndicated revolving credit facility agreement of EUR 100 million with a maturity of three years. The lenders for the facility are Danske Bank A/S, Finland Branch and Nordea. The new facility replaced the previous EUR 100 million credit facility from 2017, which had Nordea Bank AB (publ), Finnish Branch and Svenska Handelsbanken AB (publ), Branch Operation in Finland as lenders.

The new credit facility has two one-year extension options. The new credit facility includes leverage ratio and gearing as financial covenants. The margin of the facility will increase or decrease dependent on Suominen meeting two sustainability key performance

indicators, namely increase in the sales of sustainable products and reduction of greenhouse gas emissions. The credit facility has floating interest rates.

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.

	2020			2019		
	Carrying amount	Fair value	Nominal value	Carrying amount	Fair value	Nominal value
<b>Non-current interest-bearing liabilities</b>						
Lease liabilities	14,892	14,892	14,892	10,464	10,464	10,464
Debentures	82,862	87,661	85,000	81,714	86,063	85,000
<b>Total</b>	<b>97,754</b>	<b>102,553</b>	<b>99,892</b>	<b>92,177</b>	<b>96,526</b>	<b>95,464</b>
<b>Current interest-bearing liabilities</b>						
Current loans from financial institutions	–	–	–	14,000	14,000	14,000
Lease liabilities	2,539	2,539	2,539	2,986	2,986	2,986
<b>Total</b>	<b>2,539</b>	<b>2,539</b>	<b>2,539</b>	<b>16,986</b>	<b>16,986</b>	<b>16,986</b>
<b>Total</b>	<b>100,293</b>	<b>105,092</b>	<b>102,431</b>	<b>109,163</b>	<b>113,512</b>	<b>112,450</b>

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

	2020	2019
<b>Total interest-bearing liabilities at the beginning of the period</b>	<b>109,163</b>	<b>101,463</b>
<b>Current liabilities at the beginning of the period</b>	<b>16,986</b>	<b>20,765</b>
Application of IFRS 16	–	2,664
Repayment of current liabilities, cash flow items	-31,968	-47,572
Drawdown of current liabilities, cash flow items	15,000	38,000
Increases in current liabilities, non-cash flow items	276	218
Decreases of current liabilities, non-cash flow items	-625	-99
Reclassification from non-current liabilities	3,001	2,942
Periodization of debenture to amortized cost, non-cash flow items	–	43
Exchange rate difference, non-cash flow item	-130	25
<b>Current liabilities at the end of the period</b>	<b>2,539</b>	<b>16,986</b>
<b>Non-current liabilities at the beginning of the period</b>	<b>10,464</b>	<b>84</b>
Application of IFRS 16	–	12,622
Increases in non-current liabilities, non-cash flow items	7,744	733
Decreases of non-current liabilities, non-cash flow items	-3	-121
Reclassification to current liabilities	-3,001	-2,942
Exchange rate difference, non-cash flow item	-312	88
<b>Non-current liabilities at the end of the period</b>	<b>14,892</b>	<b>10,464</b>
<b>Non-current debentures at the beginning of the period</b>	<b>81,714</b>	<b>80,615</b>
Periodization of debenture to amortized cost, non-cash flow items	1,148	1,099
<b>Non-current debentures at the end of the period</b>	<b>82,862</b>	<b>81,714</b>
<b>Total interest-bearing liabilities at the end of the period</b>	<b>100,293</b>	<b>109,163</b>

### Maturity of interest-bearing liabilities

	2020	2019
2021 (2020)	2,539	16,986
2022 (2021)	85,300	2,997
2023 (2022)	2,334	84,712
2024 (2023)	2,270	1,852
2025– (2024–)	7,850	2,616
<b>Total</b>	<b>100,293</b>	<b>109,163</b>

### Interest-bearing liabilities by currency

	2020	2019
EUR	92,538	104,340
USD	7,670	4,657
BRL	85	166
<b>Total</b>	<b>100,293</b>	<b>109,163</b>

## 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
Debentures	82,862	82,862	87,661	85,000
Lease liabilities	17,431	17,431	17,431	17,431
Interest accruals	522	522	522	522
Other current liabilities	552	552	552	552
Derivative liabilities	1	1	1	1
Trade payables	42,024	42,024	42,024	42,024
<b>Total December 31, 2020</b>	<b>143,393</b>	<b>143,393</b>	<b>148,191</b>	<b>145,531</b>

	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
<b>Total December 31, 2019</b>	<b>154,650</b>	<b>154,650</b>	<b>158,999</b>	<b>157,936</b>

### 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

	2020	2019
Receivables		
Derivatives, hedge accounting not applied	61	–
Liabilities		
Derivatives, hedge accounting not applied	1	–

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 60 thousand.

### Nominal and fair values of derivative contracts

	2020				2019			
	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	2,991	60	61	-1	–	–	–	–

### Derivative instruments in profit or loss

	2020	2019
<b>Cost of goods sold</b>		
Currency derivatives, hedge accounting not applied	-257	16
<b>Other operating expenses</b>		
Currency derivatives, hedge accounting not applied	159	-31
<b>Net financial expenses</b>		
Interest rate differences of currency derivatives	-30	-24

## Accounting principles

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured 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.

	2020	2019
<b>Defined benefit liabilities in the statement of financial position</b>		
Present value of unfunded obligations	774	788
Deficit	774	788

### Change in defined benefit obligation

<b>Present value of defined benefit obligation January 1</b>	<b>788</b>	<b>847</b>
Charged to profit or loss:		
Interest expenses	5	13
<b>Total recognized in profit or loss (gain - / loss +)</b>	<b>5</b>	<b>13</b>
Remeasurements:		
Actuarial gain (-) / loss (+) from change in demographic assumptions	-	1
Actuarial gain (-) / loss (+) from change in financial assumptions	10	85
Demographic experience adjustments	-	-80
<b>Total remeasurements</b>	<b>10</b>	<b>6</b>
Benefits paid	-28	-78
<b>Present value of defined benefit obligation December 31</b>	<b>774</b>	<b>788</b>

### Changes in plan assets

<b>Plan assets January 1</b>	-	-
Employer contributions	28	78
Benefits paid	-28	-78
<b>Plan assets December 31</b>	-	-

	2020	2019
<b>Significant actuarial assumptions</b>		
Discount rate (%)	0.50	0.60
Rate of future price inflation (%)	1.75	1.75
<b>Sensitivity analysis of actuarial assumptions</b>		
Decrease in discount rate by 0.25 percentage points		
Effect on defined benefit obligation	24	23
Increase in discount rate by 0.25 percentage points		
Effect on defined benefit obligation	-23	-24
<b>Expected payments to plan participants in the future years from the defined benefit obligation</b>		
Within 1 year	15	14
Between 1–2 years	49	35
Between 3–4 years	36	47
Between 5–10 years	266	266
<b>Total</b>	<b>366</b>	<b>362</b>

## 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

### Non-current provisions

	Restoration provisions	Income tax provisions	Other provisions	Total
<b>January 1, 2019</b>	<b>1,511</b>	–	–	<b>1,511</b>
Exchange difference	6	–	–	6
Effect of discounting	91	–	–	91
<b>December 31, 2019</b>	<b>1,608</b>	–	–	<b>1,608</b>
Exchange difference	-30	–	–	-30
Additions	–	26	164	190
Effect of lease modifications	-66	–	–	-66
Effect of discounting	96	–	–	96
<b>December 31, 2020</b>	<b>1,607</b>	<b>26</b>	<b>164</b>	<b>1,797</b>

### Current provisions

	Other provisions
<b>January 1, 2020</b>	-
Additions	250
<b>December 31, 2020</b>	<b>250</b>

The provisions of Suominen consist of the obligations to restore the leased premises at the end of the lease contracts (Note 26), income tax provisions made as a result of tax audits, provisions related energy taxes to be paid in the future and litigation provisions.

