Suominen

Annual Report 2021

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 2021 were EUR 443.2 million and we have over 700 professionals working in Europe and in the Americas. Suominen's shares are listed on Nasdaq Helsinki.

Net sales, EUR million

443.2

EBITDA, EUR million

47.0

Employees

710

Share of new products from net sales over

25%

Contents

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Suominen today

Over 700 professionals working in Europe and in the Americas

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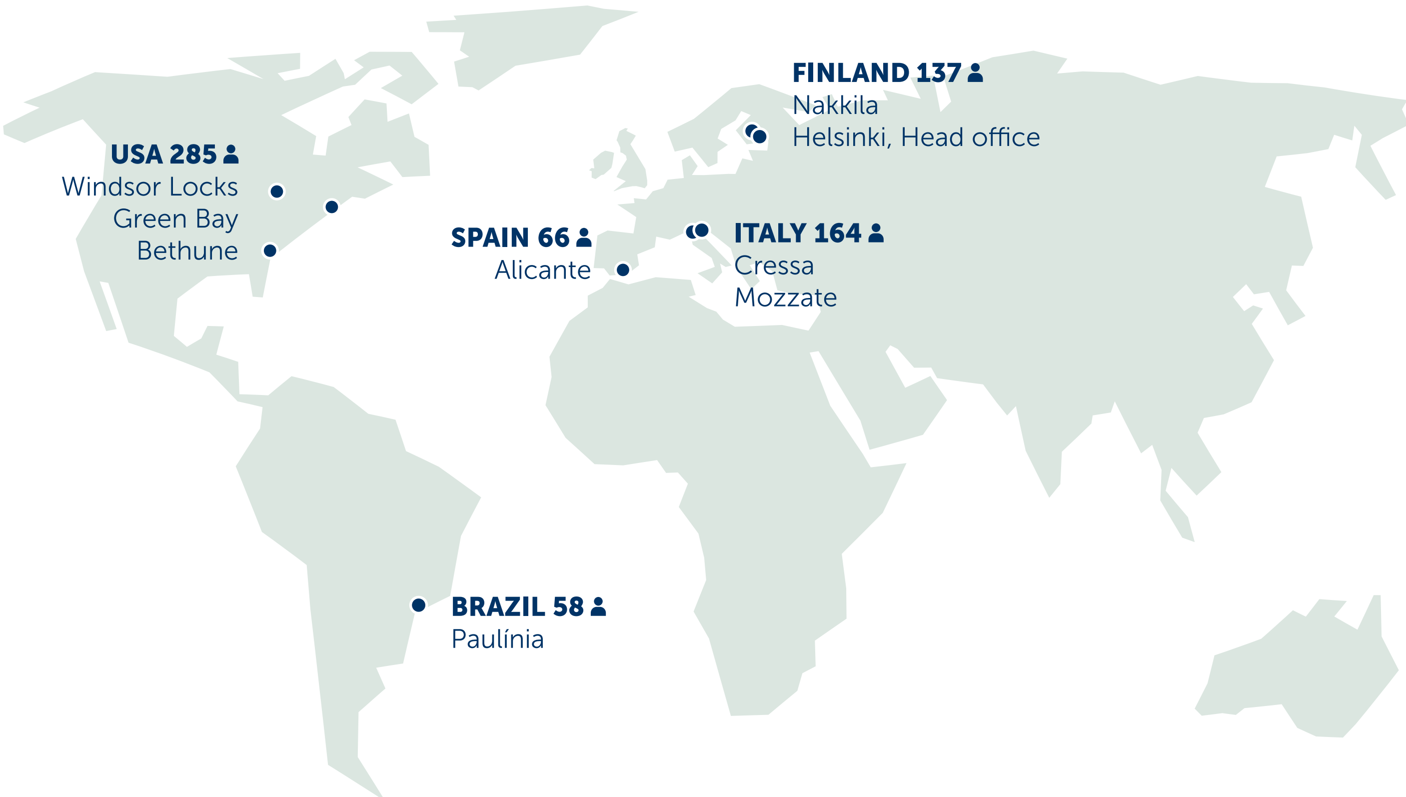
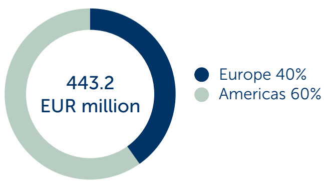


Suominen has two business areas, the Americas and Europe. In 2021, net sales of the Americas business area amounted to EUR 265.2 million and net sales of the Europe business area to EUR 178.1 million.

Net sales by business area



President & CEO's review

The second year of the COVID-19 pandemic was twofold for Suominen. During the first half, Suominen's sales volumes and result continued at the record levels of 2020. In the third quarter, we suf-fered sudden, temporary drop in volumes due to overstocking in the supply chain followed by partial recovery in the fourth quarter. Our strategy implementation proceeded steadily.

We continued executing our strategy published in 2020. The main objectives of our strategy are growth and improved profitability by focusing on sustainability, customer focus and efficiency. During 2021, we completed three investment projects. Two of them were in Italy, one to increase the capacity by re-starting a line, and another to increase our capabilities in sustainable nonwovens. The third project was in the USA to increase our capabilities to offer new innovative products.

Our EBITDA was EUR 47.0 million, the third-best annual result in the history of Suominen. The result declined from record high 2020 mainly due to lower sales volumes and the increases in raw material, freight and energy costs which we were not fully able to push through to our sales prices.

Our net sales were EUR 443.2 million. Our strong ability to innovate and to meet market needs is reflected in the share of new products of our net sales which was above 25% in 2021. By new products, we mean products launched less than three years ago.

Sustainability at the core of our strategy

Sustainability is the cornerstone of our strategy, and we develop our product offering and operations accordingly. Our target is to increase the sales of sustainable products by 50% compared to a base year of 2019, and to launch 10 sustainable products each year. In 2021, the sales of sustainable products were 47% higher than in the base year 2019, and during the year we launched 16 sustainable products. We are also actively researching new sustainable fibers to be able to serve the needs of our customers even better. We have conducted test runs for example with hemp and have received excellent feedback from our customers on the products.

In our operations we want to use resources efficiently and to operate with the smallest possible impact on the environment. We have concrete reduction targets for our greenhouse gas emissions, energy and water consumption, and landfill waste, and we made steady progress towards these targets in 2021. One example of our work to reduce greenhouse gas emissions is our decision to shift entirely to fossil-free electricity in all our European sites.

Occupational safety is a key priority at Suominen, and our target is zero lost time accidents. We work continuously to further improve our safety culture and share best practices. Another people related target is to strengthen employee engagement. We conducted a second consecutive employee engagement survey in 2021. The results will be used as a basis for concrete, goal-oriented development actions as part of our systematic work to improve employee

EBITDA, EUR million

47.0

Net sales, EUR million

443.2

Share of new products of net sales over

25%

Sales of sustainable products increased*

47%

* Compared to base year 2019

engagements and the development of a high-performance culture.

For us sustainability is not only about environmentally friendly products and minimizing the environmental impact of our operations: we highlight the importance of sustainable business practices throughout our value chain. Accordingly, our all employees received training on our new Code of Conduct.

Strategy implementation continues

We implement our strategy through five focus areas: Operational excellence, Sustainability leadership, Differentiate with innovation and commercial excellence, Great place to work, and Dual operating model.

We are continuously improving the efficiency and quality of our operations and promoting the health and safety of our employees. We leverage our unique asset base and our pioneering know-how in nonwovens to strengthen our leadership position in sustainable nonwovens. We serve our customers with the best products and services, we get results by harnessing our organization's positive energy and commitment.

Toward the future

Looking at the year 2022 we see challenges especially in the first months of the year. Certain important customers are still struggling with their inventory levels, and the recent surge of COVID cases will impact not only our but also our customers' operations. Combined, these challenges will make the near-term demand picture very volatile. We also continue to have a lag between the rising raw material, energy and logistics costs and our sales prices. We expect demand for our products to stabilize starting from the second quarter of the year. The long-term consumer demand is expected to remain above the pre-pandemic levels.

Our performance was good despite all the challenges. I want to thank our shareholders, customers, and business partners for their excellent cooperation. I particularly want to thank our employees for their solid commitment and excellent work. As we continue with the same determination, we can be sure that our vision will be realized, and we will continue to be the forerunner in innovative and sustainable nonwovens.

Petri Helsky
President & CEO

Financial targets

Targets 2020–2025

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

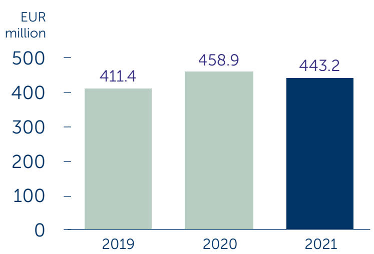
EBITDA margin by 2025: **above 12%**

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

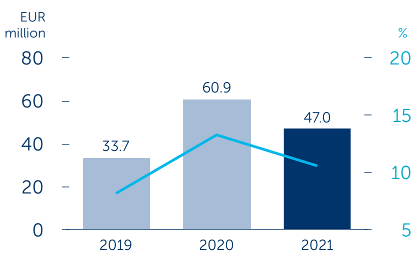
How to get there?

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

Net sales, EUR million

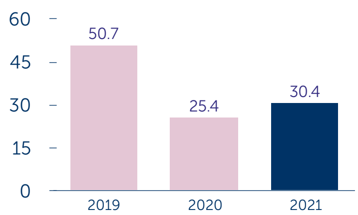


Earnings before interest, taxes, depreciation and amortization (EBITDA) and EBITDA margin



*Including the effect of IFRS 16 Leases

Gearing, %

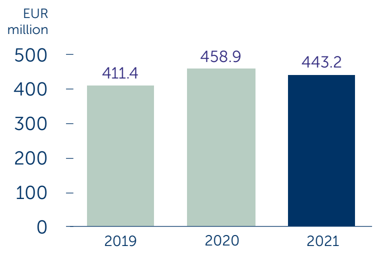


Key figures

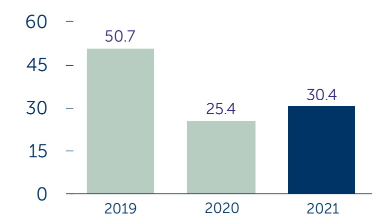
FINANCIAL	2021	2020
Net sales, EUR million	443.2	458.9
EBITDA, EUR million	47.0	60.9
Comparable operating profit, EUR million	26.9	39.5
Profit for the period, EUR million	20.7	30.1
Earnings per share, EUR	0.36	0.52
Dividend, EUR	0.20**	0.20*
Cash flow from operations, EUR million	11.1	57.0
Cash flow from operations per share, EUR	0.19	0.99
Capital expenditure, EUR million	17.8	10.4
Equity ratio, %	42.2	46.0
Equity per share, EUR	2.85	2.53
Gearing, %	30.4	25.4
Return on invested capital (ROI), %	9.5	16.7
EMPLOYEES	**2021**	**2020**
Number of employees	710	689
Number of lost time accidents	4	1
ENVIRONMENT	**2021**	**2020**
Energy consumption, GJ	1,852,993	1,989,957
Greenhouse gas emissions, tons of CO_2 eq.	114,798	127,188
Water consumption, ML	5,927	7,075
Process waste to landfill, tons	3,209	4,063

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

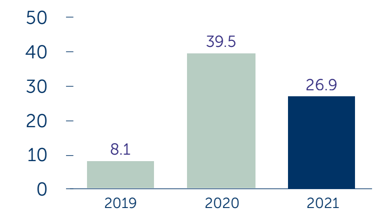
Net sales, EUR million



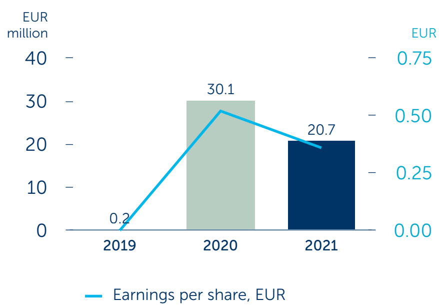
Gearing, %



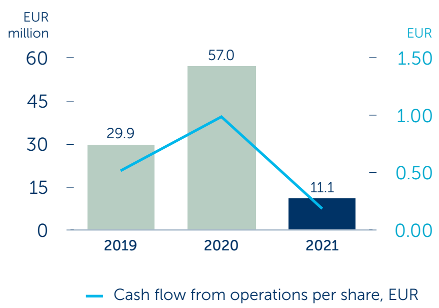
Comparable operating profit, EUR million



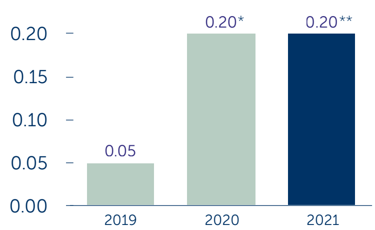
Profit for the period, EUR million and earnings per share, EUR



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



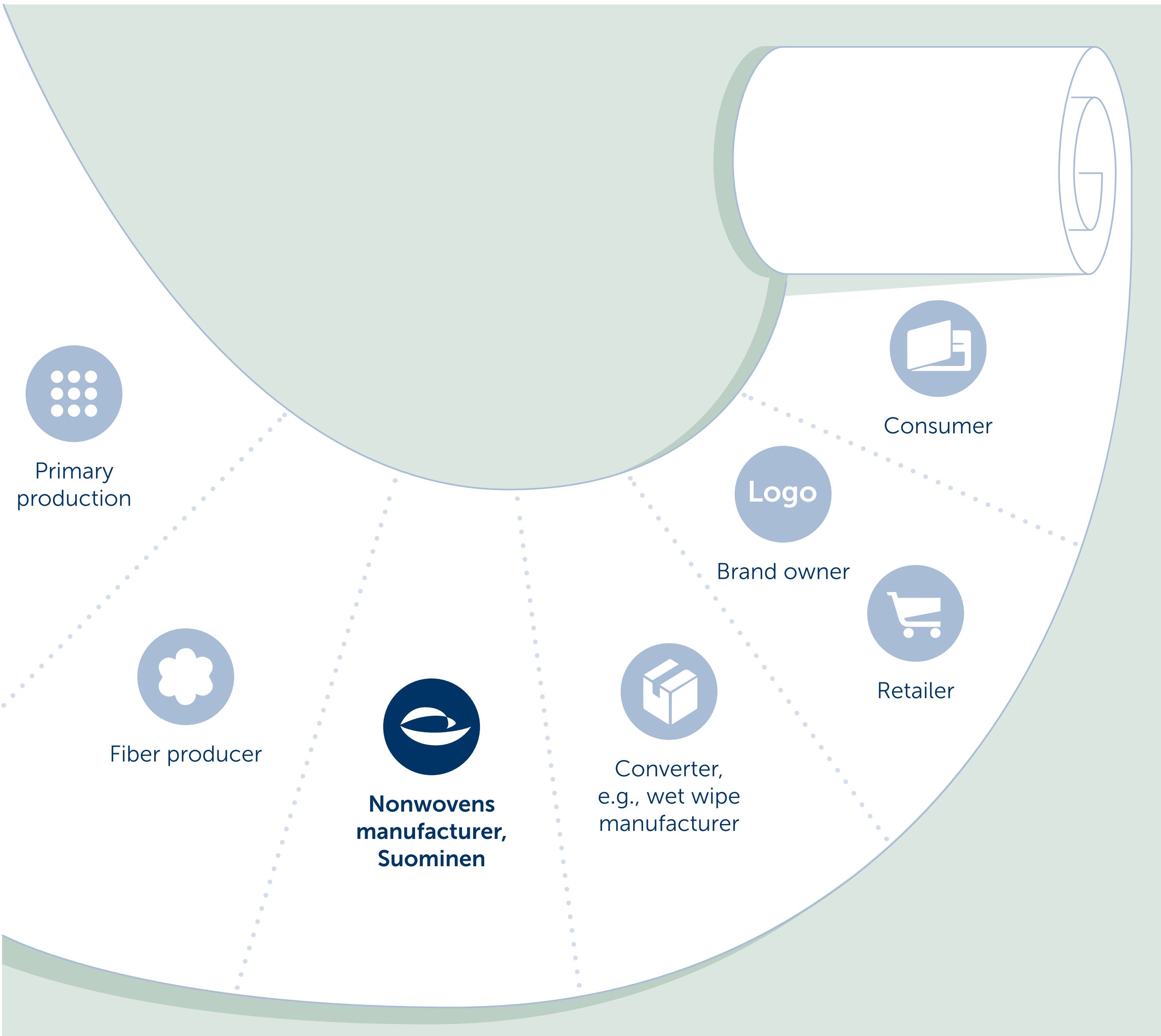
Dividend per share, EUR



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

How Suominen creates value

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



Value creation model

INPUTS

FINANCIAL RESOURCES
- Total equity: EUR 163.2 million
- Total liabilities: EUR 223.5 million

NATURAL RESOURCES
- Water 5,926,776 m^3
- Raw materials
  - Wood-based 59%
  - Oil-based 41%
  - Other 1%
- Energy 1,852,993 GJ
  - Natural gas 43%
  - Grid electricity 37%
  - Steam 20%

INTELLECTUAL CAPABILITIES
- Suominen brand and our way of operating
- R&D expenses EUR 2.7 million
- 15 R&D professionals
- 50 granted and 18 pending patents
- 54 trademarks and design patents
- Piloting facility
- Technical know-how
- IT systems

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

MANUFACTURING RESOURCES
- Geographically and technically broad manufacturing base

SUOMINEN

710 employees

Eight production plants on three continents

Net sales EUR **443.2** 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.

OUTPUTS

PRODUCTS AND SOLUTIONS
- Nonwovens for wipes and other applications

WASTE
- Waste to landfill 3,209.4 tons

EMISSIONS
- Direct greenhouse gas emissions 43,299 tons of CO_2 eq.
- Indirect greenhouse gas emissions 71,499 tons of CO_2 eq.

WATER
- Treated water from operations

IMPACTS

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

EMPLOYEES
- Wages and salaries EUR 36.4 million
- Professional development
- Fair employment practices and equal opportunities
- Safe workplace: 4 lost time accident

PARTNERS
- Spend on materials and services EUR 318.0 million
- Business growth
- Ethical business
- Interest to creditors

SHAREHOLDERS
- Dividend (Board's proposal) EUR 11.4 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 5.8 million
- Employment

How does the model work?

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

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

In the value creation model, *inputs* are what we utilize in our business activities. The Suominen section describes Suominen's business operations and strategy. *Outputs* are the outcomes of our business activities and *impacts* describe how our business activities affect the world around us.

Operating environment

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

The global demand for nonwovens is growing continuously. The growth depends mainly on consumer demand, which is a combination of the general economic situation and consumers' confidence in the development of their personal finances. However, 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.

COVID-19 pandemic continues to cause uncertainty

The operating environment continued to be highly marked by the COVID-19 pandemic in 2021. The key uncertainties related to the pandemic concern the health and safety of Suominen personnel and customers, possible shortages of raw materials and issues linked to logistics as well as potential closures of customers' or our own plants due to virus infections or decisions by the authorities.

Throughout the pandemic, our primary focus has been in safeguarding the health and safety of our employees and to maintain business continuity. Nonwovens production has been classified as essential in fighting the pandemic in our operating areas where other business activities have been limited or shut down by the authorities. In 2021, we were able to run our operations with limited impact due to the strict safety procedures that were implemented in the beginning of the pandemic to minimize the risk of workplace infections.

In the first half of 2021 sales volumes continued on the record levels of 2020. Suddenly in the third quarter the volumes dropped temporarily due to overstocking in the supply chain followed by partial recovery in the fourth quarter. The demand picture in the beginning of 2022 continues to be volatile. The market expectation is that, in the long run, the end user demand for wipes will remain above pre-COVID-19 levels.

Demographic megatrends support our growth

Global megatrends shape our operating environment and affect our business. Megatrends such as population growth, growing global middle class, aging population, 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, the consumption of this demographic will center around solutions that make daily routines easier and less time-consuming. The use of household wipes and beauty care wipes are examples of this phenomenon.

With aging populations and changing healthcare models, new needs are emerging and the demand for nonwovens used in, for example, medical applications and incontinence products is increasing. On the other hand, the need to find cost-effective solutions to combat bacteria and viruses is also contributing to the increase in demand for nonwovens.

Sustainability is a key trend

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

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

In Europe, one of the most significant changes in the operating environment is the European Plastic Strategy and European Commission's Single-Use Plastics Directive (SUPD). The directive aims to protect the environment and to reduce marine pollution. SUPD impacts end products made of nonwovens since many wet wipes are traditionally made, at least partially, of raw materials containing plastics. Labeling requirements under the Directive for products containing plastic entered into force in July 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 to develop more ecological and sustainable products is clear, and Suominen is well placed to respond to this demand.

COVID-19 IMPACTS

The pandemic has increased the demand for our products in all our markets. In the long run, the market and Suominen's expectation is that demand will remain above pre-COVID-19 levels. The key risks caused by COVID-19 are related to the health and safety of Suominen's personnel and customers, possible shortages of raw materials, issues linked to logistics as well as potential closures of customers' or our own sites due to virus infections or authority decisions.

MARKET CHARACTERISTICS

Europe

In Europe, all consumer wipe categories are highly fragmented and competitive.

The Single-Use Plastic Directive is an important driver towards sustainability for the nonwovens industry.

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 178.1 million, corresponding to 40% of Suominen's net sales in 2021. Suominen had 367 employees in Europe in 2021. Suominen has two sites in Italy, one in Spain and one in Finland. Suominen's headquarters is in Helsinki, Finland.

North America

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

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

South America

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

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

Net sales of the Americas business area were EUR 265.2 million, corresponding to 60% of Suominen's net sales in 2021. Suominen had 343 employees in the Americas in 2021. Suominen has three sites in USA and one in Brazil.

Strategy

Our mission is to enable our customers to win by creating quality nonwovens. The objectives of our strategy are growth and improved profitability through sustainability, customer focus and efficiency.

Our vision is to be the frontrunner for nonwovens innovation and sustainability. Our focus is on wipes. We strengthen our capabilities in Europe and the Americas and evaluate opportunities in Asia. We execute our strategy through our five strategic focus areas.

Operational excellence

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

Safety is a top priority for us, and we are committed to protecting the health and safety of our employees. The COVID-19 pandemic has required special attention to health and safety issues. When the pandemic started, we implemented several safety and other precautionary measures which remained active in 2021. We believe a strong safety culture is created through an open and continuous dialogue and we want to make Suominen even safer by strengthening our employees' safety awareness.

We continue to work on our efficiency and performance by systematically developing 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 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 customers' growing interest towards more sustainable choices and legislation as the main drivers. We are leading the market change by actively developing new products to meet the growing demand. During 2021, we launched 16 sustainable products. These nonwovens are made of biodegradable, recycled, compostable and/or renewable plantbased fibers. We are also constantly researching new potential fibers such as nettle, hemp, and regenerated cellulose in our New Fiber Center.

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 own operations: greenhouse gas emissions, energy consumption, water consumption and waste to landfill.

In 2021, we progressed well in all these areas. For example, as part of our work to reduce our greenhouse gas emissions, we made the decision to shift entirely to fossilfree electricity in all our European sites. We monitor our progress regularly and are always seeking new ways to further improve our operations.

We launched our renewed Code of Conduct in the beginning of 2021, and a mandatory training about the Code was arranged to all employees.

Differentiate with innovation and commercial excellence

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

Our versatile and experienced R&D team together with our pilot line capabilities enable our industry leading product development. A close collaboration with customers plays an important role in our R&D strategy.

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

During the year, we held innovation and sustainability workshops with many of our customers to understand their needs even better. The share of new products of our net sales reflects our strong ability to innovate and meet the market needs – in 2021, the share of new products was over 25% of our net sales.

We continued our sales training program in 2021 aiming to further strengthen our commercial excellence in order to reach the full potential of our competitive advantages.

Great place to work

We harness the organization's positive energy and commitment to deliver results.

We are systematically developing employee engagement and implementing targeted actions based on our Vibe employee engagement survey. In 2021, we conducted the survey for the second consecutive year. The results identified good progress in topics that were chosen as areas of development based on the previous

Strategic highlights of the year

Three investment projects completed, two in Italy and one in the USA

Sales of sustainable products increased 47% compared to the base year 2019

16 sustainable product launches

20.3% reduction in water consumption, 16.4% reduction on waste to landfill and 8.8% reduction in greenhouse gas emissions per ton of product compared to base year 2019

Moving to fossil-free electricity in all European sites

Share of new products above 25% of net sales

survey. We will continue to build on our strengths and focus on improvement possibilities.

We are further developing our processes and practices to drive excellent performance and to reward for it through a pay-for-performance compensation model. In 2021, we implemented renewed performance development process and launched a competency framework to systematically support our employees in their professional development.

Dual operating model

We optimize our operations through separate operating models for our standard and specialty products. We allocate standard products into the production lines that are best suited for them, while making specialty products on smaller and more flexible production lines.

In 2021, we defined target portfolios for each production line to optimize the way we drive the lines and developed metrics to follow the asset optimization efforts. We will continue to implement operating models that will enable us to deliver higher volume standard products with improved cost efficiency and at the same time address the more diverse customer needs concerning specialty products often produced in lower volumes.

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.

Suominen's sustainability agenda crystallizes the sustainability themes and targets for the strategy period 2020–2025

Materiality

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

As a result of our analysis in 2019, the six most material sustainability topics for Suominen were chosen: eco-friendly products, health and safety, energy efficiency, waste prevention, financial stability and employee engagement. The results of the assessment served as the basis for our sustainability agenda 2020–2025.

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

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 accident	0	4 in 2021	8 DECENT WORK AND ECONOMIC GROWTH
	Employee engagement index	73%	66% in 2021	
Sustainable nonwovens	Number of sustainable product launches[1]	Over 10 per year	16 in 2021	12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION
	Sales of sustainable products	50% increase in sales compared to the base year 2019	47% increase compared to the base year 2019	
Corporate citizenship	Coverage of renewed Code of Conduct	100% of existing employees and new hires	82% of employees trained by the end of 2021	8 DECENT WORK AND ECONOMIC GROWTH
	Supplier audits	Raw material suppliers audited against supplier code (based on risk assessment)	Establishing auditing process proceeded as planned	
Low impact manufacturing	Energy consumption (GJ/t of product)	20% reduction compared to the base year 2019	7.1% reduction compared to the base year 2019	12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION
	Process waste to landfill (kg/t of product)	20% reduction compared to the base year 2019	16.4% reduction compared to the base year 2019	
	Water consumption (m^3/t of product)	20% reduction compared to the base year 2019	20.3% reduction compared to the base year 2019	
	Greenhouse gas emissions (t/t of product)	20% reduction compared to the base year 2019[2]	8.8% reduction compared to the base year 2019[2]	

[1] Sustainable products launches include new sustainable product launches, re-launches and concepts related to sustainable products

[2] Target is set for Scope 1 and 2 emissions (emissions from our own operations and purchased energy generation). Due to the greenhouse gas calculation method revision, the greenhouse gas figures for 2019 and 2020 were restated.

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

Our operating environment continued to be impacted by the COVID-19 pandemic, and securing the health and safety of our over 700 employees was our top priority. We continued to develop our people-related processes. In 2021, we had a special focus on three topics: career and performance development, feedback and recognition, and management skills and communication.

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

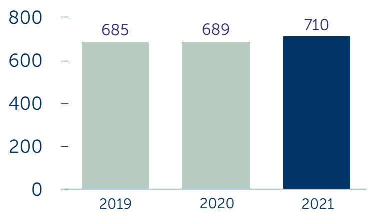
Safeguarding our employees

For Suominen, securing the health and safety of its employees is, in all situations, of the utmost importance. Various safety and other precautionary measures were implemented at the beginning of the COVID-19 pandemic and remained active in 2021.

We continued to monitor the development of the pandemic and adjusted our safety measures accordingly.

A COVID-19 task force with participants from all our locations continued in 2021. Thanks to our dedicated people and our proactive approach and actions, the pandemic has had only a limited impact on our ability to serve our customers and to run our operations. We were also able to continue working towards achieving our sustainability targets according to plan, regardless of the pandemic.

Number of employees



pride, and commitment. The result means that 66% of the survey participants responded favorably to those questions.

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

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 second consecutive year in 2021.

The response rate for the survey was 73%. The survey results identified both positive areas and opportunities for improvement. The results improved in all areas that were chosen as focus areas based on the results of the previous survey, confirming to us that the actions that we took were on point and effective. Confidence in the company's future success, on the other hand, decreased from 2020, which was financially a record year for Suominen.

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

Based on the global results, our employee engagement index is 66%, which is three percentage points lower than in the previous survey. The index is a combination of questions concerning our people's likelihood of recommending and staying in the company, organizational

In pursuit of high performance

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

We continuously develop our processes and practices to identify, foster and reward excellent performance and to drive a pay-for-performance compensation model. Feedback and recognition was identified as an area for development in our previous global employee engagement survey, and in 2021, we implemented an entirely re-designed performance development process. The process covers all our white collar employees and consists of four structured employee–manager discussions per year. In 2021, we also reviewed and created a plan to harmonize local blue collar performance management processes and short-term incentive plans. The employee–manager discussions covered 77% of our employees globally in 2021.

Promoting equal opportunities and supporting professional development

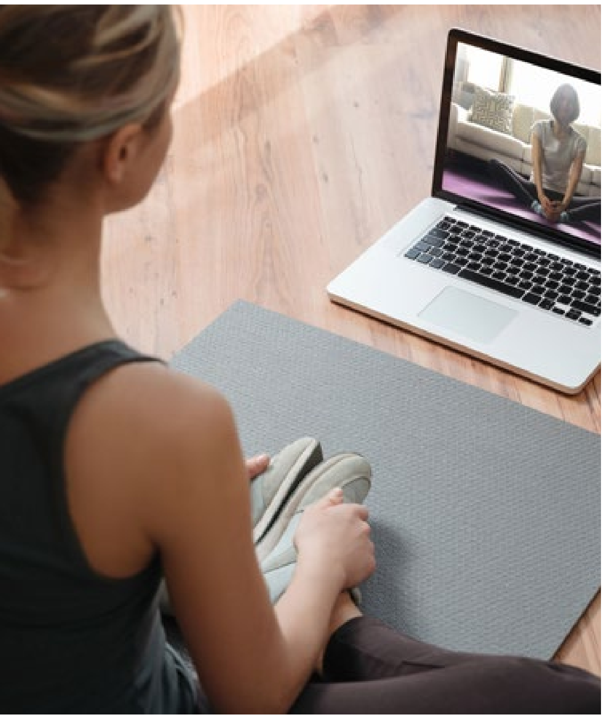
Suominen has over 700 employees, representing more than a dozen nationalities working in eight locations on three continents. We recognize the business benefits of having a diverse workforce and want to offer a fair workplace with equal opportunities for everyone. We do not tolerate any kind of discrimination, including discrimination based on age, gender, religion, or ethnic origin. When making employee-related decisions, for example when recruiting, promoting, rewarding, or developing our personnel, we pay special attention to equality.

Career development and identifying and developing the competencies that are essential in reaching our strategic objectives were also identified as areas for improvement in our previous global employee engagement survey. In 2021, we created and launched a competency framework to systematically support our employees in their professional development. The framework also strengthens our processes for recruitment and succession planning and enables mapping of competencies.

In 2021, a mandatory training program regarding Suominen's renewed Code of Conduct was rolled out to all employees. We also arranged trainings and other activities for supervisors, to support them in their work and improve their manager skills. In addition, various quality and process trainings and a series of agreement trainings were arranged during the year for targeted roles.

710
employees

We support our employees in their professional development



CASE | Employee well-being

Occupational wellbeing in exceptional times

Due to the COVID-19 pandemic, travel, interacting in person, and recreational events have long been restricted. Therefore, we have tried some new ways to promote wellbeing this year. We organized virtual coffee breaks in which staff from different functions "met" in pairs online for an informal coffee break. The idea was to help staff to network and get to know each other, and to add a bit of variety to their working day. The virtual coffee breaks were very well received.

