

Ahlstrom Corporation

October-December 2010 and financial statements 2010



February 1, 2011

President & CEO Jan Lång

CFO Seppo Parvi

1. October-December 2010
2. 2010 net sales and operating profit
3. Cash flow and balance sheet
4. Income statement and balance sheet analysis
5. Future prospects

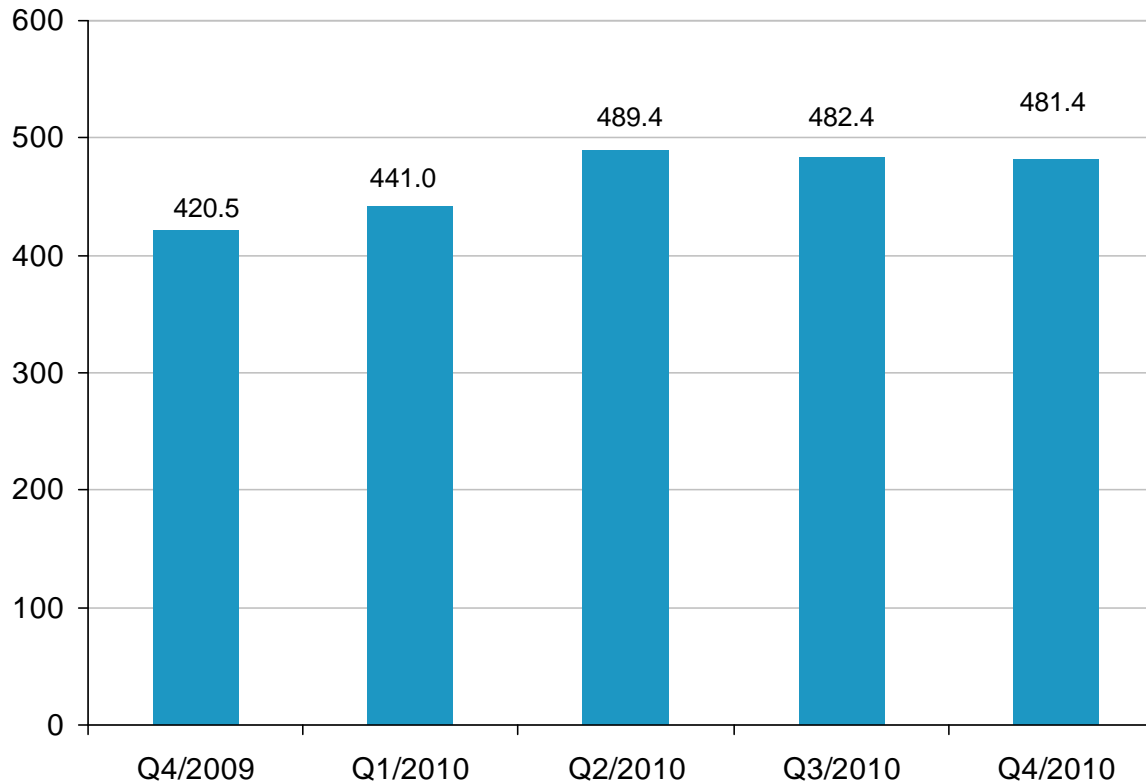
Highlights of October-December 2010

- Net sales growth 14.5%, operating profit excl. NRI EUR 15 million or 4.5 million lower vs Q4/2009
- Strong cash flow, balance sheet further strengthened
- Projects included in the investment program of 2007 & 2008 impacted profitability negatively
- The Board of Directors proposes a dividend of 0.88 per share



Net sales Q4/2009–Q4/2010

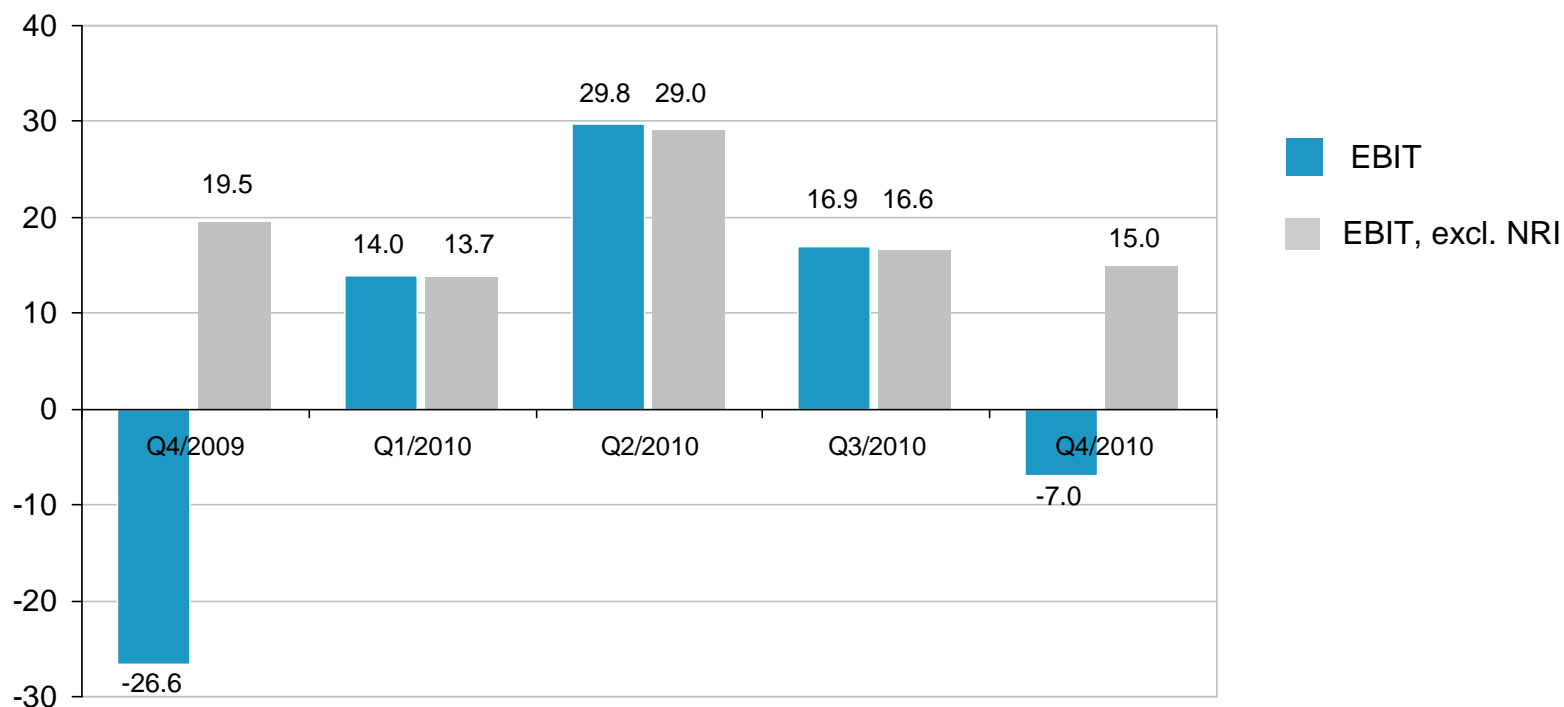
EUR million



- Net sales rose by 14.5% from Q4/2009 - attributable to price increases
- Volumes down 1.4%
- Some customers reduced seasonally inventory levels towards the end of the year

