

AHLSTROM

# Ahlstrom

Interim report January-September 2012

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October 22, 2012



# Agenda

- July-September 2012
- Business area review
- Cash flow and debt development
- Income statement and balance sheet
- Future prospects

# July-September 2012 in brief

- Demand for most of our products remained soft
  - Highlights: Advanced Filtration
  - Lowlights: Europe, Asia
- Financial performance improved somewhat from the comparison period
  - Good pricing management
  - Operating profit hurt by volume shortfall and currency effect
- Major steps taken in strategy execution
  - Combination of Label and Processing and Munksjö, creating a leading global specialty paper company
  - Munktell acquisition in Advanced Filtration



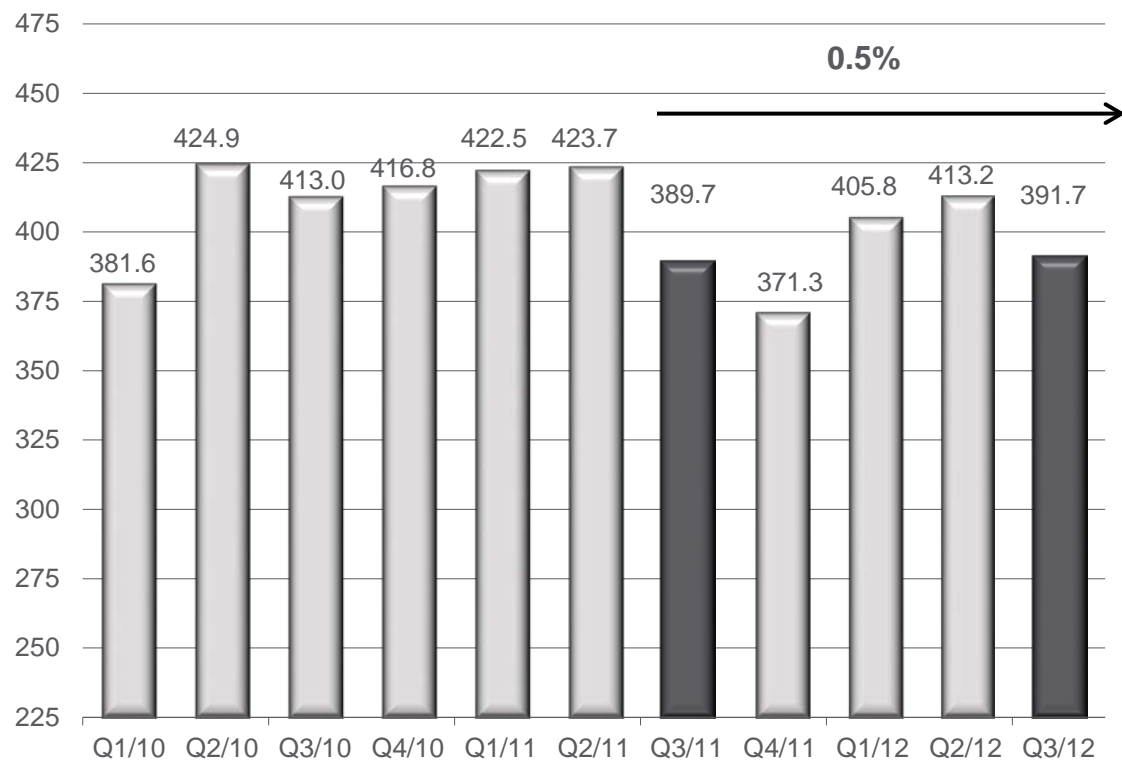
# July-September 2012 key figures

EUR million	Q3/2012	Q3/2011	Change, %	Q1-Q3/ 2012	Q1-Q3/ 2011	Change, %
<b>Net sales</b>	<b>391.7</b>	389.7	0.5	1,210.7	1,235.9	-2.0
<b>Operating profit excl. NRI</b>	<b>9.3</b>	8.0	17.1	39.8	48.0	-17.0
<b>% of net sales</b>	<b>2.4</b>	2.0		3.3	3.9	
<b>Gearing*</b>	<b>50.4</b>	54.3		50.4	54.3	
<b>ROCE, %</b>	<b>2.6</b>	-8.6		4.3	3.7	

