

AHLSTROM

Ahlstrom

Financial statements & October-December 2012

Jan Lång
President & CEO

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CFO

January 31, 2013



Agenda

- Net sales and operating profit 2012
- October-December 2012
- Business area review
- Cash flow and debt development
- Income statement and balance sheet
- Future prospects

Executing on the strategic agenda in 2012

Global market leader in high performance fiber-based materials

Customers

Solid growth with strategic global key account customers

- Organization adapted to strengthen customer relationships and focus on growth
- Continue efforts to improve responsiveness to smaller customers

Technology base

Major steps taken to refocus business and product focus

- Label and Processing demerger to steer resources to most attractive businesses
- Munktell acquisition to reinforce leadership in advanced filtration
- New product development processes adopted to accelerate product pipeline

Growth

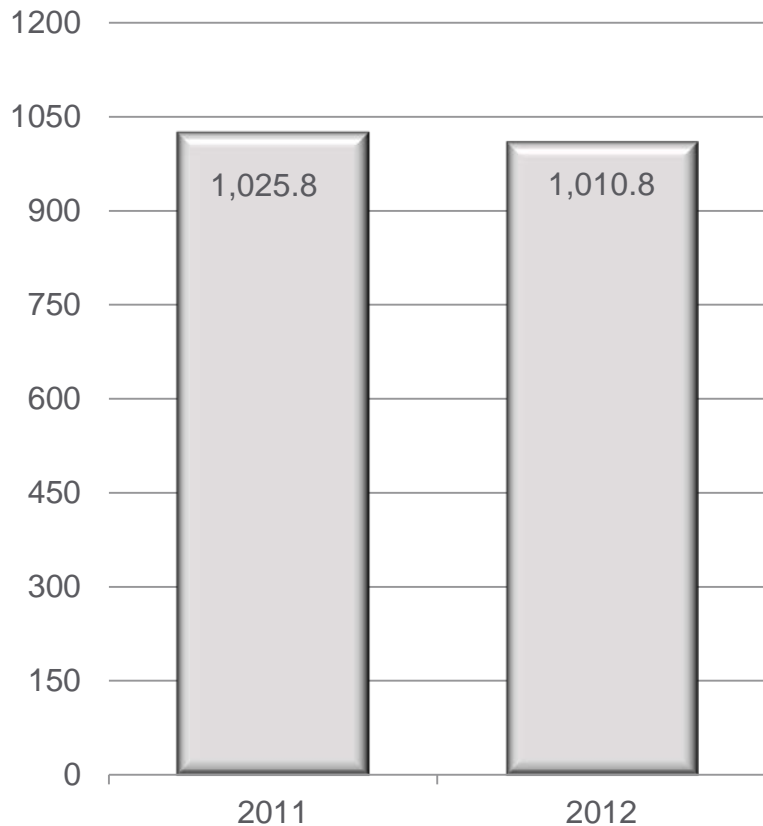
Focus in Asia

- Joint venture manufacturing crepe papers inaugurated in November in Longkou, China
- Continued commercialization of medical products plant in Mundra, India
- Investment in wallcovering materials in Binzhou, China, progressing

Net sales in 2012 (continuing operations)

EUR million

Net sales



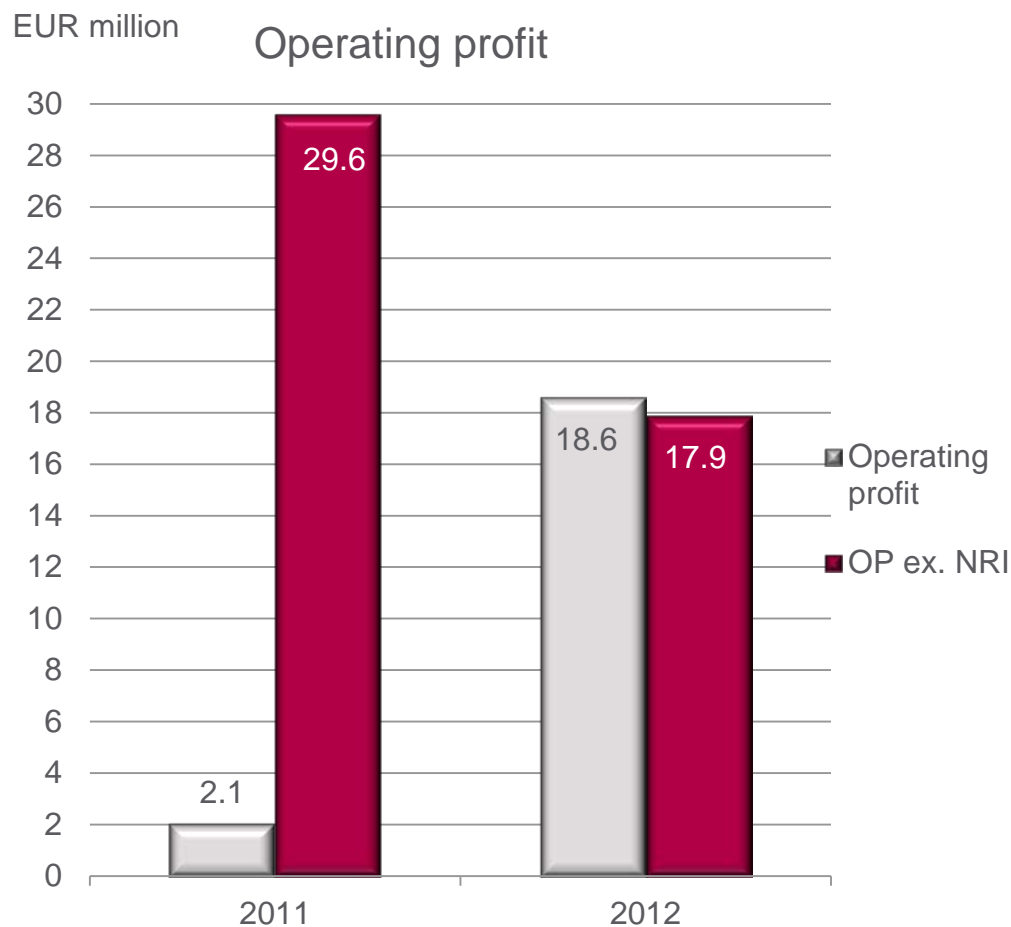
Highlights

- Favorable currency effect
- Higher selling prices

Lowlights

- Lower sales volumes
- Asset closures

Operating profit 2012 (continuing operations)



