

Ahlstrom

Financial statements 2013 & Q4/2013

Jan Lång
President & CEO

Seppo Parvi
CFO

Helsinki
January 30, 2014

Agenda

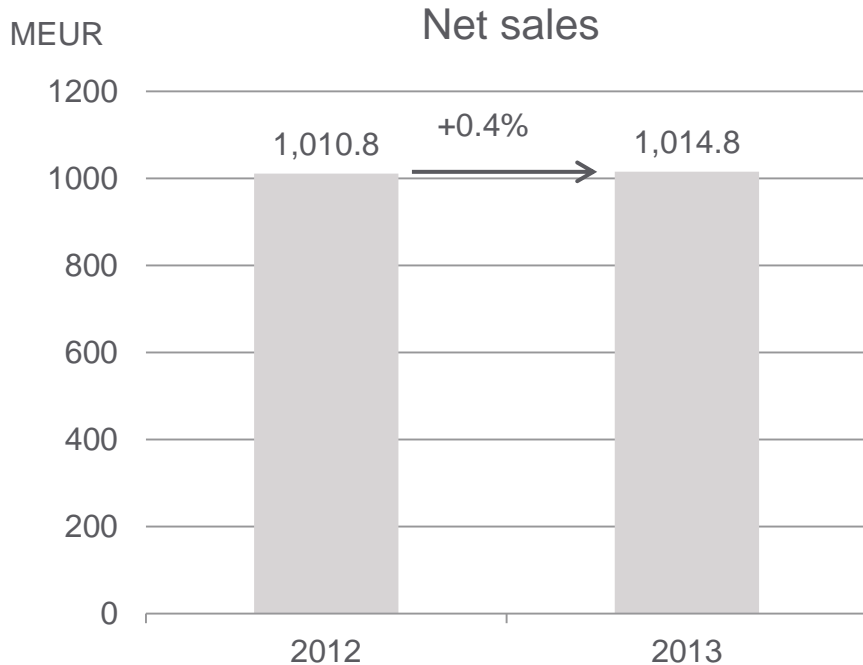
- 2013 in brief
- October-December 2013
- Business area review
- Cash flow and debt development
- Income statement and balance sheet
- Future prospects

2013 & Q4 key figures

EUR million	2013	2012	Change, %	Q4/2013	Q4/2012	Change, %
Net sales	1,014.8	1,010.8	0.4	243.4	240.1	1.4
Operating profit excl. NRI	13.4	21.1	-36.7	-2.5	-4.1	38.9
<i>% of net sales</i>	1.3	2.1		-1.0	-1.7	
Gearing*	85.5	62.5		85.5	62.5	
ROCE, %	0.9	2.3		-3.5	-1.7	

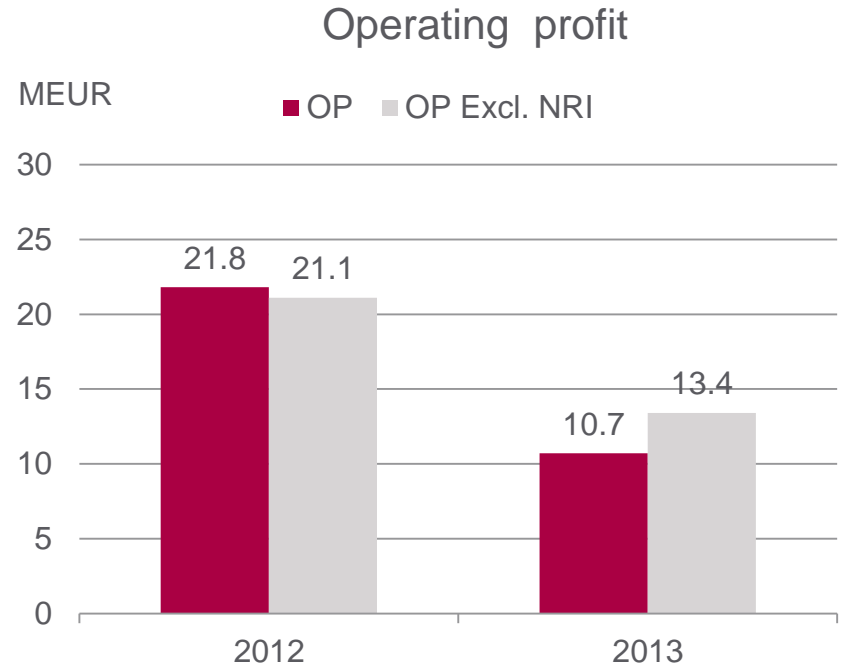
*Including discontinued operations

Net sales and operating profit in 2013



- + Higher sales volumes
- + Increased selling prices
- + Favorable product mix

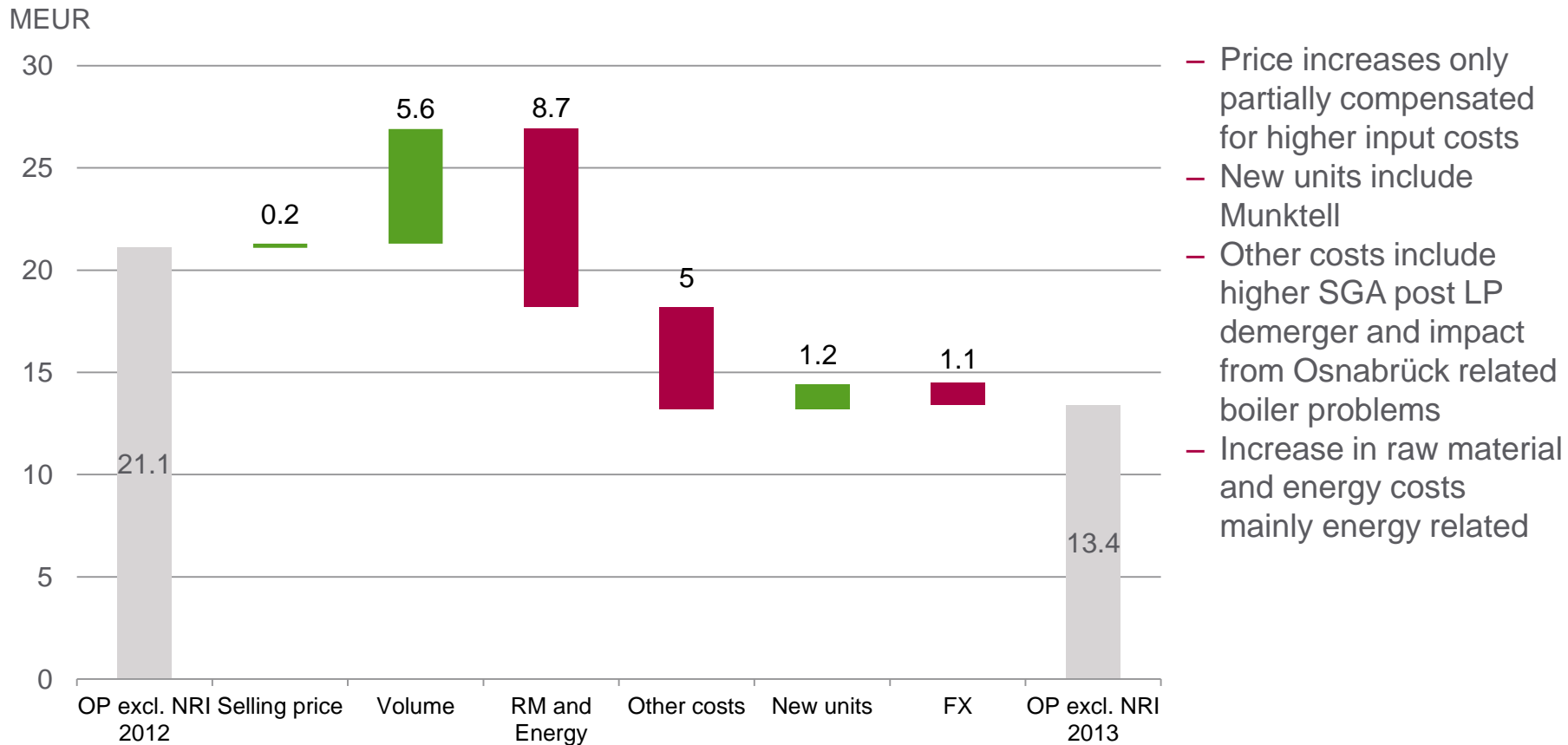
- Adverse currency effect



- + Higher sales volumes
- + Increased selling prices
- + Favorable product mix

- Higher raw material and energy costs
- Increased SGAs
- Three focus units

2013 operating profit* decrease driven by higher raw material/energy, and other costs



