



Q2/2020  
HALF-YEAR REPORT  
JANUARY-JUNE 2020

# SOLID RESULT UNDER EXCEPTIONAL CIRCUMSTANCES

## HIGHLIGHTS DURING THE REPORTING PERIOD

- Solid comparable EBITDA and increased margin despite the decline in delivery volumes caused by the coronavirus pandemic
- Swift response and cost reduction actions cushioned the impact of the pandemic
- Customer activity varied within Ahlstrom-Munksjö's broad geographical reach and product range as a result of the pandemic
- Strong growth in the healthcare and life science end-use segments, expansion of face mask materials production. Clear weakening in home building and furniture, transportation and industrial end uses.
- Signs of a gradual normalization of customer activity in certain segments towards the end of the quarter
- Improved financial flexibility and good liquidity with no major refinancing needs
- Launch of Ahlstrom-Munksjö FortiCell®, a new range of fiber-based solutions for energy storage applications

## Q2/2020 compared with Q2/2019

- Net sales decreased by 16.6% to EUR 621.5 million (745.1), mainly due lower delivery volumes
- Comparable EBITDA decreased by 11.7% to EUR 74.0 million (83.8), representing 11.9% (11.2) of net sales, supported by variable and fixed costs reduction actions
- Operating result of EUR 25.8 million (35.0)
- Net result EUR 9.0 million (14.8)
- Earnings per share (basic) EUR 0.07 (0.13)
- Comparable EPS excluding depreciation and amortization arising from PPA EUR 0.18 (EUR 0.25)

## Q1-Q2/2020 compared with Q1-Q2/2019

- Net sales decreased by 10.9% to EUR 1,339.6 million (1,502.8), negatively impacted by price, product mix and volumes
- Comparable EBITDA increased by 4.4% to EUR 165.7 million (158.8), representing 12.4% (10.6) of net sales, as lower variable costs more than offset lower selling prices and deliveries
- Operating result of EUR 99.6 million (52.9), including a capital gain of EUR 32.0 million from the sale of the fine art paper business
- Net result EUR 55.7 million (18.9)
- Earnings per share (basic) EUR 0.46 (0.16)
- Comparable EPS excluding depreciation and amortization arising from PPA EUR 0.48 (0.46)
- Net debt decreased to EUR 878.7 million (885.0 in Q4/2019), supported by the sale of the fine art paper business

PPA = purchase price allocation

Q2/2020

RAPID COVID-19  
RESPONSE

COMPARABLE  
EBITDA EUR 74M,  
11.9% OF NET SALES

SOLID FINANCIAL  
POSITION

## KEY FIGURES

Key figures	Q2	Q2	Q1	Q1-Q2	Q1-Q2	Q1-Q4
EUR million, or as indicated	2020	2019	2020	2020	2019	2019
Net sales	621.5	745.1	718.1	1,339.6	1,502.8	2,915.3
Comparable EBITDA	74.0	83.8	91.7	165.7	158.8	312.9
Comparable EBITDA margin, %	11.9	11.2	12.8	12.4	10.6	10.7
EBITDA	69.1	78.1	120.5	189.6	138.3	279.4
Comparable operating result	31.8	40.7	49.1	80.9	73.3	139.0
Operating result	25.8	35.0	73.7	99.6	52.9	103.2
Net result	9.0	14.8	46.6	55.7	18.9	32.8
Earnings per share (basic), EUR	0.07	0.13	0.40	0.46	0.16	0.27
Comparable earnings per share (basic), EUR	0.10	0.16	0.21	0.31	0.29	0.50
Comparable EPS excl. depreciation and amortization arising from PPA, EUR*	0.18	0.25	0.30	0.48	0.46	0.84
Return on equity (ROE), rolling 12 months, %	5.9	1.7	6.5	5.9	1.7	2.9
Comparable ROE, rolling 12 months, %	5.4	6.4	6.0	5.4	6.4	5.2
Return on capital employed (ROCE), rolling 12 months, %	6.4	3.6	6.8	6.4	3.6	4.4
Comparable ROCE, rolling 12 months, %	6.3	6.9	6.6	6.3	6.9	5.9
Net cash from operating activities	8.5	63.1	11.8	20.4	92.9	286.7
Capital expenditure	24.4	38.7	26.3	50.7	74.2	161.1
Net debt	878.7	1,044.7	854.3	878.7	1,044.7	885.0
Gearing ratio, %	74.3	92.8	72.3	74.3	92.8	71.8

\*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

I'm pleased with our performance in the second quarter, and particularly with our swift response and actions to mitigate the near-term impact of the coronavirus pandemic. Considering the exceptional circumstances, comparable EBITDA of EUR 74 million and an improved margin of 11.9% is a good achievement. We have been able to keep our plants operational and serve our customers, while ensuring the health and safety of our employees thanks to our COVID-19 Safety Protocol. In addition, we have increased our financial flexibility and currently have good liquidity, with no major near-term refinancing needs.

### VARIED IMPACT ON CUSTOMER ACTIVITY - CUSHIONING WITH ACTIONS

Within our broad product range of advanced fiber-based solutions, the impact of the coronavirus pandemic on customer activity has varied. Demand remained strong in the healthcare and life science end-use segments, while it remained relatively stable in the consumer goods segment, albeit with some variation depending on end use. The biggest decline was in the home building and furniture, transportation and industrial end-use segments. All in all, the exceptional market environment led to a 10% reduction in our deliveries, which was the main driver behind the decrease in net sales and comparable EBITDA. However, we worked hard on our own actions to reduce variable and fixed costs, and this cushioned the impact of lower volumes.

I'm also pleased that we were able to drive our business forward during the pandemic. Our in-depth knowledge of fiber-based materials, agile organization and common manufacturing platform enabled us to expand our manufacturing capabilities of face mask fabrics globally to lines normally used for the production of other fiber-based materials. We also took further steps in supplying the electric vehicle battery market by introducing a platform of fiber-based energy storage applications solutions. Our other new value-added solutions include a replaceable filter media for branded outdoor apparel used as face masks.

Our work was awarded the EcoVadis Gold rating for the fourth consecutive year thanks to our good performance within environmental impact, labor practices, fair business practices and sustainable procurement. This reinforces our sustainability strategy.

### LOOKING AHEAD

We will continue with actions to mitigate the impact of the weak market demand in the third quarter. Meanwhile, we continue to work on ensuring competitiveness in the longer term and pursuing our previously announced cost saving programs. Overall, I'm very proud of how well our organization has performed in these very exceptional circumstances. This really highlights the strengths of our company culture, which relies on entrepreneurial leadership, customer collaboration, innovation and seamless worldwide teamwork.

## OUTLOOK FOR Q3/2020

The overall market environment remains uncertain, albeit with signs of a gradual normalization of customer activity in certain end-use segments. Good demand is expected to continue in the healthcare and life science end-use segments. Demand for consumer goods related products is expected to remain relatively stable, while continuing at a weak level in home building and industrial related products. Demand for furniture and transportation related products is expected to recover. Ahlstrom-Munksjö's delivery volumes in the third quarter of 2020 are expected to be lower than in the third quarter of 2019.

In the third quarter of 2020, scheduled maintenance shutdown at the Aspa pulp mill is expected to be carried out, with a negative profit impact of approximately EUR 4 million.

Ahlstrom-Munksjö's comparable EBITDA in the third quarter of 2020 is expected to be lower than in the third quarter of 2019.



**“Considering the exceptional circumstances, the comparable EBITDA of EUR 74 million and an improved margin of 11.9% is a good achievement.”**

*Hans Sohlström,  
President and CEO*

# FINANCIAL PERFORMANCE

## NET SALES DEVELOPMENT

Net sales by business area	Q2	Q2	Q1	Q1-Q2	Q1-Q2	Q1-Q4
EUR million	2020	2019	2020	2020	2019	2019
Filtration & Performance Solutions	140.2	185.5	166.5	306.7	373.0	724.0
Advanced Solutions	126.8	121.7	120.1	246.9	240.8	470.2
Industrial Solutions	168.4	199.5	192.3	360.7	401.1	765.7
Food Packaging & Technical Solutions	130.4	146.8	145.8	276.1	298.0	582.4
Decor Solutions	65.0	104.2	106.2	171.3	216.4	419.6
Other and eliminations	-9.2	-12.6	-12.8	-22.0	-26.5	-46.5
<b>Group</b>	<b>621.5</b>	<b>745.1</b>	<b>718.1</b>	<b>1,339.6</b>	<b>1,502.8</b>	<b>2,915.3</b>

## PROFIT AND PROFITABILITY DEVELOPMENT

EBITDA by business area	Q2	Q2	Q1	Q1-Q2	Q1-Q2	Q1-Q4
EUR million	2020	2019	2020	2020	2019	2019
Filtration & Performance Solutions	22.1	33.7	62.6	84.8	64.7	121.7
Advanced Solutions	17.7	14.2	14.3	31.9	26.4	50.2
Industrial Solutions	20.7	17.4	20.1	40.8	29.1	52.9
Food Packaging & Technical Solutions	8.6	8.2	16.6	25.1	20.2	51.3
Decor Solutions	0.5	7.1	12.2	12.7	8.2	25.0
Other and eliminations	-0.5	-2.6	-5.3	-5.8	-10.3	-21.6
<b>Group</b>	<b>69.1</b>	<b>78.1</b>	<b>120.5</b>	<b>189.6</b>	<b>138.3</b>	<b>279.4</b>

Items affecting comparability in EBITDA by business area	Q2	Q2	Q1	Q1-Q2	Q1-Q2	Q1-Q4
EUR million	2020	2019	2020	2020	2019	2019
Filtration & Performance Solutions	-3.3	-0.5	30.8	27.5	-0.5	-4.4
Advanced Solutions	—	—	-0.2	-0.2	-0.2	-0.4
Industrial Solutions	-0.2	-1.0	—	-0.2	-4.1	-8.2
Food Packaging & Technical Solutions	-0.4	-1.0	0.2	-0.2	-1.0	-2.1
Decor Solutions	-0.1	-2.1	-0.4	-0.5	-8.9	-9.5
Other and eliminations	-0.8	-1.1	-1.5	-2.4	-5.8	-8.8
<b>Group</b>	<b>-4.9</b>	<b>-5.7</b>	<b>28.8</b>	<b>23.9</b>	<b>-20.5</b>	<b>-33.4</b>

Comparable EBITDA by business area	Q2	Q2	Q1	Q1-Q2	Q1-Q2	Q1-Q4
EUR million	2020	2019	2020	2020	2019	2019
Filtration & Performance Solutions	25.5	34.2	31.8	57.3	65.2	126.1
Advanced Solutions	17.7	14.2	14.5	32.2	26.6	50.6
Industrial Solutions	20.9	18.4	20.1	41.0	33.2	61.1
Food Packaging & Technical Solutions	9.0	9.2	16.4	25.4	21.2	53.4
Decor Solutions	0.6	9.2	12.7	13.3	17.1	34.5
Other and eliminations	0.4	-1.5	-3.7	-3.4	-4.6	-12.9
<b>Group</b>	<b>74.0</b>	<b>83.8</b>	<b>91.7</b>	<b>165.7</b>	<b>158.8</b>	<b>312.9</b>

Comparable EBITDA margin by business area	Q2	Q2	Q1	Q1-Q2	Q1-Q2	Q1-Q4
%	2020	2019	2020	2020	2019	2019
Filtration & Performance Solutions	18.2	18.4	19.1	18.7	17.5	17.4
Advanced Solutions	13.9	11.7	12.1	13.0	11.1	10.8
Industrial Solutions	12.4	9.2	10.5	11.4	8.3	8.0
Food Packaging & Technical Solutions	6.9	6.3	11.2	9.2	7.1	9.2
Decor Solutions	0.9	8.8	11.9	7.7	7.9	8.2
<b>Group</b>	<b>11.9</b>	<b>11.2</b>	<b>12.8</b>	<b>12.4</b>	<b>10.6</b>	<b>10.7</b>



## APRIL-JUNE 2020

### Comparison with April-June 2019

Net sales decreased by 16.6% to EUR 621.5 million (745.1). This was mainly due to lower delivery volumes. In addition, average selling prices decreased, which was partly due to a less favorable product mix. The impact of the pandemic on customer activity varied. Deliveries increased in the health care and life science end-use segments, while they were relatively stable in the consumer goods end-use segments. Deliveries decreased clearly in the home building and furniture, transportation, and industrial end uses.

