



Ahlstrom-Munksjö

Q3 2018 Results

October 30, 2018

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

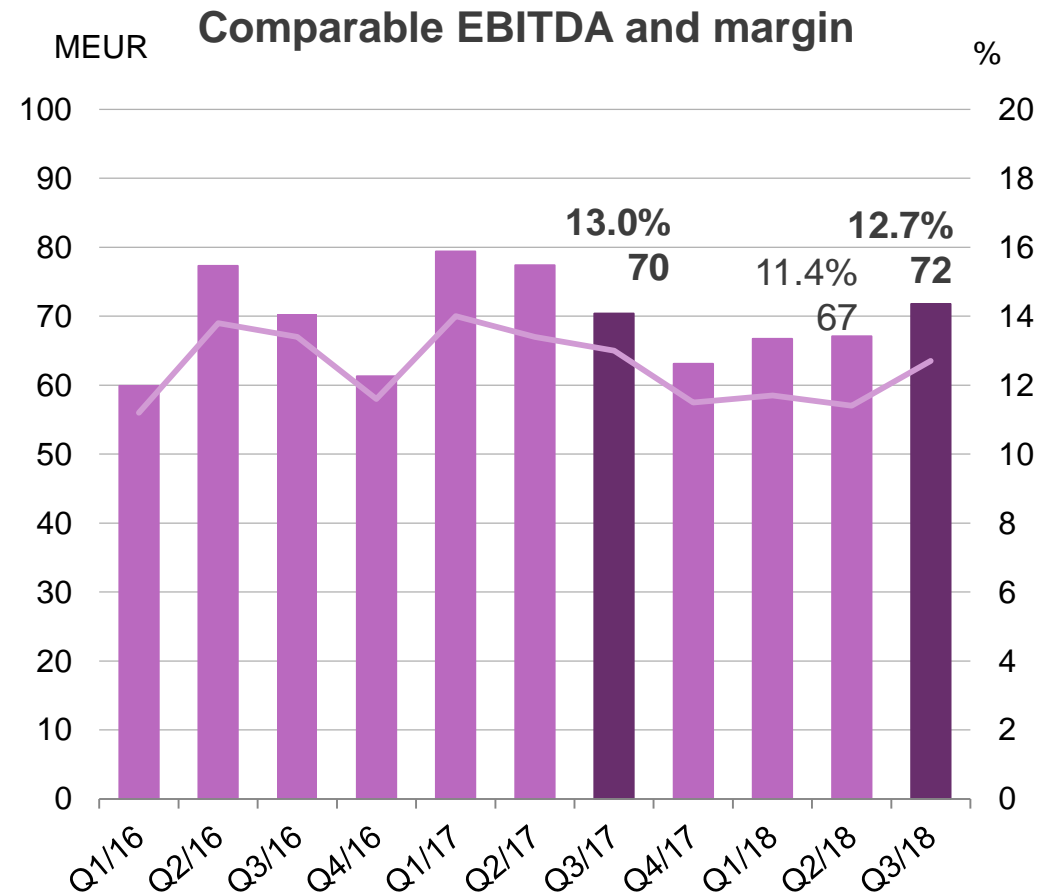
Profit improved in Q3 2018 – Major steps in the implementation of strategy

Most businesses performed well

- Comparable EBITDA improved for the third consecutive quarter, exceeding last year's level
- Variable cost increases were successfully compensated
- Good demand across most markets continued

Strategic initiatives

- Completion of the acquisitions of Expera and Caieiras
- Start-up of strategic investments in the Filtration and Food Packaging businesses
- Decision to invest in improved product mix in Coated Specialties business
- A plan to close PM1 in Stenay, France, to significantly improve competitiveness in the Food Packaging business



