Suominen

# Annual Report 2023

# This is Suominen

Suominen manufactures nonwovens as roll goods for wipes and other applications. Our vision is to be the frontrunner for nonwovens innovation and sustainability. The end products made of Suominen's nonwovens are present in people's daily life worldwide. Suominen's net sales in 2023 were EUR 450.9 million, and we have nearly 700 professionals working in Europe and in the Americas. Suominen's shares are listed on Nasdaq Helsinki.

**Net sales, EUR million**
**450.9**

**Employees**
**673**

**Comparable EBITDA, EUR million**
**15.8**

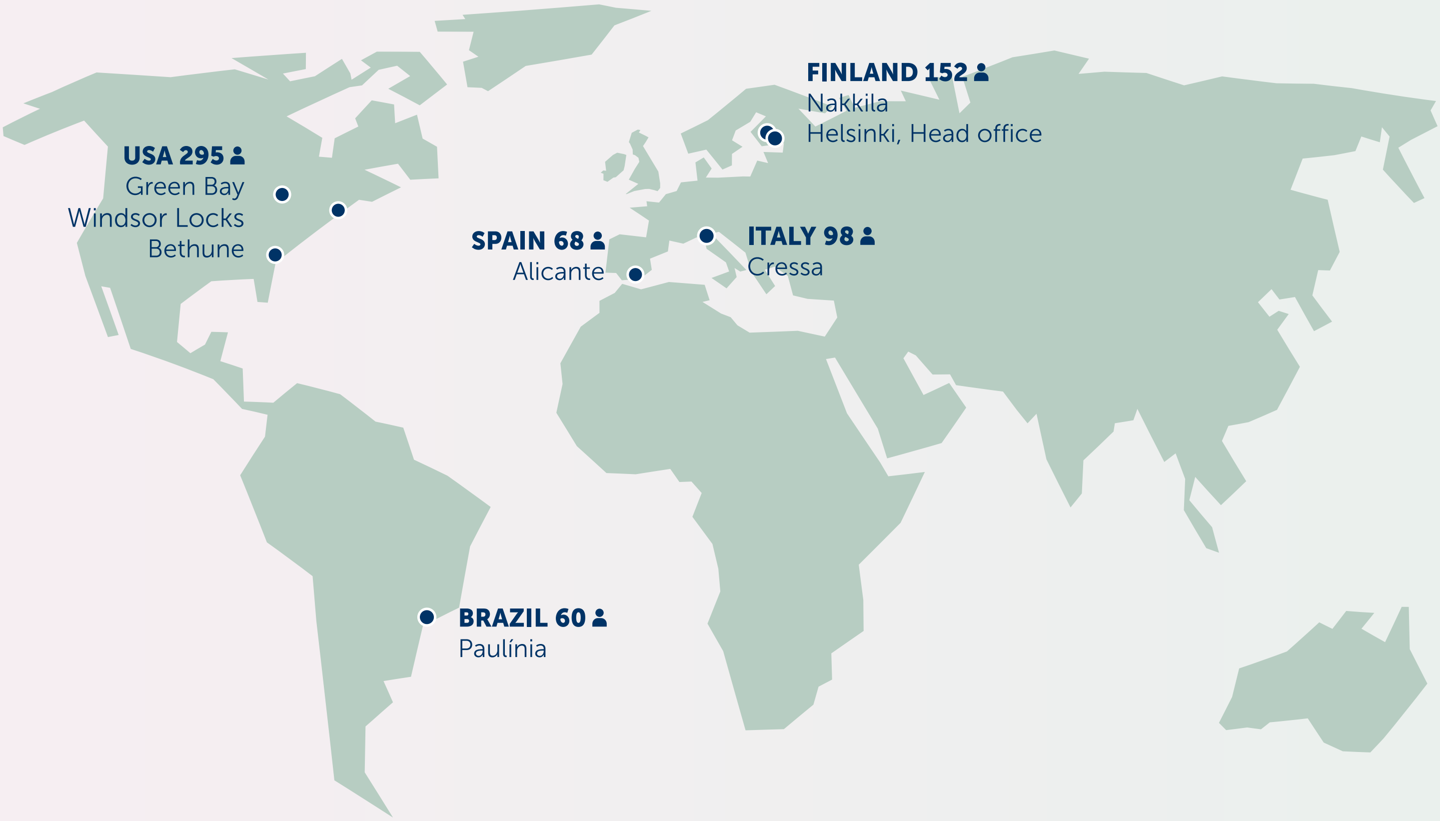
**Share of new products of net sales exceeded**
**35%**

# Contents

# This is Suominen

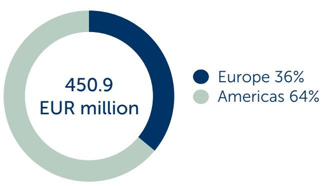


# Suominen today




**Suominen has two business areas, the Americas and Europe.**

Net sales by business area




Suominen manufactures nonwovens as roll goods for wipes and other applications. Our vision is to be the frontrunner for nonwovens innovation and sustainability. The end products made of Suominen's nonwovens are present in people's daily life worldwide. Suominen's net sales in 2023 were EUR 450.9 million, and we have nearly 700 professionals working in Europe and in the Americas. Suominen's shares are listed on Nasdaq Helsinki.

Suominen has two business areas, the Americas and Europe. In 2023, net sales of the Americas business area amounted to EUR 288.0 million and the Europe business area to EUR 162.8 million.

# President & CEO's review

The year 2023 was still challenging in terms of profitability. Throughout the year, we systematically implemented various improvement measures, and in the second half of the year, they gradually began to contribute to the results.

**Comparable EBITDA, EUR million**

15.8

**Net sales, EUR million**

450.9

**Share of new products of net sales exceeded**

35%

**Sales of sustainable products increased***

79%

* Compared to base year 2019

Our comparable EBITDA increased slightly from the previous year and was EUR 15.8 million. After the first half of the year, our commercial and operational excellence improvements started to contribute, and we were able to improve our sales margins. Our net sales in 2023 were EUR 450.9 million.

During the first half of the year, we closed production at our Mozzate site in Italy. The decision was made to improve the competitiveness of our European business.

We will continue to take determined actions to improve our financial and operational efficiency in the future.

**Sustainability is important also to our customers and other stakeholders. The wipes nonwovens market is rapidly shifting towards more sustainable alternatives.**

## Sustainability and innovation at the core of everything we do

The cornerstones of our strategy are sustainability and innovations, and we continuously develop our offerings and operations accordingly.

Sustainability is important also to our customers and other stakeholders. The wipes nonwovens market is rapidly shifting towards more sustainable alternatives. In line with our strategy, we have set targets to increase the sales of sustainable products and to continuously develop new environmentally friendly nonwovens to enable our customers to be more sustainable. In 2023, we increased the sales of sustainable products by 79%, exceeding our target of 50% increase compared to the base year 2019. Our target is also to launch over ten sustainable products annually, and in 2023, we launched 12 such products.

During the year, we completed an investment project in Nakkila. With this investment, we respond to the increased demand for environmentally friendly products and, at the same time, improve our operational performance in terms of safety, quality, and productivity.

Our strong ability to innovate and respond to market needs is reflected in the share of new products in our net sales, which exceeded 35%. By new products, we mean products launched in the last three years. One excellent example is HYDRASPUN® Circula, the first nonwoven made of recycled materials that is suitable for producing moist toilet tissue. The product won EDANA's INDEX™23 Award as a model example of how sustainability and innovation drive the entire nonwovens industry forward.

Occupational safety is a priority for us, and our goal is naturally zero accidents. In 2023, we launched a safety campaign to remind our employees of the importance of safety every day and to encourage each employee to stop and think before acting.

Strengthening employee engagement is another key people-related target for us. In 2023, we conducted fourth consecutive global employee engagement survey. The response rate was good, and the results help us identify factors that are positively affecting employee engagement as well as areas where we still have opportunities for improvement.

In 2023, we completed the EcoVadis sustainability assessment for the second time and received a silver-level rating. We improved our performance by five points, placing us in the top 5% of companies in the manufacture of other textiles industry rated by EcoVadis.

**Looking ahead, we see some positive signals from both the markets and our customers. I am confident that the ongoing improvement measures and changes will help us on our journey towards profitable growth.**

## Towards the future

Our new organizational model came into effect at the beginning of 2024. The new model enhances collaboration between commercial teams and production. Business areas that are now, in the new model, responsible for both sales and production, enable us to be even more efficient, focused, and agile in our efforts to improve profitability and to serve our customers even better.

Looking ahead, we see some positive signals from both the markets and our customers. I am confident that the ongoing improvement measures and changes will help us on our journey towards profitable growth.

I want to thank our shareholders, customers, and partners for their productive collaboration. I especially want to thank our employees for their commitment and contribution. As we continue to move forward together with determination, we can trust that we will achieve our goals.

**Tommi Björnman**
President & CEO

# Financial targets

## Targets 2020–2025

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

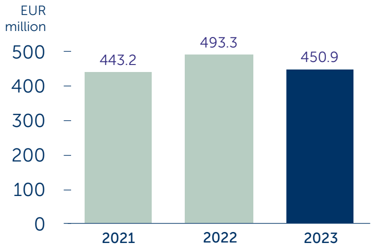
**EBITDA margin by 2025: above 12%**

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

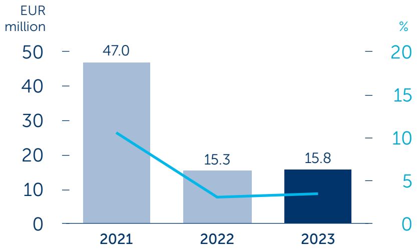
## How to get there?

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

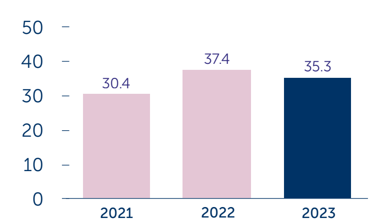
**Net sales, EUR million**




**Comparable EBITDA and EBITDA margin**




**Gearing, %**

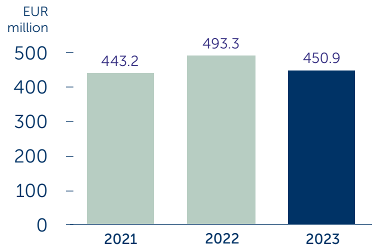


# Key figures

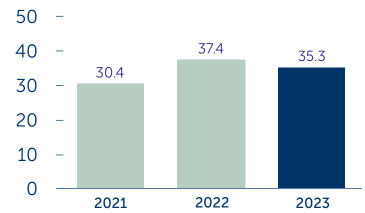
| FINANCIAL | 2023 | 2022 |
|---|---|---|
| Net sales, EUR million | 450.9 | 493.3 |
| Comparable EBITDA, EUR million | 15.8 | 15.3 |
| EBITDA, EUR million | 11.2 | 14.3 |
| Comparable operating profit, EUR million | -2.8 | -4.2 |
| Profit for the period, EUR million | -12.8 | -13.9 |
| Earnings per share, EUR | -0.22 | -0.24 |
| Dividend, EUR | 0.10* | 0.10 |
| Cash flow from operations, EUR million | 30.7 | 14.0 |
| Cash flow from operations per share, EUR | 0.53 | 0.24 |
| Capital expenditure, EUR million | 11.2 | 9.7 |
| Equity ratio, % | 39.5 | 42.5 |
| Equity per share, EUR | 2.17 | 2.54 |
| Gearing, % | 35.3 | 37.4 |
| Return on invested capital (ROI), % | -4.1 | -4.2 |
| **EMPLOYEES** | **2023** | **2022** |
| Number of employees | 673 | 717 |
| Number of lost time accidents | 6 | 2 |
| **ENVIRONMENT** | **2023** | **2022** |
| Energy consumption, GJ | 1,766,007 | 1,745,021 |
| Greenhouse gas emissions, tons of $CO_2$ eq. | 99,809 | 93,363 |
| Water withdrawal, ML | 6,825 | 6,478 |
| Process waste to landfill, tons | 5,080 | 5,227** |

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

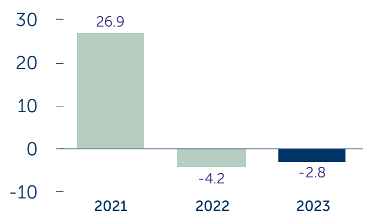
**Net sales, EUR million**



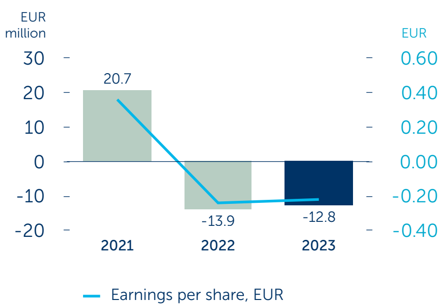

**Gearing, %**



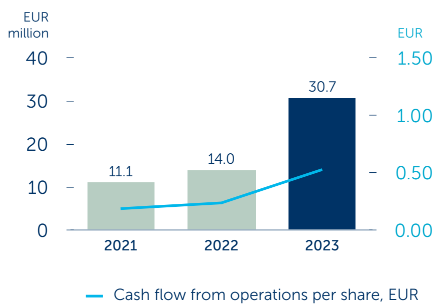

**Comparable operating profit, EUR million**



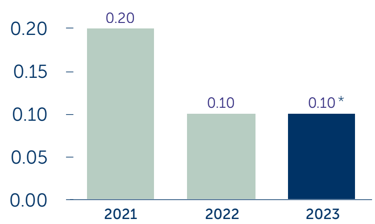

**Profit for the period, EUR million and earnings per share, EUR**




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



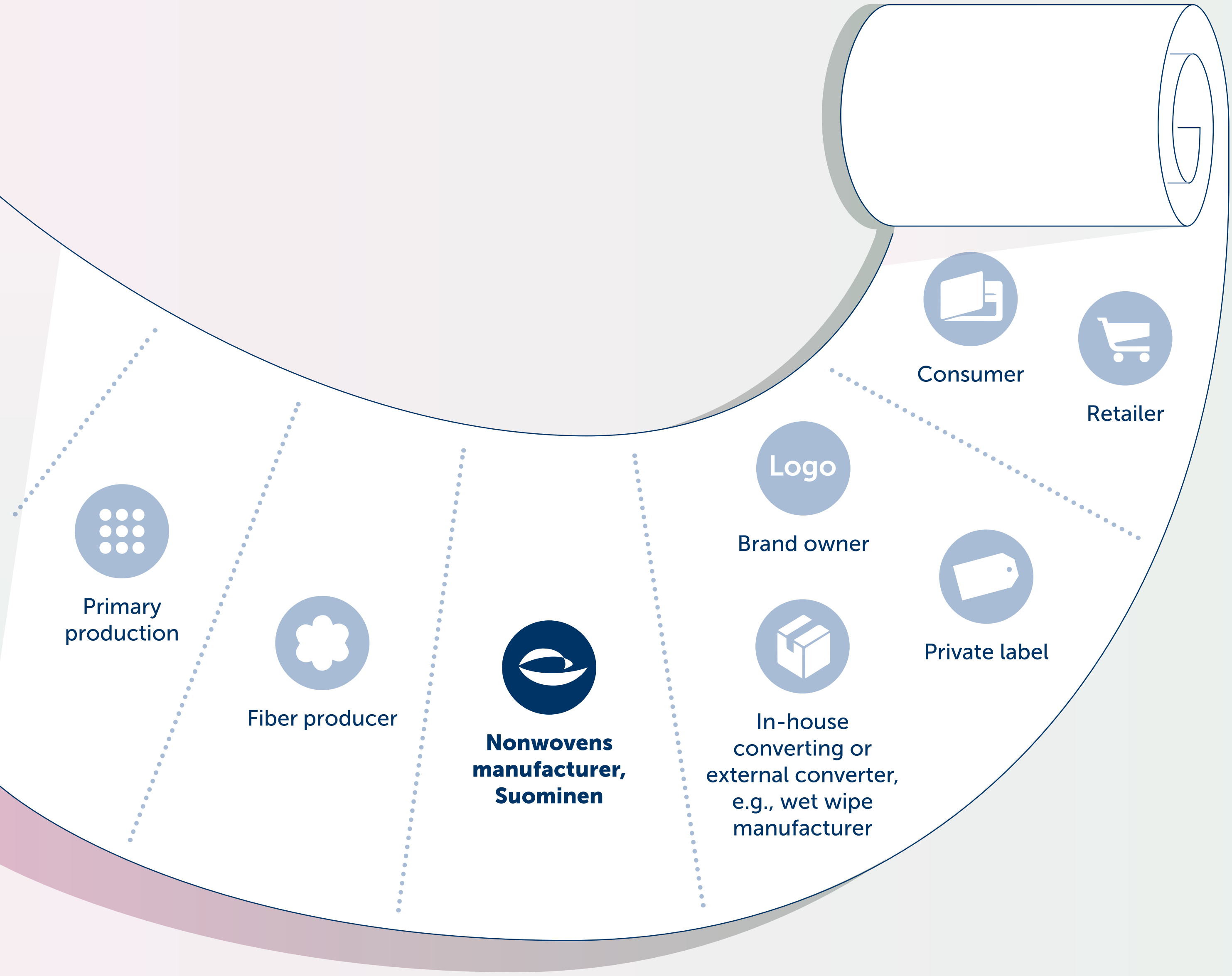

**Dividend per share, EUR**




* 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 124.9 million
- Total liabilities: EUR 191.5 million

### NATURAL RESOURCES
- Water 6,824,631 m³
- Raw materials
  - Wood-based 60%
  - Oil-based 39%
  - Other 1%
- Energy 1,766,007 GJ
  - Natural gas 47%
  - Electricity 36%
  - Steam 17%

### INTELLECTUAL CAPABILITIES
- Suominen brand and our way of operating
- R&D expenses EUR 3.9 million
- 15 R&D professionals
- 52 granted and 15 pending patents
- 58 trademarks and design patents
- Piloting facilities
- Technical know-how
- IT systems

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

### MANUFACTURING RESOURCES
- Geographically and technically broad manufacturing base

## Suominen

**673 employees**

**7 production plants on three continents**

**Net sales EUR 450.9 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 5,080 metric tons

### EMISSIONS

- Direct greenhouse gas emissions 44,495 metric tons of $CO_2$ eq.
- Indirect greenhouse gas emissions 55,314 metric tons of $CO_2$ eq.

### WATER

- Treated water from operations

# Impacts

### CUSTOMERS

- Innovations and new products
- Improved product performance
- Suominen brand value
- Customer satisfaction

### EMPLOYEES

- Wages and salaries EUR 43.6 million
- Professional development
- Fair employment practices and equal opportunities
- Safe workplace

### PARTNERS

- Spend on materials and services EUR 343.0 million
- Business growth
- Ethical business
- Interest to creditors

### SHAREHOLDERS

- Dividend (Board's proposal) EUR 5.8 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 +0.7 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 ranks among the world's largest producers of spunlace nonwovens. Suominen's main market areas are Europe and North America. Suominen also maintains a strong presence in the South American markets.

## Market characteristics

### Europe

In Europe, all consumer wipe categories are highly fragmented and competitive. Private lables are gaining share in the European market.

EU's Single-Use Plastics Directive and the proposed Directive on Green Claims are important drivers 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 162.8 million, corresponding to 36% of Suominen's net sales in 2023. Suominen has one site in Italy, one in Spain and one in Finland. Suominen's headquarters is in Finland. In 2023, Suominen had 318 employees in Europe.

### North America

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

Several states in the US have passed or introduced bills to demand appropriate disposal labeling to wipes packages.

The leading trends are transparency in the value chain and 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 64% of Suominen's net sales in 2023. Suominen has three sites in USA and one in Brazil. In 2023, Suominen had 355 employees in the Americas.

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.

Global megatrends shape Suominen's operating environment and affect our business.

## The importance of sustainability continues to grow

Megatrends such as climate change and environmental degradation drive us to minimize the environmental impacts of our operations, improve our raw material efficiency and introduce increasing range of sustainable products to the market.

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 reduce marine pollution. SUPD impacts many end products made of nonwovens as many wipes are traditionally made at least partially from raw materials containing plastic. Labeling requirements under the Directive for single-use 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 the growing demand to help its customers to be more sustainable in their product offering.

## Demographic megatrends support our growth

Demographic megatrends, such as population growth, 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.

## Global instabilities cause uncertainty

We see some positive signals from the market and customers, but the overall global economic uncertainty and fierce competition continue to make the longer-term visibility challenging. It remains to be seen how the current economic climate impacts the end consumer demand and consumer preferences regarding wipes. Historically, the wipes market has been rather steady despite the general economic situation.

Instabilities in Israel and lately in Suez Canal, and the war in Ukraine continue to generate uncertainty globally.

# 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 target is to use resources efficiently and to operate with the smallest possible impacts on the environment.**

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 occupational health and safety of our employees, and increase accountability and cost awareness throughout the organization.

Safety is a top priority for us, and we are committed to protecting and improving the health and safety of our employees. We believe in preventive actions and that a strong safety culture is created through an open and continuous dialogue. In 2023, we initiated a safety campaign to encourage all employees to stop and think before acting.

We continue to work on our efficiency and performance by systematically developing our people, our processes and operations. We have launched several efficiency initiatives and actively share best practices between our sites to drive improvement in this area.

### Sustainability leadership

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

The requirements for more sustainable products have increased rapidly, with legislation and customers' growing interest towards more sustainable choices as the main drivers. We are leading the market change by actively developing and introducing new products to meet the growing demand. During 2023, we launched 12 sustainable products and the sales of sustainable products increased 79% compared to the base year of 2019.

### 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**

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.

As part of our work on reducing greenhouse gas emissions, all our European sites have shifted entirely to fossil-free electricity in 2021 and our Paulínia site in Brazil during 2023.

## Differentiate with innovation and commercial excellence

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

Our versatile and experienced R&D team together with our pilot line capabilities enable our industry-leading innovation and product development. A close collaboration with customers plays an important role in our innovation work. The share of new products of our net sales reflects our strong ability to innovate and meet

# Strategic highlights of the year

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

12 sustainable product launches

Sales of sustainable products increased 79% compared to base year of 2019

Silver-level rating from second EcoVadis sustainability assessment

Moving to carbon-free electricity in Paulínia site in Brazil

Share of new products: exceeded 35% of net sales

the market needs – in 2023, the share of new products exceeded 35 % of our net sales.

We made several commercial excellence improvement actions during the year in order to reach the full potential of our competitive advantages.

## Great place to work

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

We are systematically developing employee engagement and implementing targeted actions based on our global employee engagement survey. In 2023, we conducted the survey for the fourth consecutive year. The results identified both positive areas and opportunities for improvement. In the 2023 survey, we saw improvement in nearly all of the survey areas.

We strive to build a high-performance culture in which people are encouraged to exceed expectations and are enabled to perform to their full potential. In 2023, we continued to support the development of our personnel and teams with various development and training programs.

## Dual operating model

We optimize our operations through separate operating models for our standard and specialty products close to our customers in two customer focused regions – Americas and Europe.

During the year, we have continued to strengthen our capabilities in sustainable products, e.g., by finalizing an investment project to enhance and upgrade one of our production lines in Nakkila, Finland. We have also further developed our supply chain management and operations planning to even better support our target to optimize our operations and to meet the world class level.

# 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

Sustainability is an integral part of our strategy and thus, we strive to continuously develop it and work towards being a frontrunner in sustainable nonwovens. As a part of this, we believe that it is vital to understand our stakeholders' perceptions of our impacts, risks, and opportunities in relation to sustainability to serve the whole value chain in the best possible way. Identification of the most material aspects of sustainability helps us to prioritize our work and efforts in this area.

In 2023, Suominen started the process to update its materiality to take into consideration all our impacts, risks, and opportunities throughout our value chain (double materiality). The process includes internal workshops with key experts and management, and stakeholder engagement. In internal workshops, 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. Actual and potential impacts were identified based on internal expertise and documentation, including Suominen's overall risk assessment, HSE assessment and performance results and stakeholder surveys. The topics were grouped based on evaluating the severity and likelihood, which is based on the operating environment and risks identified by the Executive Team. Stakeholder engagement included a survey for stakeholders – such as customers, employees, institutional investors, suppliers, industry associations and owners – and interviews with key stakeholders. The work is to be finalized during the beginning of 2024 and will aid in the development of our sustainability agenda and guide the future actions to be taken.

The previous materiality assessment was conducted in 2019, which is the basis for the current Sustainability Agenda 2020–2025. The agenda is based on the six most material sustainability topics for Suominen: eco-friendly products, health and safety, energy efficiency, waste prevention, financial stability, and employee engagement.

## Evaluation of sustainability

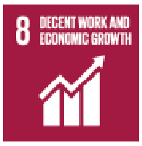
To increase transparency on the development of the Sustainability Agenda and ESG matters in general, Suominen partakes in internal and external ratings. In 2022, Suominen launched an ESG Index that is publicly available on our website. The tool is developed by Suominen to offer an easy access to a comprehensive summary of Suominen's sustainability work, presenting its strengths as well as areas of improvement. We aim to develop the Index to reflect the continuously evolving nature of sustainability. On top of this, Suominen participated in the EcoVadis assessment for the second time in 2023 and achieved a silver-level rating with improvements especially in the areas of Labor & Human Rights as well as Ethics compared to previous year.

## 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 | 6 in 2023 |
| | Employee engagement index | 73% | 66% in 2023 |
| Sustainable nonwovens | Number of sustainable product launches[1] | Over 10 per year | 12 in 2023 |
| | Sales of sustainable products | 50% increase in sales compared to the base year 2019 | 79% increase compared to the base year 2019 |
| Corporate citizenship | Coverage of renewed Code of Conduct | 100% of existing employees and new hires | 94% of all employees trained by the end of 2023 |
| | Supplier assessment | Raw material suppliers assessed against supplier code (based on risk assessment) | Process established |
| Low impact manufacturing | Energy consumption (GJ/t of product) | 20% reduction compared to the base year 2019[2] | No progress made in 2023 |
| | Process waste to landfill (kg/t of product) | 20% reduction compared to the base year 2019 | No progress made in 2023 |
| | Water consumption ($m^3$/t of product) | 20% reduction compared to the base year 2019 | 0.7% reduction compared to the base year 2019 |
| | Greenhouse gas emissions (t/t of product) | 20% reduction compared to the base year 2019[3] | 14.9% 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). The greenhouse gas figures for the base year 2019 were restated in the 2023 report due to a minor error in total emissions calculation.

# 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 regularly.

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 & Sustainability, is responsible for the sustainability at Suominen, and she reports to the President & CEO. The Communications & 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.

## 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 fourth consecutive year in 2023. The response rate for the survey remained at a strong level and was 80%.

The survey results identified both positive areas and opportunities for improvement. In the 2023 survey, we saw improvement in nearly all of the survey areas. The most significant improvement appeared in feedback and recognition, which covers themes like performance evaluation, rewarding the right people and addressing non-performance. Feedback and recognition was identified as an area for further development in the previous survey, and the recent results confirm us that we have taken effective steps in the right direction. On the other hand, employees' confidence in the company's future success decreased slightly from 2022.

The survey results are used as a basis for our people-related development work. Team-specific results are shared with the team leaders, who will then review and discuss them within their 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. We are currently investigating an opportunity to utilize pulse surveys in people and team development.

Based on the global results, our employee engagement index is 66%, which is one percentage point higher 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 66% of the survey participants responded favorably to those questions.

## 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, we ensure that our employees' targets and actions are aligned with the company's strategy and objectives.

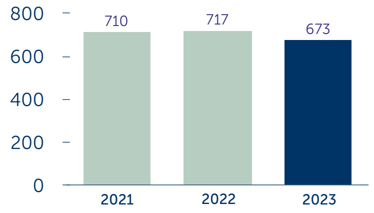
We continued to run our Performance Development Process covering all white-collar employees and Performance Evaluation and Feedback process covering all blue-collar workers. In 2023, 56% of Suominen's employees received performance and career development reviews in employee–manager discussions.

We strive to develop our processes and practices to identify, foster and reward excellent performance and to drive a pay-for-performance compensation model. In 2024, we will focus on developing our selected core and leadership competencies. Further developing our recruitment and onboarding processes is an important long-term target for us. In addition, we aim to strengthen and promote our employer brand actively to increase employee commitment, retention, satisfaction, and attraction.

## Promoting equal opportunities and supporting professional development

Suominen has nearly 700 employees, representing more than a dozen nationalities working in seven sites on three continents. We recognize the

**Number of employees**




**673**

**employees**

**We strive to develop our processes and practices to identify, foster and reward excellent performance and to drive a pay-for-performance compensation model.**

business benefits of having a diverse workforce and are committed to offering 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 and inclusion.

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 2023, 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 addition, we enhanced our competence and leadership capabilities by increasing human resources to individual and organizational development.

We continued 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 2023, a competition law compliance e-Learning course was rolled out globally for selected key roles. The course covers the main rules of competition and antitrust laws as well as the key principles and guidelines outlined in Suominen's Competition Law Compliance Policy. Other trainings during the year included management training and various quality, safety and process trainings for targeted roles.

## Health and safety

The health and safety of Suominen's employees is our key priority. The coverage of occupational healthcare was 100% of our employees in 2023. Suominen aims to promote employee well-being by sponsoring extracurricular activities for employees, such as local running events. In Finland and the USA, employees also receive a monetary sport benefit.

# 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 2023, six lost time accidents (LTA) occurred at Suominen sites (two in 2022), and three out of our seven sites were able to reach the zero LTA target in 2023. The accident frequency rate (AFR) was 4.50 (1.53), and the accident severity rate was 0.28 (0.06). 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 all of our seven sites*.

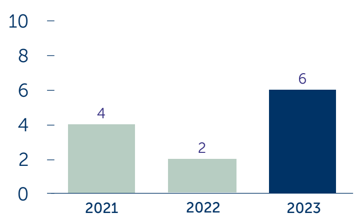
## Our safety work

Suominen's safety work is based on preventive actions. We develop safety at the workplace according to the principle of continuous improvement and implementation of best practices. In improving safety, Suominen places particular emphasis on influencing attitudes, behavior, and operating models.

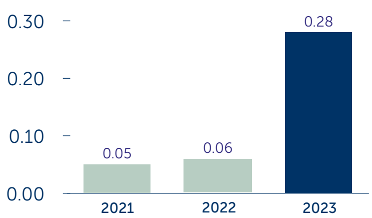
All Suominen employees take part in safety training during their onboarding period and, in addition, employees in production roles receive regular safety training.