In Finland, we also invited people to participate in "pause gymnastics". Although everyone participated in pause gymnastics remotely, in isolation from each other, the sessions still created a sense of togetherness and gave a lively, active start to the working day.

Päivi Nieminen
Senior Specialist, HR, Nakkila

Safety

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

Safety is one of our key people-related targets, and our aim is to have zero lost-time accidents (LTA). Four LTAs occurred at Suominen sites in 2021 (1 in 2020) and six out of our eight sites were able to reach the zero LTA target in 2021.

Even though the accident frequency rate (AFR) increased to 3.04 (0.80) in 2021, the accident severity rate decreased to 0.05 (0.14). We keep records of all work-related accidents and near misses and identify their causes.

Safety monitoring is part of our daily activities, and in 2021 Suominen implemented a new safety software to manage all safety-related aspects on a single platform.

The safety management systems are certified according to the ISO 45001 standard in 5 out of the 8 sites. Two of our sites are scheduled to be certified according to the ISO 45001 standard during 2022.

Safety during the pandemic

We continued to be affected by the COVID-19 pandemic in 2021. Our primary focus during the year was to keep our employees safe and healthy. Suominen monitored the COVID-19 situation closely and implemented precautions to protect our employees and to ensure a safe working environment on our sites.

CASE | Safety

Zero lost time accidents at Paulínia site

Renata Rinaldi
Plant Director, Paulínia

It is a priority for us to keep our employees safe and create the safest working environment. We are constantly highlighting the importance of safety instruction to our people, and we implement them through safety walks, in which an employee walks through the premises. Discussing actively about safety topics is the best way to keep the instruction in mind every day. We are very happy that we were able to reach our target of zero lost time accidents in 2021.

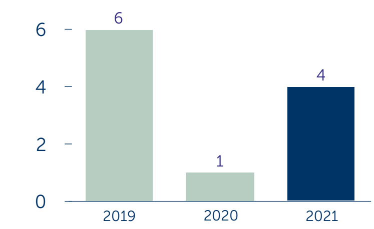
Our safety work

Suominen's safety work is based on preventive work, and we have implemented Life Saving Rules and a Behavior Based Safety program covering employees working both at Suominen's manufacturing sites and offices.

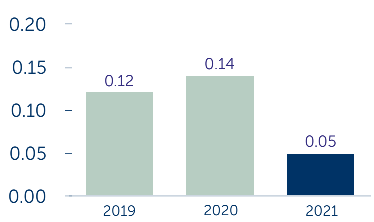
The Behavior Based Safety program kept rolling for the eighth year in a row in 2021. The program emphasizes the individual's own responsibility in safety and focuses on influencing the attitude and motivation of individuals. The program includes safety walks, in which an employee walks through the premises, identifying both safe and unsafe behaviors and conditions, and then engages in an open discussion with other employees. However, as a precautionary measure, safety walks were suspended also in 2021 to ensure social distancing in our sites due to the COVID-19 pandemic. The walks will start now again as the COVID-19 situation is getting easier.

Suominen develops safety at the workplace according to the principle of continuous improvement and constantly shares the best practices at individual plants to benefit the entire plant network. In improving safety, Suominen places particular emphasis on influencing attitudes, behavior, and operating models, and on building a culture of work safety. In 2021, we had a special focus on safety-related topics in internal communication.

Number of lost time accidents (LTA), own employees

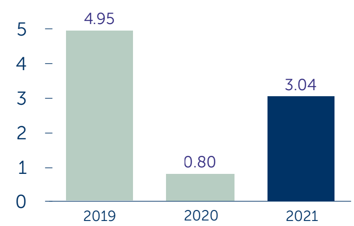


Accident severity rate (ASR)



Number of absence days per 1,000 working hours

Accident frequency rate (AFR)



Number of accidents per 1,000,000 working hours

Low impact manufacturing

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

Suominen is committed to continuously improving its production efficiency and the efficient utilization of natural resources

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

How do we operate?

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

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

Our production sites in Italy, Cressa and Mozzate, both 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.

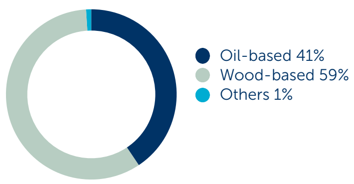
Raw materials

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 2021, the share of raw materials from renewable sources was 59% (54% in 2020), 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 2021



Energy

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

Our target is 20% reduction in energy consumption per ton of product by 2025, the baseline being 2019. In 2021, our energy reduction result towards this target was 7.1% per ton of product compared to the baseline. In order to meet our energy efficiency improvement targets, we continue to identify and implement energy-saving initiatives at our sites.

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.

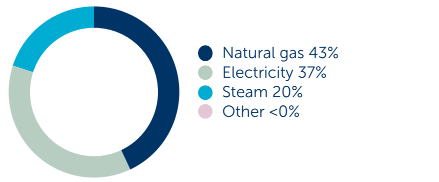
Our water use and discharges are regulated by national or regional authorities, and we constantly monitor the quality of discharged water. All water is treated in either our own or municipal water treatment sites before being discharged.

The wetlaid production technology that is used at two Suominen production sites requires significantly more water than other production technologies. Wetlaid production accounts for 75% of Suominen's total water intake.

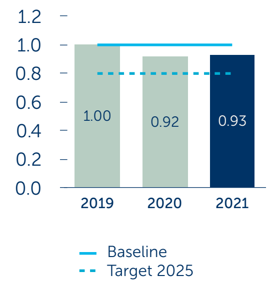
Suominen has evaluated the scarcity of water at our sites by using the World Resources Institute's Water Risk Atlas. One of our production sites is located in a "high risk area" where water can be considered a scarce resource. The water intake of this site accounts for approximately 1.3% of Suominen's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

Our target is 20% reduction in water consumption per ton of production by 2025, the baseline being 2019. In 2021, Suominen's water consumption target was achieved with result of 20.3% reduction per ton of product compared to the baseline. We managed to improve our water efficiency at most of our production sites.

Energy consumption in 2021

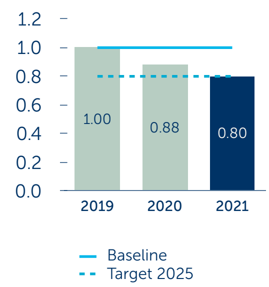


Energy consumption per ton of product (indexed)



Water intake by source in 2021

Water consumption per ton of product (indexed)

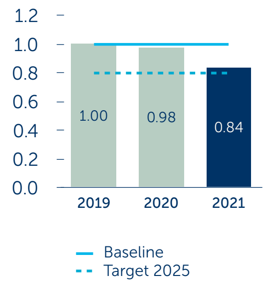


Waste to landfill

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 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 2021, Suominen performed well in reducing waste sent to landfill. Our result in reduction was 16.4% per ton of product compared to the baseline. Three of our eight production sites are already generating zero waste to landfill.

Production waste to landfill per ton of product (indexed)



Greenhouse gas emissions

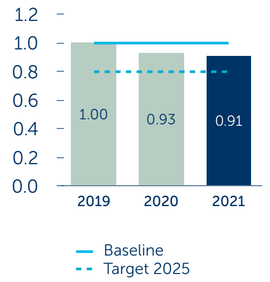
Suominen reports its direct greenhouse gas emissions (Scope 1) and its indirect greenhouse gas emissions from purchased energy production (Scope 2) according to the Greenhouse gas protocol. Direct greenhouse gases originate from the consumption of fossil fuels used mainly for the generation of process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

Our target is 20% reduction in greenhouse gas emissions per ton of product by 2025, the baseline being 2019. In 2021, our result towards the target was 8.8% per ton of product compared to the baseline.

As a part of our work on reducing greenhouse gas emissions, the decision to shift entirely to fossil-free electricity at all our European sites was made in 2021. This shift was a remarkable step towards our greenhouse gas reduction target. Suominen is examining similar opportunities for its sites in the Americas. In 2021, Suominen also made a decision to install a solar plant to our site in Alicante.

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

Greenhouse gas emissions* per ton of product (indexed)



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

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

Sustainable nonwovens

The need for more sustainable products has increased rapidly during recent years. Customers' growing interest towards more sustainable choices and legislation are acting as the main drivers. EU's Single-Use Plastics Directive (SUPD), which entered into force in 2021, and many other similar initiatives globally have had a markable impact on raw materials used in the production of nonwovens, driving the industry towards sustainable alternatives.

We have a strong focus on evaluating new innovative and sustainable fibers in our R&D team

The market is swiftly changing towards more sustainable products and we are well prepared for the market change at Suominen. We launched our first plastic-free product already over a decade ago. We have a wide range of sustainable nonwoven products for different applications to offer to our customers. Our plastic-free offering consists of products that are biodegradable, compostable, dispersible or ready for recycling. 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. We have a strong focus on evaluating new innovative and sustainable fibers in our R&D team. We are actively cooperating with start-ups and well-established companies that are developing new innovative fibers. For example, Suominen collaborated in 2021 with Infinited Fiber Company and developed a nonwoven sheet made from 100% textile waste.

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 at least 10 sustainable product launches per year. In

CASE | R&D

New Fiber Center

Our New Fiber Center way of working aims for onboarding of novel sustainable fibers in close cooperation with our partners. The approach combines our versatile, highly experienced R&D team and our unique technological capabilities. The pilot lines at our Nakkila and Windsor Locks sites support our innovation work by, for example, enabling the testing of prototypes.

Together with our partners, we investigate and run trials with fibers that typically have not been used in the nonwovens industry. We currently have several interesting fibers in our pipeline, such as recycled content, natural, and 100% cellulosic.

One of our cooperation projects in 2021 was developing a nonwoven material made from 100% regenerated textile waste. This was done in collaboration between us and Infinited Fiber Company.

Mari Rahkola
Senior Manager,
Business Development

2021, our share of sustainable nonwovens increased by 47% (compared to 2019). The target of sustainable product launches was very well achieved; we had a total of 16 sustainable product launches during 2021.

We take pride in being at the forefront of providing solutions that address marketplace needs. Our recent launch of HYDRASPUN® Aquaflo is an example of effectively addressing emerging trends in the personal care segment of the market. The product is made of 100% sustainable fibers, it delivers premium thickness for a better consumer experience and delivers near parity dispersibility to dry toilet tissue. In addition, the product passes well-known industry flushability standards.

Continuous development

Sustainability is one of the key themes in our R&D. We are constantly researching new potential fibers such as nettle, hemp, and regenerated cellulose in our New Fiber Center. Suominen is 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. 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 products. Providing carbon footprints for products is a rising trend due to ambitious greenhouse gas reduction targets set by both societies and companies. In 2021, we evaluated environmental impacts of our products by calculating their carbon footprints. This means that greenhouse gases associated with the product in different stages of its value chain are added up to gain a full understanding of the climate impact of each product.

Carbon footprint values provide a comparison between our products within a product portfolio, enabling our customers to find the most climate-friendly option for their applications. During the year, we developed and launched digital Suominen's Climate App. The Climate App provides comparable data of our products so that our clients are able to choose a suitable product with lower greenhouse gas emissions. By offering products with a lower environmental burden without compromising on quality, we are able to support our customers to reduce 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.

Suominen is a pioneer in producing sustainable nonwovens, and our R&D team has excellent know-how in sustainable fibers

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, being a good corporate citizen and minimizing the environmental impact of our own operations. We adhere to high ethical standards in all our activities.

WE SUPPORT UN GLOBAL COMPACT

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

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 supports the United Nations Global Compact.

Human rights

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

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

Code of Conduct

Our daily operations are guided by Suominen's Code of Conduct and other related policies that are the cornerstones of our fair and sustainable business practices. Suominen renewed its Code of Conduct during 2020, and it was published at the beginning of 2021. The Code sets out Suominen's expectations for doing business responsibly, ethically, and consistently, according to our values, our policies, and the law.

Among the key issues addressed by the Code of Conduct are fair business practices, financial regulations, human rights, and the environment. The Code has been adopted by Suominen Corporation and its subsidiaries and it applies to everybody working for the company, everywhere in the world. In the latter half of 2021, a mandatory training program regarding Suominen's renewed Code of Conduct was rolled out to all employees and 82% of all employees had completed the training by the end of the year.

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

In accordance with the sustainability agenda's targets, we will establish a process for third party supplier sustainability audits.

Read more

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

CASE | Corporate Citizenship

Code of Conduct renewal

Our renewed Code of Conduct was launched in 2021. The renewal was one of the targets in our sustainability agenda. The Code forms a basis for our responsible business practices, and it applies to everybody working for the company, all over the world. In the latter part of 2021, we arranged mandatory training for all our employees: E-training for all white-collar employees and onsite training for blue-collar employees. By the end of year, 82% of the personnel had participated in the training. Training will continue until all employees are trained, and the Code will be part of the onboarding process for each new employee.

Kathleen Vita
Senior Manager, HR, Americas

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 to transparent communication through various channels.

Suominen conducted a sustainability materiality assessment in 2019. The process included a stakeholder survey sent to stakeholders – such as customers, employees, institutional investors, suppliers, industry associations and owners – and interviews with key stakeholders. As a result, the six most material sustainability topics for Suominen were chosen: eco-friendly products, health and safety, energy efficiency, waste prevention, financial stability and employee engagement. The results of the assessment served as the basis for our sustainability agenda 2020–2025.

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

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

Continuous interaction with our stakeholders is a key aspect in Suominen's approach to sustainability

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

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. 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 are abroad. Due to this,

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

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

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

In 2021, Suominen employed on average 709 people in its operations. As a result, Suominen generated a positive economic contribution to the surrounding society in the form of employees' income taxes, as well as social security contributions by both the company and the employees. Thus, Suominen's tax footprint includes also the collected and remitted employees' income taxes as well as social security contributions, but the employer's taxes are clearly separated from the employees' taxes and payments in the report.

Suominen's corporate income taxes have been significantly affected by tax losses generated in the past in certain countries where Suominen operates. Based on local tax laws and regulations, tax losses are normally carried forward and deducted from the taxable profits generated in the future. In 2021, Suominen's taxable result did not incur major corporate income tax payments in Finland, as it has had tax losses carried forward from past years. Suominen is subject to group tax consolidation methods in several countries based on each country's tax laws and regulations, which effectively means that Suominen's local companies are taxed on the local consolidated taxable income.

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

The group companies also pay property and real estate taxes based on the land and buildings they own as well as different fiscal payments levied, for example, on manufacturing operations. Suominen does not consider these as indirect taxes to be collected and remitted but as taxes that are costs for the Group companies.

Taxes and similar payments borne

	2021		2020	
EUR thousand	Finland	Other countries	Finland	Other countries
Corporate income tax, tax on profit	-1,166	-3,678	-2	-2,851
Property taxes*	-73	-975	-73	-984
Employer contributions and taxes	-1,727	-9,807	-1,786	-10,215
VAT as expense	-20	-4	-20	-5
Custom duties on export**	-	-15	-	-22
Custom duties on import**	-342	-1,835	-450	-1,305
Excise duties	63	-458	-18	-151
Other taxes and similar payments	-28	-320	-21	-525
TOTAL	**-3,294**	**-17,093**	**-2,370**	**-16,059**

Taxes and similar payments collected and paid

	2021		2020	
EUR thousand	Finland	Other countries	Finland	Other countries
Net VAT	3,242	-7,786	3,355	-4,887
Payroll taxes and similar payments collected and paid	-3,417	-8,764	-2,936	-8,650
Withholding taxes on various payments	-791	-113	-150	-121
TOTAL	**-967**	**-16,664**	**269**	**-13,658**

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

Reporting principles

Suominen publishes its sustainability report as part of its Annual Report. The previous sustainability report, covering 2020, was published in March 2021.

The reporting period for all presented data is one calendar year (January 1–December 31, 2021), and the enclosed historical data encompasses the last two or three years, depending on the topic.

Suominen is reporting according to the Core option of the Global Reporting Initiative (GRI) standards. This means that our reporting includes all General Disclosures required by the Core options and Sector Disclosures relevant to Suominen. Suominen's sustainability information for 2021 was assured by an independent assurance provider, Mitopro Oy. The limited assurance was done according to the Accountability AA1000 Assurance Standard. The scope of the assured information is indicated in the independent assurance report on pages 52–54 of this report.

The basis of Suominen's sustainability reporting is a materiality assessment, which 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.

Economic responsibility

Figures related to economic responsibility are based on Suominen's consolidated financial statements, which are prepared in accordance with the International Financial Reporting Standards (IFRS), including the International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (SIC and IFRIC). The consolidated financial statements include the financial statements of Suominen Corporation and its subsidiaries. The functional and reporting currency of the parent company is the euro, which is also the reporting currency used in the consolidated financial statements. The functional currencies of subsidiaries are determined by the primary economic environment in which they operate.

People and safety

Information regarding the total number of personnel is reported on the basis of our financial statements, with more detailed human resources data being derived from separately collected statistics. This data represents the situation at the end of 2021. Incident data is collected continuously, using the group-wide accident reporting system covering all Suominen employees. The calculation principles and boundaries for each indicator are explained in more detail in the GRI index.

Minimizing environmental impacts

Consolidated environmental and energy data covers all our production units. Offices and other premises with no production activities are excluded from this data, due to the materiality principle. Consolidated environmental data is collected on a monthly basis from Suominen's production units, based on invoices and consumption information, while some information is based on separately collected statistics.

The Windsor Locks site in Connecticut, USA, is operated jointly with Ahlstrom-Munksjö Oyj: only consumption data with regard to the environmental impacts of Suominen's production lines is taken into account in the environmental figures. Suominen calculates its Scope 1 and 2 greenhouse gas emissions according to the Greenhouse gas protocol. The calculation principles and boundaries for each indicator are explained in more detail in the GRI index.

GRI index

GRI STANDARD		LOCATION	COMMENTS	OMISSIONS AND REASONS FOR OMISSIONS
GRI 102: General disclosure				
Organizational profile				
102-1	Name of the organization	See comments	Suominen Corporation	
102-2	Activities, brands, products, and services	AR 3		
102-3	Location of headquarters	See comments	Karvaamokuja 2 B, 00380 Helsinki, Finland	
102-4	Location of operations	AR 3		
102-5	Ownership and legal form	See comments	Suominen Corporation is a public company and its shares are listed on Nasdaq Helsinki.	
102-6	Markets served	AR 3, 12–13		
102-7	Scale of the organization	AR 3, 8, 10–11, 98		
102-8	Information on employees and other workers	AR 3, 22–24, 41, 47, see comments	The Windsor Locks plant in CT, USA is co-operated with Ahlstrom-Munksjö Oyj and there a significant amount of work is performed by workers who are not Suominen's employees. Otherwise, contractors are mainly used in different maintenance and construction work, which are typically seasonal in nature. There is limited seasonal variation during vacation periods at our plants.	
102-9	Supply chain	AR 9–11, 28		
102-10	Significant changes to the organization and its supply chain	AR 4–6		
102-11	Precautionary Principle or approach	See comments	Suominen's risk management process enables the company to manage risks in order to avoid any harm to the environment and ensure the continuity of its operations.	
102-12	External initiatives	AR 34–35		
102-13	Membership of associations	AR 47		
Strategy				
102-14	Statement from senior decision-maker	AR 4–6		
102-15	Key impacts, risks, and opportunities	AR 4–6, 91–94		
Ethics and integrity				
102-16	Values, principles, standards, and norms of behavior	AR 14–16, Code of Conduct, Supplier Code of Conduct		
102-17	Mechanisms for advice and concerns about ethics	Code of Conduct		

GRI STANDARD		LOCATION	COMMENTS	OMISSIONS AND REASONS FOR OMISSIONS
Governance structure				
102-18	Governance structure	AR 56		
102-22	Composition of the highest governance body and its committees	AR 57–59		
102-23	Chair of the highest governance body	AR 58		
102-35	Remuneration policies	AR 66–74		
102-36	Process for determining remuneration	AR 66–74		
Stakeholder engagement				
102-40	List of stakeholder groups	AR 37		
102-41	Collective bargaining agreements	AR 47		
102-42	Identifying and selecting stakeholders	AR 36–37		
102-43	Approach to stakeholder engagement	AR 36–37		
102-44	Key topics and concerns raised	AR 36–37		
Reporting practice				
102-45	Entities included in the consolidated financial statements	AR 120		
102-46	Defining report content and topic Boundaries	AR 18, 41		
102-47	List of material topics	AR 18		
102-48	Restatements of information	AR 41, 48, 49		
102-49	Changes in reporting	AR 41		
102-50	Reporting period	AR 41		
102-51	Date of most recent report	AR 41		
102-52	Reporting cycle	AR 41		
102-53	Contact point for questions regarding the report	See comments	Noora Rantanen, Manager, Sustainability & Marketing firstname.lastname@suominencorp.com	
102-54	Claims of reporting in accordance with the GRI Standards	AR 41		
102-55	GRI content index	AR 42–46		
102-56	External assurance	AR 52–54, see comments	Suominen's sustainability report 2021 has been externally assured by an independent assurance provider Mitopro Oy.	

GRI STANDARD		LOCATION	COMMENTS	OMISSIONS AND REASONS FOR OMISSIONS
GRI 103: Management approach				
103-1	Explanation of the material topic and its Boundary	AR 18, 41		
103-2	The management approach and its components	AR 51		
103-3	Evaluation of the management approach	AR 51		
ECONOMIC STANDARDS				
GRI 201: Economic performance				
201-1	Direct economic value generated and distributed	AR 47		
GRI 205: Anti-corruption				
205-1	Operations assessed for risks related to corruption	AR 85		
205-2	Communication and training about anti-corruption policies and procedures	AR 35, 85		
205-3	Confirmed incidents of corruption and actions taken	See comments	No incidents in 2021 reported.	
GRI 206: Anti-competitive behavior				
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	See comments	No cases in 2021 reported.	

GRI STANDARD		LOCATION	COMMENTS	OMISSIONS AND REASONS FOR OMISSIONS
ENVIRONMENTAL STANDARDS				
GRI 302: Energy				
302-1	Energy consumption within the organization	AR 29, 48		
302-4	Reduction of energy consumption	AR 29, 48		
GRI 303: Water and Effluents (2018)				
303-1	Interactions with water as a shared resources	AR 29, 48		
303-2	Management of water discharge-related impacts	AR 29, see comments	Our water use and discharges are regulated by the national or regional authorities and we monitor the quality and volume of discharged water according to the requirements set by authorities.	
303-3	Water withdrawal by source	AR 29, 48		Breakdown by fresh water and other water as no other water is used.
303-4	Water discharge	AR 29, 48		Breakdown by fresh water and other water as no other water is used.
303-5	Water consumption	AR 29, 48, see comments		Breakdown by fresh water and other water as only fresh water is used. Change in water storages is not reported as it is not relevant for our operations.
GRI 305: Emissions				
305-1	Direct (Scope 1) GHG emissions	AR 30, 49		
305-2	Energy indirect (Scope 2) GHG emissions	AR 30, 49		
305-5	Reduction of GHG emissions	AR 30, 49		
GRI 306: Waste (2020)				
306-1	Waste generation and significant waste-related impacts	AR 30, 49		
306-2	Management of significant waste-related impacts	AR 30, 49		
306-3	Waste generated	AR 30, 49, see comments		Breakdown of hazardous waste is omitted as the amount of hazardous waste accounts less than 0.5% of the total amount of generated waste, which is not material amount.
GRI 307: Environmental compliance				
307-1	Non-compliance with environmental laws and regulations	See comments	No significant fines in 2021. No significant spills in 2021.	
GRI 308: Supplier environmental assessment				
308-1	New suppliers that were screened using environmental criteria	AR 35, see comments	100% of the new raw material suppliers were screened using environmental criteria	

GRI STANDARD		LOCATION	COMMENTS	OMISSIONS AND REASONS FOR OMISSIONS
SOCIAL STANDARDS				
GRI 401: Employment				
401-1	New employee hires and employee turnover	AR 50		
GRI 403: Occupational health and safety (2018)				
403-1	Occupational health and safety management system	AR 25–26, 41, 51		
403-2	Hazard identification, risk assessment, and incident investigation	AR 25–26, 41, 51		
403-3	Occupational health services	AR 22–24, 25–26, 41, 51, see comments	Not reported in detail.	
403-4	Worker participation, consultation, and communication on occupational health and safety	AR 22–24, 41, 51		
403-5	Worker training on occupational health and safety	AR 22–24, 41, 51		
403-6	Promotion of worker health	AR 22–24, 51		
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	AR 22–24, 25–26, 41, 51		
403-9	Work-related injuries	AR 25–26, 51, see comments	Main types of injuries are strains, cuts and bruising.	
GRI 404: Training and education				
404-3	Percentage of employees receiving regular performance and career development reviews	AR 23, 50		
GRI 405: Diversity and equal opportunity				
405-1	Diversity of governance bodies and employees	AR 50, 59		
GRI 406: Non-discrimination				
406-1	Incidents of discrimination and corrective actions taken	See comments	No incidents in 2021 reported.	
GRI 414: Supplier social assessment				
414-1	New suppliers that were screened using social criteria	AR 35, see comments	100% of the new raw material suppliers were screened using social criteria.	
GRI 418: Customer privacy				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	See comments	No incidents in 2021 reported.	
GRI 419: Socioeconomic compliance				
419-1	Non-compliance with laws and regulations in the social and economic area	See comments	No incidents in 2021 reported.	

GRI Appendix

GRI 102-8 Information on employees and other workers

a. Total number of employees by employment contract by gender

	Women	Men
Permanent	146	545
Temporary	6	13

b. Total number of employee by employment contract by region

	Europe	Americas
Permanent	348	343
Temporary	19	0

c. Total number of employees by employment type

	Women	Men
Full-time	146	555
Part-time	6	3

GRI 102-13 Memberships in associations

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

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

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

Brazil
ABINT Nonwovens Industry Brazilian Association

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

GRI 102-41 Collective bargaining agreements

Overall, 60% of Suominen employees are covered by collective bargaining agreements. Participation in collective bargaining agreements varies significantly between regions; South America 100%, Europe 100% and North America 0%. This reflects common practice in these regions.

GRI 201-1 Direct economic value generated and distributed

Revenue, EUR million	
Net sales	443.2
Other operating income	4.4
Revenues from financial investments	2.0
Total revenue	449.6

Operating costs, EUR million	
Direct production expenses: materials and services	-318.0
Indirect production expenses, R&D and SGA: services and other expenses	-29.9
Other operating expenses	0.6
Total operating costs	-347.3

Employee wages, salaries and benefits, EUR million	
Wages and salaries	-37.9
Pensions	-3.0
Other personnel expenses	-17.5
Total employee wages, salaries and benefits	-58.3

Payments to providers of capital, EUR million	
Interest expenses	-5.0
Other financial expenses	-0.9
Total payments to providers of capital	-5.9

Payments to government, EUR million	
Current income tax charge for the year and previous years	-4.8
Other income taxes	0.2
Total payments to government	-4.7

Retained in business, EUR million	
	33.4

Energy

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

Energy consumption, GJ		2021	2020	2019
Non-renewable fuel consumed				
Natural gas	302-1 a	791,052.6	835,926.4	737,187.4
Other non-renewables	302-1 a	4,134.2	4,431.3	3,678.1
Renewable fuel consumed	302-1 b	0	0	0
Purchased electricity	302-1 c	688,685.8	731,302.1	657,695.1
Purchased steam	302-1 c	369,120.1	418,297.6	365,950.1
Total energy consumption	302-1 e	1,852,992.6	1,989,957.3	1,764,510.6
Change in total energy consumption	302-4	-136,964.7	225,446.7	-138,551.5

Energy sold outside organization is not reported as Suominen does not generate any energy to be sold outside the organization. Other non-renewable fuel consumed (GRI 302-1 a) figure has been restated for the years 2020 and 2019 due to one energy source that was not counted. However, the values of total energy consumption and change in total energy consumption were correct.

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		2021	2020	2019	2021	2020	2019
Surface water	303-3 a&b	3,426	3,967	3,703	0	0	0
Ground water	303-3 a&b	1,683	2,199	2,073	0	0	0
Seawater	303-3 a&b	0	0	0	0	0	0
Produced water	303-3 a&b	0	0	0	0	0	0
Third-party water	303-3 a&b	818	909	803	78	106	101
Total		5,927	7,075	6,578	78	106	101

		All areas			Areas with water stress		
Water discharge by type of destination, ML		2021	2020	2019	2021	2020	2019
Surface water	304-4 a&c	4,849	5,590	5,320	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	563	555	551	15	21	20
Total		5,412	6,145	5,871	15	21	20
Water consumption	303-5 a&b	515	929	707	62	85	81

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.

Emissions

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

Greenhouse gas emissions, tons of CO_2e		2021	2020	2019
Direct (Scope 1) emissions	305-1	43,299	45,425	38,611
Biogenic Direct (Scope 1) emissions	305-1	0	0	0
Energy indirect (Scope 2) emissions – market based	305-2	71,499	81,764	72,704
Energy indirect (Scope 2) emissions – location based	305-2	53,715	58,730	52,908
Total emissions (Scope 1 and Scope 2 – market based)		114,798	127,188	111,315
Change of total emissions	305-5	-12,390	15,873	-15,476

Suominen's direct (Scope 1) greenhouse gas (GHG) emissions are from the sources owned by Suominen and they are expressed as CO_2e, which covers greenhouse gases as described in Kyoto Protocol (CO_2,CH_4, N_2O, HFCs, PCFs, SF_6 and NF_3). 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. Scope 2 emissions are calculated according to the Greenhouse Gas Protocol's "A Corporate Accounting and Reporting Standard" and covers emissions from purchased electricity and steam. Market-based emissions are used for target setting and following our progress. Greenhouse Gas Protocol's calculation hierarchy and related emissions factors are used for the calculation of marked- and location-based methods. Market-based emissions are mainly derived from the local suppliers or when appropriate residual mixes (RE-DISS project) are used. Emissions factors used for local-based emissions are derived from USA's national statistics or eGRID 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)

		2021	2020	2019
Non-hazardous waste - Waste to landfill	306-3 a	3,209.4	4,062.6	3,398.2
Non-hazardous waste - Energy recovery	306-3 a	565.6	1,639.0	1,871.3
Non-hazardous waste - Waste for recycling	306-3 a	3,608.6	N/A	N/A
Non-hazardous waste - Waste to re-use	306-3 a	271.6	N/A	N/A
Non-hazardous waste - Waste to incineration	306-3 a	2.1	N/A	N/A
Hazardous waste	306-3 a	19.6	10.6	13.3
Total waste generated	306-3 a	7,676.9	N/A	N/A

Figures for 2021 are excluding 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 suppliers' sites. After Suominen's production site, nonwovens will be converted into a sin-gle-use products such as wipes and products will be properly packed. Eventually the nonwo-ven 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 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 prevents waste.

For the reporting years 2020 and 2019, the GRI 306: Effluents and waste (2016) reporting standard was used. In 2021, waste reporting was updated to GRI 306 Waste (2020) thus, not all waste fractions were reported for years 2020 and 2019.

