

Ahlstrom

January-September 2016

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October 28, 2016



Agenda

- Q3/2016 in brief
- Business area reviews
- Financials & outlook



Major recent milestones

We have earned our right to grow and accelerated the execution of strategy

First major growth investment since 2011

- EUR 23 million investment at Madisonville plant (USA) into engine and industrial filtration – to be completed in the first half of 2018.
- Widen product portfolio and enhance quality with state-of-the-art equipment

A breakthrough in the fast-growing North American single-serve coffee market

- Multi-year agreement with Club Coffee to supply polylactic acid (PLA) - based fully compostable coffee infusion material
- Club Coffee uses the material in its award-winning PurPod100™ solution
- Single-serve coffee market in the U.S. has grown over 300% between 2011 and 2015

All-time high profitability with solid sales growth

Operating profit and margin improved for the 12th consecutive quarter, y-on-y

- Driven by higher volumes, improved operational efficiency, lower fixed costs as well as keeping the benefit from lower energy and raw material costs
- All business units reported higher operating profits

Net sales growth 3.7% at constant currency rates

- Higher sales of glassfiber, wallcover, filtration, tape and single-serve coffee products

Successful execution of strategic roadmap continues

- Higher margins through enhanced commercial excellence and new lean operating model
- Increased capacity utilization of recent investments, captured new growth opportunities
- Accelerated the pace to achieve financial target of above 8% adjusted operating margin by 2018

Key figures

Record profitability, solid sales growth & significant reduction in net debt

EUR million	Q3/2016	Q3/2015	Change, %	Q1-Q3/2016	Q1-Q3/2015	Change, %
Net sales	273.2	266.9	2.4	819.8	819.8	0.0
Adjusted EBITDA	39.5	25.5	55.0	104.5	83.2	25.6
<i>% of net sales</i>	<i>14.4</i>	9.5		<i>12.8</i>	10.1	
Adjusted operating profit	26.7	11.2	139.3	66.2	39.9	65.9
<i>% of net sales</i>	<i>9.8</i>	4.2		<i>8.1</i>	4.9	
Cash flow from operations	35.6	24.2	47.0	98.9	36.7	169.5
ROCE, %	23.4	6.7		16.3	8.6	
Net debt	-	-		130.5	203.7	-36.0
Gearing, %	-	-		42.4	64.2	

Operating profit* bridge Q3/2015 vs Q3/2016

Higher volumes and pricing management to keep the benefit from lower variable costs

