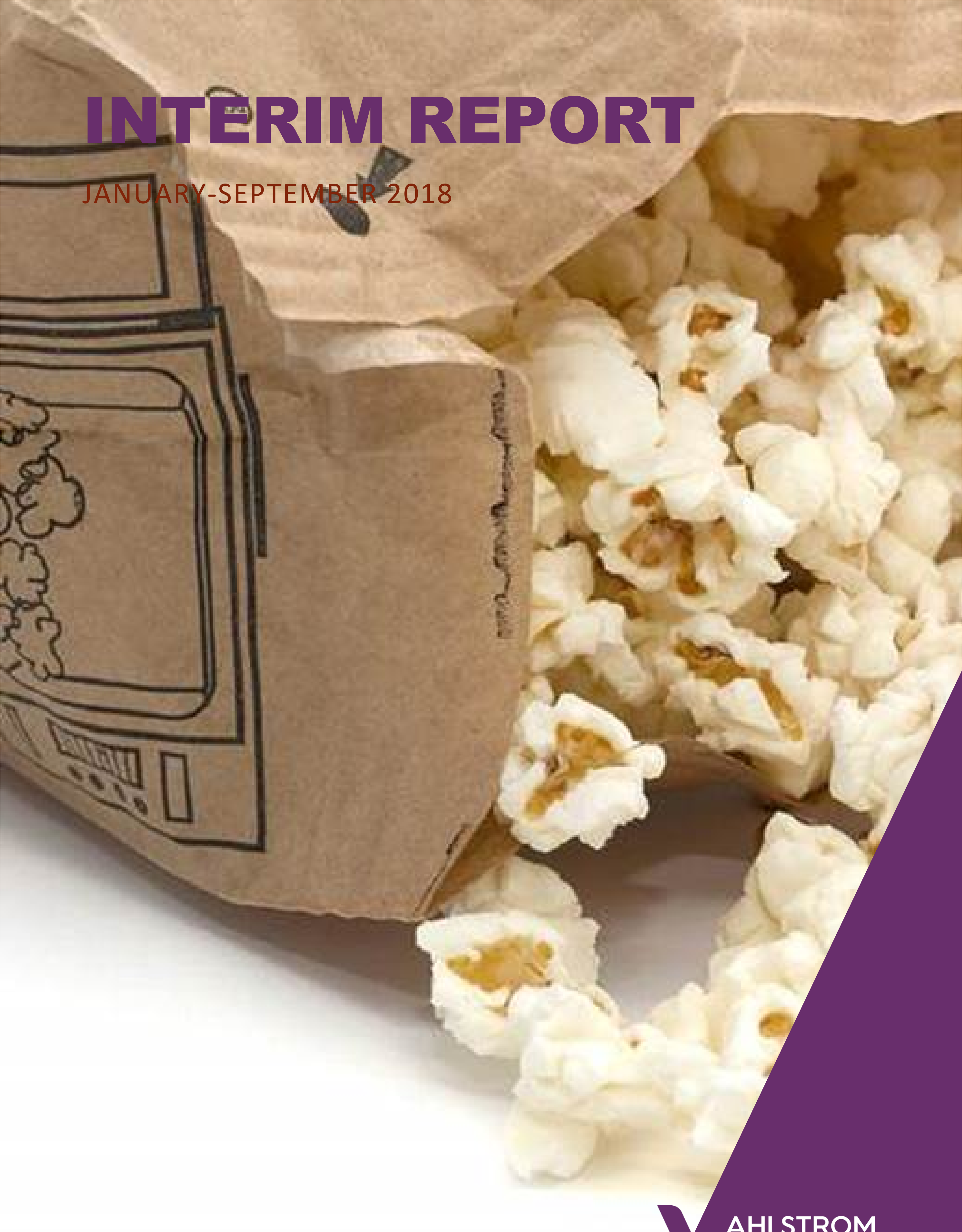
# INTERIM REPORT

JANUARY-SEPTEMBER 2018



AHLSTROM MUNKSJÖ

# PROFIT IMPROVED IN Q3 – MAJOR STEPS IN THE IMPLEMENTATION OF OUR STRATEGY

Q3/2018 VS Q3/2017

- Net sales EUR 565.6 million (EUR 541.6 million), an increase of 4.4%. In constant currency growth was 7.8%.
- Comparable EBITDA EUR 71.8 million (EUR 70.4 million), representing 12.7% (13.0%) of net sales
- Continued success in compensating for variable cost increases
- Net profit EUR 19.4 million (EUR 17.5 million)
- Earnings per share EUR 0.20 (EUR 0.18)
- Comparable EPS excluding depreciation arising from mergers EUR 0.33 (EUR 0.29)

HIGHLIGHTS DURING AND AFTER THE REPORTING PERIOD

- Major steps in the execution of our strategy: Completion of the acquisitions of Expera Specialty Solutions and the Caieiras specialty paper mill significantly strengthen our presence in the Americas
- Investment of EUR 21 million to improve product mix of the Jacarei plant in Brazil in the Coated Specialties business
- A plan to permanently close one paper machine to significantly improve the competitiveness of the coated one-sided product segment
- An Extraordinary General Meeting authorized the Board of Directors to conduct a rights issue worth approximately EUR 150 million

1-9/2018 VS 1-9/2017 PROFORMA

- Net sales EUR 1,725.8 million (EUR 1,685.5 million), an increase of 2.4%. In constant currency growth was 6.3%.
- Comparable EBITDA EUR 205.6 million (EUR 227.2 million), representing 11.9% (13.5%)
- Net profit EUR 62.7 million (EUR 69.2 million)
- Earnings per share EUR 0.64 (EUR 0.71)
- Comparable EPS excluding depreciation arising from mergers EUR 0.98 (EUR 0.98)

Q3/2018

NET SALES GROWTH IN CONSTANT CURRENCY
7.8%

COMPARABLE EBITDA MARGIN
12.7%

GEARING
44.1%

*In this interim report, January-September 2017 and full-year 2017 figures are presented on a pro forma basis to illustrate the financial impact of the merger between Ahlstrom and Munksjö as if it had been completed at the beginning of 2015.*

*The appendix, including unaudited consolidated financial statements, has been prepared according to the IFRS standards.*

## KEY FIGURES

| EUR MILLION, OR AS INDICATED | Q3/2018 | Q3/2017 | Q2/2018 | 1-9/2018 | 1-9/2017 | 2017 |
|---|---|---|---|---|---|---|
| Net sales | 565.6 | 541.6 | 587.8 | 1,725.8 | 1,685.5 | 2,232.6 |
| Comparable EBITDA | 71.8 | 70.4 | 67.1 | 205.6 | 227.2 | 290.4 |
| Comparable EBITDA margin, % | 12.7 | 13.0 | 11.4 | 11.9 | 13.5 | 13.0 |
| Items affecting comparability included in EBITDA | -8.7 | -7.0 | -6.8 | -20.5 | -13.4 | -23.8 |
| EBITDA | 63.1 | 63.3 | 60.4 | 185.1 | 213.9* | 266.6* |
| Comparable operating result excl. depreciations arising from mergers ** | 50.1 | 46.7 | 45.2 | 139.8 | 154.9 | 195.2 |
| Comparable operating result | 42.4 | 38.8 | 37.5 | 116.9 | 131.4 | 163.8 |
| Comparable operating result margin, % | 7.5 | 7.2 | 6.4 | 6.8 | 7.8 | 7.3 |
| Items affecting comparability included in operating result | -8.7 | -7.0 | -6.8 | -20.5 | -13.4 | -23.8 |
| Operating result | 33.7 | 31.7 | 30.7 | 96.3 | 117.9* | 140.0* |
| Net profit | 19.4 | 17.5 | 22.1 | 62.7 | 69.2* | 88.5* |
| Earnings per share (basic), EUR | 0.20 | 0.18 | 0.22 | 0.64 | 0.71* | 0.91* |
| Comparable EPS excl. depreciations arising from mergers, EUR ** | 0.33 | 0.29 | 0.34 | 0.98 | 0.98 | 1.32 |
| Cash generated from operating activities | 28.0 | 51.6 | 27.5 | 60.7 | 135.7 | 212.9 |
| Depreciation and amortization *** | 29.4 | 31.6 | 29.6 | 88.7 | 95.9 | 126.5 |
| Capital expenditure | 38.5 | 17.8 | 31.4 | 95.6 | 49.5 | 89.7 |
| Net debt | 456.6 | 404.2 | 422.2 | 456.6 | 404.2 | 375.3 |
| Gearing ratio, % | 44.1 | 39.3 | 41.6 | 44.1 | 39.3 | 36.2 |

*Fair valuation adjustment of EUR -11 million (EUR -7.6 million net of tax) on acquired Ahlstrom inventories is excluded as it is adjusted in the 2016 pro forma income statement.

** Excluding both depreciation and amortizations from mergers.

*** Depreciation and amortization arising from mergers was EUR 7.7 million (EUR 7.8 million) in July-September.

The actual figures for Q1-Q3 2017 and full-year 2017 are presented in the appendix only.

Ahlstrom-Munksjö has adopted the European Securities and Markets Authority (ESMA) guidelines on Alternative Performance Measures (APMs) to reflect the underlying business performance and improve comparability. These measures should, however, not be considered as a substitute for measures of performance in accordance with IFRS. Alternative performance measures are derived from performance measures reported in accordance with IFRS by adding or deducting items affecting comparability (IAC), or purchase price allocation (PPA,) and they are called "comparable". More details on APMs and key figures is available in the appendix.

# CEO COMMENTS

In the third quarter, most of our businesses performed well. I'm pleased, that our gross margin for products improved for the second consecutive quarter and exceeded last year's level. We continued to succeed in compensating for the sharply increased raw material and energy costs. Thanks to our successful commercial strategy and improved cost efficiency, driven by synergy benefits, our third quarter comparable EBITDA improved sequentially and exceeded last year's level.

The coated one-side product segment, part of the Food Packaging business in the Specialties business area, is one of the few segments where our offering and position are not optimally aligned with our strategy of niche orientation in customized solutions. While we have proceeded with the key elements of our turnaround plan for the segment, the operating environment has further deteriorated mainly due to increased raw material costs. In order to significantly improve competitiveness we have initiated in October a plan to permanently close one paper machine and rationalize the product offering in Stenay, France.

*"I'm pleased, that our comparable EBITDA improved for the third consecutive quarter and exceeded last year's level "*

*Hans Sohlström, President and CEO*

## OUR STRATEGIC INITIATIVES PAVE THE WAY FOR GLOBAL LEADERSHIP

Our investment projects to achieve higher customer value and profitable growth are proceeding well. By completing the investment in Madisonville, U.S., we are continuing to grow our attractive Filtration business. This investment strengthens our technical capabilities in the region for filtration material applications, supporting our customers with sustainable solutions, and increasing our capacity.

We have also completed the parchmentizer line investment in Saint Severin, France, to meet growing demand for sustainable cooking and baking papers and food packaging solutions. Our parchment papers are made without chemical additives, and most of their variants are biodegradable and certified as home-compostable. In August, we decided to invest in our Coated Specialties business to improve product mix and production efficiency at the Jacarei plant in Brazil.

I'm very pleased that we have completed the acquisitions of Expera and Caieiras and are up to speed with the integration implementation. Both acquisitions are major steps in the execution of our strategy. The transformative acquisition of Expera will almost triple our net sales in the U.S. and provide a platform for growth, while Caieiras will significantly strengthen our Latin American operations.

## DELIVERING EXCEPTIONAL CUSTOMER VALUE

I'm particularly pleased, and also honored, by the Supplier of the Year Award from 3M, in recognition of our contribution to their competitiveness. We work in close collaboration with our customers to understand how we can improve their performance and enable them to grow their businesses. External recognition gives credibility to our strategic priorities and shows that we are on the right track.