Highlights

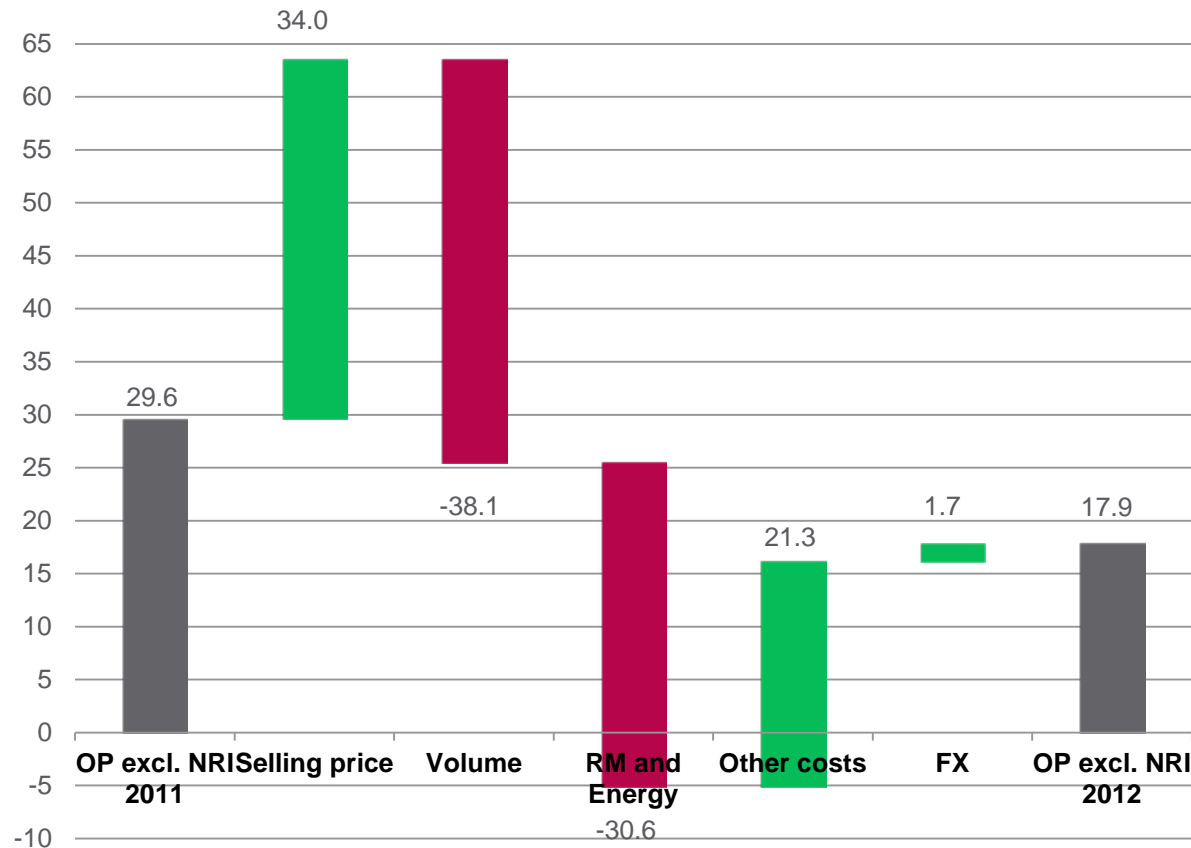
- Pricing management
- Profit improvement program of 2011
- Short-term cost mitigation

Lowlights

- Lower sales volumes
- Higher raw material costs
- Higher energy costs (natural gas in Italy and Brazil)