Suominen has implemented a Behavior Based Safety program that kept rolling for the tenth year in a row in 2023. The program emphasizes the individual's own responsibility in safety and focuses on influencing the attitude and motivation of individuals. The program includes mandatory safety walks on a weekly

**Number of lost time accidents (LTA), own employees**

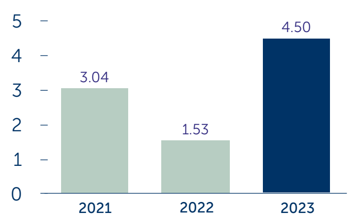



**Accident severity rate (ASR)**




Number of absence days per 1,000 working hours

**Accident frequency rate (AFR)**




Number of accidents per 1,000,000 working hours basis. During the safety walks, employees walk through the premises, identifying both safe and unsafe behaviors and conditions, and then engage in an open discussion with other employees. The findings are evaluated and subsequently, corrective actions are defined and scheduled, taking into account both urgency and a risk assessment. Regular monitoring of the progress of the assigned actions is conducted to ensure effective implementation. Over 21,600 safety walks were performed globally in 2023.

Suominen has also implemented Life Saving Rules that consist of six basic norms that no one can break under any circumstances. The rules are available in all Suominen languages.

Safety is a regular topic in our internal communications and on local communication channels, such as discussion boards and info screens, as well as in internal meetings. In 2023, we initiated a safety campaign to remind employees about the importance of safety every day and encourage each employee to stop and think before acting.

**Safety is a regular topic in our internal communications and on local communication channels, such as discussion boards and info screens, as well as in internal meetings.**

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

**CASE** | People and safety

## Safety campaign started in all Suominen locations

The health and safety of employees is our key priority. We focus on accident prevention and building a strong safety culture. In 2023, we initiated a safety campaign to remind our employees about the importance of safety every day. In the core of the campaign is to remind and encourage each employee to stop and think before acting. The campaign also emphasizes Suominen's Life Saving Rules. The campaign was well received by the employees, and we keep constantly working towards our target of zero lost time accidents.

**Indrit Dangaj**
HSE Manager, Italy

# 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 Cressa, Italy and 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.

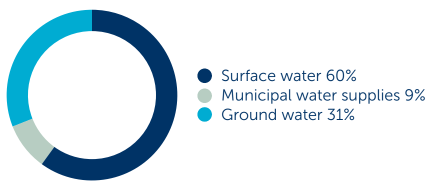
Our water use and discharges are regulated by national or regional authorities, and we constantly monitor the quality of discharged water. All water is treated in either our own or municipal water treatment sites before being discharged.

The wetlaid production technology that is used at two Suominen production sites requires significantly more water than other production technologies. Wetlaid production accounts for 82% of Suominen's total water intake.

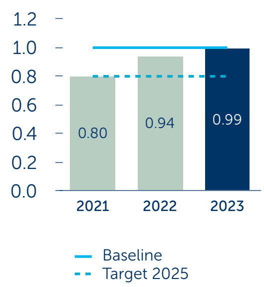
Suominen has evaluated the scarcity of water at our sites by using the World Resources Institute's Water Risk Atlas. One of our production sites is located in a "high risk area" where water can be considered a scarce resource. The water intake of this site accounts for approximately 1.2% of Suominen's total water intake.

Our target is 20% reduction in water consumption per ton of production by 2025, the baseline being 2019. In 2023, Suominen reduced its water consumption by 0.7% per ton of product compared to the baseline.

**Water intake by source in 2023**




**Water consumption per ton of product (indexed)**



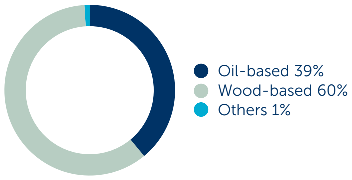
# Raw materials

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 2023, the share of raw materials from renewable sources was 60% (62% in 2022), 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 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.

**Raw materials purchased in 2023**

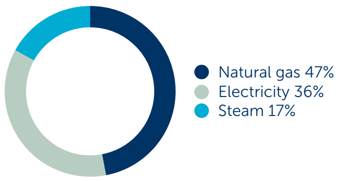



# Energy

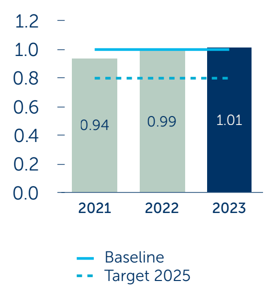
Our energy consumption consists of the usage of gas for heat and steam generation, and the use of purchased electricity and steam. We also produce electricity using solar panels at one site.

Our target is 20% reduction in energy consumption per ton of product by 2025, the baseline being 2019. In 2023, Suominen did not make progress in its energy reduction target. To meet our energy efficiency improvement targets, we continue to identify and implement energy saving initiatives at our sites.

**Energy consumption in 2023**




**Energy consumption per ton of product (indexed)**

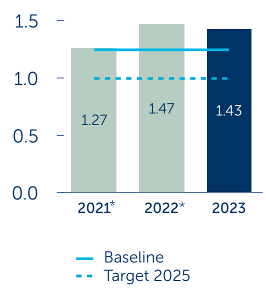



# Waste to landfill

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 or recycle 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 2023, Suominen did not make progress in its waste to landfill reduction target.

**Production waste to landfill per ton of product (indexed)**




* Restated

# Greenhouse gas emissions

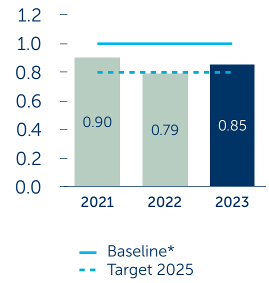
Suominen reports its direct greenhouse gas emissions (Scope 1), its indirect greenhouse gas emissions from purchased energy production (Scope 2) and other indirect greenhouse gas emissions (Scope 3) according to the Greenhouse gas protocol. Direct greenhouse gases originate from the consumption of fossil fuels used mainly for the generation of process heat. Indirect emissions related to energy production are caused by the production of purchased electricity and steam. Other indirect emissions are caused by those activities we are indirectly responsible for in the whole value chain.

Our target is 20% reduction in greenhouse gas emissions, which consists of Scope 1 and 2, per ton of product by 2025, the baseline being 2019. In 2023, our result towards the target was 14.9% reduction per ton of product compared to the baseline. Our aim is to set a target for Scope 3 as well.

As a part of our work on reducing greenhouse gas emissions, all our European sites have shifted entirely to fossil-free electricity since 2021 and our Paulínia site during 2023. This shift was a remarkable step towards our greenhouse gas reduction target. Suominen is examining similar opportunities for its sites in North America. We also have solar panels in Alicante, producing renewable electricity for the site. These panels account for 5% of the total energy usage at the site. 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)**




* The figure for the base year 2019 is restated

The figures include direct (Scope 1) and indirect (Scope 2) greenhouse gas emissions.

**CASE** | Low impact manufacturing

## Shifting to fossil-free electricity at Paulínia site

Suominen's site in Paulínia, Brazil has successfully shifted to fossil-free electricity, marking a milestone in our ongoing efforts to reduce greenhouse gas emissions. The journey to fossil-free electricity began already in 2021, when all Suominen's European sites made the shift. We are constantly looking for various ways to decrease the greenhouse gas emissions from our operations.

Reducing the environmental impact of our operations ensures that we can offer more sustainable products to our customers. By shifting to fossil-free electricity sources, we can reduce the carbon footprint of our products. As part of our sustainability work, we are also calculating the carbon footprint of our nonwovens as well as corporate level annual emissions.

**Juan Carlos Esteve**
Director, HSEQ

# 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 drives global emphasis on plastic free products. We at Suominen are well positioned to respond to this change. We launched our first plastic-free product already over 15 years ago.

**We are constantly developing new innovative products to the market.**

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 2023, our share of sustainable nonwovens increased by 79% (compared to 2019). The target of sustainable product launches was very well achieved; we had a total of 12 sustainable product launches during 2023.

We are the frontrunner in sustainable nonwovens, and we are constantly developing new innovative solutions to the market as well as improving and expanding our current product offering. We launched enhanced BIOLACE® Ultrasoft in 2023 to match both the sustainability demands and the quality expectations of our customers and consumers. It is made of plant based, plastic-free, biodegradable, and compostable raw materials, while maintaining softness appreciated by baby and personal care markets.

Another great example of a frontrunner product in terms of sustainability is HYDRASPUN® Circula, our first nonwoven made with recycled paper. It is biodegradable as well as plastic-free and can be used in multiple applications. The product was created in cooperation with our customer.

**CASE** | Sustainability

## Suominen Sustainability & New Fiber Seminar was a great success

Suominen has a strong background in R&D, innovation and sustainable fibers. Based on this foundation, Sustainability & New Fiber Seminar was held at our site in Nakkila, Finland, in 2023. The seminar gathered around fifty participants from across the nonwoven production value chain.

The seminar was a remarkable success, receiving over-the-top feedback. Positive feedback confirmed us that there was a need for this kind of event, where we could exchange ideas with the participants and hear intriguing presentations from top professionals in the field. The seminar program included a visit to the Suominen piloting facility, where participants attended a piloting demo with Bast Fibre Technologies' sero™ hemp fibers. Participants also had the chance to see a demonstration of a disintegration test at Suominen's brand-new Green Lab.

**Mari Rahkola**
Senior Manager,
Business Development

## 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 annual fibers in general, as an example, nettle and hemp, and regenerated cellulose in our New Fiber Center. Active cooperation with our suppliers, customers and other players in the market developing new innovative fibers is a cornerstone of our product development. For example, Suominen and Bast Fibre Technologies Inc. have cooperated for several years to investigate alternative fibers, including hemp.

On top of researching new raw materials, we focus on the end-of-life and biodegradability of renewable raw materials. The Suominen Green Lab in Nakkila has been in operation since 2022. 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. 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** | R&D

### HYDRASPUN® Circula won EDANA's INDEX™23 Award

Our HYDRASPUN® Circula won EDANA's INDEX™23 Award at INDEX™23 exhibition, held in Geneva, Switzerland, in April 2023. The product was selected from EDANA's shortlisted entries in the category of nonwoven roll goods, showcasing how innovation and sustainability are driving the nonwovens industry forward.

HYDRASPUN® Circula is Suominen's first ever dispersible nonwoven made with recycled paper. The product is biodegradable and meets EDANA/INDA GD4 flushability assessment. HYDRASPUN® Circula was developed specifically for moist toilet tissues but can be used also in multiple other applications. HYDRASPUN® Circula demonstrates that innovations in nonwovens can support the circular economy and sustainable production. Receiving recognition for that is very rewarding.

**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.

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. Suominen's own Human Rights Policy reaffirms the company's commitment 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. 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. Employees are trained on the Code, and they need to retake the course in every other year. By the end of 2023, 94% of Suominen's employees had completed Code of Conduct training.

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.

Suominen is committed to advancing sustainability in its supply chain. Aligned with the Sustainability Agenda's targets, Suominen has established a supplier sustainability assessment process. In accordance with the process, all raw material suppliers are invited to complete a sustainability assessment through EcoVadis, and corrective actions are subsequently defined to address any identified issues. Suominen plans to further develop and enhance the process in 2024.

## 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 started a double materiality assessment in 2023. The process includes a stakeholder survey sent to stakeholders – such as customers, employees, institutional investors, suppliers, industry associations and owners – and interviews with key stakeholders.

Suominen has conducted a materiality assessment previously in 2019 and 2021. The results of the 2019 assessment served as the basis for our Sustainability Agenda for the period 2020–2025 and the 2021 assessment ensured that the material topics, key objectives and focus areas of the Sustainability Agenda 2020–2025 corresponded still to our stakeholders' expectations and thus remained valid. Based on the surveys, the six most material sustainability topics for Suominen are ecofriendly products, health and safety, energy efficiency, waste prevention, financial stability, and employee engagement.

Stakeholder groups and their expectations, along with Suominen's way of meeting their expectations and the engagement channels in use are presented in the table on next page.

**CASE** | Suominen 125 years

## Suominen celebrated its 125th anniversary

Suominen celebrated its 125-year history in 2023. Founded by Mr. Juho Wiktor Suominen in 1898 as a tannery workshop in Nakkila, Finland, the company has grown into a global market leader in nonwovens for wipes and one of the world's largest producers of spunlace nonwovens over the decades. The employees of Suominen's plant in Alicante, Spain, gathered together to celebrate the remarkable milestone. All other sites held similar occasions during the year.

**Javier Hernandez**
Plant Director, Alicante

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

# Tax management, tax strategy and footprint

## Tax management and tax strategy

Suominen has a tax policy as well as tax guidelines approved by the Board of Directors. All group companies have to comply with the policy and guidelines. The CFO as well as the Group finance organization are responsible for the overall tax management and planning. Day-to-day local tax management is decentralized within the finance organizations of the subsidiaries in the countries where Suominen operates.

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 objective in tax risk management is to avoid retroactive changes to the tax positions it has taken in any of its filings in all the jurisdictions it operates in as well as to avoid retroactive

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

tax payments, interest payments and any tax payment related penalties. Therefore, Suominen's objective is that it will not take or enter into tax positions which are not considered supportable. However, as Suominen's objective is also to optimize its tax charge in all jurisdictions it operates, it can be possible that in certain situations Suominen takes or enters into a tax position which is not fully certain. In that case, the uncertain positions are evaluated by considering the risks and rewards related to the tax position. The decision of whether to enter into the uncertain tax position is made based on a risk analysis.

## 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's tax footprint arises purely from the business operations in the 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 applies the laws and regulations of each country.

The main markets of the Finnish group companies of Suominen 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 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 2023, Suominen employed on average 682 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

### Taxes and similar payments borne

| | 2023 | | 2022 | |
|---|---|---|---|---|
| EUR thousand | Finland | Other countries | Finland | Other countries |
| Corporate income tax, tax on profit | 321 | -2,195 | -1,318 | -3,460 |
| Property taxes | -82 | -1,704 | -75 | -1,277 |
| Employer contributions and taxes | -1,823 | -10,338 | -1,853 | -10,592 |
| VAT as expense | -18 | -5 | -20 | -3 |
| Custom duties on export* | – | – | – | -5 |
| Custom duties on import* | -286 | -939 | -463 | -1,785 |
| Excise duties | -52 | -378 | -119 | -250 |
| Other taxes and similar payments | -42 | -276 | -40 | -322 |
| Received tax credits | – | 1,134 | – | 2,659 |
| **TOTAL** | **-1,983** | **-14,701** | **-3,888** | **-15,035** |

### Taxes and similar payments collected and paid

| | 2023 | | 2022 | |
|---|---|---|---|---|
| EUR thousand | Finland | Other countries | Finland | Other countries |
| Net VAT | 3,498 | -13,439 | 3,323 | -6,962 |
| Payroll taxes and similar payments collected and paid | -3,956 | -9,513 | -3,588 | -9,374 |
| Withholding taxes on various payments | -186 | -153 | -453 | -122 |
| **TOTAL** | **-644** | **-23,106** | **-718** | **-16,457** |

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

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.

Suominen's corporate income tax paid in Finland is also affected by withholding taxes collected in the country of origin on the taxable income. As the income received is from countries with which Finland has tax treaties to avoid double taxation, these withholding taxes are credited in the Finnish corporate taxation. For this reason, the corporate income tax for 2023 is positive for Finland.

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.

# Reporting principles

Suominen publishes its sustainability report as part of its Annual Report. The previous sustainability report, covering 2022, was published in March 2023.

The reporting period for all presented data is one calendar year (January 1–December 31, 2023), 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, 2023. 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 2023 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 57–58 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. In 2023, Suominen started the process to renew its materiality to reflect double materiality.

## 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 as headcount in GRI reporting and as FTE in our financial statements, and more detailed human resources data is derived from separately collected statistics. This data represents the situation at the end of 2023. 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.

The Windsor Locks site in Connecticut, USA, is operated jointly with Ahlstrom Oyj (former Ahlstrom-Munksjö Oyj). Ahlstrom is responsible for the H&S management systems at the site, and blue-collar employees are all in Ahlstrom's books, and thus they are not included into Suominen headcount or safety reporting. These workers are reported under workers who are not employees and their safety figures. White collar employees at Windsor Locks are directly employed by Suominen and thus accounted for.

## Minimizing environmental impacts

Consolidated environmental and energy data covers all our production units. Headquarters is 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 or accepted estimations.

For environmental reporting for the Windsor Locks site, 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, 2 and 3 greenhouse gas emissions according to the Greenhouse gas protocol. Scope 3 data is based on consumption and spend information as well as some estimations. The calculation principles and boundaries for each indicator are explained in more detail in the GRI index.

# GRI index

| GRI STANDARD | | LOCATION | COMMENT | OMISSIONS AND REASONS FOR OMISSIONS | EXTERNALLY ASSURED |
|---|---|---|---|---|---|
| **GRI 2: General Disclosures (2021)** | | | | | |
| **Organizational profile** | | | | | |
| 2-1 | Organizational details | 3, 198 | | | |
| 2-2 | Entities included in the organization's sustainability reporting | 42, 125 | | | |
| 2-3 | Reporting period, frequency and contact point | 42, see comments | Essi Ruuska, Senior Specialist, Sustainability essi.ruuska@suominencorp.com | | |
| 2-4 | Restatements of information | 51, 53 | | | |
| 2-5 | External assurance | 42, 57–58 | Suominen's sustainability report 2023 has been externally assured by an independent assurance provider PricewaterhouseCoopers Oy. | | |
| **Activities and workers** | | | | | |
| 2-6 | Activities, value chain and other business relationships | 4–6, 9–13 | | | |
| 2-7 | Employees | 3, 23–25, 42, 48 | | | X |
| 2-8 | Workers who are not employees | 42, 48 | 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. | Only Ahlstrom employees are reported. The consolidation of all other workers who are not employees is being developed. | X |
| **Governance** | | | | | |
| 2-9 | Governance structure and composition | 60–65 | | | |
| 2-10 | Nomination and selection of the highest governance body | 60–65 | | | |
| 2-11 | Chair of the highest governance body | 63 | | | |
| 2-12 | Role of the highest governance body in overseeing the management of impacts | 21, 86 | | | |
| 2-13 | Delegation of responsibility for managing impacts | 21, 86 | | | |
| 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 | 55, 79 | | | |
| 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. Two concerns were reported through the SpeakUp channel, which were both communicated to the Audit Committee. | | |

| GRI STANDARD | | LOCATION | COMMENT | OMISSIONS AND REASONS FOR OMISSIONS | EXTERNALLY ASSURED |
|---|---|---|---|---|---|
| 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 regularly. | | |
| 2-18 | Evaluation of the performance of the highest governance body | 63 | | | |
| 2-19 | Remuneration policies | 70–78 | | | |
| 2-20 | Process to determine remuneration | 70–78 | | | |
| 2-21 | Annual total compensation ratio | 48 | | | X |
| **Strategy, policies and practices** | | | | | |
| 2-22 | Statement on sustainable development strategy | 4-6 | | | |
| 2-23 | Policy commitments | 20, 36, 37–38, 55 | Code of Conduct<br>Supplier Code of Conduct<br>Code of Conduct is approved by the Board of Directors and communicated to employees through a Code of Conduct training. Training is also mandatory for the Executive Team. | | |
| 2-24 | Embedding policy commitments | 55 | | | |
| 2-25 | Processes to remediate negative impacts | 36, 86–89 | | | |
| 2-26 | Mechanisms for seeking advice and raising concerns | 55 | | | |
| 2-27 | Compliance with laws and regulations | See comments | There have been no significant instances of non-compliance with laws and regulations in 2023. | | X |
| 2-28 | Membership associations | 49 | | | |
| **Stakeholder engagement** | | | | | |
| 2-29 | Approach to stakeholder engagement | 37–38 | | | |
| 2-30 | Collective bargaining agreements | 49 | | | X |
| **GRI 3: Material Topics (2021)** | | | | | |
| 3-1 | Process to determine material topics | 18 | | | X |
| 3-2 | List of material topics | 18, 20, 55 | No significant changes in the organization's activities or business relationships; no changes in material topics. | | X |
| 3-3 | Management of material topics | 19–20, 23–27, 28–31, 32–34, 35–36, 42, 55, 86–89 | | | X |

| GRI STANDARD | | LOCATION | COMMENT | OMISSIONS AND REASONS FOR OMISSIONS | EXTERNALLY ASSURED |
|---|---|---|---|---|---|
| **ECONOMIC STANDARDS** | | | | | |
| **GRI 201: Economic performance (2016)** | | | | | |
| 201-1 | Direct economic value generated and distribted | 49 | | | X |
| **GRI 205: Anti-corruption (2016)** | | | | | |
| 205-1 | Operations assessed for risks related to corruption | 101–102 | | Only % is reported as it covers all operations. | X |
| 205-2 | Communication and training about anti-corruption policies and procedures | 35–36, 88–89 | | Figures are not broken down by region or employee category as coverage is so high. | X |
| 205-3 | Confirmed incidents of corruption and actions taken | See comments | There have been no confirmed incidents of corruption reported in 2023. | | X |
| **GRI 206: Anti-competitive behavior (2016)** | | | | | |
| 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 2023. | | X |
| **ENVIRONMENTAL STANDARDS** | | | | | |
| **GRI 301: Materials (2016)** | | | | | |
| 301-1 | Materials used by weight or volume | 30 | | Weight not reported due to confidentiality reason. Volume expressed in percentage. | X |
| **GRI 302: Energy (2016)** | | | | | |
| 302-1 | Energy consumption within the organiaztion | 30, 50, 42 | | | X |
| **GRI 303: Water and Effluents (2018)** | | | | | |
| 303-1 | Interactions with water as a shared resource | 29, 50 | Suominen discusses water impacts on an ongoing basis with local stakeholders. Water target is based on internal benchmarking and it covers all sites, including Alicante. | | X |
| 303-2 | Management of water discharge-related impacts | 29, 50 | 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. The responsible authority varies across sites, but is commonly the water or wastewater authority. | Not reported in further detail. | X |
| 303-3 | Water withdrawal | 29, 42, 50 | | Breakdown of fresh water and other water is omitted as only fresh water is used. | X |
| 303-4 | Water discharge | 29, 42, 50 | | Breakdown of fresh water and other water is omitted as only fresh water is used. | X |
| 303-5 | Water consumption | 29, 42, 50 | | Change in water storage is not reported as it is not relevant for our operations. | X |
| **GRI 305: Emissions (2016)** | | | | | |
| 305-1 | Direct (Scope 1) GHG emissions | 31, 42, 51 | | | X |
| 305-2 | Energy indirect (Scope 2) GHG emissions | 31, 42, 51 | | | X |
| 305-3 | Other indirect (Scope 3) GHG emissions | 31, 42, 52 | | | X |
| 305-4 | GHG emission intensity | 31, 42, 51 | | | X |
| 305-5 | Reduction of GHG emissions | 31, 42, 51 | | | |

| GRI STANDARD | | LOCATION | COMMENT | OMISSIONS AND REASONS FOR OMISSIONS | EXTERNALLY ASSURED |
|---|---|---|---|---|---|
| **GRI 306: Waste (2020)** | | | | | |
| 306-1 | Waste generation and significant waste-related impacts | 30, 42, 53 | | | |
| 306-2 | Management of significant waste-related impacts | 30, 42, 53 | | | |
| 306-3 | Waste generated | 30, 42, 53 | | Breakdown of hazardous waste is omitted as the amount of hazardous waste accounts for less than 0.1% of the total amount of generated waste, which is not a material amount. | X |
| **GRI 308: Supplier environmental assessment (2016)** | | | | | |
| 308-1 | New suppliers that were screened using environmental criteria | See comments | 100% of the new raw material suppliers were screened using environmental criteria. | | X |
| **SOCIAL STANDARDS** | | | | | |
| **GRI 401: Employment (2016)** | | | | | |
| 401-1 | New employee hires and employee turnover | 53 | | | X |
| **GRI 403: Occupational health and safety (2018)** | | | | | |
| 403-1 | Occupational health and safety management system | 23–25, 26–27, 42, 54 | Our OH&S system covers all of our operational sites as well as employees, workers who are not employees and visitors. All sites are covered by ISO 45001, which also ensures that all sites follow local law and regulation. | | X |
| 403-2 | Hazard identification, risk assessment, and incident investigation | 26–27, 54 | | | X |
| 403-3 | Occupational health services | 23–25, 42 | Occupational health services are managed locally to fulfill local requirements. Services vary accordingly. | | X |
| 403-4 | Worker participation, consultation, and communication on occupational health and safety | 23–25, 26–27, 54 | All European sites have formal joint management-worker H&S committees. The sites in the Americas have internal safety committees or utilize monthly safety meetings to discuss concerns and comments. Meeting frequencies vary across sites. Responsibilities include to discuss health and safety findings, the corrective plans and overall improvement ideas and requirements. Decision-making authority varies across sites. | | X |
| 403-5 | Worker training on occupational health and safety | 26–27, 54 | | | X |
| 403-6 | Promotion of worker health | 23–25, 54 | Non-occupational services provided vary across sites. Access to services may for example be provided through external providers or through health insurance. | | X |
| 403-7 | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | See comments | Our OH&S system covers all of our operational sites and the outside workforce and visitors at those sites, which means that they are subject to protocol as employees, for example safety training and PPE. | | X |
| 403-9 | Work-related injuries | 26–27, 54, 55 | | Only the workers who are not employees, reported under 2-8, are reported. | X |

| GRI STANDARD | | LOCATION | COMMENT | OMISSIONS AND REASONS FOR OMISSIONS | EXTERNALLY ASSURED |
|---|---|---|---|---|---|
| **GRI 404: Training and education (2016)** | | | | | |
| 404-3 | Percentage of employees receiving regular performance and career development reviews | 23–25, 54 | | | X |
| **GRI 405: Diversity and equal opportunity (2016)** | | | | | |
| 405-1 | Diversity of governance bodies and employees | 54 | | Governance body reported in numbers due to small size. | X |
| **GRI 406: Non-discrimination (2016)** | | | | | |
| 406-1 | Incidents of discrimination and corrective actions taken | See comments | Two incidents of discrimination were reported during the reporting period. The first one is a case from the previous year, which was reopened due to an appeal and is now under review. The second case is also under review by authorities. | | X |
| **GRI 414: Supplier social assessment (2016)** | | | | | |
| 414-1 | New suppliers that were screened using social criteria | See comments | 100% of the new raw material suppliers were screened using social criteria. | | X |
| **GRI 418: Customer privacy (2016)** | | | | | |
| 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. | | X |
| **SUOMINEN'S OWN INDICATORS** | | | | | |
| | Employee engagement index | 20, 23–25 | | | |
| | Number of sustainable product launches | 20, 32–34 | | | X |
| | Sales of sustainable products | 20, 32–34 | | | X |

# GRI Appendix

## GRI 2-7 Employees

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

| | Women | Men |
|---|---|---|
| Permanent | 162 | 482 |
| Temporary | 13 | 16 |

**b. Total number of employees by employment contract by region**

| | Europe | Americas |
|---|---|---|
| Permanent | 289 | 355 |
| Temporary | 29 | 0 |

**c. Total number of employees by employment type by gender**

| | Women | Men |
|---|---|---|
| Full-time | 162 | 492 |
| Part-time | 8 | 2 |
| Non-guaranteed hours | 5 | 4 |

Non-guaranteed hour workers work on a zero hour contract and are all based in Nakkila.

**d. Total number of employees by employment type by region**

| | Europe | Americas |
|---|---|---|
| Full-time | 303 | 351 |
| Part-time | 6 | 4 |
| Non-guaranteed hours | 9 | 0 |

## GRI 2-8 Workers who are not employees

| | 2023 |
|---|---|
| Workers who are not employees | 52 |

The figures reported for workers who are not employees include workers who work on the Suominen lines in Windsor Locks, but are employed through Ahlstrom.

## 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, former President & CEO, to the annual total compensation of our median employee (excluding the highest paid individual).

Our median employee was identified using Suominen's globally employed personnel (full-time, part-time, temporary, and seasonal employees) employed on December 31, 2023.

The following is the annual total compensation of our median employee, the annual total compensation of the highest paid individual Petri Helsky, and the ratio of those two values:

- The 2023 annual total compensation of the median employee of Suominen (excluding the the highest paid individual) was EUR 48,685 (2022: EUR 47,516).
- The 2023 annual total compensation for the highest paid individual was EUR 1,256,506 (2022: EUR 1,051,360).
- For 2023, the ratio of the annual total compensation of the highest paid individual to the median annual total compensation of our other employees was approximately 26 to 1 (2022: 22 to 1).
- Change in annual total compensation ratio was approximately 6,8 to 1 (Percentage increase, highest paid individual 16,3 %, Median percentage increase, Employees 2,4 %).

To identify our median employee compensation, we used Suominen's entire employee population on December 31, 2023 (December 31, 2022), and measured compensation based on 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 29, 2023 (December 30, 2022).

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 | Finland | Brazil | Spain |
|---|---|---|---|
| EDANA | Finnish Business and Society (FiBS) | ABINT Nonwovens Industry Brazilian Association | Agrupación Textil Alcoyana |
| INDA Association of the Nonwoven Fabrics Industry | Finnish Textile and Fashion | | AITEX Asociación de investigación de la industria textile |
| UN Global Compact | | | ATEVAL Asociación de Empresarios del Textil de la Comunidad Valenciana |

## GRI 2-30 Collective bargaining agreements

Overall, 67% 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, work 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 | 450.9 |
| Other operating income | 4.8 |
| Revenues from financial investments | 1.5 |
| Total revenue | 457.2 |

| Operating costs, EUR million | |
|---|---|
| Direct production expenses: materials and services | -343,0 |
| Indirect production expenses, R&D and SGA: services and other expenses | -35.6 |
| Other operating expenses | -2.7 |
| Total operating costs | -381.3 |

| Employee wages, salaries and benefits, EUR million | |
|---|---|
| Wages and salaries | -43.6 |
| Pensions | -3.1 |
| Other personnel expenses | -19.5 |
| Total employee wages, salaries and benefits | -66,2 |

| Payments to providers of capital, EUR million | |
|---|---|
| Interest expenses | -4.4 |
| Other financial expenses | -2.5 |
| Total payments to providers of capital | -6.9 |

| Payments to government, EUR million | |
|---|---|
| Current income tax charge for the year and previous years | -2.1 |
| Other incomes taxes | -0.1 |
| Total payments to government | -2.2 |

| Retained in business, EUR million | |
|---|---|
| | 0.6 |

## Energy

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

| Energy consumption, GJ | | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Non-renewable fuel consumed | | | | |
| Natural gas | 301-2 a | 829,160 | 785,215 | 791,053 |
| Other non-renewables | 301-2 a | 3,712 | 4,285 | 4,134 |
| Renewable fuel consumed | 302-1 b | 0 | 0 | 0 |
| Purchased electricity | 302-1 c | 631,670 | 646,056 | 688,686 |
| Purchased steam | 302-1 c | 295,678 | 307,547 | 291,442 |
| Produced electricity (Solar) | | 5,787 | 1,918 | N/A |
| Total energy consumption | 302-1 e | 1,766,007 | 1,745,021 | 1,775,315 |
| Change in total energy consumption | 302-4 | 20,986 | -30,293 | -137,163 |

In 2023, the share of renewable electricity was 18%.

