

# Ahlstrom Corporation



Nordea Forest Products & Paper Seminar

May 25, 2010

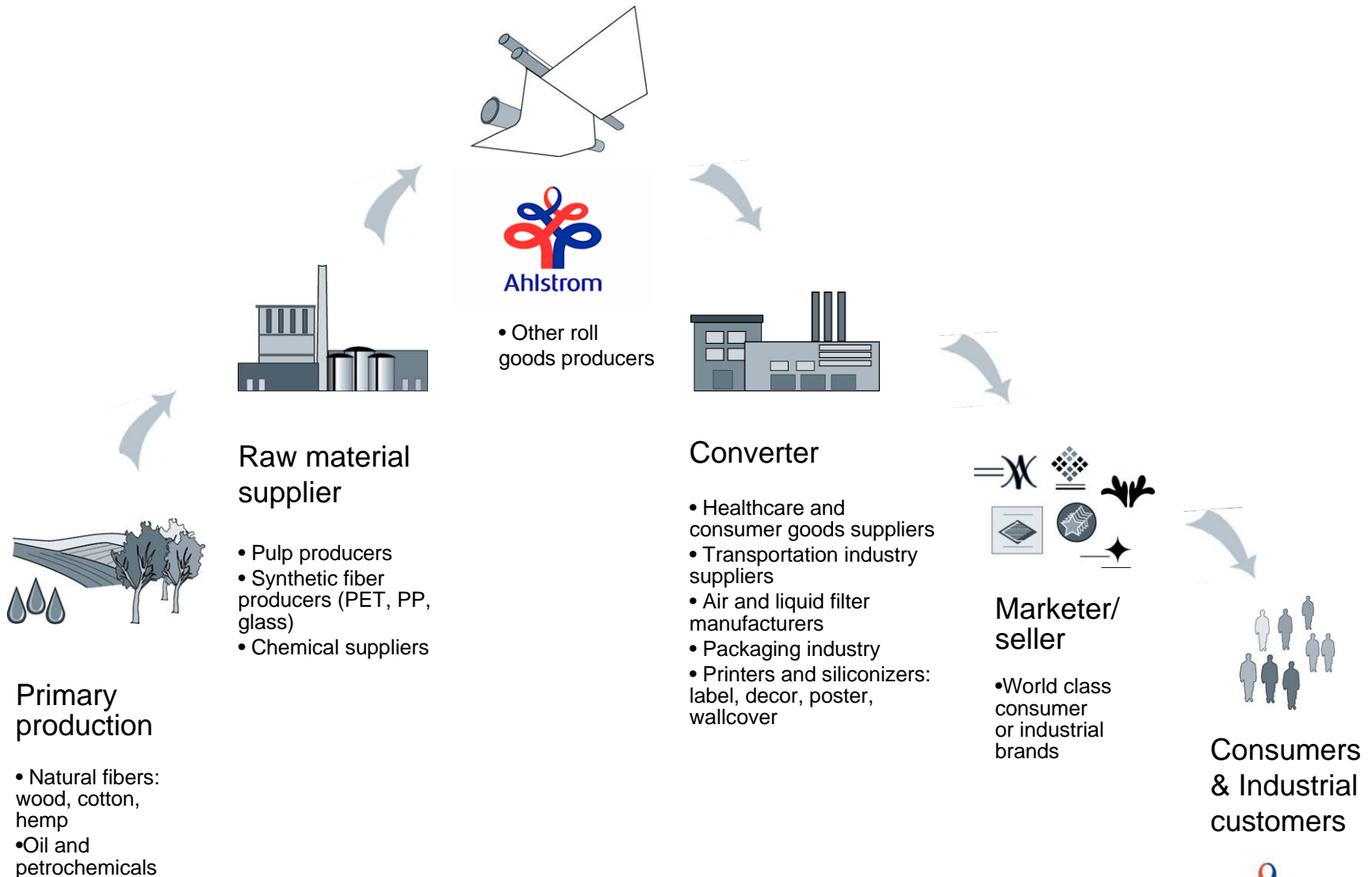
President & CEO Jan Lång

# Ahlstrom in brief

- Leading supplier of high performance nonwovens and specialty papers
- 5,800 employees in over 20 countries on six continents
- Business segments
  - Fiber Composites
  - Specialty Papers
- Listed on the NASDAQ OMX Helsinki since 2006
- Net sales EUR 1.6 billion in 2009
- Founded in 1851



# Ahlstrom in the value chain



# Ahlstrom business segments

## Fiber Composites Segment

2009 net sales: EUR 861.2 million (54%)

## Specialty Papers Segment

2009 net sales: EUR 743.8 million (46%)

Business Areas

### Advanced Nonwovens

Medical gowns, drapes and face masks, teabags, fibrous meat casings\*

### Filtration

Automotive and transportation filtration, food and beverage filtration, water filtration, air filters, laboratory filtration

### Glass & Industrial Nonwovens

Wind turbine blades, floorings, wallcovers, boat hulls, building panels, fabric care

### Home and Personal Nonwovens

Wipes for baby care, personal care and home care, industrial wipes

### Release & Label Papers

Self-adhesive labels for beverages, food, pharmaceuticals and cosmetics, wet glue labels for beverage bottles and food cans

### Technical Papers

Metalized beverage labels, food and non-food packaging, baking papers, wallpapers, poster papers, repositionable notes, masking tape, sterile barrier systems, decorative laminates, textile tubes, gaskets, heat shields, abrasive papers, sound absorption materials

Business Areas

\* Examples of applications

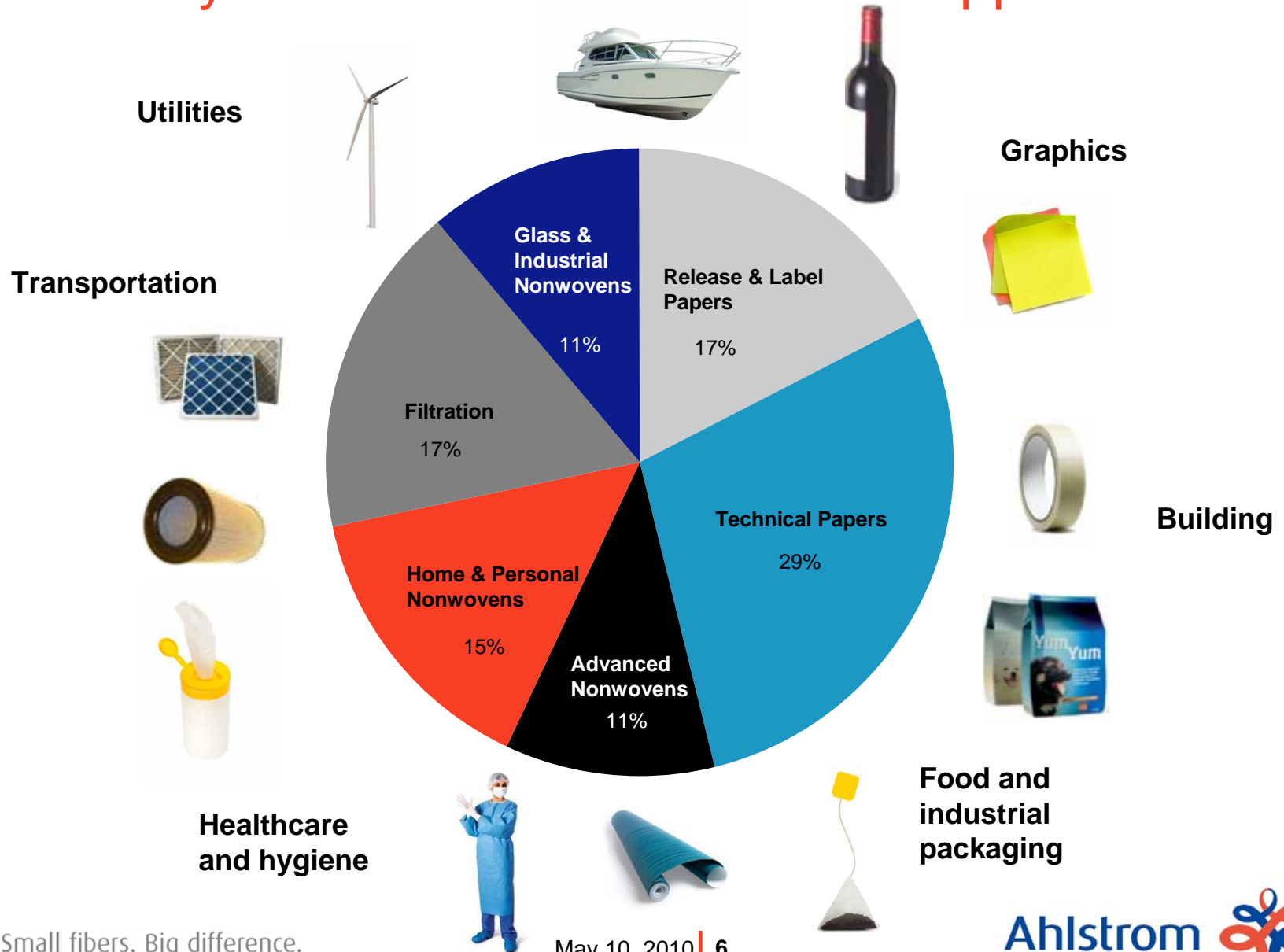
Small fibers. Big difference.