2012 operating profit* decline driven by lower volumes

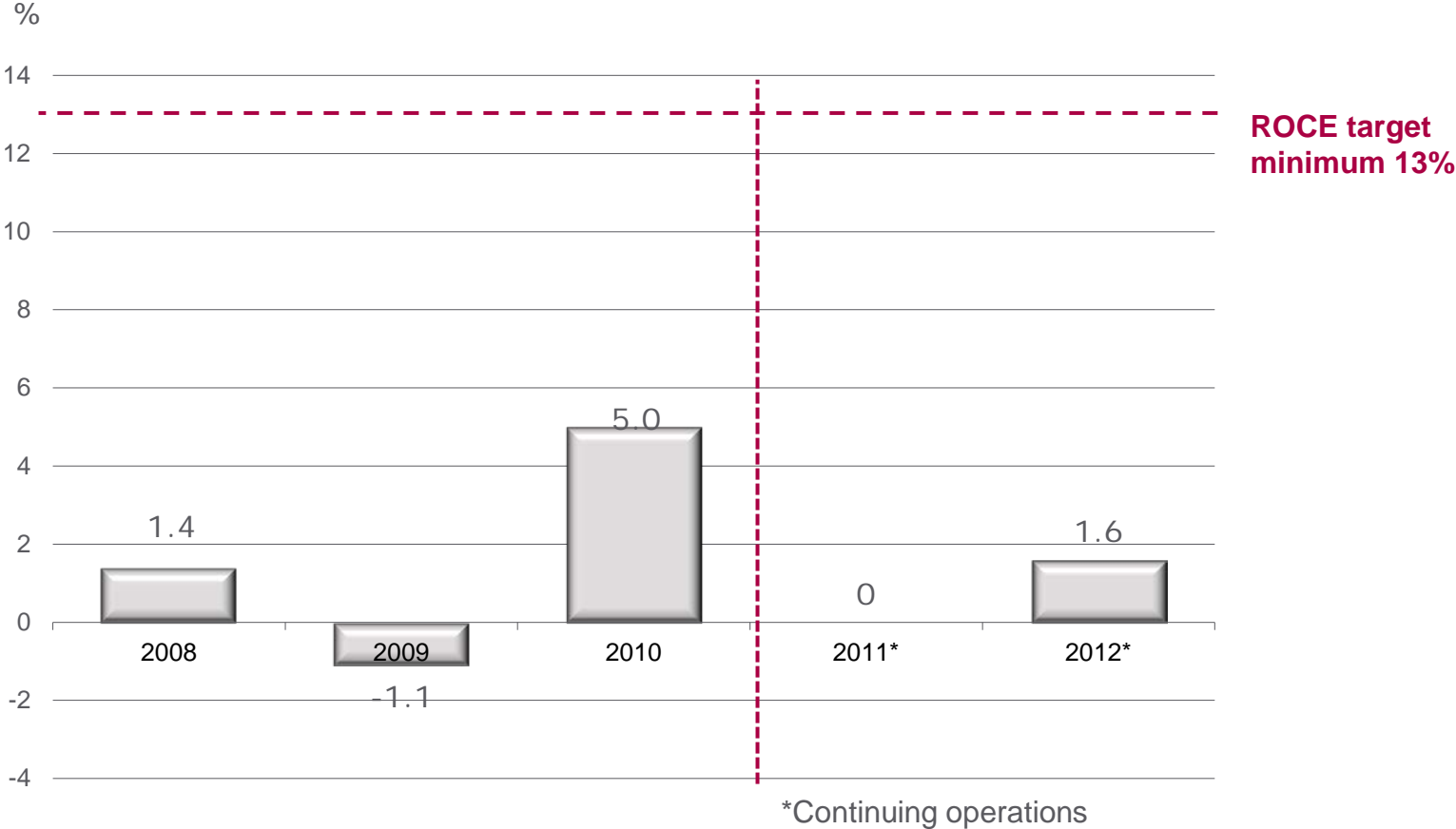
EUR million



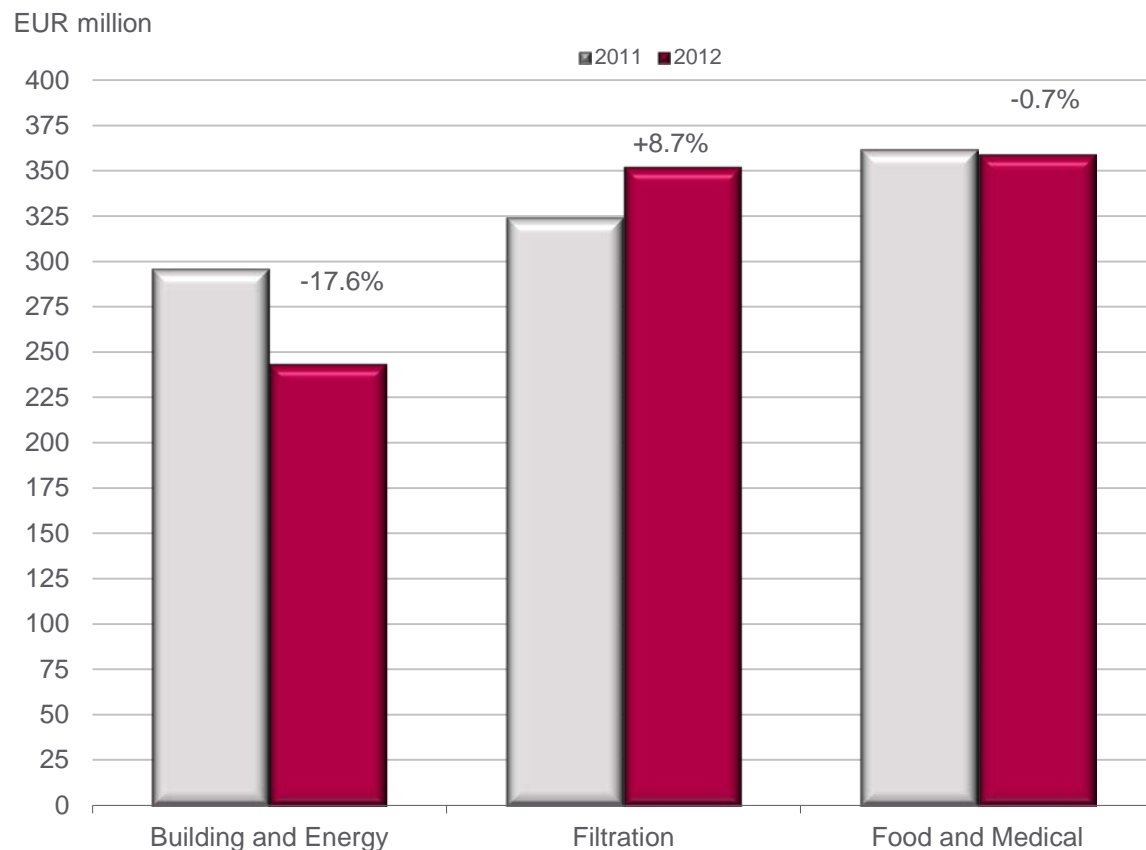
- Good pricing management
 - Price increases implemented to compensate for higher input costs
- Volume shortfall in all key markets
 - Volume decline 8.6% (-2.8% excluding capacity closures)
- Raw material cost inflation, higher energy costs in Italy and Brazil
- Other costs
 - Impact from capacity closures on production costs

*Continuing operations, excluding non-recurring items

Return on capital employed 2008-2012



Net sales by business area in 2012



Building and Energy:

- Capacity closures
- Chinese wallcovering market slowdown
- Wind energy, marine

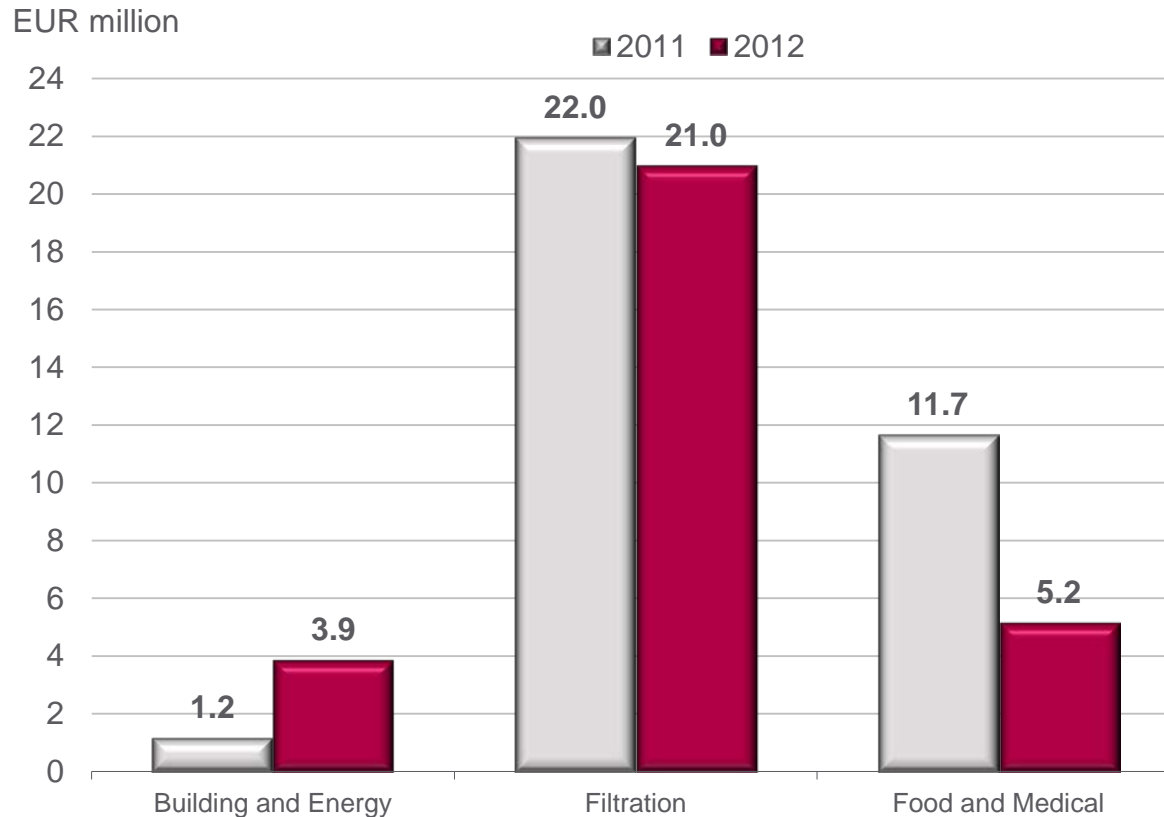
Filtration:

- Higher sales of Advanced Filtration
- Favorable currency effect

Food and Medical:

- Lower demand for beverage, food packaging and tape materials
- Higher selling prices, improved product mix

Operating profit by business area in 2012 (excluding non-recurring items)



Building and Energy:

- Profit improvement program

Filtration:

- Soft transportation filtration demand in Europe
- Increased energy, specialty pulp costs

Food and Medical:

- Increased market related downtime
- Commercialization of Mundra & Longkou plants

October-December 2012



October-December 2012 in brief

- Demand for most of our products remained soft
 - Highlights: Advanced Filtration
 - Lowlights: Europe, North America
- Financial performance below expectations
 - Shortfall in volumes, adverse mix, increased market related downtime in production
- Major steps taken in refocusing the business portfolio
 - EGM approved the demerger and combination of Label and Processing and Munksjö, creating a leading global specialty paper company
 - Munktell acquisition completed
- Rightsizing initiative announced



