

# Ahlstrom Corporation

## Interim report January-June 2010

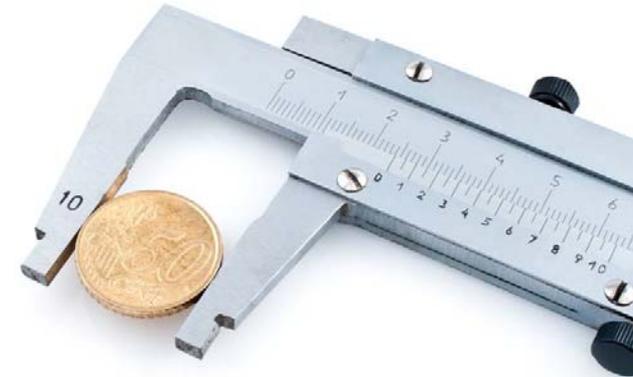


11.8.2010

President & CEO Jan Lång

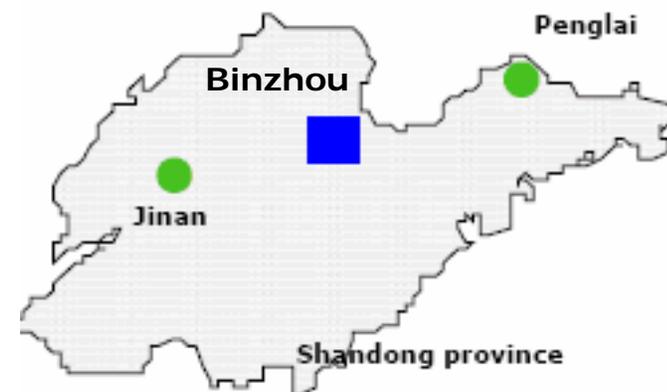
# Highlights of April-June 2010

- Net sales reached Q2/2008 levels
- Profitability continued to improve
- Strong cash flow
- Organization and operating model were revised to support updated strategy
- Capacity utilization rates of the projects included in the EUR 500 million investment program of 2007 & 2008 have improved due to increased demand, however, they still remain below target levels