# OUTLOOK FOR 2018

*Ahlstrom-Munksjö reiterates the market outlook for 2018. As announced on October 10, 2018, the company has discontinued providing an outlook for comparable EBITDA in 2018 due to the completion of the Expera acquisition.*

**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.

# FINANCIAL PERFORMANCE

## NET SALES DEVELOPMENT

| NET SALES BY BUSINESS AREA, EUR MILLION | Q3/2018 | Q3/2017 | Q2/2018 | 1-9/2018 | 1-9/2017 | 2017 |
|---|---|---|---|---|---|---|
| Decor | 96.5 | 90.5 | 101.8 | 298.0 | 284.2 | 378.4 |
| Filtration and Performance | 168.3 | 162.0 | 174.7 | 510.0 | 505.4 | 665.3 |
| Industrial Solutions | 165.1 | 155.9 | 168.9 | 500.7 | 482.1 | 640.8 |
| Specialties | 142.6 | 138.3 | 150.9 | 439.4 | 435.4 | 574.3 |
| Other and eliminations | -6.9 | -5.1 | -8.5 | -22.3 | -21.5 | -26.2 |
| Total net sales | 565.6 | 541.6 | 587.8 | 1,725.8 | 1,685.5 | 2,232.6 |

## PROFIT AND PROFITABILITY DEVELOPMENT

| COMPARABLE EBITDA BY BUSINESS AREA, EUR MILLION | Q3/2018 | Q3/2017 | Q2/2018 | 1-9/2018 | 1-9/2017 | 2017 |
|---|---|---|---|---|---|---|
| Decor | 6.0 | 5.8 | 8.9 | 21.2 | 25.2 | 33.8 |
| Filtration and Performance | 31.2 | 31.1 | 30.2 | 90.1 | 95.9 | 120.6 |
| Industrial Solutions | 31.3 | 26.8 | 23.1 | 78.0 | 83.1 | 108.5 |
| Specialties | 7.5 | 10.4 | 10.2 | 29.7 | 42.7 | 52.9 |
| Other and eliminations | -4.2 | -3.7 | -5.3 | -13.4 | -19.6 | -25.3 |
| Total comparable EBITDA | 71.8 | 70.4 | 67.1 | 205.6 | 227.2 | 290.4 |

| COMPARABLE EBITDA MARGIN BY BUSINESS AREA, % | Q3/2018 | Q3/2017 | Q2/2018 | 1-9/2018 | 1-9/2017 | 2017 |
|---|---|---|---|---|---|---|
| Decor | 6.2 | 6.4 | 8.7 | 7.1 | 8.9 | 8.9 |
| Filtration and Performance | 18.5 | 19.2 | 17.3 | 17.7 | 19.0 | 18.1 |
| Industrial Solutions | 19.0 | 17.2 | 13.7 | 15.6 | 17.2 | 16.9 |
| Specialties | 5.3 | 7.5 | 6.8 | 6.8 | 9.8 | 9.2 |
| Other and eliminations | | | | | | |
| Total comparable EBITDA margin, % | 12.7 | 13.0 | 11.4 | 11.9 | 13.5 | 13.0 |

## JULY-SEPTEMBER 2018

Net sales amounted to EUR 565.6 million, showing an increase of 4.4% from the EUR 541.6 million from the third quarter of 2017. At constant currency rates, growth was 7.8%, driven by significantly higher selling prices in all business areas, and particularly in the Industrial Solutions business area. Delivery volumes in the Filtration and Performance business area remained at the same level as in the comparison period. Volumes decreased in the Decor, Industrial Solutions and Specialties business areas.

Comparable EBITDA was EUR 71.8 million (EUR 70.4 million), representing 12.7% of net sales (13.0%). Profitability was positively impacted by a slightly improved gross margin for products as increased selling prices more than offset significantly higher variable costs. Higher raw material costs, such as pulp and titanium dioxide, burdened the result by about EUR 28 million compared to the third quarter of 2017. Fixed costs increased partly due to the ongoing growth initiatives. Targeted synergy benefits and cost reduction measures were achieved according to the plan.

Compared with the second quarter of 2018, comparable EBITDA increased to EUR 71.8 million from EUR 67.1 million in the second quarter of 2018 mainly due to seasonally lower costs.

*Items affecting comparability (IAC)*

The operating result was EUR 33.7 million (EUR 31.7 million). IACs totaled EUR -8.7 million (EUR -7.0 million) and were mainly related to the transaction costs from the acquisition of Expera Specialty Solutions and integration costs from the merger of Ahlstrom and Munksjö.

*Net financial items*

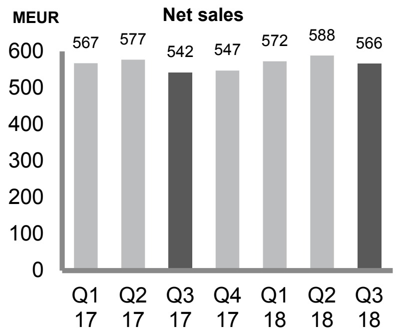
Net financial items amounted to EUR -6.6 million (EUR -6.8 million). The figure includes net interest rate expenses of EUR 4.7 million, currency exchange rate loss of EUR -0.0 million, and other financial expenses of EUR 1.9 million.

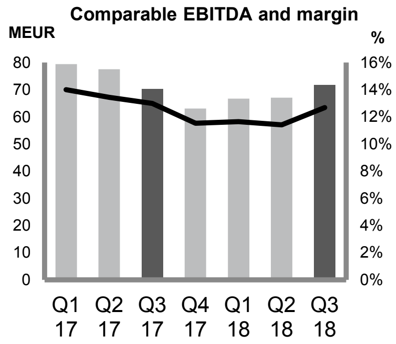
*Tax, earnings per share*

Profit before taxes was EUR 27.0 million (EUR 24.9 million). Taxes amounted to EUR 7.6 million (EUR 7.4 million), representing an effective tax rate of 28% (30%). The net profit for the period was EUR 19.4 million (EUR 17.5 million), and earnings per share were EUR 0.20 (EUR 0.18). Comparable earnings per share excluding depreciation arising from mergers were EUR 0.33 (EUR 0.29).

**CHANGE IN NET SALES**

| | |
|---|---|
| **Q3/2017** | **EUR 542 M** |
| Volume | -2% |
| Selling price and product mix | +10% |
| Currency | -3% |
| **Q3/2018** | **EUR 566 M** |




**CHANGE IN NET SALES**

| | |
|---|---|
| **1-9/2017** | **EUR 1,686 M** |
| Volume | -2% |
| Selling price and product mix | +8% |
| Currency | -4% |
| **1-9/2018** | **EUR 1,726 M** |

## JANUARY-SEPTEMBER 2018

Net sales amounted to EUR 1,725.8 million, showing an increase of 2.4% from the EUR 1,685.5 million in January-September 2017. At constant currency rates, growth was 6.3%, driven by significantly higher selling prices, particularly in the Industrial Solutions and Decor business areas. Delivery volumes increased in the Filtration and Performance business area, while they decreased in the Industrial Solutions, Decor, and Specialties business areas.

Comparable EBITDA was EUR 205.6 million (EUR 227.2 million), representing 11.9% of net sales (13.5%). Profitability decreased, mainly due to significantly higher variable costs, more than offsetting clearly higher selling prices. Higher raw material costs, such as pulp and titanium dioxide, burdened the result by approximately EUR 85 million. Slightly higher fixed costs and an adverse currency hedging effect had a negative impact on profitability. Targeted synergy benefits and cost reduction measures were achieved according to the plan.

*Items affecting comparability (IAC)*

The operating result was EUR 96.3 million (EUR 117.9 million). IACs totaled EUR -20.5 million (EUR -13.4 million) and were mainly related to the transaction costs from the acquisition of Expera Specialty Solutions, integration costs of the merger of Ahlstrom and Munksjö and achieving the synergy benefits.

*Net financial items*
Net financial items amounted to EUR -12.0 million (EUR -23.9 million). The figure includes net interest rate expenses of EUR 14.1 million, currency exchange rate gains of EUR 6.5 million, and other financial expenses of EUR 4.4 million. The main difference between the reported and comparison figures is related to exchange rate gains and losses.

*Tax, earnings per share*
Profit before taxes was EUR 84.3 million (EUR 94.0 million). Taxes amounted to EUR 21.6 million (EUR 24.8 million), representing an effective tax rate of 26% (26%). The net profit for the period was EUR 62.7 million (EUR 69.2 million), and earnings per share were EUR 0.64 (EUR 0.71). Comparable earnings per share excluding depreciation arising from mergers were EUR 0.98 (EUR 0.98).

# FINANCING AND CASH FLOW

## CASH FLOW
In July-September 2018, net cash flow from operating activities amounted to EUR 28.0 million (EUR 51.6 million). The figure was impacted by an increase in net working capital due to higher inventories and receivables, partly driven by sales growth. In January-September 2018, net cash flow from operating activities amounted to EUR 60.7 million (EUR 135.7 million[1])

## NET DEBT, GEARING AND LIQUIDITY
The company's interest-bearing net debt amounted to EUR 456.6 million at the end of the reporting period (EUR 375.3 million on December 31, 2017, EUR 404.2 million on September 30, 2017). At the end of the reporting period, the weighted average interest rate was 2.3%. Gearing stood at 44.1%.

Ahlstrom-Munksjö's liquidity continues to be good. At the end of the review period, the total cash position was EUR 194.9 million. In addition, the company had undrawn committed credit facilities and committed cash pool overdrafts of EUR 172.5 million available.

## EQUITY
On September 30, 2018, equity was EUR 1,034.4 million and total assets were EUR 2,406.0 million. The equity was negatively impacted by a translation effect of EUR 22.3 million due to adverse currency fluctuations in January-September 2018. The equity impact of the EUR 50 million, or EUR 0.52 per share, dividend was booked in the first quarter of 2018, while the payments were done in the second and third quarters of 2018.

# SYNERGY BENEFITS AND COST REDUCTION MEASURES

The merger creating Ahlstrom-Munksjö Oyj was completed on April 1, 2017. The combination created a global leader in innovative and sustainable fiber-based materials. Ahlstrom-Munksjö has completed all of the original integration initiatives. The successful combination of businesses has created a solid basis for improved performance and the company has continued its efforts to improve its operational efficiency.

Ahlstrom-Munksjö is targeting synergies and cost reduction initiatives with a profit improvement impact of EUR 50 million annually in its existing businesses by the end of the first quarter of 2019.

Cost synergies comprise mainly lower fixed costs as well as lower variable costs through coordination of sourcing activities and optimization of production. The plan also includes business synergies from incremental sales and product mix improvement, predominantly relating to the integration of the former Graphics and Packaging business area into the new Specialties business area, and developing a combined product and service offering.

Cost reduction measures include adjusting Group structure to Ahlstrom-Munksjö's operating model, where business units have clear responsibility and local accountability. The operating model enables operational flexibility and lean group functions. This also included the concentration and relocation of the company's head office to Helsinki from Stockholm.

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[1] The actual cash flow figure for the corresponding comparison period is presented in the appendix only.



AHLSTROM MUNKSJÖ

At the end of the reporting period, the annual synergy achievement run rate was approximately EUR 38 million. Costs related to the achievement of synergies and cost reduction measures are estimated to be EUR 30-35 million by the end of the first quarter of 2019.

| **Achieved synergy benefits and related costs, EUR million** | | | | | | |
|---|---|---|---|---|---|---|
| | **Q2/17** | **Q3/17** | **Q4/17** | **Q1/18** | **Q2/18** | **Q3/18** |
| Achieved annualized synergy benefits | 13 | 17 | 19 | 26 | 32 | 38 |
| Quarterly costs | 4 | 7 | 8 | 2 | 3 | 2 |
| Cumulative costs | | 11 | 19 | 21 | 24 | 25 |

# CAPITAL EXPENDITURE

Ahlstrom-Munksjö's capital expenditure excluding acquisitions totaled EUR 95.6 million in January-September 2018 (EUR 49.5 million) and EUR 38.5 million in July-September 2018 (EUR 17.8 million). The investments were related to maintenance, cost and efficiency improvements, as well as growth initiatives.

The cash flow effect of current capital expenditure is expected to be approximately EUR 150 million in 2018 (EUR 89.7 million in 2017).

## INVESTMENT DECISIONS TO IMPROVE FINANCIAL AND ENVIRONMENTAL PERFORMANCE

*Insulation*

On April 10, 2018, Ahlstrom-Munkjsö announced investments of about EUR 27 million in improved financial and environmental performance. The investments include rebuilding a recovery boiler at the Billingsfors plant and modernizing a bailing line at the Aspa pulp mill, both located in Sweden and part of the Industrial Solutions business area.

*Decor*

On April 23, 2018, the company announced an investment of EUR 5 million in the Decor business, where the company will invest to further enhance the quality of pre-impregnated decor papers produced at its Dettingen plant in Germany.

*Medical*

On April 23, 2018, Ahlstrom-Munksjö announced an investment of about EUR 4 million in the Medical business, where it will rebuild a converting line of sterilization wrap being produced at its Pont Audemer plant in France.

*Filtration*

On June 18, 2018, Ahlstrom-Munksjö announced an investment of about EUR 28 million to expand manufacturing capacity as well as the product capabilities of industrial filtration applications in Turin, Italy as well as in Ställdalen, Sweden and Malmedy, Belgium. The project will start in 2018 and is expected to be completed during the first half of 2020.

