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Ahlstrom
January-June 2014

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President & CEO

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CFO

Helsinki
August 6, 2014

Agenda

- April-June 2014
- Business area review
- Cash flow and debt development
- Income statement and balance sheet
- Rightsizing & future prospects

April-June 2014 in brief

Highlights

- + Profitability has improved for three consecutive quarters YoY
  - + Four business areas improved profitability: Advanced Filtration, Building and Energy, Food, and Transportation Filtration
- + Rightsizing program progressing as planned
  - + Clearly lower SGA costs and production overheads
- + Improved product mix and pricing management

Lowlights

- \- Lower reported net sales and volumes, particularly in Medical, and Building and Energy

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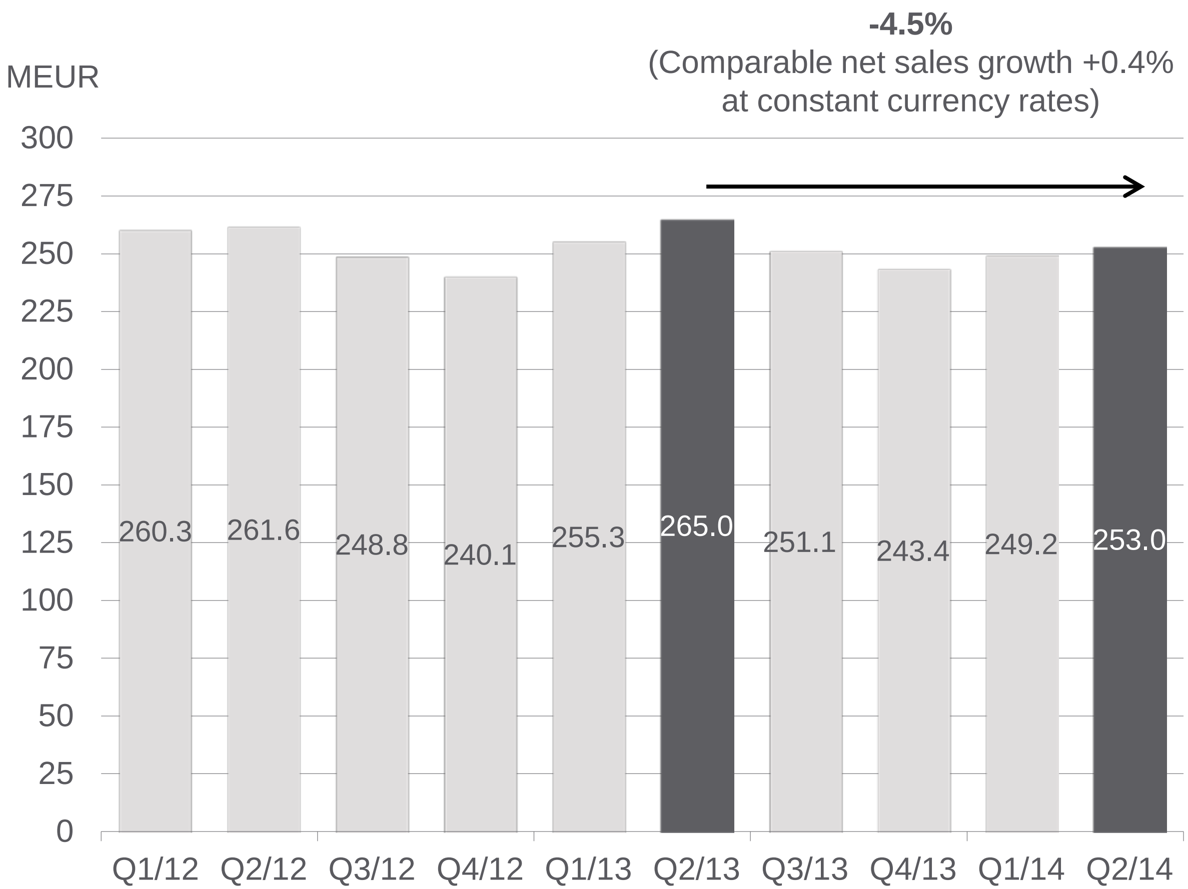
Key figures

EUR million	Q2/2014	Q2/2013	Change, %	Q1-Q2/2014	Q1-Q2/2013	Change, %
Net sales	**253.0**	265.0	-4.5	**502.2**	**520.3**	**-3.5**
Operating profit excl. NRI	**13.4**	7.9	69.5	**20.6**	**14.4**	**43.5**
% of net sales	**5.3**	3.0		**4.1**	**2.8**	
Gearing*	**85.8**	83.7		**85.8**	**83.7**	
ROCE, %	**5.4**	1.0		**4.4**	**3.2**	

*Including discontinued operations

Quarterly net sales development



Highlights

+ Increased selling prices
+ Favorable product mix

Lowlights

- Adverse currency effect (-3%)
- Lower sales volumes
- Sale of West Carrollton

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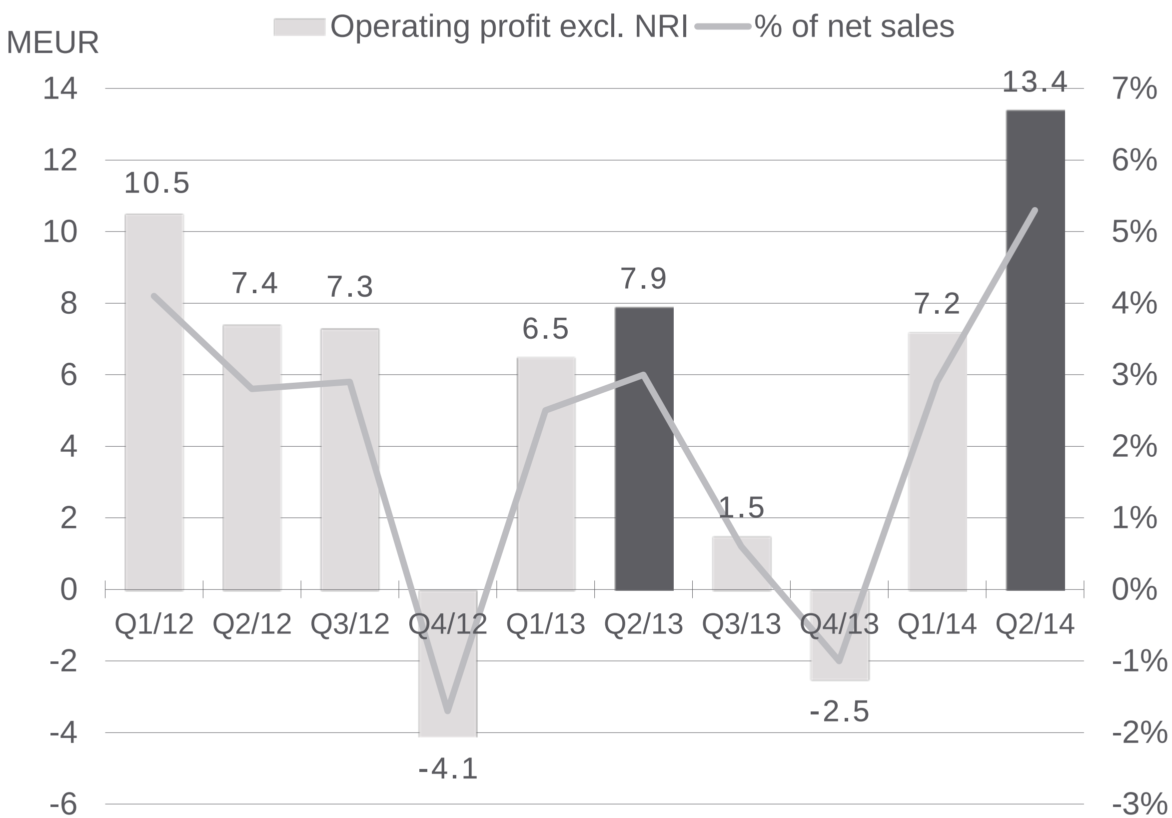
Quarterly operating profit development