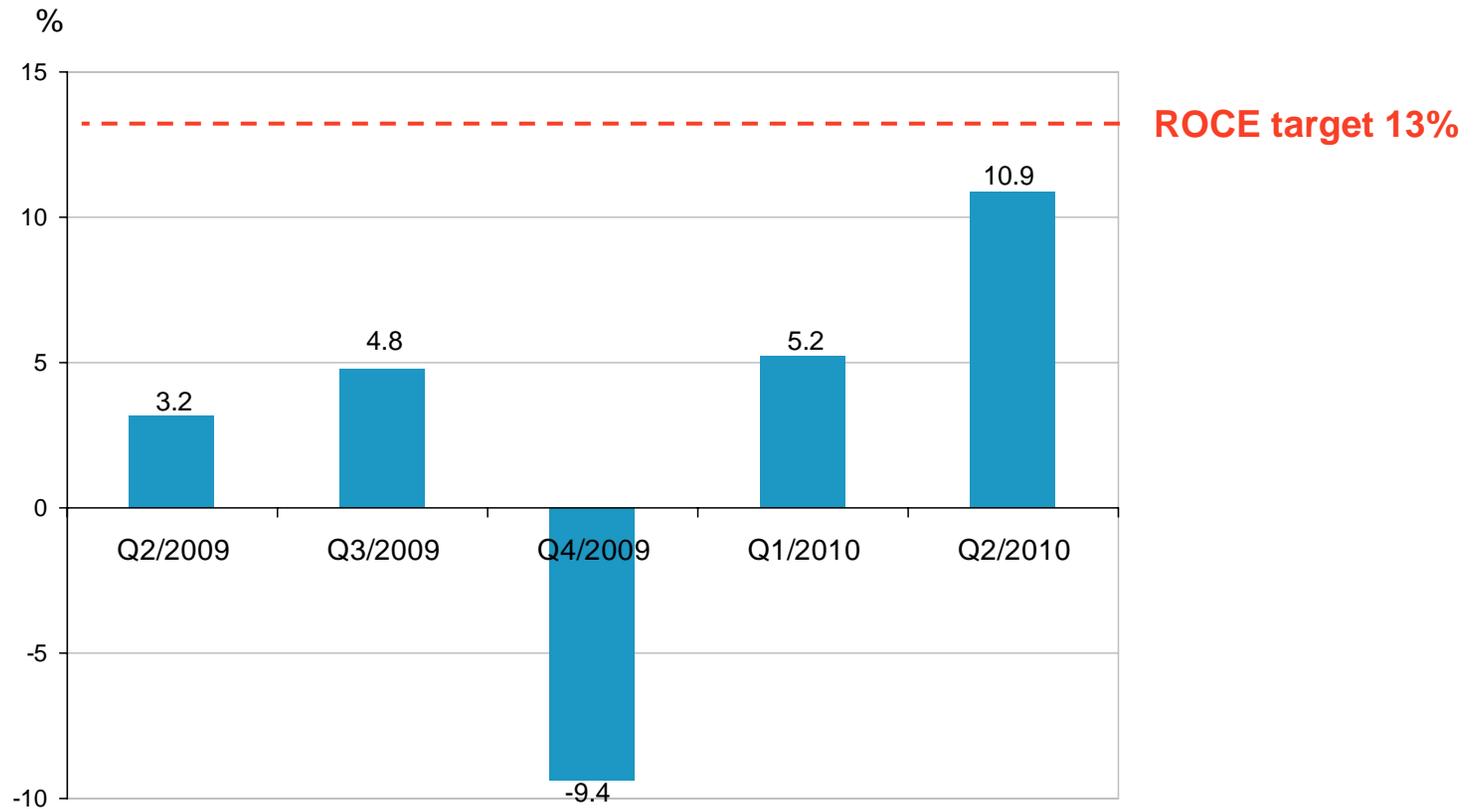


# Shandong Puri Filter & Paper acquisition

- Shandong Puri Filter & Paper Products Limited
  - Manufactures transportation filtration materials, will be part of Ahlstrom's Filtration Business Area
  - Based in Binzhou, Shandong province in northeastern China
  - Currently employs 170 people
- Transaction value: EUR 22.5 million
- Rationale:
  - Integral part of Ahlstrom's expansion in Asia
  - Serves global customers based in China
  - Increases market share in Asia
  - Builds platform for further growth in the region
- Expected closing: End of September, subject to regulatory approvals



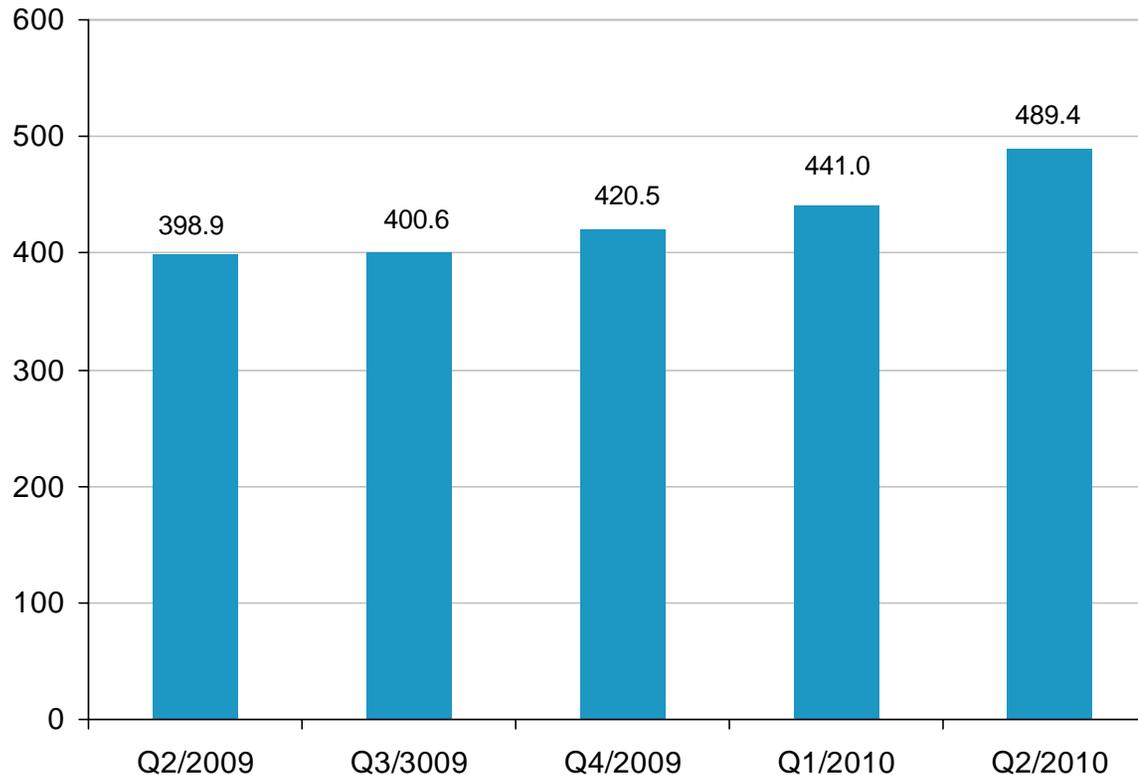
# Return on capital employed doubled in H1/2010



