

# Interim Report

January – June 2007

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Ahlstrom 

## Ahlstrom's Interim report January-June 2007 - Implementation of growth actions continued in the second quarter

**Ahlstrom, a leader in high performance fiber-based materials, reports net sales of EUR 436.9 million (Q2/2006: EUR 409.6 million). Operating profit amounted to EUR 21.0 million (EUR 28.9 million, excl. non-recurring items EUR 26.0 million), representing a 4.8% margin (7.1%, excl. non-recurring items 6.4%). Profit before taxes was EUR 16.4 million (EUR 25.2 million, excl. non-recurring items EUR 22.3 million) and return on capital employed (ROCE) 8.0% (11.7%, excl. non-recurring items 10.6%). Earnings per share (EPS) amounted to EUR 0.26 (EUR 0.36). Q2/2007 did not include non-recurring items.**

### April–June 2007 in brief

- Net sales (adjusted for currency effect) grew by 8.7% from the second quarter of 2006
- Operating profit improved by 7.4% from the first quarter of 2007 due to increased sales volumes
- Integration of the three acquisitions in the FiberComposites segment was started
- The rebuild of the release base paper machine in France was completed at the end of June. The investment standstill impacted the operating profit negatively by approximately EUR 3.5 million.

### Key figures

EUR million	Q2/2007	Q2/2006	Q1-Q2/ 2007	Q1-Q2/ 2006	2006
Net sales	<b>436.9</b>	409.6	<b>853.3</b>	824.2	1,599.1
Operating profit	<b>21.0</b>	28.9	<b>44.4</b>	58.5	96.1
Operating profit excl. non-recurring items	<b>21.0</b>	26.0	<b>40.6</b>	52.3	87.3
Profit before taxes	<b>16.4</b>	25.2	<b>36.7</b>	50.3	81.2
Profit before taxes excl. non-recurring items	<b>16.4</b>	22.3	<b>32.9</b>	44.1	72.5
Profit for the period	<b>11.9</b>	16.6	<b>25.3</b>	32.4	57.6
Net cash flow from operating activities	<b>9.0</b>	11.3	<b>-3.0</b>	37.2	119.2
Gearing ratio, %	<b>50.9</b>	30.0	<b>50.9</b>	30.0	20.3
Return on capital employed (ROCE), %	<b>8.0</b>	11.7	<b>8.5</b>	12.4	10.4
Return on capital employed (ROCE), % excl. non-recurring items	<b>8.0</b>	10.6	<b>7.8</b>	11.2	9.5
Cash earnings per share, EUR	<b>0.20</b>	0.21	<b>-0.06</b>	0.89	2.72
Earnings per share, EUR	<b>0.26</b>	0.36	<b>0.55</b>	0.77	1.31
Average number of shares during the period, 1000s	<b>46,636</b>	45,587	<b>46,279</b>	41,977	43,802

Jukka Moisio, President & CEO, comments on Ahlstrom's second quarter:

- During the second quarter we worked intensively with several growth actions. We completed three acquisitions and started the integration work to consolidate them with our operations and we expect to finalize the integration process by the end of 2007. Furthermore, we continued to ramp up several new manufacturing lines to be able to develop new products and deliver new volumes for our customers. At the end of the quarter, we completed our European capacity expansion program in release base papers through an investment at the La Gère plant in France. This new capability as well as our announced joint venture in Brazil will strengthen our ability to serve the growing labeling markets globally. I am satisfied with the progress of the growth actions so far and look forward to an active second half of 2007.

- Ahlstrom's currency-adjusted net sales grew by 9% which is a result of implementing our growth strategy. We expect to see a boost in top line in the coming quarters when organic growth accelerates and acquisitions are included in our figures for full quarters. Despite the negative impact on our operating profit due to investments and temporary acquisition-related higher fixed costs, our operating profit grew by 7% from Q1/2007. Our ROCE of 8.0% is below our long term target 13%, and we will work to improve margins and control fixed costs.

## Ahlstrom Group: Interim report January-June, 2007

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

### Operating environment

The demand for Ahlstrom's products was good in most geographic areas. Growth in demand in Asia and Latin America improved from last year and the markets in Europe continued to show good development. Overall the North American market was stable, however the housing markets continued to slow down which affected the market for air filtration products.

Prices for raw materials and energy, especially pulp remained very high. The average USD market price for NBSK pulp, the main raw material, increased further and was approximately 19% higher than in the second quarter of 2006 and 4% higher than in the first quarter of 2007. The prices for synthetic fibers and chemicals remained at a high level but did not increase from the first quarter of 2007.

Energy costs remained high, although electricity costs in Europe decreased slightly due to the return to the regulated electricity tariff in France and the cancellation of energy taxes in Germany. Ahlstrom's main energy sources are natural gas and electricity.

### Financial performance in April-June 2007

The Group's net sales amounted to EUR 436.9 million (EUR 409.6 million). Exchange rate fluctuations, mainly the weakened USD, decreased Ahlstrom's net sales by EUR 8.5 million. The three acquisitions (Fabriano, Orlandi and Fiberweb's consumer wipes business) added sales of EUR 22.3 million in the second quarter. Orlandi was consolidated for May and June and Fabriano and Fiberweb's consumer wipes business for June. Comparable net sales, adjusted for the acquisitions, the La Gère investment standstill and the currency effect, grew by 4.6%.

Sales volumes increased by 5.4% compared with the corresponding period of 2006. Growth was mainly driven by acquisitions and organic growth investments as well as good demand in most business areas.

Operating profit excl. non-recurring items for the second quarter amounted to EUR 21.0 million (EUR 26.0 million). In addition to high raw material costs profitability was impacted by the La Gère investment standstill that lasted five weeks and decreased Ahlstrom's operating profit by approximately EUR 3.5 million. The integration costs of the acquisitions affected profitability by approximately EUR 0.5 million.

Total net financial expenses were EUR 4.3 million (EUR 4.1 million). Net interest expenses increased to EUR 3.9 million (EUR 2.3 million) mainly due to the increase in net debt. Net foreign exchange gains on financial items were EUR 0.2 million (losses of EUR 1.4 million).

