

Ahlstrom-Munksjö

Q2 2019 Results

Hans Sohlström, President and CEO
Sakari Ahdekivi, Deputy CEO and CFO

July 30, 2019



AHLSTRÖM
MUNKSJÖ

Ahlstrom-Munksjö – Global leader in fiber-based solutions

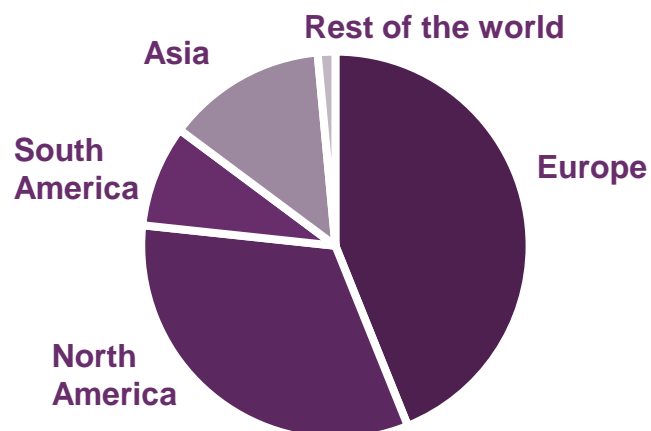
- Fibers are at the core of what we do and the common denominator for our products and solutions
- Natural fibers represent 94% of our total fiber use
- We offer custom made specialized fiber based materials
- Our value proposition is based on innovation, quality and service
- Our offering contributes to a more sustainable everyday life by providing renewable materials that are alternatives to non-renewables, and solutions that make the end product more sustainable

Key facts

- Global network of sales offices and 45 plants and converting sites in 14 countries, approximately 8,000 employees
- More than 7,000 customers in over 100 countries
- Pro forma 2018 net sales of approximately EUR 3 billion
- Shares listed on Nasdaq Helsinki and Stockholm
- Head office in Helsinki



Balanced end-use and geographical exposure



Share of sales

KEY STRENGTHS

- Leading position in chosen segments
- Operating on growing markets
- Balanced geographical exposure to a broad range of end-uses
- Designed sustainable and innovative solutions for customers

Strategy overview

MISSION

Sustainable and innovative fiber-based solutions

VISION

Global leader in chosen growth segments

CORNERSTONES

Local accountability

Efficiency and agility

Customer value

Profitable growth

FILTRATION AND PERFORMANCE



INDUSTRIAL SOLUTIONS



DECOR



SPECIALTIES



NORTH AMERICA SPECIALTY SOLUTIONS



LEADERSHIP

Customer centric | Innovative | Entrepreneurial | Holistic

VALUES

Long-term commitment | Teamwork | Passion to innovate and improve

TARGETS

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



Sustainable everyday life

MISSION

Sustainable and innovative fiber-based solutions

BETTER PERFORMANCE

Filter materials to purify air and protect people from viruses and bacteria



SAFER MATERIALS

Formaldehyde free abrasive backings and fluorfree food packaging materials



FEWER RESOURCES

Diagnose diseases and purify polluted drinking water



LOWER IMPACT

Plastic free and compostable tea and coffee materials



PEOPLE



Human rights



Community engagement



Employee well-being



PLANET



Supply chain



Energy, water and waste



Carbon dioxide



PROSPERITY



Profitability



Innovation



Business ethics

EcoDesign Tool



Recent key product launches

Sales from new products* was 11% in 2018



Optilam™ is a new generation of release materials to optimize RFID inlay lamination. It makes the lamination process easier, more efficient, and improves quality of the inlay.



CelluStraw™ is a new fiber-based solution for paper drinking straws, enabling the food industry to provide consumers an alternative to single-use plastic straws.



ViroSēl™ Breathable Viral Barrier fabric is constructed for the most critical areas of a surgical gown designed to keep medical professionals protected and comfortable.



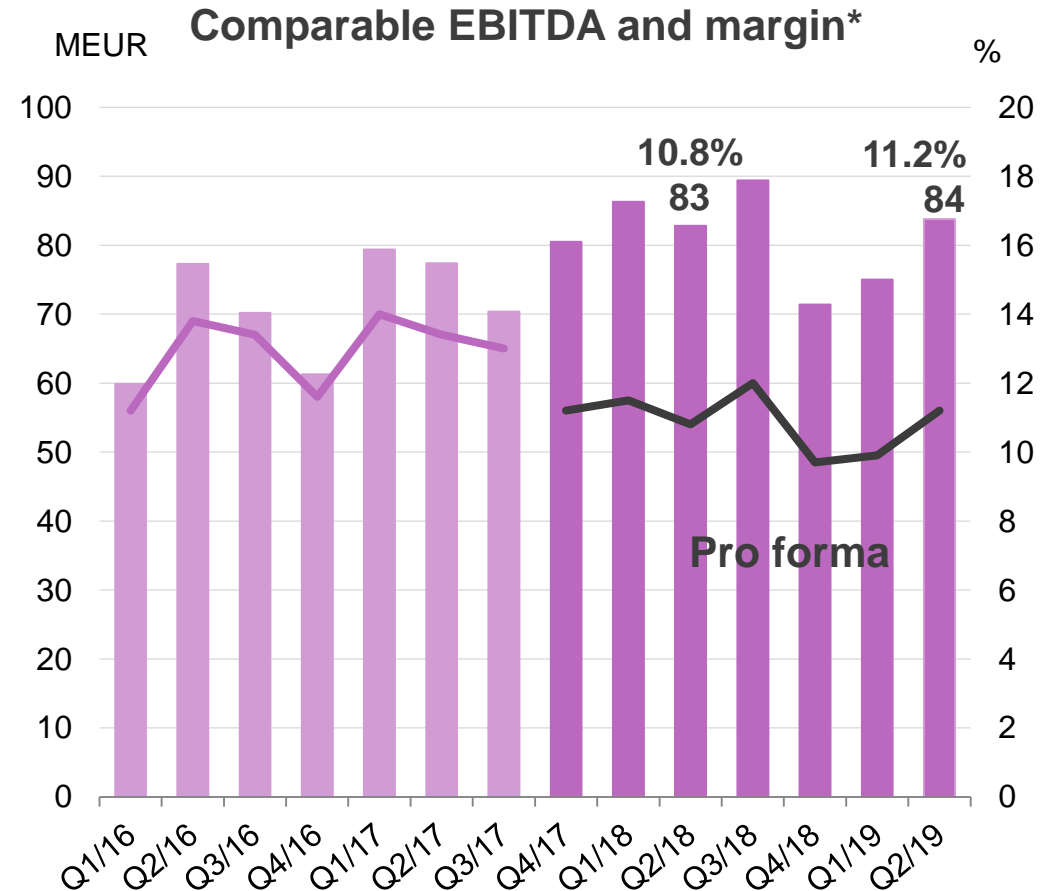
Extia® 1000 is a range of highly durable filtration media, specifically designed for industrial filtration applications.

