2007 ANNUAL REPORT

Small fibers. Big difference.

Ahlstrom

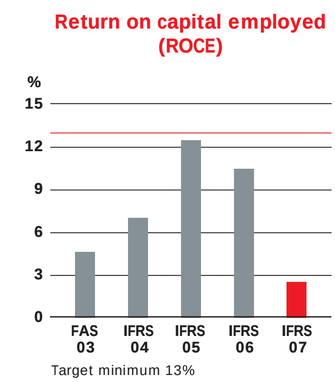
Contents

Ahlstrom in brief

AHLSTROM IS A GLOBAL LEADER IN THE DEVELOPMENT, MANUFACTURE AND MARKETING OF HIGH PERFORMANCE FIBER-BASED MATERIALS

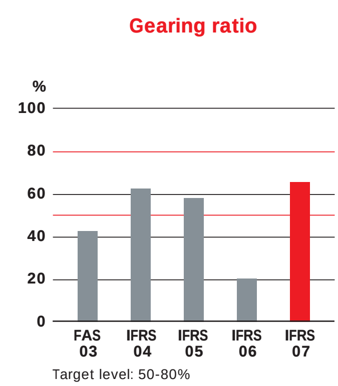
Nonwovens and specialty papers, made by Ahlstrom, are used in a large variety of everyday products, e.g. in filters, wipes, flooring, labels, and tapes. The company has a strong market position in several business areas in which it operates, built upon the company's unique fiber expertise and innovative approach. Ahlstrom's 6,500 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 OMX Nordic Exchange Helsinki. The company website is www.ahlstrom.com.

Segment	FiberComposites	Specialty Papers
Net sales 2007	EUR 941 million	EUR 825 million
Share of Group's net sales	54%	46%
Employees	3,553	2,540
Key customer industries	Filtration and transportation, consumer products, healthcare, building, food industry	Labeling industry, furniture & building, consumer products, packaging, food industry
Production units	Belgium, Brazil, China, Finland, France, Italy, South Korea, Spain, Sweden, UK, USA	Brazil, Finland, France, Germany, Italy
Business areas and their main applications	Nonwovens Wipes, medical gowns and drapes, wallcoverings, teabags, fibrous meat casings Filtration Transportation, air and liquid filters, industrial and laboratory filtration Glass nonwovens Windmill blades, flooring, boat hulls	Technical Papers Decor foils for furniture and flooring laminates, abrasive paper, masking tape, engine gaskets, posters, food packaging, baking paper, wallpaper, processing paper Release & Label Papers Self-adhesive labels, labels for beverage bottles



Year 2007 in brief

- **Ahlstrom's net sales grew by 10% as a result of implemented growth initiatives**
- **Five acquisitions totaling EUR 220 million were announced**
- **Organic investments for a total value of EUR 155 million were completed**
- **Ahlstrom established a strong foothold in BRIC-countries (Brazil, Russia, India, China)**
- **Group-wide restructuring actions were taken during the fourth quarter with the target to improve annual profitability by EUR 25 million**



Financial targets

PROFITABILITY

Return on capital employed (ROCE) minimum of 13%

FINANCIAL STRENGTH

Gearing ratio 50-80% (interest-bearing net debt to equity)

DIVIDENDS

Dividend pay out ratio averaging at least 50% of the net profit

KEY FIGURES

EUR MILLION	2007	2006	2005
Net sales	1,760.8	1,599.1	1,552.6
Operating profit	25.8	96.1	117.2
Operating profit excl. non-recurring items	67.8	87.3	99.0
Profit before taxes	0.2	81.2	100.7
Profit for the period	1.3	57.6	62.6
Return on capital employed (ROCE), %	2.5	10.4	12.4
Return on capital employed (ROCE), % excl. non-recurring items	6.3	9.5	10.5
Balance sheet, total	1,711.4	1,356.6	1,367.2
Capital expenditure (incl. acquisitions)	371.9	127.9	73.2
Net cash flow from operating activities	43.9	119.2	126.6
Gearing ratio, %	65.3	20.3	57.7
Earnings per share (EPS), EUR	0.01	1.31	1.71
Cash earnings per share (CEPS), EUR	0.94	2.72	3.48
Dividend per share, EUR	1.00 *	1.00	1.79

*The Board of Directors' proposal to the Annual General Meeting

Ahlstrom's
vision is to be
the preferred
global source
for fiber-based
materials

Ahlstrom in the value chain

AHLSTROM MANUFACTURES HIGH QUALITY FIBER-BASED MATERIALS OF SYNTHETIC AND NATURAL FIBERS. THE COMPANY SUPPLIES THESE MATERIALS TO ITS INDUSTRIAL CUSTOMERS AS ROLL GOODS FOR FURTHER PROCESSING. OUR CUSTOMERS, SUCH AS PRINTERS OR TRANSPORTATION INDUSTRY SUPPLIERS, DELIVER THE PRODUCTS TO A MARKETER OR SELLER SERVING CONSUMERS OR INDUSTRIAL CUSTOMERS WORLDWIDE.

Primary production	Raw material supplier	Roll goods producer	Converter	Marketer/ seller	Consumers Industrial customers
• Natural fibers (wood, cotton, hemp) • Oil/petro-chemicals	• Pulp producers • Synthetic fiber producers (PET, PP, glass) • Chemical suppliers	Ahlstrom • Other roll goods producers	• Healthcare and consumer goods suppliers • Transportation industry suppliers • Air and liquid filter manufacturers • Packaging industry • Printers and siliconizers (label, decor, poster, wallcover)	• World class consumer or industrial brands	

Business strategy

Global presence

Ahlstrom is strategically positioned on six continents. In order to provide global service to its customers, Ahlstrom is continuously evaluating opportunities to expand both its sales network and production capabilities into growing markets such as Asia, Latin America and Eastern Europe.

In 2007, expansion beyond Europe continued with the initiation of the Ahlstrom-VCP joint-venture in Jacarei, Brazil, which is Ahlstrom's first specialty paper production facility outside of Europe. The company also decided to expand its nonwoven production to Brazil by building its first manufacturing line for wiping fabrics. Ahlstrom signed an agreement to form a joint venture with KAN Paper in China, built a glassfiber tissue plant in Tver, Russia serving the building and composites materials industries, and announced an investment in a medical fabrics line in India. Additionally, Ahlstrom opened a new glassfiber reinforcement plant in Bishopville, USA to serve the fast growing wind energy industry. During 2007 Ahlstrom has set a strong foothold on five continents, which gives Ahlstrom a good platform to leverage on growth in new geographies in the future.

Growth

Ahlstrom manufactures roll goods, with a particular focus on high performance products and high growth business opportunities. The company seeks to exploit these business opportunities by developing new and improved products, investing in organic growth, and identifying new targets for strategic acquisitions.

In 2007, Ahlstrom used the proceeds raised in the Initial Public Offering for implementing growth investments totaling EUR 370 million. Investments were made in new technologies and in new, fast growing markets. EUR 220 million was used for five acquisitions in both the FiberComposites and Specialty Papers segments. By acquiring Orlandi's and Fiberweb's wiping fabrics businesses, Ahlstrom positioned itself as the world's leading wiping fabrics producer and third largest supplier of nonwoven materials. The Ahlstrom-VCP joint venture in Brazil gave Ahlstrom access to the fast growing specialty paper markets in South America.

In addition to the acquisitions, EUR 155 million was invested in organic growth investments in different parts of the world, particularly in the release base paper, glassfiber, and wiping fabrics businesses.

As a result of the growth initiatives, net sales grew by 10% in 2007 compared to 2006. Approximately half of the growth was organic. The markets that Ahlstrom serves grow by 4-5% per year, and the company's target is to exceed this market growth rate.

Commitment to customers

Ahlstrom's position as a market leader has enabled it to develop close and longstanding relationships with customers that are leaders in their respective businesses. Ahlstrom intends to strengthen its existing customer relationships further by capitalizing on its in-depth understanding of customer needs, using its fiber and technology expertise and introducing new and improved products and solutions.

In order to better serve its global customers, Ahlstrom further expanded its production capabilities to fast growing markets on five continents in 2007.

Ahlstrom works in close cooperation with a large number of customers in order to introduce new and improved products and solutions that address specific customer needs. The oldest customer relationships date back more than 100 years. As a result of one such longstanding cooperation with one of Ahlstrom's anchor customers, and in order to address the growing need for ultrasonically sealed tea bags, a new line producing technically advanced tea bag materials will be built in Chirnside, Scotland in 2008.

Ahlstrom's target is to generate approximately 25-35% of net sales from products less than 3 years old, and in 2007 the percentage achieved was 39%. At the end of 2007, Ahlstrom established an Innovation Council, consisting of Corporate Executive Team members, to support the group-wide innovation process.

Competitiveness

Ahlstrom continuously evaluates its operations to identify opportunities for cost savings, improved performance of production assets, and for cross-fertilization of expertise within the Group's various operations. Ahlstrom seeks to further improve its competitiveness by utilizing operating leverage, particularly in production, purchasing, sales and marketing, innovation and administration.

By the end of 2007, eucalyptus pulp had become Ahlstrom's largest single raw material, thereby lowering the company's average raw material costs in the long term. Ahlstrom aims to continue to increase the use of eucalyptus pulp and other cost-efficient raw materials in the future.

In 2007, Ahlstrom continued to close down non-competitive assets, including the Ascoli, Italy plant and the Chantraine, France plant, both producing label and packaging papers. Furthermore, Ahlstrom decided to consolidate its North American air filtration sites in Bellingham, Massachusetts and Darlington, South Carolina to its Bethune plant in South Carolina in order to reduce fixed costs. In addition, Ahlstrom decided to convert one of its release base paper machines in Turin, Italy to the manufacture of nonwovens for industrial applications, thus optimizing capacity utilization. The announced cost reductions and streamlining measures in various parts of the organization include the closure of 4 sites, 9 production lines, and a reduction of a total of 650 employees. The restructuring is targeted to improve Ahlstrom's annualized profits by EUR 25 million.

Growth and streamlining in 2007

We have a year of growth implementation behind us. The funds raised in the IPO in 2006 have been dedicated to growth initiatives, which have improved our business position and offerings in nonwovens and specialty papers, and expanded our geographic reach, especially in the emerging markets. Through the growth actions we achieved a position among the top three roll-goods suppliers in nonwovens, and reinforced our leadership in specialty papers.

Parallel to pursuing growth we decided to close several non-competitive operations and streamline our organization structure in Europe and North America. The target of our actions is to serve our customers better by creating worldwide competitive operations, as well as to improve profitability.

Cost reductions to improve profitability

The FiberComposites segment and the Technical Papers business area improved their operating profit in 2007 despite the challenging business environment. However, the weak performance of the Release & Label Papers business area was a disappointment and decreased Group operating profit.

In the fourth quarter, we took decisive restructuring actions to achieve significant cost reductions. These measures have resulted in the closure of altogether 4 sites and 9 manufacturing lines. The personnel reduction is approximately 10%, thus reducing fixed costs significantly. The restructuring is targeted to improve Ahlstrom's annualized profits by EUR 25 million.

Focus on functional materials

Ahlstrom aims to serve its customers with specialty materials that perform an important functional role in their end product. It is a growth opportunity where new products, new ideas, and more volume are expected continuously. Our aim is to be the innovator of new products and we seek to combine our pioneer role with financial and technical capability to deliver.

We focus on tailor made products that are based on our long term competitive advantages, including the user know-how of multiple fibers, proprietary and versatile manufacturing capabilities, and a deep knowledge of our customers' applications. At the same time, we are utilizing our global presence that enables us to serve our customers competitively in all parts of the world.

Establishing global footprint

Brazil is expected to become our 5th largest market in 2008. We have also announced plans to start serving our customers from new local manufacturing facilities in Russia (early 2008), China (early 2008), and India (in 2009). By actively expanding our operations, we ensure that we will be among the first companies in our business to serve customers competitively anywhere in the world. Our growth actions have a built-in concept to utilize operating leverage, i.e. new sites have space for further investments and can be expanded without incurring high additional fixed costs.

• AHLSTROM IS WELL POSITIONED TO GROW AND IMPROVE ITS FINANCIAL PERFORMANCE.

Within emerging markets and new geographies, acquisition targets are relatively few and therefore we build new operations; the process from decision to start takes more time, but allows us to utilize the newest technology and to be the first mover in these markets. We believe that taking the long-term view will pay off by creating a sustainable competitive position, and by generating a return on capital employed which meets our financial target.

More competitive going to 2008

In addition to streamlining our operations, we will improve our competitiveness through the strategic shift from long fiber conifer pulp to short fiber eucalyptus pulp. The cornerstone of the shift is our integrated joint venture for specialty paper production with VCP in Jacarei, Brazil, that uses eucalyptus as the main raw material for specialty papers. Learning through the venture, and expanding the learning to other Ahlstrom operations, is a strategic undertaking that is based on the long term availability and cost competitiveness of short fibers. We will work with our suppliers and customers to identify and implement similar competitiveness enhancing actions in the future.

Solid base to create shareholder value

In 2007, we announced five acquisitions and a number of organic growth expansions. With the announced growth actions, Ahlstrom's net sales will increase to approximately EUR 2 billion despite plant closures. The majority of the top line growth will be outside Europe, meaning that we will be closer to our global customers in various geographies. The business concept of serving export markets from European operations showed its deficiencies during the course of 2007, and we took decisive actions to address the matter. Thanks to the implemented growth initiatives and the systematic cost optimizing actions Ahlstrom is well positioned to grow and clearly improve its operating financial performance in 2008. Ahlstrom's strong financial position enables us to propose competitive and predictable dividends to our shareholders.

I would like to thank our customers, shareholders, employees, and other stakeholders for the year 2007. I welcome your participation in the next leg of our voyage towards becoming the preferred global source for innovative fiber based materials.

I also express my thanks to my predecessor Jukka Moisio for his excellent contribution to Ahlstrom during 17 years of service, and especially for the past three and a half years as the President and CEO of the company. Jukka Moisio resigned from his position in February 2008 to take on new challenges outside the company.

RISTO ANTTONEN
Chief Executive Officer

Success factors

AHLSTROM'S SUCCESS IS BUILT ON ITS EXPERTISE IN FIBERS AND WEB MANUFACTURING AS WELL AS ON ITS LONG-TERM CUSTOMER RELATIONS, GLOBAL PRESENCE AND LEADING MARKET POSITIONS. THE COMPANY COMBINES THESE SUCCESS FACTORS WITH AN INNOVATIVE APPROACH AND SEEKS CONTINUOUS IMPROVEMENT TO ENSURE SUSTAINABLE, COMPETITIVE OPERATIONS.

Fiber expertise

Ahlstrom's knowledge of fibers, fiber processing, and chemicals is based on over 150 years of Ahlstrom entities operating in paper and fiber markets. The company has extensive expertise in the use of natural and synthetic fibers, their various combinations, and a wide range of chemical agents. This has enabled Ahlstrom to develop and manufacture high performance materials with unique properties and cost benefits.

Web manufacturing

Ahlstrom possesses a unique worldwide knowledge in producing and treating fiber webs with a number of different technologies, ranging from standard paper production to textile woven webs, such as wet laid nonwoven, dry laid, spunbonded, spunmelt and nanofiber forming. Based on its expertise, the company determines the best combination between fibers, web forming and web treatments to supply the most suitable products to meet the market requirements.

Long-term customer relations

Ahlstrom operates in several geographic markets and product areas, and has developed a deep understanding of the industries in which its customers operate. Ahlstrom has long-term relationships with its customers, and the company works in close cooperation with a large number of customers to provide them with products that meet their specific requirements. Combined with Ahlstrom's continued emphasis on research and development, this enables the company to offer innovative products and solutions that address the current and future needs of the market.

Global presence

Ahlstrom has production on four continents, in Europe, North America, South America and Asia and an international sales office network. The company has currently operations in 26 countries on six continents, which enables Ahlstrom to serve customers effectively on a global basis.

Leading market positions

Ahlstrom has a leading position in many of its markets. These positions provide Ahlstrom with increased visibility and access to leading customers, and make the company an important partner for its customers. In 2007, approximately 44% of the company's net sales was generated in product markets where Ahlstrom is the leading supplier. Furthermore, approximately 36% of net sales was generated in product markets where the company is the second or third largest supplier.

New products generate one third of net sales

Active research & development (R&D), as well as innovative products and technologies, are essential to Ahlstrom's long-term success and competitiveness. Innovation and product development work is done in close cooperation with the customers and preferred suppliers. Ahlstrom's long-term target is that new products contribute approximately 25-35% of its net sales.

Competitive operations

Ahlstrom continuously improves its competitiveness and profitability. The key elements in competitive operations include cost efficiency, increased productivity as well as dedicated operations and support functions.

Continuous improvement

Ahlstrom's group-wide performance excellence program called aPlus is designed to consolidate the know-how and experience of Ahlstrom employees and to incorporate best practices across the organization. The ultimate target is to ensure the effective running of all industrial operations in a safe working environment.

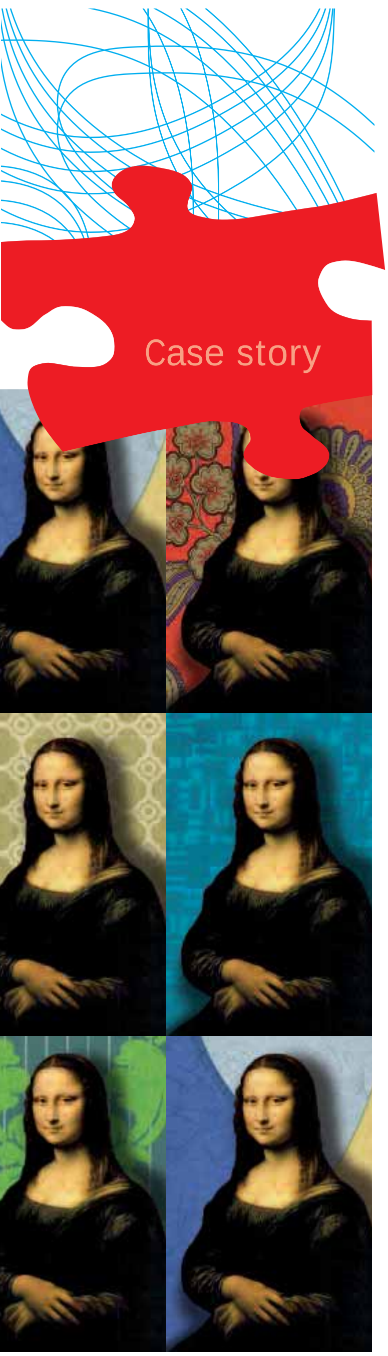
AHLSTROM'S MARKET POSITIONS

FiberComposites segment	Position
Transportation filtration	1
Wallcover	1
Wipes	1
Food	2
Medical	2-3
Industrial nonwovens	2-3
Specialty reinforcements	2-3
Glassfiber tissues	2-3

Specialty Papers segment	Position
Release base papers	1 *
Packaging	1
Pre-impregnated decor	1
Poster papers	1
Vegetable parchment	1
Abrasive base papers	2
Wallpaper base	2
Crepe papers	2
Label papers	2-3

* Shared position

Source: Management estimates based on volume



Ahlstrom's direct print substrates inspire home decorators

AHLSTROM IS A LEADING GLOBAL SUPPLIER OF THE PAPER AND NONWOVEN SUBSTRATES THAT WALLCOVER MANUFACTURERS USE TO SUPPORT AND CARRY THEIR COATINGS AND PRINTS.

Ahlstrom regularly consults the market to understand changing trends, and its product offering is constantly updated to meet developing needs. It was from this flow of information that a new range of direct print substrates was developed. These innovative materials have different fibrous and coated surface appearances, and a textile like touch. Furthermore, they maintain the "easy to decorate" capabilities of earlier nonwovens. Thanks to their superior printing properties, the direct print substrates can play a part in the design of the wallcoverings.

Demand for wallcovering is growing rapidly, largely driven by the strong Russian and Chinese economies that are creating a significant increase in home and hotel construction. In Western Europe, wallcovering is entering a cycle of growth as consumers look for color, print and texture in their living spaces. The minimalistic effect of paint is being replaced with the style and design of modern wallcoverings.

The introduction of nonwoven materials into the wallcover industry has made the process of decoration much simpler and faster. The combination of natural and synthetic fibers in the substrate enables many modern wallcoverings to be applied to the wall immediately and removed quickly when further decoration is necessary. This encourages more frequent decoration, and provides another reason as to why consumers and professional decorators select wallcovering to decorate their walls.

A year of growth and restructuring

Operating environment

Demand in Ahlstrom's main markets Europe, USA, South America and Asia developed favorably with the exception of the labeling paper markets in Europe and the European export markets for coated-one-side papers. Although the US market became increasingly short-term oriented Ahlstrom did not see any signs of decreasing deliveries in its main businesses.

The overall market for the Fiber-Composites segment's products is currently growing approximately 6-7% annually, driven by substituting products that have traditionally been made from textiles, plastics or paper. The growth has been particularly strong for wiping fabrics as well as for glass nonwoven materials fuelled by the increasing trend to utilize wind power.

The overall market for the Specialty Papers segment's products is growing on average 3-4% annually, driven lately by growth in vegetable parchment, crepe and release base papers. Labeling applications in Latin America are growing at double digit growth rates. In 2007 the weak demand and oversupply of the coated-one-side papers, as well as the weak US dollar, stagnated the market in Europe.

The prices for the main raw materials and energy continued to escalate during the year. The price increases were driven by the continuous tight supply and strong demand. The average USD market price for BHKP pulp (Bleached Hardwood Kraft pulp, e.g. eucalyptus pulp), Ahlstrom's single most important raw material, was on average approximately 9.7% higher than in 2006. The market price for NBSK (Northern Bleached Softwood Kraft pulp) was 17.7% higher than in 2006. Prices for synthetic fibers increased significantly as a consequence of shortage of supply. Energy price increases continued throughout the year as a result of increasing oil prices.

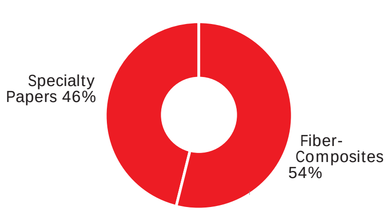
Growth initiatives

In 2007 Ahlstrom implemented its growth strategy and used the proceeds raised in the 2006 IPO to expand geographic presence and offerings especially in the fast growing markets in Brazil, Russia, India and China (BRIC) In total the investments amounted to EUR 370 million.

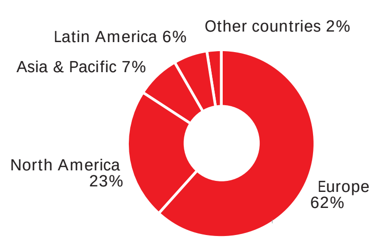
Four acquisitions were completed in 2007, including two transactions to strengthen the wiping fabrics business in the USA, Italy and Spain, a joint venture to produce specialty papers in Brazil and a microglass filter producer in Italy. Furthermore Ahlstrom signed an agreement to acquire a majority share in a Chinese joint venture to produce specialty papers. This transaction is expected to be closed during the first half 2008. After the review period, in February 2008, Ahlstrom announced an acquisition of a vegetable parchment producer in the USA. With the acquisition Ahlstrom becomes the leading global supplier of vegetable parchment.