Operating profit/loss Q4/2009–Q4/2010

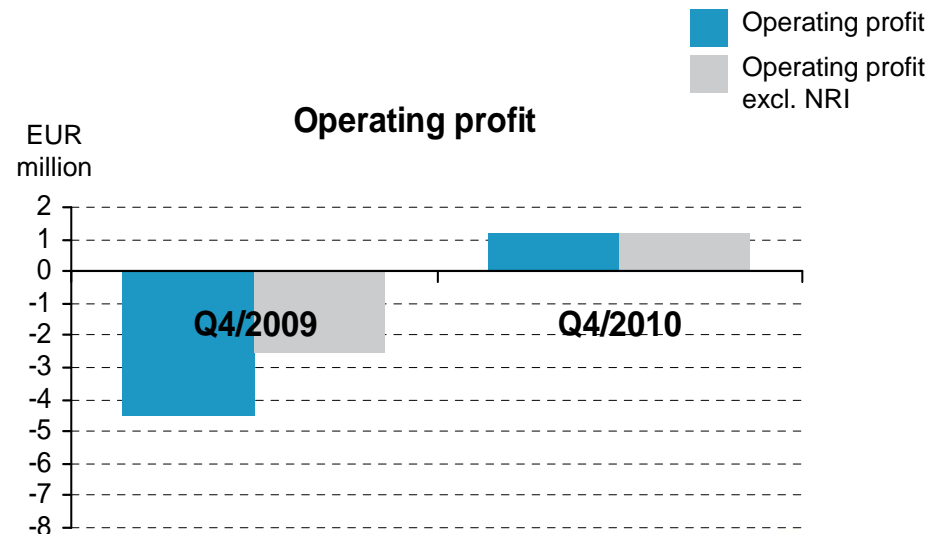
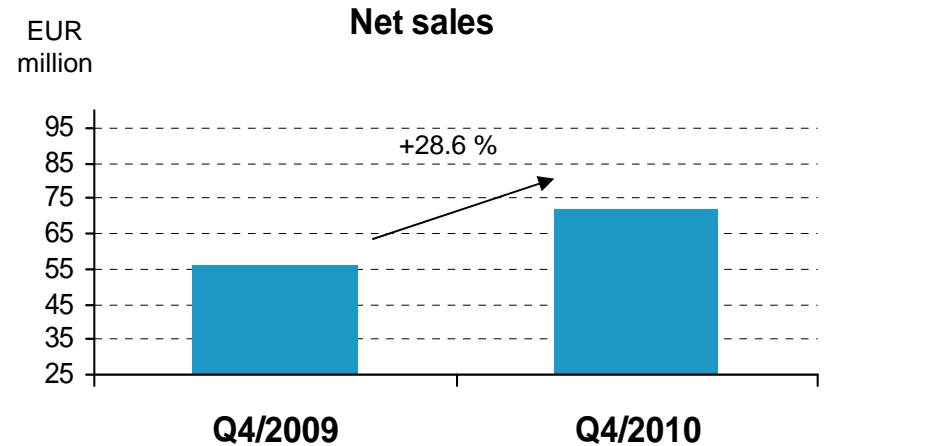
EUR million



- Higher costs from development programs and challenges related to the ramp-up and commercialization of the investment projects had a negative impact
- Operating profit was positively affected by restructuring programs started in 2009

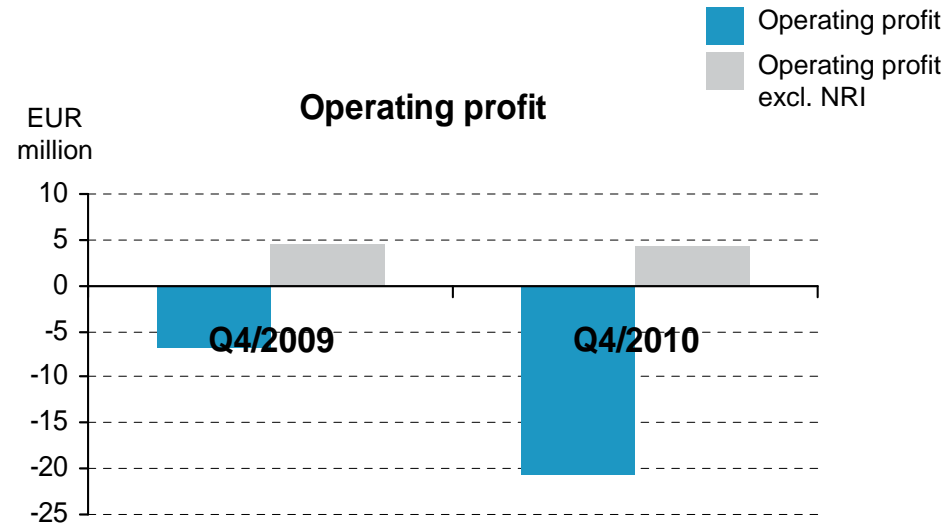
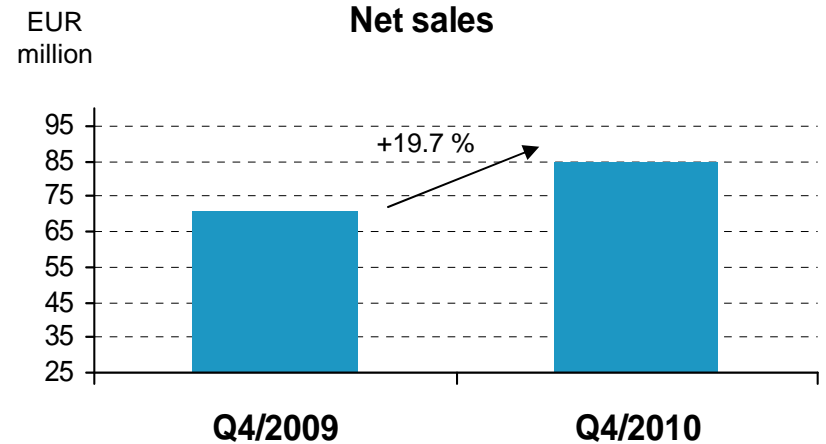
Building and Energy

- Volumes +18.5%
- Growth in wallcover markets in China and flooring markets in Russia continued
- Wind power markets improved in Europe, remained depressed in North America
- More efficient cost base and increased utilization rates
- The ramp-up of the hybrid wallcover line in Turin continued to burden the result



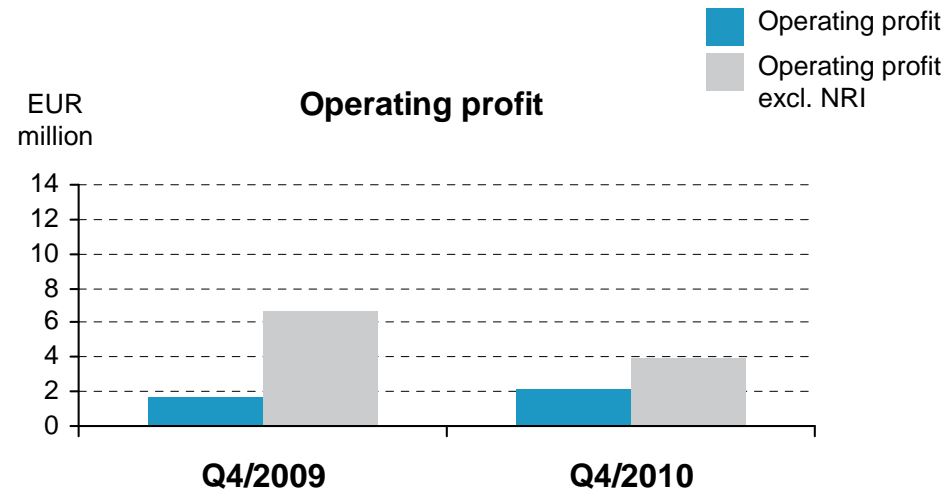
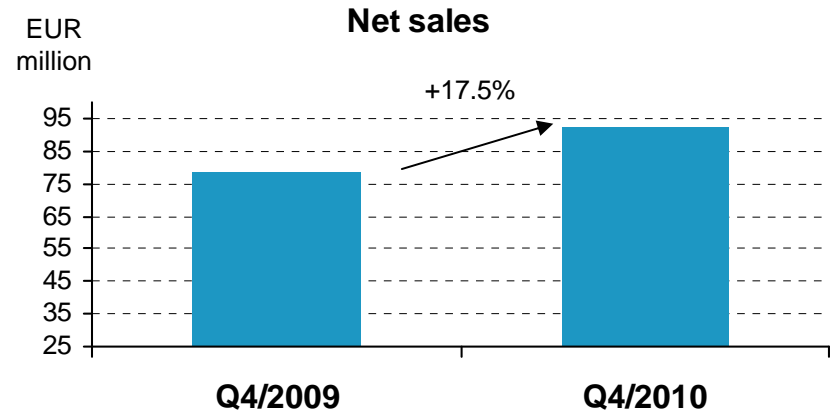
Filtration

