



AHLSTROM

Ahlstrom

January-September 2014

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President & CEO

Sakari Ahdekivi
CFO

Helsinki
October 24, 2014

Agenda

- July-September 2014
- Rightsizing
- Business area review
- Financials
- Outlook

July-September 2014 in brief



Highlights

- + Fourth consecutive quarter of year-on-year improvement in profitability
 - + Four business areas improved profitability: Advanced Filtration, Transportation Filtration, Food, and Medical
- + Strong sales growth in Advanced Filtration, Transportation Filtration and Food
- + Improved product mix and pricing management
- + Rightsizing program progressing as planned
- + New EUR 100 million bond issued

Lowlights

- Profitability and lower net sales in Building and Energy
- Withdrawal from Porous Power Technologies

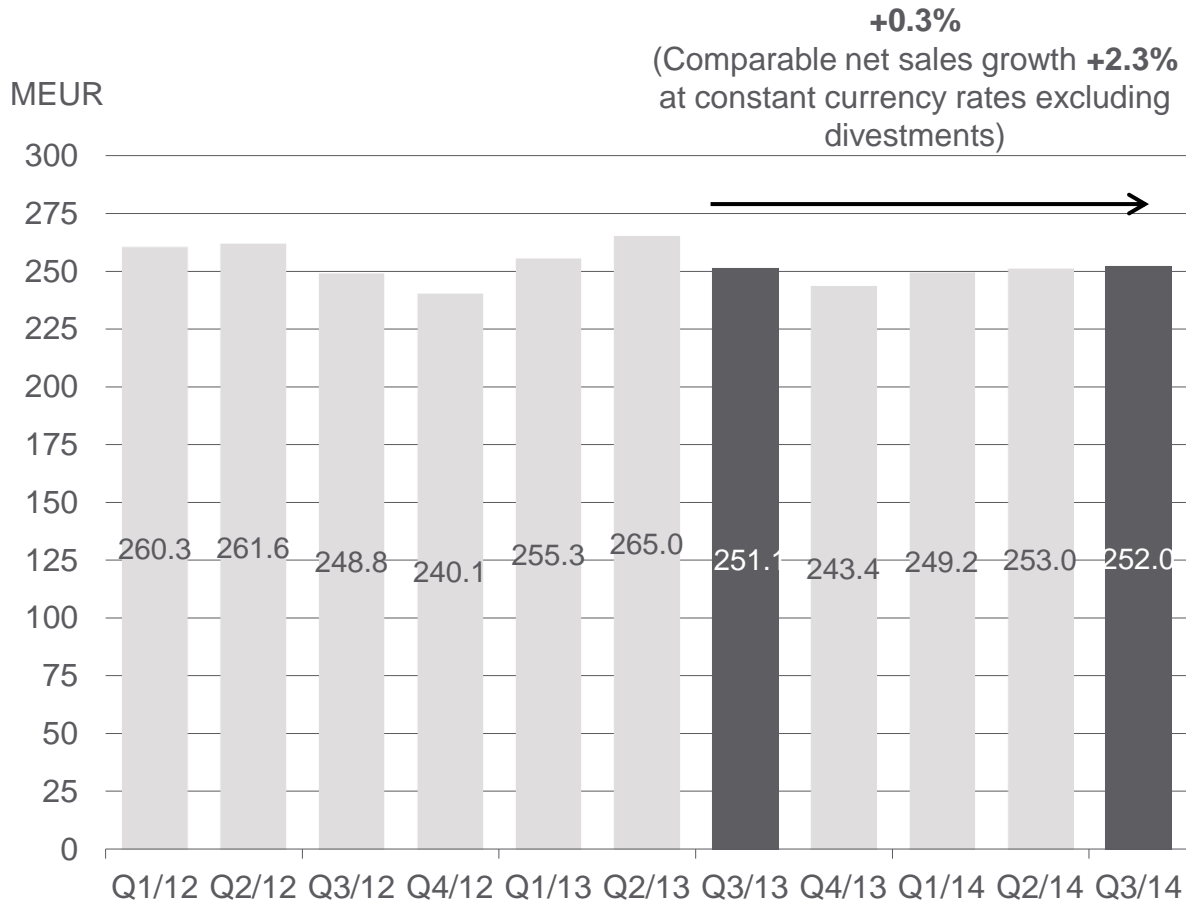
Key figures

EUR million	Q3/2014	Q3/2013	Change, %	Q1- Q3/2014	Q1- Q3/2013	Change, %
Net sales	252.0	251.1	0.3	754.1	771.4	-2.2
EBITDA*	22.6	14.4	57.5	67.1	54.8	22.5
<i>% of net sales</i>	9.0	5.7		8.9	7.1	
Operating profit excl. NRI	9.7	1.5	N/A	30.4	15.9	91.0
<i>% of net sales</i>	3.9	0.6		4.0	2.1	
Gearing**	88.4	74.2		88.4	74.2	
ROCE, %	-8.0	0.7		0.2	2.3	