Profitability has improved for three consecutive quarters YoY



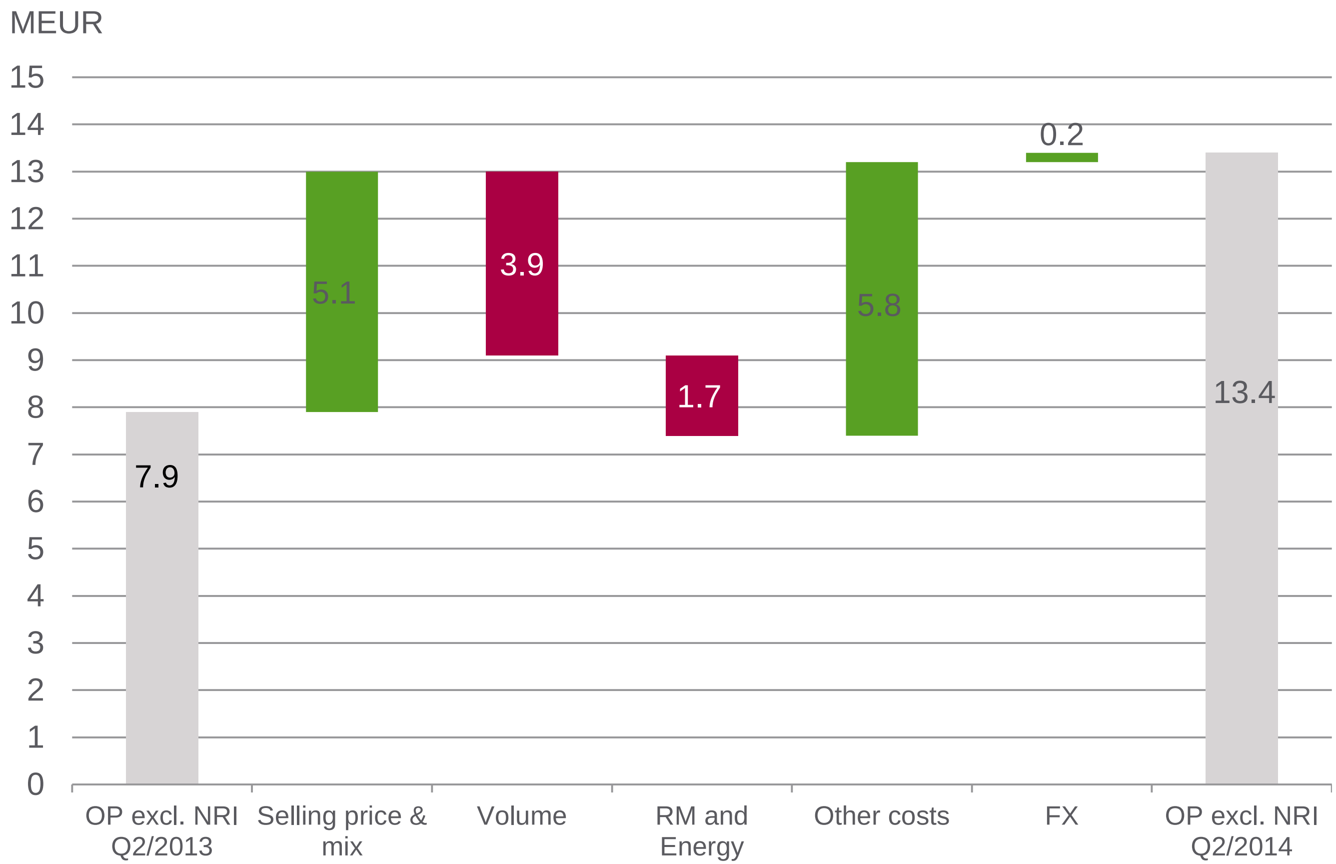
Highlights

+ Pricing and product mix management
+ Cost savings in production overheads and SGAs

Lowlights

- Increased energy costs
- Lower volumes
- Three focus units: Chirnside production line, Mundra, Longkou

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



\+ Price increases and favorable product mix
– Lower sales volumes
– Higher energy costs, mainly related to natural gas
\+ Cost savings from the rightsizing program in production overheads and SGAs

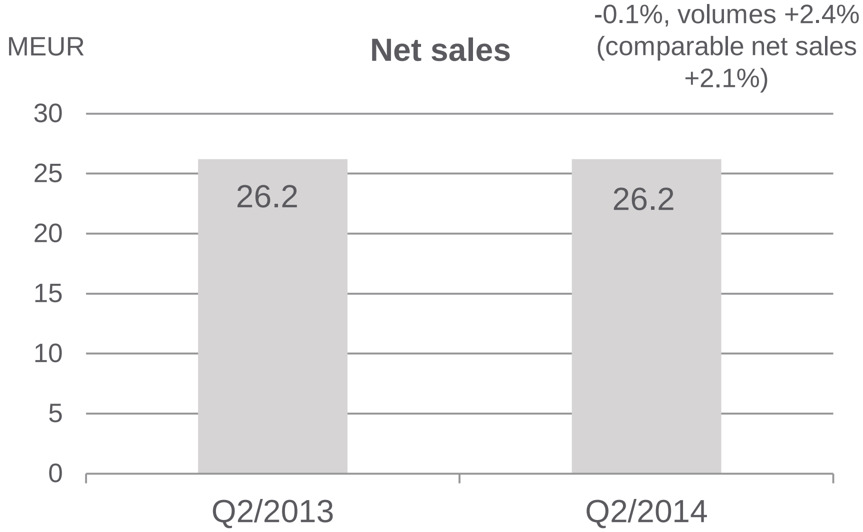
*Continuing operations, excluding non-recurring items

