# Q2/2019

## HALF-YEAR REPORT JANUARY-JUNE 2019

AHLSTROM
MUNKSJÖ

# COMPARABLE EBITDA IMPROVED

HIGHLIGHTS

- Q2/2019 comparable EBITDA grew by 25% to EUR 83.8 million (actual EUR 67.1 million in Q2/2018)
- Profitability continued to improve, fueled by further increase in gross margin for products
- Cash flow improved to EUR 63.1 million (EUR 27.5 million)
- The market environment remained uncertain with fluctuating demand
- New products were launched including a new generation of release materials to optimize RFID inlay lamination
- Sustainability work awarded with third consecutive EcoVadis Gold rating, putting Ahlstrom-Munksjö in the top 1% of suppliers assessed

Q2/2019 VS Q2/2018 PRO FORMA

- Net sales EUR 745.3 million (EUR 766.0 million), a decrease of 2.7%.
- Comparable EBITDA EUR 83.8 million (EUR 82.8 million), representing 11.2% (10.8%) of net sales
- Gross margin for products continued to improve, while profitability was impacted by lower volumes
- Net profit EUR 14.8 million (EUR 23.4 million), impacted by higher depreciation and amortization as well as net financial items
- Earnings per share EUR 0.13 (EUR 0.20)
- Comparable EPS excluding depreciation and amortization arising from PPA EUR 0.25 (EUR 0.32)

1-6/2019 VS 1-6/2018 PRO FORMA

- Net sales EUR 1,504.0 million (EUR 1,516.9 million)
- Comparable EBITDA EUR 158.8 million (EUR 169.1 million), representing 10.6% (11.1%) of net sales
- Gross margin for products continued to improve, while profitability was impacted by lower volumes
- Net profit EUR 18.9 million (EUR 47.8 million), significantly impacted by items affecting comparability, higher depreciation and amortization as well as net financial items
- Earnings per share EUR 0.16 (EUR 0.41)
- Comparable EPS excluding depreciation and amortization arising from PPA EUR 0.46 (EUR 0.64)

Q2/2019

ACTUAL COMPARABLE EBITDA GREW BY
25%

COMPARABLE EBITDA MARGIN
11.2%

GEARING
94%

*In this half-year report, the comparison quarterly and full-year figures are presented on a pro forma basis to illustrate the financial impact of the acquisitions of Expera Specialty Solutions and MD Papéis Caieiras, and the merger between Ahlstrom and Munksjö had they been completed at the beginning of 2017. For the basis for presenting pro forma figures, please see appendix 2. The appendix 1, including consolidated financial statements, has been prepared according to International Financial Reporting Standards (IFRS).*

*PPA = purchase price allocation*



AHLSTROM MUNKSJÖ

## KEY FIGURES

| Actual (IFRS) key figures, EUR million, or as indicated | Q2/2019 | Q2/2018 | Q1/2019 | 1-6/2019 | 1-6/2018 | 2018 |
|---|---|---|---|---|---|---|
| Net sales | 745.3 | 587.8 | 758.7 | 1,504.0 | 1,160.2 | 2,438.0 |
| Comparable EBITDA | 83.8 | 67.1 | 75.0 | 158.8 | 133.8 | 277.7 |
| Comparable EBITDA margin, % | 11.2 | 11.4 | 9.9 | 10.6 | 11.5 | 11.4 |
| Items affecting comparability in EBITDA | -5.7 | -6.8 | -14.8 | -20.5 | -11.8 | -55.1 |
| EBITDA | 78.1 | 60.4 | 60.2 | 138.3 | 122.0 | 222.6 |
| Comparable operating result excl. depreciation and amortization arising from PPA * | 53.8 | 45.2 | 45.2 | 99.0 | 89.7 | 186.1 |
| Comparable operating result | 40.7 | 37.5 | 32.6 | 73.3 | 74.5 | 151.4 |
| Comparable operating result margin, % | 5.5 | 6.4 | 4.3 | 4.9 | 6.4 | 6.2 |
| Items affecting comparability in operating result | -5.7 | -6.8 | -14.8 | -20.5 | -11.8 | -62.7 |
| Operating result | 35.0 | 30.7 | 17.8 | 52.9 | 62.7 | 88.7 |
| Net profit | 14.8 | 22.1 | 4.1 | 18.9 | 43.3 | 42.9 |
| Earnings per share (basic), EUR | 0.13 | 0.22 | 0.03 | 0.16 | 0.44 | 0.43 |
| Comparable EPS excl. depreciation and amortization arising from PPA, EUR * | 0.25 | 0.34 | 0.21 | 0.46 | 0.65 | 1.18 |
| Cash generated from operating activities | 63.1 | 27.5 | 29.9 | 92.9 | 32.7 | 91.6 |
| Depreciation, amortization and impairment | 43.1 | 29.6 | 42.4 | 85.5 | 59.3 | 133.9 |
| Capital expenditure | 38.7 | 31.4 | 35.5 | 74.2 | 57.1 | 160.1 |
| Net debt | 1,052.8 | 422.2 | 1,052.0 | 1,052.8 | 422.2 | 971.3 |
| Gearing ratio, % | 93.5 | 41.6 | 93.6 | 93.5 | 41.6 | 83.6 |

| Pro forma key figures, EUR million, or as indicated | Actual (IFRS) Q2/2019 | Pro forma Q2/2018 | Actual (IFRS) Q1/2019 | Actual (IFRS) 1-6/2019 | Pro forma 1-6/2018 | Pro forma 2018 |
|---|---|---|---|---|---|---|
| Net sales | 745.3 | 766.0 | 758.7 | 1,504.0 | 1,516.9 | 2,996.9 |
| Comparable EBITDA | 83.8 | 82.8 | 75.0 | 158.8 | 169.1 | 329.9 |
| Comparable EBITDA margin, % | 11.2 | 10.8 | 9.9 | 10.6 | 11.1 | 11.0 |
| Items affecting comparability in EBITDA | -5.7 | -6.3 | -14.8 | -20.5 | -11.2 | -39.6 |
| EBITDA | 78.1 | 76.5 | 60.2 | 138.3 | 157.9 | 290.3 |
| Comparable operating result excl. depreciation and amortization arising from PPA * | 53.8 | 56.4 | 45.2 | 99.0 | 116.4 | 225.5 |
| Comparable operating result | 40.7 | 44.2 | 32.6 | 73.3 | 92.1 | 176.6 |
| Comparable operating result margin, % | 5.5 | 5.8 | 4.3 | 4.9 | 6.1 | 5.9 |
| Items affecting comparability in operating result | -5.7 | -6.3 | -14.8 | -20.5 | -11.2 | -47.3 |
| Operating result | 35.0 | 37.9 | 17.8 | 52.9 | 80.9 | 129.4 |
| Net profit | 14.8 | 23.4 | 4.1 | 18.9 | 47.8 | 63.2 |
| Earnings per share (basic), EUR | 0.13 | 0.20 | 0.03 | 0.16 | 0.41 | 0.54 |
| Comparable EPS excl. depreciation and amortization arising from PPA, EUR * | 0.25 | 0.32 | 0.21 | 0.46 | 0.64 | 1.15 |
| Depreciation, amortization and impairment | 43.1 | 38.6 | 42.4 | 85.5 | 77.0 | 161.0 |
| Capital expenditure | 38.7 | 36.8 | 35.5 | 74.2 | 65.8 | 176.3 |

**Depreciation and amortization arising from PPA (purchase price allocation) comprise depreciation and amortization charges from fair value adjustments relating to the business combinations starting from 2013.*

*Ahlstrom-Munksjö has adopted the European Securities and Markets Authority (ESMA) guidelines on Alternative Performance Measures (APMs) to reflect the underlying business performance and improve comparability. These measures should, however, not be considered as a substitute for measures of performance in accordance with IFRS. Alternative performance measures are derived from performance measures reported in accordance with IFRS by adding or deducting items affecting comparability (IAC), or purchase price allocation (PPA,) and they are called "comparable". More details on APMs and key figures are available in the appendix 2.*

# CEO COMMENTS

Our financial performance improved in the second quarter of 2019. We succeeded with our commercial strategy that focuses on product differentiation, service and quality. Our gross margin for products continued to improve and reached a record. This will further underpin profitability once volumes improve.

I am pleased that we also managed to lower our fixed costs as this partially offset the impact of continued low delivery volumes.

Comparable EBITDA improved to EUR 84 million in the second quarter compared to EUR 83 million in the previous year and EUR 75 million in the first quarter of 2019. Our EBITDA margin also improved.

Cash flow from operating activities doubled following our increased focus and active working capital management. Net debt remained nearly unchanged although we paid half of the annual dividend.

*"Our gross margin for products continued to improve, which will further underpin profitability once volumes improve."*

*Hans Sohlström, President and CEO*

### UNCERTAIN MARKET ENVIRONMENT

The market environment remained uncertain as demand continued to fluctuate.  Excluding the machine closure in Stenay, France, our deliveries were 5% lower than in the previous year and burdened clearly our profitability. As a supplier of advanced fiber-based solutions we focus on customer relatioships that are aligned with our strategy.

### SUBSTANTIAL STEPS DRIVING STRATEGIC PROGRESS

In the second quarter, we completed the bailing line modernization at the Aspa pulp plant in Sweden. The ramp-up of the line has proceeded well, enabling us to improve safety and production efficiency. It also gives us access to new customers.

We have continued to introduce new value-added products including Optilam™, which is a new generation of release materials to optimize RFID inlay lamination for our customers in the electronics industry. In addition, our grease wrapping papers received the OK compost HOME and OK compost INDUSTRIAL certifications from TÜV® Austria, confirming the compostability of those products for our customers.

As a result of our good performance within environmental impact, labor practices, fair business practices and sustainable procurement, our work was awarded with third consecutive EcoVadis Gold rating. This gives us confidence that we are on the right track towards our strategic targets and allows us to communicate an independent view on our performance.

I have confidence in the future despite the uncertain market environment. We have leading market positions and a balanced exposure to a broad range of end-uses. This provides us stability and opportunities for the future.  The integration of the recent acquisitions proceeds as planned and we focus on delivering on the promised synergies as well as cash flow.

# 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.

# FINANCIAL PERFORMANCE

## NET SALES DEVELOPMENT (COMPARISON WITH PRO FORMA)

| Net sales by business area, EUR million | Q2/2019 | Pro forma Q2/2018 | Q1/2019 | 1-6/2019 | Pro forma 1-6/2018 | pro forma 2018 |
|---|---|---|---|---|---|---|
| Decor | 104.8 | 114.7 | 113.3 | 218.1 | 227.7 | 451.9 |
| Filtration and Performance | 168.9 | 174.7 | 172.4 | 341.3 | 341.7 | 672.5 |
| Industrial Solutions | 170.0 | 177.3 | 169.2 | 339.2 | 353.4 | 691.2 |
| North America Specialty Solutions | 165.6 | 156.8 | 164.0 | 329.6 | 312.9 | 626.0 |
| Specialties | 142.7 | 150.9 | 147.5 | 290.2 | 296.8 | 580.3 |
| Other and eliminations | -6.8 | -8.5 | -7.7 | -14.5 | -15.4 | -25.1 |
| Total net sales | 745.3 | 766.0 | 758.7 | 1,504.0 | 1,516.9 | 2,996.9 |

## PROFIT AND PROFITABILITY DEVELOPMENT (COMPARISON WITH PRO FORMA)

| Comparable EBITDA by business area, EUR million | Q2/2019 | Pro forma Q2/2018 | Q1/2019 | 1-6/2019 | Pro forma 1-6/2018 | Pro forma 2018 |
|---|---|---|---|---|---|---|
| Decor | 8.6 | 10.2 | 7.0 | 15.7 | 18.5 | 37.1 |
| Filtration and Performance | 31.8 | 30.2 | 30.2 | 62.0 | 59.0 | 114.7 |
| Industrial Solutions | 22.3 | 24.4 | 17.4 | 39.7 | 49.1 | 99.7 |
| North America Specialty Solutions | 11.8 | 13.0 | 14.0 | 25.9 | 29.5 | 57.0 |
| Specialties | 11.0 | 10.2 | 11.6 | 22.7 | 22.2 | 37.6 |
| Other and eliminations | -1.9 | -5.3 | -5.2 | -7.1 | -9.2 | -16.2 |
| Total comparable EBITDA | 83.8 | 82.8 | 75.0 | 158.8 | 169.1 | 329.9 |

| Comparable EBITDA margin by business area, % | Q2/2019 | Pro forma Q2/2018 | Q1/2019 | 1-6/2019 | Pro forma 1-6/2018 | Pro forma 2018 |
|---|---|---|---|---|---|---|
| Decor | 8.2 | 8.9 | 6.2 | 7.2 | 8.1 | 8.2 |
| Filtration and Performance | 18.8 | 17.3 | 17.5 | 18.2 | 17.3 | 17.0 |
| Industrial Solutions | 13.1 | 13.7 | 10.3 | 11.7 | 13.9 | 14.4 |
| North America Specialty Solutions | 7.1 | 8.3 | 8.6 | 7.9 | 9.4 | 9.1 |
| Specialties | 7.7 | 6.8 | 7.9 | 7.8 | 7.5 | 6.5 |
| Other and eliminations | | | | | | |
| Total comparable EBITDA margin, % | 11.2 | 10.8 | 9.9 | 10.6 | 11.1 | 11.0 |

## APRIL-JUNE 2019

***(Comparison to pro forma)***

Net sales amounted to EUR 745.3 million, showing a decrease of 2.7% from the EUR 766.0 million in the second quarter of 2018. In constant currency, net sales declined by 4.3% as delivery volumes fell in all business areas. Higher selling prices had a positive impact on net sales.

Comparable EBITDA was EUR 83.8 million (EUR 82.8 million), representing 11.2% of net sales (10.8%). The result was impacted by lower sales volumes. Gross margin for products (per ton) continued to improve as increased selling prices more than offset higher variable costs, which burdened the result by EUR 23 million. Fixed costs were lower than in the comparison period. The implementation of the IFRS 16 standard had a positive impact of EUR 4.2 million on the EBITDA. Further information is available in appendix.

Compared with the first quarter of 2019, comparable EBITDA increased to EUR 83.8 million (EUR 75.0 million), driven by lower variable costs especially pulp.