*Continuing operations, excluding non-recurring items

Several transactions were completed by year end 2013/14

- Label and Processing
 - Demerger of Coated Specialties in Brazil was completed as the final step in combining Ahlstrom's Label and Processing business with Munksjö AB
- Osnabrück
 - Sale of two production lines to Perusa Group to comply the regulatory commitments related to the Label and Processing demerger
- West Carrollton
 - Divestment of the converting business in OH, USA
- Jujo Thermal Ltd
 - Sale of the remaining 50% stake to Nippon Paper Industries
- January 2014: Announced the sale of Paulinia plant and possible divestment of Suominen Corporation shares



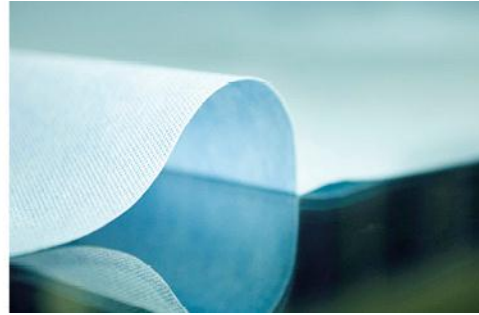
The completion of the transactions supports Ahlstrom's development and growth in line with the renewed strategy

Focus on profitability and growth following transformation



- Drive higher margins through enhanced product portfolio
 - Continue to launch new products to improve sales mix
 - Well on track with achieving long-term target of at least 20% of sales from new products
- Successfully implement the expanded rightsizing program
 - Approximately EUR 50 million annual cost savings targeted in 2015
- Execute strategy based on a high performance product offering for a clear and healthy environment

October-December 2013 in brief



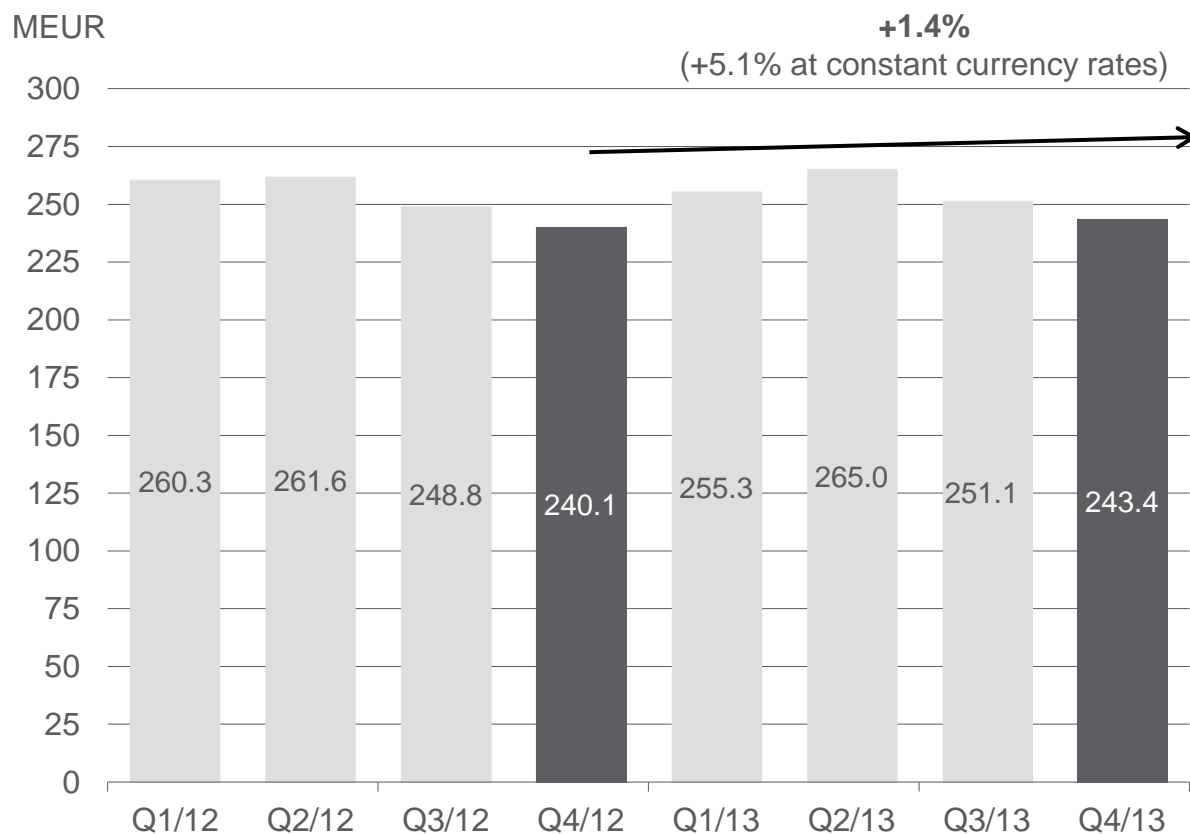
Highlights

- + Completion of the Label and Processing demerger
- + Net sales at constant currency rates rose by 5.1% from the comparison period
- + Improved volumes and pricing management
- + Advanced Filtration and integration of Munktell