- Volumes +6.4%
- Increased demand from the automotive industries in Asia and North America
- Increased selling prices boosted net sales
- New price increases have been announced to cover higher chemicals and specialty pulp costs



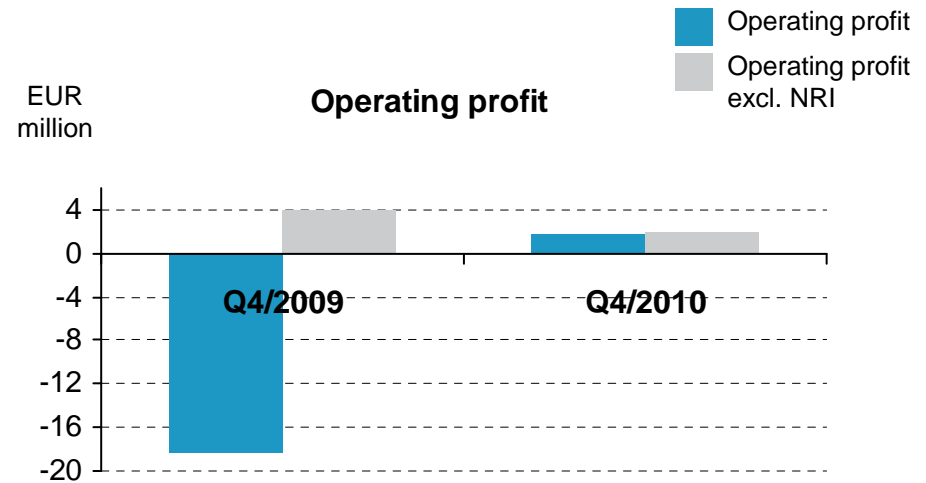
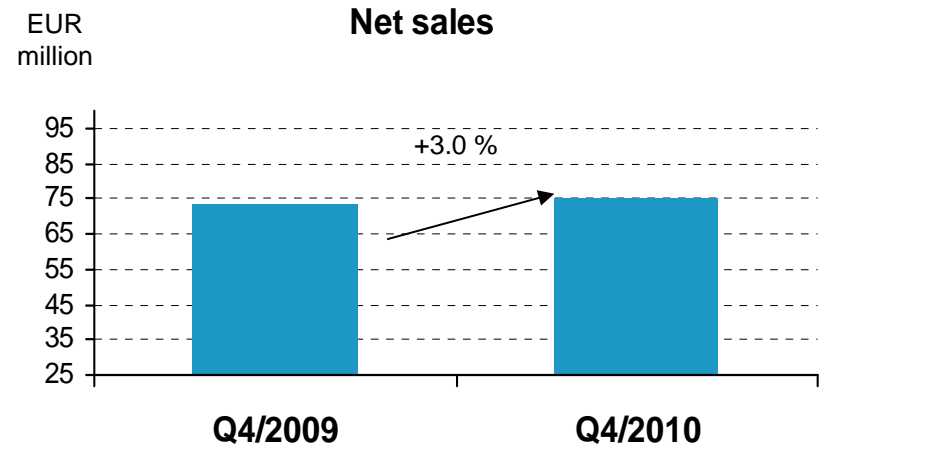
Food and Medical

- Volumes +7%
- Increased demand in food packaging, infusion materials and medical nonwovens
- Poor product mix
- Mundra and Chirnside teabag materials line continued to burden the result



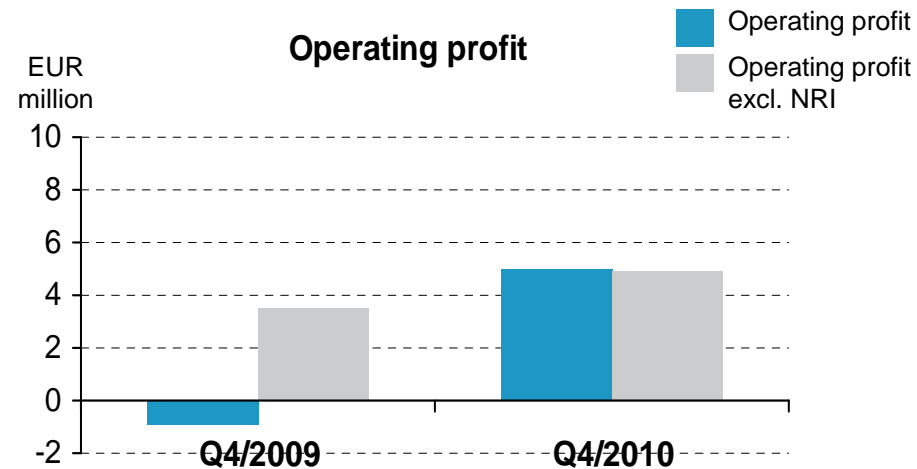
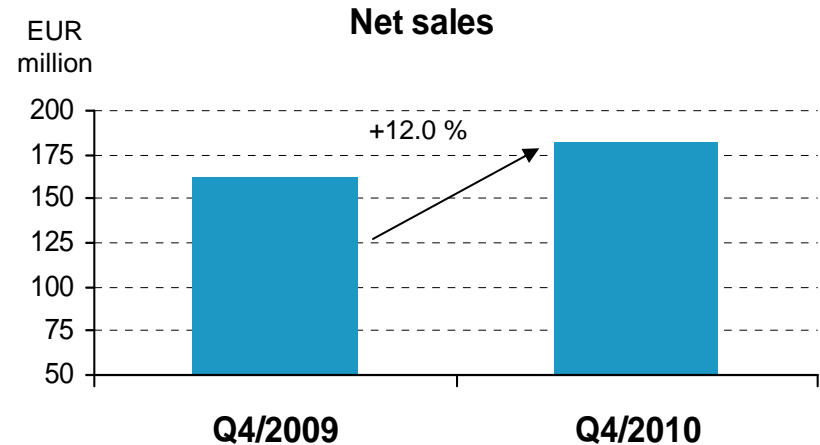
Home and Personal

- Volumes -6.8 %
- Higher prices
- Demand for wiping products declined in Europe
- Preparations for the swine flu impacted sales positively temporarily in Q4/2009
- More efficient cost base