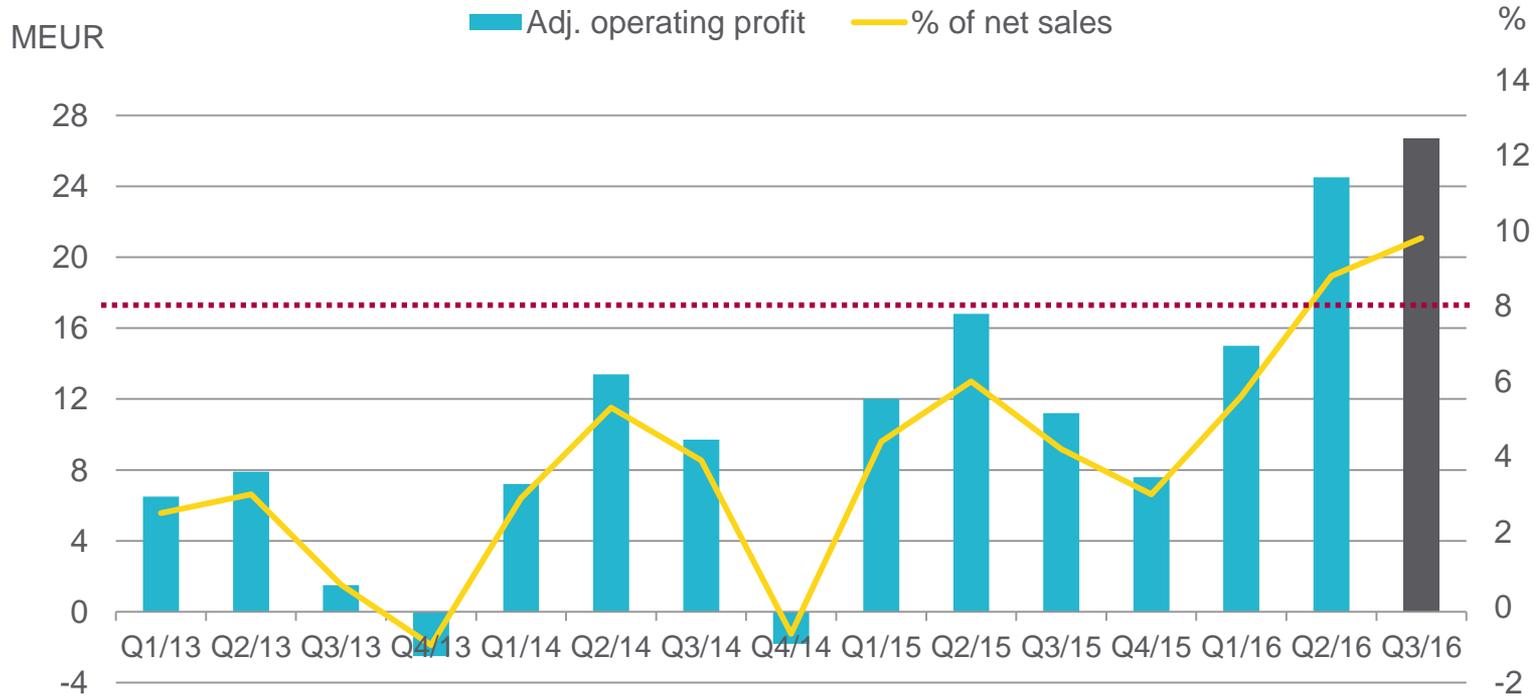


* Adjusted operating profit

** Foreign exchange

Accelerated pace in reaching target of above 8% margin by 2018

Operating profit and margin improved for the 12th consecutive quarter, y-on-y



BUSINESS AREA REVIEWS



Our two business areas offer versatile high-quality products

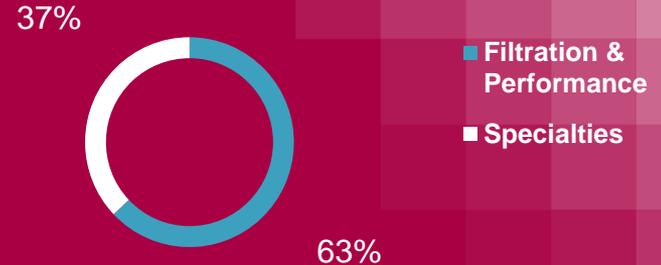
Filtration & Performance

- Environmentally friendly and energy efficient filtration
- Durable glassfiber tissue for flooring and other building applications, reinforcement for wind turbine blades
- High-quality materials for automotive, construction, apparel and hygiene applications
- Wide range of ease-of-use wallcovers with superb printing properties

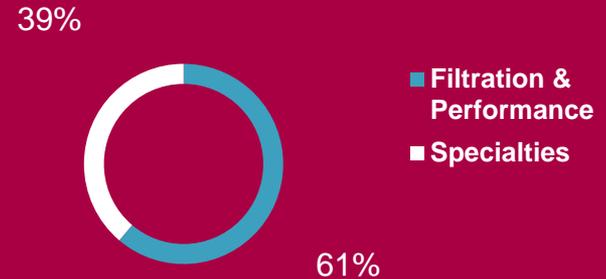
Specialties

- Innovative and compostable food packaging
- Tea and single-serve coffee infusion with great taste
- Ease-of-use laboratory, life science and medical diagnostics, water filtration
- Tape materials with consistent quality
- Performance-driven and safe surgical gowns and drapes, sterile barrier systems and face masks

