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Ahlstrom
Interim report January-September 2013

Jan Lång
President & CEO

Seppo Parvi
CFO

Helsinki
October 24, 2013

Agenda

– Strategic agenda

– July-September 2013

– Business area review

– Cash flow and debt development

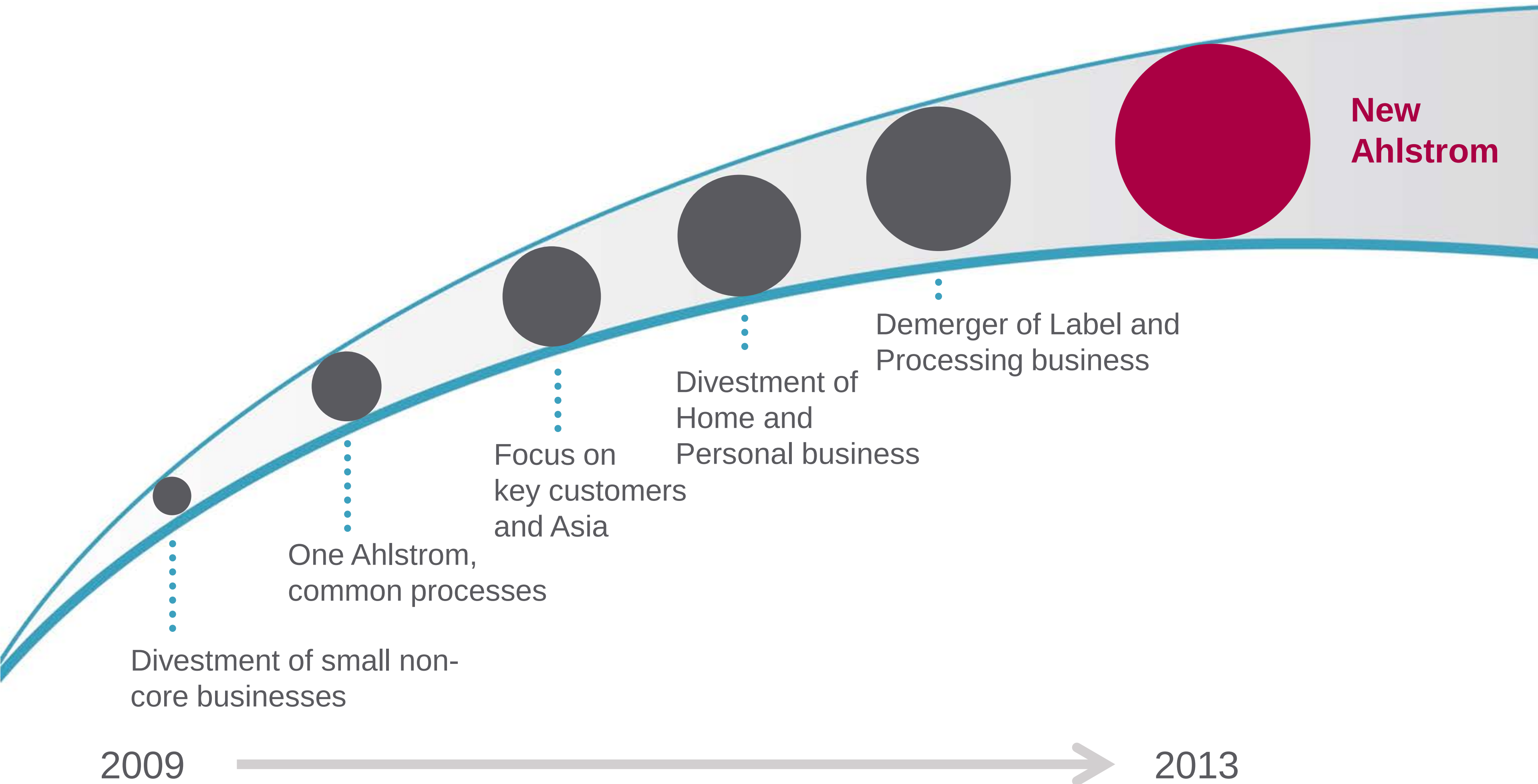
– Income statement and balance sheet

– Future prospects & long-term financial targets

Strategy statement

We will grow with a high performance product offering for a clean and healthy environment

We have successfully executed our transformation strategy during 2009-2013



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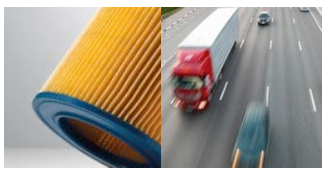
We have selected our key markets

	Customer markets	Applications
	Food Beverage	Materials used in food and beverage packaging, water filtration and other consumer goods
	Medical Care Life Science	Materials used in medical fabrics, diagnostics as well as laboratory and life science applications
	Transportation	Materials used in automotive and heavy-duty air, oil and fuel filtration, reinforcements and other transportation applications
	Energy Environment	Materials used in energy production, gas turbines and other environment-specific applications
	Building	Materials used in construction and decoration applications such as wallcovers, flooring and masking tape

Served by

Business areas:

- Advanced Filtration
- Building and Energy
- Food and Medical
- Transportation Filtration

Global megatrends drive our growth

Resource scarcity, energy and environment

- We design products that minimize environmental impacts
- We are the global leader in environmentally friendly transportation, offering a comprehensive range of filtration media enable reduced emissions
- Our production processes allow more efficient use of raw materials, energy and water

Emerging needs in healthcare

- We focus on laboratory and point-of-care medical testing and diagnostics
- We offer a comprehensive range of single-use medical materials that enable safe medical care

Demographics and urbanization

- We are a leading provider of high quality functional materials for construction and home decoration
- We provide safe, convenient and innovative food and beverage packaging

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Our strategic enablers

A high performance product offering for a clean and healthy environment

Co-creation and open innovation
Competent people with a passion for results
Differentiated products to meet specific customer needs
Deep partnerships with customers, partners and suppliers

Technology and manufacturing platforms
Unique know-how of fibers, chemistry and materials technology
Flexible manufacturing capabilities
Environmentally sound technologies utilizing renewable materials

Global reach and local insights
Global operations, local sales and technical service
Global product offering, customized to market needs
Resource-efficient value chains

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We have sustainable and profitable growth opportunities

CURRENT BUSINESS

- Laboratory and life science
- Wallcovers
- Specialty reinforcements
- Medical fabrics
- Food and beverages packaging
- Air, oil, and fuel filtration

HIGH GROWTH AREAS

- Clean Water
- Medical Diagnostics
- Composites

CURRENT AND FUTURE BUSINESS - IMPACT ON SOCIETY

- **Clean drinking water**
- **Clean air**
- **Energy efficiency**
- **Well-being and quality of life**
- **Safe medical care**
- **Light and durable structures**

Long-term financial targets
over the economic cycle

Net sales	At least 5% underlying growth
Sales from new products *	At least 20%
Operating profit **	7% of net sales by 2016 • Implies ROCE 13% 10% of net sales beyond 2016 • Implies ROCE 15%
Gearing	To be maintained within 50–80% range

*Developed in the last three years
**Excluding non-recurring items

July-September 2013

July-September 2013 in brief

Highlights

- Net sales at constant currency rates rose by 5.4% from the comparison period
- Strategic agenda to the year 2020 announced
- Advanced Filtration and integration of Munktell
- New EUR 100 million hybrid bond issued

