

AHLSTROM

# Ahlstrom

Interim report January-June 2012

Jan Lång  
President & CEO

Seppo Parvi  
CFO

August 9, 2012



# Agenda

- April-June 2012
- Business area review
- Cash flow and debt development
- Income statement and balance sheet
- Future prospects

# April-June 2012 in brief

- Demand for most of our products remained soft
  - Highlights: Filtration, North America
  - Lowlights: Europe, Asia
- Financial performance did not meet our expectations
  - Operating profit excl. NRI below comparison period; net sales increased sequentially
  - Exceptionally strong currency impact
  - Building and Energy, and Filtration improved operating profit excl. NRI
- New product launches
  - Air filtration for automotive and heavy duty vehicles
  - Acti-V™ technology in release papers expanded



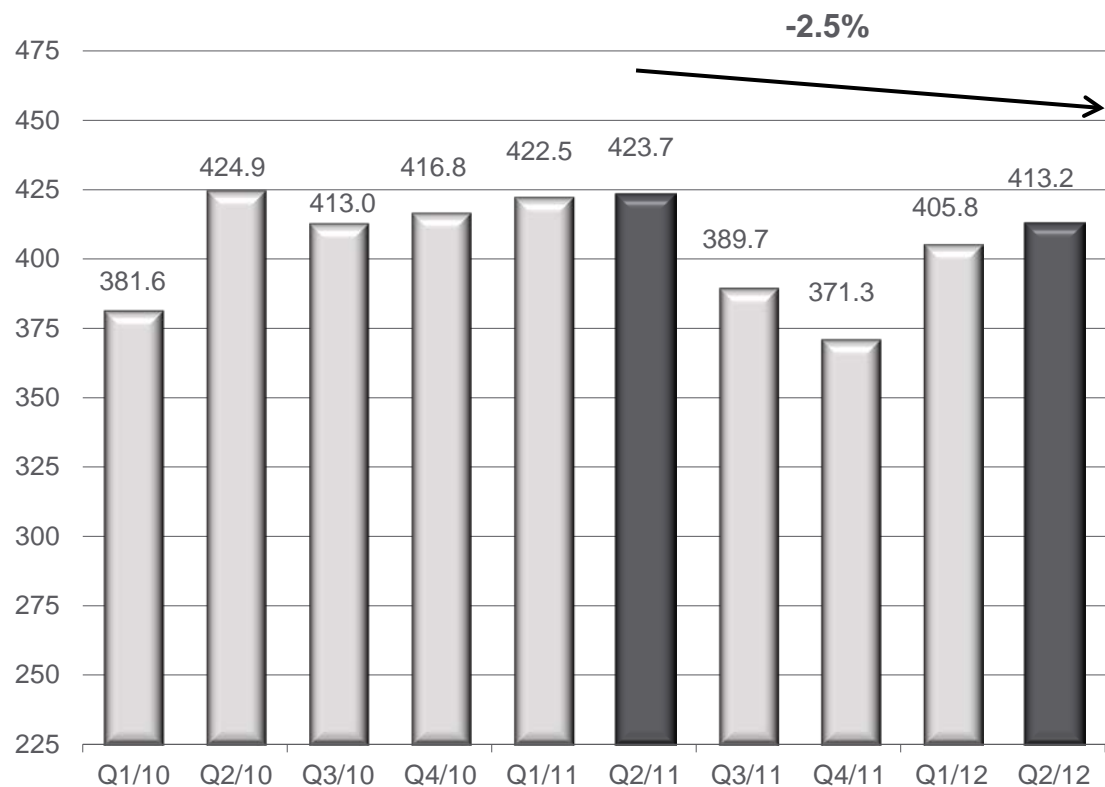
# April-June 2012 key figures

EUR million	Q2/2012	Q2/2011	Change, %	Q1-Q2/ 2012	Q1-Q2/ 2011	Change, %
<b>Net sales</b>	<b>413.2</b>	423.7	-2.5	819.0	846.2	-3.2
<b>Operating profit excl. NRI</b>	<b>13.2</b>	20.4	-35.4	30.5	40.0	-23.8
<b>% of net sales</b>	<b>3.2</b>	4.8		3.7	4.7	
<b>Gearing*</b>	<b>51.5</b>	52.6		51.5	52.6	
<b>ROCE, %</b>	<b>2.6</b>	10.2		5.1	9.4	