Ahlstrom's share of the losses of the associated company Jujo Thermal amounted to EUR 0.3 million (profits of EUR 0.4 million).

Profit before taxes excl. non-recurring items was EUR 16.4 million (EUR 22.3 million). Income tax expenses were EUR 4.5 million (EUR 8.6 million). Profit for the period was EUR 11.9 million (EUR 16.6 million).

ROCE excl. non-recurring items amounted to 8.0% (10.6%). Return on equity (ROE) was 6.4% (9.0%). Earnings per share (EPS) amounted to EUR 0.26 (EUR 0.36). Net asset turnover was 1.7 (1.6).

### **Financial performance in January-June 2007**

Net sales in January-June 2007 amounted to EUR 853.3 million (EUR 824.2 million). Currency fluctuations, mainly the weakened USD, decreased net sales by EUR 20.6 million. Comparable net sales, adjusted for acquisitions and investment standstills and the currency effect, grew by 4.4%. Sales volumes grew by 4.3%.

The Group's operating profit in the first half of 2007 was EUR 44.4 million (EUR 58.5 million). Excluding non-recurring items the operating profit amounted to EUR 40.6 million (EUR 52.3 million). The non-recurring items of EUR 3.8 million were mainly related to the sale of three power plants in Italy.

High raw material and energy costs, the investment standstills at the La Gère, France and the Karhula, Finland plants, together with the integration costs from the completed acquisitions impacted profitability negatively during the period.

Total net financial expenses were EUR 7.3 million (EUR 8.6 million). Net interest expenses totalled EUR 6.3 million (EUR 4.5 million). Net foreign exchange gains were EUR 0.2 million (losses of EUR 3.1 million). The change was mainly attributable to the actions implemented in 2006 to decrease the level of equity hedging.

Ahlstrom's share of the losses of the associated company Jujo Thermal amounted to EUR 0.4 million (profits of EUR 0.4 million).

Profit before taxes was EUR 36.7 million (EUR 50.3 million). Excluding net non-recurring items, profit before taxes amounted to EUR 32.9 million (EUR 44.1 million). Income tax expenses totalled EUR 11.4 million (EUR 17.9 million). The cumulative tax rate for the period was 31%. Profit for the period amounted to EUR 25.3 million (EUR 32.4 million). Earnings per share (EPS) amounted to EUR 0.55 (EUR 0.77).

Return on capital employed (ROCE) was 8.5% (12.4%). Excluding net non-recurring gains, ROCE amounted to 7.8% (11.2%). Return on equity (ROE) was 6.7% (9.7%).

### **Financing and financial position in January-June 2007**

Net cash flow from operating activities amounted to EUR -3.0 million (EUR 37.2 million). The decrease in cash flow was mainly attributable to the EUR 20.8 million payment to the pension fund in the United Kingdom in the first quarter 2007. Interest-bearing net liabilities increased by EUR 227.4 million to EUR 382.6 million due to the implemented acquisitions and investments (December 31, 2006: EUR 155.2 million).

Gearing ratio was 50.9% (December 31, 2006: 20.3%) and the equity ratio 47.3% (December 31, 2006: 56.5%).

On June 30, 2007 committed credit facilities available to the Group amounted to EUR 342 million.

### **Capital expenditure in January-June 2007**

Capital expenditure excluding acquisitions amounted to EUR 65.8 million (EUR 47.0 million). The value of acquisitions was EUR 127.8 million (EUR 8.0 million).

The full-year capital expenditure for Ahlstrom Group, excluding acquisitions, is expected to exceed the 2006 level (EUR 120.1 million) by approximately 15–20%.

### **Growth strategy**

Ahlstrom's strategy is to grow both organically and by acquisitions. Ahlstrom's growth investments are targeted to expand business to fast growing markets and serve customers globally.

Ahlstrom's growth investments are expected to generate net sales amounting to 1.5 times the investment value in 3–5 years and reach a return of capital employed of at least 13%.

In the first half of 2007 Ahlstrom continued its global growth strategy by implementing acquisitions and organic growth investments on four continents.

### **Acquisitions and investment decisions in January-June 2007**

On May 31, 2007 Ahlstrom closed the acquisition of Fabriano Filter Media SpA, based in Sassoferato, Italy. Fabriano is a manufacturer of microglass filter media, serving mainly the high efficiency air filtration market. The acquisition price was approximately EUR 7 million. The transaction includes one manufacturing plant employing 32 people with net sales of approximately EUR 7 million. The acquired business has been integrated with Ahlstrom's current Italian operations in Turin.

On May 25, 2007 Ahlstrom closed the acquisition of the consumer wipes business of Fiberweb plc. The acquisition price was approximately EUR 65 million. The acquired business includes four plants in Europe and in the USA. In 2006, the net sales of the acquired business amounted to EUR 110 million and it employed approximately 400 people. Following the acquisition, Ahlstrom estimates to become the third largest producer of nonwoven roll goods

globally. The wiping fabrics currently produced by Fiberweb's consumer wipes business are used mainly in personal care, baby care and household wipes applications.

On May 11, 2007 Ahlstrom announced that it will invest EUR 8 million in a new needlepunch line for its North American filtration business, targeting the growing dust filtration market. The new line will be located at the current Darlington, SC, USA facility. The targeted completion date is June 2008.

On May 9, Ahlstrom signed an agreement with Brazilian Votorantim Celulose e Papel (VCP) to form a joint venture for specialty paper production in Brazil. Ahlstrom will hold 60% and VCP 40% of the shares in the joint venture. The price for Ahlstrom's shareholding is approximately EUR 80 million. The assets in the joint venture comprise a paper machine, an offline coater and an extensive finishing equipment at the Jacarei mill, close to São Paulo. The net sales of the paper machine is approximately EUR 100 million. Ahlstrom expects to close the transaction during the third quarter of 2007.