\*Including discontinued operations

# Quarterly net sales development

EUR million



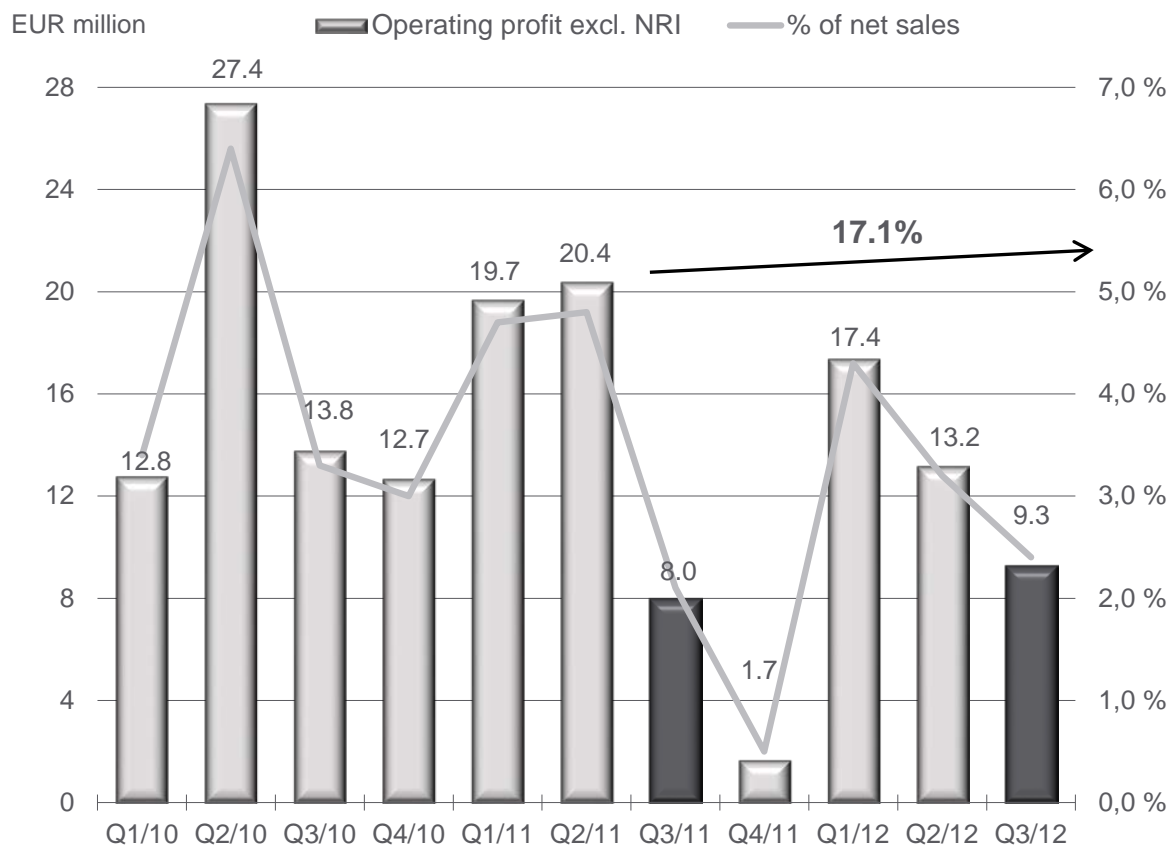
## Highlights

- Favorable currency effect
- Higher selling prices

## Lowlights

- Lower sales volumes
- Product mix

# Quarterly operating profit development



## Highlights

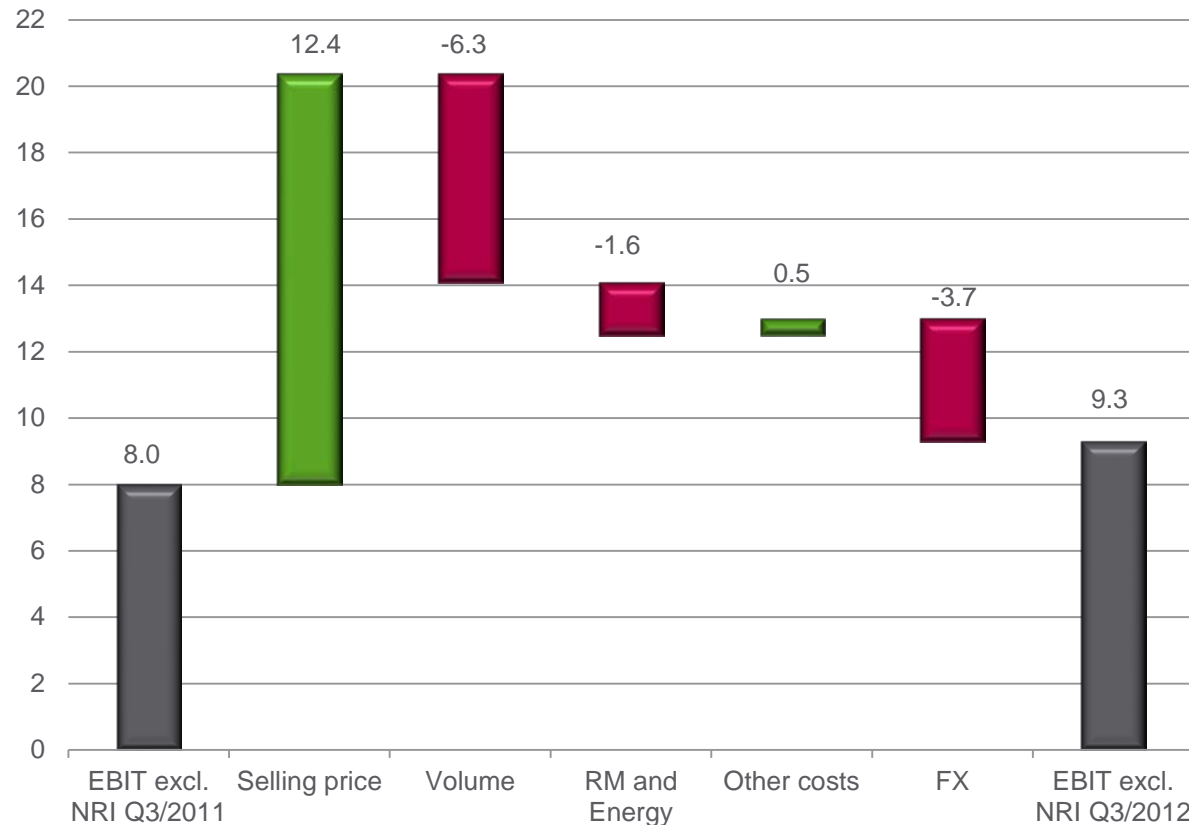
- Pricing management
- Profit improvement program of 2011
- Efficiency gains in supply chain
- Short-term cost mitigation

## Lowlights

- Lower sales volumes
- Net impact from EUR/USD exchange rate
- Higher energy costs (natural gas in Italy and Brazil)
- Increased specialty pulp prices