*Excluding non-recurring items

**Including discontinued operations

Quarterly net sales development



Highlights

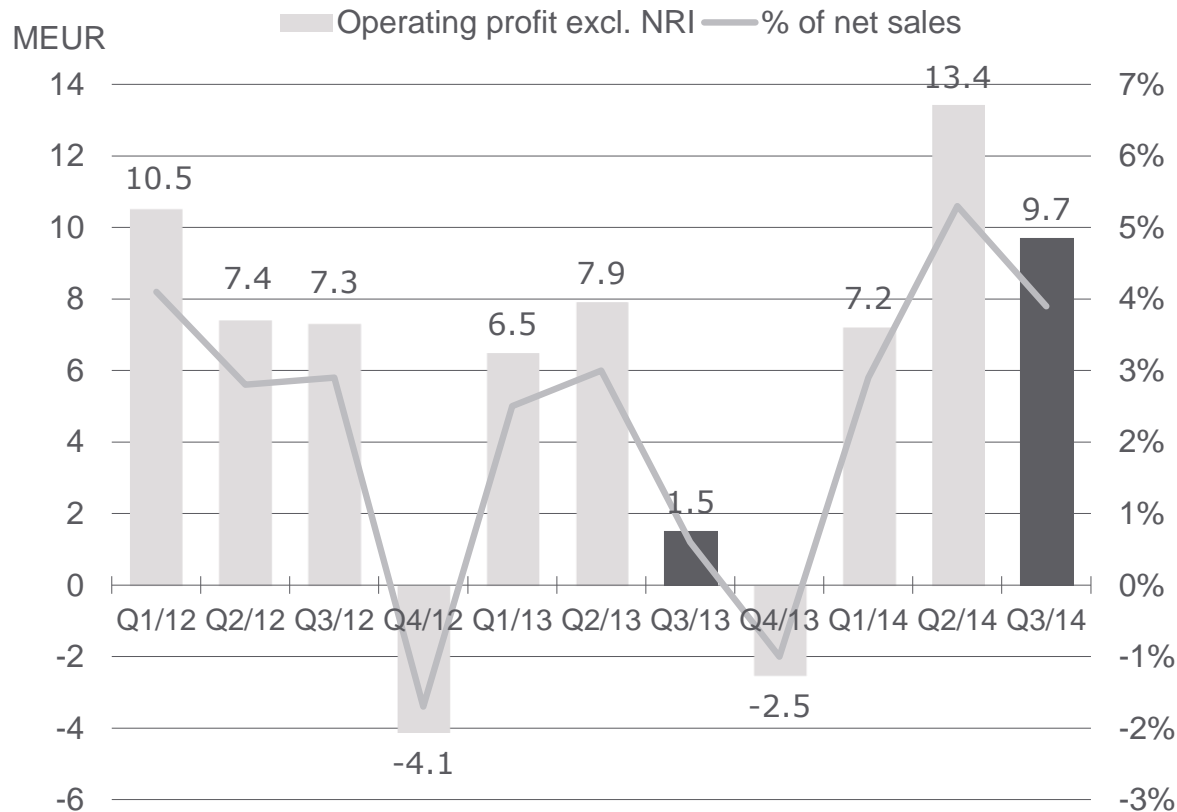
- + Increased selling prices
- + Favorable product mix
- + Higher volumes in Advanced Filtration, Transportation Filtration, Food, Medical

Lowlights

- Lower volumes in Building and Energy

Quarterly operating profit development

Profitability has improved for four consecutive quarters Y-o-Y



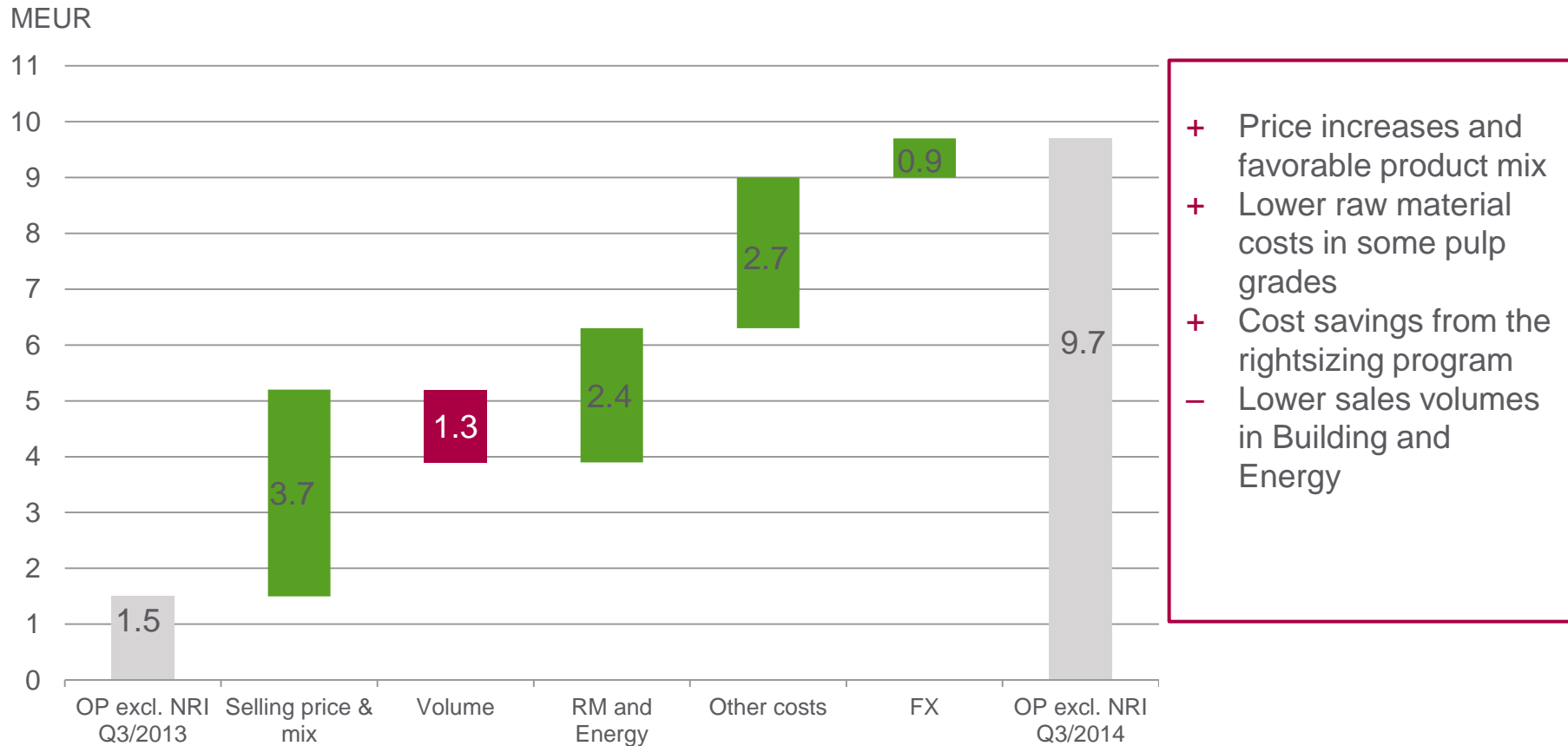
Highlights

- + Pricing and product mix management
- + Cost savings from rightsizing program
- + Easing raw material cost inflation

