

Ahlstrom-Munksjö

Q1 2019 Results

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

April 25, 2019



AHLSTRÖM
MUNKSJÖ

Ahlstrom-Munksjö – Global leader in fiber-based solutions

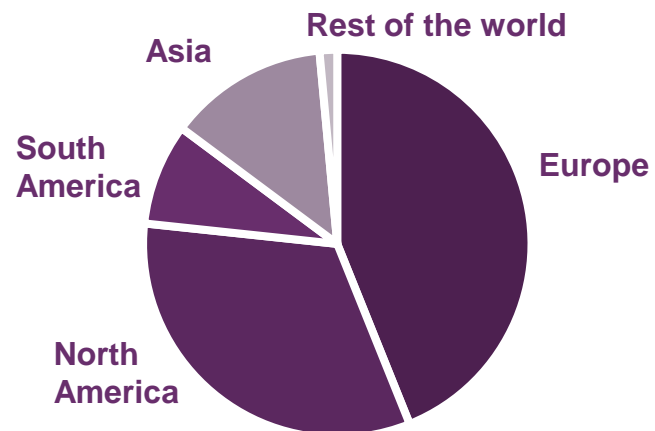
- Fibers are at the core of what we do and the common denominator for our products and solutions
- Natural fibers represent 94% of our total fiber use
- We offer custom made specialized fiber based materials
- Our value proposition is based on innovation, quality and service
- Our offering contributes 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



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.



HighFlow Marine is a composite reinforcement fabric for the marine industry, making the manufacturing process faster and more effective



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



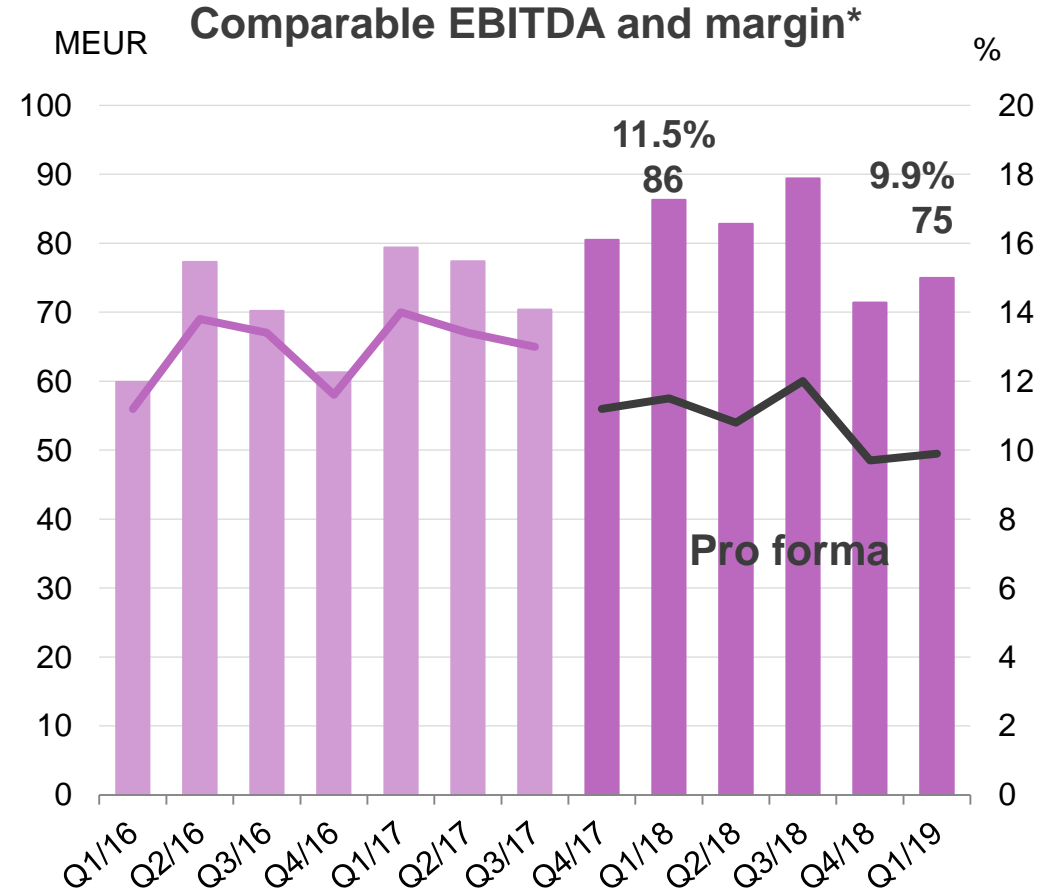
Extia® 1000 is a range of highly durable filtration media, specifically designed for industrial filtration applications.

*Products launched in the past three years



Highlights Q1/2019

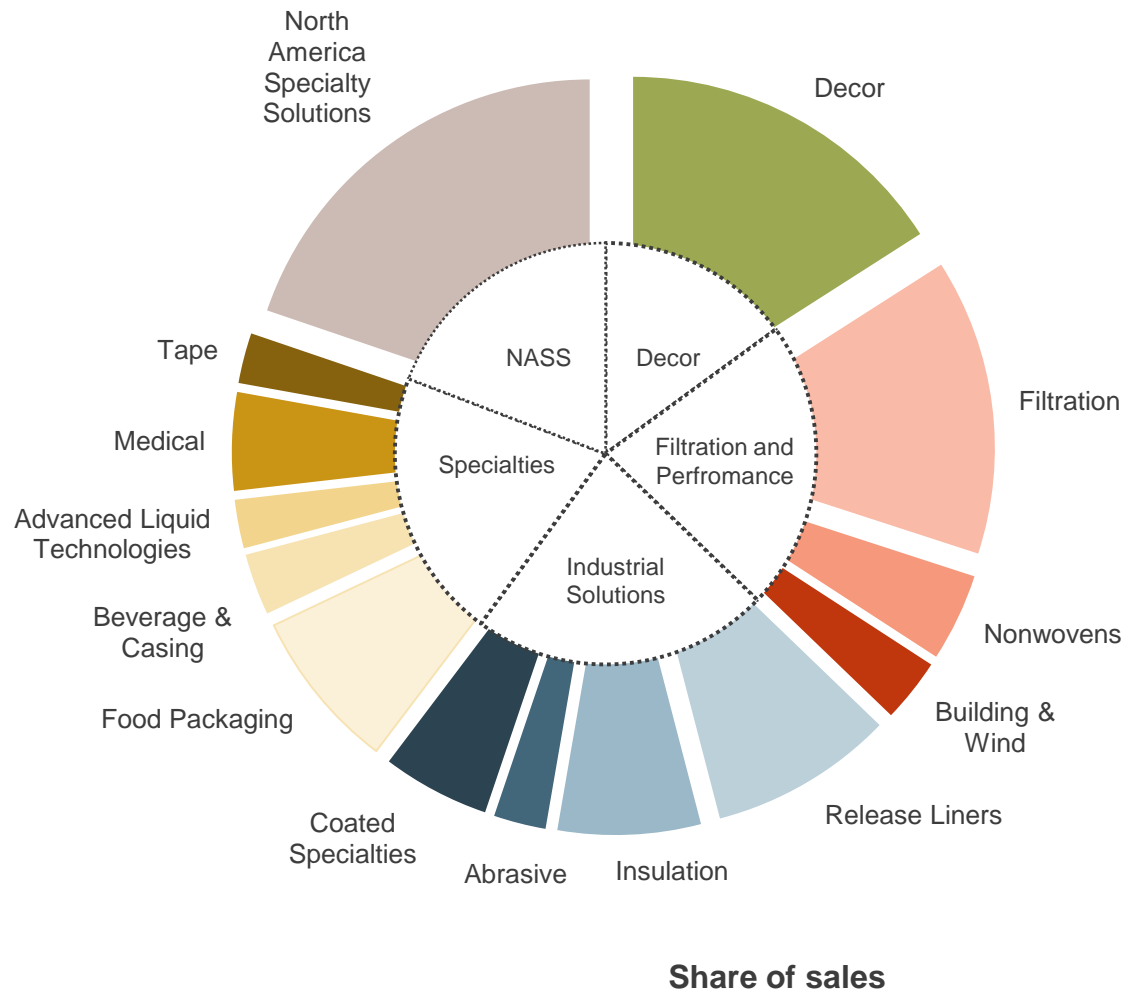
- 12% increase in actual comparable EBITDA, supported by the Expera and Caieiras acquisitions
- Profitability impacted by lower delivery volumes
 - Pick up in sales volumes towards latter part of the quarter after a weak start
 - Further improvement in gross margin for products
- Proceeding with targeted measures to improve performance and competitiveness
- A new business structure for integration of acquired business and strategic alignment



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



Mixed demand in Q1/2019



- **Filtration and Performance**

- Stable demand for filtration products in Europe, slightly weaker demand in North America and Asia
- Solid demand growth in glass fiber tissue and industrial filtration applications

- **Decor**

- Demand remained weak and in Europe, inventory reduction in the supply chain continued

- **Industrial Solutions**

- Demand for abrasive backings and coated products was unchanged
- Market environment remained competitive in Release Liners
- Demand for electrotechnical insulation papers and specialty pulp improved

- **Specialties**

- Stable demand for food processing and packaging papers, medical, and beverage materials, growth continued in fibrous casing materials
- Robust demand in life science and water purification materials
- Weaker demand for tape backing in Europe, demand strengthened in Asia

