

WE ARE ONE

Q1/2017 BRIEFING

APRIL 26, 2017

HELSINKI



AHLSTRÖM
MUNKSJÖ

Today's presenters



Jan Åström
President and CEO of Ahlstrom-Munksjö



Sakari Ahdekivi
Deputy CEO of Ahlstrom-Munksjö



Pia Aaltonen-Forsell
CFO of Ahlstrom-Munksjö



Agenda

- Introduction
- Ahlstrom Final Accounts
- Munksjö January-March 2017 interim report
- Way forward



Two leaders has become one



- A global leader in sustainable and innovative fiber-based solutions
- Leading market positions in several niches
- 6,000 employees
- 41 production and converting sites* in 14 countries
- Combined net sales approx. EUR 2.1 billion



Munksjö

- Net sales 2016: EUR 1.1 billion
- 2,800 employees
- 15 production and converting sites in 7 countries



Ahlstrom

- Net sales 2016: EUR 1.1 billion
- 3,200 employees
- 27 production and converting sites in 12 countries

* Ahlstrom and Munksjö shared one site



Advantages for all our stakeholders

- Leading global positions in several segments
- Global reach
- Expanded product and service offerings
- Improved service, design and R&D capabilities
- Enhanced career opportunities
- Strong financial position
- Benefits of scale in the capital markets



Ahlstrom Final Accounts

Ahlstrom Final Accounts - Summary

All-time high adjusted operating profit with very strong sales growth

Very strong comparable net sales growth

- Comparable net sales increased by 7.6% at constant currency rates, excluding the divested operations in Osnabrück
- Higher sales of filtration, wallcover and glassfiber materials as well as tape, medical and coffee products
- Relatively higher sales growth in Asia impacted product mix and average selling price

Record high operating profit and margins

- Driven by higher volumes, improved operational efficiency, lower fixed costs as well as keeping the benefit from lower energy and raw material costs
- Adjusted operating profit and margin improved for the 14th consecutive quarter, year-on-year
- Improved operational result and active working capital management driving cash flow
- Balance sheet strengtened



Key figures

Record profitability with comparable* sales growth of 7.6% at constant currencies

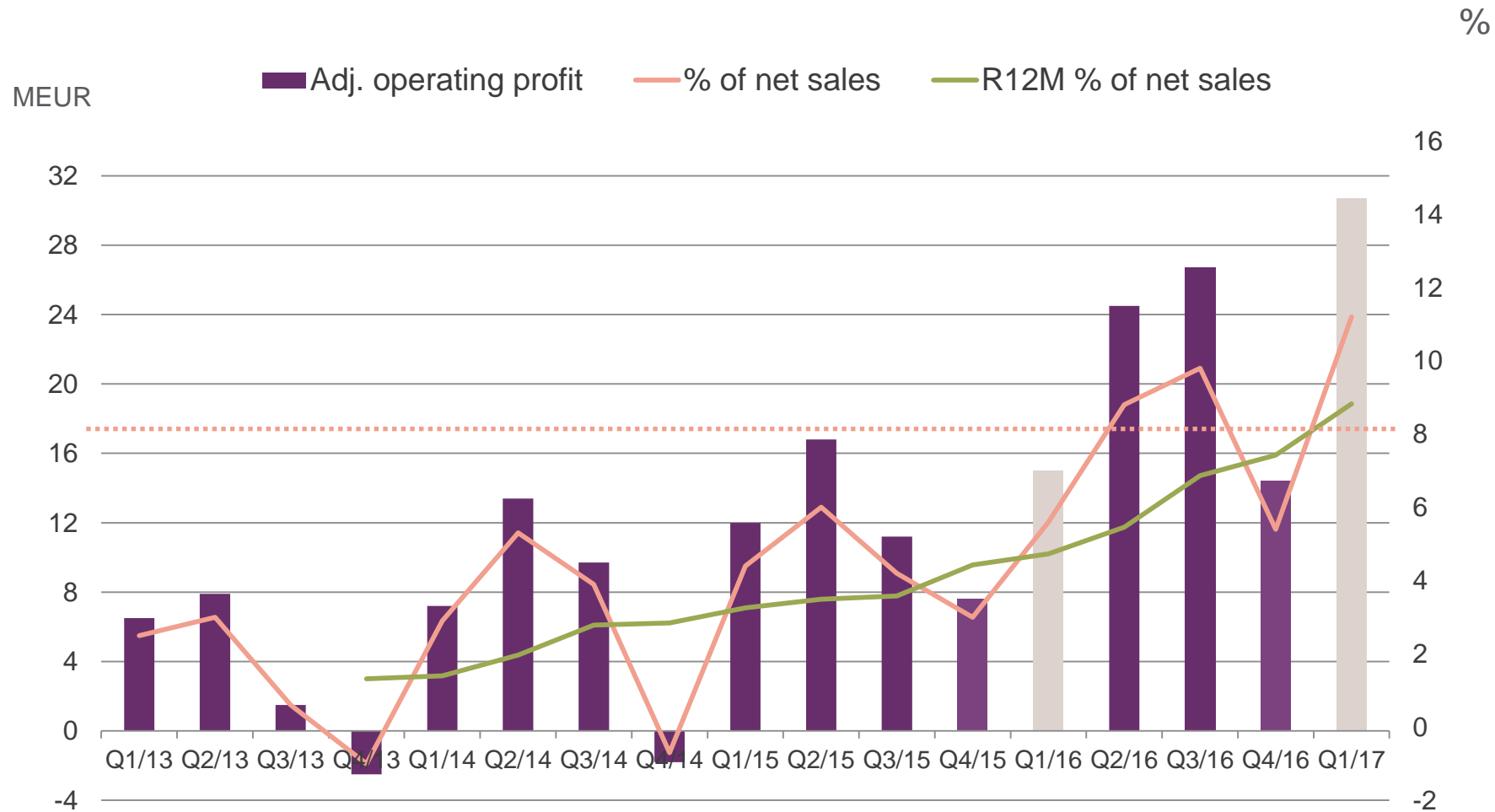
EUR million	Q1/2017	Q1/2016	Change, %	2016
Net sales	272.7	267.2	2.1	1,085.9
Adjusted EBITDA	42.6	27.9	52.4	130.9
<i>% of net sales</i>	<i>15.6</i>	<i>10.5</i>		<i>12.1</i>
Adjusted operating profit	30.7	15.0	104.2	80.6
<i>% of net sales</i>	<i>11.2</i>	<i>5.6</i>		<i>7.4</i>
Cash flow from operations	26.2	8.4	210.1	125.8
Net debt	138.2	194.9		140.8
Gearing, %	44.5	66.5		44.6