Energy sold outside organization is not reported as Suominen does not generate any energy to be sold outside the organization. In 2022, 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 were all revised. Energy figures are based on meters and invoices.

## 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** | | 2023 | 2022 | 2021 | 2023 | 2022 | 2021 |
| Surface water | 303-3 a&b | 4,080 | 3,915 | 3,426 | 0 | 0 | 0 |
| Ground water | 303-3 a&b | 2,147 | 1,833 | 1,683 | 0 | 0 | 0 |
| Seawater | 303-3 a&b | 0 | 0 | 0 | 0 | 0 | 0 |
| Third-party water | 303-3 a&b | 598 | 730 | 818 | 82 | 79 | 78 |
| Total | | 6,825 | 6,478 | 5,927 | 82 | 79 | 78 |

| | | All areas | | | Areas with water stress | | |
|---|---|---|---|---|---|---|---|
| **Water discharge by type of destination, ML** | | 2023 | 2022 | 2021 | 2023 | 2022 | 2021 |
| Surface water | 304-4 a&c | 5,600 | 5,163 | 4,849 | 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 | 422 | 495 | 563 | 17 | 17 | 15 |
| Total | | 6,022 | 5,658 | 5,412 | 17 | 17 | 15 |
| | | | | | | | |
| Water consumption | 303-5 a&b | 802 | 820 | 515 | 66 | 63 | 62 |

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. Water withdrawal is based on meter readings and invoices. Water discharge amounts are based on meter readings at all sites except for Alicante, where it is based on an estimation.

In 2023, there were 5 reported incidents of non-compliance with discharge limits. All incidents were recorded and investigated.

## Emissions

**GRI 305-1: Direct (Scope 1) GHG emissions**
**GRI 305-2: Energy indirect (Scope 2) GHG emissions**
**GRI 305-3: Other indirect (Scope 3) GHG emissions**
**GRI 305-5: Reduction of GHG emissions**

| **Scope 1 & 2 greenhouse gas emissions, tons of $CO_2e$** | | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Direct (Scope 1) emissions | 305-1 | 44,495 | 42,759 | 43,299 |
| Biogenic Direct (Scope 1) emissions | 305-1 | 0 | 0 | 0 |
| Energy indirect (Scope 2) emissions – market-based | 305-2 | 55,314 | 50,604 | 71,499 |
| Energy indirect (Scope 2) emissions – location-based | 305-2 | 71,682 | 71,954 | 72,605 |
| Total emissions (Scope 1 and Scope 2 – market-based) | | 99,809 | 93,363 | 114,798 |
| Change of total emissions | 305-5 | 6,446 | -21,435 | -12,390 |

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 form our operations as only fossils fuels are used. In 2021, during the GRI assurance project, we revised Scope 2 greenhouse gas emission calculation and also updates were made to the greenhouse gas data. In 2022, Scope 2 location-based was restated for one plant to include purchased steam as well. In 2023, 2019 total emissions were restated due to a small error in the total amount calculation. Scope 2 emissions are calculated according to the Greenhouse Gas Protocol's "A Corporate Accounting and Reporting Standard" which covers emissions from purchased electricity and steam. Market-based emissions are used for target setting and following our progress. Greenhouse Gas Protocol's calculation hierarchy and related emissions factors are used for the calculation of marked- and location-based methods. Market-based emissions are mainly derived from the local suppliers or when appropriate residual mixes (RE-DISS project) are used. Emissions factors used for localbased emissions are derived from the US national statistics or eGRID database. Suominen reports with an Operational control approach.

| Scope 3 greenhouse gas emissions emissions, tons of $CO_2e$ | 2023 |
|---|---|
| 1. Purchased goods and services | 364,674 |
| 2. Capital goods | 2,808 |
| 3. Fuel- and energy-related activities | 18,908 |
| 4. Upstream transportation and distribution | 34,023 |
| 5. Waste generated in operations | 3,881 |
| 6. Business travel | 1,119 |
| 7. Employee commuting | 1,278 |
| Total upstream | 426,691 |
| 9. Downstream transportation and distribution | 8,762 |
| 10. Processing of sold goods | 23,049 |
| 12. End-of-life treatment of sold goods | 33,446 |
| 13. Downstream leased assets | 1,394 |
| Total downstream | 66,651 |
| Total Scope 3 greenhouse gas emissions | 493,342 |

Suominen calculated its Scope 3 emissions for the first time in 2023. Calculations are based on the Greenhouse Gas Protocol. The Scope 3 calculation includes 15 different emissions categories in total, and all of these were evaluated whether they were relevant to Suominen. 11 categories were deemed material and included into calculations. Excluded categories were from the upstream side: leased assets and from the downstream side: use of sold goods, franchising, and investments. The relevance of emission sources was determined together with an external consultant.

The greenhouse gas emission category 1 is called Purchased goods and services. Purchased goods are calculated based on material amounts from an internal spend report, which is based on invoices. Emissions factors used are based on supplier-specific emissions factors received directly from the suppliers or are from Ecoinvent representing the average country-specific or global production-related emissions for the raw material. Purchased services are based on spend data, and emission factors are applied from Exiobase data.

Capital goods (category 2) is based on spend data on investments. Emissions factors are from Exiobase.

For purchased energy, under fuel- and energy-related activities (category 3), the emissions are calculated based on the energy amounts reported in Scope 1 and 2 as well as fuel usage for company vehicles. Defra emissions factors are mainly used. For electricity, transmission losses and residual mixes are included.

Data for upstream and downstream transportation and distribution (categories 4 and 9) is from an internal reporting system (SAP), and the calculation methodology is based on tonkilometers. Upstream and downstream categorization is done based on Incoterms of each shipment. Calculations are based on Defra factors.

Waste generated in operations (category 5) is based on the waste amounts reported under GRI 306. Global waste calculations use mainly Defra factors, and waste generated in Finland is based on factors provided by local institutes and studies.

For business travel (category 6), the data is based on reports from several travel agency service providers. Calculations are based on Defra conversion factors. WTT emissions are included, and air travels include RF emissions.

Employee commuting (category 7) is based on personnel data from Suominen's internal HR system. The calculations take into account that white collars work partly remotely and during each workday while blue collars work fully at the sites. Commuting calculations include the full route from employees' home to working facility and the return home. Defra factors are used, and WTT emissions are included.

Processing of sold goods (category 10) is based on the volume of sold product to customer. Specific emissions data was obtained from some selected customers and are based on emissions per volume of Suominen's products processed. For customers with no firsthand data, an average client-specific emission factor was used.

End-of-life treatment of sold goods (category 12) is based on volumes sold to client categorized into estimated use applications and disposal method for use case. Emissions factors used are the same as in category 5.

Downstream leased assets (category 13) include two of Suominen's leased assets. Calculations are based on consumption data, and factors are provided by suppliers and obtained from Defra database.

## 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) | | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Non-hazardous waste - Waste to landfill | 306-3 | 5,080 | 5,227 | 4,866 |
| Non-hazardous waste - Energy recovery | 306-3 | 518 | 531 | 566 |
| Non-hazardous waste - Waste for recycling | 306-3 | 3,702 | 4,297 | 3,607 |
| Non-hazardous waste - Waste to re-use | 306-3 | 732 | 851 | 272 |
| Non-hazardous waste - Waste to incineration | 306-3 | 0 | 0 | 2 |
| Hazardous waste | 306-3 | 7 | 10 | 20 |
| Total waste generated | | 10,039 | 10,916 | 9,333 |

Figures (except for waste to landfill) for 2023, 2022 and 2021 exclude Windsor Locks site.

The waste fractions that Suominen produces in its own operations origin 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 very small amount of hazardous waste is produced during production coming from use of some colorants and binders. Suominen purchases its raw and packaging materials; therefore, the waste from these materials origins at the suppliers' sites. After Suominen's production site, nonwovens will be converted into single-use products, such as wipes and products, and will be properly packed. Eventually, the nonwoven end product will end up as a waste, and its waste management depends on 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 from renewable, plastic-free or recycled raw materials. Products made of renewable raw materials potentially have multiple ways of disposal, and products made of recycled raw materials increases circularity of raw materials and prevent waste. Starting in 2021, waste reporting was updated to GRI 306 Waste (2020). In 2023, waste to landfill figures were corrected for 2022, 2021 and 2020 as it was discovered that not all fractions of waste to landfill were reported at one site. This has an effect on the total waste generated. No corrected figure for 2019, which is the base year for the waste to landfill KPI, was available, thus it has not been restated. Amounts are based on invoices and estimates.

## GRI 401-1 New employee hires and employee turnover

**Employee distribution and turnover**

| | Europe | Americas | Total |
|---|---|---|---|
| **Number of employees** | | | |
| **By age group** | | | |
| Under 30 | 43 | 39 | 82 |
| 30–50 | 162 | 196 | 358 |
| Over 50 | 113 | 120 | 233 |
| **By gender** | | | |
| Women | 87 | 88 | 175 |
| Men | 231 | 267 | 498 |
| **Number of new hires** | | | |
| **By age groups** | | | |
| Under 30 | 12 | 47 | 59 |
| 30–50 | 25 | 86 | 111 |
| Over 50 | 5 | 36 | 41 |
| **By gender** | | | |
| Women | 17 | 35 | 52 |
| Men | 25 | 134 | 159 |
| **Employee turnover** | | | |
| **By age group** | | | |
| Under 30 | 17 | 36 | 53 |
| 30–50 | 42 | 80 | 122 |
| Over 50 | 42 | 43 | 85 |
| **By gender** | | | |
| Women | 20 | 26 | 46 |
| Men | 81 | 133 | 214 |
| Total employee turnover rate | 32% | 45% | 39% |

## 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)**

| For all employees | | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| 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 |

Main type of injuries for employees are strains, cuts and bruising and majority are related to hands.

Work-related incidents are entered into an internal safety system. Incidents are reviewed in safety and production meetings, depending on site, where corrective actions are discussed, including root causes and corrective actions. Information about incidents is shared across plants to foster pre-emptive actions. Hazards posing a risk for injury are identified as a part of safety walks and safety assessments, which take into consideration severeness and likelihood. Our health & safety management systems are audited at every site on a regular basis.

| | | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| The number of hours worked by all employees | 403-9 a | 1,334,435 | 1,307,911 | 1,316,162 |

**The figures reported for workers who are not employees include workers who work on the Suominen lines in Windsor Locks but are employed through Ahlstrom.**

| For workers who are not employees | | 2023 |
|---|---|---|
| Number of fatalities | 403-9 b | 0 |
| Rate of fatalities | 403-9 b | 0 |
| Number of high-consequence injuries | 403-9 b | 0 |
| Rate of high-consequence injuries | 403-9 b | 0 |
| Number of recordable work-related injuries | 403-9 b | 3 |
| Rate of recordable work-related injuries | 403-9 b | 27.1 |

Main type of injuries for workers who are not employees are cuts and strains.

| | | 2023 |
|---|---|---|
| The number of hours worked by workers who are not employees | 403-9 b | 110,824 |

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

**Percentage of employees who have received regular performance and career development reviews**

| | Men | Women |
|---|---|---|
| White collar | 75% | 82% |
| Blue collar | 51% | 15% |

Due to changes at the Bethune plant during 2023, some annually occuring processes were not carried out, including performance reviews, which affects the low percentages of blue collar employees.

## 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 | 5 | 0 |

**Diversity of employees**

| By gender | White collar | Blue collar |
|---|---|---|
| Women | 17% | 9% |
| Men | 22% | 52% |

| By age group | White collar | Blue collar |
|---|---|---|
| Under 30 | 2% | 10% |
| 30–50 | 23% | 31% |
| Over 50 | 15% | 20% |

## Our management approach

| | PEOPLE AND SAFETY | LOW IMPACT MANUFACTURING | SUSTAINABLE NONWOVENS | CORPORATE CITIZENSHIP |
|---|---|---|---|---|
| **Description and purpose of the management method** | Our work is guided by our Code of Conduct and our values: ownership, teamwork, performance and integrity. The purpose of the management method is to ensure the implementation of the strategy and the achievement of the targets as planned. | | | |
| **Impacts and material topics** | Employment, occupational health and safety, training, diversity, non-discrimination | Water, emissions, energy, waste, materials | Sustainable products and sales | Anti-corruption & bribery, anti-competitions, supplier assessments |
| **Policies and commitments** | - Code of Conduct<br>- Suominen HR principles and policies<br>- Compensation and benefits policy<br>- Safety principles and Behavior Based Safety program<br>- ISO 45001 in all plants<br>- Privacy policy<br>- Recruitment policy<br>- Travel and expense policy<br>- Information security guidelines<br>- Human Rights Policy | - Code of Conduct<br>- ISO 14001 certification in all plants<br>- ISO 9001 in all plants<br>- ISO 50001 in Alicante, Cressa, Mozzate and Nakkila plants<br>- Local environmental policy in all plants | - Supplier Code of Conduct<br>- Suominen offers traceability certifications for FSC®, PEFC & SFI, as well as skin-safe certifications like OEKO-TEX | - Code of Conduct<br>- Supplier Code of Conduct<br>- Competition law compliance policy<br>- Credit policy<br>- Disclosure policy<br>- Gift, entertainment and anti-bribery policy<br>- Insider policy<br>- Related party policy<br>- Risk management policy<br>- SpeakUp policy<br>- Sponsorship and donation policy<br>- Tax policy<br>- Treasury policy |
| **Objectives** | - We focus on increasing employee engagement<br>- We continue to build a high performance culture<br>- We continue to strengthen our safety culture | - We continuously strive to decrease the environmental impacts of our operations | - We are the frontrunner in sustainable nonwovens | - We promote responsible business practices in our operations and supply chain<br>- We communicate openly and transparently about our operations |
| **Resources and responsibilities** | Leading functions:<br>HR and HSEQ | Leading functions:<br>Operations and HSEQ | Shared responsibility for several functions (e.g. Business Development, Sourcing, R&D and Operations) | Leading functions:<br>Legal, Sourcing and Finance |
| | The leading functions of each theme are responsible for implementation, monitoring, management and evaluation of progress towards the goals set for each area. The Communications & Sustainability function coordinates the work and supports other functions when needed. | | | |
| **Grievance mechanism** | 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. | | | |
| **Evaluation of the management method** | 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 | Compliance, external audits, including ISO 9001:2015, ISO 14001:2015 and ISO 50001 audits, incident reports and monitoring and evaluating our KPIs | Compliance, audits by customers, monitoring and evaluating our KPIs, audits on our supply chain, EcoVadis supply chain assessments | Compliance and evaluation of the efficiency of our policies |

## Task Force on Climate-related Financial Disclosure (TCFD)

| TOPIC | TCFD RECOMMENDED DISCLOSURE | SUOMINEN'S RESPONSE | LOCATION FOR INFORMATION |
|---|---|---|---|
| **Governance** | **a)** Descrice the Board's oversight of climate-related risks and opportunities | The highest decision-making body in sustainability and climate related matters, covering also risks and opportunities, is the Board of Directors. | p. 21 |
| | **b)** Describe management's role in assessing and managing climate-related risks and opportunities | President & CEO has overall responsibility of the climate-related issues in all of Suominen's operations. Sustainability Agenda, related targets and supporting policies are owned by the Executive Team. | p. 21 |
| **Strategy** | **a)** Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term<br>**b)** Desribe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning | Climate-related risks are part of Suominen's risk management process, which is based on Suominen's Risk Management Policy. To mitigate climate-related risks, Suominen has in its Sustainability agenda set concrete targets and action plans to minimize its environmental impacts. | p. 98–101 |
| | **c)** Desribe the resilience of the organization's starategy, taking into consideration different climate-related scenarios, including a 2 °C or lower scenario | Suominen reports its Scope 3 emissions for the first time in 2023 and will renew its emission reduction targets in the near future. This work is a basis for future scenario planning. | |
| **Risk Management** | **a)** Desribe the organization's process for identifying and assessing climate-related risks<br>**b)** Desribe the organization's process for managing climate-related risks<br>**c)** Desribe how processes for identifying, assessing, and managing climate-related risks are integrated into the organizations overall risk management | Suominen's risk management process is based on systematic and periodic risk assessments, where key risks are identified and risk management actions captured, including climate-related risks. 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. | p. 86 |
| **Metrics and Targets** | **a)** Disclose the metrics used by the organization to assess climate-related risks and opportinities in line with its strategy and risk management process | Suominen calculates its emissions for Scope 1, 2 and 3 according to the Greenhouse Gas Protocol. A reduction target is in place for Scope 1 & 2, and we are looking into setting a target for Scope 3 as it accounts for around 83% of our total emissions. We also have targets in place for waste to landfill as well as water and energy consumption. | p. 20 |
| | **b)** Disclose Scope 1, Scope 2 and if appropriate Scope 3 greenhouse gas (GHG) emissions and the related risks | Information available in GRI appendix. | p. 51–52 |
| | **c)** Describe the targets used by the organization to manage climate-related risks and opportinities and performance against targets | Suominen has concrete targets in its Sustainability Agenda, and progress is reported annually. | p. 20 |

# 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 information for the reporting period 1 January 2023 to 31 December 2023, disclosed in the Sustainability section of Suominen Annual Report 2023 presented GRI-index (hereinafter the Selected sustainability information).

## Selected sustainability information

The selected sustainability information within the scope of assurance covers:

- Indicators as set out in GRI Standards of the Global Reporting Initiative – standards and Suominen Corporation's internal reporting instructions identified in Suominen Corporation's Annual Report 2023 presented GRI-index.

## 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 the GRI Standards of the Global Reporting Initiative and Suominen Corporation internal reporting instructions described in the Sustainability section of Suominen Annual Report 2023.

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 and quality management

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 Management (ISQM) 1, which requires the firm to design, implement and operate a system of quality management including policies or 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 Cressa site in Italy and Windsor Locks site in USA.
- Interviewing employees responsible for collecting and reporting the information presented in the Selected sustainability information at the group and site level.
- 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 2023 to 31 December 2023 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 2024
PricewaterhouseCoopers Oy

Mikael Niskala
Partner
Sustainability Reporting & Assurance

# Corporate Governance



# Corporate Governance Statement of Suominen Corporation for 2023

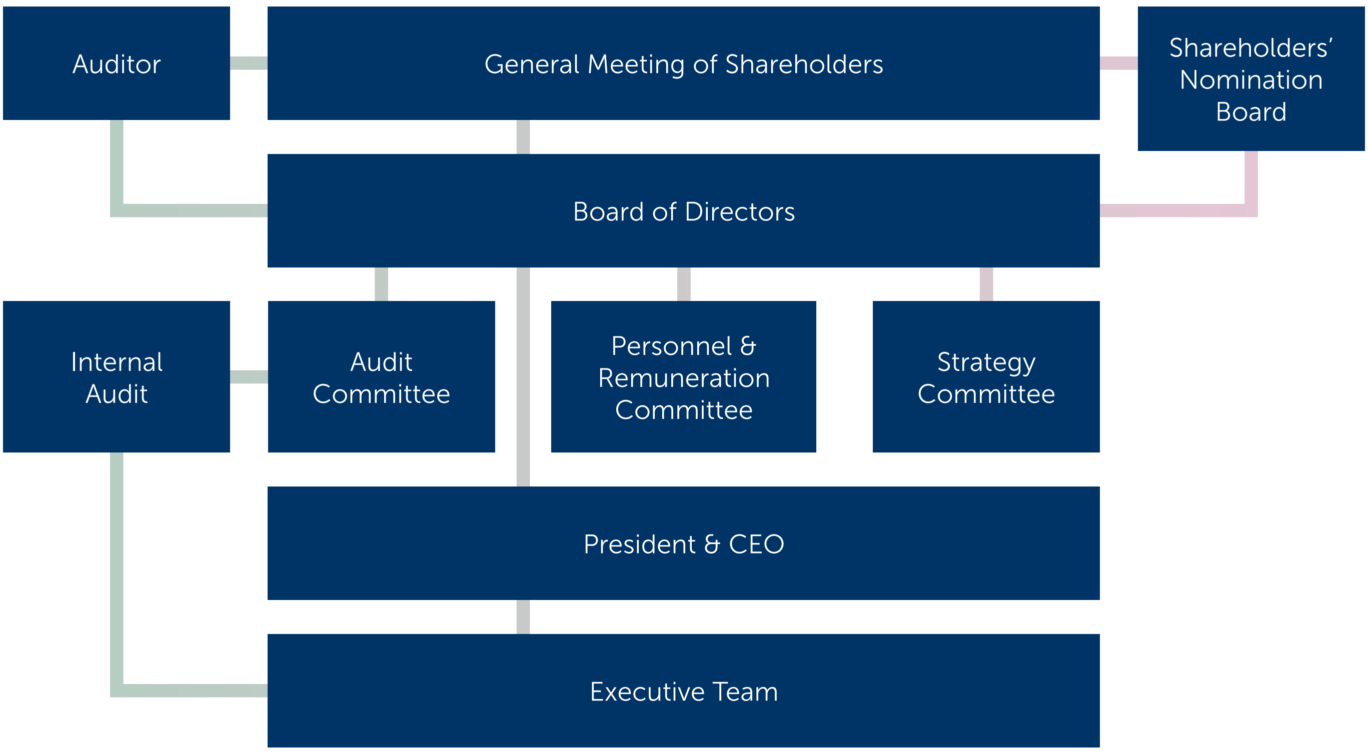
Suominen Corporation ("Suominen" or the "Company") complies with the Finnish Corporate Governance Code 2020 (the "Code") issued by the Securities Market Association. The Code is available on the internet at www.cgfinland.fi.

This Corporate Governance Statement (the "Statement") is published separately from the report by the 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 at www.suominen.fi.

The Audit Committee and the Board of Directors of Suominen (the "Board") have reviewed this 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 at www.suominen.fi.

## Suominen's governing bodies

Suominen's decision-making bodies are the General Meeting of Shareholders, the Board with its two permanent Committees and one temporary Committee, and the President & CEO (the "CEO"), supported by the Executive Team. Suominen's decision-making bodies and



their duties and responsibilities are governed by applicable Finnish laws and regulations, the Code, the Company's Articles of Association, and the Charters of the Board and its Committees.

## General Meeting of Shareholders

Suominen's highest decision-making body is the General Meeting of Shareholders, where shareholders exercise their decision-making power.

The Annual General Meeting is held annually by the end of April on a date determined by the Board. 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 and decision on their remuneration,
- discharging the members of the Board and the CEO from liability, and
- election of the auditor and decision on the auditor's compensation.

Suominen publishes a notice of the General Meeting 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 General Meeting, a shareholder must inform the Company of the participation at the latest on the date mentioned in the notice of the General Meeting. The date may not be earlier than ten days before the meeting.

### Annual General Meeting in 2023

The Annual General Meeting was held in Helsinki on April 3, 2023. A total of 33 shareholders representing 61% of the Company's shares and votes were represented in the meeting. The Annual General Meeting documents are available on Suominen's website at **www.suominen.fi**.

## Shareholders' Nomination Board

Suominen has a permanent Shareholders' Nomination Board established by the 2013 Annual General Meeting. The Nomination Board is responsible for preparing and presenting to the Annual General Meeting and, if necessary, to an Extraordinary General Meeting, proposals on the remuneration of the Board, the number of members of the Board and on the members and the Chair of the Board. In addition, the Nomination Board is responsible for seeking potential successors for the Board members.

The Nomination Board consists of four members, three of which are appointed annually by the Company's three largest shareholders who appoint one member each. The largest shareholders are determined annually on the basis of the registered holdings in the Company's shareholders' register held by Euroclear Finland Ltd on the first working day in September. The Chair of Suominen's Board of Directors serves as the fourth member of the Nomination Board. The Nomination Board elects the Chair of the Nomination Board from among its members.

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 2023

Shareholders' representatives on the Nomination Board on December 31, 2023 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 Suominen's 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 Peter Seligson, Chair of the Board of Directors of A. Ahlström Corporation, to attend the Nomination Board's meetings as an advisor.

In 2023 the Nomination Board convened six times. The attendance rate at the meetings was 100%.

The Nomination Board submits its proposals on the Board composition and remuneration to Suominen's Board of Directors annually no later than on February 1, prior to the Annual General Meeting.

## Board of Directors

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

The Board is responsible for the administration and proper organization of Suominen's operations and 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 Chair and members of the Board 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.

## Main duties

The duties of the Board are defined in Finnish laws and regulations, Suominen's Articles of Association, the Finnish Corporate Governance Code and the Charter of Suominen's Board of Directors. 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 Company's annual business plan and sustainability agenda,
- to approve the Code of Conduct and key corporate policies,
- to approve major business acquisitions, divestments, investments and 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 ensure continuity of business operations by overseeing the succession planning of the Executive Team,
- to decide on the Company's share-based long term incentive schemes,
- to approve the Remuneration Policy and the Remuneration Report,
- to approve the Company's financial reports, including annual accounts, interim reports, report by the Board of Directors and financial statement releases, and the Corporate Governance Statement,
- to ensure that the Company has adequate planning, information and control systems and resources for monitoring results and managing risks,
- to monitor evaluation and management of significant risks relating to Suominen's strategy and business operations,
- to convene General Meetings of Shareholders,
- to establish a dividend policy and make a proposal on the 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 of Shareholders.

## Board of Directors in 2023

The 2023 Annual General Meeting elected six members to the Board.
The term of office of the members of the Board ends at the close of the Annual General Meeting 2024.

| Board member | Member since | Born | Nationality | Education | Main occupation | Share ownership on December 31, 2023 |
|---|---|---|---|---|---|---|
| Jaakko Eskola | 2021, Chair since 2021 | 1958 | Finnish | M.Sc. (Eng.) | Board professional | 26,166 |
| Andreas Ahlström | 2015, Deputy Chair since 2020 | 1976 | Finnish | M.Sc. (Econ. and Business Adm.) | Investment Director, A. Ahlström Corporation | 26,792 |
| Aaron Barsness | 2022 | 1973 | U.S. and Swedish | BA (Biology and Environmental Studies) | CMO, Fazer Group | 5,459 |
| Björn Borgman | 2020 | 1975 | Swedish | M.Sc. (Industrial Engineering) | CEO, HL Display AB | 24,902 |
| Nina Linander | 2020 | 1959 | Swedish | B.Sc. (Econ.), MBA | Board professional | 27,631 |
| Laura Remes | 2023 | 1980 | Finnish | M.Sc. (Tech.) | VP, Strategy and Business Development, UPM Fibres | 2,956 |
| **Until April 3, 2023** | | | | | | |
| Laura Raitio | 2015 | 1962 | Finnish | Licentiate of Technology | Board Professional | |

## Independence of the Board members

The Board has evaluated the independence of its members. All members are independent of the Company. All members are also independent of the significant shareholders of the Company, with the exception of Andreas Ahlström, who acts as Investment Director at A. Ahlström Corporation. The largest shareholder of Suominen, Ahlstrom Capital B.V., is a group company of A. Ahlström Corporation.

## Meeting practice

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

In 2023 the Board convened 15 times, of which eight times were per capsulam. The attendance rate at the meetings was 100%. The participation of each individual member is presented in the following table.

| Name | | Participation |
|---|---|---|
| Jaakko Eskola | Chair | 15/15 |
| Andreas Ahlström | Deputy Chair | 15/15 |
| Aaron Barsness | Member | 15/15 |
| Björn Borgman | Member | 15/15 |
| Nina Linander | Member | 15/15 |
| Laura Remes | Member | 11/11 |
| Until April 3, 2023 | | |
| Laura Raitio | Member | 4/4 |

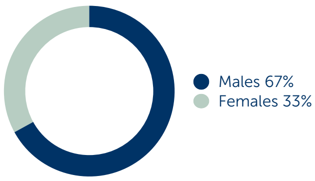
## Board evaluation

The Board conducted an annual self-assessment of its operations and working methods during the year 2023. The assessment was conducted internally. The results of the assessment were reviewed and discussed within the Board. The results were also presented to the Shareholders' Nomination Board.

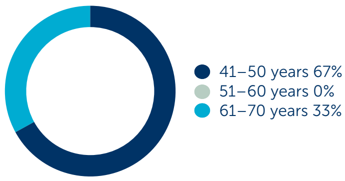
Additionally, at the end of most of its meetings, the Board assesses the preparations for the meeting, the course of the meeting and its own operations in line with the principle of continuous development.

**Board Diversity (December 31, 2023)**

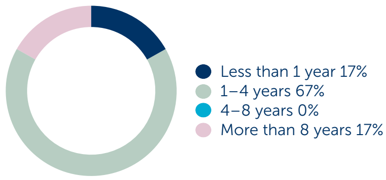
**Gender**




**Age**




**Tenure**




## Board diversity principles

At Suominen, diversity has been recognized as an essential success factor. Diversity in the Board's competencies, experience and opinions promotes openness to new ideas and helps the Board in effectively supporting and challenging the Company's management. Furthermore, diversity promotes open discussion and integrity in decision making, good corporate governance, and effective supervision of both the Board and the management, and it also supports succession planning.

The Shareholders' Nomination Board evaluates the number of members and composition of the Board and its competence requirements in 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 on the board composition to the General Meeting of Shareholders is based on the qualifications and competencies of each candidate. In addition, candidates must also have the possibility to devote sufficient amount of time to Board work.

## Board committees

The Board has two permanent committees: the Audit Committee and the Personnel and Remuneration Committee. In its meeting on December 13, 2023, the Board established a temporary Strategy Committee, which shall remain in place until otherwise decided by the Board. All three 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, financial reporting and internal control systems and in monitoring the activities of the internal and 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 power unless the Board resolves otherwise on certain individual matters.

The Chair and members of the Audit Committee are elected annually by the Board from among its members. The 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 2023

The Audit Committee in 2023 consisted of Nina Linander (Chair), Andreas Ahlström and Laura Remes (from April 3, 2023 onwards). Laura Raitio acted as a member of the Audit Committee until April 3, 2023.

In 2023 the Audit Committee convened four 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 Remes | Member | 3/3 |
| Until April 3, 2023 | | |
| Laura Raitio | Member | 1/1 |

### Personnel and Remuneration Committee

The Personnel and Remuneration Committee assists the Board by preparing remuneration and appointment matters concerning the Company's CEO and other Executive Team members. The Committee prepares for the Board matters that fall under its areas of responsibility, but it does not have independent decision-making power unless the Board resolves otherwise on certain individual matters.

The Chair and members of the Personnel and Remuneration Committee are elected annually by the Board from among its members. The Committee comprises at least three members. The members of the Personnel and Remuneration Committee must be independent of the Company.

### Personnel and Remuneration Committee in 2023

The Personnel and Remuneration Committee in 2023 consisted of Jaakko Eskola (Chair), Aaron Barsness and Björn Borgman.

In 2023 the Personnel and Remuneration Committee convened five times. 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 | 5/5 |
| Aaron Barsness | Member | 5/5 |
| Björn Borgman | Member | 5/5 |

### Strategy Committee

The Strategy Committee supports and advises the Board and the Company's management in strategic decisions and initiatives and in other matters pertaining to the Company's strategy. The Committee's role is advisory, and it has no decision-making power with respect to strategic decisions.