Lowlights

- Higher raw material and energy costs
- Focus units at Food and Medical

Quarterly net sales development



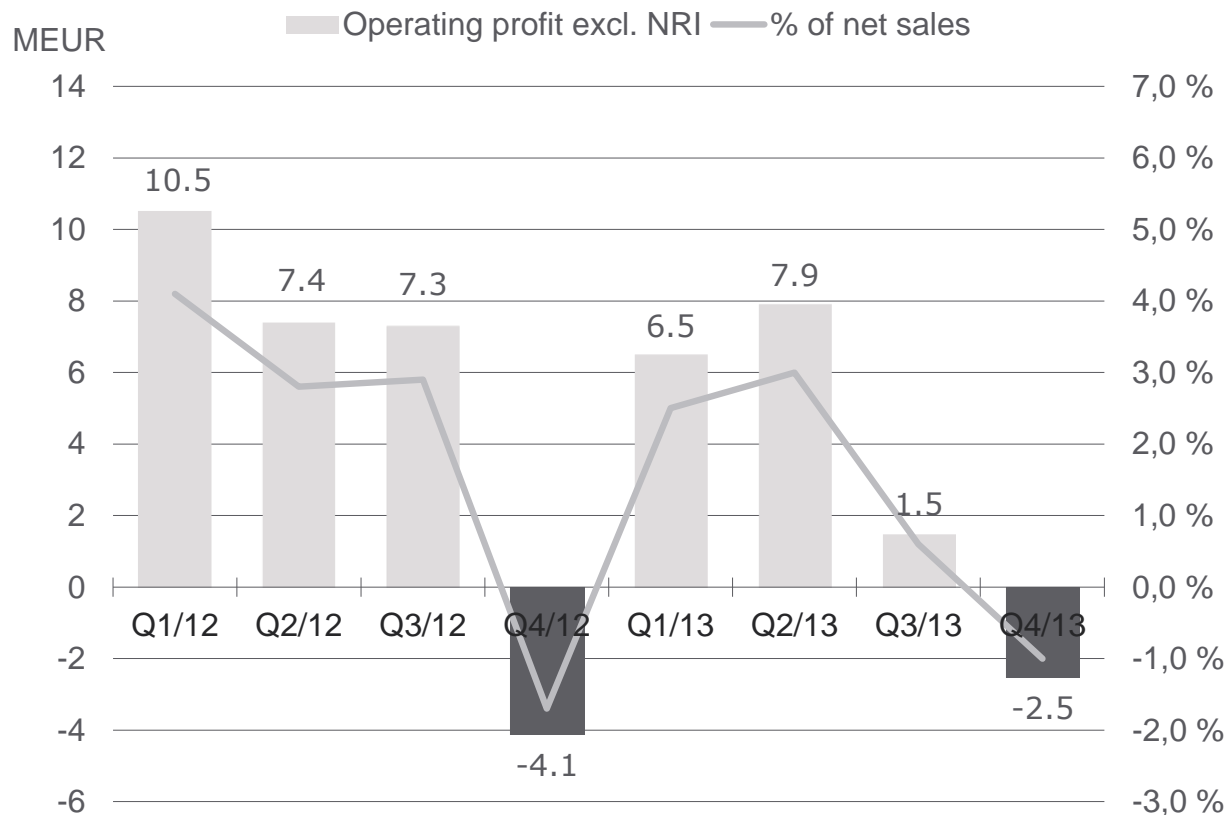
Highlights

- + Higher sales volumes
- + Increased selling prices
- + Favorable product mix

Lowlights

- Adverse currency effect

Quarterly operating profit development



Highlights

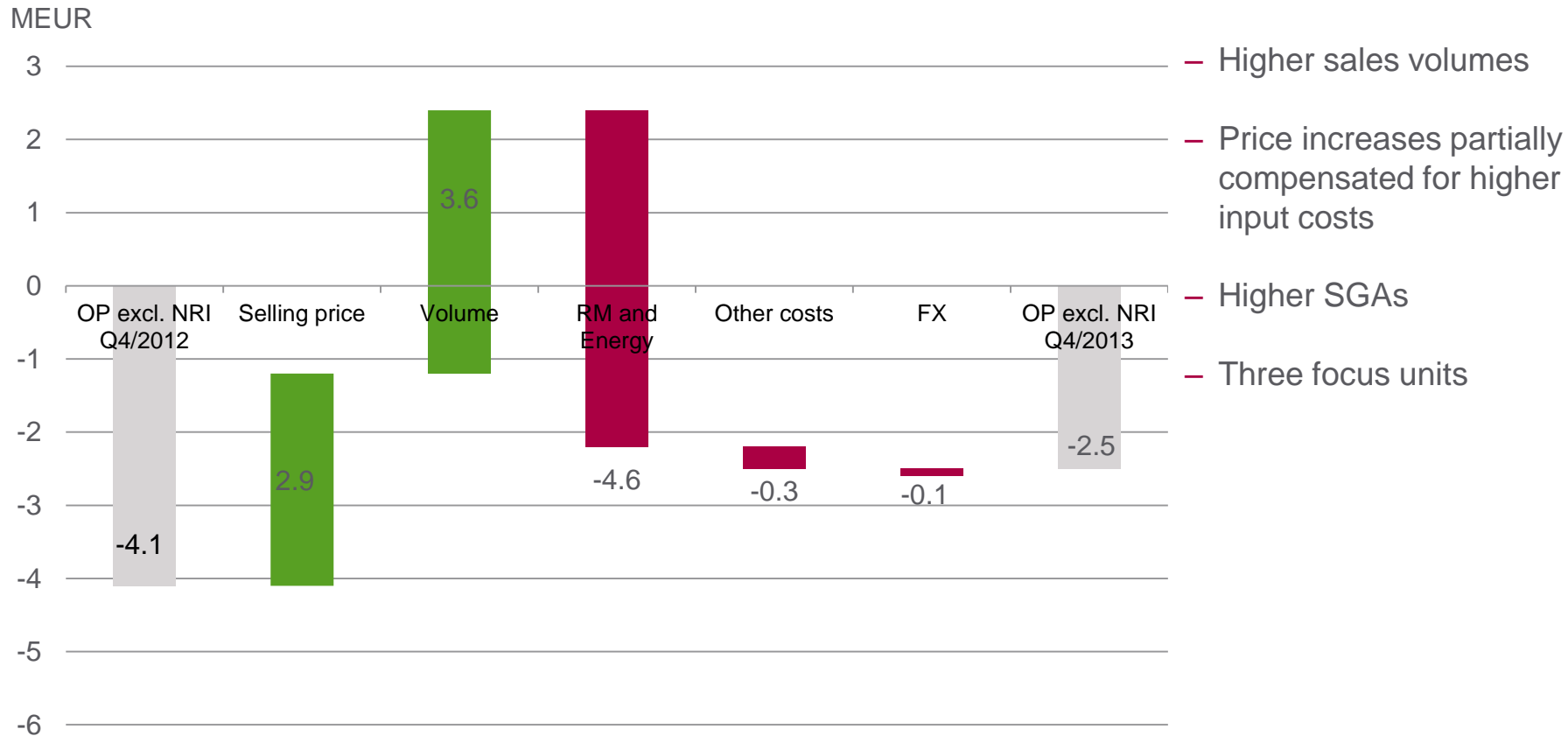
- + Increased volumes
- + Pricing management
- + Cost savings

Lowlights

- Increased raw material and energy costs
- Three focus units: Chirnside, Mundra, Longkou

2012 figures restated

Higher raw material and energy costs contributed to Q4/2013 operating loss*



*Continuing operations, excluding non-recurring items

Business area review



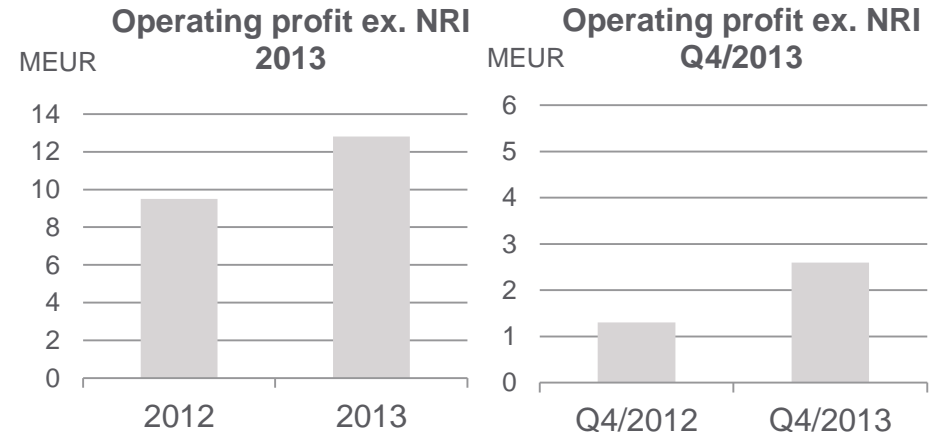
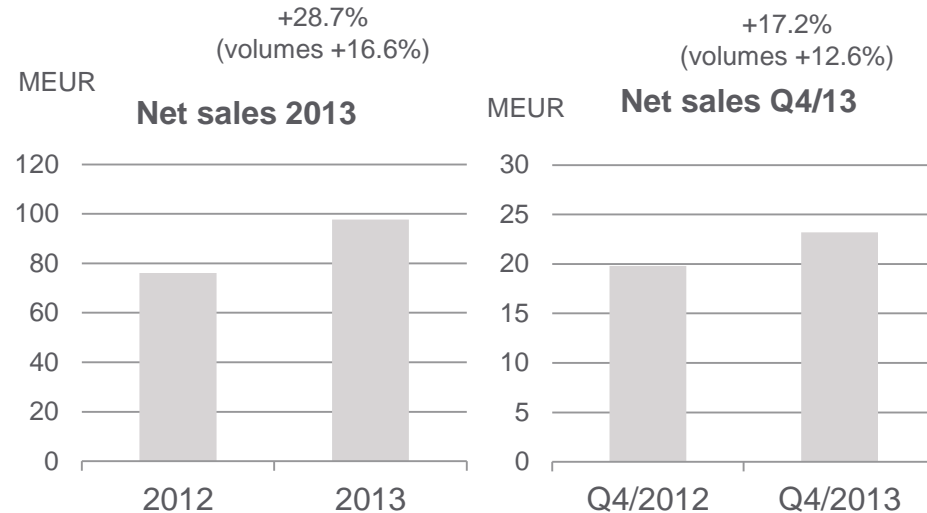
Advanced Filtration

