

HANS SOHLSTRÖM  
PRESIDENT AND CEO

# Imagine fiber

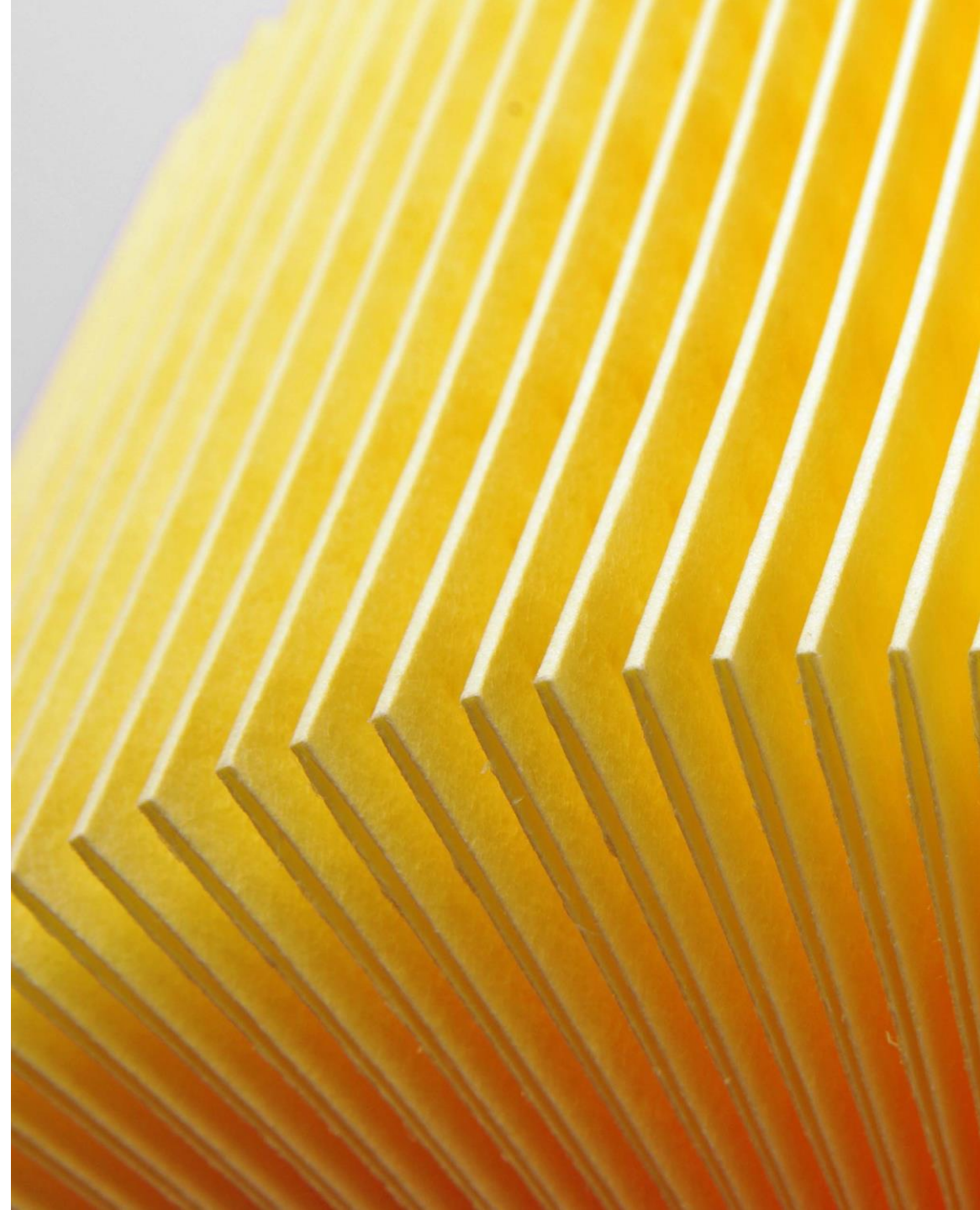
Nordea Forestry Seminar  
May 9, 2018



AHLSTRÖM  
MUNKSJÖ

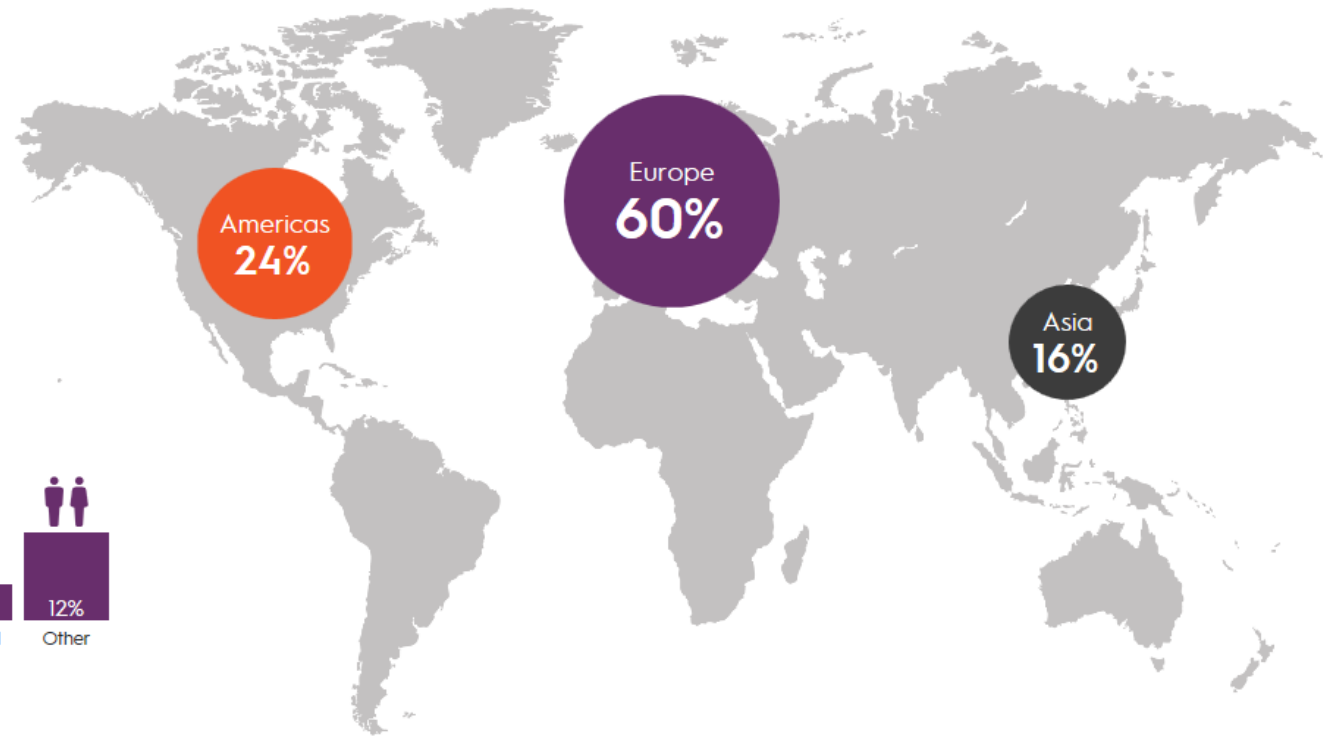
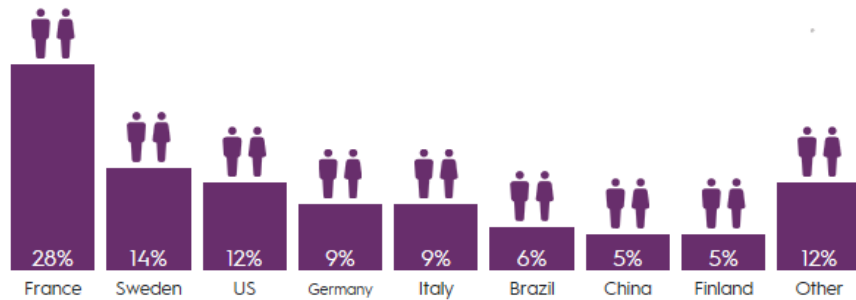
# Content

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# A global leader in fiber-based solutions

- 6,000 employees
- 40 production and converting facilities in 14 countries
- Worldwide network of sales offices
- Pro forma sales EUR 2.2 bn in 2017
- Market capitalization EUR 1.6 bn



# Our business areas and business units

FILTRATION AND PERFORMANCE

Filtration



Nonwovens



Building & Wind