*Products launched in the past three years



Highlights Q2/2019

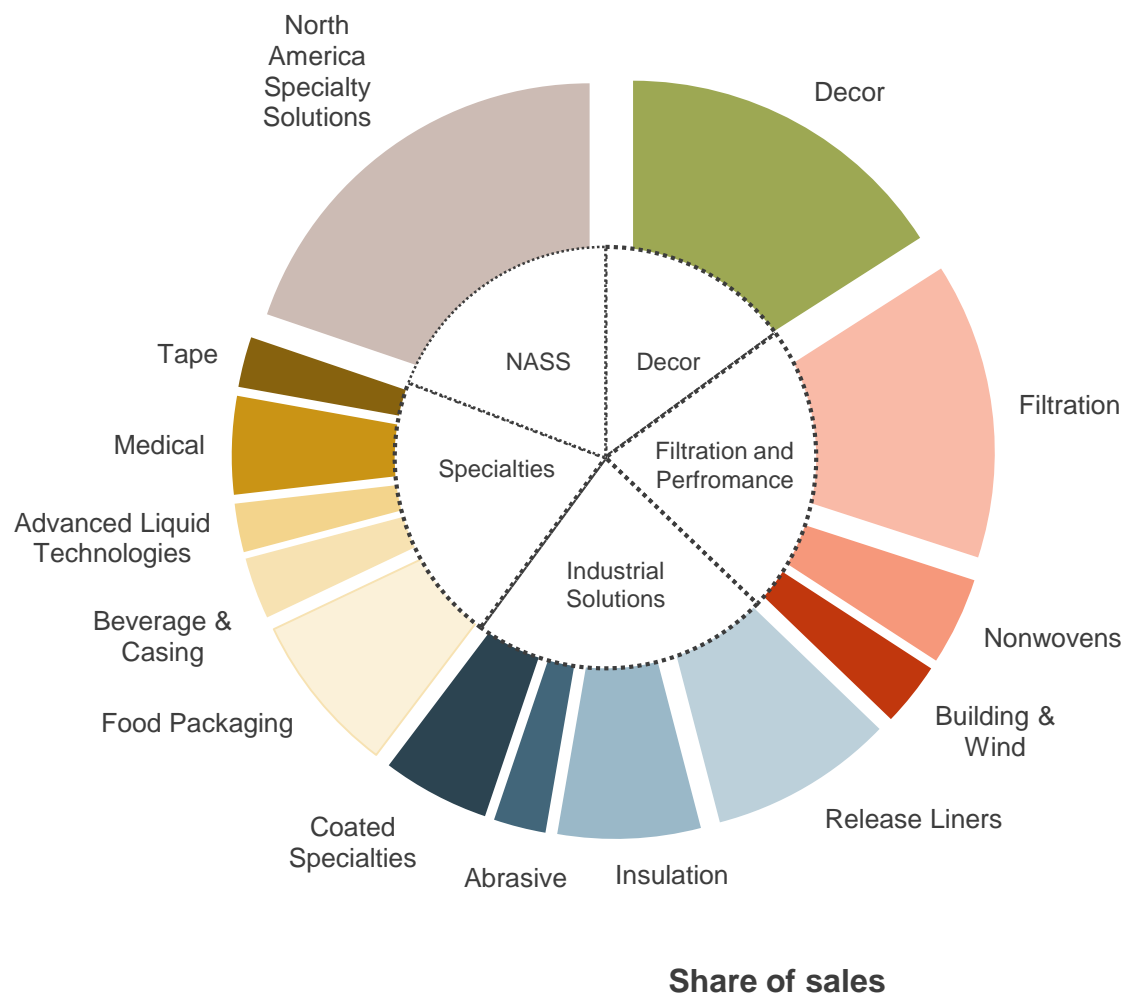
- 25% increase in actual comparable EBITDA, supported by the Expera and Caieiras acquisitions
 - Comparable EBITDA increased to EUR 84 million from EUR 83 million (pro forma) in Q2/18 and EUR 75 million in Q1/19
- Profitability continued to improve, fueled by further increase in gross margin for products
 - Volumes remained low
- Cash flow improved
- The market environment remained uncertain with fluctuating demand
- Sustainability work awarded with third consecutive EcoVadis Gold rating



*Years 2016-Q3/2017 Ahlstrom-Munksjö excluding NASS and Caieiras



Uncertain market environment in Q2/2019



- **Filtration and Performance**

- Demand for filtration products slowed
- Growth remained solid in glass fiber tissue and industrial filtration applications

- **Decor**

- Demand for decor paper weakened, markets remained competitive

- **Industrial Solutions**

- Demand for abrasive backings, coated products and specialty pulp was weak
- Demand for release liners improved, markets remained competitive
- Demand for electrotechnical insulation papers improved

- **Specialties**

- Demand for food processing and packaging papers as well as beverage materials weakened, growth continued in fibrous casing materials
- Growth remained solid in life science, water purification and healthcare materials
- Demand weakened for tape backing in Europe and Americas, remained strong in Asia

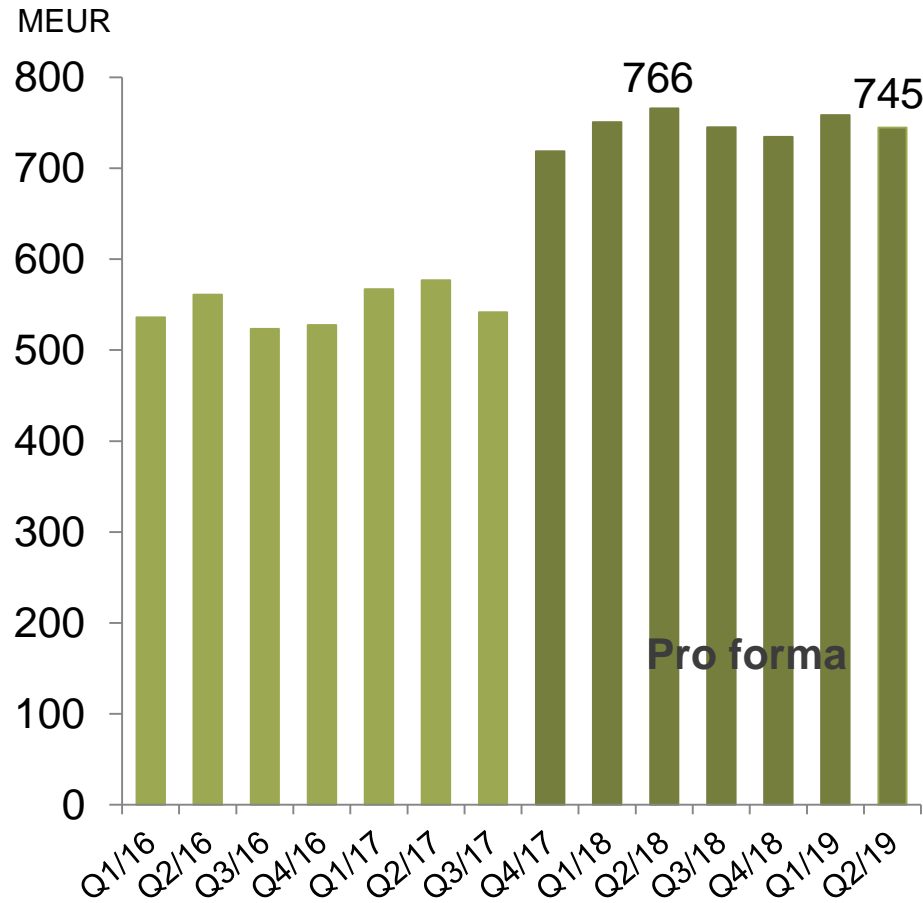
- **North America Specialty Solutions**

- Stable demand in food processing and packaging papers
- Soft demand for industrial and technical papers
- Weak demand for commodity release liners
- Strong demand for coated products

