Interim Report January-March 2005

Small fibers.
Big difference.

Ahlstrom

Interim report January 1 – March 31, 2005

The 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.

Ahlstrom's first-quarter result improved

Ahlstrom, a leader in high performance fiber-based materials, reports an improved first- quarter result compared with the same period last year. Operating profit was EUR 28.6 million, compared with EUR 7.6 million a year earlier, representing a 7.4% margin (1.9%). Net sales amounted to EUR 384.2 million (EUR 397.4 million). Return on capital employed (ROCE) was 12.3% (4.0%).

January-March 2005 in brief

- Comparable sales volumes (excluding divested businesses) grew by 4.3%
- Ahlstrom's profitability improved due to better operational efficiency and lower fixed costs
- Ahlstrom announced an investment of EUR 18 million to expand its production capacity of release base papers in Italy
- The business environment is expected to continue to be challenging

Key figures

EUR million	Q1/2005	Q1/2004	2004
Net sales	384.2	397.4	1,567.8
Operating profit	28.6	7.6*	63.7
Profit before taxes	27.0	4.8	49.6
Net profit	17.9	2.4	34.3
Net cash flow from operations	11.2	20.8	128.0
Gearing ratio (%)	59.6	52.2	61.1
Return on capital employed (ROCE),%	12.3	4.0	7.2
Cash earnings per share (EUR)	0.31	0.57	3.52
Earnings per share (EUR)	0.49	0.07	0.94

*The figure includes restructuring costs of EUR 11.6 million due to a reporting change required by the currently applied IFRS standards. According to the previously used Finnish Accounting Standards (FAS) these costs were included in the operating profit for 2003. The comparable operating profit for 2004 amounted to EUR 19.2 million.

Jukka Moisio, President & CEO, says:

"Ahlstrom's financial performance continued to improve during the first quarter of 2005, despite the challenging market environment and the mediocre demand across several business areas. Stronger operational performance and the measures taken to lower our costs helped us to show first quarter profitability close to the company's target ROCE of 13%. The positive development increases our confidence that, as a focused fiber-based materials producer, Ahlstrom is well positioned to further improve its customer service and achieve its financial targets."

Ahlstrom Group:

Interim Report January 1–March 31, 2005

Financial performance in January – March 2005

The Group's operating profit was EUR 28.6 million, compared with EUR 7.6 million a year ago. The corresponding period in 2004 includes an IFRS adjustment for restructuring provision. The provision, amounting to EUR 11.6 million, relates to the closure of coreboard operations in France as well as streamlining of operations in Germany in the beginning of 2004. According to FAS, these costs were included in the operating profit for 2003. The comparable operating profit for 2004 amounted to EUR 19.2 million.

Profitability improved due to better operational efficiency and lower fixed costs. Net profit for January-March was EUR 17.9 million (EUR 2.4 million). Earnings per share were EUR 0.49 compared with EUR 0.07 a year earlier.

Net sales amounted to EUR 384.2 million (EUR 397.4 million), 3.3% down on the previous year's figure. Sales volumes fell by 10.1% from the previous year. The decrease in net sales and sales volumes was due to the divested businesses in 2004 (cores & board operations and packaging manufacturing units). Excluding divested businesses, comparable sales volumes increased by 4.3% and net sales by 5.2% over the same period last year.

Total net financial expenses were EUR 2.5 million (EUR 3.6 million). Net interest expenses totaled EUR 3.1 million (EUR 2.7 million). Foreign exchange gains were EUR 0.6 million (losses of EUR 0.3 million).

Profit before taxes was EUR 27.0 million (EUR 4.8 million). Income tax expenses totaled EUR 8.9 million (EUR 2.3 million). Return on capital employed (ROCE) was 12.3% (4.0%) and return on equity (ROE) 12.0% (1.6%).

Financing and financial position

Net cash flow from operating activities in the first quarter amounted to EUR 11.2 million (EUR 20.8 million). The change was mainly a result of the increase in working capital.