On May 7, Ahlstrom signed a memorandum of understanding with Mundra Special Economic Zone (SEZ) in Gujarat, India to purchase a land area of 5 hectares in the Textile and Apparel Park. The parties have agreed not to disclose the purchase price of the property.

On April 30, Ahlstrom closed the acquisition of the spunlace nonwovens business of the Italian Orlandi Group. The acquisition price was approximately EUR 60 million and the acquired business includes two plants in Italy employing approximately 120 people in total. The transaction expands Ahlstrom's technology portfolio with airlace technology which is used to manufacture pulp-containing wiping fabrics. In connection with the acquisition, Ahlstrom invested approximately EUR 2.5 million in the airlace line at the Cressa, Italy plant. After the investment, the acquired business will generate net sales of approximately EUR 65 million in 2007.

On February 2, Ahlstrom decided to invest EUR 5 million in a new drylaid nonwoven line to serve the North American air filtration market. The new line is located at Ahlstrom's Groesbeck, TX, USA plant and is expected to start at the beginning of 2008.

### **Organic growth investment start-ups in January-June 2007**

In June 2007, a major release base paper capacity expansion was started up at the La Gère, France plant. The investment standstill lasted five weeks. The investment was valued at approximately EUR 30 million.

Ahlstrom's new specialty glassfiber reinforcement plant in Bishopville, SC, USA serving the wind energy, marine and transportation markets was ramping up its production in the first half of 2007. The investment was valued at approximately EUR 10 million.

Ahlstrom's new wiping fabrics line located at the Green Bay, WI, USA plant was started up in the end of December, 2006. The line was ramping up during the first half of 2007. The total value of the investment was approximately EUR 25 million.

During the first quarter of 2007 Ahlstrom repaired the existing glass furnace and increased the production capacity of the chopped strand mat machine at its Karhula, Finland plant. The investments were valued at approximately EUR 6 million in total.

### **Divestments in January-June 2007**

In March, Ahlstrom agreed to sell three hydropower plants close to its Turin, Italy plant to a local energy company for approximately EUR 7 million. The deal is consistent with the company's strategy to focus on high performance fiber-based materials and to divest non-core assets and reduce related costs.

### **Personnel**

At the end of June 2007, Ahlstrom had 6,325 employees (5,831). The average number of employees during the first half of the year was 5,794 (5,661).

### **Principal risks and uncertainties**

The principal uncertainties that could affect Ahlstrom's net sales and financial performance in the short term are related to:

- General economic conditions and changes in the demand for end-user products
- Increases in raw material prices (e.g. pulp, chemicals and synthetic fibers)
- Increases in energy prices
- Fluctuations in foreign currency rates

These factors are described in more detail in Ahlstrom's Annual report 2006, on pages 22-23.

### **Shares and share capital**

During January-June 2007, 7.0 million Ahlstrom shares were traded for a total of EUR 156.4 million. The lowest trading price during the review period was EUR 21.20 and the highest EUR 24.50. The closing price on June 29, 2007 was EUR 21.75 and market capitalization was EUR 1,015 million.

Equity per share of Ahlstrom Group was EUR 16.11 at the end of the review period (December 31, 2006: EUR 16.79).

At the end of the review period, there were no outstanding options entitling to subscription of Ahlstrom shares.

In January-June, a total of 1,008,871 new shares of Ahlstrom Corporation were subscribed with option rights under the company's stock option programs I (2001) and II (2001). After the corresponding increases in Ahlstrom's share capital, the share capital at the end of the review period amounted to EUR 70,005,912.00. The total number of shares on June 30 was 46,670,608.

Ahlstrom's Board of Directors is authorized to repurchase a maximum of 4,500,000 Ahlstrom shares, corresponding to less than 10% of all issued Company shares. The Board of Directors is also authorized to resolve to distribute the shares held by the company. The shares may be used as compensation in acquisitions and in other arrangements as well as to implement the company's share-based incentive plans. The Board of Directors has also the right to decide on the distribution of the shares in public trading for the purpose of financing possible acquisitions.

### **Outlook for the second half of 2007**

Demand in Ahlstrom's main markets Europe, USA, South America and Asia is expected to remain good, however the visibility of demand remains low in the USA. Ahlstrom's products are primarily used in industrial processes which react to changes in consumer demand with a slight delay.

The price for Ahlstrom's most important raw material, wood pulp, continued to rise through the second quarter of 2007. Oil prices continued to increase in the second quarter and are expected to keep energy costs high during the outlook period and increase pressure on chemicals and synthetic fiber costs.

Several organic growth investments are currently ramping up and the integration of three acquisitions has started. The growth initiatives are expected to generate additional sales volumes and net sales in the second half of 2007. Normal summer maintenance shutdowns will take place during the third quarter. The outlook period is marked by intensive work related to integration of acquisitions and investment start-ups. The largest organic growth investment at the end of the outlook period is the commissioning of the glassfiber tissue plant in Russia. The integration of Fabriano, Orlandi and Fiberweb's consumer wipes business will continue and is estimated to be completed by the end of 2007. The integration of the VCP joint venture is anticipated to start in the third quarter of 2007. The new acquisitions and investments will have a positive impact on Ahlstrom's financial development from the last quarter of 2007 onwards.

Ahlstrom continues to see promising growth opportunities in the fiber-based materials business and we are optimistic about the company's development in 2007 and 2008.

### **Financial information in 2007**

Ahlstrom Corporation will publish its interim report for January-September on Friday, October 26.

This interim report has been prepared in accordance with the International Financial Reporting Standards (IFRS). The report is unaudited.

Comparable figures refer to the same period last year unless otherwise stated.

Helsinki, July 25, 2007

Ahlstrom Corporation  
Board of Directors

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A conference call for analysts and investors regarding the second quarter results will be held on Wednesday, July 25, 2007 at 11.00 Finnish time. To participate in the teleconference, please dial +44 (0) 20 7162 0025 a few minutes before the call. Use the password: Ahlstrom. A replay of the conference is available until August 1, 2007. The number for the replay is +44 (0) 20 7031 4064, access code: 756617.



