Q1

# Interim Report 1 Jan–31 Mar 2017

26 Apr 2017

Suominen Corporation   Interim Report   26 April 2017 at 1:00 pm (EEST)

Suominen Corporation's Interim Report for January 1 - March 31, 2017:

# A positive quarter for Suominen: Net sales and operating profit improved

| KEY FIGURES | **1-3/ 2017** | 1-3/ 2016 | 1-12/ 2016 |
|---|---|---|---|
| Net sales, EUR million | **112.9** | 103.9 | 416.9 |
| Comparable operating profit, EUR million | **6.3** | 5.5 | 25.6 |
| Operating profit, EUR million | **6.3** | 5.5 | 25.6 |
| Profit for the period, EUR million | **4.2** | 3.4 | 15.2 |
| Earnings per share, basic, EUR | **0.08** | 0.06 | 0.29 |
| Earnings per share, diluted, EUR | **0.07** | 0.06 | 0.26 |
| Cash flow from operations per share, EUR | **0.12** | 0.18 | 0.56 |
| Return on invested capital, rolling 12 months, % | **11.7** | 14.7 | 11.6 |
| Gearing, % | **50.2** | 28.6 | 39.6 |

**Highlights in January–March 2017:**

- Net sales increased by 9% and amounted to EUR 112.9 million (103.9).
- Operating profit improved by 13% to EUR 6.3 million (5.5).
- Cash flow from operations remained healthy and was EUR 6.1 million (9.1).
- The customer deliveries from the new manufacturing line at Bethune, SC, USA plant were not started in the targeted schedule. We are now planning to start up the new line during Q2.

- The Annual General Meeting decided to distribute in total EUR 5.6 million (EUR 0.11 per share) as dividends.

Suominen repeats its estimate disclosed on 31 January 2017 and expects that for the full year 2017, its net sales will improve from year 2016. Also the comparable operating profit is estimated to improve from year 2016, provided that the new production line at the Bethune plant will be started up as planned. In 2016, Suominen's net sales amounted to EUR 416.9 million and comparable operating profit to EUR 25.6 million. The calculation of comparable operating profit is explained in the consolidated financial statements of 2016.

**Nina Kopola,** President & CEO, comments on Suominen's first quarter of 2017:

"Consumer confidence remained strong in the beginning of 2017. In the United States, the consumer confidence index rose to its highest level since 2001. In the euro zone, the consumer confidence index also continued to rise. Nonwovens manufactured by Suominen are used mainly in daily consumer goods, which means the development of demand is affected by both the general economic situation and consumer confidence. North America and Europe are Suominen's main market areas.

We are very pleased to see that Suominen returned to a growth track in the first quarter. The company's net sales grew to EUR 112.9 million. While demand improved from the comparison period as we expected, the competitive situation remained tight, especially in nonwovens for baby wipes and flushables. Most of the sales growth was generated by increased volumes and we were able to improve our market share.

Moreover, our operating profit increased from the comparison period and amounted to EUR 6.3 million. The profit for the reporting period grew to EUR 4.2 million. Suominen's cash flow from operations remained at a healthy level.

Three financial targets have been set for Suominen: organic net sales growth, return on invested capital and gearing ratio. The last two are monitored on a quarterly basis, and organic growth is monitored annually. Of the financial targets that are monitored quarterly, return on invested capital nearly reached its target level (over 12%) and was 11.7%. Due to the progress of our investment program, our gearing ratio grew to 50.2%, still well within the target range (40 – 80%).

The Annual General Meeting held on 15 March 2017 decided that a dividend of EUR 0.11 per share was to be paid for the financial year 2016. We were able to increase dividends again, as the dividends paid grew by 10% from the previous financial year.

As technology clearly plays an important role in creating our competitive edge, we established a new corporate function, Technology, to further strengthen Suominen's competitiveness. The new function consolidates the company's technological expertise and its development as well as R&D into one entity. In February, Mr. Markku Koivisto was appointed to lead the new function as Chief Technology Officer and as a member of Suominen's Corporate Executive Team. Mr. Koivisto has long experience in successfully commercializing industrial innovations at UPM Group.

Suominen continued the determined work to execute its strategy during the review period. The largest project in our growth investment program, the new wetlaid production line focusing on high value-added products at the Bethune plant in SC, USA, is reaching its completion. We were not able to start customer deliveries during Q1 as we had targeted, due to certain problems concerning parts of the machinery. We are now planning to start up the new line during Q2.

To increase the share of high value-added products in our portfolio, we launched several new high value-added products in the market. To give a few examples, I would highlight GENESIS® Pro and AIRLACE® for Workplace for workplace wiping, as well as the Designer Series nonwoven patterns for household and baby wipes. The Designer Series is a totally new concept not only for Suominen, but for the entire industry: the patterns have been designed by professional designers and validated by consumers.

Suominen is heading towards a new strategy period and has today disclosed in a separate release the highlights of the upcoming strategy extending to year 2021.

The new strategy is based on three cornerstones: 1) Best in business; 2) Creating nonwovens that others cannot; and 3) Community of changemakers. In the cornerstones, we crystallize the competitive edges that will enable Suominen to grow: We are the best at turning end-user needs into a commercial success both for our customers and ourselves; we develop and produce unique nonwovens that other companies are not able to create; and we are a global community of highly capable people who are passionate about creating change.

Along with the strategy, Suominen also revised its vision to reflect the change-making approach. Our new vision is: "We change the way people think about nonwovens." The vision describes our aspiration not only to delight customers with our innovations, but also to elevate the overall perception of the role of nonwovens in society.

We continue to increase the share of products with high value-add in our portfolio, and thanks to our recent investments in capacity and capabilities, product development and competencies, our opportunities to grow through the transformation of our portfolio are better than ever. If we succeed in the portfolio transformation, our net sales will exceed EUR 600 million by 2021 and our operating profit margin will rise to a new level, above 10%.

In connection with the new strategy, Suominen's Board of Directors also updated the financial targets for the period 2017–2021. The targets are set to measure profitability, growth and financial position. During the five-year strategic period ending in 2021, Suominen aims to

- reach an average return on investment (ROI) of 15% during the period
- reach an average annual net sales growth rate of 6% during the period
- operate with a gearing ratio principally in the range of 40-80%.

Suominen's progress in the financial targets is reviewed on an annual basis.

The Board of Directors has also decided to update the company's dividend policy. According to the updated policy, Suominen aims to distribute at least 30% of its profit for the period in annual dividends. Previously, the policy was to distribute approximately 30% of the profit for the period in annual dividends. In assessing its proposal for the payment of dividends, the company's Board of Directors will also consider Suominen's future investment needs and the solidity of its financial position."

**NET SALES**

In January–March 2017, Suominen's net sales increased by 9% from the comparison period to EUR 112.9 million (103.9). Net sales improved mainly thanks to increased sales volumes. Competition remained tight, especially in nonwovens for baby wipes and flushables. The strengthening of the USD compared to EUR increased the net sales by EUR 2.7 million.

