

# Annual General Meeting 2014 Review by the President & CEO

Nina Kopola  
President & CEO



# Contents

---

- Suominen management
- Year 2013 at a glance
- Expanding Suominen's business to South America
- Market review
- Financial review
- Implementation of the strategy in 2013
- Outlook for 2014
- Summary

# Corporate Executive Team and Corporate Leadership Team



**Nina Kopola**

President & CEO,  
SVP, Care (act.)



**Tapio Engström**

SVP, CFO



**Timo Hiekkaranta**

SVP, Convenience



**Reima Kerttula**

SVP, Flexibles



**Larry Kinn**

SVP, Operations,  
Americas



**Mimoun Saim**

SVP, Operations, EMEA



**Hannu Sivula**

SVP, Human Resources



**Anu Heinonen**

VP, Corporate  
Communications & IR



**Margareta  
Huldén**

VP, R&D



**Roberto Pedoja**

VP, Technology



**Timo Rautakorpi**

VP, CIO



**Saara Söderberg**

VP, Marketing &  
Product Management

## Year 2013 at a glance

---

Net sales and  
operating profit  
secured at new  
level

The divestment  
of the Codi  
Wipes business  
clarified  
Suominen's  
position in the  
nonwovens  
value chain

We executed  
our strategy  
*In the Lead*  
determinedly  
through several  
measures

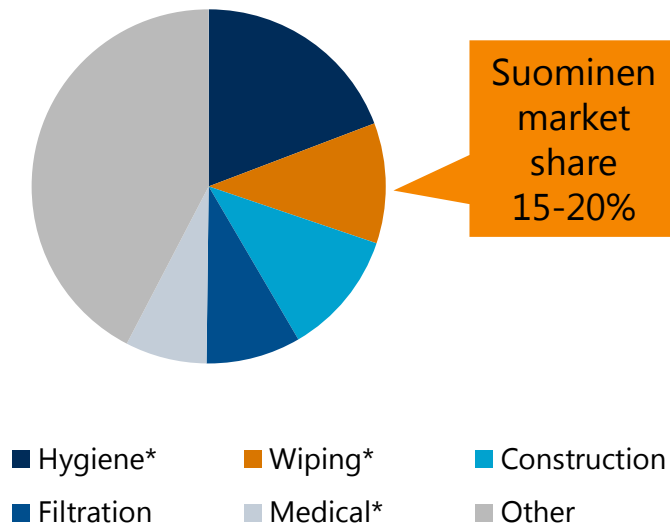
# Expansion to South America

---

- Suominen and Ahlstrom agreed on the sales of the Paulínia unit in Brazil to Suominen on 10 Jan 2014. Formerly the plant was part of Ahlstrom's Home and Personal business area. The deal was closed on 10 Feb 2014.
- The deal provides Suominen a foothold in a new, growing market region. Suominen became a truly global player in nonwovens.
- The purchase price, 17.5 M€, was financed through a hybrid bond.
- Paulínia plant is the only nonwovens facility utilizing modern spunlace technology in manufacturing wiping products in the country.
- The annual sales of the plant currently some 20 M€, free capacity available for future growth.
- The profitability of the plant is above the average of other Suominen's plants → increase in the share of products with higher value add in our portfolio.
- The plant is built in 2008 and it employes appr. 40 people.

# New, dynamic and growing market region for Suominen

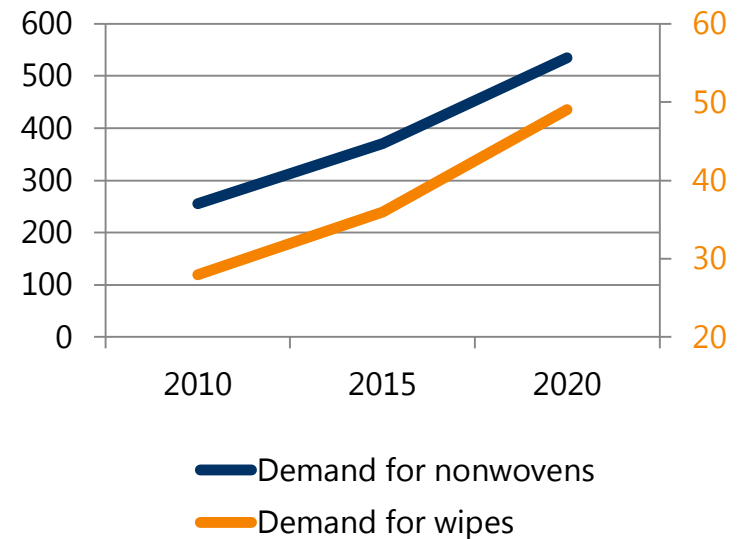
## Nonwovens demand in Brazil 2010



\*) Suominen markets. Market data from 2010.

Sources: Freedonia, Suominen.

## Demand growth in Brazil



Demographic factors (including the growth of middle class) increase the demand for nonwovens products, such as baby wipes and hygiene products.

