

# Review by the President & CEO

Nina Kopola

15 March 2017



# Agenda

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- Suominen today
- Review 2016
- Outlook for 2017
- Strategy and its execution in 2016
- New strategy period about to begin
- Summary

# Corporate Executive Team and Corporate Leadership Team

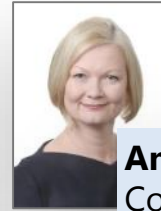
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**Nina Kopola**  
President & CEO



**Ernesto S. Levy**  
Convenience



**Anu Heinonen**  
Communications  
& IR



**Saara Söderberg**  
Marketing & Product  
Management



**Tapio Engström**  
CFO



**Mimoun Saïm**  
Operations



**Margareta Huldén**  
R&D



**Lynda A. Kelly**  
Care



**Hannu Sivula**  
HR



**Roberto Pedoja**  
Technology



**Larry L. Kinn**  
Operations



**Dan Dunbar**  
Sourcing



**Timo Rautakorpi**  
CIO

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# Suominen today

# Our customers convert nonwovens into products for consumers and professionals



# Suominen product features

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# Two business areas – Convenience and Care

## Convenience

- Main end use areas:
  - **Baby** wiping
  - **Household** wiping
  - **Personal care** wiping
  - **Workplace** wiping
- Net sales of the business area (2016): 385.5 M€

## Care

- Main end use areas:
  - **Hygiene** products (femcare, incontinence, diapers)
  - **Medical** nonwovens (e.g. swabs, undercast pads, surgical drapes and masks)
- Net sales of the business area (2016) 31.3 M€

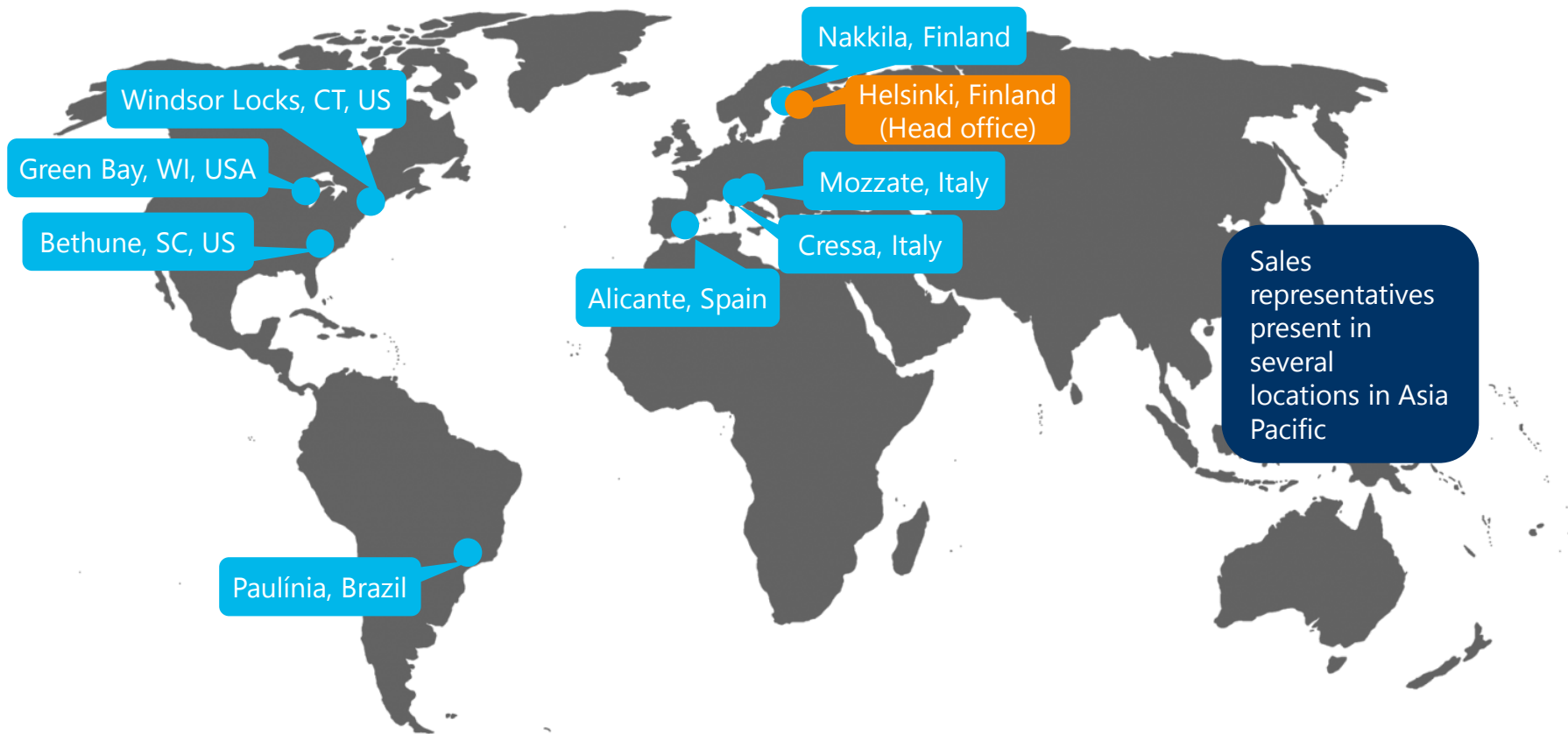
Eight nonwovens plants in three continents serving both business areas

