

# Ahlstrom-Munksjö Oyj Annual General Meeting 2019 Review by the President and CEO

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HELSINKI

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# Ahlstrom-Munksjö – Global leader in fiber-based solutions

- Fibers are at the core of what we do and the common denominator for our products and solutions
- Natural fibers represent 94% 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

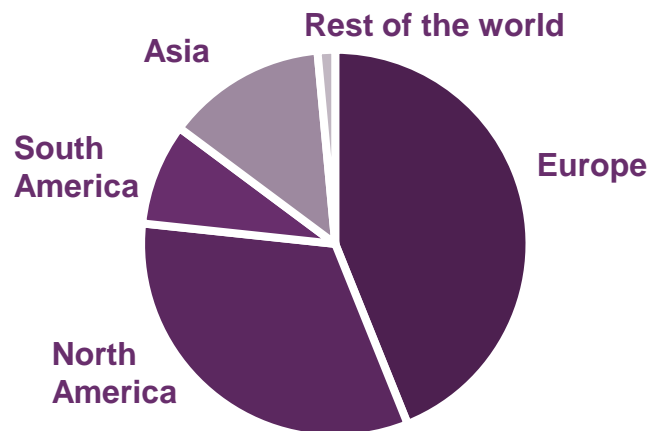
## Key facts

- 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



Share of sales

## KEY STRENGTHS

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

# Strategy





# Strategy overview

## MISSION

Sustainable and innovative fiber-based solutions

## VISION

Global leader in chosen growth segments

### CORNERSTONES

Local accountability

Efficiency and agility

Customer value

Profitable growth

### FILTRATION AND PERFORMANCE



### INDUSTRIAL SOLUTIONS



### DECOR



### SPECIALTIES



### NORTH AMERICA SPECIALTY SOLUTIONS



### LEADERSHIP

Customer centric | Innovative | Entrepreneurial | Holistic

### VALUES

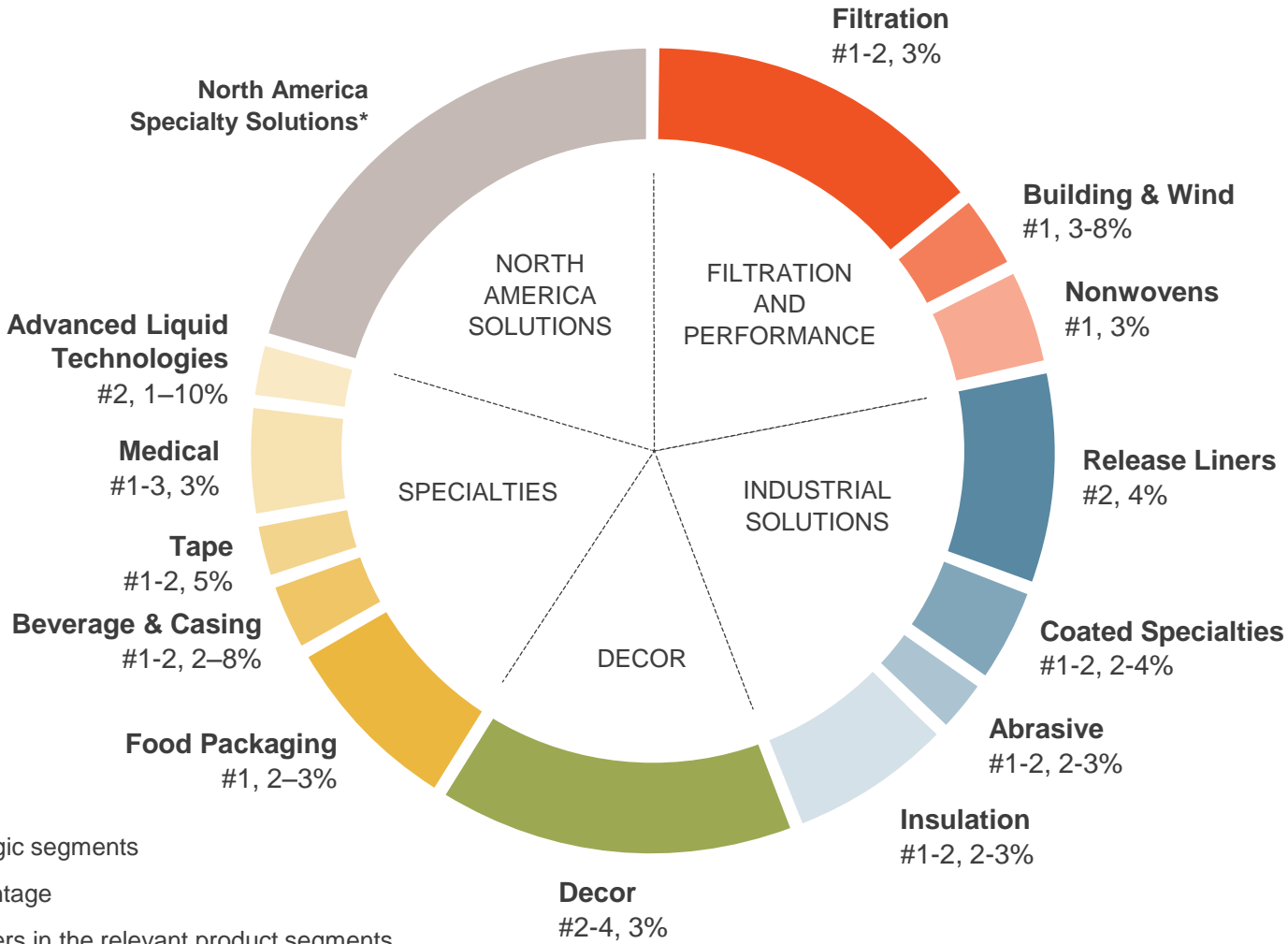
Long-term commitment | Teamwork | Passion to innovate and improve

