

Ahlstrom-Munksjö

Q3 2019 Results

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

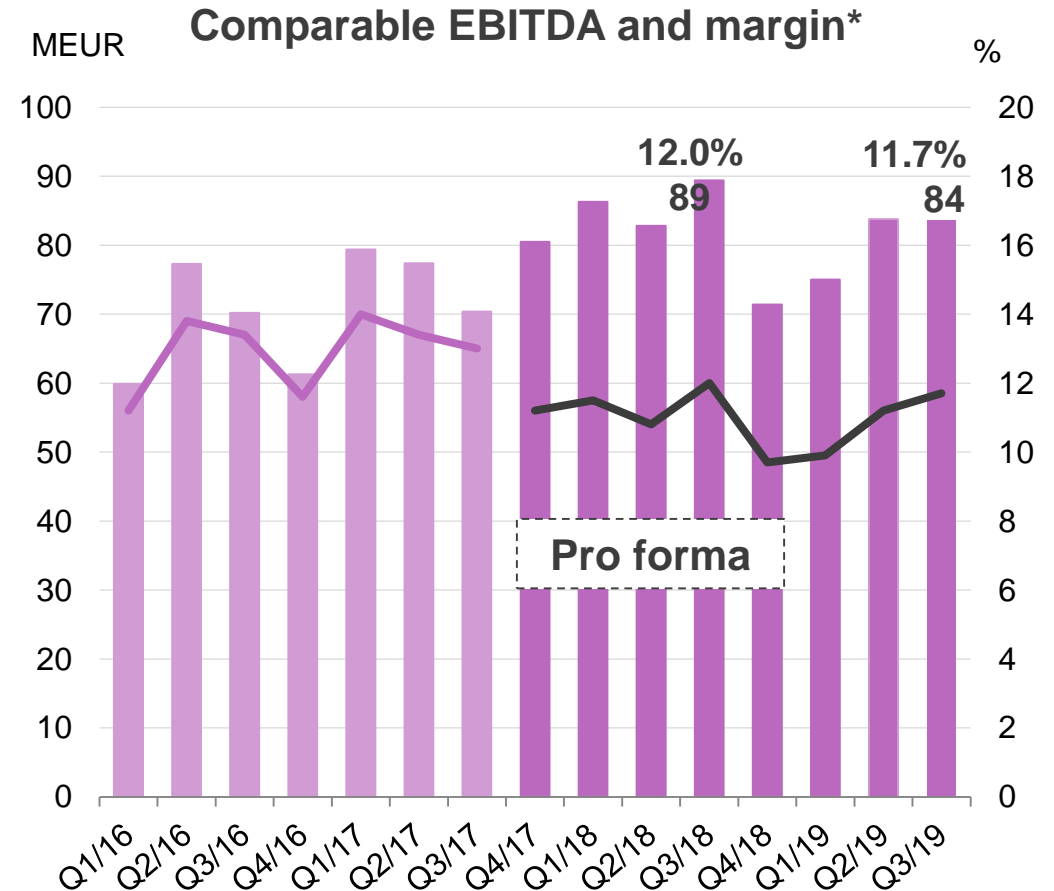
October 30, 2019



AHLSTRÖM
MUNKSJÖ

Highlights Q3 2019

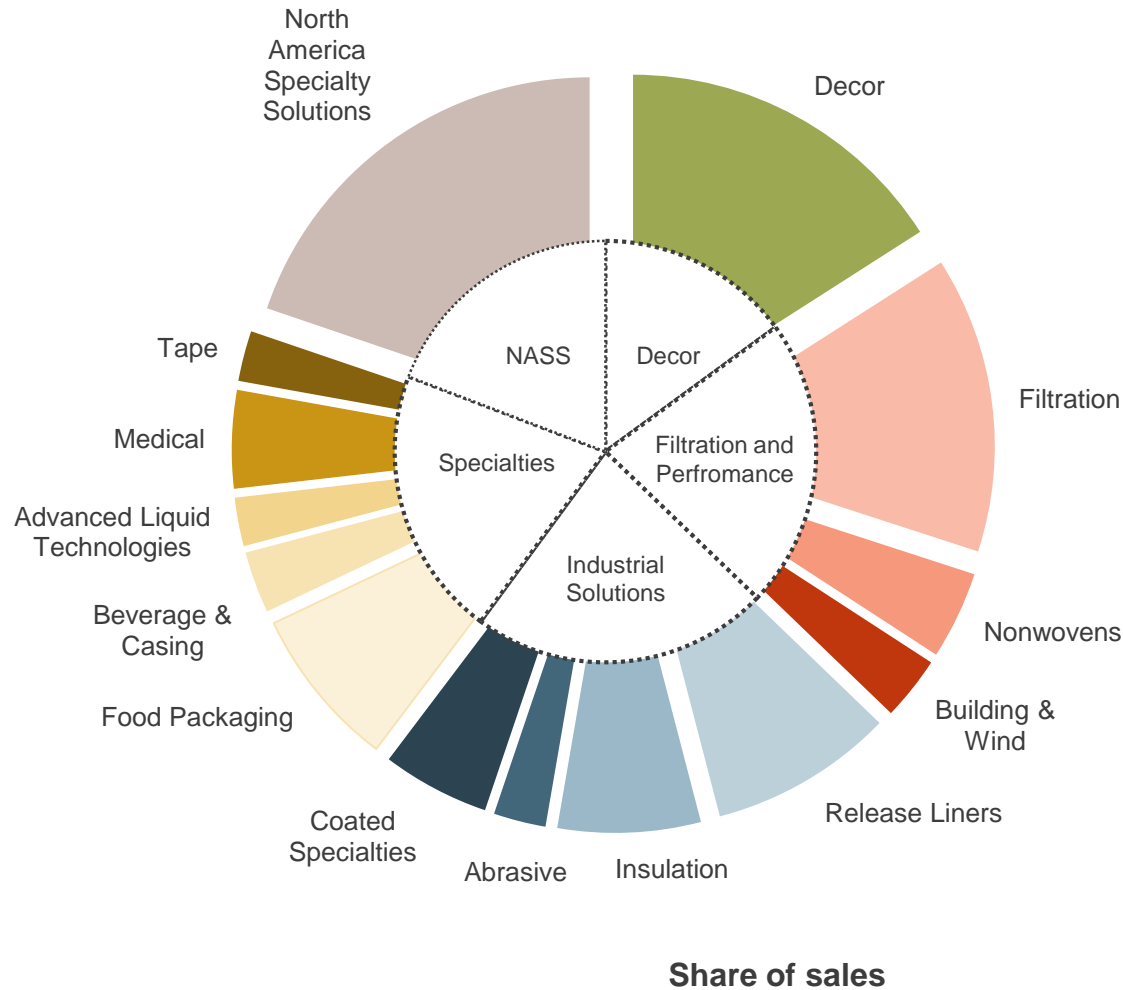
- Stable profitability
 - Further increase in gross margin for products
 - Continued low volumes
 - Negative EBITDA impact of EUR 6 million from bringing down inventory levels
 - Promised synergies exceeded
- Strong operating cash flow of EUR 125 million
- The market environment remained uncertain
- Launched a cost savings program of at least EUR 50 million to improve competitiveness
- Strategic alternatives being explored for Decor business
- Non-binding memorandum of understanding to divest the fine art paper business
- Two strategic investments were completed, and innovative products were launched



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



Uncertain market environment in Q3/2019



- **Filtration and Performance**

- Demand for filtration products remained at a low level
- Solid demand for plasterboard and glass fiber tissue applications

- **Decor**

- Demand for decor paper remained weak

- **Industrial Solutions**

- Demand for abrasive backings and coated products was weak, specialty pulp stabilized
- Demand for some release liner grades improved, markets remained competitive
- Demand for electrotechnical insulation papers was stable