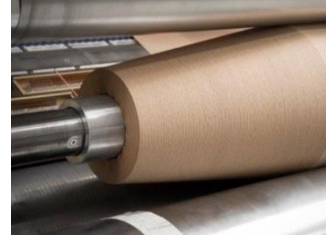


INDUSTRIAL SOLUTIONS

Release Liners



Insulation



Abrasive



Coated Specialties/Brazil



DECOR

Decor



Beverage and Casings



Tape



Medical



Advanced Liquid Technologies



SPECIALTIES

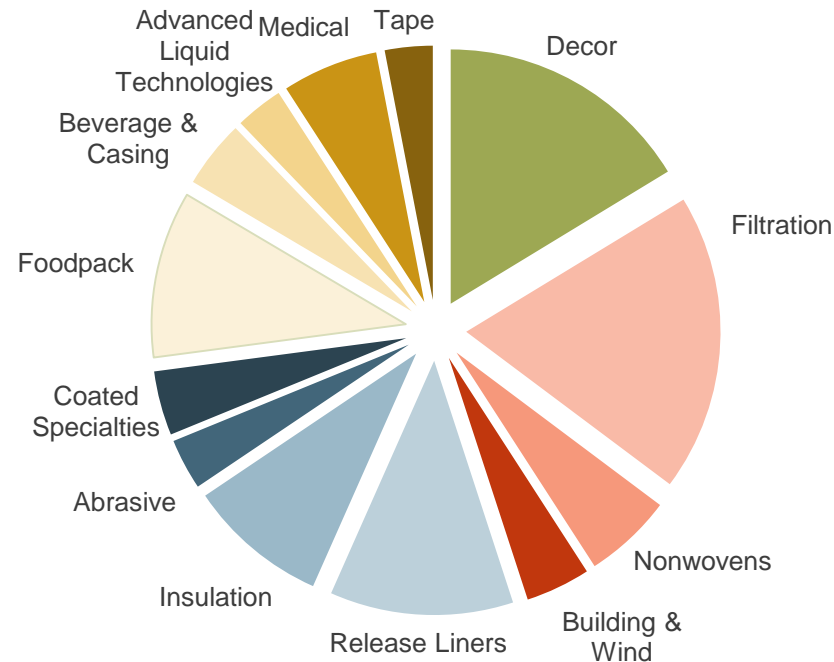
Food packaging



# Ahlstrom-Munksjö has presence in growing markets, with a leading position in many segments

## Examples of leading segments

- Engine filtration
- Release liners in Europe
- Abrasive backings
- Insulation papers
- Decor papers
- Tea bag materials
- Vegetable parchment papers
- Masking tape
- Fine art papers
- Glass fiber tissue for vinyl flooring applications



