

# Ahlstrom Group Third Quarter 2006 financial results

Jukka Moisio, CEO  
Jari Mäntylä, CFO

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# Financial highlights Q3 2006

	Q3/2006	Q3/2005	2005
<b>Net sales, EUR million</b>	385.9	381.9	1,552.6
<b>Operating profit, EUR million</b>	25.3	33.7	117.2
<b>Operating profit excl. non-recurring items, EUR million</b>	20.8	21.3	99.0
<b>Profit before taxes, EUR million</b>	21.4	29.2	100.7
<b>Profit before taxes excl. non-recurring items, EUR million</b>	17.0	16.8	82.5
<b>Profit for the period, EUR million</b>	16.4	18.3	62.6
<b>Return on capital employed (ROCE), %</b>	10.3	14.0	12.4
<b>ROCE excl. non recurring items, %</b>	8.5	9.0	10.5
<b>Earnings per share (EPS), EUR</b>	0.36	0.50	1.71
<b>Cash earnings per share (CEPS), EUR</b>	1.29	1.62	3.48
<b>Average number of shares, 1000s</b>	45,592	36,418	36,418
<b>Gearing ratio, %</b>	25.0	49.4	57.7

- Comparable net sales\* grew by 3.8%, stable sales volumes
- Profitability remained steady in challenging market conditions
  - We compensated for major part of increased raw material prices
- ROCE impacted by weak result of associated company

\*Figures are adjusted for the divestment of Kauttua PM1 and currency effects

Please note: Share related indicators are not fully comparable due to the dilution effect of the issue of new shares in March, 2006

# Key strategic developments in Q3 2006

- **New investments**

- Additional EUR 5.0 million investment in a new specialty glassfiber reinforcement plant in USA

- **Divestments**

- Property in Germany sold for EUR 7.5 million including a capital gain of EUR 4.6 million
- Sale of shareholding in Sonoco-Alcore joint venture, EUR 39.5 million including a capital gain of EUR 3.4 million

- **Close down of non-competitive manufacturing units**

- Decision to close down Nümbrecht plant by April 2007, provision for non-recurring costs of EUR 2.5 million

# Financial highlights Q1-Q3/2006

	Q1-Q3/2006	Q1-Q3/2005	2005
<b>Net sales, EUR million</b>	1,210.1	1,169.0	1,552.6
<b>Operating profit, EUR million</b>	83.8	92.7	117.2
<b>Operating profit excl. non-recurring items, EUR million</b>	73.2	77.0	99.0
<b>Profit before taxes, EUR million</b>	71.8	81.6	100.7
<b>Profit before taxes excl. non-recurring items, EUR million</b>	61.2	65.9	82.5
<b>Profit for the period, EUR million</b>	48.8	50.6	62.6
<b>Return on capital employed (ROCE), %</b>	11.8	13.0	12.4
<b>ROCE excl. non recurring items, %</b>	10.4	10.8	10.5
<b>Earnings per share (EPS), EUR</b>	1.13	1.39	1.71
<b>Cash earnings per share (CEPS), EUR</b>	2.18	2.64	3.48
<b>Average number of shares, 1000s</b>	43,195	36,418	36,418

- Comparable net sales grew by 5.7%, sales volumes increased by 1.9%\*
- Operating profit impacted by:
  - Increased raw material and energy prices
  - Investment standstill at the Turin, Italy plant (EUR 2.5 million)
- ROCE nearly unchanged due to improved asset turnover

\*Figures are adjusted for the divestment of Kauttua PM1

Please note: Share related indicators are not fully comparable due to the dilution effect of the issue of new shares in March, 2006

# Actions to improve profitability

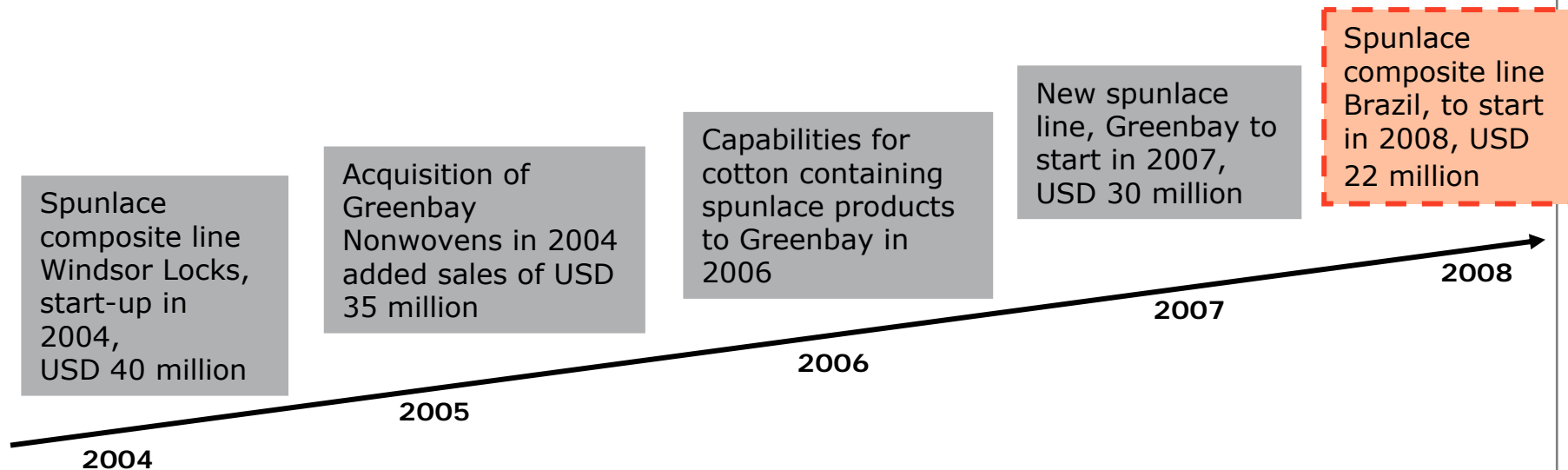
- Minimum investment in low growth businesses
- “Cutting tail” by closing non-competitive plants
- Utilizing operating leverage

