

# Ahlstrom

January-June 2016

Marco Levi, President & CEO  
Sakari Ahdekivi, CFO

August 3, 2016

## Agenda

- Q2/2016 in brief
- Ahlstrom to keep Building & Wind business
- Business area reviews
- Financials & outlook

## Profitability and cash flow at all-time highs

### **Operating profit and margin improved for the 11th consecutive quarter, y-on-y**

- Driven by lower variable costs as well as improved operational efficiency
- Sales growth at constant currency rates 2.8%, led by increased volumes of wallcover and glassfiber products
- Most business units reported higher margins
- Outlook on profitability raised

### **Successful execution of strategic roadmap continues**

- Higher margins through enhanced commercial excellence and new lean operating model lowering cost structure
- Increased capacity utilization of recent investments, captured new growth opportunities in areas such as single-serve coffee materials and water filtration

### **Stronger balance sheet**

- Lower net debt, driven improved profitability and active management of working capital

# Key figures

Very strong profitability and cash flow

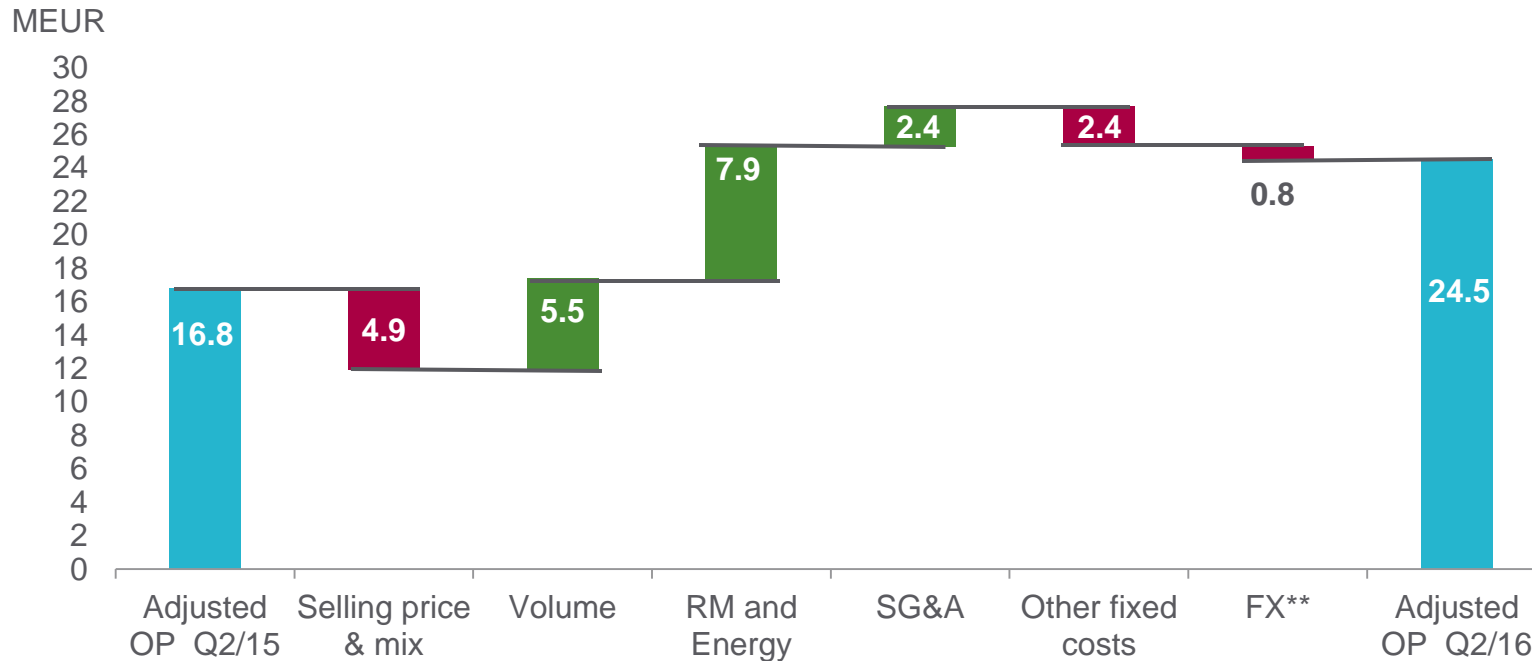
## In Q2/2016:

