



AHLSTROM



# Ahlstrom Corporation

## Annual General Meeting 2014

President & CEO Jan Lång  
March 25, 2014

# Agenda

**Strategic path**

**Year 2013 in brief**

**Dividend proposal and future prospects**

# Executive Management Team

March 25, 2014



President & CEO  
**Jan Lång**



Human Resources &  
Sustainability:  
**Paula Aarnio**



CFO  
**Sakari Ahdekivi**



Medical:  
**Roberto Boggio**



Advanced Filtration:  
**Fulvio Capussotti**



Sales, Americas:  
**William Casey**



Food:  
**Omar Hoek**



Transportation  
Filtration and  
Sales in Asia:  
**Jari Koikkalainen**



Building and Energy:  
**Arnaud Marquis**



Sales, Europe, Middle-  
East and India:  
**Rami Raulas**

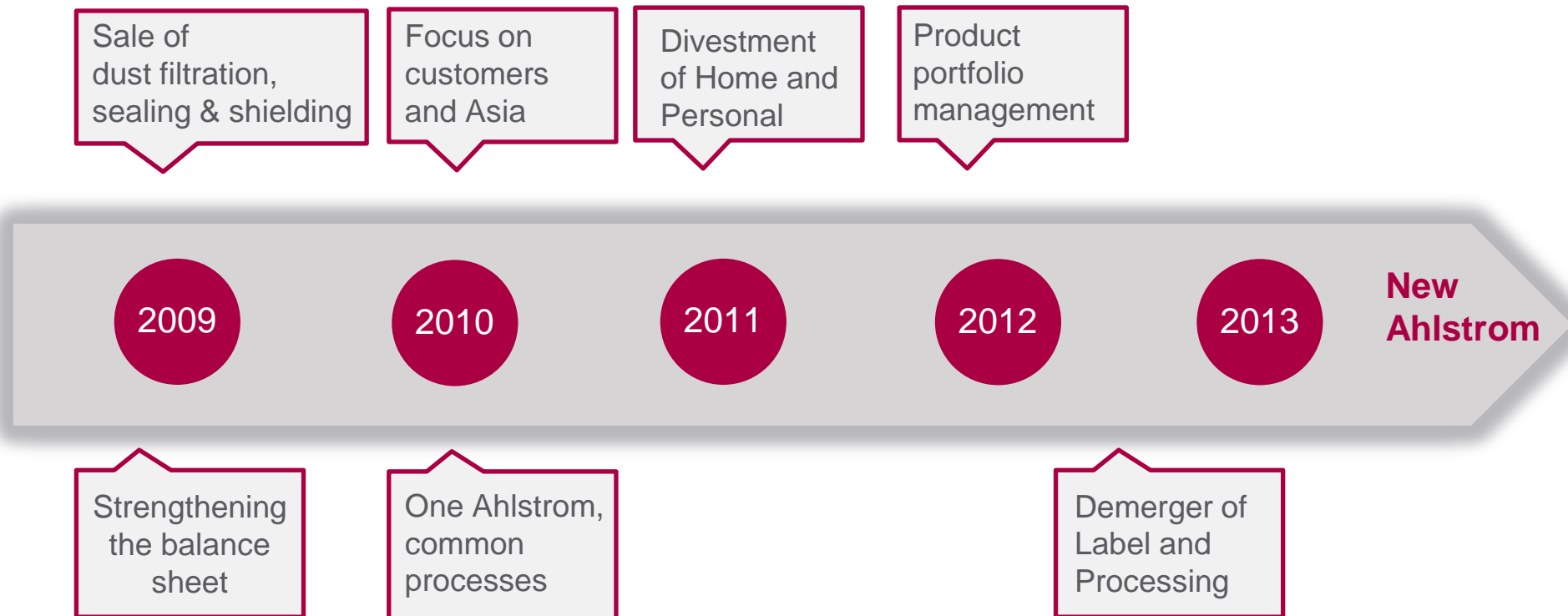


Supply chain:  
**Luc Rousselet**



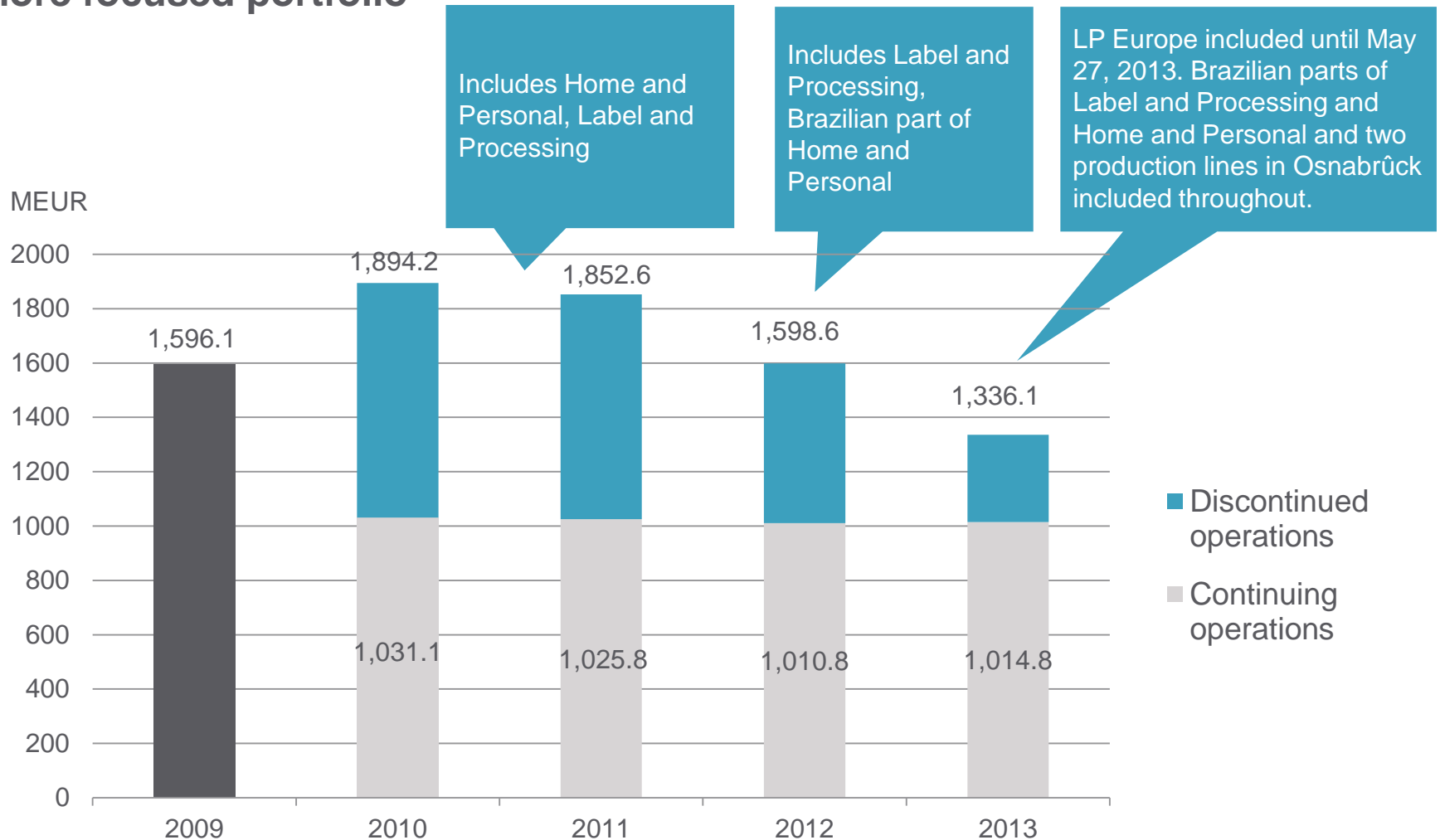
Product & Technology  
Development:  
**Paul H. Stenson**

# Execution of the 2009 strategy: Better focus and new way of working



# Net sales development

## More focused portfolio



# Rationale for the Label and Processing transaction

## Strategic rationale

- Ahlstrom transformed into a focused high performance fiber-based materials company
- Enables concentration of resources and product offering to business areas that offer attractive growth opportunities