## Recent actions:

- Nümbrecht plant closure, Germany, by Q2/2007
    - Wallcover production transferred to Osnabrück
    - 37 people affected
  - Converting of liquid filtration planned to be moved to South Carolina by Q1/2007
    - Relocation could affect 60 people
    - Negotiations currently ongoing with United Steel Workers Union
- **Annual fixed cost savings potential of EUR 4-5 million**

# Wipes expansion to Latin America

- Spunlace wipes market growing 10-20% annually
- New spunlace line in Brazil, USD 22 million, start-up in Q1/2008
- Serving mainly local household and industrial customers
- Possibility to serve also medical and technical fabrics markets
- Utilizing existing infrastructure



# Expansion of industrial nonwovens in Europe

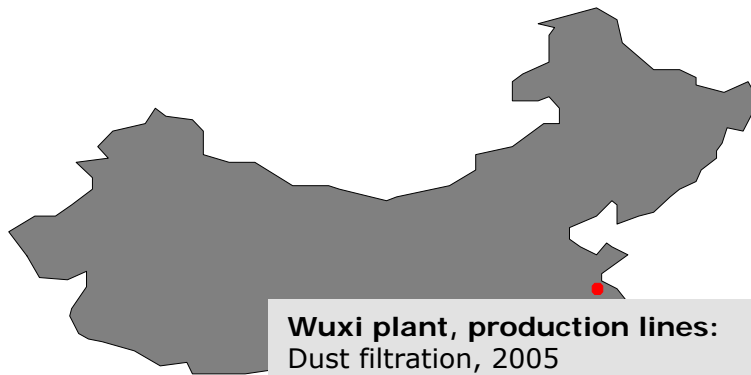
- Global markets for needlepunch applications growing 7% annually
- New needlepunch line in France, EUR 6.0 million, start up in Q4/2007
- Offering possibility to expand product offering by developing new innovative products
- Serving building, graphics, automotive, wipes and niche hygiene segments
- Utilizing operating leverage



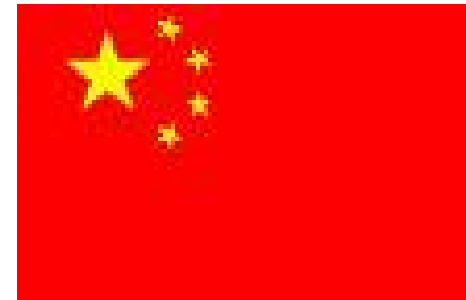
Small fibers. Big difference.

# Filtration growth in China

- Chinese dust filtration market growing 15% annually
- New needlepunch line in China, USD 5 million, start up in Q3/2007
- Targeting high temperature dust filtration segment
- Main customers are power, energy and steel industries
- Utilising operating leverage