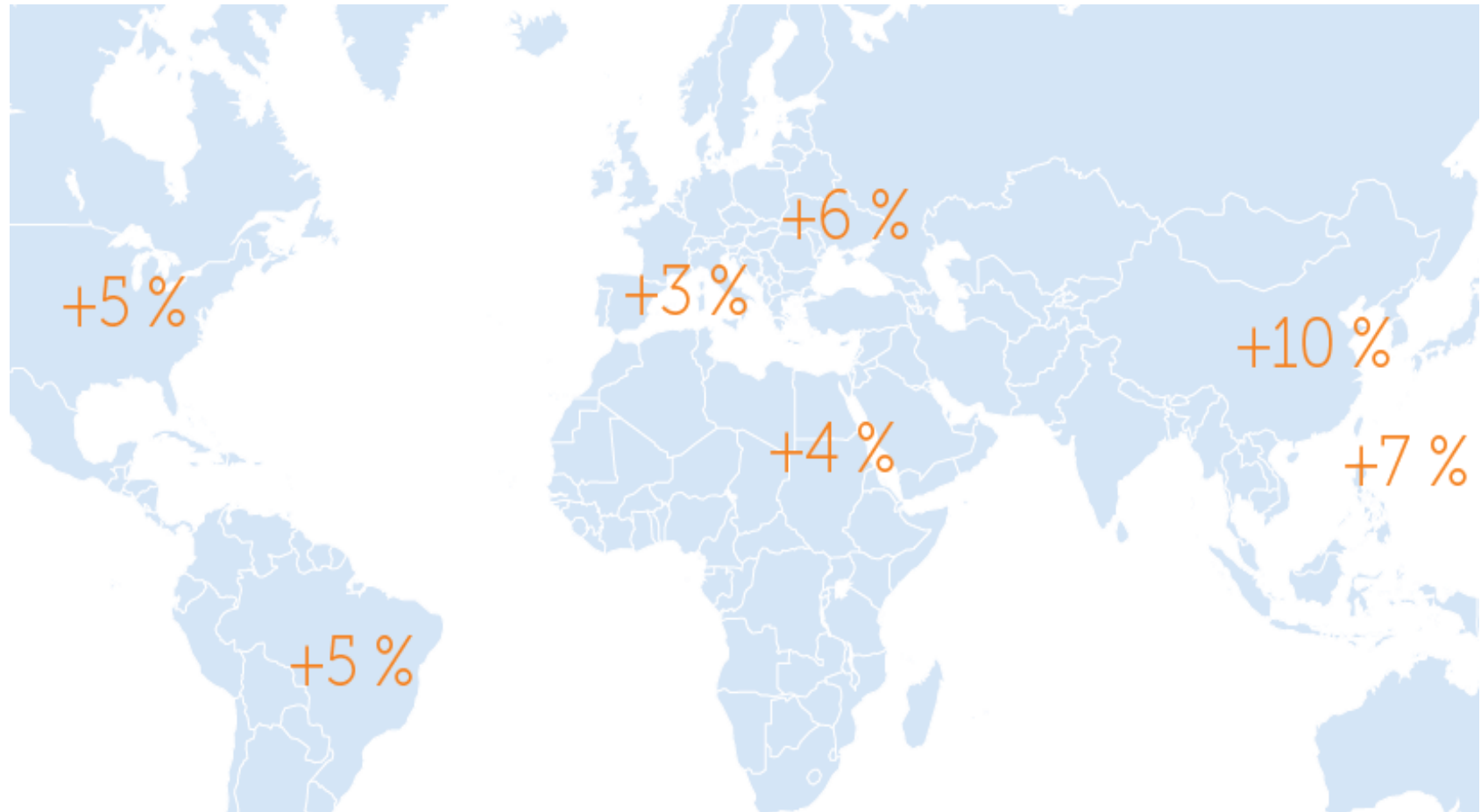
---

# Market review



# Demand for nonwovens for wiping products is growing globally

---



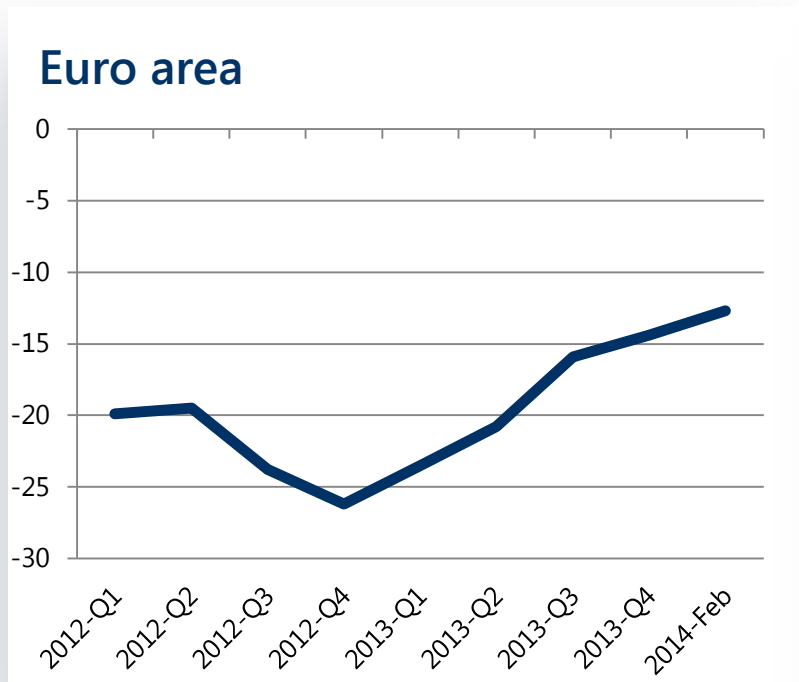
Source: Freedonia, world wipes market for nonwoven fabrics, market growth (CAGR) by region from 2010 to 2020 in thousand tons.



# Global megatrends accelerate the demand for Suominen's products

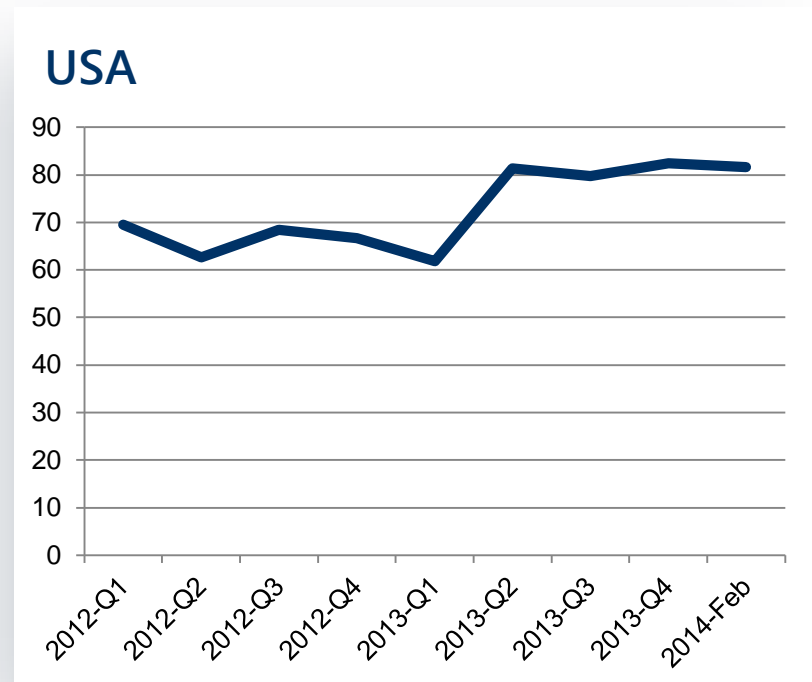


# In shorter term, trends in consumer confidence indicate demand



In the euro area, consumer confidence has slightly improved but the outlook is still unstable. In February, the CCI was -12.7, showing a slight decrease from January 2014..

Sources: Euro area: European commission, economic & financial affairs.  
USA: The Conference Board



In the USA, the Consumer Confidence Index has fluctuated but however the sentiment has been more optimistic than in euro area already for some time. In February, CCI decreased slightly from January also in the USA.

