Suominen

Annual Report 2022

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 lives worldwide. Suominen's net sales in 2022 were EUR 493.3 million, and we have over 700 professionals working in Europe and the Americas. Suominen's shares are listed on Nasdaq Helsinki.

Net sales, EUR million

493.3

Employees

717

Comparable EBITDA, EUR million

15.3

Share of new products from net sales exceeded

30%

Contents

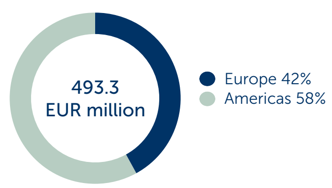
This is Suominen

Suominen today

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 lives worldwide. Suominen's net sales in 2022 were EUR 493.3 million, and we have over 700 professionals working in Europe and the Americas. Suominen's shares are listed on Nasdaq Helsinki.

Suominen has two business areas, the Americas and Europe. In 2022, net sales of the Americas business area amounted to EUR 288.0 million and net sales of the Europe business area to EUR 205.5 million.

Net sales by business area



Suominen has two business areas, the Americas and Europe.

President & CEO's review

2022 was a difficult year for Suominen. The unprecedented raw material inflation, which already had a significant impact on us in 2021, continued and energy costs increased in 2022 after Russia's illegal invasion of Ukraine in February. Particularly Suominen's US business suffered from the high inventory levels in the whole supply chain, where imbalance started to normalize only during the second half of the year. We made steady progress in the implementation of our strategy.

Comparable EBITDA, EUR million

15.3

Net sales, EUR million

493.3

Share of new products of net sales exceeded

30%

Sales of sustainable products increased*

99%

* Compared to base year 2019

We continued to implement our strategy published in 2020. The objective of our strategy is to achieve growth and improved profitability through sustainability, customer focus and efficiency. In 2022, we announced an investment to enhance and upgrade one of our production lines in Nakkila, Finland. The investment is made in line with our strategy and supports our vision to be the frontrunner in sustainable nonwovens. The investment project is progressing according to plan, and it is expected to be completed in the second half of 2023.

Our net sales reached EUR 493.3 million. Even though our sales volumes decreased from 2021, our net sales increased due to higher sales prices and exchange rates, the positive effect of which was EUR 32.9 million.

Our comparable EBITDA decreased significantly from the previous year and was EUR 15.3 million. The higher sales prices could not fully compensate for the volume loss and higher raw material and energy costs. To improve our profitability, we took several actions during the year, including implementing energy surcharges in Europe in March and September and a general cost surcharge in North America in August, as well as widening our product portfolio in the US.

> Sustainability is the cornerstone of our strategy, and we continuously develop our product portfolio and operations accordingly.

Our strong ability to innovate and to meet market needs is reflected in the share of new products of our net sales, which exceeded 30%. By new products, we mean products launched less than three years ago.

Sustainability is an integral part of all our operations

Sustainability is the cornerstone of our strategy, and we continuously develop our product portfolio and operations accordingly. Our target is to increase the sales of sustainable products by 50% compared to the base year 2019 and launch over 10 sustainable products each year. In 2022, the sales of sustainable products were 99% higher than in the base year 2019, and we launched 12 sustainable products. These products include our first carbon-neutral product, BIOLACE® Zero. During the year, we also opened our own compostability test center, Green Lab, in Nakkila, Finland, to support our product development.

Occupational safety is a key priority at Suominen, and our target is zero lost time accidents. We work continuously to further improve our safety culture and share best practices. One concrete example of our successful safety work is that in June 2022 the Paulinía plant in Brazil celebrated a full decade without a single lost time accident.

Another people-related target is to strengthen employee engagement. We conducted our third consecutive employee engagement survey in 2022. The results will be used as a basis for concrete, goal-oriented development actions as part of our systematic work to improve employee engagement and development of a high performance culture.

We also want to use resources efficiently in our production and act in ways that minimize the environmental impact of our operations. We have concrete targets for reducing our greenhouse gas emissions, energy and water consumption and landfill waste. To give a few examples of our continuous work to decrease our greenhouse gas emissions, we switched completely to fossil-free electricity at all our European plants and installed solar panels at our Alicante plant in Spain.

In 2022 we completed the EcoVadis sustainability assessment for the first time and received a silver-level rating. This result places us in the top 8% of the companies in the manufacture of other textiles industry rated by EcoVadis.

Moving forward together

Looking ahead to 2023, we see several market drivers with a positive impact on Suominen. The raw material cost inflation has finally turned, the energy markets are showing signs of a price decline and in the US market, the inventory levels have normalized. However, it remains to be seen how the current high consumer-price inflation will affect the end-consumer demand for wipes. The wipes market has usually been rather steady, regardless of the general economic situation.

We will continue to implement our strategy on the basis of our five focus areas, which are Operational excellence, Sustainability leadership, Differentiate with innovation and commercial excellence, Great place to work, and Dual operating model. Every Suominen employee has an important role in the strategy implementation.

To conclude, I want to thank our shareholders, customers and business partners for their excellent cooperation. In particular, I would like to thank our employees for their strong commitment and hard work during the challenging year.

Klaus Korhonen
Interim President & CEO

Tommi Björnman, President & CEO from May 2023 onward

Suominen is one of the leading suppliers in its business, serving attractive, growth-oriented markets and customers with sustainable product offerings. I am honored to join Suominen and work with the leadership team to unleash the company's unique value with a systematic approach to repositioning the company toward a profitable growth journey.

Financial targets

Targets 2020–2025

Net sales growth during the period: above relevant market growth

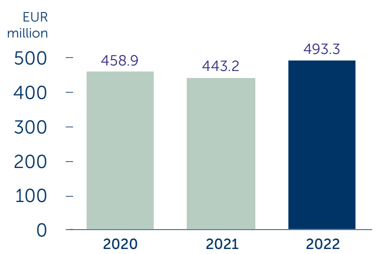
EBITDA margin by 2025: above 12%

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

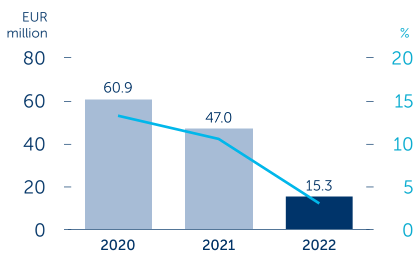
How to get there?

GROWTH	PROFITABILITY	GEARING
Focus on fast-growing sustainable products category Innovation and launching of new products to capture market share Targeted investments to improve capabilities and increase capacity	Effective utilization of production lines Margin improvement through new products as well as production and raw material efficiency Continued fixed cost control	Balanced investment plan Healthy cash flow from operations

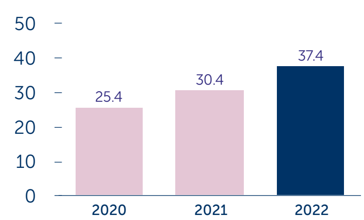
Net sales, EUR million



Comparable EBIDTA and EBITDA margin



Gearing, %

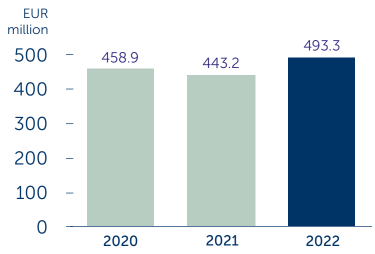


Key figures

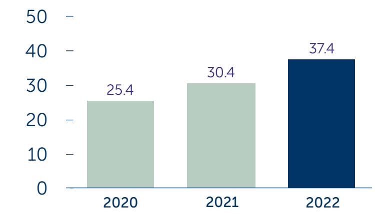
FINANCIAL	2022	2021
Net sales, EUR million	493.3	443.2
Comparable EBITDA, EUR million	15.3	47.0
EBITDA, EUR million	14.3	47.0
Comparable operating profit, EUR million	-4.2	26.9
Profit for the period, EUR million	-13.9	20.7
Earnings per share, EUR	-0.24	0.36
Dividend, EUR	0.10*	0.20
Cash flow from operations, EUR million	14.0	11.1
Cash flow from operations per share, EUR	0.24	0.19
Capital expenditure, EUR million	9.7	17.8
Equity ratio, %	42.5	42.2
Equity per share, EUR	2.54	2.85
Gearing, %	37.4	30.4
Return on invested capital (ROI), %	-4.2	13.9**
EMPLOYEES	**2022**	**2021**
Number of employees	717	710
Number of lost time accidents	2	4
ENVIRONMENT	**2022**	**2021**
Energy consumption, GJ	1,745,021	1,775,314**
Greenhouse gas emissions, tons of CO_2 eq.	93,363	114,798
Water withdrawal, ML	6,478	5,927
Process waste to landfill, tons	3,476	3,209

* Proposal by the Board of Directors to the Annual General Meeting
** Restated

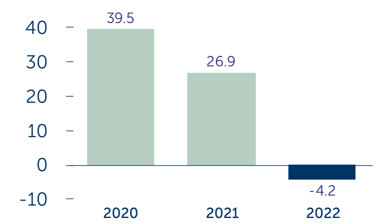
Net sales, EUR million



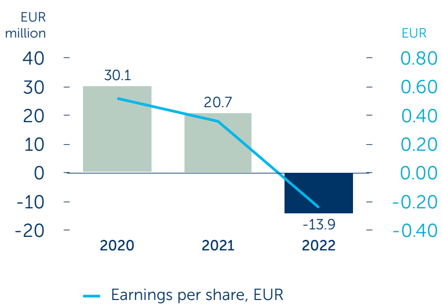
Gearing, %



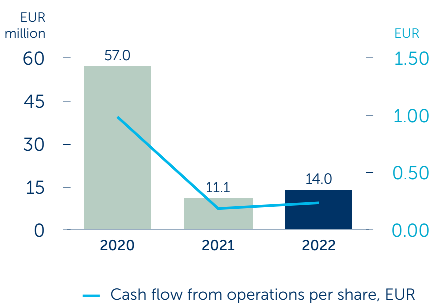
Comparable operating profit, EUR million



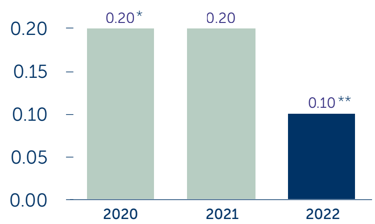
Profit for the period, EUR million and earnings per share, EUR



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



Dividend per share, EUR



*Dividend and return of capital
**Proposal by the Board of Directors to the Annual General Meeting

How Suominen creates 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 197.5 million

NATURAL RESOURCES
- Water 6,478,102 m³
- Raw materials
  - Wood-based 62%
  - Oil-based 37%
  - Other 1%
- Energy 1,745,021 GJ
  - Natural gas 45%
  - Grid electricity 37%
  - Steam 18%

INTELLECTUAL CAPABILITIES
- Suominen brand and our way of operating
- R&D expenses EUR 3.5 million
- 15 R&D professionals
- 49 granted and 16 pending patents
- 55 trademarks and design patents
- Piloting facility
- Technical know-how
- IT systems

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

MANUFACTURING RESOURCES
- Geographically and technically broad manufacturing base

SUOMINEN

717 employees

Eight production plants on three continents

Net sales
EUR **493.3** million

SUOMINEN'S STRATEGY: Growth and profitability through sustainability, customer focus and efficiency

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

OUTPUTS

PRODUCTS AND SOLUTIONS
- Nonwovens for wipes and other applications

WASTE
- Waste to landfill 3,476.5 metric tons

EMISSIONS
- Direct greenhouse gas emissions 42,759 metric tons of CO_2 eq.
- Indirect greenhouse gas emissions 50,604 metric tons of CO_2 eq.

WATER
- Treated water from operations

IMPACTS

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

EMPLOYEES
- Wages and salaries EUR 40.7 million
- Professional development
- Fair employment practices and equal opportunities
- Safe workplace: 2 lost time accidents

PARTNERS
- Spend on materials and services EUR 390.9 million
- Business growth
- Ethical business
- Interest to creditors

SHAREHOLDERS
- Dividend (Board's proposal) EUR 5.7 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 2.0 million
- Employment

How does the model work?

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

The model describes Suominen's business on a high level, meaning that only the most essential matters are presented. Still, not all matters bear equal importance, nor is their respective relevance presented in the model.

In the value creation model, inputs are what we utilize in our business activities. The Suominen section describes Suominen's business operations and strategy. 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 world's largest producers of spunlace nonwovens. Suominen's main market areas are Europe and North America. Suominen also holds a strong position in the South American markets.

The global demand for nonwovens is constantly growing. The growth depends mainly on consumer demand, which is a combination of the general economic situation and consumers' confidence in their personal finances. However, the 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 growth in the demand for nonwovens has typically exceeded the growth of gross domestic product by a couple of percentage points.

The importance of sustainability continues to grow

Megatrends such as climate change and environmental degradation drive us to reduce the environmental impacts of our operations, innovate even more sustainable products and improve our raw material efficiency.

The market for sustainable nonwovens is growing globally and especially in Europe and North America. Legislation and regulations as well as consumer behavior are driving the market towards more sustainable products.

In Europe, one of the most significant changes in the 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. SUPD impacts end products made of nonwovens as many wet wipes are traditionally made at least partially from raw materials containing plastics. Labeling requirements under the Directive for products containing plastic entered into force in 2021. Initiatives similar to SUPD have emerged also in other regions as concerns over sewer blockages and marine pollution caused by, among other reasons, the inappropriate disposal of nonwoven products have been raised.

The need for more ecological and sustainable nonwoven products is clear, and Suominen is well positioned to respond to this growing demand.

Demographic megatrends support our growth

Global megatrends shape Suominen's operating environment and affect our business. Megatrends such as population growth, a growing middle class, aging populations, increasing consciousness of health and well-being, and rising healthcare expenditure support our growth forecasts due to their impact on consumer behavior.

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, this demographic is increasingly interested in solutions that make daily routines easier and less time-consuming. Increased consumption of household wipes and beauty care wipes is an example of this phenomenon.

New needs are emerging with aging populations and changing healthcare models. 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 in the healthcare sector.

The war in Ukraine and the COVID-19 pandemic causes uncertainty

The war in Ukraine has worsened the inflationary pressures in raw material, energy and freight costs and increased uncertainty overall. Suominen has mitigated the rising energy costs by implementing surcharges in Europe and North America. The raw material markets turned more favorable towards the end of the year.

The operating environment continued to be marked by the COVID-19 pandemic still in 2022. The key uncertainties related to the pandemic concern the health and safety of Suominen personnel and customers, possible shortages of raw materials and issues linked to logistics as well as potential closures of customers' or our own plants due to virus infections or decisions by the authorities. Throughout the pandemic, our primary focus has been safeguarding the health and safety of our employees and to maintain business continuity. In 2022, we were able to run our operations with limited impact.

In the market, the pandemic caused a spike in the demand of nonwovens which was followed by moderation of the demand. This led to inventory imbalances in the whole supply chain especially in the United States. The market expectation is that, in the long run, the end user demand for wipes will remain above pre-COVID-19 levels.

MARKET CHARACTERISTICS

Europe

In Europe, all consumer wipe categories are highly fragmented and competitive. The Single-Use Plastics Directive is an important driver towards sustainability for the nonwovens industry.

The leading trends in Europe are sustainability (e.g. carbon reduction targets, circular economy, plastic-free materials) and ethical living (e.g. cruelty-free, vegan).

Net sales of the Europe business area were EUR 205.5 million, corresponding to 42% of Suominen's net sales in 2022. Suominen has two sites in Italy, one in Spain and one in Finland. The headquarters is in Helsinki, Finland. In 2022, Suominen had 373 employees in Europe.

North America

North America is the largest consumer market for wipes. All wipe categories are growing with particularly strong growth in private labels, winning shares from brands. Household products have a fairly big share in the North American wipes market.

The leading trends are transparency in the value chain and fewer and more natural ingredients.

South America

The South American market is dominated by the baby category and branded players, but other segments are growing.

Rising consumer awareness, high focus on sustainability and reducing single-use plastic products are the leading trends.

Net sales of the Americas business area were EUR 288.0 million, corresponding to 58% of Suominen's net sales in 2022. Suominen has three sites in USA and one in Brazil. In 2022, Suominen had 344 employees in the Americas.

Suominen

Strategy

Our vision is to be the frontrunner for nonwovens innovation and sustainability. Our strategic target is to grow and improve profitability through sustainability, customer focus and efficiency. 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.

Our strategic target is to grow and improve profitability through sustainability, customer focus and efficiency.

We execute our strategy and aim to achieve our vision through our five strategic focus areas. We implement our Sustainability Agenda as an integral part of our strategy.

Operational excellence

We continuously improve the efficiency and quality of our operations, promote the occupational health and safety of our employees, and increase cost awareness throughout the organization.

Safety is a top priority for us, and we are committed to protecting the health and safety of our employees. We do this by investing in a positive safety culture and constantly improving our processes and practices towards our common goal of zero lost time accidents (LTA).

We systematically develop our processes and operations to ensure our efficiency and high performance. In 2022, we continued to actively share best practices between our sites, and we had a special focus on overall efficiency and fire prevention.

Sustainability leadership

We leverage our pioneering fiber-based nonwovens know-how and our unique asset base to achieve a leading position in the sustainable nonwovens market.

We have a comprehensive offering of sustainable nonwovens and we are actively developing new products to meet the growing demand of sustainable alternatives. During 2022, we launched 12 sustainable products. These nonwovens are made of biodegradable, compostable and renewable plant-based fibers. To support our product development in nonwovens biodegradability we opened our own compost test center Green Lab in Nakkila.

Our target is to use resources efficiently and to operate with the smallest possible impacts on the environment. We have set concrete reduction targets for four environmental impact KPIs in our own operations: greenhouse gas emissions, energy consumption, water consumption and waste to landfill.

The shift to entirely fossil-free electricity in all our European plants and the installation of solar panels to our plant in

Mission

Enabling our customers to win by creating quality nonwovens

Vision

Frontrunner for nonwovens innovation and sustainability

Strategy: Growth and profitability through sustainability, customer focus and efficiency

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

Strategic focus areas

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

Values

Ownership · Teamwork · Performance · Integrity

Alicante in 2022 are concrete examples of our work to reduce our greenhouse gas emissions.

Differentiate with innovation and commercial excellence

We offer best-in-class products and build close relationships with our customers.

We have a versatile and experienced R&D team that has excellent know-how in sustainable fibers. Our pilot lines support our innovation work by, for example, enabling the testing of prototypes. These together enable our industry leading product development that is driven by customer needs. In 2022, we continued our innovation and sustainability workshops with our customers. Close collaboration enables us to understand and respond to the changing needs of our customers.

The share of new products of our net sales reflects our strong ability to innovate and meet the market needs – in

Strategic highlights of the year

Investment project in Nakkila, Finland to increase manufacturing capabilities in sustainable nonwovens

12 sustainable product launches

First carbon-neutral nonwoven BIOLACE® Zero

Paulinia site reached a decade without LTAs

Suominen Green Lab started its operations in Nakkila, Finland

Silver level rating from first ever EcoVadis sustainability assessment

Solar panels installed at Alicante plant to support our work to reduce our greenhouse gas emissions

Share of new products exceeded 30% of net sales

2022, the share of new products exceeded 30% of our net sales.

Great place to work

We concentrate on harnessing the organization's positive energy and commitment to deliver results.

We are systematically measuring and developing our employee engagement. In 2022, we conducted our Vibe employee engagement survey for the third consecutive year. The results identified good progress in topics that were chosen as focus areas based on the previous survey. We will continue to use the results to plan and execute development actions to strengthen high performance and engagement.

We continued to develop a pay-for-performance culture and our processes and practices related to that. In 2022, we implemented renewed performance development process for our blue-collar employees and harmonized short-term incentive programs in all countries.

Dual operating model

We optimize our operations through separate operating models for our standard and specialty products. 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.

We have defined target portfolios for each production line to optimize the way we drive the lines. In 2022, we finalized the implementation of the metrics to follow up on our asset optimization efforts and reviewed and updated the target portfolios by production line. We will continue our operations in a way which enables 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.

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 integral part of all our operations.

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 as well as their impact on the economy, the environment and people, including human rights. A materiality assessment was originally 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 in 2019, 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. The validity of the Agenda was confirmed in 2021 through a web-based stakeholder survey, which was open to all our stakeholders.

In addition to this, in 2022, Suominen also evaluated the impacts on the economy, the environment and people, including human rights, to ensure the validity of our Sustainability Agenda and that it reflects the material impacts. During the process, topics relevant to the business of Suominen in all parts of the value chain were listed and the negative and positive impacts of these identified. The topics were grouped on the basis of evaluating the severity and likelihood, which is based on the operating environment and risks identified by the Executive Team. Based on the evaluation of impacts it was concluded that the Sustainability Agenda and material topics under it are valid. Stakeholder dialogue concerning the Sustainability Agenda was continued in 2022, including with customers, investors, and employees.

Evaluation of sustainability

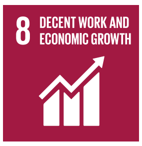
To increase transparency in the development of our sustainability work and ESG matters in general, Suominen partakes in internal and external ratings. In 2022, Suominen launched an ESG Index publicly available on our website. The tool is developed by Suominen to offer an easily accessible and comprehensive summary of Suominen's sustainability work, strengths as well as areas of improvement. On top of this, Suominen participated in the EcoVadis questionnaire for the first time in 2022 and achieved a Silver level rating.

Sustainability Agenda

Suominen's Sustainability 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
People and safety	Lost time accidents	0	2 in 2022
	Employee engagement index	73%	65% in 2022
Sustainable nonwovens	Number of sustainable product launches[1]	Over 10 per year	12 in 2022
	Sales of sustainable products	50% increase in sales compared to the base year 2019	99% increase compared to the base year 2019
Corporate citizenship	Coverage of renewed Code of Conduct	100% of existing employees and new hires	95% of all employees trained by the end of 2022
	Supplier assessment	Raw material suppliers assessed against supplier code (based on risk assessment)	Establishing the assesment process proceeded as planned
Low impact manufacturing	Energy consumption (GJ/t of product)	20% reduction compared to the base year 2019[2]	0.6% reduction compared to the base year 2019[2]
	Process waste to landfill (kg/t of product)	20% reduction compared to the base year 2019	2.5% reduction compared to the base year 2019
	Water consumption (m^3/t of product)	20% reduction compared to the base year 2019	6.1% reduction compared to the base year 2019
	Greenhouse gas emissions (t/t of product)	20% reduction compared to the base year 2019[3]	20.0% reduction compared to the base year 2019[3]

[1] Sustainable product launches include new sustainable product launches, re-launches and concepts related to sustainable products.
[2] Energy consumption figure for 2019 was restated.
[3] Target is set for Scope 1 and 2 emissions (emissions from our own operations and purchased energy generation). Due to the greenhouse gas calculation method revision, the greenhouse gas figures for the base year 2019 were restated in the 2021 report.

Managing sustainability

Sustainability is an integral part of Suominen's strategy and the management of sustainability is integrated into business management. The highest decision-making body on sustainability- and climate-related matters is the Board of Directors. The Board of Directors has approved Suominen's Sustainability Agenda 2020–2025 including sustainability-related targets. Progress in sustainability targets is reported to the Board of Directors quarterly.

Sustainability Agenda, related targets and supporting policies are owned by the Executive Team. Sustainability is on the agenda of the Executive Team on a regular basis, which enables effective management of sustainability.

The Vice President Communications & IR is responsible for the sustainability at Suominen and she reports to the President and CEO. The Communications, IR and sustainability function operating under her supervision is responsible for the practical coordination and reporting of sustainability activities. Suominen's operations and support functions are responsible for implementing the company level sustainability initiatives to meet the targets. In addition, each Suominen employee has an obligation to perform their duties in compliance with the principles concerning sustainability.

People and safety

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

Our people

We continued to develop our people-related processes according to our long-term plan. We developed our practices to identify, foster and reward excellent performance and continued to drive a pay-for-performance compensation model. In 2022, we had a special focus on blue-collar workers' career development and recognition.

Increasing employee engagement is one of our key people-related targets.

Advancing employee engagement

Increasing employee engagement is one of our key people-related targets in our Sustainability Agenda. We conducted a global employee engagement survey for a third consecutive year in 2022. The response rate for the survey was 80%, which is seven percentage points higher than in the previous survey.

The survey results identified both positive areas and opportunities for improvement. The results showed significant improvement in the utilization and communication of the survey results, confirming that many respondents have seen the previous results lead to positive changes. On the other hand, communication, collaboration, feedback and recognition were identified as areas for further development. Our employees' confidence in the company's future success had decreased slightly from 2021.

The survey results are used as a basis for our people-related development work. Team-specific results are shared with the team leaders, and they will be reviewed and discussed within the teams. Based on the results, each site and function leader will create a targeted, actionable development plan for their respective organizations, and will follow up on the progress.

Based on the global results, our employee engagement index is 65%, which is one percentage point lower than in the previous survey. The index is a combination of questions concerning our people's likelihood of recommending and staying in the company, organizational pride, and commitment. The result means that 65% 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 promote our employer brand more actively to increase employee commitment, retention, satisfaction, and attraction.

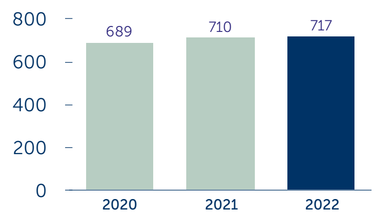
In pursuit of high performance

Building a high performance culture is an important element in Suominen's strategy and Sustainability Agenda. We strive to build 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. Feedback and recognition has been identified as an area for development in the previous global employee engagement surveys, and in 2022 we continued to develop our processes. We harmonized our blue-collar employees' short-term incentive plans and implemented a Performance Evaluation and Feedback process covering all blue-collar workers. The process is primarily about employee development, offering a chance to receive and provide constructive feedback. In addition to the on-going performance and development dialogue, the process consists of two structured employee–manager discussions per year.

The employee–manager discussions covered 62% of our employees globally in 2022.

Number of employees



717

employees

We strive to build a culture in which people are encouraged to exceed expectations – to go the extra mile – and are enabled to perform to their full potential.

Promoting equal opportunities and supporting professional development

Suominen has over 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.

Career development and identifying and developing the competencies that are essential in reaching our strategic objectives have been identified as areas for improvement in our previous global employee engagement surveys. In 2022, we continued to execute Suominen's competency framework to systematically support our employees in their professional development. The framework also strengthens our processes for recruitment and succession planning and enables the mapping of competencies. In 2023, our target is to continue to support the development of our personnel with various development and training programs that the manager and the employee have identified together in their performance development discussions.

In 2022, a mandatory Anti-Bribery and Corruption training program was rolled out to all white-collar employees, of which 97% had completed the training by the end of the year. In addition, a cyber security training was arranged and open for each employee globally. Other trainings during the year included management training and various quality and process trainings for targeted roles.

Safeguarding our employees

Our operating environment continued to be impacted by the COVID-19 pandemic and securing the health and safety of our over 700 employees was our top priority. We continued to monitor the development of the pandemic and adjusted our safety measures accordingly. The COVID-19 task force stayed active in 2022. Regardless of the pandemic, we were able to serve our customers and run our operations. We were also able to continue working towards achieving our sustainability targets according to plan.

Safety

The health and safety of Suominen's employees is our key priority. We focus on accident prevention and building a strong safety culture. Safety is one of our key people-related targets, and our aim is to have zero lost time accidents.

In 2022, two lost time accidents (LTA) occurred at Suominen sites (4 in 2021) and six out of our eight sites were able to reach the zero LTA target in 2022. The accident frequency rate (AFR) was 1.53 (3.04) and the accident severity rate was 0.06 (0.05). Safety monitoring is part of our daily activities, and we keep record of all work-related accidents and near misses and identify their causes.

The safety management systems are certified according to the ISO 45001 standard in seven* out of the eight sites and the remaining site is scheduled to be certified during 2023.

Our safety work

Suominen's safety work is based on preventive actions. We develop safety at the workplace according to the

CASE | Safety

A decade without LTAs in Paulínia

In our Paulínia site we reached ten years with no lost time accidents (LTAs) in 2022. Our focus is on accident prevention and building a strong safety culture. Suominen's safety rules and regular safety communication are key elements in our safety work. We actively identify risks and hazards and share the findings with others in order to learn. Paulínia's milestone is a wonderful demonstration of teamwork and commitment as well as successful execution of our preventive safety work and our strategy.

Renata Rinaldi
Plant Director, Paulínia

principle of continuous improvement and implementation of best practices. In improving safety, Suominen places particular emphasis on influencing attitudes, behavior, and operating models.

All Suominen employees take part in safety training during their onboarding period and in addition, employees in production roles receive regular safety training. Suominen has implemented Life Saving Rules and a Behavior Based Safety program. The Behavior Based Safety program kept rolling for the ninth year in a row in 2022. The program emphasizes the individual's own responsibility in safety and focuses on influencing the attitude and motivation of individuals. The program includes 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. During 2022, 11,320 safety walks were performed globally, and altogether 6,102 unsafe actions or conditions were identified to be rectified.

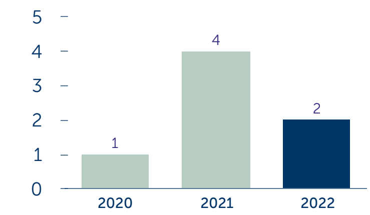
In 2022, we carried out an awareness campaign to prevent hand injuries, which are one of the most common types of injuries within the production roles. As a result, we saw a notable decrease in hand injuries during the second half of the year.

Safety during the pandemic

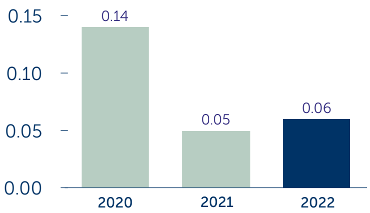
We continued to monitor the development of the pandemic and adjusted our safety measures accordingly. The COVID-19 task force stayed active in 2022.

*The production area of Windsor Locks' site is certified according to ISO 45001 by Ahlstrom.

Number of lost time accidents (LTA), own employees

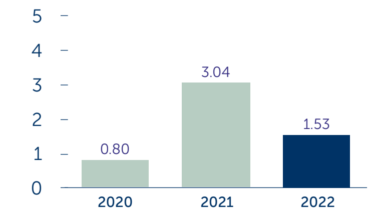


Accident severity rate (ASR)



Number of absence days per 1,000 working hours

Accident frequency rate (AFR)



Number of accidents per 1,000,000 working hours

Low impact manufacturing

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

The most significant environmental impacts resulting from the production of nonwovens include consumption of water and energy, generation of greenhouse gases, and landfill waste. We regularly follow our consumption and emission levels and have set reduction targets for each of these.

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 the ISO 9001 quality management standard, and all of our sites' environmental management systems are certified according to the ISO 14001 standard.

Our production sites in Italy, Cressa and Mozzate, and our site in Nakkila, Finland, have energy management systems certified according to the ISO 50001 standard. In addition to the listed standards, local environmental policies are in place at all our production sites.

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 to water bodies or sanitary sewer systems, which means that only 10% of our water intake is consumed in our production processes, mainly through evaporation.

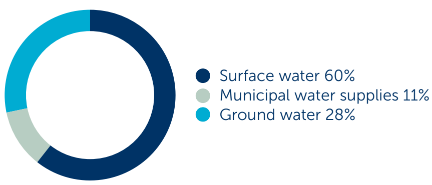
Our water use and discharges are regulated by national or regional authorities, and we constantly monitor the quality of discharged water. All water is treated in either our own or municipal water treatment sites before being discharged.

The wetlaid production technology that is used at two Suominen production sites requires significantly more water than other production technologies. Wetlaid production accounts for 78% of Suominen's total water intake.