- Net sales grew by 2.8% at constant currency rates, driven by higher volumes
- Fixed costs reduced through lower selling, general and administrative (SG&A) expenses
- Very strong cash flow and reduction in net debt

EUR million	Q2/2016	Q2/2015	Change, %	Q1-Q2/2016	Q1-Q2/2015	Change, %
<b>Net sales</b>	<b>279.4</b>	281.1	-0.6	<b>546.6</b>	552.9	-1.1
<b>Adjusted EBITDA</b>	<b>37.1</b>	31.5	17.8	<b>65.1</b>	57.7	12.7
<i>% of net sales</i>	<i>13.3</i>	11.2		<i>11.9</i>	10.4	
<b>Adjusted operating profit</b>	<b>24.5</b>	16.8	46.0	<b>39.5</b>	28.8	37.4
<i>% of net sales</i>	<i>8.8</i>	6.0		<i>7.2</i>	5.2	
<b>Cash flow from operations</b>	<b>54.9</b>	14.0		<b>63.3</b>	12.5	
<b>Gearing, %</b>	<b>55.4</b>	69.3		<b>55.4</b>	69.3	
<b>ROCE, %</b>	<b>18.1</b>	10.0		<b>13.2</b>	9.3	

# Operating profit\* bridge Q2/2015 vs Q2/2016

Lower variable costs and SG&A expenses as well as higher volumes driving improvement

