



AHLSTROM

Ahlstrom January-March 2014

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President & CEO

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Helsinki
April 29, 2014

Agenda

- January-March 2014
- Business area review
- Cash flow and debt development
- Income statement and balance sheet
- Rightsizing & future prospects

January-March 2014 in brief



Highlights

- + Improved profitability, comparable net sales grew 2.6% at constant currency rates
 - + Three business areas improved profitability: Advanced Filtration, Food, and Transportation Filtration
- + Improved product mix and pricing management
- + Rightsizing program progressing as planned

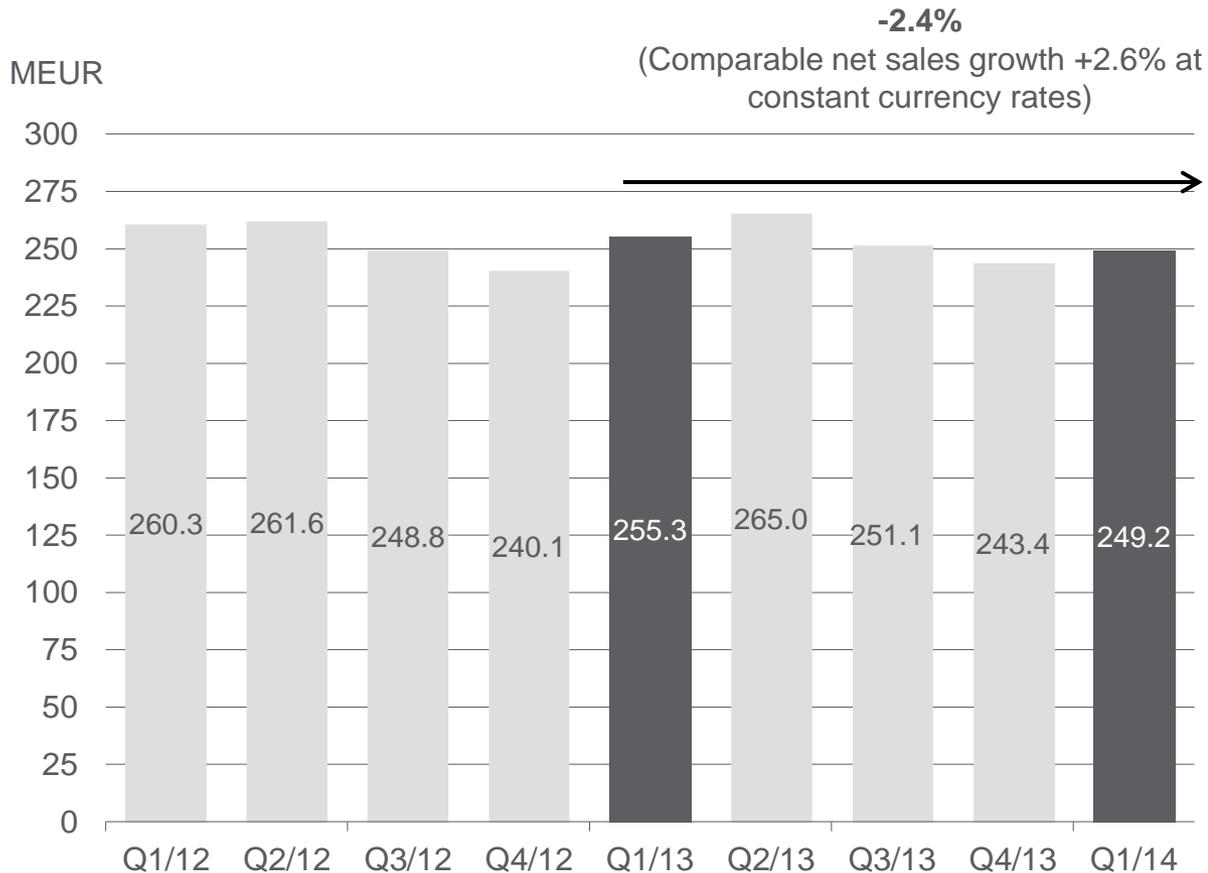
Lowlights

- Lower reported net sales and volumes, particularly in Medical and Building and Energy
- Higher raw material and energy costs
- Negative operative cash flow
- Focus units (Mundra, Chirnside, Longkou) improving, but still negative impact

Key figures

EUR million	Q1/2014	Q1/2013	Change, %	2013
Net sales	249.2	255.3	-2.4	1,014.8
Operating profit excl. NRI	7.2	6.5	11.6	13.4
<i>% of net sales</i>	2.9	2.5		1.3
Gearing*	87.7	73.9		85.5
ROCE, %	3.4	5.1		0.9