# Operating profit\* improved by good pricing management

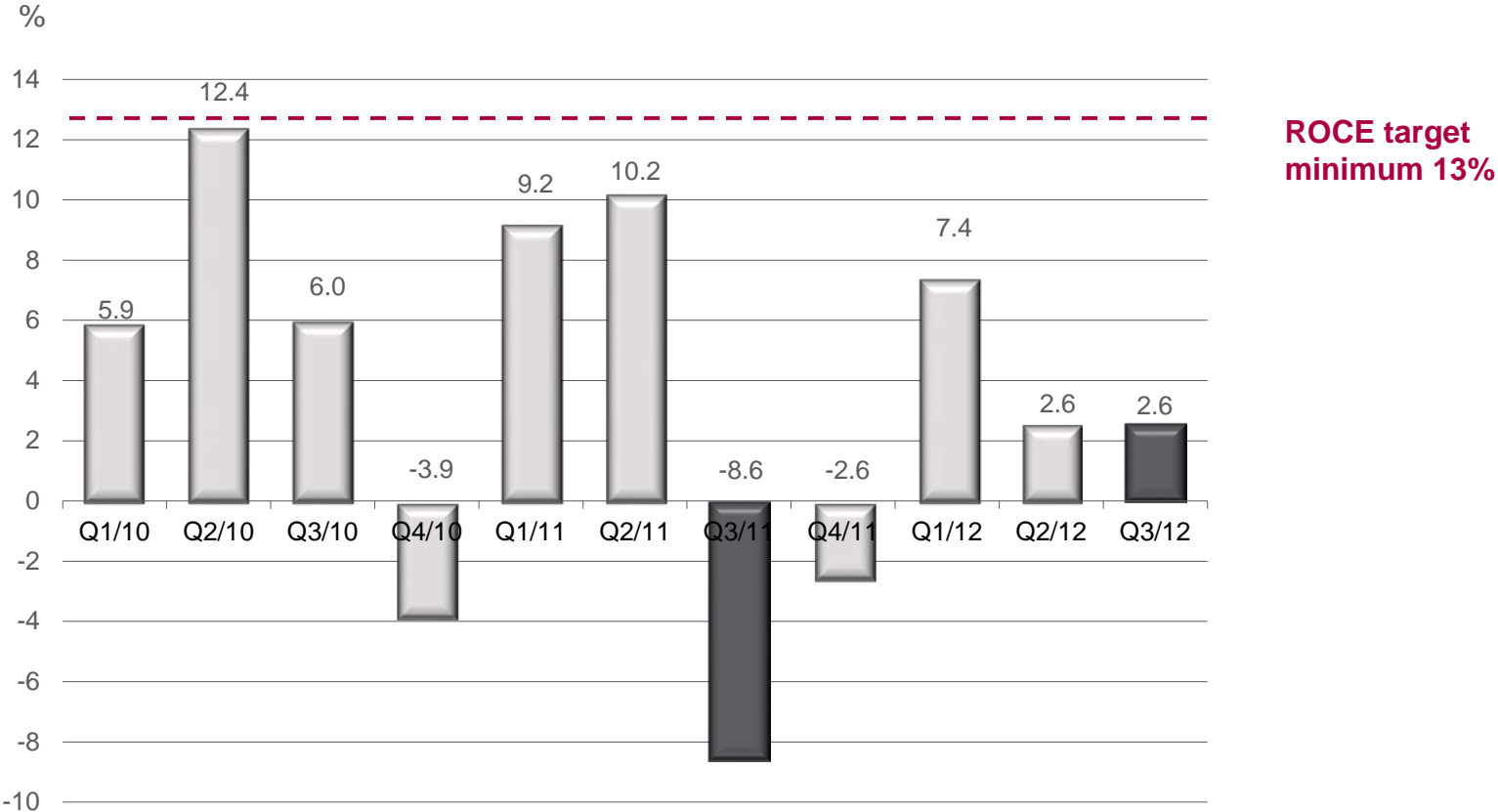
EUR million



- Good pricing management
- Volume shortfall mainly in Building and Energy, and Food and Medical
- The EUR/USD exchange rate increased pulp prices denominated in euros, hurting operating profit mainly in the Label and Processing business area
- Higher energy costs in Italy and Brazil

\*Excluding non-recurring items

# Return on capital employed





# Business area review



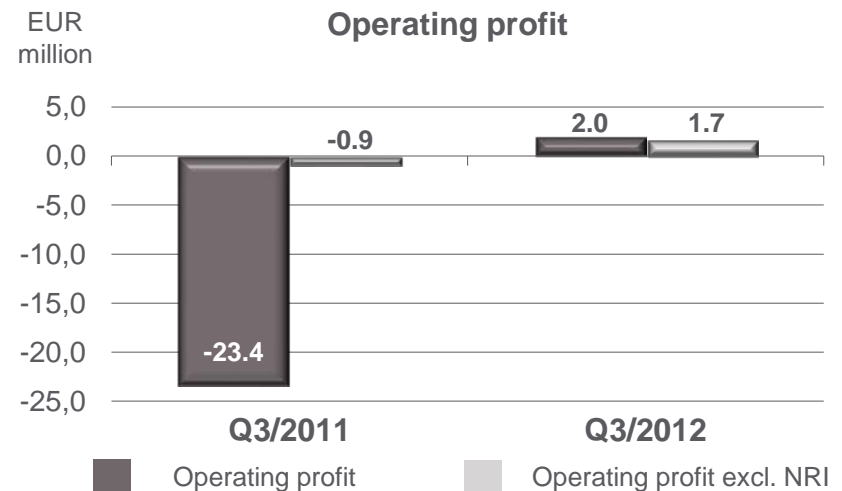
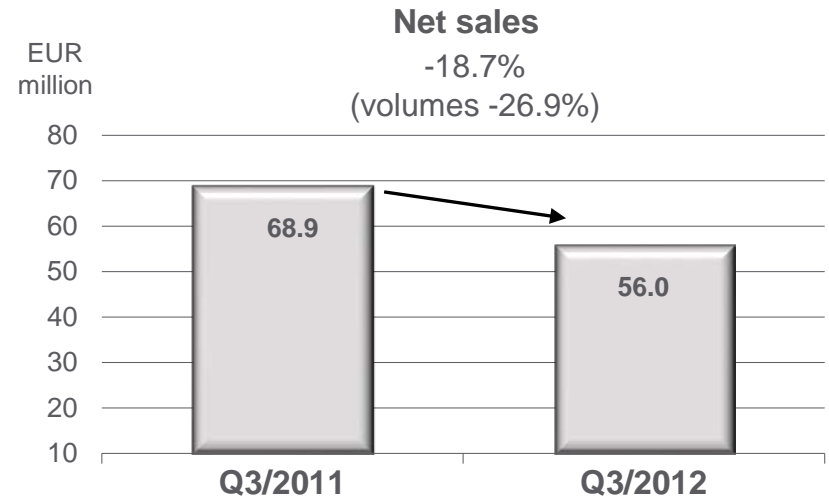
# Building and Energy