Interest-bearing net debt increased by EUR 3.9 million to EUR 362.7 million (December 31, 2004: EUR 358.8 million).

Gearing was 59.6% (December 31, 2004: 61.1%) and the equity ratio was 43.2% (December 31, 2004: 42.5%).

Capital expenditure

Capital expenditure for January-March amounted to EUR 8.7 million (EUR 28.0 million).

Shares and share capital

At the end of March 2005, the share capital of Ahlstrom Corporation totaled EUR 54.6 million and the total number of shares was 36,418,419 with a nominal value of EUR 1.50 per share. Equity per share of Ahlstrom Group was EUR 16.72 (December 31, 2004: EUR 16.14).

Personnel

At the end of the review period, Ahlstrom had 5,672 employees (6,462). The average number of employees during the review period was 5,714 (6,474). The reduction in headcount was mainly attributable to the creation of the joint venture, Sonoco-Alcore, as 470 employees from Ahlstrom’s cores and board production were transferred to the joint venture as of November 1, 2004.

Changes in the Corporate Executive Team

Two members of the Corporate Executive Team, Timo Vuorio, Senior Vice President, Human Resources and Svante Adde, CFO, announced their resignation from Ahlstrom.

Jari Mäntylä, previously Financial Director of Ahlstrom Corporation, was appointed Senior Vice President, Finance, and member of the Corporate Executive Team as of March 1, 2005.

Gustav Adlercreutz, previously Senior Vice President, General Counsel of Ahlstrom Corporation, was appointed Senior Vice President, Administration, General Counsel as of May 1, 2005. Ahlstrom's Human Resources function will report to him. He will also continue as a member of the Corporate Executive Team.

Changes in accounting principles

Ahlstrom has published its IFRS comparative 2004 (Q1-Q4) financial statements on April 25, 2005 in order to communicate the effects of the adoption of IFRS. A separate announcement can be reviewed at www.ahlstrom.com.

The CO2 emission rights have been booked according to IAS 37. Ahlstrom has sufficient rights to cover the present CO2 emissions, and consequently the emission trading scheme will not have a financial impact on the Group result in 2005.

The cost of Ahlstrom's Long Term Incentive Plan, decided by the Board of Directors on October 27, 2004, has been booked in accordance with the IFRS 2 principle. The total cost of the Long Term Incentive Plan for the first quarter of 2005 amounted to EUR 0.3 million.

Annual General Meeting

Ahlstrom Corporation's Annual General Meeting (AGM) will be held on May 13, 2005. The Board of Directors has proposed to the AGM that a dividend of EUR 0.75 per share be paid for the financial year ended on December 31, 2004.

Outlook

The business environment continues to be challenging. The current demand allows Ahlstrom to achieve a small sales volume growth in 2005. Actions to enhance manufacturing productivity and organizational efficiency - combined with continued cost control - are expected to improve Ahlstrom's operating profit for 2005 compared with 2004.

Financial information in 2005

Interim report January–June	July 28, 2005
Interim report January–September	October 31, 2005

Helsinki, April 27, 2005

Ahlstrom Corporation
Board of Directors

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.

For additional information, please contact:

Jukka Moisio, President and CEO, tel. + 358 (0)10 888 4700
Jari Mäntylä, Senior Vice President, Finance, tel. +358 (0)10 888 4768

Ahlstrom in brief

Ahlstrom is the 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 all 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 five continents. In 2004, Ahlstrom's net sales amounted to EUR 1.6 billion. The company website is www.ahlstrom.com.

Appendices

1. Segment reviews
2. Financial statements

Ahlstrom

Appendix 1

Segment reviews

As of January 1, 2005, Ahlstrom's external reporting is based on two segments consisting operationally of five business areas:

FiberComposites segment
- Nonwovens
- Filtration
- Glass Nonwovens

Specialty Papers segment
- Label & Packaging Papers
- Technical Papers

FiberComposites segment

Although the activity level of the segment remained fairly stable compared to the previous quarters, its financial performance was affected by rising raw material prices.