Lowlights

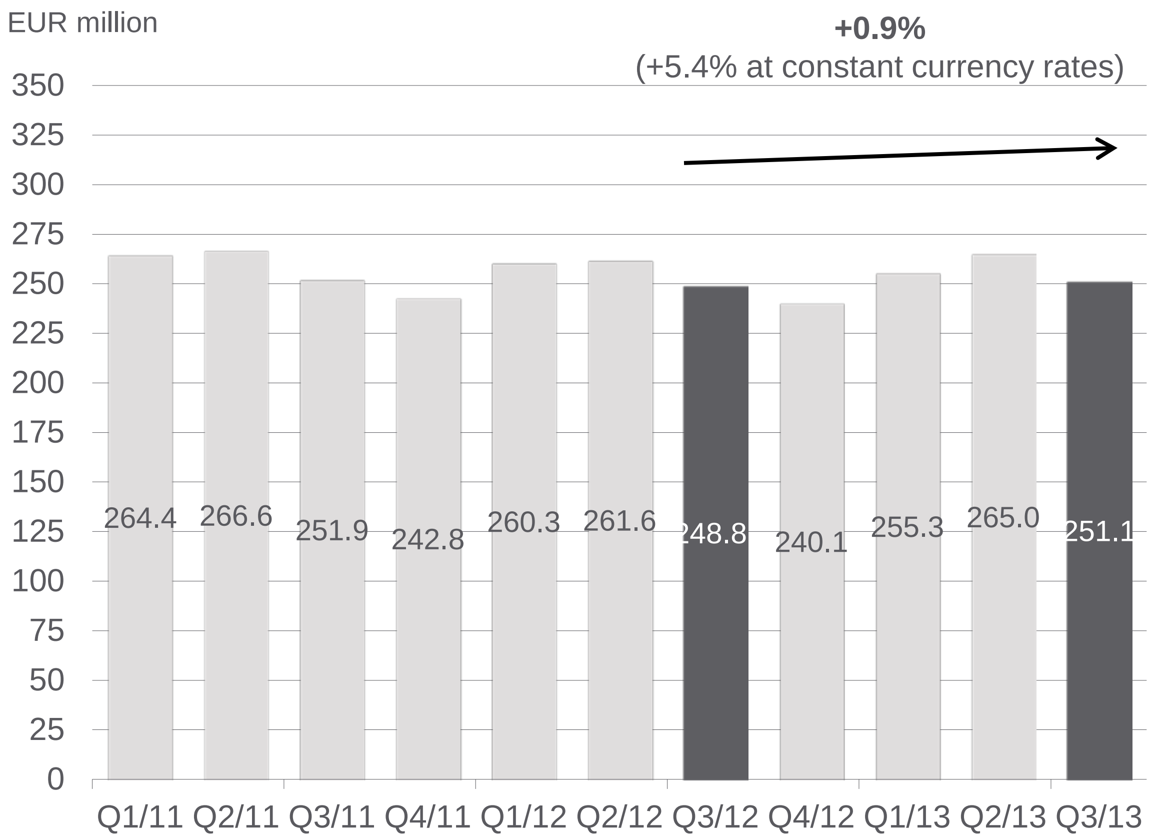
- Overall market environment remained soft
- Operational inefficiencies due to boiler problems in Osnabrück
- Focus units at Food and Medical

Q3/2013 key figures

EUR million	Q3/2013	Q3/2012	Change, %	Q1-Q3/ 2013	Q1-Q3/ 2012	Change, %
Net sales	**251.1**	248.8	0.9	771.4	770.8	0.1
Operating profit excl. NRI	**1.5**	7.3	-79.1	15.9	25.2	-37.0
% of net sales	**0.6**	2.9		2.1	3.3	
Gearing*	**74.2**	55.7		74.2	55.7	
ROCE, %	**0.7**	3.4		2.3	3.7	

*Including discontinued operations

Quarterly net sales development



Highlights

– Higher sales volumes
– Increased selling prices
– Favorable product mix

Lowlights

– Adverse currency effect
– Sales at Food and Medical

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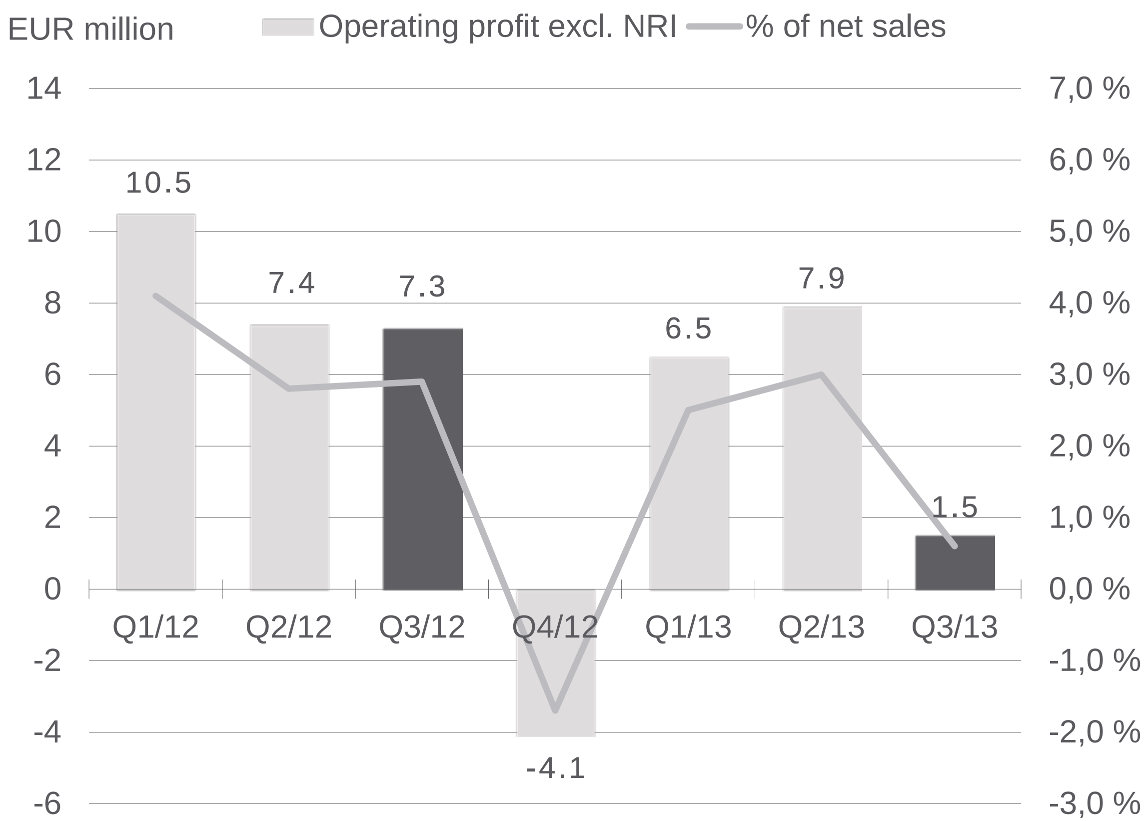
Quarterly operating profit development



