

# Interim Report

January – September 2008

Small  
Big fibers.  
difference.



Ahlstrom Corporation STOCK EXCHANGE RELEASE October 28, 2008 at 8.30

## Interim report January-September 2008:

### Net sales growth continued in the third quarter

#### Key highlights of July-September

- Net sales grew by 1.4% to EUR 451.2 million (EUR 444.9 million), and organically by 6.9%.
- Operating profit excluding non-recurring items decreased by 28.9% to EUR 11.5 million (EUR 16.2 million) mainly due to lower gross margin and decreased demand in some of Ahlstrom's products.
- Ahlstrom acquired the remaining 40% of the joint venture formed in 2007 with Votorantim Celulose e Papel (VCP) in Brazil.
- Jan Lång was appointed Ahlstrom's President and CEO as from January 1, 2009.

#### Outlook

- Full-year net sales are anticipated to increase from that of 2007. Full-year operating profit excluding non-recurring items is expected to be clearly lower than in 2007.

Key figures, EUR million	Q3/2008	Q3/2007	Q1-Q3/ 2008	Q1-Q3/ 2007	2007
Net sales	<b>451.2</b>	444.9	<b>1,383.4</b>	1,298.3	1,760.8
Operating profit	<b>11.3</b>	16.1	<b>50.0</b>	60.5	25.8
* excluding non-recurring items	<b>11.5</b>	16.2	<b>49.4</b>	56.8	67.8
Profit before taxes	<b>3.5</b>	6.7	<b>28.9</b>	43.4	0.2
* excluding non-recurring items	<b>3.7</b>	6.7	<b>28.3</b>	39.6	42.1
Return on capital employed (ROCE), %	<b>3.9</b>	5.5	<b>5.5</b>	7.4	2.5
* excluding non-recurring items	<b>3.9</b>	5.5	<b>5.4</b>	6.9	6.3
Earnings per share, EUR	<b>0.04</b>	0.10	<b>0.41</b>	0.65	0.01
*excluding non-recurring items	<b>0.05</b>	0.11	<b>0.40</b>	0.60	0.62
Cash earnings per share, EUR	<b>0.53</b>	0.79	<b>1.52</b>	0.73	0.94
Gearing ratio, %	<b>84.8</b>	60.1	<b>84.8</b>	60.1	65.3

**Risto Anttonen**, CEO, comments on Ahlstrom's third quarter:

- Ahlstrom's business was characterized by a two-folded development in the third quarter. On a positive note, the organic growth of the net sales was strong, 6.9% from the third quarter last year, and the impact of price increases was more and more visible. Raw material and energy prices were still high, but towards the end of the quarter, the price of e.g. woodpulp already turned clearly downwards for the first time in three years.
- The challenges of the quarter were connected with the fact that the turn of the trend in the raw material market did not yet have any effect in Ahlstrom's cost

base, and despite the increase in a majority of our businesses, there was a stronger than anticipated decrease in the demand for some of Ahlstrom's products, e.g. wipes and products for the building, automotive and marine industries. We have taken actions to adjust the production to the lower demand, e.g. by temporarily shutting down some production lines and decreasing the number of shifts.

- Looking ahead, the decreasing raw material and energy costs will have a positive impact on Ahlstrom's cost base. In addition, most of the integration work connected with the recent heavy acquisition program (e.g. Fiberweb's and Orlandi's wipes businesses), and the start-ups related to the organic growth investments (e.g. La Gère and Tver) are now behind us. This will give a good starting point for 2009.

## **OPERATING ENVIRONMENT**

Ahlstrom's operating environment continued to be challenging during the third quarter. The uncertainty in the global economy reflected in the demand for some of Ahlstrom's products, e.g. wipes as well as building, automotive and marine applications. On the other hand, demand was still growing in a majority of Ahlstrom's product segments, such as nonwovens for medical products, glassfiber reinforcements for windmill applications, as well as in wallcovers, vegetable parchment and crepe papers.

Raw material costs remained high during the review period compared to last year. The average USD market price for BHKP pulp was approximately 17% higher, NBSK pulp 10% higher and rayon approximately 8% higher than in the third quarter of 2007. The price of oil has risen by approximately 59% year-on-year.

Towards the end of the quarter, the prices of Ahlstrom's main raw materials started to decrease from their peak levels as a result of the global economic uncertainty. For example, the USD price of NBSK pulp was approximately 6% lower, rayon 4% lower and oil over 30% lower at the end of the quarter than in the beginning of the quarter.

## **FINANCIAL PERFORMANCE**

Ahlstrom's business is reported in two segments: the Fiber Composites segment and the Specialty Papers segment.

As announced on June 24, 2008, Ahlstrom implements a new business area structure as from this interim report onwards. Hence, the Fiber Composites segment comprises the Advanced Nonwovens, the Home & Personal Nonwovens, the Glass Nonwovens and the Filtration business areas, and the Specialty Papers segment comprises the Release & Label Papers and the Technical Papers business areas.

Ahlstrom provides information on the breakdown of net sales per segment, per business area and per geographical area. The breakdown of operating profit is reported per segment.

### **Net sales in July-September 2008**

During the July-September period, Group net sales grew by 1.4%, amounting to EUR 451.2 million (EUR 444.9 million) compared with the same period last year. Organic growth in the net sales was still strong, as comparable net sales grew by 6.9% adjusted for the currency effect, acquisitions and closures from the same period last year. Comparable volume growth adjusted for acquisitions and closures was 2.7%.