Organic investments were announced in North America to double the production capacity for specialty

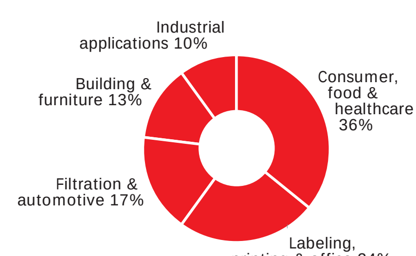
Net sales by segment



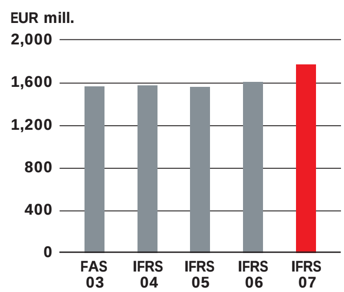
Net sales by market area



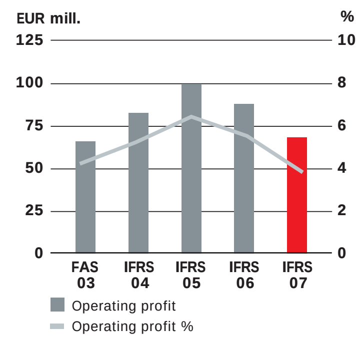
Net sales by end-use sector



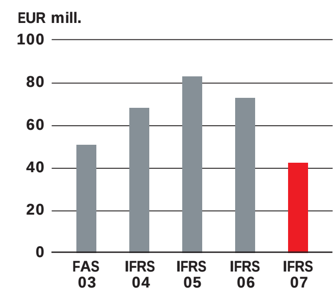
Net sales



Operating profit
(excluding non-recurring items)



Profit before taxes
(excluding non-recurring items)



glassfiber reinforcements and to strengthen the filtration business. In India, Ahlstrom announced an investment to build a medical nonwovens plant in 2009 with a possibility for further expansions of Ahlstrom's businesses in the area. In Europe, Ahlstrom invested in additional capacity in release base paper and industrial nonwovens.

As a result of the growth initiatives Ahlstrom has become the third largest supplier of nonwoven materials in the world and has strengthened its position as the global leader in the specialty papers market through the geographic expansion outside Europe.

Profitability

Profitability decreased in the year due to the weak performance of the Release & Label Papers business area caused mainly by the weak demand for coated-one-side papers in Europe.

In order to improve profitability Ahlstrom took restructuring actions in the fourth quarter of 2007. As a result of the restructuring a total of four sites and nine manufacturing lines were closed and consequently 650 positions lost. The non-recurring cost of these actions was EUR 45.7 million. The restructuring is targeted to gradually bring annualized profit improvement of EUR 25 million with full effect from the second half of 2008 onwards.

The systematic restructuring actions taken enabled Ahlstrom to start the year 2008 with a more competitive cost structure and a leaner organization.

Deliveries

Ahlstrom's sales volumes grew by 11.8% in 2007. The increase in volumes was mainly driven by acquisitions and organic growth investments and continued good overall demand.

Significant net sales growth

Net sales in 2007 grew to EUR 1,760.8 million (EUR 1,599.1 million). Sales growth was 10.1%, although currency fluctuations, mainly the weakened USD, decreased net sales by EUR 48.3 million or by 3.0%. Comparable net sales, adjusted for acquisitions, currency effect and investment standstills grew by 4.3%.

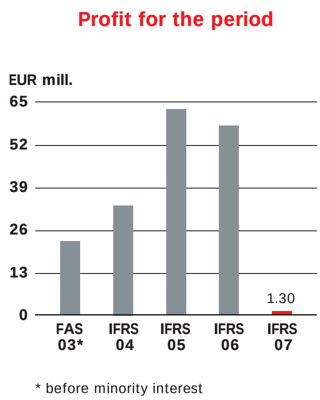
The increase in comparable net sales was attributable to the following factors:

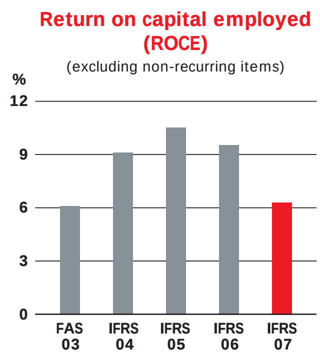
EUR million	2007
Volumes	+ 189
Sales price and mix	+ 21
Exchange rates	- 48

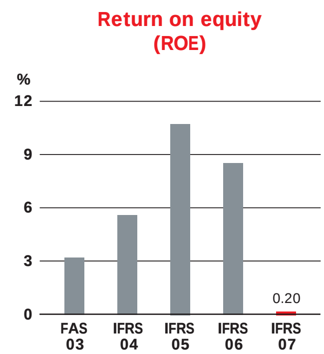
Geographically, net sales outside Europe continued to increase as a result of acquisitions and growth investments made in Asia, the USA and Brazil. Europe remained the Group's most significant market area accounting for 62% of total sales in 2007 (63%). Net sales in North America grew to 23% (22%), South America was 6% (4%) and sales in Asia Pacific decreased to 7% (9%) due to reduced exports to Asia.

Restructuring actions to improve profitability

The Group's operating profit excluding non-recurring items amounted to EUR 67.8 million (EUR 87.3 million).







The decrease in operating profit was attributable to the weak performance of the Release & Label Papers business area. The main reason for the decrease was the weakening demand of the coated-one-side papers in Europe. Consequently, a decision was made to close the Chantraine and Ascoli plants. Furthermore, the profitability was burdened by the operating loss of the closed plants and the technical problems with the ramp-up of the La Gère, France investment incurring additional costs of EUR 7.6 million in the fourth quarter of 2007. The high raw material and energy costs and the integration costs of the completed acquisitions of approximately EUR 3.0 million impacted full year operating profit as well.

The non-recurring items which are not related to normal business operations are shown below:

EUR million	2007	2006
Operating profit (EBIT)	25.8	96.1
Non-recurring gains	-6.6	-15.5
Restructuring costs	48.6	6.7
Operating profit excl. non-recurring items	67.8	87.3

The non-recurring gains were mainly related to the sale of three power plants during the first quarter in Italy. The restructuring costs are related to the above mentioned plant closures in Europe and North America and the streamlining of the organization throughout the Group including the reduction of a total of 10% of personnel. In addition to the non-recurring restructuring costs the closed plants incurred an operating loss of EUR 4.3 million.

In 2006, non-recurring items consisted of a capital gain from the sale of Ahlstrom's shareholding to Sonoco-Alcore and the sale of property in Germany. Restructuring costs are related to the write down of the Chantraine, France plant, the closure of the Nümbrecht, Germany plant as well as other streamlining actions.

Total net financial expenses for the Ahlstrom Group were EUR 25.6 (EUR 14.9). Net interest expenses increased to EUR 20.9 million (EUR 8.4 million) due to the increase in net debt and increased interest rates. Net foreign exchange losses for financial items were EUR 1.2 million (EUR 4.5 million).

Ahlstrom's share of the losses of associated companies amounted to EUR 0.06 million (profit of EUR 0.03 million).

Profit before taxes excluding non-recurring items decreased to EUR 42.1 million (EUR 72.5 million). Profit before taxes amounted to EUR 0.2million (EUR 81.2 million). Tax income amounted to EUR 1.2 million (tax expense of EUR 23.6 million). Profit for the period amounted to EUR 1.3 million (EUR 57.6 million).

Earnings per share (EPS) was EUR 0.01 (EUR 1.31). EPS excluding non-recurring items was EUR 0.62 (EUR 1.06).

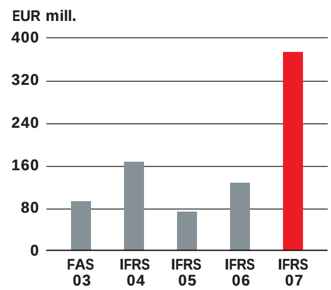
Return on capital employed (ROCE) excluding non-recurring items was 6.3% (9.5%) and ROCE was 2.5% (10.4%). Return on equity (ROE) was 0.2% (8.5%). Capital employed amounted to EUR 1270.6 million at December 31 (EUR 946.9 million).

Cash flow and financial position

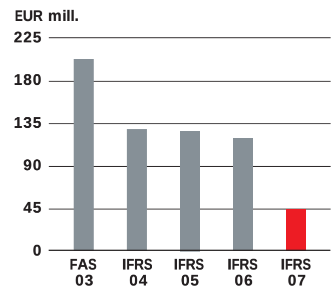
Net cash flow from operating activities, namely the cash flow after net interest expenses, taxes paid and the change in working capital, decreased to EUR 43.9 million (EUR 119.2 million). The cash flow decreased due to the increase of working capital as a result of growing net sales. In addition, the defined benefit pension plan in the United Kingdom was closed and the historical deficit was funded by EUR 20.8 million, impacting Ahlstrom's cash flow.

Interest-bearing net liabilities increased by EUR 335.9 million to EUR 491.1 million due to Ahlstrom's extensive investment program in 2007

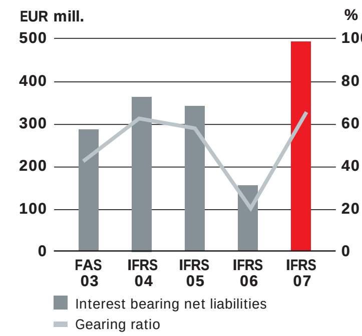
Capital expenditure
(including acquisitions)



Net cash from operating activities



Interest bearing net liabilities and gearing ratio %



including four acquisitions. (December 31, 2006: EUR 155.2 million),

Ahlstrom's gearing ratio (interest-bearing net debt to equity ratio) increased to 65.3% (December 31, 2006: 20.3%). Equity ratio was 44.0% (56.5%).

The Group's liquidity remained good throughout the year. At year-end, cash and cash equivalents totaled EUR 21.3 million (EUR 20.1 million). Committed credit facilities available to the Group amounted to EUR 343 million at December 31, 2007. The 5-year EUR 400 million syndicated revolving credit facility was adjusted down to EUR 200 million in 2007. As of December 31, 2007, the undrawn amount under these credit facilities was EUR 227 million.

Implementation of growth strategy continued

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

In 2007, Ahlstrom continued its global growth strategy by implementing four acquisitions and a number of organic growth investments on four continents, totaling EUR 371.9 million.

The value of acquisitions was EUR 217.2 million (EUR 7.8 million). The key acquisitions included:

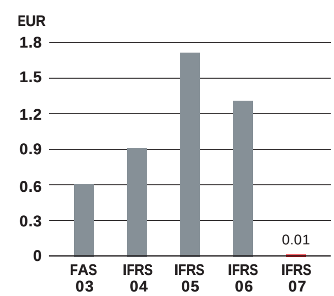
- The spunlace nonwovens business of the Italian Orlandi Group
- The consumer wipes business of Fiberweb plc.
- The joint venture with Brazilian Votorantim Celulose e Papel (VCP) for specialty paper production.

Capital expenditure excluding acquisitions amounted to EUR 154.7 million (EUR 120.1 million). The major projects during the year were:

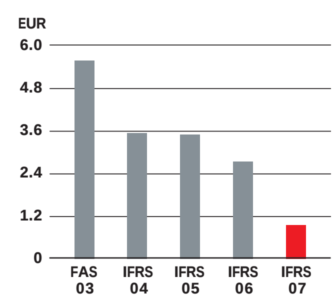
- The specialty glassfiber reinforcement plant in Bishopville, SC, USA
- The major release base paper capacity expansion in La Gère, France
- The industrial nonwovens production line in Brignoud, France
- The glassfiber tissue production plant in Tver, Russia

In 2008, the organic investments are expected to be approximately EUR 120 million including the previously announced food nonwovens line to Chirnside, UK serving the infusion markets, the wiping fabrics line in Brazil and partly the new medical nonwovens plant to be built in Gujarat, India.

Earnings per share



Cash earnings per share



Divestments in 2007

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

Financial performance by segment

FiberComposites

The FiberComposites segment comprises three business areas: the Nonwovens, Filtration and Glass Nonwovens business areas.

For the full financial year 2007, the segment's net sales amounted to EUR 941.4 million (EUR 808.2 million), reflecting 16.5% growth and representing 53% of Group net sales. Volumes sold grew by 23.3% from the 2006 level. Net sales growth was achieved by good demand in all business areas and by the acquisitions and the organic investments implemented during 2007. Net sales adjusted for currency effect and acquisitions grew by 6.6%.

The operating profit excluding non-recurring items increased clearly to EUR 60.6 million (EUR 54.1 million). The improvement in the segment's profitability was mainly achieved by increased net sales in all business areas. However, the segment's profitability was negatively impacted by the continued escalation of raw material and energy costs and the ramp-up of several large lines during 2007. In addition, the integration costs of the acquisitions had a EUR 3.0 million impact on operating profit in 2007.

In order to streamline its organization and improve its competitiveness, Ahlstrom decided to consolidate its air filtration sites in Bellingham, Massachusetts and Darlington, South Carolina to its Bethune plant in South Carolina in the fourth quarter of 2007.

Furthermore, Ahlstrom successfully finalized the integration of the three acquisitions made in 2007, Fabriano SpA, Orlandi's nonwovens business and Fiberweb's consumer wipes business. As a result of the integration of the acquisitions and the restructuring of the FiberComposites segment altogether six manufacturing lines were closed and 200 positions reduced. The restructuring in the FiberComposites segment will further support profitability improvement in 2008.

Specialty Papers

The Specialty Papers segment comprises two business areas: Release & Label Papers and the Technical Papers business areas.

For the full financial year 2007, the segment's net sales increased by 3.9% and amounted to EUR 824.7 million (EUR 794.0 million). The segment net sales represented 47% of Group net sales. Comparable net sales adjusted for acquisitions and currency effect grew slightly by 1.1%.

Operating profit excluding non-recurring items decreased clearly to EUR 13.9 million (EUR 36.4 million). The main reason for the decline in profitability was the decrease in the sales prices in the Release & Label Papers business area. This was due to the weakening demand of coated-one-side papers in Europe and the temporary excess supply of release base papers. The operating loss of the closed plants and technical problems with the ramp-up of the La Gère, France investment impacted operating profit negatively. In addition, the increase in the main raw material costs had a negative impact on operating profit.

In order to improve its profitability, Ahlstrom decided in the fourth quarter of 2007 to restructure its European operations of the Specialty Paper segment including the closure of its Ascoli, Italy plant and the Chantraine, France plant and the closure of the Turin PM4 release base paper line. The Ascoli and the Turin PM4 have already been closed and Chantraine is expected to close during the first half of 2008. The actions will affect 450 positions and reduce capacity by 120 thousand tons and their positive effect will be seen during 2008.

Other operations

Other operations in 2007 included corporate units in Finland, France and the United States, and Ahlstrom's sales offices.

Eliminations mainly consisted of internal sales among Group companies.

The operating loss from Ahlstrom's other operations and eliminations in 2007 consisted mainly of group unallocated costs and was EUR 10.4 million (profit of EUR 11.0 million). Profit in 2006 included gains from sales of property.

QUARTERLY DATA

EUR million	Q1/2006	Q2/2006	Q3/2006	Q4/2006	Q1/2007	Q2/2007	Q3/2007	Q4/2007
Net sales	414.6	409.6	385.9	389.0	416.5	436.9	444.9	462.5
Other operating income *	7.0	5.6	4.4	4.3	2.6	1.7	3.1	2.0
Expenses *	-375.5	-368.7	-349.6	-359.3	-379.9	-396.5	-407.7	-429.0
Depreciation, amortization, impairment charges *	-19.8	-20.5	-19.8	-19.9	-19.6	-21.0	-24.1	-24.5
Non-recurring items	3.3	2.9	4.4	-1.9	3.8	-	-0.1	-45.7
Operating profit / loss	29.6	28.9	25.3	12.3	23.3	21.0	16.1	-34.7
Net financial expenses	-4.5	-4.1	-3.7	-2.6	-3.0	-4.3	-9.7	-8.6
Share of profit (loss) of associated companies	-0.0	0.4	-0.2	-0.2	-0.1	-0.3	0.2	0.1
Profit / loss before taxes	25.1	25.2	21.4	9.4	20.3	16.4	6.7	-43.2
Income taxes	-9.3	-8.6	-5.0	-0.7	-6.9	-4.5	-1.6	14.2
Profit / loss for the period	15.8	16.6	16.4	8.8	13.4	11.9	5.0	-29.0
Attributable to								
Equity holders of the parent	15.8	16.5	16.4	8.8	13.3	11.9	4.9	-29.6
Minority interest	0.0	0.1	0.0	-0.0	0.0	0.0	0.1	0.6
Operating profit *	26.3	26.0	20.8	14.1	19.6	21.0	16.2	11.0
Operating profit, % *	6.3	6.4	5.4	3.6	4.7	4.8	3.6	2.4

* Excluding non-recurring items

QUARTERLY DATA BY SEGMENT

EUR million	Q1/2006	Q2/2006	Q3/2006	Q4/2006	Q1/2007	Q2/2007	Q3/2007	Q4/2007
Net sales								
FiberComposites	212.7	204.9	195.3	195.4	206.4	235.5	249.8	249.7
Specialty Papers	203.3	205.2	191.5	193.9	211.4	202.7	196.3	214.4
Other operations and eliminations	-1.5	-0.5	-0.9	-0.3	-1.3	-1.3	-1.2	-1.5
Group total	414.6	409.6	385.9	389.0	416.5	436.9	444.9	462.5
Operating profit / loss								
FiberComposites	15.9	13.9	13.3	9.2	15.2	17.3	13.5	2.7
Specialty Papers	13.0	10.3	6.0	3.0	13.0	5.4	2.7	-33.6
Other operations and eliminations	0.7	4.8	6.0	0.1	-4.9	-1.7	-0.1	-3.7
Group total	29.6	28.9	25.3	12.3	23.3	21.0	16.1	-34.7
Operating profit / loss excluding non-recurring items								
FiberComposites	15.9	13.9	13.3	11.0	13.4	17.3	14.1	15.7
Specialty Papers	13.0	10.3	8.7	4.4	8.6	5.4	2.7	-2.8
Other operations and eliminations	-2.6	1.9	-1.2	-1.2	-2.5	-1.7	-0.7	-1.9
Total	26.3	26.0	20.8	14.1	19.6	21.0	16.2	11.0
Non-recurring items	3.3	2.9	4.4	-1.9	3.8	-	-0.1	-45.7
Group total	29.6	28.9	25.3	12.3	23.3	21.0	16.1	-34.7

Factors affecting Ahlstrom's financial performance

General economic conditions and demand for end-user products

Ahlstrom's results may be affected by general economic conditions and by changes in demand in the end-user markets and industries it serves although these vary by industry sectors and different geographic regions. Ahlstrom's main geographic markets, Europe and the United States represented together approximately 85% of Ahlstrom's net sales in 2007. Sales in Europe developed favorably in 2007 for most product areas and the growth in demand in the USA remained relatively stable despite the general concerns of the US economy. Demand in the Asian, Russian and Latin American markets, which have become increasingly important for Ahlstrom, remained good. The diversity of industries in which Ahlstrom's customers operate helps to protect Ahlstrom against particular customer industry cycles.

Ahlstrom has long-term relationships with many customers. Consequently, product demand has been relatively predictable in the past. However, margins from products manufactured vary from one product to the other, and therefore the product mix has an effect on profitability. In addition, reductions, delays or cancellations in anticipated or confirmed orders by customers could cause Ahlstrom to incur downtime on its machines or require Ahlstrom to shift production to lower-margin products.

Raw materials and energy

In 2007, raw materials and energy costs were EUR 951 million and represented approximately 55% of total expenses. The three most important categories of raw materials for Ahlstrom are pulp, chemicals and synthetic fibers. In 2007, pulp accounted for approximately 42%, chemicals for approximately 23% and synthetic fibers for approximately 15% of Ahlstrom's raw material and energy costs. Throughout the year, the raw material prices have steadily increased causing margin pressure for Ahlstrom's products.

Fibers

In 2007, Ahlstrom Group's pulp costs amounted to EUR 382 million. As Ahlstrom does not produce wood pulp, the company's profitability is exposed to variations in pulp prices. The purchasing of pulp is managed on a centralized basis and Ahlstrom benefits from economies of scale in its purchasing activities by consolidating purchases across the company's business areas.

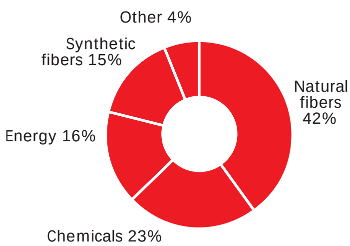
Although the price variations can mostly be passed on to customers with a little delay, Ahlstrom is sensitive to quick changes in the highly volatile pulp markets. Ahlstrom's goal is to limit the price sensitivity by setting firm prices, or by agreeing floor and ceiling price level contracts. During the past years pulp prices have steadily increased, partly due to lack of birch tree, lack of capacity for hardwood and the weakness of the USD.

Ahlstrom also uses a wide variety of synthetic fibers in its production, with total costs amounting to EUR 145 million in 2007. Prices for synthetic fibers are influenced by changes in crude oil prices and have steadily increased in connection with the escalation of oil prices. In addition, the prevailing demand and supply situation impact the prices of synthetic fibers. Lately especially rayon and abaca fibers have suffered from short supply. Efforts are constantly made to find alternative sourcing or substituting materials for these.

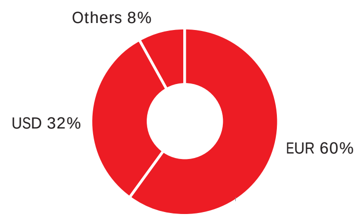
Chemicals

Ahlstrom uses a wide variety of chemicals such as latex binders, fillers, pigments and resins in its production processes. The total cost of chemicals in 2007 amounted to EUR 216 million. Latex binders represent a significant portion of the cost of chemicals. Latex binders are petrochemical derivatives and face price volatility and strong historical correlation with oil prices. The price for methanol increased significantly in 2007 due to supply shortage. Historically, prices for chemicals have been less variable than those for pulp.

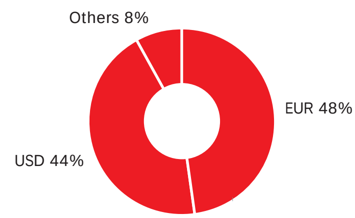
Raw material and energy costs



Currency breakdown of net sales



Currency breakdown of expenses



Energy

Energy inputs, including natural gas and electricity, are important components of Ahlstrom's production processes. Ahlstrom's total energy costs in 2007 amounted to EUR 156 million and accounted for approximately 9% of Ahlstrom's expenses. Natural gas and electricity accounted for more than 95% of these energy costs. In 2007, energy prices generally increased while natural gas prices in the USA remained fairly stable. More than half of Ahlstrom's electricity and gas needs in Europe (and a certain portion in the United States) were covered by fixed price or index-linked purchase contracts for 2007. Ahlstrom aims to decrease price sensitivity through consolidated purchasing, firm price contracts and energy savings.