* Excluding divested operations in Osnabrück



Rolling 12-month adjusted operating margin above 8% target

Operating profit and margin improved for the 14th consecutive quarter, year-on-year



Q1/17 vs Q1/16

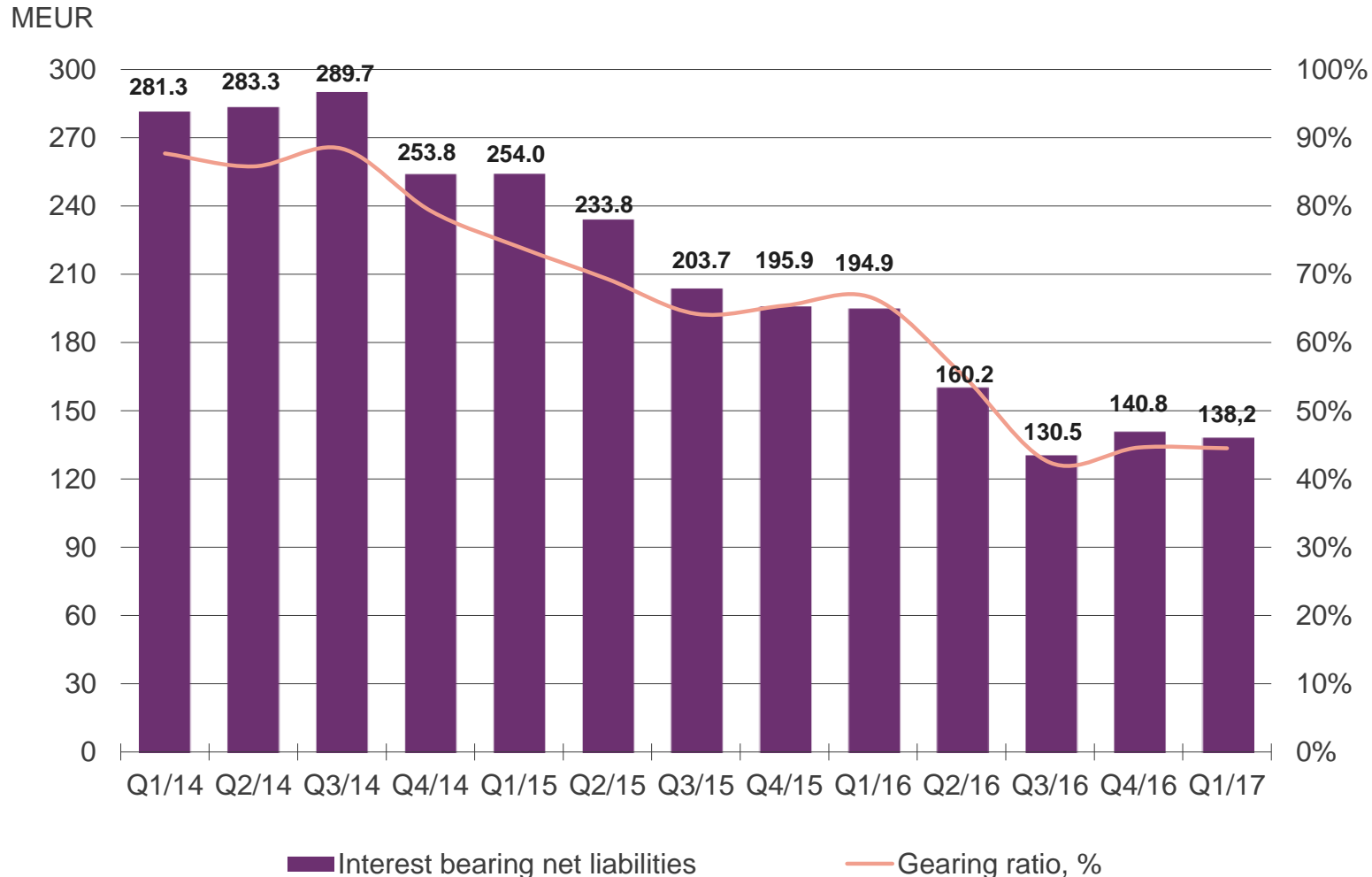
- + Sales volumes (excl. Osnabrück)
- + Operational efficiency, raw materials and energy
- + Fixed costs
- + Currency
- Product mix and average selling price due to relatively higher sales growth in Asia



Net debt and gearing

Significant reduction in net debt

Target was to keep gearing below 100%.

