

# Review by the President & CEO

15 March 2018

Nina Kopola, President & CEO



# Suominen's Corporate Executive Team attends the Annual General Meeting; also as shareholders of the company

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Nina Kopola  
President & CEO



Ernesto S. Levy  
Convenience



Linda A. Kelly  
Care



Tapio Engström  
CFO



Markku Koivisto  
Technology



Larry L. Kinn  
Operational  
Excellence



Mimoun Saïm  
Operations



Hannu Sivula  
HR

# Suominen's business in brief

Suominen

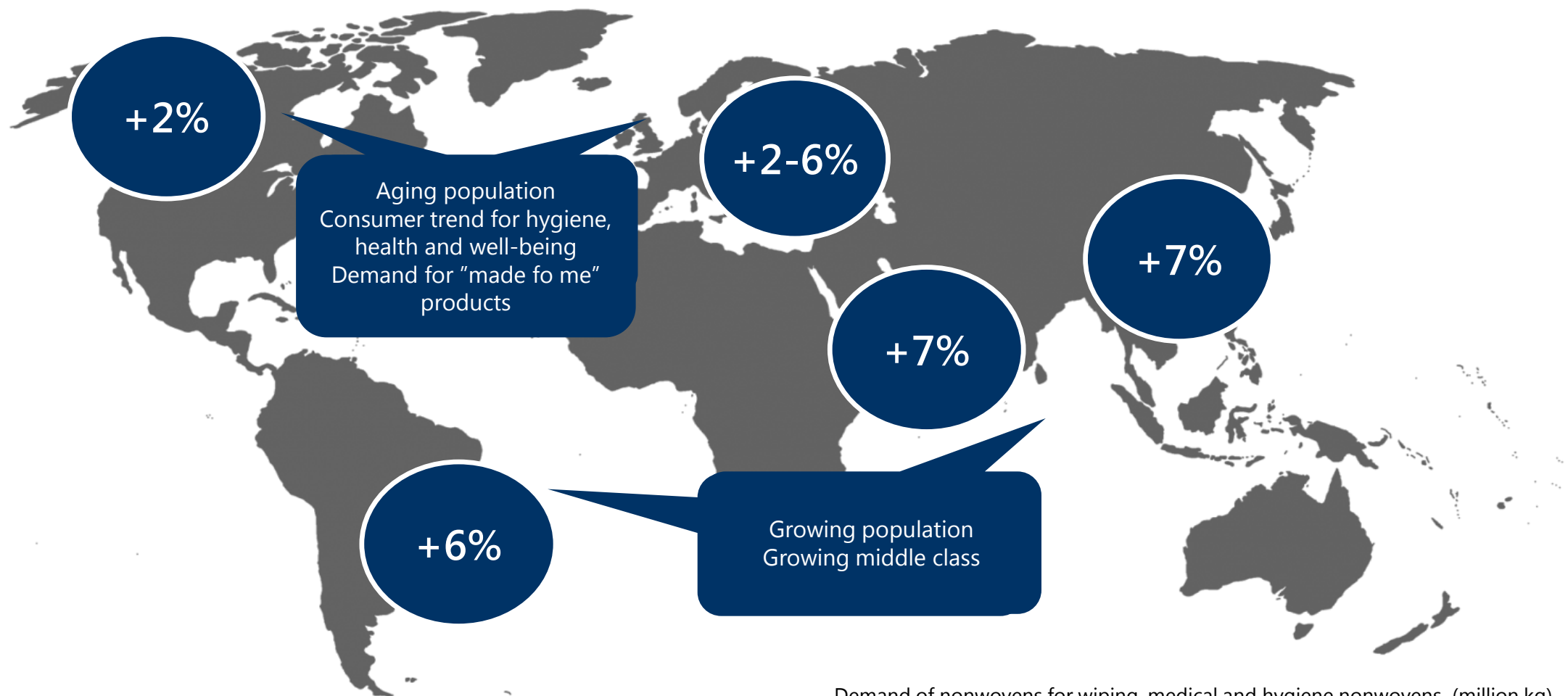
Indicative customers

End use applications



# The demand for nonwovens continues to grow in all market regions, offering a solid basis for the strategy execution

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Demand of nonwovens for wiping, medical and hygiene nonwovens (million kg)  
Average growth estimate for Suominen main markets, Americas and Europe, is 3%.