Quarterly net sales development



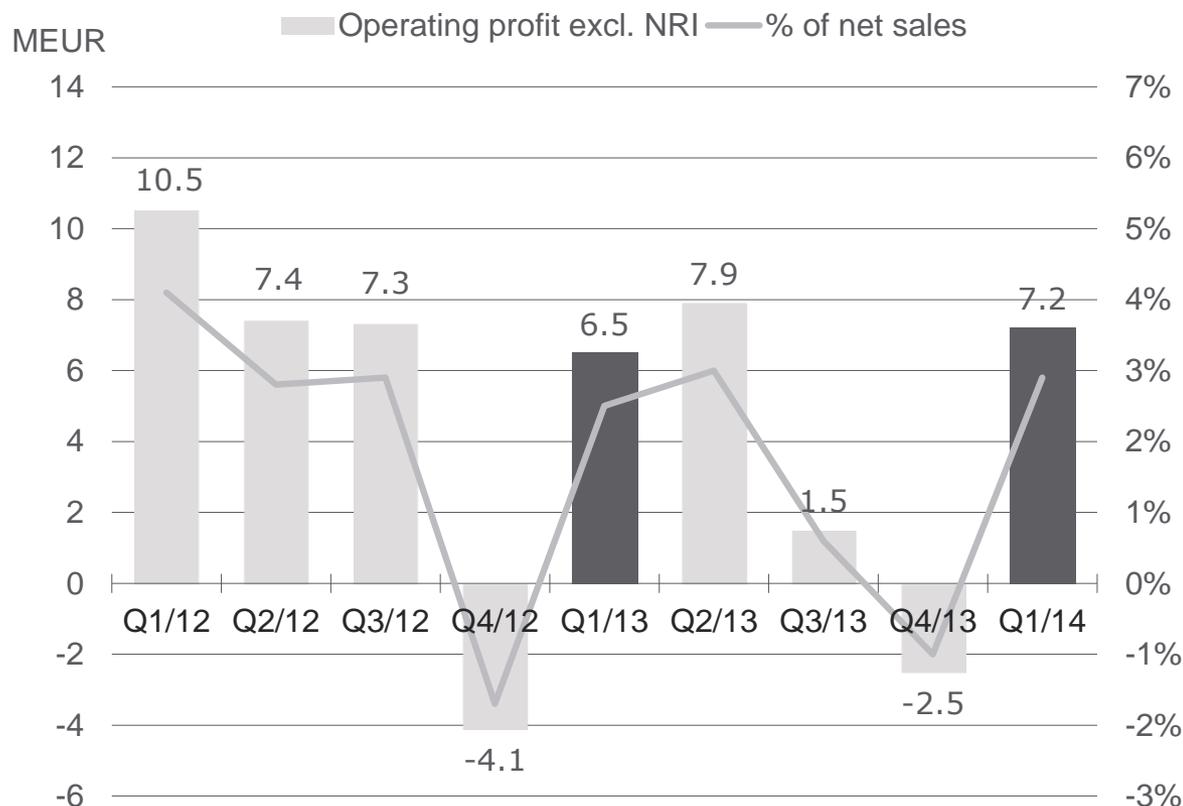
Highlights

- + Increased selling prices
- + Favorable product mix

Lowlights

- Adverse currency effect
- Sale of West Carrollton

Quarterly operating profit development



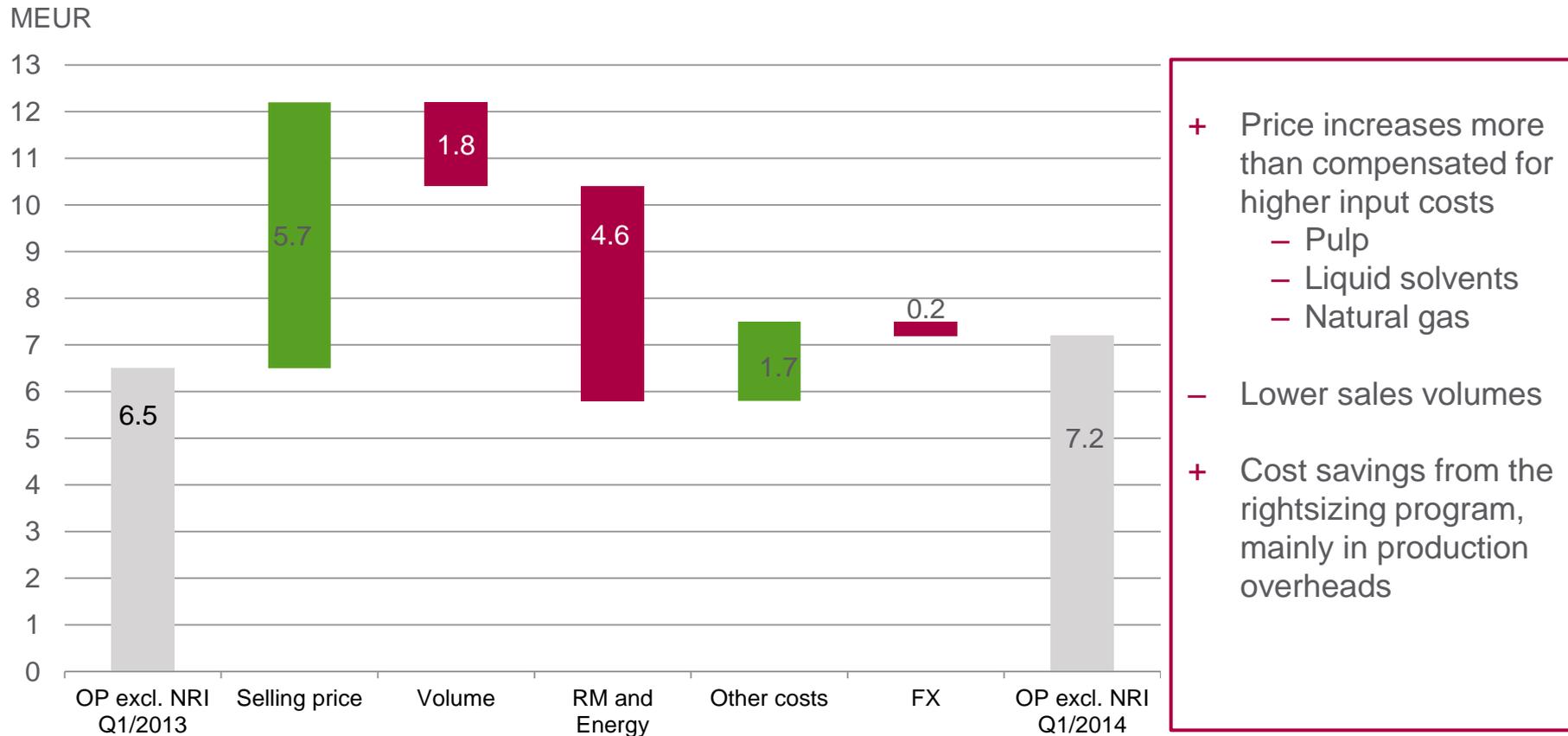
Highlights

- + Pricing management
- + Cost savings, mainly in production overheads

Lowlights

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

Operating profit* supported by higher selling prices and lower costs



*Continuing operations, excluding non-recurring items

A photograph of three surgeons in a sterile operating room. They are wearing blue surgical gowns, masks, and hairnets. One surgeon is holding a large black drape, while another is using a surgical instrument on a patient's leg. The patient is covered in a blue drape, with only the leg being operated on visible.