Lowlights

- Lower volumes in Building and Energy
- Focus units: Chirnside production line, Longkou

Operating profit* supported by higher selling prices / product mix and lower costs



*Continuing operations, excluding non-recurring items

Update on rightsizing program



- Target to reach annual costs savings of EUR 39 million in continuing operations by the end 2015
 - Approximately EUR 50 million including costs transferred to Munksjö Oyj
- Personnel reductions of about 400 globally
- Ahlstrom to book non-recurring items of approximately EUR 15 million in 2013-15
- Achieved by the end of Q3/2014:
 - Approximately EUR 22 million in cost savings have been achieved in continuing operations
 - Personnel reductions of approximately 355
 - Non-recurring costs: EUR 13.2 million, of which EUR 10.1 million in Q1-Q3/2014

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 surgical instruments on a patient. The scene is brightly lit, emphasizing the clinical environment.

Business area review

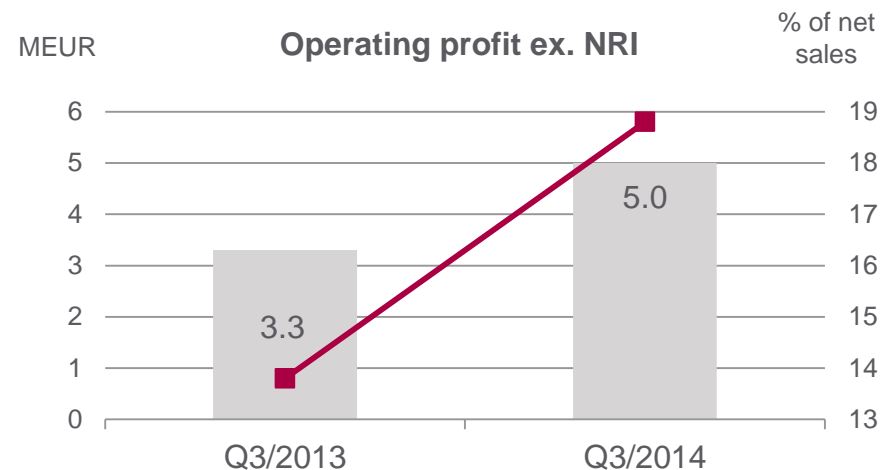
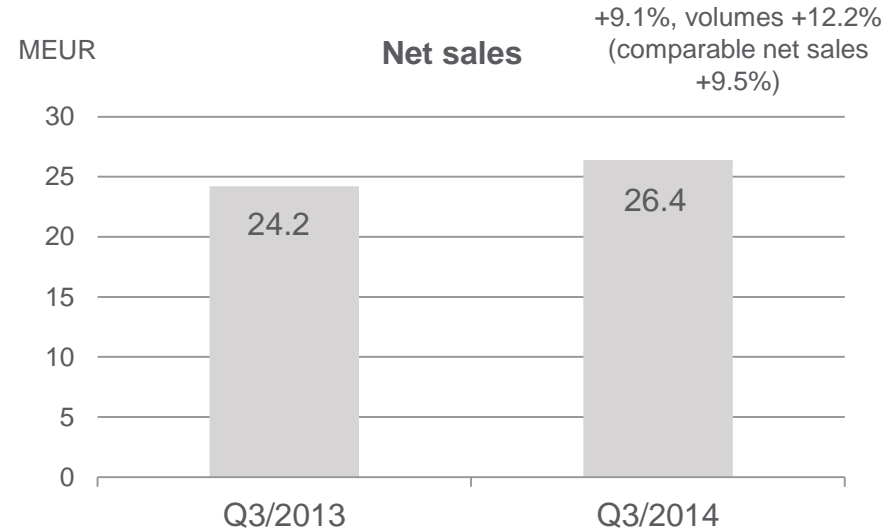
Advanced Filtration

Q3/14: Net sales EUR 26.4 million
(EUR 24.2 million)

- + Higher sales of industrial and gas turbine applications
- Softer market for high efficiency air applications

Q3/14: Operating profit ex. NRI EUR 5.0 million (EUR 3.3 million)

- + Record high margin of 18.8% of sales
- + Higher sales volumes
- + Lower fixed costs