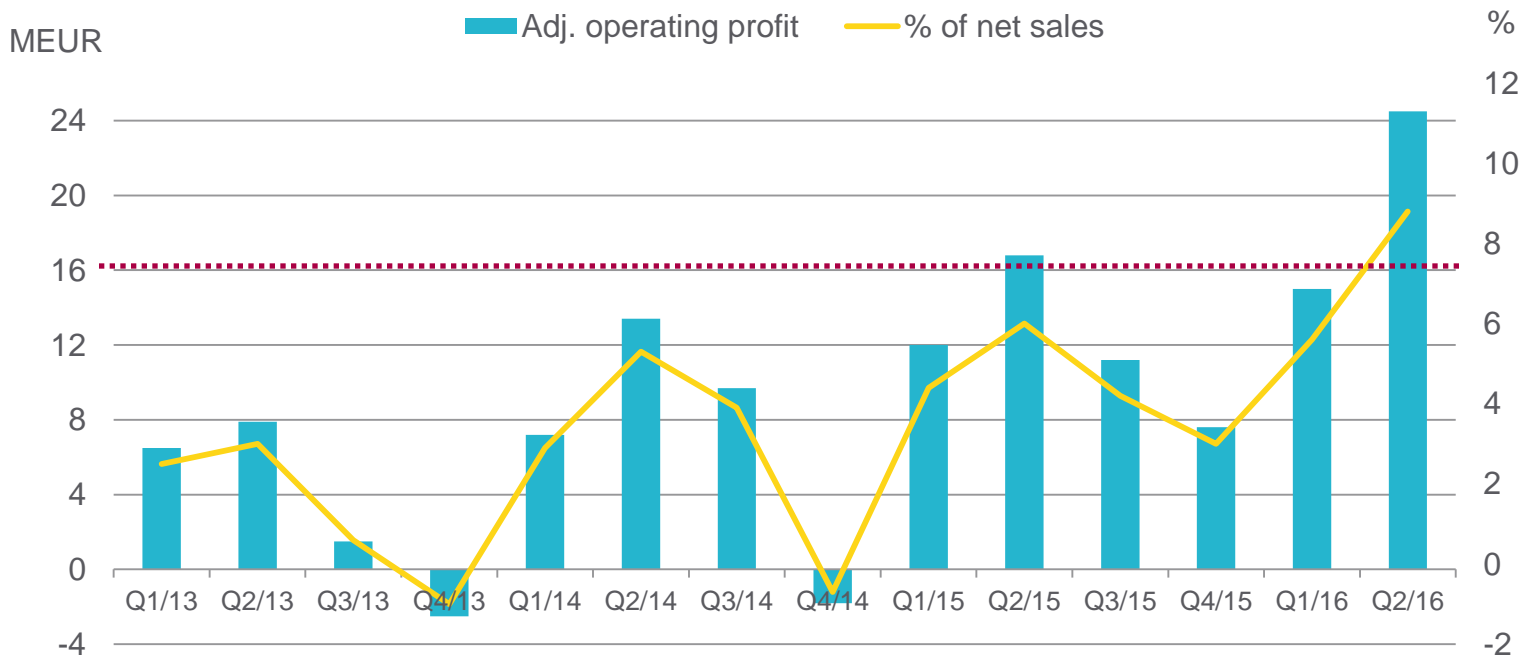


\* Adjusted operating profit

\*\* Foreign exchange

# On track to reach target of above 8% margin by 2018

Operating profit and margin improved for the 11th consecutive quarter, y-on-y



# Ahlstrom to keep Building & Wind business unit

- Ahlstrom and Owens Corning mutually agreed to terminate the proposed divestment due to challenges in receiving regulatory clearances in Germany
- Ahlstrom will continue to operate and develop the Building & Wind business unit as before and it will be reported as part of the Filtration & Performance segment
  - Ahlstrom is fully committed to serving its customers and reinforcing the unit's competitive position.
- Building & Wind has clearly improved its performance and makes a positive contribution to profitability and cash flow
- The business is expected to contribute to long-term financial targets

## Building & Wind financial performance

### Net Sales

- Q2/2016: EUR 25.5 million
- 1H/2016: EUR 49.0 million
- 2015: EUR 83.5 million

### Adj. operating profit

- Q2/2016: EUR 2.7 million
- 1H/2016: EUR 4.8 million
- 2015: EUR 5.9 million
  
- Figures for 2013 and 2014 are fully not comparable to 2015 and 2016
- The business was loss-making in 2013 and 2014

A young girl with dark hair is shown in profile, drinking water from a clear glass. She is wearing a yellow and green striped tank top. The background is a bright, out-of-focus outdoor setting with green foliage and a white fence. The text "BUSINESS AREA REVIEWS" is overlaid in white, sans-serif font across the center of the image.

# BUSINESS AREA REVIEWS



# Our two business areas offer versatile high-quality products

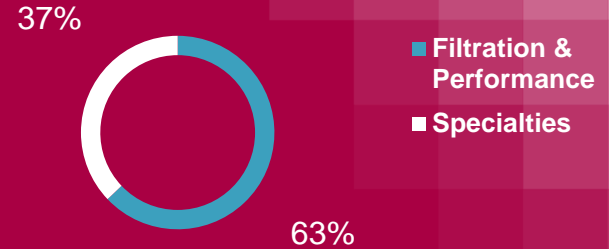
## Filtration & Performance

- 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

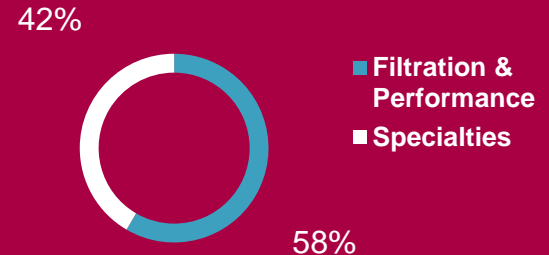
## Specialties

- 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 surgical gowns and drapes, sterile barrier systems and face masks