The presentation material will be available at [www.ahlstrom.com](http://www.ahlstrom.com) > Investors > IR presentations on July 25, 2007 after the interim report has been published.

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.

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 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 6,200 employees serve customers via sales offices and production facilities in more than 20 countries on six continents. In 2006, Ahlstrom's net sales amounted to EUR 1.6 billion. Ahlstrom's 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 April-June 2007

#### FiberComposites segment

Key figures, EUR million	Q2/2007	Q2/2006	Change, %	Q1-Q2 2007	Q1-Q2 2006	2006
Net sales	235.5	204.9	15.0	441.9	417.6	808.2
Operating profit excl. non-recurring items	17.3	13.9	24.9	30.7	29.7	54.1
Operating profit, % excl. non-recurring items	7.3	6.8		6.9	7.1	6.7
Return on net asses (RONA), % excl. non-recurring items	9.5	9.0		8.7	9.7	8.9

Net sales of the FiberComposites segment increased by 15.0% and amounted to EUR 235.5 million (EUR 204.9 million). The three acquisitions (Fabriano, Orlandi and the Fiberweb's consumer wipes business) increased net sales by EUR 22.3 million in the second quarter. Sales volumes increased by 19.5%. Currency fluctuations, mainly the weakened USD, had a EUR 6.7 million negative impact on the segment's net sales.

The operating profit improved significantly from the corresponding period last year and amounted to EUR 17.3 million. The improvement in profitability was achieved by good demand in all product areas.

#### Nonwovens business area (25% of the Group's net sales)

The Nonwovens business area serves customers in the food packaging, medical, wiping, building and technical goods sectors.

The good market situation in nonwovens continued in the second quarter. Sales volumes increased by 46.4% driven by investments, acquisitions and good demand particularly in wiping fabrics and industrial nonwovens. Net sales increased by 29.4% and amounted to EUR 119 million. Comparable net sales adjusted for acquisitions grew by 5.8%. Exchange rate fluctuations impacted net sales negatively. Approximately 50% of the business area's sales is denominated in USD.

Prices for certain synthetic fibers such as rayon continued to increase. Rayon and polyester are the most important synthetic fibers in the nonwovens business area. Energy costs were slightly lower than in the first quarter but on a higher level than in the same quarter last year.

The business area continues to ramp-up the new spunlace wiping fabrics line at the Green Bay plant which was started in December 2006.

Ahlstrom closed the acquisition of Fiberweb's consumer wipes business on May 25, 2007 and the nonwovens business of the Orlandi Group on April 30, 2007. The integration of the

acquisitions are well under way and is expected to be completed by the end of 2007. The annual net sales of the acquisitions are approximately EUR 170 million.

Demand for nonwoven products is expected to remain good in the second half of the year.

#### Filtration business area (20 % of the Group's net sales)

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

The overall market situation for filtration material continued to develop favorably in the second quarter. Demand was strong in Asia, Latin America and Europe while the North American market showed mixed development. The housing markets in the USA continued to slow down which affected the North American market for air filtration. Net sales for the second quarter rose by 1.6% and amounted to EUR 87 million while sales volumes grew by 3.4%. Exchange rate fluctuations had a negative impact on net sales.

Raw materials and energy costs remained on a high level particularly for methanol and related raw materials. Price increases were implemented in most product areas to partially offset the effect of higher costs.

In June, Ahlstrom announced the closure of the Bellingham, USA plant and the consolidation of some of the assets to its Darlington, USA facility. The cost related to the closure and the consolidation of assets will be approximately EUR 2 million and will be booked in the second half of 2007. Ahlstrom also decided to add a new needlepunch line for the Darlington site with start-up scheduled by the end of June 2008.

On May 31, 2007 Ahlstrom closed the acquisition of Fabriano Filter Media SpA, Italy. Annual net sales of the acquired business is approximately EUR 7 million.

The outlook for the second half remains good, with steady demand expected for transportation and liquid filtration products, however, uncertainty continues for the air filtration products in North America.

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

Ahlstrom's glass nonwovens products are used in the building materials, marine, transportation, windmills, and sporting goods sectors.

In the second quarter, the demand developed favorably in all main product areas (construction, windmill, marine and transportation) and geographic regions. Net sales increased by 9.8% and amounted to EUR 31 million while sales volumes grew by 6.8%. Especially sales to Russia and USA continued to grow strongly and the start-up of the new glass specialty reinforcement plant in Bishopville, USA, contributed positively to net sales in USA. In addition, the change in product mix had a positive impact on net sales.

Price increases were implemented during the second quarter in certain product areas to partially offset the continued high raw material and energy costs.

The construction work of the new glassfiber tissue plant in Tver, Russia is proceeding according to plan and the plant is estimated to start production in the last quarter of 2007.

Demand is anticipated to remain good in all product areas and geographic regions in the second half of 2007.

## Specialty Papers segment

Key figures, EUR million	Q2/2007	Q2/2006	Change, %	Q1-Q2 2007	Q1-Q2 2006	2006
Net sales	202.7	205.2	-1.2%	414.1	408.5	794.0
Operating profit excl. non-recurring items	5.4	10.3	-47.6	14.0	23.3	36.4
Operating profit, % excl. non-recurring items	2.7	5.0		3.4	5.7	4.6
Return on net asses (RONA), % excl. non-recurring items	6.4	13.1		8.5	15.2	11.8

Net sales of the Specialty Papers segment decreased by 1.2% and amounted to EUR 202.7 million (EUR 205.2 million). Sales volumes were on the same level as in the corresponding period last year. Sales volumes were negatively impacted by the La Gère, France investment standstill in the Label and Packaging Papers business area whereas the Technical Papers business area experienced strong growth.

The average sales prices decreased slightly in the Label and Packaging Papers business area due to temporary excess supply of release base papers.

Operating profit was EUR 5.4 million (EUR 10.3 million). The decrease in the segment's profit was mainly due to the La Gère investment standstill which impacted the operating profit by EUR 3.5 million.

### Label & Packaging Papers business area (30% of the Group's net sales)

The Label & Packaging Papers business area manufactures a number of different specialty papers for use in the self-adhesive industry, as well as in the labeling, packaging and graphic industries.

