

Ahlstrom

Interim report January-June 2013

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Helsinki
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Agenda

- April-June 2013
- Business area review
- Cash flow and debt development
- Income statement and balance sheet
- Future prospects

April-June 2013 in brief



Highlights

- Net sales and profitability improved slightly
- Advanced Filtration and integration of Munktell
- Higher selling prices and improved product mix
- LP Europe demerger completed, Coated Specialties in Brazil expected to be completed during H2/2013

Lowlights

- Volatile demand in North America
- Higher indirect and administration costs
- Focus units at Food and Medical
- Higher gearing ratio due demerger effects

Q2/2013 key figures

EUR million	Q2/2013	Q2/2012	Change, %	Q1-Q2/ 2013	Q1-Q2/ 2012	Change, %
Net sales	265.0	261.6	1.3	520.3	521.9	-0.3
Operating profit excl. NRI	7.9	7.4	6.3	14.4	17.9	-19.9
<i>% of net sales</i>	3.0	2.8		2.8	3.4	
Gearing*	83.7	56.4		83.7	56.4	
ROCE, %	1.0	1.5		3.2	3.8	

*Including discontinued operations

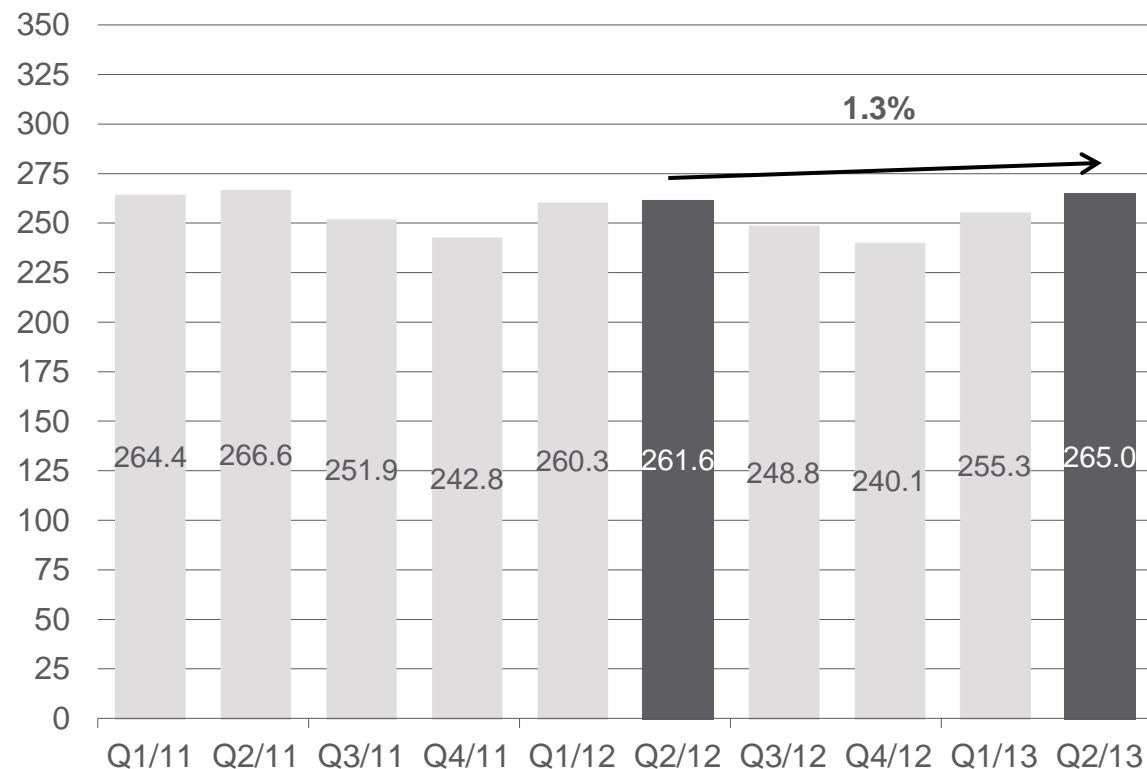
Rightsizing program



- 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
- Key actions:
 - Completion of demerger related transfers
 - Reduction of selling, general and administration (SGA) costs
 - Optimization and productivity improvements in the supply chain
- Personnel reductions of about 350 globally
- Completion of key development programs will increase efficiency and enable cost savings
- Ahlstrom to book non-recurring items of approximately EUR 15 million in 2013-14