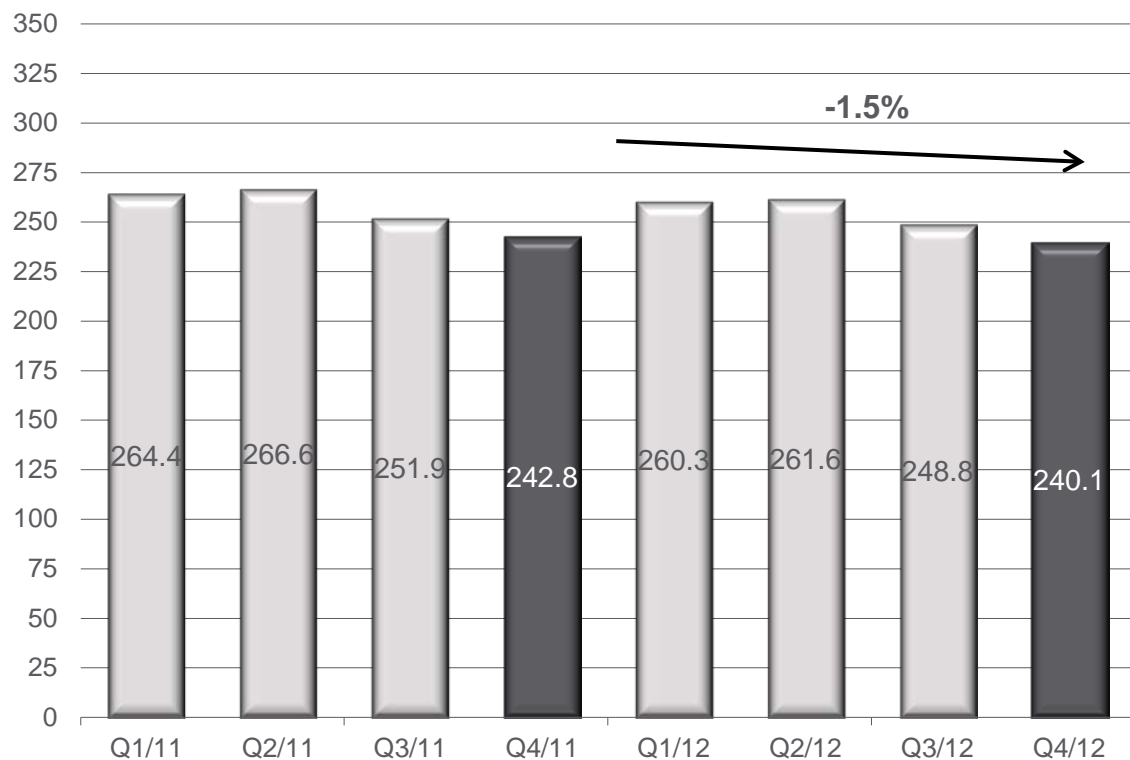
Q4 & 2012 key figures

EUR million	Q4/2012	Q4/2011	Change, %	Q1-Q4/ 2012	Q1-Q4/ 2011	Change, %
Net sales	240.1	242.8	-1.1	1,010.8	1,025.8	-1.5
Operating profit excl. NRI	-5.0	0.5		17.9	29.6	-39.5
% of net sales	-2.1	0.2		1.8	2.9	
Gearing*	55.8	38.2		55.8	38.2	
ROCE, %	-2.1	-2.6		1.6	-0.0	

*Including discontinued operations

Quarterly net sales development

EUR million



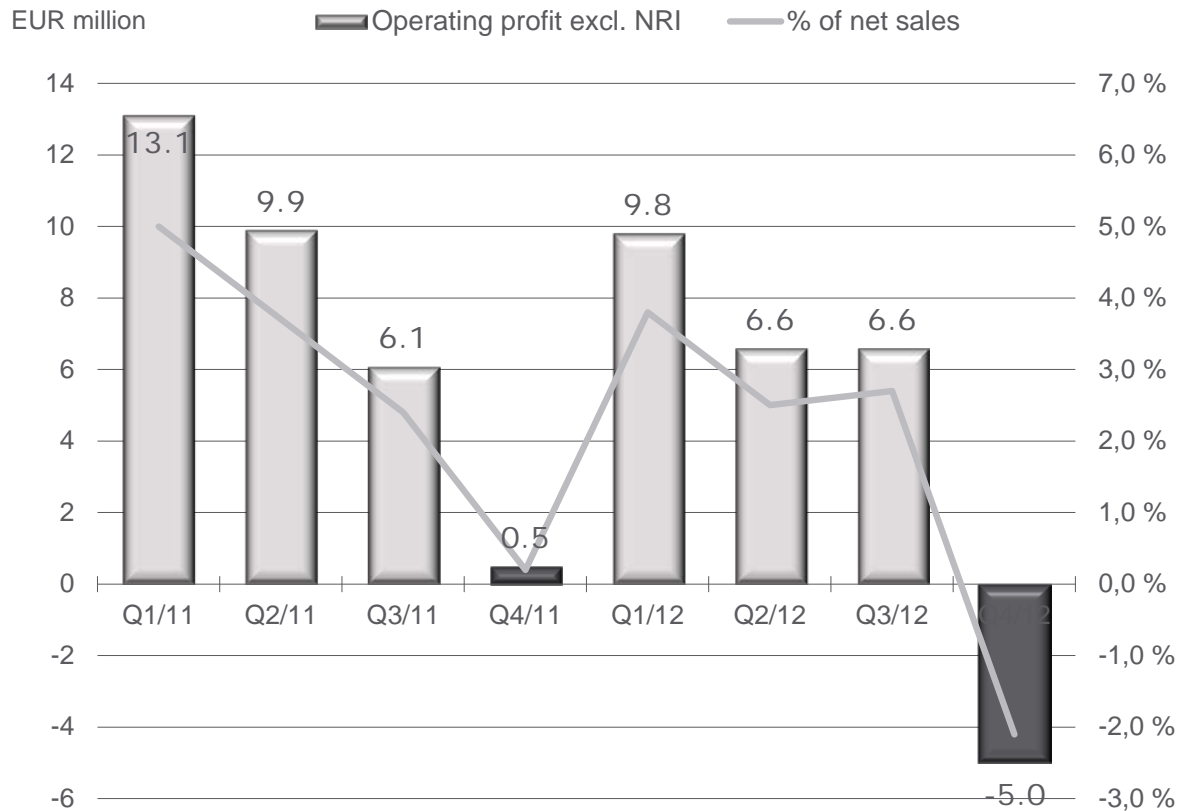
Highlights

- Favorable currency effect
- Higher selling prices

Lowlights

- Lower sales volumes
- Asset closures

Quarterly operating profit development



Highlights

- Pricing management
- Profit improvement program of 2011
- Short-term cost mitigation

Lowlights

- Lower sales volumes
- Higher raw material costs
- Higher energy costs (natural gas in Italy and Brazil)

Q4/2012 operating profit* decline driven by lower volumes

EUR million



- Good pricing management
 - Price increases implemented to compensate for higher input costs
- Volume shortfall in all key markets
 - Volume decline 4.5% (-0.2% excluding capacity closures)
- Raw material cost inflation, higher energy costs in Italy and Brazil