Comparable EBITDA decreased to EUR 74.0 million (83.8), representing 11.9% of net sales (11.2) mainly due to lower deliveries. Lower variable costs, which more than offset lower selling prices, and measures to reduce fixed costs had a positive impact on comparable EBITDA. Variable costs were reduced due both to lower raw material prices and cost-saving measures.

EBITDA was EUR 69.1 million (78.1). Items affecting comparability (IACs) in EBITDA totaled EUR -4.9 million (-5.7) and included costs related to the finalization of the sale of the fine arts paper business in the first quarter of 2020.

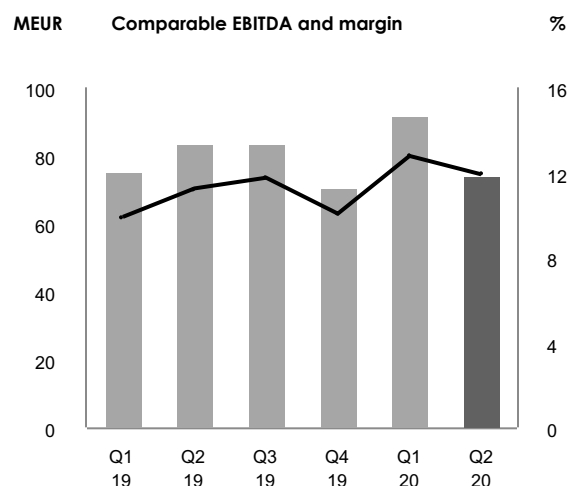
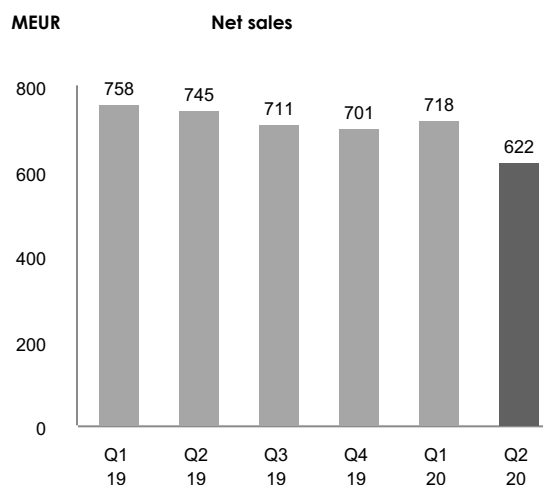
The operating result was EUR 25.8 million (35.0). Depreciation, amortization and impairment amounted to EUR -43.3 million (-43.1), including depreciation and amortization arising from PPA of EUR -13.0 million (-13.1) and an impairment loss of EUR -1.1 million (—), which is an item affecting comparability in operating result.

Net financial items increased to EUR -14.2 million (-11.7). This figure includes net interest expenses of EUR -9.6 million (-11.9), a currency exchange loss of EUR -1.6 million (1.7 exchange gain) and other financial expense of EUR -3.1 million (-1.5).

The result before taxes was EUR 11.6 million (23.3). Taxes amounted to EUR -2.6 million (-8.6). The net result was EUR 9.0 million (14.8), and earnings per share (basic) were EUR 0.07 (0.13).

### Comparison with January-March 2020

Comparable EBITDA decreased due to lower delivery volumes. This was partially mitigated by cost reduction measures.



Reconciliation of EBITDA to comparable EBITDA	Q2	Q2	Q1	Q1-Q2	Q1-Q2	Q1-Q4
EUR million	2020	2019	2020	2020	2019	2019
<b>EBITDA</b>	<b>69.1</b>	<b>78.1</b>	<b>120.5</b>	<b>189.6</b>	<b>138.3</b>	<b>279.4</b>
Transaction costs	-0.9	-0.5	-1.2	-2.2	-0.8	-2.7
Integration costs	—	-2.0	-0.5	-0.5	-8.8	-11.7
Restructuring costs	-0.5	-2.3	-0.5	-1.0	-10.0	-15.4
Gain/Loss on business disposal and other related items	-2.9	—	31.0	28.1	—	-1.6
Other	-0.6	-0.9	-0.0	-0.6	-0.9	-2.1
<b>Total items affecting comparability in EBITDA</b>	<b>-4.9</b>	<b>-5.7</b>	<b>28.8</b>	<b>23.9</b>	<b>-20.5</b>	<b>-33.4</b>
<b>Comparable EBITDA</b>	<b>74.0</b>	<b>83.8</b>	<b>91.7</b>	<b>165.7</b>	<b>158.8</b>	<b>312.9</b>

Full reconciliation is available in the appendix 2.

## JANUARY-JUNE 2020

### Comparison with January-June 2019

Net sales decreased by 10.9% to EUR 1,339.6 million (1,502.8). This was due to lower average selling prices, a less favorable product mix and lower delivery volumes. After growth in delivery volumes in the first quarter of 2020, the pandemic had a negative impact on net sales from March 2020 onwards.

Comparable EBITDA increased to EUR 165.7 million (158.8), representing 12.4% of net sales (10.6). This was due to lower variable costs, which more than offset lower selling prices and lower deliveries. Variable costs were reduced due to both lower raw material prices and cost-saving measures. Fixed costs were at the same level as in the first half of 2019.

EBITDA was EUR 189.6 million (138.3). Items affecting comparability (IACs) in EBITDA totaled EUR 23.9 million (-20.5) and included a capital gain of EUR 32.0 million from the sale of the fine arts paper business.

The operating result was EUR 99.6 million (52.9). Depreciation, amortization and impairment amounted to EUR -90.0 million (-85.5), including depreciation and amortization arising from PPA of EUR -26.1 million (-25.7) and an impairment loss of EUR -5.2 million (—), which is an item affecting comparability in operating result.

Net financial items amounted to EUR -23.8 million (-23.3). The figure includes net interest expenses of EUR -20.0 million (-23.8), a currency exchange gain of EUR 0.6 million (3.4) and other financial expense of EUR -4.5 million (-3.0).

The result before taxes was EUR 75.7 million (29.5). Taxes amounted to EUR -20.1 million (-10.6). The net result was EUR 55.7 million (18.9), and earnings per share (basic) were EUR 0.46 (0.16).

# CASH FLOW AND FINANCING

## CASH FLOW

In April-June 2020, net cash from operating activities amounted to EUR 8.5 million (63.1) as the seasonal increase in working capital was larger than in the comparison period.

In January-June 2020, net cash from operating activities amounted to EUR 20.4 million (92.9).

## CAPITAL EXPENDITURE

Ahlstrom-Munksjö's capital expenditure excluding acquisitions totaled EUR 50.7 million in January-June 2020 (74.2) and EUR 24.4 million in April-June 2020 (38.7). 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 reporting period.

The company is progressing with its EUR 190 million investment program including a total of 13 projects, of which 10 have been completed and are in the ramp-up phase. The remaining three are expected to be completed in 2020 and 2021. A full list of completed and on-going investments is available at [www.ahlstrom-munksjo.com/Investors](http://www.ahlstrom-munksjo.com/Investors).

Capital expenditure is expected to be approximately EUR 120 million (161.1) in 2020.

## FINANCING

The company's net debt decreased slightly to EUR 878.7 million at the end of the reporting period (885.0 on December 31, 2019) and was supported by the sale of the fine arts business. Gearing stood at 74.3% (71.8 on December 31, 2019).

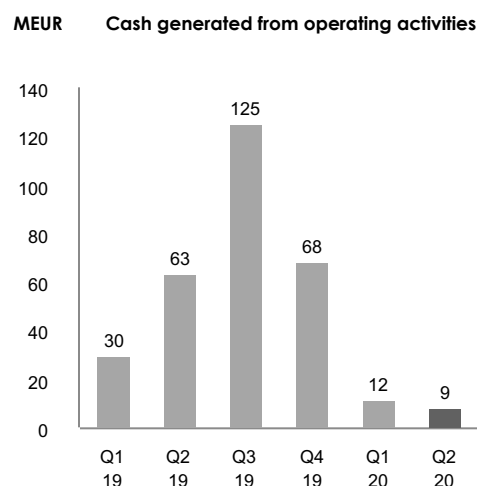
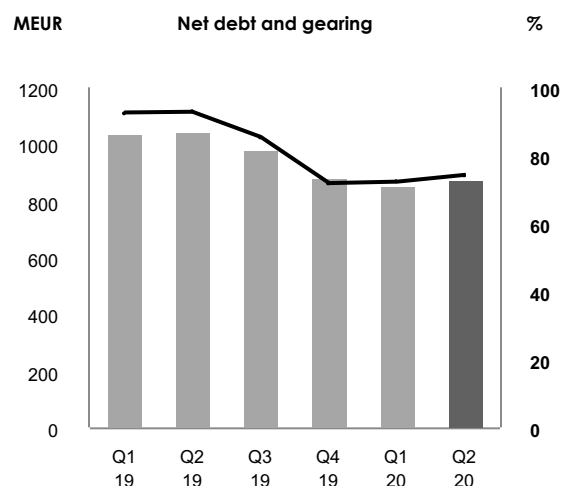
Ahlstrom-Munksjö's liquidity continues to be good. At the end of the review period, the total cash position was EUR 259.6 million (166.1 on December 31, 2019). In addition, the company had undrawn committed credit facilities and committed cash pool overdrafts of EUR 261.0 million available. At the end of the reporting period, the weighted average interest rate, excluding lease liabilities and hybrid bond, was 2.9% (3.4 on December 31, 2019).

During the second quarter of 2020, Ahlstrom-Munksjö signed a new EUR 50 million committed revolving credit facility for 12 months. In addition, the company signed a premium pension loan (TyEL pension loan) of EUR 20 million for 3 years and a new term loan of EUR 50 million for 1 year. The company also proactively increased its

financial flexibility by renegotiating its financial covenant, net debt to EBITDA.

On December 13, 2019, Ahlstrom-Munksjö issued a EUR 100 million hybrid bond with fixed interest rate of 3.879% per annum. The fixed interest is taken into account in earnings per share calculations. The hybrid is treated as equity and EUR 3.7 million was deducted from equity as interest.

On June 30, 2020, equity was EUR 1,182.8 million (1,232.0 on December 31, 2019). The equity was impacted by a EUR 60 million dividend in the first quarter of 2020. The dividend impacts cash flow and net debt in the second, third and fourth quarters of 2020 and first quarter of 2021 as it is paid in four installments.





# UPDATE ON COVID-19

## HEALTH AND SAFETY OF OUTMOST IMPORTANCE

On January 23, 2020, Ahlstrom-Munksjö initiated a centralized crisis alert team to carry out a global pandemic contingency and preparedness response plan. The company has established a COVID-19 Safety Protocol to ensure safe operations and customer service. Its manufacturing plants are maintaining a cohesive set of rules to keep operations running and employees safe. Local adjustments are made according to country level or local health and safety regulation and guidance.

## LIMITED OPERATIONAL IMPACT OF THE CORONAVIRUS PANDEMIC

Ahlstrom-Munksjö's 45 plants and converting sites in 14 countries have remained operational during the first half of 2020, except for a few temporary shutdowns caused by government lockdowns. Production has not been interrupted to any significant extent due to raw material supply issues.

## SIGNIFICANT IMPACT ON CUSTOMER ACTIVITY

Within Ahlstrom-Munksjö's broad range of advanced fiber-based solutions, the impact of the pandemic on customer activity has varied.

Since the first quarter of 2020, the company has experienced strong demand in the healthcare and life science end-use segments, corresponding to approximately 10% of net sales. Solutions for personal protection equipment such as face masks, drapes and gowns, as well as diagnostics materials for rapid test kits and venting filters for devices used in the treatment of patients with respiratory disorders were in particularly strong demand. The exceptional circumstances, with a large portion of the global population in lockdown, also increased demand for packaging-related release liner and tape backings. Stockpiling of pharmaceuticals strengthened demand for medical leaflets.

Since the end of the first quarter, demand clearly decreased in the home building and furniture, transportation and industrial end-uses. Overall demand in the consumer goods segment, of which food and beverage and packaging represent the largest share, remained relatively stable. However, it has varied, depending on end use.

## CAPACITY EXPANSION IN RESPONSE TO GROWING DEMAND

The pandemic has created an exceptional situation globally and a strong demand for healthcare goods in general, and particularly for protective medical products made from Ahlstrom-Munksjö's fabrics.