92% of Suominen's net sales

8% of Suominen's net sales

# Locations in three continents make an important competitive edge

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# We hold the leading market position in Convenience, still a challenger Care

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**TOP10**

Ninth-largest  
of all nonwovens  
suppliers globally

**#1**

Global market leader  
in nonwovens  
for wipes  
(Convenience  
business area)

**Challenger**

in nonwovens for  
medical & hygiene  
products  
(Care business area)

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# Review 2016

# Positives and negatives of 2016

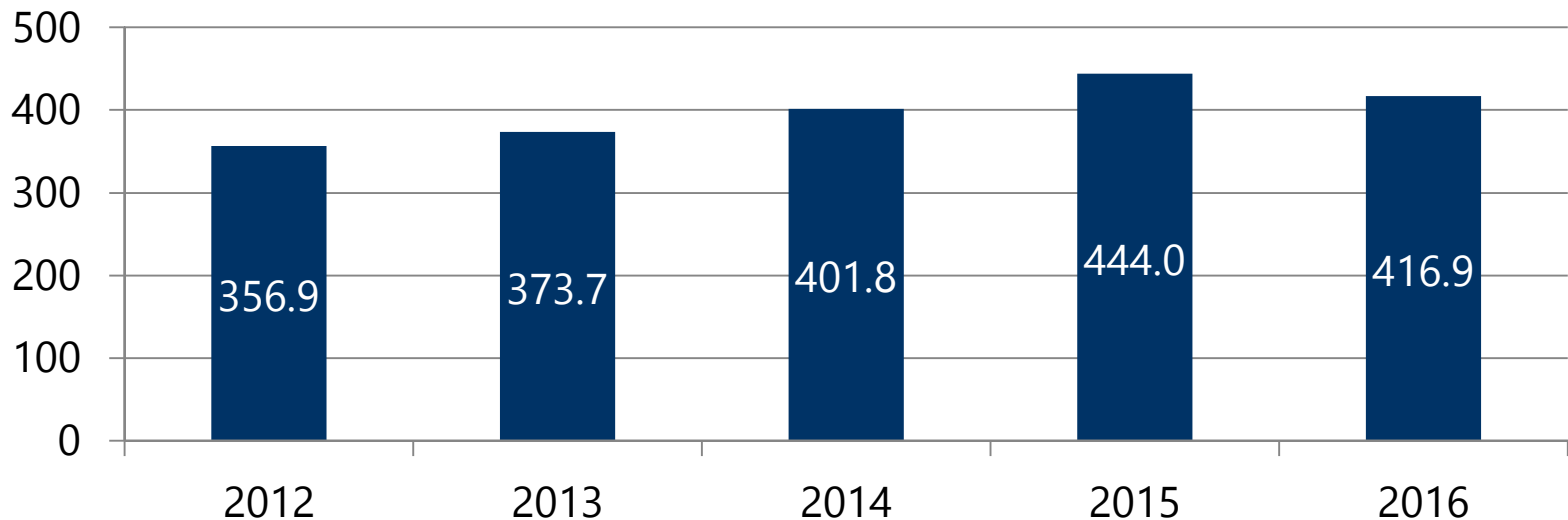
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- The development of net sales and operating profit did not live up to our expectations.
- Financial targets were not met in financial year 2016.

- + Cash flow from operations continued strong.
- + Portfolio transformation continued in the right direction.
- + The Bethune investment proceeded in schedule. Once completed, it will provide us new opportunities for future profitable growth.
- + Dividend proposal is EUR 0.11 per share.

