

The logo for Ahlstrom, featuring the word "AHLSTROM" in a white, sans-serif font. The letter "A" is stylized with a horizontal line through its middle.

AHLSTROM

# Ahlstrom Investor presentation

March 2015

# Contents

- Ahlstrom in brief
- Summary of 2014 and Q4/2014
- Business area financials
- Strategic agenda
- Long-term financial targets
- Corporate responsibility
- Key financials 2010-2014
- Debt financing
- Global sourcing

# Ahlstrom today



- High performance fiber-based materials company
- Approximately 3,400 employees in 22 countries
- Net sales EUR 1 billion in 2014 (continuing operations)
- Founded in 1851, constantly moving forward
- Listed on the NASDAQ OMX Helsinki since 2006

# Business areas

as of January 1, 2015

## Filtration

The global leader in transportation, air and liquid filtration materials, with a leading market position in laboratory and life science filtration.



## Building and Energy

A global supplier of materials used in wallcoverings, floorings and windmill blades.

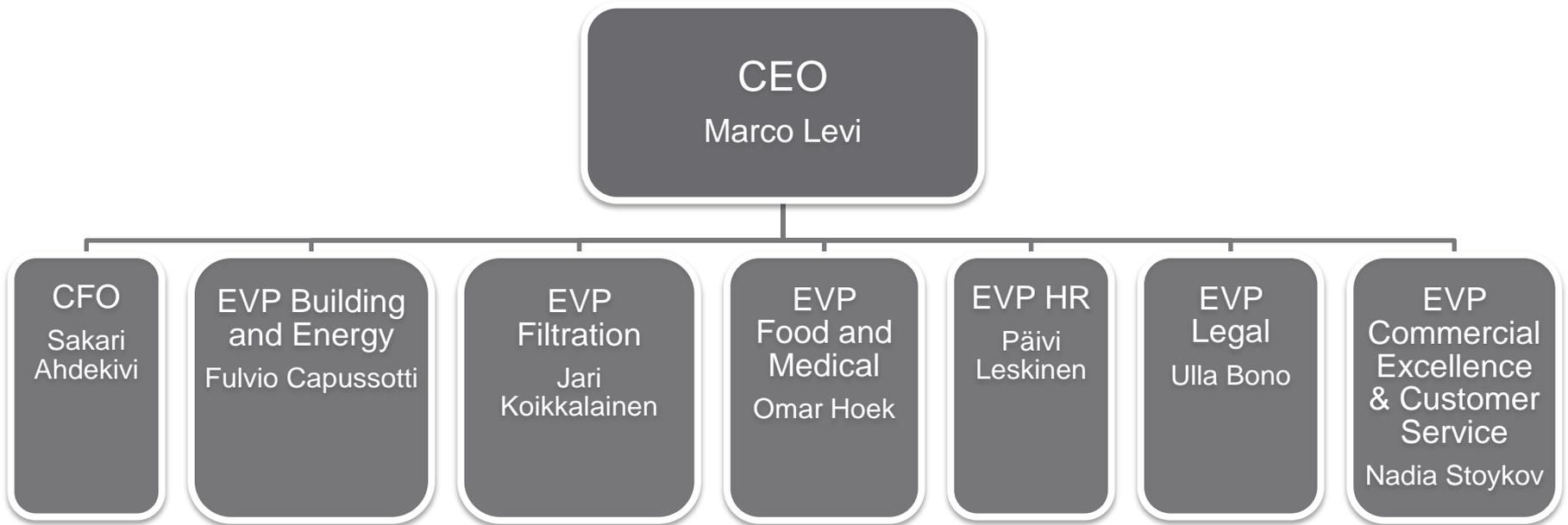


## Food and Medical

One of the leading players globally for materials used in beverage and food packaging, masking tape and medical gowns and drapes.



# Executive Management Team



# Worldwide operations

## Americas:

- 876 employees in 3 countries
- 6 plants
- 34% of net sales

## Europe:

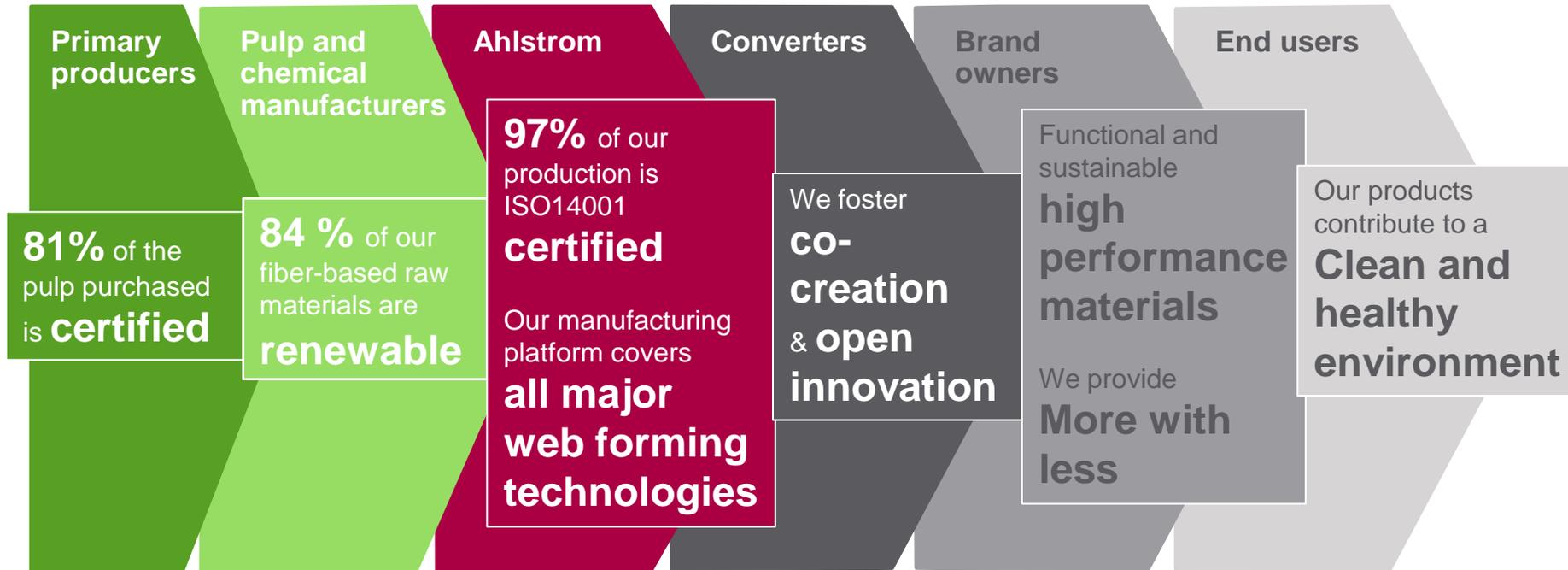
- 1,919 employees in 11 countries
- 19 plants
- 48% of net sales

## Asia-Pacific:

- 601 employees in 8 countries
- 4 plants
- 16% of net sales

- Manufacturing plants
- Product and technology centers
- Service centers
- Head office

# Creating value for our stakeholders



# Ahlstrom's history



- **1851:** start of timber trading, sawmill and shipping operations
- **1931:** Finland's largest industrial enterprise, with more than 30 manufacturing units and over 5,000 employees
- A forerunner in international operations. In **1963** Ahlstrom is among the first Finnish companies to make an acquisition abroad, in Italy
- **1980's:** focusing of operations and portfolio starts, development continued ever since
- **1998:** already 73% of the Group's employees work outside Finland
- **2001:** the company was divided into three parts. In 2006, Ahlstrom Corporation was listed on the Helsinki Stock Exchange

# Major acquisitions and divestments

## Focus on specialty papers, filtration

- Acquisition of Filtration Sciences Inc. in the USA (1989)

## Move to nonwovens

- Acquisition of Sibille-Dalle in France (1996)

## Expand and focus on nonwovens and specialty papers

### Key acquisitions:

- Dexter's nonwoven fabrics production in the USA (2000)
- Orlandi's spunlace production in Italy (2007)
- Fiberweb's consumer wipes business in Italy, Spain, USA (2007)
- Fabriano Filter Media in Italy (2007)
- Friend Group, manufacturer of vegetable parchment in the USA (2008)

## More focused business portfolio and expansion in Asia

- Acquisition of a filtration plant in China (2010)
- Joint venture in medical papers and masking tape substrates in China (2010)
- Acquisition of Munktell Filter AB (2012)

1980s

1990s

2000s

2010s

### Key divestments and exits:

- Exit from publication papers (1987)

### Key divestments and exits:

- Ahlstrom machinery (2000)
- Ahlstrom Pumps (2000)
- Ahlstrom Electronics (2000)
- Åkerlund & Rausing Carton (2000) and flexible packaging (2001)
- Kamtech (2002)
- Alcore cores and board (2004-2006)

### Key divestments and exits:

- Exit from dust and air filtration materials, sealing & shielding papers (2010)
- Divestment of Home and Personal -business area (2011)
- Demerger of Label and Processing business (2013)

# Summary 2014 & Q4/2014 and outlook

# Year 2014 in brief



## Highlights

- + Operative results more than doubled, driven by improved pricing and lower costs
- + Advanced Filtration, Transportation Filtration and Food improved performance
- + Rightsizing program nearing completion and reaching targeted savings
- + A new, simplified structure and organization in place

## Lowlights

- Low capacity utilization in Building and Energy
- Medical still loss-making

# Key figures

Operative results more than doubled in 2014

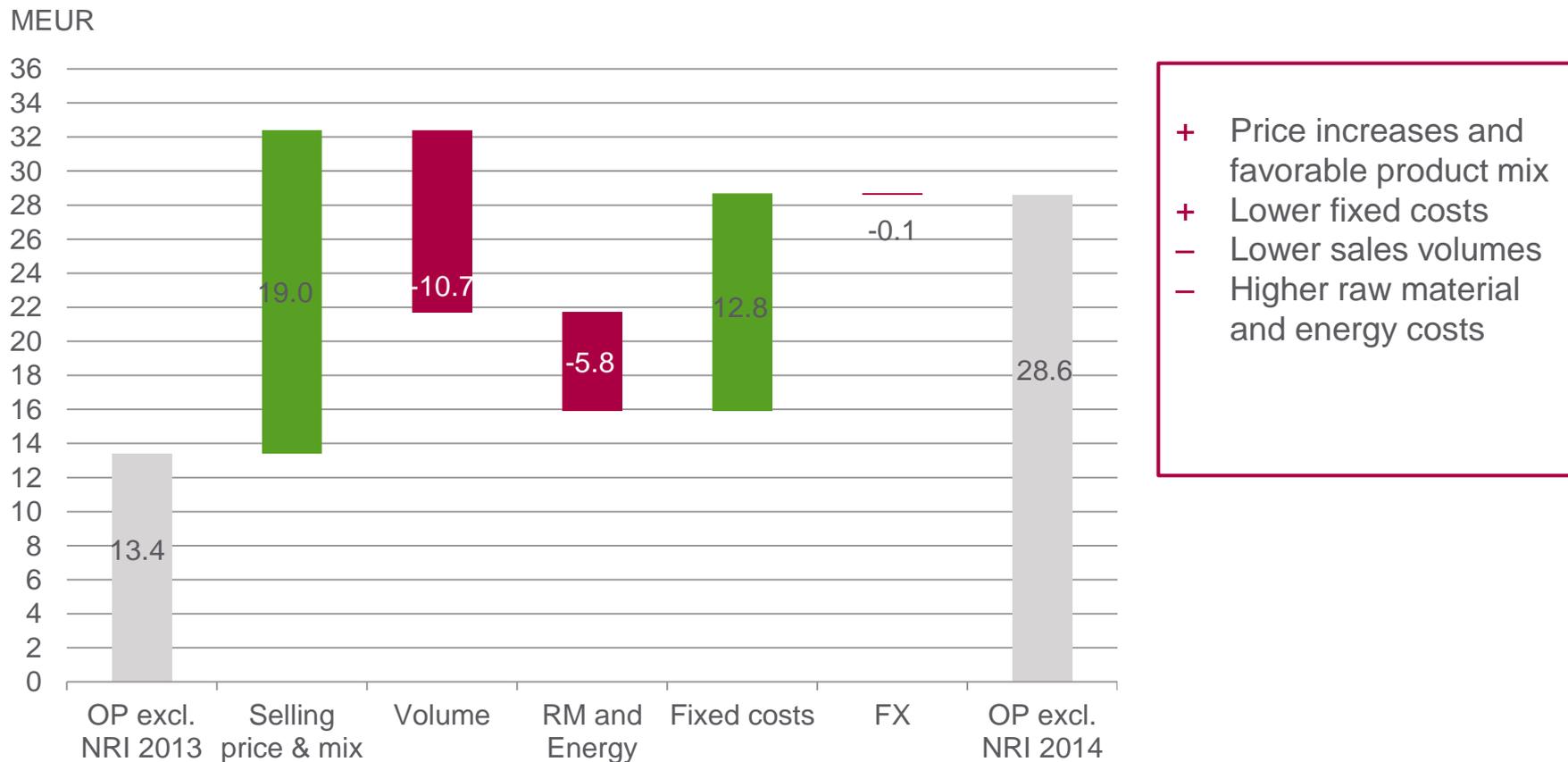
EUR million	2014	2013	Change, %	Q4/2014	Q4/2013	Change, %
<b>Net sales</b>	<b>1,001.1</b>	1,014.8	-1.3	<b>247.0</b>	<b>243.4</b>	<b>1.5</b>
<b>EBITDA*</b>	<b>78.6</b>	65.0	21.1	<b>11.5</b>	<b>10.2</b>	<b>13.0</b>
<i>% of net sales</i>	<b>7.9</b>	6.4		<b>4.7</b>	<b>4.2</b>	
<b>Operating profit excl. NRI</b>	<b>28.6</b>	13.4	113.9	<b>-1.8</b>	<b>-2.5</b>	<b>30.5</b>
<i>% of net sales</i>	<b>2.9</b>	1.3		<b>-0.7</b>	<b>-1.0</b>	
<b>Gearing**</b>	<b>79.3</b>	85.5		<b>79.3</b>	<b>85.5</b>	
<b>ROCE, %</b>	<b>-0.5</b>	0.9		<b>-2.6</b>	<b>-3.5</b>	