## Shareholder's point of view

- Ahlstrom's shareholders own shares in two focused companies, both listed on NASDAQ OMX Helsinki
- Demerger consideration of 51 Munksjö shares for each 100 shares held in Ahlstrom
- In the long term, Ahlstrom and Munksjö are expected to create more value for Ahlstrom's shareholders than Ahlstrom alone



# The impact of the transaction on Ahlstrom

Key agreements	Plan	Materialized
– Ahlstrom's shareholding in Munksjö Oyj	15%	17.8%
– Cash related to debt transfer	EUR 150 million	EUR 150 million
– Subscription of Munksjö Oyj shares	EUR 62.5 million	EUR 78.5 million
– Reduction in net debt	EUR 87 million	EUR 61 million (additional investment in Munksjö)
<b>In addition as part of the transaction</b>		
– Ahlstrom sold two businesses in Osnabrück to Perusa to comply with commitments made to the EU; EUR 13 million impairment loss		
– Market value of shareholding in Munksjö Oyj EUR 49.0 million (Dec. 31, 2013); difference of EUR 29.5 million (vs. EUR 78.5 million) had an impact on equity		
– Shareholding in Munksjö increased gearing ratio by 27 percentage points (Dec. 31, 2013)		
– Ahlstrom and Munksjö received in February 2014 a statement of objections from the EU regarding the merger notification. No impact on the transaction.		