# The net sales fell short of the comparison year but reached the second-best level ever

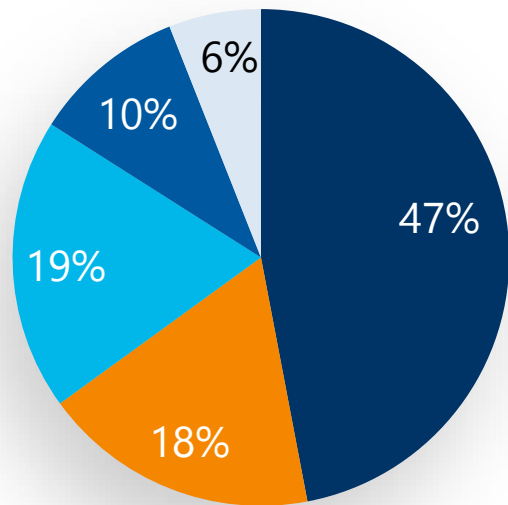
Net sales, EUR million



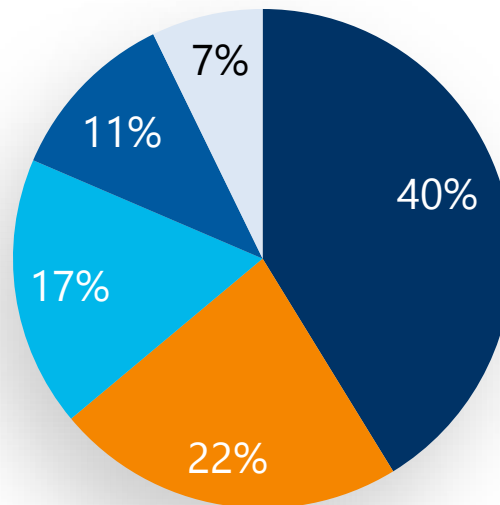
- Due to the tightened competitive situation, it was harder than usual to predict the development of demand. In addition, there were pricing pressure at the markets, mainly in baby wipes in the North American and European markets and in flushable products in the European markets.
- Net sales were affected by both lower sales prices and volumes, approximately in equal proportions.

# The increase in the share of products with high added value\* in our portfolio continued

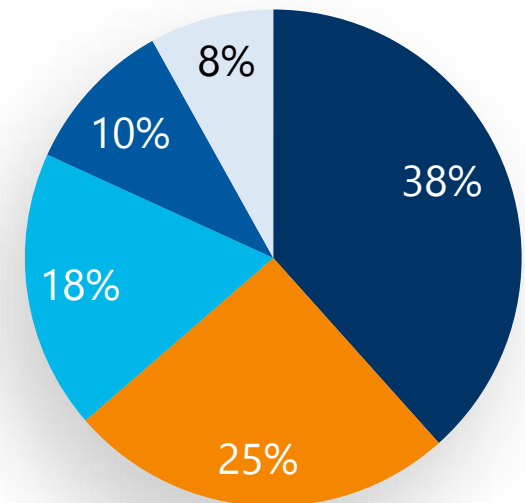
2012: 357.9 M€



2015: 444.0 M€



2016: 416.9 M€

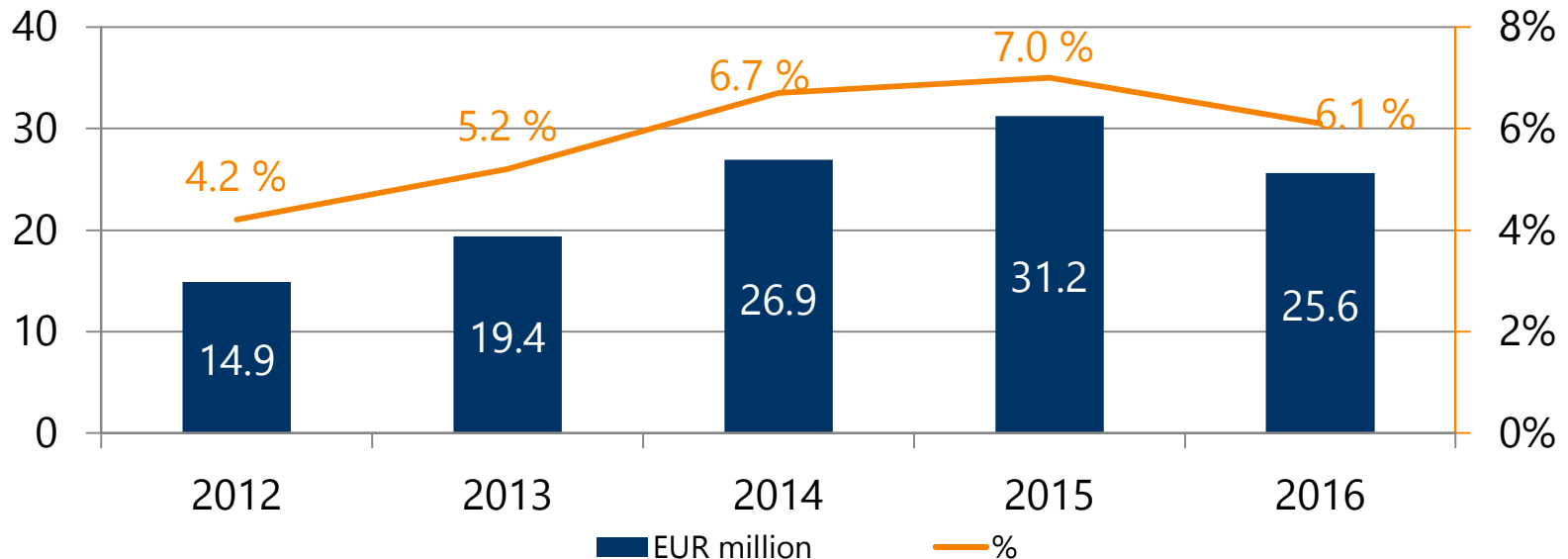


■ Baby wipes ■ Personal care wipes ■ Household wipes ■ Workplace wipes ■ Hygiene & medical products

