

# Ahlstrom-Munksjö

## Q2/2020 Results

Hans Sohlström, President and CEO  
Sakari Ahdekivi, Deputy CEO and CFO

July 28, 2020



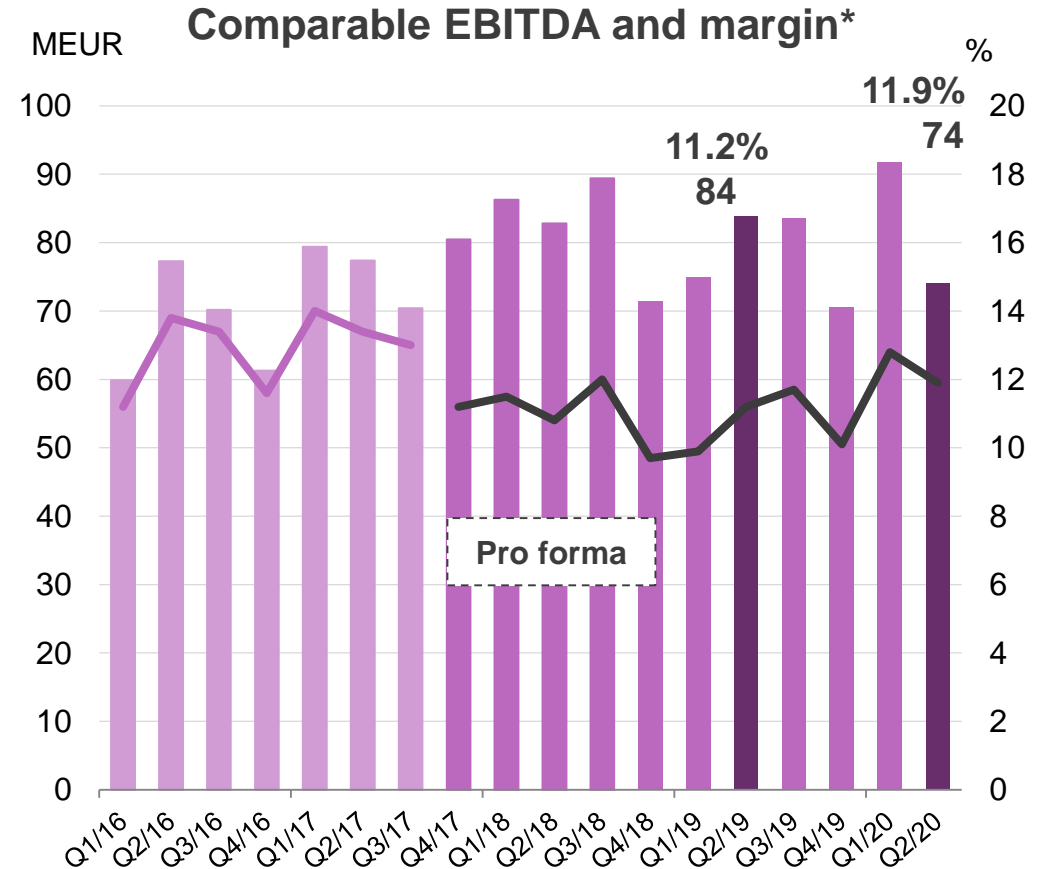
# Agenda

- **Business review**
- **Financials**
- **Covid-19 response**



# Solid result under exceptional circumstances

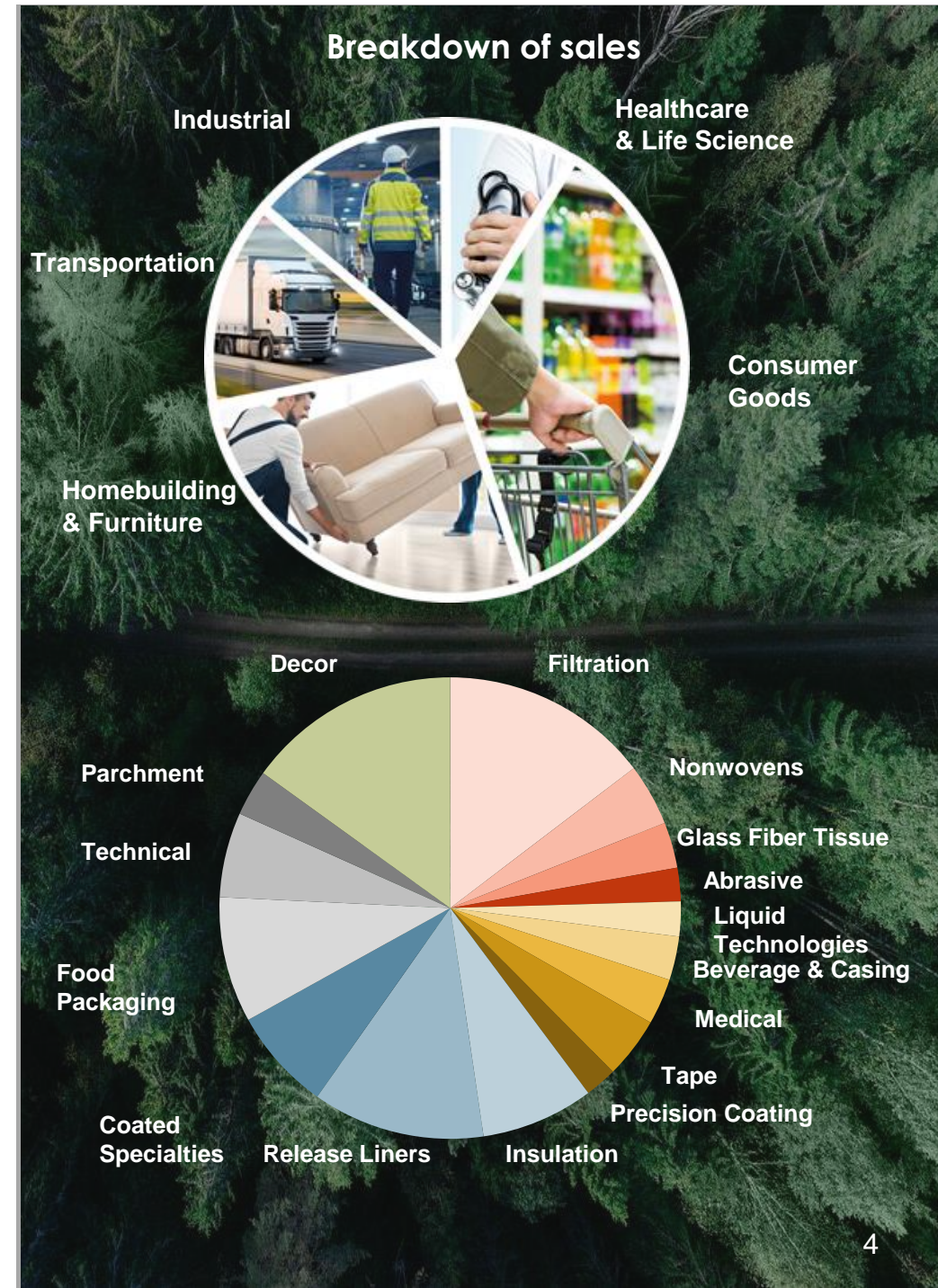
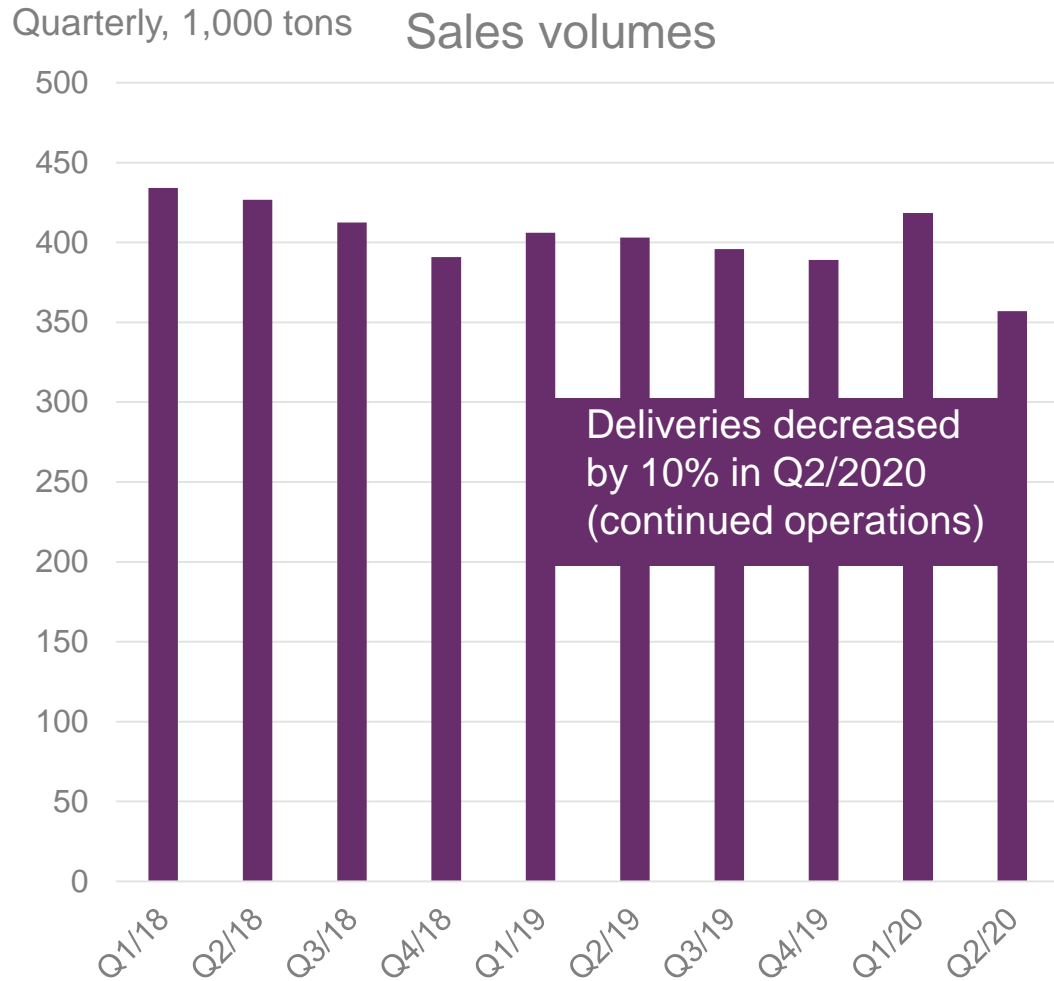
- Solid comparable EBITDA and increased margin despite the decline in delivery volumes
- Swift response and cost reduction actions cushioned the impact
- Customer activity varied within Ahlstrom-Munksjö's broad geographical reach and product range as a result of the pandemic
- Ramp-up of global face mask materials manufacturing production capabilities
- Entering the electric vehicle battery market with a range of fiber-based solutions
- Improved financial flexibility and good liquidity with no major refinancing needs
- Sustainability work awarded with fourth consecutive EcoVadis Gold rating



