



Ahlstrom-Munksjö

Q4 2018 Results

February 14, 2018

HANS SOHLSTRÖM, PRESIDENT AND CEO
SAKARI AHDEKIVI, DEPUTY CEO AND CFO
(AS OF MARCH 1)
PIA AALTONEN-FORSELL, CFO



This is Ahlstrom-Munksjö

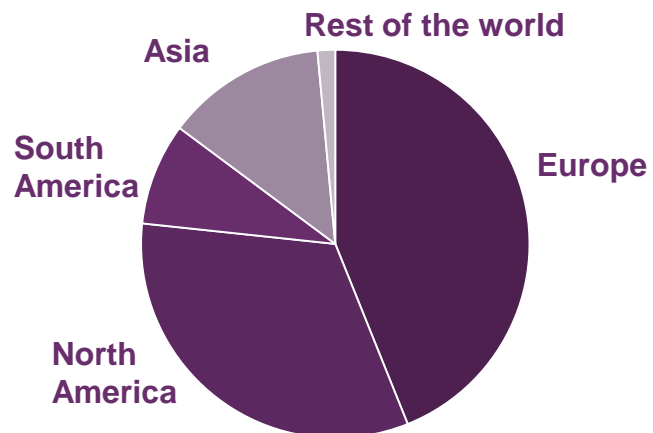
- Fibers are at the core of what we do and the common denominator for our products and solutions.
- Natural fibers represent 90% of our total fiber use.
- We offer custom made specialized fiber based materials
- Our value proposition is based on innovation, quality and service.
- Our offering contributes to a more sustainable everyday life by providing renewable materials that are alternatives to non-renewables, and solutions that make the end product more sustainable.

Key facts

- Global network of sales offices and 45 plants and converting sites in 14 countries, approximately 8,000 employees
- More than 7,000 customers in over 100 countries
- Pro forma 2018 net sales of approximately EUR 3 billion
- Shares listed on Nasdaq Helsinki and Stockholm
- Head office in Helsinki



Balanced end-use and geographical exposure

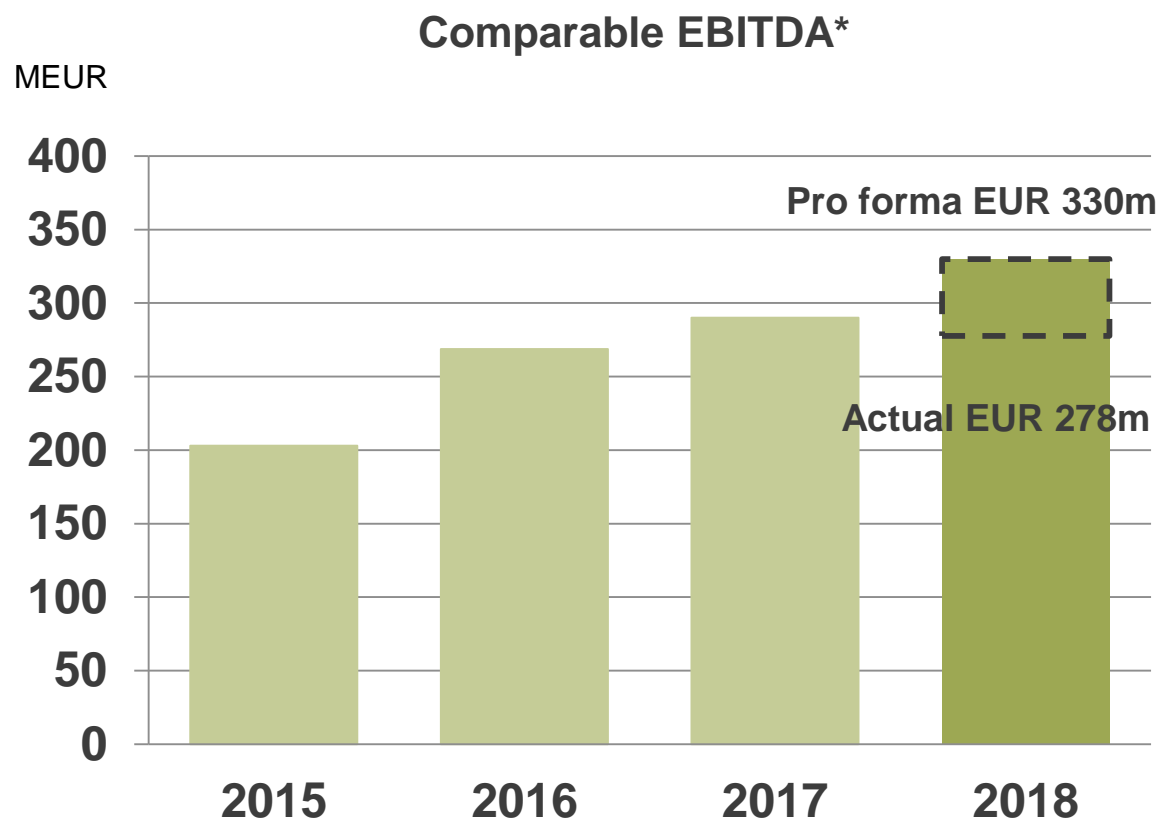


KEY STRENGTHS

- Leading position in chosen segments
- Operating on growing markets
- Balanced geographical exposure to a broad range of end-uses
- Designed solutions for customers

Successful execution of our growth strategy in 2018

- Two major acquisitions completed
 - Expera (NASS) significantly expands our presence in North America
 - Caieiras strengthens our production platform in South America
- EUR 3bn pro forma 2018 annual net sales and comparable EBITDA of EUR 330m
- Progressing on delivering promised cost synergies of EUR 8m from NASS and EUR 6m from Caieiras
- At least EUR 10m annual business synergies relating to NASS validated, a gradual impact from 2020 onwards
- Ramp-up of strategic investments in; Abrasive, Filtration, and Food Packaging as well as NASS
- Board's dividend proposal EUR 0.52 per share

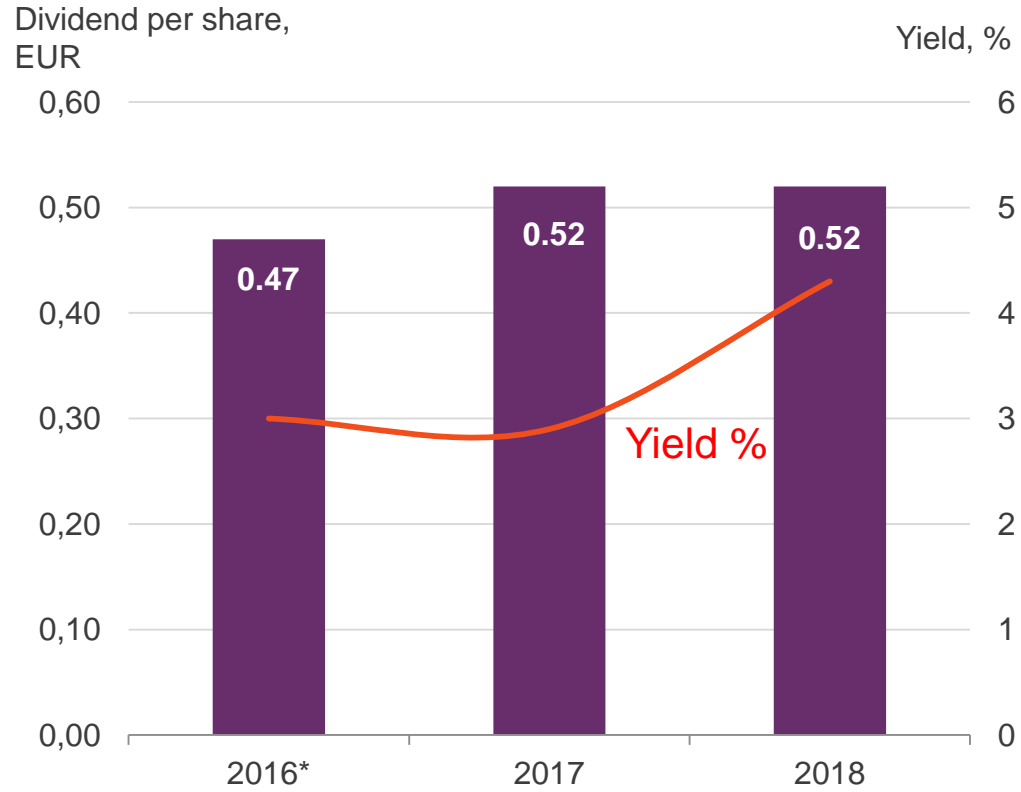


*Years 2015-2017 Ahlstrom-Munksjö excluding NASS and Caieiras



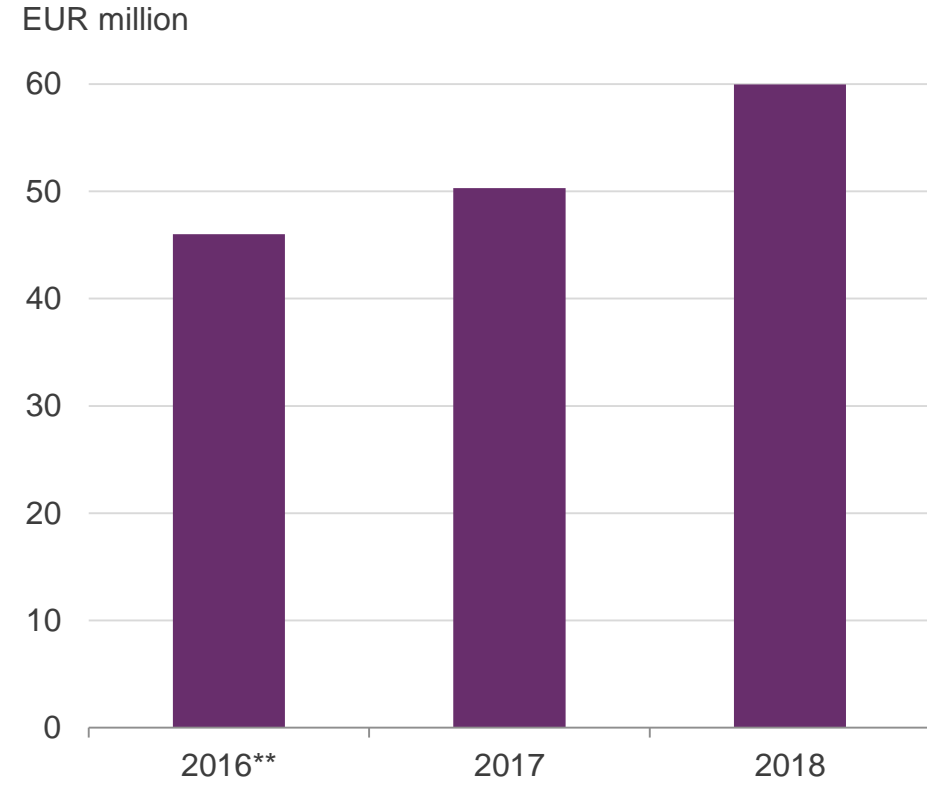
Dividend proposal: EUR 0.52 per share for 2018