\* Excluding non-recurring items

\*\* Including discontinued operations

# Operating profit\* bridge 2013 vs 2014

Improvement driven by higher selling prices, product mix and lower costs



\*Continuing operations, excluding non-recurring items

# October-December 2014 in brief



## Highlights

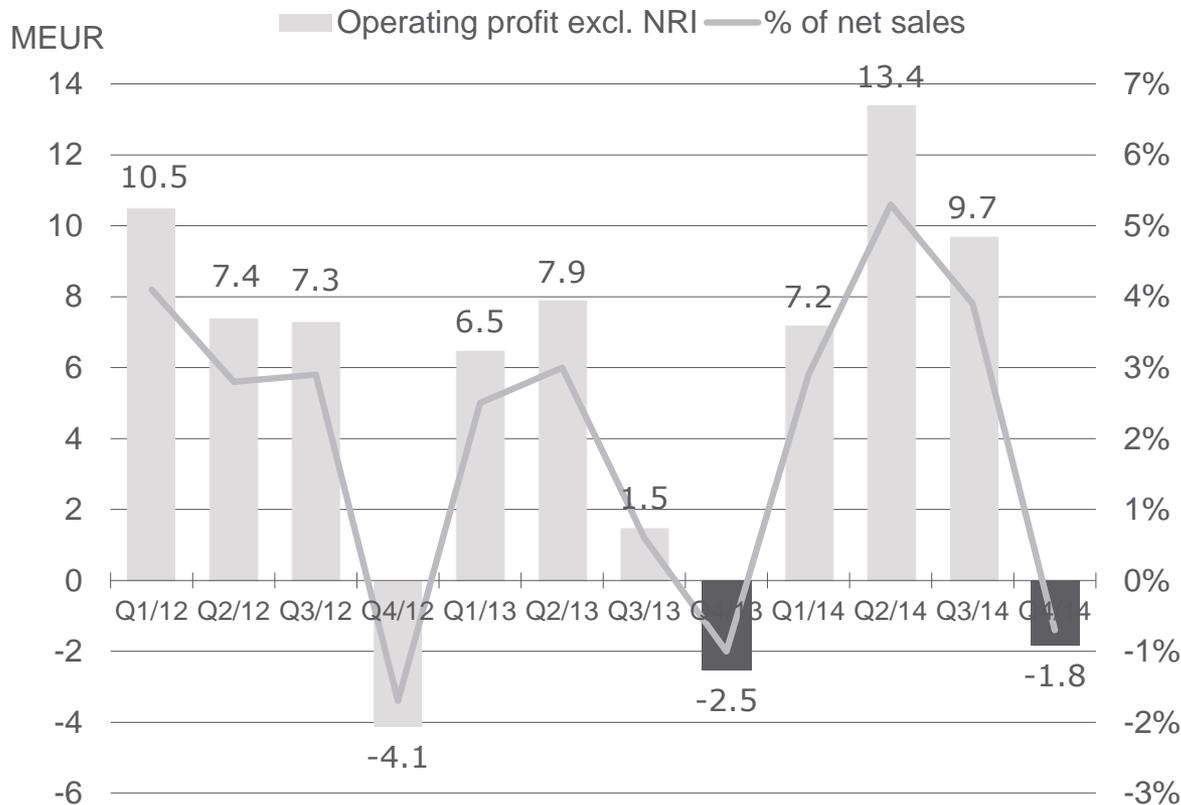
- + Three business areas continued to improve profitability: Advanced Filtration, Transportation Filtration and Food
- + Sales growth in Advanced Filtration and Transportation Filtration
- + Rightsizing program nearing completion and reaching targeted savings

## Lowlights

- Underperformance in Building and Energy
  - Low capacity utilization
  - Costs and depreciation of the new wallcoverings production line in China
  - Weak Russian demand and Ruble

# Quarterly operating profit development

Q4/2014 depressed by Building and Energy despite improvements elsewhere

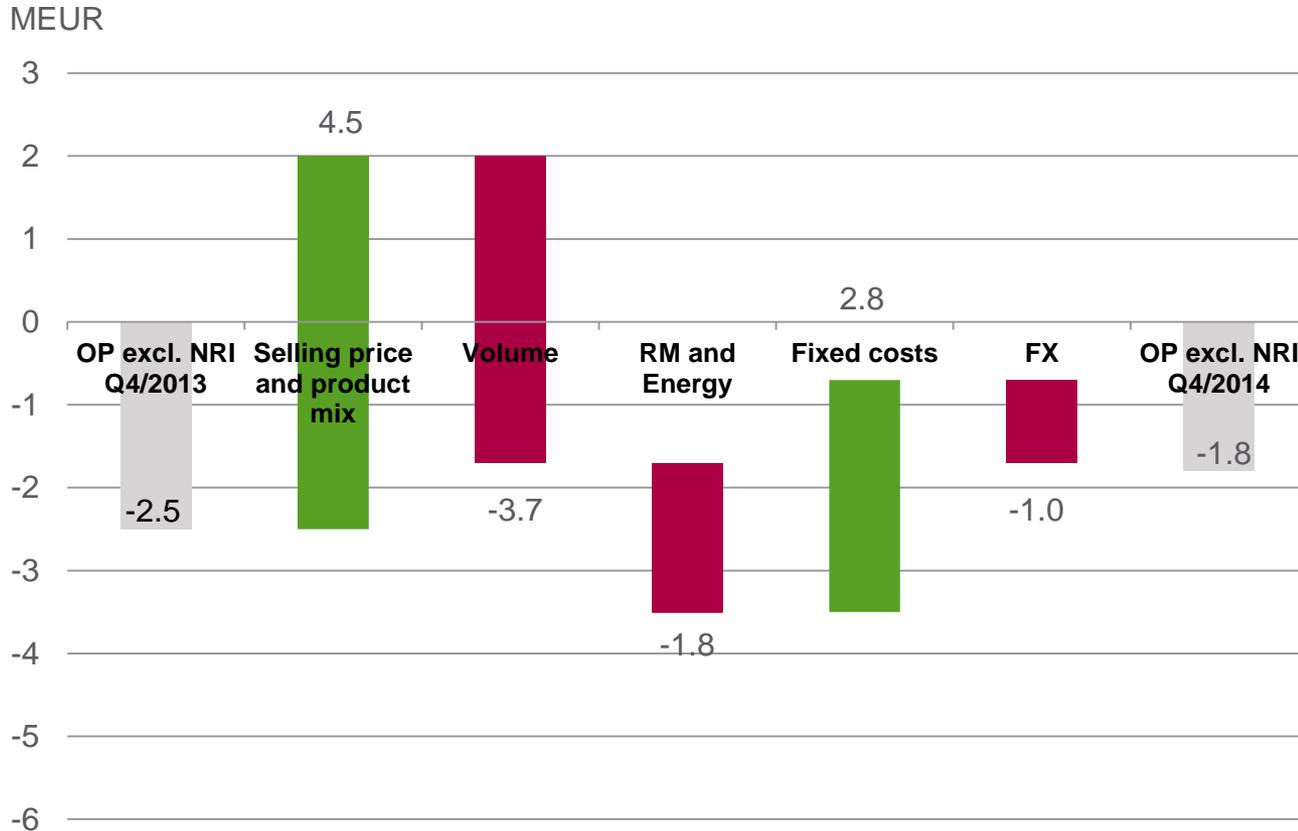


Operating profit excl. NRI

MEUR	Q4/14	Q4/13	Change, %
Advanced Filtration	4.5	2.6	72.5
Building and Energy	-6.0	-0.9	N/A
Food	1.9	1.7	10.1
Medical	-1.5	-1.8	17.1
Transportation Filtration	4.3	2.1	107.7

# Operating profit\* bridge Q4/13 vs Q4/14

Increased selling prices and lower fixed costs offset by lower volumes and higher energy costs

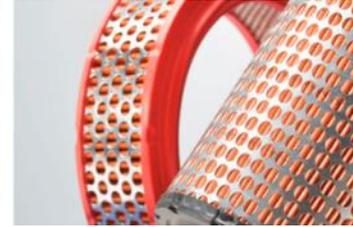


- + Price increases and favorable product mix
- + Lower fixed costs
- Lower sales volumes
- Higher raw material and energy costs
- Adverse currency effect

\*Continuing operations, excluding non-recurring items

# Rightsizing program

nearing completion



- Most actions have been implemented and approximately EUR 31 million in cost savings have been achieved in continuing operations
- Full-year annualized costs savings of EUR 39 million in continuing operations to be achieved by the end 2015. The program amounts to EUR 50 million, including discontinued operations.
- Personnel reductions of 391 at the end of 2014. Target of 400 people to be reached in 2015.
- All planned EUR 15 million in non-recurring costs have been booked, of which EUR 12 million in 2014

# Income statement

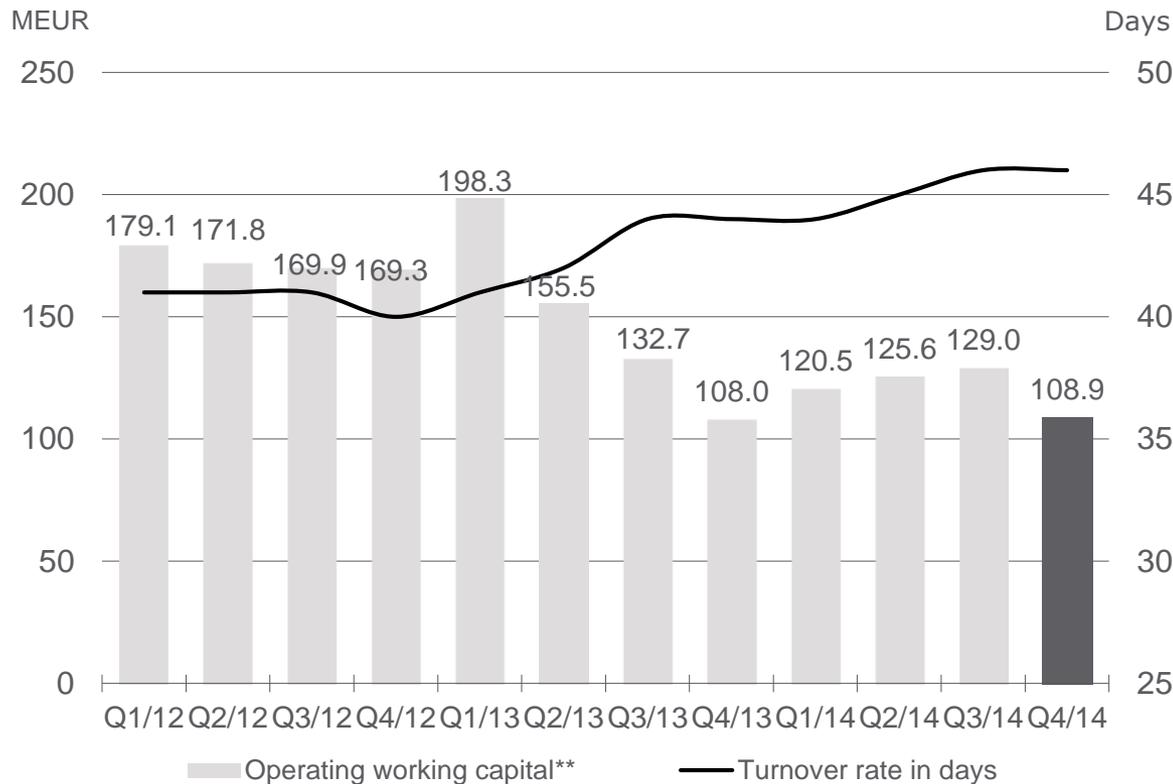
	Q4/2014	Q4/2013	
<b>EUR million</b>			
<b>Net sales</b>	<b>247.0</b>	<b>243.4</b>	
Cost of goods sold	-217.4	-214.3	
<b>Gross profit</b>	<b>29.5</b>	<b>29.1</b>	
Sales, administrative and research & development expenses	-34.9	-33.7	▶ SGA costs excluding NRI continued to decrease in Q4/14, but were impacted by set-up costs related to the shared service center in Vilnius and operational costs of the new research facility in Shanghai
Other income and expenses	1.1	-0.9	
<b>Operating profit / loss</b>	<b>-4.3</b>	<b>-5.5</b>	▶ NRIs: EUR -2.5 million in Q4/14, mainly from the rightsizing program
<b>Operating profit / loss excl. NRI</b>	<b>-1.8</b>	<b>-2.5</b>	▶ Includes a capital gain from selling Suominen Corporation shares
Net financial expenses	10.0	-5.0	
Share of profit / loss of equity accounted investments	0.0	-0.6	
<b>Profit / loss before taxes</b>	<b>5.7</b>	<b>-11.1</b>	
Income taxes	-0.1	-1.1	
<b>Profit / loss for the period from continuing operations</b>	<b>5.6</b>	<b>-12.2</b>	
<b>Earnings per share</b>	<b>0.09</b>	<b>-0.29</b>	

# Balance sheet

	Dec. 31, 2014	Dec. 31, 2013	
<b>EUR million</b>			
Total non-current assets	599.3	633.4	▶ - Market value of shareholding in Munksjö Oyj EUR 43.0 million (Dec. 31, 2014)
Inventories	108.1	106.6	
Trade and other receivables	170.7	173.0	- Current shareholding in Munksjö: 4.8 million shares
Income tax receivables	1.7	0.6	
Cash and cash equivalents	41.4	38.2	- Suominen shares no longer included as sold in Q4/14
Assets classified as held for sale and distribution to owners	-	18.9	
<b>Total assets</b>	<b>921.1</b>	<b>970.6</b>	
Total equity	320.1	341.4	▶ - Impact from increased pension liabilities, non-recurring items booked in 2014
Provisions	11.6	8.3	
Interest bearing loans and borrowings	295.2	330.4	- Includes EUR 100 million hybrid bond
Employee benefit obligations	96.0	76.1	
Trade and other payables	194.0	200.2	
Others	4.2	8.3	
Liabilities classified as held for sale and distribution to owners	-	5.9	
<b>Total equity and liabilities</b>	<b>921.1</b>	<b>970.6</b>	
<b>Gearing</b>	<b>79.3</b>	<b>85.5</b>	