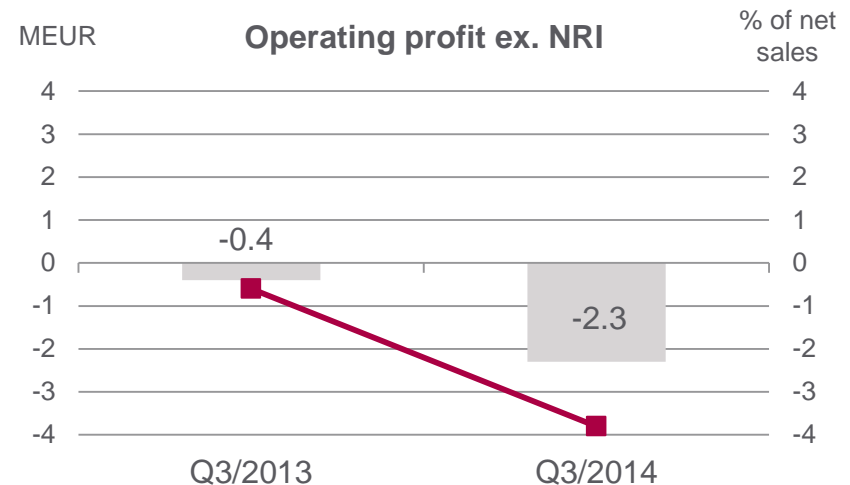
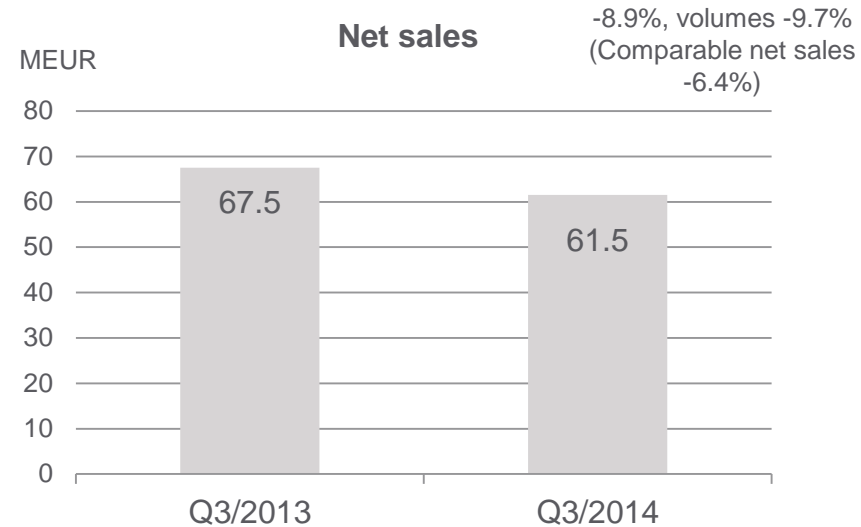
Building and Energy

Q3/14: Net sales EUR 61.5 million
(EUR 67.5 million)

- + Higher construction and automotive related material sales in Europe
- Lower sales of wallcoverings in Europe and China, flooring applications in Russia

Q3/14: Operating profit ex. NRI EUR -2.3 million (EUR -0.4 million)

- Lower volumes
- Ramp-up costs of new wallcoverings line
- Weaker Russian ruble
- Increased operational costs at Osnabrück



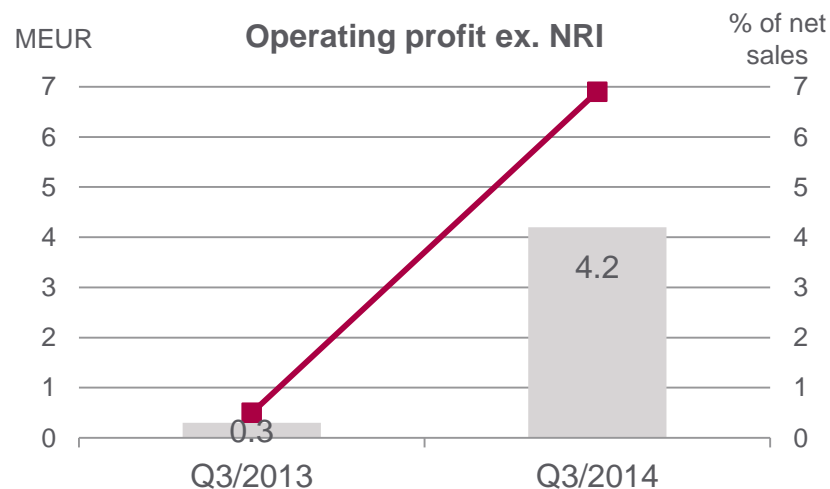
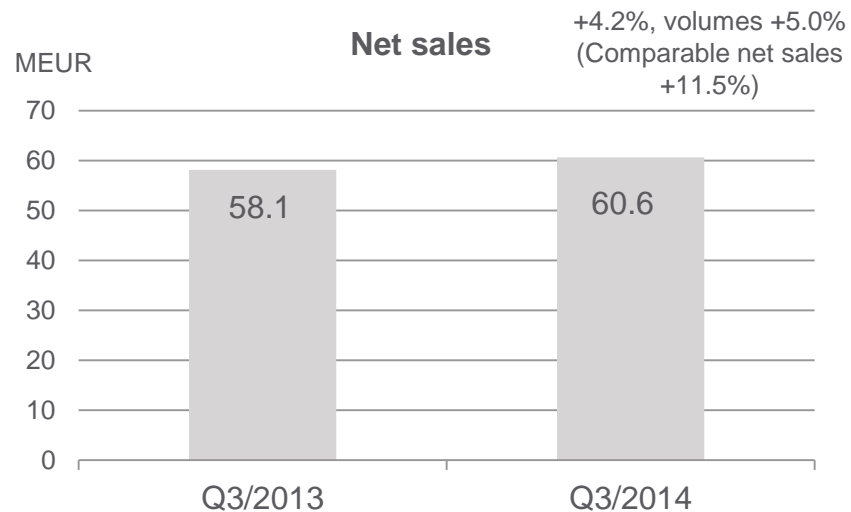
Food

**Q3/14: Net sales EUR 60.6 million
(EUR 58.1 million)**

- + Higher volumes of beverage, food packaging and tape materials

Q3/14: Operating profit ex. NRI EUR 4.2 million (EUR 0.3 million)

- + Record high margin of 6.9% of sales
- + Lower fixed and raw material costs
- Focus units: Longkou plant, Chirnside production line