Dividend per share and yield %



* Converted by using the same number of shares as in 2017

Dividend

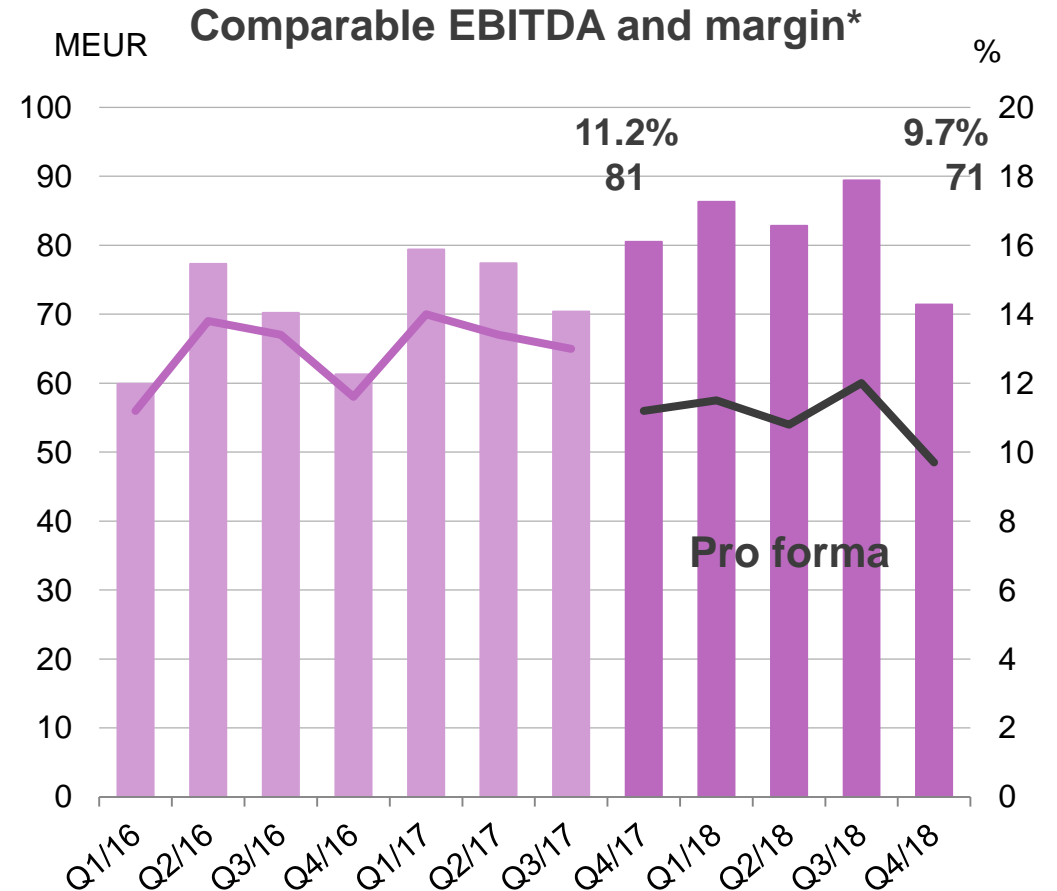


** Total dividend of Ahlstrom and Munksjö



Challenging Q4/2018

- 14% increase in actual comparable EBITDA, supported by the Expera and Caieiras acquisitions
- Further improvement in gross margin per product
- Profitability impacted by lower delivery volumes
 - Stronger-than-usual seasonal variations and operational issues at two sites
 - Customers reacting on increased uncertainty about the economic outlook
- Decline in pulp prices did not have an impact on the results
- Proceeding with targeted measures to improve performance and competitiveness, particularly in underperforming businesses; C1S part of Food Packaging, Beverage&Casing and Decor

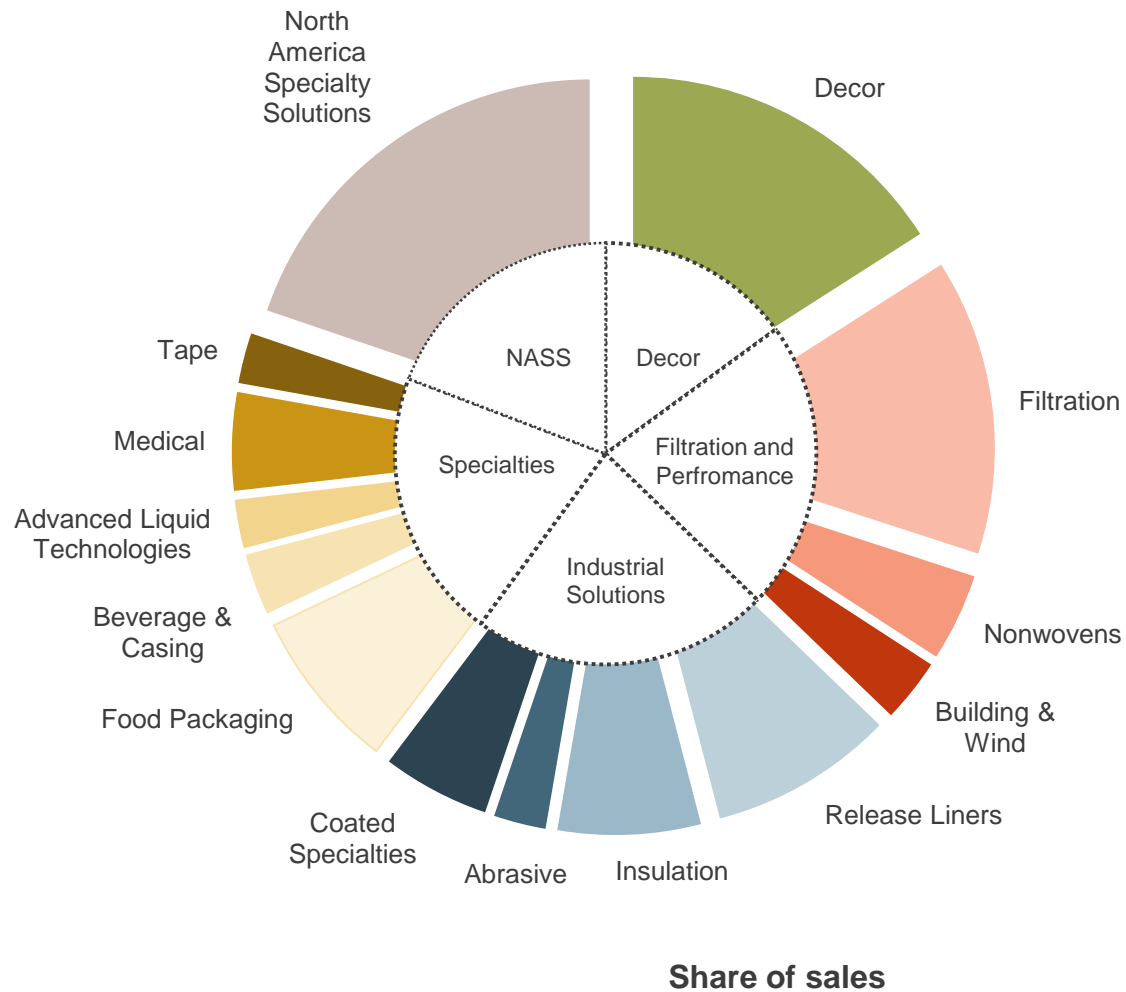


*Years 2016-Q3/2017 Ahlstrom-Munksjö excluding NASS and Caieiras



Stable market demand in 2018

Stronger-than-usual seasonal variations in Q4 2018



- **Filtration and Performance**

- Stable demand, seasonal slowdown at year end in Filtration
- Solid demand growth in glass fiber tissue for flooring applications

- **Decor**

- Inventory reduction in supply chain in the industry, increased competition outside Europe
- Solid demand in North and South America, as well as in Asia

- **Industrial Solutions**

- Softening demand towards year end, partly driven by reduction in inventories in the supply chain
- Increased competition in Release Liners
- Operational issues at Aspa pulp mill

- **Specialties**

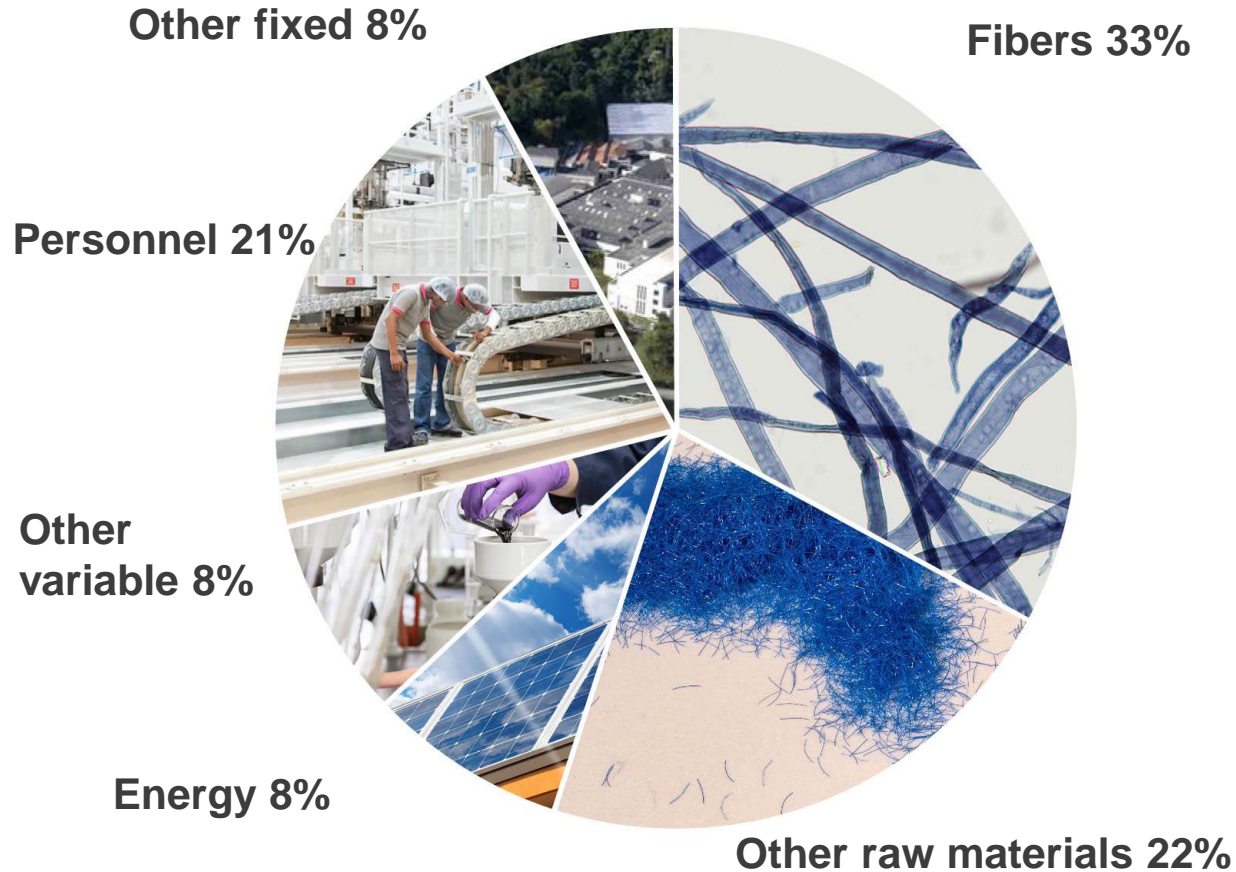
- Solid demand in Medical, Tape and Advanced Liquid Technologies. Accelerating demand for plastic-free and compostable solutions