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

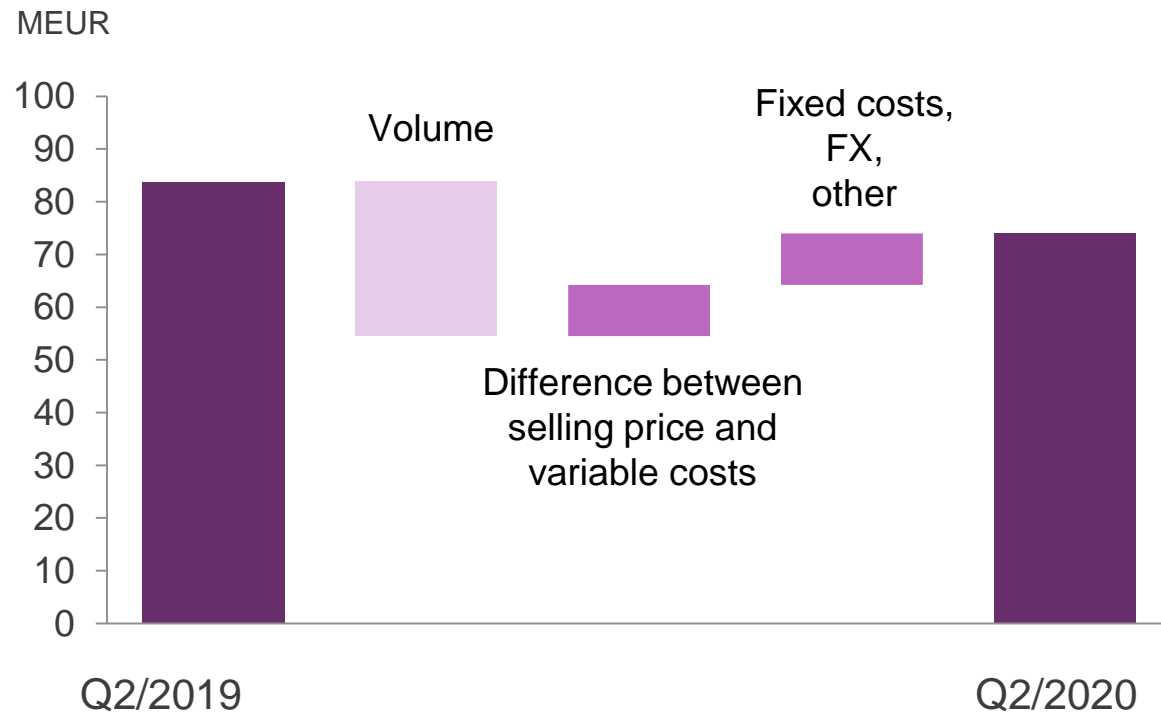


# Volumes decreased in Q2/2020



# Cost reduction measures mitigated the financial impact

Comparable EBITDA  
Q2/2020 vs Q2/2019



## EBITDA impacted by:

- Decrease in delivery volumes
- Lower variable costs
  - Lower raw material prices
  - Costs savings measures
- Lower selling prices
- Fixed costs reduction measures



# 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



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



Partnership with BUFF®, a producer of lifestyle accessories, to supply replaceable filter media for face masks



TrustShield™, single-use fabrics for ultimate protection



LamiBak™ - a release base paper certified for food contact



TEX-STYLE™ - an extra resistant composite abrasive backing



Optilam™ - a release material to optimize RFID inlay lamination



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



GenReleaz™ 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



# Broad offering in face masks to support different purposes



## Civil Face Mask Material

- Civil face masks to protect people in the street, shops and on transportation against projections of saliva
- Higher protection compared to use of textile
- Our solutions for civil face mask include filtration layers, face mask laces and coverstock material
- On-going process to establish a European wide standard for civil masks



## Surgical Face Mask Material

- Surgical face masks to protect health care workers and patients during surgery and nursing
- Protection against fluids and infectious droplets transmission
- Our solutions for surgical face mask include filtration layers and coverstock material
- Compliant with international standards

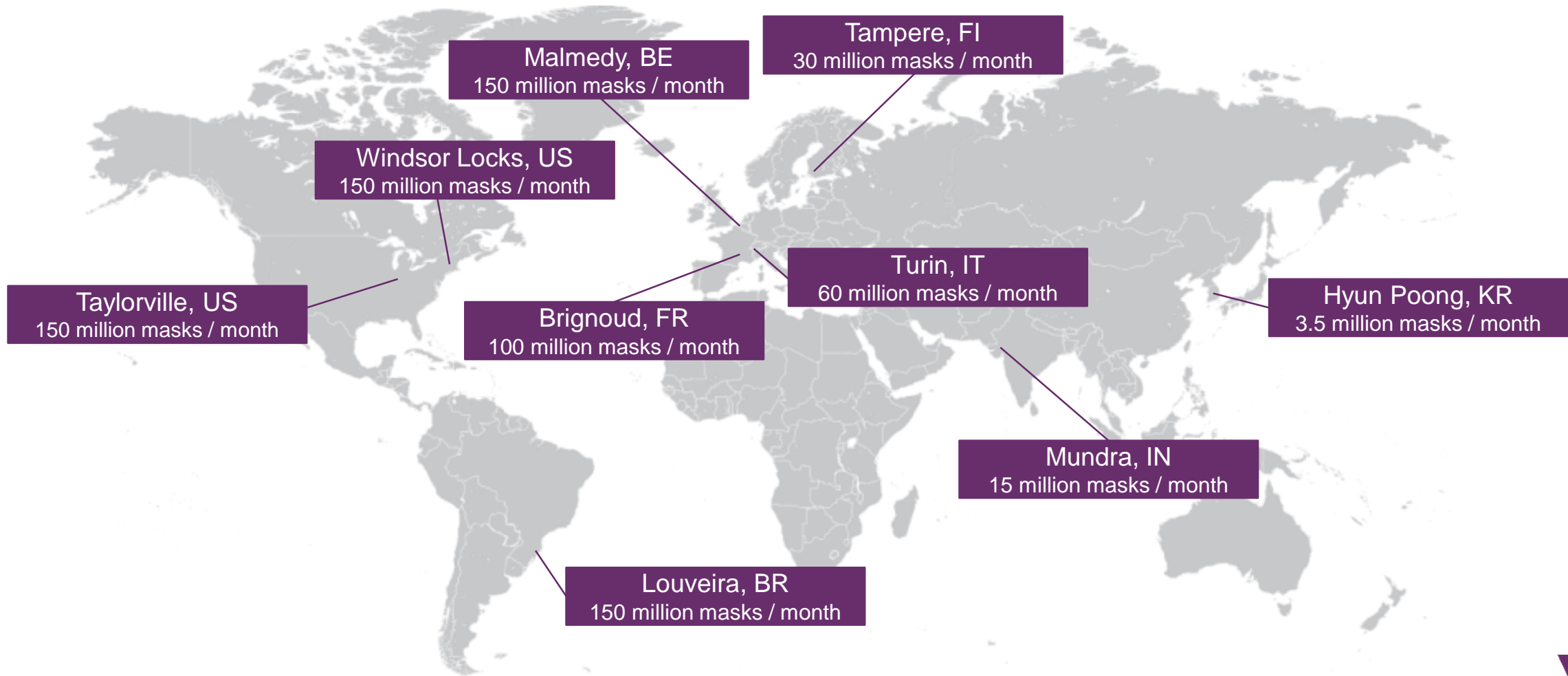


## Respiratory Face Mask Material

- Respiratory mask offers the highest protection for the wearer in the workplace
- Protection against airborne infectious agents, dust, smoke and mist as well as vapors or gases that are health hazards
- Our solutions for respiratory masks include filtration layer, reinforcement layer and coverstock
- Compliant with international standards