New products & Business area review



Ahlstrom NatureMold™

Food business area

- Biodegradable material for food packaging
- Made from renewable raw materials
- Environmentally friendly alternative to molds and trays made from plastic or aluminum

www.ahlstrom.com/NatureMold



Ahlstrom TrustShield™

Medical business area

- Extensive range of surgical drapes for the operating room
- Range from absorbent to repellent, delivering the highest level of protection every time
- Waterproof and absorbent drapes made from laminate fabrics are designed for the most demanding surgeries creating a total barrier to bacteria and viruses

www.ahlstrom.com/TrustShield

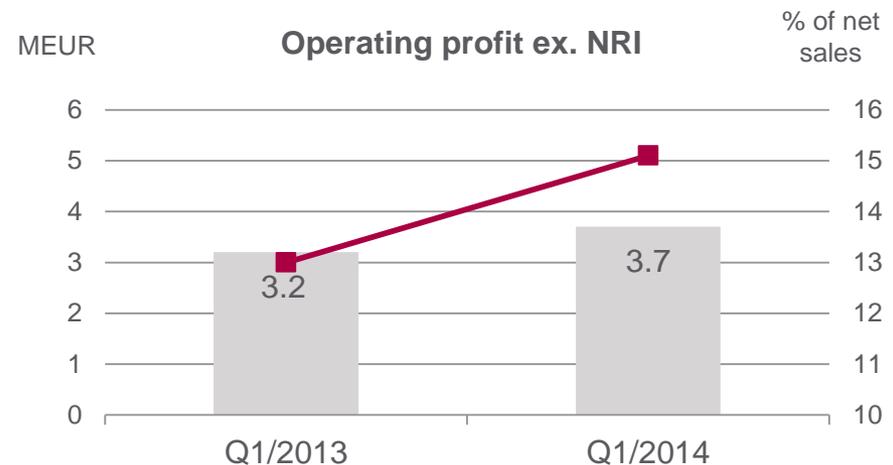
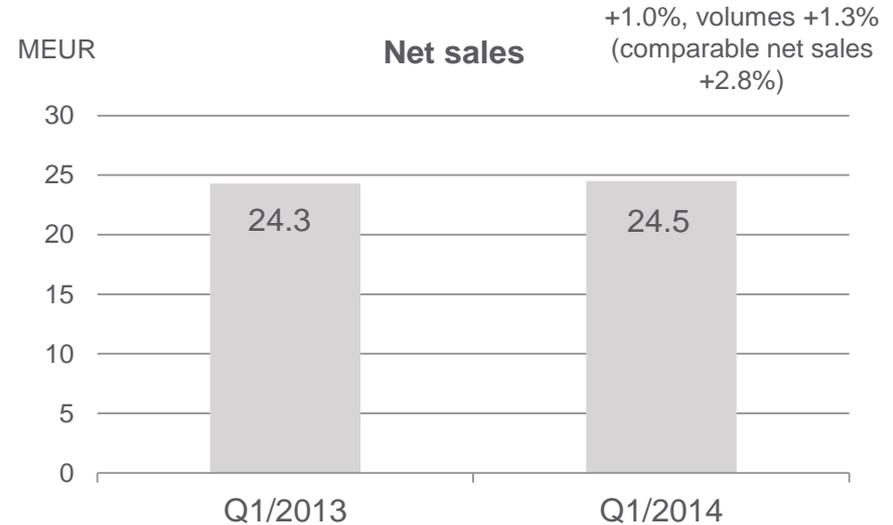
Advanced Filtration

Q1/14: Net sales EUR 24.5 million
(EUR 24.3 million)

- + Higher sales in several product families
- + Increased selling prices
- Adverse currency effect
- Timing of gas turbine application orders

Q1/14: Operating profit ex. NRI EUR 3.7 million
(EUR 3.2 million)

- + Improved product mix in laboratory & life science applications



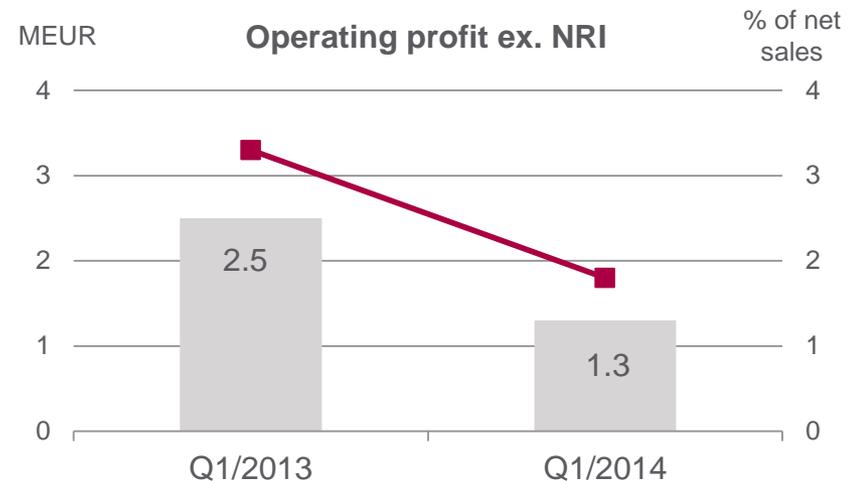
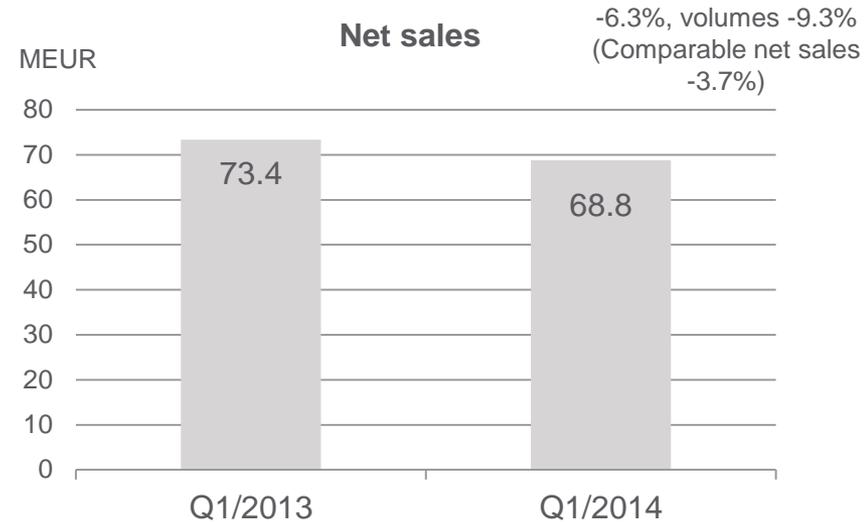
Building and Energy

**Q1/14: Net sales EUR 68.8 million
(EUR 73.4 million)**

- Lower sales of wallcoverings in China
- Lower sales of flooring applications in Russia
- + Increased deliveries of wind energy applications in North America, partially offsetting decline in Europe
- + Higher construction related material sales in Europe

