



AHLSTROM

Ahlstrom

Financial statements 2014 & Q4/2014

Marco Levi
President & CEO

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CFO

Helsinki
January 29, 2015

Agenda

- Year 2014 in brief
- October-December 2014
- Rightsizing
- Business area review
- Financials
- Outlook

Year 2014 in brief



Highlights

- + Operative results more than doubled, driven by improved pricing and lower costs
- + Advanced Filtration, Transportation Filtration and Food improved performance
- + Rightsizing program nearing completion and reaching targeted savings
- + A new, simplified structure and organization in place

Lowlights

- Low capacity utilization in Building and Energy
- Medical still loss-making

Key figures

Operative results more than doubled in 2014

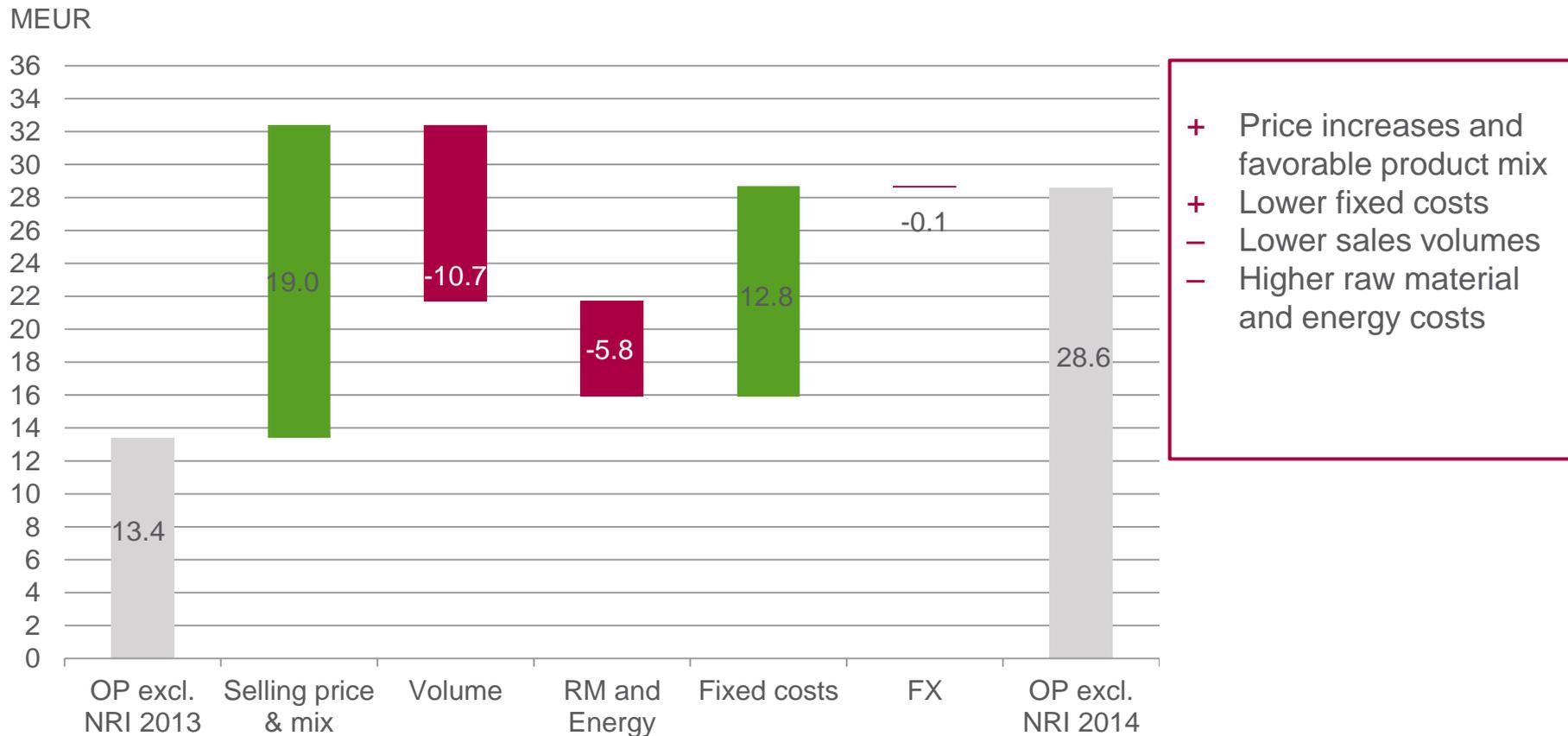
EUR million	2014	2013	Change, %	Q4/2014	Q4/2013	Change, %
Net sales	1,001.1	1,014.8	-1.3	247.0	243.4	1.5
EBITDA*	78.6	65.0	21.1	11.5	10.2	13.0
<i>% of net sales</i>	7.9	6.4		4.7	4.2	
Operating profit excl. NRI	28.6	13.4	113.9	-1.8	-2.5	30.5
<i>% of net sales</i>	2.9	1.3		-0.7	-1.0	
Gearing**	79.3	85.5		79.3	85.5	
ROCE, %	-0.5	0.9		-2.6	-3.5	