*Beverage & Casing*

On July 18, 2018, the company announced an investment of about EUR 28 million to reinforce its market position in biodegradable and compostable tea bag, coffee and meat casing materials in the Beverage & Casing business. The project includes purchasing a secondhand paper making line to be dismantled and transferred to the Chirnside manufacturing site in the UK. The machine is expected to be fully commissioned by the beginning of the fourth quarter of 2019

*Coated Specialties*

On August 30, 2018, Ahlstrom-Munksjö announced an investment of EUR 21 million in its Coated Specialties business to improve capabilities and flexibility at its Jacarei plant in Brazil and better serve customers in South America with a broader offering. The project is expected to be completed in the third quarter of 2019, and will expand the site's capabilities of coating and calendering on the paper machine.



AHLSTROM MUNKSJÖ

# PERSONNEL

Ahlstrom-Munksjö employed an average of 5,909 people in January-September 2018 (5,905) in full-time equivalents. As of September 30, 2018, the highest numbers of employees were in France (28%), Sweden (14%), the United States (12%), Germany (9%), and Italy (9%).

# SUSTAINABILITY

Ahlstrom-Munksjö published its first sustainability report as a combined company in February 2018. The report defines our nine material topics and sets targets and metrics for each of them. While we have established quantitative performance baselines from 2017 where possible for our material topic targets, we do not have relevant historical data to compare our current to our past sustainability performance due to the merger. We look forward to sharing this information in future reports.

On June 14, 2018, Ahlstrom-Munksjö had its Gold rating level for the company's sustainability management and performance renewed for the second consecutive year from EcoVadis. The Gold rating is a result of performance improvements in all four Corporate Social Responsibility dimensions assessed by EcoVadis; environment, labor practices, fair business practices, and sustainable procurement. It places the company among the top 1% of all suppliers evaluated by the platform, regardless of their industry.

## HEALTH AND SAFETY

The health and safety of employees is a top priority at Ahlstrom-Munksjö. The company has chosen three priority metrics to track performance in this field: total recordable incidents (TRI[2]) rate, near miss rate, and hours of tailored safety training per employee per year. Ahlstrom-Munksjö believes that a goal of zero accidents is achievable, and our long-term target for TRI is zero. In 2018, our near miss rate target is 2.9 and we aim to provide 15 hours of tailored safety training per employee.

In January-September 2018, the TRI rate was 1.6, the near miss rate was 4.1 and 15.1 hours of training was provided per employee.

# MAJOR EVENTS AFTER THE REPORTING PERIOD

## AHLSTROM-MUNKSJÖ COMPLETED THE ACQUISITION OF EXPERA

On October 10, 2018, Ahlstrom-Munksjö completed the acquisition of U.S. specialty paper producer Expera Specialty Solutions for an enterprise value of USD 615 million (EUR 526 million) on a cash-and debt-free basis. The transformative acquisition will expand the company's presence in North America and further strengthen its offering of advanced custom-made fiber-based materials. The earnings enhancing transaction will almost triple Ahlstrom-Munksjö's net sales in the U.S. and provide a platform for growth.

Expera is among the leading specialty paper producers in North America with four paper mills, two of which have integrated pulp production, in the state of Wisconsin, U.S. The acquired operations had net sales of USD 721 million (EUR 616 million) and a comparable EBITDA of USD 71 million (EUR 61 million) in 2017. Near term annual synergy benefits of approximately USD 10 million (EUR 8 million) are estimated to be achieved by year-end 2019. The full release is available at www.ahlstrom-munksjo.com

## CHANGES IN SEGMENT REPORTING

Expera has been consolidated as part of Ahlstrom-Munksjö since October 10, 2018, and it formed the company's fifth business area and financial reporting segment, named **North America Specialty Solutions**. Ahlstrom-Munksjö plans to publish unaudited pro forma financial information at the latest in connection with a rights issue, which is expected to take place during the fourth quarter of 2018.

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[2] TRI: sum of all recorded occupational accidents; lost time accidents, occupational diseases, light duty cases, and other recordable incident. Total recordable Incidents Rate (TRIR); (TRI/Total hours worked) x 200,000.

## CHANGES IN THE EXECUTIVE MANAGEMENT TEAM

Russ Wanke, the former President and CEO of Expera, was appointed Executive Vice President, North America Specialty Solutions and a member of Ahlstrom-Munksjö's Executive Management Team.

## AHLSTROM-MUNKSJÖ COMPLETED THE ACQUISITION OF CAIEIRAS

On October 17, 2018, Ahlstrom-Munksjö completed the acquisition of MD Papéis' Caieiras specialty paper mill in Brazil for a debt-free purchase price of about EUR 98 million. The acquisition significantly strengthens Ahlstrom-Munksjö's offering in South America and provides further growth opportunities. The acquired business had net sales of about EUR 76 million and comparable EBITDA of EUR 12 million in 2017. Annual synergy benefits of up to EUR 6 million are estimated, mainly arising from optimization of overlapping businesses. The full release is available at www.ahlstrom-munksjo.com.

## AHLSTROM-MUNKSJÖ PLANS TO SIGNIFICANTLY IMPROVE COMPETITIVENESS IN ONE-SIDE COATED PAPER PRODUCTS SEGMENT

On October 30, 2018 Ahlstrom-Munksjö announced it plans to significantly improve the competitiveness of its one-side coated paper segment. The company contemplates a plan to optimize its production capacity and product offering to meet the profitable demand and investigates the closure of one paper machine (PM1) in Stenay, France. Employee consultation processes will start on October 30, 2018, and are expected to be completed in January 2019.

One-side coated product segment, a part of the Food Packaging business in the Specialties business area, is a segment where the markets have significant overcapacity globally, especially in Europe and the company's offering is not optimally aligned with the strategy of niche orientation in customized solutions. While Ahlstrom-Munksjö has proceeded with key measures to improve the situation, the operating environment has further deteriorated mainly due to increased raw material costs.

By concentrating orders to the larger paper machine (PM3) at the Stenay plant, cost savings can also be achieved from higher raw material-, energy- and waste-efficiency, as well as improved inventory management. Annual impact of the planned turnaround program would be approximately EUR 13 million. Restructuring costs will be specified during the process.

# BUSINESS AREA REVIEWS

## DECOR

*The Decor business is a manufacturer of paper-based surfacing for wood-based materials such as laminate flooring, furniture and interiors. Decor develops versatile and high-tech solid color, print base and pre-impregnated papers for production of low- and high-pressure laminates and finish foil applications.*

*Market review July-September 2018:*

Demand for decor products softened in Europe due to inventory reduction across the industry, while remaining at a good level in North America and Asia. Competition has intensified, particularly in markets outside of Europe due to new suppliers.

*Result development in July-September 2018:*

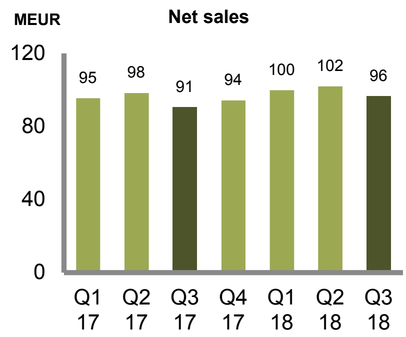
Net sales rose by 6.6% to EUR 96.5 million, compared with EUR 90.5 million in July-September 2017. The increase was driven by higher selling prices as well as an improved product mix. Sales volumes were lower than in the comparison period.

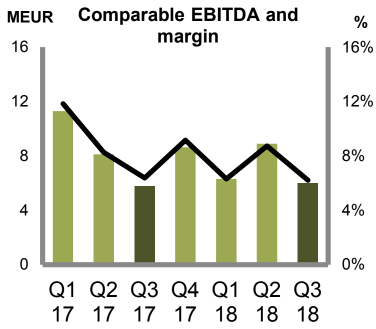
Comparable EBITDA rose to EUR 6.0 million (EUR 5.8 million), representing 6.2% (6.4%) of net sales. The gross margin for products increased as higher selling prices more than offset the continued increase in titanium dioxide and pulp costs. Fixed costs increased.

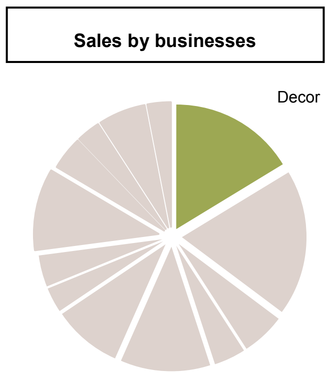
*Result development in January-September 2018:*

Net sales rose by 4.9% to EUR 298.0 million, compared with EUR 284.2 million in January-September 2017. The increase was driven by higher selling prices as well as an improved product mix. Sales volumes were lower than in the comparison period.

Comparable EBITDA fell to EUR 21.2 million (EUR 25.2 million), representing 7.1% (8.9%) of net sales. Higher selling prices and an improved product mix had a positive impact on the result, more than compensating for the steep increase in titanium dioxide and pulp costs. Lower sales volumes and higher fixed costs had a negative impact on the result.




| EUR MILLION | Q3/2018 | Q2/2018 | Q1/2018 | Q4/2017 | Q3/2017 | 2017 |
|---|---|---|---|---|---|---|
| Net sales | 96.5 | 101.8 | 99.8 | 94.2 | 90.5 | 378.4 |
| Comparable EBITDA | 6.0 | 8.9 | 6.3 | 8.6 | 5.8 | 33.8 |
| Comparable EBITDA margin, % | 6.2 | 8.7 | 6.3 | 9.2 | 6.4 | 8.9 |
| Capital expenditure | 3.5 | 2.0 | 3.0 | 2.5 | 2.8 | n/a |
| Depreciation and amortization | 1.3 | 1.3 | 1.3 | 1.3 | 1.5 | n/a |

## FILTRATION AND PERFORMANCE

*The Filtration and Performance business area develops and produces filtration materials for engine oils, fuels and air as well as industrial filtration. It also produces glass fiber for flooring products and wind turbine blades and makes nonwoven materials for automotive, construction, textile and hygiene applications and wallcover materials.*

*Market review July-September 2018:*

Demand for filtration products was stable at a good level across many regions and end-use segments, and particularly good in heavy-duty vehicles and industrial air. In construction-related markets, demand for flooring and other glass fiber tissue materials was good whereas the wallcover market continued to slow in Europe.

*Result development in July-September 2018:*

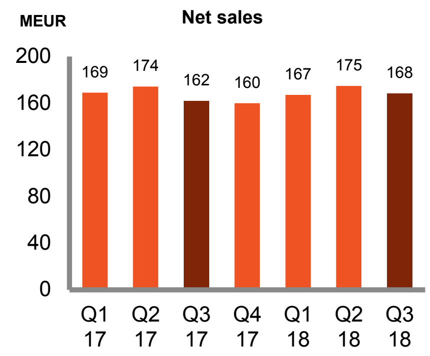
Net sales rose by 3.9% to EUR 168.3 million, compared with EUR 162.0 million in July-September 2017, driven by higher selling prices. Sales volumes in the Filtration business remained stable. Deliveries of glass fiber tissue in the Building & Wind business rose, while they declined in the Nonwovens unit.

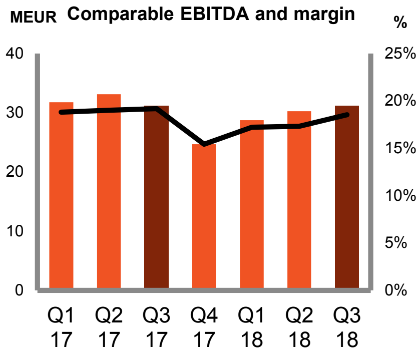
Comparable EBITDA amounted to EUR 31.2 million (EUR 31.1 million), representing 18.5% (19.2%) of net sales. The gross margin for products improved as higher selling prices and an improved product mix more than offset increased variable costs. Fixed costs increased, mainly related to the expansion of the Filtration business.

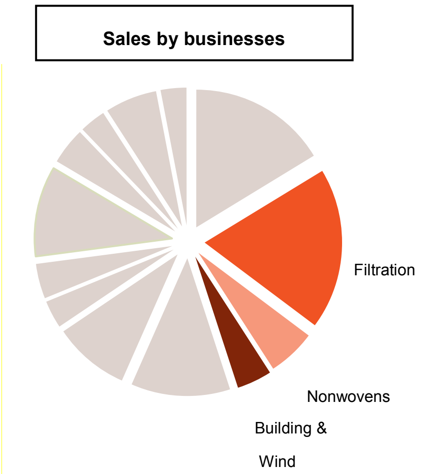
*Result development in January-September 2018:*

Net sales rose by 1.0% to EUR 510.0 million, compared with EUR 505.4 million in January-September 2017 as higher volumes and selling prices were partially offset by an adverse currency translation impact.