Ahlstrom-Munksjö has long been an established manufacturer of nonwoven fabrics, which are used to construct protective medical fabrics such as surgical gowns and drapes, pleated surgical face masks, protective apparel and sterile barrier systems. The company has been producing the inner and outer coverstock used for pleated surgical face masks, while the middle filter media was something Ahlstrom-Munksjö did not produce until recently. Thanks to its in-depth knowledge of filtration materials and common manufacturing platform, the company could respond swiftly to growing demand by expanding manufacturing of face mask fabrics to lines normally used for producing other fiber-based materials. As of the second quarter of 2020, its offering includes a full range of protective face mask fabrics for civil, surgical and respiratory masks.

## ACTIONS TO MITIGATE THE NEGATIVE FINANCIAL IMPACT

For Ahlstrom-Munksjö the financial implications of the pandemic have been relatively limited so far. Ahlstrom-Munksjö has taken numerous actions across the organization to cushion the short-term financial impact of the expected decline in delivery volumes.

Implemented actions have included temporary layoffs, reduction of working hours and the minimization of the use of external personnel and services. Spending was reduced and certain projects were postponed. Members of the Executive Management Team and the CEO took a 50% and 100% reduction, respectively, on one month's salary during the second quarter. The Board of Directors also decided to forgo their compensation for one month in the second quarter. The company is ready to restore operations quickly when demand recovers.

Savings from these actions was approximately EUR 12 million in the second quarter of 2020, exceeding the initial target of EUR 9 million. The company will continue with short-term actions and expects savings of about EUR 6 million in the third quarter.

# MEASURES TO IMPROVE COMPETITIVENESS

## EXPERA AND CAIEIRAS COST SYNERGIES ACHIEVED - BUSINESS SYNERGIES AHEAD

In 2019 the company achieved the targeted cost synergy run rate of EUR 21 million from the Expera and Caieiras acquisitions, exceeding the initial target of EUR 14 million. 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. Coronavirus related lockdowns and travel restrictions are currently delaying the implementation of some of the planned actions.

## PROGRAM TO LOWER MANUFACTURING FIXED COSTS

Ahlstrom-Munksjö has expanded its businesses and ability to meet customer needs through a merger and acquisitions in recent years. This strategic transformation has proven successful and the company has captured the promised synergy benefits. The market environment has been challenging, impacted by volatile raw material prices, lower demand and intensified competition. The company's continuous improvement measures and the synergy benefits realized from the acquisitions have reduced both variable and fixed costs. However, the company's cost efficiency can be further improved.

Ahlstrom-Munksjö introduced a new longer-term profit improvement program in April 2020. The annualized target from the program is in the range of EUR 20 million, with a gradual impact from the end of 2020 onwards. The majority of the savings are expected to come from manufacturing fixed costs.

# DECOR EXPLORING STRATEGIC ALTERNATIVES IN CHINA

On September 17, 2019, Ahlstrom-Munksjö announced it was exploring potential acquisitions, mergers and joint-ventures with decor paper suppliers in China to speed up the development of the business into a stand-alone leading operation globally. In addition, the company is investigating the interest of capital investment in the Decor business.

The opportunities being explored are based on strong strategic and financial rationales. Partnering with a Chinese decor paper supplier would create a global leader with a strong presence in the world's two largest markets. It would strengthen the business and its ability to serve customers as well as leverage from an industry-leading brand with premium quality and service. Outside capital would enable investments to grow and develop the business into a stand-alone operation.

On November 27, 2019, Ahlstrom-Munksjö signed a non-binding letter of intent to acquire Hebei Minglian New Materials Technology Co., Ltd. as part of this process. The company comprises a state-of-the-art greenfield decor paper plant in the city of Xingtai, Hebei Province, China. The debt-free purchase price is approximately EUR 60 million. The transaction is subject to further due diligence as well as final and binding transaction agreements. Coronavirus related lockdowns and travel restrictions are delaying the negotiation and signing of the transaction is expected during the first half of 2021.

# PERSONNEL

Ahlstrom-Munksjö employed in January-June 2020 an average of 7,802 (8,119) people in full-time equivalents. As of June 30, 2020, the highest numbers of employees were in the United States (31%), France (19%), 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 two priority metrics to track performance in this field in 2020: total recordable incidents (TRI<sup>1</sup>) rate and employee safety participation rate. Ahlstrom-Munksjö believes that a goal of zero accidents is achievable, and our long-term target for TRI is zero. In 2020, TRI rate target is 1.6 and employee safety participation rate target is 59.

In January-June 2020, the TRI rate was 1.4 and employee safety participation rate was 71.

## EVENTS DURING THE REPORTING PERIOD

### SUSTAINABILITY WORK AWARDED WITH FOURTH CONSECUTIVE ECOVADIS GOLD RATING

Ahlstrom-Munksjö was awarded the EcoVadis Gold rating for the company's sustainability management and performance for the fourth consecutive year in June 2020. Compared with the results from the previous year, progress was especially made in sustainable procurement.

EcoVadis is a globally recognized business sustainability rating provider. The Corporate Social Responsibility assessment criteria include four themes: environment, labor practices, sustainable procurement and fair business 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.

### DIVESTMENT OF THE FINE ART PAPER BUSINESS

On March 3, 2020, Ahlstrom-Munksjö completed the sale of fine art paper business ARCHES® to Italian based F.I.L.A. Group, Fabbrica Italiana Lapis ed Affini S.p.A., for a debt and cash free price of EUR 43.6 million. The company booked a capital gain of EUR 32.0 million from the sale. The fine art paper business is small and has limited synergies within Ahlstrom-Munksjö's portfolio of businesses. F.I.L.A. is a strategic and industrial owner, a leading global player in its field, for which the ARCHES paper product range is complementary and provides further growth opportunities. The standalone pro forma net sales of the fine art paper business were approximately EUR 13 million and comparable EBITDA in excess of EUR 4 million in 2019. The transaction was first announced on October 30, 2019.

### NEW PLAN PERIODS IN THE SHARE-BASED LONG-TERM PLANS AND A NEW MATCHING SHARE PLAN

On February 13, 2020, the Board of Directors decided on a new performance period under the long-term share-based incentive plan announced on October 24, 2017. The Board of Directors has, in addition, decided on the establishment of a fixed matching share plan as well as on the establishment of a new earning period in the restricted share plan that was announced on March 28, 2019. The aim of the plans is to align the objectives of the company's shareholders and key personnel to increase the company's value and to commit the key personnel to the company through an incentive system based on the ownership of Ahlstrom-Munksjö shares. The full release is available at [www.ahlstrom-munksjo.com/Media/releases](http://www.ahlstrom-munksjo.com/Media/releases).

# BUSINESS AREA REVIEWS

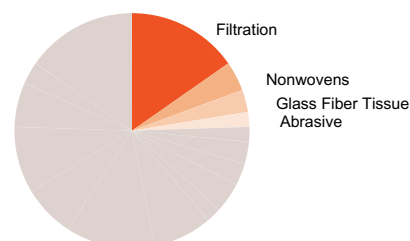
## FILTRATION & PERFORMANCE SOLUTIONS

The Filtration & Performance Solutions business area develops and produces engine oil, fuel and air filtration materials, as well as industrial filtration. It also produces abrasive backings, glass fiber for flooring products as well nonwoven materials for automotive, construction, textile, hygiene and wallcovering applications.

### Market review and highlights January-June 2020

- Demand decreased in filtration materials for transportation applications, while it remained more stable in industrial applications
- Demand for abrasives, plasterboard, flooring and wallcoverings weakened particularly in Q2
- Continued good demand for hygiene-related nonwoven materials
- Ramp-up of global face mask materials production capabilities, launch of Extia Protect face mask product range
- Launch of Ahlstrom-Munksjö FortiCell, a new range of fiber-based solutions for energy storage applications

Sales by business

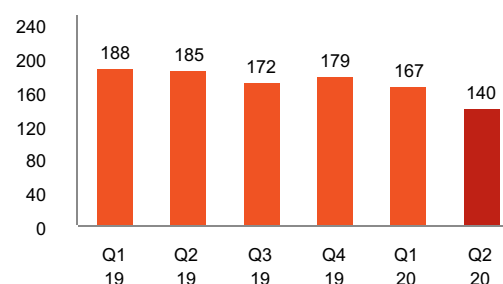


### Q2/2020 compared with Q2/2019

The decline in net sales was mainly driven by lower delivery volumes, particularly in the Filtration business. The divestment of the glass fiber reinforcement and fine arts businesses had an impact of about EUR 11 million on net sales.

The decline in comparable EBITDA was driven by lower delivery volumes. This was partially offset by lower variable and fixed costs. The ramp-up of face mask materials production had a positive impact on profitability.

MEUR Net sales

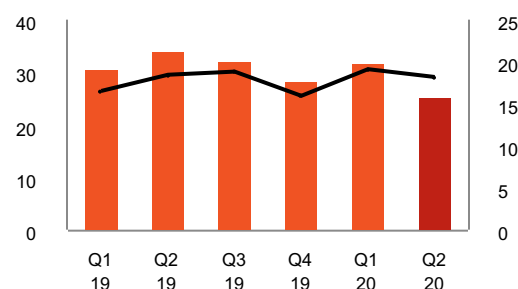


### Q1-Q2/2020 compared with Q1-Q2/2019

The decline in net sales was mainly driven by lower delivery volumes, particularly in the Filtration business.

The decline in comparable EBITDA was mainly driven by lower delivery volumes. This was partially offset by lower variable and fixed costs.

MEUR Comparable EBITDA and margin %



	Q2	Q2	Q1	Q1-Q2	Q1-Q2	Q1-Q4
EUR million, or as indicated	2020	2019	2020	2020	2019	2019
Net sales	140.2	185.5	166.5	306.7	373.0	724.0
EBITDA	22.1	33.7	62.6	84.8	64.7	121.7
Items affecting comparability in EBITDA	-3.3	-0.5	30.8	27.5	-0.5	-4.4
Comparable EBITDA	25.5	34.2	31.8	57.3	65.2	126.1
Comparable EBITDA margin, %	18.2	18.4	19.1	18.7	17.5	17.4
Capital expenditure	4.0	10.9	6.4	10.4	18.3	35.5

## ADVANCED SOLUTIONS

The Advanced Solutions business area develops and produces materials for laboratory filters and life science diagnostics, water filtration, beverage and food processing, tapes and medical fabrics. The business area also supplies hot cooking oil and milk filtration materials as well as specialty release liners.

### Market review and highlights January-June 2020

- Continued strong demand for medical and life science products
- Continued solid demand for tape backings
- Stable demand for tea and coffee materials, continued growth in demand for fibrous meat casing materials
- Significant weakening in specialty release liners due to low activity in aerospace
- Partnership with BUFF®, a producer of sport and lifestyle accessories, for the supply of replaceable filter media in face masks
- Ongoing investment at Chirnside plant in the UK to reinforce market position in biodegradable and compostable tea bag, coffee and meat casing materials delayed due to coronavirus

### Q2/2020 compared with Q2/2019

Net sales increased due to improved product mix and growth in delivery volumes. Deliveries increased in all businesses except Precision Coating, where they decreased significantly.

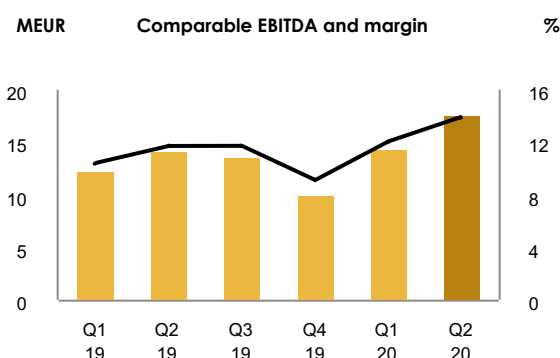
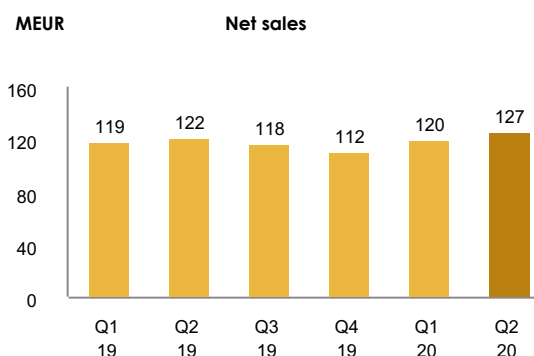
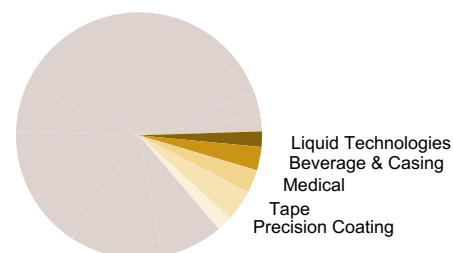
Comparable EBITDA increased due to a more favorable product mix and higher deliveries. Fixed costs decreased.