## Voice of the customer

- Ahlstrom-Munksjö is considered the leading supplier in nearly all of its segments, in line with strategy to be #1 or #2 in each segment
- 90% likely to choose Ahlstrom-Munksjö again
- Over 80% have a positive attitude
- Main strengths are personal contact, service and product quality
- Product quality and service are the most important purchasing criteria, fitting well to our positioning as a solution provider

Source: Voice of the Customer survey by Opticom



# Ahlstrom-Munksjö develops materials for a more sustainable society

Food-packaging and Beverage solutions “made out of biodegradable and compostable materials such as teabags, coffee lids and baking papers”

Masking tape materials “Using recycled fibers and optimized for efficient impregnation and adhesive coating processes”

Our filter materials reduce harmful emissions, purify air and polluted water and diagnose diseases

Utilizing decor paper can preserve valuable resources

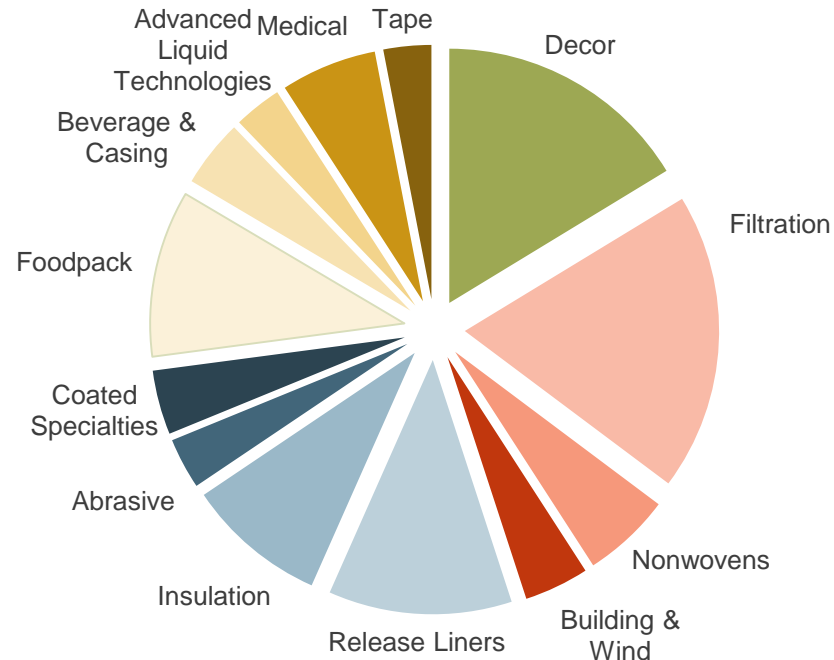
Our release liners make labeling more efficient

We cover all market needs for abrasive backings with a full formaldehyde free offer

Our insulation paper reduces energy loss in high-voltage cables and transformers

Our medical fabrics protect from viruses and bacteria

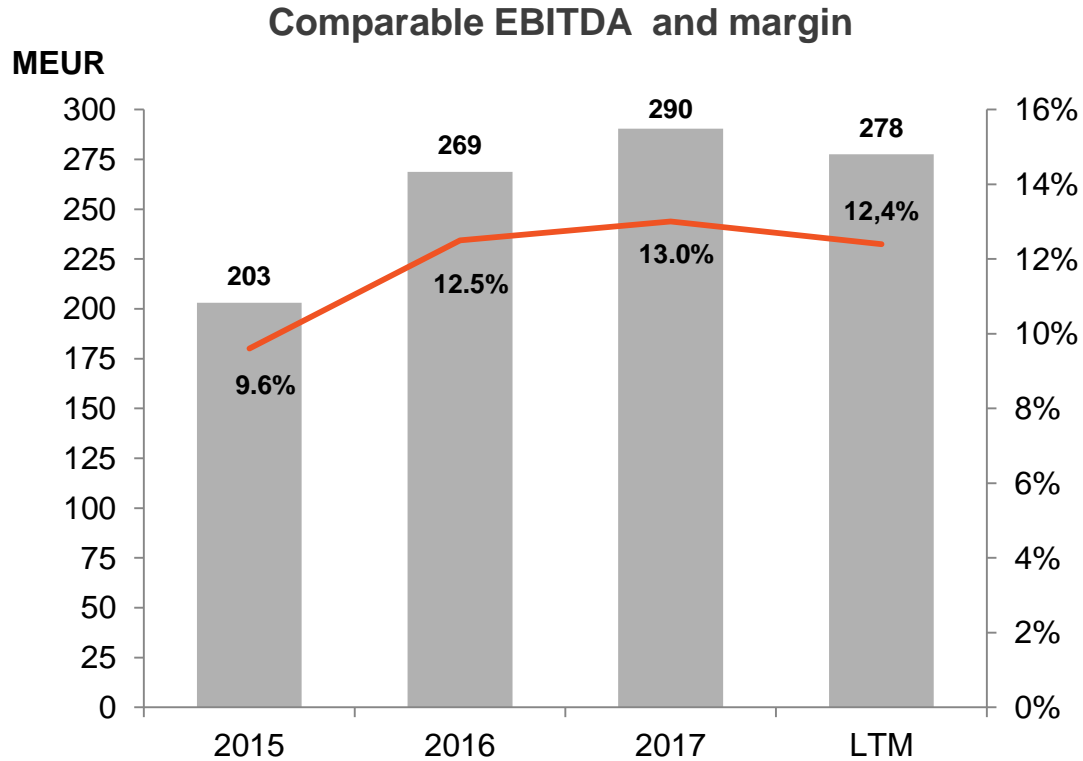
Our reinforced composites for wind power blades