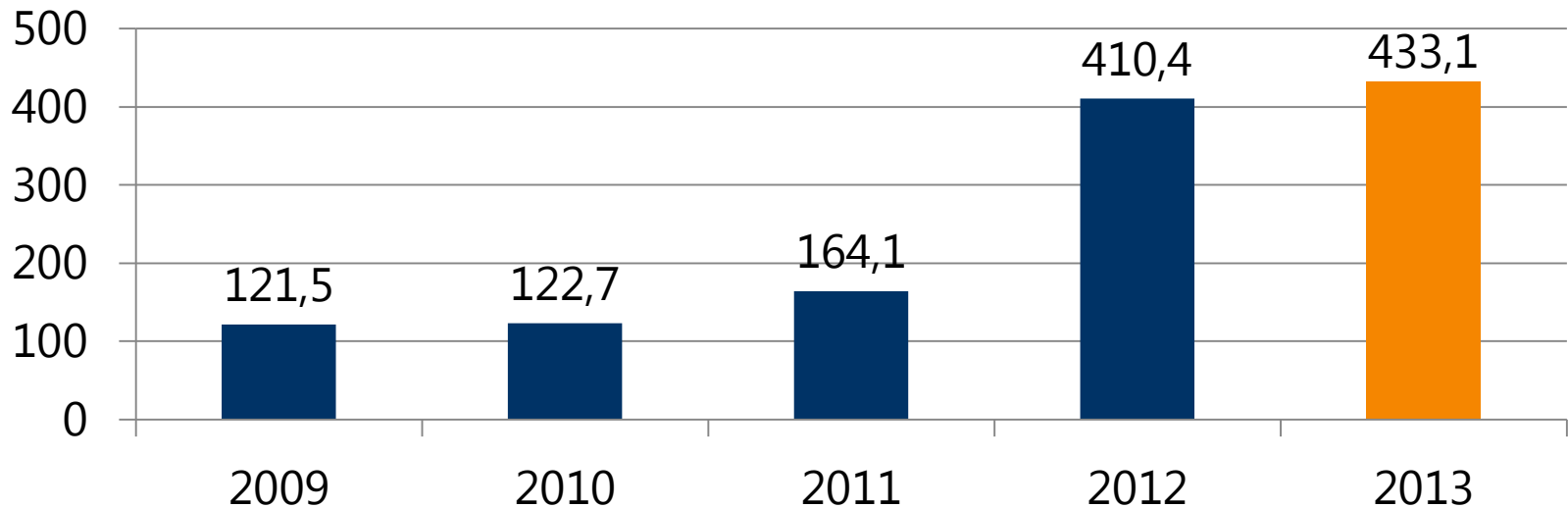
---

# Financial review 2013



# Net sales grew 6%, slightly exceeding the market average

Net sales, M€

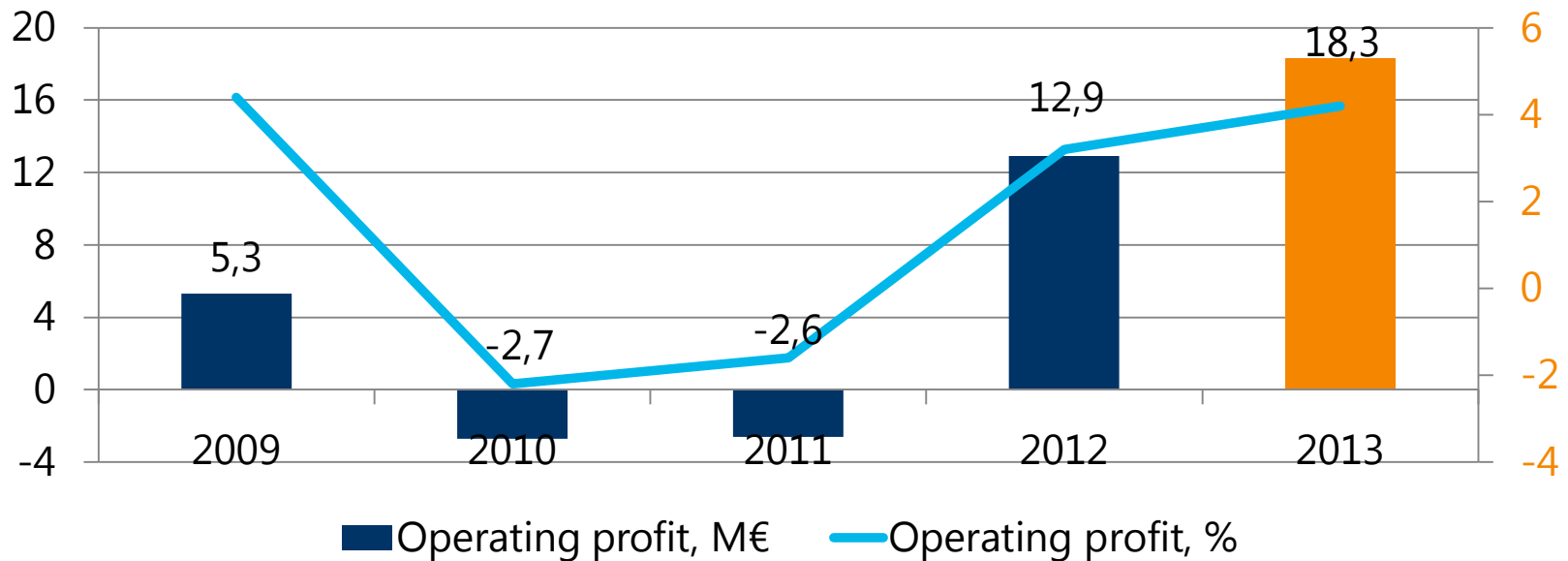


- Healthy demand for nonwovens continued in North American markets.
- In Europe, tight competition put pressure on pricing.

*Continued operations. Business acquired from Ahlstrom included in Suominen reporting as of 1 November 2011.*