EUR million	Q1/2005	Q1/2004	Change, %
Net sales	176.3	163.8	7.6
Operating profit	13.5	12.4	9.2
Operating profit, %	7.7	7.5	
Return on net assets, RONA %	9.5	10.1	
Cash flow from operations	9.3	12.4	

Sales volumes grew by 6.4% on the previous year due to acquisitions and investments made in 2004. The segment's net sales increased by 7.6% to EUR 176.3 million (EUR 163.8 million).

The segment's operating profit was EUR 13.5 million (EUR 12.4 million), representing a 7.7% margin (7.5%). The result was affected by soft demand in the European markets and increased raw material and energy costs.

Nonwovens business area (49% of segment's net sales)

Ahlstrom's Nonwovens business area serves customers in the food packaging, medical, wiping, building, and technical nonwoven goods sectors.

During the first quarter, the overall demand for nonwoven fabrics in North America remained steady, with the exception of wipes, which showed a strong development. In Europe, however, the demand was sluggish. Ahlstrom was able to implement price increases in several product areas, such as wipes, food, medical and technical nonwovens. On the other hand, prices in wallcover products showed a downward trend.

Net sales of the business area increased by 14% compared with the same period last year. The growth was mainly attributable to the higher wiping fabrics volumes. Sales volumes grew by 25% compared with the first quarter of 2004. The increase was mainly driven by the increased production capacity and higher sales volumes at the US plants. Ahlstrom acquired US-based Green Bay Nonwovens in October 2004 and started a new wiping fabrics line in Windsor Locks, USA in June 2004.

Sales volumes for medical applications continued their growth, especially in North America during the first quarter. Sales volumes in the food product line showed mixed development – the demand was soft in Europe but satisfactory in North America. Wipes volumes showed strong growth globally. Demand for building and technical nonwovens remained soft, especially in European markets.

No major changes in the business activity are expected in the second quarter.

Filtration business area (38% of segment's net sales)

Ahlstrom's Filtration business area serves customers in the engine filtration, air filtration, and specialty filtration sectors. During the first quarter, the overall market was soft but demand was steady. Net sales rose by 6% over the first quarter of 2004. Sales volumes of filtration products were 6% higher than in the same period in 2004. Some market share was gained particularly in Europe and Latin America where the business area recovered from the previous year.

Price increases were implemented to compensate for the rising raw material and energy costs. The business area continued to exercise fixed cost control and implement cost reductions during the first quarter.

The fine fibers manufacturing line installation in Turin, Italy was completed and it will start production during Q2. The new line allows Ahlstrom to introduce a new range of products to the market, and when combined with Ahlstrom's other technologies, will enhance the total filtration media offering to customers.

The business area expects its sales volumes to improve in the second quarter especially in engine filtration markets globally. Sales growth is expected to continue in Asia and Latin America. Although increasing customer activity is seen in most geographic areas, some market-related downtime may be taken in the second quarter.

Glass Nonwovens business area (13% of segment's net sales)

Ahlstrom's Glass Nonwovens business area serves reinforcement, specialty reinforcement and glass tissue goods markets. During the first quarter of 2005, the market environment did not show any major changes compared with the last quarter of 2004. Despite the higher volumes in the windmill and marine businesses, the overall business visibility remained low. In the specialty reinforcement business new product families were launched successfully.

Net sales decreased by 6.4% from the first quarter of 2004. The total sales volumes in the review period decreased by 10.8% compared with the same period in 2004 due to the sluggish market situation.

The average sales prices during the first quarter improved compared with the same period in 2004 and Ahlstrom was able to compensate for the higher production costs with price increases.

The 4 meter glass fibre tissue line speed-up investment in Karhula, Finland is proceeding as planned and it will be taken into use during the last quarter of the year. Other improvement and growth investments are being prepared.

The business environment will continue to be highly competitive during the coming months.

Specialty Papers segment

The segment's profitability in January-March improved from the corresponding period in 2004.

