

Ahlstrom

Financial Statements 2016 & Interim report Q4/2016

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Interim President & CEO

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Agenda

- Full-year 2016 & Q4/2016 in brief
- Quarterly business area reviews
- Financials

All-time high profitability with accelerated sales growth

Accelerated net sales growth in the last quarter of 2016

- Net sales growth 4.9% in Q4/2016 and 2.6% in 2016 at constant currencies
- Higher sales of glass fiber, wallcover, filtration, laboratory & life science diagnostics, and single-serve coffee products

Record high margins and cash flow

- Driven by higher volumes, improved operational efficiency, lower fixed costs as well as keeping the benefit from lower energy and raw material costs
- Adjusted operating profit and margin improved for the 13th consecutive quarter, year-on-year
- Improved operational result and active working capital management driving cash flow

Successful execution of strategic roadmap

- Higher margins through enhanced commercial excellence and leaner operating model
- Increased capacity utilization and ability to capture new growth opportunities
- Close to achieving 2018 financial target of above 8% adjusted operating margin already in 2016

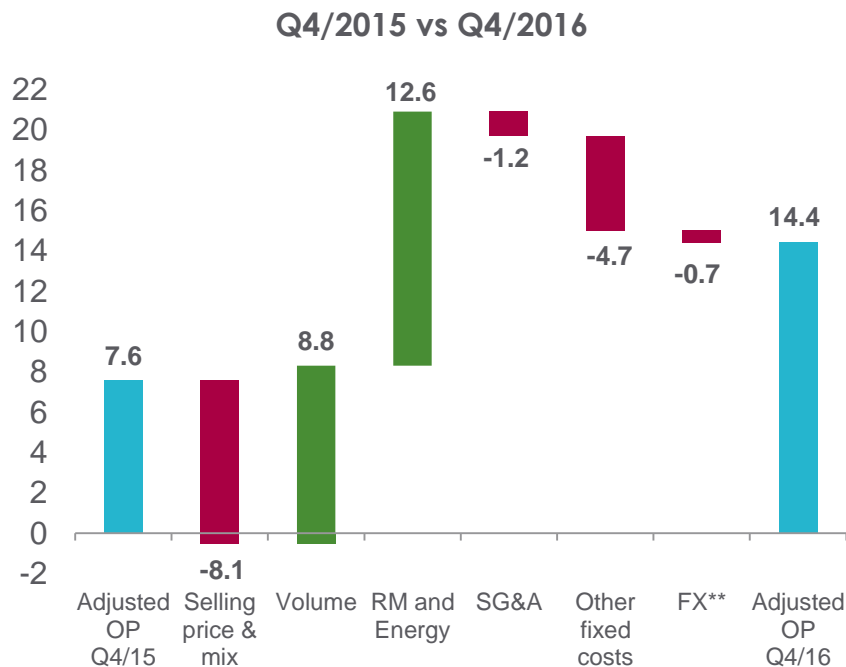
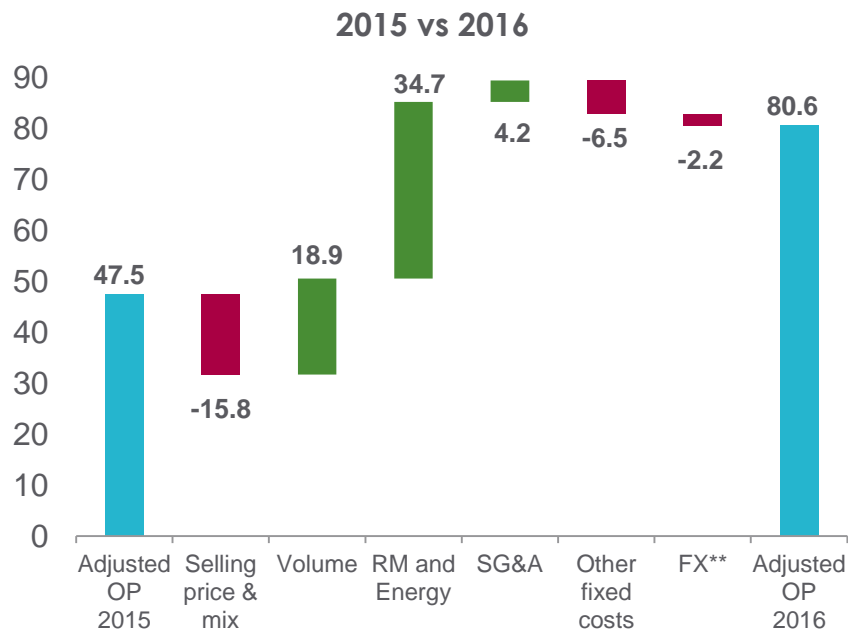
Key figures

