

AHLSTROM-MUNKSJÖ OYJ
ANNUAL GENERAL MEETING 2018

JAN ÅSTRÖM
PRESIDENT AND CEO

Imagine fiber

March 21, 2018
Helsinki



AHLSTROM
MUNKSJÖ

Highlights of 2017

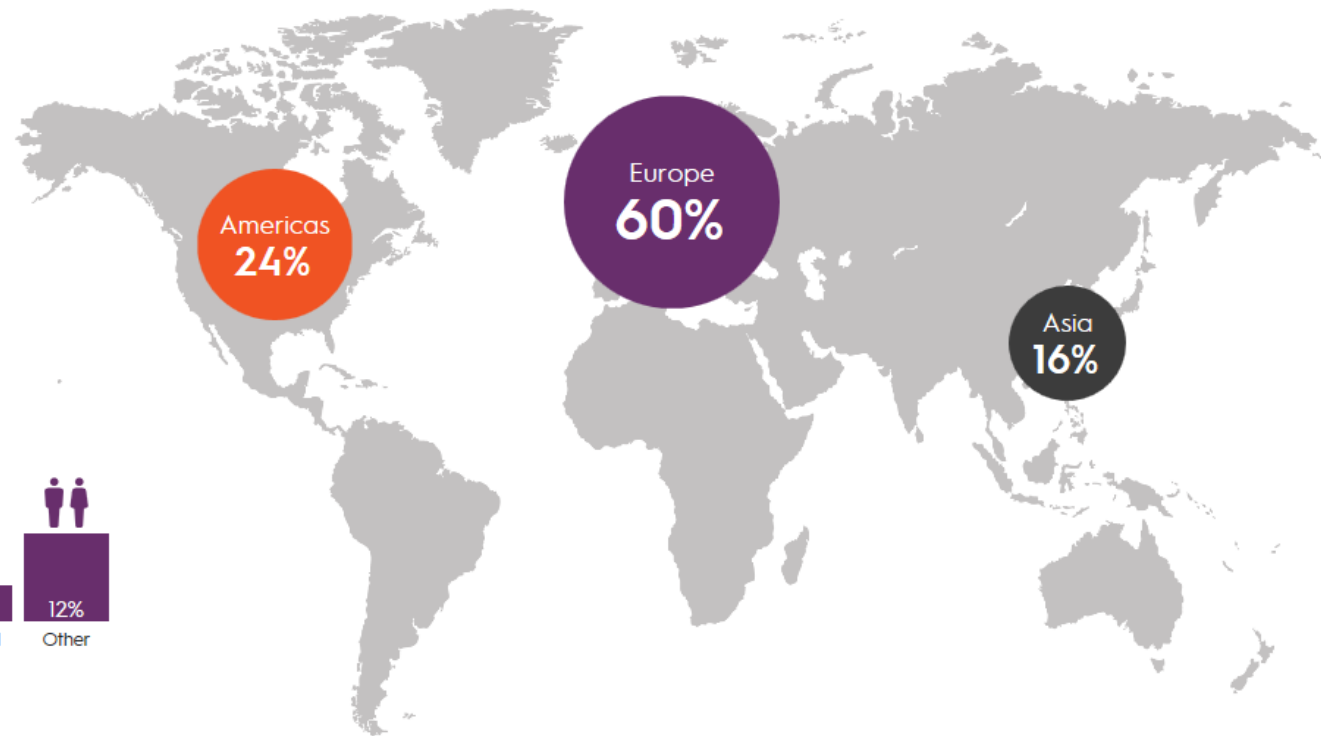
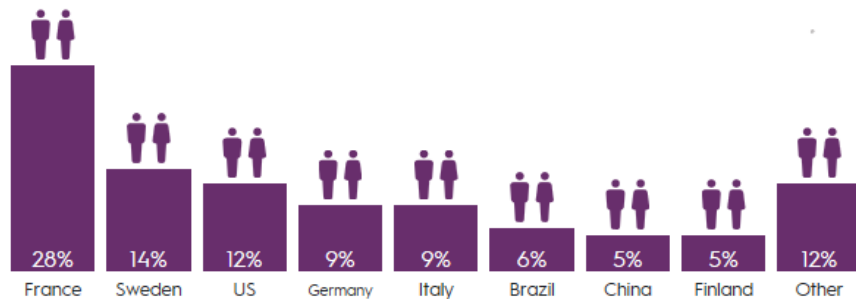
Agenda