The Fiber Composites segment accounted for 55% and the Specialty Papers segment 45% of the Group net sales.

The net sales of the Fiber Composites segment amounted to EUR 249.3 million (EUR 249.8 million), decreasing by 0.2% on the third quarter of 2007. The decrease was a result of the currency effect and the closing of unprofitable units during 2008. Comparable net sales grew by 7.2% and the comparable volume development was flat. Within the segment, organic growth was especially strong in the Advanced Nonwovens business area thanks to a brisk demand for medical applications. Also the Glass Nonwovens business area posted an increase both in net sales and volumes as a result of strong demand for windmill applications. In the Home & Personal Nonwovens and Filtration business areas, net sales decreased due to lower volumes in wipes and automotive filtration, plant closures and the currency effect.

The Specialty Papers segment reported net sales of EUR 204.0 million (EUR 196.3 million), up by 4.0% from the third quarter of 2007. Comparable net sales grew by 7.0% and comparable volumes by 4.3% from the third quarter last year. Within the segment, net sales grew particularly strongly in wallpapers, vegetable parchment and crepe papers, while abrasive base papers and poster papers reported lower sales and volumes.

In terms of geographical areas, Europe still dominated Ahlstrom's net sales split, accounting for 53% (60%) of the Group total. The relative share of Europe still decreased, as growth was strongest in South America as a result of completed acquisitions and a good demand for certain of Ahlstrom's products, such as transportation filtration materials and labels.

### **Net sales in January-September 2008**

In January-September 2008, Group net sales amounted to EUR 1,383.4 million (EUR 1,298.3 million), growing by 6.6% on the corresponding period in 2007. Comparable net sales adjusted for the currency effect, acquisitions and closures grew by 6.9% from the same period last year. Comparable volumes adjusted for acquisitions and closures grew by 3.9%.

The Fiber Composites segment accounted for 55% and the Specialty Papers segment 45% of the Group net sales.

The net sales of the Fiber Composites segment grew to EUR 758.3 million (EUR 691.7 million), up by 9.6% from the previous year. Comparable net sales adjusted for the currency effect, acquisitions and closures grew by 8.8% from the same period last year. Comparable volumes grew by 4.8%.

The Specialty Papers segment reported net sales of EUR 630.7 million (EUR 610.3 million), growing by 3.3% from the third quarter of 2007. Comparable net sales adjusted for the currency effect, acquisitions and closures grew by 5.0%. Comparable volumes grew by 3.8%.

Net sales by segment and business area	Q3/2008	Q3/2007	Q1-Q3/2008	Q1-Q3/2007	2007
<b>Fiber Composites</b>	<b>249.3</b>	249.8	<b>758.3</b>	691.7	941.4
Advanced Nonwovens	<b>71.8</b>	65.1	<b>217.5</b>	220.5	291.8
Home & Personal Nonwovens	<b>67.5</b>	69.7	<b>201.1</b>	132.9	203.4
Glass Nonwovens	<b>34.5</b>	32.8	<b>106.3</b>	91.2	122.0
Filtration	<b>77.6</b>	84.1	<b>240.3</b>	253.9	332.6
<b>Specialty Papers</b>	<b>204.0</b>	196.3	<b>630.7</b>	610.3	824.7
Technical Papers	<b>123.4</b>	116.1	<b>389.7</b>	368.0	485.6
Release & Label Papers	<b>80.7</b>	80.5	<b>241.0</b>	243.3	340.4

Net sales by geographical area	Q3/2008	Q3/2007	Q1-Q3/2008	Q1-Q3/2007	2007
Europe	<b>241.0</b>	269.1	<b>796.3</b>	813.4	1,086.5
North America	<b>114.9</b>	109.9	<b>327.6</b>	295.3	399.3
South America	<b>53.3</b>	27.1	<b>140.8</b>	61.3	104.0
Asia-Pacific	<b>33.7</b>	28.2	<b>92.0</b>	97.9	130.3
Rest of the world	<b>8.4</b>	10.6	<b>26.6</b>	30.3	40.6

### Financial result in July-September 2008

In July-September, Group operating profit amounted to EUR 11.3 million (EUR 16.1 million), decreasing by 29.8% from last year. Operating profit excluding non-recurring items amounted to EUR 11.5 million (EUR 16.2 million), decreasing by 28.9% on the third quarter of 2007. The main reasons for the year-on-year decrease were the lower gross margin and decreased demand in some of Ahlstrom's products, especially in wipes, leading to increased inventories and adjustments in production. In addition, costs connected with growth investment start-ups and integration of acquisitions burdened the result.

The restructuring actions taken earlier in 2008 reflected in fixed costs, which decreased by approximately 0.7 percentage units in relation to the net sales, compared with the third quarter in 2007.

Total net financial expenses amounted to EUR 7.1 million (EUR 9.7 million). Ahlstrom's share of the losses of the associated companies was EUR 0.7 million (profit of EUR 0.2 million).

Profit before taxes decreased to EUR 3.5 million (EUR 6.7 million) and excluding non-recurring items, to EUR 3.7 million (EUR 6.7 million).

Income tax expenses amounted to EUR 1.0 million (EUR 1.6 million). Profit for the period decreased to EUR 2.5 million (EUR 5.0 million) and earnings per share (EPS) to EUR 0.04 (EUR 0.10).

Return on capital employed (ROCE) amounted to 3.9% (5.5%), and return on equity (ROE) to 1.4% (2.6%).

