

Suominen Corporation

Q4 and FY 2018

31 January 2019

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Agenda

- Highlights of the financial year 2018
- Executing the strategy
- Financial review Q4 & FY 2018
- Proposal on the distribution of profit
- Outlook for 2019
- Q&A

Suominen's FY 2018: Pros and cons

+ Price increases achieved had a favorable impact on the net sales.

+ Product portfolio developed to the right direction.

+ Cash flow from operations remained strong.

+ The reliability of the new manufacturing line in Bethune, SC, US improved during the course of the year. Planned trials related with the expansion of the line's product offering were conducted successfully in the end of the year.

- The weakening of the USD decreased the net sales by EUR 10.9 million.

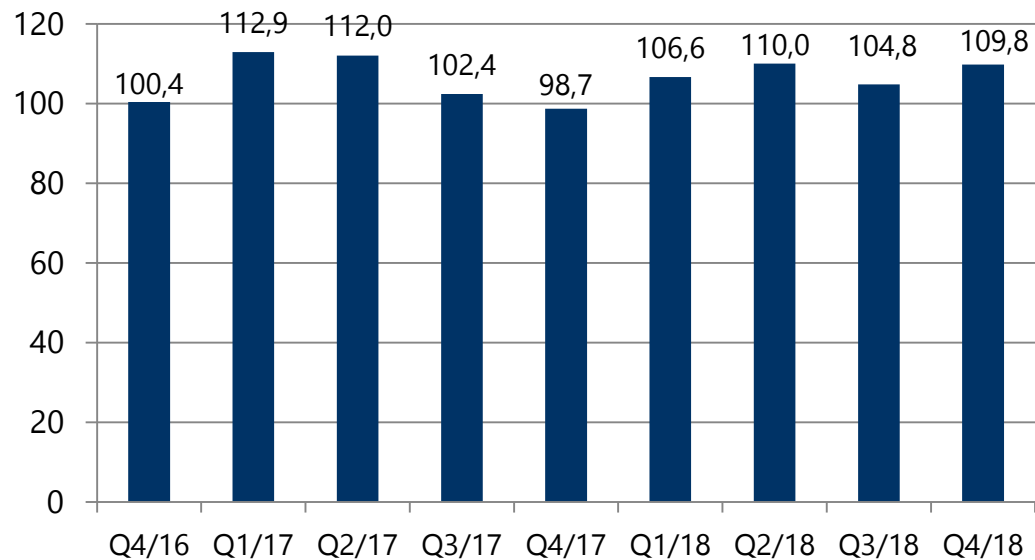
- Tight competitive situation, related with overcapacity in the market, continued to prevail.

- Operating profit declined mainly due to the steep rise in the costs of several key resources.

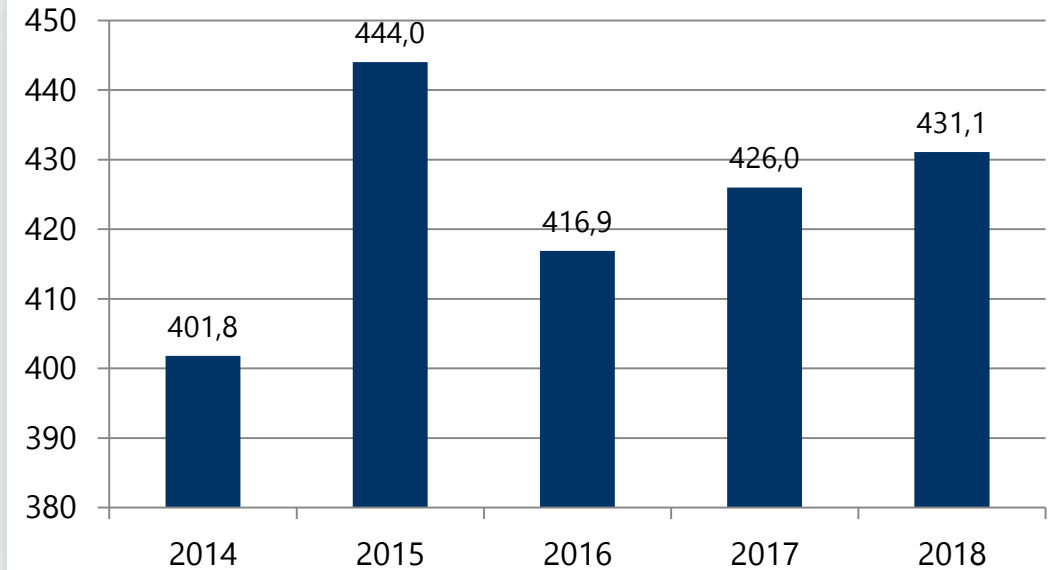
- As the profit for the period remained negative, the Board proposes that no dividend is paid nor capital returned from 2018.

