

Ahlstrom-Munksjö

Q3/2020 Results

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October 28, 2020



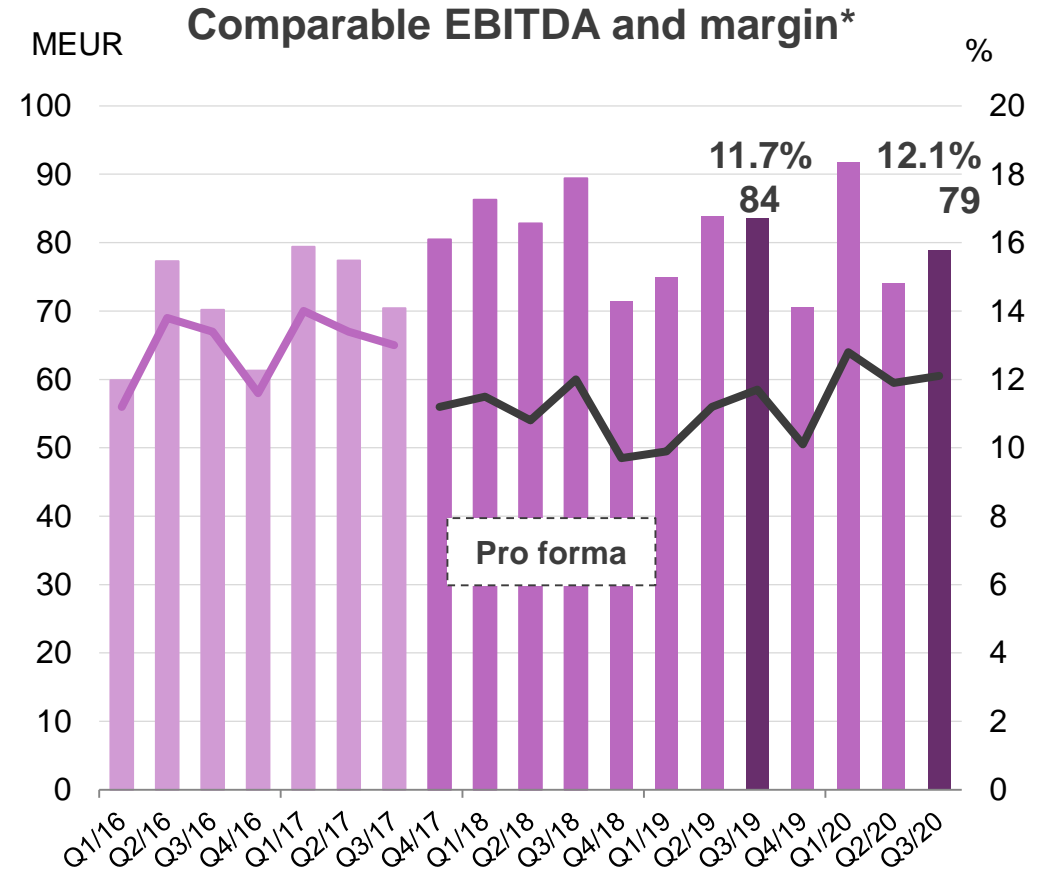
Agenda

- **Business review**
- **Financials**
- **Conclusions**



Solid result and cash flow

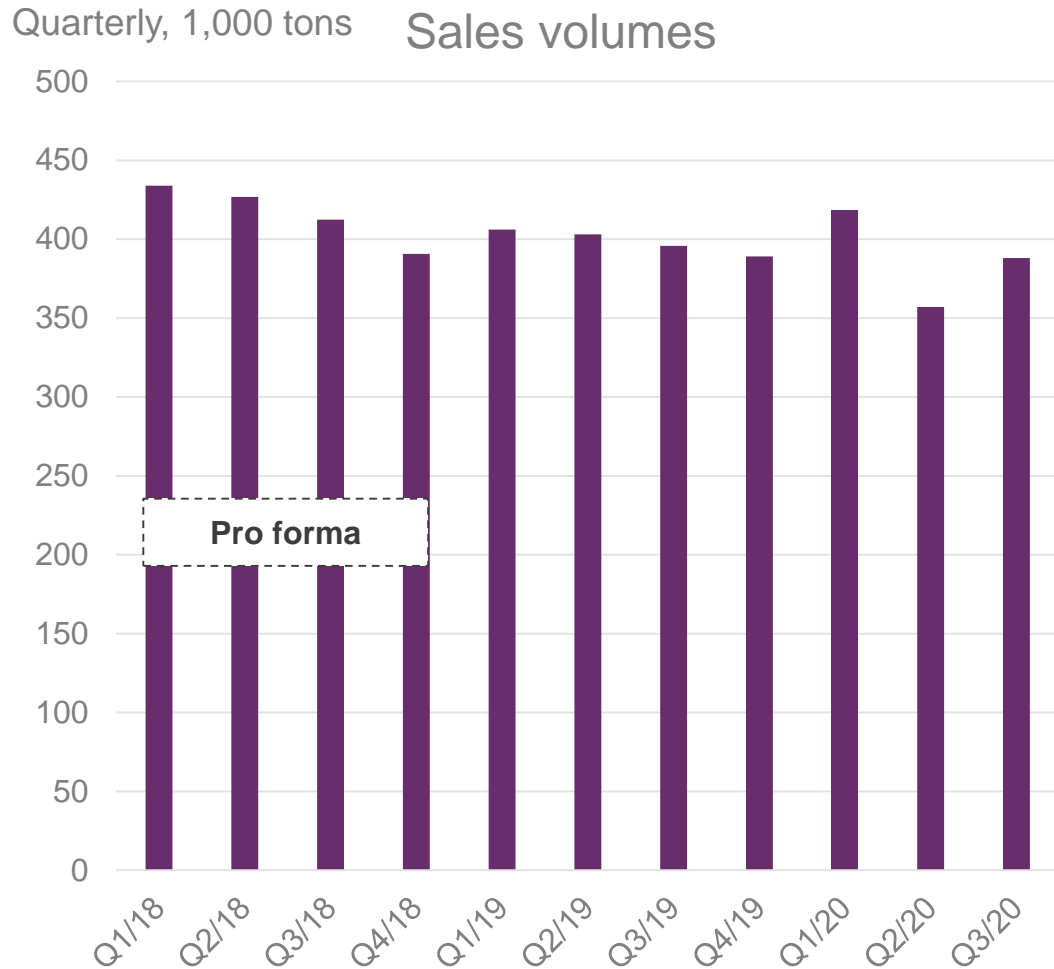
- Solid comparable EBITDA and increased margin in Q3
- Strong recovery in demand for transportation and furniture related products
- Sales volumes recovered from a low level in Q2/20, remaining still below the Q3/19 level
- Solid cash flow and improved financial position
- Launch of lead acid battery product portfolio
- World-class Net Promoter Score achieved in an external customer survey
- Recommended public cash tender offer for all Ahlstrom-Munksjö shares
- Comparable EBITDA in 2020 is expected to be in the range of EUR 315-335 million (EUR 313 million in 2019)