Net sales by segment,
EUR 819.8 million in Q1-Q3/2016

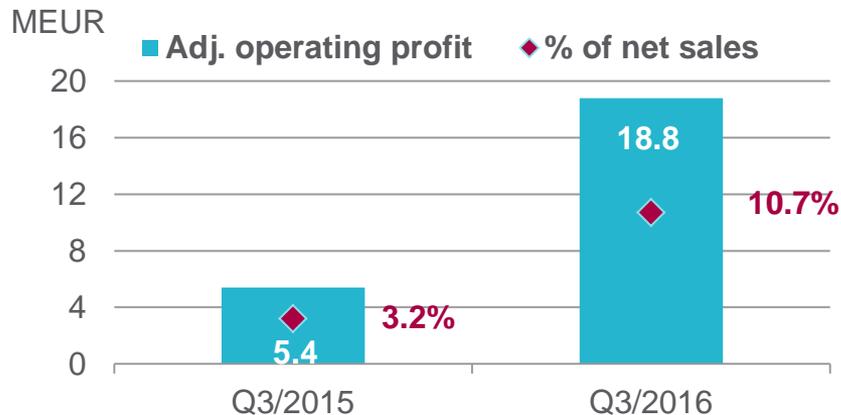
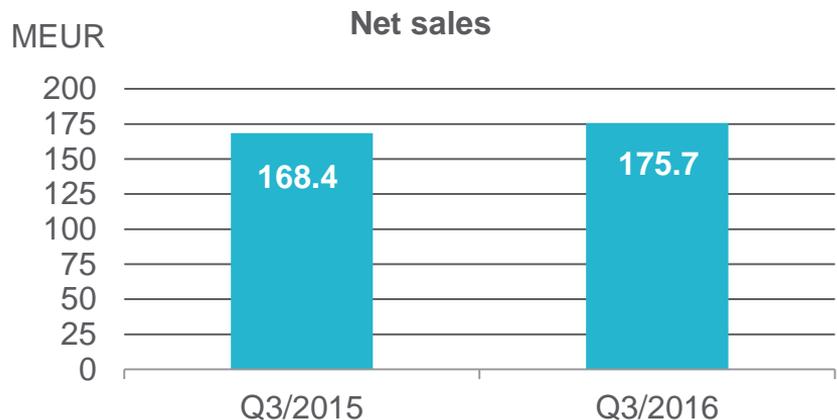


Operating profit* by segment, EUR
66.2 million in Q1-Q3/2016



* Adjusted operating profit

Filtration & Performance



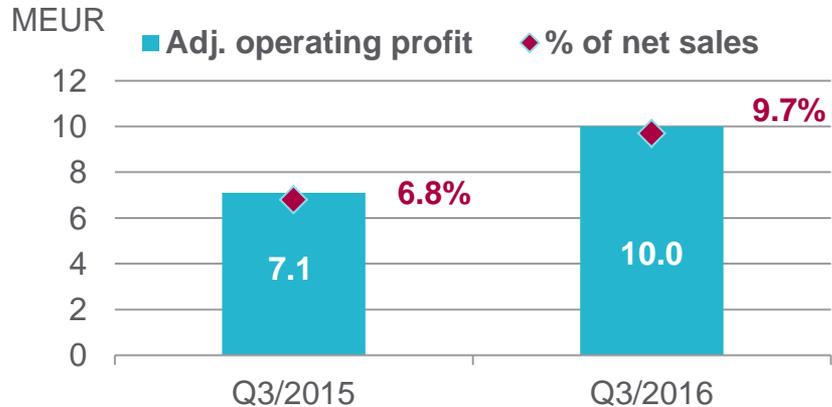
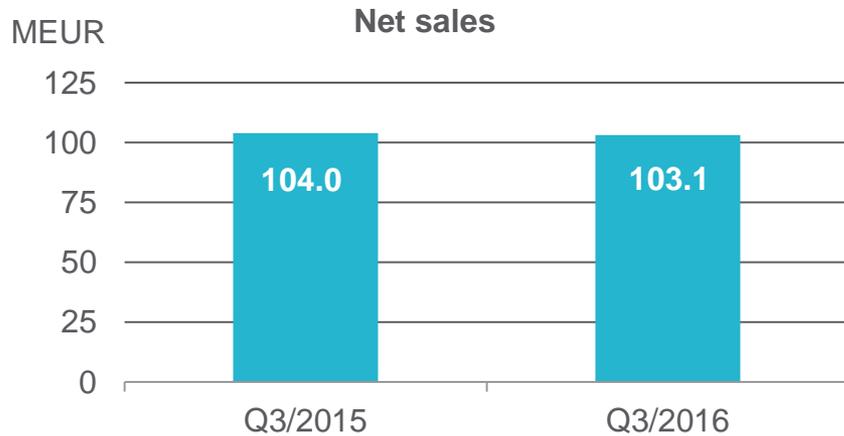
Net sales EUR 175.7 million in Q3/16
(EUR 168.4 million)