*Items affecting comparability (IAC) in EBITDA*

EBITDA was EUR 78.1 million (EUR 76.5 million). IACs totaled EUR -5.7 million (EUR -6.3 million) and were mainly related to the integration costs from the Expera Specialty Solutions acquisition as well as restructuring initiatives.

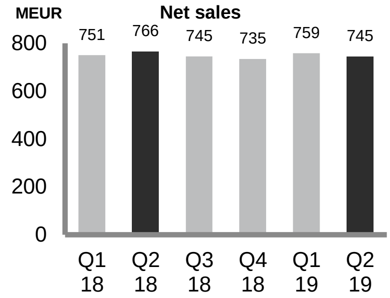
Operating profit was EUR 35.0 million (EUR 37.9 million). Depreciation, amortization and impairment amounted to EUR 43.1 million (EUR 38.6 million), including depreciation and amortization arising from PPA of EUR 13.1 million (EUR 12.2 million). The increase results from the company's increased capital expenditure.

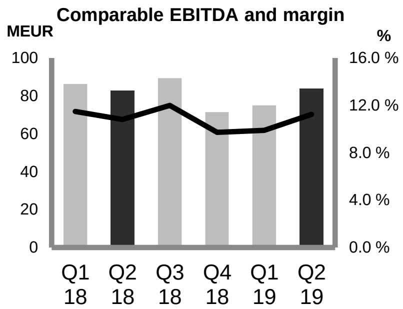
Net financial items increased to EUR -11.7 million (EUR -8.5 million), including net interest expenses of EUR 11.9 million, due to higher net debt.

*Profit for the period*

Net profit for the period was EUR 14.8 million (EUR 23.4 million), and earnings per share were EUR 0.13 (EUR 0.20). Comparable earnings per share excluding depreciation and amortization arising from PPA were EUR 0.25 (EUR 0.32).

| CHANGE IN NET SALES | |
|---|---|
| **Q2/2018** | **MEUR 766** |
| Volume | -6% |
| Selling price and product mix | +2% |
| Currency | +2% |
| **Q2/2019** | **MEUR 745** |




| CHANGE IN NET SALES | |
|---|---|
| **1-6/2018** | **MEUR 1,517** |
| Volume | -7% |
| Selling price and product mix | +4% |
| Currency | +2% |
| **1-6/2019** | **MEUR 1,504** |

| Reconciliation of EBITDA to comparable EBITDA, EUR million | Actual (IFRS) Q2/2019 | Pro forma Q2/2018 | Actual (IFRS) Q1/2019 | Actual (IFRS) 1-6/2019 | Pro forma 1-6/2018 | Pro forma 2018 |
|---|---|---|---|---|---|---|
| **EBITDA** | **78.1** | **76.5** | **60.2** | **138.3** | **157.9** | **290.3** |
| Transaction costs | -0.5 | -0.9 | -0.3 | -0.8 | -1.1 | -1.3 |
| Integration costs | -2.0 | -5.4 | -6.7 | -8.8 | -7.9 | -22.0 |
| Restructuring costs | -2.3 | 0.0 | -7.7 | -10.0 | -2.4 | -15.9 |
| Other | -0.9 | -0.0 | - | -0.9 | 0.2 | -0.3 |
| **Total items affecting comparability in EBITDA** | **-5.7** | **-6.3** | **-14.8** | **-20.5** | **-11.2** | **-39.6** |
| **Comparable EBITDA** | **83.8** | **82.8** | **75.0** | **158.8** | **169.1** | **329.9** |

*Full reconciliation is available in the appendix 2.*

## JANUARY-JUNE 2019

*(Comparison to pro forma)*

Net sales amounted to EUR 1,504.0 million and were in line with the EUR 1,516.9 million in the second half of 2018. In constant currency, net sales declined by 2.7%. Higher selling prices in all business areas had a positive impact on net sales. Delivery volumes fell in all business areas.

Comparable EBITDA was EUR 158.8 million (EUR 169.1 million), representing 10.6% of net sales (11.1%). The result was impacted by lower sales volumes. Gross margin for products (per ton) continued to improve as increased selling prices more than offset higher variable costs. The implementation of the IFRS 16 standard had a positive impact of EUR 8.0 million on the EBITDA. Further information is available in appendix.

*Items affecting comparability (IAC) in EBITDA*

EBITDA was EUR 138.3 million (EUR 157.9 million). IACs totaled EUR -20.5 million (EUR -11.2 million) and were mainly related to the integration costs from the Expera Specialty Solutions acquisition as well as restructuringinitiatives.

Operating profit was EUR 52.9 million (EUR 80.9 million). Depreciation, amortization and impairment amounted to EUR 85.5 million (EUR 77.0 million), including depreciation and amortization arising from PPA of EUR 25.7 million (EUR 24.3 million). The increase is a result of the company's increased capital expenditure.

Net financial items increased to EUR -23.3 million (EUR -17.9 million), including net interest expenses of EUR 23.8 million, due to higher net debt.

*Profit for the period*

Net profit for the period was EUR 18.9 million (EUR 47.8 million), and earnings per share were EUR 0.16 (EUR 0.41). Comparable earnings per share excluding depreciation and amortization arising from PPA were EUR 0.46 (EUR 0.64).

# FINANCING AND CASH FLOW

### NET FINANCIAL ITEMS

*April-June 2019 (comparison with actual)*

Net financial items increased to EUR -11.7 million (EUR -2.4 million) due to higher net debt. The figure includes net interest expenses of EUR 11.9 million, a currency exchange gain of EUR 1.7 million and other financial expenses of EUR 1.5 million. At the end of the reporting period, the weighted average interest rate, excluding on-balance sheet lease liabilities, was 3.1% (2.3%).

*January-June 2019 (comparison with actual)*

Net financial items increased to EUR -23.3 million (EUR -5.4 million) due to higher net debt. The figure includes net interest expenses of EUR 23.8 million, a currency exchange gain of EUR 3.4 million and other financial expenses of EUR 3.0 million.

### PROFIT FOR PERIOD

*April-June 2019 (comparison with actual)*

Profit before taxes was EUR 23.3 million (EUR 28.4 million). Taxes amounted to EUR 8.6 million (EUR 6.3 million). The net profit for the period was EUR 14.8 million (EUR 22.1 million), and earnings per share were EUR 0.13 (EUR 0.22).

*January-June 2019 (comparison with actual)*

Profit before taxes was EUR 29.5 million (EUR 57.3 million). Taxes amounted to EUR 10.6 million (EUR 14.0 million). The net profit for the period was EUR 18.9 million (EUR 43.3 million), and earnings per share were EUR 0.16 (EUR 0.44).

### CASH FLOW

*April-June 2019 (comparison with actual)*
Net cash flow from operating activities increased to EUR 63.1 million (EUR 27.5 million) and was mainly driven by a reduction in working capital.

*January-June 2019 (comparison with actual)*
Net cash flow from operating activities rose to EUR 92.9 million (EUR 32.7 million). In the comparison period, the seasonal increase in working capital was unusually high.

### BALANCE SHEET
The company's net debt amounted to EUR 1,052.8 million at the end of the reporting period (EUR 971.3 million on December 31, 2018). The implementation of the new IFRS 16 standard, which is excluded from debt covenant calculations, increased net debt by EUR 55.4 million. In the second quarter, net debt was impacted by half of the annual EUR 60 million dividend payment. Gearing stood at 93.5%.

Ahlstrom-Munksjö's liquidity continues to be good. At the end of the review period, the total cash position was EUR 191.3 million. In addition, the company had undrawn committed credit facilities and committed cash pool overdrafts of EUR 214.0 million available.

On June 30, 2019, equity was EUR 1,125.5 million (EUR 1,162.2 million on December 31, 2018). The equity was impacted by a EUR 60 million dividend. Cash flow and net debt are impacted in the second and fourth quarters as the annual dividend is paid in two instalments in April and October.

# SYNERGY BENEFITS AND COST REDUCTION MEASURES

### ACQUISITION OF EXPERA SPECIALTY SOLUTIONS
On October 10, 2018, Ahlstrom-Munksjö completed the acquisition of U.S. specialty paper producer Expera Specialty Solutions. The acquisition expanded the company's presence in North America and further strengthened its offering. The transaction almost tripled net sales in the U.S.

Annual near-term synergy benefits of EUR 8 million, mainly arising from SG&A and procurement, are estimated to be achieved by the end of 2019. Costs related to the achievement of near-term cost synergies are estimated to be EUR 7 million by the end of 2019. At the end of the reporting period, the annual synergy achievement run rate was approximately EUR 7 million.

Ahlstrom-Munksjö expects additional earnings growth from a recently finalized investment in new silicone coating capacity. The new coater came on-line in September 2017 and is expected to contribute approximately EUR 9 million annually to EBITDA when fully commissioned in 2022.

The Expera acquisition is also expected to generate annual business synergies of at least EUR 10 million with a gradual impact from 2020 onwards. Cross-selling opportunities relate to the broader product offering and expanded presence, particularly in food processing and packaging, such as specialty paper to wrap and package processed and quick service restaurant prepared foods. Technology sharing is expected to generate benefits in the manufacture of e.g. interleaving papers and release liner. The expanded production platform provides production optimization opportunities e.g. in the tape products segment. Work to identify further business synergies continues.

### ACQUISITION OF CAIEIRAS SPECIALTY PAPER MILL
On October 17, 2018, Ahlstrom-Munksjö completed the acquisition of MD Papéis' Caieiras specialty paper mill in Brazil. The acquisition strengthened Ahlstrom-Munksjö's offering and production platform in South America, with opportunities for growth. In addition, product optimization, delivery capabilities and competitiveness will be improved by combining operations in Caieiras with those in nearby Jacarei and Louveira. The business has been integrated into the Decor and Industrial Solutions business areas.

Annual near-term cost synergies of up to EUR 8 million are estimated (previously EUR 6 million), mainly arising from the optimization of overlapping business, and are expected to be achieved within the original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time schedule by the end of 2019. Costs related to the achievement of near-term cost synergies are estimated to be EUR 2 million by the end of 2019. At the end of the reporting period, the annual synergy achievement run rate was approximately EUR 5 million.

### PAPER MACHINE CLOSED TO IMPROVE COMPETITIVENESS IN ONE-SIDE COATED PRODUCTS

Production on one paper machine (PM1) in Stenay, France, was permanently ceased in March 2019 following the completion of employee consultations. The plan to improve competitiveness in one-side coated products was first announced on October 30, 2018. The closure resulted in the termination of 77 employees.

The one-side coated product segment, a part of the Food Packaging business in the Specialties business area, is a segment where the markets have significant overcapacity especially in Europe and the company's offering is not optimally aligned with the strategy of niche orientation in customized solutions.

By concentrating orders to the larger paper machine (PM3) at the Stenay plant, cost savings can also be achieved from higher raw material-, energy- and waste-efficiency, as well as improved inventory management. The annual impact of the planned turnaround program is expected to be approximately EUR 13 million. In addition to the provision of EUR 11.2 million and an impairment loss of EUR 7.7 million booked in the fourth quarter of 2018, an expense of EUR 2.3 million as an item affecting comparability was booked in the first quarter of 2019.

# CAPITAL EXPENDITURE

Ahlstrom-Munksjö's capital expenditure excluding acquisitions totaled EUR 38.7 million in April-June 2019 (pro forma EUR 36.8 million) and 74.2 million in January-June 2019 (pro forma EUR 65.8 million). The investments were related to maintenance, cost and efficiency improvements, as well as growth initiatives and improved environmental performance and safety. The company did not announce any major new investment decisions during the first half of 2019. A list of recently completed and on-going investments is available at www.ahlstrom-munksjo.com/Investors.

Capital expenditure is expected to be approximately EUR 170 million in 2019 (pro forma EUR 176 million in 2018).

# PERSONNEL

Ahlstrom-Munksjö employed an average of 8,119 people in January-June 2019 (5,897) in full-time equivalents. As of June 30, 2019, the highest numbers of employees were in the United States (31%), France (20%), Sweden (10%), Brazil (9%) and Germany (7%).

### HEALTH AND SAFETY

The health and safety of employees is a top priority at Ahlstrom-Munksjö. The company has chosen three priority metrics to track performance in this field: total recordable incidents (TRI[1]) rate, near-miss rate, and hours of tailored safety training per employee per year. Ahlstrom-Munksjö believes that a goal of zero accidents is achievable, and our long-term target for TRI is zero. In 2019, our near miss rate target is 4.0 and we aim to provide 15 hours of tailored safety training per employee.

In January-June 2019, the TRI rate was 1.6, the near-miss rate was 4.8 and 21.9 hours of training were provided per employee.

[1] TRI: sum of all recorded occupational accidents; lost time accidents, occupational diseases, light duty cases, and other recordable incident. Total recordable Incidents Rate (TRIR); (TRI/Total hours worked) x 200,000.

# EVENTS DURING THE REPORTING PERIOD

NEW BUSINESS AND REPORTING STRUCTURE

On April 25, 2019, Ahlstrom-Munksjö announced the implementation a new business and reporting structure as of January 1, 2020. The new organizational structure is a natural next step following the completion and initial integration phase of the Expera Specialty Solutions acquisition.

In the new organizational structure, businesses are combined which share similar core capabilities, strategic targets and characteristics. This enables Ahlstrom-Munksjö to strengthen and further promote its capabilities in areas of product development and innovation, global key customer account management, product and production technology as well as process improvement and production optimization.

Ahlstrom-Munksjö's organizational structure and reporting segments, as of January 1, 2020, and their leaders will be as follows:

- Business Area Filtration and Performance Solutions, Executive Vice President Daniele Borlatto
- Business Area Advanced Solutions, Executive Vice President Omar Hoek
- Business Area Industrial Solutions, Executive Vice President Dan Adrianzon
- Business Area Food and Technical Solutions, Executive Vice President Robyn Buss
- Business Area Decor Solutions, Executive Vice President Tomas Wulkan

The businesses within each Business Area will be announced in the second half of 2019.

*Changes in the Executive Management Team*

Robyn Buss was appointed Executive Vice President of Business Area North America Specialty Solutions as of October 1, 2019. She is succeeding Russ Wanke, who retires at the end of September.

Daniele Borlatto was appointed Executive Vice President of Business Area Filtration and Performance as of June 7, 2019. He was previously Executive Vice President of Business Area Industrial Solutions. Borlatto succeeded Fulvio Capussotti, who decided to take up new responsibilities outside Ahlstrom-Munksjö.