### TARGETS

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



# Leading positions in growing markets



Share of sales

# Market position in strategic segments

% Market growth in percentage

\* One of the leading suppliers in the relevant product segments



# Sustainable everyday life

## MISSION

### Sustainable and innovative fiber-based solutions

#### BETTER PERFORMANCE

Filter materials to purify air and protect people from viruses and bacteria



#### SAFER MATERIALS

Formaldehyde free abrasive backings and fluorfree food packaging materials



#### FEWER RESOURCES

Diagnose diseases and purify polluted drinking water



#### LOWER IMPACT

Plastic free and compostable tea and coffee materials



#### PEOPLE



Human rights



Community engagement



Employee well-being



#### PLANET



Supply chain



Energy, water and waste



Carbon dioxide



#### PROSPERITY



Profitability



Innovation



Business ethics

EcoDesign Tool



# Key product launches in 2018

Sales from new products\* was 11% in 2018



**Trinitex® Advance W3200** is a unique gas turbine filtration product specifically designed for pulse jet gas turbine applications.



**Extia® 1000** is a range of highly durable filtration media, specifically designed for industrial filtration applications.



**ViroSēl™** Breathable Viral Barrier fabric is constructed for the most critical areas of a surgical gown designed to keep medical professionals protected and comfortable.



**HighFlow Wind Energy** is a reinforcement fabric for wind turbine blade manufacturing. It allows ca. 15% reduction in total cost of ownership in wind mill blade manufacturing

\*Products launched in the past three years





# Achieving Zero accidents through preventative actions

The big leap in proactive risk management continued in 2018



**Substantially increase  
in reporting Hazards &  
Near Misses**

35% improvement YOY



**Safety Training  
increased with nearly  
two hours**

14% improvement YOY



**Total Recordable  
Incident Rate (TRIR)  
decreased with 20%**

20% improvement YOY



**Proactive risk  
management**

Identifying & controlling hazards will reduce risks and lead to less total recordable incidents.



# Financial performance 2018





## Key figures in 2018

### Reported

Net sales	MEUR 2,438
Comparable EBITDA <i>of net sales</i>	MEUR 278 11.4%
Net profit	MEUR 43
Earnings per share	EUR 0.43
Net debt	MEUR 971
Gearing, %	84%

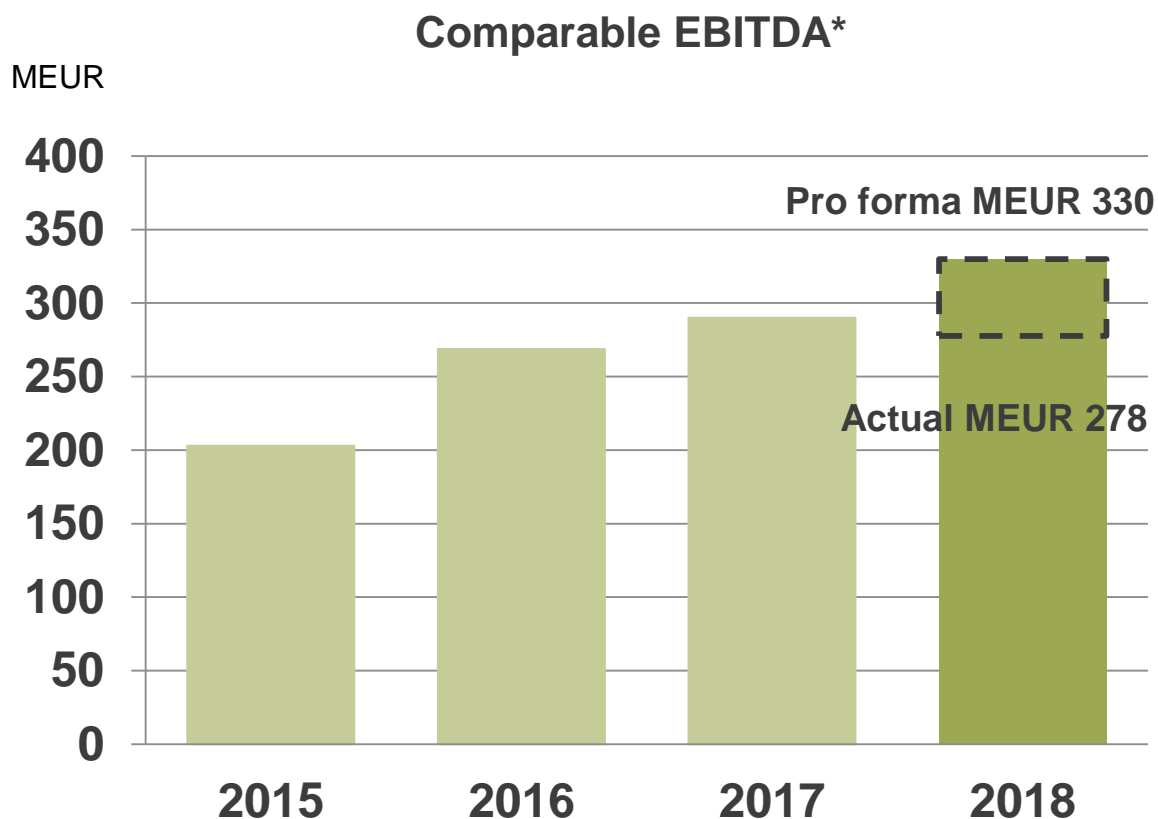
### Pro forma

Net sales	MEUR 2,997
Comparable EBITDA <i>of net sales</i>	MEUR 330 11.0%
Net profit	MEUR 63
Earnings per share	EUR 0.54
Comparable EPS excl. depreciation and amortization arising from PPA	EUR 1.15