- Net sales +4.3%: volumes +6.4%, net sales at constant currency +4.3%
- Higher sales in glassfiber, wallcover and filtration products
- Growth in building and textile-related industrial nonwoven materials

Adjusted operating profit EUR 18.8 million in Q3/16 (EUR 5.4 million)

- Higher volumes
- Improved operational efficiency through less waste
- Pricing management, lower variable and fixed costs

Specialties



Net sales EUR 103.1 million in Q3/16
(EUR 104.0 million)

- Net sales -0.9%: volumes +2.0%, net sales at constant currency rates +2.5%
- Higher sales of tape and coffee materials as well as life science and laboratory products

Adjusted operating profit EUR 10.0 million
in Q3/16 (EUR 7.1 million)

- Higher volumes combined with improved product mix
- Pricing management, lower variable costs

FINANCIALS & OUTLOOK

The background image shows two surgeons in an operating room. They are wearing green scrubs, blue surgical masks, and blue bouffant caps. Their hands are being washed by a hand sanitizer dispenser. The scene is brightly lit, typical of a hospital operating room.

Income statement

EUR million	Q3/2016	Q3/2015
Net sales	273.2	266.9
Cost of goods sold	-218.3	-224.4
Gross profit	54.9	42.5
Sales, administrative and research & development expenses (SG&A)	-31.4	-32.8
Other income and expenses	5.4	0.2
Operating profit	28.9	9.9
Adjusted operating profit	26.7	11.2
Net financial expenses	-3.8	-1.4
Share of profit / loss of equity accounted investments	0.0	0.1
Profit / loss before taxes	25.1	8.5
Income taxes	-7.1	-4.4
Profit / loss for the period	17.9	4.1
Earnings per share	0.35	0.06

Higher volumes and lower variable costs reflected in gross profit: 20.1% in Q3/16 (15.9% in Q3/15).

SG&A expenses: 11.5% of net sales in Q3/16 (12.3% in Q3/15).

Adjustments in operating profit: EUR 2.2 million in total, including a break-up fee income (EUR -1.3 million in Q3/15).

Comparable net financial expenses decreased by about EUR 0.8 million as the result of lower net debt.

Effective tax rate “more normalized” at 35%, following turnaround of loss-making assets.