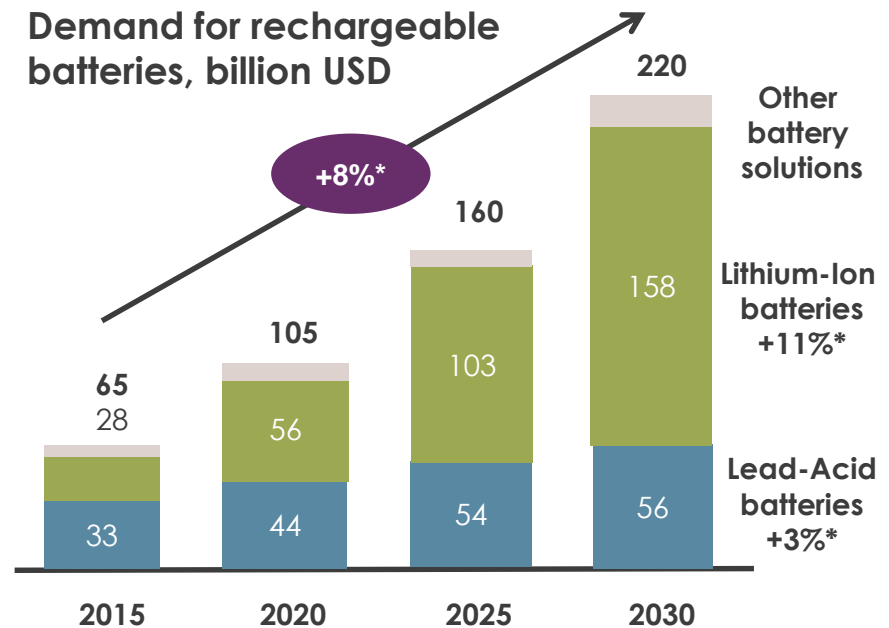
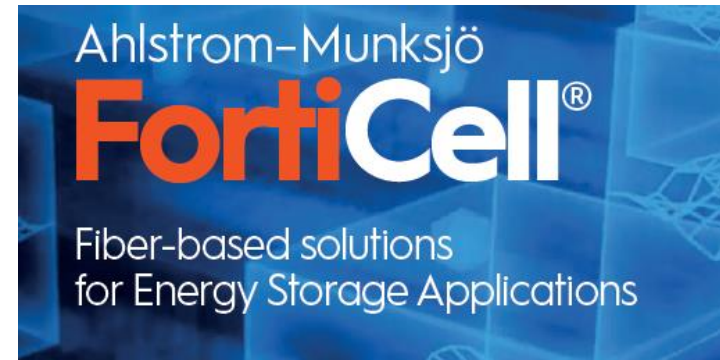
# Expanded manufacturing capability of face masks materials to support the healthcare industry globally



















# Entering the energy storage market

- 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
- Launch of Ahlstrom-Munksjö FortiCell® – a platform of fiber-based energy storage solutions
  - Product launches will start in Q3/2020






# Completed investments driving strategic progress

## Production ramp-up ongoing




|   |                | Efficiency and agility | Customer value | Profitable growth |   |   |
|---|----------------|------------------------|----------------|-------------------|---|---|
| <b>Abrasive backings, Arches</b><br>Paper machine rebuild, Q1/18- | <b>EUR 14m</b> | ✓                      | ✓              | ✓                 |    |  Back of sandpaper               |
| <b>Filtration, Turin</b><br>Capacity debottlenecking, H1/18-      | <b>EUR 3m</b>  |                        |                | ✓                 |    |  Filtration material             |
| <b>Filtration, Madisonville</b><br>Product offering, H2/18-       | <b>EUR 23m</b> | ✓                      | ✓              | ✓                 |    |  Filtration material             |
| <b>Foodpack, Saint Severin</b><br>New line installation, Q3/18-   | <b>EUR 7m</b>  |                        | ✓              | ✓                 |    |  Baking paper                    |
| <b>NASS</b><br>Coater expansion, Q3/17-                           | <b>EUR 13m</b> |                        | ✓              | ✓                 |   |  Fiber composite release liners |
| <b>Decor, Dettingen</b><br>Production line upgrade, Q1/19         | <b>EUR 5m</b>  |                        | ✓              | ✓                 |  |  Pre-impregnated decor paper   |
| <b>Insulation, Aspa</b><br>Bailing line modernization, Q2/19-     | <b>EUR 4m</b>  | ✓                      | ✓              |                   |  |  Specialty pulp                |

# Completed and announced investments driving strategic progress

## Production ramp-up ongoing

|   |         | Efficiency and agility | Customer value | Profitable growth |   |  |
|---|---------|------------------------|----------------|-------------------|---|--|
| <b>Coated Specialties, Jacarei</b><br>Coating line upgrade, Q3/19-      | EUR 21m | ✓                      | ✓              | ✓                 | ▶ |  Coated specialty paper |
| <b>Insulation, Billingsfors</b><br>Boiler and pulp line rebuild, Q3/19- | EUR 23m | ✓                      |                | ✓                 | ▶ |  Electrotechnical paper |
| <b>Medical, Pont Audemer</b><br>Converting line rebuild, Q4/19-         | EUR 4m  | ✓                      | ✓              |                   | ▶ |  Sterilization wrap     |

## Announced investment decisions

|  |         |   |   |   |   |  |
|--|---------|---|---|---|---|--|
| <b>Filtration, Release Liner</b><br>New co-generation in Turin plant, H2/20- | EUR 15m | ✓ |   |   | ▶ |  Turin plant                        |
| <b>Filtration, Turin, Malmedy, Stålldalen</b><br>Capacity expansion, H2/21-  | EUR 28m | ✓ |   | ✓ | ▶ |  Industrial filter material       |
| <b>Beverage &amp; Casing, Chirside</b><br>New production line, Q1/21         | EUR 28m | ✓ | ✓ | ✓ | ▶ |  Coffee, tea, and casing material |



# Expansion of industrial filtration and energy storage applications

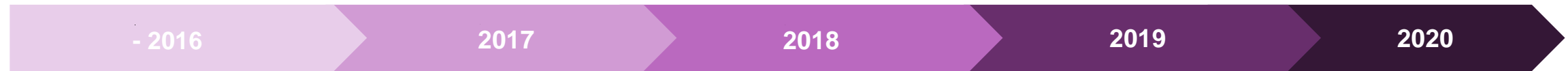
- EUR 28 million investment to strengthen manufacturing platform of materials for high performance filtration and energy storage applications
- Includes three steps:
  - Micro-glass based filter media production capacity expansion at the Fabriano plant, Italy. Ramp-up at the beginning of 2021.
  - Industrial filtration production capacity expansion at the Malmedy plant, Belgium. Completion at mid-2021.
  - New line in Turin, Italy, designed for micro-glass based media for industrial and automotive filtration as well as energy storage applications, such as absorbed glass matt for battery separators. The installation to be completed by the end of 2021.



# Our strategic transformation continues

Strategic alternatives for Decor, plan to acquire Chinese decor paper producer Minglian  
 Divestments of fine art paper and glass reinforcement businesses  
 Acquisition of filter converting business

Expera and Caieiras acquisitions and integration



Ahlstrom and Munksjö separately focused on profitability improvement and deleveraging

Creating a growth platform through the merger of Ahlstrom & Munksjö

Strategic growth investments

|                   | Munksjö 2015 | Ahlstrom 2015 | Expera 2017 | Caieiras 2017 | Ahlstrom-Munksjö 2019 |
|-------------------|--------------|---------------|-------------|---------------|-----------------------|
| Net sales         | EUR 1.1bn    | EUR 1.1bn     | EUR 616m    | EUR 76m       | EUR 2.9bn             |
| Comparable EBITDA | EUR 94m      | EUR 105m      | EUR 61m     | EUR 12m       | EUR 313m              |
| Employees         | 2,900        | 3,300         | 1,870       | 350           | 8,100                 |