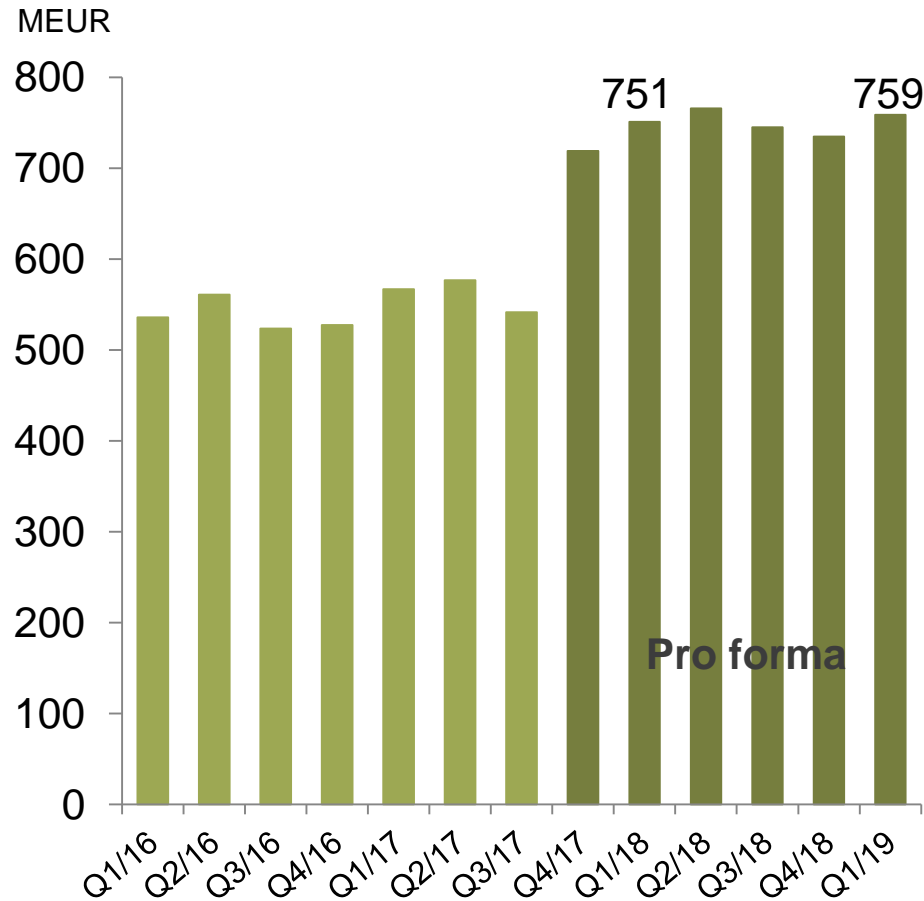
- **North America Specialty Solutions**

- Stable demand in food processing and packaging papers
- Soft demand for industrial and technical papers
- Demand for commodity release liners remained weak, while that for fiber composites remained strong