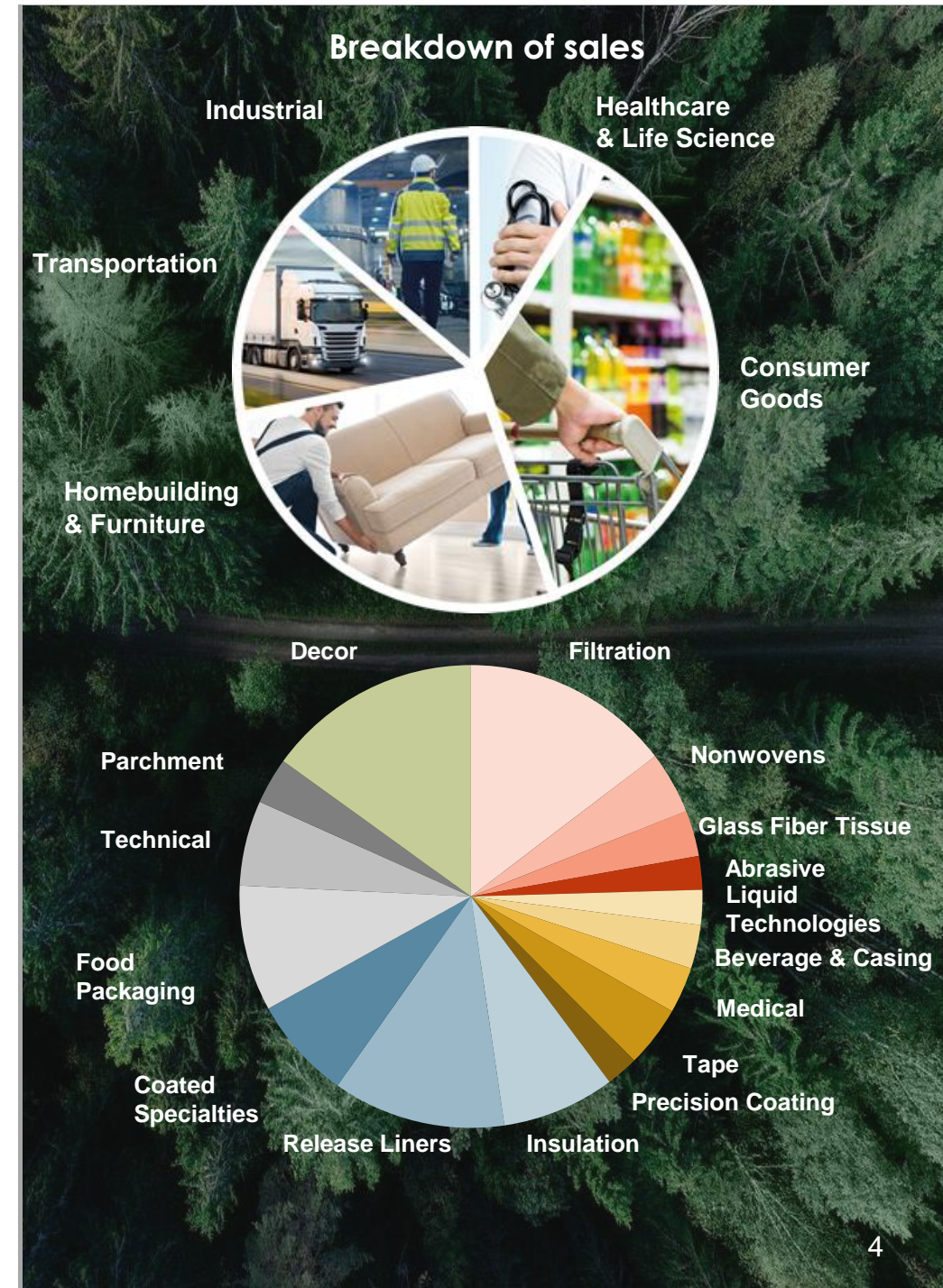
*Years 2016-Q3/2017 Ahlstrom-Munksjö excluding NASS and Caieiras



Q3/20 deliveries up 9% compared to Q2/20, remaining 1%* below Q3/19

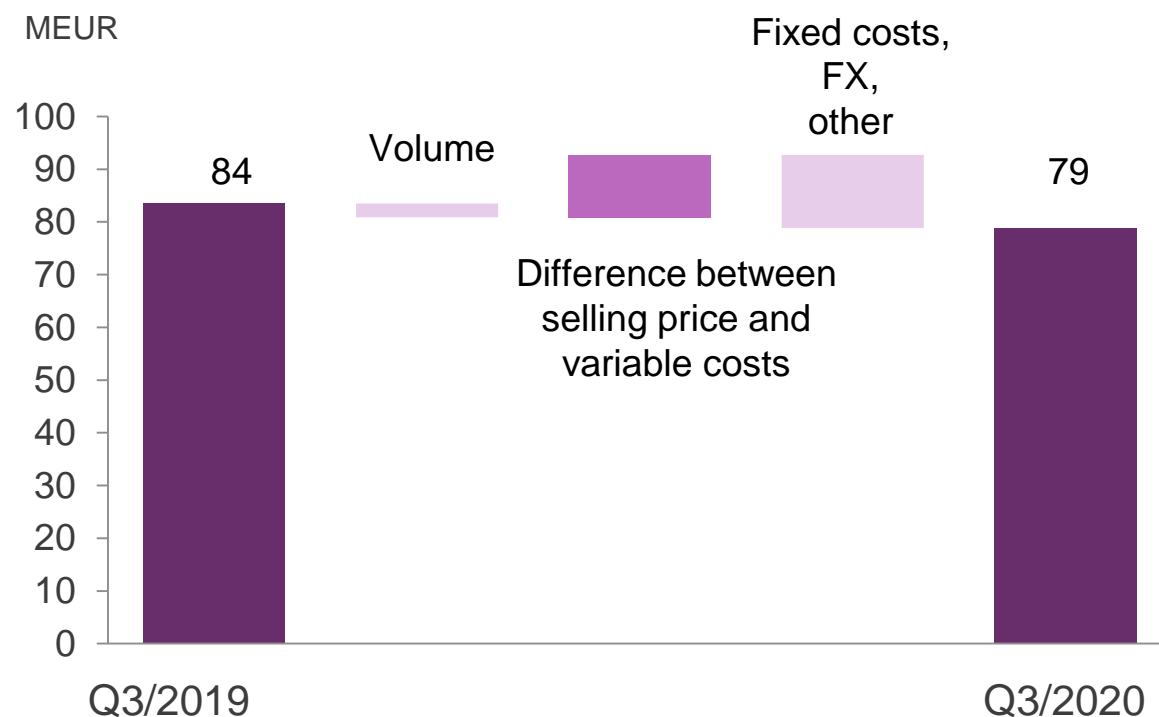


*excluding divestments



Q3 2020 supported by lower variable costs

Comparable EBITDA
Q3/2020 vs Q3/2019



EBITDA impacted by:

- Slightly lower volumes and selling prices
- Lower raw material prices
 - Costs savings measures
- Fixed costs impacted by the timing of the scheduled maintenance shutdowns



Designed sustainable and innovative solutions for customers

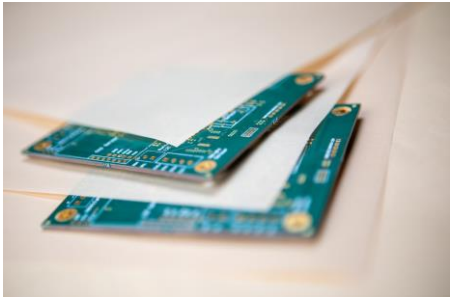
Sales from new products* was 10% in 2019 – Long-term target is 15%**



FortiCell®, a new range of fiber-based solutions for energy storage applications



TrustShield™ Biological, medical fabric designed to shield against hazardous pathogens



OptiLayup™, an innovative process aid for printed circuit board and copper clad laminates laminating systems



Partnership with BUFF® to supply replaceable filter media for filter masks and tubes



