

Ahlstrom-Munksjö

Q2 2018 Results

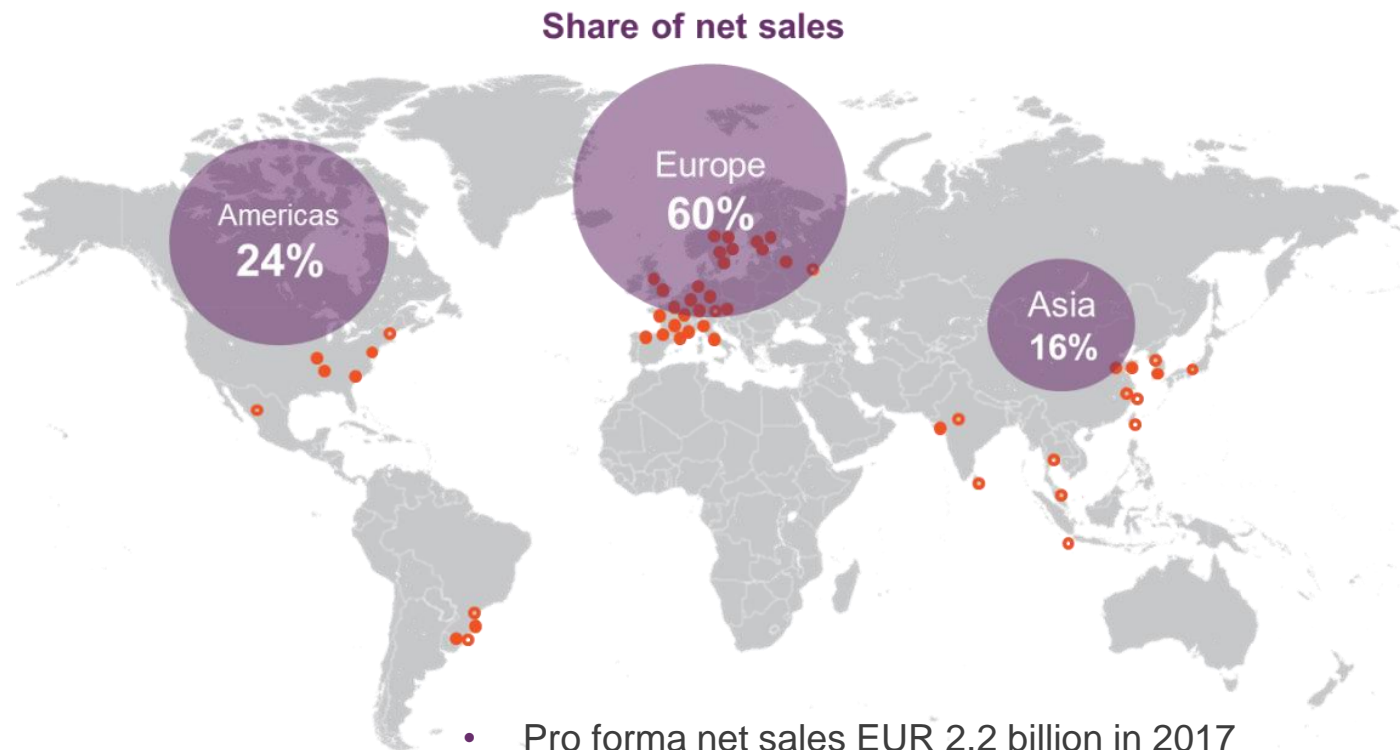
July 26, 2018

HANS SOHLSTRÖM, PRESIDENT AND CEO
PIA AALTONEN-FORSELL, CFO



Ahlstrom-Munksjö - Global leader in fiber-based materials

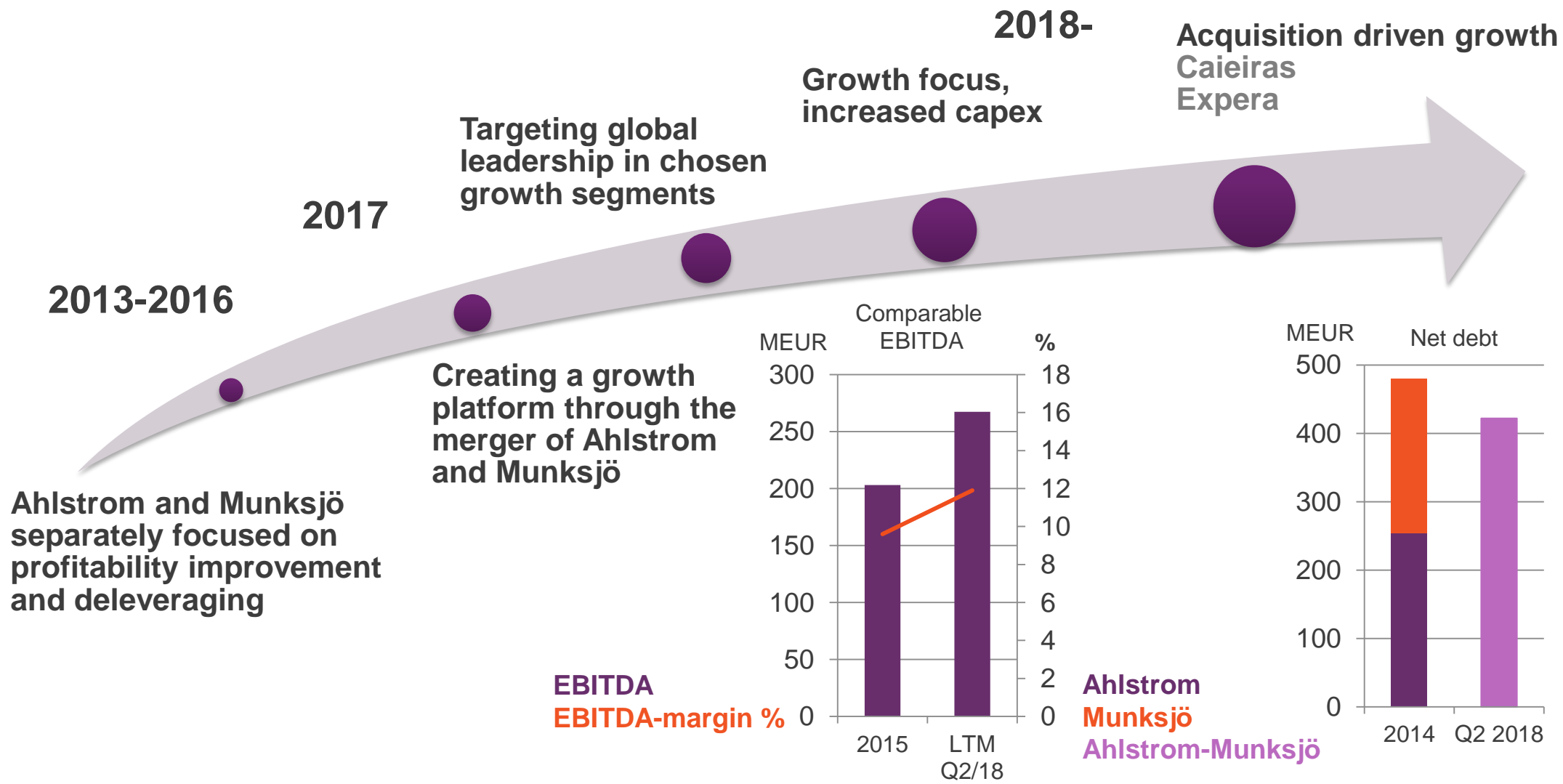
- **Fibers are the core** in what we do, the common denominator to our products and solutions
- We offer **custom made** specialized fiber based materials
- Our value proposition is based on **innovation**, quality and service
- Our offering contributes to a more **sustainable** everyday life