- **Merger and integration successfully implemented**
- **Strong financial performance**
- **Good demand across most markets and product segments globally**
- **Sustainability framework established**

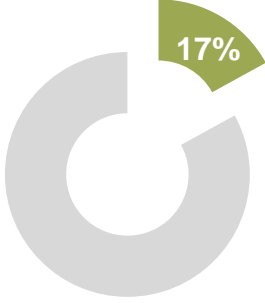

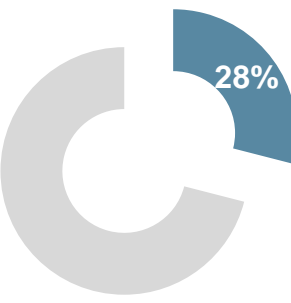



A global leader in fiber-based solutions

- 6,000 employees
- 41 production and converting facilities in 14 countries
- Worldwide network of sales offices
- Pro forma sales EUR 2.2 bn
- Market capitalization EUR 1.6 bn

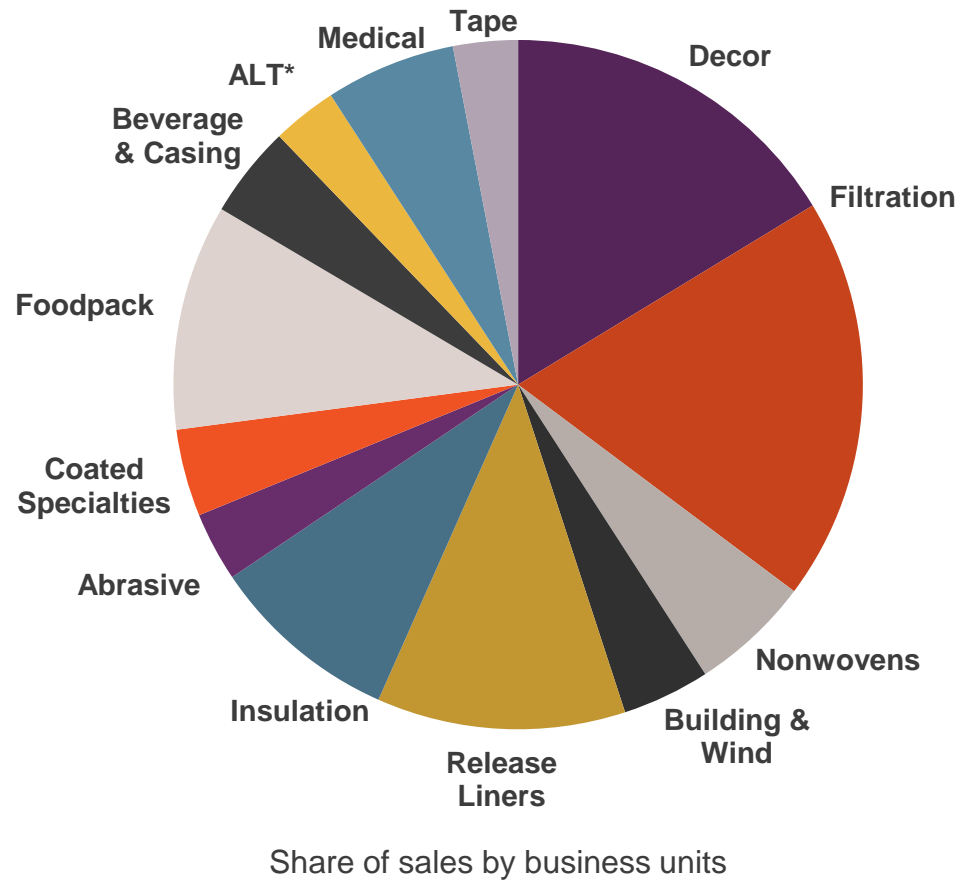


Our business areas and product portfolio

BUSINESS AREA	DECOR	FILTRATION AND PERFORMANCE	INDUSTRIAL SOLUTIONS	SPECIALTIES
SHARE OF NET SALES, %	 <p>17%</p>	 <p>29%</p>	 <p>28%</p>	 <p>26%</p>
PRODUCTS	<ul style="list-style-type: none"> Decor paper Thin print papers 	<ul style="list-style-type: none"> Oil filters Fuel filters Air intake filters Gas turbine filters Industrial filters Glassfiber tissue for flooring and reinforcement for wind mill blades Wallcovers Specialty nonwovens Flushable wipes 	<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



Leading position in many segments



- Ahlstrom-Munksjö is considered leading supplier in nearly all of its customer segments, i.e. in line with its strategy to be #1 or #2 in each segment
- Over 80% of customers have a positive attitude towards Ahlstrom-Munksjö
- Almost 90% of customers are likely to choose Ahlstrom-Munksjö again
- Product quality and service are most important purchasing criteria, fitting well to our positioning as a solution provider
- Ahlstrom-Munksjö's main strengths are personal contact, service and product quality