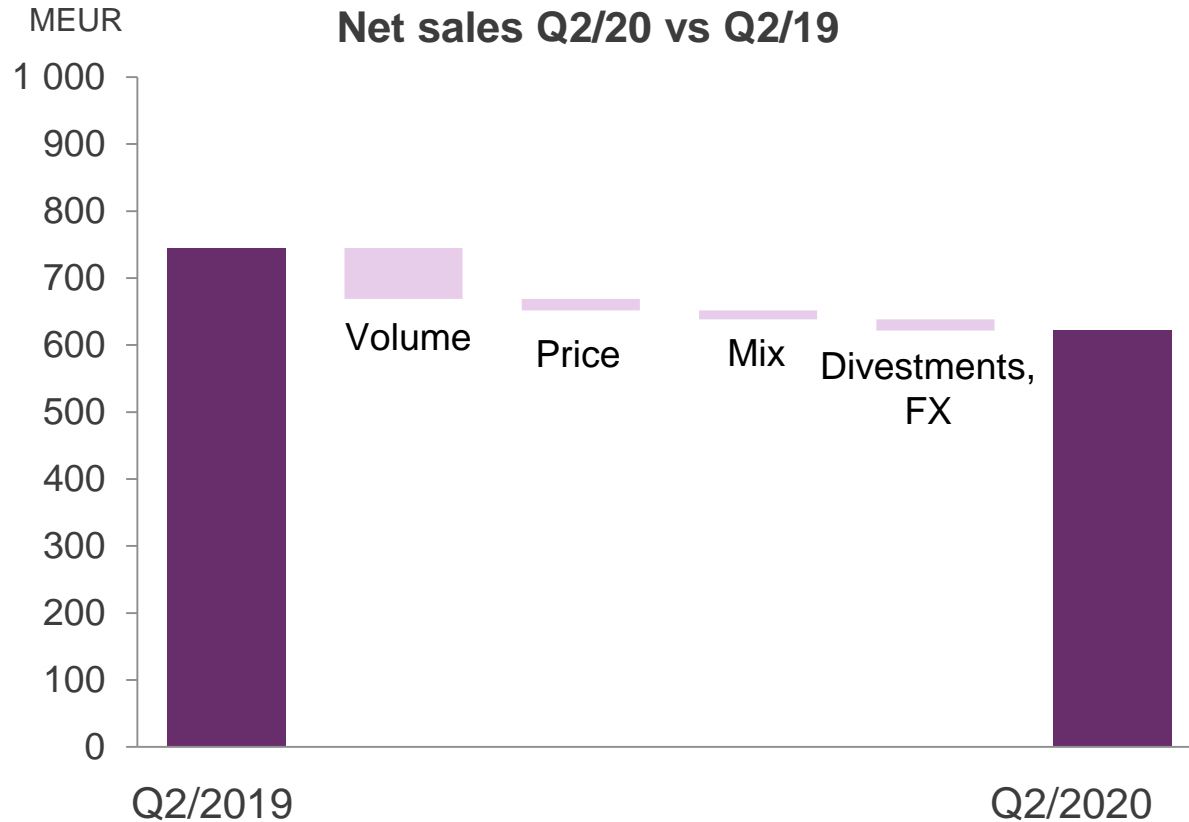


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# Net sales mainly impacted by lower delivery volumes

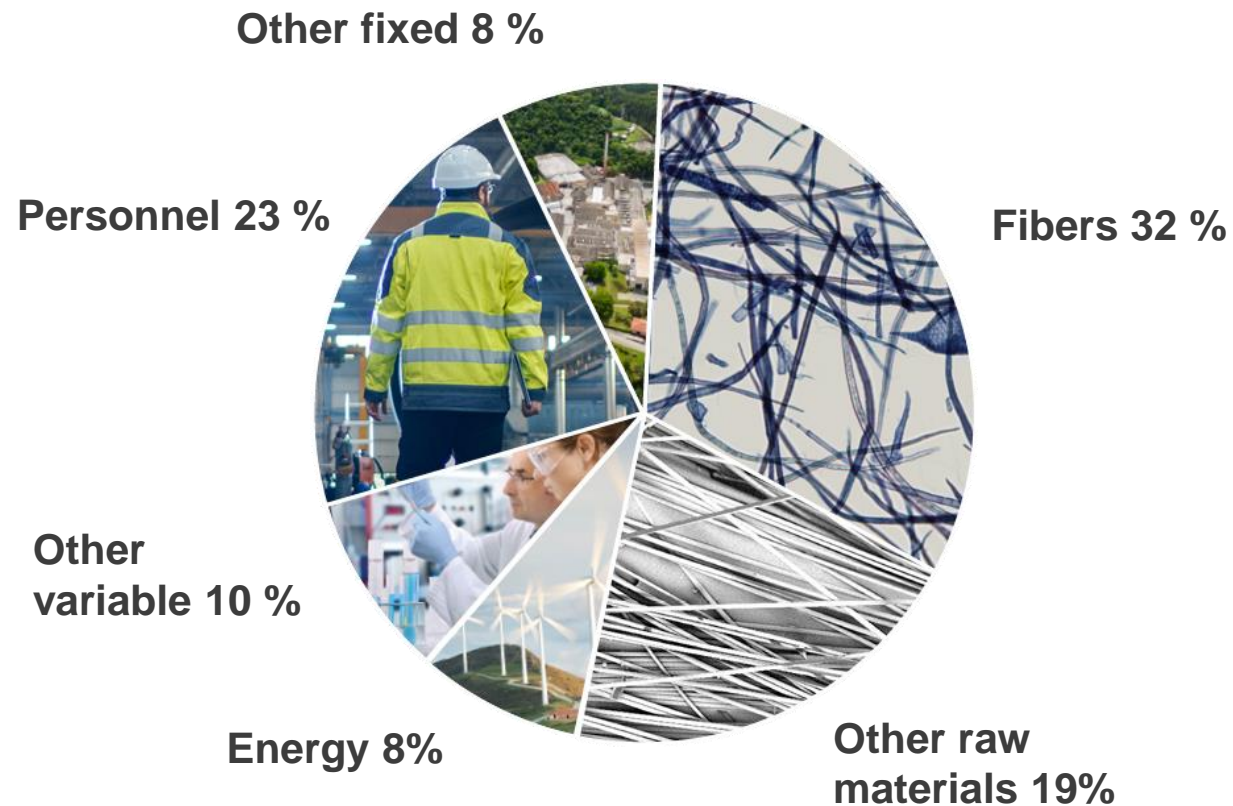


## Net sales impacted by:

- Deliveries (cont. ops.) -10%
- Selling prices - 2%
- Product mix - 2%
- Divestments, FX - 2%



# Lower costs mitigated negative impact of lower deliveries in Q2/2020



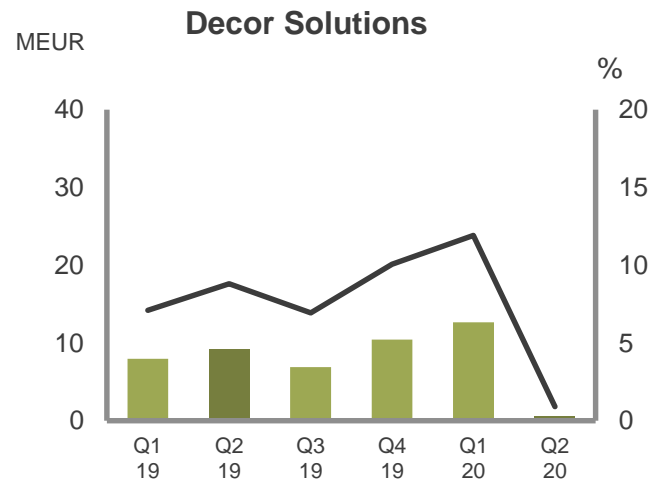
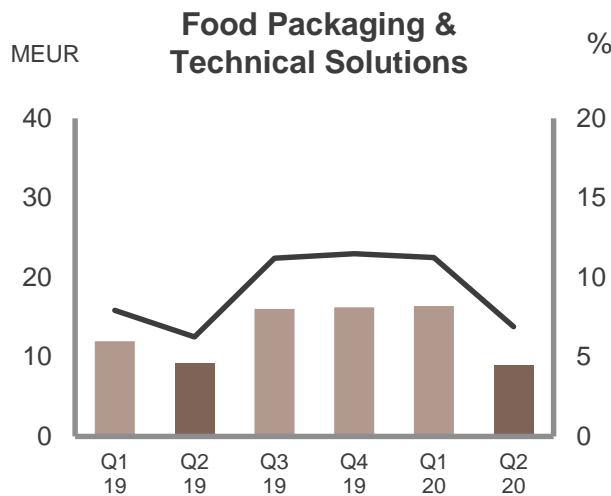
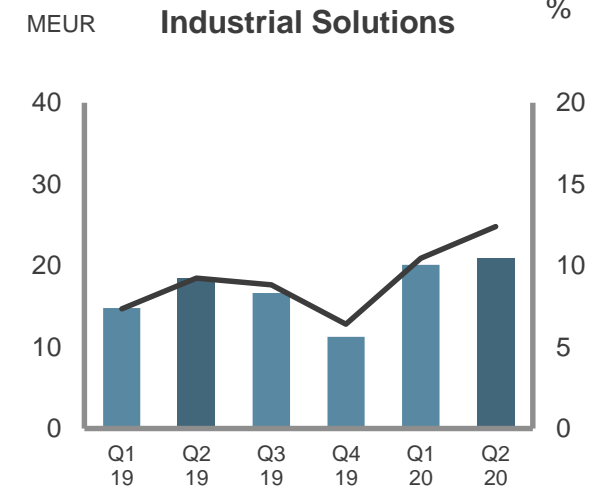
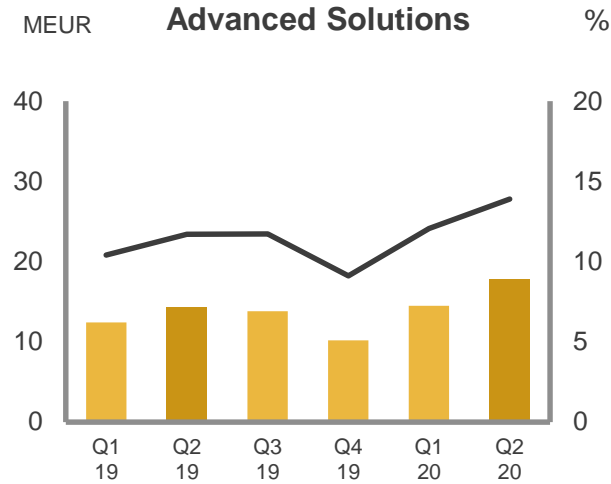
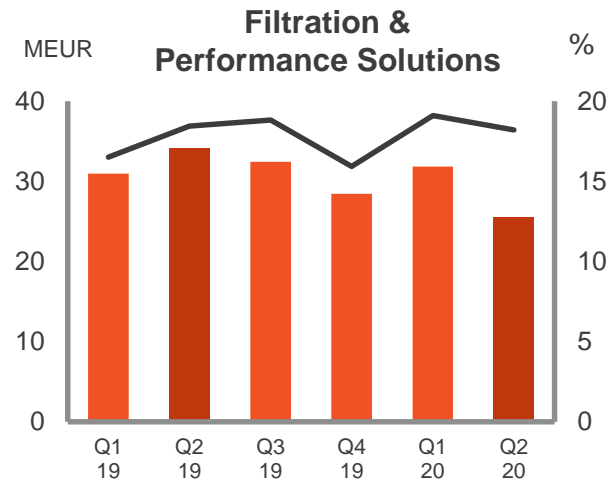
## Lower costs in Q2/20 compared to Q2/19