- Pro forma net sales EUR 2.2 billion in 2017
- More than 7,000 customers in over 100 countries
- 40 plants and converting facilities in 14 countries
- Some 6,000 employees
- Market capitalization EUR 1.5 billion



We have only seen the beginning of what fiber-based materials can be used for



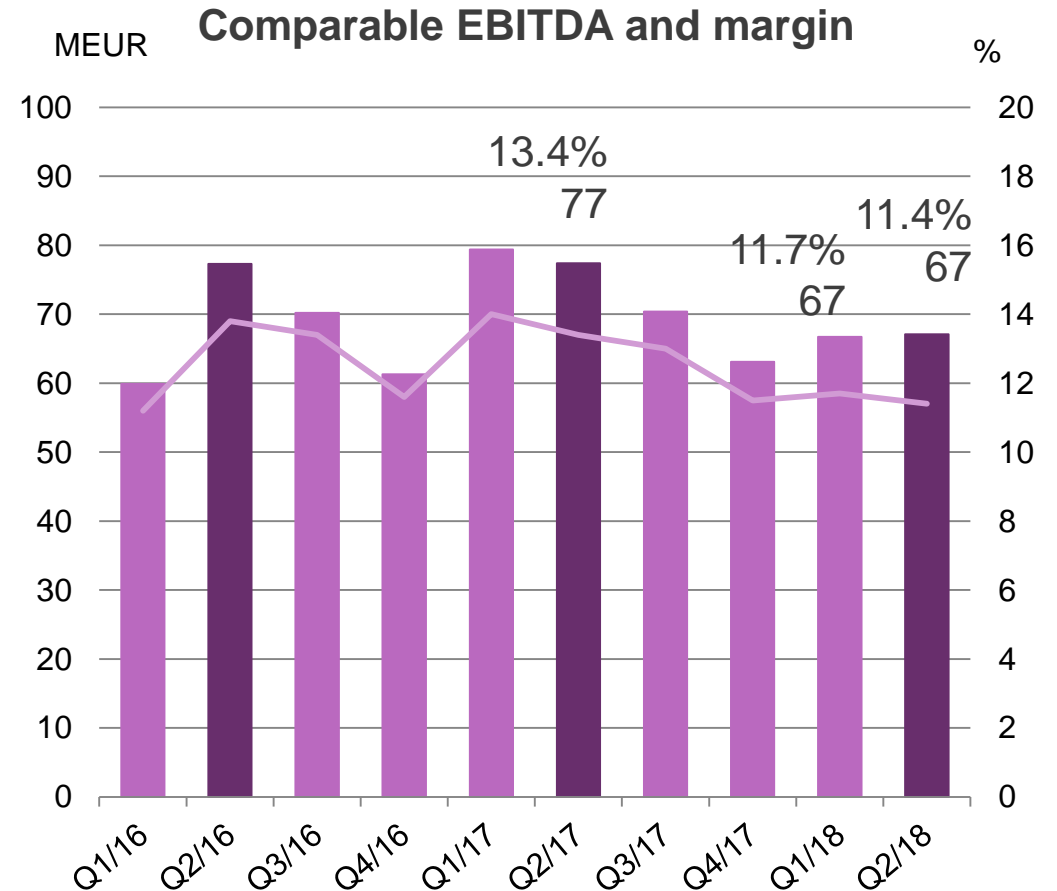
Satisfactory profitability – Significant progress in strategic growth initiatives

Strategic growth initiatives

- Agreement to acquire the US based specialty paper producer Expera
- Investment in biodegradable and compostable tea bag, coffee and meat casing materials
- Investment to grow Filtration business
- Agreement to acquire the Caieiras specialty paper mill in Brazil