# Suominen has two business areas: Convenience and Care

**Convenience** – nonwovens for a wide range of wiping applications



41%

For baby wipes



21%

For personal care wipes



19%

For home wipes



9%

For workplace wipes

**Care** – nonwovens for hygiene products and medical applications

91%  
of net sales

9%  
of net sales

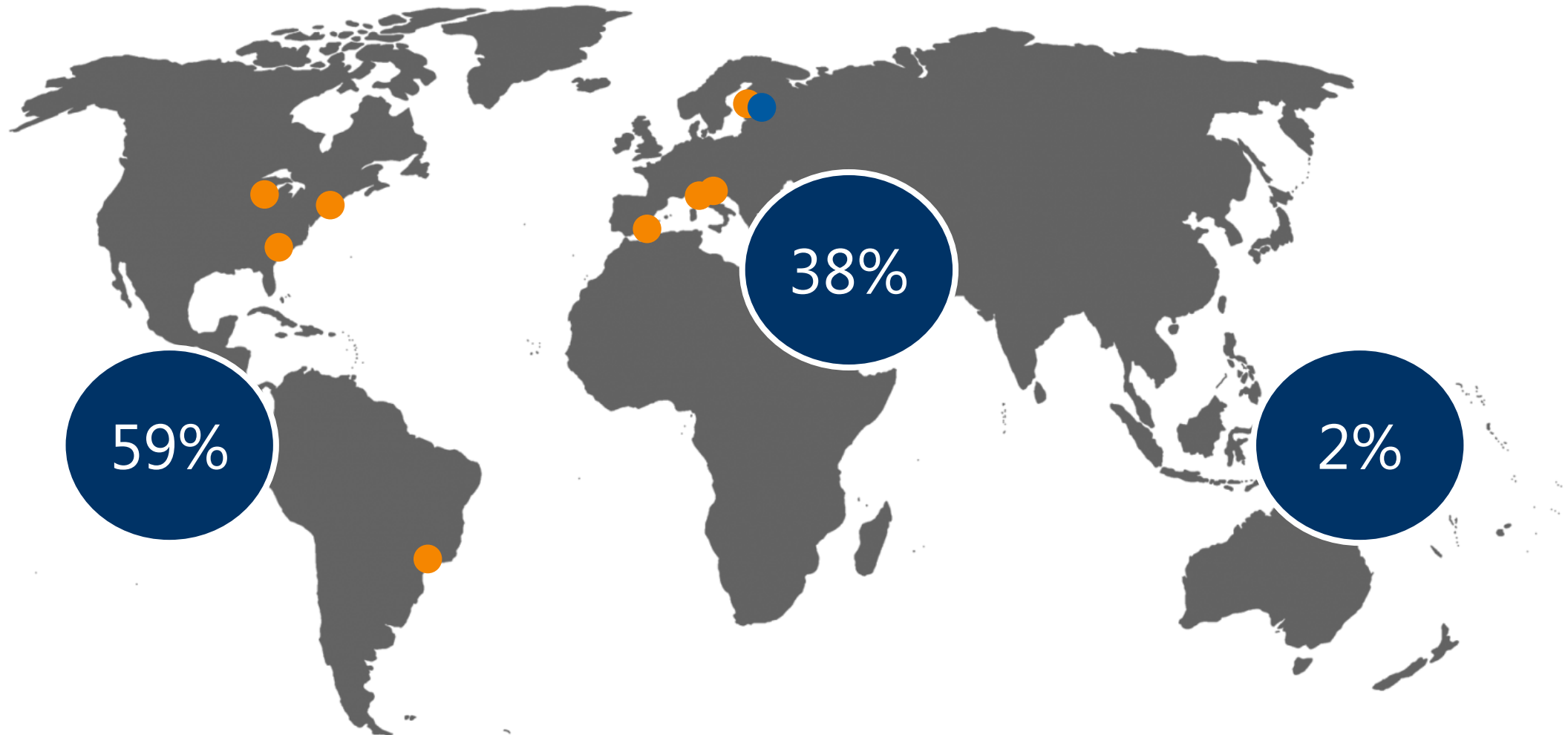


9%

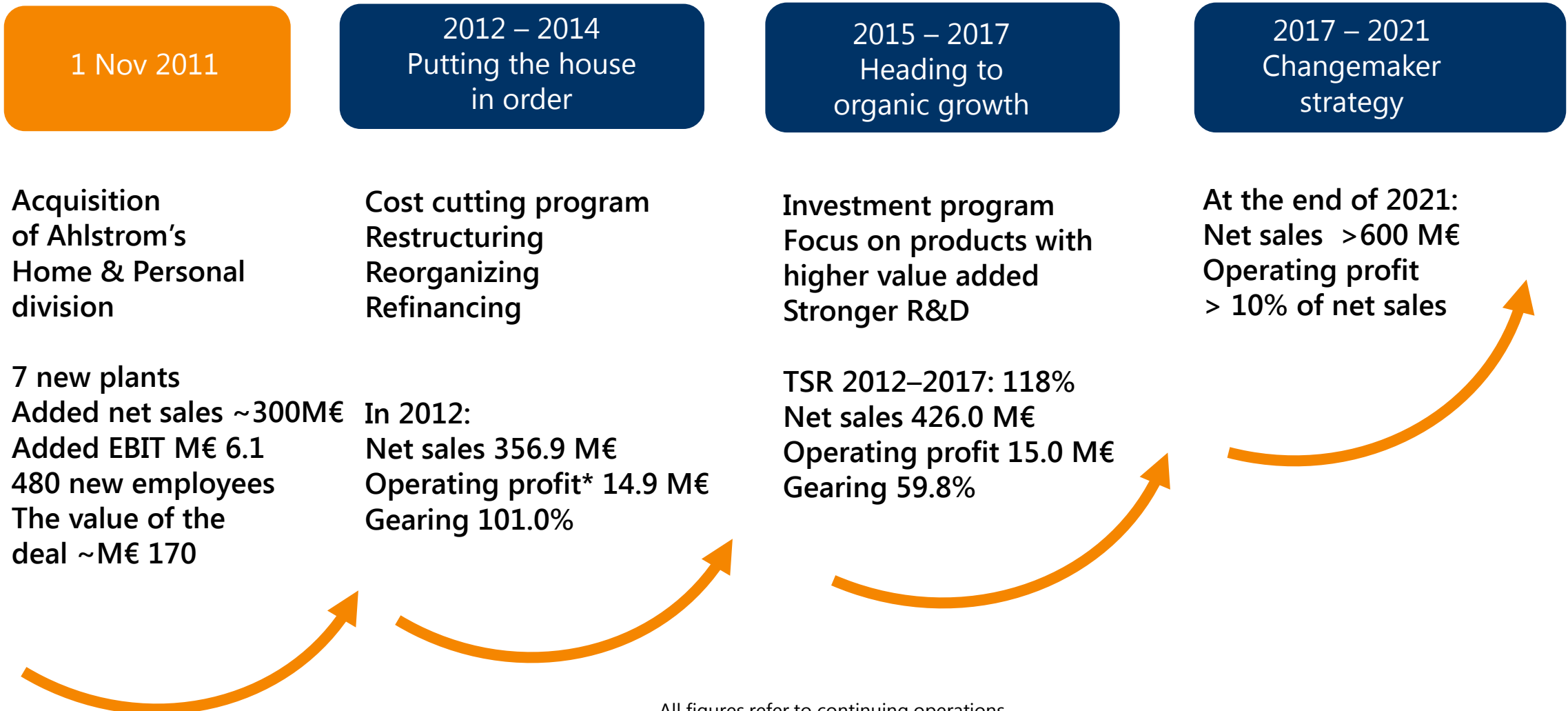
For hygiene & medical products

## We operate in three continents, close to our customers

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# Recent history: Determined progress towards growth





# Financial year 2017



# Suominen in 2017

## Markets

- Fierce competition continued, particularly in nonwovens for baby wipes and flushable products.
- + Strong demand in South America despite the general economical conditions.