2012 figures restated

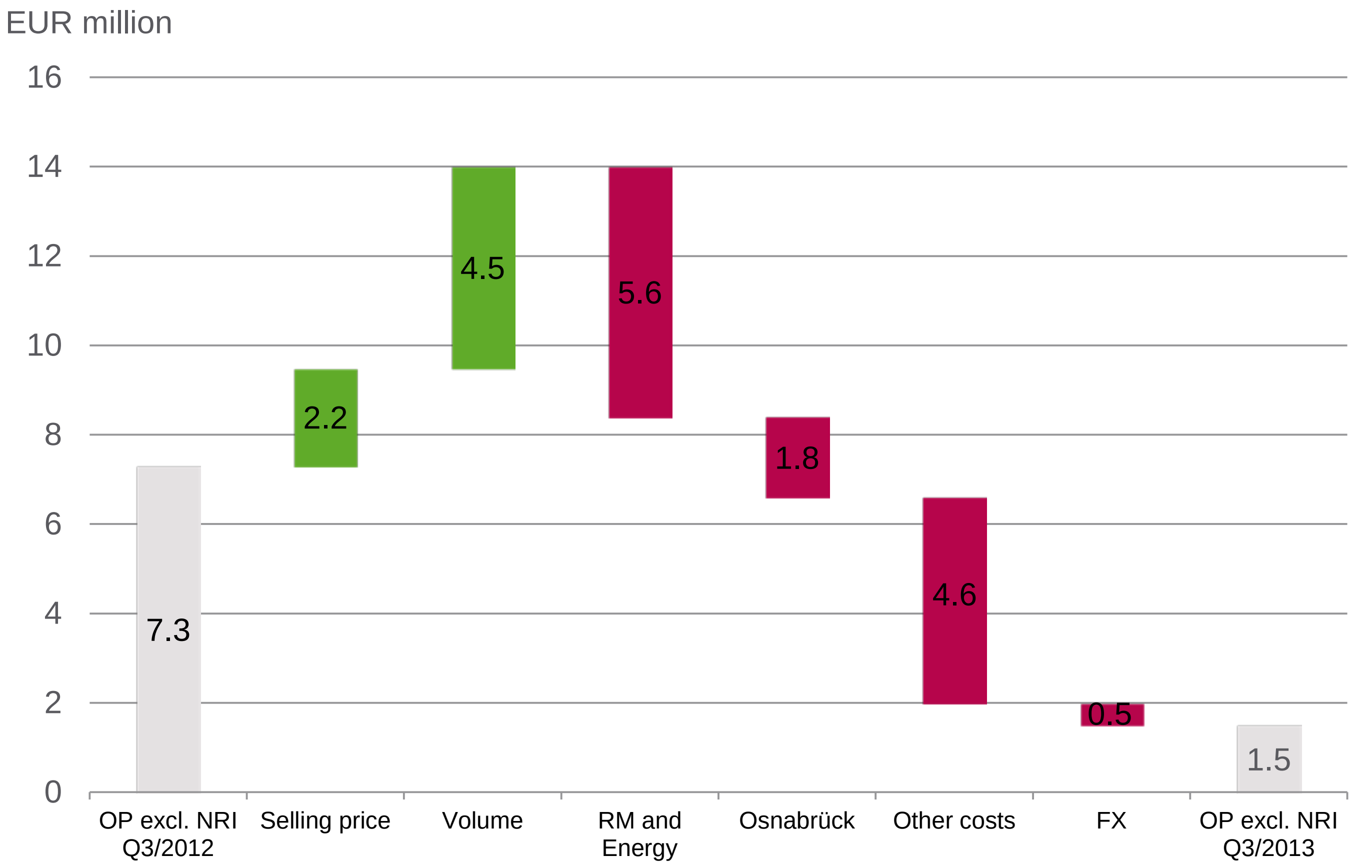
Highlights

– Pricing management

Lowlights

– Increased raw material and energy costs
– Operational inefficiencies in Osnabrück
– Higher SGAs. Some of these costs were previously reported in discontinued operations, but following the completion of the LP Europe demerger are now part of continuing operations.
  – Ongoing rightsizing program

Q3/2013 operating profit* decrease driven by higher raw material and energy costs



*Continuing operations, excluding non-recurring items

- Price increases partially compensated for higher input costs. Further price increases have been announced for Q4/2013
- Higher other costs related partly to new units
- Higher SGAs. Some of these costs were previously reported in discontinued operations, but following the completion of the LP Europe demerger are now part of continuing operations.
  - Ongoing rightsizing program

Business area review

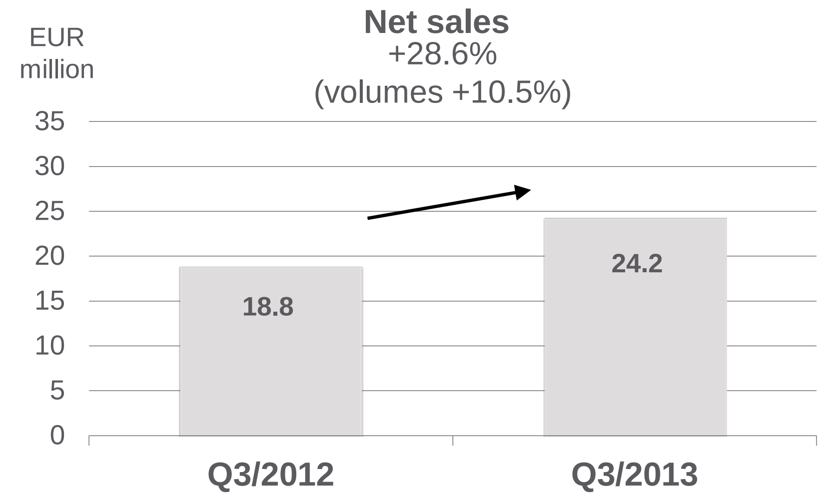
Advanced Filtration

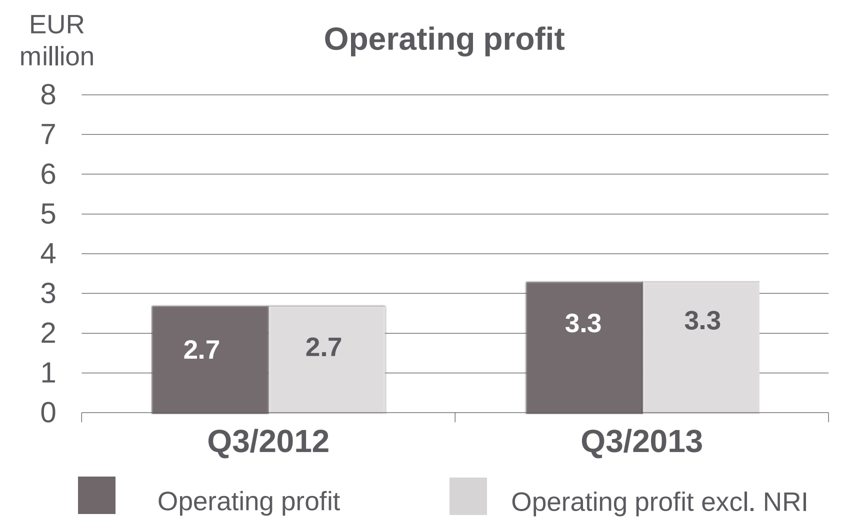
Highlights

- Higher sales of laboratory & life science, gas turbine applications
- Munktell acquisition
  - Net sales growth 9.4% excluding the acquisition
- Increased selling prices