- Lower raw material prices
- Lower energy prices
- Variable cost savings in procurement and from continuous improvement actions
- Successful reduction of fixed costs in Q2

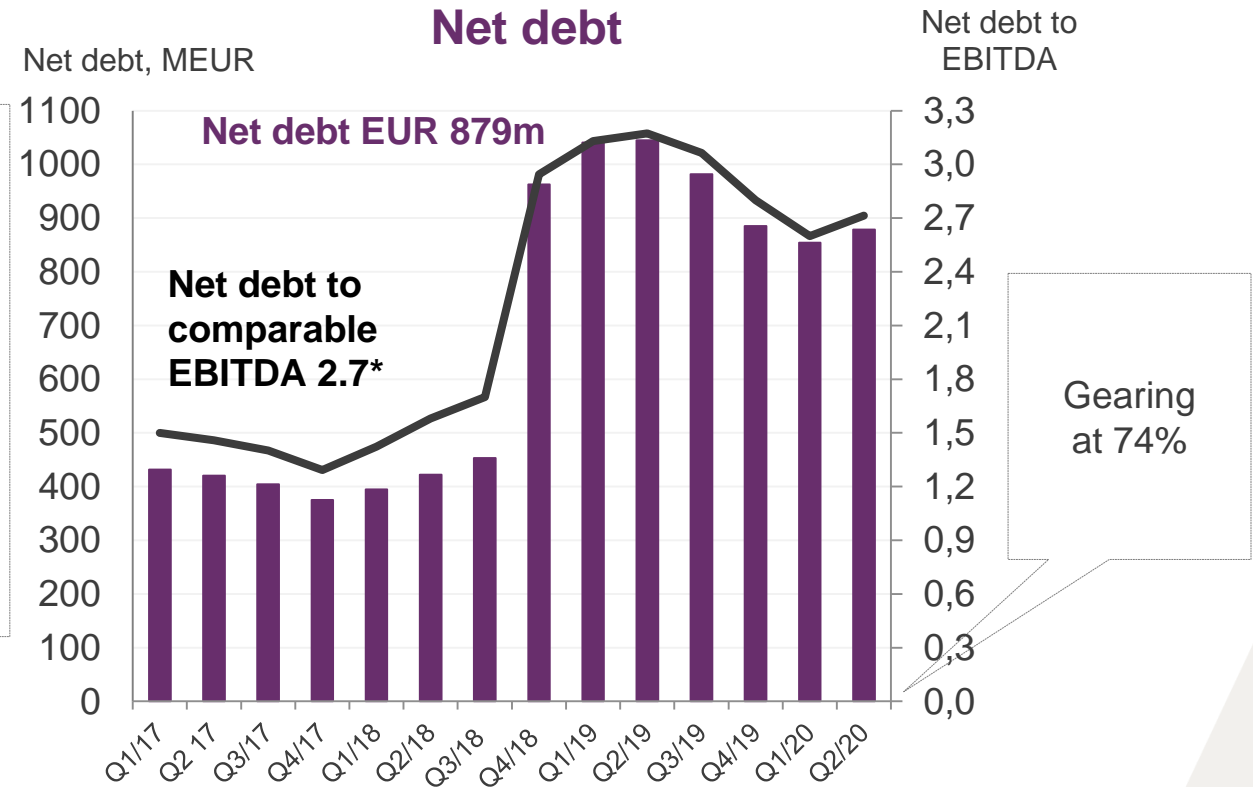
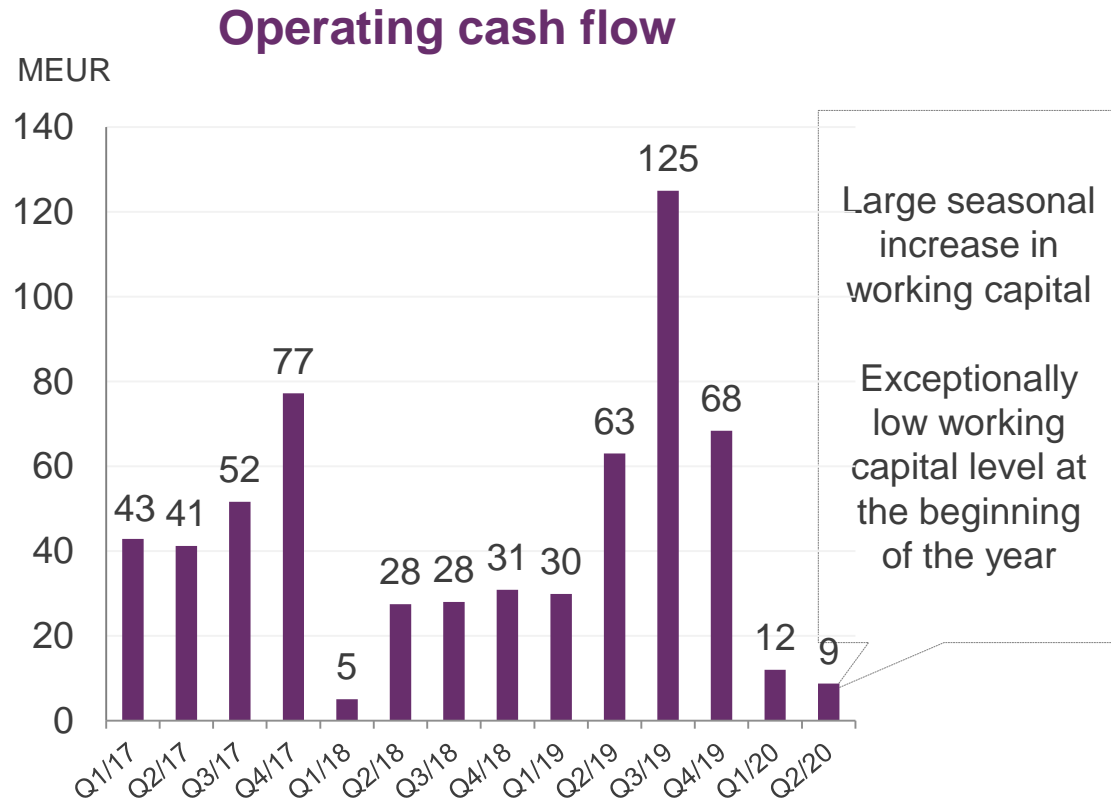




# Comparable EBITDA margin improved or remained stable in four business areas



# Larger seasonal increase in working capital, stable net debt



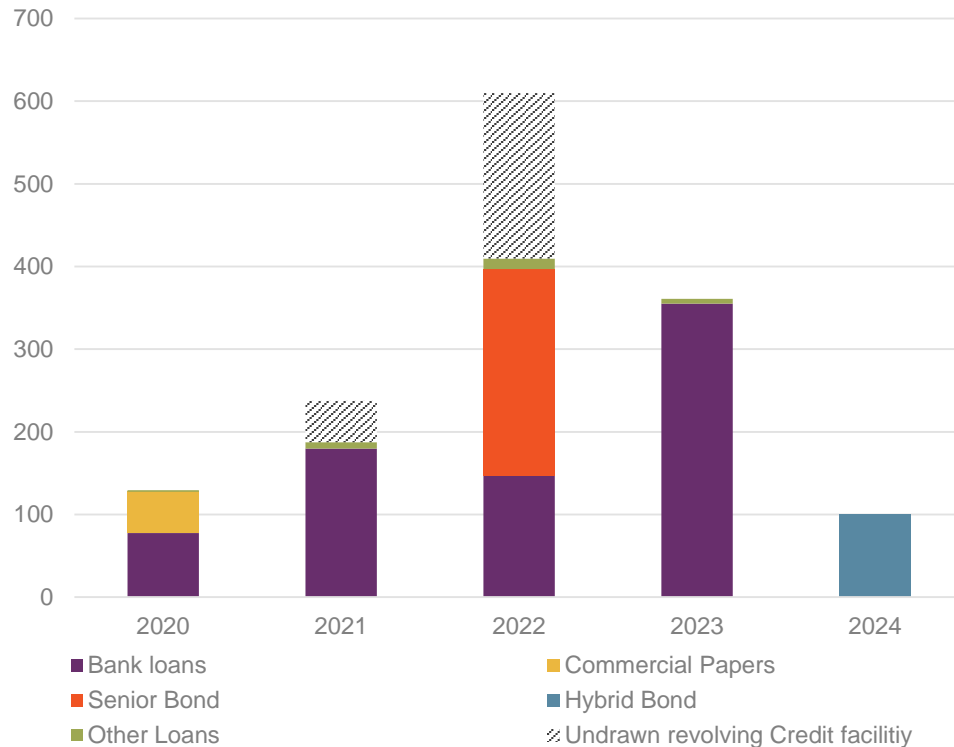
Classification of certain balance sheet items between interest-bearing and non-interest-bearing assets and liabilities were redefined in Q3/2019. Comparison figures from Q3/2018 have been restated accordingly