### 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.

## NOTE 22 Trade payables and other liabilities

EUR thousand

	2020	2019
<b>Other non-current liabilities</b>		
Accrued expenses and deferred income	17	17
<b>Total other non-current liabilities</b>	<b>17</b>	<b>17</b>
<b>Current liabilities</b>		
Trade payables	42,024	44,495
Advances received	23	58
Other liabilities	1,519	1,198
Accrued expenses and deferred income	11,067	7,531
<b>Total trade payables and other current liabilities</b>	<b>54,634</b>	<b>53,282</b>

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	19,051	16,894
USD	22,504	27,284
BRL	454	314
Other currencies	15	3
<b>Total</b>	<b>42,024</b>	<b>44,495</b>

## NOTE 23 Revenue from contracts with customers

EUR thousand

The net sales of Suominen Group consist entirely of sales of nonwovens. In 2020, sales to two (three) customers exceeded each 10% of total net sales. Net sales to these two customers amounted to EUR 84.9 million (68.2) and EUR 74.4 million (66.7).

Other operating income is presented in Note 25.

	2020	2019
<b>Net sales by geographical destination</b>		
Finland	3,180	2,527
Rest of Europe	156,060	145,055
USA	265,673	225,764
Rest of North and South America	30,302	33,796
Rest of the world	3,678	4,270
<b>Total</b>	<b>458,893</b>	<b>411,412</b>

### Net sales by business area

Europe	169,917	149,790
Americas	289,107	261,678
Unallocated exchange differences of sales and internal sales	-131	-56
<b>Total</b>	<b>458,893</b>	<b>411,412</b>

## 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, i.e. 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

	2020	2019
Finland	19,966	22,899
Rest of Europe	33,266	27,986
USA	97,402	114,386
Brazil	4,060	6,147
<b>Total</b>	<b>154,694</b>	<b>171,419</b>

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	2020	2019
Gains from disposal of intangible assets and property, plant and equipment	12	73
Gains from changes in leases	5	-
Indemnities	53	204
Rental income	280	279
Sales of recycled products	1,648	1,672
Other operating income	586	674
<b>Total</b>	<b>2,584</b>	<b>2,903</b>

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	-464	-942
Currency derivatives, hedge accounting not applied, net	159	-31
Indemnities	-1,184	-
Other operating expenses	-661	-68
<b>Total</b>	<b>-2,150</b>	<b>-1,041</b>

## 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 changes in leases 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 changes in leases 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).

Suominen has not received COVID-19 related rent concessions.

### Income and expenses in the statement of profit or loss arising from leases

	2020	2019
Depreciation expense of right-of-use assets (Note 8)	-3,530	-3,483
Rental expenses relating to short-term leases*	-134	-638
Rental expenses relating to leases of low value assets	-78	-95
Expenses arising from non-lease components of the leasing contracts and non-deductible indirect taxes	-32	-30
Gains and losses arising from lease modifications, net	0	0
Rental income	280	279
<b>Total in operating profit</b>	<b>-3,494</b>	<b>-3,966</b>
Interest expenses on lease liabilities (Note 30)	-815	-908
Interest expenses on provisions related to leasing contracts (Note 30)	-96	-91
<b>Total income and expenses</b>	<b>-4,405</b>	<b>-4,966</b>

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

<b>Cash outflow for leases</b>	2020	2019
Paid interest expenses on lease liabilities	-848	-873
Repayment of finance lease liabilities	-2,968	-2,842
Rental expenses	-244	-762
<b>Total cash outflow for leases</b>	<b>-4,060</b>	<b>-4,478</b>

#### **Minimum lease payments under non-cancellable operating leases in future periods**

Within one year	38	90
Between 1–5 years	66	89
After 5 years	–	–
<b>Total</b>	<b>104</b>	<b>179</b>

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

#### **Minimum non-cancellable lease payments (rental income) in future periods**

Within one year	258	294
Between 1–2 years	105	115
Between 2–3 years	–	–
Between 3–4 years	–	–
Between 4–5 years	–	–
After 5 years	–	–
<b>Total</b>	<b>363</b>	<b>408</b>

## 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).

## 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.

<b>Fees paid to auditors</b>	2020	2019
Fees for statutory audit	-519	-488
Other services	-5	-46
<b>Total</b>	<b>-524</b>	<b>-534</b>

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

<b>Fees paid to auditors, Suominen Corporation</b>		
Fees for statutory audit	-154	-123
Other services	-4	-46
<b>Total</b>	<b>-158</b>	<b>-169</b>

## NOTE 28 Employee benefits

EUR thousand

	2020	2019
Wages and salaries	-40,235	-37,422
Share-based payments	-1,068	-198
Pensions, defined contribution plans	-2,950	-2,952
Other personnel expenses	-18,633	-17,783
<b>Total</b>	<b>-62,886</b>	<b>-58,355</b>
Average number of personnel	689	685
Number of personnel, end of reporting period	691	669
in Finland	126	122

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

	2020	2019
<b>Depreciation and amortization by function</b>		
Cost of goods sold	-17,945	-21,993
Sales, marketing and administration expenses	-3,217	-3,341
Research and development	-271	-205
<b>Total</b>	<b>-21,432</b>	<b>-25,539</b>
<b>Depreciation and amortization by asset category</b>		
Intangible rights	-2,985	-2,856
Other intangible assets	-564	-592
Buildings and constructions	-2,203	-2,413
Machinery and equipment	-12,077	-16,135
Other tangible assets	-75	-60
Right-of-use assets	-3,530	-3,483
<b>Total</b>	<b>-21,432</b>	<b>-25,539</b>

### 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 occurred. 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

	2020	2019
<b>Financial income</b>		
Interest income from receivables at amortized cost	438	616
Interest income from receivables at fair value through profit or loss*	372	345
Other interest income	96	0
Currency derivatives, interest rate difference	19	19
Fair value change	327	-
<b>Total</b>	<b>1,252</b>	<b>981</b>
<b>Financial expenses</b>		
Interest expenses on liabilities at amortized cost	-3,284	-3,731
Interest expenses on lease liabilities	-815	-908
Interest expenses on defined benefit plans	-5	-13
Interest expenses on discounted provisions	-96	-91
Other interest expenses	-5	-1
Currency derivatives, interest rate difference	-49	-43
Financial expenses on sale of trade receivables	-313	-651
Other financial expenses	-1,083	-1,247
<b>Total</b>	<b>-5,648</b>	<b>-6,686</b>
<b>Losses from receivables at fair value through profit or loss</b>		
Impairment loss*	-742	-517
<b>Total</b>	<b>-742</b>	<b>-517</b>
<b>Net exchange rate differences</b>	<b>-443</b>	<b>224</b>
<b>Total financial income and expenses</b>	<b>-5,582</b>	<b>-5,998</b>

\* 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	-188	-22
Cost of goods sold	76	-316
Other operating expenses	228	-21

### 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 91 thousand (EUR 188 thousand). The average capitalization rate used was 3.91%.

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

	2020	2019
<b>Income tax charge in statement of profit or loss</b>		
Current income tax charge	-4,478	-1,392
Adjustments in respect of current income tax of previous years	1,848	-28
Change in deferred tax assets	-438	-867
Change in deferred tax liabilities	-61	451
Other income taxes	-664	-71
<b>Total income tax charge</b>	<b>-3,794</b>	<b>-1,907</b>
<b>Income taxes recognized in other comprehensive income</b>		
Exchange differences	864	-193
Reclassified to profit or loss	65	-
Defined benefit plans, remeasurements	3	-21
<b>Total taxes recognized in other comprehensive income</b>	<b>932</b>	<b>-214</b>

Corporate income taxes were positively impacted by the US tax reliefs as a result of the COVID-19 pandemic.