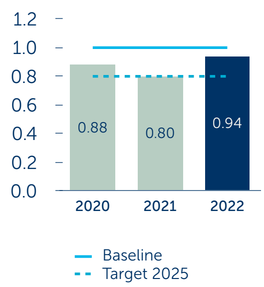
Suominen has evaluated the scarcity of water at our sites by using the World Resources Institute's Water Risk Atlas. One of our production sites is located in a "high risk area" where water can be considered a scarce resource. The water intake of this site accounts for approximately 1.3% of Suominen's total water intake.

Our target is 20% reduction in water consumption per ton of production by 2025, the baseline being 2019. In 2022, Suominen's water consumption decreased by 6.1% per ton of product compared to the baseline.

Water intake by source in 2022



Water consumption per ton of product (indexed)



Raw materials

Raw materials play a vital role in our business since they account for around 70% of our expenses. Suominen uses different fiber materials, such as cellulose-based fibers, polypropylene, and polyester, in the production of nonwovens. In 2022, the share of raw materials from renewable sources was 62% (59% in 2021), with most of them 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 impact of nonwoven products throughout the value chain. We actively evaluate new, innovative, and sustainable fibers for our products. We have a strong focus on the efficient utilization of raw materials, and we continuously work to improve our material efficiency even further. We also strive for the minimization of waste in our production by recycling and finding alternative outlets for non-recyclable production waste.

Energy

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

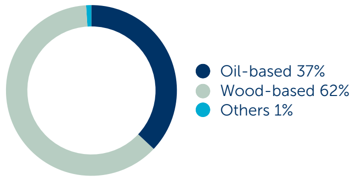
Our target is 20% reduction in energy consumption per ton of product by 2025, the baseline being 2019. In 2022, our energy reduction result towards this target was 0.6% per ton of product compared to the baseline. In order to meet our energy efficiency improvement targets, we continue to identify and implement energy saving initiatives at our sites.

Waste to landfill

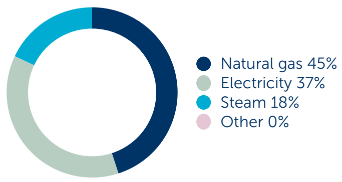
In waste management, Suominen's first priority is to prevent waste generation in the first place by improving its material efficiency. Secondarily, we work actively with partners that can use our waste material for different end uses.

Our target is 20% reduction in waste to landfill per ton of product by 2025, the baseline being 2019. In 2022, our result in reduction was 2.5% per ton of product compared to the baseline. Four of our eight production sites are already generating zero waste to landfill.

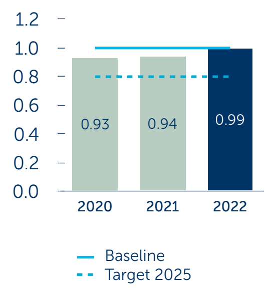
Raw materials purchased in 2022



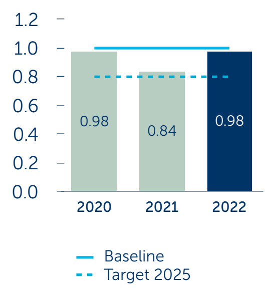
Energy consumption in 2022



Energy consumption per ton of product (indexed)



Production waste to landfill per ton of product (indexed)



Greenhouse gas emissions

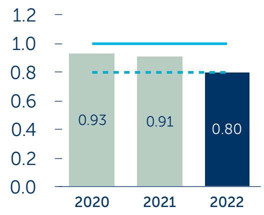
Suominen reports its direct greenhouse gas emissions (Scope 1) and its indirect greenhouse gas emissions from purchased energy production (Scope 2) according to the Greenhouse gas protocol. Direct greenhouse gases originate from the consumption of fossil fuels used mainly for the generation of process 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 2022, we reached the target of 20% reduction per ton of product compared to the baseline.

As a part of our work on reducing greenhouse gas emissions, all our European sites have shifted entirely to fossil-free electricity since 2021. This shift was a remarkable step towards our greenhouse gas reduction target. Suominen is examining similar opportunities for its sites in the Americas. Another push towards renewable electricity was the installment of solar panels in Alicante in 2022. Suominen is evaluating opportunities for more solar panel investments.

We are continuously looking for ways to decrease greenhouse gas emissions from our operations.

Greenhouse gas emissions* per ton of product (indexed)



*Including direct (Scope 1) and indirect (Scope 2) GHG emissions

Due to the greenhouse gas calculation method revision, the greenhouse gas figures for 2019 and 2020 were restated in the 2021 report.

CASE | Low impact manufacturing

Solar panels installed to Alicante site

A solar panel plant with 2,222 solar panels was installed to our site in Alicante in 2022. The solar plant provides clean, fossil-free electricity supply to the production site. The location of our production site in Alicante is excellent for a solar plant. The solar plant has a capacity of 1 MW and provides a minimum of 8% and a maximum of 13.5% of the total electricity consumption at the production site. Suominen aims to reduce its energy consumption and greenhouse gas emissions respectively by 20% per ton of product by 2025, compared to the base year of 2019. The shift towards sustainable energy sources is a step forward for us.

Javier Hernandez
Plant Director, Alicante

Sustainable nonwovens

The nonwovens market has rapidly changed towards sustainable alternatives, main drivers being consumers' growing awareness of environmental issues and legislation. EU's Single-Use Plastics Directive (SUPD), which entered into force in 2021, and many other similar initiatives globally, have had a significant impact on driving the industry towards sustainability.

We launched our first plastic-free product already over 15 years ago.

We at Suominen are well positioned to respond to this change in the market. We launched our first plastic-free product already over 15 years ago. Our product portfolio consists of a wide range of sustainable nonwoven products for different applications. In our plastic-free offering, we have products that are biodegradable, compostable, or dispersible. The products are made of renewable fibers such as viscose, pulp, lyocell, cotton or bamboo. In addition to renewable fibers, we also provide nonwovens made from other sustainable sources such as recycled rPET or PLA. Sustainable nonwovens is one of the four focus areas in our Sustainability Agenda. Our target is a 50% increase in the sales of sustainable nonwovens by 2025 compared to 2019, and to have over 10 sustainable product launches per year. In 2022, our share of sustainable nonwovens increased by 99% (compared to 2019). The target of sustainable product launches was very well achieved; we had a total of 12 sustainable product launches during 2022.

We are the frontrunner in sustainable nonwovens, and we are constantly developing new innovative solutions to the market. Our HYDRASPUN® Circula is one example of this. This product is the first nonwoven made with recycled paper. It is biodegradable, plastic-free and can be used in multiple applications.

Another example of new sustainable products launched in 2022 is the carbon neutral nonwovens product, BIOLACE® Zero. This product is produced from certified carbon neutral VEOCEL™ Lyocell fibers. The product is certified as carbon neutral by ClimatePartner. It is 100% biodegradable, compostable and plastic-free, and it can be used for many types of wiping applications.

CASE | R&D

Compost test center in Nakkila

A compost test center – Suominen Green Lab – was established in Nakkila, Finland during 2022. In the Green Lab we evaluate the compostability of nonwovens made of renewable raw materials. Analyzing disintegration in compost conditions also supports our product development. The Green Lab has both industrial and home compost conditions. The compostability tests have already given impressive results. For example, Suominen's 100% viscose product disintegrates fully in home and industrial compost conditions in a few weeks.

Niina Salonoja
Manager, R&D

Continuous development

Sustainability is one of the key themes in our R&D. We are a pioneer in producing sustainable nonwovens, and our R&D team has excellent know-how in sustainable fibers. Our pilot lines at Nakkila and Windsor Locks sites support our innovation work by, for example, enabling the testing of prototypes.

We are constantly researching new potential fibers such as nettle, hemp, and regenerated cellulose in our New Fiber Center. We are also actively cooperating with start-ups and well-established companies that are developing new innovative fibers. For example, Suominen and Bast Fibre Technologies Inc. have cooperated for several years to investigate alternative fibers, including hemp. In 2022, Suominen launched BIOLACE® Natura, which is a product utilizing hemp mixed with cellulosic fibers, that addresses consumers' preference for sustainable and natural choices.

On top of researching new raw materials, we focus on the end-of-life and biodegradability of renewable raw materials. In 2022, Suominen Green Lab started operations in Nakkila. The lab supports sustainable product development and validates claims that products are compostable. By continuously developing new and innovative solutions with a reduced environmental impact, we are able to provide a comprehensive offering of sustainable nonwovens to our customers.

In addition to creating new sustainable products, we see the importance of evaluating and minimizing the environmental impacts of all our existing products. Since 2021, we have evaluated the environmental impacts of our products by calculating their carbon footprints. Through our digital Climate App, our customers are able to compare the greenhouse gas emissions of our products within our product portfolio. By offering products with a lower environmental burden without compromising on quality, we can support our customers in reducing the environmental impact of their own products and to achieve their own sustainability goals.

Our aim is to grow our sustainable product portfolio even further for the benefit of our customers.

CASE | Innovation

HYDRASPUN® Aquaflo won Innovation Award

Our HYDRASPUN® Aquaflo won the Nonwoven Product Achievement Award at the IDEA®22 Conference held in Miami in 2022. The product was acknowledged for the contribution the product makes in the area of sustainability. HYDRASPUN® Aquaflo passes the stringent standards for dispersibility set by both the International Water Service Flushability Group (IWSFG) and INDA/EDANA (GD4) in independent testing. HYDRASPUN® Aquaflo represents years of research, development and collaboration across our organization. It is rewarding for Suominen to be recognized throughout the industry.

Andrew Charleston
Manager, Category Management, Americas

Avinav Nandgaonkar
Manager, R&D

Corporate citizenship

Suominen operates responsibly and consistently throughout the world. We promote responsible operations in our supply chain and in society at large by respecting human rights, minimizing the environmental impact of our own operations and being a good corporate citizen. 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 multicultural environments every day. We develop our stakeholder relationships in a fair and responsible way and strive for transparency in our communication.

Through our 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 and refrain from all unfair business practices, such as fraud, corruption, and bribery. Suominen is committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labor, environment, and anti-corruption. We have supported the initiative since 2020.

Human rights

Suominen is committed to the United Nations Guiding Principles on Business and Human Rights, and the International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work. As an employer, Suominen is committed to respecting human rights.

Suominen does not tolerate any form of discrimination, the use of child labor, or any other forced or compulsory labor. Suominen works consistently to ensure that human rights are respected throughout the value chain. Suominen requires its raw material suppliers to commit to ethical conduct, fully comply 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 that are the cornerstones of our fair and sustainable business practices. Suominen published a renewed Code of Conduct in 2021. The Code sets out Suominen's expectations for doing business responsibly, ethically, and consistently, according to our values, our policies, and the law. Among the key issues addressed by the Code of Conduct are fair business practices, financial regulations, human rights, and the environment. The Code has been adopted by Suominen Corporation and its subsidiaries and it applies to everybody working for the company, everywhere in the world. Around 95 percent of Suominen's employees have completed training on our renewed Code of Conduct.

Requirements for Suominen's suppliers are described in the Supplier Code of Conduct, which addresses issues such as human rights, wages and working hours, child labor and forced labor, corruption and bribery, and the environment. We require our business partners to act responsibly, and all our suppliers must comply with our Supplier Code of Conduct.

In accordance with the sustainability agenda's targets, establishing a process for third party supplier sustainability assessment is ongoing.

Read more

Suominen's Code of Conduct and the Supplier Code of Conduct are available on our website at **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 in 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 for transparent communication through various channels.

Suominen conducted a sustainability materiality assessment 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. As a result, 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 for the period 2020–2025.

In 2021, Suominen conducted the stakeholder survey again to ensure the validity of the most important material sustainability topics defined in 2019. The stakeholder survey was conducted in a web-based platform, and was open to all our stakeholders in the second part of 2021. The results of the survey confirmed that the key objectives and focus areas on our Sustainability Agenda 2020–2025 remain valid and correspond to our stakeholders' expectations.

Read more about our stakeholder cooperation and engagement channels from the table on the next page.

©UNICEF/UN0561629/Urdaneta

CASE | Corporate citizenship

Supporting UNICEF Finland via Ahlström Collective Impact

Sustainability is at the core of our strategy and operations. We recognize our responsibility to society and want to make a positive impact locally and globally. With Ahlström Collective Impact, we are part of a community supporting the important work of UNICEF. Ahlström Collective Impact, a unique cooperation model bringing together the companies and foundations in the Ahlström network, has invested EUR 1 million in the global education of children and to support children in Ukraine in 2022.

Emilia Peltola
VP, Communications & IR

STAKEHOLDER GROUP	EXPECTATIONS AND INTERESTS	MEETING STAKEHOLDER EXPECTATIONS	ENGAGEMENT CHANNELS
Employees	- A safe working environment - Compensation and benefits - Development opportunities - Equal treatment - Well-being and positive workplace culture	- A strong safety culture, including a Behavior Based Safety program, Life Saving Rules, and the ISO 45001 standard - Fair and equal compensation and benefits - Performance Development Process including individual competence development plans - Recruitment policy, HR principles and blind recruiting - Open communication - Code of Conduct	- Daily interaction - Global intranet, internal newsletter - Global employee engagement survey and local pulse surveys - Performance development discussions - Stakeholder survey
Suppliers	- Long-term partnership - Open communication and cooperation - Payment for materials and services	- Continuous cooperation - Smooth and efficient raw material quality assurance process - Supplier Code of Conduct - General Terms and Conditions of Purchase	- Meetings and other direct contacts - Requests for tender and contracts - Stakeholder survey
Customers	- Product quality and safety - Innovation and product development - Reducing environmental impact - Responsible fiber sourcing - Value for the customer - Long-term partnership - Cost-competitiveness	- Quality and safety assurance through audits and certifications - Sustainable product portfolio and product development with customers - Development of expertise - Continuous cooperation and on-site visits - Participation in exhibitions and trade fairs - Code of Conduct	- Meetings and other direct contacts - Exhibitions and other industry events and industry media - External communication, e.g. customer newsletter - Audits and certificates - Customer and stakeholder surveys - Customer service - Requests for tender and contracts
Investors, shareholders, analysts	- Market value and dividends - Sustainable growth - Accurate, consistent, and reliable information - Risk assessment and management - Innovation and product development - Sustainability	- Communication based on Finnish law, EU directives, stock exchange rules and other regulations - Implementation of our strategy aiming for growth and profitability - Implementation of our Sustainability Agenda - Transparent reporting, sustainability reporting in accordance with GRI standard - Code of Conduct	- Annual General Meeting - Quarterly and annual reporting - Stock exchange and press releases - Shareholder and analyst events - Website and other digital channels - Stakeholder survey
Political decision-makers, public authorities, NGOs	- Regulatory compliance - Responsible supply chain - Responsible operations	- Compliance with laws and regulations - Whistleblowing channel - Sustainability reporting in accordance with GRI standard - Code of Conduct	- Reporting and other external communication - Direct contacts - Stakeholder survey
Society and local communities	- Fair employment practices - Responsible and sustainable production - Regulatory compliance - Tax contribution	- Jobs and fair compensation - Good corporate citizenship - Tax contribution - Code of Conduct	- Media - External communication - Events - Stakeholder survey

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 purely from the business activities of the group companies.

Suominen has a tax policy as well as tax guidelines approved by the Board of Directors of Suominen. In line with its Code of Conduct, Suominen is committed to operating in a responsible way and to complying with ethically acceptable principles in all its activities. This includes fulfilling all reporting requirements and paying all legally imposed direct, indirect and other taxes. Suominen aims to fully comply with all statutory requirements and compliance deadlines in the countries where it operates.

Suominen seeks to carry out reasonable and fair tax planning and tax compliance in a manner that enables it to maintain a stable and supportable tax position. When it comes to the Group's tax obligations, the main target is to identify and acknowledge the fiscal status and obligations of the Group in advance. No artificial tax driven arrangements are carried out and all transactions are business driven.

Suominen's tax footprint arises purely from the business operations in the

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

countries where it operates and 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, and basically the group companies sell the products they manufacture directly to the end customer. Due to the business model, Suominen pays corporate income taxes in the countries where the value from its production is created.

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 United States – where it has both production and sales operations. In respect of taxes and similar payments, Suominen complies with the laws and regulations of each country.

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

Suominen's tax footprint includes not only the taxes and similar payments that are the 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 the financial statements, are not included in the tax footprint.

In 2022, Suominen employed on average 707 people (FTEs) 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 by both the company and the employees. Thus, Suominen's tax footprint includes also the collected and remitted employees' income taxes as well as social security contributions, but the employer's taxes are clearly separated from the employees' taxes and payments in the report.

Suominen's corporate income taxes are significantly affected by tax losses generated 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. Suominen is subject to group tax consolidation methods in several countries based on each country's tax laws and regulations, which effectively means that Suominen's local companies are taxed on the local consolidated taxable income.

The group companies also pay property and real estate taxes based on the land and buildings they own, environmental and energy taxes 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.

Certain countries where Suominen operates grant eligible companies tax credits, for example in the form of additional depreciation and amortization of assets. The granted tax credits can in some countries be used in offsetting them against different tax or similar payments.

Taxes and similar payments borne

	2022		2021	
EUR thousand	Finland	Other countries	Finland	Other countries
Corporate income tax, tax on profit	-1,318	-3,460	-1,166	-3,678
Property taxes*	-75	-1,277	-73	-975
Employer contributions and taxes	-1,853	-10,592	-1,727	-9,807
VAT as expense	-20	-3	-20	-4
Custom duties on export**	-	-5	-	-15
Custom duties on import**	-463	-1,785	-342	-1,835
Excise duties	-119	-250	63	-458
Other taxes and similar payments	-40	-322	-28	-320
Received tax credits	-	2,659	-	-
TOTAL	**-3,888**	**-15,035**	**-3,294**	**-17,093**

Taxes and similar payments collected and paid

	2022		2021	
EUR thousand	Finland	Other countries	Finland	Other countries
Net VAT	3,323	-6,962	3,242	-7,786
Payroll taxes and similar payments collected and paid	-3,588	-9,374	-3,417	-8,764
Withholding taxes on various payments	-453	-122	-791	-113
TOTAL	**-718**	**-16,457**	**-967**	**-16,664**

*Taxes on real estates.
**Custom Duties are borne by the company importing or exporting goods. Custom Duties are 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 2021, was published in March 2022.

The reporting period for all presented data is one calendar year (January 1–December 31, 2022), and the enclosed historical data encompasses the last two or three years, depending on the topic.

Suominen reports in accordance with the GRI Standards for the period of January 1–December 31, 2022. This means our reporting includes GRI 1: Foundation 2021 and Topic Standards material to Suominen. There is no applicable GRI Sector Standard. Suominen's sustainability information for 2022 was assured by an independent assurance provider, PricewaterhouseCoopers Oy. The limited assurance was done according to the ISAE 3000 Revised Standard. The scope of the assured information is indicated in the independent assurance report on pages 54–56 of this report.

Suominen's sustainability reporting is based on materiality. A materiality assessment was conducted for the first time in 2019. In 2021, Suominen conducted the stakeholder survey again on a web-based platform to ensure the validity of the most important material sustainability topics defined in 2019. The results of the survey confirmed that the key objectives and focus areas in our Sustainability Agenda 2020–2025 remain valid. In 2022, Suominen supplemented earlier materiality assessments by also assessing the impacts of its business.

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 the 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 2022. Incident data is collected continuously, 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 site in Connecticut, USA is operated jointly with Ahlstrom Oyj (former Ahlstrom-Munksjö Oyj); only consumption data with regard to 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
GRI 102: General disclosure				
Organizational profile				
2-1	Organizational details	AR 3, 197		
2-2	Entities included in the organization's sustainability reporting	AR 42, 124		
2-3	Reporting period, frequency and contact point	AR 42, see comments	Essi Ruuska, Senior Specialist, Sustainability firstname.lastname@suominencorp.com	
2-4	Restatements of information	AR 49, 51		
2-5	External assurance	AR 42, 54–56	Suominen's sustainability report 2022 has been externally assured by an independent assurance provider PricewaterhouseCoopers Oy.	
Activities and workers				
2-6	Activities, value chain and other business relationships	AR 4–6, 9–13		
2-7	Employees	AR 3, 23–25, 42, 48		
2-8	Workers who are not employees	See comments	The Windsor Locks plant in CT, USA is co-operated with Ahlstrom Oyj (former 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.	The total number of workers who are not employees is not reported due to consolidated reporting practices not being in place yet. Reporting practices are being evaluated to include the total number for 2023 reporting.
Governance				
2-9	Governance structure and composition	AR 58–63		
2-10	Nomination and selection of the highest governance body	AR 58–62		
2-11	Chair of the highest governance body	AR 60		
2-12	Role of the highest governance body in overseeing the management of impacts	AR 21, 84–85		
2-13	Delegation of responsibility for managing impacts	AR 21		
2-14	Role of the highest governance body in sustainability reporting	See comments	Reviewed and approved by all relevant Executive Team members and the President and CEO.	
2-15	Conflicts of interest	AR 53, 77		
2-16	Communication of critical concerns	See comments	Compliance officer reports regularly on reports submitted through the SpeakUp line to the Audit Committee. Other critical concerns that we become aware of through, for example, customer feedback, customer surveys or sustainability surveys, are reported to the Executive Team as needed. No critical concerns were submitted in 2022.	
2-17	Collective knowledge of the highest governance body	See comments	The Board of Directors approves the Code of Conduct and Sustainability Agenda. Sustainability topics are discussed in the Board regularly and progress in sustainability targets is reported to the Board quarterly.	
2-18	Evaluation of the performance of the highest governance body	AR 61		
2-19	Remuneration policies	AR 68–76		
2-20	Process to determine remuneration	AR 68–76		
2-21	Annual total compensation ratio	AR 48		

GRI STANDARD		LOCATION	COMMENTS	OMISSIONS AND REASONS FOR OMISSIONS
Strategy, policies and practices				
2-22	Statement on sustainable development strategy	AR 4–6		
2-23	Policy commitments	AR 20, 36, 38, 53, 64, see comments	Code of Conduct Supplier Code of Conduct Code of Conduct is approved by the Board of Directors and communicated to employees through a Code of Conduct training.	
2-24	Embedding policy commitments	AR 53		
2-25	Processes to remediate negative impacts	AR 36, 86–87		
2-26	Mechanisms for seeking advice and raising concerns	AR 53		
2-27	Compliance with laws and regulations	See comments	In 2022, following two investigations by OSHA, our plant in Green Bay was ordered to pay 55,319 USD as a penalty for violations of OSHA health and safety standards. The issues have been corrected since. There have been no other significant instances of non-compliance with laws and regulations in 2022.	
2-28	Membership associations	AR 48		
Stakeholder engagement				
2-29	Approach to stakeholder engagement	AR 38		
2-30	Collective bargaining agreements	AR 48		
GRI 3: Material Topics				
3-1	Process to determine material topics	AR 18		
3-2	List of material topics	AR 20	No significant changes in the organization's activities or business relationships; no changes in material topics.	
3-3	Management of material topics	AR 19–20, 22–38, 42, 53, 84–87		
ECONOMIC STANDARDS				
GRI 201: Economic performance				
201-1	Direct economic value generated and distributed	AR 49		
GRI 205: Anti-corruption				
205-1	Operations assessed for risks related to corruption	AR 86–87		
205-2	Communication and training about anti-corruption policies and procedures	AR 36, 86–87		
205-3	Confirmed incidents of corruption and actions taken	See comments	There have been no confirmed incidents of corruption reported in 2022.	
GRI 206: Anti-competitive behavior				
206-1	Legal actions for anti-competitive behavior, anti-trust and monopoly practices	See comments	There have been no legal actions regarding anti-competitive behavior or violations of anti-trust and monopoly legislation reported in 2022.	

GRI STANDARD		LOCATION	COMMENTS	OMISSIONS AND REASONS FOR OMISSIONS
ENVIRONMENTAL STANDARDS				
GRI 301: Materials				
301-1	Materials used by weight or volume	AR 30		Weight not reported due to confidentiality reason. Volume expressed in percentage.
GRI 302: Energy				
302-1	Energy consumption within the organization	AR 30, 49		
302-4	Reduction of energy consumption	AR 30, 49		
GRI 303: Water and Effluents (2018)				
303-1	Interactions with water as a shared resource	AR 29, 50		
303-2	Management of water discharge-related impacts	AR 29, 50, 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	AR 29, 50		Breakdown of fresh water and other water is omitted as only fresh water is used.
303-4	Water discharge	AR 29, 50		Breakdown of fresh water and other water is omitted as only fresh water is used.
303-5	Water consumption	AR 29, 50		Change in water storage is not reported as it is not relevant for our operations.
GRI 305: Emissions				
305-1	Direct (Scope 1) GHG emissions	AR 31, 51		
305-2	Energy indirect (Scope 2) GHG emissions	AR 31, 51		
305-4	GHG emission intensity	AR 31		
305-5	Reduction of GHG emissions	AR 31, 51		
GRI 306: Waste (2020)				
306-1	Waste generation and significant waste-related impacts	AR 30, 51		
306-2	Management of significant waste-related impacts	AR 30, 51		
306-3	Waste generated	AR 30, 51		Breakdown of hazardous waste is omitted as the amount of hazardous waste accounts for less than 0.5% of the total amount of generated waste, which is not a material amount.
GRI 308: Supplier environmental assessment				
308-1	New suppliers that were screened using environmental criteria	See comments	100% of the new raw material suppliers were screened using environmental criteria.	

GRI STANDARD		LOCATION	COMMENTS	OMISSIONS AND REASONS FOR OMISSIONS
SOCIAL STANDARDS				
GRI 401: Employment				
401-1	New employee hires and employee turnover	AR 52		
GRI 403: Occupational health and safety (2018)				
403-1	Occupational health and safety management system	AR 26–27, 42, 53, see comments	403 indicators are covered by the ISO 450001 certification.	
403-2	Hazard identification, risk assessment, and incident investigation	AR 26–27, 42, 53		
403-3	Occupational health services	AR 24–27, 42, 53	Not reported in detail.	
403-4	Worker participation, consultation, and communication on occupational health and safety	AR 24–25, 42, 53	All European sites have formal joint management-worker H&S committees.	
403-5	Worker training on occupational health and safety	AR 24–27, 42, 53		
403-6	Promotion of worker health	AR 24–27, 42, 53	Suominen aims to promote employee well-being by sponsoring extracurricular activities to employees such as local running events. In Finland and the USA, employees also receive a monetary sport benefit.	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	AR 24–27, 42, 53		
403-9	Work-related injuries	AR 26–27, 52, 53		
GRI 404: Training and education				
404-3	Percentage of employees receiving regular performance and career development reviews	AR 24–25, 52		
GRI 405: Diversity and equal opportunity				
405-1	Diversity of governance bodies and employees	AR 52, 61		
GRI 406: Non-discrimination				
406-1	Incidents of discrimination and corrective actions taken	See comments	In 2022, one complaint of discrimination was filed with a competent authority. The complaint is still under review by the authority. There were no other incidents of discrimination in 2022.	
GRI 414: Supplier social assessment				
414-1	New suppliers that were screened using social criteria	See comments	100% of the new raw material suppliers were screened using social criteria.	
GRI 418: Customer privacy				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	See comments	There have been no substantiated complaints concerning breaches of privacy or no identified leaks, thefts or losses of customer data.	

GRI STANDARD	LOCATION	COMMENTS	OMISSIONS AND REASONS FOR OMISSIONS
SUOMINEN'S OWN INDICATORS			
Employee engagement index	AR 20, 24		
Number of sustainable product launches	AR 20, 32–34		
Sales of sustainable products	AR 20, 32–34		

GRI Appendix

GRI 2-7 Employees

a. Total number of employees by employment contract by gender

	Women	Men
Permanent	158	533
Temporary	10	16

b. Total number of employees by employment contract by region

	Europe	Americas
Permanent	347	344
Temporary	26	0

c. Total number of employees by employment type by gender

	Women	Men
Full-time	157	546
Part-time	8	2
Non-guaranteed hours	3	1

d. Total number of employees by employment type by region

	Europe	Americas
Full-time	361	342
Part-time	8	2
Non-guaranteed hours	4	0

GRI 2-21 Annual total compensation ratio

Suominen strives to establish fair and competitive employee compensation in each local market within our global operations to effectively attract, retain, and motivate our talented workforce. Presented below is the ratio of the annual total compensation of our highest paid individual, President & CEO, to the annual total compensation of our median employee (excluding the President & CEO).

Our median employee was identified using Suominen's globally employed personnel (full-time, part-time, temporary, and seasonal employees) employed on December 31, 2022. Base pay was annualized for permanent employees not employed for a full year in 2022.

The following is the annual total compensation of our median employee, the annual total compensation of the President & CEO Petri Helsky (2022), and the ratio of those two values: The 2022 annual total compensation of the median employee of Suominen (excluding the President & CEO) was EUR 47,516 (2021: EUR 45,356). The 2022 annual total compensation for Petri Helsky was EUR 1,051,360 (2021: EUR 877,180). For 2022, the ratio of the annual total compensation of Petri Helsky to the median annual total compensation of our other employees was approximately 22 to 1 (2021: 19 to 1).
The change in annual total compensation ratio was approximately 3.6 to 1 (Percentage increase, CEO 16.6%, Median percentage increase, Employees 4.6%). To identify our median employee compensation, we used Suominen's entire employee population on December 31, 2022 (December 31, 2021), and measured compensation based on annualized base pay, short- and long-term incentive bonus payments, taxable benefits, extras, overtime and possible one-time bonuses. Payments paid in foreign currency were converted to EUR based on the exchange rates on December 30, 2022 (December 31, 2021).

The total compensation ratio reported by other companies may not be comparable to the total compensation ratio reported above, as other companies may have different methodologies and assumptions in calculating their own total compensation ratios.

GRI 2-28 Membership in associations

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

Corporate
EDANA
INDA Association of the Nonwoven Fabrics Industry
UN Global Compact

Finland
Finnish Business and Society (FiBS)
Finnish Textile and Fashion

Brazil
ABINT Nonwovens Industry Brazilian Association

Spain
Agrupación Textil Alcoyana
AITEX Asociación de investigación de la industria textile
ATEVAL Asociación de Empresarios del Textil de la Comunidad Valenciana

GRI 2-30 Collective bargaining agreements

Overall, 60% of Suominen employees are covered by collective bargaining agreements. Participation in collective bargaining agreements varies significantly between regions; South America 100%, Europe 100% and North America 0%. This reflects common practice in these regions. In North America, working conditions and terms of employment are based on local, state and federal laws and common practices in the region.

GRI 201-1 Direct economic value generated and distributed

Revenue, EUR million

Net sales	493.3
Other operating income	5.7
Revenues from financial investments	0.7
Total revenue	499.7

Operating costs, EUR million

Direct production expenses: materials and services	-390.9
Indirect production expenses, R&D and SGA: services and other expenses	-35.0
Other operating expenses	-0.8
Total operating costs	-426.7

Employee wages, salaries and benefits, EUR million

Wages and salaries	-41.7
Pensions	-3.1
Other personnel expenses	-19.0
Total employee wages, salaries and benefits	-63.8

Payments to providers of capital, EUR million

Interest expenses	-5.0
Other financial expenses	-1.4
Total payments to providers of capital	-6.5

Payments to government, EUR million

Current income tax charge for the year and previous years	-4.7
Other incomes taxes	-0.1
Total payments to government	-4.8

Retained in business, EUR million

	-2.1

Energy

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

Energy consumption, GJ		2022	2021	2020
Non-renewable fuel consumed				
Natural gas	302-1 a	785,215	791,053	835,926.
Other non-renewables	302-1 a	4,285	4,134	4,431
Renewable fuel consumed	302-1 b	0	0	0
Purchased electricity	302-1 c	646,056	688,686	731,302
Purchased steam	302-1 c	307,547	291,442	340,818
Produced electricity (Solar)		1,918	N/A	N/A
Total energy consumption	302-1 e	1,745,021	1,775,315	1,912,478
Change in total energy consumption	302-4	-30,293	-137,163	239,360

In 2022, the share of renewable electricity was 15%.