Quarterly net sales development

EUR million



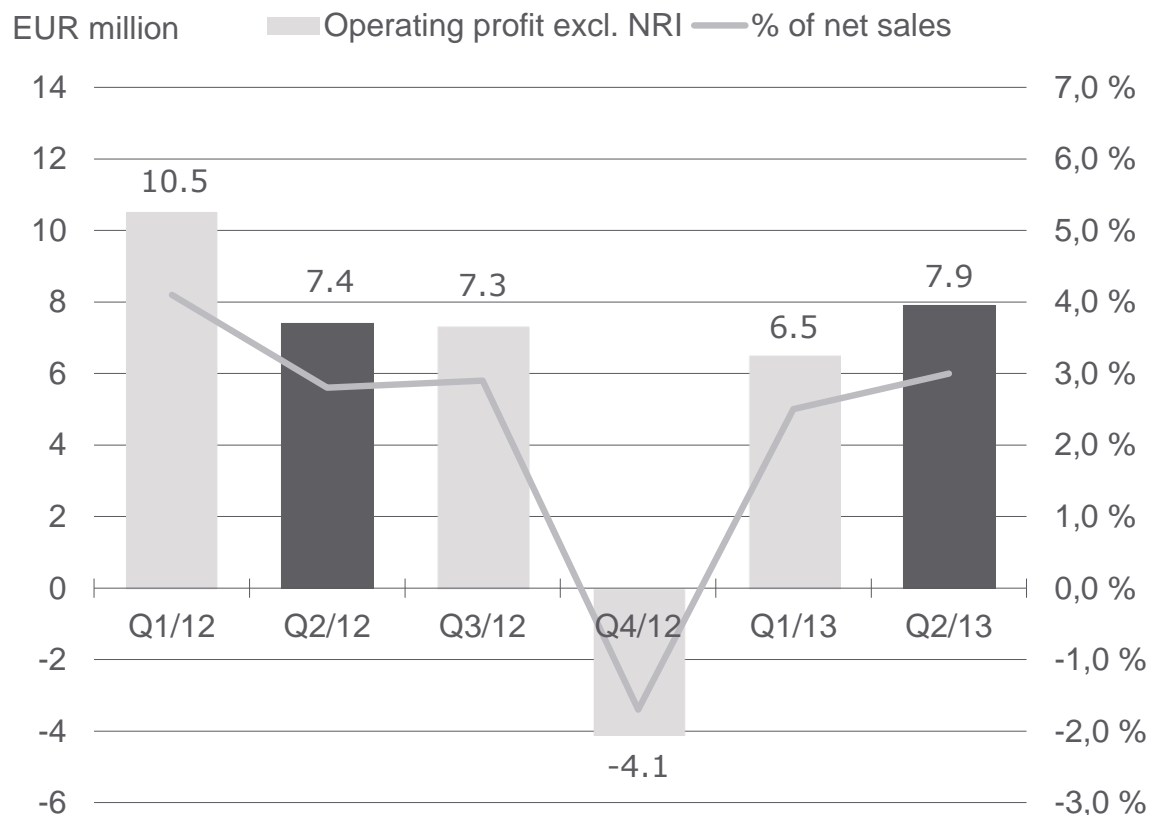
Highlights

- Higher selling prices
- Favorable product mix

Lowlights

- Adverse currency effect
- Sales in North America

Quarterly operating profit development



Highlights

- Pricing management

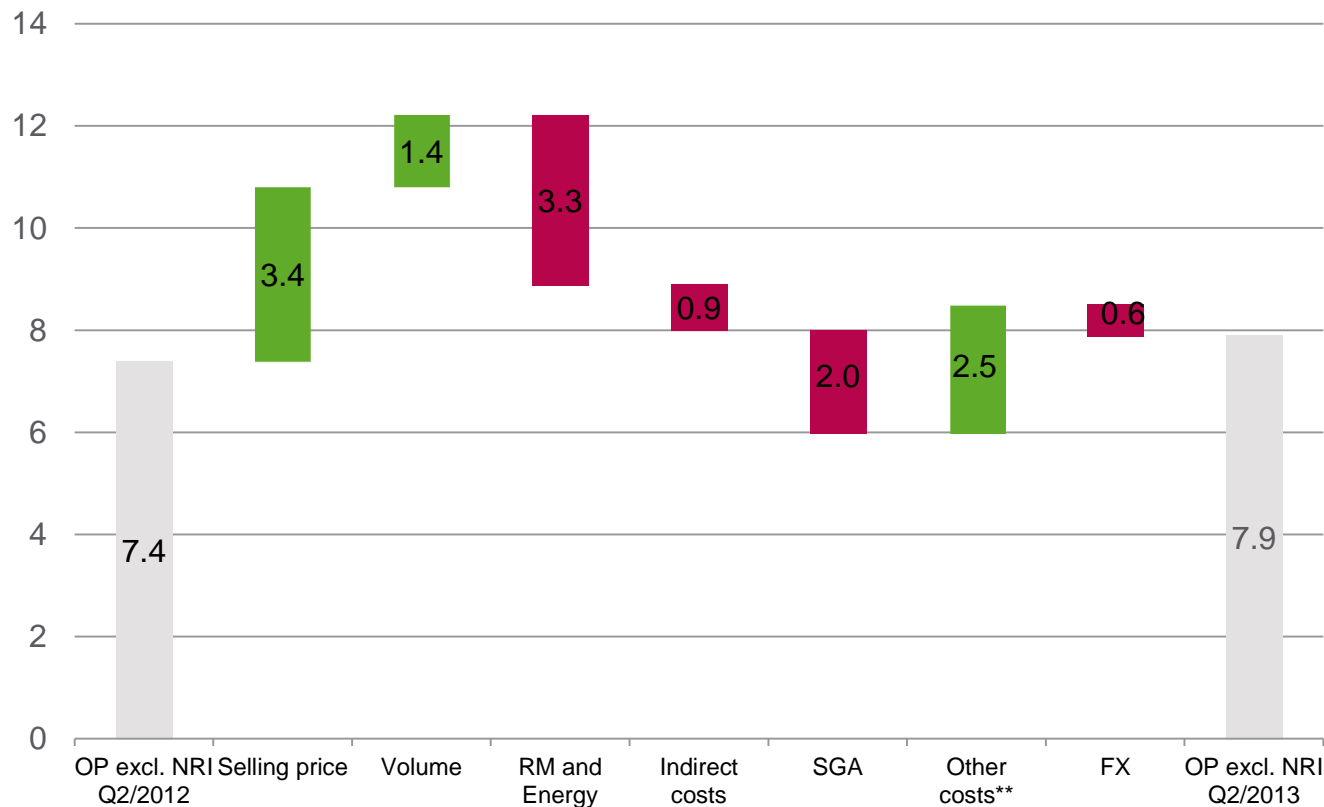
Lowlights

- Higher indirect production and administration costs, mainly related to new units