\*Including discontinued operations

# Quarterly net sales development

EUR million



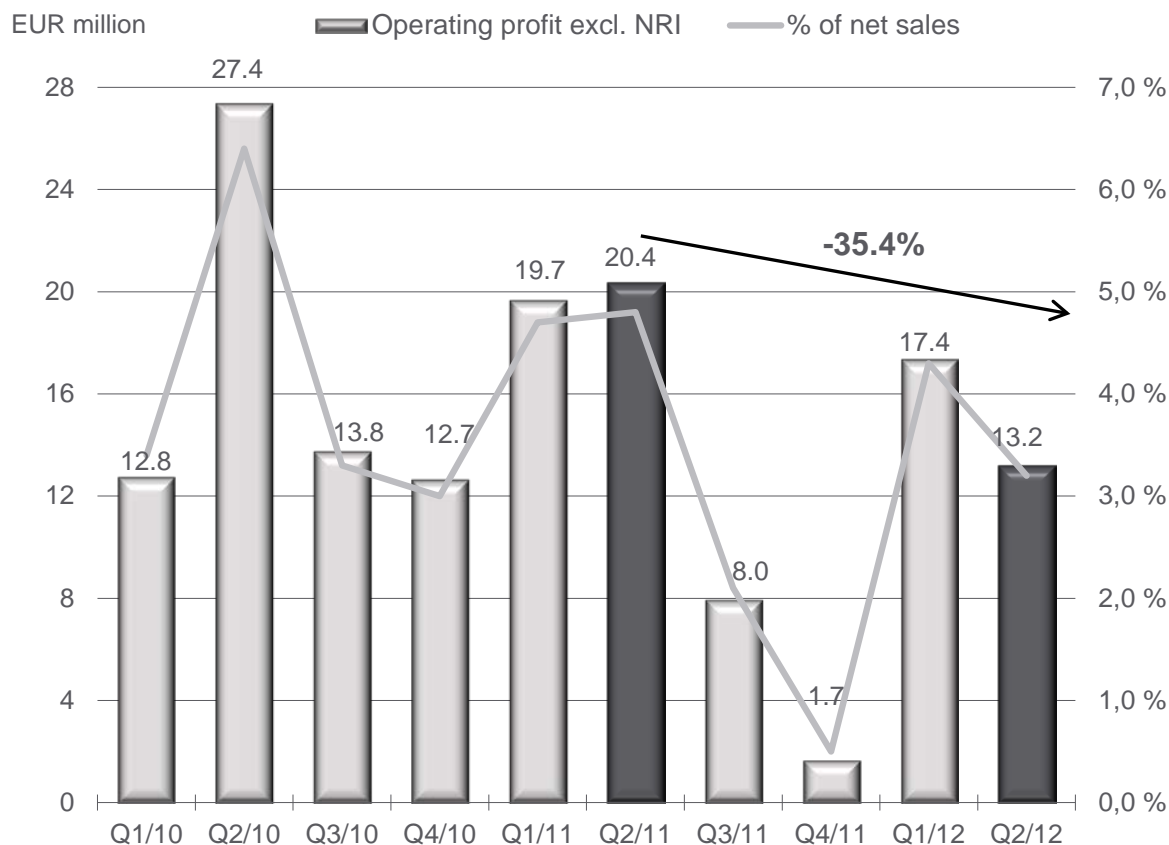
## Highlights

- Favorable currency effect
- Higher selling prices

## Lowlights

- Lower sales volumes
- Product mix

# Quarterly operating profit development



## Highlights

- Profit improvement program
- Efficiency gains in supply chain
- Short-term cost mitigation

## Lowlights

- Lower sales volumes
- Net impact from EUR/USD exchange rate
- Higher energy costs (natural gas in Italy and Brazil)
- Increased specialty pulp prices

# EBIT\* decline driven by lower volumes and currency impact

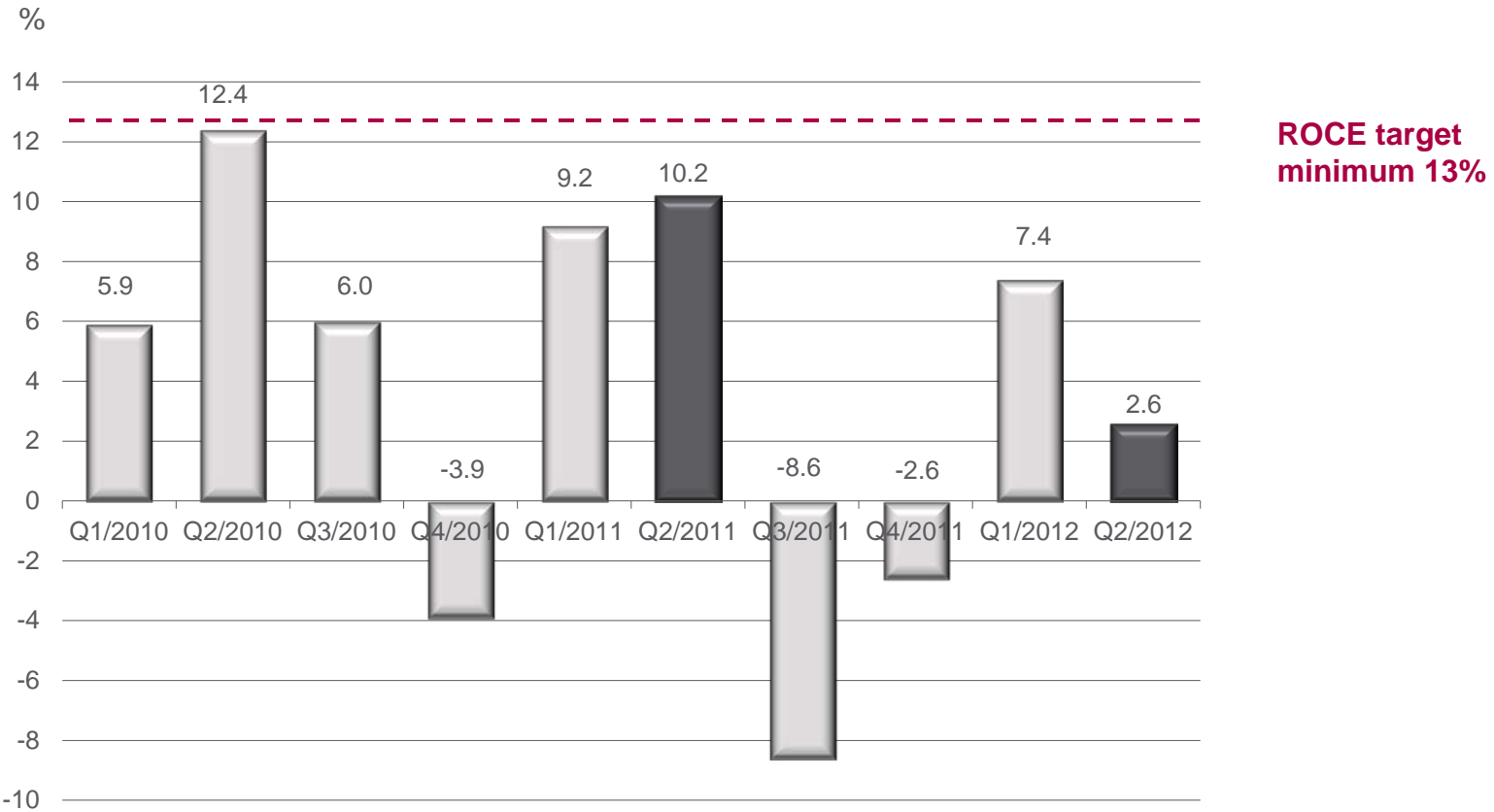
EUR million



- Net impact of EUR 4.4 million
- The appreciation of the U.S. dollar increased pulp prices denominated in euros, hurting profitability mainly in the Label and Processing business area
- Partially offset by exports from the euro area priced in other currencies, mainly in U.S. dollars