Q4/13: Net sales EUR 23.2 million
(EUR 19.8 million)

- + Higher sales of laboratory & life science applications
- + Munktell acquisition
 - Net sales growth 14.0% excluding the acquisition
- + Increased selling prices

Q4/13: OP ex. NRI EUR 2.6 million
(EUR 1.3 million)

- + Higher sales volumes
- + Improved product mix
- Increased raw materials costs



Building and Energy

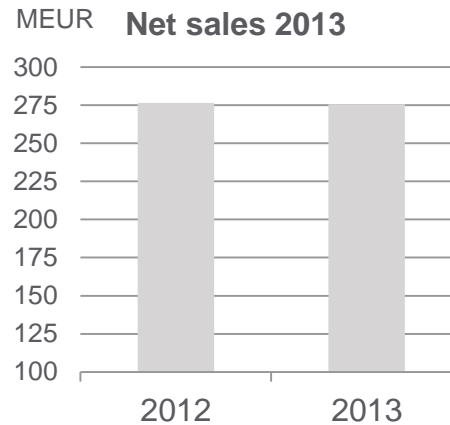
Q4/13: Net sales EUR 63.8 million
(EUR 62.8 million)

- + Poster papers
- + Increased deliveries of wind energy applications
- + Increased sales of wallcoverings in China
- Flooring material sales in Europe

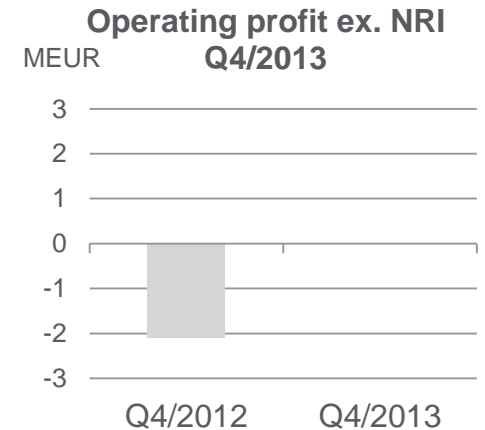
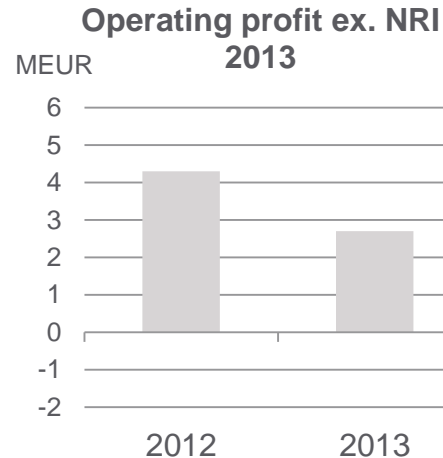
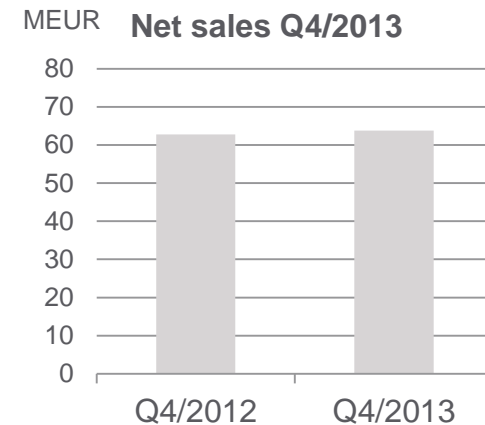
Q4/13: OP ex. NRI EUR -0.9 million
(EUR -2.1 million)

- Operational inefficiencies related boiler problems at Osnabrück
- Adverse product mix
 - Lower sales of construction and consumer-related applications in Europe

-0.3%
(volumes 0.0%)



+1.6%
(volumes -1.7%)



Food and Medical

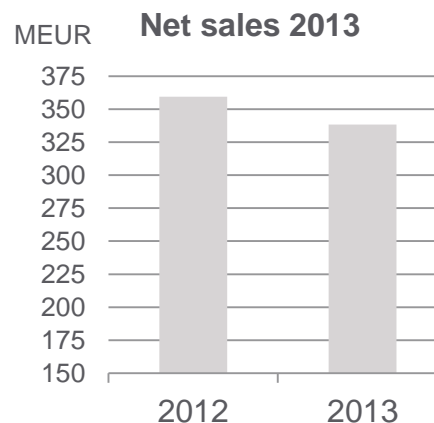
**Q4/13: Net sales EUR 83.2 million
(EUR 87.4 million)**

- + Higher sales of food packaging, tape and beverage materials
- Sales of medical products in North America
- Adverse currency effect

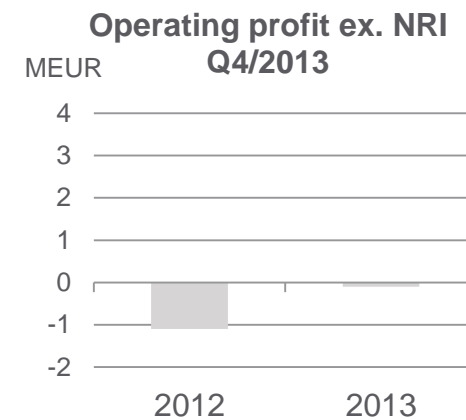
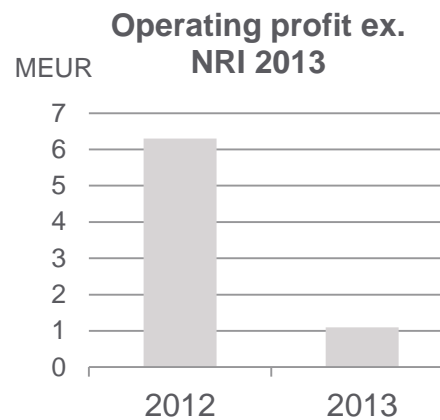
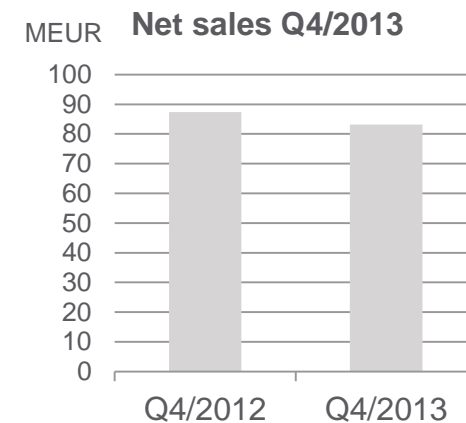
**Q4/13: OP ex. NRI EUR -0.1 million
(EUR -1.1 million)**

