Half-year report January-June 2017

STOCKHOLM, JULY 25, 2017

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AHLSTROM MUNKSJÖ

Agenda

- Q2/2017 in brief
- Business area reviews
- Balance sheet and financing
- Update on synergies
- Outlook

Key takeaways from Q2/2017
A good start for Ahlstrom-Munksjö

Solid growth and profitability

- Continued strong demand for most of our products across many regions
- Performance driven by excellent results in Filtration and Performance, and Industrial Solutions business areas
- Pricing initiatives ongoing to mitigate the impact from higher raw material costs
- Funding structure refinanced to lower financing costs

Synergy savings becoming clearly visible

- Target to reach, and even exceed, annual cost synergies of EUR 35 million in two years re-confirmed
- Achieved an annual run rate of about EUR 13 million, impact on Q2/2017 result about EUR 3 million

Looking forward

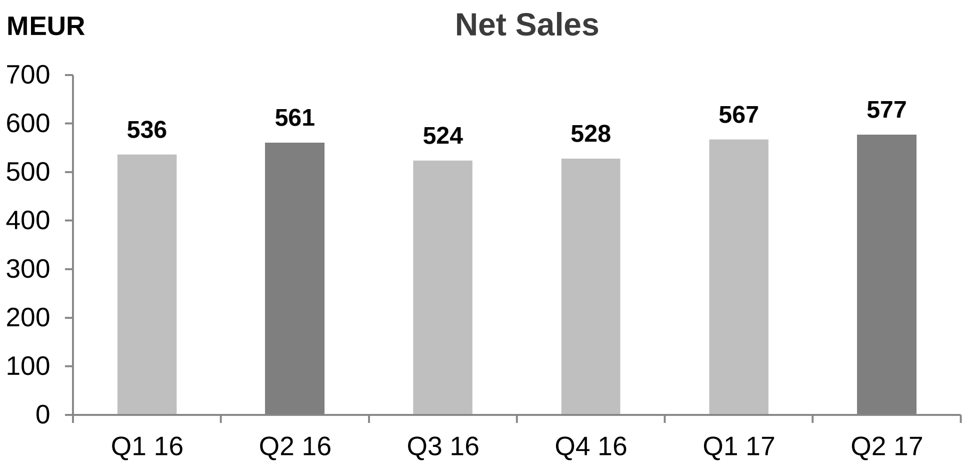
- Higher investments to address near-term growth opportunities; mainly filtration, food packaging and abrasives
- Strategic direction: profitable growth, customer value, accountability, flexibility and agility

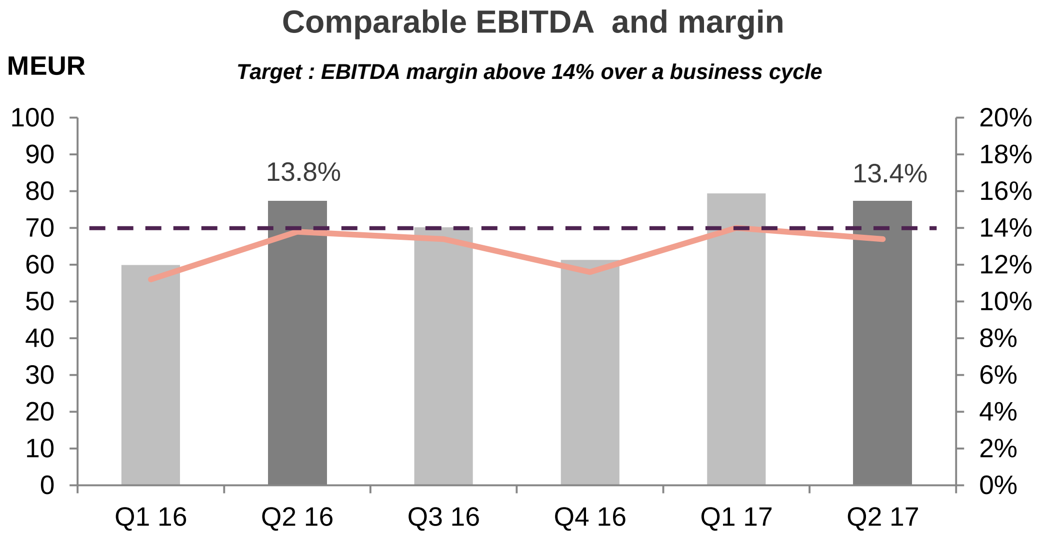
Key figures Q2/2017
Solid sales growth and profitability