## Net sales

EUR 1.6 billion (incl. discontinued operations) in 2012  
 EUR 1.0 billion (continuing operations) in 2013



# Our Strategy

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



# Global megatrends drive our growth

## Resource scarcity and environment

- Demand for energy and natural resources increases, and every year we deplete earth's resources at a faster pace than they are renewed
- People are concerned about the deteriorating quality of water, air and soil



## Emerging needs in healthcare

- Our needs for healthcare are changing: a growing number of medical tests and diagnostics are performed at home or on-the-go rather than at hospitals
- The spread of untreatable infections at hospitals increases the use of single-use medical fabrics



## Demographics and urbanization

- The middle-class grows wealthier in emerging nations. More and more people move to cities from rural areas
- The increase in living standards and environmental issues change our lifestyles concerning housing and food supply



# 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

Tapes

## GROWTH 2020: HIGH GROWTH AREAS

Clean Water

Medical Diagnostics

Composites

## CURRENT AND FUTURE BUSINESS – IMPACT ON SOCIETY

Clean drinking water

Clean air

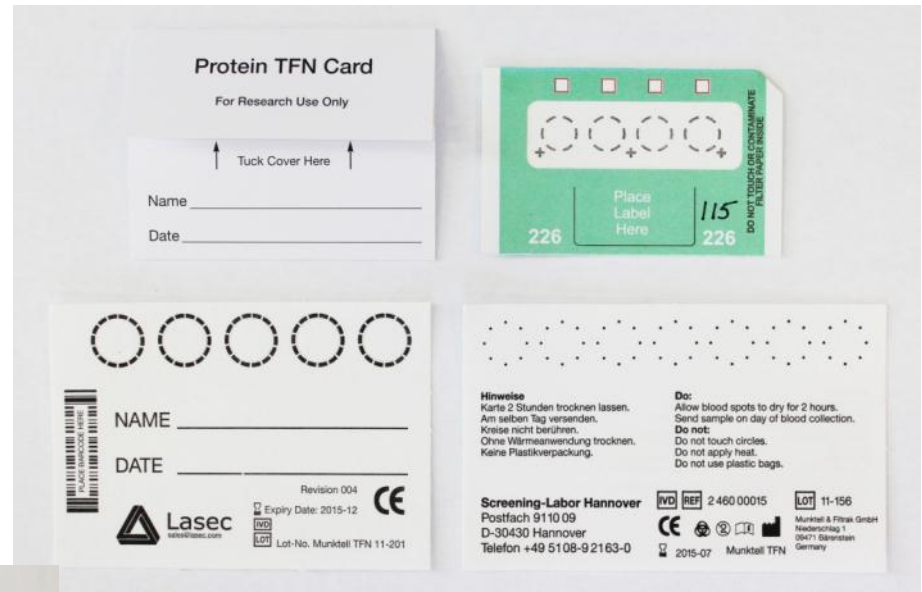
Energy efficiency

Well-being and quality of life

Safe medical care

Light and durable structures

# Applications in diagnostics



**BIORAD**

Ahlstrom 226 Specimen Collection Paper  
6050501 / 6273607  
1030001 / Rev. 0

2009-05

SN 00000247

**FOR LAB USE ONLY**

Infant's Name (Last/First) \_\_\_\_\_  
Mother's Name (Last/First) \_\_\_\_\_  
Mother's Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Patient ID No. \_\_\_\_\_

**BABY'S INFORMATION**

Birth Date \_\_\_\_\_ Birth Time (24 hrs clock) \_\_\_\_\_  
Collection Date \_\_\_\_\_ Collection Time (24 hrs clock) \_\_\_\_\_  
Birth Weight (g) \_\_\_\_\_ Gestation \_\_\_\_\_ SEX (M) (F)

Submitting Health Care Provider  
Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Physician's Name \_\_\_\_\_  
Physician's Phone No. \_\_\_\_\_ Physician's ID No. \_\_\_\_\_  
Physician's Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Name of Screening Program \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_



# Must-Win Battles for strategy implementation

To create the focus we need to achieve our business strategy we have three Must Win Battles we have to win.

## Winning business

- More sales through new leads and better win rate
- Improve customer engagement, service and gain loyalty
- Improve margin

## Commercial success with new products

- Differentiated products for a clean and healthy environment
- Speed up the process from idea to market scale-up
- Communicate clear value propositions and capture value

## High performance

- Reach and exceed targets
- Keep promises and high quality
- Create learning environment