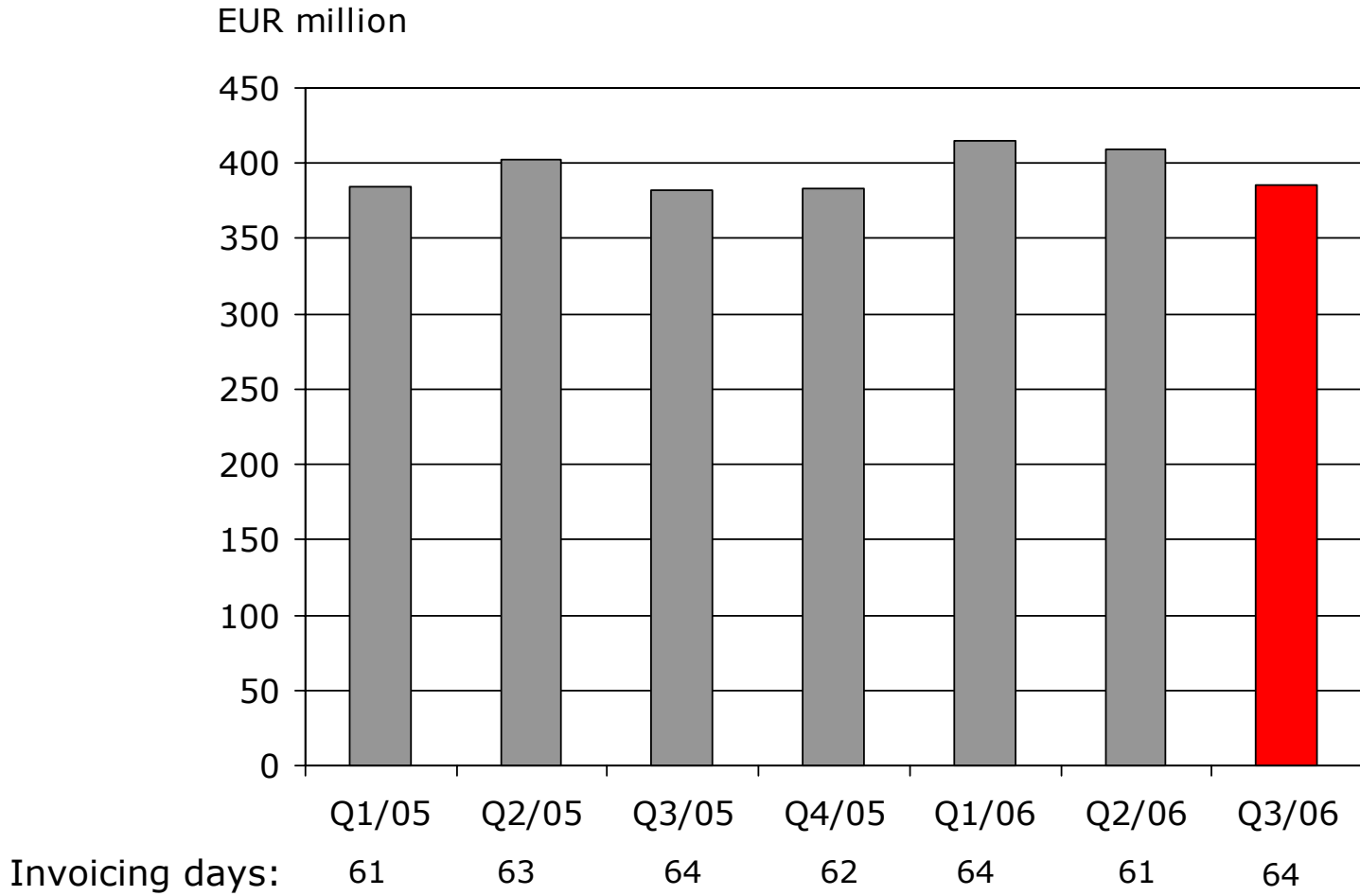


**Wuxi plant, production lines:**  
Dust filtration, 2005  
Engine filtration converting operations, 2006  
High temperature dust filtration, 2007





