

# Interim Report

January – September 2006

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## Ahlstrom Corporation Interim Report January-September 2006: Steady profitability in challenging market conditions

**Ahlstrom, a leader in high performance fiber-based materials, reports a third quarter operating profit of EUR 20.8 million (EUR 21.3 million) excluding net non-recurring gains, representing a 5.4% margin (5.6%). Profit before taxes was EUR 17.0 million (EUR 16.8 million) and return on capital employed (ROCE) 8.5% (9.0%), both excluding net non-recurring gains. Net sales amounted to EUR 385.9 million (EUR 381.9 million).**

### July-September 2006 in brief

- Net sales grew by 3.8% (adjusted for divestment and currency effect).
- Slight increase in profit before taxes (excluding net non-recurring gains) from last year's level. Earnings per share amounted to EUR 0.36.
- Ahlstrom invested an additional EUR 5.0 million in a further expansion of a new specialty glassfiber reinforcement plant in South Carolina, USA.
- Ahlstrom continued to streamline its structure by announcing that it will close down the Nümbrecht, Germany plant and by divesting its shareholding in the Sonoco-Alcore joint venture.

### Key figures

EUR million	Q3/ 2006	Q3/ 2005	Q1-Q3/ 2006	Q1-Q3/ 2005	2005
Net sales	<b>385.9</b>	381.9	<b>1,210.1</b>	1,169.0	1,552.6
Operating profit	<b>25.3</b>	33.7	<b>83.8</b>	92.7	117.2
Operating profit excl. non-recurring items	<b>20.8</b>	21.3	<b>73.2</b>	77.0	99.0
Profit before taxes	<b>21.4</b>	29.2	<b>71.8</b>	81.6	100.7
Profit before taxes excl. non-recurring items	<b>17.0</b>	16.8	<b>61.2</b>	65.9	82.5
Profit for the period	<b>16.4</b>	18.3	<b>48.8</b>	50.6	62.6
Net cash flow from operating activities	<b>57.0</b>	59.0	<b>94.2</b>	96.1	126.6
Gearing ratio, %	<b>25.0</b>	49.4	<b>25.0</b>	49.4	57.7
Return on capital employed (ROCE), %	<b>10.3</b>	14.0	<b>11.8</b>	13.0	12.4
Cash earnings per share, EUR	<b>1.29</b>	1.62	<b>2.18</b>	2.64	3.48
Earnings per share, EUR	<b>0.36</b>	0.50	<b>1.13</b>	1.39	1.71
Average number of shares during the period, 1000s	<b>45,592</b>	36,418	<b>43,195</b>	36,418	36,418

The third quarter 2006 result includes net non-recurring gains totaling EUR 4.4 million (Q3/2005: non-recurring gains totaling EUR 12.4 million).

**Jukka Moisio**, President and CEO of Ahlstrom Corporation, comments on the third quarter:

- Ahlstrom's comparable net sales grew by 3.8% while sales volumes remained stable. Our profit before taxes, excluding non-recurring items, improved slightly from the corresponding quarter of 2005. Our return on capital employed was 10.3%. Gas and oil prices were at their recent high in August but have declined by the end of September. Prices for fibers and chemicals continued to rise through the quarter. We continued our efforts to increase sales prices and reduce costs to offset the impact of the more expensive raw materials on our margins.

- During the review period, we announced the decision to double the size of our glass nonwoven investment in the USA to better meet the growing demand. We continued to further streamline the company and reduce fixed costs. Consequently, we decided to close down the Nümbrecht, Germany plant and divested certain non-core assets.

## Ahlstrom Group: Interim report Jan 1–Sep 30, 2006

All comparable figures in this report refer to the same period last year unless otherwise stated.

### Financial performance in July–September 2006

The Group's net sales grew slightly and amounted to EUR 385.9 million (EUR 381.9 million). Net sales of continuing operations (adjusted for the divestment of PM1 at the Kauttua, Finland plant) increased by 2.9% from the same period last year. The weakening of the US dollar decreased Ahlstrom's net sales approximately by EUR 4 million. Comparable sales volumes (adjusted for the divestment) remained at last year's level.

Operating profit of the third quarter 2006 included net non-recurring gains totaling EUR 4.4 million (EUR 12.4 million) and amounted to EUR 25.3 million (EUR 33.7 million). Excluding the non-recurring items, operating profit amounted to EUR 20.8 million (EUR 21.3 million).

Non-recurring items of the third quarter 2006 were mainly related to the sale of Ahlstrom's shareholding in Sonoco-Alcore, the sale of a property in Germany and to the streamlining of the Technical Papers business area.

Prices for Ahlstrom's main raw materials increased clearly in the third quarter. For example, the average price for pulp is approximately 20% higher than in the corresponding period last year. With sales price increases, productivity improvements and fixed costs reductions, Ahlstrom has been able to compensate for the major part of these increased costs.

Total net financial expenses were EUR 3.7 million (EUR 5.1 million). Net interest expenses totaled EUR 2.2 million (EUR 3.0 million). Net foreign exchange losses on financial items declined to EUR 0.9 million (EUR 1.6 million) due to measures taken to decrease the level of equity hedging.

Ahlstrom's share of the losses of associated companies amounted to EUR 0.2 million (a profit of EUR 0.6 million). Ahlstrom sold its 35.5% share in the Sonoco-Alcore joint venture in July 2006.

Profit before taxes was EUR 21.4 million (EUR 29.2 million). Excluding the net non-recurring gains, profit before taxes amounted to EUR 17.0 million (EUR 16.8 million).