- **North America Specialty Solutions**

- Stable demand, slowdown at year end, particularly in steel interleaving papers



Raw material cost escalation in 2018

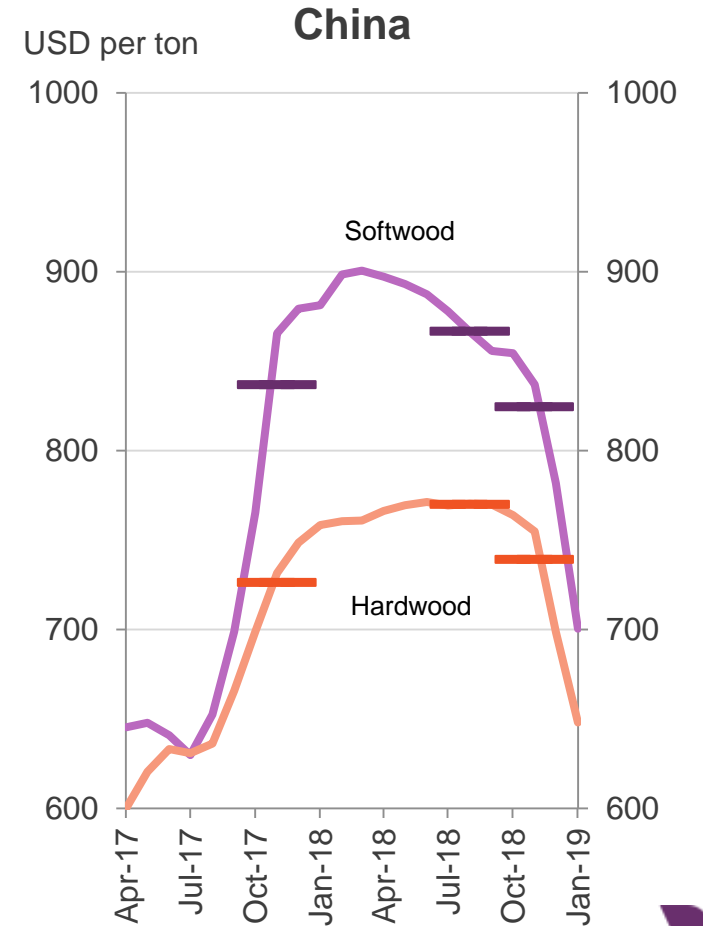
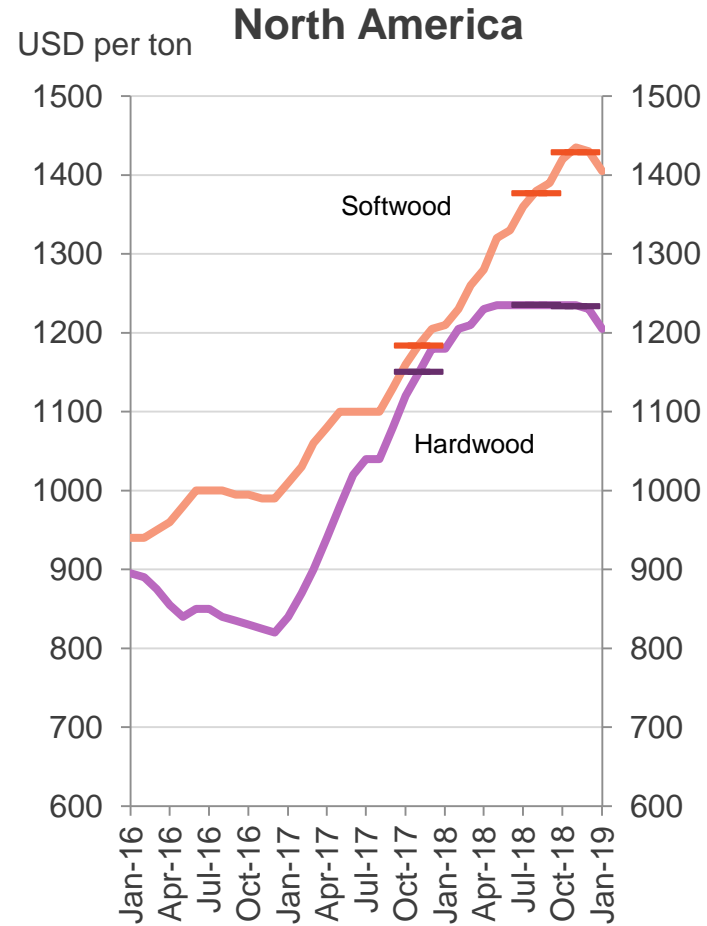
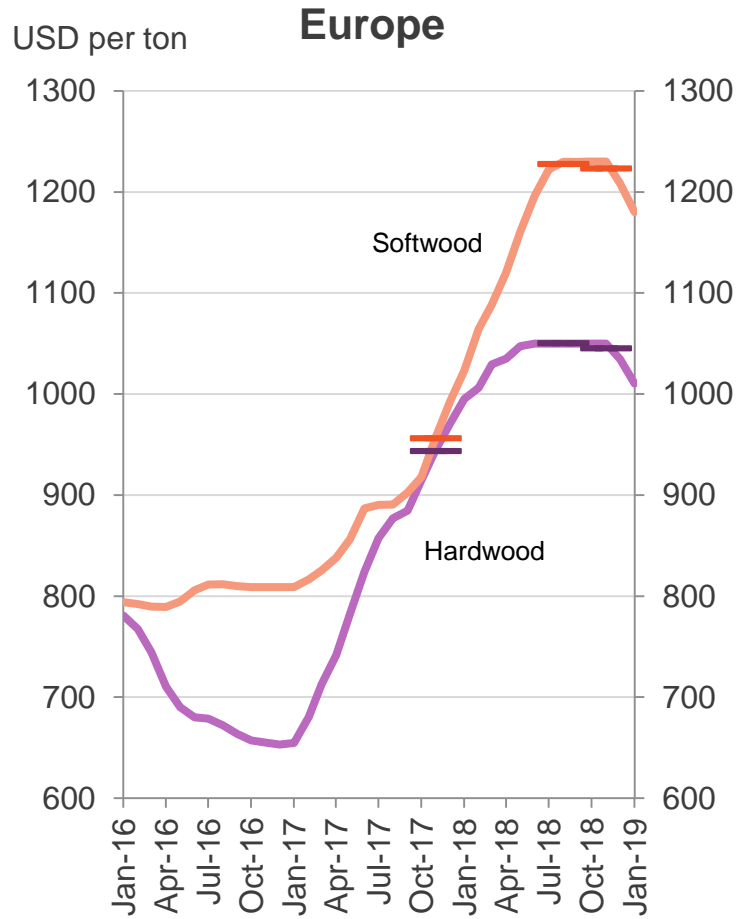


Pro forma breakdown of operating costs

- Raw material costs increased by EUR 145m, almost offset by selling price increases
- Snapshot of market prices
 - Hardwood pulp +26%
 - Softwood pulp +32%
 - Tio2 +13%
 - Natural gas +22%
 - Electricity +36%