Stable demand on a good level across most markets

**FILTRATION &
PERFORMANCE**

Filtration



Nonwovens



Building & Wind



Release Liners



Insulation



Abrasive



Coated Specilaties



**INDUSTRIAL
SOLUTIONS**

Decor



DECOR

Food packaging



**Beverage &
Casing**



Tape



Medical



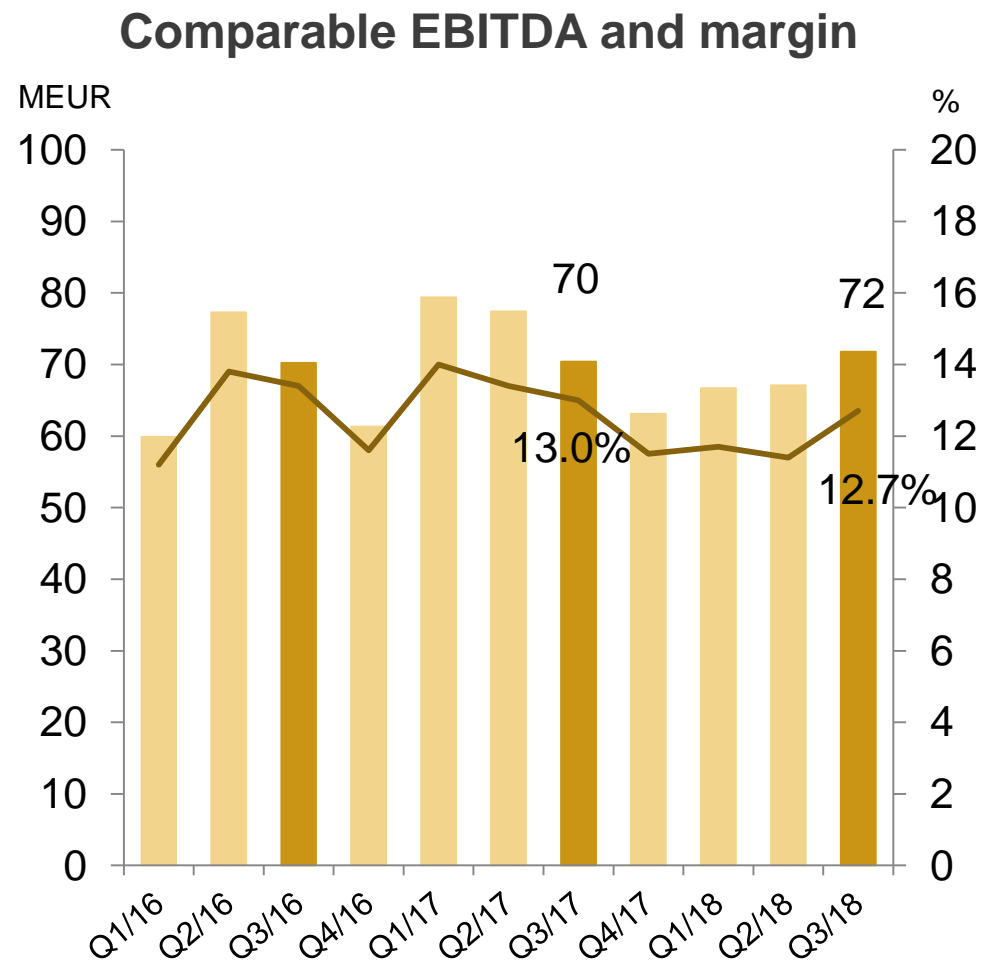
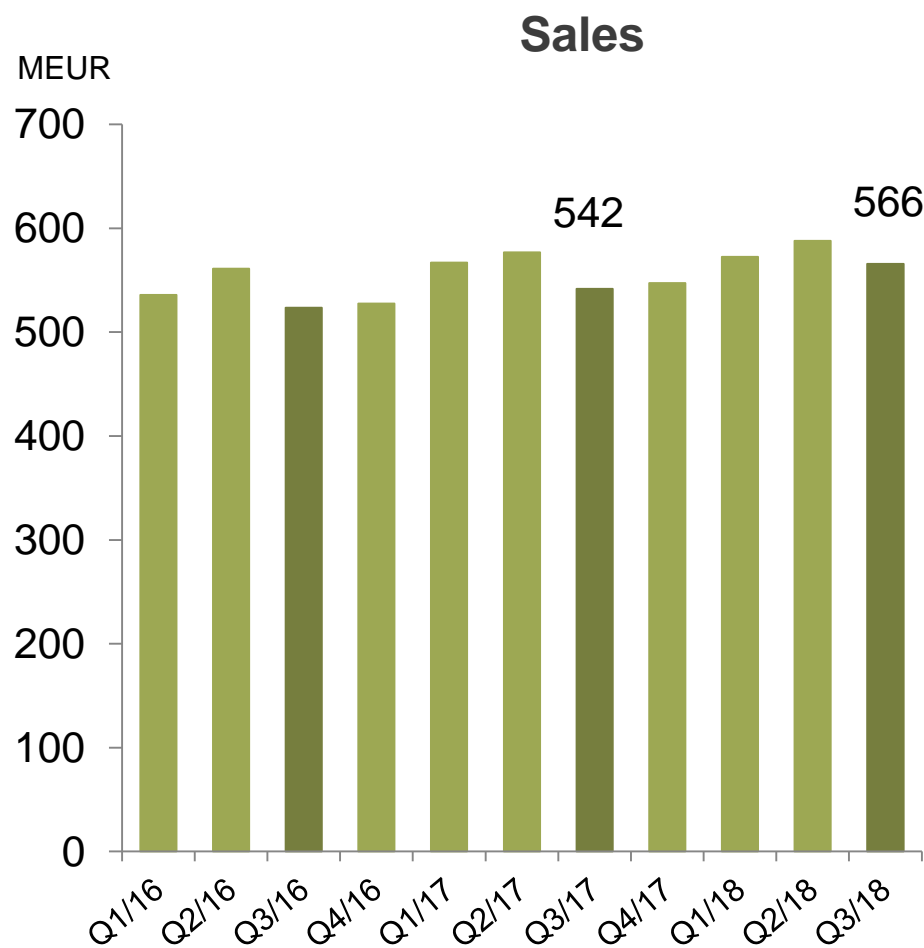
**Advanced Liquid
Technologies**