2012 figures restated

Q2/2013 operating profit* increase driven by higher selling prices and volumes

EUR million

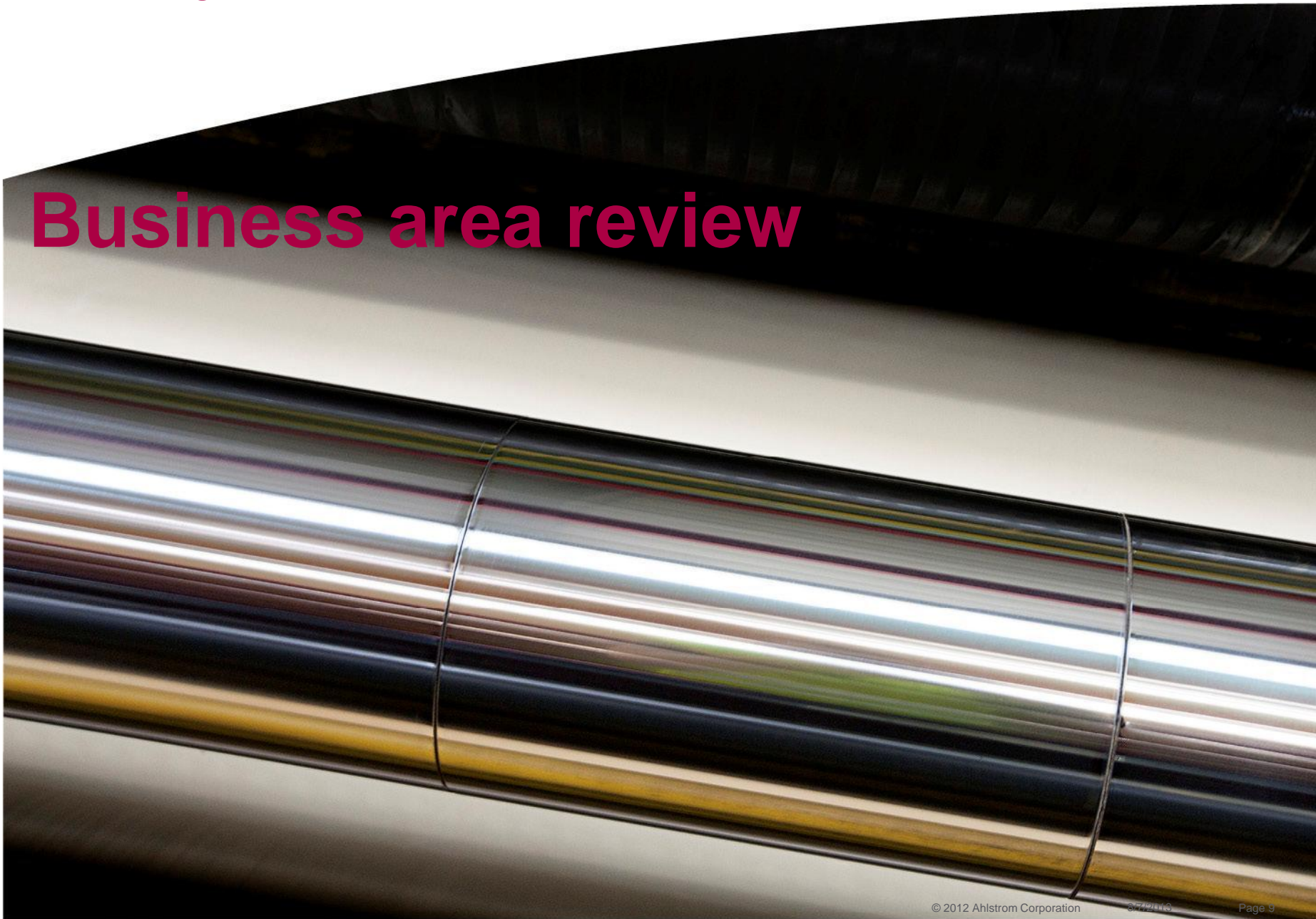


- Price increases implemented to compensate for earlier occurred higher input costs
- Higher indirect and administrative costs, mainly in new units

*Continuing operations, excluding non-recurring items

**Including change in inventory

Business area review



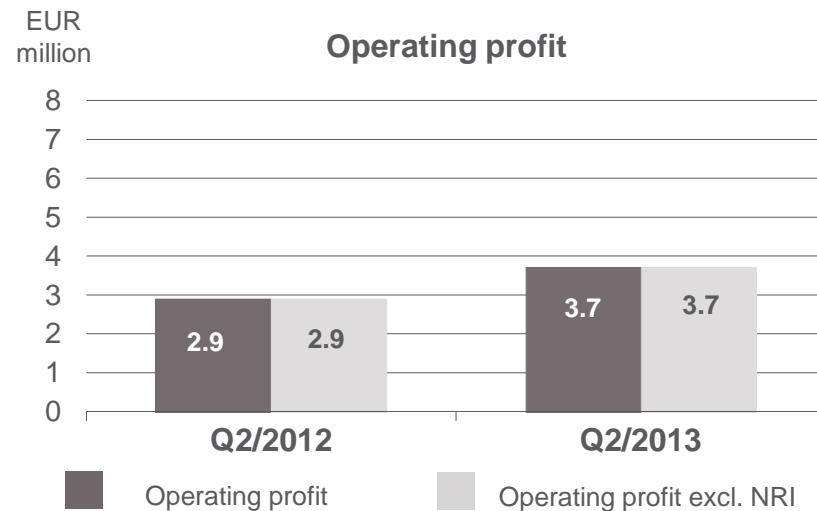
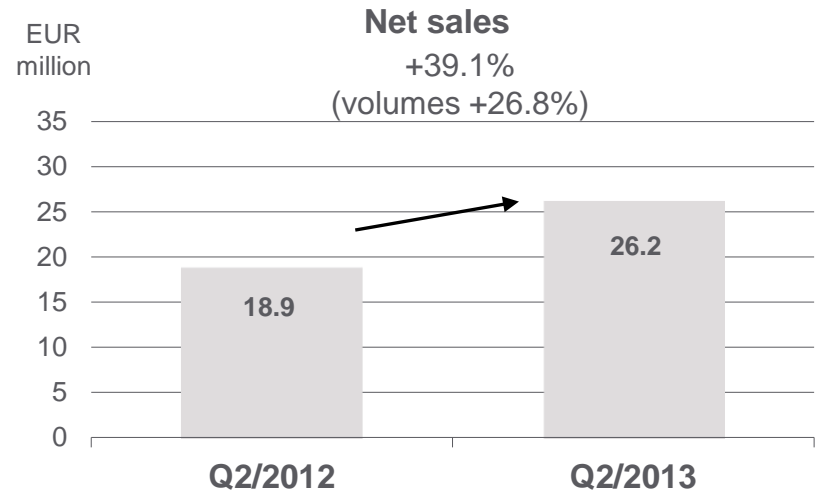
Advanced Filtration

Highlights

- Munktell acquisition
 - Net sales growth 15.7% excluding the acquisition
- Higher sales of gas turbine, laboratory & life science applications
- Increased selling prices