*Excluding non-recurring items

**Including discontinued operations

Operating profit* bridge 2013 vs 2014

Improvement driven by higher selling prices, product mix and lower costs



*Continuing operations, excluding non-recurring items

October-December 2014 in brief



Highlights

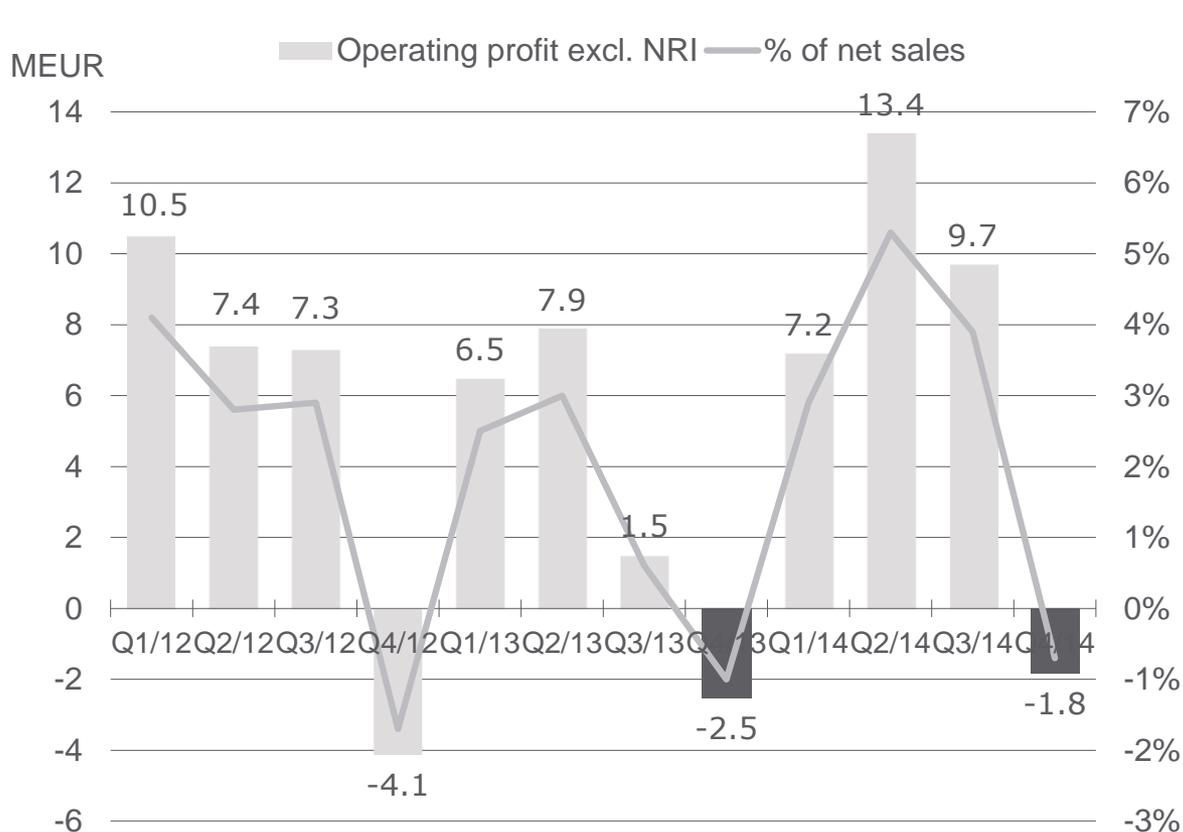
- + Three business areas continued to improve profitability: Advanced Filtration, Transportation Filtration and Food
- + Sales growth in Advanced Filtration and Transportation Filtration
- + Rightsizing program nearing completion and reaching targeted savings

Lowlights

- Underperformance in Building and Energy
 - Low capacity utilization
 - Costs and depreciation of the new wallcoverings production line in China
 - Weak Russian demand and Ruble

Quarterly operating profit development

Q4/2014 depressed by Building and Energy despite improvements elsewhere



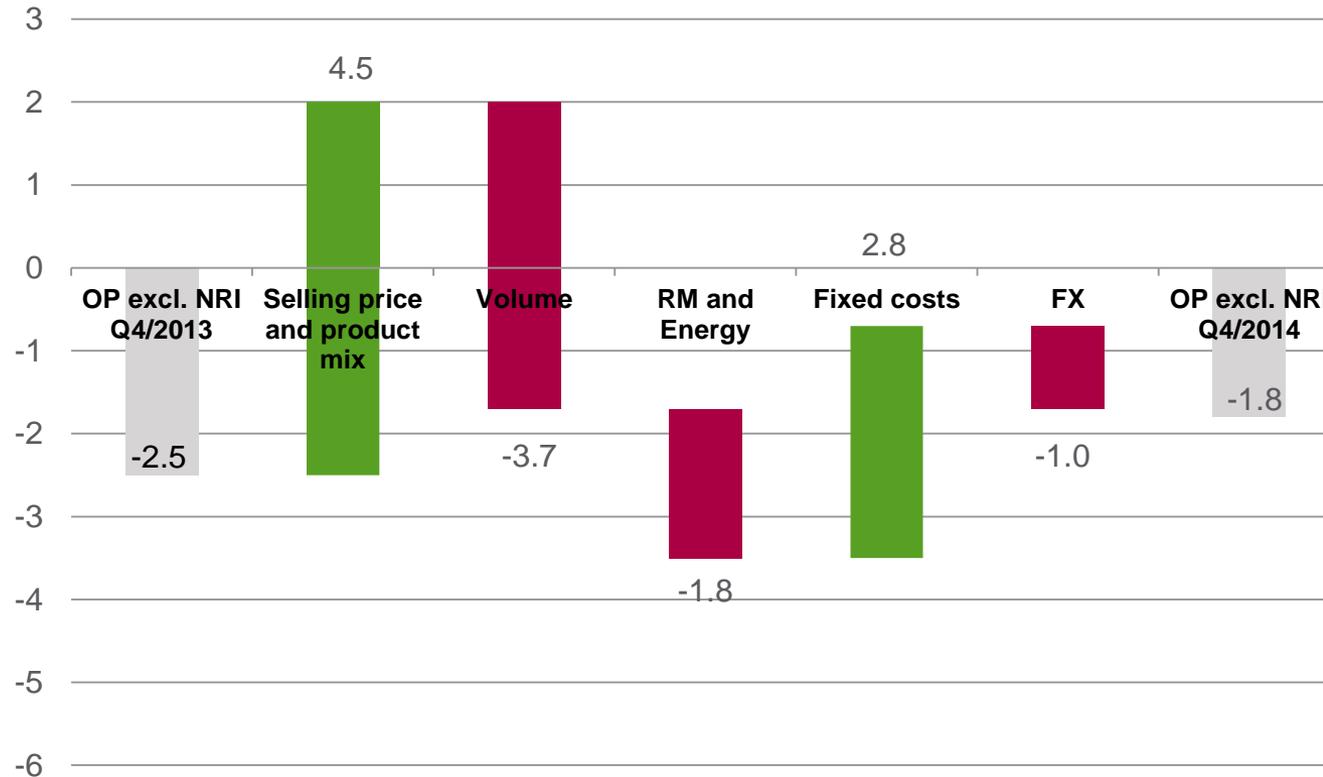
Operating profit excl. NRI

MEUR	Q4/14	Q4/13	Change, %
Advanced Filtration	4.5	2.6	72.5
Building and Energy	-6.0	-0.9	N/A
Food	1.9	1.7	10.1
Medical	-1.5	-1.8	17.1
Transportation Filtration	4.3	2.1	107.7