GRI 401-1: New employee hires and employee turnover

Employee distribution and turnover

	Europe	Americas	Total
Number of employees			
By age group			
Under 30	39	32	71
30–50	211	202	413
Over 50	117	109	226
By gender			
Women	82	70	152
Men	285	273	558
Number of new hires			
By age groups			
Under 30	33	12	45
30–50	36	34	70
Over 50	4	7	11
By gender			
Women	18	7	25
Men	55	46	101
Employee turnover			
By age group			
Under 30	13	14	27
30–50	15	49	64
Over 50	13	28	41
By gender			
Women	16	16	32
Men	25	75	100
Total employee turnover rate	11%	27%	19%

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

Percentage of employees receiving regular performance and career development review

	Men	Women
White collar	99%	99%
Blue collar	63%	78%

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	3	1

Our management approach

	PEOPLE AND SAFETY	LOW IMPACT MANUFACTURING	SUSTAINABLE NONWOVENS	CORPORATE CITIZENSHIP
Description and purpose of the management method	Our work is guided by our Code of Conduct and our values: ownership, teamwork, performance, integrity. The purpose of the management method is to ensure the implementation of the strategy and the achievement of the targets as planned.			
Policies and commitments	- Code of Conduct - Suominen HR principles and policies - Compensation and benefits policy - Blind hiring principle in use when possible - Safety principles and Behavior Based Safety program - ISO 45001 in Alicante, Cressa, Green Bay, Mozzate and Nakkila plants - Privacy policy - Travel and expense policy - Information security guidelines	- Code of Conduct - ISO 14001 certification in all plants - ISO 9001 in all plants - ISO 50001 in Cressa and Mozzate plants - Local environmental policy in all plants	- Supplier Code of Conduct - Suominen offers traceability certifications for FSC®, PEFC & SFI, as well as skin-safe certifications like OEKO-TEX	- Code of Conduct - Supplier Code of Conduct - Competition law compliance policy - Credit policy - Disclosure policy - Gift, entertainment and anti-bribery policy - Insider policy - Related party policy - Risk management policy - Sponsorship and donation policy - Tax policy - Treasury policy
Objectives	- We focus on increasing employee engagement - We continue to build a high performance culture - We continue to strengthen our safety culture	- We continuously strive to decrease environmental impacts of our operations	- We are the frontrunner in sustainable nonwovens	- We promote responsible business practices in our operations and supply chain - We communicate openly and transparently about our operations
Resources and responsibilities	Leading functions: HR and HSEQ	Leading functions: Operations and HSEQ	Shared responsibility for several functions (e.g., Business Development, Sourcing, R&D and Operations)	Leading functions: Legal, Sourcing and Finance
	The leading functions of each theme are responsible for implementation, monitoring, management, and evaluation of progress towards the goals set for each area. The Communications & IR 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. Further, no retaliation will be tolerated against anyone who participates or assists in the investigation of a report by Suominen.			
Evaluation of the management method	Compliance, internal control and audits, incident reports, assessment of occupational safety risks, safety observation reports submitted by employees, mandatory Code of Conduct training, performance and development discussions, employee engagement surveys, one-to-one discussions and employee exit surveys	Compliance, external audits including ISO 9001:2015 and ISO 14001:2015 audits, incident reports and monitoring and evaluating our KPIs	Compliance, audits by customers, monitoring and evaluating our KPIs, audits our supply chain	Compliance and evaluation of the efficiency of our policies

Independent assurance statement

To the Management and Stakeholders of Suominen

Scope and Objectives

The Management of Suominen Oyj commissioned us to perform a limited assurance engagement over the sustainability information presented in the Sustainability section of Suominen Annual Report 2021 ("the Report") for the reporting period 1st January to 31st December 2021. The assurance engagement was conducted in accordance with the AA1000 Assurance Standard (AA1000 AS v3, 2020) as a type 2 engagement.

We have duly performed an independent external assurance, the objective of which was to evaluate:

- Suominen's adherence to the AA1000 Accountability Principles (2018) of inclusivity, materiality, responsiveness and impact;
- the reliability of performance information presented in the Report according to the Principles for defining report quality in the GRI Standard 101 Foundation (2016); and
- the compliance with the GRI Standards in accordance criteria at the Core option.

Responsibilities

Suominen's Management is responsible for the preparation of the Report and the performance data and statements presented therein, which the Suominen Executive Team has approved. Our responsibility as assurance providers is to express a conclusion based on our work performed. The criteria used for our assessment include the GRI Standards and Suominen's own internal reporting guidelines.

Assurance Provider's Independence and Competence

We have conducted our assessment as independent and impartial from the reporting organisation. We were not committed to any assignments for Suominen that would conflict with our independence, nor were we involved in the preparation of the Report. Our team consists of competent and experienced corporate responsibility reporting experts, who have the necessary skills to perform an assurance process.

Basis of Our Opinion

Assurance providers are obliged to plan and perform the assurance process to ensure that they collect adequate evidence for the necessary conclusions to be drawn. The procedures selected depend on the assurance provider's judgement, including their assessment of the risk of material misstatement adhering to the reporting criteria.

Our opinion is based, among other things, on the following procedures performed:

- Interviews with senior management representatives to gain an understanding of the major impacts, risks and opportunities related to Suominen's sustainability agenda;
- Assessment of the procedures Suominen has in place to ensure the inclusivity of stakeholder engagement processes, the identification of material stakeholder expectations, the responsiveness to stakeholder concerns and the assessment of impacts;
- Interviews with Suominen's specialists responsible for corporate sustainability performance data collection and calculations;
- Review of systems and procedures to generate, collect and report corporate sustainability performance data for the Report;

- Review of data sources, data generation and reporting procedures at the Suominen's manufacturing sites in Nakkila, Finland and Green Bay in the United States;
- Reviewing data at source and following this through to the sustainability information presented in the Report;
- Assessing whether the evidence, measurements, and scope of the performance data is prepared in accordance with the Criteria; and
- Reviewing the Report and narrative accompanying the performance indicators in the Report with regard to the Criteria.

Inherent limitations

Our assurance relies on the premise that the data and information provided by Suominen to us as part of our review procedures have been provided in good faith. Because of the selective nature (sampling) and other inherent limitations of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities may not have been detected. For instance, greenhouse gas (GHG) emissions calculations are subject to inherent limitations, given the nature and the methods used for determining such data. Finally, the selection of different but acceptable measurement techniques may result in materially different measurements.

Conclusions

Adherence to AA1000 Accountability Principles

- Inclusivity: Suominen has a stakeholder engagement process in place in order to understand stakeholder expectations, and the company has committed to active stakeholder dialogue.
- Materiality: Suominen has identified sustainability reporting topics, which correspond to stakeholder interests and major economic, environmental and social impacts in Suominen's value chain.
- Responsiveness: Suominen has policies and procedures in place to respond to stakeholder's expectations.
- Impact: Suominen has identified impacts related to the material sustainability topics and has committed to manage and disclose comprehensive and balanced information on these impacts.

Corporate sustainability performance data

We have reviewed the basis of the corporate sustainability information provided in the Report. 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 the Report is not fairly stated and has not been prepared, in all material respects, in accordance with the reporting criteria.

GRI Standards in accordance criteria

The Report complies with the GRI Standards: Core option.

Observations and Recommendations

Based on our limited level assurance engagement, we present the following observations and recommendations, which do not affect the conclusions presented above.

- Suominen has integrated sustainability to strategy and has set Group-wide sustainability targets. In 2021 Suominen has progressed especially in increasing sales of sustainable products and minimising own environmental impacts. We recommend that Suominen develops even more ambitious and longer-term climate and environmental targets.
- In 2021 Suominen has further developed responsible business practice and invested in strengthening ethical corporate culture. The company has been able to manage impacts of the exceptional COVID-19 pandemic situation. We recommend that Suominen continues efforts to strengthen safety culture and personnel wellbeing.
- Suominen has solid sustainability governance and management practices, and the company reports complete sustainability information on material disclosure topics. The company has systematic procedures in place to collect sustainability data. We recommend that Suominen further develops sustainability data management in the line with increasing reporting obligations.

Helsinki, Finland, 9th February 2022

Mitopro Oy

Mikael Niskala	Tomi Pajunen
Independent	Independent
Sustainability Practitioner	Sustainability Practitioner

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Corporate Governance

Corporate Governance Statement of Suominen Corporation for 2021

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

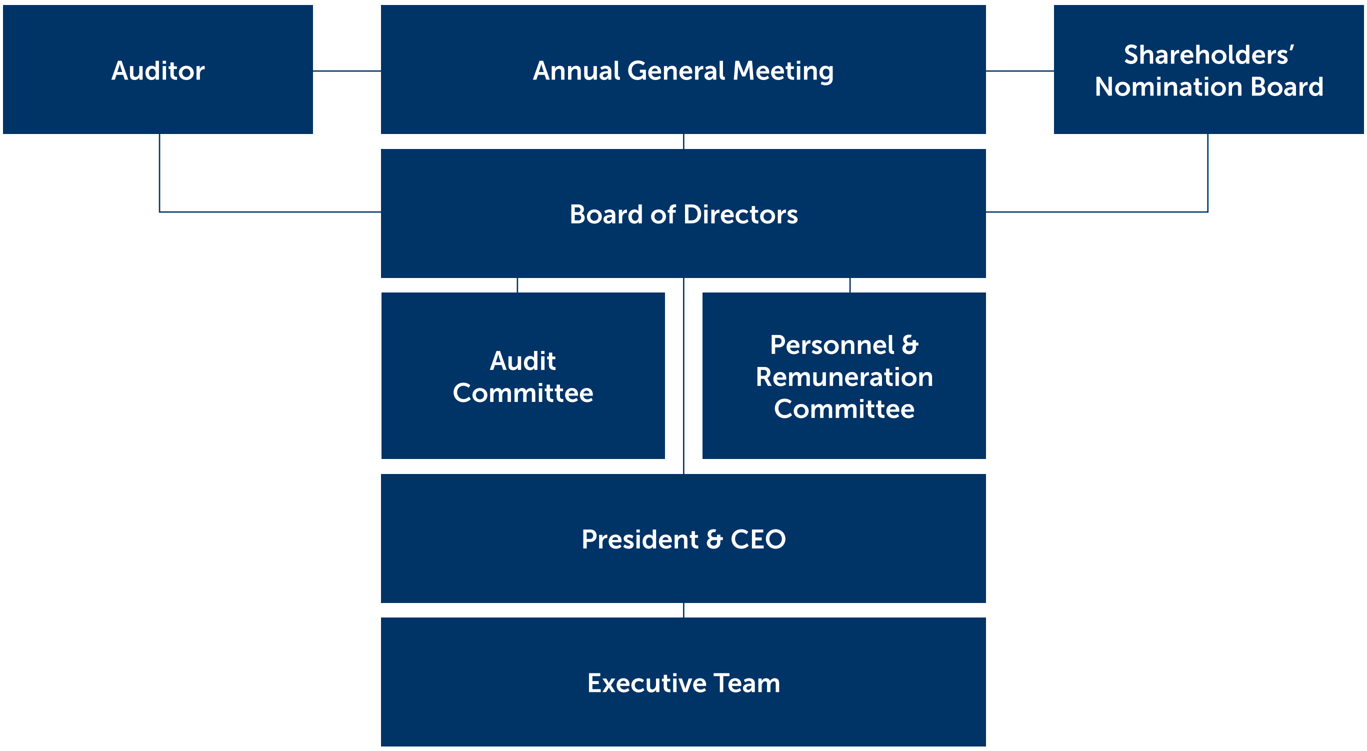
This Corporate Governance Statement (the "Statement") is published separately from the report of Board of Directors. This Statement has been published simultaneously with the Financial Statements and Report by the Board of Directors as a Stock Exchange Release, and it is available also on Suominen's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

The Audit Committee and the Board of Directors of Suominen Corporation have reviewed the Statement.

The Statement will not be updated during the financial year, but up-to-date information on its various topics is available on Suominen's website.

1. Suominen's governing bodies

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



General Meeting of Shareholders

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

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

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

Annual General Meeting in 2021

The Annual General Meeting was held in Helsinki on March 25, 2021. In order to prevent the spread of the COVID-19 pandemic, the meeting was held without shareholders' and their proxy representatives' presence at the venue of the meeting. The shareholders of the Company participated in the meeting and exercised their shareholder rights by voting in advance. A total of 64 shareholders representing 39.1% of the Company's shares and votes participated in the advance voting. The Annual General Meeting documents are available on the Company's website **www.suominen.fi**.

Shareholder's Nomination Board

Suominen has a permanent Shareholders' Nomination Board established by the 2013 Annual General Meeting. The task of the Nomination Board is to prepare and present to the Annual General Meeting and, if necessary, to an Extraordinary General Meeting, a proposal on the remuneration of the members of the Board of Directors, a proposal on the number of members of the Board of Directors and a proposal on the members and the Chair of the Board of Directors. In addition, the task of the Nomination Board is to seek potential successors for the board members.

The Nomination Board consists of four members, three of which are appointed by the Company's three largest shareholders who appoint one member each. The largest shareholders shall be determined on the basis of the registered holdings in the Company's shareholders' register held by Euroclear Finland Ltd as of the first working day in September. The Chair of the Company's Board of Directors serves as the fourth member. The Nomination Board is established to exist and serve until the General Meeting of the Company decides otherwise. The members are nominated annually, and their term of office ends when new members are nominated to replace them. The members of the Nomination Board shall be independent of the Company, and a person belonging to the Company's operative management cannot be a member of the Nomination Board.

Nomination Board in 2021

Shareholders' representatives on the Nomination Board in 2021 were Lasse Heinonen, representing Ahlstrom Capital B.V., Mikael Etola representing Oy Etra Invest Ab and Jukka Perttula representing Nordea Nordic Small Cap Fund. Jaakko Eskola, Chair of the Board of Directors acted as the fourth member of the Nomination Board. Lasse Heinonen acted as the Chair of the Nomination Board.

In 2021, the Nomination Board convened seven times. The attendance rate at the meetings was 100%.

Board of Directors

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

The Board of Directors is responsible for the administration and the proper organization of Suominen's operations. The Board is responsible for making decisions on matters that are likely to have a major impact on the Company. The Board convenes according to an annual meeting plan.

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

The main duties

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

- to approve the Company's strategy and oversee its implementation
- to approve the Company's long-term targets and monitor their implementation
- to approve the annual business plan
- to approve major business acquisitions, divestments, investments or expenditures
- to approve major external funding (both debt and equity), capitalization of subsidiaries, and guarantees and mortgages
- to decide on the appointment and dismissal of the CEO and other members of the Executive Team and to decide on their terms of employment and remuneration
- to approve the Company's organizational structure
- to monitor and supervise the Company's performance and to ensure the effectiveness of its management
- to decide on the Company's share-based long term incentive schemes
- to approve the Company's financial reports, including annual accounts, interim reports, report by the Board of Directors and financial statement releases
- to ensure that the Company has adequate planning, information and control systems and resources for monitoring results and managing risks
- to convene General Meetings
- to establish a dividend policy and make a proposal on distribution of dividend
- to make a proposal concerning the election of the auditor and the auditing fees, and
- to make other proposals to General Meetings.

Board of Directors in 2021

The 2021 Annual General Meeting elected six members to Suominen's Board of Directors. The term of office of the members of the Board of Directors ends at the close of the Annual General Meeting 2022.

Board member	Member since	Born	Nationality	Education	Main occupation	Share ownership
Jaakko Eskola	2021, Chair since 2021	1958	Finnish	M.Sc. (Eng.)	Board Professional	14,583
Andreas Ahlström	2015, Deputy Chair since 2020	1976	Finnish	M.Sc. (Econ. and Business Adm.)	Investment Director, Ahlström Capital Oy	21,333
Björn Borgman	2020	1975	Swedish	M.Sc. (Industrial Engineering)	CEO, HL Display AB	15,043
Nina Linander	2020	1959	Swedish	B.Sc. (Econ.), MBA	Board Professional	20,516
Sari Pajari-Sederholm	2019	1968	Finnish	M.Sc. (Tech.)	EVP, Strategy, Metsä Group	10,554
Laura Raitio	2015	1962	Finnish	Licentiate of Technology	Board Professional	21,333
Until March 25, 2021						
Jan Johansson	2017, Chair since 2017	1954	Swedish	LL.M.	Board Professional	

Independence of the Board members

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

Meeting practice

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

In 2021, the Board of Directors convened 11 times, of which five times per capsulam. The attendance rate at the meetings was 100%. The participation of each individual member is presented in the table below.

Name		Participation
Jaakko Eskola	Chair	9/9
Andreas Ahlström	Deputy Chair	11/11
Björn Borgman	Member	11/11
Nina Linander	Member	11/11
Sari Pajari-Sederholm	Member	11/11
Laura Raitio	Member	11/11
Until March 25, 2021		
Jan Johansson	Chair	2/2

Board evaluation

In 2021, after most of its meetings, the Board assessed the preparations of the meeting, the course of the meeting, and its own operations, in line with the principle of continuous development.

The Board of Directors conducted an annual evaluation of its operation and working methods during financial year 2021. The assessment was conducted internally. The results of the assessment were discussed confidentially also with the Nomination Board members to whom the report was provided.

Diversity principles of the Board of Directors

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

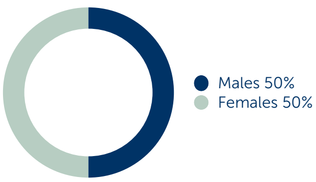
The Nomination Board of Suominen's shareholders evaluates the number of members on the Board, its composition and the competence requirements of the Board in the light of the present and future needs of the Company. When assessing the composition of the Board, the Nomination Board considers, among other things, whether the Board possesses a broad range of business knowledge and members representing both genders and various ages. It is Suominen's objective to have both men and women on its Board.

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

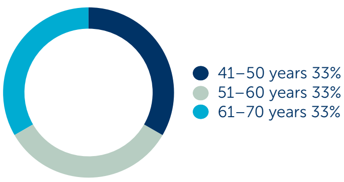
The essentials of the diversity principles are described in this Statement. They can be reviewed in their entirety at **www.suominen.fi**.

Board Diversity (December 31, 2021)

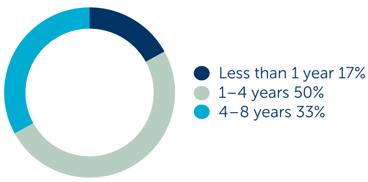
Gender



Age



Tenure



Board committees

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

Audit Committee

The Audit Committee assists the Board in supervising the Company's governance, accounting and financial reporting, internal control systems and monitoring the activities of the external audit. The Audit Committee prepares for the Board matters that fall under its areas of responsibility, but it does not have autonomous decision-making powers unless the Board resolves otherwise on certain matters.

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

Audit Committee in 2021

The Audit Committee consisted of Nina Linander (Chair), Andreas Ahlström and Laura Raitio.

In 2021, the Audit Committee convened 4 times. The attendance rate at the meetings was 100%. The participation of each individual member is presented in the table below.

Name		Participation
Nina Linander	Chair	4/4
Andreas Ahlström	Member	4/4
Laura Raitio	Member	4/4

Personnel and Remuneration Committee

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

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

Personnel and Remuneration Committee in 2021

The Personnel and Remuneration Committee consisted of Jaakko Eskola (Chair as of March 25, 2021), Jan Johansson (Chair until March 25, 2021), Björn Borgman and Sari Pajari-Sederholm.

In 2021, the Personnel and Remuneration Committee convened twice. The attendance rate at the meetings was 100%. The participation of each individual member is presented in the table below.

Name		Participation
Jaakko Eskola	Chair	2/2
Björn Borgman	Member	2/2
Sari Pajari-Sederholm	Member	2/2

President & CEO

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

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

Executive Team

The President & CEO is supported by the Executive Team.
In 2021, the Executive Team consisted of:

Executive Team member	Team member since	Born	Nationality	Education	Position	Share ownership
Petri Helsky	2019	1966	Finnish	M.Sc. (Tech.), M.Sc. (Econ.)	President & CEO	39,354
Toni Tamminen	2019	1978	Finnish	D.Sc. (Tech.), M.Sc. (Econ.)	CFO	3,500
Lynda Kelly	2014	1964	US	B.Sc.	SVP, Americas & Business Development	24,295
Markku Koivisto	2017	1971	Finnish	M.Sc. (Tech.)	SVP, Europe & R&D	18,641
Klaus Korhonen	2019	1974	Finnish	LL.M.	SVP, HR & Legal	19,352
Mimoun Saïm	2011	1964	French	ENSI Engineering	SVP, Operations	34,447

Suominen’s operative organization

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

2. Descriptions of internal control procedures and the main features of risk management systems

Internal control

Control environment

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

Suominen's control environment is based on instructions, the business culture and the way of working adopted by the Company's managers and employees. In cascading the principles in the organization, honesty, transparency and working in teams are integral elements of establishing high ethical standards throughout the Company.

The foundation of the internal control process is based on the Company's Code of Conduct, values, policies and other directives and instructions. The responsibility structure of the Company is based on authority inherent in the positions and work descriptions, segregation of duties and the "four-eyes" and "one-over" decision-making principles. Effective internal control requires that duties are properly allocated to employees and potential conflicts of interests are identified and eliminated. A satisfactory control environment is ensured through internal analyses and evaluations of key processes. Nominated Process Owners are responsible for ensuring that efficient internal process controls are defined and implemented across the organization.

The ICT function ensures that the security checks of ICT systems throughout the Group are functioning and conducted at a sufficient level.

Control activities

Internal control activities are in place to, among other things, verify that the Company's financial reports provide a true and fair view of the Company's financial position. It is the duty of the Board of Directors and the President & CEO to organize the internal control activities. Each member of the Board of Directors receives a monthly report on the Company's result and financial position.

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

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

In day-to-day business operations, several control activities are exercised to prevent potential errors and deviations in financial reporting. Moreover, control activities are in place to help reveal and correct the identified errors. Suominen categorizes its control activities into three categories. Documented instructions help the organization to standardize the monitoring of tasks. Continuous and regular reporting conveying feedback on the performance of global functions and each Group company ensures that instructions and defined processes are followed. In critical processes, specific authorizations are needed in the work flow, either for security or for verification needs.

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

Information and communication

The Company's Financial Manual, policies approved by the Board and other directives and instructions relating to financial reporting are updated and communicated on a regular basis by the management to all affected employees and are also available in the Company's intranet. In addition, a standard reporting package is used by the business areas and the subsidiaries. Group management and business area management conduct monthly reviews that include an analysis of performance metrics and indicators assisting management to better understand the underlying business performance.

Follow-up

Ongoing responsibility for follow-up rests with the business area management and controller functions.

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

The Company's Finance function monitors the operations and processes of the subsidiaries and the accuracy of external and internal financial reporting.

Risk management

Risk management is considered an integral part of running the business of Suominen, and the identification and assessment of risks is an essential element of internal control. The aim is to focus on the material risks that are significant from a business perspective. Risks are categorized into strategic, operational, financial and hazard risks.

Operational risks are considered to potentially have a material value in transactions with external parties. However, the Company's policies, instructions, process check-ups, allocation of tasks and standards set up by total quality operating systems help to establish a prudent environment in which exposure to material risks can be mitigated.

Risks relating to financial reporting are evaluated and monitored by the Board, aiming to ensure that the financial reporting of the Company is reliable, supports decision-making and serves the needs of external stakeholders. The valuation of assets, liabilities and contingent liabilities based on various evaluation assumptions and criteria may constitute a risk.

Future estimates and assumptions on the reporting date involving a significant risk of causing material changes in the carrying amounts of assets and liabilities are continuously evaluated. Complex and evolving factors having an impact on business circumstances may add uncertainty to the assessment of the carrying amounts of assets. To avoid errors in stating the fair values of assets or liabilities, regular check-ups are made, e.g., by comparing material flows, values, and quantitative and qualitative data with the information in accounting. The risk of errors due to irregularities and discontinuities in information is reduced by using established and automated system-based audit trails.

3. Other information

Internal audit

Suominen has retained an external party to execute internal audits within the Company. The audit topics are determined by the Audit Committee based on recommendations by the management, and any material findings are reported to the Audit Committee, the President & CEO, the Executive Team and other relevant management.

Insider management

Suominen complies with the EU Market Abuse Regulation ("MAR"), the Finnish Securities Markets Act, the decisions, regulations, guidelines and standards issued by the Finnish Ministry of Finance and the Financial Supervisory Authority, the rules of Nasdaq Helsinki Ltd as well as the Guidelines for Insiders issued by Helsinki Exchange in force at any given time. In addition, the Board of Directors of the Company has approved an Insider Policy to inform the governing bodies and employees of Suominen and its affiliated companies of the regulations in force pertaining to insider trading.

Directors required to submit notifications

Based on the MAR, Suominen no longer maintains a public insider register. Instead, Suominen maintains a list of the Company's directors and persons closely associated with them. Persons on that list have an obligation to notify Suominen and the Finnish Financial Supervisory Authority of all transactions made with Suominen's financial instruments by them or on behalf of them. Suominen will disclose the notifications it has received as stock exchange releases as soon as possible.

At Suominen Corporation, the members of the Board of Directors, the President & CEO and other members of the Executive Team have been defined as subject to the requirement to report their transactions.

Disclosed stock exchange releases on the transaction notifications of directors and persons closely associated with them can be viewed at **www.suominen.fi** (> Investors > Share and shareholdings > Management transactions).

Closed period

Suominen's defined directors are subject to comply with the so-called closed period. The closed period applies prior to the disclosure of financial reports and lasts 30 calendar days, including the date of disclosure of a financial report. During the closed period, Suominen's defined directors may not trade with the share or another financial instrument of the Company. Core persons preparing financial reports, among others, are also subject to a similar 30-day closed period. The times of the closed periods are disclosed through a stock exchange release and in the event calendar available on the Company's website.

During a closed period, trading with Suominen's financial instruments by defined directors and core persons is possible only in certain very exceptional situations. An example of such an exceptional situation is a transaction conducted by a director or core person to participate in a share-saving scheme for Suominen employees which is a prerequisite of a director's or a core person's position. Any exceptions to the 30-day-long closed period requires the Company's approval of the transaction in question. The exception cannot be applied if a director or a core person has inside information.

Trading by directors and core persons

Directors and core persons must, in addition to abiding by the closed period and other trade restrictions, time their trading so that it does not weaken the general trust in the securities market. Suominen recommends that directors and core persons make long-term investments in the Company's shares and other financial instruments. Further, it is also recommendable to time the trading to a point in time when the market has as complete knowledge of the factors affecting the value of the share or the financial instrument as possible.

Monitoring and control

The Insider Officer of Suominen is the Company's Chief Financial Officer. The Insider Officer is generally responsible for the administration of the Company's insider matters.

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

Auditing

The Annual General Meeting held on March 25, 2021 re-elected Ernst & Young Oy, Authorized Public Accountant firm, as auditor of the Company. Ernst & Young Oy appointed Toni Halonen, Authorized Public Accountant, as the principally responsible auditor of the Company. The auditors and the Audit Committee of Suominen agree annually on an audit plan.

Audit fees in 2021

Auditor's fees and services	EUR thousand
Auditing	467
Non-audit related fees (tax and other consulting fees)	32
TOTAL	**499**

Principles for related party transactions

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

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

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

Remuneration Report of Suominen Corporation

1. Introduction

REMUNERATION POLICY FOR GOVERNING BODIES OF SUOMINEN CORPORATION AT A GLANCE

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

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

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

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

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

2021 CEO REMUNERATION AT A GLANCE

The total remuneration for the CEO increased from 2020 to 2021 mainly due to a higher performance based annual bonus payment and a reward from the Long-Term Incentive (the "LTI") Plan Performance Period 2018–2020. The year 2020 was record high for Suominen in terms of financial results which is visible in the total remuneration of the CEO in 2021 through the incentive plan payouts earned in 2020 and paid in 2021. The CEO also received the second and last installment under the Matching Restricted Share Plan (the "MRSP") in September 2021.

The financial results in 2021 were amongst the best at Suominen; for example, our comparable EBITDA was the third best annual result in Suominen's history. However, we were unable to fully meet our ambitious target levels in the Global Short-Term Incentive (the "STI") Plan 2021 which were set based on the record high results of 2020. For the CEO, this resulted in pay-out between threshold and target level (to be paid in 2022) under the Global STI 2021. The CEO also earned a share-based reward under the Long-Term Incentive (the "LTI") Plan Performance Period 2019–2021 in which the pay-out is between the target and maximum level (to be paid in 2022).

The Board introduced a supplementary bonus opportunity for all employees eligible in the Global STI Plan in November 2021. The supplementary bonus was tied to the full year 2021 EBITDA target. It resulted in a pay-out just above the threshold and is to be paid in 2022 to all eligible participants, including the CEO.

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

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

Dear Shareholders,

As the Chair of Suominen's Board of Directors and the Personnel and Remuneration Committee (the "PRC"), I am pleased to present Suominen's Remuneration Report for the financial year 2021. The report has been approved by the Board on February 2, 2022.

I joined Suominen's Board and started as the Chair of the Board and the PRC in March 2021 and am pleased to see the steady progress in 2021. Suominen's financial performance was good in 2021 when comparing to the historical results of Suominen. We had set ambitious financial targets for 2021 based on record high result in 2020. Unfortunately, we were not able to meet these ambitious targets. In this second year of the COVID-19 pandemic, we continued to experience high customer demand in the first half of the year, but especially the third quarter was marked by a temporary drop in demand followed by partial recovery in the fourth quarter. The financial results declined from record high 2020 mainly due to lower sales volumes and the increases in raw material, freight, and energy costs which we were not fully able to push through to our sales prices.

To communicate the urgency and importance of seizing all opportunities during the remaining of 2021 and to maximize the full year result, the Board decided to introduce a one-off, supplementary bonus opportunity to all employees eligible in the Global STI Plan, including the CEO, in November 2021. The plan was tied to full year 2021 EBITDA target and proved to successfully incentivize our employees.

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

Rewards under all on-going LTI Performance Periods are awarded based on three-year relative Total Shareholder Return ("TSR"). This is the most important performance indicator that the Board closely follows to assess whether our strategy has been successfully implemented in the long term. The PRC believes it is appropriate to reward the Company's key employees for attaining long-term targets linked to the relative TSR as it is a holistic way of measuring our overall success as a company in terms of shareholder value creation. On the other hand, financial and operative metrics and other strategic targets are being set and followed in the annual Global STI Plan, which aligns short-term strategic actions with long-term shareholder value creation.

During 2021, we have continued to comply with and execute the Remuneration Policy as approved by the 2020 AGM. There was no need to temporarily deviate from the Policy.

This is the second Remuneration Report for Suominen as required by the Finnish Corporate Governance Code 2020. We will continue to welcome shareholder feedback regarding our remuneration and reporting.

Jaakko Eskola
Chair of the Board and
the Personnel and
Remuneration Committee

1.2 Pay-for-performance during the preceding five years

This section presents a comparison between the remuneration of the CEO and the Board, the average employee remuneration and the Company performance for the financial years 2017 to 2021.

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

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

Our current CEO started in his position in January 2019 after which the Company's new strategy was defined and launched in early 2020. Financially the year 2020 was a record year for Suominen as we achieved the highest ever net sales and operating profit. This record high 2020 is visible in the CEO's remuneration paid out during 2021. The total pay for the CEO increased from 2020 to 2021 mainly due to a higher performance based annual bonus payment (Global STI 2020) and a reward from the LTI Performance Period 2018–2020. This is well aligned with our pay-for-performance principle.

