

Suominen

Half-Year Financial Report

January-June 2019

August 7, 2019

Petri Helsky, President and CEO

Toni Tamminen, CFO



Agenda

- H1 & Q2/2019 in brief
- Financial review Q2/2019
- Innovative Suominen
- Outlook for 2019
- Q&A

H1 and Q2 in brief

H1 in brief

- Operating profit increased by 26% to EUR 5.6 million despite slight decrease in net sales
- Net sales decreased by 1% to EUR 213.6 million

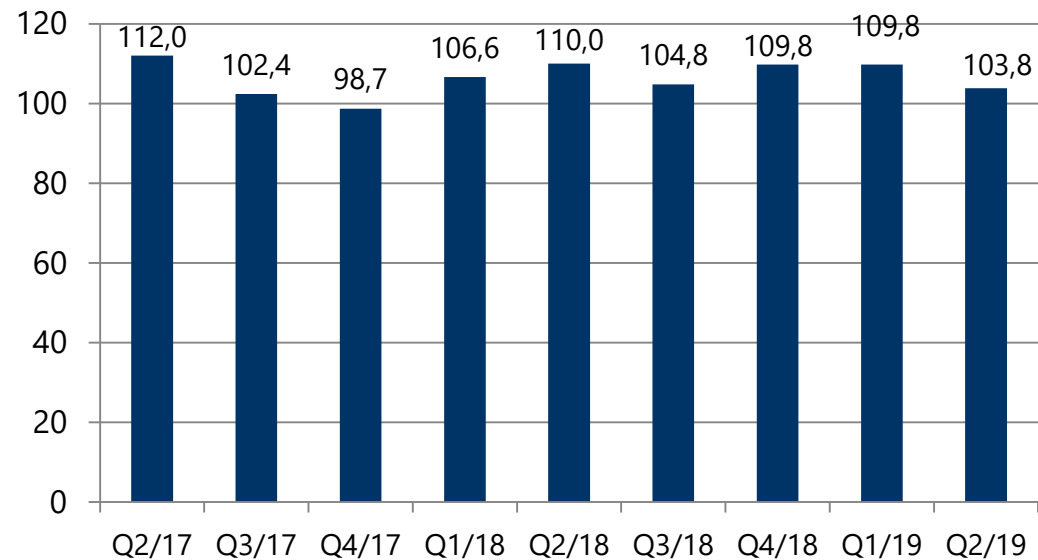
Q2 in brief

- Operating profit decreased by 9% to EUR 2.7 million
- Net sales decreased by 6% to EUR 103.8 million

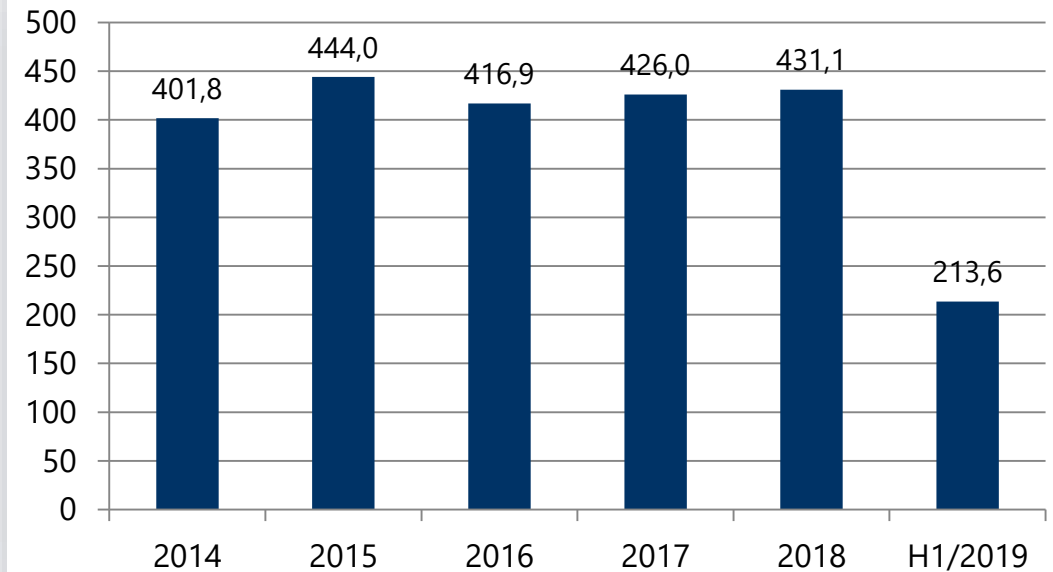
- New organization started in the beginning of July
- The Group-wide ICT systems renewal was concluded as the new system was taken into use at our Paulínia plant in Brazil and Bethune plant in US