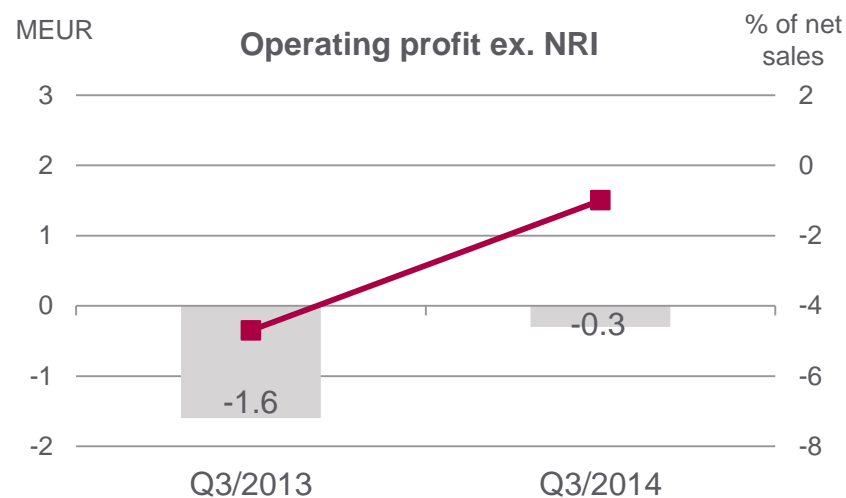
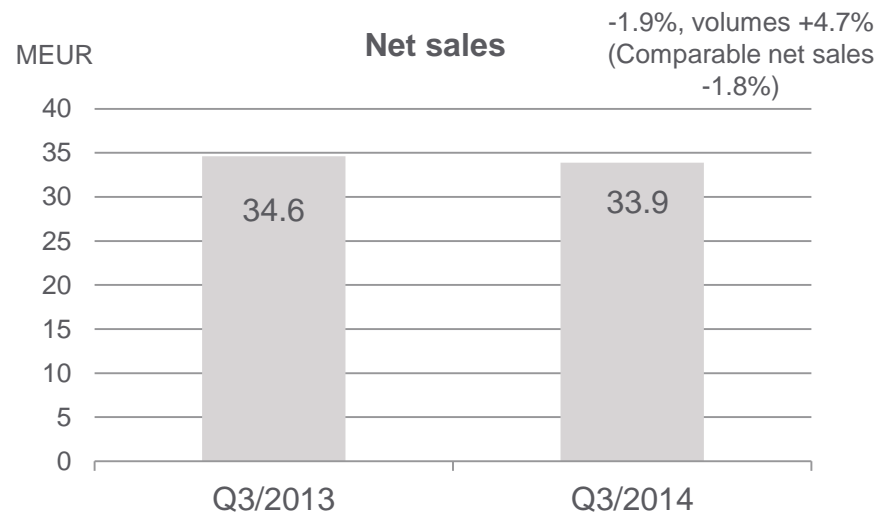
Medical

**Q3/14: Net sales EUR 33.9 million
(EUR 34.6 million)**

- + Higher sales of SMS-based drape and gown products
- + Higher sales of pouch and drape products in Asia
- Reduction in business with a large customer and exit from certain drape products in late 2013 not fully compensated

**Q3/14: Operating profit ex. NRI EUR
-0.3 million (EUR -1.6 million)**

- + Focus unit: Mundra close to break even
- + Lower fixed costs
- Adverse product and price mix



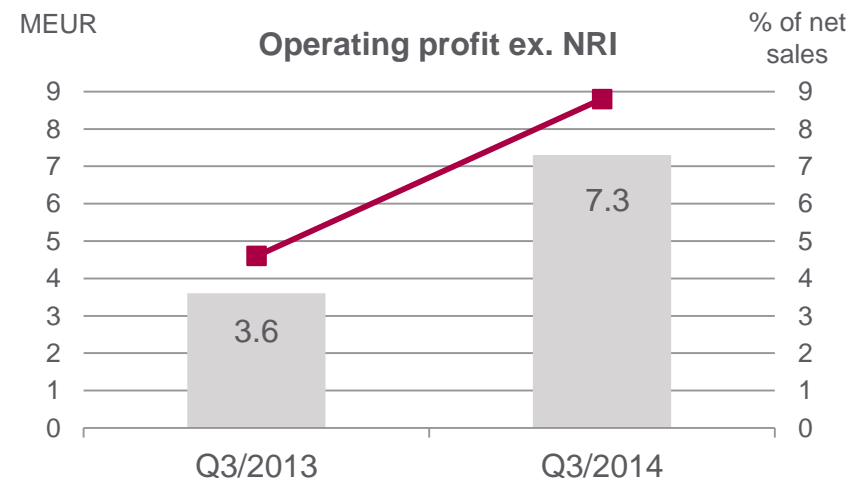
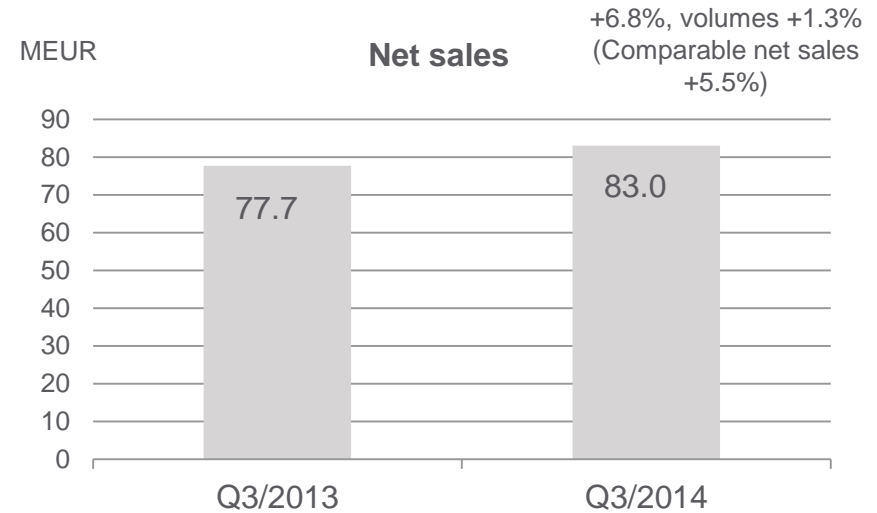
Transportation Filtration

Q3/14: Net sales EUR 83.0 million
(EUR 77.7 million)

- + Higher sales volumes
 - + Sales growth in North America, Europe
- + Increased selling prices
- + Improved product mix