# Successful execution of our growth strategy in 2018

- Two major acquisitions completed: North America Specialty Solutions (NASS) and Caieiras specialty paper mill
  - Progressing on delivering promised cost synergies
  - Business synergies validated
- Ramp-up of five strategic investments
- Major investment decisions to improve efficiency, capability and grow capacity
- Measures to improve performance in underperforming businesses



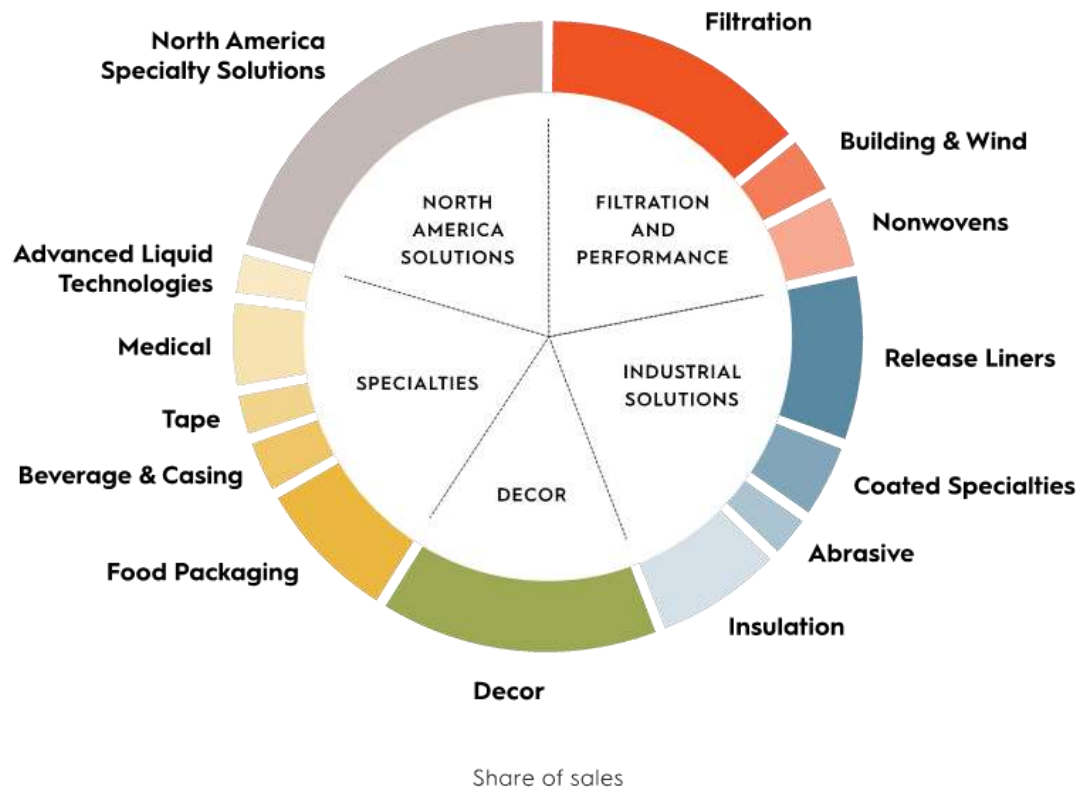
\*Years 2015-2017 Ahlstrom-Munksjö excluding NASS and Caieiras





# Stable market demand in 2018

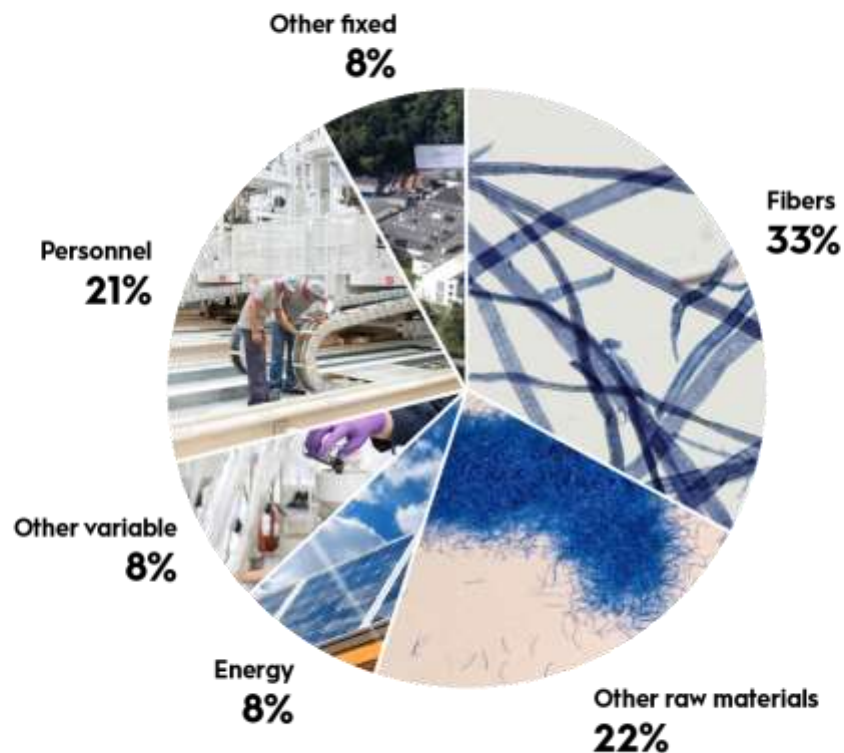
Stronger-than-usual seasonal variations in Q4 2018