EUR MILLION	Q2/2017	Q2/2016	CHANGE, %	1-6/2017	1-6/2016	CHANGE, %	FY2016
Net Sales	**576.9**	561.0	2.8%	**1,143.8**	1,096.9	4.3%	2,147.9
Comparable EBITDA	**77.4**	77.3	0.2%	**156.8**	137.2	14.3%	268.7
Comparable EBITDA margin,%	**13.4**	13.8	-	**13.7**	12.5	-	12.5
EBITDA*	**75.0**	76.0	-1.3%	**150.5**	111.6	34.9%	239.9
Net result*	**27.5**	23.7	15.9%	**51.7**	13.3	N/A	49.8
Earnings per share*, EUR	**0.28**	0.25	13.8%	**0.54**	0.14	N/A	0.51
Comparable EPS excluding merger related items (PPA)*, EUR	**0.39**	0.25	56.0%	**0.64**	0.33	94.0%	0.71
Net debt**	**420.3**	N/A	N/A	**420.3**	N/A	N/A	N/A
Gearing, %**	**41.3%**	N/A	-	**41.3%**	N/A	-	N/A
Cash flow from operating activities	**41.3**	89.1	-53.7%	**84.1**	84.5	-0.4%	232.1

*Fair valuation of EUR 11 million inventory adjustment excluded as already included in pro forma 2016 figures
**No comparative balance sheet figures on pro forma basis available

EBITDA-margin maintained at a good level in Q2/2017 and 1-6/2017





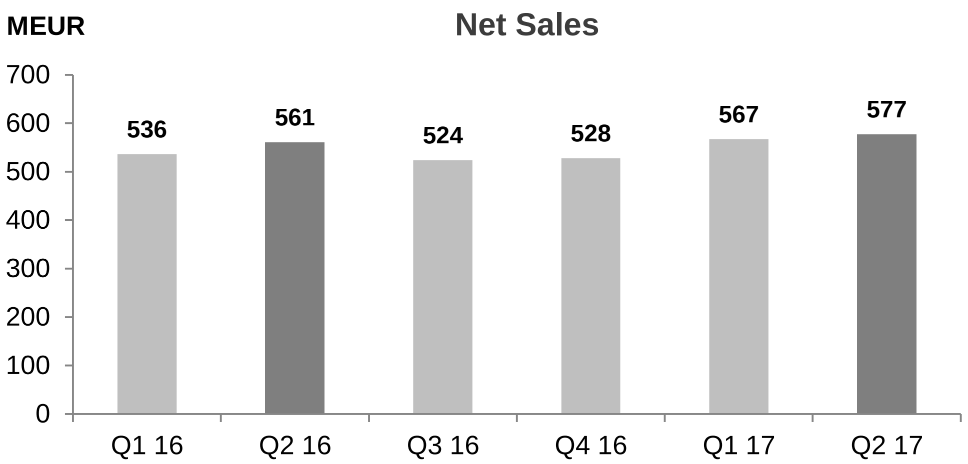
Net sales EUR 576.9 million in Q2/17 (EUR 561.0 million)