Lowlights

- Increased raw materials costs



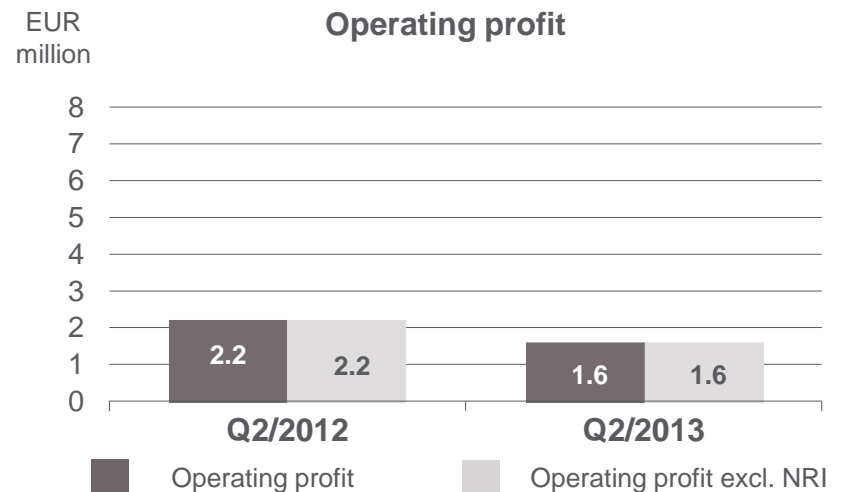
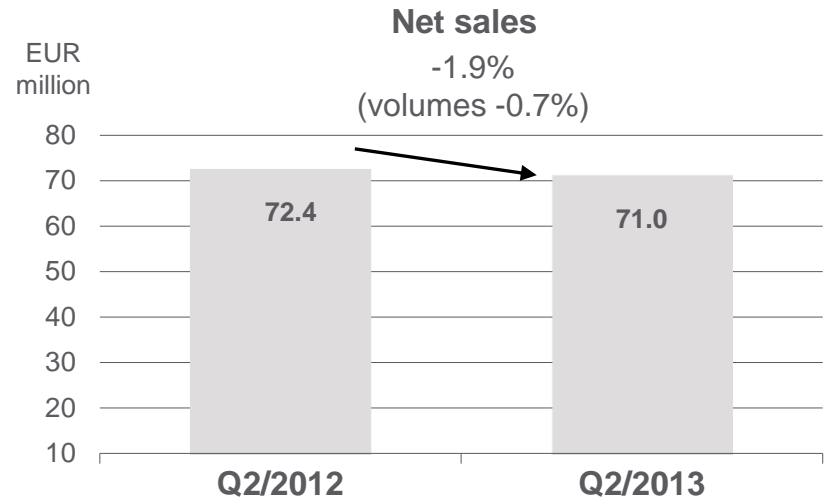
Building and Energy

Highlights

- Flooring material sales in Europe
- Poster papers
- Stable sales of wallpaper/wallcoverings

Lowlights

- Sales of wind energy applications
- Increased market-related downtime in production
- Adverse product mix
 - Lower sales of construction and consumer-related applications in Europe



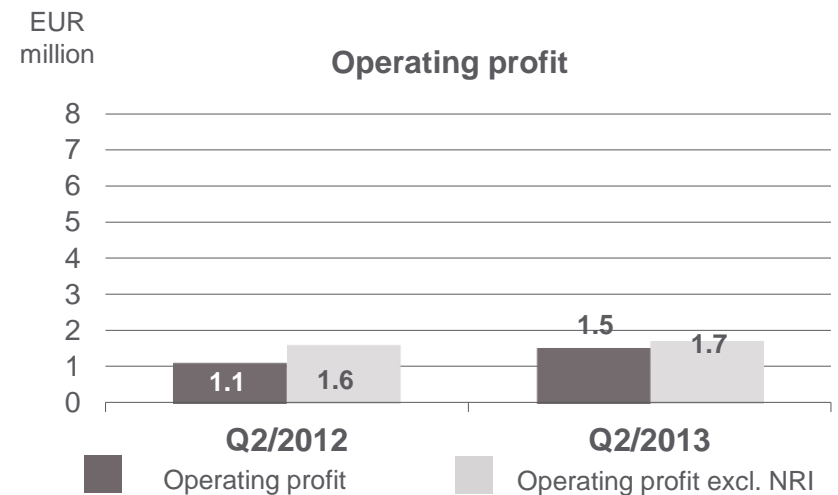
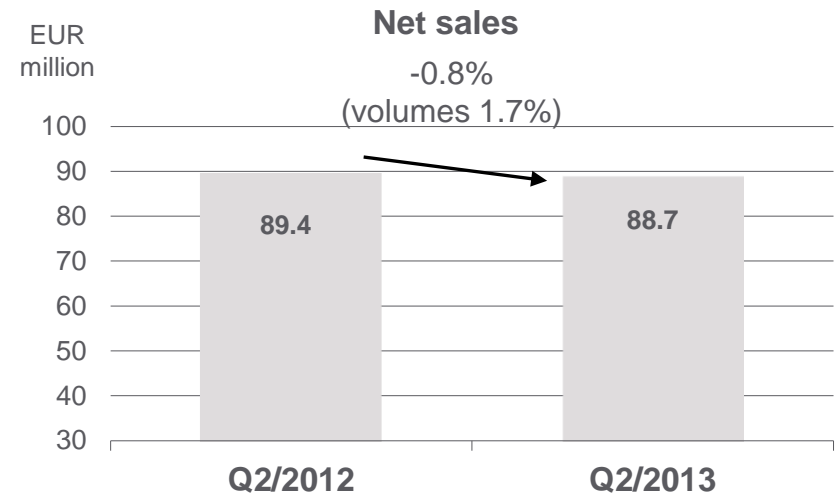
Food and Medical

Highlights

- Food packaging, beverage and tape materials sales in North America
- Increased selling prices and improved product mix

Lowlights

- Sales of medical products
- Adverse currency effect
- Commercialization of Longkou plant
- Mundra plant and Chirnside production line