# 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**



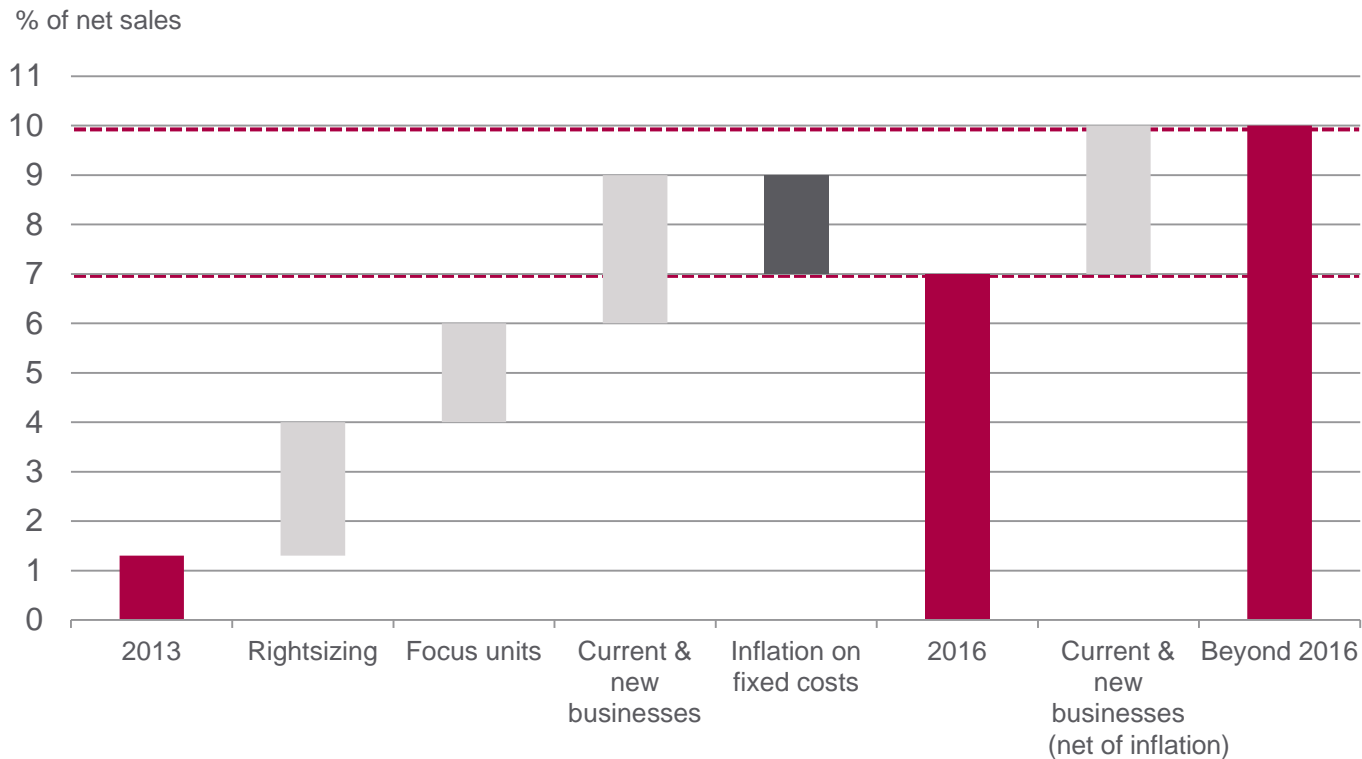
To be maintained within 50–80% range

\*Developed in the last three years

\*\*Excluding non-recurring items

# Reaching our profitability target

- Operating profit margin of 7% by 2016
- Operating profit margin of 10% beyond 2016



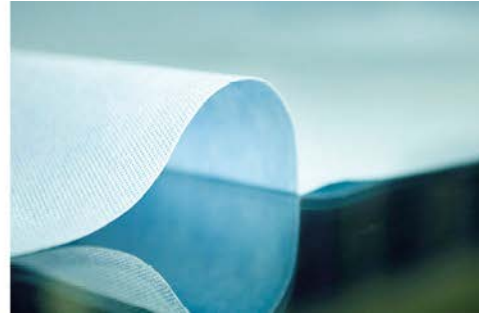
- Focus units: ramp-up of recent and new investments
- Current & new businesses: margin and volume improvement through product portfolio development



Year 2013



# Year 2013 in brief



## Highlights

- + Completion of the Label and Processing demerger
- + Net sales at constant currency rates rose by 2.9% from the comparison period
- + Improved volumes and pricing management
- + Advanced Filtration and integration of Munktell

## Lowlights

- Profitability at unsatisfactory level
- Gearing ratio above target range
- Higher raw material and energy costs
- Focus units at Food and Medical

# Several transactions were completed by year end 2013/14

## Label and Processing

Demerger of Coated Specialties was the final step in combining Ahlstrom's Label and Processing business with Munksjö AB

## Osnabrück

Sale of two businesses to comply with the commitments made to competition authorities