**Q1/14: Operating profit ex. NRI EUR 1.3 million
(EUR 2.5 million)**

- Lower volumes
- + Lower fixed costs



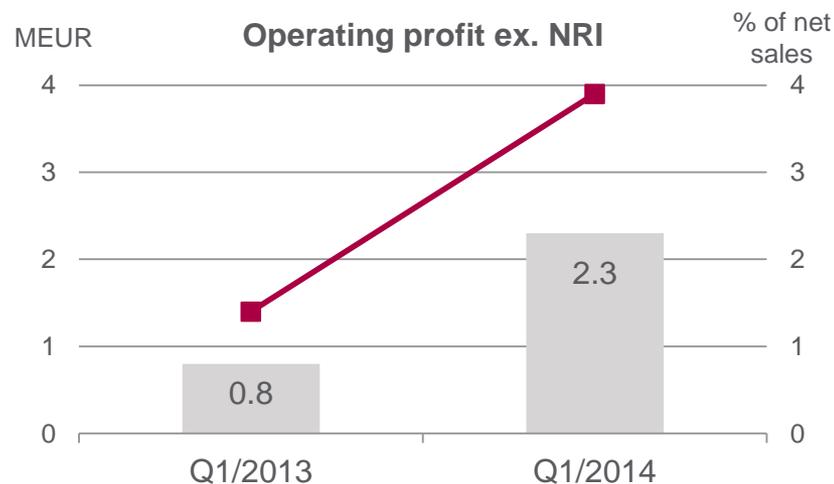
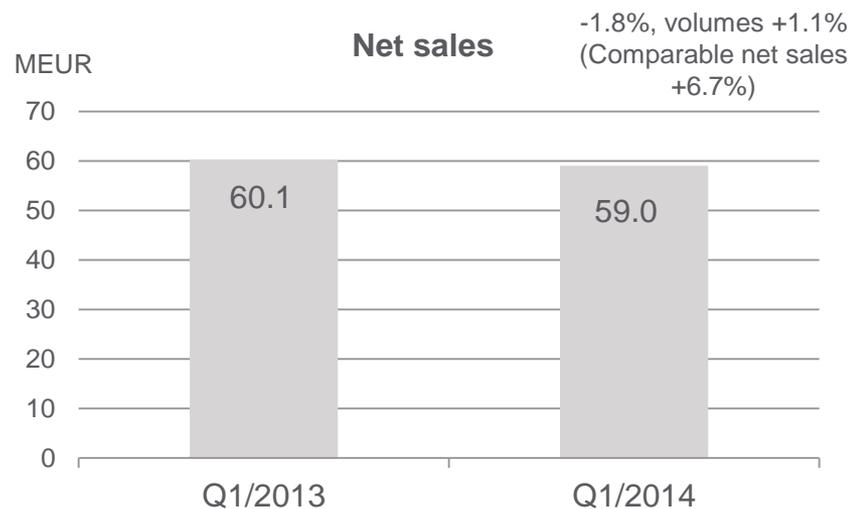
Food

**Q1/14: Net sales EUR 59.0 million
(EUR 60.1 million)**

- + Comparable net sales growth 6.7%
- + Higher sales of beverage, food packaging, tape and materials
- Divestment of West Carrollton

**Q1/14: Operating profit ex. NRI EUR
2.3 million (EUR 0.8 million)**

- + Higher volumes
- + Lower fixed costs
- Focus units: Longkou plant, Chirnside production line



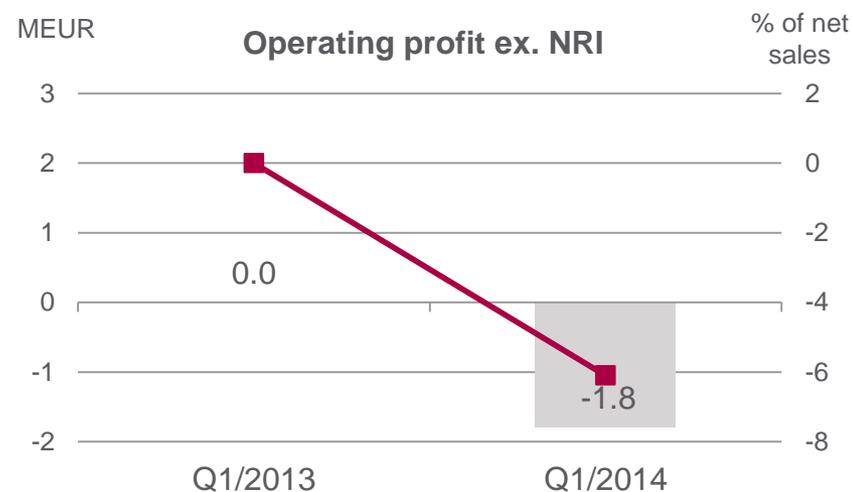
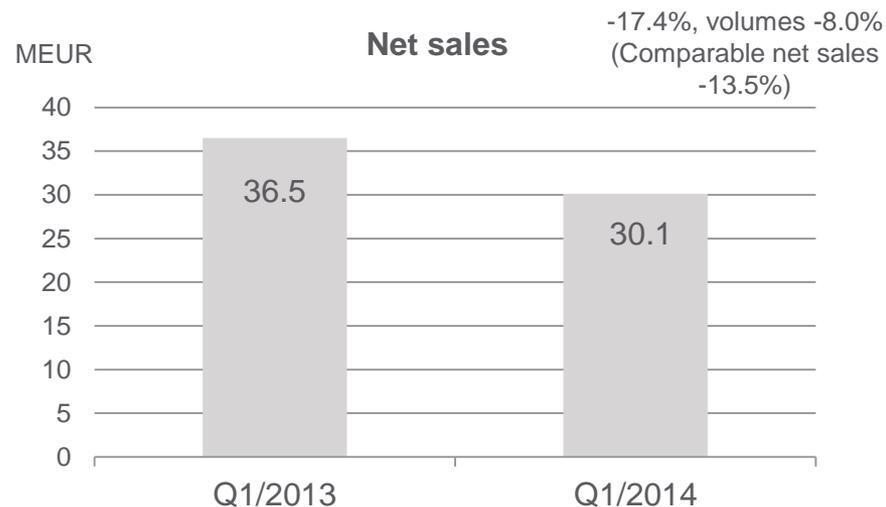
Medical

Q1/14: Net sales EUR 30.1 million
(EUR 36.5 million)

- Lower volumes
- Reduction in business with a large customer
- Exit from certain drape products
- Adverse currency effect

Q1/14: Operating profit ex. NRI EUR -1.8 million (EUR 0.0 million)