Q3/14: Operating profit ex. NRI EUR 7.3 million (EUR 3.6 million)

- + More value-added products
- + Lower fixed costs



Financials



Income statement

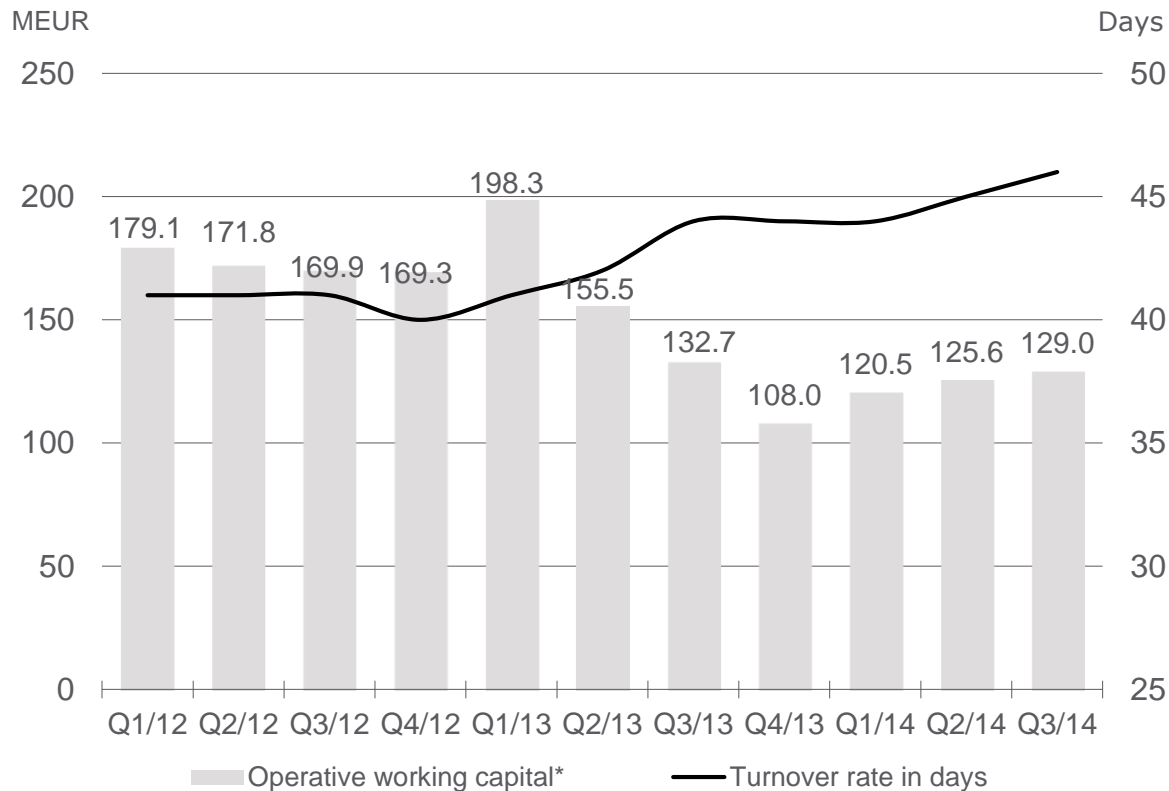
	Q3/2014	Q3/2013	
EUR million			
Net sales	252.0	251.1	
Cost of goods sold	-221.8	-218.1	
Gross profit	30.2	33.0	
Sales, administrative and research & development expenses	-31.6	-31.4	▶ SGA costs excluding NRI continued to decrease in Q3/14, but were impacted by one-time pension cost in the U.K. and set-up costs related to the shared service center in Vilnius
Other income and expenses	-12.1	-0.1	
Operating profit	-13.4	1.5	▶ NRIs: EUR -23.2 million in Q3/14*
Operating profit excl. NRI	9.7	1.5	
Net financial expenses	-6.3	-5.4	▶ Costs related to new bond issue, tender of an outstanding bond
Share of profit / loss of equity accounted investments	-0.2	-0.6	
Profit / loss before taxes	-19.9	-4.4	
Income taxes	3.2	0.7	▶ Tax credit related to PPT impairment loss
Profit / loss for the period from continuing operations	-16.7	-3.7	
Earnings per share	-0.30	-0.09	

- *Impairment loss of approximately EUR 11.6 million from the PPT withdrawal. Net of tax approximately EUR 8 million.
- *Additional depreciation of approximately EUR 5.3 million on the Chirnside production line
- *Additional depreciation of approximately EUR 2.9 million on glassfiber production assets
- *Non-recurring cost of approximately EUR 1.7 million related to the transfer of IT operations

Balance sheet

	Sept. 30, 2014	Dec. 31, 2013	
EUR million			
Total non-current assets	614.4	633.4	▶ - Market value of shareholding in Munksjö Oyj EUR 42.6 million (Sept. 30, 2014)
Inventories	123.6	106.6	
Trade and other receivables	183.7	173.0	- Shareholding in Suominen Oyj included, shares sold in October 2014
Income tax receivables	1.2	0.6	
Cash and cash equivalents	63.8	38.2	
Assets classified as held for sale and distribution to owners	-	18.9	
Total assets	986.8	970.6	
Total equity	327.8	341.4	▶ - Impact from non-recurring items in Q3/14
Provisions	11.3	8.3	- Includes EUR 100 million hybrid bond.
Interest bearing loans and borrowings	353.5	330.4	
Employee benefit obligations	76.9	76.1	
Trade and other payables	207.2	200.2	
Others	10.0	8.3	
Liabilities classified as held for sale and distribution to owners	-	5.9	
Total equity and liabilities	986.8	970.6	
Gearing	88.4	85.5	

Development of operating working capital (including discontinued operations)



- Stable development of working capital QoQ
- 12-month rolling turnover rate increased to 46 days at the end of Q3/2014 from 44 days at the end Q3/2013