\*Excluding non-recurring items

# Return on capital employed





# Business area review



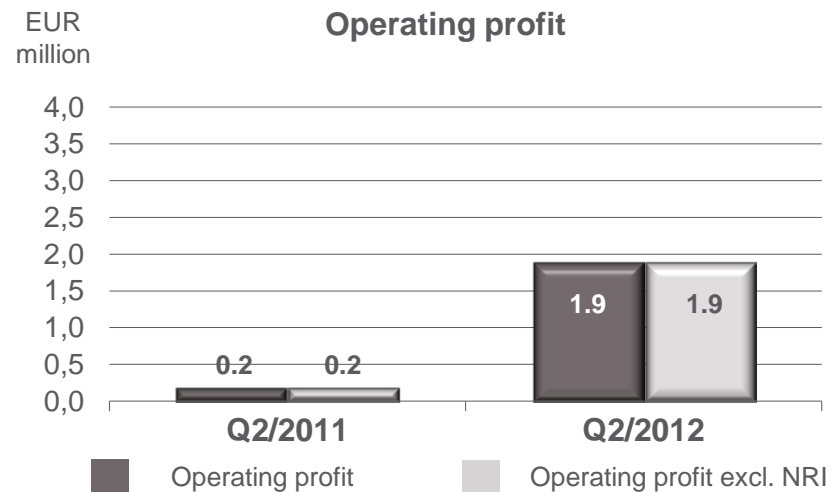
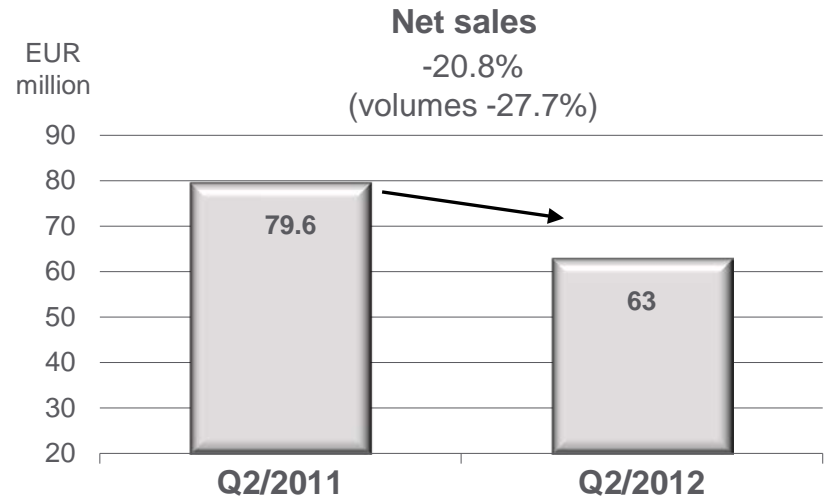
# Building and Energy

## Highlights

- Flooring materials in Europe
- Specialty nonwovens e.g. for the automotive and building industries
- Increase in profitability particularly due to the profit improvement program

## Lowlights

- Volume decline
  - Primarily due to asset closures
- Wallcoverings materials market in China
- Wind energy market



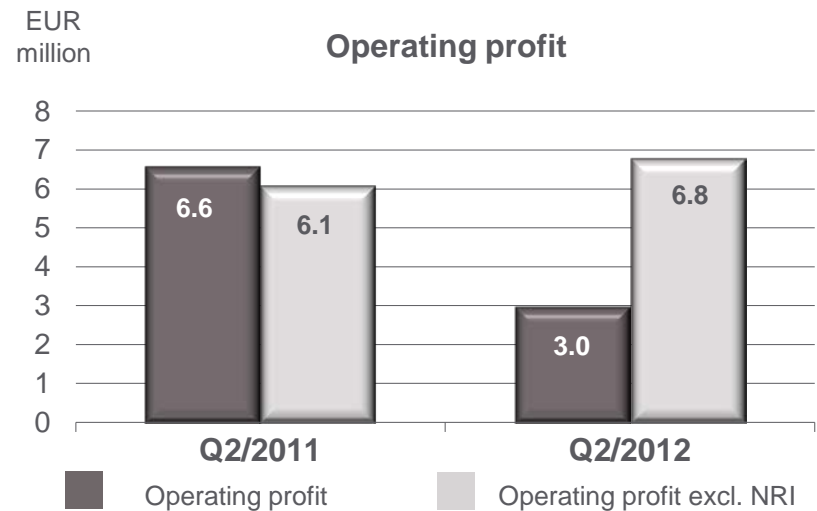
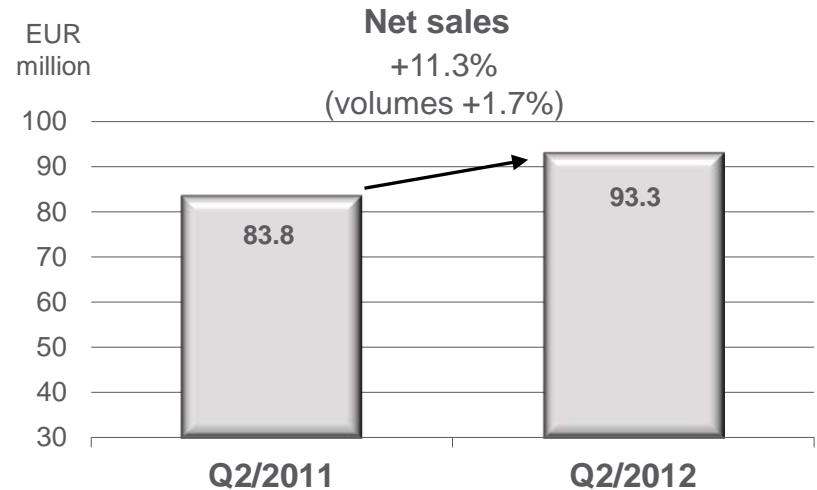
# Filtration

