

# Q3

## INTERIM REPORT JANUARY-SEPTEMBER 2022

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Ahlstrom-Munksjö has started operating under the business name Ahlstrom as of October 3, 2022. The change of legal names is progressing country by country in accordance with local legislation.

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## PURPOSE

**We Purify and Protect,  
with Every Fiber,  
for a Sustainable World**

## VISION

**To be the Preferred Sustainable  
Specialty Materials Company**

## VALUES

**Accountability  
Growth Mindset  
One Team  
Care**



# Focus on five attractive, growing end-markets



## Filtration

Mission-critical air and liquid filtration materials.



## Food & Consumer Packaging

Materials for improved food safety, product preservation, and bacteria prevention, helping extend product life and protect human health.



## Healthcare

Materials serving essential societal uses in medical, laboratory, and life science settings including diagnostics, bioprocessing, and medical performance barriers.



## Building Materials

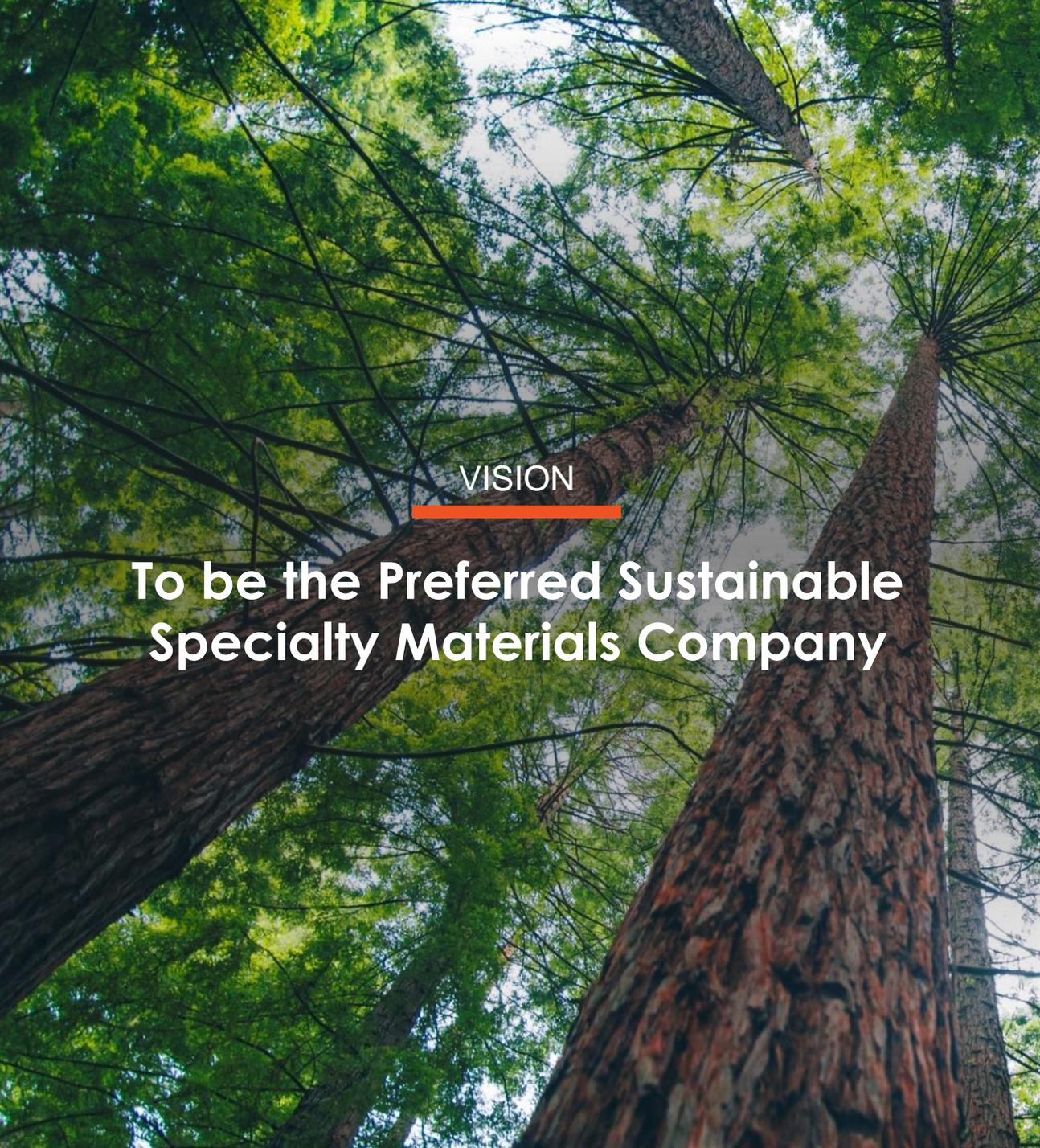
Highly engineered protective building material applications for every face of the building.



## Technical Materials

Highly technical applications including protective materials such as insulation, precision coating, tape, and others.





VISION

**To be the Preferred Sustainable  
Specialty Materials Company**

## Ahlstrom in 2025

- The global leader in combining fibers into performance materials
- #1 or #2 positions in select global attractive growing niche markets
- Industry leading margins
- A resilient and broad mix of businesses
- An engaging and safe place to work
- The preferred company in the industry