### Q1-Q2/2020 compared with Q1-Q2/2019

Net sales increased due to growth in delivery volumes. Deliveries increased in all businesses except Precision Coating, where they decreased.

Comparable EBITDA increased due to growth in deliveries and lower variable costs, which more than offset lower selling prices.

Sales by business



	Q2	Q2	Q1	Q1-Q2	Q1-Q2	Q1-Q4
EUR million, or as indicated	2020	2019	2020	2020	2019	2019
Net sales	126.8	121.7	120.1	246.9	240.8	470.2
EBITDA	17.7	14.2	14.3	31.9	26.4	50.2
Items affecting comparability in EBITDA	—	—	-0.2	-0.2	-0.2	-0.4
Comparable EBITDA	17.7	14.2	14.5	32.2	26.6	50.6
Comparable EBITDA margin, %	13.9	11.7	12.1	13.0	11.1	10.8
Capital expenditure	2.5	3.3	2.6	5.1	6.5	10.5

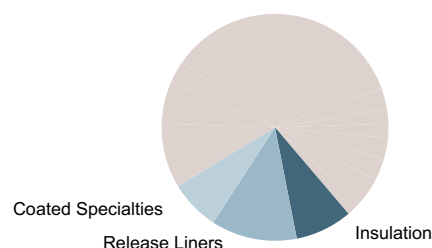
## INDUSTRIAL SOLUTIONS

The Industrial Solutions business area develops and produces release liners, electrotechnical insulation papers as well as flexible packaging and coated label papers. The business area also supplies specialty pulp, interleaving papers as well as office and printing papers.

### Market review and highlights January-June 2020

- Continued solid demand for release liners for labels, while weakening demand for industrial and specialty grades in Q2
- In Q2, clearly lower demand for interleaving papers, while weaker demand for electrotechnical papers
- Demand for coated papers in Europe and Brazil weakened in Q2 after a more stable market at the beginning of the year
- Improved operational performance of the Stenay plant in France and promising ramp-up of the new coating line at the Jacarei plant in Brazil

Sales by business



### Q2/2020 compared with Q2/2019

Net sales decreased due to lower delivery volumes. Average selling prices were lower, particularly for specialty pulp.

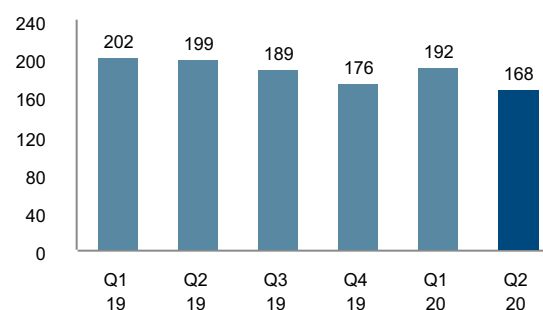
Comparable EBITDA increased as lower variable costs more than offset lower deliveries and selling prices. In specialty pulp, within the Insulation business, profitability weakened due to lower selling prices.

### Q1-Q2/2020 compared with Q1-Q2/2019

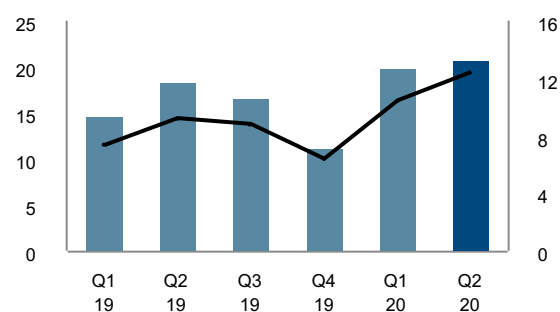
Net sales declined due to lower selling prices and a less favorable product mix, driven partly by increased volumes of specialty pulp.

Comparable EBITDA increased mainly due to lower variable costs. This was partially offset by lower selling prices and a less favorable product mix. Fixed costs increased slightly.

MEUR Net sales



MEUR Comparable EBITDA and margin %



	Q2	Q2	Q1	Q1-Q2	Q1-Q2	Q1-Q4
EUR million, or as indicated	2020	2019	2020	2020	2019	2019
Net sales	168.4	199.5	192.3	360.7	401.1	765.7
EBITDA	20.7	17.4	20.1	40.8	29.1	52.9
Items affecting comparability in EBITDA	-0.2	-1.0	—	-0.2	-4.1	-8.2
Comparable EBITDA	20.9	18.4	20.1	41.0	33.2	61.1
Comparable EBITDA margin, %	12.4	9.2	10.5	11.4	8.3	8.0
Capital expenditure	8.6	13.2	7.1	15.7	23.2	63.1



## FOOD PACKAGING & TECHNICAL SOLUTIONS

The Food Packaging & Technical Solutions business area develops and produces a wide range of sustainable food packaging and processing papers as well as specialty papers for industrial and construction use.

### Market review and highlights January-June 2020

- Weakening demand for food processing and packaging, driven by a slowdown in restaurant traffic. Stronger demand for parchment cooking and baking papers in North America and flexible packaging products sold in grocery stores.
- Weak demand for specialty papers in industrial and construction applications
- Launch of CelluSnack, a range of sustainable food packing papers with renewable properties

### Q2/2020 compared with Q2/2019

Net sales decreased due to lower delivery volumes, particularly in the Technical business.

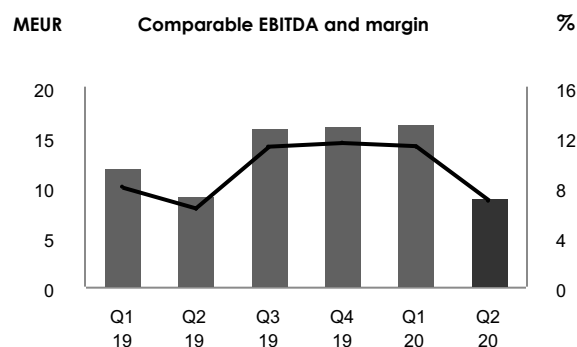
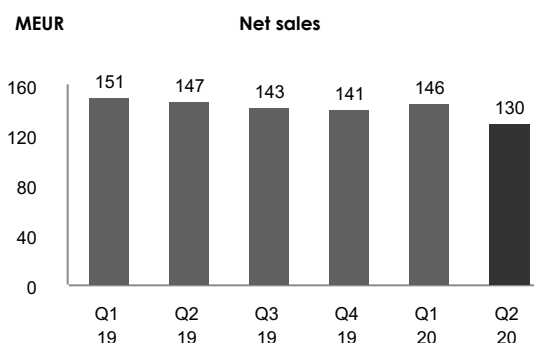
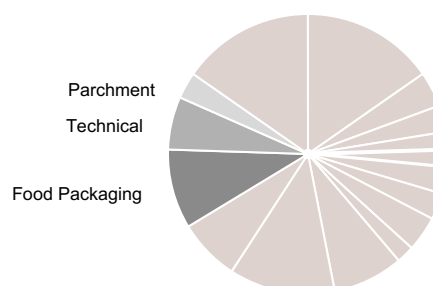
Comparable EBITDA was at the same level as in the comparison period. Lower variable costs offset the negative impacts of lower delivery volumes and average selling prices.

### Q1-Q2/2020 compared with Q1-Q2/2019

Net sales decreased due to lower delivery volumes, particularly in the Technical business, and lower average selling prices driven by less adverse product mix.

Comparable EBITDA increased as lower variable costs more than offset the negative impacts of lower delivery volumes and average selling prices.

Sales by business



EUR million, or as indicated	Q2	Q2	Q1	Q1-Q2	Q1-Q2	Q1-Q4
	2020	2019	2020	2020	2019	2019
Net sales	130.4	146.8	145.8	276.1	298.0	582.4
EBITDA	8.6	8.2	16.6	25.1	20.2	51.3
Items affecting comparability in EBITDA	-0.4	-1.0	0.2	-0.2	-1.0	-2.1
Comparable EBITDA	9.0	9.2	16.4	25.4	21.2	53.4
Comparable EBITDA margin, %	6.9	6.3	11.2	9.2	7.1	9.2
Capital expenditure	3.1	4.9	3.3	6.4	11.9	20.3

## DECOR SOLUTIONS

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

### Market review and highlights January-June 2020

- After a market recovery in the first quarter, demand for decor paper dropped significantly at the end of March, following the closure of all retail furniture outlets. The market has been recovering gradually since mid-June, following the re-opening
- Broad-based downtime at decor paper customers and end-customers in the furniture industry from mid-March to mid-June.
- Strategic review of the business proceeding, while delayed due to coronavirus outbreak

### Q2/2020 compared with Q2/2019

There was a significant drop in net sales due to exceptionally low delivery volumes in the retail furniture end-use segment.

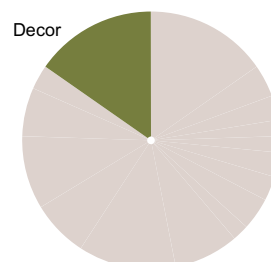
Comparable EBITDA decreased mainly due to lower delivery volumes. This negative impact was partly offset by fixed cost mitigation actions, including the implementation of short-term regulation work across the entire organization.

### Q1-Q2/2020 compared with Q1-Q2/2019

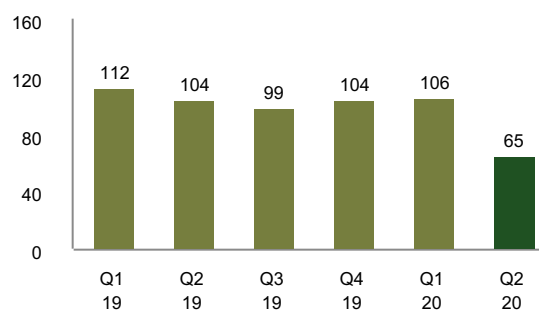
Net sales decreased mainly due to lower delivery volumes. Selling prices were also lower.

Comparable EBITDA decreased mainly due to lower delivery volumes in the retail furniture segment. Variable costs improved, mainly due to higher raw material efficiency across the business. Fixed costs also improved.

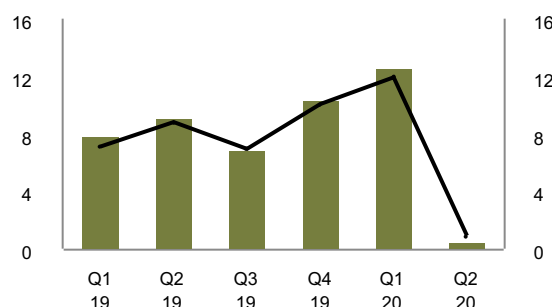
Sales by business



MEUR Net sales



MEUR Comparable EBITDA and margin %



	Q2	Q2	Q1	Q1-Q2	Q1-Q2	Q1-Q4
EUR million, or as indicated	2020	2019	2020	2020	2019	2019
Net sales	65.0	104.2	106.2	171.3	216.4	419.6
EBITDA	0.5	7.1	12.2	12.7	8.2	25.0
Items affecting comparability in EBITDA	-0.1	-2.1	-0.4	-0.5	-8.9	-9.5
Comparable EBITDA	0.6	9.2	12.7	13.3	17.1	34.5
Comparable EBITDA margin, %	0.9	8.8	11.9	7.7	7.9	8.2
Capital expenditure	1.2	2.0	1.8	3.0	5.0	9.4

# 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, 2020, Ahlstrom-Munksjö's share capital amounted to EUR 85.0 million and the total number of shares was 115,653,315.

The company had a total of 22,025 shareholders at the end of the reporting period (14,742 as of December 31, 2019) according to Euroclear Finland Ltd. and Euroclear Sweden Ltd.

At the end of the reporting period, Ahlstrom-Munksjö held 664,862 own shares, corresponding to approximately 0.6% of total shares and votes.