Income tax expenses decreased to EUR 5.0 million (EUR 11.0 million) due to improved tax efficiency. Ahlstrom's tax rate for the full year 2006 is estimated to be 32% instead of the previously estimated 35.5%. Profit for the period was EUR 16.4 million (EUR 18.3 million).

Return on capital employed (ROCE) was 10.3% (14.0%). Excluding the net non-recurring gains, ROCE was 8.5% (9.0%). Return on equity (ROE) was 8.7% (12.1%). Earnings per share (EPS) decreased to EUR 0.36 (EUR 0.50) primarily due to the issue of new shares in March, 2006.

### **Financial performance in January–September 2006**

Net sales in January–September 2006 grew to EUR 1,210.1 million (EUR 1,169.0 million). Net sales of continuing operations (adjusted for the divestment of PM1 at the Kauttua, Finland plant) increased by 5.7% from the same period last year. Comparable sales volumes grew by 1.9%.

The Group's operating profit amounted to EUR 83.8 million (EUR 92.7 million). Excluding the non-recurring items, operating profit was EUR 73.2 million (EUR 77.0 million).

Increased raw material and energy costs affected Ahlstrom's operating profit, even though the company was able to offset large part of these higher costs both by internal measures and by implementing sales price increases. In addition, Ahlstrom's profitability was impacted by the investment standstill at the Turin, Italy plant, the closure expenses of the New Windsor, USA plant as well as integration expenses of the business units acquired in late 2005 and in early 2006.

Total net financial expenses were EUR 12.3 million (EUR 12.0 million). Net interest expenses totaled EUR 6.7 million (EUR 8.6 million). Net foreign exchange losses on financial items increased to EUR 4.0 million (EUR 2.4 million) mainly due to increased costs of equity hedging in the first half of 2006. Ahlstrom initiated actions in the third quarter to decrease the level of equity hedging.

Ahlstrom's share of the profits of associated companies decreased to EUR 0.2 million (EUR 0.9 million) mainly due to the losses of the Sonoco-Alcore joint venture. Ahlstrom sold its 35.5% share in Sonoco-Alcore in July 2006.

Profit before taxes was EUR 71.8 million (EUR 81.6 million). Excluding the net non-recurring gains, profit before taxes amounted to EUR 61.2 million (EUR 65.9 million). Income tax expenses totaled EUR 23.0 million (EUR 31.0 million). Profit for the period amounted to EUR 48.8 million (EUR 50.6 million).

Return on capital employed (ROCE) was 11.8% (13.0%). Excluding the net non-recurring gains, ROCE amounted to 10.4% (10.8%). Return on equity (ROE) was 9.6% (11.3%). Earnings per share (EPS) decreased to EUR 1.13 (EUR 1.39) primarily due to the issue of new shares in March, 2006.

### **Financing and financial position in January–September**

Net cash flow from operating activities in January–September amounted to EUR 94.2 million (EUR 96.1 million).

Interest-bearing net liabilities decreased by EUR 150.3 million and amounted to EUR 190.3 million (December 31, 2005: EUR 340.6 million) mainly due to the Initial Public Offering in March, 2006. After the review period, Ahlstrom has received the cash proceeds of EUR 39.5 million from the sale of its shareholding in Sonoco-Alcore.

Gearing ratio was 25.0% (December 31, 2005: 57.7%) and the equity ratio 54.4% (December 31, 2005: 43.2%).

### **Capital expenditure and acquisitions in January - September**

Capital expenditure and acquisitions for January-September amounted to EUR 88.6 million (EUR 37.1 million). The full-year capital expenditure for Ahlstrom Group, excluding acquisitions, is expected to amount approximately to EUR 130 million, significantly above the 2005 level (EUR 73.2 million).

In June, Ahlstrom decided to invest approximately EUR 5 million in a new specialty glassfiber reinforcement plant in South Carolina, USA. The investment will consist of new machinery and a building. In September, Ahlstrom decided to invest EUR 5.0 million in an additional capacity expansion of this new plant to better meet the growing demand. The new plant further strengthens Ahlstrom's position as a leading global developer and manufacturer of specialty reinforcements especially for the wind energy, marine and transportation markets. The plant is estimated to start production in early 2007.

A new nanofiber filtration production line in the Madisonville, USA plant was started in June.

In May, Ahlstrom upgraded its capabilities for the production of cotton-containing spunlace products at its Green Bay, WI, USA plant.

In March, Ahlstrom announced an investment of EUR 38 million in a new glassfiber tissue plant in Redkino, Tver, Russia. The plant will in the first phase concentrate on specialty glassfiber tissue production, but the site also enables future expansions of Ahlstrom's businesses in Russia. The new plant will commence production during the fourth quarter of 2007.

In January, Ahlstrom acquired the specialty nonwovens manufacturer HRS Textiles Inc., based in Darlington, SC, USA. The company serves mainly the North American air and liquid filtration markets. The transaction added approximately EUR 17 million of annualized net sales to Ahlstrom's filtration business.

In January, Ahlstrom decided to invest approximately EUR 2 million in expanding the production capacity of filtration media at its Tampere, Finland plant to further strengthen the plant's position as an important developer and manufacturer of advanced filtration media.

### **Divestments in January - September**

In July, Ahlstrom decided to sell its 35.5% shareholding in the Sonoco-Alcore joint venture to Sonoco for EUR 39.5 million. Ahlstrom booked a capital gain of EUR 3.4 million from the sale in the third quarter 2006. The transaction was completed in October.