## Highlights

- Higher selling prices and currency effect
- Transportation filtration market in North America
- Demand for gas turbine, life science and water filtration
- Improved product mix

## Lowlights

- Demand in Europe
- Increased energy costs in Italy, and specialty pulps costs in general



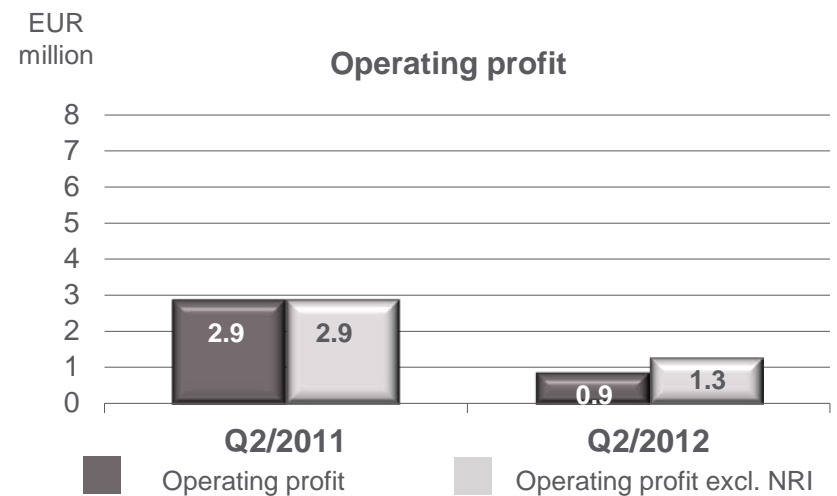
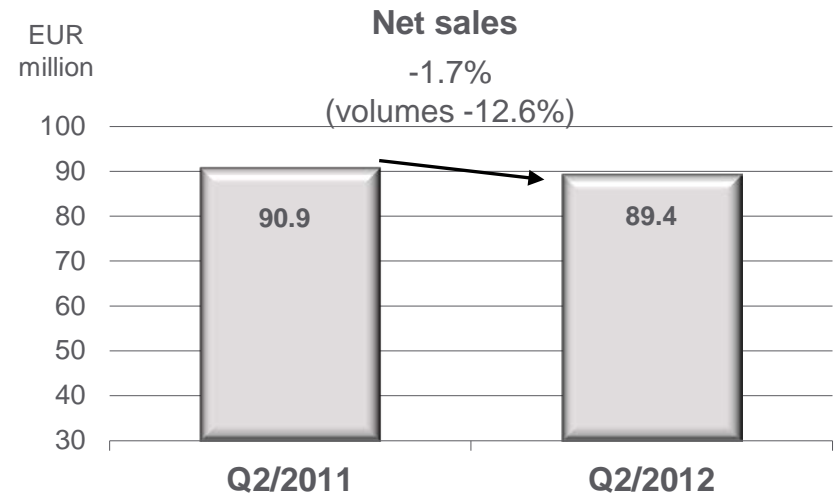
# Food and Medical

## Highlights

- Higher selling prices
- Improved product mix

## Lowlights

- Demand for tape, food packaging and beverage materials
- Increased market related downtime
- Commercialization of the Mundra plant and the Chirnside teabag line continued at a slower pace than anticipated



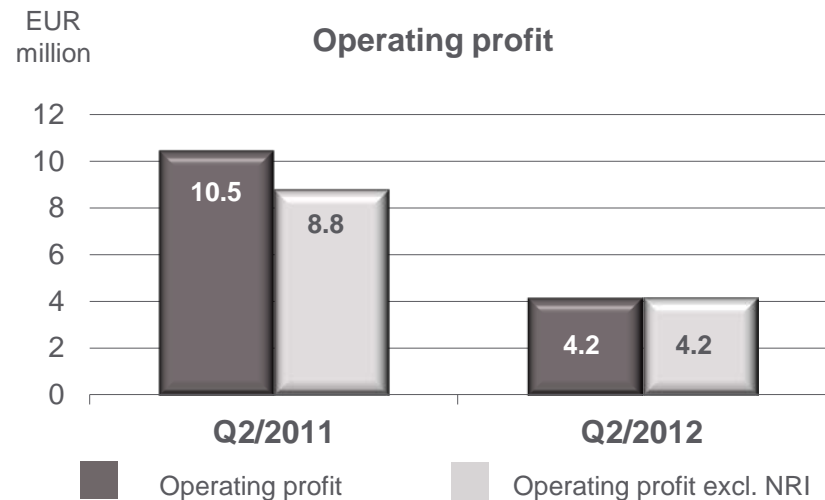
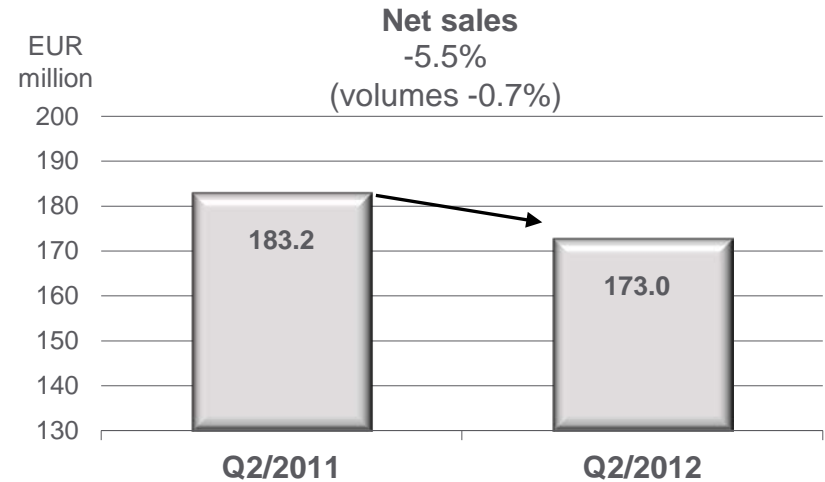
# Label and Processing