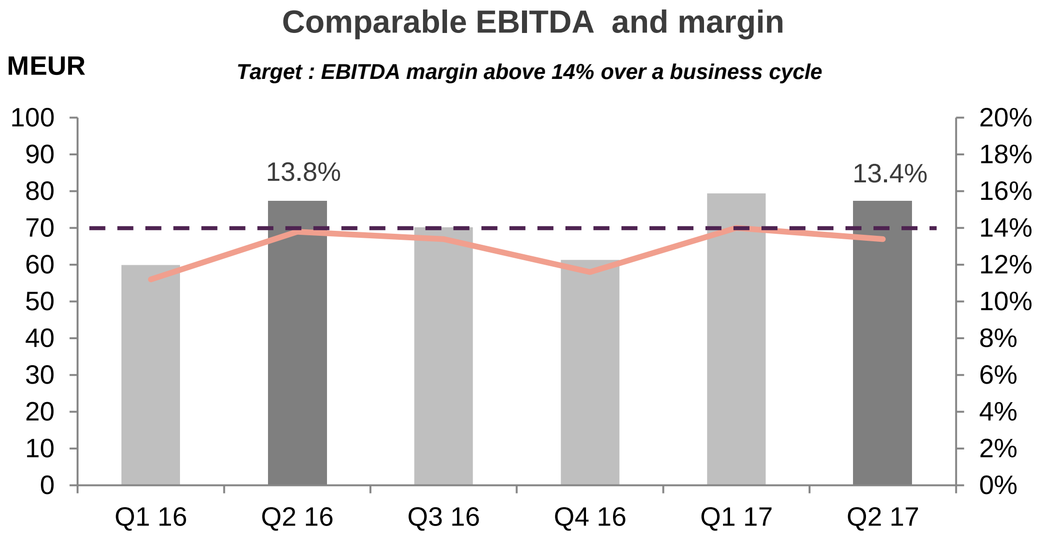
- Net sales +2.8%
- Comparable net sales +1.8% at constant currency
  - Higher average selling prices and volumes, and an improved product mix

Comparable EBITDA EUR 77.4 million in Q2/17 (EUR 77.3 million)

- Margin at 13.4%
- Higher sales volumes and average selling prices
- Improved product mix and lower SG&A
- Higher raw material costs (pulp and titanium dioxide)

EBITDA-margin maintained at a good level in Q2/2017 and 1-6/2017





Net sales EUR 1,143.8 million in 1-6/2017 (EUR 1,096.9 million)

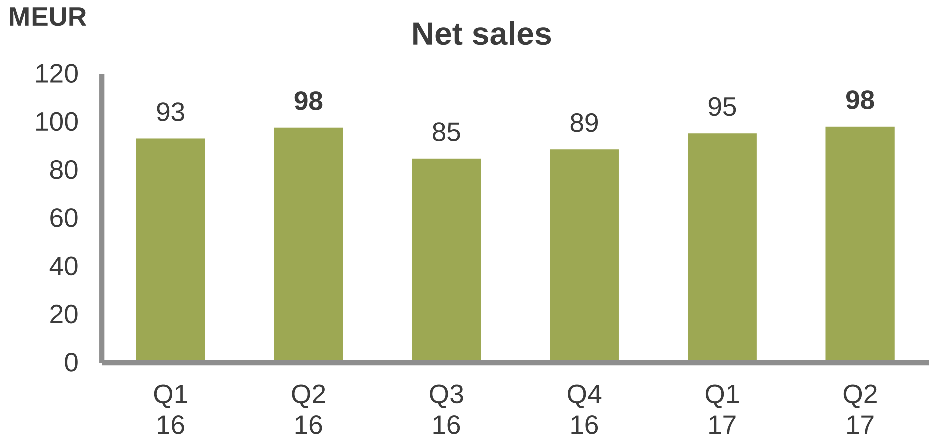
- Net sales +4.3%
- Comparable net sales +2.7% at constant currency
  - Higher volumes and average selling prices, as well as an improved product mix