\*Nonwovens for personal care, household and workplace wipes as well as for hygiene and medical products typically carry high added value.

# Operating profit was burdened due to several factors

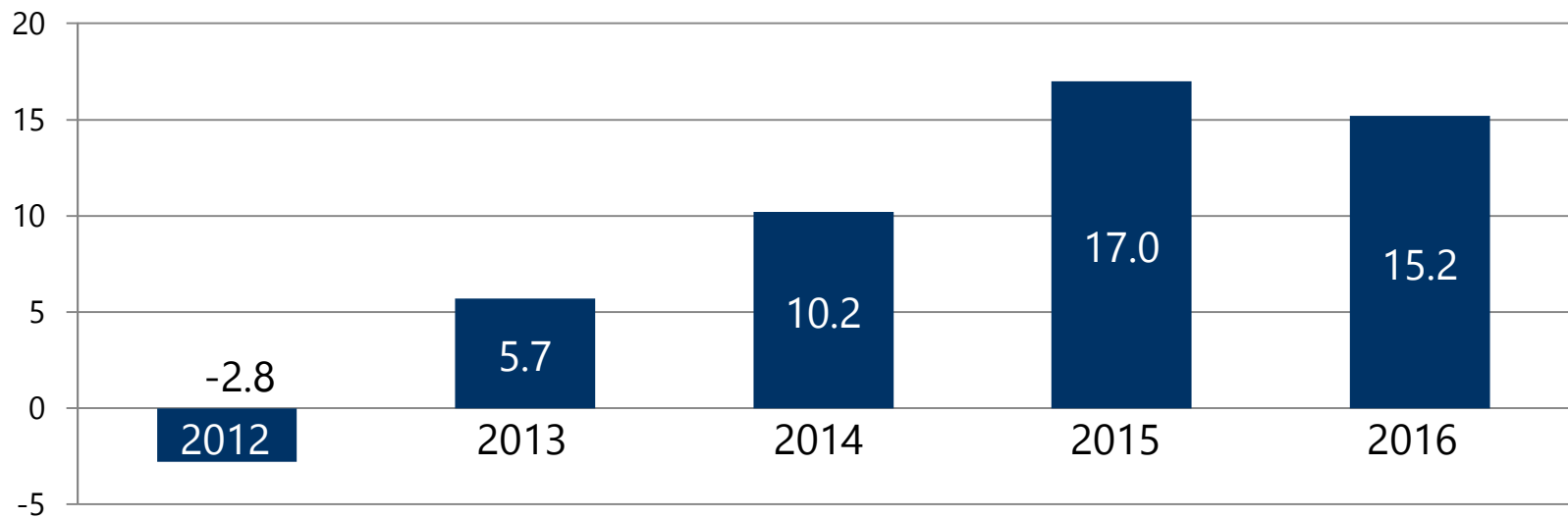
Comparable operating profit, EUR million and %



- Lower sales volumes and pricing pressure caused by tightened competition had an impact on the operating profit.
- The efforts to improve our strategic capabilities, for instance in R&D resources, in the Bethune production line investment, and in the ongoing ICT systems renewal, increased our costs.