Extia® Protect, a comprehensive range of materials for face masks



LamiBak™, a release base paper certified for food contact



TEX-STYLE™, an extra resistant composite abrasive backing



CelluStraw™, a fiber-based solution for paper drinking straws



GenReleaz™, a specimen collection card for cost-effective biosamples



ParaFree™, paraffin wax free food packaging papers to quick service restaurants

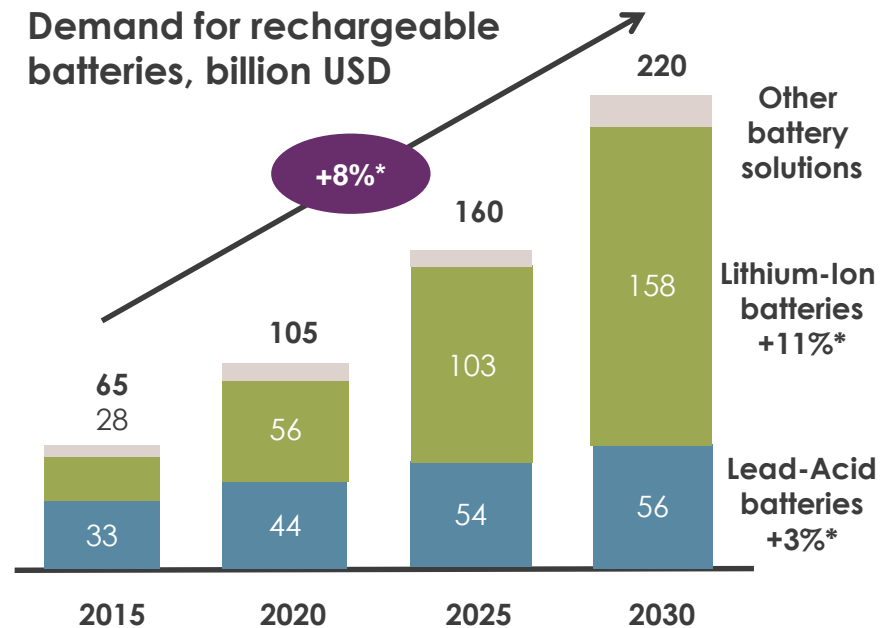
*Products launched in the past three years

** By 2025

Entering the energy storage market – First product launch in Q3/2020

- Ahlstrom-Munksjö FortiCell® – a platform of fiber-based energy storage solutions
 - Complete range of fiber-based solutions for lead acid batteries as the first launch in Q3/2020
 - Further product launches to come
- Fiber-based materials play an essential role in the performance and development of advanced energy storage technologies. Materials are mainly used as separators in energy storage applications such as batteries.
- Electricity is the fastest growing source of energy and demand for energy storage is expected to grow significantly, driven by:
 - vehicle electrification
 - shift towards renewable energy
 - increasing demand of stationary applications
 - effective electricity supply chain management
- Demand for rechargeable batteries is estimated to double in the next 10 years
- Ahlstrom-Munksjö offers extensive expertise in cellulose, microglass and specialty nonwoven materials

Ahlstrom-Munksjö FortiCell®



* CAGR 2015-2030

New coating machine for formaldehyde free coating in Billingsfors, Sweden

- EUR 7 million investment into a more sustainable coating machine in Billingsfors, Sweden
- Enables formaldehyde free balancing and finish foils for furniture, as well as building and construction industries
- Increases manufacturing capacity and allows expansion to new geographical markets, it also increases utilization of the pulp mill at the plant
- The new coating machine will also reduce CO2 emissions by an estimate of 20%, further strengthening position as a supplier of sustainable fiber-based solutions
- The new machine is expected to be fully commissioned in the fourth quarter of 2021



Improving customer satisfaction – Total results of Ahlstrom-Munksjö Customer Survey 2020

- Reinforced position as global leader in fiber-based solutions
- Strong performance in our Customer Barometer Index, improvement since 2017
- Outperforming competition in meeting customer expectations in many areas, and particularly in personal contact and technical service as well as in innovation and sustainability
- Our Net Promoter Score rating is World Class for a manufacturer in B2B relationship
- Conducted by Opticom International Research



Update on cash tender offer and next steps*



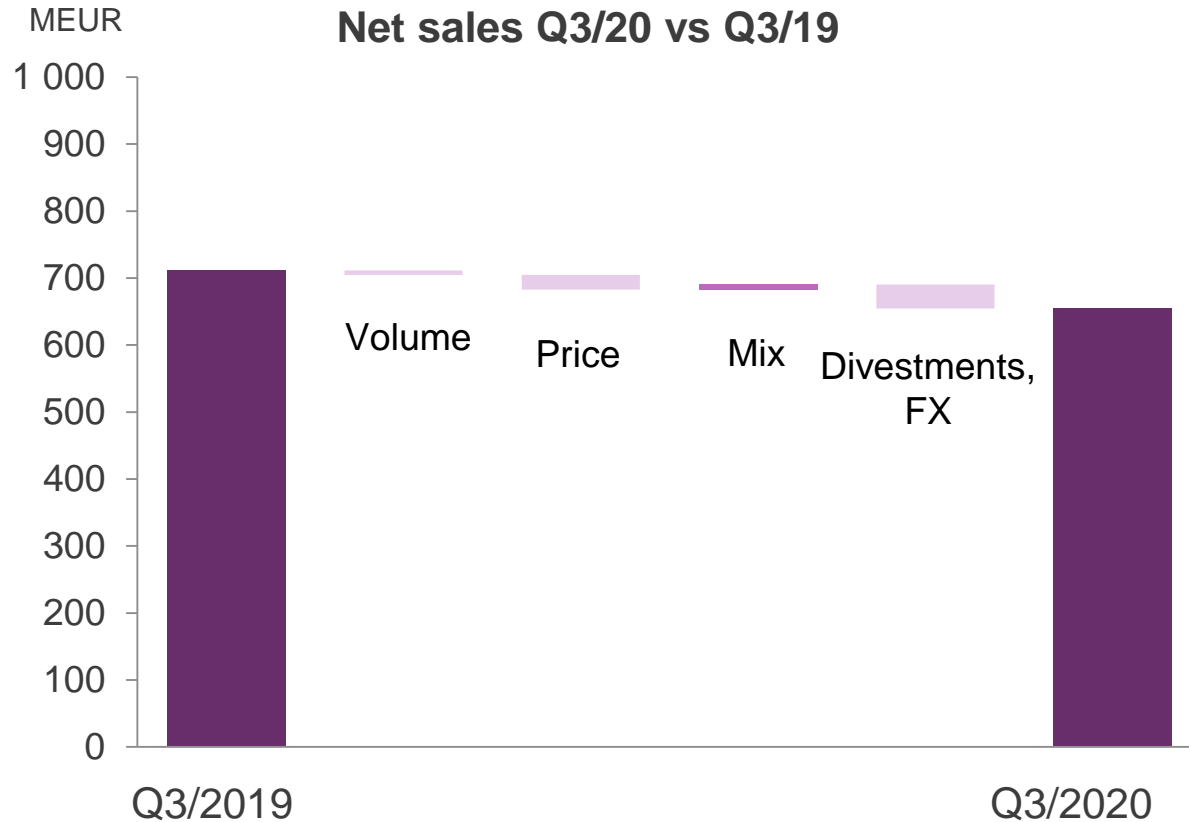
* Illustrative timeline

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Net sales impacted by selling prices and FX