# Development of operating working capital\*

## Seasonal reduction



- Seasonal reduction in working capital in Q4 due to reduced inventories
- 12-month rolling turnover rate increased to 46 days at the end of 2014 from 44 days at the end 2013

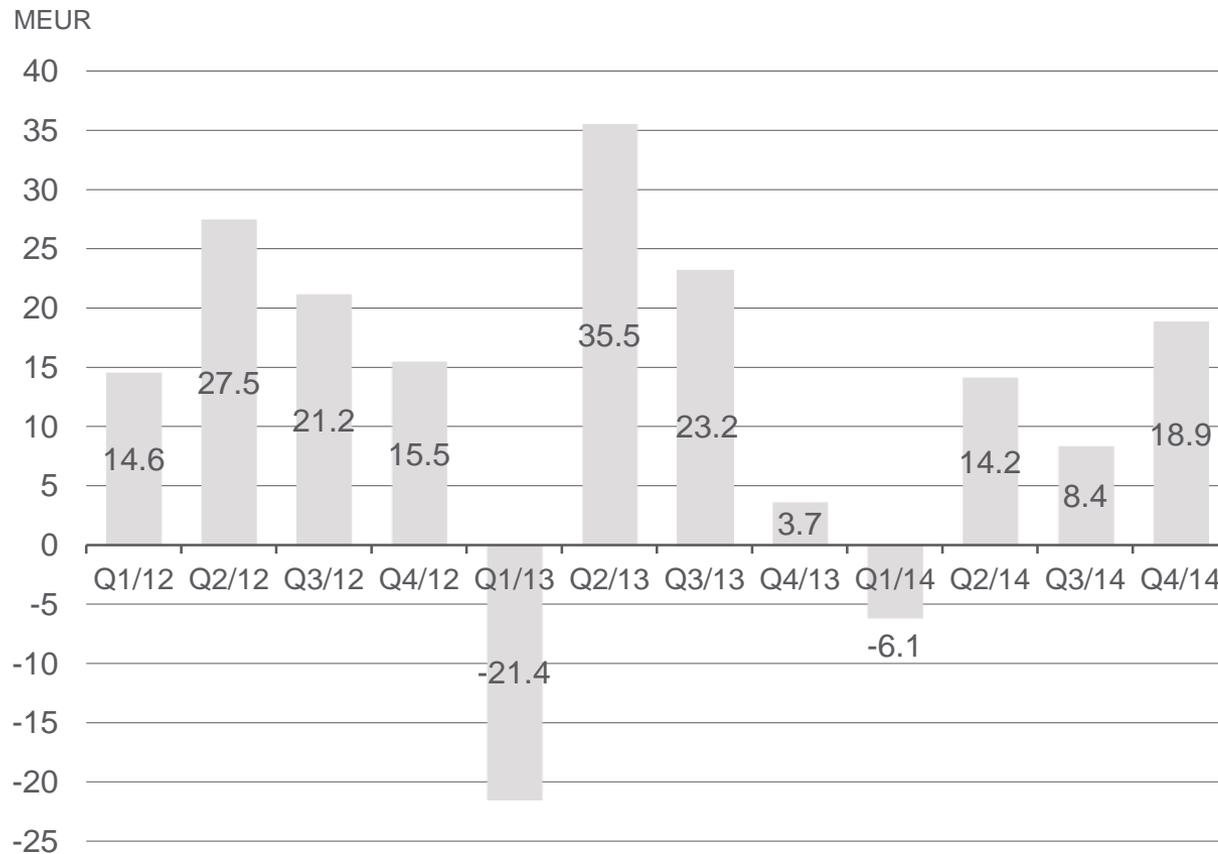
Operating working capital was released due to the LP Europe demerger in Q2/2013 and Coated Specialties demerger in Q4/2013

\*Including discontinued operations

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

# Net cash from operating activities\*

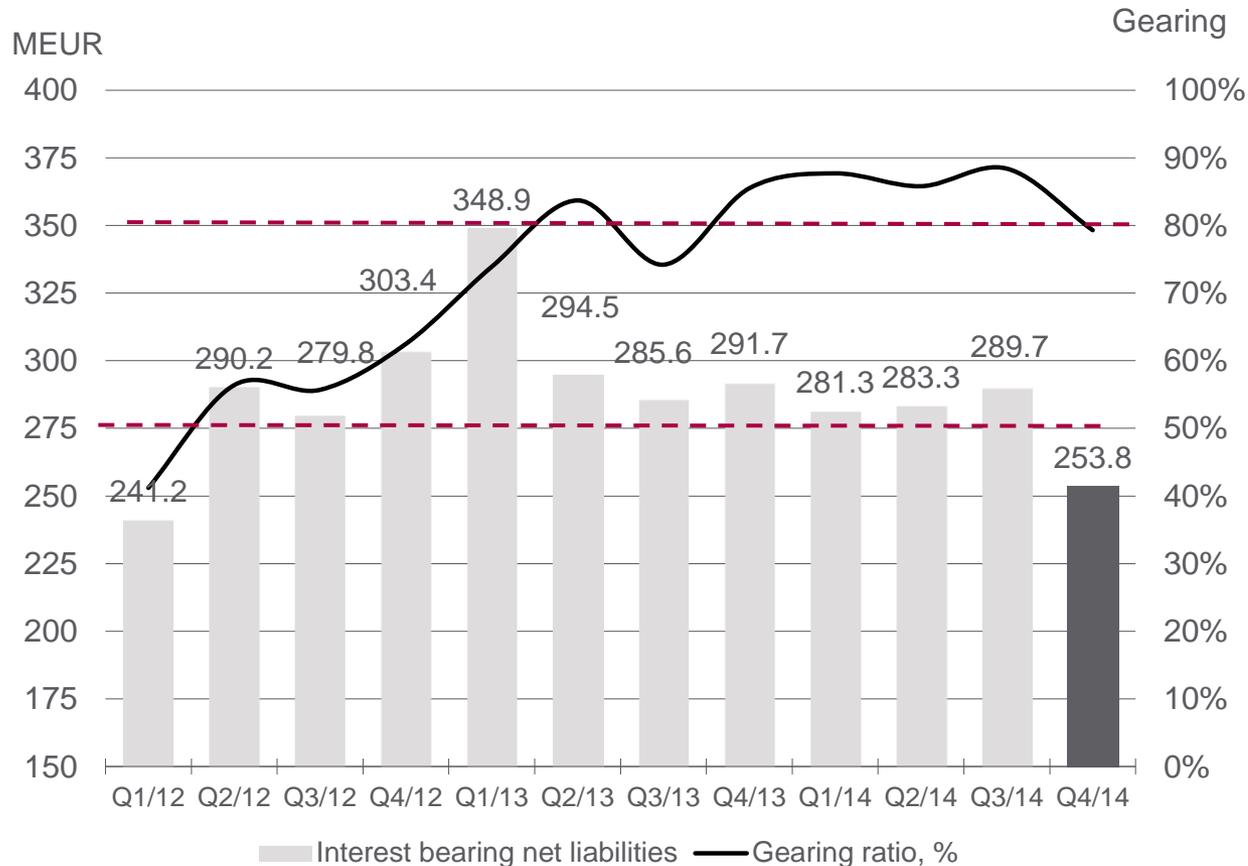
Driven by reduction in operating working capital



**Gearing:**  
target range 50–80%

# Net debt and gearing\*

Reduced due to cash flow and sale of Suominen shares



Gearing was 79.3% on December 31, 2014

- Positive operating cash flow
- Sale of Suominen shares had a positive impact on gearing in Q4/2014
  - Transaction price EUR 33.3 million

# Outlook for 2015

Profitability expected to improve



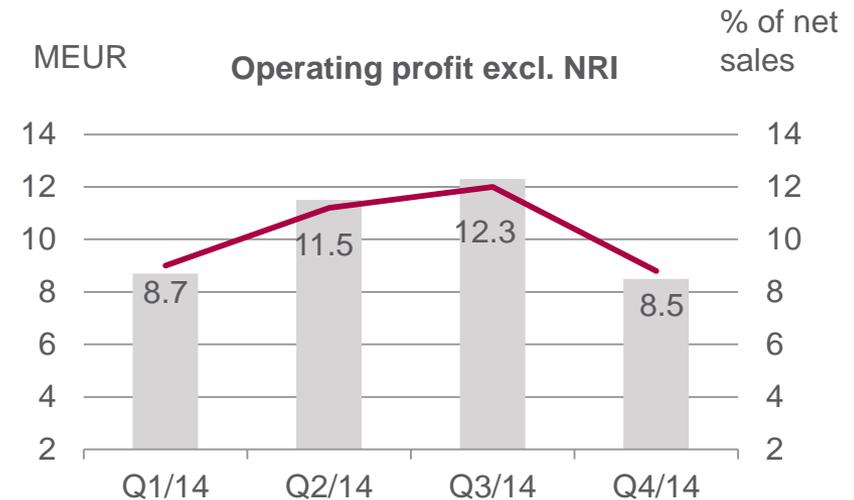
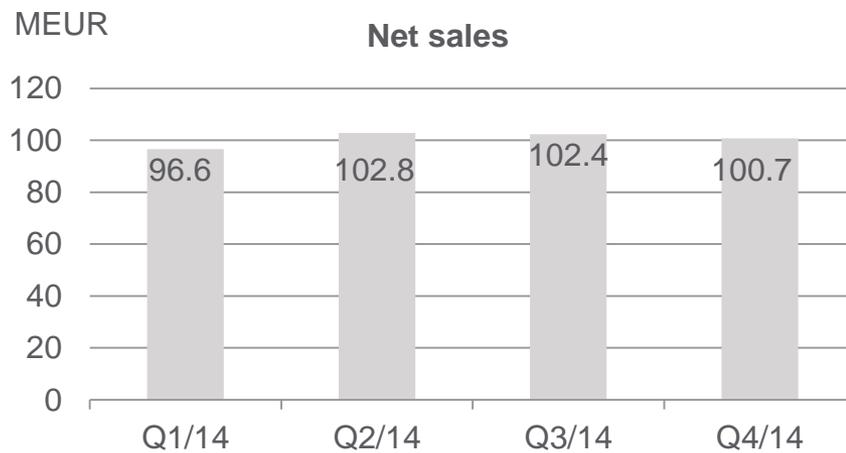
- Net sales are expected to be in the range of EUR 1,000-1,100 million
- Operating profit margin excluding non-recurring items is expected to be 3.5-5% of net sales
- Investments excluding acquisitions are estimated to amount to approximately EUR 35 million

AHLSTROM

# Business area autopsy

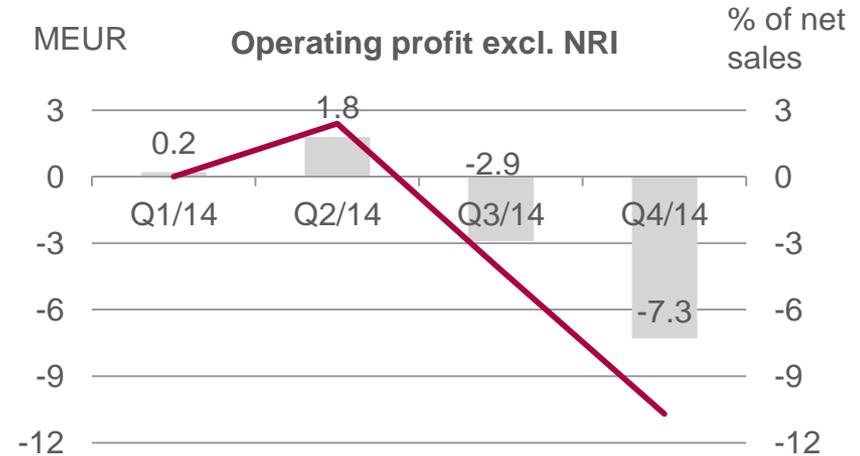
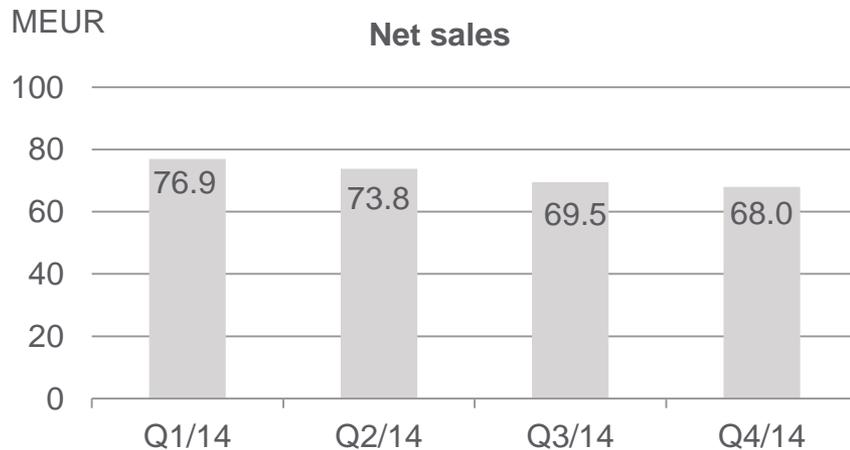


# Filtration



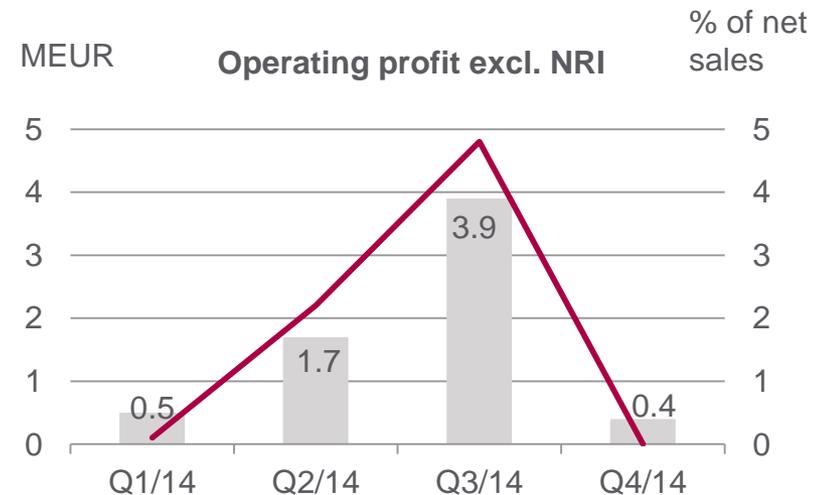
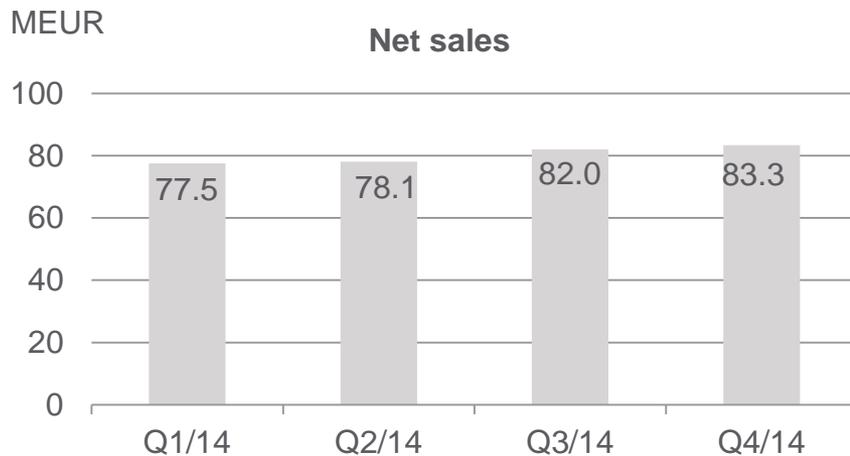
Ahlstrom is the leading provider of transportation filtration materials. We specialize in materials used for cleaning air and liquid in vehicles, as well as in a wide range of life science and laboratory filtration, water filtration, high efficiency air, gas turbine and hydraulic filtration applications.