## West Carrollton

Divestment of the converting business in OH, USA

## Jujo Thermal

Sale of the remaining 50% stake to Nippon Paper Industries

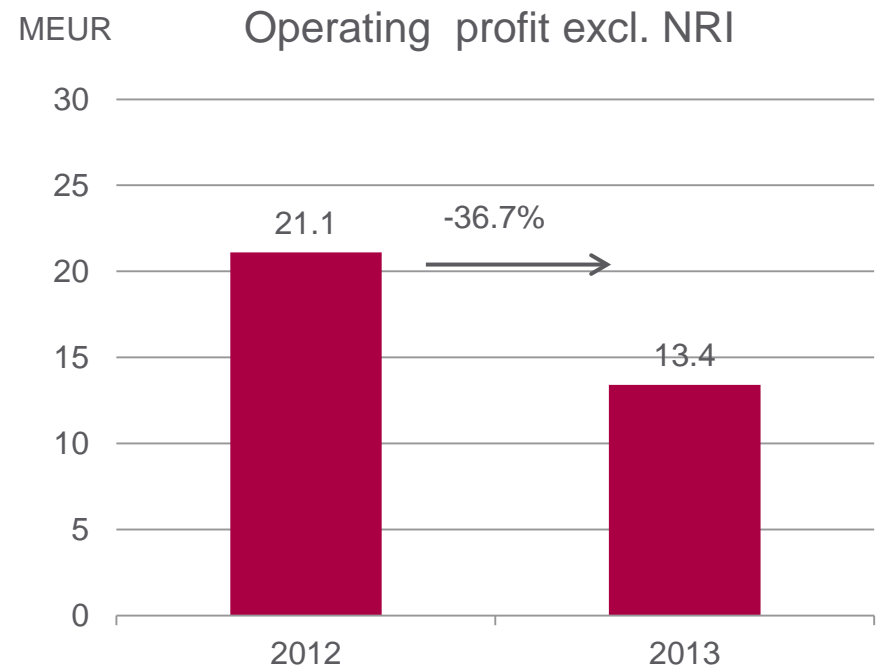
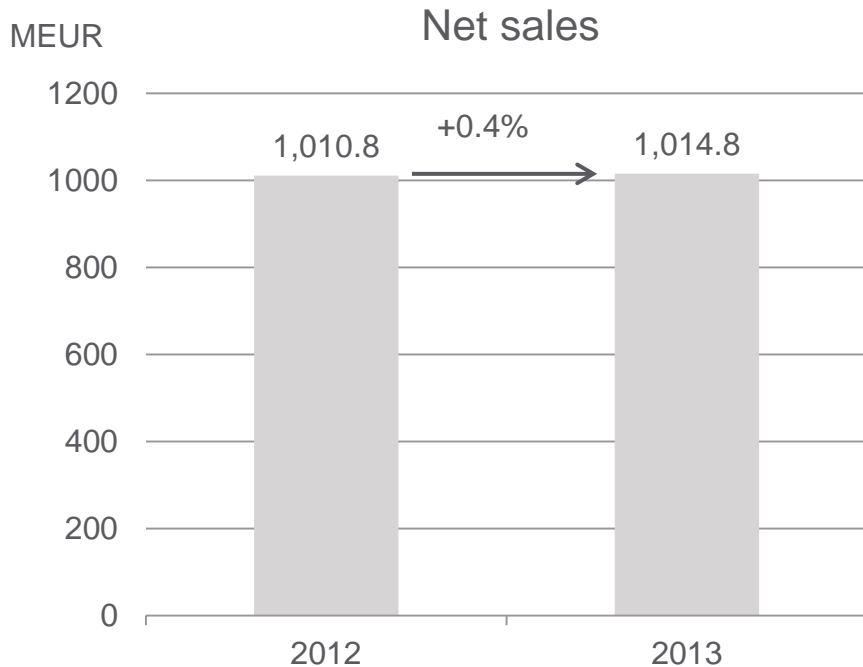
## Paulinia

Sale of Paulinia and possible divestment of Suominen Corporation shares

**The completion of the transactions supports  
Ahlstrom's development and growth in line with the  
renewed strategy**



# Net sales and operating profit in 2013



- + Higher sales volumes
- + Increased selling prices
- + Favorable product mix

- Higher raw material and energy costs
- Increased SGAs
- Three focus units
- Adverse currency effect

# Update on rightsizing program



- Target to reach EUR 50 million in annual cost savings during 2015
- Personnel reductions of about 400 globally
- Ahlstrom to book non-recurring items of approximately EUR 15 million in 2014-15
- In 2013:
  - Approximately EUR 12 million in cost savings
  - About 200 people in personnel reductions