- ROCE is one of the most important strategy success indicators

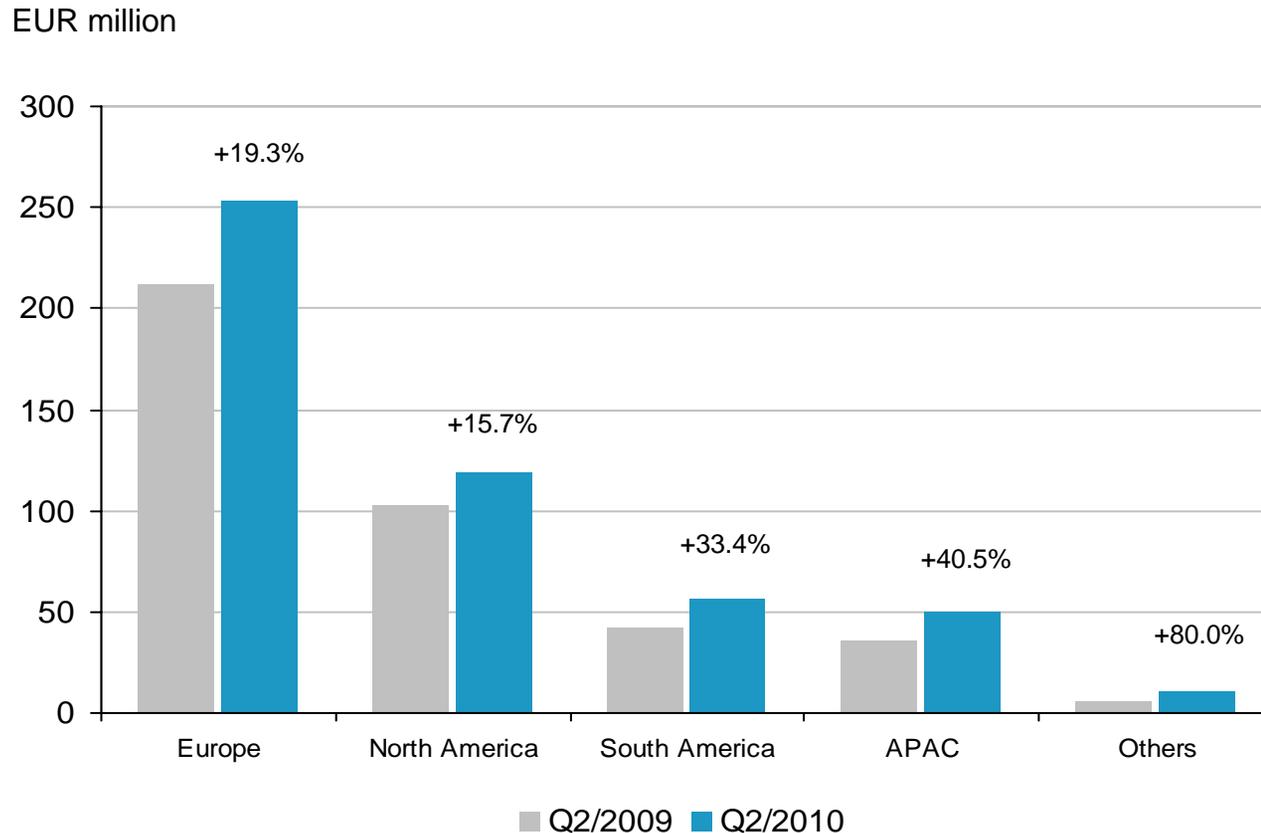
# Net sales Q2/2009–Q2/2010

EUR million



- Net sales rose by 22.7% from Q2/2009 – half of growth attributable to higher sales volumes, rest to price increases
- Net sales reached Q2/2008 levels

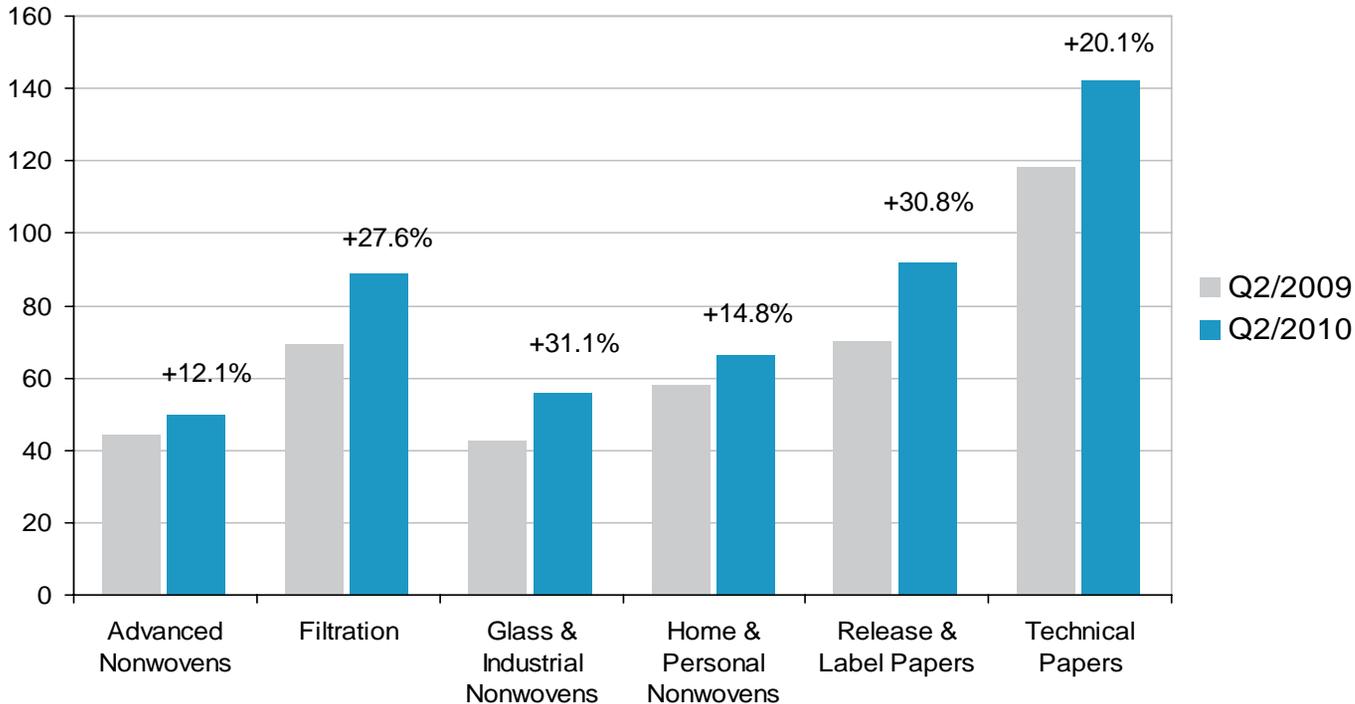
# Net sales by region



- Fastest sales growth in Asia and South America
- Stronger USD together with higher volumes and prices boosted euro-denominated sales in North America