In July, Ahlstrom sold a property in Hochheim, Germany to WM-Bausträger GmbH for EUR 7.5 million and booked a capital gain of EUR 4.6 million in the third quarter of 2006.

In June, Ahlstrom sold a property in Hochheim, Germany to AERO Pump Vermögensverwaltungs GmbH & Co. KG for EUR 4.2 million and booked a capital gain of EUR 2.9 million in the second quarter of 2006.

The sales were consistent with Ahlstrom's strategy to focus on the development and manufacture of fiber-based materials and to divest non-core assets.

### Changes in corporate structure

In September, Ahlstrom decided to close down its Nümbrecht, Germany plant effective in April 2007 at the latest. The closure will affect 37 employees. As a consequence of the closure, Ahlstrom booked a provision for a non-recurring cost of EUR 2.5 million in its third quarter result of 2006. The decision supports Ahlstrom's strategy to improve its profitability by a number of actions, including closing down non-competitive manufacturing units.

### Personnel

At the end of September, Ahlstrom had 5,675 employees (5,433). The average number of employees in January–September was 5,690 (5,625).

### Shares and share capital

In September, the Board of Directors of Ahlstrom Corporation cancelled a total of 649,879 option rights of the company's stock option programs I a, b and c (2001) and II b and c (2001). The cancelled option rights were in the possession of the company's subsidiaries. After the cancellation of the said option rights, the share capital of the company can be increased by a maximum of EUR 873,025.50 based on the terms of stock option program I (2001), and by a maximum of EUR 780,258.00 based on the terms of stock option program II (2001). The cancellation of option rights was registered with the Trade Register on September 27, 2006.

At the end of September, the total number of Ahlstrom shares was 45,591,737 with a nominal value of EUR 1.50 per share. Thus, the share capital amounted to EUR 68,387,605.50. Together with the stock options, the number of shares may increase to a maximum of 46,670,608.

At present, the Board of Directors does not have an authorization to buy back company shares or to issue convertible bonds, share options, or new shares.

Trading with Ahlstrom share commenced on the Pre list of the Helsinki Stock Exchange on March 14, 2006 and on the Main list on March 17, 2006. The lowest trading price during the third quarter was EUR 19.92 and the highest EUR 22.10. Closing price on September 29, 2006 was EUR 20.15 and market capitalization was EUR 918.7 million.

Equity per share of Ahlstrom Group was EUR 16.71 at the end of the review period (December 31, 2005: EUR 16.21).

### Events after the review period

On October 27, Ahlstrom announced three new growth investments. Ahlstrom will invest approximately EUR 17 million in a new wiping fabrics production line in Louveira, Brazil. The market for wiping fabrics in Latin America is anticipated to grow 10-20% annually. The new line is estimated to be operational in early 2008. Ahlstrom currently operates a filtration plant in Louveira, Brazil.

Ahlstrom decided to invest approximately EUR 6 million in new industrial nonwoven production capacity at its plant in Brignoud, France. The new needlepunch production line expands and diversifies Ahlstrom's industrial nonwovens product offering. Global markets for needlepunch products are estimated to grow 7% annually. The new line is estimated to be operational in late 2007.

Ahlstrom also announced that it will be adding a new needlepunch line to its Wuxi, China facility to serve the growing dust filtration market in Asia. The investment, valued at approximately EUR 4 million (USD 5 million), will be completed in the third quarter of 2007. The new line will manufacture a variety of needlepunch nonwoven media targeted mainly at high temperature applications for the dust filtration market.

On October 11, 2006, Ahlstrom announced plans to move its liquid filtration converting business from Mount Holly Springs, PA, USA to another Ahlstrom facility in Bishopville, SC, USA. This relocation could affect approximately 60 jobs in the current facility. The planned relocation of converting operations is necessary in order to maintain Ahlstrom's leading position in certain niche liquid filtration markets and to ensure its competitiveness.

### Outlook

For the remainder of the year, the demand in Europe is expected to be at higher level than in 2005. In North America, the markets have not yet experienced the anticipated slow down. Demand in South America and Asia remains good. We expect our full-year net sales and volumes of continuing operations to grow in 2006 compared to the level of 2005.

Costs for fibers and chemicals continued to increase through the third quarter maintaining pressure on margins. This trend continued in October, and prices for raw materials are anticipated to rise further or remain at the current high level. Sales price increases and cost reductions are implemented to offset the effect of more expensive raw materials.

Oil and natural gas prices started to decline in the third quarter. If sustained, this decline will over time lower our energy and synthetic fibers costs.

We continue to see promising opportunities in the fiber-based materials business, and proceed with our global growth initiatives in line with our business strategy.

**Financial information in 2007**

Ahlstrom Corporation will publish its financial information in 2007 as follows:

Financial statements bulletin 2006	Friday, February 2
Annual report 2006	Week 11
Interim report January – March 2007	Friday, April 27
Interim report January – June 2007	Wednesday, July 25
Interim report January – September 2007	Friday, October 26

Ahlstrom's Annual General Meeting will be held on Friday, March 30, 2007 at 13.00 at the Finlandia Hall, Mannerheimintie 13 e, Helsinki.

This interim report has been prepared in accordance with the International Financial Reporting Standards (IFRS). Comparable figures refer to the same period last year unless otherwise stated.

This report is unaudited.