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

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

Five year development of remuneration and company performance

	2017	2018	2019	2020	2021
Current CEO (Petri Helsky) total remuneration[1] (EUR, '000)			474.6	745.4	957.9
Index[2]			113%	178%	229%
Previous CEO (Nina Kopola) total remuneration[3] (EUR, '000)	419.1	985.1			
Interim CEO (Tapio Engström) total remuneration[4] (EUR, '000)		99.7			
Index[2]	100%	235%			
Employee pay (average)[5] (EUR, '000)	53.1	52.7	54.9	59.9	53.4
Index[2]	100%	99%	103%	113%	101%
Total Board remuneration[6] (EUR, '000)	242.5	236.0	244.5	275.3	258.4
Index[2]	100%	97%	101%	114%	107%
Jaakko Eskola					69.9
Andreas Ahlström	33.5	31.5	33.0	38.0	36.7
Laura Raitio	33.5	32.0	33.0	38.0	35.4
Sari Pajari-Sederholm			28.0	37.3	34.9
Björn Borgman				33.3	35.7
Nina Linander				43.5	45.8
Jan Johansson	60.0	67.0	70.0	76.3	
Risto Anttonen	43.0	41.5	43.0	4.5	
Hannu Kasurinen	33.5	32.0	33.5	4.5	
Jaana Tuominen	33.5	32.0	4.0		
Jorma Eloranta	5.5				
3-year Total Shareholder Return (TSR)[7] (%)	45.3%	-57.5%	-34.0%	11.6%	126.2%
Share price development[8] (EUR)	4.54	2.24	2.34	4.90	4.82
Index[2]	100%	49%	52%	108%	106%
EBITDA (EUR, '000 000)	34.3	25.6	33.7	60.9	47.0
Index[2]	100%	75%	98%	178%	137%

[1] Current CEO started in January 2019. No annual bonuses or LTI based payments were paid to the CEO in 2019. CEO total remuneration includes all payments made to the CEO during the financial year
[2] First year in the time-series set at 100%
[3] Previous CEO pay in 2018 includes base and benefits until August 3, 2018, severance payments of 482,819 EUR and the value of 14,182 shares received as reward from the LTI Plan. Previous CEO total remuneration includes all payments made to the CEO during the financial year
[4] Interim CEO total remuneration in 2018 is from the time period he acted as interim CEO: August 4, 2018–December 31, 2018
[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 2020 is calculated as (Q4 2020 average share price - Q4 2017 average share price) / Q4 2017 average share price + (paid dividends in 2018, 2019 and 2020) / Q4 2017 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 March 25, 2021, the shareholders resolved to favor the Remuneration Report 2020 pursuant to the Board's proposal. The PRC and the Board have considered the feedback provided by the shareholders and have modified this Remuneration Report 2021 to be slightly shorter and to contain clearer information on CEO targets and weights in different incentive plans.

During 2021, Suominen has not exercised any rights to reclaim (clawback) or cancel (malus) any paid or unpaid incentives. Also, there was no need to deviate from the Policy during 2021.

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

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

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

Suominen's AGM held on March 25, 2021 resolved that the remuneration payable to the members of the Board is as follows:

- The Chair will be paid an annual fee of EUR 66,000
- The Deputy Chair and other Board members an annual fee of EUR 31,000
- Chair of the Audit Committee will be paid an additional fee of EUR 10,000
- Further, the members of the Board will receive a fee for each Board and Committee meeting as follows:
  - EUR 500 for each meeting held in the home country of the respective member
  - EUR 1,000 for each meeting held elsewhere than in the home country of the respective member
  - EUR 500 for each meeting held as telephone conference

60% of the annual fee was paid in cash and 40% in Suominen's shares. The number of shares to be transferred was determined based on the share value in the stock exchange trading maintained by Nasdaq Helsinki Ltd, calculated as the trade volume weighted average quotation of the share during the one-month period immediately following the date on which the interim report of January-March 2021 of the Company was published. The shares were transferred out of the own shares held by the Company by the decision of the Board on May 31, 2021.

Members of the Board are not employees of Suominen and do not participate in any Suominen incentive scheme or pension arrangement. All payments to the members of the Board during the financial year 2021 have been in compliance with the Remuneration Policy. In 2021, the following fees were paid to the members of the Board:

Remuneration of the Board of Directors in 2021

		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)	Audit Committee chair fee (EUR)	Total (EUR)
Jaakko Eskola	Chair	40,574.44	25,838.98	4,583	3,500		69,913
Andreas Ahlström	Deputy Chair	19,055.59	12,138.63	2,153	4,500		35,694
Laura Raitio	Member	19,055.59	12,138.63	2,153	4,500		35,694
Sari Pajari-Sederholm	Member	19,055.59	12,138.63	2,153	3,750		34,944
Björn Borgman	Member	19,055.59	12,138.63	2,153	4,250		35,444
Nina Linander	Member	15,205.42	16,051.40	2,847	5,500	10,000	46,757

Remuneration of the members of the Board of Directors, including the value of the remuneration paid in Suominen shares, totaled EUR 258,447 in 2021.

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

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

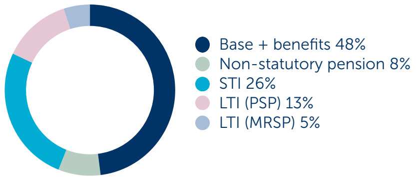
In 2021, the CEO's remuneration consisted of fixed base salary (including fringe benefits), supplementary pension and variable incentives. Payments from variable incentives were made under the Global STI Plan 2020, Matching Restricted Share Plan and LTI Performance Period 2018–2020. By the decision of the Board of Directors on February 3, 2021, the President & CEO received a 2.5% increase to his base salary effective from February 1, 2021.

In 2021, the CEO was paid a total remuneration of EUR 957,885. Total remuneration consisted of salaries and benefits EUR 457,093, supplementary pension payments EUR 80,704, STI (cash bonus) EUR 244,800, value of LTI reward from the Matching Restricted Share Plan EUR 47,556 (4,676 Suominen shares + cash proportion to cover taxes) and LTI reward from the Performance Period 2018–2020 EUR 127,732 (22,581 Suominen shares + cash proportion to cover taxes).

The payment under the Global STI Plan was based on maximum overall achievement of the KPIs set for 2020. The payment under the LTI Performance Period 2018–2020 was based on overall achievement between threshold and target of the KPIs (EBIT% with 60% weight and relative TSR with 40% weight) set for the Performance Period.

Fixed pay formed 52% and variable pay 48% of the total remuneration paid to the CEO in 2021. The PRC considers the one-off Matching Restricted Share Plan award made to the CEO to be variable pay as the reward value is determined by the share price at a future date. Non-statutory pensions are considered neither fixed nor variable pay.

Total CEO pay in 2021 in proportions



STI 2020 KPIs and achievement for the President & CEO[1]

KPI	Weight	Achievement
Group EBIT	50%	Reached maximum
Group VA (Value Add)	20%	Reached maximum
Personal targets	30%	Reached maximum
Total	100%	Reached maximum

[1] Global STI 2020 KPIs and achievement, paid during 2021

In 2021, the CEO earned (to be paid in 2022) the following variable incentives:

The Global STI 2021 was based on Group EBITDA (50% weight), Group Contribution Margin (20% weight) and specific sustainability related personal targets (30% weight). The outcome for these targets in total was between threshold and target equaling to EUR 116,704.

In addition, the CEO earned a supplementary bonus of EUR 12,796 based on reaching the threshold on set 2021 annual Group EBITDA target.

The LTI Performance Period 2019–2021 was based on relative TSR (100% weight) and the outcome was between the target and maximum. This resulted in a gross reward of 128,563 Suominen shares to the CEO.

The CEO remuneration in 2021 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 2021 (including holiday pay): Base salary: 438,858 EUR Benefits: 18,235 EUR	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 has benefits such as company car, health insurance, lunch and telephone. By the decision of the Board of Directors on February 3, 2021, the President & CEO received a 2.5% increase to his base salary effective from February 1, 2021.
Supplementary pension arrangement	Paid in 2021: 80,704 EUR	The purpose is to provide a competitive level of retirement income. The supplementary pension plan is a defined-contribution pension scheme. The pension allowance is determined based on the CEO's annual base salary, benefits and cash bonus.	Complies with the Policy: The CEO participates in a non-statutory defined contribution pension plan. The Company's contribution was 11.5 % of the estimated annual base salary, benefits and cash bonus in 2021. Pension starts from the age of 63.
Cash bonus (Short-term remuneration)	Earned from financial year 2020, paid in 2021: 244,800 EUR Earned from financial year 2021 (Global STI 2021), to be paid in 2022: 116,704 EUR Earned from financial year 2021 (Supplementary bonus), to be paid in 2022: 12,796 EUR	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 2020 and 2021 was 60% of the annual base salary (excluding holiday pay). In 2020, the total achievement reached maximum and in 2021 was between threshold and target. In November 2021, the Board of Directors decided to introduce a supplementary bonus opportunity for all employees eligible in the Global STI 2021 including the CEO. This resulted in a pay-out just above the threshold.

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") paid in 2021: 10,000 gross shares with a value of 47,556 €. Net shares delivered: 4,676 Earned from LTI Performance Period 2018–2020, paid in 2021: 22,581 gross shares with a value of 127,732 €. Net shares delivered: 12,002 Earned from LTI Performance Period 2019–2021, to be paid in 2022: 128,563 gross shares	The purpose is to reward for the delivery of long-term shareholder value, to align the President & CEO's interests with those of the shareholders and to increase the value of the Company by offering a share ownership-based reward structure. The President & CEO may have share-based incentive plans, which reward for the Company's performance or which are used for retention purposes. Currently Suominen's performance-based long-term incentive mechanism is a Performance Share Plan (the "PSP"), which offers the President & CEO the opportunity of earning predetermined number of Suominen shares as a reward. Payment of the reward is dependent on the achievement of performance targets set by the Board of Directors and continued employment. Matching Restricted Share Plan (the "MRSP") is used for retention purposes and to promote immediate share ownership. The Board of Directors resolves the maximum number of shares that can be earned from the Performance Share Plan. Long-term incentive awards are denominated in number of Suominen shares but paid in shares and cash intending to cover the taxes that incur from the receipt of shares.	Complies with the Policy: The CEO was eligible in the PSP Performance Period 2018–2020 in which the total achievement of the two KPIs was between threshold and target. Therefore, the CEO was rewarded with 22,581 gross shares in spring 2021. The CEO was also eligible in the PSP Performance Period 2019–2021 in which the total achievement of the two KPIs was between target and maximum. Therefore, the CEO will receive a reward of 128,563 gross shares in spring 2022. The Board has resolved the maximum number of shares that can be earned from the PSP. Additionally, the performance based LTI plans have a share price cap, which cuts the reward if the limits set by the Board for the share price are reached. These limits were not reached in Performance Periods 2018–2020 or 2019–2021. In the MRSP, the CEO has invested in Suominen shares and in return for the investment, he was eligible to receive free Suominen shares in relation to his own investment after a vesting period. Prerequisite for the reward payment was continuation of service. The matching shares have been delivered in two equal installments in 2020 and 2021, 10,000 gross shares in each. The second and last installment of 4,676 net shares were delivered to the CEO during 2021. Payment was made partially in shares and cash. The CEO is currently eligible for PSP Performance Periods 2020–2022, 2021–2023 and 2022–2024 in which his total potential reward from all Performance Periods combined corresponds approximately to the value of 452,500 shares (including also the proportion to be paid in cash). The KPI in all of the on-going Performance Periods is relative Total Shareholder Return (TSR).
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. Such number of shares must be held as long as his or her service in the Company continues.	Complies with the Policy: The CEO has not sold any shares received from the PSP Performance Period 2018–2020.

Board of Directors

DECEMBER 31, 2021

JAAKKO ESKOLA

b. 1958

M.Sc. (Technology)

Member of the Board since 2021

Chair of the Board since 2021

Independent member

Shareholding*:
14,583 Suominen shares

ANDREAS AHLSTRÖM

b. 1976

M.Sc. (Economics and Business Administration)

Investment Director,
Ahlström Capital Oy

Member of the Board since 2015

Deputy Chair of the Board since 2020

Non-independent member

Shareholding*:
21,333 Suominen shares

BJÖRN BORGMAN

b. 1975

M.Sc. (Industrial Engineering)

CEO, HL Display AB

Member of the Board since 2020

Independent member

Shareholding*:
15,043 Suominen shares

NINA LINANDER

b. 1959

B.Sc. (Economics) and MBA

Member of the Board since 2020

Independent member

Shareholding*:
20,516 Suominen shares

SARI PAJARI-SEDERHOLM

b. 1968

M.Sc. (Technology)

EVP, Strategy, Metsä Group

Member of the Board since 2019

Independent member

Shareholding*:
10,554 Suominen shares

LAURA RAITIO

b. 1962

Licentiate of Technology
(Forest Products Technology)

Member of the Board since 2015

Independent member

Shareholding*:
21,333 Suominen shares

More detailed, up-to-date information on the principal working experience and positions of trust of the members of the Board is available at **www.suominen.fi**. Information on the Board's remuneration is included in Suominen's Remuneration 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, 2021.

Executive Team

DECEMBER 31, 2021

PETRI HELSKY

President & CEO

b. 1966

M.Sc. (Economics)

M.Sc. (Technology)

Joined Suominen in 2019

Shareholding*:
39,354 Suominen shares

TONI TAMMINEN

CFO

b. 1978

D.Sc. (Technology)

M.Sc. (Economics)

Joined Suominen in 2019

Shareholding*:
3,500 Suominen shares

LYNDA A. KELLY

SVP, Americas & Business Development

b. 1964

B.Sc. (Business Administration/ Marketing)

Joined Suominen in 2014

Shareholding*:
24,295 Suominen shares

MARKKU KOIVISTO

SVP, Europe & R&D

b. 1971

M.Sc. (Technology)

Joined Suominen in 2017

Shareholding*:
18,641 Suominen shares

KLAUS KORHONEN

SVP, HR & Legal

b. 1974

LL.M.

Joined Suominen in 2019

Shareholding*:
19,352 Suominen shares

MIMOUN SAÏM

SVP, Operations

b. 1964

ENSI Engineering

Joined Suominen in 2011

Shareholding*:
34,447 Suominen shares

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, 2021.

Financial information

Financial information

JANUARY 1–DECEMBER 31, 2021

Report by the Board of Directors 2021

Highlights of Suominen's financial year 2021

- Net sales decreased by 3% and were EUR 443.2 million (458.9)
- Comparable EBITDA was EUR 47.0 million (60.9)
- Cash flow from operations totaled to EUR 11.1 million (57.0)
- Board of Directors proposes to the Annual General meeting a dividend of EUR 0.20 per share

Key figures	2021	2020	2019
Net sales, EUR million	443.2	458.9	411.4
Comparable EBITDA, EUR million	47.0	60.9	33.7
Operating profit, EUR million	26.9	39.5	8.1
Profit for the period, EUR million	20.7	30.1	0.2
Earnings per share, basic, EUR	0.36	0.52	0.00
Earnings per share, diluted, EUR	0.36	0.52	0.00
Cash flow from operations per share, EUR	0.19	0.99	0.52
Return on invested capital, rolling 12 months, %	9.5	16.7	3.7
Gearing, %	30.4	25.4	50.7
Dividend and return of capital per share, EUR	0.20*	0.20	0.05

* 2021 the proposal of the Board of Directors to Annual General Meeting

The figures shown in brackets refer to the performance in 2020, unless otherwise stated.

Net sales

In 2021, Suominen's net sales decreased by 3% from the comparison period to EUR 443.2 million (458.9). Sales volumes decreased while sales prices increased following the higher raw material prices. Currencies impacted net sales negatively by EUR 11.1 million.

Net sales of Americas business area were EUR 265.2 million (289.1) and net sales of Europe business area EUR 178.1 million (169.9).

EBITDA, operating profit and result

EBITDA (earnings before interest, taxes, depreciation and amortization) was EUR 47.0 million (60.9).

EBITDA decreased mainly due to lower sales volumes. The increases in raw material, freight and energy costs were not fully compensated by higher sales prices. Manufacturing and SG&A cost savings actions impacted the result positively. Other operating income and expenses were positively impacted by insurance compensations and adjustments to certain previous year accruals. Currencies impacted EBITDA negatively by EUR 2.4 million.

Operating profit amounted to EUR 26.9 million (39.5).

In 2021, profit before income taxes was EUR 26.6 million (33.9). Income taxes for the financial year were EUR -5.8 million (-3.8). The income taxes of the comparison year were positively impacted by recognition of additional deferred tax assets from previous years' losses as the possibility to utilize the losses had increased. The corporate income taxes of 2020 were also positively impacted by the US tax reliefs enacted as a result of the COVID-19 pandemic.

The profit for the period was EUR 20.7 million (30.1).

Net sales, EBITDA and operating profit

EUR thousand	2021	2020	2019
Net sales	443,219	458,893	411,412
Comparable EBITDA	47,033	60,924	33,668
EBITDA	47,033	60,924	33,668
Operating profit	26,941	39,492	8,129

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, 2021, amounted to EUR 49.6 million (37.1). Gearing was 30.4% (25.4%) and equity ratio 42.2% (46.0%).

In 2021, net financial expenses were EUR -0.4 million (-5.6), or 0.1% (1.2%) of net sales. Net effect of changes in foreign exchange rates in financial items were EUR +1.7 million (-0.4).

Suominen sold its minority share in Amerplast (Bright Maze Oy) in March. The transaction impacted Suominen's net financial expenses positively by EUR 3.7 million. The amount consists of the gain on the sale of the shares as well as of the reversal of bad debt provisions recognized of the loan receivables. The effect on cash flow was EUR 11.6 million, consisting of the sales price of the shares and payment of the loan receivables and accrued interests.

Cash flow from operations in 2021 was EUR 11.1 million (57.0). Cash flow from operations per share in 2021 was EUR 0.19 (0.99). The financial items in the cash flow from operations, in total EUR -5.3 million (-4.3), were principally impacted by the interests paid during the reporting period. The change in the net working capital in 2021 was EUR 25.2 million negative (EUR 1.0 million negative).

In May 2021, 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 2024.

In June 2021, Suominen issued a senior unsecured bond of EUR 50 million. The six-year bond matures on June 11, 2027 and it carries a coupon interest of 1.50%. The offering was allocated to 19 investors. The bond is listed on the official list of Nasdaq Helsinki Ltd. The debenture bond issued in 2017 will fall due in October 2022.

Capital expenditure

In 2021, the gross capital expenditure totaled EUR 17.8 million (10.4), and the largest items were related to the growth investment initiatives in Italy and at the Bethune plant in the USA. Other investments were mainly for maintenance.

Depreciations and amortizations were EUR -20.1 million (-21.4).

Capital expenditure and depreciation and amortization

EUR thousand	2021	2020	2019
Gross capital expenditure	17,770	10,406	11,198
% of net sales	4.0	2.3	2.7
Depreciation and amortization	-20,092	-21,432	-25,529

Key ratios

	2021	2020	2019
Return on equity (ROE), %	13.3	21.6	0.2
Return on invested capital (ROI), %	9.5	16.7	3.7
Equity ratio, %	42.2	46.0	42.7
Interest-bearing net debt, EUR million*	49.6	37.1	67.2
Capital employed, EUR million	312.3	246.2	241.6
Gearing, %	30.4	25.4	50.7

* At nominal value

Key ratio per shares

	2021	2020	2019
Earnings per share, EUR, basic	0.36	0.52	0.00
Earnings per share, EUR, diluted	0.36	0.52	0.00
Cash flow from operations per share, EUR	0.19	0.99	0.52
Equity per share, EUR	2.85	2.53	2.30
Price per earnings per share (P/E) ratio	14.4	9.7	590.6
Dividend and return of capital per share, total, EUR (*	0.20	0.20	0.05
Dividend payout ratio, %	55.5	38.2	1,278.4
Dividend yield, %	3.86	3.94	2.16

* 2021 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 2021

EUR thousand	Q1 2021	Q2 2021	Q3 2021	Q4 2021	2021
Net sales	115,333	113,647	98,654	115,585	443,219
Comparable EBITDA	18,534	15,277	4,240	8,983	47,033
% of net sales	16.1	13.4	4.3	7.8	10.6
Operating profit	13,592	10,317	-842	3,874	26,941
% of net sales	11.8	9.1	-0.9	3.4	6.1
Net financial expenses	3,266	-1,613	-969	-1,074	-390
Profit before income taxes	16,858	8,704	-1,811	2,800	26,551
% of net sales	14.6	7.7	-1.8	2.4	6.0

Impacts of the COVID-19 pandemic on Suominen

The health and safety of Suominen's employees is our key priority. When the COVID-19 pandemic started, we implemented several safety and other precautionary measures which remained active in 2021. Thanks to our proactive approach, in 2021 there was only limited impact on our ability to serve our customers and run our operations. As a nonwovens manufacturer Suominen is an integral part of the supply chain making disinfecting and cleaning products for fighting the coronavirus.

The pandemic has increased the demand for our products in all our markets. At the end of the second quarter of 2021 the demand started to decelerate especially in North America, but started to recover in late Q3. The latest surge of COVID-19 cases will have a negative effect on our and our customers' operations and hence the short-term demand in the early part of 2022. In the long run the market's and Suominen's expectation is that the demand will remain above pre-COVID-19 levels.

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

The key risks caused by COVID-19 are related to the health and safety of Suominen personnel and customers, possible shortages of raw materials, issues linked to logistics as well as potential closures of customers' or our own plants due to virus infections or authority decisions. These risks remain valid in the beginning of 2022. Some of these risks have materialized as lately our and our customers' operations have been impacted because of sickness absences.

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

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

Research and development

At Suominen, research and development activities are organized into R&D function. In the end of 2021, R&D function had 15 (15) employees. Research and development expenses amounted to EUR 2.7 million (2.8), corresponding to 0.6% (0.6%) of net sales.

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

Suominen Corporation, the parent company of the Group, owns all business-related patents and related technologies, know-how, processes, recipes and all other solutions developed by Suominen Corporation. The company is targeting to have extensive industrial rights to the nonwoven-based solutions and technologies as well as test and pilot equipment needed. This way it can offer best possible support to the Group companies to satisfy the current and future customer needs.

Employees

During 2021, Suominen employed 709 FTEs (689) on average, and 707 (691) FTEs at the end of 2021. The increase was primarily in the Operations function, as a new production line was taken into use in Italy.

Personnel related key ratios

	2021	2020	2019
Average number of personnel, FTE	709	689	685
Wages and salaries, EUR thousand	-37,872	-41,303	-37,620

Suominen's statement of non-financial information

Business model

Suominen manufactures nonwovens as roll goods. Suominen sources its raw materials from fiber producers in global markets and sell products to converters and brand owners who then convert and package nonwoven fabrics into both consumer goods and professional end products. Suominen's main market areas are North America and Europe. Suominen also operates in the South American markets. Suominen's net sales were EUR 443.2 million and the company employed 709 people (FTE) on average.

Suominen's vision is to be the frontrunner for nonwovens innovation and sustainability. Suominen aims to grow by creating innovative and more sustainable nonwovens for our customers and improve its profitability through more efficient operations and a high performance culture. Suominen's main focus is on wipes. More information about Suominen's value creation can be found in the Annual Report p. 9.

Materiality assessment

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

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

Sustainability at Suominen

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

Managing sustainability at Suominen

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

Risk management at Suominen

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

Environmental responsibility

Operating principles

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

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

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

Performance indicators, targets and results

Minimizing environmental impacts of our own operations, and developing and offering sustainable nonwovens are the key environment related themes in our sustainability agenda.

Our target is to reduce our energy consumption, greenhouse gas emissions, water intake and waste to landfill by 20% per ton of product by 2025 compared to the base year of 2019. By the end of 2021, our water consumption has decreased by 20.3%, waste to landfill by 16.4%, energy consumption by 7.1%, and greenhouse gas emissions by 8.8% per ton of product compared to 2019. The COVID-19 pandemic did not have any material effect on our ability to progress towards our sustainability targets in 2021.

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 2021, we launched 16 sustainable products and the sales of sustainable product sales has increased by 47% compared to the base year of 2019.

In 2021, there were no significant environmental incidents resulting from permit violations, claims or compensations.

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

Social responsibility and personnel

Operating principles

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

Suominen is also committed to providing a fair and respectful place to work. Suominen recognizes the business benefits of having a diverse workforce and aims to provide equal opportunities for everyone. We do not accept any kind of discrimination, including discrimination due to age, gender, religion or ethnic origin. We expect everyone to be treated with respect and do not tolerate any form of harassment. We follow blind hiring principle in new recruitments when possible to promote diversity and to ensure equal opportunities when applying for a job.

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

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

Performance indicators, targets and results

Safety, increasing employee engagement and building high-performance culture are the 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 2021, 4 lost time accidents occurred at our plants.

Increasing employee engagement is a key target relating to our people. We conducted for the second time a global employee engagement survey in 2021, 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. The COVID-19 pandemic did not have any material effect on our ability to progress towards our sustainability targets in 2021.

Indicator	2021	2020	2019
Health and safety	4 LTA*	1 LTA*	6 LTA*
Employee engagement index	66%	69%	N/A

*Lost time accident

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

Human rights

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

Suominen complies with local, regional and international laws and regulations, and respects the protection of human rights as defined in the United Nation's Universal Declaration on Human Rights. Our commitment to respecting human rights is stated in our Code of Conduct, which was renewed in 2020 and trained to employees in 2021 in accordance with our sustainability targets.

All Suominen's suppliers are expected to comply with Suominen's Supplier Code of Conduct. Our target is to establish a raw material supplier auditing process and to have our raw material suppliers audited, based on a risk assessment, against our Supplier Code by 2025. This work is now ongoing. Human rights issues will be incorporated into the supplier auditing process.

In 2021, 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 sustainability requirements apply also to our suppliers.

Suominen's Code of Conduct and Gift, Entertainment and Anti-bribery Policy guide our operations regarding the prevention of corruption and bribery. All employees are expected to be aware of and comply with applicable laws and regulations and are advised to seek legal advice if in doubt. Any employee who becomes aware of an actual or potential violation of the Code has the responsibility to speak up. Our Code of Conduct was renewed in 2020 according to our sustainability agenda targets and a mandatory training to employees was conducted during 2021.

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. Corruption and bribery issues will be incorporated into the supplier auditing process we are implementing.

In 2021 there were no identified corruption or bribery cases.

Suominen's EU taxonomy report

The result of Suominen's taxonomy analysis

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, objective criteria. In this first phase criteria have been set for the sectors that are most relevant for achieving climate neutrality and delivering on climate change adaptation. This includes sectors such as energy, forestry, manufacturing, transportation and construction. The taxonomy regulation entered into force in 2020, and in 2021 non-financial companies are required to disclose the proportion of taxonomy-eligible and taxonomy non-eligible economic activities in their total net sales, capital expenditure (CapEx) and operational expenditure (OpEx).

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 investments and operations are mostly related to nonwovens production activities, the majority of Suominen's CapEx and OpEx is not taxonomy-eligible.

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

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.

Summary of Suominen's taxonomy-eligibility in 2021

	Total (EUR million)	Proportion of taxonomy-eligible economic activities as defined in the EU Taxonomy (%)	Proportion of taxonomy non-eligible economic activities as defined in the EU Taxonomy (%)
Net sales (turnover)	443.2	0%	100%
CapEx	18.5	11%	89%
OpEx	22.4	16%	84%

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 (IAS 16), intangible assets (IAS 38) and right-of-use assets (IFRS 16). The proportion of taxonomy-eligible 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 proportion of taxonomy-eligible 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 OpEx.

Share information

Share capital

The number of Suominen's registered shares was 58,259,219 on December 31, 2021, 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, 2021 was 17,714,203 shares, accounting for 30.8% of the average number of shares (excluding treasury shares). The highest price was EUR 6.41, the lowest EUR 4.25 and the volume-weighted average price EUR 5.48. The closing price at the beginning of the review period, on January 4, 2021, was EUR 5.06 and the closing price on the last trading date of the review period, on December 30, 2021, was EUR 5.18.

The market capitalization (excluding treasury shares) was EUR 296.8 million on December 31, 2021.

Authorizations of the Board of Directors

The Annual General Meeting (AGM) held on March 25, 2021 authorized the Board of Directors to decide on the repurchase a maximum of 400,000 of the company's own shares. The company's own shares shall be repurchased otherwise than in proportion to the holdings of the shareholders by using the non-restricted equity through trading on regulated market organized by Nasdaq Helsinki Ltd at the market price prevailing at the time of acquisition. The shares shall be repurchased and paid in accordance with the rules of Nasdaq Helsinki Ltd and Euroclear Finland Ltd. The shares shall be repurchased to be used in company's share-based incentive programs, in order to disburse the remuneration of the members of the Board of Directors, for use as consideration in acquisitions related to the company's business, or to be held by the company, to be conveyed by other means or to be cancelled. The Board of Directors shall decide on other terms and conditions related to the repurchase of the company's own shares. The repurchase authorization shall be valid until June 30, 2022 and it revokes all earlier authorizations to repurchase company's own shares.

The Annual General Meeting (AGM) held on March 25, 2021 authorized the Board of Directors to decide on issuing new shares and/or conveying the company's own shares held by the company and/or granting options and other special rights referred to in Chapter 10, Section 1 of the Finnish Companies Act. New shares may be issued, and the company's own shares may be conveyed to the company's shareholders in proportion to their current shareholdings in the company; or by waiving the shareholder's pre-emption right, through a directed share issue if the company has a weighty financial reason to do so, such as, for example, using the shares as consideration in possible acquisitions or other arrangements related to the company's business, as financing for investments, using shares as part of the company's incentive program or using the shares for disbursing the portion of the Board members' remuneration that is to be paid in shares. The new shares may also be issued without payment to the company itself. New shares may be issued and/or company's own shares held by the company or its group company may be conveyed at the maximum amount of 5,000,000 shares in aggregate.

The Board of Directors may grant options and other special rights referred to in Chapter 10, Section 1 of the Finnish Companies Act, which carry the right to receive against payment new shares or own shares held by the company. The right may also be granted to the company's creditor in such a manner that the right is granted on condition that the creditor's receivable is used to set off the subscription price ("Convertible Bond"). However, options and other special rights referred to in Chapter 10, Section 1 of the Companies Act cannot be granted as part of the company's remuneration plan.

The maximum number of new shares that may be subscribed and own shares held by the company that may be conveyed by virtue of the options and other special rights granted by the company is 5,000,000 shares in total which number is included in the maximum number stated above.

The authorizations shall revoke all earlier authorizations regarding share issue and issuance of special rights entitling to shares. The Board of Directors shall decide on all other terms and conditions related to the authorizations. The authorizations shall be valid until June 30, 2022.

On May 31, 2021 Suominen announced about the portion of the annual remuneration of the members of the Board of Directors which was paid in shares. The total number of the shares that were granted out of the treasury shares was 16,042 shares.

On February 25, 2021, in accordance with the share-based incentive plan 2018–2020, 34,872 shares were transferred to the participants of the program.

On September 13, 2021, in accordance with the matching restricted share plan, 9,352 shares were transferred to the participants of the program.

After these transactions, the maximum amount of the authorization is 4,939,734 shares in aggregate.

Remuneration of the Board payable in shares

The AGM held on March 25, 2021 confirmed the remuneration of the Board of Directors. The Chair will be paid an annual fee of EUR 66,000 and the Deputy Chair and other Board members an annual fee of EUR 31,000. Chair of the Audit Committee will be paid an additional fee of EUR 10,000. Further, the members of the Board will receive a fee for each Board and Committee meeting as follows: EUR 500 for each meeting held in the home country of the respective member, EUR 1,000 for each meeting held elsewhere than in the home country of the respective member and EUR 500 for each meeting held as a telephone conference.

60% of the remuneration is paid in cash and 40% in Suominen Corporation's shares. Compensation for expenses is paid in accordance with the company's valid travel policy.

The number of shares forming the remuneration portion, which is payable in shares was determined based on the share value in the stock exchange trading maintained by Nasdaq Helsinki Ltd, calculated as the trade volume weighted average quotation of the share during the one month period immediately following the date on which the Interim Report of January–March 2021 of the company was published. The shares were given out of the treasury shares held by the company by the decision of the Board of Directors on May 31, 2021.