Operating profit* bridge Q4/13 vs Q4/14

Increased selling prices and lower fixed costs offset by lower volumes and higher energy costs

MEUR



- + Price increases and favorable product mix
- + Lower fixed costs
- Lower sales volumes
- Higher raw material and energy costs
- Adverse currency effect

*Continuing operations, excluding non-recurring items

Rightsizing program

nearing completion



- Most actions have been implemented and approximately EUR 31 million in cost savings have been achieved in continuing operations
- Full-year annualized costs savings of EUR 39 million in continuing operations to be achieved by the end 2015. The program amounts to EUR 50 million, including discontinued operations.
- Personnel reductions of 391 at the end of 2014. Target of 400 people to be reached in 2015.
- All planned EUR 15 million in non-recurring costs have been booked, of which EUR 12 million in 2014

A photograph of three surgeons in a sterile operating room. They are wearing blue surgical gowns, masks, and hairnets. One surgeon is holding a large black drape, while another is using a surgical instrument on a patient's leg. The scene is brightly lit, emphasizing the clinical environment.

Business area review

Advanced Filtration

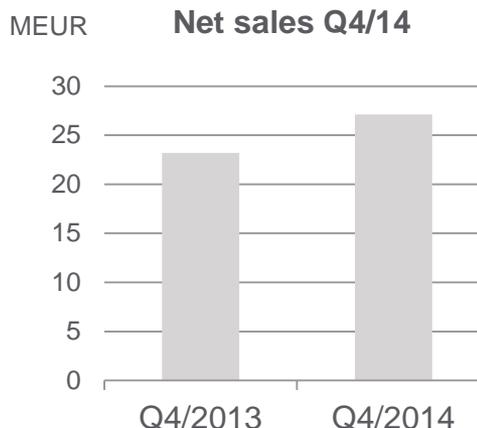
**Q4/14: Net sales EUR 27.1 million
(EUR 23.2 million)**

- + Higher sales of gas turbine and other industrial applications
- + Life science and laboratory filtration
- Softer market for high efficiency air applications

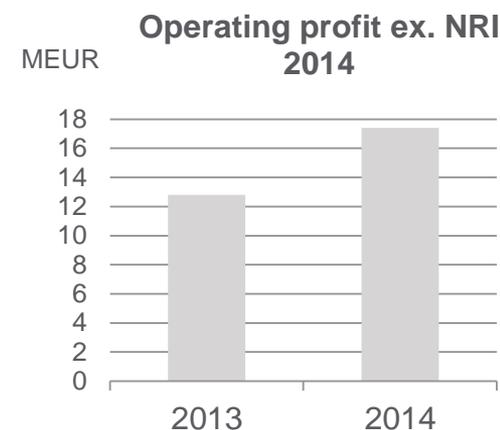
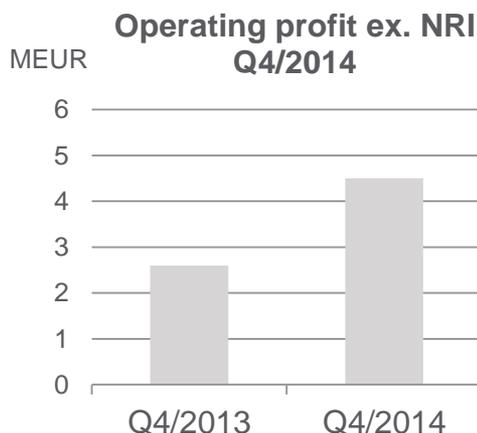
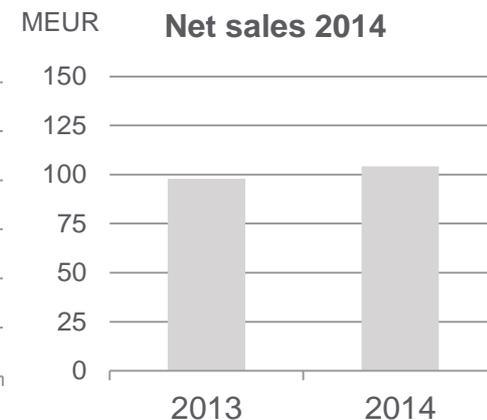
**Q4/14: Operating profit ex. NRI
EUR 4.5 million (EUR 2.6 million)**

- + Higher sales volumes
- + Favorable product mix

+16.5%, volumes +10.3%
(comparable net sales
+13.0%)



+6.4%, volumes +6.4%
(comparable net sales
+6.7%)



Building and Energy

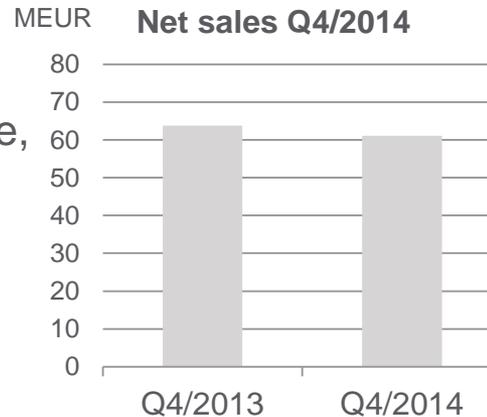
**Q4/14: Net sales EUR 61.1 million
(EUR 63.8 million)**

- Lower sales of wallcoverings in Europe, Russia and China, and flooring applications in Russia
- + Higher specialty nonwoven products sales in Europe