Business area review

Advanced Filtration

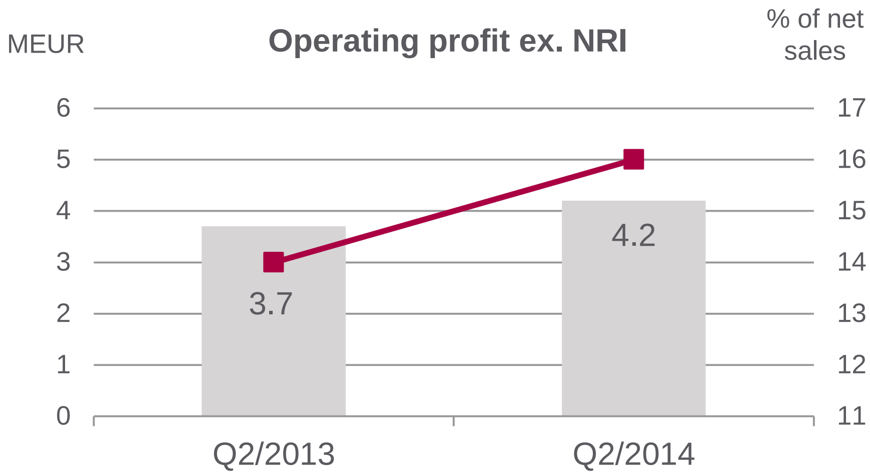
Q2/14: Net sales EUR 26.2 million (EUR 26.2 million)

- \+ Higher sales of industrial and gas turbine applications
- \+ Increased selling prices
- \- Adverse currency effect
- \- Softer market for laboratory & life science, high efficiency air applications



Q2/14: Operating profit ex. NRI EUR 4.2 million (EUR 3.7 million)

- \+ Higher sales volumes
- \+ Favorable pricing
- \+ Lower fixed costs

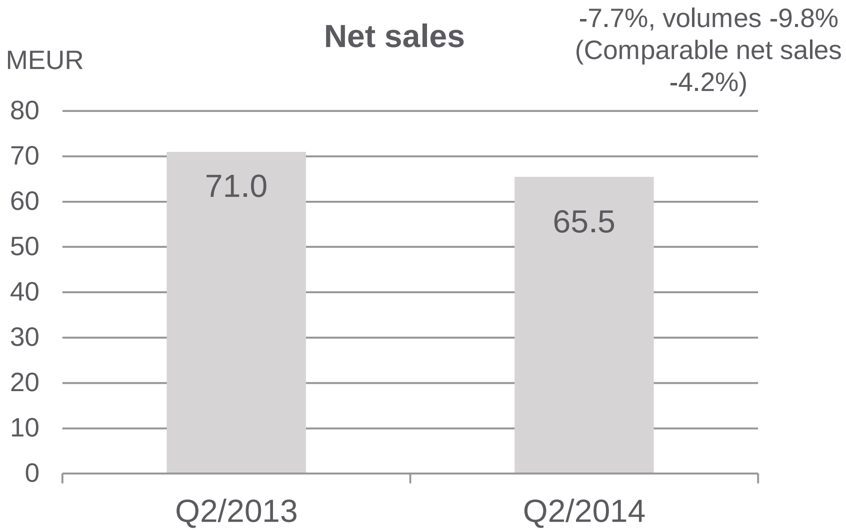


Building and Energy

Q2/14: Net sales EUR 65.5 million (EUR 71.0 million)

- Lower sales of wallcoverings
- Lower sales of flooring applications in Russia
- Lower sales of wind energy applications

\+ Higher construction and automotive related material sales in Europe

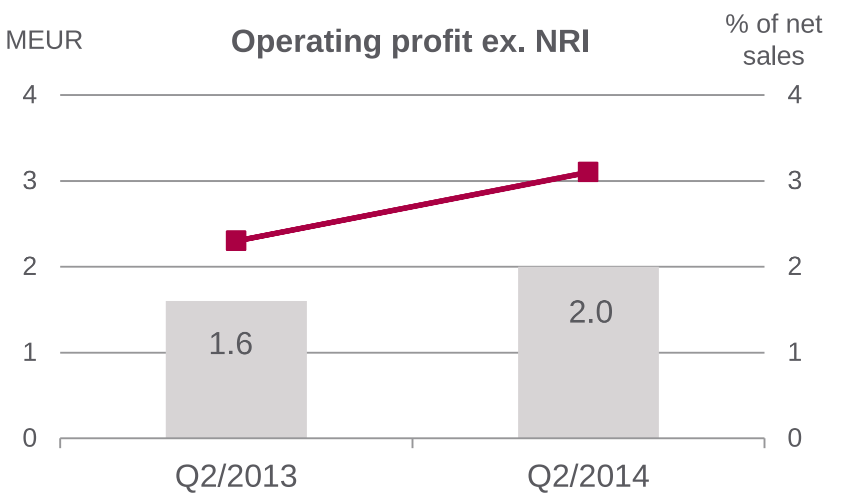


Q2/14: Operating profit ex. NRI EUR 2.0 million (EUR 1.6 million)