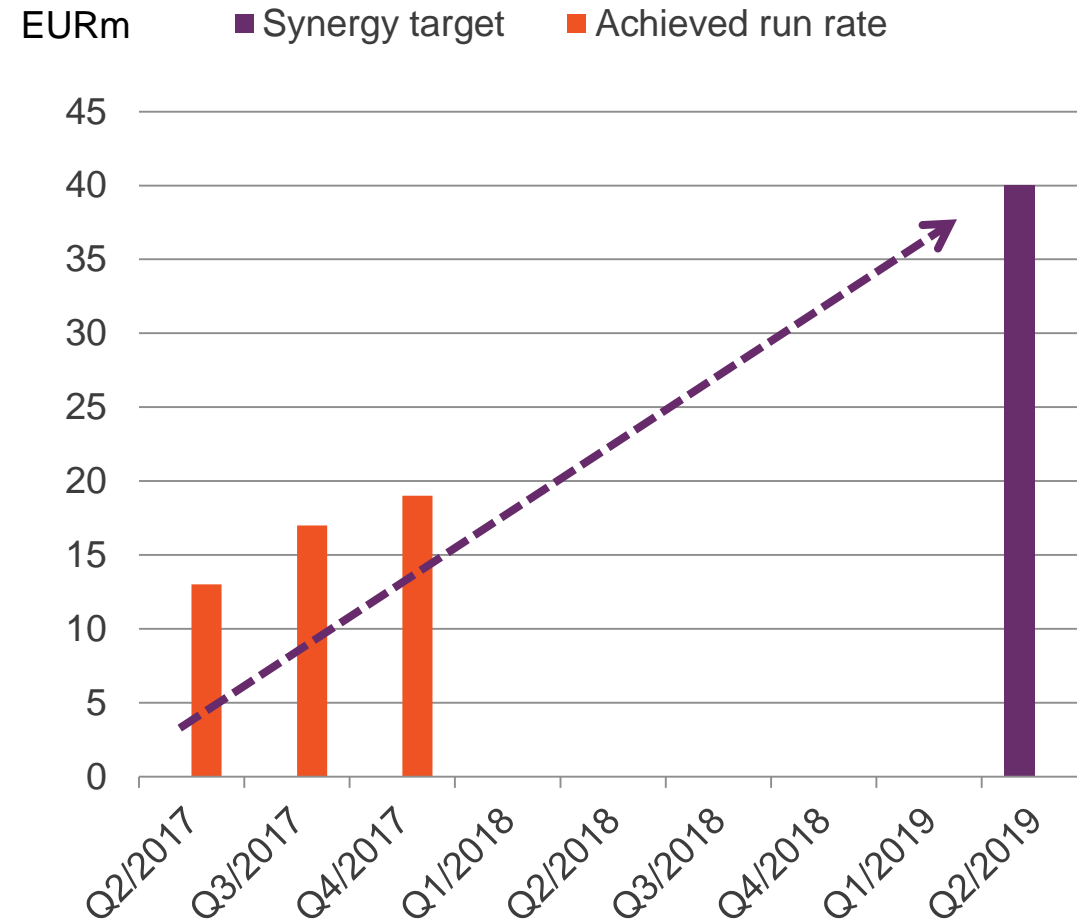
*Advanced Liquid Technologies

Source: Voice of the Customer survey by Opticom



Synergy benefits estimated to be above EUR 40 million

- Annual synergies are estimated to be above EUR 40 million
 - Initial target was EUR 35 million
- Non-recurring costs to achieve the synergy savings are about EUR 30 million, of which EUR 19.1 million have been taken by year end 2017
- Almost all of the 874 integration projects completed
- Annual synergy achievement run rate EUR 19.3 million at the end of 2017
 - Majority from SG&A costs
- Work continue to achieve remaining benefits by Q2/2019