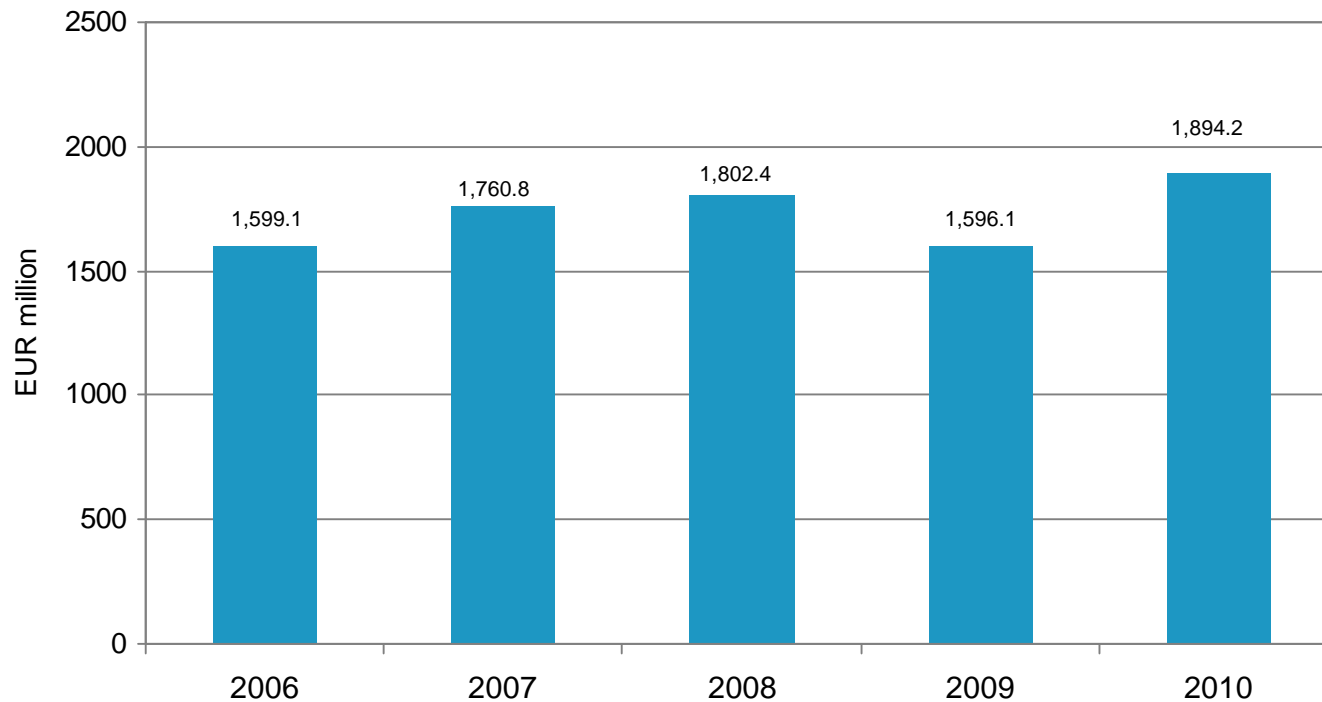
Label and Processing

- Volumes -6.5%
- Higher selling prices to cover increased raw material costs
- Seasonal inventory reductions
- More efficient cost base
- Lower demand and continued challenges at La Gere burdened the result



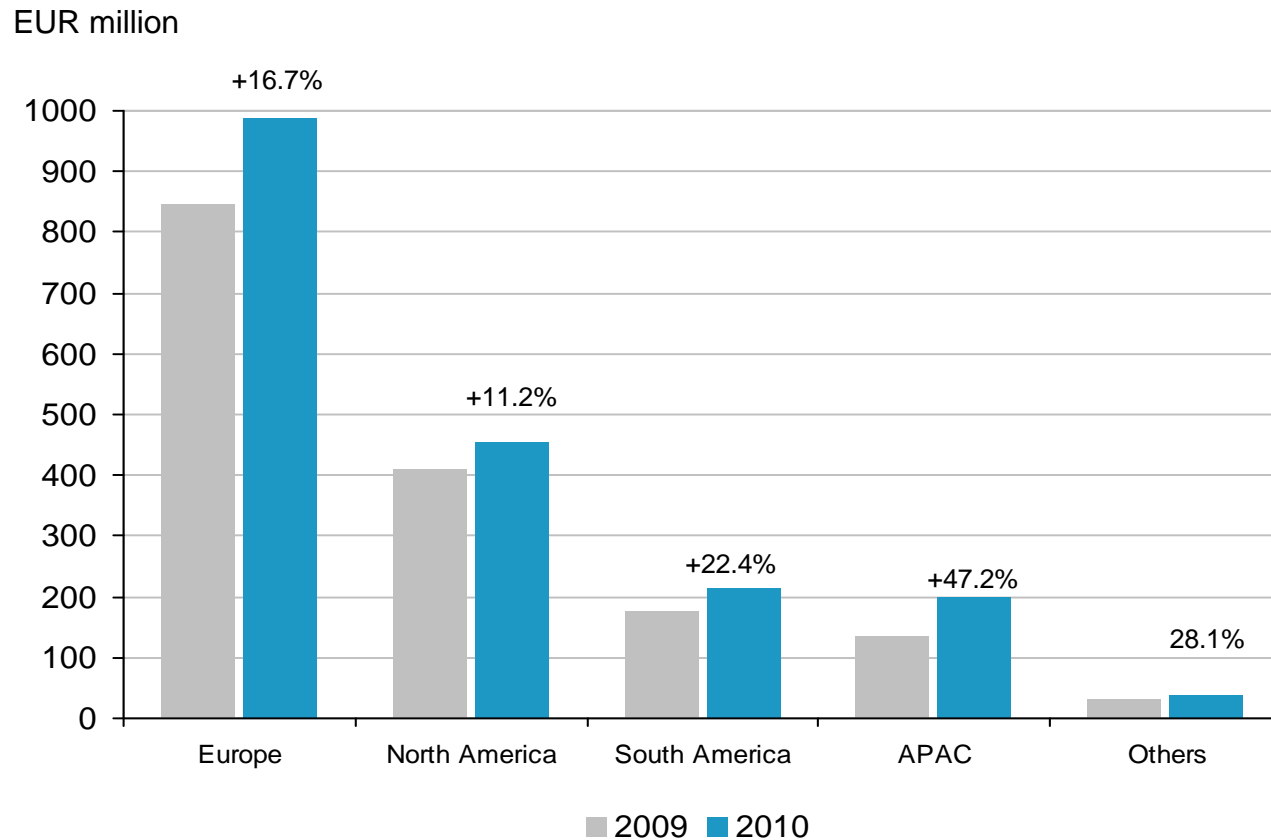
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Net sales in 2006–2010



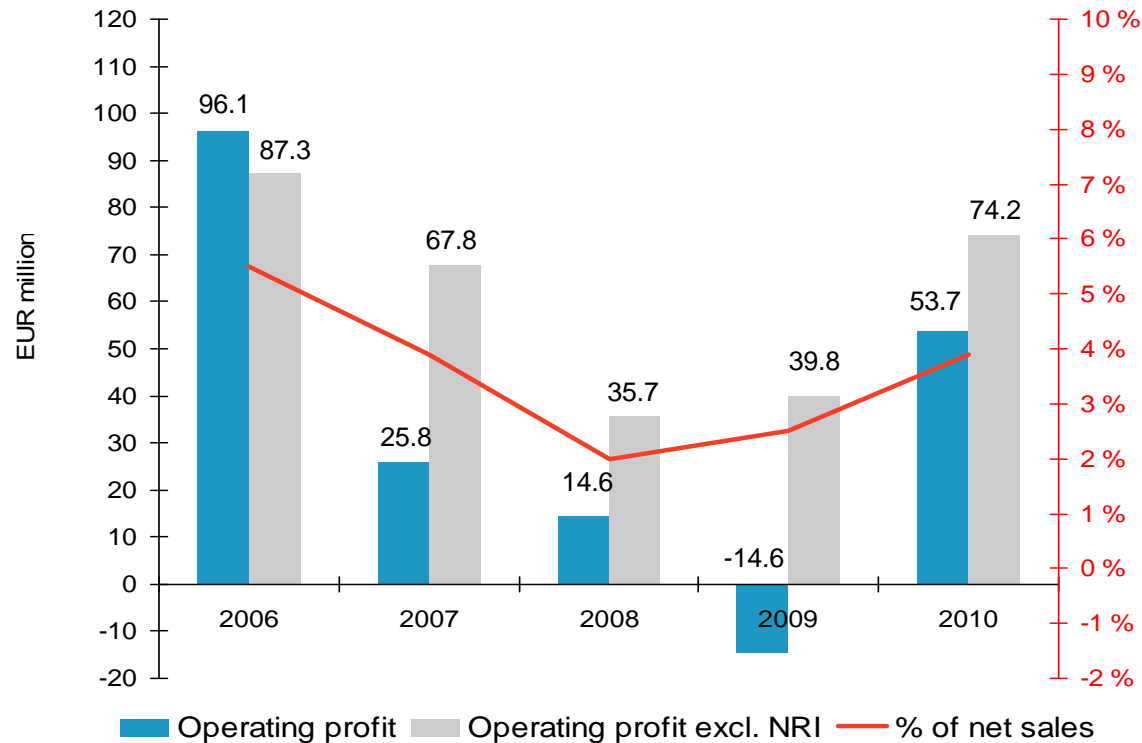
- Net sales rose by 18.7% in 2010
- Volumes up 8.7%
- The growth was primarily attributable to the increase in sales volumes in the first half and higher prices in the second half