## Strategy

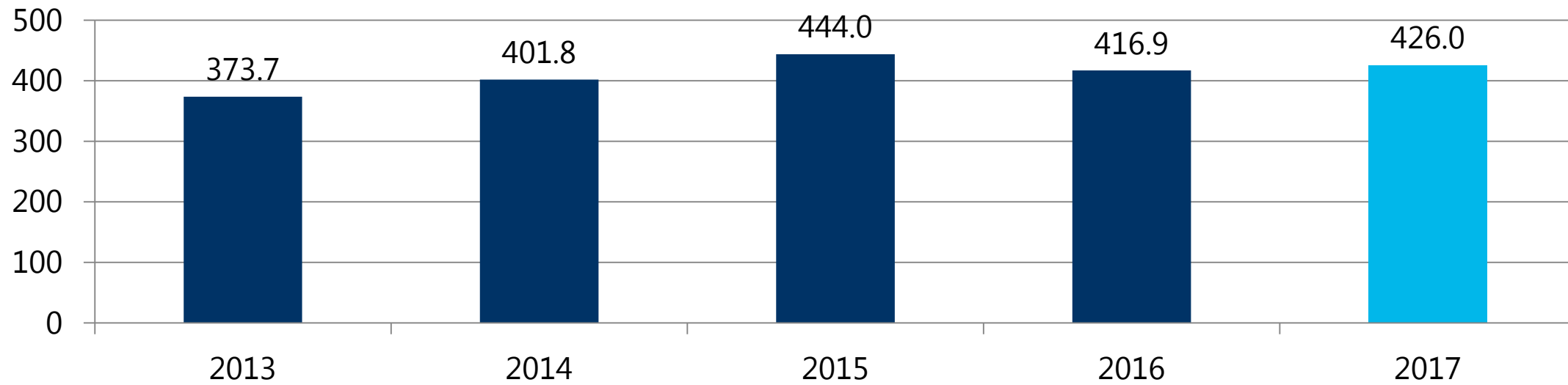
- + Net sales of nonwovens for home care increased by +8%
- + The ramp-up of the new production line in Bethune, SC, USA continued.
- + Suominen launch five new branded products to the markets.

## Financials

- + Sales volumes (in tons) +4%
- + Cash from operations remained solid
- + The tax reform in the USA had a very positive impact on the profit for the financial year.
- EUR/USD exchange rate fluctuations decreased net sales.
- Costs related to growth investments decreased operating profit.