\+ Lower fixed costs

\+ Improved operational efficiency

– Lower volumes



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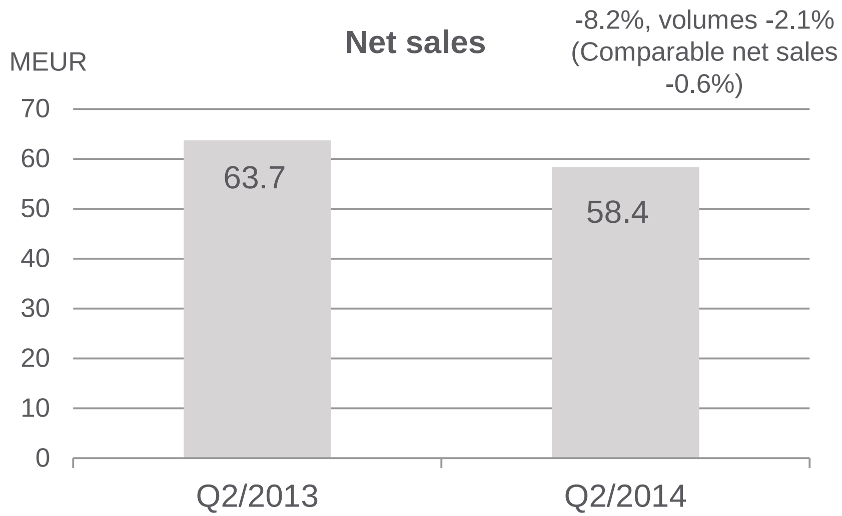
Food

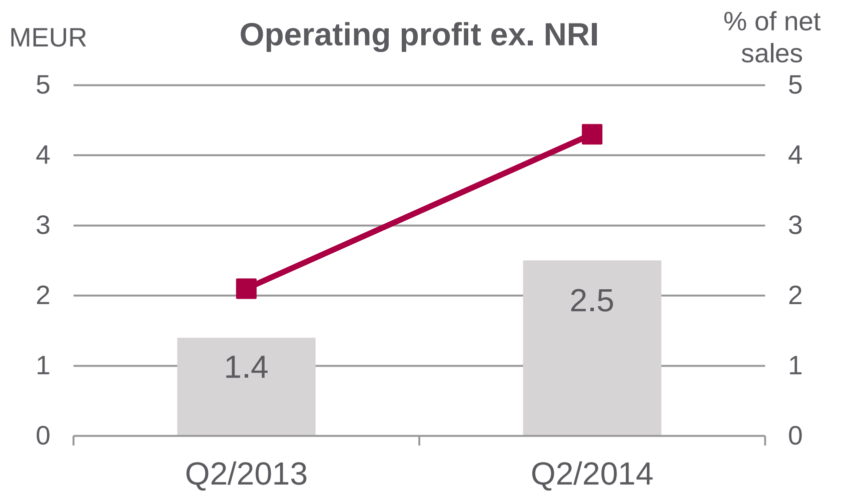
Q2/14: Net sales EUR 58.4 million (EUR 63.7 million)

- \+ Higher volumes of single-use coffee and tape materials
- \- Divestment of West Carrollton

Q2/14: Operating profit ex. NRI EUR 2.5 million (EUR 1.4 million)

- \+ Lower fixed costs
- \+ Product mix optimization
- \- Focus units: Longkou plant, Chirnside production line





Medical

Q2/14: Net sales EUR 32.8 million (EUR 38.5 million)

- Lower volumes
  - Reduction in business with a large customer
  - Exit from certain drape products
- Adverse currency effect

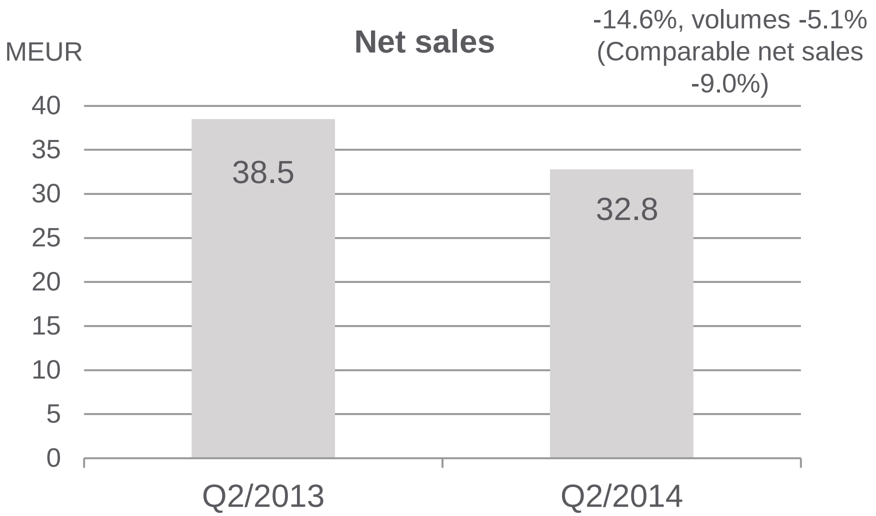
\+ Higher sales of SMS-based drape and gown products

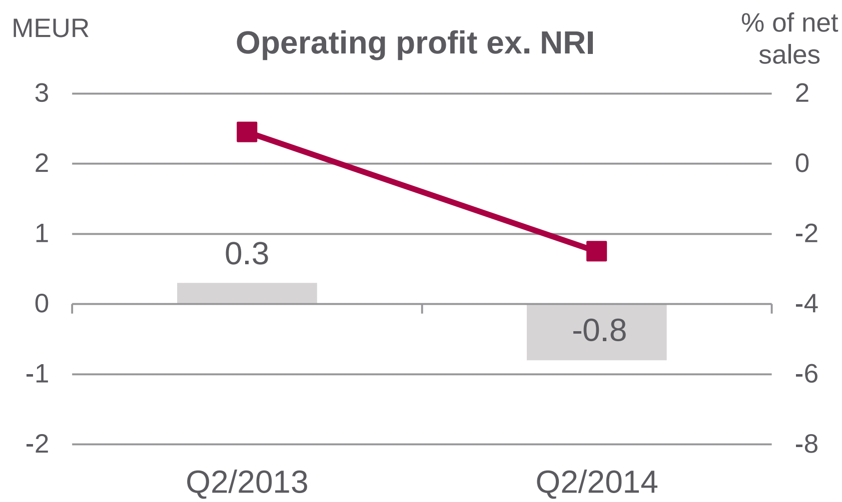
Q2/14: Operating profit ex. NRI EUR -0.8 million (EUR 0.3 million)