Helsinki, October 27, 2006

Ahlstrom Corporation  
Board of Directors

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A conference call for analysts and investors will be held on Friday, October 27, 2006 at 15.00 Finnish time. To participate in the teleconference, please dial +44 (0) 20 7162 0125 a few minutes before the call. Use the password: Ahlstrom. A replay number is available until October 31, 2006. The number for the replay is + 44 (0) 20 7031 4064, access code: 724650. The presentation material will be available at [www.ahlstrom.com](http://www.ahlstrom.com) > Investors > IR presentations on October 27, 2006 after the interim report has been published.

This report contains certain forward-looking statements that reflect the present views of the company's management. Due to the nature of these statements, they contain uncertainties and risks and are subject to changes in the general economic situation and in the company's business.

Distribution:

Helsinki Stock Exchange  
[www.ahlstrom.com](http://www.ahlstrom.com)  
Main media

Ahlstrom's stock exchange and press releases can be ordered on [www.ahlstrom.com](http://www.ahlstrom.com) > Media. Releases are delivered by e-mail.

### **Ahlstrom in brief**

Ahlstrom is a global leader in the development, manufacture and marketing of high performance fiber-based materials. Nonwovens and specialty papers, made by Ahlstrom, are used in a large variety of everyday products, e.g. in filters, wipes, flooring, labels and tapes. The company has a strong market position in several business areas in which it operates, built upon the company's unique fiber expertise and innovative approach. Ahlstrom's 5,700 employees serve customers via sales offices and production facilities in more than 20 countries on six continents. In 2005, Ahlstrom's net sales amounted to EUR 1.55 billion. Ahlstrom share is listed on the Helsinki Stock Exchange. The company website is [www.ahlstrom.com](http://www.ahlstrom.com).

### **Appendices**

1. Segment reviews
2. Financial statements

## Appendix 1

### Segment reviews

#### FiberComposites segment

##### Key figures

EUR million	Q3/ 2006	Q3/ 2005	Change, %	Q1-Q3/ 2006	Q1-Q3/ 2005	2005
Net sales	<b>195.3</b>	183.3	6.5	<b>612.8</b>	552.9	742.3
Operating profit	<b>13.3</b>	20.9	-36.4	<b>43.1</b>	51.7	65.5
Operating profit excl. non-recurring items	<b>13.3</b>	17.8	-25.1	<b>43.1</b>	47.4	62.7
Operating profit, %	<b>6.8</b>	11.4		<b>7.0</b>	9.3	8.8
Operating profit, % excl. non-recurring items	<b>6.8</b>	9.7		<b>7.0</b>	8.6	8.4
Return on net assets (RONA), %	<b>8.7</b>	13.8		<b>9.4</b>	12.0	11.3

In Q3/2005 the non-recurring gains, mainly related to asset sales, amounted to EUR 3.1 million.

#### Nonwovens business area (23% of the Group's net sales)

Ahlstrom's Nonwovens business area serves customers in the food packaging, medical, wiping, building and industrial nonwovens markets.

Overall market remained stable during the third quarter. Sales volumes as well as net sales of the business area varied by product line but remained in general at the same level as in the third quarter of 2005. Raw material costs, especially for synthetic fibers, continued to rise during the third quarter. After significant increases earlier this year, energy prices started to decline in the third quarter. However, it is anticipated that energy costs will increase this winter across our key manufacturing geographies.

The business area has implemented price increases in certain product areas to offset the effect of the increased costs for raw materials and to secure its margins.

Demand for medical nonwovens is estimated to further strengthen towards the year-end. Market situation for the other product lines is anticipated to remain stable. Ahlstrom's investment in a new wipes machine at the Green Bay, USA plant is proceeding according to plan and is scheduled to start in January 2007.

#### Filtration business area (21% of the Group's net sales)

Filtration materials produced by Ahlstrom are used in the transportation industry and in liquid and air filtration applications.

Overall, the market conditions remained steady during the third quarter of 2006, although demand continued to vary by geographic area and by application.

Sales volumes increased by 9% and net sales by 14% in the third quarter compared with the corresponding period last year. Growth was mainly attributable to the continued strong demand in Asia and especially in the Latin America. Furthermore, the growth was supported by the additional production capacity acquired in late 2005 and in the beginning of 2006. Growth was also driven by new products.

Costs for energy and raw materials, especially for methanol and methanol-related materials, increased significantly. However, Ahlstrom implemented price increases that partially offset higher costs. In September, Ahlstrom announced industry wide price increases, which will be implemented by the end of 2006.

The market for filtration materials is expected to remain stable in the coming months, taking into account the seasonal slowdown in North America and Europe due to the holiday season in December.

#### Glass Nonwovens business area (7% of the Group's net sales)

Ahlstrom's Glass Nonwovens business area serves the reinforcement, specialty reinforcement, and glass tissue markets.

Demand for Ahlstrom's glass nonwovens continued strong in the third quarter. Sales volumes grew by 5% and net sales by 8% during the third quarter compared with the same period in 2005. Sales in Russia grew strongly. Despite the intense price competition, Ahlstrom was able to implement price increases to partially compensate for the high energy and raw material costs.

Ahlstrom decided in the third quarter to invest an additional EUR 5.0 million (USD 6.3 million) in its new specialty glassfiber reinforcement plant in South Carolina, USA. With the additional capital, the total value of the investment will be approximately EUR 10.2 million (USD 12.7 million). The additional investment increases the production capacity of the plant serving the fast growing specialty reinforcement markets, especially in the wind energy, marine and transportation industries. The plant is estimated to be operational in early 2007.