Net sales by region



- Net sales growth was fastest in Asia

Operating profit in 2006–2010



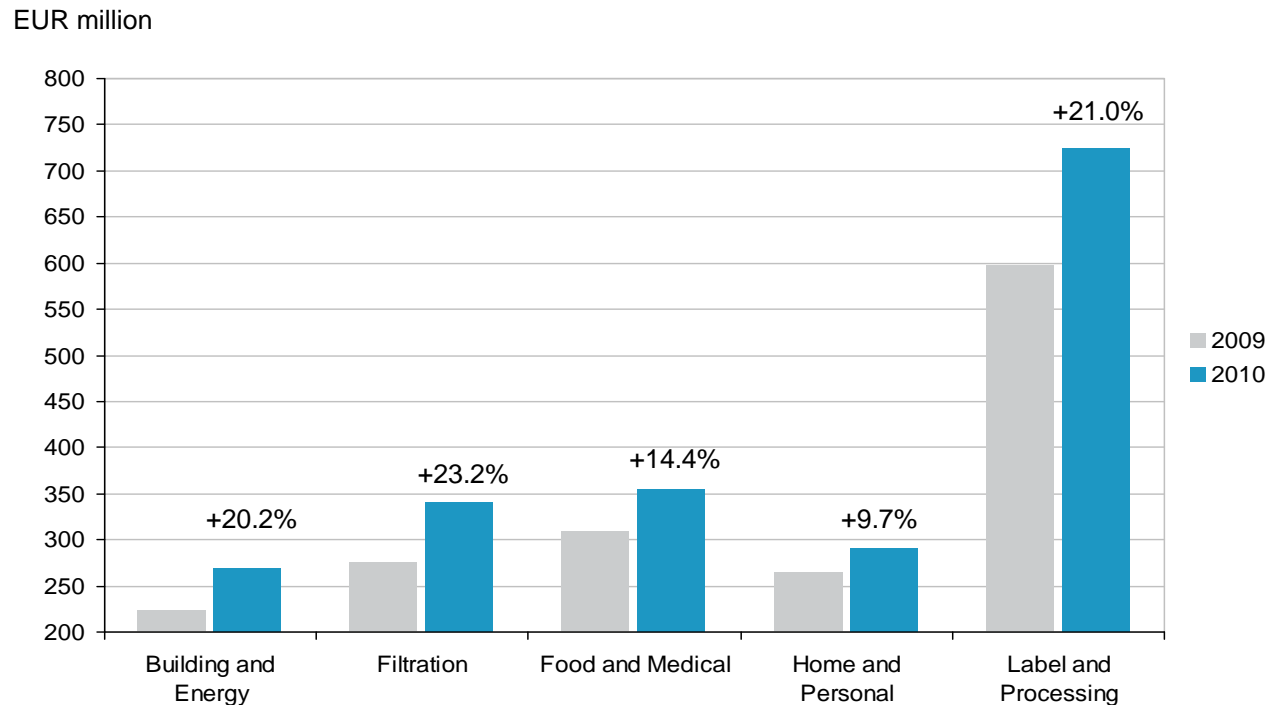
- Teabag materials line in Chirnside, La Gère, hybrid wallcover line in Turin and Mundra burdened 2010 operating profit excluding non-recurring items by approximately EUR 19 million

Mergers and Acquisitions in 2010

- Acquisition of transportation filtration materials plant in Binzhou, China
- Joint venture in China for manufacturing of medical papers and masking tape
- Divestment of Sealing & Shielding and Dust Filtration units as part of a strategic review of the product portfolio

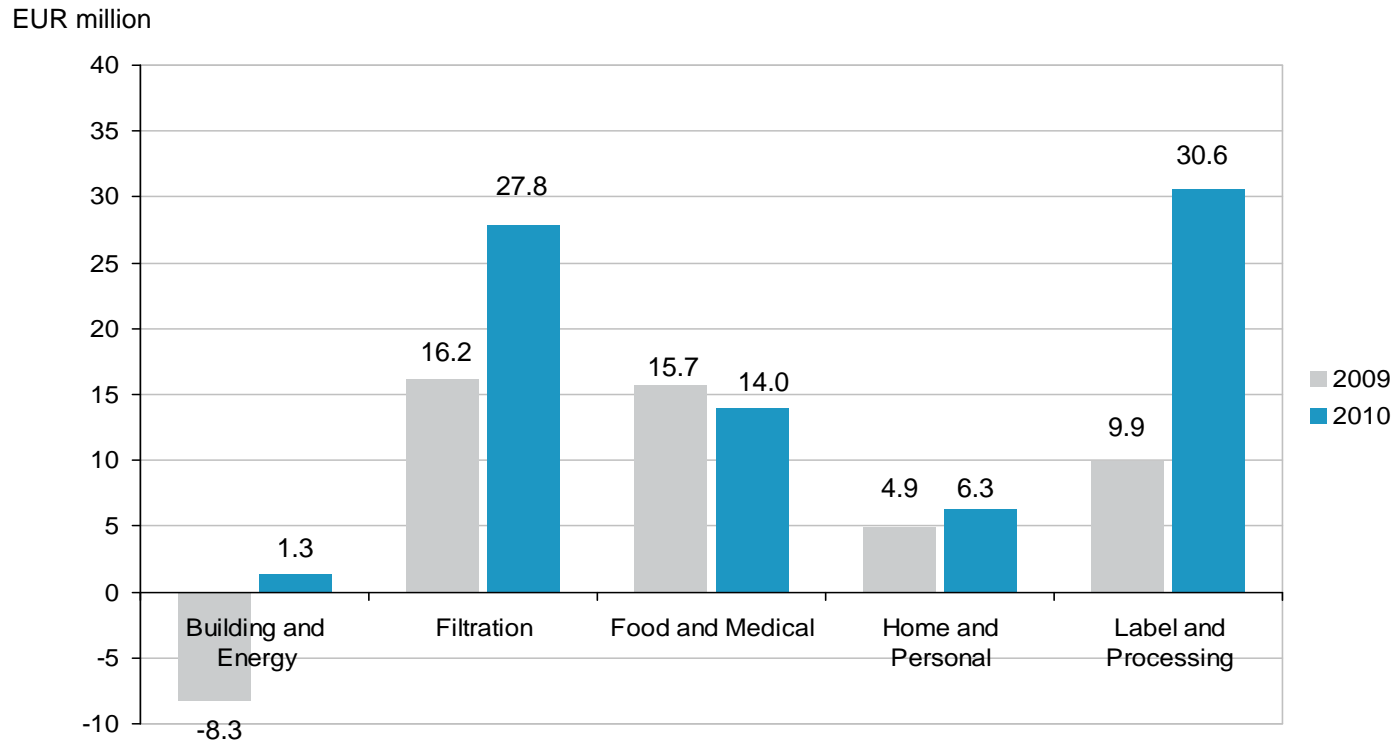


Net sales by Business Area in 2010



- All Business Areas reported higher volumes and net sales
- Improved demand from automotive industry in North America and Asia (Filtration), as well as increased demand for wallcover materials in China and flooring materials in Russia boosted sales volumes (Building and Energy)