# Our strategic priorities

Customer centricity &  
commercial excellence

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Sustainability

Technically advanced  
& innovative products

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Operational excellence

Active portfolio  
management

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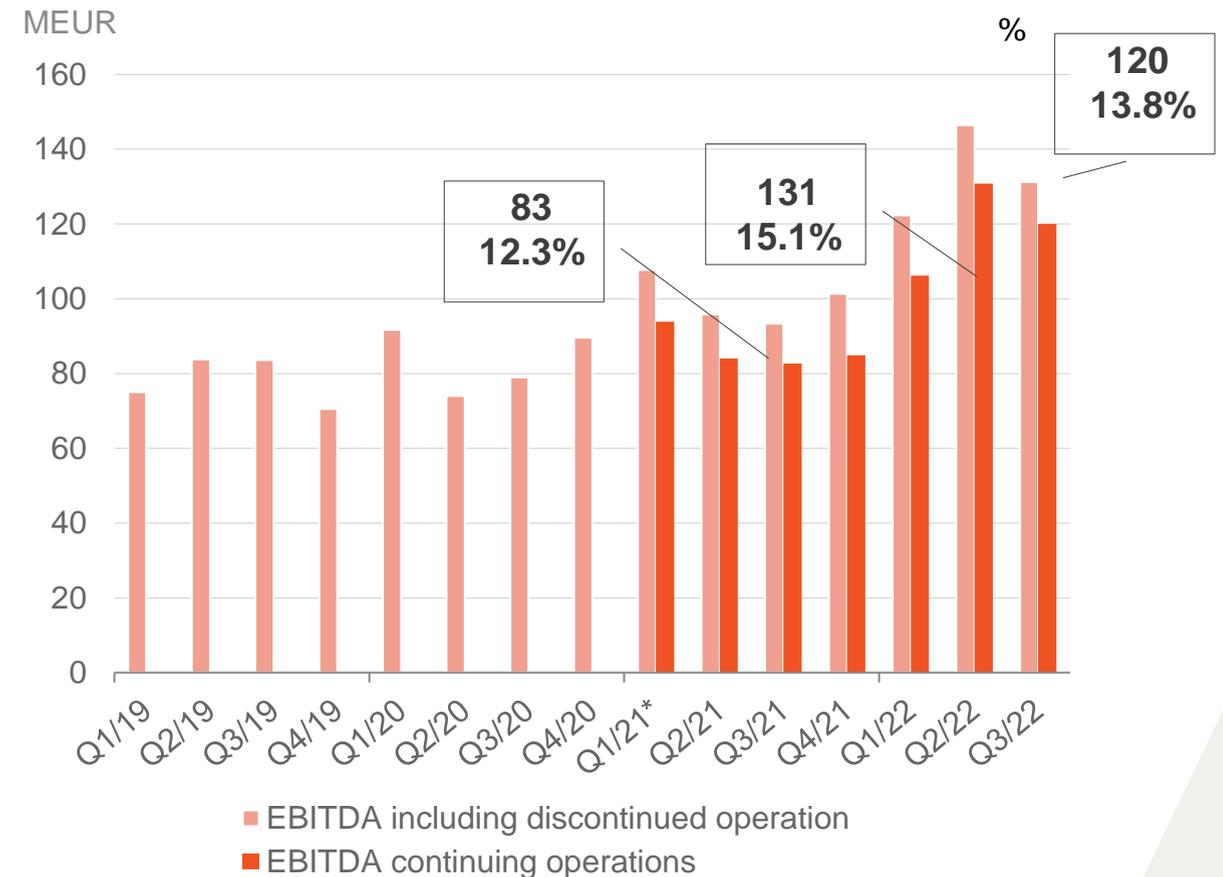
People and Team



# Continued improvement in profitability

- Strong performance in the third quarter supported by successful transformation related commercial and operational excellence initiatives
- Gradual change in the business environment with lower demand in certain end uses and continued stable demand in other
- Launch of a newly defined purpose and vision, as well as a new business model and reporting structure
- The reorganization of the Decor business ownership was completed on October 1, generating cash in excess of EUR 200 million
- Change of business name to Ahlstrom as of October 3