## Highlights

- Release liners sales supported by coated base papers and Acti-V™ technology
- Profit improvement program
- Responsiveness to market conditions

## Lowlights

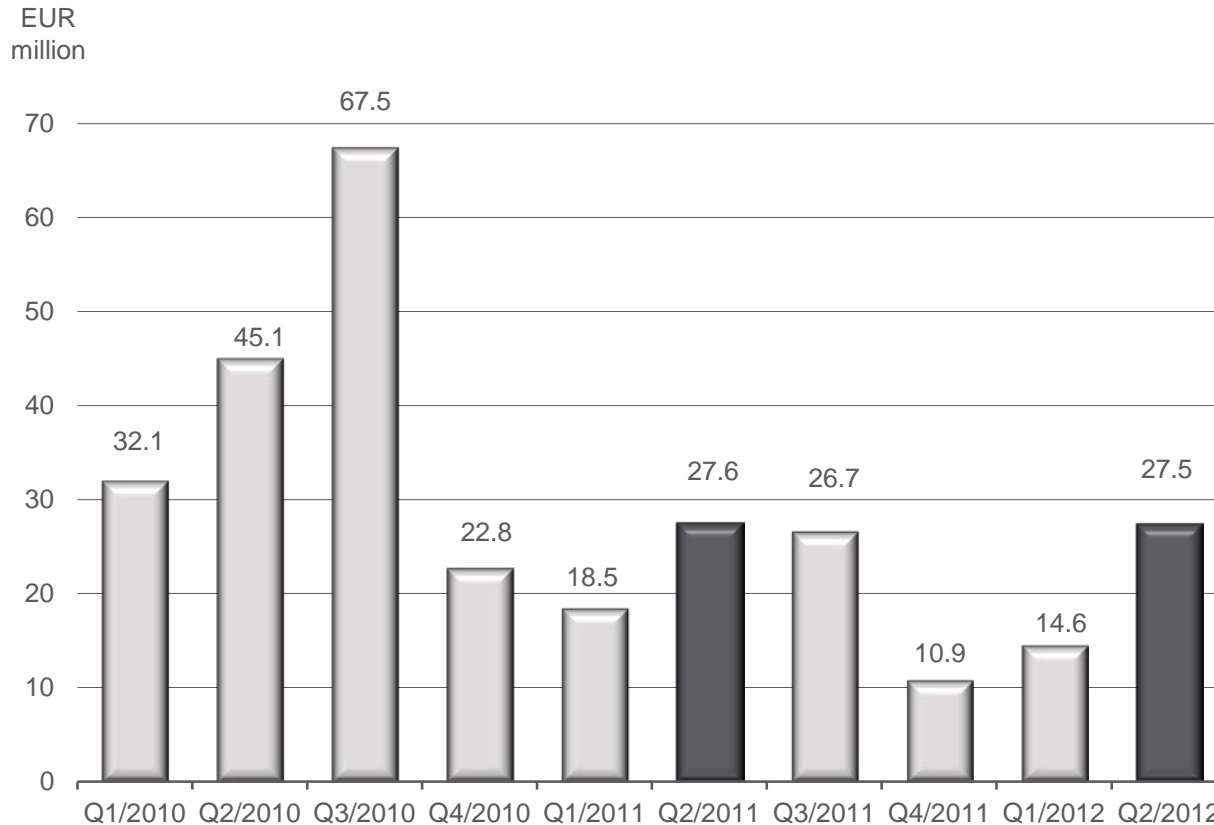
- EUR/USD currency rate impacted pulp prices
- Demand for base papers for metalizing, flexible packaging papers
- Product mix and lower selling prices
- Higher energy costs in Brazil



