

Ahlstrom-Munksjö

Q4/2019 Results

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

February 13, 2020

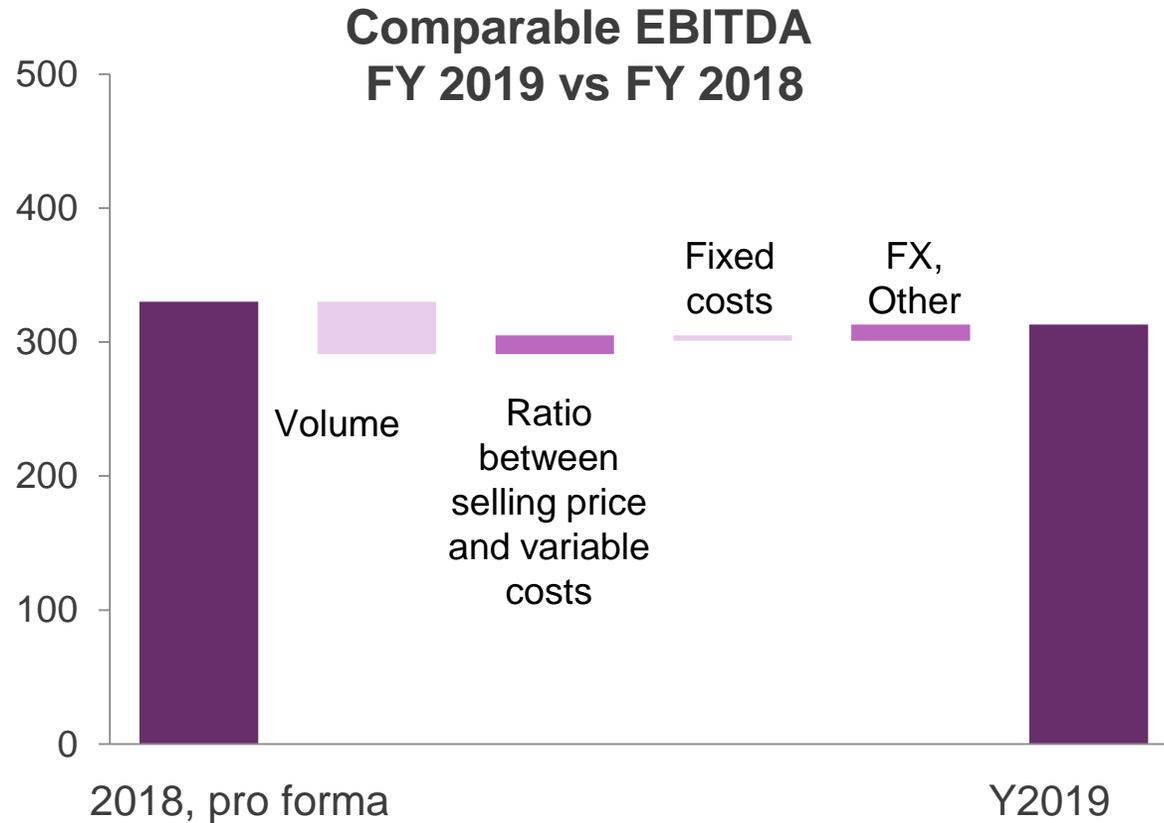


Execution of strategy with speed and determination in 2019

- Integrated acquired businesses
 - Exceeded targeted synergy benefits
 - New organizational structure
- Moved forward in strengthening our company culture
 - Identified culture cornerstones
 - Strengthen our leadership capabilities
- Profit improvement actions
 - Identified cost savings of at least EUR 50 million for 2020, mainly relating to variable costs
- Developed our business portfolio
 - Most value creating structure
 - Four strategic investments completed
 - Innovative products launched



Stronger than expected market headwind in 2019

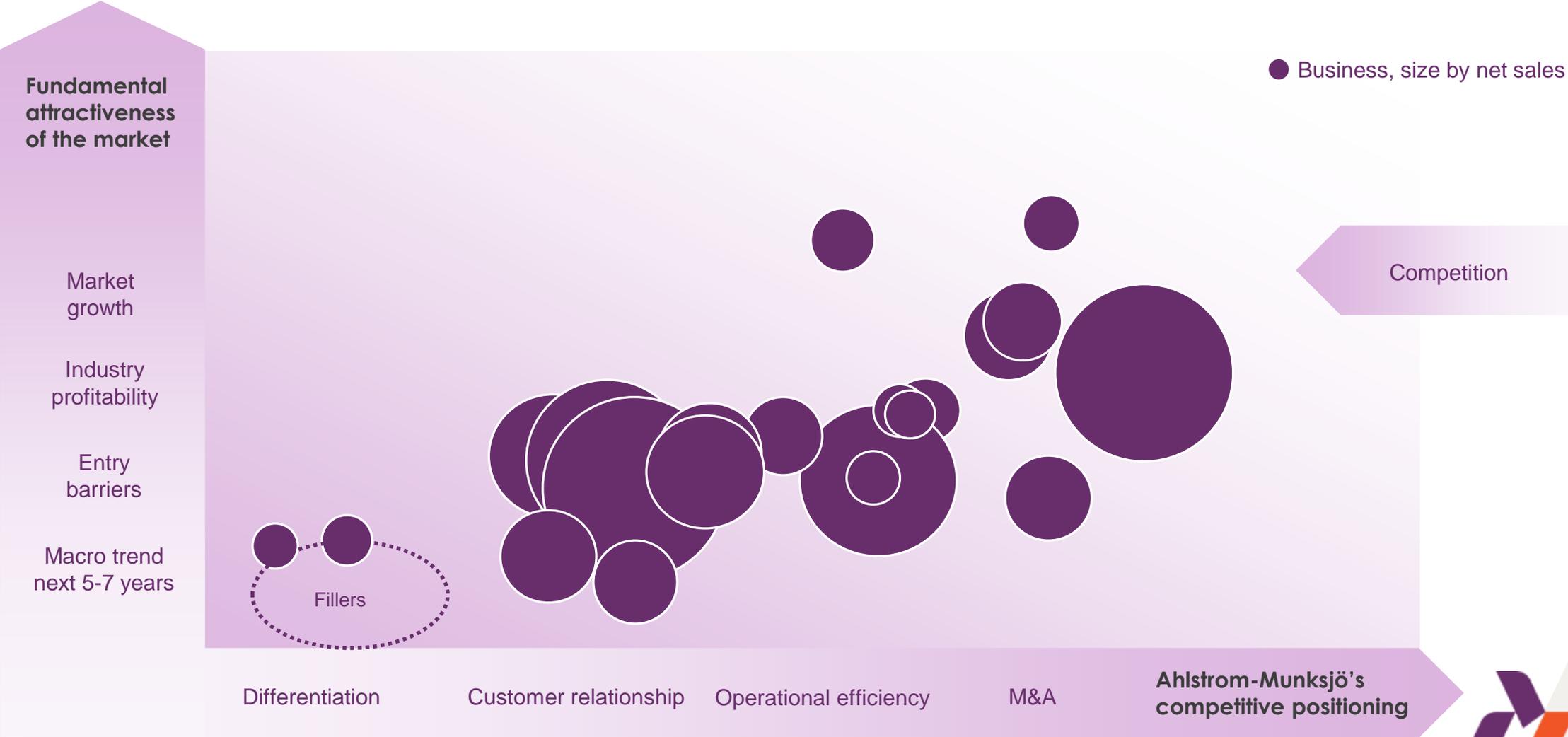


EBITDA impacted by:

- Lower delivery and production volumes
- Higher selling prices more than offset higher variable costs
- Stable fixed costs



Our portfolio of businesses



Divestment of glass fiber fabrics business

- Agreement to sell glass fiber reinforcement business in Mikkeli to Vitruvan Group, part of the family-owned industrial holding ADCURAM of Germany
- Mikkeli plant produces glass and carbon based reinforcement fabrics, used to strengthen wind turbine blades, boat hulls, transportation equipment and industrial tanks and pipes
 - Limited synergies to Ahlstrom-Munksjö's portfolio
 - Different technology and customer base
 - Lower conversion margin
- Net sales of about EUR 30 million, no material impact on Group's comparable EBITDA
- Ahlstrom-Munksjö continues to produce glass fiber tissue at plants in Karhula, Finland and Tver, Russia
 - Defend and grow leading position in flooring applications and intends to expand its portfolio further