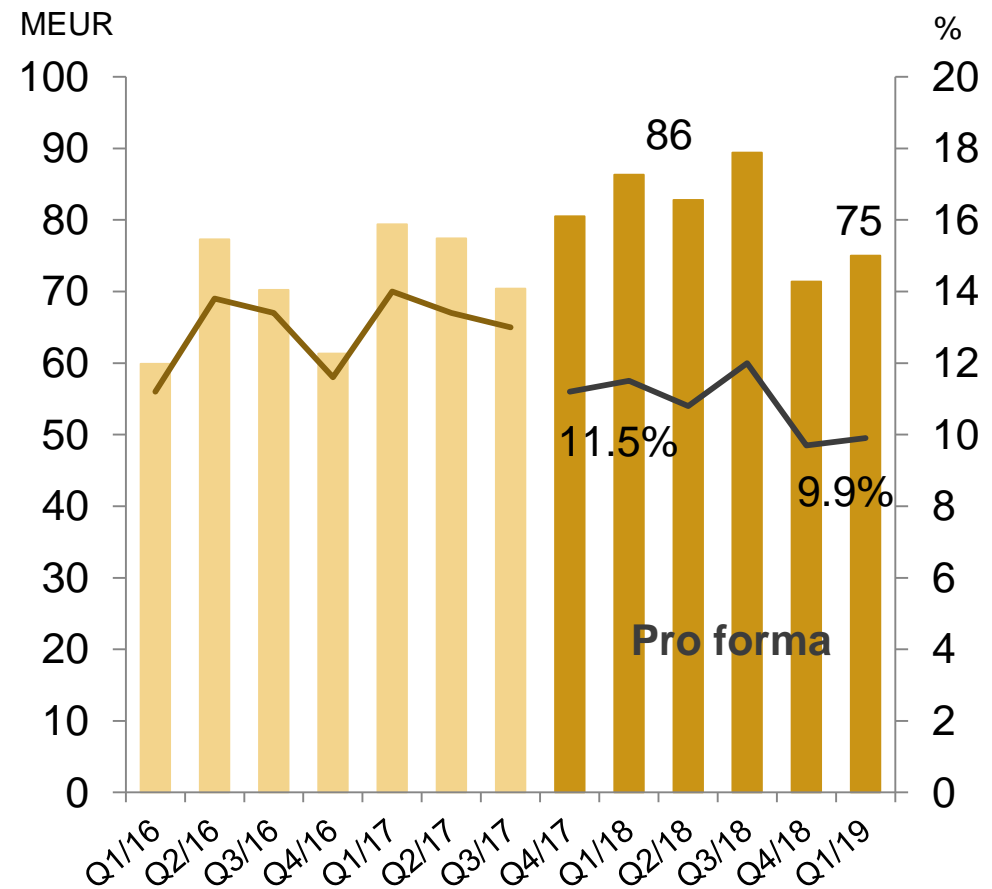


Sales growth driven by price increases

Sales*



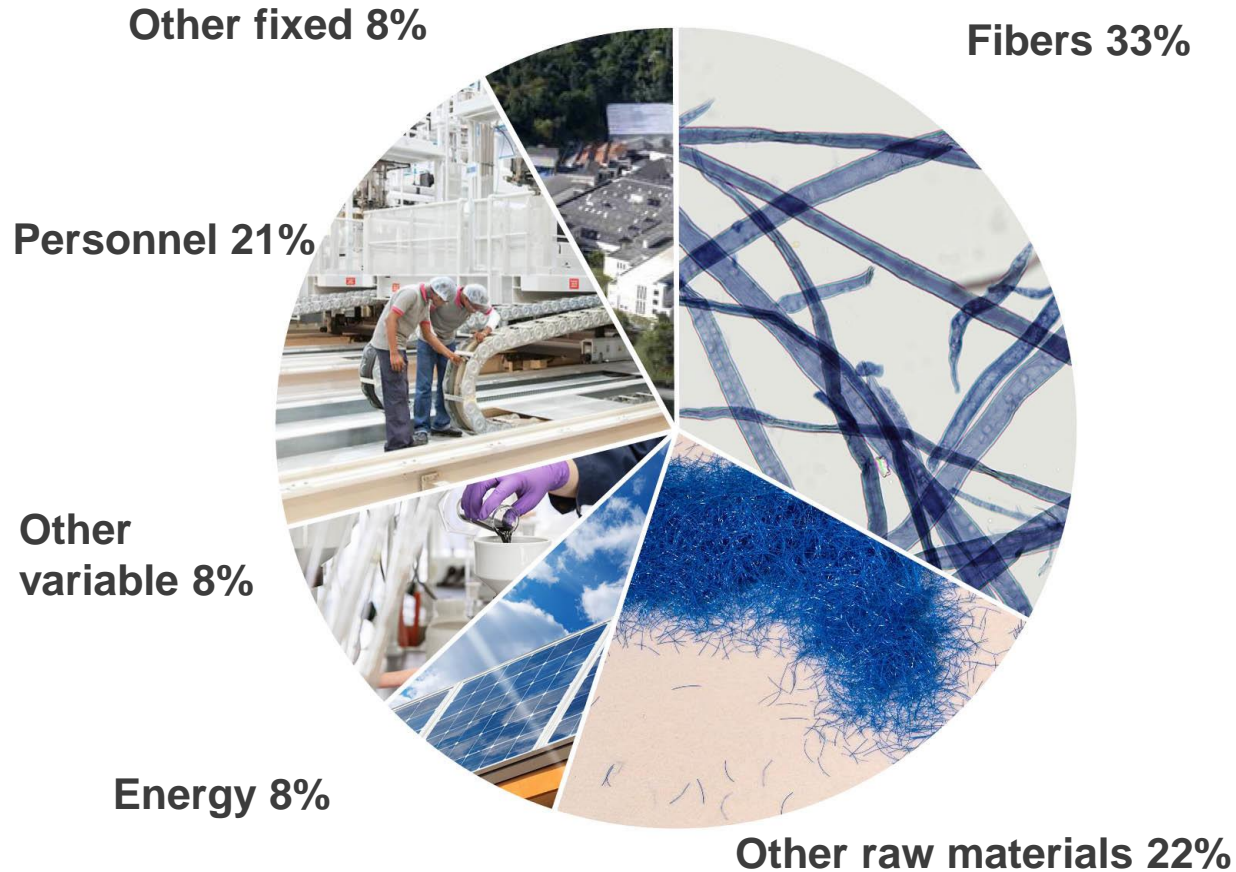
Comparable EBITDA and margin*



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



Raw material increase successfully compensated

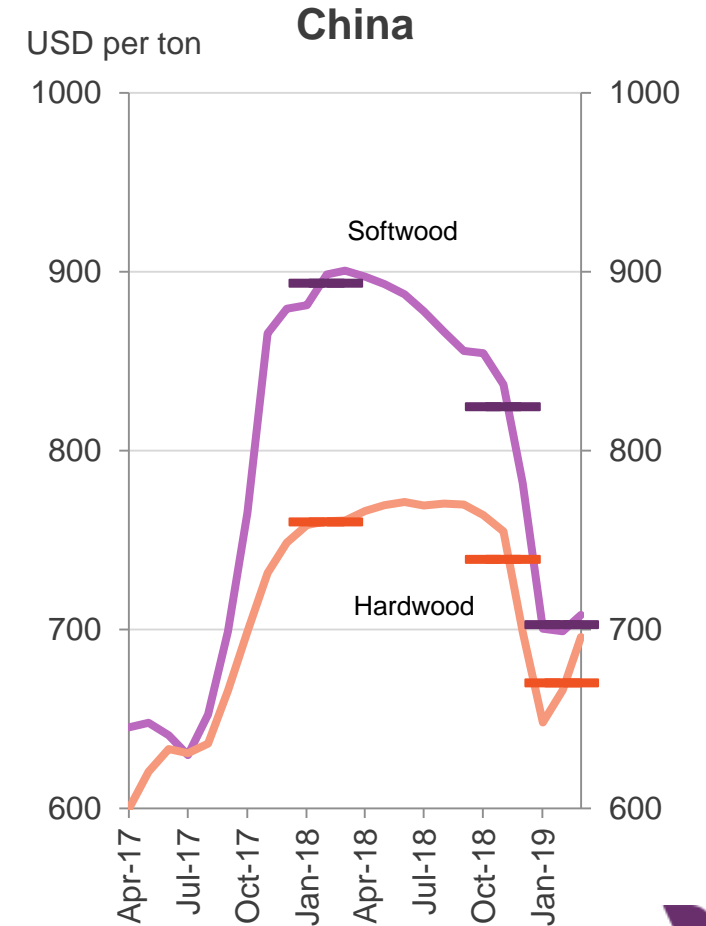
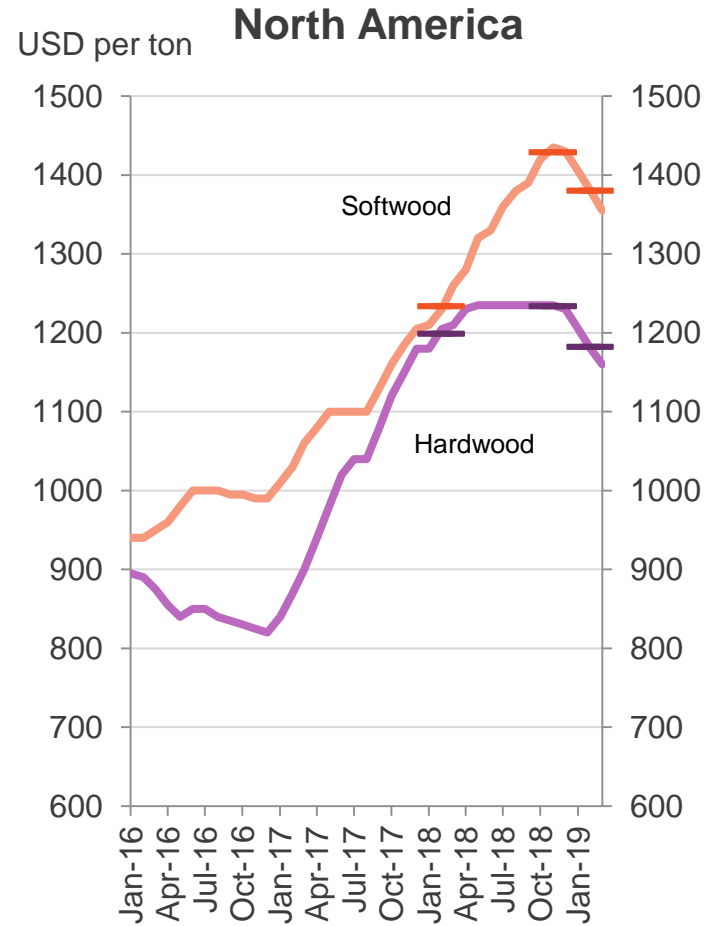
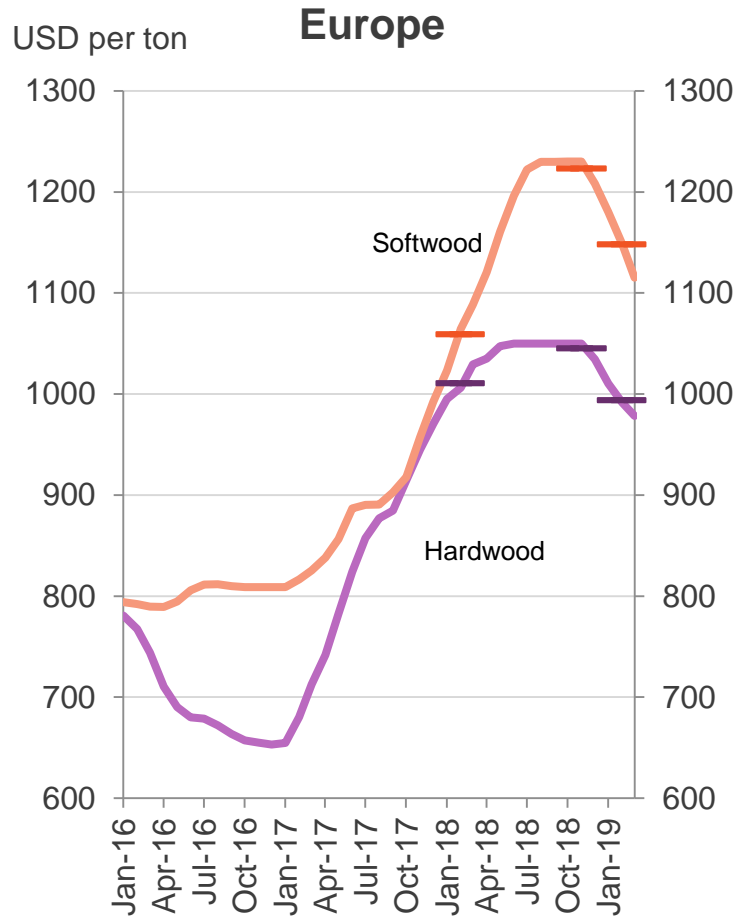


Pro forma breakdown of operating costs

- Successful compensation of EUR 48m increase in raw material and energy costs
- Snapshot of market prices Q1/19 vs Q1/18
 - Hardwood pulp -1%
 - Softwood pulp +8%
 - Tio2 -9%
 - Natural gas +18%
 - Electricity +38%