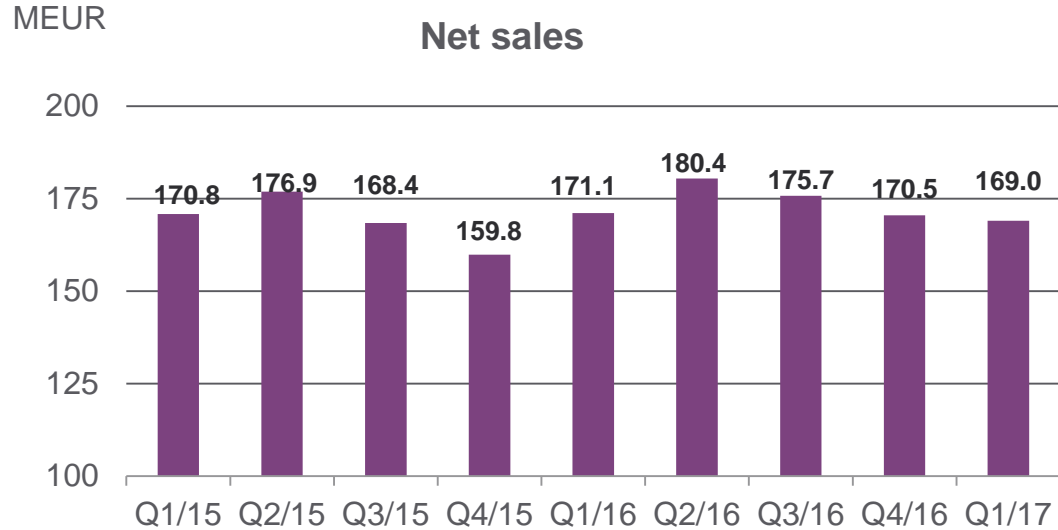


Gearing 44.5% as of March 31, 2017

- Lower net debt, driven by a strong improvement in operational result, reduction in operating working capital and low investments
- Cash and equity impact of paid dividend in Q1/17
- Equity includes EUR 100 million hybrid bond. Gearing was 113% if the hybrid is treated as debt at the end of Q1/2017.

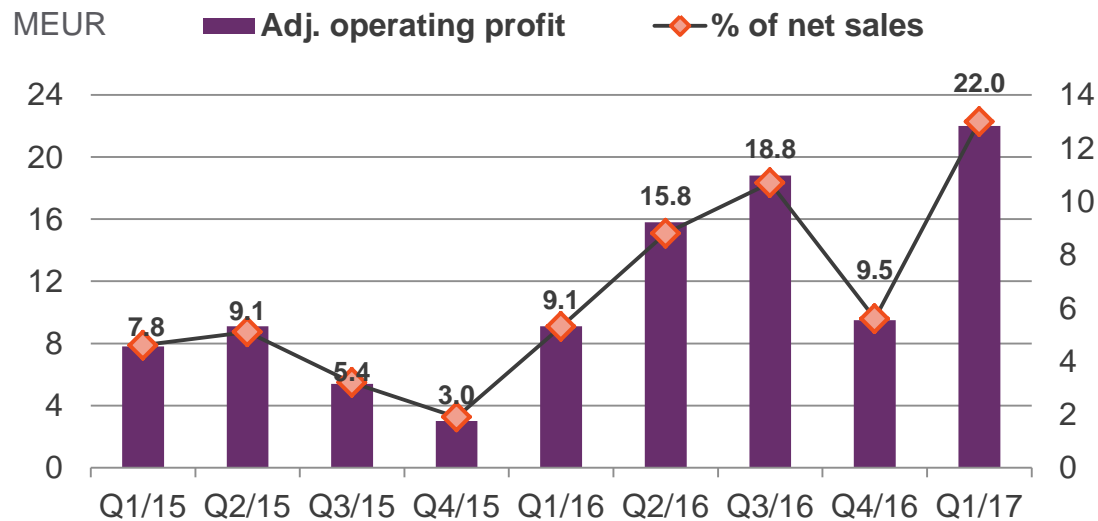


Filtration & Performance



Net sales EUR 169.0 million in Q1/17 (EUR 171.1 million)

- Net sales -1.2%: volumes -19.5%
- Comparable net sales +7.3% at constant currency, excluding Osnabrück
- Higher sales of filtration and glass fiber products as well as wallcover materials in Asia

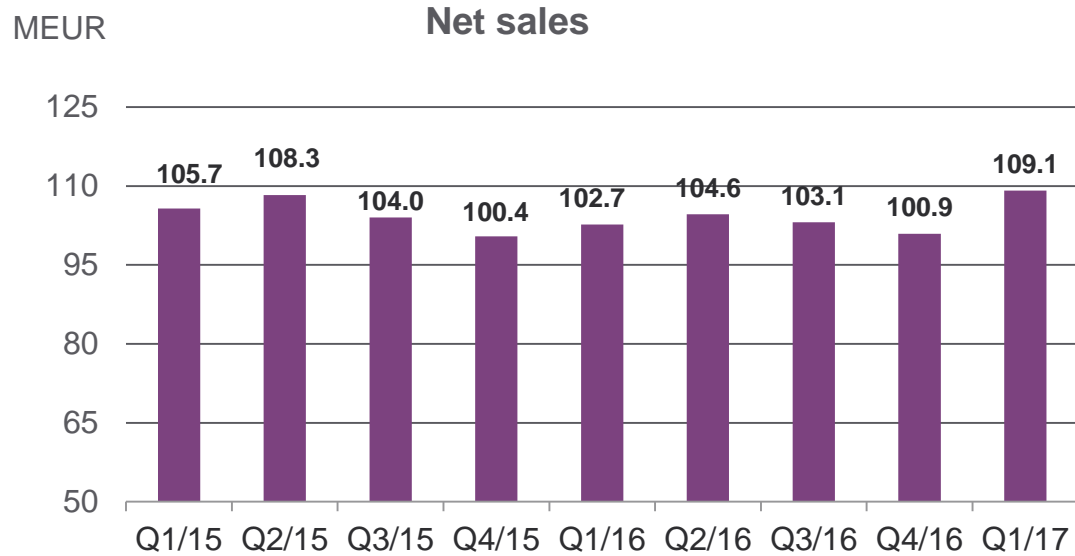


Adjusted operating profit EUR 22.0 million in Q1/17 (EUR 9.1 million)