 - Sourcing and fixed 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



Key figures* 2017 vs 2016

• Net sales EUR 2,233 million (2,148)	+4.6**%	• Comparable return on operating capital (12.3)	13.2%
• Comparable EBITDA EUR 290.4 million (EUR 268.7m)	+21.7m	• Net debt EUR 375.3 million (432.4 April 1, 2017)	-57.1m
• Comparable EBITDA margin 13.0% (12.5)	+0.5pp	• Gearing 36.2% (40.7 April 1, 2017)	-5pp
• EPS EUR 0.91 (0.51)	+0.40euro	• Dividend proposal EUR 0.52 (EUR 0.47 ***)	+0.05euro

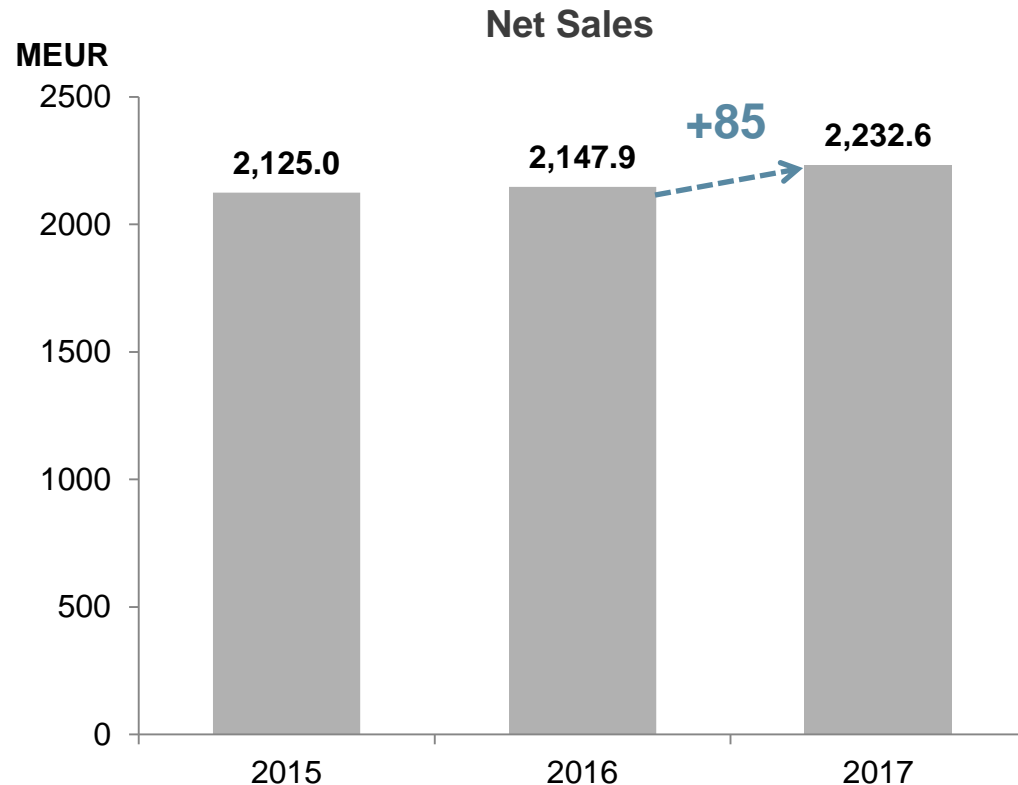
* Pro forma except for net debt, gearing, comparable return on operating capital and dividend