# Building and Energy



Our offering covers a wide range of materials that make buildings and structures solid, such as carriers for vinyl floorings and reinforcements for windmill blades. Additionally, we make substrates for wallcoverings and a wide range of materials for specialty applications

# Food and Medical

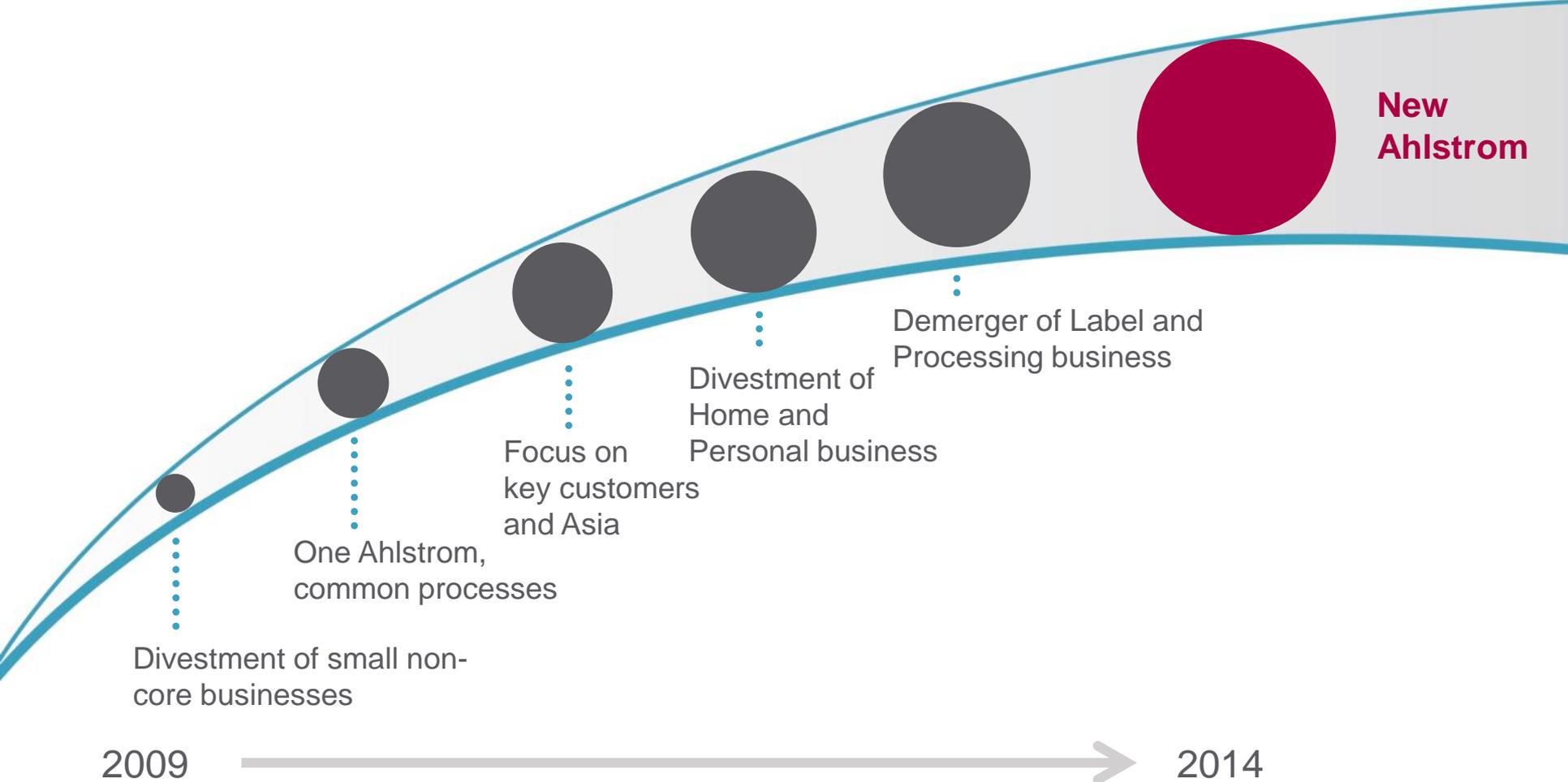


We provide a wide range of materials used for infusing tea and coffee, packing food and safeguarding infection protection in operating rooms and theaters with our single-use medical fabrics, as well as quality masking tape material

# Strategic agenda



# We have successfully executed our transformation strategy during 2009-2013



# Strategy statement

**We will grow with  
a high performance  
product offering for a clean  
and healthy environment**

# Global megatrends drive our growth

## **Resource scarcity, energy and environment**

- We design products that minimize environmental impacts
- We are the global leader in environmentally friendly transportation, offering a comprehensive range of filtration media that enable reduced emissions
- Our production processes allow more efficient use of raw materials, energy and water

## **Emerging needs in healthcare**

- We focus on laboratory and point-of-care medical testing and diagnostics
- We offer a comprehensive range of single-use medical materials that enable safe medical care

## **Demographics and urbanization**

- We are a leading provider of high quality functional materials for construction and home decoration
- We provide safe, convenient and innovative food and beverage packaging

# Our roadmap: five key priorities

**Margin**

**Enhanced commercial excellence**

**Customer**

**Upgrade Go-to-Market process**

**Cost**

**Simplification**

**Unity**

**Building up new Ahlstrom**

**Potential**

**Redefine Ahlstrom's strategy**

# Our strategic enablers

A high performance product offering for a clean and healthy environment



## Co-creation and open innovation

Competent people with a passion for results  
Differentiated products to meet specific customer needs  
Deep partnerships with customers, partners and suppliers



## Technology and manufacturing platforms

Unique know-how of fibers, chemistry and materials technology  
Flexible manufacturing capabilities  
Environmentally sound technologies utilizing renewable materials



## Global reach and local insights

Global operations, local sales and technical service  
Global product offering, customized to market needs  
Resource-efficient value chains

Inspiring people,  
passionate about new ideas,  
growing with our customers



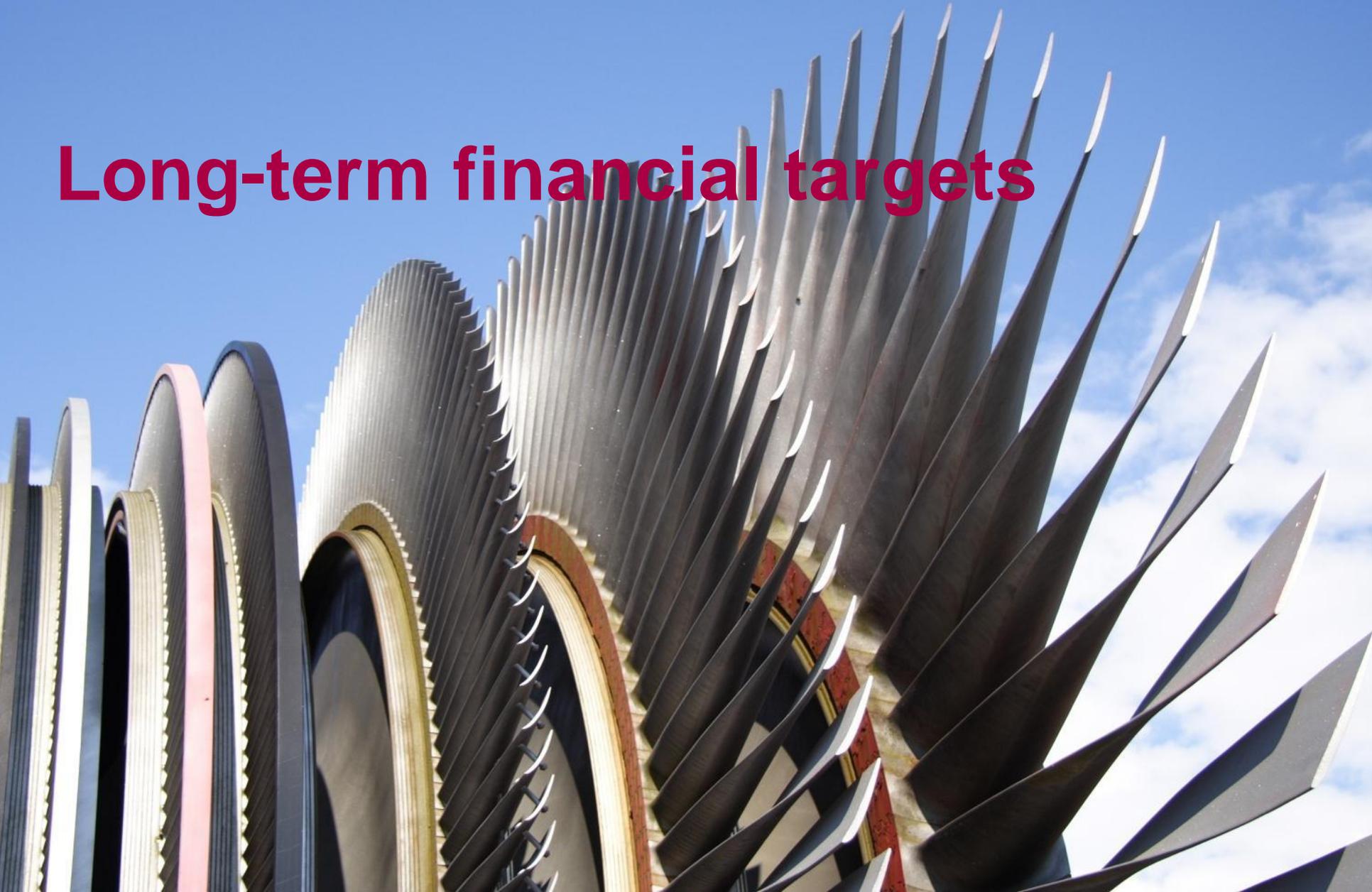
AHLSTROM

Ahlstrom is a high performance materials company, partnering with leading businesses around the world to help them stay ahead.

- Act responsibly
- Create value
- Learn and renew

Performance, Improvement, Certainty, Simplicity

# Long-term financial targets



# Long-term financial targets over the economic cycle

**Net sales** > At least 5% underlying growth

**Sales from new products \*** > At least 20%

**Operating profit \*\*** > 7% of net sales by 2016  
• Implies ROCE 13%  
10% of net sales beyond 2016  
• Implies ROCE 15%

**Gearing** > To be maintained within 50–80% range

\* Developed in the last three years

\*\* Excluding non-recurring items

# Performance against long-term targets

MEUR	2013	2013	2012	2011	2010
<b>Net sales</b>	1,001.1	1,014.8	1,010.8	1,025.8	1,031.1
<i>Growth, %</i>	-1.3	0.1	-1.8	-0.1	
<b>Net sales from new products, %</b>	15.0	13.0	11.0	18.0	N/A
<b>Operating profit **</b>	26.8	13.4	21.1	27.6	33.9
<i>% of net sales</i>	2.9	1.3	2.1	2.7	3.3
<b>Gearing</b>	79.3	85.5	62.5	40.9	46.9

\*Developed in the last three years

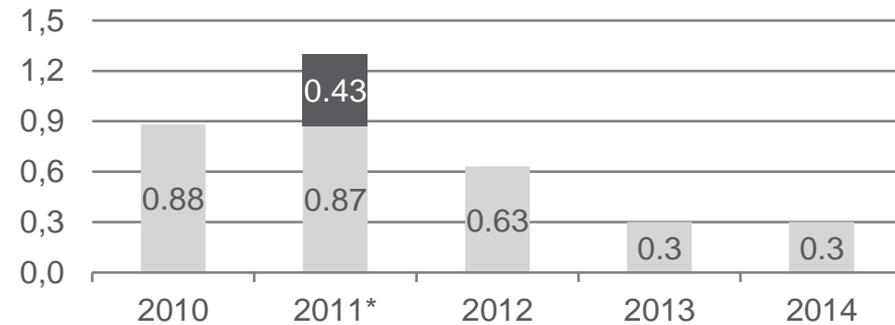
\*\*Excluding non-recurring items

# Dividend policy

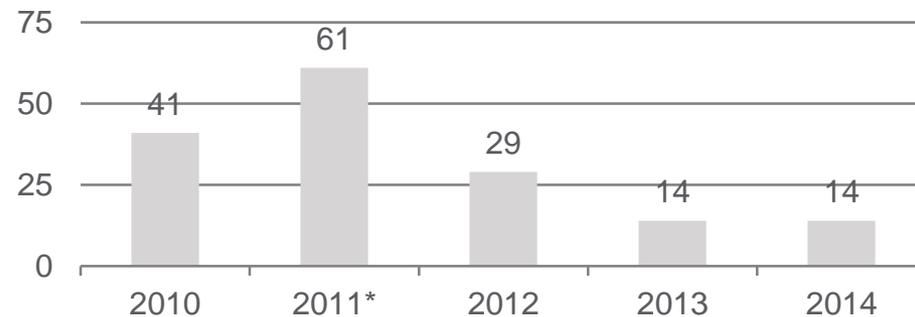
Aim is to pay a dividend of not less than one third of net cash from operating activities after operative investments, calculated as three-year rolling average.