Net sales decreased

Net sales, EUR million



Net sales, EUR million

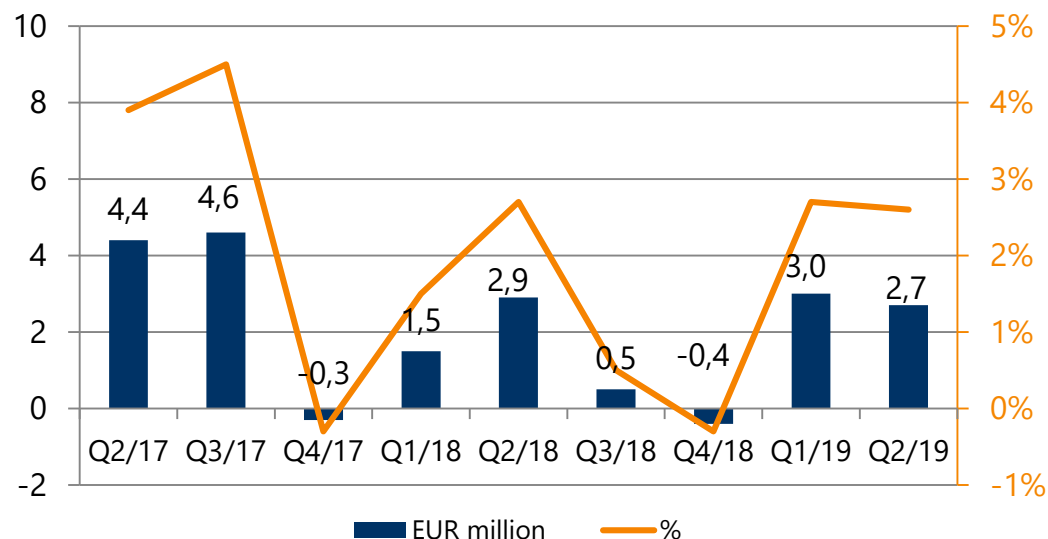


Continuing operations in 2014.

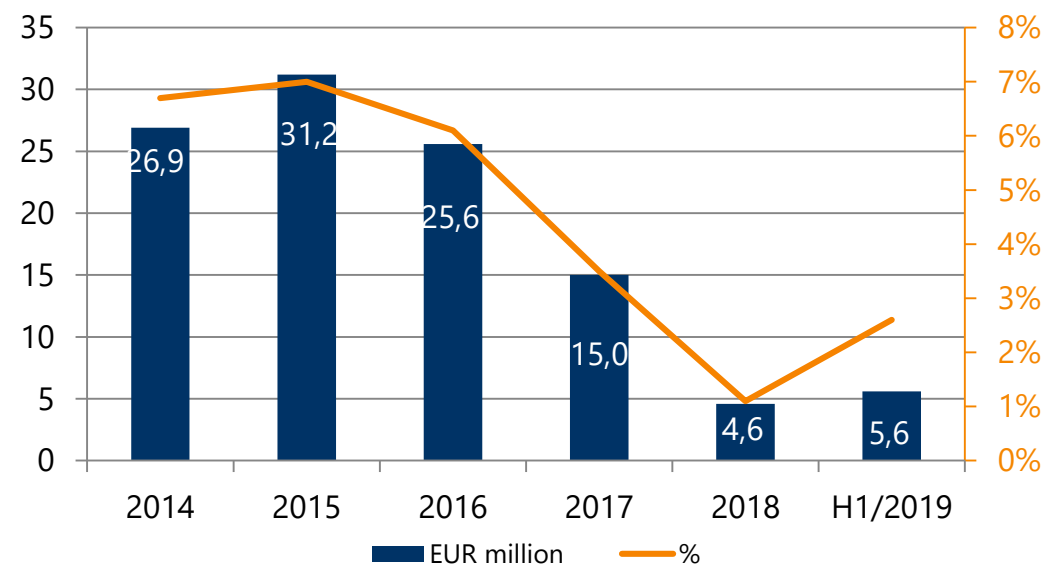
- Sales volumes decreased but sales prices improved as a result of our focus on value generation over volume
- In Q2 the strengthening of the USD compared to EUR increased the net sales by EUR 3.4 million