### **Financial result in January-September 2008**

In January-September, Group operating profit amounted to EUR 50.0 million (EUR 60.5 million). Excluding non-recurring items, operating profit amounted to EUR 49.4 million (EUR 56.8 million), decreasing by 12.9% year-on-year.

Profit before taxes was EUR 28.9 million (EUR 43.4 million), and EUR 28.3 million (EUR 39.6 million) excluding non-recurring items.

The restructuring actions taken were reflected in fixed costs, which decreased by approximately 1.6 percentage units in relation to the net sales.

Income tax expenses amounted to EUR 7.9 million (EUR 13.0 million). Profit for the period decreased to EUR 20.9 million (EUR 30.3 million) and earnings per share (EPS) to EUR 0.41 (EUR 0.65).

Return on capital employed (ROCE) amounted to 5.5% (7.4%), and excluding non-recurring items, to 5.4% (6.9%). Return on equity (ROE) was 3.9% (5.2%). Net asset turnover was 1.4 (1.6).

### **Financial result by segment**

In July-September 2008, the Fiber Composites segment posted an operating profit of EUR 7.4 million (EUR 14.1 million) excluding non-recurring items. In January-September, operating profit amounted to EUR 37.8 million (EUR 44.8 million) excluding non-recurring items. The main reasons for the decrease in the operating profit were the lower gross margin and decreased demand of the wipes and filtration products, the weak US dollar against the euro, the strong cost inflation as well as costs linked with growth investment start-ups and integration of acquisitions.

In July-September, the operating profit of the Specialty Papers segment increased to EUR 6.4 million (EUR 2.7 million) excluding non-recurring items. In January-September, operating profit grew to EUR 17.3 million (EUR 16.7 million). The improvement in the operating profit was primarily a result of the good performance of Technical Papers and an improvement in Release & Label Papers.

Financial result by segment*	Q3/2008	Q3/2007	Q1-Q3/ 2008	Q1-Q3/ 2007	2007
<b>Fiber Composites</b>					
Operating profit*	7.4	14.1	37.8	44.8	60.6
Operating profit*, %	3.0	5.7	5.0	6.5	6.4
Return on net assets*, %	3.7	7.1	6.3	8.5	8.7
<b>Specialty Papers</b>					
Operating profit*	6.4	2.7	17.3	16.7	13.9
Operating profit*, %	3.1	1.4	2.7	2.7	1.7
Return on net assets*, %	5.6	2.7	5.0	5.7	3.6

\*Excluding non-recurring items

## FINANCING

In January-September 2008, the net cash flow from operating activities increased to EUR 70.8 million (EUR 34.1 million). The increase was attributable to an improvement in the working capital turnover, coupled with the fact that the cash flow of 2007 was burdened by a EUR 20.8 million payment to a pension fund in the UK.

Interest-bearing net liabilities increased by EUR 97.1 million to EUR 588.2 million (December 31, 2007: EUR 491.1 million). The gearing ratio was 84.8% (December 31, 2007: 65.3%) and the equity ratio 39.5% (December 31, 2007: 44.0%).

## CAPITAL EXPENDITURE

Ahlstrom's strategy is to grow both organically and by acquisitions. Growth investments are targeted to expand Ahlstrom's business to fast growing markets and to serve customers globally. The investments are expected to generate net sales amounting to 1.5 times the investment value in three to five years and reach a return of capital employed of at least 13%.

In January-September 2008, Ahlstrom's capital expenditure excluding acquisitions amounted to EUR 90.5 million (EUR 115.1 million).

In 2008, Ahlstrom's organic investments are expected to be approximately EUR 120 million, including the following, previously announced major investments: food nonwovens production line in Chirnside, the UK, wiping fabrics line in Paulinia, Brazil, and partly the new medical nonwovens plant to be built in Gujarat, India.

## Acquisitions and new investment decisions

On August 29, 2008 Ahlstrom announced that it would acquire the remaining 40% of the joint venture formed with Votorantim Celulose e Papel (VCP) in Brazil. Ahlstrom now owns 100% of the shares. The acquisition is in line with Ahlstrom's strategy to expand its operations in the fast-growing markets in Brazil, Russia, India and China.

The joint venture between Ahlstrom and Votorantim Celulose e Papel (VCP) was established in September 2007. It includes a specialty papers production facility located in the same site as the pulp mill of VCP in Jacarei, Brazil, close to São Paulo. Ahlstrom held 60% and VCP 40% of the shares in the joint venture. The terms of the agreement included an option for Ahlstrom to purchase the remaining share in the joint venture held by VCP within two years from the original transaction. The total value of the acquisition is approximately EUR 116 million.

### **Organic growth investment decisions**

Ahlstrom made no new major organic investment decisions during the third quarter of 2008. An update on the status of previously announced major organic investments is provided below.

### **Investment start-ups**

The building of Ahlstrom's two new dust filtration production lines, one in Wuxi, China and one in Bethune, South Carolina, the USA, has proceeded as planned. The Wuxi line started operations during the second quarter of this year and the Bethune line in the third quarter of 2008.

The new glassfiber tissue production plant established in 2007 in Tver, Russia, is ramping up for production during 2008. The plant will primarily serve the Russian building and composites materials industries, and will strengthen Ahlstrom's position as a leading developer and manufacturer of specialty glassfiber tissues.

The building of Ahlstrom's new food nonwovens production line in Chirnside, the UK, has proceeded on schedule, and production is starting during the fourth quarter of 2008. The new line utilizing spunmelt technology will primarily serve the growing infusion products market with next generation products used e.g. in teabags.