- Higher volumes
- Improved operational efficiency through less waste
- Pricing management, lower pulp and glass costs offsetting cost inflation in chemicals

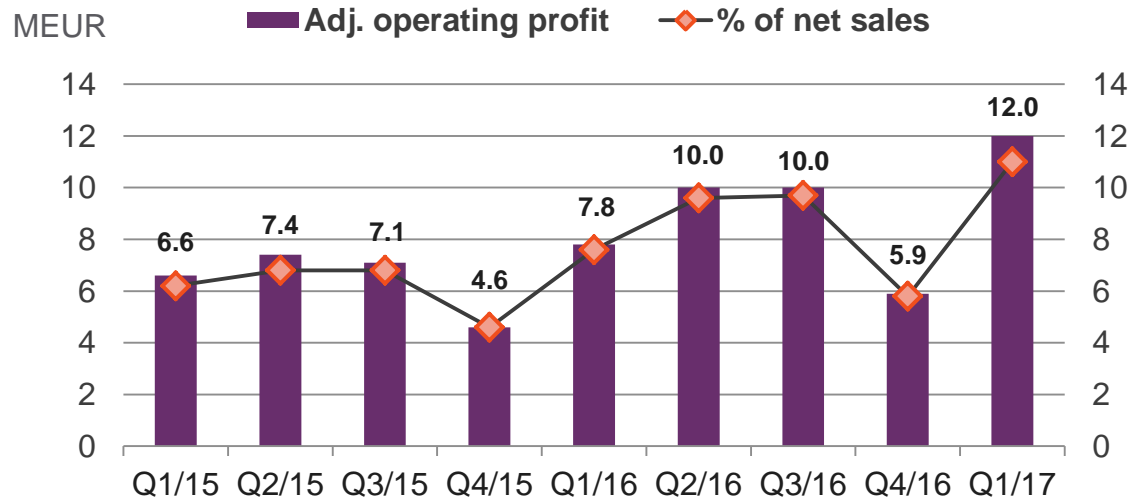


Specialties



Net sales EUR 109.1 million in Q1/17 (EUR 102.7 million)

- Net sales +6.2%: volumes +6.1%, net sales at constant currency rates +6.3%
- Higher sales of tape, medical, laboratory & life science products, single-serve coffee and meat casing materials



Adjusted operating profit EUR 12.0 million in Q1/17 (EUR 7.8 million)

- Higher sales volumes
- Improved product and price mix
- Lower fixed costs



Munksjö Q1/17 interim report

Munksjö January-March 2017 - summary

Continued profitability improvement building strong platform for AM

Increased delivery volumes and net sales

- The positive volume development was particularly strong in BA Industrial Applications and Decor as well as in the European release paper business
- Partly offset by lower volumes in BA Graphics and Packaging and the specialty pulp business
- Net sales increased accordingly

Strong result, cash flow and profitability improvement

- EBITDA (adj.) increased by 20%, driven by lower variable costs and higher production
- Net result increased by 57%
- Strong cash flow



Key figures Q1/2017

Record Q1 results and cash flow

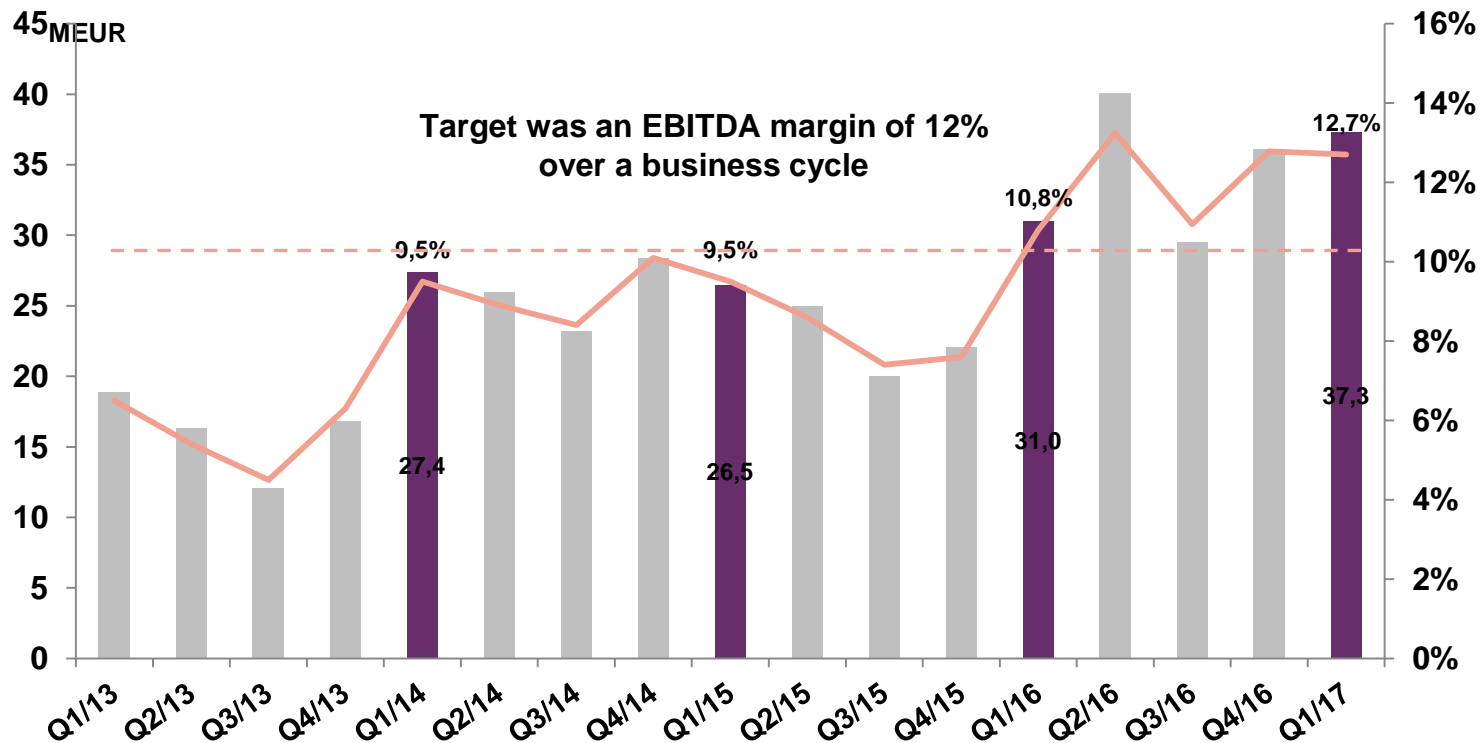
EUR million	Q1/2017	Q1/2016	Change, %	2016
Net sales	294.3	288.0	2	1142.9
EBITDA (adj.*)	37.3	31.0	20	136.7
EBITDA margin (adj.*)	12.7%	10.8%		12.0%
Operating result (adj.*)	24.6	16.3	51	81.5
Operating margin (adj.*)	8.4%	5.7%		7.1%
Net result	9.9	6.3	57	43.3
Cash flow from operating activities	16.5	3.6		114.3