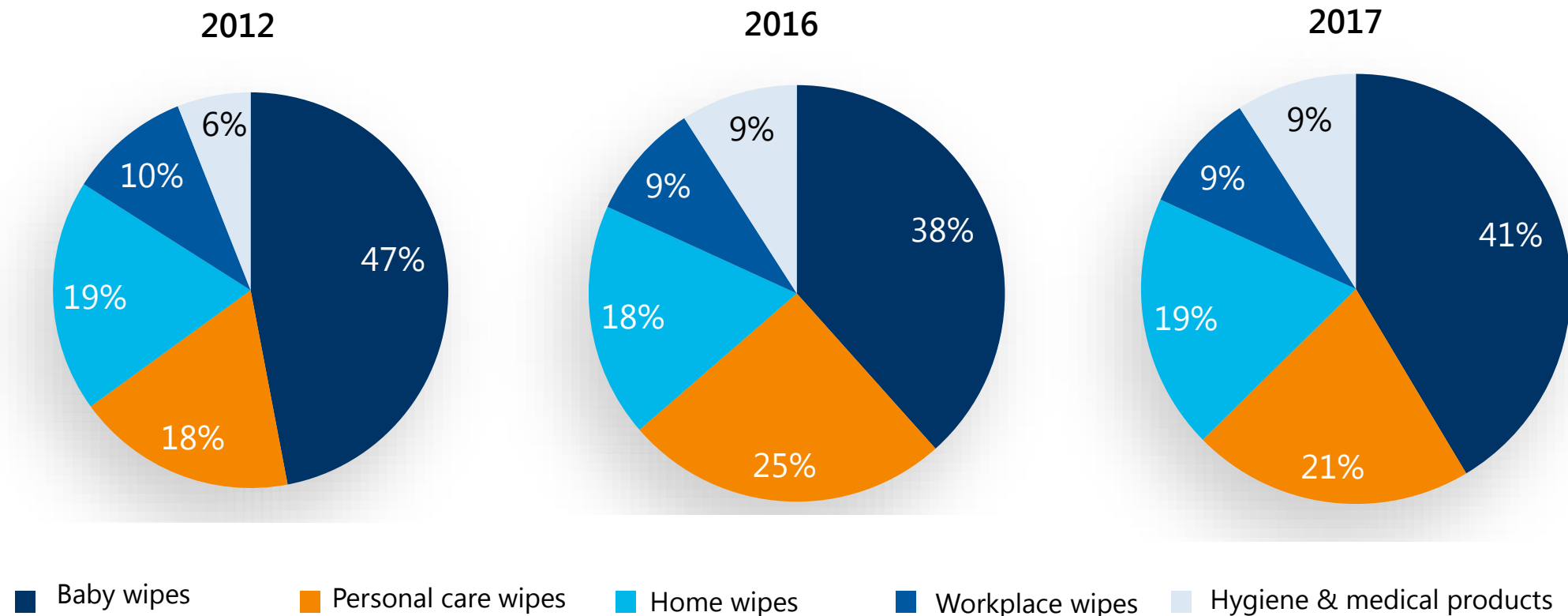
# Net sales grew from the previous year

Net sales, EUR million



The weakening of the USD compared to euro decreased the net sales of 2017 by approximately EUR 4.8 million.

# The share of nonwovens for home wipes grew, the total share of high value add products\* declined

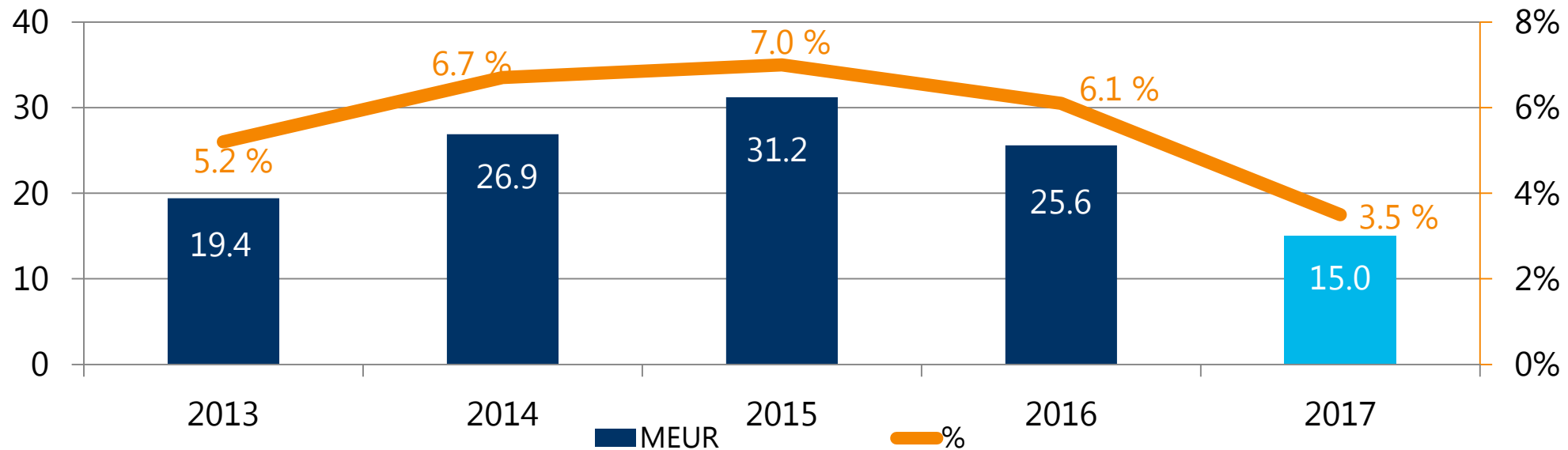


\*Nonwovens for personal care products, home wipes, workplace wipes and for hygiene and medical products are typically high added value products.

For 2016, figures have been restated due to a reclassification of a customer.