Satisfactory profitability in Q2 2018

- Successful commercial strategy – impacts of sharply increased raw material costs were compensated
- Gross margin for products improved sequentially, reaching previous year's level
- Stable good demand across most markets
- Specified guidance for FY 2018 comparable EBITDA



Stable demand on a good level across most markets

FILTRATION &
PERFORMANCE

Filtration



Nonwovens



Building & Wind



Release Liners



Insulation



Abrasive



Coated Speciaties



INDUSTRIAL
SOLUTIONS

Decor



DECOR

Food packaging



Beverage and
Casings



Tape



Medical



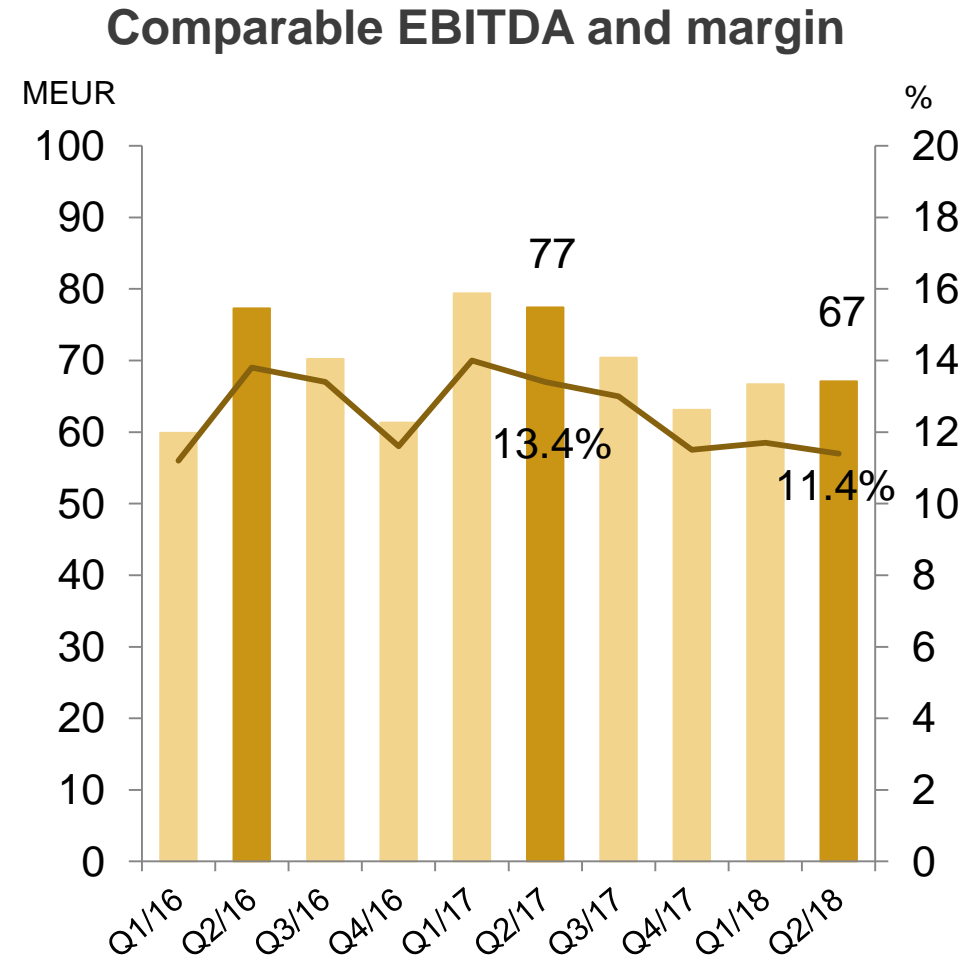
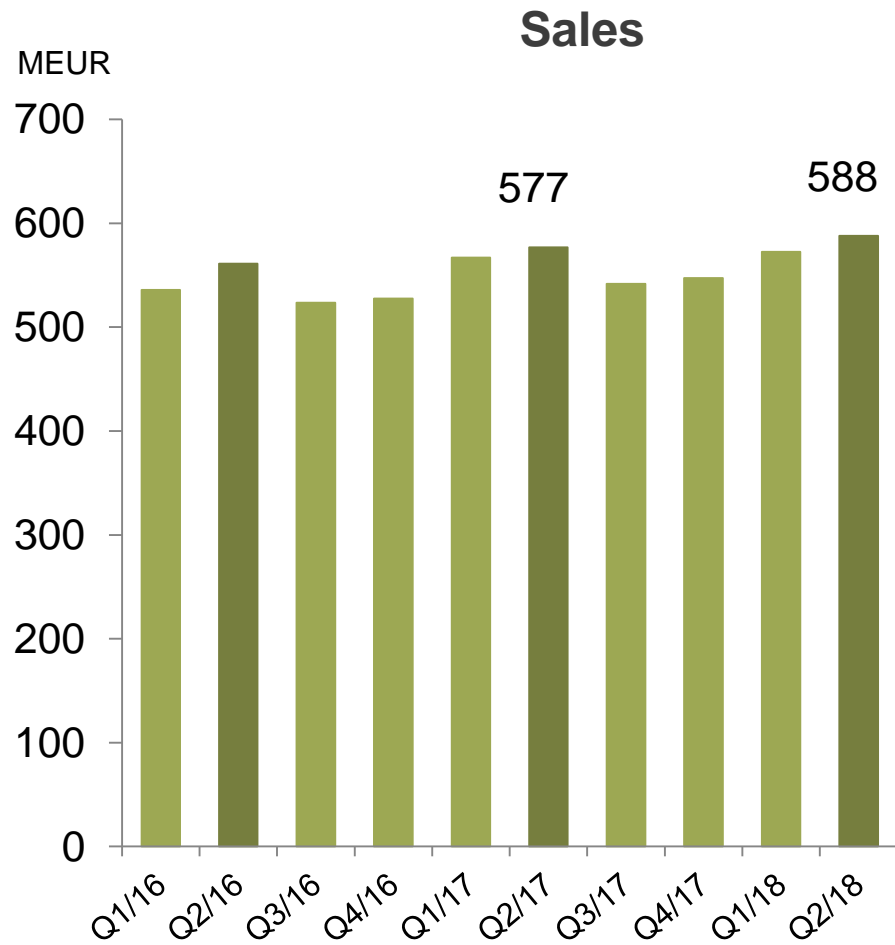
Advanced Liquid
Technologies