Net sales increased thanks to increases in sales prices

Net sales, EUR million



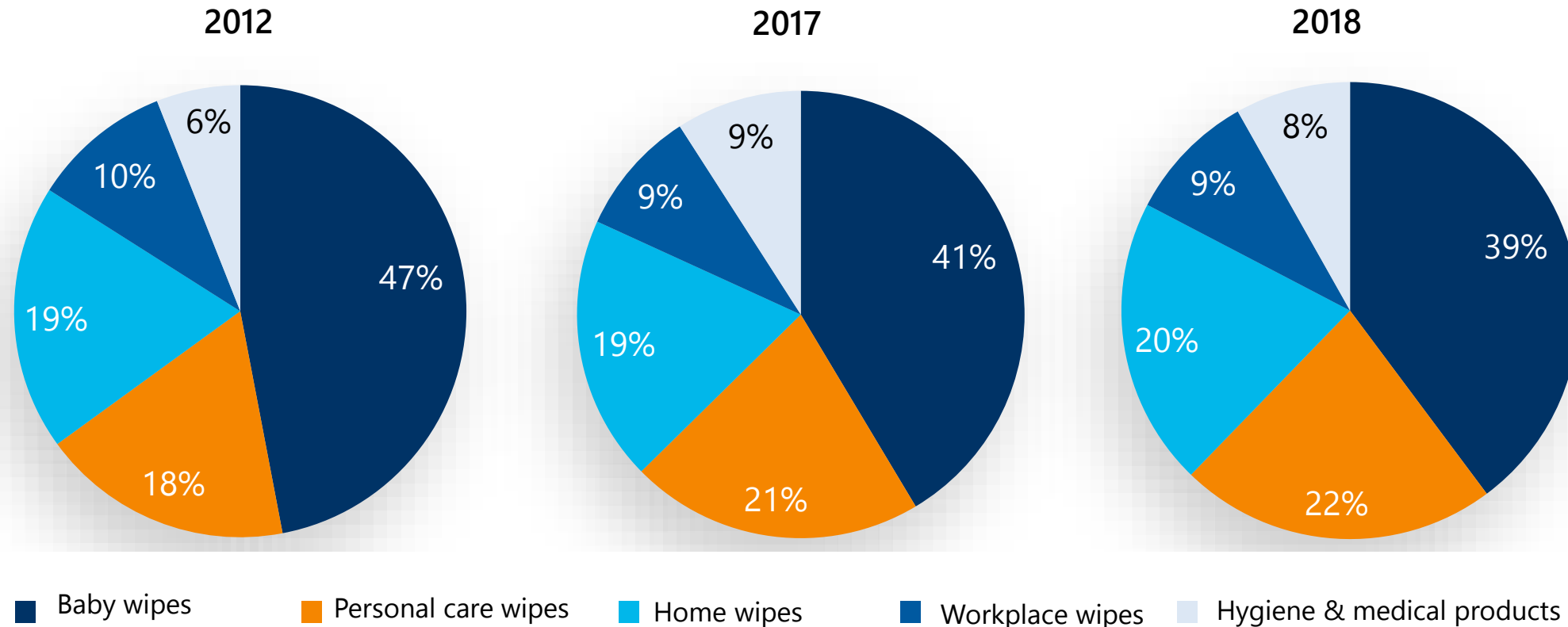
Net sales, EUR million



Continuing operations in 2014.