Record profitability, accelerated sales growth & significant reduction in net debt in 2016

EUR million	Q4/2016	Q4/2015	Change, %	2016	2015	Change, %
Net sales	266.1	255.0	4.4	1,085.9	1,074.7	1.0
Adjusted EBITDA	26.4	21.6	22.3	130.9	104.8	25.0
<i>% of net sales</i>	<i>9.9</i>	<i>8.5</i>		<i>12.1</i>	<i>9.7</i>	
Adjusted operating profit	14.4	7.6	90.3	80.6	47.5	69.8
<i>% of net sales</i>	<i>5.4</i>	<i>3.0</i>		<i>7.4</i>	<i>4.4</i>	
Cash flow from operations	26.9	23.3	15.6	125.8	60.0	109.8
ROCE, %	6.5	-11.4		13.6	3.9	
Net debt	-	-		140.8	195.9	-28.1
Gearing, %	-	-		44.6	65.4	

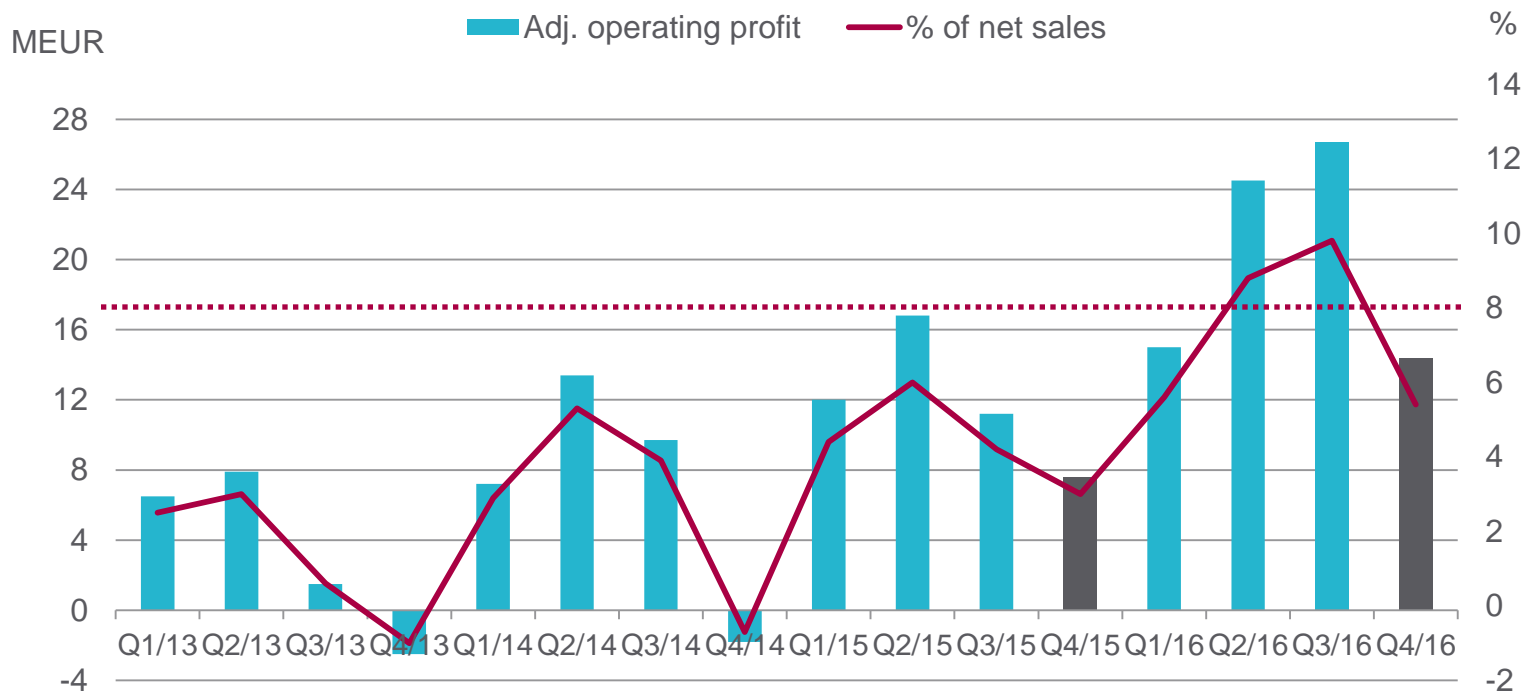
Adjusted operating profit bridge

- Higher volumes and pricing management to keep the benefit from lower variable costs
- Decline in *Selling price & mix* pillar is product mix related due to relatively higher sales of wallcover and glass fiber products
- Gain from lower production waste included in *RM and Energy* pillar