The carbon dioxide emissions trading program within the European Union began in 2005. During Phase 1 (2005-2007) of the European Emissions Trading Scheme (ETS) Ahlstrom was a net creditor in the program. This situation is expected to continue also throughout the Phase 2 (2008-2012) of the program.

Foreign currencies

A large part of the Group's cash flows, receivables, payables and loans are denominated in currencies other than the euro. In 2007, approximately 60% of Ahlstrom's net sales was denominated in euro, approximately 32% in US dollars and approximately 8% in other currencies. Changes in the US dollar rates have a significant impact on the reported net sales of Ahlstrom. The effect is more pronounced in the FiberComposites segment, where approximately 58% of net sales for 2007 were denominated in non-euro currencies whereas in the Specialty Papers segment only approximately 19% of net sales for 2007 were denominated in non-euro currencies. In 2007, foreign currency fluctuations had a significant effect on net sales amounting EUR 48 million.

Although changes in foreign currency rates affect the reported net sales of Ahlstrom, profitability is not affected by these changes to the same extent because sales and costs denominated in the same currency offset each other. Although a significant part of the company's sales are denominated in US dollars, for example, Ahlstrom's principal raw material, pulp, is also mainly priced in US dollars.

In order to mitigate its currency transaction and currency translation net exposures at the Group level, Ahlstrom operates a currency hedging policy which is described in more detail in Financial Statements, under "Financial Risk Management", page 23.

Risk management

Ahlstrom has defined risks as being uncertain events that could affect the sustainable and ethical achievement of the company's strategic and operational goals.

The Group's risk management policy states that threats to the achievement of the organization's goals will be identified, analyzed, evaluated and responded to, in order to protect the company against loss, uncertainty and lost opportunity.

The Board of Directors is responsible for decisions regarding the risk management framework and for overseeing the compliance of risk management policies and the control environment. The Board has delegated to the Audit Committee the responsibility for overseeing the implementation of the risk management policies and for reviewing risk management principles and information regarding risk management.

The CEO, the Corporate Executive Team and company management are responsible for defining and implementing daily risk management procedures, and for ensuring that risks are taken into account in the Group's strategic planning. The Risk Management Steering Group, consisting of senior management as well as functional and business area representatives, coordinates risk management activities and risk reporting within the company.

In Ahlstrom, the main principle is to manage risks at their source, i.e. within the business unit or function where risks may occur. To realize economies of scale and ensure better control at group-level, certain risk management activities are centralized. These include, amongst other things, the establishment of group-wide insurance programs and management of the group's financial risks. In addition, the corporate and business area HSEA (health, safety, environment and asset protection) as well as IT organizations provide guidelines and review procedures for all business units and functions. Significant investments are controlled by the Investment Council before submission for approval by the CEO and the Board. Major contracts are analyzed by the corporate legal department, while tax exposure is optimized by corporate tax planning.

Ahlstrom's Group risk management approach and framework was further developed during 2007. The risk management steering group verified definitions for risks in the Ahlstrom risk listing, and designed a rating and scoring scale that has been used in risk assessment workshops. Structured risk assessment work continued in 2007 covering integration of the risk assessment aspect into the strategic business planning process as well as arranging detailed risk assessment workshops within the business areas. Mitigation actions are created for identified key risks and actions are followed up by the management. Ahlstrom has classified risks affecting its operations into three categories: strategic business risks, operational risks and financial risks.

Strategic business risks

Strategic business risks relate to the nature of the business and are often difficult to quantify. They are often related to customer relationships, product development, efforts to maintain a competitive advantage in quality, service and capacity utilization, as well as capital investments and acquisitions.

In accordance with the operative organization of the company, strategic business opportunities and risks are primarily addressed by the business area and product line management. Some of the strategic business risks that Ahlstrom is exposed to relate to:

- the global fiber-based materials market
- production capacity utilization
- sourcing of raw materials
- the integration of realized growth activities

The global fiber-based materials market

The markets for fiber-based materials are steadily growing and highly competitive. Some of Ahlstrom's competitors have a stronger market presence and/or better financial and other resources. Ahlstrom is building its market position on a combination of continuous innovation and long-term customer relationships. One of Ahlstrom's key strengths is its technical expertise and know-how that has allowed it to be innovative in responding to the needs of its customers.

Ahlstrom's future growth will depend on its ability to foresee the direction of commercial and technological progress in production processes or technologies in all of its key markets. Future growth and Ahlstrom's ability to reach its innovation targets will also depend upon Ahlstrom's ability to successfully develop new and improved products, using existing or new production capabilities, and to manufacture and market these products in changing markets. Proper R&D investments, skilled research teams and close cooperation with customers in product development are a proven concept, producing good results for both the company and its customers.

Production capacity utilization

Ahlstrom's ability to utilize its production capacity efficiently may be affected by variations in customer demand, or by interruptions in production. Ahlstrom has a relatively versatile production base with 40 production facilities worldwide, which are able to utilize capacity effectively, for example, by allowing for the redirection of resources to reflect changes in demand. Nevertheless, many of Ahlstrom's production facilities are one-machine sites with set fixed costs, thus making utilization rates particularly important for Ahlstrom.

Ahlstrom typically only produces goods against orders received, rather than for stock. However, a variety of conditions may cause customers to reduce, delay or cancel anticipated or confirmed orders. Close customer relationships help the company to make accurate estimates of future orders and, in so doing, mitigate the risk of down-time.

Sourcing of raw materials

The main raw materials for Ahlstrom are various wood pulps and other natural fibers (cotton, abaca etc.) as well as synthetic fibers. Ahlstrom also uses a wide variety of chemicals (latex binders, fillers and pigments, resins, etc.) in production. Raw material (e.g. fibers and chemicals) and energy costs account for the majority of total expenses. Wood pulp prices are subject to substantial cyclical fluctuations, as recently reflected by rapid increases. Similarly, Ahlstrom's energy costs are subject to significant variations, lately increases. Ahlstrom has to a certain extent been able to pass on increases in purchasing prices from suppliers to its customers in sales prices, typically with some delay. In general, the prices payable under its supply agreements are adjusted periodically.

An interruption in the supply of raw materials, or a significant increase in the prices of raw materials due to market shortages or natural disturbances could significantly affect Ahlstrom's ability to provide competitively priced products to customers at the time they are wanted. To mitigate the risk of a significant interruption in the supply of, or a significant increase in the prices of any raw materials, Ahlstrom has identified certain alternative suppliers.

The integration of realized growth activities

In recent years Ahlstrom has been actively pursuing its strategy to grow significantly and strengthen its global presence. This has included a number of acquisitions and joint ventures to facilitate growth on all continents as well as various organic growth investments into new production facilities and machinery. Mergers, acquisitions and investments include a number of acknowledged risks stemming from all categories of risk (strategic business, operational, financial).

Integrating these realized growth activities into Ahlstrom's business and operational networks requires a multitude of skills and resources dedicated to the tasks. Ahlstrom has a coherent cooperation between the business operations involved, as well as between functions such as legal, purchasing, treasury, global sales network, and IT, to ensure that the commitments to customers are respected and to win new markets through the extended offering. Similarly opportunities to intensify efficiencies generated by these initiatives are harvested.

Fast-growing eucalyptus, the short fiber of today

ORIGINALLY A NATIVE AUSTRALIAN TREE, EUCALYPTUS NOW GROWS IN MANY COUNTRIES AROUND THE WORLD. THE BREAK-THROUGH OF FAST-GROWING EUCALYPTUS AS A LEADING HIGH-QUALITY SOURCE OF SHORT FIBER MATERIAL FOR PAPERMAKING, HAS BEEN A VERY QUICK PROCESS. THE PRODUCTION OF EUCALYPTUS PULP REALLY BECAME SIGNIFICANT ONLY DURING THE 1990S, AND TODAY IT IS ALREADY A CLEAR MARKET LEADER.

The great commercial advantage of eucalyptus is its short rotation time. Planted trees are ready for harvesting after just 7-10 years, and the productivity is 44 m^3/ha/year wood harvested. The corresponding figures for cold climate species are 4-5m^3/ha/year, with an average age of 40-45 years. Currently, Latin American plantations are the most competitive in the world. For example, the cost of growing eucalyptus pulpwood is around USD 10-15/m^3 in Brazil, whereas the same figure is USD 70-95 in Spain.

Eucalyptus production in Latin America has exploded in recent years, with total capacity today being nearly 10 million tons, and expected to reach 15 million tons in 2011. In addition to its low production costs and stable quality, eucalyptus pulp also offers technical benefits to many paper makers.

Votorantim Cellulose e Papel (VCP) has been globally supplying Ahlstrom with eucalyptus pulp for years. The creation of the Ahlstrom-VCP joint venture gives Ahlstrom a unique competitive advantage, since the joint venture is integrated with VCP's pulp production facility. This provides Ahlstrom-VCP with exceptional access to competitively priced eucalyptus pulp and energy, as well as the know-how for further increasing the use of eucalyptus in Ahlstrom products.

Ahlstrom has developed its operational loss prevention processes to identify and mitigate risks.

• IN AHLSTROM, THE MAIN PRINCIPLE IS TO MANAGE RISKS AT THEIR SOURCE.

Operational risks

Operational risks often arise as a consequence of inadequate or failed internal processes, people's actions, systems, or external events. Risks of this kind are often connected with a plant's operations, projects, information technology or infrastructure. If the risks materialize, they can lead to injuries, damage to property, interruption of operations, environmental impacts, or liabilities to third parties.

Ahlstrom has developed its operational loss prevention processes in order to identify and mitigate operational risks. To minimize the potential financial impact of materialized risks, Ahlstrom has an established group-wide insurance program for risks related to property damages and business interruption, liability exposure, and cargo transport. Some of the operational risks that Ahlstrom is exposed to relate to

- Health, safety, environment and asset protection
- Human resources

Health, safety, environment and plant asset protection

Site managers of the business units are responsible for ensuring that the sites comply with local regulations. In Ahlstrom, accident risks in its operations, including injuries to people and damages to property or the environment, are managed by each plant, while the corporate and business area HSEA (health, safety, environment and plant asset protection) organization provides guidelines and reviews procedures that all plants have to follow. Natural catastrophic events, to which Ahlstrom is exposed, include windstorms, floods, earthquakes, and severe winter weather, all of which are inherently unpredictable in terms of both occurrence and severity. Ahlstrom is also exposed to man-made catastrophic events.

Many of the company's manufacturing facilities are located on properties with a long history of industrial use, including possible use for the storage and disposal of hazardous materials. A few of Ahlstrom's facilities have on-site landfills currently or formerly used for waste generated by the operations of the company or by prior occupants of the site. The company believes it is in material compliance with applicable environmental and related laws.

Ahlstrom's HSEA risk management is discussed in more detail in the Sustainability section of this report.

Human resources

Ahlstrom's success depends to a significant degree upon the continued contributions of its key personnel, as well as on its ability to attract qualified new personnel. Ahlstrom has not had problems in the past with attracting and retaining skilled employees. Ahlstrom's actions to motivate its personnel and to mitigate the risks related to human resources are further discussed in the Social performance section, on pages 59-62.

Financial risks

Financial risks are managed by Group Treasury, under a Treasury Policy approved and overseen by the Board through the Audit Committee. The Treasury Policy covers funding, interest rates, foreign currency and counterparty risks as well as risks related to emission rights.

In order to mitigate the foreign currency transaction and translation net exposures at the group level, Ahlstrom operates a currency hedging policy. Financial risks and the hedging policy are discussed in more detail in the Financial Statements, note 24.

Implementation of global growth strategy continued

IN LINE WITH ITS GLOBAL GROWTH STRATEGY, AHLSTROM CONTINUED TO FURTHER EXPAND ITS OPERATIONS IN 2007. DURING THE YEAR, THE COMPANY MADE FIVE ACQUISITIONS AND FOUR GROWTH INVESTMENTS, SPANNING FOUR CONTINENTS.

Ahlstrom implements its growth strategy by expanding and further improving its operations both through investments in new capacity and new technologies in existing operations. The company focuses its investments and acquisitions in geographic markets with rapid growth, especially the BRIC countries Brazil, Russia, India and China. For example, in Russia Ahlstrom built a glassfiber tissue plant serving the building and composite materials industries.

In 2007, Ahlstrom invested approximately EUR 155 million in attractive growth segments and made altogether five acquisitions, valued approximately at EUR 220 million. Ahlstrom's investments are expected to generate net sales amounting to 1.5 times the investment value in 3-5 years and reach a return on capital employed of at least 13%.

GROWTH INVESTMENTS AND ACQUISITIONS

Investment	Business area	Value EUR million	Start-up
Glassfiber tissue plant, Tver, Russia	Glass Nonwovens	38	Q1/2008
Needlepunch line for dust filtration, Bethune, USA	Filtration	8	Q2/2008
Wiping fabrics line, Paulinia, Brazil	Nonwovens	17	Q3/2008
Food nonwovens line, Chirnside, UK	Nonwovens	27	Q4/2008
Expansion of production capacity for specialty reinforcements, Bishopville, USA	Glass Nonwovens	7	2008-2011
Rebuild of industrial nonwovens line, Turin, Italy	Nonwovens	10	Q1/2009
Plant for medical nonwovens, Gujarat, India	Nonwovens	38	Q4/2009

Acquisition	Business area	Value EUR million	
Orlandi Group's spunlace nonwovens business, wipes, Italy	Nonwovens	60	
Fiberweb's consumer wipes business, Italy, Spain, USA	Nonwovens	65	
Fabriano Filter Media, microglass filter media, Italy	Filtration	7	
Ahlstrom-VCP joint venture (60%), labeling and packaging papers, Brazil	Release & Label Papers	80	
Joint venture (70%) with Zhejiang Kan Specialty Material, crepe papers, China	Technical Papers	10	to be closed in H1/2008

Business review

AHLSTROM REPORTS ITS OPERATIONS IN TWO SEGMENTS: FIBERCOMPOSITES AND SPECIALTY PAPERS. OPERATIVELY, THE SEGMENTS COMPRISE FIVE BUSINESS AREAS.

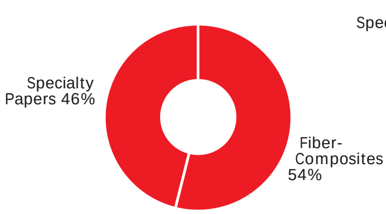
FiberComposites

- **Nonwovens**
- **Filtration**
- **Glass Nonwovens**

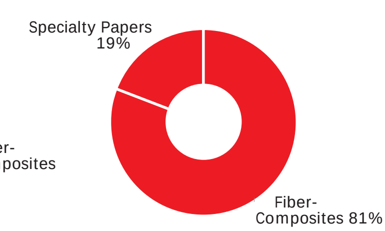
Specialty Papers

- **Technical Papers**
- **Release & Label Papers**

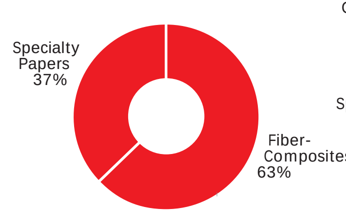
Net sales by segment



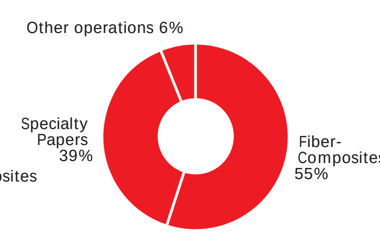
Operating profit by segment
(excluding non-recurring items)



Capital employed by segment
(end of period)



Employees by segment
(end of period)



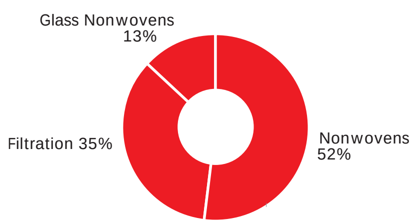
Ahlstrom expands its operations into Russia

• IN 2007, AHLSTROM BUILT A GLASSFIBER TISSUE PLANT IN TVER, RUSSIA.

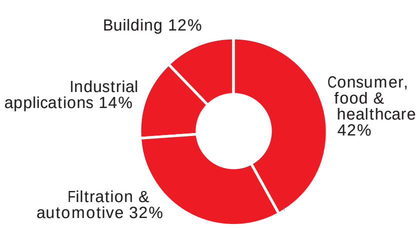
FiberComposites
serves
the transportation,
healthcare,
building and
consumer products
industries

Acquisitions and growth investments continued on four continents

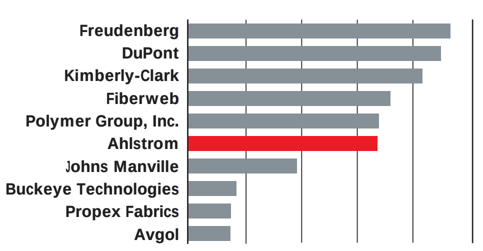
Net sales by business area



Net sales by end-use sector



Top 10 in nonwovens



Based on nets sales 2006
Source: Nonwovens Industry, Sept. 2007

Ahlstrom's FiberComposites segment is one of the leading nonwoven roll goods producers in the world. It manufactures and supplies nonwovens, filtration media and glassfiber materials globally to customers in various industries, such as transportation, consumer goods, healthcare and building materials.

FiberComposites comprises three business areas utilizing nonwoven manufacturing technologies: Nonwovens, Filtration and Glass Nonwovens.

The segment's net sales in 2007 amounted to EUR 941 million (EUR 808 million), and it employed more than 3,500 people. The segment operates 28 manufacturing facilities on four continents and it has a worldwide network of sales and marketing resources.

Ahlstrom is one of the largest nonwovens producers in the world. Its strong global position is based upon the company's outstanding ability to offer innovative products to customers

KEY FIGURES

EUR MILLION	2007	2006	2005
Net sales	941.4	808.2	742.3
Operating profit	48.7	52.3	65.5
Operating profit excl. non-recurring items	60.6	54.1	62.7
Operating profit, % excl. non-recurring items	6.4	6.7	8.4
Return on net assets (RONA), %	7.0	8.6	11.3
Return on net assets (RONA), % excl. non-recurring items	8.7	8.9	10.8
Number of employees	3,553	3,054	2,898

The segment's financial performance in 2007 is explained in more detail in the Financial review, page 16.

as well as on its worldwide production facilities and wide variety of technologies. The products incorporate a wide range of synthetic and natural fibers, making it possible to develop and customize the product features and performance to meet specific customer needs. The overall market for the Fiber-Composites segment is expected to grow approximately 6-7% annually.

Nonwovens business area

The Nonwovens business area serves customers in the food packaging, medical, wiping, building, and technical goods sectors. Ahlstrom's nonwovens are designed to provide multifunctional product characteristics and are used alone, or as components, in various applications.

Ahlstrom focuses on high value-adding product groups that provide significant growth opportunities and in which the company can achieve a leadership position.

Photo courtesy of Cardinal Health

Smart® gowns and Tiburon® fabric are registered trademarks of Cardinal Health Inc.

Ahlstrom and Cardinal Health: growing globally in the medical field

WORKING WITH MARKET LEADERS TO ACHIEVE THE INITIATIVES OF GLOBAL GROWTH HAS BEEN A TARGET OF THE MEDICAL PRODUCT LINE OVER THE LAST YEARS. THE RESULT IS AN OUTSTANDING RELATIONSHIP WITH CARDINAL HEALTH, INC.

Headquartered in Dublin, Ohio (USA), Cardinal Health is a global company serving the health care industry with products and services that help hospitals, physician offices and pharmacies reduce costs, improve safety, productivity and profitability, and deliver better care to patients. With a focus on making supply chains more efficient and reducing hospital-acquired infections, Cardinal Health develops market-leading technologies and manufactures medical and surgical products.

Ahlstrom is one of the major material suppliers that Cardinal Health works with to manufacture its Smart® gowns and its Tiburon® fabric for surgical drapes. Cardinal Health is committed to operational excellence and works with all of its supply partners, including Ahlstrom, on a variety of continuous improvement programs. According to Mike Kelly, vice president and general manager of Cardinal Health's Convertors business, "We have enjoyed a very good working relationship with Ahlstrom for more than two decades. We access and use Ahlstrom's materials for product portfolios that Cardinal Health makes and sells worldwide."

Ahlstrom is dedicated to maintaining its excellent relationship with Cardinal Health and to providing materials to help the company with its global growth efforts.

Ahlstrom aims to generate demand for new materials in both existing and new markets by leveraging on its knowhow in natural and synthetic fibers, on its production techniques, and the combination of web materials. At the same time, the company is exploiting the trend in which nonwoven materials are increasingly replacing textiles, paper and plastics – for instance in healthcare and household products.

Expansion in Europe and into India

In 2007, Ahlstrom expanded its production capacity of nonwoven materials both through acquisitions and investments in new manufacturing lines. The acquisition of Fiberweb's consumer wipes operations comprised three plants in Europe and one in the USA, while the acquisition of the Italian Orlandi Group's spunlace nonwovens operations included two plants in Italy. The integration of these acquired operations was completed by the end of 2007.

The company also decided to invest in the production of industrial nonwovens at its Turin plant in Italy, by converting a specialty paper machine to manufacture nonwovens for industrial applications.

In 2007, Ahlstrom decided to invest in a new medical nonwovens plant in India. The plant will serve as a platform for further expansions of Ahlstrom's businesses in the area. Furthermore, the investments in a new food nonwovens line in Chirnside, Scotland and a wiping fabrics production line in Paulinia, Brazil, announced in 2006, will start production during 2008.

Significant net sales growth and stronger market position

The good market situation for all product areas continued throughout 2007 despite the general concerns

THE FIBERCOMPOSITES SEGMENT IN BRIEF

Business area	Product lines	Key applications by product line
Nonwovens 28% of the Group net sales	Industrial nonwovens	Wallcovering, automotive backings, industrial reinforcements, floorings, packaging
	Food	Tea bags, absorbent food tray pads, fibrous meat casings
	Medical	Drapes, gowns, face masks
	Wipes	Personal care, baby, home care, abrasive and industrial wipes
Filtration 19% of the Group net sales	Transportation filtration	Automotive filtration (air, lube, fuel etc.)
	Air filtration	HVAC filtration, dust filtration, gas turbine filtration
	Liquid filtration	Food, water and beverage filtration, wastewater filtration, life sciences filtration
Glass Nonwovens 7% of the Group net sales	Glassfiber tissues	Floorings, wallcoverings, building panels, roofing materials
	Specialty reinforcements	Windmill blades, boat hulls, sports goods, automotive, transportation & other industrial applications

of the US economy. The overall sales volume grew significantly by 54.4%, driven mainly by the strong demand in wipes and wall coverings, but also by the organic investments and acquisitions within the wiping fabrics business.

As a result of the growth actions taken in 2007, Ahlstrom became the largest wiping fabrics producer in the world. Comparable net sales adjusted for acquisitions and currency effect grew by 7.7%. Since the USD is the currency used in approximately half of the business area's net sales, the weakening of the dollar had an adverse effect during 2007.