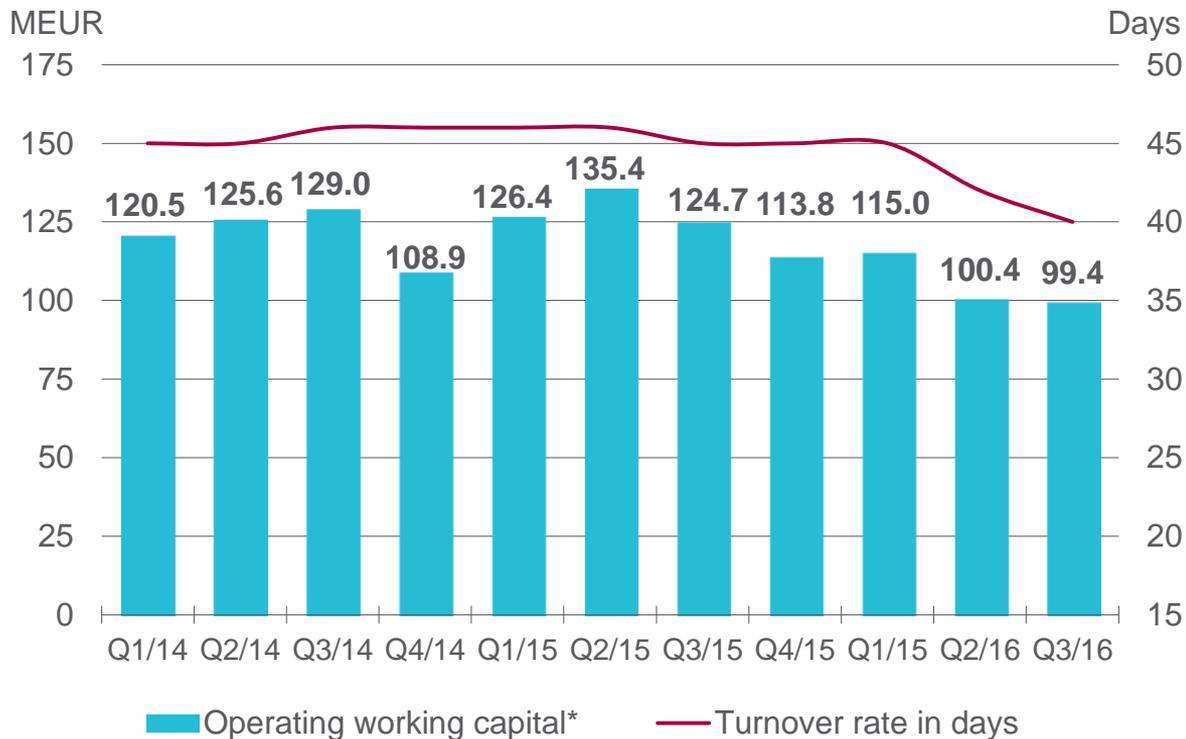
Balance sheet

EUR million	Sept. 30, 2016	Dec 31, 2015
Total non-current assets	486.0	519.2
Inventories	123.2	117.6
Trade and other receivables	143.4	151.9
Income tax receivables	1.3	1.6
Cash and cash equivalents	54.5	47.3
Total assets	808.4	837.8
Total equity	307.6	299.4
Provisions	5.6	7.9
Interest bearing loans and borrowings	184.9	243.3
Employee benefit obligations	99.5	100.3
Trade and other payables	201.4	183.5
Others	9.3	3.5
Total equity and liabilities	808.4	837.8
Gearing, %	42.4	65.4

- Increase in equity driven by higher net income
- Minor negative translation effect as limited impact from “Brexit”
- Equity includes EUR 100 million hybrid bond

Active working capital management.

Active management of operating working capital



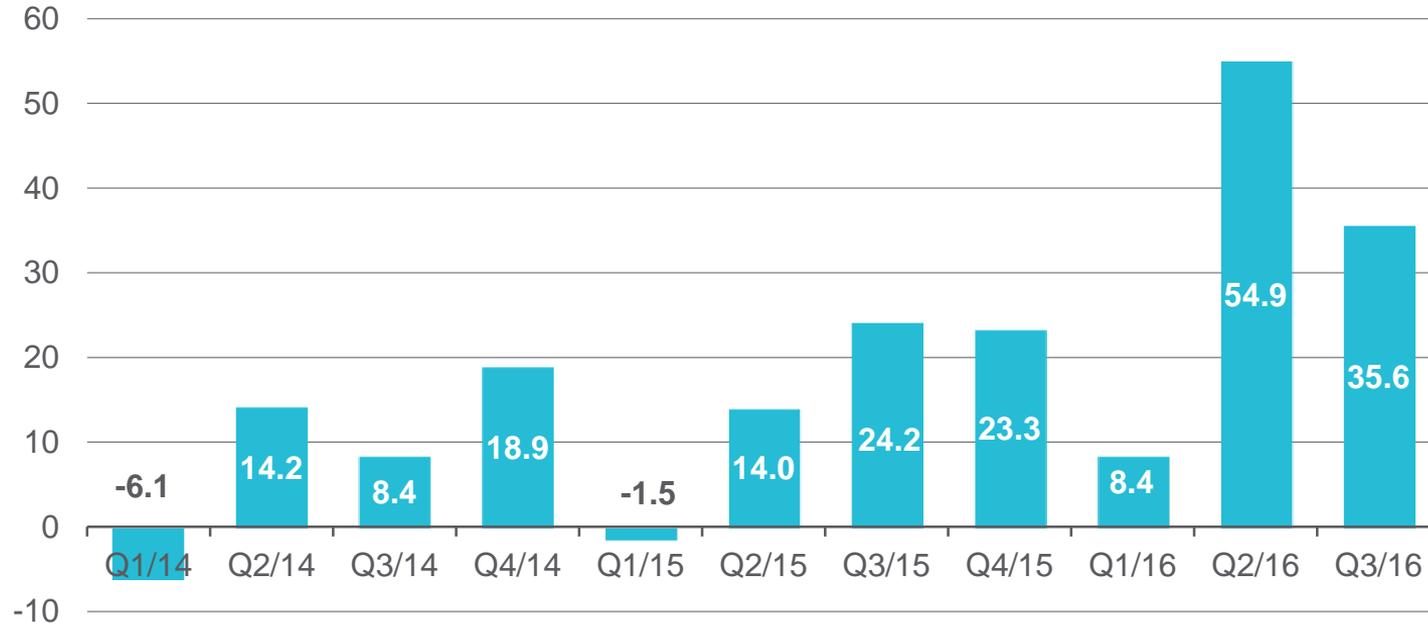
- 12-month rolling turnover rate fell by five days to 40 days from Q3/2015