Comparable EBITDA declined to EUR 90.1 million (EUR 95.9 million), representing 17.7% (19.0%) of net sales. The decline was mainly due to slight erosion in gross margin for products related to the time lag between variable cost increases and price adjustments. Higher volumes had a positive impact on profit, while fixed costs increased, mainly because of the expansion in the Filtration business.




| EUR MILLION | Q3/2018 | Q2/2018 | Q1/2018 | Q4/2017 | Q3/2017 | 2017 |
|---|---|---|---|---|---|---|
| Net sales | 168.3 | 174.7 | 167.0 | 159.9 | 162.0 | 665.3 |
| Comparable EBITDA | 31.2 | 30.2 | 28.7 | 24.6 | 31.1 | 120.6 |
| Comparable EBITDA margin, % | 18.5 | 17.3 | 17.2 | 15.4 | 19.2 | 18.1 |
| Capital expenditure | 8.0 | 12.6 | 6.7 | 14.6 | 4.8 | n/a |
| Depreciation and amortization | 10.4 | 10.5 | 10.5 | 11.0 | 10.7 | n/a |

## INDUSTRIAL SOLUTIONS

*The Industrial Solutions business area produces a wide range of products and materials often used in manufacturing or production processes. These include products such as abrasive backings, electrotechnical insulation papers, release liners, thin papers, specialty pulp and balancing foil paper. The business area also houses Arches fine art and printing papers, which carry with them centuries of tradition.*

*Market review July-September 2018:*

Demand for abrasive backings and specialty pulp was good, while that for electrotechnical papers was stable. The markets for release liners in Europe were competitive. The domestic market for coated specialties products in Brazil remained stable.

*Result development in July-September 2018*

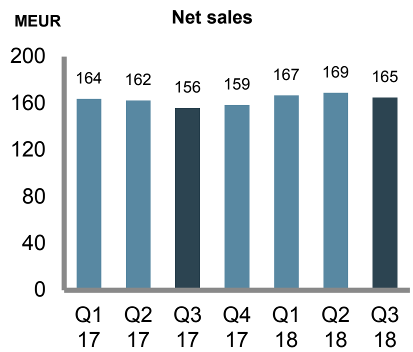
Net sales rose by 5.9% to EUR 165.1 million, compared with EUR 155.9 million in July-September 2017. Growth was driven by higher selling prices across the business area. Deliveries rose in the Abrasive and Coated Specialties businesses, while they declined in the Release Liners and Insulation businesses.

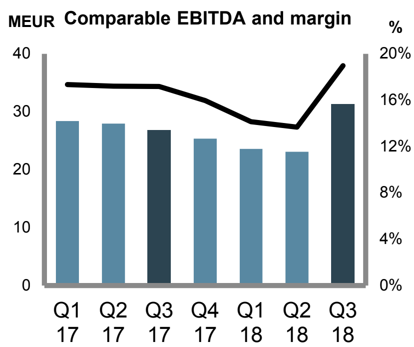
Comparable EBITDA increased to EUR 31.3 million (EUR 26.8 million), representing 19.0% (17.2%) of net sales. The gross margin for products improved, particularly in the Insulation business, as higher selling prices more than offset increased variable costs. Other costs were exceptionally low in the quarter due to the timing of energy subsidies.

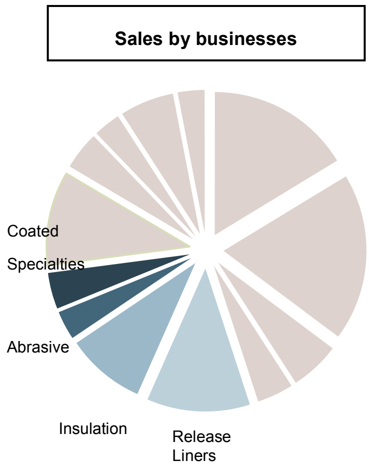
*Result development in January-September 2018*

Net sales rose by 3.9% to EUR 500.7 million, compared with EUR 482.1 million in January-September 2017. The positive impact from higher selling prices was partially offset by lower sales volumes.

Comparable EBITDA decreased to EUR 78.0 million (EUR 83.1 million), representing 15.6% (17.2%) of net sales. The gross margin for products improved as higher selling prices compensated for the increased variable costs. Lower sales volumes and fixed cost inflation had a negative impact on the result. Performance at business level was stable except for a slight decline in Release Liners.




| EUR MILLION | Q3/2018 | Q2/2018 | Q1/2018 | Q4/2017 | Q3/2017 | 2017 |
|---|---|---|---|---|---|---|
| Net sales | 165.1 | 168.9 | 166.7 | 158.7 | 155.9 | 640.8 |
| Comparable EBITDA | 31.3 | 23.1 | 23.6 | 25.3 | 26.8 | 108.5 |
| Comparable EBITDA margin, % | 19.0 | 13.7 | 14.1 | 16.0 | 17.2 | 16.9 |
| Capital expenditure | 9.7 | 11.8 | 10.8 | 15.6 | 5.1 | n/a |
| Depreciation and amortization | 8.3 | 8.4 | 8.4 | 8.5 | 9.1 | n/a |

# SPECIALTIES

*The Specialties business area produces materials for food and beverage packaging, laboratory filters and life science diagnostics, water filtration, tape products and medical fabrics. It also supplies hot cooking oil and milk filtration materials, graphics paper for sticky notes and envelopes and metallized labels.*

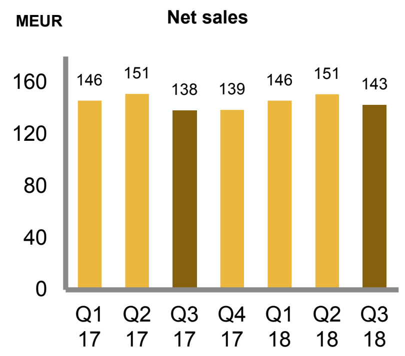
*Market review July-September 2018:*
Demand for food packaging-related parchment products was strong, while the market for uncoated and coated papers as well as tea bag materials remained highly competitive. Demand for life science and high-end medical products was good, while that for tape materials was stable.

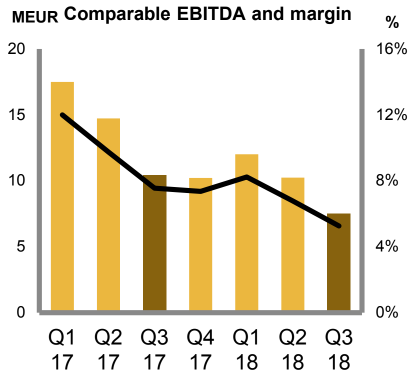
*Result development in July-September 2018:*
Net sales rose 3.1% to EUR 142.6 million, compared with EUR 138.3 million in July-September 2017, as higher selling prices more than offset lower sales volumes. Deliveries in the Advanced Liquid Technologies and Medical businesses rose, while those in the Food Packaging as well as Beverage & Casings businesses fell. Deliveries in the Tape business were stable.

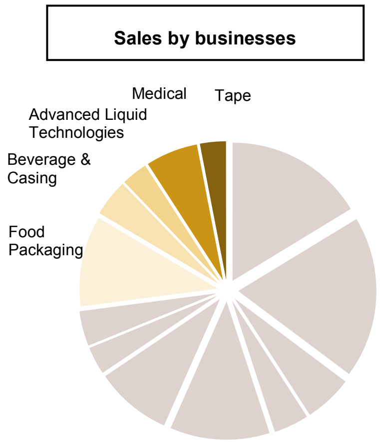
Comparable EBITDA decreased to EUR 7.5 million (EUR 10.4 million), representing 5.3% (7.5%) of net sales. Profitability fell in the coated-one sided business, a product segment within the Food Packaging business, and in the Medical business. In the coated one-sided business profitability was mainly hurt by higher variable costs. In the Medical business, profitability deteriorated from an exceptionally high level in Q3 2017. Performance in other businesses was stable.

*Result development in January-September 2018:*
Net sales rose 0.9% to EUR 439.4 million compared with EUR 435.4 million in January-September 2017. Higher selling prices were offset by lower sales volumes and an adverse currency effect.

Comparable EBITDA was EUR 29.7 million (EUR 42.7 million), representing 6.8% (9.8%) of net sales, mainly due to lower volumes and increased variable costs in the coated-one sided business. Performance in other businesses was stable.




| EUR MILLION | Q3/2018 | Q2/2018 | Q1/2018 | Q4/2017 | Q3/2017 | 2017 |
|---|---|---|---|---|---|---|
| Net sales | 142.6 | 150.9 | 145.9 | 138.9 | 138.3 | 574.3 |
| Comparable EBITDA | 7.5 | 10.2 | 12.0 | 10.2 | 10.4 | 52.9 |
| Comparable EBITDA margin, % | 5.3 | 6.8 | 8.2 | 7.3 | 7.5 | 9.2 |
| Capital expenditure | 15.3 | 4.0 | 3.0 | 5.9 | 3.1 | n/a |
| Depreciation and amortization | 7.6 | 7.6 | 7.7 | 8.0 | 8.1 | n/a |



AHLSTROM MUNKSJÖ

# SHARES AND SHARE CAPITAL

Ahlstrom-Munksjö’s shares are listed on the Nasdaq Helsinki as well as on the Nasdaq Stockholm. All shares carry one vote and have equal voting rights. The trading code is AM1 in Helsinki and AM1S in Stockholm.

On September 30, 2018, Ahlstrom-Munksjö’s share capital amounted to EUR 85 million, and the total number of shares since April 1, 2017 has been 96,438,573. The company had 11,666 shareholders at the end of the reporting period (11,526 as of Dec. 31, 2017), according to Euroclear Finland Ltd. Ahlstrom-Munksjö held a total of 364,862 of its own shares, corresponding to approximately 0.4% of the total shares and votes.

## SHARE PRICE PERFORMANCE AND TRADING

| | Nasdaq Helsinki | | Nasdaq Stockholm | |
|---|---|---|---|---|
| | 1-9/2018 | 1-9/2017* | 1-9/2018 | 1-9/2017* |
| Share price at the end of the period, EUR/SEK | 16.50 | 17.56 | 170.20 | 168.50 |
| Highest share price, EUR/SEK | 20.10 | 20.49 | 197.40 | 199.50 |
| Lowest share price, EUR/SEK | 14.00 | 13.75 | 145.80 | 131.50 |
| Market capitalization at the end of the period**, EUR million | 1,585.2 | 1,687.1 | N/A | N/A |
| Trading value, EUR/SEK million | 133.0 | 195.2 | 275.4 | 168.4 |
| Trading volume, shares million | 8.0 | 11.3 | 1.6 | 1.1 |
| Average daily trading volume, shares | 42,536 | 60,095 | 8,627 | 5,624 |

* January-March 2017 Munksjö Oyj only

**Excluding the shares held by Ahlstrom-Munksjö

Ahlstrom-Munksjö’s shares are also traded on alternative exchanges, such as Cboe, Turquoise and Posit. Those exchanges represented about 33% of the total trading value during the reporting period (source: Fidessa Fragmentation Index).

# GENERAL MEETINGS OF SHAREHOLDERS

## ANNUAL GENERAL MEETING

Ahlstrom-Munksjö Oyj's Annual General Meeting (AGM) was held on March 21, 2018. The Annual General Meeting adopted the Financial Statements for 2017 and discharged the members of the Board of Directors and the President and CEO from liability for the financial year 2017.

The AGM resolved to distribute a dividend of EUR 0.52 per share for the fiscal year that ended on December 31, 2017 in accordance with the proposal of the Board of Directors. The dividend was paid in two instalments. The first instalment of EUR 0.26 per share was paid on April 3, 2018 and the second instalment of EUR 0.26 per share on September 19, 2018.

The AGM resolved that the number of Board members to be eight. Peter Seligson, Elisabet Salander Björklund, Alexander Ehrnrooth, Johannes Gullichsen, Hannele Jakosuo-Jansson, Harri-Pekka Kaukonen and Pernilla Walfridsson were re-elected. Valerie A. Mars was elected as new member of the Board. The Board members were elected for a period ending at the close of the next AGM.

The AGM resolved in accordance with the proposal of the Board to re-elect KPMG Oy Ab as the company’s auditor. KPMG Oy Ab has designated Authorized Public Accountant Anders Lundin as the Responsible Auditor.

*Authorization to repurchase own shares*

The AGM authorized the Board of Directors to resolve to repurchase and to distribute the company’s own shares as well as to accept them as pledge, in one or more instalments.

The number of shares to be repurchased or accepted as pledge by virtue of the authorization shall not exceed 8,000,000 own shares in the company, subject to the provisions of the Finnish Companies’ Act on the maximum amount of shares owned by or pledged to the company or its subsidiaries. The shares may be repurchased or accepted as pledge in one or several instalments and in a proportion other than that of the existing shareholdings of the shareholders in the company. The shares shall be repurchased in public trading at the prevailing market price using unrestricted shareholders' equity.