In Paulinia, Brazil, Ahlstrom is building a nonwoven wiping fabrics production line to start production during the fourth quarter of 2008. The investment consists of a building and machinery. The new production line will utilize spunlace technology and its main customers operate within the household and industrial wipes sectors in Latin America.

Ahlstrom is establishing a new medical nonwovens plant in Gujarat, India, with operations estimated to start in the first quarter of 2010. The new plant will manufacture a full range of spunmelt fabrics with the main focus on the medical fabrics market and the site also enables future expansions of Ahlstrom's business in India. The facility will be located in the Mundra Special Economic Zone (SEZ).



## **CHANGES IN ORGANIZATION AND MANAGEMENT**

### **President and CEO**

The Board of Directors of Ahlstrom Corporation has appointed M.Sc. (Econ.) Jan Lång President and CEO of Ahlstrom as from January 1, 2009. Mr. Lång (born 1957) joins Ahlstrom from the position of President and CEO of Uponor Corporation. He has been working for Uponor since 2003. Prior to that he has held several senior executive positions at Huhtamaki Corporation.

Risto Anttonen continues as CEO of Ahlstrom until December 31, 2008. After that he will assume the role of Deputy CEO and will continue as a member of the Corporate Executive Team until he retires in 2010, at the latest.

### **PERSONNEL**

At the end of September 2008, Ahlstrom had 6,452 employees (6,544). The average number of employees during January-September was 6,537 (5,989).

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The principal uncertainties that 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.
- In accordance with the International Financial Reporting Standards and Ahlstrom Accounting Principles Ahlstrom Group regularly reviews its assets. No impairment losses have been recorded during January-September 2008. The Company will perform the next impairment test as of December 31, 2008.

These factors are described in more detail in Ahlstrom's annual report 2007, on pages 20-23.

### **SHARES AND SHARE CAPITAL**

During January-September 2008, a total of 4.5 million Ahlstrom shares were traded for a total of EUR 75 million. The lowest trading price during the review period was EUR 12.85 and the highest EUR 18.78. The closing price on September 30, 2008 was EUR 12.93 and market capitalization was EUR 603 million.

Equity per share of Ahlstrom Group was EUR 14.86 at the end of the review period (December 31, 2007: EUR 15.35).

At the end of the review period, there were no outstanding options entitling to subscription of Ahlstrom shares. The share capital at the end of the review period amounted to EUR 70,005,912.00. The total number of shares on September 30, 2008 was 46,670,608.

## **AUTHORIZATIONS OF THE BOARD OF DIRECTORS**

In accordance with the resolutions of the Annual General Meeting (AGM) held on April 2, 2008, the Board of Directors has an authorization to repurchase a maximum of 4,500,000 Ahlstrom shares. The shares may be repurchased only through public trading at the prevailing market price by using unrestricted shareholders' equity.

The AGM also authorized the Board of Directors to distribute a maximum of 4,500,000 own shares held by the Company. The Board of Directors is authorized to decide to whom and in which order the shares will be distributed. The shares may be used as consideration in acquisitions and in other arrangements as well as to implement the Company's share-based incentive plans in the manner and to the extent decided by the Board of Directors. 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.

The authorizations are valid for 18 months from the close of the Annual General Meeting but will, however, expire at the close of the next Annual General Meeting, at the latest.

## **OUTLOOK**

The demand for a major part of Ahlstrom's products has still been growing and the company expects its full-year net sales to increase from that of 2007.

Despite the volume increase in a majority of Ahlstrom's businesses during the third quarter, there was a stronger than anticipated decrease in the demand for some of Ahlstrom's products, e.g. wipes and products for the building, automotive and marine industries.

Ahlstrom anticipates its full-year operating profit excluding non-recurring items to be clearly lower than that of 2007, which was EUR 67.8 million. The company has taken actions to adjust its production to the lower demand.

Prices for Ahlstrom's main raw materials, especially pulp, are expected to decrease from the current high level. Decreasing raw material and oil prices are anticipated to have a positive impact on Ahlstrom's cost base. In addition, the recent heavy growth investment program is expected to have a favorable effect on Ahlstrom's result in 2009 as compared with that of 2008.

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, October 28, 2008

Ahlstrom Corporation  
Board of Directors

**ADDITIONAL INFORMATION ON OCTOBER 28, 2008:**

Risto Anttonen, CEO, tel. +358 (0)10 888 4166, at 14.30 – 15.30 Finnish time

Jari Mäntylä, CFO, tel. +358 (0)10 888 4768

**News conference at 10.00 Finnish time**

A news conference for media and analysts will be held on Tuesday, October 28, 2008 at 10.00 Finnish time at restaurant Savoy, address Eteläesplanadi 14, floor 7, cabinet 2, Helsinki. The conference will be held in Finnish. Welcome.

**Conference call at 13.00 Finnish time**

A conference call for analysts and investors will be held in English at 13.00 Finnish time. To participate in the teleconference, please dial +358 (0)9 2313 9201 a few minutes before the call. Use the title of the conference call: *Ahlstrom conference call*. A replay number is available until November 27, 2008. The number for the replay is +358 (0)9 2314 4681, access code: 814197.

The presentation material will be available on October 28, 2008 after the interim report has been published, at [www.ahlstrom.com](http://www.ahlstrom.com) > Investors > IR presentations.