# Cash flow and debt development

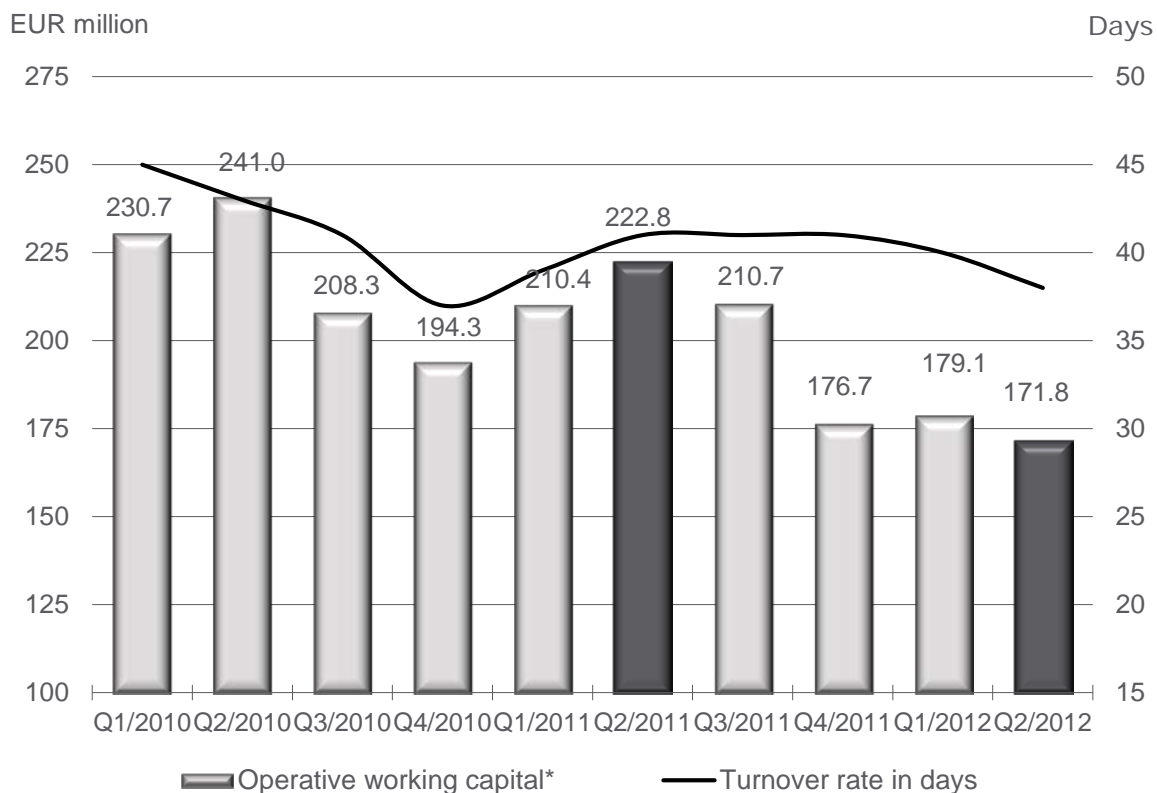


# Quarterly net cash from operating activities (including discontinued operations)



- Quarterly cash flow stabilized after the completion of the operative working capital project in 2009-2010

# Development of operative working capital (including discontinued operations)

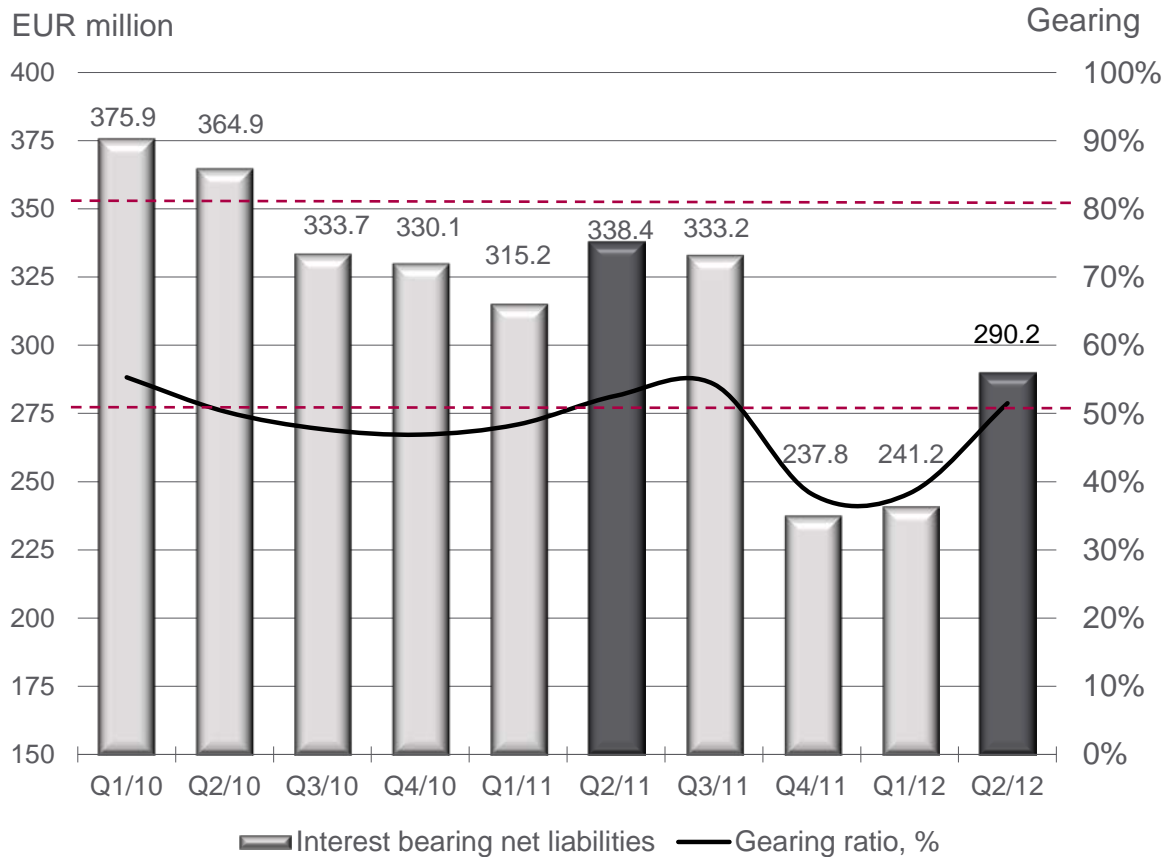


- Operative working capital has been stable since the end of 2011
- Turnover rate was 38 days on June 30, 2012 (41 days on Dec. 31, 2011)