- Achieved increases in sales prices had a positive impact on the net sales. In 2018, sales volumes remained at last year's level.
- In Q4, the strengthening of the USD increased net sales by EUR 1.8 million.
- In FY2018, the weakening of the USD decreased net sales by EUR 10.9 million.

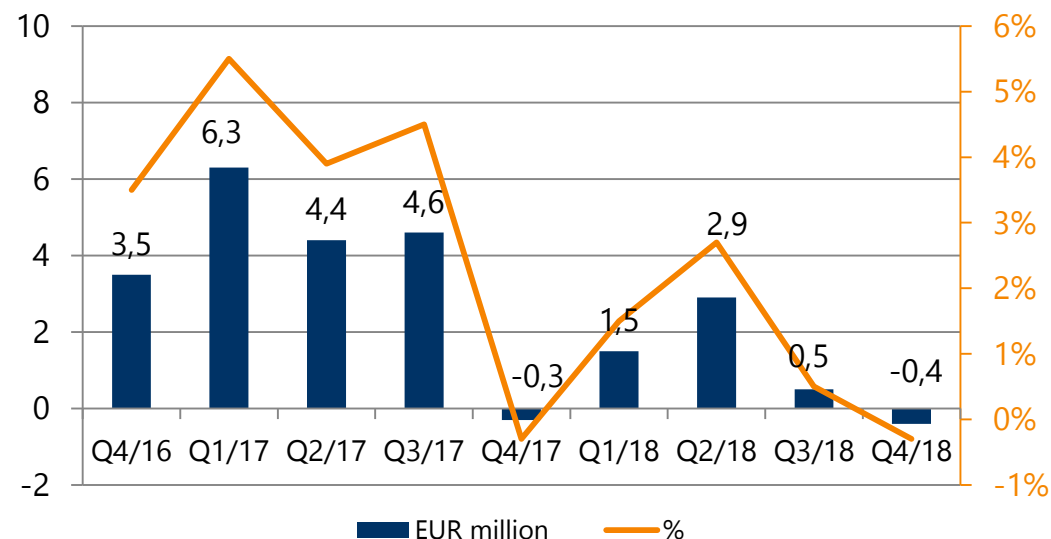
Product mix developed to right direction, share of products with relatively higher added value grew



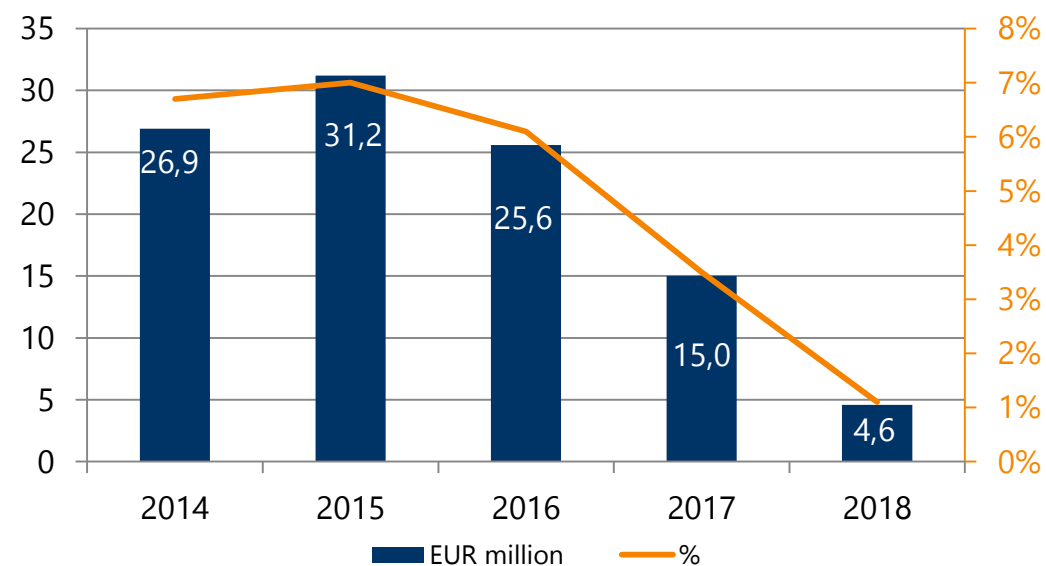
*Nonwovens for personal care products, home wipes, workplace wipes and for hygiene and medical products are typically high added value products.