Costs for energy and raw materials continued to increase throughout the year. The price for rayon, one of the most important raw materials for the business area, increased by more than 40% from its 2006 level. The business area was, however, able to partially offset the increased input costs by improving productivity at most of the manufacturing sites, and by increasing sales prices.

Filtration business area

Filtration media produced by Ahlstrom are used in the transportation industry, and in liquid and air filtration applications. Filtration media are produced and delivered to filter manufacturers in roll goods form. These manufacturers in turn sell the finished filters to producers of industrial and consumer goods.

Ahlstrom is the leading manufacturer of filtration media, and it holds a particularly strong position in transportation filtration. The company continues to bring innovative products to market,

Microglass fibers ensure ultimate filtration efficiency

IN MAY 2007, AHLSTROM ACQUIRED FABRIANO FILTER MEDIA S.P.A, LOCATED IN CENTRAL ITALY. THIS ACQUISITION WILL COMPLEMENT THE COMPANY'S TECHNOLOGY PORTFOLIO, AND EXPAND ITS OFFERING TO COVER NEW FILTRATION SOLUTIONS.

The plant had produced paper since the 1970s, but converted to microglass filter media in 1994. It specializes in products for high-efficiency air filtration applications, known as HEPA (high efficiency particulate air) and ULPA (ultra low particulate air) filtration. Other advanced end uses include some critical liquid filtration applications, such as hydraulics. Microglass filters have also proven to be effective, for example, in separator-coalescing applications and air compressors.

Microglass fibers offer unique characteristics for these applications, and few companies have the know-how and capabilities to produce microglass filter media. Ahlstrom's Fabriano site operates one machine with unique capabilities, including true double layer formation, and one of the most advanced glass cleaning systems in the industry to produce some of the highest quality products for very demanding markets.

Ahlstrom is the largest wiping fabrics producer in the world.

• THE FIBERCOMPOSITES SEGMENT'S NET SALES GREW BY 16.5% IN 2007.

FIBERCOMPOSITES

Business area	Nonwovens				Filtration			Glass Nonwovens	
Product line	Industrial nonwovens	Food	Medical	Wipes	Transportation filtration	Air filtration	Liquid filtration	Glassfiber tissues	Specialty reinforcements
Plants									
Alicante (E)				x					
Barcelona (E)					x		x		
Bellingham (USA)*					x	x			
Bethune (USA)				x		x	x		
Bishopville (USA)									x
Brignoud (F)	x			x					
Carbonate (I)				x					
Chirnside (UK)	x	x	x	x					
Cressa (I)				x					
Gallarate (I)				x					
Green Bay (USA)	x		x	x					
Groesbeck (USA)						x			
Hyun Poong (ROK)	x				x	x	x		
Karhula (FIN)								x	x
Louveira (BRA)					x				
Madisonville (USA)					x				
Malmédy (B)	x								
Mikkeli (FIN)									x
Mozzate (I)				x					
Mt. Holly Springs (USA)							x		
Sassoferrato (I)						x	x		
Ställdalen (S)	x			x					
Tampere (FIN)					x	x	x		
Taylorville (USA)					x				
Turin (I)					x	x	x		
Tver (RUS)								x	
Windsor Locks (USA)	x	x	x	x	x				
Wuxi (CHN)						x			

* To be closed in Q3/2008

while reinforcing its leading position in the transportation segment through global growth. Ahlstrom also aims to further strengthen its position in the heating, ventilation and air conditioning (HVAC) markets, as well as in water filtration and life sciences. In addition, the company has the capabilities to address increasingly stringent environmental, health and regulatory requirements for filtration media.

Growing demand in Asia and South America

In general, the demand for filtration materials continued to develop favorably in 2007. Demand for transportation filtration media was good in Europe and particularly strong in South America and Asia due to strong local economic growth and the relocation of certain customers to the area. In North America, sales development was mixed. While the market for transportation filtration remained good the market for air filtration media continued to suffer due to the slow down of the housing market. The demand for liquid filtration, however, remained steady throughout the year.

Full year sales volumes grew by 3.1%. Net sales adjusted for

Investment aims at serving growing wind energy market in North America

AHLSTROM IS ONE OF THE LEADING SUPPLIERS OF SPECIALTY GLASSFIBER REINFORCEMENTS TO THE FAST GROWING WIND ENERGY SECTOR IN NORTH AMERICA. UNTIL RECENTLY, ALL OF AHLSTROM'S GLASS NONWOVENS PRODUCTION FACILITIES SERVING THIS MARKET WERE LOCATED IN FINLAND, WHERE THE TECHNOLOGY HAD ORIGINALLY BEEN DEVELOPED.

Since the demand for solutions facilitating the use of renewable energy in North America continues to grow by more than 20% per year, it was only natural that the company decided to build a new production plant for specialty reinforcements in Bishopville, South Carolina, close to its customers in both North and South America.

The EUR 10 million investment project, started in summer 2006, involved a significant and demanding transfer of technology know-how, the training of staff, and the installation of machinery. However, within six months of the start of the project, the plant made its first deliveries to satisfied customers. The successful completion of the project was the result of the efforts of a highly committed project team, and Ahlstrom's ability to leverage its existing resources at a filtration material plant located close to the new facility.

Due to rapidly growing demand in the North American wind energy market, Ahlstrom will double production capacity at the Bishopville facility during the period 2008-2011.

the currency effect and acquisitions increased by 4.0%. Costs for energy and raw materials, especially pulp and methanol related products, increased significantly. Price increases have been implemented in all geographic regions in order to improve profitability.

Investments and improved competitiveness

The integration process of Fabriano Filter Media SpA, an Italian manufacturer of microglass filter media for air filtration, was completed in 2007. The acquisition, made in May 2007, complements Ahlstrom's filtration technology portfolio and provides the company with access to high efficiency filtration markets.

In order to streamline its organization and improve its competitiveness, Ahlstrom decided to consolidate its North American air filtration production sites in Bellingham, Massachusetts and Darlington, South Carolina to its Bethune plant in South Carolina, USA. By concentrating operations at its Bethune plant, Ahlstrom is able to utilize the existing infrastructure more efficiently, thereby reducing fixed costs in line with company strategy.

In 2007, Ahlstrom announced an investment in a new production line for filtration materials at its Darlington plant. The line was later redirected to Ahlstrom's Bethune plant. Furthermore, Ahlstrom made a decision to invest in new filtration capacity at its Windsor Locks, USA plant by converting a machine previously producing nonwovens materials.

Glass Nonwovens business area

Ahlstrom's glass nonwovens products are used in the building materials, marine, automotive, transportation, windmill, and sporting goods sectors. Ahlstrom operates within various high-end market applications, and in certain fast growing areas, such as the vinyl floorings, marine and windmill sectors, the company holds a leading position.

The Glass Nonwovens business area is looking for opportunities to differentiate its products from those of its competitors. This is achieved by combining glassfiber and nonwoven production know-how to produce advanced and customized specialty glassfiber products.

Growing demand in the wind energy market

Demand for Ahlstrom's glass nonwovens applications developed favorably throughout the year in all main geographies. In 2007 Ahlstrom's sales volumes grew by 9.8% and net sales by 11.1%. The main drivers of sales growth were the new specialty reinforcement plant in Bishopville, USA serving the windmill, transportation and marine industries, and the capacity expansion made, in the beginning of the year, at the Karhula, Finland plant.

Raw materials and energy prices continued to rise throughout the year 2007. The business area will continue to raise its sales prices and improve productivity.

Production expands to North America and Russia

During 2007, Ahlstrom expanded its glass nonwovens operations by inaugurating a facility for specialty reinforcements in the USA and by building a new plant for the production of glassfiber tissue in Russia. Production at the plant was being ramped up during the first quarter 2008. The plant primarily serves the rapidly growing Russian building and composite material industries.

Ahlstrom's plant in Bishopville, South Carolina, USA started production at the beginning of 2007. In response to strongly growing demand in the wind energy markets, Ahlstrom decided at the end of the year 2007 to double the production capacity of the Bishopville plant. The first stage of the expansion will be implemented in 2008 and the second stage between 2009 and 2011. The company expects annual demand increase in the North American wind energy market by 20% and in the marine sector by 5%.

One of the glass furnaces at the Karhula plant was rebuilt at the beginning of the year, and the plant increased production capacity of its strand mat machine.

Leveraging on leading position

in Latin America

• THE AHLSTROM-VCP JOINT VENTURE REINFORCES AHLSTROM'S LEADING POSITION IN THE GLOBAL SPECIALTY PAPER MARKETS.

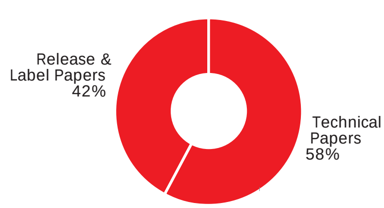
Specialty Papers serves the labeling, packaging, furniture & building and consumer products industries

Year of geographic expansion and restructuring

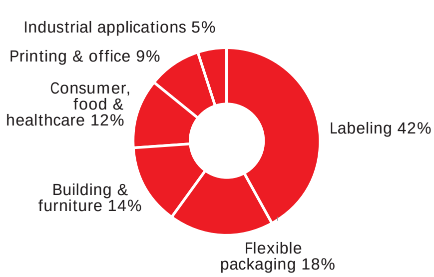
Ahlstrom's Specialty Papers segment is the largest producer of specialty papers in the world. The segment's customers represent a wide range of industries, such as self-adhesive labeling, furniture and building, consumer products, packaging and food.

The Specialty Papers segment comprises two business areas: Technical Papers and Release & Label Papers. In 2007, Ahlstrom carried out a restructuring process within the European operations of its Specialty Papers segment, due to the weakening demand for one-side coated papers. As part of the restructuring, the company decided to close the Ascoli plant in Italy, the Chantraine plant in France and the PM4 production line producing release base papers at the Turin plant in Italy. The Stenay and Rottersac plants in France were transferred from the Label & Packaging Papers business area to the Technical Papers business area. Following the reorganization, the Label & Packaging Papers business area

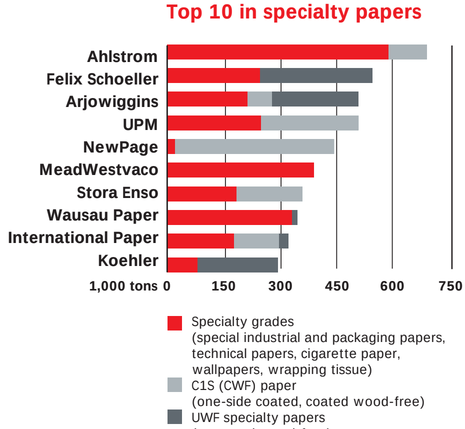
Net sales by business area



Net sales by end-use sector



Top 10 in specialty papers



Estimated specialty paper capacity in tons, 2008
Source: Poyry

KEY FIGURES

EUR MILLION	2007	2006	2005
Net sales	824.7	794.0	790.7
Operating profit / loss	-12.5	32.2	57.7
Operating profit excl. non-recurring items	13.9	36.4	42.9
Operating profit, % excl. non-recurring items	1.7	4.6	5.3
Return on net assets (RONA), %	-3.2	10.5	18.7
Return on net assets (RONA), % excl. non-recurring items	-3.6	11.8	13.9
Number of employees	2,540	2,286	2,278

The segment's financial performance in 2007 is explained in more detail in the Financial review, page 16.

was renamed Release & Label Papers. Ahlstrom's financial reporting reflects the new organization as of October 1, 2007.

The segment's net sales in 2007 amounted to EUR 825 million (EUR 794 million) and it employed more than 2,500 people. The segment has 11 plants in Europe, a joint venture company in Brazil, as well as a global sales network.

The segment's competitive advantage is based on Ahlstrom's know-how developed through decades of experience in the specialty paper sector and on a versatile product offering. This advantage is further consolidated by a commitment to work closely with customers in developing innovative solutions to meet their specific needs. Ahlstrom's extensive knowledge of natural fibers and chemicals, together with its ability to adapt them for product use, are essential factors in achieving maximum product performance.

Ahlstrom reinforces its leading position as a global supplier of genuine vegetable parchment

AHLSTROM HAS DEVELOPED A UNIQUE VEGETABLE PARCHMENT OFFERING THROUGH PRODUCT DEVELOPMENT, ORGANIC INVESTMENTS AS WELL AS THE ACQUISITION OF A SPECIALTY PAPER COMPANY, WEST CARROLLTON IN THE USA.

Thanks to the investments, Ahlstrom has the capability to serve its customers globally with its genuine vegetable parchment product range in market segments such as packaging, baking, furniture laminates, textile tubes and graphics.

The food packaging and baking industry demands innovative solutions having advanced temperature and grease resistance, as well as release and durability properties. Ahlstrom's genuine vegetable parchment can satisfy those needs in a cost effective way. The growth of the quick service restaurant market has led to a global increase in the demand for baking paper made of vegetable parchment.

Ahlstrom's genuine vegetable parchment is a natural eco-friendly paper, made from cellulose. As a result of its advanced production process, the paper forms a barrier to grease, obtains excellent temperature and water resistance, and has high release properties and superior strength. For example in baking, Ahlstrom genuine vegetable parchment can be re-used up to 15 times, while traditional greaseproof materials can typically be used only once.

The acquisition of West Carrollton, announced in early February, 2008, will further strengthen Ahlstrom's leading global position in this field, and the added improvement to the company's worldwide service will benefit customers.

Prior to the acquisition, Ahlstrom was operating two vegetable parchment manufacturing sites in France. In 2005, Ahlstrom invested in a second on-line siliconizing machine, and in 2007 in production optimization and capacity increases, both at its Saint-Séverin plant in France.

Ahlstrom is the largest producer of specialty papers in the world.

• THE SPECIALTY PAPERS SEGMENT'S NET SALES INCREASED BY 3.9% IN 2007.

THE SPECIALTY PAPERS SEGMENT IN BRIEF

Business area	Product lines	Key applications by product line
Technical Papers 27% of the Group net sales	Metalizing & graphic papers	Metalized beverage labels, metalized flexible packaging, envelope windows, repositionable notes
	Packaging	Packaging of consumer products, including food, hygiene, pharmaceutical products, pet food
	Abrasive base paper	Sand papers
	Pre-impregnated decor	Furniture laminates, decorative panels
	Wallpaper base and poster paper	Wallpapers, outdoor advertising
	Crepe paper	Masking tapes, medical wipes, cleaning wipes
	Vegetable parchment	Baking papers, fast food packaging, furniture, tubes
	Sealing and shielding	Sound absorption materials, heat shields, gaskets, calendar bowls
Release & Label Papers 19% of the Group net sales	Face stock and wet glue label papers	Pressure sensitive adhesive (PSA) labels for beverages, food, pharmaceuticals and cosmetics, wet glue labels for beverage bottles and food cans
	Release base papers	Pressure sensitive adhesive (PSA) labels for consumer and durable products, self-adhesive tapes

Ahlstrom seeks to further strengthen its global position in specialty papers through the innovative development of industry-leading products, investments in productivity and manufacturing capacity, and by targeting suitable acquisitions. It is estimated that the volume of the overall market for Ahlstrom's specialty papers grows at an average annual rate of 3-4%.

Technical Papers business area

Ahlstrom serves the global technical papers markets with solutions targeted to meet demanding end-product specifications. The ability to provide customized products and converting concepts is critical to success in this industry. Ahlstrom's technical papers are used in numerous applications within the automotive, building, food, packaging, healthcare, furniture and other industries.

The market for technical papers is fragmented and involves a large number of specialized segments. Ahlstrom is the leading supplier of vegetable parchment and poster papers as well as flexible packaging papers and pre-impregnated decor; and among the top two globally in crepe, wallpaper and abrasive base papers. Ahlstrom aims to grow its technical papers business primarily through organic investments and product innovation.

Stronger market position

In 2007, the demand for technical papers varied by product and geographic area. The market environment continued to be favorable for vegetable parchment, poster and crepe papers, while market conditions for flexible packaging papers were challenging.

The export markets from Europe were impacted by the weakness of the US dollar against the euro.

The business area's net sales grew by 4.3% over the previous year. Sales volumes increased by 4.9%. The cost of pulp, the business area's primary raw material, continued to rise in 2007. Consequently, Ahlstrom increased the sales prices in most product lines during the year. Furthermore, productivity improvements and fixed cost reductions were implemented at all plants in order to improve profitability.

Expanding into China

In September 2007, Ahlstrom signed a joint venture agreement with Zhejiang Kan Specialty Material Co, a Chinese manufacturer of specialty papers. Ahlstrom will hold 70% of the shares in the company, which mainly serves the masking tape application markets with crepe papers. The joint venture will serve as a platform for Ahlstrom's further growth in China. The acquisition is expected to be closed in H1/2008.

Release & Label Papers business area

Ahlstrom's Release & Label Papers business area is one of the world's biggest suppliers of release base papers

Label papers benefiting from South American market growth

SINCE THE ESTABLISHMENT OF ITS JOINT VENTURE WITH VOTORANTIM CELULOSE E PAPEL (VCP) IN LATE 2007, AHLSTROM HAS BECOME THE LEADING PRODUCER OF COATED PAPERS FOR WET GLUE AND SELF-ADHESIVE LABELING IN SOUTH AMERICA.

Ahlstrom currently holds 60% of the shares in the joint venture company, which is located in the Brazilian State of São Paulo.

Supported by growing domestic demand and high prices for oil, agricultural products and other commodities, all of which account for a major share of the region's exports, the South American economies have rebounded strongly during the past three years. Most indicators show that the continent's GDP will keep on growing in the medium term, mainly thanks to the stable progress in domestic demand.

Label consumption in South America is expected to grow by more than 10% per year. The investment activity of multinational consumer goods producers, which increasingly manufacture and source labels locally, will create peaks in demand for self-adhesive labels. The massive Brazilian beer market, as well as rapidly growing export markets for Chilean and Argentinean wine, will also contribute towards roughly doubling the label market over the period 2006 to 2012.

Partly thanks to its strategic location next to a eucalyptus pulp mill operated by VCP, the Ahlstrom-VCP plant is today a major South American producer of high quality papers for self-adhesive labeling. This reinforces the company's global position in this business and opens promising opportunities for future growth.

to the self-adhesive labeling industry.

In Europe, the business area operates two plants to serve customers globally. In 2007, Ahlstrom expanded its specialty papers business outside Europe by establishing a joint venture in Brazil for the production of papers mainly for labeling applications and for certain flexible packaging markets.

In line with its strategic targets, Ahlstrom aims to grow its release and label paper business both through organic investments and acquisitions and by introducing new and improved products. The worldwide demand for release base papers, the largest product line within the business area, is estimated to grow by approximately 5-7% annually.

Profitability affected by challenging market situation

The market situation for the business area remained challenging in 2007. The temporary excess supply of release base papers in Europe and the weak demand for coated-one-side papers put pressure on Ahlstrom's sales prices. However, in Latin America, the demand for release base papers continued at a good level.

The price for pulp, the business area's main raw material, as well as energy costs continued to rise throughout the year and were significantly higher than in 2006. Furthermore, the operating losses of the closed plants and technical problems with the ramp-up of the release base paper investment at the La Gère plant in France had a negative impact on the business area's financial performance.

Joint venture in Brazil boosts growth

In the Latin American market, demand for release and label papers was good throughout the year. The business area's net sales grew by 3.2% over the previous year while sales volumes increased by 10.1% although net sales adjusted for acquisitions and currency effect decreased by 5.4%. The better part of the growth came from the new joint venture in Brazil, completed in September 2007. The plant's products are mainly targeted to labeling applications as well as selected markets for flexible packaging papers. Currently, the majority of the plant's production is sold on local markets, but Ahlstrom aims to expand into new markets by taking advantage of its global sales network. The Ahlstrom-VCP joint venture reinforces the company's leadership position in the global specialty paper markets enabling effective entry into the fast-growing markets in Latin America. It also provides Ahlstrom with strategic access to eucalyptus pulp, which is the business area's most important raw material.

SPECIALTY PAPERS

Business area	Technical Papers								Label & Packaging Papers	
Product line	Metalizing & graphic papers	Packaging	Abrasive base paper	Preimpregnated decor	Wallpaper base and poster paper	Crepe paper	Vegetable parchment	Sealing and shielding	Face stock and wet glue label papers	Release base papers
Plants										
Altenkirchen (D)								x		
Bousbecque (F)							x			
Chantraine (F)*									x	
Jacareì (BRA)	x	x							x	x
Kauttua (FIN)						x				
La Gère (F)										x
Osnabrück (D)			x	x	x					x
Pont-Audemer (F)						x				
Rottersac (F)	x	x							x	
Saint-Séverin (F)							x			
Stenay (F)	x	x							x	x
Turin (I)						x				x

* To be closed in Q2/2008

Working together for a better future

• IN 2007, AHLSTROM CONTINUED ITS STEADY TREND OF ENVIRONMENTAL IMPROVEMENT.

• EMPLOYEES, THEIR COMMITMENT, MOTIVATION AND SKILLS, PLAY A VITAL ROLE IN ENSURING AHLSTROM'S SUCCESS.

Ahlstrom´s sustainability reporting covers economic, environmental and social performance

The code of business conduct

Compliance with the law
Ahlstrom and its employees will abide by the letter and the spirit of all applicable laws and regulations, and will act in such a manner that the full disclosure of all facts related to any activity will always reflect favorably upon Ahlstrom.

Adherence to high ethical standards
Ahlstrom and its employees will adhere to the highest ethical standards of conduct in all business activities, and will act in a manner that enhances Ahlstrom's standing as a vigorous and ethical competitor within the business community. Customer relations shall be based on honesty and trust.

Responsible business citizenship
Ahlstrom and its employees will act as responsible citizens in the communities where the company does business. Ahlstrom expects its employees to be honest in dealings with fellow employees, the company, its management, suppliers, customers and other members of the business community.

Avoidance of conflicts of interest
A conflict of interest is a divided loyalty between the interests of Ahlstrom and the personal interest of the employee. Employees must not allow personal considerations or relationships, whether actual or potential, to influence them in any way when representing Ahlstrom in dealings with other persons or organizations.

Completeness and accuracy of books and records
All entries made in the books, records, and accounts of Ahlstrom Corporation and each of its subsidiaries and affiliates must properly and fairly reflect the transactions being recorded, to the best knowledge, information, and belief of the employees making the entries. Ahlstrom expects open and transparent internal and external communications of the company's information.

Use of Ahlstrom's name, assets and information
The Ahlstrom name, assets and information belong to Ahlstrom and not to individual employees, regardless of position within Ahlstrom. All of the business information generated and used within the business is valuable to Ahlstrom and may be valuable to outsiders. Employees should carefully control the release of any business information, including confidential information given to Ahlstrom by a third party.

Human rights
Ahlstrom is committed to maintaining a safe, healthy workplace for all employees. No employee shall be subject to any form of abuse or harassment, whether physical or psychological. Ahlstrom shall not discriminate in employment on the basis of age, gender, race, ethnicity, religious beliefs, or political affiliation.

The environment
Ahlstrom shall employ state-of-the-art means for environmental protection.

The entire code of business conduct can be found at www.ahlstrom.com

Sustainable business practices

MANAGING OPERATIONAL RISKS COVERS, AMONG OTHER THINGS, THE HEALTH AND SAFETY OF PEOPLE, AND THE PROTECTION OF THE ENVIRONMENT AND ASSETS.