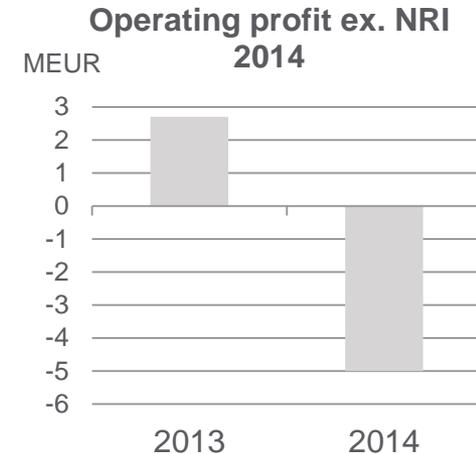
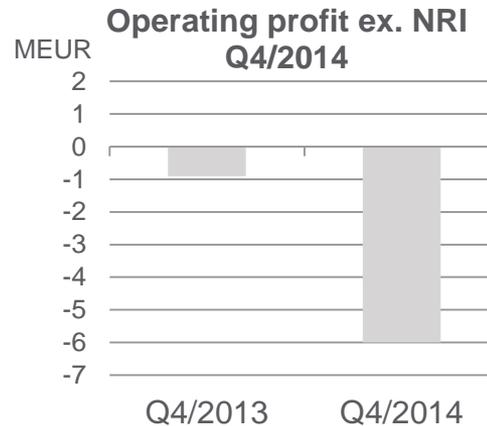
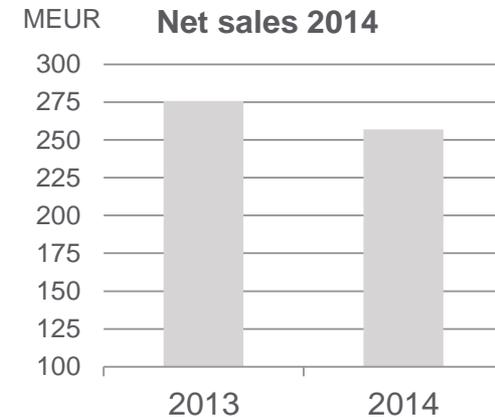
**Q4/14: Operating profit ex. NRI
EUR -6.0 million (EUR -0.9 million)**

- Lower capacity utilization
- Costs and depreciation of the new wallcoverings line in China
- Weak Russian demand and Ruble

-4.2%, volumes -2.0%
(Comparable net sales
-1.7%)



-6.8%, volumes -7.9%
(Comparable net sales
-3.8%)



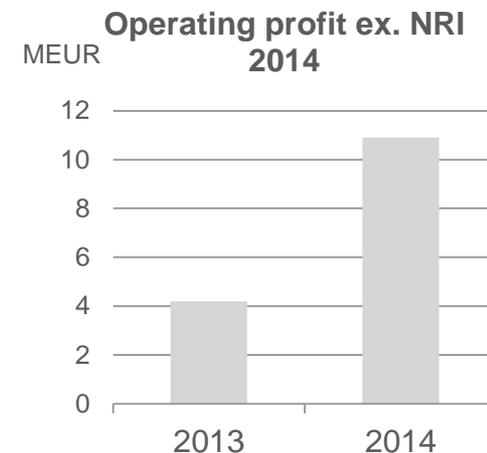
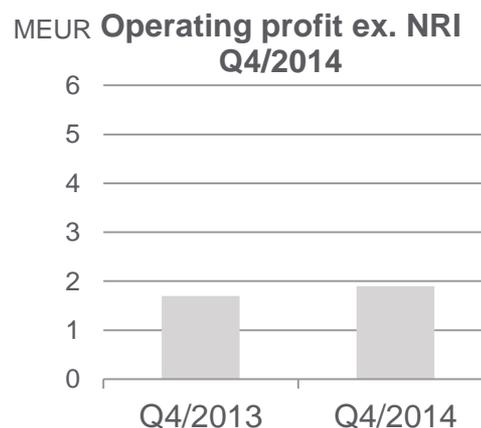
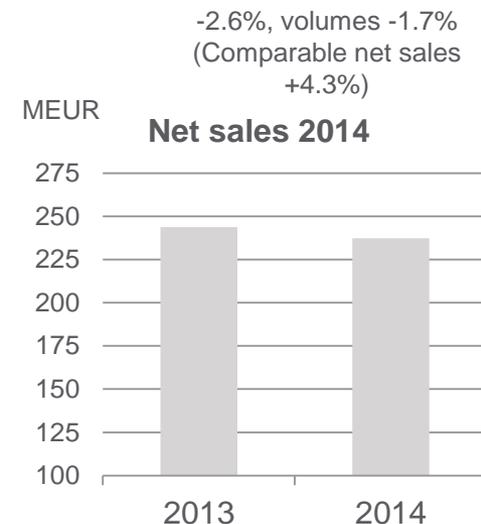
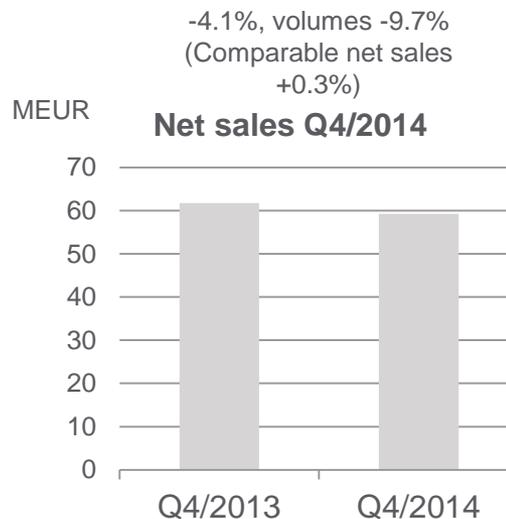
Food

**Q4/14: Net sales EUR 59.3 million
(EUR 61.8 million)**

- + Higher sales of beverage and food packaging materials
- Lower sales of tape products

**Q4/14: Operating profit ex. NRI
EUR 1.9 million (EUR 1.7 million)**

- + Improved pricing and product mix
- + Lower fixed costs
- Lower volumes



Medical

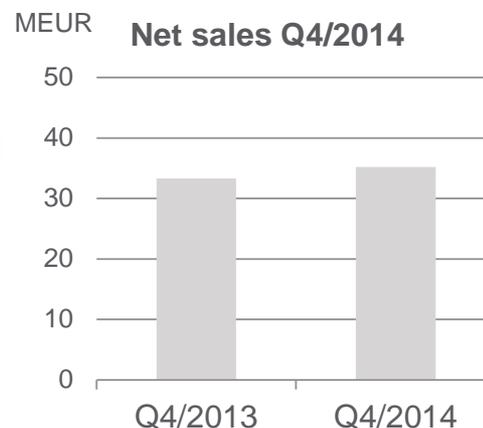
**Q4/14: Net sales EUR 35.2 million
(EUR 33.3 million)**

- + Higher sales of SMS-based drape and gown products, pouch and drape products in Asia
- + Favorable currency effect
- Reduction in business with a large customer and exit from certain drape products in late 2013 not fully compensated