- Adverse product mix
- Focus unit: Mundra plant
- + Lower fixed costs



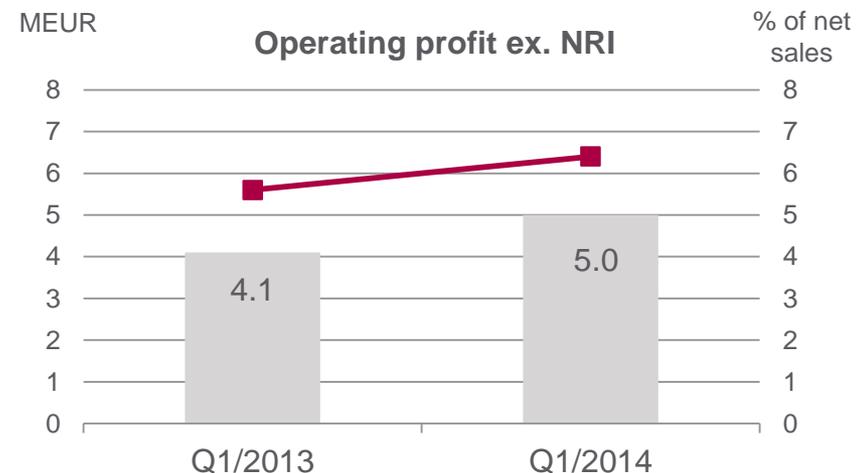
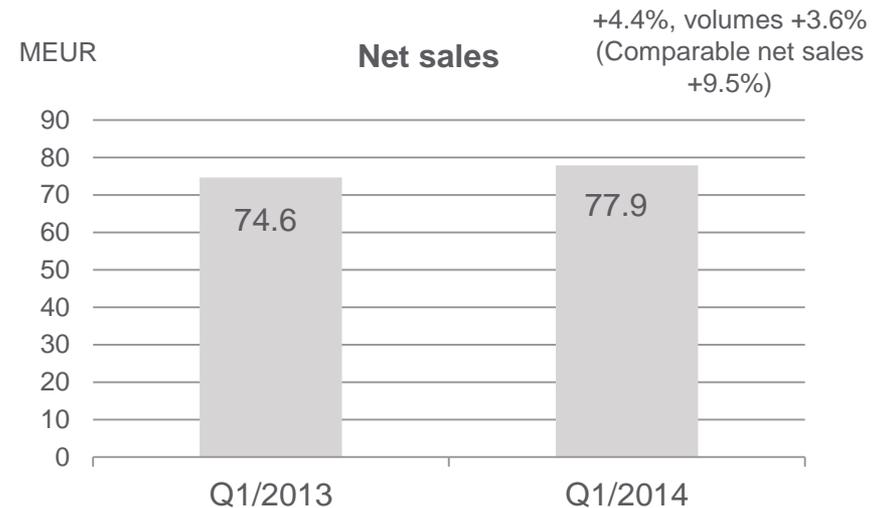
Transportation Filtration

Q1/14: Net sales EUR 77.9 million
(EUR 74.6 million)

- + Comparable net sales growth 9.5%
- + Higher sales volumes
 - + Sales growth in North America, Asia
- + Increased selling prices
- + Improved product mix
- Adverse currency effect: USD, BRL

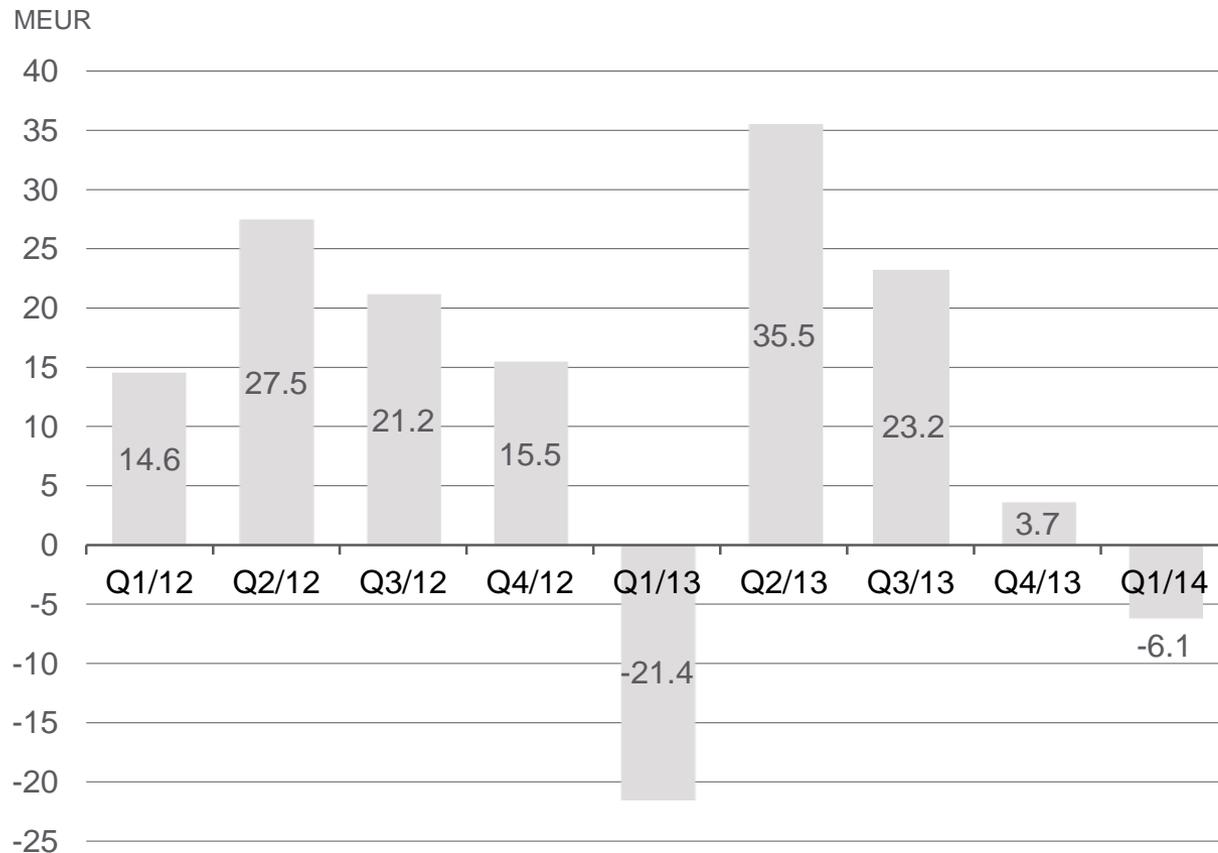
Q1/14: Operating profit ex. NRI EUR 5.0 million (EUR 4.1 million)

- + More value-added products
- + Lower fixed costs
- Increased raw material costs