- The Annual General Meeting in 2015 decided to distribute a dividend of EUR 0.30 per share.

### Dividend per share (€)



### Total amount of dividends paid (EUR million)



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

# Shareholders

## Major shareholders (28/2/2015)

1. Vimpu Intressenter Ab	11.8%
2. AC Invest Six BV	10.9%
3. Varma Mutual Pension Insurance Company	3.28%
4. Huber Mona Lilly	2.68%
5. Tracewski Jacqueline	1.73%
6. Nahi Kai Anders	1.71%
7. Kylmälä Tauno Kim	1.65%
8. Emmet Linda	1.50%
9. Lund Niklas Roland	1.49%
10. Sumelius Michael	1.46%

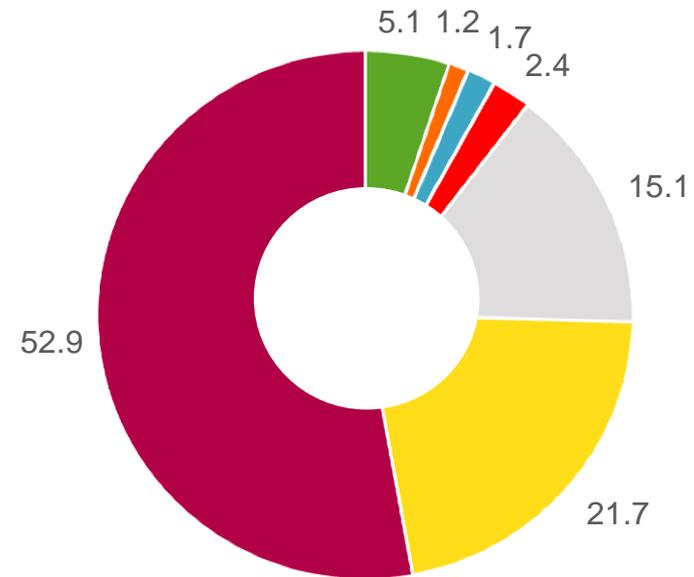
**In total 46.7 million shares outstanding**

**Ahlström family members hold approximately 2/3 of the shares\***

\*Ahlstrom Corporation is not aware of any shareholders' agreements relating to its share



## Shareholder structure (28/2/2015)



- Public sector institutions
- Financial and insurance institutions
- Non-profit institutions
- Nominee registered
- Corporations
- Foreign holders
- Finnish private investors

# Corporate responsibility

Link to Ahlstrom's corporate responsibility reporting 2014:

<http://www.ahlstrom.com/globalassets/files/publications/annual-report-2014-yearbook.pdf>

# Sustainability as a key driver in product development



EcoDesign approach is based on life-cycle assessment

The target is to minimize the environmental impacts of a product over its whole life-cycle

EcoDesign approach is a continuous improvement process focusing on:

- Technical performance
- Cost efficiency
- Environment

# Our approach to corporate responsibility

Economic, social and environmental focus areas in Ahlstrom's value chain

## PRODUCT DEVELOPMENT

- Minimized environmental impacts of the products over their life cycle (LCA)
- Social impacts of products

## RESPONSIBLE SOURCING

- Certified fiber sources
- Supplier Code of Conduct

## MANUFACTURING

- Water use
- Waste minimization
- Resource efficiency
- Energy use
- Minimized emissions to air, water and soil

## SALES AND MARKETING

- Product stewardship
- Sustainable value propositions
- Helping customers to solve their sustainability challenges

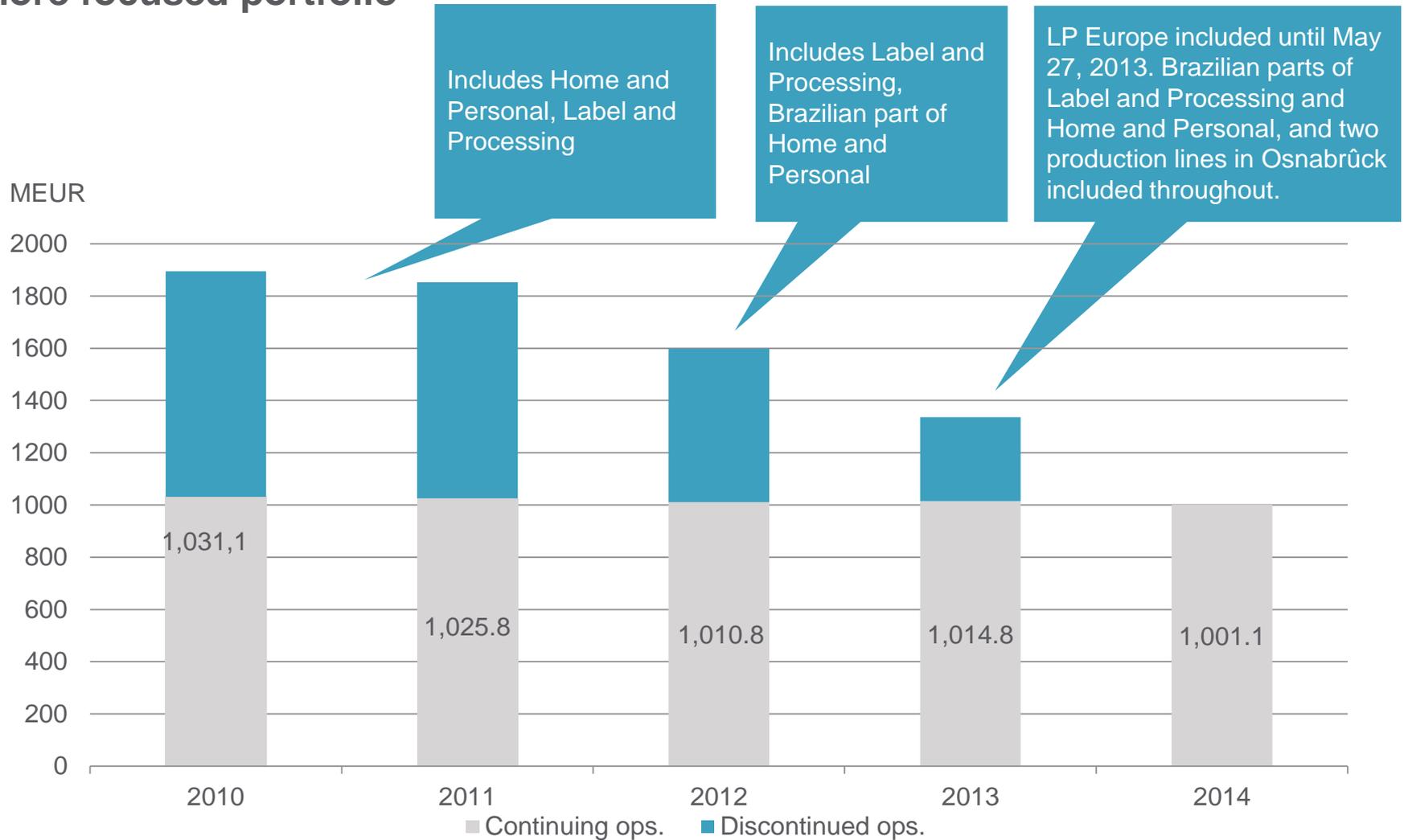
Safety in workplace, human rights, leadership and management practices

# Key financials 2010-2014



# Net sales development

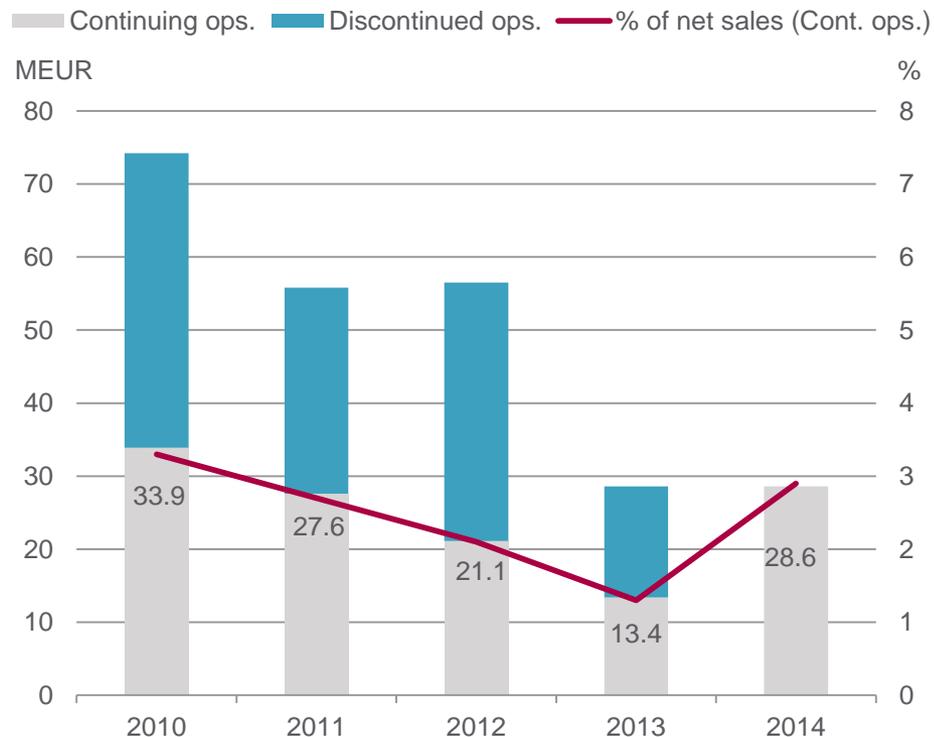
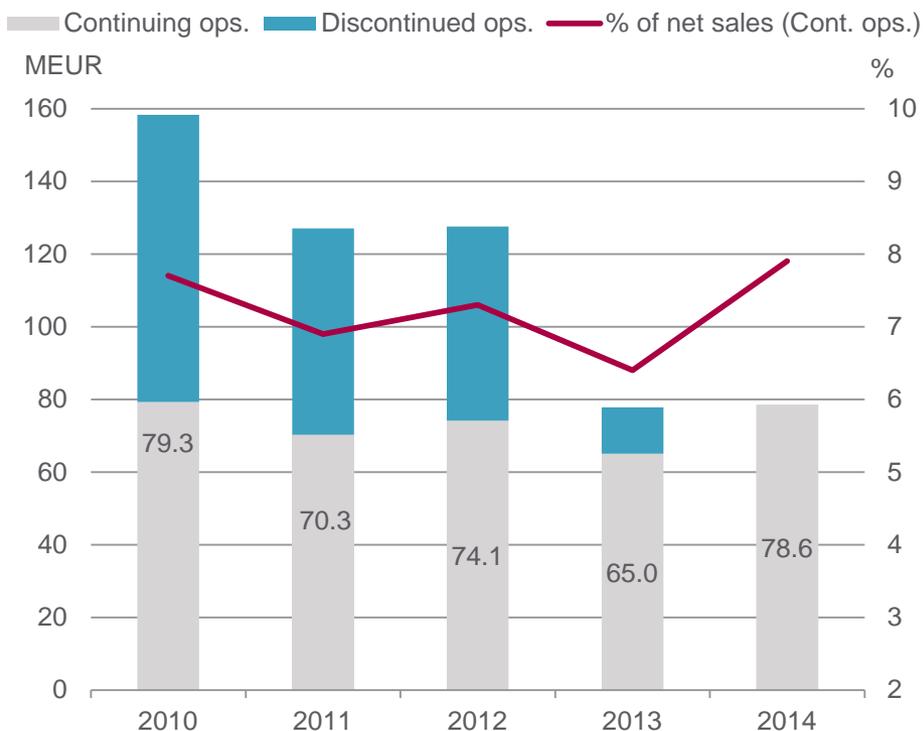
## More focused portfolio



# EBITDA and operating profit

## EBITDA

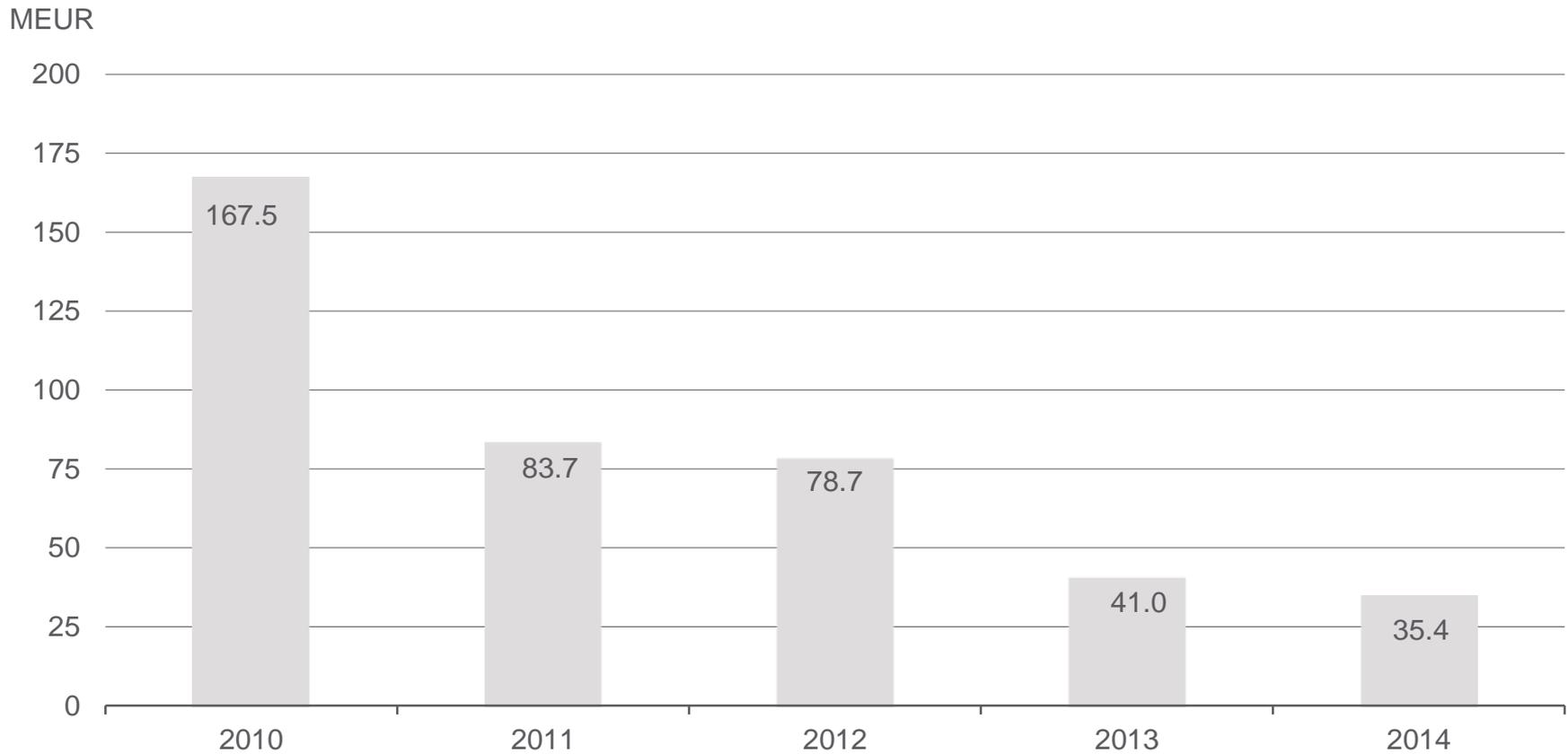
## Operating profit ex. NRI



\*2012 figures have been restated and 2013-2014 figures reported according to new IFRS standard on employee benefits.