*Continuing operations, excluding non-recurring items

Business area review



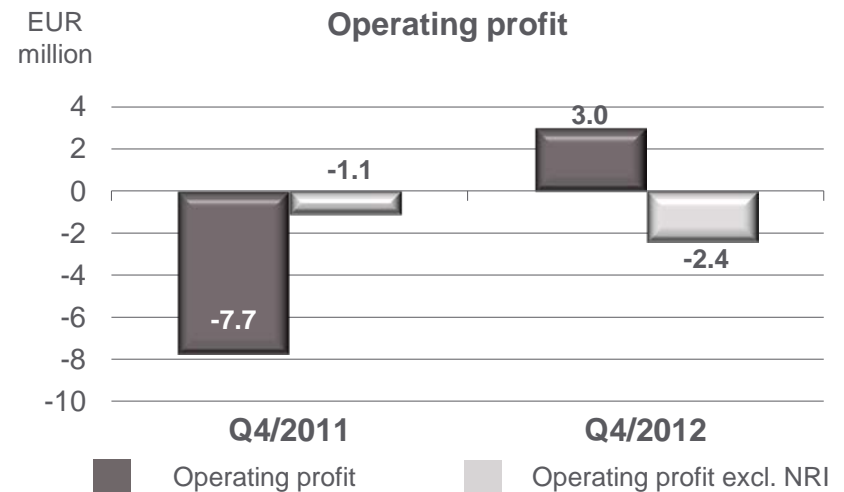
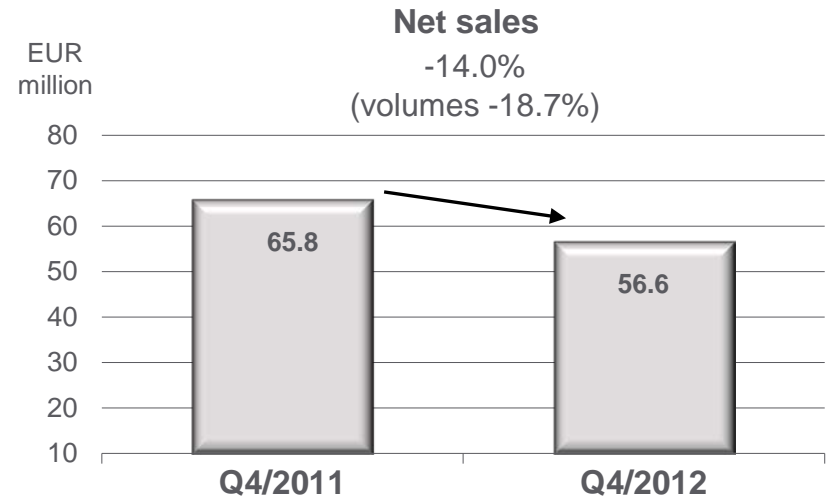
Building and Energy

Highlights

- Profit improvement program
- Some signs of recovery in the wallcovering market in China

Lowlights

- Volume decline (-18.7%)
 - Excluding asset closures -3.8%
- Increased market-related downtime
 - Inventory destocking
- Wind energy, marine



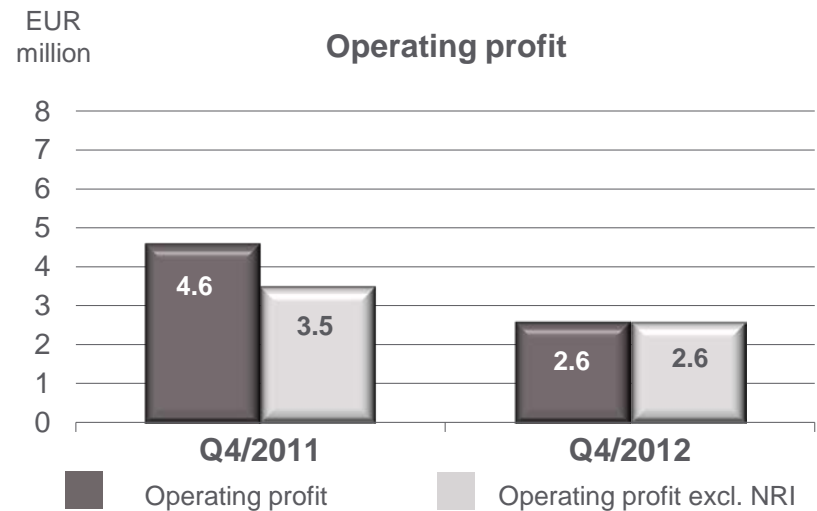
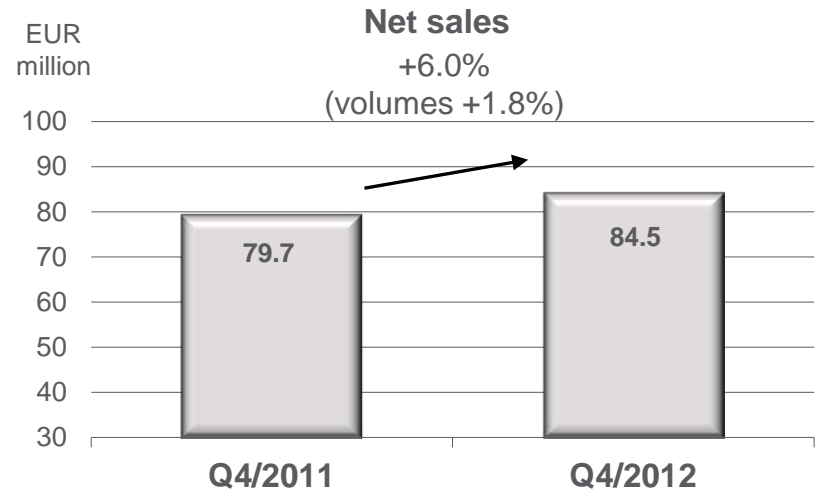
Filtration

Highlights

- Favorable currency effect on net sales
- Advanced Filtration e.g. gas turbine and life science applications
 - Munktell acquisition
- Improved product mix

Lowlights

- Demand for Transportation Filtration materials in all key markets
- Higher marketing costs
- Increased energy costs in Italy