Share of sales



# Favorable profitability development



- Favorable profitability development
- Return on Operating Capital 14.5% (LTM)
- Sales price increases are implemented to compensate for higher raw material costs
- New investment decisions to improve financial and environmental performance
- Strategic growth investments proceeding
- New synergy benefits and cost reduction initiatives identified
- Agreement to acquire the Caieiras specialty paper mill

Figures are pro forma



# Strategy overview



# Strategy overview

## MISSION

Sustainable and innovative  
fiber-based solutions

## DIRECTION

Local  
accountability

Efficiency  
and agility

Customer  
value

Profitable  
growth

## TARGET

Global leader in  
chosen growth segments

### FILTRATION & PERFORMANCE



### INDUSTRIAL SOLUTIONS



### DECOR



### SPECIALTIES



### FINANCIAL TARGETS:

- EBITDA > 14% over a business cycle
- Net gearing < 100%
- Dividend: stable and annually increasing, paid bi-annually

## VALUES

Long-term commitment



Act as one











Passion to innovate and improve



# Implementation of the strategy

# New investment decisions driving our strategic progress

## STRATEGIC DIRECTION

|  | Local accountability | Efficiency and agility | Customer value | Profitable growth |   |
|--|----------------------|------------------------|----------------|-------------------|---|
|  <p><b>Billingsfors pulp line, Sweden</b><br/>Rebuilding the recovery boiler and debottlenecking the pulp line, Q3/19-</p> | ✓                    | ✓                      |                | ✓                 |  <p>Electrotechnical paper</p>       |
|  <p><b>Aspa pulp plant, Sweden</b><br/>Modernizing the bailing line, Q3/19-</p>  | ✓                    | ✓                      | ✓              |                   |  <p>Specialty pulp</p>               |
|  <p><b>Dettingen plant, Germany</b><br/>Upgrade of pre-impregnated decor paper production line, Q1/19</p>                 |                      |                        | ✓              | ✓                 |  <p>Pre-impregnated decor paper</p> |
|  <p><b>Specialties: Pont Audemer, France</b><br/>Rebuilding a converting line, Q2/19-</p>                                |                      | ✓                      | ✓              |                   |  <p>Sterilization wrap</p>         |



# Ongoing investments driving our strategic progress

## STRATEGIC DIRECTION



**Abrasive backings**  
Paper machine rebuild  
Arches, Q1/18-



**Filtration**  
Product offering  
Madisonville, H2/18-



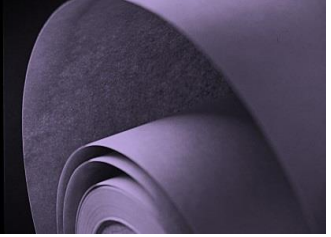
**Filtration**  
Capacity debottlenecking  
Turin, H1/18-



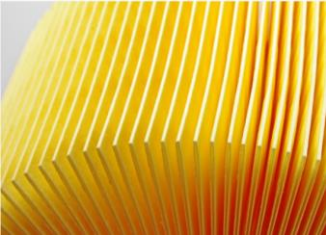
**Foodpack**  
New line installation  
Saint Severin, Q3/18-

|  | Local accountability | Efficiency and agility | Customer value | Profitable growth |
|--|----------------------|------------------------|----------------|-------------------|
| Abrasive backings<br>Paper machine rebuild<br>Arches, Q1/18- |                      | ✓                      | ✓              | ✓                 |
| Filtration<br>Product offering<br>Madisonville, H2/18-       |                      | ✓                      | ✓              | ✓                 |
| Filtration<br>Capacity debottlenecking<br>Turin, H1/18-      |                      |                        |                | ✓                 |
| Foodpack<br>New line installation<br>Saint Severin, Q3/18-   |                      |                        | ✓              | ✓                 |