Key raw materials price development

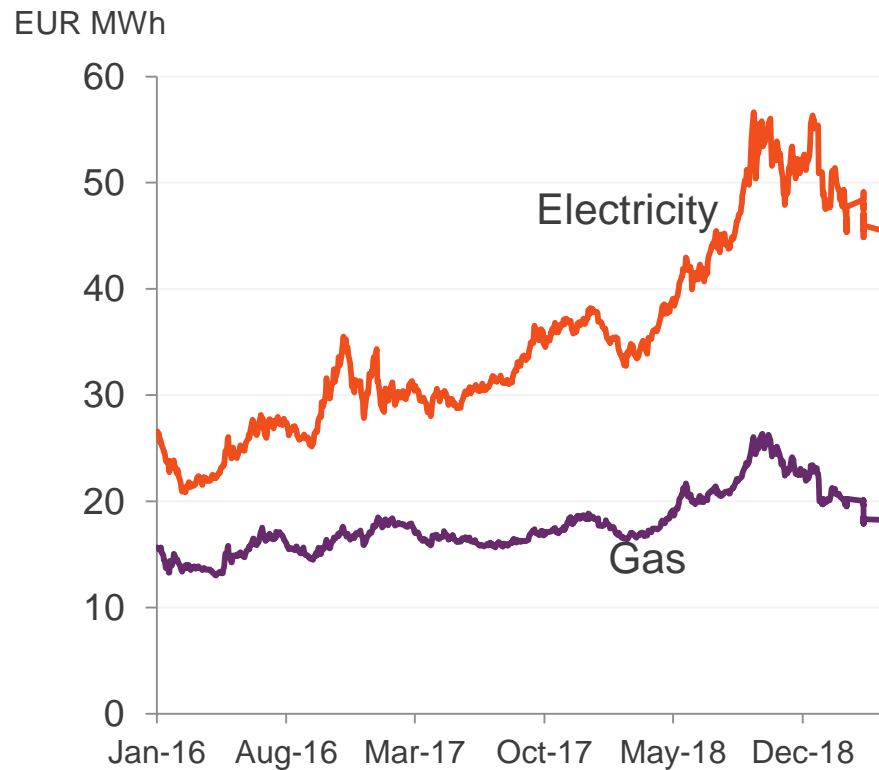


Source: RISI



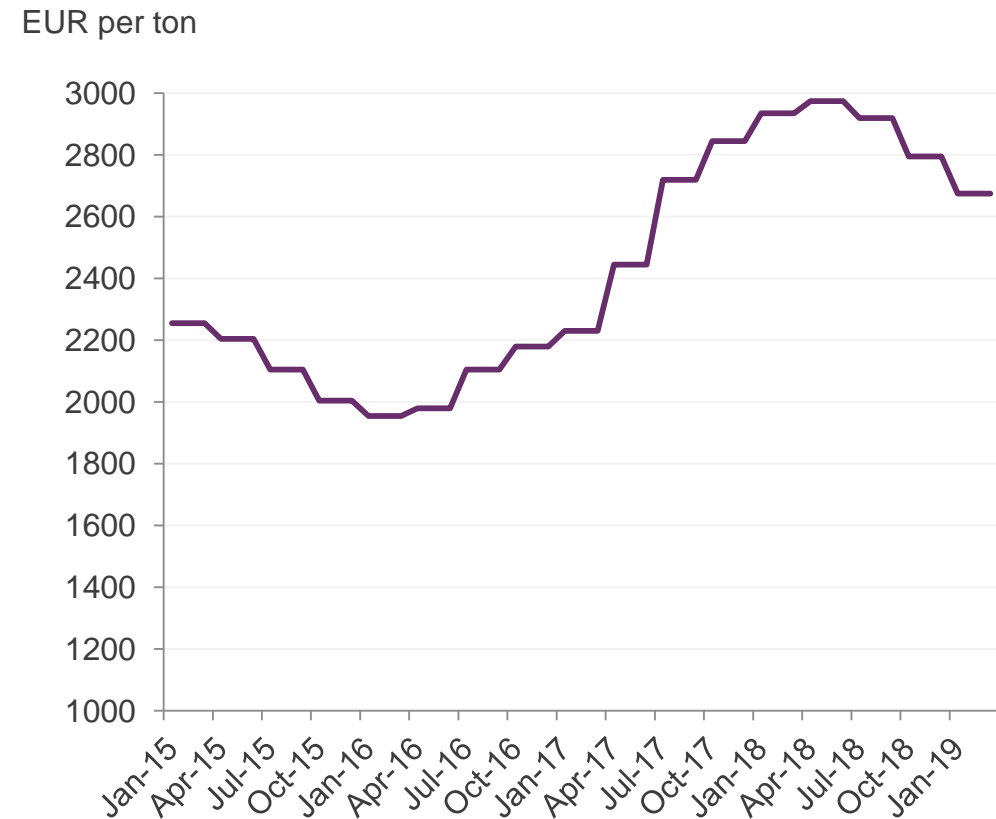
Energy and Titanium dioxide prices

European forward electricity and gas prices



Source: E&C consultants

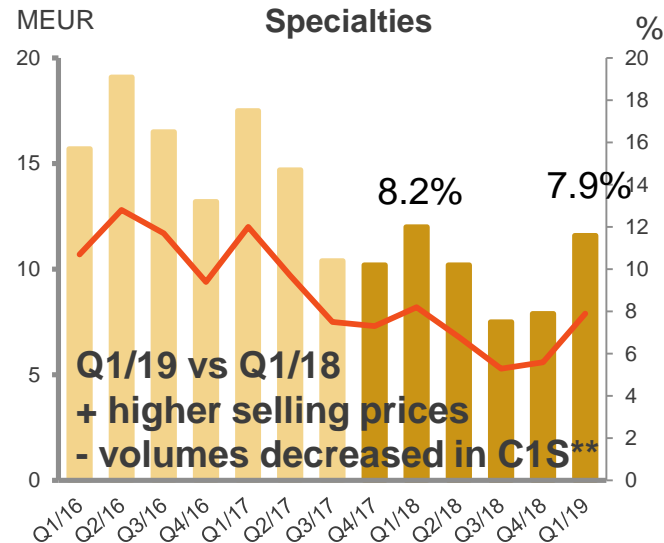
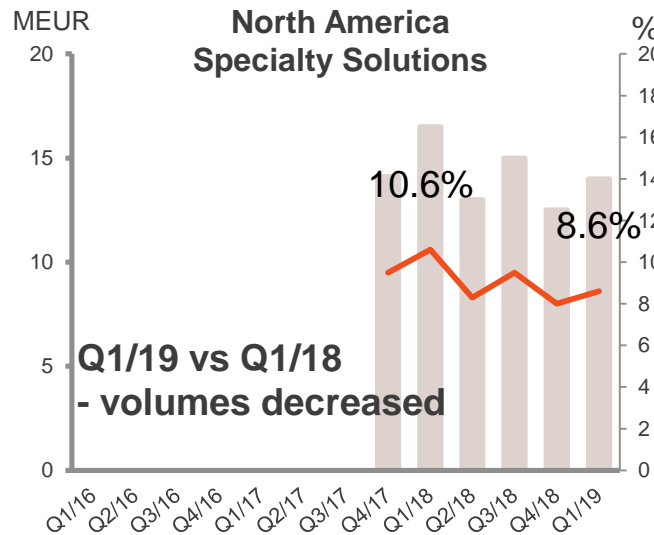
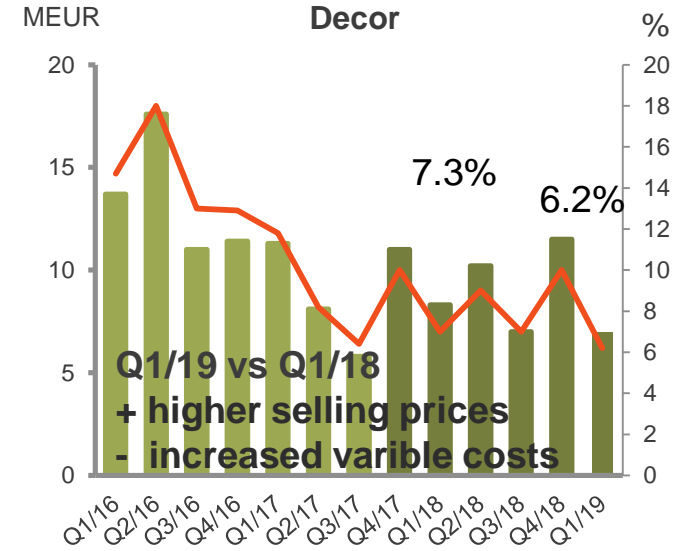
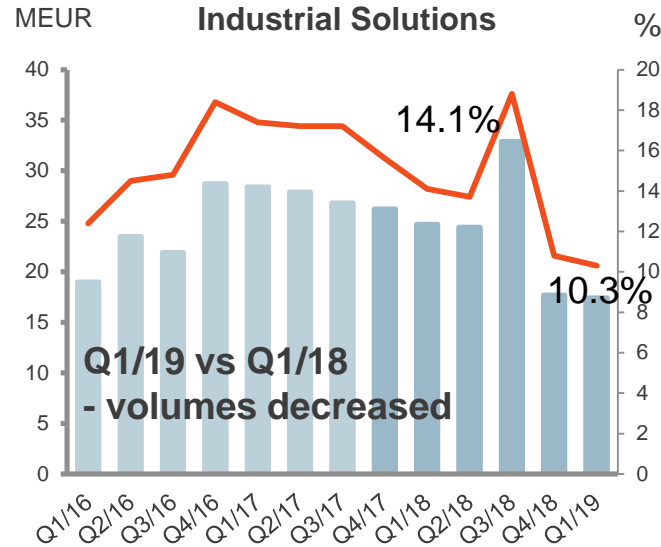
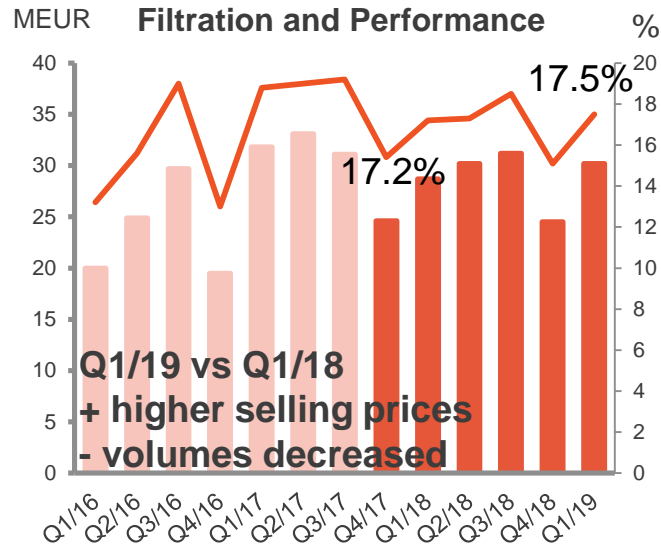
Titanium dioxide



Source: ICIS Europe FD



Comparable EBITDA and margin by business area*

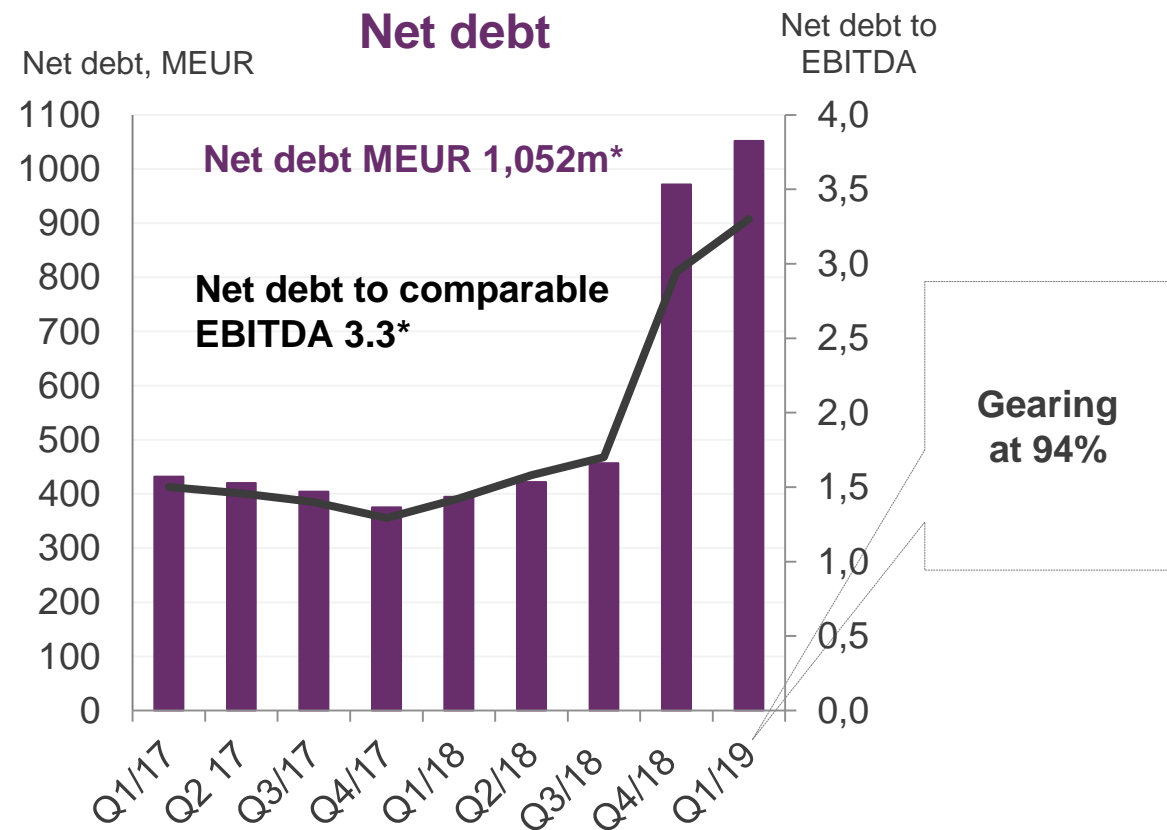
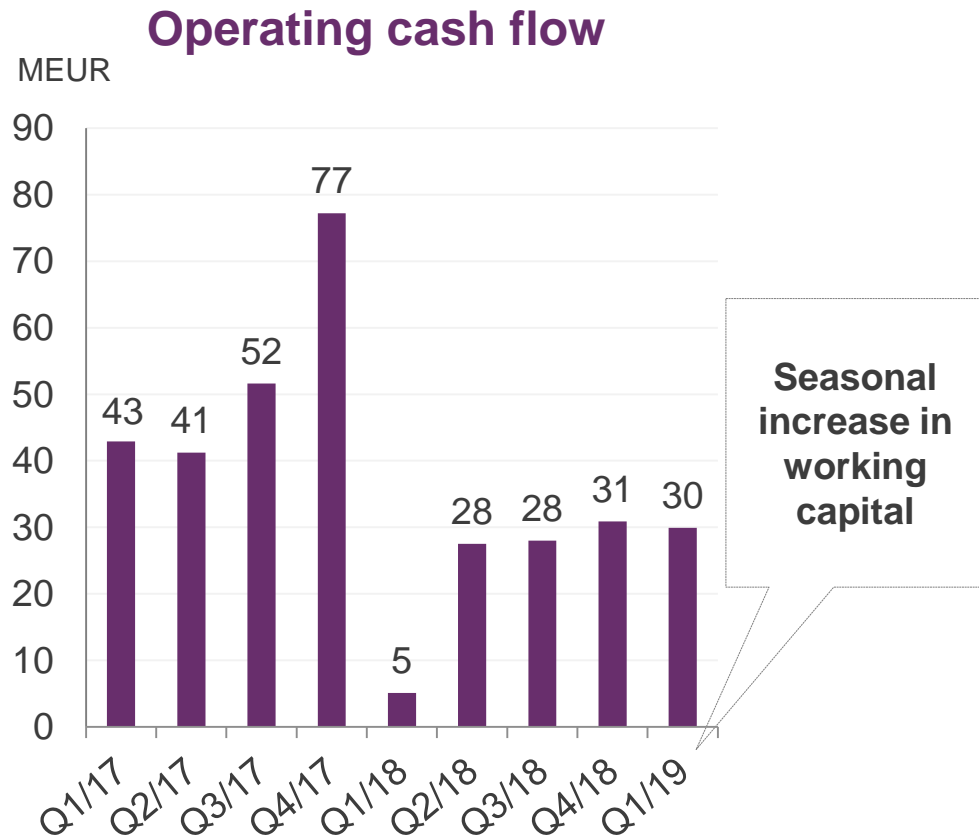