Establishing growth platform for the Liquid Technologies business

- Acquisition of converting operations in China and the U.S.
- Foothold for expanding sales of other products within the Liquid Technologies business
 - Local presence in Asia will shorten delivery lead times and enable Ahlstrom-Munksjö to serve its customers even better
- Net sales of the acquired operations are approximately USD 7 million and comparable EBITDA USD 2 million annually
- Debt free purchase price USD 11 million
- Their product offering of hot cooking oil filters is used in quick service restaurants and food service operations, mainly in China and the U.S.
- The combined operations are expected to generate substantial synergy benefits



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

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



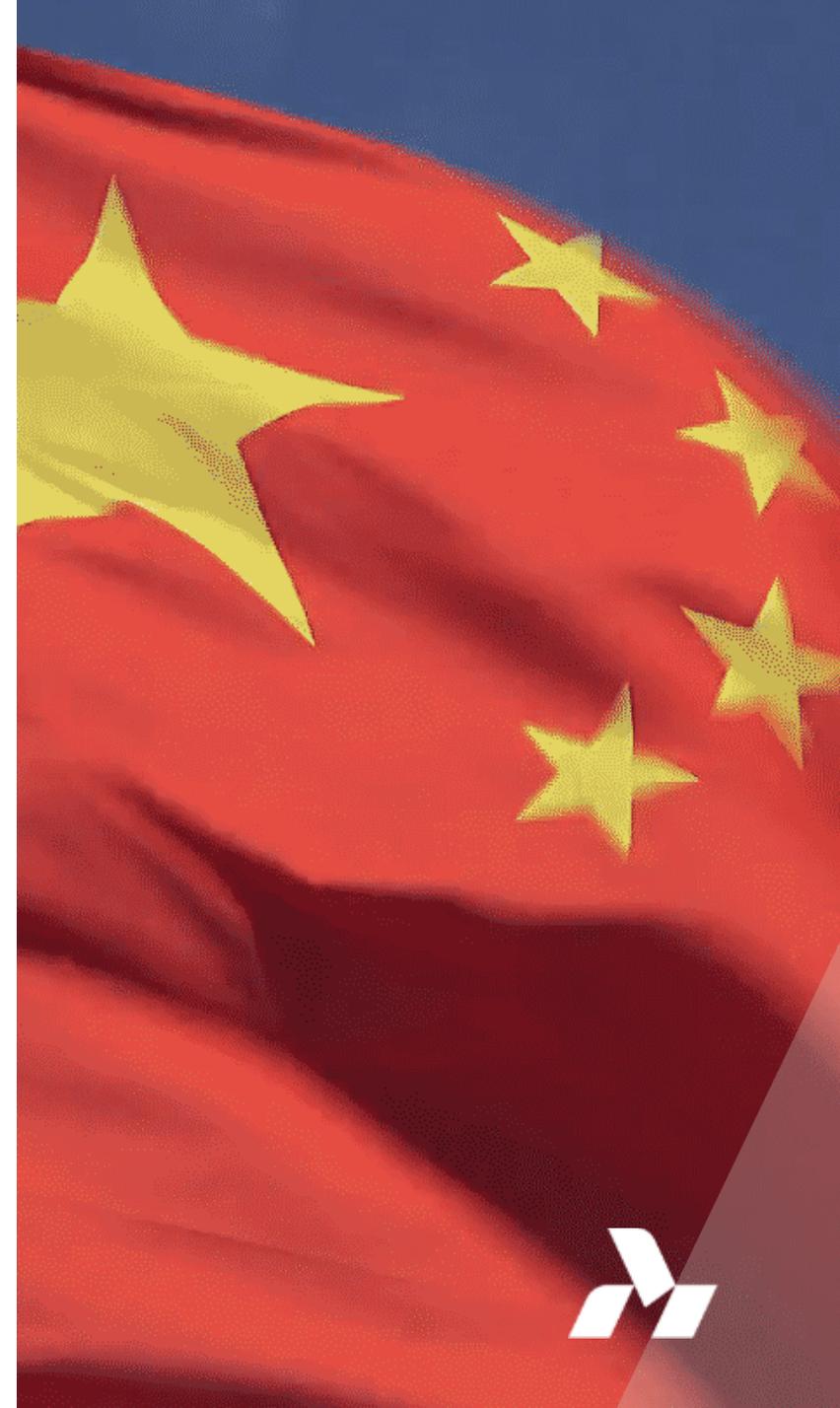
Non-binding letter of intent to acquire Chinese decor paper producer Minglian

Minglian New Materials – a state-of-the-art greenfield decor paper plant

- Debt free price approximately EUR 60 million
- Non-binding letter of intent, subject to further due diligence
- Transaction completion expected in H1 2020

Combining Minglian with existing Decor business

- Strong presence in the world's two largest decor paper markets
- Improve cost competitiveness.
- Leverage Ahlstrom-Munksjö's leading brand and capabilities in the large and rapidly growing Chinese market
- Strengthen Ahlstrom-Munksjö's ability to serve international customers both in the short- and long term
- Provide technical and operational expertise to Minglian
- Strengthen Minglian's commercial opportunities in the domestic high quality segment and adjacent export markets



Smart solutions out of fibers

Sales from new products* was 10% in 2019



Trinitex® Advance W3200 for gas turbine filtration products



Extia® 1000 for industrial filtration applications



TrustShield™, single-use fabrics for ultimate protection



ReliaMAX™ microfilters for sample preparation and particle removal



HighFlow - a reinforcement fabric for wind and marine industry



TEX-STYLE™ - an extra resistant composite abrasive backing



Optilam™ - a release material to optimize RFID inlay lamination



CelluStraw™ - a fiber-based solution for paper drinking straws



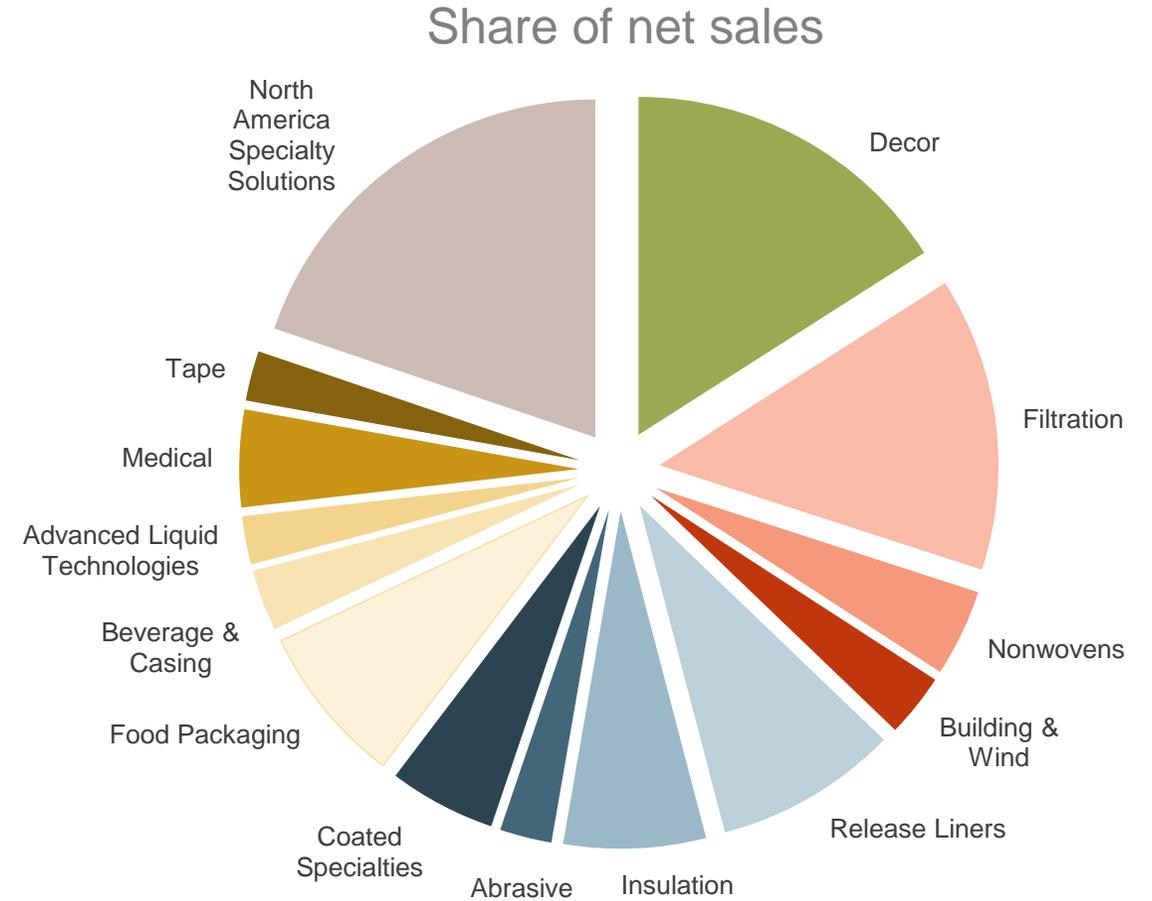
GenReleaz™ specimen collection card for cost-effective biosamples