## Highlights

- Wallpaper and flooring materials in Europe
- Specialty nonwovens e.g. for the automotive and building industries
- Increase in profitability particularly due to the profit improvement program

## Lowlights

- Volume decline (-26.9%)
  - Excluding asset closures -9.1%
- Wallcoverings in China
- Wind energy



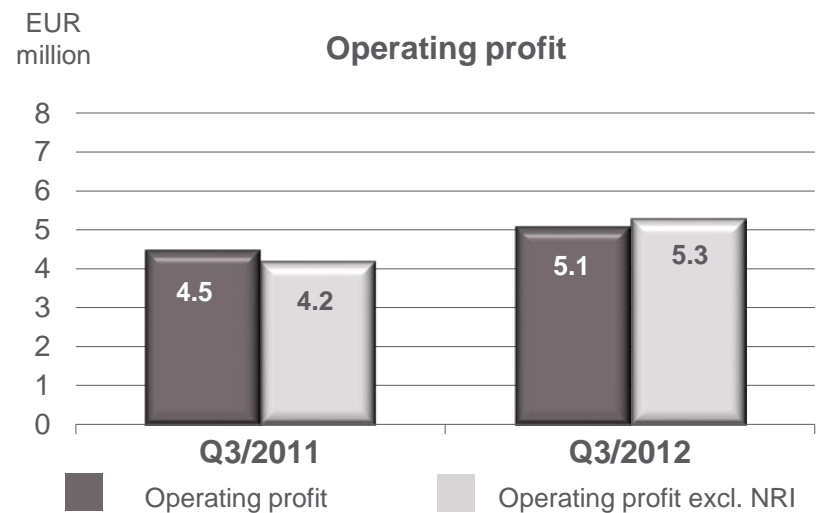
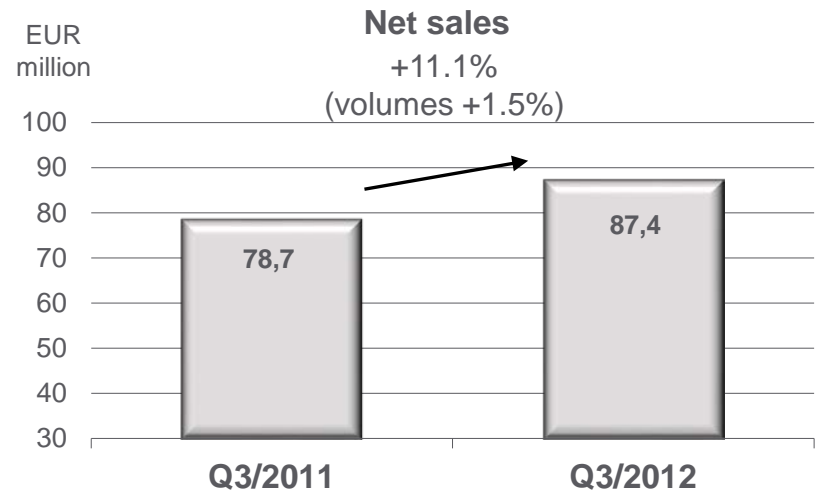
# Filtration

## Highlights

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

## Lowlights

- Demand in Europe
- Increased energy costs in Italy, and specialty pulps costs in general



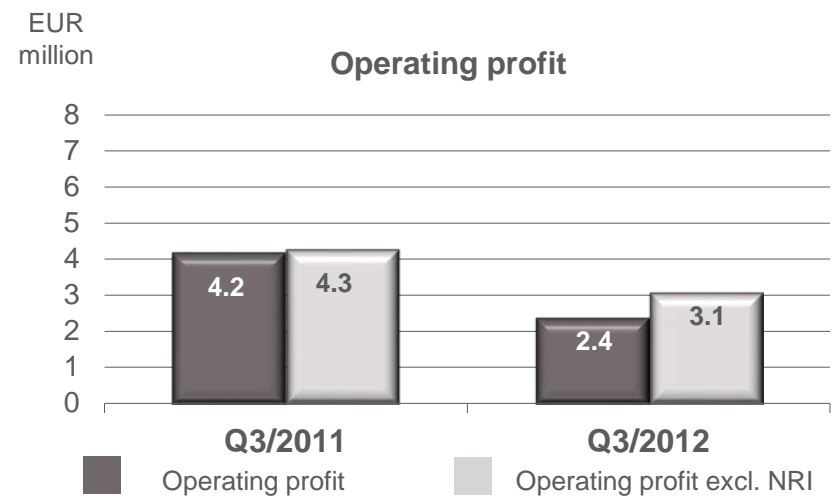
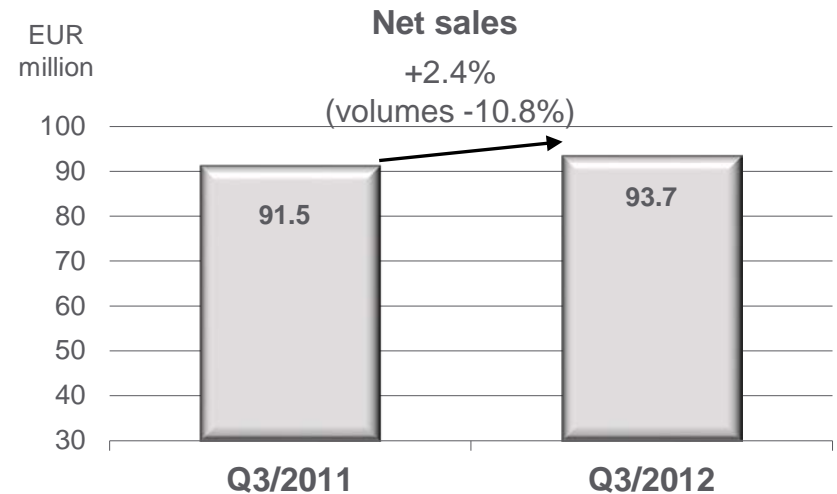
# Food and Medical

## Highlights

- Higher selling prices
- Improved product mix

## Lowlights

- Demand for tape and food packaging products
- Exit from some unprofitable markets
- Increased market related downtime
- Commercialization of the Mundra plant and the Chirnside teabag line continued