SPECIALTIES



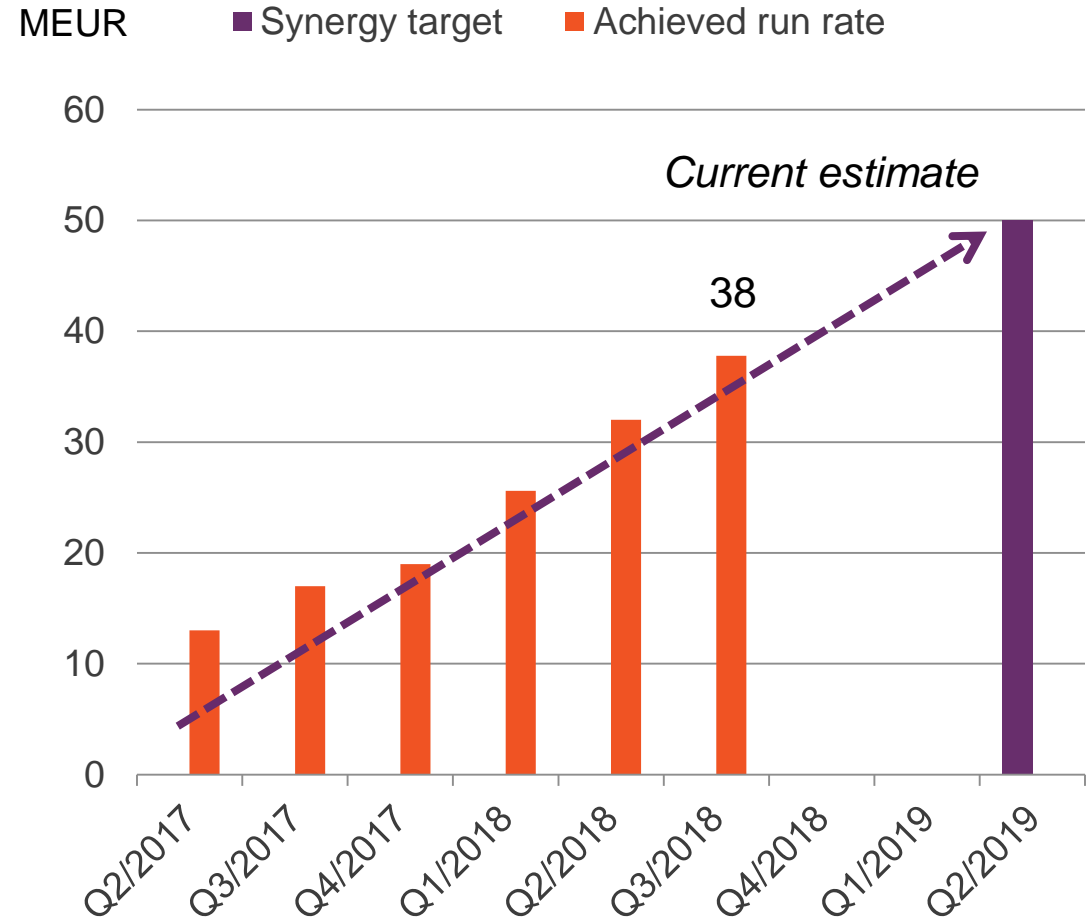
Sales growth driven by price increases – Third consecutive improvement in comparable EBITDA



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

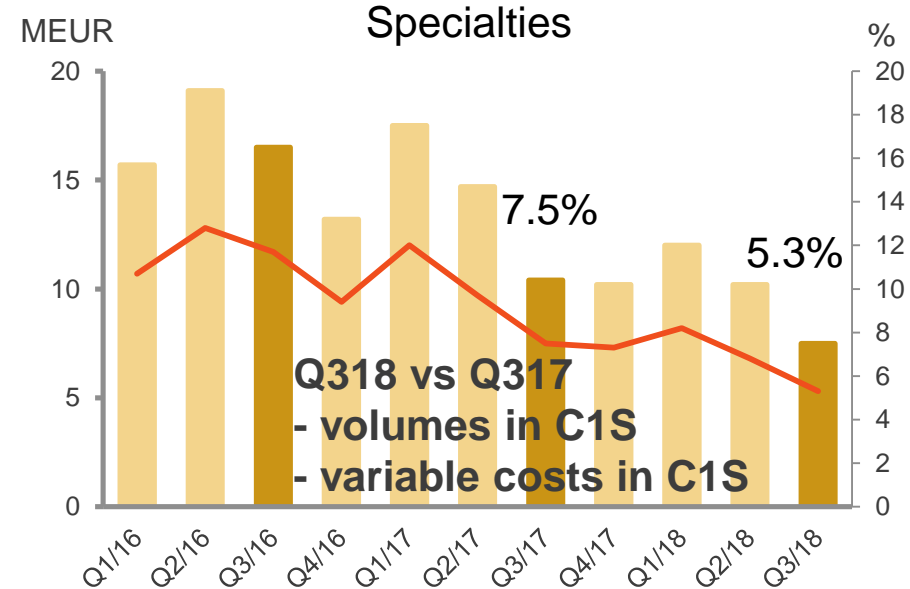
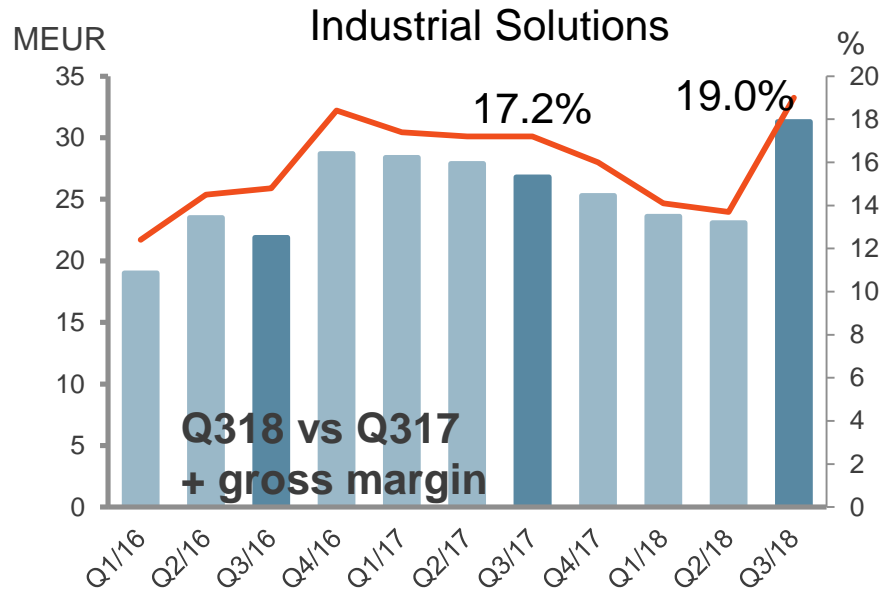
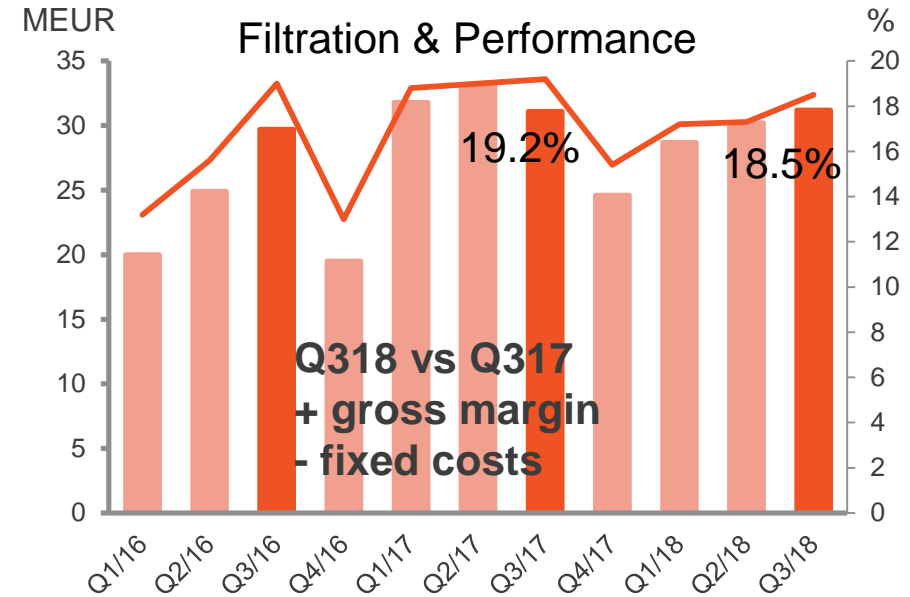
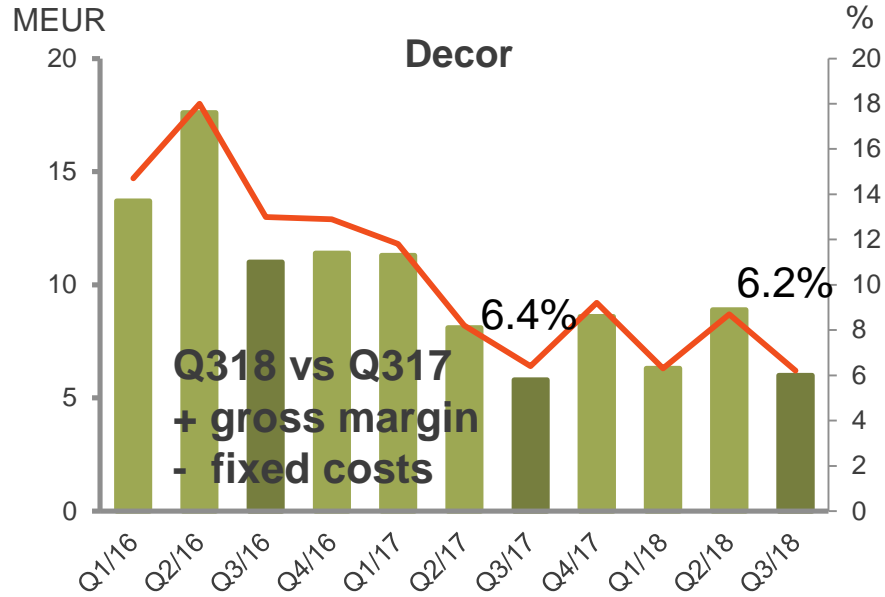
- Majority from SG&A and variable costs
- Integration of the former Graphics and Packaging business area into Specialties to develop a combined product and service offering
 - Incremental sales
 - Production optimization
 - Product mix improvement
- Adjusting group structure to Ahlstrom-Munksjö's business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