# Operating profit excluding non-recurring items improved significantly

Operating profit excluding non-recurring items, M€ and %

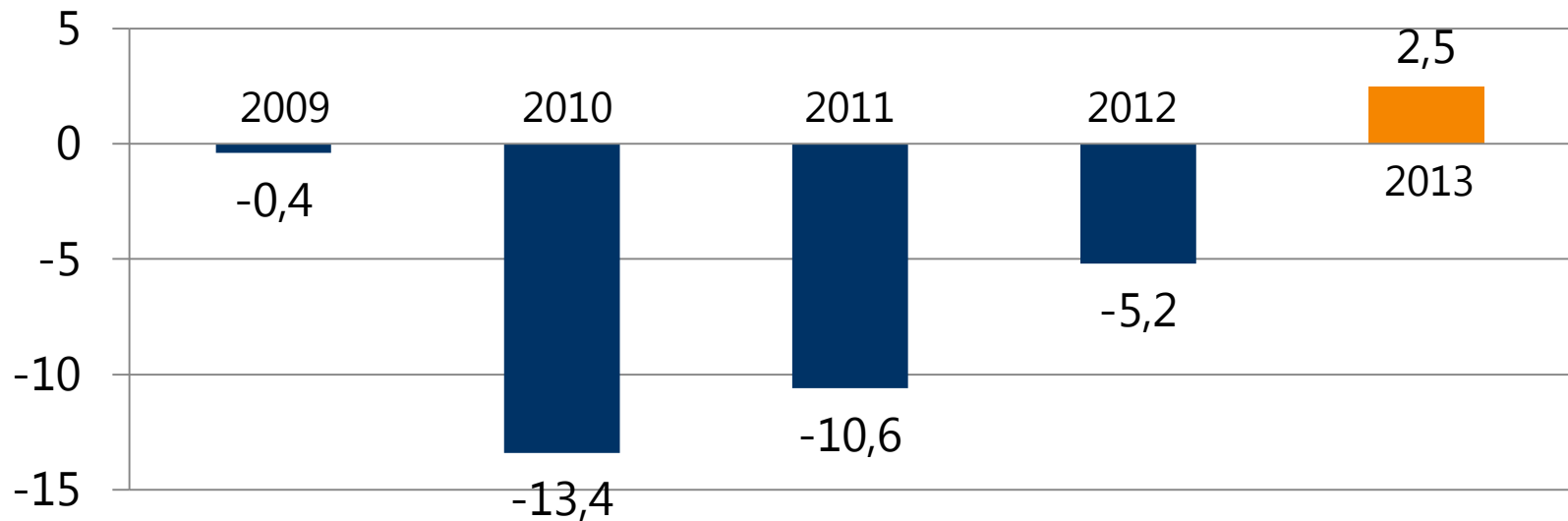


- The Summit program, completed in March 2013, generated structural cost savings of some 10 M€ and thus had a positive impact on Suominen's profitability.

*Continued operations. Business acquired from Ahlstrom included in Suominen reporting as of 1 November 2011.*

# Profit for the period was positive

Profit for the period, continuing operations, M€

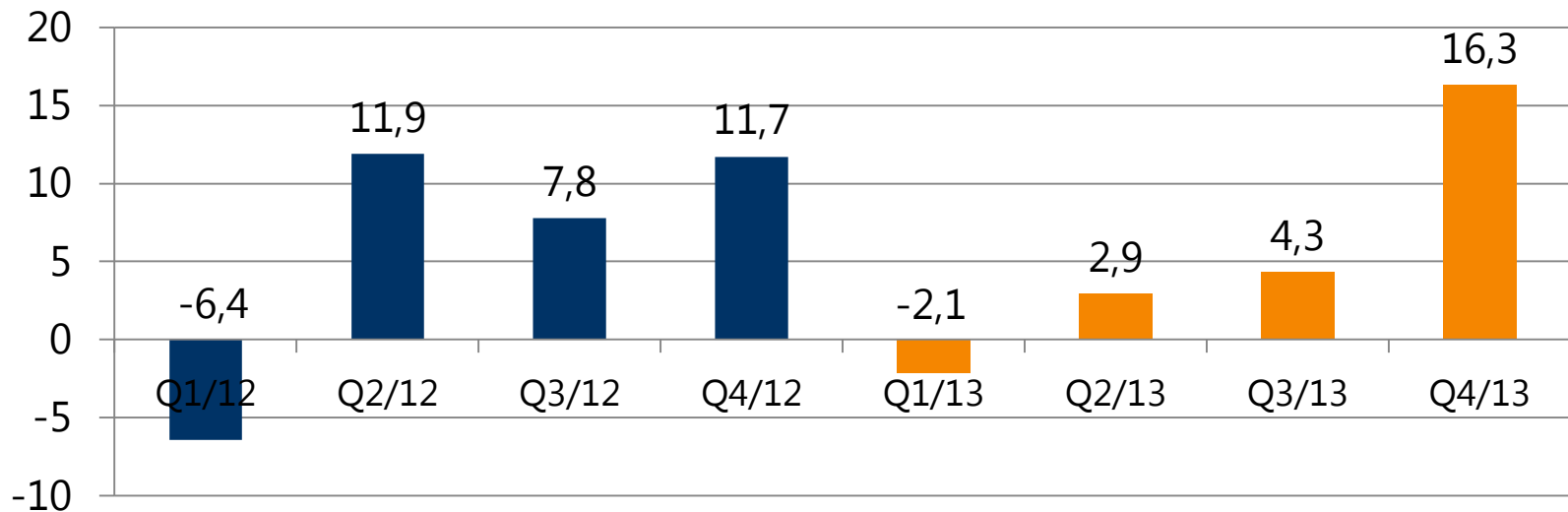


- Profit for the period was positive after several loss-making years.

*Continued operations. Business acquired from Ahlstrom included in Suominen reporting as of 1 November 2011.*

# Cash flow from operations strengthened towards the year-end

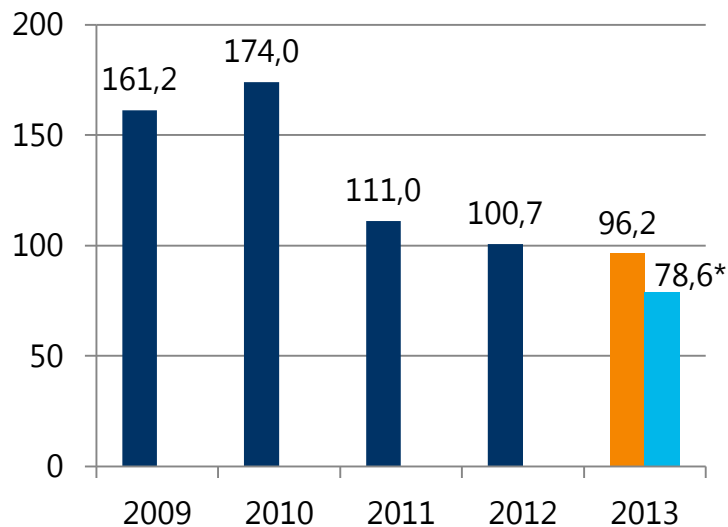
Cash flow from operations, M€



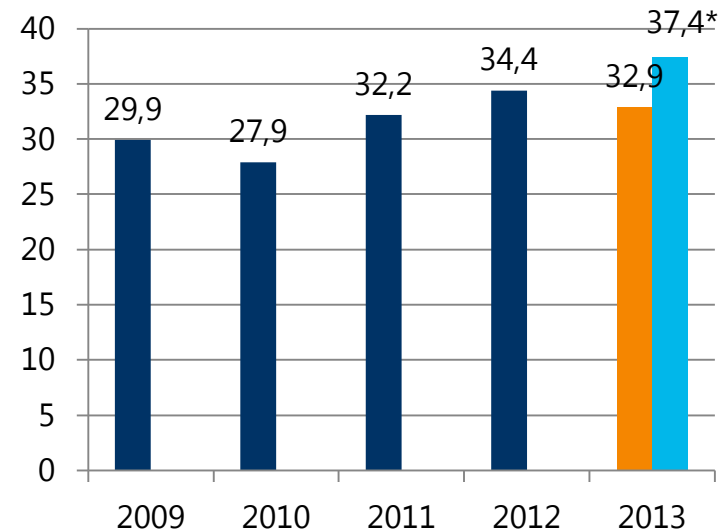
- In financial year 2013, cash flow from operations was M€ 21.3 (24.9).
- M€ 6.5 (5.0) of working capital has been released since 1 January 2013.