Operating profit improved in the first half of the year

Operating profit



Comparable operating profit



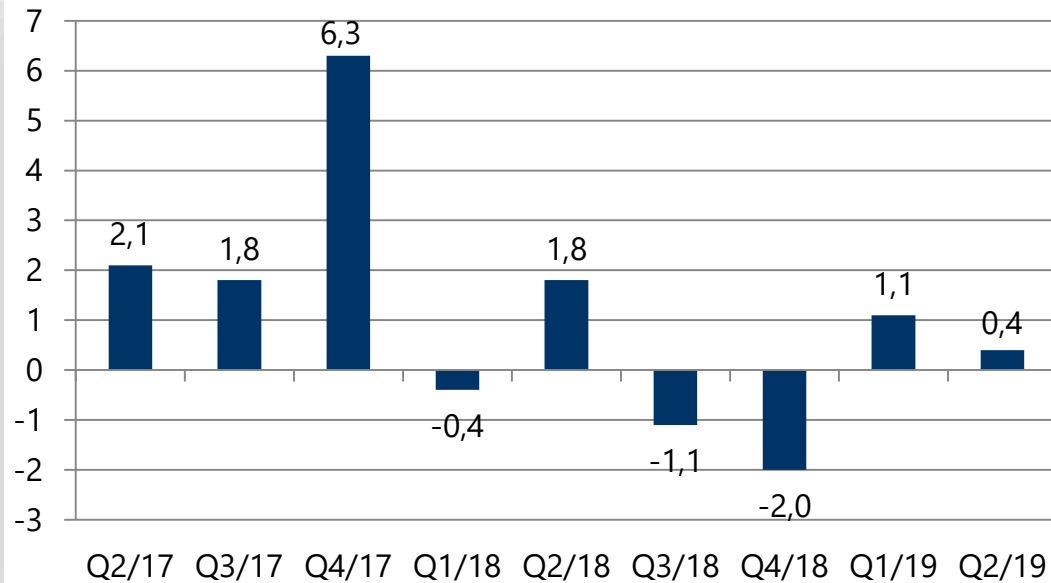
Continuing operations in 2014

- Operating profit was burdened by unusually high bad debt provisions
- Due to reorganizing of the business areas the second quarter operating profit includes EUR 0.4 million restructuring costs