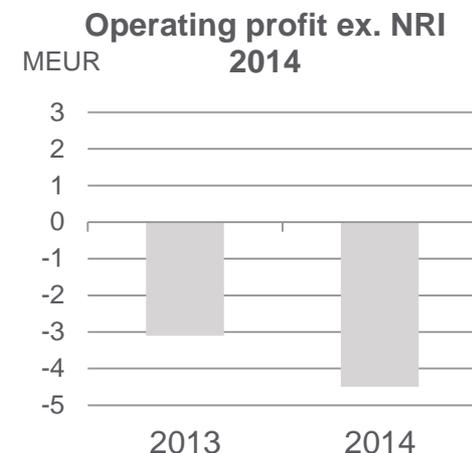
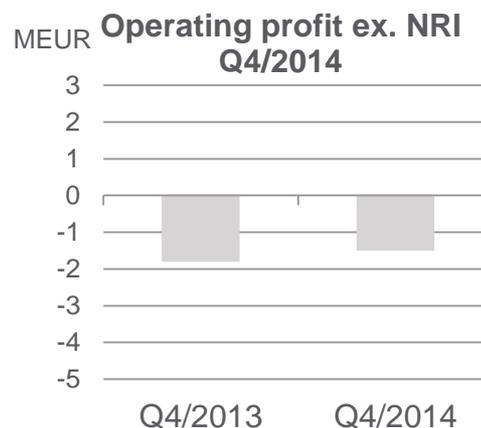
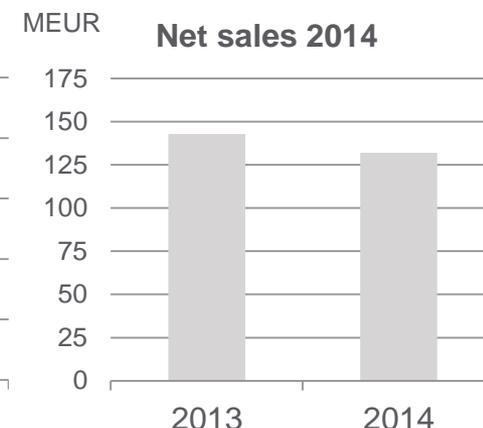
**Q4/14: Operating profit ex. NRI
EUR -1.5 million (EUR -1.8 million)**

- + Improved product and price mix
- Higher energy costs

+5.5%, volumes -2.6%
(Comparable net sales
-2.8%)



-7.6%, volumes -2.9%
(Comparable net sales
-7.0%)



Transportation Filtration

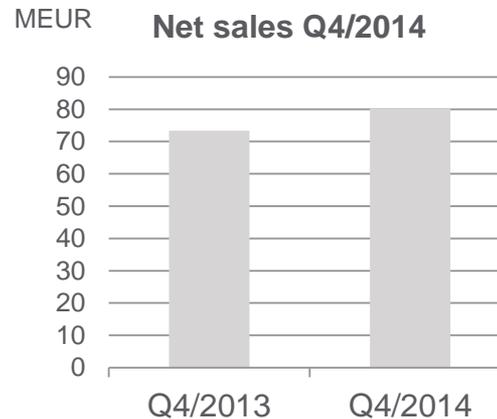
**Q4/14: Net sales EUR 80.2 million
(EUR 73.4 million)**

- + Increased selling prices
- + Improved product mix
- + Favorable currency effect
- Lower sales in Asia

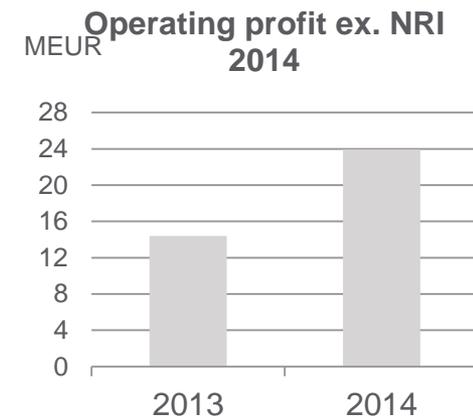
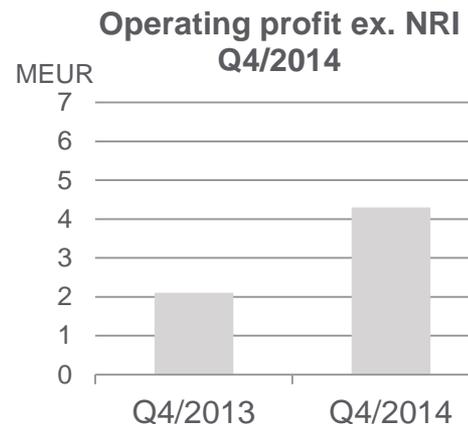
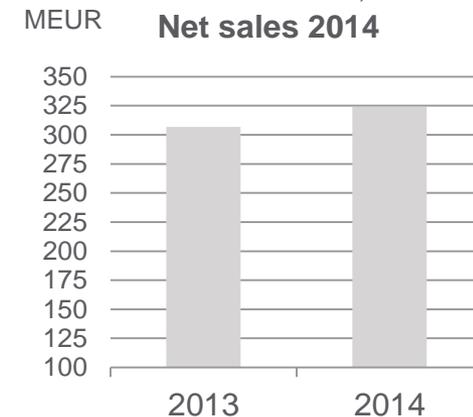
**Q4/14: Operating profit ex. NRI
EUR 4.3 million (EUR 2.1 million)**

- + More value-added products
- + Lower fixed costs

+9.2%, volumes +0.6%
(Comparable net sales
+3.3%)



+5.6%, volumes +1.9%
(Comparable net sales
+6.1%)