**PUBLISHING OF FINANCIAL INFORMATION IN 2009**

Ahlstrom Corporation will publish its financial information in 2009 as follows:

Financial statements bulletin 2008	Thursday, February 5
Annual report 2008	Week 12
Interim report January–March	Wednesday, April 29
Interim report January–June	Friday, July 24
Interim report January–September	Wednesday, October 28

Ahlstrom's Annual General Meeting will be held on Wednesday, March 25, 2009 at 13.00 Finnish time at the Finlandia Hall, Mannerheimintie 13 e, Helsinki.

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:  
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[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. Ahlstrom's materials are used in a large variety of everyday products, such as filters, food packaging, wipes, flooring, furniture, labels and tapes. Ahlstrom's 6,500 employees serve customers via sales offices and production facilities in more than 20 countries on six continents. In 2007, Ahlstrom's net sales amounted to EUR 1.8 billion. Ahlstrom's share is listed on the Nasdaq OMX Helsinki. The company website is at [www.ahlstrom.com](http://www.ahlstrom.com).

**APPENDIX**

Financial statements

**APPENDIX**

**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 EU and in the Group's Financial Statements for 2007.

Application of amended or new IFRS-standards as of January 1, 2008

The Group has adopted the following new interpretations as of January 1, 2008:

- IFRIC 11 IFRS 2 - Group and Treasury Share Transactions
- IFRIC 12 Service Concession Arrangements (not yet approved by EU)
- IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction (not yet approved by EU)

The above mentioned interpretations do not have an effect on the consolidated financial statements.

Financial Statements are unaudited.

<b>INCOME STATEMENT</b>	<b>Q3</b>	Q3	<b>Q1-Q3</b>	Q1-Q3	Q1-Q4
Eur million	<b>2008</b>	2007	<b>2008</b>	2007	2007
<b>Net sales</b>	<b>451.2</b>	444.9	<b>1,383.4</b>	1,298.3	1,760.8
Other operating income	<b>5.8</b>	5.0	<b>13.1</b>	18.0	20.4
Expenses	<b>-421.5</b>	-409.6	<b>-1,274.4</b>	1,191.1	-1,655.5
Depreciation, amortization and impairment charges	<b>-24.1</b>	-24.1	<b>-72.1</b>	-64.8	-99.8
<b>Operating profit</b>	<b>11.3</b>	16.1	<b>50.0</b>	60.5	25.8
Net financial expenses	<b>-7.1</b>	-9.7	<b>-20.4</b>	-16.9	-25.6
Share of loss of associated companies	<b>-0.7</b>	0.2	<b>-0.8</b>	-0.2	-0.1
<b>Profit before taxes</b>	<b>3.5</b>	6.7	<b>28.9</b>	43.4	0.2
Income taxes	<b>-1.0</b>	-1.6	<b>-7.9</b>	-13.0	1.2
<b>Profit for the period</b>	<b>2.5</b>	5.0	<b>20.9</b>	30.3	1.3
Attributable to					
Equity holders of the parent	<b>2.0</b>	4.9	<b>19.1</b>	30.2	0.5
Minority interest	<b>0.5</b>	0.1	<b>1.8</b>	0.2	0.8
Basic earnings per share, EUR	<b>0.04</b>	0.10	<b>0.41</b>	0.65	0.01
Diluted earnings per share, EUR	<b>0.04</b>	0.10	<b>0.41</b>	0.65	0.01

<b>BALANCE SHEET</b>	<b>Sep 30,</b>	Sep 30,	Dec 31,
Eur million	<b>2008</b>	2007	2007
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<b>762.1</b>	753.5	747.7
Goodwill	<b>182.3</b>	189.8	179.7
Other intangible assets	<b>55.6</b>	37.1	58.2
Investments in associated companies	<b>11.7</b>	12.5	12.4
Other investments	<b>0.2</b>	0.2	0.2
Other receivables	<b>17.3</b>	15.0	16.9
Deferred tax assets	<b>33.7</b>	25.4	29.7
Total non-current assets	<b>1,062.9</b>	1,033.5	1,044.8
<b>Current assets</b>			
Inventories	<b>269.1</b>	247.4	246.3
Trade and other receivables	<b>392.6</b>	414.8	389.3
Income tax receivables	<b>4.8</b>	6.0	3.9
Other investments	<b>0.0</b>	8.8	5.8
Cash and cash equivalents	<b>24.3</b>	17.1	21.3
Total current assets	<b>690.8</b>	694.1	666.5
<b>Total assets</b>	<b>1,753.7</b>	1,727.7	1,711.4
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to equity holders of the parent	<b>693.5</b>	751.3	716.4
Minority interest	<b>0.0</b>	29.0	36.0
Total equity	<b>693.5</b>	780.3	752.4
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	<b>360.3</b>	185.3	202.7
Employee benefit obligations	<b>86.1</b>	90.1	87.7
Provisions	<b>4.0</b>	5.4	4.6
Other liabilities	<b>0.2</b>	0.7	0.6
Deferred tax liabilities	<b>25.5</b>	34.5	27.6
Total non-current liabilities	<b>476.1</b>	315.9	323.2
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	<b>252.2</b>	309.8	315.5
Trade and other payables	<b>306.7</b>	298.3	273.1
Income tax liabilities	<b>6.8</b>	12.4	9.1
Provisions	<b>18.5</b>	10.9	38.1
Total current liabilities	<b>584.2</b>	631.4	635.8
Total liabilities	<b>1,060.2</b>	947.4	959.0
<b>Total equity and liabilities</b>	<b>1,753.7</b>	1,727.7	1,711.4