The EUR 38 million investment in a new glassfiber tissue plant in Redkino, Tver, Russia is proceeding on schedule. The plant is estimated to start production in the fourth quarter of 2007.

The expansion of the Mikkeli, Finland plant is estimated to be completed on schedule, in the fourth quarter of 2006.

Solid demand for Ahlstrom's glass nonwovens is anticipated to continue also in the near future.

## Specialty Papers segment

### Key figures

EUR million	Q3/ 2006	Q3/ 2005	Change, %	Q1-Q3/ 2006	Q1-Q3/ 2005	2005
Net sales	191.5	199.1	-3.8	600.0	619.4	814.7
Operating profit	6.0	21.9	-72.6	29.3	49.5	57.7
Operating profit excl. non-recurring items	8.7	8.3	5.5	32.0	34.7	42.9
Operating profit, %	3.1	11.0		4.9	8.0	7.1
Operating profit, % excl. non-recurring items	4.5	4.1		5.3	5.6	5.3
Return on net assets (RONA), %	7.6	28.3		12.9	21.7	18.7

In Q3/2006 the non-recurring costs, related to the closure of the Nümbrecht, Germany plant and streamlining of the Technical Papers business area, amounted to EUR 2.7 million (Q3/2005: non-recurring gains totaling EUR 13.7 million)

### Label and Packaging Papers business area (32% of the Group's net sales)

The business area consists of release base papers and packaging and label papers businesses. Its main products include release base papers, wet glue label papers, metalizing base papers and flexible packaging papers.

Demand for release base papers remained solid but was affected by the European holiday season. In metalizing and wet glue labels, strong demand slowed down, as expected, towards the end of the quarter as the peak season of the beverage label industry ended. The overall market environment for flexible packaging papers was more favorable than in the corresponding quarter last year, although it varied by customer segment.

Sales volumes of the business area fell by 7% and net sales by 6% from the third quarter of 2005 primarily due to the sale of the PM1 of the Kauttua, Finland plant in August 2005. Sales development varied by product line and also by geographic area. Geographically, best performance was seen in the fast growing Asian and Latin American markets. Ahlstrom announced price increases in the second quarter to compensate for the higher raw material and energy costs. The price increases were implemented during the third quarter.

The EUR 30 million investment in the expansion of the production capacity of release base papers at the La Gère, France plant will be implemented during the second quarter of 2007.

Demand for release base papers is estimated to remain good, although several suppliers including Ahlstrom have brought or will introduce new production capacity in the market. In wet glue and metalizing label papers, demand is expected to slow down further in the coming months due to the end of a peak season in the beverage label industry. The market for flexible packaging papers remains stable but challenging.

### Technical Papers (17% of the Group's net sales)

The main products of the Technical Papers business area are abrasive base papers, crepe papers (such as masking tape base), pre-impregnated decor papers, coated papers (e.g. wallpaper base and poster papers) as well as vegetable parchment papers. The business

area's main markets include the furniture and home decoration, healthcare, food and automotive industries.

Overall demand for Ahlstrom's technical papers declined slightly from last year's level. The demand varied by market area and remained at a good level in pre-impregnated decor papers, abrasive base papers and in sealing & shielding applications. The market conditions for wallpaper base papers and vegetable parchment were challenging.

Sales volumes decreased slightly, while net sales remained at the same level as last year due to the changes of product mix. Although the general overcapacity in the industry continued to put pressure on sales prices, the business area was able to announce and implement certain price increases in order to compensate for the increased raw material and energy costs. The financial impact of the price increases is estimated to be visible as of the last quarter of 2006. In addition, the business area has taken a number of measures to improve its profitability.

As announced in September, Ahlstrom streamlined the Technical Papers business area, including the decision to close down its Nümbrecht, Germany plant that produces mainly wall paper base papers. The decision supports Ahlstrom's strategy to improve its profitability by a number of actions, including closing down non-competitive manufacturing units. As a consequence of the streamlining measures, Ahlstrom booked a non-recurring cost of EUR 2.7 million in its third quarter result.

The business area's PM4 at the Kauttua, Finland plant was shut down for seven weeks in the third quarter due to the adjustment of the production volumes of crepe paper to match the demand and stock levels.

Demand for Ahlstrom's technical papers is expected to vary by product line in the coming months.

## Appendix 2

### CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

#### ACCOUNTING PRINCIPLES

*This report has been prepared in accordance with the IFRS and the accounting policies set out in IAS 34 (Interim Financial Reporting) and in the Group's Financial Statements for 2005.*

<b>INCOME STATEMENT</b>	<b>Q3</b>	Q3	<b>Q1-Q3</b>	Q1-Q3	Q1-Q4
Eur million	<b>2006</b>	2005	<b>2006</b>	2005	2005
<b>Net sales</b>	<b>385.9</b>	381.9	<b>1,210.1</b>	1,169.0	1,552.6
Other operating income	<b>12.4</b>	19.0	<b>31.1</b>	26.1	30.8
Expenses	<b>-353.2</b>	-345.7	<b>-1,097.4</b>	-1,039.3	-1,382.4
Depreciation, amortization and impairment charges	<b>-19.8</b>	-21.5	<b>-60.1</b>	-63.1	-83.8
<b>Operating profit</b>	<b>25.3</b>	33.7	<b>83.8</b>	92.7	117.2
Share of profit of associated companies	<b>-0.2</b>	0.6	<b>0.2</b>	0.9	0.4
Net financial expenses	<b>-3.7</b>	-5.1	<b>-12.3</b>	-12.0	-16.8
<b>Profit before taxes</b>	<b>21.4</b>	29.2	<b>71.8</b>	81.6	100.7
Income taxes	<b>-5.0</b>	-11.0	<b>-23.0</b>	-31.0	-38.1
<b>Profit for the period</b>	<b>16.4</b>	18.3	<b>48.8</b>	50.6	62.6
Attributable to					
Equity holders of the parent	<b>16.4</b>	18.2	<b>48.7</b>	50.5	62.4
Minority interest	<b>0.0</b>	0.1	<b>0.1</b>	0.2	0.2
Basic earnings per share, EUR	<b>0.36</b>	0.50	<b>1.13</b>	1.39	1.71
Diluted earnings per share, EUR	<b>0.35</b>	0.48	<b>1.11</b>	1.36	1.67