The authorizations are valid until the close of the next Annual General Meeting, however, no longer than eighteen (18) months from the close of the Annual General Meeting.

*Decisions taken by the Board of Directors after the AGM*

The organization meeting of the Board of Directors, which was held immediately after the Annual General Meeting, elected Peter Seligson as Chairman of the Board and Elisabet Salander Björklund as Vice Chairman.

The Board of Directors appointed two permanent committees; the Audit Committee and the Human Resources Committee. The members of the Audit Committee are Elisabet Salander Björklund (Chair), Alexander Ehrnrooth, Harri-Pekka Kaukonen, Valerie A. Mars and Pernilla Walfridsson.

The members of Human Resources Committee are Hannele Jakosuo-Jansson (Chair), Johannes Gullichsen and Peter Seligson.

### EXTRAORDINARY GENERAL MEETING

Ahlstrom-Munksjö Oyj's Extraordinary General Meeting ("EGM") was held on September 19, 2018 in Helsinki.

*Authorization of the Board of Directors to resolve on a share issue*

To finance part of the acquisition of Expera, Ahlstrom-Munksjö plans to conduct a share issue of approximately EUR 150 million, which is expected to take place during the fourth quarter of 2018.

The EGM authorized the Board of Directors to resolve on the issuance of a maximum of 20,000,000 new shares pursuant to the shareholders' pre-emptive subscription right (rights offering). The authorization includes the right for the Board of Directors to resolve upon the issuance of shares that at the end of the subscription period of the rights offering may remain unsubscribed for pursuant to the shareholders' pre-emptive subscription right to parties determined by the Board of Directors (i.e. in derogation from the pre-emptive right of the shareholders). The Board of Directors is authorized to determine all other terms and conditions of the issuance of new shares.

The authorization is valid until the close of the next Annual General Meeting, however, no later than until June 30, 2019, and it does not revoke the Company's share issue authorization resolved upon by the Annual General Meeting held on March 21, 2018.

*Resolution on the number of members of the Board of Directors and election of a new member of the Board*

The EGM resolved in accordance with the proposal of the Nomination Board that the number of Board members be nine. The EGM resolved in accordance with the proposal of the Nomination Board to elect Lasse Heinonen as a new member of the Board.

# SCHEDULED MAINTENANCE SHUTDOWNS IN 2018

The annual maintenance shut-down at the pulp production facility in Aspa in Sweden was carried out in the fourth quarter in 2018 (the annual shut-down in 2017 was also carried out in Q4) and it will have an impact of approximately EUR 4 million on comparable EBITDA.

# SHORT-TERM RISKS

Ahlstrom-Munksjö is exposed to changing market conditions and uncertainty caused by both macroeconomic and industry related events and is exposed to risks that may arise from its operations, changes in the business environment, developments in the global economy or potential changes in the legislative framework. The materialization of such risks could have a material adverse effect on the company's operations, earnings and financial position.

The company's significant risks and uncertainty factors mainly consist of developments in demand for and prices of sold products, the cost and availability of significant raw materials, financial risks, as well as other business factors including developments in the financial markets. The cost of key raw materials such as pulp and titanium dioxide has continued to increase and the company’s financial performance may be impacted by its ability to raise selling prices and the timing of such rises to mitigate cost inflation.

Ahlstrom-Munksjö’s key financial risks include interest rate and currency risks, liquidity risk and credit risk. The Group has exposure to tax risks due to potential changes in tax laws or regulations or their application, or as a result of on-going or future tax audits or claims.

The company has operations in many countries, and sometimes disputes cannot be avoided in daily operations. The company is sometimes involved in legal actions, disputes, claims for damages and other procedures. The result of these cannot be predicted, but taking into account all available information to date, the impact is not expected to have a significant impact on the financial position of the company.

More information about risks and uncertainty factors related to Ahlstrom-Munksjö’s business and the company’s risk management is available at www.ahlstrom-munksjo.com.

*The actual numbers in this report have been prepared in accordance with International Financial Reporting Standards (IFRS). Comparable figures refer to the same period in the previous year, unless otherwise stated. The report contains certain forward-looking statements that reflect the present views of the company's management. The statements contain uncertainties and risks and are thus subject to changes in the general economic situation and in the company's business.*

Ahlstrom-Munksjö Oyj
Board of Directors

# ADDITIONAL INFORMATION

Hans Sohlström, President and CEO, tel. +358 10 888 2520
Pia Aaltonen-Forsell, CFO, tel. +46 10 250 1029
Johan Lindh, Head of Investor Relations, + 358 10 888 4994
Juho Erkheikki, Investor Relations Manager, tel. +358 10 888 4731

# WEBCAST AND CONFERENCE CALL

A combined news conference, call and live webcast will be arranged on the publishing day, October 30, 2018, at 2:00 p.m. EEST (1:00 p.m. CEST) at Ahlstrom-Munksjö’s head office in Helsinki (Alvar Aallon katu 3 C, meeting room Antti). The report will be presented in English by President and CEO Hans Sohlström and CFO Pia Aaltonen-Forsell.

## WEBCAST AND CONFERENCE CALL INFORMATION

The combined webcast and teleconference can be viewed at:
https://qsb.webcast.fi/a/ahlstrommunksjo/ahlstrommunksjo_2018_1030_q3/

Finland: +358 (0)9 7479 0360
Sweden: +46 (0)8 5033 6573
UK: +44 (0)330 336 9104

Conference ID: 3967538

To join the conference call, participants are requested to dial one of the numbers above 5-10 minutes prior to the start of the event. An on-demand version of the conference call will be available on Ahlstrom-Munksjö’s website later the same day. By dialing in to the conference call, the participant agrees that personal information such as name and company name will be collected. The conference call will be recorded.

## AHLSTROM-MUNKSJÖ IN BRIEF

Ahlstrom-Munksjö is a global leader in fiber-based materials, supplying innovative and sustainable solutions to its customers. Our mission is to expand the role of fiber-based solutions for sustainable everyday life. Our offering include filter materials, release liners, food and beverage processing materials, decor papers, abrasive and tape backings, electrotechnical paper, glass fiber materials, medical fiber materials and solutions for diagnostics as well as a range of specialty papers for industrial and consumer end-uses. Our annual net sales are about EUR 3 billion and we employ some 8,000 people. The Ahlstrom-Munksjö share is listed on the Nasdaq Helsinki and Stockholm. Read more at www.ahlstrom-munksjo.com.

# APPENDIX: CONSOLIDATED FINANCIAL STATEMENTS

Financial statements are unaudited.

| INCOME STATEMENT<br>EUR million | Q3/2018 | Q3/2017 | 1-9/2018 | 1-9/2017 | 2017 |
|---|---|---|---|---|---|
| Net sales | 565.6 | 541.6 | 1,725.8 | 1,412.9 | 1,959.9 |
| Other operating income | 2.8 | 1.6 | 6.3 | 11.5 | 12.7 |
| **Total operating income** | **568.3** | **543.3** | **1,732.1** | **1,424.3** | **1,972.6** |
| **Operating costs** | | | | | |
| Changes in inventories of finished goods and work in progress | 0.7 | -0.4 | 28.8 | -5.5 | -6.4 |
| Materials and supplies | -278.8 | -256.8 | -860.9 | -662.9 | -920.2 |
| Other operating expenses | -132.1 | -127.7 | -408.6 | -341.1 | -472.0 |
| Personnel costs | -95.1 | -95.0 | -306.3 | -257.4 | -363.7 |
| Depreciation and amortization | -29.4 | -31.6 | -88.7 | -76.0 | -106.6 |
| **Total operating costs** | **-534.7** | **-511.6** | **-1,635.8** | **-1,342.9** | **-1,868.9** |
| Share of profit in equity accounted investments | - | 0.0 | - | 0.0 | -0.2 |
| **Operating result** | **33.7** | **31.7** | **96.3** | **81.4** | **103.5** |
| Net financial items | -6.6 | -6.8 | -12.0 | -19.6 | -26.2 |
| **Profit before tax** | **27.0** | **24.9** | **84.3** | **61.8** | **77.3** |
| Taxes | -7.6 | -7.4 | -21.6 | -18.0 | -10.8 |
| **Net profit** | **19.4** | **17.5** | **62.7** | **43.8** | **66.5** |

| pro forma INCOME STATEMENT<br>EUR million | 1-9/2017 | 2017 |
|---|---|---|
| Net sales | 1,685.5 | 2,232.6 |
| Other operating income | 12.5 | 13.7 |
| **Total operating income** | **1,698.1** | **2,246.4** |
| **Operating costs** | | |
| Changes in inventories of finished goods and work in progress | 8.2 | 7.5 |
| Materials and supplies | -782.8 | -1,040.1 |
| Other operating expenses | -398.8 | -529.8 |
| Personnel costs | -311.0 | -417.3 |
| Depreciation and amortization | -95.9 | -126.5 |
| **Total operating costs** | **-1,580.3** | **-2,106.2** |
| Share of profit in equity accounted investments | 0.0 | -0.2 |
| **Operating result** | **117.9*** | **140.0*** |
| Net financial items | -23.9 | -30.4 |
| **Profit before tax** | **94.0** | **109.6** |
| Taxes | -24.8 | -21.1 |
| **Net profit** | **69.2*** | **88.5*** |

*Fair valuation adjustment EUR 11 million (EUR 7.6 million net of tax) on acquired Ahlstrom inventories is excluded as it is adjusted in the 2016 pro forma income statement.

| OTHER COMPREHENSIVE INCOME EUR million | Q3/2018 | Q3/2017 | 1-9/2018 | 1-9/2017 | 2017 |
|---|---|---|---|---|---|
| **Net profit** | **19.4** | **17.5** | **62.7** | **43.8** | **66.5** |
| | | | | | |
| **Other comprehensive income** | | | | | |
| | | | | | |
| **Items that may be reclassified to profit or loss** | | | | | |
| Exchange differences on translation of foreign operations for the period | -4.8 | -10.0 | -22.3 | -45.0 | -53.6 |
| Hedges of net investments in foreign operations | 0.1 | 0.0 | 0.0 | 0.1 | 0.1 |
| Change in cash flow hedge reserve | 3.2 | 1.3 | -1.6 | 1.2 | 0.8 |
| Cash flow hedge transferred to this year's result | 1.7 | -1.3 | 3.6 | -0.2 | -0.7 |
| **Items that will not be reclassified to profit or loss** | | | | | |
| Actuarial gains and losses on defined benefit plans | 1.8 | 2.3 | 6.0 | 6.8 | 5.9 |
| **Tax attributable to other comprehensive income** | -1.4 | -0.6 | -1.8 | -2.7 | -1.7 |
| **Comprehensive income** | **19.9** | **9.3** | **46.6** | **4.0** | **17.2** |
| | | | | | |
| **Net profit attributable to** | | | | | |
| Parent company's shareholders | 18.9 | 17.3 | 61.4 | 43.3 | 65.9 |
| Non-controlling interests | 0.4 | 0.2 | 1.3 | 0.5 | 0.6 |
| | | | | | |
| **Comprehensive income attributable to** | | | | | |
| Parent company's shareholders | 19.6 | 9.2 | 45.4 | 3.7 | 16.8 |
| Non-controlling interests | 0.3 | 0.1 | 1.2 | 0.3 | 0.4 |
| | | | | | |
| **Earnings per share** | | | | | |
| Weighted average number of outstanding shares | 96,073,711 | 96,073,711 | 96,073,711 | 81,189,753 | 84,941,326 |
| Basic earnings per share, EUR | 0.20 | 0.18 | 0.64 | 0.53 | 0.78 |
| Diluted earnings per share, EUR | 0.20 | 0.18 | 0.64 | 0.53 | 0.78 |

| pro forma EARNINGS PER SHARE | 1-9/2017 | 2017 |
|---|---|---|
| Weighted average number of outstanding shares | 96,149,201 | 96,130,173 |
| Basic earnings per share, EUR | 0.71 | 0.91 |

| BALANCE SHEET<br>EUR million | Sept. 30,<br>2018 | Sept. 30,<br>2017 | Dec. 31,<br>2017 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 841.3 | 834.8 | 841.7 |
| Goodwill | 428.0 | 434.4 | 429.4 |
| Other intangible assets | 297.2 | 309.5 | 309.2 |
| Equity accounted investments | - | 2.2 | 1.2 |
| Other investments | 1.6 | 0.5 | 0.5 |
| Other receivables | 8.6 | 13.5 | 7.1 |
| Deferred tax assets | 2.5 | 16.7 | 15.1 |
| **Total non-current assets** | **1,579.1** | **1,611.6** | **1,604.2** |
| | | | |
| **Current assets** | | | |
| Inventories | 329.5 | 273.2 | 282.3 |
| Trade and other receivables | 300.1 | 292.3 | 259.3 |
| Income tax receivables | 2.4 | 7.4 | 5.1 |
| Cash and cash equivalents | 194.9 | 225.7 | 245.9 |
| **Total current assets** | **826.9** | **798.5** | **792.6** |
| **TOTAL ASSETS** | **2,406.0** | **2,410.1** | **2,396.8** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | **1,034.4** | **1,028.2** | **1,038.0** |
| | | | |
| **Non-current liabilities** | | | |
| Non-current borrowings | 532.4 | 552.8 | 542.3 |
| Other non-current liabilities | 0.7 | 0.8 | 0.5 |
| Employee benefit obligations | 90.3 | 98.0 | 98.1 |
| Deferred tax liabilities | 94.0 | 123.9 | 105.5 |
| Provisions | 12.8 | 15.2 | 17.7 |
| **Total non-current liabilities** | **730.2** | **790.7** | **764.1** |
| | | | |
| **Current liabilities** | | | |
| Current borrowings | 119.2 | 77.1 | 78.9 |
| Trade and other payables | 507.4 | 494.6 | 502.9 |
| Income tax liabilities | 9.5 | 14.4 | 4.1 |
| Provisions | 5.3 | 5.1 | 8.8 |
| **Total current liabilities** | **641.4** | **591.3** | **594.6** |
| **Total liabilities** | **1,371.6** | **1,381.9** | **1,358.8** |
| **TOTAL EQUITY AND LIABILITIES** | **2,406.0** | **2,410.1** | **2,396.8** |