The Chair and members of the Strategy Committee are elected annually by the Board from among its members. The Committee comprises at least three members.

### Strategy Committee in 2023

In its meeting on December 13, 2023, the Board established the Strategy Committee and elected the members of the Committee. Laura Remes was elected as the Chair of the Committee and Andreas Ahlström and Aaron Barsness as members of the Committee.

The Strategy Committee did not have any meetings in 2023.

## President & CEO

The CEO (Managing Director) of Suominen is appointed by the Board. The CEO is responsible for the day-to-day operations of the Company in accordance with the Finnish Companies Act and the guidelines and instructions provided by the Board, and for ensuring that the Company's accounting practices comply with the law and that its assets are reliably managed pursuant to the Companies Act. Furthermore, the CEO is in charge of the day-to-day management of the entire Suominen Group.

The CEO acts as the Chair of the Executive Team and as the immediate supervisor of the Executive Team members.

Tommi Björnman serves as Suominen's President and CEO. Klaus Korhonen acted as the interim President and CEO of Suominen until March 31, 2023.

## Executive Team

The CEO is supported by the Executive Team. In 2023 the Executive Team consisted of:

| Executive Team member | Team member since | Born | Nationality | Education | Position | Share ownership on December 31, 2023 |
|---|---|---|---|---|---|---|
| Tommi Björnman | 2023 (joined Suominen April 1, 2023) | 1966 | Finnish | M.Sc. (Industrial Engineering and Management) | President & CEO | 30,000 |
| Janne Silonsaari | 2023 (joined Suominen June 1, 2023) | 1980 | Finnish | M.Sc. (Econ. and Business Adm.) | CFO | - |
| Jonni Friman | 2023 (joined Suominen June 1, 2023) | 1971 | Finnish and Swedish | M.Sc. (Industrial Engineering and Management) | SVP, Transformation Management Office | - |
| Markku Koivisto | 2017 | 1971 | Finnish | M.Sc. (Tech.) | SVP, Europe & R&D (acted as interim SVP, Americas August 22–October 31, 2023) | 53,172 |
| Klaus Korhonen | 2019 | 1974 | Finnish | LL.M. | SVP, HR & Legal (acted as interim President & CEO until March 31, 2023) | 52,630 |
| Thomas Olsen | 2023 (joined Suominen November 1, 2023) | 1965 | U.S. | MBA | SVP, Americas | - |
| Mimoun Saïm | 2011 | 1964 | French | ENSI Engineering | SVP, Operations | 92,923 |
| Until February 3, 2023 | | | | | | |
| Toni Tamminen | 2019 | 1978 | Finnish | D.Sc. (Tech)<br>M.Sc. (Econ) | CFO | |
| Until August 21, 2023 | | | | | | |
| Lynda Kelly | 2014 | 1964 | U.S. | B.Sc. | SVP, Americas & Business Development | |

### Suominen's operative organization

Suominen's operative organization consists of two business areas, Europe and Americas, and seven global functions supporting the business: Operations, Finance, Sourcing, R&D, HR & Legal, Transformation Management Office and Communications & IR. The Company only has one operating segment.

## Main features of internal control procedures and risk management systems

## Internal control

The main objective of internal controls at Suominen is to ensure reliable financial reporting and compliance with applicable laws, regulations, and internal policies and principles. Moreover, internal controls aim to ensure the efficiency of the Company's processes and that its assets are appropriately safeguarded.

## Control environment

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

The foundation of the internal control processes is based on the Company's Code of Conduct, corporate culture and values, policies, guidelines and instructions, and the ways of working adopted by the Company's management and employees. 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. In cascading the principles within the organization, honesty, transparency and working in teams are integral elements of establishing high ethical standards throughout the Company. 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 Suominen Group are functioning and conducted at a sufficient level.

## Control activities

Internal control activities are in place, among other things, to 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 and the CEO to organize the internal control activities.

In practice, control activities are conducted in the meetings of the Board and management teams, where results of the Company's operations and 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 Suominen Group.

Internal control at Suominen has been decentralized across global functions that monitor compliance with the operating guidelines concerning their areas of responsibility approved by the Board. 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 in order to prevent potential errors and deviations in financial reporting and to help reveal and correct any identified deviations or errors. Suominen categorizes its control activities into three categories. Documented instructions help the organization standardize the monitoring of tasks. Continuous and regular reporting providing feedback on the performance of the global functions and each Group company ensures that instructions and defined processes are followed. In critical processes, specific authorizations are implemented in the workflow for security and verification purposes.

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

## Information and communication

The Company's Financial Manual, policies approved by the Board and other guidelines and instructions relating to financial reporting are updated and communicated on a regular basis by the management to all relevant employees, and these are also available on the Company's intranet. In addition, a standard reporting package is used by the business areas and Group companies.

Group management and business area management conduct monthly reviews that include an analysis of the defined performance metrics and indicators, which enable the management to better understand the underlying performance of the Company. The Board members receive a monthly report on the Company's result and financial position.

## Monitoring

The Audit Committee is responsible for monitoring the efficiency of the Company's internal controls. Global function and business area management and controller functions are responsible for the ongoing monitoring of control activities. The Company's Finance function monitors the operations and processes of the Group companies and the accuracy of external and internal financial reporting.

Regular inspections by quality auditors and customer audit personnel also cover the internal controls of key business processes.

## Risk management

Risk management is 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 material risks that are significant from a business perspective.

The risk management process is based on Suominen's Risk Management Policy, which is approved and regularly reviewed by the Board. The process consists of steps to identify, assess, respond, monitor and report risks. Identification and assessment of risks involves a dynamic and iterative process to identify and evaluate risks, and it provides the foundation for defining and monitoring mitigative actions for each identified risk. A risk owner is assigned to each identified risk. The most significant risks are reported annually to the Audit Committee and additionally to the Board as needed.

Risks relating to financial reporting are managed in accordance with the risk management process outlined in the Risk Management Policy. Risks pertaining to financial reporting are identified and evaluated addressing the risks in the most relevant parts of the financial reporting process. Based on this evaluation, appropriate mitigation measures are defined and their effectiveness is continuously monitored.

The responsibilities relating to risk management are outlined in the Risk Management Policy. The Board is responsible for monitoring the evaluation and management of significant risks relating to Suominen's strategy and business operations. The Audit Committee assists the Board in its duties relating to risk management and is responsible for monitoring the risk management processes and practices. The CEO has the overall responsibility for risk management at Suominen and is supported by the Executive Team members, which are responsible for identifying and assessing risks within their own area of responsibility.

## Audit

## 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. Any material findings are reported to the Audit Committee, the CEO, the Executive Team and other relevant management.

## External audit

According to its Articles of Association, Suominen has one auditor which must be an entity of Certified Public Accountants approved by the Finnish Central Chamber of Commerce. The term of the auditor shall expire at the end of the first Annual General Meeting of Shareholders following the election. The auditors and the Audit Committee agree annually on an audit plan.

### Audit in 2023

The Annual General Meeting held on April 3, 2023 re-elected Ernst & Young Oy, Authorized Public Accountant firm, as the auditor of the Company. Ernst & Young Oy appointed Toni Halonen, Authorized Public Accountant, as the principally responsible auditor of the Company.

### Audit fees in 2023

| **Auditor's fees and services, Suominen Group** | EUR thousand |
|---|---|
| Auditing | 431 |
| Non-audit related fees (tax and other consulting fees) | 9 |
| **TOTAL** | **441** |

## 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 has approved and regularly reviews Suominen's Insider Policy, which informs the governing bodies and employees of Suominen and its Group companies of the regulations in force pertaining to insider trading.

### Management transactions

Suominen has in accordance with MAR determined that members of the Board, the CEO and other members of the Executive Team (collectively "Directors") and their closely associated persons have the duty to notify Suominen and the Finnish Financial Supervisory Authority of transactions made by them or on their behalf on Suominen's financial instruments. Suominen maintains a list of the Company's Directors and their closely associated persons and publishes the transactions notified to it as stock exchange releases.

Stock exchange releases on the transaction notifications of Directors and their closely associated persons can be found on Suominen's website at **www.suominen.fi**.

### Closed period

Suominen observes a closed period, which 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 report or release. During the closed period, Directors and certain other Suominen employees that are involved in the preparation of financial reports or otherwise have access to sensitive financial information of Suominen ("Core Persons") may not trade or conduct transactions on their account or for the account of another, directly or indirectly, relating to a financial instrument of the Company. The timing of closed periods can be found on Suominen's website at **www.suominen.fi**.

During a closed period, trading with Suominen's financial instruments by Directors and Core Persons is allowed only in certain exceptional situations. An exception can only be applied where the Director or Core Person can show that the transaction cannot be conducted at some other point in time than during the closed period, and the Director or Core Person is not in possession of inside information. Any exception to the trading restriction during the closed period requires prior approval by the Company for the transaction in question.

### Trading by Directors and Core Persons

Directors and Core Persons must, in addition to abiding by the trading restriction during the closed period, 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. It is also recommended to time the trading to a point in time when the market has as complete knowledge as possible on the factors affecting the value of the share or the financial instrument.

### Monitoring and control

The Insider Officer of Suominen is the Company's Chief Financial Officer. The Insider Officer is responsible for 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 is responsible for internal communications and training concerning insider issues, preparing and maintaining lists of Directors and their closely associated persons and Core Persons, receiving notifications concerning the transactions of Directors and their closely associated persons and publishing the related stock exchange releases, preparing and maintaining project-specific insider lists, and monitoring insider matters.

## Principles for related party transactions

Suominen complies with applicable laws, regulations and standards regarding related party transactions and follows the requirements set for monitoring, assessment, decision-making and reporting of related party transactions. The Board has approved and regularly reviews Suominen's Related Party Policy, which defines the principles for monitoring and assessing related party transactions.

Suominen has defined the members of the Board, the CEO and other members of the Executive Team and their closely associated persons and entities as related parties of the Company and 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 approves 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 and the Executive Team are obligated to report any planned or executed related party transactions to the Company's Chief Financial Officer without undue delay.

# Remuneration Report of Suominen Corporation

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

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

The Board may deviate from the Policy in certain exceptional situations. To read the full Policy, please visit our website: **www.suominen.fi/investors/corporate-governance/remuneration/**.

## 2023 CEO REMUNERATION AT A GLANCE

Tommi Björnman acted as the Company's CEO starting April 1, 2023. The total remuneration paid to the CEO in 2023 decreased from the previous year because the new CEO did not receive any payments under the Short-Term Incentive (the "STI") nor the Long-Term Incentive (the "LTI") Plans during his first year of service. Except for a sign-on bonus paid to the CEO in the beginning of his service, there were no changes in the CEO's compensation structure in 2023.

Klaus Korhonen, the Company's SVP, HR & Legal acted as the interim CEO until March 31, 2023. He received an increased base salary for the interim role, but otherwise his remuneration and terms of employment remained as they were.

# 1. Introduction

This Remuneration Report (the "Report") is based on the Finnish Corporate Governance Code 2020 of the Securities Market Association and provides the details of the remuneration paid to members of the Board and the CEO. The Board's Personnel and Remuneration Committee (the "PRC") has reviewed the Report, and it has been approved by the Board on February 5, 2024. This Report provides information on the remuneration paid during the financial year 2023. For updated information on the Board and executive remuneration, please visit our website: **www.suominen.fi/en/investors/corporate-governance/remuneration**.

## 1.1 Remuneration at Suominen

The aim of Suominen's Remuneration Policy 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 provides the Company with the principles for offering remuneration that attracts, motivates, and retains the best possible management and Board members who drive Suominen's performance and strategy in alignment with essential stakeholder interests. The Policy's goal is to ensure that the philosophy of paying for performance is applied to Suominen's remuneration.

The Policy has the following guiding principles:

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

According to the Policy, Suominen aims to offer the CEO a remuneration structure that incentivizes towards the achievement of Suominen's strategic targets and long-term shareholder value creation. Suominen utilizes 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 achievement of sustainable financial results in a competitive market.

The Policy is aligned with the remuneration principles applied to all Suominen employees. The remuneration shall be fair and reflect the competencies required to fulfill the requirements of each position. Pay-for-performance philosophy is widely followed in Suominen, and many of the performance metrics in the CEO's incentive plans are concurrently used in employees' incentive plans. However, a more significant portion of the CEO's total compensation is tied to performance-based incentives, as the Company aims to ensure a strong link between executive remuneration and the Company performance.

**SUOMINEN REMUNERATION**

| Strengthens our culture, values, and supports shareholder value creation | Attracts, motivates, and retains our management and employees | Promotes strategy execution and is in line with our long-term financial goals | Supports the pay-for-performance philosophy |
|---|---|---|---|

## 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 2019 to 2023.

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 the following:

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.
3. 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.
4. 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 2019–2023

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| CEO (Tommi Björnman, as of April 1, 2023) total remuneration[1] (EUR thousand) | | | | | 385.2 |
| Interim CEO (Klaus Korhonen, from November 30, 2022 to March 31, 2023) fixed remuneration[2] (EUR thousand) | | | | 20.4 | 62.4 |
| Previous CEO (Petri Helsky) total remuneration[3] (EUR thousand) | 474.6 | 745.4 | 957.9 | 1,118.9 | |
| Index[4] | 100% | 157% | 202% | 240% | 94% |
| Employee pay (average)[5] (EUR thousand) | 54.9 | 59.9 | 53.4 | 58.9 | 63.9 |
| Index[4] | 100% | 109% | 97% | 107% | 116% |
| Total Board remuneration[6] (EUR thousand) | 244.5 | 275.3 | 258.4 | 285.0 | 289.0 |
| Index[4] | 100% | 113% | 106% | 117% | 118% |
| Jaakko Eskola | | | 69.9 | 75.0 | 76.0 |
| Andreas Ahlström | 33.0 | 38.0 | 35.7 | 39.0 | 38.5 |
| Björn Borgman | | 33.3 | 35.4 | 39.5 | 41.5 |
| Nina Linander | | 43.5 | 46.8 | 52.5 | 52.5 |
| Aaron Barsness | | | | 40.0 | 42.0 |
| Laura Remes | | | | | 37.0 |
| Laura Raitio | 33.0 | 38.0 | 35.7 | 39.0 | 1.5 |
| Sari Pajari-Sederholm | 28.0 | 37.3 | 34.9 | | |
| Jan Johansson | 70.0 | 76.3 | | | |
| Risto Anttonen | 43.0 | 4.5 | | | |
| Hannu Kasurinen | 33.5 | 4.5 | | | |
| Jaana Tuominen | 4.0 | | | | |
| 3-year TSR[7] (%) | -34% | 12% | 126% | 41% | -35% |
| Share price development[8] (EUR) | 2.34 | 4.90 | 4.82 | 2.86 | 2.70 |
| Index[4] | 100% | 209% | 206% | 122% | 115% |
| EBITDA (EUR million) | 33.7 | 60.9 | 47.0 | 15.3 | 15.9 |
| Index[4] | 100% | 181% | 139% | 45% | 47% |

[1] CEO total remuneration includes all payments made to the CEO during the financial year.
[2] Interim CEO Klaus Korhonen's remuneration in 2022 and 2023 is from the period he acted as the interim CEO and includes only the fixed salary during the stated period.
[3] Previous CEO Petri Helsky's remuneration in 2019–2022 includes all payments made to the CEO during the period he acted as the CEO.
[4] First year (2019) 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 3-month closing average prior to the end of the financial year. For example, the 3-year TSR for 2023 is calculated as (Q4/2023 average share price - Q4/2020 average share price) ÷ Q4/2020 average share price + (paid dividends in 2021, 2022 and 2023) ÷ Q4/2020 average share price.
[8] Share price development is calculated based on 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 April 3, 2023, 100% of the votes cast were in favor of the Remuneration Report 2022. The PRC and the Board have considered the positive feedback provided by the shareholders at the AGM.

The Board decided to temporarily deviate from the Remuneration Policy during 2023 by offering the new CEO Tommi Björnman a sign-on bonus in the beginning of his service. The condition for the payment of the sign-on bonus was that he starts his service at the latest on April 1, 2023. The amount of the bonus was equal to the CEO's one month's salary. According to the Policy, the Board may temporarily deviate from the Policy after careful consideration in certain exceptional, pre-determined situations, such as the recruitment of a new CEO. The deviation was carefully considered by the Board in accordance with the Policy. The sign-on bonus was considered to be necessary to incentivize the new CEO to start in the role as early as possible.

During 2023, Suominen has not exercised any rights to reclaim (clawback) or cancel (malus) any paid or unpaid incentives.

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

As stated in the Remuneration Policy, 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 April 3, 2023, resolved to maintain the annual remuneration payable to the members of the Board unchanged. The current remuneration is as follows:

- The Chair is paid an annual fee of EUR 70,000.
- The Deputy Chair and other Board members an annual fee of EUR 33,000.
- 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 attended by telephone or other electronic means.

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 10, 2023.

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 2023 have been in compliance with the Remuneration Policy. In 2023, the following fees were paid to the members of the Board:

### Remuneration of the Board of Directors in 2023

| | | 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 | 52,438.40 | 17,561.60 | 6,272 | 6,000 | 76,000 |
| Andreas Ahlström | Deputy Chair | 24,723.20 | 8,276.80 | 2,956 | 5,500 | 38,500 |
| Aaron Barsness | Member | 24,723.20 | 8,276.80 | 2,956 | 9,000 | 42,000 |
| Björn Borgman | Member | 24,723.20 | 8,276.80 | 2,956 | 8,500 | 41,500 |
| Nina Linander* | Member | 32,211.60 | 10,788.40 | 3,853 | 9,500 | 52,500 |
| Laura Remes (as of April 3, 2023) | Member | 24,723.20 | 8,276.80 | 2,956 | 4,000 | 37,000 |
| Laura Raitio (until April 3, 2923) | Member | | | | 1,500 | 1,500 |

* 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 289,000 in 2023.

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

Two CEOs acted in the role during 2023.

### Klaus Korhonen, from January 1, 2023 to March 31, 2023

Klaus Korhonen, the Company's SVP, HR & Legal, acted as an interim CEO as of January 1, 2023, until March 31, 2023. 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 62,400 between January 1, 2023 – March 31, 2023.

### Tommi Björnman, from April 1, 2023

Tommi Björnman acted as the Company's CEO as of April 1, 2023.

In 2023, Tommi Björnman's remuneration consisted of fixed base salary (including fringe benefits), a sign-on bonus of one month's salary, and supplementary pension. As it was his first year as the CEO, he did not receive any STI or LTI payments in 2023.

In 2023, Tommi Björnman was paid a total remuneration of EUR 425,028, consisting of fixed salary, sign-on bonus, and benefits of EUR 385,180, and a supplementary pension payment of EUR 39,848.

In 2023, Tommi Björnman earned the following variable incentives which are to be paid in 2024:

The reward from the Global STI 2023 was based on Group EBITDA (Earnings before interest, taxes, depreciation, amortization, 70% weight), Group CM (Contribution margin, 20% weight), Group DSO+DIO (Days sales outstanding + days inventory outstanding, 10% weight) and personal targets (20% weight). The outcome for these targets in total was between threshold and target equaling to EUR 59,667.

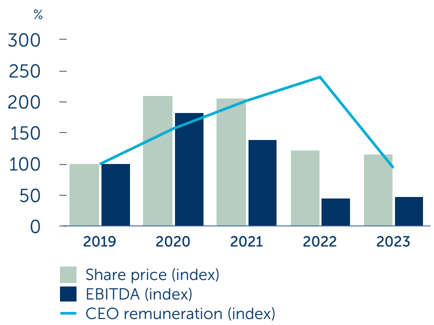
**Total CEO pay in 2023 in proportions**


### STI 2023 KPIs and achievement for the CEO[1]

| KPI | Weight | Achievement |
|---|---|---|
| Group EBITDA | 50% | Between threshold and target |
| Group CM | 20% | Between threshold and target |
| Group DSO+DIO | 10% | Between target and maximum |
| Personal targets | 20% | Between target and maximum |
| **Total** | **100%** | **Between threshold and target** |

[1] To be paid during 2024

**Company performance and CEO remuneration 2019–2023**



**CEO Tommi Björnman's remuneration in 2023 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 2023 (including holiday pay):<br><br>Base salary:<br>EUR 346,500<br><br>Benefits:<br>EUR 180 | The purpose is to provide fixed remuneration that is competitive with the external market and reflects the scale and complexity of the Company's business. Base salary includes taxable fringe benefits, such as company car, lunch, and telephone. Base salary is determined based on variety of factors, such as market level and the individual's skills and experience. Base salary is typically reviewed annually. | Complies with the Policy: The CEO is eligible for benefits such as company car, health insurance, lunch, and telephone. |
| **Sign-on bonus** | One-time bonus 2023:<br>EUR 38,500 | In order to incentivize the new CEO to start in the role as early as possible, he was offered a sign-on bonus which equals to his one (1) month's base salary if he will start at the latest on April 1, 2023. | Deviates from the Policy: A sign-on bonus is not specifically mentioned in the Policy. As stated in the Policy, the Board may deviate from the Policy in certain exceptional situations, such as recruitment of a new CEO. Accordingly, after careful consideration, the Board considered it necessary to temporarily deviate from the Policy and to offer a sign-on bonus to incentivize the new CEO to start in the role as early as possible. |
| **Supplementary pension arrangement** | Paid in 2023:<br>EUR 39,848 | 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. | Complies with the Policy: The CEO participates in a non-statutory defined contribution pension plan. The Company's contribution was 11.5% of the annual base salary in 2023. Pension starts from the age of 63. |
| **Cash bonus (Short-term remuneration)** | Earned from financial year 2023 (Global STI 2023), to be paid in 2024:<br>EUR 59,667 | The purpose is to steer towards and reward for the achievement of short-term financial and operational performance and to support the delivery of the business strategy. Performance is measured over one year and the cash bonus is paid after the year end. The cash bonus is paid in cash based on achieved one-year performance. | Complies with the Policy: Maximum STI% in 2023 was 60% of the annual base salary (excluding holiday pay). |

| Element | Quantum | Purpose, link to strategy and description from the remuneration policy | Comment on compliance |
|---|---|---|---|
| **Share-based incentive plans (long-term remuneration)** | Matching restricted share plan ("MRSP")<br><br>No LTI earned in 2023 | The purpose is to reward for the delivery of long-term shareholder value, to align the 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 CEO may have share-based incentive plans, which reward for the Company's performance, or which are used for retention purposes.<br><br>Currently Suominen's performance-based long-term incentive mechanism is a share-based plan, which offers the 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 and continued employment.<br><br>The Board 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 is eligible in an MRSP Plan, the aim of which is to align the objectives of the shareholders and the CEO in order to increase the value of Suominen in the long-term, to retain the CEO at the Company, and to offer him a competitive reward plan that is based on acquiring, receiving and accumulating the Company's shares. Under the plan, the CEO is expected to own or acquire up to 30,000 shares of the Company. The Company will match the share investment by way of the CEO receiving, without consideration, up to 60,000 matching shares (gross including also the proportion to be paid in cash). The plan includes three vesting periods, June 1, 2023–June 1, 2024, June 1, 2023–June 1, 2025 and June 1, 2023–June 1, 2026. The potential reward will be paid partly in shares and partly in cash in three equal installments after each vesting period, provided that the CEO's service in the Company is in force at the time of the reward payment.<br><br>The CEO is eligible in the LTI Performance Period 2023–2025. His maximum earning opportunity under the LTI Plan equals to 168,500 shares (gross) of the Company. The performance metric in the Plan is relative total shareholder return. The possible reward under the Plan will be paid in spring 2026. |
| **Share ownership prerequisite** | | The CEO must hold 50% of the net number of shares given based on long-term performance-based plan, until his or her shareholding in total corresponds to the value of his/her annual gross salary for the calendar year preceding the payment of the reward. 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 received nor sold any shares from any LTI Plan. |

# Board of Directors

**DECEMBER 31, 2023**

### JAAKKO ESKOLA

b. 1958

M.Sc. (Technology)

Member of the Board since 2021

Chair of the Board since 2021

Independent member

Shareholding*:
26,166 Suominen shares

### ANDREAS AHLSTRÖM

b. 1976

M.Sc. (Economics and Business Administration)

Investment Director, A. Ahlström Corporation

Member of the Board since 2015

Deputy Chair of the Board since 2020

Non-independent member

Shareholding*:
26,792 Suominen shares

### AARON BARSNESS

b. 1973

BA (Biology and Environmental Studies)

CMO, Fazer Group

Member of the Board since 2022

Independent member

Shareholding*:
5,459 Suominen shares

### BJÖRN BORGMAN

b. 1975

M.Sc. (Industrial Engineering)

CEO, HL Display AB

Member of the Board since 2020

Independent member

Shareholding*:
24,902 Suominen shares

### NINA LINANDER

b. 1959

B.Sc. (Economics) and MBA

Member of the Board since 2020

Independent member

Shareholding*:
27,631 Suominen shares

### LAURA REMES

b. 1980

M.Sc. (Technology)

Vice President, Strategy and Business Development, UPM Fibres

Member of the Board since 2023

Independent member

Shareholding*:
2,956 Suominen shares

Laura Raitio acted as member of the Board until April 3, 2023.

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, 2023.

# Executive Team

**DECEMBER 31, 2023**

## TOMMI BJÖRNMAN

President & CEO

b. 1966

M. Sc. (Industrial Engineering and Management)

Joined Suominen in 2023

Shareholding*:
30,000 Suominen shares

## JANNE SILONSAARI

CFO

b. 1980

M.Sc. (Economics and Business Administration)

Joined Suominen in 2023

Shareholding*: –

## JONNI FRIMAN

SVP, Transformation Management Office

b. 1971

M.Sc. (Industrial Engineering and Management)

Joined Suominen in 2023

Shareholding*: –

## MARKKU KOIVISTO

SVP, Europe & R&D

b. 1971

M.Sc. (Technology)

Joined Suominen in 2017

Shareholding*:
53,172 Suominen shares

## KLAUS KORHONEN

SVP, HR & Legal

b. 1974

LL.M.

Joined Suominen in 2019

Shareholding*:
52,630 Suominen shares

## THOMAS OLSEN

SVP, Americas

b. 1965

MBA

Joined Suominen in 2023

Shareholding*: –

## MIMOUN SAÏM

SVP, Operations

b. 1964

ENSI Engineering

Joined Suominen in 2011

Shareholding*:
92,923 Suominen shares

Klaus Korhonen acted as an interim President & CEO until March 31, 2023. Sirpa Koskinen acted as an interim CFO until May 31, 2023. Markku Koivisto acted as an interim SVP, Americas, between August 22–October 31, 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, 2023.

# Financial information



# Financial information

## JANUARY 1–DECEMBER 31, 2023

# Report by the Board of Directors 2023

## Highlights of Suominen's financial year 2023

- Net sales decreased by 9% and were EUR 450.9 million (493.3)
- Comparable EBITDA was EUR 15.8 million (15.3)
- Cash flow from operations totaled to EUR 30.7 million (14.0)
- Board of Directors proposes to the Annual General meeting a dividend of EUR 0.10 per share

| **Key figures** | 2023 | 2022 | 2021 |
|---|---|---|---|
| Net sales, EUR million | 450.9 | 493.3 | 443.2 |
| Comparable EBITDA, EUR million | 15.8 | 15.3 | 47.0 |
| EBITDA, EUR million | 11.2 | 14.3 | 47.0 |
| Comparable operating profit, EUR million | -2.8 | -4.2 | 26.9 |
| Operating profit, EUR million | -7.5 | -9.0 | 26.9 |
| Profit for the period, EUR million | -12.8 | -13.9 | 20.7 |
| Earnings per share, basic, EUR | -0.22 | -0.24 | 0.36 |
| Earnings per share, diluted, EUR | -0.22 | -0.24 | 0.36 |
| Cash flow from operations per share, EUR | 0.53 | 0.24 | 0.19 |
| Return on invested capital, rolling 12 months, % | -4.1 | -4.2 | 13.9 |
| Gearing, % | 35.3 | 37.4 | 30.4 |
| Dividend per share, EUR | 0.10 | 0.10 | 0.20 |

* 2023 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 2023, Suominen's net sales decreased by 9% from the comparison period to EUR 450.9 million (493.3). The decrease in sales was driven by lower sales prices resulted from lower raw material prices. Volumes decreased slightly from 2022 mainly related to the plant closure in Mozzate. Currencies impacted net sales negatively by EUR 6.8 million.

Net sales of Americas business area were EUR 288.0 million (288.0) and net sales of Europe business area EUR 162.8 million (205.5).

### EBITDA, operating profit and result

Comparable EBITDA (earnings before interest, taxes, depreciation and amortization) was EUR 15.8 million (15.3). EBITDA was EUR 11.2 million (14.3). Comparable EBITDA increase was driven by the improved sales margins while sales volumes decreased slightly due to Mozzate closure. Currencies impacted EBITDA positively by EUR 0.6 million. Items affecting comparability of EBITDA were -4.7 EUR million (-1.0), related to the closure of Mozzate plant.

Comparable operating profit amounted to EUR -2.8 million (-4.2). Operating profit amounted to EUR -7.5 million (-9.0).

Items affecting comparability of operating profit were EUR -4.8 million (-4.8), related to the closure of Mozzate plant.

In 2023, profit before income taxes was EUR -13.5 million (-11.9). Income taxes for the financial year were EUR 0.7 million (-2.0).

The profit for the period was EUR -12.8 million (-13.9).

### Net sales, EBITDA and operating profit

| EUR thousand | 2023 | 2022 | 2021 |
|---|---|---|---|
| Net sales | 450,851 | 493,298 | 443,219 |
| Comparable EBITDA | 15,813 | 15,257 | 47,033 |
| EBITDA | 11,163 | 14,287 | 47,033 |
| Comparable operating profit | -2,750 | -4,163 | 26,941 |
| Operating profit | -7,517 | -8,958 | 26,941 |

## 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, 2023, amounted to EUR 44.1 million (54.6). Gearing was 35.3% (37.4%) and equity ratio 39.5% (42.5%).

In 2023, net financial expenses were EUR -6.0 million (-2.9), or 1.3% (0.6%) of net sales. Net effect of changes in foreign exchange rates in financial items were EUR -0.6 million (+2.8).

Cash flow from operations in 2023 was EUR 30.7 million (14.0). Cash flow from operations per share in 2023 was EUR 0.53 (0.24). The financial items in the cash flow from operations, in total EUR -5.0 million (-4.7), were principally impacted by the interests paid during the reporting period. The change in the net working capital in 2023 was EUR 25.7 million positive (EUR 7.8 million positive) mainly thanks to less cash being tied up in inventory.

## Capital expenditure

In 2023, the gross capital expenditure totaled EUR 11.2 million (9.7) and the largest item was related to the growth investment initiatives in Nakkila, Finland. Other investments were mainly for maintenance.

Depreciations and amortizations were EUR -18.6 million (-19.4) and impairment losses were EUR -0.1 million (-3.8).