# Net cash from operating activities

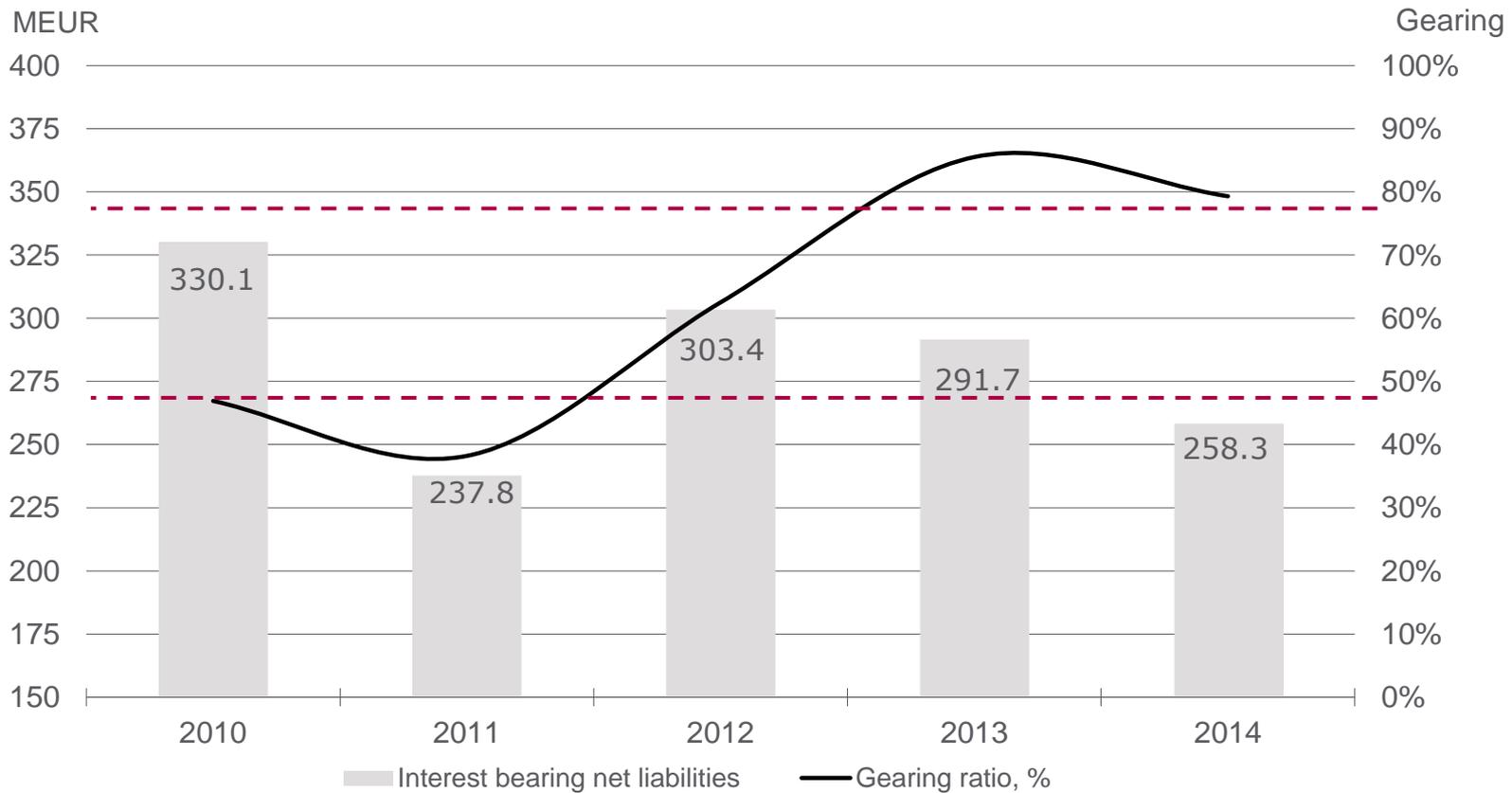
(including discontinued operations)



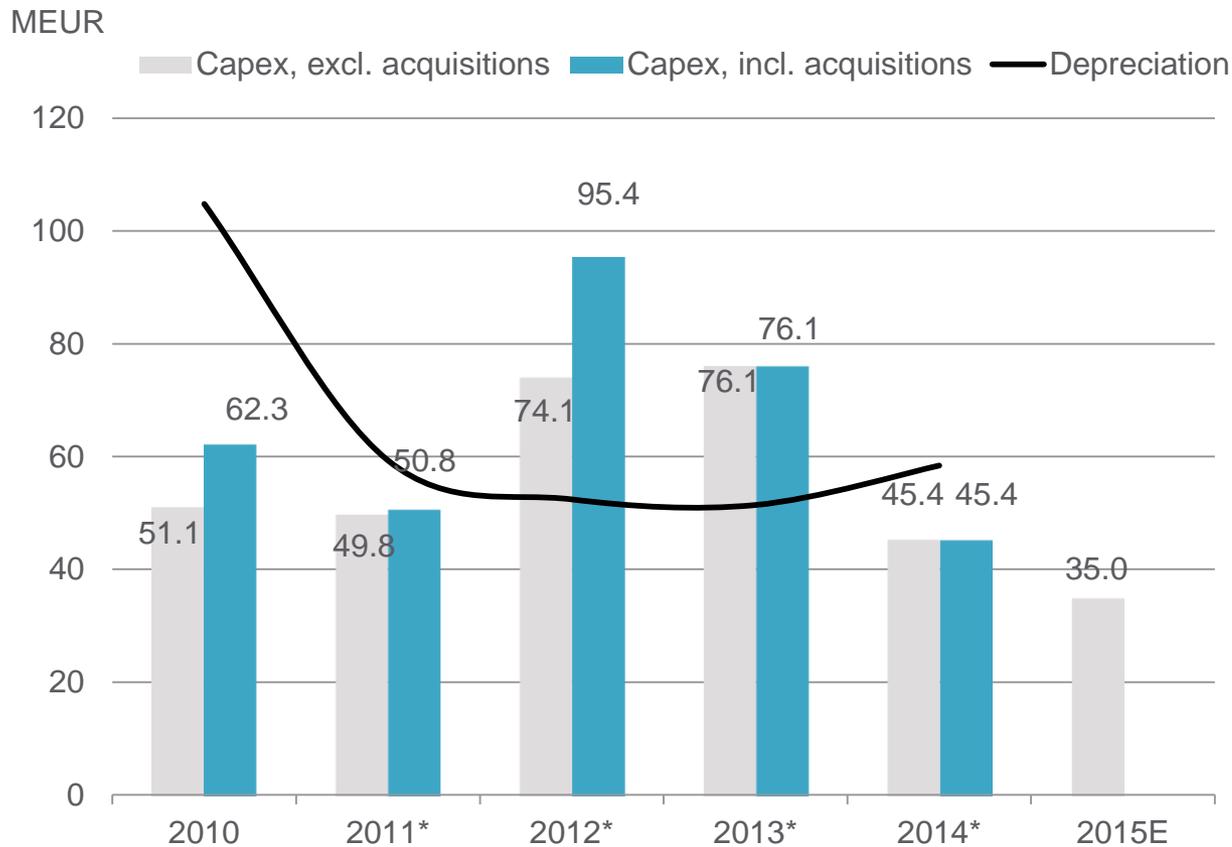
# Net debt and gearing ratio\*

Reduced due to operating cash flow and sale of Suominen shares in 2014

**Gearing ratio:**  
target range 50–80%



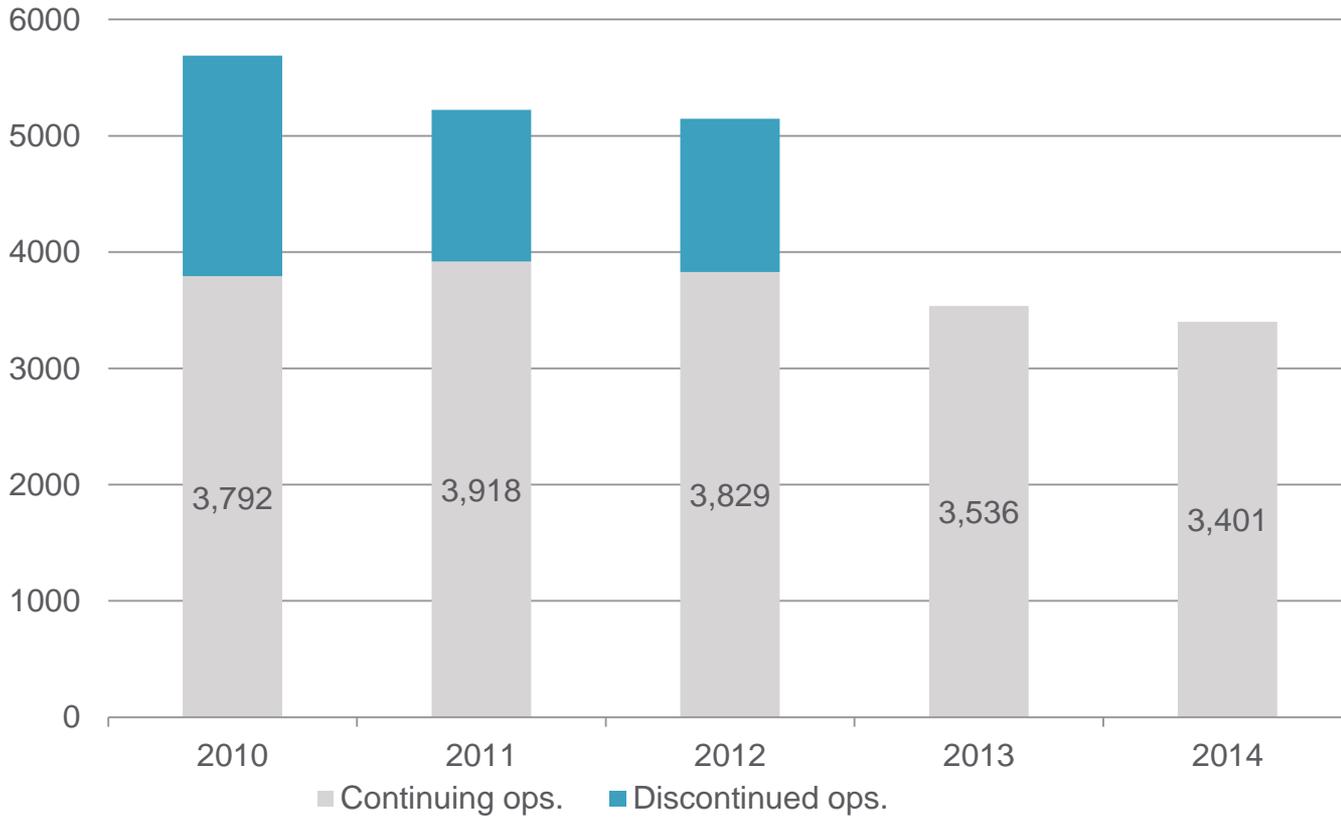
# Investments 2010-2014



- Capex is expected to be approximately EUR 35 million in 2015 and include mainly maintenance related investments
- Major acquisitions
  - 2010: Filtration plant in Binzhou, China from Purico Group
  - 2012: Munktell Filter AB

# Personnel

(number of employees, year-end\*)