<b>BALANCE SHEET</b>	<b>Sep 30,</b>	Sep 30,	Dec 31,
Eur million	<b>2006</b>	2005	2005
<b>ASSETS</b>			
Property, plant and equipment	<b>592.9</b>	561.2	577.4
Goodwill	<b>103.7</b>	104.5	108.6
Other intangible assets	<b>34.4</b>	43.5	39.0
Investment property	-	3.8	4.0
Investments in associated companies	<b>13.1</b>	49.9	49.4
Other investments	<b>0.2</b>	2.8	2.9
Other receivables	<b>6.8</b>	7.3	4.9
Deferred tax assets	<b>24.0</b>	33.3	32.2
<b>Total non-current assets</b>	<b>775.3</b>	806.2	818.4
Inventories	<b>207.8</b>	206.5	212.6
Trade and other receivables	<b>391.6*</b>	342.3	320.2
Other investments	<b>4.3</b>	10.7	0.0
Cash and cash equivalents	<b>22.6</b>	37.0	16.0
<b>Total current assets</b>	<b>626.4</b>	596.5	548.8
<b>Total assets</b>	<b>1,401.7</b>	1,402.8	1,367.2
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to equity holders of the parent	<b>760.9</b>	612.5	589.7
Minority interest	<b>0.8</b>	1.0	0.8
<b>Total equity</b>	<b>761.7</b>	613.5	590.5
<b>Liabilities</b>			
Interest-bearing loans and borrowings	<b>52.2</b>	117.3	119.6
Employee benefit obligations	<b>113.2</b>	113.2	112.8
Provisions	<b>3.7</b>	5.1	3.7
Other liabilities	<b>0.7</b>	0.2	0.4
Deferred tax liabilities	<b>23.6</b>	24.0	26.3
<b>Total non-current liabilities</b>	<b>193.5</b>	259.7	262.8
Interest-bearing loans and borrowings	<b>165.0</b>	233.3	237.0
Trade and other payables	<b>268.7</b>	277.8	263.6
Provisions	<b>12.6</b>	18.5	13.3
<b>Total current liabilities</b>	<b>446.4</b>	529.6	513.9
<b>Total equity and liabilities</b>	<b>1,401.7</b>	1,402.8	1,367.2

\* ) Includes receivable from Sonoco-Alcore amounting to Eur 39,5 million.

#### STATEMENT OF CHANGES IN EQUITY

Eur million	Issued capital	Share premium	Hedging reserve	Translation reserve	Retained earnings	Minority interest	Total equity
<b>Equity at December 31, 2005</b>	<b>55</b>	<b>27</b>	<b>1</b>	<b>4</b>	<b>504</b>	<b>1</b>	<b>590</b>
Dividends paid					-65	0	-65
Translation adjustment*				-3			-3
Share issue	14	183					196
Profit for the period					49	0	49
Other			-1		-5		-6
<b>Equity at September 30, 2006</b>	<b>68</b>	<b>209</b>	<b>0</b>	<b>1</b>	<b>483</b>	<b>1</b>	<b>762</b>

\* Translation adjustment after equity hedging, net of tax

<b>STATEMENT OF CASH FLOWS</b>	<b>Q3</b>	<b>Q3</b>	<b>Q1-Q3</b>	<b>Q1-Q3</b>	<b>Q1-Q4</b>
Eur million	<b>2006</b>	2005	<b>2006</b>	2005	2005
Cash from operations before change in working capital	<b>38.1</b>	40.7	<b>133.8</b>	141.5	179.6
Change in working capital	<b>23.9</b>	20.1	<b>-4.0</b>	-20.3	-15.2
<b>Cash generated from operating activities</b>	<b>62.0</b>	60.7	<b>129.9</b>	121.2	164.4
Financial items	<b>-1.6</b>	-0.6	<b>-10.4</b>	-21.4	-28.4
Income taxes	<b>-3.4</b>	-1.1	<b>-25.3</b>	-3.6	-9.4
<b>Net cash from operating activities</b>	<b>57.0</b>	59.0	<b>94.2</b>	96.1	126.6
Purchases of property, plant and equipment	<b>-31.4</b>	-13.8	<b>-83.5</b>	-36.3	-55.4
Acquisition of group companies	-	-0.5	<b>-8.0</b>	-0.8	-10.8
Other investing activities	<b>5.9</b>	19.2	<b>6.8</b>	42.1	55.4
<b>Cash flow before financing activities</b>	<b>31.5</b>	64.0	<b>9.5</b>	101.1	115.8
Share issue	-	-	<b>194.5</b>	-	-
Dividends paid	-	0.0	<b>-65.3</b>	-27.4	-62.8
Other financing activities	<b>-25.9</b>	-52.3	<b>-131.9</b>	-56.7	-57.1
<b>Net change in cash and cash equivalents</b>	<b>5.6</b>	11.7	<b>6.7</b>	17.0	-4.1