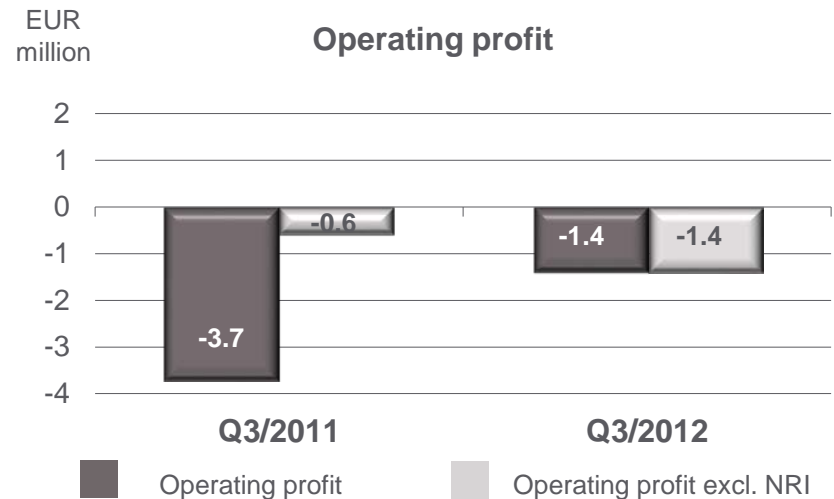
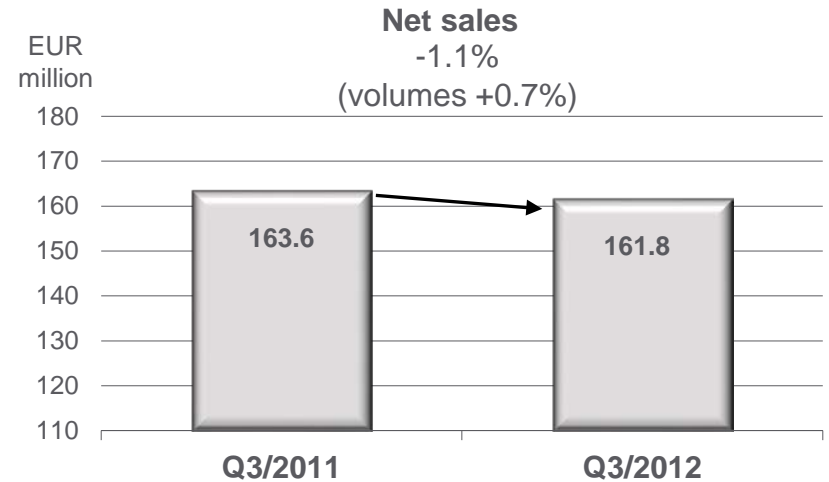
# Label and Processing

## Highlights

- Release liners sales supported by recently introduced Acti-V™ products
- Price increases implemented
- Profit improvement program
- Responsiveness to market conditions
  - Short-term cost savings, market related downtime, tactical volumes

## Lowlights

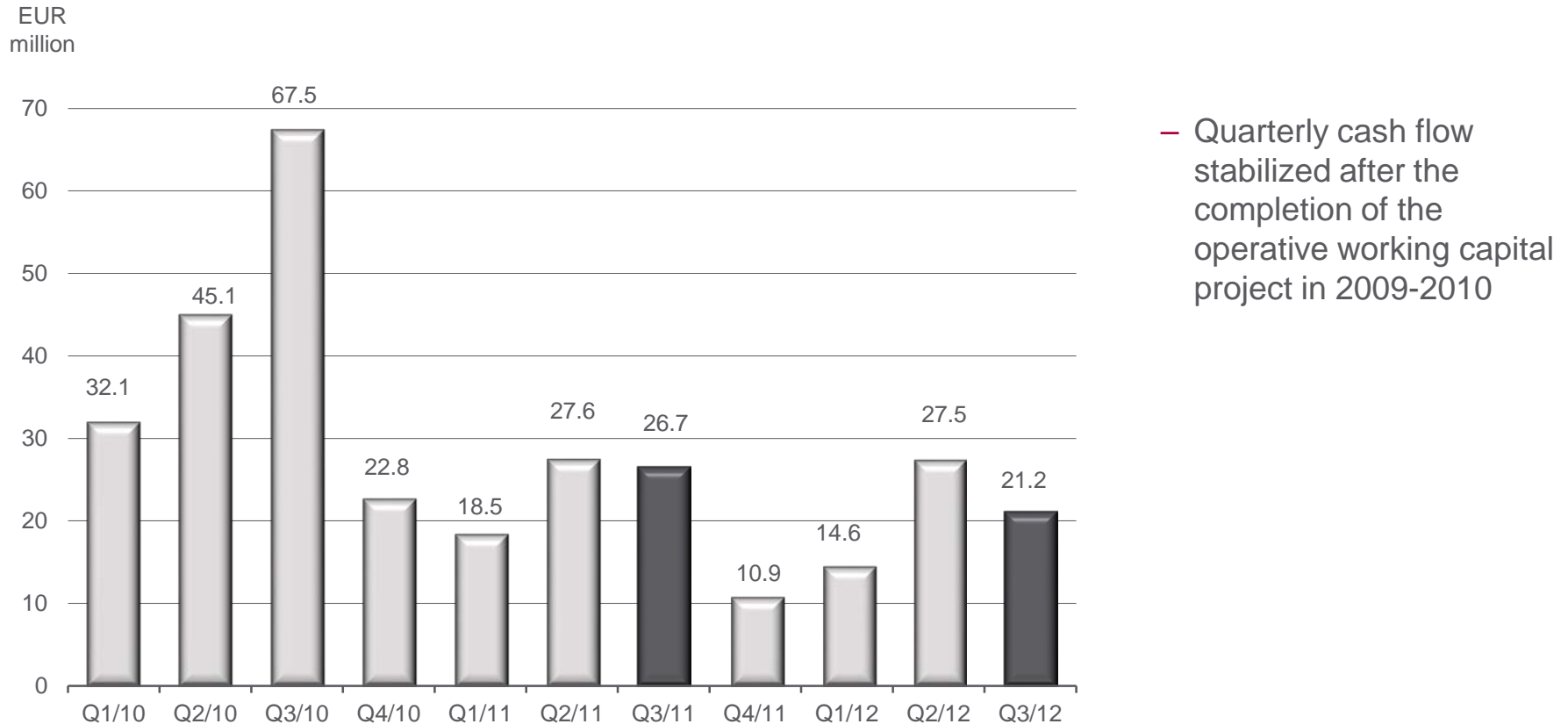
- Soft demand in general
- EUR/USD currency rate impacted pulp prices
- Product mix
- Higher energy costs in Italy and Brazil