World of Colors gives heavyweight papers a great design look

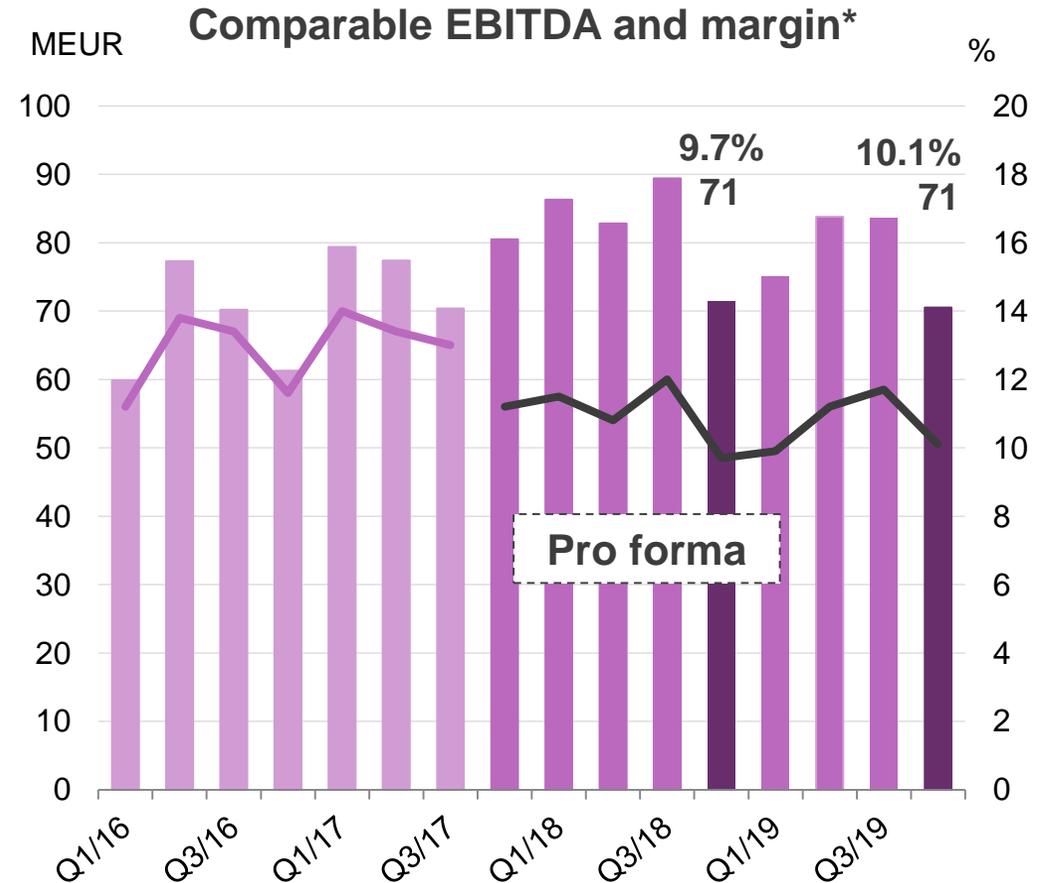


Decline in deliveries levelled-off, sings of improving demand



Very strong cash flow Q4/2019

- Very strong operating cash flow
- Gross margin for products improved, profitability was impacted by somewhat higher fixed costs and lower volumes
- Stable profitability
- Market environment remained uncertain
 - Volume decline levelled off
- Progress in building a truly global leader in decor papers
 - Letter of intent to acquire Minglian decor paper producer
- Acquisition of filter converting capacity to grow the attractive Liquid Technologies business
- Agreements to divest the fine art paper business and the glass fiber reinforcement business