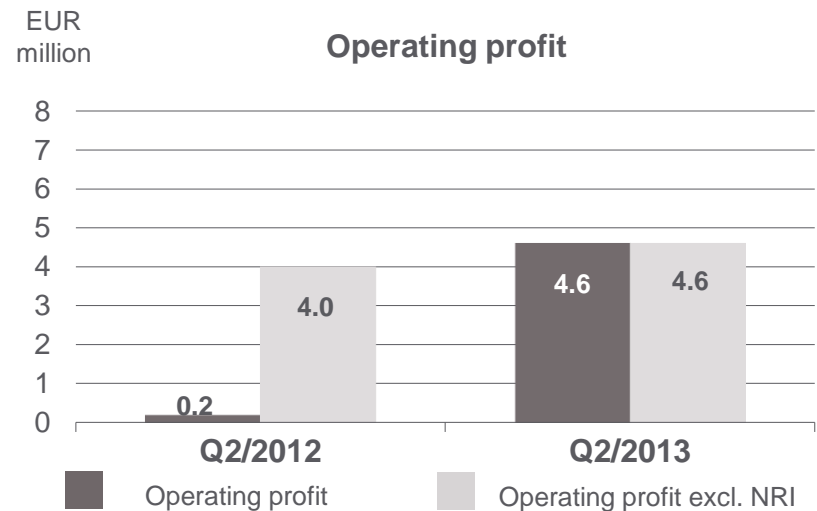
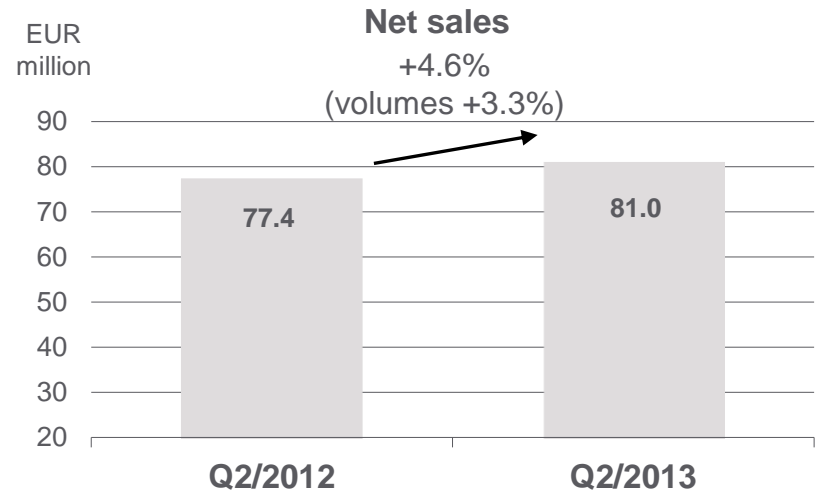
Transportation Filtration

Highlights

- Higher sales volumes
 - Sales growth in Asia
 - Sales in Europe in difficult market environment
- Improved product mix

Lowlights

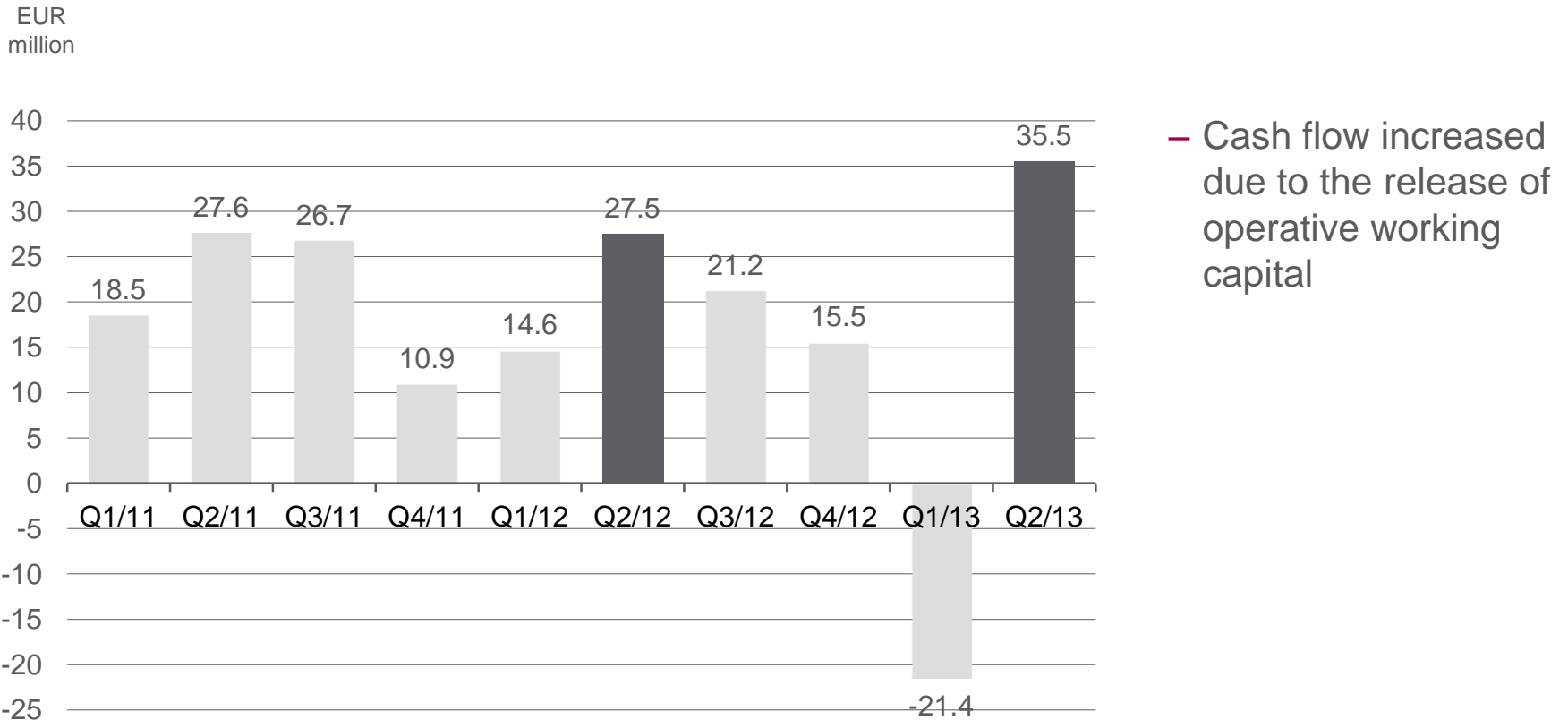
- Sales of heavy duty filtration in North America
- Increased raw material and energy costs