# Stable financial position

## Gearing ratio, %



## Equity ratio, %



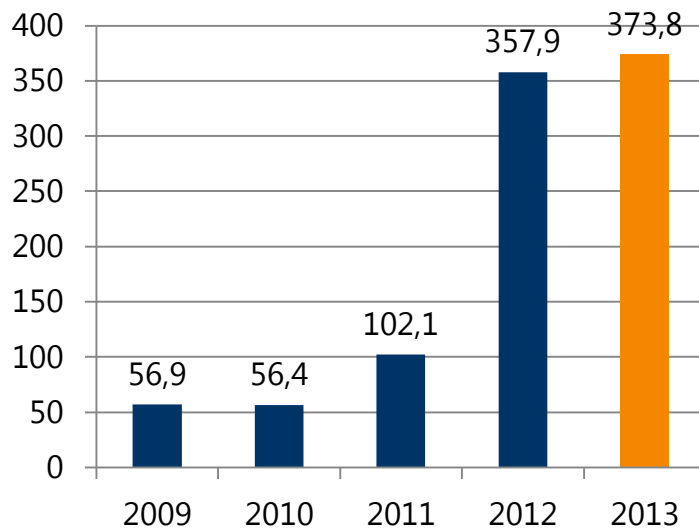
\* Impact of the hybrid bond (17.5 M€) to financial figures on 31 Dec 2013.

- Interest-bearing net liabilities decreased to M€ 75.5.
- Leverage was 2.2 in the end of the reporting period.

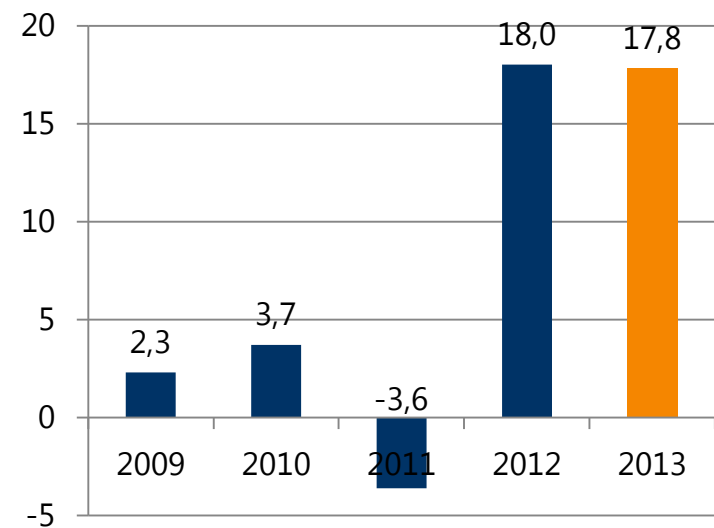


# Wiping segment: a new level of net sales and operating profit secured

## Net sales, M€



## Operating profit excl. NRI, M€

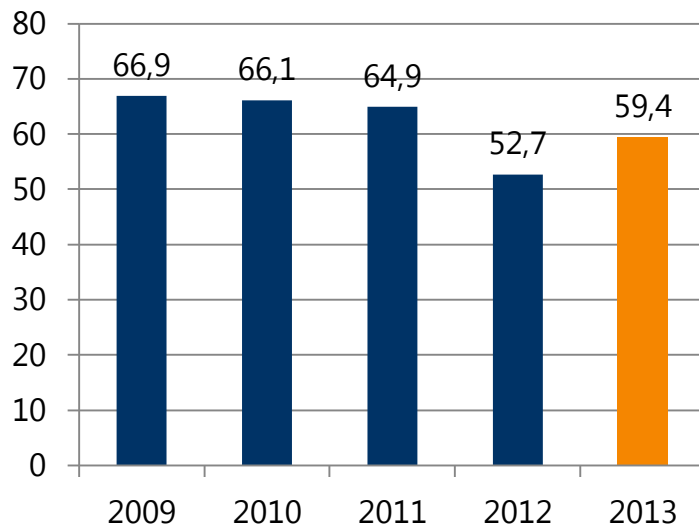


*NRI= Non-recurring items*

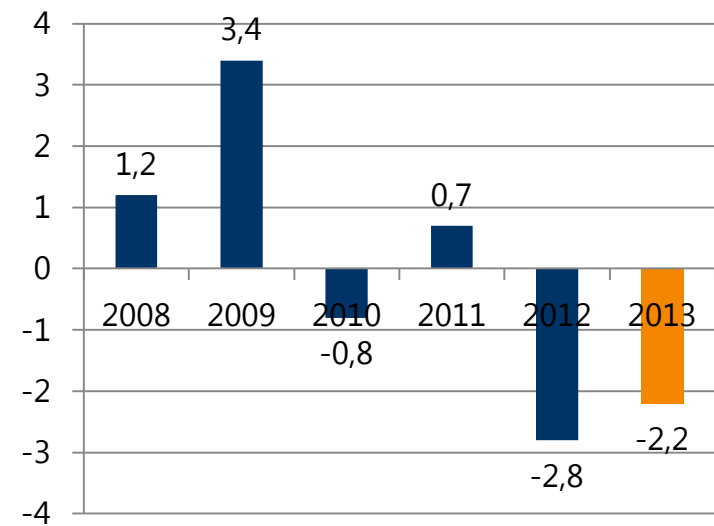
*Continued operations. Business acquired from Ahlstrom included in Suominen reporting as of 1 November 2011.*