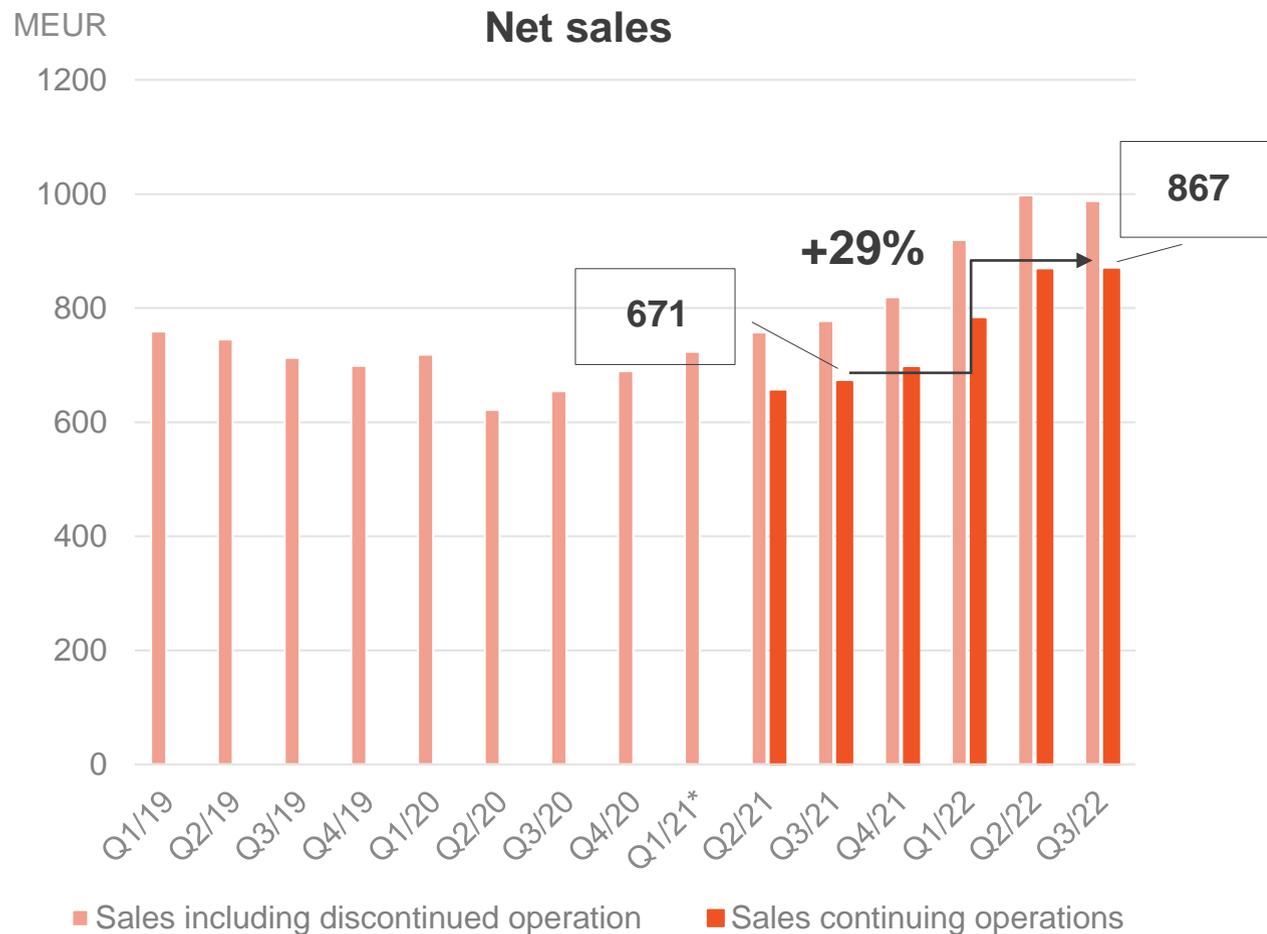
## Comparable EBITDA and margin



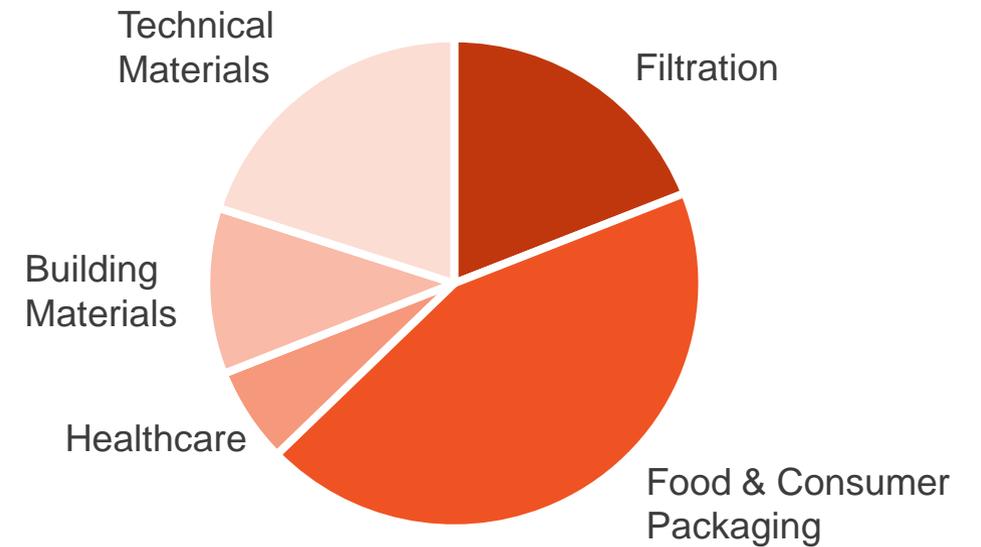
\* Ahlstrom-Munksjö Holding pro forma



# Continued increase in net sales



## Divisional breakdown of net sales

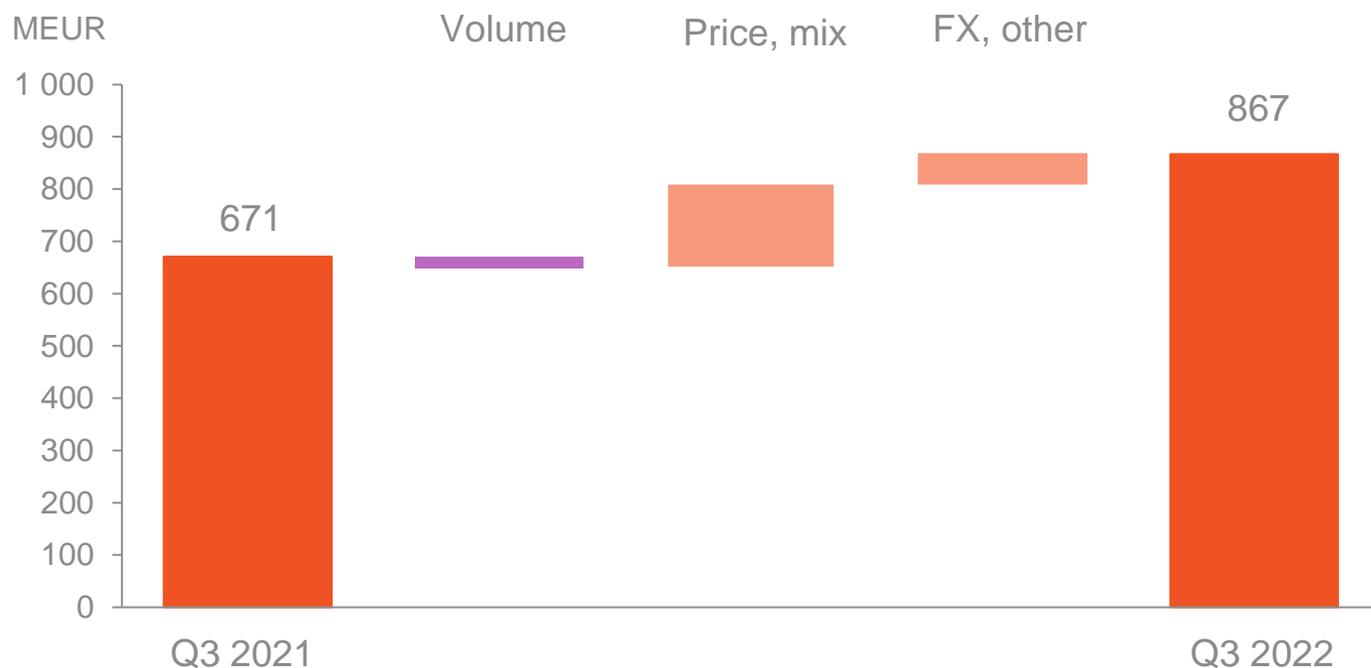


\* Ahlstrom-Munksjö Holding pro forma



# Nets sales growth driven by selling price increases

## Net sales Q3/22 vs Q3/21\*



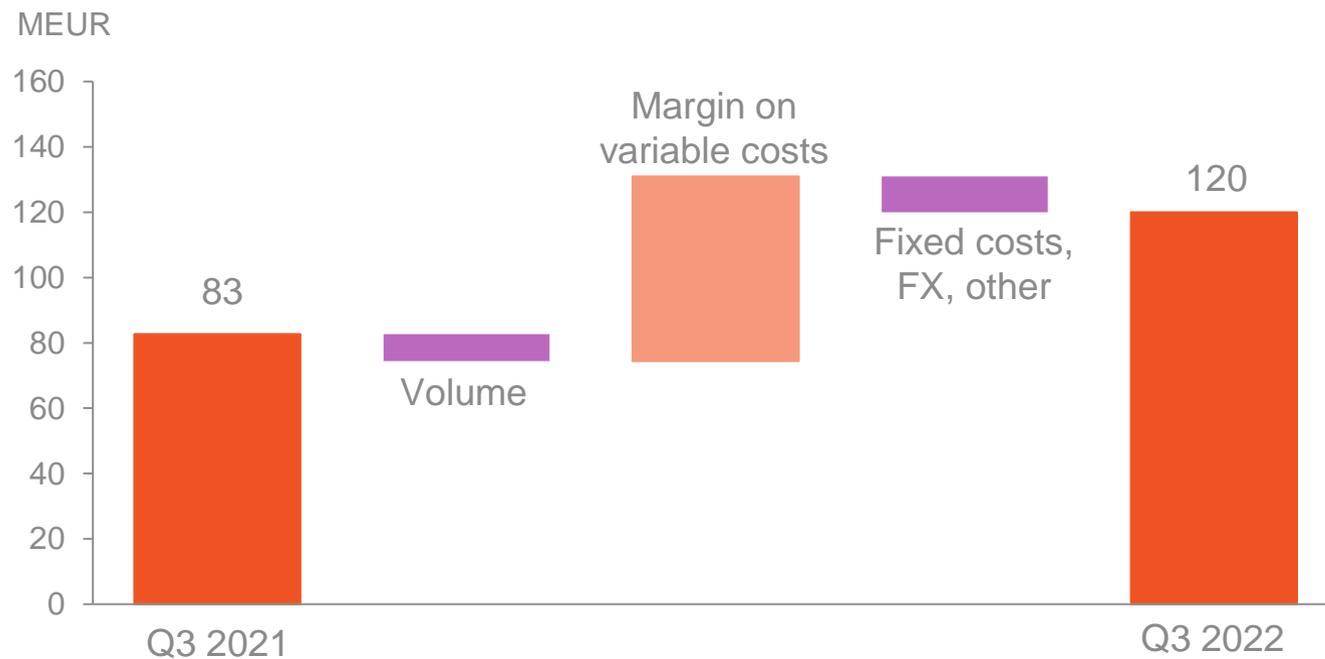