Net sales by segment,  
EUR 546.6 million in Q1-Q2/2016

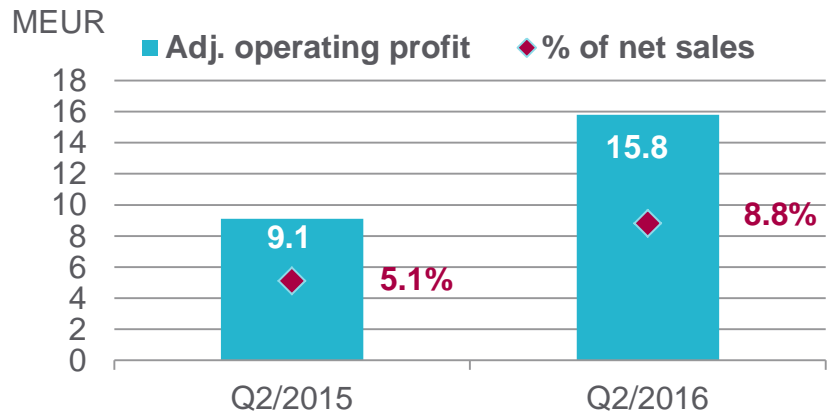
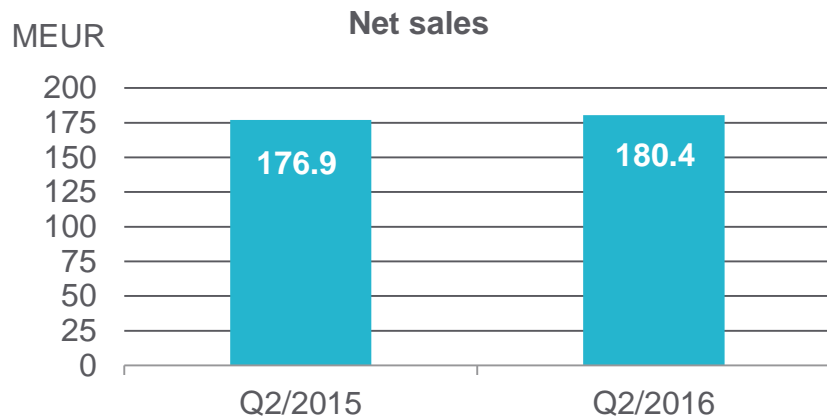


Operating profit\* by segment,  
EUR 39.5 million in Q1-Q2/2016



\* Adjusted operating profit

# Filtration & Performance



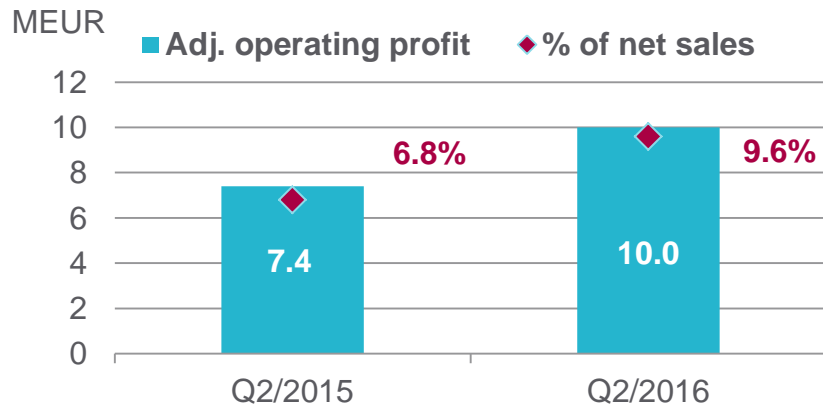
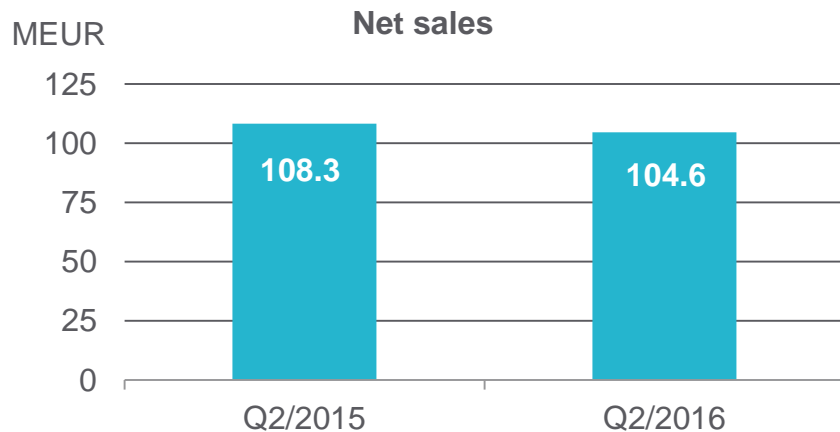
Net sales EUR 180.4 million in Q2/16  
(EUR 176.9 million)

- Net sales +2.0%: volumes +7.4%, net sales at constant currency +5.6%
- Growth in wallcover and glassfiber products
- Steady markets and sales of engine filtration
- Growth in building and textile-related industrial nonwoven materials