Lowlights

- Increased raw materials costs





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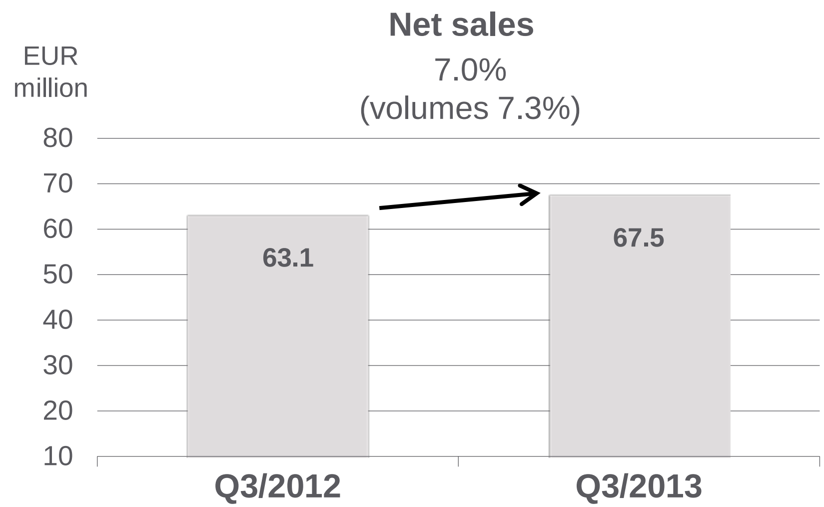
Building and Energy

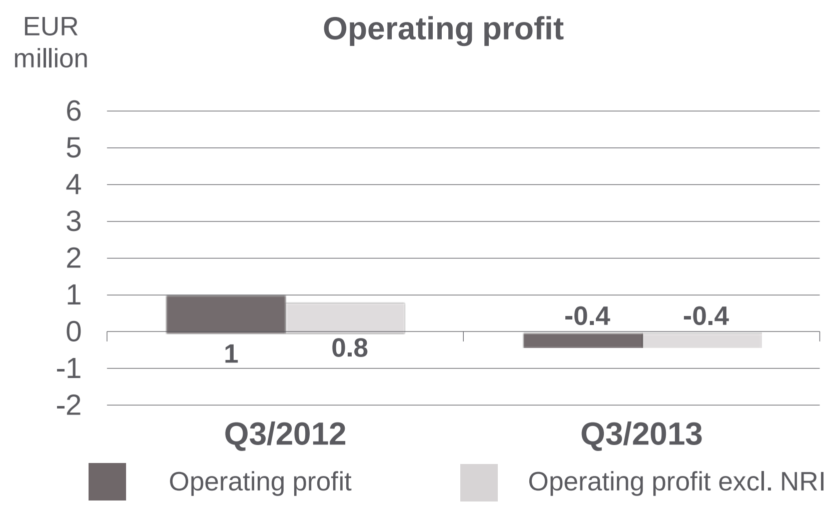
Highlights

- Poster papers
- Increased deliveries of wind energy applications
- Flooring material sales in Europe, stable sales of wallpaper/ wallcoverings

Lowlights

- Operational inefficiencies due to boiler problems at Osnabrück
- Adverse product mix
  - Lower sales of construction and consumer-related applications in Europe





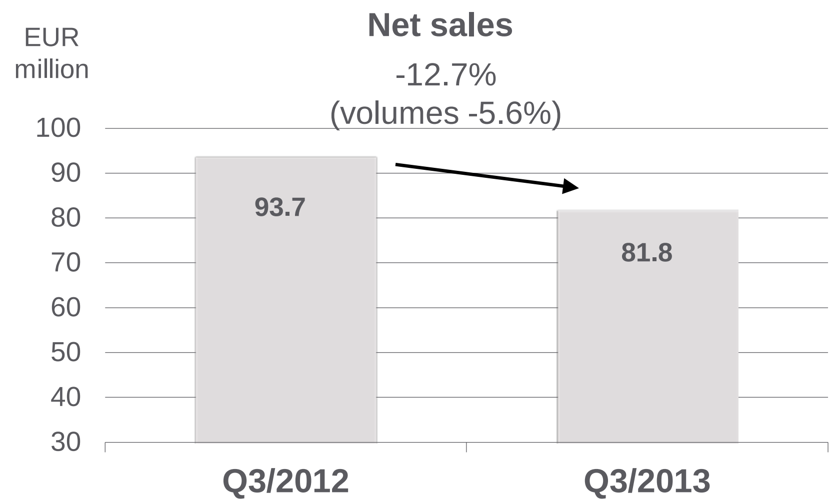
Food and Medical

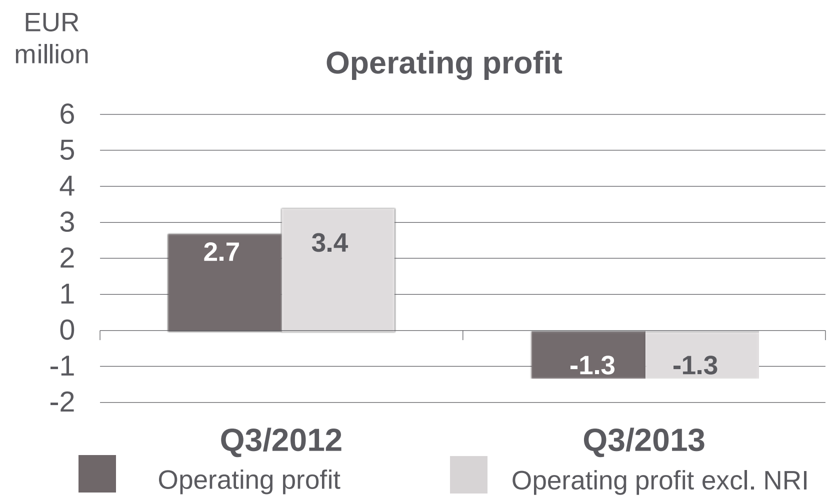
Highlights

- Sales of food packaging and beverage materials

Lowlights

- Sales of medical products in North America and Asia
- Adverse currency effect
- Adverse product and price mix
- Commercialization of Longkou plant
- Mundra plant and Chirnside production line





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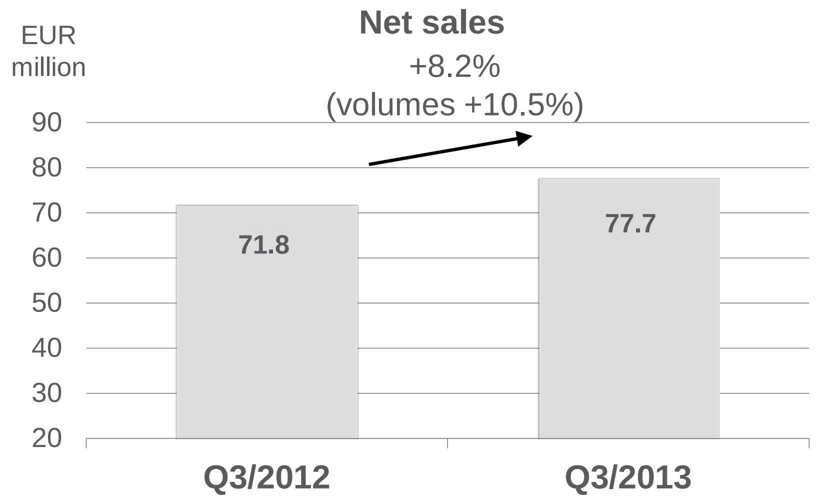
Transportation Filtration