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

Share-based incentive plans for the management and key employees valid in 2021

The Group management and key employees participate in the company's share-based long-term incentive plans. The plans are described in more details 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 2019–2021, 2020–2022 and 2021–2023. 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	2019–2021	2020–2022	2021–2023
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 2022	Will be paid partly in Suominen shares and partly in cash in spring 2023	Will be paid partly in Suominen shares and partly in cash in spring 2024
Participants	16 people	17 people	19 people
Maximum number of shares	546,000	748,500	456,500

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

Matching Restricted Share Plan 2019–2021

Suominen also had a Matching Restricted Share Plan for selected key employees in the Suominen Group. The aim of the MRSP was to align the objectives of the shareholders and key employees in order to increase the value of the company in the long-term, to retain key employees at the company, and to offer them a competitive reward plan that is based on acquiring, receiving and accumulating the company's shares.

The second vesting period of the Matching Restricted Share Plan ended in September 2021 and in total 9,352 shares were transferred to the participants.

Shareholders

At the end of the review period, on December 31, 2021, Suominen Corporation had in total 5,726 shareholders. Suominen is not aware of any shareholder agreements related with the shareholding or use of voting rights. Detailed information on the management shareholding and a table presenting the largest shareholders is available in the consolidated financial statements.

Treasury shares

On December 31, 2021, Suominen Corporation held 965,984 treasury shares, calculated based on the trade date.

As a share-based incentive plan vested, in total 34,872 shares were transferred to the participants of the plan in February.

In accordance with the decision made in the Annual General Meeting on March 25, 2021, 4,049 shares, which were still in the joint account, were transferred to Suominen Corporation's treasury shares.

In accordance with the resolution by the Annual General Meeting, in total 16,042 shares were transferred to the members of the Board of Directors as their remuneration payable in shares during the reporting period.

In accordance with the matching restricted share plan, 9,352 shares were transferred to the participants of the plan in September 2021.

Suominen announced on November 1, 2021, that the Board of Directors of Suominen Corporation had decided to use the authorization given by the Annual General Meeting held on March 25, 2021 to repurchase the company's own shares. The maximum number of shares to be repurchased in one or more instalments is 400,000 shares, corresponding to approximately 0.7% of the total number of the company's shares, which is 58,259,219. The maximum amount to be spent on the repurchases is EUR 2.5 million. The weighty financial reason for the repurchases is that they are to be used for pay-outs under the share-based incentive programs of Suominen Corporation.

The shares were purchased otherwise than in proportion to shareholders' current holdings using the company's non-restricted shareholders' equity at the market price valid at the time of purchase of the shares through trading in a regulated market arranged by Nasdaq Helsinki Oy. The shares were acquired and paid for according to the rules and instructions of Nasdaq Helsinki Oy and Euroclear Finland Ltd.

The share repurchases commenced on November 3, 2021 and ended on January 21, 2022.

On December 31, 2021, based on the trade date, Suominen had repurchased in total 331,323 shares with the total consideration of EUR 1.6 million. The average purchase price was EUR 4.95 per share.

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

April 29, 2021: The shareholding of Nordea Funds Ltd in Suominen exceeded the threshold of 5%.

April 16, 2021: The shareholding of Bolero Holdings SARL ownership in Suominen decreased to below 5%.

January 18, 2021: The shareholding of Elo Mutual Pension Insurance Company in Suominen decreased to below 5%.

January 15, 2021: The shareholding of Oy Etra Invest Ab and Tiiviste-Group Oy, companies controlled by Mr. Erkki Etola, of the total amount of shares and voting rights in Suominen Corporation increased above 15%.

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 has no separate contract to be applied if his/her contract would be terminated due to a public tender offer. In accordance with the service contract made by the company and the President & CEO, should the company terminate the President & CEO's contract of service, severance pay corresponding to 12 months' salary shall be paid. Other principal terms and conditions of the service contract of the President & CEO are presented in Note 35 of the consolidated financial statements and in the Remuneration Report 2021 of Suominen Corporation.

Composition of the Nomination Board

In accordance with the decision taken by the Annual General Meeting of Suominen Corporation, the representatives notified by the company's three largest shareholders were elected to Suominen Corporation's permanent Nomination Board. In addition, the Chair of the company's Board of Directors shall serve as the fourth member. The shareholders entitled to appoint members to the Nomination Board during financial year 2021 were determined on the basis of the registered holdings in the company's shareholder register on September 1, 2021 and on September 1, 2020. The Nomination Board shall submit its proposals to the Board of Directors no later than February 1 prior to the Annual General Meeting.

Suominen's three largest registered shareholders on the basis of the registered holdings in the company's shareholders' register on September 1, 2021, Ahlstrom Capital B.V., Oy Etra Invest Ab and Nordea Nordic Small Cap Fund nominated the following members to the Shareholders' Nomination Board:

- Lasse Heinonen, President & CEO of Ahlström Capital Oy, as a member appointed by Ahlstrom Capital B.V.;
- Mikael Etola, CEO, Etola Group, as a member appointed by Oy Etra Invest Ab;
- Jukka Perttula, Chair of Board of Directors, Nordea Funds, as a member appointed by Nordea Nordic Small Cap Fund.
- Jaakko Eskola, Chair of Suominen's Board of Directors, serves as the fourth member of the Nomination Board.

Annual General Meeting

The Annual General Meeting (AGM) of Suominen Corporation was held on March 25, 2021.

The AGM adopted the Financial Statements and the Consolidated Financial Statements for the financial year 2020 and discharged the members of the Board of Directors and the President & CEO from liability for the financial year 2020. The AGM approved the Remuneration Report for the governing bodies and the Board of Directors' proposals concerning forfeiture of the shares entered in the joint book-entry account and of the rights attached to such shares.

The AGM decided, in accordance with the proposal by the Board of Directors, that a dividend of EUR 0.10 and in addition, a return of capital of EUR 0.10 per share will be paid.

The AGM confirmed the remuneration of the Board of Directors remains unchanged. The Chair will be paid an annual fee of EUR 66,000 and the Deputy Chair and other Board members an annual fee of EUR 31,000. The Chair of the Audit Committee will be paid an additional fee of EUR 10,000. Further, the members of the Board will receive a fee for each Board and Committee meeting as follows: EUR 500 for each meeting held in the home country of the respective member, EUR 1,000 for each meeting held elsewhere than in the home country of the respective member and EUR 500 for each meeting held as a telephone conference.

60% of the remuneration is paid in cash and 40% in Suominen Corporation's shares. Compensation for expenses is paid in accordance with the company's valid travel policy.

The AGM decided that the number of Board members remains unchanged at six (6). Mr. Andreas Ahlström, Mr. Björn Borgman, Ms. Nina Linander, Ms. Sari Pajari-Sederholm and Ms. Laura Raitio were re-elected as members of the Board. Mr. Jaakko Eskola was elected as a new member of the Board.

Mr. Jaakko Eskola was elected as the new 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 March 25, 2021 concerning the resolutions of the Annual General Meeting and the organizing meeting of the Board of Directors. The stock exchange release and an introduction of the new Board members can be viewed on Suominen's website at **www.suominen.fi**.

In compliance with the resolution of the Annual General Meeting, on April 8, 2021 Suominen paid out dividends and return of capital in total of EUR 11.5 million for 2020, corresponding to EUR 0.20 per share.

Organizing meeting and permanent committees of the Board of Directors

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

The Board of Directors elected from among its members the members for the Audit Committee and Personnel and Remuneration Committee. Nina Linander was re-elected as the Chair of the Audit Committee and Andreas Ahlström and Laura Raitio were re-elected as members. Jaakko Eskola was elected as the Chair of the Personnel and Remuneration Committee and Björn Borgman and Sari Pajari-Sederholm were re-elected as members.

Suominen published a stock exchange release on March 25, 2021 concerning the resolutions of the Annual General Meeting and the organizing meeting of the Board of Directors. The stock exchange release and an introduction of new Board member can be viewed on Suominen's website at **www.suominen.fi**.

Business risks and uncertainties

Manufacturing risks

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

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

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

Competition

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

Price and availability of raw materials

Suominen purchases significant amounts of pulp- and oil-based raw materials. Raw materials are the largest cost item for operations. Changes in the global market prices of raw materials can have an impact on the company's profitability. Suominen's stocks equal two to four weeks' consumption and it generally takes two to five months for raw material price changes to be reflected in Suominen's customer pricing either through automatic pricing mechanisms or negotiated price changes.

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

Price and availability of energy

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

Market and customer risks

Suominen's customer base is fairly concentrated, which increases the potential impact of changes in customer specific sales volumes. In 2021, the Group's ten largest customers accounted for 66% (67%) of the Group net sales. Long-term contracts are preferred with the largest customers. In practice, the customer relationships are long-term and last for several years. Customer-related credit risks are managed in accordance with a credit policy approved by the Board of Directors. Credit limits are confirmed for customers on the basis of credit ratings and customer history.

The demand for Suominen's products depends on possible changes in consumer preferences. Historically, such changes have had mainly a positive impact on Suominen, as they have resulted in the growing demand for products made of nonwovens. 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 10 years and hence is well positioned to respond to changes in customer preferences related to sustainability and climate change.

Changes in legislation, political environment or economic conditions

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

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

The relevance of the United States in Suominen's business operations increases the significance of the exchange rate risk related to USD in the Group's total 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 the discounted projected future cash flows. Actual cash flows can differ from the discounted projected future cash flows. Uncertainties related to the projected future cash flows include, among others, the long economic useful life of the assets and changes in the forecast sales prices of Suominen's products, production costs as well as discount rates used in testing. Due to the uncertainty inherent in the future, it is possible that Suominen's recoverable amounts will be insufficient to cover the carrying amounts of assets, particularly goodwill. If this happens, it will be necessary to recognize an impairment loss, which, when implemented, will weaken the result and equity. Goodwill impairment testing has been described in the consolidated financial statements.

Non-financial risks and their management

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

Risks related to the environment and climate change

Environmental risks have been identified as part of the ISO 14001 environmental management system, and they are controlled and managed by each production plant. The most significant identified environmental risks include binder or chemical spills and fires at production sites, which may cause harm to environment. These risks are managed by identifying and executing mitigation actions to minimize likelihood and severity of environmental risks.

Suominen could be impacted by risks related to climate change including weather-related events such as storms, floods, droughts, fires, hurricanes and other extreme weather conditions that may damage the company's production facilities or disrupt its value chains. Suominen manages these risks with appropriate precautions, business continuity plans and insurances. As an example, risks relating to the 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 the 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 the supplier audit process.

Suominen does not tolerate corruption or bribery in any form. As stated in Suominen's Code of Conduct and Gift, Entertainment and Anti-Bribery Policy, Suominen does not offer, give, solicit, or accept any improper or corrupt payments or benefits in return for a favorable decision or improper business advantage. Suominen expects all service providers, agents, consultants, and other third parties who act on its behalf to adhere to the same standards. Suominen has various channels for raising concerns and reporting misconduct, including a SpeakUp Line hosted by an independent third party. Suominen expects all employees and suppliers to report any violations of the Code of Conduct or the Supplier Code of Conduct to the company.

Business environment

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

The market expectation is that in the long run the end user demand for wipes will remain above pre-COVID levels. However, towards the end of the second quarter in 2021 especially our North American customers started to experience a sudden deceleration of demand, which in combination with extraordinary stockpiling throughout the entire supply chain created an imbalance of inventories. This impacted also Suominen's orders, although in several cases we were able to benefit from our position as the preferred supplier of our customers. The demand started to recover in late Q3, in some cases even quicker than previously assumed.

Looking at the year ahead the near-term demand picture seems very volatile due to certain major customers still struggling with their inventory levels combined with the recent surge of COVID-19 cases which impacts both our and our customers' operations. We also continue to have a lag between the rising raw material, energy and logistics costs and our sales prices. We expect the demand situation to stabilize starting from the second quarter of the year.

Information on the separate financial statements of the parent company

Key ratios of the parent company

EUR thousand	2021	2020	2019
Net sales	25,869	27,936	22,066
Operating profit/loss	7,138	5,401	-1,367
% of net sales	27.6	19.3	-6.2
Net financial expenses	14,352	4,712	1,244
Profit/loss before appropriations and income taxes	21,490	10,113	-123
Profit/loss for the period	15,248	6,585	-1,269
Return on invested capital, %	4.5	4.6	2.5
Salaries	-3,436	-4,296	-3,036
Average number of personnel	32	33	29

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 25.9 million (27.9) and operating profit EUR 7.1 million (5.4). Net financial expenses were EUR +14.4 million (+4.7). Profit for the period was EUR 15.2 million (6.6). There are no related party loans except loans to other Suominen group companies.

In the financial year 2021, the parent company had on average 32 (33) employees and at the end of the year 31 (33) employees.

Outlook

Suominen expects that its comparable EBITDA (earnings before interest, taxes, depreciation and amortization) in 2022 will decrease from 2021. The main reasons are inventory levels which still remain high at certain customers as well as operational issues in the entire supply chain due to the current COVID-19 situation, both of which will impact the result negatively especially in the first quarter. In 2021, Suominen's comparable EBITDA was EUR 47.0 million.

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

The profit of the financial year 2021 of Suominen Corporation, the parent company of Suominen Group, was EUR 15,247,807.51. The funds distributable as dividends, including the profit for the period, were EUR 19,944,482 and total distributable funds were EUR 95,636,818.

The Board of Directors proposes that a dividend of EUR 0.20 per share shall be distributed for the financial year 2021 and that the profit shall be transferred to retained earnings.

On February 2, 2022, the company had 57,224,558 issued shares, excluding treasury shares. With this number of shares, the total amount of dividends to be distributed would be EUR 11,444,911.60.

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

The record date is March 28, 2022 and the dividend will be paid on April 7, 2022.

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

The Corporate Governance Statement 2021 and Remuneration Report 2021 of Suominen Corporation have been disclosed as separate statements at **www.suominen.fi** > Investors > Corporate Governance. Both statements are included also in the company's Annual Report 2021.

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

Events after the reporting period

Notification of change in holdings according to chapter 9, section 10 of the Securities Market Act

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

Proposals by the Nomination Board to the Annual General Meeting 2022 of Suominen

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

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

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

Out of the current Board members, Sari Pajari-Sederholm has informed that she is not available as a candidate for the Board of Directors.

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

Mr. Aaron Barsness (born 1973, BA (Biology and Environmental Studies), U.S. and Swedish citizen) currently works as the CMO of Fazer Group. He has held a number of senior positions at Fazer, Lynxeye Brand Consultants and Procter & Gamble.

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

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

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

Proposal on the Board remuneration

The Nomination Board of the shareholders of Suominen Corporation proposes to the Annual General Meeting that the remuneration of the Board of Directors would be as follows: the Chair would be paid an annual fee of EUR 70,000 (2021: EUR 66,000) and the Deputy Chair and other Board members an annual fee of EUR 33,000 (2021: EUR 31,000). 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% (2021: 60%) of the annual fees is paid in cash and 25% (2021: 40%) 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 2022 of the company is published.

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

The composition of the Nomination Board

The members of the Nomination Board are, as of September 2, 2021, Lasse Heinonen, President & CEO of Ahlström Capital Oy, as a member appointed by Ahlstrom Capital B.V., Mikael Etola, CEO, Etola Group, as a member appointed by Oy Etra Invest Ab and Jukka Perttula, Chair of Board of Directors, Nordea Funds, as a member appointed by Nordea Nordic Small Cap Fund. Jaakko Eskola, the Chair of Suominen's Board of Directors, serves as the fourth member of the Nomination Board. Lasse Heinonen acts as the Chair of the Nomination Board.

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

Suominen completes the repurchases of own shares

As communicated on November 1, 2021, the Board of Directors of Suominen Corporation decided to use the authorization given by the Annual General Meeting held on March 25, 2021 to repurchase the company's own shares.

The repurchases started on November 3, 2021 and ended on January 21, 2022. During this period, Suominen repurchased 400,000 shares for an average price of EUR 4.9796 per share, corresponding to approximately 0.7% of the total number of the company's shares, which is 58,259,219.

The repurchased shares are to be used for pay-outs under the share-based incentive plans of Suominen Corporation. The shares were repurchased through public trading on Nasdaq Helsinki at the market price prevailing at the time of repurchase.

Following the repurchases, the company holds a total of 1,034,661 shares.

The Board of Directors of Suominen Corporation resolved on a new share-based Long-term incentive plan for management and key employees

The Board of Directors of Suominen Corporation has resolved on February 2, 2022 on a new share-based Long-term incentive plan for the management and key employees. The aim of the new plan is to combine the objectives of the shareholders and the persons participating in the plan in order to increase the value of the company in the long-term, to bind the participants to the company, and to offer them competitive reward plans based on earning and accumulating the company's shares.

Performance Share Plan 2022–2024

The new long-term Performance Share Plan has one three-year Performance Period, which includes calendar years 2022–2024. The Performance Share Plan is directed to approximately 25 people including the President & CEO of Suominen.

The Board of Directors resolved that the potential reward for the Performance Period 2022–2024 will be based on the Relative Total Shareholder Return (TSR). The maximum total amount of potential share rewards to be paid on the basis of the Performance Period 2022–2024 is approximately 401 000 shares of Suominen Corporation, representing the gross reward before the deduction of taxes and tax-related costs arising from the reward.

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

Reward payment and ownership obligation for the management

If the targets of the Plan are reached, rewards will be paid to participants in spring 2025 after the end of the Performance Period. The potential rewards from the Performance Period 2022–2024 will be paid partly in the company's shares and partly in cash. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to the participant. The company also has the right to pay the reward fully in cash under certain circumstances. As a rule, no reward will be paid, if a participant's employment or service ends before the reward payment.

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

Consolidated financial statements (IFRS) 2021

Consolidated statement of financial position

EUR thousand

	Note	December 31, 2021	December 31, 2020
ASSETS			
Non-current assets			
Goodwill	5	15,496	15,496
Intangible assets	6	13,176	16,748
Property, plant and equipment	7	115,478	104,666
Right-of-use assets	8	15,741	17,784
Loan receivables	12	–	3,978
Equity instruments	10	421	768
Other non-current receivables	12	96	73
Deferred tax assets	31	1,668	4,034
Total non-current assets		**162,077**	**163,548**
Current assets			
Inventories	11	49,763	35,431
Trade receivables	12	65,495	51,128
Loan receivables	12	–	3,476
Other current receivables	12	5,403	5,675
Assets for current tax	31	2,564	247
Cash and cash equivalents		101,357	57,877
Total current assets		**224,583**	**153,833**
TOTAL ASSETS		**386,660**	**317,381**

	Note	December 31, 2021	December 31, 2020
EQUITY AND LIABILITIES			
Equity			
Share capital	15	11,860	11,860
Share premium account		24,681	24,681
Reserve for invested unrestricted equity		75,692	81,361
Treasury shares		–	-44
Fair value and other reserves		-7	-7
Exchange differences	14	-5,577	-13,933
Retained earnings		56,549	41,962
Total equity attributable to owners of the parent		**163,199**	**145,882**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	31	13,931	13,320
Liabilities from defined benefit plans	18	638	774
Non-current provisions	19	1,916	1,797
Non-current lease liabilities	16	13,167	14,892
Other non-current liabilities	20	3	17
Debenture bonds	16	49,144	82,862
Total non-current liabilities		**78,799**	**113,662**
Current liabilities			
Current provisions	19	–	250
Current lease liabilities	16	2,761	2,539
Debenture bonds	16	84,062	–
Liabilities for current tax	31	669	415
Trade payables and other current liabilities	20	57,170	54,634
Total current liabilities		**144,662**	**57,838**
Total liabilities		**223,461**	**171,499**
TOTAL EQUITY AND LIABILITIES		**386,660**	**317,381**

Consolidated statement of profit or loss

EUR thousand

	Note	January 1– December 31, 2021	January 1– December 31, 2020
Net sales	**23**	**443,219**	**458,893**
Cost of goods sold		-392,390	-389,123
Gross profit		**50,828**	**69,770**
Other operating income	25	4,434	2,584
Sales, marketing and administration expenses		-26,238	-27,946
Research and development expenses		-2,678	-2,767
Other operating expenses	25	595	-2,150
Operating profit		**26,941**	**39,492**
Net financial expenses	30	-390	-5,582
Profit before income taxes		**26,551**	**33,910**
Income taxes	31	-5,816	-3,794
Profit for the period		**20,734**	**30,116**
Earnings per share, EUR			
Basic	33	0.36	0.52
Diluted		0.36	0.52

Consolidated statement of comprehensive income

EUR thousand

	January 1– December 31, 2021	January 1– December 31, 2020
Profit for the period	**20,734**	**30,116**
Other comprehensive income:		
Other comprehensive income that will be subsequently reclassified to profit or loss:		
Exchange differences	9,137	-15,504
Reclassified to profit or loss	–	-327
Income taxes related to other comprehensive income	-781	929
Total	**8,356**	**-14,902**
Other comprehensive income that will not be subsequently reclassified to profit or loss:		
Fair value changes of equity instruments	–	-8
Remeasurements of defined benefit plans	26	-10
Income taxes related to other comprehensive income	-7	3
Total	**19**	**-15**
Total other comprehensive income	**8,375**	**-14,917**
Total comprehensive income for the period	**29,109**	**15,199**

Consolidated statement of changes in equity

EUR thousand

	Note	Share capital	Share premium account	Reserve for invested unrestricted equity	Treasury shares	Exchange differences	Fair value and other reserves	Retained earnings	**Total equity attributable to owners of the parent**
Equity January 1, 2021		**11,860**	**24,681**	**81,361**	**-44**	**-13,933**	**-7**	**41,962**	**145,882**
Profit for the period		–	–	–	–	–	–	20,734	20,734
Other comprehensive income	14	–	–	–	–	8,356	–	19	8,375
Total comprehensive income		**–**	**–**	**–**	**–**	**8,356**	**–**	**20,754**	**29,109**
Distribution of dividend and return of capital		–	–	-5,759	–	–	–	-5,759	-11,519
Share-based payments		–	–	–	–	–	–	1,276	1,276
Acquisition of treasury shares		–	–	–	–	–	–	-1,640	-1,640
Conveyance of treasury shares		–	–	90	44	–	–	-44	90
Equity December 31, 2021		**11,860**	**24,681**	**75,692**	**–**	**-5,578**	**-7**	**56,549**	**163,199**

	Note	Share capital	Share premium account	Reserve for invested unrestricted equity	Treasury shares	Exchange differences	Fair value and other reserves	Retained earnings	**Total equity attributable to owners of the parent**
Equity January 1, 2020		**11,860**	**24,681**	**81,269**	**-44**	**707**	**264**	**13,715**	**132,452**
Profit for the period		–	–	–	–	–	–	30,116	30,116
Other comprehensive income	14	–	–	–	–	-14,640	-270	-7	-14,917
Total comprehensive income		**–**	**–**	**–**	**–**	**-14,640**	**-270**	**30,109**	**15,199**
Distribution of dividend		–	–	–	–	–	–	-2,876	-2,876
Share-based payments		–	–	–	–	–	–	1,015	1,015
Conveyance of treasury shares		–	–	92	–	–	–	–	92
Equity December 31, 2020		**11,860**	**24,681**	**81,361**	**-44**	**-13,933**	**-7**	**41,962**	**145,882**

Consolidated statement of cash flows

EUR thousand

	Note	January 1–December 31, 2021	January 1–December 31, 2020
Cash flow from operations			
Profit for the period		20,734	30,116
Total adjustments to profit for the period	34	27,585	34,626
Cash flow before changes in net working capital		**48,319**	**64,742**
Change in net working capital		-25,242	-1,023
Financial items		-5,258	-4,289
Income taxes		-6,731	-2,438
Cash flow from operations		**11,088**	**56,991**
Cash flow from investments			
Investments in property, plant and equipment and intangible assets		-17,628	-10,885
Sales proceeds from property, plant and equipment and intangible assets		4	12
Sales proceeds from sale of equity investments		2,170	–
Cash flow from investments		**-15,454**	**-10,873**
Cash flow from financing			
Drawdown of non-current interest-bearing liabilities	16	50,000	–
Issuance costs of the bonds		-939	–
Drawdown of current interest-bearing liabilities	16	–	15,000
Repayment of current interest-bearing liabilities	16	-2,757	-31,968
Repayment of loan receivables		9,301	–
Acquisition of treasury shares		-1,612	–
Distribution of dividend and return of capital		-11,520	-2,876
Cash flow from financing		**42,473**	**-19,845**
Change in cash and cash equivalents		**38,106**	**26,274**
Cash and cash equivalents at the beginning of the period		57,877	37,741
Effect of changes in exchange rates		5,374	-6,138
Change in cash and cash equivalents		38,106	26,274
Cash and cash equivalents at the end of the period		**101,357**	**57,877**

Notes to the consolidated financial statements

NOTE 1 Significant accounting policies – consolidated financial statements

Basic information

Suominen Corporation is a public limited liability company organized under the laws of the Republic of Finland and domiciled in Helsinki, Finland (Karvaamokuja 2 B, 00380 Helsinki, Finland). Suominen's shares are publicly traded in the Nasdaq Helsinki Ltd. (Mid Cap). Suominen Corporation is the parent company of the Group. The Group manufactures nonwovens mainly for consumer goods companies.

The Board of Directors of Suominen Corporation has in its meeting on February 2, 2022 approved these financial statements to be published. According to the Finnish Limited Liability Companies Act, the shareholders have a possibility to approve or reject or make a decision on altering the financial statements in a General Meeting to be held after the publication of the financial statements.

Basis for presentation

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

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

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

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

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

New accounting standards

New or amended standard, annual improvements or interpretations applicable from January 1, 2021:
New or amended standard, annual improvements or interpretations applicable from January 1, 2021 were not material for Suominen Group.

New and amended IFRS standards and IFRIC interpretations published but mandatory from January 1, 2022 or later:
- Improvements to IFRS (2018–2020 cycle): Improvement to IFRS 9 – Fees in the "10 percent" Test for Derecognition of Financial Liabilities, applicable from January 1, 2022. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. The fees include only fees paid or received between the borrower and the lender.

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

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

- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current, applicable from January 1, 2023. The amendment specifies the requirements for classifying liabilities as current or non-current, by clarifying for example what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period and that classification is unaffected by the likelihood that an entity will exercise its deferral right. The amendment will be applied retrospectively. The amendment has no effect on the consolidated financial statements of Suominen.

- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2, applicable from January 1, 2023. The amendment replaces the requirement to disclose "significant" accounting policies with a requirement to disclose "material" accounting policies. The amendment aims to help companies to disclose accounting policies, which are material for users to understand the information in the company's financial statements. The amendments require judgement in determining whether accounting policies are material or not. The amendment may have some effect on the disclosure of accounting policies in Suominen's consolidated financial statements, as the accounting principles presented in the consolidated financial statements will concentrate on presenting the accounting principles which are material for Suominen.

- Definition of Accounting Estimates – Amendments to IAS 8, applicable from January 1, 2023. The amendments clarify the distinction between the changes in accounting estimates and changes in accounting policies and the correction of errors. The amendment clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The amendment does not have any material impact on Suominen's consolidated financial statements.

- Amendments to IAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction, applicable from January 1, 2023. The amendments are to be applied to transactions that occur on or after the beginning of the earliest comparative period presented in the financial statements.

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

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

Other new or amended standards, improvements or annual improvements applicable from January 1, 2022 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 (Note 14).

On the disposal of all or part of a foreign subsidiary, the cumulative amount or proportionate share of the exchange difference is reclassified from equity to profit or loss as a reclassification item in the same period in which the gain or loss on disposal is recognized.

Transactions in foreign currencies

In their own day-to-day accounting the Group companies translate transactions in foreign currencies into their own reporting or functional currency at the exchange rates prevailing on the dates of the transactions. At the end of the reporting period, the unsettled balances of foreign currency transactions are measured at the exchange rates prevailing at the end of the reporting period. Foreign exchange gains and losses arising from trade receivables are entered as adjustments of net sales and foreign exchange gains and losses related to trade payables are recorded as adjustments of costs of goods sold. Foreign exchange gains and losses arising from financial items are recorded as financial income and expenses.

Reportable segments

Suominen has no reportable segments.

The business of Suominen consists of one operating segment, Nonwovens. The net sales of Suominen consist entirely of net sales of the Nonwovens operating segment. All the products Suominen produces and sells are nonwoven products, and the production process and technology of all the products are mainly similar. Also other resources, such as production management, are common to all products. The customers are mainly converters of nonwovens, and the risks or profitability related to products or customers do not differ from each other. Also distribution of the products is similar.

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

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

The chief operating decision maker of Suominen is the President & CEO, who is assisted by the Executive Team. The President & CEO makes decisions on allocating the resources of the Group. However, material items, such as major investments, as well as items which are required by governing law to be decided by the Board of Directors, are presented to the Board for approval.

Entity-wide disclosures are presented in Note 24.

Research and development

Expenditure on research and development is recognized in profit or loss. Expenditure on product and process development is not capitalized as no separate assets are developed in the research and development activities or future economic benefits arising from the assets cannot be reliably assessed.

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 28 will be recognized.

Government grants

Suominen has changed its accounting pricinples of government grants. Previously Suominen had applied the offsetting method for government and other grants. Changing the accounting principle of recognizing government grants does not have any material effect on the previous years' financial statements thus no restatement has been made.

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.

Dividends and other distribution of funds

Dividends or other distribution of funds proposed by the Board of Directors are not recognized in the financial statements until they have been approved by the shareholders at the Annual General Meeting.

Audit

Quarterly information as well as interim reports are not audited.

Other accounting principles

Accounting principles related to assets, liabilities and line items in the statement of profit or loss are presented in the disclosure information related to each item.

NOTE 2 Accounting estimates and judgements

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

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

The estimates and assumptions affect the reported amounts of assets and liabilities, the amounts of contingent assets and liabilities at the end of the reporting period and the recognized amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

The following items include accounting estimates: impairment testing of assets, especially of goodwill; estimated fair values of property, plant and equipment and intangible assets acquired in an acquisition and their estimated useful lives; useful lives of other intangible assets and property, plant and equipment; measurement of inventories and trade receivables; estimation of expected credit losses of trade receivables; recognition and measurement of deferred taxes and estimates of the amount and probability of provisions.

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

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events, that are believed to be reasonable under the circumstances.

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

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 and from euro transactions in the USA and Brazil. The transaction risk related to USD arises both from operational and financial transactions. The exchange rate risks are hedged case by case using both derivatives and terms of sales and purchasing contracts.

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

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

	Transaction exposure 2021		Transaction exposure 2020	
EUR thousand	12 months' cash flow	Hedged with currency forwards	12 months' cash flow	Hedged with currency forwards
USD/EUR	-773	-1,960	6,665	-2,991
EUR/BRL	-1,596	–	-660	–
USD/BRL	-13,463	–	-7,804	–

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

Translation exposure 2021 against EUR

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

Translation exposure 2020 against EUR

EUR thousand	Internal loan receivables	Cash and cash equivalents and internal interest-bearing liabilities	External interest-bearing liabilities	Equity of foreign subsidiaries	Hedged with currency derivatives	Open currency exposure
BRL	–	4,246	–	13,000	–	17,246
USD	46,802	36,286	–	70,595	–	153,683

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 57.4 million, equaling to EUR 50.7 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 in 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.

2021

EUR thousand	Currency strengthens %	A. Effect on profit after tax	B. Effect on equity after tax (excluding A)	Currency weakens %	A. Effect on profit after tax	B. Effect on equity after tax (excluding A)
USD/EUR	6	–	2,270	-6	–	-2,270

2020

EUR thousand	Currency strengthens %	A. Effect on profit after tax	B. Effect on equity after tax (excluding A)	Currency weakens %	A. Effect on profit after tax	B. Effect on equity after tax (excluding A)
USD/EUR	8	–	3,014	-8	–	-3,014

Effectiveness and sensitivity analysis of currency hedging

The management has assessed the effectiveness of hedging by combining the estimated net cash flows for 12 months in foreign currencies with the compensating effect of the hedging instruments. The net effect from the change in the USD exchange rate on profit after taxes in 2021 is estimated to be EUR - / + 122 thousand (EUR + / - 237 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.