Suominen has two business areas, Convenience and Care. Convenience business area supplies nonwovens as roll goods for wiping products. Care business area manufactures nonwovens for hygiene products and medical applications. Net sales of the Convenience business area were EUR 101.9 million (94.4) and net sales of the Care business area EUR 11.1 million (9.5). Due to the reclassification of a customer between applications, the figures for the comparison period have been restated.

The main application areas for nonwoven materials supplied by Suominen in January–March were baby wipes (accounting for 39% of the sales), household wipes (21%), personal care wipes (19%), hygiene and medical products (10%), and wipes for workplace use (9%). All nonwovens for wiping products belong to the Convenience business area and nonwovens for hygiene and medical products to the Care business area.

The proportions of household wipes, baby wipes as well as medical and hygiene products grew from the comparison period while the share of nonwovens for personal care declined. The growth in medical and hygiene products was partially related to the reclassification of a customer.

**OPERATING PROFIT AND RESULT**

Operating profit improved by 13% and amounted to EUR 6.3 million (5.5) due to higher sales volumes and increase in gross margin. The effect of US dollar exchange rate fluctuation improved operating profit by EUR 0.3 million.

Profit before income taxes was EUR 6.1 million (5.3), and profit for the reporting period was EUR 4.2 million (3.4).

**FINANCING**

The Group's net interest-bearing liabilities amounted to EUR 70.2 million (34.5) at the end of the review period. The gearing ratio was 50.2% (28.6%) and the equity ratio 44.2% (42.6%).

In January–March, net financial expenses were EUR -0.2 million (-0.2), or 0.1% (0.2%) of net sales. During the first quarter the capitalization of borrowing costs in fixed assets required by IAS 23 standard decreased interest expenses recognized in the statement of profit or loss by EUR 0.8 million (0.2). Fluctuations in exchange rates decreased the financial items by EUR 0.1 million and in the comparison period by EUR 0.5 million.

Cash flow from operations was EUR 6.1 million (9.1), representing a cash flow per share of EUR 0.12 (0.18). The decline in the cash flow from operations was mainly due to negative change in working capital. The financial items in the cash flow from operations, in total EUR -2.1 million (-1.8), were principally impacted by the interests of the debenture bond paid during the reporting period. EUR 2.8 million was tied up in working capital (in Q1 2016: freed 1.4).

During the first quarter Suominen drew down EUR 10 million as a new loan within the EUR 55 million credit facility agreed in autumn 2014.

In accordance with the decision of the Annual General Meeting held on 15 March 2017, a distribution of dividends (EUR 0.11 per share), in total EUR 5.6 million, was paid on 24 March 2017.

In February 2017, in total EUR 0.3 million of accrued interests of the convertible hybrid bond issued by Suominen in February 2014 were capitalized to the bond capital in accordance with the terms of the hybrid bond. If Suominen distributes dividend before 10 February 2018, the bondholders are entitled to a compensation equaling to the dividend. The compensation will be paid the same date as the dividend, and the paid compensation will be deducted from the interests accrued or to be accrued. The compensation deducted from interests accrued or to be accrued will decrease the amount of interests capitalized as principal of the bond and thus the number of shares to be converted with the bond. In total EUR 0.6 million of interests on hybrid bond were paid in March 2017 in connection with the payment of the dividend.

Bondholders of the convertible hybrid bond issued by Suominen are entitled to convert the bond notes and the potential accrued capitalized interest related to the notes into Suominen shares. The conversion rate is EUR 2.50 per share (after the reverse split of the shares), and the conversion period started on 11 February 2014 and will end on 10 February 2018. The number of shares to be converted must be at least 40,000 shares. The number of shares in Suominen may increase in total by maximum of 6,763,360 shares on the basis of the conversion of the remaining bond notes and the potential capitalized interest, if the conversion is carried out by issuing new shares in Suominen.

The hybrid bond capital was EUR 14.6 million on 31 March 2017. Suominen has the right to redeem the bond in whole or in part on 10 February 2018 or thereafter, on each interest payment date, at the nominal value of the bond together with the accrued interest.

## CAPITAL EXPENDITURE

The gross capital expenditure totaled EUR 11.2 million (3.5) and was mainly related to the investment in a new production line at the Bethune, SC, USA plant and to the renewal of ICT systems. Other investments were mainly for maintenance. Depreciation and amortization for the review period amounted to EUR 4.7 million (4.6).

## CHANGES IN GROUP MANAGEMENT

Markku Koivisto, M.Sc. (Tech) was appointed Senior Vice President, Chief Technology Officer and a member of the Corporate Executive Team at Suominen Corporation effective 27 March 2017. Markku Koivisto has a long working experience combining business development with P&L responsibility in industrial companies.

At the end of the review period, the members of Suominen's Corporate Executive Team were

Nina Kopola, President & CEO, Chair of the Corporate Executive Team
Tapio Engström, Senior Vice President, CFO
Lynda A. Kelly, Senior Vice President, Care business area
Larry L. Kinn, Senior Vice President, Operational Excellence
Markku Koivisto, Senior Vice President, CTO
Ernesto S. Levy, Senior Vice President, Convenience business area
Mimoun Saïm, Senior Vice President, Global Operations
Hannu Sivula, Senior Vice President, Human Resources

## INFORMATION ON SHARES AND SHARE CAPITAL

### Share capital

The number of Suominen's registered shares was 51,665,642 shares on 31 March 2017, equaling to a share capital of EUR 11,860,056.00.

### Share trading and price

The number of Suominen Corporation shares traded on Nasdaq Helsinki from 1 January to 31 March 2017 was 7,214,841 shares, accounting for 14.2% of the average number of shares (excluding treasury shares). The highest price was EUR 4.65, the lowest EUR 3.86 and the volume-weighted average price EUR 4.21. The closing price at the end of review period was EUR 4.56. The market capitalization (excluding treasury shares) was EUR 231.5 million on 31 March 2017.

### Treasury shares

On 31 March 2017, Suominen Corporation held 893,087 treasury shares.

### The portion of the remuneration of the members of the Board of Directors which shall be paid in shares

The Annual General Meeting held on 15 March 2017 decided that the remuneration payable to the members of the Board remains unchanged, with the exception of the remuneration of the Chair of the Board which will be increased by EUR 10,000. The Chair of the Board of Directors will be paid an annual fee of EUR 60,000, Deputy Chair of the Board an annual fee of EUR 37,500 and other Board members an annual fee of EUR 28,000. 60% of the annual remuneration is paid in cash and 40% in Suominen Corporation’s shares.

The number of shares forming the above remuneration portion which is payable in shares will be determined based on the share value in the stock exchange trading maintained by Nasdaq Helsinki Ltd, calculated as the trade volume weighted average quotation of the share during the one month period immediately following the date on which the Interim Report of January-March 2017 of the company is published. The shares will be given out of the own shares held by the company by the decision of the Board of Directors by 2 June 2017 at the latest.

**Share-based incentive plans for the management and key employees**

The Group management and key employees participate the company’s share-based incentive plan. The share-based incentive plan is divided into Performance Share Plan and Matching Share Plan. The plans are described in detail in the Financial Statements 2016 and in the Remuneration Statement 2016 of Suominen Corporation, available on the company’s website, www.suominen.fi > Investors > Corporate Governance.

## ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) of Suominen Corporation was held on 15 March 2017. The AGM decided that a dividend or EUR 0.11 per share will be paid for the financial year 2016.

The AGM adopted the Financial Statements and the Consolidated Financial Statements for the financial year 2016 and decided to discharge the members of the Board of Directors and the President & CEO from liability for the financial year 2016.

The AGM decided that the remuneration payable to the members of the Board remains unchanged, with the exception of the remuneration of the Chair of the Board which will be increased by EUR 10,000. The Chair of the Board of Directors will be paid an annual fee of EUR 60,000, Deputy Chair of the Board an annual fee of EUR 37,500 and other Board members an annual fee of EUR 28,000. Further, the members of the Board will receive a fee of EUR 500 for each meeting held in the home country of respective member and a fee of EUR 1,000 per each meeting held elsewhere than in home country of respective member. 60% of the annual remuneration is paid in cash and 40% in Suominen Corporation’s shares. Compensation for expenses is paid in accordance with the company's valid travel policy.

The AGM decided that the number of Board members remains unchanged at six (6). Mr. Andreas Ahlström, Mr. Risto Anttonen, Mr. Hannu Kasurinen, Ms. Laura Raitio and Ms. Jaana Tuominen were re-elected as members of the Board of Directors. Mr. Jan Johansson was elected as a new member and as Chair of the Board of Directors.

The decisions taken on the remuneration of the Board, on the number of the Board members and on the composition of the Board were in accordance with the proposal by the Shareholders’ Nomination Board.

The AGM decided that the auditor's fee would be paid according to the invoice accepted by the company. 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 has announced that it will appoint Ms. Kristina Sandin, Authorised Public Accountant, as the principally responsible auditor of the company. The decisions regarding auditing were in accordance with the proposal of the Board of Directors and the recommendation by the Audit Committee.

The AGM authorized the Board of Directors to decide on the repurchase of the company's own shares, in accordance with the proposal by the Board. The terms and conditions of the repurchase has been described later in this interim report.

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

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

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

**Authorizations of the Board of Directors**

The Annual General Meeting (AGM) held on 15 March 2017 authorized the Board of Directors to repurchase a maximum of 400,000 of the company's own shares. The shares shall be repurchased to be used in company's share-based incentive programs, in order to disburse the remuneration of the members of the Board of Directors, for use as consideration in acquisitions related to the company's business, or to be held by the company, to be conveyed by other means or to be cancelled. The company's own shares shall be repurchased otherwise than in proportion to the holdings of the shareholders by using the non-restricted equity through trading on regulated market organized by Nasdaq Helsinki Ltd at the market price prevailing at the time of acquisition. The repurchase authorization is valid until 30 June 2018.

The AGM held on 16 March 2016 authorized the Board of Directors to decide on issuing new shares and/or conveying the company's own shares held by the company and/or granting special rights entitling to shares referred to in Chapter 10, Section 1 of the Finnish Limited Liability Companies Act. New shares may be issued and/or company's own shares held by the company or its group company may be conveyed at the maximum amount of 5,000,000 shares in aggregate. The maximum number of new shares that may be subscribed and own shares held by the company that may be conveyed by virtue of the options and other special rights granted by the company is 5,000,000 shares in total which number is included in the maximum number stated earlier. The authorization is valid until 30 June 2019.

## NOTIFICATIONS UNDER CHAPTER 9, SECTION 5 OF THE SECURITIES MARKET ACT

During the review period Suominen received no notifications under Chapter 9, Section 5 of the Securities Market Act.

**BUSINESS RISKS AND UNCERTAINTIES**

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

Suominen's customer base is fairly concentrated, which adds to the customer-specific risk. This may affect Suominen's financial result if customers' purchasing habits become more cautious as a result of a changes in consumption, or as a result of sales losses. The Group's ten largest customers accounted for 63% of the Group net sales in 2016. Long-term contracts are preferred with the largest customers. In practice the customer relationships are long-term and last for several years. Customer-related credit risks are managed in accordance with a risk policy approved by the Board of Directors. Credit limits are confirmed for customers on the basis of credit ratings and customer history. Suominen also uses export credit guarantees and insures against customer risks to a limited extent.

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

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

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

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

Suominen has numerous regional, national and international competitors in its different product groups. There is currently oversupply in some product groups in Suominen's both principal market regions. Products based on new technologies and imports from countries of lower production costs may reduce Suominen's competitive edge. If Suominen is not able to compete with an attractive product offering, it may lose some of its market share. Competition may lead to increased pricing pressure on the company's products.

Suominen continuously invests in its manufacturing facilities. The deployment of the investments may delay from what was planned, the costs of the investments may increase from what has been expected or the investments may create less business benefits than anticipated. The deployment phase of investments may cause temporary interruptions in operations.

There could be a risk of Suominen's business operations being interrupted due to abrupt and unforeseen events, such as power outages or fire and water damage. Suominen may not be able to control these events through predictive actions, which could lead to interruptions in business. Risks of this type are insured in order to guarantee the continuity of operations. As Suominen has valid damage and business interruption insurance, it is expected that the damage would be compensated and the financial losses caused by the interruption of business would be covered.

Suominen uses certain technologies in its production. In the management's view, the chosen technologies are competitive and there is no need to make major investments in new technologies. However, it cannot be excluded that the company's technology choices could prove wrong, and the development of new or substitute technologies would then require investments.

Suominen aims to protect its business against product liability risks through the use of systematic quality assurance processes and products liability insurance. R&D function of the company is responsible for ensuring the underlying safety of the group´s products during their development. Continuous quality control is designed to guarantee product quality during production. Management considers it unlikely that the Group will face significant product liability-related claims, and is unaware of any such claims.

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

The Group is exposed to several financial risks, such as foreign exchange, interest rate, counterparty, liquidity and credit risks. The Group's financial risks are managed in line with a policy confirmed by the Board of Directors. The financial risks are described in the consolidated financial statements.

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

General risks related to business operations are described in the Report of the Board of Directors 2016.

## BUSINESS ENVIRONMENT

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

The consumer confidence remained strong in the beginning of 2017. In the United States, the consumer confidence index rose to its highest level since 2001. Also in the euro zone, the consumer confidence index continued to increase. North America and Europe are Suominen's main market areas.

Suominen assesses the trend in the demand for its products on the basis of both the general market situation and, above all, on the basis of the framework agreements drawn up with its customers. In general, the growth in the demand in Suominen's target markets in 2017 is expected to continue, on average, at the pace of 2016.

**OUTLOOK FOR 2017**

Suominen expects that for the full year 2017, its net sales will improve from year 2016. Also the comparable operating profit is estimated to improve from year 2016, provided that the new production line at the Bethune plant will be started up as planned.

In 2016, Suominen's net sales amounted to EUR 416.9 million and comparable operating profit to EUR 25.6 million. The calculation of comparable operating profit is explained in the consolidated financial statements of 2016.