*Years 2016-Q3/2017 Ahlstrom-Munksjö excluding NASS and Caieiras

**C1S: one-side coated



Cash flow impacted by seasonal increase in working capital and modest profitability

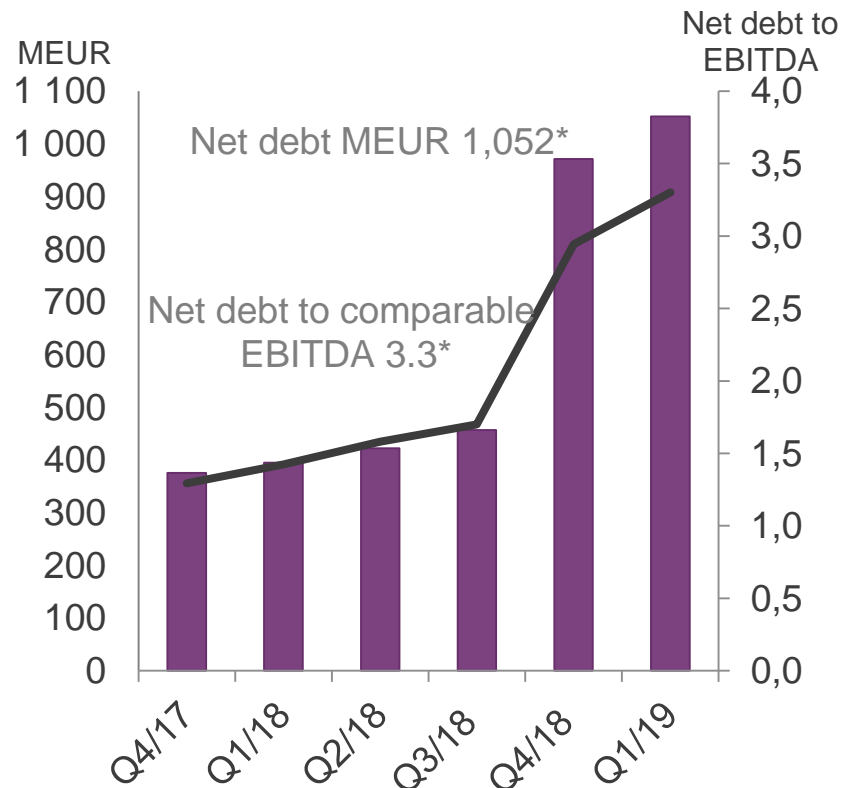


* The implementation of the new IFRS 16 standard, which is excluded from debt covenant calculations, increased net debt by EUR 55 million and EBITDA by EUR 3.8m in Q1/19

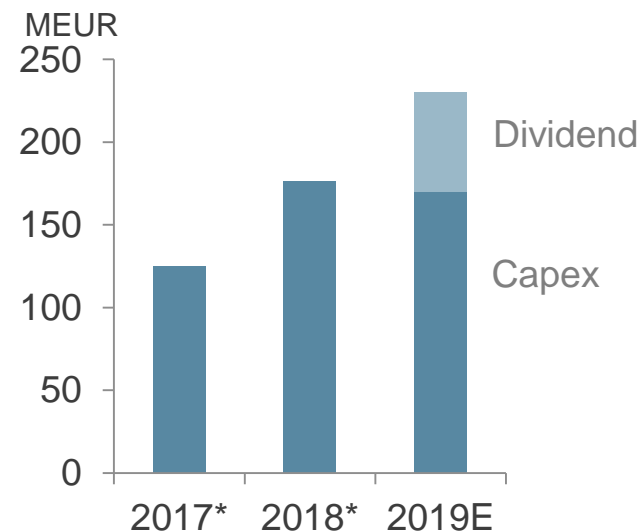


Capital generation and allocation

Net debt

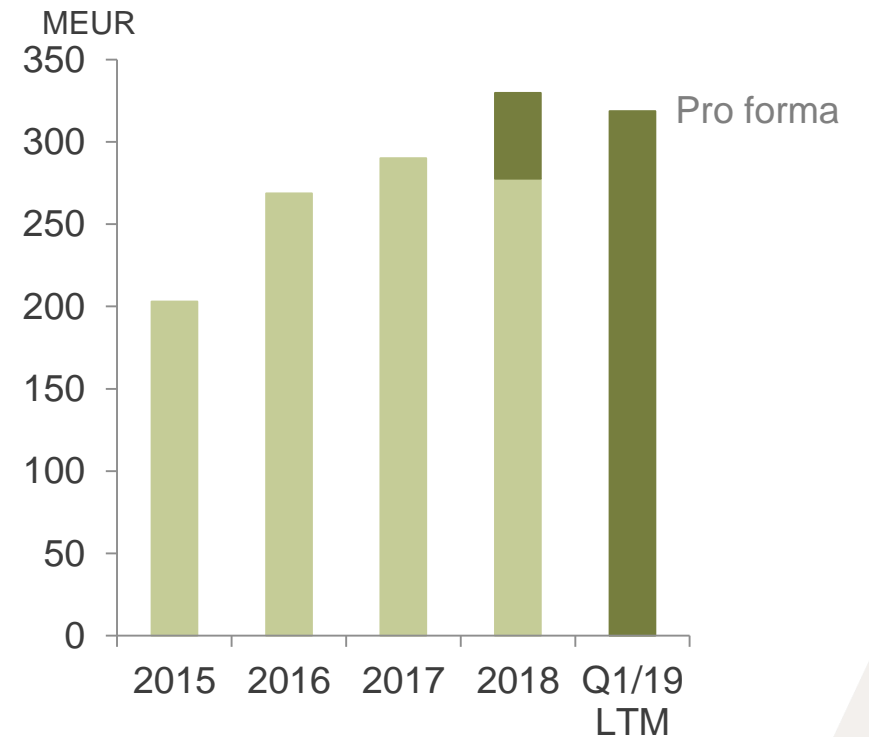


Capital allocation



* Pro forma

Comparable EBITDA*

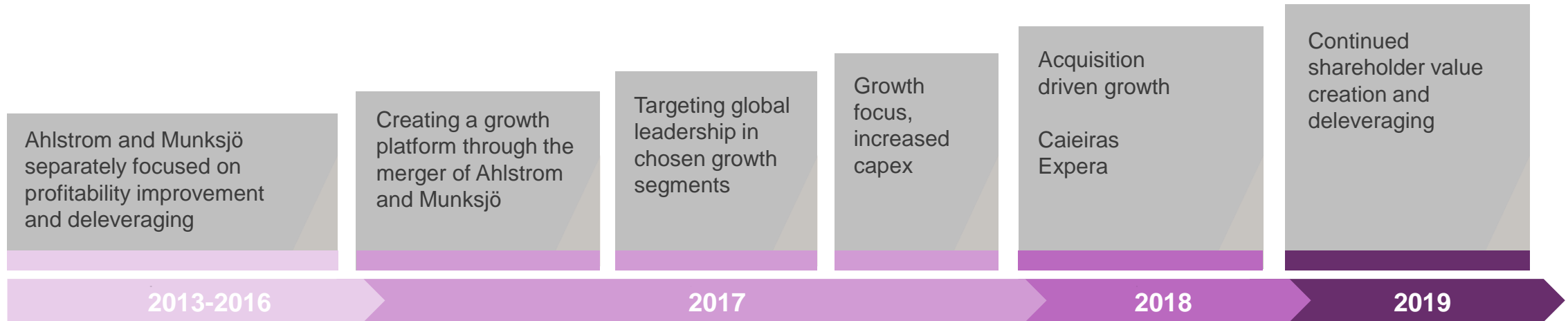


*Years 2015-2017 Ahlstrom-Munksjö excluding NASS and Caieiras

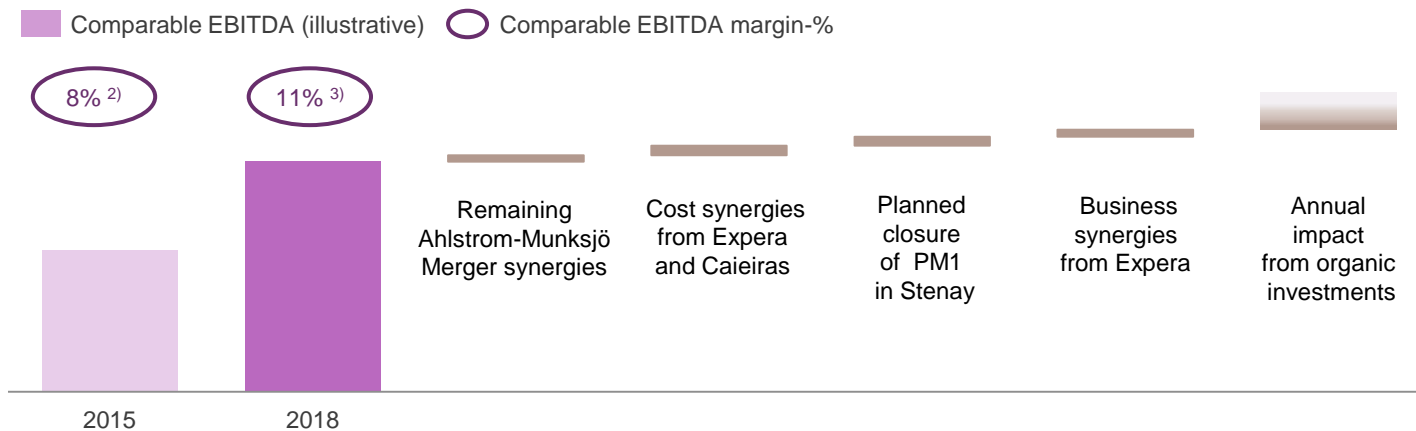
* The implementation of the new IFRS 16 standard, which is excluded from debt covenant calculations, increased net debt by EUR 55 million and EBITDA by EUR 3.8m in Q1/19