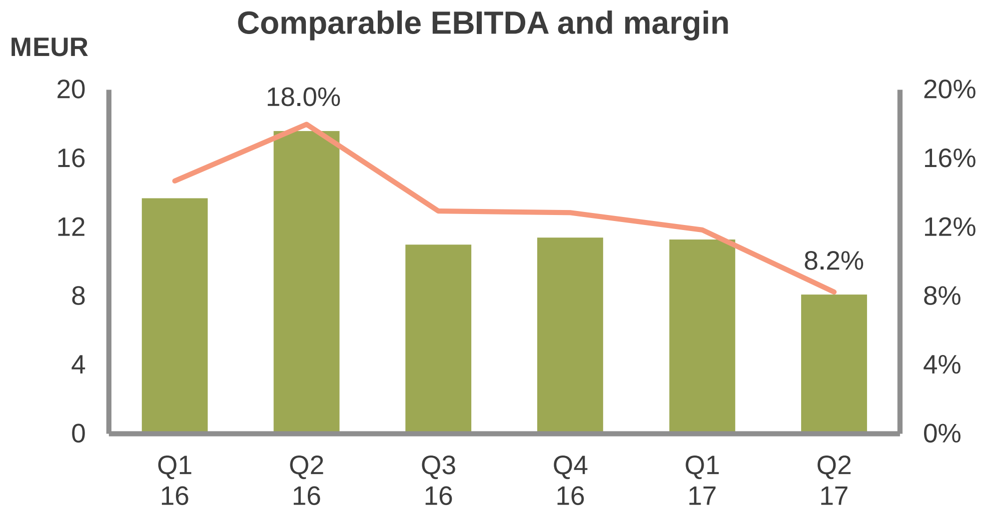
Comparable EBITDA EUR 156.8 million in 1-6/2017 (EUR 137.2 million)

- Margin at 13.7%
- Higher sales volumes and average selling prices
- Improved product mix and lower SG&A
- Higher raw material costs (pulp and titanium dioxide)

Business area reviews

Decor





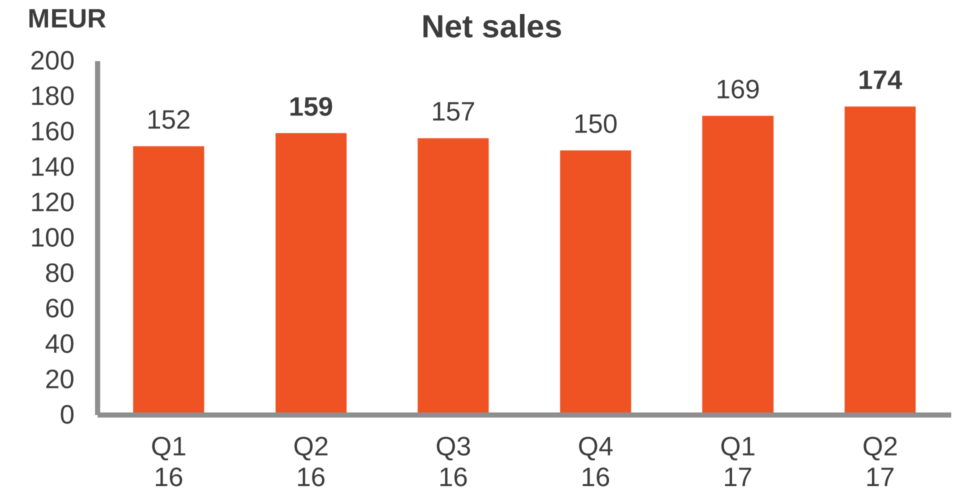
Net sales EUR 98.2 million in Q2/17 (EUR 97.8 million)

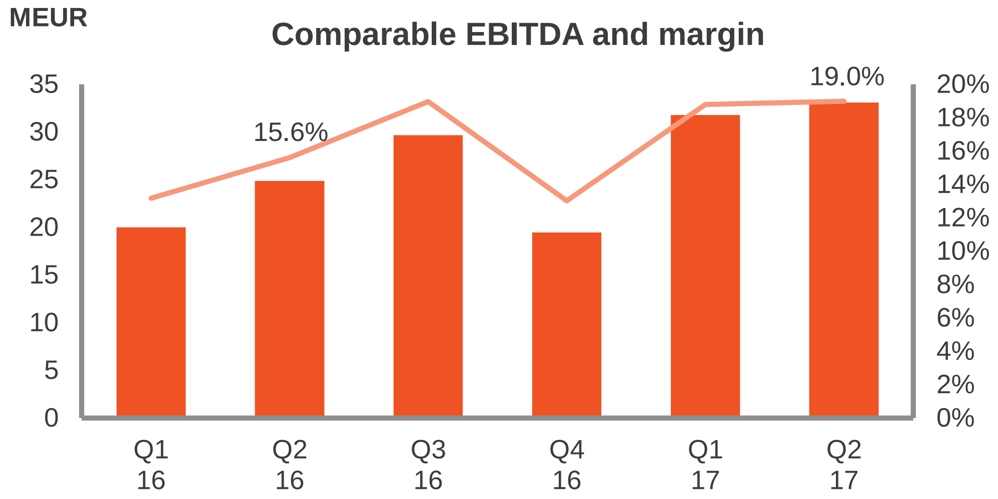
- Net sales +0.4%
- Strong demand in all segments, especially for white grades
- Higher sales volumes, offset by lower average selling prices mainly due to a change in product mix