## SHARE PRICE PERFORMANCE AND TRADING

	Nasdaq Helsinki		Nasdaq Stockholm	
	Q1-Q2/2020	Q1-Q2/2019	Q1-Q2/2020	Q1-Q2/2019
Share price at the end of the period, EUR/SEK	13.30	14.48	137.80	152.20
Highest share price, EUR/SEK	15.58	15.18	163.20	165.00
Lowest share price, EUR/SEK	8.12	11.90	90.50	121.40
Market capitalization at the end of the period*, EUR million	1,529.3	1,669.4	N/A	N/A
Trading value, EUR/SEK million	186.8	110.9	145.3	100.5
Trading volume, shares million	14.9	8.1	1.1	0.7
Average daily trading volume, shares	121,355	65,886	8,866	5,732

\*Excluding the shares held by Ahlstrom-Munksjö

# ANNUAL GENERAL MEETING OF SHAREHOLDERS

Ahlstrom-Munksjö Oyj's Annual General Meeting (AGM) was held on March 25, 2020. The AGM adopted the Financial Statements for 2019 and discharged the members of the Board of Directors and the President and CEO from liability for the financial year 2019.

The AGM resolved to distribute a dividend of EUR 0.52 per share (EUR 59,793,995.56 in total) for the fiscal year that ended on December 31, 2019 in accordance with the proposal of the Board of Directors. The dividend will be paid in four installments. The first installment of EUR 0.13 per share was paid on April 3, 2020 and second installment of EUR 0.13 was paid on July 9, 2020. The remaining two installments are expected to be paid in October 2020 and January 2021, respectively. The Board will resolve on the remaining two installments separately. The full release on resolutions is available at [www.ahlstrom-munksjo.com](http://www.ahlstrom-munksjo.com)

# SHORT-TERM RISKS

As Ahlstrom-Munksjö manages a broad portfolio of businesses and serves a wide range of end uses globally, it is unlikely to be significantly affected at a group level by individual business related factors. However, slowing global economic growth and uncertain financial market conditions could have a materially adverse effect on the Group's financial results, operations and financial position.

Recently, the key driver for increased uncertainty globally from an economic and social perspective has been the coronavirus pandemic. The risk of a broader economic downturn has clearly increased, and if it materializes, it may weaken demand for a wide range of Ahlstrom-Munksjö products for a longer period. According to the IMF, global growth is estimated at - 4.9% in 2020 and the pandemic has had a more negative impact on economic activity in the first half of 2020 than anticipated. The recovery is projected to be gradual. The full impact of the pandemic cannot be foreseen at this stage. It will depend on both the duration and severity of the pandemic, and related measures taken to contain it.

Ahlstrom-Munksjö has assessed carrying amounts of assets and liabilities, such as goodwill and other intangible, tangible assets, inventories, deferred taxes, trade receivables and pension plans and re-assessed the need of impairment. Based on the assessments, the consequences of the pandemic has currently no impact on asset valuations.

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 and energy, financial risks, as well as other business factors including developments in global politics, regulations and the financial markets. The company's financial performance may be impacted by the timing of possible raw material

price increases and its ability to raise selling prices. On-going trade disputes pose a threat to the global economy, which may have an effect on Ahlstrom-Munksjö's markets.

Operational risks such as personnel absences, supply of key raw materials and deliveries to customers have also increased due to the pandemic. These risks have been mitigated by a rapid and coordinated response, and the implementation of the Ahlstrom-Munksjö COVID-19 Safety Protocol. However, if the pandemic continues for a longer period, the exposure to the operational risks may increase.

The company's key financial risks include interest rate and currency, liquidity and credit risks. To mitigate short-term risks, methods such as hedging and credit insurance are used. Additional credit risk assessment has been implemented for customer receivables to evaluate the potential implications of the coronavirus pandemic. Based on the assessment, the company has not identified any significant increase in the amount of bad debt, and there has currently not been any significant change in payment delays related to Ahlstrom-Munksjö's customer receivables. However, if the pandemic continues for a longer period, the exposure to the credit risk, such as delayed payments from the customers, may increase.

The pandemic has increased the risk of financiers becoming more cautious and reducing banks' willingness to provide financing. This may have an impact on refinancing and increase financing costs. Ahlstrom-Munksjö's liquidity continues to be good, and during the second quarter, the company has signed additional financing facilities to further strengthen its liquidity position. There are no major short-term refinancing needs.

The Group is exposed 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 regularly assesses the best structure for its platform of businesses and systematically evaluates M&A opportunities. In potential business combinations, substantial integration work is needed to realize expected synergies.

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 the available current information, no significant impact on the financial position of the company is expected.

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](http://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 PRESENTATION

A live webcast and a conference call will be arranged on the publishing day, July 28, 2020, at 13:30 EEST. 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://cloud.webcast.fi/ahlstrommunksjo/ahlstrommunksjo\\_2020\\_0728\\_q2/](https://cloud.webcast.fi/ahlstrommunksjo/ahlstrommunksjo_2020_0728_q2/)

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

Conference ID: 814977

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.

## APPENDIX 1: CONSOLIDATED FINANCIAL STATEMENTS

Financial statements are unaudited.

INCOME STATEMENT	Q2	Q2	Q1-Q2	Q1-Q2	Q1-Q4
EUR million	2020	2019	2020	2019	2019
<b>Net sales</b>	<b>621.5</b>	<b>745.1</b>	<b>1,339.6</b>	<b>1,502.8</b>	<b>2,915.3</b>
Cost of goods sold	-536.0	-644.9	-1,137.2	-1,309.3	-2,544.1
<b>Gross profit</b>	<b>85.5</b>	<b>100.2</b>	<b>202.4</b>	<b>193.5</b>	<b>371.2</b>
Sales, R&D and administrative expenses	-53.8	-55.8	-114.0	-122.9	-233.0
Other operating income	9.0	4.0	43.6	8.0	20.7
Other operating expense	-14.9	-13.4	-32.4	-25.8	-55.9
Share of profit in equity accounted investments	—	—	—	—	0.2
<b>Operating result</b>	<b>25.8</b>	<b>35.0</b>	<b>99.6</b>	<b>52.9</b>	<b>103.2</b>
Net financial items	-14.2	-11.7	-23.8	-23.3	-51.6
<b>Result before taxes</b>	<b>11.6</b>	<b>23.3</b>	<b>75.7</b>	<b>29.5</b>	<b>51.6</b>
Income taxes	-2.6	-8.6	-20.1	-10.6	-18.8
<b>Net result</b>	<b>9.0</b>	<b>14.8</b>	<b>55.7</b>	<b>18.9</b>	<b>32.8</b>



STATEMENT OF COMPREHENSIVE INCOME	Q2	Q2	Q1-Q2	Q1-Q2	Q1-Q4
EUR million	2020	2019	2020	2019	2019
<b>Net result</b>	<b>9.0</b>	<b>14.8</b>	<b>55.7</b>	<b>18.9</b>	<b>32.8</b>
<b>Other comprehensive income</b>					
<b>Items that may be reclassified to income statement</b>					
Exchange differences on translation of foreign operations	-11.8	-12.1	-32.4	2.2	8.2
Change in cash flow hedge reserve	3.7	-1.0	-0.9	-2.4	-2.2
Cash flow hedge transferred to this year's result	0.0	0.9	0.6	1.5	3.2
<b>Items that will not be reclassified to income statement</b>					
Actuarial gains and losses on defined benefit plans	0.1	-1.1	-6.3	3.7	-8.3
<b>Tax attributable to other comprehensive income</b>	<b>-0.8</b>	<b>0.3</b>	<b>1.5</b>	<b>-0.7</b>	<b>1.1</b>
<b>Comprehensive income</b>	<b>0.3</b>	<b>1.8</b>	<b>18.2</b>	<b>23.1</b>	<b>34.9</b>
<b>Net result attributable to</b>					
Parent company's shareholders	8.5	14.4	54.9	18.2	31.7
Non-controlling interests	0.5	0.3	0.8	0.7	1.2
<b>Comprehensive income attributable to</b>					
Parent company's shareholders	-0.1	1.7	17.5	22.4	33.7
Non-controlling interests	0.4	0.1	0.7	0.7	1.2
<b>Earnings per share</b>					
Weighted average number of outstanding shares	114,988,453	115,288,453	115,081,367	115,288,453	115,288,453
Weighted average number of outstanding shares, diluted	115,130,489	115,310,142	115,132,096	115,310,283	115,320,715
Basic earnings per share, EUR	0.07	0.13	0.46	0.16	0.27
Diluted earnings per share, EUR	0.07	0.13	0.46	0.16	0.27

BALANCE SHEET	Jun 30,	Jun 30,	Dec 31,
EUR million	2020	2019	2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	1,068.1	1,111.6	1,131.5
Right-of-use assets	53.2	59.3	57.0
Goodwill	625.2	634.7	642.7
Other intangible assets	481.7	498.0	499.1
Equity accounted investments	1.3	1.1	1.4
Other non-current assets	15.6	15.6	19.3
Deferred tax assets	4.2	8.5	9.9
<b>Total non-current assets</b>	<b>2,249.4</b>	<b>2,328.8</b>	<b>2,360.8</b>
<b>Current assets</b>			
Inventories	408.6	441.9	387.6
Trade and other receivables	300.2	324.7	278.9
Income tax receivables	9.2	5.5	7.7
Cash and cash equivalents	259.6	191.3	166.1
<b>Total current assets</b>	<b>977.6</b>	<b>963.5</b>	<b>840.4</b>
<b>TOTAL ASSETS</b>	<b>3,227.0</b>	<b>3,292.3</b>	<b>3,201.2</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity attributable to parent company's shareholders	1,071.6	1,115.2	1,121.2
Non-controlling interests	11.2	10.3	10.8
Hybrid bond	100.0	—	100.0
<b>Total equity</b>	<b>1,182.8</b>	<b>1,125.5</b>	<b>1,232.0</b>
<b>Non-current liabilities</b>			
Non-current borrowings	886.3	1,012.4	899.0
Non-current lease liabilities	41.5	45.8	44.2
Other non-current liabilities	3.7	1.4	1.4
Employee benefit obligations	100.9	87.6	97.2
Deferred tax liabilities	137.8	147.0	147.5
Non-current provisions	23.3	26.2	24.3
<b>Total non-current liabilities</b>	<b>1,193.5</b>	<b>1,320.5</b>	<b>1,213.5</b>
<b>Current liabilities</b>			
Current borrowings	197.3	164.5	94.8
Current lease liabilities	13.2	13.3	13.1
Trade and other payables	606.6	634.9	621.7
Income tax liabilities	20.7	20.2	13.2
Current provisions	12.8	13.5	12.8
<b>Total current liabilities</b>	<b>850.7</b>	<b>846.3</b>	<b>755.6</b>
<b>Total liabilities</b>	<b>2,044.2</b>	<b>2,166.8</b>	<b>1,969.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,227.0</b>	<b>3,292.3</b>	<b>3,201.2</b>

**STATEMENT OF CHANGES IN EQUITY**  
**EUR million**

- 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 parent company's shareholders**
- 8) Non-controlling interest
- 9) Hybrid bond
- 10) Total equity**

EUR million	1)	2)	3)	4)	5)	6)	7)	8)	9)	10)
<b>Equity at January 1, 2019</b>	<b>85.0</b>	<b>661.8</b>	<b>385.1</b>	<b>-6.3</b>	<b>-76.7</b>	<b>103.5</b>	<b>1,152.3</b>	<b>9.9</b>	<b>—</b>	<b>1,162.2</b>
Net result	—	—	—	—	—	18.2	18.2	0.7	—	18.9
Other comprehensive income, net of tax	—	—	-0.7	—	2.1	2.8	4.2	0.0	—	4.2
<b>Total comprehensive income</b>	<b>—</b>	<b>—</b>	<b>-0.7</b>	<b>—</b>	<b>2.1</b>	<b>21.0</b>	<b>22.4</b>	<b>0.7</b>	<b>—</b>	<b>23.1</b>
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 plans	—	—	—	—	—	0.5	0.5	—	—	0.5
<b>Equity at June 30, 2019</b>	<b>85.0</b>	<b>661.8</b>	<b>384.4</b>	<b>-6.3</b>	<b>-74.5</b>	<b>64.9</b>	<b>1,115.2</b>	<b>10.3</b>	<b>—</b>	<b>1,125.5</b>
<b>Equity at January 1, 2020</b>	<b>85.0</b>	<b>661.8</b>	<b>385.9</b>	<b>-6.3</b>	<b>-68.5</b>	<b>63.4</b>	<b>1,121.2</b>	<b>10.8</b>	<b>100.0</b>	<b>1,232.0</b>
Net result	—	—	—	—	—	54.9	54.9	0.8	—	55.7
Other comprehensive income, net of tax	—	—	-0.2	—	-32.3	-4.9	-37.4	-0.1	—	-37.5
<b>Total comprehensive income</b>	<b>—</b>	<b>—</b>	<b>-0.2</b>	<b>—</b>	<b>-32.3</b>	<b>50.0</b>	<b>17.5</b>	<b>0.7</b>	<b>—</b>	<b>18.2</b>
Dividends and other	—	—	—	—	—	-59.9	-59.9	-0.3	—	-60.3
Repurchase of treasury shares	—	—	—	-4.0	—	—	-4.0	—	—	-4.0
Interest on hybrid bond	—	—	—	—	—	-3.7	-3.7	—	—	-3.7
Long term incentive plans	—	—	—	—	—	0.6	0.6	—	—	0.6
<b>Equity at June 30, 2020</b>	<b>85.0</b>	<b>661.8</b>	<b>385.7</b>	<b>-10.4</b>	<b>-100.8</b>	<b>50.3</b>	<b>1,071.6</b>	<b>11.2</b>	<b>100.0</b>	<b>1,182.8</b>