Key raw materials price development

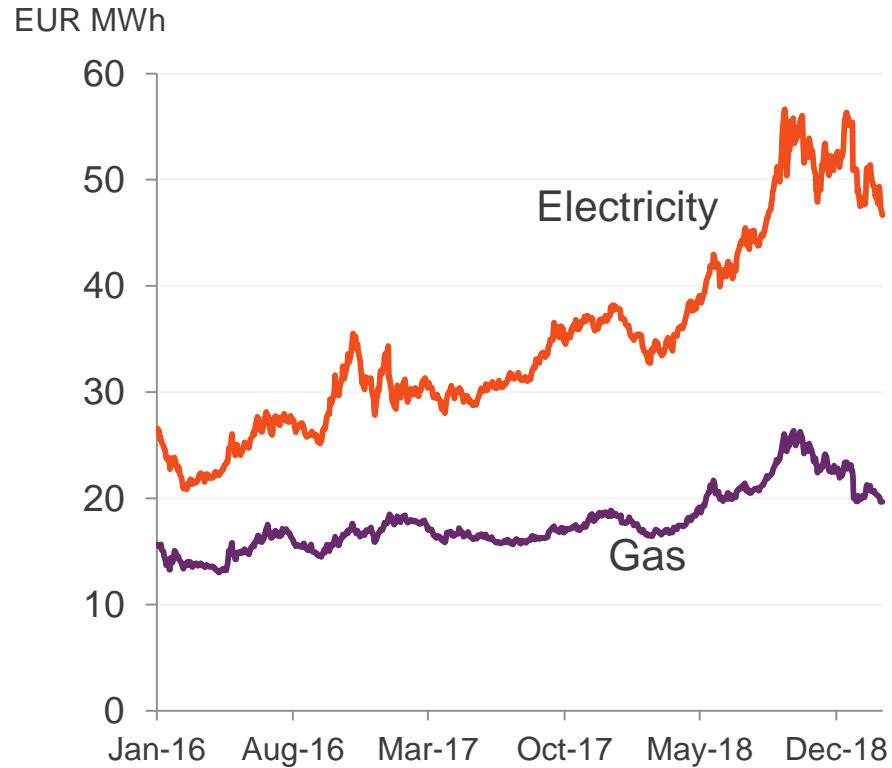


Source: RISI



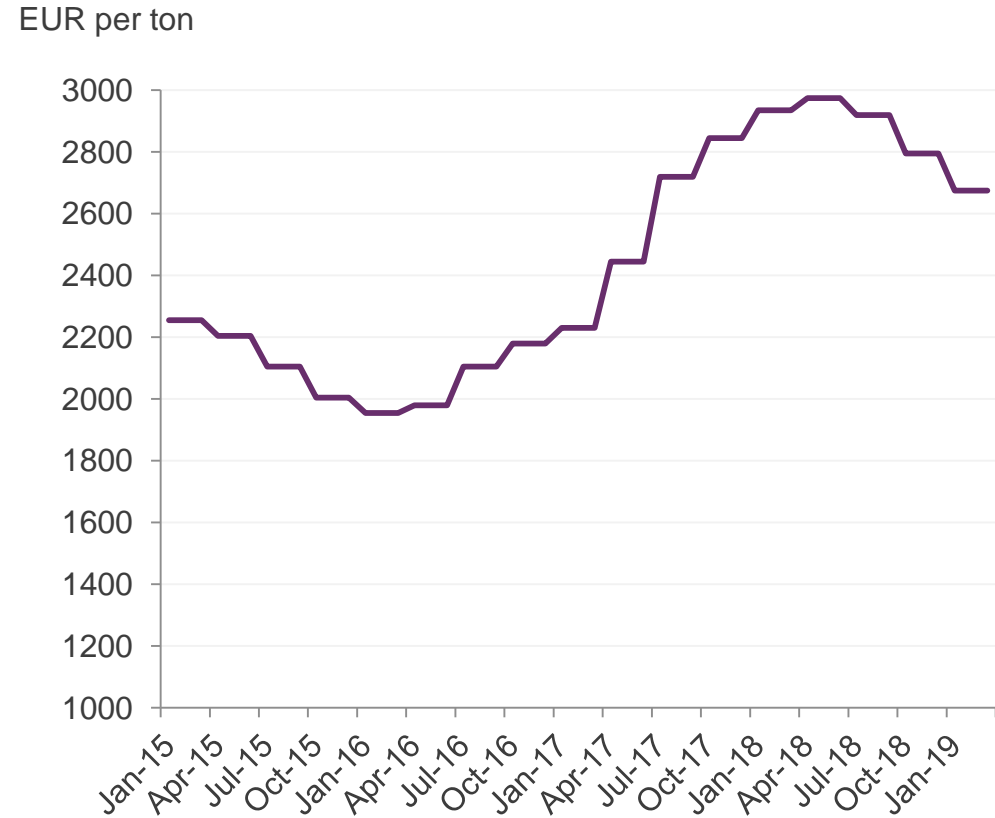
Key raw materials

European forward electricity and gas prices



Source: E&C consultants

Titanium dioxide

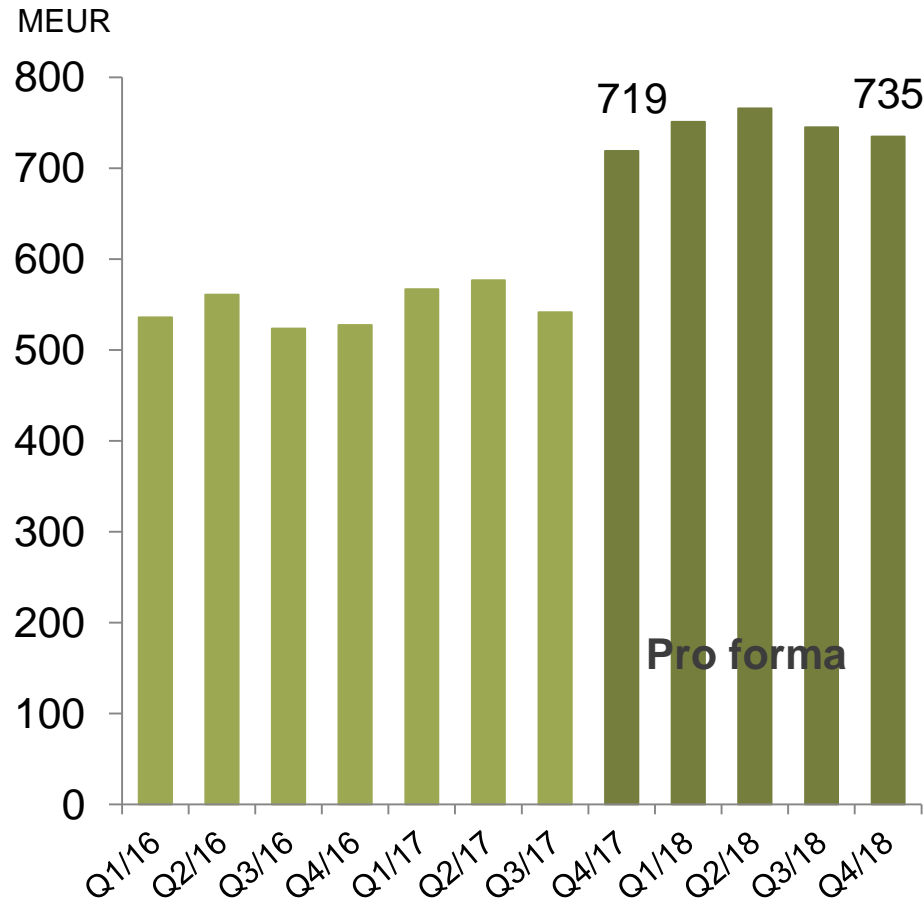


Source: ICIS Europe FD

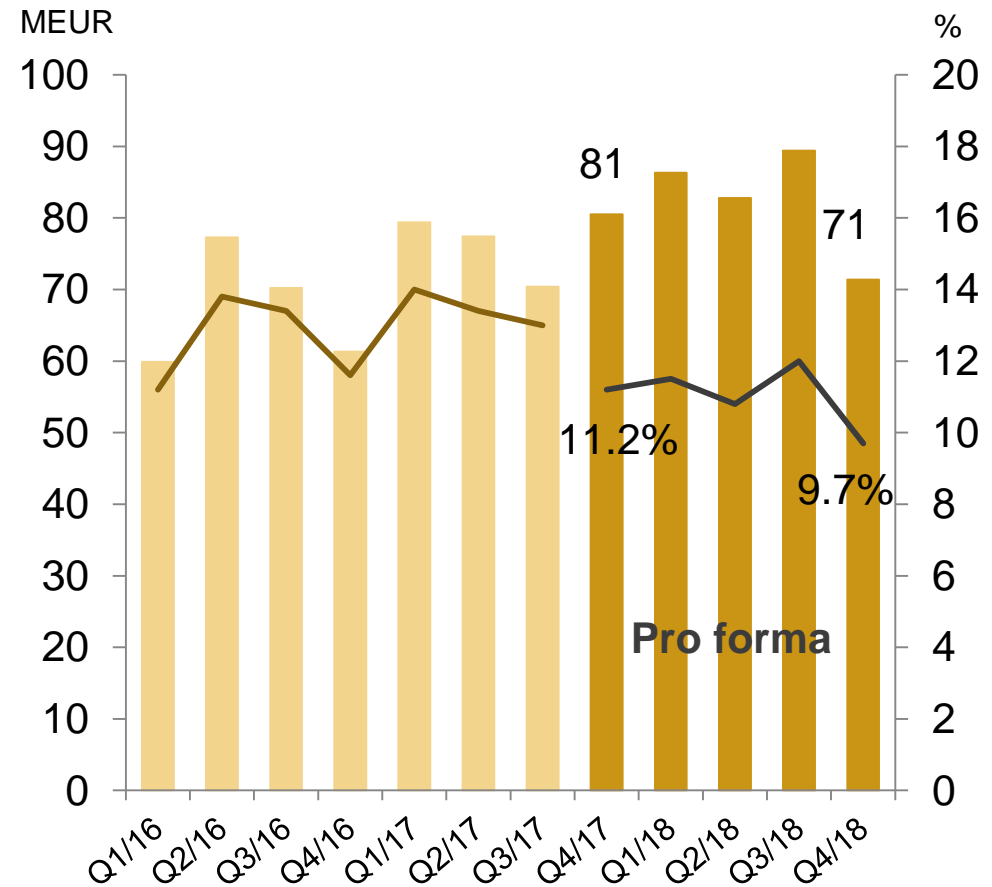


Sales growth driven by price increases

Sales*



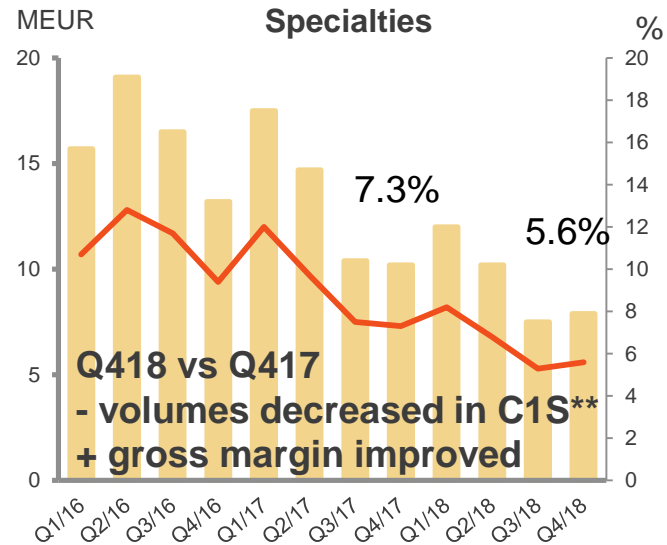
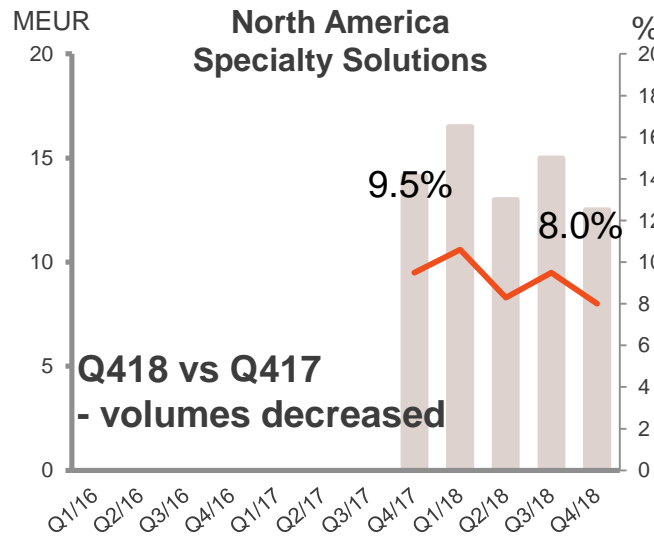
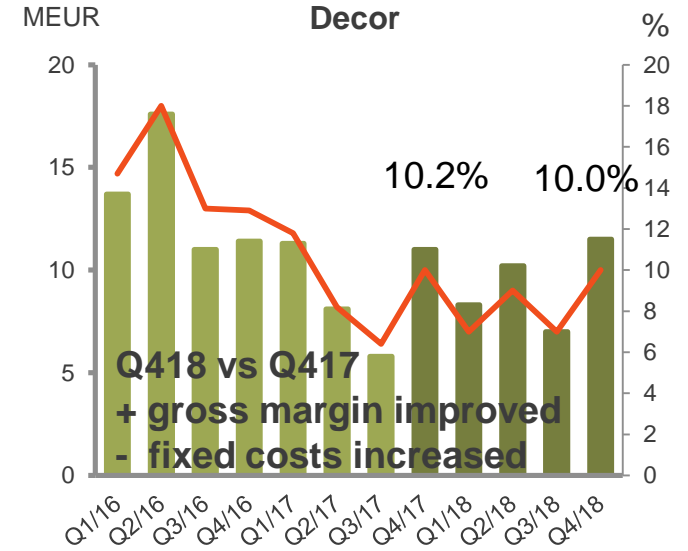
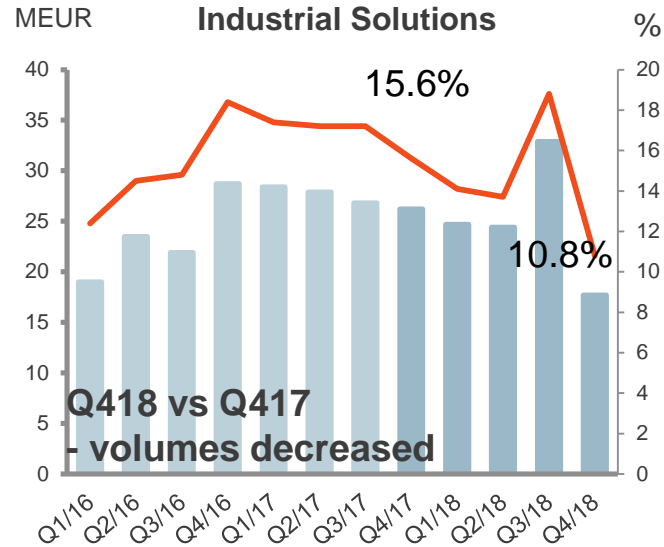
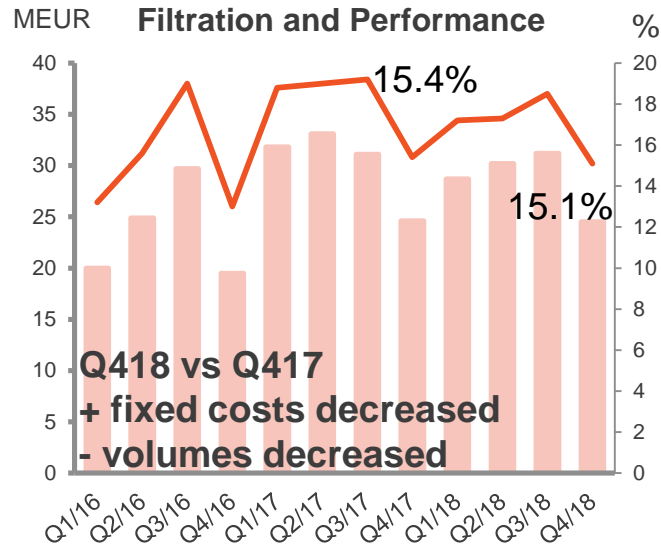
Comparable EBITDA and margin*