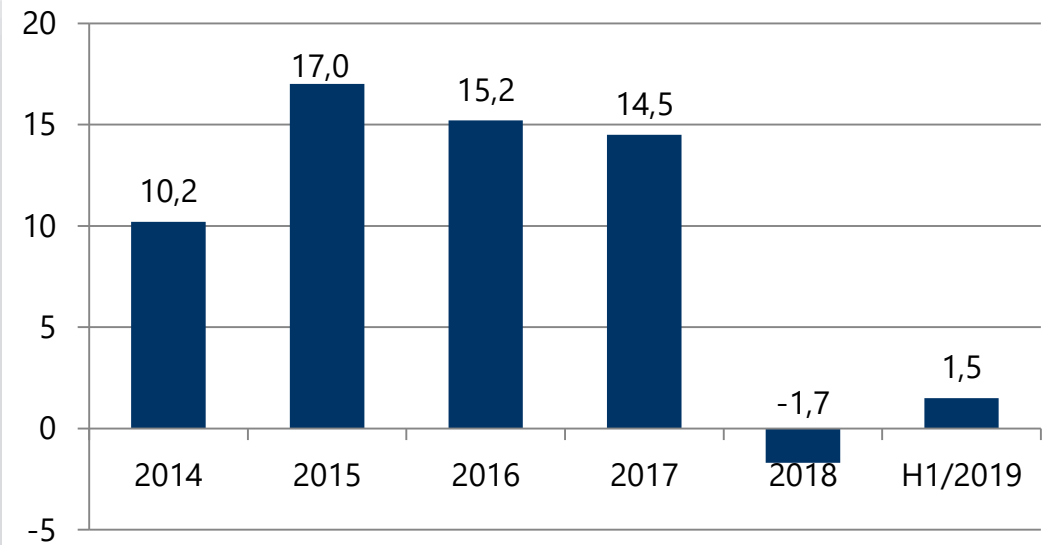
Financial review Q2/2019

Profit for the period

Profit for the period, EUR million



Profit for the period, EUR million



Continuing operations in 2014.

Consolidated statement of profit or loss

EUR thousand	4-6/2019	4-6/2018	1-6/2019	1-6/2018	1-12/2018
Net sales	103,824	109,961	213,590	216,577	431,109
Cost of goods sold	-94,099	-99,905	-194,920	-198,674	-399,826
Gross profit	9,725	10,056	18,670	17,903	31,283
Other operating income	684	571	1,603	1,195	2,528
Sales and marketing expenses	-2,011	-1,830	-3,788	-3,610	-7,048
Research and development	-914	-1,001	-1,722	-1,809	-3,515
Administration expenses	-4,437	-4,684	-8,643	-9,021	-17,599
Other operating expenses	-392	-193	-504	-191	-1,055
Operating profit	2,655	2,919	5,616	4,466	4,594
Net financial expenses	-1,695	-507	-2,992	-2,383	-5,557
Profit before income taxes	960	2,411	2,625	2,083	-963
Income taxes	-585	-598	-1,124	-642	-757
Profit / loss for the period	375	1,813	1,500	1,441	-1,720
Earnings per share, EUR					
Basic	0.01	0.03	0.03	0.03	-0.03
Diluted	0.01	0.03	0.03	0.03	-0.03

Consolidated statement of financial position, assets

EUR thousand	30.6.2019	30.6.2018	31.12.2018 restated
Assets			
Non-current assets			
Goodwill	15,496	15,496	15,496
Intangible assets	21,572	20,111	21,231
Property, plant and equipment	124,956	132,590	129,391
Right-of-use assets	15,891	–	16,797
Loan receivables	3,348	3,072	3,348
Equity instruments	777	777	777
Other non-current receivables	43	1,317	1,393
Deferred tax assets	2,374	4,681	2,540
Total non-current assets	184,456	178,043	190,972
Current assets			
Inventories	47,294	47,290	51,583
Trade receivables	61,282	59,575	58,097
Loan receivables	4,017	4,337	4,017
Other current receivables	5,864	3,630	4,118
Assets for current tax	965	672	974
Cash and cash equivalents	26,530	24,480	27,757
Total current assets	145,952	139,984	146,545
Total assets	330,408	318,027	337,517