The Group companies have tax losses, totaling EUR 11.1 million (EUR 29.4 million), which can be applied against future taxable income. A deferred tax asset has been recognized for all tax losses as the management has estimated in preparing the 2020 financial statements that Suominen is able to utilize the unused tax losses. 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 2020 or 2019 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**

	2020	2019
<b>Profit before income taxes</b>	<b>33,910</b>	<b>2,132</b>
Income taxes at the tax rate applicable to the parent	-6,782	-426
Difference due to different tax rates of foreign subsidiaries	-1,061	-651
Tax exempt income and non-deductible expenses	751	-658
Effect of changes in tax rates and tax laws	-	5
Losses, for which no deferred tax asset is recognized	-	-149
Deferred taxes recognized during the reporting period in respect of previous years' temporary differences and confirmed losses	1,169	-9
Deferred taxes reversed during the reporting period	-1,230	-92
Adjustments in respect of current income tax of previous periods and withholding and other income taxes	1,184	-99
Use of losses, for which no deferred tax asset has been recognized	2,176	173
<b>Income taxes in the statement of profit or loss</b>	<b>-3,794</b>	<b>-1,907</b>
Effective tax rate, %	11.2	89.5
<b>Tax assets and liabilities in the statement of financial position</b>		
Deferred tax assets	4,034	2,091
Assets for current tax	247	701
Deferred tax liabilities	13,320	12,786
Liabilities for current tax	415	5

## 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.

Suominen has some uncertain tax positions related to previous years' taxes and interpretations of tax losses related to, among others, the possibility to utilize confirmed tax losses. Should the final outcome differ from the outcome estimated by Suominen, the estimated possible additional costs at the end of the reporting period would total to approximately EUR 0.6 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 clarifies 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 the 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, 2020	Exchange difference	Recognized in profit or loss	Recognized in other comprehensive income or in equity	Offsetting with deferred tax liabilities	December 31, 2020
Employee benefits	132	–	333	3	–	468
Property, plant and equipment and intangible assets	292	-30	-137	–	–	124
Tax losses	3,229	-27	-912	–	–	2,291
Other temporary differences	2,156	-254	278	864	–	3,044
<b>Total</b>	<b>5,809</b>	<b>-311</b>	<b>-438</b>	<b>867</b>	<b>–</b>	<b>5,926</b>
Offsetting with deferred tax liabilities	-3,718	261	–	–	1,565	-1,892
<b>Total</b>	<b>2,091</b>	<b>-51</b>	<b>-438</b>	<b>867</b>	<b>1,565</b>	<b>4,034</b>

	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
<b>Total</b>	<b>6,712</b>	<b>177</b>	<b>-867</b>	<b>-214</b>	<b>–</b>	<b>5,809</b>
Offsetting with deferred tax liabilities	-4,172	-183	–	–	637	-3,718
<b>Total</b>	<b>2,540</b>	<b>-6</b>	<b>-867</b>	<b>-214</b>	<b>637</b>	<b>2,091</b>

**Reconciliation of deferred tax liabilities**

	January 1, 2020	Exchange difference	Recognized in profit or loss	Recognized in other comprehensive income or in equity	Offsetting with deferred tax assets	December 31, 2020
Property, plant and equipment and intangible assets	14,410	-1,124	247	–	–	13,039
Other temporary differences	2,028	-164	-308	–	–	2,172
Equity instruments	65	–	–	-65	–	–
<b>Total</b>	<b>16,504</b>	<b>-1,288</b>	<b>-61</b>	<b>-65</b>	<b>–</b>	<b>15,212</b>
Offsetting with deferred tax assets	-3,718	261	–	–	1,565	-1,892
<b>Total</b>	<b>12,786</b>	<b>-1,027</b>	<b>-61</b>	<b>-65</b>	<b>1,565</b>	<b>13,320</b>

	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
<b>Total</b>	<b>16,545</b>	<b>409</b>	<b>451</b>	<b>–</b>	<b>–</b>	<b>16,504</b>
Offsetting with deferred tax assets	-4,172	-183	–	–	637	-3,718
<b>Total</b>	<b>12,373</b>	<b>226</b>	<b>451</b>	<b>–</b>	<b>637</b>	<b>12,786</b>

## 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 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 on June 4, 2019 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 2020–2021 will amount to a maximum total of 200,000 Suominen Corporation shares (including also the portion to be settled in cash).

In accordance with the matching share-based payment program, 9,352 shares were transferred to the participants of the program in September 2020.

### Share-based incentive plan 2020–2022

The Board of Directors of Suominen Corporation resolved on January 29, 2020 on a new vesting period of the share-based incentive plan for the Group management and Group key employees. The vesting period of the plan includes calendar years 2019–2021. The plan is directed to approximately 20 people.

The potential reward of the plan from the vesting period 2020–2022 will be based on the Relative Total Shareholder Return (TSR). The rewards to be paid on the basis of the vesting 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 plan if the limits set by the Board of Directors for the share price are reached.

The potential rewards from the vesting periods 2020–2022 will be settled partly in shares and partly in cash in 2023.

### Measurement of instruments granted during the reporting period

Share price at grant date, EUR	3.87
Volatility assumption, %	43%
Expected dividends, EUR	0.27
Effect of market condition in fair value, %	11%
Valuation model	Monte Carlo
Fair value per share, EUR	3.1979

### Effect on the profit for the period and on financial position in 2020

EUR thousand	
Expense (-) for the reporting period	-1,285
Recognized in equity during 2020	1,068
Liability December 31, 2020	223
Estimate of the amount for settling the employees' tax obligation December 31, 2020	3,563

### 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 2018–2020	Share-based incentive plan 2019–2021	Matching share plan 2019–2021	Share-based incentive plan 2020–2022	<b>Total / weighted average</b>
Maximum number of shares, including the portion to be settled in cash	502,000	729,000	200,000	893,000	2,324,000
Initial grant date	December 11, 2017	January 30, 2019	June 4, 2019	January 29, 2020	
Vesting date	March 21, 2021	March 21, 2022	September 13, 2021	March 21, 2023	
Vesting conditions	EBIT %, total shareholder return (TSR)	Total shareholder return (TSR)	Share ownership	Total shareholder return (TSR)	
	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	3.1	2.3	3.1	
Remaining contractual life, years	0.2	1.2	0.7	2.2	1.3
Number or persons at the end of reporting period	13	16	2	18	
Payment method	Shares and cash	Shares and cash	Shares and cash	Shares and cash	

<b>Changes in 2020</b>	Share-based incentive plan 2018–2020	Share-based incentive plan 2019–2021	Matching share plan 2019–2021	Share-based incentive plan 2020–2022	<b>Total</b>
Outstanding at the beginning of the period	390,000	650,000	40,000	–	1,080,000
Granted	–	–	–	774,000	774,000
Forfeited	-71,000	-104,000	–	-17,500	-192,500
Exercised	–	–	-20,000	–	-20,000
<b>Outstanding at the end of the period</b>	<b>319,000</b>	<b>546,000</b>	<b>20,000</b>	<b>756,500</b>	<b>1,641,500</b>

## NOTE 33 Earnings per share

### Profit for the period

EUR thousand	2020	2019
<b>Profit for the period</b>	<b>30,116</b>	<b>225</b>

### Number of shares

Average share-issue adjusted number of shares	57,549,842	57,515,960
Average diluted share-issue adjusted number of shares excluding treasury shares	57,796,591	57,601,340

### Earnings per share

EUR		
Basic	0.52	0.00
Diluted	0.52	0.00

### 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

	2020	2019
Adjustments to profit for the period		
Income taxes	3,794	1,907
Financial income and expenses	5,582	5,998
Depreciation, amortization and impairment losses	21,432	25,539
Gains and losses from disposal of property, plant and equipment and intangible assets	-12	-74
Other non-cash flow items in profit for the period	3,830	1,215
<b>Total</b>	<b>34,626</b>	<b>34,585</b>