** At constant currency rates

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



Net sales increased



Figures are pro forma

Strong growth

- In most segments such as Filtration, Decor, Release Liners, Coated Specialties, and Tape
- Price increases implemented to compensate for higher raw material costs
- Headwind from weaker USD

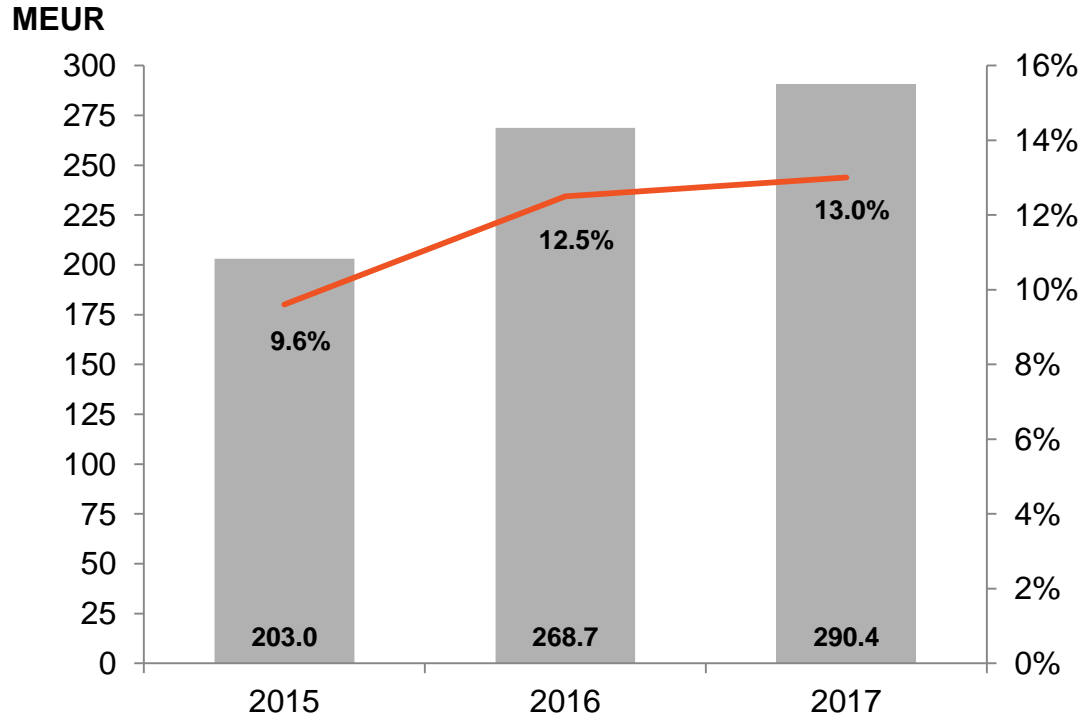


Comparable net sales rose by 4.6% in constant currency rates to EUR 2,232.6 million



Profitability improved

Comparable EBITDA and margin



Target: EBITDA margin above 14% over a business cycle

EBITDA margin maintained at a good level

Strong volumes and lower fixed costs

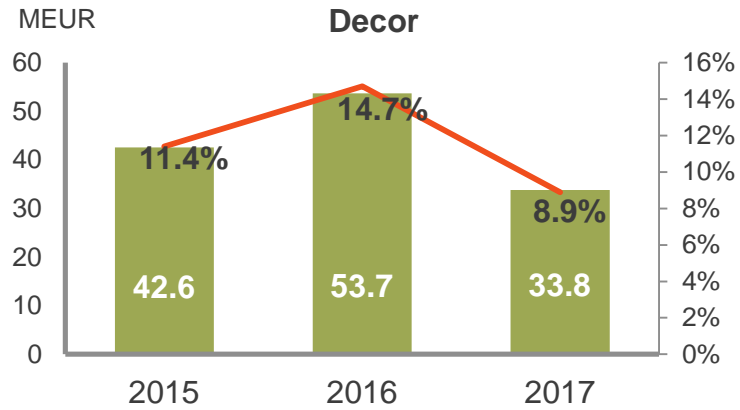
- Headwind from raw material costs
 - Mainly related to pulp and titanium dioxide
- Price increases implemented to compensate for higher raw material costs