Back of a sandpaper



Filtration material

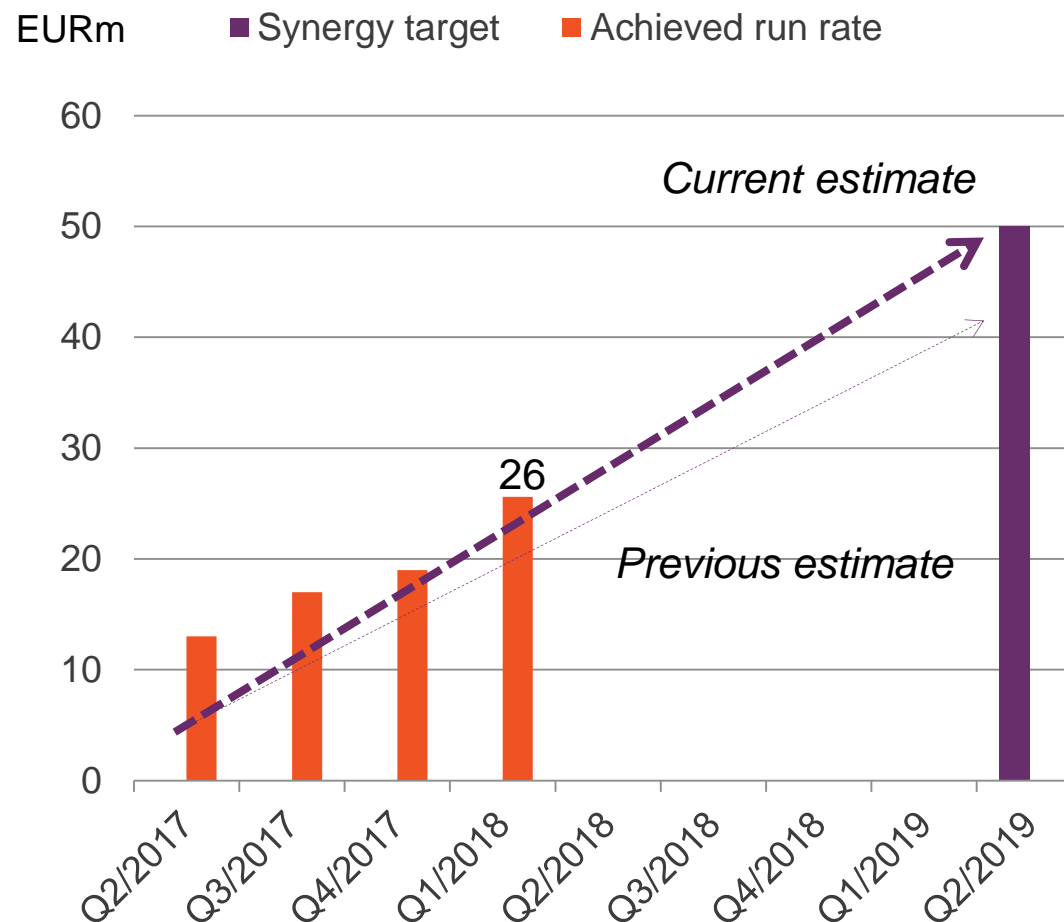


Baking paper



# New synergy benefits and further cost reduction initiatives identified

- New cost reducing initiatives of EUR 10 million identified
- Total impact increased to EUR 50 million annually, fully implemented at the end of Q1/2019
  - Majority from SG&A and variable costs
  - Integration of the former Graphics and Packaging business area into Specialties to develop a combined product and service offering
    - Incremental sales
    - Production optimization
    - Product mix improvement
- New initiatives include also adjusting group structure to Ahlstrom-Munksjö's business unit based operating model with clear responsibilities that locally promotes accountability and enables flexibility and lean group functions
  - The plan include to concentrate and re-allocate the company head office in Helsinki, Finland



# Acquisition of Caieiras mill supports the strategic ambition to maintain a leading position

- Caieiras specialty paper mill highly complementary
  - Decor paper
  - Crepe, grease and oil resistant papers
  - Flexible packaging and label papers
- Sales ~ EUR 80m in 2017
- Comparable EBITDA ~ EUR 13m in 2017
- Debt free price ~ EUR 100m
- Synergy benefits of up to EUR 6m arising from SG&A and overlapping operations
- Closing of the transaction is subject to clearance from the competitions authorities

Caieiras mill



5 product lines

4 specialty paper machines



# The combined platform provides attractive opportunities

- Caieiras product offering is a good match for Ahlstrom-Munksjö with 80% of sales in line with Ahlstrom-Munksjö's current portfolio
- Caieiras and Ahlstrom-Munksjö:
  - become leading decor paper manufacturer with local production in South America
  - strengthen global leading position in tapes
  - improve production and delivery capability in release liners
  - share best practices to enhance production and process technology
- South America offers long-term growth potential, and the platform provides Ahlstrom-Munksjö with several growth options, synergies and further production optimization opportunities for the longer term