# Net sales, EUR million



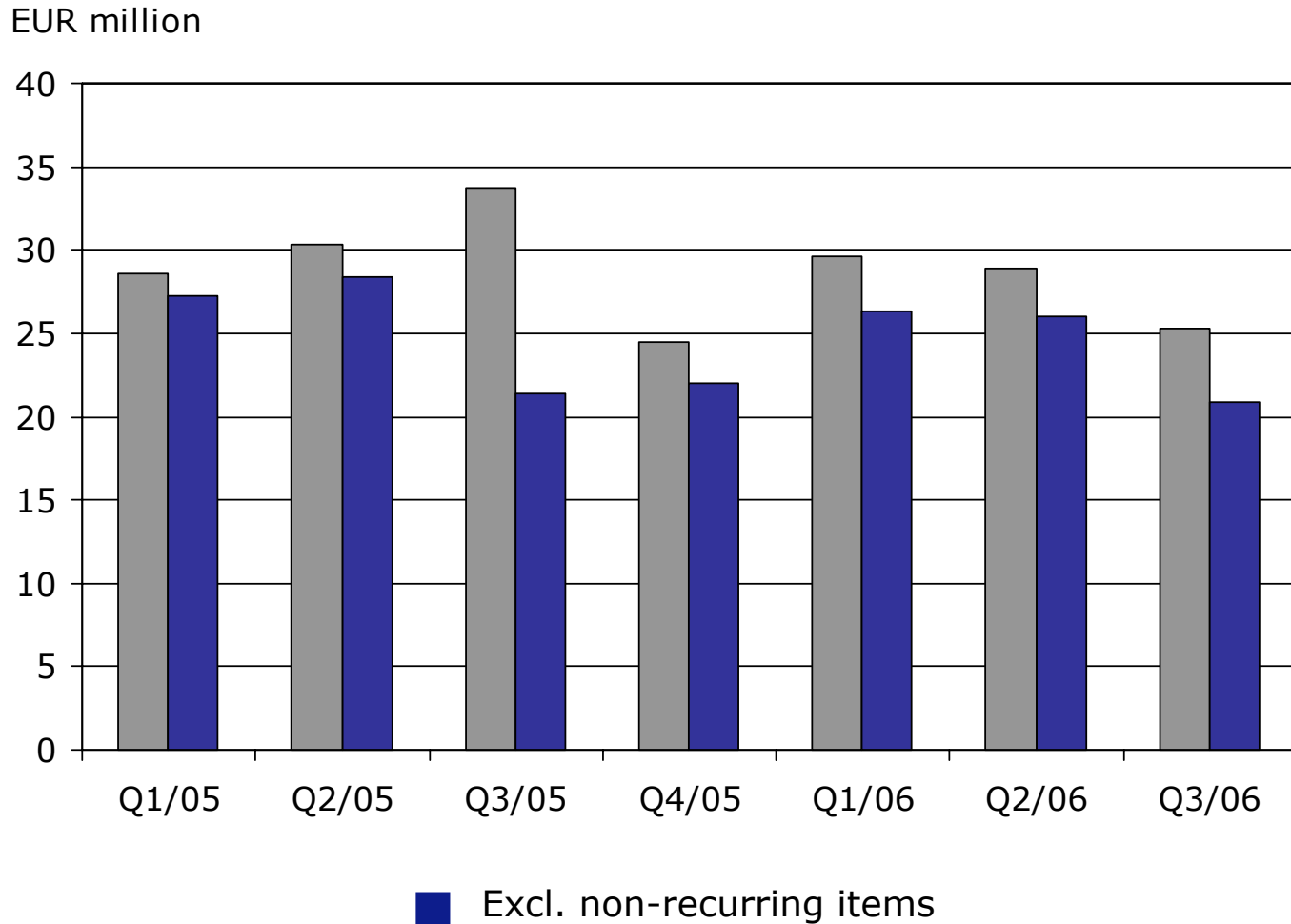
## Cost structure

Cost structure	Q1-Q3		Q1-Q3		2005	
	2006	% of sales	2005	% of sales	2005	% of sales
Synthetic and natural fibers	361.2	29.8 %	333.8	28.6 %	447.0	28.8 %
Chemicals	156.7	12.9 %	151.0	12.9 %	198.7	12.8 %
Energy	112.2	9.3 %	91.9	7.9 %	127.6	8.2 %
Fixed costs *	463.3	38.3 %	457.4	39.1 %	609.7	39.3 %
<b>Total, EUR million</b>	<b>1093.4</b>	<b>90.4 %</b>	<b>1034.1</b>	<b>88.5 %</b>	<b>1383.0</b>	<b>89.1 %</b>

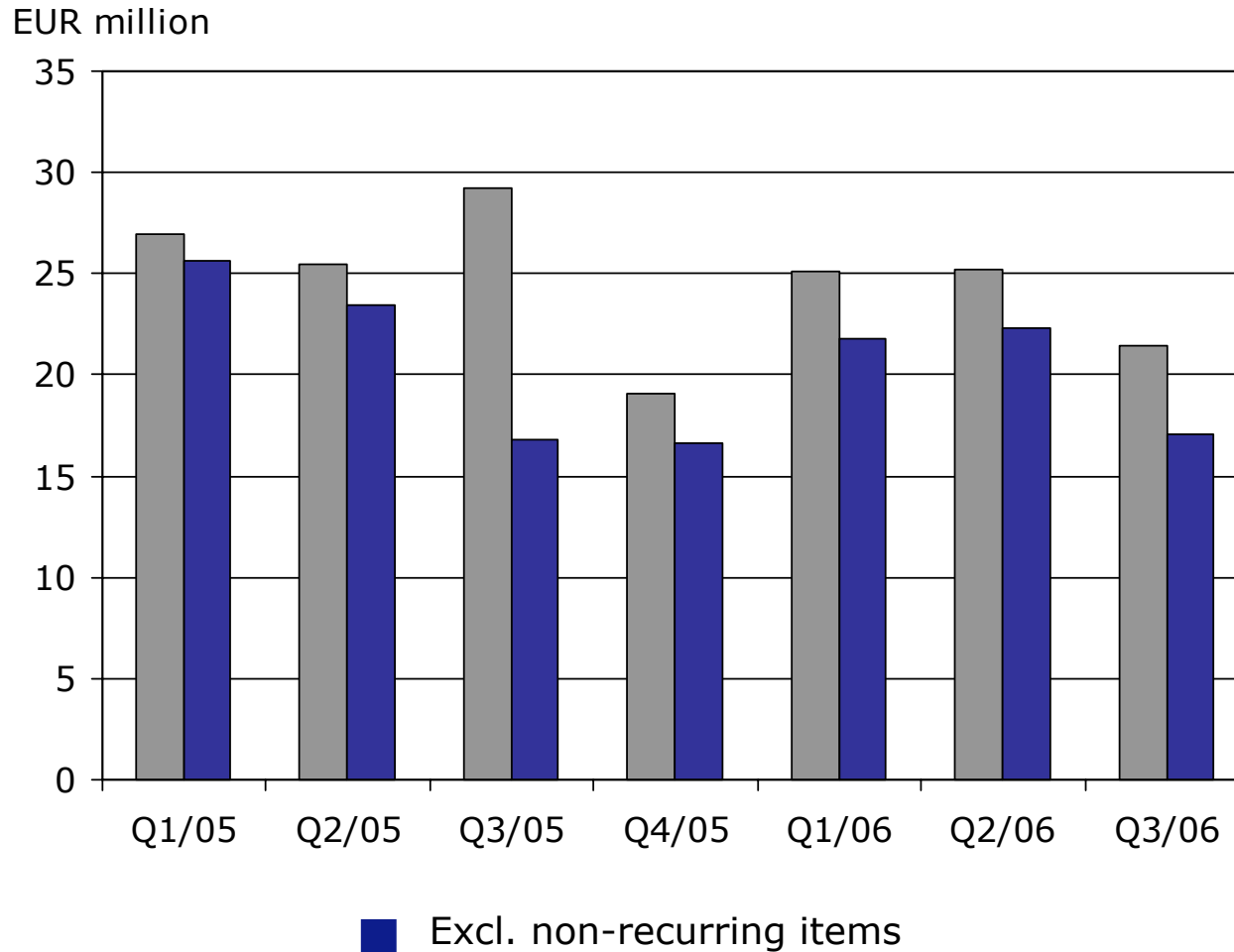
\* excluding depreciation, amortisation and impairment