Operating profit declined and was negative in the last quarter

Operating profit



Comparable operating profit



Continuing operations in 2013–2014.

- Prices for several key resources, including raw materials and transportation, increased steeply.
- The impact of profitability improvement actions was slower than expected.

Executing the strategy

Changemaker strategy in a nutshell

Vision

We change the way people think about nonwovens

Three cornerstones



Best in business

Creating nonwovens that others cannot

Community of changemakers

Purpose

We make life better  *Suominen*

Profitability improvement actions ongoing, impact on profitability was slower than anticipated



- Actions to improve profitability focused on pricing, performance and planning.
- Actions were taken throughout the year 2018:
 - Pricing: The global price increases announced on 19 Sept had a tangible positive impact on net sales, but not yet on operating profit.
 - Performance: The new manufacturing line in Bethune, SC, US contributed positively on gross profit on 2nd and 3rd quarters. In the 4th quarter, the planned trials, relating with the expansion of the line's product offering, temporarily burdened the line's profitability.
 - Planning: The group-wide ICT systems renewal continued as scheduled. At the end of the year, six out of eight plants operate through the new systems.
- Actions to improve profitability continue in 2019.

Four new products or product concepts carrying high value add launched in 2018



BIOLACE® Move

**Suominen Intelligent
Nonwovens™**

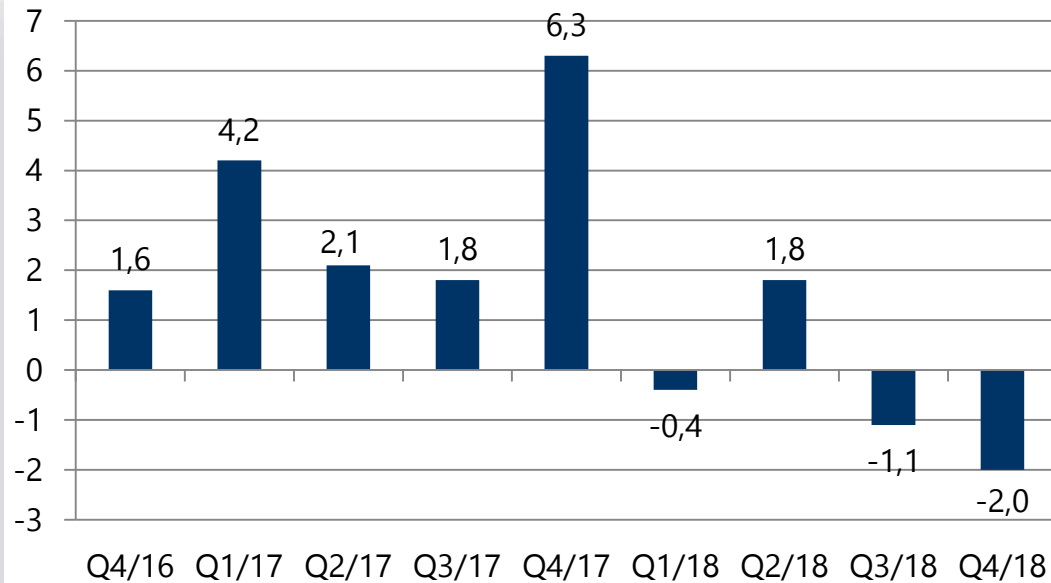
BIOLACE® Cozy

FIBRELLA® Cozy

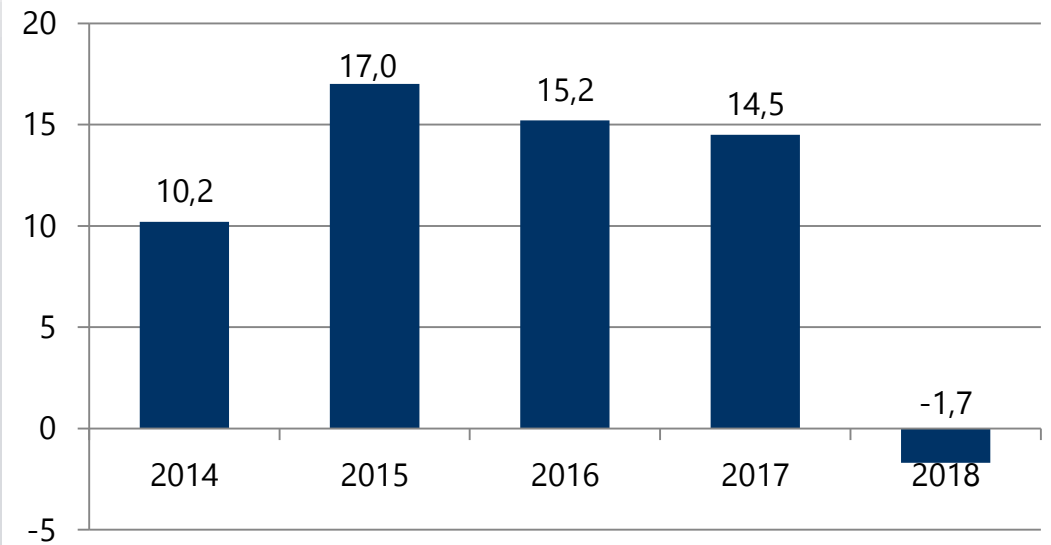
Financial review Q4 and FY2018