Energy sold outside the organization is not reported as Suominen does not generate any energy to be sold outside the organization. In 2021, the other non-renewable fuel consumed (GRI 302-1 a) figure has been restated for the years 2020 and 2019 due to one energy source that was not counted. However, the values of total energy consumption and change in total energy consumption were correct. In 2022, the purchased steam (302-1 c) figure has been restated for the years 2019, 2020 and 2021 due to double counting. This influences the total energy consumption, change in total energy consumption and the Energy KPI, which have all been revised.

Water and effluents

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

		All areas			Areas with water stress		
Water withdrawal by source, ML		2022	2021	2020	2022	2021	2020
Surface water	303-3 a&b	3,915	3,426	3,967	0	0	0
Ground water	303-3 a&b	1,833	1,683	2,199	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	730	818	909	79	78	106
Total		6,478	5,927	7,075	79	78	106

		All areas			Areas with water stress		
Water discharge by type of destination, ML		2022	2021	2020	2022	2021	2020
Surface water	304-4 a&c	5,163	4,849	5,590	0	0	0
Ground water	304-4 a&c	0	0	0	0	0	0
Seawater	304-4 a&c	0	0	0	0	0	0
Third-party water	304-4 a&c	495	563	555	17	15	21
Total		5,658	5,412	6,145	17	15	21
Water consumption	303-5 a&b	820	515	929	63	62	85

Figures presented here are based on the data collected from Suominen sites. World Resources 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.

In 2022, there were 8 reported incidents of non-compliance with discharge limits. Six wastewater discharge permit violations and two regulatory exceedances, which were corrected afterwards.

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_2e		2022	2021	2020
Direct (Scope 1) emissions	305-1	42,759	43,299	45,425
Biogenic Direct (Scope 1) emissions	305-1	0	0	0
Energy indirect (Scope 2) emissions – market-based	305-2	50,604	71,499	81,764
Energy indirect (Scope 2) emissions – location-based	305-2	71,954	72,605	84,812
Total emissions (Scope 1 and Scope 2 – market-based)		93,363	114,798	127,188
Change of total emissions	305-5	-21,435	-12,390	15,873

Suominen's direct (Scope 1) greenhouse gas (GHG) emissions are from the sources owned by Suominen and they are expressed as CO_2e, which covers greenhouse gases as described in Kyoto Protocol (CO_2,CH_4, N2O, HFCs, PCFs, SF6 and NF3). No biogenic emissions are generated from our operations as only fossils fuels are used. In 2021, during the GRI assurance project, we revised the Scope 2 greenhouse gas emission calculation and also updates were made to the greenhouse gas data. In 2022, Scope 2 location-based emissions was restated for one plant to include purchased steam as well. Scope 2 emissions are calculated according to the Greenhouse Gas Protocol's "A Corporate Accounting and Reporting Standard" and covers emissions from purchased electricity and steam. Market-based emissions are used for target setting and following our progress. Greenhouse Gas Protocol's calculation hierarchy and related emissions factors are used for the calculation of marked- and location-based methods. Market-based emissions are mainly derived from the local suppliers or when appropriate residual mixes (RE-DISS project) are used. Emission factors used for location-based emissions are derived from the US national statistics or eGRID database. Suominen reports with an Operational control approach.

Waste

306-1: Waste generation and significant waste-related impacts
306-2: Management of significant waste-related impacts
306-3: Waste generated

Waste generated, in metric tons (t)

		2022	2021	2020
Non-hazardous waste - Waste to landfill	306-3 a	3,476	3,209	4,063
Non-hazardous waste - Energy recovery	306-3 a	531	566	1,639
Non-hazardous waste - Waste for recycling	306-3 a	4,297	3,609	N/A
Non-hazardous waste - Waste to re-use	306-3 a	851	272	N/A
Non-hazardous waste - Waste to incineration	306-3 a	0	2	N/A
Hazardous waste	306-3 a	10	20	11
Total waste generated	306-3 a	9,166	7,677	N/A

Figures (except for waste to landfill) for 2022 and 2021 are excluding Windsor Locks site.

The waste fractions that Suominen produces in its own operations originate from the nonwoven production process (e.g. trim waste) and packaging of nonwoven roll goods. Suominen's waste fractions are mainly non-hazardous waste; only a very small amount of hazardous waste is produced during production coming from the use of some colorants and binders. Suominen purchases its raw and packaging materials. Nonwovens produced by Suominen will be converted into single-use products such as wipes, and the products will be properly packed. Eventually the nonwoven end product will end up as waste and its waste management depends on the properties and materials used in the end product and its packaging. In waste management, Suominen's first priority is to prevent waste generation in the first place by improving its material efficiency and material circularity in its own operations. Secondarily, we work actively with partners that can reuse our waste material for different end uses. Suominen is also producing an increasing amount of sustainable products. Sustainable products are produced of renewable, plastic-free or recycled raw materials. Products made from renewable raw materials potentially have multiple ways of disposal and products made of recycled raw materials increase the circularity of raw materials and prevent waste. For the reporting year 2020, the GRI 306: Effluents and waste (2016) reporting standard was used. Starting in 2021, waste reporting was updated to GRI 306 Waste (2020). Therefore, not all waste fractions were reported for the year 2020.

GRI 401-1 New employee hires and employee turnover

Employee distribution and turnover

	Europe	Americas	Total
Number of employees			
By age group			
Under 30	47	38	85
30–50	192	192	384
Over 50	134	114	248
By gender			
Women	88	80	168
Men	285	264	549
Number of new hires			
By age groups			
Under 30	19	43	62
30–50	20	79	99
Over 50	12	33	45
By gender			
Women	17	34	51
Men	34	121	155
Employee turnover			
By age group			
Under 30	18	32	50
30–50	30	87	117
Over 50	13	36	49
By gender			
Women	40	132	172
Men	21	23	44
Total employee turnover rate	16%	45%	30%

GRI 403-9 Work-related injuries

The number and rate of fatalities as a result of work-related injury The number and rate of high-consequence work-related injuries (excluding fatalities)

		2022	2021	2020
Number of fatalities	403-9 a	0	0	0
Rate of fatalities	403-9 a	0	0	0
Number of high-consequence injuries	403-9 a	0	0	0
Rate of high-consequence injuries	403-9 a	0	0	0

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

Percentage of employees who have received regular performance and career development review

	Men	Women
White collar	94%	91%
Blue collar	45%	36%

GRI 405-1 Diversity of governance bodies and employees

Diversity of Executive Team

By age group	Men	Women
Under 30	0	0
30–50	2	0
Over 50	2	1

Our management approach

<table>
<tr><th></th><th>PEOPLE AND SAFETY</th><th>LOW IMPACT MANUFACTURING</th><th>SUSTAINABLE NONWOVENS</th><th>CORPORATE CITIZENSHIP</th></tr>
<tr><td>Description and purpose of the management method</td><td colspan="4">Our work is guided by our Code of Conduct and our values: ownership, teamwork, performance and integrity. The purpose of the management method is to ensure the implementation of the strategy and the achievement of the targets as planned.</td></tr>
<tr><td>Policies and commitments</td><td>- Code of Conduct
- Suominen HR principles and policies
- Compensation and benefits policy
- Blind hiring principle in use when possible
- Safety principles and Behavior Based Safety program
- ISO 45001 in Alicante, Bethune, Cressa, Green Bay, Mozzate and Nakkila plants
- Privacy policy
- Recruitment policy
- Travel and expense policy
- Information security guidelines</td><td>- Code of Conduct
- ISO 14001 certification in all plants
- ISO 9001 in all plants
- ISO 50001 in Alicante, Cressa, Mozzate and Nakkila plants
- Local environmental policy in all plants</td><td>- Supplier Code of Conduct
- Suominen offers traceability certifications for FSC®, PEFC & SFI, as well as skin-safe certifications like OEKO-TEX</td><td>- Code of Conduct
- Supplier Code of Conduct
- Competition law compliance policy
- Credit policy
- Disclosure policy
- Gift, entertainment and anti-bribery policy
- Insider policy
- Related party policy
- Risk management policy
- SpeakUp policy
- Sponsorship and donation policy
- Tax policy
- Treasury policy</td></tr>
<tr><td>Objectives</td><td>- We focus on increasing employee engagement
- We continue to build a high performance culture
- We continue to strengthen our safety culture</td><td>- We continuously strive to decrease the environmental impacts of our operations</td><td>- We are the frontrunner in sustainable nonwovens</td><td>- We promote responsible business practices in our operations and supply chain
- We communicate openly and transparently about our operations</td></tr>
<tr><td rowspan="2">Resources and responsibilities</td><td>Leading functions:
HR and HSEQ</td><td>Leading functions:
Operations and HSEQ</td><td>Shared responsibility for several functions (e.g. Business Development, Sourcing, R&D and Operations)</td><td>Leading functions:
Legal, Sourcing and Finance</td></tr>
<tr><td colspan="4">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 function coordinates the work and supports other functions when needed.</td></tr>
<tr><td>Grievance mechanism</td><td colspan="4">Suspected misconduct can be reported e.g. to the supervisor, the supervisor's supervisor, local or corporate HR function, or through an externally managed SpeakUp Line. Suominen does not accept any retaliation against anyone who reports a suspected violation of the Code of Conduct or other policies in good faith. Furthermore, no retaliation will be tolerated against anyone who participates or assists in the investigation of a report by Suominen.</td></tr>
<tr><td>Evaluation of the management method</td><td>Compliance, external audits including ISO 45001, internal control and audits, incident reports, assessment of occupational safety risks, safety observation reports submitted by employees, mandatory Code of Conduct training, performance and development discussions, employee engagement surveys, one-to-one discussions, employee exit surveys</td><td>Compliance, external audits including ISO 9001:2015, ISO 14001:2015 and ISO 50001 audits, incident reports and monitoring and evaluating our KPIs</td><td>Compliance, audits by customers, monitoring and evaluating our KPIs, audits on our supply chain, EcoVadis supply chain assessments</td><td>Compliance and evaluation of the efficiency of our policies</td></tr>
</table>

Independent practitioner's limited assurance report

To the Management of Suominen Corporation

We have been engaged by the Management of Suominen Corporation (hereinafter also the "Company") to perform a limited assurance engagement on selected sustainability disclosures for the reporting period 1 January 2022 to 31 December 2022, disclosed in the Sustainability section of Suominen Annual Report 2022 (hereinafter the Selected sustainability information).

Selected sustainability information

The selected sustainability information within the scope of assurance are included in the Sustainability section in the Company's Annual Report 2022. The scope of assurance covers the economic, social and environmental sustainability indicators identified below.

GRI indicators of the Global Reporting Initiative:
- 2-7 Employees (2021)
- 2-8 Workers who are not employees (2021)
- 2-27 Compliance with laws and regulations (2021)
- 2-30 Collective bargaining agreements (2021)
- 3-1 Process to determine material topics (2021)
- 3-2 List of material topics (2021)
- 3-3 Management of material topics (2021)
- 201-1 Direct economic value generated and distributed (2016)
- 205-1 Operations assessed for risks related to corruption (2016)
- 205-2 Communication and training about anti-corruption policies and procedures (2016)
- 205-3 Confirmed incidents of corruption and actions taken (2016)
- 206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices (2016)
- 301-1 Materials used by weight and volume
- 302-1 Energy consumption (2016)
- 302-4 Reduction of energy consumption (2016)
- 303-1 Interactions with water as a shared resource (2018)
- 303-2 Management of water discharge-related impacts (2018)
- 303-3 Water withdrawal (2018)
- 303-4 Water discharge (2018)
- 303-5 Water consumption (2018)
- 305-1 Direct (Scope 1) GHG emissions (2016)
- 305-2 Energy indirect (Scope 2) GHG emissions (2016)
- 305-4 GHG emissions intensity
- 306-3 Waste generated (2020)
- 308-1 New suppliers that were screened using environmental criteria (2016)
- 401-1 New employee hires and employee turnover (2016)
- 403-1 Occupational health and safety management system (2018)
- 403-2 Hazard identification, risk assessment, and incident investigation (2018)
- 403-3 Occupational health services (2018)
- 403-4 Worker participation, consultation, and communication on occupational health and safety (2018)
- 403-5 Worker training on occupational health and safety (2018)
- 403-6 Promotion of worker health (2018)
- 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships (2018)
- 403-9 Work-related injuries (2018)
- 404-3 Percentage of employees receiving regular performance and career development reviews (2016)
- 405-1 Diversity of governance bodies and employees (2016)
- 406-1 Incidents of discrimination and corrective actions taken (2016)

- 414-1 New suppliers that were screened using social criteria (2016)
- 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data (2016).

Company's own KPIs:
- Sales of sustainable products
- Number of sustainable product launches

Management's responsibility

The Management of Suominen Corporation is responsible for preparing the Selected sustainability information in accordance with the reporting criteria as set out in Suominen Corporation reporting instructions described in the Sustainability section of Suominen Annual Report 2022, and the GRI Standards of the Global Reporting Initiative.

The Management of Suominen Corporation is also responsible for such internal control as the management determines is necessary to enable the preparation of the Selected sustainability information that is free from material misstatement, whether due to fraud or error.

Practitioner's independence, other ethical requirements and quality control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

PricewaterhouseCoopers Oy applies International Standard on Quality Control (ISQC) 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's responsibility

Our responsibility is to express a limited assurance conclusion on the Selected sustainability information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements (ISAE) 3410 "Assurance Engagements on Greenhouse Gas Statements". These Standards require that we plan and perform the engagement to obtain limited assurance about whether the Selected sustainability information is free from material misstatement.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. An assurance engagement involves performing procedures to obtain evidence about the amounts and other information in the Selected sustainability information. The procedures selected depend on the practitioner's judgment, including an assessment of the risks of material misstatement of the Selected sustainability information.

Our work consisted of, amongst others, the following procedures:
- Interviewing senior management of the Company.
- Conducting remote site visits to Alicante site in Spain and Paulinia site in Brazil.
- Interviewing employees responsible for collecting and reporting the information presented in the Selected sustainability information at the group level as well as at the site level.
- Assessing how Group employees apply the reporting instructions and procedures of the Company.
- Testing the accuracy and completeness of the information from original documents and systems on a sample basis.
- Testing the consolidation of information and performing recalculations on a sample basis.
- Considering the disclosure and presentation of the Selected sustainability information.

Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Suominen Corporation's Selected sustainability information for the reporting period 1 January 2022 to 31 December 2022 is not properly prepared, in all material respects, in accordance with the Reporting criteria.

When reading our limited assurance report, the inherent limitations to the accuracy and completeness of sustainability information should be taken into consideration.

Our assurance report has been prepared in accordance with the terms of our engagement. We do not accept, or assume responsibility to anyone else, except to Suominen Corporation for our work, for this report, or for the conclusions that we have reached.

Helsinki, 9 February 2023
PricewaterhouseCoopers Oy

Mikael Niskala
Partner
ESG & Sustainability
Services Leader

Tiina Puukkoniemi
Partner, Authorised
Public Accountant (KHT)
ESG Reporting &
Assurance

Corporate Governance

Corporate Governance Statement of Suominen Corporation for 2022

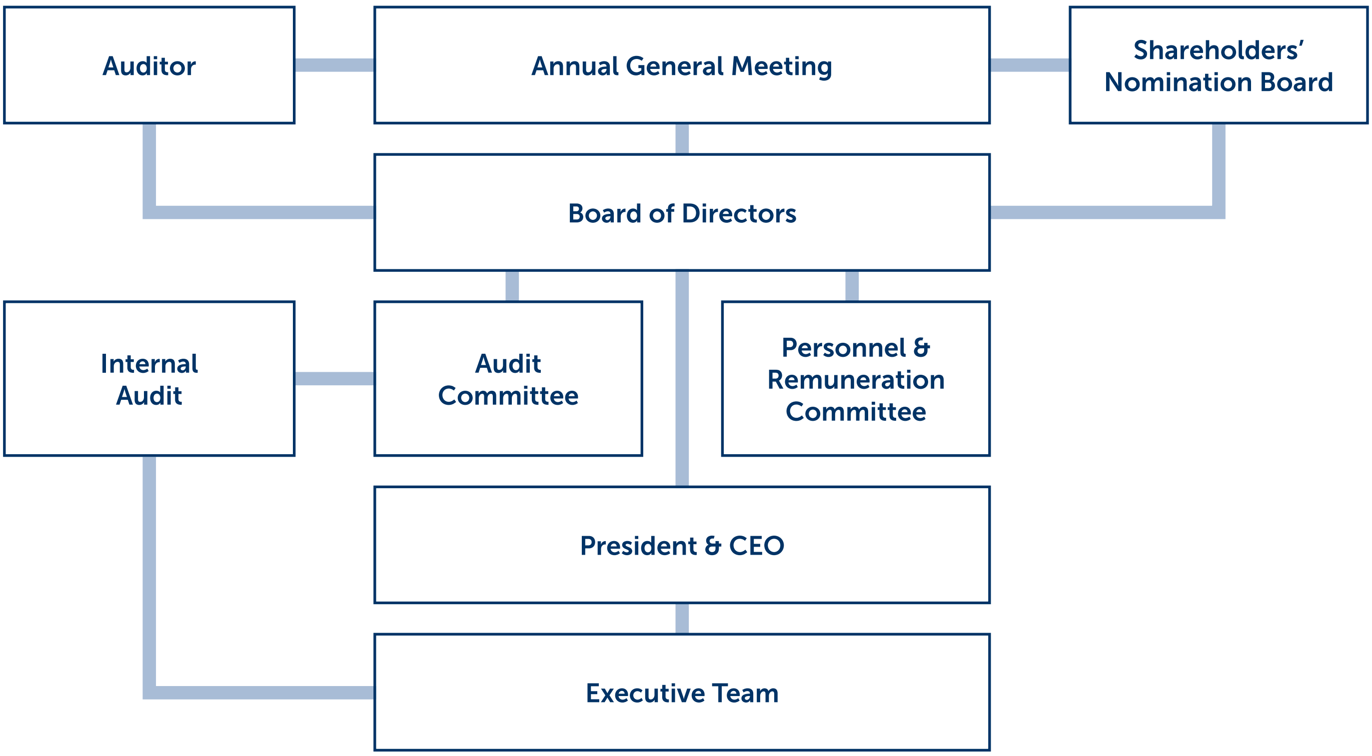
Suominen Corporation ("Suominen" or the "Company") complies with the Finnish Corporate Governance Code 2020 (the "Code") issued by the Securities Market Association. The Code is available on the internet at **www.cgfinland.fi**.

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

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

1. Suominen's governing bodies

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



General Meeting of Shareholders

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

- Adoption of the financial statements
- Use of the profit shown on the balance sheet
- Election of the 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 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 days before the meeting.

Annual General Meeting in 2022

The Annual General Meeting was held in Helsinki on March 24, 2022. In order to prevent the spread of the COVID-19 pandemic, the meeting was held without the shareholders' and their proxy representatives' presence at the venue of the meeting. The shareholders of the Company participated in the meeting and exercised their shareholder rights by voting in advance. A total of 20 shareholders representing 61.8% of the Company's shares and votes participated in the advance voting. The Annual General Meeting documents are available on the Company's website at **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 on 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 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 2022

Shareholders' representatives on the Nomination Board in 2022 were Lasse Heinonen, representing Ahlstrom Capital B.V. and Mikael Etola representing both Oy Etra Invest Ab and Etola Group Oy. Jaakko Eskola, Chair of the Board of Directors, acted as the third member of the Nomination Board. Lasse Heinonen acted as the Chair of the Nomination Board. The Nomination Board decided to invite Jukka Perttula, Chair of Board of Directors of Nordea Funds, to attend the Nomination Board's meetings as an advisor representing Nordea Nordic Small Cap Fund, Suominen's fourth largest shareholder on September 1, 2022.

In 2022, 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 2022

The 2022 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 2023.

Board member	Member since	Born	Nationality	Education	Main occupation	Share ownership
Jaakko Eskola	2021, Chair since 2021	1958	Finnish	M.Sc. (Eng.)	Board Professional	19,894
Andreas Ahlström	2015, Deputy Chair since 2020	1976	Finnish	M.Sc. (Econ. and Business Adm.)	Investment Director, Ahlström Capital Oy	23,836
Björn Borgman	2020	1975	Swedish	M.Sc. (Industrial Engineering)	CEO, HL Display AB	21,946
Nina Linander	2020	1959	Swedish	B.Sc. (Econ.), MBA	Board Professional	23,778
Aaron Barsness	2022	1973	U.S. and Swedish	BA (Biology and Environmental Studies)	CMO, Fazer Group	2,503
Laura Raitio	2015	1962	Finnish	Licentiate of Technology	Board Professional	23,836
Until March 24, 2022						
Sari Pajari-Sederholm	2019	1968	Finnish	M.Sc. (Tech.)	EVP, Strategy, Metsä Group	

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 2022, 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**
Jaakko Eskola	Chair	11/11
Andreas Ahlström	Deputy Chair	11/11
Björn Borgman	Member	11/11
Nina Linander	Member	11/11
Aaron Barsness	Member	9/9
Laura Raitio	Member	11/11
Until March 24, 2022		
Sari Pajari-Sederholm	Member	2/2

Board evaluation

In 2022, 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 2022. 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.

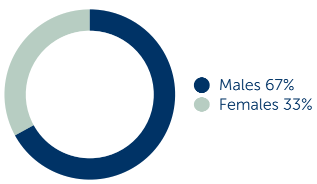
The Nomination Board of Suominen's shareholders evaluates the number of members on the Board, its composition and the competence requirements of the Board in the light of the present and future needs of the Company. When assessing the composition of the Board, the Nomination Board considers, among other 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.

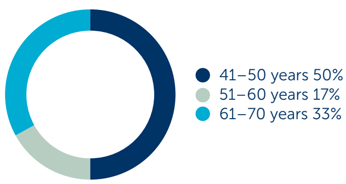
The essentials of the diversity principles are described in this Statement. They can be reviewed in their entirety at **www.suominen.fi**.

Board Diversity (December 31, 2022)

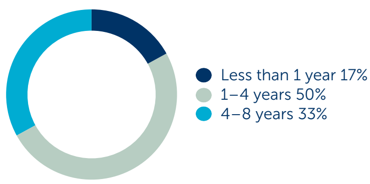
Gender



Age



Tenure



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 2022

The Audit Committee consisted of Nina Linander (Chair), Andreas Ahlström and Laura Raitio. In 2022, 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	4/4
Andreas Ahlström	Member	4/4
Laura Raitio	Member	4/4

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 2022

The Personnel and Remuneration Committee consisted of Jaakko Eskola (Chair), Björn Borgman and Aaron Barsness (as of March 24, 2022). Sari Pajari-Sederholm was a member of the Committee until March 24, 2022.

In 2022, 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
Jaakko Eskola	Chair	2/2
Björn Borgman	Member	2/2
Aaron Barsness	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.

Klaus Korhonen is the interim President and CEO of Suominen as of November 30, 2022. Petri Helsky served as President & CEO until November 30, 2022. Suominen has appointed Mr. Tommi Björnman as the new President & CEO of the Company. Björnman starts as Suominen's President & CEO at the latest in May 2023.

Executive Team

The President & CEO is supported by the Executive Team.
In 2022, the Executive Team consisted of:

Executive Team member	Team member since	Born	Nationality	Education	Position	Share ownership
Klaus Korhonen	2019	1974	Finnish	LL.M.	Interim President & CEO (As of November 30, 2022) SVP, HR & Legal	36,592
Toni Tamminen	2019	1978	Finnish	D.Sc. (Tech.), M.Sc. (Econ.)	CFO	19,000
Lynda Kelly	2014	1964	US	B.Sc.	SVP, Americas & Business Development	57,073
Markku Koivisto	2017	1971	Finnish	M.Sc. (Tech.)	SVP, Europe & R&D	36,482
Mimoun Saïm	2011	1964	French	ENSI Engineering	SVP, Operations	65,502
Until November 30, 2022						
Petri Helsky	2019	1966	Finnish	M.Sc. (Tech.), M.Sc. (Econ.)	President & CEO	

Suominen's operative organization

Suominen's operative organization consists of two business areas, Europe and the 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 workflow, 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 has retained an external party to execute internal audits within the Company. The audit topics are determined by the Audit Committee based on recommendations by the management, and any material findings are reported to the Audit Committee, the President & CEO, the Executive Team and other 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** (> 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 begins 30 calendar days before the publication of an interim report, half-year report or financial statements release and ends at the end of the day of publication of such a report or release. 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 in the IR 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 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 24, 2022 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 2022

Auditor's fees and services	EUR thousand
Auditing	501
Non-audit related fees (tax and other consulting fees)	25
TOTAL	**526**

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 the 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/investors/corporate-governance/remuneration/**.

2022 CEO REMUNERATION AT A GLANCE

Petri Helsky acted as the Company's CEO until November 30, 2022. There were no changes in the CEO's compensation structure in 2022.

The total remuneration paid to Petri Helsky in 2022 increased from the previous year mainly due to a higher reward from the Long-Term Incentive (the "LTI") Plan Performance Period 2019–2021 compared to the previous Performance Period. On the other hand, his reward from the Global Short-Term Incentive (the "STI") Plan 2021 was lower compared to the previous year.

The remuneration earned by Petri Helsky in 2022, payable in 2023, consists of rewards under the Global STI Plan 2022 and the LTI Plan Performance Period 2020–2022. The outcome from the Global STI Plan 2022 was between the threshold and the target, and from the LTI Performance Period 2020–2022 between the target and the maximum level.

Klaus Korhonen, the Company's SVP, HR & Legal was appointed as an interim CEO as of November 30, 2022. He receives an increased base salary for the interim role, but otherwise his remuneration and terms of employment remained as they were.

For further information on the Company, Board and executive remuneration, please visit our website: **www.suominen.fi/investors/corporate-governance/remuneration/**.

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

Dear Shareholders,

As the Chair of Suominen's Board of Directors and the Personnel and Remuneration Committee (the "PRC"), I am pleased to present Suominen's Remuneration Report for the financial year 2022. The report has been approved by the Board on February 2, 2023.

2022 was a difficult year for Suominen. The unprecedented raw material inflation which impacted significantly already in 2021 persisted, and additionally also energy costs surged in 2022. Suominen's net sales in 2022 reached EUR 493.3 million, which represents record annual net sales for Suominen. Suominen's comparable EBITDA decreased clearly from the previous year and was EUR 15.3 million, as the higher sales prices could not fully compensate for the volume loss and higher raw material and energy costs.

We continued the implementation of our strategy focusing on innovation and sustainability. The current strategy was launched in 2020 under the leadership of Petri Helsky who stepped down from his position in November 2022. I want to warmly thank Petri for all of his contribution and efforts during the past four years as the CEO of Suominen.

In spring 2023, Suominen will welcome a new CEO to continue the good work. Tommi Björnman was appointed Suominen's CEO in November 2022, and he will start in May 2023 at the latest.

In line with our Remuneration Policy, we aim to offer the CEO a remuneration structure that incentivizes towards the achievement of Suominen's strategic targets and long-term shareholder value creation. We utilize both short-term and long-term performance-based incentives for which the Board annually selects appropriate performance metrics that steer towards the implementation of Suominen's strategy and the achievement of sustainable financial results in a competitive market.

Rewards under all ongoing LTI Performance Periods are awarded based on three-year relative Total Shareholder Return ("TSR"). The Board considers this to be the most important performance indicator to assess whether the Company's strategy is successfully implemented in the long term. On the other hand, financial and operative metrics and other strategic targets are being set and followed in the annual Global STI Plan, which aligns short-term strategic actions with long-term shareholder value creation.

During 2022, we have continued to comply with and execute the Remuneration Policy as approved by the 2020 AGM. There was no need to temporarily deviate from the Policy.

This is the third Remuneration Report for Suominen as required by the Finnish Corporate Governance Code 2020. This report is based on the same format as our Remuneration Report 2021 which was approved by 89.6% of the votes cast (advisory voting) in the 2022 AGM. We continue to welcome shareholder feedback regarding our remuneration and reporting.

Jaakko Eskola
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 2018 to 2022.

During the last five years, remuneration for the CEO and our employees (on average) has been quite well in alignment with the Company's performance. When interpreting the figures in the table below, it is good to note two things:

1. For the CEO, the figures represent remuneration paid during that financial year, and a portion of such remuneration may have been earned during the previous year or years.
2. Employee pay figures, however, are accrual-based figures from financial statements, meaning that some of the wages and salaries (for example bonuses) have been earned but not paid during that year.

Pay-for-performance philosophy is widely followed at Suominen and many of the performance metrics incentivizing the CEO are similarly used to incentivize the employees. Accordingly, the average employee pay fluctuates in accordance with the Company's performance, but to a lesser degree than executive pay, as a smaller portion of total remuneration consists of variable remuneration.

The Board members do not participate in any incentive schemes and correspondingly the Board remuneration has remained rather stable with occasional increases to annual and meeting fees. Variation mainly occurs due to different number of Board and Committee meetings during the year.

Remuneration development and company performance 2018–2022

	2018	2019	2020	2021	2022
CEO (Petri Helsky, until Nov 30, 2022) total remuneration[1] (EUR thousand)		474.6	745.4	957.9	1,118.9
Interim CEO (Klaus Korhonen, as of Nov 30, 2022) fixed remuneration[2] (EUR thousand)					20.4
Previous CEO (Nina Kopola) total remuneration[3] (EUR thousand)	985.1				
Interim CEO (Tapio Engström) fixed remuneration[2] (EUR thousand)	99.7				
Index[4]	100%	44%	69%	88%	105%
Employee pay (average)[5] (EUR thousand)	52.7	54.9	59.9	53.4	58.9
Index[4]	100%	104%	114%	101%	112%
Total Board remuneration[6] (EUR thousand)	236.0	244.5	275.3	258.4	285.0
Index[4]	100%	104%	117%	110%	121%
Jaakko Eskola				69.9	75.0
Andreas Ahlström	31.5	33.0	38.0	35.7	39.0
Laura Raitio	32.0	33.0	38.0	35.7	39.0
Björn Borgman			33.3	35.4	39.5
Nina Linander			43.5	46.8	52.5
Aaron Barsness					40.0
Sari Pajari-Sederholm		28.0	37.3	34.9	
Jan Johansson	67.0	70.0	76.3		
Risto Anttonen	41.5	43.0	4.5		
Hannu Kasurinen	32.0	33.5	4.5		
Jaana Tuominen	32.0	4.0			
3-year TSR[7] (%)	-58%	-34%	12%	126%	41%
Share price development[8] (EUR)	2.24	2.34	4.90	4.82	2.86
Index[4]	100%	104%	219%	215%	128%
EBITDA (EUR million)	25.6	33.7	60.9	47.0	15.3
Index[4]	100%	132%	238%	184%	60%

[1] Petri Helsky started as the CEO in January 2019. CEO total remuneration includes all payments made to the CEO during the financial year.
[2] Interim CEO remuneration in 2018 and 2022 is from the time period they acted as interim CEO and includes only the fixed salary paid during the following time periods:
- Klaus Korhonen November 30, 2022–December 31, 2022
- Tapio Engström August 4, 2018–December 31, 2018

[3] Previous CEO Nina Kopola's pay in 2018 includes base salary and benefits until August 3, 2018, severance payments of EUR 482,819 and the value of 14,182 shares received as reward from the LTI Plan. Kopola's total remuneration includes all payments made to the CEO during the financial year.
[4] First year (2018) in the time-series set at 100%.
[5] Employee pay is the wages and salaries of our personnel from the Financial Statements divided by the average number of employees.
[6] Total Board remuneration includes all payments made to the Board during the financial year
[7] Total Shareholder Return (share price increase plus dividend yield) is calculated based on the 3-month closing average prior to the end of the financial year. For example, the 3-year TSR for 2022 is calculated as (Q4/2022 average share price - Q4/2019 average share price) ÷ Q4/2019 average share price + (paid dividends in 2020, 2021 and 2022) ÷ Q4/2019 average share price.
[8] Share price development is calculated based on the 3-month closing average prior to the end of the financial year.