Financials



Income statement

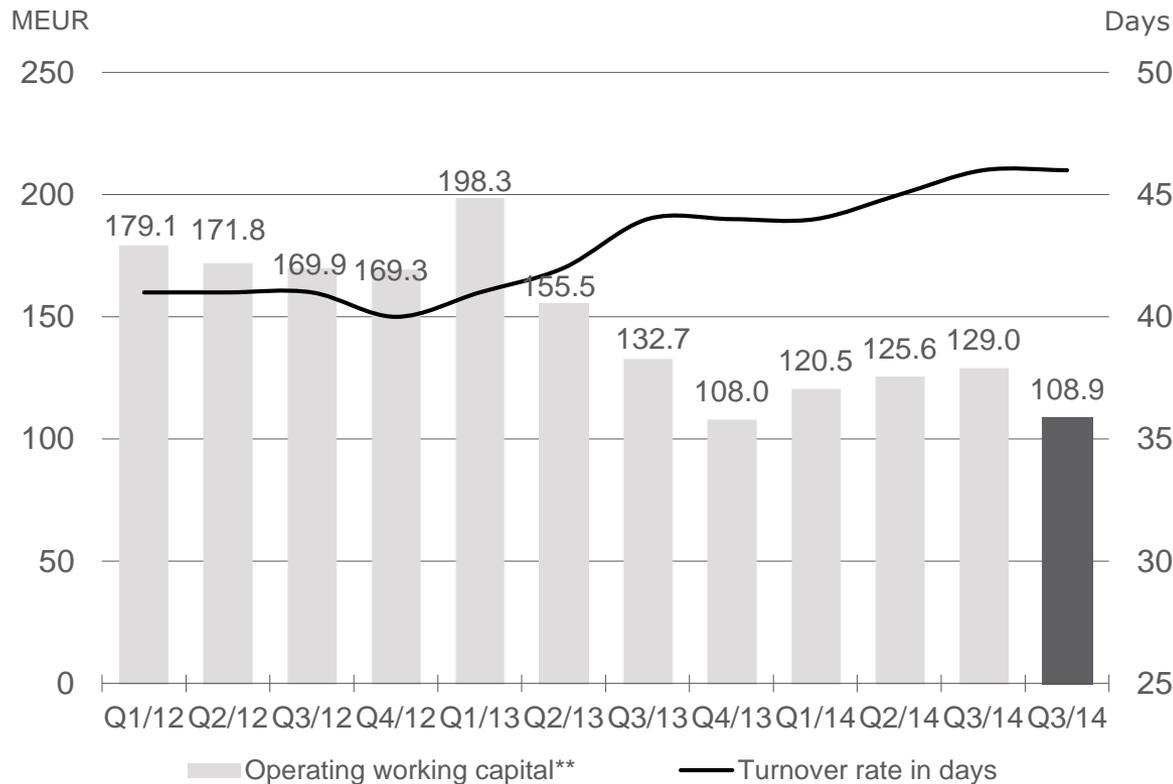
	Q4/2014	Q4/2013	
EUR million			
Net sales	247.0	243.4	
Cost of goods sold	-217.4	-214.3	
Gross profit	29.5	29.1	
Sales, administrative and research & development expenses	-34.9	-33.7	▶ SGA costs excluding NRI continued to decrease in Q4/14, but were impacted by set-up costs related to the shared service center in Vilnius and operational costs of the new research facility in Shanghai
Other income and expenses	1.1	-0.9	
Operating profit / loss	-4.3	-5.5	▶ NRIs: EUR -2.5 million in Q4/14, mainly from the rightsizing program
Operating profit / loss excl. NRI	-1.8	-2.5	▶ Includes a capital gain from selling Suominen Corporation shares
Net financial expenses	10.0	-5.0	
Share of profit / loss of equity accounted investments	0.0	-0.6	
Profit / loss before taxes	5.7	-11.1	
Income taxes	-0.1	-1.1	
Profit / loss for the period from continuing operations	5.6	-12.2	
Earnings per share	0.09	-0.29	

Balance sheet

	Dec. 31, 2014	Dec. 31, 2013	
EUR million			
Total non-current assets	599.3	633.4	▶ - Market value of shareholding in Munksjö Oyj EUR 43.0 million (Dec. 31, 2014)
Inventories	108.1	106.6	
Trade and other receivables	170.7	173.0	
Income tax receivables	1.7	0.6	- Current shareholding in Munksjö: 4.8 million shares
Cash and cash equivalents	41.4	38.2	- Suominen shares no longer included as sold in Q4/14
Assets classified as held for sale and distribution to owners	-	18.9	
Total assets	921.1	970.6	
Total equity	320.1	341.4	▶ - Impact from increased pension liabilities, non-recurring items booked in 2014
Provisions	11.6	8.3	- Includes EUR 100 million hybrid bond
Interest bearing loans and borrowings	295.2	330.4	
Employee benefit obligations	96.0	76.1	
Trade and other payables	194.0	200.2	
Others	4.2	8.3	
Liabilities classified as held for sale and distribution to owners	-	5.9	
Total equity and liabilities	921.1	970.6	
Gearing	79.3	85.5	

Development of operating working capital*

Seasonal reduction



- Seasonal reduction in working capital in Q4 due to reduced inventories
- 12-month rolling turnover rate increased to 46 days at the end of 2014 from 44 days at the end of 2013

Operating working capital was released due to the LP Europe demerger in Q2/2013 and Coated Specialties demerger in Q4/2013