Close to reaching 2018 target of above 8% margin already in 2016

Operating profit and margin improved for the 13th consecutive quarter, year-on-year



QUARTERLY BUSINESS AREA REVIEWS



Our two business areas offer versatile high-quality products

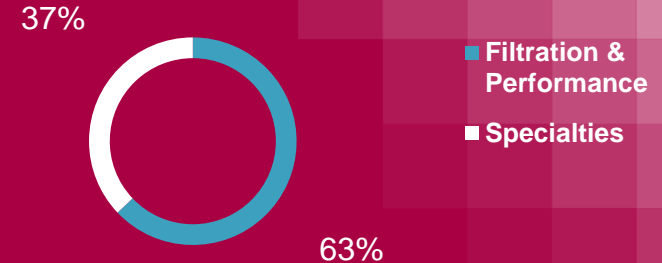
Filtration & Performance

- 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

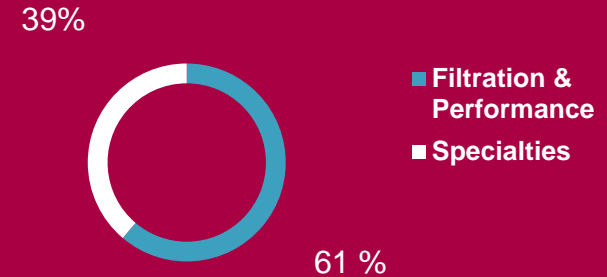
Specialties

- 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 1,085.9 million in 2016

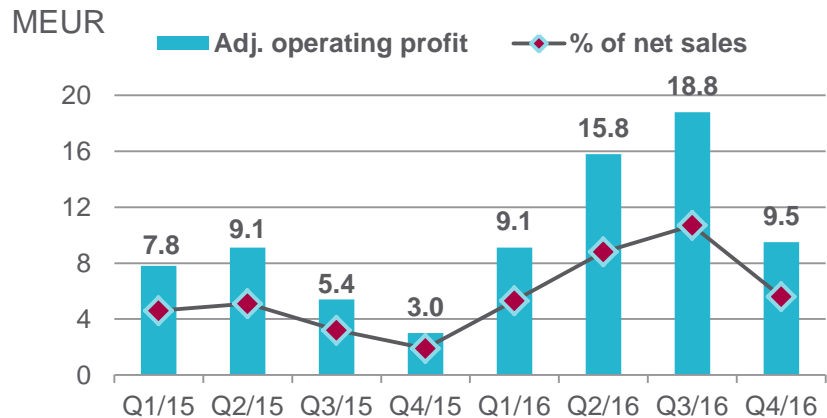
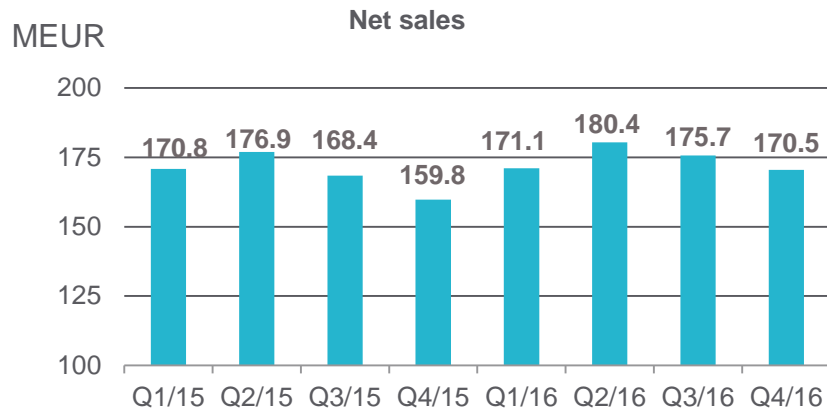