SG&A: Selling, General and Administrative expenses



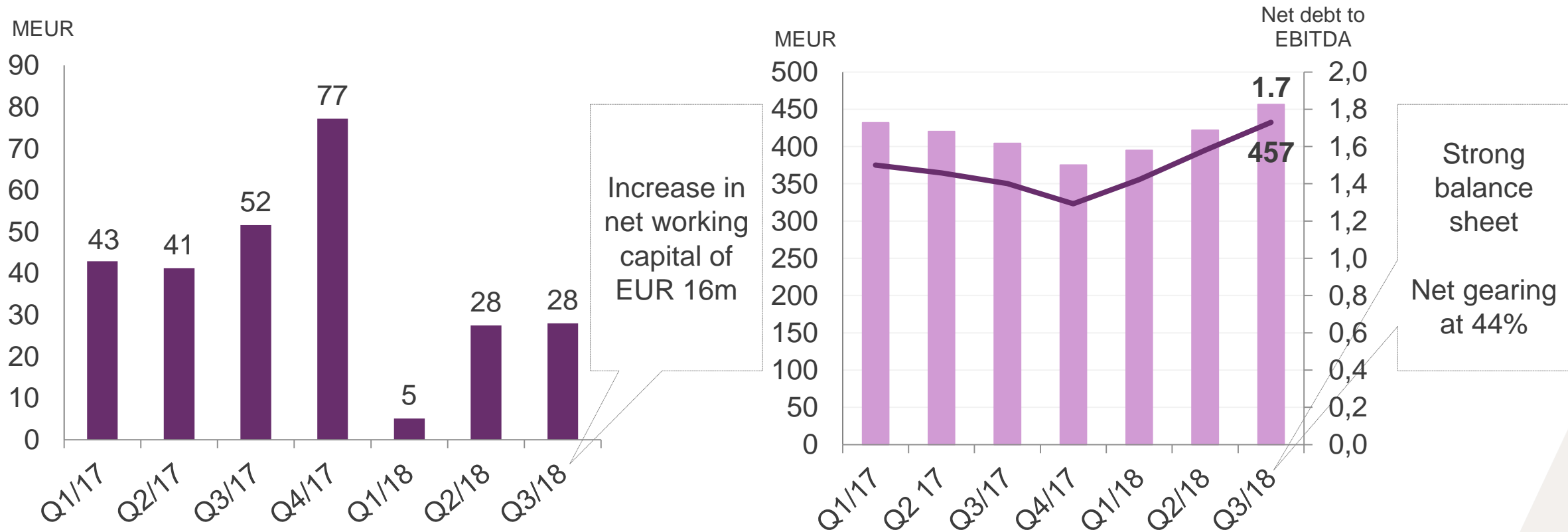
Comparable EBITDA and margin by business area