## NOTE 35 Related parties

### Management remuneration

#### Remuneration of Board of Directors

as paid EUR	2020		2019	
	annual fee	meeting fee	annual fee	meeting fee
Jan Johansson, Chair of the Board of Directors	66,000	10,250	60,000	10,000
Andreas Ahlström, Deputy Chair of the Board from March 19, 2020	31,000	7,000	28,000	5,000
Laura Raitio	31,000	7,000	28,000	5,000
Sari Pajari-Sederholm, from March 19, 2019	31,000	6,250	28,000	–
Björn Borgman, from March 19, 2020	31,000	2,250	–	–
Nina Linander, from March 19, 2020	41,000	2,500	–	–
Risto Anttonen, Deputy Chair of the Board, until March 19, 2020	–	4,500	37,500	5,500
Hannu Kasurinen, until March 19, 2020	–	4,500	28,000	5,500
Jaana Tuominen, until March 19, 2019	–	–	–	4,000
<b>Total</b>	<b>231,000</b>	<b>44,250</b>	<b>209,500</b>	<b>35,000</b>

The Annual General Meeting held on March 19, 2020 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 2020 was 29,121 shares. The shares were transferred on May 28, 2020 and the value of the transferred shares totaled EUR 92,400, or approximately EUR 3.17 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	2020	2019
Salaries	424,862	407,444
Paid bonuses	181,712	–
Share-based payments	49,921	–
<b>Total salaries</b>	<b>656,495</b>	<b>407,444</b>
Fringe benefits	17,588	16,228
<b>Total</b>	<b>674,083</b>	<b>423,672</b>
Statutory pensions	94,992	70,986
Supplementary pensions	71,315	50,903

A written contract has been made with the President & CEO, Petri Helsky. 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.

### Remuneration of other members of the Executive Team

as paid		
EUR	2020	2019
Salaries	946,839	1,240,166
Paid bonuses	237,063	67,522
Severance payment, including salary during the period of notice	–	241,211
Share-based payments	49,921	–
<b>Total salaries</b>	<b>1,233,823</b>	<b>1,548,899</b>
Fringe benefits	62,101	88,327
<b>Total</b>	<b>1,295,924</b>	<b>1,637,226</b>
Statutory pensions	139,728	171,017
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.

In accordance with the terms and conditions of the matching restricted share plan 2019, Suominen Corporation transferred a total of 9,352 shares without consideration to the participants of the plan's vesting period 2019–2020. Of the total number of transferred shares, 4,676 shares were transferred to President & CEO Petri Helsky and 4,676 shares to another member of the Executive Team.

### Managements' share ownership

number of shares	December 31, 2020	December 31, 2019
<b>Board of Directors</b>		
Jan Johansson, Chair of the Board of Directors	29,563	21,243
Andreas Ahlström, Deputy Chair of the Board from March 19, 2020	19,180	15,272
Laura Raitio	19,180	15,272
Sari Pajari-Sederholm	8,401	4,493
Björn Borgman, from March 19, 2020	8,890	–
Nina Linander, from March 19, 2020	17,669	–
Risto Anttonen, Deputy Chair of the Board, until March 19, 2020	–	42,107
Hannu Kasurinen, until March 19, 2020	–	29,122
<b>Total</b>	<b>102,883</b>	<b>127,509</b>
Total % of shares and votes	0.18%	0.22%

	December 31, 2020	December 31, 2019
<b>Executive Team</b>		
Petri Helsky	22,676	10,000
Toni Tamminen	2,700	–
Klaus Korhonen	14,676	10,000
Lynda Kelly	18,759	18,759
Mimoun Saim	29,060	29,060
Markku Koivisto	14,822	14,822
Ernesto Levy	–	27,834
<b>Total</b>	<b>102,693</b>	<b>110,475</b>
Total % of shares and votes	0.18%	0.19%

Share-based incentives plans are disclosed in Note 32 of the consolidated financial statements. The accrual based on the non-vested share-based incentive plans in accordance with IFRS standards was EUR 1,068 thousand for the related parties at the end of the reporting period.

### 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

	2020	2019
<b>Guarantees and other commitments</b>		
Guarantees on own commitments	4,317	9,906
Other own commitments	33,452	2,203
<b>Total</b>	<b>37,769</b>	<b>12,108</b>
<b>Other contingencies</b>		
Contractual commitments to acquire property, plant and equipment	6,586	–
Commitments to leases not yet commenced	34	33
<b>Total</b>	<b>6,620</b>	<b>33</b>

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 Restatement of previously published figures

EUR thousand

	Published January 1– December 31, 2019	Restatement	Restated January 1– December 31, 2019
<b>Net sales</b>	<b>411,412</b>	–	<b>411,412</b>
Cost of goods sold	-377,255	2,754	-374,501
<b>Gross profit</b>	<b>34,157</b>	<b>2,754</b>	<b>36,911</b>
Other operating income	2,903	–	2,903
Sales, marketing and administration expenses	-24,513	-2,754	-27,267
Research and development expenses	-3,376	–	-3,376
Other operating expenses	-1,041	–	-1,041
<b>Operating profit</b>	<b>8,129</b>	–	<b>8,129</b>
Net financial expenses	-5,998	–	-5,998
<b>Profit before income taxes</b>	<b>2,132</b>	–	<b>2,132</b>
Income taxes	-1,907	–	-1,907
<b>Profit for the period</b>	<b>225</b>	–	<b>225</b>

Suominen has reclassified some overhead expenses from cost of goods sold to sales, marketing and administration expenses.

## NOTE 38 Events after the reporting period

Suominen Corporation received a notification on January 15, 2021 referred to Chapter 9, Section 5 and 6 of the Securities Market Act. According to the notification, the shareholding of companies controlled by Mr. Erkki Etola in Suominen Corporation had crossed the 15% flagging threshold and was 15.34%. The share of Oy Etra Invest Ab was 13.34% and of Tiiviste-Group Oy was 2.0%.

Tiiviste-Group Oy is a company controlled by Mr. Erkki Etola through direct ownership and Oy Etra Invest is a company controlled by Mr. Erkki Etola through direct and indirect ownership.

Suominen Corporation received a notification on January 18, 2021 referred to Chapter 9, Section 5 and 6 of the Securities Market Act. According to the notification, the shareholding of Elo Mutual Pension Insurance Company in Suominen Corporation has fallen under the 5% flagging threshold.

### Shareholders' Nomination Board proposal regarding Board composition and remuneration ahead of the 2021 Annual General Meeting

On January 29, 2021 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 proposes to the Annual General Meeting that the number of Board members remains unchanged and would be six.

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

Out of the current Board members, the Chair of the Board Jan Johansson has informed that he is not available as a candidate for the Board of Directors.

In addition, the Nomination Board proposes that Jaakko Eskola would be elected as a new member of the Board of Directors. The Nomination Board also proposes to the

Annual General Meeting that Jaakko Eskola would be elected as the Chair of the Board of Directors.

The Nomination Board of the shareholders of Suominen Corporation proposes to the Annual General Meeting that the remuneration of the Board of Directors remains unchanged and would be as follows: the Chair would be paid an annual fee of EUR 66,000 and the Deputy Chair and other Board members an annual fee of EUR 31,000. 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 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 500 for each meeting attended by telephone or other electronic means. No fee is paid for decisions made without convening a meeting. In 2020 the fee for meetings held as a telephone conference was EUR 250. 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 2021 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, 2021 at the latest.

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

### Performance share plan 2021–2023

The Board of Directors of Suominen Corporation resolved on February 3, 2021 on a new share-based long-term incentive plan for the management and 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.

The new long-term performance share plan has one three-year vesting period, which includes calendar years 2021–2023. The performance share plan is directed to approximately 20 people including the President & CEO of Suominen.

The Board of Directors resolved that the potential reward for the vesting period 2021–2023 will be based on the Relative Total Shareholder Return (TSR). The maximum total amount of potential share rewards to be paid on the basis of the vesting period 2021–2023 is approximately 470,000 shares of Suominen Corporation, representing the gross reward including taxes and tax-related costs arising from the reward.

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.