- Adverse product mix and lower volumes

\+ Focus unit: Mundra plant

\+ Lower fixed costs





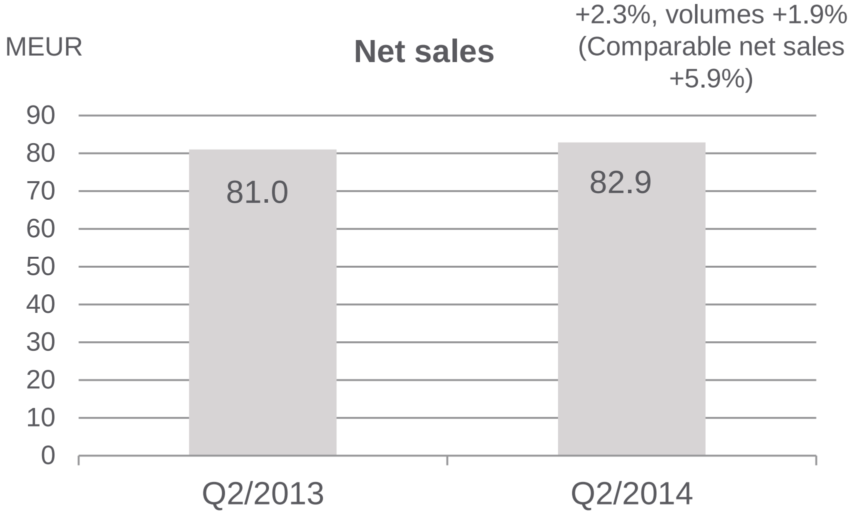
Transportation Filtration

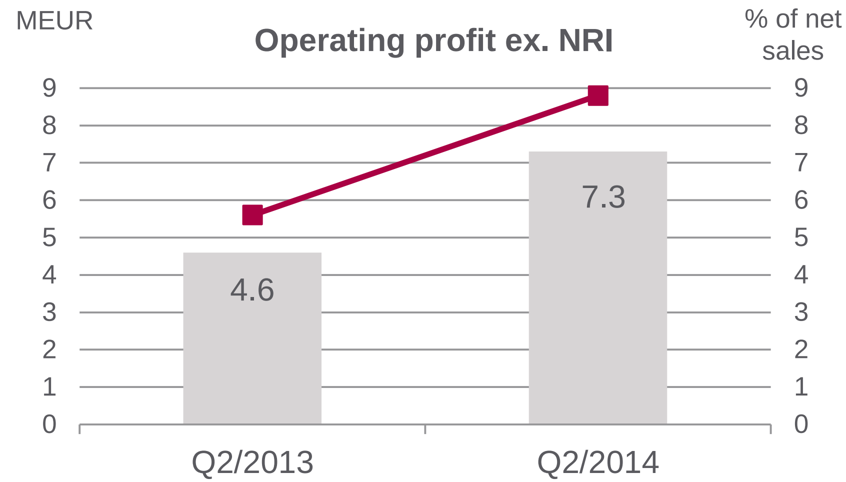
Q2/14: Net sales EUR 82.9 million (EUR 81.0 million)

- \+ Comparable net sales growth 5.9%
- \+ Higher sales volumes
  - \+ Sales growth in North America, Asia
- \+ Increased selling prices
- \+ Improved product mix
- \- Adverse currency effect: USD, BRL

Q2/14: Operating profit ex. NRI EUR 7.3 million (EUR 4.6 million)

- \+ More value-added products
- \+ Lower fixed costs
- \- Increased raw material costs





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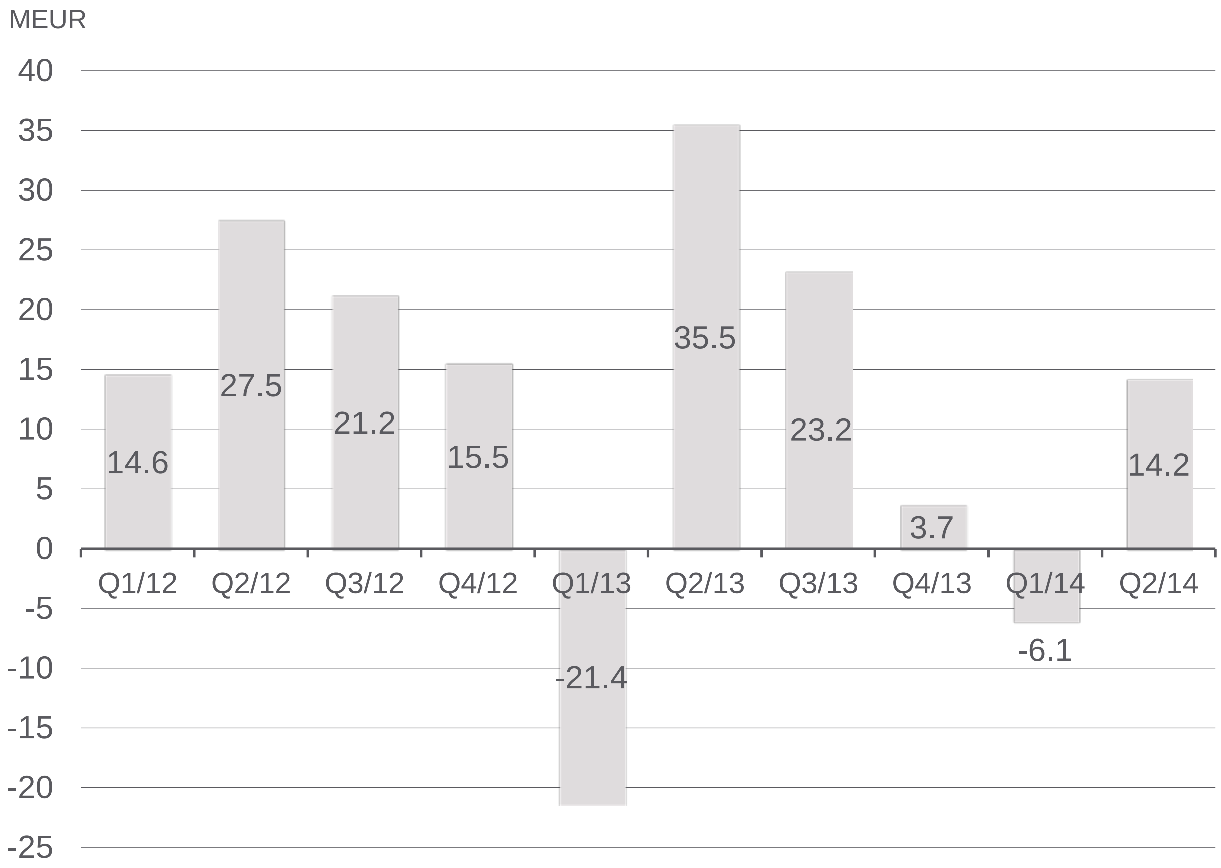
Cash flow and debt development

Net cash from operating activities
(including discontinued operations)