C1S: one-side coated



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



Outlook for 2018

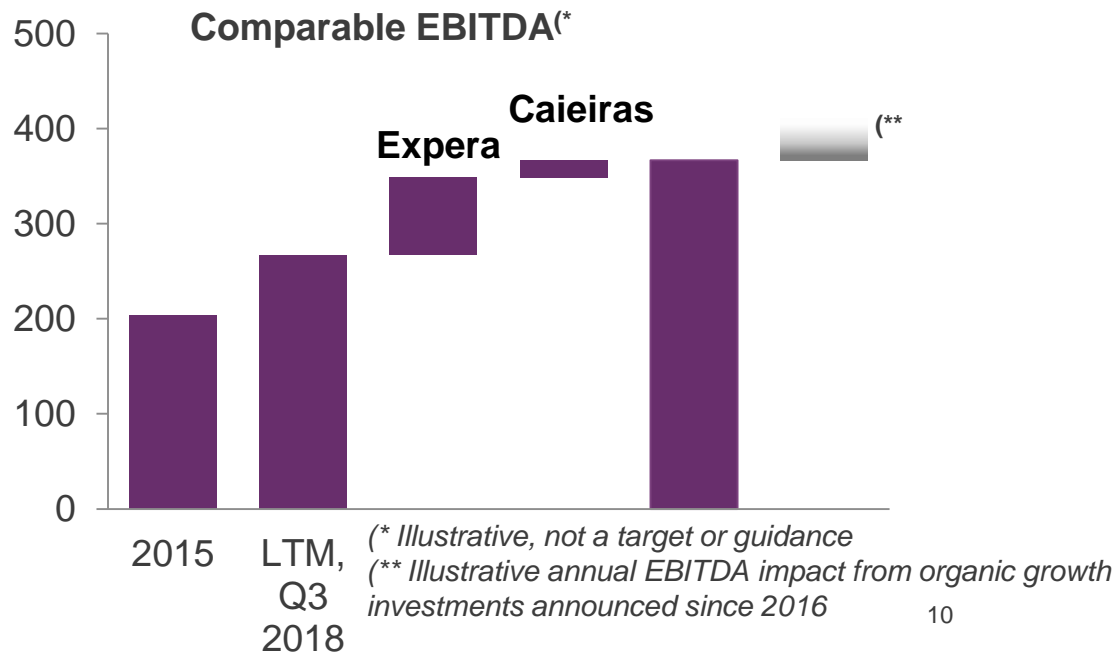
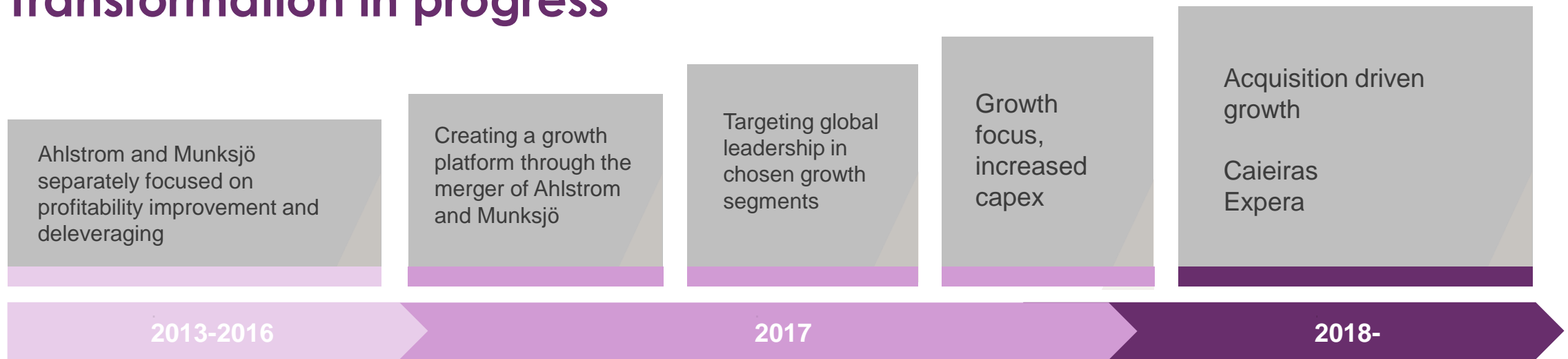
- Ahlstrom-Munksjö repeats its previous market outlook
- Demand for Ahlstrom-Munksjö's fiber-based products is expected to remain stable at the current good level for most of the product segments and to reflect the seasonal pattern



Caieiras plant

Implementation of the strategy

Transformation in progress



- Improved financial performance
- Acquisition of Expera Specialty Solutions
- Acquisition of Caieiras specialty paper mill
- Organic growth investments



North America Specialty Solutions – The Fifth Business Area

- New business area in Ahlstrom-Munksjö
- Russ Wanke, EVP and Executive Management Team member
- Continuous focus on customers and operations
- Sharing best practises
- Integration implementation
 - Functions
 - Businesses
 - Reporting
 - Governance
- Detailed synergy estimations, including dynamic synergies



North America Specialty Solutions – Among the leading North American suppliers



North America Specialty Solutions key facts (2017)

- Approx. USD 721 million net sales, 86% in the US
- Product portfolio is less impacted by economic cycles given exposure to growing cycle-resistant end markets
- More than 400 customers
- About 1,870 employees
- Four paper mills with two integrated pulp mills