EUR million	Q1/2005	Q1/2004	Change, %
Net sales	209.1	228.2	-8.4
Operating profit	14.8	-4.2	n/a
Operating profit, %	7.1	-1.9	
Return on net assets, RONA %	18.2	n/a	
Cash flow from operations	12.6	6.5	

The segment's first-quarter net sales amounted to EUR 209.1 million, a decrease of 8.4% (EUR 228.2 million). The volumes sold fell by 15.2%. The comparable net sales for Q1/2005, excluding the businesses divested in 2004, grew by 2.8% (Q1/2004: EUR 203.5 million). Comparable sales volumes in the first quarter of 2005 grew by 2.7%.

The segment reported an operating profit of EUR 14.8 million for January-March (EUR -4.2 million), representing a 7.1% margin (-1.9%). The operating profit for 2004 includes restructuring costs of EUR 11.6 million due to a reporting change required by the new IFRS standards. According to the previous accounting principles (FAS) these costs were included in the operating profit for 2003.

Comparable profitability improved mainly due to better operational efficiency, cost-cutting measures implemented at several plants, as well as improved sales prices.

Label & Packaging Papers business area (68% of segment's net sales)

The Label & Packaging Papers business area's main products include release base papers, face stock papers, wet glue label papers, metalizing base papers, flexible packaging papers, and office & graphic papers.

During the review period, demand for release base papers was good, while the demand for the face stock papers, flexible packaging papers, and office & graphic papers did not develop as favorably. The market for the metalizing base papers and wet glue label papers, on the other hand, showed signs of picking up towards the end of the quarter, mainly due to the start of a high season for those products.

Net sales increased by 2.9%. Sales volumes grew by 2.0% compared with the same period last year.

Sales in China and Asia in general are growing strongly, whereas sales in the USA are declining. The European exports of the business area were adversely affected by the continued strength of the euro as well as increased chemicals and transportation costs.

In February, the European export prices were raised in the release base papers business. Margins of the other label and packaging papers were under strong pressure due to raw material cost escalation. Consequently, the business area announced price increases at the end of the review period.

In March, Ahlstrom announced its plan to expand the production capacity in release base papers at the Turin plant in Italy. The investment, valued at EUR 18 million, is expected to be completed in January 2006. Additionally, the business area successfully launched a new generation of metalizing base papers.

The demand for release base papers is expected to continue at satisfactory levels during the coming months. Similarly, the forthcoming high season is expected to support the positive development in the label paper business.

Technical Papers business area (32% of segment's net sales)

The main markets for Ahlstrom's Technical Papers business area include the building, furniture, healthcare, and automotive industries.

The year started slower than anticipated. The low demand in the last quarter of 2004 did not fully recover during the first quarter of 2005. Due to this weaker demand, a total of 18 days of market-related downtime was taken in Germany and France.

The business area's net sales decreased by 1% compared with the first quarter of 2004. Sales volumes during the review period were 2% higher compared with the first quarter of 2004.

Despite a weak US dollar and high raw material and energy costs, the business area was able to maintain margins due to improved production efficiencies and price increases. Additionally, the performance of the business area was significantly supported by cost reduction measures introduced during the previous quarters.

An investment, with the target to increase the speed of paper machine PM3 producing pre-impregnated decor papers, was implemented at the Osnabrück plant in Germany.

The demand outlook remains two-fold for the next few months; in some product lines the growth in incoming orders indicates a pick up in demand, while in others the order visibility continues to be short, with inconsistent demand and competitive market conditions.

Appendix 2

Consolidated financial statements

INCOME STATEMENT	1-3	1-3	1-12
Eur million	2005	2004	2004
Net sales	384	397	1,568
Expenses	-337	-363	-1,416
Other operating income and expense	2	-5	2
Depreciation, amortization and impairment charges	-20	-22	-90
Operating profit before financing costs	29	8	64
Share of profit from associated companies	1	1	3
Net financial items	-2	-4	-15
Loss on sale from assets held for sale			-2
Profit before tax and minority interest	27	5	50
Income taxes *	-9	-2	-15
Minority interest	0	0	0
Net profit	18	2	34
Earnings per share, EUR	0.49	0.07	0.94
Diluted earnings per share, EUR	0.49	0.07	0.94

* For interim periods taxes are stated as the tax corresponding to the result for the reported period.