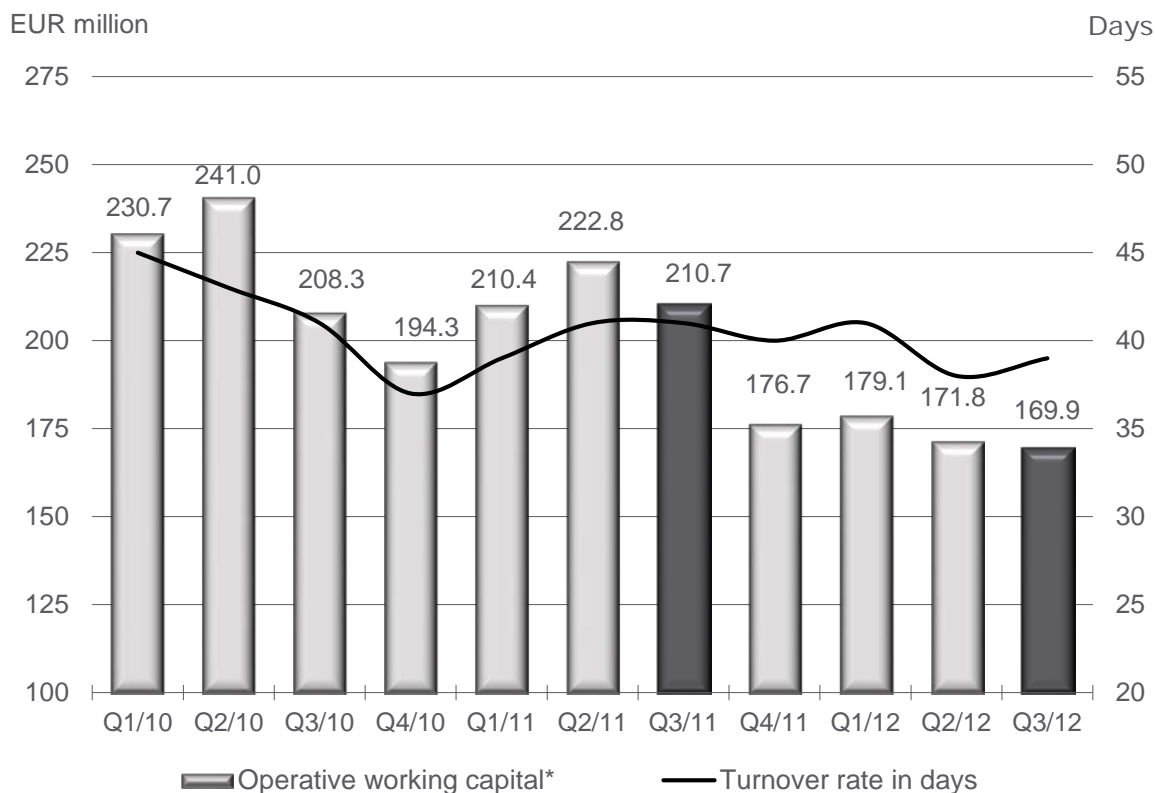
# Cash flow and debt development



# Quarterly net cash from operating activities (including discontinued operations)



# Development of operative working capital (including discontinued operations)

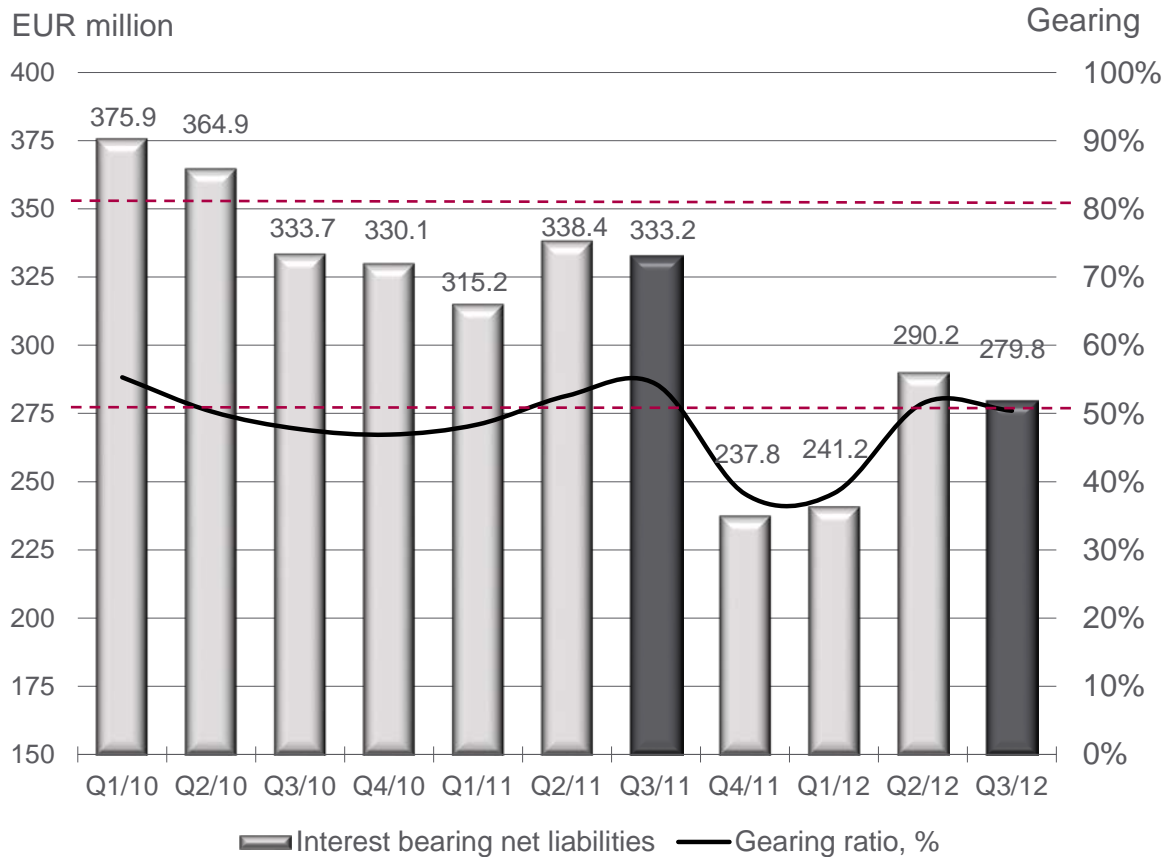


- Operative working capital has been stable since the end of 2011
- Turnover rate was 39 days on September 30, 2012 (41 days on Dec. 31, 2011)

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



# Gearing ratio (including discontinued operations)

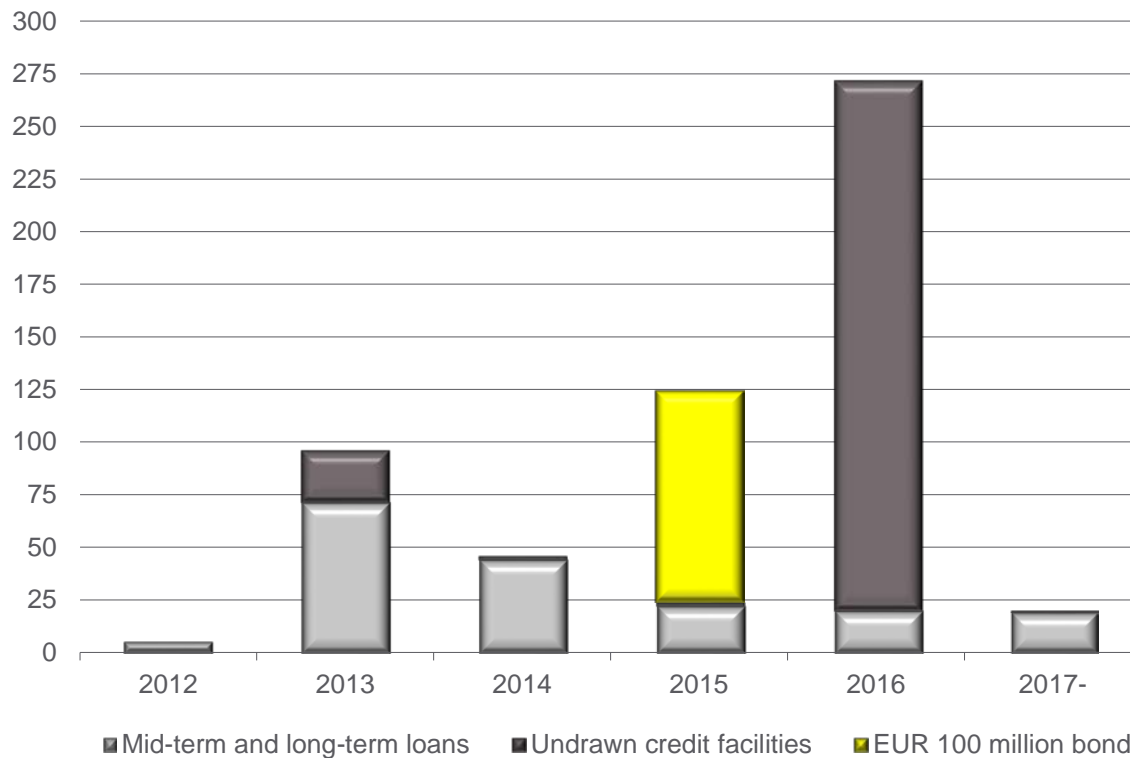


**Gearing ratio:  
target range 50–80%**

- Net debt significantly reduced in Q4/2011 due to the divestment of Home and Personal
- Gearing ratio on September 30, 2012 was 50.4%

# Maturity profile of medium/long-term credit facilities

EUR million



- Total liquidity, including cash and unused committed credit facilities was EUR 331.3 million at the end of Q3/2012.
- In addition, Ahlstrom had undrawn uncommitted credit facilities and cash pool overdraft limits of EUR 150.8 million available.