# Flexibles segment: result remained negative, business recovery program intensified

## Net sales, M€



## Operating profit excl. NRI, M€



*NRI= Non-recurring items*

---

# Implementation of the strategy

# The three cornerstones of the strategy



**Suominen  
Way**

*How we work*



**Step Change in  
Profitability**

*How we operate*

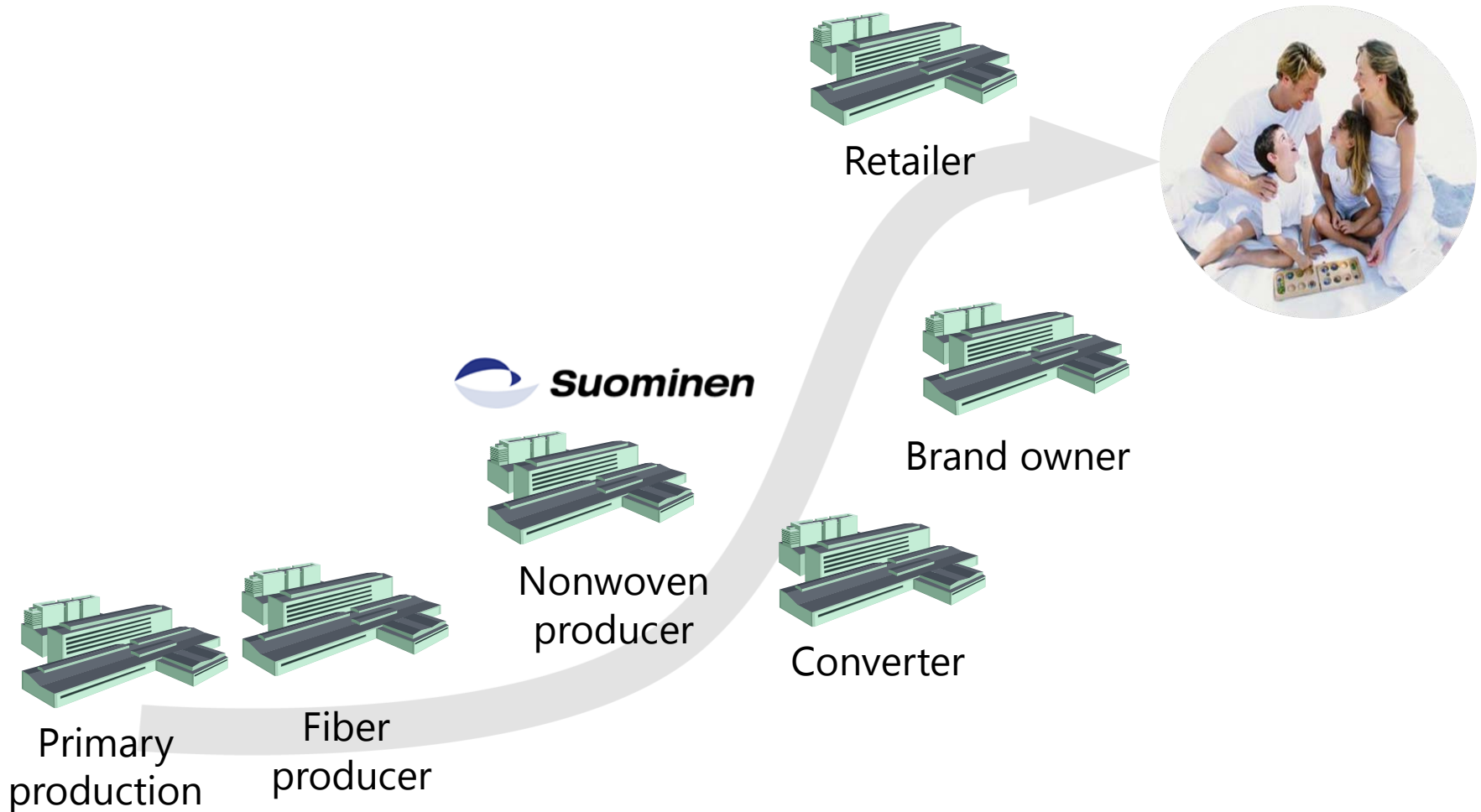


**In the Lead**

*How we win*

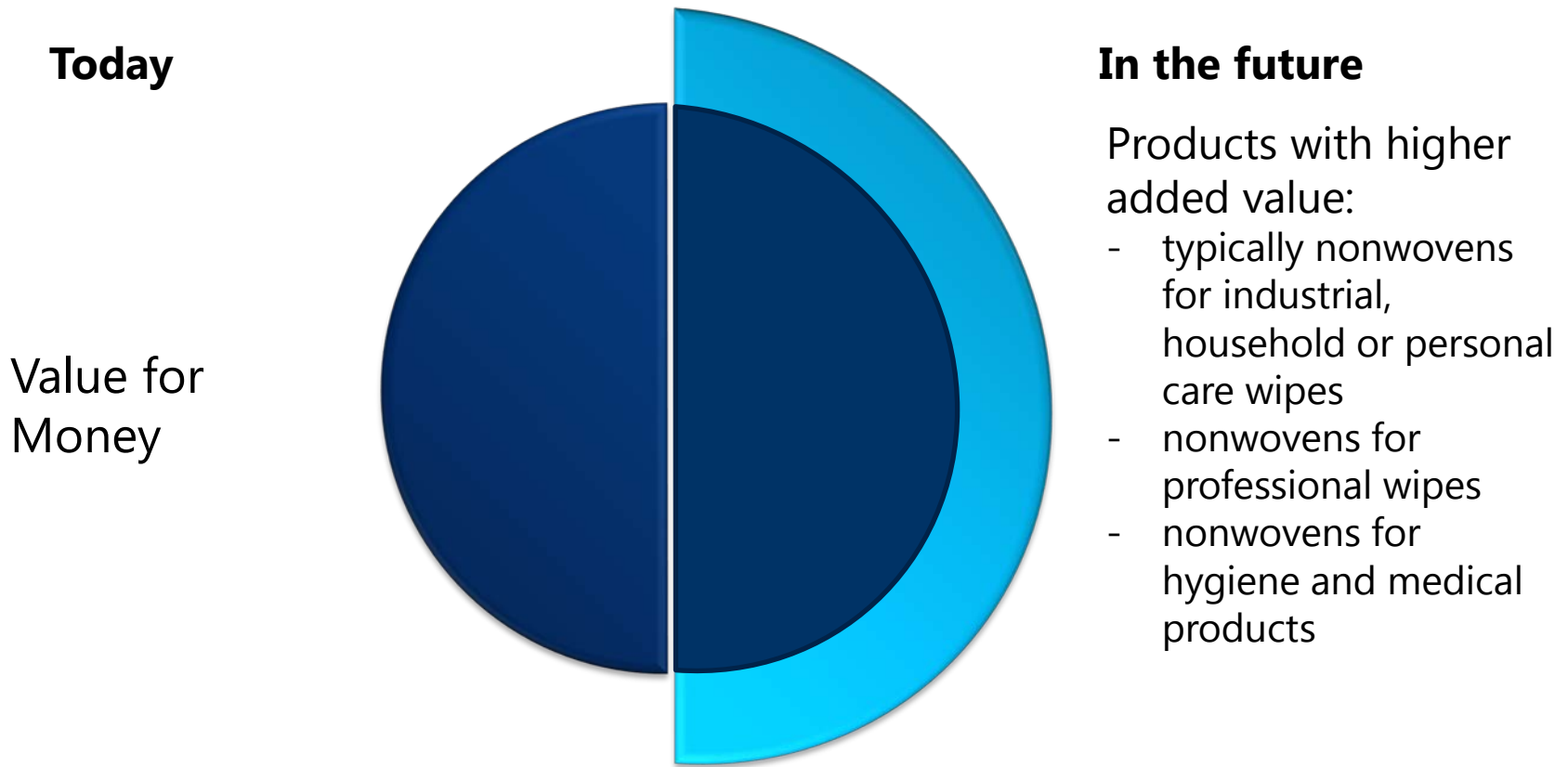


# Understanding the end user is in the heart of our strategy



# We aim at increasing the share of products with higher added value

---



# We renewed our ways of operation and built shared company culture



**Suominen  
Way**

*How we work*



**Step Change in  
Profitability**

*How we operate*



**In the  
Lead**

*How we win*

- In the Compensation & Benefits policy and compensation scheme, the connection between the realization of strategic goals and compensation was reinforced.
- The Behavior Matrix, a tool for ensuring a corporate culture that supports Suominen's strategy, was created in 2013. The matrix helps to establish a common understanding of how Suominen Way is reflected in the behavior and attitude of employees. The matrix is used as the basis for personal performance reviews.
- Suominen was awarded the Entrepreneur Achievement Award at the international IDEA 2013 Conference & Expo.