## 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
- 8) Total equity

Eur million	Attributable to equity holders of the parent					7)	8)	
	1)	2)	3)	4)	5)			6)
<b>Equity at December 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	-	-	-	-	-11.4	-	-	-11.4
Gains and losses from hedge of net investments in foreign operations, net of tax	-	-	-	-	4.1	-	-	4.1
Minority increase Ahlstrom-VCP	-	-	-	-	-	-	28.2	28.2
Other changes	-	-	-	-	-	0.1	-0.0	0.1
Profit for the period	-	-	-	-	-	30.2	0.2	30.3
Total recognized income and expense for the period	-	-	-	-0.1	-7.3	30.3	28.3	51.2
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 September 30, 2007</b>	<b>70.0</b>	<b>209.3</b>	<b>8.3</b>	<b>-0.0</b>	<b>-10.4</b>	<b>474.1</b>	<b>29.0</b>	<b>780.3</b>
<b>Equity at December 31, 2007</b>	<b>70.0</b>	<b>209.3</b>	<b>8.3</b>	<b>0.0</b>	<b>-15.5</b>	<b>444.3</b>	<b>36.0</b>	<b>752.4</b>
Cash flow hedges, net of tax:								
Gains and losses taken to equity	-	-	-	0.1	-	-	-	0.1
Translation differences	-	-	-	-	-9.9	-	2.9	-7.0
Gains and losses from hedge of net investments in foreign operations, net of tax	-	-	-	-	3.1	-	-	3.1
Purchases of minority interest	-	-	-	-	-	11.4	-40.7	-29.3
Other changes	-	-	-	-	-	-0.0	-	-0.0
Profit for the period	-	-	-	-	-	19.1	1.8	20.9
Total recognized income and expense for the period	-	-	-	0.1	-6.8	30.5	-36.0	-12.2
Dividends paid and other	-	-	-	-	-	-46.7	-	-46.7
<b>Equity at September 30, 2008</b>	<b>70.0</b>	<b>209.3</b>	<b>8.3</b>	<b>0.1</b>	<b>-22.3</b>	<b>428.1</b>	<b>0.0</b>	<b>693.5</b>



<b>STATEMENT OF CASH FLOWS</b>	<b>Q3</b>	Q3	<b>Q1-Q3</b>	Q1-Q3	Q1-Q4
Eur million	<b>2008</b>	2007	<b>2008</b>	2007	2007
<b>Cash flow from operating activities</b>					
Profit for the period	<b>2.5</b>	5.0	<b>20.9</b>	30.3	1.3
Adjustments, total	<b>32.9</b>	26.6	<b>98.2</b>	76.6	102.4
Changes in net working capital	<b>19.7</b>	12.0	<b>9.1</b>	-36.4 *)	-35.6 *)
Change in provisions and pension liability	<b>-5.3</b>	0.3	<b>-25.0</b>	-17.1 *)	10.4 *)
Financial items	<b>-19.9</b>	-4.1	<b>-14.4</b>	-8.2	-15.1
Taxes paid	<b>-5.3</b>	-2.8	<b>-18.0</b>	-11.1	-19.7
Net cash from operating activities	<b>24.7</b>	37.1	<b>70.8</b>	34.1	43.9
<b>Cash flow from investing activities</b>					
Acquisition of Group companies	<b>-27.9</b>	-88.0	<b>-38.9</b>	-215.8	-217.2
Purchases of property, plant & equipment	<b>-34.3</b>	-45.7	<b>-91.5</b>	-108.5	-153.9
Other investing activities	<b>2.9</b>	-5.5	<b>16.4</b>	8.9	13.1
Net cash from investing activities	<b>-59.3</b>	-139.3	<b>-114.1</b>	-315.4	-358.1
<b>Cash flow from financing activities</b>					
Share issue	-	-	-	9.2	9.2
Dividends paid	-	-	<b>-46.7</b>	-46.8	-46.8
Borrowings and other financing activities	<b>39.0</b>	97.7	<b>93.3</b>	315.7	353.1
Net cash from financing activities	<b>39.0</b>	97.7	<b>46.6</b>	278.2	315.6
<b>Net change in cash and cash equivalents</b>					
	<b>4.3</b>	-4.5	<b>3.3</b>	-3.2	1.4
Cash and cash equivalents at beginning of period					
	<b>20.1</b>	21.5	<b>21.3</b>	20.1	20.1
Foreign exchange adjustment					
	<b>-0.1</b>	0.0	<b>-0.3</b>	0.1	-0.2
<b>Cash and cash equivalents at end of period</b>					
	<b>24.3</b>	17.1	<b>24.3</b>	17.1	21.3

\*) 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.