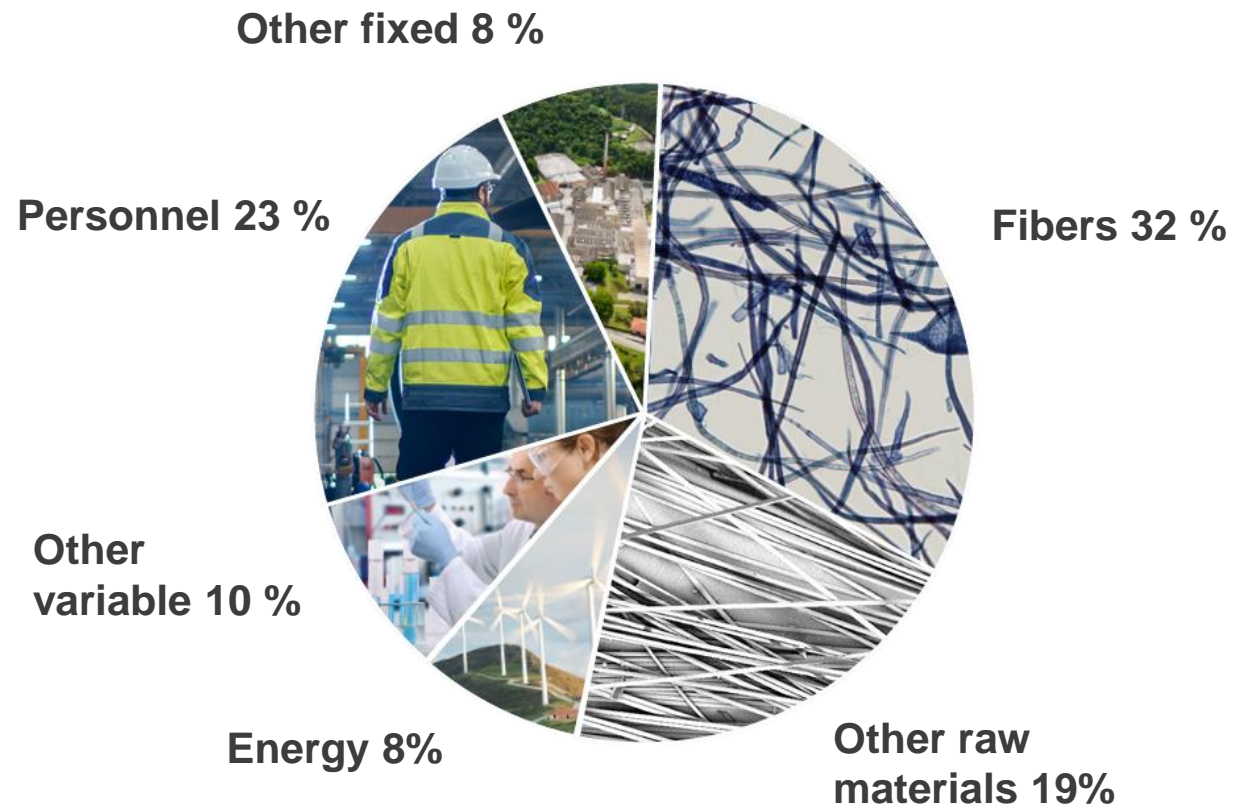


Net sales impacted by:

- Deliveries (cont. ops.) -1%
- Selling prices -4%
- Product mix +1%
- FX, divestments -5%



Lower costs mitigated negative impact of slightly lower prices and volumes in Q3/2020

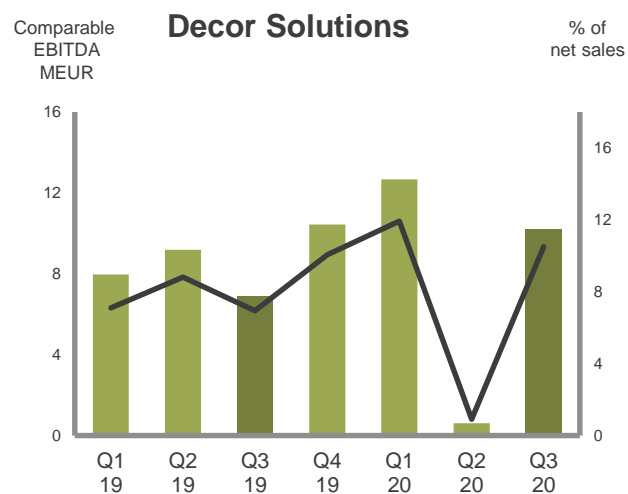
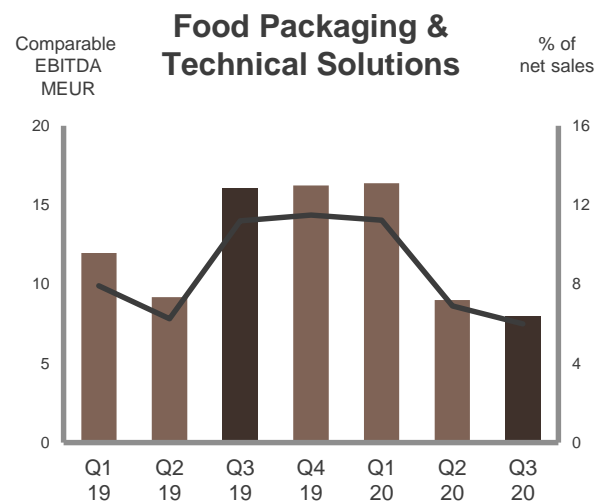
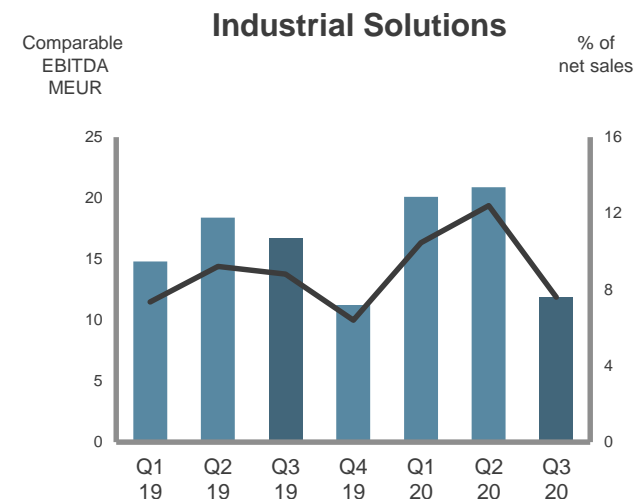
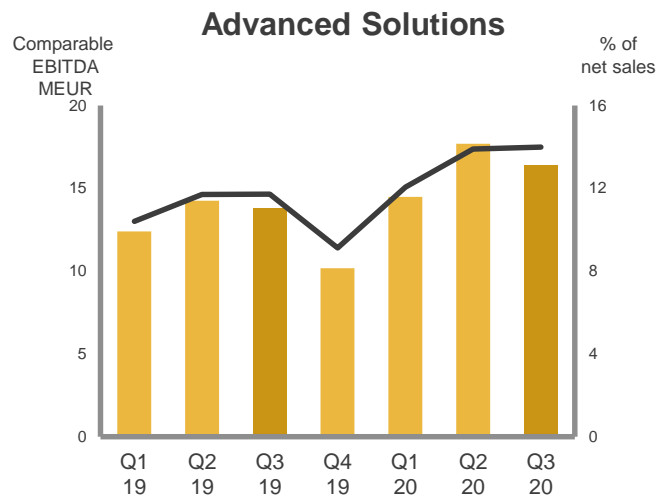
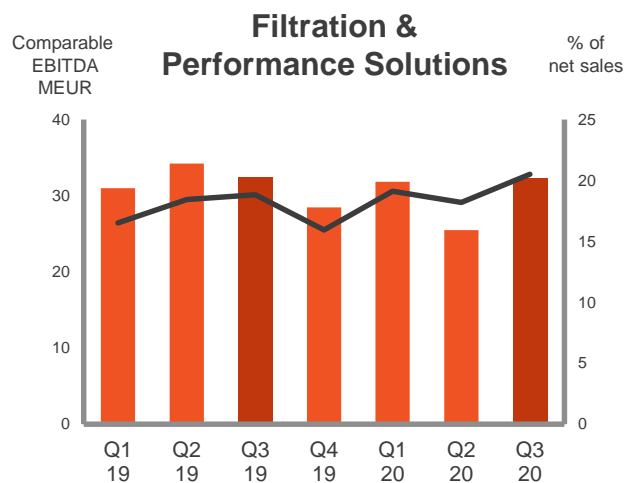