Operational risk management is a part of Ahlstrom's group-wide risk management activities targeted to mitigate events which could effect the achievement of the company's goals. The general risk management principles are described in the Ahlstrom risk management policy which also outlines the risk management responsibilities and monitoring within the Group.

Ahlstrom's HSEA (health, safety, environment and asset protection) organization operates at corporate, business area and site levels. The Corporate HSEA team develops and implements HSEA risk management strategies, sets targets and supports the business areas and sites. The management of each business area, together with local site management, is responsible for compliance with local laws and regulations, the implementation of policies, and also for managing risks to which their unit is exposed.

Ahlstrom's environmental management is described on page 58, human resources management on page 62 and health & safety management on page 64.

Plant asset protection

Plant asset risk management contributes to operational risk management by systematically improving the prevention of accidents and the protection of the company's production facilities. Most production facilities are examined once a year, and continuous loss prevention and protection improvement programs are set up and reviewed. In this task, Ahlstrom is supported by the worldwide engineering capabilities of its insurers.

Other policies established to ensure sustainable business

Ahlstrom has established several policies to ensure sustainable business practices, such as its policies for international trade (anti-bribery), and for competition and antitrust.

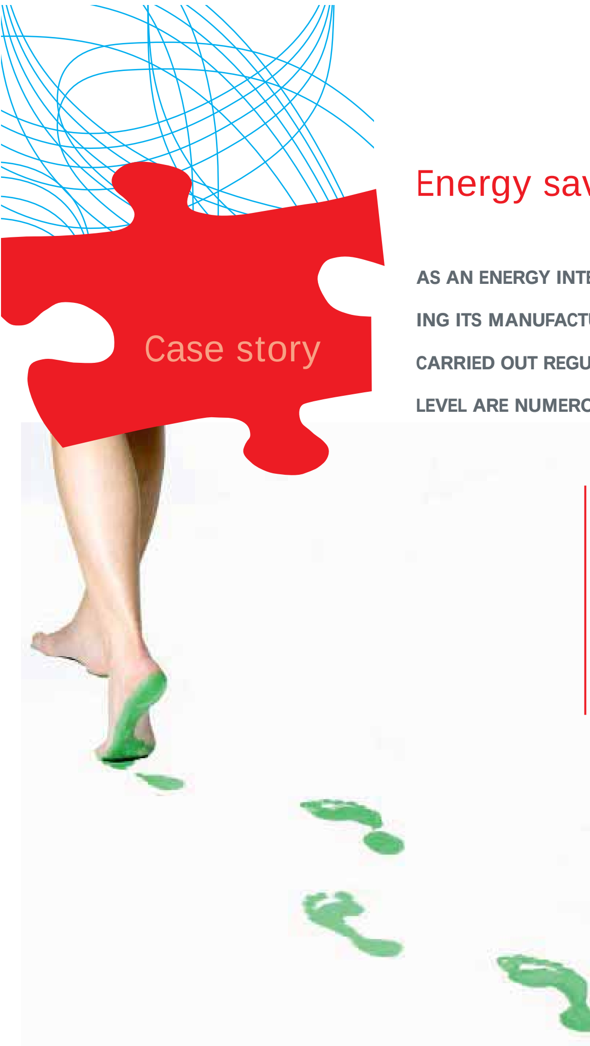
The international trade (anti-bribery) policy

The key principle of the policy is that Ahlstrom, its subsidiaries, officers, employees, agents and representatives shall not engage in, participate in, or encourage any act of bribery of any official of a government in order to obtain business, to secure favorable treatment, or for any other corrupt purpose.

The competition and antitrust policy

Ahlstrom supports the idea of free enterprise and competition. Competition and antitrust laws seek to preserve and protect competition. These laws should therefore be viewed not simply as a set of restrictions on the way business is conducted, but also as a legal tool which will further Ahlstrom's objectives.

Ahlstrom's competition and antitrust policy sets forth the elements of European Commission competition law and US antitrust law, of which every Ahlstrom employee should be aware. The competition and antitrust policy prohibits, for example, price-fixing and other unlawful cooperation among competitors, while also providing Ahlstrom's employees with concrete practical guidelines, such as how to participate in trade association meetings.



Energy saving efforts abound

AS AN ENERGY INTENSIVE COMPANY, AHLSTROM HAS A KEEN INTEREST IN OPERATING ITS MANUFACTURING PLANTS AS EFFICIENTLY AS POSSIBLE. ENERGY AUDITS ARE CARRIED OUT REGULARLY AND ENERGY SAVING INNOVATION PROJECTS AT THE PLANT LEVEL ARE NUMEROUS.

In 2007, a dedicated investment program was established to focus on energy saving projects. Successful projects were developed in 2007 and energy savings have been realized.

The Brignoud facility in France manufactures a multitude of nonwoven products for industrial applications. In the past, each separate grade necessitated manual adjustment of the steam and gas supply to achieve a proper balance at the manufacturing line. By installing software that matches energy settings to each recipe, significant efficiencies in energy usage have been achieved. In addition, installation of thermo compressors allows for the recycling of what was formerly waste steam. As a result, steam consumption has been cut by 34% compared to 2006.

Very often energy savings come from a combination of several actions, some of which are very small, throughout a production unit. At Ahlstrom's Louveira facility, management turned to multi-skill operating teams to identify energy saving opportunities. Using the aPlus problem solving techniques and tools, the teams examined sources of energy losses, such as inefficient motors and pumps, scheduling, lighting, etc. As a consequence, energy usage at the Louveira plant is today 10-14% less than one year ago.

Energy saving opportunities were also identified at the Turin, Italy facility. In late 2006, as part of his graduate work at the Polytechnic University of Turin, a student spent 6 months analyzing historical energy data, identifying large energy usages, evaluating economic impacts, and developing improvement options. His work now provides a blueprint for energy savings improvement actions, with an 8% energy reduction already achieved in 2007 versus 2006.

Until 2007, the Saint-Séverin plant in France operated with a very old boiler and control system. In 2007, by tapping the investment funds for energy savings, the plant was able to completely upgrade its steam generation and control system. The energy savings achieved will completely pay off the investment in less than two years.

Continuous interaction with stakeholders

CONTINUOUS DIALOGUE WITH ITS STAKEHOLDERS IS CRUCIAL FOR AHLSTROM, AS THE COMPANY'S OPERATIONS CAN AFFECT STAKEHOLDERS IN A NUMBER OF DIFFERENT WAYS. NOT ONLY IS THIS A CORPORATE RESPONSIBILITY, BUT SUCH DIALOGUE SERVES TO SUPPORT RISK MANAGEMENT, AS WELL AS HELPING THE COMPANY TO RECOGNIZE NEW OPPORTUNITIES. THE FOLLOWING TABLE IDENTIFIES AHLSTROM'S KEY STAKEHOLDERS, AND PROVIDES EXAMPLES OF WAYS IN WHICH THE COMPANY MAINTAINS ITS DIALOGUE WITH THEM.

STAKEHOLDER GROUP	WAYS TO INTERACT
CUSTOMERS	Face-to-face and other contacts via sales personnel in product lines and the global sales network Customer satisfaction surveys www.ahlstrom.com
EMPLOYEES	Daily face-to-face contacts Performance dialogue process Education & training Employee opinion surveys Internal information meetings Corporate Intranet with a Q&A channel, internal magazine Ahlstrom's European Dialogue Local cooperation with unions and employee representatives
SHAREHOLDERS AND INVESTORS	Annual General Meeting www.ahlstrom.com, Investors subsection Conference calls, one-on-one meetings, road shows primarily for institutional investors Investor exhibitions and other events primarily for private investors Annual report, interim reports, stock exchange releases
SUPPLIERS	Face-to-face and other contacts via purchasing function and site personnel Theme days (e.g. innovation) Supplier surveys and Supplier of the Year Award
SOCIETY, E.G. NATIONAL AND LOCAL AUTHORITIES, NEIGHBORS	Local level cooperation with authorities Open house days
OTHER STAKEHOLDERS, E.G. NON-GOVERNMENTAL ORGANIZA-TIONS, ACADEMIA, MEDIA, BUSINESS ASSOCIATIONS, ETC.	Local / national level cooperation Guest lectures Media meetings & conferences, press releases, financial communications www.ahlstrom.com, Media subsection

Ahlstrom's economic performance reflects on the society

A company's economic performance is not measured merely in terms of its ability to meet shareholders' expectations, but it also relates to the company's role and impact within the society wherein it operates. Ahlstrom's plants are often located in small communities, where the company is a major employer and tax payer. In addition, the company's research, manufacturing, sales, distribution and other operations create a considerable number of jobs for suppliers, contractors and other service providers

Economic impacts of climate change

The most evident impact of climate change on Ahlstrom's economic performance is the carbon dioxide (CO_2) emissions trading scheme within the European Union. The scheme is based on the United Nations Framework Convention on Climate Change (UNFCCC), complemented with the Kyoto Protocol that obligates countries to reduce greenhouse gas emissions.

The tradable rights are allocated to producers of CO_2 emissions, authorizing them to emit a certain level of carbon dioxide. Ahlstrom's allocated rights exceeded its carbon dioxide emissions in the first phase 2005-2007. Ahlstrom has sold excess emission rights on a quarterly basis. The company expects its emission rights to cover its greenhouse gas emissions also in the second phase 2008-2012.

Contracts with global and local suppliers

More than two thirds of Ahlstrom's purchases are supplied by international preferred partners and negotiated by the Corporate Purchasing function, while local suppliers contribute some one third of total procurement. To support the achievement of its business targets, Ahlstrom seeks to maintain a beneficial balance between global and local suppliers.

Significant areas for local procurement are utilities, goods and services related to maintenance, logistic services as well as certain indirect goods and services, such as travel services. On the other hand, some product categories, such as raw materials, are mainly purchased from selected global companies.

DIRECT ECONOMIC IMPACTS IN 2007 (COMPARED WITH 2006)

Customers
- Net sales EUR 1.76 billion (EUR 1.60 billion)

Sources of financing
- Drawdowns of non-current loans and borrowings EUR 165.1 million (EUR 0 million)
- Dividends received, interest and other financing income EUR 1.7 million (EUR 2.5 million)

Public sector
- Subsidies received EUR 2.2 million (EUR 1.3 million)

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Suppliers
- Raw materials and energy purchases EUR 1,039.9 million (EUR 893.0 million)
- Purchases of property, plant and equipment, EUR 153.9 million (EUR 116.5 million)

Employees
- Wages, salaries and other personnel expenses EUR 362.1 million (EUR 319.6 million)

Financial institutions
- Net interest costs and other net financial items EUR 27.2 million (EUR 17.4 million)

Public sector
- Tax income EUR 1.2 million (tax expense EUR 23.6 million)

Shareholders
- Dividends paid EUR 46.6 million (EUR 65.2 million)

Reporting parameters

AHLSTROM REPORTS ON THREE DIMENSIONS OF SUSTAINABILITY: ENVIRONMENTAL, ECONOMIC, AND SOCIAL PERFORMANCE, AND FOLLOWS THE G3 GUIDELINE ISSUED BY THE GLOBAL REPORTING INITIATIVE (GRI) TO THE APPLICABLE LEVEL. SINCE AHLSTROM'S MOST SIGNIFICANT SUSTAINABILITY ISSUES ARE LINKED WITH ENVIRONMENTAL IMPACTS, THE COMPANY'S REPORTING FOCUSES ON ENVIRONMENTAL ISSUES. SUSTAINABILITY ISSUES ARE REPORTED AS PART OF THE COMPANY'S ANNUAL REPORT.

Scope of reported sustainability information

Information in this sustainability section, covering pages 45-65, follows the boundaries of the annual accounts, with the exception of the health and safety as well as environmental data, which cover all of Ahlstrom's 40 manufacturing plants.

Changes in corporate structure in 2007

Ahlstrom acquired the spunlace nonwovens business of the Italian Orlandi Group in April 2007. The acquired business includes two plants in Cressa and Gallarate, Italy.

In May, Ahlstrom acquired the consumer wipes business of Fiberweb plc. The acquired business includes four plants, two of which are located in Italy, one in Alicante, Spain and one in Bethune, South Carolina, USA.

Also in May the acquisition of the Italian Fabriano Filter Media SpA was completed. Fabriano is a manufacturer of microglass filter media and has one manufacturing plant in Sassoferrato, Italy.

In September, Ahlstrom closed the transaction to form a joint venture with Brazilian Votorantim Celulose e Papel (VCP). The joint venture produces specialty papers at the Jacarei mill, Brazil.

The impact of the acquired businesses on HSEA matters has been calculated respectively as of the date of the official acquisition of each site.

Policies and practices on data reporting

Data concerning health, safety and the environment is collected at the Ahlstrom sites by the persons responsible. The data is then passed to the Health, Safety, Environment and Assets Coordinators of the business areas, who work closely with the sites to make sure that the data is collected properly and in accordance with corporate guidelines. Sensitivity checks are performed each month. Environmental data is measured, calculated and reported, with all facilities utilizing common practices based on the Best Available Technique Reference Document (BREF) for the industry. BREF was issued by the European Commission in the context of the Integrated Pollution Prevention and Control Directive (IPPC) of the European Union.

Health and safety data is collected at all sites and consolidated at both business area and corporate level.

Reporting principles in 2007 were basically the same as in the previous year: Where steam and power generation are outsourced, Ahlstrom reports related CO_2 emissions only if they are allocated to Ahlstrom facilities in the National Allocation Plan. Where outside partners treat Ahlstrom's effluents, Ahlstrom does not report on their wastewater treatment performance. However, the total effluent volume is reported by Ahlstrom.

Contacts

For further information in sustainability matters, visit www.ahlstrom.com or contact sustainability@ahlstrom.com.

Steady improvement in environmental performance

In 2007, Ahlstrom made fundamental changes in the nature of its operations. As a consequence of the Fiberweb and Orlandi acquisitions, five new operating sites were added. In addition, a joint venture was established in Jacarei, Brazil, a new glass nonwovens facility in Bishopville, USA, became operational, and the Filtration Business area added a site in Sassoferrato, Italy. Furthermore, at the end of 2007, Ahlstrom announced the impending closure of four sites: Ascoli, Italy, Chantraine, France, and Bellingham and Darlington in the USA. These consolidations have served to deliver a more efficient portfolio of operating plants. That fact, coupled with enhanced environmental performance at Ahlstrom's core plants, provided across the board environmental improvement in 2007. Energy efficiency improved by 2%. Water usage increased slightly as a consequence of the added production capacity. Waste to landfill fell by a dramatic 26%. Lastly, CO_2 emissions per ton of product produced fell by 7.5%. In short, in 2007 Ahlstrom continued its steady trend of year-on-year environmental improvement. As we enter 2008, Ahlstrom is well positioned to further enhance the environmental performance of its worldwide operations.

Production

In 2007, Ahlstrom's total gross production was 1,199,226 tons. This represents a 9% increase over 2006 levels. Most of the increase relates to the newly acquired sites; however, a number of core plants also experienced production increases over the previous year. Most notable among these were Green Bay (up 74%), Korea (up 24%), Saint-Séverin (up 9%) and Turin (up 7%).

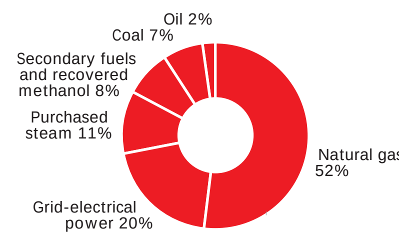
Materials

Ahlstrom's principal raw materials are various natural and synthetic fibers. Ahlstrom preferentially uses natural fibers sourced from sustainable forests. These natural fibers (wood, abaca) still account for the major share of purchased raw materials. However, Ahlstrom also utilizes artificial, synthetic and glass fibers, reflective of the company's unique capability to blend multiple fiber types in its processes. This capability allows Ahlstrom to manufacture, and offer to its customers, products with unique features and performance characteristics. In 2007, Ahlstrom used 915,000 tons (833,000 tons in 2006) of virgin raw material fibers. This increase is reflective of the additional manufacturing capacity acquired by Ahlstrom during the year. Chemical utilization (e.g. binders, resins, fillers and pigments) also increased slightly in 2007 with the addition of the new sites. In 2007, Ahlstrom utilized 396,000 tons of chemicals, a 1% increase over 2006 levels.

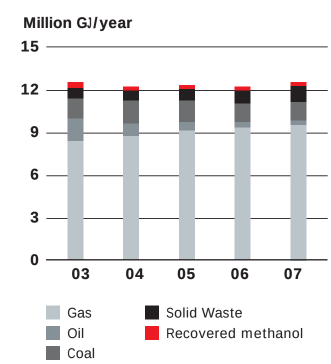
Use of waste materials

Ahlstrom continues to put emphasis on the reduction of waste and on the reuse of waste materials. Indeed, waste reduction is a core focus of Ahlstrom's aPlus performance improvement

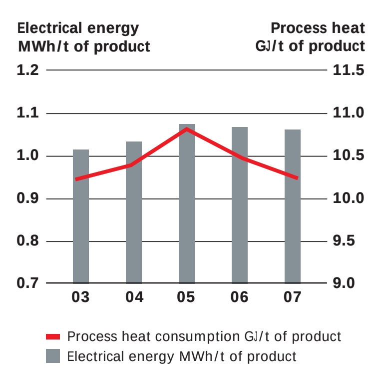
Sources of energy



Shares of fuels



Energy efficiency



MATERIAL USAGE

Raw materials, tons	2005	2006	2007
Natural Fibers [1]	775,000	733,000	783,000
Chemicals [2]	404,000	391,000	396,000
Synthetic Fibers [3]	99,000	100,000	132,000
Recycled Paper [1]	41,000	46,000	56,000
Paper and Board [1]	13,000	10,000	6,000
Packaging [4]	26,000	26,000	27,000
Total	1,358,000	1,306,000	1,400,000

The table covers more than 90% of total material usage
1) All paper and fiber materials are indicated in their air dried weight
2) The weight of chemicals as supplied
3) Includes synthetic and glass fi bers bought, as well as the raw materials used to produce them internally
4) Excludes pallets, as this information is not available in tons

IMPROVEMENT IN ENERGY EFFICIENCY

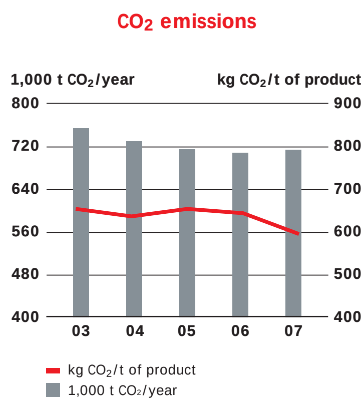
Site	Heat	Electricity
Brignoud (F)	-9%	-7%
Ställdalen (S)	-9%	-11%
Malmédy (B)	-9%	-17%
Saint-Séverin (F)	-4%	-9%
Turin (I)	-5%	-3%
Louveira (BR)	-25%	-8%
Osnabrück (D)	-4%	-4%
Hyun Poong (ROK)	-3%	-9%
Altenkirchen (D)	-8%	-11%

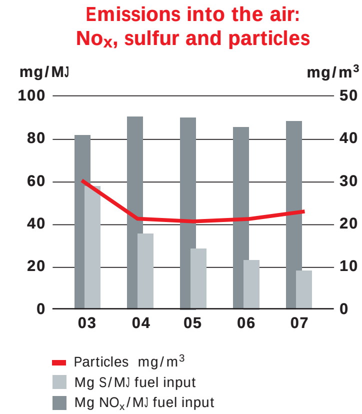
Water: the precious resource

AHLSTROM USES A GREAT DEAL OF WATER IN ITS MANUFACTURING PROCESSES AND SEES PROPER STEWARDSHIP OF THIS VALUABLE RESOURCE AS A KEY OPERATING GOAL. INNOVATION AND INVESTMENT ARE APPLIED TO WATER CONSERVATION, AS ILLUSTRATED BY THE FOLLOWING EXAMPLES.

Until 2005, Ahlstrom's Cressa plant in Italy drew all of its process water (576 m^3/day) from on-site wells. Allowing for evaporation on the machines, 432 m^3/day of treated process water was returned to the river. In 2006, the facility invested EUR 1.7 million to construct an advanced biological treatment plant on site with the goal of returning treated wastewater to the process. As a consequence, today the plant recycles most of its wastewater, drawing only 22% of its former usage from wells. Discharge to the river has been slashed by 91% and Chemical Oxygen Demand (COD) to the river has been cut by 46%.

At the Karhula plant in Finland, a fair amount of water is used for process and cooling purposes. Prior to 2007, process water was cooled by mixing it with water taken from a local river. Raw water usage was, on average, 60 m^3/gross ton of production, and in the summer time raw water usage would often spike to 90 m^3/gross ton of production. To achieve more efficient use of water, the Karhula plant invested EUR 0.2 million in the latter part of 2006, for two cooling towers. These provided a total capacity of 513 m^3/h of process cooling water. Inside the cooling towers, the water is recycled and make-up water is cleaned using sand filters. After the investment, raw water usage decreased to an average level of 40 m^3/gross ton of production, a 33-55% reduction.





program. The use of recycled paper and low-valued material increased from 46,000 tons in 2006 to 56,000 tons in 2007, an increase of 22%. This utilization of waste materials not only serves to offset the purchase of virgin raw materials, but also reduces the overall disposal burden of the company.

Energy

Total energy usage increased in 2007 by 7% compared to 2006 on a 9% increase in tons produced. In 2007, total energy usage (electricity and process heat) was 4.68 million MWh (4.36 million MWh).

Ahlstrom continues to use natural gas preferentially. In 2007, natural gas accounted for 52% of total energy used. Use of coal and fuel oil continued to drop as a percentage of the total fuel mix. At a combined percentage of 9%, this is 1% less than in 2006 (10%). Purchased steam increased in 2007 to 11% of the total, up from 10% in 2006, reflective of increased outsourcing of steam supply.

Energy efficiency

Energy efficiency refers to the input of both electricity and heat for drying processes, divided by the gross tonnage produced. Given the increasing cost of energy, and attendant CO_2 emissions, energy efficiency has been a key focus throughout Ahlstrom in recent years. In 2007, electrical efficiency stood at 1.06 MWh/ton and process heat efficiency was 10.23 GJ/ton. Together this represents a 2.0% improvement in energy efficiency versus 2006. This follows on the heels of a 2.8% improvement in the previous year. The Jacarei facility is highly energy efficient and its addition has improved overall energy performance. However, in 2007 Ahlstrom established a dedicated investment fund to support projects with a focus on improving energy efficiency. These projects came on line during 2007 and a number of individual plant sites realized significant improvements, illustrated in the table on the previous page.

Given the energy intensive nature of Ahlstrom's operations, the drive for the efficient use of energy will continue to be an area of intense emphasis. As in 2007, there will be a dedicated Energy Investment Fund in 2008 to support worthy projects. In addition, each plant manager has been challenged to cut energy usage by 10%. Lastly, as in the past, targeted audits will be employed to identify energy saving opportunities and best practices will be shared through the corporate network.