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# End user segments

Business area	Product line	Building	Transportation	Healthcare & Hygiene	Graphics	Food & Industrial packaging	Utilities
Advanced Nonwovens	Medical Food			X		X	
Filtration	Transportation filtration Air & liquid filtration		X				X
Glass & Industrial Nonwovens	Glassfiber tissue Specialty reinforcements Industrial nonwovens	X  X	X X X	  X	  X		X X
Home & Personal Nonwovens	Wipes			X			
Release & Label Papers	Release base papers Label papers	X	X	X X	X X	X X	
Technical Papers	Coated specialties Crepe papers Vegetable parchment Wallpaper base & poster papers Industrial Papers Pre-impregnated décor papers Sealing & shielding papers Abrasive base papers	 X X X  X  X	 X     X X	 X       	   X X   	 X X X  X  	

# Sales by business area & end user applications



# Leading supplier of fiber-based materials

## Business area

## Market position\*

Advanced Nonwovens

2-3

Filtration

1\*\*

Glass & Industrial Nonwovens

1-3\*\*

Home & Personal Nonwovens

1

Release & Label Papers:

Release base papers

1-2

Release & Label Papers:

Label Papers

5-6

Technical papers

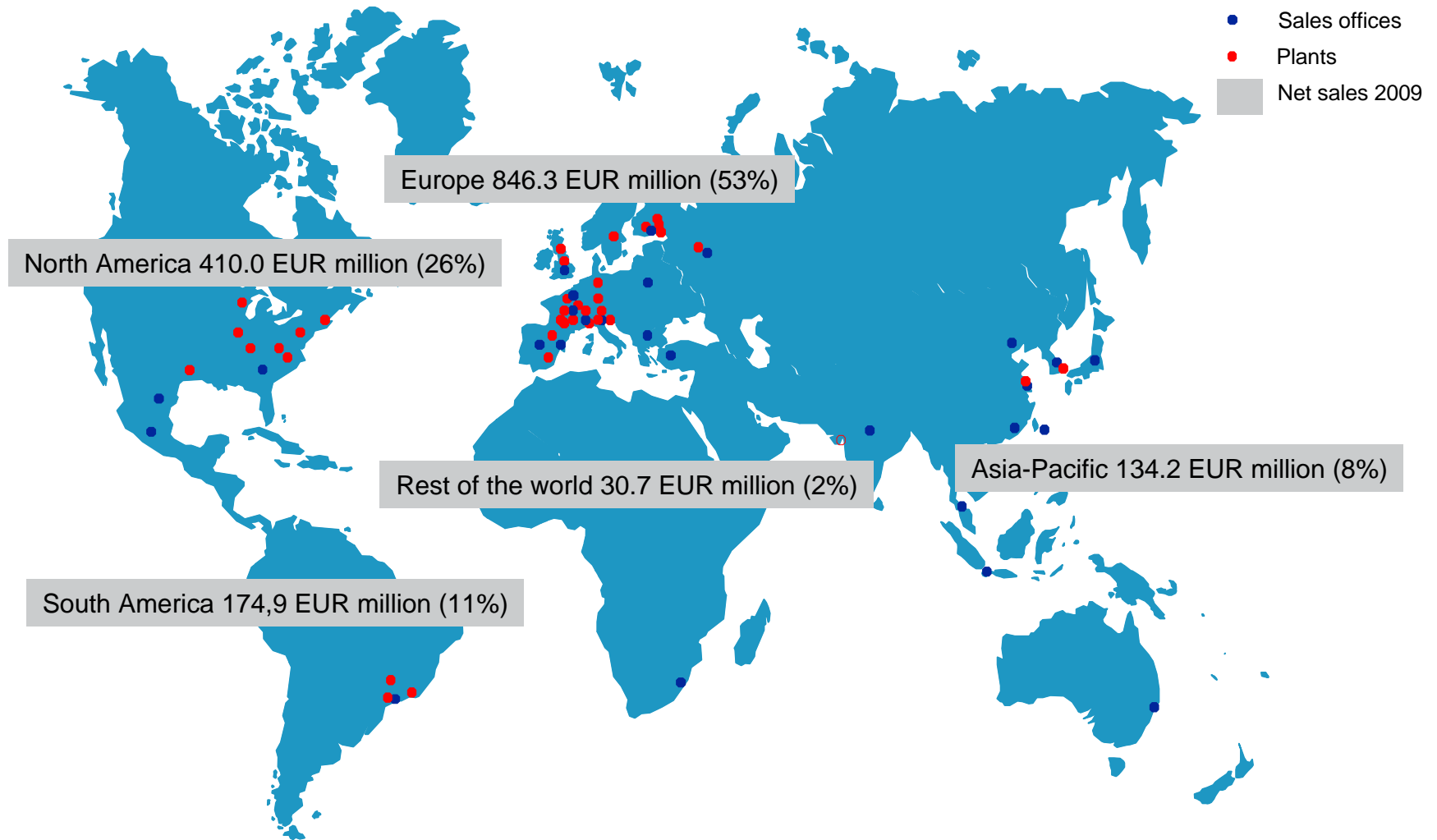
1-2

\*Management estimate    \*\* In selected market segments

Small fibers. Big difference.

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# Global manufacturing presence & markets





# Total costs EUR 1.46 bln (excl. NRI) in 2009

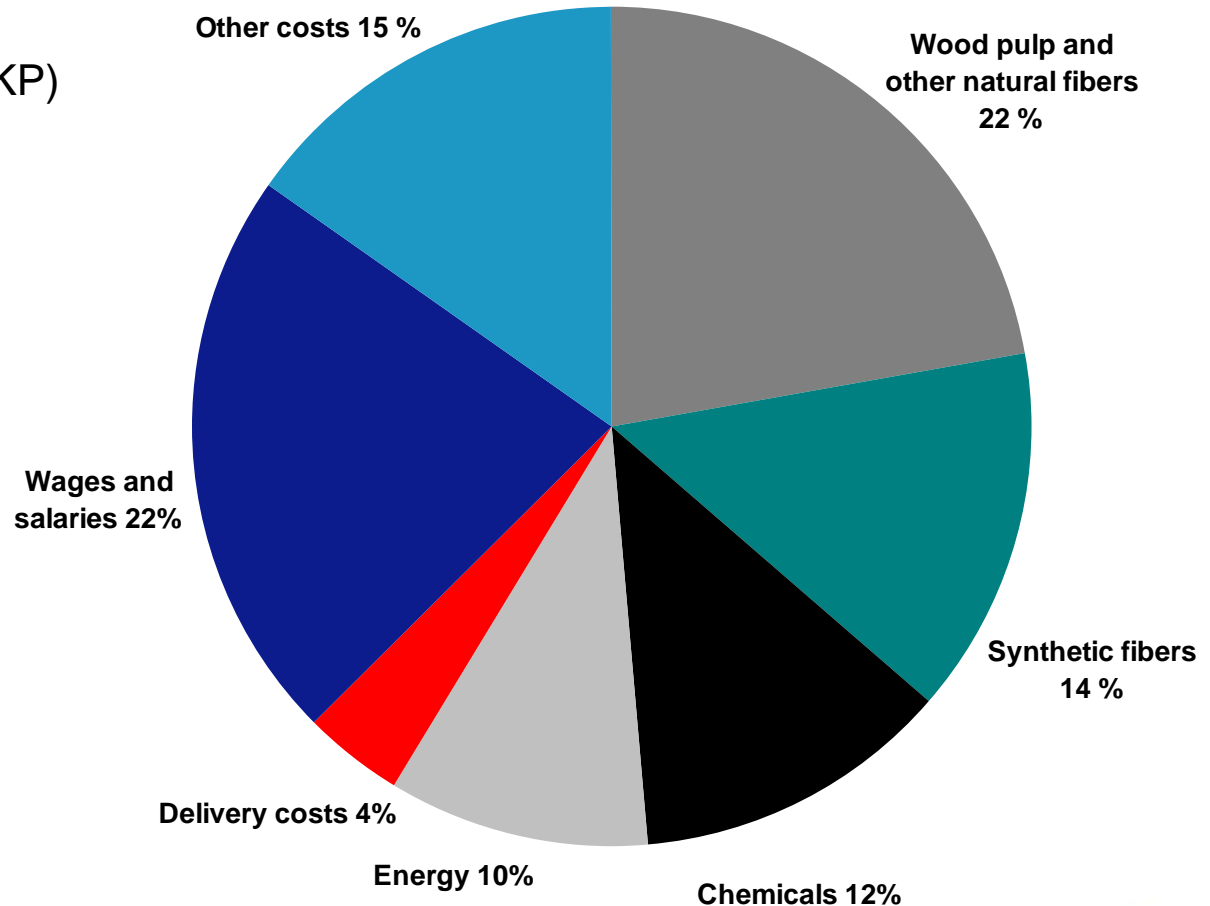
## Main raw materials

- Natural fibers
  - Pulp (NBSK, BHKP)
  - Abaca
- Synthetic fibers
  - Polyester
  - Viscose rayon
  - Polypropylene