# Business Areas and Products





# Business Areas

## Advanced Filtration



Air and liquid purification materials, life science and gas turbine filtration

**Year 2013**  
Strong growth and profitability

**Opportunities**  
Growth particularly in diagnostics

## Building and Energy



Materials used in wallcoverings, floorings and windmill blades

**Year 2013**  
Result burdened by production inefficiencies and market slowdown

**Opportunities**  
Growth in Asian wallcoverings market

## Food



Materials for teabags, other food packaging applications and masking tape

**Year 2013**  
Result burdened by focus units

**Opportunities**  
Growth in chosen segments

## Medical



Materials for medical gowns and drapes, sterilization wrap

**Year 2013**  
Result burdened by focus units

**Opportunities**  
Growth in single-use products

## Transportation Filtration



Transportation filtration materials

**Year 2013**  
Reasonable earnings

**Opportunities**  
Earnings improvement potential globally



# Ahlstrom Flow2Save™

Advanced Filtration business area

- New innovative air filtration media
- Improves efficiently indoor air quality with lower energy consumption

[www.ahlstrom.com/Flow2Save](http://www.ahlstrom.com/Flow2Save)



# Ahlstrom AceBlade™

Building and Energy -business area

- Glass-fiber reinforcement with superior fatigue resistance and unrivalled mechanical properties
- Enables lower raw material costs to customers in blade manufacturing

[www.ahlstrom.com/AceBlade](http://www.ahlstrom.com/AceBlade)

# Ahlstrom NatureMold™

Food business area

- Biodegradable material for food packaging
- Made from renewable raw materials
- Environmentally friendly alternative to molds and trays made from plastic or aluminum

[www.ahlstrom.com/NatureMold](http://www.ahlstrom.com/NatureMold)





# Ahlstrom TenderGuard™

Medical business area

- Soft and lightweight fabric for surgical gowns
- Offering the same protection as regular treated fabric but with added comfort

[www.ahlstrom.com/TenderGuard](http://www.ahlstrom.com/TenderGuard)



# Ahlstrom Captimax™

Transportation Filtration business area

- Fuel filtration media for passenger and commercial heavy-duty vehicles and off-road machinery
- Improves filtration efficiency
- High efficiency allowing engines to perform at their maximum

[www.ahlstrom.com/Captimax](http://www.ahlstrom.com/Captimax)

# Dividend proposal and future prospects

# Dividend proposal

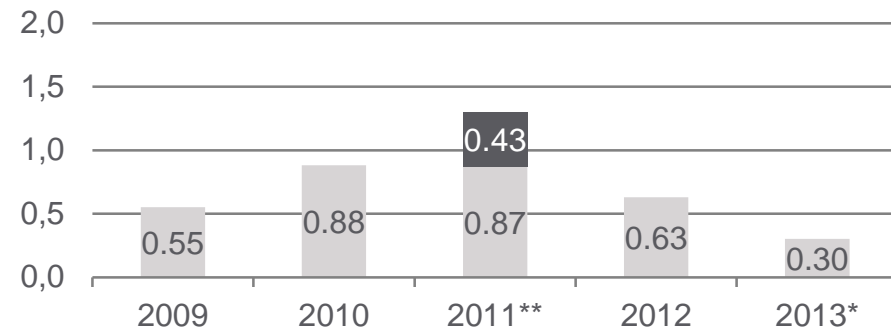
Aim is to pay a dividend of not less than one third of net cash from operating activities after operative investments, calculated as three-year rolling average.

- The Board of Directors proposes to the Annual General Meeting that dividend in the aggregate maximum amount of EUR 14.0 million, or EUR 0.30 per share, shall be paid as follows:
  - (i) *Dividend payable in Munksjö Oyj's shares*: Each 26 Ahlstrom's shares entitle their holder to receive 1 share in Munksjö Oyj as a dividend.
  - (ii) *Dividend payable in cash*: A dividend of approximately EUR 0.09 per share be paid
- Ahlstrom intends to pay dividends in cash and Munksjö shares also in the future.
- (Based on Ahlstrom's dividend policy, a dividend of at least EUR 0.24 per share would be paid)

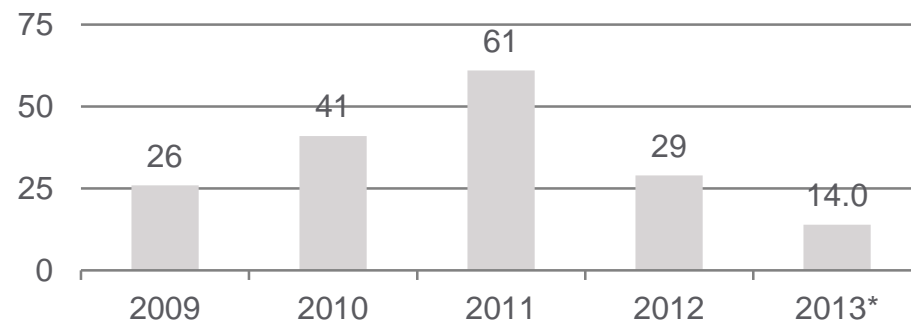
\*Proposal by the Board of Directors

\*\*Consisting of a dividend of EUR 0.87 per share and an extra dividend of EUR 0.43 per share.