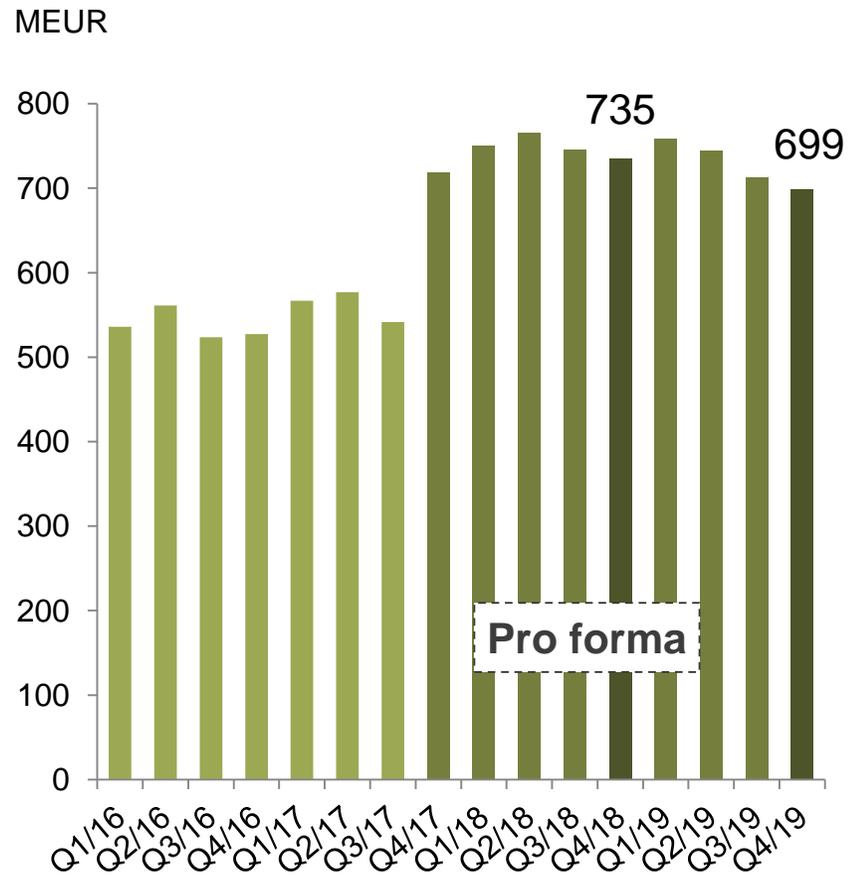


*Years 2016-Q3/2017 Ahlstrom-Munksjö excluding NASS and Caieiras

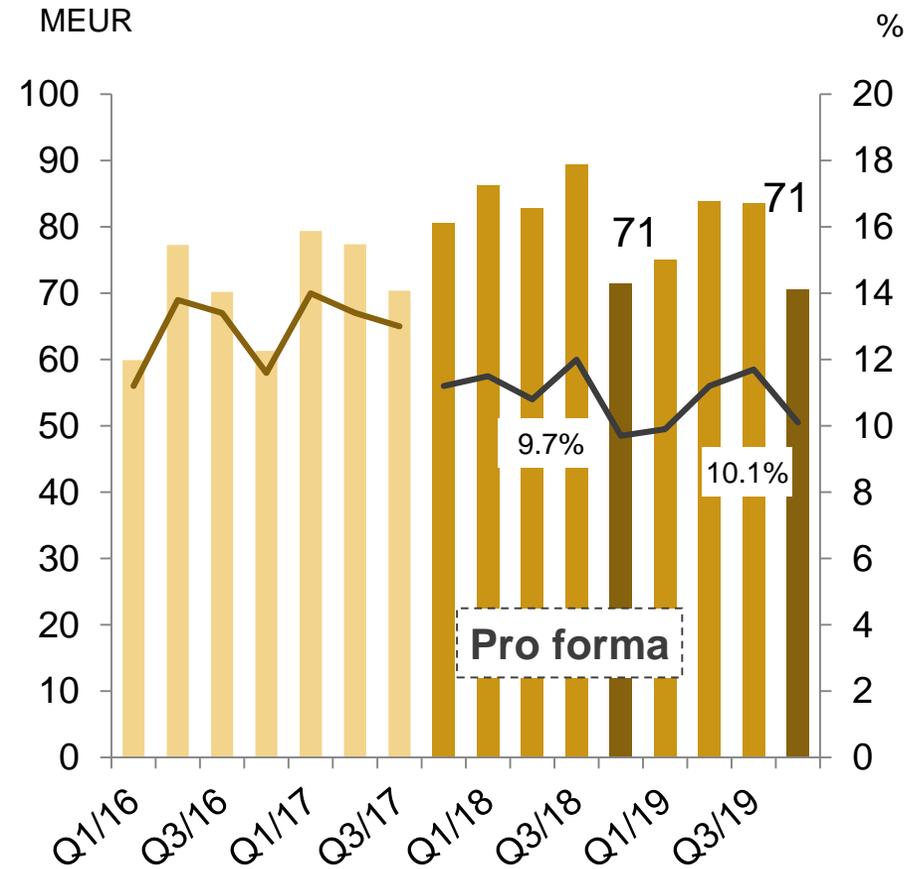


Lower net sales, stable profitability

Net sales*



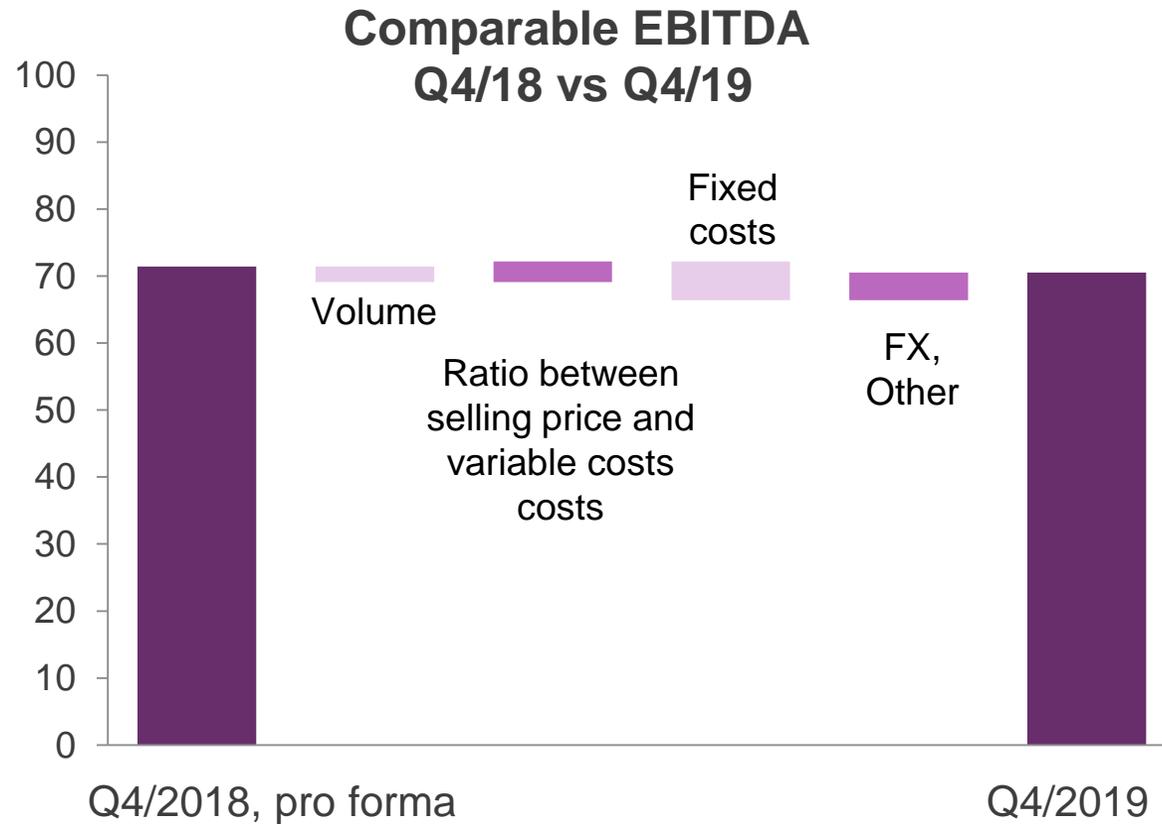
Comparable EBITDA and margin*



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



Support from lower variable costs, volume decline levelled off



EBITDA impacted by:

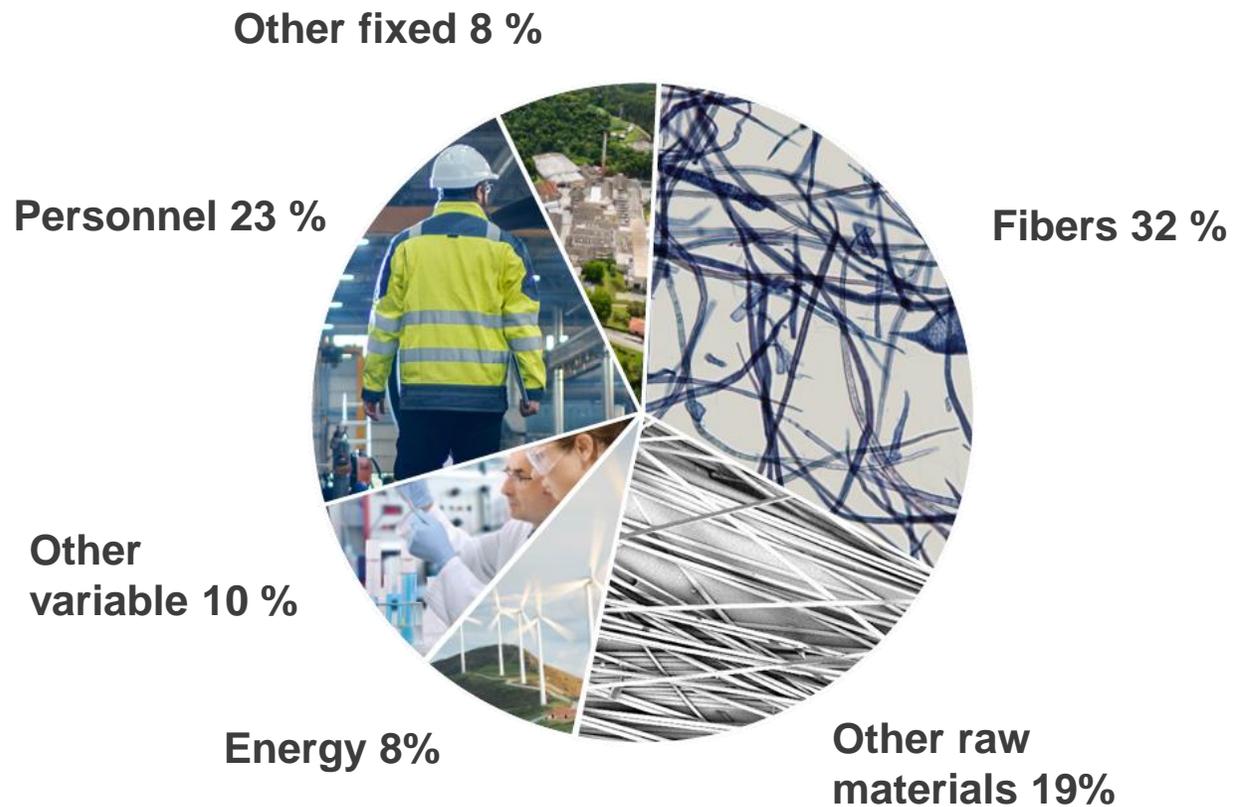
Volume decline stabilized

Lower selling prices were more than offset by lower variable costs

Somewhat higher fixed costs



Breakdown of operating costs



Pro forma breakdown of operating costs

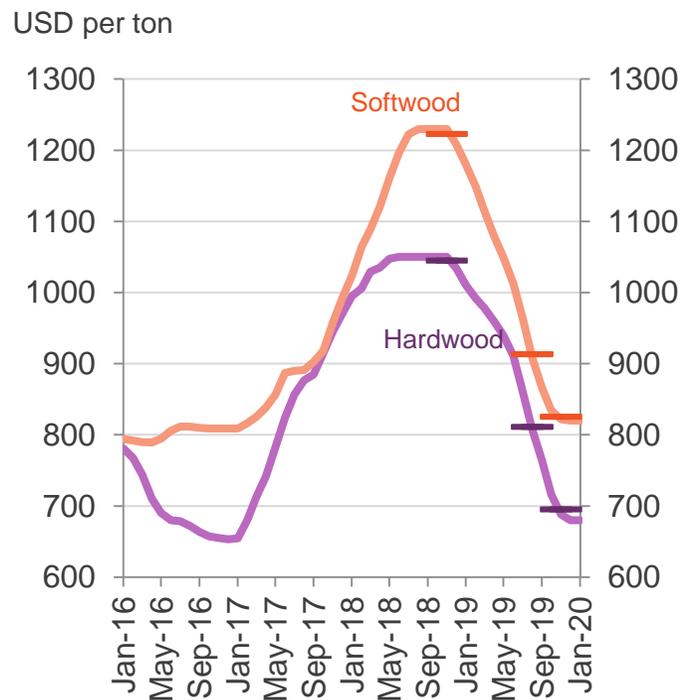
Approximate impact on EBITDA of a 10% increase in costs:

Hardwood pulp	-25
Softwood pulp	-6
Tio2	-11
Chemicals	-7
Energy	-20



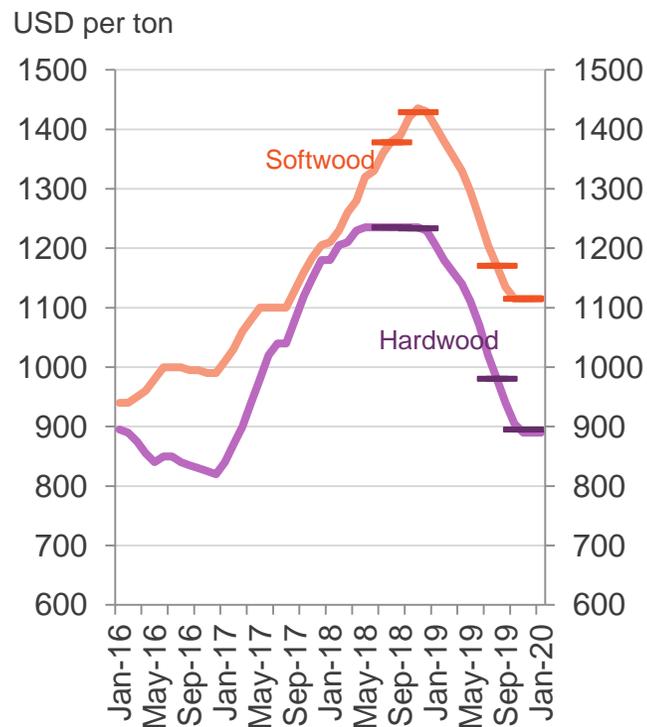
Pulp price development

Europe



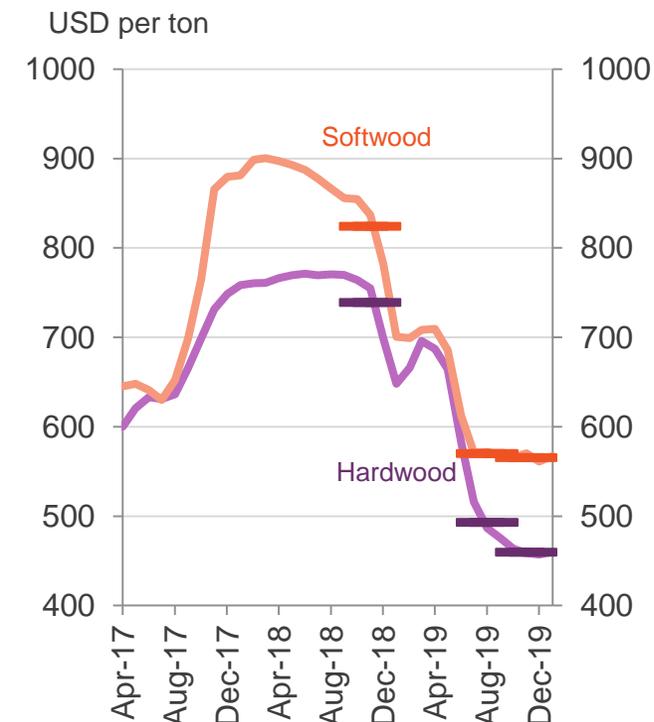
Europe		
Price change, %	Q4/Q4	Q4/Q3
Hardwood	-33	-22
Softwood	-33	-10

North America



North America		
Price change, %	Q4/Q4	Q4/Q3
Hardwood	-27	-11
Softwood	-22	-9

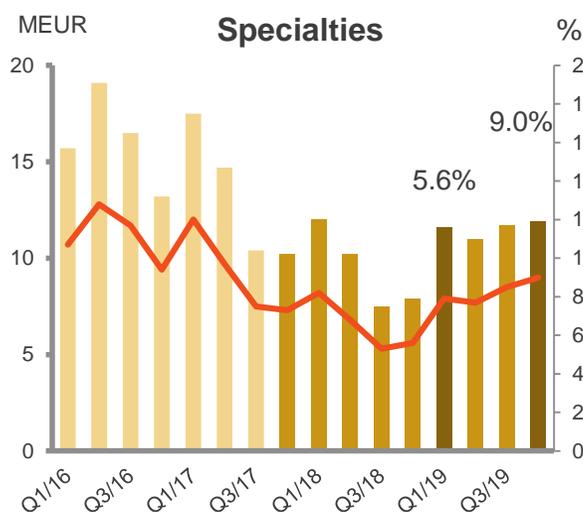
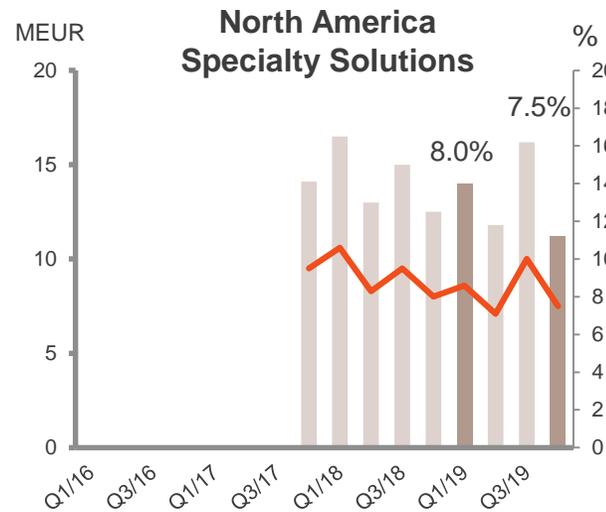
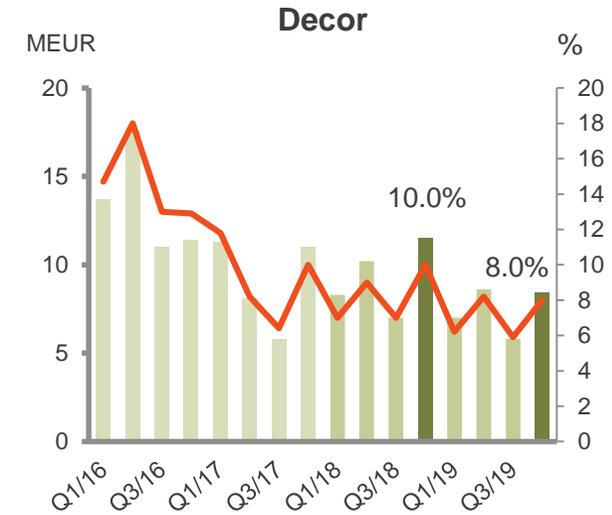
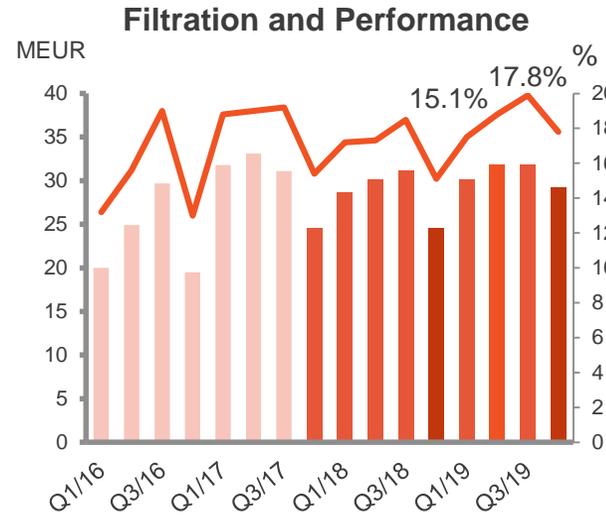
China