## Chemicals

## Main sources of energy

- Electricity
- Natural gas



# New focused business portfolio to support profitable growth

## Value-Added businesses

Crepe papers  
Food nonwovens  
Glassfiber tissue  
Industrial nonwovens  
Liquid filtration  
Medical nonwovens  
Specialty reinforcements  
Transportation filtration  
Vegetable parchment

## Operational excellence businesses

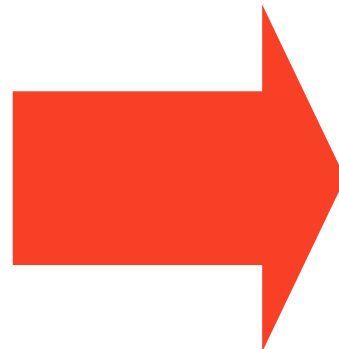
Abrasive base papers  
Air filtration  
Coated specialties  
Industrial papers  
Label papers  
Pre-impregnated décor papers  
Release base papers  
Sealing & Shielding papers  
Wallpaper & Poster papers  
Wipes



## Grow and expand

### – be different

- Offer value-added products at competitive prices
- Innovate for product performance and improved conversion process
- Organic growth and possibly small acquisitions
- In terms of geographical areas, growth will focus on Asia



## Support growth

### – be efficient

- Offer price competitive products
- Innovate for cost improvement

# Ahlstrom's near-term strategic roadmap



# Three long term targets

1. Return on capital employed: At least 13%
2. Gearing ratio: Between 50-80%
3. Dividend policy: Ahlstrom aims to pay a dividend of not less than one third of the net cash from operating activities after operative investments, calculated as a three-year rolling average

# Ahlstrom will change its operating model and organization as of July 1, 2010

- The new model is based on the new strategy of two business clusters – Value Added and Operational Excellence
- Objectives:
  - Improve financial performance and efficiency
  - Support stronger focus towards customer orientation
  - Build One Ahlstrom: common processes and way of working, leadership and corporate culture
  - Improve utilization of key competencies and best practices

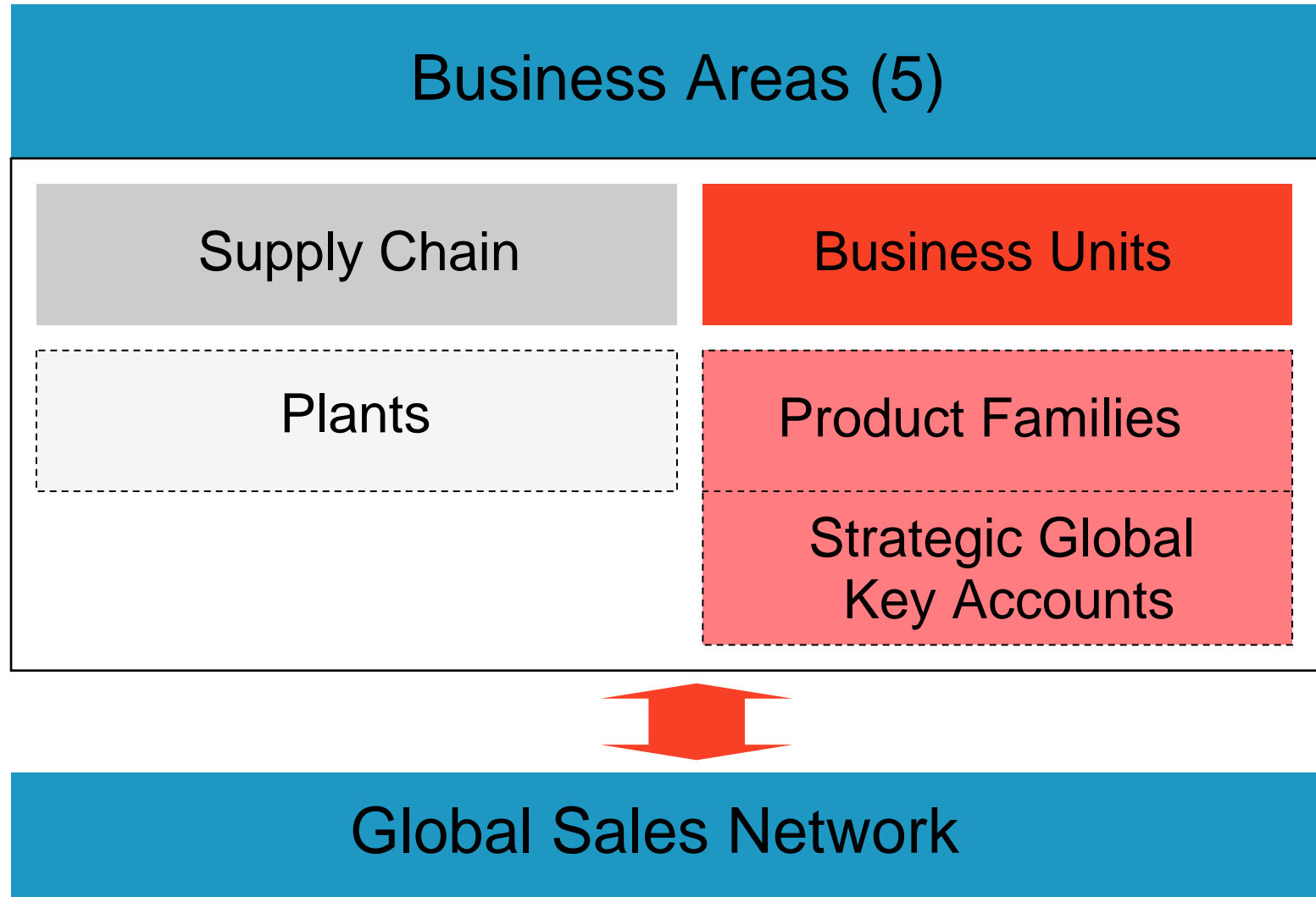
## Key changes

- From six to five Business Areas, current Product Line structure (18 product lines) discontinued
- More transparency in external reporting: Fiber Composites and Specialty Papers segments discontinued, segment reporting according to new Business Areas
- Clearer responsibilities and processes in Account Management
- Common processes in key global functions: Sales & Marketing, Finance, Supply Chain, HR, Product & Technology Development
- Some changes in Executive Management Team

# Current product lines are merged into new business areas

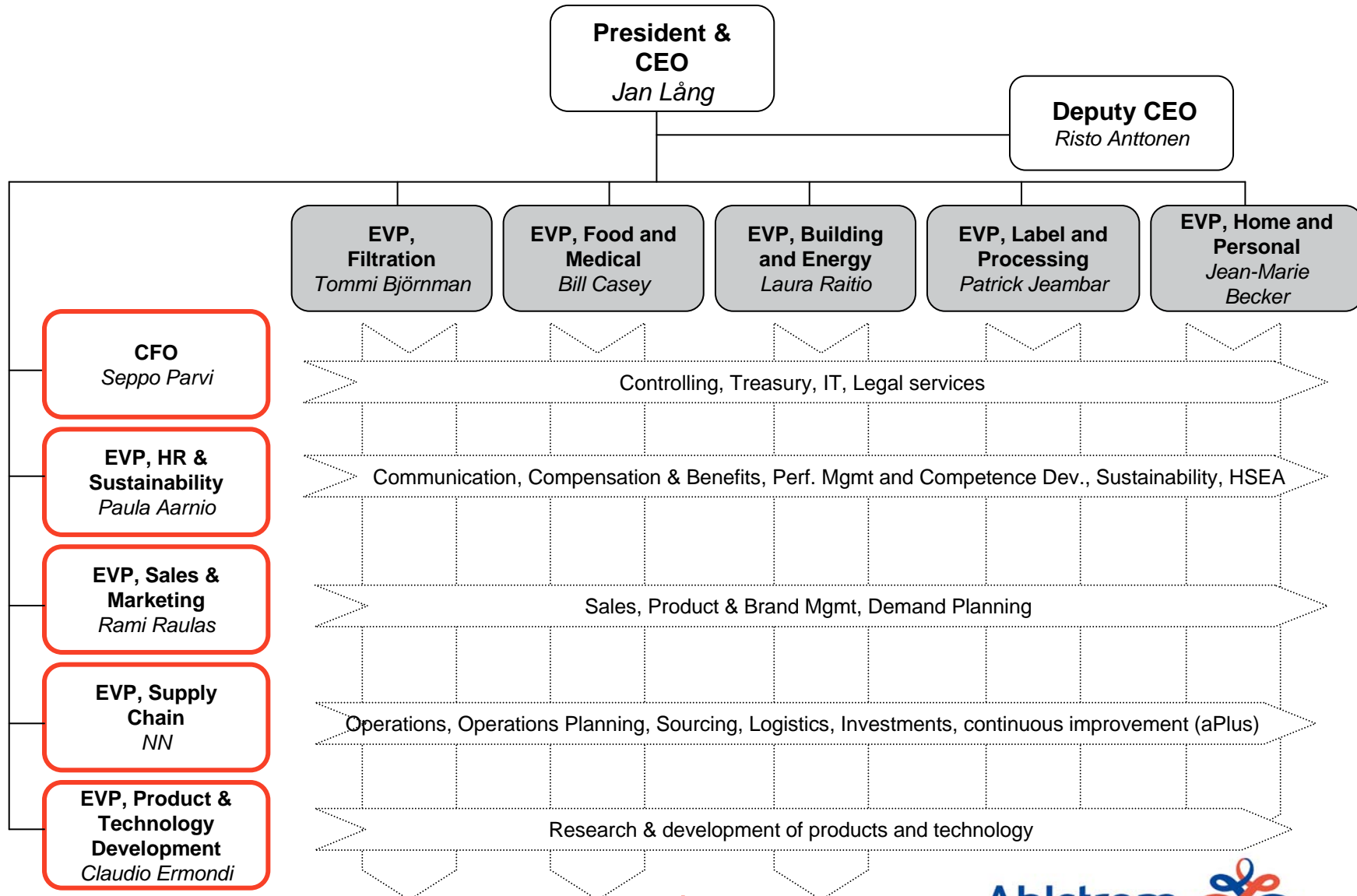
- **Building and Energy:** covering the current Glass & Industrial Nonwovens business area and wallpaper products
- **Label and Processing:** including most of the current Technical Papers and Release & Label Papers business areas
- **Home and Personal:** the current Home & Personal Nonwovens business area
- **Food and Medical:** the current Advanced Nonwovens business area, crepe papers and vegetable parchment products
- **Filtration:** the current Filtration business area
- Within the new BA's, Value Added and Operational Excellence approach to be prioritized