*Including discontinued operations

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

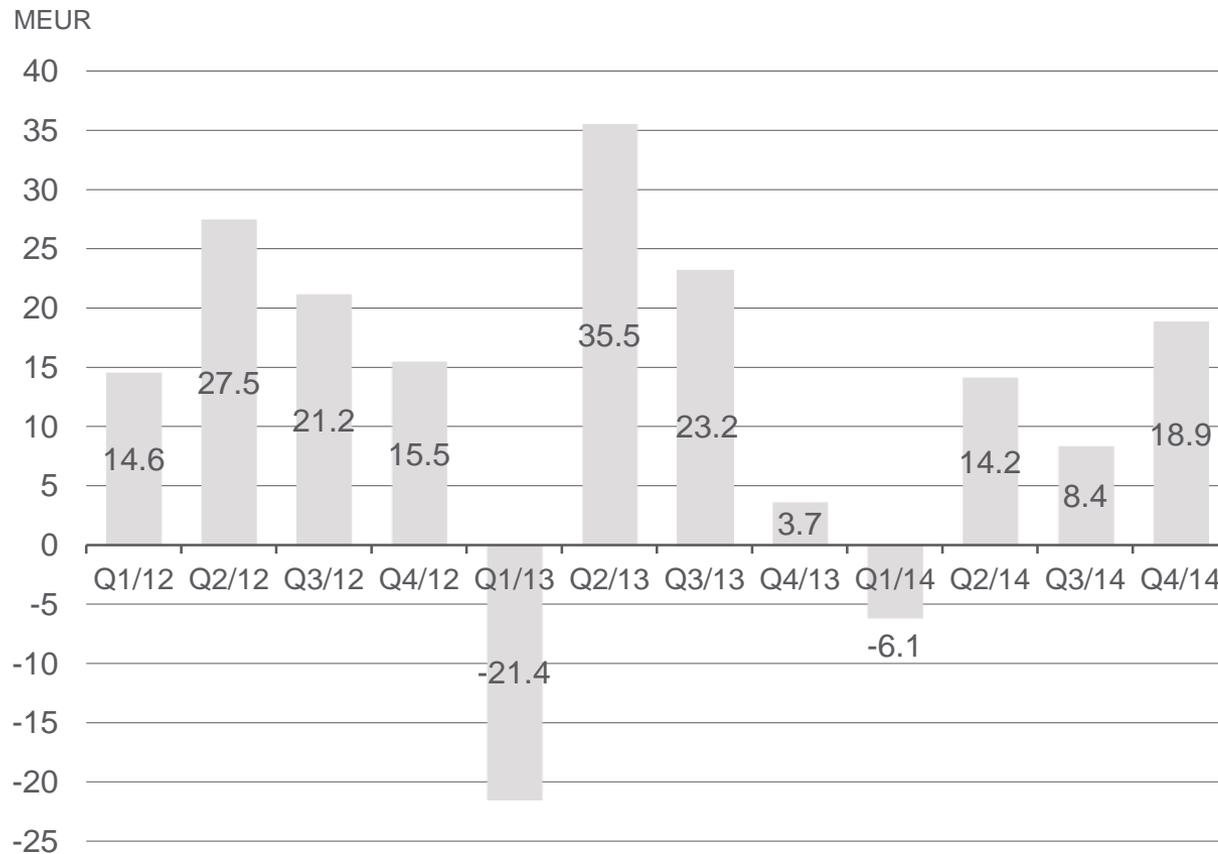
Statement of cash flows

(including discontinued operations)

	Q4/2014	Q4/2013	
EUR million			
EBITDA	8.7	9.0	
Adjustments	6.2	-3.0	
Changes in net working capital	11.2	4.9	▶ Tight working capital management
Change in provisions	0.3	-0.3	
Financial items	-6.3	-6.2	
Income taxes paid / received	-1.2	-0.8	
Net cash from operating activities	18.9	3.7	
			▶ Only maintenance related Capex
Purchases of intangible and tangible assets	-13.3	-20.3	▶
Other investing activities	41.4	4.4	▶
Net cash from investing activities	28.1	-15.9	▶ Proceeds from selling Suominen Corporation and Munksjö Oyj shares
Dividends paid and other	-	-0.1	
Payments received on hybrid bond	-	99.2	
Repurchase of hybrid bond	-	-80.1	
Interest on hybrid bond	-7.9	-7.4	
Effect of partial demerger	-	-8.7	
Changes in loans and other financing activities	-60.2	5.3	
Net cash from financing activities	-68.1	8.3	
Net change in cash and cash equivalents	-21.0	-3.9	
Cash and cash equivalents at the beginning of the period	63.8	43.5	
Cash and cash equivalents at the end of the period	41.4	38.7	

Net cash from operating activities*

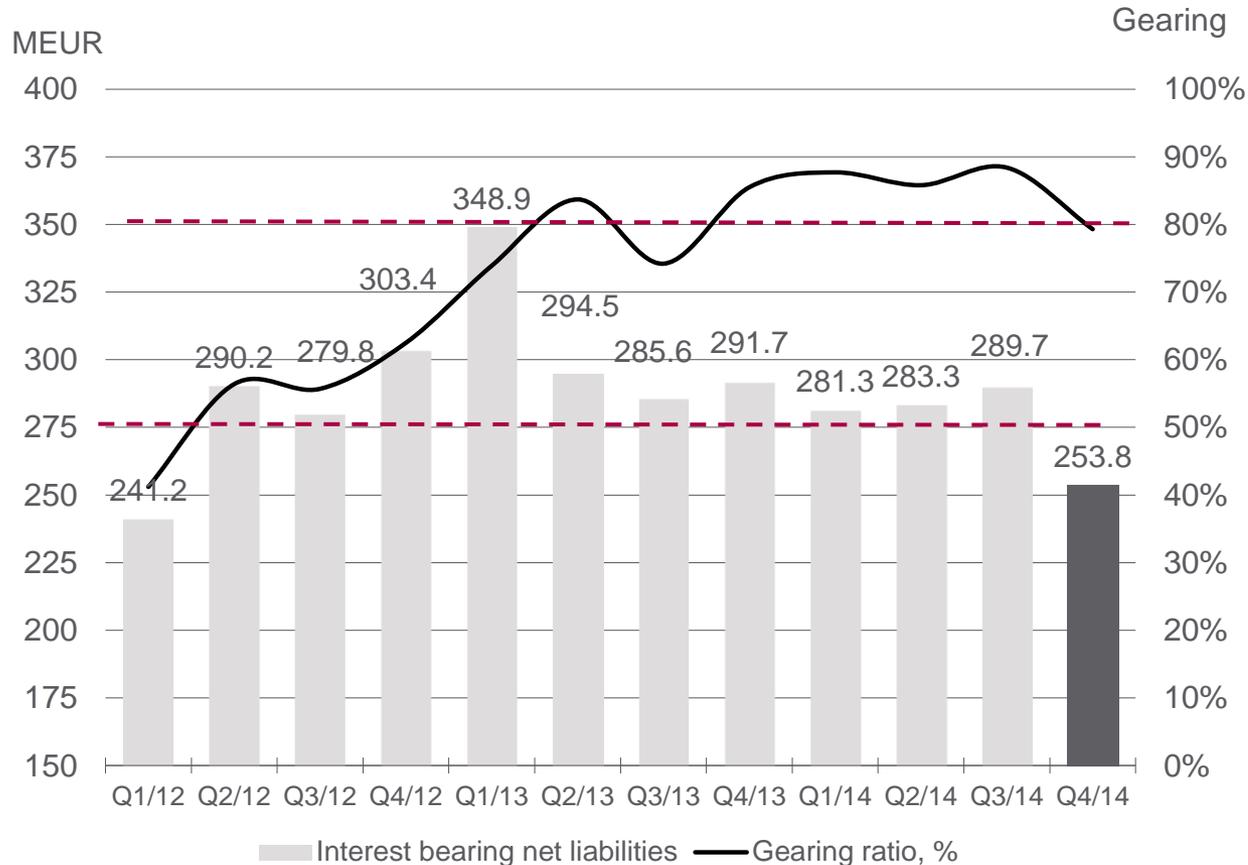
Driven by reduction in operating working capital