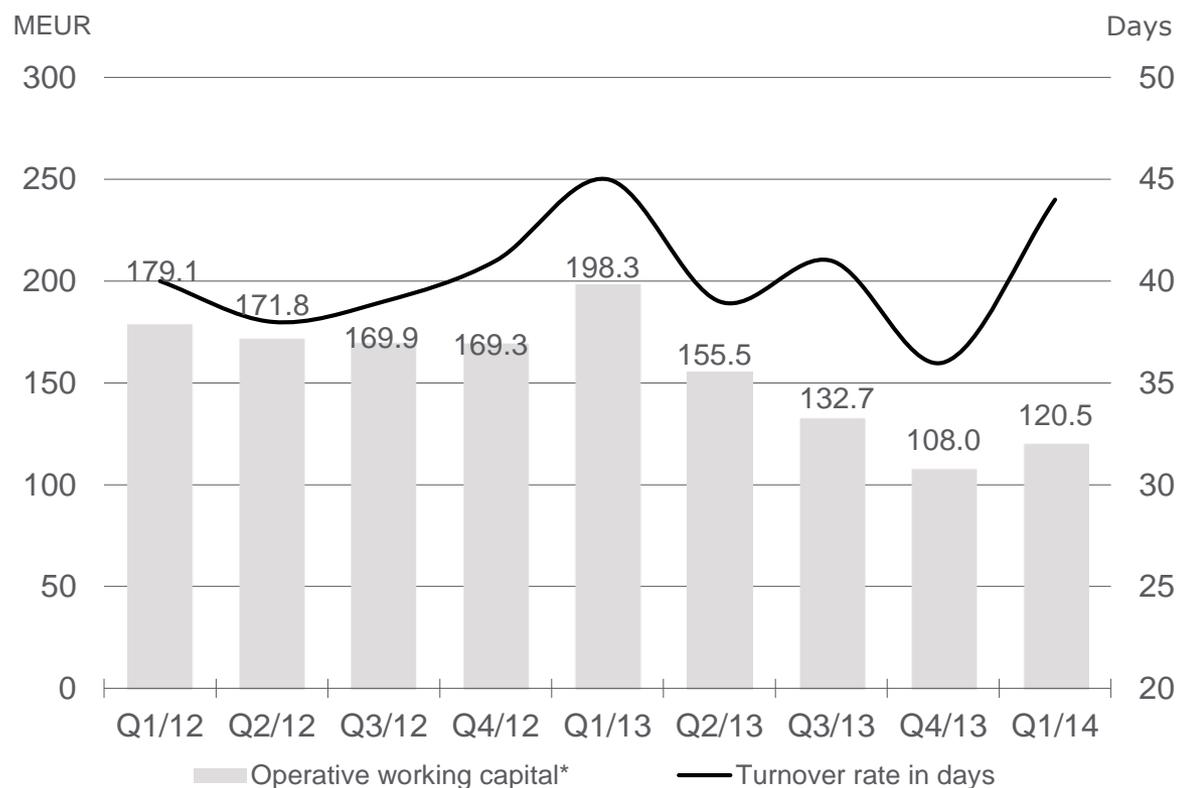
Cash flow and debt development

Quarterly net cash from operating activities (including discontinued operations)



– Seasonal increase in operating working capital had an impact on cash flow, but less than in Q1/2013

Development of operating working capital (including discontinued operations)



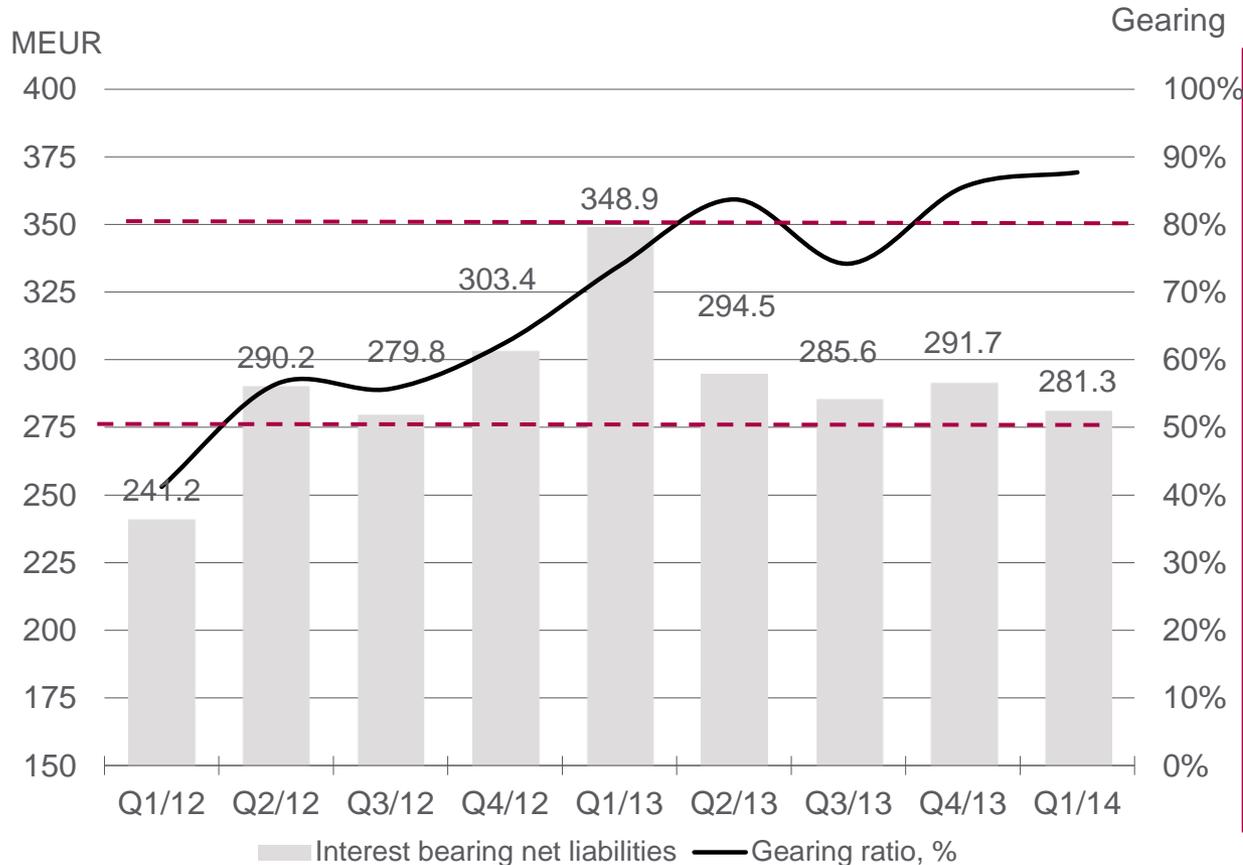
- Seasonal increase in operating working capital
- Turnover rate decreased to 44 days at the end of Q1/2014 from 45 days at the end Q1/2013