# Structure according to new operating model



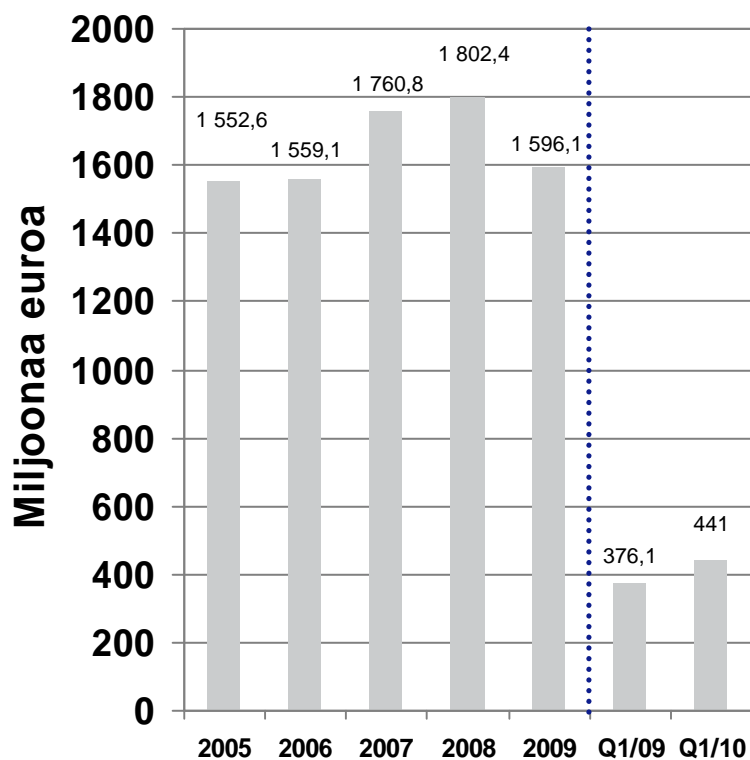


# Organization as of July 1, 2010

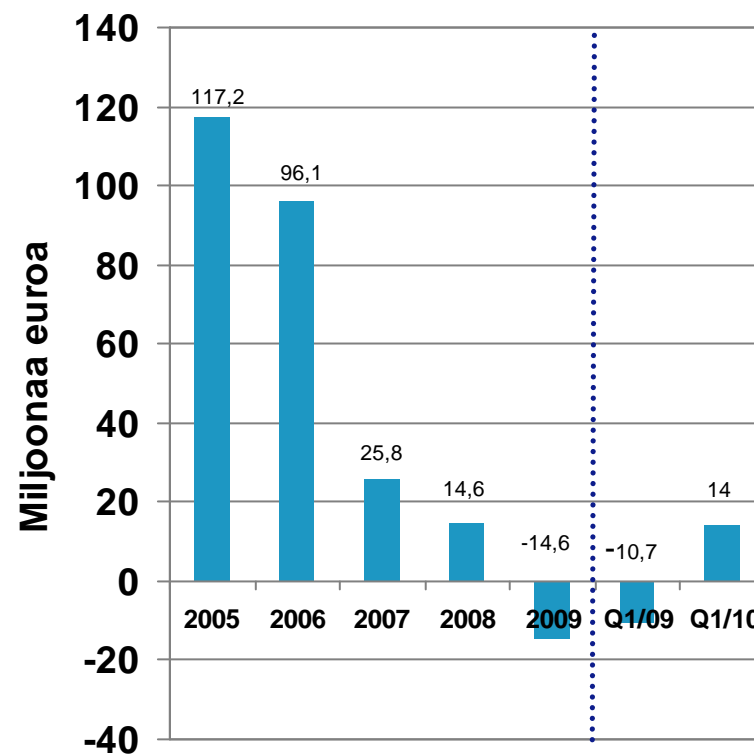


# Financial information

## Net sales

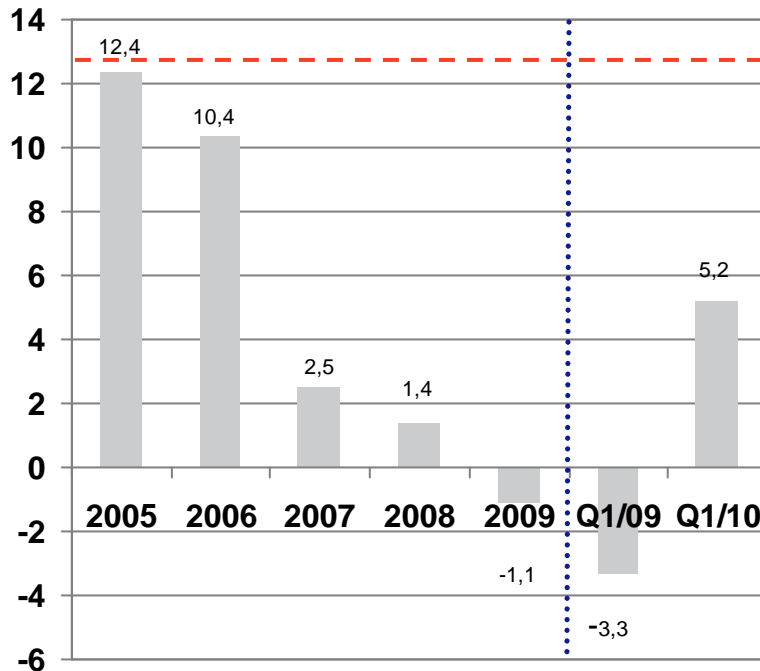


## EBIT



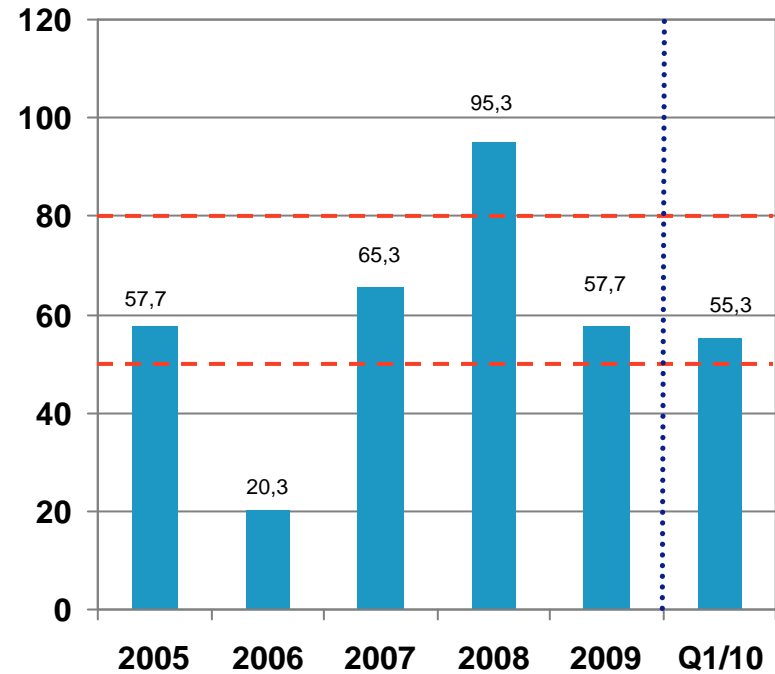
# Profitability and solidity

**Profitability:**  
Return on capital employed  
(ROCE, %)



--- Target: minimum of 13 %

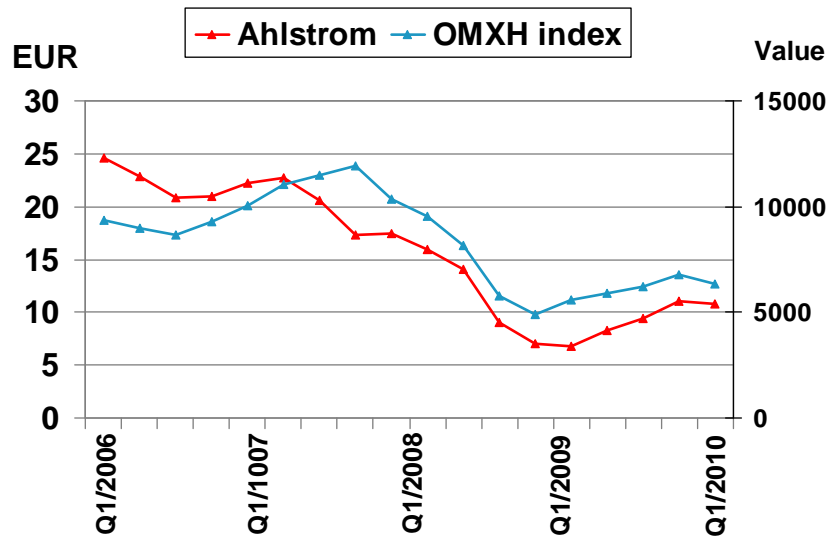
**Solidity:**  
Gearing ratio (%)



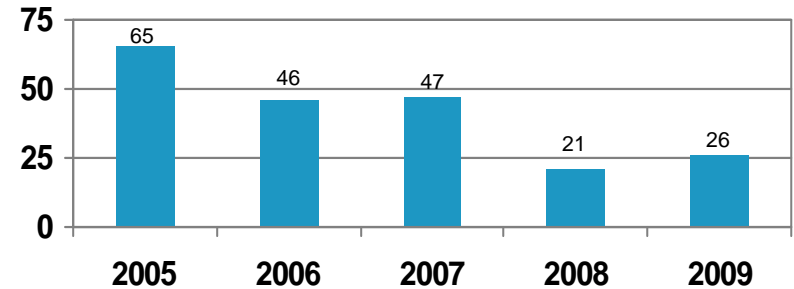
--- Target: 50-80 %

# Share and dividend

### Share price (quarterly average)



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



## Dividend policy

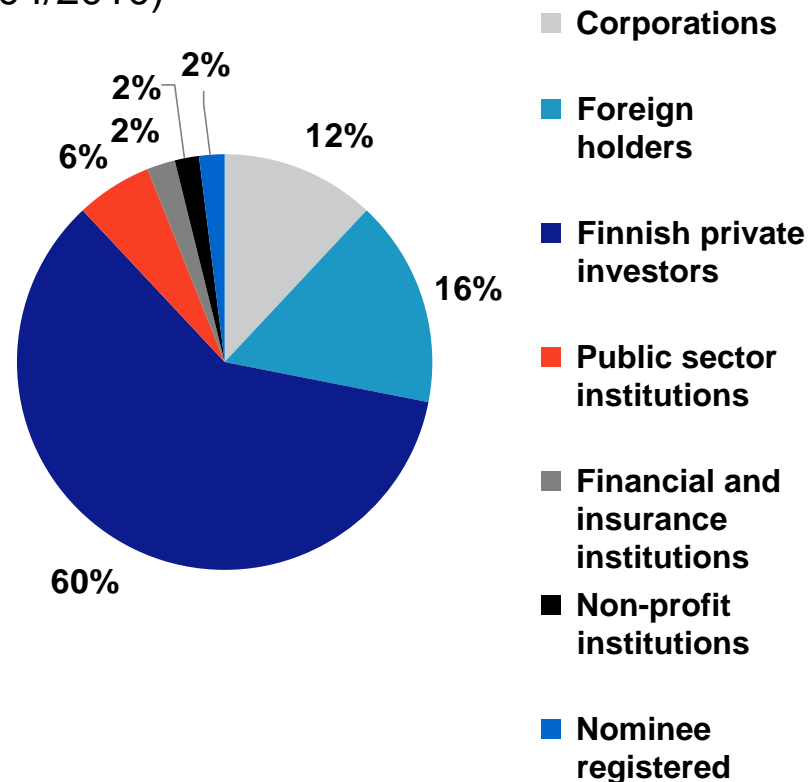
- Ahlstrom will aim to pay a dividend of not less than one third of the net cash from operating activities after operative investments, calculated as a three-year rolling average (revised in December 2009).

# Shareholders

## Major shareholders (04/2010)

1. Antti Ahlströmin Perilliset Oy	10.02%
2. Etola Erkki Olavi	5.23%
3. Vilha Intressenter Ab	5.09%
4. Varma Mutual Pension Insurance Company	3.28%