Operating profit* by segment, EUR
80.6 million in 2016



* Adjusted operating profit

Filtration & Performance



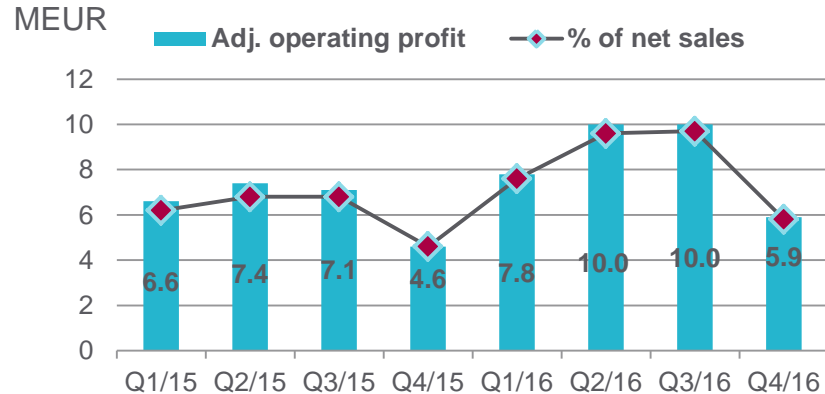
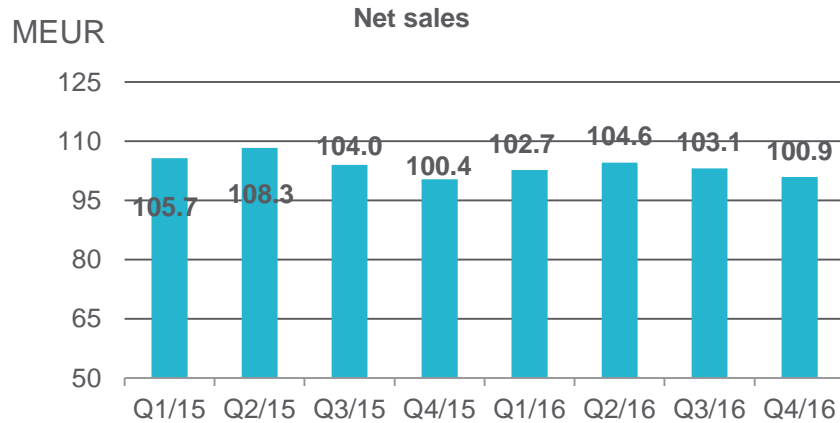
Net sales EUR 697.8 million in 2016 (EUR 676.0 million)

- Net sales +3.2%: volumes +6.4%, net sales at constant currency +4.4%
- Higher sales in glass fiber, wallcover in Asia, filtration products as well as building and textile-related industrial nonwoven materials

Adjusted operating profit EUR 53.3 million in 2016 (EUR 25.3 million)

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

Specialties



Net sales EUR 411.3 million in 2016 (EUR 418.5 million)

- Net sales -1.7%: volumes -0.2%, net sales at constant currency rates +0.5%
- Higher sales of laboratory & life science products, food packaging and single-serve coffee materials

Adjusted operating profit EUR 33.8 million in 2016 (EUR 25.7 million)

- Improved price and product mix
- Pricing management, lower variable and energy costs

FINANCIALS

Income statement

EUR million	Q4/2016	Q4/2015	2016	2015
Net sales	266.1	255.0	1,085.9	1,074.7
Cost of goods sold	-220.2	-227.2	-883.5	-910.0
Gross profit	45.9	27.7	202.4	164.8
Sales, administrative (SG&A) and research & development expenses	-39.0	-35.7	-136.1	-137.5
Other income and expenses	1.1	-8.4	4.5	-5.4
Operating profit	8.0	-16.4	70.8	21.9
Adjusted operating profit	14.4	7.6	80.6	47.5
Net financial expenses	-3.2	-4.3	-14.8	0.6
Share of profit / loss of equity accounted investments	0.0	0.1	0.2	0.2
Profit / loss before taxes	4.8	-20.5	56.3	22.6
Income taxes	-3.4	0.3	-21.4	-14.1
Profit / loss for the period	1.4	-20.2	34.9	8.6
Earnings per share	0.00	-0.46	0.61	0.06

Adjusted gross profit as % of net sales:

- 17.7% in Q4/16 (15.0% in Q4/15)
- 18.8% in 2016 (16.4% in 2015)

Adjusted SG&A as % of net sales:

- 12.5% in Q4/16 (12.7% in Q4/15)
- 11.6% in 2016 (12.3% in 2015)

Adjustments in operating profit:

- EUR -6.4 million in Q4/16 (EUR -23.9 million in Q4/15)
- EUR -9.8 million in 2016 (EUR -25.6 million in 2015)

Adjustments also impacted other income and expenses line.