\*continuing operations

### Net sales impacted by:

- Selling prices +24%
- Delivery volumes -3%
- FX +8%

# Cost inflation successfully managed with commercial and operational excellence initiatives

## Comparable EBITDA Q3/22 vs Q3/21\*



\*continuing operations

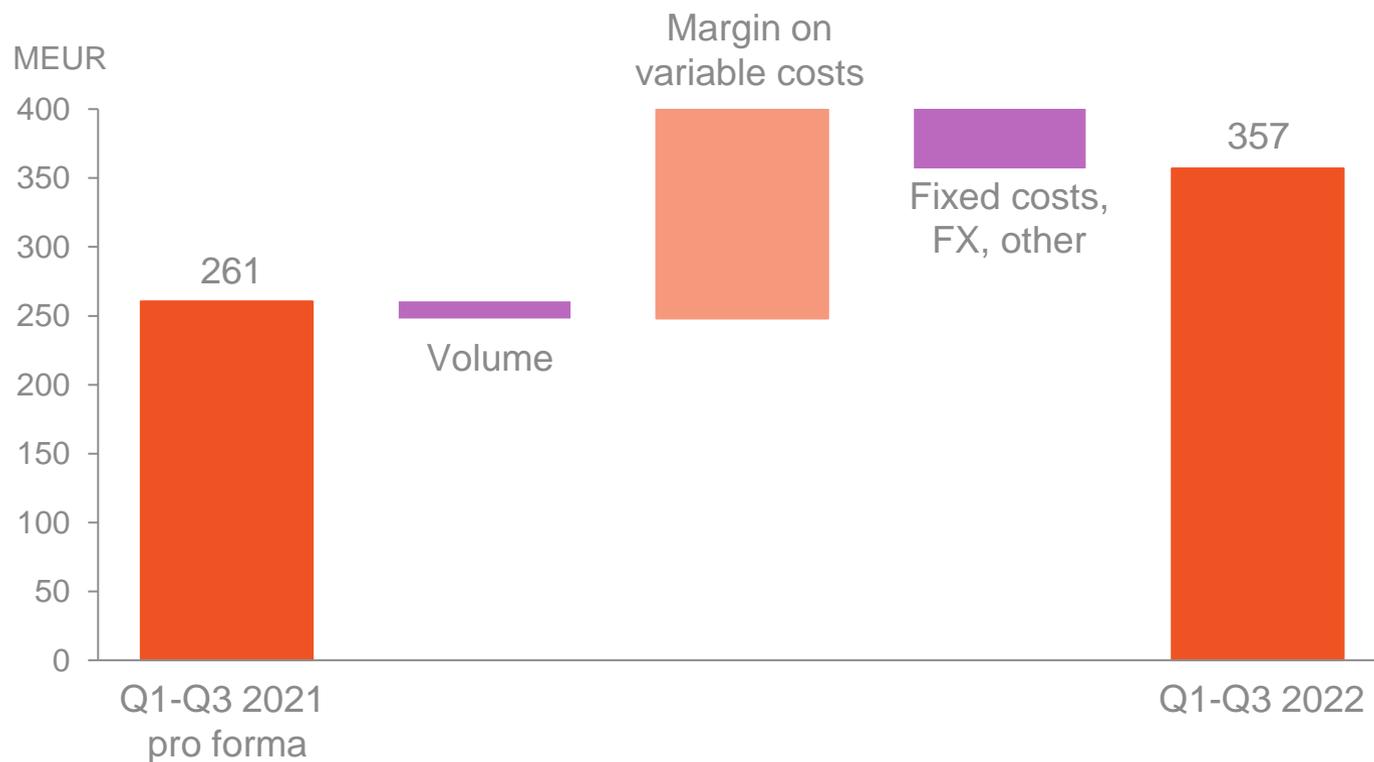
### EBITDA impacted by:

- Higher selling prices
- Improved variable cost efficiency
- Higher input costs
- Higher personnel costs
- Lower delivery volumes