5. Huber Mona	2.69%
6. Tracewski Jacqueline	2.16%
7. Nahi Kai Anders Bertel	1.54%
8. Lund Niklas Roland	1.49%
9. Huber Samuel	1.37%
10. Huber Karin	1.37%

## Shareholder structure (04/2010)



# Recent innovations

- In 2009, 48% of Ahlstrom's net sales were generated by new or improved products
- Bi-component nonwoven material for medical applications
  - Stronger than comparable fabrics
  - Suitable for sterilization by means of radiation
- Hybrid wallcovering
  - Combines favorable properties of nonwovens and papers cost efficiently
- Several filtration media innovations
  - Match the stricter environmental criteria, e.g. in diesel oil filtration
- Dry wiping fabrics for cleaning applications in home and industrial environments
- One-side coated label paper Lumimax TT
  - Used e.g. in bar code stickers



# Interim report January-March 2010



# Highlights of January–March 2010

- Net sales approached pre-recession levels
- Profitability continued to improve
- Strong cash flow
- Mundra plant in India started operations





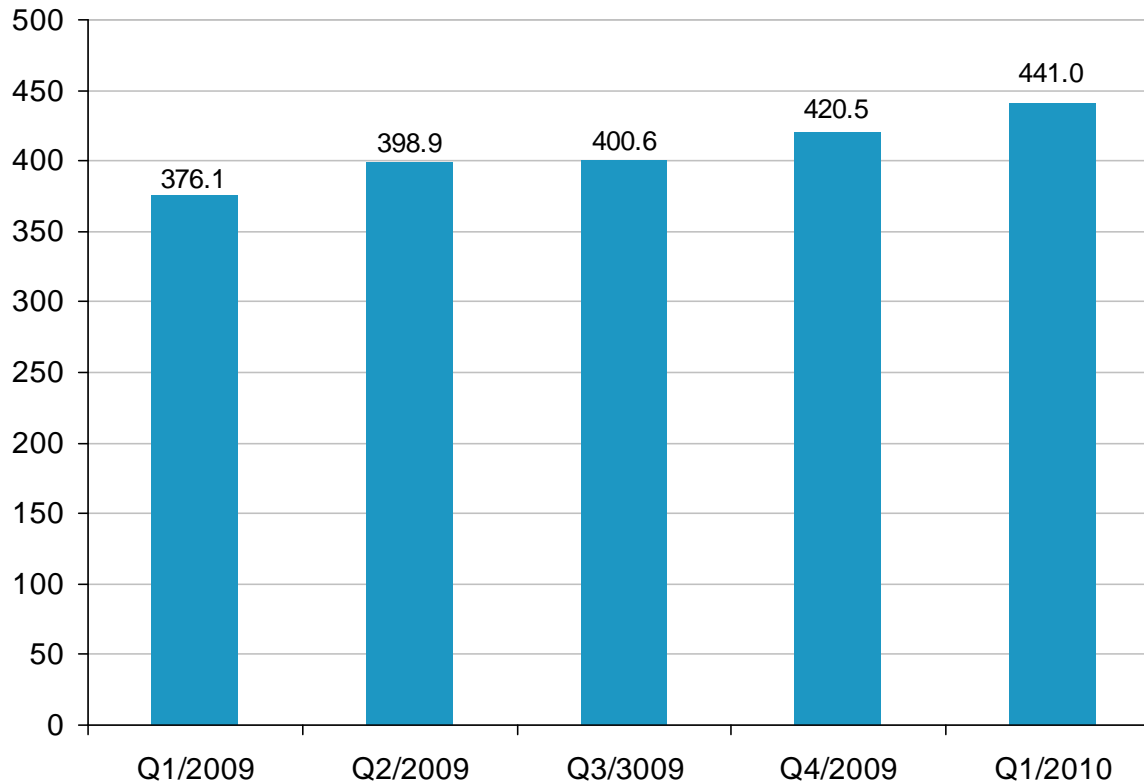
# Mundra plant in India started in Q1/2010