- **Filtration and Performance**
  - Stable demand, seasonal slowdown at year end in Filtration
  - Strong demand growth in non-engine filtration and 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



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

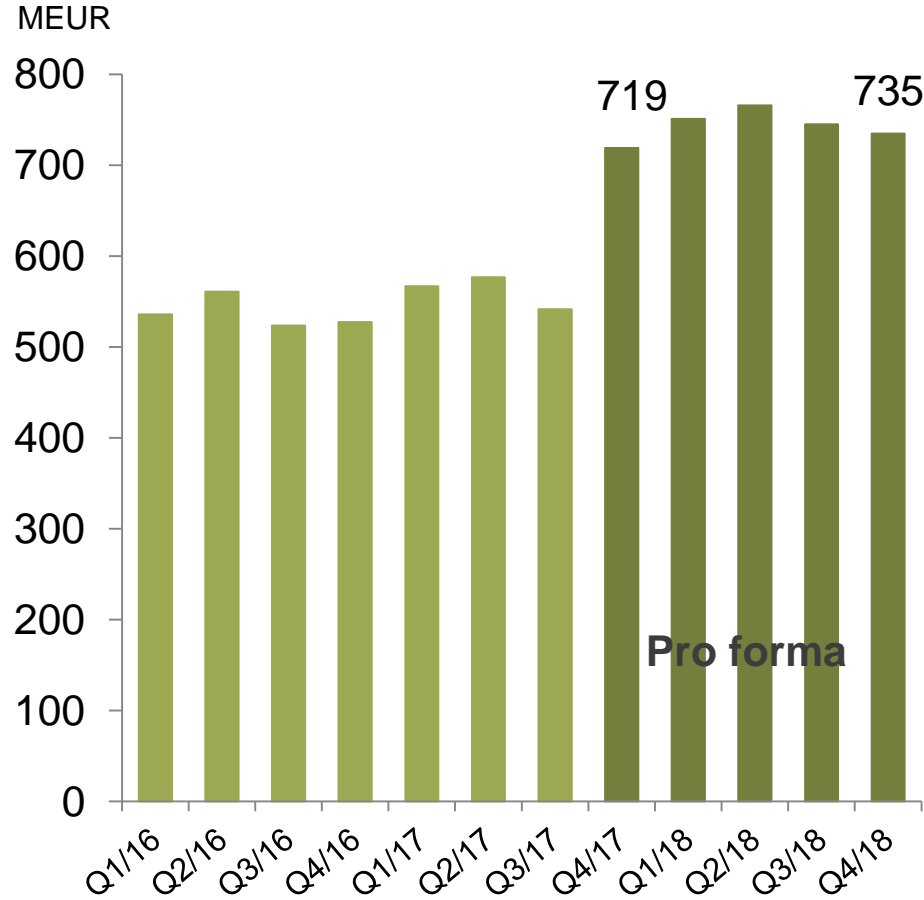
Breakdown of operating costs