# The costs of the growth investments as well as unfavorable development of product mix and gross profit decreased profitability

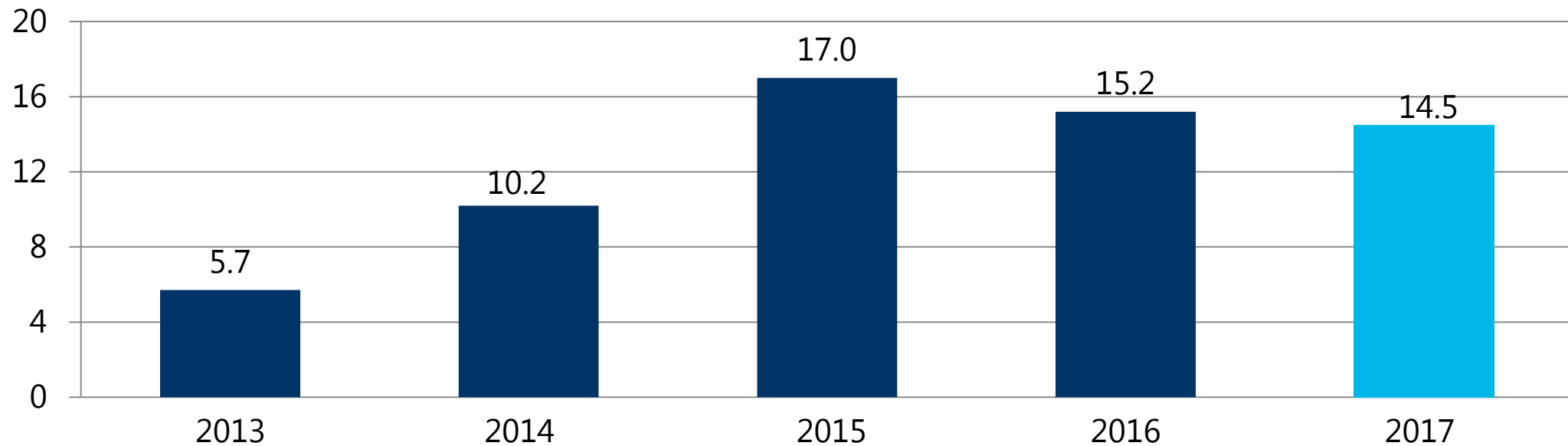
Comparable operating profit, EUR million and % of net sales



- The total impact of the costs related to growth investments, mainly to the new manufacturing line in Bethune, were nearly EUR 5 million in 2017.

# Profit for the period impacted significantly by the tax reform in the US

Profit for the period, EUR million



The total impact of the changes in US taxation in 2017 was EUR +8.3 million.



# The US tax reform will have a beneficial effect on Suominen's profit also in the future.

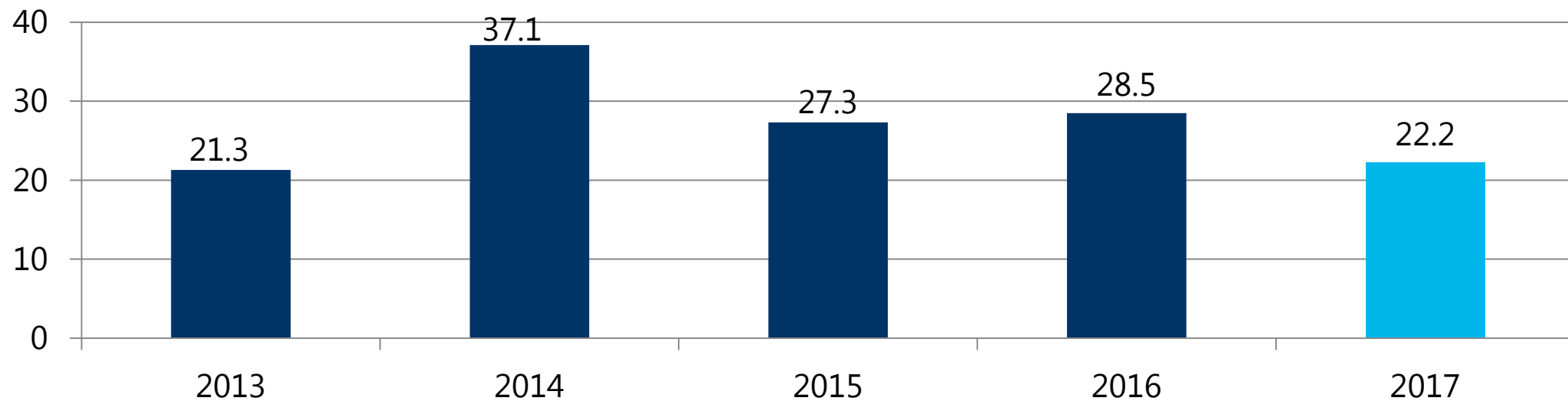
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- The federal corporate income tax rate decreased from 35% to 21% in the USA.
  - Suominen's net deferred tax liabilities were revaluated with the lower tax rate in the financial statements of 2017.
- Moreover, Suominen was able to benefit from the opportunity to utilize accelerated tax depreciations of the new investments in the USA.
  - This postpones the payment of income taxes to subsequent years.
- The decrease of the federal corporate income tax rate will have a beneficial effect on Suominen's profit also in the future.