Profit for the period was negative

Profit for the period, EUR million



Profit for the period, EUR million



Continuing operations in 2014.

Consolidated statement of profit or loss

EUR thousand	10-12/2018	10-12/2017	1-12/2018	1-12/2017
Net sales	109 764	98 694	431 109	425 996
Cost of goods sold	-102 974	-92 352	-399 826	-383 839
Gross profit	6 790	6 342	31 283	42 157
Other operating income	397	441	2 528	1 764
Sales and marketing expenses	-1 838	-1 904	-7 048	-7 262
Research and development	-823	-1 116	-3 515	-4 739
Administration expenses	-4 371	-3 842	-17 599	-16 861
Other operating expenses	-516	-188	-1 055	-59
Operating profit	-361	-267	4 594	15 000
Net financial expenses	-1 547	-988	-5 557	-2 570
Profit before income taxes	-1 908	-1 256	-963	12 430
Income taxes	-108	7 570	-757	2 048
Profit / loss for the period	-2 016	6 314	-1 720	14 478
Earnings per share, EUR				
Basic	-0.04	0.12	-0.03	0.27
Diluted	-0.04	0.11	-0.03	0.25

◀ Net sales developed positively

} ▶ SGA costs under control

Consolidated statement of financial position, assets

EUR thousand	31.12.2018	31.12.2017 (restated)
Assets		
Non-current assets		
Goodwill	15,496	15,496
Intangible assets	21,231	17,470
Property, plant and equipment	129,391	136,649
Loan receivables	3,348	3,072
Equity instruments	777	777
Other non-current receivables	1,393	1,744
Deferred tax assets	2,540	5,142
Total non-current assets	174,175	180,349
Current assets		
Inventories	51,583	44,241
Trade receivables	58,097	53,934
Loan receivables	4,017	4,337
Other current receivables	4,118	4,236
Assets for current tax	974	7,703
Cash and cash equivalents	27,757	27,240
Total current assets	146,545	141,692
Total assets	320,720	322,040