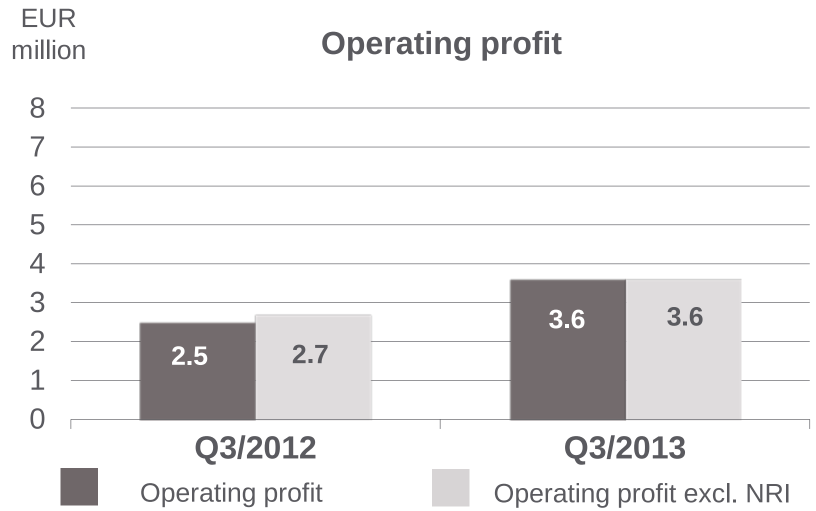
Highlights

- Higher sales volumes
  - Sales growth in Asia
- Increased selling prices
- Improved product mix in engine oil and engine fuel filtration
- Lower SGA costs

Lowlights

- Sales in South America
- Adverse currency effect
- Increased raw material costs





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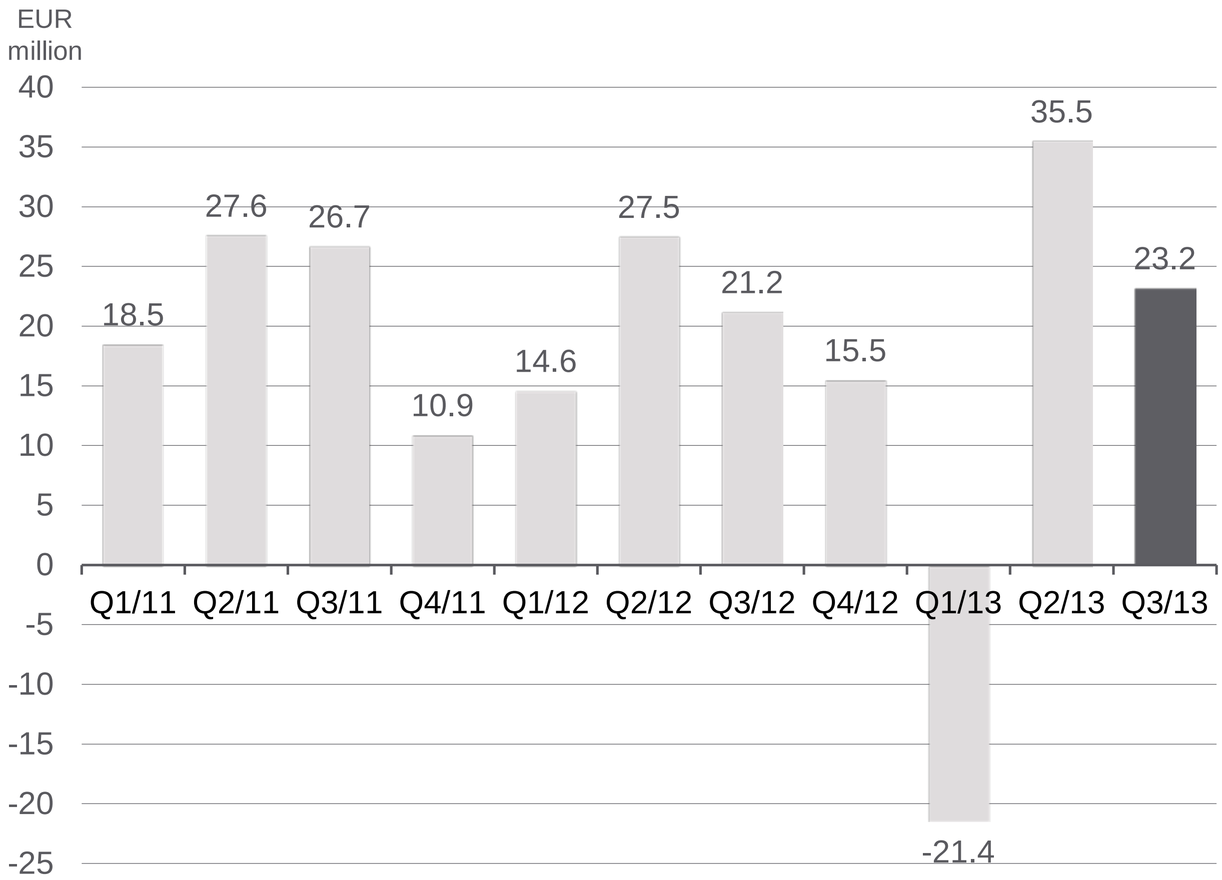
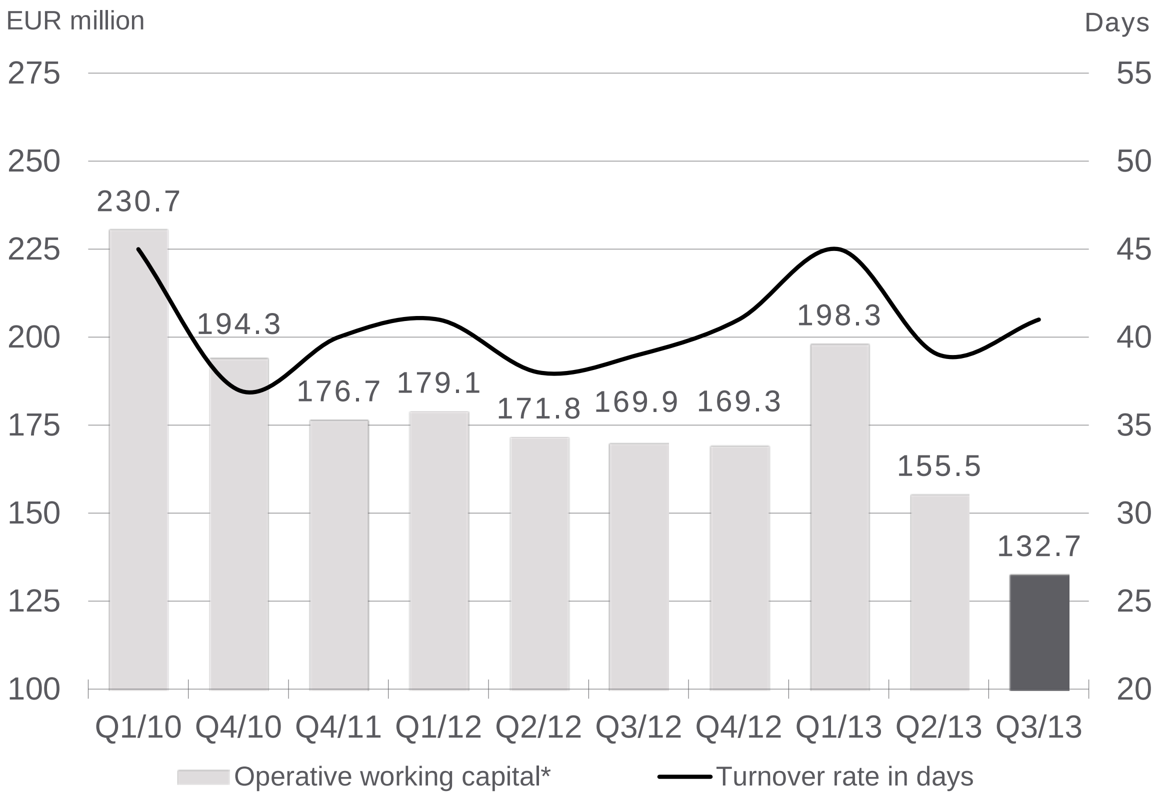
Cash flow and debt development