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



# Gearing ratio (including discontinued operations)

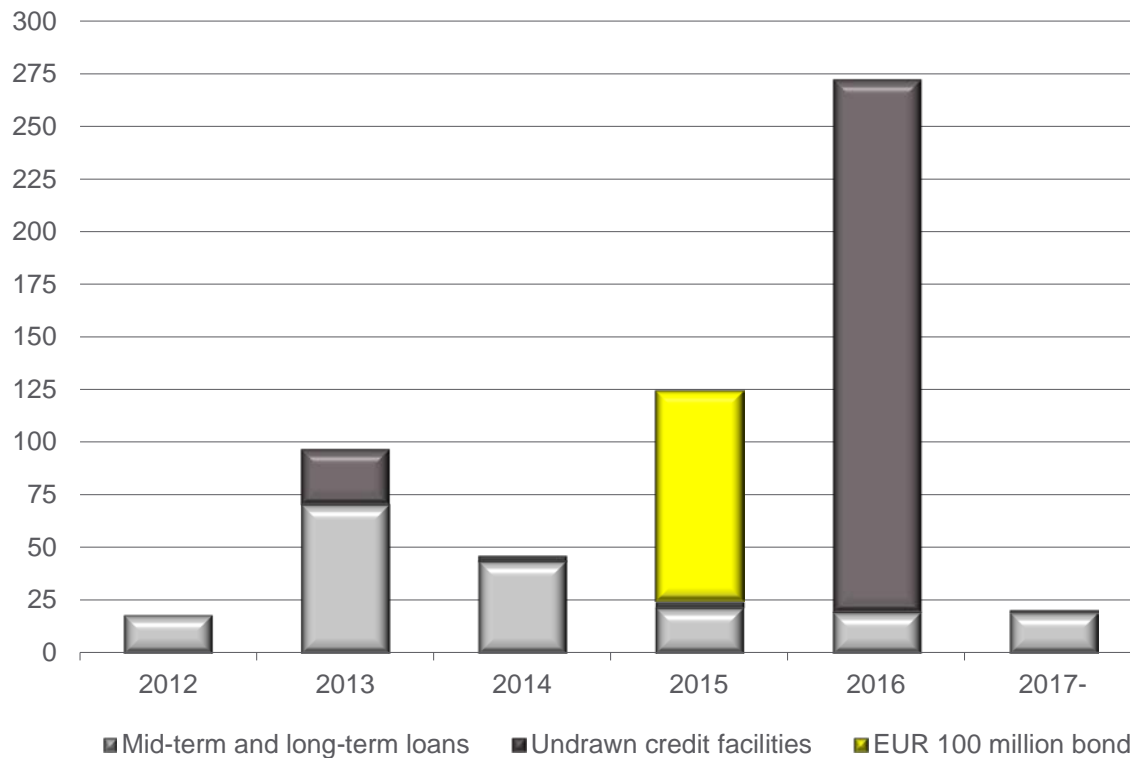


**Gearing ratio:  
target range 50–80%**

- Net debt below Q2/2011 due to the divestment of Home and Personal
  - Ahlstrom still to receive the remaining EUR 25 million from the divestment after the transfer of the Brazilian operation
- Net debt increased from Q1/2012 as dividends worth EUR 60 million were paid
- Gearing ratio on June 30, 2012 was 51.5%

# Maturity profile of medium/long-term credit facilities

EUR million



- Total liquidity, including cash and unused committed credit facilities was EUR 335.1 million at the end of Q2/2012.
- In addition, Ahlstrom had undrawn uncommitted credit facilities and cash pool overdraft limits of EUR 156.3 million available.

# Income statement and balance sheet



# Income statement

	Q2/2012	Q2/2011	
<b>EUR million</b>			
<b>Net sales</b>	<b>413.2</b>	<b>423.7</b>	▶ Lower sales volumes
Cost of goods sold	-360.3	-366.2	
<b>Gross profit</b>	<b>52.8</b>	<b>57.5</b>	
Sales, administrative and research & development expenses	-47.1	-39.5	
Other income and expenses	1.7	4.1	
<b>Operating profit</b>	<b>7.4</b>	<b>22.1</b>	▶ Non-recurring items EUR -5.7 million (EUR 1.8 million in Q2/2011)
Net financial expenses	-4.9	-6.6	
Share of profit / loss of associated companies	-1.7	-1.3	
<b>Profit before taxes</b>	<b>0.8</b>	<b>14.3</b>	
Income taxes / deferred tax income	-2.4	-5.8	
<b>Profit / Loss for the period from continuing operations</b>	<b>-1.6</b>	<b>8.5</b>	
<b>Profit / Loss for the period from discontinued operations</b>	<b>0.8</b>	<b>-17.1</b>	▶ Home and Personal included until end of October, 2011. Impairment loss and costs to sell.
<b>Profit / Loss for the period</b>	<b>-0.8</b>	<b>-8.6</b>	

# Balance sheet

	June 30, 2012	Dec. 31, 2011	
<b>EUR million</b>			
Total non-current assets	856.3	865.0	
Inventories	188.0	185.8	
Trade and other receivables	273.4	241.4	
Other short-term receivables	1.2	2.4	
Cash and cash equivalents	48.4	94.0	▶ Dividends paid
Assets classified as held for sale	29.1	42.3	
<b>Total assets</b>	<b>1,396.4</b>	<b>1,430.8</b>	
Total equity	563.6	622.7	▶ Incl. EUR 80 million hybrid bond
Provisions	22.2	24.9	▶ Dividends paid
Interest bearing loans and borrowings	338.9	332.2	
Employee benefit obligations	76.0	73.3	
Trade and other payables	354.3	328.8	
Others	38.9	39.1	
Liabilities classified as held for sale	2.5	9.8	
<b>Total equity and liabilities</b>	<b>1,396.4</b>	<b>1,430.8</b>	
<b>Gearing ratio</b>	<b>51.5</b>	<b>38.2</b>	▶ Gearing ratio increased due to the dividend payment