Dan Adrianzon was appointed Executive Vice President of Business Area Industrial Solutions as of June 7, 2019. He was previously Executive Vice President of People and Safety.

Tarja Takko, previously Vice President, Talent and Development, Group HR and HR Business Partner, Filtration & Performance, was appointed acting Executive Vice President of People and Safety as of June 7, 2019.

SUSTAINABILITY WORK AWARDED WITH THIRD CONSECUTIVE ECOVADIS GOLD RATING

On June 11, 2019, Ahlstrom-Munksjö renewed its EcoVadis Gold rating level for the company's sustainability management and performance for the third consecutive year.

EcoVadis is one of the leading systems for evaluating suppliers' environmental performance, working conditions, social responsibility, and procurement practices. The EcoVadis method is based on internationally adopted principles for sustainability reporting, such as the Global Reporting Initiative, United Nations Global Compact and ISO 26000, and is audited by independent sustainability experts.

With a corporate social responsibility engagement level assessed as advanced, Ahlstrom-Munksjö is in the top 1% of suppliers assessed, regardless of their industry.

# BUSINESS AREA REVIEWS

## DECOR

***The Decor business area develops and produces paper-based surfacing for wood-based materials such as laminate flooring, furniture and interiors.***

*Market review January-June 2019*

Demand for decor products remained weak, and the environment was uncertain in Europe. The inventory reduction across the industry continued. In North and South America, demand weakened in the second quarter. The long-term underlying demand for decor products is still growing, while competition remains currently intense.

*Q2/2019 compared with Q2/2018 pro forma*

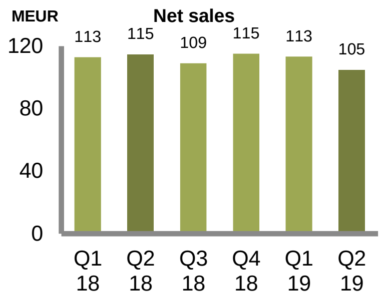
Net sales decreased 8.6% to EUR 104.8 million, compared with EUR 114.7 million in the comparison period. The decline was mainly due to lower sales volumes.

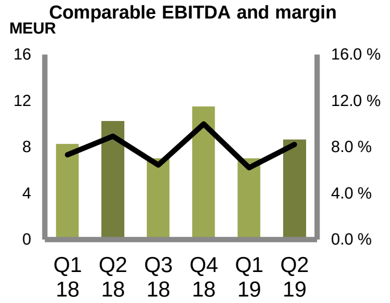
Comparable EBITDA decreased to EUR 8.6 million (EUR 10.2 million), representing 8.2% (8.9%) of net sales. Lower sales volumes were partially offset by an improved product mix as well as lower variable costs.

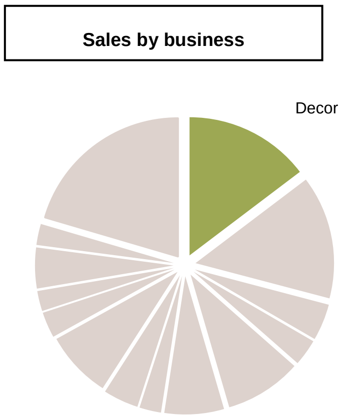
*1-6/2019 compared with 1-6/2018 pro forma*

Net sales decreased 4.2% to EUR 218.1 million, compared with EUR 227.7 million in the comparison period. Higher selling prices were more than offset by lower sales volumes.

Comparable EBITDA decreased to EUR 15.7 million (EUR 18.5 million), representing 7.2% (8.1%) of net sales, mainly due to lower sales volumes. Higher selling prices were partially offset by increased variable costs.




| EUR million | Q2/2019 | Q1/2019 | Q4/2018 | Q3/2018 | Q2/2018 | 2018 |
|---|---|---|---|---|---|---|
| Net sales | 104.8 | 113.3 | 115.1 | 109.1 | 114.7 | 451.9 |
| Comparable EBITDA | 8.6 | 7.0 | 11.5 | 7.0 | 10.2 | 37.1 |
| Comparable EBITDA margin, % | 8.2 | 6.2 | 10.0 | 6.5 | 8.9 | 8.2 |
| Capital expenditure | 2.2 | 3.0 | 5.8 | 3.7 | 2.3 | 15.5 |
| Depreciation, amortization and impairment | 3.0 | 3.0 | 2.5 | 2.3 | 2.3 | 9.4 |

## FILTRATION AND PERFORMANCE

***The Filtration and Performance business area develops and produces filtration materials for engine oils, fuels and air, as well as industrial filtration. It also produces glass fiber for flooring products and wind turbine blades, and makes nonwoven materials for automotive, construction, textile and hygiene applications, and wallcovering materials.***

*Market review January-June 2019*

Demand for filtration products slowed down in all regions after a more stable development in the first quarter. In construction-related markets, demand for flooring and other glass fiber tissue materials remained good, whereas the wallcoverings market in Europe stabilized after a decline in 2018.

*Q2/2019 compared with Q2/2018 pro forma*

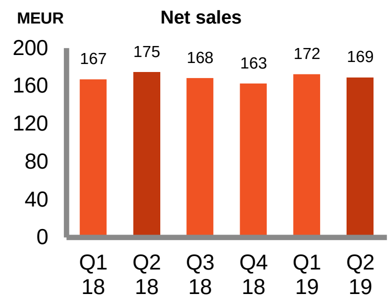
Net sales decreased by 3.3% to EUR 168.9 million, compared with EUR 174.7 million in the comparison period. Lower sales volumes were partially offset by higher selling prices.

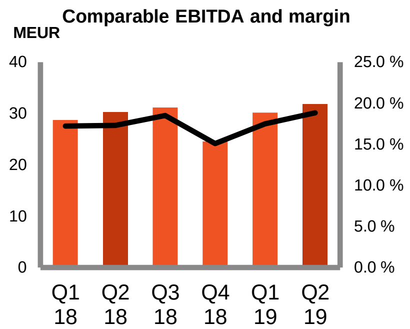
Comparable EBITDA increased to EUR 31.8 million (EUR 30.2 million), representing 18.8% (17.3%) of net sales. Profitability was positively impacted by higher selling prices and lower fixed costs. Higher variable costs and lower volumes in the Filtration business had a negative impact on the result.

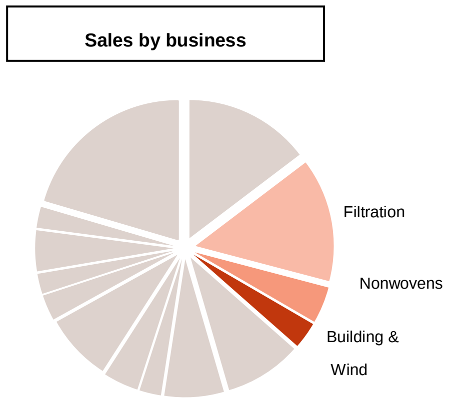
*1-6/2019 compared with 1-6/2018 pro forma*

Net sales amounted to EUR 341.3 million and were in line with the EUR 341.7 million in the comparison period. Higher selling prices had a positive impact on net sales, while volumes declined.

Comparable EBITDA increased to EUR 62.0 million (EUR 59.0 million), representing 18.2% (17.3%) of net sales. Profitability was positively impacted by higher selling prices and improved cost efficiency. Higher variable costs and lower volumes in the Filtration business had a negative impact on the result.




| EUR million | Q2/2019 | Q1/2019 | Q4/2018 | Q3/2018 | Q2/2018 | 2018 |
|---|---|---|---|---|---|---|
| Net sales | 168.9 | 172.4 | 162.6 | 168.3 | 174.7 | 672.5 |
| Comparable EBITDA | 31.8 | 30.2 | 24.5 | 31.2 | 30.2 | 114.7 |
| Comparable EBITDA margin, % | 18.8 | 17.5 | 15.1 | 18.5 | 17.3 | 17.0 |
| Capital expenditure | 9.5 | 6.7 | 11.4 | 8.0 | 12.6 | 38.7 |
| Depreciation, amortization and impairment | 11.3 | 11.1 | 10.7 | 10.4 | 10.5 | 42.1 |

## INDUSTRIAL SOLUTIONS

***The Industrial Solutions business area develops and produces abrasive backings, electrotechnical insulation papers, release liners and coated specialty papers. The business area also supplies fine art and printing papers, as well as thin papers, specialty pulp and balancing foil paper.***

*Market review January-June 2019*

The markets for abrasive backings, specialty pulp and coated products were weak. Demand for release liners improved somewhat in the second quarter, while the market environment remained competitive. Demand for electrotechnical insulation papers improved.

*Q2/2019 compared with Q2/2018 pro forma*

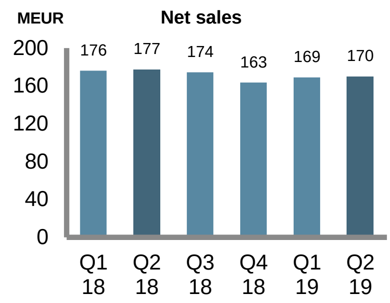
Net sales decreased by 4.1% to EUR 170.0 million, compared with EUR 177.3 million in the comparison period. The decline was mainly due to lower volumes.

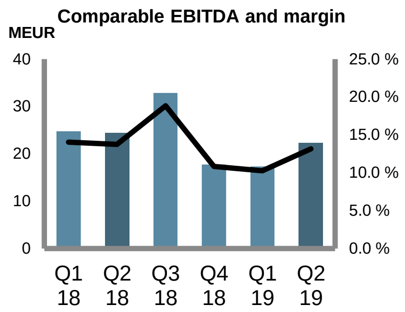
Comparable EBITDA decreased to EUR 22.3 million (EUR 24.4 million), representing 13.1% (13.7%) of net sales. Higher selling prices were more than offset by increased variable costs, particularly those for energy.

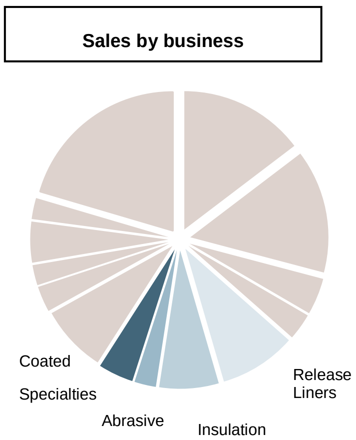
*1-6/2019 compared with 1-6/2018 pro forma*

Net sales decreased by 4.0% to EUR 339.2 million, compared with EUR 353.4 million in the comparison period. The decline was mainly due to lower volumes.

Comparable EBITDA decreased to EUR 39.7 million (EUR 49.1 million), representing 11.7% (13.9%) of net sales. Higher selling prices were more than offset by increased variable costs. Lower volumes were partially offset by lower fixed costs.




| EUR million | Q2/2019 | Q1/2019 | Q4/2018 | Q3/2018 | Q2/2018 | 2018 |
|---|---|---|---|---|---|---|
| Net sales | 170.0 | 169.2 | 163.4 | 174.5 | 177.3 | 691.2 |
| Comparable EBITDA | 22.3 | 17.4 | 17.7 | 32.9 | 24.4 | 99.7 |
| Comparable EBITDA margin, % | 13.1 | 10.3 | 10.8 | 18.8 | 13.7 | 14.4 |
| Capital expenditure | 13.8 | 10.2 | 23.7 | 9.8 | 12.0 | 57.0 |
| Depreciation, amortization and impairment | 9.9 | 9.7 | 9.0 | 9.0 | 9.1 | 36.4 |

## NORTH AMERICA SPECIALTY SOLUTIONS

***The North America Specialty Solutions business area develops and produces a wide range of specialized materials that protect and enhance the performance of industrial and consumer applications, such as release liners, tape, interleaving papers and specialty paper to wrap and package processed and quick service restaurant prepared foods.***

*Market review January-June 2019*

Demand for food processing and packaging papers was stable, while the markets for industrial and technical-related specialty papers remained soft. In the release liner segment, demand in commodity grades remained weak, while that for coated products remained strong.

*Q2/2019 compared with Q2/2018 pro forma*

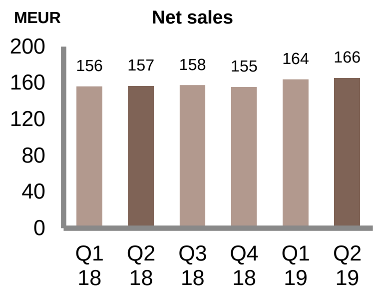
Net sales increased 5.6% to EUR 165.6 million, compared with EUR 156.8 million in the comparison period, as higher selling prices and a favorable currency effect more than offset lower deliveries.

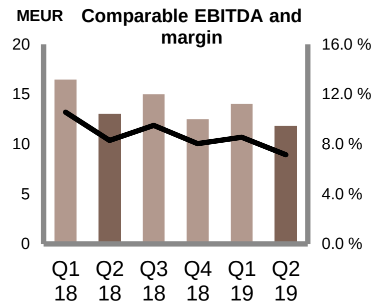
Comparable EBITDA decreased to EUR 11.8 million (EUR 13.0 million), representing 7.1% (8.3%) of net sales mainly due to lower sales volumes. Higher selling prices and a more favorable product mix were partially offset by increased variable costs.

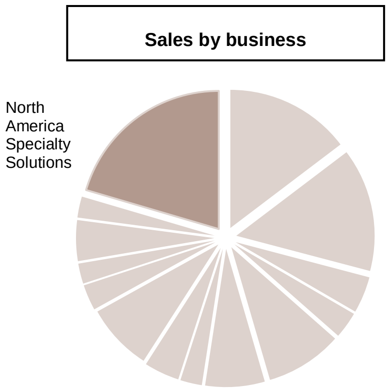
*1-6/2019 compared with 1-6/2018 pro forma*

Net sales increased5.3% to EUR 329.6 million, compared with EUR 312.9 million in the comparison period, as higher selling prices and a favorable currency effect more than offset lower deliveries.