- + Cost savings
- Adverse product and price mix
- Commercialization of Longkou plant
- Mundra plant and Chirnside production line

-5.9%
(volumes -1.5%)



-4.8%
(volumes 4.6%)



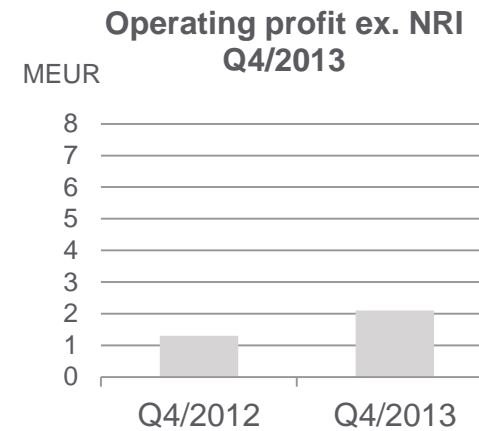
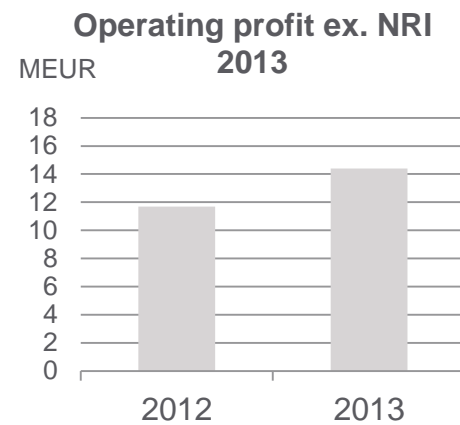
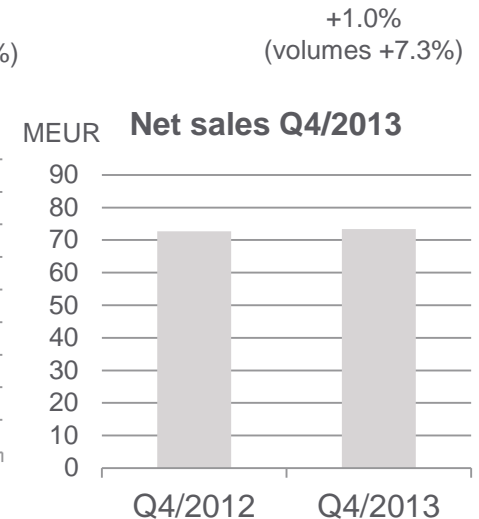
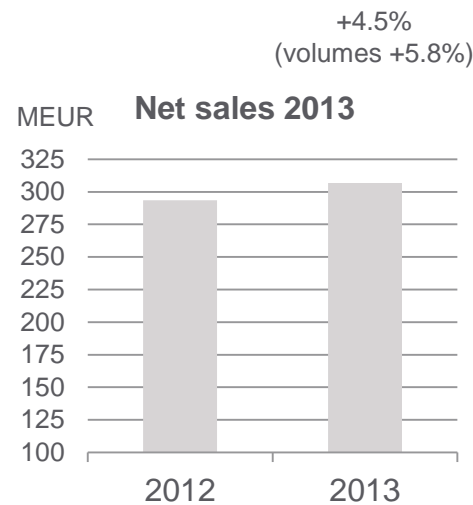
Transportation Filtration

Q4/13: Net sales EUR 73.4 million
(EUR 72.7 million)

- + Higher sales volumes
 - Sales growth in Asia
- + Increased selling prices
- + Improved product mix
- Adverse currency effect

Q4/13: OP ex. NRI EUR 2.1 million
(EUR 1.3 million)

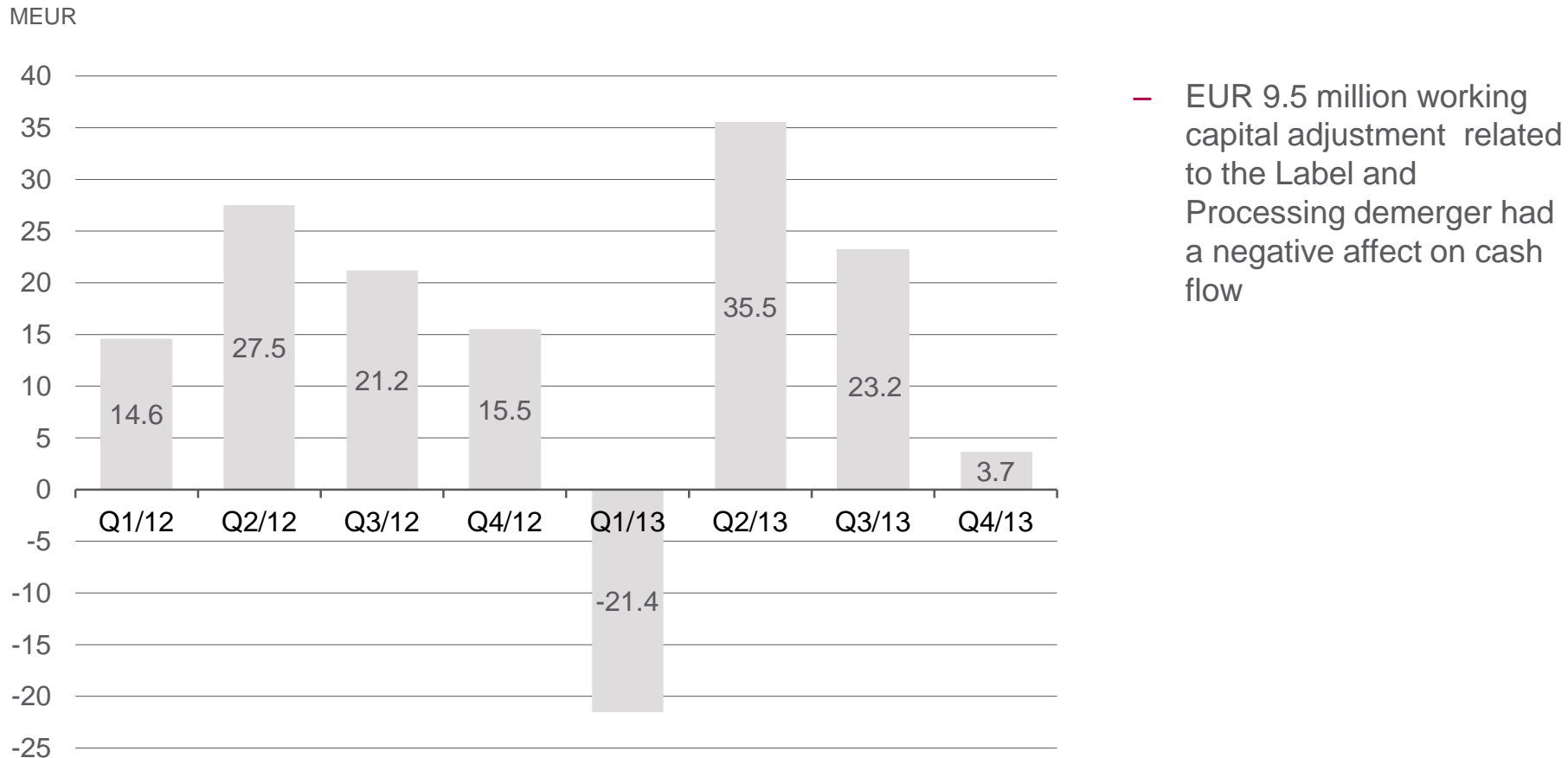
- + Lower SGA costs
- Sales in South America
- Increased raw material costs