# Entrepreneur Award 2013 – recognition on a successful change process

---



- The award was a significant recognition of the extensive post-acquisition change process successfully carried out at Suominen.
- Suominen's ability to take bold steps in changing the organization was mentioned as one of the reasons that warranted the award.
- The award represents a recognition for all employees for the commitment and passion they have for their work. Entrepreneurship is crucial at Suominen and stems from the long historic roots of the company.



# We took several important measures to enhance our profitability



**Suominen  
Way**

*How we work*



**Step Change in  
Profitability**

*How we operate*



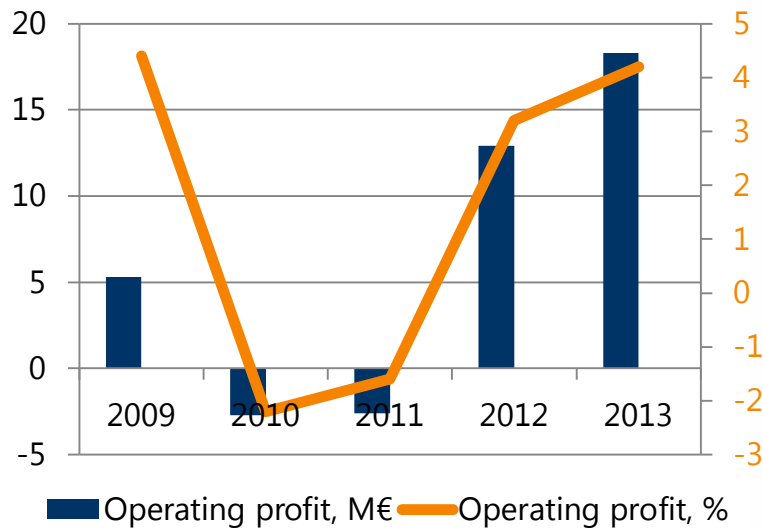
**In the  
Lead**

*How we win*

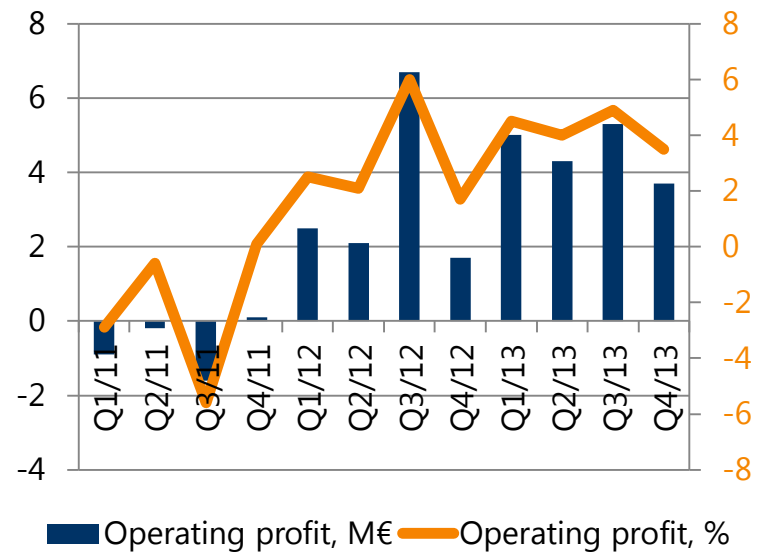
- The Summit program, completed in March 2013, resulted in structural cost savings of around M€ 10.
- The strategic program launched in spring 2013 to enhance the supply chain and increase its flexibility proceeded as planned during the year.
- The business recovery program for the Flexibles unit was intensified. At the Tampere plant, the number of employees was reduced by 26 full-time work years. Further, Suominen decided to invest M€ 0.5 in the plant's automatization.
- Production at the Nakkila and Ikaalinen plants was adjusted through temporary lay-offs.

# A significant improvement in profitability

## Operating profit excl. NRI, annually



## Operating profit excl. NRI, quarterly



*NRI= Non-recurring items.*

*Continued operations. Business acquired from Ahlstrom included in Suominen reporting as of 1 November 2011.*