Lower costs in Q3/20 compared to Q3/19

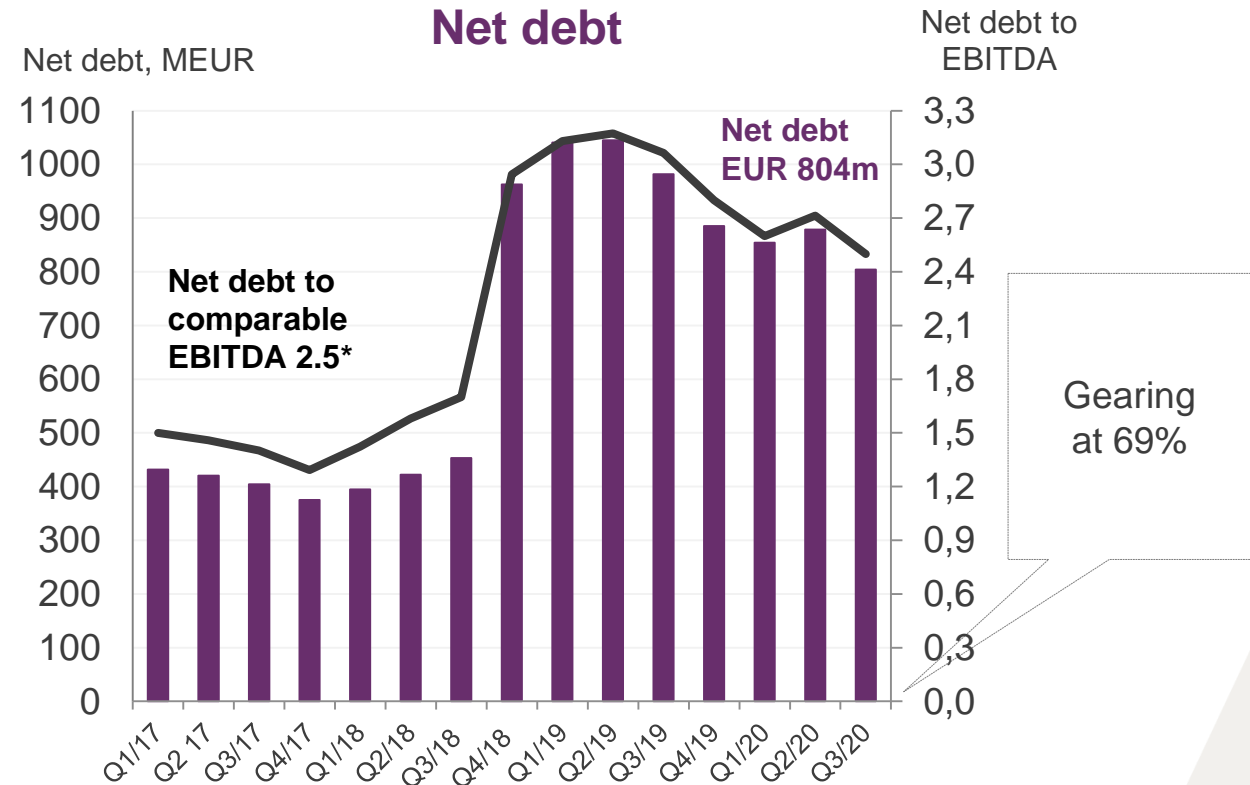
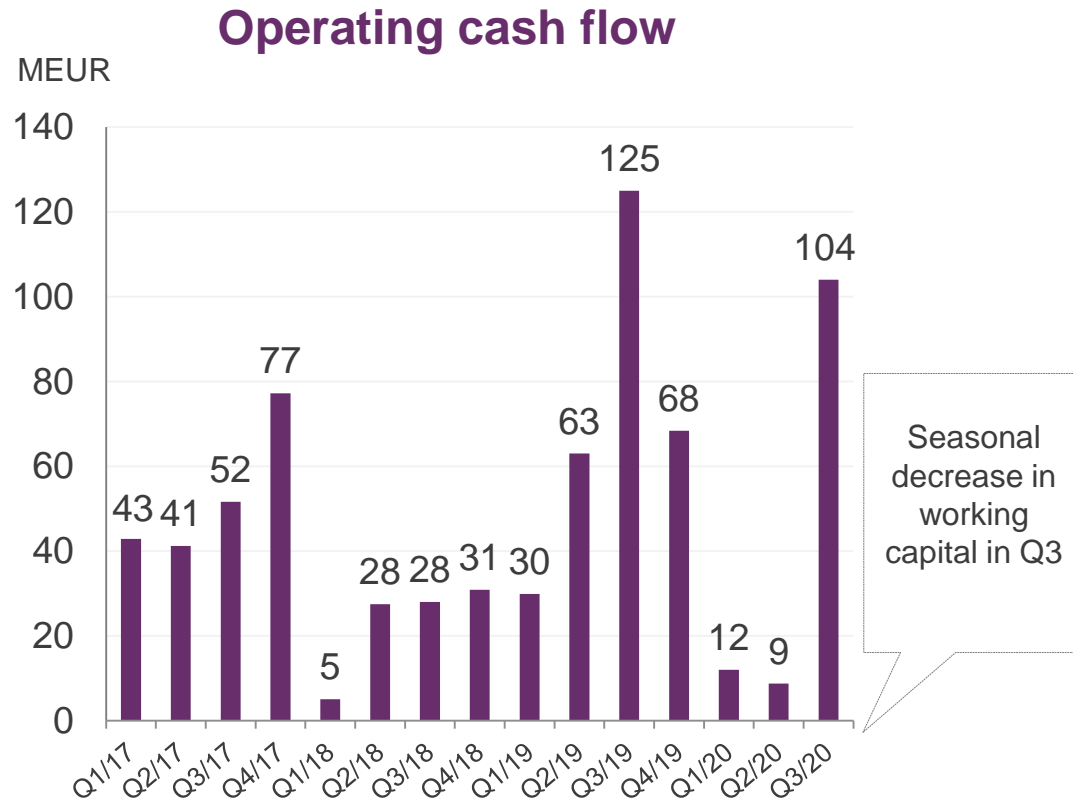
- Lower raw material costs
- Lower energy costs
- Variable cost savings in procurement and from continuous improvement actions
- Fixed costs rose slightly, mainly due to the timing of the scheduled maintenance shutdowns



Comparable EBITDA margin improved in three business areas



Solid cash flow, lower net debt

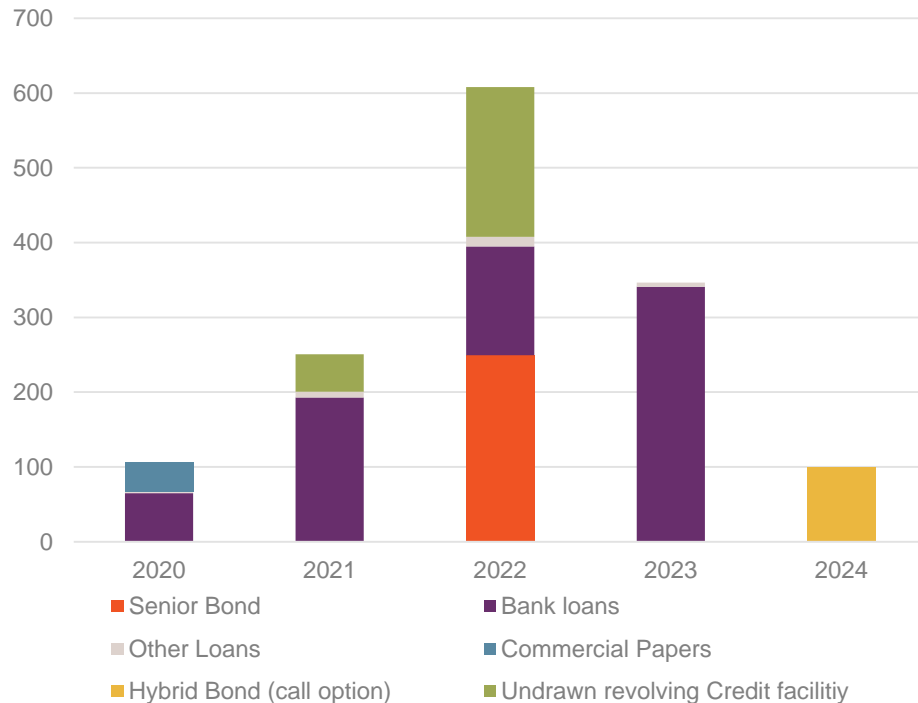


* The implementation of the IFRS 16 standard is excluded from debt covenant calculations