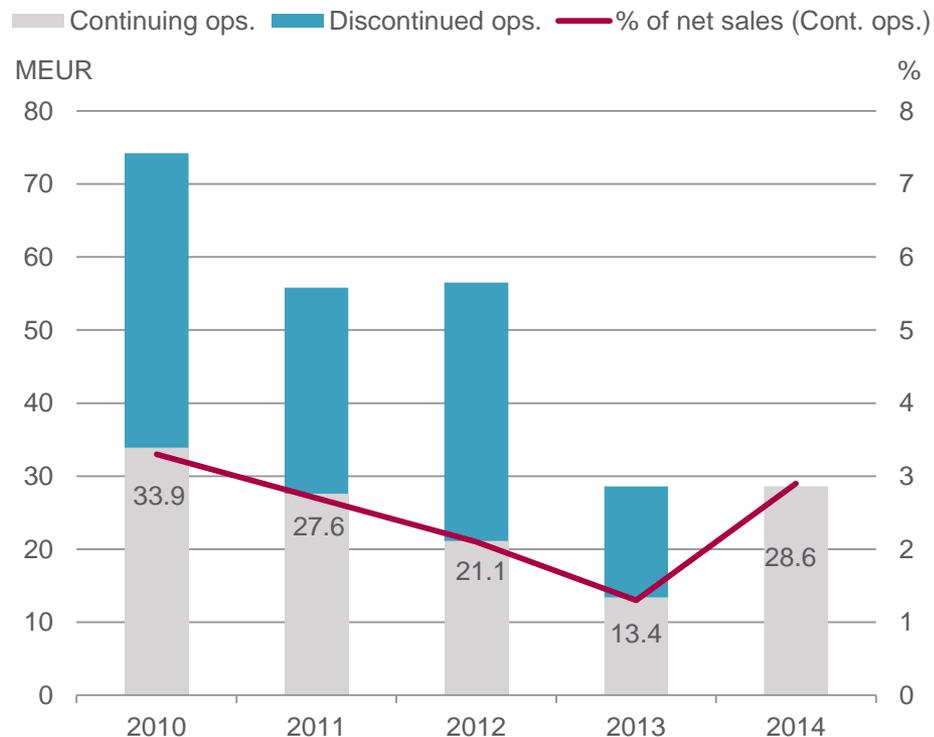
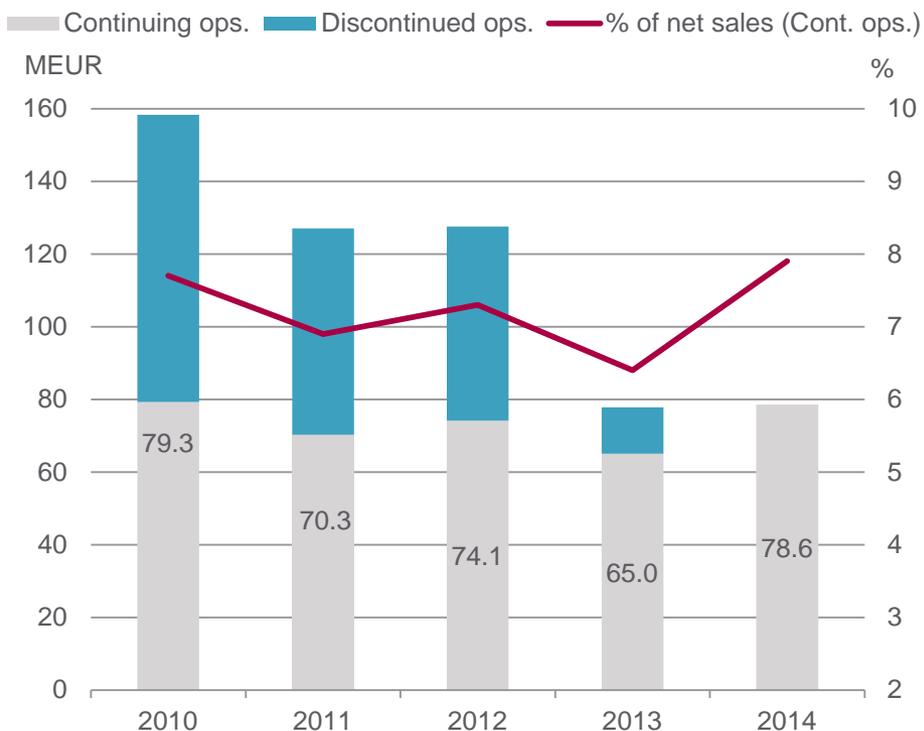
# Debt financing



# EBITDA and operating profit

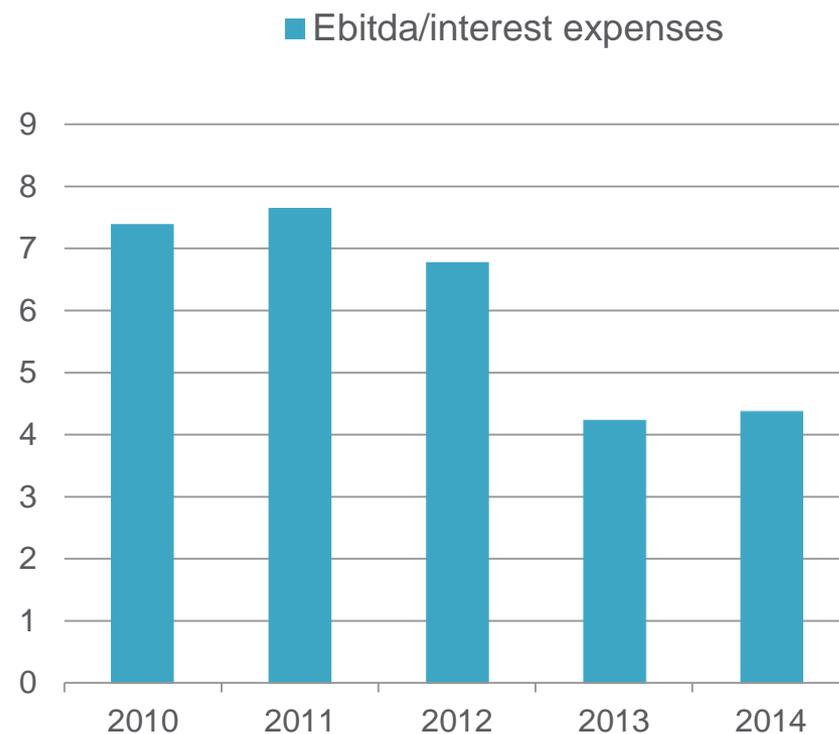
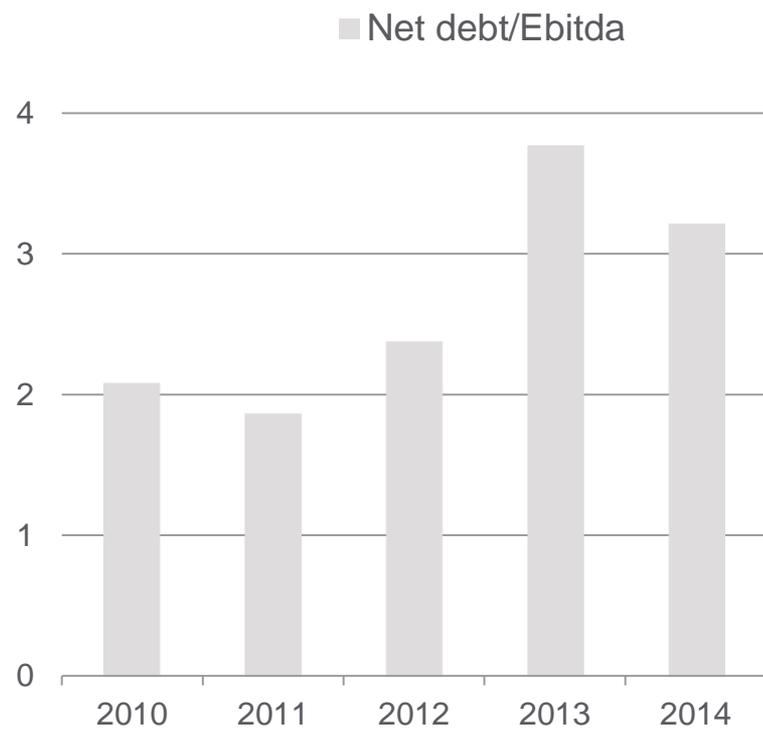
## EBITDA

## Operating profit ex. NRI



\*2012 figures have been restated and 2013-2014 figures reported according to new IFRS standard on employee benefits.

# Debt servicing figures



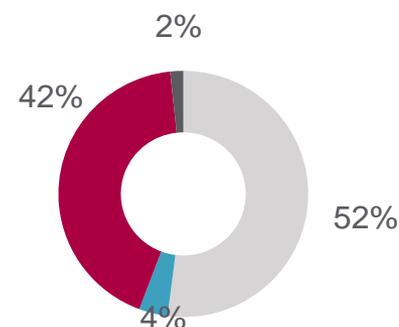
# Debt structure

## Main debt securities and facilities

As of December 31, 2014, Ahlstrom's interest-bearing liabilities amounted to EUR 295.2 million (EUR 330.4 million at the end of 2013).

- The capital weighted average interest rate was 4.62%
- The modified interest rate duration of the loan portfolio (average interest rate fixing period) was 21.8 months
- The average maturity of the long-term loan portfolio and committed credit facilities was 28.8 months

Debt structure (interest-bearing liabilities of EUR 295.2 million as Dec. 31, 2014)



- Bonds
- Commercial papers
- Loans from banks and financial institutions
- Commitments under financial leases

## Main financial arrangements

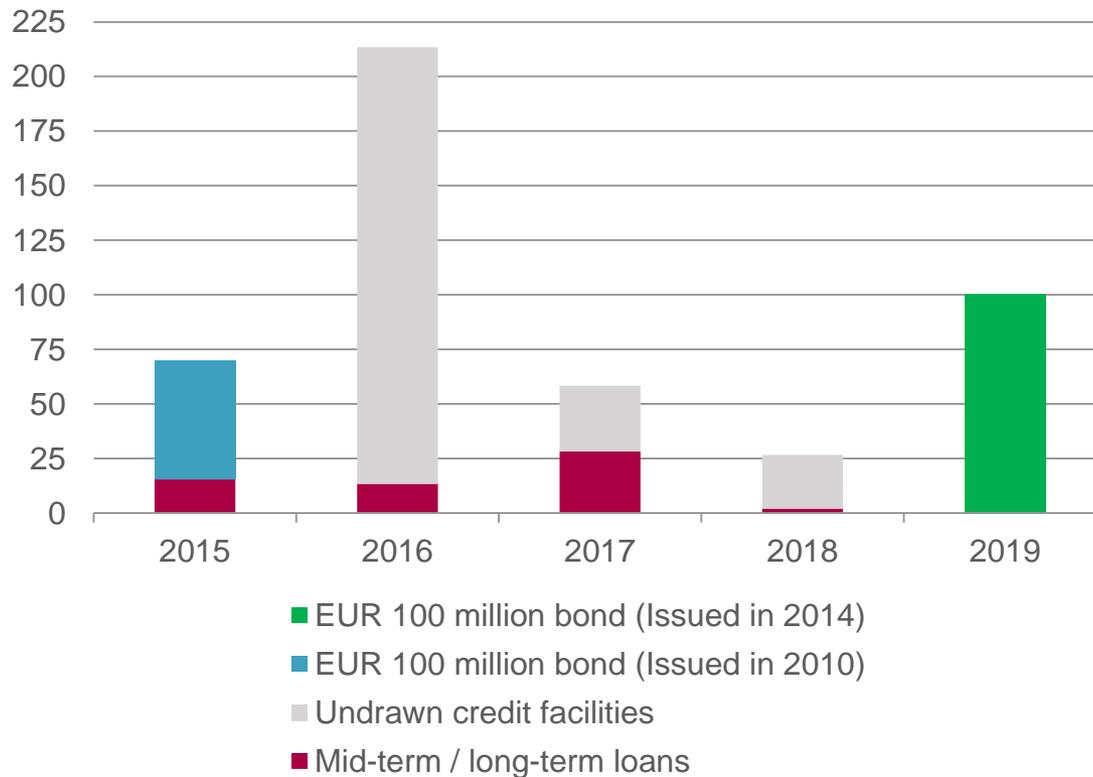
EUR millions	Total amount	Outstanding*	Interest rate	Maturity
Bond issued in 2014	EUR 100	EUR 100	4.125%	2019
Bond issued in 2010	EUR 100	EUR 54	4.50%	2015
Hybrid bond** issued in 2013	EUR 100	EUR 100	7.875%	Perpetual***
Revolving credit facility	EUR 200	EUR 0	-	2016
Commercial paper program	EUR 300	EUR 11	-	-