- **Specialties**

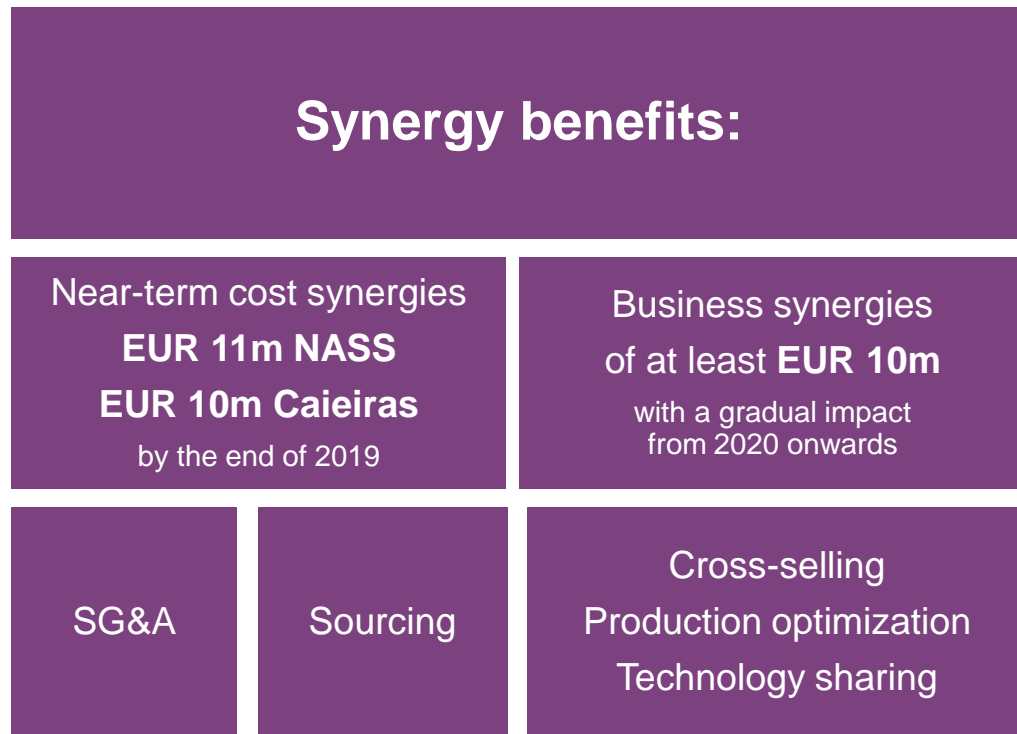
- Demand for food processing and beverage materials as well as packaging papers weakened, growth continued in fibrous casing materials
- Robust demand for life science, water purification and healthcare materials
- Demand weakened for tape backings in Europe and Americas, remained strong in Asia

- **North America Specialty Solutions**

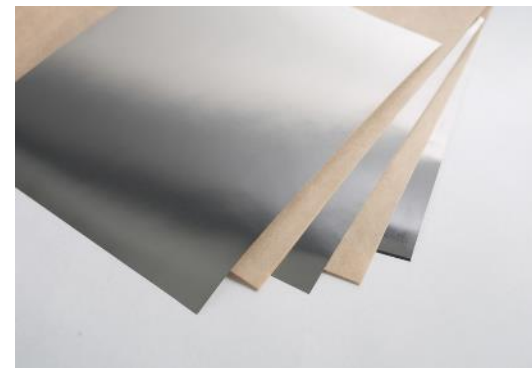
- Stable demand in food processing and packaging papers
- Soft demand for industrial and technical papers
- Weak demand for commodity release liners
- Strong demand for coated products



Promised cost synergy benefits exceeded

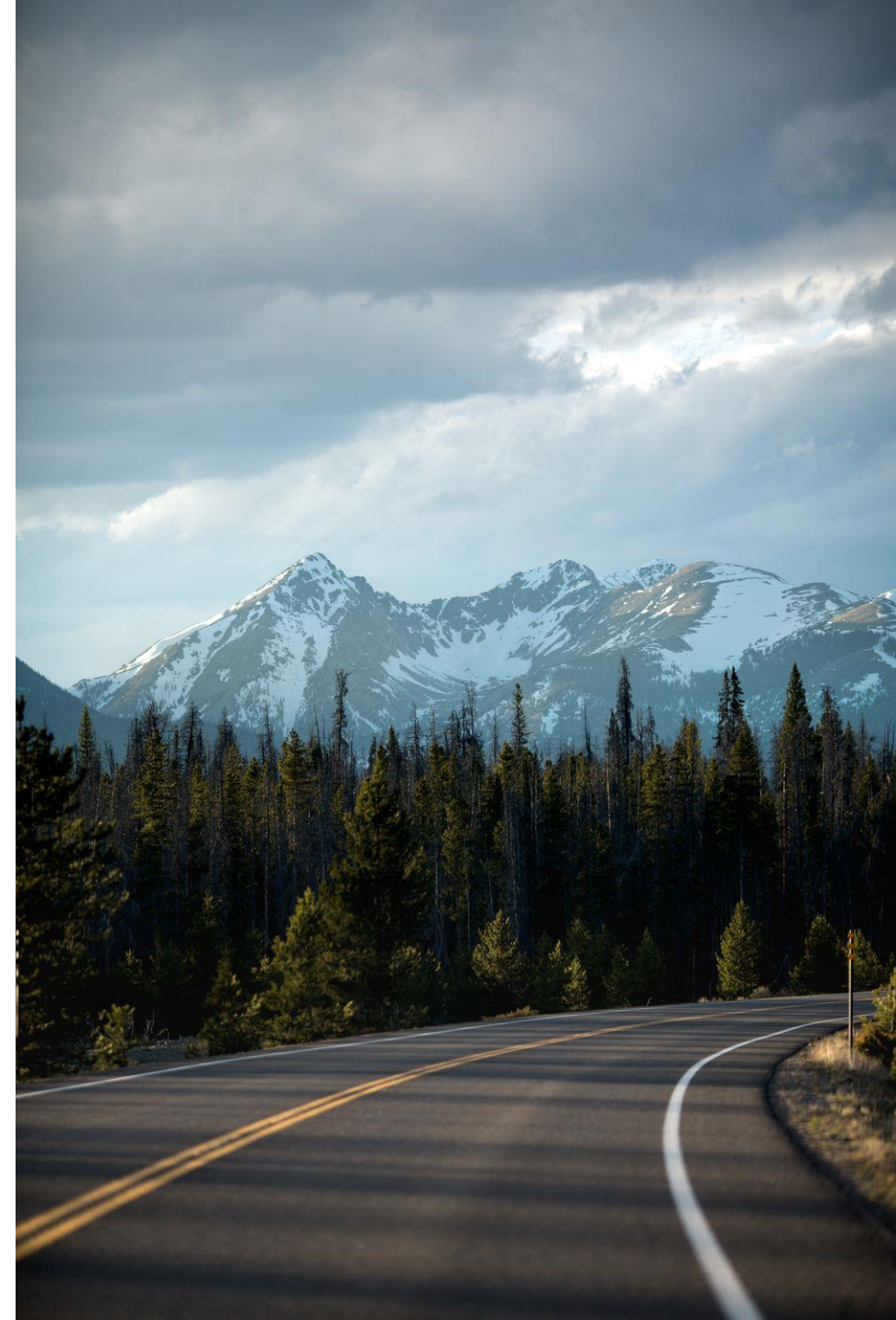


SG&A = Selling, General and Administrative expenses



Cost savings program to maintain and improve competitiveness

- Market remains uncertain and does not promise much tailwind
- Measures to maintain and improve competitiveness
- Identified cost savings of at least EUR 50 million for the year 2020 compared to 2019 mainly relating to procurement and production
 - Change in recipients
 - Larger rebates
 - Centralizing indirect spend
 - Production optimization
 - Waste reduction
 - Streamlining