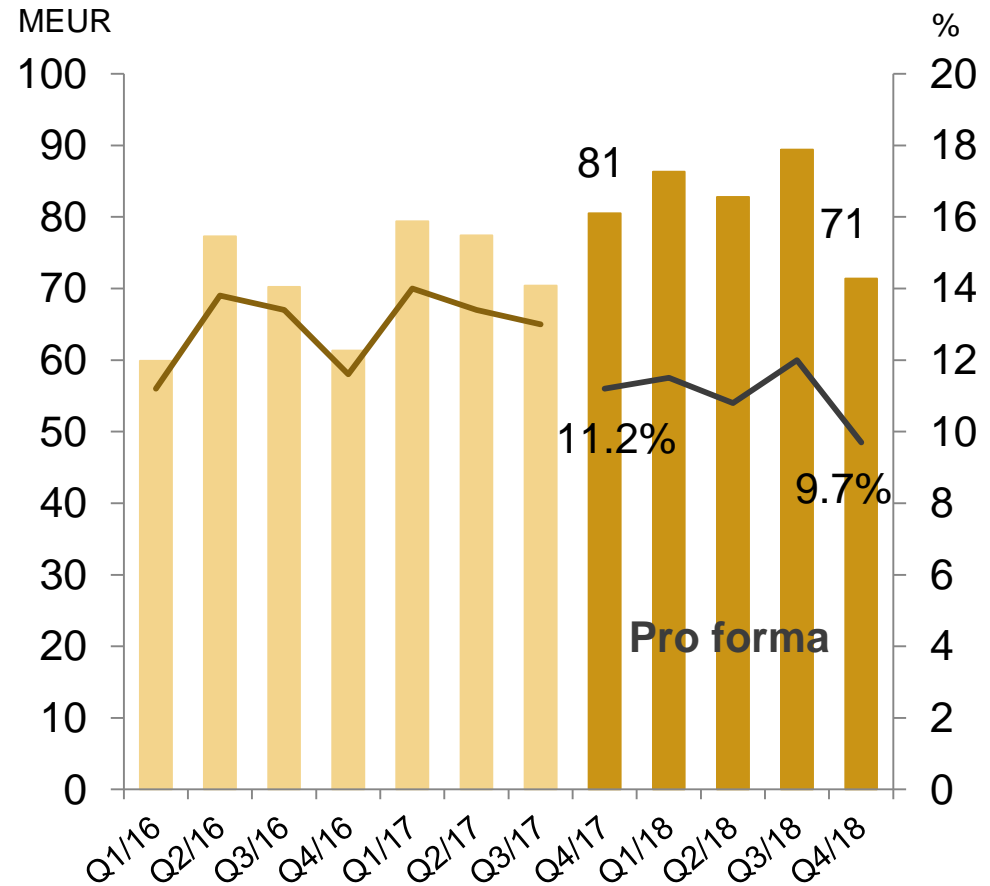


# Net sales growth driven by price increases

Net sales\*



Comparable EBITDA and margin\*

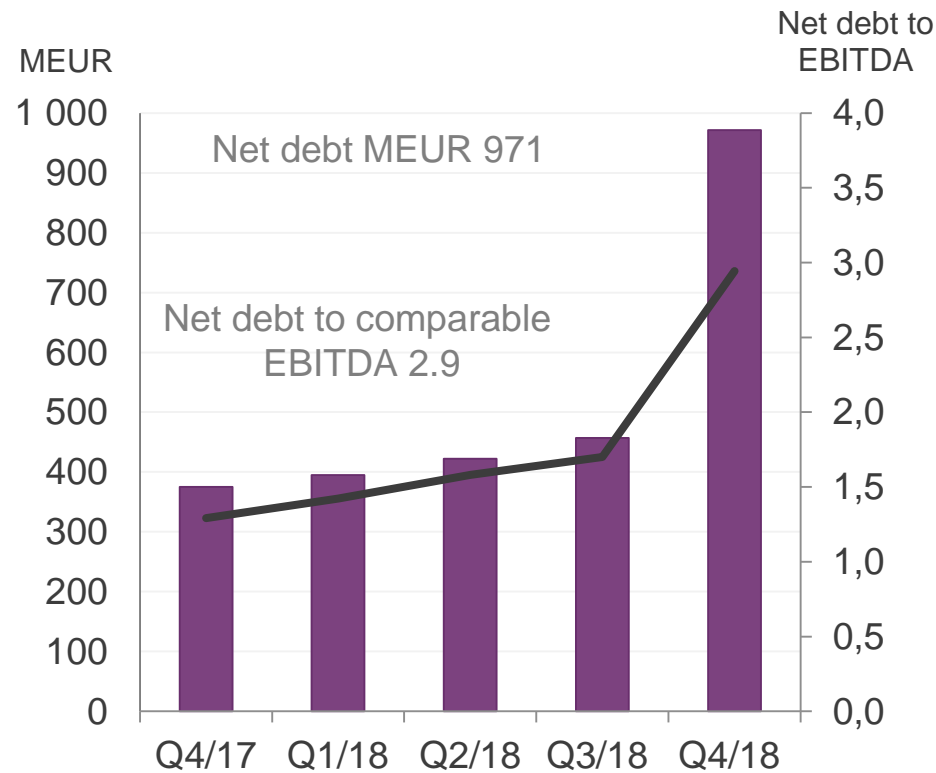


\*Years 2016-Q3/2017 Ahlstrom-Munksjö excluding NASS and Caieiras

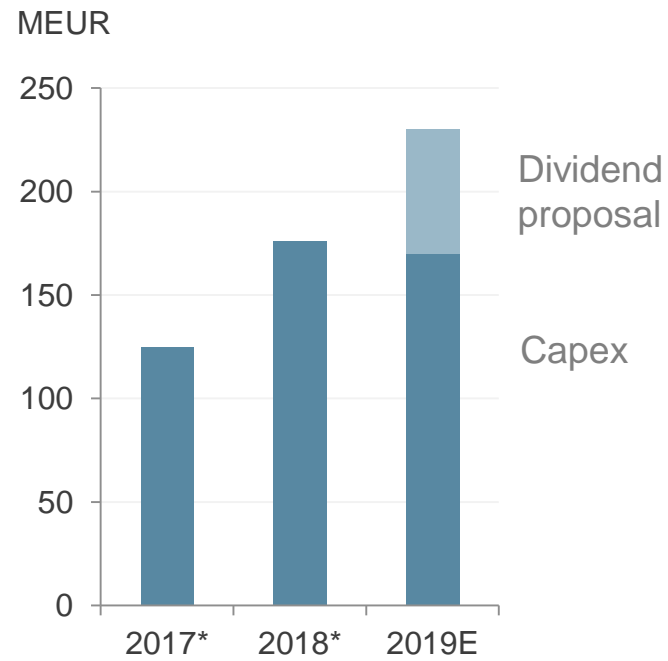