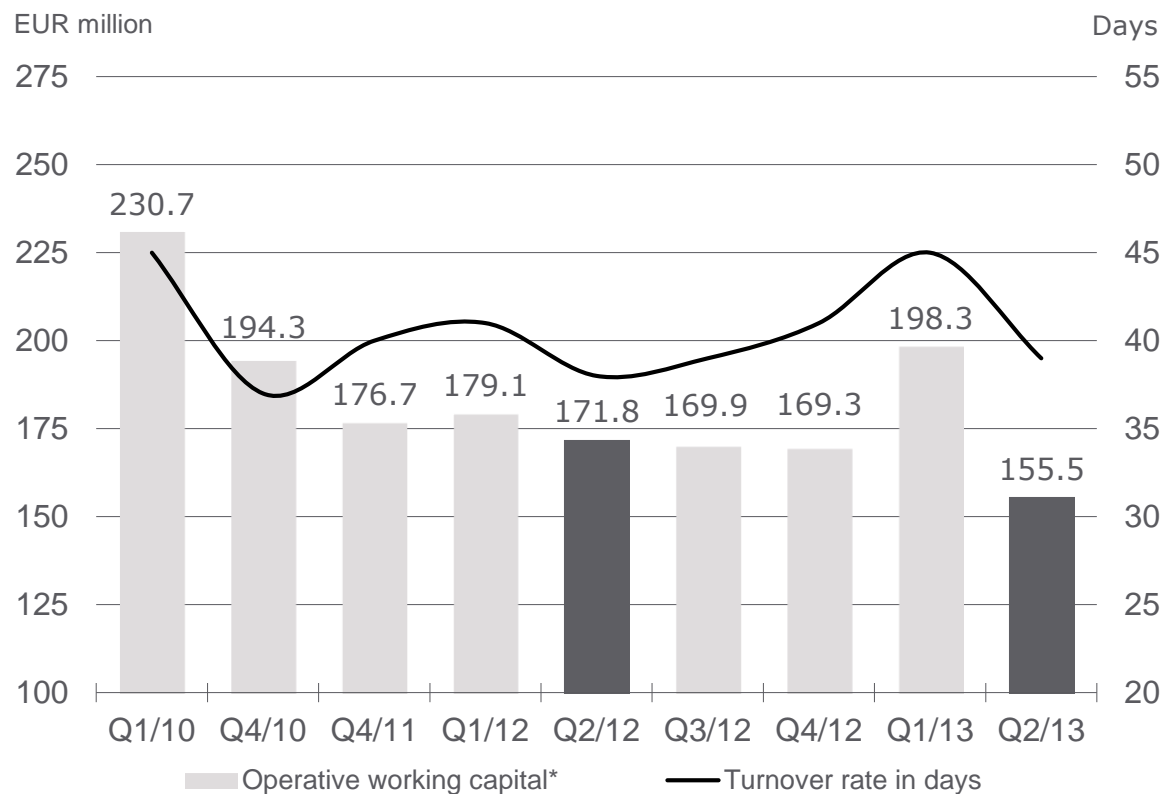
Cash flow and debt development



Quarterly net cash from operating activities (including discontinued operations)



Development of operative working capital (including discontinued operations)

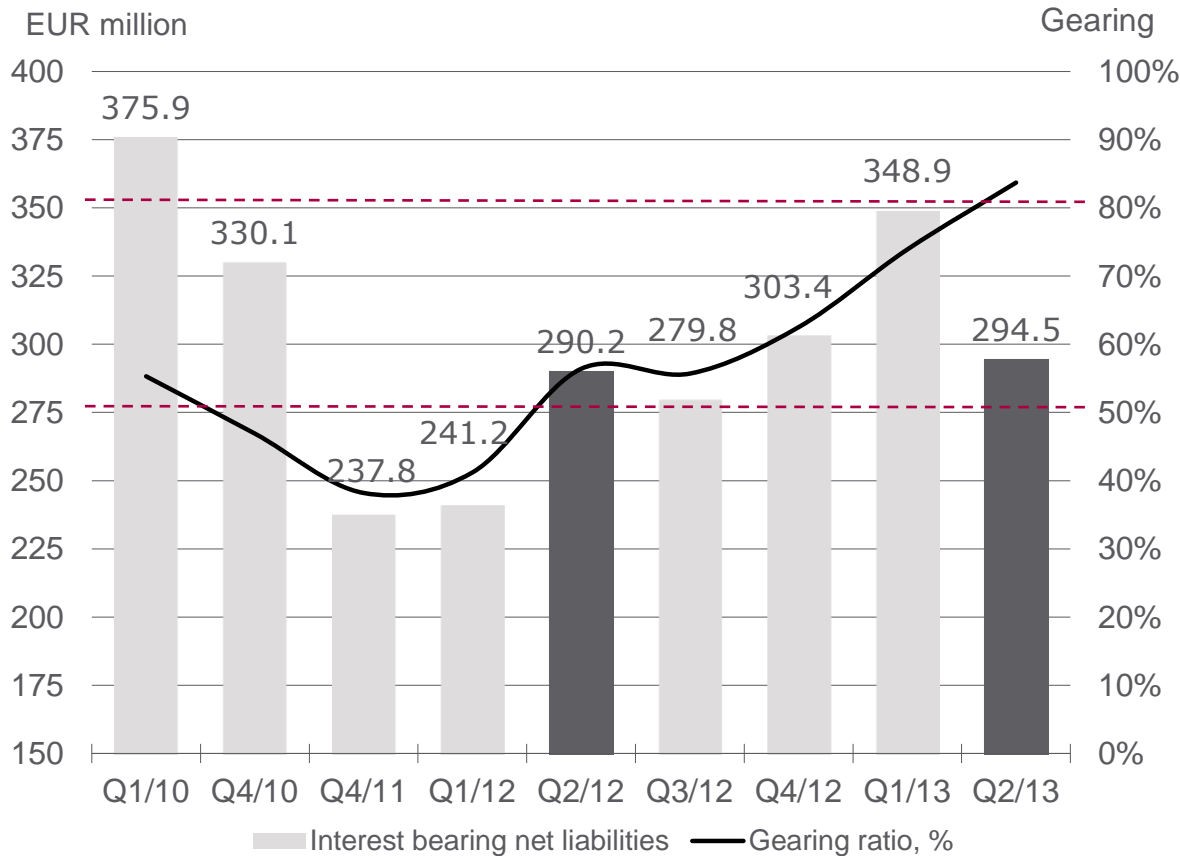


- Operative working capital released due to LP Europe demerger
- Turnover rate was 39 days on June 30, 2013 (41 days on Dec. 31, 2012)