- After testing, the plant will begin deliveries in Q2/2010
- State-of-the-art multi-layer spunmelt fabrics for surgical drapes and gowns, facemasks, sterile barrier systems etc.
- Market situation in Asia looks encouraging
- Total cost of investment was about EUR 42 million



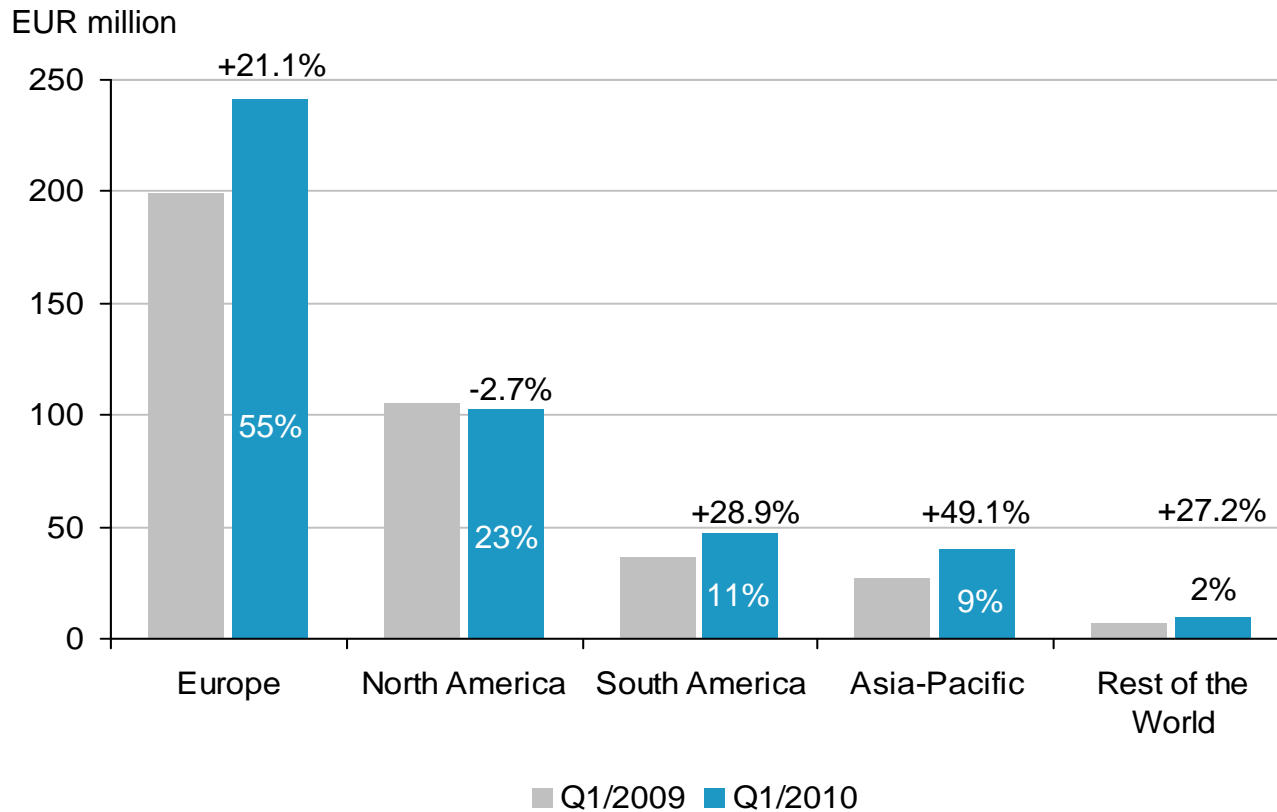
# Net sales Q1/2009–Q1/2010

EUR million



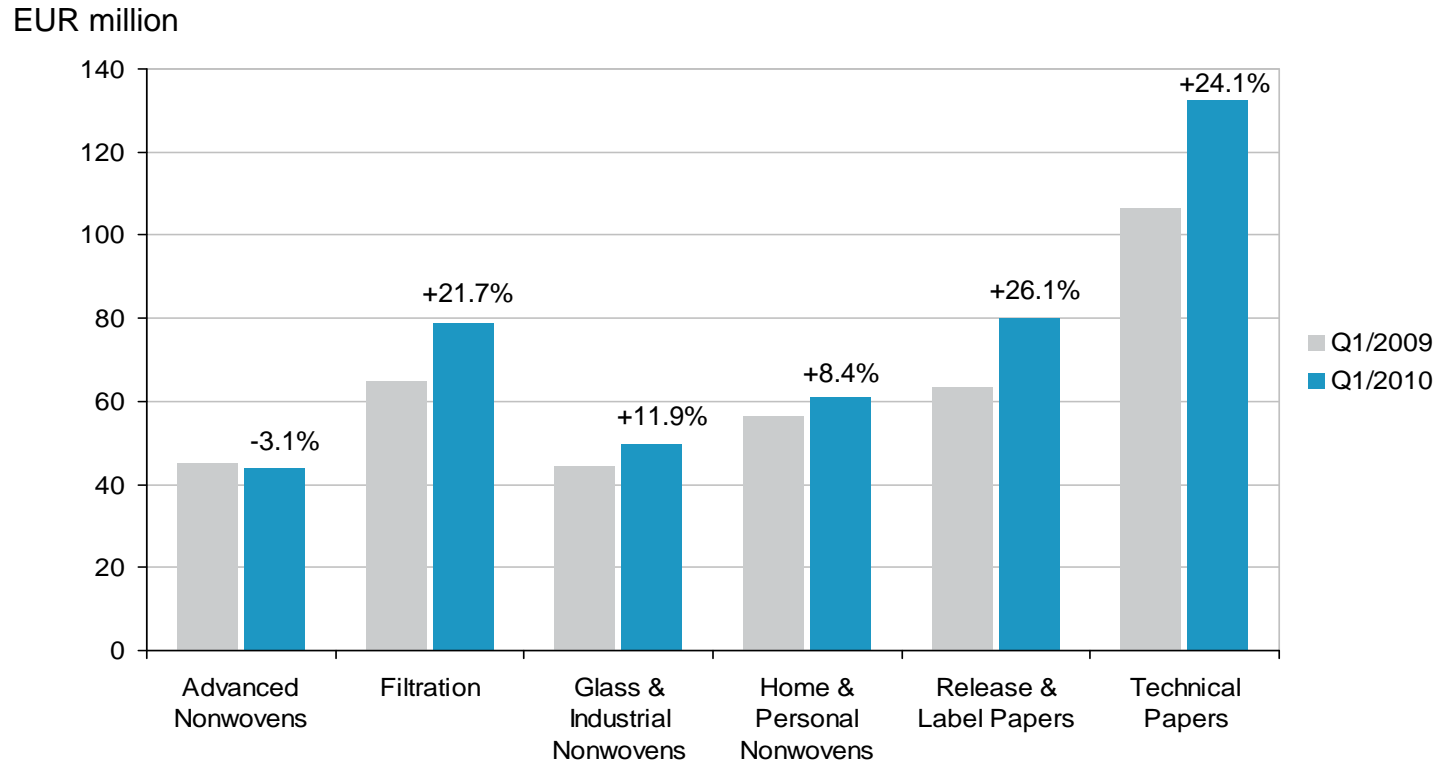
- Increasing net sales – growth from Q1/2009 was 17.3%
- Net sales still remained below pre-recession level

# Net sales by region



- Growth in net sales, especially in Asia and South America
- In North America, weakening USD and slower recovery in demand reduced net sales in euros