# Cash generation and capital allocation

## Net debt

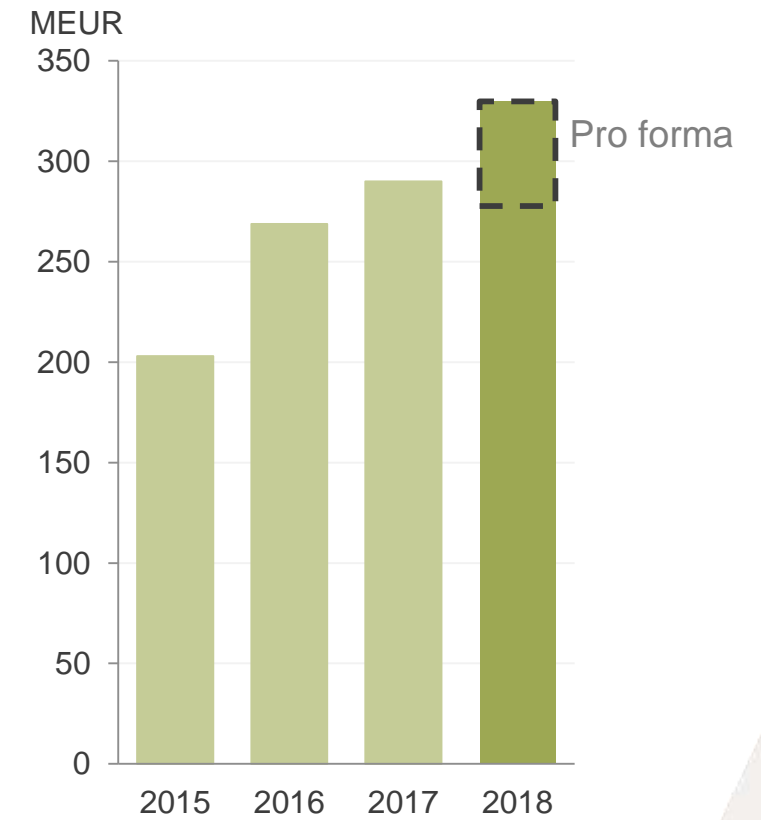


## Capital allocation



\* Pro forma

## Comparable EBITDA\*\*

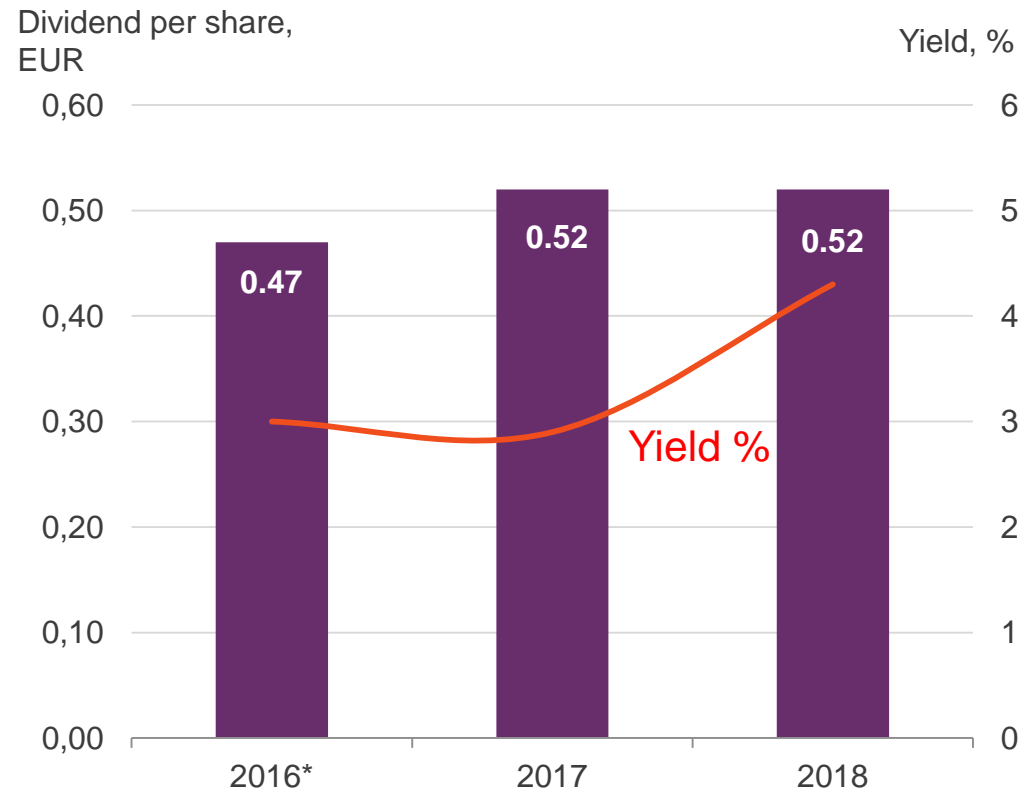


\*\*Years 2015-2017 Ahlstrom-Munksjö excluding NASS and Caieiras



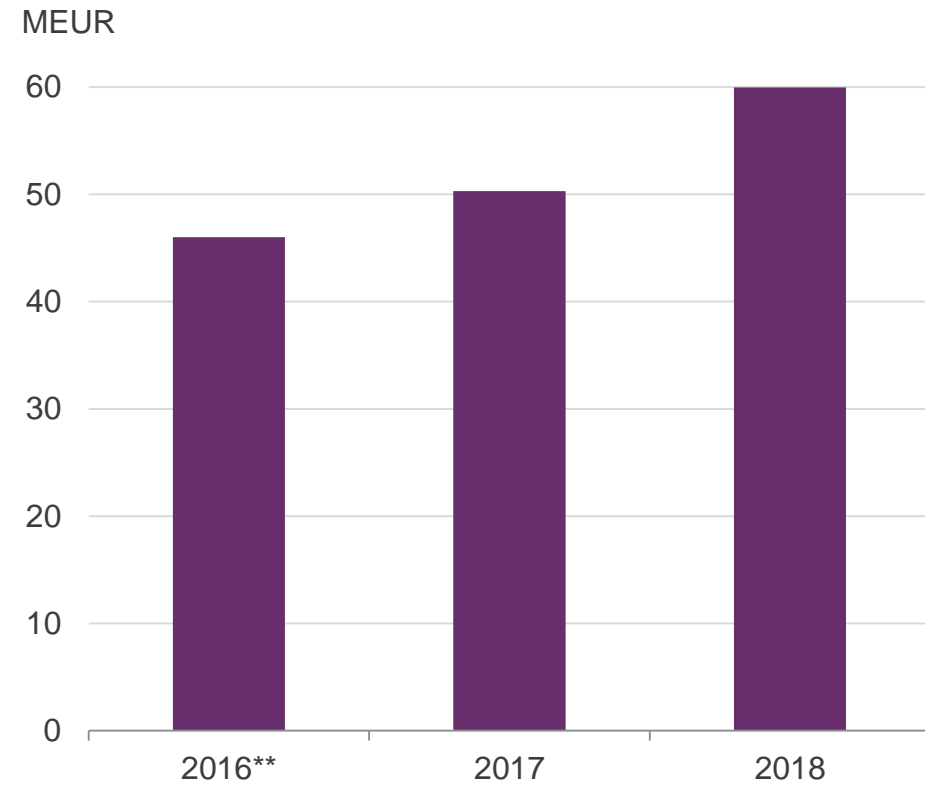
# Dividend proposal: EUR 0.52 per share for 2018