◀ Application of new lease standard

Consolidated statement of financial position, equity and liabilities

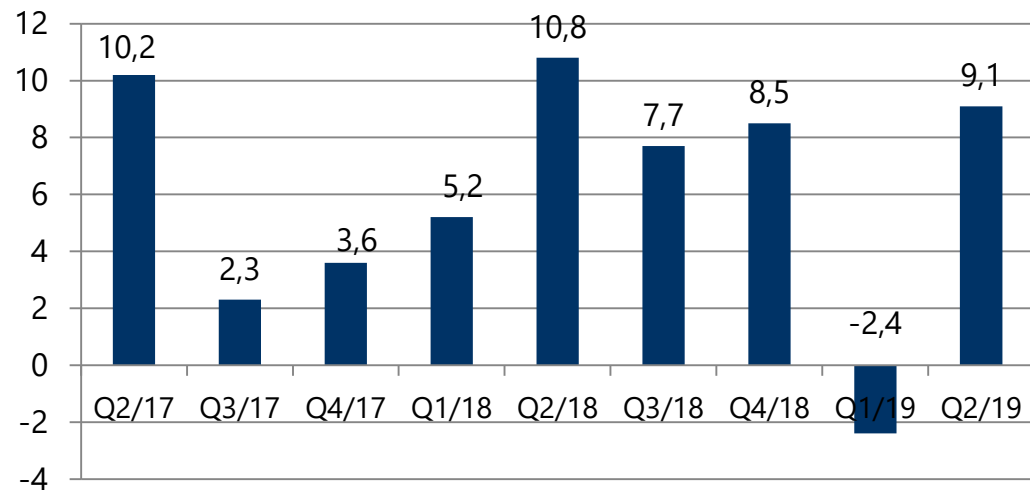
Equity and liabilities	30.6.2019	30.6.2018	31.12.2018 restated
Equity			
Share capital	11,860	11,860	11,860
Share premium account	24,681	24,681	24,681
Reserve for invested unrestricted equity	81,269	81,185	81,185
Treasury shares	-44	-44	-44
Fair value and other reserves	264	264	264
Exchange differences	284	-2,555	-669
Retained earnings	14,865	17,241	13,237
Total equity attributable to owners of the parent	133,178	132,631	130,513
Liabilities			
Non-current liabilities			
Deferred tax liabilities	12,411	14,841	12,373
Liabilities from defined benefit plans	815	908	847
Provisions	1,557	-	1,511
Non-current lease liabilities	11,827	116	12,706
Other non-current liabilities	17	17	17
Debentures	81,154	95,736	80,615
Total non-current liabilities	107,780	111,617	108,067
Current liabilities			
Debentures	15,716	-	15,687
Current lease liabilities	2,877	106	2,742
Other current interest-bearing liabilities	5,000	10,000	5,000
Liabilities for current tax	317	321	121
Trade payables and other current liabilities	65,540	63,352	75,386
Total current liabilities	89,450	73,780	98,936
Total liabilities	197,230	185,397	207,003
Total equity and liabilities	330,408	318,027	337,517

Application of new lease standard

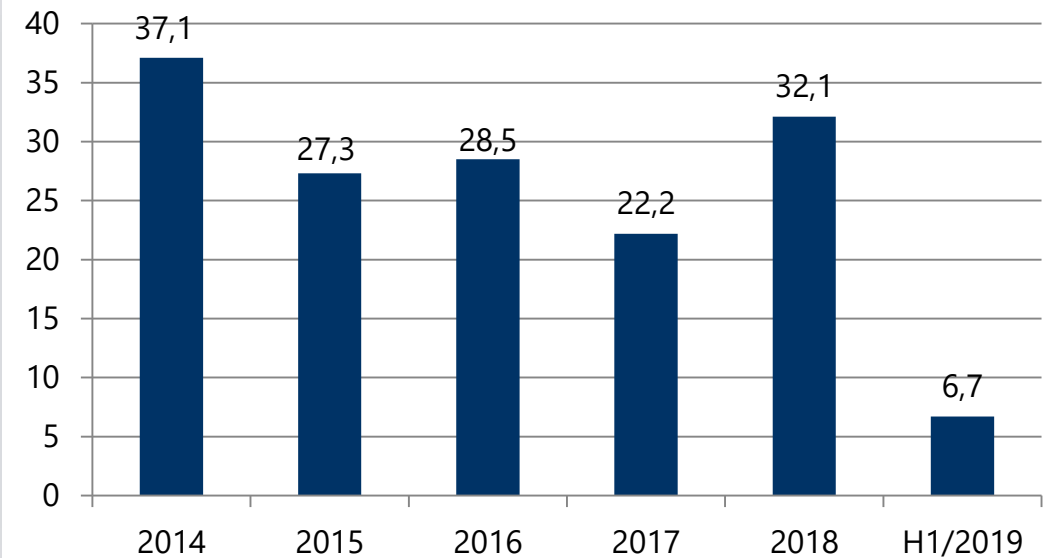
Application of new lease standard

Cash flow from operations

Cash flow from operations, EUR million



Cash flow from operations, EUR million



- In the comparison period the cash flow was impacted by tax refunds of EUR 7.0 million in the US

Statement of cash flows (1/2)