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

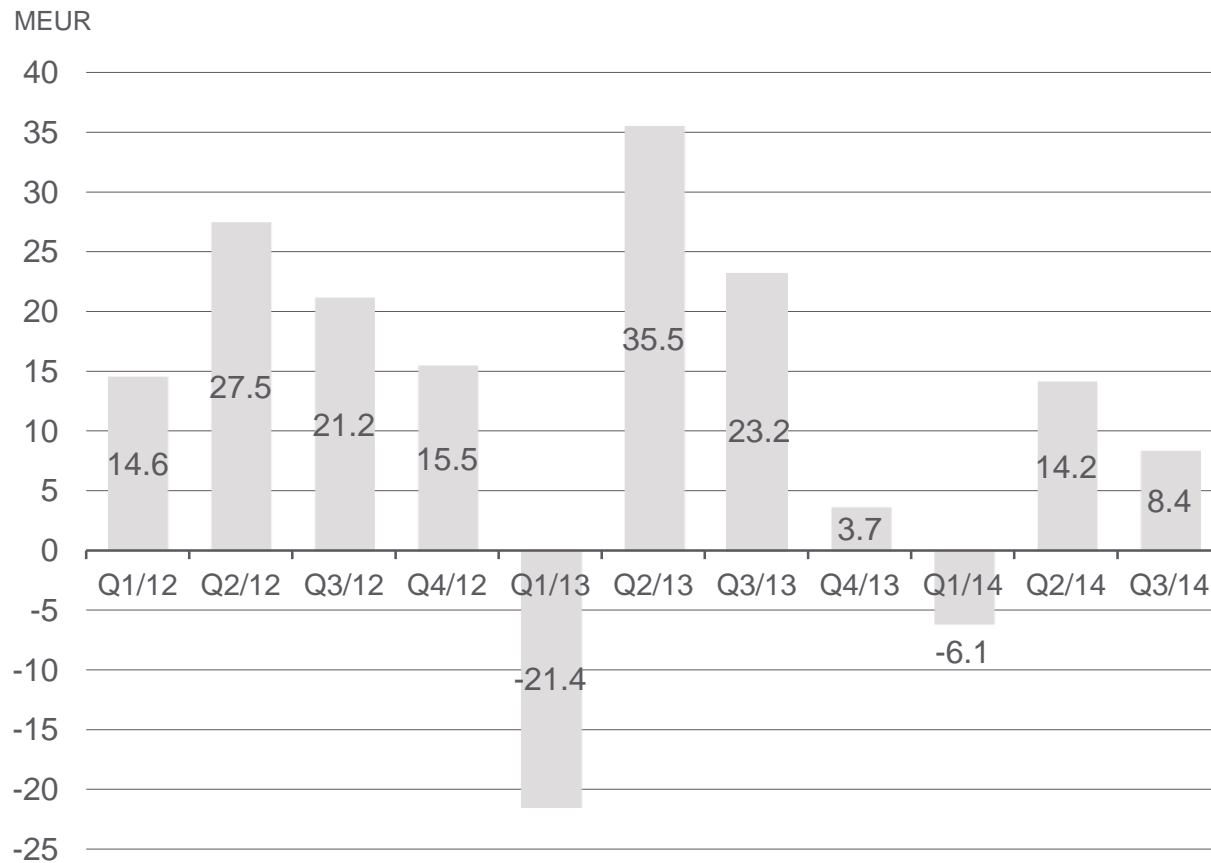
Statement of cash flows

(including discontinued operations)

	Q3/2014	Q3/2013	
EUR million			
EBITDA	19.6	15.3	
Adjustments	-1.5	-0.6	
Changes in net working capital	2.9	13.4	
Change in provisions	-0.0	-0.8	
Financial items	-11.5	-3.1	▶
Income taxes paid / received	-1.1	-1.0	
Net cash from operating activities	8.4	23.2	New bond issue, tender offer of an existing bond
Purchases of intangible and tangible assets	-11.1	-18.9	▶
Other investing activities	2.1	-0.1	
Net cash from investing activities	-9.0	-19.0	Mainly maintenance capex
Effect of partial demerger	-	1.6	
Changes in loans and other financing activities	8.1	-34.0	
Net cash from financing activities	8.1	-32.5	
Net change in cash and cash equivalents	7.4	-28.3	
Cash and cash equivalents at the beginning of the period	56.0	73.1	
Cash and cash equivalents at the end of the period	63.8	43.5	