# We increased the share of products with higher value add in our portfolio



**Suominen  
Way**

*How we work*



**Step Change in  
Profitability**

*How we operate*

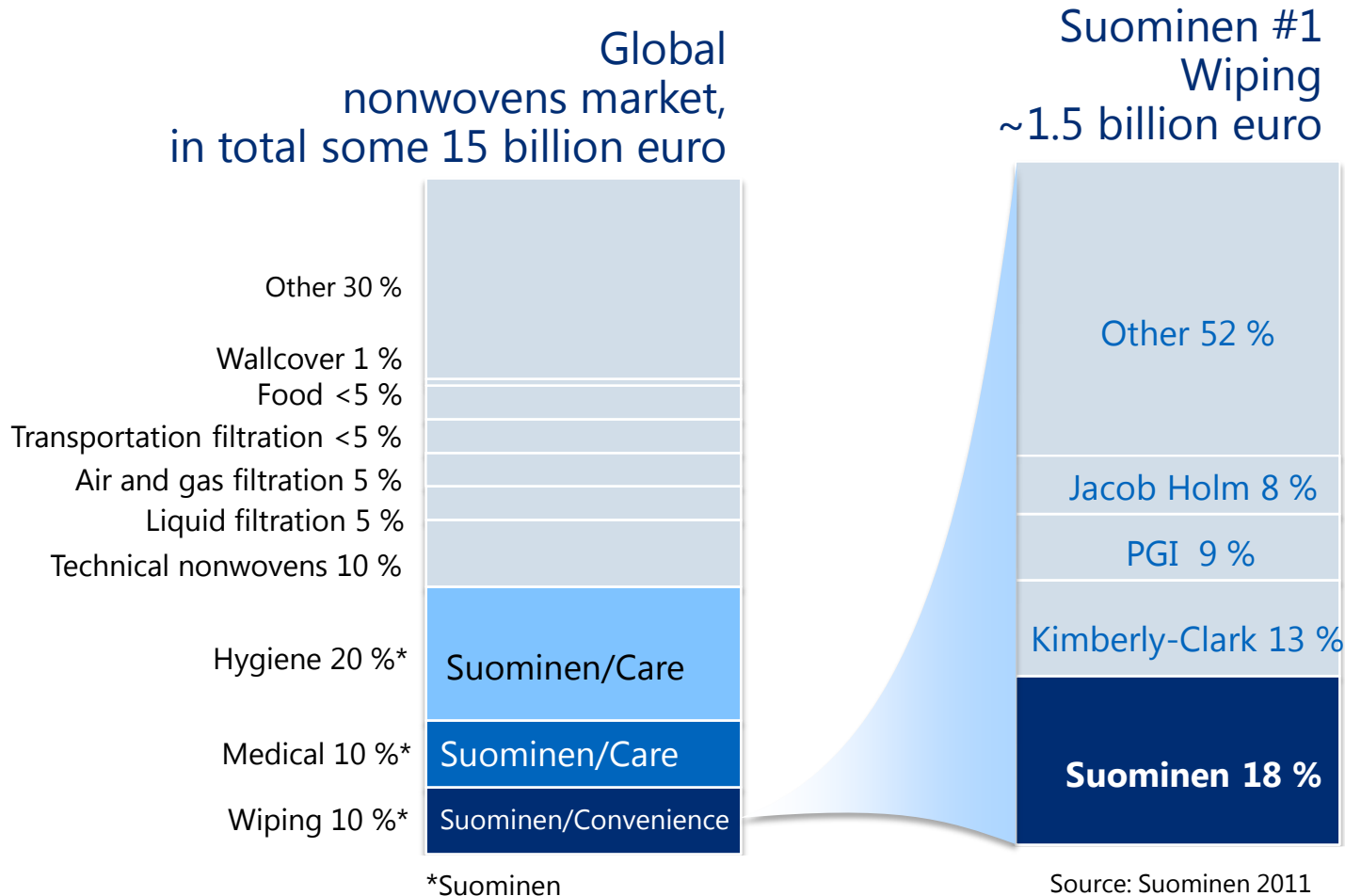


**In the  
Lead**

*How we win*

- The strategic program launched in the spring of 2013 focused on accelerating product development projects.
- The renewal of Suominen's corporate structure, organization and operating model which took effect at the start of 2014 considerably supports the achievement of the company's strategic cornerstone In the Lead.
- Suominen invested some M€ 2.5 to expand its production capacity in higher-value-added nonwovens in the U.S.
- Suominen introduced two new nonwoven products with higher value added.
- "We Love Wipes" dialogue enhances our understanding of consumer needs.

# Suominen is the global leader in nonwovens for wipes



# We Love Wipes consumer dialogue enhances our understanding of consumers' needs

www.welovewipes.com

we love WIPES .com

Winter's here - paws at the ready!  
read more...

**Life can get messy...  
That's why we love wipes!**

We Love Wipes. We hope you do too! That's why we're here. We want to know why you love wipes and to explore all the diverse ways people use them. From babies' bottoms to hurt knees. From cleaning up spills or even returning you to natural beauty. From pet cleanliness to polishing the beloved car. Explore, learn and share the wonderful and wacky world of wipes with us!

All about Wipes | Baby & Toddler | Make-up & Beauty | Personal Hygiene | Around the House | Out & About

Love wipes?  
Do you love wipes?  
Tell us your story...

My life as a dish cloth - confessions from the side of a sink  
26th December 2013

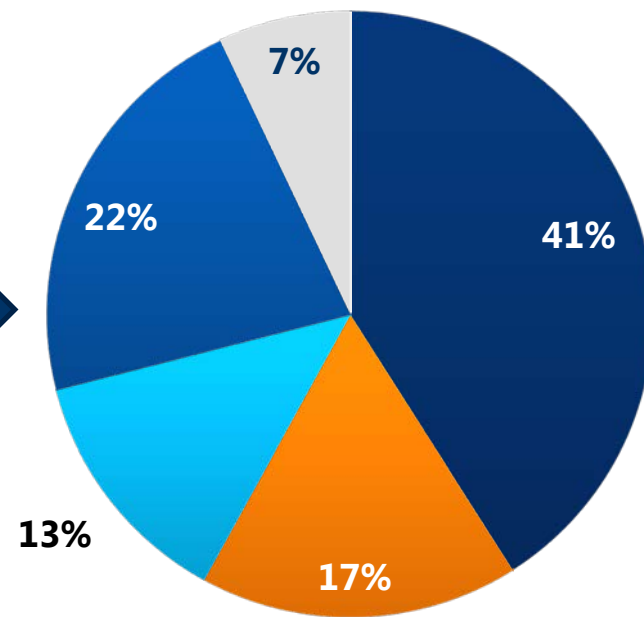
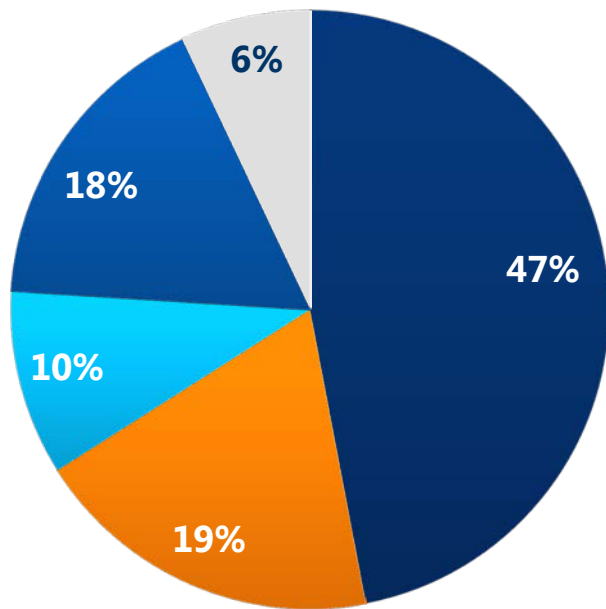
Out & About  
Doggy meme  
The awkward moment when you realise your finger is just

- We Love Wipes is a tool for Suominen to engage in dialogue with consumers directly using, for instance, social media.
- Thanks to the direct communication with consumers, Suominen receives valuable information about consumer needs and thus is able to efficiently develop new higher-added-value nonwovens products.

# Visible transformation initiated in the nonwovens portfolio

2012: 357,9 M€ (99,2)

2013: 373,8 M€



■ Baby wipes   ■ Household wipes   ■ Industrial wipes   ■ Personal care wipes   ■ Other

Typically products with higher added value

# Mid-term financial targets

---

Suominen aims to :

- Clearly improve its relative profitability. The target level of the company's **return on investment (ROI) is to be above 10%** (-0.6% in 2013).
- Have a solid capital structure with a **gearing ratio principally between 40% and 80%** (96.2% in 2013).
- **Increase its net sales** at a rate that exceeds the average growth rate of the industry. (In 2013, Suominen's net sales from continuing operations grew 6%.)



---

# Outlook for 2014



# Outlook for 2014

---

- Suominen estimates that its net sales and operating profit excluding non-recurring items for the full year 2014 improve from year 2013.
- In 2013, Suominen's net sales were EUR 433.1 million and operating profit excluding non-recurring items was EUR 18.3 million (continuing operations).
- The net sales outlook was raised on 10 February 2014 in connection with the closing of the acquisition made in Brazil.

# Summary

---

Right  
direction

Suominen developed in several fields in 2013 as we had planned.

New level  
for key  
financials

Net sales and operating profit excl. non-recurring items increased (continuing operations).

Year 2014

Renewing operating model, clarified position in value chain as well as expansion to South America provide Suominen a dynamic start for 2014.

---

# Thank you!