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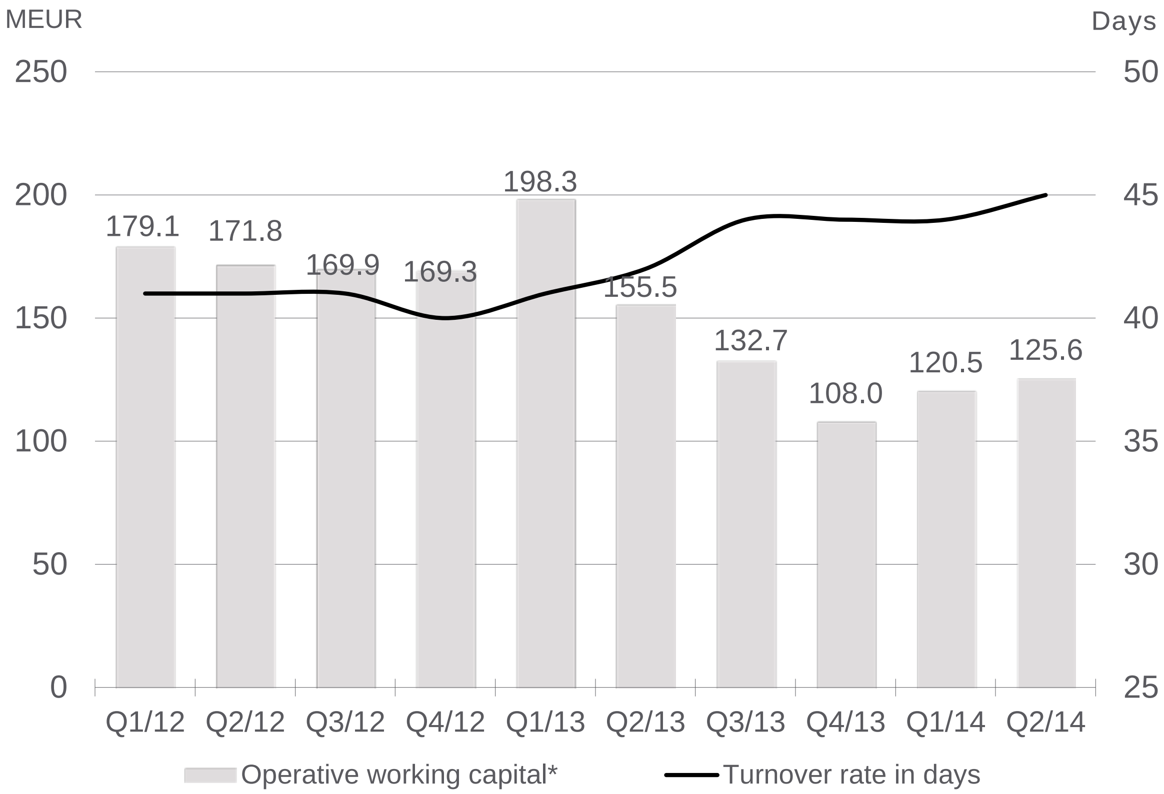
Development of operating working capital
(including discontinued operations)



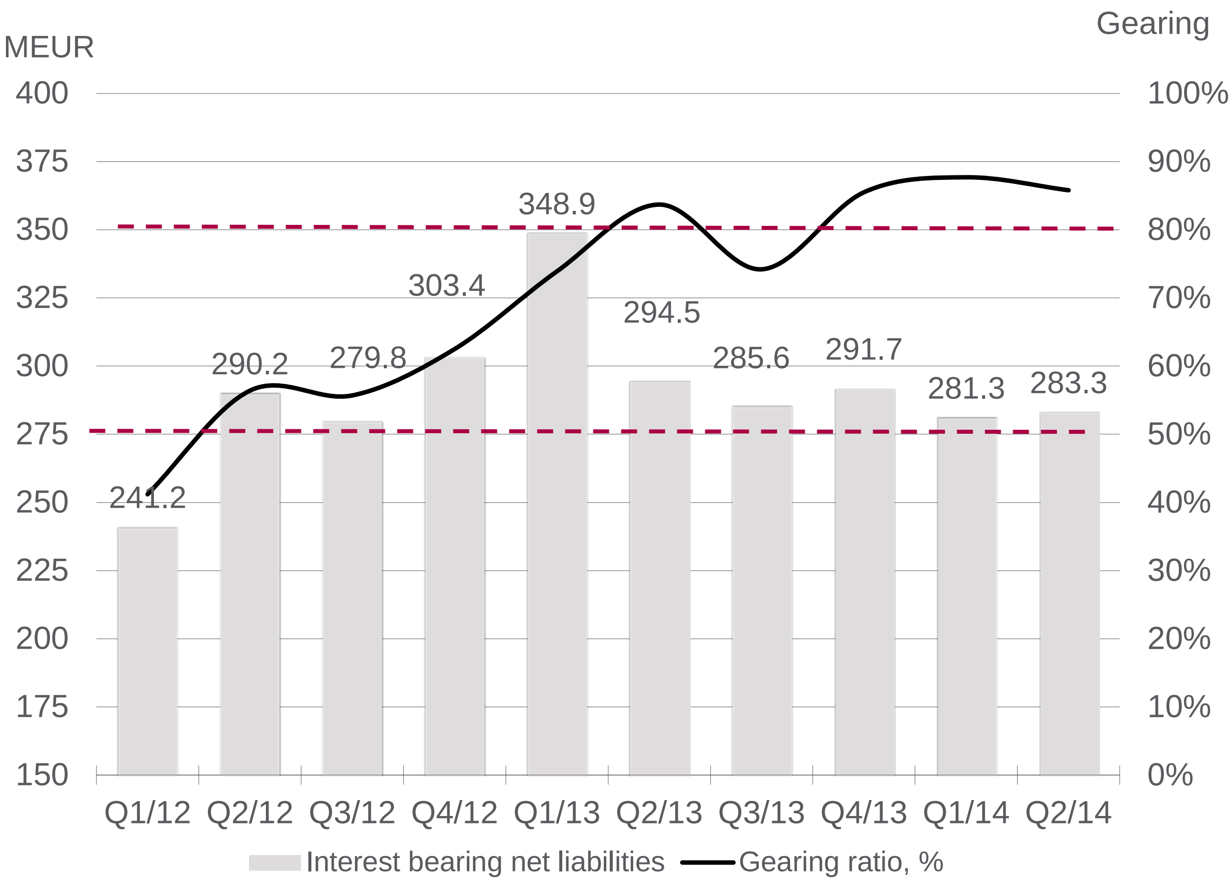
- Stable development of working capital QoQ
- 12-month rolling turnover rate increased to 45 days at the end of Q2/2014 from 42 days at the end Q2/2013