Comparable EBITDA EUR 8.1 million in Q2/17 (EUR 17.6 million)

- Time lag in raising selling prices to compensate for higher raw material costs, such as titanium dioxide and pulp

Filtration and Performance





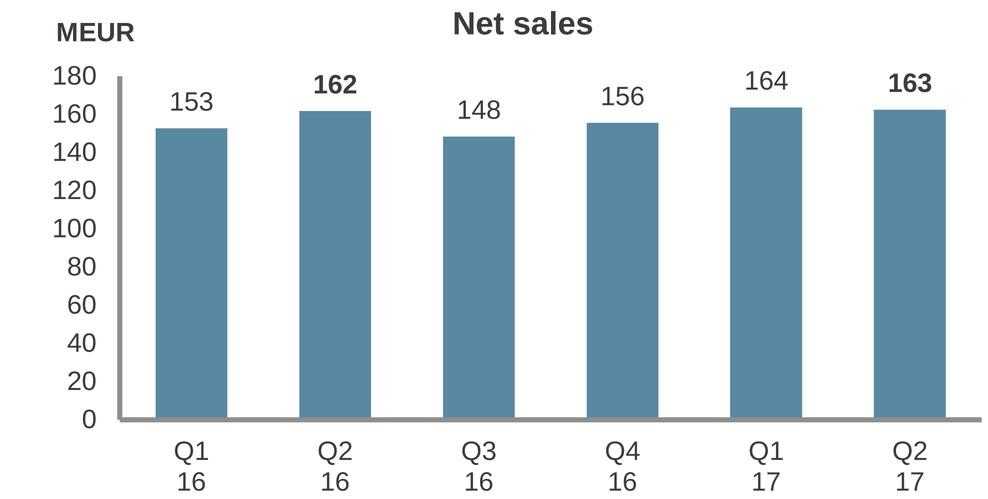
Net sales EUR 174.3 million in Q2/17 (EUR 159.2 million)

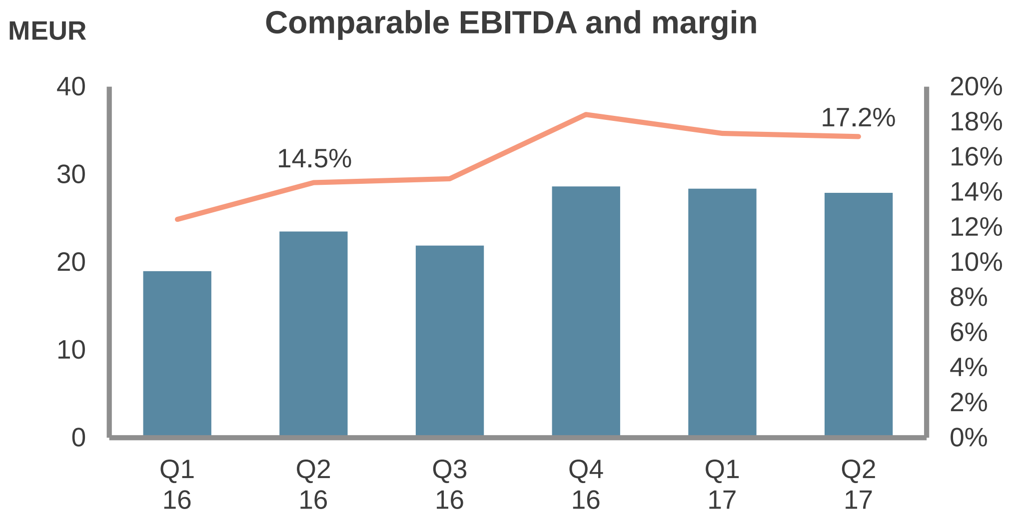
- Net sales +9.5%
- Higher sales of filtration and wallcover products
- Favorable currency fluctuations
- An improved product mix