**ANALYST AND PRESS CONFERENCE**

Nina Kopola, President & CEO, and Tapio Engström, CFO, will present the Q1 financial result in Finnish at an analyst and press conference in Helsinki on Wednesday, 26 April at 2:00 pm (EEST). The conference will take place at Suominen's Helsinki office, address Itämerentori 2. The presentation material will be available after the analyst and press conference at www.suominen.fi

A teleconference and a webcast on the Q1 financial result will be held on 26 April at 4:00 pm (EEST). The conference can be attended by phone at +44 20 3059 8125 (password "Suominen") or accessed at www.suominen.fi/webcast. The conference call will be held in English.

A replay of the conference can be accessed at www.suominen.fi/webcast or by phone at 1 844 2308 058 (United States), 0121 260 4861 (United Kingdom) or +44 121 260 4861 (all other locations), using access code 5766262#.

**NEXT FINANCIAL REPORT**

Suominen Corporation will publish its Half Year Report 2017 on Wednesday, 9 August 2017 approximately at 1:00 pm (EEST).

**SUOMINEN GROUP 1 JANUARY–31 MARCH 2017**

This interim report has been prepared in accordance with the principles defined in IAS 34 Interim Financial Reporting. The principles for preparing the interim report are the same as those used for preparing the consolidated financial statements for 2016. Changes to published accounting standards and interpretations, together with the new accounting standards that came into force on 1 January 2017, are presented in the consolidated financial statements for 2016. The new standards to be applied on 1 January 2018 and 2019 respectively (IFRS 15 Revenue from Contracts with Customers, IFRS 9 Financial Instruments and IFRS 16 Leases) as well as their effect on the consolidated financial statements of Suominen have been described in the consolidated financial statements of 2016.

The figures in these interim financial statements are mainly presented in EUR thousands. As a result of rounding differences, the figures presented in the tables do not necessarily add up to total.

This interim report has not been audited.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

| EUR thousands | **31.3.2017** | 31.3.2016 | 31.12.2016 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Goodwill | **15,496** | 15,496 | 15,496 |
| Intangible assets | **14,542** | 13,411 | 14,133 |
| Property, plant and equipment | **140,355** | 94,173 | 135,510 |
| Loan receivables | **6,836** | 7,793 | 6,836 |
| Available-for-sale assets | **777** | 777 | 777 |
| Other non-current receivables | **2,514** | 2,442 | 2,524 |
| Deferred tax assets | **3,570** | 4,529 | 3,424 |
| **Total non-current assets** | **184,091** | 138,621 | 178,698 |
| | | | |
| **Current assets** | | | |
| Inventories | **39,452** | 31,816 | 42,631 |
| Trade receivables | **59,264** | 52,151 | 53,946 |
| Loan receivables | **1,550** | 1,000 | 1,550 |
| Other current receivables | **4,770** | 5,183 | 7,274 |
| Assets for current tax | **1,911** | 1,892 | 2,008 |
| Cash and cash equivalents | **25,653** | 53,065 | 29,522 |
| **Total current assets** | **132,599** | 145,107 | 136,929 |
| | | | |
| **Total assets** | **316,690** | 283,728 | 315,628 |
| | | | |
| **Equity and liabilities** | | | |
| Share capital | **11,860** | 11,860 | 11,860 |
| Share premium account | **24,681** | 24,681 | 24,681 |
| Reserve for invested unrestricted equity | **70,855** | 69,652 | 70,855 |
| Treasury shares | **-44** | -44 | -44 |
| Fair value and other reserves | **41** | 500 | 10 |
| Exchange differences | **11,473** | 1,660 | 12,613 |
| Other equity | **4,940** | -4,775 | 6,324 |
| Total equity attributable to owners of the parent | **123,806** | 103,534 | 126,300 |
| Hybrid bond | **16,096** | 17,272 | 16,525 |
| **Total equity** | **139,902** | 120,806 | 142,824 |

| | | | |
|---|---|---|---|
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | **11,171** | 10,411 | 11,195 |
| Liabilities from defined benefit plans | **998** | 1,105 | 1,081 |
| Other non-current liabilities | **505** | 258 | 364 |
| Debentures | **75,000** | 75,000 | 75,000 |
| Other non-current interest-bearing liabilities | **11,387** | 18,058 | 11,574 |
| Total non-current liabilities | **99,061** | 104,831 | 99,214 |
| | | | |
| **Current liabilities** | | | |
| Current interest-bearing liabilities | **17,815** | 3,318 | 7,923 |
| Liabilities for current tax | **1,541** | 764 | 280 |
| Trade payables and other current liabilities | **58,371** | 54,010 | 65,388 |
| Total current liabilities | **77,726** | 58,092 | 73,590 |
| | | | |
| **Total liabilities** | **176,788** | 162,923 | 172,804 |
| | | | |
| **Total equity and liabilities** | **316,690** | 283,728 | 315,628 |

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

| EUR thousands | **1-3/2017** | 1-3/2016 | 1-12/2016 |
|---|---|---|---|
| **Net sales** | **112,920** | 103,869 | 416,862 |
| Cost of goods sold | **-99,246** | -92,077 | -364,636 |
| **Gross profit** | **13,674** | 11,792 | 52,226 |
| Other operating income | **349** | 629 | 1,909 |
| Sales and marketing expenses | **-1,859** | -1,758 | -7,364 |
| Research and development | **-1,264** | -837 | -4,330 |
| Administration expenses | **-4,694** | -4,339 | -16,191 |
| Other operating expenses | **52** | 55 | -629 |
| **Operating profit** | **6,258** | 5,543 | 25,622 |
| Net financial expenses | **-157** | -244 | -3,190 |
| **Profit before income taxes** | **6,102** | 5,299 | 22,432 |
| Income taxes | **-1,862** | -1,858 | -7,199 |
| **Profit for the period** | **4,240** | 3,441 | 15,233 |
| | | | |
| **Earnings per share, EUR** | | | |
| Basic | **0.08** | 0.06 | 0.29 |
| Diluted | **0.07** | 0.06 | 0.26 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| EUR thousands | **1-3/2017** | 1-3/2016 | 1-12/2016 |
|---|---|---|---|
| **Profit for the period** | **4,240** | 3,441 | 15,233 |
| **Other comprehensive income:** | | | |
| **Other comprehensive income that will be subsequently reclassified to profit or loss** | | | |
| Exchange differences | **-1,293** | -3,933 | 7,881 |
| Fair value changes of cash flow hedges and available-for-sale assets | **8** | 618 | 245 |
| Reclassified to profit or loss | **4** | -17 | 116 |
| Reclassified to property, plant and equipment | **–** | – | -188 |
| Income taxes related to other comprehensive income | **172** | 514 | -410 |
| **Total** | **-1,110** | -2,819 | 7,644 |
| **Other comprehensive income that will not be subsequently reclassified to profit or loss** | | | |
| Remeasurements of defined benefit plans | **43** | – | -110 |
| Income taxes related to other comprehensive income | **-12** | – | 16 |
| **Total** | **31** | – | -93 |
| **Total comprehensive income for the period** | **3,160** | 622 | 22,784 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| EUR thousands | Share capital | Share premium account | Reserve for invested unrestricted equity | Treasury shares | Exchange differences |
|---|---|---|---|---|---|
| **Equity 1 January 2017** | **11,860** | **24,681** | **70,855** | **-44** | **12,613** |
| Profit / loss for the period | – | – | – | – | – |
| Other comprehensive income | – | – | – | – | -1,141 |
| **Total comprehensive income** | **–** | **–** | **–** | **–** | **-1,141** |
| Share-based payments | – | – | – | – | – |
| Dividend distribution | – | – | – | – | – |
| Hybrid bond | – | – | – | – | – |
| **Equity 31 March 2017** | **11,860** | **24,681** | **70,855** | **-44** | **11,473** |