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

Gearing
(including discontinued operations)

Gearing: target range 50–80%



Gearing was 85.8% on June 30, 2014

– Stable gearing since the end of 2013

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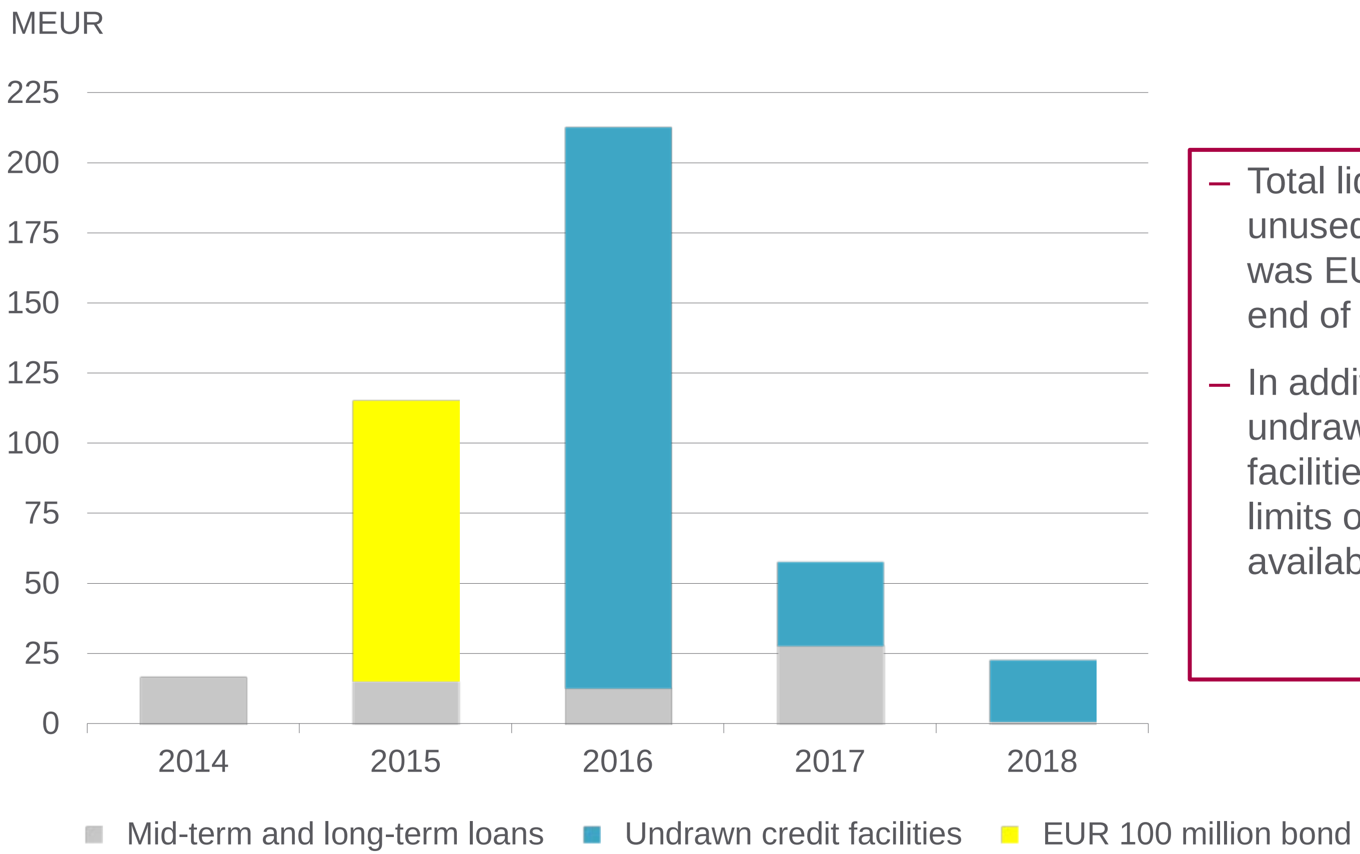
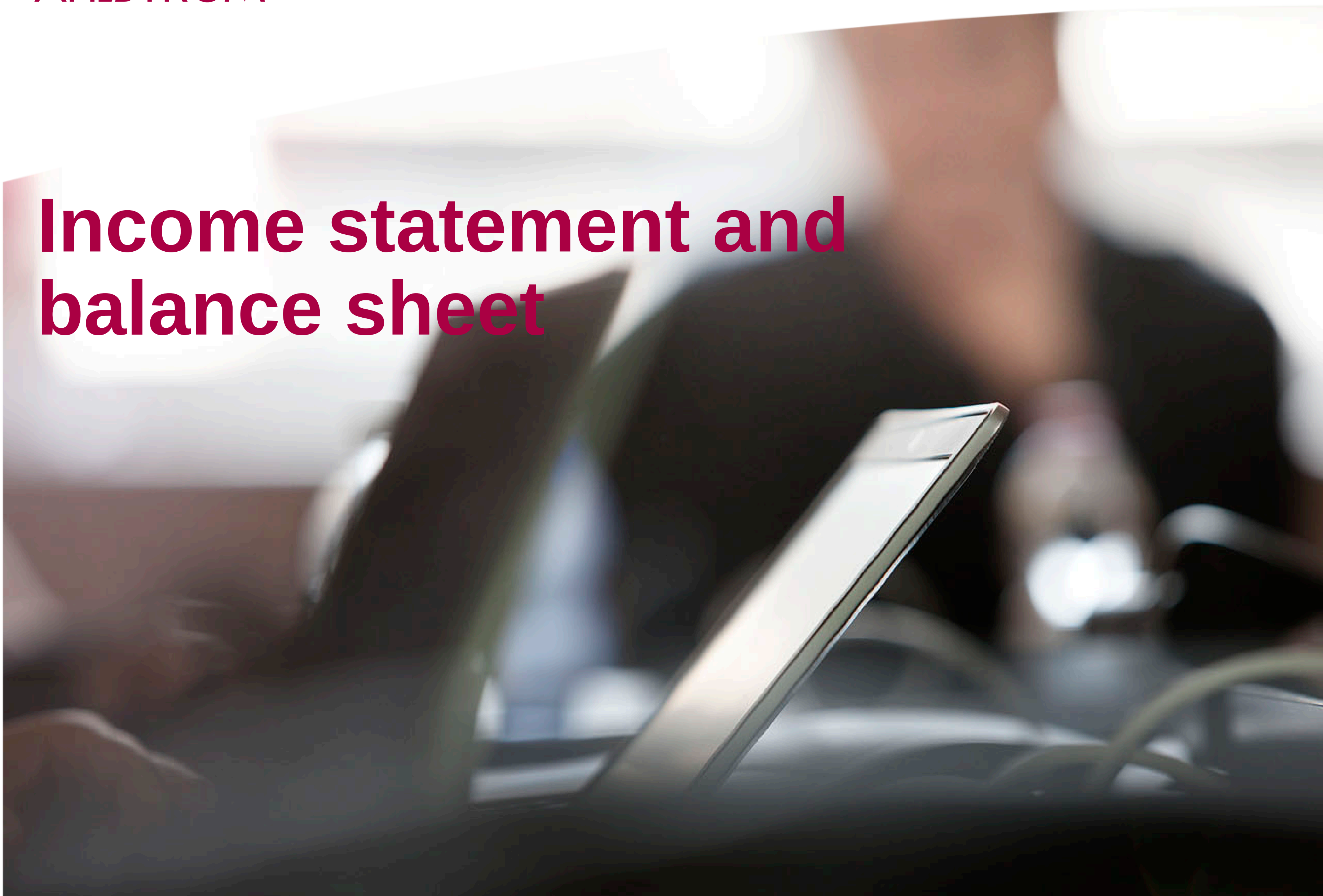
Maturity profile of medium/long-term credit facilities