<b>KEY FIGURES</b>	<b>Q3</b>	Q3	<b>Q1-Q3</b>	Q1-Q3	Q1-Q4
	<b>2006</b>	2005	<b>2006</b>	2005	2005
Operating profit, %	<b>6.5</b>	8.8	<b>6.9</b>	7.9	7.5
Operating profit (excl. non-recurring items), %	<b>5.4</b>	5.6	<b>6.0</b>	6.6	6.4
Return on capital employed (ROCE), %	<b>10.3</b>	14.0	<b>11.8</b>	13.0	12.4
Return on equity (ROE), %	<b>8.7</b>	12.1	<b>9.6</b>	11.3	10.7
Interest-bearing net liabilities, EUR million	<b>190.3</b>	302.9	<b>190.3</b>	302.9	340.6
Equity ratio, %	<b>54.4</b>	43.7	<b>54.4</b>	43.7	43.2
Gearing ratio, %	<b>25.0</b>	49.4	<b>25.0</b>	49.4	57.7
Earnings per share, EUR	<b>0.36</b>	0.50	<b>1.13</b>	1.39	1.71
Earnings per share, diluted, EUR	<b>0.35</b>	0.48	<b>1.11</b>	1.36	1.67
Equity per share, EUR	<b>16.71</b>	16.85	<b>16.71</b>	16.85	16.21
Cash earnings per share, EUR	<b>1.29</b>	1.62	<b>2.18</b>	2.64	3.48
Average number of shares during the period, 1000's	<b>45,592</b>	36,418	<b>43,195</b>	36,418	36,418
Number of shares at the end of the period, 1000's	<b>45,592</b>	36,418	<b>45,592</b>	36,418	36,418
Capital expenditure, EUR million	<b>33.6</b>	16.1	<b>80.5</b>	36.3	62.4
Capital employed, at the end of the period, EUR million	<b>979.0</b>	964.1	<b>979.0</b>	964.1	947.1
Number of employees, average	<b>5,777</b>	5,571	<b>5,690</b>	5,625	5,605

Calculation of key figures: [www.ahlstrom.com](http://www.ahlstrom.com)

**QUARTERLY DATA**

	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Eur million	2005	2005	2005	2005	2006	2006	2006
<b>Net sales</b>	384.2	402.8	381.9	383.6	414.6	409.6	<b>385.9</b>
Other operating income*	1.3	2.5	4.9	1.5	7.0	5.6	<b>4.7</b>
Expenses*	-338.0	-355.6	-344.2	-342.6	-375.5	-368.7	<b>-349.9</b>
Depreciation, amortization, impairment charges*	-20.3	-21.3	-21.3	-20.5	-19.8	-20.5	<b>-19.8</b>
Non-recurring items	1.3	2.0	12.4	2.5	3.3	2.9	<b>4.4</b>
<b>Operating profit</b>	28.6	30.3	33.7	24.5	29.6	28.9	<b>25.3</b>
Share of profit of associated companies	0.8	-0.4	0.6	-0.6	-0.0	0.4	<b>-0.2</b>
Net financial expenses	-2.4	-4.5	-5.1	-4.8	-4.5	-4.1	<b>-3.7</b>
<b>Profit before taxes</b>	27.0	25.4	29.2	19.1	25.1	25.2	<b>21.4</b>
Income taxes	-8.9	-11.1	-11.0	-7.2	-9.3	-8.6	<b>-5.0</b>
<b>Profit for the period</b>	18.0	14.4	18.3	11.9	15.8	16.6	<b>16.4</b>
Attributable to							
Equity holders of the parent	18.0	14.3	18.2	11.9	15.8	16.5	<b>16.4</b>
Minority interest	0.0	0.0	0.1	0.0	0.0	0.1	<b>0.0</b>
Operating profit*	27.3	28.4	21.3	22.0	26.3	26.0	20.8
Operating profit, %*	7.1	7.0	5.6	5.7	6.3	6.4	5.4

\* Excluding non-recurring items

**QUARTERLY DATA BY SEGMENT**

	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Eur million	2005	2005	2005	2005	2006	2006	2006
<b>Net sales</b>							
FiberComposites	176.3	193.3	183.3	189.4	212.7	204.9	<b>195.3</b>
Specialty Papers	209.1	211.2	199.1	195.3	203.3	205.2	<b>191.5</b>
Other operations and eliminations	-1.2	-1.6	-0.5	-1.2	-1.5	-0.5	<b>-0.9</b>
<b>Group total</b>	<b>384.2</b>	<b>402.8</b>	<b>381.9</b>	<b>383.6</b>	<b>414.6</b>	<b>409.6</b>	<b>385.9</b>
<b>Operating profit</b>							
FiberComposites	13.5	17.3	20.9	13.8	15.9	13.9	<b>13.3</b>
Specialty Papers	14.8	12.7	21.9	8.2	13.0	10.3	<b>6.0</b>
Other operations and eliminations	0.3	0.3	-9.1	2.5	0.7	4.8	<b>6.0</b>
<b>Group total</b>	<b>28.6</b>	<b>30.3</b>	<b>33.7</b>	<b>24.5</b>	<b>29.6</b>	<b>28.9</b>	<b>25.3</b>
<b>Operating profit excluding non-recurring items</b>							
FiberComposites	12.5	17.2	17.8	15.2	15.9	13.9	<b>13.3</b>
Specialty Papers	14.5	12.0	8.3	8.2	13.0	10.3	<b>8.7</b>
Other operations and eliminations	0.3	-0.8	-4.7	-1.4	-2.6	1.9	<b>-1.2</b>
<b>Total</b>	<b>27.3</b>	<b>28.4</b>	<b>21.3</b>	<b>22.0</b>	<b>26.3</b>	<b>26.0</b>	<b>20.8</b>
Non-recurring items	1.3	2.0	12.4	2.5	3.3	2.9	<b>4.4</b>
<b>Group total</b>	<b>28.6</b>	<b>30.3</b>	<b>33.7</b>	<b>24.5</b>	<b>29.6</b>	<b>28.9</b>	<b>25.3</b>