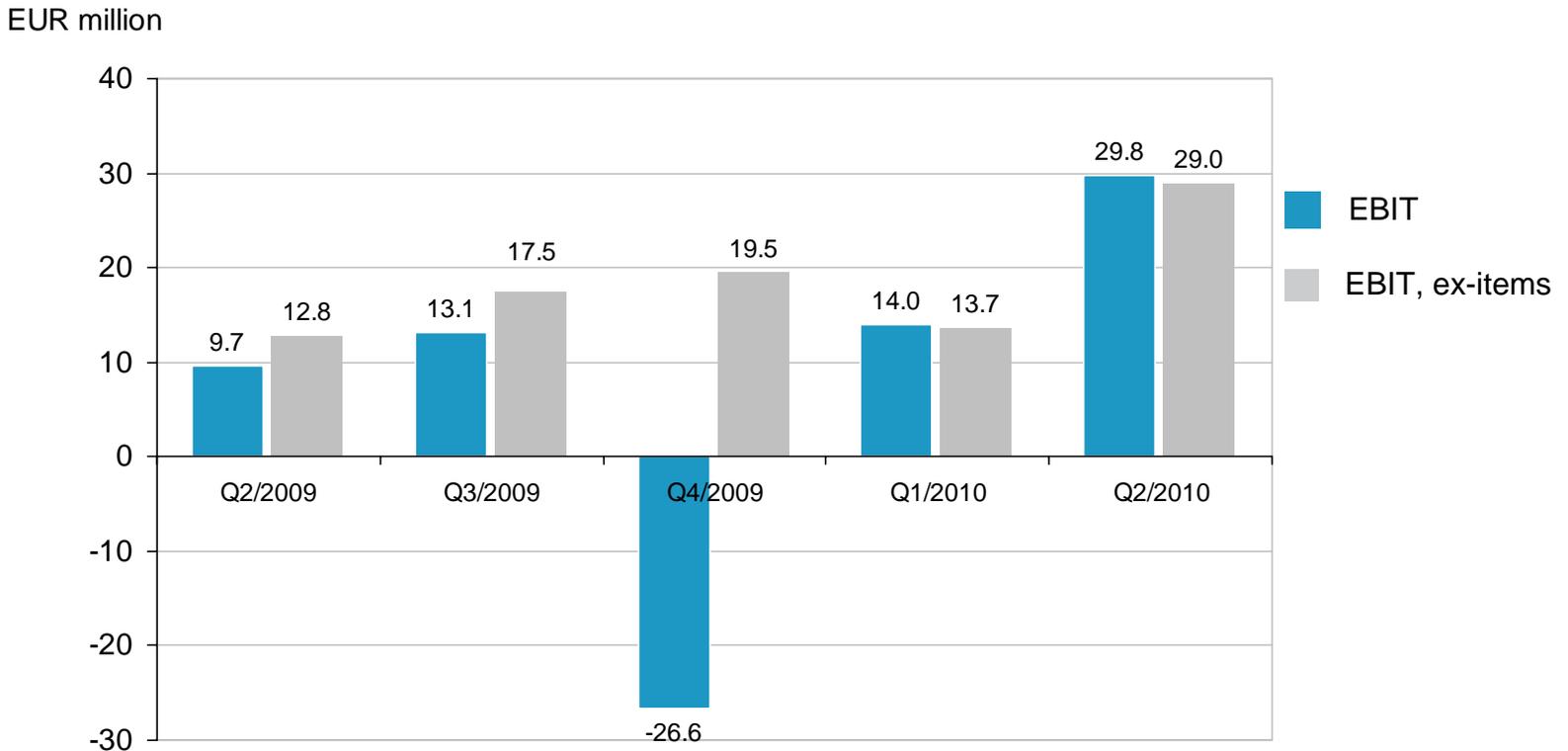
# Net sales by business area in Q2/2010

EUR million



- Net sales at Glass & Industrial Nonwovens were lifted by increased demand for building materials, especially flooring and wallcover
- Filtration benefited from strong improvement in demand for filtration materials in Europe and South America
- Sales at Specialty Papers were boosted by the economic recovery through higher volumes and prices due to rising pulp prices
- Favorable currency fluctuations affected sales at Advanced Nonwovens
- Home & Personal Nonwovens sales were lifted by recovered demand and currency fluctuations

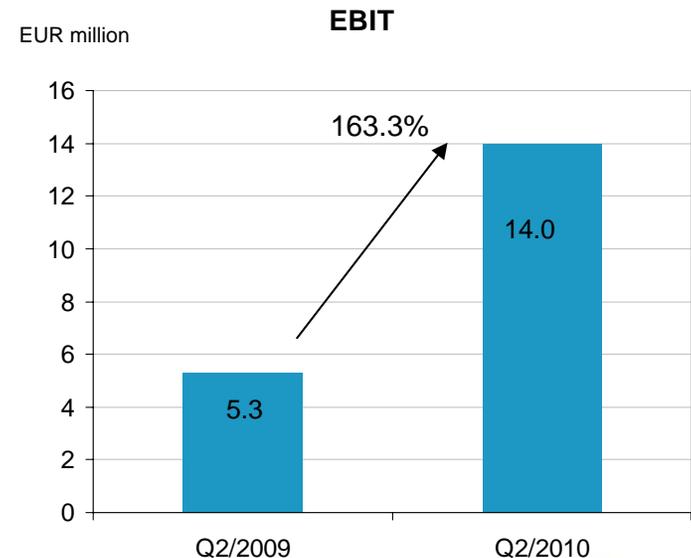
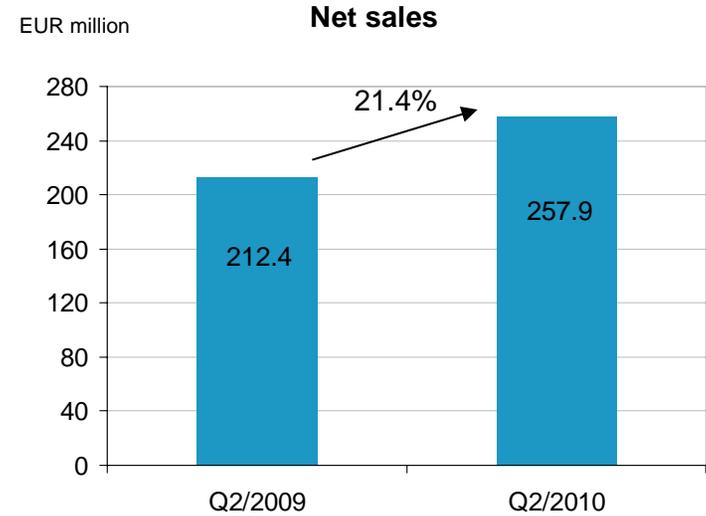
# Operating profit/loss Q2/2009–Q2/2010