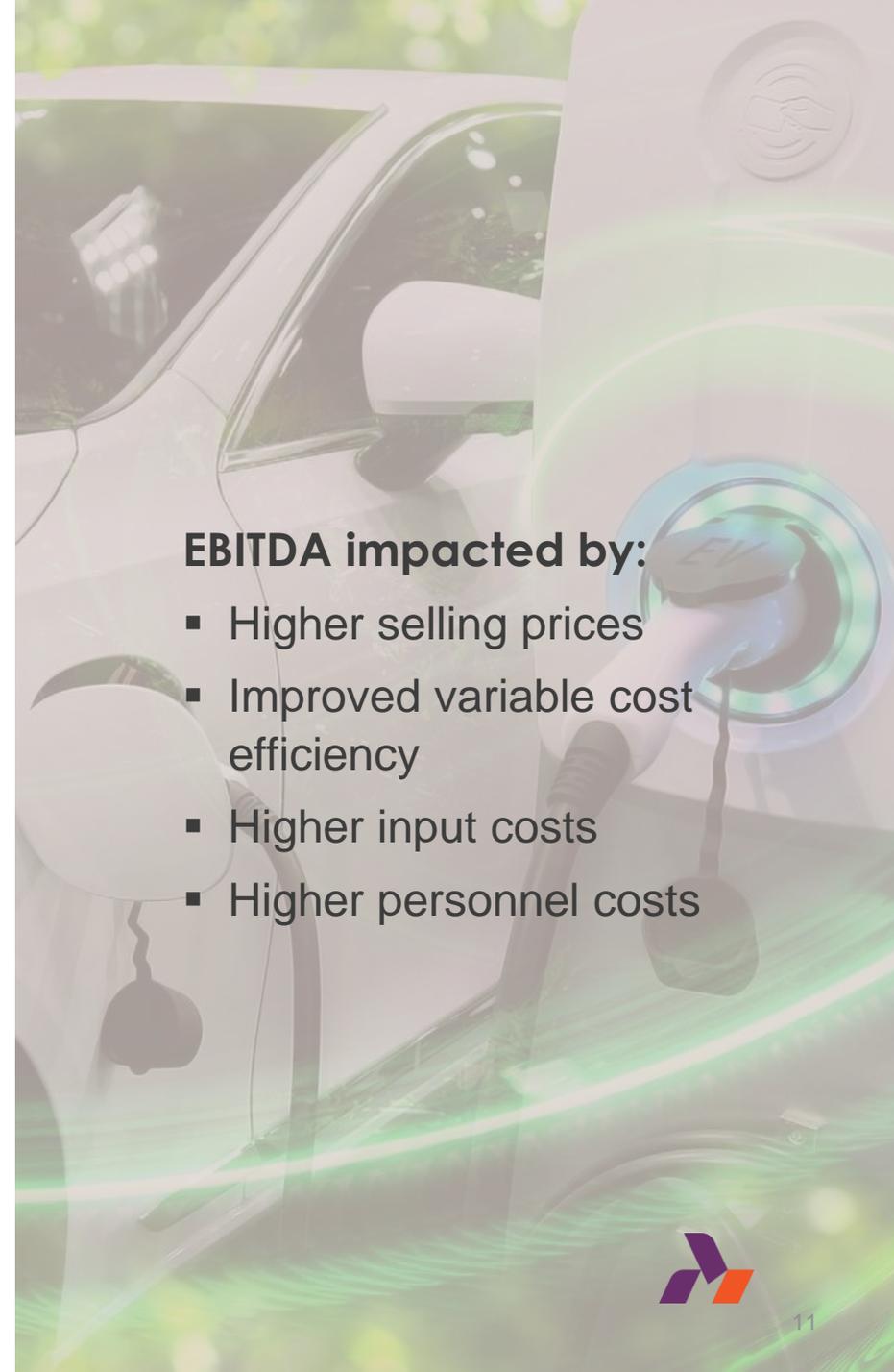


# Cost inflation successfully managed with commercial and operational excellence initiatives

## Comparable EBITDA Q1-Q3 2022 vs Q1-Q3 2021\*



\*continuing operations

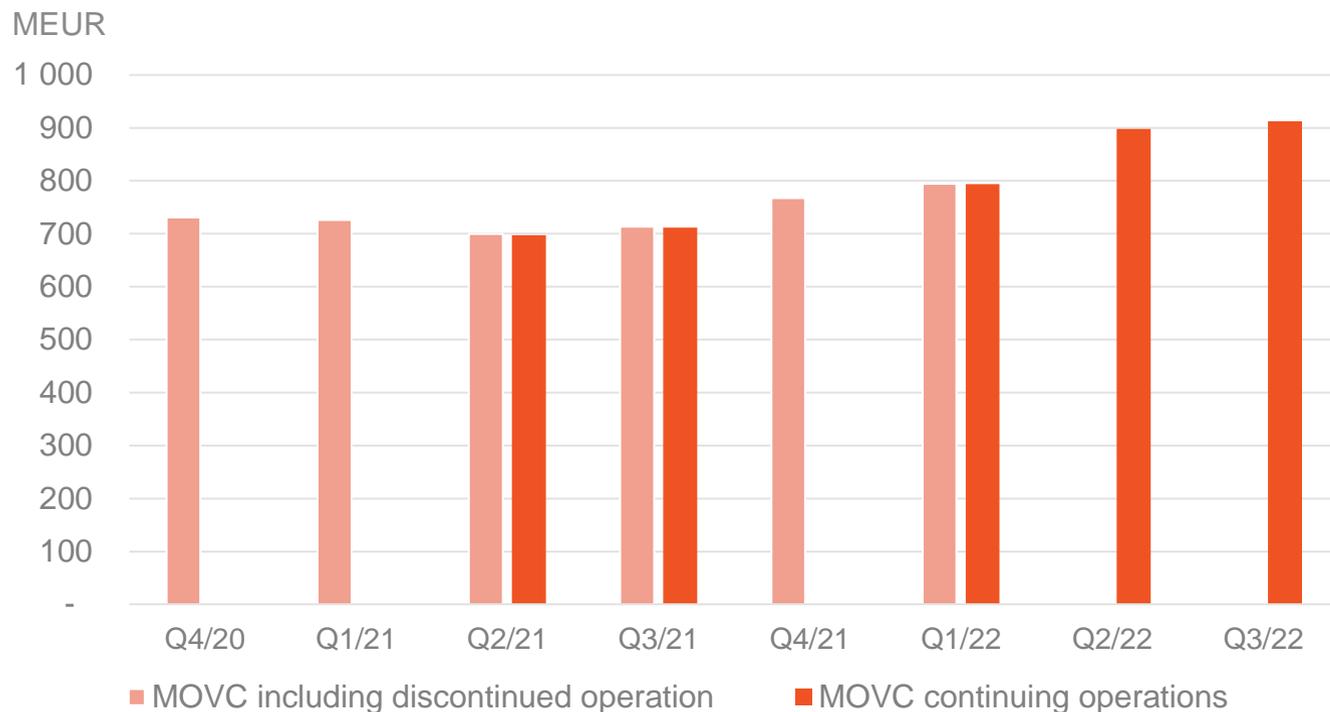


### EBITDA impacted by:

- Higher selling prices
- Improved variable cost efficiency
- Higher input costs
- Higher personnel costs

# Margin on variable costs continued to improve

## Margin on variable costs (MOVC) per ton\*



\*MOVC per ton adjusted for IAC

MOVC per ton increased further as selling price increases and improved cost efficiency more than offset input cost inflation



## Reconciliation of comparable EBITDA to adjusted EBITDA\*

MEUR (LTM)	Q3 2022	Q2 2022
<b>Comparable EBITDA</b>	<b>501.3</b>	<b>463.3</b>
One off and other adjustments	0	-1.5
FY 21 impact	0.5	3.5
FY 22 impact	64.4	76.3
FY 23 impact	45.3	33.6
<b>Adjusted EBITDA</b>	<b>611.5</b>	<b>575.2</b>

Adjusted EBITDA improved mainly as a result of the increased comparable EBITDA (LTM)