Exploring strategic opportunities for Decor business

- Ahlstrom-Munksjö is committed to the Decor business and wants to develop and grow the business in a sustainable manner
- Partnering with a Chinese supplier would be based on strong strategic and financial rationale
 - Create global leader with strong presence in the world's two largest markets
 - Strengthen the business and abilities to serve our customers in the short- and long-term
 - Allow leveraging from industry leading brand, with premium quality and service, and the state-of-the-art production capabilities on a global scale
- Investigating the possibility to attract outside capital into the Decor business
 - Speed up the execution of strategy
 - Outside capital will enable investments to grow and develop Decor business and strengthen our operations into a stand-alone global operation








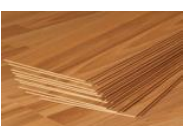
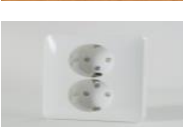
Non-binding memorandum of understanding to divest fine art paper business

- Non-binding memorandum of understanding to divest fine art paper business, ARCHES[®], to F.I.L.A. (Fabbrica Italiana Lapis ed Affini S.p.A. Group) of Italy
- Debt free purchase price about EUR 44 million
- Pro forma net sales are expected to be about EUR 13 million and comparable EBITDA in excess of EUR 4 million in 2019
- ARCHES paper is mainly used for water color painting, art publishing as well as printing and writing
- Two dedicated machines at the Arches plant in France
 - Ahlstrom-Munksjö will continue to operate five machines at the site for Abrasive and Decor businesses
- Transaction is subject to labor consultation and finalization of discussions between the parties to sign binding agreements
- Transaction is expected to be completed in Q1 2020



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>



Completed and announced investments driving strategic progress

Production ramp-up ongoing

Coated Specialties, Jacarei
Coating line upgrade, Q3/19-
EUR 21m

Insulation, Billingsfors
Boiler and pulp line rebuild, Q3/19-
EUR 23m

Announced investment decisions

Medical, Pont Audemer
Converting line rebuild, Q4/19-
EUR 4m

Filtration, Release Liner
New co-generation in Turin plant, H1/20-
EUR 15m

Filtration, Turin
Capacity expansion, H2/20-
EUR 28m

Beverage & Casing, Chirside
New production line, H2/20
EUR 28m

Efficiency and agility	Customer value	Profitable growth
✓	✓	✓
✓	✓	✓
✓	✓	✓
✓	✓	✓
✓	✓	✓
✓	✓	✓



Coated specialty paper



Electrotechnical paper



Sterilization wrap



Turin plant



Industrial filter material



Coffee, tea, and casing material

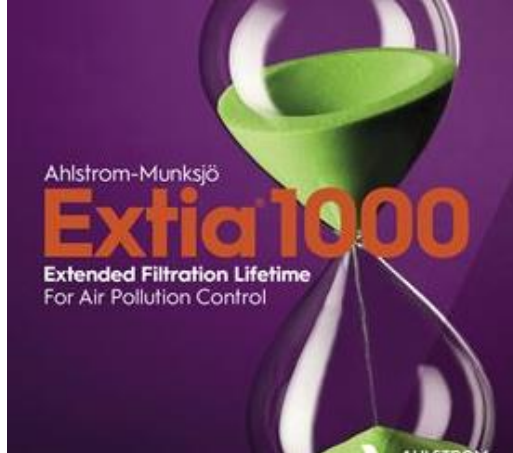


Recent key product launches

Sales from new products* was 11% in 2018



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



Extia® 1000 - an extended range of highly durable filtration media, specifically designed for industrial filtration applications.



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.

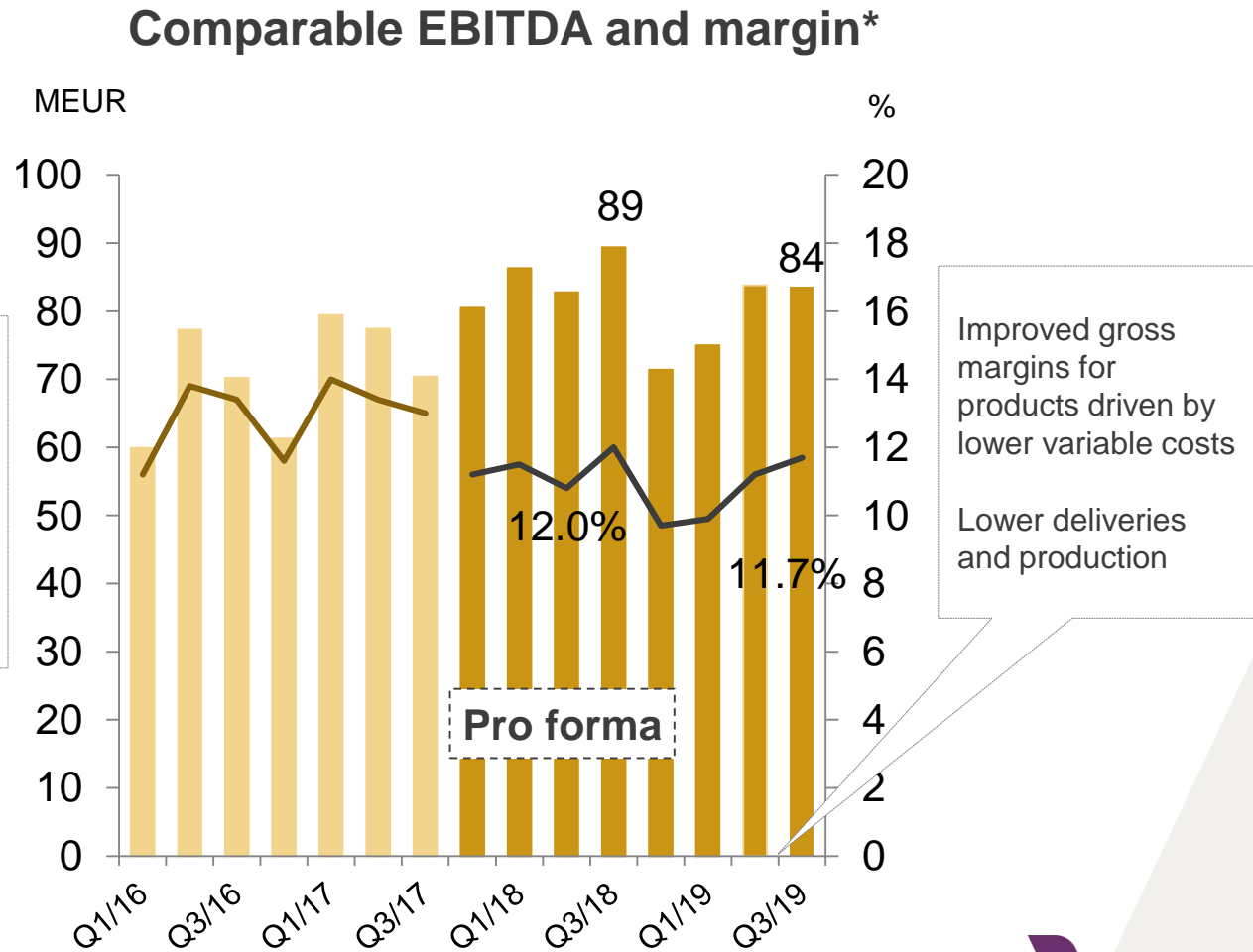
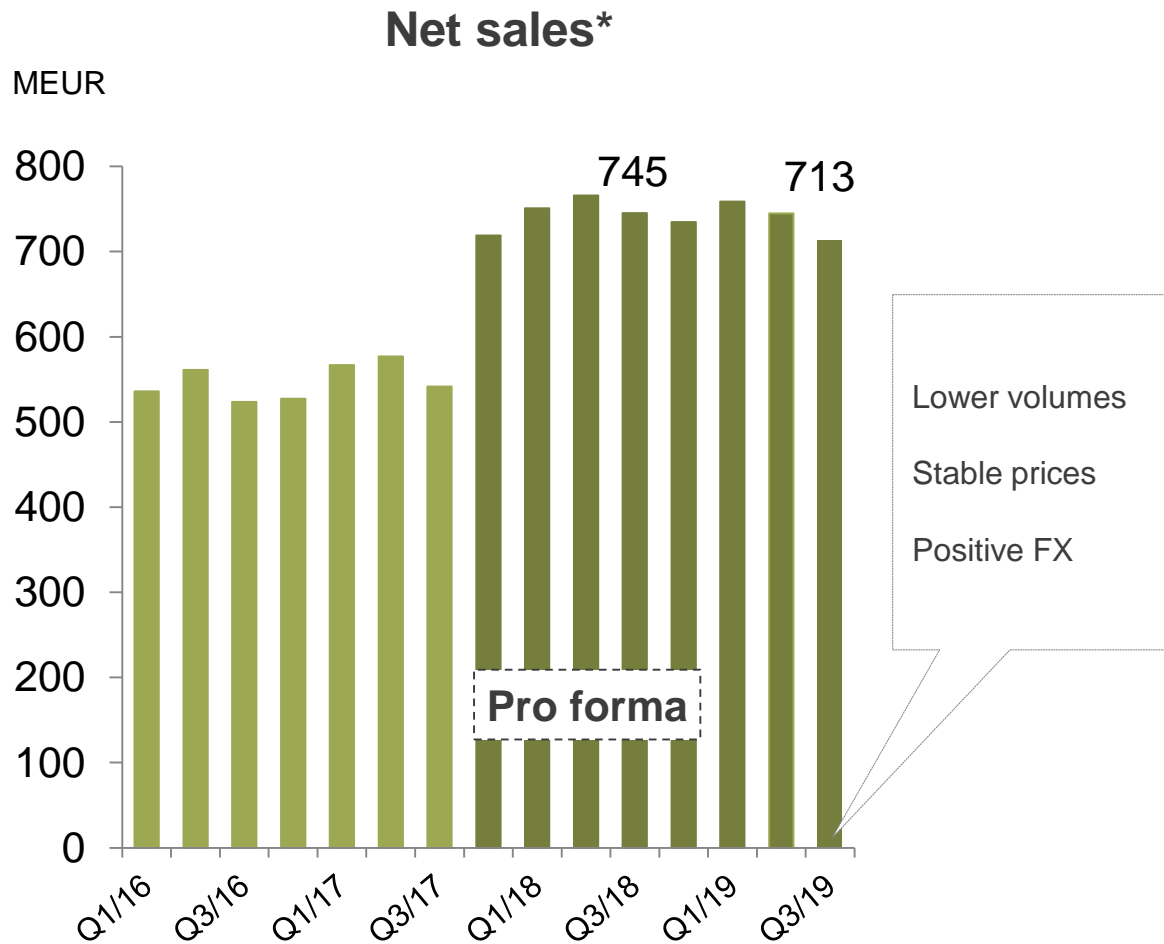