- Prices for fibers continued to increase
- Gas and oil prices peaked in August but started to decline by end of September
- **YTD we have been able to compensate for approximately 88% of raw material price increases**

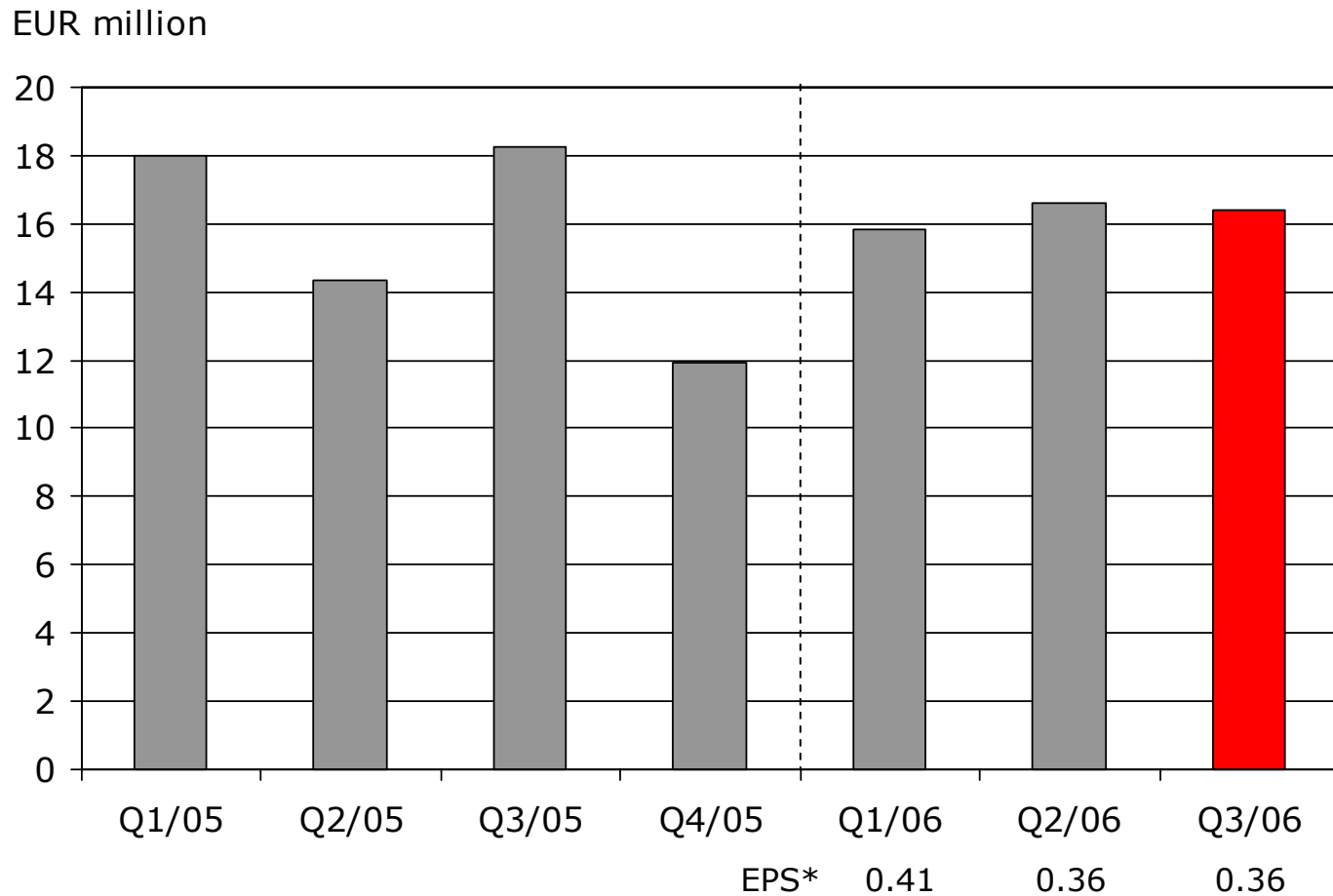