Comparable EBITDA EUR 33.1 million in Q2/17 (EUR 24.9 million)

- Higher volumes and an improved product mix
- Improved operational efficiency and lower fixed costs
- A time lag in implementing higher selling prices to compensate for increased raw material costs, such as pulp and chemicals

Industrial Solutions





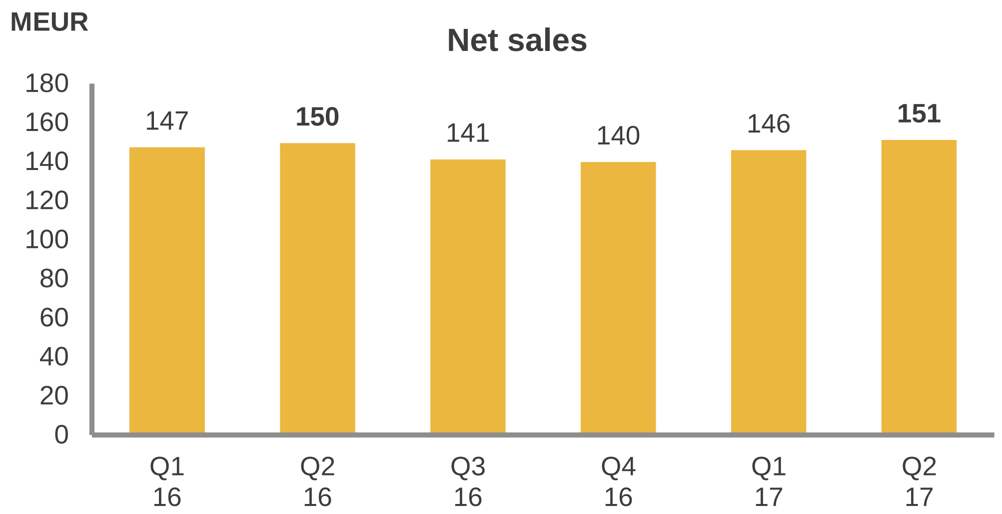
Net sales EUR 162.5 million in Q2/17 (EUR 161.7 million)

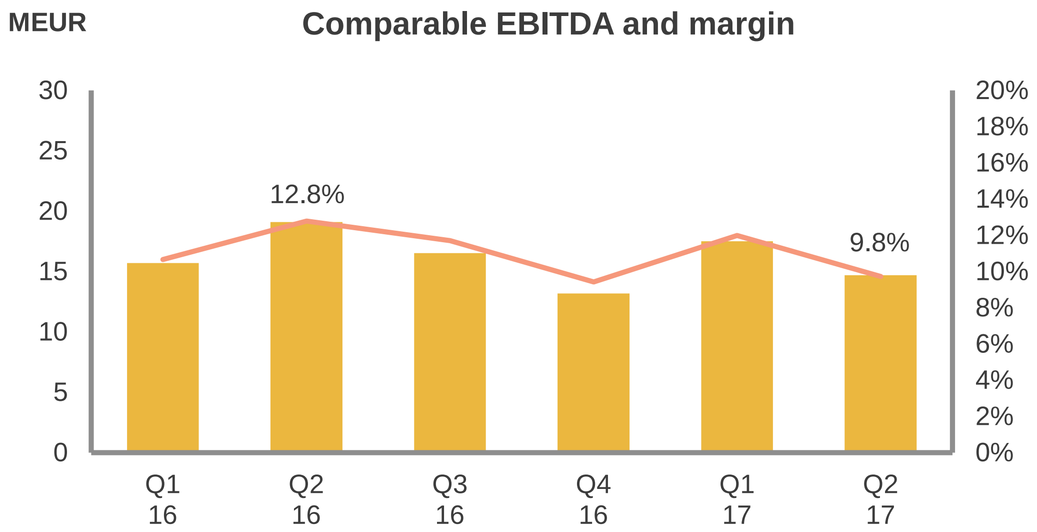
- Net sales +0.5%
- Higher sales of release liners, an improved product mix in coated specialties in Brazil
- Higher selling prices for specialty softwood pulp