SPECIALTIES



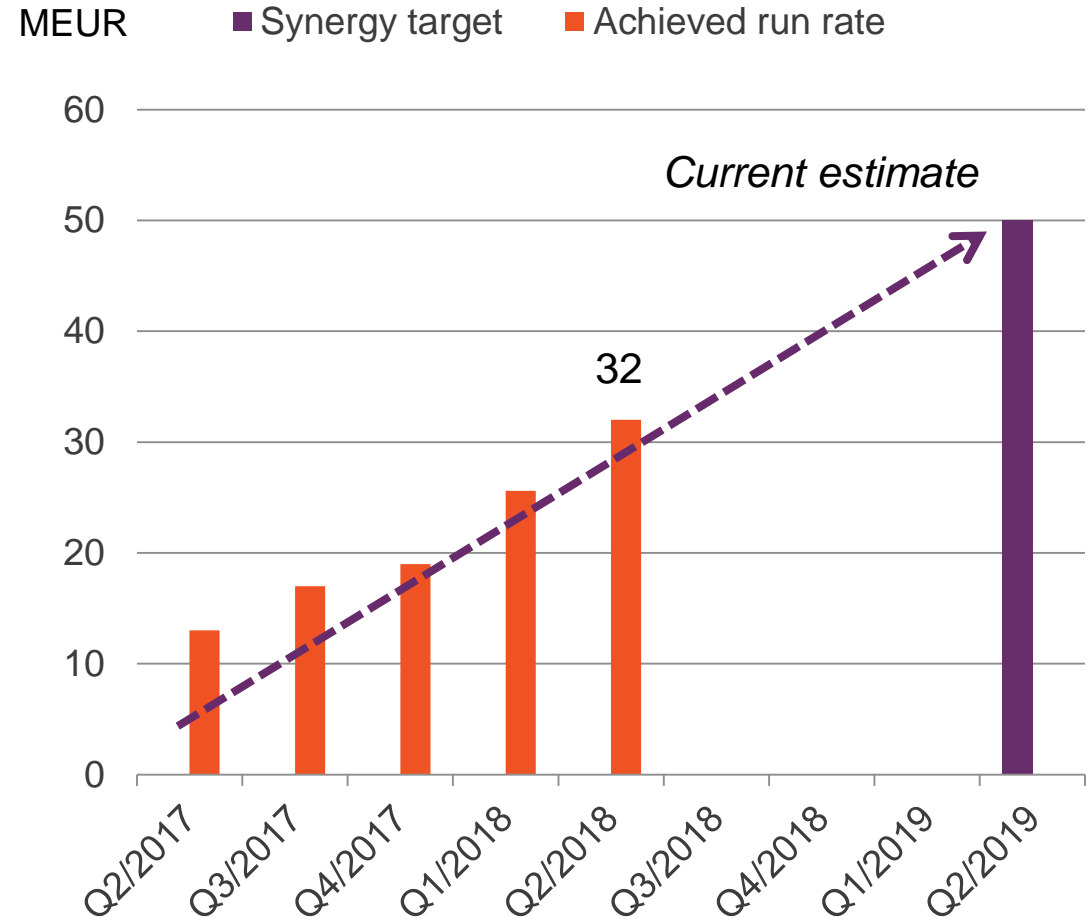
Sales growth driven by price increases – Sequential improvement in gross margin offset by higher fixed costs and lower volumes