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

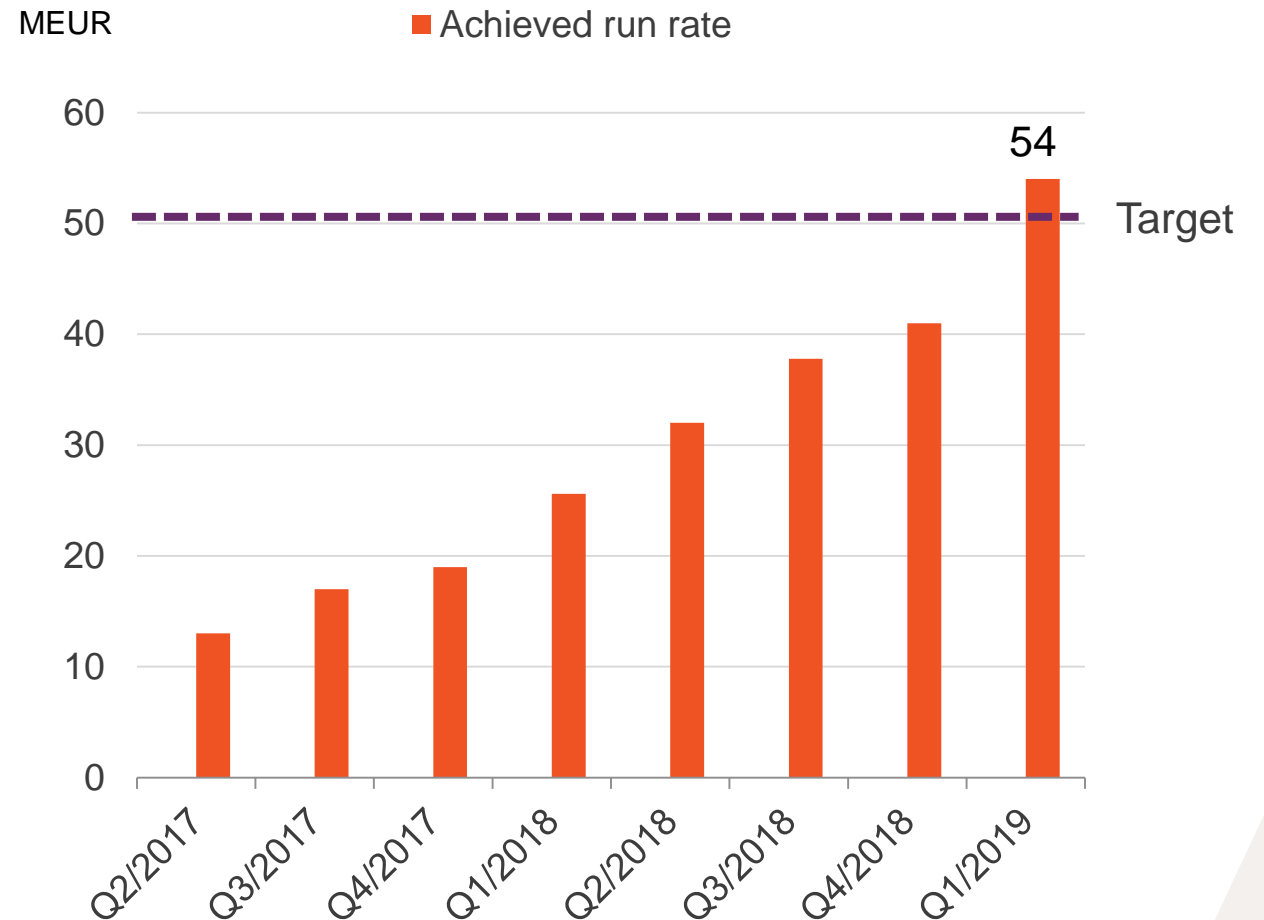


Ahlstrom and Munksjö synergy benefits achieved and cost reduction measures completed

Targeted synergy benefits and cost reduction measures related to the merger of Ahlstrom and Munksjö were completed during Q1/2019.

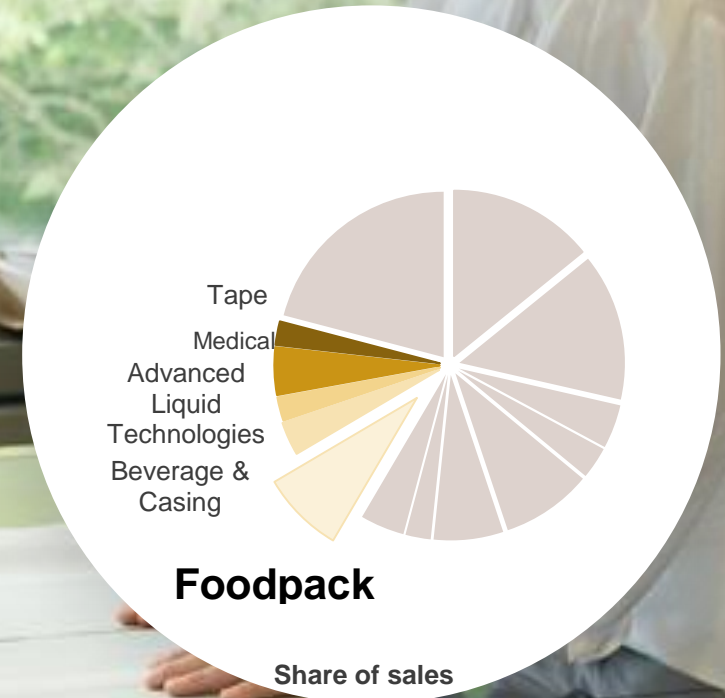
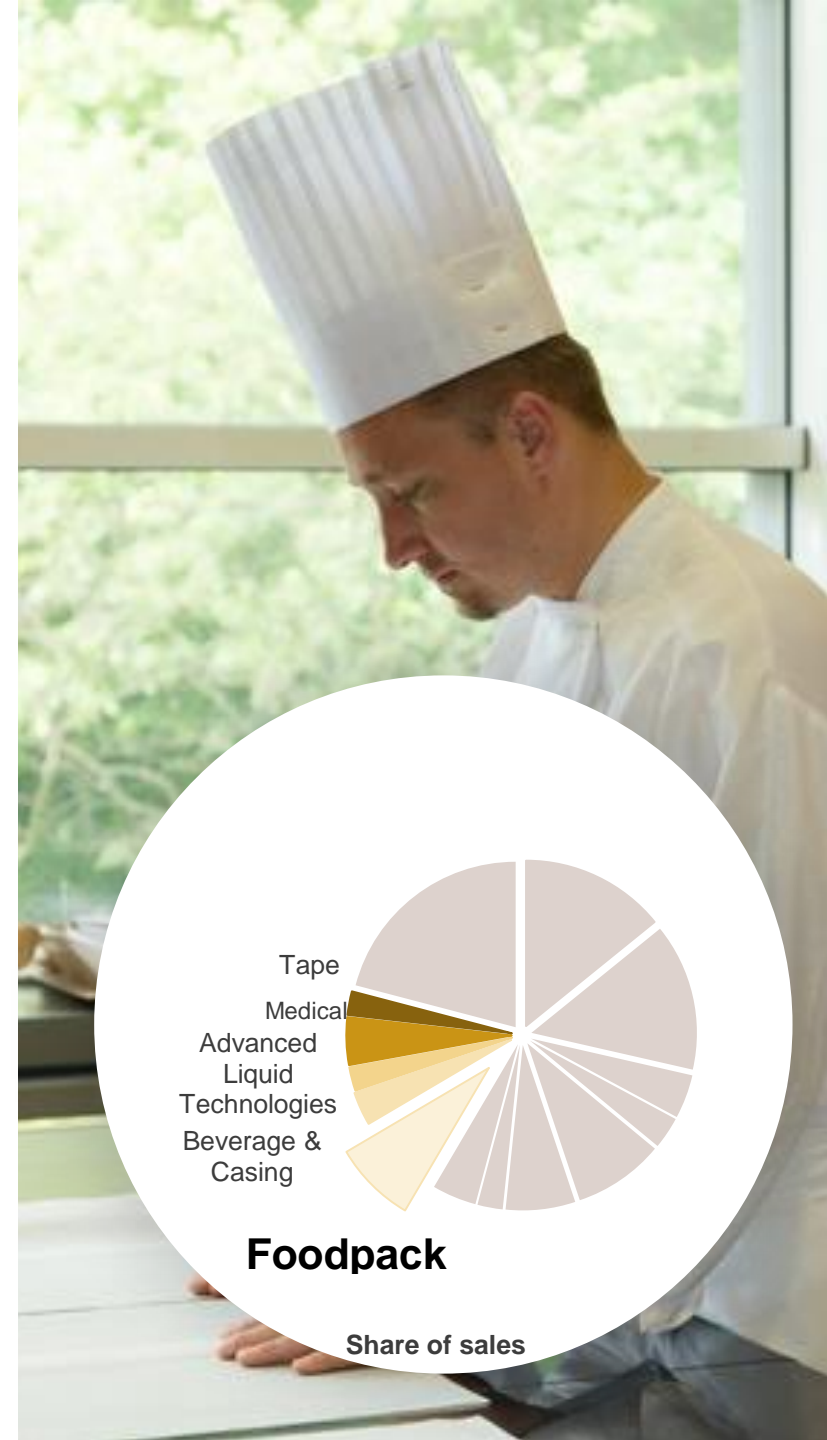
Achieved annual synergy run rate was EUR 54 million, exceeding the target of EUR 50 million.