China		
Price change, %	Q4/Q4	Q4/Q3
Hardwood	-38	-9
Softwood	-31	-5



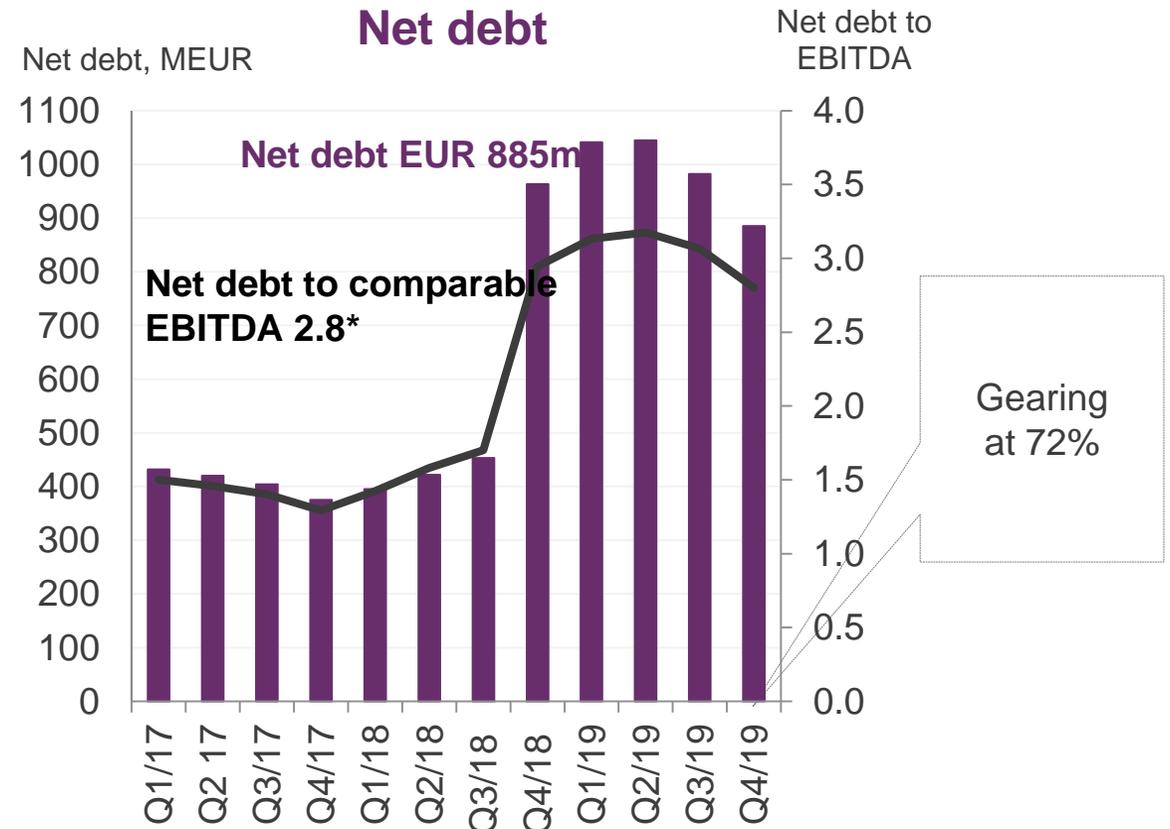
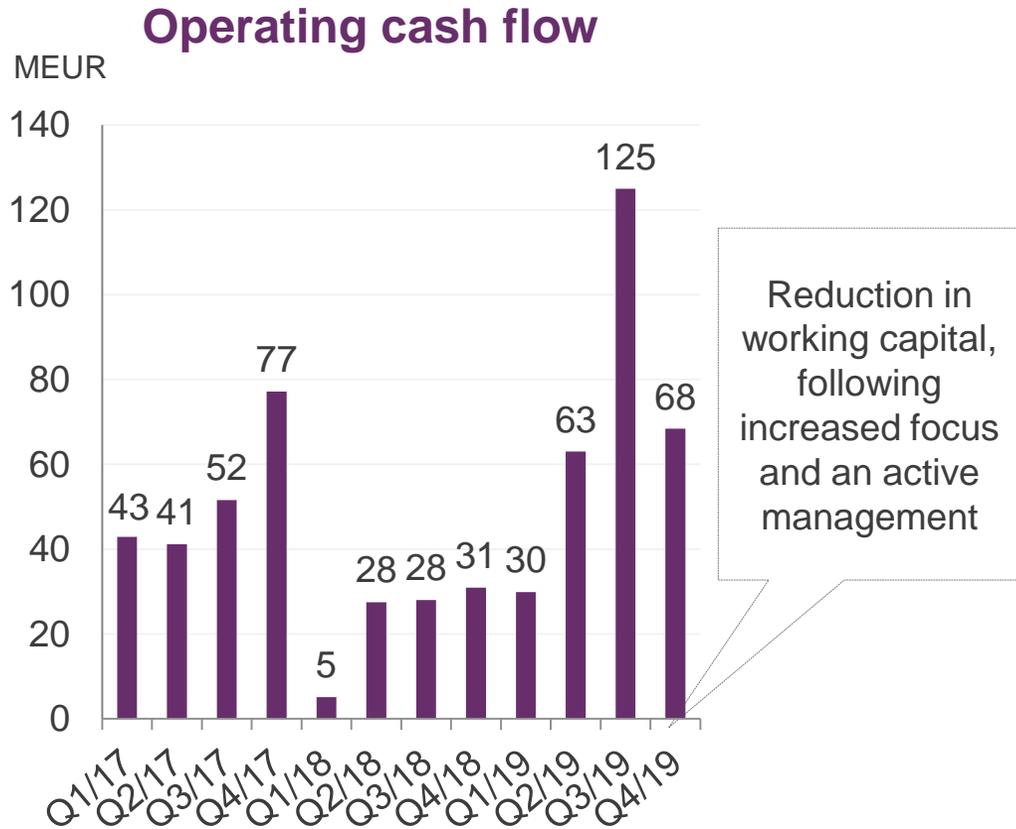
Comparable EBITDA and margin by business area*



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



Strong cash flow boosted by an improvement in working capital



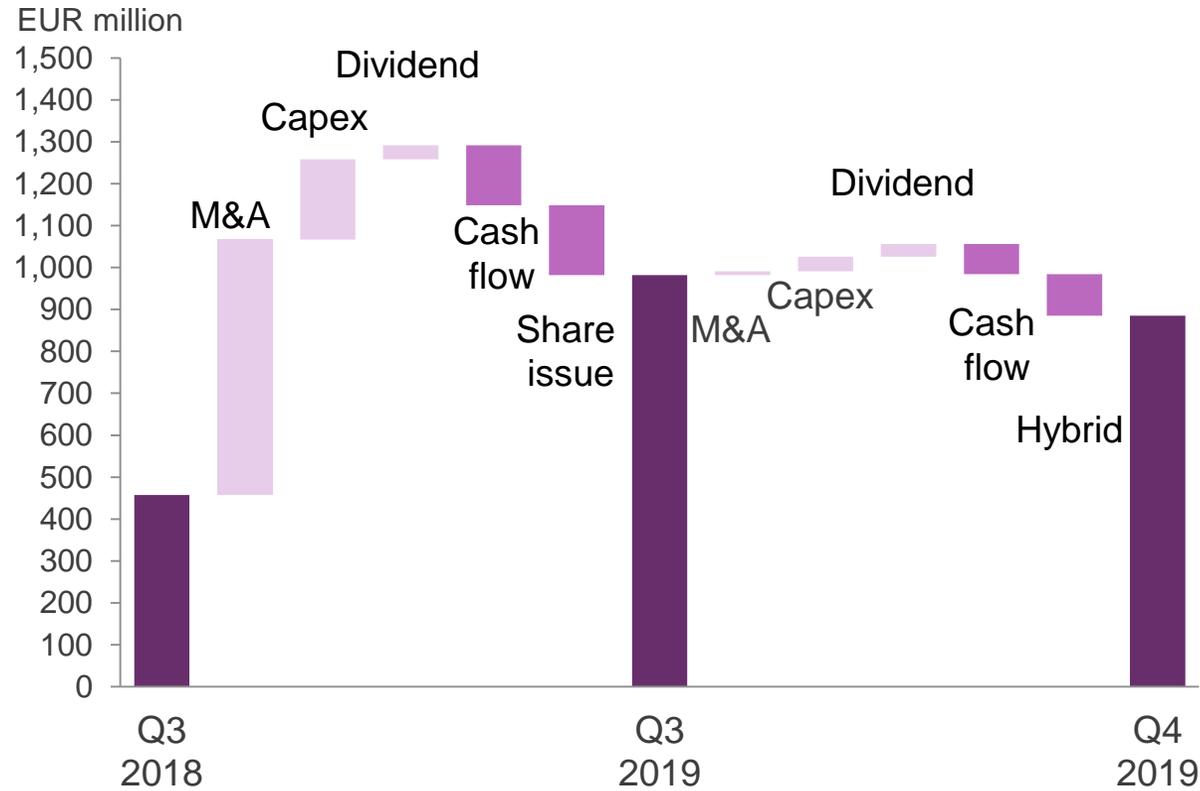
Classification of certain balance sheet items between interest-bearing and non-interest-bearing assets and liabilities were redefined. Comparison figures from Q3/2018 have been restated accordingly