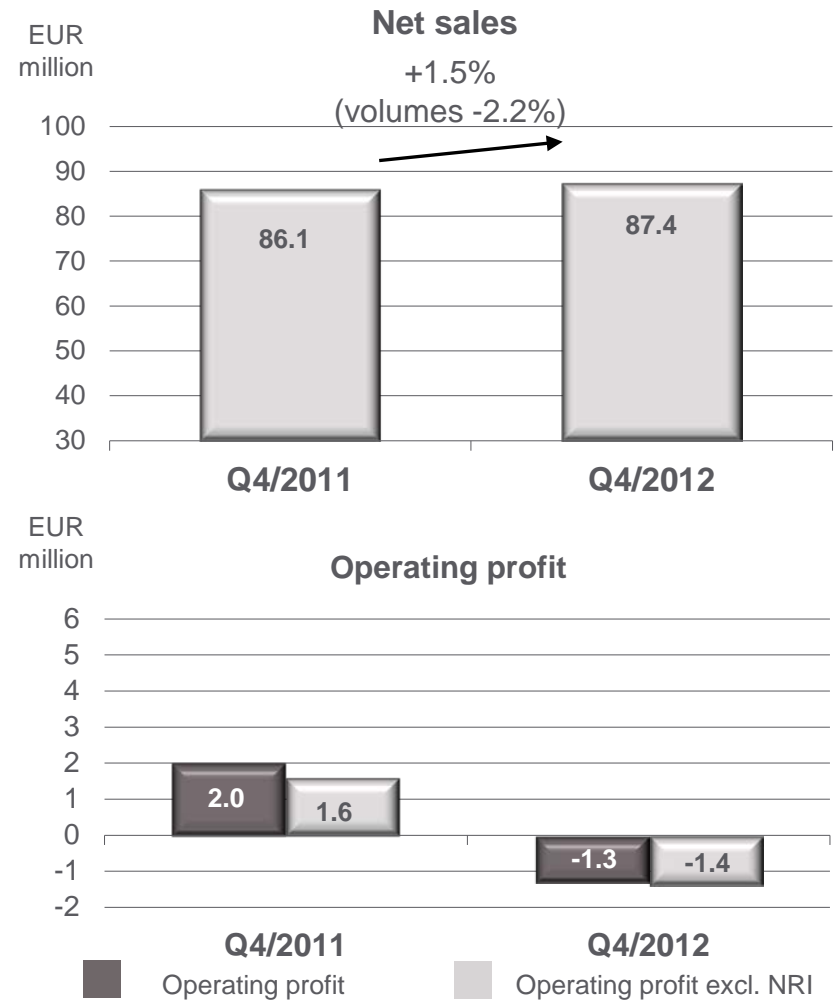
Food and Medical

Highlights

- Higher selling prices
- Improved product mix

Lowlights

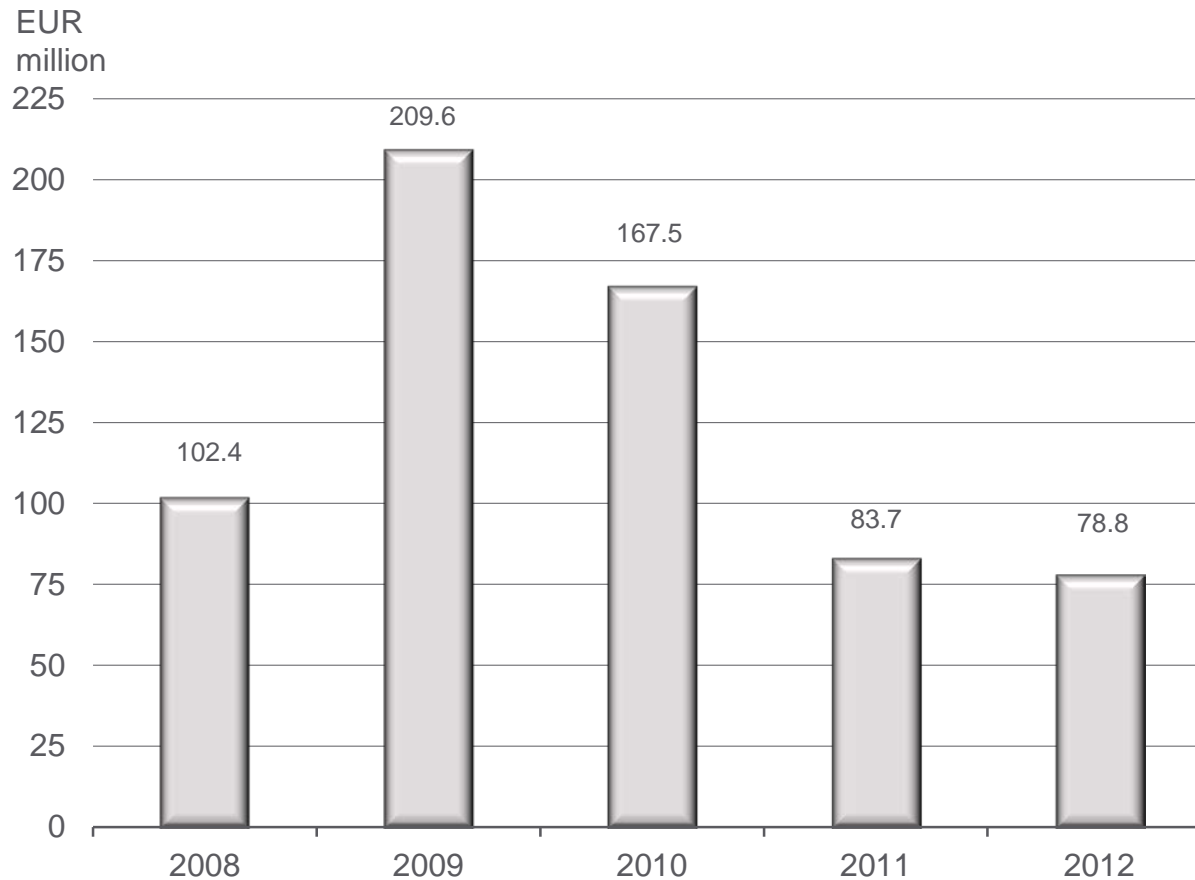
- Demand for tape, beverage and food packaging products
- Exit from some unprofitable markets
- Increased market related downtime
- Commercialization of Mundra and Longkou plants