* Adjusted for items affecting comparability (IAC)



Continued clear margin improvement

EBITDA (adj.*) and margin development 2013-2017



* Adjusted for items affecting comparability

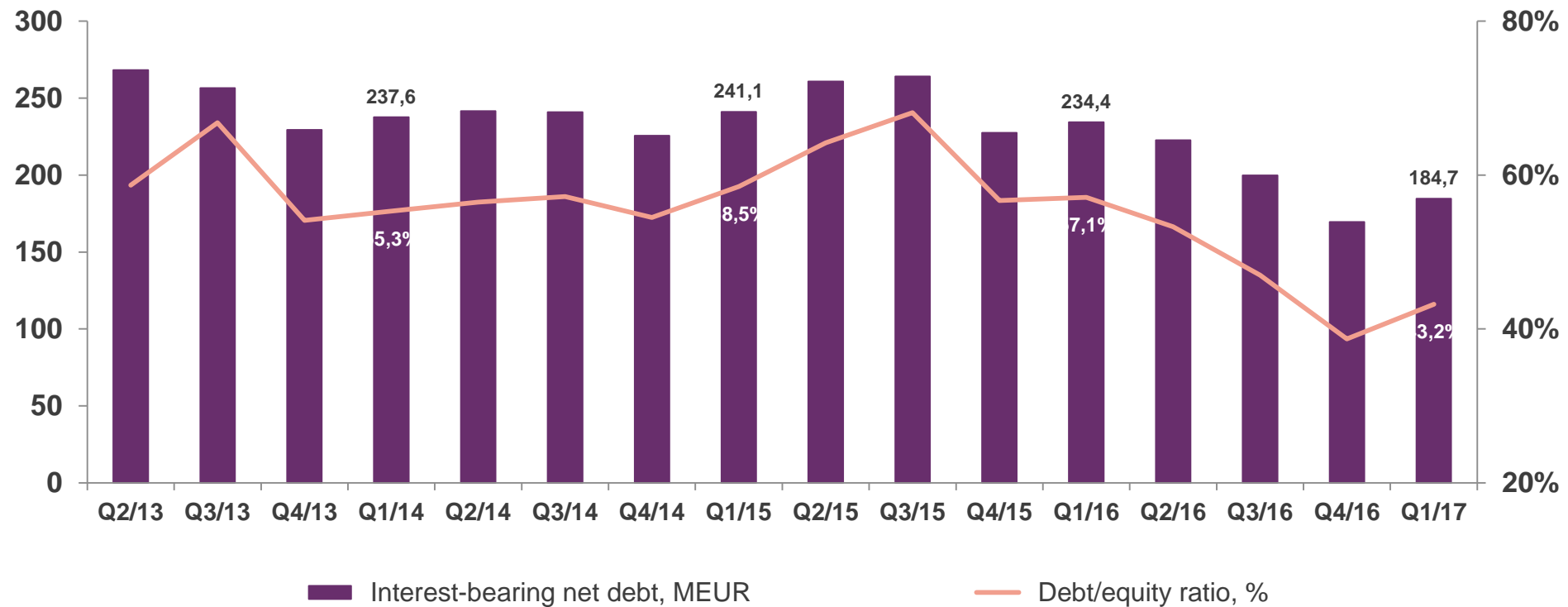
Pro forma figures for the period Q1-Q4/2013. From Q1/2014 the reported figure is used.

Q1/17

- **Delivery volumes** increased. The positive volume development was particularly strong in BAs Industrial Applications and Decor as well as in the European release paper business, but partly offset by lower volumes in the BA Graphic and Packaging and the specialty pulp business
- **Net sales** higher as the delivery volumes increased
- **EBITDA (adj.)** increased, driven by lower variable costs and higher production.



Net debt and gearing

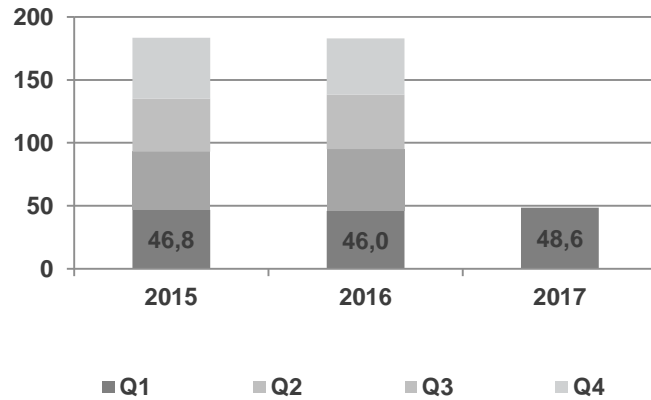


Pro forma figures for the period Q2-Q4/2013. From Q1/2014 the reported figure is used.