* The implementation of the new IFRS 16 standard, which is excluded from debt covenant calculations, increased net debt by EUR 54 million and EBITDA by EUR 16 million in 2019



Lower debt from stronger cash flow and hybrid bond

Net debt (*)



Net debt to EBITDA 2.8*
 Net debt EUR 885m
 Gearing 72%

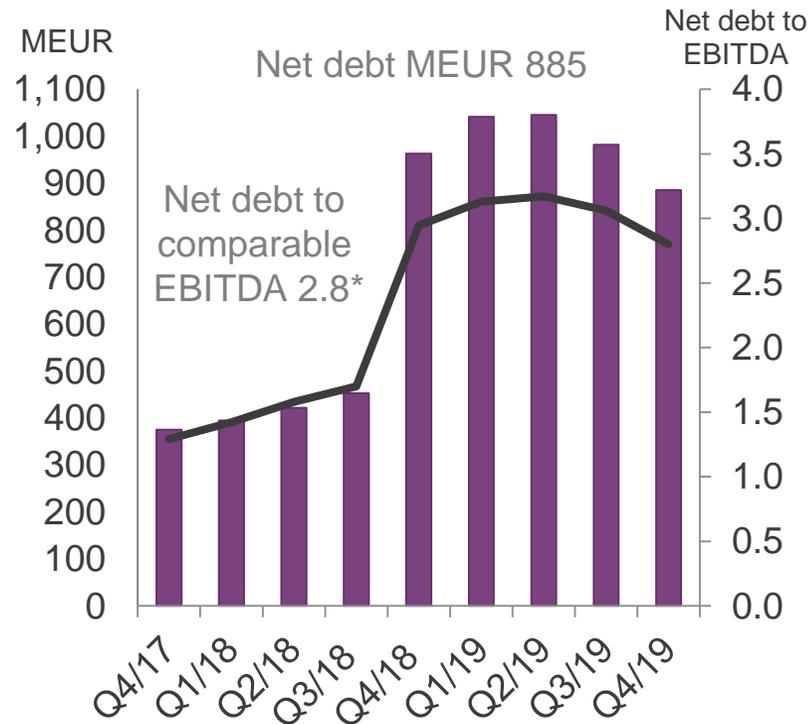
* The implementation of the new IFRS 16 standard, which is excluded from debt covenant calculations, increased net debt by EUR 54 million and EBITDA by EUR 16 million in 2019

* Illustrative

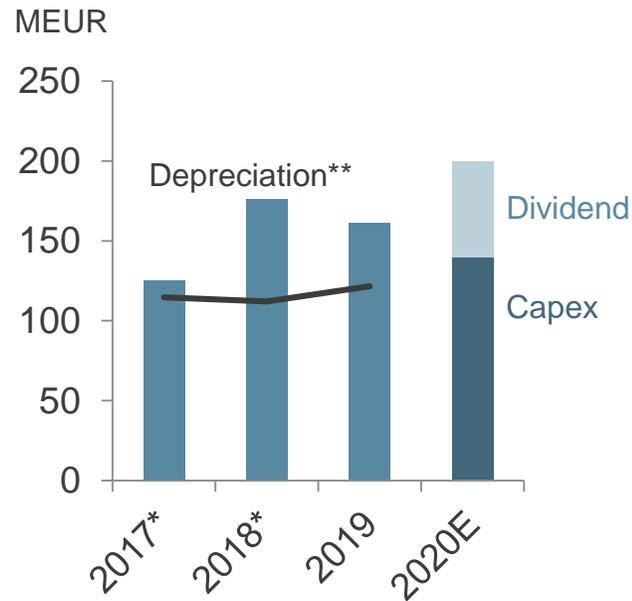


Capital generation and allocation

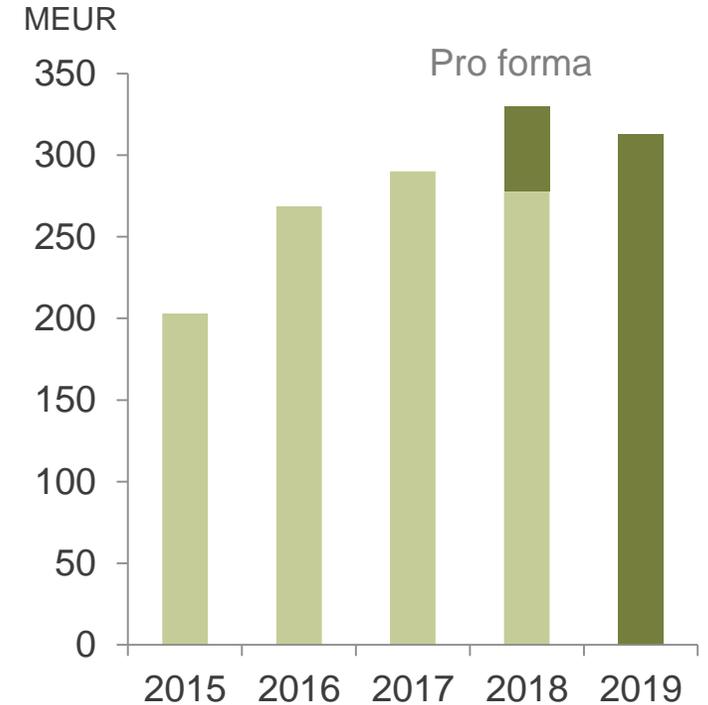
Net debt



Capital allocation



Comparable EBITDA**



* The implementation of the new IFRS 16 standard, which is excluded from debt covenant calculations, increased net debt by EUR 54 million and EBITDA by EUR 16 million in 2019

*Pro forma
** Excluding PPA

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



Outlook for 2020

Ahlstrom-Munksjö's comparable EBITDA reached EUR 313 million in 2019. The decline in volumes, which had a negative impact on the result in 2019, levelled off towards the end of the year. In the beginning of 2020, there are some early signs of improvement in demand. Raw material and energy prices had a negative impact for the full year 2019, while they started to have a positive impact in the second half. The ratio between average selling price and variable costs was at a good level at the start of 2020.

Ahlstrom-Munksjö will continue its efforts to improve performance and competitiveness. Identified cost savings, mainly related to variable costs, are estimated to have an overall impact of at least EUR 50 million for 2020. Ahlstrom-Munksjö's comparable EBITDA in 2020 is expected to be higher than in 2019.



Key takeaways

- Very strong operating cash flow
- Stable profitability
- Successfully integrated acquired businesses
- Market environment stabilized, signs of improving demand
- Profit improvement actions
- Developed our business portfolio
- Ahlstrom-Munksjö's comparable EBITDA in 2020 is expected to be higher than in 2019