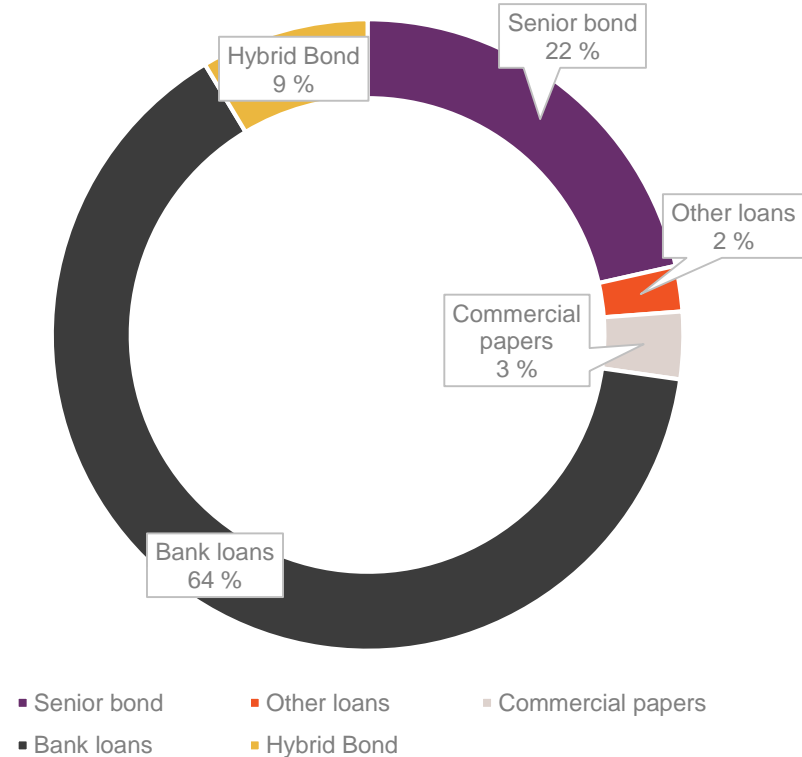
Strong liquidity - Maturity profile and debt structure

Maturity profile as of Sept. 30, 2020



- Cash position EUR 305 million
- Available undrawn committed facilities EUR 261 million

Interest-bearing liabilities including hybrid bond as of Sept. 30, 2020



- Weighted average interest rate 2.6% (excl. hybrid bond and lease liabilities)
- Net interest expense EUR 48 million in 2019, EUR 28 million in Q1-Q3/2020



Income Statement

EUR million, or as indicated	Q3/20	Q3/19	Q1-Q3/20	Q1-Q3/19
Net sales	654.5	711.3	1,994.1	2,214.1
Cost of goods sold	-558.3	-616.6	-1,695.5	-1,925.9
Gross profit	96.2	94.7	298.6	288.6
Sales, R&D and administrative expenses (SG&A)	-54.4	-54.9	-168.4	-177.8
Other operative income and expense	-8.9	-5.4	2.3	-23.2
Operating result	32.9	34.3	132.5	87.2
Comparable operating result	37.5	40.1	118.4	113.5
Net financial items	-11.8	-14.8	-35.7	-38.2
Result before taxes	21.1	19.5	96.8	49.1
Income taxes	-5.6	-7.5	-25.7	-18.2
Net result	15.5	12.0	71.2	30.9
Earnings per share (basic), EUR	0.13	0.10	0.59	0.26
Comparable earnings per share (basic), EUR	0.16	0.14	0.47	0.43

Q3: Gross profit margin improved to 14.7% (13.3) as lower variable costs more than offset lower selling prices.
Q1-Q3: 15.0% (13.0)

Q3: Items affecting comparability
EUR -4.6 million (-5.8)
Q1-Q3: EUR 19.3 million (-26.3)

Q3: Net interest expense decreased to EUR 8.4 million (12.3) on lower interest rates
Q1-Q3: EUR -28.4 million (-36.1)

Q3: Tax rate 27% (39)
Q1-Q3: Tax rate 27% (37)



Balance sheet

EUR million	Sept. 30, 2020	Dec 31, 2019
Total non-current assets	2,185.3	2,360.8
Inventories	379.0	387.6
Trade and other receivables	290.6	278.9
Income tax receivables	10.0	7.7
Cash and cash equivalents	305.3	166.1
Total assets	3,170.1	3,201.2
Total equity	1,167.4	1,232.0
Borrowings, lease and other liabilities	1,115.6	1,052.5
Employee benefit obligations	96.7	97.2
Trade and other payables	599.6	621.7
Deferred and income tax liabilities	157.1	160.6
Provisions	33.7	37.1
Total equity and liabilities	3,170.1	3,201.2

Seasonal decrease in working capital items.

- Equity impacted by EUR 60 million dividend
- Negative translation effect of EUR 66 million
- Equity includes EUR 100 million hybrid bond



Cash flow

EUR million	Q3/20	Q3/19	Q1-Q3/20	Q1-Q3/19
EBITDA	74.4	77.8	264.0	216.1
Changes in net working capital	45.7	75.0	-47.4	63.0
Change in provisions	-1.6	-3.5	-4.6	-2.3
Financial items	-11.4	-11.8	-38.1	-37.8
Income taxes paid	-3.0	-10.7	-15.3	-17.9
Adjustments	0.1	-1.2	-33.9	-2.7
Net cash from operating activities	104.3	125.4	124.6	218.4
Payment for acquisition of businesses and subsidiaries, net of cash acquired	-	-	-	-1.5
Purchases of intangible and tangible assets	-25.5	-50.6	-76.2	-124.8
Proceeds from disposal of shares in Group companies and businesses and associated companies	-0.4	-	41.9	-
Other investing activities	-0.1	0.0	-0.5	-0.2
Net cash from investing activities	-26.1	-50.5	-34.8	-126.5
Free cash flow	78.2	74.8	89.8	91.9
Dividends paid and other	-15.0	-	-30.4	-30.3
Rights issue	-	-	-	-5.7
Repurchase of treasury shares	-	-	-4.0	-
Changes in loans and other financing activities	-13.8	-38.8	91.8	19.0
Net cash from financing activities	-28.9	-38.8	57.4	-17.0
Net change in cash and cash equivalents	49.3	36.1	147.2	74.9

Seasonal reduction in working capital in Q3.