Comparable EBITDA EUR 27.9 million in Q2/17 (EUR 23.5 million)

- Higher average selling prices
- Lower raw material and SG&A costs
- Maintenance stop at Billingsfors, Sweden (occured in Q3 2016)

Specialities





Net sales EUR 151.1 million in Q2/17 (EUR 149.5 million)

- Net sales +1.1%
- Higher sales of food and beverage packaging materials, tape, water purification and life science products
- Lower sales of coated one-side products

Comparable EBITDA EUR 14.7 million in Q2/17 (EUR 19.1 million)

- Higher raw material costs
- Operational challenges in the coated one-sided business
- A process to benefit from the extended products portfolio of the merged business area has started in the Food packaging unit

Synergy savings are already becoming clearly visible

Good start to the program

- Integration work according to plan
- We confirm announced plan to reach, or even exceed, EUR 35 million in annual synergies
- Annual synergy achievement run rate was about EUR 13 million at the end of Q2/17, majority from SG&A cost
  - Non-recurring costs estimated at EUR 30 million, of which some EUR 4 million been taken at the end of Q2/2017
- Integration of the former Graphics and Packaging business area into Specialties to develop a combined product and service offering

Balance sheet and financing

Balance sheet
June 30, 2017

ASSETS

Non-current assets	
Tangible assets	848.8
Goodwill	436.8
Other intangible assets	317.8
Equity accounted investments	2.2
Other non-current assets	12.6
Deferred tax assets	15.9
Total non-current assets	**1,634.1**
Current assets	
Inventory	273.1
Accounts receivable	238.5
Other current assets	53.0
Current tax assets	6.7
Cash and cash equivalents	222.9
Total current assets	**794.2**
TOTAL ASSETS	**2,428.3**

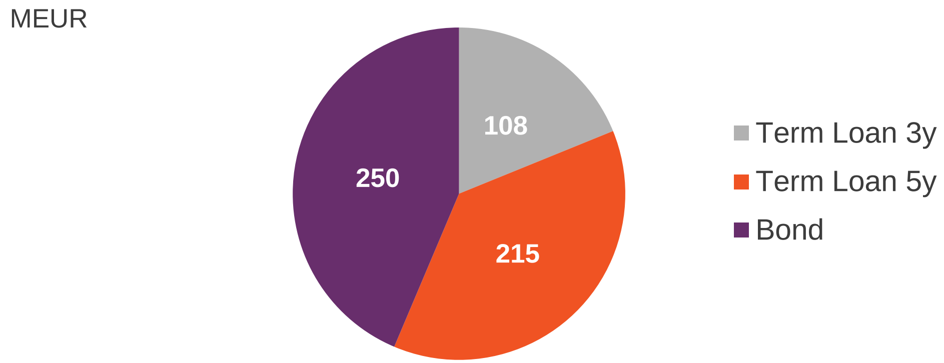
EQUITY AND LIABILITIES

Equity	**1,018.7**
Non-current liabilities	
Non-current borrowings	566.9
Other non-current liabilities	0.8
Pension obligations	102.0
Deferred tax liabilities	125.4
Provisions	18.6
Total non-current liabilities	**813.7**
Current liabilities	
Current borrowings	76.3
Accounts payable	260.2
Liabilities to equity accounted investments	7.4
Accrued expenses and deferred income	200.8
Current tax liabilities	11.1
Other current liabilities and provisions	40.1
Total current liabilities	**595.9**
Total liabilities	**1,409.6**
TOTAL EQUITY AND LIABILITIES	**2,428.3**