If the targets of the plan are reached, rewards will be paid to participants in spring 2024 after the end of the vesting period. The potential rewards from the vesting period 2021–2023 will be paid partly in the company's shares and partly in cash. The cash portion is intended to cover taxes and tax-related costs arising from the reward to the participant. The company also has the right to pay the reward fully in cash under certain circumstances. 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 Suominen Corporation 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.

	2020	2019	2018
Earnings per share, EUR	0.52	0.00	-0.03
Earnings per share, EUR, diluted	0.52	0.00	-0.03
Cash flow from operations per share, EUR	0.99	0.52	0.56
Equity per share, EUR	2.53	2.30	2.27
Price per earnings per share (P/E) ratio	9.71	590.63	-68.49
Dividend and return of capital per share, total, EUR*	0.20	0.05	–
Dividend payout ratio, %	38.2	1,278.4	N/A
Dividend yield, %	3.94	2.16	N/A
Number of shares, end of period, excluding treasury shares	57,568,341	57,529,868	57,496,249
Average number of shares excluding treasury shares	57,549,842	57,515,960	57,468,939
Average share-issue adjusted number of shares excluding treasury shares	57,549,842	57,515,960	57,468,939
Share price, end of period, EUR	5.08	2.31	2.05
Share price, period low, EUR	2.00	2.04	1.80
Share price, period high, EUR	5.36	2.70	4.60
Volume-weighted average price during the period, EUR	4.29	2.38	3.10
Market capitalization, EUR million	292.4	132.9	117.9
Number of traded shares during the period	12,937,753	4,655,863	3,643,880
Number of traded shares during the period, % of average number of shares (share turnover)	22.5	8.1	6.3

\*2020 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

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

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

Calculation of earnings per share is disclosed in Note 33.

## Cash flow from operations per share

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

Reference		2020	2019
Consolidated statement of cash flows	Cash flow from operations, EUR thousand	56,991	29,894
Note 16	Share-issue adjusted number of shares excluding treasury shares, end of the reporting period	57,568,341	57,529,868
	Cash flow from operations per share, EUR	0.99	0.52

## Equity per share

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

Reference		2020	2019
Consolidated statement of financial position	Total equity attributable to owners of the parent, EUR thousand	145,882	132,452
Note 16	Share-issue adjusted number of shares excluding treasury shares, end of the reporting period	57,568,341	57,529,868
	Equity per share, EUR	2.53	2.30

### Dividend and return of capital per share

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

Reference		2020	2019
The proposal by the Board	Dividend and return of capital for the reporting period, EUR thousand	11,514	2,876
Note 16	Number of issued shares at end of the reporting period, excluding treasury shares	57,568,341	57,529,868
	Dividend and return of capital per share, EUR	0.20	0.05

### Dividend payout ratio, %

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

Reference		2020	2019
	Dividend and return of capital per share x 100	20.00	5.00
Note 33	Basic earnings per share, EUR	0.52	0.00
	Dividend payout ratio, %	38.2	1,278.4

### Dividend yield, %

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

Reference		2020	2019
	Dividend and return of capital per share x 100	20.00	5.00
Note 16	Share price at end of the period, EUR	5.08	2.31
	Dividend yield, %	3.94	2.16

### 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		2020	2019
Note 16	Share price at end of the period, EUR	5.08	2.31
Note 33	Basic earnings per share, EUR	0.52	0.00
	Price per earnings per share (P/E)	9.71	590.63

### Market capitalization

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

<b>Reference</b>	2020	2019
Note 16	57,568,341	57,529,868
Note 16	5.08	2.31
	292.4	132.9

### Share turnover

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

<b>Reference</b>	2020	2019
Note 16	12,937,753	4,655,863
Note 16	57,549,842	57,515,960
	22.5	8.1

# PARENT COMPANY FINANCIAL STATEMENTS (FAS)

## Income statement

EUR

	Note	January 1– December 31, 2020	January 1– December 31, 2019
<b>Net sales</b>		<b>27,936,379.76</b>	<b>22,065,941.00</b>
Cost of goods sold		-3,235,855.29	-3,354,479.11
<b>Gross profit</b>		<b>24,700,524.47</b>	<b>18,711,461.89</b>
Other operating income	2	177,925.80	897.95
Sales and marketing expenses		-1,712,918.96	-1,796,044.82
Research and development		-1,268,116.47	-1,466,557.10
Administration expenses		-9,444,746.52	-7,542,612.74
Other operating expenses	2	-7,051,362.01	-9,274,262.83
<b>Operating profit / loss</b>		<b>5,401,306.31</b>	<b>-1,367,117.65</b>
Financial income	6	14,445,730.28	13,318,662.12
Financial expenses	6	-9,734,001.49	-12,074,175.59
<b>Total financial income and expenses</b>		<b>4,711,728.79</b>	<b>1,244,486.53</b>
<b>Profit / loss before appropriations and income taxes</b>		<b>10,113,035.10</b>	<b>-122,631.12</b>
Change in depreciation difference	7	73,985.78	-402,717.08
Group contributions	7	-3,158,162.00	-575,516.34
Income taxes	8	-443,921.54	-167,730.86
<b>Profit / loss for the period</b>		<b>6,584,937.34</b>	<b>-1,268,595.40</b>



## Balance sheet

EUR

	Note	December 31, 2020	December 31, 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	5, 9	12,823,106.30	15,703,546.33
Tangible assets	5, 10	112,539.62	155,054.92
Investments			
Shares in subsidiaries	11	113,363,783.56	106,363,783.56
Other investments	11	20,092.06	28,500.46
Loan receivables			
Loan receivables from group companies		64,453,323.43	51,118,451.13
Loan receivables from others		3,978,147.65	3,649,676.74
Other non-current receivables	12	45,043.90	5,800.00
<b>Total non-current assets</b>		<b>194,796,036.52</b>	<b>177,024,813.14</b>
<b>Current assets</b>			
Loan receivables			
Loan receivables from group companies		–	39,360,006.22
Loan receivables from others		3,475,909.14	3,845,427.38
Trade receivables		63,016.55	20,501.20
Other current receivables	12	2,921,347.32	4,207,364.71
Cash and cash equivalents		52,642,188.93	29,895,561.75
<b>Total current assets</b>		<b>59,102,461.94</b>	<b>77,328,861.26</b>
<b>TOTAL ASSETS</b>		<b>253,898,498.46</b>	<b>254,353,674.40</b>

EUR	Note	December 31, 2020	December 31, 2019
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
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		81,361,362.01	81,268,962.08
Other equity		5,510,559.11	9,655,242.55
Profit / loss for the period		6,584,937.34	-1,268,595.40
<b>Total equity</b>	<b>13</b>	<b>129,997,502.29</b>	<b>126,196,253.06</b>
<b>Untaxed reserves</b>			
Depreciation difference		1,088,980.03	1,162,965.81
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Interest-bearing liabilities			
Debentures	15	85,000,000.00	85,000,000.00
<b>Total non-current liabilities</b>		<b>85,000,000.00</b>	<b>85,000,000.00</b>
<b>Current liabilities</b>			
Interest-bearing liabilities			
Loans from financial institutions	15	–	14,000,000.00
Current loans from group companies	15	31,482,170.59	24,999,201.96
Trade payables and other current liabilities	16	6,329,845.55	2,995,253.57
<b>Total current liabilities</b>		<b>37,812,016.14</b>	<b>41,994,455.53</b>
<b>Total liabilities</b>		<b>122,812,016.14</b>	<b>126,994,455.53</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>253,898,498.46</b>	<b>254,353,674.40</b>