Comparable EBITDA decreased to EUR 25.9 million (EUR 29.5 million), representing 7.9% (9.4%) of net sales mainly due to lower sales volumes. Higher selling prices and a more favorable product mix were partially offset by increased variable costs. Currency development had a favorable impact on the result.




| EUR million | Q2/2019 | Q1/2019 | Q4/2018 | Q3/2018 | Q2/2018 | 2018 |
|---|---|---|---|---|---|---|
| Net sales | 165.6 | 164.0 | 155.5 | 157.6 | 156.8 | 626.0 |
| Comparable EBITDA | 11.8 | 14.0 | 12.5 | 15.0 | 13.0 | 57.0 |
| Comparable EBITDA margin, % | 7.1 | 8.6 | 8.0 | 9.5 | 8.3 | 9.1 |
| Capital expenditure | 5.1 | 7.4 | 8.9 | 5.7 | 4.9 | 21.6 |
| Depreciation, amortization and impairment | 7.5 | 7.2 | 6.6 | 6.6 | 7.3 | 27.4 |

## SPECIALTIES

***The Specialties business area develops and produces materials for food and beverage processing, laboratory filters and life science diagnostics, water filtration, tape products and medical fabrics. The business area also supplies hot cooking oil and milk filtration materials, graphics paper for sticky notes and envelopes, as well as metallized labels and flexible packaging papers.***

### *Market review January-June 2019*

In the Food Packaging business, demand for parchment papers for food processing and packaging weakened. Beverage markets softened, while demand for fibrous meat casing materials remained strong. Demand for tape backings in Europe and North America was weaker, while it continued strong in Asia. In the Advanced Liquid Technologies business and in the Medical business, demand remained mostly robust.

### *Q2/2019 compared with Q2/2018 pro forma*

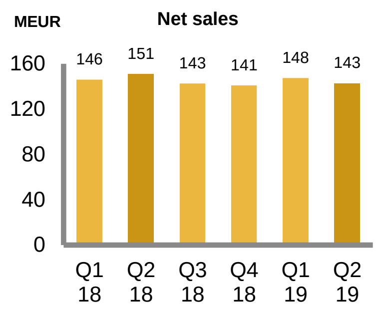
Net sales decreased by 5.4% to EUR 142.7 million, compared with EUR 150.9 million in the comparison period, as lower deliveries more than offset higher selling prices. The decline in deliveries was mainly related to the paper machine closure at the Stenay plant in France, part of the Food Packaging business.

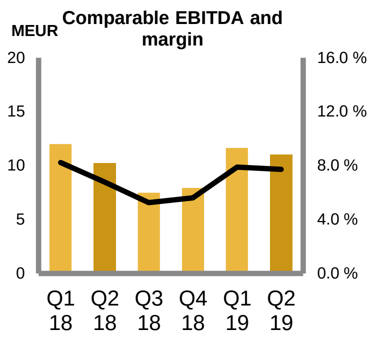
Comparable EBITDA increased to EUR 11.0 million (EUR 10.2 million), representing 7.7% (6.8%) of net sales mainly as a result of the paper machine closure. Volumes decreased.

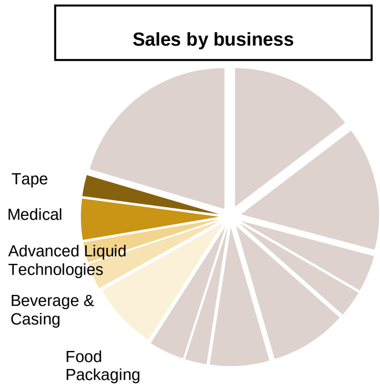
### *1-6/2019 compared with 1-6/2018 pro forma*

Net sales decreased by 2.2% to EUR 290.2 million, compared with EUR 296.8 million in the comparison period, as lower deliveries more than offset higher selling prices.

Comparable EBITDA increased to EUR 22.7 million (EUR 22.2 million), representing 7.8% (7.5%) of net sales. Selling prices more than offset increased variable costs and performance improved in the one-side coated product segment within the Food Packaging business. Volumes decreased.




| EUR million | Q2/2019 | Q1/2019 | Q4/2018 | Q3/2018 | Q2/2018 | 2018 |
|---|---|---|---|---|---|---|
| Net sales | 142.7 | 147.5 | 140.9 | 142.6 | 150.9 | 580.3 |
| Comparable EBITDA | 11.0 | 11.6 | 7.9 | 7.5 | 10.2 | 37.6 |
| Comparable EBITDA margin, % | 7.7 | 7.9 | 5.6 | 5.3 | 6.8 | 6.5 |
| Capital expenditure | 4.0 | 3.8 | 9.6 | 15.3 | 4.0 | 31.8 |
| Depreciation, amortization and impairment | 8.8 | 8.7 | 15.3 | 7.6 | 7.6 | 38.2 |

# SHARES AND SHARE CAPITAL

Ahlstrom-Munksjö's shares are listed on the Nasdaq Helsinki and Nasdaq Stockholm. All shares carry one vote and have equal voting rights. The trading code is AM1 in Helsinki and AM1S in Stockholm.

On June 30, 2019, Ahlstrom-Munksjö's share capital amounted to EUR 85.0 million, and the total number of shares since December 28, 2018 has been 115,653,315, following a rights issue that increased the number of shares by 19,214,742 from 96,438,573.

The company had 12,017 shareholders at the end of the reporting period (12,095 as of Dec. 31, 2018) according to Euroclear Finland Ltd. Ahlstrom-Munksjö held a total of 364,862 of its own shares, corresponding to approximately 0.3% of total shares and votes.

SHARE PRICE PERFORMANCE AND TRADING

| | Nasdaq Helsinki | | Nasdaq Stockholm | |
|---|---|---|---|---|
| | 1-6/2019 | 1-6/2018 | 1-6/2019 | 1-6/2018 |
| Share price at the end of the period, EUR/SEK | 14.48 | 15.48 | 152.20 | 162.40 |
| Highest share price, EUR/SEK | 15.18 | 20.10 | 165.00 | 197.40 |
| Lowest share price, EUR/SEK | 11.90 | 15.00 | 121.40 | 154.80 |
| Market capitalization at the end of the period*, EUR million | 1,669.4 | 1,487.2 | N/A | N/A |
| Trading value, EUR/SEK million | 110.9 | 80.8 | 100.5 | 103.4 |
| Trading volume, shares million | 8.1 | 4.8 | 0.7 | 0.6 |
| Average daily trading volume, shares | 65,886 | 38,356 | 5,732 | 4,800 |

*Excluding the shares held by Ahlstrom-Munksjö

Ahlstrom-Munksjö's shares are also traded on alternative exchanges, such as Cboe, Turquoise and Posit. These exchanges represented about 56% of the total trading value during the reporting period (source: Fidessa Fragmentation Index).

# ANNUAL GENERAL MEETING OF SHAREHOLDERS

Ahlstrom-Munksjö Oyj's Annual General Meeting (AGM) was held on March 27, 2019. The AGM adopted the Financial Statements for 2018 and discharged the members of the Board of Directors and the President and CEO from liability for the financial year 2018.

The AGM resolved to distribute a dividend of EUR 0.52 per share for the fiscal year that ended on December 31, 2018 in accordance with the proposal of the Board of Directors. The dividend will be paid in two instalments. The first installment of EUR 0.26 per share was paid on April 5, 2019, and the second installment of EUR 0.26 per share will be paid on October 4, 2019, at the latest.

The AGM resolved that the number of Board members to be nine. Peter Seligson, Elisabet Salander Björklund, Alexander Ehrnrooth, Johannes Gullichsen, Lasse Heinonen, Hannele Jakosuo-Jansson, Harri-Pekka Kaukonen and Valerie A. Mars were re-elected. Jaakko Eskola was elected as a new member of the Board. Pernilla Walfridsson was not available for re-election. The Board members were elected for a period ending at the close of the next AGM.

The AGM resolved in accordance with the proposal of the Board to re-elect KPMG Oy Ab as the company's auditor. KPMG Oy Ab has designated Authorized Public Accountant Anders Lundin as the Responsible Auditor.

*Authorization to resolve on the issuance of shares and special rights entitling to shares*
The AGM authorized the Board of Directors to resolve on the issuance of shares and/or special rights entitling to shares referred to in Chapter 10, Section 1 of the Finnish Companies Act, in one or several instalments, either against payment or without payment. The authorization would consist of a maximum of 11,500,000 shares in the aggregate (including shares to be received based on special rights), which corresponds to approximately 10% of all the company´s shares at the time of the proposal. The Board of Directors is authorized to resolve to issue either new shares or dispose of the treasury shares in the possession of the company.

The authorization could be used for the financing or execution of acquisitions or other business arrangements, to strengthen the balance sheet and financial position of the company, for implementing the company's share-based incentive plans, or for other purposes determined by the Board of Directors.

The authorization also includes the right to decide on a share issue without consideration to the company itself, subject to the provisions of the Finnish Companies' Act on the maximum amount of shares owned by the company or its subsidiaries.

The Board of Directors is authorized to resolve on all other terms and conditions of the issuance of shares and special rights entitling to shares, including the right to derogate from the pre-emptive right of the shareholders.

The authorization is valid until the close of the next Annual General Meeting, however, no longer than eighteen (18) months from the close of the Annual General Meeting.

*Authorization to repurchase the company's own shares*
The AGM authorized the Board of Directors to resolve to repurchase and to distribute the company's own shares as well as to accept them as pledge, in one or more instalments.

The number of shares to be repurchased or accepted as pledge by virtue of the authorization shall not exceed 11,500,000 own shares in the company, subject to the provisions of the Finnish Companies' Act on the maximum amount of shares owned by or pledged to the company or its subsidiaries. The shares may be repurchased or accepted as pledge in one or several instalments and in a proportion other than that of the existing shareholdings of the shareholders in the company. The shares shall be repurchased in public trading at the prevailing market price using unrestricted shareholders' equity.

The authorizations are valid until the close of the next Annual General Meeting, however, no longer than eighteen (18) months from the close of the Annual General Meeting.

*Decisions taken by the Board of Directors after the AGM*
The organization meeting of the Board of Directors, which was held immediately after the Annual General Meeting, elected Peter Seligson as Chairman of the Board and Elisabet Salander Björklund as Vice Chairman.

The Board of Directors appointed two permanent committees; the Audit and Sustainability Committee and the Human Resources Committee. The members of the Audit and Sustainability Committee are Elisabet Salander Björklund (Chair), Alexander Ehrnrooth, Lasse Heinonen, Harri-Pekka Kaukonen, Valerie A. Mars.

The members of the Human Resources Committee are Hannele Jakosuo-Jansson (Chair), Jaakko Eskola, Johannes Gullichsen and Peter Seligson.

# SHORT-TERM RISKS

Ahlstrom-Munksjö is exposed to changing market conditions and uncertainty caused by both macroeconomic and industry related events and is exposed to risks that may arise from its operations, changes in the business environment, developments in the global economy or potential changes in the legislative framework. The materialization of such risks could have a material adverse effect on the company's operations, earnings and financial position.

The company's significant risks and uncertainty factors mainly consist of developments in demand for and prices of sold products, the cost and availability of significant raw materials, financial risks, as well as other business factors including developments in the financial markets. The company's financial performance may be impacted by the timing of possible raw material price rises and its ability to raise selling pricesOn-going trade disputes and the outcome of the Brexit increases uncertainty in the global economic outlook and this may have an effect on Ahlstrom-Munksjö's markets.

Ahlstrom-Munksjö has recently acquired Expera and Caieiras and it may not be able to realize some or any of the anticipated benefits from those acquisitions. In addition, the company may not be able to successfully integrate the acquired operations into its existing businesses.

The company's key financial risks include interest rate and currency risks, liquidity risk and credit risk. The Group has exposure to tax risks due to potential changes in tax laws or regulations or their application, or as a result of on-going or future tax audits or claims.

The company has operations in many countries, and sometimes disputes cannot be avoided in daily operations. The company is sometimes involved in legal actions, disputes, claims for damages and other procedures. The result of these cannot be predicted, but taking into account all available information to date, the impact is not expected to have a significant impact on the financial position of the company.

More information about risks and uncertainty factors related to Ahlstrom-Munksjö's business and the company's risk management is available at www.ahlstrom-munksjo.com.

*The actual numbers in this report have been prepared in accordance with International Financial Reporting Standards (IFRS). Comparable figures refer to the same period in the previous year, unless otherwise stated. The report contains certain forward-looking statements that reflect the present views of the company's management. The statements contain uncertainties and risks and are thus subject to changes in the general economic situation and in the company's business.*

Ahlstrom-Munksjö Oyj
Board of Directors

# ADDITIONAL INFORMATION

Hans Sohlström, President and CEO, tel. +358 10 888 2520
Sakari Ahdekivi, Deputy CEO and CFO, tel. +358 10 888 4760
Johan Lindh, Vice President, Communications and Investor Relations, + 358 10 888 4994
Juho Erkheikki, Investor Relations Manager, tel. +358 10 888 4731

# WEBCAST AND CONFERENCE CALL

A combined news conference, call and live webcast will be arranged on the publishing day, July 30, 2019, at 1:30 p.m. EET at Ahlstrom-Munksjö's head office in Helsinki (Alvar Aallon katu 3 C). The report will be presented in English by President and CEO Hans Sohlström and Deputy CEO and CFO Sakari Ahdekivi.

### WEBCAST AND CONFERENCE CALL INFORMATION

The combined webcast and teleconference can be viewed at:
https://qsb.webcast.fi/a/ahlstrommunksjo/ahlstrommunksjo_2019_0730_q2/

Finland: +358 (0)9 7479 0360
Sweden: +46 (0)8 5033 6573
UK: +44 (0)330 336 9104

Conference ID: 789558

To join the conference call, participants are requested to dial one of the numbers above 5-10 minutes prior to the start of the event. An on-demand version of the conference call will be available on Ahlstrom-Munksjö's website later the same day. By dialing in to the conference call, the participant agrees that personal information such as name and company name will be collected. The conference call will be recorded.

## AHLSTROM-MUNKSJÖ IN BRIEF

Ahlstrom-Munksjö is a global leader in fiber-based materials, supplying innovative and sustainable solutions to its customers. Our mission is to expand the role of fiber-based solutions for sustainable everyday life. Our offering include filter materials, release liners, food and beverage processing materials, decor papers, abrasive and tape backings, electrotechnical paper, glass fiber materials, medical fiber materials and solutions for diagnostics as well as a range of specialty papers for industrial and consumer end-uses. Our annual net sales are about EUR 3 billion and we employ some 8,000 people. The Ahlstrom-Munksjö share is listed on the Nasdaq Helsinki and Stockholm. Read more at www.ahlstrom-munksjo.com.