BALANCE SHEET	Mar 31	Mar 31	Dec 31
Eur million	2005	2004	2004
ASSETS			
Property, plant and equipment	565	604	566
Intangible assets	143	107	132
Investment property	12	12	12
Investments in associates	51	14	50
Other investments	3	4	3
Deferred tax assets	27	42	33
Total non-current assets	801	782	796
Inventories	213	219	213
Other investments	6	14	21
Income tax receivable	1	2	2
Trade and other receivables	367	351	331
Cash and cash equivalents	23	39	20
Assets classified as held for sale		19	
Total current assets	610	644	586
Total assets	1411	1426	1383
EQUITY			
Shareholders' equity	608	611	587
Minority interest	1	1	1
Total equity	609	612	588
LIABILITIES			
Interest-bearing liabilities	163	189	212
Employee benefits	104	113	102
Provisions	4	5	4
Deferred tax liabilities	9	12	14
Total non-current liabilities	280	319	332
Interest-bearing liabilities	223	179	183
Income tax payable	12	11	13
Trade and other payable	268	271	250
Provisions	18	21	18
Liabilities classified as held for sale		14	
Total current liabilities	522	495	463
Total equity and liabilities	1,411	1,426	1,383

STATEMENT OF CHANGES IN EQUITY Eur million	Share capital	Other reserves	Fair value reserves	Retained earnings	Minority interest	Total
Equity at December 31, 2004	55	27	3	502	1	588
Dividends paid						0
Translation adjustment *						0
Fair value adjustment			1			1
Net profit				18		18
Other		3				3
Equity at March 31, 2005	55	30	4	520	1	609

** Translation adjustment after equity hedging*

STATEMENT OF CASH FLOWS Eur million	1-3 2005	1-3 2004	1-12 2004
Cash from operations before change in working capital	48	37	146
Change in working capital	-30	-20	1
Cash generated from operations	18	17	147
Financial items	-4	6	-12
Income taxes	-3	-2	-7
Net cash from operations	11	21	128
Capital expenditures	-9	-28	-167
Other investing activities	0	1	7
Cash flow before financing activities	3	-6	-32
Dividends paid	0	0	-55
Other financing activities	-6	20	82
Net change in cash and cash equivalents	-4	14	-5

KEY FIGURES	1-3	1-3	1-12
Eur million	2005	2004	2004
Operating profit, %	7.4	1.9	4.1
Return on capital employed (ROCE), %	12.3	4.0	7.2
Return on equity (ROE), %	12.0	1.6	5.8
Net interest-bearing debt, EUR mill.	363	319	359
Equity ratio, %	43.2	42.9	42.5
Gearing ratio, %	59.6	52.2	61.1
Earnings per share, EUR	0.49	0.07	0.94
Diluted earnings per share, EUR	0.49	0.07	0.94
Equity per share, EUR	16.72	16.80	16.14
Cashearnings per share, EUR	0.31	0.57	3.52
Average number of shares outstanding, 1 000's	36,418	36,418	36,418
Number of shares outstanding, 1 000's	36,418	36,418	36,418
Capital expenditure, EUR mill.	9	28	167
Capital employed (end of period), EUR mill.	996	979	983
Number of employees, average	5,714	6,474	6,121