## Cash flow statement

EUR thousand

	Note	January 1– December 31, 2020	January 1– December 31, 2019
<b>Cash flow from operations</b>			
<b>Profit / loss for the period</b>		<b>6,585</b>	<b>-1,269</b>
Adjustments to profit / loss for the period	19	1,890	2,900
<b>Cash flow from operations before change in net working capital</b>		<b>8,475</b>	<b>1,632</b>
Increase (-) or decrease (+) in trade and other receivables		94	-259
Increase (+) or decrease (-) in interest-free current liabilities		951	-580
<b>Cash flow from operations before payments of financial items and income taxes</b>		<b>9,520</b>	<b>792</b>
Paid and received interests and other financial items		-2,137	2,261
Group contribution paid		-576	-
Paid income taxes		-245	-27
<b>Cash flow from operations</b>		<b>6,563</b>	<b>3,026</b>
<b>Cash flow from investments</b>			
Capital expenditure	9, 10	-319	-2,704
Investments in subsidiaries	11	-	-5,000
Dividend income from subsidiaries	6	8,186	4,239
<b>Cash flow from investments</b>		<b>7,867</b>	<b>-3,465</b>
<b>Cash flow from financing</b>			
Change in current interest-bearing liabilities	15	-5,897	-13,008
Change in non-current loan receivables		8,739	-
Change in current loan receivables		9,804	21,097
Distribution of dividends	13	-2,876	-
<b>Cash flow from financing</b>		<b>9,769</b>	<b>8,089</b>
<b>Change in cash and cash equivalents</b>		<b>24,199</b>	<b>7,650</b>
<b>Cash and cash equivalents January 1</b>		<b>29,896</b>	<b>21,899</b>
Exchange difference on cash and cash equivalents		-1,452	347
Change in cash and cash equivalents		24,199	7,650
<b>Cash and cash equivalents December 31</b>		<b>52,642</b>	<b>29,896</b>

## 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 in Nasdaq Helsinki Ltd. (Small Cap, from January 1, 2021 in Mid Cap). 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 or are otherwise not considered to be 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, 2020	January 1– December 31, 2019
<b>Other operating income</b>		
Gains from currency derivatives	178	–
Other operating income	–	1
<b>Total</b>	<b>178</b>	<b>1</b>
<b>Other operating expenses</b>		
Services purchased from group companies	-7,049	-9,223
Losses from currency derivatives	–	-31
Other operating expenses	-3	-21
<b>Total</b>	<b>-7,051</b>	<b>-9,274</b>

## NOTE 3 Personnel expenses

EUR thousand

	January 1– December 31, 2020	January 1– December 31, 2019
Salaries	-4,296	-3,036
Pension expenses	-697	-530
Other personnel costs	-172	-116
<b>Total</b>	<b>-5,166</b>	<b>-3,682</b>
Average number of personnel	33	29
Number of personnel, end of period	33	30

### Management remuneration

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

## NOTE 4 Audit fees

EUR thousand

	January 1– December 31, 2020	January 1– December 31, 2019
Statutory audit	-154	-123
Tax consulting	–	-4
Other services	-4	-42
<b>Total</b>	<b>-158</b>	<b>-169</b>

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, 2020	January 1– December 31, 2019
<b>Depreciation, amortization and impairment by function</b>		
Cost of goods sold	-1,061	-1,047
Sales and marketing expenses	-473	-621
Research and development	-184	-179
Administration expenses	-1,327	-1,057
<b>Total</b>	<b>-3,044</b>	<b>-2,903</b>
<b>Depreciation, amortization and impairment by asset category</b>		
Machinery and equipment	-43	-40
Intangible rights	-3,002	-2,863
<b>Total</b>	<b>-3,044</b>	<b>-2,903</b>

## NOTE 6 Financial income and expenses

EUR thousand

	January 1– December 31, 2020	January 1– December 31, 2019
Interest income from group companies	5,453	7,026
Interest income from others	751	809
Dividend income from group companies	8,186	4,239
Other financial income from group companies	56	45
Net currency exchange differences	-4,727	1,200
Interest expenses to group companies	-28	-146
Interest expenses to others	-2,275	-2,818
Impairment losses and fair value change of financial assets	-750	-7,023
Other financial expenses to others	-1,953	-2,087
<b>Total</b>	<b>4,712</b>	<b>1,244</b>

## NOTE 7 Appropriations

EUR thousand

	January 1– December 31, 2020	January 1– December 31, 2019
Increase (-) or decrease (+) in cumulative depreciation difference	74	-403
Given group contributions	-3,158	-576
<b>Total</b>	<b>-3,084</b>	<b>-978</b>

## NOTE 8 Income taxes

EUR thousand

	January 1– December 31, 2020	January 1– December 31, 2019
Income taxes from financial year	-92	-118
Withholding taxes and other direct taxes	-234	-50
Income taxes from previous years	-118	0
<b>Total</b>	<b>-444</b>	<b>-168</b>

## NOTE 9 Intangible assets

EUR thousand

	Intangible rights	Advance payments and construction in progress	Total 2020	Total 2019
<b>Acquisition cost January 1</b>	<b>30,189</b>	<b>320</b>	<b>30,509</b>	30,016
Additions	43	78	121	2,197
Decreases and disposals	–	–	–	-1,704
Reclassifications	398	-398	–	–
<b>Acquisition cost December 31</b>	<b>30,630</b>	<b>–</b>	<b>30,630</b>	30,509
<b>Accumulated amortization January 1</b>	<b>-14,806</b>	<b>–</b>	<b>-14,806</b>	-13,647
Amortization for the period	-3,002	–	-3,002	-2,863
Decreases and disposals	–	–	–	1,704
<b>Accumulated amortization December 31</b>	<b>-17,807</b>	<b>–</b>	<b>-17,807</b>	-14,806
<b>Carrying amount December 31</b>	<b>12,823</b>	<b>–</b>	<b>12,823</b>	15,704

## NOTE 10 Tangible assets

EUR thousand

	Land and water areas	Machinery and equipment	Other tangible assets	Total 2020	Total 2019
<b>Acquisition cost January 1</b>	<b>–</b>	<b>434</b>	<b>31</b>	<b>465</b>	468
Additions	0	–	–	–	110
Decreases and disposals	–	–	–	–	-113
<b>Acquisition cost December 31</b>	<b>0</b>	<b>434</b>	<b>31</b>	<b>465</b>	465
<b>Accumulated depreciation January 1</b>	<b>–</b>	<b>-309</b>	<b>-1</b>	<b>-309</b>	-382
Depreciation for the period	–	-39	-3	-43	-40
Decreases and disposals	–	–	–	–	113
<b>Accumulated depreciation December 31</b>	<b>–</b>	<b>-348</b>	<b>-4</b>	<b>-352</b>	-309
<b>Carrying amount December 31</b>	<b>0</b>	<b>86</b>	<b>27</b>	<b>113</b>	155

## NOTE 11 Investments

EUR thousand

	Shares in group companies	Other investments	Total 2020	Total 2019
<b>Carrying amount January 1</b>	<b>106,364</b>	<b>29</b>	<b>106,392</b>	107,898
Investments	7,000	–	<b>7,000</b>	5,000
Impairment losses	–	-8	<b>-8</b>	-6,506
<b>Carrying amount December 31</b>	<b>113,364</b>	<b>20</b>	<b>113,384</b>	106,392

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	0	8	0
Bright Maze Oy, Helsinki, Finland	19.9	19,900	20	20	-7,598	-2,439



## NOTE 12 Receivables

EUR thousand

	December 31, 2020	December 31, 2019
<b>Non-current receivables</b>		
Rental deposits	45	6
<b>Total non-current receivables</b>	<b>45</b>	<b>6</b>
<b>Current receivables</b>		
<b>Other receivables</b>	<b>52</b>	<b>91</b>
<b>Prepaid expenses and accrued income</b>		
Income taxes	61	259
Transaction costs of loans	2,194	3,167
Prepaid expenses	553	690
Unrealized gain from currency derivatives	61	–
<b>Total prepaid expenses and accrued income</b>	<b>2,869</b>	<b>4,116</b>
<b>Current receivables from group companies</b>		
Trade receivables	63	21
Interest-bearing receivables	–	39,360
<b>Total</b>	<b>63</b>	<b>39,381</b>
<b>Total other current receivables</b>	<b>2,984</b>	<b>43,588</b>