In 2016, net interest expenses decreased by about EUR 4.1 million as the result of lower net debt.

Effective tax rate at a more normalized level of 38% in 2016.

Balance sheet

EUR million	Dec. 31, 2016	Dec. 31, 2015
Total non-current assets	492.1	519.2
Inventories	107.3	117.6
Trade and other receivables	127.3	151.9
Income tax receivables	1.6	1.6
Cash and cash equivalents	49.4	47.3
Assets classified as held for sale	50.4	-
Total assets	828.1	837.8
Total equity	315.8	299.4
Provisions	5.1	7.9
Interest bearing loans and borrowings	190.2	243.3
Employee benefit obligations	64.2	100.3
Trade and other payables	197.5	183.5
Others	5.2	3.5
Liabilities associated with assets held for sale	50.1	-
Total equity and liabilities	828.1	837.8
Gearing, %	44.6	65.4

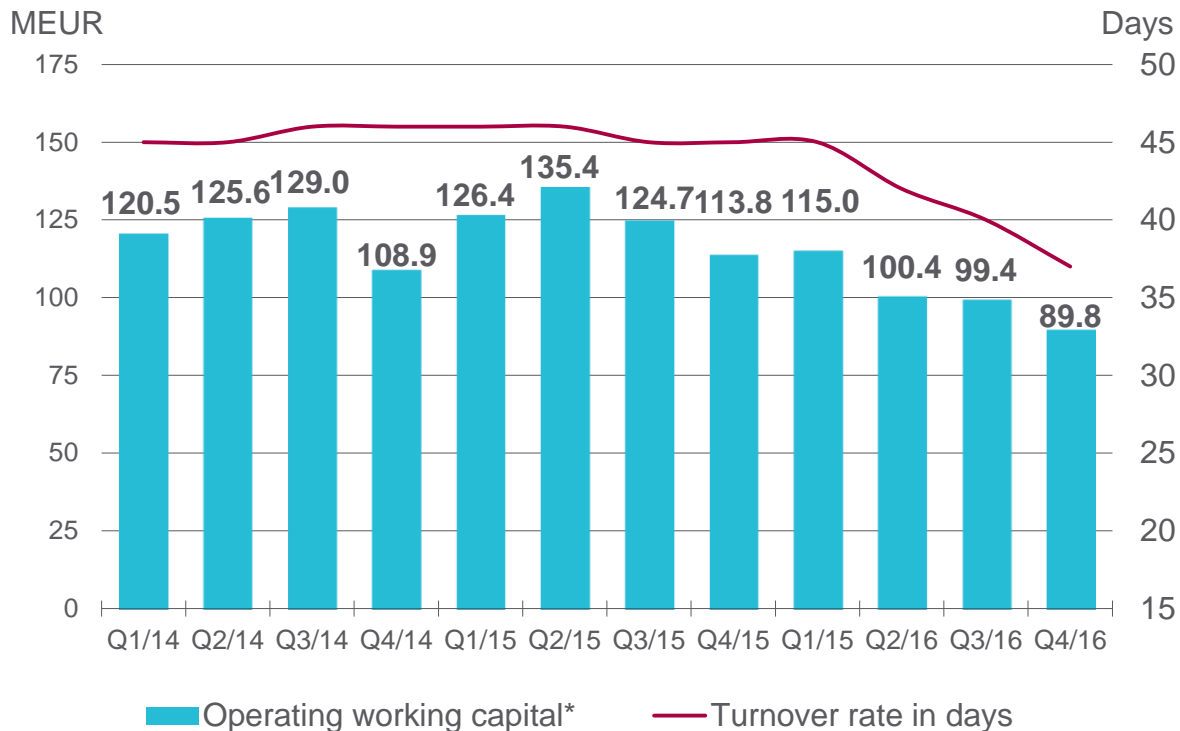
Active working capital management.

Osnabrück

- Increase in equity driven by higher net income
- Positive translation effect
- Equity includes EUR 100 million hybrid bond

Pension liabilities reduced mainly by the Osnabrück divestment.