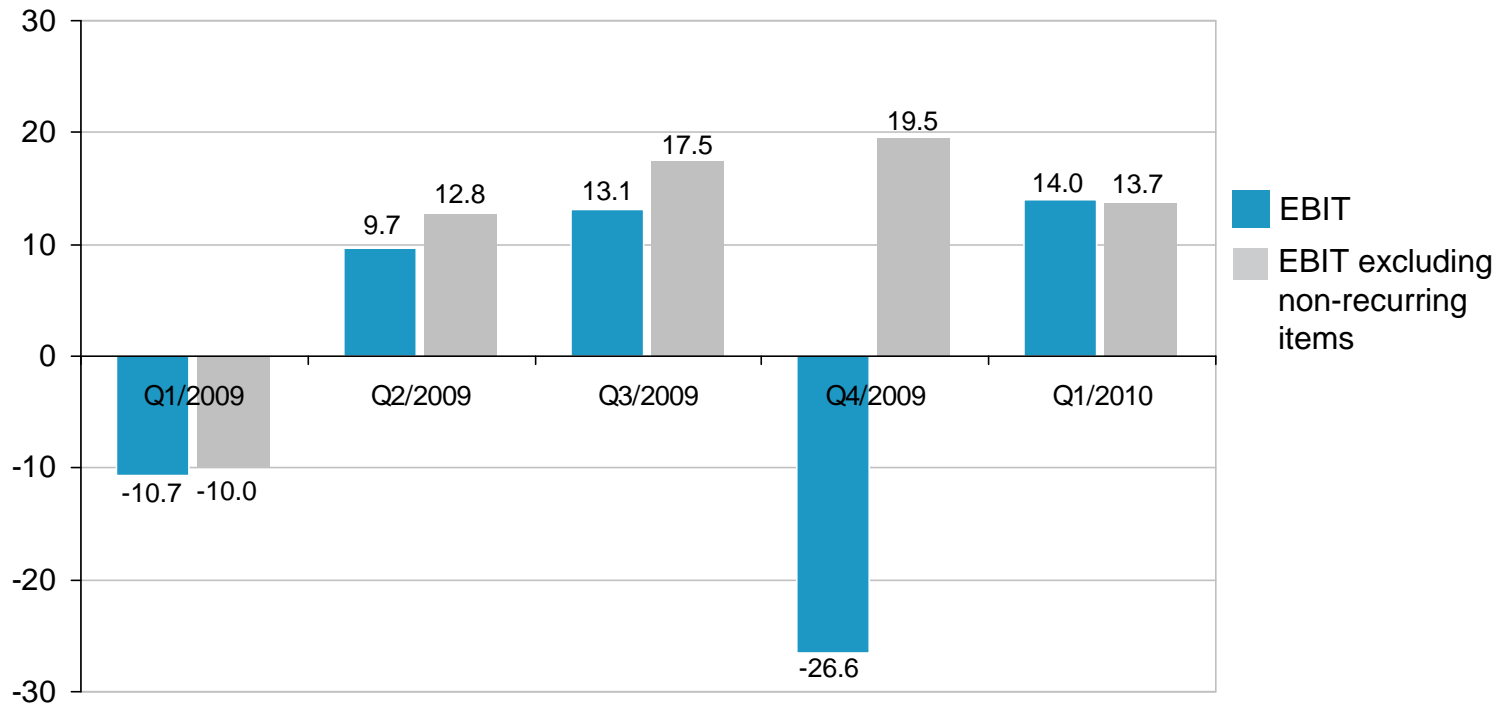
# Net sales by business area Q1/2010



- Net sales of specialty papers improved the most – recovery from recession increased sales volumes
- Trend in the Glass & Industrial Nonwovens turned – increase after the weak 2009
- In the Advanced Nonwovens, exchange rate fluctuations were reflected in net sales

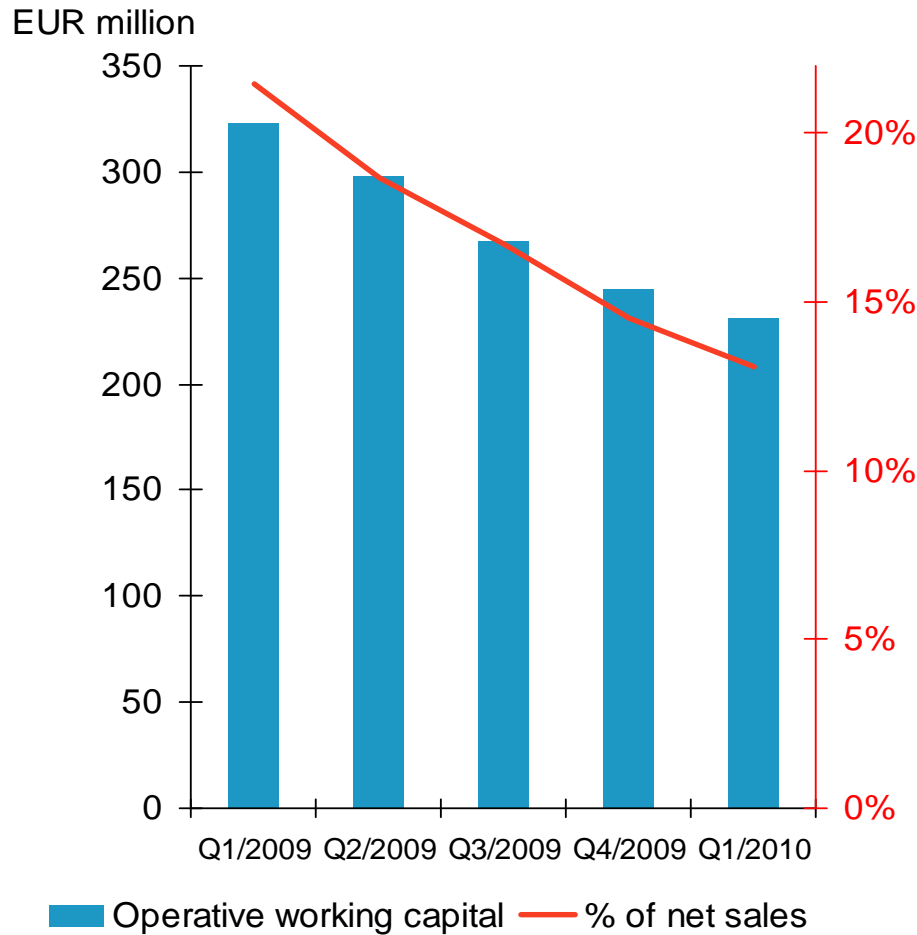
# Operating profit / loss Q1/2009–Q1/2010

EUR million



- EBIT clearly improved from Q1/2009 – streamlining efforts and increased sales volumes due to recovery in demand

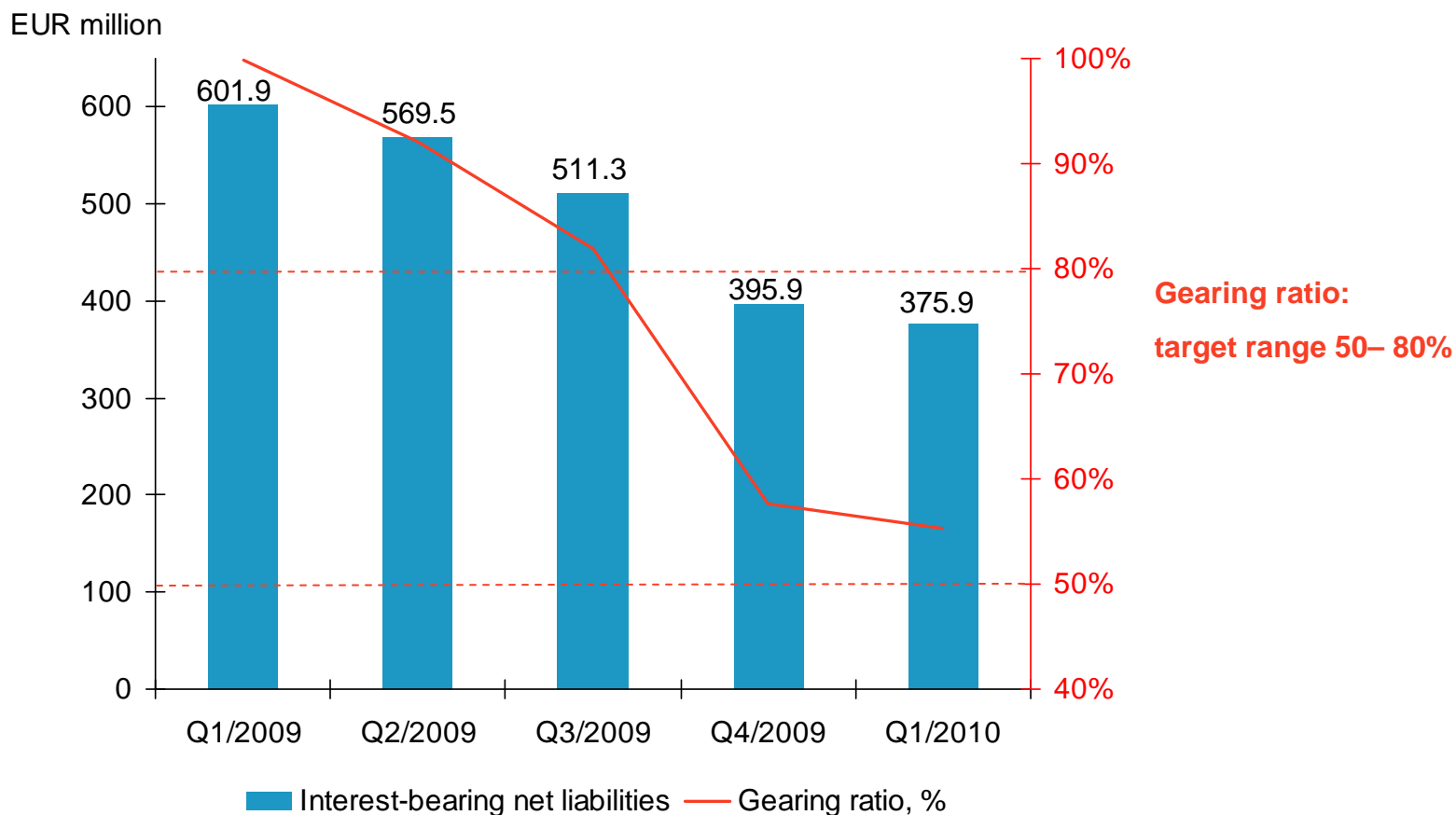
# Strong development of working capital



- Target to decrease working capital by EUR 100 million in two years
- Project is in the final phase
- Working capital was reduced by EUR 118.3 million and turnover improved by 28 days from the end of 2008 => turnover on March 31, 2010, was 48 days