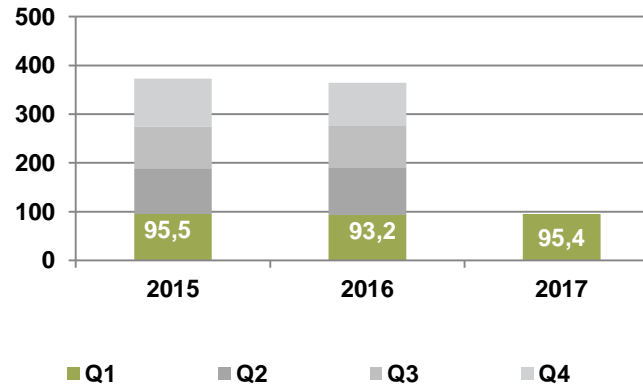


Business Area Decor

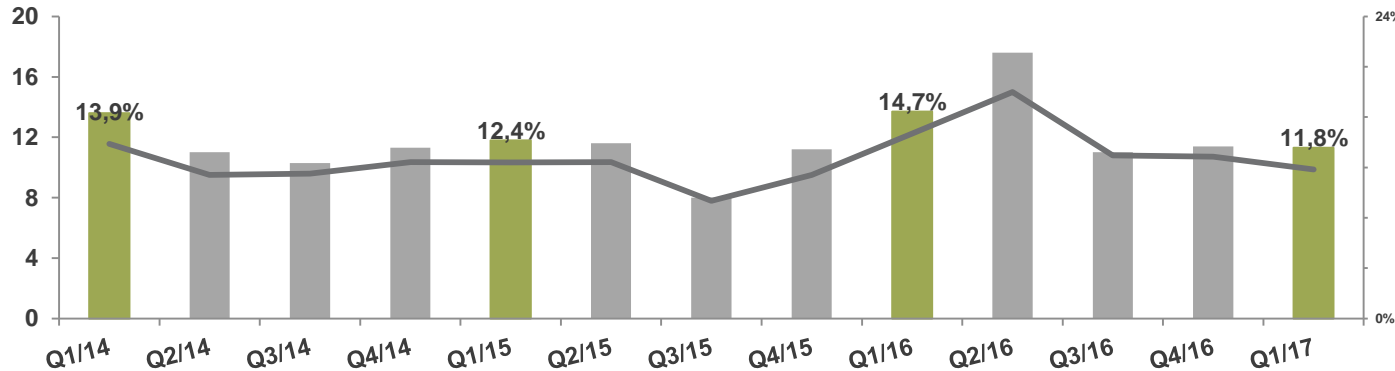
DELIVERY VOLUMES, KTON



NET SALES, MEUR



EBITDA (ADJ.*) AND MARGIN, MEUR AND %



* Adjusted for items affecting comparability

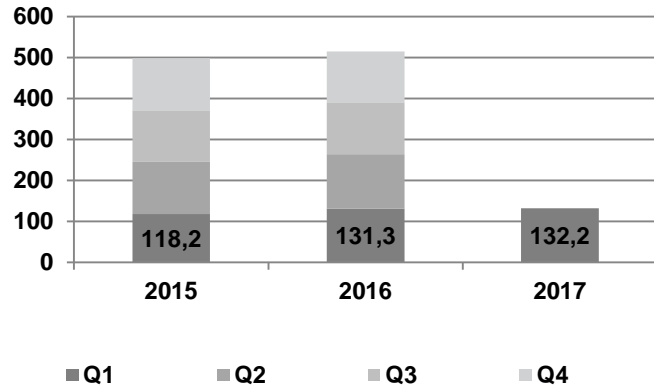
Q1/2017

- **Delivery volumes** were higher
- **Net sales** increased due to higher volumes
- **EBITDA (adj.)** decreased as profitability improvement actions and higher volumes did not compensate the lower average price