### Capital expenditure and depreciation, amortization and impairment losses

| EUR thousand | 2023 | 2022 | 2021 |
|---|---|---|---|
| Gross capital expenditure | 11,223 | 9,712 | 17,770 |
| % of net sales | 2.5 | 2.0 | 4.0 |
| Depreciation, amortization and impairment losses | -18,680 | -23,245 | -20,092 |

### Key ratios

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Return on equity (ROE), % | -9.6 | -8.8 | 13.3 |
| Return on invested capital (ROI), % | -4.1 | -4.2 | 13.9 |
| Equity ratio, % | 39.5 | 42.5 | 42.2 |
| Interest-bearing net debt, EUR million* | 44.1 | 54.6 | 49.6 |
| Capital employed, EUR million | 168.4 | 199.8 | 211.0 |
| Gearing, % | 35.3 | 37.4 | 30.4 |

* At nominal value

### Key ratios per share

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Earnings per share, EUR, basic | -0.22 | -0.24 | 0.36 |
| Earnings per share, EUR, diluted | -0.22 | -0.24 | 0.36 |
| Cash flow from operations per share, EUR | 0.53 | 0.24 | 0.19 |
| Equity per share, EUR | 2.17 | 2.54 | 2.85 |
| Price per earnings per share (P/E) ratio | -12.9 | -12.4 | 14.4 |
| Dividend per share, total, EUR* | 0.10 | 0.10 | 0.20 |
| Dividend payout ratio, % | -45.1 | -41.4 | 55.5 |
| Dividend yield, % | 3.51 | 3.33 | 3.86 |

* 2023 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 2023

| | 2023 | | | | |
|---|---|---|---|---|---|
| EUR thousand | 10–12 | 7–9 | 4–6 | 1–3 | January 1–December 31, 2023 |
| Net sales | 114,938 | 106,447 | 112,673 | 116,793 | 450,851 |
| Comparable EBITDA | 5,275 | 5,200 | 2,690 | 2,648 | 15,813 |
| as % of net sales | 4.6 | 4.9 | 2.4 | 2.3 | 3.5 |
| Items affecting comparability | -11 | -26 | -4,613 | – | -4,650 |
| EBITDA | 5,263 | 5,174 | -1,922 | 2,648 | 11,163 |
| as % of net sales | 4.6 | 4.9 | -1.7 | 2.3 | 2.5 |
| Comparable operating profit | 670 | 666 | -2,102 | -1,985 | -2,750 |
| as % of net sales | 0.6 | 0.6 | -1.9 | -1.7 | -0.6 |
| Items affecting comparability | -11 | -26 | -4,621 | -108 | -4,767 |
| Operating profit | 658 | 640 | -6,722 | -2,093 | -7,517 |
| as % of net sales | 0.6 | 0.6 | -6.0 | -1.8 | -1.7 |
| Net financial items | -2,005 | -1,152 | -1,293 | -1,537 | -5,987 |
| Profit before income taxes | -1,347 | -512 | -8,016 | -3,630 | -13,504 |
| as % of net sales | -1.2 | -0.5 | -7.1 | -3.1 | -3.0 |

## Research and development

At Suominen, research and development activities are organized into R&D function. In the end of 2023, R&D function had 14 (15) employees. Research and development expenses amounted to EUR 3.9 million (3.5), corresponding to 0.9% (0.7%) 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 2023, Suominen employed 682 FTEs (707) on average, and 659 (710) FTEs at the end of 2023. The decrease is mainly due the closure of Mozzate plant and termination of employment of 55 employees.

### Personnel related key ratios

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Average number of personnel (FTEs - full time equivalent) | 682 | 707 | 709 |
| Wages and salaries, EUR thousand | -43,598 | -41,660 | -37,872 |

## 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 sells 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 450.9 million and the Group employed 682 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, from p. 9 onwards.

## Materiality assessment

In 2023, Suominen started a process to update its material sustainability topics to take into consideration all our impacts, risks, and opportunities throughout our value chain (double materiality). The process includes internal workshops with key experts and management, as well as stakeholder engagement. In internal workshops, 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. Stakeholder engagement included a stakeholder survey sent to stakeholders – such as customers, employees, institutional investors, suppliers, industry associations and owners – and interviews with key stakeholders. The work is to be finalized in the beginning of 2024 and will aid in the development of our sustainability agenda and guide the future actions to be taken.

The previous materiality assessment was conducted in 2019. This assessment formed the basis for our Sustainability Agenda 2025–2025, which is based on the six most material sustainability topics for Suominen: eco-friendly products, health and safety, energy efficiency, waste prevention, financial stability, and employee engagement.

## Sustainability at Suominen

Sustainability is an integral part of Suominen's strategy. The company is committed to a 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 is approved by the Board of Directors. Sustainability agenda, related goals and supporting policies are owned and monitored by the Executive Management Team. The Vice President, Communications & Sustainability, is responsible for the sustainability at Suominen and she reports to the President and CEO. The Communications & 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.

## Risk management at Suominen

Suominen's risk management model covers strategic, operational, financial and hazard risks, as well as sustainability related 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 risks 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 the 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 our production.

The general operating principles governing the management of environmental issues are documented in Suominen's Code of Conduct. All our sites have a certified environmental management system (ISO 14001), a 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 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 2023, our water consumption has decreased by 0.7% and greenhouse gas emissions by 14.9% per ton of product compared to 2019. We did not succeed in our target to reduce our energy consumption and waste to landfill in 2023.

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 2023, we had 12 sustainable product launches, and the sales of sustainable products increased by 79% compared to the base year of 2019.

In 2023, there were no significant environmental incidents resulting from permit violations, claims or compensations.

You can read more about our sustainability work in the Annual Report, from p. 17 onwards.

## Social responsibility and personnel

### Operating principles

Suominen's material aspects relating to social responsibility and personnel are health, safety and employee engagement. Suominen is committed to providing a safe and healthy working environment for all employees, contractors, and others working for us. We comply with all applicable safety and health laws and regulations. Suominen is committed to implementing safety programs to promote a positive safety culture and to encourage participation of, and consultation from all employees. To do this we provide training and share information on safety matters with our own employees as well as external workers working in our premises.

Suominen recognizes the business benefits of having a diverse workforce and aims to provide equal opportunities for everyone based on a competence, experience, and performance. We do not tolerate any kind of discrimination, including discrimination due to age, gender, religion, ethnic or national origin, sexual orientation, political opinion, disability, or any other characteristic protected under the applicable law. We are committed to fair and equal treatment of our employees and anyone seeking employment at Suominen in matters that involve recruitment, promotion, development, rewards, or any other term or condition of employment. We expect everyone to be treated with dignity, respect, and common courtesy. We do not tolerate any form of harassment, bullying, or any other inappropriate behavior that can be considered offensive, intimidating, or insulting. Compensation and rewarding of our employees are based on the requirements and complexity of their position and their performance. Differences in individual salaries are based on differences between competence, work experience, and performance.

We respect our employees' right to form or join trade unions and to bargain collectively. We provide working conditions that comply with local statutory requirements and collective bargaining agreements. Suominen complies with all applicable laws, regulations, and collective bargaining agreements regarding wages, working hours, overtime and benefits. We support the physical and mental wellbeing of our employees and recognize the importance and benefits of appropriate balance between work and private life. We aim to find answers to various life situations, for example by making working time arrangements and giving time off. Many of our employees are able to work in a hybrid model which means a flexible working arrangement combining office-based work and working from home or another remote location, taking breaks and making use of the flextime when necessary. Our production employees work in shifts, and we monitor closely how they cope with shift work. We encourage people working in shifts to find the best ways for themselves to recover.

The operating principles concerning health, safety and labor rights are documented in the Code of Conduct and Human Rights Policy.

### 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. In 2023, 6 lost time accidents occurred at our plants.

Increasing employee engagement is a key sustainability target relating to our people. We conducted for the fourth time a global employee engagement survey in 2023, and based on the results our employee engagement index was 66%. 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 | 2023 | 2022 | 2021 |
|---|---|---|---|
| Health and safety | 6 LTA* | 2 LTA* | 4 LTA* |
| Employee engagement index | 66% | 65% | 66% |

* Lost time accident

You can read more about our sustainability work in the Annual Report, from p. 17 onwards.

## Human rights

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

Suominen respects and supports the protection of internationally proclaimed human rights such as those described in the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, and the International Labor Organization's (ILO) Declaration on the Fundamental Principles and Rights at Work. Suominen is committed to the OECD Guidelines for Multinational Enterprises, the UN Global Compact, and the UN Guiding Principles on Business and Human Rights. Suominen's own Human Rights Policy reaffirms the company's commitment to respecting human rights.

Suominen works consistently to ensure that human rights are respected across the value chain. We select our business partners carefully and collaborate only with those who conduct business ethically and responsibly and share our values. Suominen expects that all its suppliers respect and promote human rights and comply with Suominen's Code of Conduct. Suominen may request its suppliers to verify their compliance with the Supplier Code of Conduct through a self-assessment questionnaire, a third-party assessment, and/or on-site audit. Suppliers are expected to reasonably cooperate with any such request or audits. In case Suominen finds that a supplier is in breach of the Supplier Code of Conduct, the supplier is required to take immediate corrective actions to remedy the breach. Where in Suominen's reasonable judgement the non-compliance is severe or corrective actions are not sufficiently or timely implemented, Suominen has the right, without limiting any other remedy or right it might have, to suspend or terminate its contract with the supplier and/or to exclude the supplier from any future tender process.

In 2023, 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 training is mandatory for all employees and an e-Learning course on Anti-bribery and Corruption is mandatory for all white-collar employees. At the end of the year, 94% of all employees had completed the Code of Conduct training and 97% of white-collars the Anti-bribery and the Corruption e-Learning.

We select our business partners carefully and collaborate only with those who conduct business ethically and responsibly. We expect our suppliers and the business partners that act on our behalf to understand and comply with all applicable laws and regulations and to apply the same legal and ethical standards that Suominen practices.

In 2023 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 2022, non-financial companies were 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) for only two of the six environmental objectives: climate change mitigation and climate change adaptation. In 2022, 100% of Suominen's net sales were non-eligible, of CapEx 12% was taxonomy-eligible and 1% taxonomy-aligned and of OpEx 16% was taxonomy-eligible and less than 1% taxonomy-aligned.

In 2023, taxonomy-alignment is to be reported for the same two environmental objectives as in 2022, and taxonomy-eligibility and taxonomy-non-eligibility is to be reported for the remaining four environmental objectives.

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 and continuous work to improve emissions calculations to cover the whole value chain, 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 of buildings.

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.

Each site is responsible for completing the valuation of eligibility and alignment of its own activities. Suominen has a web-based tool to support in the valuation process. Group functions are responsible for providing common working guidelines and definitions. Valuations of activities and figures in the taxonomy report are validated at Group level.

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. Suominen has assessed compliance with the safeguards also through ensuring the existence of processes covering human rights, corruption, taxation, and fair competition and addressing cases of violations if any arise.

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 in right-of-use assets (as defined in IFRS 16).

| Total CapEx, EUR thousand | 2023 | 2022 | |
|---|---|---|---|
| Increases in property, plant and equipment | 11,054 | 9,275 | |
| Increases in intangible assets | 169 | 438 | Not internally generated |
| Increases in right-of use assets | 2,410 | 705 | |
| Total | 13,633 | 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 operational expenditure was EUR 27,595 thousand in 2023 (22,923).

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 biodiversity and ecosystems | 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 biodiversity and ecosystems | Minimum safeguards | Taxonomy-aligned proportion of turnover, year 2023, % | Taxonomy-aligned proportion of turnover, year 2022, % | 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 | | 450,851 | 100% | | | | | | | | | | | | | | | | | |
| **Total (A + B)** | | **450,851** | **100%** | | | | | | | | | | | | | | | | | |

| | Proportion of Turnover / Total Turnover: Taxonomy-aligned per objective | Taxonomy-eligible per objective |
|---|---|---|
| CCM | 0% | 0% |
| CCA | 0% | 0% |
| WTR | 0% | 0% |
| CE | 0% | 0% |
| PPC | 0% | 0% |
| BIO | 0% | 0% |

## Capital expenditure

| Economic activities | Code(s) | Absolute CapEx EUR thousand | Proportion of CapEx | 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 biodiversity and ecosystems | 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 biodiversity and ecosystems | Minimum safeguards | Taxonomy-aligned proportion of CapEx, year 2023, % | Taxonomy-aligned proportion of CapEx, year 2022, % | Category (enabling activity) | Category (transitional activity) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **A. TAXONOMY-ELIGIBLE ACTIVITIES** | | | | | | | | | | | | | | | | | | | | |
| **A.1 Environmentally sustainable activities (Taxonomy-aligned)** | | | | | | | | | | | | | | | | | | | | |
| Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings | 7.5. | 16 | 0% | 100% | 0% | 0% | 0% | 0% | 0% | Y | Y | Y | Y | Y | Y | Y | 0% | N/A | N/A | N/A |
| **CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)** | | 16 | 0% | | | | | | | | | | | | | | | | | |
| **A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)** | | | | | | | | | | | | | | | | | | | | |
| Manufacture of other low carbon technologies | 3.6. | 165 | 1% | | | | | | | | | | | | | | | | | |
| Installation and operation of electric heat pumps | 4.16. | 62 | 0% | | | | | | | | | | | | | | | | | |
| Construction, extension and operation of water collection, treatment and supply systems | 5.1. | 30 | 0% | | | | | | | | | | | | | | | | | |
| Construction, extension and operation of waste water collection and treatment | 5.3. | 18 | 0% | | | | | | | | | | | | | | | | | |
| Transport by motorbikes, passenger cars and light commercial vehicles | 6.5. | 134 | 1% | | | | | | | | | | | | | | | | | |
| Renovation of existing buildings | 7.2. | 1,047 | 8% | | | | | | | | | | | | | | | | | |
| Installation, maintenance and repair of energy efficiency equipment | 7.3. | 164 | 1% | | | | | | | | | | | | | | | | | |
| Close to market research, development and innovation | 9.1. | 96 | 1% | | | | | | | | | | | | | | | | | |
| Manufacture, installation and associated services for leakage control technologies enabling leakage reduction and prevention in water supply systems | 1.1. | 27 | 0% | | | | | | | | | | | | | | | | | |
| **CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)** | | 1,742 | 13% | | | | | | | | | | | | | | 13% | N/A | N/A | N/A |
| **Total (A.1 + A.2)** | | 1,758 | 13% | | | | | | | | | | | | | | 13% | N/A | N/A | N/A |
| **B. TAXONOMY-NON-ELIGIBLE ACTIVITIES** | | | | | | | | | | | | | | | | | | | | |
| CapEx of taxonomy-non-eligible activities | | 11,784 | 87% | | | | | | | | | | | | | | | | | |
| **Total (A + B)** | | **13,543** | **100%** | | | | | | | | | | | | | | | | | |

| | Proportion of CapEx / Total CapEx: Taxonomy-aligned per objective | Taxonomy-eligible per objective |
|---|---|---|
| CCM | 0% | 6% |
| CCA | 0% | 5% |
| WTR | 0% | 0% |
| CE | 0% | 3% |
| PPC | 0% | 0% |
| BIO | 0% | 0% |

## Operational expenditure

| 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 biodiversity and ecosystems | 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 biodiversity and ecosystems | 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)** | | | | | | | | | | | | | | | | | | N/A | N/A | N/A |
| Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings | 7.5. | 30 | 0% | 100% | 0% | 0% | 0% | 0% | 0% | Y | Y | Y | Y | Y | Y | Y | 0% | N/A | N/A | N/A |
| **OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)** | | 30 | 0% | | | | | | | | | | | | | | 0% | N/A | N/A | N/A |
| **A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)** | | | | | | | | | | | | | | | | | | | | |
| Manufacture of low carbon technologies for transport | 3.3. | 178 | 1% | | | | | | | | | | | | | | | | | |
| Manufacture of other low carbon technologies | 3.6. | 105 | 0% | | | | | | | | | | | | | | | | | |
| Electricity generation using solar photovoltaic technology | 4.1. | 2 | 0% | | | | | | | | | | | | | | | | | |
| Construction, extension and operation of water collection, treatment and supply systems | 5.1. | 47 | 0% | | | | | | | | | | | | | | | | | |
| Renewal of water collection, treatment and supply systems | 5.2. | 244 | 1% | | | | | | | | | | | | | | | | | |
| Construction, extension and operation of waste water collection and treatment | 5.3. | 559 | 2% | | | | | | | | | | | | | | | | | |
| Collection and transport of non-hazardous waste in source segregated fractions | 5.5. | 75 | 0% | | | | | | | | | | | | | | | | | |
| Renovation of existing buildings | 7.2. | 212 | 1% | | | | | | | | | | | | | | | | | |
| Installation, maintenance and repair of energy efficiency equipment | 7.3. | 60 | 0% | | | | | | | | | | | | | | | | | |
| Close to market research, development and innovation | 9.1. | 3,223 | 12% | | | | | | | | | | | | | | | | | |
| Professional services related to energy performance of buildings | 9.3. | 7 | 0% | | | | | | | | | | | | | | | | | |
| Hotels, holiday, camping grounds and similar accommodation | 2.1. | 23 | 0% | | | | | | | | | | | | | | | | | |
| **OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)** | | 4,734 | 17% | | | | | | | | | | | | | | 17% | N/A | N/A | N/A |
| **Total (A.1 + A.2)** | | 4,764 | 17% | | | | | | | | | | | | | | 17% | N/A | N/A | N/A |
| **B. TAXONOMY-NON-ELIGIBLE ACTIVITIES** | | | | | | | | | | | | | | | | | | | | |
| OpEx of taxonomy-non-eligible activities | | 22,831 | 83% | | | | | | | | | | | | | | | | | |
| **Total (A + B)** | | **27,595** | **100%** | | | | | | | | | | | | | | | | | |

| | Proportion of OpEx / Total OpEx: Taxonomy-aligned per objective | Taxonomy-eligible per objective |
|---|---|---|
| CCM | 0% | 9% |
| CCA | 0% | 8% |
| WTR | 0% | 0% |
| CE | 0% | 0% |
| PPC | 0% | 0% |
| BIO | 0% | 0% |

## Share information

### Share capital

The number of Suominen's registered shares was 58,259,219 on December 31, 2023, 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, 2023, was 2,743,668 shares, accounting for 4.8% of the average number of shares (excluding treasury shares). The highest price was EUR 3.48, the lowest EUR 2.48, and the volume-weighted average price EUR 2.85. The closing price at the beginning of the review period, on January 2, 2023, was EUR 3.06 and the closing price on the last trading date of the review period, on December 29, 2023, was EUR 2.85.

The market capitalization (excluding treasury shares) was EUR 164.4 million on December 31, 2023.

### Authorizations of the Board of Directors

The AGM 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, 2024, and it revokes all earlier 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 are valid until June 30, 2024.

In accordance with the resolution by the Annual General Meeting, in total 21,949 shares were transferred to the members of the Board of Directors as their remuneration payable in shares during the reporting period.

In February 2023, in accordance with the share-based incentive plan, 189,783 shares were transferred to the participants of the plan.

After these transactions, the maximum amount of the authorization is 4,788,268 shares in aggregate.

## Remuneration of the Board payable in shares

The AGM held on April 3, 2023, 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 10, 2023.

## Share-based incentive plans for the management and key employees valid in 2023

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 2021–2023, 2022–2024 and 2023–2025. 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 | 2021–2023 | 2022–2024 | 2023–2025 |
|---|---|---|---|
| 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 2024 | Will be paid partly in Suominen shares and partly in cash in spring 2025 | Will be paid partly in Suominen shares and partly in cash in spring 2026 |
| Participants | 15 people | 21 people | 23 people |
| Maximum number of shares | 232,000 | 222,000 | 687,000 |

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.

### The President & CEO's share-based incentive plan

The Board of Directors of Suominen Corporation resolved on May 19, 2023, to establish a new share-based incentive plan for the company's President & CEO. The aim of the plan is to align the objectives of the shareholders and the President & CEO in order to increase the value of Suominen in the long-term, to retain the President & CEO at the company, and to offer him a competitive reward plan that is based on acquiring, receiving and accumulating the company's shares.

Under the plan the President & CEO is expected to own or acquire up to 30,000 shares of Suominen Corporation at a price formed in public trading on Nasdaq Helsinki. Suominen will match the share investment by way of the President & CEO receiving, without consideration, up to 60,000 matching shares (gross, including also the proportion to be paid in cash).

The plan includes three vesting periods, June 1, 2023–June 1, 2024, June 1, 2023–June 1, 2025, and June 1, 2023–June 1, 2026. The potential reward will be paid partly in shares and partly in cash in three equal installments after each vesting period, provided that the President & CEO's service in the company is in force at the time of the reward payment. The cash proportion is intended to cover taxes and tax-related costs arising from the rewards to the President & CEO.

## Shareholders

At the end of the review period, on December 31, 2023, Suominen Corporation had in total 5,376 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 the largest shareholders is presented in the consolidated financial statements Note 31 and Note 13.

### Treasury shares

On December 31, 2023, Suominen Corporation held 566,760 treasury shares.

As a share-based incentive plan vested, in total 189,783 shares were transferred to the participants of the plan in February.

In accordance with the resolution by the Annual General Meeting (AGM), in total 21,949 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

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

### 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 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 2023 of Suominen Corporation.

## Composition of the Nomination Board

Suominen's three largest registered shareholders Ahlstrom Capital B.V., Etola Group Oy and Oy Etra Invest Ab have nominated the following members to the Shareholders' Nomination Board:

- Lasse Heinonen, President & CEO of A. Ahlström Corporation, as a member appointed by Ahlstrom Capital B.V.
- Mikael Etola, CEO, Etola-Yhtiöt, as a member appointed by Etola Group Oy and Oy Etra Invest Ab

Jaakko Eskola, Chair of Suominen's Board of Directors, serves as the third member of the Nomination Board. The shareholders entitled to appoint members to the Nomination Board were determined on the basis of the registered holdings in the company's shareholders' register on September 1, 2023.

In its organizing meeting on September 4, 2023, the Nomination Board elected Lasse Heinonen as the Chair of the Nomination Board. The Nomination Board decided to invite Peter Seligson, Chair of the Board of Directors of A. Ahlström Corporation, to attend the Nomination Board's meetings as an advisor.

## Proposals of the Nomination Board to the Annual General Meeting 2024

### 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, Nina Linander and Laura Remes would be re-elected as members of the Board of Directors and that Charles Héaulmé would be elected as a new member of the Board of Directors.

Jaakko Eskola, the current Chair of the Board of Directors, has informed that he is not available for re-election to the Board of Directors.

Charles Héaulmé, born 1966, B.Sc. (Business Administration), French citizen, currently works as the President and CEO of Huhtamäki Oyj. Prior to that he has held a number of executive positions at Tetra Pak in Europe and Americas.

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 A. Ahlström Corporation. The largest shareholder of Suominen Corporation, Ahlstrom Capital B.V. is a group company of A. Ahlström Corporation.

The Nomination Board proposes to the Annual General Meeting that Charles Héaulmé would be 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 would be as follows: the Chair would be paid an annual fee of EUR 74,000 (2023: EUR 70,000), the Deputy Chair an annual fee of EUR 45,000 (2023: 33,000) and other Board members an annual fee of EUR 35,000 (2023: 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 2024 of the company is published.

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

## Changes in the Executive team

**Klaus Korhonen,** SVP, HR & Legal acted as interim President & CEO until March 31, 2023.

**Toni Tamminen,** CFO, left Suominen on February 3, 2023.

**Tommi Björnman** started as the President & CEO on April 1, 2023.

**Janne Silonsaari** started as the CFO on June 1, 2023.

**Jonni Friman** started as SVP, Transformation Management Office on June 1, 2023.

**Lynda Kelly,** SVP, Americas & Business Development, left Suominen on August 22, 2023. **Markku Koivisto,** SVP, Europe & R&D, was appointed as interim SVP, Americas, until October 31, 2023.

**Thomas Olsen** started as SVP, Americas on November 1, 2023.

## Annual General Meeting

The Annual General Meeting (AGM) of Suominen Corporation was held on April 3, 2023.

The AGM adopted the Financial Statements and the Consolidated Financial Statements for the financial year 2022 and discharged the members of the Board of Directors and the President & CEO from liability for the financial year 2022. The AGM approved the Remuneration Report for the governing bodies. The AGM also approved the amendment of the company's Articles of Association in such a way that it enables the organization of General Meetings in the future also entirely without a meeting venue as a remote meeting.

The AGM decided, in accordance with the proposal by the Board of Directors, that a dividend of EUR 0.10 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. 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 remains unchanged at six (6). Mr. Andreas Ahlström, Mr. Aaron Barsness, Mr. Björn Borgman, Mr. Jaakko Eskola, Ms. Nina Linander were re-elected as members of the Board. Ms. Laura Remes 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 earlier in this report.

Suominen published a stock exchange release on April 3, 2023, concerning the resolutions of the Annual General Meeting and the organizing meeting of the Board of Directors.

In compliance with the resolution of the Annual General Meeting, on April 14, 2023, Suominen paid out dividends in total of EUR 5.8 million for 2022, corresponding to EUR 0.10 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 was re-elected as member. Laura Remes was elected as a new member. Jaakko Eskola was re-elected as the Chair of the Personnel and Remuneration Committee and Björn Borgman and Aaron Barsness were re-elected as members.

## Business risks and uncertainties

### Manufacturing risks

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

Suominen's operations could be disrupted due to abrupt and unforeseen events beyond the company's control, such as power outages or fire and water damage. Suominen may not be able to control such events through predictive actions, which could lead to interruptions in business. Risks of this type are insured in order to guarantee the continuity of operations. As Suominen has valid property damage and business interruption insurances, 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 2023, the Group's ten largest customers accounted for 69.9% (64.3%) 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 a 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 for similar regulations to expand worldwide exists. 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 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 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 value chains. Suominen manages these risks with appropriate precautions, business continuity plans and insurances. As an example, risks relating to continuity of raw material supply are managed by working with multiple international suppliers, and risks relating to the company's own manufacturing facilities are reduced for example by Suominen's geographical diversity.

### Social and employee-related risks

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

Occupational safety related risks are managed through continuous safety work and by ensuring that work guidelines are followed. To minimize safety risks Suominen has established Life Saving Rules, which are mandatory for everyone to comply in any circumstances. As a 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.

Corruption and bribery risks are assessed at Suominen as part of our enterprise risk management process which covers all Suominen locations globally. Accordingly, 100% of our operations are assessed for risks related to corruption. No significant risk has been identified.

## 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.

We see some positive signals from the market and customers, but the overall global economic uncertainty and fierce competition continue to make the longer-term visibility challenging. It remains to be seen how the current economic climate impacts the end consumer demand and consumer preferences regarding wipes. Historically, the wipes market has been rather steady despite the general economic situation.

Instabilities in Israel and lately in Suez Canal, and the war in Ukraine continue to generate uncertainty globally. Possible impacts to Suominen are expected to be indirect and we continue to monitor the situations.

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

### Key ratios of the parent company

| EUR thousand | 2023 | 2022 | 2021 |
|---|---|---|---|
| Net sales | 23,264 | 22,610 | 25,869 |
| Operating profit/loss | 384 | -1,491 | 7,138 |
| % of net sales | 1.7 | -6.6 | 27.6 |
| Net financial expenses | 6,712 | 11,069 | 14,352 |
| Profit/loss before appropriations and income taxes | 7,096 | 9,578 | 21,490 |
| Profit/loss for the period | 6,017 | 7,988 | 15,248 |
| Return on invested capital, % | 3.5 | 1.5 | 4.5 |
| Salaries | -4,021 | -4,573 | -3,436 |
| Average number of personnel | 35 | 31 | 32 |

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 23.3 million (22.6) and operating profit EUR 0.4 million (-1.5). Net financial expenses were EUR +6.7 million (+11.1). Profit for the period was EUR 6.0 million (8.0). There are no related party loans except loans to other Suominen group companies.

In the financial year 2023, the parent company had on average 35 (31) employees and at the end of the year 37 (33) employees.

## Outlook

Suominen expects that its comparable EBITDA (earnings before interest, taxes, depreciation and amortization) in 2024 will improve from 2023. In 2023, Suominen's comparable EBITDA was EUR 15.8 million.

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

The profit of the financial year 2023 of Suominen Corporation, the parent company of Suominen Group, was EUR 6,017,124.66. The funds distributable as dividends, including the profit for the period, were EUR 16,338,510 and total distributable funds were EUR 92,030,846.

The Board of Directors proposes that a dividend of EUR 0.10 per share shall be distributed for the financial year 2023 and that the profit shall be transferred to retained earnings.

On February 5, 2024, the company had 57,692,459 issued shares, excluding treasury shares. With this number of shares, the total amount of dividends to be distributed would be EUR 5,769,245,90.

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

The record date is April 8, 2024, and the dividend will be paid on April 15, 2024.

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

The Corporate Governance Statement 2023 and Remuneration Report 2023 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 2023.

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

**The Board of Directors of Suominen Corporation resolved on a new share-based incentive plan for management and key employees on February 5, 2024**

The Board of Directors of Suominen Corporation has resolved to establish a new share-based incentive plan for key employees of the group. The purpose of the plan is to align the interests of the company's shareholders and key employees to increase the company's value in the long-term, to commit key employees to implement the company's strategy, objectives and long-term interest, and to reward them for high performance.

The Performance Share Plan 2024–2028 consists of three performance periods, covering the financial years 2024–2026, 2025–2027 and 2026–2028 respectively. The Board of Directors will resolve annually on the commencement and details of a performance period.

In the plan, the target group has an opportunity to earn Suominen shares based on performance. The performance criteria of the performance period 2024–2026 are tied to Absolute Total Shareholder Return (weight 40%) covering the years 2024–2026, Relative Total Shareholder Return (weight 40%) covering the years 2024–2026, and operative performance and sustainability goal (weight 20%) covering the year 2024 and measuring fulfilment of the company's target to improve its raw material efficiency. The potential rewards from the plan will be paid after the end of the performance period.

The value of the rewards to be paid on the basis of the plan corresponds to a maximum total of 1,090,349 shares of Suominen, including also the proportion to be paid in cash. The target group in the performance period 2024–2026 consists of 27 key employees, including the CEO and other members of the Executive Management Team.

The potential reward will be paid partly in Suominen's shares and partly in cash. The cash proportion of the reward is intended to cover taxes and statutory social security contributions arising from the reward to the key employee. As a rule, no reward will be paid if the key employee's employment or director contract terminates before the reward payment.

The Executive Management Team member must hold 50% of the received shares, until the value of the Executive Management Team member's total shareholding in Suominen equals to 50% of their annual base salary for the calendar year preceding the payment of the reward. Respectively, the CEO must hold 50% of the received shares, until the value of the CEO's total shareholding in Suominen equals to 100% of the CEO's annual base salary for the preceding calendar year. Such number of Suominen shares must be held as long as the membership in the Executive Management Team or the position as the CEO continues.