# Profit for the period declined from last year

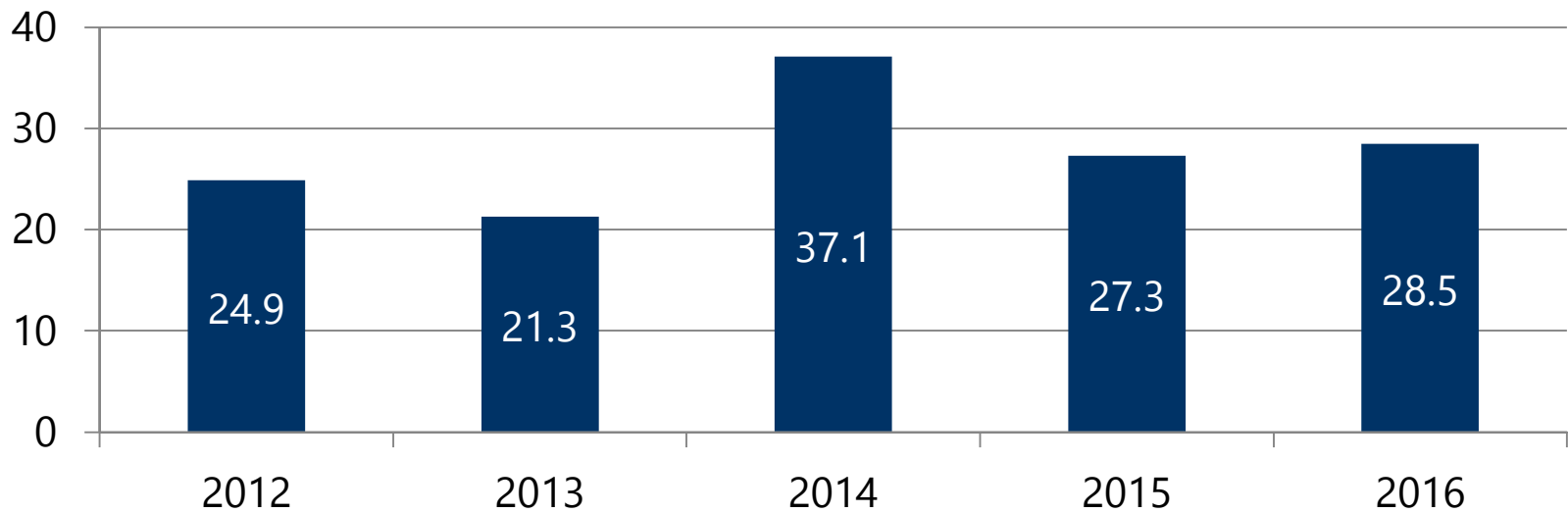
Profit for the period, EUR million



# Cash flow from operations continued strong

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Cash flow from operations, EUR million

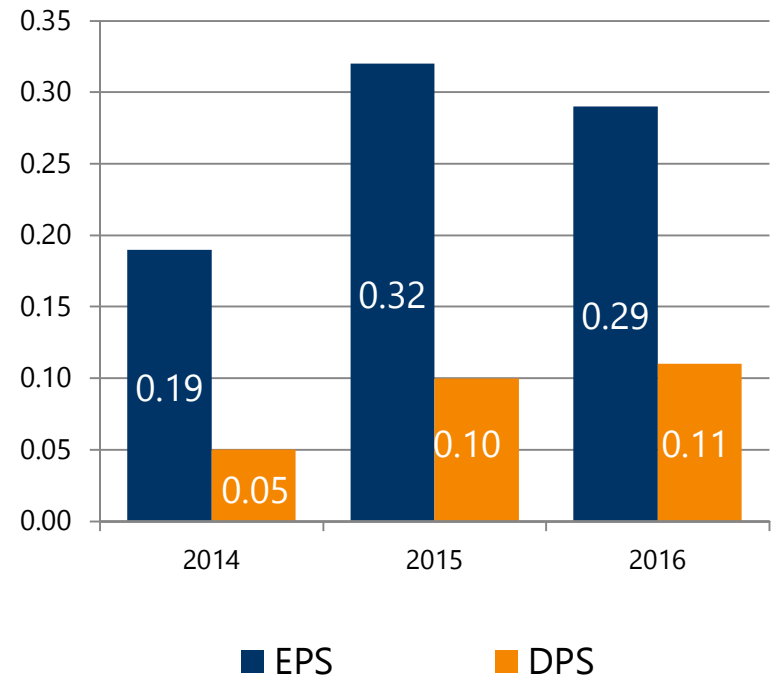




# Dividend proposal by the Board of Directors

- The Board of Directors proposes to the Annual General Meeting of Suominen that a dividend of EUR 0.11 per share will be paid from FY2016.
- The proposal is in line with Suominen's dividend policy
- The total shareholder return (TSR) is 100% (2011/11/1 – 2016/12/31)

EPS and DPS, EUR



2016: Proposal for the AGM.  
2014: Distribution of funds. EPS concerns the result of the continuing operations, not result for the financial year.