### Dividend per share (€)



### Total amount of dividends paid (EUR million)





# 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

# Summary: the target is to improve profitability



1. Ahlstrom's profitability is not at a satisfactory level. Ongoing solid program to address this.
  - ✓ Drive higher margins through enhanced product portfolio
  - ✓ Approximately EUR 50 million annual cost savings targeted in 2015
  - ✓ Turnaround of focus units (Chirnside, Mundra, Longkou)
2. More focused business structure following the Munksjö transaction
3. Execute strategy based on a high performance product offering for a clear and healthy environment

# Income statement and balance sheet

Sakari Ahdekivi  
CFO

# Income statement

	2013	2012	2012 figures are restated
<b>EUR million</b>			
<b>Net sales</b>	<b>1,014.8</b>	<b>1,010.8</b>	▶ Increased selling prices and improved product mix, Munktell acquisition, adverse currency rate effect
Cost of goods sold	-870.8	-863.7	
<b>Gross profit</b>	<b>144.0</b>	<b>147.1</b>	
Sales, administrative and research & development expenses	-136.2	-133.5	
Other income and expenses	2.9	8.3	
<b>Operating profit</b>	<b>10.7</b>	<b>21.8</b>	▶ NRIs: EUR -2.7 million in 2013 vs. EUR 0.7 million in 2012
Net financial expenses	-20.4	-21.2	
Share of profit / loss of equity accounted investments	-5.7	-7.1	▶ Suominen Oyj, Jujo Thermal
<b>Profit / loss before taxes</b>	<b>-15.4</b>	<b>-6.4</b>	
Income taxes / tax credits	-3.5	-10.0	
<b>Profit / loss for the period from continuing operations</b>	<b>-18.9</b>	<b>-16.4</b>	
<b>Profit for the period from discontinued operations</b>	<b>75.9</b>	<b>16.4</b>	▶ Includes EUR 42.3 million net of tax impairment loss and costs to sell, and a total of EUR 113.3 million income recognized from the demerger.
<b>Profit for the period</b>	<b>57.0</b>	<b>-0.1</b>	



# Balance sheet

	Dec. 31, 2013	Dec. 31, 2012	2012 figures are restated
<b>EUR million</b>			
Total non-current assets	633.4	575.4	▶ Market value of shareholding in Munksjö Oyj EUR 49.0 million and Suominen Oyj EUR 32.0 million (Dec. 31, 2013)
Inventories	106.6	112.4	
Trade and other receivables	173.0	157.4	
Other short-term receivables	0.6	0.6	
Cash and cash equivalents	38.2	53.4	
Assets classified as held for sale and distribution to owners	18.9	448.3	▶ Brazilian part of Home and Personal (Divestment was completed in February 2014)
<b>Total assets</b>	<b>970.6</b>	<b>1,347.5</b>	
Total equity	341.4	485.1	▶ Includes EUR 100 million hybrid bond.
Provisions	8.3	9.2	
Interest bearing loans and borrowings	330.4	357.7	
Employee benefit obligations	76.1	81.4	
Trade and other payables	200.2	196.2	
Others	8.3	19.8	
Liabilities classified as held for sale and distribution to owners	5.9	197.9	▶ Brazilian part of Home and Personal (Completed in February 2014)
<b>Total equity and liabilities</b>	<b>970.6</b>	<b>1,347.5</b>	
<b>Gearing ratio</b>	<b>85.5</b>	<b>62.5</b>	

# Statement of cash flows

## (including discontinued operations)

	2013	2012	
<b>EUR million</b>			*2012 figures are restated
<b>EBITDA</b>	<b>77.4</b>	<b>127.6*</b>	
Adjustments	-11.2	-11.5	
Changes in net working capital	-2.3	0.4	
Change in provisions	-1.9	-10.7	
Financial items	-16.9	-20.6	
Income taxes paid / received	-4.1	-6.5	
<b>Net cash from operating activities</b>	<b>41.0</b>	<b>78.7</b>	
Acquisition of Group companies	-1.5	-17.6	Wallcovering materials in China, Filtration materials
Purchases of intangible and tangible assets	-87.0	-87.5	▶ investment in Italy
Other investing activities	-70.0	27.6	▶ EUR 78.5 million investment in Munksjö Oyj shares
<b>Net cash from investing activities</b>	<b>-158.4</b>	<b>-77.5</b>	
Dividends paid and other	-29.1	-60.0	
Payments received on hybrid bond	99.2	-	▶ New EUR 100 million hybrid bond issued, old EUR 80 million hybrid bond redeemed
Repurchase of hybrid bond	-80.1	-	
Interest on hybrid bond	-7.4	-7.6	
Effect of partial demerger	139.4	-	▶ Debt transfer related to LP demerger
Changes in loans and other financing activities	-17.6	29.2	
<b>Net cash from financing activities</b>	<b>104.3</b>	<b>-38.4</b>	
<b>Net change in cash and cash equivalents</b>	<b>-13.1</b>	<b>-37.2</b>	
Cash and cash equivalents at the beginning of the period	55.5	94.4	
<b>Cash and cash equivalents at the end of the period</b>	<b>38.7</b>	<b>55.5</b>	