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

Significant increase in net cash from operating activities

Driven by improved financial result and reduction in operating working capital

MEUR



Cash flow generation

EUR million	Q3/2016	Q3/2015
EBITDA	41.6	24.2
Changes in net working capital	3.3	10.7
Change in provisions	-1.8	-1.6
Financial items	-5.3	-6.4
Income taxes paid / received	-0.8	-1.3
Other items	-1.4	-1.4
Net cash from operating activities	35.6	24.2
Purchases of intangible and tangible assets	-6.2	-5.4
Other investing activities	0.1	10.9
Free cash flow	29.5	29.7
Changes in loans and other financing activities	-25.6	-10.0
Net change in cash and cash equivalents	3.9	19.6
Cash and cash equivalents at the beginning of the period	50.6	45.8
Cash and cash equivalents at the end of the period	54.5	63.0

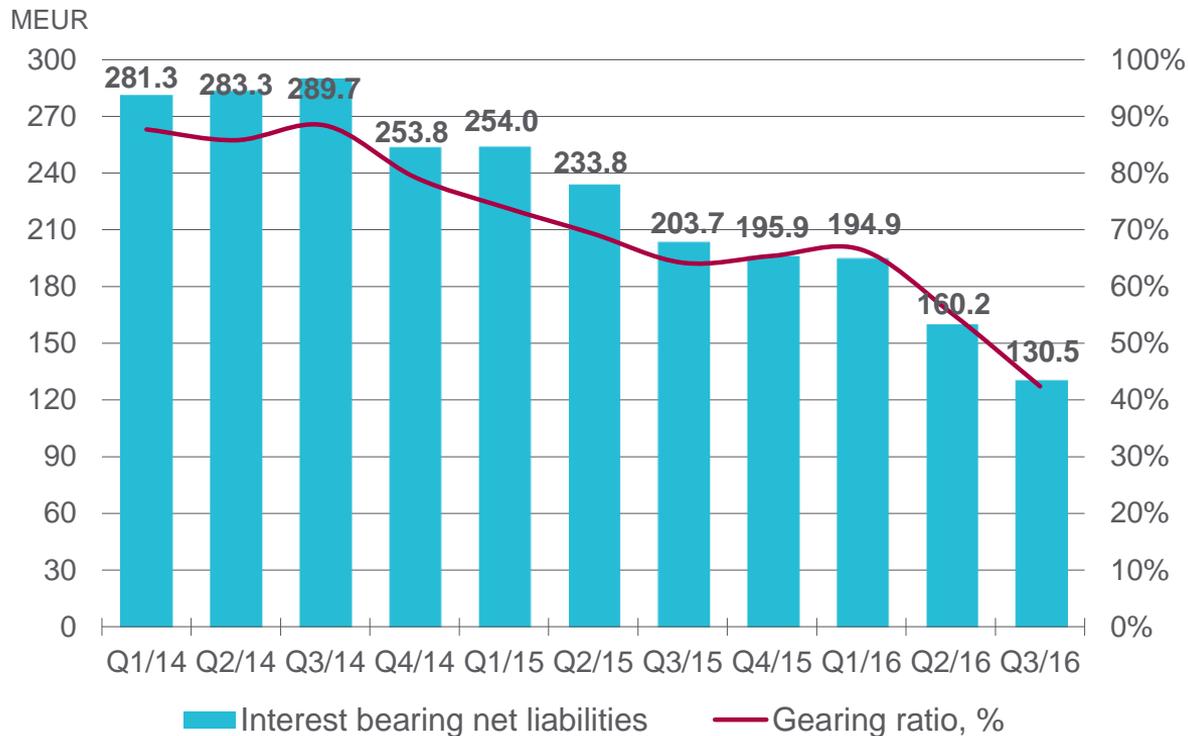
Improved operational result.

Mainly maintenance-related capex.

Comparison figure for other investing activities includes EUR 10 million proceeds from selling Munksjö Oyj shares.

Net debt and gearing

Significant reduction in net debt



Target is to keep gearing below 100%.