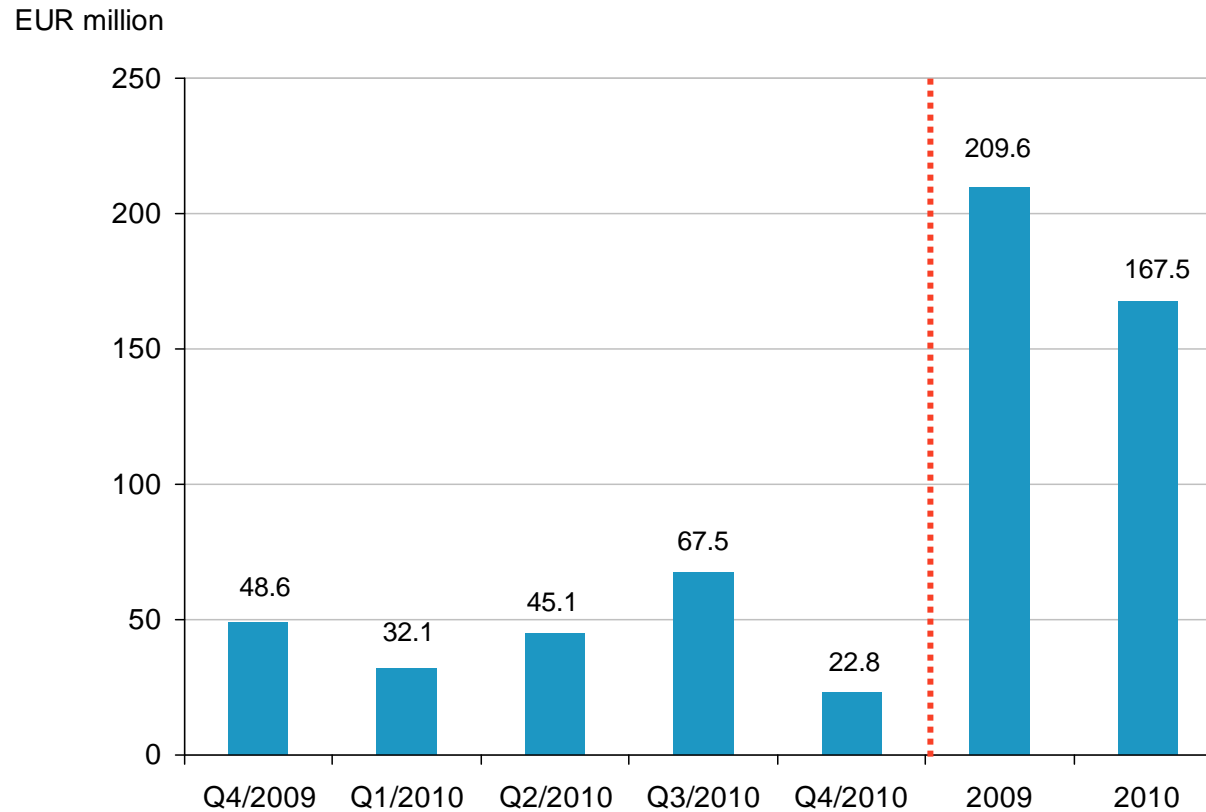
*Operating profit by Business Area in 2010



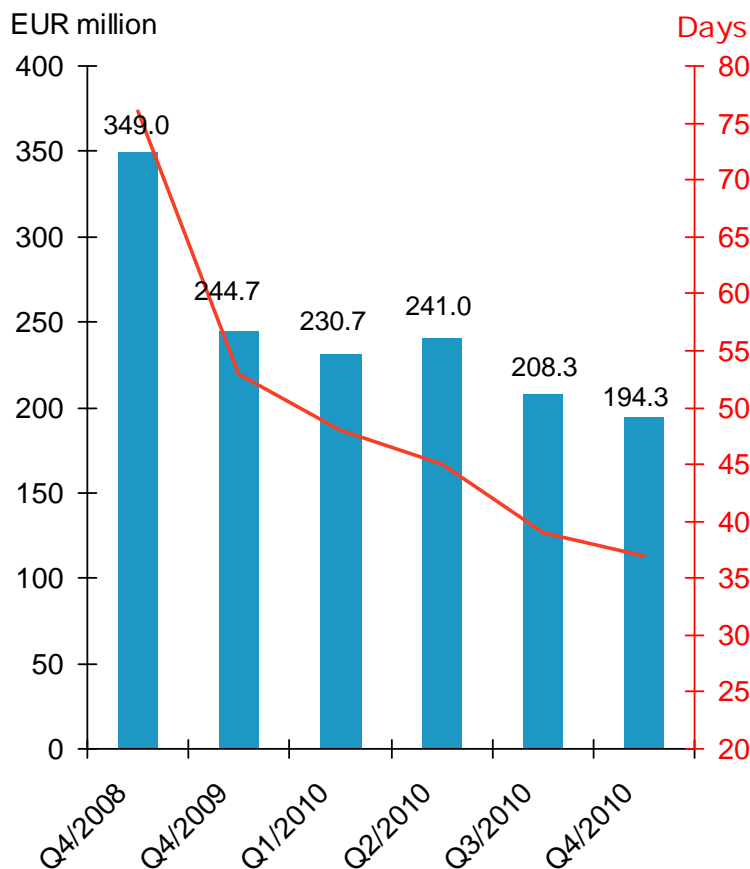
- Higher volumes and more efficient cost base impacted profitability at all Business Areas
- Mundra and the teabag material line in Chirnside burdened the result at Food and Medical

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Net cash from operating activities 2009–2010