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



Comparable EBITDA and margin by business area*

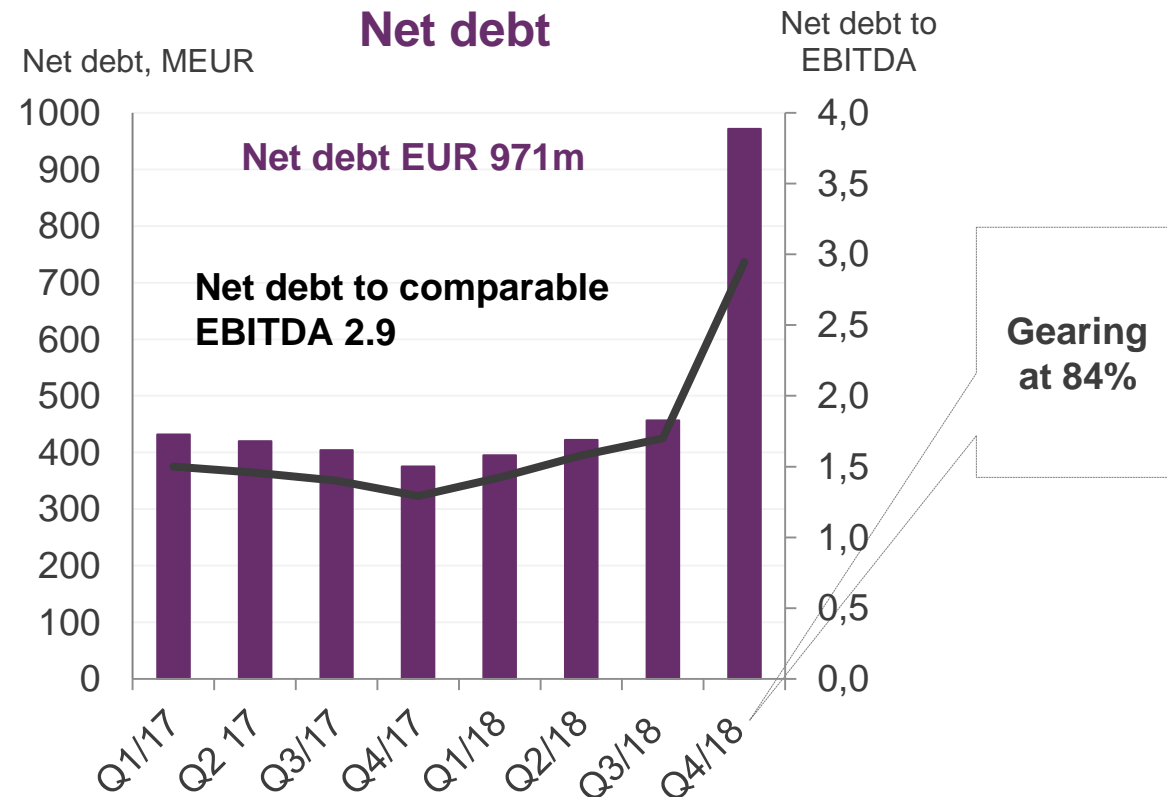
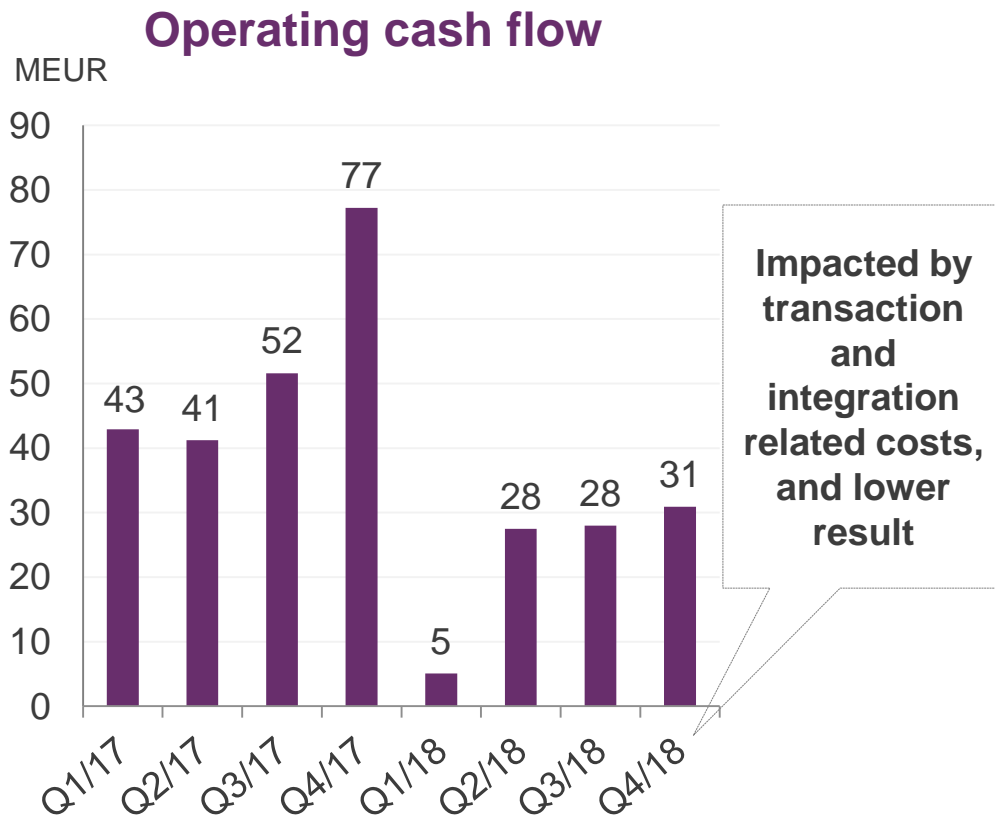


*Years 2016-Q3/2017 Ahlstrom-Munksjö excluding NASS and Caieiras

**C1S: one-side coated

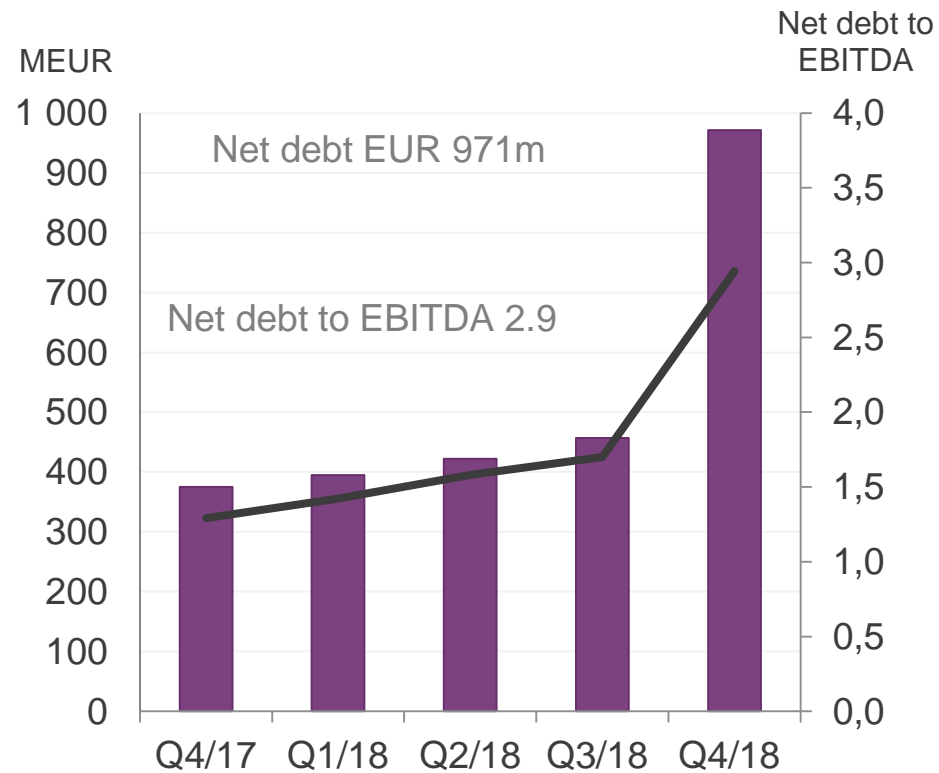


Operating cash flow impacted by working capital and transaction related costs in 2018