# Consolidated financial statements (IFRS) 2023

## Consolidated statement of financial position

EUR thousand

| | Note | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Goodwill | 5 | 15,496 | 15,496 |
| Intangible assets | 6 | 6,084 | 9,709 |
| Property, plant and equipment | 7 | 112,727 | 116,195 |
| Right-of-use assets | 22 | 11,109 | 11,902 |
| Equity instruments | 9 | 421 | 421 |
| Other non-current receivables | 11 | 83 | 93 |
| Deferred tax assets | 27 | 2,048 | 693 |
| **Total non-current assets** | | **147,967** | **154,510** |
| **Current assets** | | | |
| Inventories | 10 | 37,914 | 63,261 |
| Trade receivables | 11 | 62,325 | 66,648 |
| Other current receivables | 11 | 7,345 | 8,857 |
| Assets for current tax | 27 | 2,128 | 662 |
| Cash and cash equivalents | | 58,755 | 49,508 |
| **Total current assets** | | **168,467** | **188,935** |
| **TOTAL ASSETS** | | **316,434** | **343,445** |

| | Note | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| **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 | | 316 | 265 |
| Exchange differences | | 111 | 2,678 |
| Retained earnings | | 12,251 | 30,740 |
| **Total equity attributable to owners of the parent** | | **124,912** | **145,916** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 27 | 9,362 | 11,730 |
| Liabilities from defined benefit plans | 24 | 179 | 424 |
| Non-current provisions | 15 | 564 | 1,950 |
| Non-current lease liabilities | 14 | 9,711 | 11,215 |
| Debenture bonds | 14 | 49,449 | 49,295 |
| **Total non-current liabilities** | | **69,265** | **74,614** |
| **Current liabilities** | | | |
| Current provisions | 15 | 3,870 | – |
| Current lease liabilities | 14 | 3,117 | 2,855 |
| Other current interest-bearing liabilities | 14 | 40,000 | 40,000 |
| Liabilities for current tax | 27 | 148 | 289 |
| Trade payables and other current liabilities | 16 | 75,122 | 79,771 |
| **Total current liabilities** | | **122,257** | **122,915** |
| **Total liabilities** | | **191,522** | **197,529** |
| **TOTAL EQUITY AND LIABILITIES** | | **316,434** | **343,445** |

## Consolidated statement of profit or loss

EUR thousand

| | Note | January 1 – December 31, 2023 | January 1 – December 31, 2022 |
|---|---|---|---|
| **Net sales** | 19 | **450,851** | **493,298** |
| Cost of goods sold | | -428,122 | -474,718 |
| **Gross profit** | | **22,729** | **18,579** |
| Other operating income | 21 | 4,802 | 5,739 |
| Sales, marketing and administration expenses | | -28,497 | -28,932 |
| Research and development expenses | | -3,851 | -3,503 |
| Other operating expenses | 21 | -2,700 | -841 |
| **Operating profit** | | **-7,517** | **-8,958** |
| Net financial expenses | 26 | -5,987 | -2,923 |
| **Profit before income taxes** | | **-13,504** | **-11,881** |
| Income taxes | 27 | 719 | -1,983 |
| **Profit for the period** | | **-12,786** | **-13,863** |
| | | | |
| **Earnings per share, EUR** | | | |
| Basic | 29 | -0.22 | -0.24 |
| Diluted | | -0.22 | -0.24 |

## Consolidated statement of comprehensive income

EUR thousand

| | January 1 – December 31, 2023 | January 1 – December 31, 2022 |
|---|---|---|
| **Profit for the period** | **-12,786** | **-13,863** |
| | | |
| **Other comprehensive income:** | | |
| **Other comprehensive income that will be subsequently reclassified to profit or loss:** | | |
| Exchange differences | -2,991 | 8,873 |
| Income taxes related to other comprehensive income | 424 | -618 |
| **Total** | **-2,567** | **8,255** |
| | | |
| **Other comprehensive income that will not be subsequently reclassified to profit or loss:** | | |
| Remeasurements of defined benefit plans | -22 | 137 |
| Income taxes related to other comprehensive income | – | -125 |
| **Total** | **-22** | **12** |
| | | |
| **Total other comprehensive income** | **-2,589** | **8,267** |
| | | |
| **Total comprehensive income for the period** | **-15,375** | **-5,596** |

## 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, 2023** | **11,860** | **24,681** | **75,692** | **2,678** | **265** | **30,740** | **145,916** |
| Profit for the period | – | – | – | – | – | -12,786 | -12,786 |
| Other comprehensive income | – | – | – | -2,567 | – | -22 | -2,589 |
| **Total comprehensive income** | **–** | **–** | **–** | **-2,567** | **–** | **-12,808** | **-15,375** |
| Distribution of dividend | – | – | – | – | – | -5,767 | -5,767 |
| Share-based payments | – | – | – | – | – | 88 | 88 |
| Conveyance of treasury shares | – | – | – | – | – | 49 | 49 |
| Transfers | – | – | – | – | 51 | -51 | – |
| **Equity December 31, 2023** | **11,860** | **24,681** | **75,692** | **111** | **316** | **12,251** | **124,912** |

| | 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** |

# Consolidated statement of cash flows

EUR thousand

| | Note | January 1–December 31, 2023 | January 1–December 31, 2022 |
|---|---|---|---|
| **Cash flow from operations** | | | |
| Profit for the period | | -12,786 | -13,863 |
| Total adjustments to profit for the period | 30 | 26,612 | 28,037 |
| **Cash flow before changes in net working capital** | | **13,826** | **14,174** |
| Change in net working capital | | 25,703 | 7,753 |
| Financial items | | -4,954 | -4,745 |
| Income taxes | | -3,851 | -3,156 |
| **Cash flow from operations** | | **30,724** | **14,027** |
| | | | |
| **Cash flow from investments** | | | |
| Investments in property, plant and equipment and intangible assets | | -11,062 | -9,764 |
| Sales proceeds from property, plant and equipment and intangible assets | | 36 | 30 |
| **Cash flow from investments** | | **-11,027** | **-9,734** |
| | | | |
| **Cash flow from financing** | | | |
| Repayment of non-current interest-bearing liabilities | 14 | – | -85,000 |
| Drawdown of current interest-bearing liabilities | 14 | 240,000 | 40,000 |
| Repayment of current interest-bearing liabilities | 14 | -243,271 | -3,003 |
| Acquisition of treasury shares | | – | -379 |
| Distribution of dividend and return of capital | | -5,767 | -11,492 |
| **Cash flow from financing** | | **-9,038** | **-59,875** |
| | | | |
| **Change in cash and cash equivalents** | | **10,659** | **-55,582** |
| | | | |
| Cash and cash equivalents at the beginning of the period | | 49,508 | 101,357 |
| Effect of changes in exchange rates | | -1,412 | 3,732 |
| Change in cash and cash equivalents | | 10,659 | -55,582 |
| **Cash and cash equivalents at the end of the period** | | **58,755** | **49,508** |

# Notes to the consolidated financial statements

## NOTE 1 Material accounting policy information – 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. 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 5, 2024, approved these financial statements to be published. According to the Finnish Limited Liability Companies Act, the shareholders have a possibility to approve or reject or make a decision on altering the financial statements in a General Meeting to be held after the publication of the financial statements.

### Basis for presentation

The consolidated financial statements of Suominen Group are prepared in accordance with International Financial Reporting Standards (IFRS), including International Accounting Standards (IAS) and Interpretations issued by the International Financial Reporting Interpretations Committee (SIC and IFRIC). International Financial Reporting Standards are standards and their interpretations adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the European Parliament and of the Council. The Notes to the Financial Statements are also in accordance with the Finnish Accounting Act and Ordinance and the Finnish Limited Liability Companies Act.

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

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

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

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

### New accounting standards

**New or amended standard, annual improvements or interpretations applicable from January 1, 2023:**

- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2, applicable from January 1, 2023. The amendment replaced 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 has had some effect on the disclosure of accounting policies in Suominen's consolidated financial statements, as the accounting principles presented in the consolidated financial statements 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 clarified the distinction between the changes in accounting estimates and changes in accounting policies and the correction of errors. The amendment clarified 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 did 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. The disclosure information from the previous period has been restated.

  IAS 12 Income Taxes applies to income taxes arising from tax laws enacted or substantively enacted to implement the Pillar II Rules published by the Organization for Economic Cooperation and Development (OECD). International Tax Reform – Pillar II Model Rules – Amendment to IAS 12, effective for reporting periods beginning on or after January 1, 2023, introduced a mandatory exception in IAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar II income taxes. As the Pillar II Rules apply to multinational groups with consolidated net sales over EUR 750 million, Suominen is not subject to Pillar II Rules.

Other new or amended standards, improvements or annual improvements applicable from January 1, 2023, or later were not material for Suominen Group.

**New and amended IFRS standards and IFRIC interpretations published but mandatory from January 1, 2024 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.

Other new or amended standards, improvements or annual improvements applicable from January 1, 2024 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's 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 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 continues to be mostly affected by the indirect economic impacts of the war.

The risks related to climate change are included in Note 5 (Goodwill), Note 7 (Property, plant and equipment) as well as in Note 19 (Revenue from contracts with customers).

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 can be 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 2023 | | Transaction exposure 2022 | |
|---|---|---|---|---|
| EUR thousand | 12 months' cash flow | Hedged with currency forwards | 12 months' cash flow | Hedged with currency forwards |
| USD/EUR | 661 | – | -1,550 | – |
| EUR/BRL | -528 | – | -987 | – |
| USD/BRL | -8,547 | – | -10,382 | – |

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

**Translation exposure 2023 against EUR**

| EUR thousand | Internal loan receivables | Cash and cash equivalents and internal interest-bearing liabilities | Equity of foreign subsidiaries | Open currency exposure |
|---|---|---|---|---|
| BRL | – | 3,854 | 15,604 | 19,458 |
| USD | 58,824 | 39,915 | 58,029 | 156,768 |

**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 |

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 58.8 million at the end of the reporting period. The exchange differences from these loan receivables are recognized in exchange differences in other comprehensive income as they are in substance exchange differences arising from equity. Exchange rate differences arising from other internal and external interest-bearing liabilities are recognized in profit or loss.

**Sensitivity analysis of financial instruments**

IFRS requires disclosing 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.

**2023**

| EUR thousand | Currency strengthens % | A. Effect on profit after tax | B. Effect on equity after tax (excluding A) | Currency weakens % | A. Effect on profit after tax | B. Effect on equity after tax (excluding A) |
|---|---|---|---|---|---|---|
| USD/EUR | 7.4 | – | 3,457 | -7.4 | – | -3,457 |

**2022**

| EUR thousand | Valuutta vahvistuu % | 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 |

### Sensitivity analysis of net currency flows

The management has assessed the sensitivity of the estimated net currency cash flows for 12 months. If hedging instruments are in use, the compensating effect of the hedging instruments is taken into account. The net effect from the change in the USD exchange rate on profit after taxes in 2023 is estimated to be EUR - / + 39 thousand (EUR - / + 130 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.

**2023**

| EUR thousand | Currency strengthens / weakens % | Effect on 12 months' currency cash flow | Effect on hedging instruments | Net effect after tax |
|---|---|---|---|---|
| USD/EUR | +7 / -7 | -49 / 49 | – | -39 / 39 |

## 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 2023, the duration excluding the lease liabilities was 24 months (30 months in 2022).

At the end of the reporting period the carrying amount of the Group's loans with fixed interest rates was EUR 49.4 million (EUR 49.3 million) and EUR 40.0 million (EUR 40.0 million) with floating interest rates. Lease liabilities were EUR 12.8 million (EUR 14.1 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.

**2023**

| 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 58.8 million (EUR 49.5 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 -120 thousand in 2023 (EUR -164 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.

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.

The average maturity of the committed facility agreements was 1.5 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 2023**

EUR thousand

| Financial liabilities | Carrying amount | Contractual cash flows | Falling due: Less than 6 months | 6–12 months | 1–2 years | 2–5 years | After 5 years |
|---|---|---|---|---|---|---|---|
| Debentures | 49,449 | 53,000 | 750 | – | 750 | 51,500 | – |
| Lease liabilities | 12,828 | 14,845 | 1,966 | 1,799 | 2,719 | 6,061 | 2,298 |
| Other interest-bearing liabilities | 40,000 | 40,732 | 40,732 | – | – | – | – |
| Other financial liabilities | 330 | 330 | 330 | – | – | – | – |
| Trade payables | 60,343 | 60,343 | 60,265 | 77 | – | – | – |
| **Total** | **162,951** | **169,249** | **104,044** | **1,877** | **3,469** | **57,561** | **2,298** |

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 | 2,440 | – | – | 163 | 2,278 |
| Commitments to leases not yet commenced | 1,485 | 158 | 89 | 203 | 1,035 |
| Contractual commitments to acquire property, plant and equipment | 1,368 | 1,368 | – | – | – |
| **Total** | **5,293** | **1,526** | **89** | **365** | **3,313** |

**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 | More than 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** |

## 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 the 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 2023, the Group's equity ratio was 39.5% (42.5%) and gearing was 35.3% (37.4%).

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 | 2023 | 2022 | **Reference** |
|---|---|---|---|
| Nominal value of interest-bearing liabilities | 102.8 | 104.1 | Note 14 |
| Cash and cash equivalents | -58.8 | -49.5 | Consolidated statement of financial position |
| **Interest-bearing net debt** | **44.1** | **54.6** | |
| Total equity attributable to owners of the parent | 124.9 | 145.9 | |
| Assets total - advances received | 316.3 | 343.4 | |
| | | | |
| Gearing, % | 35.3 | 37.4 | |
| Equity ratio, % | 39.5 | 42.5 | |

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. 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 comparable financial performance of Suominen in 2023 has slightly increased from 2022 mainly due to the improved sales margins. Going forward, sales volumes are expected to increase mainly in the US driven by the market demand. In Europe, sales volumes are expected to slightly increase, but the increase is limited by the available production capacity. Mozzate plant closure in Italy has been completed during 2023. Gross profit is expected to increase due to pricing activities, more favorable product mix and improved raw material efficiency.

The annual growth rate for Suominen's net sales during the period covered by the forecast (2024–2028) has been estimated at 2.3%. The estimated growth rate has increased from the previous year as sales volumes and sales prices are expected to increase.

Annual terminal growth rate (2.0%) is assumed to equal overall inflation development.

The discount rate has been determined by using a capital structure, which is considered to reflect the long-term capital structure at the time of the impairment test. In this determination Suominen has used a peer group, whose capital structure has an average debt to equity ratio of 39.1%. 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 30-year government bond rates in the countries where Suominen operates, or if these rates have not been available, the average of 10-year government bonds has been used. The used discount rate has decreased from the previous year as the interest rates overall have decreased.

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 2.280 percentage points or the annual terminal operating profit percentage would decrease by 1.565 percentage points, other assumptions unchanged, the recoverable amount would equal the carrying amount.

**The critical assumptions in impairment testing**

| | 2023 | 2022 |
|---|---|---|
| Pre-tax discount rate | 11.7% | 13.7% |
| Growth in net sales 2024–2028 (2023–2027) | 2.3% | 0.9% |
| Annual terminal growth rate | 2.0% | 2.0% |
| Annual terminal operating profit percentage | 5.7% | 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 2022). 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 2023 |
|---|---|---|---|---|---|
| **Acquisition cost January 1** | **22,958** | **15,496** | **7,192** | **–** | **45,646** |
| Exchange difference | -1 | – | -35 | – | -36 |
| Additions | 103 | – | – | 66 | 169 |
| Decreases and disposals | -449 | – | -400 | – | -850 |
| Reclassifications | 30 | – | – | -30 | – |
| **Acquisition cost December 31** | **22,640** | **15,496** | **6,757** | **36** | **44,929** |
| **Accumulated amortization and impairment losses January 1** | **-14,316** | **–** | **-6,125** | **–** | **-20,441** |
| Exchange difference | 1 | – | 32 | – | 33 |
| Amortization for the reporting period | -3,238 | – | -554 | – | -3,792 |
| Decreases and disposals | 449 | – | 400 | – | 850 |
| **Accumulated amortization and impairment losses December 31** | **-17,103** | **–** | **-6,247** | **–** | **-23,350** |
| **Carrying amount December 31** | **5,538** | **15,496** | **509** | **36** | **21,580** |

| | 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** |

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 383 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 2023 |
|---|---|---|---|---|---|---|
| **Acquisition cost January 1** | **3,069** | **64,656** | **251,178** | **2,047** | **5,533** | **326,483** |
| Exchange difference | 29 | -1,007 | -5,295 | – | -95 | -6,369 |
| Additions | – | 210 | 645 | – | 10,080 | 10,936 |
| Capitalized borrowing costs | – | – | – | – | 118 | 118 |
| Decreases and disposals | – | -13 | -10,155 | -650 | – | -10,818 |
| Reclassifications | – | 297 | 5,522 | 679 | -6,498 | – |
| **Acquisition cost December 31** | **3,097** | **64,143** | **241,895** | **2,077** | **9,138** | **320,350** |
| **Accumulated depreciation and impairment losses January 1** | **–** | **-42,232** | **-166,196** | **-1,283** | **-578** | **-210,288** |
| Exchange difference | – | 433 | 3,426 | – | – | 3,859 |
| Decreases and disposals | – | 13 | 10,155 | 650 | – | 10,818 |
| Depreciation for the reporting period | – | -2,350 | -9,528 | -126 | – | -12,004 |
| Impairment losses | – | – | -8 | – | – | -8 |
| Reclassifications | – | – | -578 | – | 578 | – |
| **Accumulated depreciation and impairment losses December 31** | **–** | **-44,136** | **-162,730** | **-759** | **–** | **-207,623** |
| **Carrying amount December 31** | **3,097** | **20,008** | **79,166** | **1,318** | **9,138** | **112,727** |

| | 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** |

| | 2023 | 2022 |
|---|---|---|
| Carrying amount of production machinery and equipment | 78,443 | 83,982 |

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. In addition, also legislation directs the transition into plastic-free and sustainable nonwovens. Suominen has already for years put effort in the R&D on developing sustainable nonwovens by researching the use of new, potential raw materials as well as the biodegradability of the raw materials.

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 and requirements set by legislation. 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 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, 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 2023 |
|---|---|---|
| **Carrying amount January 1** | **421** | **421** |
| **Carrying amount December 31** | **421** | **421** |

| | Designated at fair value through other comprehensive income | Total 2022 |
|---|---|---|
| **Carrying amount January 1** | **421** | **421** |
| **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.

The equity instruments consist of unlisted shares and they 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.

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

| | 2023 | 2022 |
|---|---|---|
| **Inventories** | | |
| Raw materials and consumables | 23,957 | 42,670 |
| Work in progress | 3,123 | 3,837 |
| Finished goods | 10,804 | 16,732 |
| Advance payments for inventory | 30 | 22 |
| **Total inventories** | **37,914** | **63,261** |
| | | |
| Write-down of inventory | -6,424 | -6,610 |
| Reversals of write-down of inventory | 6,934 | 4,796 |
| | | |
| Inventories recognized as expense during the period | -353,584 | -393,879 |

### 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

| | 2023 | 2022 |
|---|---|---|
| **Non-current receivables** | | |
| Other non-current receivables | 83 | 93 |
| **Total non-current receivables** | **83** | **93** |
| | | |
| **Current receivables** | | |
| Trade receivables | 62,325 | 66,648 |
| Other current receivables | 4,116 | 6,753 |
| Prepaid expenses and accrued income | 3,229 | 2,104 |
| **Total current receivables** | **69,670** | **75,505** |

## Ageing analysis of trade receivables and credit risk exposure

### Trade receivables December 31, 2023

| | | Past due | | | | | |
|---|---|---|---|---|---|---|---|
| | Current | < 5 days | 5–30 days | 31–120 days | > 120 days | Total past due | **Total** |
| Trade receivables | 56,243 | 3,068 | 2,126 | 329 | 2,357 | 7,880 | **64,123** |
| Allowance for expected credit losses | – | – | – | -131 | -1,666 | -1,798 | **-1,798** |
| **Carrying amount of trade receivables** | **56,243** | **3,068** | **2,126** | **197** | **691** | **6,082** | **62,325** |

### 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** |

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

| | 2023 | 2022 |
|---|---|---|
| **Allowance for expected credit losses January 1** | **-2,117** | **-2,121** |
| Exchange difference | 23 | -30 |
| Realized | 414 | 194 |
| Reversed | 417 | 257 |
| Charge for the year | -535 | -418 |
| **Allowance for expected credit losses December 31** | **-1,798** | **-2,117** |
| | | |
| Expected credit losses of trade receivables recognized during the period, net | -120 | -164 |

**Currency analysis of trade receivables**

| | | |
|---|---|---|
| EUR | 28,527 | 32,594 |
| USD | 27,404 | 28,377 |
| BRL | 6,394 | 5,677 |
| **Total** | **62,325** | **66,648** |

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, if any, 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 2023 and 2022 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 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 | – | 62,325 | – | 62,325 | 62,325 |
| Interest and other financial receivables | – | 201 | – | 201 | 201 |
| Cash and cash equivalents | – | 58,755 | – | 58,755 | 58,755 |
| **Total December 31, 2023** | **–** | **121,281** | **421** | **121,702** | **121,702** |

| | 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** |

## 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 | 49,449 | 49,449 | 42,080 | 50,000 |
| Other current interest-bearing liabilities | 40,000 | 40,000 | 40,000 | 40,000 |
| Lease liabilities | 12,828 | 12,828 | 12,828 | 12,828 |
| Interest accruals | 626 | 626 | 626 | 626 |
| Other current liabilities | 508 | 508 | 508 | 508 |
| Trade payables | 60,343 | 60,343 | 60,343 | 60,343 |
| **Total December 31, 2023** | **163,755** | **163,755** | **156,386** | **164,306** |

| | 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** |

## 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, 2023, 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 566,760 treasury shares. As a share-based payment plan vested, in total 189,783 shares were transferred to the participants of the plan in February. In accordance with the resolution by the Annual General Meeting, 21,949 shares were transferred on May 10, 2023, to the members of the Board of Directors as their remuneration payable in 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, 2023, was 2,743,668 shares (10,902,032 shares), accounting for 4.8% (19.0%) of the average number of shares (excluding treasury shares). The highest price was EUR 3.48 (EUR 5.27), the lowest EUR 2.48 (EUR 2.36) and the volume-weighted average price EUR 2.85 (EUR 3.57). The closing price at the end of reporting period was EUR 2.85 (EUR 3.00). The market capitalization (excluding treasury shares) was EUR 164.4 million on December 31, 2023 (EUR 172.4 million).

## Number of shares

### Changes in number of shares

| | |
|---|---|
| **Number of shares January 1, 2022** | **58,259,219** |
| **Number of shares December 31, 2022** | **58,259,219** |
| **Number of shares December 31, 2023** | **58,259,219** |

### Changes in treasury shares

| | |
|---|---|
| **Number of shares January 1, 2022** | **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** |
| Conveyance of treasury shares, reward for the Board of Directors | -21,949 |
| Conveyance of treasury shares, share-based plans | -189,783 |
| **Number of shares December 31, 2023** | **566,760** |

| **Number of shares** | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Number of shares excluding treasury shares | 57,692,459 | 57,480,727 |
| Share-issue adjusted number of shares excluding treasury shares | 57,692,459 | 57,480,727 |
| Average number of shares excluding treasury shares | 57,656,044 | 57,439,615 |
| Average share-issue adjusted number of shares excluding treasury shares | 57,656,044 | 57,439,615 |
| Average diluted share-issue adjusted number of shares excluding treasury shares | 57,738,524 | 57,533,196 |

## Notifications in 2023 under Chapter 9, Sections 5 and 6 of the Securities Market Act

There were no notifications in 2023.

**Largest shareholders December 31, 2023**

| Shareholder | Number of shares | % of shares and votes |
|---|---|---|
| Ahlström Capital B.V. | 13,995,013 | 24.0% |
| Etola Group Oy | 7,414,000 | 12.7% |
| Oy Etra Invest Ab | 7,000,000 | 12.0% |
| OP Life Assurance Company Ltd | 4,128,708 | 7.1% |
| Nordea Nordic Small Cap Fund | 3,435,147 | 5.9% |
| Mandatum Life Insurance Company | 2,908,287 | 5.0% |
| Ilmarinen Mutual Pension Insurance Company | 1,912,000 | 3.3% |
| Varma Mutual Pension Insurance Company | 1,689,751 | 2.9% |
| Oy H. Kuningas & Co. AB | 1,400,000 | 2.4% |
| Nordea Life Assurance Finland Ltd | 1,379,866 | 2.4% |
| Maijala Investment Oy | 1,176,232 | 2.0% |
| Skandinaviska Enskilda Banken AB (publ.) | 1,037,686 | 1.8% |
| Laakkosen Arvopaperi Oy | 900,000 | 1.5% |
| Juhani Maijala | 794,026 | 1.4% |
| Pension Insurance Company Elo | 689,430 | 1.2% |
| **15 largest total** | **49,860,146** | **85.6%** |
| Other shareholders | 6,564,969 | 11.3% |
| Nominee registered | 1,267,344 | 2.2% |
| Treasury shares | 566,760 | 1.0% |
| **Total** | **58,259,219** | **100.0%** |

### Ownership distribution December 31, 2023

| | Number of shareholders | % of total | Number of shares | % of shares and votes |
|---|---|---|---|---|
| Corporations | 175 | 3.3% | 11,586,277 | 19.9% |
| Financial and insurance corporations | 13 | 0.2% | 19,910,347 | 34.2% |
| General government | 4 | 0.1% | 4,291,781 | 7.4% |
| Non-profit institutions | 10 | 0.2% | 280,080 | 0.5% |
| Households | 5,141 | 95.8% | 6,286,601 | 10.8% |
| Foreign countries | 23 | 0.4% | 14,070,029 | 24.2% |
| **Total** | **5,366** | **100.0%** | **56,425,115** | **96.9%** |
| Nominee registered | 10 | | 1,267,344 | 2.2% |
| Treasury shares | 1 | | 566,760 | 1.0% |
| **Total** | **5,377** | | **58,259,219** | **100.0%** |

### Shareholders by share ownership December 31, 2023

| Number of shares | Number of shareholders | % of total | Number of shares | % of shares and votes |
|---|---|---|---|---|
| 1–100 | 1,999 | 37.2% | 87,277 | 0.1% |
| 101–500 | 1,812 | 33.7% | 482,990 | 0.8% |
| 501–1,000 | 705 | 13.1% | 556,252 | 1.0% |
| 1,001–5,000 | 670 | 12.5% | 1,477,973 | 2.5% |
| 5,001–10,000 | 79 | 1.5% | 563,959 | 1.0% |
| 10,001–50,000 | 71 | 1.3% | 1,419,122 | 2.4% |
| 50,001–100,000 | 15 | 0.3% | 1,043,955 | 1.8% |
| 100,001–500,000 | 9 | 0.2% | 1,675,353 | 2.9% |
| more than 500,000 | 16 | 0.3% | 50,385,578 | 86.5% |
| **Total** | **5,376** | **100.0%** | **57,692,459** | **99.0%** |
| Treasury shares | 1 | | 566,760 | 1.0% |
| **Total** | **5,377** | | **58,259,219** | **100.0%** |

## 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 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.

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Carrying amount | Fair value | Nominal value | Carrying amount | Fair value | Nominal value |
| **Non-current interest-bearing liabilities** | | | | | | |
| Debentures | 49,449 | 42,080 | 50,000 | 49,295 | 39,425 | 50,000 |
| Lease liabilities | 9,711 | 9,711 | 9,711 | 11,215 | 11,215 | 11,215 |
| **Total** | **59,160** | **51,791** | **59,711** | **60,510** | **50,640** | **61,215** |
| **Current interest-bearing liabilities** | | | | | | |
| Other interest-bearing liabilities | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 |
| Lease liabilities | 3,117 | 3,117 | 3,117 | 2,855 | 2,855 | 2,855 |
| **Total** | **43,117** | **43,117** | **43,117** | **42,855** | **42,855** | **42,855** |
| **Total** | **102,278** | **94,908** | **102,828** | **103,365** | **93,494** | **104,069** |

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**

| | 2023 | 2022 |
|---|---|---|
| **Total interest-bearing liabilities at the beginning of the period** | **103,365** | **149,134** |
| **Current liabilities at the beginning of the period** | **42,855** | **86,823** |
| Repayment of current liabilities, cash flow items | -243,271 | -88,003 |
| Drawdown of current liabilities, cash flow items | 240,000 | 40,000 |
| Increases in current liabilities, non-cash flow items | 782 | 260 |
| Decreases of current liabilities, non-cash flow items | -82 | -15 |
| Reclassification from non-current liabilities | 2,878 | 2,770 |
| Periodization of debenture to amortized cost, non-cash flow items | – | 938 |
| Exchange rate difference, non-cash flow item | -44 | 83 |
| **Current liabilities at the end of the period** | **43,117** | **42,855** |
| | | |
| **Non-current liabilities at the beginning of the period** | **11,215** | **13,167** |
| Increases in non-current liabilities, non-cash flow items | 1,629 | 445 |
| Decreases of non-current liabilities, non-cash flow items | -67 | -12 |
| Reclassification to current liabilities | -2,878 | -2,770 |
| Exchange rate difference, non-cash flow item | -188 | 385 |
| **Non-current liabilities at the end of the period** | **9,711** | **11,215** |
| | | |
| **Non-current debentures at the beginning of the period** | **49,295** | **49,144** |
| Periodization of debenture to amortized cost, non-cash flow items | 154 | 151 |
| **Non-current debentures at the end of the period** | **49,449** | **49,295** |
| **Total interest-bearing liabilities at the end of the period** | **102,278** | **103,365** |

| **Maturity of interest-bearing liabilities** | | |
|---|---|---|
| 2024 (2023) | 43,117 | 42,855 |
| 2025 (2024) | 2,241 | 2,609 |
| 2026 (2025) | 2,259 | 1,818 |
| 2027 (2026) | 51,625 | 1,878 |
| 2028– (2027–) | 3,034 | 54,204 |
| **Total** | **102,278** | **103,365** |

| **Interest-bearing liabilities by currency** | | |
|---|---|---|
| EUR | 95,795 | 96,520 |
| USD | 6,223 | 6,776 |
| BRL | 259 | 68 |
| **Total** | **102,278** | **103,365** |

## 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, 2022** | **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** |
| Exchange difference | -13 | – | – | -13 |
| Increases | 1,595 | – | 770 | 2,365 |
| Decreases | -19 | – | -81 | -100 |
| Effect of discounting | 194 | – | 40 | 234 |
| Transfer to current provisions | -3,082 | – | -788 | -3,870 |
| **December 31, 2023** | **524** | **26** | **14** | **564** |

**Current provisions**

| | Restoration provisions | Other provisions | Total |
|---|---|---|---|
| **January 1, 2022** | **–** | **–** | **–** |
| **December 31, 2022** | – | – | – |
| Transfer from non-current provisions | 3,082 | 788 | 3,870 |
| **December 31, 2023** | **3,082** | **788** | **3,870** |

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, litigation provisions and provisions related to the closure of the Mozzate plant.