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

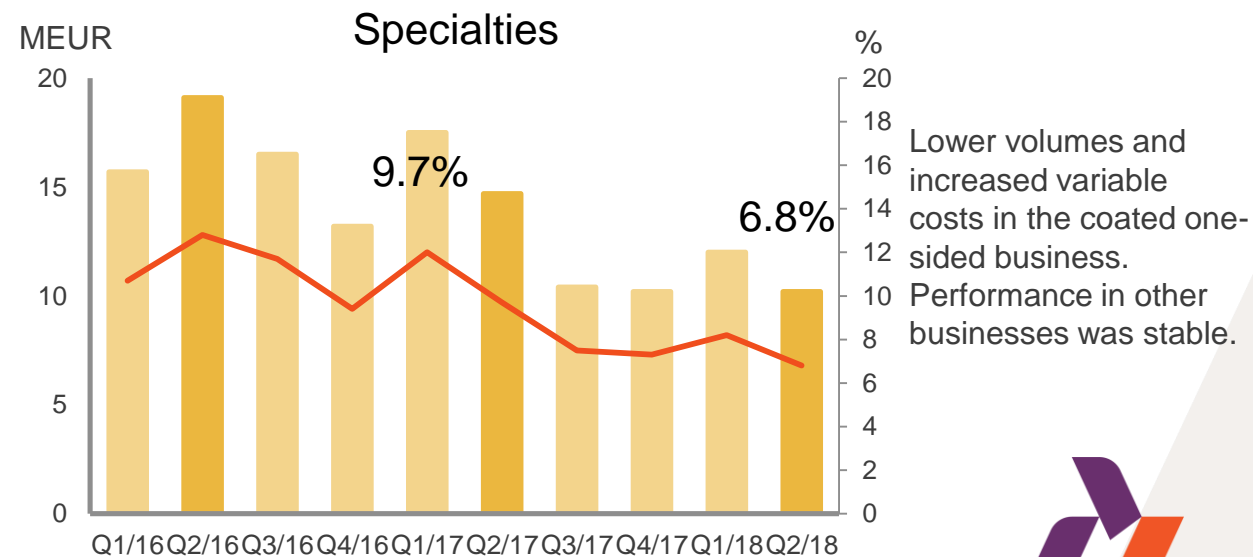
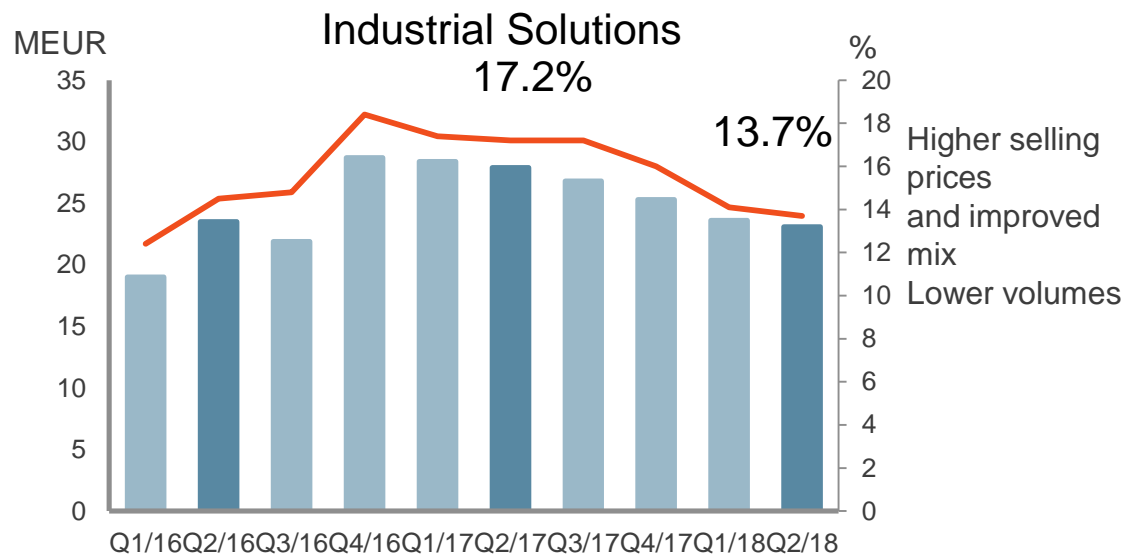
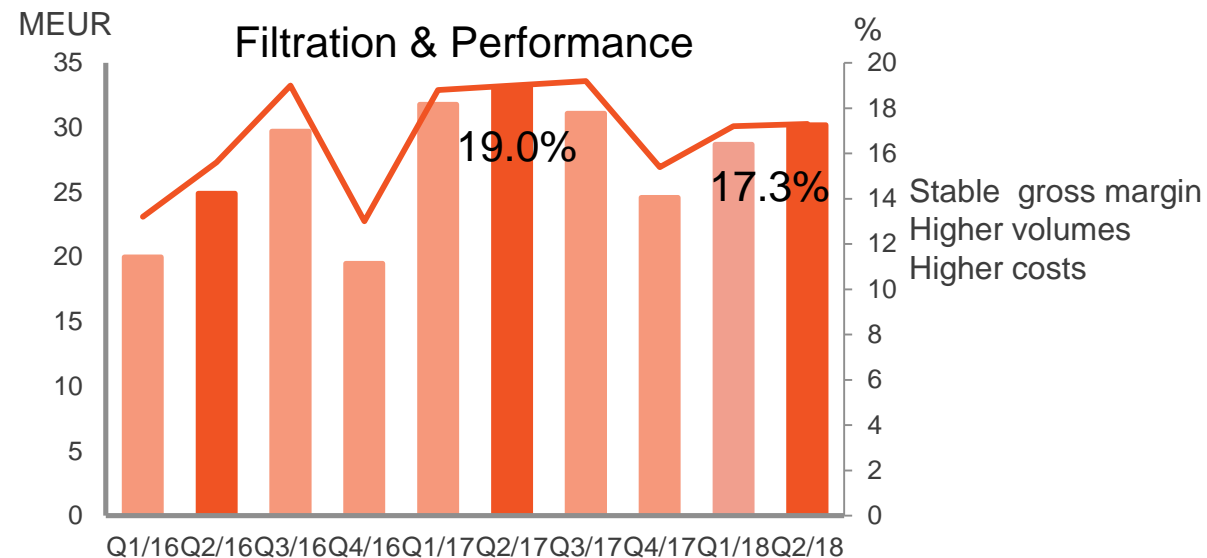
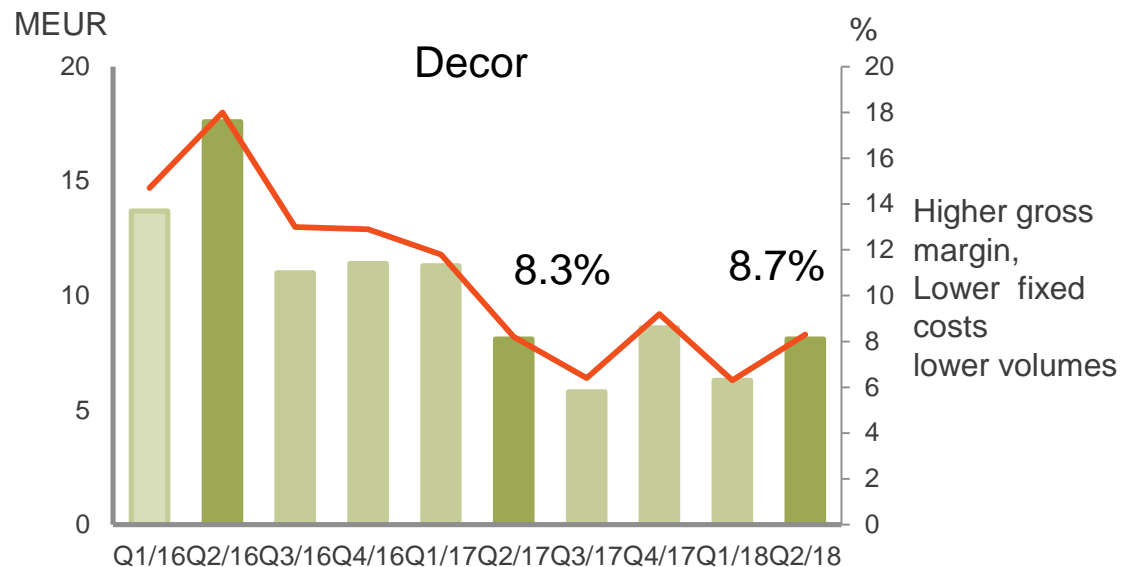
- Majority from SG&A and variable costs
- Integration of the former Graphics and Packaging business area into Specialties to develop a combined product and service offering
 - Incremental sales
 - Production optimization
 - Product mix improvement
- Adjusting group structure to Ahlstrom-Munksjö's business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