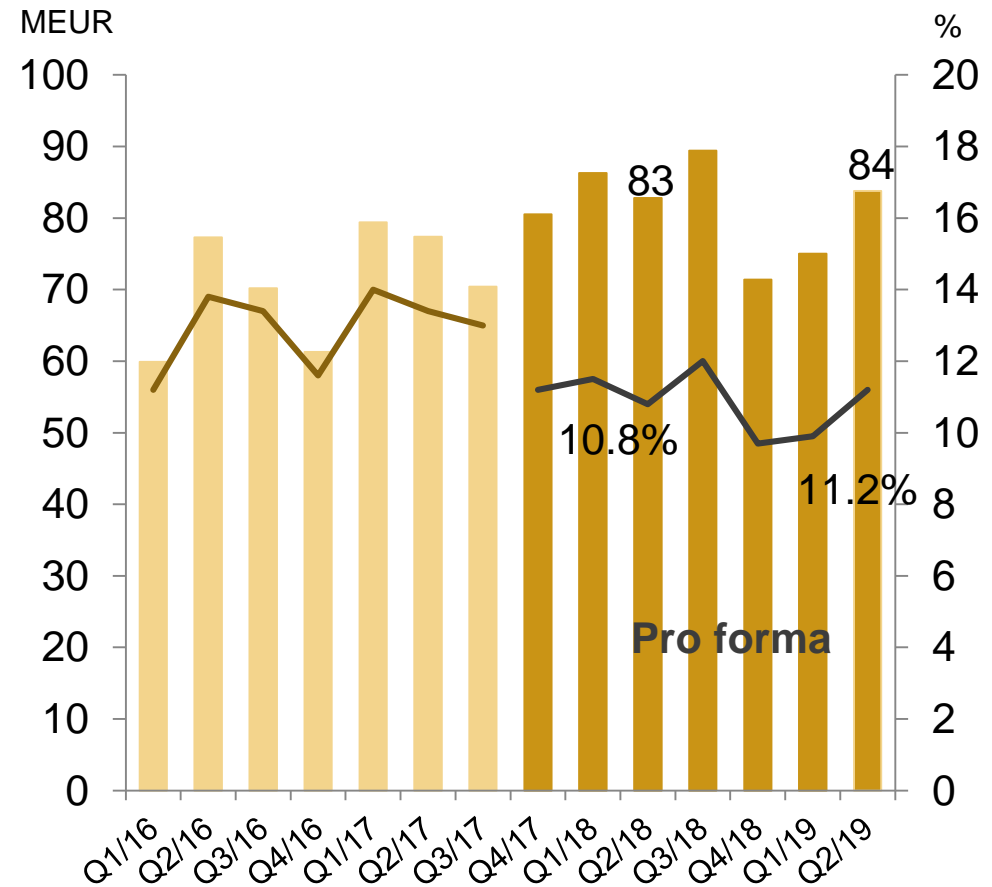


Net sales impacted by lower volumes, selling prices increased

Sales*



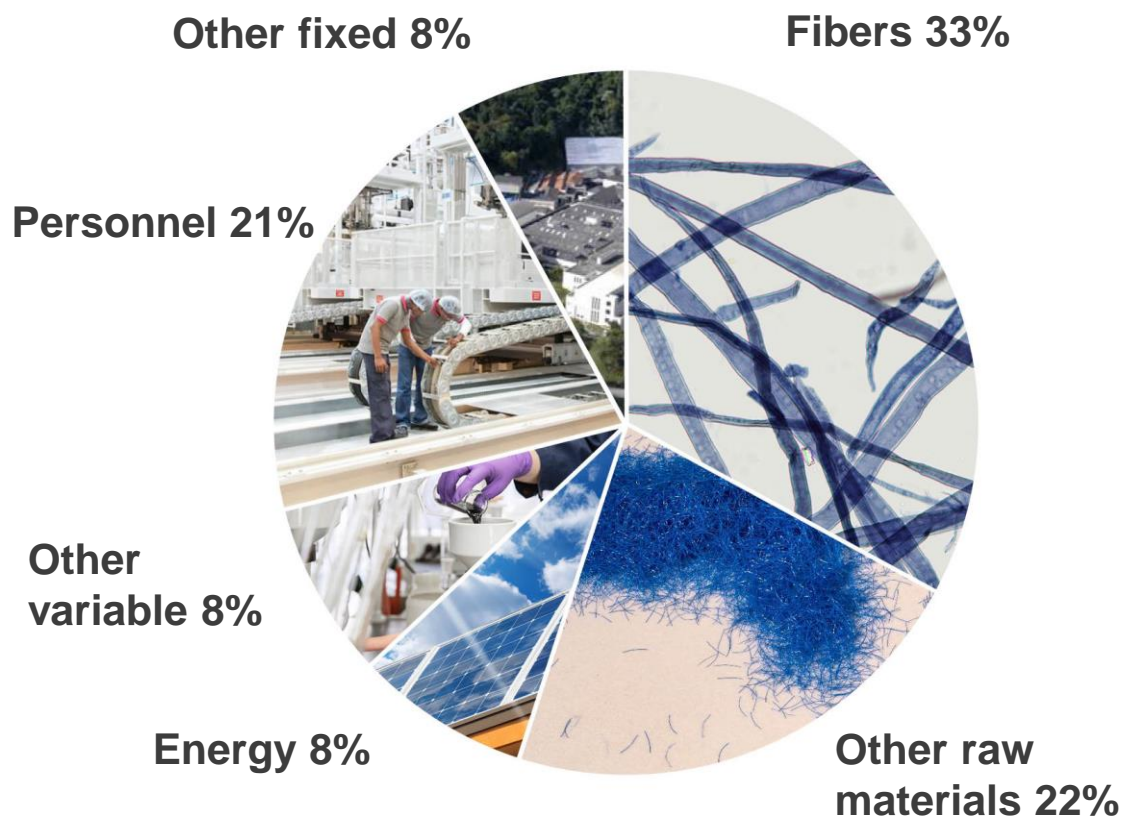
Comparable EBITDA and margin*



*Years 2016-Q3/2017 Ahlstrom-Munksjö excluding NASS and Caieiras



Raw material cost increase of EUR 23 million successfully compensated (Q2/19 vs Q2/18)



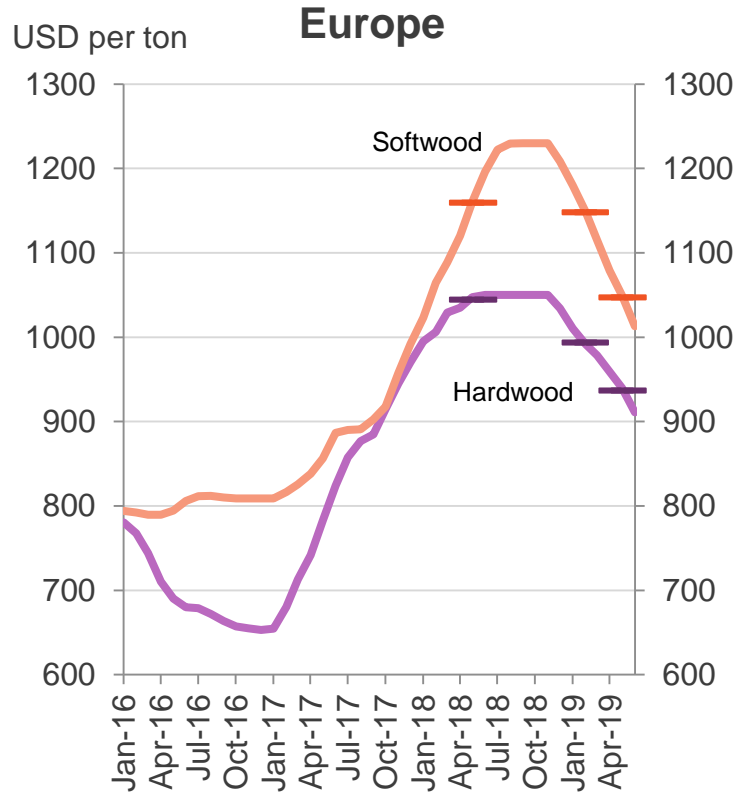
Snapshot of market reference prices in Europe, Q2/19 vs Q2/18