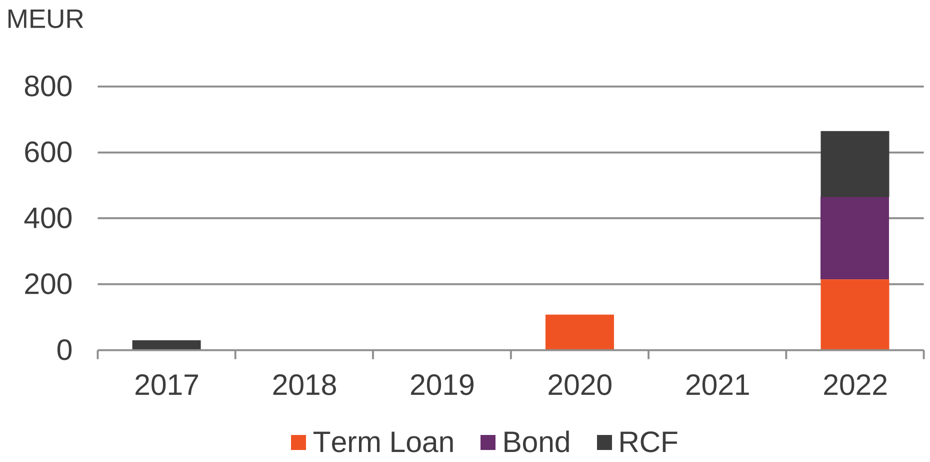
- Gearing 41.3% as of June 30, 2017
- Strong cash flow in January-June 2017, supported by improved operational result

Funding structure

DEBT FACILITY STRUCTURE, DRAWN[1]



DEBT FACILITY MATURITY PROFILE, INCL. UNDRAWN[1]



1) Local facilities not represented

FUNDING STRUCTURE, AVAILABLE FACILITIES

- **Term Loans**
  - 3 year: EUR 108 million
  - 5 year: EUR 80 million, EUR 40 million, SEK 600 million, USD 35 million
- **Bond**
  - EUR 250 million bond with maturity 2022
- **RCF**
  - Dec 2017: EUR 30 million (undrawn)
  - 5 year: EUR 200 million (undrawn)
  - No active issuances in the CP market at the moment
- **Other**
  - Local facilities of approx. EUR 55 million
  - Local WC facilities of approx. EUR 65 million (undrawn)
  - EUR 11 EUR million is remaining of the unsecured bond, will be redeemed around September 15, 2017

Outlook

on comparable EBITDA and shutdowns has been reiterated. The guidance on market outlook and capital expenditure has been revised.

Market Outlook	The demand outlook for 2017 for Ahlstrom-Munksjö's fiber-based products is expected to remain stable at the current good level for most of the product segments and to reflect the seasonal pattern. Price increases continue to be implemented to mitigate raw material cost inflation and they will take effect during the rest of the year.
EBITDA	Comparable EBITDA in 2017 expected to be higher than in the previous year
Shutdowns	The annual maintenance and vacation shutdowns in the third quarter as well as the seasonal shutdowns at the end of 2017 are expected to be carried out to about the same extent as in 2016. However, the maintenance shutdown usually carried out in the third quarter in the Swedish plant Billingsfors will be replaced by shorter stops in the second and fourth quarters due to changes in the shift form. The next maintenance shut-down at the pulp production facility in Aspa in Sweden will be carried out in the fourth quarter of 2017.
Capital Expenditure	Capital expenditure: The cash flow effect of current capital expenditure for fixed assets in 2017 is expected to be approximately EUR 80 million, which is higher than the previously estimated EUR 70 million, to address the good demand. In addition, the cash flow impact of the strategic investments in Arches and Madisonville is expected to be approximately EUR 18 million.

UPCOMING EVENTS

- January-September 2017 interim report to be published on October 25, 2017
- Financial Statements Release 2017 to be published on February 13, 2018

Further information, please contact

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