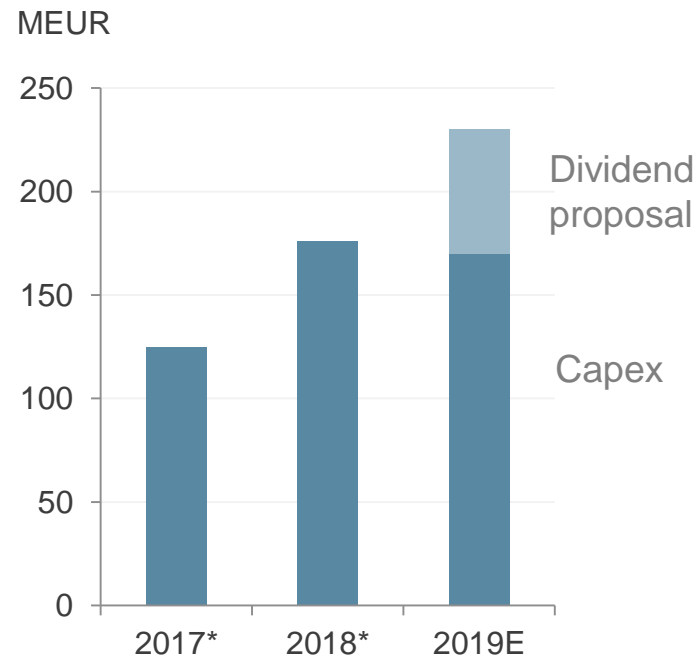


Capital generation and allocation

Net debt

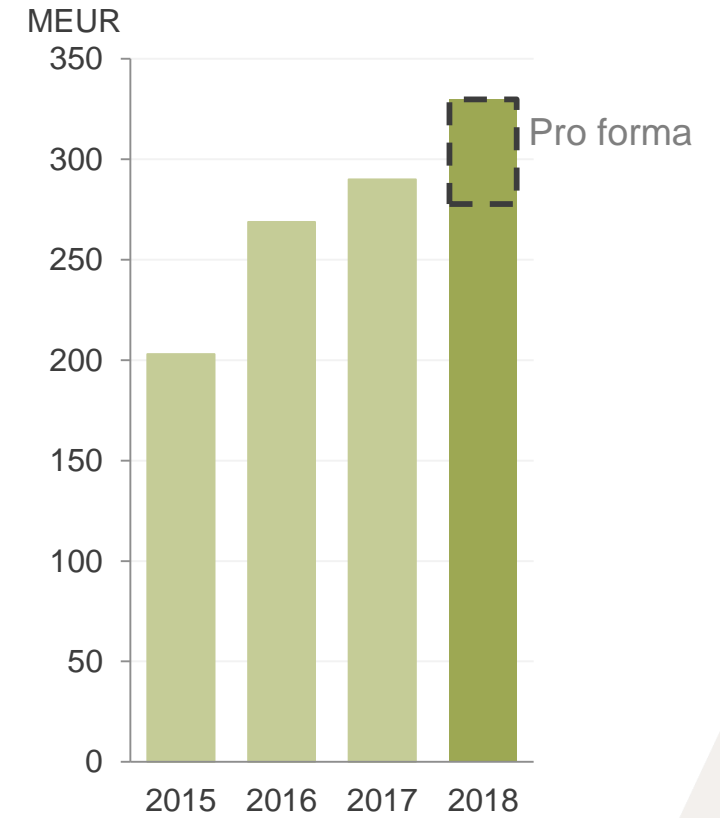


Capital allocation



* Pro forma

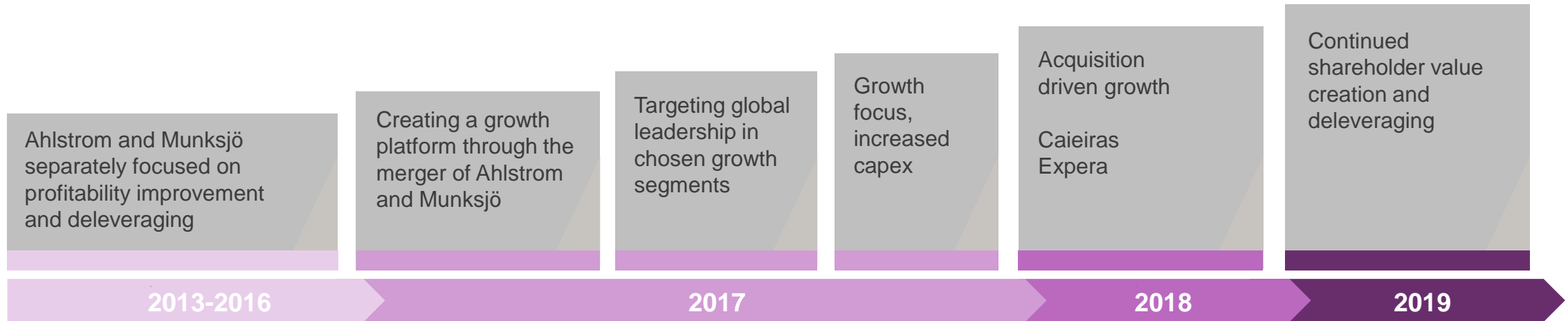
Comparable EBITDA**



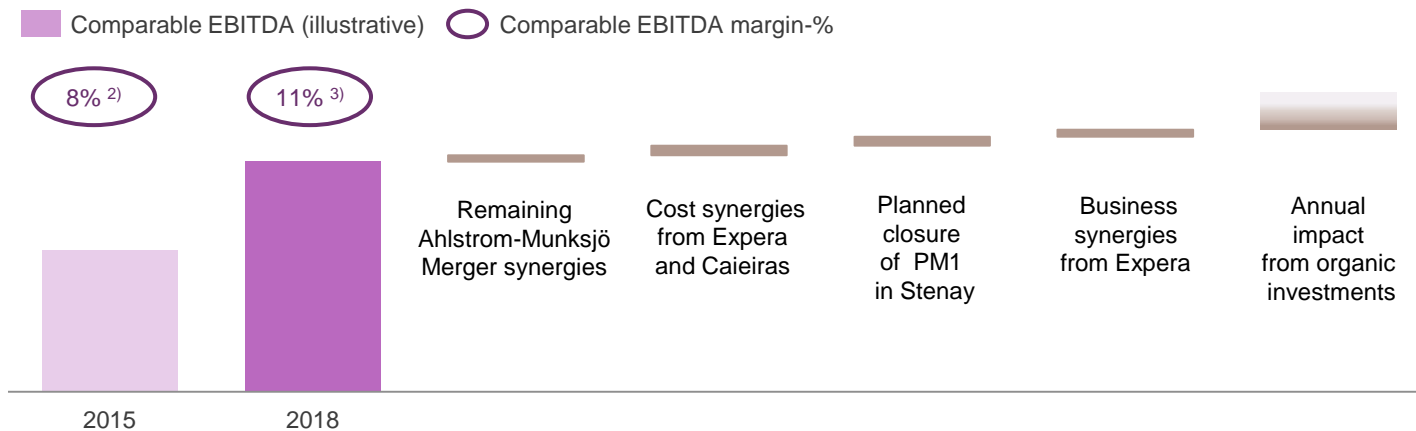
**Years 2015-2017 Ahlstrom-Munksjö excluding NASS and Caieiras



Strategic transformation supporting profitable growth



Measures underway to improve competitiveness and drive growth¹⁾



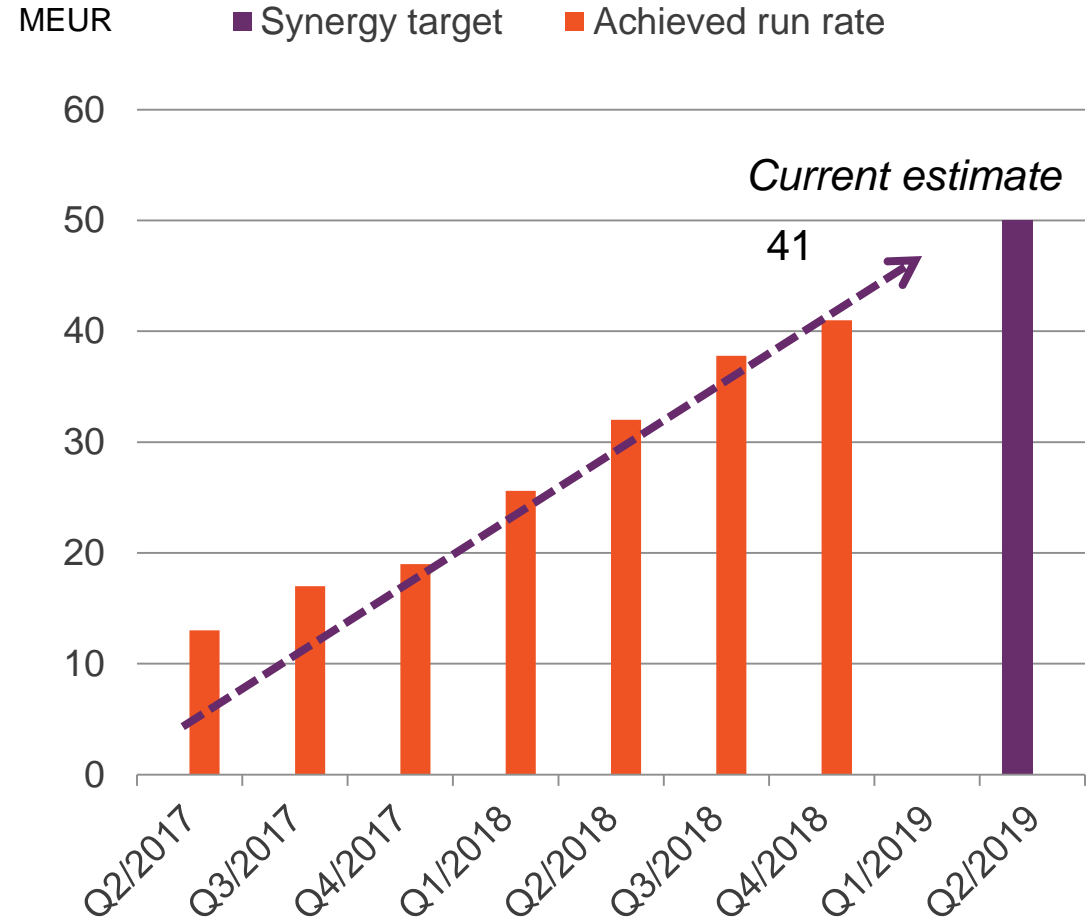
1) Illustrative (not necessarily in scale), not to be considered as guidance
 2) Munksjö's reported adjusted EBITDA margin for 2015
 3) Pro forma comparable EBITDA margin in 2018



Synergy benefits and cost reduction measures

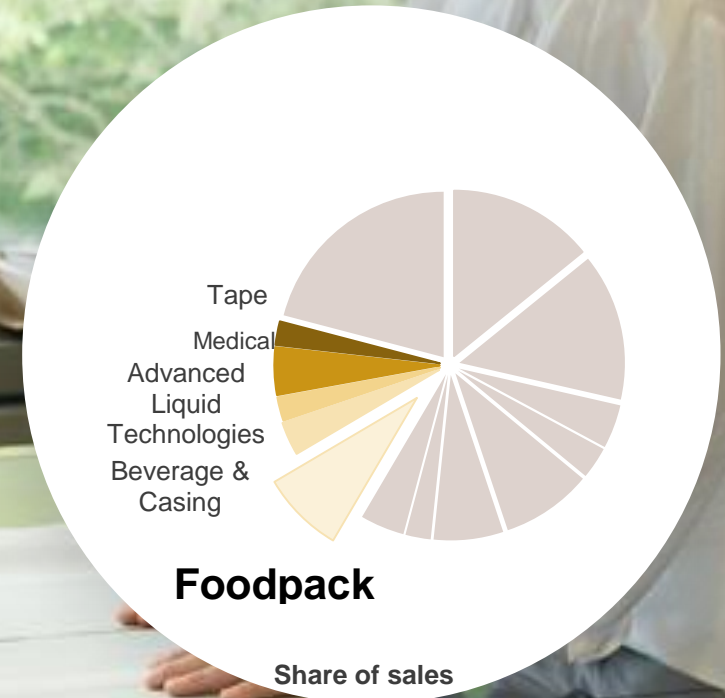
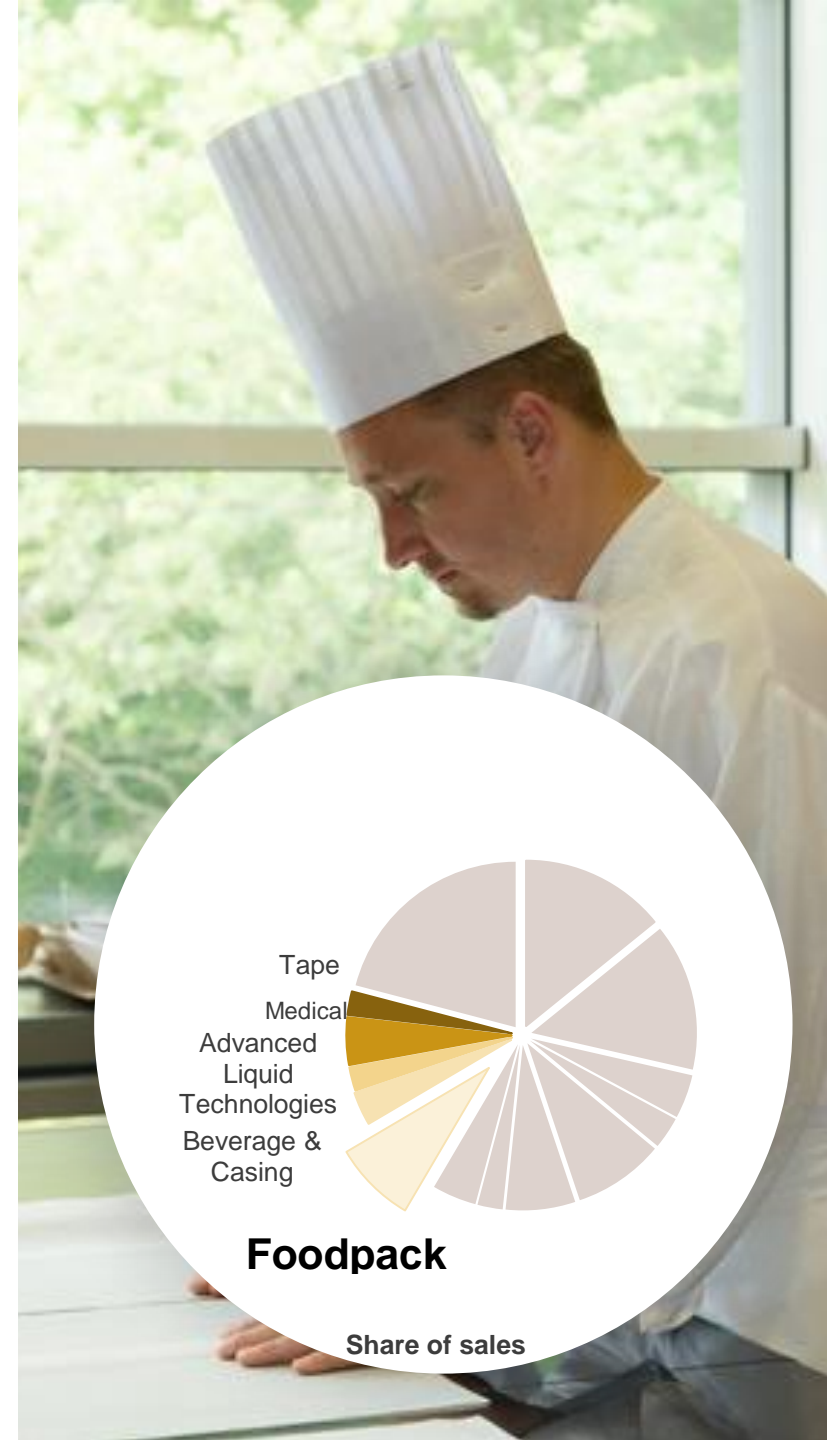
Ahlstrom-Munksjö targets synergy benefits and cost reduction measures with a total impact of EUR 50 million annually, fully implemented at the end of Q1/2019