– Hardwood pulp	-10%
– Softwood pulp	-10%
– Tio2	-11%
– Natural gas	-3%
– Electricity	+21%

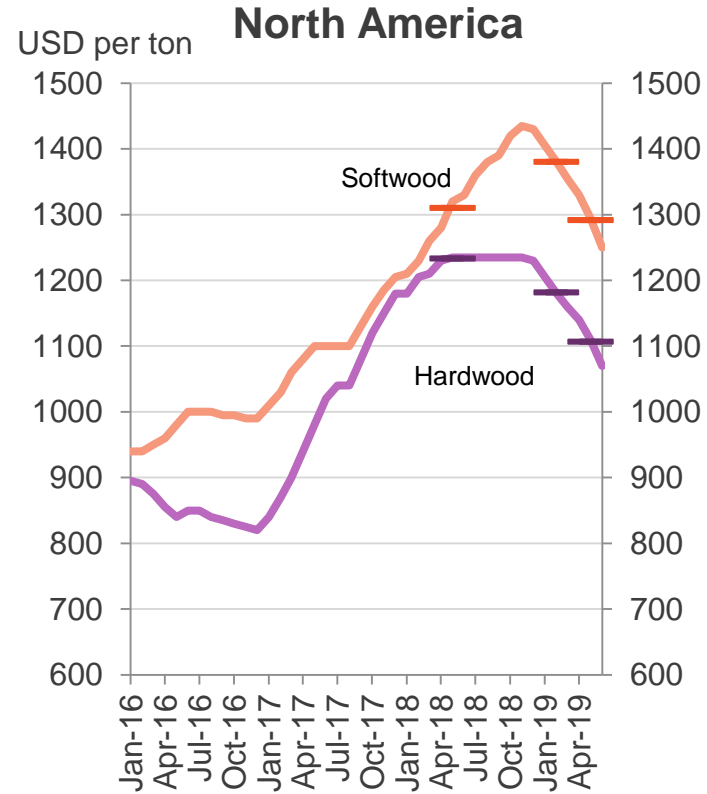
Note pulp prices in USD, market prices tend to impact the company's profitability with a lag of about three months



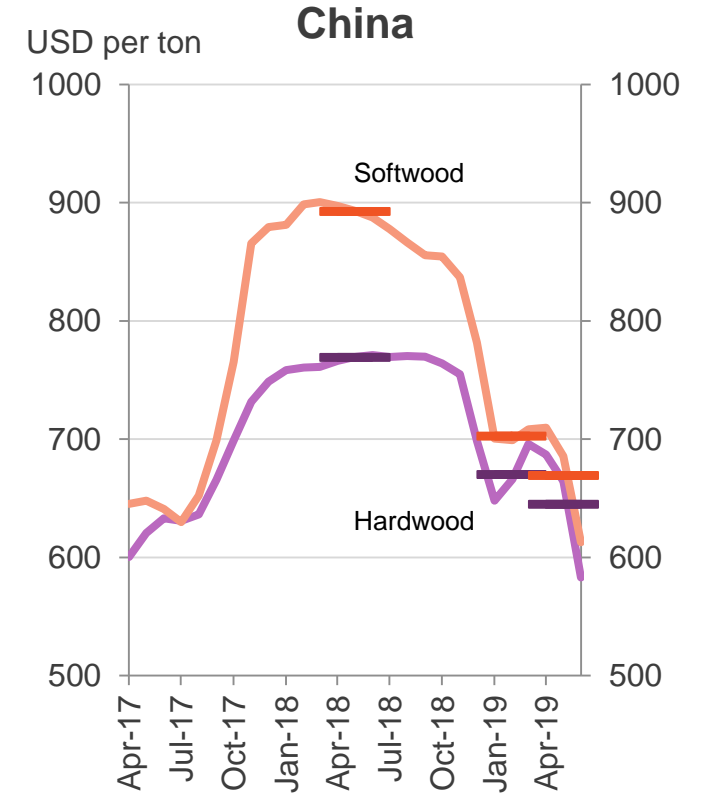
Key raw materials price development



Europe		
Price change, %	Q2/Q2	Q2/Q1
Hardwood	-10	-6
Softwood	-10	-9



North America		
Price change, %	Q2/Q2	Q2/Q1
Hardwood	-10	-6
Softwood	-1	-6



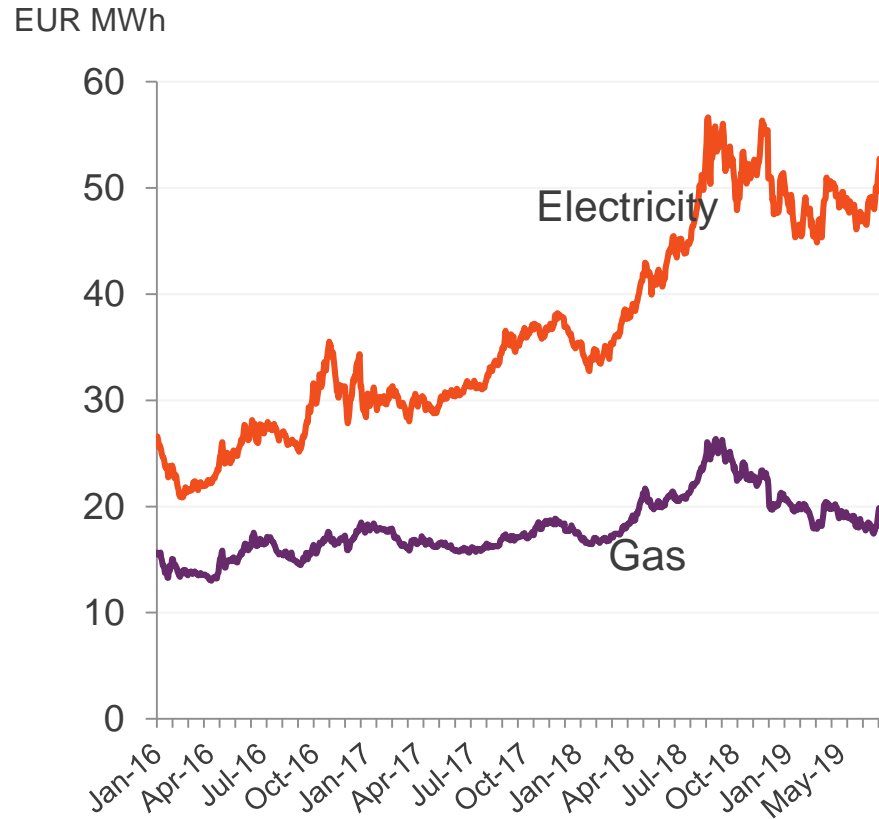
China		
Price change, %	Q2/Q2	Q2/Q1
Hardwood	-16	-4
Softwood	-25	-5