# Outlook for 2017

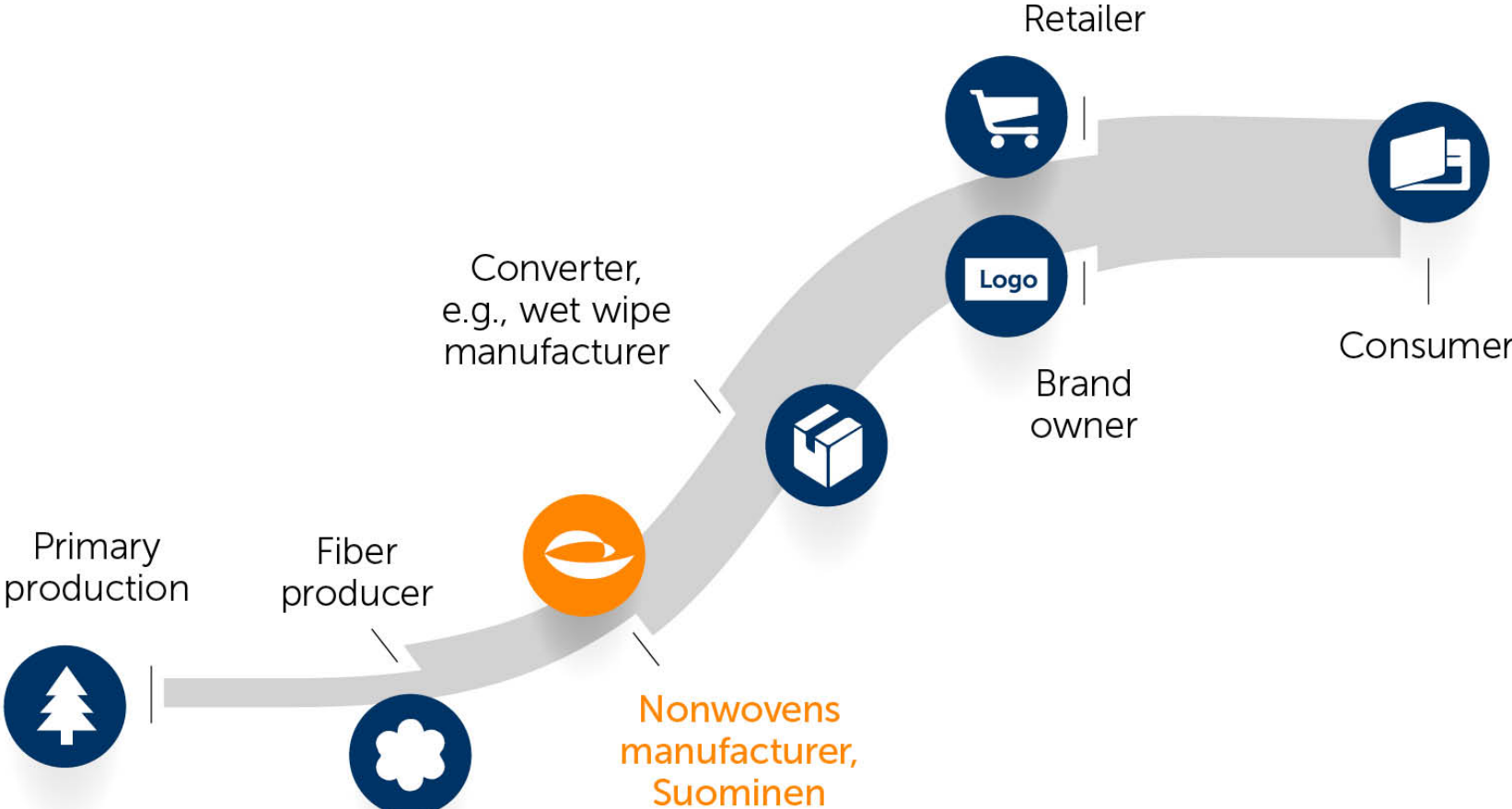
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- Suominen expects that for the full year 2017, its net sales will improve from year 2016.
- Also the comparable operating profit is estimated to improve from year 2016, provided that the new production line at the Bethune plant will be started up as planned.
- In 2016, Suominen's net sales amounted to EUR 416.9 million and comparable operating profit to EUR 25.6 million.

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# Strategy and its execution in 2016

# Also in the nonwovens industry, consumer is the king



# Suominen's strategy 2015–2017

## Vision

Market Driven Product Leader

## Strategy

1. Deliver superior value in thoughtfully selected market applications.
2. Drive proactive key account management.
3. Execute demand driven supply chain.
4. Evolve culture and capabilities to build strong product company.