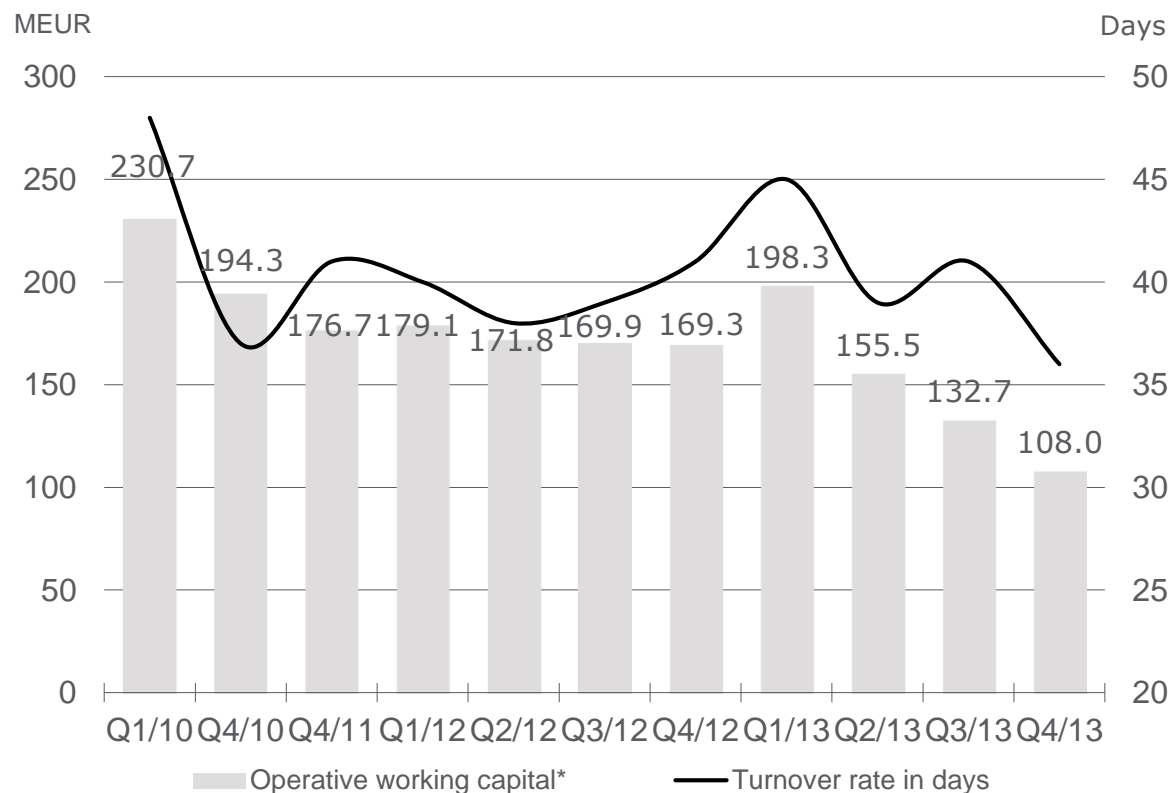
Cash flow and debt development



Quarterly net cash from operating activities (including discontinued operations)



Development of operative working capital (including discontinued operations)

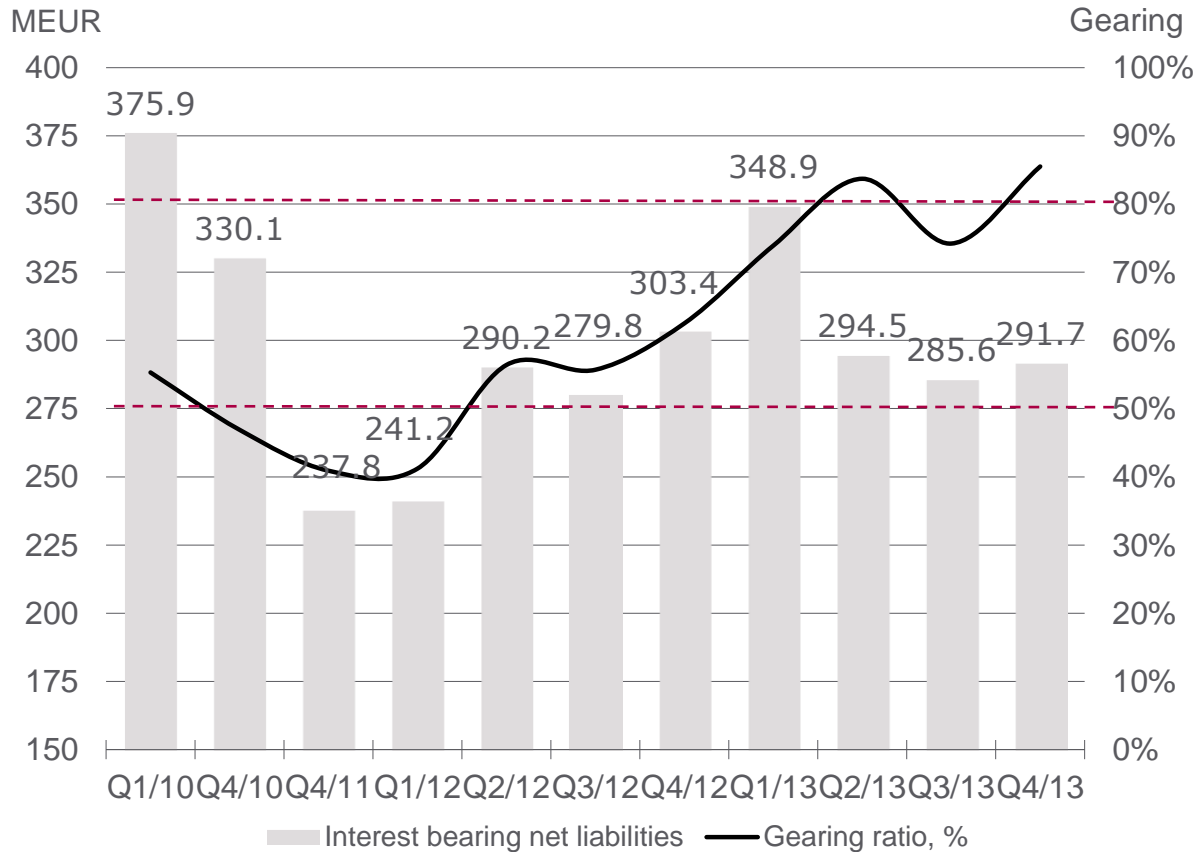


- Operative working capital has been under focus following an increase in Q1/2013
- Operative working capital also released due to the LP Europe demerger in Q2/2013 and Coated Specialties demerger in Q4/2013
- Turnover rate was 36 days at the end of 2013 (41 days on Dec. 31, 2012)

*Operative working capital = Accounts receivables + inventories – accounts payable

Gearing ratio (including discontinued operations)