ViroSēl™ Breathable Viral Barrier fabric is constructed for the most critical areas of a surgical gown designed to keep medical professionals protected and comfortable.

*Products launched in the past three years



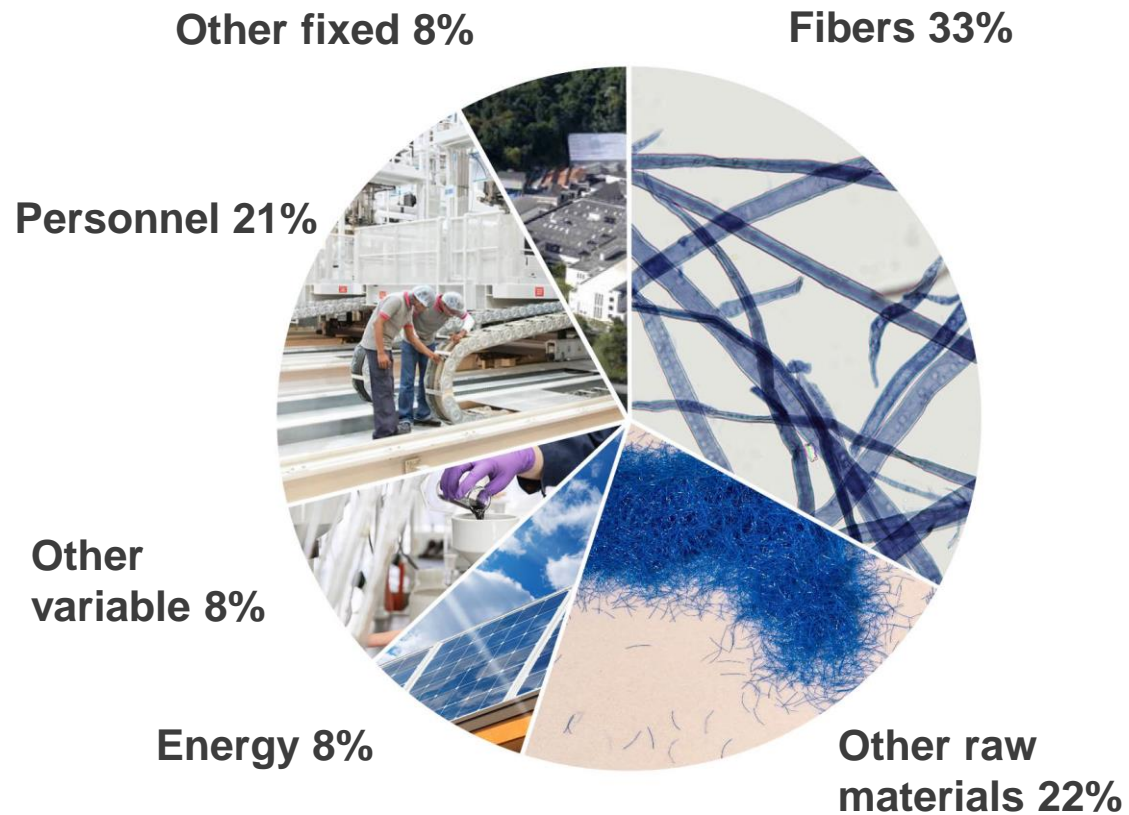
Net sales impacted by lower volumes, stable selling prices



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



Raw material cost decrease of EUR 4 million (Q3/19 vs Q3/18)



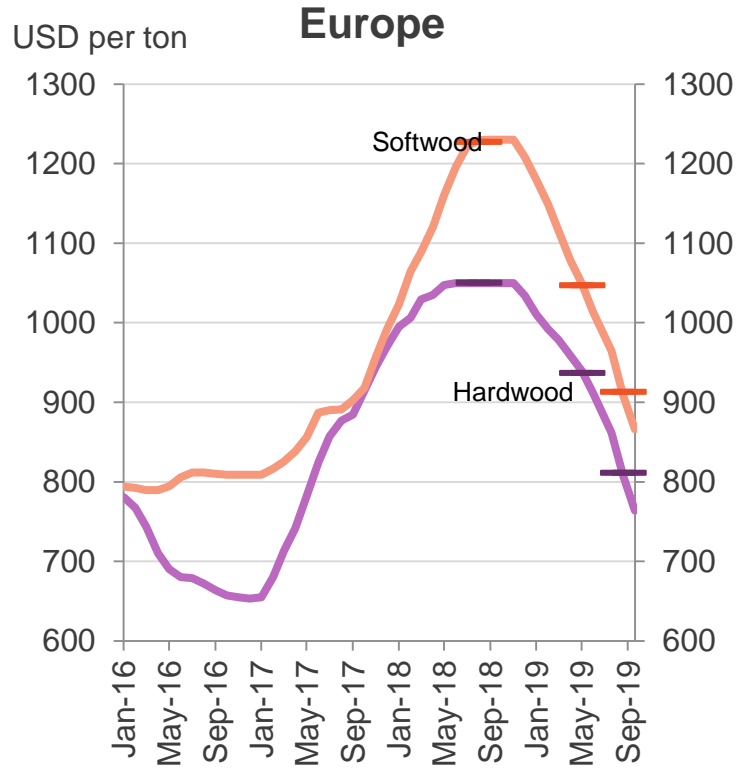
Snapshot of market reference prices in Europe, Q3/19 vs Q3/18