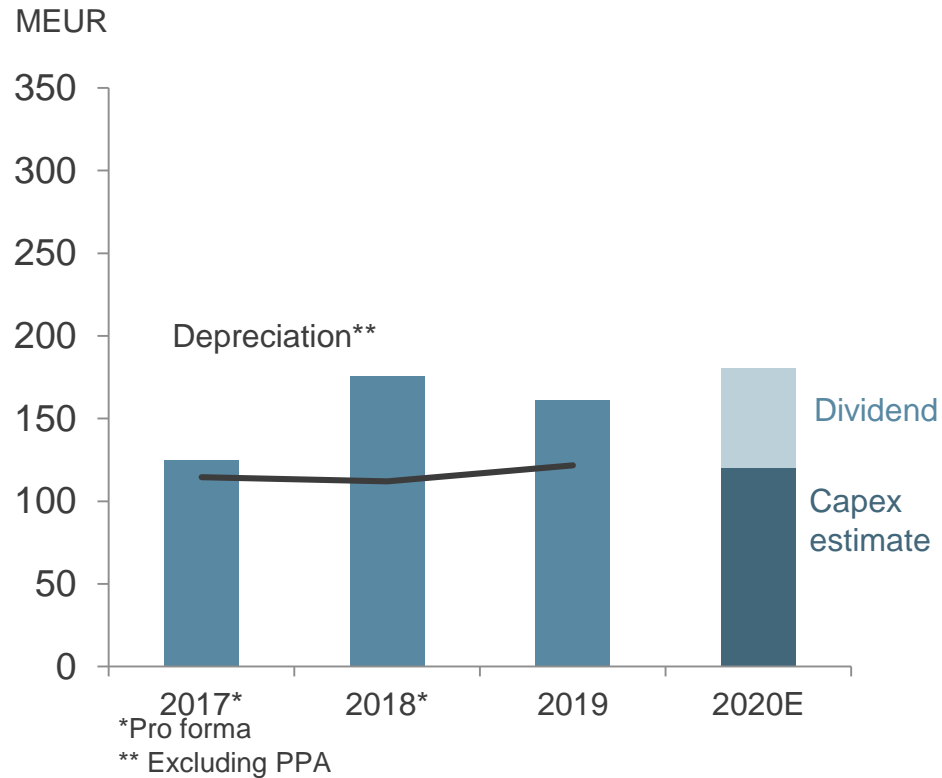
Lower capex as most strategic growth investments are complete.

Dividend paid out four times a year.

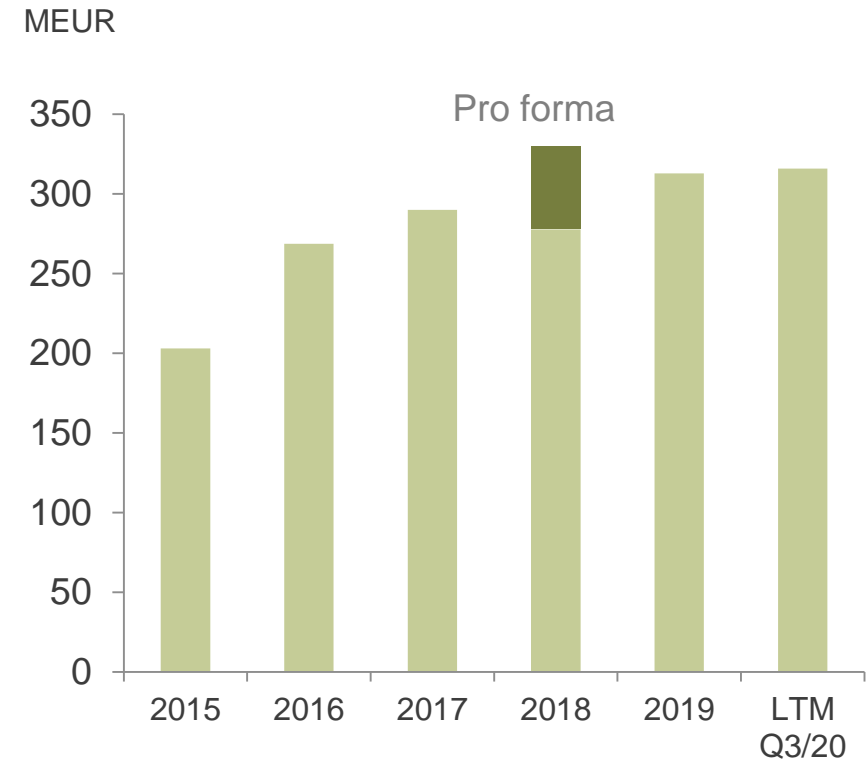


Capital generation and allocation

Capital allocation



Comparable EBITDA**



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

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Outlook 2020

The gradual increase in customer activity translated into a broad-based recovery across the company's businesses during the third quarter of 2020.

The overall demand for Ahlstrom-Munksjö's products is expected to remain at a rather good level in the fourth quarter of 2020, albeit with some variation depending on the end use of the products.

Ahlstrom-Munksjö's comparable EBITDA in 2020 is expected to be in the range of EUR 315-335 million (EUR 313 million in 2019). The latest development in the pandemic has further increased uncertainty.



Conclusions

- Solid comparable EBITDA and increased EBITDA margin in Q3
- Strong recovery in demand for transportation and furniture related products
- Solid cash flow and improved financial position
- Strong progress in customer satisfaction survey results
- Comparable EBITDA in 2020 is expected to be in the range of EUR 315-335 million (EUR 313 million in 2019)

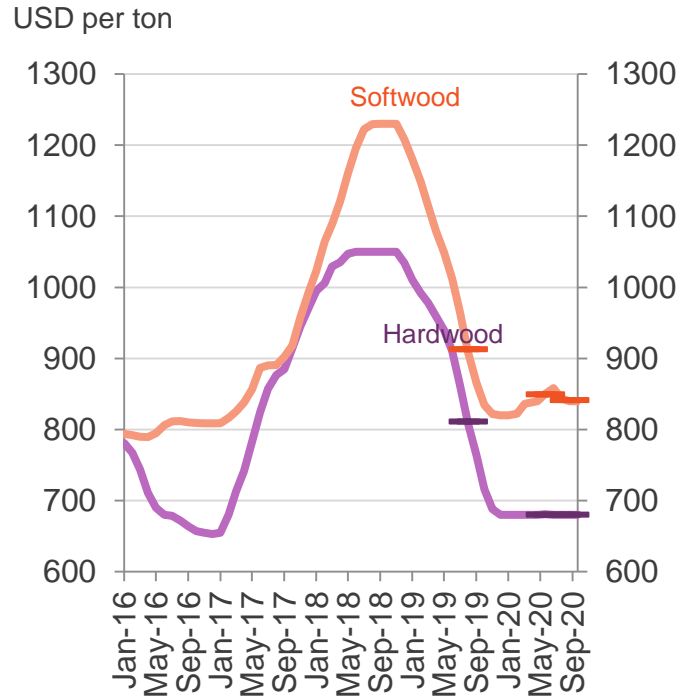


An aerial photograph of a dense forest, likely a coniferous forest, with a road running horizontally through the center. The trees are a mix of dark green and lighter green, suggesting different species or stages of growth. The road is a thin, light-colored line that cuts through the forest canopy.