- Total liquidity, including cash and unused committed credit facilities was EUR 308.0 million at the end of Q2/2014
- In addition, Ahlstrom had undrawn uncommitted credit facilities and cash pool overdraft limits of EUR 138.4 million available

Income statement and balance sheet



Income statement

EUR million	Q2/2014	Q2/2013
Net sales	**253.0**	**265.0**
Cost of goods sold	-207.8	-222.3
Gross profit	**45.2**	**42.7**
Sales, administrative and research & development expenses	-36.8	-36.7
Other income and expenses	1.2	0.4
Operating profit	**9.6**	**6.4**
Operating profit excl. NRI	**13.4**	**7.9**
Net financial expenses	-9.5	-4.9
Share of profit / loss of equity accounted investments	-0.5	-5.0
Profit / loss before taxes	**-0.4**	**-3.5**
Income taxes	-1.8	-1.4
Profit / loss for the period from continuing operations	**-2.2**	**-4.9**
Profit for the period from discontinued operations	**9.2**	**66.7**
Profit for the period	**7.0**	**61.8**

- – Adverse currency rate effect, divestments, lower volumes
- \+ Increased selling prices and improved product mix

Lower production overheads

SGA excl. NRI: EUR 33.0 million, or 13.0%, in Q2/14 vs EUR 35.4 million, or 13.4%, in Q2/13

NRIs: EUR -3.8 million in Q2/14 vs. EUR -1.5 million in Q2/13

Includes EUR 5.0 million net financial expense related to Munksjö Oyj shares

Suominen Oyj
- – Jujo Thermal included in Q2/13

Includes Munksjö Oyj's contribution to Osnabrück separation costs
- – Q2/13 includes demerger effects

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Balance sheet

EUR million	June 30, 2014	Dec. 31, 2013
Total non-current assets	611.9	633.4
Inventories	120.6	106.6
Trade and other receivables	189.8	173.0
Income tax receivables	0.5	0.6
Cash and cash equivalents	56.0	38.2
Assets classified as held for sale and distribution to owners	-	18.9
Total assets	**978.8**	**970.6**
Total equity	330.2	341.4
Provisions	11.2	8.3
Interest bearing loans and borrowings	339.3	330.4
Employee benefit obligations	75.2	76.1
Trade and other payables	214.1	200.2
Others	8.9	8.3
Liabilities classified as held for sale and distribution to owners	-	5.9
Total equity and liabilities	**978.8**	**970.6**
Gearing	**85.8**	**85.5**

- Market value of shareholding in Munksjö Oyj EUR 38.9 million and Suominen Oyj EUR 36.7 million (June 30, 2014)
- Includes EUR 100 million hybrid bond.

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Statement of cash flows
(including discontinued operations)

EUR million	Q2/2014	Q2/2013
EBITDA	**31.7**	**20.8**
Adjustments	-11.7	-1.1
Changes in net working capital	-1.9	19.9
Change in provisions	1.3	-0.2
Financial items	-3.8	-2.7
Income taxes paid / received	-1.4	-1.2
Net cash from operating activities	**14.2**	**35.5**
Acquisition of Group companies	-	-1.4
Purchases of intangible and tangible assets	-13.2	-23.5
Other investing activities	1.4	-77.0
Net cash from investing activities	**-11.9**	**-102.0**
Dividends paid and other	-4.6	-29.1
Effect of partial demerger	-	146.5
Changes in loans and other financing activities	-5.4	-18.8
Net cash from financing activities	**-9.9**	**98.6**
Net change in cash and cash equivalents	**-7.6**	**32.2**
Cash and cash equivalents at the beginning of the period	62.3	43.1
Cash and cash equivalents at the end of the period	**56.0**	**73.1**

- Adjustments related mainly to Munksjö Oyj's contribution to Osnabrück separation costs
- In Q2/2013, working capital was released due to LP Europe demerger
- Maintenance related capex, Binzhou wallcoverings line

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Future prospects

Update on rightsizing program

- Target to reach annual costs savings of EUR 50 million by the end 2015
  - Approximately EUR 39 million derived from continuing operations
- 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 Q2/2014:
  - Approximately EUR 27 million in cost savings have been achieved, of which about EUR 11 million were transferred to Munksjö Oyj
    - Approximately EUR 16 million realized in continuing operations
  - Personnel reductions of approximately 285
  - Non-recurring costs: EUR 8.9 million, of which EUR 5.8 million in Q1-Q2/2014

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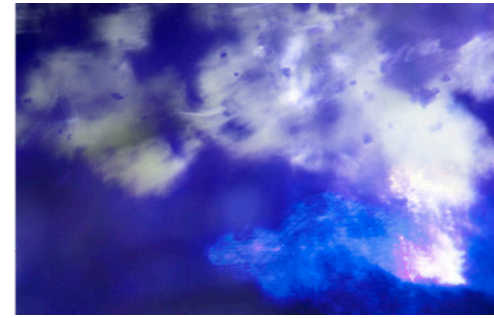
Outlook for 2014





- 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 estimated to amount to approximately EUR 50 million

Stay ahead™

Thank you

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