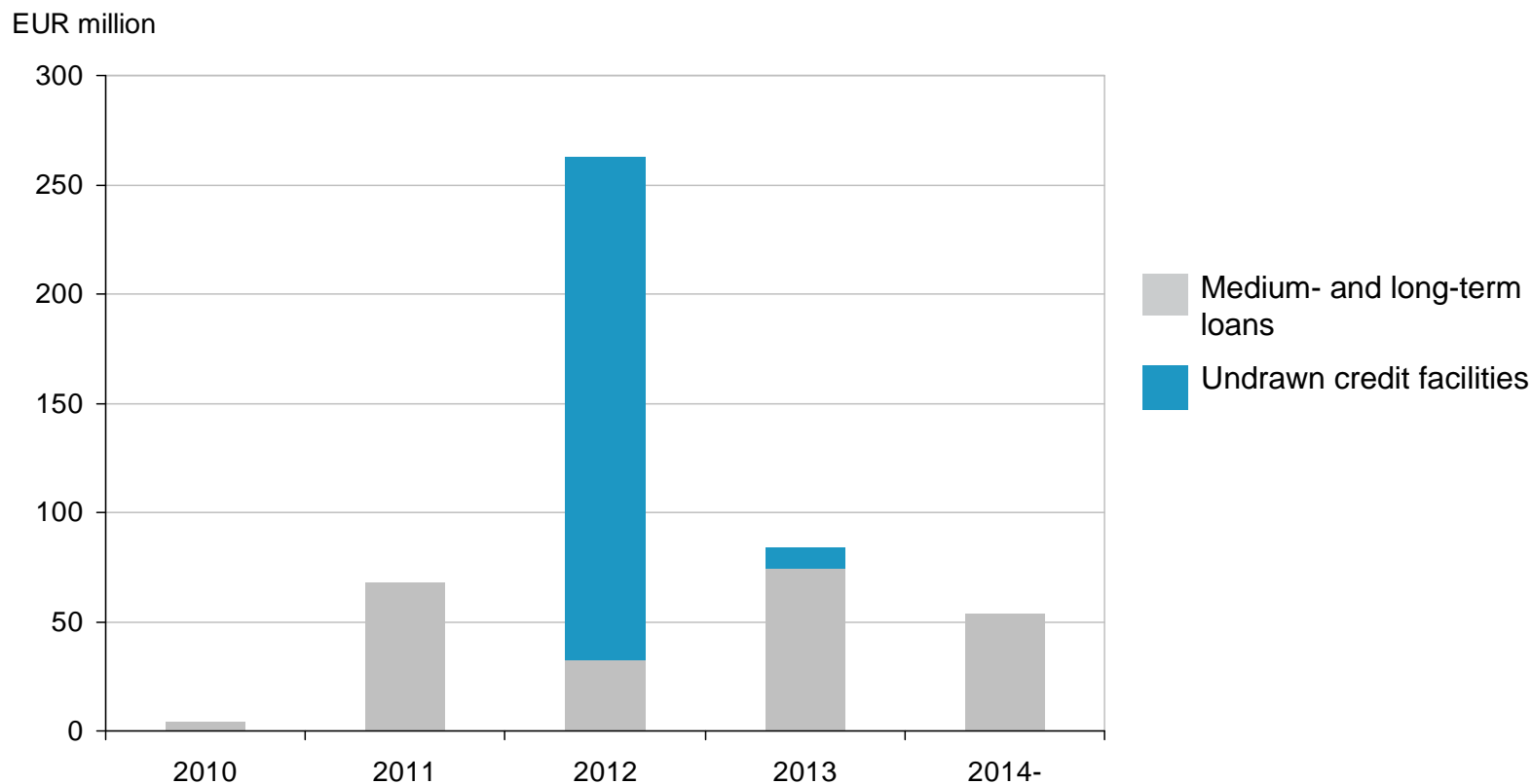
Operative working capital = Accounts receivable + inventories – accounts payable

# Gearing in target range



- Net debt and gearing ratio significantly reduced compared to Q1/2009
- Gearing ratio on March 31, 2010, was 55.3%

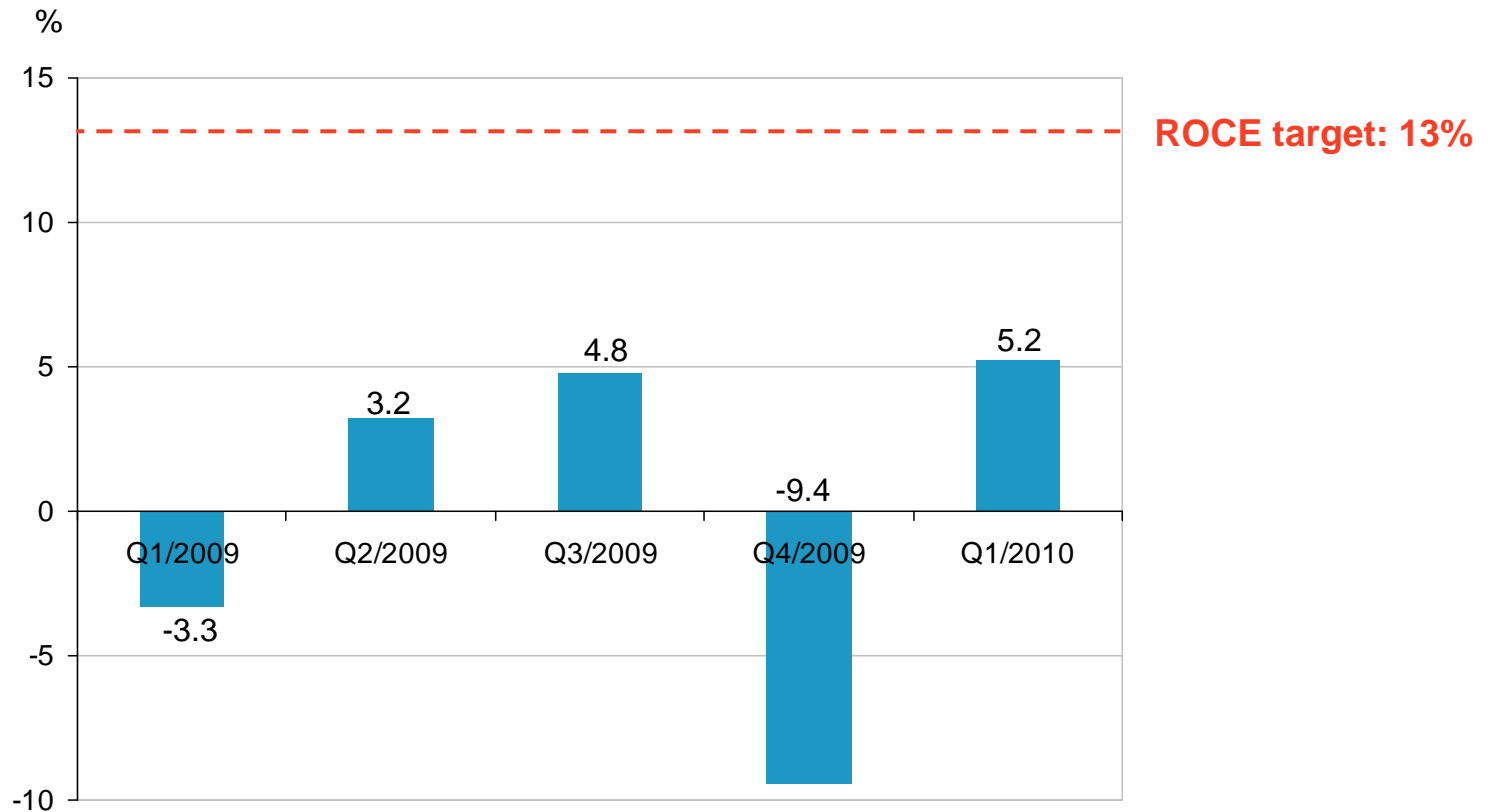
# Maturity profile of medium/long term credit facilities



- Total liquidity, including cash, unused committed credit facilities, and the cash pool overdraft limits totaled EUR 338.3 million
- In addition, the company had available uncommitted credit facilities totaling EUR 143.8 million



# ROCE Q1/2009–Q1/2010



- ROCE is one of the most important indicators for the success of the strategy
- Target is to reach the 13% ROCE in the next few years

# Main short-term targets

## Strategy implementation

- Active assessment of growth alternatives in Asia
- Development of key account and sales processes
- Strengthening of corporate culture and leadership methods

## Continuous improvement measures



# Outlook

- Demand and net sales in 2010 are expected to increase to approximately the same levels they were in 2008
  - Sales prices are and will be increased to cover rising raw material costs
  - Sales volumes develop slightly more favorably than anticipated
  - Demand in wind turbine and marine industries in Europe and North America expected to recover towards the end of the year
- EBIT excluding non-recurring items is expected to increase from 2009
  - Improved demand, more efficient cost structure, continuous streamlining efforts





Thank you