➔ Comparable EBITDA improved by EUR 22 million to EUR 290.4 million, resulting in a margin of 13.0%

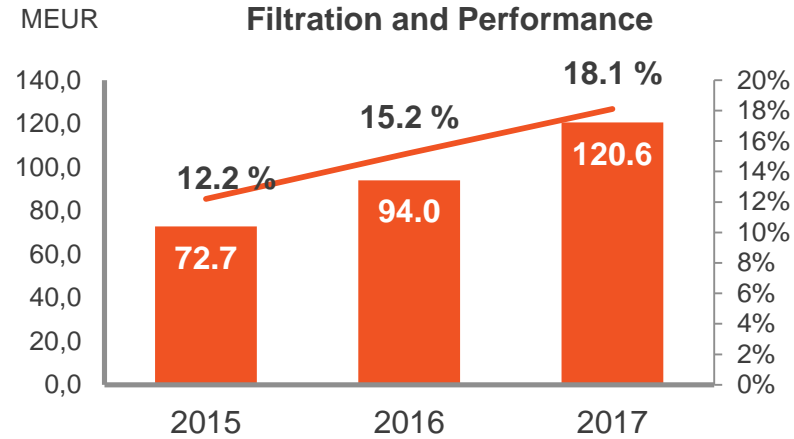
Figures are pro forma



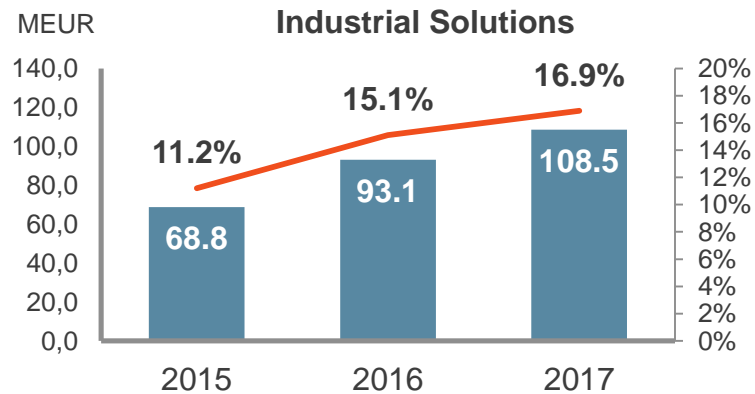
Business area profitability development



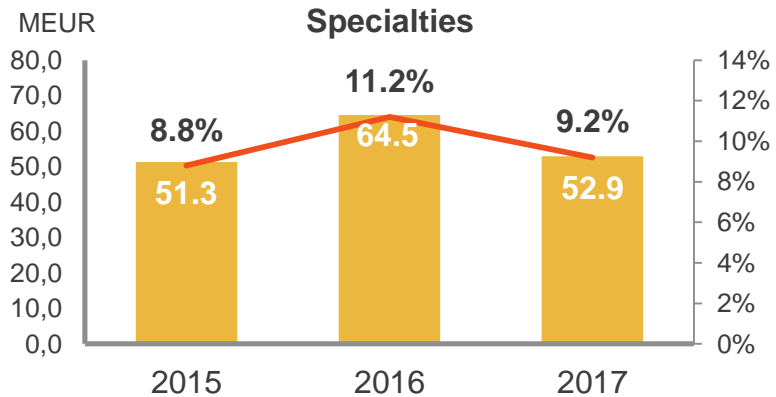
Profitability impacted by significant increase in raw material costs



Profitability improved due to higher sales volumes and improved operational efficiency