## 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

| | 2023 | 2022 |
|---|---|---|
| **Current liabilities** | | |
| Trade payables | 60,343 | 64,565 |
| Advances received | 104 | 74 |
| Other liabilities | 1,514 | 1,597 |
| Accrued expenses and deferred income | 13,160 | 13,536 |
| **Total trade payables and other current liabilities** | **75,122** | **79,771** |

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**

| | 2023 | 2022 |
|---|---|---|
| EUR | 26,117 | 26,247 |
| USD | 32,525 | 36,939 |
| BRL | 1,683 | 1,378 |
| Other currencies | 18 | 1 |
| **Total** | **60,343** | **64,565** |

# NOTE 17 Derivative instruments

EUR thousand

**Derivative instruments in profit or loss**

| | 2023 | 2022 |
|---|---|---|
| **Other operating expenses** | | |
| Currency derivatives, hedge accounting not applied | – | -373 |
| **Net financial expenses** | | |
| Interest rate differences of currency derivatives | – | -33 |

## Accounting principles

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

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

### Derivative instruments at fair value through profit or loss

Most of the Group's derivative transactions, while providing economic hedges, 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.

Suominen had no derivatives in 2023.

# NOTE 18 Fair value hierarchy

EUR thousand

### Fair value hierarchy in 2023

| Financial assets at fair value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| Equity instruments | – | – | 421 |
| **Total in 2023** | **–** | **–** | **421** |

### 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 changes in Level 3

| Financial assets at fair value | |
|---|---|
| **Total January 1, 2022** | **421** |
| **Total December 31, 2022** | **421** |
| **Total December 31, 2023** | **421** |

Items to be recognized in profit or loss are 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 2023, sales to three (two) customers exceeded each 10% of total net sales. Net sales to these customers amounted to EUR 81.7 million (93.8), EUR 73.8 million (76.6) and EUR 60.7 million

The customer demand for nonwovens has shifted more and more to sustainable nonwovens not containing plastic and which are made of plant-based fibers. In addition, also legislation directs the transition into plastic-free and sustainable nonwovens. Suominen has already for years put effort in the R&D on developing sustainable nonwovens by researching the use of new, potential raw materials as well as the biodegradability of the raw materials.

Suominen aims to ensure the ability of its production lines to produce sustainable nonwovens by continuously investing in the production lines, and is thus improving the ability to meet the customer demand and requirements set by legislation.

| | 2023 | 2022 |
|---|---|---|
| **Net sales by geographical destination** | | |
| Finland | 3,240 | 3,522 |
| Rest of Europe | 155,759 | 193,673 |
| Americas | 291,108 | 294,367 |
| Rest of the world | 743 | 1,736 |
| **Total** | **450,851** | **493,298** |
| | | |
| **Net sales by business area** | | |
| Europe | 162,841 | 205,451 |
| Americas | 288,014 | 287,975 |
| Unallocated exchange differences of sales and internal sales | -5 | -128 |
| **Total** | **450,851** | **493,298** |

### 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 of the Group 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**

| | 2023 | 2022 |
|---|---|---|
| Finland | 17,735 | 16,129 |
| Rest of Europe | 35,067 | 35,475 |
| Americas | 92,614 | 101,698 |
| **Total** | **145,416** | **153,302** |

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 | 2023 | 2022 |
|---|---|---|
| Gains from disposal of intangible assets and property, plant and equipment | 36 | 30 |
| Gains from changes in leases | 2 | 0 |
| Indemnities received and insurance compensations | 25 | 40 |
| Rental income | 480 | 471 |
| Sales of waste | 713 | 628 |
| Government and other grants | 1,379 | 2,890 |
| Other operating income | 2,167 | 1,679 |
| **Total** | **4,802** | **5,739** |

Sales of waste consists of waste generated in the manufacturing process as well as products which do not fulfill quality requirements.

| Other operating expenses | | |
|---|---|---|
| Expected credit losses of trade receivables during the period, net | -120 | -164 |
| Losses from changes in leases | -1 | – |
| Currency derivatives, hedge accounting not applied, net | – | -373 |
| Indemnities and reversals of indemnity accruals | -92 | -52 |
| Expenses related to the closure of Mozzate plant | -2,350 | – |
| Other operating expenses | -137 | -252 |
| **Total** | **-2,700** | **-841** |

## 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 waste, 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).

| **Income and expenses in the statement of profit or loss arising from leases** | 2023 | 2022 |
|---|---|---|
| Depreciation expense of right-of-use assets | -2,767 | -3,447 |
| Impairment losses of right-of-use assets | -108 | -1,536 |
| Rental expenses relating to short-term leases | -421 | -417 |
| Rental expenses relating to leases of low value assets | -68 | -88 |
| Expenses arising from non-lease components of the leasing contracts and non-deductible indirect taxes | -26 | -30 |
| Gains and losses arising from lease modifications, net | 1 | 0 |
| Rental income | 480 | 471 |
| **Total in operating profit** | **-2,909** | **-5,047** |
| Interest expenses on lease liabilities (Note 26) | -802 | -958 |
| Interest expenses on provisions related to leasing contracts (Note 26) | -110 | -104 |
| **Total income and expenses** | **-3,822** | **-6,109** |

| **Cash outflow for leases** | 2023 | 2022 |
|---|---|---|
| Paid interest expenses on lease liabilities | -805 | -958 |
| Repayment of finance lease liabilities | -3,271 | -3,003 |
| Rental expenses | -514 | -535 |
| **Total cash outflow for leases** | **-4,590** | **-4,496** |

| **Minimum lease payments under non-cancellable operating leases in future periods** | | |
|---|---|---|
| Within one year | 32 | 51 |
| Between 1–5 years | 39 | 47 |
| After 5 years | – | – |
| **Total** | **71** | **98** |

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

| **Minimum non-cancellable lease payments (rental income) in future periods** | | |
|---|---|---|
| Within one year | 428 | 439 |
| Between 1–2 years | 339 | 90 |
| Between 2–3 years | 121 | – |
| Between 3–4 years | – | – |
| Between 4–5 years | – | – |
| After 5 years | – | – |
| **Total** | **889** | **529** |

## 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 2023 |
|---|---|---|---|---|---|---|
| **Acquisition cost January 1** | **80** | **22,305** | **2,644** | **1,236** | **55** | **26,321** |
| Exchange difference | – | -362 | -13 | -28 | -2 | -405 |
| Additions | 3 | 1,156 | 1,119 | 97 | 36 | 2,410 |
| Decreases | – | – | -1,295 | – | – | -1,295 |
| **Acquisition cost December 31** | **84** | **23,100** | **2,455** | **1,305** | **89** | **27,031** |
| **Accumulated depreciation and impairment losses January 1** | **-26** | **-11,697** | **-1,714** | **-945** | **-37** | **-14,419** |
| Exchange difference | – | 193 | 7 | 23 | 2 | 225 |
| Decreases | – | – | 1,147 | – | – | 1,147 |
| Depreciation for the reporting period | -7 | -1,817 | -630 | -279 | -35 | -2,767 |
| Impairment losses | – | -108 | – | – | – | -108 |
| **Accumulated depreciation and impairment losses December 31** | **-33** | **-13,430** | **-1,190** | **-1,201** | **-70** | **-15,922** |
| **Carrying amount December 31** | **51** | **9,670** | **1,265** | **104** | **19** | **11,109** |

| | 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 | 0 | -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** |

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 | 2023 | 2022 |
|---|---|---|
| Fees for statutory audit | -431 | -501 |
| Other services | -9 | -10 |
| Tax consulting | – | -15 |
| **Total** | **-441** | **-526** |

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

| Fees paid to auditors, Suominen Corporation | | |
|---|---|---|
| Fees for statutory audit | -159 | -133 |
| Other services | -4 | -10 |
| Tax consulting | – | -15 |
| **Total** | **-163** | **-158** |

## NOTE 24 Employee benefits

EUR thousand

| | 2023 | 2022 |
|---|---|---|
| Wages and salaries | -42,940 | -40,722 |
| Share-based payments | -658 | -938 |
| Pensions, defined contribution plans | -3,081 | -3,123 |
| Defined benefit plans, settlements | -23 | – |
| Other personnel expenses | -19,511 | -19,035 |
| **Total** | **-66,212** | **-63,818** |

| | | |
|---|---|---|
| Average number of personnel (FTE - full time equivalent) | 682 | 707 |
| Number of personnel, end of the reporting period (FTE - full time equivalent) | 659 | 710 |
| in Finland | 139 | 140 |

The decrease in personnel is mainly caused by the closure of Mozzate plant in Italy.

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 final 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

| | 2023 | 2022 |
|---|---|---|
| **Defined benefit liabilities in the statement of financial position** | | |
| Present value of unfunded obligations | 179 | 424 |
| Deficit | 179 | 424 |

| **Change in defined benefit obligation** | | |
|---|---|---|
| **Present value of defined benefit obligation January 1** | **424** | **638** |
| Charged to profit or loss: | | |
| Gain (-) or loss (+) on settlement | 23 | – |
| Interest expenses | 10 | 5 |
| **Total recognized in profit or loss (gain - / loss +)** | **33** | **5** |
| Remeasurements: | | |
| Demographic experience adjustments | – | -1 |
| Liability experience adjustments | 20 | – |
| Actuarial gain (-) / loss (+) from demographic assumptions | – | -35 |
| Actuarial gain (-) / loss (+) from change in financial assumptions | 2 | -101 |
| **Total remeasurments** | **22** | **-137** |
| Benefits paid | -301 | -81 |
| **Present value of defined benefit obligation December 31** | **179** | **424** |

| **Changes in plan assets** | | |
|---|---|---|
| **Plan assets January 1** | **–** | **–** |
| Employer contributions | 301 | 81 |
| Benefits paid | -301 | -81 |
| **Plan assets December 31** | **–** | **–** |

| **Significant actuarial assumptions** | | |
|---|---|---|
| Discount rate (%) | 3.25 | 3.30 |
| Rate of future price inflation (%) | 2.25 | 2.25 |

| **Sensitivity analysis of actuarial assumptions** | | |
|---|---|---|
| Decrease in discount rate by 0.25 percentage points (2022: 0.50 percentage points) | | |
| Effect on defined benefit obligation | 11 | 21 |
| Increase in discount rate by 0.25 percentage points (2022: 0.50 percentage points) | | |
| Effect on defined benefit obligation | -10 | -20 |

| **Expected payments to plan participants in the future years from the defined benefit obligation** | | |
|---|---|---|
| 2024 (2023) | 5 | 38 |
| 2025 (2024) | 5 | 17 |
| 2026 (2025) | 5 | 31 |
| 2027 (2026) | 5 | 31 |
| 2028 (2027) | 5 | 8 |
| 2029–2033 (2028–2032) | 88 | 124 |
| **Total** | **110** | **248** |

# NOTE 25 Depreciation and amortization and impairment of assets

EUR thousand

| | 2023 | 2022 |
|---|---|---|
| **Depreciation and amortization by function** | | |
| Cost of goods sold | -14,913 | -15,643 |
| Sales, marketing and administration expenses | -2,927 | -2,960 |
| Research and development | -723 | -818 |
| **Total** | **-18,563** | **-19,420** |

| | | |
|---|---|---|
| **Depreciation and amortization by asset category** | | |
| Intangible rights | -3,238 | -3,301 |
| Other intangible assets | -554 | -566 |
| Buildings and constructions | -2,350 | -2,531 |
| Machinery and equipment | -9,528 | -9,458 |
| Other tangible assets | -126 | -117 |
| Right-of-use assets | -2,767 | -3,447 |
| **Total** | **-18,563** | **-19,420** |

| | | |
|---|---|---|
| **Impairment of assets by function** | | |
| Cost of goods sold | -117 | -3,822 |
| Sales, marketing and administration expenses | – | -3 |
| **Total** | **-117** | **-3,824** |

| | | |
|---|---|---|
| **Impairment of assets by asset category** | | |
| Machinery and equipment | -8 | -1,573 |
| Other tangible assets | – | -136 |
| Advance payments and assets under construction | – | -578 |
| Other intangible assets | – | -2 |
| Right-of-use assets | -108 | -1,536 |
| **Total** | **-117** | **-3,824** |

Impairment losses in 2023 and in 2022 arise from the 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

| | 2023 | 2022 |
|---|---|---|
| **Financial income** | | |
| Interest income from receivables at amortized cost | 1,437 | 469 |
| Other interest income | 80 | 258 |
| Currency derivatives, interest rate difference | – | 1 |
| **Total** | **1,517** | **727** |
| | | |
| **Financial expenses** | | |
| Interest expenses on liabilities at amortized cost | -3,361 | -3,902 |
| Interest expenses on lease liabilities | -802 | -958 |
| Interest expenses on defined benefit plans | -10 | -5 |
| Interest expenses on discounted provisions | -234 | -104 |
| Other interest expenses | -16 | -15 |
| Currency derivatives, interest rate difference | – | -34 |
| Financial expenses on sale of trade receivables | -1,122 | -448 |
| Other financial expenses | -1,384 | -1,000 |
| **Total** | **-6,929** | **-6,466** |
| | | |
| **Net exchange rate differences** | **-575** | **2,817** |
| | | |
| **Total financial income and expenses** | **-5,987** | **-2,923** |

| **Currency differences in operating profit** | | |
|---|---|---|
| Net sales | -7 | 3 |
| Cost of goods sold | -5 | -311 |
| Other operating income and expenses | -17 | -103 |

## 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 118 thousand (EUR 12 thousand). The average capitalization rate used was 3.87%.

## NOTE 27 Income taxes

EUR thousand

| | 2023 | Restated 2022 |
|---|---|---|
| **Income tax charge in statement of profit or loss** | | |
| Current income tax charge | -2,147 | -4,744 |
| Adjustments in respect of current income tax of previous years | -4 | 20 |
| Change in deferred tax assets* | 2,883 | 1,571 |
| Change in deferred tax liabilities* | 66 | 1,236 |
| Other income taxes | -80 | -66 |
| **Total income tax charge** | **719** | **-1,983** |

* 2022 restated

| | | |
|---|---|---|
| **Income taxes recognized in other comprehensive income** | | |
| Exchange differences | 424 | -618 |
| Defined benefit plans, remeasurements | – | -125 |
| **Total taxes recognized in other comprehensive income** | **424** | **-743** |

The Group companies have tax losses, totaling EUR 29.0 million (EUR 22.9 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 2023 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 2023 or 2022 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**

| | 2023 | 2022 |
|---|---|---|
| **Profit before income taxes** | **-13,504** | **-11,881** |
| Income taxes at the tax rate applicable to the parent | 2,701 | 2,376 |
| Difference due to different tax rates of foreign subsidiaries | -282 | -978 |
| Tax exempt income and non-deductible expenses | -462 | -373 |
| Deferred taxes recognized during the reporting period in respect of previous years' temporary differences and confirmed tax losses | -13 | 60 |
| Deferred taxes reversed during the reporting period | – | -1,102 |
| Losses, for which no deferred tax asset is recognized | -1,173 | -1,955 |
| Adjustments in respect of current income tax of previous periods and witholding and other income taxes | -83 | -46 |
| Expenses deducted directly from income taxes | 30 | 35 |
| **Income taxes in the statement of profit or loss** | **719** | **-1,983** |
| | | |
| Effective tax rate, % | 5.3 | -16.7 |
| | | |
| **Tax assets and liabilities in the statement of financial position** | | |
| Deferred tax assets | 2,048 | 693 |
| Assets for current tax | 2,128 | 662 |
| Deferred tax liabilities | 9,362 | 11,730 |
| Liabilities for current tax | 148 | 289 |

## 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.

The amendment to IAS 12 Income Taxes, which was applicable from January 1, 2023, changed the recognition of deferred taxes related to assets and liabilities arising from a single transaction.

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 clarified 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 amendment required 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 had not material effect on the consolidated statement of financial position of Suominen. The amendment did, however, change the disclosure information in the consolidated financial statements related to the deferred taxes. The information for the comparison period has been restated.

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

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

Principal temporary differences arise, among others, 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, 2023 | Exchange difference | Recognized in profit or loss | Recognized in other comprehensive income or in equity | Offsetting with deferred tax liabilities | December 31, 2023 |
|---|---|---|---|---|---|---|
| Employee benefits | 541 | – | -312 | -12 | – | 217 |
| Property, plant and equipment and intangible assets | 314 | 10 | 1,624 | – | – | 1,948 |
| Leases | 1,942 | -49 | -15 | – | – | 1,878 |
| Tax losses | 2,883 | -112 | 796 | – | – | 3,568 |
| Other temporary differences | 3,110 | -92 | 790 | 424 | – | 4,232 |
| **Total** | **8,790** | **-242** | **2,883** | **411** | **–** | **11,842** |
| Offsetting with deferred tax liabilities | -8,097 | 172 | – | – | -1,869 | -9,794 |
| **Total** | **693** | **-70** | **2,883** | **411** | **-1,869** | **2,048** |

| Restated | 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 | 351 | -2 | -36 | – | – | 314 |
| Leases | 4,305 | 106 | -2,470 | | | 1,942 |
| Tax losses | 296 | -33 | 2,620 | – | – | 2,883 |
| Other temporary differences | 2,182 | 94 | 1,453 | -618 | – | 3,110 |
| **Total** | **7,806** | **166** | **1,571** | **-753** | **–** | **8,790** |
| Offsetting with deferred tax liabilities | -5,995 | -175 | – | – | -1,927 | -8,097 |
| **Total** | **1,810** | **-10** | **1,571** | **-753** | **-1,927** | **693** |

### Reconciliation of deferred tax liabilities

| | January 1, 2023 | Exchange difference | Recognized in profit or loss (- expense) | Recognized in other comprehensive income or in equity | Offsetting with deferred tax assets | December 31, 2023 |
|---|---|---|---|---|---|---|
| Property, plant and equipment and intangible assets | 15,004 | -470 | 160 | – | – | 14,374 |
| Leases | 1,698 | -42 | 40 | | | 1,616 |
| Other temporary differences | 3,125 | -92 | -134 | – | – | 3,166 |
| **Total** | **19,827** | **-604** | **66** | **–** | **–** | **19,156** |
| Offsetting with deferred tax assets | -8,097 | 172 | – | – | -1,869 | -9,794 |
| **Total** | **11,730** | **-432** | **66** | **–** | **-1,869** | **9,362** |

| Restated | January 1, 2022 | Exchange difference | Recognized in profit or loss (- expense) | Recognized in other comprehensive income or in equity | Offsetting with deferred tax assets | December 31, 2022 |
|---|---|---|---|---|---|---|
| Property, plant and equipment and intangible assets | 13,733 | 768 | -502 | – | – | 15,004 |
| Leases | 3,803 | 98 | 2,203 | – | – | 1,698 |
| Other temporary differences | 2,532 | 127 | -465 | – | – | 3,125 |
| **Total** | **20,069** | **993** | **1,236** | **–** | **–** | **19,827** |
| Offsetting with deferred tax assets | -5,995 | -175 | – | – | -1,927 | -8,097 |
| **Total** | **14,073** | **818** | **1,236** | **–** | **-1,927** | **11,730** |

## 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 in 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.

### The President & CEO's share-based incentive plan

The Board of Directors of Suominen Corporation resolved on May 19, 2023, to establish a new share-based incentive plan for the company's President & CEO. The aim of the plan is to align the objectives of the shareholders and the President & CEO in order to increase the value of Suominen in the long-term, to retain the President & CEO at the company, and to offer him a competitive reward plan that is based on acquiring, receiving and accumulating the company's shares.

Under the plan the President & CEO is expected to own or acquire up to 30,000 shares of Suominen Corporation at a price formed in public trading on Nasdaq Helsinki. Suominen will match the share investment by way of the President & CEO receiving, without consideration, up to 60,000 matching shares (gross, including also the proportion to be paid in cash).

The plan includes three vesting periods, June 1, 2023–June 1, 2024, June 1, 2023–June 1, 2025, and June 1, 2023–June 1, 2026. The potential reward will be paid partly in shares and partly in cash in three equal installments after each vesting period, provided that the President & CEO's service in the company is in force at the time of the reward payment. The cash proportion is intended to cover taxes and tax-related costs arising from the rewards to the President & CEO.

### 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 | 2.79 |
| Volatility assumption, % | 36% |
| Expected dividends, EUR | 0.36 |
| Effect of market condition in fair value, % | 42% |
| Valuation model | Monte Carlo |
| Fair value per share, EUR | 1.413 |

**Effect on the profit for the period and on financial position in 2023**

| EUR thousand | |
|---|---|
| Expense (-) for the reporting period | -691 |
| Recognized in equity during 2023, net | 664 |
| Liability on December 31, 2023 | 24 |
| Estimate of the amount for settling the employees' tax obligation on December 31, 2023 | 560 |

**Information on share-based incentive plans**

| | Share-based incentive plan 2020–2022 | Share-based incentive plan 2021–2023 | Share-based incentive plan 2022–2024 | Share-based incentive plan 2023–2025 | CEO's Matching Share Plan | **Total / weighted average** |
|---|---|---|---|---|---|---|
| Maximum number of shares, including the portion to be settled in cash | 893,000 | 470,000 | 401,000 | 793,500 | 60,000 | **1,254,500** |
| Initial grant date | January 29, 2020 | February 3, 2021 | February 2, 2022 | February 2, 2023 | May 11, 2023 | |
| Vesting date | March 21, 2023 | December 31, 2023 | March 21, 2025 | March 21, 2026 | June 1, 2024; June 1, 2025; June 1, 2026 | |
| Vesting conditions | Total shareholder return (TSR) | Total shareholder return (TSR) | Total shareholder return (TSR) | Total shareholder return (TSR) | Shareholding requirement | |
| | Employment precondition until reward payment | 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 | 2.9 | 3.1 | 3.1 | 3.0 | |
| Remaining contractual life, years | – | – | 1.2 | 2.2 | 2.4 | **1.9** |
| Number or persons at the end of reporting period | – | – | 21 | 23 | 1 | |
| Payment method | Shares and cash | Shares and cash | Shares and cash | Shares and cash | Shares and cash | |

| **Changes in 2023** | Share-based incentive plan 2020–2022 | Share-based incentive plan 2021–2023 | Share-based incentive plan 2022–2024 | Share-based incentive plan 2023–2025 | CEO's Matching Share Plan | **Total** |
|---|---|---|---|---|---|---|
| Outstanding at the beginning of the period | 684,500 | 284,500 | 262,500 | – | – | **1,231,500** |
| Granted | – | – | – | 778,500 | 60,000 | **838,500** |
| Forfeited | -306,656 | -284,500 | -40,500 | -91,500 | – | **-723,156** |
| Exercised | -377,844 | – | – | – | – | **-377,844** |
| **Outstanding at the end of the period** | **–** | **–** | **222,000** | **687,000** | **60,000** | **969,000** |

## NOTE 29 Earnings per share

**Profit for the period**

| EUR thousand | 2023 | 2022 |
|---|---|---|
| **Profit for the period** | **-12,786** | **-13,863** |

**Number of shares**

| | | |
|---|---|---|
| Average share-issue adjusted number of shares | 57,656,044 | 57,439,615 |
| Average diluted share-issue adjusted number of shares excluding treasury shares | 57,738,524 | 57,533,196 |

**Earnings per share**

| EUR | | |
|---|---|---|
| Basic | -0.22 | -0.24 |
| Diluted | -0.22 | -0.24 |

### 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**

| | 2023 | 2022 |
|---|---|---|
| Adjustments to profit for the period | | |
| Income taxes | -719 | 1,983 |
| Financial income and expenses | 5,987 | 2,923 |
| Depreciation, amortization and impairment losses | 18,680 | 23,245 |
| Gains and losses from disposal of property, plant and equipment and intangible assets | -36 | -30 |
| Other non-cash flow items in profit for the period | 2,699 | -82 |
| **Total** | **26,612** | **28,037** |

## NOTE 31 Information about key management personnel

### Management remuneration

#### Remuneration of the Board of Directorst

| as paid | 2023 | | 2022 | |
|---|---|---|---|---|
| EUR | annual fee | meeting fee | annual fee | meeting fee |
| Jaakko Eskola, Chair of the Board of Directors | 70,000 | 6,000 | 70,000 | 5,000 |
| Andreas Ahlström, Deputy Chair of the Board | 33,000 | 5,500 | 33,000 | 6,000 |
| Aaron Barsness | 33,000 | 9,000 | 33,000 | 7,000 |
| Björn Borgman | 33,000 | 8,500 | 33,000 | 6,500 |
| Nina Linander | 43,000 | 9,500 | 43,000 | 9,500 |
| Laura Remes from April 3, 2023 | 33,000 | 4,000 | – | – |
| Laura Raitio until April 3, 2023 | – | 1,500 | 33,000 | 6,000 |
| **Total** | **245,000** | **44,000** | **245,000** | **40,000** |

The Annual General Meeting held on April 3, 2023, 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 2023 was 21,949 shares. The shares were transferred on May 10, 2023, and the value of the transferred shares totaled EUR 61,457.

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 14,702 (in 2022: EUR 14,254).

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

**Tommi Björnman, from April 1, 2023**
as paid

| EUR | 2023 |
|---|---|
| Salaries | 385,000 |
| Total salaries | 385,000 |
| Fringe benefits | 180 |
| **Total** | **385,180** |
| | |
| Statutory pensions | 64,132 |
| Supplementary pensions | 39,848 |

A written contract has been made with the President & CEO, Tommi Björnman. Based on the agreement he has a six-month period of notice. Should the company terminate the contract, additional compensation corresponding to the 12 months' salary will also be paid. The President & CEO has a supplementary pension plan, with a cost of 11.5% of his annual base salary. The supplementary pension arrangement grants pension benefits at the age of 63. The President & CEO has no specific agreement related to termination of contract due to a public tender offer.

**Klaus Korhonen, interim CEO, until March 31, 2023**
as paid

| EUR | January 1 – March 31, 2023 | November 30 – December 31, 2022 |
|---|---|---|
| Salaries | 59,400 | 19,371 |
| Total salaries | 59,400 | 19,371 |
| Fringe benefits | 3,000 | 1,000 |
| **Total** | **62,400** | **20,371** |
| | | |
| Statutory pensions | 12,976 | 3,764 |

Klaus Korhonen, SVP, HR and Legal, acted as the interim CEO from November 30, 2022 until March 31, 2023. His post as the interim CEO ended when the new CEO Tommi Björnman joined Suominen on April 1, 2023. During the time Klaus Korhonen acted as the interim CEO, he received increased base salary without any specific extra benefits.

### Remuneration of other members of the Executive Team

as paid

| EUR | 2023 | 2022 |
|---|---|---|
| Salaries | 920,779 | 894,644 |
| Paid bonuses | 57,886 | 145,235 |
| Sevarance payments | 84,010 | – |
| Share-based payments | 548,417 | 829,105 |
| Total salaries | 1,611,092 | 1,868,984 |
| Fringe benefits | 88,078 | 78,424 |
| **Total** | **1,699,170** | **1,947,408** |
| | | |
| Statutory pensions | 129,906 | 130,898 |
| 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 vested and shares were transferred to the participants of the plan in February. The number of the shares transferred to the members of the Executive Team was 91,443 shares. The value of the shares and the portion settled in cash was EUR 548 thousand.

A rental agreement of an office has been made with a company which is controlled by a member of the Suominen Executive Team. The paid rents were EUR 1 thousand in 2023.

**Management's share ownership**

number of shares

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| **Board of Directors** | | |
| Jaakko Eskola, Chair of the Board of Directors | 26,166 | 19,894 |
| Andreas Ahlström, Deputy Chair of the Board | 26,792 | 23,836 |
| Aaron Barsness | 5,459 | 2,503 |
| Björn Borgman | 24,902 | 21,946 |
| Nina Linander | 27,631 | 23,778 |
| Laura Remes from April 3, 2023 | 2,956 | – |
| Laura Raitio | – | 23,836 |
| **Total** | **113,906** | **115,793** |
| Total % of shares and votes | 0.20% | 0.20% |
| | | |
| **Executive Team** | | |
| Tommi Björnman | 30,000 | – |
| Jonni Friman | – | – |
| Markku Koivisto | 53,172 | 36,482 |
| Klaus Korhonen | 52,630 | 36,592 |
| Thomas Olsen | – | – |
| Mimoun Saïm | 92,923 | 65,502 |
| Janne Silonsaari | – | – |
| Lynda Kelly | – | 57,073 |
| Toni Tamminen | – | 19,000 |
| **Total** | **228,725** | **214,649** |
| Total % of shares and votes | 0.39% | 0.37% |

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 414 thousand for the related parties for the reporting period.

# NOTE 32 Contingent liabilities

EUR thousand

| | 2023 | 2022 |
|---|---|---|
| **Guarantees and other commitments** | | |
| Guarantees on own commitments | 2,440 | 3,102 |
| Other own commitments | 16,774 | 16,755 |
| **Total** | **19,214** | **19,857** |
| | | |
| **Other contingencies** | | |
| Contractual commitments to acquire property, plant and equipment | 1,368 | 2,641 |
| Commitments to leases not yet commenced | 1,485 | 429 |
| **Total** | **2,853** | **3,069** |

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

### The Board of Directors of Suominen Corporation resolved on February 5, 2024, on a new share-based incentive plan for management and key employees

The Board of Directors of Suominen Corporation resolved to establish a new share-based in-centive plan for key employees of the Group. The purpose of the plan is to align the interests of the company's shareholders and key employees to increase the company's value in the long-term, to commit key employees to implement the company's strategy, objectives and long-term interest, and to reward them for high performance.

The Performance Share Plan 2024–2028 consists of three vesting periods, covering the financial years 2024–2026, 2025–2027 and 2026–2028 respectively. The Board of Directors will resolve annually on the commencement and details of a vesting period.

In the plan, the target group has an opportunity to earn Suominen shares based on performance. The vesting conditions of the vesting period 2024–2026 are tied to Absolute Total Shareholder Return (weight 40%) covering the years 2024–2026, Relative Total Shareholder Return (weight 40%) covering the years 2024–2026, and operative performance and sustainability goal (weight 20%) covering the year 2024 and measuring the company's target to improve its raw material efficiency. The potential rewards from the plan will be paid after the end of the vesting period.

The value of the rewards to be paid on the basis of the plan corresponds to a maximum total of 1,090,349 shares of Suominen, including also the proportion to be settled in cash. The target group in the performance period 2024–2026 consists of 27 key employees, including the CEO and other members of the Executive Management Team.

The potential reward will be settled partly in Suominen's shares and partly in cash. The cash proportion of the reward is intended to cover taxes and statutory social security contributions arising from the reward to the key employee. As a rule, no reward will be paid if the key employee's employment or director contract terminates before the reward payment.