Source: RISI



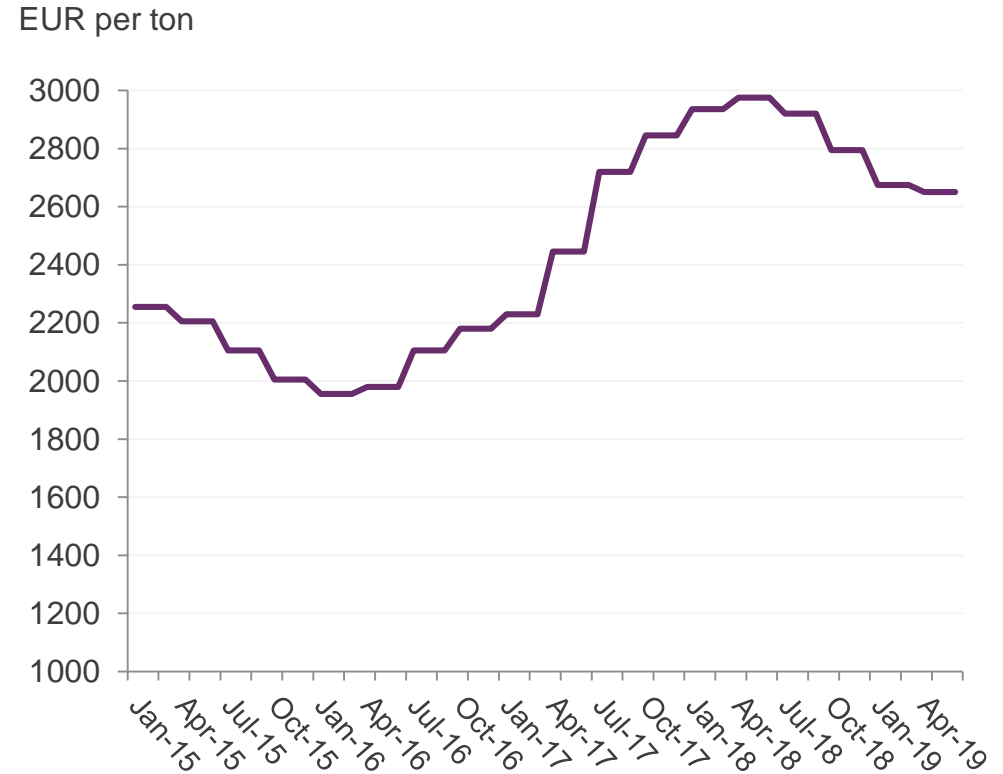
Key raw materials

European forward electricity and gas prices



Source: E&C consultants

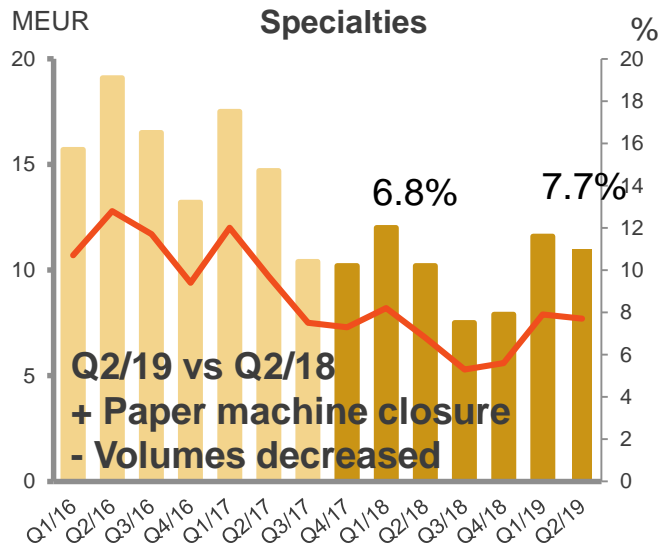
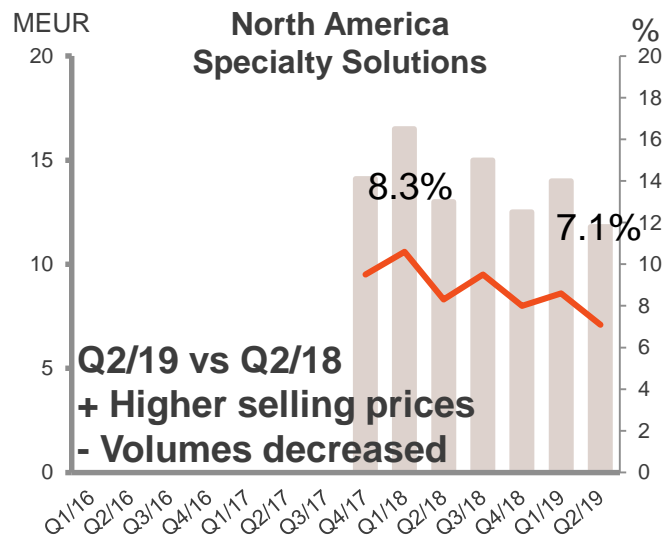
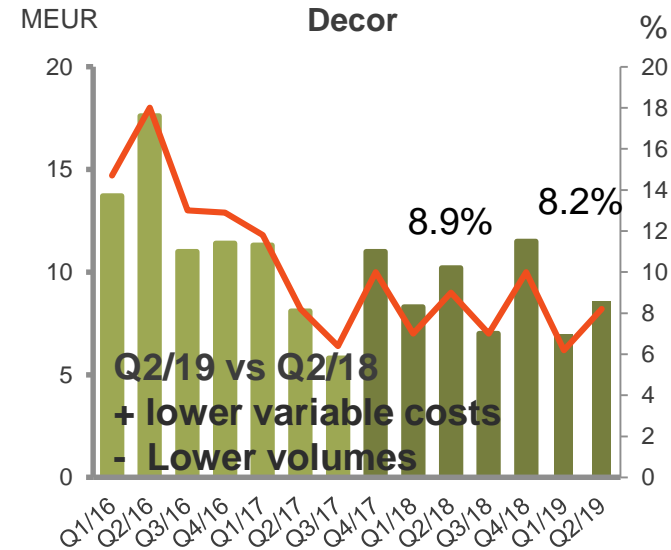
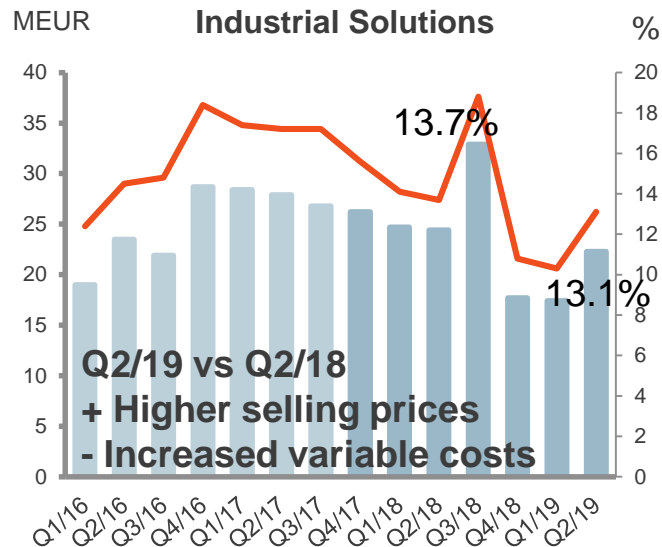
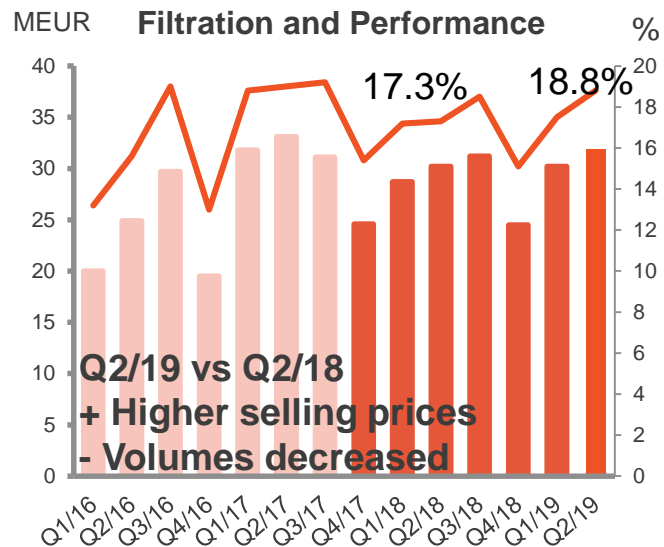
Titanium dioxide



