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Interim Report January-March, 2003

AHLSTROM'S PERFORMANCE IMPROVING – MARKET CONDITIONS REMAIN CHALLENGING

Ahlstrom, a leader in high performance fiber-based materials, reports three-month profitability higher than a year earlier. Operating profit amounted to EUR 31.7 million, compared with EUR 24.6 million in January-March 2002, representing a 7.6% margin (5.0%). The figure for the review period includes a capital gain of EUR 4.6 million from asset sales. Net sales amounted to EUR 416.9 million (EUR 491.4 million) with the decline attributable to the divested non-core businesses. Comparable net sales for 2002 were EUR 416.5 million. Earnings per share were EUR 0.41 (EUR 0.39). A major improvement in market conditions is not foreseen due to continuing global economic uncertainty.

January-March 2003 in brief

- Operating profit up by 29%, excluding a capital gain, up by 10% compared with Q1/2002
- Interest-bearing net debt decreased to EUR 337 million due to a strong cash flow and the asset sale (end of 2002: EUR 402 million)
- Decisions to invest approximately EUR 50 million to increase manufacturing capacity within FiberComposites division
- Full-year operating profit is expected to be somewhat better than previous year

Key figures

EUR million	Q1/2003	Q1/2002	Q1-Q4/2002
Net sales	416.9	491.4	1,778.0
Operating profit	31.7	24.6	92.4
Profit before extraordinary items and taxes	26.0	20.8	67.9
Net profit	14.9	14.1	55.2
Gearing (%)	45.9	70.6	55.2
Return on capital employed (ROCE) (%)	10.8	8.4	7.5
Earnings per share (Euro)	0.41	0.39	1.42

Juha Rantanen, President & CEO, says:

"First quarter results confirm the positive development track which started more than a year ago. Our improving performance and stronger balance sheet enable us now to start targeting some interesting growth opportunities to strengthen our market positions and to broaden our nonwovens technology base."

Financial performance in January-March 2003

The Group's operating profit amounted to EUR 31.7 million, compared with EUR 24.6 million a year ago. Net profit for the first quarter was EUR 14.9 million (EUR 14.1 million). Earnings per share improved to EUR 0.41, compared with EUR 0.39 a year earlier.

Net sales amounted to EUR 416.9 million (EUR 491.4 million), 15% down on the previous year's figure. Comparable net sales, excluding sold businesses in 2002, were nearly unchanged from the previous year (Q1/2002: EUR 416.5 million). The volumes sold showed an increase of 6% from the previous year.

The share of profits from the operative associated companies amounted to EUR 0.8 million (EUR 1.2 million).

Total net financial expenses were EUR -5.7 million (EUR -3.8 million). Net interest expenses were EUR -2.8 million (EUR -3.7 million) with a reduction due to lower interest-bearing net debt and lower interest costs. The foreign exchange losses were EUR -2.0 million (EUR 0.4 million).

Profit before extraordinary items and taxes was EUR 26.0 million (EUR 20.8 million). Income taxes totaled EUR -11.0 million (EUR -6.5 million). Return on capital employed (ROCE) was 10.8% (8.4%) and return on equity (ROE) 8.2% (8.0%).

Financing and financial position

Net cash flow from operating activities in the first quarter increased to EUR 52.5 million (EUR 35.5 million).

Interest-bearing net debt decreased by EUR 65 million to EUR 337 million (end of 2002: EUR 402 million) as a result of a strong cash flow, low capital expenditure and divestment of the non-core co-generation asset in the USA. In addition, interest-bearing net debt decrease is due to currency effect, as the euro strengthened against the US dollar.

Gearing (interest-bearing net debt to equity ratio) was 45.9% (31 Dec. 2002: 55.2%) and the equity ratio was 47.0% (31 Dec. 2002: 45.4%).

Business developments by division in January-March

FiberComposites

The division's business areas include nonwoven fabrics, filtration media and glass nonwovens. The division reported better financial performance in January-March compared with 2002, despite difficult market conditions.

EUR million	Q1/2003	Q1/2002	Change, %
Net sales	171.7	175.7	-2
Operating profit	21.7	13.5	61
Operating profit, %	12.7	7.7	

The division's operating profit was EUR 21.7 million (EUR 13.5 million), representing a 12.7% margin. Operating profit includes a EUR 4.6 million gain on sales of co-generation facility in the USA. Operating profit excluding capital gain was EUR 17.1 million, representing a 10% margin. The performance improvement is also due to the streamlining of operations and improved plant performance. Return on net assets (RONA) was 16% (9%).

Volumes sold grew by 10% on the previous year. This is mainly due to the acquired businesses in late 2001 and last year. However, the division's net sales decreased by 2% to EUR 171.7 million (EUR 175.7 million). The decrease was mainly attributable to the stronger euro against other currencies, as over 60% of the division's net sales are non-euro denominated.