- Majority from SG&A and variable costs
- Integration of the former Graphics and Packaging business area into Specialties to develop a combined product and service offering
 - Incremental sales
 - Production optimization
 - Product mix improvement
- Adjusting group structure to Ahlstrom-Munksjö's business unit based operating model that locally promotes accountability and enables flexibility and lean group functions

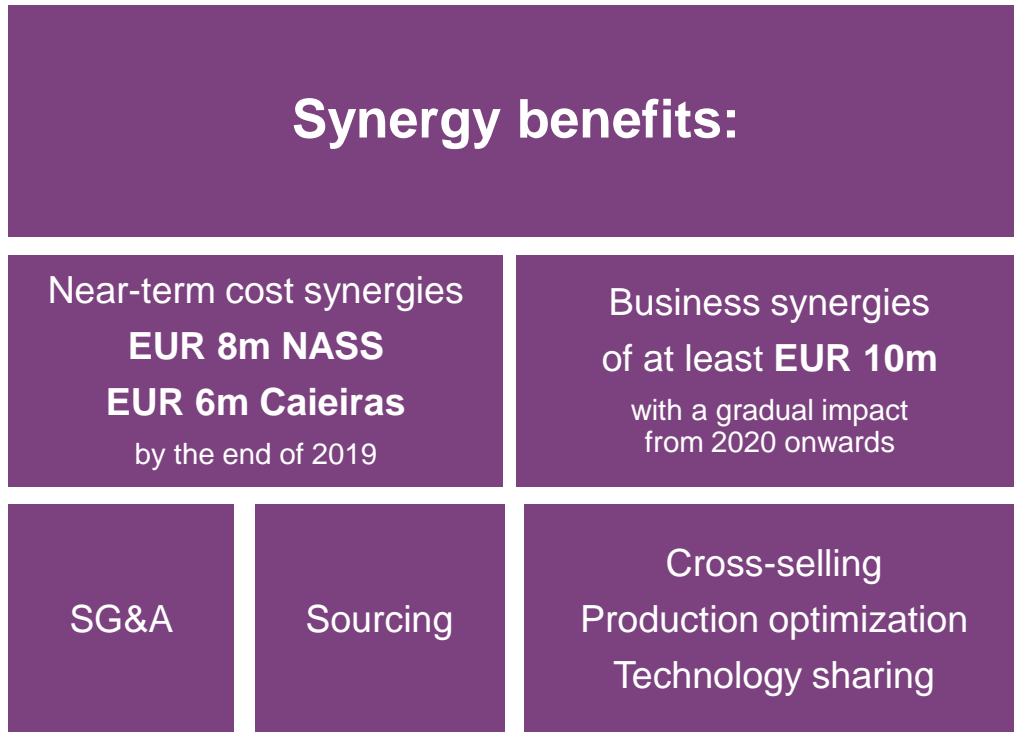


Measures to significantly improve competitiveness in coated one-side products (C1S)

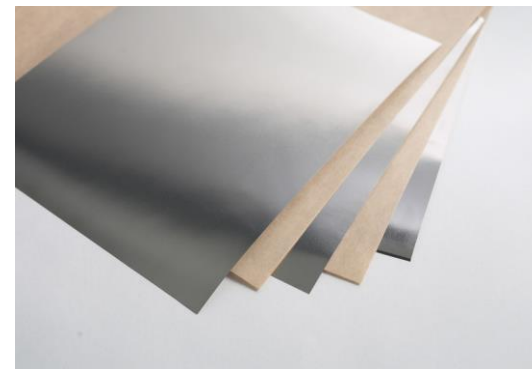
- Operating environment for C1S has further deteriorated, mainly due to increased raw material costs
- Ahlstrom-Munksjö's C1S offering and position not optimally aligned with strategy of niche orientation into customized solutions
- Employee consultation processes started on October 30, 2018, and are expected to be completed in February 2019. According to the project, permanent machine closure is expected by the end of March 2019.
- Concentrating orders to the other paper machine (PM3) also generates cost savings from higher raw material, energy and waste efficiency as well as improves inventory management
- Planned actions would yield estimated annual impact of EUR 13m
- Restructuring costs provision of EUR 11 million and an impairment loss of EUR 8 million were booked in the fourth quarter of 2018.



At least EUR 10 million business synergies relating to NASS validated



SG&A = Selling, General and Administrative expenses

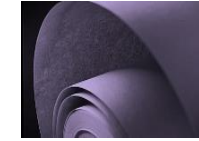


Completed investments driving strategic progress

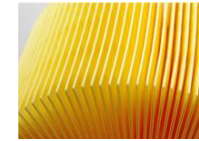
Production ramp-up ongoing

Abrasive backings Paper machine rebuild Arches, Q1/18-	EUR 14m
Filtration Capacity debottlenecking Turin, H1/18-	EUR 3m
Filtration Product offering Madisonville, H2/18-	EUR 23m
Foodpack New line installation Saint Severin, Q3/18-	EUR 7m
NASS Coater expansion, Q3/18	EUR 13m
Decor, Dettingen Production line upgrade, Q1/19	EUR 5m

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



Back of sandpaper



Filtration material



Filtration material



Baking paper










Fiber composite release liners



Pre-impregnated decor paper



New investment decisions driving our strategic progress

		Efficiency and agility	Customer value	Profitable growth	
Medical, Pont Audemer Converting line rebuild, Q2/19-	EUR 4m	✓	✓	✓	 Sterilization wrap
Coated Specialties, Jacarei Coating line upgrade, Q3/19-	EUR 21m	✓	✓	✓	 Coated specialty paper
Insulation, Billingsfors Boiler and pulp line rebuild, Q3/19-	EUR 23m	✓		✓	 Electrotechnical paper
Insulation, Aspa Bailing line modernization, Q3/19-	EUR 4m	✓	✓		 Specialty pulp
Filtration, Release Liner New co-generation in Turin plant at itH1/20-	EUR 15m	✓			 Turin plant
Filtration, Turin Capacity expansion, H2/20-	EUR 28m	✓		✓	 Industrial filter material
Beverage & Casing, Chirside New production line, H2/20	EUR 28m	✓	✓	✓	 Coffee, tea, and casing material



Outlook for 2019

“Ahlstrom-Munksjö’s pro forma comparable EBITDA reached EUR 330 million in 2018.

As we entered 2019, customers have reacted to signs of a slowing economic outlook. Although demand growth has slowed somewhat in certain product segments, and customers have reduced inventories market fundamentals remain relatively solid.

Ahlstrom-Munksjö will continue its efforts to improve performance and competitiveness. The gross margin for products increased during the course of 2018 and the targeted synergy benefits and cost reduction measures are expected to contribute positively to earnings in 2019.”



Sakari Ahdekivi Deputy CEO and CFO as of March 1



- Deputy CEO and CFO as of March 1
- Previous position: Deputy CEO and Executive Vice President, Corporate Development
- Born: 1963
Citizenship: Finnish
Education: M.Sc. (Econ.)
- Previous positions
 - Interim CEO of Ahlstrom, CFO of Ahlstrom
 - Managing Director at Tamro Finland and Baltics.
 - CFO positions at Tamro, YIT, and Huhtamäki
 - Financial controlling positions at ABB
- Board memberships: Lehto Group Oyj



Summary

- Successful execution of growth strategy in 2018
- Gross margin for products improved in Q4/2018
- Profitability impacted by lower sales volumes due to stronger-than-usual seasonal variations and operational issues
- Although demand growth has slowed somewhat in certain product segments, and customers have reduced inventories, market fundamentals remain relatively solid
- Focus on integration and delivering on the promised synergies, proceeding with measures to improve competitiveness

North America
Specialty Solutions
Fifth Business Area

Caieiras
specialty paper mill

Line start-ups in **Abrasive,**
Filtration and **Food**
Packaging businesses

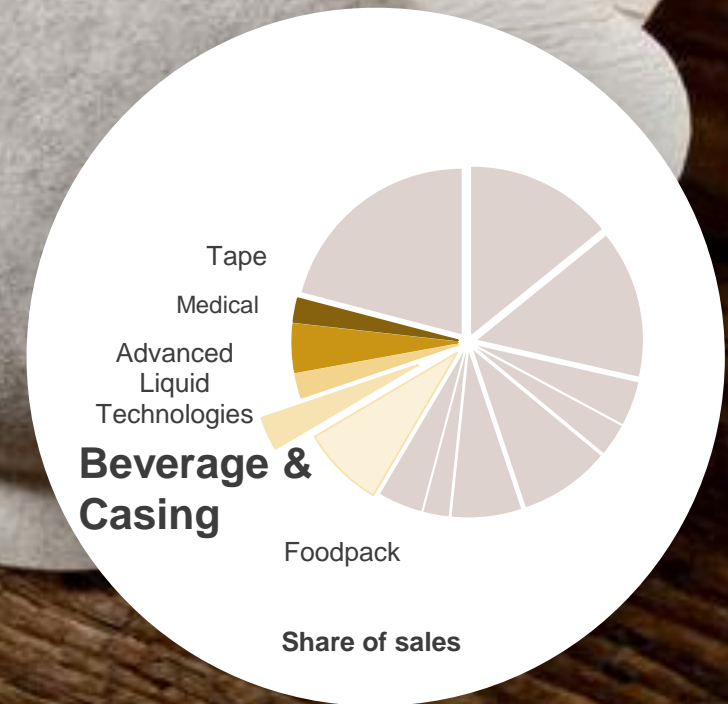
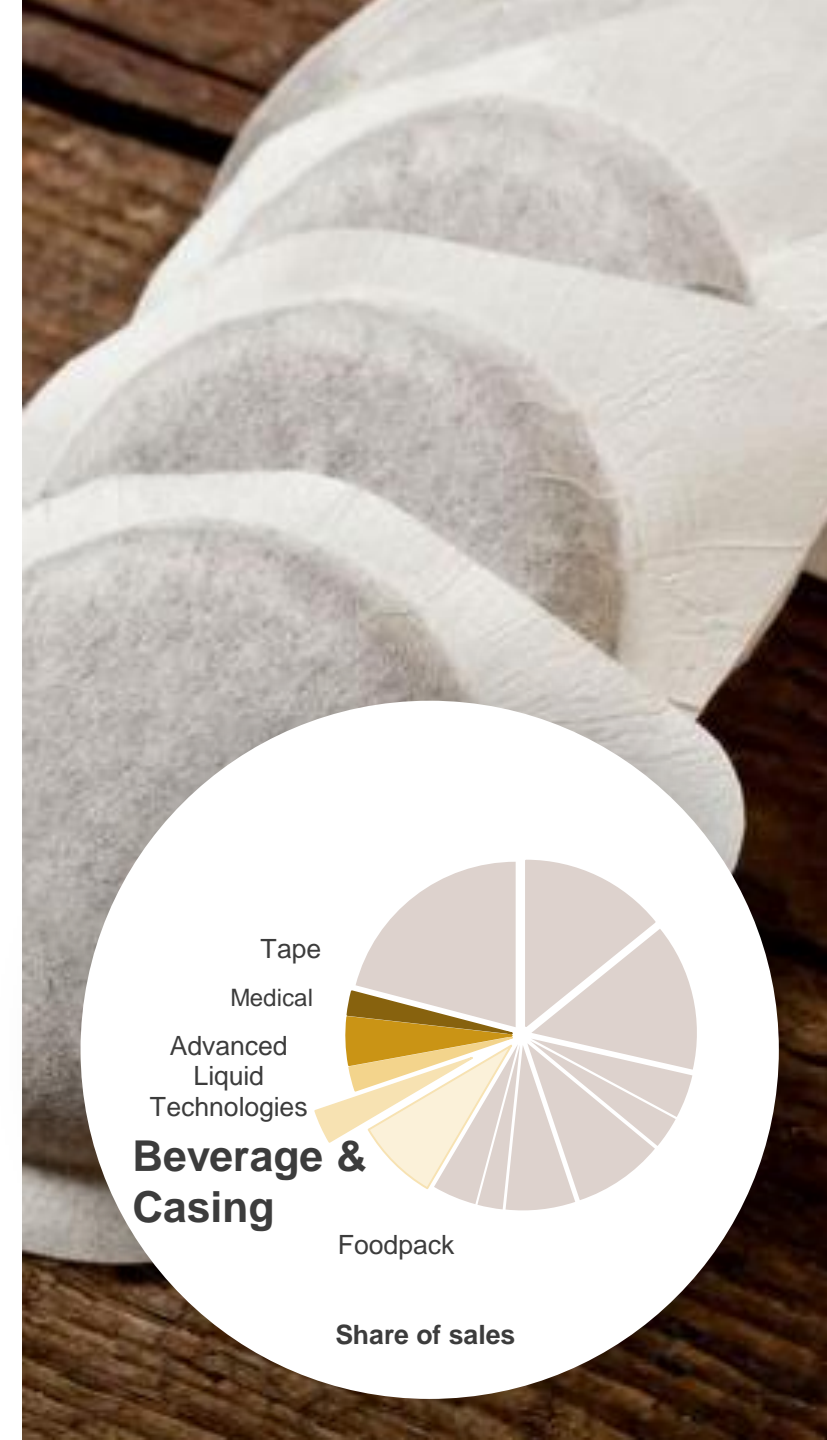




