

SCHWEITZER-MAUDUIT INTERNATIONAL, INC.
100 North Point Center East, Suite 600
Alpharetta, Georgia 30022-8246

March 1, 2019

Dear Valued Shareholder,

SWM had a busy and productive year in 2018. Our strategic repositioning of the company to a more growth-oriented enterprise has been successful, as our total revenue exceeded \$1 billion for the first time. Moreover, we delivered consolidated sales growth of 6%, with both our Advanced Materials & Structures and Engineered Papers segments contributing to healthy top-line gains. Concurrently, we streamlined aspects of our operations to drive cost savings while also investing in international capacity expansions to support some of our fastest growing products. This year, we also issued our first fixed income securities and refinanced our credit facility, providing added financial flexibility and access to additional growth capital. Finally, we were pleased with our overall business performance in the face of inflationary headwinds, delivering on both our 2018 earnings and free cash flow targets. The global SWM team clearly demonstrated the dedication and customer focus required to consistently deliver critical performance materials to our customers around the world.

Operating Segment Reviews

Advanced Materials & Structures: a scaled growth platform. AMS sales grew 8% in 2018 with robust gains across several key end-markets. Our filtration business led the portfolio with double-digit growth, as our reverse osmosis water filtration products saw a nearly 20% increase versus the prior year. The long-term demand for drinkable water continues to outpace supply, and we remain bullish on the outlook for this industry. Transportation films were another solid performer for us in 2018, springboarding off the outstanding growth we achieved in the prior year. Our expanded distribution channels in Asia and increasing consumer adoption of paint protection films are underscoring our gains. We also delivered accelerated sales growth in our medical business, with increased traction in advanced woundcare applications. And, as our sales grow, so does our worldwide production capability, as we added film capacity in Europe in 2018, opened a newly expanded and upgraded AMS site in China, and are in the midst of several capacity expansion projects for transportation and filtration across our global footprint in 2019.

In addition to these strategic projects to support top-line momentum, we also completed a critical footprint rationalization with the closure of a legacy AMS site. This consolidation, the cornerstone of our Conwed synergy plan, was a substantial undertaking in 2018; it improves our cost structure and optimizes our US footprint. As we approach \$500 million of segment revenue, we believe AMS has the scale and level of integration to leverage sales gains and accelerate long-term profit growth.

Engineered Papers: stability and strong cash flow. Our EP segment performed admirably despite the inherent pressures of the tobacco industry. Good operational performance, an improved sales mix, and share gains in high-value products were the main storylines of 2018. In addition to our rigorous focus on improved plant efficiencies, our long-term relationships and high-quality supply chains have allowed us to gain share in several of our cigarette paper product lines, including high-value LIP papers. We have also made a concerted effort to improve our product mix, replacing a solid portion of lower margin products with more attractive value-add product categories. These positive drivers were critical during a challenging period of escalating costs, enabling us to offset nearly \$20 million of inflationary pressures in EP, most notably wood pulp input costs. Our leading quality, innovation, and customer service are key elements to the success of EP and continue to support this segment's robust cash flow.

Earnings growth and \$100+ million of free cash flow

In terms of financial performance, 2018 sales were a record \$1,041 million, up 6% versus 2017, and adjusted EPS was \$3.48, up 9%, exceeding our guidance at the outset of the year. We generated \$109 million of free cash flow, up from \$90 million in 2017, and paid \$53 million in dividends to our shareholders, extending our dividend growth track record.

We achieved these results despite raw material and other inflationary pressures totaling more than \$25 million across both segments, a testament to the resilience of our business and our ability to generate offsets in a challenging cost environment. Our earnings results reflect strong sales, operational improvements and a lower tax rate offsetting rapidly rising costs for wood pulp and polypropylene resin, two of our key input costs.

We executed a leverage neutral credit facility refinancing and inaugural unsecured notes issuance in the third quarter, enhancing our financial flexibility, extending our debt maturities, and reducing our floating rate exposure. In addition, we accessed new capital by expanding our investor base to the fixed income market. We highlight that SWM received an attractive Ba3/BB-corporate credit rating through a rigorous business and financial diligence process, demonstrating the ratings agencies' confidence in the cash flow of our business.

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Moving forward together

Since we began diversifying the business back in late 2013, SWM has successfully navigated a bold strategic transformation, entering new growth markets and expanding our technical capabilities. All the while, however, we maintained a company-wide focus on our underlying core competencies. Our ability to operate specialized large-scale manufacturing equipment to provide high-quality performance materials that meet demanding customer specifications around the world is the backbone of our success. This is supported by a true focus on operational excellence and a customer-intimate philosophy that results in market leadership positions and long-term relationships. Our innovation capabilities are second to none, driving further customer loyalty and partnerships, as we collaborate with our customers on next generation materials that are critical to their end-use products. These competencies remain the bedrock of our culture and provide the guiding framework for our ongoing growth efforts, and are ultimately why we define ourselves as a performance materials company.

The achievements of our 2018 financial and strategic plans were a team effort and the organization demonstrated the energy and resolve required to make the year a success. The SWM leadership team is extremely proud of the talented individuals that make up the SWM family and commend them on their efforts in the past year. It is their widespread commitment to our Company that is the lynchpin to our growth. Our Board of Directors continues to provide support, guidance, and spirited debate as we weigh the many financial and strategic options to achieve our growth ambitions. Congratulations on all we accomplished together in 2018, and I look forward to carrying our momentum into 2019.

As always, I conclude with thanking our customers and shareholders for their continued trust and loyalty. Our customers entrust us to supply products critical to their operations in the face of a dynamic and competitive marketplace, and our investors entrust us with their capital amidst a nearly unlimited choice of investment options. We take these decisions to heart and work diligently every day to fulfill our commitments to those who have placed their confidence in us.

I look forward to an exciting year ahead.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jeffrey Kramer".

Dr. Jeffrey Kramer
Chief Executive Officer