– Hardwood pulp	-23%
– Softwood pulp	-16%
– Tio2	-9%
– Natural gas	-21%
– Electricity	+3%

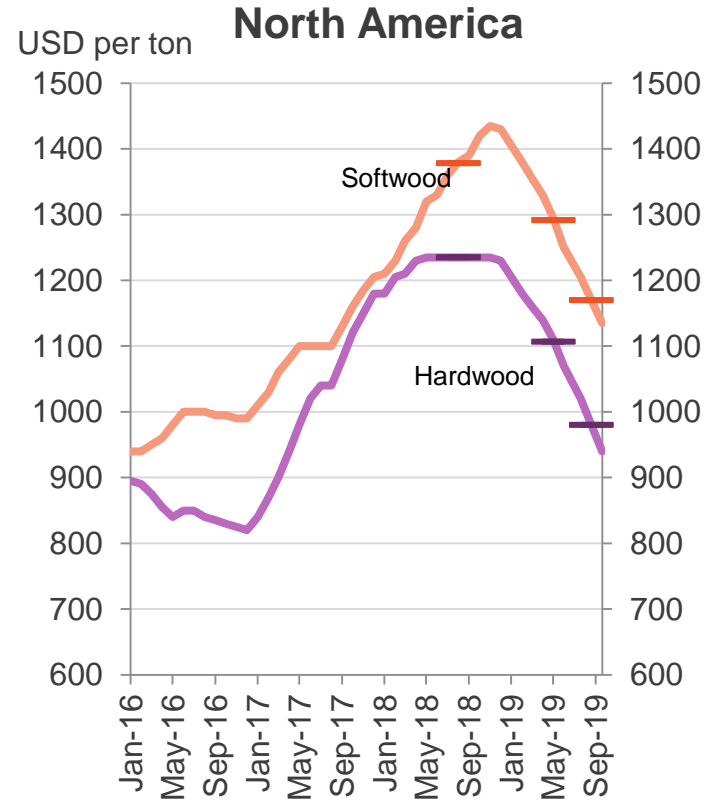
Note pulp prices in USD, market prices tend to impact the company's profitability with a lag of about three months



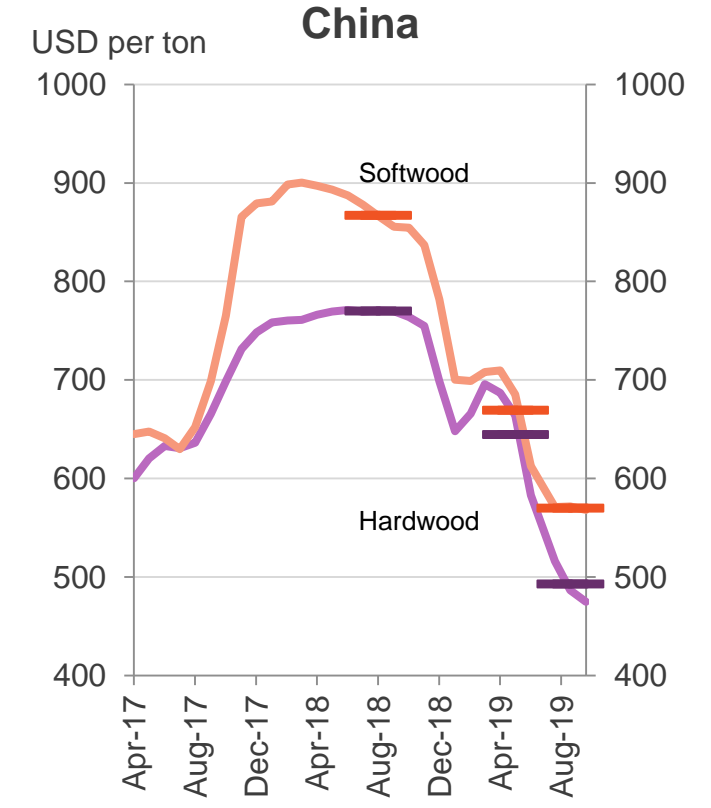
Pulp price development



Europe		
Price change, %	Q3/Q3	Q3/Q2
Hardwood	-23	-13
Softwood	-16	-13



North America		
Price change, %	Q3/Q3	Q3/Q2
Hardwood	-26	-11
Softwood	-15	-9



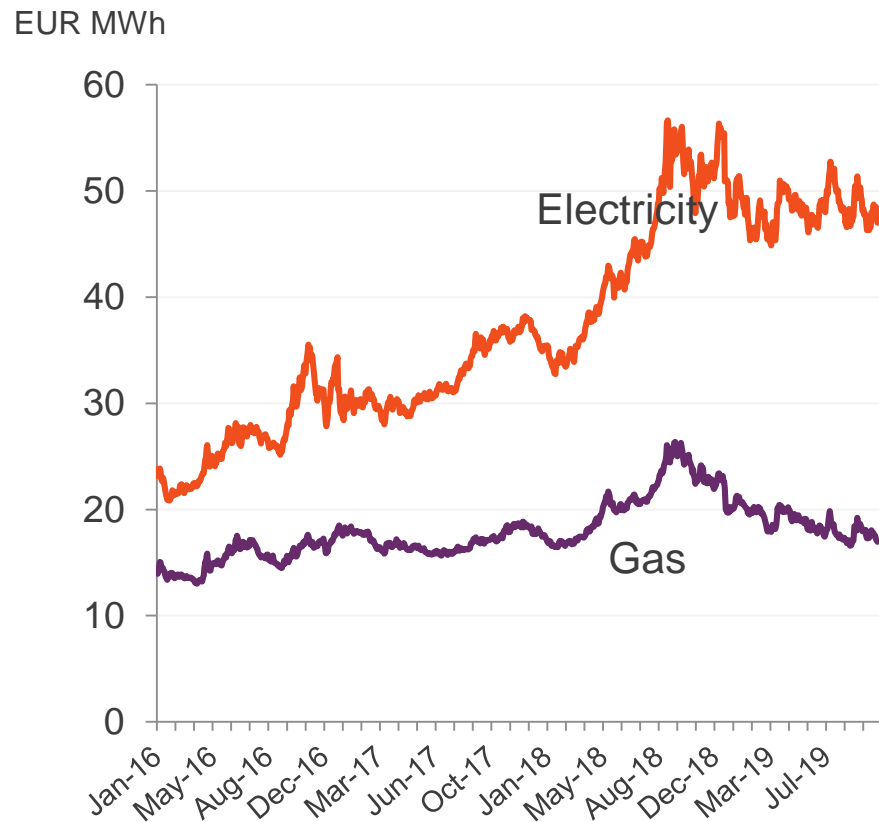
China		
Price change, %	Q3/Q3	Q3/Q2
Hardwood	-36	-24
Softwood	-34	-15