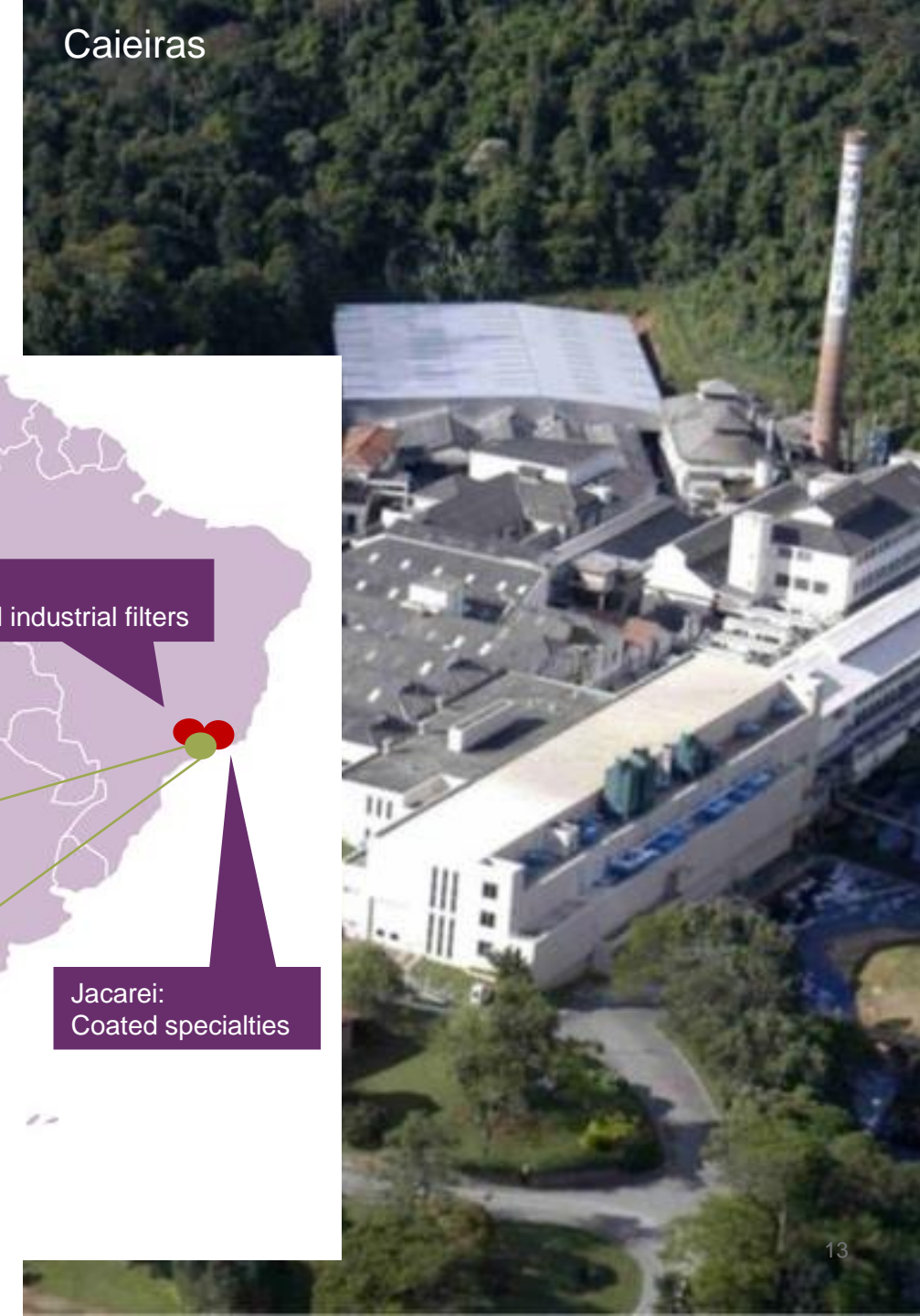
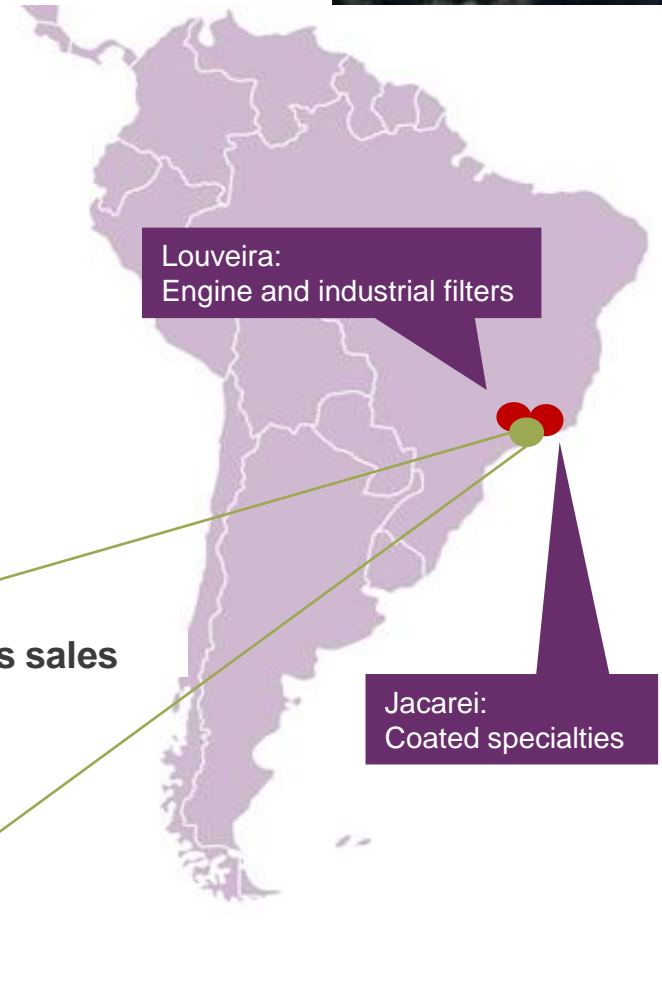
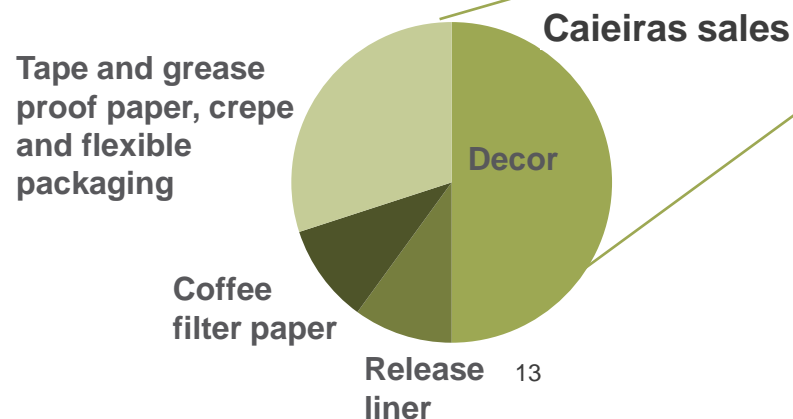
Ahlstrom-Munksjö key facts in the U.S. (2017)