## NOTE 13 Equity

EUR thousand

	December 31, 2020	December 31, 2019
Share capital January 1 and December 31	11,860	11,860
Share premium account January 1 and December 31	24,681	24,681
<b>Reserve for invested unrestricted equity January 1</b>	<b>81,269</b>	<b>81,185</b>
Conveyance of treasury shares	92	84
<b>Reserve for invested unrestricted equity December 31</b>	<b>81,361</b>	<b>81,269</b>
<b>Retained earnings January 1</b>	<b>8,387</b>	<b>9,699</b>
Dividend distribution	-2,876	-
Unpaid dividends	0	-
<b>Retained earnings December 31</b>	<b>5,511</b>	<b>9,699</b>
Profit / loss for the period	6,585	-1,269
<b>Equity December 31</b>	<b>129,998</b>	<b>126,196</b>

Distributable funds EUR	December 31, 2020
Retained earnings December 31	5,510,559
Reserve for invested unrestricted equity December 31	81,361,362
Profit for the period	6,584,937
<b>Distributable funds</b>	<b>93,456,859</b>

Funds available for dividend distribution EUR	
Retained earnings December 31	5,510,559
Profit for the period	6,584,937
<b>Funds available for dividend distribution</b>	<b>12,095,497</b>

## 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, 2020	December 31, 2019
<b>Non-current interest-bearing liabilities</b>		
Debentures	85,000	85,000
<b>Total non-current interest-bearing liabilities</b>	<b>85,000</b>	<b>85,000</b>
<b>Current interest-bearing liabilities</b>		
Loans from financial institutions	–	14,000
Loans from group companies	31,482	24,999
<b>Total current interest-bearing liabilities</b>	<b>31,482</b>	<b>38,999</b>
<b>Total interest-bearing liabilities</b>	<b>116,482</b>	<b>123,999</b>

### Repayments of external non-current interest-bearing liabilities

	2021	2022	2023	2024	2025
Debentures	–	85,000	–	–	–

## NOTE 16 Interest-free liabilities

EUR thousand

	December 31, 2020	December 31, 2019
<b>Current interest-free liabilities</b>		
Trade payables	700	909
Other current liabilities	131	122
<b>Accrued expenses</b>		
Accrued interest expenses	520	523
Accrued personnel expenses	1,723	797
Other accrued expenses	97	69
<b>Total accrued expenses</b>	<b>2,341</b>	<b>1,388</b>
<b>Liabilities to group companies</b>		
Other liabilities to group companies	3,158	576
<b>Total</b>	<b>3,158</b>	<b>576</b>
<b>Total current interest-free liabilities</b>	<b>6,330</b>	<b>2,995</b>

## NOTE 17 Contingent liabilities

EUR thousand

	December 31, 2020	December 31, 2019
<b>Guarantees</b>		
On behalf of group companies	14,963	11,746
On own behalf	28	28
<b>Total</b>	<b>14,991</b>	<b>11,774</b>

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

### Rental and leasing obligations

Falling due within next 12 months	324	279
Falling due later	351	450
<b>Total</b>	<b>675</b>	<b>729</b>

## NOTE 18 Derivative instruments

EUR thousand

	December 31, 2020		December 31, 2019	
	Nominal value	Fair value	Nominal value	Fair value
<b>Nominal and fair values of derivative instruments</b>				
<b>Currency forward contracts</b>				
External	2,991	60	–	–

## NOTE 19 Adjustments to cash flow statement

EUR thousand

	January 1– December 31, 2020	January 1– December 31, 2019
Adjustment to profit / loss for the period		
Change in depreciation difference	-74	403
Group contributions	3,158	576
Financial income and expenses	-4,712	-1,244
Income taxes	444	168
Depreciation and amortization	3,044	2,903
Other non-cash items in profit for the period	29	96
<b>Total adjustments to profit / loss for the period</b>	<b>1,890</b>	<b>2,900</b>

# PROPOSAL BY THE BOARD OF DIRECTORS FOR DISTRIBUTION OF FUNDS

The profit of the financial year 2020 of Suominen Corporation, the parent company of Suominen Group, was EUR 6,584,937.34. The funds distributable as dividends, including the profit for the period, were EUR 12,095,497 and total distributable funds were EUR 93,456,859.

The Board of Directors proposes that a dividend of EUR 0.10 per share shall be distributed for the financial year 2020 and that the profit shall be transferred to retained earnings. In addition, the Board of Directors proposes, that in addition to the dividend, a return of capital of EUR 0.10 per share shall be distributed for the financial year 2020 from the reserve for invested unrestricted equity.

On February 3, 2021 the company had 57,568,341 issued shares, excluding treasury shares. With this number of shares, the total amount of dividends to be distributed would be EUR 5,756,834.10 and the total amount of the return of capital would be EUR 5,756,834.10, in total EUR 11,513,668.20.

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

Helsinki, February 3, 2021

Jan Johansson  
Chairman of the Board

Andreas Ahlström

Björn Borgman

Nina Linander

Sari Pajari-Sederholm

Laura Raitio

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, 2020. The financial statements comprise the consolidated statement of financial positions, 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 income statement, balance sheet, cash flow statement 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

### Revenue Recognition

*We refer to the Group's accounting policies and the Note 23*

Revenues of Suominen Group consist entirely of sales of nonwovens to customers. Revenue from customer contracts is recognized at a point in time, when the control of the underlying products has been transferred to the customer, typically at the time when the products are shipped from Suominen's factory.

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 risk related to incorrect timing (cut-off) of revenue recognition.

## How our audit addressed the Key Audit Matter

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;
- assessing the revenue recognition process and methodologies and testing controls where applicable;
- obtaining confirmations of accounts receivable balances from customers and analyzed credit invoices issued after the balance sheet date;
- testing revenue recognition including cut-off with analytical procedures and by substantive sales transactions testing and
- assessing the Group's disclosures in respect of revenues

## 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 March 19, 2015, and our appointment represents a total period of uninterrupted engagement of 6 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, February 3, 2021

Ernst & Young Oy  
Authorized Public Accountant Firm

**Toni Halonen**  
Authorized Public Accountant

# KEY RATIOS

	2020	2019	2018
Net sales, EUR million	458.9	411.4	431.1
Comparable operating profit, EUR million	39.5	8.1	4.6
% of net sales	8.6	2.0	1.1
Operating profit, EUR million,	39.5	8.1	4.6
% of net sales	8.6	2.0	1.1
EBITDA, EUR million	60.9	33.7	25.6
% of net sales	13.3	8.2	5.9
Profit before income taxes, EUR million	33.9	2.1	-1.0
% of net sales	7.4	0.5	-0.2
Profit for the period, EUR million	30.1	0.2	-1.7
% of net sales	6.6	0.1	-0.4
Cash flow from operations, EUR million	57.0	29.9	32.1
Total assets, EUR million	317.4	310.1	320.7
Return on equity (ROE), %	21.6	0.2	-1.3
Return on invested capital (ROI), %	16.7	3.7	2.3
Equity ratio, %	46.0	42.7	40.7
Interest-bearing net debt, EUR million	37.1	67.2	70.8
Capital employed, EUR million	246.2	241.6	232.0
Gearing, %	25.4	50.7	54.2
Gross capital expenditure, EUR million	10.4	11.2	13.6
% of net sales	2.3	2.7	3.2
Depreciation, amortization, impairment losses and reversals of impairment losses, EUR million	-21.4	-25.5	-21.0
Expenditure on research and development, EUR million	2.8	3.4	3.5
as % of net sales	0.6	0.8	0.8
Average number of personnel	689	685	676

## 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 2020 or 2019.

### 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	2020	2019
Consolidated statement of profit or loss	Operating profit	39,492	8,129
Note 29	+ Depreciation, amortization and impairment losses	21,432	25,539
	EBITDA	60,924	33,668