2021

EUR thousand	Currency strengthens / weakens %	Effect on 12 months' currency cash flow	Effect on hedging instruments	Net effect after tax
USD/EUR	+6 / -6	-43 / 43	-110 / 110	-122 / 122

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 2021 duration excluding the lease liabilities was 30 months (21 months in 2020).

At the end of the reporting period the carrying amount of the Group's loans with fixed interest rates was EUR 133.2 million (EUR 82.9 million). There were no loans with floating interest rates at the end of 2021 or 2020. Lease liabilities were EUR 15.9 million (EUR 17.4 million).

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 14 thousand in 2021 (EUR 464 thousand). The ageing structure of the trade receivables is disclosed in Note 12 to the consolidated financial statements. The maximum credit risk arising from trade receivables equals the carrying amount of the trade receivables. The determination of the credit risk related to trade receivables is disclosed in Note 12.

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

The Group has agreed on a supply chain financing program which covers one fifth of the sales at the end of the reporting period. In accordance with the supply chain financing agreement, the Group has transferred the rights and responsibilities of these receivables to the counterparty of the agreement.

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 May 2021, 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 2024.

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

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

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

The average maturity of the committed facility agreements was 2.5 years (2.5 years) at the end of the reporting period. At the end of the reporting period the unused revolving credit facility was EUR 97 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 2021

EUR thousand

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

			Falling due			
Derivative instruments	Carrying amount	Contractual cash flows	Less than 6 months	6–12 months	1–2 years	2–5 years
Currency forward contracts	15					
Cash inflows (-)		637	637	–	–	–
Cash outflows (+)		-653	-653	–	–	–
Total	**15**	**-17**	**-17**	**–**	**–**	**–**

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

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

Maturity analysis of financial liabilities 2020

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

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

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

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

NOTE 4 Management of capital

Suominen's management of capital aims to support business activities by ensuring the conditions to operate by means of the Group's financial position and capital structure. In addition, the aim is to increase the shareholder value by targeting at a competitive return on invested capital. The capital structure must ensure debt financing of the Group. In the capital management planning process both current and future needs of the business are taken into consideration together with securing the competitive pricing of financing.

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

The capital structure can be influenced by distributing dividends or other funds and share issues. If there is a need, the Group can buy back own shares or issue new shares as authorized by the general meetings, or decide to sell assets or businesses to reduce liabilities.

At the end of 2021, the Group's equity ratio was 42.2% (46.0%) and gearing was 30.4% (25.4%).

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	2021	2020	**Reference**
Nominal value of interest-bearing liabilities	150.9	102.4	Note 16
Interest-bearing receivables	–	-7.5	Note 12
Cash and cash equivalents	-101.4	-57.9	Consolidated statement of financial position
Interest-bearing net debt	**49.6**	**37.1**	
Total equity attributable to owners of the parent	163.2	145.9	
Assets total - advances received	386.6	317.4	
Gearing, %	30.4	25.4	
Equity ratio, %	42.2	46.0	

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 16 of the consolidated financial statements.

NOTE 5 Goodwill

EUR thousand

Impairment testing of goodwill

In impairment testing the recoverable amount for the cash generating unit is determined as the value in use. Value in use comprises the discounted projected future cash flows. Projected cash flows are based on actual performance, annual plans as well as five-year forecasts based on the Group's strategy. The main assumptions of forecasts are always reviewed during the impairment testing. Cash flows in the period beyond the five-year forecasted period are extrapolated using the growth rates for Suominen's business. The key assumptions used in the value in use are sales trend of the cash-generating unit, the profitability of the business, expense levels and the discount rate used.

The replacement investments needed for maintaining the existing production capacity have been estimated based on the planned depreciation during the useful lives of each asset in the cash-generating unit. Replacement investments include also renewals of lease contracts.

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 annual growth rate for Suominen's net sales during the period covered by the forecast (2022–2026) has been estimated at 1.5%. The estimated growth rate has decreased from the previous year as products containing polyester are expected to be replaced by 100% viscose products, which have lower production rates due to production technology. Based on the market research information and comments from Suominen's customers, the demand is expected to continue to grow.

The discount rate has been derived by using targeted capital structure at the time of the impairment test. Gearing, or ratio of net debt to equity, is 60%. The lease liabilities in the statement of financial position have been taken into account in the calculation of the discount rate. Cost of capital has been calculated as a weighted average pre-tax rate for equity and debt and taking into the consideration the risk-free rate and risk margins of equity and debt respectively. The components of the cost of capital are revised annually. Discount rate used in the calculation is the weighted average of the risk-free 10-year government bond rates in the countries where Suominen operates.

Impairment testing is based on present estimates of future development at the time of the impairment testing. The uncertainty in measuring the values in use is captured by analyzing variations in the amount or timing of cash flows. The element of uncertainty and risk has been accounted for in the discount rates and by taking into consideration the experience from the previous impairment tests.

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 9.26 percentage points or the annual terminal operating profit percentage would decrease by 5.236 percentage points, the recoverable amount would equal the carrying amount.

The critical assumptions in impairment testing

	2021	2020
Pre-tax discount rate	8.5%	9.0%
Growth in net sales 2022–2026 (2021–2025)	1.5%	1.8%
Annual terminal growth rate	1.0%	1.0%
Annual terminal operating profit percentage	8.3%	8.9%

Accounting principles

Goodwill represents the excess of the purchase consideration over the fair value of acquired net assets. Goodwill is allocated to those cash generating units which benefit from the acquired net assets as well as from synergies arising from the acquisition. The carrying amount of goodwill is tested at least annually for impairment. If the impairment testing indicates, that the recoverable amount of the cash generating unit which includes goodwill is lower than its carrying amount, an impairment loss of goodwill and of other assets, if applicable, is recognized in the statement of profit or loss. The impairment loss of goodwill will not be reversed during subsequent reporting periods.

At the end of the reporting period, the carrying amount of goodwill was EUR 15,495 thousand (EUR 15,495 thousand in 2020). The Group has one operating segment (Nonwovens), which is also a cash generating unit to which goodwill has been allocated in its entirety.

Critical accounting estimates and judgements

Goodwill is tested annually for possible impairment. The recoverable amounts have been determined based on the assets' value in use which require the use of estimates. The actual cash flows can differ from estimated discounted future cash flows. Uncertainties related to the projected future cash flows include, among others, the long economic useful lives of the assets, the estimated sales prices, production costs and changes in discount rate used in testing.

NOTE 6 Intangible assets

EUR thousand

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

	Intangible rights	Goodwill	Other intangible assets	Advance payments and assets under construction	Total 2020
Acquisition cost January 1	**28,889**	**15,496**	**6,910**	**375**	**51,669**
Exchange difference	-35	–	-138	–	-173
Additions	48	–	–	258	306
Decreases and disposals	-657	–	-167	–	-823
Reclassifications	577	–	–	-577	–
Acquisition cost December 31	**28,823**	**15,496**	**6,605**	**56**	**50,978**
Accumulated amortization and impairment losses January 1	**-11,940**	**–**	**-4,158**	**-56**	**-16,154**
Exchange difference	34	–	110	–	144
Amortization for the reporting period	-2,985	–	-564	–	-3,549
Decreases and disposals	657	–	167	–	823
Accumulated amortization and impairment losses December 31	**-14,235**	**–**	**-4,445**	**-56**	**-18,736**
Carrying amount December 31	**14,588**	**15,496**	**2,160**	**–**	**32,243**

In 2011, EUR 5,979 thousand of the purchase consideration related to the acquisition of Ahlstrom's Home and Personal business was allocated to customer relations. At the end of the reporting period, the carrying amount of these customer relations was EUR 1,303 thousand.

Accounting principles

Intangible rights include patents, trademarks, software licences as well as customer relations which were identifiable assets at the business combination and are measured at fair value at the acquisition date. Other intangible assets are development and other costs which are directly attributable to the design and testing of identifiable and unique software or similar intangible assets. If an intangible asset is a qualifying asset as defined in IAS 23, i.e. an asset that necessarily takes a substantial period of time to get ready, the borrowing costs are capitalized into the initial acquisition cost of the asset.

Subsequent expenditure on intangible assets is capitalized only if the future economic benefits from the asset exceed the initially planned level. Otherwise the expenditure is recognized as an expense in the statement of profit or loss.

Intangible rights and other intangible assets are recognized in the statement of financial position at their initial acquisition cost less cumulative amortization and impairment losses, if any. They are amortized using planned straight-line amortization during of their estimated useful lives. Intangible assets from acquisition of a subsidiary are stated at their fair values at the date of the acquisition.

Suominen has no other intangible assets than goodwill which have indefinite useful life. Goodwill and intangible assets not yet available for use are tested annually for impairment. Disclosure information of goodwill is presented in Note 5 of the consolidated financial statements.

Other intangible assets are tested for impairment if there are indications that the asset may be impaired. Impairment testing is described in Note 29 of the consolidated financial statements.

Amortization periods for intangible assets

Goodwill	no amortization
Intangible rights	3–13 years
Customer relations	13 years
Other intangible assets	5–10 years
Advance payments and assets under construction	no amortization

Critical accounting estimates and judgements

If there is indication of impairment, the carrying amounts of intangible assets are compared with their recoverable amounts. The recoverable amount is the higher of fair value and value in use. Value in use is calculated by discounting the future cash flows arising from the the asset. If the recoverable amount of an asset is lower than the carrying amount, an impairment loss is recognized. Both the amounts and timing of the cash flows are based on management estimates.

Useful lives of intangible assets are based on management's best estimate of the period the asset is expected to be available for use by Suominen. The actual useful life can, however, differ from the expected useful life resulting in adjustment of annual amortization of the asset or in recognizing of an impairment loss.

NOTE 7 Property, plant and equipment

EUR thousand

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

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

	2021	2020
Carrying amount of production machinery and equipment	80,893	68,968

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

Accounting principles

Property, plant and equipment consist mainly of land, buildings and structures as well as of machinery and equipment. They are recognized in the statement of financial position at their acquisition cost less cumulative depreciation and impairment losses, if any. When an asset consists of major components with different useful lives, they are accounted for as separate items. Assets from acquisition of a subsidiary are stated at their fair values at the date of the acquisition.

When part of an asset in property, plant and equipment is replaced, the cost of the replacement is capitalized and the eventual remaining carrying amount of the replaced asset is derecognized. Other subsequent expenditure is capitalized only if the future economic benefits to the company from the asset are enhanced. Ordinary maintenance and repair charges are expensed as incurred.

Borrowing costs are capitalized as part of the acquisition cost of property, plant and equipment if the assets are qualifying assets as defined in IAS 23 Borrowing Costs.

Depreciation is recognized on a straight-line basis over expected useful lives. Depreciation begins when the asset is available for its intended use. Land is not depreciated since it is deemed to have indefinite useful life.

Gains and losses from the sales and disposals of property, plant and equipment are determined as a difference between the sales price and the carrying amount of the asset and they are recognized as other operating income or expenses.

Depreciation periods for property, plant and equipment

Land	no depreciation
Buildings and constructions	10–40 years
Machinery and equipment	4–20 years
Other tangible assets	3–5 years
Advance payments and assets under construction	no depreciation

Critical accounting estimates and judgements

If there is indication of impairment, the carrying amounts of property, plant and equipment are compared with their recoverable amounts. The recoverable amount is the higher of fair value and value in use. Value in use is calculated by discounting the future cash flows arising from the the asset. If the recoverable amount of an asset is lower than the carrying amount, an impairment loss is recognized. Both the amounts and timing of the cash flows are based on management estimates.

Useful lives of property, plant and equipment are based on management's best estimate of the period the asset is expected to be available for use by Suominen. The actual useful life can, however, differ from the expected useful life resulting in adjustment of annual depreciation of the asset or in recognizing of an impairment loss.

NOTE 8 Right-of-use assets

EUR thousand

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

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

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

Lease contracts are disclosed in Note 26.

NOTE 9 Group companies

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

NOTE 10 Equity instruments

EUR thousand

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

	At fair value through profit or loss	Designated at fair value through other comprehensive income	**Total 2020**
Carrying amount January 1	**347**	**429**	**777**
Change in fair value	–	-8	-8
Carrying amount December 31	**347**	**421**	**768**

Accounting principles

For investments in equity instruments, ie. shares, IFRS 9 enables the entity to make an irrevocable election of classification and measurement by equity instrument. Suominen classified some of the investments in equity instruments at fair value through profit or loss. With the classification both the fair value changes and possible gains and losses on disposal have been recognized in profit or loss. Rest of the equity instruments are classified at fair value through other comprehensive income, and both the fair value changes and the possible gains and losses on disposal are recognized in other comprehensive income without subsequent recycling to profit or loss.

Equity instruments consist of unlisted shares. The shares in Bright Maze Oy were sold in 2021. The shares in Bright Maze Oy were measured at fair value through profit or loss.

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

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

NOTE 11 Inventories

EUR thousand

	2021	2020
Inventories		
Raw materials and consumables	32,507	21,121
Work in progress	1,564	2,134
Finished goods	15,620	12,096
Advance payments for inventory	72	81
Total inventories	**49,763**	**35,431**
Write-down of inventory	-3,709	-1,896
Reversals of write-down of inventory	3,332	1,254
Inventories recognized as expense during the period	-321,127	-325,814

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 12 Receivables

EUR thousand

	2021	2020
Non-current receivables		
Loan receivables	–	3,978
Other non-current receivables	96	73
Total non-current receivables	**96**	**4,051**
Current receivables		
Trade receivables	65,495	51,128
Loan receivables	–	3,476
Other current receivables	2,941	3,270
Prepaid expenses and accrued income	2,462	2,406
Total current receivables	**70,899**	**60,279**

Ageing analysis of trade receivables and credit risk exposure

Trade receivables December 31, 2021

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

Trade receivables December 31, 2020

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

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

	2021	2020
Allowance for expected credit losses January 1	**-2,213**	**-2,028**
Exchange difference	-27	54
Realized	116	222
Reversed	378	192
Charge for the year	-374	-653
Allowance for expected credit losses December 31	**-2,121**	**-2,213**
Expected credit losses of trade receivables recognized during the period, net	14	-464

Currency analysis of trade receivables

	2021	2020
EUR	29,476	27,396
USD	31,113	20,036
BRL	4,907	3,621
Other currencies	–	75
Total	**65,495**	**51,128**

Prepaid expenses and accrued income consist mainly of accruals of financial items and other accruals related to expenses. Other receivables, both non-current and current, include, among others, receivables related to indirect taxes.

Prepaid expenses and accrued income related to derivative instruments are disclosed in more detail in Note 21 of the consolidated financial statements.

Credit quality of other receivables is based on the debtors' payment history. Other receivables are not past due nor impaired. The carrying amount of other receivables equals the maximum exposure to credit risk.

Suominen has with a "selected supplier" status a Supply Chain Financing Program with certain customers. In accordance with the program, trade receivables are sold so that the contractual rights to receive the cash flows from the trade receivables cease.

Loan receivables

At the disposal of the Flexibles business in 2014 Suominen Corporation granted two loans to Bright Maze Oy, the acquiree: Vendor Loan Note and Subordinated Loan Note. The loans and accrued interests were paid in full in 2021.

Accounting principles

Trade receivables

Trade receivables are measured under IFRS 9 at amortized cost. The value of trade receivables depends on the transaction price of sold goods. Transaction price is measured in accordance with IFRS 15 Revenue from Contracts with Customers. In defining the transaction price, for example the variable considerations included in the contracts, such as volume rebates, are taken into account. This means that the transaction price can be lower than the sales amount invoiced from the customer.

Suominen applies the practical expedient allowed by IFRS 9 for credit losses arising from trade receivables and uses a provision matrix in estimating the credit losses based on historical experience on realized credit losses. In accordance with the provision matrix, the credit losses of trade receivables are based on lifetime expected credit losses. Trade receivables are categorized based on days past due as well as on risk characteristics of the customers taking into account the customers' capability to pay all contractual amounts as agreed in the contracts. Risk characteristics include, among others, the geographical risk related to the customer, the payment behavior and the financial position of the customer.

The expected credit losses on trade receivables are a probability-weighted estimate of credit losses over the expected life. Suominen's realized credit losses have historically been immaterial. There is, however, a risk that some bad debt provisions made in 2021 and 2020 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. For the vast majority of Suominen's customers, the COVID-19 pandemic has had a positive or at worst neutral impact on the demand for their products. Hence the customer credit risks and Suominen's expected credit losses arising from trade receivables have not materially increased.

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 13 Financial assets

EUR thousand

Classification of financial assets

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

	At fair value through profit or loss	At amortized cost	Designated at fair value through other comprehensive income	Carrying amount	Fair value
Equity instruments	347	–	421	768	768
Loan receivables	3,476	3,978	–	7,454	7,454
Trade receivables	–	51,128	–	51,128	51,128
Interest and other financial receivables	–	378	–	378	378
Derivative receivables	61	–	–	61	61
Cash and cash equivalents	–	57,877	–	57,877	57,877
Total December 31, 2020	**3,885**	**113,360**	**421**	**117,666**	**117,666**

Accounting principles

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

Trade day accounting is applied to regular purchases and sales of financial assets. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred to an external party and the Group has transferred substantially all the risks and rewards related to the ownership of the assets to an external party.

Financial assets at fair value through profit or loss

Certain loan receivables were under IFRS 9 financial assets at fair value through profit or loss, as they, among other things, included terms which are not basic terms for loan receivables. These loan receivables were fully repaid in 2021.

Financial assets at fair value through profit or loss included equity instruments, which were sold in 2021.

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 21.

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 10.

Financial assets at amortized cost

Trade receivables at amortized cost are described in Note 12.

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

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

NOTE 14 Other comprehensive income

EUR thousand

2021	Exchange differences	Fair value and other reserves	Retained earnings	Total
Profit for the period	–	–	20,734	20,734
Exchange differences	9,137	–	–	9,137
Income tax on exchange differences	-781	–	–	-781
Defined benefit plans, remeasurements	–	–	26	26
Defined benefit plans, remeasurement, income taxes	–	–	-7	-7
Total comprehensive income	**8,356**	**–**	**20,754**	**29,109**

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

Accounting principles – exchange differences

The exchange differences arising from translating the statements of profit or loss, statements of comprehensive income and statements of financial position into euro using the different exchange rates are recognized as other comprehensive income and included in equity 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.

NOTE 15 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, 2021 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 965,984 treasury shares. As a share-based payment plan vested, in total 34,872 shares were transferred to the participants of the plan in February. In accordance with the resolution by the Annual General Meeting, 16,042 shares were transferred on May 31, 2021 to the members of the Board of Directors as their remuneration payable in shares. In accordance with the matching share-based payment program, 9,352 shares were transferred to the participants of the program in September.

In accordance with the decision made in the Annual General Meeting on March 25, 2021, 4,049 shares, which were still in the joint account, were transferred to Suominen Corporation's treasury shares.

Suominen announced on November 1, 2021 that it starts to repurchase own shares. The maximum number of shares to be repurchased is 400,000 shares, corresponding to approximately 0.7% of the total number of the company's shares. The maximum amount to be spent on the repurchases is EUR 2.5 million. The acquisition of treasury shares ends latest on February 28, 2022

By December 31, 2021 Suominen had acquired in total 331,323 shares with the total consideration of EUR 1.6 million. The average purchase price was EUR 4.95 per share.

Trade day accounting is applied to acquisition of treasury shares.

Share-based plans

The share-based incentive plans are described in Note 32 of the consolidated financial statements.

Suominen has no option plans.

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

Share trading and price

The number of Suominen Corporation shares traded on Nasdaq Helsinki January 1–December 31, 2021 was 17,714,203 shares (12,937,753 shares), accounting for 30.8% (22.5%) of the average number of shares (excluding treasury shares). The highest price was EUR 6.41 (EUR 5.36), the lowest EUR 4.25 (EUR 2.00) and the volume-weighted average price EUR 5.48 (EUR 4.29). The closing price at the end of reporting period was EUR 5.18 (EUR 5.08). The market capitalization (excluding treasury shares) was EUR 296.8 million on December 31, 2021 (EUR 292.4 million).

Number of shares

Changes in number of shares

Number of shares January 1, 2020	**58,259,219**
Number of shares December 31, 2020	**58,259,219**
Number of shares December 31, 2021	**58,259,219**

Changes in treasury shares

Number of shares January 1, 2020	**729,351**
Conveyance of treasury shares, reward for the Board of Directors	-29,121
Conveyance of treasury shares, share-based plan	-9,352
Number of shares December 31, 2020	**690,878**
Conveyance of treasury shares, reward for the Board of Directors	-16,042
Conveyance of treasury shares, share-based plans	-44,224
Transfer of shares in the joint account to treasury shares	4,049
Acquisition of treasury shares	331,323
Number of shares December 31, 2021	**965,984**

Number of shares	December 31, 2021	December 31, 2020
Number of shares excluding treasury shares	57,293,235	57,568,341
Share-issue adjusted number of shares excluding treasury shares	57,293,235	57,568,341
Average number of shares excluding treasury shares	57,579,440	57,549,842
Average share-issue adjusted number of shares excluding treasury shares	57,579,440	57,549,842
Average diluted share-issue adjusted number of shares excluding treasury shares	58,023,347	57,796,591

Notifications in 2021 under Chapter 9, Sections 5 and 6 of the Securities Market Act

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

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

Suominen Corporation received a notification on April 16, 2021 referred to in Chapter 9, Section 5 and 6 of the Securities Market Act. According to the notification, the shareholding of Bolero Holdings SARL in Suominen Corporation had fallen below the 5% flagging threshold.

Suominen Corporation received a notification on April 29, 2021 referred to Chapter 9, Section 5 and 6 of the Securities Market Act. According to the notification, the shareholding of Nordea Funds Ltd in Suominen Corporation had exceeded the threshold of 5%.

Largest shareholders December 31, 2021

Shareholder	Number of shares	% of shares and votes
Ahlstrom Capital B.V.	13,953,357	23.95%
Oy Etra Invest Ab	8,700,000	14.93%
Nordea Nordic Small Cap Fund	3,435,147	5.90%
Ilmarinen Mutual Pension Insurance Company	3,046,892	5.23%
Etola Group Oy	2,900,000	4.98%
Nordea Life Assurance Finland Ltd	2,882,300	4.95%
Mandatum Life Insurance Company	2,881,547	4.95%
Pension Insurance Company Elo	1,944,651	3.34%
Varma Mutual Pension Insurance Company	1,689,751	2.90%
OP Life Assurance Company Ltd	1,688,830	2.90%
Oy H. Kuningas & Co. AB	1,567,416	2.69%
Skandinaviska Enskilda Banken AB (publ.)	1,089,738	1.87%
Mikko Maijala	855,147	1.47%
Juhani Maijala	794,026	1.36%
Laakkosen Arvopaperi Oy	750,000	1.29%
15 largest total	**48,178,802**	**82.70%**
Other shareholders	7,781,721	13.36%
Nominee registered	1,337,962	2.30%
Treasury shares*	960,734	1.65%
Total	**58,259,219**	**100.00%**

* The difference to the disclosed number of treasury shares is due to the fact that Suominen applies trade day accounting to acquisition of treasury shares.

Ownership distribution December 31, 2021

	Number of shareholders	% of total	Number of shares	% of shares and votes
Corporations	185	3.2%	6,226,251	10.69%
Financial and insurance corporations	14	0.2%	20,697,639	35.53%
General government	5	0.1%	6,685,894	11.48%
Non-profit institutions	12	0.2%	304,391	0.52%
Households	5,475	95.8%	8,007,892	13.75%
Foreign countries	24	0.4%	14,038,456	24.10%
Total	**5,715**	**100.0%**	**55,960,523**	**96.05%**
Nominee registered	11		1,337,962	2.30%
Treasury shares*			960,734	1.65%
Total	**5,726**		**58,259,219**	**100.00%**

Shareholders by share ownership December 31, 2021

Number of shares	Number of shareholders	% of total	Number of shares	% of shares and votes
1–100	1,967	34.4%	90,530	0.16%
101–500	2,008	35.1%	536,176	0.92%
501–1,000	741	12.9%	587,954	1.01%
1,001–5,000	784	13.7%	1,683,908	2.89%
5,001–10,000	97	1.7%	713,009	1.22%
10,001–50,000	89	1.6%	1,977,390	3.39%
50,001–100,000	13	0.2%	908,806	1.56%
100,001–500,000	10	0.2%	2,096,478	3.60%
more than 500,000	16	0.3%	48,704,234	83.60%
Total	**5,725**	**100.0%**	**57,298,485**	**98.35%**
Treasury shares*	1		960,734	1.65%
Total	**5,726**		**58,259,219**	**100.00%**

* The difference to the disclosed number of treasury shares is due to the fact that Suominen applies trade day accounting to acquisition of treasury shares.

NOTE 16 Interest-bearing liabilities

EUR thousand

In May 2021, 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 2024.

The lenders for the facility are Danske Bank A/S, Finland Branch and Nordea. The credit facility includes leverage ratio and gearing as financial covenants. The margin of the facility will increase or decrease dependent on Suominen meeting two sustainability key performance indicators, namely increase in the sales of sustainable products and reduction of greenhouse gas emissions. The credit facility has floating interest rates.

In June 2021, Suominen issued a senior unsecured bond of EUR 50 million. The six-year bond matures on June 11, 2027 and it carries a coupon interest of 1.50%. The offering was allocated to 19 investors. The bond is listed on the official list of Nasdaq Helsinki Ltd.

The unsecured bond with a nominal value of EUR 85 million issued in September 2017 carries a fixed annual interest of 2.50% and it matures on October 3, 2022. The bond is listed on Nasdaq Helsinki Ltd.

The bonds constitute a direct and unsecured obligation of Suominen and they are guaranteed as for own debt by certain subsidiaries of Suominen Corporation.

	2021			2020		
	Carrying amount	Fair value	Nominal value	Carrying amount	Fair value	Nominal value
Non-current interest-bearing liabilities						
Debentures	49,144	49,125	50,000	82,862	87,661	85,000
Lease liabilities	13,167	13,167	13,167	14,892	14,892	14,892
Total	**62,311**	**62,292**	**63,167**	**97,754**	**102,553**	**99,892**
Current interest-bearing liabilities						
Debentures	84,062	86,496	85,000	–	–	–
Lease liabilities	2,761	2,761	2,761	2,539	2,539	2,539
Total	**86,823**	**89,257**	**87,761**	**2,539**	**2,539**	**2,539**
Total	**149,134**	**151,548**	**150,927**	**100,293**	**105,092**	**102,431**

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

	2021	2020
Total interest-bearing liabilities at the beginning of the period	**100,293**	**109,163**
Current liabilities at the beginning of the period	**2,539**	**16,986**
Repayment of current liabilities, cash flow items	-2,757	-31,968
Drawdown of current liabilities, cash flow items	–	15,000
Increases in current liabilities, non-cash flow items	309	276
Decreases of current liabilities, non-cash flow items	-67	-625
Reclassification from non-current liabilities	86,610	3,001
Periodization of debenture to amortized cost, non-cash flow items	105	–
Exchange rate difference, non-cash flow item	84	-130
Current liabilities at the end of the period	**86,823**	**2,539**
Non-current liabilities at the beginning of the period	**14,892**	**10,464**
Increases in non-current liabilities, non-cash flow items	418	7,744
Decreases of non-current liabilities, non-cash flow items	-47	-3
Reclassification to current liabilities	-2,653	-3,001
Exchange rate difference, non-cash flow item	557	-312
Non-current liabilities at the end of the period	**13,167**	**14,892**
Non-current debentures at the beginning of the period	**82,862**	**81,714**
Periodization of debenture to amortized cost, non-cash flow items	1,178	1,148
Drawdown of debentures	50,000	–
Transaction costs of debentures, cash flow item	-939	–
Reclassification to current liabilities	-83,957	–
Non-current debentures at the end of the period	**49,144**	**82,862**
Total interest-bearing liabilities at the end of the period	**149,134**	**100,293**

Maturity of interest-bearing liabilities

2022 (2021)	86,823	2,539
2023 (2022)	2,560	85,300
2024 (2023)	2,424	2,334
2025 (2024)	1,672	2,270
2026– (2025–)	55,655	7,850
Total	**149,134**	**100,293**

Interest-bearing liabilities by currency

EUR	141,641	92,539
USD	7,419	7,670
BRL	74	85
Total	**149,134**	**100,293**

Accounting principles

Listed debentures are recognized at amortized cost using the effective interest method. The fair value of a listed debenture is measured using the market price at the end of the reporting period.

Fees paid on loan facilities are recognized as transaction costs of the loan to the extent that it is probable that the facility will be drawn down. In this case, the fee is recognized in the statement of financial position until the draw-down of the loan occurs, and it is recognized in profit or loss over the loan period. If it is not probable that the loan facility will be utilized, the fee will be immediately recognized in profit or loss.

Lease liabilities are disclosed in Note 26.

NOTE 17 Classification of financial liabilities

EUR thousand

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

	At amortized cost	Carrying amount	Fair value	Nominal value
Debentures	82,862	82,862	87,661	85,000
Lease liabilities	17,431	17,431	17,431	17,431
Interest accruals	522	522	522	522
Other current liabilities	552	552	552	552
Derivative liabilities	1	1	1	1
Trade payables	42,024	42,024	42,024	42,024
Total December 31, 2020	**143,393**	**143,393**	**148,191**	**145,531**

Accounting principles

Financial liabilities are classified as current liabilities if they mature within 12 months from the end of the reporting period.

A financial liability or a part of a financial liability is removed from the statement of financial position when the liability is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired.

Derivative instruments are presented in Note 21 of the consolidated financial statements.

Interest-bearing liabilities, including lease liabilities, are described in Note 16 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 18 Defined benefit plans

EUR thousand

Suominen has a defined benefit termination plan in Italy (TFR, Trattamento di Fine Rapporto). The plan is unfunded and closed for new entrants. The benefits paid are based, among other things, on service years and end salary of the participants. The obligation is determined based on calculation made by independent actuaries.

	2021	2020
Defined benefit liabilities in the statement of financial position		
Present value of unfunded obligations	638	774
Deficit	638	774

Change in defined benefit obligation

	2021	2020
Present value of defined benefit obligation January 1	**774**	**788**
Charged to profit or loss:		
Interest expenses	4	5
Total recognized in profit or loss (gain - / loss +)	**4**	**5**
Remeasurements:		
Actuarial gain (-) / loss (+) from change in financial assumptions	-26	10
Total remeasurments	**-26**	**10**
Benefits paid	-114	-28
Present value of defined benefit obligation December 31	**638**	**774**

Changes in plan assets

	2021	2020
Plan assets January 1	**–**	**–**
Employer contributions	114	28
Benefits paid	-114	-28
Plan assets December 31	**–**	**–**

	2021	2020
Significant actuarial assumptions		
Discount rate (%)	0.85	0.50
Rate of future price inflation (%)	1.75	1.75
Sensitivity analysis of actuarial assumptions		
Decrease in discount rate by 0.25 percentage points		
Effect on defined benefit obligation	19	24
Increase in discount rate by 0.25 percentage points		
Effect on defined benefit obligation	-18	-23
Expected payments to plan participants in the future years from the defined benefit obligation		
2022 (2021)	20	15
2023 (2022)	29	20
2024 (2023)	18	29
2025 (2024)	18	18
2026 (2025)	18	18
2027–2031 (2026–2030)	266	266
Total	**370**	**366**

Accounting principles

The defined benefit obligations are measured as the present value of the estimated future cash flows using interest rates of government securities that have maturity terms approximating the terms of related liabilities or similar long-term interests. Plan assets, if any, are recognized at fair value at the end of the reporting period.

For the defined benefit plans, costs are assessed using the projected unit credit method. Under this method the cost is charged to profit or loss so as to spread over the service lives of employees. However, there are normally no other costs than the net interest arising from the defined benefit plan of Suominen in Italy.