## Purpose

Our purpose is to make nonwovens continuously better for people

# Key activities in delivering superior value

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1

Deliver superior value  
in selected market  
applications

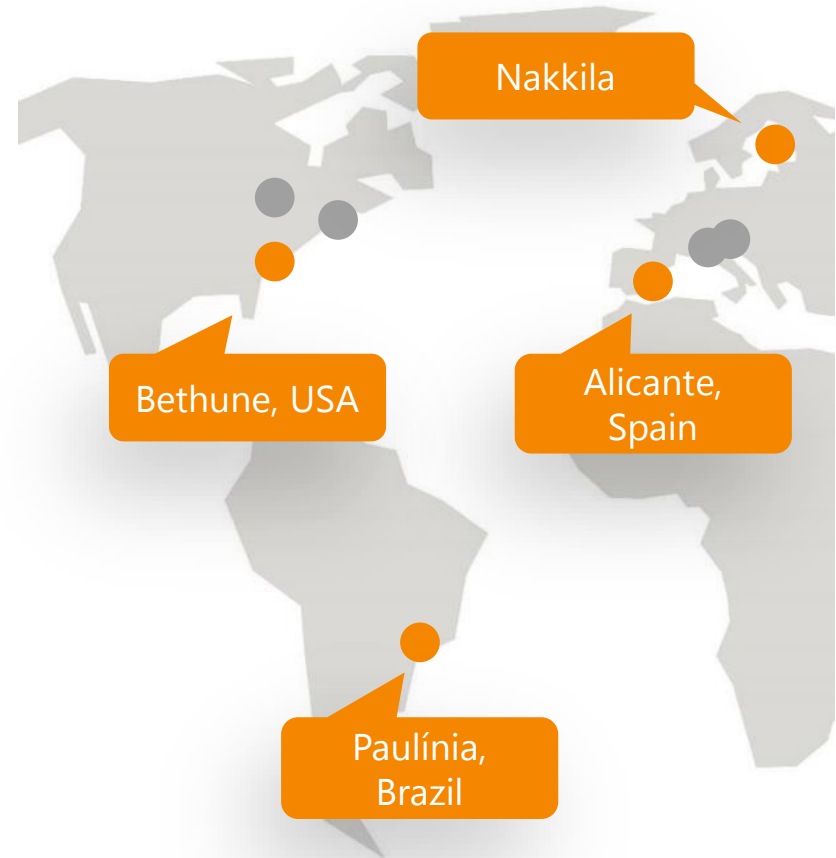
+60 M€ growth investment program  
reaching its final leg

Product development process and  
capacity enhanced

New products launched

# The growth investment program covers three continents

- Supports the transformation of the product portfolio towards the larger share of high value-added products.
- Initiatives in four plants on three continents.
- A new wetlaid manufacturing line to Bethune, SC; USA (over EUR 50 million).
- Retrofit investments made in Europe and in South America.



# Investment program targeted to growing markets and products with high added value

Location	Value	Segments	Market growth*	Competitive situation
Bethune, SC, US	>50 M€	Flushables	+9 %(NA)	Tightening
		Household wiping	+7 %(NA)	Balanced
		Workplace wiping	+5-7%	Balanced
Paulínia, BR	4 M€	Medical	+3-5 %	Emerging market
Alicante, SP		Workplace wiping	+5-7%	Balanced
Nakkila, FI		Several segments	+2 %→	Mixed

\*Estimates based on third party forecasts and management analysis, reflecting averages.



# The new manufacturing line in Bethune is currently in the start-up phase

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- The entire capacity of the new line will be allocated for products with high value-added.
- Since the line is tailor-made based on Suominen's own expertise, we can supply products our competitors cannot.
- Customer deliveries are scheduled to start in the coming days.



# Thanks to the investments, we have been able to launch new products to the market

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- AIRLACE™ for Workplace was launched in January 2017.
- The retrofit investment made at Alicante plant enables Suominen to manufacture the new product.
- FIBRELLA® Perf for medical applications was launched in 2015. The product is available also for South American customers thanks to the retrofit investment made at Paulínia plant.
- More new products to be launched during spring 2017.



**suominen@work**



# New competencies in the Corporate Executive Team

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- Markku Koivisto has been appointed Senior Vice President, Chief Technology Officer and a member of the Corporate Executive Team as of 27 March 2017.
- Mr. Koivisto joins Suominen from UPM Raflatac, where he lead the Global Business Development organization.
- His industrial and technological experience combined with his proven track record in commercializing innovations will bring new competencies in Suominen.
- Technological competence will play an important part in the execution of Suominen's current and future strategies.



# Key activities in creating mutual value

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2

Drive proactive key account management for mutual value creation

Customer satisfaction and the perception on the added value generated by Suominen clearly improved (7,32 → 7,61).

The customer interface of Suominen was strengthened in 2016 through several important recruitments.

# Recruitments made will support Suominen on its path towards product leadership

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- In 2016, the focus of the recruitments was on the customer interface as well as in the functions enabling reaching product leadership.
- Several important appointments were made especially in R&D, Product management and Sales.



# Key activities in executing a demand driven supply chain

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3

Execute demand driven supply chain

Comprehensive ICT systems renewal progressed as planned

Also the organizational changes support the supply chain management

# Group-wide initiative to renew the ICT systems progressed as planned

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- ICT systems renewal progresses in stages and according to the plan.
- The project enables Suominen to fully deploy global processes defined earlier. Moreover, it enhances our ability to forecast demand and manage our order-supply chain.