Market development

Nonwovens fabrics

Demand for nonwoven fabrics remained soft in the first quarter and is not expected to improve significantly due to the uncertain world economy. However, the deliveries of medical nonwovens increased and the positive trend is expected to continue. Demand for nonwoven wallcoverings remained strong.

Filtration media

Demand for filtration materials improved compared with the same period in 2002. The outlook for this year is reasonable and the delivery volumes are expected to grow towards the end of this year. Demand for specialty filtration materials remained strong in the first quarter.

In South Korea, the construction of a second production line for filtration materials and nonwovens is proceeding as scheduled. The new production line will more than double the plant's capacity and will be completed in 2004. The specialty filtration business activities acquired from FiberMark Inc in December 2002 have been successfully integrated into the FiberComposites division.

Glass nonwovens

Demand for glass nonwoven reinforcements increased compared to the last quarter in 2002 but weakened compared to the same period in 2002. However, the demand is expected to improve towards the end of the year.

Demand for glass tissue remained strong. The cost saving advantages of closing the 2.2 meter glass tissue line in Karhula, Finland last fall can already be seen in the first quarter results of the division.

New investments during the first quarter

In February the division announced two major investments. A decision was made to invest EUR 38 million in the construction of a new composites nonwoven manufacturing line at the Windsor Locks plant in the USA. The new line is expected to be in production by early 2004. The additional capacity from the new line will be targeted primarily to the consumer and industrial wipe markets.

The division will also invest EUR 11 million to rebuild one of the production lines at the Turin plant in Italy. The line is currently producing specialty paper products and will be totally rebuilt to support rapidly growing nonwoven markets with products designed specifically for the engine filtration market as well as for medical, wipes and general industrial applications. Commercial output from the rebuilt production facility is expected in mid 2004.

LabelPack

The division consists of release liners and packaging & label papers business areas (face stock, one side coated papers and calendered papers). The division reported clearly improved financial performance compared with the same period last year.

EUR million	Q1/2003	Q1/2002	Change, %
Net sales	135.3	131.5	3
Operating profit	10.8	6.2	73
Operating profit, %	8.0	4.8	

The first quarter net sales grew by 3% to EUR 135.3 million (EUR 131.5 million). The volumes sold increased by 7% on the previous year. The division's net sales were affected by lowered sales prices due to the impact of lower pulp prices compared with January-March 2002.

Profitability improved from the same period last year and the operating profit was EUR 10.8 million (EUR 6.2 million), representing an 8.0% margin (4.8%). Return on net assets (RONA) was 15% (8%). The profitability improvement is due to growing volumes as well as improved productivity at several plants.

Market development

The market situation for all product lines was varied but the division was able to perform well on the markets.

Release liners

Demand was rather weak at the beginning of the year but improved from February onwards and has stabilized since then. Production volumes have been on a good level throughout the period. Demand is expected to continue on the current level.

Face stock

The self-adhesive face stock business showed a strong performance throughout the period and achieved an all time record in production levels during the first quarter. The positive development is expected to continue also in the near future.

One side coated papers

Demand for flexible packaging and metalizing label papers was relatively soft throughout the review period. Transfer of one side coated grades to the Ascoli plant is progressing but the phasing out of MWC products is slower than originally planned. Productivity at the Ascoli plant has improved clearly from last year. The product line gained several new customers in growth markets outside Europe. Russian markets for wet glue labels are developing positively. Market conditions are expected to remain soft.

Calendered papers

Market for calendered papers for use in flexible packaging was weak for the major part of the period, but started to improve somewhat during March. However, the colored and other specialty papers enjoyed a reasonably good demand. In general, demand for calendered papers is expected to remain soft.

At the end of March, LabelPack division announced a price increase of EUR 100/ton for all paper grades. The price increase is due to rapidly rising prices for energy, chemicals and pulp. The impact of the price increase is not expected before the third quarter.

Specialties

The Specialties division consists of three business areas; technical papers for printing & furnishing, technical papers for processing and protection and cores & board. The division's operating profit decreased to EUR 3.2 million (EUR 4.1 million) mainly due to lower margins. However, the operating profit for the review period improved markedly on the last quarter of 2002 (Q4/2002: a loss of EUR 4.5 million).

EUR million	Q1/2003	Q1/2002	Change, %
Net sales	104.6	101.6	3
Operating profit	3.2	4.1	-21
Operating profit, %	3.1	4.0	

The divisions's first-quarter net sales increased by 3% to EUR 104.6 million (EUR 101.6 million). Volumes sold grew by 4% compared to 2002 but sales prices were impacted by difficult market conditions. Return on net assets (RONA) was 6% (7%).