## STATEMENT OF CHANGES IN EQUITY

1) Share capital
2) Reserve for invested unrestricted equity
3) Other reserves
4) Treasury shares
5) Cumulative translation adjustment
6) Retained earnings
7) Total equity attributable to the parent company's shareholders
8) Non-controlling interests
9) Total equity

| EUR million | 1) | 2) | 3) | 4) | 5) | 6) | 7) | 8) | 9) |
|---|---|---|---|---|---|---|---|---|---|
| **Balance on January 1, 2017** | **15.0** | **254.1** | **384.4** | **-3.1** | **-9.9** | **-206.8** | **433.7** | **4.0** | **437.7** |
| Net profit | - | - | - | - | - | 43.3 | 43.3 | 0.5 | 43.8 |
| Other comprehensive income | - | - | 0.8 | - | -44.7 | 4.2 | -39.7 | -0.2 | -39.9 |
| **Total comprehensive income** | **-** | **-** | **0.8** | **-** | **-44.7** | **47.6** | **3.7** | **0.3** | **4.0** |
| Merger consideration | 70.0 | 311.8 | - | - | - | 250.8 | 632.6 | 4.8 | 637.4 |
| Changes in own shares | - | - | - | -5.6 | - | - | -5.6 | - | -5.6 |
| Return of capital and dividends | - | -44.9 | - | - | - | - | -44.9 | -0.3 | -45.2 |
| Long term incentive plan | - | - | - | 2.4 | - | -2.3 | 0.1 | - | 0.1 |
| **Balance on September 30, 2017** | **85.0** | **521.0** | **385.2** | **-6.3** | **-54.6** | **89.3** | **1,019.4** | **8.8** | **1,028.2** |
| | | | | | | | | | |
| **Balance on December 31, 2017** | **85.0** | **517.6** | **384.5** | **-6.3** | **-63.3** | **111.7** | **1,029.1** | **8.9** | **1,038.0** |
| Restatement due to IFRS 9 | - | - | - | - | - | -1.6 | -1.6 | - | -1.6 |
| **Balance on January 1, 2018** | **85.0** | **517.6** | **384.5** | **-6.3** | **-63.3** | **110.1** | **1,027.5** | **8.9** | **1,036.5** |
| Net profit | - | - | - | - | - | 61.4 | 61.4 | 1.3 | 62.7 |
| Other comprehensive income | - | - | 1.6 | - | -22.2 | 4.6 | -15.9 | -0.1 | -16.1 |
| **Total comprehensive income** | **-** | **-** | **1.6** | **-** | **-22.2** | **66.0** | **45.4** | **1.2** | **46.6** |
| Dividends and other | - | - | - | - | - | -50.1 | -50.1 | -0.3 | -50.4 |
| Long term incentive plan | - | - | - | - | - | 1.7 | 1.7 | - | 1.7 |
| **Balance on September 30, 2018** | **85.0** | **517.6** | **386.1** | **-6.3** | **-85.4** | **127.7** | **1,024.6** | **9.8** | **1,034.4** |



AHLSTROM MUNKSJÖ

| CASH FLOW STATEMENT EUR million | Q3/2018 | Q3/2017 | 1-9/2018 | 1-9/2017 | 2017 |
|---|---|---|---|---|---|
| **Cash flow from operating activities** | | | | | |
| Net profit | 19.4 | 17.5 | 62.7 | 43.8 | 66.5 |
| Adjustments, total | 44.0 | 41.6 | 120.8 | 107.3 | 138.3 |
| Changes in net working capital | -16.4 | 2.5 | -84.5 | 3.0 | 25.2 |
| Change in provisions | -5.4 | 1.8 | -8.1 | 0.5 | 9.5 |
| Financial items | -4.2 | -4.9 | -16.8 | -18.5 | -17,3 |
| Income taxes paid / received | -9.4 | -7.0 | -13.4 | -26.9 | -35.6 |
| **Net cash from operating activities** | **28.0** | **51.6** | **60.7** | **109.3** | **186.5** |
| | | | | | |
| **Cash flow from investing activities** | | | | | |
| Purchases of property, plant and equipment and intangible assets | -38.5 | -17.8 | -95.6 | -44.3 | -84.6 |
| Other investing activities | -0.4 | 3.3 | 0.1 | 2.9 | 4.8 |
| **Net cash from investing activities** | **-38.9** | **-14.5** | **-95.5** | **-41.4** | **-79.7** |
| | | | | | |
| **Cash flow from financing activities** | | | | | |
| Dividends paid and other | -21.7 | -19.5 | -47.0 | -45.9 | -48,5 |
| Interest on hybrid bond | - | - | - | -6.9 | -6.9 |
| Repurchase of hybrid bond | - | - | - | -100.0 | -100.0 |
| Change in loans and other financing activities | 43.8 | -14.7 | 38.5 | 108.5 | 97.5 |
| Sale/repurchase of own shares | - | - | - | -5.6 | -5.6 |
| **Net cash from financing activities** | **22.1** | **-34.2** | **-8.5** | **-50.0** | **-63.6** |
| | | | | | |
| **Net change in cash and cash equivalents** | **11.1** | **2.9** | **-43.3** | **17.9** | **43.2** |
| | | | | | |
| Cash and cash equivalents at the beginning of the period | 187.1 | 222.9 | 245.9 | 146.0 | 146.0 |
| Cash and cash equivalents received in the merger | - | - | - | 66.6 | 66.6 |
| Foreign exchange effect on cash and cash equivalents | -3.3 | 0.0 | -7.6 | -4.8 | -9.9 |
| **Cash and cash equivalents at the end of the period** | **194.9** | **225.7** | **194.9** | **225.7** | **245.9** |

| pro forma CASH FLOW STATEMENT EUR million | 1-9/2017 | 2017 |
|---|---|---|
| Net cash from operating activities | 135.7 | 212.9 |

## NOTES TO THE FINANCIAL STATEMENTS

***Accounting principles***

This unaudited consolidated quarterly interim report has been prepared in accordance with "IAS 34 Interim Financial Reporting", as adopted by the EU. All figures in the accounts have been rounded and consequently the sum of individual figures can deviate from the presented sum figure. Furthermore, all percentages are subject to possible rounding differences. The accounting principles applied remain unchanged compared with the Annual Report 2017 of Ahlstrom-Munksjö except for the impact of the new standards adopted January 1, 2018.

***IFRS 15 Revenue from contracts with customers***

The Group has adopted IFRS 15 Revenue from Contracts with Customers January 1, 2018. IFRS 15 replaces the revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations. IFRS 15 establishes a five-step single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the good or service underlying the particular performance obligation is transferred to the customer.

The Group is delivering goods to the customer where each good provided to the customer is distinct from the other goods provided to the customer. A typical good consist of a packed sheet of paper, a roll of paper or a cube of pulp. The Group does not provide services. Sale of goods is the only revenue stream of the Group and that consists of the following business areas: Decor, Filtration and Performance, Industrial Solutions, and Specialties. A typical contract with customer consists of purchase order and order confirmation, including the general terms and conditions of the arrangement. Compared to the previous accounting standard, the new standard does not entail any change in identification and accounting for the delivery of goods in Ahlstrom-Munksjö. Revenue is recognized at point in time when control of goods has been transferred to the customer.

The Group adopted the new standard using the full retrospective method. The Group has performed an assessment of IFRS 15 impacts and as a result, there were no significant accounting changes compared to the previous practice and thus there was no impact to the financial statements.

***IFRS 9 Financial instruments***

The Group has adopted IFRS 9 Financial Instruments on January 1, 2018. The new standard replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new expected credit loss model for calculating impairment on financial assets. The impacts of IFRS 9 adoption are described below.

Under IFRS 9, the classification and measurement of financial assets are based on the cash flow characteristics of them and the business model they are managed in. The Group has categorized its financial assets to financial assets measured at amortized cost, at fair value through income statement and at fair value through other comprehensive income. The reclassification has not had any impact on equity.

The classification of the financial assets under IFRS 9:

| | Classification under IAS 39 | Classification under IFRS 9 |
|---|---|---|
| Trade and other receivables | Loans and receivables | Amortized cost |
| Other investments | Available-for-sale financial assets | Fair value through income statement (or other comprehensive income) |
| Derivatives under hedge accounting | Derivatives used for hedging (at fair value through other comprehensive income) | Fair value through other comprehensive income |
| Derivatives, non hedge accounting | Fair value through income statement | Fair value through income statement |

The new rules of IFRS 9 for hedge accounting aligns more closely with common risk management practices and, among others, allows net position hedging. The Group applies the new hedge accounting requirements prospectively. The Group hedges the foreign currency flows on a net exposure basis. The cash flow hedging is applied against the expected net cash flows, consisting of related sales proceeds and purchases in the same currency. The new rules of IFRS 9 for hedge accounting had no impact on the reporting period.

According to IFRS 9 the impairment assessment of financial assets is based on expected credit loss model. The impairment is based on forward-looking information as well as past experience and current expectations. The Group estimates the credit risk for financial assets, mainly trade receivables, measured at amortized cost at the end of each reporting period.

The Group applies the simplified approach to assess the credit risk of trade receivables. The loss allowance is measured at the estimate of the lifetime expected credit losses, which are recognized based on ageing categories of trade receivables. The Group has historically low levels for realized credit losses in trade receivables and the Group also has a credit insurance program in place. Due to the new expected credit loss model the Group has made an adjustment of EUR -1.6 million in retained earnings and trade receivables for the opening balance of January 1, 2018. Comparatives for 2017 are not restated.

***IFRS 16 Leases***

IFRS 16 Leases is effective on January 1, 2019 and the new standard will affect primarily the accounting by lessees and will result in the recognition of almost all leases on the balance sheet. The new lease standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for the majority of Ahlstrom-Munksjö's lease contracts.  The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest cost and depreciation, so our key metrics like EBITDA will change. An optional exemption exists for short-term and low-value leases.

Ahlstrom-Munksjö has performed a first preliminary impact assessment based on the identified existing contracts at the end of the first quarter in 2018. According to the high level assessment, the implementation of IFRS 16 would have increased the property, plant and equipment in the balance sheet at the end of second quarter by approximately EUR 42 million. In the consolidated income statement, the operating expense will decrease, while depreciation and interest costs will reflect an increase as the lease expense is no longer classified as an operating expense. This will lead to an improvement in EBITDA. The Group will continue the IFRS 16 implementation project including specifying more accurate impact of the change.

Ahlstrom-Munksjö expects to adopt IFRS 16 upon initial application January 1, 2019 using a simplified approach (modified retrospective approach) where comparative figures will not be restated. The Group expects to use the other available reliefs to the widest possible extent, including the exclusion of leases with a term to maturity of less than 12 months and low-value leases.

***Derivative financial instruments***

The fair value of currency instruments was EUR 1.0 million and the interest rate instruments was EUR -0.0 million at the end of the third quarter. The fair value hierarchy level for derivative instruments is 2.