# Operating profit, EUR million



# Profit before taxes, EUR million

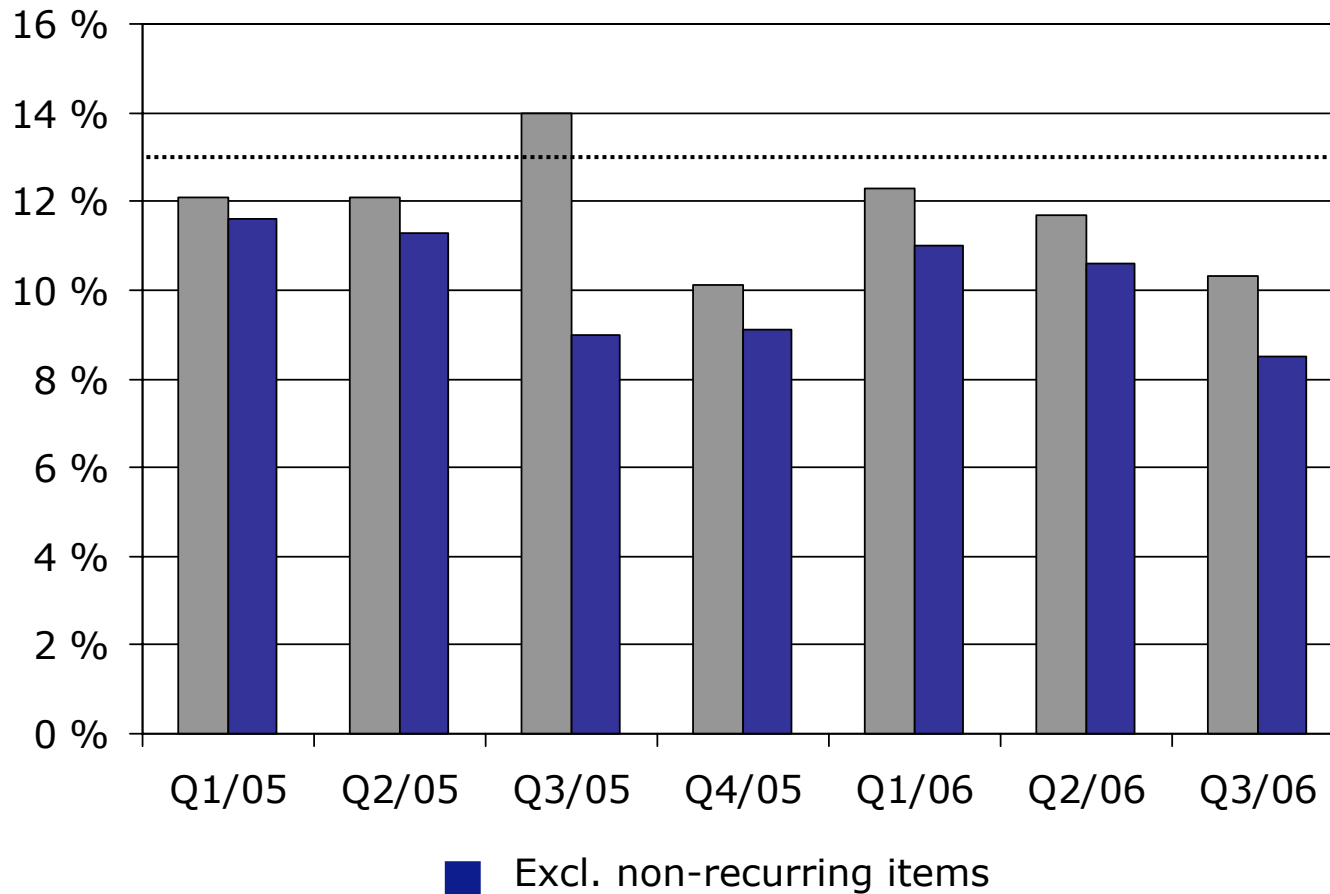


# Profit for the period, EUR million



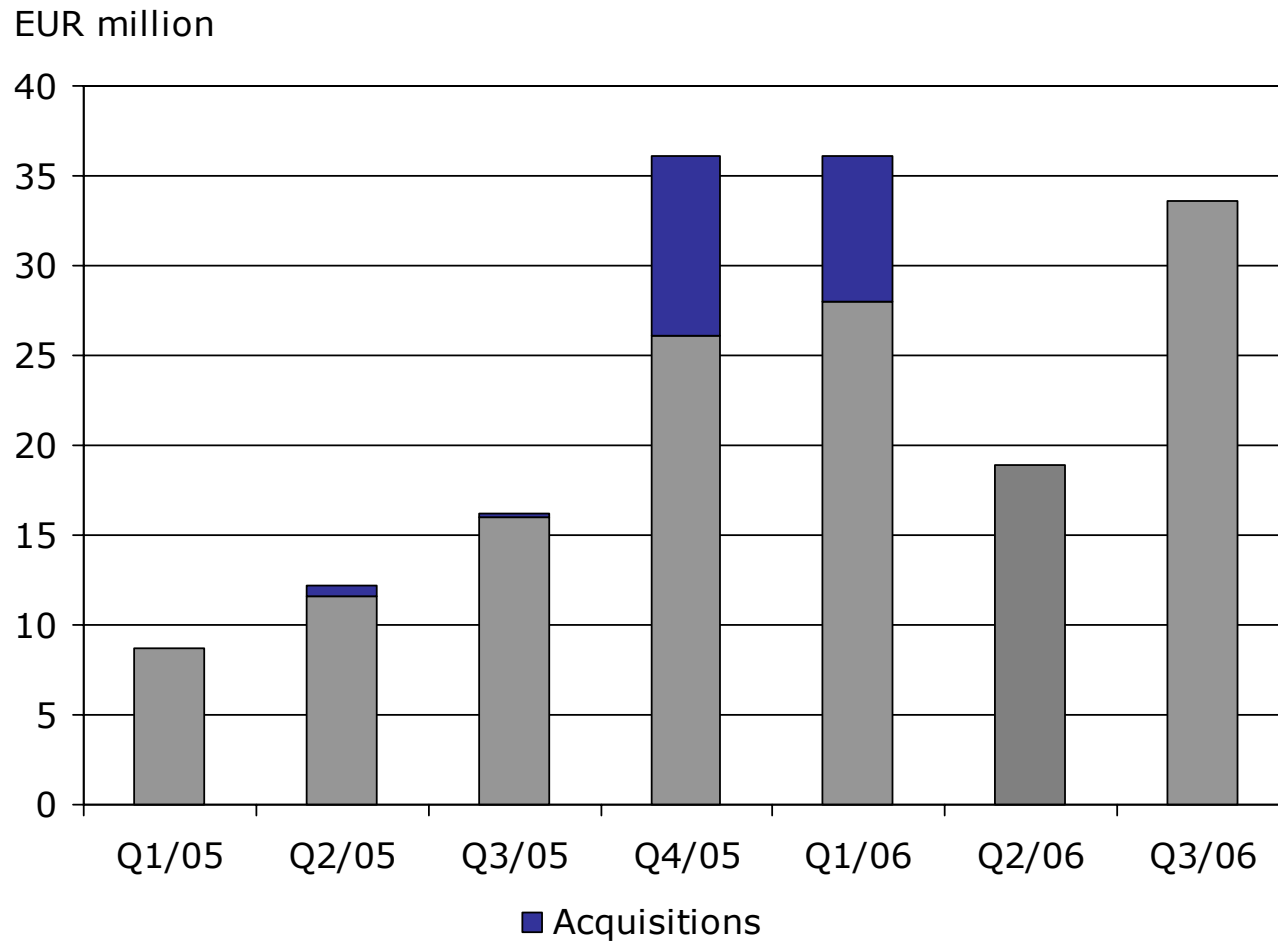
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# Return on capital employed (ROCE), %