Operating working capital was released due to the LP Europe demerger in Q2/2013 and Coated Specialties demerger in Q4/2013

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

Gearing (including discontinued operations)

Gearing:
target range 50–80%



Gearing was 87.7% on March 31, 2014 and was effected

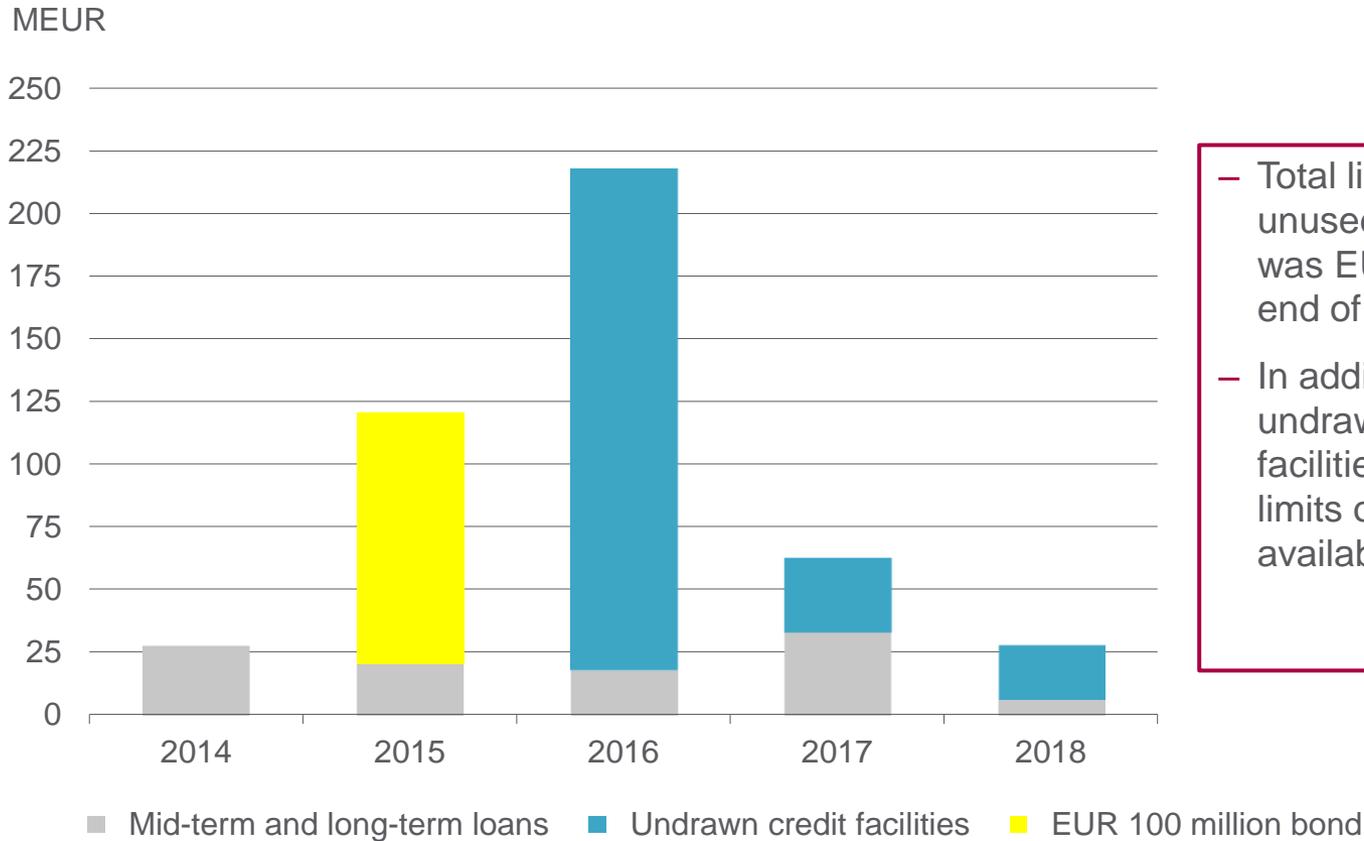
positively by:

- Sale of Munksjö shares
- Completion of the Paulinia divestment

negatively by:

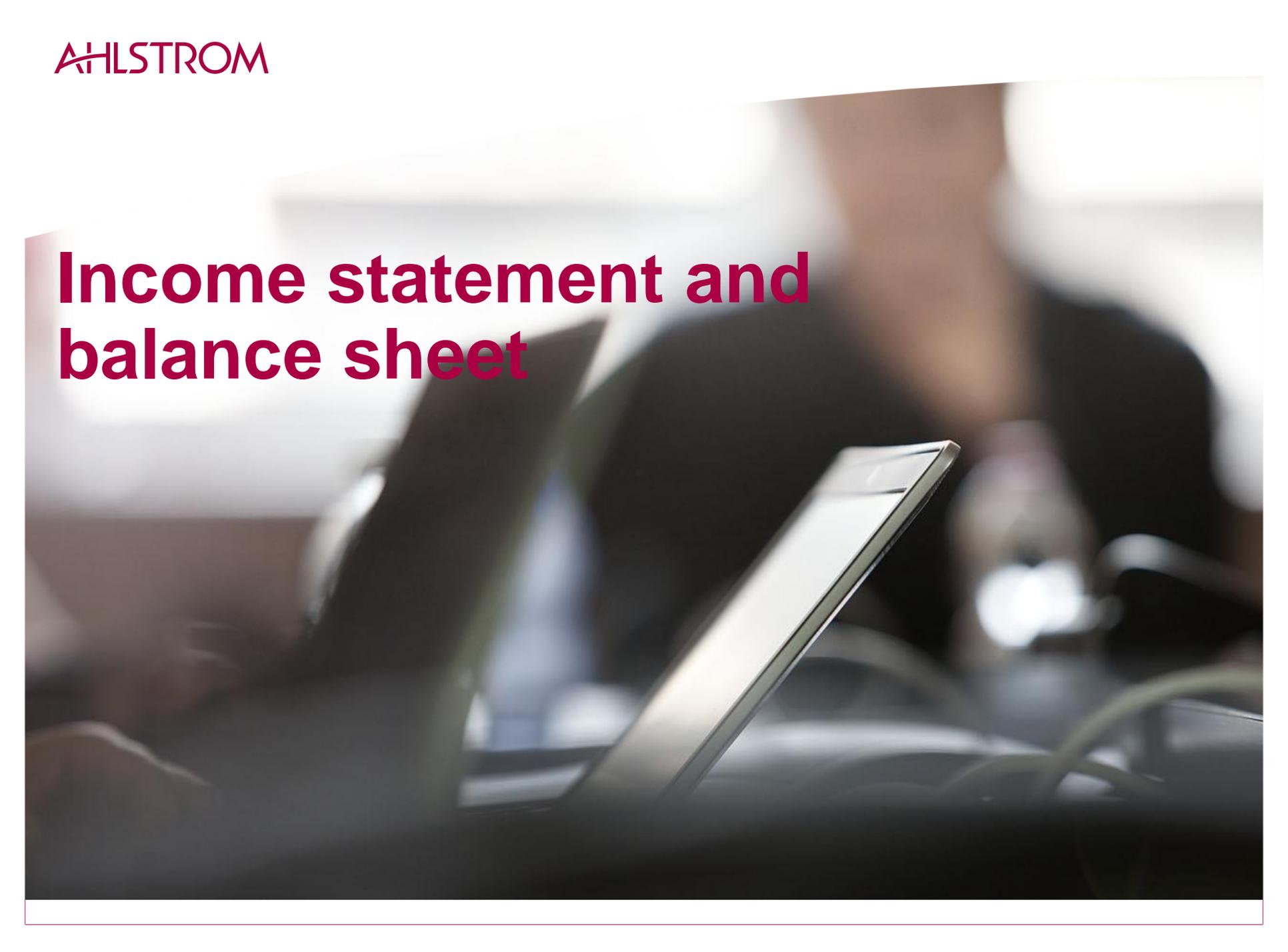
- Dividend impact on equity

Maturity profile of medium/long-term credit facilities



- Total liquidity, including cash and unused committed credit facilities was EUR 314.0 million at the end of Q1/2014
- In addition, Ahlstrom had undrawn uncommitted credit facilities and cash pool overdraft limits of EUR 139.9 million available

Income statement and balance sheet

A blurred background image showing a person in a dark shirt sitting at a desk. In the foreground, a laptop is open on the left, and a tablet is propped up on the right. The scene is dimly lit, with a bright light source creating a soft glow on the person's face and the desk.

Income statement

	Q1/2014	Q1/2013	
EUR million			
Net sales	249.2	255.3	▶
Cost of goods sold	-208.0	-216.1	
Gross profit	41.2	39.2	
Sales, administrative and research & development expenses	-37.7	-34.3	▶
Other income and expenses	0.9	3.4	
Operating profit	4.4	8.3	▶
Operating profit excl. NRI	7.2	6.5	
Net financial expenses	0.0	-5.2	
Share of profit / loss of equity accounted investments	0.8	0.4	▶
Profit before taxes	5.2	3.6	
Income taxes	-2.1	-1.7	
Profit for the period from continuing operations	3.1	1.9	
Profit for the period from discontinued operations	-1.2	6.0	▶
Profit for the period	1.9	7.9	

– Adverse currency rate effect, divestments

+ Increased selling prices and improved product mix

SGA excl. NRI: EUR 34.6 million in Q1/14 vs EUR 34.2 million in Q1/13

NRIs: EUR -2.8 million in Q1/14 vs. EUR 1.9 million in Q1/13

Suominen Oyj (Jujo Thermal included in Q1/13)

Includes reversal of impairment loss related to Paulinia, deferred tax cost in Germany

Balance sheet

	March 31, 2014	Dec. 31, 2013	
EUR million			
Total non-current assets	619.9	633.4	▶ Market value of shareholding in Munksjö Oyj EUR 46.0 million and Suominen Oyj EUR 33.3 million (March 31, 2014)
Inventories	111.1	106.6	
Trade and other receivables	194.5	173.0	
Income tax receivables	0.6	0.6	
Cash and cash equivalents	62.3	38.2	
Assets classified as held for sale and distribution to owners	4.0	18.9	
Total assets	992.3	970.6	
Total equity	320.7	341.4	▶ Includes EUR 100 million hybrid bond.
Provisions	9.9	8.3	
Interest bearing loans and borrowings	343.6	330.4	
Employee benefit obligations	76.0	76.1	
Trade and other payables	226.5	200.2	
Others	11.2	8.3	
Liabilities classified as held for sale and distribution to owners	4.4	5.9	
Total equity and liabilities	992.3	970.6	
Gearing	87.7	85.5	

Statement of cash flows

(including discontinued operations)

	Q1/2014	Q1/2013	
EUR million			
EBITDA	16.8	32.4	▶ Q1/2013 EBITDA includes EUR 11.1 million from discontinued operations
Adjustments	-0.9	-6.5	
Changes in net working capital	-18.1	-40.6	▶ Operating working capital increased less than in Q1/13
Change in provisions	1.6	-0.5	
Financial items	-4.8	-4.9	
Income taxes paid / received	-0.7	-1.2	
Net cash from operating activities	-6.1	-21.4	
Purchases of intangible and tangible assets	-18.7	-24.2	▶ Wallcovering materials in China, maintenance capex
Other investing activities	33.0	2.6	▶ Sale of Munksjö shares, Paulinia divestment
Net cash from investing activities	14.3	-21.6	
Changes in loans and other financing activities	15.1	29.8	
Net cash from financing activities	15.1	29.8	
Net change in cash and cash equivalents	23.3	-13.2	
Cash and cash equivalents at the beginning of the period	38.7	55.5	
Cash and cash equivalents at the end of the period	62.3	43.1	

Future prospects



Update on rightsizing program



- Target to reach annual costs savings of EUR 50 million during 2015
 - Includes EUR 10 million in costs transferred to Munksjö Oyj
- Personnel reductions of about 400 globally
- Ahlstrom to book non-recurring items of approximately EUR 15 million in 2014-15
- Achieved by the end of Q1/2014:
 - Approximately EUR 19 million in cost savings have been achieved, of which about EUR 7 million were transferred to Munksjö Oyj
 - Corresponding to an annualized run rate of EUR 25 million
 - Personnel reductions of approximately 230
 - Non-recurring costs: EUR 6.3 million, of which EUR 3.1 million Q1/2014

Near term focus areas in strategy implementation

To create the focus we need to achieve our business strategy we have three Must-Win Battles we have to win.

Winning business

- More sales through new leads and better win rate
- Improve customer engagement, service and gain loyalty
- Improve margin

Commercial success with new products

- Differentiated products for a clean and healthy environment
- Speed up the process from idea to market scale-up
- Communicate clear value propositions and capture value

High performance

- Reach and exceed targets
- Keep promises and high quality
- Create learning environment

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

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