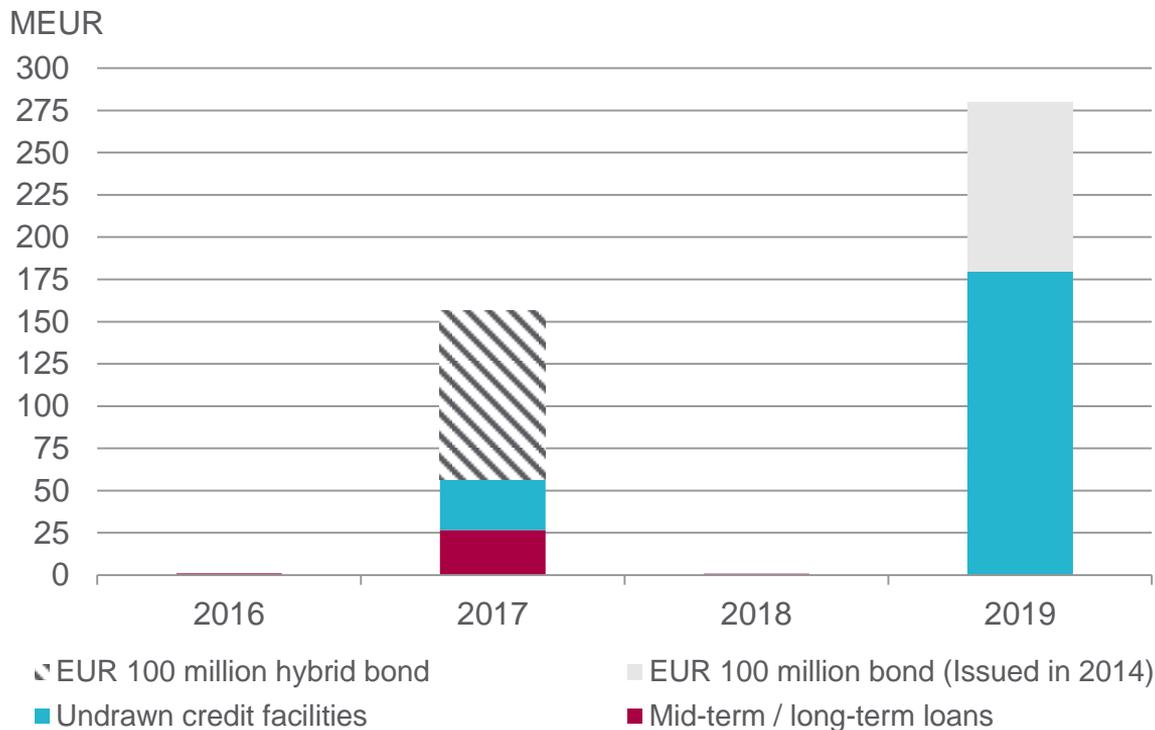
Gearing 42.4% at the end of Q3/2016

- Lower net debt, driven by a strong improvement in operational result, reduction in operating working capital and low investments

Equity includes EUR 100 million hybrid bond. Gearing was 111% if hybrid is treated as debt at the end of Q3/2016.

Maturity profile

Stable and sufficient liquidity



- At the end of the review period, Ahlstrom's total liquidity, including cash, unused committed credit facilities and committed cash pool overdraft limits, was EUR 273.5 million (EUR 313.8 million)
 - Ahlstrom has terminated USD 30 million credit facility maturing in 2018
- In addition, the company had undrawn uncommitted credit facilities and cash pool overdraft limits of EUR 87.4 million (EUR 107.1 million) available
 - Ahlstrom has decreased the amount of uncommitted facilities
- EUR 100 million hybrid bond is callable in October 2017



Outlook for 2016

Outlook on profitability raised in September

- On September 13, 2016: Ahlstrom raised its outlook for adjusted operating profit margin in 2016 as the result of continued improvement in operational performance and lower variable costs. The outlook range for net sales was narrowed.

Outlook for 2016

- Net sales: **EUR 1,060-1,100 million**
- The adjusted operating profit:
6.5% - 7.5% of net sales

The adjusted operating profit excludes restructuring costs, impairment charges and capital gains or losses.

Previous outlook

- Net sales: **EUR 1,040-1,140 million**
- The adjusted operating profit:
5.4% - 6.4% of net sales

Thank You!