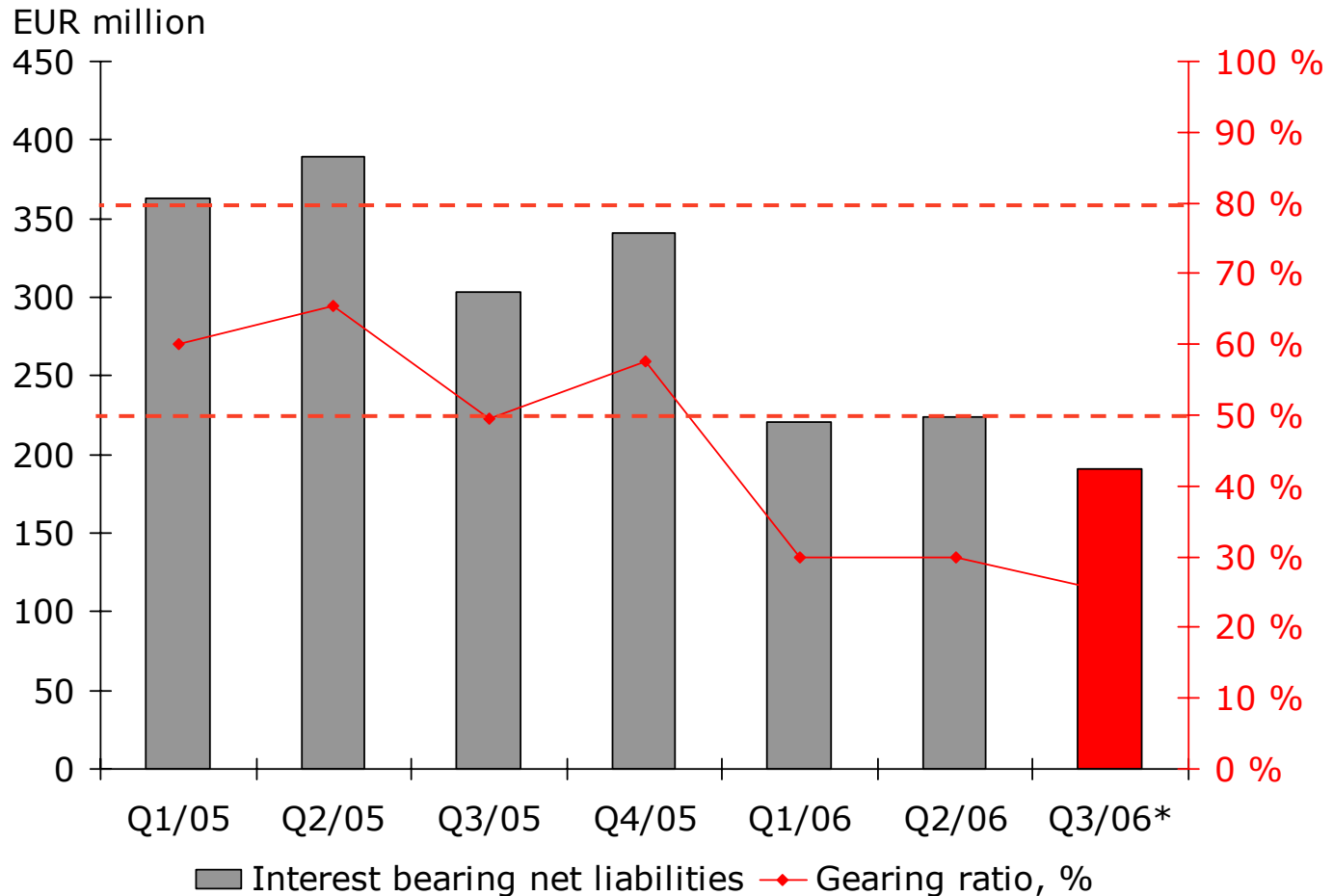


**Target: Minimum 13%**

# Investments, EUR million



# Interest-bearing net liabilities and gearing ratio



\* Excluding the cash proceeds of EUR 39.5 million from sale of Sonoco-Alcore Small fibers. Big difference.