Smart solutions out of fiber

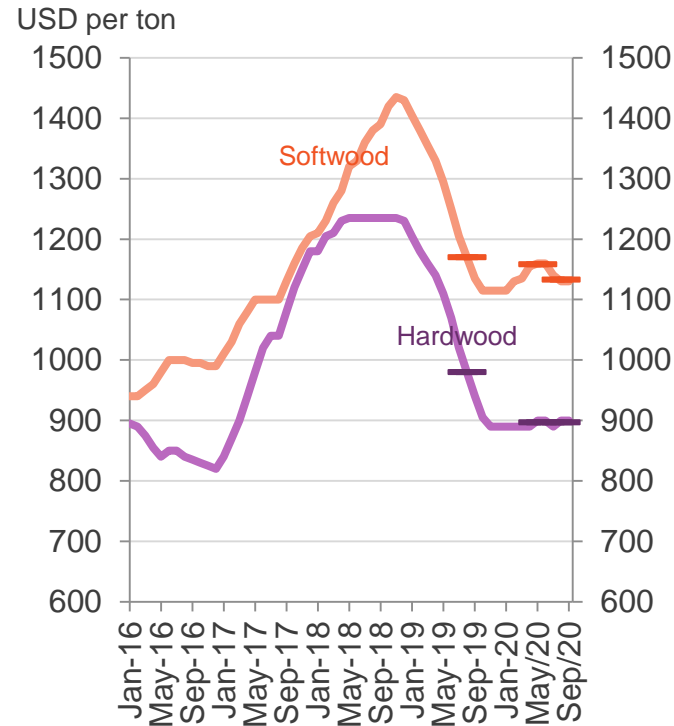
Pulp price development

Europe



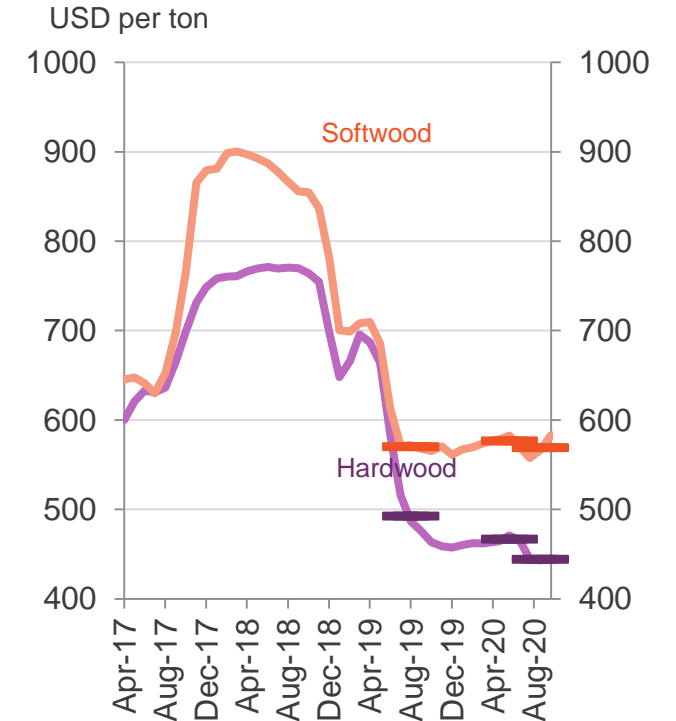
Europe		
Price change, %	Q3/Q3	Q3/Q2
Hardwood	-16	0
Softwood	-8	-1

North America



North America		
Price change, %	Q3/Q3	Q3/Q2
Hardwood	-8	0
Softwood	-3	+2

China

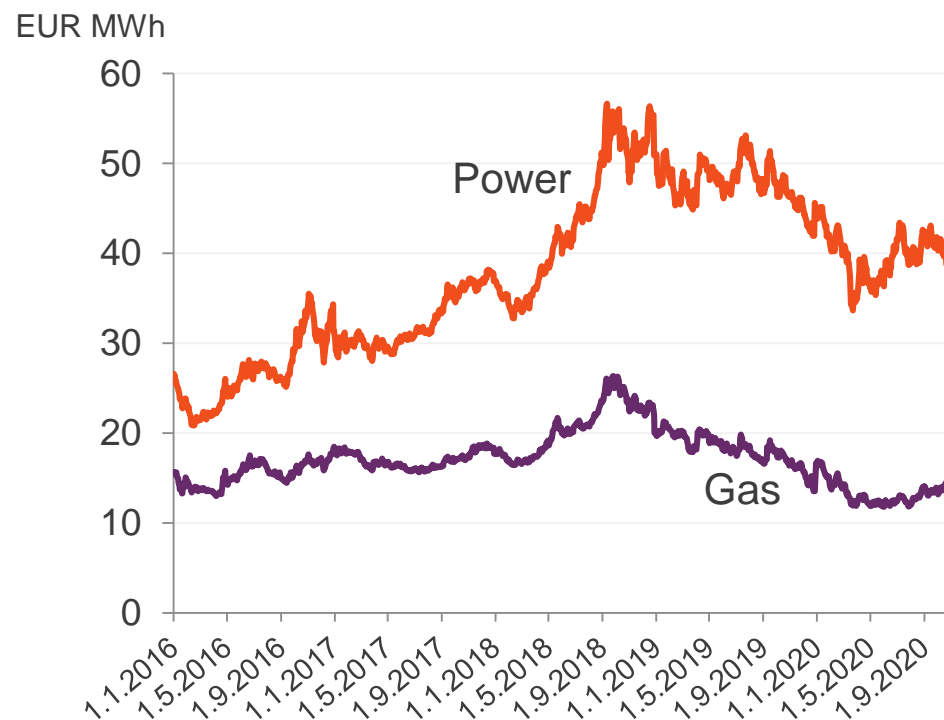


China		
Price change, %	Q3/Q3	Q3/Q2
Hardwood	-10	-5
Softwood	-0	-1



Energy and titanium dioxide

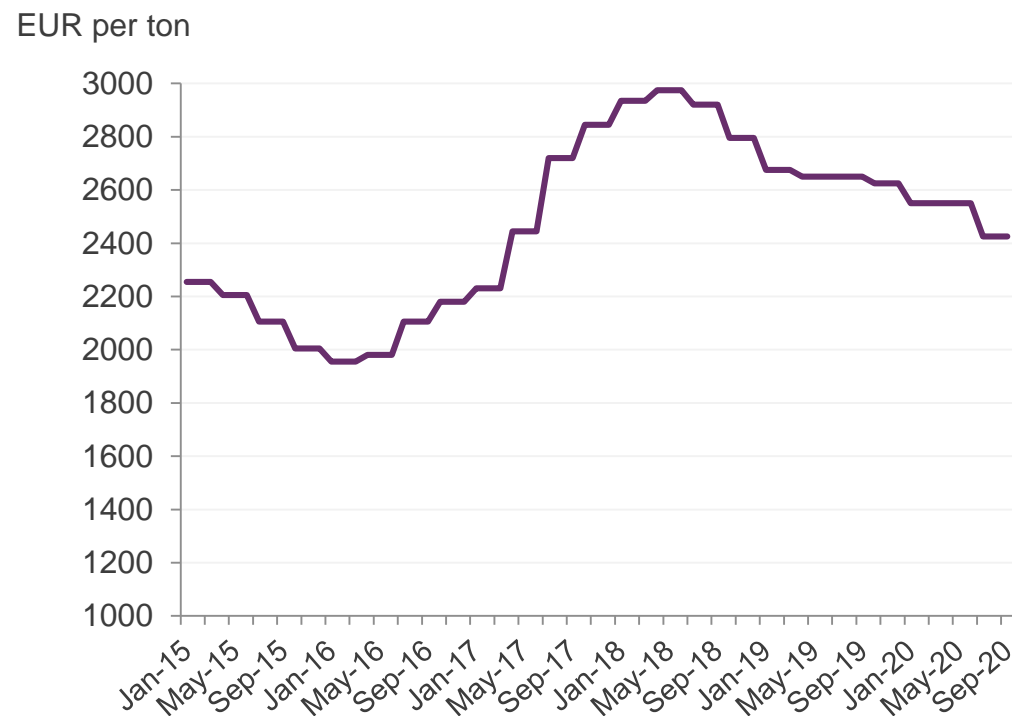
European forward power and gas prices



Change %	Q3/Q3	Q3/Q2
Power	-17	+8
Gas	-27	+6

Source: E&C consultants

Titanium dioxide



Change %	Q3/Q3	Q3/Q2
Tio2	-8	-5

Source: ICIS Europe FD