Source: ICIS Europe FD



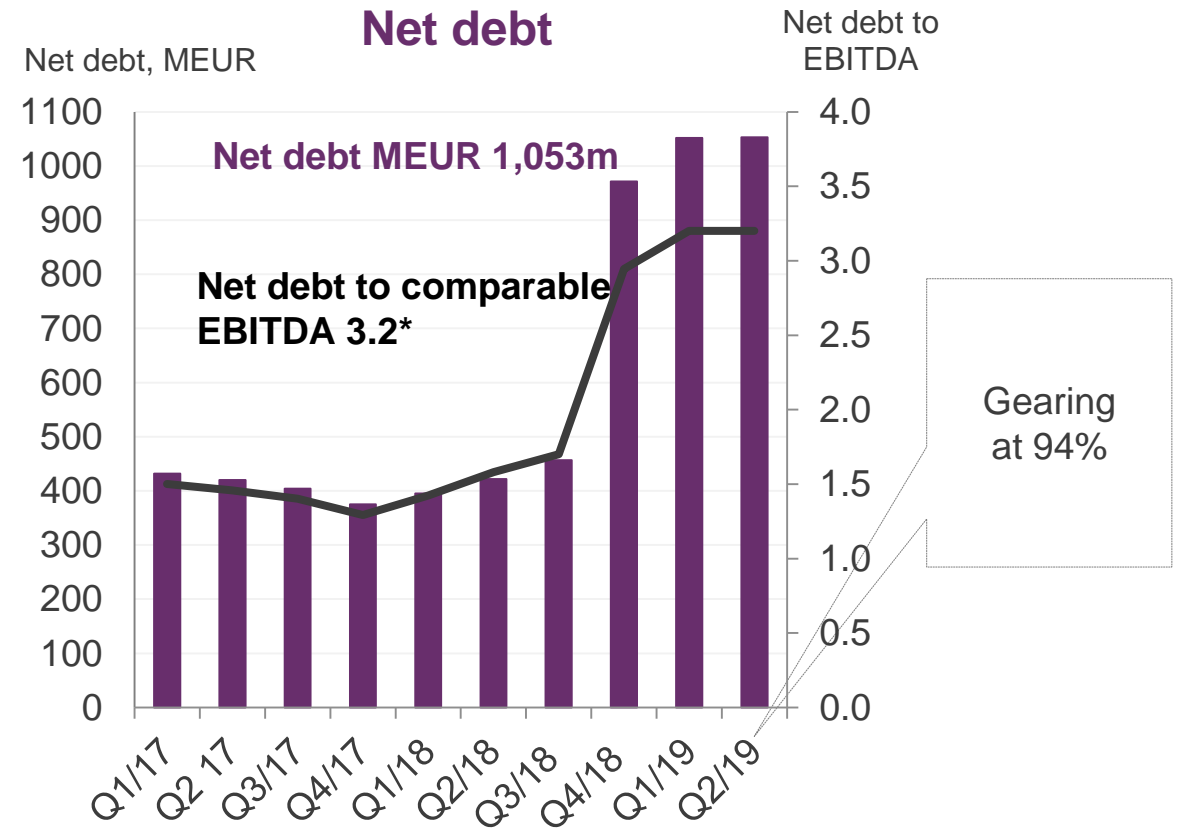
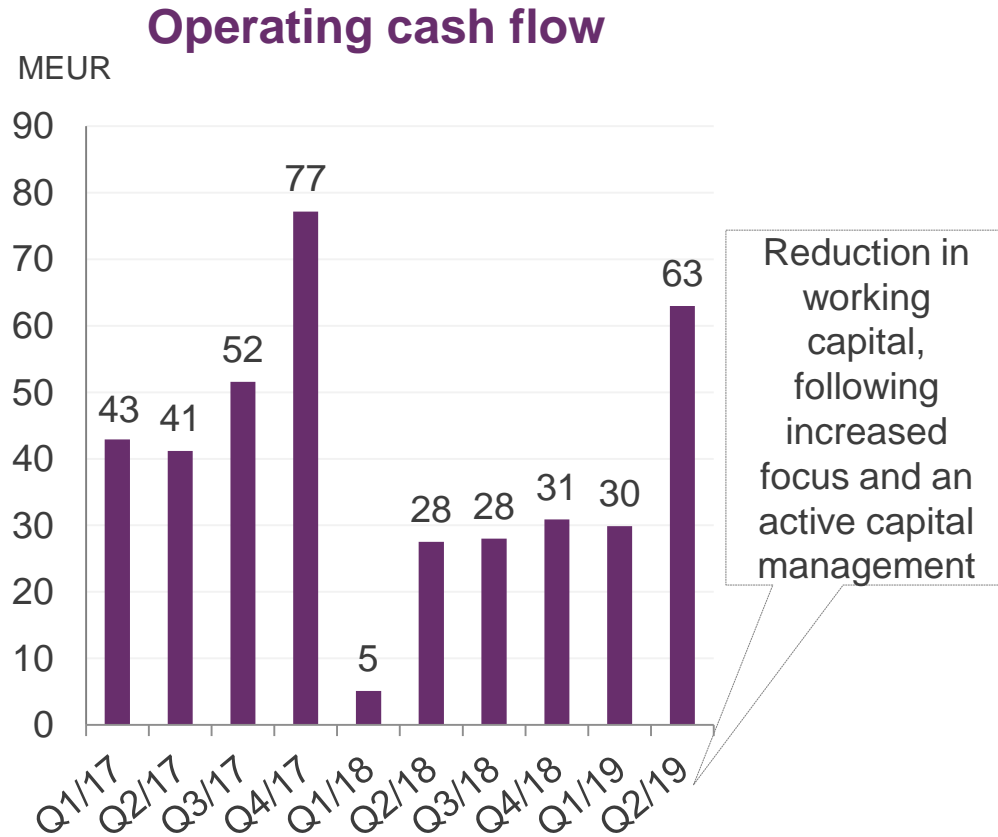
Comparable EBITDA and margin by business area*



*Years 2016-Q3/2017 Ahlstrom-Munksjö excluding NASS and Caieiras



Cash flow impacted by a reduction in working capital

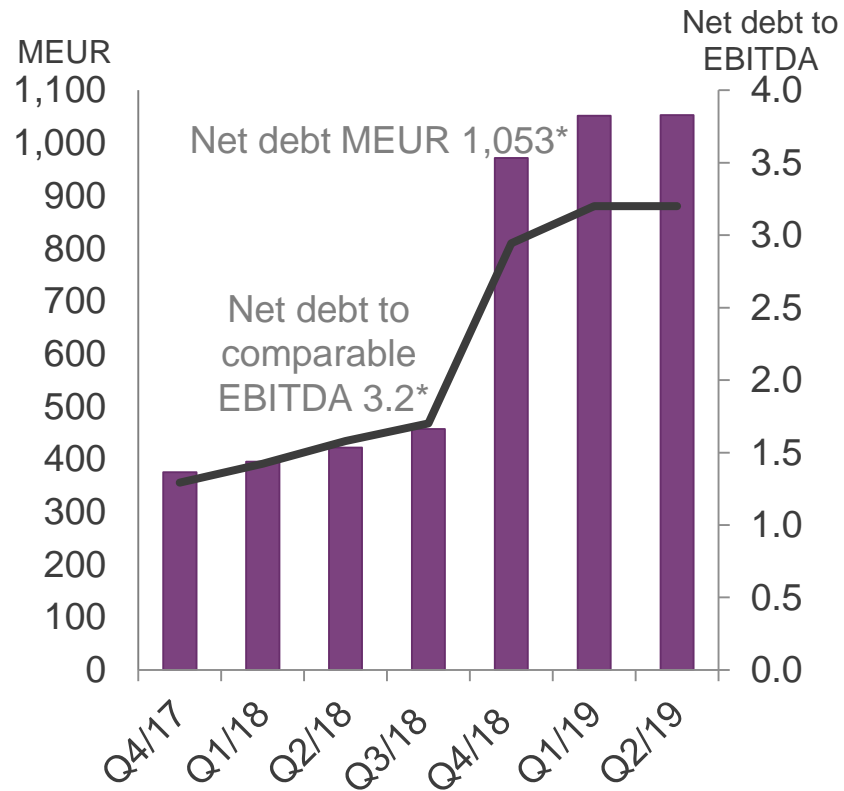


* The implementation of the new IFRS 16 standard, which is excluded from debt covenant calculations, increased net debt by EUR 55 million and EBITDA by EUR 8.0 million in 1-6/19