*Segment information*

| Financial performance by business area, EUR million 1-9/2018 | Decor | Filtration and Performance | Industrial Solutions | Specialties | Other and eliminations | Group |
|---|---|---|---|---|---|---|
| Net sales, external | 295.2 | 501.7 | 500.2 | 427.9 | 0.7 | 1,725.8 |
| Net sales, internal | 2.8 | 8.3 | 0.5 | 11.5 | -23.0 | - |
| **Net sales** | **298.0** | **510.0** | **500.7** | **439.4** | **-22.3** | **1,725.8** |
| **Comparable EBITDA** | **21.2** | **90.1** | **78.0** | **29.7** | **-13.4** | **205.6** |
| Items affecting comparability | | | | | | -20.5 |
| Depreciation, amortization and impairments | | | | | | -88.7 |
| **Operating result** | | | | | | **96.3** |

| Financial performance by business area, EUR million 1-9/2017 | Decor | Filtration and Performance | Industrial Solutions | Specialties | Other and eliminations | Group |
|---|---|---|---|---|---|---|
| Net sales, external | 282.3 | 330.9 | 479.2 | 319.2 | 1.3 | 1,412.9 |
| Net sales, internal | 1.8 | 5.5 | 2.9 | 7.9 | -18.1 | - |
| **Net sales** | **284.1** | **336.3** | **482.1** | **327.1** | **-16.9** | **1,412.9** |
| **Comparable EBITDA** | **25.2** | **64.2** | **83.9** | **24.8** | **-13.1** | **185.1** |
| Items affecting comparability | | | | | | -27.7 |
| Depreciation, amortization and impairments | | | | | | -76.0 |
| **Operating result** | | | | | | **81.4** |

Other and eliminations include head office costs comprising the following functions, CEO, Group Finance, Treasury, Investor Relations, Strategy, Legal, Communications, and Group HR. The head office costs comprise mainly salaries, rent and professional fees. The segment Other also includes certain other exceptional costs not used in the assessment of business area performance and other holding and sales companies' income and expenses.

| Segment information by quarter | Q3/2018 | Q2/2018 | Q1/2018 | Q4/2017 | Q3/2017 |
|---|---|---|---|---|---|
| **NET SALES, EUR million** | | | | | |
| Decor | 96.5 | 101.8 | 99.8 | 94.2 | 90.5 |
| Filtration and Performance | 168.3 | 174.7 | 167.0 | 159.9 | 162.0 |
| Industrial Solutions | 165.1 | 168.9 | 166.7 | 158.7 | 155.9 |
| Specialties | 142.6 | 150.9 | 145.9 | 138.9 | 138.3 |
| Other and eliminations | -6.9 | -8.5 | -6.9 | -4.7 | -5.1 |
| **Group** | **565.6** | **587.8** | **572.4** | **547.1** | **541.6** |
| | | | | | |
| **COMPARABLE EBITDA, EUR million** | | | | | |
| Decor | 6.0 | 8.9 | 6.3 | 8.6 | 5.8 |
| Filtration and Performance | 31.2 | 30.2 | 28.7 | 24.6 | 31.1 |
| Industrial Solutions | 31.3 | 23.1 | 23.6 | 25.3 | 26.8 |
| Specialties | 7.5 | 10.2 | 12.0 | 10.2 | 10.4 |
| Other and eliminations | -4.2 | -5.3 | -3.9 | -5.7 | -3.7 |
| **Group** | **71.8** | **67.1** | **66.7** | **63.1** | **70.4** |
| | | | | | |
| **COMPARABLE EBITDA margin, %** | | | | | |
| Decor | 6.2 | 8.7 | 6.3 | 9.2 | 6.4 |
| Filtration and Performance | 18.5 | 17.3 | 17.2 | 15.4 | 19.2 |
| Industrial Solutions | 19.0 | 13.7 | 14.1 | 16.0 | 17.2 |
| Specialties | 5.3 | 6.8 | 8.2 | 7.3 | 7.5 |
| Other and eliminations | | | | | |
| **Group** | **12.7** | **11.4** | **11.7** | **11.5** | **13.0** |

*Net sales by region*

| EUR million | Q3/2018 | Q3/2017 | 1-9/2018 | 1-9/2017 | 2017 |
|---|---|---|---|---|---|
| Europe | 319.3 | 307.7 | 1,003.5 | 843.0 | 1,161.3 |
| North America | 108.3 | 92.0 | 304.3 | 212.7 | 299.6 |
| South America | 38.8 | 41.8 | 116.7 | 114.6 | 159.7 |
| Asia | 89.7 | 86.0 | 271.9 | 214.4 | 304.5 |
| Rest of the world | 9.4 | 14.1 | 29.4 | 28.1 | 34.8 |
| **Total** | **565.6** | **541.6** | **1,725.8** | **1,412.9** | **1,959.9** |

*Changes in property, plant and equipment*

| EUR million | 1-9/2018 | 1-9/2017 | 2017 |
|---|---|---|---|
| Book value at the beginning of the period | 841.7 | 421.1 | 421.1 |
| Merger | - | 451.8 | 448.9 |
| Additions | 85.2 | 45.0 | 88.0 |
| Disposals | -0.5 | -2.4 | -2.6 |
| Depreciations | -72.5 | -63.0 | -88.3 |
| Translation differences and other changes | -12.7 | -17.8 | -25.4 |
| **Book value at the end of period** | **841.3** | **834.8** | **841.7** |



AHLSTROM MUNKSJÖ

### *Commitments*

| OFF-BALANCE SHEET COMMITMENTS<br>EUR million | Sep 30,<br>2018 | Dec 31,<br>2017 |
|---|---|---|
| **Assets pledged** | | |
| Pledges | 1.0 | 1.8 |
| **Commitments** | | |
| Guarantees and commitments given on behalf of Group companies | 61,6 | 68.6 |
| Capital expenditure commitments | 6.6 | 10.3 |
| Other guarantees and commitments | 9.9 | 5.3 |

| FUTURE OPERATING LEASE COMMITMENTS<br>EUR million | Sep 30.<br>2018 | Dec 31.<br>2017 |
|---|---|---|
| Current portion | 11.4 | 11.3 |
| Non-current portion | 31.1 | 28.6 |
| **Total** | **42.5** | **39.9** |

### *Key figures*

The comparison year 2017 was a transformative year for Ahlstrom-Munksjö. Ahlstrom and Munksjö merged on April 1, 2017 creating a global leader in innovative and sustainable fiber-based materials. Considering the magnitude of the merger of Ahlstrom and Munksjö and the impact on the combined company's performance and financial position and as Munksjö is the accounting acquirer, stand-alone Munksjö historical information does not provide our investors a reasonable basis to compare the operating performance and historical financial position.

Accordingly, we present certain historical key figures on our business performance on a pro forma basis to give effect to the merger and the refinancing as if these transactions had taken place at an earlier date. Comparative key figures for capital structure are presented on a pro forma basis as at the merger date as the historical balance sheet data comprise Munksjö information only and does not represent a basis for comparison post-merger. The pro forma key figures have been presented for illustrative purposes only and address a hypothetical situation and therefore do not represent the company's actual historical results of operations as such historical data comprise Munksjö stand-alone information only. For a detailed basis of presentation and notes disclosures for the additional unaudited pro forma information please see our stock exchange release dated 15 May 2017 available on our website at www.ahlstrom-munksjo.com.

Certain of our key figures are not accounting measures defined or specified under IFRS and therefore are considered as alternative performance measures. We present these alternative performance measures as additional information to the financial measures presented in the consolidated financial statements prepared in accordance with IFRS. The company believes that the alternative performance measures provide significant additional information on Ahlstrom-Munksjö's results of operations, financial position and cash flows, and are widely used by our analysts, investors and other parties and provide additional information to analyze our performance and capital structure.

Alternative performance measures should not be viewed in isolation or as a substitute to measures presented in our audited IFRS financial statements. Companies do not calculate alternative performance measures in a uniform way, and therefore Ahlstrom-Munksjö's alternative performance measures may not be comparable with similarly named measures presented by other companies.

| CONSOLIDATED KEY FIGURES<br>EUR million, or as indicated | Q3/2018 | Q3/2017 | 1-9/2018 | 1-9/2017 | 2017 |
|---|---|---|---|---|---|
| Net sales | 565.6 | 541.6 | 1,725.8 | 1,412.9 | 1,959.9 |
| Operating result | 33.7 | 31.7 | 96.3 | 81.4 | 103.5 |
| Operating margin, % | 6.0 | 5.9 | 5.6 | 5.8 | 5.3 |
| Net profit | 19.4 | 17.5 | 62.7 | 43.8 | 66.5 |
| EBITDA | 63.1 | 63.3 | 185.1 | 157.4 | 210.1 |
| EBITDA margin, % | 11.1 | 11.7 | 10.7 | 11.1 | 10.7 |
| Items affecting comparability | -8.7 | -7.0 | -20.5 | -27.7 | -38.1 |
| Comparable EBITDA | 71.8 | 70.4 | 205.6 | 185.1 | 248.2 |
| Comparable EBITDA margin, % | 12.7 | 13.0 | 11.9 | 13.1 | 12.7 |
| Comparable operating result | 42.4 | 38.8 | 116.9 | 109.2 | 141.7 |
| Comparable operating result margin, % | 7.5 | 7.2 | 6.8 | 7.7 | 7.2 |
| Comparable operating result excl. depreciations arising from mergers* | 50.1 | 46.7 | 139.8 | 125.8 | 166.1 |
| Comparable return on capital employed, rolling 12 months, % | | | 9.1 | 11.1 | 9.9 |
| Capital employed average for 12 months | | | 1,642.6 | 1,209.0 | 1,436.4 |
| Total equity | 1,034.4 | 1,028.2 | 1,034.4 | 1,028.2 | 1,038.0 |
| Net debt | 456.6 | 404.2 | 456.6 | 404.2 | 375.3 |
| Gearing ratio, % | 44.1 | 39.3 | 44.1 | 39.3 | 36.2 |
| Equity/assets ratio, % | 43.0 | 42.7 | 43.0 | 42.7 | 43.3 |
| Net debt/EBITDA, comparable, rolling 12 months | | | 1.7 | 1.8 | 1.5 |
| Earnings per share, EUR (before and after dilution) | 0.20 | 0.18 | 0.64 | 0.53 | 0.78 |
| Comparable net profit | 26.1 | 22.6 | 78.4 | 63.3 | 93.3 |
| Comparable earnings per share, EUR | 0.27 | 0.23 | 0.80 | 0.77 | 1.09 |
| Comparable net profit excl. depreciations arising from mergers* | 31.8 | 28.0 | 95.6 | 74.9 | 110.3 |
| Comparable earnings per share excl. depreciations arising from mergers*, EUR | 0.33 | 0.29 | 0.98 | 0.92 | 1.29 |
| Operating cash flow per share, EUR | 0.29 | 0.54 | 0.63 | 1.35 | 2.20 |
| Equity per share, EUR | 10.7 | 10.6 | 10.7 | 10.6 | 10.7 |
| Number of shares outstanding at the end of the period | 96,073,711 | 96,073,711 | 96,073,711 | 96,073,711 | 96,073,711 |
| Weighted average number of outstanding shares | 96,073,711 | 96,073,711 | 96,073,711 | 81,189,753 | 84,941,326 |
| Capital expenditure | 38.5 | 17.8 | 95.6 | 44.3 | 84.6 |
| Average number of employees, FTE | 5,932 | 5,918 | 5,909 | 4,847 | 5,109 |

* Depreciation and amortization relating to business combination of Label and Processing business in 2013 and Ahlstrom in April 2017.