# Products fit well into the Ahlstrom-Munksjö portfolio

Decor papers



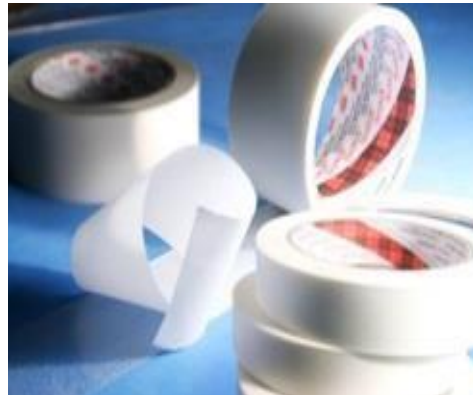
Release liner



Coffee filter paper



Tape and grease proof paper, crepe and flexible packaging

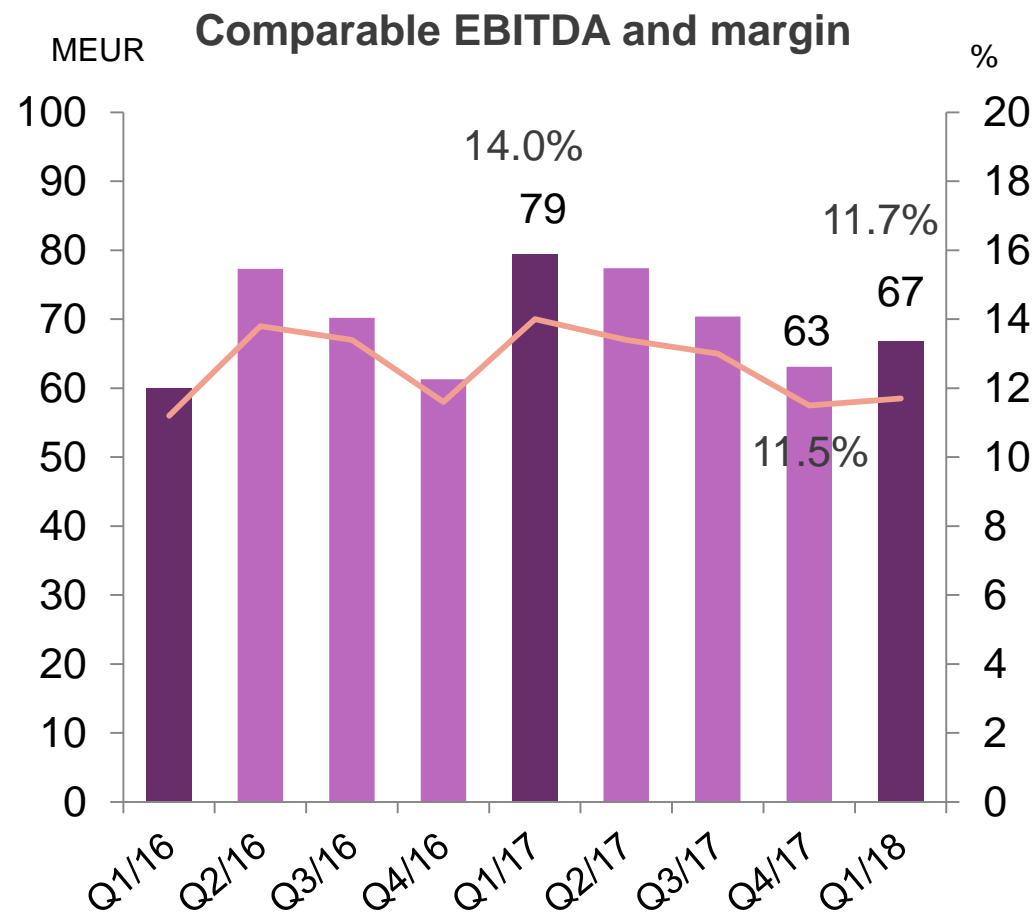




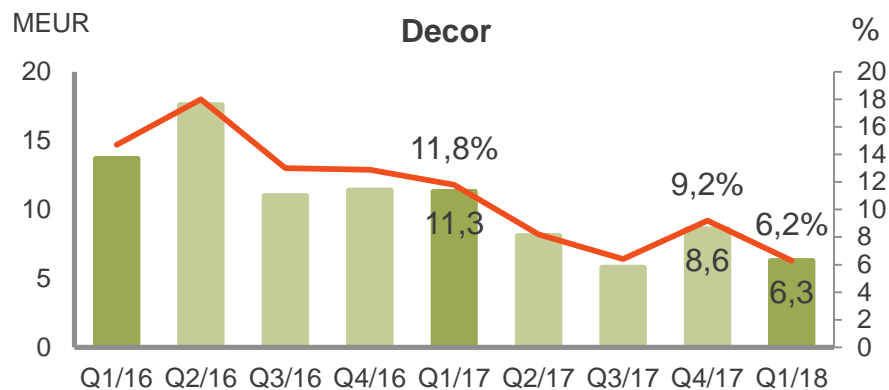
# Q1/2018 Highlights

# Highlights Q1/2018

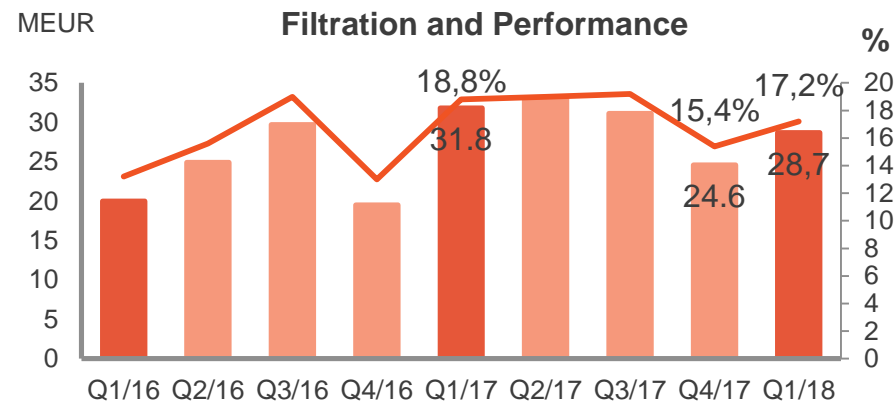
- Good demand across most markets and product segments globally
- In constant currency, sales growth was 5.9%, driven by significantly higher selling prices.
- Deliveries increased in Filtration and Performance as well as Specialites business areas, in Decor deliveries decreased
- EBITDA margin of 11.7% in an environment of significant raw material cost escalation
  - Higher selling prices and achieved synergy benefits had a positive impact
  - Costs increased, particularly titanium dioxide and pulp
  - Currency impact was slightly negative