## APPENDIX 1: CONSOLIDATED FINANCIAL STATEMENTS

Financial statements are unaudited.

| Income statement<br>EUR million | Q2/2019 | Q2/2018 | 1-6/2019 | 1-6/2018 | 2018 |
|---|---|---|---|---|---|
| Net sales | 745.3 | 587.8 | 1,504.0 | 1,160.2 | 2,438.0 |
| Other operating income | 3.0 | 1.7 | 5.5 | 3.5 | 9.6 |
| **Total operating income** | **748.3** | **589.5** | **1,509.5** | **1,163.7** | **2,447.7** |
| **Operating costs** | | | | | |
| Changes in inventories of finished goods and work in progress | 1.8 | 12.4 | 5.3 | 28.1 | 25.0 |
| Materials and supplies | -346.7 | -296.7 | -709.9 | -582.1 | -1,208.2 |
| Other operating expenses | -177.2 | -137.8 | -367.9 | -276.6 | -589.5 |
| Employee benefit expenses | -148.1 | -107.1 | -298.7 | -211.2 | -452.4 |
| Depreciation, amortization and impairment | -43.1 | -29.6 | -85.5 | -59.3 | -133.9 |
| **Total operating costs** | **-713.3** | **-558.8** | **-1,456.7** | **-1,101.1** | **-2,359.0** |
| Share of profit in equity accounted investments | - | - | - | - | 0.0 |
| **Operating result** | **35.0** | **30.7** | **52.9** | **62.7** | **88.7** |
| Net financial items | -11.7 | -2.4 | -23.3 | -5.4 | -25.3 |
| **Profit before tax** | **23.3** | **28.4** | **29.5** | **57.3** | **63.3** |
| Income taxes | -8.6 | -6.3 | -10.6 | -14.0 | -20.4 |
| **Net profit** | **14.8** | **22.1** | **18.9** | **43.3** | **42.9** |

| pro forma Income statement<br>EUR million | Q2/2018 | 1-6/2018 | 2018 |
|---|---|---|---|
| Net sales | 766.0 | 1,516.9 | 2,996.9 |
| Other operating income | 2.1 | 4.2 | 10.9 |
| **Total operating income** | **768.0** | **1,521.2** | **3,007.8** |
| **Operating costs** | | | |
| Changes in inventories of finished goods and work in progress | 9.9 | 24.3 | 24.7 |
| Materials and supplies | -372.4 | -732.7 | -1,445.7 |
| Other operating expenses | -180.6 | -361.0 | -715.3 |
| Employee benefit expenses | -148.4 | -293.9 | -581.2 |
| Depreciation, amortization and impairment | -38.6 | -77.0 | -161.0 |
| **Total operating costs** | **-730.2** | **-1,440.3** | **-2,878.5** |
| Share of profit in equity accounted investments | - | - | 0.0 |
| **Operating result** | **37.9** | **80.9** | **129.4** |
| Net financial items | -8.5 | -17.9 | -42.5 |
| **Profit before tax** | **29.4** | **62.9** | **86.9** |
| Income taxes | -5.9 | -15.2 | -23.6 |
| **Net profit** | **23.4** | **47.8** | **63.2** |

| Other comprehensive income<br>EUR million | Q2/2019 | Q2/2018 | 1-6/2019 | 1-6/2018 | 2018 |
|---|---|---|---|---|---|
| **Net profit** | **14.8** | **22.1** | **18.9** | **43.3** | **42.9** |
| | | | | | |
| **Other comprehensive income** | | | | | |
| | | | | | |
| **Items that may be reclassified to profit or loss** | | | | | |
| Exchange differences on translation of foreign operations for the period | -12.1 | -2.3 | 2.2 | -17.4 | -13.5 |
| Hedges of net investments in foreign operations | - | -0.1 | - | -0.1 | -0.0 |
| Change in cash flow hedge reserve | -1.0 | -2.9 | -2.4 | -4.8 | 0.3 |
| Cash flow hedge transferred to this year's result | 0.9 | 2.1 | 1.5 | 1.8 | 0.4 |
| **Items that will not be reclassified to profit or loss** | | | | | |
| Actuarial gains and losses on defined benefit plans | -1.1 | 0.8 | 3.7 | 4.3 | 0.6 |
| **Tax attributable to other comprehensive income** | 0.3 | 0.0 | -0.7 | -0.4 | -1.1 |
| **Comprehensive income** | **1.8** | **19.7** | **23.1** | **26.7** | **29.8** |
| | | | | | |
| **Net profit attributable to** | | | | | |
| Parent company's shareholders | 14.4 | 21.4 | 18.2 | 42.4 | 41.6 |
| Non-controlling interests | 0.3 | 0.6 | 0.7 | 0.9 | 1.4 |
| | | | | | |
| **Comprehensive income attributable to** | | | | | |
| Parent company's shareholders | 1.7 | 19.1 | 22.4 | 25.8 | 28.4 |
| Non-controlling interests | 0.1 | 0.6 | 0.7 | 0.9 | 1.3 |
| | | | | | |
| **Earnings per share** | | | | | |
| Weighted average number of outstanding shares | 115,288,453 | 96,073,711 | 115,288,453 | 96,073,711 | 96,758,002 |
| Basic earnings per share, EUR | 0.13 | 0.22 | 0.16 | 0.44 | 0.43 |
| Diluted earnings per share, EUR | 0.13 | 0.22 | 0.16 | 0.44 | 0.43 |

| pro forma Earnings per share | Q2/2018 | 1-6/2018 | 2018 |
|---|---|---|---|
| Weighted average number of outstanding shares | 115,288,453 | 115,288,453 | 115,288,453 |
| Basic earnings per share, EUR | 0.20 | 0.41 | 0.54 |

| Balance sheet<br>EUR million | Jun 30,<br>2019 | Jun 30,<br>2018 | Dec 31,<br>2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 1,111.6 | 828.5 | 1,117.2 |
| Right-of-use assets | 59.3 | - | - |
| Goodwill | 634.7 | 428.2 | 630.6 |
| Other intangible assets | 498.0 | 301.2 | 505.1 |
| Equity accounted investments | 1.1 | 1.1 | 1.1 |
| Other non-current assets | 15.6 | 7.4 | 15.4 |
| Deferred tax assets | 8.5 | 1.7 | 7.5 |
| **Total non-current assets** | **2,328.8** | **1,568.1** | **2,276.9** |
| | | | |
| **Current assets** | | | |
| Inventories | 441.9 | 323.9 | 429.6 |
| Trade and other receivables | 324.7 | 302.2 | 374.0 |
| Income tax receivables | 5.5 | 2.7 | 3.3 |
| Cash and cash equivalents | 191.3 | 187.1 | 151.0 |
| **Total current assets** | **963.5** | **815.9** | **957.9** |
| **TOTAL ASSETS** | **3,292.3** | **2,384.0** | **3,234.9** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | **1,125.5** | **1,014.1** | **1,162.2** |
| | | | |
| **Non-current liabilities** | | | |
| Non-current borrowings | 1,012.4 | 529.0 | 1,020.4 |
| Non-current lease liability | 45.8 | 2.5 | 3.1 |
| Other non-current liabilities | 1.4 | 0.7 | 1.7 |
| Employee benefit obligations | 87.6 | 92.8 | 92.7 |
| Deferred tax liabilities | 147.0 | 92.2 | 150.6 |
| Non-current provisions | 26.2 | 15.5 | 25.9 |
| **Total non-current liabilities** | **1,320.5** | **732.7** | **1,294.3** |
| | | | |
| **Current liabilities** | | | |
| Current borrowings | 172.6 | 76.9 | 141.5 |
| Current lease liability | 13.3 | 1.1 | 1.1 |
| Trade and other payables | 626.8 | 541.8 | 615.3 |
| Income tax liabilities | 20.2 | 11.0 | 8.1 |
| Current provisions | 13.5 | 6.5 | 12.3 |
| **Total current liabilities** | **846.3** | **637.2** | **778.4** |
| **Total liabilities** | **2,166.8** | **1,369.9** | **2,072.6** |
| **TOTAL EQUITY AND LIABILITIES** | **3,292.3** | **2,384.0** | **3,234.9** |

## Statement of changes in equity

1) Share capital
2) Reserve for invested unrestricted equity
3) Other reserves
4) Treasury shares
5) Cumulative translation adjustment
6) Retained earnings
7) Total equity attributable to the parent company's shareholders
8) Non-controlling interests
9) Total equity

| EUR million | 1) | 2) | 3) | 4) | 5) | 6) | 7) | 8) | 9) |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2018** | **85.0** | **517.6** | **384.5** | **-6.3** | **-63.3** | **110.1** | **1,027.5** | **8.9** | **1,036.5** |
| Net profit | - | - | - | - | - | 42.4 | 42.4 | 0.9 | 43.3 |
| Other comprehensive income | - | - | -2.3 | - | -17.5 | 3.3 | -16.6 | 0.0 | -16.6 |
| **Total comprehensive income** | **-** | **-** | **-2.3** | **-** | **-17.5** | **45.7** | **25.8** | **0.9** | **26.7** |
| Dividends and other | - | - | - | - | - | -50.1 | -50.1 | -0.3 | -50.4 |
| Long term incentive plan | - | - | - | - | - | 1.2 | 1.2 | - | 1.2 |
| **Balance at June 30, 2018** | **85.0** | **517.6** | **382.1** | **-6.3** | **-80.8** | **107.0** | **1,004.5** | **9.5** | **1,014.1** |
| | | | | | | | | | |
| **Balance at January 1, 2019** | **85.0** | **661.8** | **385.1** | **-6.3** | **-76.7** | **103.5** | **1,152.3** | **9.9** | **1,162.2** |
| Net profit | - | - | - | - | - | 18.2 | 18.2 | 0.7 | 18.9 |
| Other comprehensive income | - | - | -0.7 | - | 2.1 | 2.8 | 4.2 | 0.0 | 4.2 |
| **Total comprehensive income** | **-** | **-** | **-0.7** | **-** | **2.1** | **21.0** | **22.4** | **0.7** | **23.1** |
| Dividends and other | - | - | - | - | - | -60.1 | -60.1 | -0.3 | -60.4 |
| Transaction costs on rights issue | - | 0.0 | - | - | - | - | 0.0 | - | 0.0 |
| Long term incentive plan | - | - | - | - | - | 0.5 | 0.5 | - | 0.5 |
| **Balance at June 30, 2019** | **85.0** | **661.8** | **384.4** | **-6.3** | **-74.5** | **64.9** | **1,115.2** | **10.3** | **1,125.5** |



AHLSTROM MUNKSJÖ

| Cash flow statement<br>EUR million | Q2/2019 | Q2/2018 | 1-6/2019 | 1-6/2018 | 2018 |
|---|---|---|---|---|---|
| **Cash flow from operating activities** | | | | | |
| Net profit | 14.8 | 22.1 | 18.9 | 43.3 | 42.9 |
| Adjustments, total | 62.3 | 37.3 | 117.9 | 76.8 | 174.7 |
| Changes in net working capital | 8.1 | -24.2 | -12.0 | -68.1 | -84.6 |
| Change in provisions | -1.0 | 0.9 | 1.3 | -2.7 | 2.5 |
| Financial items | -16.1 | -8.8 | -26.0 | -12.7 | -23.0 |
| Income taxes paid | -4.9 | 0.2 | -7.2 | -4.0 | -21.0 |
| **Net cash from operating activities** | **63.1** | **27.5** | **92.9** | **32.7** | **91.6** |
| | | | | | |
| **Cash flow from investing activities** | | | | | |
| Payment for acquisition of subsidiary, net of cash acquired | 0.2 | - | -1.5 | - | -608.0 |
| Purchases of property, plant and equipment and intangible assets | -38.7 | -31.4 | -74.2 | -57.1 | -160.1 |
| Other investing activities | -0.3 | 0.5 | -0.2 | 0.5 | -0.2 |
| **Net cash from investing activities** | **-38.9** | **-31.0** | **-75.9** | **-56.6** | **-768.3** |
| | | | | | |
| **Cash flow from financing activities** | | | | | |
| Dividends paid and other | -29.9 | -25.0 | -30.3 | -25.3 | -50.3 |
| Rights issue | -0.2 | - | -5.7 | - | 148.5 |
| Change in loans and other financing activities | -21.0 | -8.0 | 57.8 | -5.3 | 487.7 |
| **Net cash from financing activities** | **-51.1** | **-32.9** | **21.8** | **-30.6** | **585.9** |
| | | | | | |
| **Net change in cash and cash equivalents** | **-26.9** | **-36.4** | **38.8** | **-54.5** | **-90.9** |
| | | | | | |
| Cash and cash equivalents at the beginning of the period | 218.8 | 224.9 | 151.0 | 245.9 | 245.9 |
| Foreign exchange effect on cash and cash equivalents | -0.6 | -1.3 | 1.4 | -4.3 | -4.0 |
| **Cash and cash equivalents at the end of the period** | **191.3** | **187.1** | **191.3** | **187.1** | **151.0** |

Implementation of the IFRS 16 standard has an effect on the presentation of cash flow statement. Paid lease expenses were moved from net cash from operating activities to net cash from financing activities, and are presented as change in loans and other financing activities.

## NOTES TO THE FINANCIAL STATEMENTS

### *Accounting principles*

This unaudited consolidated quarterly interim report has been prepared in accordance with "IAS 34 Interim Financial Reporting", as adopted by the EU. All figures in the accounts have been rounded and consequently the total of individual figures can deviate from the presented total figure. Furthermore, all percentages are subject to possible rounding differences. The accounting principles applied are consistent with those followed in the preparation of the Group's Annual Report 2018, except for the adoption of new standards effective as of January 1, 2019. The Group has is not an early adopter of any other standard, interpretation or amendment that has been issued but is not yet effective.

#### *Share based payments*

Ahlstrom-Munksjö's Board of Directors decided in March 2019 on a new performance period under the long-term share-based incentive plan announced in October 2017. The Board of Directors decided, in addition, on the establishment of a fixed matching share plan as well as on the establishment of a new restricted share plan as a complementary share-based incentive structure for specific situations. The vesting period of Bridge plan ended and no rewards were distributed as the performance conditions were not met.

**Long-term Incentive Share-based Plan - Third performance period 2019-2021 ("LTI 2019-2021")**
Ahlstrom-Munksjö's Board of Directors decided on March 28, 2019 a new performance period under the long-term share-based incentive plan announced in October 2017. The third performance period is 2019-2021 and the possible reward will be paid out in 2022. The maximum aggregate number of shares to be paid based on this plan period is approximately 672 000 shares.