- 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
- Group structure adjusted to Ahlstrom-Munksjö's business unit based operating model that locally promotes accountability and enables flexibility and lean group functions

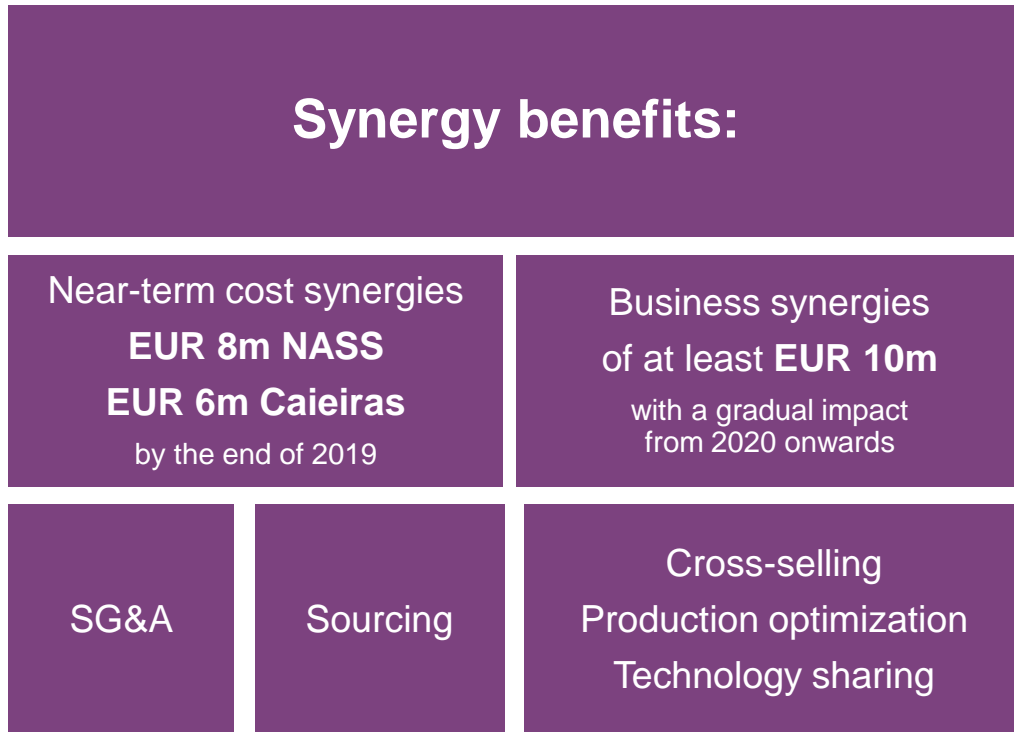


Measures to significantly improve competitiveness in coated one-side products (C1S)

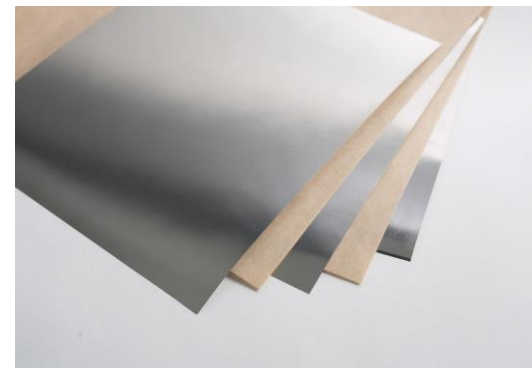
- Operating environment for C1S has further deteriorated, mainly due to increased raw material costs
- Ahlstrom-Munksjö's C1S offering and position not optimally aligned with strategy of niche orientation into customized solutions
- Production was permanently ceased in March 2019. The closure will result in the termination of 77 jobs.
- Concentrating orders to the other paper machine (PM3) also generates cost savings from higher raw material, energy and waste efficiency as well as improves inventory management
- Actions estimated to yield annual impact of EUR 13m
- Restructuring costs provision of EUR 11 million and an impairment loss of EUR 8 million were booked in Q4 2018, an incremental expense of EUR 2 million was booked in Q1 2019



Delivering promised synergy benefits






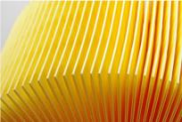










SG&A = Selling, General and Administrative expenses









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, Q2/19-	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 at itH1/20-	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. Although demand growth has slowed somewhat in certain product segments, and customers have reduced inventories, market fundamentals remain relatively solid.

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



Executive Management Team



Hans Sohlström
President and the CEO



Sakari Ahdekivi
Deputy CEO and CFO



Tarja Takko
Acting Executive Vice
President of People and
Safety, as of June 7



Andreas Elving
Executive Vice President
Legal and General Counsel



Daniele Borlatto
Executive Vice President of
Filtration and Performance,
as of June 7



Omar Hoek
Executive Vice President of
Specialties



Dan Adrianzon
Executive Vice President of
Industrial Solutions,
as of June 7



Robyn Buss
Executive Vice President of
North America Specialty
Solutions, as of October 1



Tomas Wulkan
Executive Vice President
of Decor



Global leader in sustainable and innovative fiber-based solutions

BA structure based on core capabilities and business characteristics

“Product excellence”

*New product development and technologies
Mainly global customers and business*

“Performance excellence”

*Product quality development, efficiency and continuous improvement
Mainly regional customers and business with regional PM optimization*

EVP Daniele Borlatto

EVP Omar Hoek

EVP Dan Adrianzon

EVP Robyn Buss

EVP Tomas Wulkan

**Filtration &
Performance
Solutions**

**Advanced
Solutions**

**Industrial
Solutions**

**Food & Technical
Solutions**

**Decor
Solutions**



Steps in improving competitiveness

- Financial performance was still unsatisfactory in the first quarter due to low volumes
- Further improvement in gross margin for products
- Proceeding with targeted measures to improve performance and competitiveness
- Changes to Executive Management Team
- A new business structure for integration of acquired business and strategic alignment
- Focus on integration and delivering on the promised synergies as well as cash flow

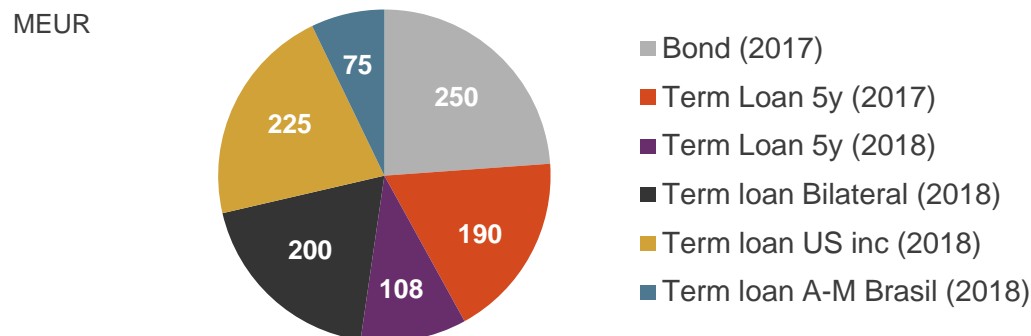


An aerial photograph of a dense forest, likely a coniferous forest, with a road visible in the lower right quadrant. The trees are mostly green, with some bare, white branches visible in the upper left. The text is centered over the road.

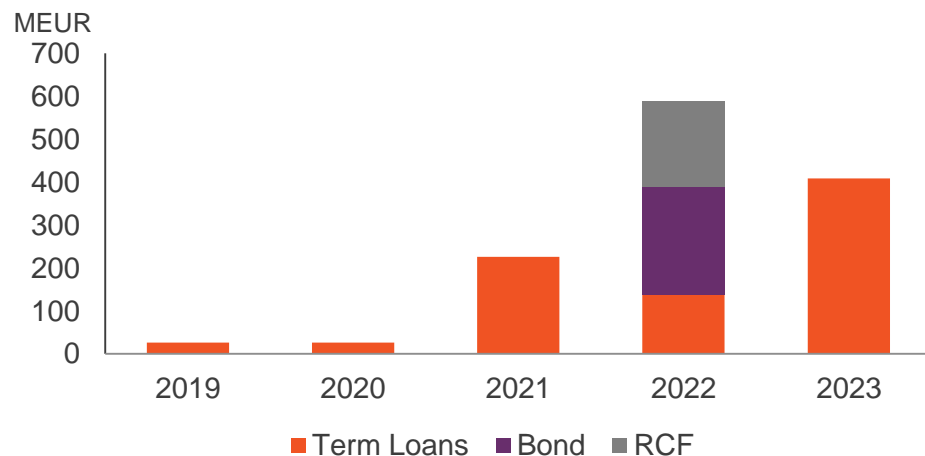
**Global leader in sustainable
and innovative fiber-based
solutions**