◀ No material changes

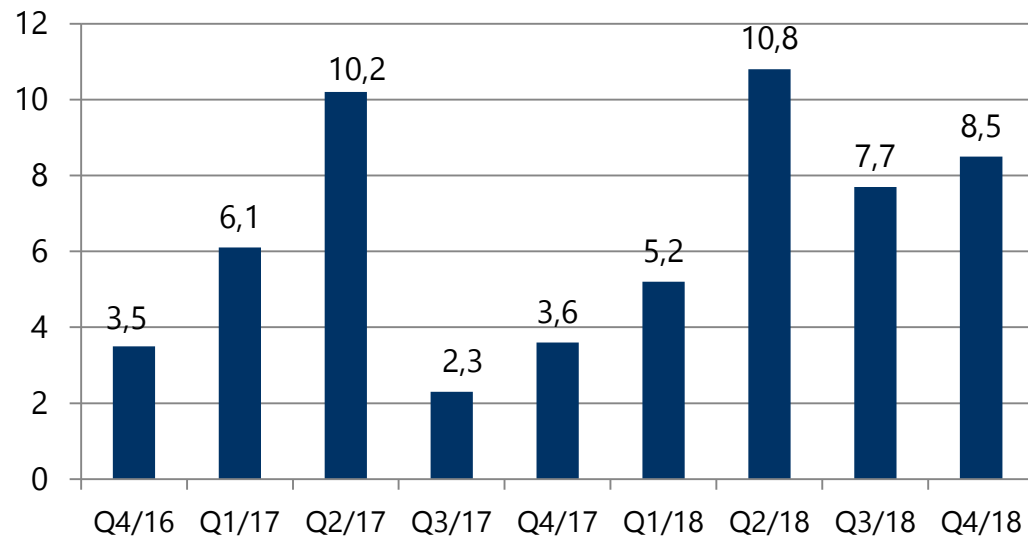
Consolidated statement of financial position, equity and liabilities

EUR thousand	31.12.2018	31.12.2017 (restated)
Equity		
Share capital	11,860	11,860
Share premium account	24,681	24,681
Reserve for invested unrestricted equity	81,185	87,423
Treasury shares	-44	-44
Fair value and other reserves	264	264
Exchange differences	-669	-3,151
Retained earnings	13,237	15,761
Total equity attributable to owners of the parent	130,513	136,794
Liabilities		
Non-current liabilities		
Deferred tax liabilities	12,373	14,558
Liabilities from defined benefit plans	847	984
Other non-current liabilities	17	49
Debentures	80,615	95,192
Other non-current interest-bearing liabilities	84	162
Total non-current liabilities	93,935	110,945
Current liabilities		
Debentures	15,687	-
Current interest-bearing liabilities	5,078	15,118
Liabilities for current tax	121	32
Trade payables and other current liabilities	75,386	59,152
Total current liabilities	96,272	74,302
Total liabilities	190,207	185,247
Total equity and liabilities	320,720	322,040

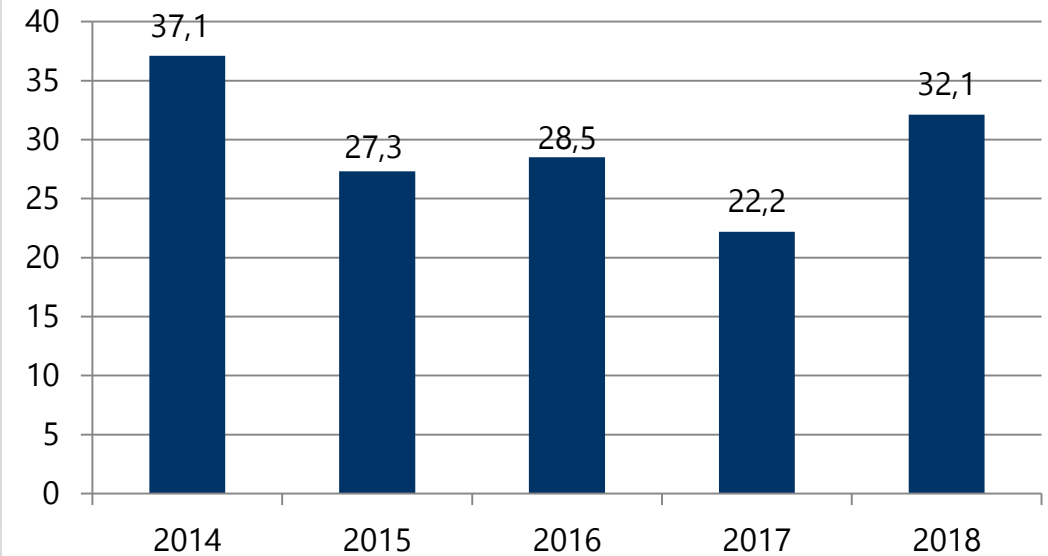
◀ No major changes in equity or liabilities

Cash flow from operations remained strong

Cash flow from operations, EUR million



Cash flow from operations, EUR million



- Cash flow from operations remained strong, thanks to the positive development in net working capital.