AHLSTROM MUNKSJÖ

### *Reconciliation of certain key performance measures*

| EUR million | Q3/2018 | Q3/2017 | 1-9/2018 | 1-9/2017 | 2017 |
|---|---|---|---|---|---|
| **Items affecting comparability** | | | | | |
| Transaction and integration costs | -8.1 | -7.0 | -17.7 | -16.8 | -23.0 |
| Inventory fair valuation | - | - | - | -11.1 | -11.1 |
| Restructuring costs | -0.2 | - | -2.6 | -0.3 | -1.0 |
| Environmental provision | -0.2 | - | -0.2 | -0.2 | -1.5 |
| Gain on business disposal | - | - | - | 0.7 | 0.7 |
| Other | -0.2 | - | 0.0 | - | -2.3 |
| **Total items affecting comparability** | **-8.7** | **-7.0** | **-20.5** | **-27.7** | **-38.1** |
| | | | | | |
| **Comparable EBITDA** | | | | | |
| Operating result | 33.7 | 31.7 | 96.3 | 81.4 | 103.5 |
| Total items affecting comparability | 8.7 | 7.0 | 20.5 | 27.7 | 38.1 |
| Depreciation and amortization | 29.4 | 31.6 | 88.7 | 76.0 | 106.6 |
| **Comparable EBITDA** | **71.8** | **70.4** | **205.6** | **185.1** | **248.2** |
| | | | | | |
| **Comparable operating result excl. depreciations arising from mergers** | | | | | |
| Operating result | 33.7 | 31.7 | 96.3 | 81.4 | 103.5 |
| Total items affecting comparability | 8.7 | 7.0 | 20.5 | 27.7 | 38.1 |
| **Comparable operating result** | **42.4** | **38.8** | **116.9** | **109.2** | **141.7** |
| Depreciation and amortization arising from PPA* | 7.7 | 7.8 | 23.0 | 16.6 | 24.4 |
| **Comparable operating result excl. depreciations arising from mergers** | **50.1** | **46.7** | **139.8** | **125.8** | **166.1** |
| | | | | | |
| **Comparable net profit excl. depreciations arising from mergers** | | | | | |
| Net profit | 19.4 | 17.5 | 62.7 | 43.8 | 66.5 |
| Total items affecting comparability | 8.7 | 7.0 | 20.5 | 27.7 | 38.1 |
| Taxes relating to items affecting comparability | -2.0 | -2.1 | -4.9 | -8.3 | -11.4 |
| **Comparable net profit** | **26.1** | **22.6** | **78.4** | **63.3** | **93,3** |
| Depreciation and amortization arising from PPA* | 7.7 | 7.8 | 23.0 | 16.6 | 24.4 |
| Taxes relating to depreciations and amortizations arising from PPA | -2.0 | -2.3 | -5.8 | -5.0 | -7.3 |
| **Comparable net profit excl. depreciations arising from mergers** | **31.8** | **28.0** | **95.6** | **74.9** | **110.3** |
| | | | | | |
| **Comparable earnings per share, EUR** | | | | | |
| Comparable net profit | 26.1 | 22.6 | 78.4 | 63.3 | 93.3 |
| Profit attributable to non controlling interest | -0.4 | -0.2 | -1.3 | -0.5 | -0.6 |
| Comparable net profit attributable to parent company shareholders | 25.7 | 22.3 | 77.0 | 62.8 | 92.7 |
| Weighted average number of outstanding shares | 96,073,711 | 96,073,711 | 96,073,711 | 81,189,753 | 84,941,326 |
| **Comparable earnings per share, EUR** | **0.27** | **0.23** | **0.80** | **0.77** | **1.09** |
| | | | | | |
| **Comparable EPS excl. depreciations arising from mergers, EUR** | | | | | |
| Comparable net profit excl. depreciations arising from mergers | 31.8 | 28.0 | 95.6 | 74.9 | 110.3 |
| Profit attributable to non controlling interest | -0.4 | -0.2 | -1.3 | -0.5 | -0.6 |
| Comparable net profit excl. depreciations arising from mergers attributable to parent company shareholders | 31.3 | 27.8 | 94.2 | 74.4 | 109.8 |
| Weighted average number of outstanding shares | 96,073,711 | 96,073,711 | 96,073,711 | 81,189,753 | 84,941,326 |
| **Comparable EPS excl. depreciations arising from mergers, EUR** | **0.33** | **0.29** | **0.98** | **0.92** | **1.29** |

* Depreciation and amortization relating to business combination of Label and Processing business in 2013 and Ahlstrom in April 2017.

*Reconciliation of certain pro forma key performance measures*

| pro forma<br>EUR million | 1-9/2017 | 2017 |
|---|---|---|
| **Items affecting comparability** | | |
| Transaction and integration costs | -12.8 | -19.0 |
| Inventory fair valuation | 0.0 | 0.0 |
| Restructuring costs | -1.1 | -1.8 |
| Environmental provision | -0.2 | -1.5 |
| Gain on business disposal | 0.7 | 0.7 |
| Other | - | -2.3 |
| **Total items affecting comparability** | **-13.4** | **-23.8** |
| | | |
| **Comparable EBITDA** | | |
| Operating result IFRS | 81.4 | 103.5 |
| Operating result of the merged company before the merger and merger related items | 36.5 | 36.5 |
| Operating result | 117.9 | 140.0 |
| Total items affecting comparability | 13.4 | 23.8 |
| Depreciation and amortization | 95.9 | 126.5 |
| **Comparable EBITDA** | **227.2** | **290.4** |
| | | |
| **Comparable operating result excl. depreciations arising from mergers** | | |
| Operating result IFRS | 81.4 | 103.5 |
| Operating result of the merged company before the merger and merger related items | 36.5 | 36.5 |
| Operating result | 117.9 | 140.0 |
| Total items affecting comparability | 13.4 | 23.8 |
| Comparable operating result | 131.4 | 163.8 |
| Depreciation and amortization arising from PPA* | 23.6 | 31.4 |
| **Comparable operating result excl. depreciations arising from mergers** | **154.9** | **195.2** |
| | | |
| **Comparable net profit excl. depreciations arising from mergers** | | |
| Net profit IFRS | 43.8 | 66.5 |
| Net profit of the merged company before the merger and merger related items | 25.4 | 22.0 |
| Net profit | 69.2 | 88.5 |
| Total items affecting comparability | 13.4 | 23.8 |
| Taxes relating to items affecting comparability | -4.0 | -7.1 |
| Comparable net profit | 78.6 | 105.1 |
| Depreciation and amortization arising from PPA* | 23.6 | 31.4 |
| Taxes relating to depreciations and amortizations arising from PPA | -7.1 | -9.4 |
| **Comparable net profit excl. depreciations arising from mergers** | **95.1** | **127.1** |
| | | |
| **Comparable EPS excl. depreciations arising from mergers, EUR** | | |
| Comparable net profit excl. depreciations arising from mergers | 95.1 | 127.1 |
| Profit attributable to non controlling interest | -0.6 | -0.7 |
| Comparable net profit excl. depreciations arising from mergers attributable to parent company shareholders | 94.5 | 126.4 |
| Weighted average number of outstanding shares | 96,149,201 | 96,130,173 |
| **Comparable EPS excl. depreciations arising from mergers, EUR** | **0.98** | **1.32** |

* Depreciation and amortization relating to business combination of Label and Processing business in 2013 and Ahlstrom in April 2017.



AHLSTROM MUNKSJÖ

## MAJOR EVENTS AFTER THE REPORTING PERIOD

### *Ahlstrom-Munksjö completed the acquisition of Expera*

On October 10, 2018, Ahlstrom-Munksjö completed the acquisition of U.S. specialty paper producer Expera Specialty Solutions for an enterprise value of USD 615 million (EUR 526 million) on a cash and debt free basis. The transformative acquisition will expand the company's presence in North America and further strengthen its offering of advanced custom-made fiber-based materials. The earnings enhancing transaction will almost triple Ahlstrom-Munksjö's net sales in the U.S. and provide a platform for growth.

Expera is among the leading specialty paper producers in North America with four paper mill, of which two have integrated pulp production, in the state of Wisconsin. U.S. The acquired operations had net sales of USD 721 million (EUR 616 million) and a comparable EBITDA of USD 71 million (EUR 61 million) in 2017. Near term annual synergy benefits of approximately USD 10 million (EUR 8 million) are estimated to be achieved by year end 2019. The full release is available at www.ahlstrom-munksjo.com

### *Ahlstrom-Munksjö completed the acquisition of Caieiras*

On October 17, 2018, Ahlstrom-Munksjö completed the acquisition of MD Papéis' Caieiras specialty paper mill in Brazil for a debt free purchase price of about EUR 98 million. The acquisition significantly strengthens Ahlstrom-Munksjö's offering in South America and provides further growth opportunities. The acquired business had net sales of about EUR 76 million and comparable EBITDA of EUR 12 million in 2017. Annual synergy benefits of up to EUR 6 million are estimated, mainly arising from optimization of overlapping businesses. The full release is available at www.ahlstrom-munksjo.com

### *Ahlstrom-Munksjö plans to significantly improve competitiveness in one-side coated paper products segment*

On October 30, 2018 Ahlstrom-Munksjö announced it plans to significantly improve the competitiveness of its one-side coated paper segment. The company contemplates a plan to optimize its production capacity and product offering to meet the profitable demand and investigates the closure of one paper machine (PM1) in Stenay, France. Employee consultation processes will start on October 30, 2018, and are expected to be completed in January 2019.

One-side coated product segment, a part of the Food Packaging business in the Specialties business area, is a segment where the markets have significant overcapacity globally, especially in Europe and the company's offering is not optimally aligned with the strategy of niche orientation in customized solutions. While Ahlstrom-Munksjö has proceeded with key measures to improve the situation, the operating environment has further deteriorated mainly due to increased raw material costs.

By concentrating orders to the larger paper machine (PM3) at the Stenay plant, cost savings can also be achieved from higher raw material-, energy- and waste-efficiency, as well as improved inventory management. Annual impact of the planned turnaround program would be approximately EUR 13 million. Restructuring costs will be specified during the process.



AHLSTROM MUNKSJÖ

## CALCULATION OF KEY FIGURES

| Key figure | Definitions | Reason for use of the key figure |
|---|---|---|
| **Operating result** | Net profit before taxes and net financial items | Operating result shows result generated by the operating activities |
| **Operating margin, %** | Operating result / net sales | |
| **EBITDA** | Operating result before depreciation and amortization | EBITDA is the indicator to measure the performance of the group. |
| **EBITDA margin, %** | EBITDA / net sales | EBITDA margin is a key measure in our long-term financial targets. |
| **Comparable EBITDA** | EBITDA excluding items affecting comparability | Comparable EBITDA, comparable EBITDA margin, comparable operating result, comparable operating margin, comparable operating result excluding depreciations arising from mergers, comparable net profit, comparable earnings per share, comparable net profit excluding depreciations arising from mergers and comparable earnings per share excluding depreciations arising from mergers are presented in addition to EBITDA, operating result, net profit and earnings per share to reflect the underlying business performance and to enhance comparability from period to period. Ahlstrom-Munksjö believes that these comparable performance measures provide meaningful supplemental information by excluding items outside ordinary course of business including PPA related depreciation and amortization, which reduce comparability between the periods. |
| **Comparable EBITDA margin, %** | Comparable EBITDA / net sales | |
| **Comparable operating result** | Operating result excluding items affecting comparability | |
| **Comparable operating margin, %** | Comparable operating result / net sales | |
| **Comparable operating result excluding depreciations arising from mergers** | Operating result excluding items affecting comparability and depreciations arising from mergers (PPA)<br><br>Depreciations arising from mergers (PPA) comprises of depreciation and amortization charges on fair value adjustments relating to the acquisition of Label and Processing business in 2013 and Ahlstrom in April 2017. | |
| **Comparable net profit** | Net profit excluding items affecting comparability net of tax | |
| **Comparable earnings per share, EUR** | Comparable net profit - net profit attributable to non-controlling interests / weighted average number of shares outstanding | |
| **Comparable net profit excluding depreciations arising from mergers** | Net profit excluding items affecting comparability net of tax and depreciation arising from PPA net of tax | |
| **Comparable earnings per share excluding depreciations arising from mergers** | Comparable net profit excluding depreciations arising from mergers - net profit attributable to non-controlling interests / weighted average number of shares outstanding | |
| **Items affecting comparability** | Material items outside ordinary course of business, such as gains and losses on business disposals, direct transaction costs related to business acquisitions, costs for closure of business operations and restructurings including redundancy payments, one-off items arising from purchase price allocation such as inventory fair value adjustments, compensation related to environmental damages arising from unexpected or rare events and other items including fines (such as VAT tax audit fines) or other similar stipulated payments and litigations. | |
| **Earnings per share (EPS), basic, EUR** | Net profit attributable to parent company's shareholders / weighted average number of shares outstanding | |

| Key figure | Definitions | Reason for use of the key figure |
|---|---|---|
| **Capital employed** | Total equity and total debt | |
| **Comparable return on capital employed, rolling 12 months, %** | Comparable operating result (for the last 12 months) / capital employed (average of the last 12 months) | |
| **Net debt** | Non-current and current borrowings less cash and cash equivalents | Net debt is an indicator to measure the total external debt financing of the Group |
| **Gearing ratio, %** | Net debt / total equity | Ahlstrom-Munksjö believes that Gearing ratio helps to show financial risk level and it is a useful measure for management to monitor the level of Group's indebtedness. Gearing ratio is also one of our long-term financial targets measure. |
| **Equity/assets ratio, %** | Total equity / total assets | Ahlstrom-Munksjö believes that Equity/assets ratio helps to show financial risk level and it is a useful measure for management to monitor the level of Group's capital used in the operations. |
| **Net debt/EBITDA, comparable, rolling 12 months** | Net debt / comparable EBITDA (for the last 12 months) | |
| **Equity per share, EUR** | Equity attributable to parent company's shareholders / number of shares outstanding at the end of the period | |
| **Capital expenditure** | Purchases for property, plant and equipment and intangible assets as presented in the cash flow statement. | Capital expenditure provides additional information of the cash flow needs of the operations. |
| **Operating cash flow per share, EUR** | Operating cash flow / weighted average number of shares outstanding | |