| EUR thousands | Fair value and other reserves | Other equity | Total | Hybrid bond | Total equity |
|---|---|---|---|---|---|
| **Equity 1 January 2017** | **10** | **6,324** | **126,300** | **16,525** | **142,824** |
| Profit / loss for the period | – | 4,240 | 4,240 | – | 4,240 |
| Other comprehensive income | 30 | 31 | -1,079 | – | -1,079 |
| **Total comprehensive income** | **30** | **4,271** | **3,160** | **–** | **3,160** |
| Share-based payments | – | 102 | 102 | – | 102 |
| Dividend distribution | – | -5,585 | -5,585 | – | -5,585 |
| Hybrid bond | – | -171 | -171 | -428 | -600 |
| **Equity 31 March 2017** | **41** | **4,940** | **123,806** | **16,096** | **139,902** |

| EUR thousands | Share capital | Share premium account | Reserve for invested unrestricted equity | Treasury shares | Exchange differences |
|---|---|---|---|---|---|
| **Equity 1 January 2016** | **11,860** | **24,681** | **69,652** | **-44** | **5,097** |
| Profit / loss for the period | – | – | – | – | – |
| Other comprehensive income | – | – | – | – | -3,437 |
| **Total comprehensive income** | **–** | **–** | **–** | **–** | **-3,437** |
| Share-based payments | – | – | – | – | – |
| Dividend distribution | – | – | – | – | – |
| Hybrid bond | – | – | – | – | – |
| **Equity 31 March 2016** | **11,860** | **24,681** | **69,652** | **-44** | **1,660** |

| EUR thousands | Fair value and other reserves | Other equity | Total | Hybrid bond | Total equity |
|---|---|---|---|---|---|
| **Equity 1 January 2016** | **-118** | **-3,076** | **108,052** | **17,664** | **125,716** |
| Profit / loss for the period | – | 3,441 | 3,441 | – | 3,441 |
| Other comprehensive income | 618 | – | -2,819 | – | -2,819 |
| **Total comprehensive income** | **618** | **3,441** | **622** | **–** | **622** |
| Share-based payments | – | 75 | 75 | – | 75 |
| Dividend distribution | – | -5,030 | -5,030 | – | -5,030 |
| Hybrid bond | – | -185 | -185 | -393 | -578 |
| **Equity 31 March 2016** | **500** | **-4,775** | **103,534** | **17,272** | **120,806** |

| EUR thousands | Share capital | Share premium account | Reserve for invested unrestricted equity | Treasury shares | Exchange differences |
|---|---|---|---|---|---|
| **Equity 1 January 2016** | **11,860** | **24,681** | **69,652** | **-44** | **5,097** |
| Profit / loss for the period | – | – | – | – | – |
| Other comprehensive income | – | – | – | – | 7,516 |
| **Total comprehensive income** | **–** | **–** | **–** | **–** | **7,516** |
| Share-based payments | – | – | – | – | – |
| Dividend distribution | – | – | – | – | – |
| Conveyance of treasury shares | – | – | 80 | – | – |
| Conversion of hybrid bond | – | – | 1,124 | – | – |
| Hybrid bond | – | – | – | – | – |
| **Equity 31 December 2016** | **11,860** | **24,681** | **70,855** | **-44** | **12,613** |

| EUR thousands | Fair value and other reserves | Other equity | Total | Hybrid bond | Total equity |
|---|---|---|---|---|---|
| **Equity 1 January 2016** | **-118** | **-3,076** | **108,052** | **17,664** | **125,716** |
| Profit / loss for the period | – | 15,233 | 15,233 | – | 15,233 |
| Other comprehensive income | 128 | -93 | 7,551 | – | 7,551 |
| **Total comprehensive income** | **128** | **15,140** | **22,784** | **–** | **22,784** |
| Share-based payments | – | 190 | 190 | – | 190 |
| Dividend distribution | – | -5,030 | -5,030 | – | -5,030 |
| Conveyance of treasury shares | – | – | 80 | – | 80 |
| Conversion of hybrid bond | – | – | 1,124 | -1,124 | – |
| Hybrid bond | – | -899 | -899 | -16 | -915 |
| **Equity 31 December 2016** | **10** | **6,324** | **126,300** | **16,525** | **142,824** |

## CONSOLIDATED STATEMENT OF CASH FLOWS

| EUR thousands | **1-3/2017** | 1-3/2016 | 1-12/2016 |
|---|---|---|---|
| **Cash flow from operations** | | | |
| Profit / loss for the period | **4,240** | 3,441 | 15,233 |
| Total adjustments to profit for the period | **7,045** | 6,852 | 29,783 |
| Cash flow before changes in net working capital | **11,285** | 10,292 | 45,016 |
| Change in net working capital | **-2,763** | 1,368 | -6,277 |
| Financial items | **-2,067** | -1,828 | -3,895 |
| Income taxes | **-337** | -714 | -6,348 |
| Cash flow from operations | **6,118** | 9,118 | 28,496 |
| **Cash flow from investments** | | | |
| Investments in property, plant and equipment and intangible assets | **-13,536** | -3,849 | -49,553 |
| Cash flow from disposed businesses | – | – | 313 |
| Adjustments of purchase consideration | – | – | 161 |
| Sales proceeds from property, plant and equipment and intangible assets | – | – | 8 |
| Cash flow from investments | **-13,536** | -3,849 | -49,072 |
| **Cash flow from financing** | | | |
| Repayment of other non-current interest-bearing liabilities | **-27** | – | – |
| Changes in current interest-bearing liabilities | **10,000** | – | -3,359 |
| Repayment in loan receivables | **–** | – | 1,000 |
| Paid interest on hybrid bond | **-642** | -624 | -624 |
| Dividend distribution | **-5,585** | -5,030 | -5,030 |
| Cash flow from financing | **3,745** | -5,654 | -8,013 |
| **Change in cash and cash equivalents** | **-3,671** | -385 | -28,588 |
| Cash and cash equivalents at the beginning of the period | **29,522** | 55,570 | 55,570 |
| Effect of changes in exchange rates | **-197** | -2,120 | 2,540 |
| Change in cash and cash equivalents | **-3,671** | -385 | -28,588 |
| **Cash and cash equivalents at the end of the period** | **25,653** | 53,065 | 29,522 |