Adjusted operating profit EUR 15.8 million in Q2/16 (EUR 9.1 million)

- Lower variable and fixed costs
- Pricing management

# Specialties



Net sales EUR 104.6 million in Q2/16  
(EUR 108.3 million)

- Net sales -3.4%: volumes +0.1%, net sales at constant currency rates -0.5%
- Strong markets for food packaging as well as laboratory and life science products
- Higher sales of teabag and coffee materials
- Lower sales of medical fabrics and tape materials in Europe

Adjusted operating profit EUR 10.0 million in Q2/16 (EUR 7.4 million)

- Lower variable and fixed costs

# FINANCIALS & OUTLOOK

# Income statement

EUR million	Q2/2016	Q2/2015
<b>Net sales</b>	<b>279.4</b>	281.1
Cost of goods sold	-223.8	-231.9
<b>Gross profit</b>	<b>55.5</b>	49.2
Sales, administrative and research & development expenses (SG&A)	-30.3	-34.2
Other income and expenses	-1.8	0.7
<b>Operating profit</b>	<b>23.3</b>	15.7
<b>Adjusted operating profit</b>	<b>24.5</b>	16.8
Net financial expenses	-3.8	5.1
Share of profit / loss of equity accounted investments	0.1	0.0
<b>Profit / loss before taxes</b>	<b>19.6</b>	20.8
Income taxes	-7.6	-5.0
<b>Profit / loss for the period</b>	<b>12.0</b>	15.8
<b>Earnings per share</b>	<b>0.22</b>	0.29

Lower variable costs and higher volumes reflected in gross profit: Adjusted gross profit: 19.9% in Q2/16 vs 17.5% in Q2/15

SG&A expenses: 10.9% of net sales in Q2/16 (12.2% in Q2/15)

Adjustments in operating profit: EUR -1.1 million restructuring costs in Q2/16 related to new operating model (EUR -1.1 million in Q2/15)

Comparable net financial expenses decreased by about EUR 2.3 million as the result of lower net debt