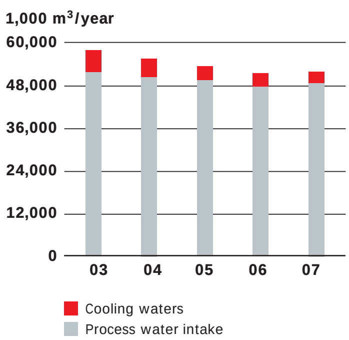
Emissions to air

CO_2 emissions

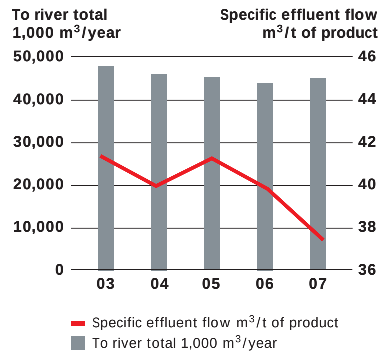
The issues of greenhouse gases (GHG) and global warming remain a key focus for Ahlstrom. 2007 marked the end of Phase I (2005-2007) of Europe's Emissions Trading Scheme (ETS). In 2007, Ahlstrom operated 16 plants that were captured under the European Directive, and that were subject to CO_2 allocations under the National Allocation Plans (NAP's) of their resident countries. Of the 16 plants, 12 are net emissions creditors. Indeed, for the year Ahlstrom, as a corporation, maintained a surplus of emissions credits which it traded on the open market. Phase II (2008-2012) of the ETS begins in 2008. While, at the time of this publication, firm Phase II allocations are not set in all member countries, Ahlstrom projects that it will continue to be a net creditor throughout the period.

While Europe has led the way with GHG regulations, Ahlstrom has adopted a goal of reducing greenhouse gases at all of its facilities, worldwide. As in past years, the keys to achievement of this target are three: 1.) improving energy efficiency, 2.) switching to cleaner burning fuels, such as natural gas, whenever feasible, and 3.) increasing the use of biofuels (Osnabrück)

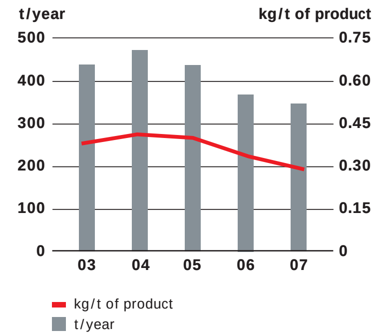
Total water use



Effluent water



Effluents to water: total suspended solids



and outsourcing steam generation. Individual plant CO_2 emissions are calculated by multiplying fuel usage by established, fuel specific, local emissions factors as set by local energy suppliers and energy industry associations. Ahlstrom reports only its direct combustion emissions, consistent with NAP directives.

In 2007, total CO_2 emissions were 712,637 tons, an increase of 0.8% over 2006 totals. This increase was wholly associated with the 2007 acquisitions made. However, in 2007, the CO_2 per ton of product produced was 594 kg/ton, an 8% improvement over 2006 (643 kg/ton).

NOx, sulfur and particles

Nitrogen oxides (1,104 tons) increased slightly in 2007 based on increased production and increased burning of natural gas. Sulfur oxides (453 tons) decreased by 20% versus 2006 levels as less fuel oil was employed. Particles (88 tons) increased marginally coincident with higher production levels.

Water and wastewater

The total amount of process water used in 2007 was 51.6 million m^3 (51.2 million m^3 in 2006). This represents a 1% increase in water usage on a 9% production increase over 2006. Water usage per ton of product dropped from 46.6 m^3/ton in 2006,

ENVIRONMENTAL IMPACTS IN 2007

Natural fibers	783 kt
Other fiber raw materials	132 kt
Chemicals	396 kt
Recovered fibers/ non-valued material	56 kt
Paper and board	6 kt
Packaging	27 kt

Purchased electricity	3,745 tj
Purchased fossil fuel	11,147 tj
Utilized bio fuel	1,416 tj
Purchased steam	1,997 tj

Internal production power	746 tj

Water	51.6 million m^3

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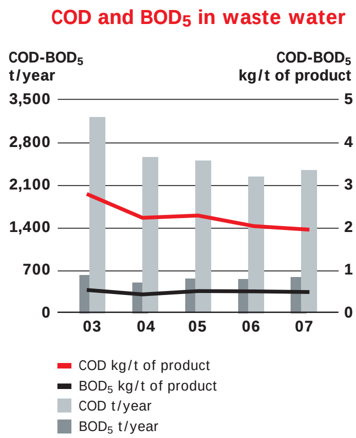
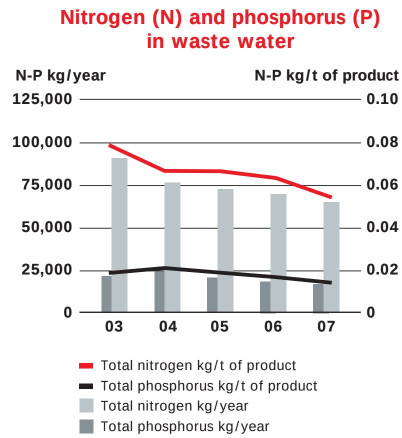
Tons produced (gross)	1,199 kt

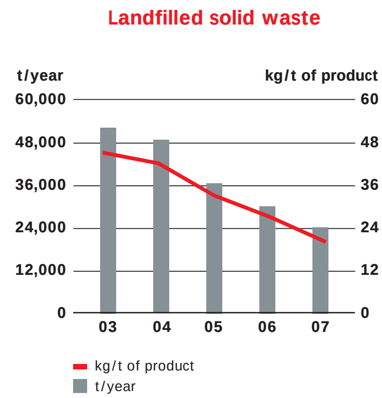
Emissions to air	
CO_2	712 ,637 t
SO_2	453 t
NO_x	1,104 t

Discharge to river	
Water	44.9 million m^3
Suspended solid	345 t
COD	2,335 t
BOD_5	589 t
Phosphorus	17 t
Nitrogen	65 t
AOX	9 t

Landfill	
Landfilled solid waste	24,118 t







to 43.0 m^3/ton in 2007, an 8% improvement. This improvement in water utilization reflects acquisition of less water intensive operations and water reduction efforts, most notably in Karhula (Finland), Saint-Séverin (France) and Turin (Italy).

Wastewater flow

Total wastewater discharged in 2007 amounted to 44.9 million m^3, a 2.5% increase over 2006. By the end of 2007, 11.5% of Ahlstrom's process wastewater (5. 2 million m^3) was treated by third parties, principally local municipality operated treatment plants. The accompanying graphs, depicting wastewater treatment effectiveness, reflect effluent from Ahlstrom owned and operated treatment plants only. Pollutant loads contained in flows to treatment works owned by parties other than Ahlstrom are not represented here.

Total suspended solids

Total suspended solids (TSS) in 2007 wastewater effluents totaled 345 tons (366 tons in 2006) with a kg/ton of product value of 0.29. This represents a 12% improvement following a 16% improvement in 2006. Major gains were achieved at Turin (Italy), Rottersac (France), Malmédy (Belgium) and Ställdalen (Sweden).

Biological and chemical oxygen demands

Biological Oxygen Demand (BOD_5) and Chemical Oxygen Demand (COD) provide an indication of the strength of the wastewater effluent in terms of its ability to deplete oxygen from the receiving stream. In 2007, Ahlstrom discharged 2,335 tons of COD, 103 tons more than in 2006. BOD in 2007 was 589 tons versus 557 tons in 2006. Both increases reflect increased discharge flow associated with newly acquired plants. However, treatment efficiency (kg/ton of product) improved by 4% for COD and by 3% for BOD.

Nitrogen and phosphorus

In 2007, Ahlstrom's discharge of nitrogen decreased by 7% from the levels recorded in 2006. Phosphorus levels dropped from 18,443 kilograms in 2006 to 16,978 kilograms in 2007, a reduction of 8%.

Waste management

In terms of waste management options, Ahlstrom has established a hierarchy of preferred techniques. The primary option is not to create waste, thus completely avoiding disposal. Failing that, recycle options, both internal and external, should be pursued. If recycling is not viable, composting and energy recovery provide environmentally beneficial outlets. The least desirable disposal option is landfill and, accordingly, Ahlstrom uses a key performance indicator to target reduction of waste to landfill. In 2007, Ahlstrom landfilled 24,118 tons of waste, down 5,859 tons from 2006. Indeed, "waste to landfill" per ton of product produced dropped significantly by 26% between 2006 and 2007.

Direct environmental investments

In 2007, Ahlstrom invested approximately EUR 2.0 million for environmental improvements. In addition, another EUR 2.0 million was directed towards energy reduction projects and EUR 1.0 million was invested in the area of health and safety improvements and assets protection. Focus areas for environmental investment were energy efficiency and associated emissions reduction, wastewater treatment improvements, water conservation, and ambient noise reduction.

SIGNIFICANT ENVIRONMENTAL INVESTMENTS IN 2007

Plant	EUR million	Purpose
Barcelona (E)	0.15	Wastewater treatment enhancements
Brignoud (F)	0.66	Energy recovery
Karhula (FIN)	0.55	Waste balers and water conservation
Louveira (BR)	0.20	Energy efficiency and emissions reduction
Madisonville (USA)	0.20	Fume scrubbing
Osnabrück (D)	0.40	Energy efficiency and water discharge improvements
Saint-Séverin (F)	0.60	Acid recovery
Ställdalen (S)	0.33	Energy efficiency

Management approach

Ahlstrom's environmental policy is incorporated in its Operational Risk Management Policy Statement. In large part, Ahlstrom's approach to the environment mirrors that embodied in the International Standards Organization's (ISO) 14001: 2004. This continual improvement model is based on:

1. Identifying the environmental aspects and impacts of its operations and products
2. Setting goals and objectives relative to these impacts.
3. Checking performance against these goals and targets.
4. Taking actions to continually improve environmental performance.

This model is applied to all phases of the product life cycle: from product development, through raw material sourcing, production operations, product delivery and ultimate disposal/recycle.

Responsibility

The principal responsibility for environmental performance is vested with the Senior Vice President of Innovation and HSEA. As a member of the Corporate Executive Team, this position reports directly to the President & CEO on all environmental issues.

Each business area has an HSEA Coordinator who is responsible for promoting Corporate environmental goals, standards and expectations and for coordinating actions throughout his/her respective business unit.

A three-person team operates at the Corporate level to provide in-house expertise in the areas of environmental stewardship, safety and asset protection.

The collective HSEA team meets quarterly.

Management

A cornerstone of Ahlstrom's environmental approach is the belief that ISO 14001 provides a uniform systems framework for successful environmental operations management.

Accordingly, it is the company's aim to have all its operating sites ISO 14001 certified. To date, 26 of Ahlstrom's 40 operating plants, representing 86% of the company's production capacity, have been so certified. In addition, Ahlstrom has developed a list of 23 core health, safety, environmental and asset (HSEA) standards to which all operating sites are required to conform.

A Corporate Assessment team conducts site inspections, visiting each operating site on a 3-year cycle, to gauge conformance to these standards. Recommendations are developed in conjunction with specific actions and schedules, which are monitored via a web-based tracking system.

HR function supports the achievement of continuous improvement

AHLSTROM'S HUMAN RESOURCES (HR) FUNCTION ACTS AS A PROACTIVE PARTNER PROVIDING SUPPORT TO MANAGEMENT IN HR MATTERS. IN 2007, THE COMPANY'S HR PROFESSIONALS WERE ACTIVELY INVOLVED IN THE INTEGRATION OF NUMEROUS ACQUISITIONS, AND SUPPORTED RECRUITMENT PROJECTS AT SEVERAL GROWTH INVESTMENTS MADE BY THE COMPANY.

An important role of the company's HR function, following the acquisitions made in 2007, has been to support the integration of the businesses by ensuring that the acquired units comply with Ahlstrom's rules and procedures, as well as following local laws and regulations. HR is also responsible for integrating the newly acquired employees into the applicable Ahlstrom benefit programs. Furthermore, the HR function works together with the management to make the employees feel welcome within the company, and to promote 'one-Ahlstrom' thinking in the new units.

HR professionals networking around the world

Human Resources professionals at the sites, at regional and corporate level around the world, form the Human Resources Network. This network works in particular to attract, retain, develop and motivate employees, and to ensure compliance with legislation applicable to the HR area. Close cooperation and action oriented teamwork within the global HR network are essential for leveraging Ahlstrom's key competencies, and for the effective transfer of success and creation of synergies.

The role of Corporate HR is to focus on management resourcing facilitated by enhanced development programs and competitive rewarding systems, while regional HR leaders lead the HR function within their respective regions and ensure that the global HR processes are consistently implemented.

At site level, the local HR professionals develop and maintain policies, procedures and tools regarding local matters, in addition to supporting local management and employees.

Key HR processes

Ahlstrom emphasizes certain key HR processes and has defined them globally to ensure their consistent implementation. These key global HR processes are: Compensation & Benefits, Management Development, including Management Planning (succession planning) and Performance Dialogue, and Training & Competence.

Ahlstrom's compensation programs are designed to maintain a compensation structure that is both externally competitive, and internally fair and equitable. These programs are designed to support all organizational units and individual managers in reaching or exceeding their preset annual targets. The long-term incentive plan is explained in more detail in the Corporate Governance section, page 71.

The target of the Management Development process is to ensure that Ahlstrom attracts and develops capable management resources, which are critical to the company's success. The annual Management Planning (succession planning) process ensures that an up-to-date career and succession plan is in place at all times.

Through the performance dialogue process, Ahlstrom aims to ensure that all key position holders of Ahlstrom know and understand their roles, responsibilities and priority targets. Furthermore, it is seen as the main tool for evaluating past performance and, in particular, for setting clear personal targets for the future.

Training & development plans aligned with the business requirements

In 2007, Corporate HR conducted a survey among the management on their view as to the main training and development needs of the key employees. This initiative was undertaken to ensure that all Corporate training plans respond to business needs. As a follow-up to this initiative, several actions were taken to integrate a stronger business perspective into the development programs, and to plan the internal training portfolio called Stretching Knowledge to correspond to actual business priorities.

During the past year, the focus of the Stretching Knowledge portfolio was on a few key seminars, such as 'Crisis Management' (55 participants) and 'The Ahlstrom Journey' (13 participants).

Furthermore, two new initiatives were launched within the Stretching Knowledge portfolio. One was the development of training program

HR function plays a crucial role in successful growth investment projects

THE SUCCESS OF ANY ACQUISITION OR GREENFIELD INVESTMENT IS VERY MUCH DEPENDENT ON THE HUMAN RESOURCES ELEMENT. AT AHLSTROM, SPECIAL ATTENTION IS PAID BOTH TO THE INTEGRATION OF THE PERSONNEL OF ACQUIRED PLANTS, AND TO THE RECRUITMENT OF SKILLED PERSONNEL TO START-UPS ALL OVER THE WORLD. ONE OF THE KEY OBJECTIVES OF THE HR FUNCTION IS TO ACHIEVE A 'ONE-COMPANY' ATTITUDE.

Ahlstrom's Glass Nonwovens business area expanded its operations to Russia with the building in 2007 of a new production facility in Tver. The biggest challenge, from the point of view of the HR function, was the smooth transfer to the new operation of know-how from the Finnish Karhula plant. In order to ensure the successful implementation of the investment project, the local Karhula HR team established a resourcing plan. This included the appointment of a dedicated project team, the obtaining of work permits and visas, drawing up expatriate employment contracts for the Finnish employees working in Russia, as well as language training. Furthermore, the project team defined job descriptions, as well as recruitment and training plans, for the employees of the Tver plant.

The training program was offered to more than 30 newly recruited Russian employees. The first two-week period consisted of an introduction to Ahlstrom practices and procedures, plus general theoretical training related to the manufacturing process. Additionally, 12 weeks of job-specific training, supported by a number of employees from the Karhula plant, was given.

During the start-up of a new facility, the key task of the business area HR is to work together with the local HR team to ensure smooth operation of the newly established unit. After the start up, it is the responsibility of the local HR function to make sure that all local laws and regulations, as well as Ahlstrom's internal rules and procedures, are complied with at the plant. The profitability of the new facility is based on the commitment of its key employees together with the continuous development of new procedures, including Ahlstrom's aPlus program.

in cooperation with a pool of seven experts from Ahlstrom's Innovation team to support the deployment of the Ahlstrom product development process (ASPEN) within the framework of the Performance Excellence methodology. One session of this EPM-ASPEN training took place in Europe and one in the USA. Among the more than 50 attendees were representatives from corporate and business area management working in innovation and business development, as well as site leaders of the Early Product Management pillar of Ahlstrom's program for continuous improvement, aPlus.

Also new was a sales training program delivered by an internal trainer. This was in response to a request for tailored training for the sales workforce. The training provided an overview of sales negotiations, key account management, cross cultural differences, and presentation skills.

Ahlstrom's leadership development programs portfolio was expanded in 2007. In addition to JUMP (Junior Management Program), Leadership Triathlon, and Process Kaizen Engineers (PKE), a new program called the Executive Challenge was introduced to address the specific business needs of senior management.

The Executive Challenge program provides an opportunity to a selected pool of senior managers, nominated by the Corporate Executive Team, to attend an open enrollment program at one of the top international universities on a theme identified according to the individual's business priorities. In 2007, altogether five senior managers attended this program.

After twenty years of delivery, JUMP was – by fully engaging only Ahlstrom's internal resources in the training – insourced for the first time. The in-house delivery proved to be successful and effective, as it provided the 19 participants representing the company's junior management, a stronger business grip as to the program's contents.

The Leadership Triathlon program, targeted for Ahlstrom's middle management, was attended by 16 participants in 2007.

The Process Kaizen Engineer (PKE) program continued, with a total of 26 attendees in two waves. More than 50 Ahlstrom employees have so far completed the program and are certified to further cascade their expertise at their sites.

Other events

The Sales Network Forum (SNF), held in Barcelona, Spain in September, was attended by 145 Ahlstrom employees from across the globe, and provided an opportunity to network and exchange ideas on how to increase sales.

Employee opinion survey: commitment to continuous improvement

Ahlstrom's employees, their commitment, motivation and skills, play a vital role in ensuring Ahlstrom's success. Ahlstrom regularly conducts surveys to gauge employee satisfaction on various subjects, such as physical environment, work content and motivation, management and leadership, as well as Ahlstrom as an employer. The purpose of these surveys is to involve our employees in the further development of the working environment.

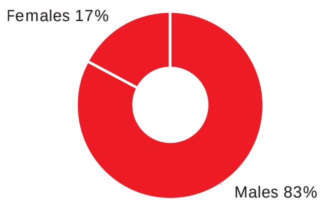
In 2007, ten European plants launched the survey, eight of which were reiterating the process. Over 1,300 employees across all business areas were given the opportunity to participate in the survey. At sites where the survey was conducted for a second time, it was of primary importance to show employees the correlation between the results of the previous survey and actions plans, which had resulted from group discussions involving all employees.

The survey is considered instrumental in achieving continuous improvement. All sites have been given the possibility to include several site-specific questions in the 49 core questions contained in the questionnaire. Free comments by employees were encouraged to help assess the importance of the respective site-specific issues.

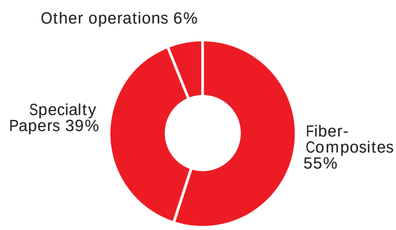
KEY FIGURES

	2007	2006	2005
Number of employees at year end	6,481	5,677	5,525
Number of employees annual average	6,331	5,650	5,605
Net sales by employee, thousand euros	272	283	277
Average length of service, years	10.4	10.3	11.9
Employee turnover rate	5.6	11.2	13.3

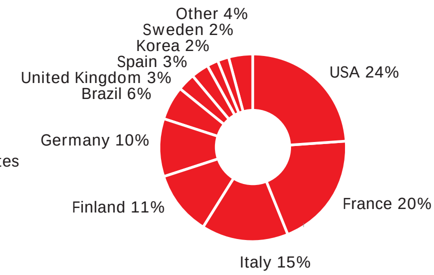
Employees by gender



Employees by segment



Employees by country



Survey results will, in due course, be discussed in depth by employees and management in order to identify potential areas of improvement.

Cooperation with employees; fostering employee dialogue

Ahlstrom is committed to promoting high-quality social dialogue. To this end, Ahlstrom's European management and personnel cooperation body, the Ahlstrom European Dialogue (AED), has held annual plenary meetings since 1996. This forum carries out the cooperation and communication defined in the EU's European Works Council directive.

AED's preparatory body is the Working Committee, which convenes usually in the spring to prepare and discuss the agenda of the annual meeting.

The 2007 annual meeting of the Ahlstrom European Dialogue took place in Helsinki, Finland, in June and involved 20 employee representatives from 8 countries. This annual event includes a one-day internal meeting during which the employee representatives agree upon key messages to be addressed at the plenary meeting. Topics discussed at the plenary meeting included the CEO's financial review, as well as Business Area reviews introduced by the company's top management. An update about Health & Safety, the aPlus performance excellence program, and Quality control were other items covered at the meeting.

In addition to the AED process, Ahlstrom follows cooperation practices that comply with country-specific rules and legislation.

Number of employees increased

At the end of 2007, Ahlstrom employed 6,481 (5,677 at the end of 2006) employees in more than 20 countries on six continents. The number of employees increased during the year by 14 percent mainly as a result of the acquisitions made in Italy, Spain, the USA and Brazil as well as the growth investments made in Russia and the USA.

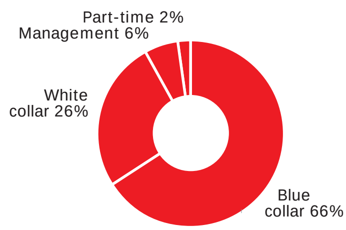
The proportion of employees by region changed compared to the previous year: 30% of the total workforce were employed in North America and Brazil, whereas 68% were located in Europe and 2% in the rest of the world. With 24% of the total workforce, USA had the largest percentage of employees, followed by France (20%), Italy (15%), Finland (11%) and Germany (10%).

Summary
of the Corporate Human Resources (HR) policies

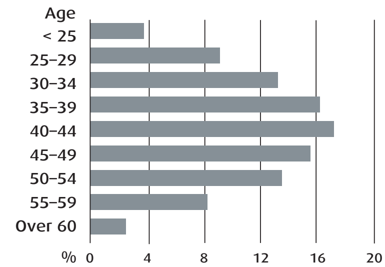
Ahlstrom's values, trust in the individual, and high ethical standards are the key principles by which HR issues are handled in a professional way, and in accordance with the rules and regulations of the respective country.

The mission of Ahlstrom's HR function is to support the business by functioning proactively in partnership with management to attract, retain, develop and motivate employees in an effective and efficient way. Corporate HR policies that support the HR organization in achieving this mission are broken down into specific procedures. The policies include individual sections related to the HR organization, recruitment, job evaluation, compensation, performance dialogues, training and competence, and the management plan.