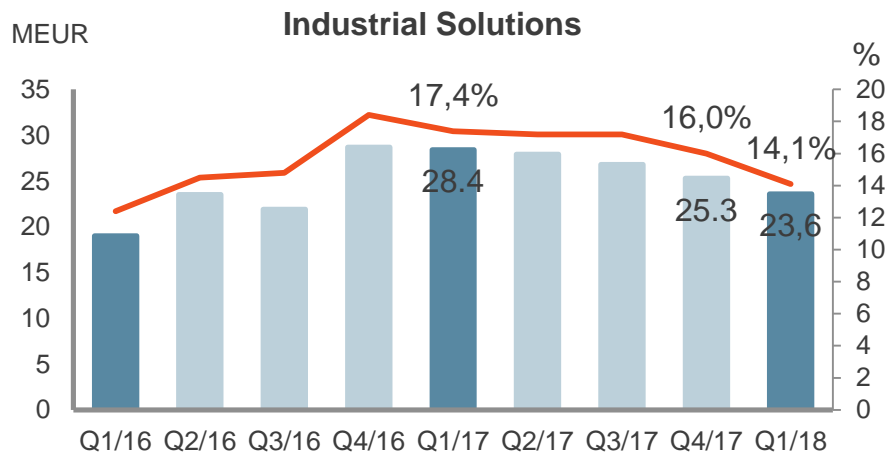
# Comparable EBITDA and margin by business area



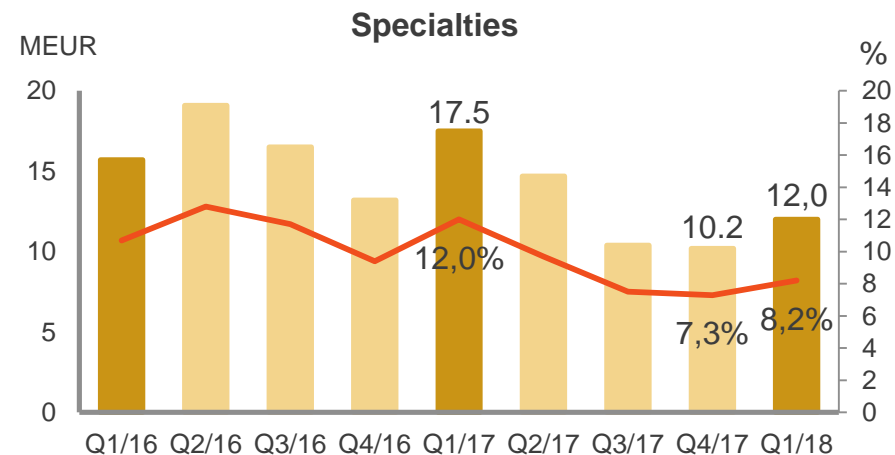
- Higher selling prices did not offset the increase in raw material costs.



- Higher volumes and selling prices were offset by the increase in raw material costs. Higher production costs as shifts were added.