# Income statement and balance sheet



# Income statement

	Q3/2012	Q3/2011	
<b>EUR million</b>			
<b>Net sales</b>	<b>391.7</b>	<b>389.7</b>	▶ Higher selling prices, currency effect
Cost of goods sold	-339.7	-359.0	
<b>Gross profit</b>	<b>52.0</b>	<b>30.7</b>	
Sales, administrative and research & development expenses	-42.6	-39.3	
Other income and expenses	0.0	-8.8	
<b>Operating profit / loss</b>	<b>9.4</b>	<b>-17.3</b>	▶ In 2011, operating profit includes non-recurring items EUR -25.3 million
Net financial expenses	-5.1	-6.0	
Share of loss of equity accounted investments	-4.0	-1.1	▶ Munksjö Oyj, Jujo Thermal
<b>Profit / Loss before taxes</b>	<b>0.3</b>	<b>-24.4</b>	▶ Large share of revenues in countries with high tax rate and conservative booking of tax revenues
Income taxes / deferred tax	-6.6	4.3	
<b>Profit / Loss for the period from continuing operations</b>	<b>-6.3</b>	<b>-20.2</b>	
<b>Profit / Loss for the period from discontinued operations</b>	<b>0.9</b>	<b>1.8</b>	▶ Brazilian part of Home and Personal included
<b>Profit / Loss for the period</b>	<b>-5.5</b>	<b>-18.4</b>	