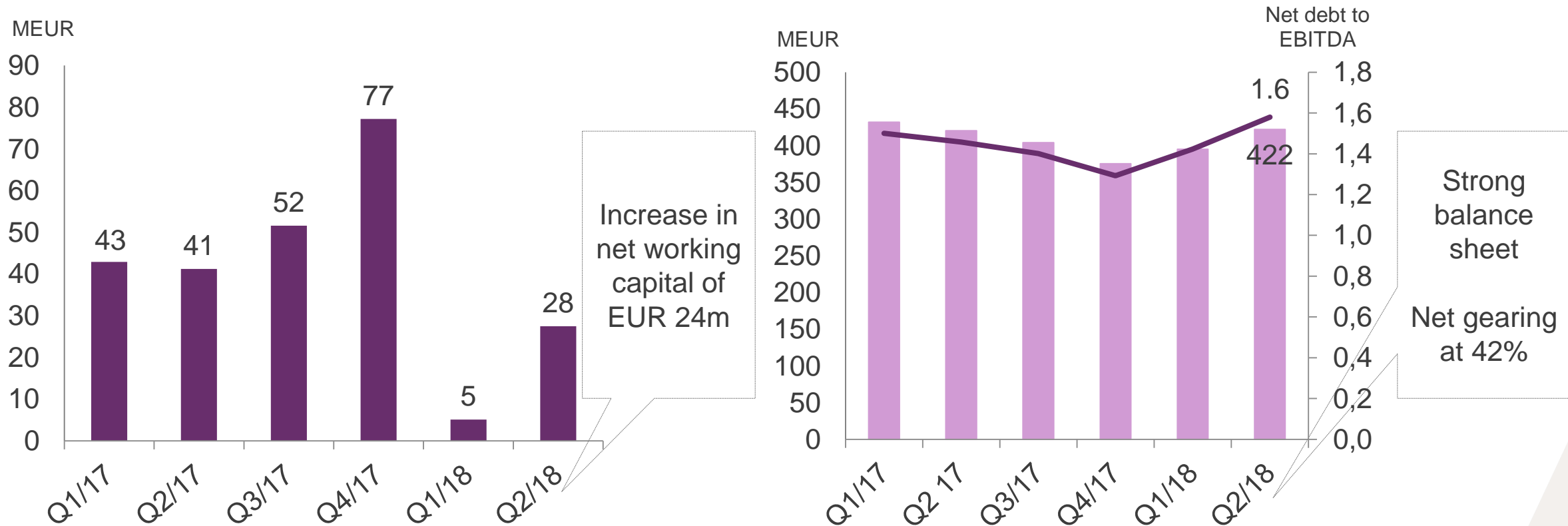
SG&A: Selling, General and Administrative expenses