## KEY RATIOS

| | 1-3/2017 | 1-3/2016 | 1-12/2016 |
|---|---|---|---|
| Change in net sales, % * | **8.7** | -7.2 | -6.1 |
| Gross profit, as percentage of net sales, % | **12.1** | 11.4 | 12.5 |
| Comparable gross profit, as percentage of net sales, % | **12.1** | 11.4 | 12.5 |
| Operating profit, as percentage of net sales, % | **5.5** | 5.3 | 6.1 |
| Comparable operating profit, as percentage of net sales, % | **5.5** | 5.3 | 6.1 |
| Net financial items, as percentage of net sales, % | **-0.1** | -0.2 | -0.8 |
| Profit before income taxes, as percentage of net sales, % | **5.4** | 5.1 | 5.4 |
| Profit for the period, as percentage of net sales, % | **3.8** | 3.3 | 3.7 |
| Gross capital expenditure, EUR thousands | **11,223** | 3,527 | 53,320 |
| Depreciation, amortization, impairment losses and reversal of impairment losses, EUR thousands | **4,651** | 4,602 | 18,520 |
| Return on equity, rolling 12 months, % | **12.0** | 14.1 | 11.6 |
| Return on invested capital, rolling 12 months, % | **11.7** | 14.7 | 11.6 |
| Equity ratio, % | **44.2** | 42.6 | 45.3 |
| Gearing, % | **50.2** | 28.6 | 39.6 |
| Earnings per share, EUR, basic | **0.08** | 0.06 | 0.29 |
| Earnings per share, EUR, diluted | **0.07** | 0.06 | 0.26 |
| Cash flow from operations per share, EUR | **0.12** | 0.18 | 0.56 |
| Equity per share, EUR | **2.76** | 2.40 | 2.81 |
| Number of shares, end of period, excluding treasury shares | **50,772,555** | 50,302,346 | 50,772,555 |
| Share price, end of period, EUR | **4.56** | 4.04 | 4.14 |
| Share price, period low, EUR | **3.86** | 4.00 | 3.49 |
| Share price, period high, EUR | **4.65** | 6.20 | 6.20 |
| Volume weighted average price during the period, EUR | **4.21** | 4.90 | 4.24 |
| Market capitalization, EUR million | **231.5** | 203.2 | 210.2 |
| Number of traded shares during the period | **7,214,841** | 3,576,585 | 13,611,634 |
| Number of traded shares during the period, % of average number of shares | **14.2** | 7.1 | 27.0 |

* Compared with the corresponding period in the previous year.

| | 31.3.2017 | 31.3.2016 | 31.12.2016 |
|---|---|---|---|
| **Interest-bearing net debt, EUR thousands** | | | |
| Non-current interest-bearing liabilities | **86,387** | 93,058 | 86,574 |
| Current interest-bearing liabilities | **17,815** | 3,318 | 7,923 |
| Interest-bearing receivables and cash and cash equivalents | **-34,038** | -61,858 | -37,908 |
| Interest-bearing net debt | **70,163** | 34,517 | 56,589 |

## CALCULATION OF KEY RATIOS

### Key ratios per share

Earnings per share

Basic earnings per share are calculated by dividing the net result attributable to owners of the parent (adjusted with interest on hybrid bond, net of tax) by the weighted share-issue adjusted average number of shares outstanding during the reporting period, excluding shares acquired by the Group and held as treasury shares.

When calculating diluted earnings per share, the weighted share-issue adjusted average number of shares outstanding during the year is adjusted by the effect of the hybrid bond on the number of shares.

The dilutive effect of the hybrid bond on the number of shares is calculated by assuming that the remaining amount of the bond is fully converted into shares at the issuance date. In addition, the cumulative accrued interest during the whole loan period on the remaining loan amount is assumed to have been converted into shares at the issuance date. When calculating diluted earnings per share the number of shares is adjusted also with the effects of the share-based incentive plans.

| EUR thousands | **31.3.2017** | **31.3.2016** | **31.12.2016** |
|---|---|---|---|
| Profit for the period | 4,240 | 3,441 | 15,233 |
| Interest on hybrid bond net of tax | -171 | -185 | -486 |
| Total | 4,069 | 3,256 | 14,747 |
| | | | |
| Average share-issue adjusted number of shares | 50,772,555 | 50,302,346 | 50,343,806 |
| Average diluted share-issue adjusted number of shares excluding treasury shares | 57,858,575 | 58,235,782 | 58,027,756 |
| | | | |
| Earnings per share, EUR | | | |
| Basic | 0.08 | 0.06 | 0.29 |
| Diluted | 0.07 | 0.06 | 0.26 |

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

| | **31.3.2017** | **31.3.2016** | **31.12.2016** |
|---|---|---|---|
| Cash flow from operations, EUR thousand | 6,118 | 9,118 | 28,496 |
| Share-issue adjusted number of shares excluding treasury shares, end of reporting period | 50,772,555 | 50,302,346 | 50,775,555 |
| Cash flow from operations per share, EUR | 0.12 | 0.18 | 0.56 |

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

| | 31.3.2017 | 31.3.2016 | 31.12.2016 |
|---|---|---|---|
| Total equity, EUR thousand | 139,902 | 120,806 | 142,824 |
| Share-issue adjusted number of shares excluding treasury shares, end of reporting period | 50,772,555 | 50,302,346 | 50,775,555 |
| Equity per share, EUR | 2.76 | 2.40 | 2.81 |

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

| | 31.3.2017 | 31.3.2016 | 31.12.2016 |
|---|---|---|---|
| Number of shares at the end of reporting period excluding treasury shares | 50,772,555 | 50,302,346 | 50,772,555 |
| Share price at end of the period, EUR | 4.56 | 4.04 | 4.14 |
| Market capitalization, EUR miilion | 231.5 | 203.2 | 210.2 |

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

| | 31.3.2017 | 31.3.2016 | 31.12.2016 |
|---|---|---|---|
| Number of shares traded during the period | 7,214,841 | 3,576,585 | 13,611,634 |
| Average number of shares excluding treasury shares | 50,772,555 | 50,302,346 | 50,343,806 |
| Share turnover, % | 14.2 | 7.1 | 27.0 |

**Other key ratios**

EBITDA = Profit before depreciation, amortization and impairment (operating profit + depreciation, amortization and impairment losses)

| EUR thousand | 31.3.2017 | 31.3.2016 | 31.12.2016 |
|---|---|---|---|
| Operating profit | 6,258 | 5,543 | 25,622 |
| + Depreciation, amortization and impairment losses | 4,651 | 4,602 | 18,520 |
| EBITDA | 10,909 | 10,145 | 44,142 |

Interest-bearing net debt = Interest-bearing liabilities - interest-bearing receivables - cash and cash equivalents

| EUR thousand | 31.3.2017 | 31.3.2016 | 31.12.2016 |
|---|---|---|---|
| Interest-bearing liabilities | 104,201 | 96,375 | 94,497 |
| Interest bearing receivables | -8,386 | -8,793 | -8,386 |
| Cash and cash equivalents | -25,653 | -53,065 | -29,522 |

| | | | |
|---|---|---|---|
| Interest-bearing net debt | 70,163 | 34,517 | 56,589 |