Quarterly net cash from operating activities
(including discontinued operations)



- Higher cash flow compared to Q3/2012, supported by the release of operative working capital

Development of operative working capital
(including discontinued operations)

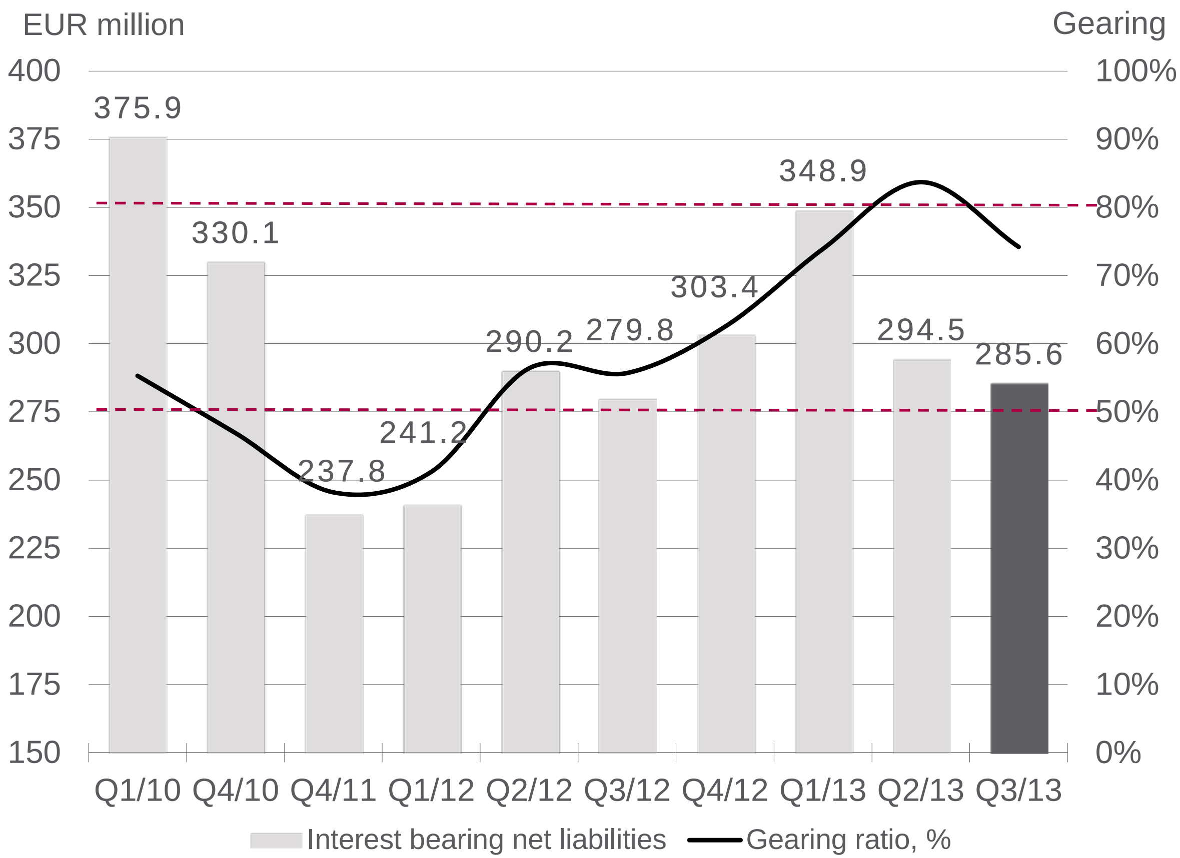


- Operative working capital has been under focus following an increase in Q1/2013
- Operative working capital released also due to the LP Europe demerger in Q2/2013
- Turnover rate was 41 days on Sept. 30, 2013 (41 days on Dec. 31, 2012)

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

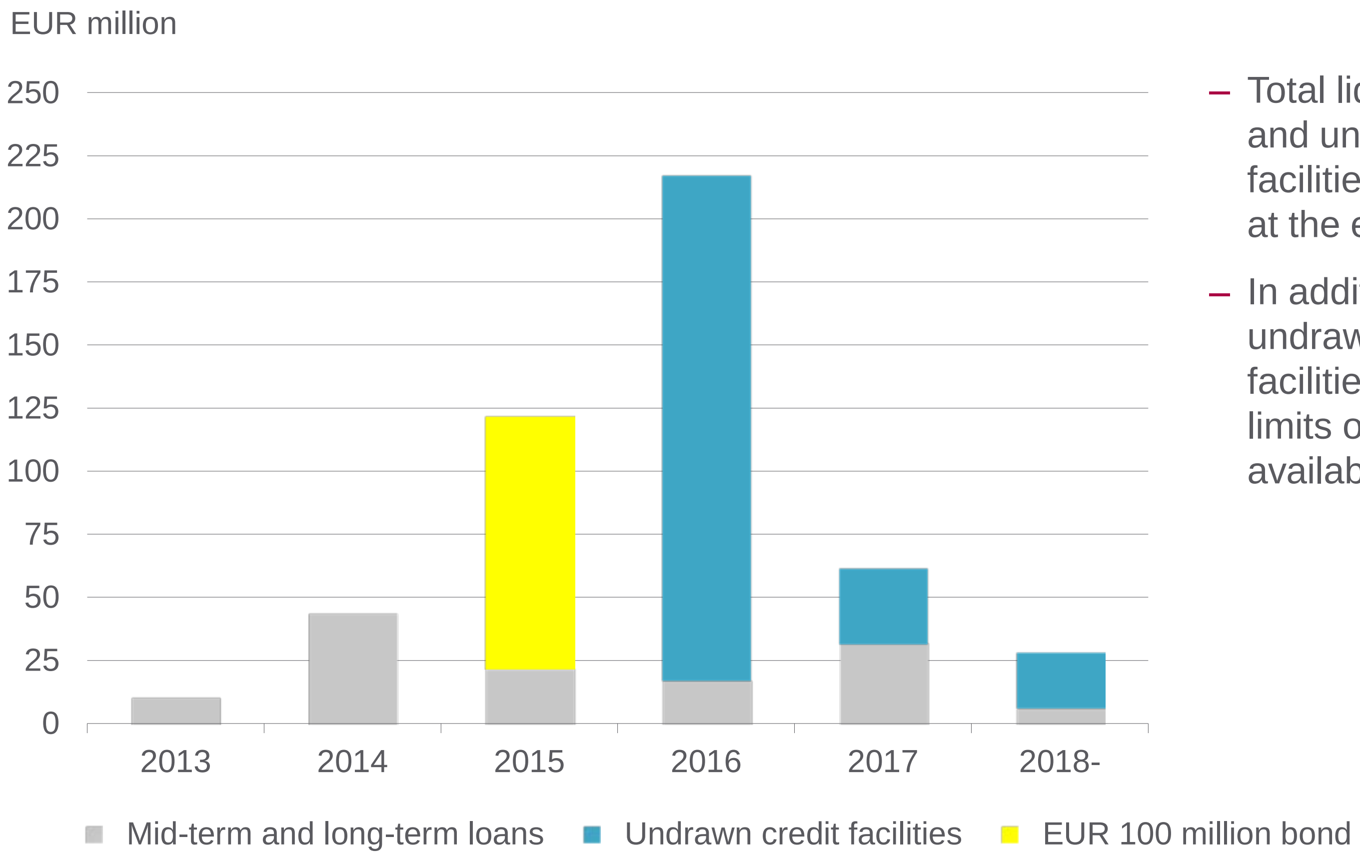
Gearing ratio
(including discontinued operations)