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

Gearing ratio (including discontinued operations)

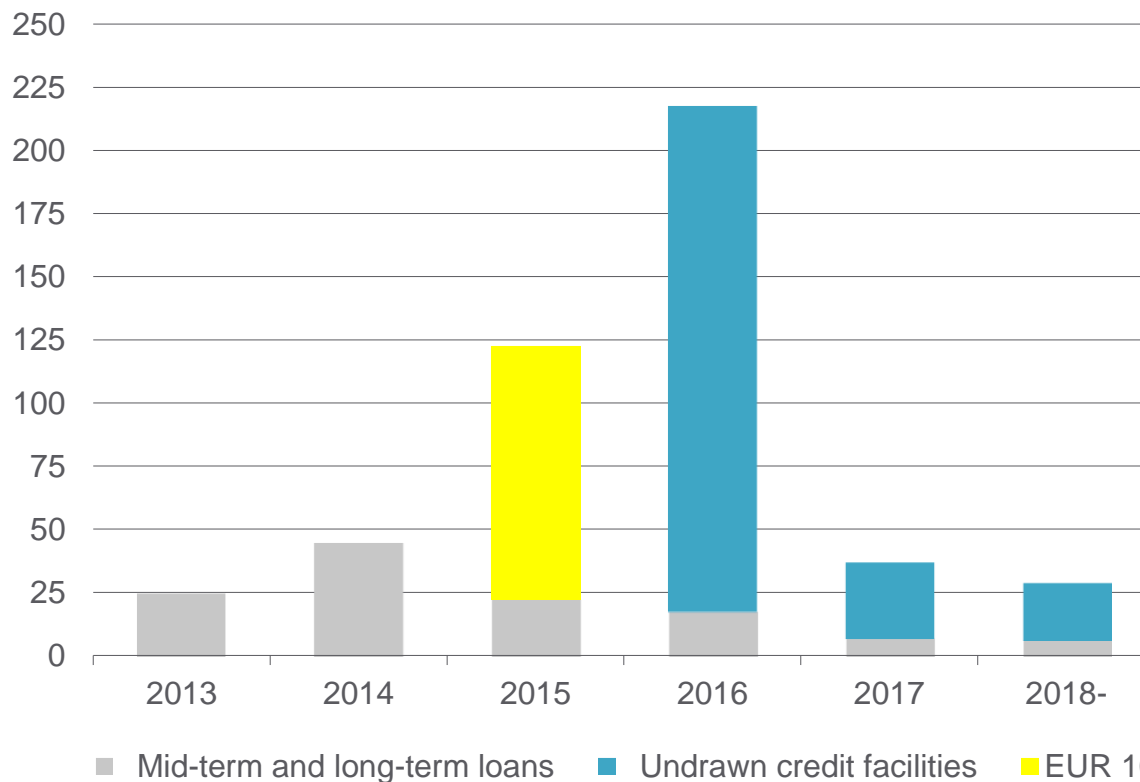
Gearing ratio:
target range 50–80%



- Lower net debt due to the completion of LP Europe demerger
- Gearing ratio affected by:
 - EUR 30.9 million net of tax impairment loss and costs to sell related to the Coated Specialties demerger
 - EUR 67.6 million recognition of Coated Specialties distribution liability
 - Fair valuation of Munksjö Oyj shares causing EUR 28.6 million write-down
- Gearing ratio was 83.7% on June 30, 2013
- Ahlstrom has an option to repay its EUR 80 million hybrid bond in November, 2013
 - The company is exploring refinancing options

Maturity profile of medium/long-term credit facilities

EUR million



- Total liquidity, including cash and unused committed credit facilities was EUR 326.0 million at the end of Q2/2013.
- In addition, Ahlstrom had undrawn uncommitted credit facilities and cash pool overdraft limits of EUR 143.2 million available.

Income statement and balance sheet



Income statement

	Q2/2013	Q2/2012	2012 figures are restated
EUR million			
Net sales	265.0	261.6	▶ Higher selling prices and improved product mix
Cost of goods sold	-222.3	-225.2	
Gross profit	42.7	36.4	
Sales, administrative and research & development expenses	-36.7	-33.7	
Other income and expenses	0.4	1.3	
Operating profit	6.4	4.0	▶ NRI EUR -1.5 million in Q2/13 vs. EUR -3.4 million in Q2/12
Net financial expenses	-4.9	-5.6	
Share of profit / loss of equity accounted investments	-5.0	-1.7	▶ Suominen Oyj, Jujo Thermal
Profit / loss before taxes	-3.5	-3.3	▶ No tax revenues nor tax assets were recognized for companies with uncertain profit forecasts or for associated companies
Income taxes	-1.4	-0.5	
Profit / loss for the period from continuing operations	-4.9	-3.8	▶ Includes EUR 90.6 million income recognized from the demerger as well as operative results.
Profit for the period from discontinued operations	66.7	3.1	▶ Includes EUR 30.9 million net of tax impairment loss and costs to sell related to the Coated Specialties demerger.
Profit for the period	61.8	-0.6	