STATEMENT OF CASH FLOWS	Q2	Q2	Q1-Q2	Q1-Q2	Q1-Q4
EUR million	2020	2019	2020	2019	2019
<b>Cash flow from operating activities</b>					
Net result	9.0	14.8	55.7	18.9	32.8
Adjustments, total	58.2	62.3	99.9	117.9	240.5
Changes in net working capital	-34.7	8.1	-93.1	-12.0	93.5
Change in provisions	-0.9	-1.0	-3.0	1.3	-2.3
Financial items	-16.5	-16.1	-26.7	-26.0	-49.7
Income taxes paid	-6.6	-4.9	-12.3	-7.2	-28.0
<b>Net cash from operating activities</b>	<b>8.5</b>	<b>63.1</b>	<b>20.4</b>	<b>92.9</b>	<b>286.7</b>
<b>Cash flow from investing activities</b>					
Payment for acquisition of businesses and subsidiaries, net of cash acquired	—	0.2	—	-1.5	-10.8
Purchases of property, plant and equipment and intangible assets	-24.4	-38.7	-50.7	-74.2	-161.1
Proceeds from disposal of shares in Group companies and businesses and associated companies	1.1	—	42.3	—	1.4
Other investing activities	-0.6	-0.3	-0.4	-0.2	0.0
<b>Net cash from investing activities</b>	<b>-23.9</b>	<b>-38.9</b>	<b>-8.8</b>	<b>-75.9</b>	<b>-170.4</b>
<b>Cash flow from financing activities</b>					
Dividends paid and other	-15.0	-29.9	-15.4	-30.3	-60.4
Rights issue	—	-0.2	—	-5.7	-5.7
Repurchase of treasury shares	—	—	-4.0	—	—
Hybrid bond	—	—	—	—	99.3
Changes in loans and other financing activities	41.8	-21.0	105.6	57.8	-135.6
<b>Net cash from financing activities</b>	<b>26.8</b>	<b>-51.1</b>	<b>86.2</b>	<b>21.8</b>	<b>-102.4</b>
<b>Net change in cash and cash equivalents</b>	<b>11.5</b>	<b>-26.9</b>	<b>97.8</b>	<b>38.8</b>	<b>13.9</b>
Cash and cash equivalents at the beginning of the period	247.3	218.8	166.1	151.0	151.0
Foreign exchange effect on cash and cash equivalents	0.8	-0.6	-4.4	1.4	1.2
<b>Cash and cash equivalents at the end of the period</b>	<b>259.6</b>	<b>191.3</b>	<b>259.6</b>	<b>191.3</b>	<b>166.1</b>

**Accounting principles**

This unaudited consolidated half-year 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 2019.

**Share based payments**

Ahlstrom-Munksjö's Board of Directors decided in February 2020 on a new performance period under the long-term share-based incentive plan announced in October 2017. The Board of Directors has, in addition, decided on the establishment of a fixed matching share plan as well as on the establishment of a new earning period in the restricted share plan that was announced in March 28, 2019.

*Long term Incentive Share-based Plan - Fourth performance period 2020-2022 ("LTI 2020-2022")*

Ahlstrom-Munksjö's Board of Directors decided on February 13, 2020 a new performance period under the long-term share-based incentive plan announced in October 2017. The fourth performance period is 2020-2022 and the possible reward will be paid out in the spring 2023. The reward will be paid in the form of Ahlstrom-Munksjö shares. The maximum aggregate number of shares to be paid based on this plan period is approximately 625,400 shares.

The performance criterion for the 2020-2022 performance period will be the Total Shareholder Return (TSR) including share price change and profit distribution during the performance period and earnings per share (EPS).

The fair value of the rewards at the grant date was EUR 0.8 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:

Input used in determining fair value of rewards	LTI 2020-2022
Share price at grant date, EUR	11.82
Grant date	May 15, 2020
End of restriction period	March 15, 2023
Expected average yearly volatility, %	34.4

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 earnings per share performance criteria are used to calculate the annual expense and cumulative amount recognized in equity relating the share-based payment scheme and are reviewed at the end of every reporting period. The input used regarding the service condition is set out in the table below.

Service condition	LTI 2020-2022
Estimated retention rate of participants, %	90.0

*Accounting policies for LTI 2020-2022*

Please see Group's Annual report 2019. The only difference being the non-market performance condition. For LTI 2020-2022 it is earnings per share instead of comparable EBITDA.

*Matching Share Plan*

The Fixed Matching Share Plan is from 2020 onwards based on a rolling structure and its first plan period covers the years 2020 - 2022. A precondition of an eligible individual's participation is a personal investment in Ahlstrom-Munksjö shares.

In the Matching Share Plan the participant will in the spring 2023 receive one matching share for each two invested shares free of charge after an approximately three-year restriction period in the spring 2023. A precondition for the receipt of the share reward is the continued holding of the invested shares and continued employment with Ahlstrom-Munksjö throughout the plan.

If all the individuals eligible to participate in the Matching Share Plan make the share investment in full, the maximum aggregate amount of matching shares to be delivered based on the plan is approximately 127,450 shares.

The fair value of the rewards at the grant date was EUR 0.8 million.

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

Input used in determining fair value of rewards	Matching share plan
Share purchase price (avg), EUR	14.00
Number of matching shares, pcs	68,450
Grant date	May 15, 2020
End of restriction period	March 31, 2023

Service condition criteria 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 is reviewed at the end of every reporting period.

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

### **Business acquisitions and disposals**

2020

#### *Divestment of Fine Arts in Arches*

On March 3, 2020 Ahlstrom-Munksjö completed the sale of its fine art paper business ARCHES® to Italian based F.I.L.A. Group, Fabbrica Italiana Lapis ed Affini S.p.A., at a debt and cash free price of EUR 43.6 million.

#### **Provisional gain on sale and cash flow**

EUR million	
Total net assets sold	10.3
Provisional sale consideration	42.3
<b>Provisional gain on sale</b>	<b>32.0</b>
<b>Cash flow</b>	
Provisional sale consideration	42.3
Receivable related to sale consideration	—
<b>Consideration received</b>	<b>42.3</b>

The last part of the disposal was completed in the second quarter of 2020. Total book value of sold net assets were EUR 10.3 million and the provisional gain on sale was EUR 32.0 million.

2019

Details related to business acquisitions and disposals done during the year 2019 are available in Group's annual report 2019, note 3.



### **Segment information**

Ahlstrom-Munksjö is organized into five business areas which are Filtration & Performance Solutions, Advanced Solutions, Industrial Solutions, Food Packaging & Technical Solutions and Decor Solutions. Ahlstrom-Munksjö's business areas are described below.

#### *Filtration & Performance Solutions*

The Filtration & Performance Solutions business area develops and produces engine oil, fuel and air filtration materials, as well as industrial filtration. It also produces abrasive backings, glass fiber for flooring products as well nonwoven materials for automotive, construction, textile, hygiene and wallcovering applications.

#### *Advanced Solutions*

The Advanced Solutions business area develops and produces materials for laboratory filters and life science diagnostics, water filtration, beverage and food processing, tapes and medical fabrics. The business area also supplies hot cooking oil and milk filtration materials as well as specialty release liners.

#### *Industrial Solutions*

The Industrial Solutions business area develops and produces release liners, electrotechnical insulation papers as well as flexible packaging and coated label papers. The business area also supplies specialty pulp, interleaving papers as well as office and printing papers.

#### *Food Packaging & Technical Solutions*

The Food Packaging & Technical Solutions business area develops and produces a wide range of sustainable food packaging and processing papers as well as specialty papers for industrial and construction use.

#### *Decor Solutions*

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

#### *Other and eliminations*

Other and eliminations include head office costs comprising the following functions: Group Finance, Corporate Development, Legal, R&D, Group Communications and Investor Relations, as well as Group Human Resources. 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-Q2/2020	Filtration & Performance Solutions	Advanced Solutions	Industrial Solutions	Food Packaging & Technical Solutions	Decor Solutions	Other and eliminations	Group
Net sales, external	303.1	245.6	358.0	258.3	171.0	3.7	1,339.6
Net sales, internal	3.6	1.3	2.7	17.8	0.3	-25.7	—
<b>Net sales</b>	<b>306.7</b>	<b>246.9</b>	<b>360.7</b>	<b>276.1</b>	<b>171.3</b>	<b>-22.0</b>	<b>1,339.6</b>
Comparable EBITDA	57.3	32.2	41.0	25.4	13.3	-3.4	165.7
Items affecting comparability in EBITDA	27.5	-0.2	-0.2	-0.2	-0.5	-2.4	23.9
<b>EBITDA</b>	<b>84.8</b>	<b>31.9</b>	<b>40.8</b>	<b>25.1</b>	<b>12.7</b>	<b>-5.8</b>	<b>189.6</b>
Depreciation, amortization and impairment							-90.0
<b>Operating result</b>							<b>99.6</b>
Capital expenditure	10.4	5.1	15.7	6.4	3.0	10.1	50.7

Financial performance by business area, EUR million Q1-Q2/2019	Filtration & Performance Solutions	Advanced Solutions	Industrial Solutions	Food Packaging & Technical Solutions	Decor Solutions	Other and eliminations	Group
Net sales, external	369.4	239.8	395.7	279.0	215.9	3.0	1,502.8
Net sales, internal	3.6	1.0	5.4	18.9	0.5	-29.5	—
<b>Net sales</b>	<b>373.0</b>	<b>240.8</b>	<b>401.1</b>	<b>298.0</b>	<b>216.4</b>	<b>-26.5</b>	<b>1,502.8</b>
Comparable EBITDA	65.2	26.6	33.2	21.2	17.1	-4.6	158.8
Items affecting comparability in EBITDA	-0.5	-0.2	-4.1	-1.0	-8.9	-5.8	-20.5
<b>EBITDA</b>	<b>64.7</b>	<b>26.4</b>	<b>29.1</b>	<b>20.2</b>	<b>8.2</b>	<b>-10.3</b>	<b>138.3</b>
Depreciation, amortization and impairment							-85.5
<b>Operating result</b>							<b>52.9</b>
Capital expenditure	18.3	6.5	23.2	11.9	5.0	9.3	74.2