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

At the AGM on March 24, 2022, 89.6% of the votes cast were in favor of the Remuneration Report 2022. The PRC and the Board have considered the feedback provided by the shareholders and have, for example, elaborated on the relative TSR target used in the LTI Plans.

During 2022, 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 Remuneration Policy during 2022.

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 24, 2022 resolved to increase the annual remuneration payable to the members of the Board. The current remuneration is as follows:

- The Chair is paid an annual fee of EUR 70,000
- The Deputy Chair and other Board members are paid an annual fee of EUR 33,000
- The Chair of the Audit Committee is paid an additional fee of EUR 10,000
- Further, the members of the Board 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 500 for each meeting held as a telephone conference

75% of the annual fee was paid in cash and 25% in Suominen's shares. The shares were transferred out of the own shares held by the Company by the decision of the Board on May 15, 2022.

Members of the Board are not employees of Suominen and do not participate in any Suominen incentive scheme or pension arrangement. In accordance with the pension laws in Sweden, the fees paid to the Swedish members of the Board are subject to employment pension contributions. All payments to the members of the Board during 2022 have been in compliance with the Remuneration Policy. In 2022, the following fees were paid to the members of the Board:

Remuneration of the Board of Directors in 2022

		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)
Jaakko Eskola	Chair	53,323.46	16,676.54	5,311	5,000	75,000
Andreas Ahlström	Deputy Chair	25,140.58	7,859.42	2,503	6,000	39,000
Aaron Barsness	Member	25,140.58	7,859.42	2,503	7,000	40,000
Björn Borgman	Member	25,140.58	7,859.42	2,503	6,500	39,500
Nina Linander*	Member	32,757.32	10,242.68	3,262	9,500	52,500
Laura Raitio	Member	25,140.58	7,859.42	2,503	6,000	39,000

* Chair of the Audit Committee; including an additional fee of EUR 10,000

Remuneration of the members of the Board of Directors, including the value of the remuneration paid in Suominen shares, totaled EUR 285,000 in 2022.

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

The year 2022 was exceptional for Suominen as two CEOs acted in the role during the year.

Petri Helsky, from January 1, 2022 to November 30, 2022

Petri Helsky acted as the Company's CEO until November 30, 2022.

In 2022, Petri Helsky's remuneration consisted of fixed base salary (including fringe benefits), supplementary pension, and variable incentives including rewards from the Global STI Plan 2021 and LTI Performance Period 2019–2021 as well as a supplementary bonus.

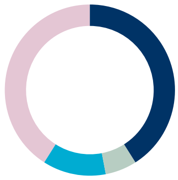
In 2022, Petri Helsky was paid a total remuneration of EUR 1,118,937 consisting of fixed salary and benefits of EUR 458,494, a supplementary pension payment of EUR 67,576, a cash bonus of EUR 129,500, and a reward from the LTI Performance Period 2019–2021 of EUR 463,367 (60,739 Suominen shares + cash proportion to cover taxes).

The payment under the Global STI Plan 2021 was based on overall achievement of the KPIs set for 2021, i.e., Group EBITDA (50% weight), Group Contribution Margin (20% weight) and specific sustainability-related personal targets (30% weight). The outcome for these targets in total was between the threshold and the target, resulting in a payment of EUR 116,704. In addition, the CEO was paid a supplementary bonus of EUR 12,796 based on reaching the threshold on the set 2021 annual Group EBITDA target.

The payment under the LTI Performance Period 2019–2021 was based on relative TSR where the TSR of Suominen's share was compared to the TSR of all shares listed on Nasdaq Helsinki. TSR was calculated based on the volume-weighted average share price change between Q4/2018 and Q4/2021 plus dividends paid in 2019–2021. Suominen's TSR ranked 25th and placed the Company above the 80th percentile which was between the target (60th percentile) and the maximum (90th percentile).

Fixed pay formed 44% and variable pay 56% of the total remuneration paid to the CEO in 2022. Non-statutory pensions are considered neither fixed nor variable pay.

Total CEO pay in 2022 in proportions



STI 2021 KPIs and achievement for the CEO*

KPI	Weight	Achievement
Group EBITDA	50%	Between threshold and target
Group CM	20%	Below threshold
Personal targets	30%	Reached maximum
Total	100%	Between threshold and target

* Paid during 2022

In 2022, Petri Helsky earned the following variable incentives which are to be paid in 2023:

The reward from the Global STI 2022 was based on Group EBITDA (70% weight) and specific sustainability-related personal targets (30% weight). The outcome for these targets in total was between the threshold and the target, equaling to EUR 75,276.

The reward from the LTI Performance Period 2020–2022 was based on relative TSR where the TSR of Suominen's share was compared to the TSR of all shares listed on Nasdaq Helsinki. TSR was calculated based on the volume-weighted average share price change between Q4/2019 and Q4/2022 plus dividends paid in 2020–2022. Suominen's TSR ranked 45th and placed the Company above the 63rd percentile which was between the target (60th percentile) and the maximum (90th percentile). This resulted in a gross reward of 123,924 Suominen shares to the CEO.

Petri Helsky and the Company have mutually agreed on the termination of Helsky's CEO agreement on November

30, 2022. According to the agreement, Petri Helsky shall be paid a contractual 6 months' notice period base salary (including fringe benefits). He shall also be paid a supplementary pension contribution of 11.5% of the salaries and fringe benefits to be paid in 2023. Additionally, Petri Helsky is entitled to a severance pay of EUR 418,200, to be paid in 2023.

Klaus Korhonen, from November 30, 2022 to December 31, 2022

Klaus Korhonen, the Company's SVP, HR & Legal held the position of interim CEO as of November 30, 2022. He received an increased base salary for the interim role but otherwise his terms of employment remained the same. Klaus Korhonen's actual paid base salary including benefits was EUR 20,371 in November 30, 2022–December 31, 2022.

CEO Petri Helsky's remuneration in 2022 is further described in the table below.

Element	Quantum	Purpose, link to strategy and description from the remuneration policy	Comment on compliance
Base salary + benefits	Paid in 2022 (including holiday pay): Base salary: EUR 439,868 Benefits: EUR 18,626	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 a company car, lunch and a telephone. Base salary is determined based on a variety of factors, such as market level and the individual's skills and experience. Base salary is typically reviewed annually.	Complies with the Policy: The CEO has benefits such as a company car, health insurance, lunch and a telephone.
Supplementary pension arrangement	Paid in 2022: EUR 67,576	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.	Complies with the Policy: The CEO participates in a non-statutory defined contribution pension plan. The Company's contribution was 11.5% of the estimated annual base salary, benefits and cash bonus in 2022. Pension starts from the age of 63.
Cash bonus (Short-term remuneration)	Earned from financial year 2021 (Global STI 2021), paid in 2022: EUR 116,704 Earned from financial year 2021 (Supplementary bonus), paid in 2022: EUR 12,796 Earned from financial year 2022 (Global STI 2022), to be paid in 2023: EUR 75,276	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 the achieved one-year performance.	Complies with the Policy: Maximum STI% in 2021 and 2022 was 60% of the annual base salary (excluding holiday pay). Both in 2021 and in 2022, the total achievement was between the threshold and the target. In November 2021, the Board of Directors decided to introduce a supplementary bonus opportunity for all employees eligible in the Global STI 2021, including the CEO. This resulted in a pay-out in 2022.

Element	Quantum	Purpose, link to strategy and description from the remuneration policy	Comment on compliance
Share-Based Incentive Plans (Long-Term Remuneration)	Earned from LTI Performance Period 2019–2021, paid in 2022: 128,563 gross shares with a value of EUR 463,367. Net shares delivered: 60,739 Earned from LTI Performance Period 2020–2022, to be paid in 2023: 123,924 gross shares	The purpose is to reward for the delivery of long-term shareholder value, to align the President & 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 & CEO may have share-based incentive plans, which reward for the Company's performance or which are used for retention purposes. Currently Suominen's performance-based long-term incentive mechanism is a share-based plan, which offers the President & CEO the opportunity of earning a 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. The Board of Directors resolves the maximum number of shares that can be earned from the 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.	Complies with the Policy: The CEO was eligible in the LTI Performance Period 2019–2021 in which the total achievement of the KPI was between the threshold and the target. Therefore, the CEO was rewarded with 128,563 gross shares in spring 2022. The CEO was also eligible in the LTI Performance Period 2020–2022 in which the total achievement was between target and maximum. Therefore, the CEO will receive a reward of 123,924 gross shares in spring 2023. The Board has resolved the maximum number of shares that can be earned from the LTI. 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 Periods 2019–2021 or 2020–2022.
Share Ownership Prerequisite		The CEO must hold 50% of the net number of shares given based on the 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.	Complies with the Policy: The CEO has not sold any shares received from the LTI Performance Periods 2018–2020 or 2019–2021.

Board of Directors

DECEMBER 31, 2022

JAAKKO ESKOLA

b. 1958

M.Sc. (Technology)

Member of the Board since 2021

Chair of the Board since 2021

Independent member

Shareholding*:
19,894 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*:
23,836 Suominen shares

AARON BARSNESS

b. 1973

BA (Biology and Environmental Studies)

CMO, Fazer Group, 2022

Member of the Board since 2022

Independent member

Shareholding*:
2,503 Suominen shares

BJÖRN BORGMAN

b. 1975

M.Sc. (Industrial Engineering)

CEO, HL Display AB

Member of the Board since 2020

Independent member

Shareholding*:
21,946 Suominen shares

NINA LINANDER

b. 1959

B.Sc. (Economics) and MBA

Member of the Board since 2020

Independent member

Shareholding*:
23,778 Suominen shares

LAURA RAITIO

b. 1962

Licentiate of Technology (Forest Products Technology)

Member of the Board since 2015

Independent member

Shareholding*:
23,836 Suominen shares

Sari Pajari-Sederholm acted as a member of the Board until March 24, 2022.

More detailed, up-to-date information on the principal working experience and positions of trust of the members of the Board is available at **www.suominen.fi**. Information on the Board's remuneration is included in Suominen's Remuneration 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, 2022.

Executive Team

DECEMBER 31, 2022

KLAUS KORHONEN

Interim President & CEO

SVP, HR & Legal

b. 1974

LL.M.

Joined Suominen in 2019

Shareholding*:
36,592 Suominen shares

TONI TAMMINEN

CFO

b. 1978

D.Sc. (Technology)

M.Sc. (Economics)

Joined Suominen in 2019

Shareholding*:
19,000 Suominen shares

LYNDA A. KELLY

SVP, Americas & Business Development

b. 1964

B.Sc. (Business Administration/ Marketing)

Joined Suominen in 2014

Shareholding*:
57,073 Suominen shares

MARKKU KOIVISTO

SVP, Europe & R&D

b. 1971

M.Sc. (Technology)

Joined Suominen in 2017

Shareholding*:
36,482 Suominen shares

MIMOUN SAÏM

SVP, Operations

b. 1964

ENSI Engineering

Joined Suominen in 2011

Shareholding*:
65,502 Suominen shares

Petri Helsky acted as President & CEO until November 30, 2022. Tommi Björnman was appointed as President & CEO on November 30, 2022 and he starts in the role at the latest in May 2023.

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

*Shareholding refers to the shares and share-based rights of each executive and the corporations over which he/she exercises control in on December 31, 2022.

Financial information

Financial information

JANUARY 1–DECEMBER 31, 2022

Report by the Board of Directors 2022

Highlights of Suominen's financial year 2022

- Net sales increased by 11.3% and were EUR 493.3 million (443.2)
- Comparable EBITDA was EUR 15.3 million (47.0)
- Cash flow from operations totaled to EUR 14.0 million (11.1)
- Board of Directors proposes to the Annual General meeting a dividend of EUR 0.10 per share

Key figures	2022	2021	2020
Net sales, EUR million	493.3	443.2	458.9
Comparable EBITDA, EUR million	15.3	47.0	60.9
EBITDA, EUR million	14.3	47.0	60.9
Comparable operating profit, EUR million	-4.2	26.9	39.5
Operating profit, EUR million	-9.0	26.9	39.5
Profit for the period, EUR million	-13.9	20.7	30.1
Earnings per share, basic, EUR	-0.24	0.36	0.52
Earnings per share, diluted, EUR	-0.24	0.36	0.52
Cash flow from operations per share, EUR	0.24	0.19	0.99
Return on invested capital, rolling 12 months, %	-4.2	13.9	20.1
Gearing, %	37.4	30.4	25.4
Dividend and return of capital per share, EUR*	0.10	0.20	0.20

* 2022 the proposal of the Board of Directors to Annual General Meeting.

The figures shown in brackets refer to the performance in 2022, unless otherwise stated.

Net sales

In 2022, Suominen's net sales increased by 11.3% from the comparison period to EUR 493.3 million (443.2).

The increase in sales was driven by higher sales prices and tailwind from currencies; sales volumes decreased from 2021. Currencies impacted net sales positively by EUR 32.9 million.

Net sales of Americas business area were EUR 288.0 million (265.2) and net sales of Europe business area EUR 205.5 million (178.1).

EBITDA, operating profit and result

Comparable EBITDA (earnings before interest, taxes, depreciation and amortization) was EUR 15.3 million (47.0). EBITDA was EUR 14.3 million (47.0). EBITDA decreased as the higher sales prices could not fully compensate for the volume loss and the higher raw material and energy costs. Currencies impacted EBITDA positively by EUR 1.0 million.

Comparable operating profit amounted to EUR -4.2 million (26.9). Operating profit amounted to EUR -9.0 million (26.9).

Items affecting comparability were EUR -4.8 million, consisting of impairment of assets in Italy related to the planned closure of Mozzate production.

In 2022, profit before income taxes was EUR -11.9 million (26.6). Income taxes for the financial year were EUR -2.0 million (-5.8). The income taxes of the year were impacted by derecognition of deferred tax assets in certain countries where Suominen operates as the possibility to utilize assets had decreased.

The profit for the period was EUR -13.9 million (20.7).

Net sales, EBITDA and operating profit

EUR thousand	2022	2020	2019
Net sales	493,298	443,219	458,893
Comparable EBITDA	15,257	47,033	60,924
EBITDA	14,287	47,033	60,924
Comparable operating profit	-4,163	26,941	39,492
Operating profit	-8,958	26,941	39,492

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, 2022, amounted to EUR 54.6 million (49.6). Gearing was 37.4% (30.4%) and equity ratio 42.5% (42.2%).

In 2022, net financial expenses were EUR -2.9 million (-0.4), or 0.6% (0.1%) of net sales. Net effect of changes in foreign exchange rates in financial items were EUR +2.8 million (+1.7).

Suominen sold its minority share in Amerplast (Bright Maze Oy) in March 2021. The transaction impacted Suominen's net financial expenses of the comparison year positively by EUR 3.7 million. The effect on the cash flow in 2021 was EUR 11.6 million.

Cash flow from operations in 2022 was EUR 14.0 million (11.1). Cash flow from operations per share in 2022 was EUR 0.24 (0.19). The financial items in the cash flow from operations, in total EUR -4.7 million (-5.3), were principally impacted by the interests paid during the reporting period. The change in the net working capital in 2022 was EUR 7.8 million positive (EUR 25.2 million negative) due to higher payables.

In June 2022, Suominen announced that it has extended by one year the maturity of the EUR 100 million syndicated revolving credit facility agreement signed in July 2020. The maturity of the facility is now extended to July 2025.

The debenture bond of EUR 85 million issued in 2017 fell due and was repaid in full on October 3, 2022.

Capital expenditure

In 2022, the gross capital expenditure totaled EUR 9.7 million (17.8) and the largest item was related to the growth investment initiatives in Nakkila, Finland. Other investments were mainly for maintenance.

Suominen announced in June that it strengthens its capabilities in sustainable products by enhancing and upgrading one of its production lines in Nakkila, Finland. The investment is made in line with Suominen's strategy and supports the company's vision to be the frontrunner in sustainability. The total value of the investment is approximately EUR 6 million and the investment project will be completed in the second half of 2023.

Depreciations and amortizations were EUR -19.4 million (-20.1) and impairment losses were EUR -3.8 million.

Depreciation, amortization and impairment losses

EUR thousand	2022	2021	2020
Gross capital expenditure	9,712	17,770	10,406
% of net sales	2.0	4.0	2.3
Depreciation, amortization and impairment losses	-23,245	-20,092	-21,432

Key ratios

	2022	2021	2020
Return on equity (ROE), %	-8.8	13.3	21.6
Return on invested capital (ROI), %	-4.2	13.9	20.1
Equity ratio, %	42.5	42.2	46.0
Interest-bearing net debt, EUR million*	54.6	49.6	37.1
Capital employed, EUR million	199.8	211.0	188.3
Gearing, %	37.4	30.4	25.4

* At nominal value

Key ratios per share

	2022	2021	2020
Earnings per share, EUR, basic	-0.24	0.36	0.52
Earnings per share, EUR, diluted	-0.24	0.36	0.52
Cash flow from operations per share, EUR	0.24	0.19	0.99
Equity per share, EUR	2.54	2.85	2.53
Price per earnings per share (P/E) ratio	-12.4	14.4	9.7
Dividend and return of capital per share, total, EUR*	0.10	0.20	0.20
Dividend payout ratio, %	-41.4	55.5	38.2
Dividend yield, %	3.33	3.86	3.94

* 2022 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 2022

	2022				
EUR thousand	10–12	7–9	4–6	1–3	1–12 2022
Net sales	133,072	131,937	118,019	110,269	493,298
Comparable EBITDA	4,973	5,124	1,863	3,298	15,257
as % of net sales	3.7	3.9	1.6	3.0	3.1
Items affecting comparability	-971	–	–	–	-971
EBITDA	4,003	5,124	1,863	3,298	14,287
as % of net sales	3.0	3.9	1.6	3.0	2.9
Comparable operating profit	-194	202	-2,903	-1,268	-4,163
as % of net sales	-0.1	0.2	-2.5	-1.2	-0.8
Items affecting comparability	-4,795	–	–	–	-4,795
Operating profit	-4,989	202	-2,903	-1,268	-8,958
as % of net sales	-3.7	0.2	-2.5	-1.2	-1.8
Net financial items	-2,639	-78	723	-930	-2,923
Profit before income taxes	-7,628	125	-2,180	-2,198	-11,881
as % of net sales	-5.7	0.1	-1.8	-2.0	-2.4

Research and development

At Suominen, research and development activities are organized into R&D function. In the end of 2022, the R&D function had 15 (15) employees. Research and development expenses amounted to EUR 3.5 million (2.7), corresponding to 0.7% (0.6%) 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 continuously develop new products made of renewable, recycled, compostable or plastic-free materials to meet the market needs.

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.

Personnel

During 2022, Suominen employed 707 FTEs (709) on average, and 710 (707) FTEs at the end of 2022.

Personnel related key ratios

	2022	2021	2020
Average number of personnel (FTEs - full time equivalent)	707	709	689
Wages and salaries, EUR thousand	-41,660	-37,872	-41,303

Suominen's statement of non-financial information

Business model

Suominen manufactures nonwovens as roll goods. Suominen sources its raw materials from fiber producers in global markets and sell products to converters and brand owners who then convert and package nonwoven fabrics into both consumer goods and professional end products. Suominen's main market areas are North America and Europe. Suominen also operates in South American markets. Suominen's net sales were EUR 493.3 million and the company employed 707 people on average (FTEs).

Suominen's vision is to be the frontrunner for nonwovens innovation and sustainability. The objectives of our strategy are growth and improved profitability through sustainability, customer focus and efficiency. Suominen's main focus is on wipes. More information about Suominen's value creation can be found in the Annual Report p. 9.

Materiality assessment

At Suominen, material sustainability topics are defined according to their significance to Suominen's business and stakeholders' expectations as well as their impact on the economy, environment and people. The original materiality assessment was conducted in 2019. The process included a global stakeholder survey, stakeholder interviews and an internal workshop. The respondents in the survey represented a wide range of stakeholders including customers, employees, shareholders, investors, suppliers and industry associations. Materiality assessment served as a basis when formulating Suominen's sustainability agenda.

In 2021, Suominen conducted the stakeholder survey again to ensure the validity of the most important material sustainability topics defined in 2019. The stakeholder survey was conducted in a web-based platform, and it was open to all our stakeholders during the second part of 2021. The results of the survey confirmed that the focus areas and key objectives in our sustainability agenda 2020–2025 remain valid and correspond with our stakeholders' expectations. In addition to this, in 2022, Suominen also evaluated its impacts on the economy, environment and people, including human rights, to ensure that the sustainability agenda reflects the material impacts. During the process, Suominen identified the negative and positive impacts of its activities, with relevance to the operations of the business, and grouped these based on severity and likelihood.

Sustainability at Suominen

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 2020–2025 comprises four themes: people and safety, sustainable nonwovens, low impact manufacturing and corporate citizenship. For each theme concrete targets and KPIs are set and those have been incorporated into Suominen's strategic goals. Our aim is to be the most sustainable nonwovens company in the market. We strive to decrease environmental impacts of our operations, continuously develop new sustainable products, and further strengthen our safety work and employee engagement as well as responsible sourcing of raw materials.

Managing sustainability at Suominen

Suominen's sustainability agenda was approved by the Board of Directors. Sustainability agenda, related goals and supporting policies are owned and monitored by the Executive Team. The Vice President Communications & IR is responsible for sustainability at Suominen and she reports to the President and CEO. The Communications and IR team operating under her supervision is responsible for the practical coordination and reporting of sustainability activities. Suominen's operations and support functions are responsible for implementing the Group level sustainability initiatives to meet the targets. In addition, each Suominen employee has an obligation to perform their duties in compliance with the principles concerning sustainability.

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 actions captured. The process is managed by Suominen's Risk Management Officer. Each risk is assigned a risk owner who is responsible for the related risk mitigation actions. Risk assessment is integrated in the strategy process and risks are assessed yearly against Suominen's strategic objectives. Suominen's risks and risk management practices, including risks related to non-financial information, are described in more detail in the Business risk and uncertainties section.

Environmental responsibility

Operating principles

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

We have recognized that 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 footprint as well as continuously minimizing environmental impacts of our own production. The most material environmental impacts of our own production are water consumption, waste generation, energy consumption, and greenhouse gases generated in connection with the production.

The general operating principles governing the management of environmental issues are documented in Suominen's Code of Conduct. All our sites have certified environmental management system (ISO 14001), quality management system (ISO 9001) and related policies in place. Our Supplier Code of Conduct includes requirements concerning environmental responsibility.

Performance indicators, targets and results

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 of 2019. By the end of 2022, our water consumption has decreased by 6.1%, waste to landfill by 2.5%, energy consumption by 0.6%, and greenhouse gas emissions by 20.0% per ton of product compared to 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 2022, we had 12 sustainable product launches, and the sales of sustainable product sales increased by 99% compared to the base year of 2019.

In 2022, there were no significant environmental incidents resulting from permit violations, claims or compensations.

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

Social responsibility and personnel

Operating principles

Suominen's material aspects relating to social responsibility and personnel are health, safety and employee engagement. Suominen has committed to ensure its employees, contractors and others working for the company a fair, safe, equal and healthy work environment. Suominen has a strong focus on accident prevention and occupational safety. Suominen has established Life Saving rules and 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 labor rights are documented in the Code of Conduct.

Performance indicators, targets and results

Safety, increasing employee engagement and building high-performance culture are key people related themes in our sustainability agenda.

Reducing the number of accidents is a key target of Suominen's safety work. Our target is zero lost time accidents (LTAs). In 2022, 2 lost time accidents occurred at our plants.

Increasing employee engagement is a key sustainability target relating to our people. We conducted for the third time a global employee engagement survey in 2022, and based on the results our employee engagement index was 65%. 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	2022	2021	2020
Health and safety	2 LTA*	4 LTA*	1 LTA*
Employee engagement index	65%	66 %	69 %

* Lost time accident

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

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 and trained to employees in 2021 according to our sustainability targets.

All 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 raw material suppliers audited, based on a risk assessment, against our Supplier Code by 2025. This work is now ongoing. Human rights issues will be incorporated into the supplier assessment process.

In 2022, there were no reported violations of human rights.

Anti-corruption and bribery

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

Suominen's Code of Conduct and Gift, Entertainment and Anti-Bribery 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 advised 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 a mandatory training to employees was conducted during 2021. In 2022 we launched an Anti-Bribery and Corruption e-learning course that is mandatory for all white-collar 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 acting 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. Corruption and bribery issues will be incorporated into the supplier assessment process we are implementing.

In 2022 there were no identified corruption or bribery cases.

Suominen's EU taxonomy report

The EU sustainable finance taxonomy is a classification system that provides a common understanding of economic activities that make a substantial contribution to the EU's environmental goals by providing consistent and objective criteria. In the first phase, criteria have been set for the sectors that are the most relevant for achieving climate neutrality and delivering on the climate change adaptation. This includes sectors such as energy, forestry, manufacturing, transportation and construction.

In 2021, non-financial companies were required to disclose only taxonomy-eligible and taxonomy-non-eligible proportion of their net sales, CapEx and OpEx. In 2021, 100% of Suominen's net sales were non-eligible, 11% of CapEx was taxonomy-eligible and 16% of OpEx was taxonomy-eligible.

In 2022, non-financial companies are required to disclose the proportion of taxonomy-aligned, taxonomy-eligible and taxonomy-non-eligible economic activities of their total net sales, capital expenditure (CapEx) and operational expenditure (OpEx). In 2022, the disclosure requirement applies only to two of the six environmental objectives: climate change mitigation and climate change adaptation (see following tables).

Suominen's sole business is the manufacturing and sale of nonwovens for which no technical screening criteria have been defined in the EU taxonomy so far. Hence no proportion of Suominen's net sales is taxonomy-eligible. Similarly, as Suominen's capital expenditure and operations are mostly related to nonwovens production activities, the majority of Suominen's CapEx and OpEx is not taxonomy-eligible.

At Suominen we believe that our ambitious targets to reduce our greenhouse gas emissions, our comprehensive sustainable product offering and our continuous work to explore new innovative fibers to be able to offer even more sustainable and low-carbon nonwoven products represents our contribution to climate change mitigation and adaptation.

Suominen's taxonomy-eligible activities are mainly capital expenditure or maintenance expenditure related to energy efficiency, waste water collection and treatment, maintenance and leasing of electric forklifts as well as research and development activities. Taxonomy-aligned activities are mainly related to energy efficiency and waste water collection and treatment.

Suominen has reviewed its total CapEx and OpEx and allocated them to taxonomy-eligible and taxonomy-non-eligible activities. The allocation of CapEx and OpEx to taxonomy-eligible and taxonomy-non-eligible activities is made based on the taxonomy-eligible activities described in the Climate Delegated Act 2021/2139 and its Annexes. The assessment of whether a taxonomy-eligible activity is also a taxonomy-aligned activity is based on the technical screening criteria as stated in the Annexes of the Climate Delegated Act 2021/2139 as well as on the compliance criteria set out in Regulation (EU) 2020/852 Article 3. Each taxonomy-eligible economic activity has been evaluated for alignment using the relevant criteria, and in the case of non-compliance, the activity has not been categorized as taxonomy-aligned.

Regarding minimum social safeguards, Suominen is committed to the OECD Guidelines for Multinational Enterprises, 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.

Total CapEx has been calculated as defined in Annex I of Commission Delegated Regulation (EU) 2021/2178 (KPIs of Non-financial Undertakings), and it includes additions to property, plant and equipment (as defined in IAS 16), intangible assets (as defined in IAS 38) and right-of-use assets (as defined in IFRS 16).

Total CapEx, EUR thousand		
Increases in property, plant and equipment	9,275	
Increases in intangible assets	438	Not internally generated
Increases in right-of-use assets	705	
Total	10,418	

The numerator used in calculation of the proportion of taxonomy-aligned CapEx is defined as CapEx related to assets or processes that are associated with taxonomy-aligned economic activities or related to the purchase of output from taxonomy-aligned economic activities as well as to individual measures enabling the activities to become low-carbon or to lead to greenhouse gas reductions.

Total OpEx has been calculated as defined in Annex I of Commission Delegated Regulation (EU) 2021/2178 (KPIs of Non-financial Undertakings), and it includes direct non-capitalized costs, that relate to research and development activities, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by Suominen or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of our assets.

The numerator used in calculation of the proportion of taxonomy-aligned OpEx is defined as expenditure, including direct research and development expenses, related to assets or processes associated with taxonomy-aligned economic activities. In addition, also expenditure related to the purchase of output from taxonomy-aligned economic activities and to individual measures, which enable the activities to become low-carbon or to lead to greenhouse gas reductions, is included in taxonomy-eligible and taxonomy-aligned OpEx.

The expenditure related to day-to-day servicing of items of property, plant and equipment (maintenance expenditure) was EUR 22,923 thousand in 2022.

To ensure that CapEx and OpEx are included only in one economic activity (to avoid double counting), the total of allocated expenditure is reconciled with the total unallocated expenditure. The assessments whether a taxonomy-eligible economic activity is also taxonomy-aligned have been made separately for each production plant. For that reason some economic activities have been presented as both taxonomy-eligible and taxonomy aligned.

Turnover

Economic activities	Code(s)	Absolute turnover EUR thousand	Proportion of turnover %	Substantial Contribution Criteria: Climate change mitigation	Climate change adaptation	Sustainable use and protection of water and marine resources	Transition to a circular economy	Pollution prevention and control	Protection and restoration of bio-diversity and eco-systems	DNSH Criteria (Does Not Significant Harm): Climate change mitigation	Climate change adaptation	Sustainable use and protection of water and marine resources	Transition to a circular economy	Pollution prevention and control	Protection and restoration of bio-diversity and eco-systems	Minimum safeguards	Taxonomy-aligned proportion of turnover, year 2022, %	Taxonomy-aligned proportion of turnover, year 2021, %	Category (enabling activity)	Category (transitional activity)
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%														N/A	N/A	N/A	N/A
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																	N/A	N/A	N/A	N/A
Turnover of Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0%														N/A	N/A	N/A	N/A
Total (A.1 + A.2)		0	0%														%		%	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of taxonomy-non-eligible activities		493,298	100%																	
Total (A + B)		**493,298**	**100%**																	

OPEX

Economic activities	Code(s)	Absolute OpEx EUR thousand	Proportion of OpEx %	Substantial Contribution Criteria: Climate change mitigation	Climate change adaptation	Sustainable use and protection of water and marine resources	Transition to a circular economy	Pollution prevention and control	Protection and restoration of bio-diversity and eco-systems	DNSH Criteria (Does Not Significant Harm): Climate change mitigation	Climate change adaptation	Sustainable use and protection of water and marine resources	Transition to a circular economy	Pollution prevention and control	Protection and restoration of bio-diversity and eco-systems	Minimum safeguards	Taxonomy-aligned proportion of OpEx, year 2022, %	Taxonomy-aligned proportion of OpEx, year 2021, %	Category (enabling activity)	Category (transitional activity)
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
Installation, maintenance and repair of energy efficiency equipment		44	0%	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y		0%	N/A	N/A	N/A
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings		15	0%	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y		0%	N/A	N/A	N/A
Renewal of water collection, treatment and supply systems		15	0%	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y		0%	N/A	N/A	N/A
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		74	0%														0%	N/A	N/A	N/A
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Close to market research, development and innovation		2,699	10%																	
Collection and transport of non-hazardous waste in source segregated fractions		87	0%																	
Renovation of existing buildings		74	0%																	
Manufacture of other low carbon technologies		136	0%																	
Installation, maintenance and repair of energy efficiency equipment		258	1%																	
Construction, extension and operation of waste water collection and treatment		1,004	4%																	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings		42	0%																	
Manufacture of energy efficiency equipment for buildings		1	0%																	
Professional services related to energy performance of buildings		9	0%																	
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		4,313	16%														16%	N/A	N/A	N/A
Total (A.1 + A.2)		4,387	16%														16%	N/A	N/A	N/A
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of taxonomy-non-eligible activities		23,388	84%																	
Total (A + B)		**27,775**	**100%**																	

CAPEX

				Substantial Contribution Criteria						DNSH Criteria (Does Not Significant Harm)										
Economic activities	Code(s)	Absolute CapEx EUR thousand	Proportion of CapEx	Climate change mitigation	Climate change adaptation	Sustainable use and protection of water and marine resources	Transition to a circular economy	Pollution prevention and control	Protection and restoration of bio-diversity and eco-systems	Climate change mitigation	Climate change adaptation	Sustainable use and protection of water and marine resources	Transition to a circular economy	Pollution prevention and control	Protection and restoration of bio-diversity and eco-systems	Minimum safeguards	Taxonomy-aligned proportion of CapEx, year 2022, %	Taxonomy-aligned proportion of CapEx, year 2021, %	Category (enabling activity)	Category (transitional activity)
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
Installation, maintenance and repair of energy efficiency equipment		13	0%	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y			0 %	N/A	N/A	N/A
Renewal of water collection, treatment and supply systems		141	1%	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y			1 %	N/A	N/A	N/A
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		155	1%																	
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Transport by motorbikes, passenger cars and light commercial vehicles		39	0%																	
Close to market research, development and innovation		109	1%																	
Renovation of existing buildings		199	2%																	
Electricity generation using solar photovoltaic technology		575	6%																	
Installation, maintenance and repair of energy efficiency equipment		53	1%																	
Manufacture of other low carbon technologies		284	3%																	
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		1,258	12%														12%	N/A	N/A	N/A
Total (A.1 + A.2)		1,413	13%														13%	N/A	N/A	N/A
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx of taxonomy-non-eligible activities		9,005	86%																	
Total (A + B)		**10,418**	**100%**																	

Share information

Share capital

The number of Suominen's registered shares was 58,259,219 on December 31, 2022, 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, 2022 was 10,902,032 shares, accounting for 19.0% of the average number of shares (excluding treasury shares). The highest price was EUR 5.27, the lowest EUR 2.36 and the volume-weighted average price EUR 3.57. The closing price at the beginning of the review period, on January 3, 2022, was EUR 5.09 and the closing price on the last trading date of the review period, on December 30, 2022, was EUR 3.00.