Balance sheet

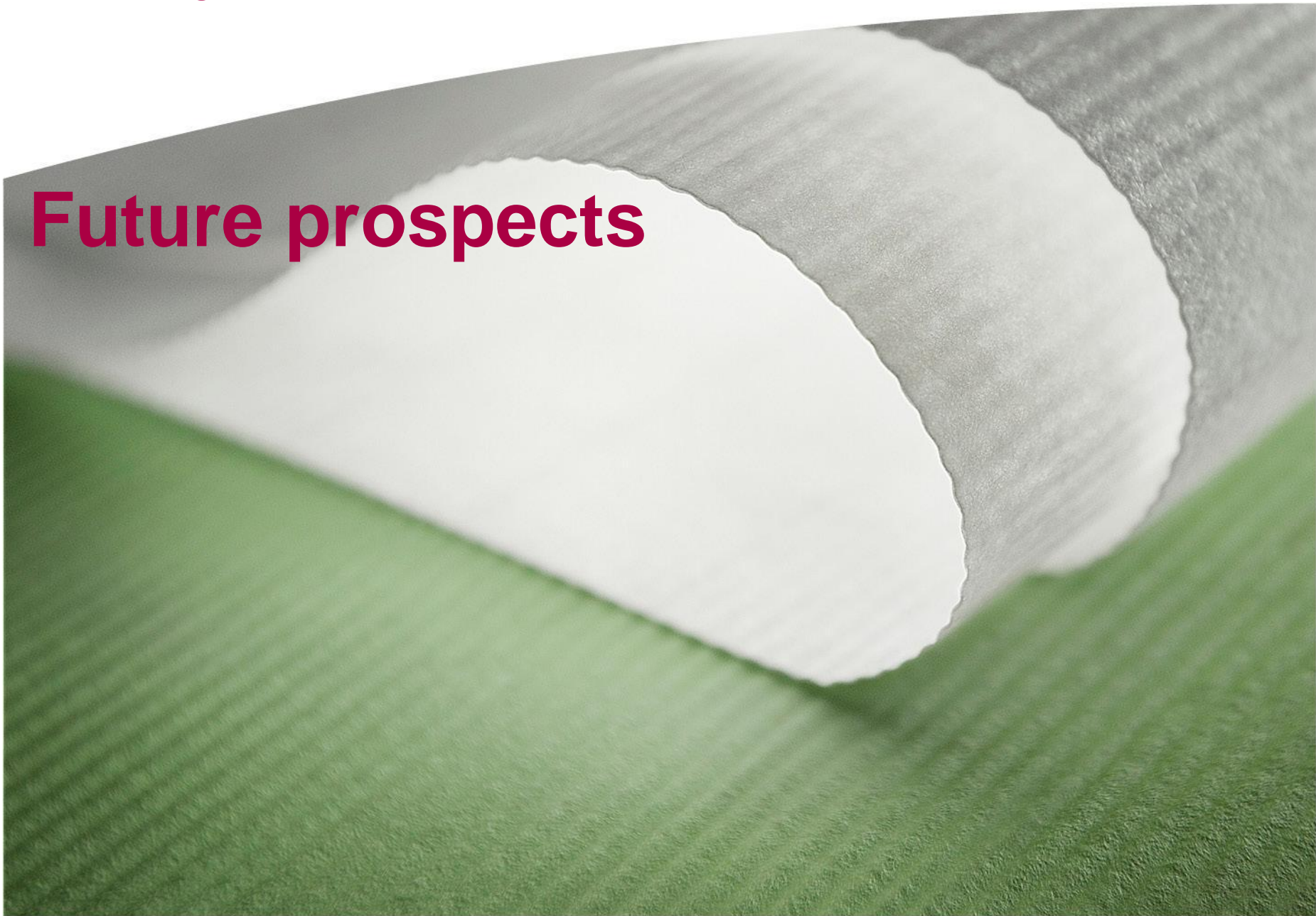
	June 30, 2013	Dec. 31, 2012	2012 figures are restated
EUR million			
Total non-current assets	634.9	575.4	▶ Market value of shareholding in Munksjö Oyj EUR 49.9 million and Suominen Oyj EUR 35.3 million
Inventories	121.5	112.4	
Trade and other receivables	177.0	157.4	
Other short-term receivables	0.7	0.6	
Cash and cash equivalents	72.1	53.4	
Assets classified as held for sale and distribution to owners	151.8	448.3	▶ Coated Specialties, Brazilian part of Home and Personal, production lines to be divested
Total assets	1,157.9	1,347.5	
Total equity	351.7	485.1	▶ Demerger effect of Label and Processing. Includes EUR 80 million hybrid bond.
Provisions	9.2	9.2	
Interest bearing loans and borrowings	367.6	357.7	
Employee benefit obligations	71.3	81.4	
Trade and other payables	280.5	196.2	▶ EUR 67.6 million recognition of Coated Specialties distribution liability
Others	22.4	19.8	
Liabilities classified as held for sale and distribution to owners	55.3	197.9	▶ Coated Specialties, Brazilian part of Home and Personal, production lines to be divested
Total equity and liabilities	1,157.9	1,347.5	
Gearing ratio	83.7	62.5	▶ Gearing ratio higher due to impairment loss and recognition of Coated Specialties distribution liability and fair valuation of Munksjö Oyj shares.

Statement of cash flows

(including discontinued operations)

	Q2/2013	Q2/2012	2012 figures are restated
EUR million			
EBITDA	20.8	28.4	
Adjustments	-1.4	-1.8	
Changes in net working capital	19.9	8.3	▶ Operative working capital released due to the LP Europe demerger
Financial items	-2.7	-5.5	
Income taxes paid / received	-1.2	-2.0	
Net cash from operating activities	35.5	27.5	
Acquisition of Group companies	-1.4		Wallcovering materials in Binzhou, China,
Purchases of intangible and tangible assets	-23.5	-20.8	▶ Filtration materials investment in Turin, Italy
Other investing activities	-77.0	7.2	
Net cash from investing activities	-102.0	-13.7	
Dividends paid and other	-29.1	-60.0	▶ EUR 78.5 million equity contribution to Munksjö Oyj
Effect of partial demerger	146.5		▶ Debt transfer related to LP Europe demerger
Changes in loans and other financing activities	-18.8	6.6	
Net cash from financing activities	98.6	-53.4	
Net change in cash and cash equivalents	32.2	-39.6	
Cash and cash equivalents at the beginning of the period	43.1	88.2	
Cash and cash equivalents at the end of the period	73.1	48.8	

Future prospects



Outlook for 2013



- Net sales from continuing operations are expected to be EUR 980-1,140 million
- Operating profit margin excluding non-recurring items from continuing operations is expected to be 2-5% of net sales
- Investments excluding acquisitions are estimated to amount to approximately EUR 75 million

Stay ahead™

Thank you

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