Segment information by quarter	2020	2020	2019	2019	2019
EUR million, or as indicated	Q2	Q1	Q4	Q3	Q2
<b>Net sales, external</b>					
Filtration & Performance Solutions	138.8	164.3	177.4	170.4	183.5
Advanced Solutions	126.0	119.6	111.2	117.2	121.1
Industrial Solutions	166.8	191.2	174.5	188.0	197.2
Food Packaging & Technical Solutions	123.1	135.2	132.3	133.9	137.6
Decor Solutions	64.9	106.1	103.7	99.2	104.0
Other and eliminations	1.9	1.7	2.2	2.6	1.7
<b>Group</b>	<b>621.5</b>	<b>718.1</b>	<b>701.3</b>	<b>711.3</b>	<b>745.1</b>
<b>Net sales, internal</b>					
Filtration & Performance Solutions	1.4	2.2	1.2	2.1	2.0
Advanced Solutions	0.7	0.5	0.5	0.6	0.6
Industrial Solutions	1.6	1.1	1.2	0.9	2.2
Food Packaging & Technical Solutions	7.2	10.6	9.0	9.2	9.2
Decor Solutions	0.2	0.1	0.0	0.3	0.3
Other and eliminations	-11.1	-14.5	-11.8	-13.0	-14.2
<b>Group</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net sales, total</b>					
Filtration & Performance Solutions	140.2	166.5	178.6	172.4	185.5
Advanced Solutions	126.8	120.1	111.7	117.8	121.7
Industrial Solutions	168.4	192.3	175.6	188.9	199.5
Food Packaging & Technical Solutions	130.4	145.8	141.3	143.1	146.8
Decor Solutions	65.0	106.2	103.7	99.4	104.2
Other and eliminations	-9.2	-12.8	-9.7	-10.3	-12.6
<b>Group</b>	<b>621.5</b>	<b>718.1</b>	<b>701.3</b>	<b>711.3</b>	<b>745.1</b>
<b>EBITDA</b>					
Filtration & Performance Solutions	22.1	62.6	26.7	30.3	33.7
Advanced Solutions	17.7	14.3	10.0	13.8	14.2
Industrial Solutions	20.7	20.1	8.2	15.6	17.4
Food Packaging & Technical Solutions	8.6	16.6	15.7	15.4	8.2
Decor Solutions	0.5	12.2	9.9	6.8	7.1
Other and eliminations	-0.5	-5.3	-7.2	-4.1	-2.6
<b>Group</b>	<b>69.1</b>	<b>120.5</b>	<b>63.3</b>	<b>77.8</b>	<b>78.1</b>
<b>Items affecting comparability in EBITDA</b>					
Filtration & Performance Solutions	-3.3	30.8	-1.7	-2.2	-0.5
Advanced Solutions	—	-0.2	-0.2	-0.0	—
Industrial Solutions	-0.2	—	-3.0	-1.1	-1.0
Food Packaging & Technical Solutions	-0.4	0.2	-0.5	-0.6	-1.0
Decor Solutions	-0.1	-0.4	-0.6	-0.1	-2.1
Other and eliminations	-0.8	-1.5	-1.1	-1.8	-1.1
<b>Group</b>	<b>-4.9</b>	<b>28.8</b>	<b>-7.2</b>	<b>-5.8</b>	<b>-5.7</b>

Segment information by quarter	2020	2020	2019	2019	2019
EUR million, or as indicated	Q2	Q1	Q4	Q3	Q2
<b>Comparable EBITDA</b>					
Filtration & Performance Solutions	25.5	31.8	28.5	32.4	34.2
Advanced Solutions	17.7	14.5	10.2	13.8	14.2
Industrial Solutions	20.9	20.1	11.2	16.7	18.4
Food Packaging & Technical Solutions	9.0	16.4	16.2	16.0	9.2
Decor Solutions	0.6	12.7	10.4	6.9	9.2
Other and eliminations	0.4	-3.7	-6.0	-2.3	-1.5
<b>Group</b>	<b>74.0</b>	<b>91.7</b>	<b>70.5</b>	<b>83.6</b>	<b>83.8</b>
<b>Comparable EBITDA margin, %</b>					
Filtration & Performance Solutions	18.2	19.1	15.9	18.8	18.4
Advanced Solutions	13.9	12.1	9.1	11.7	11.7
Industrial Solutions	12.4	10.5	6.4	8.8	9.2
Food Packaging & Technical Solutions	6.9	11.2	11.5	11.2	6.3
Decor Solutions	0.9	11.9	10.1	6.9	8.8
<b>Group</b>	<b>11.9</b>	<b>12.8</b>	<b>10.1</b>	<b>11.7</b>	<b>11.2</b>
<b>Capital expenditure</b>					
Filtration & Performance Solutions	4.0	6.4	6.9	10.3	10.9
Advanced Solutions	2.5	2.6	1.7	2.4	3.3
Industrial Solutions	8.6	7.1	14.5	25.5	13.2
Food Packaging & Technical Solutions	3.1	3.3	5.4	3.0	4.9
Decor Solutions	1.2	1.8	2.5	1.9	2.0
Other and eliminations	5.0	5.1	5.4	7.5	4.3
<b>Group</b>	<b>24.4</b>	<b>26.3</b>	<b>36.3</b>	<b>50.6</b>	<b>38.7</b>

Net sales by region	Q2	Q2	Q1-Q2	Q1-Q2	Q1-Q4
EUR million	2020	2019	2020	2019	2019
Europe	259.1	323.7	574.5	659.2	1,275.0
North America	229.4	249.4	474.3	503.6	984.2
South America	35.2	57.3	91.8	120.8	233.5
Asia-Pacific	90.0	104.9	179.1	199.6	382.9
Rest of the world	7.9	9.8	20.1	19.6	39.7
<b>Total</b>	<b>621.5</b>	<b>745.1</b>	<b>1,339.6</b>	<b>1,502.8</b>	<b>2,915.3</b>

Other operating income	Q2	Q2	Q1-Q2	Q1-Q2	Q1-Q4
EUR million	2020	2019	2020	2019	2019
Gain on business disposal	1.1	—	32.0	—	—
Gain on sale of fixed assets	0.1	0.1	0.2	0.1	0.9
Sale of scrap and side products	1.3	1.8	2.5	3.5	5.5
Government grants	3.6	0.6	4.3	1.2	3.3
R&D and other tax credits	0.4	0.5	0.6	0.7	1.4
Gain on sale of emission rights and other environmental rights	0.0	0.3	0.0	0.8	6.2
Other	2.6	0.8	3.9	1.7	3.5
<b>Total</b>	<b>9.0</b>	<b>4.0</b>	<b>43.6</b>	<b>8.0</b>	<b>20.7</b>

Gain on business disposal is related to the divestment of Fine Arts in Arches. See more details in section business acquisitions and disposals.

Other operating expense	Q2	Q2	Q1-Q2	Q1-Q2	Q1-Q4
EUR million	2020	2019	2020	2019	2019
Depreciation and amortization arising from PPA*	-13.0	-13.1	-26.1	-25.7	-52.1
Impairment loss	-1.1	—	-5.2	—	-2.4
Other	-0.9	-0.3	-1.1	-0.1	-1.5
<b>Total</b>	<b>-14.9</b>	<b>-13.4</b>	<b>-32.4</b>	<b>-25.8</b>	<b>-55.9</b>

\*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.

Impairment loss is related to an old gas turbine in Turin, Italy and right-of-use asset office building in Sweden.

Changes in property, plant and equipment	Q1-Q2	Q1-Q2	Q1-Q4
EUR million	2020	2019	2019
<b>Net book value at the beginning of period</b>	<b>1,131.5</b>	<b>1,117.2</b>	<b>1,117.2</b>
Reclassification to right-of-use assets	—	-5.8	-5.8
Business combination	—	—	0.6
Additions	33.7	58.7	145.5
Disposals	-3.3	-0.3	-3.2
Depreciations, amortizations and impairment	-62.9	-60.5	-125.7
Translation differences and other changes	-30.8	2.4	2.9
<b>Net book value at the end of period</b>	<b>1,068.1</b>	<b>1,111.6</b>	<b>1,131.5</b>

Changes in right-of-use assets	Q1-Q2	Q1-Q2	Q1-Q4
EUR million	2020	2019	2019
<b>Net book value at the beginning of period</b>	<b>57.0</b>	<b>—</b>	<b>—</b>
Reclassification from property, plant and equipment	—	5.8	5.8
Impact of IFRS 16 on the opening balance	—	57.0	57.0
Additions	5.9	6.0	11.8
Depreciations, amortizations and impairment	-8.8	-7.8	-15.4
Translation differences and other changes	-1.0	-1.8	-2.2
<b>Net book value at the end of period</b>	<b>53.2</b>	<b>59.3</b>	<b>57.0</b>

Ageing of trade receivables	Jun 30,	Jun 30,	Dec 31,
EUR million	2020	2019	2019
Not due	210.9	217.7	186.1
1-30 days overdue	21.9	28.6	29.0
31-180 days overdue	7.6	4.1	3.7
181-360 days overdue	0.4	0.5	-0.7
>360 days overdue	0.7	0.7	0.5
<b>Total</b>	<b>241.6</b>	<b>251.7</b>	<b>218.6</b>
Loss allowance	6.1	7.6	6.4

Net debt	Jun 30,	Jun 30,	Dec 31,
EUR million	2020	2019	2019
<b>Assets</b>			
Cash and cash equivalents	259.6	191.3	166.1
<b>Liabilities</b>			
Non-current borrowings	886.3	1,012.4	899.0
Non-current lease liabilities	41.5	45.8	44.2
Current borrowings	197.3	164.5	94.8
Current lease liabilities	13.2	13.3	13.1
<b>Net debt</b>	<b>878.7</b>	<b>1,044.7</b>	<b>885.0</b>

Ahlstrom-Munksjö's parent company in Finland has a commercial paper program amounting to EUR 300 million of which EUR 50.0 million was utilized in June 30, 2020.

Fair values of financial assets and liabilities	Jun 30, 2020		Jun 30, 2019		Dec 31, 2019	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
<b>EUR million</b>						
<b>Non-current financial instruments measured at amortized cost</b>						
Bond	249.3	254.7	249.0	253.9	249.2	257.7
Bank loans	636.9	636.9	763.4	763.4	649.8	649.8
Lease liabilities	41.5	41.5	45.8	45.8	44.2	44.2
<b>Financial instruments measured at fair value</b>						
Forward contracts - cash flow hedge accounting	1.3	1.3	-0.7	-0.7	1.3	1.3
Forward contracts - fair value through income statement	0.2	0.2	0.0	0.0	-0.1	-0.1
Interest rate swap contracts - cash flow hedge accounting	-0.3	-0.3	—	—	—	—

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	Jun 30,	Jun 30,	Dec 31,
EUR million	2020	2019	2019
Forward contracts - cash flow hedge accounting	92.7	91.9	93.0
Forward contracts - fair value through income statement	92.7	57.8	36.8
Interest rate swap contracts - cash flow hedge accounting	166.1	—	—

Off-balance sheet commitments	Jun 30,	Jun 30,	Dec 31,
EUR million	2020	2019	2019
<b>Assets pledged</b>			
Pledges	0.9	0.9	0.9
<b>Commitments</b>			
Guarantees and commitments given on behalf of Group companies	59.5	63.2	56.5
Capital expenditure commitments	17.7	39.6	15.7
Other guarantees and commitments	38.5	33.2	40.9

#### 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**

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 are unaudited.