Active management of operating working capital



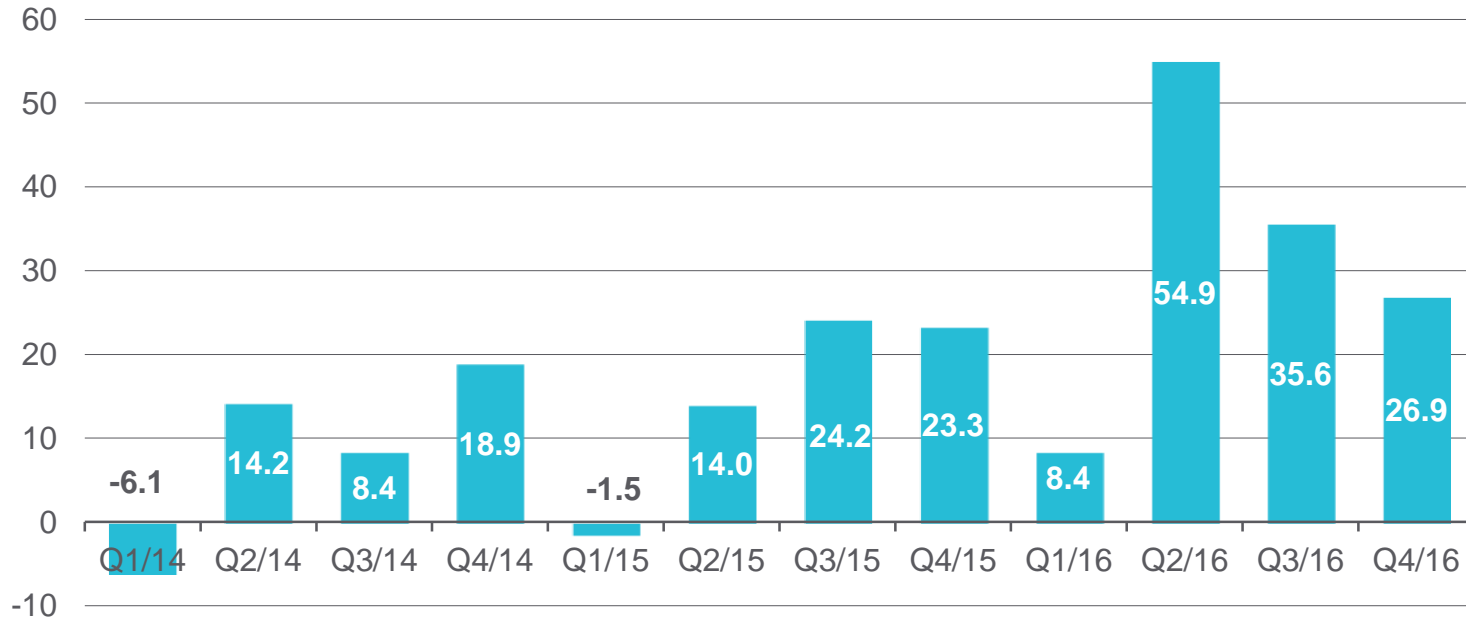
- 12-month rolling turnover rate fell by eight days to 37 days from Q4/2015
- The divestment of Osnabrück reduced operating working capital by about EUR 7.3 million

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

Significant increase in net cash from operating activities

Driven by improved operational result and reduction in operating working capital

MEUR



Cash flow

EUR million	Q4/16	Q4/15	2016	2015
EBITDA	20.0	14.8	121.1	96.4
Changes in net working capital	16.8	16.6	32.5	1.2
Change in provisions	-0.4	0.7	-2.7	-2.2
Financial items	-3.5	-5.3	-12.6	-25.6
Income taxes paid / received	-1.2	-0.8	-5.0	-3.0
Other items	-4.7	-2.8	-7.5	-6.9
Net cash from operating activities	26.9	23.3	125.8	60.0
Purchases of intangible and tangible assets	-19.0	-8.1	-41.0	-26.9
Other investing activities	-10.6	0.4	-11.3	49.0
Free cash flow	-2.6	15.6	73.5	82.0
Dividends paid and others	-0.1	-	-14.5	-13.9
Sale/repurchase of own shares	-	-	-	3.1
Interest on hybrid bond	-7.9	-7.9	-7.9	-7.9
Changes in loans and other financing activities	4.3	-23.9	-50.7	-56.4
Net change in cash and cash equivalents	-6.2	-16.2	0.4	6.9
Cash and cash equivalents at the beginning of the period	54.5	63.0	47.3	41.4
Cash and cash equivalents at the end of the period	49.4	47.3	49.4	47.3

Improved operational result.