# Cash flow from operations remained healthy despite the decline in operating profit

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Cash flow from operations, EUR million



# Refinancing secures the financial latitude for the execution of the strategy; the hybrid bond has been fully converted

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New EUR 85 million bond

New syndicated EUR 100 million revolving credit facility (RCF)

- The new RCF replaces the earlier syndicated bank facility of EUR 55 million from 2014.



- Suominen has a strong financial latitude to execute the strategy.
- We do not focus only on organic growth.

All notes of the EUR 17.5 million hybrid bond, issued in February 2014, have been converted into new Suominen Corporation's shares.



- The number of shares in Suominen will no longer increase due to the conversion of hybrid bond notes.

# Strategy for 2017-2021



# Our Changemaker strategy in a nutshell

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## Vision

We change the way people think about nonwovens

## Three cornerstones



Best in business



Creating nonwovens that others cannot



Community of changemakers

## Purpose

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**We make life better**





# Vision: We change the way people think about nonwovens

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From delivering white rolls...



...to offering engineered solutions



# Best in business

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We are the best in turning end-user needs into commercial success for our customers and ourselves.



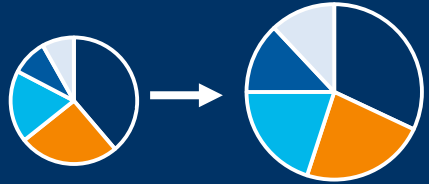
We have superior customer satisfaction and are perceived as the best value partner for our customers.



We outgrow our competition with excellent profitability.

# Sources of profitable growth

## Balancing the portfolio



- Thanks to the investments made, we grow our market share in nonwovens for home and workplace wipes, personal care products and hygiene products.
- We maintain leadership in baby wipes and strengthen niche positions in medical applications.

## Growth in new geographies



- We examine opportunities to expand business, especially into Asia.
- We capitalize on Latin America.

## Growth through new technologies



- We look for adjacent technologies to support our existing business

# Creating nonwovens that others cannot

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We develop and produce unique nonwovens that other companies are not able to make.



We will be the first to market with unique benefits or superior performance.



We will be a recognized lead developer for our key customers.

# Community of changemakers

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We are a global community of people who are capable and passionate to change things.



Energized and passionate employees



Everyone feels like a valued member of a winning team



High engagement leads to high performance



# Actions taken to execute the strategy



## Best in business

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- The new production line in Bethune, SC, USA was started up in the Q2 of 2017.
  - We have encountered technical challenges in the ramp-up phase, and we are not yet able to supply the planned, wide-ranging product offering from the new line.
  - Market interest towards the new production line has been strong.
  - The new production line adds Suominen's manufacturing capacity significantly and focuses solely on high value added products. It is expected that the new line improves both net sales and profitability of Suominen.
- A new investment in Green Bay, WI, USA was initiated in Q1 2018. The approximate value of the project is EUR 6 million.
- The Group-wide renewal of IT systems proceeds as planned, currently two plants out of eight is using the new systems without major problems.



# Creating nonwovens that others cannot

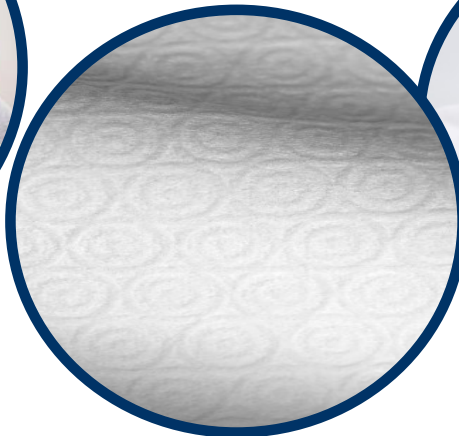
- Five new high value added brand products or product concepts were launched in 2017.