\*continuing operations and discontinued operation



# Q3 2022 operating cash flow improved thanks to higher earnings and improved working capital management\*

MEUR	Q3 2022	Q3 2021	Q1-Q3 2022
EBITDA	131.2	93.4	399.9
Change in net operating working capital	19.6	2.7	-17.1
Interest paid	-28.5	-18.9	-82.3
Taxes paid	-6.1	-4.7	-19.1
Adjustments, other	-32.3	-26.4	-115.3
<b>Net cash from operating activities</b>	<b>83.9</b>	<b>46.1</b>	<b>166.1</b>
Acquisitions	0.2		-34.3
Capital expenditure excluding acquisitions	-44.2	-38.1	-117.3
Other	1.2	0.8	1.2
<b>Net cash from investing activities</b>	<b>-42.7</b>	<b>-37.3</b>	<b>-150.4</b>
Return of equity, dividends paid	-16.1	-17.4	-33.0
Changes in loans and other financing	36.1	29.4	73.4
<b>Net cash from financing activities</b>	<b>19.9</b>	<b>11.9</b>	<b>40.4</b>
<b>Net change in cash</b>	<b>61.0</b>	<b>20.7</b>	<b>56.1</b>

Third quarter operating cash flow increased thanks to a better result and better management of working capital

Operating cash flow was negatively impacted by items affecting comparability (IACs) related to transformation initiatives

Free cash flow<sup>1</sup> EUR 112 million and cash conversion<sup>2</sup> 90%

Adjusted net indebtedness of EUR 1,953 million excluding the redemption liability of EUR 232 million for the minority shares

Net indebtedness to adjusted EBITDA ratio improved to 3.2 (3.3 end of Q2 2022)

<sup>1</sup> Comparable EBITDA minus maintenance capital expenditure

<sup>2</sup> Free cash flow divided by comparable EBITDA

\*cash flow refers to continuing operations and discontinued operation



# Operating costs

## Breakdown of operating costs Q1-Q3 2022\*



\*continuing operations



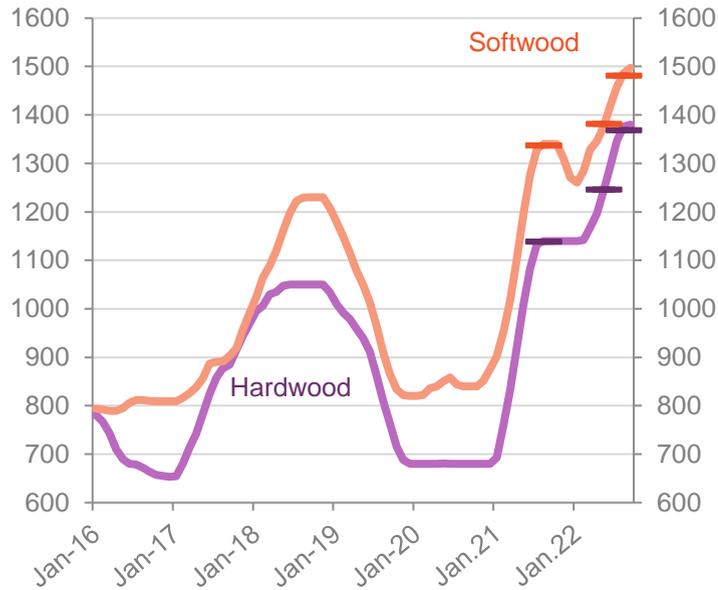
Significant increase in variable costs more than offset by pricing and cost saving actions