Gearing ratio: target range 50–80%



- Gearing ratio was 74.2% on Sept. 30, 2013 and fell within the target range
- Gearing ratio was positively affected by a new EUR 100 million hybrid bond
  - At the same time Ahlstrom completed a partial repurchase of a EUR 80 hybrid bond
  - Redemption of the remaining EUR 34.5 million hybrid bond of the original EUR 80 million hybrid bond announced on Oct. 24, 2013 (no impact on Q3/2013).
- Gearing ratio was negatively affected by the impairment losses in discontinued operations

Maturity profile of medium/long-term credit facilities



– Total liquidity, including cash and unused committed credit facilities was EUR 295.7 million at the end of Q3/2013.

– In addition, Ahlstrom had undrawn uncommitted credit facilities and cash pool overdraft limits of EUR 155.4 million available.

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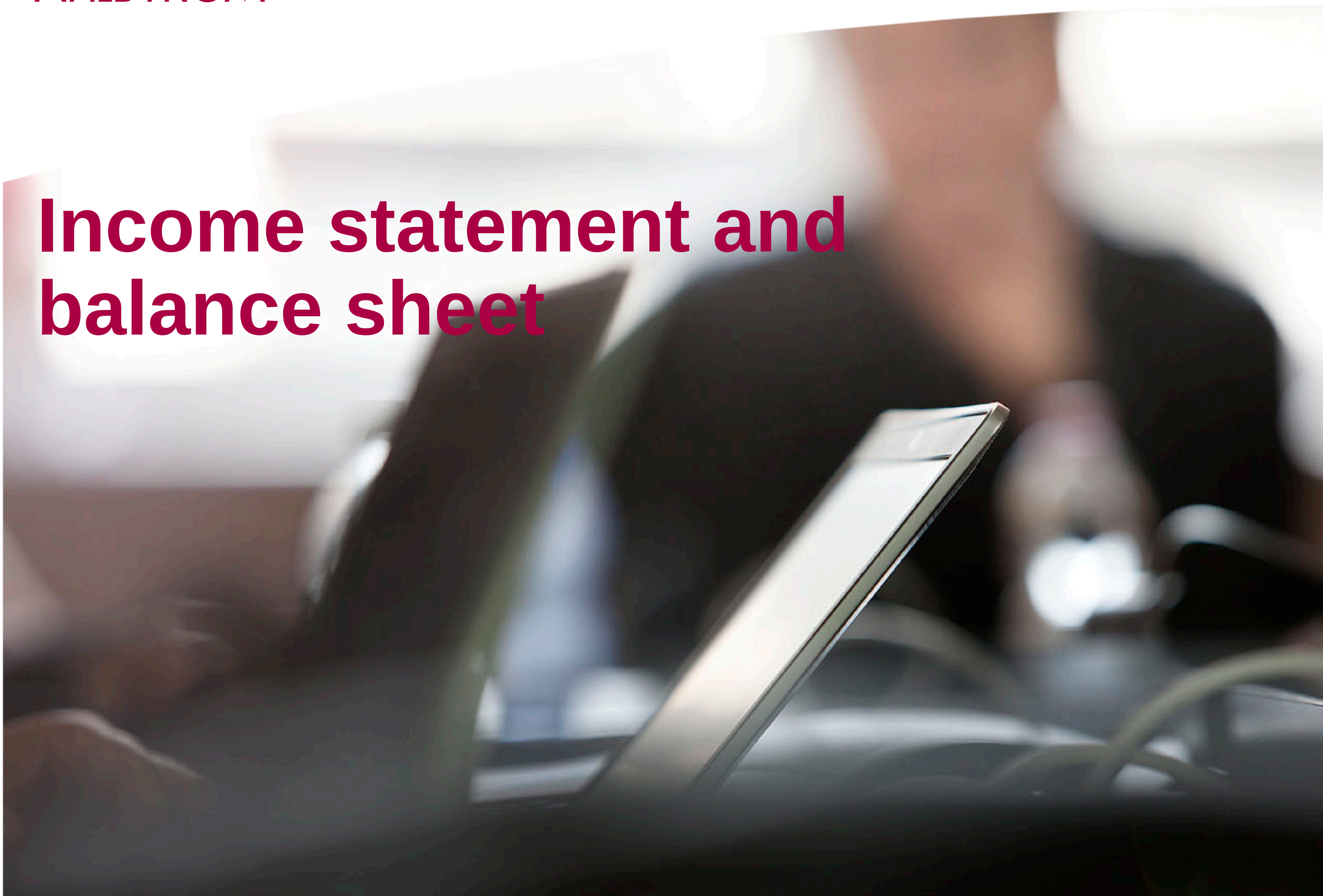
Income statement and balance sheet



Income statement

EUR million	Q3/2013	Q3/2012	2012 figures are restated
Net sales	**251.1**	**248.8**	Higher volumes, increased selling prices and improved product mix, adverse currency rate effect
Cost of goods sold	-218.1	-209.6	
Gross profit	**33.0**	**39.2**	
Sales, administrative and research & development expenses	-31.4	-33.2	
Other income and expenses	-0.1	0.3	
Operating profit	**1.5**	**6.3**	No net NRIs in Q3/13 vs. EUR - 1.1 million in Q3/12
Net financial expenses	-5.4	-5.6	
Share of profit / loss of equity accounted investments	-0.6	-0.8	Suominen Oyj, Jujo Thermal
Profit / loss before taxes	**-4.4**	**-0.2**	
Income taxes / tax credits	0.7	-6.2	
Profit / loss for the period from continuing operations	**-3.7**	**-6.4**	Includes EUR 13.2 million net of tax impairment loss and costs to sell
Profit for the period from discontinued operations	**-17.3**	**1.1**	Includes EUR 5.8 million loss related to the fair valuation of Ahlstrom's shares held in Munksjö Oyj
Profit for the period	**-21.0**	**-5.2**	

Balance sheet

EUR million	Sept. 30, 2013	Dec. 31, 2012
Total non-current assets	624.7	575.4
Inventories	113.3	112.4
Trade and other receivables	227.9	157.4
Other short-term receivables	0.8	0.6
Cash and cash equivalents	37.0	53.4
Assets classified as held for sale and distribution to owners	131.9	448.3
Total assets	**1,135.6**	**1,347.5**
Total equity	385.0	485.1
Provisions	8.3	9.2
Interest bearing loans and borrowings	327.0	357.7
Employee benefit obligations	64.7	81.4
Trade and other payables	267.8	196.2
Others	16.8	19.8
Liabilities classified as held for sale and distribution to owners	66.1	197.9
Total equity and liabilities	**1,135.6**	**1,347.5**
Gearing ratio	**74.2**	**62.5**