In the second quarter, demand remained unchanged in release base papers but the temporary excess supply put pressure on prices. Demand for wet glue and metallized labels was good due to the peak season of the beverage label industry, however the peak season started later than usual. The demand for packaging papers improved from last year, but the pressure on prices continued.

Total sales volumes of the business area were 4.2% lower than in the corresponding quarter last year mainly due to the investment standstill at the La Gère, France plant. Net sales of the business area decreased by 6.8% to EUR 126 million.

The price for pulp, the business area's main raw material continued to increase and was at a higher level than last year. Energy costs declined slightly compared to the first quarter but remained at the same level as in the corresponding period in 2006.

The investment to increase release base paper capacity at the La Gère, France plant was completed at the end of June. The investment standstill lasted five weeks. Full scale industrial production is expected to be achieved during August 2007.

The joint venture with Brazilian Votorantim Celulose e Papel (VCP) for specialty paper production in Brazil is expected to be closed in the third quarter of 2007. Ahlstrom will hold 60% and VCP 40% of the shares in the joint venture. The annual net sales of the joint venture is approximately EUR 100 million and it will strengthen Ahlstrom's position in the label and packaging paper markets outside Europe.

The demand for release base papers is expected to strengthen towards the end of the year. In label papers, demand is expected to remain good in the coming months but slow down towards the end of the third quarter as the peak season in the beverage industry ends. The market situation for packaging papers remains unchanged.

#### Technical Papers business area (18% 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, wipes, medical applications), pre-impregnated decor papers, sealing & shielding materials (for gaskets, heat shields, calender bowls), 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 in the business area remained strong in the second quarter. Net sales increased by 9.5% compared to the corresponding quarter of 2006 and amounted to EUR 77 million. Sales volumes increased by 10.2% mainly driven by strong demand in posters, crepe papers, vegetable parchment and decor papers.

The price for pulp, the main raw material of the business area, continued to increase in the second quarter. Productivity improvements partly compensated for higher raw material costs and price increases were achieved in some product areas despite strong competition. Price increases for the third quarter have been announced in crepe papers and decor papers.

The market situation for most product areas is expected to remain good in the second half of the year.

## APPENDIX 2

### Consolidated Financial Statements

#### ACCOUNTING PRINCIPLES

This report has been prepared in accordance with the International Financial Reporting Standards (IFRS) and the accounting policies set out in IAS 34 (Interim Financial reporting) as adopted by the EU and in the Group's Financial Statements for 2006.

#### Application of amended or new IFRS standards as of January 1, 2007

The Group has adopted the following new or amended standards and interpretations as of January 1, 2007:

- IFRS 7 Financial Instruments: Disclosures
- Amendment to IAS 1 Presentation of Financial Statements – Capital disclosures
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 10 Interim Financial Reporting and Impairment

The above mentioned standards and interpretations do not have a material effect on the consolidated financial statements. They will impact the format and extent of year-end 2007 notes to the financial statements.

Financial Statements are unaudited.

<b>INCOME STATEMENT</b>	<b>Q2</b>	Q2	<b>Q1-Q2</b>	Q1-Q2	Q1-Q4
Eur million	<b>2007</b>	2006	<b>2007</b>	2006	2006
<b>Net sales</b>	<b>436.9</b>	409.6	<b>853.3</b>	824.2	1,599.1
Other operating income	<b>1.7</b>	8.5	<b>13.1</b>	18.8	36.7
Expenses	<b>-396.5</b>	-368.7	<b>-781.4</b>	-744.2	-1,458.2
Depreciation, amortization and impairment charges	<b>-21.0</b>	-20.5	<b>-40.6</b>	-40.2	-81.6
<b>Operating profit</b>	<b>21.0</b>	28.9	<b>44.4</b>	58.5	96.1
Net financial expenses	<b>-4.3</b>	-4.1	<b>-7.3</b>	-8.6	-14.9
Share of profit (loss) of associated companies	<b>-0.3</b>	0.4	<b>-0.4</b>	0.4	0.0
<b>Profit before taxes</b>	<b>16.4</b>	25.2	<b>36.7</b>	50.3	81.2
Income taxes	<b>-4.5</b>	-8.6	<b>-11.4</b>	-17.9	-23.6
<b>Profit for the period</b>	<b>11.9</b>	16.6	<b>25.3</b>	32.4	57.6
Attributable to					
Equity holders of the parent	<b>11.9</b>	16.5	<b>25.2</b>	32.3	57.5
Minority interest	<b>0.0</b>	0.1	<b>0.1</b>	0.1	0.1
Basic earnings per share, EUR	<b>0.26</b>	0.36	<b>0.55</b>	0.77	1.31
Diluted earnings per share, EUR	<b>0.26</b>	0.36	<b>0.55</b>	0.76	1.29

<b>BALANCE SHEET</b>	<b>Jun 30,</b>	Jun 30,	Dec 31,
Eur million	<b>2007</b>	2006	2006
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<b>678.4</b>	575.7	601.7
Goodwill	<b>143.0</b>	103.4	101.0
Other intangible assets	<b>39.1</b>	35.5	32.6
Investment property	-	2.8	-
Investments in associated companies	<b>12.3</b>	49.4	12.9
Other investments	<b>0.2</b>	0.2	0.2
Other receivables	<b>12.9</b>	6.8	6.1
Deferred tax assets	<b>25.8</b>	25.2	25.9
Total non-current assets	<b>911.7</b>	799.1	780.4
<b>Current assets</b>			
Inventories	<b>233.1</b>	205.2	214.4
Trade and other receivables	<b>419.8</b>	372.3	328.0
Income tax receivables	<b>3.4</b>	5.1	8.7
Other investments	<b>0.0</b>	0.0	5.0
Cash and cash equivalents	<b>21.5</b>	17.0	20.1
Total current assets	<b>677.9</b>	599.6	576.1
<b>Total assets</b>	<b>1,589.6</b>	1,398.6	1,356.6
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to equity holders of the parent	<b>751.2</b>	745.0	765.8
Minority interest	<b>0.7</b>	0.8	0.8
Total equity	<b>751.9</b>	745.8	766.6
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	<b>149.0</b>	69.4	44.0
Employee benefit obligations	<b>97.2</b>	113.1	112.4
Provisions	<b>5.4</b>	3.7	3.7
Other liabilities	<b>0.8</b>	0.5	0.6
Deferred tax liabilities	<b>27.6</b>	24.5	26.8
Total non-current liabilities	<b>279.8</b>	211.2	187.4
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	<b>255.2</b>	171.6	136.4
Trade and other payables	<b>284.0</b>	245.9	241.0
Income tax liabilities	<b>7.9</b>	13.0	12.4
Provisions	<b>10.7</b>	11.1	12.8
Total current liabilities	<b>557.9</b>	441.7	402.6
Total liabilities	<b>837.7</b>	652.9	590.0
<b>Total equity and liabilities</b>	<b>1,589.6</b>	1,398.6	1,356.6