# Liquidity has remained stable

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- Total liquidity, including cash, undrawn committed credit facilities and the cash pool limits totaled about EUR 290.4 million at the end of 2013
  - In addition, Ahlstrom had available undrawn uncommitted credit facilities totaling about EUR 140.9 million
- Total liquidity has also remained stable during the early part of 2014

# Parent company balance sheet (FAS)

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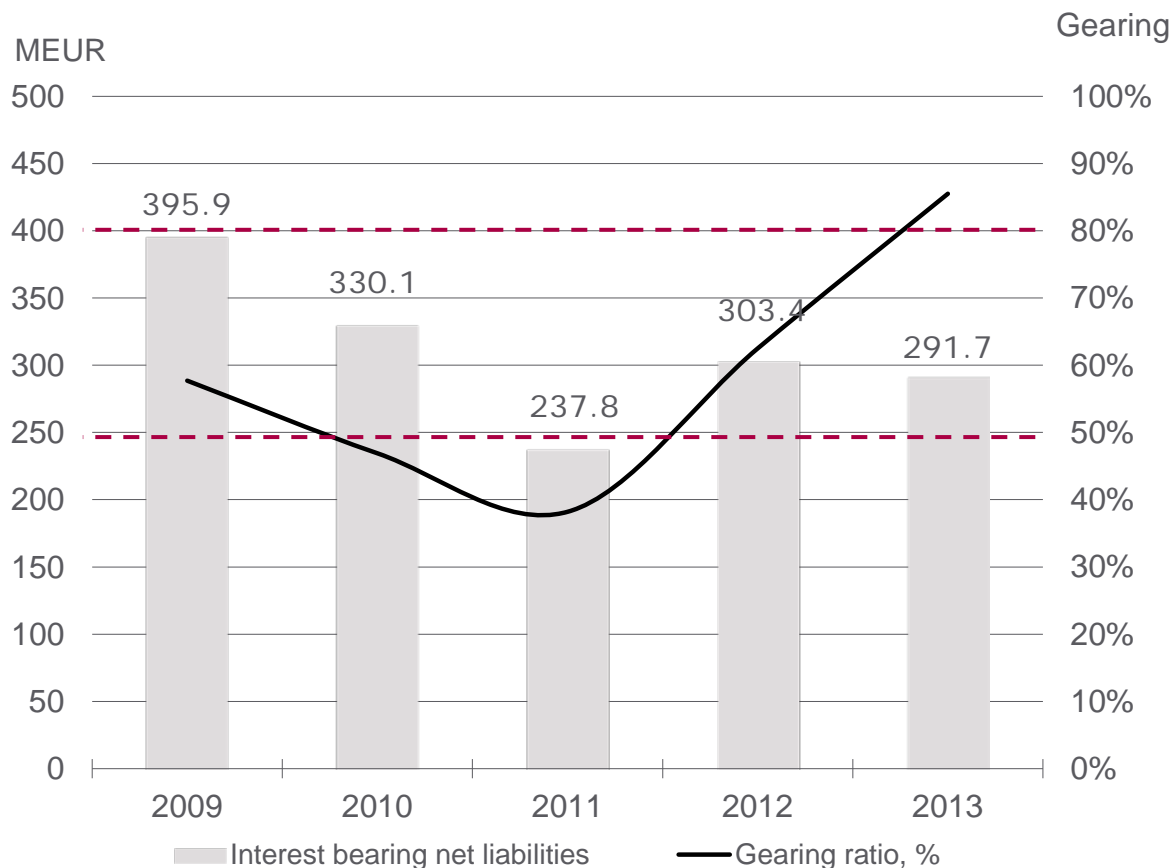
Equity	EUR 70.0 million
Non-restricted equity reserve	EUR 61.1 million
Retained earnings	EUR 488.6 million
Profit for the period	EUR -48.3 million
<b>TOTAL</b>	<b>EUR 571.5 million</b>
<b>Distributable funds</b>	<b>EUR 501.5 million</b>



# Gearing ratio

(including discontinued operations)

Gearing ratio:  
target range 50–80%



Gearing ratio negatively affected in 2013 by:

- Impairment losses in discontinued operations
- Fair valuation of Munksjö Oyj shares held by Ahlstrom
- Revised IAS 19 employee benefits standard

Net debt lower due to the Label and Processing demerger

Stay ahead™

**Thank you**

**Ahlstrom Group**

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**AHLSTROM**