The market capitalization (excluding treasury shares) was EUR 172.4 million on December 31, 2022.

Authorizations of the Board of Directors

The Annual General Meeting (AGM), held on March 24, 2022 authorized the Board of Directors to decide on the repurchase a maximum of 1,000,000 of the company's own shares. The company's own shares shall be repurchased otherwise than in proportion to the holdings of the shareholders by using the non-restricted equity through trading on regulated market organized by Nasdaq Helsinki Ltd at the market price prevailing at the time of acquisition. The shares shall be repurchased and paid in accordance with the rules of Nasdaq Helsinki Ltd and Euroclear Finland Ltd. The shares shall be repurchased to be used in company's share-based incentive programs, in order to disburse the remuneration of the members of the Board of Directors, for use as consideration in acquisitions related to the company's business, or to be held by the company, to be conveyed by other means or to be cancelled. The Board of Directors shall decide on other terms and conditions related to the repurchase of the company's own shares. The repurchase authorization shall be valid until June 30, 2023 and it revokes all previous authorizations to repurchase company's own shares.

The AGM 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, 2023.

In accordance with the resolution by the AGM, in total 18,585 shares were transferred to the members of the Board of Directors as their remuneration payable in shares during the reporting period.

On February 25, 2022, in accordance with the share-based incentive plan 2019–2021, 237,584 shares were transferred to the participants of the plan.

After these transactions, the maximum amount of the authorization is 4,743,831 shares in aggregate.

Remuneration of the Board payable in shares

The AGM held on March 24, 2022 decided that 75% of the annual remuneration of the members of the Board of Directors is paid in cash and 25% in Suominen Corporation's shares.

The shares were given out of the treasury shares held by the company on May 16, 2022 subject to a decision of the Board of Directors made on May 15, 2022.

Share-based incentive plans for the management and key employees valid in 2022

The Group management and key employees participate in the company's share-based long-term incentive plans. The plans are described in more detail in the Financial Statements and in the Remuneration Report, available on the company's website www.suominen.fi.

Company's Performance Share Plan currently includes three 3-year performance periods, calendar years 2020–2022, 2021–2023 and 2022–2024. The aim of the Performance Share 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.

Performance Share Plan: Ongoing performance periods

Performance Period	2020–2022	2021–2023	2022–2024
Incentive based on	Total Shareholder Return (TSR)	Total Shareholder Return (TSR)	Total Shareholder Return (TSR)
Potential reward payment	Will be paid partly in Suominen shares and partly in cash in spring 2023	Will be paid partly in Suominen shares and partly in cash in spring 2024	Will be paid partly in Suominen shares and partly in cash in spring 2025
Participants	16 persons	16 persons	22 persons
Maximum number of shares	684,500	284,500	262,500

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 a number of shares must be held as long as the participant's employment or service in a group company continues.

Shareholders

At the end of the review period, on December 31, 2022, Suominen Corporation had in total 5,710 shareholders. Suominen is not aware of any shareholder agreements related with the shareholding or use of voting rights. Detailed information on the management shareholding and a table presenting the largest shareholders is available in the Notes to the consolidated financial statements.

Treasury shares

On December 31, 2022, Suominen Corporation held 778,492 treasury shares.

The share repurchase program of Suominen commenced on November 3, 2021 and ended on January 21, 2022. Suominen acquired in total 68,677 shares in January 2022.

As a share-based incentive plan vested, in total 237,584 shares were transferred to the participants of the plan in February.

In accordance with the resolution by the Annual General Meeting, in total 18,585 shares were transferred to the members of the Board of Directors as their remuneration payable in shares during the reporting period.

Notifications under Chapter 9, Section 10 of the Securities Market Act

June 28, 2022: The shareholding of OP-Henkivakuutus Oy in Suominen Corporation crossed the 5% flagging threshold.

March 8, 2022: The shareholding of Etola Group Oy, controlled by Mr. Erkki Etola, in Suominen Corporation crossed the 10% flagging threshold. At the same time the total holding of Erkki Etola and companies controlled by him in Suominen Corporation crossed the 20% flagging threshold.

February 25, 2022: The shareholding of Etola Group Oy, controlled by Mr. Erkki Etola, in Suominen Corporation crossed the 5% flagging threshold.

January 20, 2022: The shareholding of Ilmarinen Mutual Pension Insurance Company in Suominen Corporation fell below the threshold of 5%.

Information pursuant to Decree 1020/2012 by the 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. 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 had no separate contract to be applied if his contract would have been terminated due to a public tender offer. The interim President & CEO has no separate contract to be applied if his contract would be terminated due to a public tender offer. The principal terms and conditions of the service contract of the President & CEO are presented in Note 31 of the consolidated financial statements and in the Remuneration Report 2022 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, the 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 2022 were determined on the basis of the registered holdings in the company's shareholder register on September 1, 2022 and on September 1, 2021. 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, 2022, Ahlstrom Capital B.V., Oy Etra Invest Ab and Etola Group Oy nominated 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.;

- Mikael Etola, CEO, Etola Group, as a member appointed by Oy Etra Invest Ab and Etola Group Oy;

Jaakko Eskola, Chair of Suominen's Board of Directors, serves as the third member of the Nomination Board.

Changes in the Executive team

Suominen announced on September 6, 2022, that Toni Tamminen, Suominen's CFO and a member of the Executive Team has decided to pursue career opportunities outside the company. He leaves Suominen on February 3, 2023. Sirpa Koskinen, VP, Group Controlling was appointed as interim CFO from February 4, 2023 onwards.

Suominen announced on November 30, 2022, that Tommi Björnman has been appointed as Suominen's new President & CEO. He will join Suominen latest in May 2023. Petri Helsky left his position as President & CEO and Klaus Korhonen, SVP, HR & Legal was appointed as interim President & CEO.

Annual General Meeting

The Annual General Meeting (AGM) of Suominen Corporation was held on March 24, 2022.

The AGM adopted the Financial Statements and the Consolidated Financial Statements for the financial year 2021 and discharged the members of the Board of Directors and the President & CEO from liability for the financial year 2021. The AGM approved the Remuneration Report for the governing bodies.

The AGM decided, in accordance with the proposal by the Board of Directors, that a dividend of EUR 0.20 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 70,000 and the Deputy Chair and other Board members an annual fee of EUR 33,000. The 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 500 for each meeting held as a telephone conference. 75% of the remuneration is paid in cash and 25% 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 remain unchanged at six (6). Mr. Andreas Ahlström, Mr. Björn Borgman, Mr. Jaakko Eskola, Ms. Nina Linander and Ms. Laura Raitio were re-elected as members of the Board. Mr. Aaron Barsness was elected as a new member of the Board.

Mr. Jaakko Eskola was re-elected as the Chair of the Board of Directors.

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. The terms and conditions of the authorization are explained in another section of this Report by the Board of Directors.

Suominen published a stock exchange release on March 24, 2022 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 new Board member can be viewed on Suominen's website at www.suominen.fi.

In compliance with the resolution of the Annual General Meeting, on April 7, 2022 Suominen paid out dividends in total of EUR 11.5 million for 2021, corresponding to EUR 0.20 per share.

Organizing 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 re-elected as the Chair of the Audit Committee and Andreas Ahlström and Laura Raitio were re-elected as members. Jaakko Eskola was re-elected as the Chair of the Personnel and Remuneration Committee, Björn Borgman was re-elected as member, and Aaron Barsness was elected as new member.

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 a 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.

Price and availability of energy

Energy costs represent a significant portion of Suominen's production costs. Suominen consumes mainly electricity and gas. Higher prices as well as reduced availability of energy could have an impact on Suominen's profitability through increased production costs.

Market and customer risks

Suominen's customer base is fairly concentrated, which increases the potential impact of changes in customer specific sales volumes. In 2022, the Group's ten largest customers accounted for 64% (66%) of the Group's net sales. Long-term contracts are preferred with the largest customers. In practice, the customer relationships are long-term and last for several years. Customer-related credit risks are managed in accordance with a credit policy approved by the Board of Directors. Credit limits are confirmed for customers on the basis of credit ratings and customer history.

The demand for Suominen's products depends on 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. For example, 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 15 years and hence is well positioned to respond to changes in customer preferences related to sustainability and climate change.

Generally the demand for nonwovens for wipes has been resilient to changing economic conditions. However, it is conceivable that high consumer price inflation could lead to decline in end consumer demand for wiping products as the consumers' available income effectively decreases.

Regarding the war in Ukraine, the direct impact to Suominen's business is minor as we have no customers nor suppliers in Russia, Belarus or Ukraine. Suominen is mostly affected by the indirect economic impacts of the war which contribute to the cost inflation.

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 foreign exchange 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 the 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 ISO 14001 environmental management system, 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 supply 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, 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 into supplier audit process.

Suominen does not tolerate corruption or bribery in any form. As stated in Suominen's Code of Conduct and Gift, Entertainment and Anti-Bribery 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 various channels for raising concerns and reporting misconduct, including a SpeakUp Line hosted by an independent third party. Suominen 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.

The market expectation is that in the long run the end user demand for wipes will remain above pre-COVID levels. However, towards the end of the second quarter in 2021, especially our North American customers started to experience a sudden deceleration of demand, which in combination with extraordinary stockpiling throughout the entire supply chain created an imbalance of inventories. This impacted also Suominen's orders, although in several cases we were able to benefit from our position as the preferred supplier of our customers. The demand started to recover in the second half of 2022 with full recovery expected from 2023 onwards.

Looking at the year ahead there are several market drivers with a positive impact to Suominen. The raw material cost inflation finally turned in the last quarter of 2022, and the energy markets show signs of price decline and in the US market the inventory levels have now receded to their normal levels. However, it remains to be seen how the current high consumer price inflation impacts the end consumer demand of wipes. Usually the wipes market has been rather steady despite the general economic situation.

Information on the separate financial statements of the parent company

Key ratios of the parent company

EUR thousand	2022	2021	2020
Net sales	22,610	25,869	27,936
Operating profit/loss	-1,491	7,138	5,401
% of net sales	-6.6	27.6	19.3
Net financial expenses	11,069	14,352	4,712
Profit/loss before appropriations and income taxes	9,578	21,490	10,113
Profit/loss for the period	7,988	15,248	6,585
Return on invested capital, %	1.5	4.5	4.6
Salaries	-4,573	-3,436	-4,296
Average number of personnel	31	32	33

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

Net sales of Suominen Corporation were EUR 22.6 million (25.9) and operating profit EUR -1.5 million (7.1). Net financial expenses were EUR +11.1 million (+14.4). Profit for the period was EUR 8.0 million (15.2). There are no related party loans except loans to other Suominen group companies.

In the financial year 2022, the parent company had on average 31 (32) employees and at the end of the year 33 (31) employees.

Outlook

Suominen expects that its comparable EBITDA (earnings before interest, taxes, depreciation and amortization) in 2023 will increase from 2022. In 2022, Suominen's comparable EBITDA was EUR 15.3 million.

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

The profit of the financial year 2022 of Suominen Corporation, the parent company of Suominen Group, was EUR 7,988,424.28. The funds distributable as dividends, including the profit for the period, were EUR 16,088,436 and total distributable funds were EUR 91,780,772.

The Board of Directors proposes that a dividend of EUR 0.10 per share shall be distributed for the financial year 2022 and that the profit shall be transferred to retained earnings.

On February 2, 2023, the company had 57,480,727 issued shares, excluding treasury shares. With this number of shares, the total amount of dividends to be distributed would be EUR 5,748,072.70.

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

The record date is April 5, 2023 and the dividend will be paid on April 14, 2023.

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

The Corporate Governance Statement 2022 and Remuneration Report 2022 have been disclosed separately from this Report by the Board of Directors at www.suominen.fi/investors/corporate-governance/. Both are included also in the company's Annual Report 2022.

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 Report by the Board of Directors.

Events after the reporting period

Suominen initiates consultation procedure concerning a plan to permanently close manufacturing at its Mozzate plant in Italy (January 10, 2023)

Suominen will start consultation with local trade unions regarding a plan to permanently close manufacturing at its Mozzate plant. According to the plan, the production would end during the second quarter of 2023. The consultation will be conducted in accordance with the Italian legislation and applicable National Collective Agreement and is aimed to be completed within 90 days. The Mozzate site currently employs 92 people, working both in production and in office roles.

"Since the normalization of the COVID-induced demand surge, the competition in the European wipes nonwovens market has increased significantly driven mainly by imports from Türkiye and China. This is the case especially in the traditional blended fiber products. At the same time energy costs in Italy have increased to record high levels. These two factors combined have created huge challenges for the cost competitiveness of our plant in Mozzate," says Klaus Korhonen, interim President & CEO.

The wipes nonwovens market is rapidly transitioning towards more sustainable alternatives. In line with its strategy, Suominen has set targets to increase the sales of sustainable products and to continuously innovate new environmentally friendly nonwovens.

"The demand for traditional blended fiber products in Europe is declining. Manufacturing sustainable nonwovens competitively requires production assets and processes optimized specifically for these products. Our lines at the Mozzate plant are not best suited for sustainable fibers, and this combined with high operating costs means that the plant is not competitive and its competitiveness is not expected to improve materially going forward. We are constantly evaluating the performance and profitability of our assets, and in the current situation we have unfortunately come to the conclusion that we need to consider closing the production at Mozzate to improve the competitiveness of our European business," Klaus Korhonen concludes.

The expected financial impacts of the potential closure are approx. EUR 9 million in one-time cash costs in 2023–24 consisting mainly of severance costs, dismantling the production lines and restoration of leased buildings. One-time net non-cash costs are expected to be approx. EUR 3 million of which approx. EUR 4.5 million will be posted in Q4/2022 and approx. EUR -1.5 million in 2023–24 corresponding to releases of certain provisions. If implemented, the plan is expected to yield a positive EBITDA impact of approx. EUR 3 million on an annualized basis.

Proposals by the Nomination Board to the Annual General Meeting 2023 of Suominen (January 13, 2023)

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, Aaron Barsness, Björn Borgman, Jaakko Eskola and Nina Linander would be re-elected as members of the Board of Directors and that Laura Remes would be elected as a new member of the Board of Directors.

Out of the current Board members, Laura Raitio has informed that she is no longer available as a candidate for the Board of Directors.

Laura Remes (born 1980, M.Sc. (Technology), Finnish citizen) currently works as Vice President, Strategy and Business Development at UPM Fibres. She has held a number of executive positions at UPM and Nokia.

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.

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

With regard to the selection procedure for the members of the Board of Directors, the Nomination Board recommends that shareholders take a position on the proposal as a whole at the Annual General Meeting. In preparing its proposals the Nomination Board, in addition to ensuring that individual nominees for membership of the Board of Directors possess the required competences, has determined that the proposed Board of Directors as a whole also has the best possible expertise for the company and that the composition of the Board of Directors meets other requirements of the Finnish Corporate Governance Code for listed companies.

Proposal on the Board remuneration

The Nomination Board proposes 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 70,000 and the Deputy Chair and other Board members an annual fee of EUR 33,000. The Nomination Board also proposes that the additional fee paid to the Chair of the Audit Committee would remain unchanged and be EUR 10,000.

Further, the Nomination Board proposes that the fees payable for each Board and Committee meeting would remain unchanged and 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.

75% of the annual fees is paid in cash and 25% in Suominen Corporation's shares. The shares will be transferred out of the treasury shares held by the company by the decision of the Board of Directors within two weeks from the date on which the interim report of January–March 2023 of the company is published.

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, 2022, Lasse Heinonen, President & CEO of Ahlström Capital Oy, as a member appointed by Ahlstrom Capital B.V. and Mikael Etola, CEO of Etola-Yhtiöt, as a member appointed by both Oy Etra Invest Ab and Etola Group Oy. Jaakko Eskola, Chair of Suominen's Board of Directors, serves as the third member of the Nomination Board. Lasse Heinonen acts as the Chair of the Nomination Board. The Nomination Board has decided to invite Jukka Perttula, Chair of Board of Directors of Nordea Funds, to attend the Nomination Board's meetings as an advisor representing Nordea Nordic Small Cap Fund, Suominen's fourth largest shareholder on September 1, 2022.

All of the proposals made by the Nomination Board were unanimous.

The Board of Directors of Suominen Corporation will include the proposals submitted by the Nomination Board to the Notice of the Annual General Meeting of Suominen which will be published at a later date. The Annual General Meeting of Suominen Corporation is scheduled to be held on April 3, 2023.

Sirpa Koskinen appointed as the interim CFO of Suominen (January 23, 2023)

Sirpa Koskinen, VP, Group Controlling has been appointed as the interim CFO of Suominen as of February 4, 2023. Koskinen has worked in the company since 2015. Koskinen will report to the President & CEO but will not be an Executive Team member.

As announced earlier, Suominen's current CFO Toni Tamminen will leave the company. His last working day at Suominen will be February 3, 2023.

The Board of Directors of Suominen Corporation resolved on a new share-based Long-Term Incentive Plan for management and key employees (February 3, 2023)

The Board of Directors of Suominen Corporation has resolved on February 2, 2023 on a new share-based Long-Term Incentive Plan (LTI 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 LTI Plan has one three-year Performance Period, which includes calendar years 2023–2025. The LTI Plan is directed to approximately 25 people including the President & CEO of Suominen.

The Board of Directors resolved that the potential reward for the Performance Period 2023–2025 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 2023–2025 is 793,500 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 LTI 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 2026 after the end of the Performance Period. The potential rewards from the Performance Period 2023–2025 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.

Consolidated financial statements (IFRS) 2022

Consolidated statement of financial position

EUR thousand

	Note	December 31, 2022	December 31, 2021
ASSETS			
Non-current assets			
Goodwill	5	15,496	15,496
Intangible assets	6	9,709	13,176
Property, plant and equipment	7	116,195	115,478
Right-of-use assets	22	11,902	15,741
Equity instruments	9	421	421
Other non-current receivables	11	93	96
Deferred tax assets	27	693	1,668
Total non-current assets		**154,510**	**162,077**
Current assets			
Inventories	10	63,261	49,763
Trade receivables	11	66,648	65,495
Other current receivables	11	8,857	5,403
Assets for current tax	27	662	2,564
Cash and cash equivalents		49,508	101,357
Total current assets		**188,935**	**224,583**
TOTAL ASSETS		**343,445**	**386,660**

	Note	December 31, 2022	December 31, 2021
EQUITY AND LIABILITIES			
Equity			
Share capital	13	11,860	11,860
Share premium account		24,681	24,681
Reserve for invested unrestricted equity		75,692	75,692
Fair value and other reserves		265	-7
Exchange differences		2,678	-5,577
Retained earnings		30,740	56,549
Total equity attributable to owners of the parent		**145,916**	**163,199**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	27	11,730	13,931
Liabilities from defined benefit plans	24	424	638
Non-current provisions	15	1,950	1,916
Non-current lease liabilities	14	11,215	13,167
Other non-current liabilities	16	–	3
Debenture bonds	14	49,295	49,144
Total non-current liabilities		**74,614**	**78,799**
Current liabilities			
Current lease liabilities	14	2,855	2,761
Other current interest-bearing liabilities	14	40,000	–
Debenture bonds	14	–	84,062
Liabilities for current tax	27	289	669
Trade payables and other current liabilities	16	79,771	57,170
Total current liabilities		**122,915**	**144,662**
Total liabilities		**197,529**	**223,461**
TOTAL EQUITY AND LIABILITIES		**343,445**	**386,660**

Consolidated statement of profit or loss

EUR thousand

	Note	January 1–December 31, 2022	January 1–December 31, 2021
Net sales	19	**493,298**	**443,219**
Cost of goods sold		-474,718	-392,390
Gross profit		**18,579**	**50,828**
Other operating income	21	5,739	4,434
Sales, marketing and administration expenses		-28,932	-26,238
Research and development expenses		-3,503	-2,678
Other operating expenses	21	-841	595
Operating profit		**-8,958**	**26,941**
Net financial expenses	26	-2,923	-390
Profit before income taxes		**-11,881**	**26,551**
Income taxes	27	-1,983	-5,816
Profit for the period		**-13,863**	**20,734**
Earnings per share, EUR			
Basic	29	-0.24	0.36
Diluted		-0.24	0.36

Consolidated statement of comprehensive income

EUR thousand

	January 1–December 31, 2022	January 1–December 31, 2021
Profit for the period	**-13,863**	**20,734**
Other comprehensive income:		
Other comprehensive income that will be subsequently reclassified to profit or loss:		
Exchange differences	8,873	9,137
Income taxes related to other comprehensive income	-618	-781
Total	**8,255**	**8,356**
Other comprehensive income that will not be subsequently reclassified to profit or loss:		
Remeasurements of defined benefit plans	137	26
Income taxes related to other comprehensive income	-125	-7
Total	**12**	**19**
Total other comprehensive income	**8,267**	**8,375**
Total comprehensive income for the period	**-5,596**	**29,109**

Consolidated statement of changes in equity

EUR thousand

	Share capital	Share premium account	Reserve for invested unrestricted equity	Exchange differences	Fair value and other reserves	Retained earnings	**Total equity attributable to owners of the parent**
Equity January 1, 2022	**11,860**	**24,681**	**75,692**	**-5,577**	**-7**	**56,549**	**163,199**
Profit for the period	–	–	–	–	–	-13,863	-13,863
Other comprehensive income	–	–	–	8,255	–	12	8,267
Total comprehensive income	**–**	**–**	**–**	**8,255**	**–**	**-13,851**	**-5,596**
Distribution of dividend	–	–	–	–	–	-11,492	-11,492
Share-based payments	–	–	–	–	–	106	106
Acquisition of treasury shares	–	–	–	–	–	-352	-352
Conveyance of treasury shares	–	–	–	–	–	52	52
Transfers	–	–	–	–	272	-272	–
Equity December 31, 2022	**11,860**	**24,681**	**75,692**	**2,678**	**265**	**30,740**	**145,916**

	Share capital	Share premium account	Reserve for invested unrestricted equity	Treasury shares	Exchange differences	Fair value and other reserves	Retained earnings	**Total equity attributable to owners of the parent**
Equity January 1, 2021	**11,860**	**24,681**	**81,361**	**-44**	**-13,933**	**-7**	**41,962**	**145,882**
Profit for the period	–	–	–	–	–	–	20,734	20,734
Other comprehensive income	–	–	–	–	8,356	–	19	8,375
Total comprehensive income	**–**	**–**	**–**	**–**	**8,356**	**–**	**20,754**	**29,109**
Distribution of dividend and return of capital	–	–	-5,759	–	–	–	-5,759	-11,519
Share-based payments	–	–	–	–	–	–	1,276	1,276
Acquisition of treasury shares	–	–	–	–	–	–	-1,640	-1,640
Conveyance of treasury shares	–	–	90	44	–	–	-44	90
Equity December 31, 2021	**11,860**	**24,681**	**75,692**	**–**	**-5,577**	**-7**	**56,549**	**163,199**

Consolidated statement of cash flows

EUR thousand

	Note	January 1–December 31, 2022	January 1–December 31, 2021
Cash flow from operations			
Profit for the period		-13,863	20,734
Total adjustments to profit for the period	30	28,037	27,585
Cash flow before changes in net working capital		**14,174**	**48,319**
Change in net working capital		7,753	-25,242
Financial items		-4,745	-5,258
Income taxes		-3,156	-6,731
Cash flow from operations		**14,027**	**11,088**
Cash flow from investments			
Investments in property, plant and equipment and intangible assets		-9,764	-17,628
Sales proceeds from property, plant and equipment and intangible assets		30	4
Sales proceeds from sale of equity investments		–	2,170
Cash flow from investments		**-9,734**	**-15,454**
Cash flow from financing			
Drawdown of non-current interest-bearing liabilities	14	–	50,000
Repayment of non-current interest-bearing liabilities		-85,000	–
Issuance costs of the bonds		–	-939
Drawdown of current interest-bearing liabilities	14	40,000	–
Repayment of current interest-bearing liabilities	14	-3,003	-2,757
Repayment of loan receivables		–	9,301
Acquisition of treasury shares		-379	-1,612
Distribution of dividend and return of capital		-11,492	-11,520
Cash flow from financing		**-59,875**	**42,473**
Change in cash and cash equivalents		**-55,582**	**38,106**
Cash and cash equivalents at the beginning of the period		101,357	57,877
Effect of changes in exchange rates		3,732	5,374
Change in cash and cash equivalents		-55,582	38,106
Cash and cash equivalents at the end of the period		**49,508**	**101,357**

Notes to the consolidated financial statements

NOTE 1 Significant accounting policies - consolidated financial statements

Basic information

Suominen Corporation is a public limited liability company organized under the laws of the Republic of Finland and domiciled in Helsinki, Finland (Karvaamokuja 2 B, 00380 Helsinki, Finland). Suominen's shares are publicly traded in the Nasdaq Helsinki Ltd. (Mid Cap). 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 2, 2023 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 31 December.

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

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

New accounting standards

New or amended standard, annual improvements or interpretations applicable from January 1, 2022:

- 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 16 – Property, Plant and Equipment: Proceeds before Intended Use, applicable from January 1, 2022. The amendment prohibits companies deducting from the acquisition cost of an item of property, plant and equipment any proceeds of the sale of items produced while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The sales proceeds of producing such items as well as the expenses of producing the items are to be recognized in profit or loss. The amendment was to be applied retrospectively. For Suominen, the amendment did not result in any restatement of previously published figures.

Other new or amended standard, annual improvements or interpretations applicable from January 1, 2022 were not material for Suominen Group.

New and amended IFRS standards and IFRIC interpretations published but mandatory from January 1, 2023 or later:

- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current, applicable from January 1, 2024. 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. The amendment has no effect on the consolidated financial statements of Suominen.
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2, applicable from January 1, 2023. The amendment replaces the requirement to disclose "significant" accounting policies with a requirement to disclose "material" accounting policies. The amendment aims to help companies to disclose accounting policies, which are material for users to understand the information in the company's financial statements. The amendments require judgement in determining whether accounting policies are material or not. The amendment may have some effect on the disclosure of accounting policies in Suominen's consolidated financial statements, as the accounting principles presented in the consolidated financial statements will concentrate on presenting the accounting principles which are material for Suominen.
- Definition of Accounting Estimates – Amendments to IAS 8, applicable from January 1, 2023. The amendments clarify the distinction between the changes in accounting estimates and changes in accounting policies and the correction of errors. The amendment clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The amendment does not have any material impact on Suominen's consolidated financial statements.
- Amendments to IAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction, applicable from January 1, 2023. The amendments are to be applied to transactions that occur on or after the beginning of the earliest comparative period presented in the financial statements.

  The amendment narrowed the scope of the initial recognition exception under IAS 12, so that it no longer applies to taxable and deductible temporary differences. The amendment clarifies deferred tax accounting for transactions and events, such as leases and decommissioning obligations that lead to the initial recognition of both an asset and a liability. The amendments require companies to recognize a separate deferred tax asset and deferred tax liability when the temporary differences arising on the initial recognition of an asset and a liability are equal.

  As in the most cases the deferred tax assets and liabilities arising from recognition of leases can be offset with each other, the amendment has not material effect on the consolidated statement of financial position of Suominen. The amendment will, however, change the disclosure information in the consolidated financial statements related to the deferred taxes.

Other new or amended standards, improvements or annual improvements applicable from January 1, 2023 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 in the 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 in the cumulative exchange difference.

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 and currency differences

In their own day-to-day accounting the Group companies translate transactions in foreign currencies into their own reporting 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.

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 in 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 in 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 in exchange differences in equity.

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.

Software-as-a-Service agreements

Suominen recognizes the expenses arising from software-as-a-service (SaaS) arrangements mainly in profit or loss as expenses arising from service contracts. However, if the contract contains a lease, either the whole arrangement or the lease component of the arrangement are recognized in accordance with IFRS 16. If the arrangement provides a resource that Suominen can control, an intangible asset in accordance with IAS 38 will be recognized.

Government grants

When government or other grants are received to compensate for expenses, they are recognized in profit or loss in other operating income in the same periods in which the corresponding expenses are incurred. When the grants are related to assets, the grants are recognized as deferred income and recognized as other operating income during the useful life of the asset.

Related parties

Parties are considered to be related parties if a party is able to exercise control over the other or substantially influence its decision-making concerning its finances and business operations.

Suominen Group's related parties include the parent of the Group (Suominen Corporation) and subsidiaries. In addition, the related parties of Suominen include the members of the Board of Directors, President & CEO and the members of the 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 or joint ventures.

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.

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 Accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make accounting estimates. Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In developing accounting estimates the management uses judgements or assumptions. Measurement techniques are used in developing an accounting estimate. The techniques can include estimation and valuation techniques.

An accounting estimate may have to be changed if changes occur in the circumstances on which the accounting estimate was based or as a result of new information, new developments or more experience.

The estimates and assumptions affect the reported amounts of assets and liabilities, the amounts 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 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 receivables; estimation of expected credit losses of trade 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, by 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 did not materially increase Suominen's risk of impairment losses of non-current assets nor increase customer credit risk.

The direct impact of the war in Ukraine to Suominen's business is minor as Suominen has no customers nor suppliers in Russia, Belarus or Ukraine. Suominen as a company is mostly affected by the indirect economic impacts of the war which contribute to the cost inflation of raw materials, energy, and transportation.

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 risks, funding and liquidity risks and refinancing and credit risks. 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, liquidity, 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. 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 as well as 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 using both derivatives and terms of sales and purchasing contracts.