Cash flow and debt development

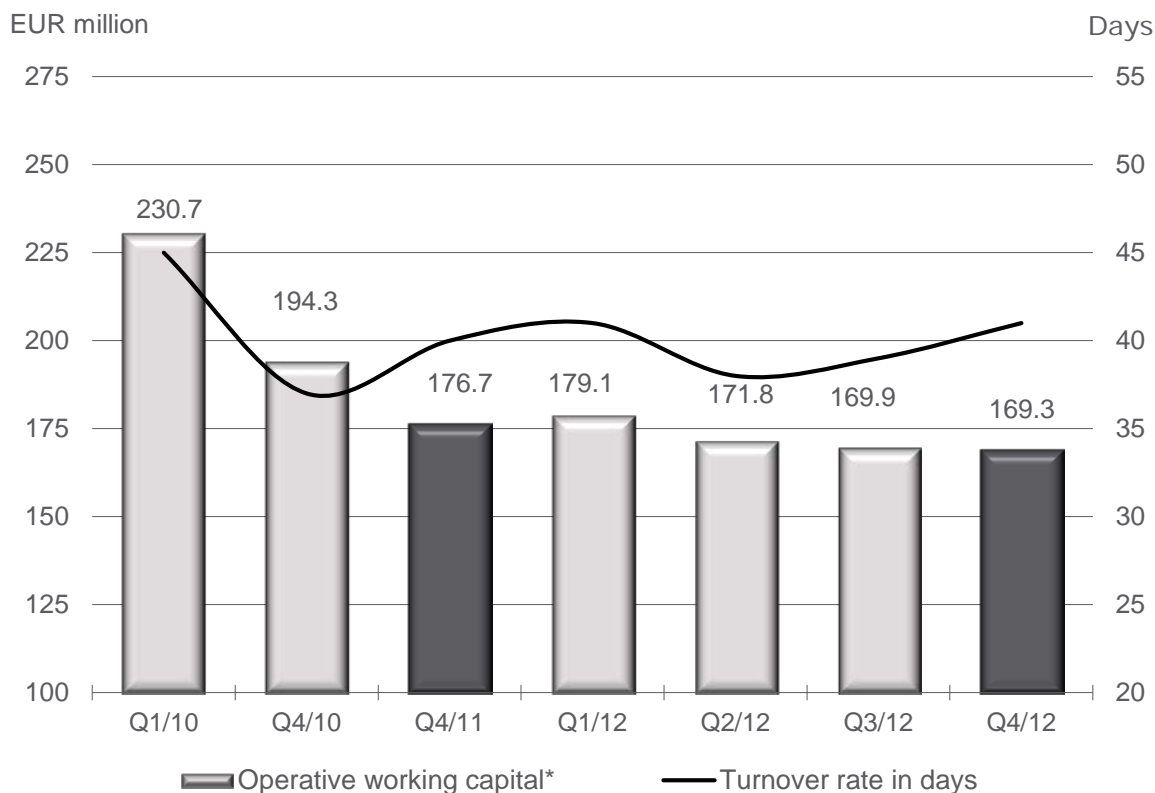


Net cash from operating activities 2008-2012 (including discontinued operations)



– Cash flow stabilized after the completion of the operative working capital project in 2009-2010

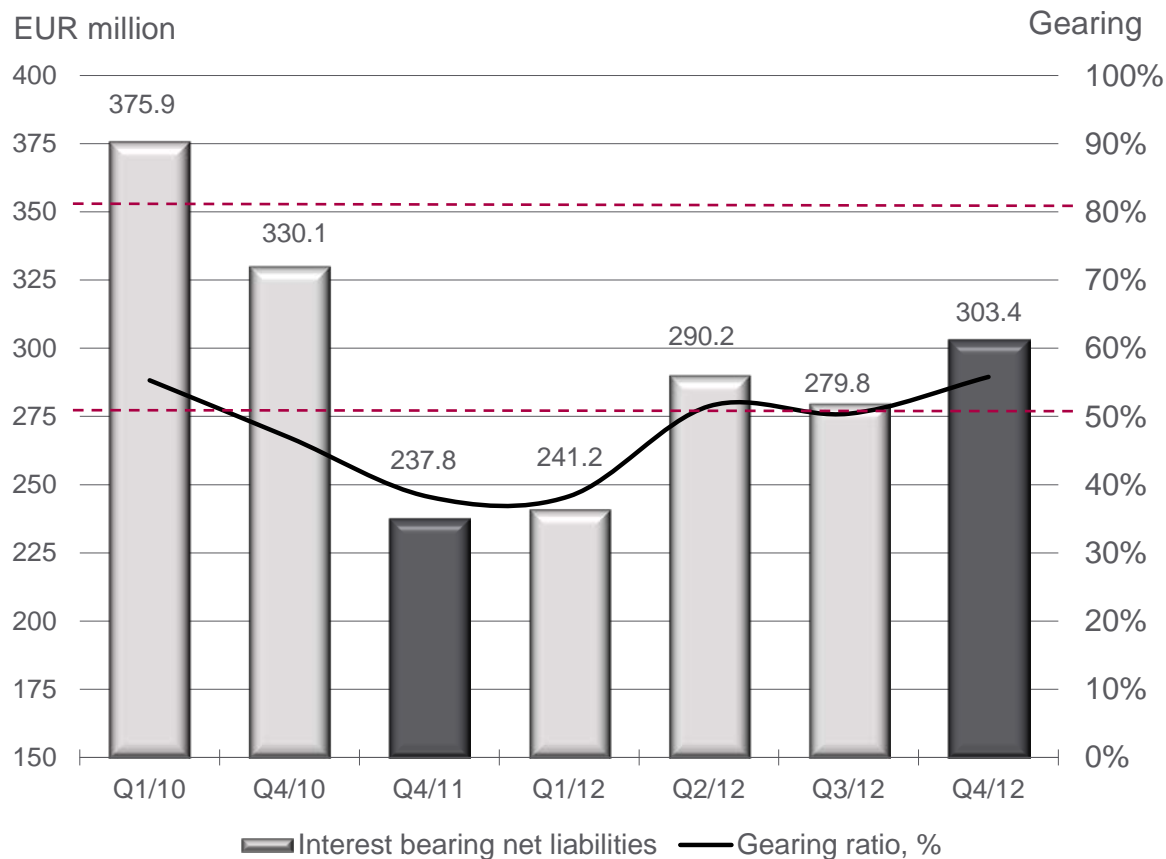
Development of operative working capital (including discontinued operations)



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

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

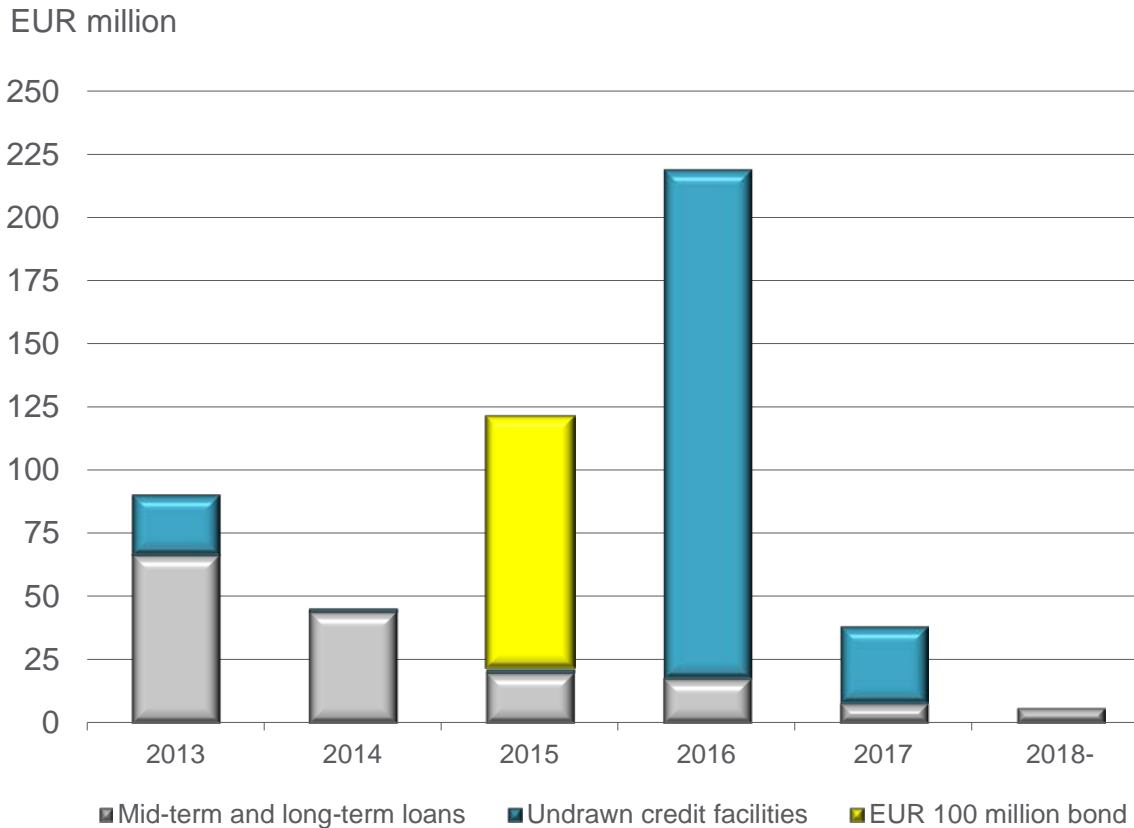
Gearing ratio (including discontinued operations)