<b>KEY FIGURES</b>	<b>Q3 2008</b>	Q3 2007	<b>Q1-Q3 2008</b>	Q1-Q3 2007	Q1-Q4 2007
Operating profit, %	<b>2.5</b>	3.6	<b>3.6</b>	4.7	1.5
Operating profit (excluding non-recurring items), %	<b>2.5</b>	3.6	<b>3.6</b>	4.4	3.8
Return on capital employed (ROCE), %	<b>3.9</b>	5.5	<b>5.5</b>	7.4	2.5
ROCE (excluding non-recurring items), %	<b>3.9</b>	5.5	<b>5.4</b>	6.9	6.3
Return on equity (ROE), %	<b>1.4</b>	2.6	<b>3.9</b>	5.2	0.2
Interest-bearing net liabilities, EUR million	<b>588.2</b>	469.2	<b>588.2</b>	469.2	491.1
Equity ratio, %	<b>39.5</b>	45.2	<b>39.5</b>	45.2	44.0
Gearing ratio, %	<b>84.8</b>	60.1	<b>84.8</b>	60.1	65.3
Earnings per share, EUR	<b>0.04</b>	0.10	<b>0.41</b>	0.65	0.01
Earnings per share, diluted, EUR	<b>0.04</b>	0.10	<b>0.41</b>	0.65	0.01
Equity per share, EUR	<b>14.86</b>	16.10	<b>14.86</b>	16.10	15.35
Cash earnings per share, EUR	<b>0.53</b>	0.79	<b>1.52</b>	0.73	0.94
Average number of shares during the period, 1000's	<b>46,671</b>	46,671	<b>46,671</b>	46,411	46,476
Number of shares at the end of the period, 1000's	<b>46,671</b>	46,671	<b>46,671</b>	46,671	46,671
Capital expenditure, EUR million	<b>36.5</b>	49.4	<b>90.5</b>	115.1	154.7
Capital employed, at the end of the period, EUR million	<b>1,305.9</b>	1,275.4	<b>9</b>	1,275.4	1,270.6
Number of employees, average	<b>6,544</b>	6,414	<b>6,537</b>	5,989	6,108

<b>CHANGES OF PROPERTY, PLANT AND EQUIPMENT</b>	<b>Q1-Q3 2008</b>	Q1-Q3 2007	Q1-Q4 2007
Eur million			
Book value at Jan 1	<b>747.7</b>	601.7	601.7
Acquisitions through business combinations	<b>3.8</b>	118.5	116.8
Additions	<b>89.3</b>	114.8	150.3
Disposals	<b>-3.1</b>	-1.4	-1.2
Depreciations and impairment charges	<b>-67.8</b>	-61.1	-93.3
Translation adjustment and other changes	<b>-7.8</b>	-18.9	-26.5
Book value at end of the period	<b>762.1</b>	753.5	747.7

<b>TRANSACTIONS WITH RELATED PARTIES</b>	<b>Q1-Q3</b>	<b>Q1-Q3</b>	<b>Q1-Q4</b>
Eur million	<b>2008</b>	2007	2007

**Transactions with associated companies**

Sales and interest income	<b>0.7</b>	0.4	1.3
Purchases of goods and services	<b>-2.7</b>	-3.9	-5.0
Trade and other receivables	<b>0.3</b>	0.3	0.1
Trade and other payables	<b>0.3</b>	0.3	0.5
Interest-bearing loans and borrowings	-	-	0.1

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

<b>OPERATING LEASES</b>	<b>Sep 30,</b>	Sep 30,	Dec 31,
Eur million	<b>2008</b>	2007	2007
Current portion	<b>6.9</b>	6.7	5.3
Non-current portion	<b>18.1</b>	23.8	14.9
<b>Total</b>	<b>25.0</b>	30.5	20.3

<b>CONTINGENT LIABILITIES</b>	<b>Sep 30,</b>	Sep 30,	Dec 31,
Eur million	<b>2008</b>	2007	2007
<b>For own liabilities</b>			
Other loans			
Amount of loans	<b>0.5</b>	1.3	0.9
Book value of pledges	<b>0.6</b>	1.5	1.0
<b>For other own commitments</b>			
Guarantees	<b>16.1</b>	22.9	23.8
<b>For commitments of associated companies</b>			
Guarantees	<b>4.2</b>	6.3	6.3
<b>Capital expenditure commitments</b>	<b>41.9</b>	36.9	32.4
<b>Other contingent liabilities</b>	<b>4.4</b>	5.0	4.7

## Acquisitions in 2008

In February, Ahlstrom acquired the Friend Group Inc., which consists of West Carrollton Parchment Company and West Carrollton Converting Company. The Friend Group has two sites in West Carrollton serving mainly the food packaging market in the USA. West Carrollton is a producer of vegetable parchment and has parchментizing and converting operations located in West Carrollton, Ohio, the USA.

Ahlstrom West Carrollton has been incorporated in Ahlstrom's accounts as part of Specialty Papers segment since February 1, 2008. Management estimates that if the acquisition had occurred on January 1, 2008, Ahlstrom Group's net sales and profit for the period would not have changed materially.

The acquisition price includes professional fees amounting to EUR 0.1 million. The goodwill that arose from the acquisition of the shares of the Friend Group Inc. reflects the synergy benefits resulting from the expanded product offering to the Technical Papers' vegetable parchment business and provides synergies to our existing business as well as growth opportunities. The business combination and purchase price allocations were accounted for as preliminary.

The acquisition had the following effect on the Group's assets and liabilities:

<b>ACQUISITIONS OF BUSINESSES</b>	Book values before the consolidation	Fair values entered in consolidation
Eur million		
Property, plant and equipment	3.3	3.6
Intangible assets	0.0	1.3
Inventories	3.8	3.6
Trade and other receivables	2.7	2.7
Cash and cash equivalents	0.0	0.0
Assets, total	9.7	11.1
Deferred tax liabilities	0.4	0.6
Employee benefit obligations	0.4	0.6
Trade and other payables	3.1	3.1
Liabilities, total	3.9	4.3
Net assets	5.9	6.8
Goodwill arising in acquisition	-	3.0
Acquisition price paid (in cash)	-	9.8
Exchange rate differences	-	-0.2
Net cash outflow	-	9.6

Ahlstrom has acquired the remaining 40 % of the joint venture formed in September 2007 with Votorantim Celulose e Papel (VCP). The price for this acquisition was EUR 27.9 million.

In addition, Ahlstrom has acquired the shares from the minority shareholders of two sales companies amounting to EUR 1.4 million.