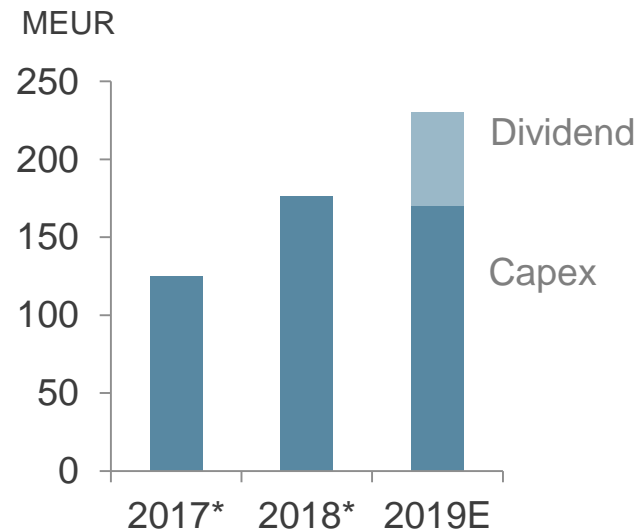


Capital generation and allocation

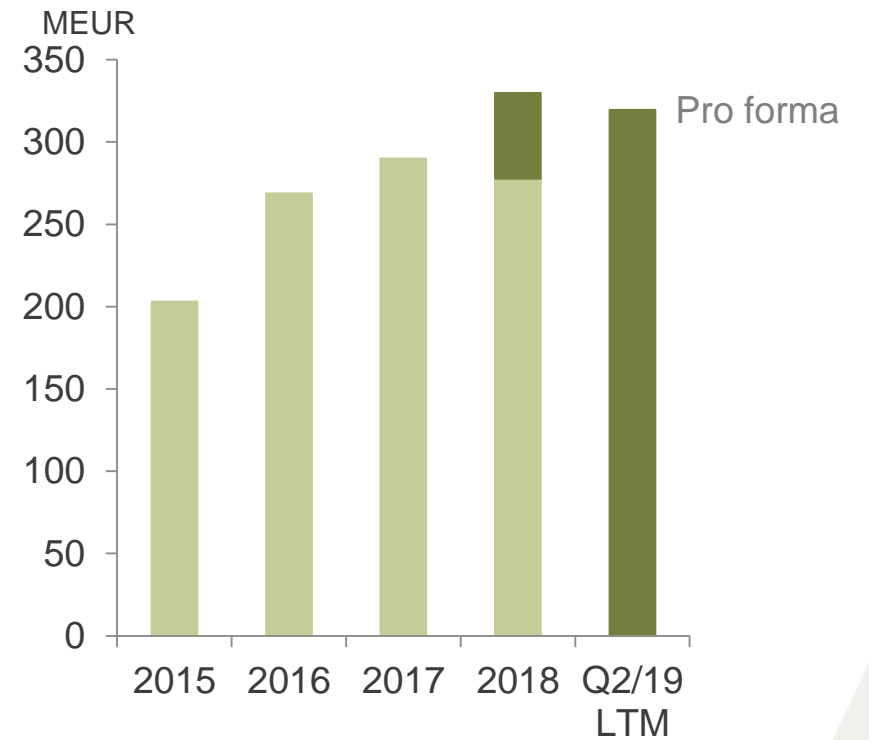
Net debt



Capital allocation



Comparable EBITDA**



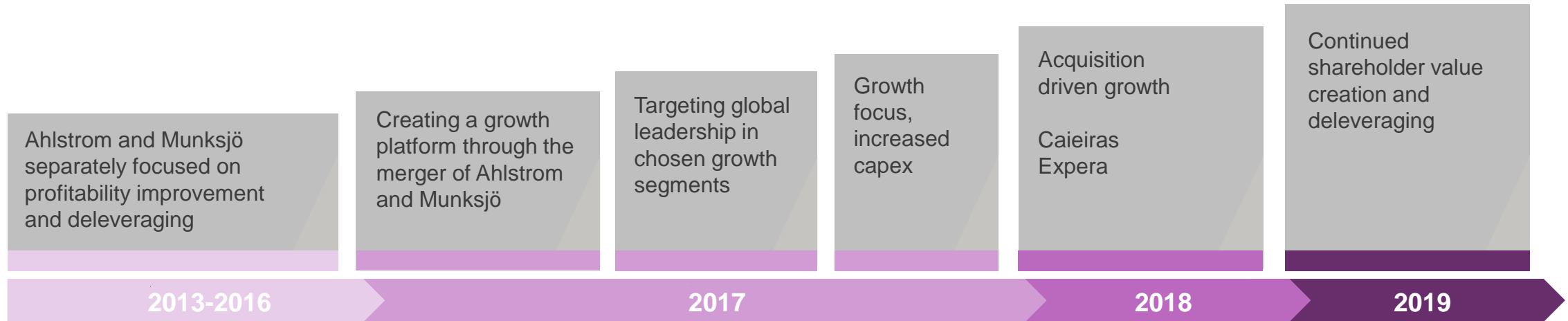
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* Pro forma

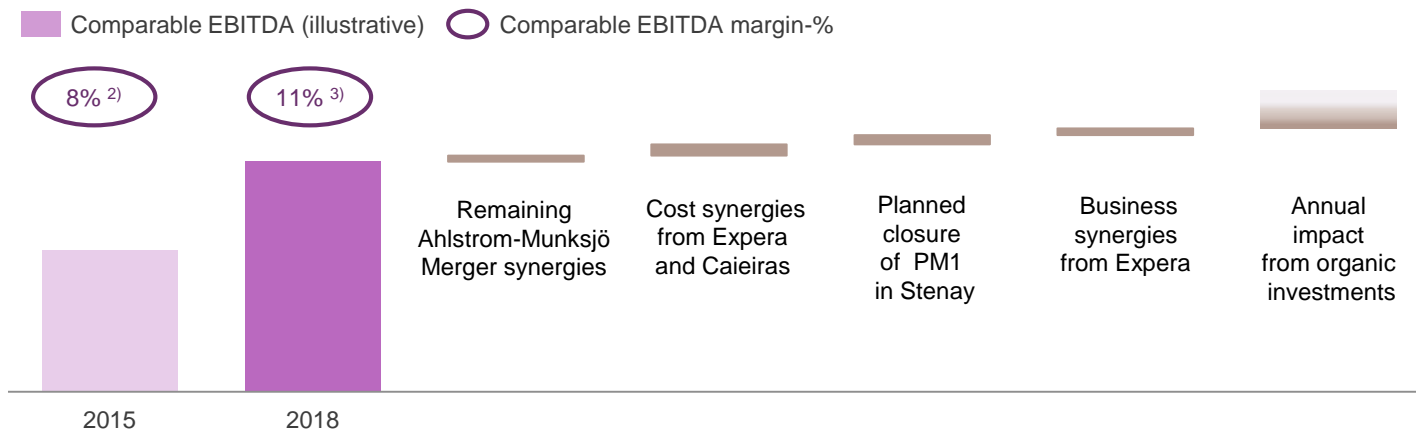
**Years 2015-2017 Ahlstrom-Munksjö excluding NASS and Caieiras