The Executive Management Team member must hold 50% of the received shares, until the value of the Executive Management Team member's total shareholding in Suominen equals to 50% of their annual base salary for the calendar year preceding the payment of the reward. Respectively, the CEO must hold 50% of the received shares, until the value of the CEO's total shareholding in Suominen equals to 100% of the CEO's annual base salary for the preceding calendar year. Such number of Suominen shares must be held as long as the membership in the Executive Management Team or the position as the CEO continues.

# KEY RATIOS PER SHARE

Key ratios per share are share-issue adjusted.

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Earnings per share, EUR | -0.22 | -0.24 | 0.36 |
| Earnings per share, EUR, diluted | -0.22 | -0.24 | 0.36 |
| Cash flow from operations per share, EUR | 0.53 | 0.24 | 0.19 |
| Equity per share, EUR | 2.17 | 2.54 | 2.85 |
| Price per earnings per share (P/E) ratio | -12.85 | -12.43 | 14.38 |
| Dividend per share, EUR* | 0.10 | 0.10 | 0.20 |
| Dividend payout ratio, % | -45.1 | -41.4 | 55.5 |
| Dividend yield, % | 3.51 | 3.33 | 3.86 |
| Number of shares, end of period, excluding treasury shares | 57,692,459 | 57,480,727 | 57,293,235 |
| Average number of shares excluding treasury shares | 57,656,044 | 57,439,615 | 57,579,440 |
| Average share-issue adjusted number of shares excluding treasury shares | 57,656,044 | 57,439,615 | 57,579,440 |
| Share price, end of period, EUR | 2.85 | 3.00 | 5.18 |
| Share price, period low, EUR | 2.48 | 2.36 | 4.25 |
| Share price, period high, EUR | 3.48 | 5.27 | 6.41 |
| Volume-weighted average price during the period, EUR | 2.85 | 3.57 | 5.48 |
| Market capitalization, EUR million | 164.4 | 172.4 | 296.8 |
| Number of traded shares during the period | 2,743,668 | 10,902,032 | 17,714,203 |
| Number of traded shares during the period, % of average number of shares (share turnover) | 4.8 | 19.0 | 30.8 |

* 2023 the proposal of the Board of Directors to the Annual General Meeting.

# Calculation of key ratios per share

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

**Earnings per share**

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

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

Calculation of earnings per share is disclosed in Note 29.

**Cash flow from operations per share**

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

| Reference | | 2023 | 2022 |
|---|---|---|---|
| Consolidated statement of cash flows | Cash flow from operations, EUR thousand | 30,724 | 14,027 |
| Note 13 | Share-issue adjusted number of shares excluding treasury shares, end of the reporting period | 57,692,459 | 57,480,727 |
| | Cash flow from operations per share, EUR | 0.53 | 0.24 |

**Equity per share**

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

| Reference | | 2023 | 2022 |
|---|---|---|---|
| Consolidated statement of financial position | Total equity attributable to owners of the parent, EUR thousand | 124,912 | 145,916 |
| Note 13 | Share-issue adjusted number of shares excluding treasury shares, end of the reporting period | 57,692,459 | 57,480,727 |
| | Equity per share, EUR | 2.17 | 2.54 |

### Dividend payout ratio, %

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

| Reference | | 2023 | 2022 |
|---|---|---|---|
| The proposal by the Board | Dividend per share x 100 | 10.00 | 10.00 |
| Note 29 | Basic earnings per share, EUR | -0.22 | -0.24 |
| | Dividend payout ratio, % | -45.1 | -41.4 |

### Dividend yield, %

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

| Reference | | 2023 | 2022 |
|---|---|---|---|
| | Dividend per share x 100 | 10.00 | 10.00 |
| Note 13 | Share price at end of the period, EUR | 2.85 | 3.00 |
| | Dividend yield, % | 3.51 | 3.33 |

### 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 | | 2023 | 2022 |
|---|---|---|---|
| Note 13 | Share price at end of the period, EUR | 2.85 | 3.00 |
| Note 29 | Basic earnings per share, EUR | -0.22 | -0.24 |
| | Price per earnings per share (P/E) | -12.85 | -12.43 |

### 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 | | 2023 | 2022 |
|---|---|---|---|
| Note 13 | Number of shares at the end of reporting period excluding treasury shares | 57,692,459 | 57,480,727 |
| Note 13 | Share price at end of the period, EUR | 2.85 | 3.00 |
| | Market capitalization, EUR million | 164.4 | 172.4 |

### Share turnover

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

| Reference | | 2023 | 2022 |
|---|---|---|---|
| Note 13 | Number of shares traded during the period | 2,743,668 | 10,902,032 |
| Note 13 | Average number of shares excluding treasury shares | 57,656,044 | 57,439,615 |
| | Share turnover, % | 4.8 | 19.0 |

# Parent company financial statements (FAS)

## Income statement

EUR

| | Note | January 1–December 31, 2023 | January 1–December 31, 2022 |
|---|---|---|---|
| **Net sales** | | **23,263,727.25** | **22,609,754.41** |
| Cost of goods sold | | -3,737,356.29 | -3,379,969.90 |
| **Gross profit** | | **19,526,370.96** | **19,229,784.51** |
| | | | |
| Other operating income | 2 | 389,985.58 | 667,272.92 |
| Sales and marketing expenses | | -1,771,352.90 | -1,624,546.96 |
| Research and development | | -1,124,270.20 | -1,090,526.00 |
| Administration expenses | | -9,210,342.61 | -10,394,842.92 |
| Other operating expenses | 2 | -7,426,244.77 | -8,278,073.95 |
| | | | |
| **Operating profit** | | **384,146.06** | **-1,490,932.40** |
| | | | |
| Financial income | 6 | 14,634,238.97 | 15,715,322.88 |
| Financial expenses | 6 | -7,922,088.66 | -4,646,671.96 |
| **Total financial income and expenses** | | **6,712,150.31** | **11,068,650.92** |
| | | | |
| **Profit before appropriations and income taxes** | | **7,096,296.37** | **9,577,718.52** |
| | | | |
| Change in depreciation difference | 7 | 81,620.37 | -259,932.91 |
| Group contributions | 7 | -1,125,000.00 | – |
| Income taxes | 8 | -35,792.08 | -1,329,361.33 |
| **Profit for the period** | | **6,017,124.66** | **7,988,424.28** |

## Balance sheet

EUR

| | Note | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 5, 9 | 5,038,299.43 | 7,636,768.63 |
| Tangible assets | 5, 10 | 750,812.36 | 458,557.01 |
| 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 | 86,478,329.49 | 69,941,308.83 |
| **Total non-current assets** | | **205,631,416.90** | **191,400,610.09** |
| **Current assets** | | | |
| Loan receivables | | | |
| Loan receivables from group companies | 12 | 4,000,000.00 | 23,718,266.50 |
| Trade receivables | 12 | 70,002.42 | 105,462.35 |
| Other current receivables | 12 | 2,920,280.88 | 2,108,867.98 |
| Cash and cash equivalents | | 53,688,029.66 | 42,440,580.46 |
| **Total current assets** | | **60,678,312.96** | **68,373,177.29** |
| **TOTAL ASSETS** | | **266,309,729.86** | **259,773,787.38** |

EUR

| | Note | December 31, 2023 | December 31, 2023 |
|---|---|---|---|
| **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 | | 10,321,384.99 | 8,100,011.71 |
| Profit for the period | | 6,017,124.66 | 7,988,424.28 |
| **Total equity** | **13** | **128,571,489.38** | **128,321,415.72** |
| **Untaxed reserves** | | | |
| Depreciation difference | | 1,194,500.58 | 1,276,120.95 |
| **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 | | | |
| Loans from financial institutions | 15 | 40,000,000.00 | 40,000,000.00 |
| Current loans from group companies | 15 | 42,145,925.92 | 36,205,336.41 |
| Trade payables and other current liabilities | 16 | 4,397,813.98 | 3,970,914.30 |
| **Total current liabilities** | | **86,543,739.90** | **80,176,250.71** |
| **Total liabilities** | | **136,543,739.90** | **130,176,250.71** |
| **TOTAL EQUITY AND LIABILITIES** | | **266,309,729.86** | **259,773,787.38** |

## Cash flow statement

EUR thousand

| | Note | January 1–December 31, 2023 | January 1–December 31, 2022 |
|---|---|---|---|
| **Cash flow from operations** | | | |
| **Profit for the period** | | **6,017** | **7,988** |
| Adjustments to profit for the period | 18 | -2,843 | -6,626 |
| **Cash flow from operations before change in net working capital** | | **3,174** | **1,363** |
| Increase (-) or decrease (+) in trade and other receivables | | -23 | 18 |
| Increase (+) or decrease (-) in interest-free current liabilities | | -597 | 1,124 |
| **Cash flow from operations before payments of financial items and income taxes** | | **2,554** | **2,504** |
| Paid and received interests and other financial items | | 1,535 | 4,894 |
| Group contribution paid | | – | -5,180 |
| Paid income taxes | | -1,079 | -2,114 |
| **Cash flow from operations** | | **3,010** | **104** |
| | | | |
| **Cash flow from investments** | | | |
| Capital expenditure | 9, 10 | -478 | -794 |
| Dividend income from subsidiaries | 6 | 5,891 | 4,113 |
| **Cash flow from investments** | | **5,413** | **3,318** |
| | | | |
| **Cash flow from financing** | | | |
| Change in non-current interest-bearing liabilities | 15 | – | -85,000 |
| Change in current interest-bearing liabilities | 15 | 6,573 | 52,718 |
| Change in non-current loan receivables | | -16,537 | -15,238 |
| Change in current loan receivables | | 19,639 | -788 |
| Acquisition of treasury shares | | – | -379 |
| Distribution of dividend and return of capital | 13 | -5,767 | -11,492 |
| **Cash flow from financing** | | **3,908** | **-60,179** |
| | | | |
| **Change in cash and cash equivalents** | | **12,332** | **-56,757** |
| | | | |
| **Cash and cash equivalents 1 January** | | **42,441** | **95,872** |
| Exchange difference on cash and cash equivalents | | -1,084 | 3,326 |
| Change in cash and cash equivalents | | 12,332 | -56,757 |
| **Cash and cash equivalents 31 December** | | **53,688** | **42,441** |

## 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. 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, 2023 | January 1–December 31, 2022 |
|---|---|---|
| **Other operating income** | | |
| Operating subsidies and grants received | 140 | 302 |
| Other operating income | 250 | 366 |
| **Total** | **390** | **667** |
| | | |
| **Other operating expenses** | | |
| Services purchased from group companies | -7,426 | -7,895 |
| Losses from currency derivatives | – | -373 |
| Other operating expenses | 0 | -10 |
| **Total** | **-7,426** | **-8,278** |

## NOTE 3 Personnel expenses

EUR thousand

| | January 1–December 31, 2023 | January 1–December 31, 2022 |
|---|---|---|
| Salaries | -4,021 | -4,573 |
| Pension expenses | -673 | -717 |
| Other personnel costs | -181 | -175 |
| **Total** | **-4,875** | **-5,465** |
| | | |
| Average number of personnel | 35 | 31 |
| Number of personnel, end of period | 37 | 33 |

### Management remuneration

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

## NOTE 4 Audit fees

EUR thousand

| | January 1–December 31, 2023 | January 1–December 31, 2022 |
|---|---|---|
| Statutory audit | -159 | -133 |
| Tax consulting | – | -15 |
| Other services | -4 | -10 |
| **Total** | **-163** | **-158** |

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, 2023 | January 1–December 31, 2022 |
|---|---|---|
| **Depreciation, amortization and impairment by function** | | |
| Cost of goods sold | -1,063 | -1,056 |
| Sales and marketing expenses | -461 | -470 |
| Research and development | -108 | -134 |
| Administration expenses | -1,158 | -1,204 |
| **Total** | **-2,790** | **-2,865** |
| | | |
| **Depreciation, amortization and impairment by asset category** | | |
| Machinery and equipment | -40 | -39 |
| Intangible rights | -2,750 | -2,827 |
| **Total** | **-2,790** | **-2,865** |

## NOTE 6 Financial income and expenses

EUR thousand

| | January 1–December 31, 2023 | January 1–December 31, 2022 |
|---|---|---|
| Interest income from group companies | 7,421 | 5,438 |
| Interest income from others | 1,225 | 255 |
| Dividend income from group companies | 5,891 | 4,113 |
| Other financial income from group companies | 97 | 100 |
| Net currency exchange differences | -2,649 | 5,809 |
| Interest expenses to group companies | -525 | -72 |
| Interest expenses to others | -3,294 | -2,857 |
| Other financial expenses to others | -1,454 | -1,718 |
| **Total** | **6,712** | **11,069** |

## NOTE 7 Appropriations

EUR thousand

| | January 1–December 31, 2023 | January 1–December 31, 2022 |
|---|---|---|
| Increase (-) or decrease (+) in cumulative depreciation difference | 82 | -260 |
| Given group contributions | -1,125 | – |
| **Total** | **-1,043** | **-260** |

## NOTE 8 Income taxes

EUR thousand

| | January 1–December 31, 2023 | January 1–December 31, 2022 |
|---|---|---|
| Income taxes for the financial year | -32 | -1,351 |
| Withholding taxes and other direct taxes | – | -3 |
| Income taxes from previous years | -4 | 24 |
| **Total** | **-36** | **-1,329** |

## NOTE 9 Intangible assets

EUR thousand

| | Intangible rights | Advance payments and construction in progress | **Total 2023** | Total 2022 |
|---|---|---|---|---|
| **Acquisition cost January 1** | **21,565** | **–** | **21,565** | 30,721 |
| Additions | 103 | 48 | **151** | 404 |
| Decreases and disposals | -422 | – | **-422** | -9,560 |
| Reclassifications | 12 | -12 | **–** | – |
| **Acquisition cost December 31** | **21,258** | **36** | **21,295** | 21,565 |
| **Accumulated amortization January 1** | **-13,928** | **–** | **-13,928** | -20,662 |
| Amortization for the period | -2,750 | – | **-2,750** | -2,827 |
| Decreases and disposals | 422 | – | **422** | 9,560 |
| **Accumulated amortization December 31** | **-16,256** | **–** | **-16,256** | -13,928 |
| **Carrying amount December 31** | **5,002** | **36** | **5,038** | 7,637 |

## NOTE 10 Tangible assets

EUR thousand

| | Land and water areas | Machinery and equipment | Other tangible assets | Advance payments and construction in progress | **Total 2023** | Total 2022 |
|---|---|---|---|---|---|---|
| **Acquisition cost January 1** | **0** | **285** | **31** | **360** | **676** | 472 |
| Additions | – | 24 | – | 308 | **332** | 404 |
| Decreases and disposals | – | -1 | – | – | **-1** | -200 |
| **Acquisition cost December 31** | **0** | **308** | **31** | **668** | **1,007** | 676 |
| **Accumulated depreciation January 1** | **–** | **-207** | **-11** | **–** | **-217** | -378 |
| Depreciation for the period | – | -38 | -2 | – | **-40** | -39 |
| Decreases and disposals | – | 1 | – | – | **1** | 200 |
| **Accumulated depreciation December 31** | **–** | **-243** | **-13** | **–** | **-256** | -217 |
| **Carrying amount December 31** | **0** | **65** | **18** | **668** | **751** | 459 |

## NOTE 11 Investments

EUR thousand

| | Shares in group companies | Other investments | **Total 2023** | Total 2022 |
|---|---|---|---|---|
| **Carrying amount January 1** | **113,364** | **0** | **113,364** | 113,364 |
| **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 | 25.0 | 1 | 8 | 0 | N/A | N/A |

## NOTE 12 Receivables

EUR thousand

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| **Non-current receivables from group companies** | | |
| Interest-bearing receivables | 86,478 | 69,941 |
| **Total** | **86,478** | **69,941** |
| | | |
| **Total non-current receivables** | **86,478** | **69,941** |
| | | |
| **Current receivables** | | |
| | | |
| **Other receivables** | **79** | **82** |
| | | |
| **Prepaid expenses and accrued income** | | |
| Income taxes | 1,449 | 407 |
| Transaction costs of loans | 735 | 1,025 |
| Prepaid expenses | 657 | 595 |
| **Total prepaid expenses and accrued income** | **2,841** | **2,027** |
| | | |
| **Current receivables from group companies** | | |
| Trade receivables | 70 | 105 |
| Interest-bearing receivables | 4,000 | 23,718 |
| **Total** | **4,070** | **23,824** |
| | | |
| **Total other current receivables** | **6,990** | **25,933** |

## NOTE 13 Equity

EUR thousand

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| 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 and December 31 | 75,692 | 75,692 |
| **Retained earnings January 1** | **16,088** | **19,944** |
| Distribution of dividend | -5,767 | -11,492 |
| Acquisition of treasury shares | – | -352 |
| **Retained earnings December 31** | **10,321** | **8,100** |
| Profit for the period | 6,017 | 7,988 |
| **Equity December 31** | **128,571** | **128,321** |

**Distributable funds**

| EUR | December 31, 2023 |
|---|---|
| Retained earnings December 31 | 10,321,385 |
| Reserve for invested unrestricted equity December 31 | 75,692,336 |
| Profit for the period | 6,017,125 |
| **Distributable funds** | **92,030,846** |

**Funds available for dividend distribution**

| EUR | |
|---|---|
| Retained earnings December 31 | 10,321,385 |
| Profit for the period | 6,017,125 |
| **Funds available for dividend distribution** | **16,338,510** |

## 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, 2023 | December 31, 2022 |
|---|---|---|
| **Non-current interest-bearing liabilities** | | |
| Debentures | 50,000 | 50,000 |
| **Total non-current interest-bearing liabilities** | **50,000** | **50,000** |
| | | |
| **Current interest-bearing liabilities** | | |
| Loans from financial institutions | 40,000 | 40,000 |
| Loans from group companies | 42,146 | 36,205 |
| **Total current interest-bearing liabilities** | **82,146** | **76,205** |
| | | |
| **Total interest-bearing liabilities** | **132,146** | **126,205** |

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

| | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|
| Debentures | – | – | – | 50,000 | – |

## NOTE 16 Interest-free liabilities

EUR thousand

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| **Current interest-free liabilities** | | |
| Trade payables | 1,245 | 1,132 |
| Other current liabilities | 154 | 141 |
| **Total current interest-free liabilities** | **1,399** | **1,273** |
| | | |
| Accrued expenses | | |
| Accrued interest expenses | 626 | 734 |
| Accrued personnel expenses | 894 | 1,661 |
| Other accrued expenses | 353 | 302 |
| **Total accrued expenses** | **1,874** | **2,697** |
| | | |
| **Liabilities to group companies** | | |
| Other liabilities to group companies | 1,125 | – |
| **Total** | **1,125** | **–** |
| **Total current interest-free liabilities** | **4,398** | **3,971** |

## NOTE 17 Contingent liabilities

EUR thousand

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| **Guarantees** | | |
| On behalf of group companies | 12,888 | 13,855 |
| On own behalf | – | 28 |
| **Total** | **12,888** | **13,883** |

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

| | | |
|---|---|---|
| **Rental and leasing obligations** | | |
| Falling due within next 12 months | 221 | 169 |
| Falling due later | 1,360 | 57 |
| **Total** | **1,581** | **227** |

## NOTE 18 Adjustments to cash flow statement

EUR thousand

| | January 1–December 31, 2023 | January 1–December 31, 2022 |
|---|---|---|
| Adjustment to profit / loss for the period | | |
| Change in depreciation difference | -82 | 260 |
| Group contributions | 1,125 | – |
| Financial income and expenses | -6,712 | -11,069 |
| Income taxes | 36 | 1,329 |
| Depreciation and amortization | 2,790 | 2,865 |
| Other non-cash items in profit for the period | – | -12 |
| **Total adjustments to profit for the period** | **-2,843** | **-6,626** |

**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 |

# Proposal by the board of directors for distribution of funds

The profit of the financial year 2023 of Suominen Corporation, the parent company of Suominen Group, was EUR 6,017,124.66. The funds distributable as dividends, including the profit for the period, were EUR 16,338,510 and total distributable funds were EUR 92,030,846.

The Board of Directors proposes that a dividend of EUR 0.10 per share shall be distributed for the financial year 2023 and that the profit shall be transferred to retained earnings.

On February 5, 2024, the company had 57,692,459 issued shares, excluding treasury shares. With this number of shares, the total amount of dividends to be distributed would be EUR 5,769,245,90.

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

Helsinki February 5, 2024

Jaakko Eskola
Chair of the Board

Andreas Ahlström

Björn Borgman

Aaron Barsness

Nina Linander

Laura Remes

Tommi Björnman
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, 2023. The financial statements comprise the consolidated statement of financial positions, statement of profit or loss, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including material accounting policy information, 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 IFRS Accounting Standards 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**<br>*We refer to the Group's Note 19*<br><br>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.<br><br>Revenue is a key performance measure used by the Group, which could create an incentive for premature revenue recognition.<br><br>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:<br><br>- assessing the Group's accounting policies over revenue recognition and comparing them with applicable accounting standards;<br>- assessing the revenue recognition process and -methodologies and testing controls where applicable;<br>- obtaining confirmations of accounts receivable balances from customers and analyzed credit invoices issued after the balance sheet date;<br>- testing revenue recognition including cut-off with analytical procedures and by substantive sales transactions testing and<br>- 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 IFRS Accounting Standards 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 March 19, 2015, and our appointment represents a total period of uninterrupted engagement of 9 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 5, 2024

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 743700Z1BNFYR9PRDF52-2023-12-31-FI.zip of Suominen Corporation (business identity code: 1680141-9) for the financial year January 1 – December 31, 2023, 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 primary financial statements, notes to the financial statements and the entity identifier information in 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 management

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 firm applies International Standard on Quality Management (ISQM) 1, which requires the firm to design, implement and operate a system of quality management including policies or 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 primary financial statements, notes to the financial statements and the entity identifier information in the consolidated financial statements included in the ESEF financial statements 743700Z1BNFYR9PRDF52-2023-12-31-FI.zip of Suominen Corporation for the year ended January 1 – December 31, 2023 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 January 1 – December 31, 2023, is included in our Independent Auditor's Report dated February 5, 2024. In this report, we do not express an audit opinion any other assurance on the consolidated financial statements.

Helsinki March 11, 2024

Ernst & Young Oy
Authorized Public Accountant Firm

**Toni Halonen**
Authorized Public Accountant

# Key ratios

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Net sales, EUR million | 450.9 | 493.3 | 443.2 |
| Comparable operating profit, EUR million | -2.8 | -4.2 | 26.9 |
| % of net sales | -0.6 | -0.8 | 6.1 |
| Operating profit, EUR million, | -7.5 | -9.0 | 26.9 |
| % of net sales | -1.7 | -1.8 | 6.1 |
| Comparable EBITDA, EUR million | 15.8 | 15.3 | 47.0 |
| % of net sales | 3.5 | 3.1 | 10.6 |
| EBITDA, EUR million | 11.2 | 14.3 | 47.0 |
| % of net sales | 2.5 | 2.9 | 10.6 |
| Profit before income taxes, EUR million | -13.5 | -11.9 | 26.6 |
| % of net sales | -3.0 | -2.4 | 6.0 |
| Profit for the period, EUR million | -12.8 | -13.9 | 20.7 |
| % of net sales | -2.8 | -2.8 | 4.7 |
| Cash flow from operations, EUR million | 30.7 | 14.0 | 11.1 |
| Total assets, EUR million | 316.4 | 343.4 | 386.7 |
| Return on equity (ROE), % | -9.6 | -8.8 | 13.3 |
| Return on invested capital (ROI), % | -4.1 | -4.2 | 13.9 |
| Equity ratio, % | 39.5 | 42.5 | 42.2 |
| Interest-bearing net debt, EUR million | 44.1 | 54.6 | 49.6 |
| Capital employed, EUR million | 168.4 | 199.8 | 211.0 |
| Gearing, % | 35.3 | 37.4 | 30.4 |
| Gross capital expenditure, EUR million | 11.2 | 9.7 | 17.8 |
| % of net sales | 2.5 | 2.0 | 4.0 |
| Depreciation, amortization and impairment losses, EUR million | -18.7 | -23.2 | -20.1 |
| Expenditure on research and development, EUR million | 3.9 | 3.5 | 2.7 |
| as % of net sales | 0.9 | 0.7 | 0.6 |
| Average number of personnel (FTE - full time equivalent) | 682 | 707 | 709 |

# 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. In 2023 and 2022, items affecting comparability of result were expenses and impairment losses arising from the closure of the production lines in Italy.

| Reference | EUR thousand | 2023 | 2022 |
|---|---|---|---|
| Consolidated statement of profit or loss | Operating profit | -7,517 | -8,958 |
| | + Dismissal costs affecting comparability | 2,207 | – |
| | + Restoration costs affecting comparability | 2,344 | – |
| | + Other costs affecting comparability | 116 | – |
| | + Impairment losses of property, plant and equipment and intangible assets, affecting comparability of result | 8 | 2,288 |
| | + Impairment losses of right-of-use assets, affecting comparability of result | 108 | 1,536 |
| | + Impairment losses of inventories, affecting comparability of result | -16 | 971 |
| | Comparable operating profit | -2,750 | -4,163 |

**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. In 2023 and 2022, the items affecting comparability of EBITDA were the expenses and impairment losses of inventory arising from the 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 | 2023 | 2022 |
|---|---|---|---|
| Consolidated statement of profit or loss | Operating profit | -7,517 | -8,958 |
| Note 25 | + Depreciation, amortization and impairment losses | 18,680 | 23,245 |
| | EBITDA | 11,163 | 14,287 |
| | | | |
| | EBITDA | 11,163 | 14,287 |
| | + Dismissal costs affecting comparability | 2,207 | – |
| | + Restoration costs affecting comparability | 2,344 | – |
| | + Other costs affecting comparability | 116 | – |
| | + Impairment losses of inventories, affecting comparability of result | -16 | 971 |
| | Comparable EBITDA | 15,813 | 15,257 |

**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 | 2023 | 2022 |
|---|---|---|---|
| Note 6 | Increases in intangible assets | 169 | 438 |
| Note 7 | Increases in property, plant and equipment | 11,054 | 9,275 |
| | Gross capital expenditure | 11,223 | 9,713 |

**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 | 2023 | 2022 |
|---|---|---|---|
| Note 14 | Interest-bearing liabilities | 102,278 | 103,365 |
| | Tender and issuance costs of the debentures | 551 | 705 |
| Consolidated statement of financial position | Cash and cash equivalents | -58,755 | -49,508 |
| | Interest-bearing net debt | 44,074 | 54,562 |
| | | | |
| Note 14 | Interest-bearing liabilities | 102,278 | 103,365 |
| | Tender and issuance costs of the debentures | 551 | 705 |
| Note 14 | Nominal value of interest-bearing liabilities | 102,828 | 104,069 |

**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 | 2023 | 2022 |
|---|---|---|---|
| Consolidated statement of profit or loss | Profit for the reporting period (rolling 12 months) | -12,786 | -13,863 |
| | | | |
| | Total equity attributable to owners of the parent December 31, 2022 / 2021 | 145,916 | 163,199 |
| | Total equity attributable to owners of the parent March 31, 2023 / 2022 | 140,131 | 153,504 |
| | Total equity attributable to owners of the parent June 30, 2023 / 2022 | 127,236 | 158,098 |
| | Total equity attributable to owners of the parent September 30, 2023 / 2022 | 130,283 | 165,188 |
| Consolidated statement of financial position | Total equity attributable to owners of the parent December 31, 2023 / 2022 | 124,912 | 145,916 |
| | Average | 133,695 | 157,181 |
| | | | |
| | Return on equity (ROE), % | -9.6 | -8.8 |

**Invested capital**

Invested capital = Total equity + interest-bearing liabilities - cash and cash equivalents

| Reference | EUR thousand | 2023 | 2022 |
|---|---|---|---|
| Consolidated statement of financial position | Total equity attributable to owners of the parent | 124,912 | 145,916 |
| Note 14 | Interest-bearing liabilities | 102,278 | 103,365 |
| Consolidated statement of financial position | Cash and cash equivalents | -58,755 | -49,508 |
| | Invested capital | 168,435 | 199,773 |

**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 | 2023 | 2022 |
|---|---|---|---|
| Consolidated statement of profit or loss | Operating profit (rolling 12 months) | -7,517 | -8,958 |
| | | | |
| | Invested capital December 31, 2022 / 2021 | 199,773 | 210,975 |
| | Invested capital March 31, 2023 / 2022 | 194,290 | 205,806 |
| | Invested capital June 30, 2023 / 2022 | 182,005 | 210,561 |
| | Invested capital September 30, 2023 / 2022 | 181,914 | 230,264 |
| | Invested capital December 31, 2023 / 2022 | 168,435 | 199,773 |
| | Average | 185,283 | 211,476 |
| | | | |
| | Return on invested capital (ROI), % | -4.1 | -4.2 |

**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 | 2023 | 2022 |
|---|---|---|---|
| Consolidated statement of financial position | Total equity attributable to owners of the parent | 124,912 | 145,916 |
| Consolidated statement of financial position | Total assets | 316,434 | 343,445 |
| Note 16 | Advances received | -104 | -74 |
| | | 316,330 | 343,371 |
| | Equity ratio, % | 39.5 | 42.5 |

**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 | 2023 | 2022 |
|---|---|---|---|
| | Interest-bearing net debt | 44,074 | 54,562 |
| Consolidated statement of financial position | Total equity attributable to owners of the parent | 124,912 | 145,916 |
| | Gearing, % | 35.3 | 37.4 |

# Information for shareholders

## Financial calendar

Suominen will publish its Financial Statements Release, Half Year Financial Report and two Interim Reports in 2024 as follows:

| | |
|---|---|
| February 6, 2024 | Financial Statements Release for 2023 |
| May 7, 2024 | Interim Report for January–March 2024 |
| August 9, 2024 | Half-Year Financial Report for January–June 2024 |
| October 29, 2024 | Interim Report for January–September 2024 |

## The Annual General Meeting

Notice is given to the shareholders of Suominen Corporation to the Annual General Meeting to be held on April 4, 2024, at 10:00 a.m. at Messukeskus (Holiday Inn Helsinki – Expo entrance) at the address Rautatieläisenkatu 3, 00520, 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 6, 2024. 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 21, 2024 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, 2024 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 27, 2024 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 (online banking codes or the Mobile ID).

b) 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 2023 and that the profit shall be recorded in retained earnings.

The record date for the payment of the dividend is April 8, 2024 and the dividend shall be paid on April 15, 2024.

## Investor relations

**Emilia Peltola,** Vice President, Communications & IR
tel. +358 10 214 3082
**emilia.peltola@suominencorp.com**

Request for management appointments:
**Kati Junnila,** Executive Assistant
tel. +358 40 531 3013
**kati.junnila@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.

**SUOMINEN CORPORATION**

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