KEY FIGURES	Q2	Q2	Q1-Q2	Q1-Q2	Q1-Q4
EUR million, or as indicated	2020	2019	2020	2019	2019
Employee benefit expenses	-142.5	-148.1	-291.3	-298.7	-583.1
Depreciation and amortization	-42.2	-43.1	-84.8	-85.5	-173.9
Impairment loss	-1.1	—	-5.2	—	-2.4
Net sales	621.5	745.1	1,339.6	1,502.8	2,915.3
Operating result	25.8	35.0	99.6	52.9	103.2
Operating result margin, %	4.2	4.7	7.4	3.5	3.5
Net result	9.0	14.8	55.7	18.9	32.8
EBITDA	69.1	78.1	189.6	138.3	279.4
EBITDA margin, %	11.1	10.5	14.2	9.2	9.6
Comparable EBITDA	74.0	83.8	165.7	158.8	312.9
Comparable EBITDA margin, %	11.9	11.2	12.4	10.6	10.7
Items affecting comparability in EBITDA	-4.9	-5.7	23.9	-20.5	-33.4
Comparable operating result	31.8	40.7	80.9	73.3	139.0
Comparable operating result margin, %	5.1	5.5	6.0	4.9	4.8
Comparable operating result excl. depreciation and amortization arising from PPA	44.7	53.8	107.0	99.0	191.1
Items affecting comparability in operating result	-5.9	-5.7	18.7	-20.5	-35.8
Return on capital employed (ROCE), rolling 12 months, %	6.4	3.6	6.4	3.6	4.4
Comparable return on capital employed, rolling 12 months, %	6.3	6.9	6.3	6.9	5.9
Capital employed average for 12 months	2,340.9	2,191.9	2,340.9	2,191.9	2,363.3
Total equity	1,182.8	1,125.5	1,182.8	1,125.5	1,232.0
Return on equity (ROE), rolling 12 months, %	5.9	1.7	5.9	1.7	2.9
Comparable return on equity, rolling 12 months, %	5.4	6.4	5.4	6.4	5.2
Total equity average for 12 months	1,182.3	1,110.2	1,182.3	1,110.2	1,149.3
Net debt	878.7	1,044.7	878.7	1,044.7	885.0
Gearing ratio, %	74.3	92.8	74.3	92.8	71.8
Equity/assets ratio, %	36.7	34.2	36.7	34.2	38.5
Earnings per share (basic), EUR	0.07	0.13	0.46	0.16	0.27
Earnings per share (diluted), EUR	0.07	0.13	0.46	0.16	0.27
Comparable net result	12.8	19.0	38.3	34.1	59.3
Comparable earnings per share (basic), EUR	0.10	0.16	0.31	0.29	0.50
Comparable net result excl. depreciation and amortization arising from PPA	22.5	28.7	57.9	53.2	98.0
Comparable earnings per share excl. depreciation and amortization arising from PPA, EUR	0.18	0.25	0.48	0.46	0.84
Operating cash flow per share, EUR	0.07	0.55	0.18	0.81	2.49
Shareholders' equity per share, EUR	9.3	9.7	9.3	9.7	9.7
Number of shares outstanding at the end of the period	114,988,453	115,288,453	114,988,453	115,288,453	115,288,453
Weighted average number of outstanding shares	114,988,453	115,288,453	115,081,367	115,288,453	115,288,453
Capital expenditure	24.4	38.7	50.7	74.2	161.1
Average number of employees, FTE	7,748	8,098	7,802	8,119	8,078
Sales volumes, thousands of tons	357	403	775	809	1,592

Reconciliation of certain key performance measures	Q2	Q2	Q1-Q2	Q1-Q2	Q1-Q4
EUR million or as indicated	2020	2019	2020	2019	2019
<b>Items affecting comparability</b>					
Transaction costs	-0.9	-0.5	-2.2	-0.8	-2.7
Integration costs	—	-2.0	-0.5	-8.8	-11.7
Restructuring costs	-0.5	-2.3	-1.0	-10.0	-15.4
Gain/Loss on business disposal and other related items	-2.9	—	28.1	—	-1.6
Other	-0.6	-0.9	-0.6	-0.9	-2.1
<b>Total items affecting comparability in EBITDA</b>	<b>-4.9</b>	<b>-5.7</b>	<b>23.9</b>	<b>-20.5</b>	<b>-33.4</b>
Impairment loss	-1.1	—	-5.2	—	-2.4
<b>Total items affecting comparability in operating result</b>	<b>-5.9</b>	<b>-5.7</b>	<b>18.7</b>	<b>-20.5</b>	<b>-35.8</b>
<b>Comparable EBITDA</b>					
Operating result	25.8	35.0	99.6	52.9	103.2
Depreciation, amortization and impairment	43.3	43.1	90.0	85.5	176.2
<b>EBITDA</b>	<b>69.1</b>	<b>78.1</b>	<b>189.6</b>	<b>138.3</b>	<b>279.4</b>
Total items affecting comparability in EBITDA	4.9	5.7	-23.9	20.5	33.4
<b>Comparable EBITDA</b>	<b>74.0</b>	<b>83.8</b>	<b>165.7</b>	<b>158.8</b>	<b>312.9</b>
<b>Comparable operating result excl. depreciation and amortization arising from PPA</b>					
Operating result	25.8	35.0	99.6	52.9	103.2
Total items affecting comparability in operating result	5.9	5.7	-18.7	20.5	35.8
<b>Comparable operating result</b>	<b>31.8</b>	<b>40.7</b>	<b>80.9</b>	<b>73.3</b>	<b>139.0</b>
Depreciation and amortization arising from PPA*	13.0	13.1	26.1	25.7	52.1
<b>Comparable operating result excl. depreciation and amortization arising from PPA</b>	<b>44.7</b>	<b>53.8</b>	<b>107.0</b>	<b>99.0</b>	<b>191.1</b>
<b>Comparable net result excl. depreciation and amortization arising from PPA</b>					
Net result	9.0	14.8	55.7	18.9	32.8
Total items affecting comparability in operating result	5.9	5.7	-18.7	20.5	35.8
Taxes relating to items affecting comparability in operating result	-2.2	-1.4	1.3	-5.3	-9.3
<b>Comparable net result</b>	<b>12.8</b>	<b>19.0</b>	<b>38.3</b>	<b>34.1</b>	<b>59.3</b>
Depreciation and amortization arising from PPA*	13.0	13.1	26.1	25.7	52.1
Taxes relating to depreciation and amortization arising from PPA	-3.2	-3.4	-6.6	-6.6	-13.4
<b>Comparable net result excl. depreciation and amortization arising from PPA</b>	<b>22.5</b>	<b>28.7</b>	<b>57.9</b>	<b>53.2</b>	<b>98.0</b>
<b>Comparable earnings per share (basic), EUR</b>					
Comparable net result	12.8	19.0	38.3	34.1	59.3
Net result attributable to non-controlling interest	-0.5	-0.3	-0.8	-0.7	-1.2
Comparable net result attributable to parent company shareholders	12.3	18.7	37.5	33.4	58.2
Interest on hybrid bond for the period, after taxes	-0.8	—	-1.6	—	-0.2
Weighted average number of outstanding shares	114,988,453	115,288,453	115,081,367	115,288,453	115,288,453
<b>Comparable earnings per share (basic), EUR</b>	<b>0.10</b>	<b>0.16</b>	<b>0.31</b>	<b>0.29</b>	<b>0.50</b>

\*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.

Reconciliation of certain key performance measures	Q2	Q2	Q1-Q2	Q1-Q2	Q1-Q4
EUR million or as indicated	2020	2019	2020	2019	2019
<b>Comparable EPS excl. depreciation and amortization arising from PPA, EUR</b>					
Comparable net result excl. depreciation and amortization arising from PPA	22.5	28.7	57.9	53.2	98.0
Net result attributable to non-controlling interest	-0.5	-0.3	-0.8	-0.7	-1.2
Comparable net result excl. depreciation and amortization arising from PPA attributable to parent company shareholders	22.0	28.4	57.0	52.5	96.8
Interest on hybrid bond for the period, after taxes	-0.8	—	-1.6	—	-0.2
Weighted average number of outstanding shares	114,988,453	115,288,453	115,081,367	115,288,453	115,288,453
<b>Comparable EPS excl. depreciation and amortization arising from PPA, EUR</b>	<b>0.18</b>	<b>0.25</b>	<b>0.48</b>	<b>0.46</b>	<b>0.84</b>
<b>Return on equity (ROE), rolling 12 months, %</b>					
Net result for the last 12 months	69.6	18.5	69.6	18.5	32.8
Total equity, average for the last 12 months	1,182.3	1,110.2	1,182.3	1,110.2	1,149.3
<b>Return on equity, rolling 12 months, %</b>	<b>5.9</b>	<b>1.7</b>	<b>5.9</b>	<b>1.7</b>	<b>2.9</b>
<b>Comparable return on equity, rolling 12 months, %</b>					
Comparable net result for the last 12 months	63.5	71.6	63.5	71.6	59.3
Total equity, average for the last 12 months	1,182.3	1,110.2	1,182.3	1,110.2	1,149.3
<b>Comparable return on equity, rolling 12 months, %</b>	<b>5.4</b>	<b>6.4</b>	<b>5.4</b>	<b>6.4</b>	<b>5.2</b>
<b>Return on capital employed (ROCE), rolling 12 months, %</b>					
Operating result for the last 12 months	149.9	78.9	149.9	78.9	103.2
Capital employed, average for the last 12 months	2,340.9	2,191.9	2,340.9	2,191.9	2,363.3
<b>Return on capital employed (ROCE), rolling 12 months, %</b>	<b>6.4</b>	<b>3.6</b>	<b>6.4</b>	<b>3.6</b>	<b>4.4</b>
<b>Comparable return on capital employed, rolling 12 months, %</b>					
Comparable operating result for the last 12 months	146.6	150.3	146.6	150.3	139.0
Capital employed, average for the last 12 months	2,340.9	2,191.9	2,340.9	2,191.9	2,363.3
<b>Comparable return on capital employed, rolling 12 months, %</b>	<b>6.3</b>	<b>6.9</b>	<b>6.3</b>	<b>6.9</b>	<b>5.9</b>

## CALCULATION OF KEY FIGURES

Key figure	Definitions	Reason for use of the key figure
<b>Operating result</b>	Net result before taxes and net financial items	Operating result shows result generated by the operating activities
<b>Operating result margin, %</b>	Operating result / net sales	
<b>EBITDA</b>	Operating result before depreciation, amortization and impairment	EBITDA is the indicator to measure the performance of Ahlstrom-Munksjö.
<b>EBITDA margin, %</b>	EBITDA / net sales	EBITDA margin is a key measure in our long-term financial targets.
<b>Comparable EBITDA</b>	EBITDA excluding items affecting comparability in EBITDA	
<b>Comparable EBITDA margin, %</b>	Comparable EBITDA / net sales	
<b>Comparable operating result</b>	Operating result excluding items affecting comparability in operating result	
<b>Comparable operating result margin, %</b>	Comparable operating result / net sales	
<b>Comparable operating result excluding depreciation and amortization arising from PPA</b>	Operating result excluding items affecting comparability in operating result and depreciation and amortization arising from PPA  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 EBITDA, comparable EBITDA margin, comparable operating result, comparable operating result margin, comparable operating result excluding depreciation and amortization arising from PPA, comparable net result, comparable earnings per share, comparable net result 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 result 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.
<b>Comparable net result</b>	Net result excluding items affecting comparability in operating result, net of tax	
<b>Comparable earnings per share (basic), EUR</b>	Comparable net result - net result attributable to non-controlling interests - Interest on hybrid bond for the period after taxes/ weighted average number of shares outstanding	
<b>Comparable net result excluding depreciation and amortization arising from PPA</b>	Net result excluding items affecting comparability in operating result, net of tax, and depreciation and amortization arising from PPA net of tax	
<b>Comparable earnings per share excluding depreciation and amortization arising from PPA</b>	Comparable net result excluding depreciation and amortization arising from PPA - net result attributable to non-controlling interests - Interest on hybrid bond for the period after taxes/ weighted average number of shares outstanding	
<b>Items affecting comparability in operating result</b>	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.	

Key figure	Definitions	Reason for use of the key figure
<b>Items affecting comparability in EBITDA</b>	Items affecting comparability in operating result excluding impairment losses.	See Items affecting comparability in operating result
<b>Earnings per share (EPS), basic, EUR</b>	Net result attributable to parent company's shareholders / weighted average number of shares outstanding	
<b>Earnings per share (EPS), diluted, EUR</b>	Net result attributable to parent company's shareholders / weighted average number of shares outstanding, diluted	
<b>Net debt</b>	Non-current and current borrowings and non-current and current lease liability 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
<b>Total debt</b>	Non-current and current borrowings and non-current and current lease liability less securitization liability	
<b>Capital employed average for 12 months</b>	Total equity and total debt (average of the last 12 months)	Capital employed average for 12 months, Return on capital employed, rolling 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.
<b>Return on capital employed (ROCE), rolling 12 months, %</b>	Operating result (for the last 12 months) / capital employed (average of the last 12 months)	
<b>Comparable return on capital employed, rolling 12 months, %/ Comparable ROCE, rolling 12 months</b>	Comparable operating result (for the last 12 months) / capital employed (average of the last 12 months)	
<b>Total equity for 12 months</b>	Total equity (average of the last 12 months)	Total equity for 12 months, Return on equity, rolling 12 months and Comparable return on equity, rolling 12 months measures the equity available and the ability to generate income from it.
<b>Return on equity (ROE), rolling 12 months, %</b>	Net result (for the last 12 months) / total equity (average of the last 12 months)	
<b>Comparable return on equity, rolling 12 months, %/ Comparable ROE, rolling 12 months</b>	Comparable net result (for the last 12 months) / total equity (average of the last 12 months)	
<b>Gearing ratio, %</b>	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.
<b>Equity/assets ratio, %</b>	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.
<b>Shareholders' equity per share, EUR</b>	Equity attributable to parent company's shareholders / number of shares outstanding at the end of the period	
<b>Capital expenditure</b>	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.
<b>Operating cash flow per share, EUR</b>	Operating cash flow / weighted average number of shares outstanding	