Only past service costs due to plan amendments as well as net interest on net defined benefit liability can be recognized in profit or loss. Service costs, if any, are recognized in profit or loss as employee benefits and net interest in financial items. Remeasurements of net defined benefit liability, such as actuarial gains and losses, are recognized in other comprehensive income in the period in which they occur with no subsequent recycling to profit or loss.

NOTE 19 Provisions

EUR thousand

Non-current provisions

	Restoration provisions	Income tax provisions	Other provisions	Total
January 1, 2020	**1,608**	**–**	**–**	**1,608**
Exchange difference	-30	–	–	-30
Additions	–	26	164	190
Effect of lease modifications	-66	–	–	-66
Effect of discounting	96	–	–	96
December 31, 2020	**1,607**	**26**	**164**	**1,797**
Exchange difference	23	–	–	23
Effect of discounting	96	–	–	96
December 31, 2021	**1,726**	**26**	**164**	**1,916**

Current provisions

	Other provisions
January 1, 2020	**–**
Additions	250
December 31, 2020	**250**
Decreases	-250
December 31, 2021	**–**

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

Accounting principles

A provision is recognized when there is a present legal or constructive obligation arising from past events and it is probable, that the fulfillment of the obligation requires payment and generates outflow of economic benefits from the company, and when the amount of the obligation can be measured reliably. Provisions are recognized as liabilities in the statement of financial position. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the time value of money is material, provisions are discounted.

A restructuring provision is recognized only when a detailed and fully compliant plan has been prepared for it and the implementation of the plan has been started or a notification of it has been made known to those whom the arrangement concerns.

NOTE 20 Trade payables and other liabilities

EUR thousand

	2021	2020
Other non-current liabilities		
Accrued expenses and deferred income	3	17
Total other non-current liabilities	**3**	**17**
Current liabilities		
Trade payables	45,661	42,024
Advances received	75	23
Other liabilities	1,700	1,519
Accrued expenses and deferred income	9,733	11,067
Total trade payables and other current liabilities	**57,170**	**54,634**

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

	2021	2020
EUR	21,122	19,051
USD	23,897	22,504
BRL	642	454
Other currencies	1	15
Total	**45,661**	**42,024**

NOTE 21 Derivative instruments

EUR thousand

Derivative receivables and liabilities in statement of financial position

	2021	2020
Receivables		
Derivatives, hedge accounting not applied	2	61
Liabilities		
Derivatives, hedge accounting not applied	15	1

The fair values of derivatives are recognized in the statement of financial position as gross amounts and they can be offset with each other only in case of breach of contractual terms or bankruptcy. If offset, the derivative liabilities to counterparties would be EUR 14 thousand.

Nominal and fair values of derivative contracts

	2021				2020			
	Nominal value	Fair value, net	Fair value, positive	Fair value, negative	Nominal value	Fair value, net	Fair value, positive	Fair value, negative
Currency forward contracts								
Hedge accounting not applied	1,960	-14	2	-15	2,991	60	61	-1

Derivative instruments in profit or loss

	2021	2020
Cost of goods sold		
Currency derivatives, hedge accounting not applied	–	-257
Other operating expenses		
Currency derivatives, hedge accounting not applied	-204	159
Net financial expenses		
Interest rate differences of currency derivatives	-23	-30

Accounting principles

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

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

Derivative instruments at fair value through profit or loss

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

Hedge accounting

Suominen has not applied hedge accounting in 2021 or 2020.

NOTE 22 Fair value hierarchy

EUR thousand

Fair value hierarchy in 2021

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

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

Fair value hierarchy in 2020

Financial assets at fair value	Level 1	Level 2	Level 3
Equity instruments	–	–	768
Loan receivables	–	–	3,476
Currency derivatives	–	61	–
Total in 2020	**–**	**61**	**4,244**

Financial liabilities at fair value	Level 1	Level 2	Level 3
Currency derivatives	–	1	–
Total in 2020	**–**	**1**	**–**

Fair value changes in Level 3

Financial assets at fair value	
Total January 1, 2020	**4,622**
Recognized in profit or loss	
Interest income	372
Impairment loss	-742
Recognized in other comprehensive income	
Impairment loss	-8
Total December 31, 2020	**4,244**
Recognized in profit or loss	
Interest income	162
Reversal of impairment loss	1,847
Sale of equity instruments	-347
Repayment of loan receivables and interests	-5,485
Total December 31, 2021	**421**

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

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

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

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

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

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

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

NOTE 23 Revenue from contracts with customers

EUR thousand

The net sales of Suominen Group consist entirely of sales of nonwovens. In 2021, sales to two (two) customers exceeded each 10% of total net sales. Net sales to these two customers amounted to EUR 89.9 million (84.9) and EUR 70.0 million (74.4).

Other operating income is presented in Note 25.

	2021	2020
Net sales by geographical destination		
Finland	2,707	3,180
Rest of Europe	168,841	156,060
Americas	269,247	295,975
Rest of the world	2,424	3,678
Total	**443,219**	**458,893**

	2021	2020
Net sales by business area		
Europe	178,064	169,917
Americas	265,211	289,107
Unallocated exchange differences of sales and internal sales	-57	-131
Total	**443,219**	**458,893**

Accounting principles

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

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

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

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

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

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

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

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

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

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

NOTE 24 Entity-wide disclosures

EUR thousand

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

	2021	2020
Finland	17,351	19,966
Rest of Europe	39,322	33,266
Americas	103,219	101,462
Total	**159,892**	**154,694**

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

NOTE 25 Other operating income and expenses

EUR thousand

Other operating income	2021	2020
Gains from disposal of intangible assets and property, plant and equipment	4	12
Gains from changes in leases	6	5
Indemnities received and insurance compensations	935	53
Rental income	323	280
Sales of recycled products	2,355	1,648
Government and other grants	362	32
Other operating income	448	554
Total	**4,434**	**2,584**

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

Other operating expenses	2021	2020
Expected credit losses of trade receivables during the period, net	14	-464
Currency derivatives, hedge accounting not applied, net	-204	159
Indemnities and reversals of indemnity accruals	1,167	-1,184
Other operating expenses	-382	-661
Total	**595**	**-2,150**

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 26) and proceeds from sale of recycled products, are recognized as other operating income. Also gains arising from changes in leases are recognized as other operating income.

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

NOTE 26 Leases

EUR thousand

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

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

Suominen has not received COVID-19 related rent concessions.

Income and expenses in the statement of profit or loss arising from leases	2021	2020
Depreciation expense of right-of-use assets (Note 8)	-3,230	-3,530
Rental expenses relating to short-term leases	-216	-134
Rental expenses relating to leases of low value assets	-67	-78
Expenses arising from non-lease components of the leasing contracts and non-deductible indirect taxes	-48	-32
Gains and losses arising from lease modifications, net	6	5
Rental income	323	280
Total in operating profit	**-3,231**	**-3,489**
Interest expenses on lease liabilities (Note 30)	-1,016	-815
Interest expenses on provisions related to leasing contracts (Note 30)	-96	-96
Total income and expenses	**-4,343**	**-4,400**

Cash outflow for leases	2021	2020
Paid interest expenses on lease liabilities	-1,051	-848
Repayment of finance lease liabilities	-2,757	-2,968
Rental expenses	-330	-244
Total cash outflow for leases	**-4,138**	**-4,060**

Minimum lease payments under non-cancellable operating leases in future periods		
Within one year	42	38
Between 1–5 years	43	66
After 5 years	–	–
Total	**85**	**104**

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

Minimum non-cancellable lease payments (rental income) in future periods		
Within one year	415	258
Between 1–2 years	373	105
Between 2–3 years	85	–
Between 3–4 years	–	–
Between 4–5 years	–	–
After 5 years	–	–
Total	**873**	**363**

Accounting principles

If a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, the contract is or contains a lease. Suominen assesses at each contract inception whether a contract is or contains a lease. If the contract is a lease, Suominen, as a lessee, recognizes in accordance with IFRS 16 Leases the right-of-use assets (Note 8) and lease liabilities (Note 16) for the rights and obligations created by leases.

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

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

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

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

Lease liabilities

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

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

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

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

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

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

Right-of-use assets

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

Some of the lease contracts of the production facilities include an obligation to restore the underlying asset to the condition required by the terms and conditions of the lease. These restoration obligations (Note 19) are recognized as provisions in the statement of financial position and the initial amount is included in the cost of the right-of-use asset.

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

Critical accounting estimates and judgements

The carrying amounts of the right-of-use assets and lease liabilities depend on, among other things, the length of the leasing contracts as well as the potential options and possibilities to lengthen or shorten the lease term. The carrying amounts are especially affected with the estimates made of the lease terms and possible renewals of the lease agreements of the production facilities.

NOTE 27 Fees paid to auditors

EUR thousand

Fees paid to auditors are included in administration expenses.

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

Fees paid to auditors	2021	2020
Fees for statutory audit	-467	-519
Other services	-32	-5
Total	**-499**	**-524**

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

Fees paid to auditors, Suominen Corporation	2021	2020
Fees for statutory audit	-121	-154
Other services	-32	-4
Total	**-154**	**-158**

NOTE 28 Employee benefits

EUR thousand

	2021	2020
Wages and salaries	-36,391	-40,235
Share-based payments	-1,480	-1,068
Pensions, defined contribution plans	-2,983	-2,950
Other personnel expenses	-17,482	-18,633
Total	**-58,337**	**-62,886**

Average number of personnel (FTE – full time equivalent)	709	689
Number of personnel, end of reporting period (FTE – full time equivalent)	707	691
in Finland	134	126

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

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

Defined benefit plans are disclosed in more detail in Note 18 of the consolidated financial statements.

Accounting principles – pension benefits

The Group has several pension plans in accordance with local conditions and practices in the countries where it operates. The plans are generally funded through premium payments to insurance companies or similar entities. The pension schemes are in accordance with local legislation and based on established local practices. Pension schemes may include additional pension benefits, options for early retirement, or compensation for disability.

Pension schemes are classified either as defined contribution pension plans or defined benefit pension plans. A defined contribution pension plan is a plan under which the Group pays fixed contributions into a separate entity and has no obligation to pay further contributions if the separate entity has no sufficient assets to pay all employee benefits. The contributions to defined contribution plans are charged to profit or loss in the period to which the contributions relate.

Suominen has a defined benefit termination plan in Italy (TFR) (Note 18). In other countries Suominen has defined contribution pension plans.

NOTE 29 Depreciation and amortization

EUR thousand

	2021	2020
Depreciation and amortization by function		
Cost of goods sold	-16,545	-17,945
Sales, marketing and administration expenses	-3,167	-3,217
Research and development	-380	-271
Total	**-20,092**	**-21,432**

Depreciation and amortization by asset category		
Intangible rights	-3,240	-2,985
Other intangible assets	-560	-564
Buildings and constructions	-2,085	-2,203
Machinery and equipment	-10,894	-12,077
Other tangible assets	-82	-75
Right-of-use assets	-3,230	-3,530
Total	**-20,092**	**-21,432**

Accounting principles

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

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

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

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

Impairment testing of goodwill is presented in Note 5.

NOTE 30 Financial income and expenses

EUR thousand

	2021	2020
Financial income		
Interest income from receivables at amortized cost	77	438
Interest income from receivables at fair value through profit or loss*	85	372
Other interest income	47	96
Currency derivatives, interest rate difference	0	19
Fair value change	–	327
Gains from sale of equity instruments measured at fair value through profit or loss	1,822	–
Total	**2,031**	**1,252**
Financial expenses		
Interest expenses on liabilities at amortized cost	-3,846	-3,284
Interest expenses on lease liabilities	-1,016	-815
Interest expenses on defined benefit plans	-4	-5
Interest expenses on discounted provisions	-96	-96
Other interest expenses	-24	-5
Currency derivatives, interest rate difference	-23	-49
Financial expenses on sale of trade receivables	-146	-313
Other financial expenses	-779	-1,083
Total	**-5,934**	**-5,648**
Gains and losses from receivables at fair value through profit or loss		
Impairment losses and reversals of impairment losses*	1,847	-742
Total	**1,847**	**-742**
Net exchange rate differences	**1,666**	**-443**
Total financial income and expenses	**-390**	**-5,582**

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

Currency differences in operating profit	2021	2020
Net sales	104	-188
Cost of goods sold	-445	76
Other operating income and expenses	-131	228

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 219 thousand (EUR 91 thousand). The average capitalization rate used was 3.66%.

NOTE 31 Income taxes

EUR thousand

	2021	2020
Income tax charge in statement of profit or loss		
Current income tax charge	-4,764	-4,478
Adjustments in respect of current income tax of previous years	-68	1,848
Change in deferred tax assets	-1,660	-438
Change in deferred tax liabilities	511	-61
Other income taxes	164	-664
Total income tax charge	**-5,816**	**-3,794**
Income taxes recognized in other comprehensive income		
Exchange differences	-781	864
Reclassified to profit or loss	–	65
Defined benefit plans, remeasurements	-7	3
Total taxes recognized in other comprehensive income	**-788**	**932**

Corporate income taxes in 2020 were positively impacted by the US tax reliefs as a result of the COVID-19 pandemic.

The Group companies have tax losses, totaling EUR 1.2 million (EUR 11.1 million), which can be applied against future taxable income. A deferred tax asset has been recognized for all tax losses as the management has estimated in preparing the 2021 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 2021 or 2020 of the undistributed earnings of Finnish or foreign subsidiaries, as the majority of such earnings can be transferred to the owner without any tax consequences.

Reconciliation of income tax expense calculated at statutory tax rates with income tax expense in the statement of profit or loss

	2021	2020
Profit before income taxes	**26,551**	**33,910**
Income taxes at the tax rate applicable to the parent	-5,310	-6,782
Difference due to different tax rates of foreign subsidiaries	-1,006	-1,061
Tax exempt income and non-deductible expenses	253	751
Deferred taxes recognized during the reporting period in respect of previous years' temporary differences and confirmed tax losses	99	1,169
Deferred taxes reversed during the reporting period	-12	-1,230
Adjustments in respect of current income tax of previous periods and witholding and other income taxes	96	1,184
Use of losses, for which no deferred tax asset has been recognized	–	2,176
Expenses deducted directly from income taxes	63	–
Income taxes in the statement of profit or loss	**-5,816**	**-3,794**
Effective tax rate, %	21.9	11.2
Tax assets and liabilities in the statement of financial position		
Deferred tax assets	1,668	4,034
Assets for current tax	2,564	247
Deferred tax liabilities	13,931	13,320
Liabilities for current tax	669	415

Accounting principles

The consolidated financial statements include current taxes, which are based on the taxable results of the group companies for the reporting period together with tax adjustments for previous reporting periods, calculated in accordance with the local tax rules, and the change in deferred tax liabilities and assets.

Income taxes which relate to items recognized in other comprehensive income are also recognized in other comprehensive income.

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

Suominen has some uncertain tax positions related to previous years' taxes and interpretations of tax losses related to, among others, the possibility to utilize confirmed tax losses. Should the final outcome differ from the outcome estimated by Suominen, the estimated possible additional costs at the end of the reporting period would total to approximately EUR 0.5 million.

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

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

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

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

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

Critical accounting estimates and judgements

Recognition and measurement of deferred tax liabilities and assets include management estimates, especially in deferred tax assets arising from confirmed tax losses of the group companies or from other temporary differences. Deferred tax assets are recognized for deductible temporary differences and tax losses to the extent that it is probable that taxable profit will be available against which tax credits and deductible temporary differences can be utilized. All tax liabilities and assets are reviewed at the end of the reporting period and changes are recognized in comprehensive income.

Group companies can be subjects of tax audits. In these tax audits the tax authorities can challenge Suominen's view of the taxable income and not fully accept it. In these cases the recognized amounts are adjusted, if needed, in order to correspond the expected future payments. The possible adjustments as well as the recognized income tax liability are based on estimates of the outcome of the tax audit.

Reconciliation of deferred tax assets

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

	January 1, 2020	Exchange difference	Recognized in profit or loss	Recognized in other comprehensive income or in equity	Offsetting with deferred tax liabilities	December 31, 2020
Employee benefits	132	–	333	3	–	468
Property, plant and equipment and intangible assets	292	-30	-137	–	–	124
Tax losses	3,229	-27	-912	–	–	2,291
Other temporary differences	2,156	-254	278	864	–	3,044
Total	**5,809**	**-311**	**-438**	**867**	**–**	**5,926**
Offsetting with deferred tax liabilities	-3,718	261	–	–	1,565	-1,892
Total	**2,091**	**-51**	**-438**	**867**	**1,565**	**4,034**

Reconciliation of deferred tax liabilities

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

	January 1, 2020	Exchange difference	Recognized in profit or loss	Recognized in other comprehensive income or in equity	Offsetting with deferred tax assets	December 31, 2020
Property, plant and equipment and intangible assets	14,410	-1,124	247	–	–	13,039
Other temporary differences	2,028	-164	-308	–	–	2,172
Equity instruments	65	–	–	-65	–	–
Total	**16,504**	**-1,288**	**-61**	**-65**	**–**	**15,213**
Offsetting with deferred tax assets	-3,718	261	–	–	1,565	-1,892
Total	**12,786**	**-1,027**	**-61**	**-65**	**1,565**	**13,320**

NOTE 32 Share-based payments

Suominen has share-based incentive plans targeted to the key employees of the Group. In accordance with the terms of the plans, shares of Suominen Corporation are granted to the participants if vesting conditions are met. The rewards are partly settled in cash. The cash portion is intended to cover income taxes and tax-related costs arising from the reward to the participant. No reward will be paid, if a participant's employment or service ends before the reward payment. The Board of Directors of Suominen Corporation is entitled to reduce the rewards as agreed in the plan if the limits set by the Board of Directors for the share price are not reached.

The aim of the plans is to combine the objectives of the shareholders and the persons participating in the plans in order to increase the value of the company in the long-term, to bind the participants to the company, and to offer them competitive reward plans based on earning and accumulating the company's shares.

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

Share-based incentive plan 2018–2021

As the share-based payment plan vested, in total 34,872 shares were transferred to the participants of the plan in February 2021.

Share-based incentive plan 2019–2021

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

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

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

Matching share plan 2019–2021

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

In accordance with the matching share-based payment program, 9,352 shares were transferred to the participants of the program in September 2021 and 9,352 shares were transferred to the participants of the program in September 2020.

Share-based incentive plan 2020–2022

The Board of Directors of Suominen Corporation resolved on January 29, 2020 on a new vesting period of the share-based incentive plan for the Group management and Group key employees. The vesting period of the plan includes calendar years 2020–2022. The plan is directed to approximately 20 people.

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

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

Share-based incentive plan 2021–2023

The Board of Directors of Suominen Corporation resolved on February 3, 2021 on a new share-based long-term incentive plan for the management and key employees. The new plan has one three-year vesting period, which includes calendar years 2021–2023. The share-based incentive share plan is directed to approximately 20 people.

The potential reward for the vesting period 2021–2023 will be based on the relative Total Shareholder Return (TSR). The maximum total amount of potential share rewards to be paid on the basis of the vesting period 2021–2023 is an approximate total of 470,000 Suominen Corporation shares (including also the portion to be settled in cash). The Board of Directors will be entitled to reduce the rewards agreed in the performance share plan if the limits set by the Board of Directors for the share price are reached.

The potential rewards from the vesting periods 2021–2023 will be settled partly in shares and partly in cash in 2024. The cash portion is intended to cover taxes and tax-related costs arising from the reward to the participant. The company also has the right to pay the reward fully in cash under certain circumstances. As a rule, no reward will be paid, if a participant's employment or service ends before the reward payment.

Measurement of instruments granted during the reporting period

Share price at grant date, EUR	5.74
Volatility assumption, %	38%
Expected dividends, EUR	0.47
Effect of market condition in fair value, %	36
Valuation model	Monte Carlo
Fair value per share, EUR	3.3742

Effect on the profit for the period and on financial position in 2021

EUR thousand	
Expense (-) for the reporting period	-1,405
Recognized in equity during 2021, net	2,616
Liability on December 31, 2021	114
Estimate of the amount for settling the employees' tax obligation on December 31, 2021	2,978

Accounting principles

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

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

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

Information on share-based incentive plans

	Share-based incentive plan 2018–2020	Share-based incentive plan 2019–2021	Matching share plan 2019–2021	Share-based incentive plan 2020–2022	Share-based incentive plan 2021–2023	**Total / weighted average**
Maximum number of shares, including the portion to be settled in cash	502,000	729,000	200,000	893,000	470,000	**2,092,000**
Initial grant date	December 11, 2017	January 30, 2019	June 4, 2019	January 29, 2020	February 3, 2021	
Vesting date	February 25, 2021	March 21, 2022	September 13, 2021	March 21, 2023	March 21, 2024	
Vesting conditions	EBIT %, total shareholder return (TSR)	Total shareholder return (TSR)	Share ownership	Total shareholder return (TSR)	Total shareholder return (TSR)	
	Employment precondition until reward payment	Employment precondition until reward payment	Employment precondition until reward payment	Employment precondition until reward payment	Employment precondition until reward payment	
Maximum contractual life, years	3.3	3.1	2.3	3.1	3.1	
Remaining contractual life, years	–	0.2	–	1.2	2.2	**1.1**
Number or persons at the end of reporting period	–	16	–	17	19	
Payment method	Shares and cash	Shares and cash	Shares and cash	Shares and cash	Shares and cash	

Changes in 2021	Share-based incentive plan 2018–2020	Share-based incentive plan 2019–2021	Matching share plan 2019–2021	Share-based incentive plan 2020–2022	Share-based incentive plan 2021–2023	**Total**
Outstanding at the beginning of the period	319,000	546,000	20,000	756,500	–	**1,641,500**
Granted	–	–	–	–	456,500	**456,500**
Forfeited	-257,432	–	–	-8,000	–	**-265,432**
Exercised	-61,568	–	-20,000	–	–	**-81,568**
Outstanding at the end of the period	**–**	**546,000**	**–**	**748,500**	**456,500**	**1,751,000**

NOTE 33 Earnings per share

Profit for the period

EUR thousand	2021	2020
Profit for the period	**20,734**	**30,116**

Number of shares

Average share-issue adjusted number of shares	57,579,440	57,549,842
Average diluted share-issue adjusted number of shares excluding treasury shares	58,023,347	57,796,591

Earnings per share

EUR		
Basic	0.36	0.52
Diluted	0.36	0.52

Calculation of earnings per share

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

When calculating diluted earnings per share the number of shares is adjusted with the effects of the share-based incentive plans.

NOTE 34 Adjustments to statement of cash flows

EUR thousand

Adjustments to cash flow from operations

	2021	2020
Adjustments to profit for the period		
Income taxes	5,816	3,794
Financial income and expenses	390	5,582
Depreciation, amortization and impairment losses	20,092	21,432
Gains and losses from disposal of property, plant and equipment and intangible assets	4	-12
Other non-cash flow items in profit for the period	1,282	3,830
Total	**27,585**	**34,626**

NOTE 35 Related parties

Management remuneration

Remuneration of Board of Directors

as paid	2021		2020	
EUR	annual fee	meeting fee	annual fee	meeting fee
Jaakko Eskola, Chair of the Board of Directors from March 25, 2021	66,413	3,500	–	–
Jan Johansson, Chair of the Board of Directors, until March 25, 2021	–	–	66,000	10,250
Andreas Ahlström, Deputy Chair of the Board	31,194	4,500	31,000	7,000
Björn Borgman, from March 19, 2020	31,194	4,250	31,000	2,250
Nina Linander, from March 19, 2020	41,257	5,500	41,000	2,500
Sari Pajari-Sederholm	31,194	3,750	31,000	6,250
Laura Raitio	31,194	4,500	31,000	7,000
Risto Anttonen, Deputy Chair of the Board, until March 19, 2020	–	–	–	4,500
Hannu Kasurinen, until March 19, 2020	–	–	–	4,500
Total	**232,446**	**26,000**	**231,000**	**44,250**

The Annual General Meeting held on March 25, 2021 resolved that 40% of the annual remuneration for the Board of Directors is paid in Suominen Corporation's shares. The number of shares transferred to the members of the Board of Directors as their remuneration payable in shares for 2021 was 16,042 shares. The shares were transferred on May 31, 2021 and the value of the transferred shares totaled EUR 90,445.

The members of the Board of Directors have no pension arrangements with Suominen.

The members of the Board of Directors have no specific agreements related to termination of the membership in the Board due to a public tender offer.

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

Remuneration of the President & CEO

Petri Helsky
as paid

EUR	2021	2020
Salaries	438,858	424,862
Paid bonuses	244,800	181,712
Share-based payments	175,288	49,921
Total salaries	858,946	656,495
Fringe benefits	18,235	17,588
Total	**877,181**	**674,083**
Statutory pensions	112,794	94,992
Supplementary pensions	80,704	71,315

Remuneration of other members of the Executive Team

as paid

EUR	2021	2020
Salaries	872,070	946,839
Paid bonuses	427,415	237,063
Share-based payments	195,544	49,921
Total salaries	1,495,029	1,233,823
Fringe benefits	70,179	62,101
Total	**1,565,208**	**1,295,924**
Statutory pensions	159,430	139,728
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 President & CEO received 12,002 shares, and the value of the shares and portion settled in cash totaled EUR 128 thousand. The number of the shares transferred to other members of the Executive Team was 14,742 shares. The value of the shares and the portion settled in cash was EUR 146 thousand.

In accordance with the terms and conditions of the matching restricted share plan, Suominen Corporation transferred a total of 9,352 shares without consideration to the participants of the plan's vesting period 2020–2021. Of the total number of transferred shares, 4,676 shares were transferred to President & CEO Petri Helsky and 4,676 shares to another member of the Executive Team.

Managements' share ownership

number of shares

	December 31, 2021	December 31, 2020
Board of Directors		
Jaakko Eskola, Chair of the Board of Directors from March 25, 2021	14,583	–
Jan Johansson, Chair of the Board of Directors, until March 25, 2021	–	29,563
Andreas Ahlström, Deputy Chair of the Board	21,333	19,180
Björn Borgman	15,043	8,890
Nina Linander	20,516	17,669
Sari Pajari-Sederholm	10,554	8,401
Laura Raitio	21,333	19,180
Total	**103,362**	**102,883**
Total % of shares and votes	0.18%	0.18%

	December 31, 2021	December 31, 2020
Executive Team		
Petri Helsky	39,354	22,676
Lynda Kelly	24,295	18,759
Markku Koivisto	18,641	14,822
Klaus Korhonen	19,352	14,676
Toni Tamminen	3,500	2,700
Mimoun Saïm	34,447	29,060
Total	**139,589**	**102,693**
Total % of shares and votes	0.24%	0.19%

Share-based incentives plans are disclosed in Note 32 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 1,152 thousand for the related parties for the reporting period.

Accounting principles

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

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

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

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

NOTE 36 Contingent liabilities

EUR thousand

	2021	2020
Guarantees and other commitments		
Guarantees on own commitments	3,495	4,317
Other own commitments	24,713	33,452
Total	**28,208**	**37,769**

Other contingencies		
Contractual commitments to acquire property, plant and equipment	713	6,586
Commitments to leases not yet commenced	458	34
Total	**1,171**	**6,620**

Guarantees on own commitments are guarantees given to suppliers.

Some subsidiaries of Suominen have guaranteed the external loans of Suominen Corporation. The maximum guaranteed amount is the unpaid principal of the loans and unpaid accrued interest expenses at the end of the reporting period.

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

Accounting principles – contingent liabilities

A contingent liability is a possible obligation which is not recognized as a liability in the statement of financial position as, for example, its existence is not yet confirmed and is not in control of the company. The management uses estimates to assess the amount of contingent liabilities.

NOTE 37 Events after the reporting period

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

After the end of the reporting period, Suominen has acquired in total 68,677 treasury shares with the total consideration of EUR 0.3 million. The repurchases started on November 3, 2021 and ended on January 21, 2022. During this period, Suominen repurchased 400,000 shares for an average price of EUR 4.9796 per share, corresponding to approximately 0.7% of the total number of the company's shares, which is 58,259,219. Following the repurchases, the company holds a total of 1,034,661 treasury shares.

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 proposed on January 21, 2022 to the Annual General Meeting that the number of Board members remains unchanged and would be six (6).

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

Out of the current Board members, Sari Pajari-Sederholm had informed that she is not available as a candidate for the Board of Directors.

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

Mr. Aaron Barsness (born 1973, BA (Biology and Environmental Studies), U.S. and Swedish citizen) currently works as the CMO of Fazer Group. He has held a number of senior positions at Fazer, Lynxeye Brand Consultants and Procter & Gamble.

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

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

Proposal on the Board remuneration

The Nomination Board of the shareholders of Suominen Corporation proposes to the Annual General Meeting that the remuneration of the Board of Directors would be as follows: the Chair would be paid an annual fee of EUR 70,000 (2021: EUR 66,000) and the Deputy Chair and other Board members an annual fee of EUR 33,000 (2021: EUR 31,000). 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% (2021: 60%) of the annual fees is paid in cash and 25% (2021: 40%) in Suominen Corporation's shares. The shares will be transferred out of the treasury shares held by the company by the decision of the Board of Directors within two weeks from the date on which the interim report of January–March 2022 of the company is published.

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

A new share-based long-term incentive plan for management and key employees

The Board of Directors of Suominen Corporation resolved in its meeting on February 2, 2022 on a new share-based long-term incentive plan for the management and key employees. The aim of the new plan is to combine the objectives of the shareholders and the persons participating in the plan in order to increase the value of Suominen in the long-term, to bind the participants to Suominen and to offer them competitive reward plans based on earning and accumulating Suominen shares.

The new performance share plan has one three-year vesting period, which includes calendar years 2022–2024. The performance share plan is directed to approximately 25 people including the President & CEO of Suominen.

The potential reward for the vesting period 2022–2024 will be based on the Relative Total Shareholder Return (TSR). The maximum total amount of potential share rewards to be paid on the basis of the vesting period 2022–2024 is approximately 401,000 shares of Suominen Corporation, representing the gross reward before the deduction of taxes and tax-related costs arising from the reward.

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

If the targets of the plan are reached, rewards will be paid to participants in spring 2025 after the end of the vesting period. The potential rewards from the vesting period 2022–2024 will be paid partly in Suominen shares and partly in cash. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to the participant. Suominen also has the right to pay the reward fully in cash under certain circumstances. As a rule, no reward will be paid, if a participant's employment or service ends before the reward payment.

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

Key ratios per share

Key ratios per share are share-issue adjusted.

	2021	2020	2019
Earnings per share, EUR	0.36	0.52	0.00
Earnings per share, EUR, diluted	0.36	0.52	0.00
Cash flow from operations per share, EUR	0.19	0.99	0.52
Equity per share, EUR	2.85	2.53	2.30
Price per earnings per share (P/E) ratio	14.38	9.71	590.63
Dividend and return of capital per share, total, EUR*	0.20	0.20	0.05
Dividend payout ratio, %	55.5	38.2	1,278.4
Dividend yield, %	3.86	3.94	2.16
Number of shares, end of period, excluding treasury shares	57,293,235	57,568,341	57,529,868
Average number of shares excluding treasury shares	57,579,440	57,549,842	57,515,960
Average share-issue adjusted number of shares excluding treasury shares	57,579,440	57,549,842	57,515,960
Share price, end of period, EUR	5.18	5.08	2.31
Share price, period low, EUR	4.25	2.00	2.04
Share price, period high, EUR	6.41	5.36	2.70
Volume-weighted average price during the period, EUR	5.48	4.29	2.38
Market capitalization, EUR million	296.8	292.4	132.9
Number of traded shares during the period	17,714,203	12,937,753	4,655,863
Number of traded shares during the period, % of average number of shares (share turnover)	30.8	22.5	8.1

*2021 the proposal of the Board of Directors to the Annual General Meeting.