**STATEMENT OF CHANGES IN EQUITY**

- 1) Issued capital
- 2) Share premium
- 3) Non-restricted equity reserve
- 4) Hedging reserve
- 5) Translation reserve
- 6) Retained earnings
- 7) Minority interest

Eur million	Attributable to equity holders of the parent							Total equity
	1)	2)	3)	4)	5)	6)	7)	
<b>Equity at Dec 31, 2005</b>	<b>54.6</b>	<b>26.7</b>	-	<b>1.0</b>	<b>3.7</b>	<b>503.7</b>	<b>0.8</b>	<b>590.5</b>
Cash flow hedges, net of tax:								
Gains and losses taken to equity	-	-	-	-0.8	-	-	-	-0.8
Translation differences	-	-	-	-	-11.7	-	-	-11.7
Gains and losses from hedge of net investments in foreign operations, net of tax	-	-	-	-	8.5	-	-	8.5
Other changes	-	-	-	-	-	0.0	-0.0	-0.0
Profit for the period	-	-	-	-	-	32.3	0.1	32.4
Total recognized income and expense for the period	-	-	-	-0.8	-3.2	32.3	0.1	28.4
Dividends paid	-	-	-	-	-	-65.2	-0.1	-65.3
Share issue	13.7	182.4	-	-	-	-	-	196.1
Share options exercised	0.0	0.2	-	-	-	-	-	0.2
Redemption of share options	-	-	-	-	-	-4.1	-	-4.1
	13.8	182.6	-	-	-	-69.4	-0.1	126.9
<b>Equity at June 30, 2006</b>	<b>68.4</b>	<b>209.3</b>	-	<b>0.2</b>	<b>0.5</b>	<b>466.6</b>	<b>0.8</b>	<b>745.8</b>
<b>Equity at Dec 31, 2006</b>	<b>68.5</b>	<b>209.3</b>	<b>0.5</b>	<b>0.1</b>	<b>-3.1</b>	<b>490.4</b>	<b>0.8</b>	<b>766.6</b>
Cash flow hedges, net of tax:								
Gains and losses taken to equity	-	-	-	-0.1	-	-	-	-0.1
Translation differences	-	-	-	-	-3.9	-	-	-3.9
Gains and losses from hedge of net investments in foreign operations, net of tax	-	-	-	-	1.6	-	-	1.6
Other changes	-	-	-	-	-	0.0	-0.0	0.0
Profit for the period	-	-	-	-	-	25.2	0.1	25.3
Total recognized income and expense for the period	-	-	-	-0.1	-2.3	25.3	0.0	22.9
Dividends paid	-	-	-	-	-	-46.6	-0.1	-46.7
Share options exercised	1.5	-	7.7	-	-	-	-	9.2
	1.5	-	7.7	-	-	-46.6	-0.1	-37.5
<b>Equity at June 30, 2007</b>	<b>70.0</b>	<b>209.3</b>	<b>8.3</b>	<b>-0.0</b>	<b>-5.4</b>	<b>469.1</b>	<b>0.7</b>	<b>751.9</b>



**STATEMENT OF CASH FLOWS**

	Q2	Q2	Q1-Q2	Q1-Q2	Q1-Q4
Eur million	2007	2006	2007	2006	2006
<b>Cash flow from operating activities</b>					
Profit for the period	11.9	16.6	25.3	32.4	57.6
Adjustments, total	30.2	31.4	49.9	65.4	109.8
Changes in net working capital	-21.2	-16.5	-48,4*)	-27.9	-14.4
Change in provisions and pension liability	-3.4	-1.7	-17,4*)	-2.1	-0.5
Financial items	-3.2	-1.9	-4.2	-8.8	-3.7
Taxes paid	-5.3	-16.6	-8.3	-21.9	-29.6
Net cash from operating activities	9.0	11.3	-3.0	37.2	119.2
<b>Cash flow from investing activities</b>					
Acquisition of Group companies	-127.8	0.0	-127.8	-8.0	-7.8
Purchases of property, plant & equipment	-30.0	-22.6	-62.8	-52.1	-116.5
Other investing activities	-0.1	13.3	14.4	0.9	45.3
Net cash from investing activities	-157.9	-9.3	-176.2	-59.2	-79.0
<b>Cash flow from financing activities</b>					
Share issue	0.5	-0.2	9.2	194.5	195.1
Dividends paid	-46.8	-0.1	-46.8	-65.3	-65.3
Other financing activities	192.7	-54.1	218.0	-106.0	-165.8
Net cash from financing activities	146.4	-54.5	180.5	23.2	-36.0
<b>Net change in cash and cash equivalents</b>	<b>-2.5</b>	<b>-52.5</b>	<b>1.4</b>	<b>1.1</b>	<b>4.3</b>
Cash and cash equivalents at beginning of period	23.9	69.6	20.1	16.0	16.0
Foreign exchange adjustment	0.1	-0.1	0.1	-0.1	-0.1
<b>Cash and cash equivalents at end of period</b>	<b>21.5</b>	<b>17.0</b>	<b>21.5</b>	<b>17.0</b>	<b>20.1</b>

\*) Includes EUR -20,8 million payment to the pension fund to cover approximately half of the historical deficit of the defined benefit pension plan in the United Kingdom in Q1 2007.