FIBRELLA Wrap ®



Medical

Design Series



Home care wiping

FIBRELLA® Ultrasoft



Baby wiping

Airlace®  
for Workplace



Genesis Pro®



Workplace wiping



# Community of changemakers



- Suominen received the INDEX17 Award for its blind hiring process that promotes equal job opportunities.
- Organizational changes made to bring greater efficiencies and results :
  - Technology function established and reorganized
  - Operational Excellence function established
  - Two regional Operations functions merged into one global team.



# Suominen sustainability agenda for 2018–2021 is clearly linked with business strategy

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**A caring  
company**



Community of  
changemakers

**Low-impact  
manufacturing**



Best in  
business

**The most  
sustainable  
nonwovens**



Creating  
nonwovens that  
others cannot



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# New financial targets and revised dividend policy

# We have set targets for profitable growth with solid financial position

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- During the five-year strategic period ending in 2021, we aim at

Average ROI of  
**15%**

Average  
annual net  
sales growth of  
**6%**

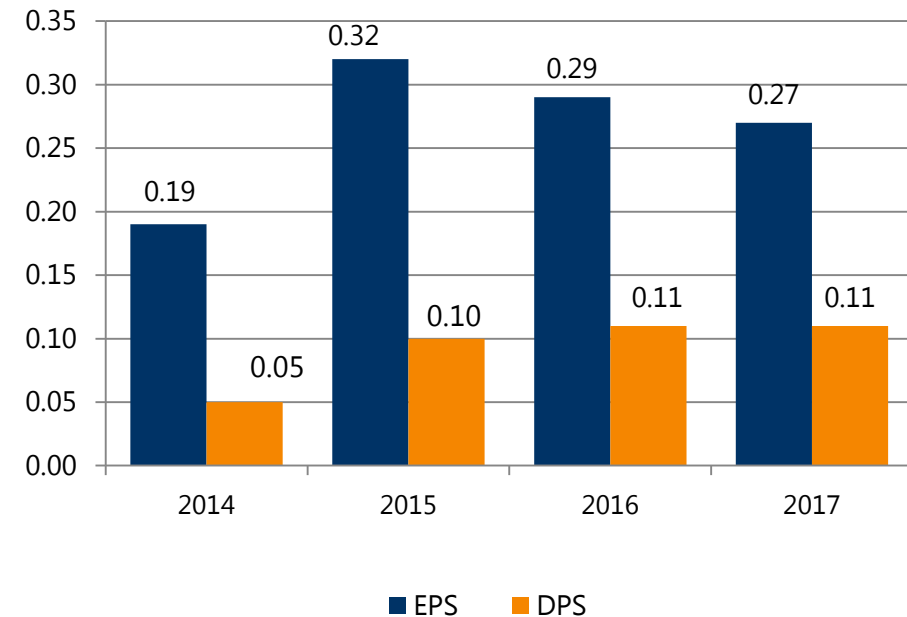
Gearing  
between  
**40-80%**

- Moreover, the target is to increase the operating profit above 10% of net sales.

# Dividend policy was revised in spring 2017

- According to its dividend policy, Suominen aims to distribute at least 30% of its profit for the period in annual dividends.
- The Board of Directors proposes that a return of capital of EUR 0.11 shall be paid from financial year 2017.

EPS and DPS\*, €



2017: Proposal to the AGM.

2014: EPS concerns the result of the continuing operations.

DPS=In 2014, Distribution of funds; in 2017: return of capital



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# Summary



## Key take-aways

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2017 was  
financially  
challenging year

In Bethune, the  
deepest valley has  
been passed; IT  
systems renewal  
progressing as  
planned

Solid dividend  
despite the  
challenges

Thanks to the  
investments  
made, we can  
now focus on  
creating growth

# Thank you!



@SuominenCorp



@SuominenOyj



Suominen Corporation



***Suominen***