Common derivative contracts are used in hedging to some extent, as their pricing can be verified on the markets. Suominen does not apply hedge accounting in currency hedging for the transaction risks. Changes in fair values of currency hedging instruments are recognized in profit or loss.

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

	Transaction exposure 2022		Transaction exposure 2021	
EUR thousand	12 months' cash flow	Hedged with currency forwards	12 months' cash flow	Hedged with currency forwards
USD/EUR	-1,550	–	-773	-1,960
EUR/BRL	-987	–	-1,596	–
USD/BRL	-10,382	–	-13,463	–

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

Translation exposure 2022 against EUR

EUR thousand	Internal loan receivables	Cash and cash equivalents and internal interest-bearing liabilities	Equity of foreign subsidiaries	Open currency exposure
BRL	–	6,590	18,246	24,836
USD	60,941	27,352	67,781	156,074

Translation exposure 2021 against EUR

EUR thousand	Internal loan receivables	Cash and cash equivalents and internal interest-bearing liabilities	Equity of foreign subsidiaries	Open currency exposure
BRL	–	4,267	14,504	18,771
USD	50,703	40,768	75,164	166,635

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 the foreseeable future. These loan receivables amounted to USD 65.0 million, equaling to EUR 60.9 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 a sensitivity analysis of financial instruments. In the sensitivity analysis in the table on the following page, the financial instruments include intra-group currency denominated loan receivables. 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.

2022

EUR thousand	Currency strengthens %	A. Effect on profit after tax	B. Effect on equity after tax (excluding A)	Currency weakens %	A. Effect on profit after tax	B. Effect on equity after tax (excluding A)
USD/EUR	10.5	–	5,120	-10.5	–	-5,120

2021

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	–	2,270	-6	–	-2,270

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 the USD exchange rate on profit after taxes in 2022 is estimated to be EUR - / + 130 thousand (EUR - / + 122 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.

2022

EUR thousand	Currency strengthens / weakens %	Effect on 12 months' currency cash flow	Effect on hedging instruments	Net effect after tax
USD/EUR	+11 / -11	-163 / 163	–	-130 / 130

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 2022 duration excluding the lease liabilities was 30 months (30 months in 2021).

At the end of the reporting period the carrying amount of the Group's loans with fixed interest rates was EUR 49.3 million (EUR 133.2 million) and EUR 40.0 million with floating interest rates. There were no loans with floating interest rates at the end 2021. Lease liabilities were EUR 14.1 million (EUR 15.9 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.

2022

EUR thousand	Change in interest rate, percentage points	Effect on profit after tax
Floating rate loans	+0.5 / -0.5	-160 / +160

At the end of the reporting period the cash and cash equivalents of the Group were EUR 49.5 million (EUR 101.4 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 -164 thousand in 2022 (EUR 14 thousand). The ageing structure of the trade receivables is disclosed in Note 11 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 11.

For the vast majority of Suominen's customers, the COVID-19 pandemic had a positive or at worst neutral impact on the demand for their products. Hence the customer credit risks did not materially increase due to the pandemic.

The direct impact of the war in Ukraine to Suominen's business is minor as Suominen has no customers in Russia, Belarus or Ukraine.

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.

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. In June 2022, Suominen announced that it has extended by one year the maturity this syndicated revolving credit facility agreement. The maturity of the facility is now extended to July 2025.

The 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 June 2021, Suominen issued a senior unsecured bond of EUR 50 million. The six-year bond matures on June 11, 2027 and it carries a coupon interest of 1.50%. The bond is listed on the official list of Nasdaq Helsinki Ltd.

In addition, Suominen had a EUR 85 million unsecured bond issued in September 2017, which carried a fixed annual interest at the rate of 2.50% and was paid in full on the maturity date of October 3, 2022.

The average maturity of the committed facility agreements was 2.5 years (2.5 years) at the end of the reporting period. At the end of the reporting period the unused revolving credit facility was EUR 57 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 2022

EUR thousand			Falling due				
Financial liabilities	Carrying amount	Contractual cash flows	Less than 6 months	6–12 months	1–2 years	2–5 years	After 5 years
Debentures	49,295	53,750	750		750	52,250	–
Lease liabilities	14,069	16,891	1,889	1,748	3,222	6,778	3,254
Other interest-bearing liabilities	40,000	40,328	40,328	–	–	–	–
Other financial liabilities	231	231	231	–	–	–	–
Trade payables	64,565	64,565	64,471	94	–	–	–
Total	**168,161**	**175,765**	**107,669**	**1,842**	**3,972**	**59,028**	**3,254**

Maturity analysis of leasing obligations arising from operative leasing contracts is disclosed in Note 22.

		Falling due			
Contingent liabilities	Total	Less than 6 months	6–12 months	1–2 years	2–5 years
Guarantees	3,102	–	–	163	2,939
Commitments to leases not yet commenced	429	429	–	–	–
Contractual commitments to acquire property, plant and equipment	2,641	1,388	1,230	22	–
Total	**6,171**	**1,817**	**1,230**	**185**	**2,939**

Maturity analysis of financial liabilities 2021

EUR thousand

Financial liabilities	Carrying amount	Contractual cash flows	Falling due Less than 6 months	6–12 months	1–2 years	2–5 years	More than 5 years
Debentures	133,206	141,625	750	87,125	750	2,250	50,750
Lease liabilities	15,927	19,418	1,869	1,781	3,292	7,201	5,276
Other financial liabilities	290	290	290	–	–	–	–
Trade payables	45,661	45,661	45,661	–	–	–	–
Total	**195,085**	**206,994**	**48,570**	**88,906**	**4,042**	**9,451**	**56,026**

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	15					
Cash inflows (-)		637	637	–	–	–
Cash outflows (+)		-653	-653	–	–	–
Total	**15**	**-17**	**-17**	**–**	**–**	**–**

Maturity analysis of leasing obligations arising from operative leasing contracts is disclosed in Note 22.

Contingent liabilities	Total	Falling due Less than 6 months	6–12 months	1–2 years	2–5 years
Guarantees	3,495	–	–	163	3,332
Commitments to leases not yet commenced	458	458	–	–	–
Contractual commitments to acquire property, plant and equipment	713	713	–	–	–
Total	**4,666**	**1,171**	**–**	**163**	**3,332**

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.

With respect to the capital structure the Board of Directors of Suominen monitors equity ratio, gearing, and leverage ratio. Equity ratio is calculated as the ratio of equity to the total assets adjusted with advance payments received. Gearing is calculated as the ratio of interest-bearing net debt to equity. Leverage ratio is calculated as the ratio of interest-bearing net debt to EBITDA.

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 2022, the Group's equity ratio was 42.5% (42.2%) and gearing was 37.4% (30.4%).

Suominen participates in the Supply Chain Financing programs of certain customers. Under the programs the customers' trade receivables are sold on a non-recourse basis. The programs release capital employed.

Equity ratio and gearing at the end of the reporting period

EUR million	2022	2021	**Reference**
Nominal value of interest-bearing liabilities	104.1	150.9	Note 14
Cash and cash equivalents	-49.5	-101.4	Consolidated statement of financial position
Interest-bearing net debt	**54.6**	**49.6**	
Total equity attributable to owners of the parent	145.9	163.2	
Assets total - advances received	343.4	386.6	
Gearing, %	37.4	30.4	
Equity ratio, %	42.5	42.2	

The funding is managed by maintaining good relations with the financial institutions.

Suominen plans to cover the loan amortization needs with its cash flow from operations.

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 14 of the consolidated financial statements.

NOTE 5 Goodwill

EUR thousand

Impairment testing of goodwill

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.

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.

Suominen published in early 2020 its strategy covering five years, and the strategic business plan was updated during the last quarter of 2022. 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 financial performance of Suominen in 2022 has declined from 2021 mainly due to the normalization of the COVID-19-induced demand spike especially in the US as well as due to major inflation of raw material and energy costs.

The annual growth rate for Suominen's net sales during the period covered by the forecast (2023–2027) has been estimated at 0.9%. The estimated growth rate has decreased from the previous year as raw material prices are estimated to decrease and the majority of sales prices are tied to the raw material prices.

Annual terminal growth rate (2.0%) is assumed to equal overall inflation development and thus it has increased from the previous year.

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. The used discount rate has increased from the previous year as the interest rates overall have increased.

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.

Based on the impairment testing, the goodwill of Suominen is not impaired.

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 2.918 percentage points or the annual terminal operating profit percentage would decrease by 2.625 percentage points, the recoverable amount would equal the carrying amount.

The critical assumptions in impairment testing

	2022	2021
Pre-tax discount rate	13.7%	8.5%
Growth in net sales 2023–2027 (2022–2026)	0.9%	1.5%
Annual terminal growth rate	2.0%	1.0%
Annual terminal operating profit percentage	8.3%	8.3%

Accounting principles

Goodwill represents the excess of the purchase consideration over the fair value of acquired net assets. Goodwill is allocated to those cash generating units which benefit from the acquired net assets as well as from synergies arising from the acquisition.

At the end of the reporting period, the carrying amount of goodwill was EUR 15,496 thousand (EUR 15,496 thousand in 2021). 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.

Potential adverse extreme effects from the climate change (such as water shortages, heat waves, increased rainfall, flooding, storms) on Suominen have been considered in the testing, but so far these are seen to have only a temporary effect to Suominen's business performance and hence no material impacts have been included in the cash flow estimates used in testing. The management follows these risks and their development.

NOTE 6 Intangible assets

EUR thousand

	Intangible rights	Goodwill	Other intangible assets	Advance payments and assets under construction	**Total 2022**
Acquisition cost January 1	**28,761**	**15,496**	**6,539**	**71**	**50,866**
Exchange difference	13	–	59	9	81
Additions	79	–	–	358	438
Decreases and disposals	-6,269	–	594	–	-5,675
Reclassifications	374	–	–	-438	-64
Acquisition cost December 31	**22,958**	**15,496**	**7,192**	**–**	**45,645**
Accumulated amortization and impairment losses January 1	**-17,276**	**–**	**-4,919**	**–**	**-22,195**
Exchange difference	-9	–	-44	–	-53
Amortization for the reporting period	-3,301	–	-566	–	-3,866
Impairment losses	–	–	-2	–	-2
Decreases and disposals	6,269	–	-595	–	5,675
Accumulated amortization and impairment losses December 31	**-14,316**	**–**	**-6,125**	**–**	**-20,441**
Carrying amount December 31	**8,643**	**15,496**	**1,066**	**–**	**25,204**

	Intangible rights	Goodwill	Other intangible assets	Advance payments and assets under construction	**Total 2021**
Acquisition cost January 1	**28,823**	**15,496**	**6,605**	**56**	**50,978**
Exchange difference	19	–	75	–	94
Additions	64	–	–	97	162
Decreases and disposals	-215	–	-141	-56	-412
Reclassifications	70	–	–	-26	44
Acquisition cost December 31	**28,761**	**15,496**	**6,539**	**71**	**50,866**
Accumulated amortization and impairment losses January 1	**-14,235**	**–**	**-4,445**	**-56**	**-18,736**
Exchange difference	-14	–	-54	–	-68
Amortization for the reporting period	-3,240	–	-560	–	-3,801
Decreases and disposals	213	–	141	56	410
Accumulated amortization and impairment losses December 31	**-17,276**	**–**	**-4,919**	**–**	**-22,195**
Carrying amount December 31	**11,485**	**15,496**	**1,620**	**71**	**28,672**

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 843 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 25 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 2022
Acquisition cost January 1	**2,847**	**62,817**	**252,996**	**1,842**	**6,813**	**327,314**
Exchange difference	222	2,236	10,356	–	361	13,174
Additions	–	128	204	–	8,932	9,264
Capitalized borrowing costs	–	–	–	–	12	12
Decreases and disposals	–	-946	-22,398	-1	–	-23,345
Reclassifications	–	421	10,021	206	-10,584	64
Acquisition cost December 31	**3,069**	**64,656**	**251,178**	**2,047**	**5,533**	**326,483**
Accumulated depreciation and impairment losses January 1	**–**	**-39,809**	**-170,996**	**-1,032**	**–**	**-211,836**
Exchange difference	–	-837	-6,567	–	–	-7,404
Decreases and disposals	–	946	22,398	1	–	23,345
Depreciation for the reporting period	–	-2,531	-9,458	-117	–	-12,107
Impairment losses	–	–	-1,573	-136	-578	-2,286
Accumulated depreciation and impairment losses December 31	**–**	**-42,232**	**-166,196**	**-1,283**	**-578**	**-210,288**
Carrying amount December 31	**3,069**	**22,425**	**84,982**	**764**	**4,956**	**116,195**

	Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and assets under construction	Total 2021
Acquisition cost January 1	**2,744**	**59,724**	**226,348**	**1,364**	**8,698**	**298,878**
Exchange difference	103	2,394	11,575	0	256	14,328
Additions	–	308	35	–	17,047	17,390
Capitalized borrowing costs	–	–	–	–	219	219
Decreases and disposals	–	-39	-3,227	-13	-179	-3,458
Reclassifications	–	429	18,264	490	-19,228	-44
Acquisition cost December 31	**2,847**	**62,817**	**252,996**	**1,842**	**6,813**	**327,314**
Accumulated depreciation and impairment losses January 1	**–**	**-36,943**	**-156,142**	**-963**	**-166**	**-194,213**
Exchange difference	–	-820	-7,187	0	-13	-8,020
Decreases and disposals	–	39	3,227	13	179	3,458
Depreciation for the reporting period	–	-2,085	-10,894	-82	–	-13,061
Accumulated depreciation and impairment losses December 31	**–**	**-39,809**	**-170,996**	**-1,032**	**–**	**-211,836**
Carrying amount December 31	**2,847**	**23,008**	**82,000**	**810**	**6,813**	**115,478**

	2022	2021
Carrying amount of production machinery and equipment	83,982	80,893

Contractual commitments to acquire property, plant and equipment are presented in Note 32.

Right-of-use assets are presented in Note 22. Depreciation and impairment losses are disclosed in Note 25.

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.

Propert, plant and equipment are tested for impairment if there are indications that the asset may be impaired. Impairment testing is described in Note 25 of the consolidated financial statements.

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.

The customer demand for nonwovens has shifted more and more to sustainable nonwovens not containing plastic and which are made of plant-based fibers. Suominen follows the technical capabilities of its production lines and aims to ensure the ability of the lines to produce these sustainable nonwovens by continuously investing in the production lines, and is thus improving its ability to meet the customer demand. With these investments Suominen aims to prevent the production lines to become technologically obsolete due to customer demand and the useful lives of the lines to shorten from the initial estimates.

Potential adverse extreme effects from the climate change (such as water shortages, heat waves, increased rainfall, flooding, storms) on Suominen have been considered for example in estimating the carrying amounts of property, plant and equipment as well as their useful lives, but so far these are seen to have only a temporary effect to Suominen's business performance and hence there are no material impacts on the carrying amounts or depreciation periods of property, plant and equipment. The management follows these risks and their development.

The effect of inflation on production costs, such as raw material and energy prices, have been taken into account in estimating the carrying amounts of property, plant and equipment as well as their useful lives. The increased production costs could lead into a situation where the carrying amounts of the production lines were too high, if the sales proceeds would not cover the increased costs. As most of the Suominen's sales contracts have raw material clauses where the sales prices are tied to the raw material prices, and as Suominen has introduced energy surcharges to be charged from customers after the energy prices have increased, the cost inflation is not estimated to have material impact on the carrying amounts of property, plant and equipment.

NOTE 8 Group companies

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

NOTE 9 Equity instruments

EUR thousand

	Designated at fair value through other comprehensive income	Total 2022
Carrying amount January 1	**421**	**421**
Carrying amount December 31	**421**	**421**

	At fair value through profit or loss	Designated at fair value through other comprehensive income	Total 2021
Carrying amount January 1	**347**	**421**	**768**
Sale of equity instruments	-347	–	-347
Carrying amount December 31	**–**	**421**	**421**

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 classified the shares in Bright Maze Oy which were sold in 2021 at fair value through profit or loss. With the classification both the fair value changes and possible gains and losses on disposal were recognized in profit or loss.

The rest of the 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. Other equity instruments are not material items in the consolidated financial statements of Suominen.

Equity instruments consist of unlisted shares.

If there is no active market for the equity instruiment or if the securities are not listed, the Group measures fair value with valuation techniques. If there is no asset-specific data available from transactions between independent parties, the fair values used for the asset is for example the present value of discounted cash flows arising from the asset or fair values other instruments which are substantially identical than the asset.

NOTE 10 Inventories

EUR thousand

	2022	2021
Raw materials and consumables	42,670	32,507
Work in progress	3,837	1,564
Finished goods	16,732	15,620
Advance payments for inventory	22	72
Total inventories	**63,261**	**49,763**
Write-down of inventory	-6,610	-3,709
Reversals of write-down of inventory	4,796	3,332
Inventories recognized as expense during the period	-393,879	-321,127

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 Trade and other receivables

EUR thousand

	2022	2021
Non-current receivables		
Other non-current receivables	93	96
Total non-current receivables	**93**	**96**
Current receivables		
Trade receivables	66,648	65,495
Other current receivables	6,753	2,941
Prepaid expenses and accrued income	2,104	2,462
Total current receivables	**75,505**	**70,899**

Ageing analysis of trade receivables and credit risk exposure

Trade receivables December 31, 2022

		Past due					
	Current	< 5 days	5–30 days	31–120 days	> 120 days	Total past due	**Total**
Trade receivables	59,541	2,342	3,489	1,485	1,908	9,223	**68,765**
Allowance for expected credit losses	–	–	–	-352	-1,765	-2,117	**-2,117**
Carrying amount of trade receivables	**59,541**	**2,342**	**3,489**	**1,132**	**144**	**7,106**	**66,648**

Trade receivables December 31, 2021

		Past due					
	Current	< 5 days	5–30 days	31–120 days	> 120 days	Total past due	**Total**
Trade receivables	55,687	3,207	6,109	558	2,055	11,929	**67,616**
Allowance for expected credit losses	–	–	0	-201	-1,920	-2,121	**-2,121**
Carrying amount of trade receivables	**55,687**	**3,207**	**6,109**	**358**	**135**	**9,808**	**65,495**

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

	2022	2021
Allowance for expected credit losses January 1	**-2,121**	**-2,213**
Exchange difference	-30	-27
Realized	194	116
Reversed	257	378
Charge for the year	-418	-374
Allowance for expected credit losses December 31	**-2,117**	**-2,121**
Expected credit losses of trade receivables recognized during the period, net	-164	14

Currency analysis of trade receivables

	2022	2021
EUR	32,594	29,476
USD	28,377	31,113
BRL	5,677	4,907
Total	**66,648**	**65,495**

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 17 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.

Accounting principles

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 2022 and 2021 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 did not materially increase Suominen's customer credit risk.

The direct impact of the war in Ukraine to Suominen's business is minor as Suominen has no customers in Russia, Belarus or Ukraine.

Critical accounting estimates and judgements

Measurement of trade receivables includes some management estimates. If the management estimates that the carrying amount of a trade receivable exceeds its fair value, an estimate of the expected credit loss is recognized.

NOTE 12 Financial instruments

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	–	–	421	421	421
Trade receivables	–	66,648	–	66,648	66,648
Interest and other financial receivables	–	334	–	334	334
Cash and cash equivalents	–	49,508	–	49,508	49,508
Total December 31, 2022	**–**	**116,490**	**421**	**116,911**	**116,911**

	At fair value through profit or loss	At amortized cost	Designated at fair value through other comprehensive income	Carrying amount	Fair value
Equity instruments	–	–	421	421	421
Trade receivables	–	65,495	–	65,495	65,495
Interest and other financial receivables	–	259	–	259	259
Derivative receivables	2	–	–	2	2
Cash and cash equivalents	–	101,357	–	101,357	101,357
Total December 31, 2021	**2**	**167,111**	**421**	**167,534**	**167,534**

Accounting principles – financial assets

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

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 17.

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 9.

Financial assets at amortized cost

Trade receivables at amortized cost are described in Note 11.

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 and bank account balances. If bank overdrafts are in use, they are included in current interest-bearing liabilities.

Classification of financial liabilities

	At amortized cost	Carrying amount	Fair value	Nominal value
Debentures	49,295	49,295	39,425	50,000
Other current interest-bearing liabilities	40,000	40,000	40,000	40,000
Lease liabilities	14,069	14,069	14,069	14,069
Interest accruals	734	734	734	734
Other current liabilities	353	353	353	353
Trade payables	64,565	64,565	64,565	64,565
Total December 31, 2022	**169,016**	**169,016**	**159,146**	**169,721**

	At amortized cost	Carrying amount	Fair value	Nominal value
Debentures	133,206	133,206	135,621	135,000
Lease liabilities	15,927	15,927	15,927	15,927
Interest accruals	936	936	936	936
Other current liabilities	379	379	379	379
Derivative liabilities	15	15	15	15
Trade payables	45,661	45,661	45,661	45,661
Total December 31, 2021	**196,125**	**196,125**	**198,540**	**197,919**

Accounting principles – financial liabilities

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 17 of the consolidated financial statements.

Interest-bearing liabilities, including lease liabilities, are described in Note 14 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 13 Equity and 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, 2022 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 distributable 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 a General Meeting.

At the end of the reporting period Suominen held 778,492 treasury shares. As a share-based payment plan vested, in total 237,584 shares were transferred to the participants of the plan in February. In accordance with the resolution by the Annual General Meeting, 18,585 shares were transferred on May 16, 2022 to the members of the Board of Directors as their remuneration payable in shares.

Suominen announced on November 1, 2021 that it starts to repurchase treasury shares. The repurchase continued in 2022, and in 2022 Suominen acquired in total 68,677 treasury shares with the total consideration of EUR 0.3 million. The repurchases started on November 3, 2021 and ended on January 21, 2022. During this period, Suominen repurchased 400,000 shares for an average price of EUR 4.9796 per share, corresponding to approximately 0.7% of the total number of the company's shares, which is 58,259,219.

Trade day accounting is applied to acquisition of treasury shares.

Other equity reserves

Share premium account is restricted equity and the reserve can no longer increase. Share premium account can be used to increase share capital.

Reserve for invested unrestricted equity is an unrestriced equity reserve, which can be used in returning capital to the shareholders. The reserve arises or increases in share issues by recognizing in the reserve that part of the emission price which is not recognized in share capital. It can also increase in connection of other equity increases. The investments in the reserve can be made by shareholders or external parties.

Fair value reserve includes the fair value changes of derivatives when hedge accounting is applied. Also the fair value changes of equity instruments classified at fair value through other comprehensive income are recognized in the fair value reserve.

Other reserves include legal reserve, which consists of the part of the profit which by local legislation has to moved to a restricted equity reserve.

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 in 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 in cumulative exchange differences.

Some loans granted to the subsidiaries are in substance a 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 in exchange differences in equity.

Share-based plans

The share-based incentive plans are described in Note 28 of the consolidated financial statements.

Suominen has no option plans.

The share ownership of related parties in Suominen is disclosed in Note 31 of the consolidated financial statements.

Share trading and price

The number of Suominen Corporation shares traded on Nasdaq Helsinki January 1–December 31, 2022 was 10,902,032 shares (17,714,203 shares), accounting for

19.0% (30.8%) of the average number of shares (excluding treasury shares). The highest price was EUR 5.27 (EUR 6.41), the lowest EUR 2.36 (EUR 4.25) and the volume-weighted average price EUR 3.57 (EUR 5.48). The closing price at the end of reporting period was EUR 3.00 (EUR 5.18). The market capitalization (excluding treasury shares) was EUR 172.4 million on December 31, 2022 (EUR 296.8 million).

Number of shares

Changes in number of shares

Number of shares January 1, 2021	**58,259,219**
Number of shares December 31, 2021	**58,259,219**
Number of shares December 31, 2022	**58,259,219**

Changes in treasury shares

Number of shares January 1, 2021	**690,878**
Conveyance of treasury shares, reward for the Board of Directors	-16,042
Conveyance of treasury shares, share-based plans	-44,224
Transfer of shares in the joint account to treasury shares	4,049
Acquisition of treasury shares	331,323
Number of shares December 31, 2021	**965,984**
Conveyance of treasury shares, reward for the Board of Directors	-18,585
Conveyance of treasury shares, share-based plans	-237,584
Acquisition of treasury shares	68,677
Number of shares December 31, 2022	**778,492**

Number of shares	December 31, 2022	December 31, 2021
Number of shares excluding treasury shares	57,480,727	57,293,235
Share-issue adjusted number of shares excluding treasury shares	57,480,727	57,293,235
Average number of shares excluding treasury shares	57,439,615	57,579,440
Average share-issue adjusted number of shares excluding treasury shares	57,439,615	57,579,440
Average diluted share-issue adjusted number of shares excluding treasury shares	57,533,196	58,023,347

Notifications in 2022 under Chapter 9, Sections 5 and 6 of the Securities Market Act

Suominen Corporation received a notification on January 19, 2022 referred to Chapter 9, Section 5 and 6 of the Securities Market Act. According to the notification, the shareholding of Ilmarinen Mutual Pension Insurance Company in Suominen Corporation had fallen below the threshold of 5%.

Suominen Corporation received a notification on February 25, 2022 referred to Chapter 9, Section 5 and 6 of the Securities Market Act. According to the notification, the shareholding of Etola Group Oy, controlled by Mr. Erkki Etola, in Suominen Corporation had crossed the 5% flagging threshold. The total holding of Erkki Etola and companies controlled by him in Suominen Corporation did not cross flagging threshold.

Suominen Corporation received a notification on March 7, 2022 referred to Chapter 9, Section 5 and 6 of the Securities Market Act. According to the notification, the shareholding of Etola Group Oy, controlled by Mr. Erkki Etola, in Suominen Corporation had crossed the 10% flagging threshold. At the same time the total holding of Erkki Etola and companies controlled by him in Suominen Corporation had crossed the 20% flagging threshold.

Suominen Corporation received a notification on June 28, 2022 referred to Chapter 9, Section 5 and 6 of the Securities Market Act. According to the notification, the shareholding of OP-Henkivakuutus Oy in Suominen Corporation had crossed the 5% flagging threshold.

Largest shareholders December 31, 2022

Shareholder	Number of shares	% of shares and votes
Ahlstrom Capital B.V.	13,953,357	23.95%
Oy Etra Invest Ab	7,000,000	12.02%
Etola Group Oy	5,850,000	10.04%
OP Life Assurance Company Ltd	3,621,397	6.22%
Nordea Nordic Small Cap Fund	3,435,147	5.90%
Nordea Life Assurance Finland Ltd	2,882,300	4.95%
Mandatum Life Insurance Company	2,878,287	4.94%
Ilmarinen Mutual Pension Insurance Company	1,912,000	3.28%
Varma Mutual Pension Insurance Company	1,689,751	2.90%
Oy H. Kuningas & Co. AB	1,400,000	2.40%
Maijala Investment Oy	1,176,232	2.02%
Skandinaviska Enskilda Banken AB (publ.)	997,750	1.71%
Laakkosen Arvopaperi Oy	900,000	1.54%
Juhani Maijala	794,026	1.36%
Pension Insurance Company Elo	689,430	1.18%
15 largest total	**49,179,677**	**84.41%**
Other shareholders	7,057,140	12.11%
Nominee registered	1,243,910	2.14%
Treasury shares	778,492	1.34%
Total	**58,259,219**	**100.00%**

Ownership distribution December 31, 2022

	Number of shareholders	% of total	Number of shares	% of shares and votes
Corporations	185	3.2%	10,044,092	17.24%
Financial and insurance corporations	13	0.2%	20,873,571	35.83%
General government	4	0.1%	4,291,781	7.37%
Non-profit institutions	12	0.2%	341,680	0.59%
Households	5,463	95.9%	6,636,279	11.39%
Foreign countries	22	0.4%	14,049,414	24.12%
Total	**5,699**	**100.0%**	**56,236,817**	**96.53%**
Nominee registered	10		1,243,910	2.14%
Treasury shares	1		778,492	1.34%
Total	**5,710**		**58,259,219**	**100.00%**

Shareholders by share ownership December 31, 2022

Number of shares	Number of shareholders	% of total	Number of shares	% of shares and votes
1–100	2,045	35.8%	91,672	0.16%
101–500	1,964	34.4%	525,798	0.90%
501–1,000	745	13.0%	591,975	1.02%
1,001–5,000	746	13.1%	1,606,567	2.76%
5,001–10,000	89	1.6%	644,984	1.11%
10,001–50,000	80	1.4%	1,640,770	2.82%
50,001–100,000	16	0.3%	1,155,231	1.98%
100,001–500,000	8	0.1%	1,518,621	2.61%
more than 500,000	16	0.3%	49,705,109	85.32%
Total	**5,709**	**100.0%**	**57,480,727**	**98.66%**
Treasury shares	1		778,492	1.34%
Total	**5,710**		**58,259,219**	**100.00%**

NOTE 14 Interest-bearing liabilities

EUR thousand

In June 2022, Suominen announced that it has extended by one year the maturity of the EUR 100 million syndicated revolving credit facility agreement signed in July 2020. The maturity of the facility is now extended to July 2025.

The lenders for the facility are Danske Bank A/S, Finland Branch and Nordea. The 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 June 2021, Suominen issued a senior unsecured bond of EUR 50 million. The six-year bond matures on June 11, 2027 and it carries a coupon interest of 1.50%. The offering was allocated to 19 investors. The bond is listed on the official list of 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 unsecured bond with a nominal value of EUR 85 million issued in September 2017 matured and was paid in full on October 3, 2022. The bond was listed on Nasdaq Helsinki Ltd.

	2022			2021		
	Carrying amount	Fair value	Nominal value	Carrying amount	Fair value	Nominal value
Non-current interest-bearing liabilities						
Debentures	49,295	39,425	50,000	49,144	49,125	50,000
Lease liabilities	11,215	11,215	11,215	13,167	13,167	13,167
Total	**60,510**	**50,640**	**61,215**	**62,311**	**62,292**	**63,167**
Current interest-bearing liabilities						
Other interest-bearing liabilities	40,000	40,000	40,000	–	–	–
Debentures	–	–	–	84,062	86,496	85,000
Lease liabilities	2,855	2,855	2,855	2,761	2,761	2,761
Total	**42,855**	**42,855**	**42,855**	**86,823**	**89,257**	**87,761**
Total	**103,365**	**93,494**	**104,069**	**149,134**	**151,548**	**150,927**

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

	2022	2021
Total interest-bearing liabilities at the beginning of the period	**149,134**	**100,293**
Current liabilities at the beginning of the period	**86,823**	**2,539**
Repayment of current liabilities, cash flow items	-88,003	-2,757
Drawdown of current liabilities, cash flow items	40,000	–
Increases in current liabilities, non-cash flow items	260	309
Decreases of current liabilities, non-cash flow items	-15	-67
Reclassification from non-current liabilities	2,770	86,610
Periodization of debenture to amortized cost, non-cash flow items	938	105
Exchange rate difference, non-cash flow item	83	84
Current liabilities at the end of the period	**42,855**	**86,823**
Non-current liabilities at the beginning of the period	**13,167**	**14,892**
Increases in non-current liabilities, non-cash flow items	445	418
Decreases of non-current liabilities, non-cash flow items	-12	-47
Reclassification to current liabilities	-2,770	-2,653
Exchange rate difference, non-cash flow item	385	557
Non-current liabilities at the end of the period	**11,215**	**13,167**
Non-current debentures at the beginning of the period	**49,144**	**82,862**
Periodization of debenture to amortized cost, non-cash flow items	151	1,178
Drawdown of debentures	–	50,000
Transaction costs of debentures, cash flow item	–	-939
Reclassification to current liabilities	–	-83,957
Non-current debentures at the end of the period	**49,295**	**49,144**
Total interest-bearing liabilities at the end of the period	**103,365**	**149,134**

Maturity of interest-bearing liabilities		
2023 (2022)	42,855	86,823
2024 (2023)	2,609	2,560
2025 (2024)	1,818	2,424
2026 (2025)	1,878	1,672
2027– (2026–)	54,204	55,655
Total	**103,365**	**149,134**

Interest-bearing liabilities by currency		
EUR	96,520	141,641
USD	6,776	7,419
BRL	68	74
Total	**103,365**	**149,134**

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.