# Statement of cash flows

## (including discontinued operations)

	Q2/2012	Q2/2011	
<b>EUR million</b>			
<b>EBITDA</b>	<b>27.3</b>	<b>43.1</b>	
Adjustments	-0.7	-3.4	
Changes in net working capital	8.3	-6.9	▶ Reduction in operative working capital
Financial items	-5.5	-2.7	
Income taxes paid / received	-2.0	-2.4	
<b>Net cash from operating activities</b>	<b>27.5</b>	<b>27.6</b>	
Investments	-20.8	-14.1	▶ Joint venture for crepe paper production in Longkou, China
Other investing activities	7.2	3.4	Filtration materials investment in Turin, Italy
<b>Net cash from investing activities</b>	<b>-13.7</b>	<b>-10.7</b>	
Dividends paid and others	-60.0	-40.8	▶ Includes extra dividend worth approx. EUR 20 million
Changes in loans and other financing activities	6.6	25.6	
<b>Net cash from financing activities</b>	<b>-53.4</b>	<b>-15.2</b>	
<b>Net change in cash and cash equivalents</b>	<b>-39.6</b>	<b>1.7</b>	
Cash and cash equivalents at the beginning of the period	88.2	24.8	
<b>Cash and cash equivalents at the end of the period</b>	<b>48.8</b>	<b>26.6</b>	



# Future prospects



# High priority programs and key activities

**Anticipating** and delivering on customer expectations



Continue efforts to introduce new value-added products and go-to-market campaigns

**Growing** through differentiation



Explore new growth opportunities to expand business in e.g. Advanced Filtration

**Implementing** high performance culture



Continued focus on reaching targets and developing strategic capabilities

**Achieving** efficient supply chain



Program to focus on high customer service levels initiated

**Winning** in Asia



Joint venture in crepe paper production in Longkou, China to ramp up in Q3-Q4/2012, building of Binzhou wallcovering materials machine proceeds



# Outlook for 2012 remains unchanged

- Net sales from continuing operations are expected to be EUR 1,575-1,735 million
- Operating profit excluding non-recurring items from continuing operations is expected to be EUR 60-80 million
- Investments excluding acquisitions are estimated to amount to approximately EUR 100 million



Stay ahead™

**Thank you**

**Ahlstrom Corporation**

P.O. Box 329, Salmisaarenaukio 1

FI-00101 Helsinki, Finland

T: +358 (0)10 888 0

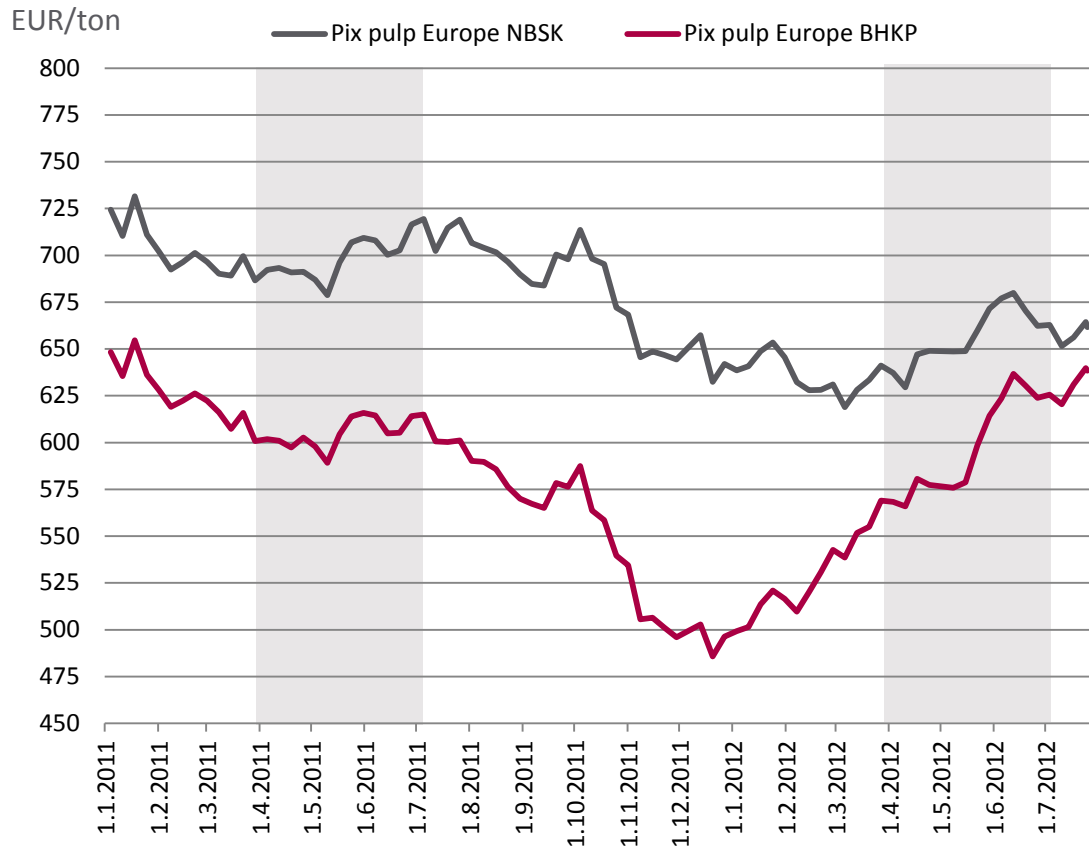
F: +358 (0)10 888 4709

info@ahlstrom.com

www.ahlstrom.com

**AHLSTROM**

# Pulp price development in EUR



# Pulp price development in USD