KEY FIGURES	Q2	Q2	Q1-Q2	Q1-Q2	Q1-Q4
	2007	2006	2007	2006	2006
Operating profit, %	4.8	7.1	5.2	7.1	6.0
Operating profit (excluding non-recurring items), %	4.8	6.4	4.8	6.4	5.5
Return on capital employed (ROCE), %	8.0	11.7	8.5	12.4	10.4
ROCE (excluding non-recurring items), %	8.0	10.6	7.8	11.2	9.5
Return on equity (ROE), %	6.4	9.0	6.7	9.7	8.5
Interest-bearing net liabilities, EUR million	382.6	224.0	382.6	224.0	155.2
Equity ratio, %	47.3	53.3	47.3	53.3	56.5
Gearing ratio, %	50.9	30.0	50.9	30.0	20.3
Earnings per share, EUR	0.26	0.36	0.55	0.77	1.31
Earnings per share, diluted, EUR	0.26	0.36	0.55	0.76	1.29
Equity per share, EUR	16.11	16.36	16.11	16.36	16.79
Cash earnings per share, EUR	0.20	0.21	-0.06	0.89	2.72
Average number of shares during the period, 1000s	46,636	45,587	46,279	41,977	43,802
Number of shares at the end of the period, 1000s	46,671	45,592	46,671	45,592	45,662
Capital expenditure, EUR million	36.6	18.9	65.8	47.0	120.1
Capital employed, at the end of the period, EUR million	1,156.1	986.8	1,156.1	986.8	946.9
Number of employees, average	5,888	5,740	5,794	5,661	5,687

<b>CHANGES OF PROPERTY, PLANT AND EQUIPMENT</b>			
	<b>Q1-Q2</b>	Q1-Q2	Q1-Q4
Eur million	<b>2007</b>	2006	2006
Book value at Jan 1	<b>601.7</b>	577.4	577.4
Acquisitions through business combinations	<b>56.5</b>	4.7	4.6
Additions	<b>64.9</b>	46.0	117.0
Disposals	<b>-0.6</b>	-0.1	-1.0
Depreciations and impairment charges	<b>-38.4</b>	-37.2	-75.7
Translation adjustment and other changes	<b>-5.6</b>	-15.1	-20.6
Book value at end of the period	<b>678.4</b>	575.7	601.7

<b>TRANSACTIONS WITH RELATED PARTIES</b>			
	<b>Q1-Q2</b>	Q1-Q2	Q1-Q4
Eur million	<b>2007</b>	2006	2006
<b>Transactions with associated companies</b>			
Sales and interest income	<b>0.3</b>	0.8	1.3
Purchases of goods and services	<b>-3.0</b>	-5.0	-10.9
Trade and other receivables	<b>0.2</b>	1.1	0.5
Trade and other payables	<b>0.5</b>	0.9	0.8
Interest-bearing loans and borrowings	<b>3.9</b>	1.4	6.6

*Market prices have been used in transactions with associated companies.*

<b>OPERATING LEASES</b>			
	<b>Jun 30,</b>	Jun 30,	Dec 31,
Eur million	<b>2007</b>	2006	2006
Current portion	<b>5.7</b>	12.8	6.1
Non-current portion	<b>11.4</b>	19.9	18.2
<b>Total</b>	<b>17.0</b>	32.7	24.3

<b>CONTINGENT LIABILITIES</b>	<b>Jun 30,</b>	Jun 30,	Dec 31,
Eur million	<b>2007</b>	2006	2006
<b>For own liabilities</b>			
Loans from financing institutions			
Amount of loans	-	-	-
Amount of mortgages	-	0.0	-
Other loans			
Amount of loans	<b>1.2</b>	1.7	1.5
Book value of pledges	<b>1.3</b>	2.0	1.6
<b>For other own commitments</b>			
Guarantees	<b>19.5</b>	21.9	29.1
<b>For commitments of associated companies</b>			
Guarantees	<b>7.3</b>	8.3	8.3
<b>For commitments of third parties</b>			
Guarantees	-	-	-
<b>Capital expenditure commitments</b>	<b>49.3</b>	61.5	50.6
<b>Other contingent liabilities</b>	<b>5.1</b>	4.6	5.3

## Acquisitions in 2007

In January-June 2007 Ahlstrom made several acquisitions in line with its strategy.

In April, Ahlstrom acquired the spunlace nonwovens business of the Italian Orlandi Group. The transaction expands Ahlstrom's technology portfolio with airlace technology which is used to manufacture pulp-containing wiping fabrics. In May, Ahlstrom acquired the consumer wipes business of Fiberweb plc, serving mainly the personal care, baby care and household wipes applications. With these two acquisitions, Ahlstrom became the leading wiping fabrics producer in the world. Further in May, Ahlstrom acquired Italian Fabriano Filter Media SpA, a manufacturer of microglass filter media, serving mainly the high efficiency air filtration market.

Management estimates that the consolidated net sales for January-June 2007 would have been approximately EUR 937 million, if the acquisition had been accomplished on January 1, 2007.

The table below summarizes the acquisitions in January-June 2007. The business combinations and purchase price allocations were accounted for as preliminary as the determination of fair values to be assigned to the assets, liabilities and contingent liabilities were not yet finalized. The goodwill that arose mainly from the acquisition of Orlandi Group reflects the synergy benefits resulting from the expanded product offering to wipes and filtration business as well as growth opportunities.