Accounting principles related to lease liabilities are disclosed in Note 22.

NOTE 15 PROVISIONS

EUR thousand

Non-current provisions

	Restoration provisions	Income tax provisions	Other provisions	**Total**
January 1, 2021	**1,607**	**26**	**164**	**1,797**
Exchange difference	23	–	–	23
Effect of discounting	96	–	–	96
December 31, 2021	**1,726**	**26**	**164**	**1,916**
Exchange difference	19	–	–	19
Decreases	–	–	-90	-90
Effect of discounting	104	–	–	104
December 31, 2022	**1,850**	**26**	**74**	**1,950**

Current provisions

	Other provisions
January 1, 2021	**250**
Decreases	-250
December 31, 2021	**–**
December 31, 2022	**–**

The provisions of Suominen consist of the obligations to restore the leased premises at the end of the lease contracts (Note 22), income tax provisions made as a result of tax audits 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 a notification of it has been made known to those whom the arrangement concerns.

NOTE 16 Trade payables and other liabilities

EUR thousand

	2022	2021
Other non-current liabilities		
Accrued expenses and deferred income	–	3
Total other non-current liabilities	**–**	**3**
Current liabilities		
Trade payables	64,565	45,661
Advances received	74	75
Other liabilities	1,597	1,700
Accrued expenses and deferred income	13,536	9,733
Total trade payables and other current liabilities	**79,771**	**57,170**

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

	2022	2021
EUR	26,247	21,122
USD	36,939	23,897
BRL	1,378	642
Other currencies	1	1
Total	**64,565**	**45,661**

NOTE 17 DERIVATIVE INSTRUMENTS

EUR thousand

Derivative receivables and liabilities in statement of financial position

	2022	2021
Receivables		
Derivatives, hedge accounting not applied	–	2
Liabilities		
Derivatives, hedge accounting not applied	–	15

Nominal and fair values of derivative contracts

	2022				2021			
	Nominal value	Fair value, net	Fair value, positive	Fair value, negative	Nominal value	Fair value, net	Fair value, positive	Fair value, negative
Currency forward contracts								
Hedge accounting not applied	–	–	–	–	1,960	-14	2	-15

Derivative instruments in profit or loss

	2022	2021
Other operating expenses		
Currency derivatives, hedge accounting not applied	-373	-204
Net financial expenses		
Interest rate differences of currency derivatives	-33	-23

Accounting principles

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.

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, did 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

Suominen has not applied hedge accounting in 2022 or 2021.

NOTE 18 Fair value hierarchy

EUR thousand

Fair value hierarchy in 2022

Financial assets at fair value	Level 1	Level 2	Level 3
Equity instruments	–	–	421
Total in 2022	**–**	**–**	**421**

Fair value hierarchy in 2021

Financial assets at fair value	Level 1	Level 2	Level 3
Equity instruments	–	–	421
Currency derivatives	–	2	–
Total in 2021	**–**	**2**	**421**

Financial liabilities at fair value	Level 1	Level 2	Level 3
Currency derivatives	–	15	–
Total in 2021	**–**	**15**	**–**

Fair value changes in Level 3

Financial assets at fair value	
Total January 1, 2021	**4,244**
Recognized in profit or loss	
Interest income	162
Reversal of impairment loss	1,847
Sale of equity instruments	-347
Repayment of loan receivables and interests	-5,485
Total December 31, 2021	**421**
Total December 31, 2022	**421**

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

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

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

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

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

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

If there is no active market for the equity instruiment or if the securities are not listed, the Group measures fair value with valuation techniques. If there is no asset-specific data available from transactions between independent parties, the fair values used for the asset is for example the present value of discounted cash flows arising from the asset or fair values other instruments which are substantially identical than the asset.

NOTE 19 Revenue from contracts with customers

EUR thousand

The net sales of Suominen Group consist entirely of sales of nonwovens. In 2022, sales to two (two) customers exceeded each 10% of total net sales. Net sales to these two customers amounted to EUR 93.8 million (89.9) and EUR 76.6 million (70.0).

	2022	2021
Net sales by geographical destination		
Finland	3,522	2,707
Rest of Europe	193,673	168,841
Americas	294,367	269,247
Rest of the world	1,736	2,424
Total	**493,298**	**443,219**
Net sales by business area		
Europe	205,451	178,064
Americas	287,975	265,211
Unallocated exchange differences of sales and internal sales	-128	-57
Total	**493,298**	**443,219**

Accounting principles

Suominen applies IFRS 15 Revenue from Contracts with Customers in revenue recognition. Net sales include the total invoicing value of products less sales tax, discounts and rebates. Foreign exchange differences arising from trade receivables are recognized as sales adjustments.

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

The performance obligation is satisfied when the goods have been delivered to the customer, ie. the performance obligation is satisfied at a point of time. In most cases the goods are handed over to the customer when the goods leave the production plant. If, in accordance with the terms of delivery, the risks and rewards of ownership of the goods as well as control over the goods are transferred to the customer only when the goods have been delivered to the customer, revenue is recognized only when the customer has received the goods.

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

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

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

The receivable from the customer is recognized at the transaction price. This means in practice that both the invoiced trade receivable from the customer and recognized revenue are adjusted in accounting with an accrual based on the estimated rebate amount.

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

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

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

NOTE 20 Segment reporting and entity-wide disclosures

EUR thousand

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.

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

	2022	2021
Finland	16,129	17,351
Rest of Europe	35,475	39,322
Americas	101,698	103,219
Total	**153,302**	**159,892**

Net sales by geographical destination as well as net sales by business area are presented in Note 19.

NOTE 21 Other operating income and expenses

EUR thousand

Other operating income	2022	2021
Gains from disposal of intangible assets and property, plant and equipment	30	4
Gains from changes in leases	0	6
Indemnities received and insurance compensations	40	935
Rental income	471	323
Sales of recycled products	628	2,355
Government and other grants	2,890	362
Other operating income	1,679	448
Total	**5,739**	**4,434**

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	2022	2021
Expected credit losses of trade receivables during the period, net	-164	14
Currency derivatives, hedge accounting not applied, net	-373	-204
Indemnities and reversals of indemnity accruals	-52	1,167
Other operating expenses	-252	-382
Total	**-841**	**595**

Accounting principles

Gains from the disposal of property, plant and equipment and intangible assets, insurance compensations and government and other grants as well as revenues other than from product sales, such as rental income (Note 22) 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 lease contracts are recognized as other operating expenses.

NOTE 22 Leases and right-of-use assets

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 21).

Suominen has not received COVID-19 related rent concessions.

Income and expenses in the statement of profit or loss arising from leases	2022	2021
Depreciation expense of right-of-use assets	-3,447	-3,230
Impairment losses of right-of-use assets	-1,536	–
Rental expenses relating to short-term leases	-417	-216
Rental expenses relating to leases of low value assets	-88	-67
Expenses arising from non-lease components of the leasing contracts and non-deductible indirect taxes	-30	-48
Gains and losses arising from lease modifications, net	0	6
Rental income	471	323
Total in operating profit	**-5,047**	**-3,231**
Interest expenses on lease liabilities (Note 26)	-958	-1,016
Interest expenses on provisions related to leasing contracts (Note 26)	-104	-96
Total income and expenses	**-6,109**	**-4,343**

Cash outflow for leases	2022	2021
Paid interest expenses on lease liabilities	-958	-1,051
Repayment of finance lease liabilities	-3,003	-2,757
Rental expenses	-535	-330
Total cash outflow for leases	**-4,496**	**-4,138**

Minimum lease payments under non-cancellable operating leases in future periods	2022	2021
Within one year	51	42
Between 1–5 years	47	43
After 5 years	–	–
Total	**98**	**85**

Commitments to leases not yet commenced are disclosed in Note 32.

Minimum non-cancellable lease payments (rental income) in future periods	2022	2021
Within one year	439	415
Between 1–2 years	90	373
Between 2–3 years	–	85
Between 3–4 years	–	–
Between 4–5 years	–	–
After 5 years	–	–
Total	**529**	**873**

Right-of-use assets

	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 2022
Acquisition cost January 1	**76**	**21,664**	**2,422**	**1,184**	**52**	**25,397**
Exchange difference	–	613	64	47	3	727
Additions	4	152	544	5	–	705
Decreases	–	-123	-385	–	–	-508
Acquisition cost December 31	**80**	**22,305**	**2,644**	**1,236**	**55**	**26,321**
Accumulated depreciation and impairment losses January 1	**-19**	**-7,624**	**-1,347**	**-662**	**-5**	**-9,656**
Exchange difference	–	-206	-32	-23	–	-260
Decreases	–	123	358	–	–	481
Depreciation for the reporting period	-7	-2,455	-694	-260	-32	-3,447
Impairment losses	–	-1,536	–	–	–	-1,536
Accumulated depreciation and impairment losses December 31	**-26**	**-11,697**	**-1,714**	**-945**	**-37**	**-14,419**
Carrying amount December 31	**54**	**10,608**	**930**	**291**	**18**	**11,902**

	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 2021
Acquisition cost January 1	**76**	**20,869**	**2,389**	**1,095**	**55**	**24,483**
Exchange difference	–	761	38	56	5	859
Additions	0	35	571	37	77	719
Decreases	–	–	-576	-4	-85	-665
Acquisition cost December 31	**76**	**21,664**	**2,422**	**1,184**	**52**	**25,397**
Accumulated depreciation and impairment losses January 1	**-13**	**-5,084**	**-1,183**	**-401**	**-18**	**-6,699**
Exchange difference	–	-237	-23	-27	-3	-289
Decreases	–	–	517	4	41	562
Depreciation for the reporting period	-6	-2,303	-658	-238	-25	-3,230
Accumulated depreciation and impairment losses December 31	**-19**	**-7,624**	**-1,347**	**-662**	**-5**	**-9,656**
Carrying amount December 31	**57**	**14,040**	**1,075**	**522**	**47**	**15,741**

Depreciation and impairment losses are disclosed in Note 25.

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 and lease liabilities (Note 14) 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 21).

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.

Lease liabilities are disclosed in Note 14.

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 15) 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.

When there is a change in the lease term, the lease liability has to be remeasured by discounting the lease payments with the discount rate at the date of the reassessment. Because of this, the estimate of the lease term includes also an interest rate risk.

NOTE 23 Fees paid to auditors

EUR thousand

Fees paid to auditors are included in administration expenses.

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

Fees paid to auditors, Suominen Group	2022	2021
Fees for statutory audit	-501	-467
Other services	-10	-32
Tax consulting	-15	–
Total	**-526**	**-499**

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

Fees paid to auditors, Suominen Corporation	2022	2021
Fees for statutory audit	-133	-121
Other services	-10	-32
Tax consulting	-15	–
Total	**-158**	**-154**

NOTE 24 Employee benefits

EUR thousand

	2022	2021
Wages and salaries	-40,722	-36,391
Share-based payments	-938	-1,480
Pensions, defined contribution plans	-3,123	-2,983
Other personnel expenses	-19,035	-17,482
Total	**-63,818**	**-58,337**

Average number of personnel (FTE - full time equivalent)	707	709
Number of personnel, end of reporting period (FTE - full time equivalent)	710	707
in Finland	140	134

Management remuneration is disclosed in detail in Note 31 of the consolidated financial statements.

Share-based payments are disclosed in more detail in Note 28 of the consolidated financial statements.

Accounting principles – pension benefits and defined benefit plans

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, 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.

In other countries Suominen has defined contribution pension plans.

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.

Defined benefit plans

	2022	2021
Defined benefit liabilities in the statement of financial position		
Present value of unfunded obligations	424	638
Deficit	424	638

Change in defined benefit obligation		
Present value of defined benefit obligation January 1	**638**	**774**
Charged to profit or loss:		
Interest expenses	5	4
Total recognized in profit or loss (gain - / loss +)	**5**	**4**
Remeasurements:		
Demographic experience adjustments	-1	–
Actuarial gain (-) / loss (+) from demographic assumptions	-35	–
Actuarial gain (-) / loss (+) from change in financial assumptions	-101	-26
Total remeasurments	**-137**	**-26**
Benefits paid	-81	-114
Present value of defined benefit obligation December 31	**424**	**638**

Changes in plan assets		
Plan assets January 1	**–**	**–**
Employer contributions	81	114
Benefits paid	-81	-114
Plan assets December 31	**–**	**–**

Significant actuarial assumptions		
Discount rate (%)	3.30	0.85
Rate of future price inflation (%)	2.25	1.75

Sensitivity analysis of actuarial assumptions		
Decrease in discount rate by 0.50 percentage points (2021: 0.25 percentage points)		
Effect on defined benefit obligation	21	19
Increase in discount rate by 0.50 percentage points (2021: 0.25 percentage points)		
Effect on defined benefit obligation	-20	-18
Decrease in future inflation rate by 0.50 percentage points		
Effect on defined benefit obligation	-12	N/A
Increase in future inflation rate by 0.50 percentage points		
Effect on defined benefit obligation	13	N/A

Expected payments to plan participants in the future years from the defined benefit obligation		
2023 (2022)	38	20
2024 (2023)	17	29
2025 (2024)	31	18
2026 (2025)	31	18
2027 (2025)	8	18
2028–2032 (2027–2031)	124	266
Total	**248**	**370**

NOTE 25 DEPRECIATION AND AMORTIZATION AND IMPAIRMENT OF ASSETS

EUR thousand

	2022	2021
Depreciation and amortization by function		
Cost of goods sold	-15,643	-16,545
Sales, marketing and administration expenses	-2,960	-3,167
Research and development	-818	-380
Total	**-19,420**	**-20,092**

Depreciation and amortization by asset category		
Intangible rights	-3,301	-3,240
Other intangible assets	-566	-560
Buildings and constructions	-2,531	-2,085
Machinery and equipment	-9,458	-10,894
Other tangible assets	-117	-82
Right-of-use assets	-3,447	-3,230
Total	**-19,420**	**-20,092**

Impairment of assets by function		
Cost of goods sold	-3,822	–
Sales, marketing and administration expenses	-3	–
Total	**-3,824**	**–**

Impairment of assets by asset category		
Machinery and equipment	-1,573	–
Other tangible assets	-136	–
Advance payments and assets under construction	-578	–
Other intangible assets	-2	–
Right-of-use assets	-1,536	–
Total	**-3,824**	**–**

Impairment losses arise from the planned closure of the production lines in Italy.

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 22.

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

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

An impairment loss of an asset can be reversed if a positive change in the estimates of the recoverable amount has occured. The impairment loss made in prior years is reversed no more than up to the value which would have been determined for the asset, net of amortization or depreciation, had no impairment loss been recognized in prior years.

Impairment testing of goodwill is presented in Note 5.

NOTE 26 Financial income and expenses

EUR thousand

	2022	2021
Financial income		
Interest income from receivables at amortized cost	469	123
Interest income from receivables at fair value through profit or loss*	–	85
Other interest income	258	0
Currency derivatives, interest rate difference	1	0
Gains from sale of equity instruments measured at fair value through profit or loss	–	1,822
Reversals of impairment losses from receivables at fair value through profit or loss*	–	1,847
Total	**727**	**3,878**
Financial expenses		
Interest expenses on liabilities at amortized cost	-3,902	-3,846
Interest expenses on lease liabilities	-958	-1,016
Interest expenses on defined benefit plans	-5	-4
Interest expenses on discounted provisions	-104	-96
Other interest expenses	-15	-24
Currency derivatives, interest rate difference	-34	-23
Financial expenses on sale of trade receivables	-448	-146
Other financial expenses	-1,000	-779
Total	**-6,466**	**-5,934**
Net exchange rate differences	**2,817**	**1,666**
Total financial income and expenses	**-2,923**	**-390**

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

Currency differences in operating profit	2022	2021
Net sales	3	104
Cost of goods sold	-311	-445
Other operating income and expenses	-103	-131

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 12 thousand (EUR 219 thousand). The average capitalization rate used was 3.02%.

NOTE 27 Income taxes

EUR thousand

	2022	2021
Income tax charge in statement of profit or loss		
Current income tax charge	-4,744	-4,764
Adjustments in respect of current income tax of previous years	20	-68
Change in deferred tax assets	3,775	-1,660
Change in deferred tax liabilities	-968	511
Other income taxes	-66	164
Total income tax charge	**-1,983**	**-5,816**
Income taxes recognized in other comprehensive income		
Exchange differences	-618	-781
Defined benefit plans, remeasurements	-125	-7
Total taxes recognized in other comprehensive income	**-743**	**-788**

The Group companies have tax losses, totaling EUR 22.9 million (EUR 1.2 million), which can be applied against future taxable income. A deferred tax asset has been recognized for tax losses only to the extent that the management has estimated in preparing the 2022 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 2022 or 2021 of the undistributed earnings of Finnish or foreign subsidiaries, as 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

	2022	2021
Profit before income taxes	**-11,881**	**26,551**
Income taxes at the tax rate applicable to the parent	2,376	-5,310
Difference due to different tax rates of foreign subsidiaries	-978	-1,006
Tax exempt income and non-deductible expenses	-373	253
Deferred taxes recognized during the reporting period in respect of previous years' temporary differences and confirmed tax losses	60	99
Deferred taxes reversed during the reporting period	-1,102	-12
Losses, for which no deferred tax asset is recognized	-1,955	–
Adjustments in respect of current income tax of previous periods and witholding and other income taxes	-46	96
Expenses deducted directly from income taxes	35	63
Income taxes in the statement of profit or loss	**-1,983**	**-5,816**
Effective tax rate, %	-16.7	21.9
Tax assets and liabilities in the statement of financial position		
Deferred tax assets	693	1,668
Assets for current tax	662	2,564
Deferred tax liabilities	11,730	13,931
Liabilities for current tax	289	669

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 0.5 million.

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

Principal temporary differences arise from depreciation and amortization of property, plant and equipment and intangible assets, defined benefit plans, recognition of net assets of acquired companies at fair value, measuring assets at fair value and confirmed tax losses.

IFRIC 23 Interpretation 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, 2022	Exchange difference	Recognized in profit or loss	Recognized in other comprehensive income or in equity	Offsetting with deferred tax liabilities	December 31, 2022
Employee benefits	671	–	4	-135	–	541
Property, plant and equipment and intangible assets	73	-2	-36	–	–	36
Tax losses	296	-33	2,620	–	–	2,883
Other temporary differences	2,541	102	1,187	-618	–	3,212
Total	**3,582**	**68**	**3,775**	**-753**	**–**	**6,672**
Offsetting with deferred tax liabilities	-1,914	-77	–	–	-3,987	-5,978
Total	**1,668**	**-10**	**3,775**	**-753**	**-3,987**	**693**

	January 1, 2021	Exchange difference	Recognized in profit or loss	Recognized in other comprehensive income or in equity	Offsetting with deferred tax liabilities	December 31, 2021
Employee benefits	468	–	211	-7	–	671
Property, plant and equipment and intangible assets	124	0	-51	–	–	73
Tax losses	2,291	–	-1,994	–	–	296
Other temporary differences	3,044	103	175	-781	–	2,541
Total	**5,926**	**104**	**-1,660**	**-788**	**–**	**3,582**
Offsetting with deferred tax liabilities	-1,892	-106	–	–	84	-1,914
Total	**4,034**	**-2**	**-1,660**	**-788**	**84**	**1,668**

Reconciliation of deferred tax liabilities

	January 1, 2022	Exchange difference	Recognized in profit or loss	Recognized in other comprehensive income or in equity	Offsetting with deferred tax assets	December 31, 2022
Property, plant and equipment and intangible assets	13,456	768	-502	–	–	14,726
Other temporary differences	2,390	127	-465	–	–	2,982
Total	**15,845**	**895**	**-968**	**–**	**–**	**17,708**
Offsetting with deferred tax assets	-1,914	-77	–	–	-3,987	-5,978
Total	**13,931**	**818**	**-968**	**–**	**-3,987**	**11,730**

	January 1, 2021	Exchange difference	Recognized in profit or loss	Recognized in other comprehensive income or in equity	Offsetting with deferred tax assets	December 31, 2021
Property, plant and equipment and intangible assets	13,039	987	570	–	–	13,456
Other temporary differences	2,173	158	-59	–	–	2,390
Total	**15,212**	**1,145**	**511**	**–**	**–**	**15,845**
Offsetting with deferred tax assets	-1,892	-106	–	–	84	-1,914
Total	**13,320**	**1,040**	**511**	**–**	**84**	**13,931**

NOTE 28 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. In some of the plans, the company also has the right to pay the reward fully in cash under certain circumstances. 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.

No reward will be paid, if a participant's employment or service ends before the reward payment.

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.

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.

Measurement of instruments granted during the reporting period

Share price at grant date, EUR	3.26
Volatility assumption, %	35%
Expected dividends, EUR	0.32
Effect of market condition in fair value, %	52%
Valuation model	Monte Carlo
Fair value per share, EUR	1.4001

Effect on the profit for the period and on financial position in 2022

EUR thousand	
Expense (-) for the reporting period	-873
Recognized in equity during 2022, net	914
Liability on December 31, 2022	31
Estimate of the amount for settling the employees' tax obligation on December 31, 2022	566

Information on share-based incentive plans

	Share-based incentive plan 2019–2021	Share-based incentive plan 2020–2022	Share-based incentive plan 2021–2023	Share-based incentive plan 2022–2024	**Total / weighted average**
Maximum number of shares, including the portion to be settled in cash	729,000	893,000	470,000	401,000	**1,751,000**
Initial grant date	January 30, 2019	January 29, 2020	February 3, 2021	February 2, 2022	
Vesting date	February 25, 2022	March 21, 2023	March 21, 2024	March 21, 2025	
Vesting conditions	Total shareholder return (TSR)	Total shareholder return (TSR)	Total shareholder return (TSR)	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	3.1	3.1	3.1	3.1	
Remaining contractual life, years	–	0.2	1.2	2.2	**0.9**
Number or persons at the end of reporting period	–	16	16	22	
Payment method	Shares and cash	Shares and cash	Shares and cash	Shares and cash	

Changes in 2022	Share-based incentive plan 2019–2021	Share-based incentive plan 2020–2022	Share-based incentive plan 2021–2023	Share-based incentive plan 2022–2024	**Total**
Outstanding at the beginning of the period	546,000	748,500	456,500	–	**1,751,000**
Granted	–	–	–	391,000	**391,000**
Forfeited	-82,660	-64,000	-172,000	-128,500	**-447,160**
Exercised	-463,340	–	–	–	**-463,340**
Outstanding at the end of the period	**–**	**684,500**	**284,500**	**262,500**	**1,231,500**

NOTE 29 Earnings per share

Profit for the period

EUR thousand	2022	2021
Profit for the period	**-13,863**	**20,734**

Number of shares

Average share-issue adjusted number of shares	57,439,615	57,579,440
Average diluted share-issue adjusted number of shares excluding treasury shares	57,533,196	58,023,347

Earnings per share

EUR		
Basic	-0.24	0.36
Diluted	-0.24	0.36

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 30 Adjustments to statement of cash flows

EUR thousand

Adjustments to cash flow from operations

	2022	2021
Adjustments to profit for the period		
Income taxes	1,983	5,816
Financial income and expenses	2,923	390
Depreciation, amortization and impairment losses	23,245	20,092
Gains and losses from disposal of property, plant and equipment and intangible assets	-30	4
Other non-cash flow items in profit for the period	-82	1,282
Total	**28,037**	**27,585**

NOTE 31 Information about key management personnel

Management remuneration

Remuneration of the Board of Directors

as paid	2022		2021	
EUR	annual fee	meeting fee	annual fee	meeting fee
Jaakko Eskola, Chair of the Board of Directors	70,000	5,000	66,413	3,500
Andreas Ahlström, Deputy Chair of the Board	33,000	6,000	31,194	4,500
Björn Borgman	33,000	6,500	31,194	4,250
Nina Linander	43,000	9,500	41,257	5,500
Laura Raitio	33,000	6,000	31,194	4,500
Aaron Barsness from March 24, 2022	33,000	7,000	–	–
Sari Pajari-Sederholm until March 24, 2022	–	–	31,194	3,750
Total	**245,000**	**40,000**	**232,446**	**26,000**

The Annual General Meeting held on March 24, 2022 resolved that 25% 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 2022 was 18,585 shares. The shares were transferred on May 16, 2022 and the value of the transferred shares totaled EUR 61,331.

The members of the Board of Directors have no pension arrangements with Suominen. In accordance with the pension laws in Sweden, the fees paid to the Swedish members of the Board are subject to employment pension contributions. These pension contributions were EUR 13,399 (in 2021: EUR 8,990).

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

Klaus Korhonen, interim CEO, from November 30, 2022
as paid

EUR	2022
Salaries	19,371
Total salaries	19,371
Fringe benefits	1,000
Total	**20,371**
Statutory pensions	3,764

Klaus Korhonen, SVP, HR and Legal, has acted as the interim CEO since November 30, 2022. His post as the interim CEO will end when the new CEO Tommi Björnman joins Suominen. During the time Klaus Korhonen acts as the interim CEO, he receives increased base salary without any specific extra benefits.

Petri Helsky, until November 30, 2022
as accrued

EUR	2022	2021
Salaries	405,018	438,858
Paid bonuses	129,500	244,800
Paid share-based payments	463,367	175,288
Severance payment, including salary during the period of notice	720,876	–
Estimated bonuses from 2022	75,276	–
Estimated share-based payments from 2022	413,287	–
Total salaries	2,207,324	858,946
Fringe benefits	26,542	18,235
Total	**2,233,866**	**877,181**
Statutory pensions	156,565	112,794
Supplementary pensions	116,483	80,704

Fringe benefits and pensions include also fringe benefits and pensions based on severance payments. Estimated bonus is an estimate of the 2022 bonus to be paid in 2023 and the estimated share-based payment an estimate of the payments to be made in 2023. In total the severance payment, including fringe benefits is EUR 833 thousand.

A written contract had been made with the President & CEO, Petri Helsky. Based on the agreement he had a six-month period of notice. Should the company terminate the contract, additional compensation corresponding to the 12 months' salary is also paid. The President & CEO had a supplementary pension plan, with a cost of 11.5% of his annual salary as defined in the Finnish Employees Pensions Act. The President & CEO had 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	2022	2021
Salaries	894,644	872,070
Paid bonuses	145,235	427,415
Share-based payments	829,105	195,544
Total salaries	1,868,984	1,495,029
Fringe benefits	78,424	70,179
Total	**1,947,408**	**1,565,208**
Statutory pensions	130,898	159,430
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.

One of Suominen's share-based plans was vested and shares were transferred to the participants of the plan in February. The President & CEO received 60,739 shares, and the value of the shares and portion settled in cash totaled EUR 463 thousand. The number of the shares transferred to other members of the Executive Team was 116,755 shares. The value of the shares and the portion settled in cash was EUR 829 thousand.

Management's share ownership

number of shares

	December 31, 2022	December 31, 2021
Board of Directors		
Jaakko Eskola, Chair of the Board of Directors	19,894	14,583
Andreas Ahlström, Deputy Chair of the Board	23,836	21,333
Björn Borgman	21,946	15,043
Nina Linander	23,778	20,516
Laura Raitio	23,836	21,333
Aaron Barsness from March 24, 2022	2,503	–
Sari Pajari-Sederholm until March 24, 2022	–	10,554
Total	**115,793**	**103,362**
Total % of shares and votes	0.20%	0.18%

Executive Team		
Petri Helsky, President and CEO until November 30, 2022	–	39,354
Klaus Korhonen, interim CEO, from November 30, 2022	36,592	19,352
Lynda Kelly	57,073	24,295
Markku Koivisto	36,482	18,641
Mimoun Saïm	65,502	34,447
Toni Tamminen	19,000	3,500
Total	**214,649**	**139,589**
Total % of shares and votes	0.37%	0.24%

Share-based incentives plans are disclosed in Note 28 of the consolidated financial statements. The accrual, excluding social costs, based on the non-vested share-based incentive plans in accordance with IFRS standards was EUR 574 thousand for the related parties for the reporting period.

NOTE 32 Contingent liabilities

EUR thousand

	2022	2021
Guarantees and other commitments		
Guarantees on own commitments	3,102	3,495
Other own commitments	16,755	24,713
Total	**19,857**	**28,208**
Other contingencies		
Contractual commitments to acquire property, plant and equipment	2,641	713
Commitments to leases not yet commenced	429	458
Total	**3,069**	**1,171**

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 22.

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 33 Events after the reporting period

Suominen initiates consultation procedure concerning a plan to permanently close manufacturing at its Mozzate plant in Italy

Suominen announced on January 10, 2023 that it will start consultation with local trade unions regarding a plan to permanently close manufacturing at its Mozzate plant in Italy. According to the plan, the production would end during the second quarter of 2023. The consultation will be conducted in accordance with the Italian legislation and applicable National Collective Agreement and is aimed to be completed within 90 days. The Mozzate site currently employs 92 people, working both in production and in office roles.

Proposals by the Nomination Board to the Annual General Meeting 2023 of Suominen

Suominen announced on January 13, 2023 the proposals by the Nomination Board to the Annual General Meeting 2023 of Suominen.

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, Aaron Barsness, Björn Borgman, Jaakko Eskola and Nina Linander would be re-elected as members of the Board of Directors and that Laura Remes would be elected as a new member of the Board of Directors.

Out of the current Board members, Laura Raitio has informed that she is no longer available as a candidate for the Board of Directors.

Laura Remes (born 1980, M.Sc. (Technology), Finnish citizen) currently works as Vice President, Strategy and Business Development at UPM Fibres. She has held a number of executive positions at UPM and Nokia.

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.

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

With regard to the selection procedure for the members of the Board of Directors, the Nomination Board recommends that shareholders take a position on the proposal as a whole at the Annual General Meeting. In preparing its proposals the Nomination Board, in addition to ensuring that individual nominees for membership of the Board of Directors possess the required competences, has determined that the proposed Board of Directors as a whole also has the best possible expertise for the company and that the composition of the Board of Directors meets other requirements of the Finnish Corporate Governance Code for listed companies.

The Nomination Board proposes 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 70,000 and the Deputy Chair and other Board members an annual fee of EUR 33,000. The Nomination Board also proposes that the additional fee paid to the Chair of the Audit Committee would remain unchanged and be EUR 10,000.

Further, the Nomination Board proposes that the fees payable for each Board and Committee meeting would remain unchanged and 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.

75% of the annual fees is paid in cash and 25% in Suominen Corporation's shares. The shares will be transferred out of the own shares held by the company by the decision of the Board of Directors within two weeks from the date on which the interim report of January-March 2023 of the company is published.

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

Interim CFO

Suominen announced on January 23, 2023 that Sirpa Koskinen, VP, Group Controlling has been appointed as the interim CFO of Suominen as of February 4, 2023. Koskinen has worked in the company since 2015. Koskinen will report to the President & CEO but will not be an Executive Team member.

As announced earlier, Suominen's current CFO Toni Tamminen will leave the company. His last working day at Suominen will be February 3, 2023.

Share-based payment plan 2023–2025

Suominen announced on February 3, 2023, that the Board of Directors of Suominen Corporation resolved on February 2, 2023 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 plan has one three-year performance period, which includes calendar years 2023–2025. The plan is directed to approximately 25 people including the President & CEO of Suominen.

The Board of Directors resolved that the potential reward for the performance period 2023–2025 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 2023–2025 is 793,500 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 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 2026 after the end of the performance period. The potential rewards from the performance period 2023–2025 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.

Key ratios per share

Key ratios per share are share-issue adjusted.