## Dividend per share and yield %



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

## Dividend



\*\* Total dividend of Ahlstrom and Munksjö

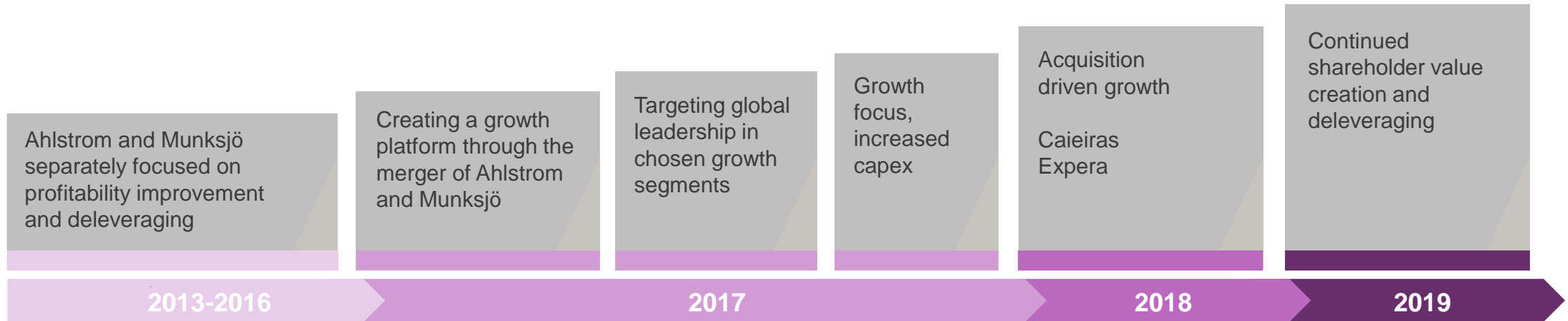




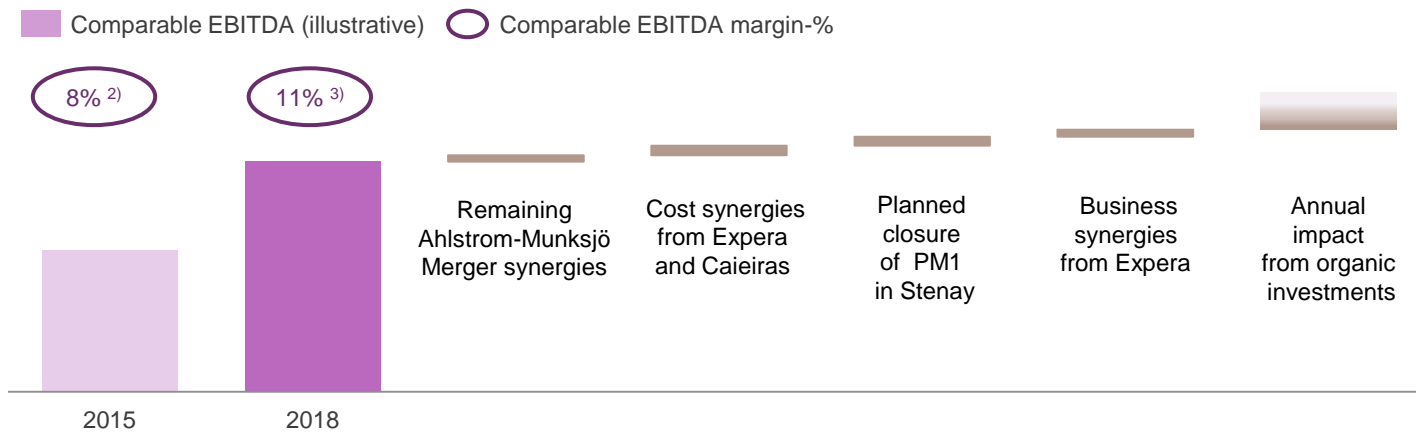
Looking ahead



# Strategic transformation supporting profitable growth



## Measures underway to improve competitiveness and drive growth<sup>1)</sup>



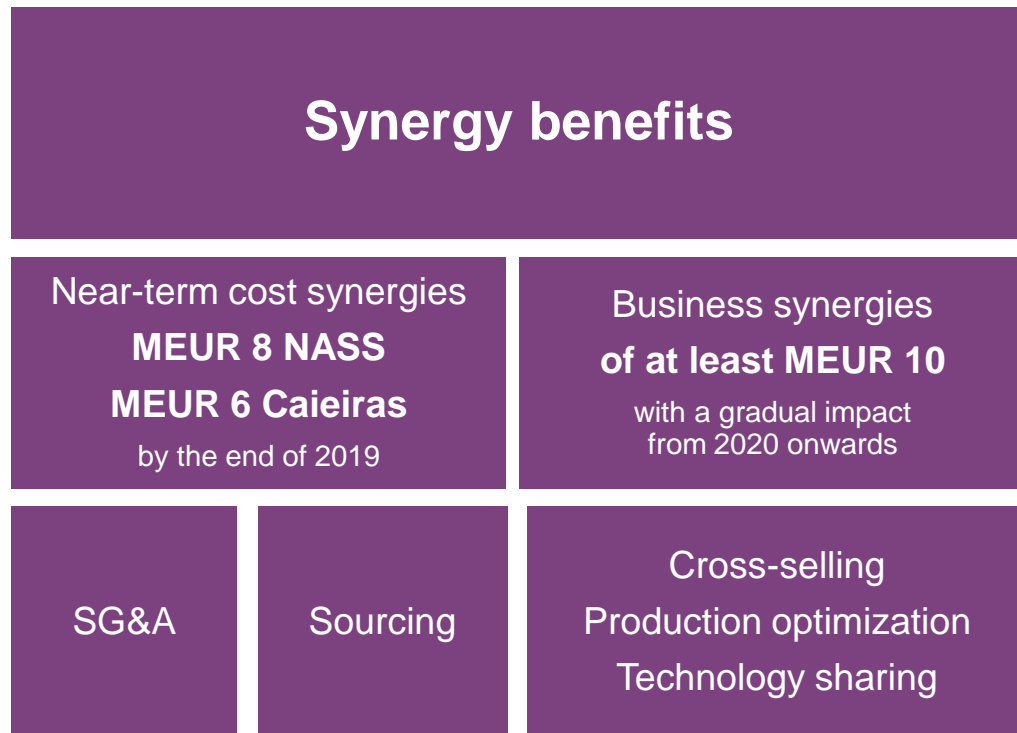
1) Illustrative (not necessarily in scale), not to be considered as guidance

2) Munksjö's reported adjusted EBITDA margin for 2015

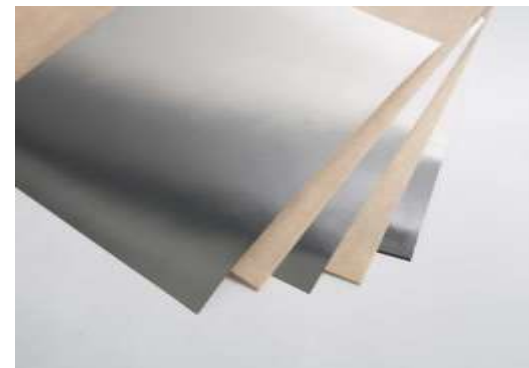
3) Pro forma comparable EBITDA margin in 2018



# Synergy benefits of the acquisitions















SG&A = Selling, General and Administrative expenses












# Completed investments driving strategic progress

## Production ramp-up ongoing

		Efficiency and agility	Customer value	Profitable growth		
<b>Abrasive backings</b> Paper machine rebuild Arches, Q1/18-	<b>MEUR 14</b>	✓	✓	✓		 <i>Back of sandpaper</i>
<b>Filtration</b> Capacity debottlenecking Turin, H1/18-	<b>MEUR 3</b>			✓		 <i>Filtration material</i>
<b>Filtration</b> New saturation line Madisonville, H2/18-	<b>MEUR 23</b>	✓	✓	✓		 <i>Filtration material</i>
<b>Foodpack</b> New line installation Saint Severin, Q3/18-	<b>MEUR 7</b>		✓	✓		 <i>Baking paper</i>