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

- Net debt significantly reduced in Q4/2011 due to the divestment of Home and Personal
- Gearing ratio was 55.8% on December 31, 2012

Maturity profile of medium/long-term credit facilities



- Total liquidity, including cash and unused committed credit facilities was EUR 314.8 million at the end of Q4/2012.
- In addition, Ahlstrom had undrawn uncommitted credit facilities and cash pool overdraft limits of EUR 151.0 million available.
- In January 2013, Ahlstrom renewed an expiring USD 30 million revolving credit facility agreement for five years

Income statement and balance sheet



Income statement

	Q4/2012	Q4/2011	
EUR million			
Net sales	240.1	242.8	▶ Lower sales volumes
Cost of goods sold	-210.5	-212.7	
Gross profit	29.6	30.1	
Sales, administrative and research & development expenses	-35.1	-30.9	
Other income and expenses	5.6	-2.6	
Operating profit / loss	0.1	-3.4	▶ NRI EUR 5.1. million in Q4/12 vs. EUR -3.9 million in Q4/11
Net financial expenses	-3.7	-4.5	
Share of loss of equity accounted investments	-4.6	-1.6	▶ Suominen Oyj, Jujo Thermal
Profit / Loss before taxes	-8.2	-9.5	▶ No tax revenues or tax assets were recognized for companies with uncertain profit forecasts or for associated companies
Income taxes / tax credit	-1.6	3.7	
Profit / Loss for the period from continuing operations	-9.8	-5.8	
Profit / Loss for the period from discontinued operations	7.5	-9.1	▶ Label and Processing and Brazilian part of Home and Personal
Profit / Loss for the period	-2.3	-14.8	

Balance sheet

	Dec. 31, 2012	Dec. 31, 2011	
EUR million			
Total non-current assets	590.2	865.0	
Inventories	112.4	185.8	
Trade and other receivables	158.0	241.4	
Other short-term receivables	0.6	2.4	
Cash and cash equivalents	52.8	94.0	
Assets classified as held for sale and distribution to owners	473.7	42.3	▶ Label and Processing and Brazilian part of Home and Personal
Total assets	1,387.8	1,430.8	
Total equity	543.9	622.7	▶ Incl. EUR 80 million hybrid bond. Dividends paid
Provisions	9.2	24.9	
Interest bearing loans and borrowings	378.3	332.2	
Employee benefit obligations	44.4	73.3	
Trade and other payables	196.5	328.8	
Others	20.6	39.1	
Liabilities classified as held for sale and distribution to owners	194.7	9.8	▶ Label and Processing and Brazilian part of Home and Personal
Total equity and liabilities	1,387.8	1,430.8	
Gearing ratio	55.8	38.2	▶ Gearing ratio increased due to the dividend payment

Statement of cash flows

(including discontinued operations)

	Q4/2012	Q4/2011	
EUR million			
EBITDA	31.4	21.4	
Adjustments	-9.0	-13.7	
Changes in net working capital	1.6	17.9	
Financial items	-6.0	-12.2	▶ Impact from currency swaps
Income taxes paid / received	-2.5	-2.5	
Net cash from operating activities	15.5	10.9	
Acquisition of Group companies	-17.6	-1.2	▶ Acquisition of Munktell
Investments	-24.3	-26.0	▶ Joint venture for crepe paper production in Longkou, China, wallcovering materials in Binzhou, China, Filtration materials investment in Turin, Italy
Other investing activities	8.9	111.3	
Net cash from investing activities	-33.0	84.1	
Dividends paid and other	-	-0.1	
Repurchase of own shares	-	-3.1	
Interest on hybrid bond	-7.6	-7.6	
Changes in loans and other financing activities	32.5	-13.1	
Net cash from financing activities	24.9	-23.9	
Net change in cash and cash equivalents	7.4	71.1	
Cash and cash equivalents at the beginning of the period	49.1	21.9	
Cash and cash equivalents at the end of the period	55.5	94.4	

Future prospects



Dividend proposal

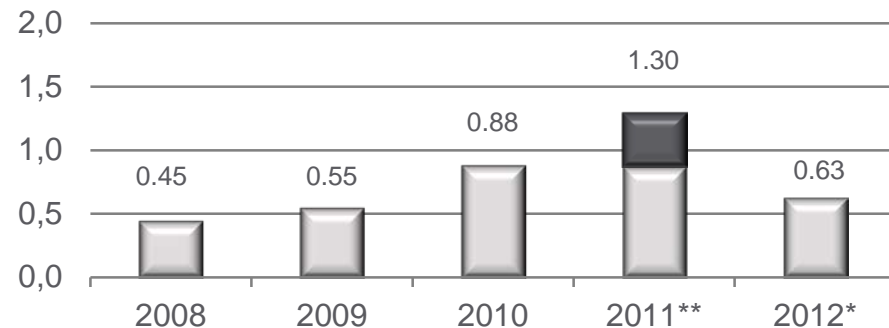
Aim is to pay a dividend of not less than one third of net cash from operating activities after operative investments, calculated as three-year rolling average.

- The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.63 per share be paid
 - (Based on Ahlstrom's dividend policy, a dividend of at least EUR 0.54 per share would be paid)

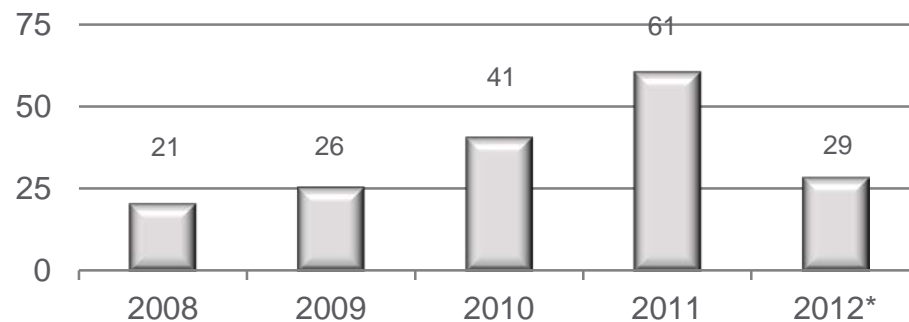
*Proposal by the Board Directors

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

Dividend per share (€)



Total amount of dividends paid (EUR million)



Outlook for 2013

- Net sales from continuing operations are expected to be EUR 980-1,140 million
- Operating profit margin excluding non-recurring items from continuing operations is expected to be 2-5% of net sales
- Investments excluding acquisitions are estimated to amount to approximately EUR 75 million



Stay ahead™

Thank you

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