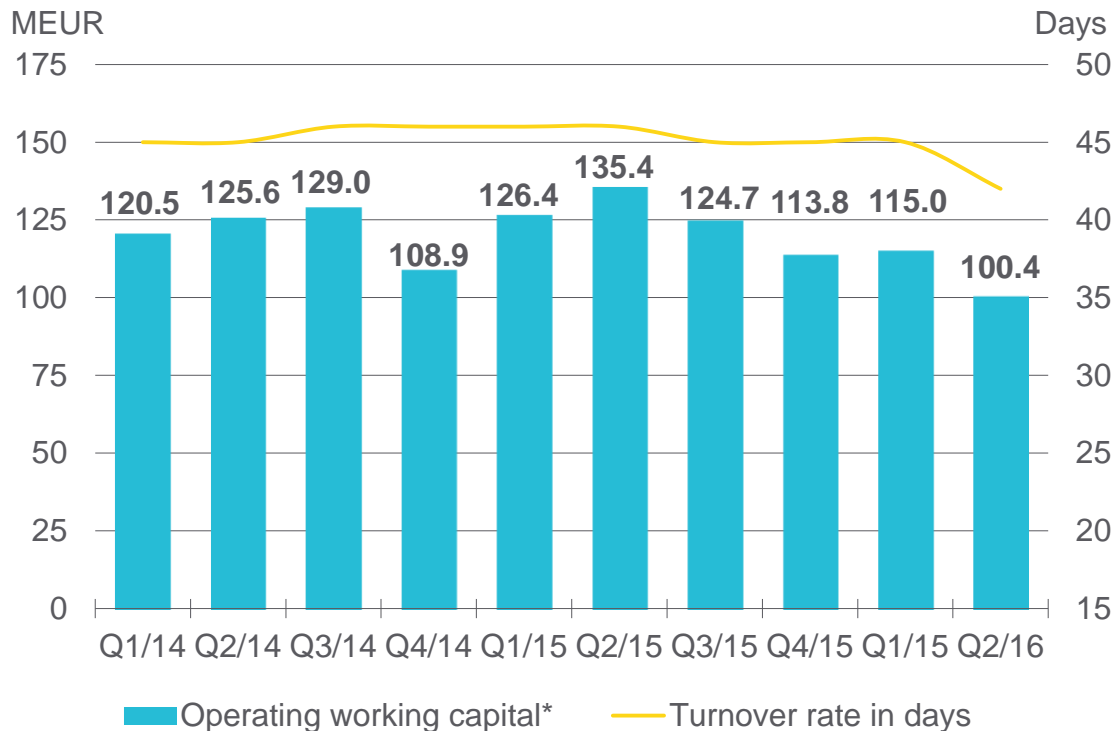
# Balance sheet

EUR million	June 30, 2016	Dec 31, 2015
Total non-current assets	498.0	519.2
Inventories	123.4	117.6
Trade and other receivables	157.2	151.9
Income tax receivables	1.1	1.6
Cash and cash equivalents	50.6	47.3
<b>Total assets</b>	<b>830.3</b>	<b>837.8</b>
Total equity	289.1	299.4
Provisions	7.4	7.9
Interest bearing loans and borrowings	210.9	243.3
Employee benefit obligations	103.1	100.3
Trade and other payables	214.5	183.5
Others	5.3	3.5
<b>Total equity and liabilities</b>	<b>830.3</b>	<b>837.8</b>
<b>Gearing, %</b>	<b>55.4</b>	<b>65.4</b>

- Reduction in equity mainly due to dividend
- 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



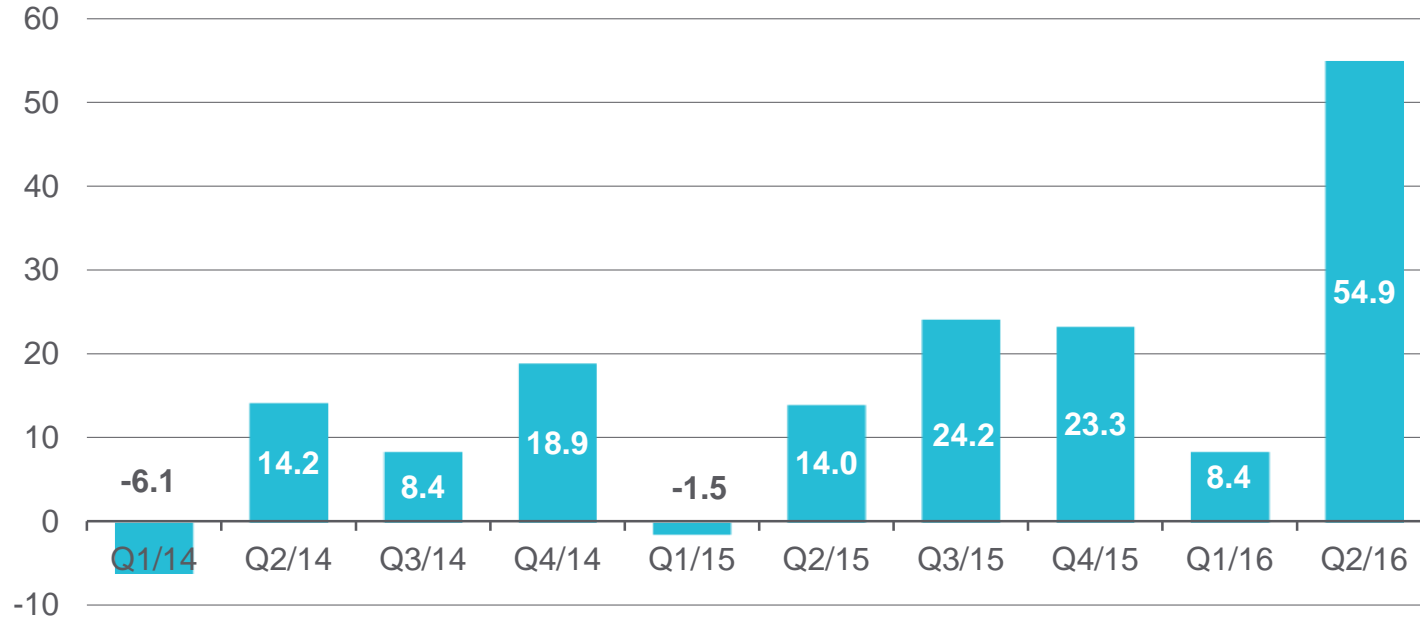
- 12-month rolling turnover rate fell by four days to 42 days from Q2/2015
- Seasonably lower inventories than historically