Strong development of operative working capital

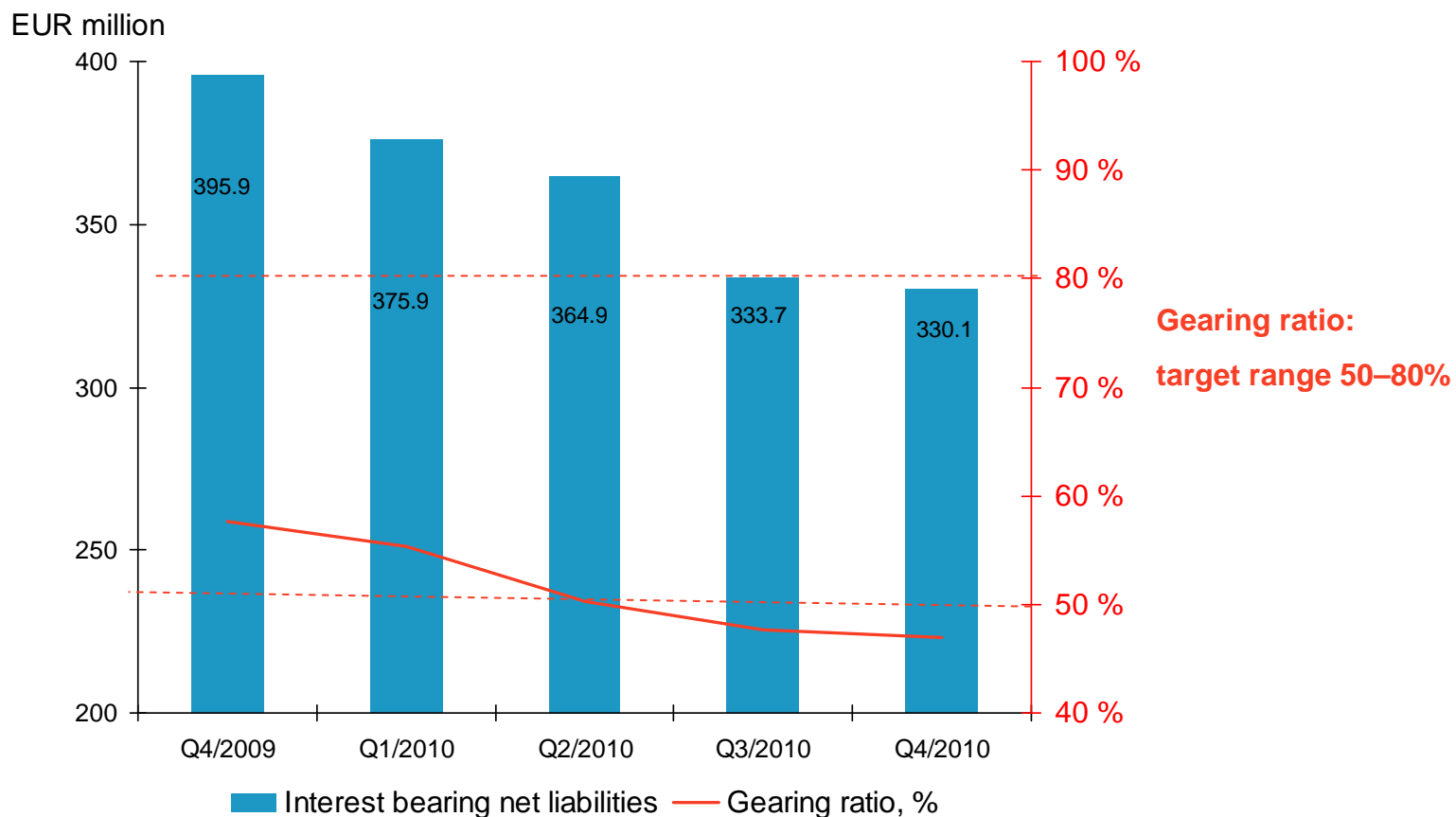


■ Operative working capital* — Turnover rate in days

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

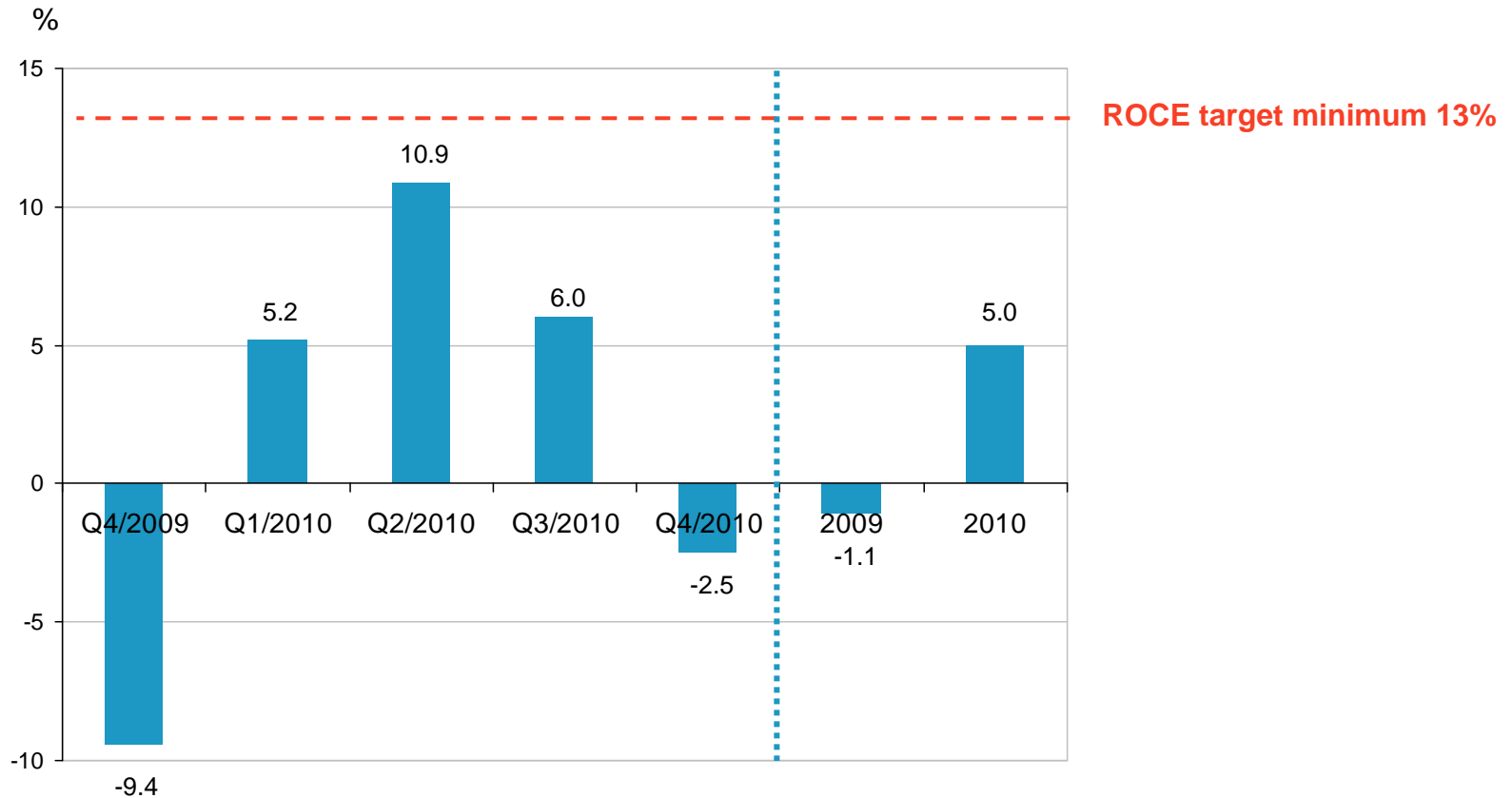
- The project has been completed
- Operative working capital was reduced by EUR 154.7, clearly surpassing the EUR 100 million target
- Turnover improved by 39 days from the end of 2008
- Turnover was 37 days on Dec. 31, 2010

Gearing ratio

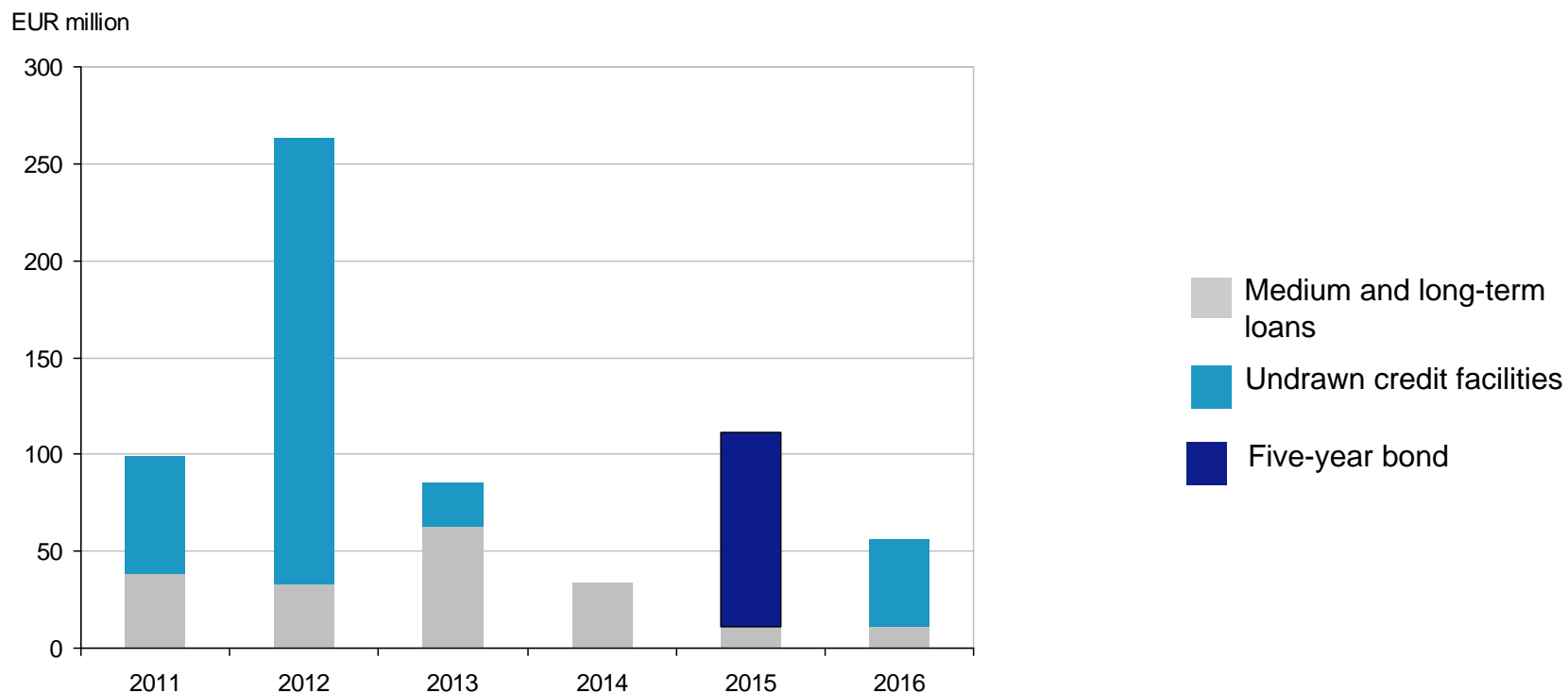


- Net debt and gearing ratio reduced in 2010
- Gearing ratio on December 31, 2010 was 46.9%