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



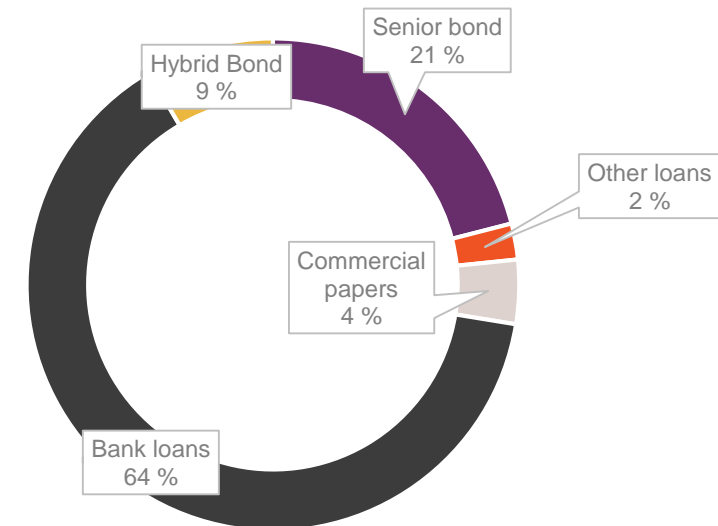
# Strong liquidity - Maturity profile and debt structure

Maturity profile as of June 30, 2020



- Cash position EUR 260 million
- Available undrawn committed facilities EUR 261 million

Interest-bearing liabilities as of June 30, 2020



- Senior bond
- Other loans
- Commercial papers
- Bank loans
- Hybrid Bond

- Weighted average interest rate 2.9% (excl. hybrid bond and lease liabilities)
- Net interest expense EUR 48 million in 2019, EUR 20 million in 1H/2020



# Income Statement

| EUR million  | Q2/2020      | Q2/2019 |
|--|--------------|---------|
| <b>Net sales</b>   | <b>621.5</b> | 745.1   |
| Cost of goods sold   | -536.0       | -644.9  |
| <b>Gross profit</b>  | <b>85.5</b>  | 100.2   |
| Sales, administrative and research & development expenses (SG&A) | -53.8        | -55.8   |
| Other income and expenses  | -5.9         | -9.4    |
| <b>Operating result</b>  | <b>25.8</b>  | 35.0    |
| <b>Comparable operating result</b>                               | <b>31.8</b>  | 40.7    |
| Net financial items  | -14.2        | -11.7   |
| <b>Result before taxes</b>                                       | <b>11.6</b>  | 23.3    |
| Income taxes   | -2.6         | -8.6    |
| <b>Net result</b>  | <b>9.0</b>   | 14.8    |
| <b>Earnings per share (basic)</b>                                | <b>0.07</b>  | 0.13    |
| <b>Comparable earnings per share (basic)</b>                     | <b>0.10</b>  | 0.16    |

Lower sales volumes reflected in gross profit. Partially offset by lower variable and manufacturing fixed costs. Gross profit margin 13.8% (13.4%)

SGA&A savings in travel, reduction on external personnel and services, salaries and vacation pay.

Items affecting comparability EUR -5.9 million (EUR -5.7 million)

Net financials higher due to FX and other expenses. Net interest expense EUR 9.6 million (EUR 11.9 million)

Tax rate 22% (37% ) and positively impacted by the sale of the Fine Arts business.

# Balance sheet

| EUR million                                   | June 30, 2020  | Dec 31, 2019   |
|---|----------------|----------------|
| Total non-current assets                      | 2,249.4        | 2,360.8        |
| Inventories                                   | 408.6          | 387.6          |
| Trade and other receivables                   | 300.2          | 278.9          |
| Income tax receivables                        | 9.2            | 7.7            |
| Cash and cash equivalents                     | 259.6          | 166.1          |
| <b>Total assets</b>                           | <b>3,227.0</b> | <b>3,201.2</b> |
| Total equity                                  | 1,182.8        | 1,232.0        |
| Gross borrowings, lease and other liabilities | 1,142.0        | 1,052.5        |
| Employee benefit obligations                  | 100.9          | 97.2           |
| Trade and other payables                      | 606.6          | 621.7          |
| Deferred and income tax liabilities           | 158.5          | 160.7          |
| Provisions                                    | 36.1           | 37.1           |
| <b>Total equity and liabilities</b>           | <b>3,227.0</b> | <b>3,201.2</b> |

Seasonal build-up in inventories, exceptionally low working capital at the end of 2019 reflected in receivables and payables.

- Equity impacted by EUR 60 million dividend
- Negative translation effect of EUR 32 million
- Equity includes EUR 100 million hybrid bond



# Cash flow generation

| EUR million   | Q2/2020      | Q2/2019      |
|---|--------------|--------------|
| EBITDA  | 69.1         | 78.1         |
| Changes in net working capital  | -34.7        | 8.1          |
| Change in provisions  | -0.9         | -1.0         |
| Financial items   | -16.5        | -16.1        |
| Income taxes paid   | -6.6         | -4.9         |
| Adjustments   | -1.9         | -1.1         |
| <b>Net cash from operating activities</b>   | <b>8.5</b>   | <b>63.1</b>  |
| Payment for acquisition of businesses and subsidiaries, net of cash                         | -            | 0.2          |
| Purchases of intangible and tangible assets   | -24.4        | -38.7        |
| Proceeds from disposal of shares in Group companies and businesses and associated companies | 1.1          | -            |
| Other investing activities  | -0.6         | -0.3         |
| <b>Free cash flow</b>   | <b>-15.4</b> | <b>24.2</b>  |
| Dividends paid and other  | -15.0        | -29.9        |
| Rights issue  | -            | 0.2          |
| Changes in loans and other financing activities   | 41.8         | -21.0        |
| <b>Net change in cash and cash equivalents</b>  | <b>11.5</b>  | <b>-26.9</b> |
| Cash and cash equivalents at the beginning of the period                                    | 247.3        | 218.8        |
| <b>Cash and cash equivalents at the end of the period</b>                                   | <b>259.6</b> | <b>191.3</b> |

Higher than usual seasonal increase in working capital, which was at an exceptionally low level at the end of 2019.

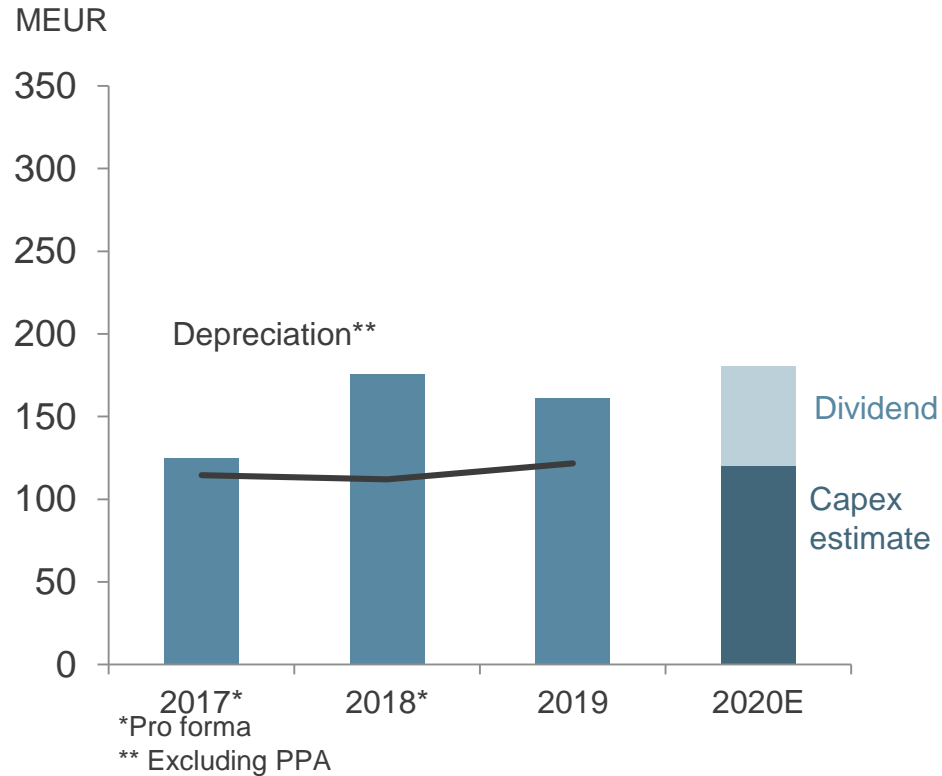
Lower capex as most strategic growth investments are complete.

Dividend paid out four times a year.