- EBIT clearly improved from Q2/2009 – increased sales volumes and streamlining measures started in 2009
- Q2/2010 includes EUR 4.2 million in gains from selling CO2 emission rights

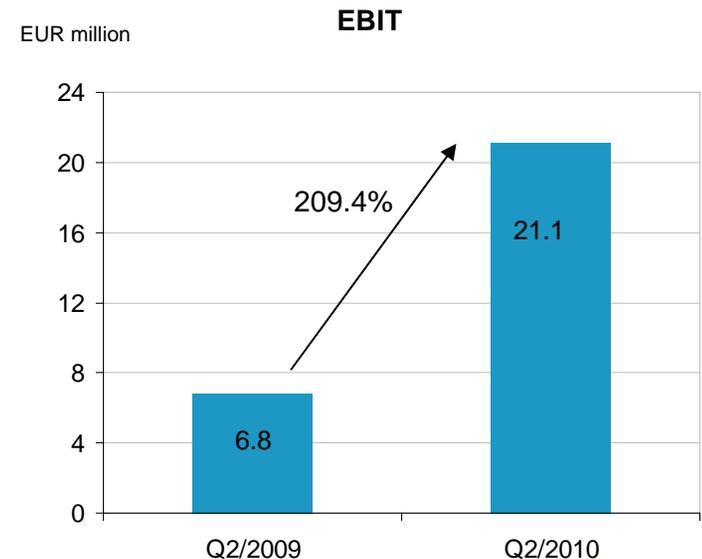
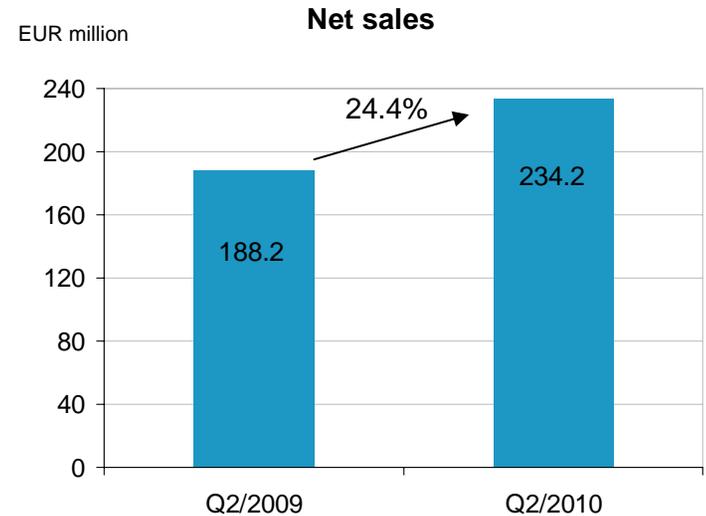
# Fiber Composites segment in Q2/2010

- Economic recovery boosted demand for filtration materials used by transportation industry and building materials, especially wallcover and flooring
- Demand for food packaging and teabag materials, as well as for nonwovens used in medical applications, continued steady, currency fluctuations lifted sales in euros
- In wiping fabrics, sales were lifted by recovered demand and currency fluctuations
- Wind energy and marine industries continued to show signs of recovery