- Approx. USD 380 million net sales in the U.S. (pro forma 2017)
- Five plants, one sales office
- Filtration, Medical, Beverage & Casing, Advanced Liquid Technology
- About 700 employees



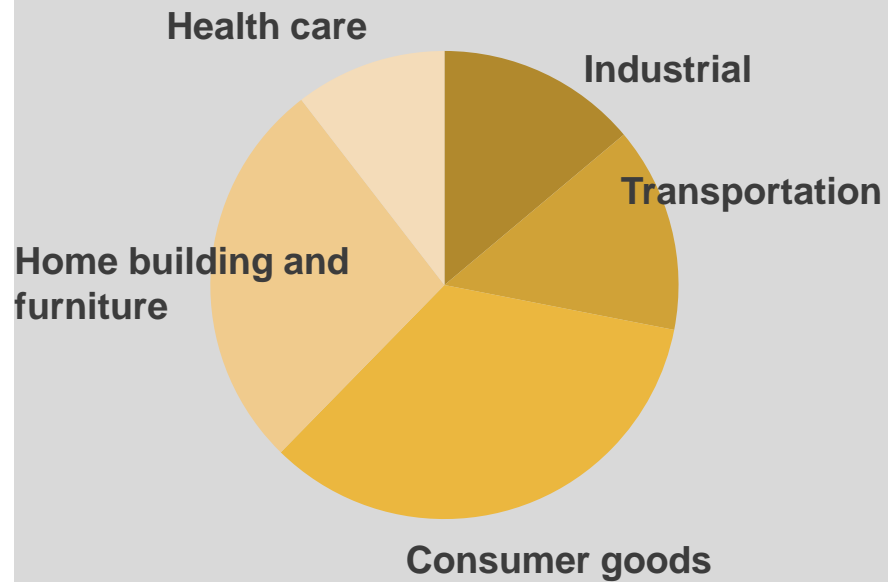
Integration of Caieiras – a platform for regional growth

- Integration implementation
- Caieiras product mix is a good match, with 80% of sales in Ahlstrom-Munksjö's portfolio, and fills gaps in the regional offering
- Realize synergies
 - Local supply to South American customers
 - Enhance capabilities, process and quality control
 - Combine sales and sourcing activities
 - Optimize production
- Attractive growth potential in South America



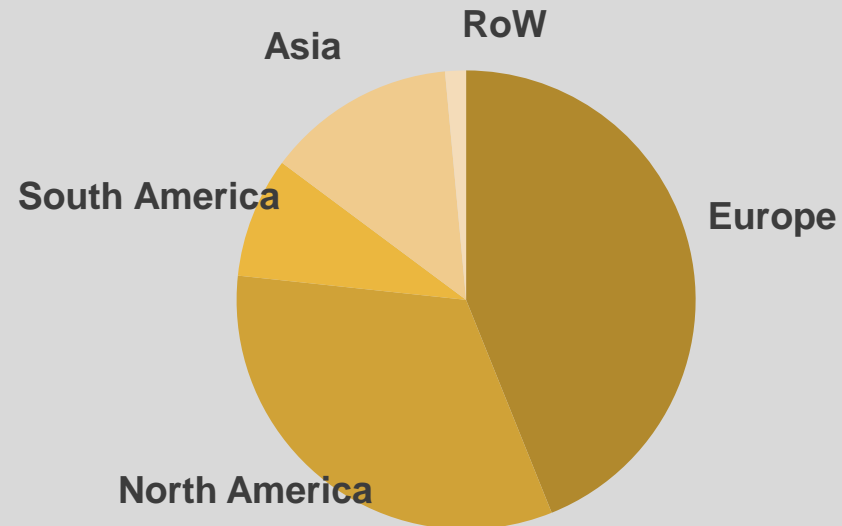
A balanced sales mix^(*)

Sales breakdown by end-use ^(**)



^{**}) Ahlstrom-Munksjö annual report 2017, management's estimate for Expera and Caieiras based on 2017 sales

Geographical sales breakdown



^{*}) Illustrative unaudited combined net sales 2017, after acquisitions of Expera and Caieiras