Return on equity (ROE), % = Profit for the reporting period (rolling 12 months) x 100 / Total equity (quarterly average)

| EUR thousand | **31.3.2017** | **31.3.2016** | **31.12.2016** |
|---|---|---|---|
| Profit for the reporting period (rolling 12 months) | 16,032 | 16,978 | 15,233 |
| | | | |
| Total equity 31 March 2016 / 31 March 2015 / 31 December 2015 | 120,806 | 115,051 | 125,716 |
| Total equity 30 June 2016 / 30 June 2015 / 31 March 2016 | 130,712 | 119,328 | 120,806 |
| Total equity 30 September 2016 / 30 September 2015 / 30 June 2016 | 135,186 | 120,360 | 130,712 |
| Total equity 31 December 2016 / 31 December 2015 / 30 September 2016 | 142,824 | 125,716 | 135,186 |
| Total equity 31 March 2017 / 31 March 2016 / 31 December 2016 | 139,902 | 120,806 | 142,824 |
| Average | 133,886 | 120,252 | 131,049 |
| | | | |
| Return on equity (ROE), % | 12.0 | 14.1 | 11.6 |

Invested capital = Total equity + interest- bearing liabilities

| EUR thousand | **31.3.2017** | **31.3.2016** | **31.12.2016** |
|---|---|---|---|
| Total equity | 139,902 | 120,806 | 142,824 |
| Interest-bearing liabilities | 104,201 | 96,375 | 94,497 |
| Invested capital | 244,103 | 217,181 | 237,321 |

Return on invested capital (ROI), % = Operating profit + financial income (rolling 12 months) x 100 / Invested capital, quarterly average

| EUR thousand | **31.3.2017** | **31.3.2016** | **31.12.2016** |
|---|---|---|---|
| Operating profit (rolling 12 months) | 26,338 | 30,029 | 25,622 |
| Financial income (rolling 12 months) | 750 | 735 | 727 |
| Total | 27,087 | 30,764 | 26,349 |
| | | | |
| Invested capital 31 March 2016 / 31 March 2015 / 31 December 2015 | 217,181 | 200,051 | 222,578 |
| Invested capital 30 June 2016 / 30 June 2015 / 31 March 2016 | 227,594 | 204,328 | 217,181 |
| Invested capital 30 September 2016 / 30 September 2015 / 30 June 2016 | 228,648 | 202,027 | 227,594 |

| | | | |
|---|---|---|---|
| Invested capital 31 December 2016 / 31 December 2015 / 30 September 2016 | 237,321 | 222,578 | 228,648 |
| Invested capital 31 March 2017 / 31 March 2016 / 31 December 2016 | 244,103 | 217,181 | 237,321 |
| Average | 230,969 | 209,233 | 226,664 |
| | | | |
| Return on invested capital (ROI), % | 11.7 | 14.7 | 11.6 |

Equity ratio, % = Total equity x 100 / Total assets - advances received

| EUR thousand | **31.3.2017** | **31.3.2016** | **31.12.2016** |
|---|---|---|---|
| Total equity | 139,902 | 120,806 | 142,824 |
| | | | |
| Total assets | 316,690 | 283,728 | 315,628 |
| Advances received | -2 | -1 | -3 |
| | 316,688 | 283,727 | 315,625 |
| | | | |
| Equity ratio, % | 44.2 | 42.6 | 45.3 |

Gearing, % = Interest-bearing net debt x 100 / Total equity

| EUR thousand | **31.3.2017** | **31.3.2016** | **31.12.2016** |
|---|---|---|---|
| Interest-bearing net debt | 70,163 | 34,517 | 56,589 |
| Total equity | 139,902 | 120,806 | 142,824 |
| Gearing, % | 50.2 | 28.6 | 39.6 |

**NET SALES BY GEOGRAPHICAL MARKET AREA**

| EUR thousands | **1-3/2017** | 1-3/2016 | 1-12/2016 |
|---|---|---|---|
| Finland | **707** | 545 | 2,386 |
| Rest of Europe | **40,319** | 38,950 | 158,118 |
| North and South America | **68,244** | 62,174 | 246,287 |
| Rest of the world | **3,650** | 2,199 | 10,071 |
| Total | **112,920** | 103,869 | 416,862 |

## QUARTERLY DEVELOPMENT

| | 2017 | 2016 | | | |
|---|---|---|---|---|---|
| EUR thousands | **1-3** | **10-12** | **7-9** | **4-6** | **1-3** |
| Net sales | 112,920 | 100,365 | 103,796 | 108,832 | 103,869 |
| Comparable operating profit | 6,258 | 3,540 | 7,878 | 8,661 | 5,543 |
| as % of net sales | 5.5 | 3.5 | 7.6 | 8.0 | 5.3 |
| Items affecting comparability | – | – | – | – | – |
| Operating profit | 6,258 | 3,540 | 7,878 | 8,661 | 5,543 |
| as % of net sales | 5.5 | 3.5 | 7.6 | 8.0 | 5.3 |
| Net financial items | -157 | -1,149 | -830 | -967 | -244 |
| Profit before income taxes | 6,102 | 2,391 | 7,047 | 7,694 | 5,299 |
| as % of net sales | 5.4 | 2.4 | 6.8 | 7.1 | 5.1 |

## RELATED PARTY INFORMATION

The related parties of Suominen include the members of the Board of Directors, President & CEO and the members of the Corporate Executive Team as well as their family members and their controlled companies. In addition, shareholders who have a significant influence in Suominen through share ownership are included in related parties. Suominen has no associated companies.

In its transactions with related parties Suominen follows the same commercial terms as in transactions with third parties.

Salaries paid to the related parties during the first quarter of 2017 amounted to EUR 393 thousands, obligatory pension payments EUR 106 thousands, voluntary pension payments EUR 38 thousands, and accruals based on share-based incentive plans EUR 189 thousands.

## CHANGES IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

| | **31.3.2017** | | 31.3.2016 | | 31.12.2016 | |
|---|---|---|---|---|---|---|
| EUR thousands | **Property, plant and equipment** | **Intangible assets** | Property, plant and equipment | Intangible assets | Property, plant and equipment | Intangible assets |
| Carrying amount at the beginning of the period | **135,510** | **14,133** | 97,931 | 13,275 | 97,931 | 13,275 |
| Capital expenditure | **10,175** | **1,048** | 2,741 | 785 | 50,020 | 3,300 |
| Disposals | **–** | **–** | – | – | – | -89 |
| Depreciation, amortization and impairment losses | **-4,020** | **-630** | -4,026 | -572 | -16,162 | -2,358 |
| Exchange differences and other changes | **-1,309** | **-9** | -2,474 | -77 | 3,721 | 4 |
| Carrying amount at the end of the period | **140,355** | **14,542** | 94,172 | 13,411 | 135,510 | 14,133 |

Goodwill is not included in intangible assets.