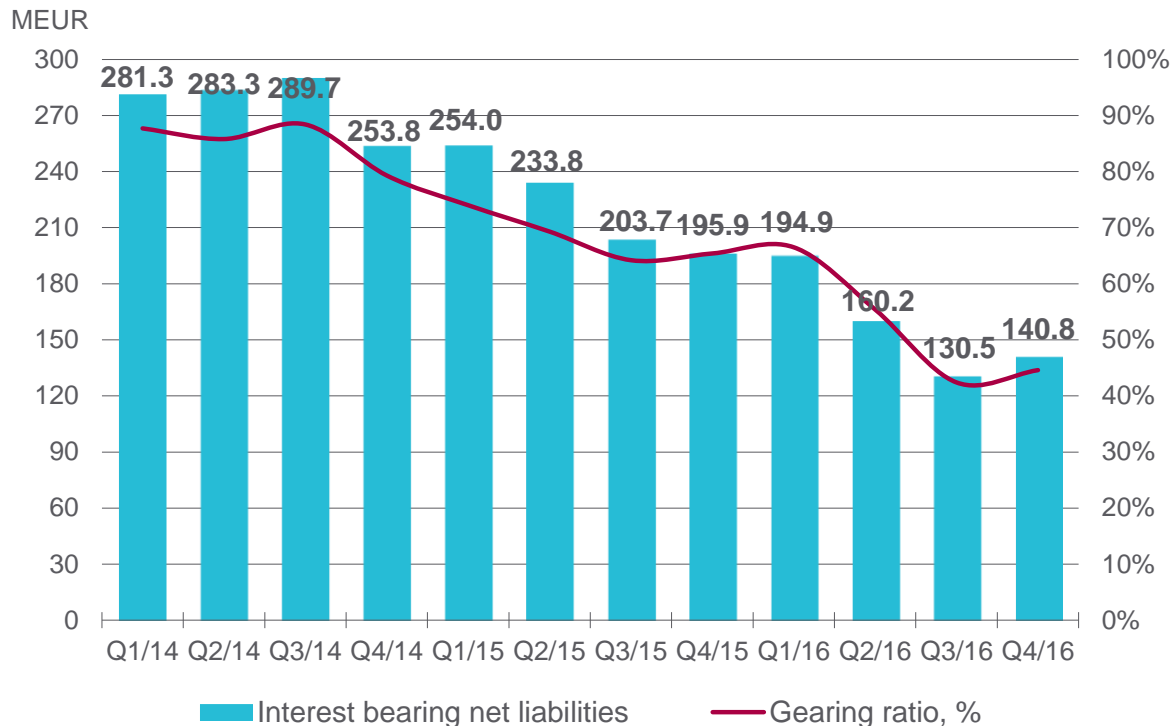
Maintenance and investments at Binzhou and Madisonville.

Other investing activities included cash outflow in Q4/16 due to the Osnabrück divestment.

Other investing activities in 2015 included EUR 44.5 million in proceeds from selling Munksjö Oyj shares.

Net debt and gearing

Significant reduction in net debt



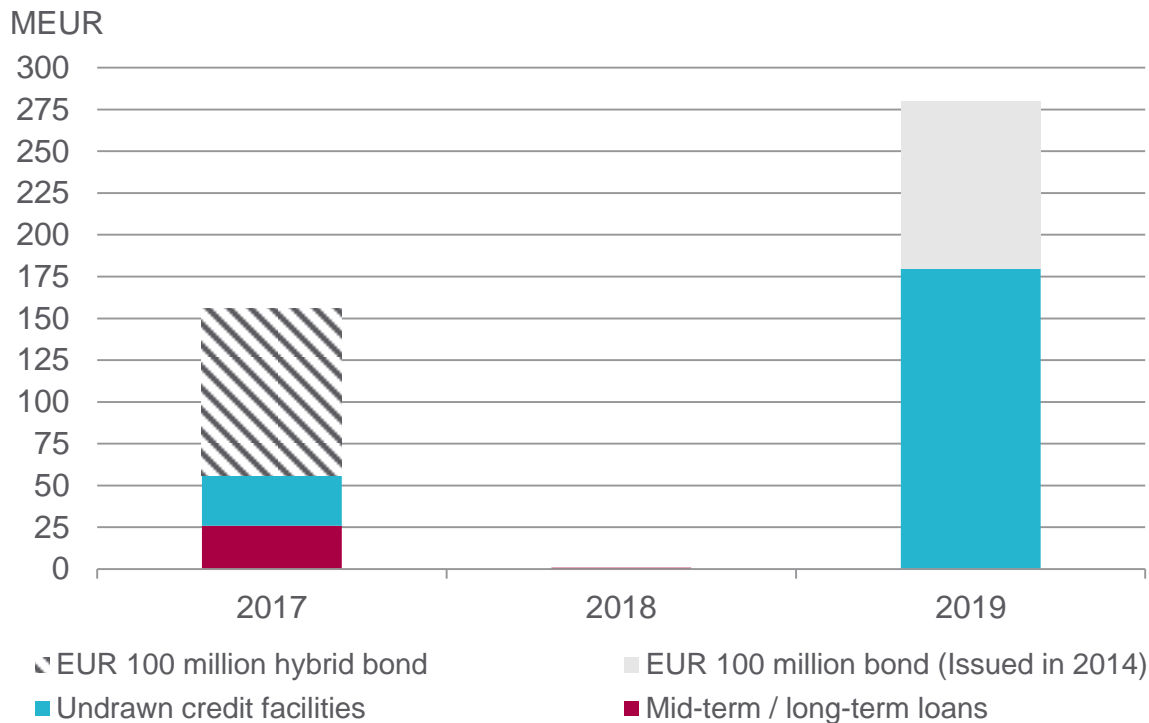
Target is to keep gearing below 100%.