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

# Significant increase in net cash from operating activities

Driven by a reduction in operating working capital

MEUR





# Cash flow generation

EUR million	Q2/2016	Q2/2015
EBITDA	36.0	30.4
Changes in net working capital	22.5	-7.4
Change in provisions	-1.0	-0.2
Financial items	-0.9	-6.6
Income taxes paid / received	-2.2	-0.9
Other items	0.5	-1.4
<b>Net cash from operating activities</b>	<b>54.9</b>	<b>14.0</b>
Purchases of intangible and tangible assets	-7.8	-6.4
Other investing activities	0.4	21.8
<b>Free cash flow</b>	<b>47.5</b>	<b>29.3</b>
Dividends paid and other	-14.4	-13.9
Sales/repurchase of own shares	-	3.1
Changes in loans and other financing activities	-33.5	-18.9
<b>Net change in cash and cash equivalents</b>	<b>-0.5</b>	<b>-0.4</b>
Cash and cash equivalents at the beginning of the period	50.0	47.2
<b>Cash and cash equivalents at the end of the period</b>	<b>50.6</b>	<b>45.8</b>

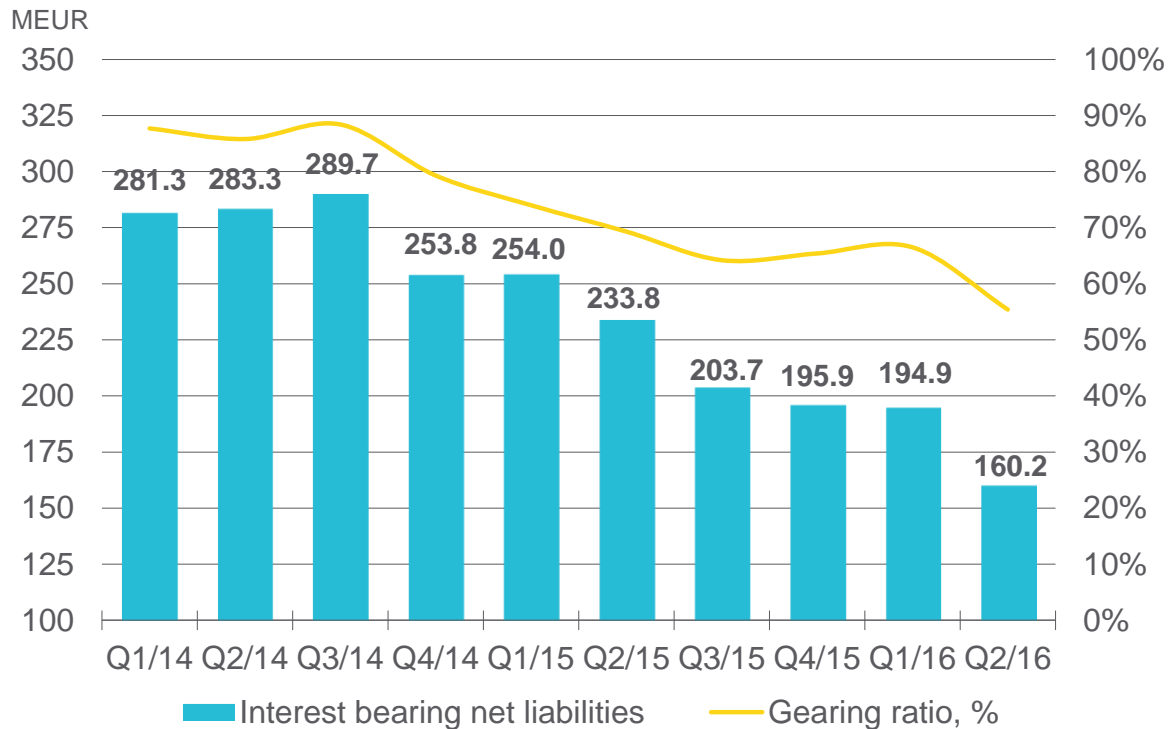
Financial items include income from currency hedging.

Mainly maintenance-related capex.