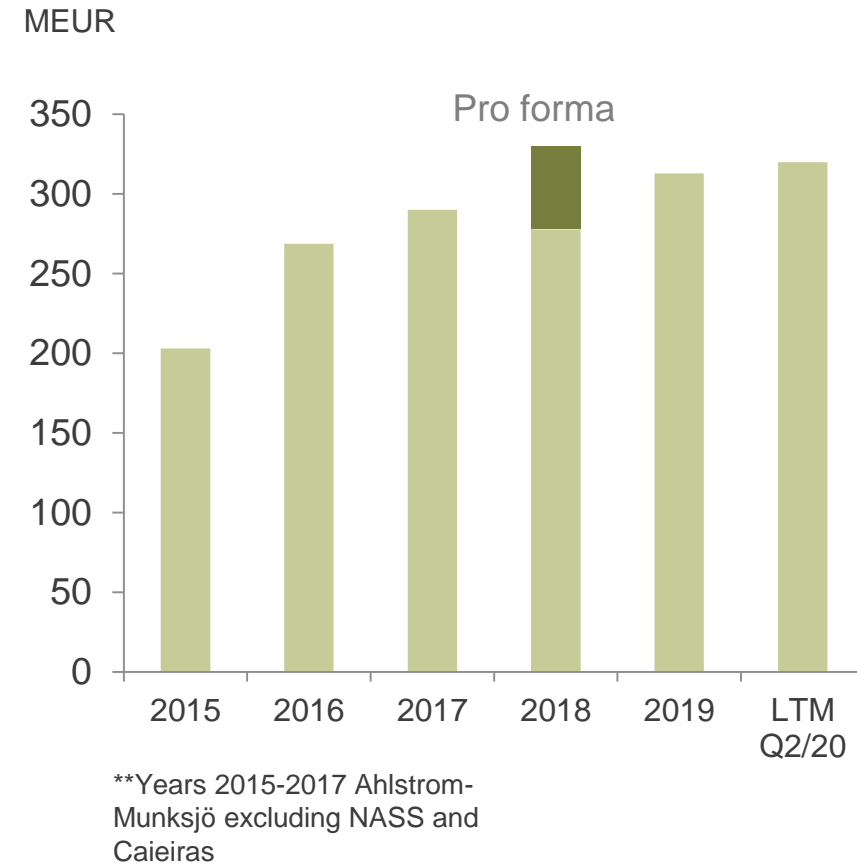


# Capital generation and allocation

## Capital allocation



## Comparable EBITDA\*\*



# Agenda

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# Outlook for Q3/2020

The overall market environment remains uncertain, albeit with signs of a gradual normalization of customer activity in certain end-use segments.

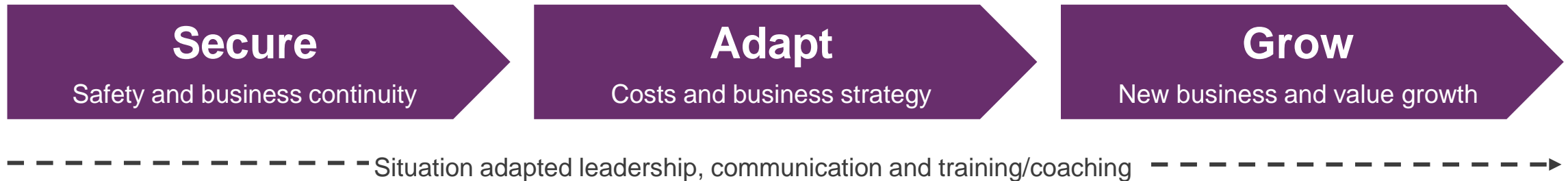
Good demand is expected to continue in the healthcare and life science end-use segments. Demand for consumer goods related products is expected to remain relatively stable, while continuing at a weak level in home building and industrial related products. Demand for furniture and transportation related products is expected to recover.

Ahlstrom-Munksjö's delivery volumes in the third quarter of 2020 are expected to be lower than in the third quarter of 2019.

In the third quarter of 2020, scheduled maintenance shutdown at the Aspa pulp mill is expected to be carried out, with a negative profit impact of approximately EUR 4 million. Ahlstrom-Munksjö's comparable EBITDA in the third quarter of 2020 is expected to be lower than in the third quarter of 2019.

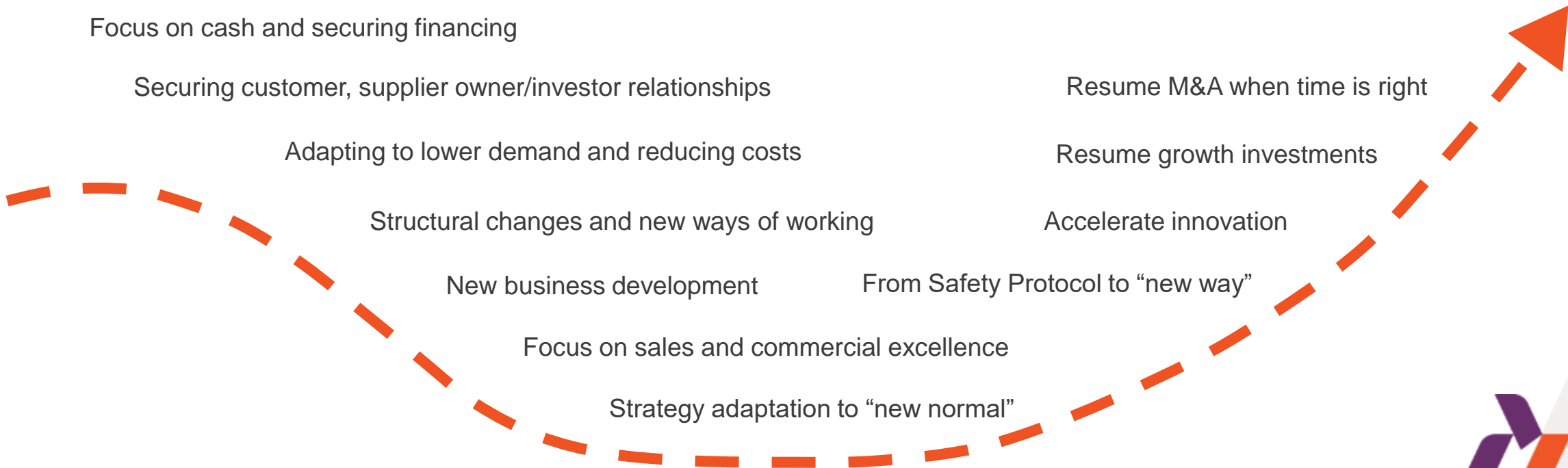


# Our rapid response to COVID-19



Ahlstrom-Munksjö Global Crisis Response Team 23.1.2020

Ahlstrom-Munksjö COVID-19 Safety Protocol: Securing safety of employees and business continuity



MADE IN BARCELONA  
FABRIQUÉ À BARCELONE



# MASQUE

## FILTRANT

### FILTER INFORMATION INFORMATIONS DU FILTRE

|   |   |
|---|---|
| 98% BACTERIAL FILTRATION EFFICIENCY (BFE)<br>98% D'EFFICACITÉ DE FILTRATION BACTÉRIENNE (BFE) | >280 L/M <sup>2</sup> /S AIR PERMEABILITY<br>PERMEABILITÉ À L'AIR DE >280 L/M <sup>2</sup> /S |
|---|---|



MEETS BFE AND BREATHABILITY  
STANDARD TYPE I & II - EN 14683:2019  
MADE IN GERMANY BY  
RÉPOND AUX NORMES BFE ET DE  
RESPIRABILITÉ DE TYPES I ET II - EN 14683:2019  
FABRIQUÉ EN ALLEMAGNE PAR



NON REUSABLE FILTER - UP TO ONE DAY OF USE  
FILTRE NON RÉUTILISABLE - JUSQU'À UN JOUR D'UTILISATION

### PRODUCT INFORMATION INFORMATIONS DU PRODUIT

|   |   |
|---|---|
| SEAMLESS ARTICULATED DESIGN CONSTRUCTION<br>MODÈLE ARTICULÉ SANS COUTURES | ANTI-BACTERIAL TREATMENT<br>TRAITEMENT ANTIBACTÉRIEN  |
| LIGHTWEIGHT MASK<br>MASQUE LÉGER  | ADJUSTABLE LOWER NECK STRAP FOR PERSONALIZED FIT<br>SANGLE DE COU AJUSTABLE POUR UN AJUSTEMENT PERSONNALISÉ |
| COVERS MOUTH AND NOSE<br>COUVRE LA BOUCHE ET LE NEZ                       | COOLNET UV+* MASK FABRIC (95% RECYCLED)<br>MASQUE DE TISSU COOLNET UV+* (95% DE MATÉRIEL RECYCLÉS)          |



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## Summary

- Rapid response to COVID-19
- Solid second quarter result in exceptional circumstances
- Signs of a gradual normalization of customer activity in certain end-use segments
- Good liquidity with no major refinancing needs, improved financial flexibility
- Strategic transformation continues to improve competitiveness and margins

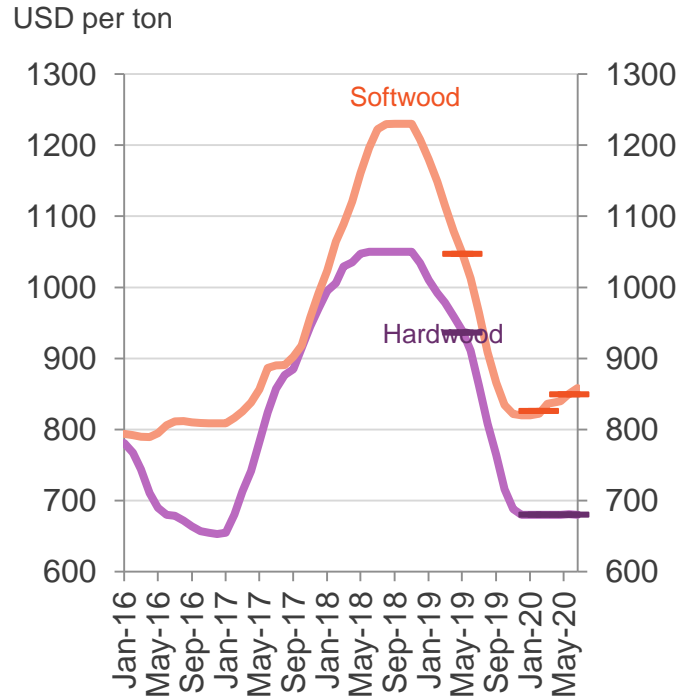


An aerial photograph of a dense forest, likely a coniferous forest, with a road running horizontally through the center. The trees are a mix of dark green and lighter green, suggesting different species or stages of growth. The road is a thin, light-colored line that cuts through the forest canopy.