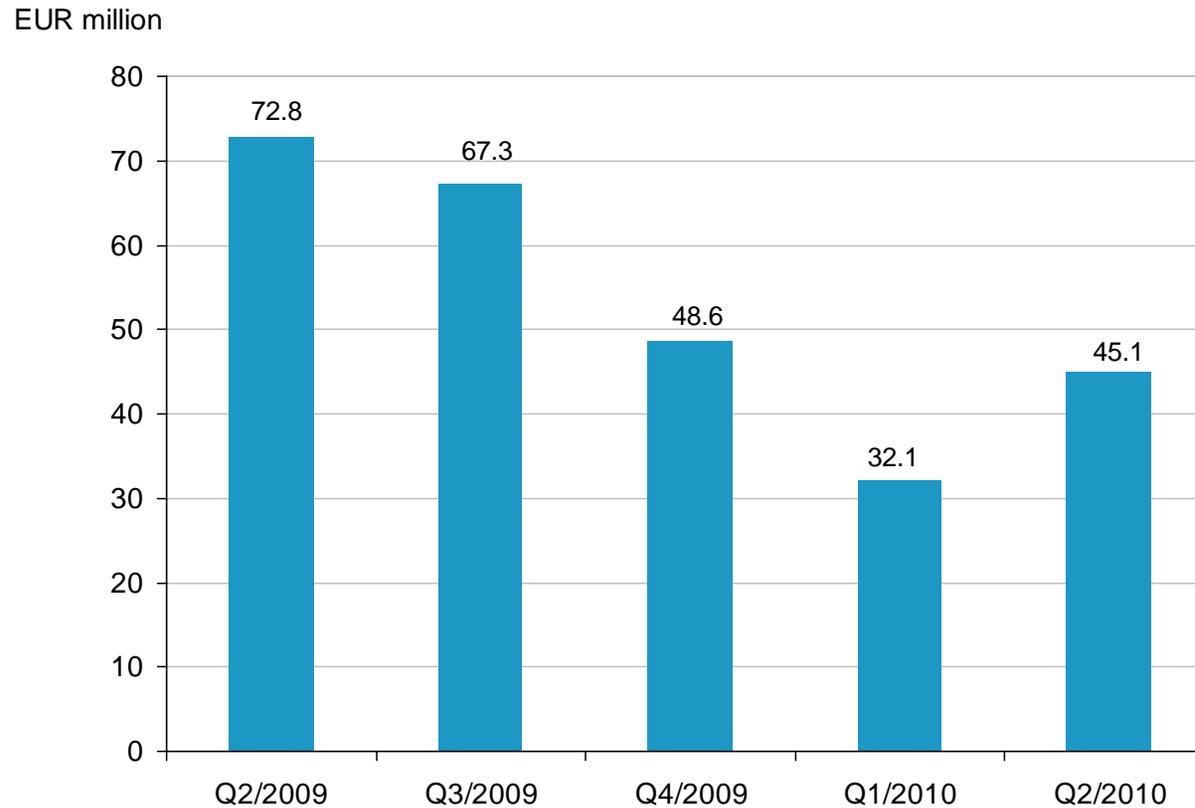


# Specialty Papers segment in Q2/2010

- Specialty Papers' sales increased by almost a quarter and demand for Release and Label papers surpassed pre-recession levels
- Demand for Technical Papers continued to increase, supported by the strong market and low inventories
- Successful sourcing of pulp, while higher raw material costs have been passed onto prices for most part