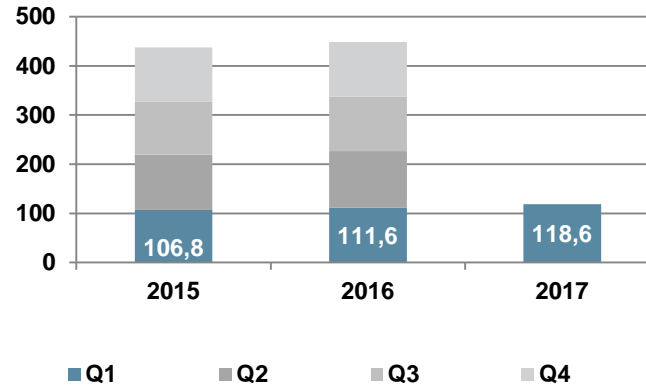


Business Area Release Liners

DELIVERY VOLUMES, KTON



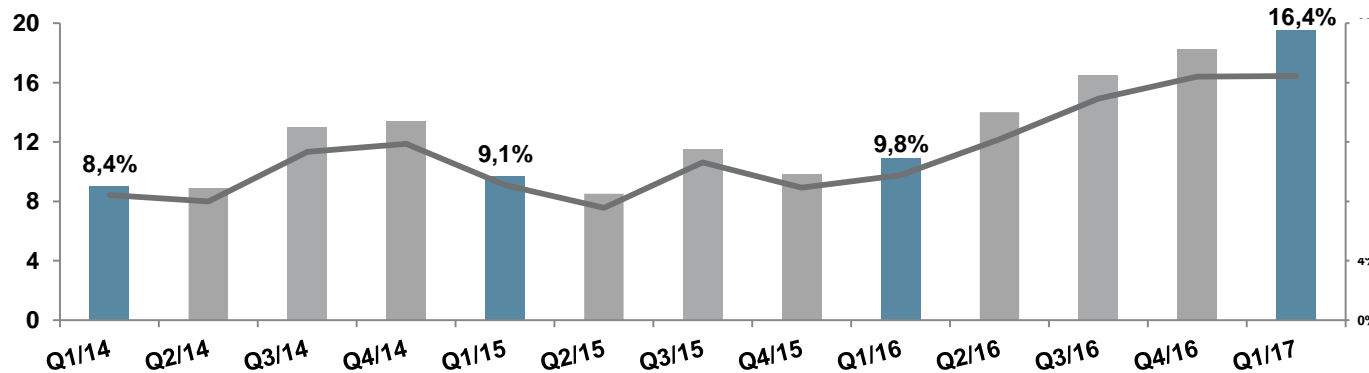
NET SALES, MEUR



Q1/2017

- **Delivery volumes** higher in the European paper business and stable in the Brazilian paper business. Specialty pulp business volumes decreased
- **Net sales** and average price were higher
- **EBITDA (adj.*)** increased supported by profitability improvement actions, lower variable costs and the higher average price

EBITDA (ADJ.*) AND MARGIN, MEUR AND %

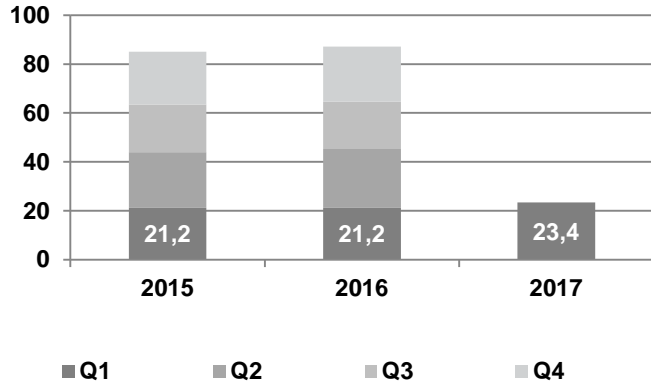


* Adjusted for items affecting comparability

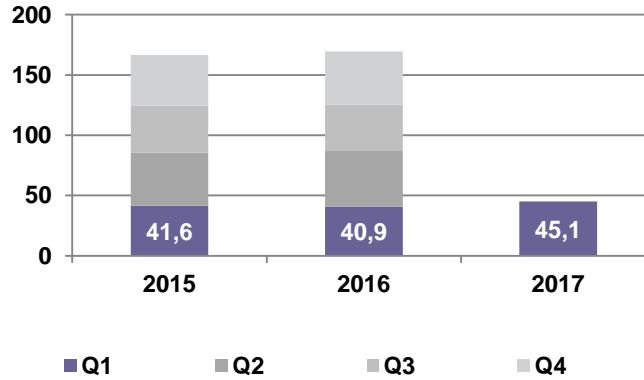


Business Area Industrial Applications

DELIVERY VOLUMES, KTON



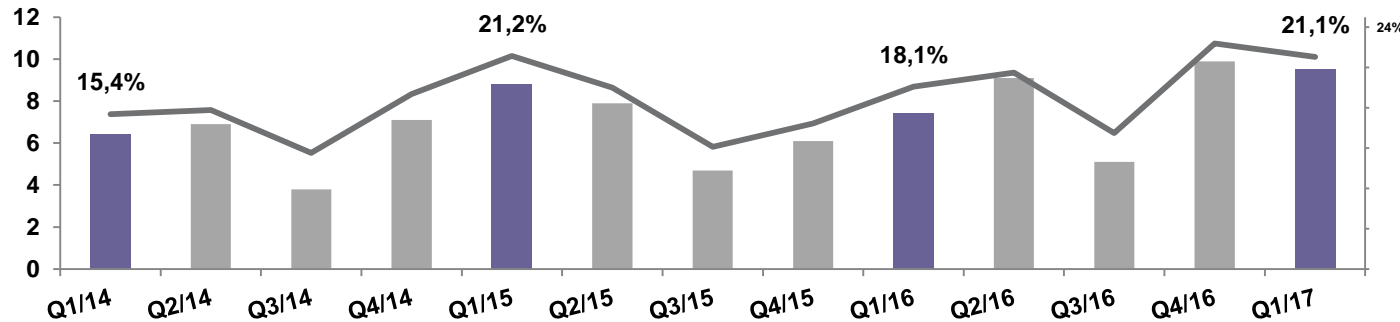
NET SALES, MEUR



Q1/2017

- **Delivery volumes** increased by 10%
- **Net sales** increased. Average price was stable
- **EBITDA (adj.*)** increased mainly through profitability improvement actions