The fair value of the rewards at the grant date was EUR 2.4 million. The fair value is calculated based on the probability of achieving each individual TSR threshold at the end of the performance period between the minimum and maximum thresholds set by the Group.

The following inputs have been used in the fair valuation model to determine the fair value:

| Inputs used in determining fair value of rewards | LTI 2019-2021 |
|---|---|
| Share price at grant date | EUR 13.14 |
| Grant date | May 20, 2019 |
| Expiry date | February 28, 2022 |
| Average yearly volatility | 29.9 % |

The average annual volatility has been estimated based on the historic volatility of the Group's share price.

Service condition as well as the probability of achieving the comparable EBITDA performance criteria are used to calculate the annual expense and cumulative amount recognized in equity relating the share-based payment scheme. The input used regarding the service condition is set out in the table below and are reviewed on an annual basis:

| Service condition | LTI 2019-2021 |
|---|---|
| Estimated retention rate of participants | 90.0 % |

*Accounting policies*
Ahlstrom-Munksjö's share-based payments include both market and non-market performance conditions. The Group calculates the grant-date fair value using a probability weighted value model to reflect the probability of not achieving the TSR (market) conditions. The expense is recognized irrespectively of whether the conditions are satisfied. The comparable EBITDA performance criteria (non-market performance condition) and the requirement to stay in service are not factored into the grant date fair value. If the EBITDA criteria or the service condition is not met, the cumulative share-based payment cost will be trued-up accordingly.

The share-based cost related to equity-settled schemes is recognized by the Group under Employee benefit expenses in the income statement. The total cost is determined by reference to the fair value at grant-date and is recognized over the expected vesting period. At each balance sheet date, Ahlstrom-Munksjö revises the cumulative share-based cost expected to be paid out based on the likelyhood of achieving the comparable EBITDA performance criteria and the estimated retention rate of participants at the end of the performance period.

The accounting treatment of the new share-based plan period is in line with the old ones.

**Fixed Matching Share Plan**
The Fixed Matching Share Plan is a one-off plan, which covers the years 2019 - 2021. A precondition of an eligible individual's participation in the plan is the individual's personal investment in shares of Ahlstrom-Munksjö. In the Matching Share Plan the participant will receive one matching share for each invested share free of charge after an approximately three-year restriction period in the year 2022 provided that the participant continues to own the invested shares and that the employment relationship of the participant with Ahlstrom-Munksjö still continues.

The fair value of the rewards at the grant date was EUR 0.9 million.

The following inputs have been used in the fair valuation model to determine the fair value:

| Inputs used in determining fair value of rewards | Matching share plan |
|---|---|
| Share purchase price (avg) | EUR 13.21 |
| Number of matching shares | 80.218 |
| Grant date | May 10, 2019 |
| Reward payment date | March 31, 2022 |

Service condition is used to calculate the annual expense and cumulative amount recognized in equity relating the share-based payment scheme. The input used regarding the service condition is set out in the table below and are reviewed on an annual basis:

| Service condition | Matching share plan |
|---|---|
| Estimated retention rate of participants | 90.0% |

*Accounting policies*

The share-based cost related to the maching share plan is recognized under Employee benefit expenses in the income statement. The total cost is determined by reference to the fair value at grant-date and is recognized over the expected vesting period. The fair value is determined on the grant date. Expected dividends during the vesting period have been dedected from the value of the share. The requirement to stay in service is not factored into the grant date fair value. If the service condition is not met, the cumulative share-based payment cost will be trued-up accordingly.

**Restricted Share Plan**

The Restricted Share Plan consists of annually commencing individual restricted share plans, each with a three-year retention period after which the share rewards granted within the plan will be paid to the participants in shares of Ahlstrom-Munksjö.

The commencement of each individual plan is subject to a separate Board approval and no individual plans have been approved by the Board at the end of June 2019.

*IFRS 16 Leases*

The new standard, IFRS 16 Leases was effective on January 1, 2019. The new standard resulted in the recognition of the majority of Ahlstrom-Munksjö's leases on the balance sheet and therefore Ahlstrom-Munksjö's assets and liabilities have increased. Right-of use assets recognized in the balance sheet include vehicles, forklifts, machinery and equipment, premises and lands. The increase in debt will not have an impact on Ahlstrom-Munksjö's current financial covenants, as current financial covenants are calculated according to IFRS standards effective on December 31, 2018. In accordance with IFRS 16 the operating expenses relating to leases are replaced by depreciations and interest expenses, resulting in a change in our key metrics e.g. EBITDA.

Implementation of the new standard has also effected the presentation of the cash flow statement. Paid lease expenses were moved from net cash from operating activities to net cash from financing activities and are presented as payment of lease liability. The standard as such, has no impact on the outcome of the cash flow; it only changes where the lease payments are presented. Comparable figures are not restated.

Ahlstrom-Munksjö has adopted the new standard using a simplified approach and thus comparative figures are not restated. According to IFRS 16, the measurement of the right-of-use asset and the lease liability is determined by discounting the minimum future lease payments. Ahlstrom-Munksjö initially measures the lease liability at the present value of the lease payments to be made over the lease term. The payments are based on the lease contracts and respective payment schedules. Non-lease components, such as maintenance rents and other variable components are separated from the lease liability and expensed if the non-lease components are specified in the agreement. Open ended lease contracts and extension options are taken into account using management's best estimate, e.g. end date for open ended lease contracts is the most likely end date for the contracts and the extension option is included if it is reasonably certain that the extension option will be exercised. Right-of-use asset is initially measured equal to the lease liability and adjusted if payments relating to agreement are done in advance or there are initial costs for the agreement. Right-of-use assets are also subject to impairment (IAS 36). The lease payments are discounted using the interest rate implicit in the lease or the incremental borrowing rate. The incremental borrowing rate comprises the reference rate and credit spread for incremental borrowing. Factors affecting the incremental borrowing rate include the length of the contract and potential premiums for country and currency risks. The revised incremental borrowing rate is used when there are changes in the lease term, changes in assessment of an option to purchase the asset and modifications to the lease that are not accounted as a separate lease. A change in index or such expected changes do not result in a revised discount rate.

After the commencement date according to IFRS 16 the following applies: lease liabilities are reduced by lease payments made and remeasurements are made to reflect changes to the lease payments; rights-of-use assets are measured at cost less accumulated depreciation and accumulated impairment losses adjusted for remeasurements of the lease liability.

Ahlstrom-Munksjö will use available practical expedients, including the exclusion of short-term leases with a term to maturity of less than 12 months, low-value leases and leases of intangible assets. Payments for short-term leases, leases of low-value assets and variable lease payments not included in the measurement of the lease liability will continue to be presented as operating expenses.

Impact of implementation of IFRS 16 standard on the opening balance sheet for year 2019 is presented below.

| Impact of IFRS 16 on the opening balance sheet<br>EUR million | Dec 31,<br>2018 | Impact of<br>IFRS 16 | Jan 1,<br>2019 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 1,117.2 | - | 1,117.2 |
| Right-of-use assets | - | 57.0 | 57.0 |
| Goodwill | 630.6 | - | 630.6 |
| Other intangible assets | 505.1 | - | 505.1 |
| Equity accounted investments | 1.1 | - | 1.1 |
| Other non-current assets | 15.4 | -0.7 | 14.8 |
| Deferred tax assets | 7.5 | - | 7.5 |
| **Total non-current assets** | **2,276.9** | **56.4** | **2,333.3** |
| | | | |
| **Current assets** | | | |
| Inventories | 429.6 | - | 429.6 |
| Trade and other receivables | 374.0 | - | 374.0 |
| Income tax receivables | 3.3 | - | 3.3 |
| Cash and cash equivalents | 151.0 | - | 151.0 |
| **Total current assets** | **957.9** | **-** | **957.9** |
| **TOTAL ASSETS** | **3,234.9** | **56.4** | **3,291.2** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | **1,162.2** | **-** | **1,162.2** |
| | | | |
| **Non-current liabilities** | | | |
| Non-current borrowings | 1,020.4 | - | 1,020.4 |
| Non-current lease liability | 3.1 | 44.1 | 47.2 |
| Other non-current liabilities | 1.7 | - | 1.7 |
| Employee benefit obligations | 92.7 | - | 92.7 |
| Deferred tax liabilities | 150.6 | - | 150.6 |
| Non-current provisions | 25.9 | - | 25.9 |
| **Total non-current liabilities** | **1,294.3** | **44.1** | **1,338.3** |
| | | | |
| **Current liabilities** | | | |
| Current borrowings | 141.5 | - | 141.5 |
| Current lease liability | 1.1 | 12.3 | 13.4 |
| Trade and other payables | 615.3 | - | 615.3 |
| Income tax liabilities | 8.1 | - | 8.1 |
| Current provisions | 12.3 | - | 12.3 |
| **Total current liabilities** | **778.4** | **12.3** | **790.6** |
| **Total liabilities** | **2,072.6** | **56.4** | **2,129.0** |
| **TOTAL EQUITY AND LIABILITIES** | **3,234.9** | **56.4** | **3,291.2** |

*Other amendments, interpretations and improvements*

In addition to above new IFRS standard adoptions some other amendments, interpretations or improvements apply for the first time in 2019, but do not have a material impact.

## BUSINESS COMBINATION

### *Acquisition of Expera and Caieiras in 2018*

In 2018 Ahlstrom-Munksjö acquired U.S. specialty paper producer Expera Specialty Solutions and MD Papéis' Caieiras specialty paper mill in Brazil. Ahlstrom-Munksjö acquired 100 % of the shares.

In the first quarter of 2019 Ahlstrom-Munksjö completed the closing accounts of Expera Specialty Solutions and paid the remaining part of the final purchase consideration of the acquisition amounting to EUR 1.7 million. The final purchase price was EUR 524.9 million and the final goodwill EUR 171.7 million.

Provisional cash consideration of MD Papeis Caieiras specialty paper mill was revised and amounts to EUR 96.7 million. The provisional goodwill amounts to EUR 31.8 million. The provisional cash consideration of Caieiras is still subject to completion of the closing accounts in accordance with the terms of the share purchase agreements.

## SEGMENT INFORMATION

Ahlstrom-Munksjö is organized into five business areas which are Decor, Filtration and Performance, Industrial Solutions, North America Specialty Solutions and Specialties. North America Specialty Solutions business area includes the operations and business of Expera Specialty Solutions. Business of MD Papéis' Caieiras has been divided into two segments, Decor and Industrial Solutions. These five business areas form the Group's reportable segments. Ahlstrom-Munksjö's business areas are described below:

### *Decor*

The Decor business area develops and produces paper-based surfacing for wood-based materials such as laminate flooring, furniture and interiors.

### *Filtration and Performance*

The Filtration and Performance business area develops and produces filtration materials for engine oils, fuels and air as well as industrial filtration. It also produces glass fiber for flooring products and wind turbine blades and makes nonwoven materials for automotive, construction, textile and hygiene applications and wallcover materials.

### *Industrial Solutions*

The Industrial Solutions business area develops and produces abrasive backings, electrotechnical insulation papers, release liners and coated specialty papers.  The business area also supplies fine art and printing papers, as well as thin papers, specialty pulp and balancing foil paper.

### *North America Specialty Solutions*

North America Specialty Solutions business area develops and produces specialized materials that protect and enhance the performance of a wide range of industrial and consumer applications, such as release liners, tape and interleaving papers, specialty paper to wrap and package processed and quick service restaurant prepared foods.

### *Specialties*

The Specialties business area develops and produces materials for food and beverage processing, laboratory filters and life science diagnostics, water filtration, tape products and medical fabrics. The business area also supplies hot cooking oil and milk filtration materials, graphics paper for sticky notes and envelopes as well as metallized labels and flexible packaging papers.

### *Other and eliminations*

Other and eliminations include head office costs comprising the following functions: CEO, Group Finance, Treasury, Investor Relations, Strategy, Legal, Communication, and Group HR. The head office costs comprise mainly salaries, rent and professional fees. Other and eliminations include holding and sales companies' income and expenses. Other and eliminations also include certain other exceptional costs not used in the assessment of business area performance.

| Financial performance by business area, EUR million Q1 - Q2 / 2019 | Decor | Filtration and Performance | Industrial Solutions | North America Specialty Solutions | Specialties | Other and eliminations | Group |
|---|---|---|---|---|---|---|---|
| Net sales, external | 216.7 | 335.4 | 338.9 | 329.6 | 282.7 | 0.7 | 1,504.0 |
| Net sales, internal | 1.4 | 6.0 | 0.3 | - | 7.5 | -15.2 | - |
| **Net sales** | **218.1** | **341.3** | **339.2** | **329.6** | **290.2** | **-14.5** | **1,504.0** |
| | | | | | | | |
| Comparable EBITDA | 15.7 | 62.0 | 39.7 | 25.9 | 22.7 | -7.1 | 158.8 |
| Items affecting comparability in EBITDA | | | | | | | -20.5 |
| Depreciation, amortization and impairments | | | | | | | -85.5 |
| **Operating result** | | | | | | | **52.9** |

| Financial performance by business area, EUR million Q1 - Q2 / 2018 | Decor | Filtration and Performance | Industrial Solutions | North America Specialty Solutions | Specialties | Other and eliminations | Group |
|---|---|---|---|---|---|---|---|
| Net sales, external | 199.5 | 335.7 | 335.3 | - | 288.8 | 0.8 | 1,160.2 |
| Net sales, internal | 2.1 | 5.9 | 0.3 | - | 7.9 | -16.2 | - |
| Pro forma net sales impact | 26.1 | - | 17.7 | 312.9 | - | - | 356.7 |
| **Pro forma net sales** | **227.7** | **341.7** | **353.4** | **312.9** | **296.8** | **-15.4** | **1,516.9** |
| Pro forma net sales impact | | | | | | | -356.7 |
| **Net sales** | | | | | | | **1,160.2** |
| | | | | | | | |
| Comparable EBITDA | 15.2 | 59.0 | 46.7 | - | 22.2 | -9.2 | 133.8 |
| Pro forma comparable EBITDA impact | 3.3 | - | 2.4 | 29.5 | - | - | 35.3 |
| **Pro forma comparable EBITDA** | **18.5** | **59.0** | **49.1** | **29.5** | **22.2** | **-9.2** | **169.1** |
| Pro forma comparable EBITDA impact | | | | | | | -35.3 |
| Items affecting comparability in EBITDA | | | | | | | -11.8 |
| Depreciation, amortization and impairments | | | | | | | -59.3 |
| **Operating result** | | | | | | | **62.7** |