Funding structure end of 2018

DEBT FACILITY STRUCTURE, DRAWN



DEBT FACILITY MATURITY PROFILE, INCL. UNDRAWN REVOLVING CREDIT FACILITY



1) Local facilities not represented

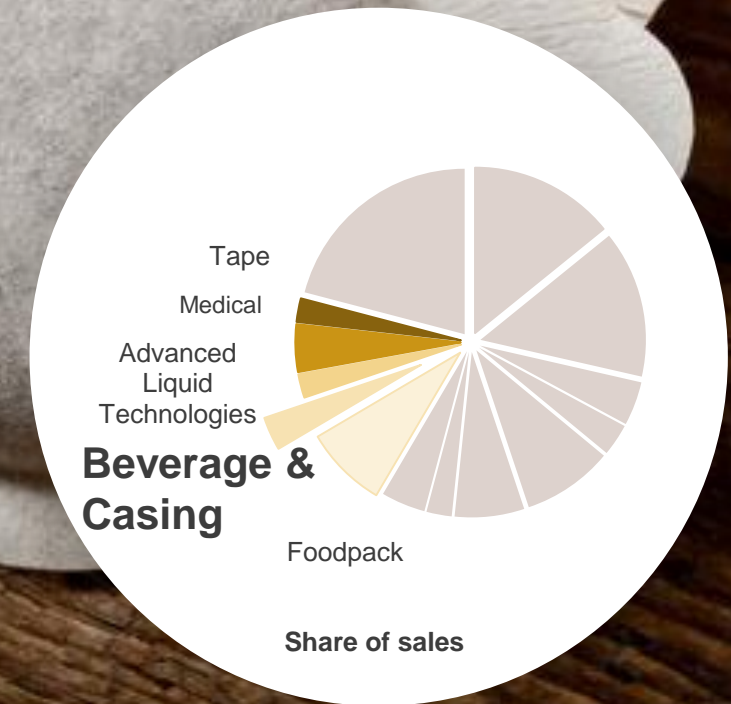
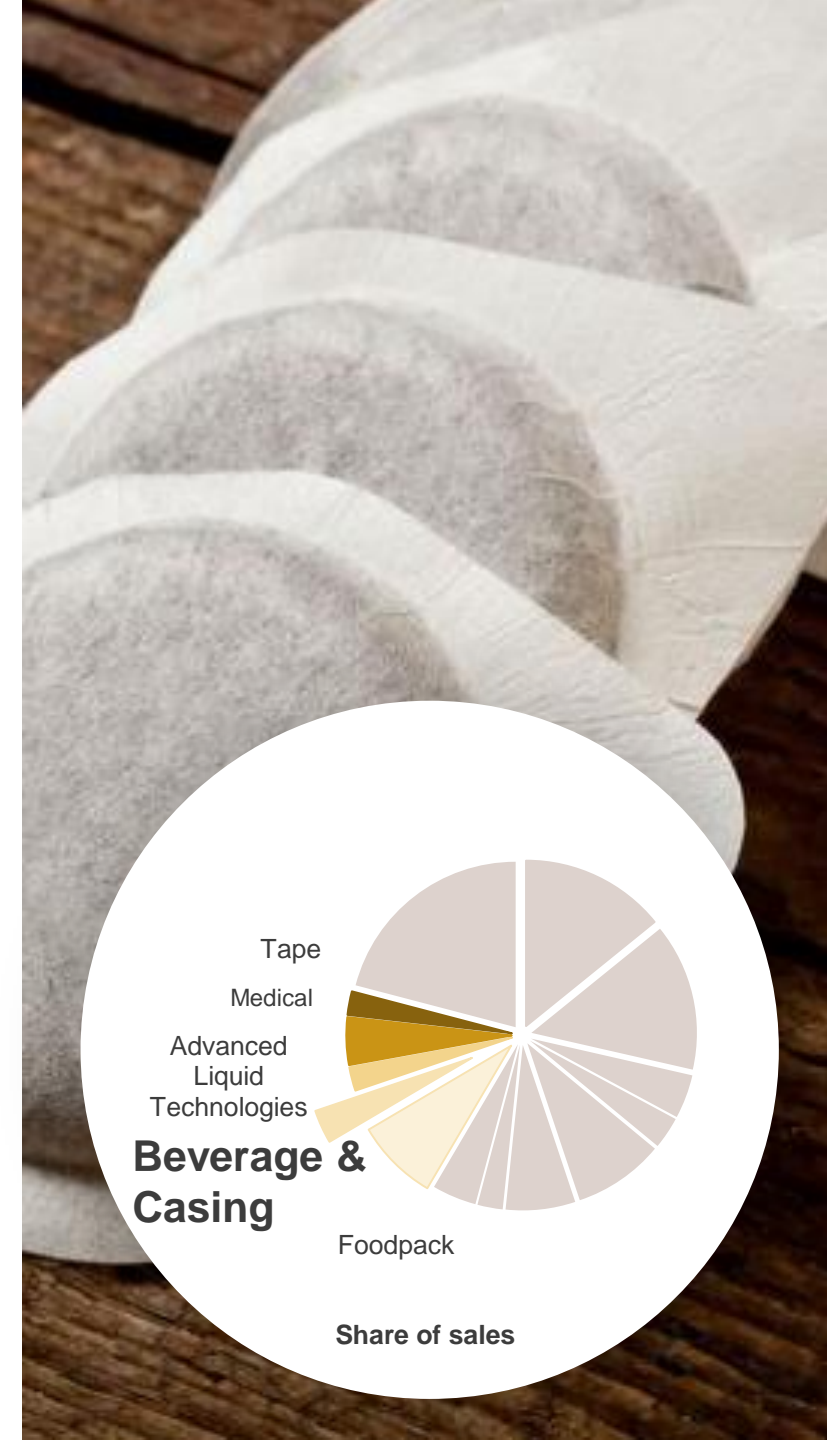
FUNDING STRUCTURE, AVAILABLE FACILITIES

- **Term Loans**
 - 5 year: EUR 64 million, EUR 40 million, SEK 600 million, USD 35 million (maturity 2022)
 - 5 year: EUR 108 million, BRL 330 million, USD 260 million (maturity 2023)
 - 3 year: EUR 200 million (maturity 2021)
- **Bond**
 - EUR 250 million bond (maturity 2022)
- **RCF**
 - 5 year: EUR 200 million, undrawn (maturity 2022)
- **Other**
 - Local working capital facilities of approx. EUR 58 million
 - Local undrawn working capital facilities of approx. EUR 73 million
 - No active issuances in the commercial paper market at the moment
 - Cash pool limits of EUR 13 million (committed) and EUR 8 million (uncommitted)



Investment in biodegradable and compostable tea bag, coffee and meat casing materials

- Investing EUR 28m in near state-of-the-art paper making line to be dismantled and transferred to the Chirnside site, UK
- Combining Ahlstrom-Munksjö's extensive offering of biodegradable and compostable solutions, the new line enables:
 - Growth in tea and coffee filter paper and fibrous meat casing materials
 - Improved product capabilities in coffee and tea
 - Increased production efficiency
 - Differentiation from competition
 - Machine transfer, civil engineering and infrastructure building in progress, final commissioning by the end 2020



Profitability improvement in Decor

Year 2017 –

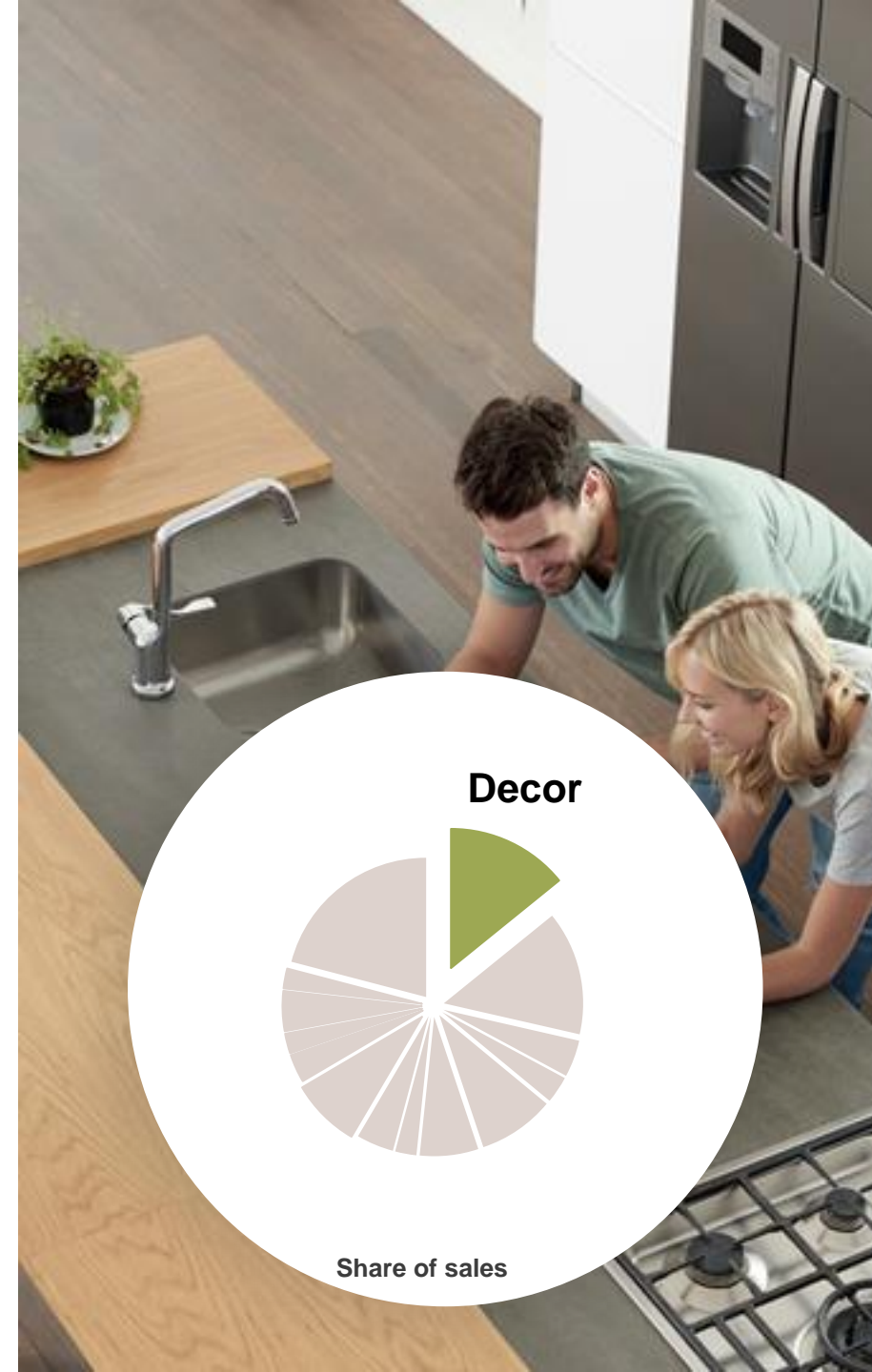
- Escalating raw material costs and build up of inventory levels in the industry

Year 2018 –

- Gross margin improvement thanks to successful price increases
- Volume losses in oversea markets due to price increases and new competition
- Market environment increasingly volatile, reduction of inventories throughout the supply chain

Medium term profitability improvement plan

- **Continue optimization of product and customer mix**
 - Further enhance capabilities in the most attractive segments
- **Maintain leadership in quality, service and innovation to deliver best customer value**
 - Investment at Dettingen plant, Germany, to enhance the quality of pre-impregnated decor papers
- **Improve cost competitiveness and production efficiency**
 - Reduction in energy costs at Dettingen plant through power plant buyout
- **Caieiras - integrate and realize synergies**



Decor

Share of sales