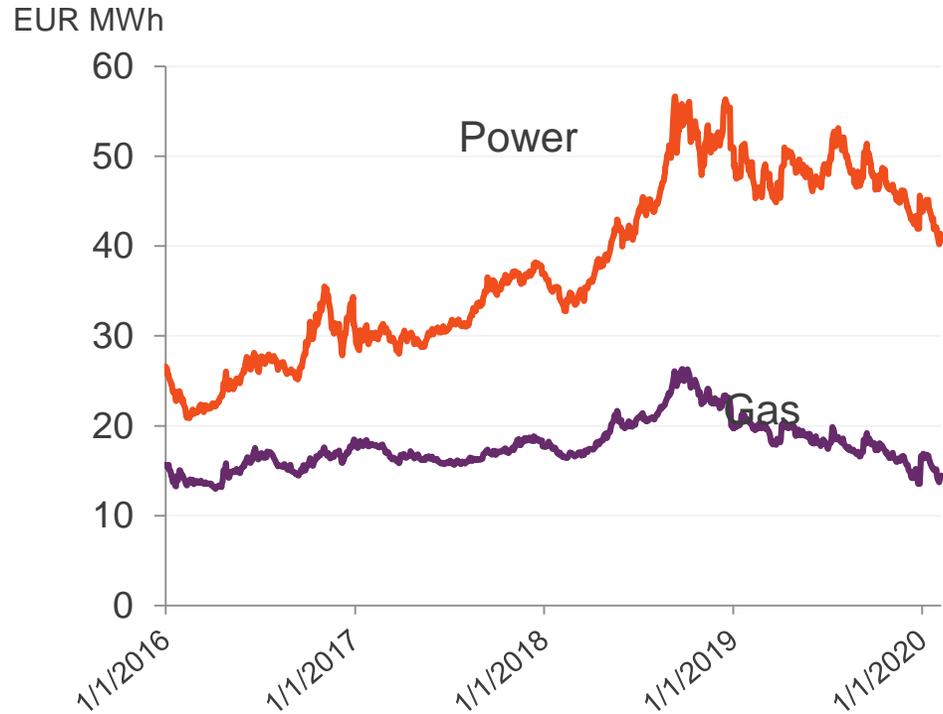


Appendix



Energy and titanium dioxide

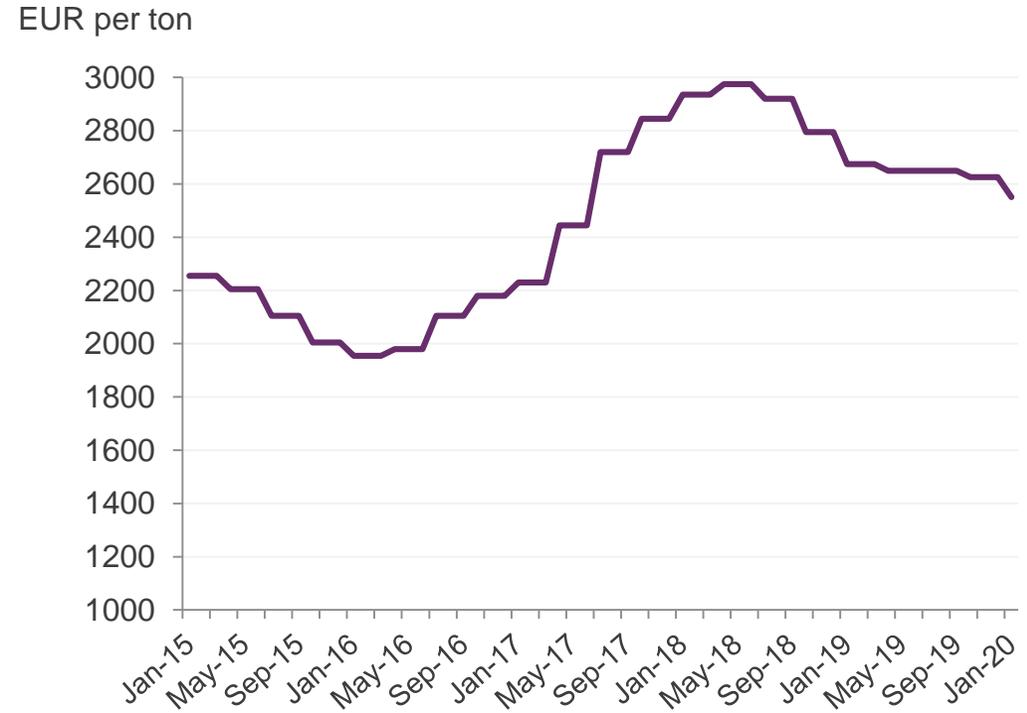
European forward power and gas prices



Change %	Q4/Q4	Q4/Q3
Power	-13	-8
Gas	-31	-10

Source: E&C consultants

Titanium dioxide



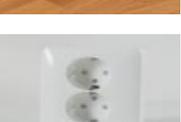
Change %	Q4/Q4	Q4/Q3
Tio2	-6	-1

Source: ICIS Europe FD



Completed investments driving strategic progress

Production ramp-up ongoing

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



Completed and announced investments driving strategic progress

Production ramp-up ongoing

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

Efficiency and agility



Customer value



Profitable growth



Coated specialty paper

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



Electrotechnical paper

Announced investment decisions

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



Sterilization wrap

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



Turin plant

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



Industrial filter material

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

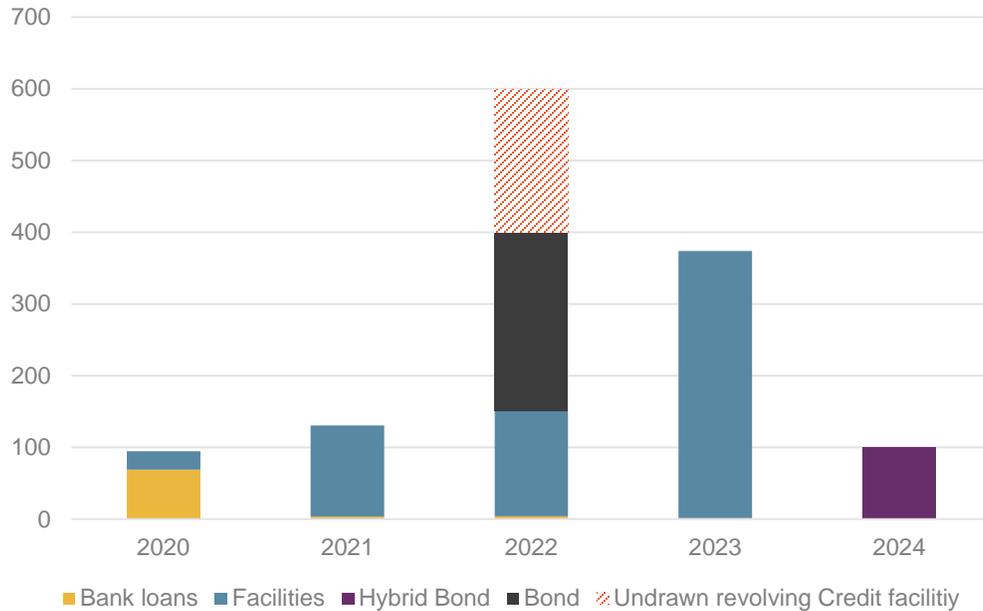


Coffee, tea, and casing material

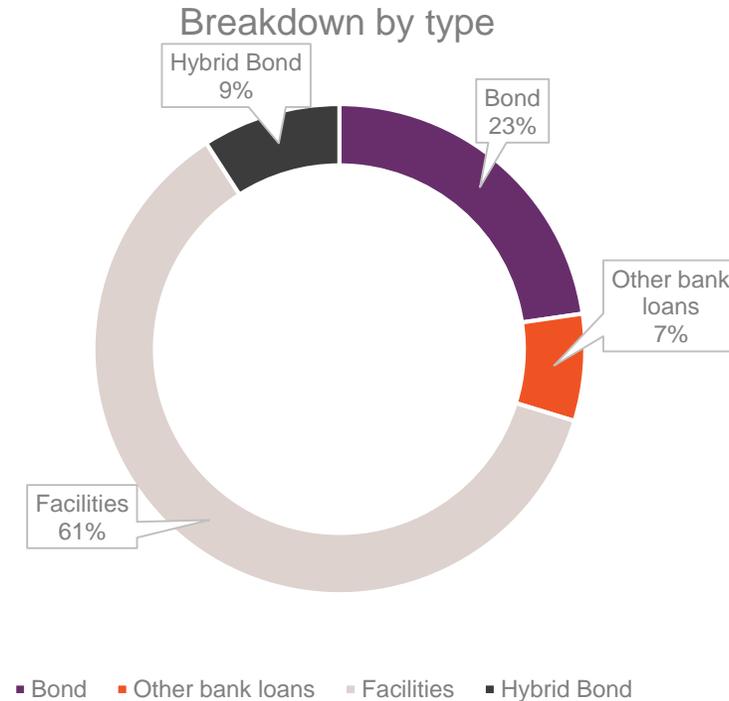


Maturity profile and debt structure

Maturity profile as of Dec. 31, 2019



Interest-bearing liabilities as of Dec. 31, 2019



- Cash position EUR 166 million
- Available undrawn committed facilities EUR 214 million
- Available undrawn uncommitted facilities EUR 398 million

- Weighted average interest rate 3.4% (excl. hybrid bond and lease liabilities)
- Net interest expense EUR 48 million in 2019



Global leader in sustainable and innovative fiber-based solutions

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

Key facts

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

Key strengths

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



Strategy overview

MISSION

Sustainable and innovative fiber-based solutions

VISION

Global leader in chosen growth segments

CORNERSTONES

Local accountability

Efficiency and agility

Customer value

Profitable growth

FILTRATION & PERFORMANCE



ADVANCED



INDUSTRIAL



FOOD PACKAGING & TECHNICAL



DECOR



VALUES

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

FINANCIAL TARGETS

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



Sustainable everyday life

MISSION

Sustainable and innovative fiber-based solutions

BETTER PERFORMANCE

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



SAFER MATERIALS

Formaldehyde free abrasive backings and fluorfree food packaging materials



FEWER RESOURCES

Diagnose diseases and purify polluted drinking water



LOWER IMPACT

Plastic free and compostable tea and coffee materials



PEOPLE



Human rights



Community engagement



Employee well-being



PLANET



Supply chain



Energy, water and waste



Carbon dioxide



PROSPERITY



Profitability

EcoDesign Tool



Innovation



Business ethics



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