## CHANGES IN INTEREST-BEARING LIABILITIES

| EUR thousands | **1-3/2017** | 1-3/2016 | 1-12/2016 |
|---|---|---|---|
| **Total interest-bearing liabilities at the beginning of the period** | **96,376** | 96,862 | 96,862 |
| | | | |
| Current liabilities at the beginning of the period | **3,318** | 3,363 | 3,363 |
| Repayment of current liabilities | **–** | – | -3,358 |
| Drawdown of current liabilities | **10,000** | 102 | 102 |
| Reclassification from non-current liabilities | **2** | – | 7,899 |
| Exchange rate difference | **-110** | -147 | -84 |
| Current liabilities at the end of the period | **13,211** | 3,318 | 7,923 |
| | | | |
| Non-current liabilities at the beginning of the period | **18,058** | 18,498 | 18,498 |
| Repayment of non-current liabilities | **-27** | – | – |
| Drawdown of non-current liabilities | **–** | 368 | 368 |
| Reclassification to current liabilities | **-2** | – | -7,899 |
| Exchange rate difference | **-159** | -808 | 607 |
| Non-current liabilities at the end of the period | **17,870** | 18,058 | 11,574 |
| | | | |
| Debentures at the beginning of the period | **75,000** | 75,000 | 75,000 |
| Changes in debentures | **–** | – | – |
| Debentures at the end of the period | **75,000** | 75,000 | 75,000 |
| | | | |
| **Total interest-bearing liabilities at the end of the period** | **106,081** | 96,376 | 94,497 |

In accordance with IAS 32, the hybrid bond is included in equity.

## CONTINGENT LIABILITIES

| EUR thousands | **31.3.2017** | 31.3.2016 | 31.12.2016 |
|---|---|---|---|
| **Other commitments** | | | |
| Operating leases | **12,645** | 16,679 | 13,088 |
| Contractual commitments to acquire property, plant and equipment | **5,517** | 15,720 | 5,517 |
| | | | |
| **Guarantees** | | | |
| On own behalf | **11,133** | 21,220 | 16,810 |
| Other own commitments | **3,926** | 4,207 | 4,036 |
| On behalf of others | **979** | 4,133 | 963 |
| **Total** | **16,038** | 29,560 | 21,841 |

## NOMINAL AND FAIR VALUES OF DERIVATIVE INSTRUMENTS

| | 31.3.2017 | | 31.3.2016 | | 31.12.2016 | |
|---|---|---|---|---|---|---|
| EUR thousands | Nominal value | Fair value | Nominal value | Fair value | Nominal value | Fair value |
| Currency forward contracts | | | | | | |
| Hedge accounting applied | 4,684 | -32 | 15,720 | 390 | 5,240 | -327 |
| Hedge accounting not applied | 1,927 | 10 | 2,547 | 24 | 2,372 | 30 |
| Electricity derivatives | | | | | | |
| Hedge accounting applied | 448 | -50 | 1,071 | -291 | 594 | 43 |
| Hedge accounting not applied | 989 | -19 | – | – | – | – |

## FINANCIAL ASSETS BY CATEGORY

a. Financial assets at fair value through profit or loss
b. Loans and receivables
c. Available-for-sale assets
d. Derivatives, hedge accounting applied
e. Carrying amount
f. Fair value

| | | Classification | | | | |
|---|---|---|---|---|---|---|
| EUR thousands | a. | b. | c. | d. | e. | f. |
| Available-for-sale assets | – | – | 777 | – | 777 | 777 |
| Other non-current receivables | 501 | – | – | – | 501 | 501 |
| Loan receivables | – | 8,386 | – | – | 8,386 | 8,386 |
| Trade receivables | – | 59,264 | – | – | 59,264 | 59,264 |
| Derivatives | 10 | – | – | – | 10 | 10 |
| Interest and other financial receivables | – | 907 | – | – | 907 | 907 |
| Cash and cash equivalents | – | 25,653 | – | – | 25,653 | 25,653 |
| **Total 31.3.2017** | **511** | **94,210** | **777** | **–** | **95,497** | **95,497** |

| EUR thousands | a. | b. | c. | d. | e. | f. |
|---|---|---|---|---|---|---|
| Available-for-sale assets | – | – | 777 | – | 777 | 777 |
| Other non-current receivables | 501 | – | – | – | 501 | 501 |
| Loan receivables | – | 8,386 | – | – | 8,386 | 8,386 |
| Trade receivables | – | 53,946 | – | – | 53,946 | 53,946 |
| Derivatives | 30 | – | – | 43 | 73 | 73 |
| Interest and other financial receivables | – | 869 | – | – | 869 | 869 |
| Cash and cash equivalents | – | 29,522 | – | – | 29,522 | 29,522 |
| **Total 31.12.2016** | **530** | **92,723** | **777** | **43** | **94,072** | **94,072** |

Principles in estimating fair value for financial assets for 2017 are the same as those used for preparing the consolidated financial statements for 2016.

**FINANCIAL LIABILITIES**

| EUR thousands | **31.3.2017** Carrying amount | **31.3.2017** Fair value | 31.12.2016 Carrying amount | 31.12.2016 Fair value |
|---|---|---|---|---|
| **Non-current financial liabilities** | | | | |
| Loans from financial institutions | 11,136 | 11,136 | 11,294 | 11,294 |
| Debentures | 75,000 | 78,435 | 75,000 | 78,503 |
| Finance lease liabilities | 251 | 251 | 280 | 280 |
| Total non-current financial liabilities | 86,387 | 89,822 | 86,574 | 90,076 |
| **Current financial liabilities** | | | | |
| Current part of non-current loans from financial institutions | 17,702 | 17,702 | 7,812 | 7,812 |
| Finance lease liabilities | 113 | 113 | 111 | 111 |
| Derivatives, no hedge accounting applied | 19 | 19 | – | – |
| Derivatives, hedge accounting applied | 83 | 83 | 327 | 327 |
| Interest accruals | 100 | 100 | 912 | 912 |
| Other current liabilities | – | – | 253 | 253 |
| Trade payables | 47,028 | 47,028 | 50,248 | 50,248 |
| Total current financial liabilities | 65,045 | 65,045 | 59,662 | 59,662 |
| **Total** | **151,432** | **154,867** | **146,236** | **149,739** |

Principles in estimating fair value for financial liabilities for 2017 are the same as those used for preparing the consolidated financial statements for 2016.

**FAIR VALUE MEASUREMENT HIERARCHY**

| EUR thousands | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|
| **Financial assets and liabilities at fair value** | | | |
| Other non-current receivables | – | – | 501 |
| Available-for-sale assets | – | – | 777 |
| **Total** | **–** | **–** | **1,278** |
| **Derivatives at fair value** | | | |
| Currency forward contracts, receivables | – | 10 | – |
| Currency forward contracts, liabilities | – | -32 | – |
| Electricity forward contracts, liabilities | – | -69 | – |
| **Total** | **–** | **-79** | **–** |

Principles in estimating fair value for financial assets and their hierarchies for 2017 are the same as those used for preparing the consolidated financial statements for 2016. There were no transfers in the fair value measurement hierarchy levels during the reporting period.

SUOMINEN CORPORATION
Board of Directors

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**Suominen in brief**

Suominen manufactures nonwovens as roll goods for wipes as well as for medical and hygiene products. The end products made of Suominen's nonwovens – wet wipes, feminine care products and swabs, for instance – bring added value to the daily life of consumers worldwide. Suominen is the global market leader in nonwovens for wipes and employs nearly 650 people in Europe and in the Americas. Suominen's net sales in 2016 amounted to EUR 416.9 million and comparable operating profit to EUR 25.6 million. The Suominen share (SUY1V) is listed in Nasdaq Helsinki Stock Exchange (Mid Cap). Read more at www.suominen.fi.