Source: RISI



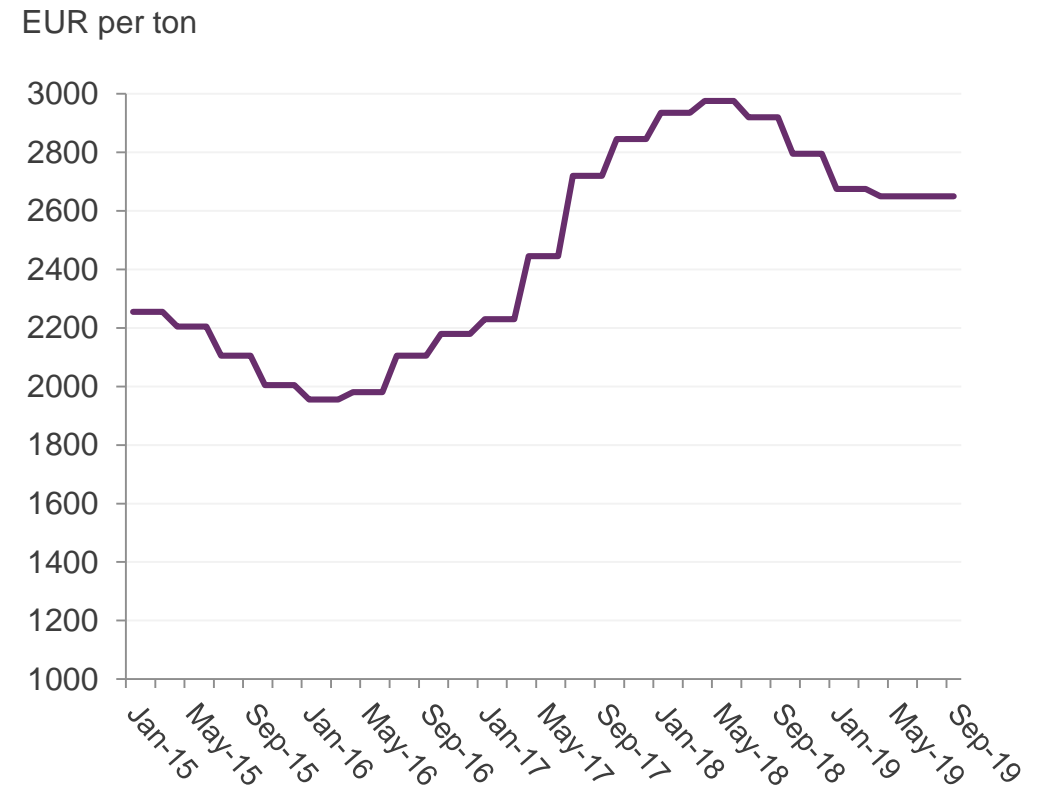
Energy and titanium dioxide

European forward electricity and gas prices



Source: E&C consultants

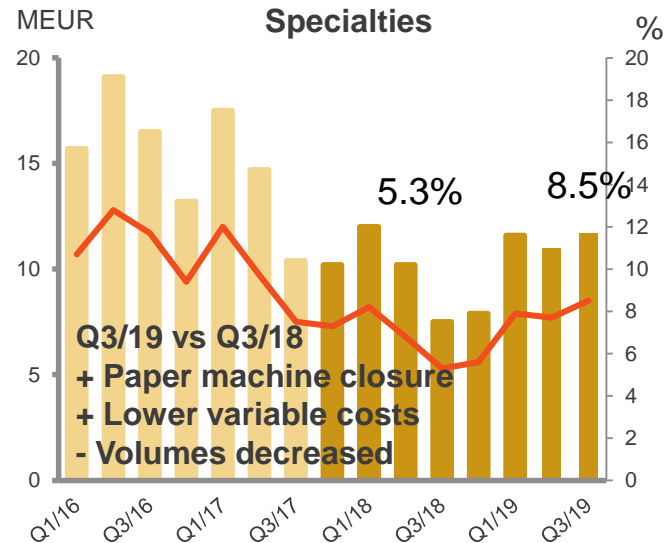
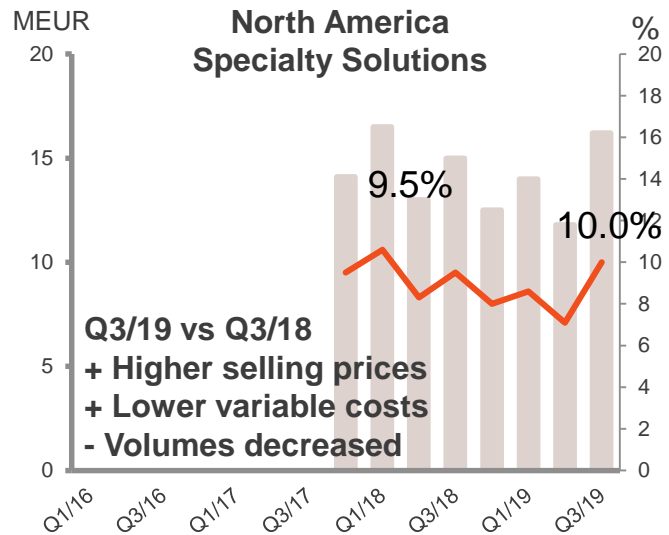
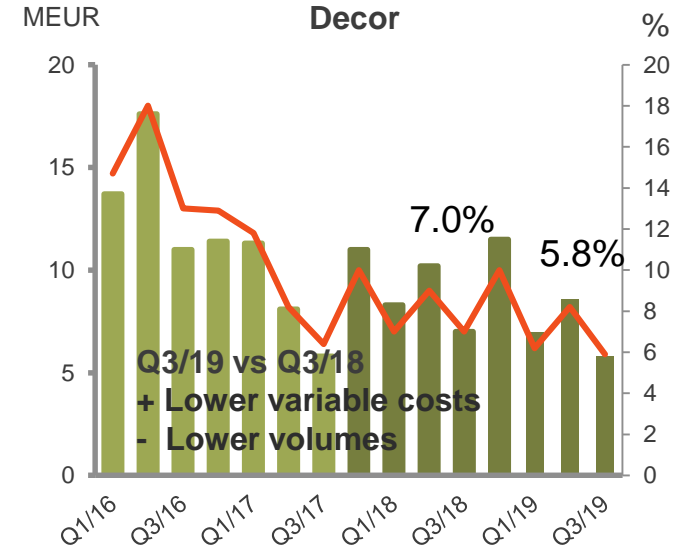
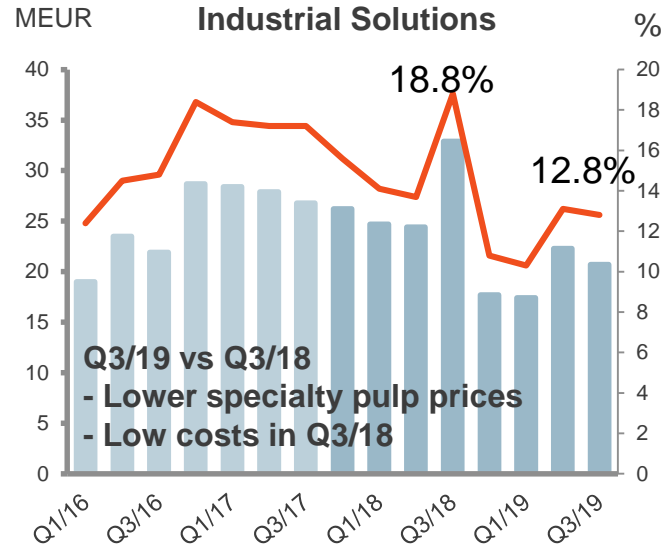
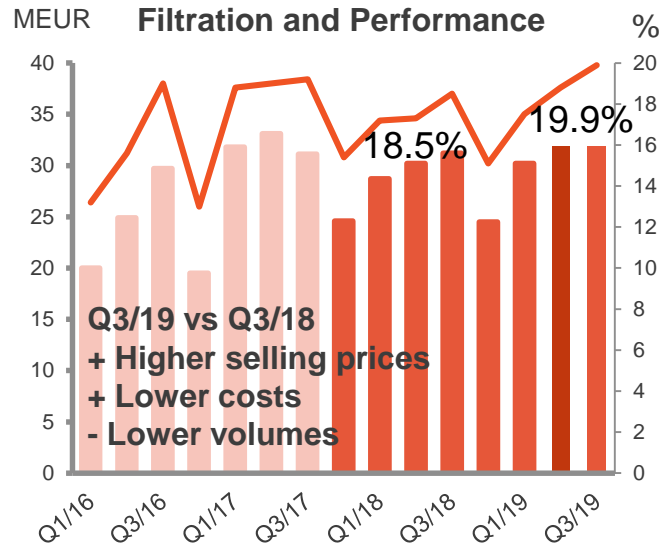
Titanium dioxide