EBITDA (ADJ.*) AND MARGIN, MEUR AND %

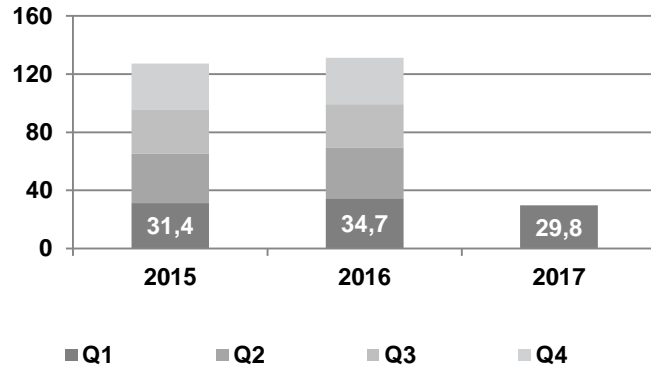


* Adjusted for items affecting comparability

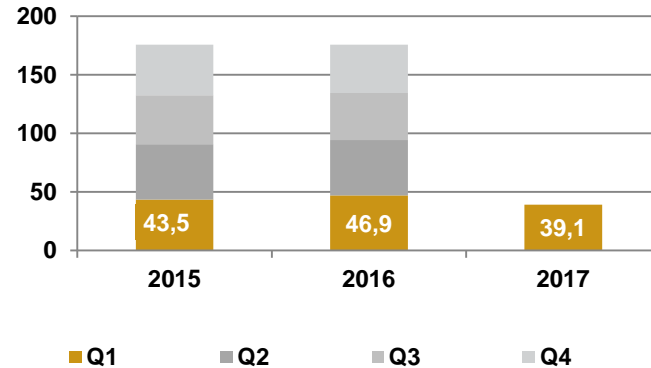


Business Area Graphics and Packaging

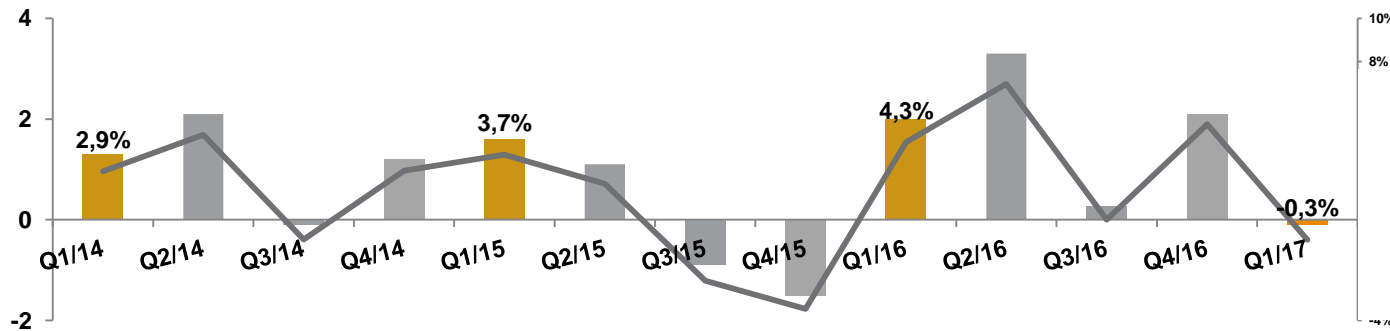
DELIVERY VOLUMES, KTON



NET SALES, MEUR



EBITDA (ADJ.*) AND MARGIN, MEUR AND %



* Adjusted for items affecting comparability

Q1/2017

- ▾ **Delivery volumes** decreased because of challenging competitive situation in certain product segments, mainly coated papers.
- ▾ **Net sales** decreased. Average price was lower due to less favourable product and customer mix
- ▾ **EBITDA (adj.)*** decreased, mainly caused by lower volumes



Way forward for Ahlstrom-Munksjö

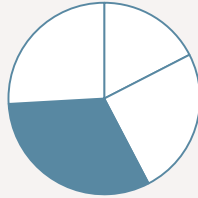

January – March results in former companies build a strong platform for Ahlstrom-Munksjö

Integration – status update

- Integration work according to plan
- We confirm announced plan to reach EUR 35 million in annual synergies
- We are right now identifying further business synergies, such as integration of the former business area Graphics and Packaging into the new business area Specialties, to develop a combined product and service offering



Ahlstrom-Munksjö's business areas

PRODUCT AREA	DECOR	FILTRATION AND PERFORMANCE	INDUSTRIAL SOLUTIONS	SPECIALTIES
SHARE OF COMBINED NET SALES (2015)				
EXAMPLES	<ul style="list-style-type: none"> • Decor paper • Thin print papers 	<ul style="list-style-type: none"> • Oil filters • Fuel filters • Air filters • Gas turbine filters • Industrial filters • Glassfiber materials • Wallcovers • Nonwovens 	<ul style="list-style-type: none"> • Abrasive backings • Electrotechnical insulation • Release liners • Thin papers • Specialty pulp • Balancing foils • Fine art and printing papers 	<ul style="list-style-type: none"> • Food and beverage packaging • Packaging papers • Graphical papers • Medical fabrics • Metallized labels • Tape • Laboratory filters and life science diagnostics • Water purification • Printed and coated products



Expected financial goals and strategic direction

- Grow in selected niches of the innovative fiber-based solutions market with a positive growth outlook
- Continuing to deliver a clear customer value-add through a high quality offering supported by advanced technology, deep know-how and tailored services
- Efficiently utilizing the flexible and agile production and service platform to develop customer-specific solutions in a sustainable manner
- A business unit based operating model that locally promotes accountability, enables quick and efficient response and is built on a shared global culture

**EBITDA margin above 14%
over a business cycle**

Net gearing below 100%

**A stable and annually
increasing dividend, to be
paid semi-annually**



Outlook

The outlook for the financial year 2017 is given for the combined Ahlstrom-Munksjö operations.

Market outlook: The demand outlook for 2017 for Ahlstrom-Munksjö's fibre-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 are implemented as customer contracts expire to mitigate for raw material price increases in certain segments, particularly in the Decor and Release Paper Europe businesses. The price increases will take effect towards the end of the second quarter.

Shutdowns: The annual maintenance and vacation shutdowns in the second and 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 quarter, 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: The cash flow effect of current capital expenditure for fixed assets in 2017 is expected to be approximately EUR 70 million. In addition, the cash flow impact of the strategic investments in the Arches mill and in Madisonville is expected to be approximately EUR 10 million and EUR 8 million respectively.

As from the release of the combined pro forma figures in May 2017, Ahlstrom-Munksjö will start providing EBITDA development guidance as well as comments on future synergy realizations.



Upcoming events

- Combined pro forma financial figures for 2015, 2016 and Q1/2017 to be published in May
- Annual General Meeting of Ahlstrom-Munksjö on May 16, 2017
- Investor Day in Helsinki on June 15, 2017
 - Stay tuned for more information



Further information, please contact

Juho Erkheikki

Investor & Media Relations Manager

Tel: +358 50 4134 4583

juho.erkheikki@ahlstrom-munksjo.com