QUARTERLY DATA	1-3	4-6	7-9	10-12	1-3
Eur million	2004	2004	2004	2004	2005
Net sales	397	405	393	372	384
Expenses *	-350	-362	-350	-330	-337
Other operating income and expense *	-5	2	0	0	1
Depreciation, amortization and impairment charges *	-22	-22	-22	-24	-20
Non-recurring items	-12	-3	-2	-1	1
Operating profit before financing costs	8	20	19	17	29
Share of profit from associated companies	1	1	1	1	1
Net financial items	-4	-3	-4	-5	-2
Loss on sale from assets held for sale				-2	
Profit before tax and minority interest	5	18	16	11	27
Income taxes **	-2	-6	-5	-2	-9
Minority interest	0	0	0	0	0
Net profit	2	12	11	10	18
*Operating profit **	*20*	*23*	*21*	*18*	*27*
*Operating profit, % **	*5.0*	*5.7*	*5.3*	*4.9*	*7.1*

* Excluding non-recurring items

** For interim periods taxes are stated as the tax corresponding to the result for the reported period.

KEY INDICATORS BY SEGMENT	1-3	4-6	7-9	10-12	1-3
Eur million	2004	2004	2004	2004	2005
Net sales					
FiberComposites	164	166	165	169	176
Specialty Papers	207	211	201	196	209
Other operations and eliminations		-2	-2	-2	0
Continuing operations total	369	375	364	365	384
Discontinued operations	29	30	29	7	0
Group total	397	405	393	372	384
Operating profit					
FiberComposites	12	12	9	6	14
Specialty Papers	-5	8	9	8	15
Other operations and eliminations	0	-1	-1	-2	0
Continuing operations total	7	20	17	12	29
Discontinued operations	0	1	2	5	0
Group total	8	20	19	17	29

CONTINGENT LIABILITIES	Mar 31	Dec 31
Eur million	2005	2004
For own liabilities		
Loans from financing institutions		
amount of loans	0.6	0.8
amount of mortgages	8.8	9.0
Other loans		
amount of loans	0.6	0.6
amount of mortgages	0.5	0.6
For own commitments		
Guarantees	36.9	36.0
For commitments of third parties		
Guarantees	32.4	30.8
Leasing commitments		
Current portion	3.5	3.5
Long-term portion	17.5	17.7
Other contingent liabilities	4.9	4.9

	Nominal values		Fair values 2)	
DERIVATIVE FINANCIAL INSTRUMENTS 1)	Mar 31	Dec 31	Mar 31	Dec 31
Eur million	2005	2004	2005	2004
Interest rate derivatives				
Interest rate swaps	113.5	109.4	11.1	0.1
Foreign exchange derivatives				
Foreign exchange forward contracts	212.9	193.5	-8.9	2.5
Options bought	4.6	3.4	-0.3	0.0
Options sold	4.6	3.4	0.1	0.2
Equity hedging				
Foreign exchange forward contracts	263.2	269.5	-17.0	6.5

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

2) 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

CALCULATION OF KEY FIGURES

Net interest-bearing debt	Total interest-bearing liabilities - Short-term investments - Cash and cash equivalents
Equity ratio	(Shareholders' equity + Minority interest) / (Total assets - Advances received) x 100
Gearing ratio	(Net interest-bearing debt) / (Shareholders' equity + Minority interest) x 100
Return on equity (ROE)	(Profit/loss before extraordinary items and taxes - Taxes on ordinary activities) / (Shareholders' equity (annual average) + Minority interest (annual average)) x 100
Return on capital employed (ROCE)	(Profit/loss before extraordinary items and taxes + Interest and other financing expenses) / (Total assets (annual average) - Non-interest-bearing liabilities (annual average)) x 100
Return on net assets (RONA) *, segments only	(Operating profit/loss) / (Annual average of Net assets) x 100
Net assets, (segments only)	Capital employed - Cash and cash equivalents + Net tax liability
Earnings per share	(Profit/loss before extraordinary items and taxes - Taxes on ordinary activities +/- Minority interest) / (Adjusted number of shares over the fiscal year)
Cash earnings per share	(Cash from operating activities) / (Adjusted average number of shares over the fiscal year)
Equity per share	(Shareholders' equity) / (Adjusted number of shares at the end of the fiscal year)

* Return on net assets (RONA) which is used primarily for internal profitability reporting purposes, includes only those assets which can be allocated to Ahlstrom's operating units