Market development

Printing & furnishing

Demand for abrasive base papers, furniture foils and posters was at a satisfactory level during the review period. First-quarter demand for wallpaper was low and market related downtime in March reflected negatively on the division's result. The Osnabrück plant in Germany started poster deliveries in March. Weak market conditions especially for wallpapers are expected to continue.

Processing & protection

Demand for crepe papers as well as vegetable parchment remained good during January-March. Outlook for vegetable parchment for packaging is weakening due to lower demand in Q2. However, demand for other product lines is expected to continue on a good level. Cotton & gasket business improved its performance during the first quarter mainly due to the restructuring of operations implemented in 2002.

Cores & Board

Demand for cores and tubes decreased during the first quarter, mainly due to low operating rates of the paper industry. At the same time the falling sales prices were weakening the division's result for January-March. Market conditions for cores and coreboard are expected to remain weak in the second quarter due to low demand. In April 2003, restructuring measures were announced at the Karhula, Finland plant which will save on personnel costs by EUR 2 million every year. The reduction at the board mill and core plant in Karhula is likely to involve 40 persons in total.

Other operations

Ahlstrom Group's other operations on a continuing basis contributed EUR 5.4 million (EUR 7.7 million) to net sales in January-March. A major part of this figure is attributable to the Tecno Jolly plant in Italy and the Kuban plant in Russia, which remained in Ahlstrom's ownership after the Åkerlund & Rausing divestment. The Kuban plant improved significantly its performance compared to the same period in 2002. The operating profit of these operations and the associated company Jujo Thermal Ltd was EUR 0.5 million (EUR 0.7 million).

Changes in business activities

In January 2003, Ahlstrom announced the sale of its remaining North American power generating operations to Algonquin Power Management, Inc. The sale of the 56MW co-generation facility based in Windsor Locks, Connecticut was valued at EUR 28 million. The sale is consistent with Ahlstrom's strategic decision to focus on high performance fiber based manufacturing operations and to divest non-core assets.

Capital expenditure

Capital expenditure for the quarter amounted to EUR 8.4 million (EUR 16.2 million), 48% below the previous year's figure, as new investments decided in the beginning of the year have not affected the cash flow yet. Total investments for the full year are expected to be higher than in 2002 (EUR 83.1 million in 2002). The FiberComposites division decided in February to invest in additional capacity at its Windsor Locks, US and Turin, Italy plants. These investments will be carried out mainly during 2003.

Personnel

On 31 March 2003, Ahlstrom had 6,567 employees, 379 less than a year earlier (6,946). The reduction is mainly attributable to the sale of non-core businesses but it also reflects ongoing restructuring. The average number of employees was 6,576 (6,940).

Shares and share capital

At the end of March 2003, the share capital of Ahlstrom Corporation was EUR 54.6 million and the total number of shares was 36,418,419 with a nominal value of EUR 1.50 per share.

Events after the review period

In April, the production at three French plants was stopped at each for approximately ten days due to strikes. The strikes were related to the demand for shortened working hours. The loss of production will have an impact on Ahlstrom's second quarter result.

Future outlook

Ahlstrom expects the markets to remain challenging in the near future. The demand for Ahlstrom's main products is expected to vary by business also during the second quarter.

Increases in pulp prices, and the strikes at French plants in April will to some extent weaken the company's result during the second quarter compared with January-March.

Ahlstrom will continue to focus on improved productivity, performance and cash flow generation. The company expects the result for the full year to be somewhat better than for 2002.

Annual General Meeting

Ahlstrom Corporation's Annual General Meeting will be held on May 9, 2003. The Board of Directors has proposed to the AGM that a dividend of EUR 0.55 per share be paid for the financial year ended on December 31, 2002.

Financial information in 2003

Ahlstrom Corporation will publish its Interim Report for January-June on 30 July, 2003.

Helsinki, 2 May, 2003

Ahlstrom Corporation
Board of Directors

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Ahlstrom in brief

Ahlstrom is a leader in high performance fiber-based materials serving niche markets worldwide. Our fiber solutions are used in a large variety of everyday products for the environment, health care, transport, packaging and home & office. The company whose heritage spans more than 150 years, is headquartered in Helsinki, Finland, employs approximately 6,600 people and serves customers with sales networks and production facilities in more than 20 countries on five continents. In 2002, annual net sales of Ahlstrom's fiber solutions business were approximately EUR 1.8 billion. The company website is www.ahlstrom.com.