Return on capital employed

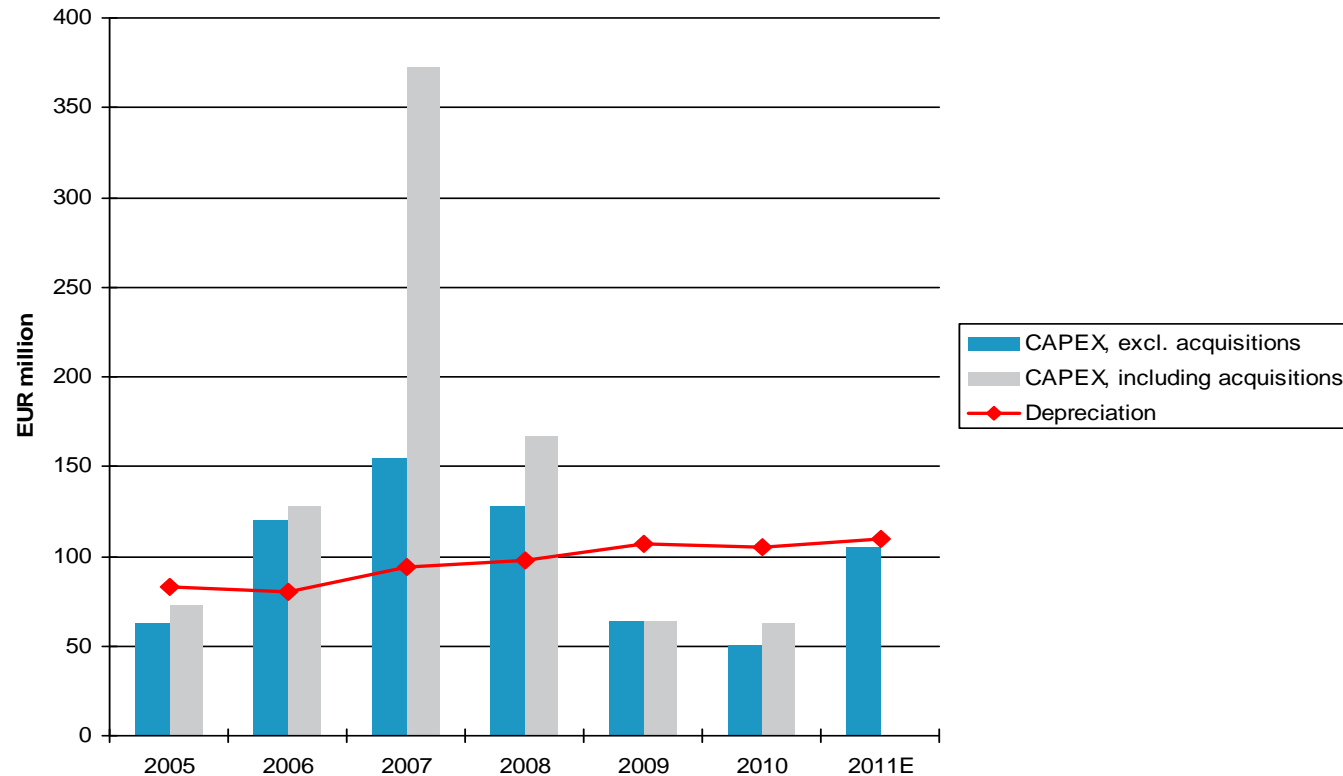


Maturity profile of medium/long-term credit facilities



- Ahlstrom issued a five-year EUR 100 million bond in November, 2010
- In December 2010, Ahlstrom signed a seven-year EUR 45 million research and development loan with the European Investment Bank
- Total liquidity, including cash, undrawn committed credit facilities and the cash pool limits totaled EUR 382.1 million at the end of 2010
- Ahlstrom had available undrawn uncommitted credit facilities totaling EUR 169.1 million

Investments 2005–2011



- Annual maintenance investments approximately EUR 40 million
- In 2010, investments were EUR 51.1 million, excluding acquisitions
- In 2011, investments are anticipated to be approximately EUR 105 million (excluding acquisitions)

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Income statement

EUR million	Q4/2010	Q4/2009
Net sales	481.4	420.5
Cost of goods sold	-425.6	-378.1
Gross profit	55.8	42.4
Sales and general admin. expenses	-41.0	-35.6
Other income and expenses	-21.8	-33.4
Operating profit/-loss	-7.0	-26.6
Net financial expenses	-5.4	-6.4
Share of profit from associated companies	-0.2	-0.4
Profit/loss before taxes	-12.6	-33.4
Tax income (+) / income taxes (-)	5.8	5.5
Profit for the period	-6.8	-27.9
Return on capital employed, %	-2.5	-9.4



Price increases



Higher raw material costs



2009 temporary layoffs,
development programs



**NRI: EUR -22.0 million in 2010 vs –
EUR 46.2 million in 2009**

Balance sheet

EUR million	Dec. 2010	Dec. 2009
Non-current assets	1,012.4	1 010,8
Inventories	198.0	175.9
Trade and other receivables	305.8	319.9
Other current assets	2.4	3.7
Cash	24.6	19.9
Assets	1,543.2	1,530.2
Equity	703.8	685.6
Provisions	10.8	17.7
Interest-bearing debt	354.7	415.8
Employee benefit obligations	76.2	78.2
Trade and other payables	361.1	305.1
Other liabilities	36.5	27.8
Total equity and liabilities	1,543.2	1,530.2
Gearing ratio, %	46.9	57.7

➔ Reduction of overdue receivables and trading terms

➔ Positive cash flow

➔ Trading terms

➔ Balance sheet further strengthened

Cash flow

EUR million	Q4/2010	Q4/2009
EBITDA	19.5	34.8
Cash flow adjustments	6.0	-7.5
Change in net working capital	12.6	34.2
Financial items	-12.9	-12.4
Taxes paid	-2.4	-0.5
Net cash from operating activities	22.8	48.6
Purchases of assets	-19.6	-11.8
Other investing activities	11.2	0.3
Net cash from investment activities	-8.3	-11.5
Cash flow after investing activities	14.5	37.1
Dividends paid and others	-0.2	-
Repurchase of own shares	-1.1	-
Investment to Ahlstrom shares related to share ownership plan for EMT	-1.6	-
Payments received on hybrid bond	-	80.0
Interest on hybrid bond	-7.6	-
Drawdowns and repayments	-24.7	-133.9
Net cash from financing activities	-35.2	-53.9
Net change in cash	-20.7	-16.8

➔ Working capital reduced

➔ Maintenance and growth capex level

➔ Divestments

➔ Hybrid bond 2009

➔ Paid interest on hybrid bond

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Management 2011 agenda

- Leverage improved organizational strength to develop organic growth
- Safeguard margins through active price management
- Execute strategic agenda by
 - Continuing active assessment of growth strategy in Asia
 - Seeking strategic growth opportunities in defined growth businesses
- Cost improvements in supply chain
- Continue development initiatives
 - Strengthening of global processes
 - Continued development of global key accounts and sales processes
 - Strengthening of leadership competences
 - Spend in development initiatives EUR 12 million



Outlook

- Guidance on net sales and operating profit has been changed to be more informative and transparent
- Net sales in 2011 is expected to be EUR 1,920-2,080 million
 - Sales prices have been increased and will be raised further if necessary to cover rising raw material costs
 - Higher sales volumes
- Operating profit, excluding non-recurring items, in 2011 is expected to be EUR 90-110 million
 - More efficient cost base, continuous development of operations
- Investments excluding acquisitions are estimated at approximately EUR 105 million





Thank You!