	2022	2021	2020
Earnings per share, EUR	-0.24	0.36	0.52
Earnings per share, EUR, diluted	-0.24	0.36	0.52
Cash flow from operations per share, EUR	0.24	0.19	0.99
Equity per share, EUR	2.54	2.85	2.53
Price per earnings per share (P/E) ratio	-12.43	14.38	9.71
Dividend and return of capital per share, total, EUR*	0.10	0.20	0.20
Dividend payout ratio, %	-41.4	55.5	38.2
Dividend yield, %	3.33	3.86	3.94
Number of shares, end of period, excluding treasury shares	57,480,727	57,293,235	57,568,341
Average number of shares excluding treasury shares	57,439,615	57,579,440	57,549,842
Average share-issue adjusted number of shares excluding treasury shares	57,439,615	57,579,440	57,549,842
Share price, end of period, EUR	3.00	5.18	5.08
Share price, period low, EUR	2.36	4.25	2.00
Share price, period high, EUR	5.27	6.41	5.36
Volume-weighted average price during the period, EUR	3.57	5.48	4.29
Market capitalization, EUR million	172.4	296.8	292.4
Number of traded shares during the period	10,902,032	17,714,203	12,937,753
Number of traded shares during the period, % of average number of shares (share turnover)	19.0	30.8	22.5

* 2022 the proposal of the Board of Directors to the Annual General Meeting.

Calculation of key ratios per share

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

Earnings per share

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

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 29.

Cash flow from operations per share

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		2022	2021
Consolidated statement of cash flows	Cash flow from operations, EUR thousand	14,027	11,088
Note 13	Share-issue adjusted number of shares excluding treasury shares, end of the reporting period	57,480,727	57,293,235
	Cash flow from operations per share, EUR	0.24	0.19

Equity per share

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		2022	2021
Consolidated statement of financial position	Total equity attributable to owners of the parent, EUR thousand	145,916	163,199
Note 13	Share-issue adjusted number of shares excluding treasury shares, nd of the reporting period	57,480,727	57,293,235
	Equity per share, EUR	2.54	2.85

Dividend payout ratio, %

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

Reference		2022	2021
The proposal by the Board	Dividend and return of capital per share x 100	10.00	20.00
Note 29	Basic earnings per share, EUR	-0.24	0.36
	Dividend payout ratio, %	-41.4	55.5

Dividend yield, %

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

Reference		2022	2021
	Dividend and return of capital per share x 100	10.00	20.00
Note 13	Share price at end of the period, EUR	3.00	5.18
	Dividend yield, %	3.33	3.86

Price per earnings per share (P/E)

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

Reference		2022	2021
Note 13	Share price at end of the period, EUR	3.00	5.18
Note 29	Basic earnings per share, EUR	-0.24	0.36
	Price per earnings per share (P/E)	-12.43	14.38

Market capitalization

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

Reference		2022	2021
Note 13	Number of shares at the end of reporting period excluding treasury shares	57,480,727	57,293,235
Note 13	Share price at end of the period, EUR	3.00	5.18
	Market capitalization, EUR million	172.4	296.8

Share turnover

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

Reference		2022	2021
Note 13	Number of shares traded during the period	10,902,032	17,714,203
Note 13	Average number of shares excluding treasury shares	57,439,615	57,579,440
	Share turnover, %	19.0	30.8

Parent company financial statements (FAS)

Income statement

EUR

	Note	January 1– December 31, 2022	January 1– December 31, 2021
Net sales		**22,609,754.41**	**25,868,798.97**
Cost of goods sold		-3,379,969.90	-3,211,044.11
Cost of goods sold		**19,229,784.51**	**22,657,754.86**
Other operating income	2	667,272.92	2,556,411.03
Sales and marketing expenses		-1,624,546.96	-1,581,853.64
Research and development		-1,090,526.00	-1,173,038.63
Administration expenses		-10,394,842.92	-8,417,823.66
Other operating expenses	2	-8,278,073.95	-6,903,938.45
Operating profit		**-1,490,932.40**	**7,137,511.51**
Financial income	6	15,715,322.88	18,942,012.57
Financial expenses	6	-4,646,671.96	-4,589,552.37
Total financial income and expenses		**11,068,650.92**	**14,352,460.20**
Profit before appropriations and income taxes		**9,577,718.52**	**21,489,971.71**
Change in depreciation difference	7	-259,932.91	72,791.99
Group contributions	7	–	-5,180,000.00
Income taxes	8	-1,329,361.33	-1,134,956.19
Profit for the period		**7,988,424.28**	**15,247,807.51**

Balance sheet

EUR

	Note	December 31, 2022	December 31, 2021
ASSETS			
Non-current assets			
Intangible assets	5,9	7,636,768.63	10,058,923.82
Tangible assets	5,10	458,557.01	93,215.13
Investments			
Shares in subsidiaries	11	113,363,783.56	113,363,783.56
Other investments	11	192.06	192.06
Loan receivables			
Loan receivables from group companies	12	69,941,308.83	21,654,800.08
Other non-current receivables	12	–	23,546.34
Total non-current assets		**191,400,610.09**	**145,194,460.99**
Current assets			
Loan receivables			
Loan receivables from group companies	12	23,718,266.50	55,971,974.35
Trade receivables	12	105,462.35	88,000.82
Other current receivables	12	2,108,867.98	2,812,004.99
Cash and cash equivalents		42,440,580.46	95,871,771.17
Total current assets		**68,373,177.29**	**154,743,751.33**
TOTAL ASSETS		**259,773,787.38**	**299,938,212.32**

EUR

	Note	December 31, 2022	December 31, 2021
EQUITY AND LIABILITIES			
Equity			
Share capital	14	11,860,056.00	11,860,056.00
Share premium account		24,680,587.83	24,680,587.83
Reserve for invested unrestricted equity		75,692,335.90	75,692,335.90
Retained earnings		8,100,011.71	4,696,674.12
Profit for the period		7,988,424.28	15,247,807.51
Total equity	**13**	**128,321,415.72**	**132,177,461.36**
Untaxed reserves			
Depreciation difference		1,276,120.95	1,016,188.04
Liabilities			
Non-current liabilities			
Interest-bearing liabilities			
Debentures	15	50,000,000.00	50,000,000.00
Total non-current liabilities		**50,000,000.00**	**50,000,000.00**
Current liabilities			
Interest-bearing liabilities			
Debentures	15	–	85,000,000.00
Loans from financial institutions	15	40,000,000.00	–
Current loans from group companies	15	36,205,336.41	22,872,040.16
Trade payables and other current liabilities	16	3,970,914.30	8,872,522.76
Total current liabilities		**80,176,250.71**	**116,744,562.92**
Total liabilities		**130,176,250.71**	**166,744,562.92**
TOTAL EQUITY AND LIABILITIES		**259,773,787.38**	**299,938,212.32**

Cash flow statement

EUR thousand

	Note	January 1–December 31, 2022	January 1–December 31, 2021
Cash flow from operations			
Profit for the period		**7,988**	**15,248**
Adjustments to profit for the period	19	-6,626	-7,202
Cash flow from operations before change in net working capital		**1,363**	**8,046**
Increase (-) or decrease (+) in trade and other receivables		18	-87
Increase (+) or decrease (-) in interest-free current liabilities		1,124	-553
Cash flow from operations before payments of financial items and income taxes		**2,504**	**7,406**
Paid and received interests and other financial items		4,894	2,066
Group contribution paid		-5,180	-3,158
Paid income taxes		-2,114	-696
Cash flow from operations		**104**	**5,618**
Cash flow from investments			
Capital expenditure	9,10	-794	-106
Proceeds from the sale of shares		–	2,170
Dividend income from subsidiaries	6	4,113	6,569
Cash flow from investments		**3,318**	**8,633**
Cash flow from financing			
Change in non-current interest-bearing liabilities	15	-85,000	50,000
Issuance costs of the bonds		–	-939
Change in current interest-bearing liabilities	15	52,718	-10,409
Change in non-current loan receivables		-15,238	-22
Change in current loan receivables		-788	54
Acquisition of treasury shares		-379	-1,612
Distribution of dividend and return of capital	13	-11,492	-11,520
Cash flow from financing		**-60,179**	**25,553**
Change in cash and cash equivalents		**-56,757**	**39,803**
Cash and cash equivalents 1 January		**95,872**	**52,642**
Exchange difference on cash and cash equivalents		3,326	3,427
Change in cash and cash equivalents		-56,757	39,803
Cash and cash equivalents 31 December		**42,441**	**95,872**

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. (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 17 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, 2022	January 1–December 31, 2021
Other operating income		
Gains on sale of shares	–	2,150
Operating subsidies and grants received	302	172
Other operating income	366	235
Total	**667**	**2,556**
Other operating expenses		
Services purchased from group companies	-7,895	-6,643
Losses from currency derivatives	-373	-203
Other operating expenses	-10	-58
Total	**-8,278**	**-6,904**

NOTE 3 Personnel expenses

EUR thousand

	January 1–December 31, 2022	January 1–December 31, 2021
Salaries	-4,573	-3,436
Pension expenses	-717	-625
Other personnel costs	-175	-156
Total	**-5,465**	**-4,216**
Average number of personnel	31	32
Number of personnel, end of period	33	31

Management remuneration

Management remuneration is presented in Note 31 of the consolidated financial statements.

NOTE 4 Audit fees

EUR thousand

	January 1–December 31, 2022	January 1–December 31, 2021
Statutory audit	-133	-121
Tax consulting	-15	–
Other services	-10	-32
Total	**-158**	**-154**

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, 2022	January 1–December 31, 2021
Depreciation, amortization and impairment by function		
Cost of goods sold	-1,056	-1,034
Sales and marketing expenses	-470	-481
Research and development	-134	-171
Administration expenses	-1,204	-1,206
Total	**-2,865**	**-2,892**
Depreciation, amortization and impairment by asset category		
Machinery and equipment	-39	-38
Intangible rights	-2,827	-2,854
Total	**-2,865**	**-2,892**

NOTE 6 Financial income and expenses

EUR thousand

	January 1–December 31, 2022	January 1–December 31, 2021
Interest income from group companies	5,438	4,758
Interest income from others	255	163
Dividend income from group companies	4,113	6,569
Other financial income from group companies	100	72
Net currency exchange differences	5,809	5,533
Interest expenses to group companies	-72	0
Interest expenses to others	-2,857	-2,801
Impairment losses and fair value change of financial assets	–	1,847
Other financial expenses to others	-1,718	-1,788
Total	**11,069**	**14,352**

NOTE 7 Appropriations

EUR thousand

	January 1–December 31, 2022	January 1–December 31, 2021
Increase (-) or decrease (+) in cumulative depreciation difference	-260	73
Given group contributions	–	-5,180
Total	**-260**	**-5,107**

NOTE 8 Income taxes

EUR thousand

	January 1–December 31, 2022	January 1–December 31, 2021
Income taxes for the financial year	-1,351	-1,363
Withholding taxes and other direct taxes	-3	228
Income taxes from previous years	24	0
Total	**-1,329**	**-1,135**

NOTE 9 Intangible assets

EUR thousand

	Intangible rights	Advance payments and construction in progress	**Total 2022**	Total 2021
Acquisition cost January 1	**30,721**	**–**	**30,721**	30,630
Additions	76	329	**404**	90
Decreases and disposals	-9,560	–	**-9,560**	–
Reclassifications	329	-329	**–**	–
Acquisition cost December 31	**21,565**	**–**	**21,565**	30,721
Accumulated amortization January 1	**-20,662**	**–**	**-20,662**	-17,807
Amortization for the period	-2,827	–	**-2,827**	-2,854
Decreases and disposals	9,560	–	**9,560**	–
Accumulated amortization December 31	**-13,928**	**–**	**-13,928**	-20,662
Carrying amount December 31	**7,637**	**–**	**7,637**	10,059

NOTE 10 Tangible assets

EUR thousand

	Land and water areas	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	**Total 2022**	Total 2021
Acquisition cost January 1	**0**	**441**	**31**	**–**	**472**	465
Additions	–	24	–	380	**404**	19
Decreases and disposals	–	-200	–	–	**-200**	-12
Reclassifications	–	20	–	-20	**–**	–
Acquisition cost December 31	**0**	**285**	**31**	**360**	**676**	472
Accumulated depreciation January 1	**–**	**-371**	**-7**	**–**	**-378**	-352
Depreciation for the period	–	-35	-3	–	**-39**	-38
Decreases and disposals	–	200	–	–	**200**	12
Accumulated depreciation December 31	**–**	**-207**	**-11**	**–**	**-217**	-378
Carrying amount December 31	**0**	**78**	**20**	**360**	**459**	93

NOTE 11 Investments

EUR thousand

	Shares in group companies	Other investments	**Total 2022**	Total 2021
Carrying amount January 1	**113,364**	**0**	**113,364**	113,384
Disposals	–	–	**–**	-20
Carrying amount December 31	**113,364**	**0**	**113,364**	113,364

Group companies are presented in Note 8 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	-26	-21

NOTE 12 Receivables

EUR thousand

	December 31, 2022	December 31, 2021
Non-current receivables		
Rental deposits	–	24
Total non-current receivables	**–**	**24**
Non-current receivables from group companies		
Interest-bearing receivables	69,941	21,655
Total	**69,941**	**21,655**
Total non-current receivables	**69,941**	**21,678**
Other receivables	**82**	**71**
Prepaid expenses and accrued income		
Income taxes	407	237
Transaction costs of loans	1,025	1,884
Prepaid expenses	595	618
Unrealized gain from currency derivatives	–	2
Total prepaid expenses and accrued income	**2,027**	**2,741**
Current receivables from group companies		
Trade receivables	105	88
Interest-bearing receivables	23,718	55,972
Total	**23,824**	**56,060**
Total other current receivables	**25,933**	**58,872**

NOTE 13 Equity

EUR thousand

	December 31, 2022	December 31, 2021
Share capital January 1 and December 31	11,860	11,860
Share premium account January 1 and December 31	24,681	24,681
Reserve for invested unrestricted equity January 1	**75,692**	**81,361**
Return of capital	–	-5,760
Conveyance of treasury shares	–	90
Unpaid returns of capital	–	0
Reserve for invested unrestricted equity December 31	**75,692**	**75,692**
Retained earnings January 1	**19,944**	**12,095**
Distribution of dividend	-11,492	-5,760
Unpaid dividends	–	1
Acquisition of treasury shares	-352	-1,640
Retained earnings December 31	**8,100**	**4,697**
Profit for the period	7,988	15,248
Equity December 31	**128,321**	**132,177**

Distributable funds

EUR	December 31, 2022
Retained earnings December 31	8,100,012
Reserve for invested unrestricted equity 31.12.	75,692,336
Profit for the period	7,988,424
Distributable funds	**91,780,772**

Funds available for dividend distribution

EUR	
Retained earnings December 31	8,100,012
Profit for the period	7,988,424
Funds available for dividend distribution	**16,088,436**

NOTE 14 Share capital

Share capital and shares are presented in Note 13 of the consolidated financial statements.

NOTE 15 Interest-bearing liabilities

EUR thousand

	December 31, 2022	December 31, 2021
Non-current interest-bearing liabilities		
Debentures	50,000	50,000
Total non-current interest-bearing liabilities	**50,000**	**50,000**
Current interest-bearing liabilities		
Debentures	–	85,000
Loans from financial institutions	40,000	–
Loans from group companies	36,205	22,872
Total current interest-bearing liabilities	**76,205**	**107,872**
Total interest-bearing liabilities	**126,205**	**157,872**

Repayments of external non-current interest-bearing liabilities

	2023	2024	2025	2026	2027
Debentures	–	–	–	–	50,000

NOTE 16 Interest-free liabilities

EUR thousand

	December 31, 2022	December 31, 2021
Current interest-free liabilities		
Trade payables	1,132	796
Income tax liability	–	616
Other current liabilities	141	198
Total current interest-free liabilities	**1,273**	**1,609**
Accrued expenses		
Accrued interest expenses	734	935
Accrued personnel expenses	1,661	986
Other accrued expenses	302	163
Total accrued expenses	**2,697**	**2,083**
Liabilities to group companies		
Other liabilities to group companies	–	5,180
Total	**–**	**5,180**
Total current interest-free liabilities	**3,971**	**8,873**

NOTE 17 Contingent liabilities

EUR thousand

	December 31, 2022	December 31, 2021
Guarantees		
On behalf of group companies	13,855	14,082
On own behalf	28	28
Total	**13,883**	**14,110**

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

Rental and leasing obligations		
Falling due within next 12 months	169	304
Falling due later	57	198
Total	**227**	**503**

NOTE 18 Derivative instruments

EUR thousand

	December 31, 2022		December 31, 2021	
Nominal and fair values of derivative instruments	Nominal value	Fair value	Nominal value	Fair value
Currency forward contracts				
External	–	–	1,960	-14

NOTE 19 Adjustments to cash flow statement

EUR thousand

	January 1–December 31, 2022	January 1–December 31, 2021
Adjustment to profit / loss for the period		
Change in depreciation difference	260	-73
Group contributions	–	5,180
Financial income and expenses	-11,069	-14,352
Income taxes	1,329	1,135
Depreciation and amortization	2,865	2,892
Proceeds from the sale of shares	–	-2,150
Other non-cash items in profit for the period	-12	166
Total adjustments to profit for the period	**-6,626**	**-7,202**

Proposal by the Board of Directors for distribution of funds

The profit of the financial year 2022 of Suominen Corporation, the parent company of Suominen Group, was EUR 7,988,424.28. The funds distributable as dividends, including the profit for the period, were EUR 16,088,436 and total distributable funds were EUR 91,780,772.

The Board of Directors proposes that a dividend of EUR 0.10 per share shall be distributed for the financial year 2022 and that the profit shall be transferred to retained earnings.

On February 2, 2023, the company had 57,480,727 issued shares, excluding treasury shares. With this number of shares, the total amount of dividends to be distributed would be EUR 5,748,072.70.

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

Helsinki, February 2, 2023

Jaakko Eskola
Chair of the Board

Andreas Ahlström

Björn Borgman

Aaron Barsness

Nina Linander

Laura Raitio

Klaus Korhonen
President and CEO

Auditor's report (Translation of the Finnish original)

To the Annual General Meeting of Suominen Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Suominen Corporation (business identity code 1680141-9) for the year ended 31 December, 2022. The financial statements comprise the consolidated statement of financial position, statement of profit or loss, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's 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 23 to the consolidated financial statements and note 4 to the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Revenue recognition *We refer to the Group's Note 19* Revenues of Suominen Group consist entirely of sales of nonwovens to customers. Revenue from customer contracts is recognised 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.	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 the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 19.3.2015, and our appointment represents a total period of uninterrupted engagement of 8 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 2, 2023

Ernst & Young Oy
Authorized Public Accountant Firm

Toni Halonen
Authorized Public Accountant

Independent Auditor's Report on Suominen Oyj's ESEF-Consolidated Financial Statements (Translation of the Finnish original)

To the Board of Directors of Suominen Corporation

We have performed a reasonable assurance engagement on the iXBRL tagging of the consolidated financial statements included in the digital files 743700Z1BNFYR9PRDF52-2022-12-31-EN.zip of Suominen Corporation for the financial year 1.1.-31.12.2022 to ensure that the financial statements are marked/tagged with iXBRL in accordance with the requirements of Article 4 of EU Commission Delegated Regulation (EU) 2018/815 (ESEF RTS).

Responsibilities of the Board of Directors and Managing Director

The Board of Directors and Managing Director are responsible for the preparation of the Report of Board of Directors and financial statements (ESEF financial statements) that comply with the ESESF RTS. This responsibility includes:

- preparation of ESEF-financial statements in accordance with Article 3 of ESEF RTS
- tagging the consolidated financial statements included within the ESEF- financial statements by using the iXBRL mark ups in accordance with Article 4 of ESEF RTS
- ensuring consistency between ESEF financial statements and audited financial statements

The Board of Directors and Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of ESEF financial statements in accordance the requirements of ESEF RTS.

Auditor's Independence and Quality Control

We are independent of the company in accordance with the ethical requirements that are applicable in Finland and are relevant to the engagement we have performed, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The auditor applies International Standard on Quality Control (ISQC) 1 and therefore maintains a comprehensive quality control system including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibilities

In accordance with the Engagement Letter we will express an opinion on whether the electronic tagging of the consolidated financial statements complies in all material respects with the Article 4 of ESEF RTS. We have conducted a reasonable assurance engagement in accordance with International Standard on Assurance Engagements ISAE 3000.

The engagement includes procedures to obtain evidence on:

- whether the tagging of the primary financial statements in the consolidated financial statements complies in all material respects with Article 4 of the ESEF RTS
- whether the tagging of the notes to the financial statements and the entity identifier information in the consolidated financial statements complies in all material respects with Article 4 of the ESEF RTS
- whether the ESEF-financial statements are consistent with the audited financial statements

The nature, timing and extent of the procedures selected depend on the auditor's judgement including the assessment of risk of material departures from requirements sets out in the ESEF RTS, whether due to fraud or error.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our statement.

Opinion

In our opinion the tagging of the consolidated financial statement included in the ESEF financial statement of Suominen Corporation for the year ended 31.12.2022 complies in all material respects with the requirements of ESEF RTS.

Our audit opinion on the consolidated financial statements of Suominen Corporation for the year ended 31.12.2022 is included in our Independent Auditor's Report dated 2.2.2023. In this report, we do not express an audit opinion any other assurance on the consolidated financial statements.

Helsinki 8.3.2023

Ernst & Young Oy
Authorized Public Accountant Firm

Toni Halonen
Authorized Public Accountant

Key ratios

	2022	2021	2020
Net sales, EUR million	493.3	443.2	458.9
Comparable operating profit, EUR million	-4.2	26.9	39.5
% of net sales	-0.8	6.1	8.6
Operating profit, EUR million,	-9.0	26.9	39.5
% of net sales	-1.8	6.1	8.6
Comparable EBITDA, EUR million	15.3	47.0	60.9
% of net sales	3.1	10.6	13.3
EBITDA, EUR million	14.3	47.0	60.9
% of net sales	2.9	10.6	13.3
Profit before income taxes, EUR million	-11.9	26.6	33.9
% of net sales	-2.4	6.0	7.4
Profit for the period, EUR million	-13.9	20.7	30.1
% of net sales	-2.8	4.7	6.6
Cash flow from operations, EUR million	14.0	11.1	57.0
Total assets, EUR million	343.4	386.7	317.4
Return on equity (ROE), %	-8.8	13.3	21.6
Return on invested capital (ROI), %*	-4.2	13.9	20.1
Equity ratio, %	42.5	42.2	46.0
Interest-bearing net debt, EUR million	54.6	49.6	37.1
Capital employed, EUR million*	199.8	211.0	188.3
Gearing, %	37.4	30.4	25.4
Gross capital expenditure, EUR million	9.7	17.8	10.4
% of net sales	2.0	4.0	2.3
Depreciation, amortization and impairment losses, EUR million	-23.2	-20.1	-21.4
Expenditure on research and development, EUR million	3.5	2.7	2.8
as % of net sales	0.7	0.6	0.6
Average number of personnel (FTE - full time equivalent)	707	709	689

* Restated

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 (comparable 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 2021 or 2020. In 2022, items affecting comparability of result were impairment losses of property, plant and equipment, right-of-use assets and inventory, arising from the planned closure of the production lines in Italy.

Reference	EUR thousand	2022	2021
Consolidated statement of profit or loss	Operating profit	-8,958	26,941
	+ Impairment losses of property, plant and equipment and intangible assets, affecting comparability of result	2,288	–
	+ Impairment losses of right-of-use assets, affecting comparability of result	1,536	–
	+ Impairment losses of inventories, affecting comparability of result	971	–
	Comparable operating profit	-4,163	26,941

EBITDA and comparable 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.

In order to improve the comparability of result between reporting periods, Suominen presents comparable EBITDA as an alternative performance measure. EBITDA is adjusted with material items that are considered to affect comparability between reporting periods. These items include, among others, 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 2021 or 2020. In 2022, the item affecting comparability of EBITDA was the impairment loss of inventory, arising from the planned closure of the production lines in Italy.

EBITDA	=	EBIT + depreciation, amortization and impairment losses
Comparable EBITDA	=	EBIT + depreciation, amortization and impairment losses, adjusted with items affecting comparability

Reference	EUR thousand	2022	2021
Consolidated statement of profit or loss	Operating profit	-8,958	26,941
Note 25	+ Depreciation, amortization and impairment losses	23,245	20,092
	EBITDA	14,287	47,033
	EBITDA	14,287	47,033
	+ Impairment losses of inventories, affecting comparability of result	971	–
	Comparable EBITDA	15,257	47,033

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.

Reference	EUR thousand	2022	2021
Note 6	Increases in intangible assets	438	162
Note 7	Increases in property, plant and equipment	9,275	17,609
	Gross capital expenditure	9,713	17,771

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	2022	2021
Note 14	Interest-bearing liabilities	103,365	149,134
	Tender and issuance costs of the debentures	705	1,794
Consolidated statement of financial position	Cash and cash equivalents	-49,508	-101,357
	Interest-bearing net debt	54,562	49,570
Note 14	Interest-bearing liabilities	103,365	149,134
	Tender and issuance costs of the debentures	705	1,794
Note 14	Nominal value of interest-bearing liabilities	104,069	150,927

Return on equity (ROE), %

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

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

Reference	EUR thousand	2022	2021
Consolidated statement of profit or loss	Profit for the reporting period (rolling 12 months)	-13,863	20,734
	Total equity attributable to owners of the parent December 31, 2021 / 2020	163,199	145,882
	Total equity attributable to owners of the parent March 31, 2022 / 2021	153,504	152,227
	Total equity attributable to owners of the parent June 30, 2022 / 2021	158,098	159,386
	Total equity attributable to owners of the parent September 30, 2022 / 2021	165,188	159,682
Consolidated statement of financial position	Total equity attributable to owners of the parent December 31, 2022 / 2021	145,916	163,199
	Average	157,181	156,075
	Return on equity (ROE), %	-8.8	13.3

Invested capital

Invested capital = Total equity + interest-bearing liabilities - cash and cash equivalents

Reference	EUR thousand	2022	2021
Consolidated statement of financial position	Total equity attributable to owners of the parent	145,916	163,199
Note 14	Interest-bearing liabilities	103,365	149,134
Consolidated statement of financial position	Cash and cash equivalents	-49,508	-101,357
	Invested capital	199,773	210,975

Return on invested capital (ROI), %

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

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

Reference	EUR thousand	2022	2021
Consolidated statement of profit or loss	Operating profit (rolling 12 months)	-8,958	26,941
	Invested capital December 31, 2021 / 2020	210,975	188,298
	Invested capital March 31, 2022 / 2021	205,806	170,609
	Invested capital June 30, 2022 / 2021	210,561	192,651
	Invested capital September 30, 2022 / 2021	230,264	205,786
	Invested capital December 31, 2022 / 2021	199,773	210,975
	Average	211,476	193,664
	Return on invested capital (ROI), %	-4.2	13.9

The calculation formula for invested capital has been changed. The figures for the comparison period have been restated.

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

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

Reference	EUR thousand	2022	2021
Consolidated statement of financial position	Total equity attributable to owners of the parent	145,916	163,199
Consolidated statement of financial position	Total assets	343,445	386,660
Note 16	Advances received	-74	-75
		343,371	386,584
	Equity ratio, %	42.5	42.2

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

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

Reference	EUR thousand	2022	2021
	Interest-bearing net debt	54,562	49,570
Consolidated statement of financial position	Total equity attributable to owners of the parent	145,916	163,199
	Gearing, %	37.4	30.4

Information for shareholders

Financial calendar

Suominen will publish its Financial Statements Release, Half Year Financial Report and two Interim Reports in 2023 as follows:

February 3, 2023	Financial Statements Release for 2022
May 4, 2023	Interim Report for January–March 2023
August 9, 2023	Half Year Financial Report for January–June 2023
October 27, 2023	Interim Report for January–September 2023

The Annual General Meeting

Notice is given to the shareholders of Suominen Corporation to the Annual General Meeting to be held on Monday, April 3, 2023, at 10.00 a.m. at the company's headquarters at Karvaamokuja 2 B, Helsinki, Finland. The reception of persons who have registered for the meeting will commence at 9.00 a.m. After the Meeting, coffee is served, and the shareholders have the opportunity to meet the company's management.

Notice to the Annual General Meeting has been announced as a stock exchange release on February 3, 2023. All materials to the Annual General meeting are available on the company's website **www.suominen.fi/agm**.

Each shareholder who is registered on the record date of the General Meeting on March 22, 2023 in the shareholders' register of the company held by Euroclear Finland Ltd has the right to participate in the Annual General Meeting. A shareholder whose shares are registered on his/her personal Finnish book-entry account is registered in the shareholders' register of the company.

Registration for the General Meeting starts on February 13, 2023 at 4.00 p.m. (EET). A shareholder who is registered in the company's shareholders' register and wishes to participate in the General Meeting, shall register for the meeting no later than March 29, 2023 by 4.00 p.m. (EEST) by which time the registration must be received by the company. The shareholder may register for the General Meeting:

a) On the company's website **www.suominen.fi/agm**
Electronic registration requires for natural persons the shareholder's or his/her 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 registering for the General Meeting by regular mail or email must deliver a registration and advance voting form which is available on the company's website **www.suominen.fi/agm**, or corresponding information by regular mail to Innovatics Oy to the address Innovatics Oy, General Meeting / Suominen Corporation, Ratamestarinkatu 13 A, 00520 Helsinki, Finland or by email to the address agm@innovatics.fi.

If a shareholder registers for the General Meeting by regular mail or email to Innovatics Oy, the delivery of the registration and advance voting form or the corresponding information before the end of the registration period shall constitute a registration for the General Meeting provided that the information required for registration set out in the form is provided.

In connection with the registration, the shareholder shall provide the requested information, such as his/her name, date of birth/business identity code and contact information as well as the name of a possible assistant or proxy representative and the date of birth and contact information of the proxy representative. The personal data provided will only be used in connection with the General Meeting and with the processing of any related necessary registrations. The shareholder, his/her representative or proxy holder must be able to prove his/her identity and/or right of representation at the meeting place if necessary.

Instructions regarding voting in advance are available to all shareholders on the company's website **www.suominen.fi/agm**.

Proposal on distribution of funds

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.10 per share shall be paid based on the adopted balance sheet regarding the financial year of 2022 and that the profit shall be recorded in retained earnings.

The record date for the payment of the dividend is April 5, 2023 and the dividend shall be paid on April 14, 2023.

Investor relations

Emilia Peltola, Vice President, Communications & IR
tel. +358 10 214 3082
emilia.peltola@suominencorp.com

Request for management appointments:
Julia Koivulanaho, Manager, Communications
tel. +358 10 214 3091
julia.koivulanaho@suominencorp.com

Silent period

Suominen observes a 30-day silent period prior to the publishing of its financial result. During this time Suominen does not comment on the company's financial performance, markets, its future outlook or business prospects. During this time Suominen's management and other employees do not meet with representatives of capital markets or financial media.

Company information

Homepage of reporting entity	www.suominen.fi
LEI code of reporting entity	743700Z1BNFYR9PRDF52
Name of reporting entity or other means of identification	Suominen Oyj
Domicile of entity	Helsinki
Legal form of entity	Public limited liability company
Country of incorporation	Finland
Address of entity's registered office	Karvaamokuja 2 B, 00380 Helsinki, Finland
Principal place of business	Helsinki
Description of nature of entity's operations and principal activities	Manufacturing of nonwovens as roll goods for wipes and other applications
Name of parent entity	Suominen Oyj

SUOMINEN CORPORATION

Head Office
Karvaamokuja 2 B
FI-00380 Helsinki
Tel. +358,10,214,300
communications@suominencorp.com

Detailed contact information
to Suominen locations worldwide
is available at www.suominen.fi

www.suominen.fi
Twitter: @SuominenCorp
LinkedIn: Suominen Corporation