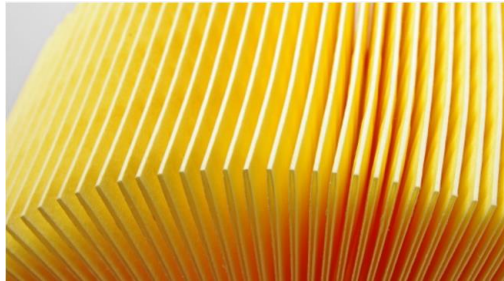
Profitability improved due to higher sales volumes and prices, and a more favorable mix



Profitability was negatively impacted by lower sales prices and higher raw material costs, more than offsetting the positive impact of higher volumes and lower fixed costs



Good demand in most geographies and product segments



Filtration



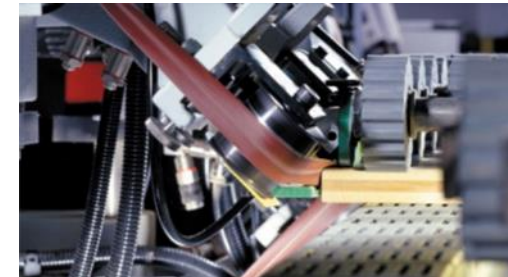
Decor papers



Release liners



Tape



Abrasive backings



Food packaging - vegetable parchment



Our sustainability priorities



People

- Human rights
- Community engagement
- Employee well being

Planet

- Supply chain
- Energy, water, and waste
- Carbon dioxide

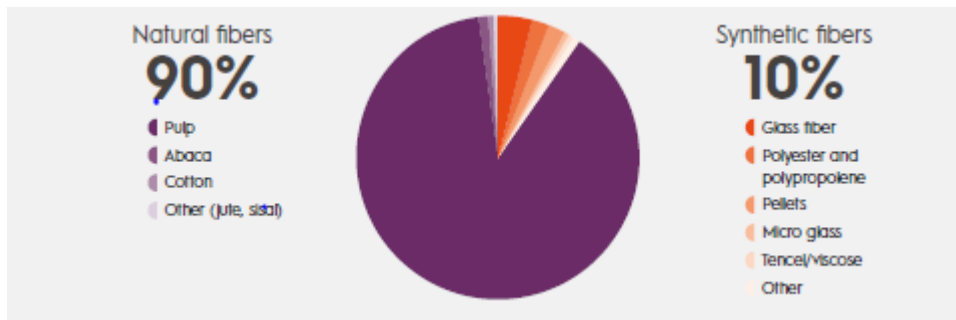
Prosperity

- Profitability
- Innovation
- Business ethics



We advance the capabilities of fibers...

We source the right quality and mix of high performance materials - mainly natural fibers (biodegradable/compostable), and also synthetic fibers when so is required for a sustainable product performance



Adding further value

- We run efficient production based on specialized equipment and deep know-how
- We provide our customers with tailored services and support
- We collect and build on in-depth customer insight
- We tailor products to individual customer needs and sustainability demands, innovating and advancing the capabilities of what fiber-based materials can do



...and turn them into sustainable solutions

Formaldehyde free decor paper



Filters for a sustainable function



Compostable release liner



Insulation paper for improved energy efficiency



Biodegradable teabags



Outlook for 2018*

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. Selling price increases will continue to be implemented to mitigate cost inflation in raw materials.

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.

Capital Expenditure

The cash flow effect of current capital expenditure of fixed assets as well as strategic investments is expected to be higher than in 2017 (EUR 89.7 million). The strategic growth and profitability enhancement investments include the previously announced projects at Arches, Madisonville and Saint Severin sites.

(*Published on February 13, 2018)



Summary

- Merger and integration successfully implemented, creating a global leader in fiber-based solutions
- Strong financial performance in 2017, record high EBITDA margin of 13%
- Annual synergies are estimated to be above EUR 40 million, well above initial target of EUR 35 million
- A new sustainability framework was established
- Performance during the first year as Ahlstrom-Munksjö clearly underlines the strategic rationale behind the combination





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