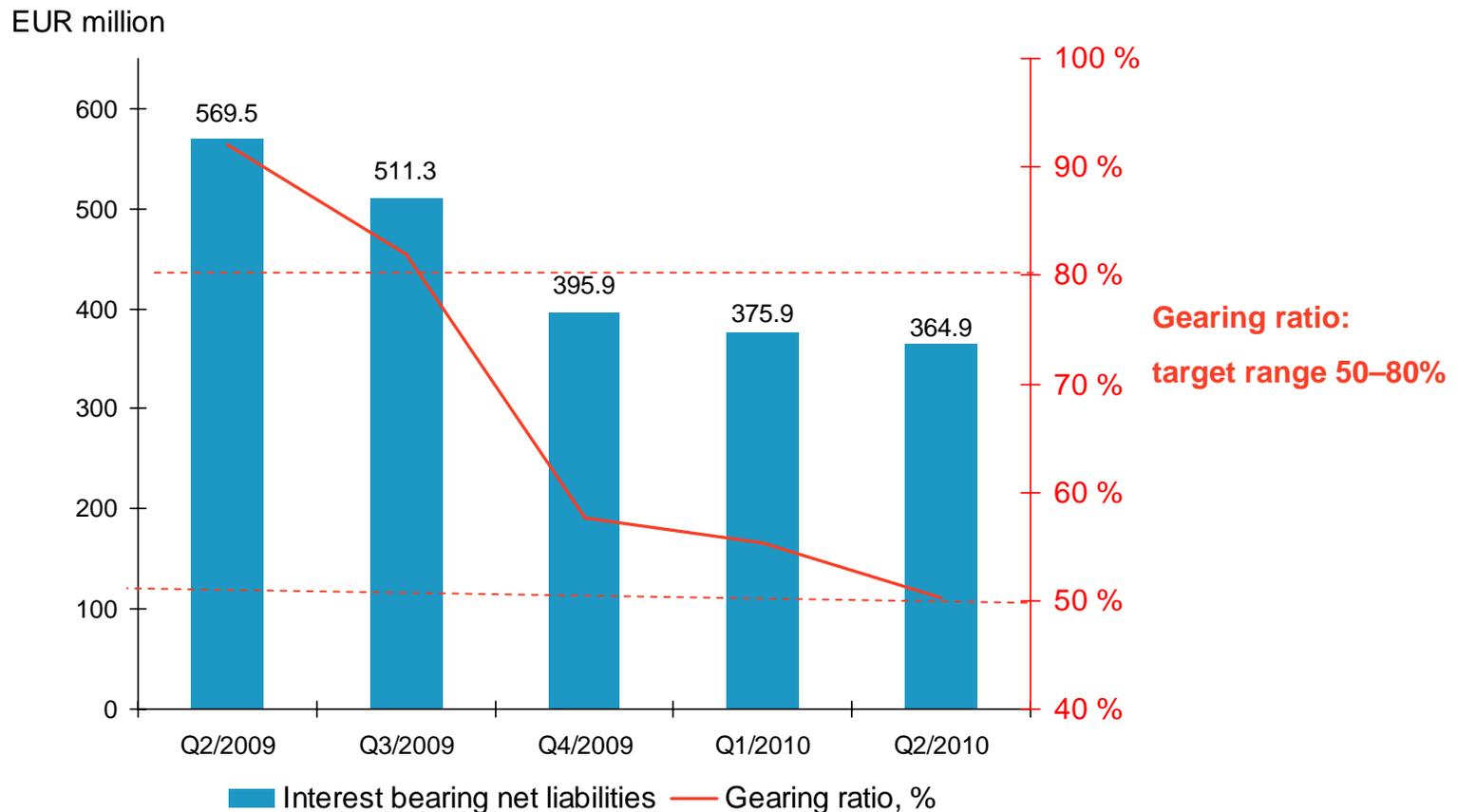


# Net cash from operating activities Q2/2009–Q2/2010



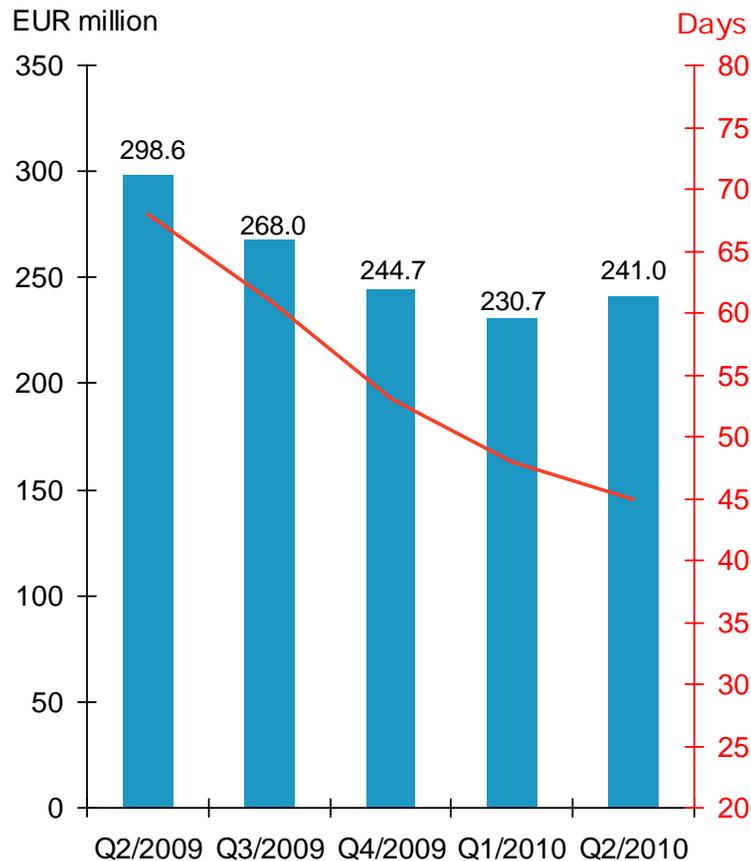
- Strong cash flow continued
- Operative net working capital and profitability improved, while higher financial items had negative effect

# Gearing in target range



- Net debt and gearing ratio significantly reduced compared to Q2/2009
- Gearing ratio on June 30, 2010 was 50.3%