<b>NASS</b> New coater line, Q3/17	<b>MEUR 13</b>		✓	✓		 <i>Fiber composite release liners</i>
<b>Decor, Dettingen</b> Production line upgrade, Q1/19	<b>MEUR 5</b>		✓	✓		 <i>Pre-impregnated decor paper</i>



# New investment decisions driving our strategic progress

		Efficiency and agility	Customer value	Profitable growth		
<b>Medical, Pont Audemer</b> Converting line automatization, Q2/19-	<b>MEUR 4</b>	✓	✓			Sterilization wrap
<b>Coated Specialties, Jacarei</b> Coating line upgrade, Q3/19-	<b>MEUR 21</b>	✓	✓	✓		Coated specialty paper
<b>Insulation, Billingsfors</b> Boiler and pulp line rebuild, Q3/19-	<b>MEUR 23</b>	✓		✓		Electrotechnical paper
<b>Insulation, Aspa</b> Bailing line modernization, Q3/19-	<b>MEUR 4</b>	✓	✓			Specialty pulp
<b>Filtration, Release Liner</b> New co-generation in Turin plant, H1/20-	<b>MEUR 15</b>	✓				Turin plant
<b>Filtration, Turin</b> Capacity expansion, H2/20-	<b>MEUR 28</b>	✓		✓		Industrial filter material
<b>Beverage &amp; Casing, Chirside</b> New production line, H2/20	<b>MEUR 28</b>	✓	✓	✓		Coffee, tea, and casing material





An aerial photograph of a dense forest, likely a coniferous forest, with a road or path cutting through the center. The trees are mostly green, with some bare, greyish branches visible. The text is centered over the road.

**Global leader in sustainable  
and innovative fiber-based  
solutions**