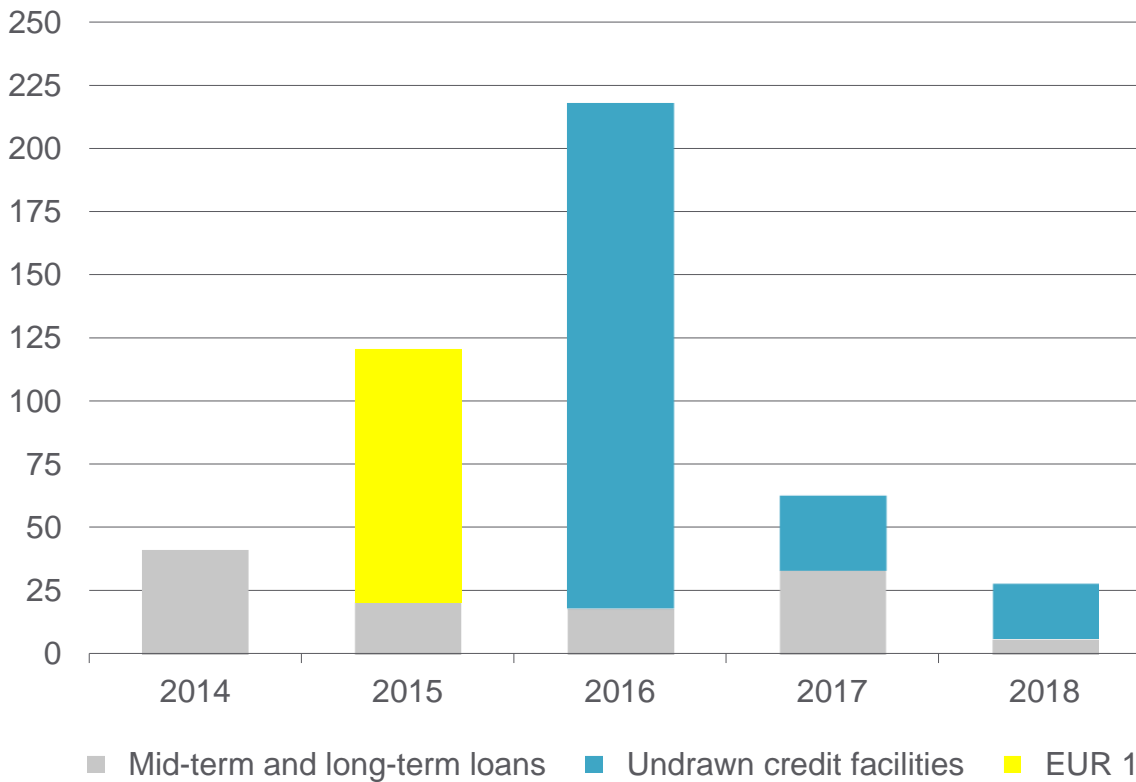
Gearing ratio:
target range 50–80%



- Gearing ratio was 85.5% on Dec. 31, 2013
- Gearing ratio negatively affected in Q4/2013 by:
 - EUR 9.5 million working capital adjustment related to the Label and Processing demerger had a negative affect on cash flow
 - Interest on hybrid bond
 - NRIs related to the sale of West Carrollton, closure of a production line in Binzhou
- Gearing ratio positively affected by a EUR 100 million hybrid bond

Maturity profile of medium/long-term credit facilities

MEUR



- Total liquidity, including cash and unused committed credit facilities was EUR 290.4 million at the end of Q4/2013
- In addition, Ahlstrom had undrawn uncommitted credit facilities and cash pool overdraft limits of EUR 140.9 million available

Income statement and balance sheet



Income statement

	Q4/2013	Q4/2012	2012 figures are restated
EUR million			
Net sales	243.4	240.1	▶ Higher volumes, increased selling prices and improved product mix, adverse currency rate effect
Cost of goods sold	-214.3	-210.1	
Gross profit	29.1	30.0	
Sales, administrative and research & development expenses	-33.7	-34.8	
Other income and expenses	-0.9	5.8	
Operating profit	-5.5	1.0	▶ NRIs: EUR -3.0 million in Q4/13 vs. EUR 5.1 million in Q4/12
Net financial expenses	-5.0	-4.8	
Share of profit / loss of equity accounted investments	-0.6	-4.6	▶ Suominen Oyj, Jujo Thermal
Profit / loss before taxes	-11.1	-8.4	
Income taxes / tax credits	-1.1	-1.4	
Profit / loss for the period from continuing operations	-12.2	-9.8	▶ Includes positive EUR 23.9 million demerger effect
Profit for the period from discontinued operations	20.6	7.5	▶ Includes EUR 5.2 million gain related to the fair valuation of Munksjö Oyj shares owned by Ahlstrom
Profit for the period	8.4	-2.3	

Balance sheet

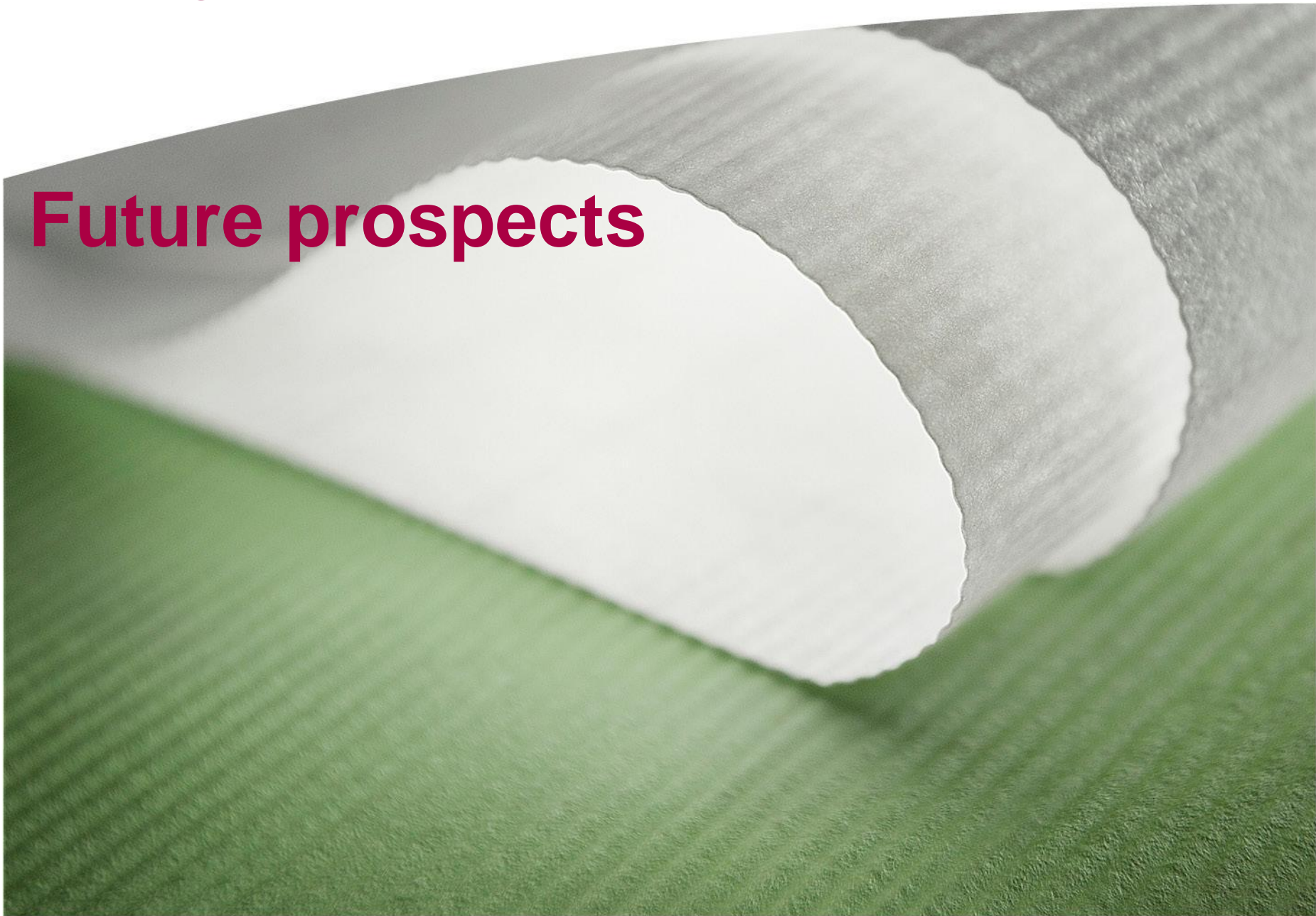
	Dec. 31, 2013	Dec. 31, 2012	2012 figures are restated
EUR million			
Total non-current assets	633.4	575.4	▶ Market value of shareholding in Munksjö Oyj EUR 49.0 million and Suominen Oyj EUR 32.0 million (Dec. 31, 2013)
Inventories	106.6	112.4	
Trade and other receivables	173.0	157.4	
Other short-term receivables	0.6	0.6	
Cash and cash equivalents	38.2	53.4	
Assets classified as held for sale and distribution to owners	18.9	448.3	▶ Brazilian part of Home and Personal (Divestment expected be completed in February 2014)
Total assets	970.6	1,347.5	
Total equity	341.4	485.1	▶ Includes EUR 100 million hybrid bond.
Provisions	8.3	9.2	
Interest bearing loans and borrowings	330.4	357.7	
Employee benefit obligations	76.1	81.4	
Trade and other payables	200.2	196.2	
Others	8.3	19.8	
Liabilities classified as held for sale and distribution to owners	5.9	197.9	▶ Brazilian part of Home and Personal
Total equity and liabilities	970.6	1,347.5	
Gearing ratio	85.5	62.5	