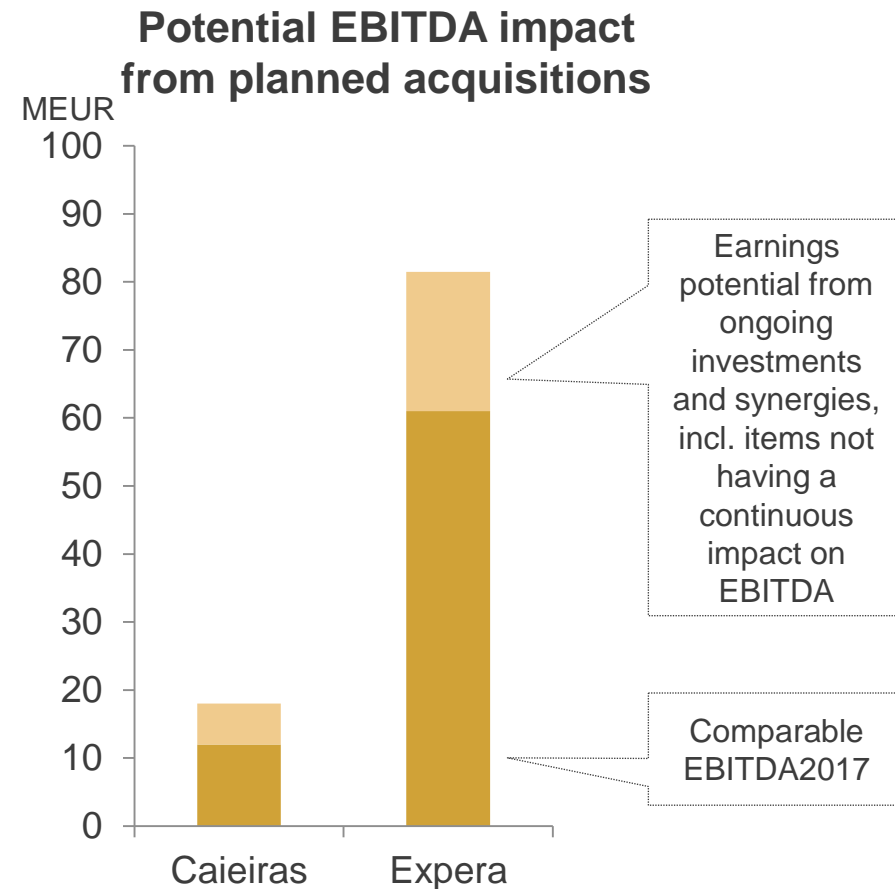
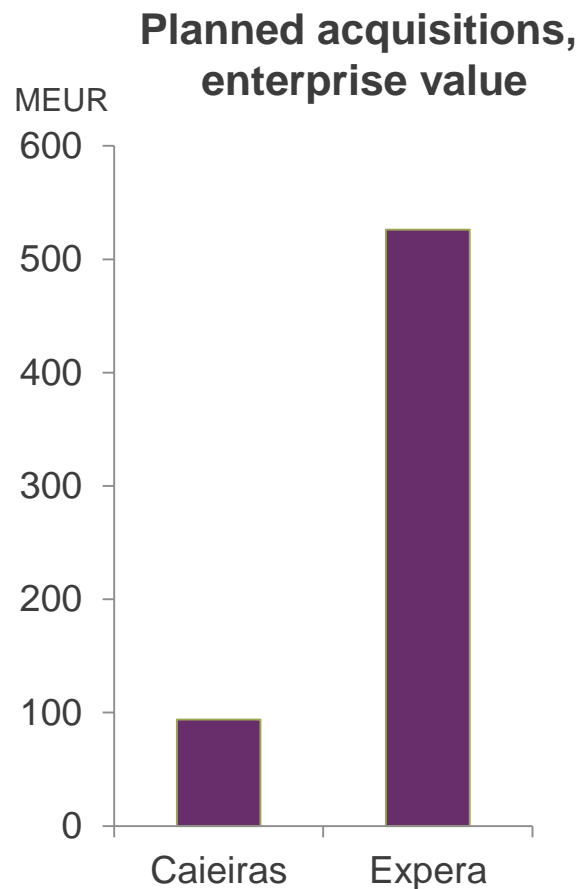
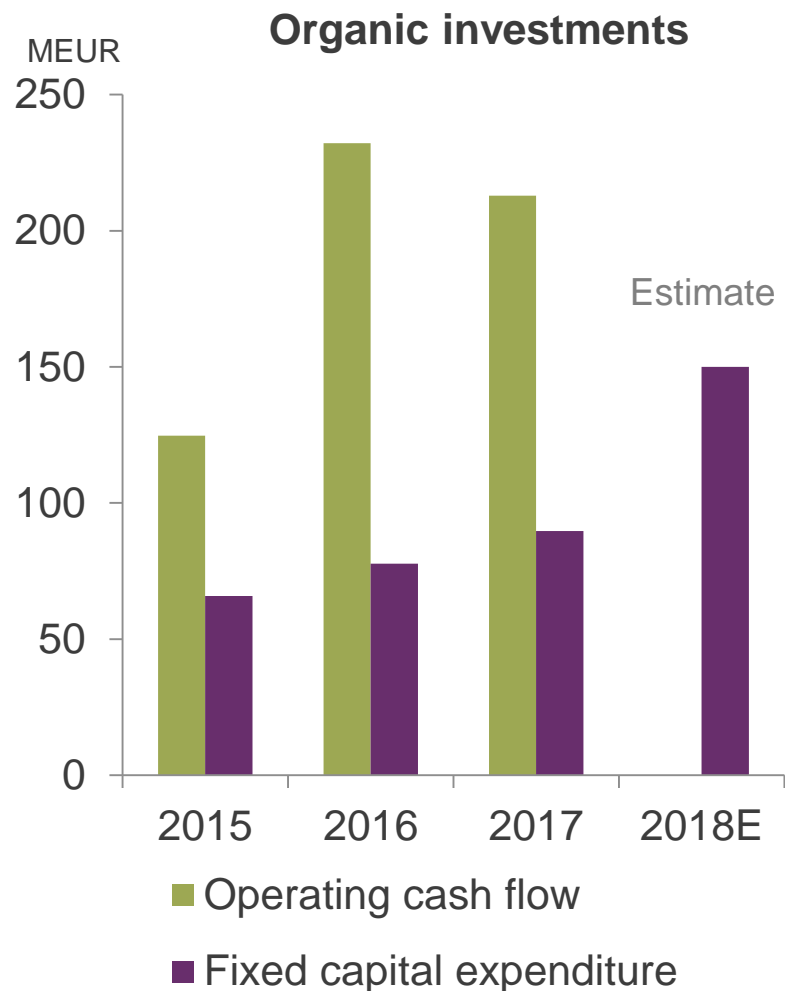
Comparable EBITDA and margin by business area



Operating cash flow negatively impacted by net working capital, balance sheet remains solid



Organic and acquisition driven growth



Outlook for 2018

Ahlstrom-Munksjö specifies its guidance for 2018 comparable EBITDA.

Market outlook: Demand 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.

Specified guidance for comparable EBITDA

EBITDA: Comparable EBITDA in 2018 is expected to be slightly below the previous year's level (pro forma EUR 290.4 million) hence gaining momentum in the second half of the year.

Former guidance for comparable EBITDA

EBITDA: Comparable EBITDA in 2018 is expected to be approximately at the previous year's level (pro forma EUR 290.4 million), or slightly below. In the first-half of 2018, comparable EBITDA is expected to be lower than in the comparison period and to gain momentum in the second half of the year.