Employees by employment type



Employees by age group



Safety is everyone's job

AT AHLSTROM, THE RECURRENT THEME OF SUCCESSFUL SAFETY PROGRAMS IS THAT "SAFETY IS EVERYONE'S JOB". EVERYONE IS RESPONSIBLE FOR RISK IDENTIFICATION AND RISK MITIGATION.

Since the development of water based (latex) filter media, the pack floor team at Taylorville, USA, has had to wage a constant battle with static electricity shock when packing finished rolls. Each time an operator touched a wound roll of paper, he or she ran the risk of receiving a jolting shock. With the help of the engineering group, the team identified proprietary ionizing static eliminating bars that utilize ionization to neutralize the otherwise accumulating static electricity. Static meter readings on a roll of paper dropped from 22KV to approximately 3KV after the static eliminating bar was installed.

The French Saint-Séverin plant employs a parchmentizing process, which involves passing the formed paper sheet through successive baths of sulfuric acid. Safe operation requires clear and precise working instructions and proper training of the personnel. As the potential risk of a mishap is significant, the operators and management work in close cooperation to mitigate such risk. Operators are responsible for reporting all incidents outside pre-set control limits. Each report requires a corrective action, and the more difficult issues are assigned to aPlus teams for solution identification. As a result, in September 2007 after two years without a lost time accident, Saint-Séverin was recognized as the Ahlstrom plant with the best track record in safety improvement.

In glassfiber forming at the Karhula facility in Finland, the main cause of accidents were the minute glass spikes that tended to embed in the hand when drawing and winding glass fiber into roving bobbins. In 2007, a new aPlus team was launched to reduce such accidents. Working areas were cleaned, work instructions were clarified, and workers were trained to follow them. Also, more than 100 specific remedial actions were developed and implemented. In 2006, 23 glass spike accidents, with 46 lost days, occurred. In 2007, the number of accidents dropped to 4, with only 9 lost days. Indeed, there was a 9-month period with no lost time accidents caused by glass spikes.

Health and safety results improved

Management approach

Ahlstrom's Health and Safety policy is incorporated in its Operational Risk Management Policy Statement, and is encapsulated within the Ahlstrom Corporate Standards and Guidelines, which have been structured to match OHSAS (Occupation Health and Safety Assessment Series) 18000. This overall commitment is to ensure that all Ahlstrom sites have established a health and safety management system to eliminate or minimize risk to employees and other stakeholders who may be exposed to health and safety risks associated with its activities.

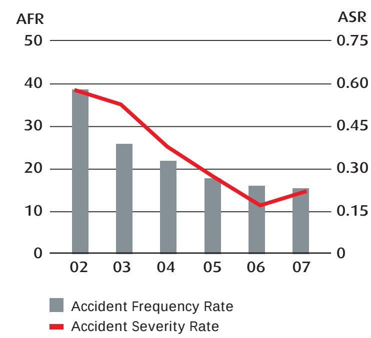
Responsibility

The principal responsibility for Ahlstrom's health and safety performance is vested with the Senior Vice President of Innovation and HSEA. As a member of the Corporate Executive Team (CET), this position reports directly to the President & CEO on all health and safety issues. Each business area has an HSEA Coordinator who is responsible for cascading corporate health and safety goals, standards and expectations, and for coordinating actions through his/her respective business unit. A three-person team operates at the corporate level providing in-house expertise in the areas of environmental stewardship, safety and asset protection. The collective HSEA team meets quarterly.

Management

Ahlstrom's approach to health and safety is based on the implementation of the Corporate Standards and Guidelines at all sites. A corporate assessment team conducts site inspections, targeting each operating site on a 3-year cycle, to gauge conformance to these standards. Recommendations are developed in conjunction with specific actions and schedules, which are tracked via a web-based tracking system. In addition, Ahlstrom is also committed to the implementation of OHSAS 18000 across all sites on an ongoing basis. To date 13 sites have received this or equivalent accreditation.

Accident Frequency Rate (AFR) and Accident Severity Rate (ASR)



Goals and performance

Globally, Ahlstrom has established two key performance indicators (KPI's), which reflect targets in those areas of the most significance in measuring health and safety impacts. They are:

- AFR – accident frequency rate. The accident frequency rate is calculated by dividing the number of accidents that result in absence, by the man hours worked, and multiplying by 1,000,000.

- ASR – accident severity rate. The accident severity rate is calculated by dividing the number of days absence, by the man hours worked, and multiplying by 1000.

Direct comparison with the 2006 figures is slightly skewed as Ahlstrom's reporting base has changed with the addition of eight new sites and the removal of one site reported during the previous report. Integration of these new sites into the Ahlstrom structure remains a high priority.

There has been a very slight improvement in the overall results with an Accident Frequency Rate (AFR) reduction from 15.95 to 15.30. This plateau effect is disappointing and while the company did not attain its 'stretch' target of 10, this is the sixth consecutive year that AFR has reduced. The ratio indicates the number of accidents that resulted in absence per million man hours worked, and some 25 of Ahlstrom's sites improved or maintained their Accident Frequency Rate during 2007. ASR rose from 0.17 to 0.22

Systematic approach to safety improvement

The development of Health and Safety orientated systems is now showing a very positive return in terms of the basics of good Health and Safety practice. Safety inspections have increased by 50%, near-miss reporting has improved 100%, and investigation and corrective actions have advanced by over 200%. While these items alone do not deliver good safety, they are the corner-stone of any improvement process and provide the base data for the aPlus H&S pillar, which will be used to deliver the required performance improvements.

The Ahlstrom internal assessment process, which is aimed at ensuring that all sites meet the exacting standards of Ahlstrom, continues. An additional assessor-training program completed during the year, resulted in the qualification of an additional nine assessors. The sites continue their high level of support for the program. More than 70% of the corrective actions following recommendations identified during the program were completed on-time.

As many more of Ahlstrom's sites attain tri-accreditation (ISO 9000, ISO 14000 and OHSAS 18000), the future direction for this program is intended to consolidate the process within a joint audit. An agreement has been reached with SGS whereby they will progressively undertake this work, which will be timed to coincide as each site who has gained the triple accreditation undertakes its re-accreditation audit.

Crisis communications methods developed

Successful testing of Ahlstrom's Crisis Communications and Management System, which provides support to local management and also a wider stakeholder community should an incident occur at one of the company's sites, has been undertaken at most of the larger sites. This system has been developed to ensure that the response to any incident that might occur within the Ahlstrom environment is dealt with in a timely and appropriate manner, including communication to customers and suppliers.

Asset protection

The loss control program continued in 2007 resulting in improved loss prevention at all plants. Most production facilities are examined once a year, and continuous loss prevention and protection improvement programs are set up and reviewed. In this task, Ahlstrom is supported by the worldwide engineering capabilities of its insurers.

The loss control program continues to provide benefits through reduction in frequency and severity of losses. Ahlstrom experienced a few minor incidents in 2007, none of which triggered an insurable claim.

In 2008 the asset risk management program will focus on the 2007 acquisitions in order to bring them to an internationally acknowledged high level of loss control.


Ahlstrom

Corporate governance in compliance with recommendations

Corporate governance

In addition to applicable laws and its Articles of Association, in its corporate governance, Ahlstrom complies with the Corporate Governance Recommendation for Listed Companies issued by HEX, the Finnish Central Chamber of Commerce and the Confederation of Finnish Industry (2003), as well as the OECD Principles on Corporate Governance (2004). The Ahlstrom share is listed on the OMX Nordic Exchange Helsinki.

Organization

Ahlstrom reports its business in two segments, FiberComposites and Specialty Papers. The FiberComposites segment includes the following business areas: Nonwovens, Filtration and Glass Nonwovens. The Specialty Papers segment comprises the Release & Label Papers and Technical Papers business areas.

The governing bodies of Ahlstrom are the General Meeting of the Shareholders, the Board of Directors and the President & CEO. In addition, the company has a Corporate Executive Team, which is not a body under the Finnish Companies Act, and which operates within the mandate of the President & CEO. The parent company of the Ahlstrom Group, Ahlstrom Corporation, is responsible for the administrative, business development, accounting, finance, HR and legal functions of the Group and also provides corporate services to the other group companies.

General Meeting of the Shareholders

The General Meeting of the Shareholders (Shareholders' Meeting) is the ultimate decision-making body of Ahlstrom, and normally convenes once a year. Certain important matters, such as amending the Articles of Association, approval of the Financial Statements, approval of the dividend, election of the members of the Board of Directors and the auditors fall within the sole jurisdiction of the Shareholders' Meeting.

In 2007, Ahlstrom Corporation held its Annual General Meeting of the Shareholders in Helsinki, Finland on March 30, 2007.

An Extraordinary General Meeting of the Shareholders shall be held whenever the Board of Directors deems necessary, or when such meeting must be held under the law.

The notice to the Shareholders' Meeting is published no more than two months and no less than 17 days prior to the Shareholders' Meeting in a Finnish language as well as a Swedish language newspaper published in Helsinki, Finland, selected by the Board of Directors. In addition, the notice is also published as a stock exchange release. Information regarding the Shareholders' Meeting is also posted on the Internet site of the company. The Annual Report of the company as well as other materials related to a Shareholders' Meeting are sent on request to shareholders prior to said Shareholders' Meeting. The announcements of Ahlstrom are posted on the Internet site of the company.

Shareholders may attend a Shareholders' Meeting either in person or by proxy. In order to attend a Shareholders' Meeting, a shareholder shall give prior notice to Ahlstrom to attend, by the date mentioned in the notice of the meeting. Only shareholders who, on the date set forth in the notice, are registered in the register of shareholders of Ahlstrom maintained by the Finnish Central Securities Depositary and who have duly notified the company of their attendance are entitled to participate in a Shareholders' Meeting. Nominee-registered shareholders must therefore temporarily register in the register of shareholders of Ahlstrom to allow attendance at a Shareholders' Meeting. If a shareholder wishes to bring up a matter for consideration by the Shareholders' Meeting, he/she/it shall present the matter in writing to the Board of Directors early enough for the matter to be included in the notice convening the meeting.

Dividend is paid to a shareholder who on the date of record for dividend payment is registered in the register of shareholders of Ahlstrom.

Board of Directors

The Ahlstrom Corporation Board of Directors (Board) consists of a minimum of five (5) members and a maximum of seven (7) members.

The Annual General Meeting of the Shareholders confirms the number of members of the Board, elects them, and decides on their compensation. The mandate of each member of the Board expires at the end of the Annual General Meeting of the Shareholders immediately following their election. There are no limitations as to the number of terms a person can be member of the Board and no maximum age. Presently the company has seven (7) board members among which the Board has elected a Chairman and Vice Chairman. All of the board members are non-executive. The Board considers all of the board members independent from the company and its major shareholders.

All Board members are required to deal at arm's length with Ahlstrom Corporation and its subsidiaries and to disclose circumstances that might be perceived as a conflict of interest.

The Board has general authority to decide on and act in any matters not reserved by law or under the provisions of the Articles of Association to any other governing body of the company. The Board is responsible for the company's administration and the due organization of its operations. It confirms the company's long-term business strategies, values and policies, and approves the company's business plans and annual plans. The Board decides on major capital expenditures, acquisitions and substantial divestments of assets as well as approves the general framework for other capital expenditures. It also monitors the company's performance and human resources development. Each board member receives a monthly performance report from the company, including financial data and management comments. The Board appoints and dismisses the President & CEO of Ahlstrom Corporation and his Deputy, if any.

Most of the Board meetings are held at the corporate head office in Helsinki, but from time to time the Board also visits other locations of the company and holds meetings there. If necessary, the Board also holds telephone meetings. The Board annually holds a two-day strategy meeting. The General Counsel of Ahlstrom acts as Secretary to the Board. In 2007, the Board convened eleven (11) times, including three (3) meetings held as telephone meetings. The average attendance frequency was 100 %. The President & CEO, the Chief Financial Officer and the General Counsel regularly attend the Board meetings. Other members of the Corporate Executive Team attend upon invitation by the Board.

The Board has established and approved Rules of Procedure of the Board to be a complement to the Articles of Association and Finnish applicable laws and regulations. The main principles of such rules are described in various parts of this Corporate Governance section.

The Board makes an internal self assessment of its performance, practices and procedures annually. Occasionally the assessment is made by an external consultant.

The remuneration of the Chairman, as decided by the 2007 Annual General Meeting of the Shareholders, was EUR 5,400 per month and EUR 2,700 per month for the other members of the Board. In addition, each member of the committees receives EUR 1,150 for each committee meeting in which he participates. None of the Board members receives any other remuneration from the company than that based on Board membership. There is no pension scheme for Board members.

Permanent committees

The Board may appoint permanent committees and establish their working procedures. These committees report to the Board. On March 30, 2007, the Board appointed two committees, the Compensation Committee and the Audit Committee, but no Nomination Committee.

According to the Rules of Procedure of the Board, the Compensation Committee decides on the compensation and benefits of the CET members other than the President & CEO. The members of the Compensation Committee were Johan Gullichsen (Chairman), Urban Jansson and Willem F. Zetteler until March 30, 2007. Thereafter the members of the Compensation Committee were Peter Seligson (Chairman), Jan Inborr and Urban Jansson. The Board in corpore decides on the compensation and benefits of the President & CEO. In 2007, the Compensation Committee convened five (5) times.

According to its Charter, the Audit Committee assists the Board in fulfilling its oversight responsibilities. It reviews the financial reporting process, the system of internal control and risk management, the audit process, and the company's process for monitoring compliance with laws and regulations and its own code of business conduct. In performing its duties, the committee will maintain effective working relationships with the Board, management, and the internal and external auditors. The Audit Committee makes recommendations to the Board regarding the appointment, reappointment and removal of the external auditors.

The Audit Committee shall regularly update the Board about its activities and make appropriate recommendations. The Committee shall ensure that the Board is aware of matters which may significantly impact the financial conditions or affairs of the business. All Board members receive copies of the minutes of the Audit Committee meetings, and an oral report from each committee meeting is given to the Board by the Chairman of the Audit Committee.

The members of the Audit Committee were Peter Seligson (Chairman), Jan Inborr and Bertel Paulig until March 30, 2007. Thereafter the members of the Audit Committee were Bertel Paulig (Chairman), Thomas Ahlström and Willem F. Zetteler. All of the members must be independent of management and should each be capable of making a valuable contribution to the Audit Committee. In 2007, the Audit Committee convened seven (7) times.

Until March 30, 2007 the members of the Nomination Committee were Johan Gullichsen (Chairman), Jan Inborr and Urban Jansson. The main tasks of the Nomination Committee were to identify and propose candidates for election to the Board as well as to propose compensation of the Board. In 2007, the Nomination Committee convened two (2) times.

On December 20, 2007 the Board decided to expand the tasks of the Compensation Committee. Consequently, the committee was renamed as the Compensation and Nomination Committee. The main tasks of the Compensation and Nomination Committee are to decide on the compensation and benefits of the persons reporting to the President & CEO as well as to identify and propose candidates for election to the Board and to propose compensation of the Board. Prior to making its proposal for candidates to the board, the Compensation and Nomination Committee shall consult with the major shareholders of the company. The members of the Compensation and Nomination Committee were Peter Seligson (Chairman), Jan Inborr and Urban Jansson.

President & CEO

The President & CEO is in charge of the company's operations and administration. He is accountable to the Board for the achievement of the goals, plans, policies and objectives set by the Board. He prepares matters to be decided on by the Board and carries out the decisions of the Board. The President & CEO is the Chairman of the Corporate Executive Team.

The total remuneration of the President & CEO, including fringe benefits and bonuses, was EUR 615,674 in 2007.

The President & CEO is participating in a voluntary collective pension insurance to which both he and the company make contributions of equal size. The annual maximum contribution of the company is one month's base salary of the President & CEO. According to the terms and conditions of the pension insurance the President & CEO may retire at the age of 60, at the earliest. The President & CEO's contract, which has been made in writing, may be terminated by either the President & CEO or the company with six (6) months' notice. In the event the company terminates the contract without cause, the company shall pay to the President & CEO a severance payment corresponding to eighteen (18) months' salary.

The company at this point of time does not have a Deputy of the President & CEO.

Corporate Executive Team

The Corporate Executive Team (CET) consists of the corporate top management as well as business area and functional leaders. The members of the CET are proposed by the President & CEO and appointed by the Board. The General Counsel of Ahlstrom acts as Secretary to the CET. The members of the CET report to the President &

CEO. In total, there were eleven (11) members of the CET in the beginning of 2008. In 2007, the CET convened seven (7) times.

The role of the CET is to support the President & CEO in performing his duties and to align the business organization and functions. Within the framework given by the Board, the CET monitors business performance, implements strategy and direction, initiates actions and establishes policies and procedures.

The total remuneration of the members of the CET, including salary, fringe benefits and incentive plan based payments, was EUR 2,908,649 in 2007. The remuneration of the President & CEO is not included in the figure. According to the Short Term Incentive Plan approved by the Board, the annual bonus payable to a member of the CET can as a maximum amount to the equivalent of 40-60% of his/her annual base salary. The amount of the bonus payable to a member of the CET is based on the Group's financial performance as well as the attainment of the individual performance targets mutually agreed between the CET member and his/her superior in the annual performance dialogue in the beginning of the year. The CET members are also participating in the Long Term Incentive Plans approved by the Board.

No separate remuneration is paid to the President & CEO or the other members of the CET for membership on governing bodies of group legal units or associated companies.

The company has not given any guarantees or other securities on behalf of the members of the CET or the Board.

Stock options for management and key persons

On September 26, 2001, the Extraordinary General Meeting of Shareholders decided to issue 659,448 stock options to the top management of Ahlstrom (Option Program I). In the same Shareholders' Meeting it was decided to issue 1,092,620 new stock options to Ahlstrom management and key employees that did not participate in the first stock option program (Option Program II). From January 2, 2007 through April 23, 2007, the options were listed on the OMX Nordic Exchange Helsinki. In January-April of 2007 1,008,871 new shares of Ahlstrom Corporation were subscribed with option rights. After the corresponding increases in Ahlstrom's share capital, the share capital amounted to EUR 70,005,912.00 and the total number of shares was 46,670,608. The option rights under both Option Programs expired on April 30, 2007, whereafter there are no outstanding option rights whatsoever entitling their holder to subscribe for Ahlstrom shares.

On October 27, 2004, the Board approved a Long Term Incentive Plan for the management and key employees. During the period 2005-2007, each participant in the plan had each calendar year the possibility to earn a predetermined maximum number of synthetic stock options based on which category the person in question belongs to. The actual number of options received for each year separately was based both on the performance of the Group (Earnings per share) and the personal performance of the participant. The personal performance targets were mutually agreed between the participant and his/her superior in an annual performance dialogue in the beginning of the year. The value of the options was based on the development of the value of the Ahlstrom share during a three-year period. The pay-out, which is made in cash during the third year following the year for which the options have been earned, is determined by multiplying the number of options received with the change in the value of the Ahlstrom share. The value of the Ahlstrom share was determined by an independent expert when the share was not yet publicly listed.

Originally, the maximum aggregate number of synthetic options to be earned during 2005-2007 was 2,002,500. Based on the Terms and Conditions of the Plan, after the IPO, the maximum number of options was increased by the share issue multiplier of the IPO, 1.251. After the adjustment, the new maximum number of options is 2,505,128. No synthetic options were earned by the participants for 2006 and 2007, as the EPS targets were not met. The synthetic options do not entitle their holders to subscribe for Ahlstrom shares. On December 31, 2007, the total number of synthetic options outstanding under the Plan was 234,773 and the value of each option was EUR 4.27.

On January 31, 2008 the Board approved a share-based Long Term Incentive Plan for the CET for 2008-2010. The Plan offers a possibility to receive Ahlstrom shares and cash (equaling the amount of taxes of the total reward) as a reward, if the

Earnings Per Share (EPS) targets set by the Board for each earning period are achieved. If the targets of the plan are attained in full for all three (3) earning periods, the reward to be paid on the basis of the Plan will in its entirety correspond to a gross value of 500,000 shares. The Board recommends that the President & CEO own shares in the Company corresponding to his annual net salary and that the other CET members own shares in the Company, corresponding in value to half of their annual net salary. At the same time a cash based Long Term Incentive Plan was approved for other management and key employees.

Insiders

Ahlstrom follows the Guidelines for Insiders issued by the Helsinki Stock Exchange, complemented by the company's own Insider Rules approved by the Board. The company maintains its public and company-specific insider registers in the Finnish Central Securities Depository's SIRE system.

In accordance with the law, Ahlstrom's public insiders include the members of the Board, the President & CEO and Auditors as well as certain members of the Corporate Executive Team. Ahlstrom's register of company specific permanent insiders includes individuals who are defined by the company and who regularly possess insider information due to their position in the company.

According to Ahlstrom's Insider Rules, persons listed as permanent insiders may not trade in the company's securities within the three (3) weeks period immediately preceding the publication of the company's interim reports or financial statements release.

The company's legal department also maintains a project-specific insider register when necessary. Project specific insiders are prohibited from trading in the company's securities until the termination of the project.

Audit

In 2007, the Annual General Meeting of the Shareholders re-elected KPMG Oy Ab as the company's auditor and Sixten Nyman, Authorized Public Accountant, as the auditor in charge. The fees of the statutory audit for 2007 were EUR 981,646 in total in the Group. Other fees charged by the firm of auditors amounted to EUR 225,649 in the Group. The other fees were primarily related to tax advice and acquisitions.

Risk management

The objective of Ahlstrom Group's risk management is to support the achievement of the company's strategic and operational targets while protecting the company against loss, uncertainty and lost opportunity. Description of Ahlstrom Group's risk management approach and responsibilities related to risk management are defined in the Group risk management policy confirmed by the Board.

The Board has the ultimate responsibility for the Group's risk management. The Board has delegated to the Audit Committee the responsibility for overseeing the implementation of the risk management policies and for reviewing risk management principles and information regarding risk management. The President & CEO, Corporate Executive Team and company management are responsible for defining and implementing daily risk management procedures and ensuring that risks are taken into account in the Group's strategic planning. The Risk Management Steering Group, consisting of senior management as well as functional and business area representatives, coordinates risk management activities and risk reporting in the company.

In Ahlstrom, risks are generally managed within the business units or functions where risks may occur. To realize economies of scale and ensure appropriate group-level control, certain risk management activities, particularly the management of financial risks and administration of insurance are centralized. The company has classified risks that may affect its operations in three categories: strategic business risks, operational risks and financial risks. Risk management is discussed in more detail on pages 20-23. Financial risks are discussed in more detail in note 24 to the consolidated financial statements.

Internal Audit

The Ahlstrom Internal Audit is responsible for assessing and assuring the adequacy and effectiveness of internal control in the company. To the extent permitted by law, the Internal Audit is granted free and unrestricted access to all relevant company units, functions, processes, records, property and personnel. The Head of the Internal Audit administratively reports to the Chief Financial Officer, but on audit matters, the Internal Audit reports to the management and to the Audit Committee.