# FiberComposites segment - Highlights Q3 2006

	Q3/2006	Q3/2005	2005
<b>Net sales, EUR million</b>	195.3	183.3	742.3
<b>Operating profit, EUR million</b>	13.3	20.9	65.5
<b>Operating profit excl. non-recurring items, EUR million</b>	13.3	17.8	62.7
<b>Operating profit, %</b>	6.8	11.4	8.8
<b>Operating profit excl. non-recurring items, %</b>	6.8	9.7	8.4
<b>Return on Net Assets (RONA), %</b>	8.7	13.8	11.3

- Comparable net sales\* up by 8.2% driven by Filtration and Glass Nonwovens business area
- Global price increases across entire product range announced in filtration
  - To be implemented by end of 2006
- Operating profit suffered from increasing raw material and energy costs
  - Synthetic fibers and methanol prices increased significantly in Q3
- Decision to double size of specialty reinforcement investment in USA

\* Excluding currency effect

# Specialty Papers segment - Highlights Q3 2006

	Q3/2006	Q3/2005	2005
<b>Net sales, EUR million</b>	191.5	199.1	814.7
<b>Operating profit, EUR million</b>	6.0	21.9	57.7
<b>Operating profit excl. non-recurring items, EUR million</b>	8.7	8.3	42.9
<b>Operating profit, %</b>	3.1	11.0	7.1
<b>Operating profit excl. non-recurring items, %</b>	4.5	4.1	5.3
<b>Return on Net Assets (RONA), %</b>	7.6	28.3	18.7

- Comparable net sales\*) flat in Q3
- Price increases implemented in Label and Packaging Papers business area
- Price increases initiated in Technical Papers business area- to continue in Q4 2006
- Operating profit excluding non-recurring items improved due to price actions
- Streamlining of the Technical Papers business area included non-recurring cost of EUR 2.7 million
  - Decision to close Nümbrecht plant by Q2 2007
- Crepe machine shut down for 7 weeks in order to match demand

\* Excluding Kauttua PM1 and currency effect

- Solid demand expected in most geographic areas
- Full year net sales of continuing operations expected to grow in 2006
- Raw materials anticipated to continue to increase or remain at current high level
- Energy and synthetic fiber costs expected to go down over time if current decline in oil and gas prices sustainable
- Sales price increases and continuous cost reduction key to offset high raw material costs
- Tax rate for the full year 2006 estimated to be 32%
- We continue to work with growth initiatives in Americas, Russia and Asia
- Capex estimate for 2006 approximately EUR 130 million

This presentation 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.

## Major organic growth investments ongoing

Investment	Business area	Start-up
Mikkeli, Finland, specialty reinforcement plant expansion	Glass nonwovens	Q4/2006
Greenbay, USA, spunlace line for wipes	Nonwovens	Q1/2007
Bishopville, USA, specialty glassfiber reinforcement plant	Glass nonwovens	Q1/2007
La Gère, France, releaseliner capacity expansion	Label & packaging	Q2/2007
Wuxi, China, needlepunch line for dust filtration	Filtration	Q3/2007
Tver, Russia, glassfiber tissue plant	Glass nonwovens	Q4/2007
Brignoud, France, needlepunch line for industrial nonwovens	Nonwovens	Q4/2007
Louveira, Brazil, spunlace line for wipes	Nonwovens	Q1/2008

➤ **Investment commitment of approximately EUR 140 million**

# Investing in businesses with high growth

Volume growth yOy <sup>1</sup>	Ahlstrom actions
<b>Glassfiber tissue*</b> *Russia 10%	Machine speed-up, Finland, 2005 New plant, Russia, 2007
<b>Wipes</b> 9-10%	New plant, Brazil, 2008 New lines, USA, 2004, 2007 Acquisition of Greenbay, USA 2004
<b>Glassfiber reinforcements</b> Windmill + 10% Marine +5%	Expansion, Finland, 2006 New line, USA, 2007
<b>Industrial nonwovens</b> 7%	New line, France, 2007
<b>Release base paper</b> 5-7%	Capacity increase, Italy, 2004 , 2006 France, 2007
<b>Air &amp; liquid filtration</b> 5%	New line, China, 2007 Acquisitions: Hollinee, 2004, Lantor 2005, HRS Textiles 2005
<b>Transport filtration</b> 2%-4%	Korea, Brazil and Turin expansion, 2004

Notes:

1) Source for FiberComposites and Specialty Papers annual volume growth:  
 Inda/Edana, Pira International, JEC Group and Ahlstrom management

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