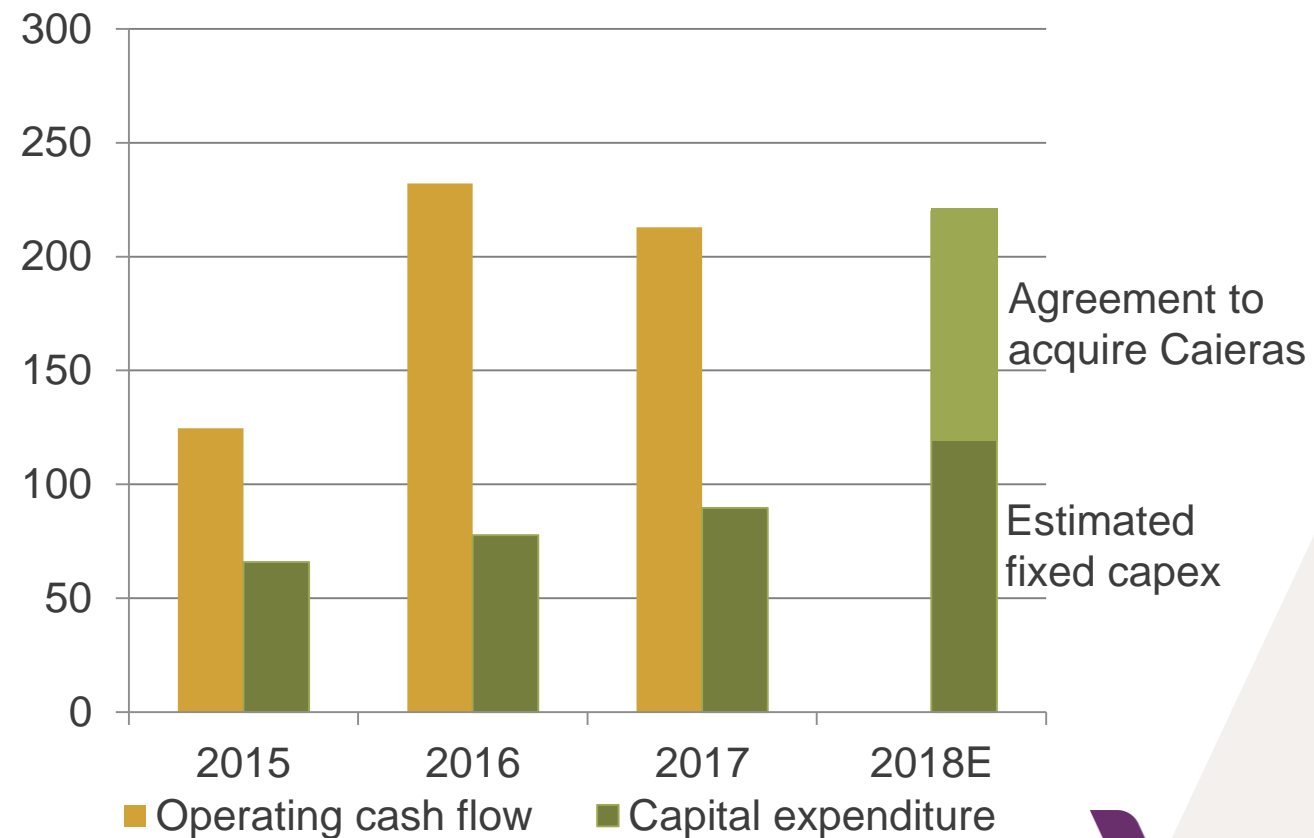
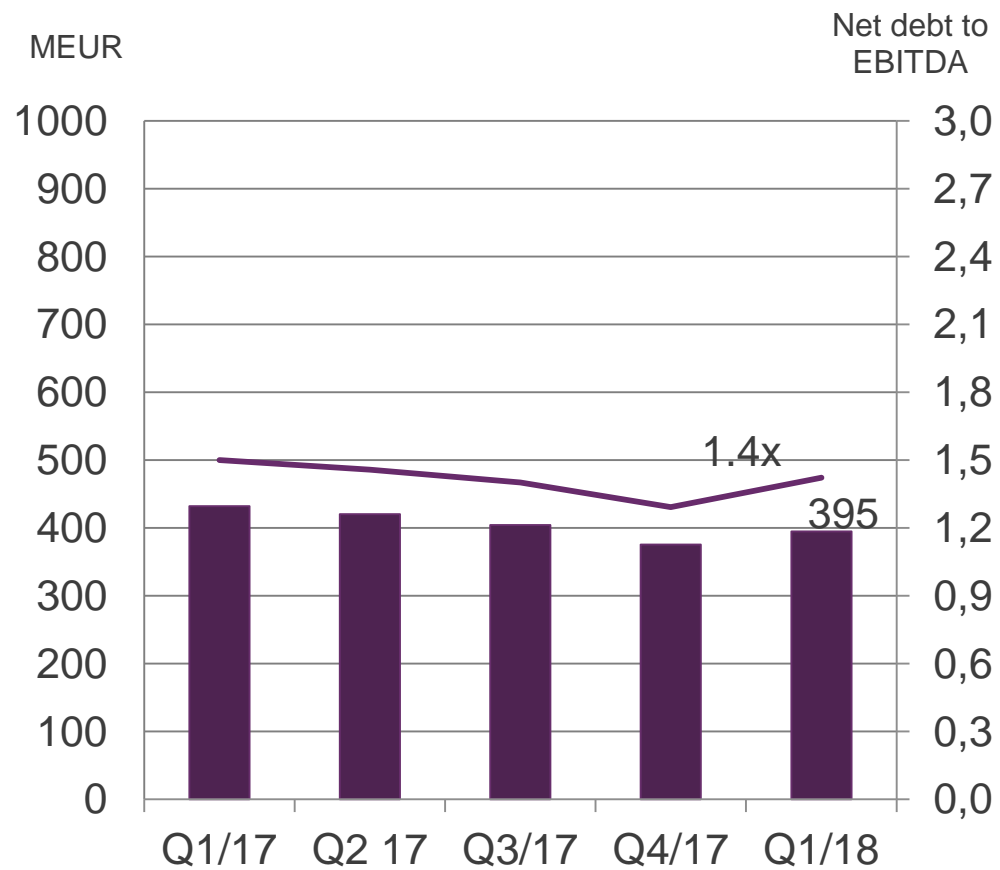
- Improved product mix and higher selling prices partly offset the increase in raw material and energy costs.



- Higher raw material costs and operational challenges in the coated one-sided business burdened the profitability.



# Balance sheet remains solid, organic and acquisition driven increase in capital expenditure



# Save the date for Ahlstrom-Munksjö's Capital Markets Day in Helsinki on September 7, 2018

- Ahlstrom-Munksjö will arrange a Capital Markets Day for investors and analysts in Helsinki on Friday, 7 September, 2018
- Participants of the Capital Markets Day will meet the members of Ahlstrom-Munksjö's management team and have the opportunity to discuss strategy, growth ambitions, new fiber-based applications and performance
- A formal invitation will be sent out in May including venue, detailed program and registration



Ahlstrom-Munksjö IR Team



## Summary

- Favorable profitability development
- Sales price increases are implemented to compensate for higher raw material costs
- Financial position remains solid
- Determinedly progressing in our strategic direction
  - New investment decisions to improve financial and environmental performance
  - Strategic growth investments proceeding
  - New synergy benefits and cost reduction initiatives identified
  - Agreement to acquire the Caieiras specialty paper mill
- We have plentiful of opportunities to grow in our existing business segments, proceed with new product development and consider growth in adjacent segments



## UPCOMING EVENTS IN 2018

- Half-year report January-June 2018 to be published on July 26
- Capital Markets Day on September 7
- Interim report January-September 2018 to be published on October 30



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