### 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	2020	2019
Note 6	Increases in intangible assets	306	2,224
Note 7	Increases in property, plant and equipment	10,100	8,974
	Gross capital expenditure	10,406	11,198

### 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	2020	2019
Note 17	Interest-bearing liabilities	100,293	109,163
	Tender and issuance costs of the debentures	2,138	3,286
Note 12	Interest bearing receivables	-7,454	-7,495
Consolidated statement of financial position	Cash and cash equivalents	-57,877	-37,741
	Interest-bearing net debt	37,101	67,213
Note 17	Interest-bearing liabilities	100,293	109,163
	Tender and issuance costs of the debentures	2,138	3,286
Note 17	Nominal value of interest-bearing liabilities	102,431	112,450

### 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.

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

Reference	EUR thousand	2020	2019
Consolidated statement of profit or loss	Profit for the reporting period (rolling 12 months)	30,116	225
Consolidated statement of financial position	Total equity attributable to owners of the parent December 31, 2019 / 2018	132,452	130,513
	Total equity attributable to owners of the parent March 31, 2020 / 2019	135,868	133,776
	Total equity attributable to owners of the parent June 30, 2020 / 2019	138,551	133,178
	Total equity attributable to owners of the parent September 30, 2020 / 2019	144,074	136,871
	Total equity attributable to owners of the parent December 31, 2020 / 2019	145,882	132,452
	Average	139,365	133,358
	Return on equity (ROE), %	21.6	0.2

**Invested capital**

Invested capital = Total equity + interest-bearing liabilities

<b>Reference</b>	EUR thousand	2020	2019
Consolidated statement of financial position	Total equity attributable to owners of the parent	145,882	132,452
Note 17	Interest-bearing liabilities	100,293	109,163
	<b>Invested capital</b>	<b>246,175</b>	<b>241,615</b>

**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.

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

<b>Reference</b>	EUR thousand	2020	2019
Consolidated statement of profit or loss	Operating profit (rolling 12 months)	39,492	8,129
Note 30	Financial income (rolling 12 months)*	925	981
	<b>Total</b>	<b>40,416</b>	<b>9,110</b>
	Invested capital December 31, 2019 / 2018	241,615	231,977
	Invested capital March 31, 2020 / 2019	240,761	250,259
	Invested capital June 30, 2020 / 2019	238,195	249,752
	Invested capital September 30, 2020 / 2019	240,368	246,660
	Invested capital December 31, 2020 / 2019	246,175	241,615
	<b>Average</b>	<b>241,423</b>	<b>244,053</b>
	<b>Return on invested capital (ROI), %</b>	<b>16.7</b>	<b>3.7</b>

\* Excluding fair value change

**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.

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

<b>Reference</b>	EUR thousand	2020	2019
Consolidated statement of financial position	Total equity attributable to owners of the parent	145,882	132,452
Consolidated statement of financial position	Total assets	317,381	310,100
Note 22	Advances received	-23	-58
		317,358	310,042
	Equity ratio, %	46.0	42.7

**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.

$$\text{Gearing, \%} = \frac{\text{Interest-bearing net debt} \times 100}{\text{Total equity}}$$

<b>Reference</b>	EUR thousand	2020	2019
	Interest-bearing net debt	37,101	67,213
Consolidated statement of financial position	Total equity attributable to owners of the parent	145,882	132,452
	Gearing, %	25.4	50.7

# INFORMATION FOR SHAREHOLDERS

## Financial calendar

Suominen will publish its Financial Statements Release, Half Year Financial Report and two Interim Reports in 2021 as follows:

February 4, 2021	Financial Statements Release for 2020
April 28, 2021	Interim Report for January–March 2021
August 13, 2021	Half Year Financial Report for January–June 2021
October 27, 2021	Interim Report for January–September 2021

## The Annual General Meeting

Notice is given to the shareholders of Suominen Corporation to the Annual General Meeting to be held on Thursday March 25, 2021 at 10:00 a.m. at the company's headquarters at the address Karvaamokuja 2 B, Helsinki.

The Board of Directors of the company has resolved on an exceptional meeting procedure based on the temporary legislation approved by the Finnish Parliament on September 15, 2020 (the "Temporary Act"). In order to limit the spread of the COVID-19 pandemic, the Annual General Meeting will be held without shareholders' or their proxy representatives' presence at the Meeting venue. This is necessary in order to organize the Annual General Meeting in a predictable way while taking into account the health and safety of the company's shareholders, personnel and other stakeholders.

Notice to the Annual General Meeting has been announced as a stock exchange release on February 4, 2021. All materials to the Annual General meeting are available on the company's website [www.suominen.fi/en/agm](http://www.suominen.fi/en/agm)

Each shareholder, who is registered on the record date of the General Meeting on March 15, 2021 in the shareholders' register of the company held by Euroclear Finland Ltd, has the right to participate in the 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.

Registration for the meeting and advance voting begins on February 16, 2021, when the deadline for delivering counterproposals has expired and the company has published the possible counterproposals to be put to a vote on the company's website. A shareholder entered in the company's shareholders' register, who wishes to participate in the General Meeting, must register for the General Meeting and vote in advance on March 22, 2021 at 10:00 a.m. at the latest, by which time the notice of participation and the votes must be received.

Shareholders with a Finnish book-entry account can register and vote in advance on certain items on the agenda during the period February 16, 2021 – March 22, 2021 at 10:00 a.m. by the following manners:

- a) On the company's website [www.suominen.fi/en/agm](http://www.suominen.fi/en/agm) Electronic registering and voting in advance require for natural persons the shareholder's or its proxy representative's, and for legal persons, its representative's or proxy holder's strong electronic identification (Finnish or Swedish online banking codes or the Mobile ID).
- b) By regular mail or e-mail  
A shareholder voting in advance by regular mail or e-mail must deliver an advance voting form available on the company's website [www.suominen.fi/en/agm](http://www.suominen.fi/en/agm) or corresponding information to Innovatics Oy by regular mail to Innovatics Oy, Yhtiökokous / Suominen Corporation, Ratamestarinkatu 13 A, 00520 Helsinki, Finland or by e-mail to [agm@innovatics.fi](mailto:agm@innovatics.fi).  
If a shareholder participates in the General Meeting by delivering votes in advance by regular mail or e-mail to Innovatics Oy, the delivery of the votes before the deadline for delivering the notice of participation and the votes has expired shall constitute a registration for the General Meeting provided that information required for registration set out in the advance voting form is provided.

A shareholder must in connection with the registration submit the requested information, such as the shareholder's name, personal ID and e-mail address and/or phone number. Personal data disclosed in connection with the shareholders' registration will be used only in connection with the General Meeting and the thereto related necessary handling of registrations.

Instructions regarding the voting are available to all shareholders on the company's website [www.suominen.fi/en/agm](http://www.suominen.fi/en/agm). Additional information and technical support for electronic registration is also available by telephone at +358 10 2818 909 (business days at 9:00 a.m. – 12:00 and 13:00 p.m. – 16:00 p.m.).

### Investor relations

**Emilia Peltola**, Vice President,

Communications & IR

tel. +358 10 2143082

[emilia.peltola@suominencorp.com](mailto:emilia.peltola@suominencorp.com)

Request for management appointments:

**Eeva Oinonen**, Executive Assistant

and PA to President and CEO

tel. +358 10 214 3551

[eeva.oinonen@suominencorp.com](mailto:eeva.oinonen@suominencorp.com)

### Proposal on distribution of funds

The Board of Directors proposes that a dividend of EUR 0.10 per share shall be distributed for the financial year 2020 and that the profit shall be transferred to retained earnings. In addition, the Board of Directors proposes, that in addition to the dividend, a return of capital of EUR 0.10 per share shall be distributed for the financial year 2020 from the reserve for invested unrestricted equity.

The record date is March 29, 2021 and the dividend and return of capital would be paid on April 8, 2021.

### 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.



## **SUOMINEN CORPORATION**

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