Source: ICIS Europe FD



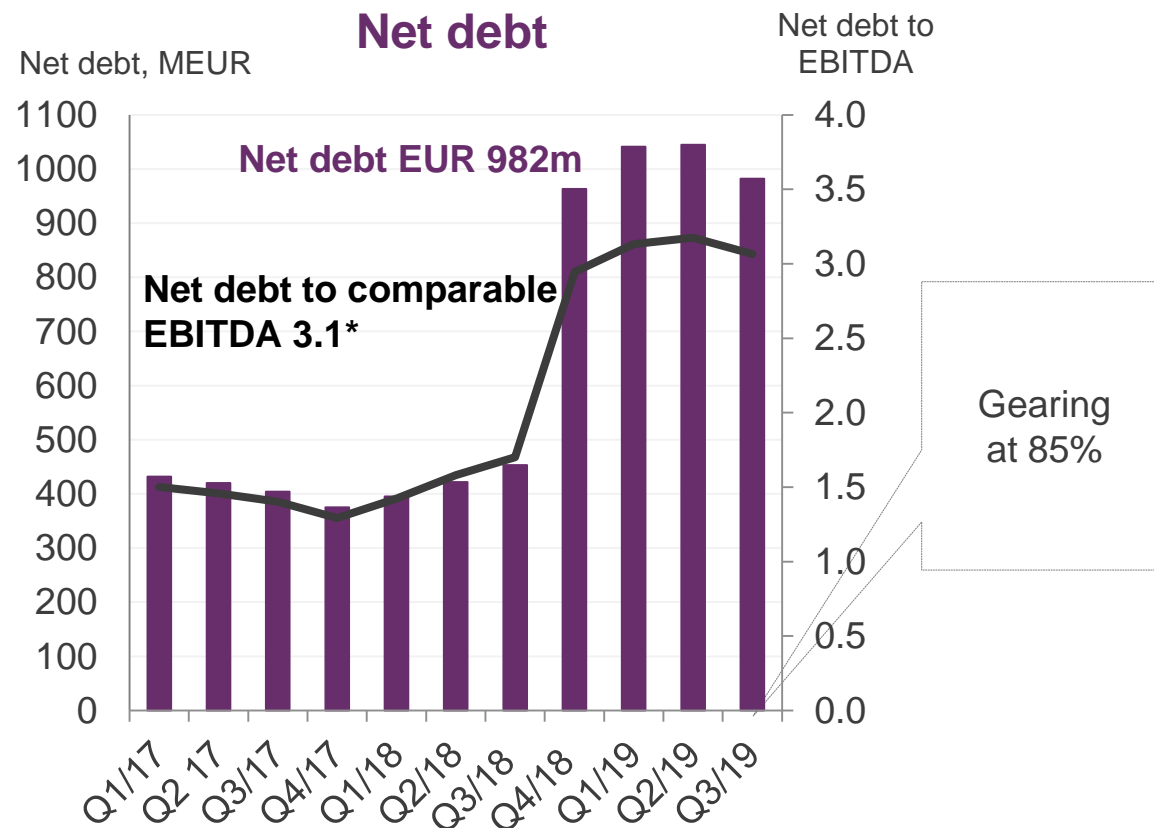
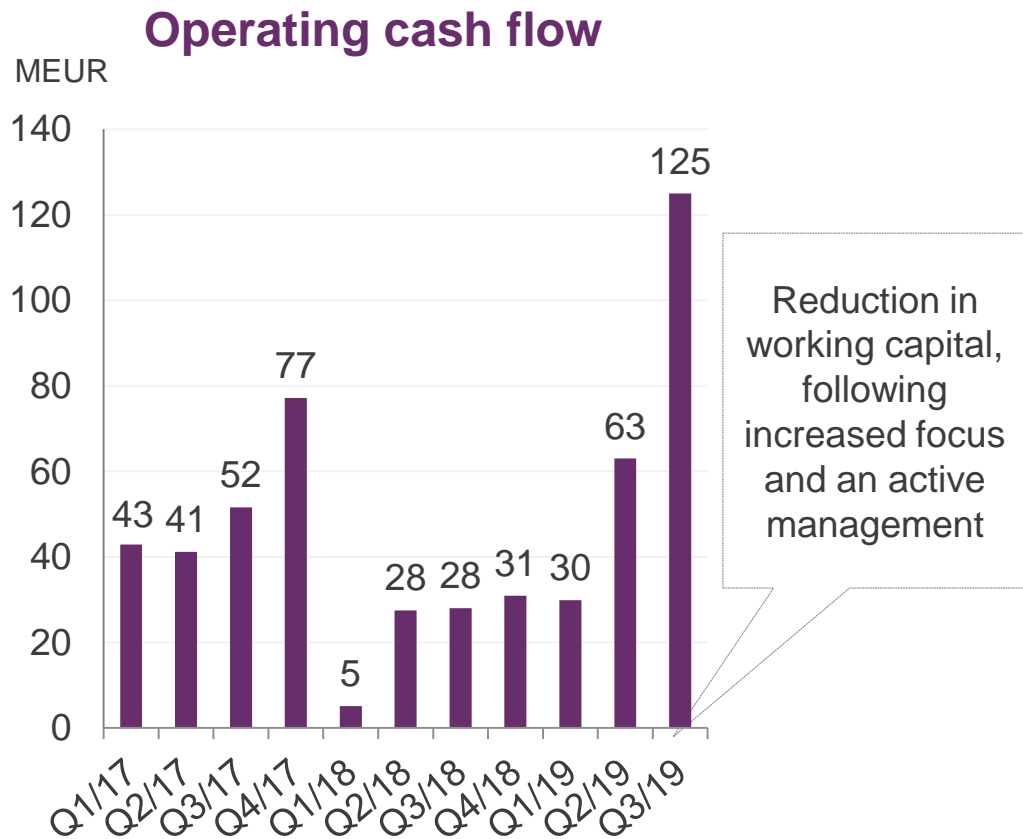
Comparable EBITDA and margin by business area*



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



Strong cash flow boosted by an improvement in working capital



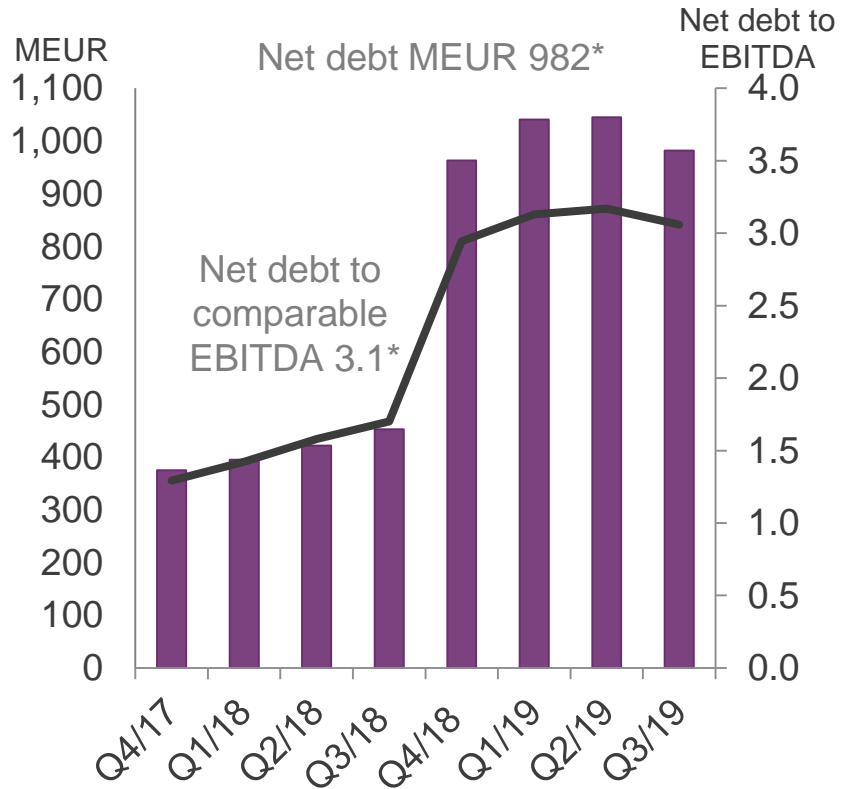
Classification of certain balance sheet items between interest-bearing and non-interest-bearing assets and liabilities were redefined. Comparison figures from Q3/2018 have been restated accordingly