AHLSTROM MUNKSJÖ

| Segment information by quarter | Q2/2019 | Q1/2019 | pro forma Q4/2018 | pro forma Q3/2018 | pro forma Q2/2018 |
|---|---|---|---|---|---|
| **NET SALES, EUR million** | | | | | |
| Decor | 104.8 | 113.3 | 115.1 | 109.1 | 114.7 |
| Filtration and Performance | 168.9 | 172.4 | 162.6 | 168.3 | 174.7 |
| Industrial Solutions | 170.0 | 169.2 | 163.4 | 174.5 | 177.3 |
| North America Specialty Solutions | 165.6 | 164.0 | 155.5 | 157.6 | 156.8 |
| Specialties | 142.7 | 147.5 | 140.9 | 142.6 | 150.9 |
| Other and eliminations | -6.8 | -7.7 | -2.7 | -6.9 | -8.5 |
| **Group** | **745.3** | **758.7** | **734.8** | **745.2** | **766.0** |
| | | | | | |
| **COMPARABLE EBITDA, EUR million** | | | | | |
| Decor | 8.6 | 7.0 | 11.5 | 7.0 | 10.2 |
| Filtration and Performance | 31.8 | 30.2 | 24.5 | 31.2 | 30.2 |
| Industrial Solutions | 22.3 | 17.4 | 17.7 | 32.9 | 24.4 |
| North America Specialty Solutions | 11.8 | 14.0 | 12.5 | 15.0 | 13.0 |
| Specialties | 11.0 | 11.6 | 7.9 | 7.5 | 10.2 |
| Other and eliminations | -1.9 | -5.2 | -2.7 | -4.2 | -5.3 |
| **Group** | **83.8** | **75.0** | **71.4** | **89.4** | **82.8** |
| | | | | | |
| **COMPARABLE EBITDA margin, %** | | | | | |
| Decor | 8.2 | 6.2 | 10.0 | 6.5 | 8.9 |
| Filtration and Performance | 18.8 | 17.5 | 15.1 | 18.5 | 17.3 |
| Industrial Solutions | 13.1 | 10.3 | 10.8 | 18.8 | 13.7 |
| North America Specialty Solutions | 7.1 | 8.6 | 8.0 | 9.5 | 8.3 |
| Specialties | 7.7 | 7.9 | 5.6 | 5.3 | 6.8 |
| Other and eliminations | | | | | |
| **Group** | **11.2** | **9.9** | **9.7** | **12.0** | **10.8** |

### *Net sales by region*

| EUR million | Q2/2019 | Q2/2018 | 1-6/2019 | 1-6/2018 | 2018 |
|---|---|---|---|---|---|
| Europe | 323.7 | 339.3 | 659.2 | 684.1 | 1,324.5 |
| North America | 250.2 | 103.5 | 505.3 | 196.0 | 529.3 |
| South America | 57.6 | 38.5 | 121.6 | 77.9 | 171.1 |
| Asia-Pacific | 104.5 | 97.2 | 199.5 | 182.2 | 376.7 |
| Rest of the world | 9.3 | 9.3 | 18.4 | 20.0 | 36.5 |
| **Total** | **745.3** | **587.8** | **1,504.0** | **1,160.2** | **2,438.0** |

### *Changes in property, plant and equipment*

| EUR million | 1-6/2019 | 1-6/2018 | 2018 |
|---|---|---|---|
| Net book value at the beginning of period | 1,117.2 | 841.7 | 841.7 |
| Reclassification to right-of-use assets | -5.8 | - | - |
| Business combination | - | - | 243.6 |
| Additions | 58.7 | 45.8 | 151.5 |
| Disposals | -0.3 | -0.1 | -0.5 |
| Depreciations, amortizations and impairment | -60.5 | -48.5 | -109.6 |
| Translation differences and other changes | 2.4 | -10.4 | -9.5 |
| **Net book value at the end of period** | **1,111.6** | **828.5** | **1,117.2** |



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### *Right-of-use assets*

| Changes in right-of-use assets<br>EUR million | 1-6/2019 |
|---|---|
| Reclassification from property, plant and equipment | 5.8 |
| Impact of IFRS 16 on the opening balance | 57.0 |
| Business combination | - |
| Additions | 6.0 |
| Depreciations, amortizations and impairment | -7.8 |
| Translation differences and other changes | -1.8 |
| **Net book value at the end of period** | **59.3** |

| Right-of-use assets on income statement<br>EUR million | Q2/2019 | 1-6/2019 |
|---|---|---|
| Depreciation expense of right-of-use assets | -4.0 | -7.8 |
| Interest expense on lease liabilities | -0.7 | -1.3 |

### *Financial position*

| Net debt<br>EUR million | 1-6/2019 | 1-6/2018 | 2018 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 191.3 | 187.1 | 151.0 |
| **Liabilities** | | | |
| Non-current borrowings | 1,012.4 | 529.0 | 1,020.4 |
| Non-current lease liability | 45.8 | 2.5 | 3.1 |
| Current borrowings | 172.6 | 76.9 | 141.5 |
| Current lease liability | 13.3 | 1.1 | 1.1 |
| Securitization liability | - | - | -43.7 |
| **Net debt** | **1,052.8** | **422.2** | **971.3** |

Ahlstrom-Munksjö has adopted the new IFRS 16 standard using a simplified approach and thus comparative figures are not restated and are not comparable. The financial covenants are calculated according to IFRS standards effective on December 31, 2018.

The net debt increase in 2018 was mainly due to acquisitions of Expera and Caieiras.

Ahlstrom-Munksjö's parent company in Finland has a commercial paper program amounting to EUR 300 million of which EUR 80 million was utilized in June 30, 2019.

| Fair values of financial assets and liabilities | Jun 30, 2019 | | Jun 30, 2018 | | Dec 31, 2018 | |
|---|---|---|---|---|---|---|
| EUR million | Carrying value | Fair value | Carrying value | Fair value | Carrying value | Fair value |
| **Non-current financial instruments measured at amortized cost** | | | | | | |
| Bond | 249.0 | 253.9 | 248.7 | 256.2 | 248.8 | 253.2 |
| Bank loans | 763.4 | 763.4 | 280.3 | 280.3 | 771.6 | 771.6 |
| **Financial instruments measured at fair value** | | | | | | |
| Forward contracts - cash flow hedge accounting | -0.7 | -0.7 | -3.4 | -3.4 | 0.2 | 0.2 |
| Forward contracts - fair value through profit and loss | 0.0 | 0.0 | 0.3 | 0.3 | -0.3 | -0.3 |
| Interest rate swap contracts - cash flow hedge accounting | - | - | -0.1 | -0.1 | - | - |

The fair value hierarchy level for bond is 1 and for forward contracts the level is 2. The fair value of other financial assets and liabilities is close to the carrying value.

| Nominal values of derivatives<br>EUR million | Jun 30,<br>2019 | Jun 30,<br>2018 | Dec 31,<br>2018 |
|---|---|---|---|
| Forward contracts - cash flow hedge accounting | 91.9 | 89.7 | 87.2 |
| Forward contracts - fair value through profit and loss | 57.8 | 47.3 | 46.8 |
| Interest rate swap contracts - cash flow hedge accounting | - | 40.0 | - |

### *Commitments*

| Off-balance sheet commitments<br>EUR million | Jun 30,<br>2019 | Jun 30,<br>2018 | Dec 31,<br>2018 |
|---|---|---|---|
| **Assets pledged** | | | |
| Pledges | 0.9 | 1.7 | 1.0 |
| **Commitments** | | | |
| Guarantees and commitments given on behalf of Group companies | 63.2 | 62.1 | 56.9 |
| Capital expenditure commitments | 39.6 | 7.9 | 43.2 |
| Other guarantees and commitments | 33.2 | 4.0 | 31.8 |

| Future operating lease commitments<br>EUR million | Jun 30,<br>2019 | Jun 30,<br>2018 | Dec 31,<br>2018 |
|---|---|---|---|
| Current portion | 1.3 | 11.5 | 13.3 |
| Non-current portion | 3.0 | 32.8 | 34.1 |
| **Total** | **4.3** | **44.2** | **47.5** |

## EVENTS AFTER THE REPORTING PERIOD

The Group has no knowledge of any significant events after the end of the reporting period that would have a material impact on the financial statements.

## APPENDIX 2: KEY FIGURES

Years 2018 and 2017 were transformative years for Ahlstrom-Munksjö. Ahlstrom-Munksjö acquired Expera Specialty Solutions Holdings, Inc., an U.S. based specialty paper producer ("Expera") and MD Papéis' Caieiras specialty paper mill in Brazil ("Caieiras") in October 2018. Ahlstrom and Munksjö merged on April 1, 2017 (the "merger") creating a global leader in innovative and sustainable fiber-based materials. Considering the magnitude of the acquisitions of Expera and Caieiras as well as the merger of Ahlstrom and Munksjö and the impact on the combined company's performance and financial position, stand-alone historical information for the periods presented does not provide comparable information for our operating performance and historical financial position.

Accordingly, we present certain key figures on our business performance for the year 2018 on a pro forma basis to illustrate the effect to the acquisitions of Expera and Caieiras and the merger and the related financing and refinancing transactions as if the acquisitions and the merger had taken place at an earlier date as of January 1, 2017. The pro forma key figures have been presented for illustrative purposes only and address a hypothetical situation and therefore do not represent the Group's actual historical results of operations as such historical data comprise Ahlstrom-Munksjö stand-alone information only. For a detailed basis of presentation and notes disclosures for the additional unaudited pro forma information please see our stock exchange release dated February 14, 2019 available on our website at www.ahlstrom-munksjo.com.

Certain of our key figures are not accounting measures defined or specified under IFRS and therefore are considered as alternative performance measures. We present these alternative performance measures as additional information to the financial measures presented in the consolidated financial statements prepared in accordance with IFRS. The Group believes that the alternative performance measures provide significant additional information on Ahlstrom-Munksjö's results of operations, financial position and cash flows, and are widely used by analysts, investors and other parties and provide additional information to analyze our performance and capital structure.

Alternative performance measures should not be viewed in isolation or as a substitute to measures presented in our IFRS financial statements. Companies do not calculate alternative performance measures in a uniform way, and therefore Ahlstrom-Munksjö's alternative performance measures may not be comparable with similarly named measures presented by other companies.

Alternative performance measures and pro forma key figures are unaudited.

| Key figures<br>EUR million, or as indicated | Q2/2019 | Q2/2018 | 1-6/2019 | 1-6/2018 | 2018 |
|---|---|---|---|---|---|
| Net sales | 745.3 | 587.8 | 1,504.0 | 1,160.2 | 2,438.0 |
| Operating result | 35.0 | 30.7 | 52.9 | 62.7 | 88.7 |
| Operating margin, % | 4.7 | 5.2 | 3.5 | 5.4 | 3.6 |
| Net profit | 14.8 | 22.1 | 18.9 | 43.3 | 42.9 |
| EBITDA | 78.1 | 60.4 | 138.3 | 122.0 | 222.6 |
| EBITDA margin, % | 10.5 | 10.3 | 9.2 | 10.5 | 9.1 |
| Comparable EBITDA | 83.8 | 67.1 | 158.8 | 133.8 | 277.7 |
| Comparable EBITDA margin, % | 11.2 | 11.4 | 10.6 | 11.5 | 11.4 |
| Items affecting comparability in EBITDA | -5.7 | -6.8 | -20.5 | -11.8 | -55.1 |
| Comparable operating result | 40.7 | 37.5 | 73.3 | 74.5 | 151.4 |
| Comparable operating result margin, % | 5.5 | 6.4 | 4.9 | 6.4 | 6.2 |
| Comparable operating result excl. depreciation and amortization arising from PPA | 53.8 | 45.2 | 99.0 | 89.7 | 186.1 |
| Items affecting comparability in operating result | -5.7 | -6.8 | -20.5 | -11.8 | -62.7 |
| Comparable return on capital employed, rolling 12 months, % | | | 6.8 | 8.9 | 8.3 |
| Capital employed average for 12 months | | | 2,198.3 | 1,646.1 | 1,819.0 |
| Total equity | 1,125.5 | 1,014.1 | 1,125.5 | 1,014.1 | 1,162.2 |
| Net debt | 1,052.8 | 422.2 | 1,052.8 | 422.2 | 971.3 |
| Gearing ratio, % | 93.5 | 41.6 | 93.5 | 41.6 | 83.6 |
| Equity/assets ratio, % | 34.2 | 42.5 | 34.2 | 42.5 | 35.9 |
| Earnings per share, EUR (basic and diluted) | 0.13 | 0.22 | 0.16 | 0.44 | 0.43 |
| Comparable net profit | 19.0 | 27.3 | 34.1 | 52.2 | 89.7 |
| Comparable earnings per share, EUR | 0.16 | 0.28 | 0.29 | 0.53 | 0.91 |
| Comparable net profit excl. depreciation and amortization arising from PPA | 28.7 | 33.2 | 53.2 | 63.8 | 115.6 |
| Comparable earnings per share excl. depreciation and amortization arising from PPA, EUR | 0.25 | 0.34 | 0.46 | 0.65 | 1.18 |
| Operating cash flow per share, EUR | 0.55 | 0.29 | 0.81 | 0.34 | 0.95 |
| Equity per share, EUR | 9.7 | 10.5 | 9.7 | 10.5 | 10.0 |
| Number of shares outstanding at the end of the period | 115,288,453 | 96,073,711 | 115,288,453 | 96,073,711 | 115,288,453 |
| Weighted average number of outstanding shares | 115,288,453 | 96,073,711 | 115,288,453 | 96,073,711 | 96,758,002 |
| Capital expenditure | 38.7 | 31.4 | 74.2 | 57.1 | 160.1 |
| Average number of employees, FTE | 8,098 | 5,900 | 8,119 | 5,897 | 6,480 |

| Impact of IFRS 16 implementation on key figures<br>EUR million, or as indicated | Q2/2019 | 1-6/2019 |
|---|---|---|
| IFRS16 impact on comparable EBITDA | 4.2 | 8.0 |
| IFRS16 impact on comparable EBITDA margin, % | 0.6 | 0.5 |
| IFRS16 impact on EBITDA | 4.2 | 8.0 |
| IFRS16 impact on comparable operating result | 0.4 | 0.7 |
| IFRS16 impact on comparable operating result margin, % | 0.1 | 0.0 |
| IFRS16 impact on operating profit | 0.4 | 0.7 |
| IFRS16 impact on depreciation | -3.7 | -7.3 |
| IFRS16 impact on net debt | 55.4 | 55.4 |
| IFRS16 impact on gearing ratio, % | 5.0 | 5.0 |