**KEY FIGURES QUARTERLY**

	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Eur million	2005	2005	2005	2005	2006	2006	2006
Net sales	384.2	402.8	381.9	383.6	414.6	409.6	<b>385.9</b>
Operating profit	28.6	30.3	33.7	24.5	29.6	28.9	<b>25.3</b>
Operating profit excl. non-recurring items	27.3	28.4	21.3	22.0	26.3	26.0	<b>20.8</b>
Profit before taxes	27.0	25.4	29.2	19.1	25.1	25.2	<b>21.4</b>
Profit before taxes excl. non-recurring items	25.6	23.4	16.8	16.6	21.8	22.3	<b>17.0</b>
Profit for the period	18.0	14.4	18.3	11.9	15.8	16.6	<b>16.4</b>
Gearing ratio, %	60.0	65.4	49.4	57.7	30.0	30.0	<b>25.0</b>
Return on capital employed (ROCE), %	12.1	12.1	14.0	10.1	12.3	11.7	<b>10.3</b>
ROCE excl. non-recurring items, %	11.6	11.3	9.0	9.1	11.0	10.6	<b>8.5</b>
Earnings per share, EUR	0.49	0.40	0.50	0.32	0.41	0.36	<b>0.36</b>
Cash earnings per share, EUR	0.31	0.71	1.62	0.84	0.68	0.21	<b>1.29</b>
Average number of shares during the period, 1000's	36,418	36,418	36,418	36,418	38,326	45,587	<b>45,592</b>

Calculation of key figures: [www.ahlstrom.com](http://www.ahlstrom.com)

<b>OPERATING LEASES</b>	<b>Sep 30,</b>	Sep 30,	Dec 31,
Eur million	<b>2006</b>	2005	2005
Current portion	<b>6.0</b>	3.9	4.6
Non-current portion	<b>20.0</b>	18.9	23.6
<b>Total</b>	<b>26.0</b>	22.8	28.2

<b>CONTINGENT LIABILITIES</b>	<b>Sep 30,</b>	Sep 30,	Dec 31,
Eur million	<b>2006</b>	2005	2005
<b>For own liabilities</b>			
Loans from financing institutions			
Amount of loans	-	-	0.2
Amount of mortgages	-	-	0.2
Other loans			
Amount of loans	<b>1.7</b>	-	3.3
Book value of pledges	<b>2.0</b>	-	3.6
<b>For other own commitments</b>			
Guarantees	<b>21.5</b>	38.4	24.1
<b>For commitments of associated companies</b>			
Guarantees	<b>8.3</b>	8.8	8.3
<b>For commitments of third parties</b>			
Guarantees	-	-	-
<b>Capital expenditure commitments</b>	<b>60.3</b>	-	11.2
<b>Other contingent liabilities</b>	<b>4.6</b>	5.9	8.4

**DERIVATIVE FINANCIAL INSTRUMENTS\***

Eur million	Sep 30, 2006		Sep 30, 2005		Dec 31, 2005	
<b>Fair values**</b>	<b>Posi- tive</b>	<b>Nega- tive</b>	Posi- tive	Nega- tive	Posi- tive	Nega- tive
<b>Hedge accounting</b>						
Interest rate swaps	-	-	0.6	-	0.8	-0.1
Foreign exchange forward contracts	<b>4.0</b>	<b>-3.6</b>	0.9	-2.0	0.4	-2.3
<b>Total</b>	<b>4.0</b>	<b>-3.6</b>	1.5	-2.0	1.2	-2.4
<b>Non-hedge accounting</b>						
Interest rate swaps	<b>0.5</b>	-	0.1	-0.1	-	-
Foreign exchange forward contracts	<b>0.6</b>	<b>-0.6</b>	1.9	-1.6	1.7	-2.3
<b>Total</b>	<b>1.1</b>	<b>-0.6</b>	2.1	-1.6	1.7	-2.3
<b>Nominal values</b>						
	<b>Sep 30, 2006</b>		Sep 30, 2005		Dec 31, 2005	
Interest rate swaps	<b>25.0</b>		79.0		67.4	
Foreign exchange forward contracts	<b>591.2</b>		500.9		434.6	
Options bought	-		2.1		-	
Options sold	-		2.1		-	
<b>Total</b>	<b>616.2</b>		584.0		502.0	

\* The values illustrate the extent of the hedging activities and do not as such measure the risk exposure of Ahlstrom.

\*\* The fair values of interest rate swaps are based on actually quoted market rates at period ends.

The fair values of all other financial instruments have been calculated from prevailing market rates at period ends.