* The implementation of the new IFRS 16 standard, which is excluded from debt covenant calculations, increased net debt by EUR 57 million and EBITDA by EUR 12 million in 1-9/19

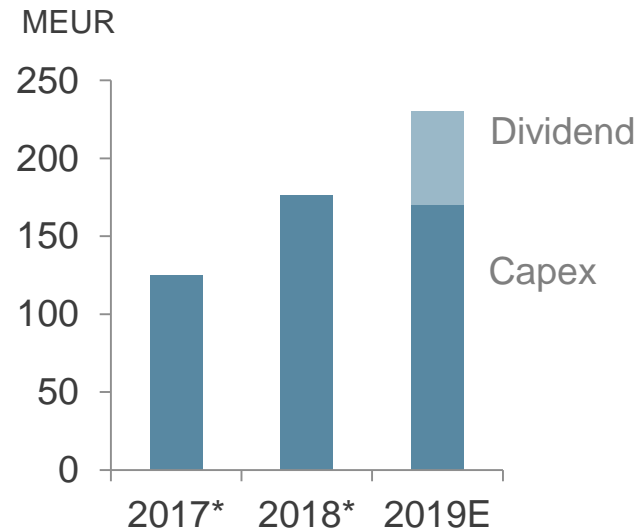


Capital generation and allocation

Net debt

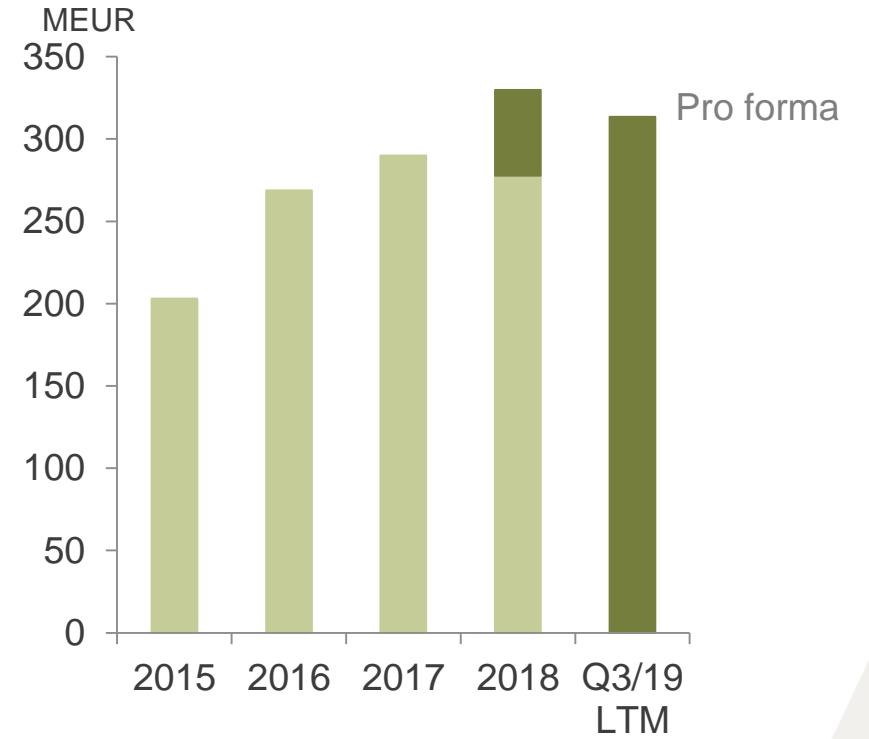


Capital allocation



* 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 57 million and EBITDA by EUR 12 million in 1-9/19



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 in several 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 nine months of 2019, and the targeted synergy benefits and cost reduction measures are expected to contribute positively to earnings for the full year.

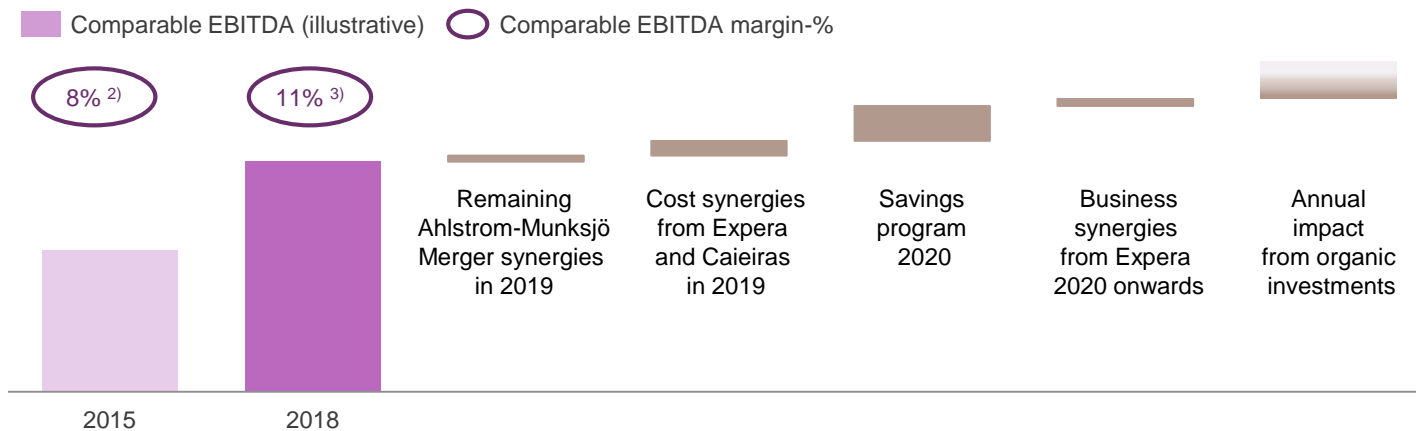
In the fourth quarter of 2019 scheduled maintenance shutdowns at the Aspa, Mosinee and Thilmany pulp mills are expected to be carried out to about the same extent as in the fourth quarter of 2018, with a negative profitability impact of approximately EUR 6 million.



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



Key takeaways

- Strong cash flow and stable profitability
- The market environment remained uncertain
- Launch of savings program to improve competitiveness
- Seeking strategic alternatives for Decor business
- Non-binding memorandum of understanding to divest the fine art paper business
- Two strategic investments were completed, and innovative products were launched
- The integration of the recent acquisitions proceeding as planned



Capital Markets Day 2019

Smart solutions out of fibers

- Capital Markets Day 2019 – *Smart solutions out of fibers* - on November 12 at [Hotel Kämp](#) in Helsinki, starting at 9:00 a.m. (EET)
- The event will provide you an opportunity to meet our top management team.
- The program is divided into three sessions: *Strategic direction, Smart solutions out of fibers, and Financials.*
- Venue:
 - Hotel Kämp
Pohjoisesplanadi 29
 - Live webcast available
- Detailed agenda and more information at <https://www.ahlstrom-munksjo.com/Investors/>



An aerial photograph of a dense forest, likely a coniferous forest, with a road winding through it. The trees are a mix of dark green and lighter green, suggesting different species or stages of growth. The road is a thin, dark line that curves through the forest. The overall scene is lush and green, conveying a sense of nature and sustainability.

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