# Balance sheet

	Sept. 30, 2012	Dec. 31, 2011	
<b>EUR million</b>			
Total non-current assets	841.1	865.0	
Inventories	188.1	185.8	
Trade and other receivables	255.5	241.4	
Other short-term receivables	1.0	2.4	
Cash and cash equivalents	48.7	94.0	
Assets classified as held for sale	26.8	42.3	▶ Brazilian part of Home and Personal
<b>Total assets</b>	<b>1,361.1</b>	<b>1,430.8</b>	
Total equity	555.4	622.7	▶ Incl. EUR 80 million hybrid bond. Dividends paid
Provisions	22.1	24.9	
Interest bearing loans and borrowings	328.9	332.2	
Employee benefit obligations	76.0	73.3	
Trade and other payables	331.5	328.8	
Others	45.7	39.1	
Liabilities classified as held for sale	1.6	9.8	▶ Brazilian part of Home and Personal
<b>Total equity and liabilities</b>	<b>1,361.1</b>	<b>1,430.8</b>	
<b>Gearing ratio</b>	<b>50.4</b>	<b>38.2</b>	▶ Gearing ratio increased due to the dividend payment

# Statement of cash flows

## (including discontinued operations)

	Q3/2012	Q3/2011	
<b>EUR million</b>			
<b>EBITDA</b>	<b>28.9</b>	<b>16.5</b>	
Adjustments	-5.2	14.6	
Changes in net working capital	2.9	10.8	▶ Reduction in operative working capital
Financial items	-4.8	-13.0	▶ Impact from currency swaps
Income taxes paid / received	-0.5	-2.3	
<b>Net cash from operating activities</b>	<b>21.2</b>	<b>26.7</b>	
Acquisition of Group companies		0.3	
Investments	-21.0	-12.5	▶ Joint venture for crepe paper production in Longkou, China
Other investing activities	9.4	0.9	Filtration materials investment in Turin, Italy
<b>Net cash from investing activities</b>	<b>-11.6</b>	<b>-11.3</b>	
Repurchase of own shares		-0.1	
Changes in loans and other financing activities	-8.8	-19.4	
<b>Net cash from financing activities</b>	<b>-8.8</b>	<b>-19.4</b>	
<b>Net change in cash and cash equivalents</b>	<b>0.8</b>	<b>-4.0</b>	
Cash and cash equivalents at the beginning of the period	48.8	26.6	
<b>Cash and cash equivalents at the end of the period</b>	<b>49.1</b>	<b>21.9</b>	

# Future prospects



# Outlook for 2012

- The outlook was revised on October 16, 2012
  - Ahlstrom's sales volume development is expected to be lower than previously anticipated
- Net sales from continuing operations are expected to be EUR 1,550-1,630 million
- Operating profit excluding non-recurring items from continuing operations is expected to be EUR 48-58 million
- Investments excluding acquisitions are estimated to amount to approximately EUR 85 million





Stay ahead™

**Thank you**

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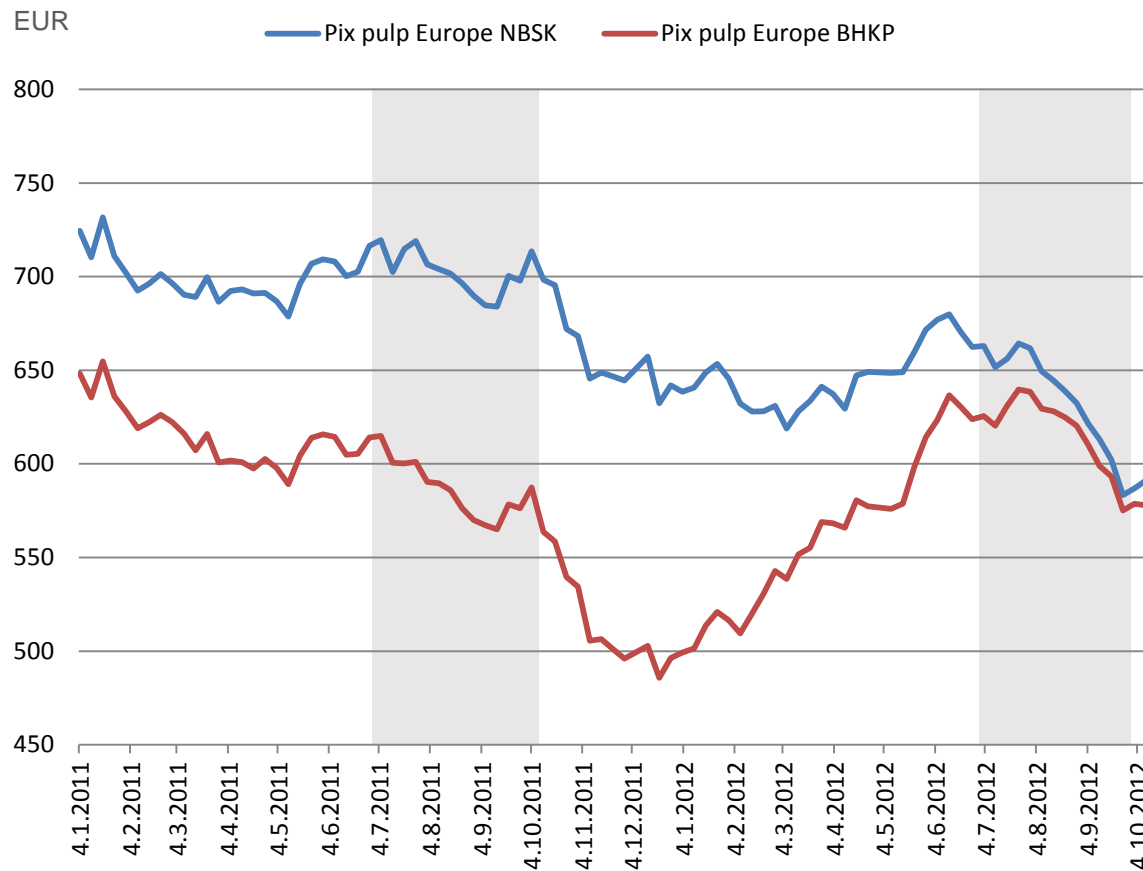
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# Pulp price development in EUR



# Pulp price development in USD