<b>QUARTERLY DATA</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>
Eur million	<b>2008</b>	2008	2008	2007	2007	2007	2007
<b>Net sales</b>	<b>451.2</b>	465.9	466.2	462.5	444.9	436.9	416.5
Other operating income *	<b>5.8</b>	2.4	2.3	2.0	3.1	1.7	2.6
Expenses *	<b>-421.4</b>	-425.0	-425.9	-429.0	-407.7	-396.5	-379.9
Depreciation, amortization, impairment charges *	<b>-24.1</b>	-23.9	-24.1	-24.5	-24.1	-21.0	-19.6
Non-recurring items	<b>-0.2</b>	-0.1	0.8	-45.7	-0.1	-	3.8
<b>Operating profit / loss</b>	<b>11.3</b>	19.4	19.3	-34.7	16.1	21.0	23.3
Net financial expenses	<b>-7.1</b>	-4.7	-8.6	-8.6	-9.7	-4.3	-3.0
Share of profit / loss of associated companies	<b>-0.7</b>	-0.6	0.5	0.1	0.2	-0.3	-0.1
<b>Profit / loss before taxes</b>	<b>3.5</b>	14.2	11.2	-43.2	6.7	16.4	20.3
Income taxes	<b>-1.0</b>	-3.6	-3.4	14.2	-1.6	-4.5	-6.9
<b>Profit / loss for the period</b>	<b>2.5</b>	10.6	7.8	-29.0	5.0	11.9	13.4
Attributable to							
Equity holders of the parent	<b>2.0</b>	9.9	7.2	-29.6	4.9	11.9	13.3
Minority interest	<b>0.5</b>	0.7	0.6	0.6	0.1	0.0	0.0
Operating profit *	<b>11.5</b>	19.5	18.4	11.0	16.2	21.0	19.6
Operating profit, % *	<b>2.5</b>	4.2	4.0	2.4	3.6	4.8	4.7

\* Excluding non-recurring items

<b>QUARTERLY DATA BY SEGMENT</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>
Eur million	<b>2008</b>	2008	2008	2007	2007	2007	2007
<b>Net sales</b>							
Fiber Composites	<b>249.3</b>	257.0	252.0	249.7	249.8	235.5	206.4
Specialty Papers	<b>204.0</b>	209.7	217.0	214.4	196.3	202.7	211.4
Other operations and eliminations	<b>-2.1</b>	-0.7	-2.8	-1.5	-1.2	-1.3	-1.3
Group total	<b>451.2</b>	465.9	466.2	462.5	444.9	436.9	416.5
<b>Operating profit / loss</b>							
Fiber Composites	<b>7.7</b>	16.8	15.5	2.7	13.5	17.3	15.2
Specialty Papers	<b>6.5</b>	4.7	5.5	-33.6	2.7	5.4	13.0
Other operations and eliminations	<b>-2.9</b>	-2.0	-1.7	-3.7	-0.1	-1.7	-4.9
Group total	<b>11.3</b>	19.4	19.3	-34.7	16.1	21.0	23.3
<b>Operating profit / loss excluding non-recurring items</b>							
Fiber Composites	<b>7.4</b>	15.3	15.0	15.7	14.1	17.3	13.4
Specialty Papers	<b>6.4</b>	5.7	5.2	-2.8	2.7	5.4	8.6
Other operations and eliminations	<b>-2.3</b>	-1.6	-1.7	-1.9	-0.7	-1.7	-2.5
Total	<b>11.5</b>	19.5	18.4	11.0	16.2	21.0	19.6
Non-recurring items	<b>-0.2</b>	-0.1	0.8	-45.7	-0.1	-	3.8
Group total	<b>11.3</b>	19.4	19.3	-34.7	16.1	21.0	23.3

<b>KEY FIGURES QUARTERLY</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>
Eur million	<b>2008</b>	2008	2008	2007	2007	2007	2007
Net sales	<b>451.2</b>	465.9	466.2	462.5	444.9	436.9	416.5
Operating profit / loss	<b>11.3</b>	19.4	19.3	-34.7	16.1	21.0	23.3
Operating profit (excluding non-recurring items)	<b>11.5</b>	19.5	18.4	11.0	16.2	21.0	19.6
Profit / loss before taxes	<b>3.5</b>	14.2	11.2	-43.2	6.7	16.4	20.3
Profit before taxes (excluding non-recurring items)	<b>3.7</b>	14.2	10.4	2.5	6.7	16.4	16.5
Profit / loss for the period	<b>2.5</b>	10.6	7.8	-29.0	5.0	11.9	13.4
Gearing ratio, %	<b>84.8</b>	76.0	64.4	65.3	60.1	50.9	24.3
Return on capital employed (ROCE), %	<b>3.9</b>	6.3	6.4	-10.7	5.5	8.0	10.0
ROCE (excluding non-recurring items), %	<b>3.9</b>	6.3	6.2	3.6	5.5	8.0	8.4
Earnings per share, EUR	<b>0.04</b>	0.22	0.15	-0.64	0.10	0.26	0.29
Earnings per share (excluding non-recurring items), EUR	<b>0.05</b>	0.21	0.14	0.02	0.11	0.25	0.24
Cash earnings per share, EUR	<b>0.53</b>	0.12	0.87	0.21	0.79	0.20	-0.26
Average number of shares during the period, 1000's	<b>46,671</b>	46,671	46,671	46,671	46,671	46,636	45,918

## CALCULATION OF KEY FIGURES

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