Completed investments driving strategic progress

Production ramp-up ongoing



Abrasive backings

Paper machine rebuild
Arches, Q1/18-

EUR 14m

Efficiency
and agility



Customer
value



Profitable
growth



Back of sandpaper



Filtration

Capacity debottlenecking
Turin, H1/18-

EUR 3m

Efficiency
and agility



Customer
value



Profitable
growth



Filtration material



Filtration

Product offering
Madisonville, H2/18-

EUR 23m

Efficiency
and agility



Customer
value



Profitable
growth



Filtration material



Food Packaging

New line installation
Saint Severin, Q3/18-

EUR 7m

Efficiency
and agility



Customer
value










Profitable
growth

Baking paper



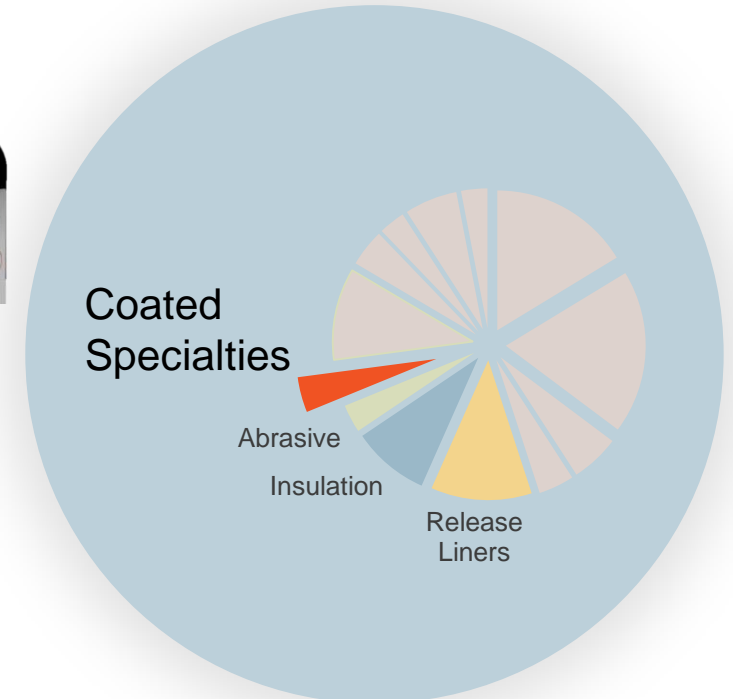
New investment decisions driving our strategic progress

		Efficiency and agility	Customer value	Profitable growth	
Insulation, Billingsfors Boiler and pulp line rebuild, Q3/19-	EUR 23m	✓		✓	 Electrotechnical paper
Insulation, Aspa Bailing line modernization, Q3/19-	EUR 4m	✓	✓		 Specialty pulp
Decor, Dettingen Production line upgrade, Q1/19	EUR 5m		✓	✓	 Pre-impregnated decor paper
Medical, Pont Audemer Converting line rebuild, Q2/19-	EUR 4m	✓	✓		 Sterilization wrap
Filtration, Turin Capacity expansion, H2/20-	EUR 28m	✓		✓	 Industrial filter material
Beverage & Casing, Chirside New production line, Q4/19-	EUR 28m	✓	✓	✓	 Coffee, tea, and casing material
Coated Specialties, Jacarei Coating line upgrade, Q3/19-	EUR 21m	✓	✓	✓	 Coated specialty paper



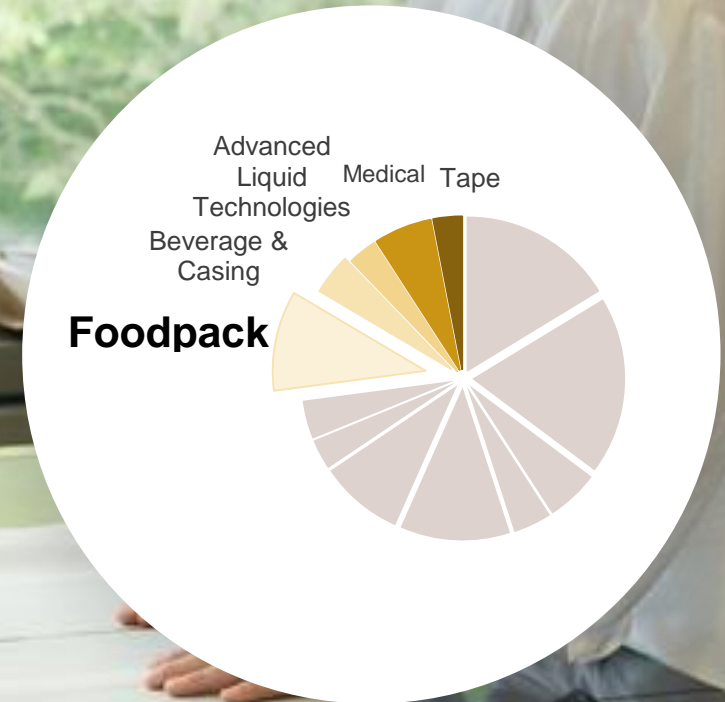
Investment to improve product mix and efficiency in Coated Specialties

- EUR 21 million investment in the Coated Specialties business at Jacarei plant in Brazil
- Expansion of the site's capabilities of coating and calendering on the paper machine, completion in the third quarter of 2019
- Benefits of the investment include:
 - Further improve product mix towards coated specialty papers
 - Increase production flexibility
 - Broadening product offering
- Maintain a leading position in coated specialty papers in Brazil
- Demand growth for high value-added coated specialty papers is robust in the region



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
- A plan to close one paper machine (PM1) in Stenay, France, to optimize product offering and capacity
- Employee consultation processes start on October 30, 2018, expected to be completed in January 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
- The planned actions would yield estimated annual impact of EUR 13m
- Restructuring costs will be specified during the process



Summary

- Performance in most of the businesses remained good
- Comparable EBITDA improved for the third consecutive quarter
- Stable good demand across most markets
- Major steps in the implementation of strategy

North America Specialty Solutions

Fifth Business Area

Caieiras

Specialty paper mill

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

Investment in **Coated
Specialties** to further
improve product mix

Plan to significantly **improve
competitiveness** in C1S





AHLSTROM
MUNKSJÖ