AHLSTROM
MUNKSJÖ

Investment in biodegradable and compostable tea bag, coffee and meat casing materials

- Investing EUR 28m in near state-of-the-art paper making line to be dismantled and transferred to the Chirnside site, UK
- Combining Ahlstrom-Munksjö's extensive offering of biodegradable and compostable solutions, the new line enables:
 - Growth in tea and coffee filter paper and fibrous meat casing materials
 - Improved product capabilities in coffee and tea
 - Increased production efficiency
 - Differentiation from competition
 - Machine transfer, civil engineering and infrastructure building in progress, final commissioning by the end 2020



Profitability improvement in Decor

Year 2017 –

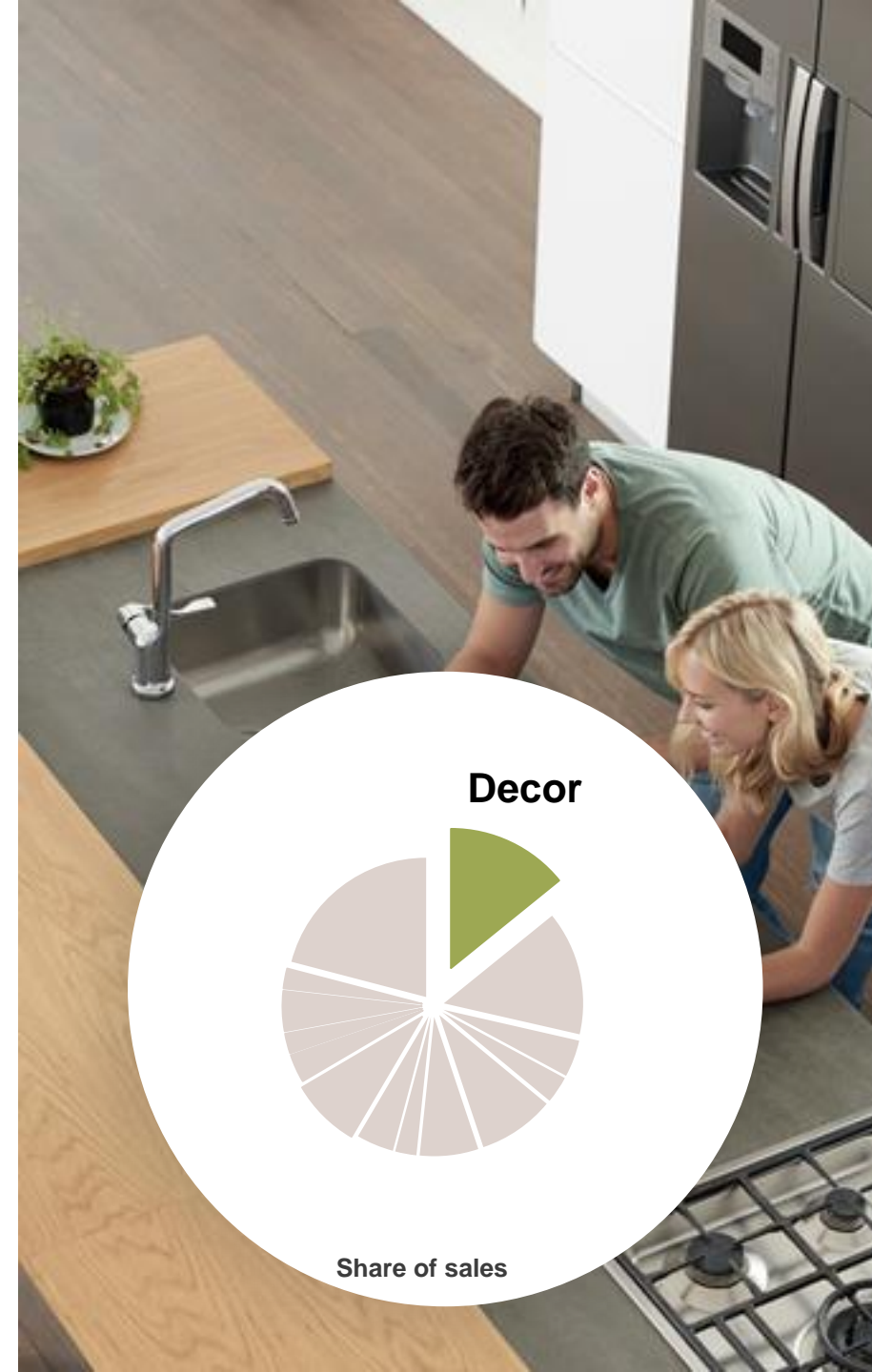
- Escalating raw material costs and build up of inventory levels in the industry

Year 2018 –

- Gross margin improvement thanks to successful price increases
- Volume losses in oversea markets due to price increases and new competition
- Market environment increasingly volatile, reduction of inventories throughout the supply chain

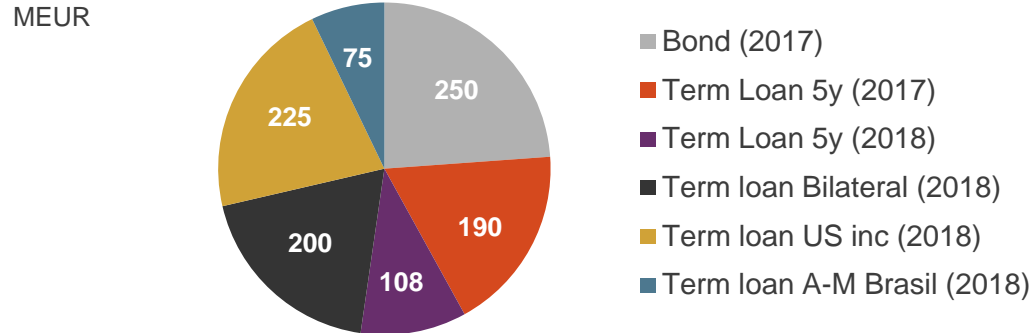
Medium term profitability improvement plan

- **Continue optimization of product and customer mix**
 - Further enhance capabilities in the most attractive segments
- **Maintain leadership in quality, service and innovation to deliver best customer value**
 - Investment at Dettingen plant, Germany, to enhance the quality of pre-impregnated decor papers
- **Improve cost competitiveness and production efficiency**
 - Reduction in energy costs at Dettingen plant through power plant buyout
- **Caieiras - integrate and realize synergies**

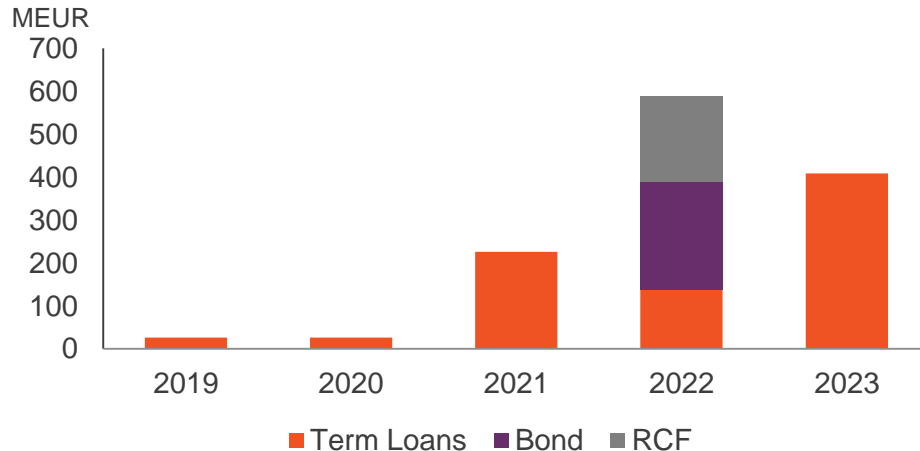


Funding structure end of 2018

DEBT FACILITY STRUCTURE, DRAWN



DEBT FACILITY MATURITY PROFILE, INCL. UNDRAWN REVOLVING CREDIT FACILITY



1) Local facilities not represented

FUNDING STRUCTURE, AVAILABLE FACILITIES

- **Term Loans**
 - 5 year: EUR 64 million, EUR 40 million, SEK 600 million, USD 35 million (maturity 2022)
 - 5 year: EUR 108 million, BRL 330 million, USD 260 million (maturity 2023)
 - 3 year: EUR 200 million (maturity 2021)
- **Bond**
 - EUR 250 million bond (maturity 2022)
- **RCF**
 - 5 year: EUR 200 million, undrawn (maturity 2022)
- **Other**
 - Local working capital facilities of approx. EUR 58 million
 - Local undrawn working capital facilities of approx. EUR 73 million
 - No active issuances in the commercial paper market at the moment
 - Cash pool limits of EUR 13 million (committed) and EUR 8 million (uncommitted)



MISSION
Sustainable and innovative fiber-based solutions

Strategy overview

VISION
Global leader in chosen growth segments

CORNERSTONES

Local accountability Efficiency and agility Customer value Profitable growth



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

VALUES

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