# Market pulp prices

## Europe

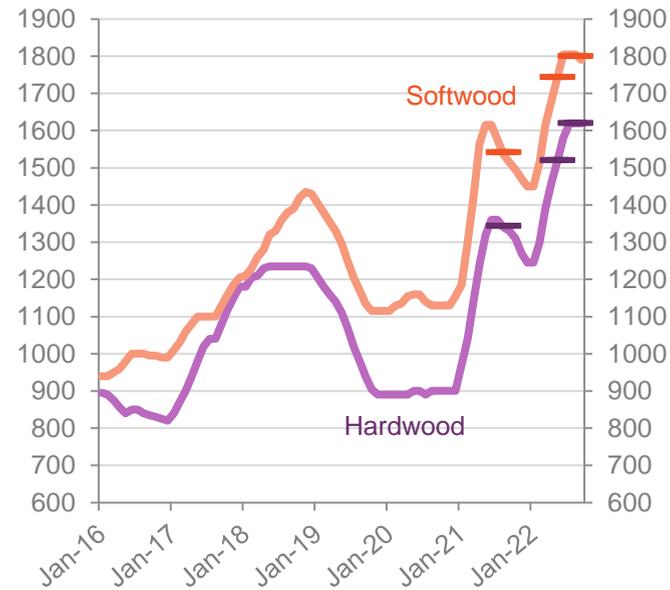
USD per ton



	Q3/Q3 (%)	9M/9M (%)
Hardwood	20	30
Softwood	11	19

## North America

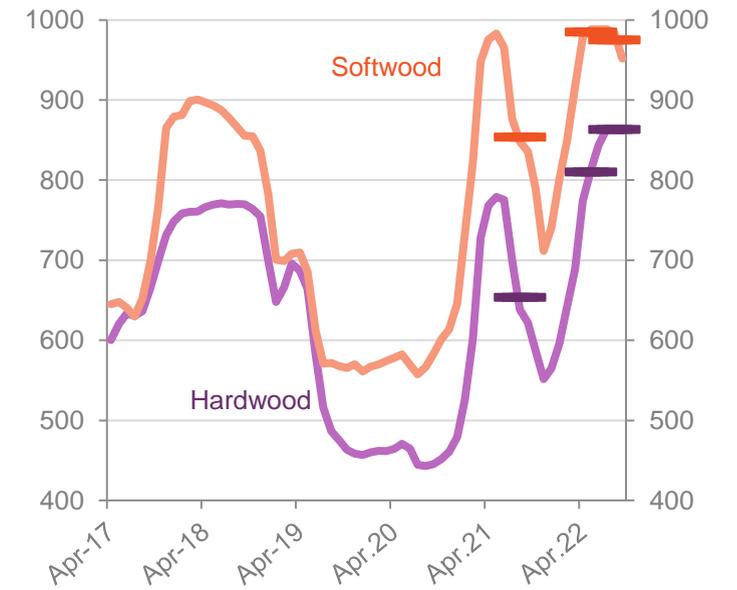
USD per ton



	Q3/Q3 (%)	9M/9M (%)
Hardwood	21	20
Softwood	17	14

## China

USD per ton



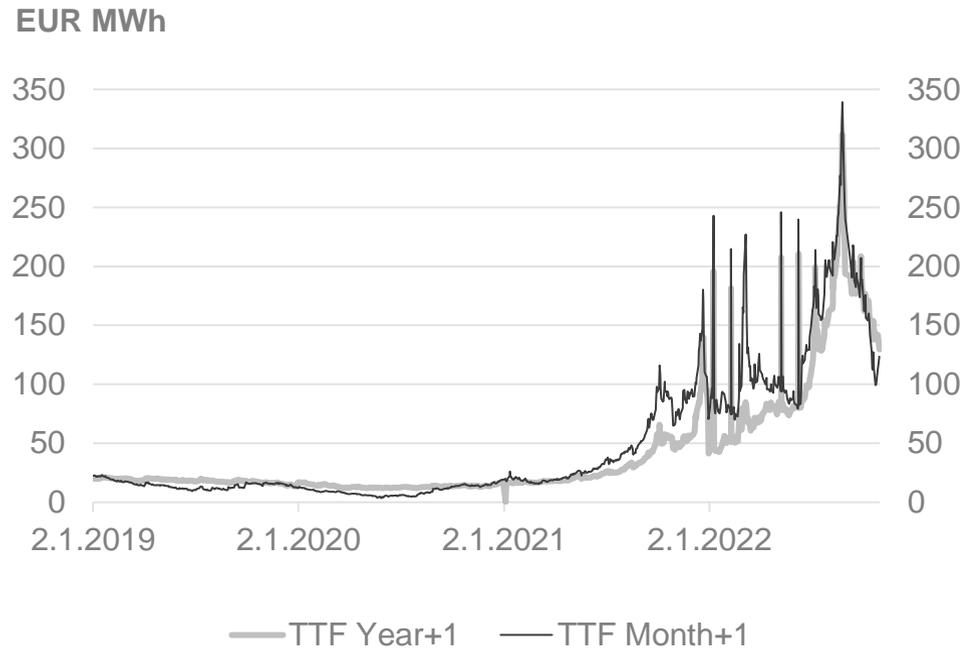
	Q3/Q3 (%)	9M/9M (%)
Hardwood	32	13
Softwood	14	6