Calculation of key ratios per share

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

Earnings per share

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

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

Calculation of earnings per share is disclosed in Note 33.

Cash flow from operations per share

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

Reference		2021	2020
Consolidated statement of cash flows	Cash flow from operations, EUR thousand	11,088	56,991
Note 15	Share-issue adjusted number of shares excluding treasury shares, end of the reporting period	57,293,235	57,568,341
	Cash flow from operations per share, EUR	0.19	0.99

Equity per share

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

Reference		2021	2020
Consolidated statement of financial position	Total equity attributable to owners of the parent, EUR thousand	163,199	145,882
Note 15	Share-issue adjusted number of shares excluding treasury shares, end of the reporting period	57,293,235	57,568,341
	Equity per share, EUR	2.85	2.53

Dividend payout ratio, %

Dividend payout ratio, % = Dividend and return of capital per share x 100 / Basic earnings per share

Reference		2021	2020
	Dividend and return of capital per share x 100	20.00	20.00
Note 33	Basic earnings per share, EUR	0.36	0.52
	Dividend payout ratio, %	55.5	38.2

Dividend yield, %

Dividend yield, % = Dividend and return of capital per share x 100 / Share price at end of the period

Reference		2021	2020
	Dividend and return of capital per share x 100	20.00	20.00
Note 15	Share price at end of the period, EUR	5.18	5.08
	Dividend yield, %	3.86	3.94

Price per earnings per share (P/E)

Price per earnings per share (P/E) = Share price at end of the period / Basic earnings per share

Reference		2021	2020
Note 15	Share price at end of the period, EUR	5.18	5.08
Note 33	Basic earnings per share, EUR	0.36	0.52
	Price per earnings per share (P/E)	14.38	9.71

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		2021	2020
Note 15	Number of shares at the end of reporting period excluding treasury shares	57,293,235	57,568,341
Note 15	Share price at end of the period, EUR	5.18	5.08
	Market capitalization, EUR million	296.8	292.4

Share turnover

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

Reference		2021	2020
Note 15	Number of shares traded during the period	17,714,203	12,937,753
Note 15	Average number of shares excluding treasury shares	57,579,440	57,549,842
	Share turnover, %	30.8	22.5

Parent company financial statements (FAS)

Income statement

EUR

	Note	January 1– December 31, 2021	January 1– December 31, 2020
Net sales		**25,868,798.97**	**27,936,379.76**
Cost of goods sold		-3,211,044.11	-3,235,855.29
Gross profit		**22,657,754.86**	**24,700,524.47**
Other operating income	2	2,556,411.03	177,925.80
Sales and marketing expenses		-1,581,853.64	-1,712,918.96
Research and development		-1,173,038.63	-1,268,116.47
Administration expenses		-8,417,823.66	-9,444,746.52
Other operating expenses	2	-6,903,938.45	-7,051,362.01
Operating profit		**7,137,511.51**	**5,401,306.31**
Financial income	6	18,942,012.57	14,445,730.28
Financial expenses	6	-4,589,552.37	-9,734,001.49
Total financial income and expenses		**14,352,460.20**	**4,711,728.79**
Profit before appropriations and income taxes		**21,489,971.71**	**10,113,035.10**
Change in depreciation difference	7	72,791.99	73,985.78
Group contributions	7	-5,180,000.00	-3,158,162.00
Income taxes	8	-1,134,956.19	-443,921.54
Profit for the period		**15,247,807.51**	**6,584,937.34**

Balance sheet

EUR

	Note	December 31, 2021	December 31, 2020
ASSETS			
Non-current assets			
Intangible assets	5,9	10,058,923.82	12,823,106.30
Tangible assets	5,10	93,215.13	112,539.62
Investments			
Shares in subsidiaries	11	113,363,783.56	113,363,783.56
Other investments	11	192.06	20,092.06
Loan receivables			
Loan receivables from group companies	12	21,654,800.08	64,453,323.43
Loan receivables from others		–	3,978,147.65
Other non-current receivables	12	23,546.34	45,043.90
Total non-current assets		**145,194,460.99**	**194,796,036.52**
Current assets			
Loan receivables			
Loan receivables from group companies	12	55,971,974.35	–
Loan receivables from others		–	3,475,909.14
Trade receivables	12	88,000.82	63,016.55
Other current receivables	12	2,812,004.99	2,921,347.32
Cash and cash equivalents		95,871,771.17	52,642,188.93
Total current assets		**154,743,751.33**	**59,102,461.94**
TOTAL ASSETS		**299,938,212.32**	**253,898,498.46**

EUR

	Note	December 31, 2021	December 31, 2020
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	81,361,362.01
Retained earnings		4,696,674.12	5,510,559.11
Profit for the period		15,247,807.51	6,584,937.34
Total equity	**13**	**132,177,461.36**	**129,997,502.29**
Untaxed reserves			
Depreciation difference		1,016,188.04	1,088,980.03
Liabilities			
Non-current liabilities			
Interest-bearing liabilities			
Debentures	15	50,000,000.00	85,000,000.00
Total non-current liabilities		**50,000,000.00**	**85,000,000.00**
Current liabilities			
Interest-bearing liabilities			
Debentures	15	85,000,000.00	–
Current loans from group companies	15	22,872,040.16	31,482,170.59
Trade payables and other current liabilities	16	8,872,522.76	6,329,845.55
Total current liabilities		**116,744,562.92**	**37,812,016.14**
Total liabilities		**166,744,562.92**	**122,812,016.14**
TOTAL EQUITY AND LIABILITIES		**299,938,212.32**	**253,898,498.46**

Cash flow statement

EUR thousand

	Note	January 1– December 31, 2021	January 1– December 31, 2020
Cash flow from operations			
Profit for the period		**15,248**	**6,585**
Adjustments to profit for the period	19	-7,202	1,890
Cash flow from operations before change in net working capital		**8,046**	**8,475**
Increase (-) or decrease (+) in trade and other receivables		-87	94
Increase (+) or decrease (-) in interest-free current liabilities		-553	951
Cash flow from operations before payments of financial items and income taxes		**7,406**	**9,520**
Paid and received interests and other financial items		2,066	-2,137
Group contribution paid		-3,158	-576
Paid income taxes		-696	-245
Cash flow from operations		**5,618**	**6,563**
Cash flow from investments			
Capital expenditure	9,10	-106	-319
Proceeds from the sale of shares		2,170	–
Dividend income from subsidiaries	6	6,569	8,186
Cash flow from investments		**8,633**	**7,867**
Cash flow from financing			
Change in non-current interest-bearing liabilities	15	50,000	–
Issuance costs of the bonds		-939	–
Change in current interest-bearing liabilities	15	-10,409	-5,897
Change in non-current loan receivables		-22	8,739
Change in current loan receivables		54	9,804
Acquisition of treasury shares		-1,612	–
Distribution of dividend and return of capital	13	-11,520	-2,876
Cash flow from financing		**25,553**	**9,769**
Change in cash and cash equivalents		**39,803**	**24,199**
Cash and cash equivalents 1 January		**52,642**	**29,896**
Exchange difference on cash and cash equivalents		3,427	-1,452
Change in cash and cash equivalents		39,803	24,199
Cash and cash equivalents 31 December		**95,872**	**52,642**

NOTE 1 Accounting policies

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

The financial statements of Suominen Corporation are prepared in accordance with Finnish Accounting Standards (FAS). The consolidated financial statements of Suominen Group are prepared in accordance with International Financial Reporting Standards (IFRS), and Suominen Corporation applies in its separate financial statements the same accounting principles as Suominen Group to the extent it is possible within the framework of Finnish accounting practice. The accounting principles of Suominen Group are presented in the notes to the consolidated financial statements.

The main differences in the accounting principles between Suominen Corporation's separate financial statements and Suominen Group's consolidated financial statements are presented below.

Net sales

Net sales consist of sales of services to group companies and of royalty income.

Financial assets and liabilities and derivative instruments

Financial assets and liabilities with the exception of derivative instruments are recognized at cost or at cost less impairment losses. Derivatives are recognized at fair value. Currency derivatives, if not hedging financial items or are otherwise not considered to be financial items, are recognized in other operating income and expenses. If hedge accounting as defined in IFRS 9 is applied, the effective portion of changes in the fair value of derivatives is recognized in fair value reserve in equity. Both fair value measurement of derivatives as well as hedge accounting are presented in Note 21 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, 2021	January 1–December 31, 2020
Other operating income		
Gains on sale of shares	2,150	–
Gains from currency derivatives	–	178
Operating subsidies and grants received	172	–
Other operating income	235	–
Total	**2,556**	**178**
Other operating expenses		
Services purchased from group companies	-6,643	-7,049
Losses from currency derivatives	-203	–
Other operating expenses	-58	-3
Total	**-6,904**	**-7,051**

NOTE 3 Personnel expenses

EUR thousand

	January 1–December 31, 2021	January 1–December 31, 2020
Salaries	-3,436	-4,296
Pension expenses	-625	-697
Other personnel costs	-156	-172
Total	**-4,216**	**-5,166**
Average number of personnel	32	33
Number of personnel, end of period	31	33

Management remuneration

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

NOTE 4 Audit fees

EUR thousand

	January 1–December 31, 2021	January 1–December 31, 2020
Statutory audit	-121	-154
Other services	-32	-4
Total	**-154**	**-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, 2021	January 1–December 31, 2020
Depreciation, amortization and impairment by function		
Cost of goods sold	-1,034	-1,061
Sales and marketing expenses	-481	-473
Research and development	-171	-184
Administration expenses	-1,206	-1,327
Total	**-2,892**	**-3,044**
Depreciation, amortization and impairment by asset category		
Machinery and equipment	-38	-43
Intangible rights	-2,854	-3,002
Total	**-2,892**	**-3,044**

NOTE 6 Financial income and expenses

EUR thousand

	January 1–December 31, 2021	January 1–December 31, 2020
Interest income from group companies	4,758	5,453
Interest income from others	163	751
Dividend income from group companies	6,569	8,186
Other financial income from group companies	72	56
Net currency exchange differences	5,533	-4,727
Interest expenses to group companies	0	-28
Interest expenses to others	-2,801	-2,275
Impairment losses and fair value change of financial assets	1,847	-750
Other financial expenses to others	-1,788	-1,953
Total	**14,352**	**4,712**

NOTE 7 Appropriations

EUR thousand

	January 1–December 31, 2021	January 1–December 31, 2020
Increase (-) or decrease (+) in cumulative depreciation difference	73	74
Given group contributions	-5,180	-3,158
Total	**-5,107**	**-3,084**

NOTE 8 Income taxes

EUR thousand

	January 1–December 31, 2021	January 1–December 31, 2020
Income taxes for the financial year	-1,363	-92
Withholding taxes and other direct taxes	228	-234
Income taxes from previous years	0	-118
Total	**-1,135**	**-444**

NOTE 9 Intangible assets

EUR thousand

	Intangible rights	Advance payments and construction in progress	**Total 2021**	Total 2020
Acquisition cost January 1	**30,630**	**0**	**30,630**	30,509
Additions	64	26	**90**	121
Reclassifications	26	-26	**–**	–
Acquisition cost December 31	**30,721**	**–**	**30,721**	30,630
Accumulated amortization January 1	**-17,807**	**–**	**-17,807**	-14,806
Amortization for the period	-2,854	–	**-2,854**	-3,002
Accumulated amortization December 31	**-20,662**	**–**	**-20,662**	-17,807
Carrying amount December 31	**10,059**	**–**	**10,059**	12,823

NOTE 10 Tangible assets

EUR thousand

	Land and water areas	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	**Total 2021**	Total 2020
Acquisition cost January 1	**0**	**434**	**31**	**–**	**465**	465
Additions	–	10	–	9	**19**	–
Decreases and disposals	–	-12	–	–	**-12**	–
Reclassifications	–	9	–	-9	**–**	–
Acquisition cost December 31	**0**	**441**	**31**	**–**	**472**	465
Accumulated depreciation January 1	**–**	**-348**	**-4**	**–**	**-352**	-309
Depreciation for the period	–	-35	-3	–	**-38**	-43
Decreases and disposals	–	12	–	–	**12**	–
Accumulated depreciation December 31	**–**	**-371**	**-7**	**–**	**-378**	-352
Carrying amount December 31	**0**	**70**	**23**	**–**	**93**	113

NOTE 11 Investments

EUR thousand

	Shares in group companies	Other investments	**Total 2021**	Total 2020
Carrying amount January 1	**113,364**	**20**	**113,384**	106,392
Investments	–	–	**–**	7,000
Disposals	–	-20	**-20**	–
Impairment losses	–	–	**–**	-8
Carrying amount December 31	**113,364**	**0**	**113,364**	113,384

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

	Share of shares and votes, %	Number of shares	Nominal value of shares, EUR thousand	Carrying amount of shares, EUR thousand	Equity of the company, EUR thousand	Profit/loss in the latest financial statements, EUR thousand
Kiinteistö Oy Killinpolku, Virrat, Finland	25.0	1	8	0	-5	-13

NOTE 12 Receivables

EUR thousand

	December 31, 2021	December 31, 2020
Non-current receivables		
Rental deposits	24	45
Total non-current receivables	**24**	**45**
Non-current receivables from group companies		
Interest-bearing receivables	21,655	64,453
Total	**21,655**	**64,453**
Total non-current receivables	**21,678**	**64,498**
Current receivables		
Other receivables	**71**	**52**
Prepaid expenses and accrued income		
Income taxes	237	61
Transaction costs of loans	1,884	2,194
Prepaid expenses	618	553
Unrealized gain from currency derivatives	2	61
Total prepaid expenses and accrued income	**2,741**	**2,869**
Current receivables from group companies		
Trade receivables	88	63
Interest-bearing receivables	55,972	–
Total	**56,060**	**63**
Total other current receivables	**58,872**	**2,984**

NOTE 13 Equity

EUR thousand

	December 31, 2021	December 31, 2020
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	**81,361**	**81,269**
Return of capital	-5,760	–
Conveyance of treasury shares	90	92
Unpaid returns of capital	0	–
Reserve for invested unrestricted equity December 31	**75,692**	**81,361**
Retained earnings January 1	**12,095**	**8,387**
Distribution of dividend	-5,760	-2,876
Unpaid dividends	1	0
Acquisition of treasury shares	-1,640	–
Retained earnings December 31	**4,697**	**5,511**
Profit for the period	15,248	6,585
Equity December 31	**132,177**	**129,998**

Distributable funds EUR	December 31, 2021
Retained earnings December 31	4,696,674
Reserve for invested unrestricted equity December 31	75,692,336
Profit for the period	15,247,808
Distributable funds	**95,636,818**

Funds available for dividend distribution EUR	
Retained earnings December 31	4,696,674
Profit for the period	15,247,808
Funds available for dividend distribution	**19,944,482**

NOTE 14 Share capital

Share capital and shares are presented in Note 15 of the consolidated financial statements.

NOTE 15 Interest-bearing liabilities

EUR thousand

	December 31, 2021	December 31, 2020
Non-current interest-bearing liabilities		
Debentures	50,000	85,000
Total non-current interest-bearing liabilities	**50,000**	**85,000**
Current interest-bearing liabilities		
Debentures	85,000	–
Loans from group companies	22,872	31,482
Total current interest-bearing liabilities	**107,872**	**31,482**
Total interest-bearing liabilities	**157,872**	**116,482**

Repayments of external non-current interest-bearing liabilities

	2022	2023	2024	2025	2026
Debentures	85,000	–	–	–	–

NOTE 16 Interest-free liabilities

EUR thousand

	December 31, 2021	December 31, 2020
Current interest-free liabilities		
Trade payables	796	700
Income tax liability	616	–
Other current liabilities	198	131
Accrued expenses		
Accrued interest expenses	935	520
Accrued personnel expenses	986	1,723
Other accrued expenses	163	97
Total accrued expenses	**2,083**	**2,341**
Liabilities to group companies		
Other liabilities to group companies	5,180	3,158
Total	**5,180**	**3,158**
Total current interest-free liabilities	**8,873**	**6,330**

NOTE 17 Contingent liabilities

EUR thousand

	December 31, 2021	December 31, 2020
Guarantees		
On behalf of group companies	14,082	14,963
On own behalf	28	28
Total	**14,110**	**14,991**

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

Rental and leasing obligations		
Falling due within next 12 months	304	324
Falling due later	198	351
Total	**503**	**675**

NOTE 18 Derivative instruments

EUR thousand

Nominal and fair values of derivative instruments	December 31, 2021 Nominal value	December 31, 2021 Fair value	December 31, 2020 Nominal value	December 31, 2020 Fair value
Currency forward contracts				
External	1,960	-14	2,991	60

NOTE 19 Adjustments to cash flow statement

EUR thousand

	January 1– December 31, 2021	January 1– December 31, 2020
Adjustment to profit for the period		
Change in depreciation difference	-73	-74
Group contributions	5,180	3,158
Financial income and expenses	-14,352	-4,712
Income taxes	1,135	444
Depreciation and amortization	2,892	3,044
Proceeds from the sale of shares	-2,150	–
Other non-cash items in profit for the period	166	29
Total adjustments to profit for the period	**-7,202**	**1,890**

Proposal by the Board of Directors for distribution of funds

The profit of the financial year 2021 of Suominen Corporation, the parent company of Suominen Group, was EUR 15,247,807.51. The funds distributable as dividends, including the profit for the period, were EUR 19,944,482 and total distributable funds were EUR 95,636,818.

The Board of Directors proposes that a dividend of EUR 0.20 per share shall be distributed for the financial year 2021 and that the profit shall be transferred to retained earnings.

On February 2, 2022, the company had 57,224,558 issued shares, excluding treasury shares. With this number of shares, the total amount of dividends to be distributed would be EUR 11,444,911.60.

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

Helsinki, February 2, 2022

Jaakko Eskola
Chair of the Board

Andreas Ahlström

Björn Borgman

Nina Linander

Sari Pajari-Sederholm

Laura Raitio

Petri Helsky
President and CEO

Auditor’s report

(Translation of the Finnish original)
To the Annual General Meeting of Suominen Corporation

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Suominen Corporation (business identity code 1680141-9) for the year ended December 31, 2021. The financial statements comprise the consolidated statement of financial positions, statement of profit or loss, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company’s income statement, balance sheet, cash flow statement and notes.

In our opinion
- the consolidated financial statements give a true and fair view of the Group’s financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company’s financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor’s Responsibilities for the Audit of Financial Statements section of our report.

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

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in Note 27 to the consolidated financial statements and Note 4 to the parent company financial statements.

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

Key Audit Matters

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

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

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

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Revenue Recognition *We refer to the Group's accounting policies and the Note 23* Revenues of Suominen Group consist entirely of sales of nonwovens to customers. Revenue from customer contracts is recognised at a point in time, when the control of the underlying products has been transferred to the customer, typically at the time when the products are shipped from Suominen's factory. Revenue is a key performance measure used by the Group, which could create an incentive for premature revenue recognition. Revenue recognition was determined to be a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2) due to the risk related to incorrect timing (cut-off) of revenue recognition.	Our audit procedures to address the risk of material misstatement relating to revenue recognition, included, among others: - assessing the Group's accounting policies over revenue recognition and comparing them with applicable accounting standards; - assessing the revenue recognition process and -methodologies and testing controls where applicable; - obtaining confirmations of accounts receivable balances from customers and analyzed credit invoices issued after the balance sheet date; - testing revenue recognition including cut-off with analytical procedures and by substantive sales transactions testing and - assessing the Group's disclosures in respect of revenues.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the Group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the Group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of 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 7 years.

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, February 2, 2022

Ernst & Young Oy
Authorized Public Accountant Firm

Toni Halonen
Authorized Public Accountant

Independent Auditor's Report on Suominen Corporation's ESEF Consolidated Financial Statements

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 743700Z1BNFYR9PRDF52-2021-12-31-en.zip of Suominen Corporation for the financial year January 1–December 31, 2021 to ensure that the financial statements are tagged with iXBRL mark ups 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 ESEF RTS. This responsibility includes:

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

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

Auditor's Independence and Quality Control

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

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

Auditor's Responsibilities

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

The engagement includes procedures to obtain evidence on:

- whether the tagging of the primary financial statements in the consolidated financial statements complies in all material respects with Article 4 of the ESEF RTS
- whether the ESEF financial statements are consistent with the audited financial statements

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

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

Opinion

In our opinion the tagging of the consolidated financial statement included in the ESEF financial statements of Suominen Corporation for the year ended December 31, 2021 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 December 31, 2021 is included in our Independent Auditor's Report February 2, 2022. In this report, we do not express an audit opinion or any other assurance on the consolidated financial statements.

Helsinki March 2, 2022

Ernst & Young Oy
Authorized Public Accountant Firm

Toni Halonen
Authorized Public Accountant

Key ratios

	2021	2020	2019
Net sales, EUR million	443.2	458.9	411.4
Comparable operating profit, EUR million	26.9	39.5	8.1
% of net sales	6.1	8.6	2.0
Operating profit, EUR million,	26.9	39.5	8.1
% of net sales	6.1	8.6	2.0
Comparable EBITDA, EUR million	47.0	60.9	33.7
EBITDA, EUR million	47.0	60.9	33.7
% of net sales	10.6	13.3	8.2
Profit before income taxes, EUR million	26.6	33.9	2.1
% of net sales	6.0	7.4	0.5
Profit for the period, EUR million	20.7	30.1	0.2
% of net sales	4.7	6.6	0.1
Cash flow from operations, EUR million	11.1	57.0	29.9
Total assets, EUR million	386.7	317.4	310.1
Return on equity (ROE), %	13.3	21.6	0.2
Return on invested capital (ROI), %	9.5	16.7	3.7
Equity ratio, %	42.2	46.0	42.7
Interest-bearing net debt, EUR million	49.6	37.1	67.2
Capital employed, EUR million	312.3	246.2	241.6
Gearing, %	30.4	25.4	50.7
Gross capital expenditure, EUR million	17.8	10.4	11.2
% of net sales	4.0	2.3	2.7
Depreciation, amortization, impairment losses and reversals of impairment losses, EUR million	-20.1	-21.4	-25.5
Expenditure on research and development, EUR million	2.7	2.8	3.4
as % of net sales	0.6	0.6	0.8
Average number of personnel (FTE – full time equivalent)	709	689	685

Calculation of key ratios

Some of Suominen's key ratios are alternative performance measures. An alternative performance measure is a key ratio which has not been defined in IFRS standards. Suominen believes that the use of alternative performance measures provides useful information for example to investors regarding the Group's financial and operating performance and makes it easier to make comparisons between the reporting periods.

Operating profit and comparable operating profit
Operating profit, or earnings before interest and taxes (EBIT) is an important measure of profitability as by ignoring income taxes and financial items it focuses solely on the company's ability to generate profit from operations. Operating profit is presented as a separate line item in the consolidated statement of profit or loss.

Operating profit (EBIT)	=	Profit before income taxes + net financial expenses
Comparable operating profit (EBIT)	=	Profit before income taxes + net financial expenses, adjusted with items affecting comparability

In order to improve the comparability of result between reporting periods, Suominen presents comparable operating profit as an alternative performance measure. Operating profit is adjusted with material items that are considered to affect comparability between reporting periods. These items include, among others, impairment losses or reversals of impairment losses, gains or losses from the sales of property, plant and equipment or intangible assets or other assets and restructuring costs. Suominen did not have any items affecting comparability in 2021 or 2020.

EBITDA and comparable EBITDA
EBITDA is an important measure that focuses on the operating performance excluding the effect of depreciation and amortization, financial items and income taxes, in other words what is the margin on net sales after deducting operating expenses.

In order to improve the comparability of result between reporting periods, Suominen presents comparable EBITDA as an alternative performance measure. EBITDA is adjusted with material items that are considered to affect comparability between reporting periods. These items include, among others, gains or losses from the sales of property, plant and equipment or intangible assets or other assets and restructuring costs. Suominen did not have any items affecting comparability in 2021 or 2020.

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

Reference	EUR thousand	2021	2020
Consolidated statement of profit or loss	Operating profit	26,941	39,492
Note 29	+ Depreciation, amortization and impairment losses	20,092	21,432
	EBITDA	47,033	60,924

Gross capital expenditure
Suominen considers gross capital expenditure as a relevant measure in order to understand for example how the Group maintains and renews its production machinery and facilities. The gross investments do not include increases in right-of-use assets.

Gross capital expenditure includes also capitalized borrowing costs and capitalized cash flow hedges.

Reference	EUR thousand	2021	2020
Note 6	Increases in intangible assets	162	306
Note 7	Increases in property, plant and equipment	17,609	10,100
	Gross capital expenditure	17,771	10,406

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	2021	2020
Note 16	Interest-bearing liabilities	149,134	100,293
	Tender and issuance costs of the debentures	1,794	2,138
Note 12	Interest bearing receivables	–	-7,454
Consolidated statement of financial position	Cash and cash equivalents	-101,357	-57,877
	Interest-bearing net debt	49,570	37,101
Note 16	Interest-bearing liabilities	149,134	100,293
	Tender and issuance costs of the debentures	1,794	2,138
Note 16	Nominal value of interest-bearing liabilities	150,927	102,431

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	2021	2020
Consolidated statement of profit or loss	Profit for the reporting period (rolling 12 months)	20,734	30,116
Consolidated statement of financial position	Total equity attributable to owners of the parent December 31, 2020 / 2019	145,882	132,452
	Total equity attributable to owners of the parent March 31, 2021 / 2020	152,227	135,868
	Total equity attributable to owners of the parent June 30, 2021 / 2020	159,386	138,551
	Total equity attributable to owners of the parent September 30, 2021 / 2020	159,682	144,074
	Total equity attributable to owners of the parent December 31, 2021 / 2020	163,199	145,882
	Average	156,075	139,365
	Return on equity (ROE), %	13.3	21.6

Invested capital

Invested capital = Total equity + interest-bearing liabilities

Reference	EUR thousand	2021	2020
Consolidated statement of financial position	Total equity attributable to owners of the parent	163,199	145,882
Note 16	Interest-bearing liabilities	149,134	100,293
	Invested capital	312,333	246,175

Return on invested capital (ROI), %

Return on invested capital is one of the most important key ratios. It measures the relative profitability of the company, ie. the yield on the capital invested in the company.

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

Reference	EUR thousand	2021	2020
Consolidated statement of profit or loss	Operating profit (rolling 12 months)	26,941	39,492
Note 30	Financial income (rolling 12 months)*	209	925
	Total	27,150	40,416
	Invested capital December 31, 2020 / 2019	246,175	241,615
	Invested capital March 31, 2021 / 2020	252,608	240,761
	Invested capital June 30, 2021 / 2020	308,615	238,195
	Invested capital September 30, 2021 / 2020	308,968	240,368
	Invested capital December 31, 2021 / 2020	312,333	246,175
	Average	285,740	241,423
	Return on invested capital (ROI), %	9.5	16.7

* Excluding fair value change

Equity ratio, %

Equity ratio is an important key ratio as it measures the solidity of the company, the company's tolerance for losses and ability to cover its long-term commitments. The performance measure shows how much of the company's assets are financed with equity. The equity creates a buffer against potential losses, and equity ratio represents the level of this buffer.

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

Reference	EUR thousand	2021	2020
Consolidated statement of financial position	Total equity attributable to owners of the parent	163,199	145,882
Consolidated statement of financial position	Total assets	386,660	317,381
Note 20	Advances received	-75	-23
		386,584	317,358
	Equity ratio, %	42.2	46.0

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	2021	2020
	Interest-bearing net debt	49,570	37,101
Consolidated statement of financial position	Total equity attributable to owners of the parent	163,199	145,882
	Gearing, %	30.4	25.4

Information for shareholders

Financial calendar

Suominen will publish its Financial Statements Release, Half Year Financial Report and two Interim Reports in 2022 as follows:

February 3, 2022	Financial Statements Release for 2022
May 4, 2022	Interim Report for January–March 2022
August 9, 2022	Half Year Financial Report for January–June 2022
October 26, 2022	Interim Report for January–September 2022

The Annual General Meeting

Notice is given to the shareholders of Suominen Corporation to the Annual General Meeting to be held on Thursday March 24, 2022 at 10:00 a.m. at the company's headquarters at the address Karvaamokuja 2 B, Helsinki.

The Board of Directors of the company has resolved on an exceptional meeting procedure based on temporary legislation that entered into force on May 8, 2021 (375/2021, the "Temporary Act"). In order to limit the spread of the Covid-19 pandemic, the Annual General Meeting will be held without shareholders' or their proxy representatives' presence at the Meeting venue. This is necessary in order to organize the Annual General Meeting in a predictable way while taking into account the health and safety of the company's shareholders, personnel and other stakeholders.

Shareholders and their proxy representatives can participate in the meeting and exercise their shareholder rights only by voting in advance and by making counterproposals and presenting questions in advance in accordance with this notice and the company's other instructions. It is not possible to participate in the Annual General Meeting at the Meeting venue or to follow the Meeting through a video stream.

Notice to the Annual General Meeting has been announced as a stock exchange release on February 3, 2022. All materials to the Annual General meeting are available on the company's website **www.suominen.fi/en/agm**.

Each shareholder, who is registered on the record date of the General Meeting on March 14, 2022 in the shareholders' register of the company held by Euroclear Finland Ltd, has the right to participate in the General Meeting. A shareholder, whose shares are registered on his/her personal Finnish book-entry account, is registered in the shareholders' register of the company.

Registration for the meeting and advance voting begins on February 15, 2022, when the deadline for delivering counterproposals has expired and the company has published the possible counterproposals to be put to a vote on the company's website.

A shareholder entered in the company's shareholders' register, who wishes to participate in the General Meeting, must register for the General Meeting and vote in advance on March 21, 2022 at 10:00 a.m. at the latest, by which time the notice of participation and the votes must be received.

Shareholders with a Finnish book-entry account can register and vote in advance on certain items on the agenda during the period February 15–March 21, 2022 at 10:00 a.m. by the following manners:

a) On the company's website **www.suominen.fi/en/agm**
Electronic registering and voting in advance require for natural persons the shareholder's or its proxy representative's, and for legal persons, its representative's or proxy holder's strong electronic identification (Finnish or Swedish online banking codes or the Mobile ID).

b) By regular mail or e-mail
A shareholder voting in advance by regular mail or e-mail must deliver an advance voting form available on the company's website **www.suominen.fi/en/agm** or corresponding information to Innovatics Oy by regular mail to Innovatics Oy, Yhtiökokous / Suominen Corporation, Ratamestarinkatu 13 A, 00520 Helsinki, Finland or by e-mail to **agm@innovatics.fi**.

If a shareholder participates in the General Meeting by delivering votes in advance by regular mail or e-mail to Innovatics Oy, the delivery of the votes before the deadline for delivering the notice of participation and the votes has expired shall constitute a registration for the General Meeting provided that information required for registration set out in the advance voting form is provided.

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

Instructions regarding the voting are available to all shareholders on the company's website **www.suominen.fi/en/agm**. Additional information and technical support for electronic registration is also available by telephone at +358 10 2818 909 (business days at 9:00 a.m. – 12:00 p.m. and 1:00 p.m. – 4:00 p.m.).

Proposal on distribution of funds

The Board of Directors proposes that a dividend of EUR 0.20 per share shall be distributed for the financial year 2021 and that the profit shall be transferred to retained earnings.

The record date is March 28, 2022 and the dividend would be paid on April 7, 2022.

Investor relations

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Silent period

Suominen observes a 30-day silent period prior to the publication of financial results. During this time, Suominen does not comment on the company's financial situation, markets or outlook, and neither do Suominen's executives or employees meet with representatives of capital markets or financial media.

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
Name of ultimate parent of group	Suominen Oyj
Explanation of change in name of reporting entity or other means of identification from end of preceding reporting period	N/A

SUOMINEN CORPORATION

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