# Strong development of working capital

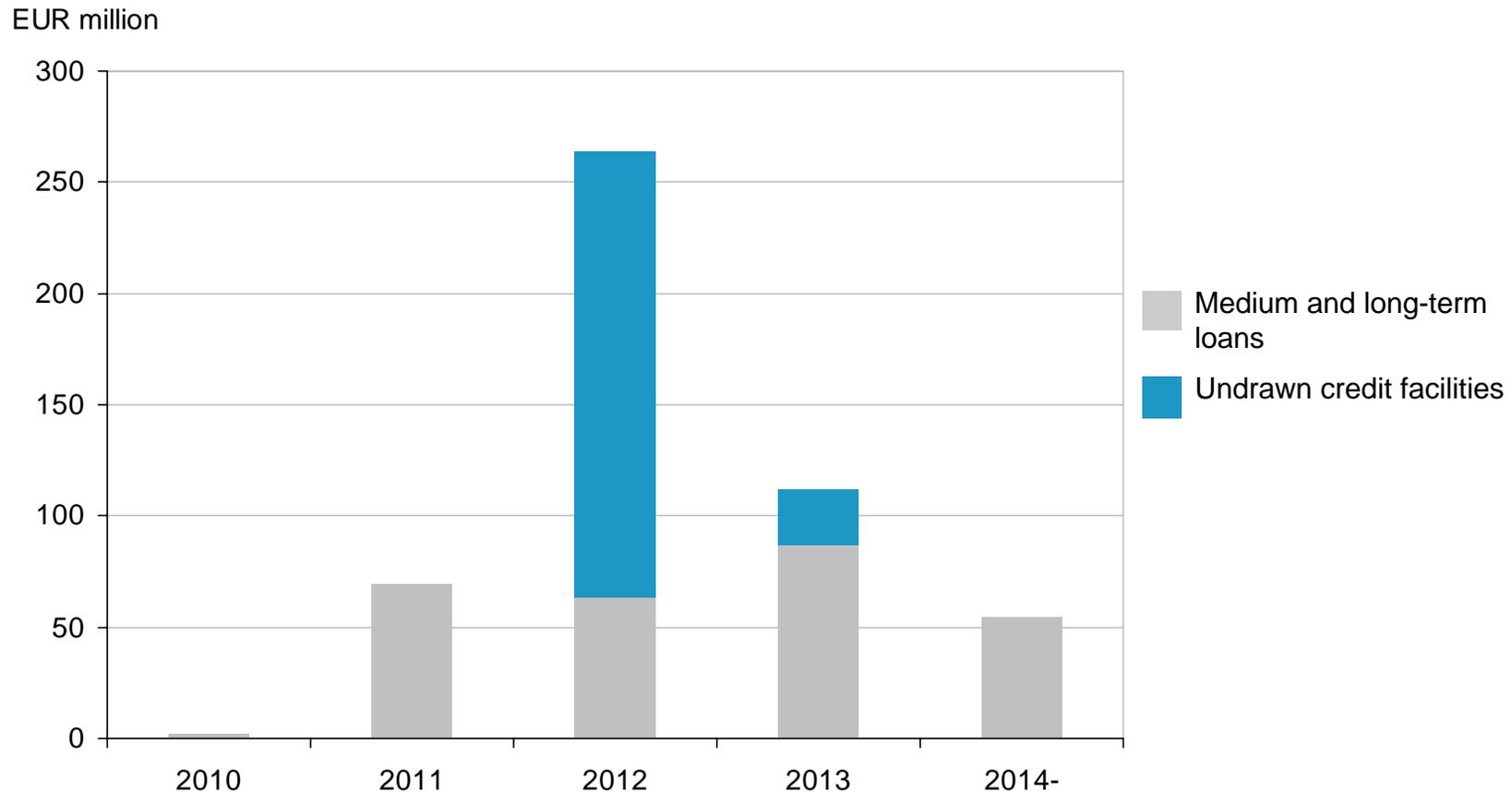


■ Operative working capital — Turnover rate in days

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

- Target to decrease working capital by EUR 100 million in two years
- Project in the final phase
- Working capital was reduced by EUR 108 million and turnover improved by 31 days from the end of 2008  
=> turnover on June 30, 2010 was 45 days

# Maturity profile of medium/long-term credit facilities



- Total liquidity, including cash, unused committed credit facilities, and the cash pool overdraft limits totaled EUR 319.0 million at the end of June
- Ahlstrom had available uncommitted credit facilities totaling EUR 159.3 million

# Income statement

EUR million	Q2/2010	Q2/2009
<b>Net sales</b>	<b>489.4</b>	<b>398.9</b>
Cost of goods sold	-416.3	-349.4
<b>Gross profit</b>	<b>73.1</b>	<b>49.5</b>
Sales and general admin. expenses	-48.7	-41.7
Other income and expenses	5.4	1.9
<b>EBIT</b>	<b>29.8</b>	<b>9.7</b>
Net financial expenses	-6.9	-4.8
Share of profit from associated companies	-0.4	-0.3
<b>Profit before taxes</b>	<b>22.5</b>	<b>4.7</b>
Tax income (+) / Income taxes (-)	-7.4	-2.2
<b>Profit for the period</b>	<b>15.1</b>	<b>2.5</b>
<b>ROCE, %</b>	<b>10.9</b>	<b>3.2</b>



Up 22.7% on mainly higher sales volumes and increased prices



Increased sales volumes and pulp prices



2009 temporary layoffs, 2010 higher incentive accruals



Includes a gain from selling CO2 emission rights

# Balance sheet

EUR million	30.6.2010	31.3.2010
Non-current assets	1 055.4	1 030.7
Inventories	203.3	181.3
Trade and other receivables	354.1	332.2
Other current assets	2.4	3.6
Cash	20.0	27.2
<b>Assets</b>	<b>1 635.2</b>	<b>1 575.0</b>
Equity	725.6	679.3
Provisions	13.3	15.6
Interest-bearing debt	385.0	403.1
Employee benefit obligations	80.3	78.9
Trade and other payables	390.2	366.1
Other liabilities	40.9	32.2
<b>Total equity and liabilities</b>	<b>1 635.2</b>	<b>1 575.0</b>
<b>Gearing ratio, %</b>	<b>50.3</b>	<b>55.3</b>



Increased sales volumes, higher prices, improved net working capital turnover



Positive cash flow on improved profitability



Increased sales volumes, higher raw material costs and longer payment terms



Balance sheet further strengthened

# Cash flow

EUR million	Q2/2010	Q2/2009
EBITDA	56.4	35.7
Cash flow adjustments	-1.7	-0.7
Change in net working capital	12.6	30.6
Financial items	-20.5	4.3
Taxes paid	-1.7	2.9
<b>Net cash from operating activities</b>	<b>45.1</b>	<b>72.8</b>
<b>Investing activities</b>	<b>-6.1</b>	<b>-22.0</b>
<b>Cash flow after investing activities</b>	<b>39.1</b>	<b>50.8</b>
Repurchase of own shares	-	-
Payment of dividends	-25.6	-21.0
Drawdowns and repayments	-21.5	-14.2
<b>Net cash from financing activities</b>	<b>-47.1</b>	<b>-35.2</b>
<b>Change in cash</b>	<b>-8.1</b>	<b>15.6</b>

 **Additional working capital unleashed**  
 **Loan portfolio currency swap (EUR/USD) effect**

 **Level of maintenance investments**

# Management's near-term agenda

- Implementation of new organization and operating model
  - Development of global key accounts and sales processes
  - Strengthening and harmonization of corporate culture
- Project to reduce production waste
  - Target to cut production waste by 15 percent, equivalent to savings of about EUR 20 million annually
- Active assessment of growth strategy in Asia continues
- Continuous development and improvement of operations



# Outlook

- Net sales in 2010 is expected to be above 2008 level
  - Sales prices are and will be increased to cover rising raw material costs
  - Higher sales volumes
- EBIT, excluding non-recurring items, in 2010 is expected to increase from 2009
  - Improved sales, more efficient cost structure, continuous streamlining efforts





Thank You!