Statement of cash flows (1/2)

EUR thousand	1-12/2018	1-12/2017
Cash flow from operations		
Profit for the period	-1,720	14,478
Total adjustments to profit the period	27,210	21,069
Cash flow before changes in net working capital	25,490	35,547
Change in net working capital	5,621	-8,028
Financial items	-4,677	-5,575
Income taxes	5,715	207
Cash flow from operations	32,148	22,152
Cash flow from investments		
Investments in property, plant and equipment and intangible assets	-15,039	-33,839
Cash flow from disposed businesses	198	287
Sales proceeds from property, plant and equipment and intangible assets	4	5
Cash flow from investments	-14,837	-33,548

← Cash flow from operations remained strong

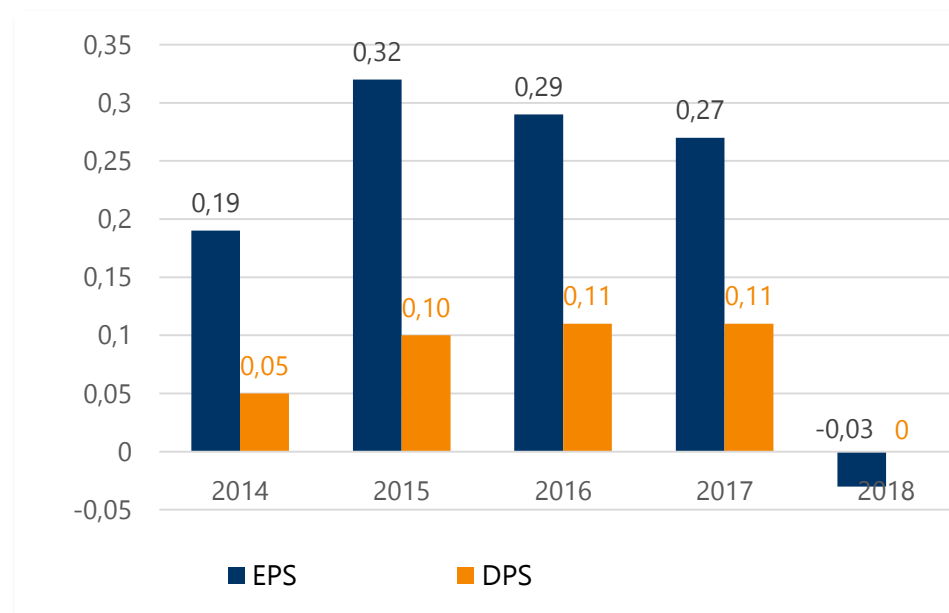
Statement of cash flows (2/2)

EUR thousand	1-12/2018	1-12/2017
Cash flow from financing		
Drawdown of non-current interest-bearing liabilities	-	25,730
Drawdown of current interest-bearing liabilities	5,000	25,000
Repayment of current interest-bearing liabilities	-15,118	-27,263
Repayment in loan receivables	-	1,550
Tender and issuance costs of the bonds	-	-5,190
Payment of hybrid bond interest	-	-642
Return of capital / dividend distribution	-6,322	-5,585
Cash flow from financing	-16,440	13,599
Change in cash and cash equivalents	871	2,203
Cash and cash equivalents at the beginning of the period	27,240	29,522
Effect of changes in exchange rates	-355	-4,485
Change in cash and cash equivalents	871	2,203
Cash and cash equivalents at the end of the period	27,757	27,240

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

- The Board of Directors proposes that no dividend will be distributed and no capital will be returned from the reserve for invested unrestricted equity for the financial year 2018 and that the profit shall be transferred to retained earnings.

Earnings per share* and dividend per share**, €



*) In 2014, EPS concerning the continuing operations.

***) In 2014 distribution of funds, in 2017 return of capital, in 2018 proposal for the AGM.

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

Thank you!



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