Net cash from operating activities

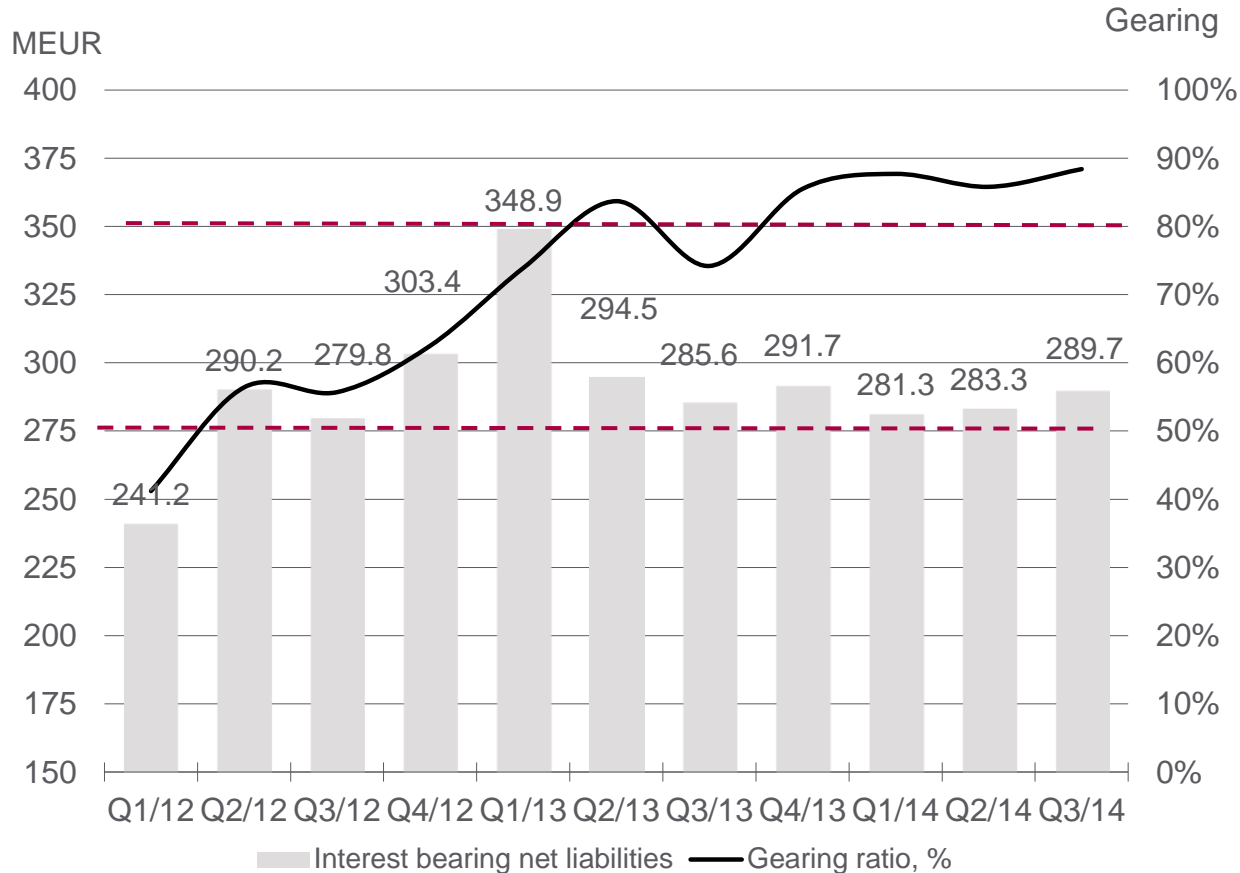
(including discontinued operations)



Gearing

(including discontinued operations)

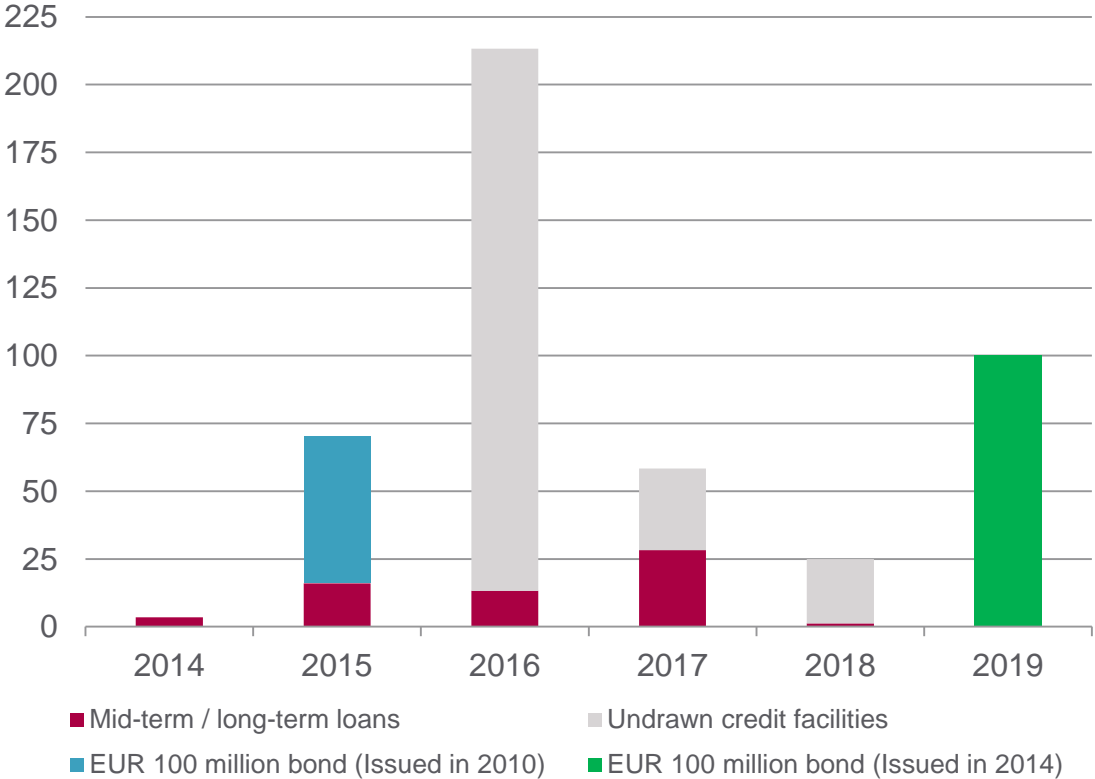
Gearing:
target range 50–80%



Gearing was 88.4% on September 30, 2014

- Gearing was negatively impacted by non-recurring items in Q3/2014
- Sale of Suominen shares to have positive impact on gearing in Q4/2014
 - Transaction price EUR 33.3 million

Maturity profile of medium/long-term credit facilities



- Total liquidity, including cash and unused committed credit facilities was EUR 317.6 million at the end of Q3/2014
- In addition, Ahlstrom had undrawn uncommitted credit facilities and cash pool overdraft limits of EUR 144.4 million available

Future prospects



Outlook for 2014



- Ahlstrom narrows its outlook range for net sales and operating profit margin excluding non-recurring items in 2014
 - Net sales are expected to be EUR 960-1,020 million
 - Operating profit margin excluding non-recurring items is expected to be 2.5-4% of net sales
- Previous outlook:
 - 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 still estimated to amount to approximately EUR 50 million

Stay ahead™

Thank you

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