Implementation of the strategy

Strategy overview

MISSION

Sustainable and innovative
fiber-based solutions

DIRECTION

Local
accountability

Efficiency
and agility

Customer
value

Profitable
growth

TARGET

Global leader in
chosen growth segments

FILTRATION & PERFORMANCE



INDUSTRIAL SOLUTIONS



DECOR



SPECIALTIES



FINANCIAL TARGETS:

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

VALUES

Long-term commitment



Act as one



Passion to innovate and improve



Acquisition of the U.S. specialty paper producer Expera for USD 615 million

Transformative acquisition:

- Significant expansion of North American presence, including new product segments
- Strong platform in the U.S., attractive growth opportunities and additional production capacity
- Pure specialty paper producer in high quality product categories
- Four paper mills with two integrated pulp mills
- Experienced management with a profit improvement track-record
- The acquisition will be earnings enhancing

Rhineland Mill, Wisconsin



De Pere Mill, Wisconsin



Mosinee Mill, Wisconsin



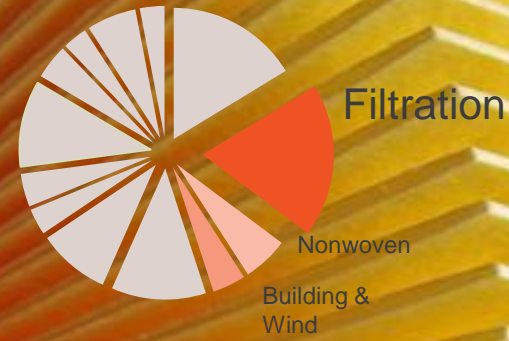
Kaukauna Mill, Wisconsin



Expanding the Filtration business

- Investment of EUR 28 million to expand capacity in Filtration business, part of Filtration and Performance business area
- Rebuilding and modification of production lines in Turin, Italy as well as in Malmedy, Belgium and Stålldalen, Sweden
- Responds to growing demand for high-end industrial filtration materials
- Expands manufacturing capacity and improves product capabilities
- The project will start in 2018 and is expected to be completed during the first half of 2020

Ahlstrom-Munksjö has expanded its filtration manufacturing capabilities globally through several new and expansionary investments in the past few years.



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

- Strengthen market position by investing EUR 28 million in Beverage & Casing business, within Specialties business area
- Near state-of-the-art second hand Voith paper making line, to be dismantled and transferred to the Chirnside manufacturing site in the 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
 - Improves product capabilities and
 - Increases cost efficiency
- The new line is expected to be fully commissioned in the beginning of Q4 2019



Acquisition of Caieiras mill supports the strategic ambition to maintain a leading position

- Caieiras specialty paper mill highly complementary
 - Decor paper
 - Crepe, grease and oil resistant papers
 - Flexible packaging and label papers
- Sales ~ EUR 73m in 2017
- Comparable EBITDA ~ EUR 12m in 2017
- Debt free price ~ EUR 94m
- Synergy benefits of up to EUR 6m arising from SG&A and overlapping operations
- Closing of the transaction is subject to clearance from the competitions authorities

Caieiras mill



Completed and ongoing investments driving strategic progress

STRATEGIC DIRECTION

Production ramp-up ongoing



Abrasive backings

Paper machine rebuild
Arches, Q1/18-



Filtration

Capacity debottlenecking
Turin, H1/18-



Filtration

Product offering
Madisonville, H2/18-



Foodpack

New line installation
Saint Severin, Q3/18-

	Local accountability	Efficiency and agility	Customer value	Profitable growth
Abrasive backings Paper machine rebuild Arches, Q1/18-	✓	✓	✓	✓
Filtration Capacity debottlenecking Turin, H1/18-	✓	✓	✓	✓
Filtration Product offering Madisonville, H2/18-	✓	✓	✓	✓
Foodpack New line installation Saint Severin, Q3/18-	✓	✓	✓	✓

Back of a sandpaper



Filtration material



Filtration material



Baking paper



New investment decisions driving our strategic progress

STRATEGIC DIRECTION



	Local accountability	Efficiency and agility	Customer value	Profitable growth	
Insulation, Billingsfors Rebuilding the recovery boiler and debottlenecking the pulp line, Q3/19-	✓	✓		✓	 Electrotechnical paper
Insulation, Aspa Modernizing the bailing line, Q3/19-	✓	✓	✓		 Specialty pulp
Decor, Dettingen Upgrade of pre-impregnated decor paper production line, Q1/19	✓		✓	✓	 Pre-impregnated decor paper
Medical, Pont Audemer Rebuilding a converting line, Q2/19-	✓	✓	✓		 Sterilization wrap
Filtration, Turin Capacity expansion, H2/20-	✓	✓		✓	 Industrial filter material
Beverage & Casing, Chirside New production line, Q4/19-	✓	✓	✓	✓	 Coffee, tea, and casing material



Summary

- Performance in most of the businesses remained good
- Successful commercial strategy – impacts of sharply increased raw material costs were compensated
- Gross margin for products improved, sequentially, reaching previous year's level
- Stable good demand across most markets
- Significant progress in strategic growth initiatives



Caieiras
specialty paper mill

Investment in
biodegradable and
compostable solutions

Capacity expansion in
Filtration



Save the date for Ahlstrom-Munksjö's Capital Markets Day in Helsinki on September 7, 2018

- Capital Markets Day for investors and analysts in Helsinki on Friday, 7 September, 2018
- Participants of the Capital Markets Day will meet the members of Ahlstrom-Munksjö's management team and have the opportunity to discuss strategy, growth ambitions, new fiber-based applications and performance
- More information on Ahlstrom-Munksjö's website <https://www.ahlstrom-munksjo.com/Investors/>



Ahlstrom-Munksjö IR Team