EUR thousand	1-6/2019	1-6/2018	1-12/2018
Cash flow from operations			
Profit for the period	1,500	1,441	-1,720
Total adjustments to profit for the period	17,468	13,767	27,210
Cash flow before changes in net working capital	18,969	15,208	25,490
Change in net working capital	-9,780	-4,707	5,621
Financial items	-1,620	-1,429	-4,677
Income taxes	-829	6,881	5,715
Cash flow from operations	6,739	15,952	32,148
Cash flow from investments			
Investments in property, plant and equipment and intangible assets	-6,581	-7,146	-15,039
Cash flow from disposed businesses	-	198	198
Sales proceeds from property, plant and equipment and intangible assets	0	-	4
Cash flow from investments	-6,581	-6,948	-14,837

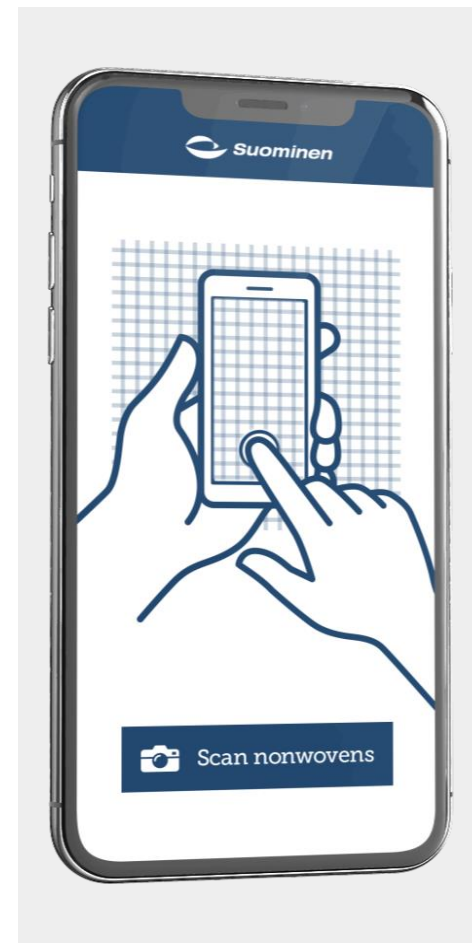
Statement of cash flows (2/2)

Cash flow from financing	1-6/2019	1-6/2018	1-12/2018
Drawdown of current interest-bearing liabilities	5,000	–	5,000
Repayment of current interest-bearing liabilities	-6,394	-5,058	-15,118
Repayment in loan receivables	–	–	–
Return of capital	–	-6,322	-6,322
Cash flow from financing	-1,394	-11,380	-16,440
Change in cash and cash equivalents	-1,235	-2,376	871
Cash and cash equivalents at the beginning of the period	27,757	27,240	27,240
Effect of changes in exchange rates	9	-384	-355
Change in cash and cash equivalents	-1,224	-2,376	871
Cash and cash equivalents at the end of the period	26,530	24,480	27,757

Innovative Suominen

We create nonwovens that others cannot

- R&D is based on customer needs
- Extensive R&D network
 - 20 R&D professionals
 - Cooperation with research centers and start-ups
- R&D focus areas are
 - Sustainability
 - Customization



Suominen Design Lab – superior customer service

How it was done?

We developed High Definition patterns with global, customer centric process

- Cross-functional, multicultural R&D team
- Feedback from 1,000+ consumers via digital platform => consumer validated design elements

The outcome was

- More than 20 patented patterns
- Ability to offer customized patterns
- Own digital design and manufacturing of patterning reels

Benefits for customers and Suominen

- Beautiful High Definition patterning
- Superior cleaning in terms of improved dirt pick-up and lotion release properties compared to flat nonwoven
- Possibility to have customers' own pattern (logo, name etc.)
- Quick commercialization
- Possibility to add intelligence into nonwovens

- Competitive advantage for Suominen, no other nonwoven manufacturer is able to offer the same

Outlook 2019



Outlook for 2019

- Suominen expects that in 2019, its net sales will be at the level of 2018 and comparable operating profit, excluding the positive effect of applying IFRS 16 Leases, will improve from 2018.
- In 2018, Suominen's net sales amounted to EUR 431.1 million and operating profit to EUR 4.6 million.

Q&A



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