Comparison figure for other investing activities includes EUR 20.4 million proceeds from selling Munksjö Oyj shares.

# Net debt and gearing

Significant reduction in net debt



Target is to keep gearing below 100%.

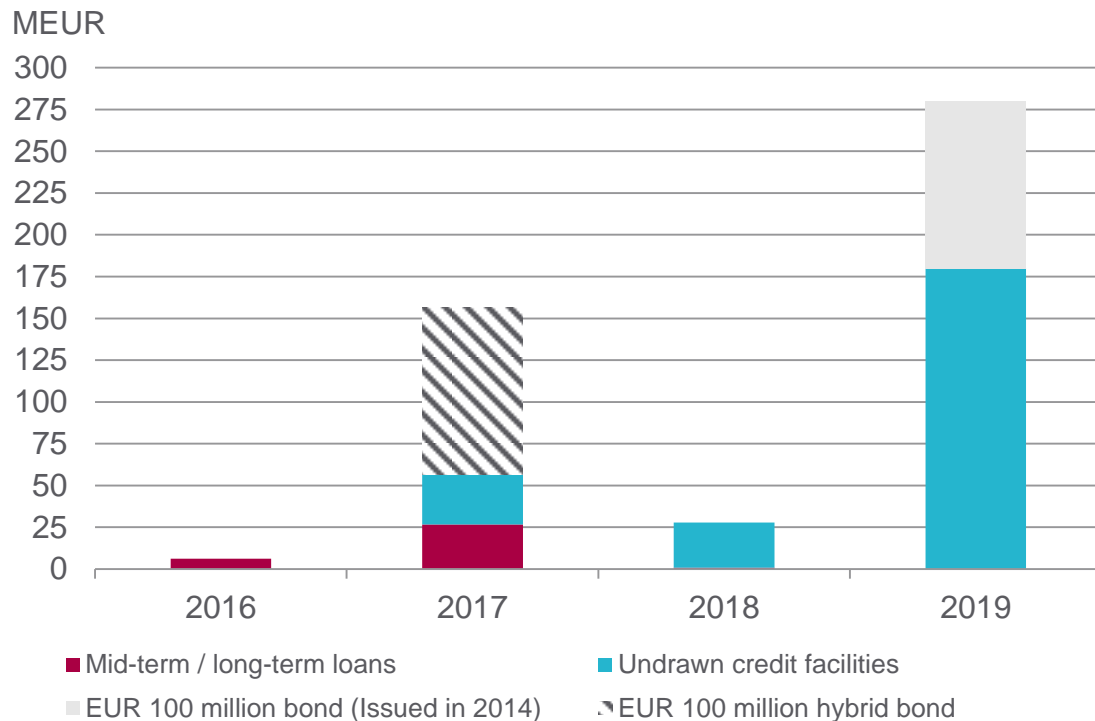
Gearing 55.4% at the end of Q2/2016

- Lower net debt, driven by a strong improvement in financial result, reduction in operating working capital and low investments
- Equity and cash impact of the dividend payout occurred in Q2/16

Equity includes EUR 100 million hybrid bond

# Maturity profile

Stable liquidity – maturity of EUR 180 million credit facility extended in June



- At the end of the review period, its total liquidity, including cash, unused committed credit facilities and committed cash pool overdraft limits, was EUR 296.7 million (EUR 287.6 million)
- In addition, the company had undrawn uncommitted credit facilities and cash pool overdraft limits of EUR 95.3 million (EUR 115.9 million) available
  - The company has decreased the amount of uncommitted facilities
- The maturity of EUR 180 million three-year revolving credit facility extended in June by one year to 2019
- EUR 100 hybrid bond is callable in October 2017



## Outlook for 2016

Outlook on profitability raised

- On July 20: Ahlstrom raised its outlook on profitability for 2016 as a result of continued improvement in operational performance and lower variable costs
- On July 27: The outlook was revised to include the Building & Wind business unit

## Outlook for 2016

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

Previous outlook

- Net sales: **EUR 950-1,050 million**
- The adjusted operating profit:  
**5.0% - 6.0%** of net sales

Welcome to Ahlstrom's  
Capital Markets Day in  
Helsinki on November 9,  
2016.  
More info to come, stay  
tuned!