Source: RISI



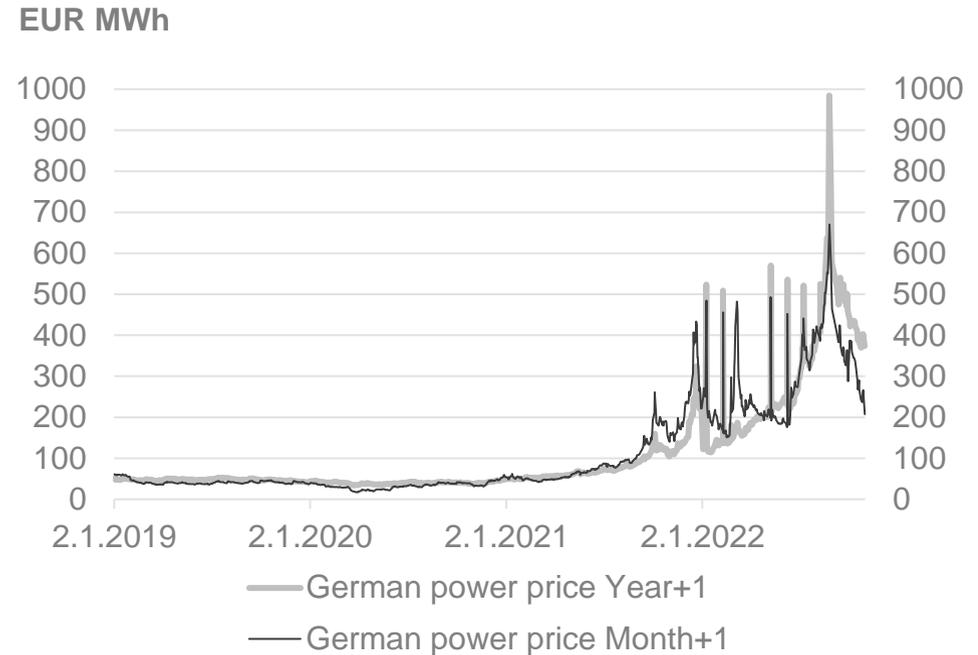
# European gas and power prices

## European gas prices



	Q3 22/ Q3 21 (%)	9M 22 / 9M 21 (%)
Year+1	451	355
Month+1	318	339

## German power prices



	Q3 22 / Q3 21 (%)	9M 22 / 9M 21 (%)
Year+1	446	451
Month+1	302	318

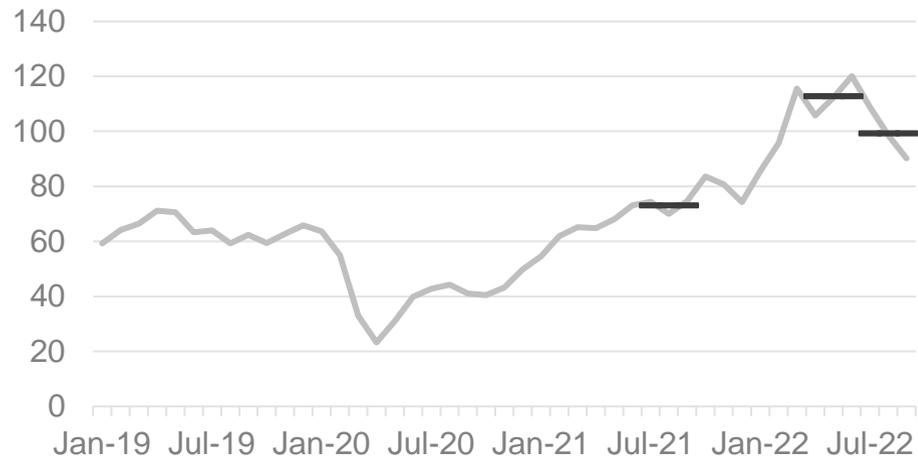
Source: E&C consultants



# Oil and propylene prices

## Crude oil price

USD per barrel



	Q3 22/ Q3 21 (%)	9M 22 / 9M 21 (%)
Brent crude oil	36	54

Source: World Bank

## Propylene

EUR per ton



	Q3 22 / Q3 21 (%)	9M 22 / 9M 21 (%)
Propylene	19	42

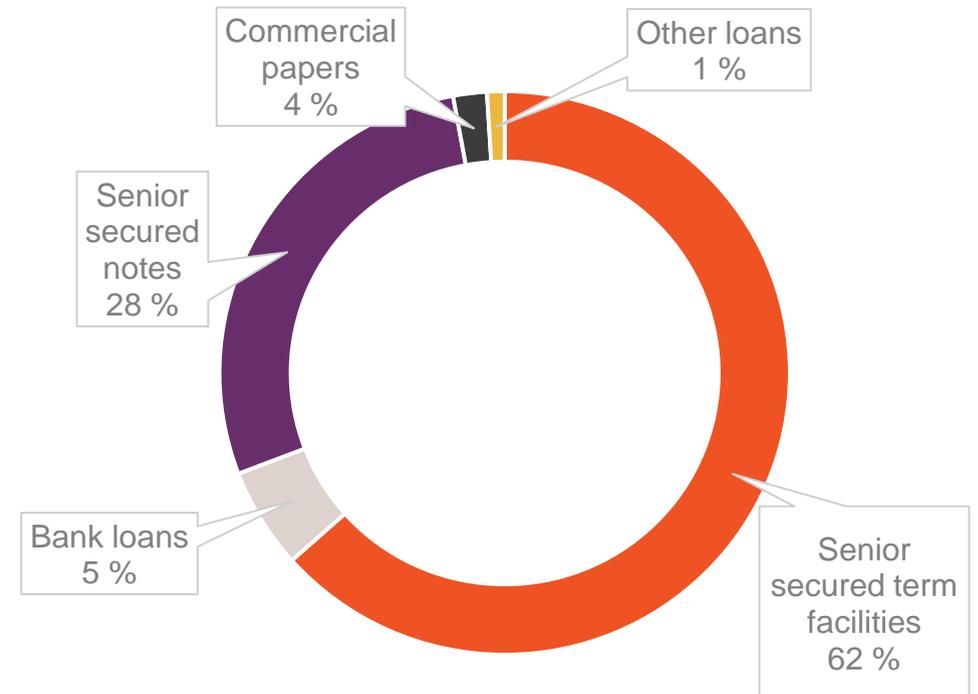
Source: World Bank



# Debt structure as of September 30, 2022

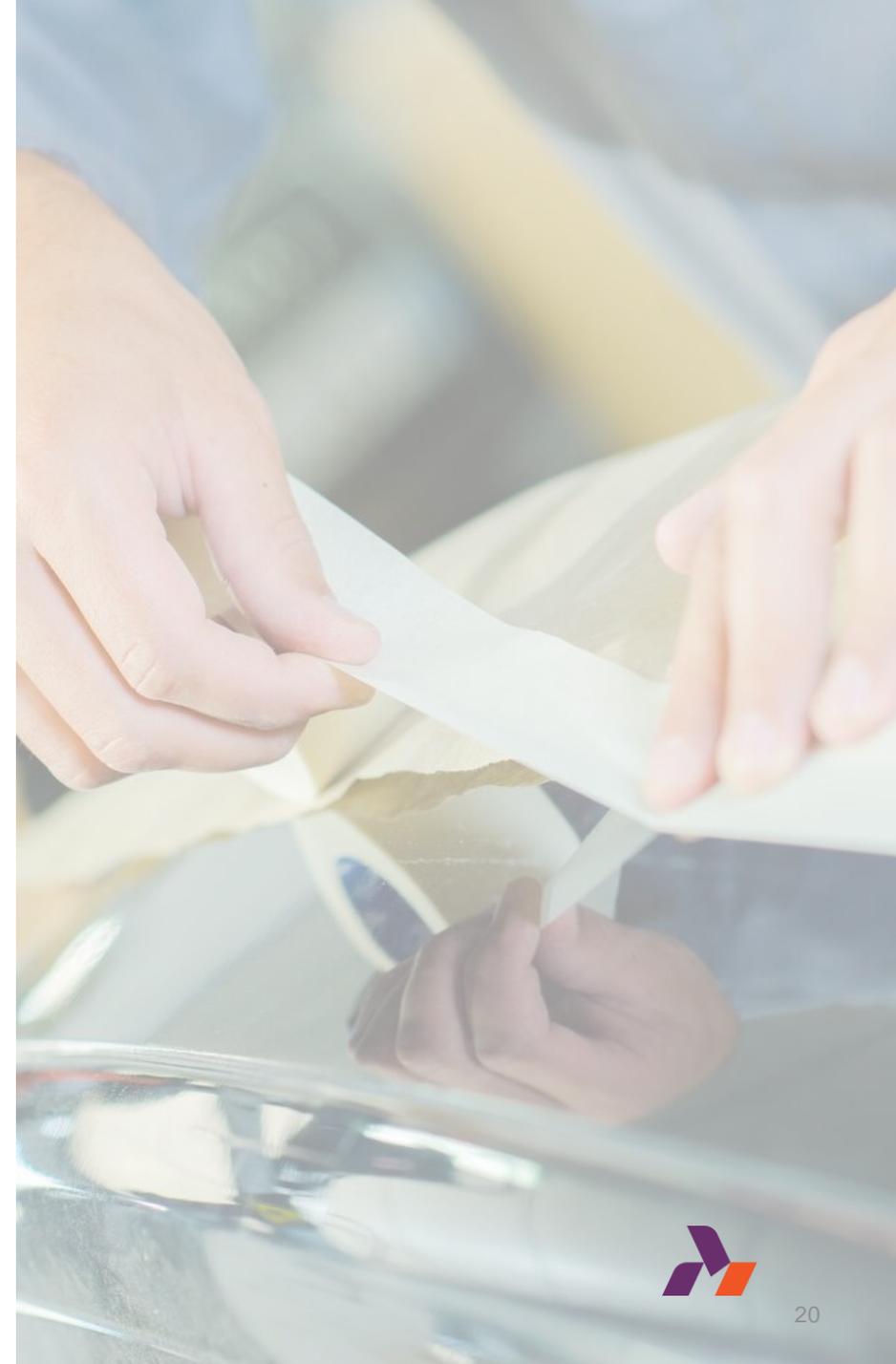
- Financing of the Ahlstrom-Munksjö acquisition
  - Senior secured term facilities and two secured notes, maturing in 2028
- Renegotiated factoring facility to EUR 300 million in Q2 2021
- A Finnish Commercial Paper Program limited to EUR 300 million established in December 2021
- In March 2022, an add-on of EUR 60 million was raised to existing senior term loan facility
- Interest expenses EUR 118 million for the last twelve months
- Liquidity is good with cash and cash equivalents of EUR 225 million on September 30, 2022
- No major refinancing needs until 2027-28

Interest-bearing liabilities as of September 30, 2022



# Conclusions

- Strong performance in the third quarter
- A gradual change in the business environment, which has affected some businesses, while our diversified global market and business structure ensure continued resilience
- The reorganization of the Decor business ownership was completed on October 1, generating cash in excess of EUR 200 million
- Change of business name to Ahlstrom as of October 3
- Launch of a newly defined purpose, vision and values, as well as a new operating model and reporting structure to effectively carry out the strategy work



**We Purify and Protect,  
with Every Fiber,  
for a Sustainable World**