Gearing:
target range 50–80%

Net debt and gearing*

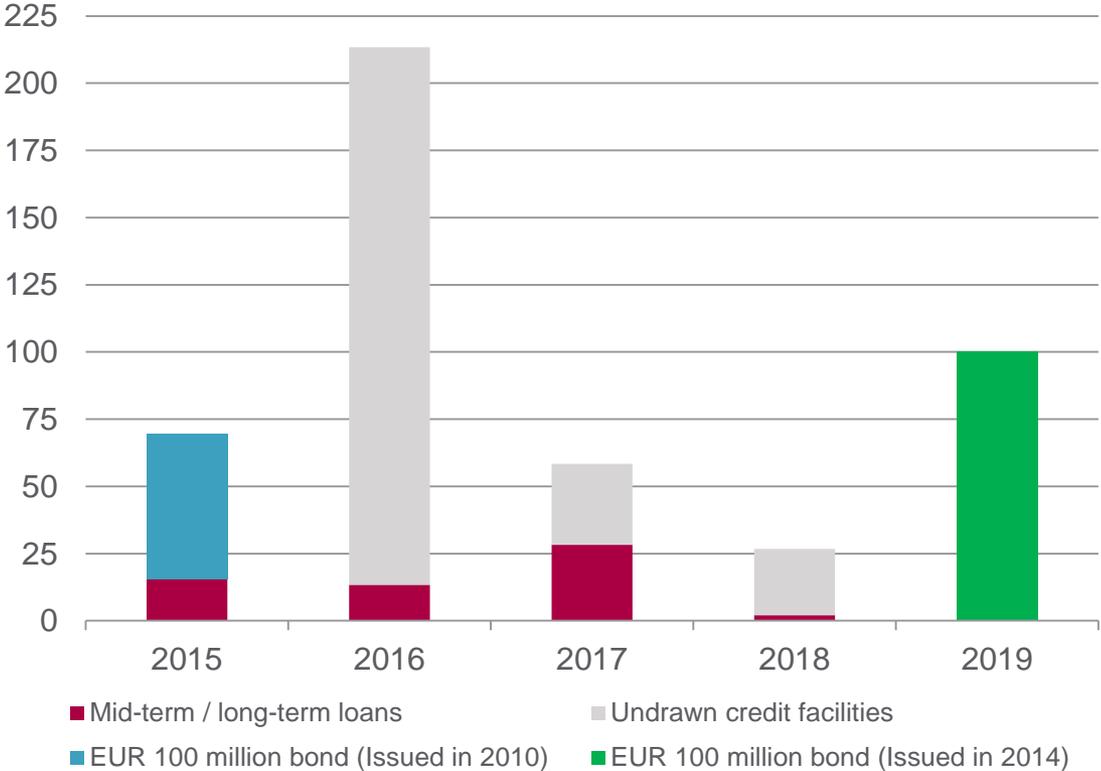
Reduced due to cash flow and sale of Suominen shares



Gearing was 79.3% on December 31, 2014

- Positive operating cash flow
- Sale of Suominen shares had a positive impact on gearing in Q4/2014
 - Transaction price EUR 33.3 million

Maturity profile of medium/long-term credit facilities



- Total liquidity, including cash and unused committed credit facilities was EUR 296.1 million at the end of 2014
- In addition, Ahlstrom had undrawn uncommitted credit facilities and cash pool overdraft limits of EUR 133.7 million available
- Remainder of the EUR 100 million bond (EUR 54 million million) issued in 2010 due in November 2015

Future prospects

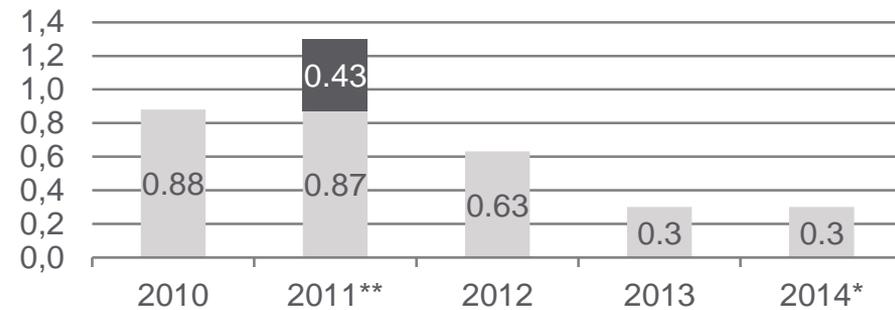


Dividend proposal

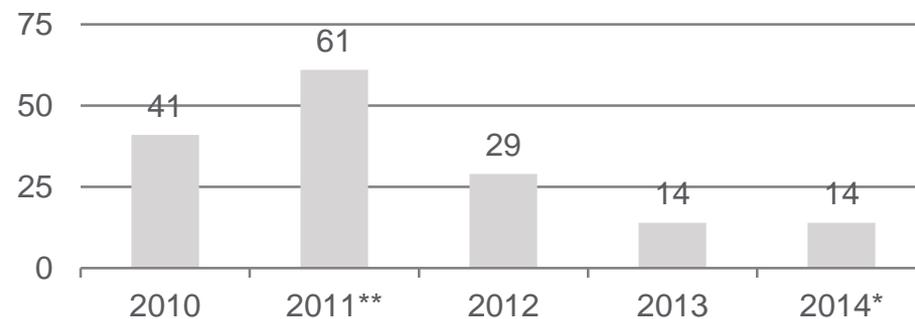
Aim is to pay a dividend of not less than one third of net cash from operating activities after operative investments, calculated as three-year rolling average.

- The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.30 per share be paid.

Dividend per share (€)



Total amount of dividends paid (EUR million)



*Proposal by the Board of Directors to the AGM

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

Outlook for 2015

Profitability expected to improve



- Net sales are expected to be in the range of EUR 1,000-1,100 million
- Operating profit margin excluding non-recurring items is expected to be 3.5-5% of net sales
- Investments excluding acquisitions are estimated to amount to approximately EUR 35 million

Stay ahead™



Thank you



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