# Key activities in evolving culture and capabilities

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4

Evolve culture and capabilities to build strong product company

Pivotal recruitments building new and enhanced capabilities in several areas



Strategic sustainability initiatives in progress, e.g., blind recruiting



# Sustainability is on the rise also on customers' agenda

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Reaching  
product leadership

Sustainable product  
portfolio: Suominen  
joins the  
sustainability  
network of a global  
consumer goods  
company

Operating sustainably  
across the company

Non-  
Discrimination  
Program:  
Blind hiring as a  
default recruitment  
process

Improved safety  
indicators

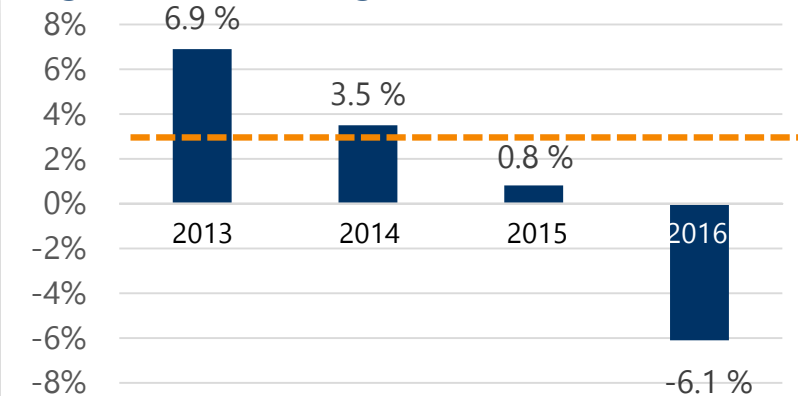
Cooperation with  
Women's Bank to  
start

Fostering responsibility  
through the value chain

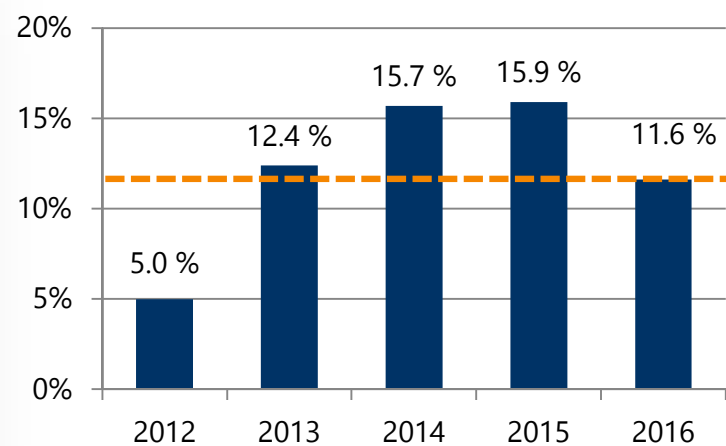
Supplier  
Code of Conduct  
implemented

# Mid-term financial targets and their realization in the financial year 2016

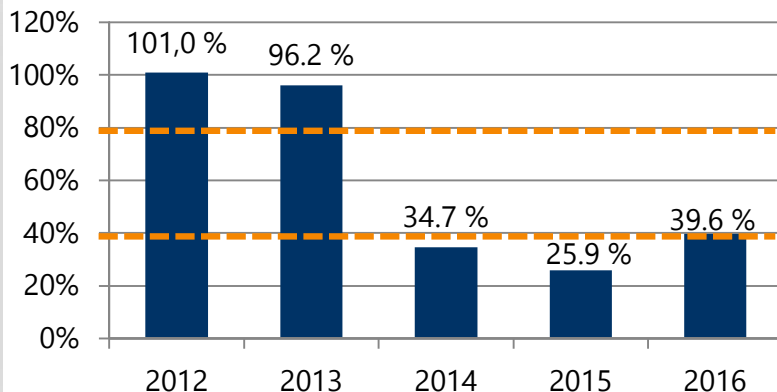
## Organic net sales growth, %



## ROI, %



## Gearing, %



- Organic growth of net sales , excluding currency effect, compared to previous year. Indicator is reviewed annually.
- Target level marked with dashed line.
- Figures from 2012 to 2014 concern only Suominen's continuing operations.

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# New strategic period about to begin

# New strategy period (2017–2021) about to begin

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The investments and other capability development projects have created improved conditions for the further portfolio transformation, enabling Suominen to grow and improve its profitability.

Success in the execution of the upcoming strategy will bring our net sales above 600 M€ in 2021.

Regarding the operating profit, we target to reach a clearly higher level, over 10%.

More information on our strategy for 2017–2021 will be disclosed on 26 April.

# Financial year 2016: Summary

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-6%  
-18%

- The development of net sales and operating profit did not live up to our expectations.

62%

- However, our product portfolio improved and the share of products with higher added value grew.

28.5 M€

- Cash flow from operation continued strong.

> 60 M€

- Equipment installations were completed in Bethune. The growth investment program is nearly completed.

> 600 M€

- Suominen discloses its strategy for 2017–2021 in April.

Thank you!