Statement of cash flows

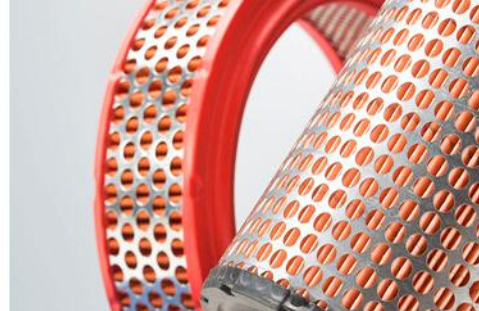
(including discontinued operations)

	Q4/2013	Q4/2012	
EUR million			*2012 figures are restated
EBITDA	9.0	32.3*	
Adjustments	-3.0	-6.4	
Changes in net working capital	4.9	1.6	▶ Operative working capital released
Change in provisions	-0.3	-3.5	
Financial items	-6.2	-6.0	
Income taxes paid / received	-0.8	-2.5	
Net cash from operating activities	3.7	15.5	
Acquisition of Group companies	-0.0	-17.6	
Purchases of intangible and tangible assets	-20.3	-24.3	▶ Wallcovering materials in Binzhou, China, Filtration materials investment in Turin, Italy
Other investing activities	4.4	8.9	
Net cash from investing activities	-15.9	-33.0	
Dividends paid and other	-0.1		
Payments received on hybrid bond	99.2		▶ New EUR 100 million hybrid bond issued, old EUR 80 million hybrid bond redeemed
Repurchase of hybrid bond	-80.1		
Interest on hybrid bond	-7.4	-7.6	
Effect of partial demerger	-8.7		
Changes in loans and other financing activities	5.3	32.5	
Net cash from financing activities	8.3	24.9	
Net change in cash and cash equivalents	-3.9	7.4	
Cash and cash equivalents at the beginning of the period	43.5	49.1	
Cash and cash equivalents at the end of the period	38.7	55.5	

Future prospects



Update on rightsizing program



- Target to reach annual costs savings expanded to EUR 50 million during 2015 (previously EUR 35 million)
- Personnel reductions of about 400 globally (previously 350)
- Ahlstrom to book non-recurring items of approximately EUR 15 million in 2014-15
- Achieved (at the end of 2013):
 - Approximately EUR 12 million in cost savings have been achieved, of which about EUR 5 million are costs being transferred to Munksjö Oyj and reported in discontinued operations
 - Personnel reductions of approximately 200, of which about 80 people have been transferred to Munksjö
 - No major non-recurring items have been booked

Dividend proposal

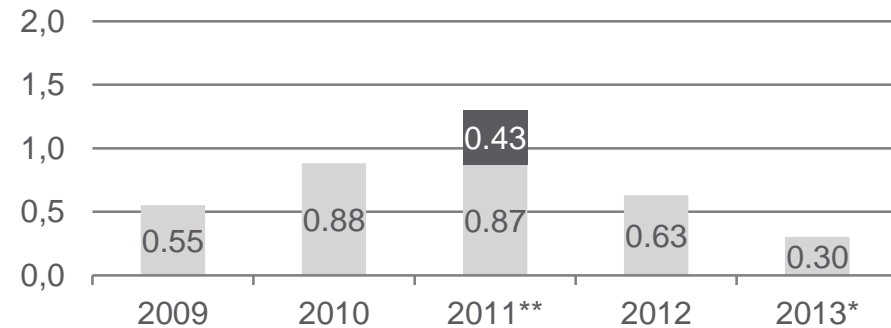
Aim is to pay a dividend of not less than one third of net cash from operating activities after operative investments, calculated as three-year rolling average.

- The Board of Directors proposes to the Annual General Meeting that dividend in the aggregate maximum amount of EUR 14.0 million, or EUR 0.30 per share, shall be paid as follows:
 - (i) *Dividend payable in Munksjö Oyj's shares:* Each 26 Ahlstrom's shares entitle their holder to receive 1 share in Munksjö Oyj as a dividend. Ahlstrom shall distribute to its shareholders as dividend a maximum of 1,795,023 shares of Munksjö.
 - (ii) *Dividend payable in cash:* A dividend of approximately EUR 0.09 per share be paid in cash from the retained earnings. As per January 30, 2014, the number of shares of the Company amounts to 46,670,608 based on which the maximum amount to be distributed as dividend payable in cash would be approximately EUR 4.3 million.
- Ahlstrom intends to pay dividends in cash and Munksjö shares also in the future.

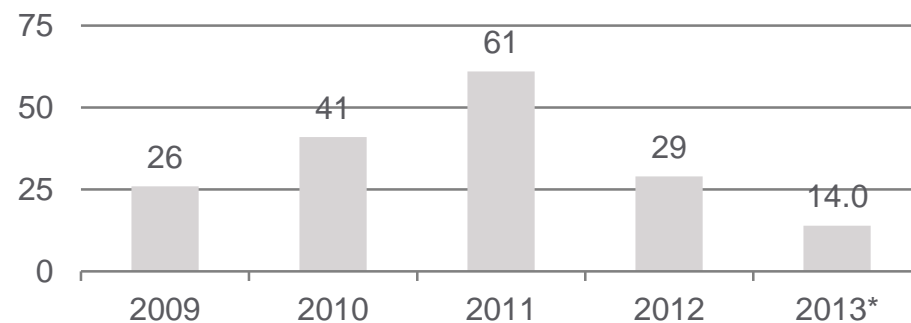
*Proposal by the Board of Directors

**Consisting of a dividend of EUR 0.87 per share and an extra dividend of EUR 0.43 per share.

Dividend per share (€)



Total amount of dividends paid (EUR million)



Outlook for 2014



- Net sales are expected to be EUR 930-1,090 million
- Operating profit margin excluding non-recurring items is expected to be 2-5% of net sales
- Investments excluding acquisitions are estimated to amount to approximately EUR 50 million

Stay ahead™

Thank you

Ahlstrom Group

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