ACQUISITIONS OF BUSINESSES		Fair values
Eur million	Book values before the consolidation	entered in consolidation
Property, plant and equipment	55.8	56.6
Intangible assets	5.0	8.5
Inventories	21.5	19.8
Trade and other receivables	36.2	36.2
Cash and cash equivalents	3.0	3.0
Assets, total	121.4	124.0
Deferred tax liabilities	0.8	0.5
Employee benefit obligations	1.4	1.4
Interest-bearing loans and borrowings	9.5	9.5
Trade and other payables	26.4	26.4
Liabilities, total	38.1	37.8
Net assets	83.3	86.2
Goodwill arising in acquisition	-	44.2
Acquisition price paid (in cash)	-	130.4
Exchange rate differences	-	0.3
Cash (acquired)	-	-3.0
Net cash outflow	-	127.8

<b>QUARTERLY DATA</b>	<b>Q2</b>	Q1	Q4	Q3	Q2	Q1
Eur million	<b>2007</b>	2007	2006	2006	2006	2006
<b>Net sales</b>	<b>436.9</b>	416.5	389.0	385.9	409.6	414.6
Other operating income*	<b>1.7</b>	2.6	4.3	4.4	5.6	7.0
Expenses*	<b>-396.5</b>	-379.9	-359.3	-349.6	-368.7	-375.5
Depreciation, amortization, impairment charges*	<b>-21.0</b>	-19.6	-19.9	-19.8	-20.5	-19.8
Non-recurring items	-	3.8	-1.9	4.4	2.9	3.3
<b>Operating profit</b>	<b>21.0</b>	23.3	12.3	25.3	28.9	29.6
Net financial expenses	<b>-4.3</b>	-3.0	-2.6	-3.7	-4.1	-4.5
Share of profit (loss) of associated companies	<b>-0.3</b>	-0.1	-0.2	-0.2	0.4	-0.0
<b>Profit before taxes</b>	<b>16.4</b>	20.3	9.4	21.4	25.2	25.1
Income taxes	<b>-4.5</b>	-6.9	-0.7	-5.0	-8.6	-9.3
<b>Profit for the period</b>	<b>11.9</b>	13.4	8.8	16.4	16.6	15.8
Attributable to						
Equity holders of the parent	<b>11.9</b>	13.3	8.8	16.4	16.5	15.8
Minority interest	<b>0.0</b>	0.0	-0.0	0.0	0.1	0.0
Operating profit*	21.0	19.6	14.1	20.8	26.0	26.3
Operating profit, %*	4.8	4.7	3.6	5.4	6.4	6.3

\* Excluding non-recurring items

**QUARTERLY DATA BY SEGMENT**

	Q2	Q1	Q4	Q3	Q2	Q1
Eur million	2007	2007	2006	2006	2006	2006
<b>Net sales</b>						
FiberComposites	235.5	206.4	195.4	195.3	204.9	212.7
Specialty Papers	202.7	211.4	193.9	191.5	205.2	203.3
Other operations and eliminations	-1.3	-1.3	-0.3	-0.9	-0.5	-1.5
Group total	436.9	416.5	389.0	385.9	409.6	414.6
<b>Operating profit</b>						
FiberComposites	17.3	15.2	9.2	13.3	13.9	15.9
Specialty Papers	5.4	13.0	3.0	6.0	10.3	13.0
Other operations and eliminations	-1.7	-4.9	0.1	6.0	4.8	0.7
Group total	21.0	23.3	12.3	25.3	28.9	29.6
<b>Operating profit excluding non-recurring items</b>						
FiberComposites	17.3	13.4	11.0	13.3	13.9	15.9
Specialty Papers	5.4	8.6	4.4	8.7	10.3	13.0
Other operations and eliminations	-1.7	-2.5	-1.2	-1.2	1.9	-2.6
Total	21.0	19.6	14.1	20.8	26.0	26.3
Non-recurring items	-	3.8	-1.9	4.4	2.9	3.3
Group total	21.0	23.3	12.3	25.3	28.9	29.6

**KEY FIGURES QUARTERLY**

	Q2	Q1	Q4	Q3	Q2	Q1
Eur million	2007	2007	2006	2006	2006	2006
Net sales	436.9	416.5	389.0	385.9	409.6	414.6
Operating profit	21.0	23.3	12.3	25.3	28.9	29.6
Operating profit (excluding non-recurring items)	21.0	19.6	14.1	20.8	26.0	26.3
Profit before taxes	16.4	20.3	9.4	21.4	25.2	25.1
Profit before taxes (excluding non-recurring items)	16.4	16.5	11.3	17.0	22.3	21.8
Profit for the period	11.9	13.4	8.8	16.4	16.6	15.8
Gearing ratio, %	50.9	24.3	20.3	25.0	30.0	30.0
Return on capital employed (ROCE), %	8.0	10.0	5.3	10.3	11.7	12.3
ROCE (excluding non-recurring items), %	8.0	8.4	6.1	8.5	10.6	11.0
Earnings per share, EUR	0.26	0.29	0.18	0.36	0.36	0.41
Cash earnings per share, EUR	0.20	-0.26	0.54	1.29	0.21	0.68
Average number of shares during the period, 1000's	46,636	45,918	45,602	45,592	45,587	38,326

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**CALCULATION OF KEY FIGURES**

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Interest-bearing net liabilities	Interest-bearing loans and borrowings - Cash and cash equivalents - Other investments (current)	
Equity ratio, %	$\frac{\text{Total equity}}{\text{Total assets - Advances received}}$	x 100
Gearing ratio, %	$\frac{\text{Interest-bearing net liabilities}}{\text{Total equity}}$	x 100
Return on equity (ROE), %	$\frac{\text{Profit (loss) for the period}}{\text{Total equity (annual average)}}$	x 100
Return on capital employed (ROCE), %	$\frac{\text{Profit (loss) before taxes + Financing expenses}}{\text{Total assets (annual average) - Non-interest bearing liabilities (annual average)}}$	x 100
Earnings per share, EUR	$\frac{\text{Profit for the period attributable to equity holders of the parent}}{\text{Average adjusted number of shares during the period}}$	
Cash earnings per share, EUR	$\frac{\text{Net cash from operating activities}}{\text{Average adjusted number of shares during the period}}$	
Equity per share, EUR	$\frac{\text{Equity attributable to equity holders of the parent}}{\text{Adjusted number of shares at the end of the period}}$	