Gearing 44.6% at the end of Q4/2016

- Lower net debt, driven by a strong improvement in operational result, reduction in operating working capital and low investments
- Net debt and gearing impacted by the Osnabrück divestment at the end of 2016
- Equity includes EUR 100 million hybrid bond. Gearing was 112% if the hybrid is treated as debt at the end of Q4/2016.

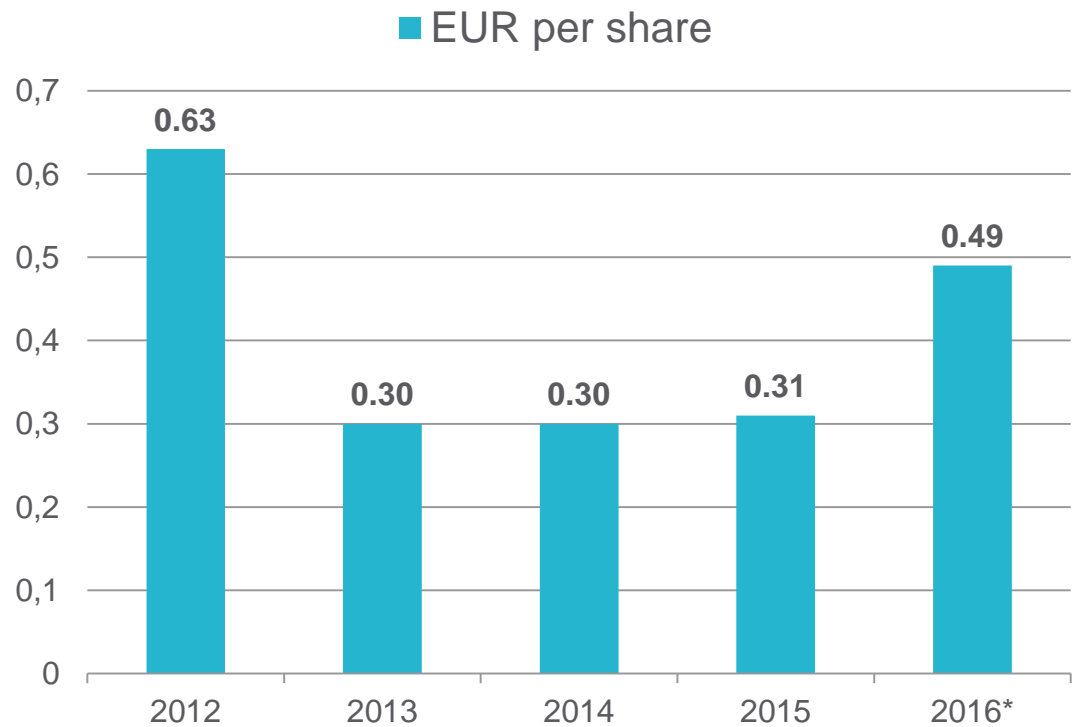
Maturity profile

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 268.7 million (EUR 299.0 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 70.0 million (EUR 103.6 million) available
- EUR 100 million hybrid bond is callable in October 2017
- Ahlstrom has received consents and waivers from the noteholders of the 2019 maturing bond
- EUR 200 million bridge financing agreement related to the merger

Dividend



- Extra dividend of EUR 0.49 per share to be paid in lieu of ordinary annual payout before the completion of the merger with Munksjö*
- Total payout is about EUR 23 million

* Ahlstrom's EGM has authorized the Board of Directors to distribute an extraordinary dividend of EUR 0.49 per share

Thank You!