2012 figures are restated

- Market value of shareholding in Munksjö Oyj EUR 44.1 million and Suominen Oyj EUR 34.0 million (Sept. 30, 2013)
- Coated Specialties, Brazilian part of Home and Personal, production lines to be divested in Osnabrück
- Includes EUR 100 million and EUR 34.5 million hybrid bonds.
- Includes EUR 59.8 million recognition of Coated Specialties distribution liability
- Coated Specialties, Brazilian part of Home and Personal, production lines to be divested in Osnabrück

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Statement of cash flows
(including discontinued operations)

*2012 figures are restated

EUR million	Q3/2013	Q3/2012
EBITDA	**15.3**	**30.0***
Adjustments	-0.6	-1.9
Changes in net working capital	13.4	2.9
Change in provisions	-0.8	-4.4
Financial items	-3.1	-4.8
Income taxes paid / received	-1.0	-0.5
Net cash from operating activities	**23.2**	**21.2**
Purchases of intangible and tangible assets	-18.9	-21.0
Other investing activities	-0.1	9.4
Net cash from investing activities	**-19.0**	**-11.6**
Effect of partial demerger	1.6	
Changes in loans and other financing activities	-34.0	-8.8
Net cash from financing activities	**-32.5**	**-8.8**
Net change in cash and cash equivalents	**-28.3**	**0.8**
Cash and cash equivalents at the beginning of the period	73.1	48.8
Cash and cash equivalents at the end of the period	**43.5**	**49.1**

- Operative working capital released
- Wallcovering materials in Binzhou, China, Filtration materials investment in Turin, Italy

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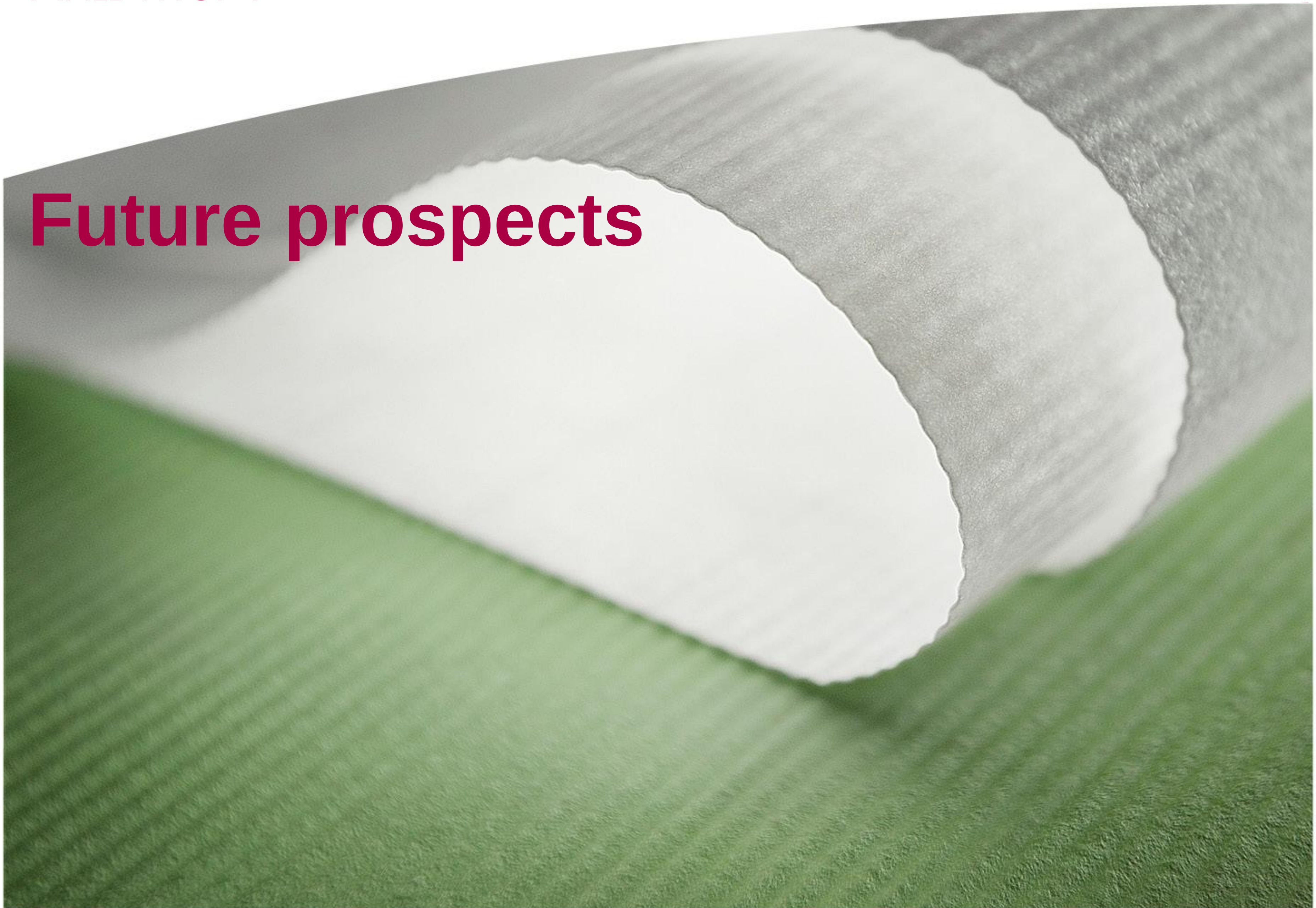
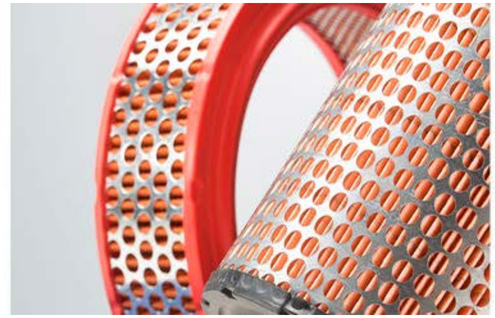
Future prospects



Update on rightsizing program


- Target to reach annual costs savings of EUR 35 million by the end of 2014
  - Includes earlier announced EUR 15 million cost savings measures, of which approximately EUR 10 million relate to costs being transferred to Munksjö Oyj
  - Net effect approximately EUR 25 million
- Personnel reductions of about 350 globally
- Ahlstrom to book non-recurring items of approximately EUR 15 million in 2013-14
- Achieved (as of Q3/2013):
  - Approximately EUR 6 million in cost savings have been achieved, of which about EUR 2 million are costs being transferred to Munksjö Oyj
  - Personnel reductions of approximately 150, of which about 80 people have been transferred to Munksjö
  - No major non-recurring items have been booked

Outlook for 2013

- Outlook published on September 16, 2013 remains unchanged
- Net sales from continuing operations are expected to be EUR 960-1,040 million
- Operating profit margin excluding non-recurring items from continuing operations is expected to be 0-2% of net sales
- Investments excluding acquisitions are estimated to amount to approximately EUR 75 million

Stay ahead™

Thank you

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