### *Reconciliation of certain key performance measures*

| EUR million | Q2/2019 | Q2/2018 | 1-6/2019 | 1-6/2018 | 2018 |
|---|---|---|---|---|---|
| **Items affecting comparability** | | | | | |
| Transaction costs | -0.5 | -1.4 | -0.8 | -1.7 | -10.9 |
| Integration costs | -2.0 | -5.4 | -8.8 | -7.9 | -20.4 |
| Inventory fair valuation | - | - | - | - | -7.5 |
| Restructuring costs | -2.3 | 0.0 | -10.0 | -2.4 | -15.9 |
| Environmental provision | - | - | - | - | -0.2 |
| Other | -0.9 | - | -0.9 | 0.2 | -0.1 |
| **Total items affecting comparability in EBITDA** | **-5.7** | **-6.8** | **-20.5** | **-11.8** | **-55.1** |
| Impairment loss | - | - | - | - | -7.7 |
| **Total items affecting comparability in operating result** | **-5.7** | **-6.8** | **-20.5** | **-11.8** | **-62.7** |
| **Comparable EBITDA** | | | | | |
| Operating result | 35.0 | 30.7 | 52.9 | 62.7 | 88.7 |
| Depreciation, amortization and impairment | 43.1 | 29.6 | 85.5 | 59.3 | 133.9 |
| **EBITDA** | **78.1** | **60.4** | **138.3** | **122.0** | **222.6** |
| Total items affecting comparability in EBITDA | 5.7 | 6.8 | 20.5 | 11.8 | 55.1 |
| **Comparable EBITDA** | **83.8** | **67.1** | **158.8** | **133.8** | **277.7** |
| **Comparable operating result excl. depreciation and amortization arising from PPA** | | | | | |
| Operating result | 35.0 | 30.7 | 52.9 | 62.7 | 88.7 |
| Total items affecting comparability in operating result | 5.7 | 6.8 | 20.5 | 11.8 | 62.7 |
| **Comparable operating result** | **40.7** | **37.5** | **73.3** | **74.5** | **151.4** |
| Depreciation and amortization arising from PPA* | 13.1 | 7.7 | 25.7 | 15.3 | 34.7 |
| **Comparable operating result excl. depreciation and amortization arising from PPA** | **53.8** | **45.2** | **99.0** | **89.7** | **186.1** |
| **Comparable net profit excl. depreciation and amortization arising from PPA** | | | | | |
| Net profit | 14.8 | 22.1 | 18.9 | 43.3 | 42.9 |
| Total items affecting comparability in operating result | 5.7 | 6.8 | 20.5 | 11.8 | 62.7 |
| Taxes relating to items affecting comparability in operating result | -1.4 | -1.5 | -5.3 | -2.9 | -15.9 |
| **Comparable net profit** | **19.0** | **27.3** | **34.1** | **52.2** | **89.7** |
| Depreciation and amortization arising from PPA* | 13.1 | 7.7 | 25.7 | 15.3 | 34.7 |
| Taxes relating to depreciation and amortization arising from PPA | -3.4 | -1.7 | -6.6 | -3.7 | -8.9 |
| **Comparable net profit excl. depreciation and amortization arising from PPA** | **28.7** | **33.2** | **53.2** | **63.8** | **115.6** |
| **Comparable earnings per share, EUR** | | | | | |
| Comparable net profit | 19.0 | 27.3 | 34.1 | 52.2 | 89.7 |
| Profit attributable to non-controlling interest | -0.3 | -0.6 | -0.7 | -0.9 | -1.4 |
| Comparable net profit attributable to parent company shareholders | 18.7 | 26.6 | 33.4 | 51.3 | 88.4 |
| Weighted average number of outstanding shares | 115,288,453 | 96,073,711 | 115,288,453 | 96,073,711 | 96,758,002 |
| **Comparable earnings per share, EUR** | **0.16** | **0.28** | **0.29** | **0.53** | **0.91** |
| **Comparable EPS excl. depreciation and amortization arising from PPA, EUR** | | | | | |
| Comparable net profit excl. depreciation and amortization arising from PPA | 28.7 | 33.2 | 53.2 | 63.8 | 115.6 |
| Profit attributable to non-controlling interest | -0.3 | -0.6 | -0.7 | -0.9 | -1.4 |
| Comparable net profit excl. depreciation and amortization arising from PPA attributable to parent company shareholders | 28.4 | 32.6 | 52.5 | 62.9 | 114.2 |
| Weighted average number of outstanding shares | 115,288,453 | 96,073,711 | 115,288,453 | 96,073,711 | 96,758,002 |
| **Comparable EPS excl. depreciation and amortization arising from PPA, EUR** | **0.25** | **0.34** | **0.46** | **0.65** | **1.18** |
| **Comparable return on capital employed, rolling 12 months, %** | | | | | |
| Comparable operating result for the last 12 months | | | 150.3 | 145.9 | 151.4 |
| Capital employed, average for the last 12 months | | | 2,198.3 | 1,646.1 | 1,819.0 |
| **Comparable return on capital employed, rolling 12 months, %** | | | **6.8** | **8.9** | **8.3** |
| **Net debt** | | | | | |
| Cash and cash equivalents | 191.3 | 187.1 | 191.3 | 187.1 | 151.0 |
| Non-current borrowings | 1,012.4 | 529.0 | 1,012.4 | 529.0 | 1,020.4 |
| Non-current leasing liability | 45.8 | 2.5 | 45.8 | 2.5 | 3.1 |
| Current borrowings | 172.6 | 76.9 | 172.6 | 76.9 | 141.5 |
| Current leasing liability | 13.3 | 1.1 | 13.3 | 1.1 | 1.1 |
| Securitization liability | - | - | - | - | -43.7 |
| **Net debt** | **1,052.8** | **422.2** | **1,052.8** | **422.2** | **971.3** |

**Depreciation and amortization arising from PPA comprise depreciation and amortization charges from fair value adjustments relating to the business combinations starting from the year 2013.*



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### *Reconciliation of certain pro forma key performance measures*

| pro forma<br>EUR million | Q2/2018 | 1-6/2018 | 2018 |
|---|---|---|---|
| **Items affecting comparability** | | | |
| Transaction costs | -0.9 | -1.1 | -1.3 |
| Integration costs | -5.4 | -7.9 | -22.0 |
| Restructuring costs | 0.0 | -2.4 | -15.9 |
| Environmental provision | - | - | -0.2 |
| Other | -0.0 | 0.2 | -0.1 |
| **Total items affecting comparability in EBITDA** | **-6.3** | **-11.2** | **-39.6** |
| Impairment loss | - | - | -7.7 |
| **Total items affecting comparability in operating result** | **-6.3** | **-11.2** | **-47.3** |
| | | | |
| **Comparable EBITDA** | | | |
| Operating result | 37.9 | 80.9 | 129.4 |
| Depreciation, amortization and impairment | 38.6 | 77.0 | 161.0 |
| **EBITDA** | **76.5** | **157.9** | **290.3** |
| Total items affecting comparability in EBITDA | 6.3 | 11.2 | 39.6 |
| **Comparable EBITDA** | **82.8** | **169.1** | **329.9** |
| | | | |
| **Comparable operating result excl. depreciation and amortization arising from PPA** | | | |
| Operating result | 37.9 | 80.9 | 129.4 |
| Total items affecting comparability in operating profit | 6.3 | 11.2 | 47.3 |
| **Comparable operating result** | **44.2** | **92.1** | **176.6** |
| Depreciation and amortization arising from PPA* | 12.2 | 24.3 | 48.9 |
| **Comparable operating result excl. depreciation and amortization arising from PPA** | **56.4** | **116.4** | **225.5** |
| | | | |
| **Comparable net profit excl. depreciation and amortization arising from PPA** | | | |
| Net profit | 23.4 | 47.8 | 63.2 |
| Total items affecting comparability in operating profit | 6.3 | 11.2 | 47.3 |
| Taxes relating to items affecting comparability in operating result | -1.4 | -2.7 | -13.3 |
| **Comparable net profit** | **28.3** | **56.2** | **97.2** |
| Depreciation and amortization arising from PPA* | 12.2 | 24.3 | 48.9 |
| Taxes relating to depreciation and amortization arising from PPA | -2.9 | -6.1 | -12.6 |
| **Comparable net profit excl. depreciation and amortization arising from PPA** | **37.6** | **74.4** | **133.4** |
| | | | |
| **Comparable EPS excl. depreciation and amortization arising from PPA, EUR** | | | |
| Comparable net profit excl. depreciation and amortization arising from PPA | 37.6 | 74.4 | 133.4 |
| Profit attributable to non controlling interest | -0.6 | -0.9 | -1.4 |
| Comparable net profit excl. depreciation and amortization arising from PPA attributable to parent company shareholders | 36.9 | 73.5 | 132.1 |
| Weighted average number of outstanding shares | 115,288,453 | 115,288,453 | 115,288,453 |
| **Comparable EPS excl. depreciation and amortization arising from PPA, EUR** | **0.32** | **0.64** | **1.15** |

**Depreciation and amortization arising from PPA comprise depreciation and amortization charges from fair value adjustments relating to the business combinations starting from the year 2013.*

## CALCULATION OF KEY FIGURES

| Key figure | Definitions | Reason for use of the key figure |
|---|---|---|
| **Operating result** | Net profit before taxes and net financial items | Operating result shows result generated by the operating activities |
| **Operating result margin, %** | Operating result / net sales | |
| **EBITDA** | Operating result before depreciation, amortization and impairment | EBITDA is the indicator to measure the performance of Ahlstrom-Munksjö. |
| **EBITDA margin, %** | EBITDA / net sales | EBITDA margin is a key measure in our long-term financial targets. |
| **Comparable EBITDA** | EBITDA excluding items affecting comparability in EBITDA | |
| **Comparable EBITDA margin, %** | Comparable EBITDA / net sales | |
| **Comparable operating result** | Operating result excluding items affecting comparability in operating result | |
| **Comparable operating result margin, %** | Comparable operating result / net sales | |
| **Comparable operating result excluding depreciation and amortization arising from PPA**[1] | Operating result excluding items affecting comparability in operating result and depreciation and amortization arising from PPA<br><br>Depreciation and amortization arising from PPA comprise depreciation and amortization charges from fair value adjustments relating to the business combinations starting from the year 2013. | |
| **Comparable net profit** | Net profit excluding items affecting comparability in operating result, net of tax | Comparable EBITDA, comparable EBITDA margin, comparable operating result, comparable operating result margin, comparable operating result excluding depreciation and amortization arising from PPA, comparable net profit, comparable earnings per share, comparable net profit excluding depreciation and amortization arising from PPA and comparable earnings per share excluding depreciation and amortization arising from PPA are presented in addition to EBITDA, operating result, net profit and earnings per share to reflect the underlying business performance and to enhance comparability from period to period. Ahlstrom-Munksjö believes that these comparable performance measures provide meaningful supplemental information by excluding items outside ordinary course of business including PPA related depreciation and amortization, which reduce comparability between the periods. |
| **Comparable earnings per share, EUR** | Comparable net profit - net profit attributable to non-controlling interests / weighted average number of shares outstanding | |
| **Comparable net profit excluding depreciation and amortization arising from PPA** | Net profit excluding items affecting comparability in operating result, net of tax, and depreciation and amortization arising from PPA net of tax | |
| **Comparable earnings per share excluding depreciation and amortization arising from PPA** | Comparable net profit excluding depreciation and amortization arising from PPA - net profit attributable to non-controlling interests / weighted average number of shares outstanding | |
| **Items affecting comparability in operating result** | Material items outside ordinary course of business, such as gains and losses on business disposals, direct transaction costs related to business acquisitions, costs for closure of business operations and restructurings including redundancy payments, impairment losses, one-off items arising from purchase price allocation such as inventory fair value adjustments, compensation related to environmental damages arising from unexpected or rare events and other items including fines (such as VAT tax audit fines) or other similar stipulated payments and litigations. | |
| **Items affecting comparability in EBITDA** | Items affecting comparability in operating result excluding impairment losses. | |
| **Earnings per share (EPS), basic, EUR** | Net profit attributable to parent company's shareholders / weighted average number of shares outstanding | |

| Key figure | Definitions | Reason for use of the key figure |
|---|---|---|
| **Net debt** | Non-current and current borrowings less securitization liability less cash and cash equivalents | Net debt and total debt are indicators to measure the total external debt financing of Ahlstrom-Munksjö |
| **Total debt** | Non-current and current borrowings less securitization liability | |
| **Capital employed average for 12 months** | Total equity and total debt (average of the last 12 months)* | Capital employed average for 12 months and Comparable return on capital employed, rolling 12 months measure capital tied up in operations and return on capital tied up in operations. These ratios replace the previously used ratio Operating capital and Return on operating capital respectively. Ahlstrom-Munksjö believes that the new ratios better reflect the capital tied up in operations. |
| **Comparable return on capital employed, rolling 12 months, %** | Comparable operating result (for the last 12 months) / capital employed (average of the last 12 months) | |
| **Gearing ratio, %** | Net debt / total equity | Ahlstrom-Munksjö believes that Gearing ratio helps to show financial risk level and it is a useful measure for management to monitor the level of Ahlstrom-Munksjö's indebtedness. Gearing ratio is also one of the Ahlstrom-Munksjö's long-term financial targets measure. |
| **Equity/assets ratio, %** | Total equity / total assets | Ahlstrom-Munksjö believes that Equity/assets ratio helps to show financial risk level and it is a useful measure for management to monitor the level of Group's capital used in the operations. |
| **Equity per share, EUR** | Equity attributable to parent company's shareholders / number of shares outstanding at the end of the period | |
| **Capital expenditure** | Purchases for property, plant and equipment and intangible assets as presented in the cash flow statement. | Capital expenditure provides additional information of the cash flow needs of the operations. |
| **Operating cash flow per share, EUR** | Operating cash flow / weighted average number of shares outstanding | |

** Calculated with December 2018 closing balance sheet without IFRS 16 impact.*