Strategic transformation supporting profitable growth



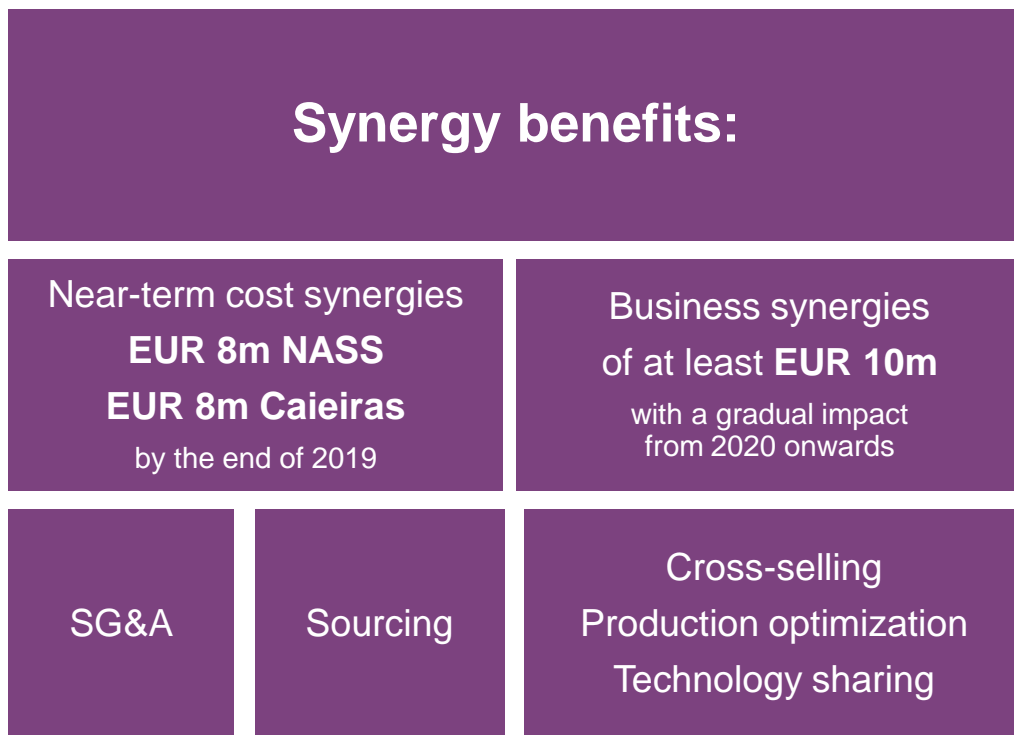
Measures underway to improve competitiveness and drive growth¹⁾



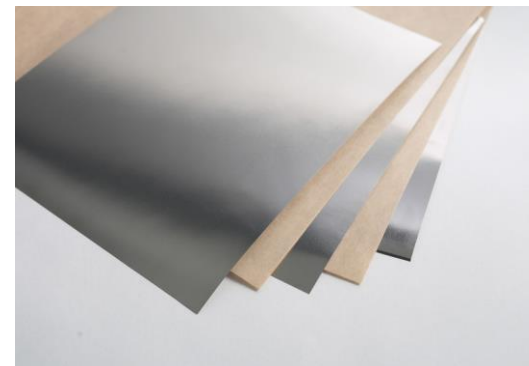
1) Illustrative (not necessarily in scale), not to be considered as guidance
 2) Munksjö's reported adjusted EBITDA margin for 2015
 3) Pro forma comparable EBITDA margin in 2018



Delivering promised synergy benefits














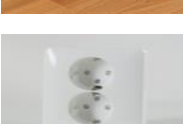


SG&A = Selling, General and Administrative expenses









Completed investments driving strategic progress

Production ramp-up ongoing

		Efficiency and agility	Customer value	Profitable growth		
Abrasive backings, Arches Paper machine rebuild, Q1/18-	EUR 14m	✓	✓	✓		 <i>Back of sandpaper</i>
Filtration, Turin Capacity debottlenecking, H1/18-	EUR 3m			✓		 <i>Filtration material</i>
Filtration, Madisonville Product offering, H2/18-	EUR 23m	✓	✓	✓		 <i>Filtration material</i>
Foodpack, Saint Severin New line installation, Q3/18-	EUR 7m		✓	✓		 <i>Baking paper</i>
NASS Coater expansion, Q3/17-	EUR 13m		✓	✓		 <i>Fiber composite release liners</i>
Decor, Dettingen Production line upgrade, Q1/19	EUR 5m		✓	✓		 <i>Pre-impregnated decor paper</i>
Insulation, Aspa Bailing line modernization, Q2/19-	EUR 4m	✓	✓			 <i>Specialty pulp</i>



New investment decisions driving our strategic progress

		Efficiency and agility	Customer value	Profitable growth	
Medical, Pont Audemer Converting line rebuild, Q3/19-	EUR 4m	✓	✓	✓	 Sterilization wrap
Coated Specialties, Jacarei Coating line upgrade, Q3/19-	EUR 21m	✓	✓	✓	 Coated specialty paper
Insulation, Billingsfors Boiler and pulp line rebuild, Q3/19-	EUR 23m	✓	✓	✓	 Electrotechnical paper
Filtration, Release Liner New co-generation in Turin plant, H1/20-	EUR 15m	✓	✓	✓	 Turin plant
Filtration, Turin Capacity expansion, H2/20-	EUR 28m	✓	✓	✓	 Industrial filter material
Beverage & Casing, Chirside New production line, H2/20	EUR 28m	✓	✓	✓	 Coffee, tea, and casing material



Outlook for 2019

“Ahlstrom-Munksjö’s pro forma comparable EBITDA reached EUR 330 million in 2018.

At the beginning of 2019, customers reacted to signs of slowing economic growth. Demand has slowed somewhat in certain product segments and customers have reduced inventories. The overall market environment remains uncertain and demand continues to fluctuate.

Ahlstrom-Munksjö will continue its efforts to improve performance and competitiveness. The gross margin for products continued to increase in the first half of 2019 and the targeted synergy benefits and cost reduction measures are expected to contribute positively to earnings for the full year.”



Summary - Steps in improving competitiveness

- Profitability continued to improve, fueled by further increase in gross margin for products
- Cash flow improved
- Sustainability work awarded with third consecutive EcoVadis Gold rating
- The market environment remained uncertain with fluctuating demand
- Proceeding with measures to improve performance and competitiveness
- The integration of the recent acquisitions proceeding as planned, focus on delivering on the promised synergies as well as cash flow.



Save the date – CMD on November 12

- Capital Markets Day for investors and analysts in Helsinki, on Tuesday, November 12, 2019
- Participants of the Capital Markets Day will meet the members of Ahlstrom-Munksjö's management team and have the opportunity to discuss the company's strategic cornerstones as well as ambition of global leadership in innovative fiber based solutions
- More information will be out soon at <https://www.ahlstrom-munksjo.com/Investors/>



Venue: Hotel Kämp
Pohjoisesplanadi 29, Helsinki

An aerial photograph of a dense forest, likely a coniferous forest, with a road visible in the lower right quadrant. The trees are mostly green, with some bare, white trees scattered throughout. The text is centered over the image.

**Global leader in sustainable
and innovative fiber-based
solutions**