**Smart solutions out of fiber**

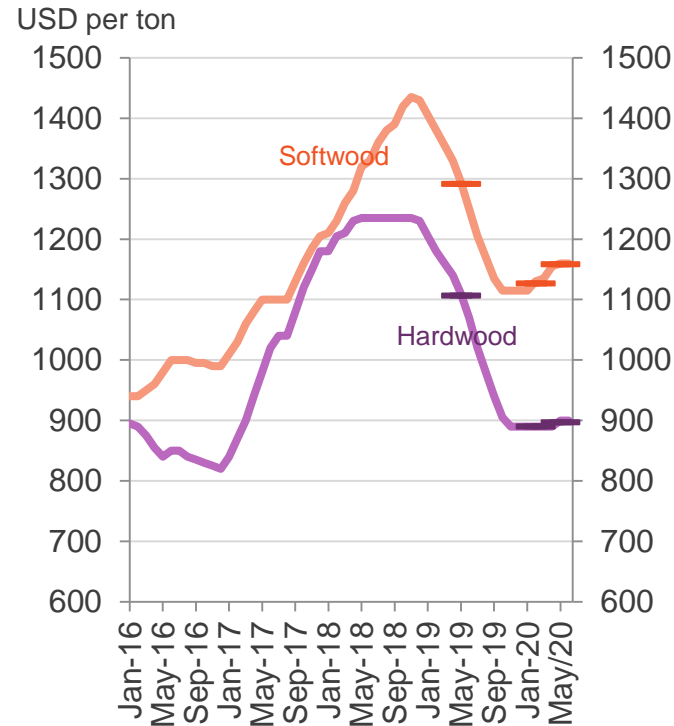
# Pulp price development

## Europe



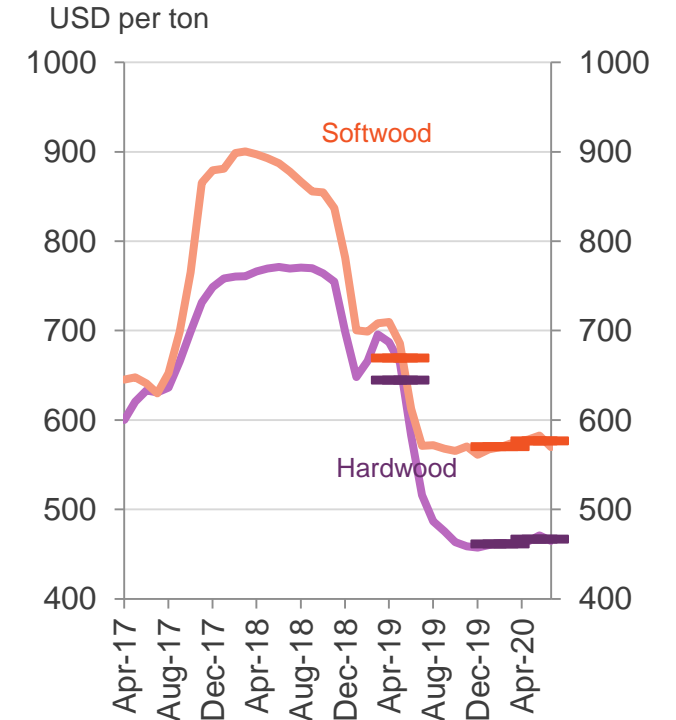
| Europe          |       |       |
|-----------------|-------|-------|
| Price change, % | Q2/Q2 | Q2/Q1 |
| Hardwood        | -27   | +0    |
| Softwood        | -19   | +3    |

## North America



| North America   |       |       |
|-----------------|-------|-------|
| Price change, % | Q2/Q2 | Q2/Q1 |
| Hardwood        | -19   | +1    |
| Softwood        | -10   | +3    |

## China

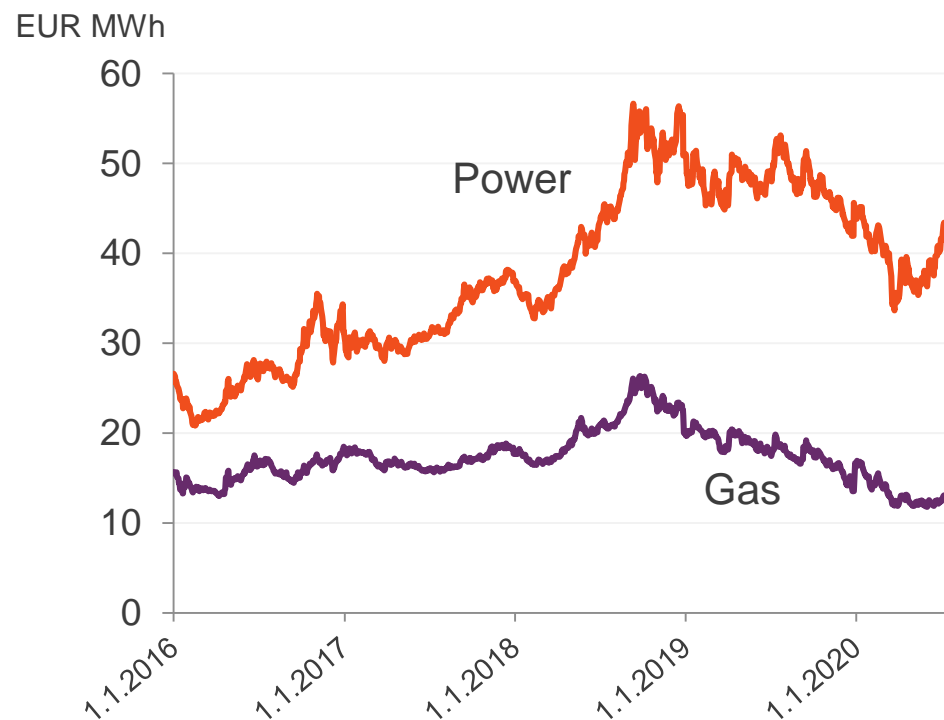


| China           |       |       |
|-----------------|-------|-------|
| Price change, % | Q2/Q2 | Q2/Q1 |
| Hardwood        | -28   | +1    |
| Softwood        | -14   | +1    |



# Energy and titanium dioxide

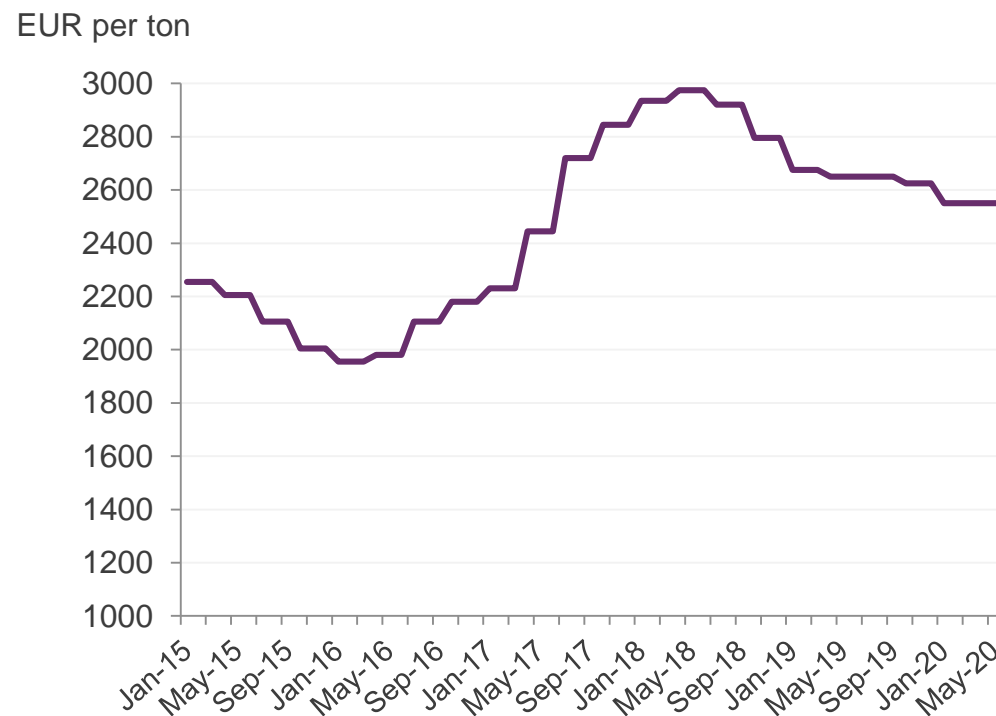
## European forward power and gas prices



| Change % | Q2/Q2 | Q2/Q1 |
|----------|-------|-------|
| Power    | -22   | -7    |
| Gas      | -35   | -14   |

Source: E&C consultants

## Titanium dioxide



| Change % | Q2/Q2 | Q2/Q1 |
|----------|-------|-------|
| Tio2     | -4    | 0     |

Source: ICIS Europe FD