AHLSTROM GROUP

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

INCOME STATEMENT	1-3	1-3	1-12
Eur million	2003	2002	2002
Net sales	417	491	1 778
Expenses	-364	-444	-1 582
Other income and expense 1)	6	6	12
Depreciation and amortization	-27	-29	-115
Operating profit	32	25	92
Net financial items	-6	-4	-24
Profit before extraordinary items and taxes	26	21	68
Extraordinary items	0	0	3
Income taxes 2)	-11	-6	-17
Minority interest	0	0	1
Net profit	15	14	55

1) Includes share of net profit from associated companies.

2) Taxes are stated as the tax corresponding to the result for the reported period.

BALANCE SHEET	Mar 31	Mar 31	Dec 31
Eur million	2003	2002	2002
Non-current assets			
Intangible assets	137	168	144
Tangible assets	647	765	696
Long-term investments	39	40	38
	823	973	878
Current assets			
Inventories	239	246	241
Receivables	455	556	448
Cash and cash equivalents	47	60	35
	741	862	724
Total assets	1 564	1 835	1 602
Shareholders' equity	734	720	726
Minority interest	1	2	1
Provisions for contingencies	47	60	52
Long-term liabilities			
Interest-bearing	207	321	219
Non interest-bearing	99	99	95
	306	420	314
Current liabilities			
Interest-bearing	185	251	226
Non interest-bearing	291	382	283
	476	633	509
Total shareholders' equity and liabilities	1 564	1 835	1 602
STATEMENT OF CASH FLOWS	1-3	1-3	1-12
Eur million	2003	2002	2002
Operating profit before change in working capital	54	47	201
Change in working capital	-18	-5	-17
Cash generated from operations	36	42	184
Financial items	18	-4	-15
Income taxes	-2	-3	-5
Net cash from operations	52	35	164
Capital expenditures	-8	-16	-83
Other investing activities	24	3	5
Cash flow before financing activities	68	22	86
Dividends paid	0	0	-13
Other financing activities	-55	-16	-89
Net change in cash and cash equivalents	13	6	-16

KEY FIGURES		1-3	1-3	1-12
Eur million		2003	2002	2002
Operating profit	%	7,6	5,0	5,2
Return on capital employed (ROCE)	%	10,8	8,4	7,5
Return on equity (ROE)	%	8,2	8,0	7,1
Net interest-bearing debt	EUR mill.	337	510	402
Equity ratio	%	47,0	39,9	45,4
Gearing ratio	%	45,9	70,6	55,2
Earnings per share	EUR	0,41	0,39	1,42
Average number of shares outstanding	1 000's	36 418	36 395	36 413
Equity per share	EUR	20,15	19,77	19,93
Number of shares outstanding	1 000's	36 418	36 418	36 418
Capital expenditure	EUR mill.	8	16	83
Capital employed (end of period)	EUR mill.	1 127	1 294	1 172
Number of employees, average		6 576	6 940	6 761

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

QUARTERLY DATA

Eur million	1-3/2002	4-6/2002	7-9/2002	10-12/2002	1-3/2003
Net sales	491	485	397	405	417
Expenses ¹⁾	-444	-431	-349	-352	-364
Other income and expense ¹⁾	6	2	1	3	1
Depreciation and amortization ¹⁾	-29	-29	-29	-28	-27
Exceptional items	0	0	0	-6	5
Operating profit	25	27	20	22	32
Net financial items	-4	-11	-7	-3	-6
Profit before extraordinary items and taxes	21	16	13	19	26
Extraordinary items	0	0	-1	5	0
Income taxes ²⁾	-6	-3	-8	-1	-11
Minority interests	0	0	0	1	0
Net profit	14	13	4	24	15
Operating profit ¹⁾	25	27	20	28	27
Operating profit, % ¹⁾	5,0	5,5	4,9	6,8	6,5

1) Excluding exceptional (one-time) items.

2) Taxes are stated as the tax corresponding to the result for the reported period.

KEY INDICATORS BY QUARTER

Eur million	1-3/2002	4-6/2002	7-9/2002	10-12/2002	1-3/2003
Net sales					
FiberComposites	176	180	168	169	172
LabelPack	132	136	122	122	135
Specialties	102	105	99	100	105
Other operations and eliminations	8	6	8	14	5
Continuing operations total	418	427	397	405	417
Discontinued operations	73	58	0	0	0
Group total	491	485	397	405	417
Operating profit					
FiberComposites	13,5	15,7	15,5	18,3	21,7
LabelPack	6,2	8,0	5,4	7,7	10,8
Specialties	4,1	5,3	0,2	-4,5	3,2
Other operations and eliminations	-0,5	-2,4	-1,5	0,3	-4,0
Continuing operations total	23,3	26,6	19,6	21,8	31,7
Discontinued operations	1,3	-0,2	0	0	0
Group total	24,6	26,4	19,6	21,8	31,7