\* December 31, 2014

\*\* Subordinated to debt, treated as equity

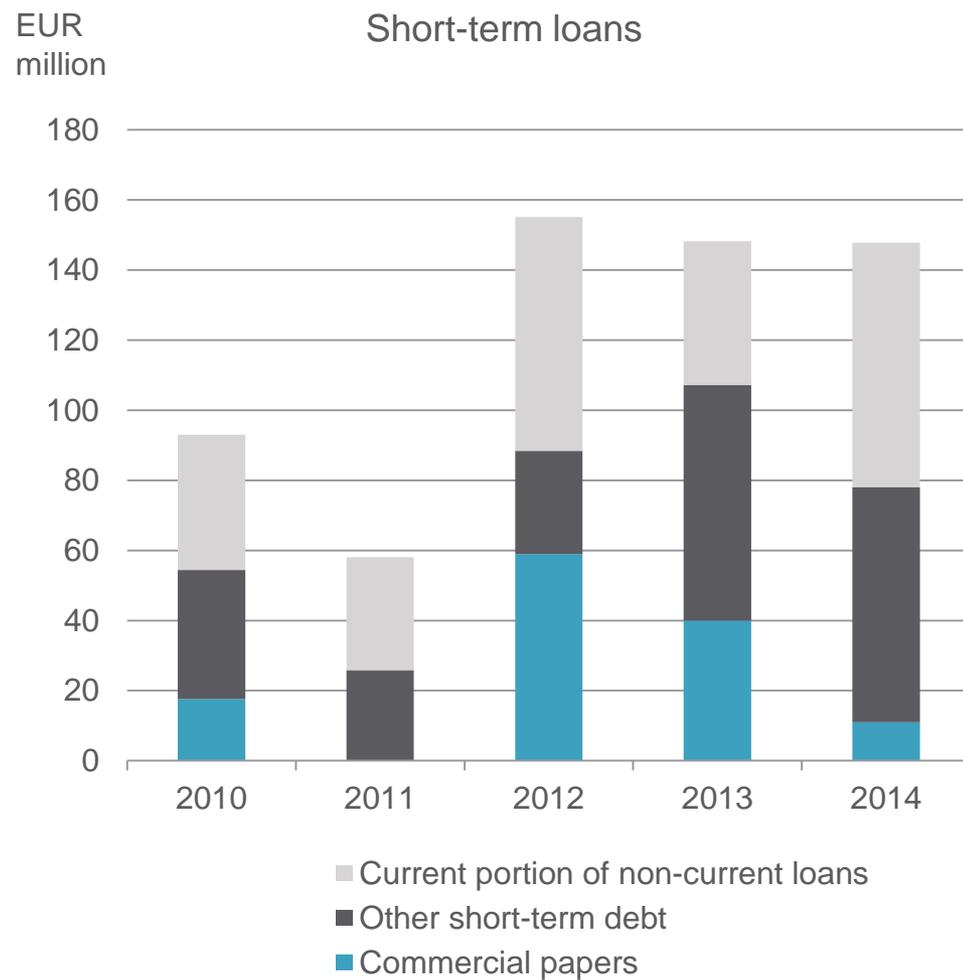
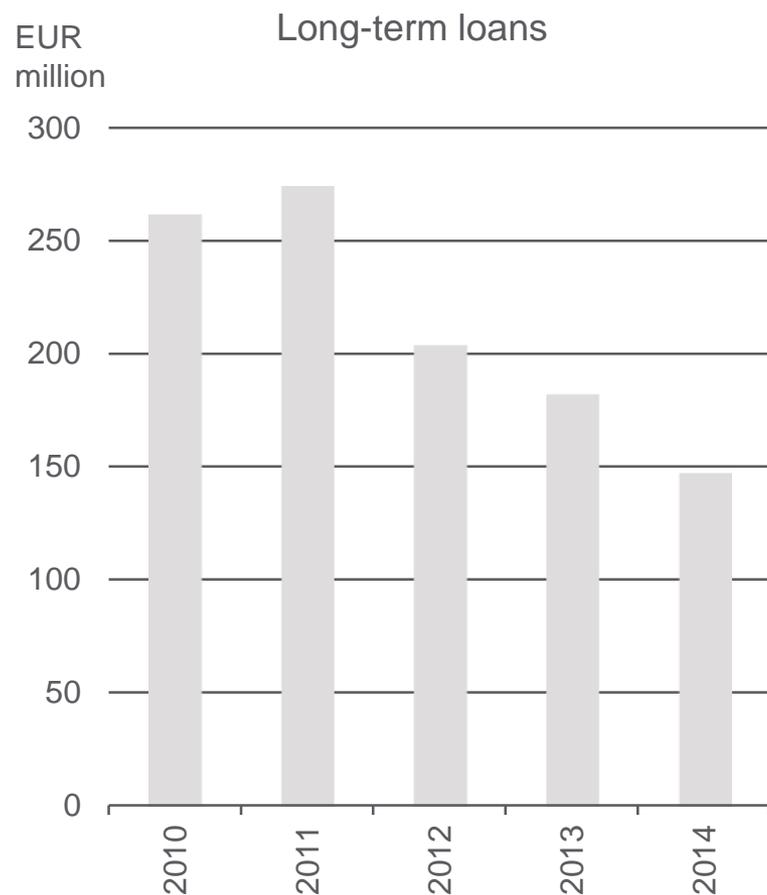
\*\*\* Callable in 2017

# Maturity profile of medium/long-term credit facilities



- Total liquidity, including cash and unused committed credit facilities was EUR 296.1 million at the end of 2014
- In addition, Ahlstrom had undrawn uncommitted credit facilities and cash pool overdraft limits of EUR 133.7 million available
- Remainder of the EUR 100 million bond (EUR 54 million million) issued in 2010 due in November 2015

# Long and short term loans



# EUR 100 million bond issued in 2014

---

Issuer:	Ahlstrom Corporation
Status:	Senior, unsecured
Amount:	EUR 100 million
Issue date:	September 15, 2014
Maturity date:	September 15, 2019
Coupon:	Fixed rate 4.125%, p.a.
Listing:	NASDAQ OMX Helsinki
ISIN code:	FI40000108501
Lead Managers:	Danske Bank, SEB

---

Prospectus of the bond: <http://www.ahlstrom.com/globalassets/bond/listing-prospectus-2014.pdf>

# EUR 100 million bond issued in 2010

EUR 45.8 million tendered in 2014, EUR 54.2 million maturing in 2015

---

Issuer:	Ahlstrom Corporation
Status:	Senior, unsecured
Amount:	EUR 100 million
Issue date:	November 10, 2010
Maturity date:	November 10, 2015
Coupon:	Fixed rate 4.50%, p.a.
Listing:	NASDAQ OMX Helsinki
ISIN code:	FI4000019120
Lead Managers:	Nordea Markets, Pohjola Bank

---

Prospectus of the bond: <http://www.ahlstrom.com/Global/files/Investors-other-files/Listing-Prospectus-Ahlstrom-FINAL-15122010.pdf>

# Hybrid bond\*

- EUR 100 million hybrid bond
  - Issued in October 2013
  - Pays an annual coupon of 7.875%
  - Callable in October 2017



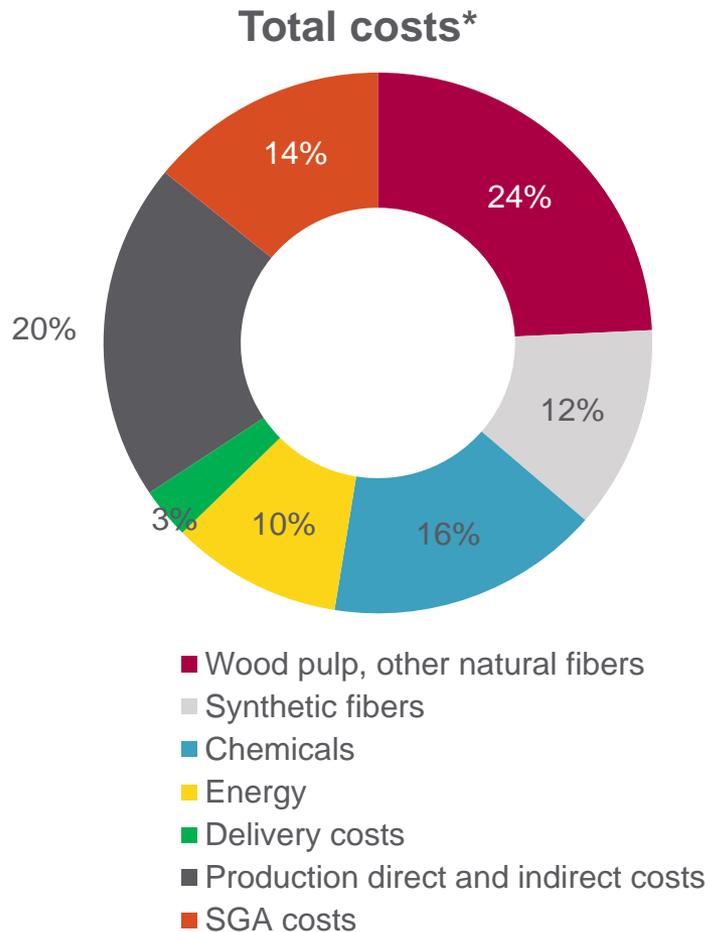
\*A hybrid bond is an instrument which is subordinated to the company's other debt obligations and which is treated as equity in the IFRS financial statements. Hybrid bonds do not confer to their holders the right to vote at shareholder meetings and do not dilute the holdings of the current shareholders.

AHLSTROM

# Global sourcing



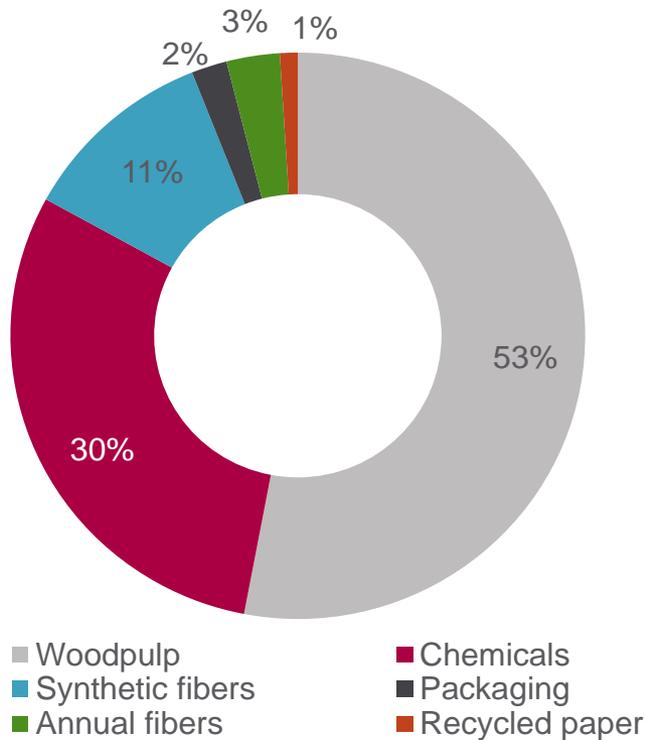
# Total costs EUR 920 mil. (excl. NRI) in 2014



- Natural fibers
  - Pulp (NBSK, BHKP, specialty pulps)
  - Abaca
  - Viscose
- Synthetic fibers
  - Polyester
  - Polypropylene
- Chemicals
  - Latex
  - Liquid solvents
  - Minerals
  - Resins
- Main sources of energy
  - Natural gas
  - Electricity

# Raw materials used in 2014

Raw materials (578,563 tons in total)



## Key raw materials

2014

Wood pulp	Tons	307,660
Synthetic fibers	Tons	65,975
Chemicals	Tons	171,635

**Fibers account for 70% of all raw materials and 84% of the fibers are from renewable sources**

# Energy usage in 2014

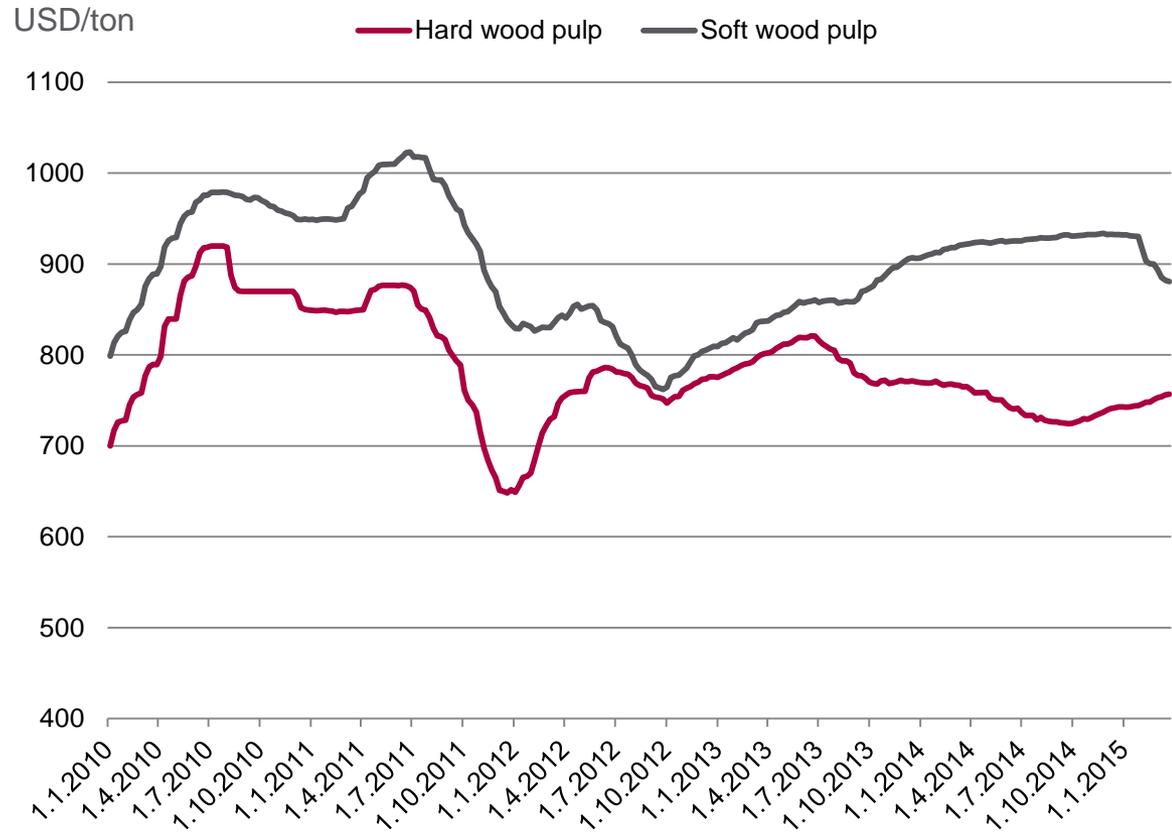
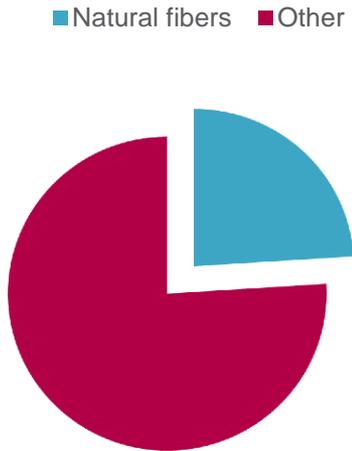
<b>Fuels</b>		<b>2014</b>	<b>2013</b>
Coal	TJ	307	417
Oil	TJ	61	200
Gas	TJ	3,787	3,928
Solid Waste	TJ	527	755
Other	TJ	752	629
<b>Total</b>		<b>4,433</b>	<b>5,982</b>
<b>Electricity</b>		<b>2014</b>	<b>2013</b>
Purchased	TJ	1,964	1,804
Own production	TJ	4	190
Other	TJ	0	0
<b>Total</b>		<b>1,968</b>	<b>1,994</b>
<b>Process heat</b>		<b>2014</b>	<b>2013</b>
Steam, own production	TJ	2,838	3,418
Steam, purchased	TJ	1,271	944
Gas (IR)	TJ	1,746	1,699
Electric energy (IR)	TJ	7	13
<b>Total</b>		<b>5,862</b>	<b>6,074</b>



Total energy usage was 8,667 TJ in 2014 (8,731 TJ in 2013)

# Pulp price trends

## Ahlstrom's total costs



Stay ahead™



**Thank you**



**For further information:**

Juho Erkheikki

Manager, Financial Communications & Investor Relations

T: +358 50 413 4583

[juho.erkheikki@ahlstrom.com](mailto:juho.erkheikki@ahlstrom.com)