SHAREHOLDINGS OF THE BOARD AND MANAGEMENT ON DECEMBER 31, 2007

Board of Directors	Shares
Thomas Ahlström	74,700
Sebastian Bondestam	100
Jan Inborr	9,159
Urban Jansson	2,500
Bertel Paulig	5,000
Peter Seligson	310,000
Willem F. Zetteler	500

Corporate Executive Team	
Jukka Moisio	45,000
Gustav Adlercreutz	3,500
Risto Anttonen	3,100
Tommi Björnman	50
Diego Borello	3,053
Daniele Borlatto	0
Randal Davis	0
Claudio Ermondi	0
Patrick Jeambar	13,153
Jari Mäntylä	11,500
Laura Raitio	0

SALARIES, FRINGE BENEFITS AND BONUS PAYMENTS IN 2007 FOR THE CORPORATE EXECUTIVE TEAM

EUR	Salaries and fees with employee benefits	Bonus pay	Total
President & CEO	527,924.00	87,750.00	615,674.00
Other Corporate Executive Team members	2,411,594.87	497,054.34	2,908,649.21

EUR	Benefits of the subscriptions and trades of the options of the Option Program I (2001) and II (2001)
President & CEO	1,640,459.60
Other Corporate Executive Team members	1,849,584.23


PETER SELIGSON
BERTEL PAULIG


URBAN JANSSON
JAN INBORR
THOMAS AHLSTRÖM


WILLEM F. ZETTELER
SEBASTIAN BONDESTAM

Board of Directors

PETER SELIGSON
born 1964, Lic. O ec. (HSG) 1986, Partner of Seligson & Co Oyj
Chairman of the Board since 2007
Board member 1999-2007
Chairman of the Board: Broadius Partners Oy, Tiimari Oyj
Board member: Atine Group Oyj, Pricoat Oy, Virala Oy Ab
Member: Folkhälsan
Other key positions of trust: Chairman of Skatte- och Företagsekonomiska Stiftelsen
Primary work experience: Managing Director, Alfred Berg Finland 1991-1997, Head of Sales and trading, Arctos Securities 1987-1991

URBAN JANSSON
born 1945, Higher Bank Degree (Skandinaviska Banken), 1972, Director
Vice Chairman of the Board 2005-April 2, 2008
Board member 1999-2008
Chairman of the board: Jetpak Group AB, Rezidor Hotel Group AB, Siemens AB, Tylö® AB, HMS Networks AB
Board member: Addtech AB, AB Wilh. Becker, CapMan Plc, Clas Ohlson, Ferd A/S, Global Health Partner Plc, Höganäs AB, SEB
Other key positions of trust: member of Stockholm Stock Exchange Listing Committee
Primary work experience: President & CEO, Förvaltnings AB Ratos, 1992-98, Executive Vice President, Incentive Group, 1990-92, President and CEO, AB HNJ Intressenter (subsidiary of the Incentive Group), 1984-90, different positions, Skandinaviska Enskilda Banken, 1966-84

THOMAS AHLSTRÖM
born 1958, M. Sc. (Econ) 1982, Helsinki
Managing Director, Helmi Capital Oy
Board member since 2007
Board member: Ahlström Capital Oy, Kontanten Ab, Kontanten Finland Oy, Advisum Oy
Primary work experience: Skandinaviska Enskilda Banken AB (publ) 1991-2007, Managing Director SEB Merchant Banking, Helsinki 2000-2005 and various managerial positions in Helsinki and London, Scandinavian Bank plc, London 1985-1990

SEBASTIAN BONDESTAM
born 1962, M.Sc. (Eng.) 1989, Helsinki University of Technology
Executive Vice President, Supply Chain, Uponor Corporation
Board member since 2001
Primary work experience: Supply Chain Director EU Clusters, Tetra Pak, 2004-2007, Vice President - Converting Americas, Tetra Pak Asia & Americas, US, 2001-04, Converting Director Americas, Business Unit Tetra Brik, Italy 1999-2001, Production Director, Tetra Pak, UK, 1997-99, Factory Manager, Tetra Pak, China, 1995-97

JAN INBORR
born 1948, B.Sc. (Econ.) 1970, President and CEO of Ahlström Capital Oy until March 31, 2008
Board member since 2001
Chairman of the Board: Enics AG, Vacon Plc, Symbicon Ltd.
Vice Chairman of the Board: Å&R Carton AB
Board member: Nordkalk Corporation, BaseN Coporation
Board member: Stiftelsen för Åbo Akademi
Primary work experience: President and CEO, Ahlstrom Paper Group, 1996-2000, Deputy to the Group President and CEO, Ahlstrom Group, 1994-2000, Member of the Executive Board, Ahlstrom Group, 1985-2000, various managerial positions, Ahlstrom Group, 1972-1984

BERTEL PAULIG
born 1947, M.Soc.Sc. (macro economics) 1969, Executive Chairman of Paulig Ltd
Board member since 2005
Chairman of the Board: Paulig Ltd, Veho Group Oy Ab, Economic Information Office
Board member: Aseman Lapset ry, International Chamber of Commerce Finland, National Board for Economic Defence, Central Section, Institute for Scientific Information on Coffee (ISIC)
Primary work experience: Chief Executive, Paulig Ltd, 1986-97, Deputy Managing Director, Oy Gustav Paulig Ab, 1982-86, Managing Director, Finnboard (UK), 1979-82, various assignments, Finnboard 1969-78

WILLEM F. ZETTELER
born 1945, B.Sc. (Econ.) 1971, former President and CEO of Otra N.V.
Board member since 2001, member of the Ahlstrom Paper Group Board 1998-2000.
Board member: Trespa International B.V., Mercurius Groep B.V., PontMeyer N.V., Pearle Europe B.V., Kon. Ahrend N.V., Hoogland & Massee Holding B.V.
Primary work experience: President and CEO of Otra N.V. 1996-99, Member of Executive Board of Sonepar Distribution 1998-99, Member of Executive Board of Otra N.V. 1995-96, Managing Director and CEO, Koninklijke KNP BT's paper merchanting division, 1993-95, Managing Director and CEO, Corrugated Europe B.V. 1990-93, Managing Director, KNP Royal Dutch Paper mills in Belgium 1985-90, Managing Director, Proost & Brandt, 1982-85, various managerial positions at Fri-Jado-Wilmeta (OGEM) and Rank Xerox, 1971-82


RISTO ANTTONEN

DIEGO BORELLO

RANDAL DAVIS

DANIELE BORLATTO

LAURA RAITIO

PATRICK JEAMBAR

JARI MÄNTYLÄ

CLAUDIO ERMONDI

GUSTAV ADLERCREUTZ

TOMMI BJÖRNMAN

Corporate Executive Team

RISTO ANTTONEN
born 1949, Chief Executive Officer*, B.Sc. (Econ.)
Primary work experience: Senior Vice President, Commercial Operations (purchasing, Asia, commercial projects) (2003-2008). President of Ahlstrom's Specialties division (2001-2003) and of the former Industrial Products division (1999-2001). Prior to that, he was Managing Director of Ahlstrom Alcore Oy. Before joining Ahlstrom in 1991, he was Managing Director of Norpe Oy.
Positions of trust: Board Member: Ensto Oy, Paperinkeräys Oy, Suomen Lehtiyhtymä Oy

GUSTAV ADLERCREUTZ
born 1957, Senior Vice President, Administration and General Counsel, LL.M.
Primary work experience: Group Director, General Counsel of Ahlstrom Paper Group (1996-2000). From 1984 until 1995 he was Corporate Legal Counsel at A. Ahlstrom Corporation. Prior to joining Ahlstrom in 1984, he was an Associate at Roschier-Holmberg & Waselius Attorneysat-Law.
Positions of trust: Chairman of the Board: Jujo Thermal Oy
Board Member: Oy Sandman-Nupnau Ab, Suomen Vaimennin Oy

TOMMI BJÖRNMAN
born 1966, Senior Vice President, Glass Nonwovens, M.Sc. (Eng.)
Primary work experience:
Various managerial positions in Ahlstrom Glassfibre since 1996, when he joined Ahlstrom. Prior to that, he worked as Planning and Sourcing Manager for Suomen Unilever Oy in Finland, and as Product Manager (R&D) for Wisapak Oy Ab
Positions of trust: Chairman of the Board: APFE, European Glass Fibre Producers Association, KET, the Association of Consumer Goods and Special Product Industries
Member: Energy Committee of EK, the Confederation of Finnish Industries

DIEGO BORELLO
born 1953, Senior Vice President, Innovation, HSEA, Technology, M.Sc. (Chemistry)
Primary work experience: Senior Vice President, Label & Packaging Papers, President of the LabelPack division and the former Self Adhesive Division. Prior to that, he worked as General Manager, and earlier as Deputy General Manager and Commercial Director, of Ahlstrom Turin in Italy. He joined Ahlstrom in 1979.
Chairman of the Board: PaperPlus-Specialty Paper Manufacturers Association AISBL
Board Member: Industry Federation in Turin

DANIELE BORLATTO
born 1969, Senior Vice President, Release & Label Papers Education in Business and Administration
Primary work experience: Vice President Europe & South America, Filtration business area and General Manager, Filtration, Ahlstrom Turin. During 1999-2001 he was Division Controller for Filtration and 1996-1998 Sales Area Manager. He joined Ahlstrom in 1990.

RANDAL DAVIS
born 1956, Senior Vice President, Filtration, BSBA, Finance, MBA
Primary work experience: Various leading positions within Ahlstrom's Consumer & Medical Nonwovens. In September 2000, when Ahlstrom acquired Dexter Nonwovens, he held the position of Vice President Sales & Marketing for Dexter. During 1983-2000 he served in several sales & marketing positions within Dexter Corporation, including Director European Sales and Marketing based in Brussels.

CLAUDIO ERMONDI
born 1958, Senior Vice President, Nonwovens, M. Sc. (Theoretical Chemistry)
Primary work experience: Vice President for the Filtration business area. During 1999-2000 he was Deputy Vice President, and from 1991 to 1998, European General Manager for the Filtration business.
He joined Ahlstrom in 1984.
Positions of trust: Member of the Board of Governers of EDANA (the European Disposable and Nonwoven Association)

PATRICK JEAMBAR
born 1946, Senior Vice President, Technical Papers M.Sc. (Paper Eng.), MBA
Primary work experience: From 1997 until 2003, Mr Jeambar worked as Business Area Manager for Industrial Nonwovens and became in charge of HSEA (Health, safety, environment and plant asset protection) in January 2004 and of Innovation in 2005. Mr Jeambar joined Ahlstrom in 1996 following Ahlstrom's acquisition of Sibille Dalle, where he had served since 1987 as General Manager of the nonwoven activity. From 1974 to 1986, he held managerial positions at the Brignoud nonwoven plant.
Board Member: French Association of the Paper Industry (Copacel) Environmental Water Agency RMC (Rhône Méditerrannée, Corse), France

JARI MÄNTYLÄ
born 1959, Chief Financial Officer, M.Sc. (Econ.), M.Sc. (forest products technology)
Primary work experience:
Financial Director from 2000 until 2005. Prior to joining Ahlstrom in 2000, Mr. Mäntylä worked as Corporate Controller of Fortum Corporation in 1998-2000. From 1994 to 1998 he was Assistant Vice President, group financial planning, of Outokumpu.

LAURA RAITIO
born 1962, Senior Vice President, Marketing (business development, sales and marketing, corporate communications) M.Sc. (Chem. Eng.), Lic. Tech. (forest products technology)
Primary work experience: Vice President and General Manager for Wallpaper & Poster, Pre-impregnated Decor, Abrasive Base in Osnabrück, Germany 2002-2005. Previously, she served as Managing Director of Ahlstrom Kauttua Oy in 2001-2002.
In addition, Ms. Raitio has held several managerial positions within Ahlstrom's specialty paper business since she joined the company in 1990.

***JUKKA MOISIO**
Resigned from his position as President and CEO on February 28, 2008, after which the Board of Directors initiated the search for a new CEO. Risto Anttonen will act as interim CEO until the new CEO has been appointed.

Main events

Q1

January 17
Preliminary information on Ahlstrom's 2006 financial performance Ahlstrom anticipated its net sales in 2006 to be EUR 1.60 billion, operating profit approximately EUR 96 million, profit before taxes EUR 81 million and earnings per share EUR 1.30.

March 6
Ahlstrom to sell power plants in Italy for EUR 7 million Ahlstrom sold three hydropower plants in Italy to a local energy company.

March 31
Decisions taken by Ahlstrom's Annual General Meeting The Annual General Meeting resolved to distribute a dividend of EUR 1.00 for the fiscal year that ended on December 31, 2006 in accordance with the proposal of the Board of Directors.

Q2

April 30
Ahlstrom's acquisition of Orlandi's spunlace nonwovens business confirmed Ahlstrom completed the acquisition of Orlandi's spunlace nonwovens business in Italy, first announced in February 2007. The acquisition further strengthens Ahlstrom's position as one of the leading producers of nonwoven roll goods for wipes globally.

May 11
Ahlstrom to add new filter media nonwoven line in South Carolina, USA The new needlepunch line at the Darlington plant will serve the growing dust filtration market in North America. On November 16, Ahlstrom decided to consolidate the Darlington facility to the Bethune, SC, plant in order to share the existing infrastructure and reduce fixed costs.

May 25
Ahlstrom's acquisition of Fiberweb's consumer wipes business confirmed Following the acquisition, initially announced in March 2007, Ahlstrom became the third largest producer of nonwoven roll goods globally.

May 31
Ahlstrom completes the acquisition of Fabriano Filter Media SpA of Italy, a manufacturer of microglass filter media, serving mainly the high efficiency air filtration market.

June 27
Ahlstrom to close Bellingham, USA plant The Bellingham, MA, plant will be closed during the first half of 2008 and some of the assets will be consolidated to the Darlington, SC, facility. On November 16, Ahlstrom decided to consolidate both the Bellingham and Darlington facilities to the Bethune, SC, plant in order to share the existing infrastructure and reduce fixed costs.

Q3

July 2
Expansion of Ahlstrom La Gère plant in France completed Following the expansion, the plant's production capacity of supercalendered release base papers will increase by more than 35%.

August 24
Ahlstrom's new head office to Salmisaari, Helsinki Ahlstrom's head office was moved to Salmisaari, in western Helsinki in December 2007.

September 3
Ahlstrom and Votorantim Celulose Papel (VCP) complete the creation of a joint venture in Brazil The joint venture, originally announced in February 2007, manufactures specialty papers and is located in Jacarei, Brazil, close to São Paolo. Ahlstrom holds 60% and VCP 40% of the shares in the joint venture.

September 21
Ahlstrom signs an agreement to form a joint venture for specialty paper production in China Ahlstrom signed the agreements with Zhejiang Kan Specialty Material Co (KAN Paper) and its management to acquire a majority shareholding in a specialty papers joint venture in China, initially announced on September 10, 2007. Ahlstrom will hold 70% of the shares in the joint venture.

Q4

October 10
Ahlstrom Corporation: Profit warning Ahlstrom expected its 2007 full year operating profit excluding non-recurring items to be somewhat below the 2006 level. The primary reasons for the decrease in operating profit were continuously rising raw material and energy costs as well as the weakening demand in the Label & Packaging Papers business area.

October 10
Ahlstrom puts two European specialty paper plants under review Ahlstrom put its Ascoli plant in Italy and Chantraine plant in France under review due to unsatisfactory profitability and cash flow.

October 11
Changes in Ahlstrom's Corporate Executive Team Senior Vice President Diego Borello assumed responsibility for Innovation and Health, safety and environment (HSEA) functions of Ahlstrom Corporation. Daniele Borlatto was appointed Senior Vice President of the Label & Packaging Papers business area and member of the Corporate Executive Team. Following a reorganization, the business area was renamed Release & Label Papers in October 2007.

October 30
Ahlstrom to close its Ascoli plant in Italy Ahlstrom decided to close the Ascoli plant by mid-January 2008 due to unsatisfactory long-term profitability and cash flow. The plant was part of Ahlstrom's Release & Label Papers business area and produced one-side coated papers for wet glue labeling, flexible packaging, and graphical end uses.

November 16
Ahlstrom to further consolidate its air filtration production in the USA Ahlstrom decided to consolidate its air filtration sites in Bellingham, Massachusetts and Darlington, South Carolina to its Bethune plant in South Carolina. Following the consolidation, the Darlington plant was closed at the end of 2007. The Bellingham plant will be closed by the third quarter of 2008.

December 10
Ahlstrom starts a consultation procedure regarding the closure of its Chantraine plant Ahlstrom informed the Chantraine plant's works council about the project to close the plant by the second quarter of 2008 due to unsatisfactory profitability and cash flow. The plant is part of Ahlstrom's Release & Label Papers business area and produces one-side coated papers for wet glue labeling, flexible packaging, and graphical end uses.

December 13
Ahlstrom to invest in industrial nonwovens production in Italy Ahlstrom decided to rebuild the paper machine 4 at its Turin plant, producing release base papers, to manufacture nonwovens for industrial applications.

December 13
Ahlstrom to double its production capacity for specialty reinforcements in the USA The production capacity of the Bishopville plant for specialty glass-fiber reinforcements will be doubled by the end of 2011.

December 13
Ahlstrom to invest in medical nonwovens production in India Ahlstrom will build a new medical nonwovens plant utilizing spunmelt technology in India. The new facility, located on a land area Ahlstrom reserved in Mundra Special Economic Zone in Gujarat earlier in 2007, will serve both the export and domestic markets.

Investor information

Ahlstrom's share and share capital
Ahlstrom's share is listed on the OMX Nordic Exchange Helsinki. Ahlstrom has one series of shares. The share is classified under the Materials sector and the trading code is AHL1V. The shares of the company are entered into the FCSD's book-entry securities system.

In 2007, a total of 1,008,871 new shares of Ahlstrom Corporation were subscribed with option rights under the company's stock option programs I (2001) and II (2001). After the corresponding increases in Ahlstrom's share capital, the share capital at the end of the financial year amounted to EUR 70,005,912.00. The total number of shares on December 31 was 46,670,608. At the end of the review period, there were no outstanding options entitling to subscription of Ahlstrom shares.

Share price development and trading activity
During 2007, a total of 14.5 million Ahlstrom shares were traded for a total of EUR 290.1 million. The lowest trading price during the financial year was EUR 16.03 and the highest EUR 24.50. The closing price on December 31, 2007 was EUR 16.37 and market capitalization was EUR 764.0 million.

Annual General Meeting
The Annual General Meeting of Ahlstrom Corporation will be held on Wednesday, April 2, 2008 at 1:00 p.m. at the Finlandia Hall, Mannerheimintie 13 e, Helsinki, Finland. Registration of shareholders participating in the meeting will begin at 12:00.

In order to attend the Annual General Meeting, a shareholder must be registered in the company's register of shareholders, held by the Finnish Central Securities Depository Ltd, on March 20, 2008. In order to enable participation at the Annual General Meeting, nominee registered shareholders shall contact their relevant account operator so that a temporary registration per March 20, 2008 can be made in the company's register of shareholders. A shareholder must give prior notice to attend the Annual General Meeting by March 27, 2008, 4:00 p.m, either through the company's website at www.ahlstrom.com/AGM, by email to yhtiokokous@ahlstrom.com, by mail to Ahlstrom Corporation, Annual General Meeting, P.O.B. 329, 00101 Helsinki, Finland, by fax to +358 (0)10 888 4789, or by phone during office hours to +358 (0)10 888 4726 (Armi Jaakkola) or +358 (0)10 888 4746 (Merja Tuovinen). Should a shareholder wish to be represented by proxy, an advance notice thereof shall be made together with the notice to attend. The proxy should be delivered to the address above by 4:00 p.m. on March 27, 2008.

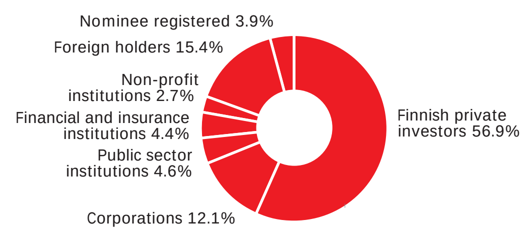
Dividend policy and payment of dividends
The company's policy is to pay a dividend averaging at least 50% of the profit for the period of the previous financial year.

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 1,00 be paid for the financial year 2007. Dividend is paid to a shareholder who on the date of record for dividend payment, April 7, 2008, is registered in the register of shareholders of Ahlstrom. The dividend payment date is April 14, 2008.

Authorizations of the Board of Directors
On March 30, 2007, the Annual General Meeting authorized the Board of Directors to repurchase a maximum of 4,500,000 Ahlstrom shares, corresponding to less than 10% of all issued company shares. The Board of Directors is also authorized to resolve to distribute the shares held by the company. The shares may be used as compensation in acquisitions and in other arrangements as well as to implement the company's share-based incentive plans. The Board of Directors has also the right to decide on the distribution of the shares in public trading for the purpose of financing possible acquisitions. The authorization is valid until the next Annual General Meeting on April 2, 2008.

Shareholders
At the year end Ahlstrom had 13,083 shareholders. The largest shareholder is Antti Ahlströmin Perilliset Oy holding 10% of the share capital. The breakdown of the shareholders is shown in the tables on the facing page. A monthly updated list of Ahlstrom's major shareholders is available on the Company's web site at www.ahlstrom.com/investors.

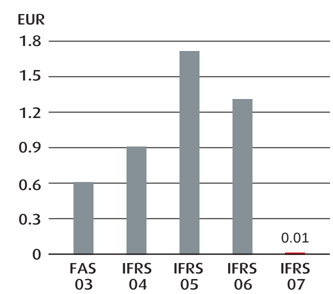
Ownership structure



MAJOR SHAREHOLDERS

December 31, 2007	Shares and votes	%
Antti Ahlströmin Perilliset Oy	4,674,802	10.0
Vilha Intressenter Ab	1,586,249	3.4
Mona Huber	1,256,700	2.7
Jacqueline Tracewski	1,007,600	2.2
Varma Mutual Pension Insurance Company	939,200	2.0
Kaj Nahi	717,538	1.5
Niklas Lund	693,738	1.5
Samuel Huber	639,600	1.4
Karin Huber	638,700	1.4
Anneli Studer	636,420	1.4
Nominee registered	1,822,942	3.9
Other shares	31,057,119	68.7
Total	45,670,608	100.0

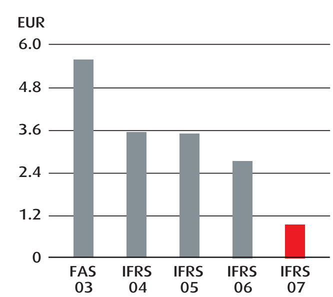
Earnings per share



DISTRIBUTION BY NUMBER OF SHARES, DECEMBER 31, 2007

Number of shares	Number of shareholders	%
1-100	7,850	60.0
101-1,001	4,338	33.2
1,001-10,000	656	5.0
10,001-100,000	129	1.0
100,001-250,000	64	0.5
250,001-500,000	26	0.2
500,001-	20	0.2
Total	13,083	100.0

Cash earnings per share



Analyst coverage

To Ahlstrom's knowledge at least the following investment banks and brokerage firms are covering Ahlstrom Corporation. The companies follow Ahlstrom on their own initiative and Ahlstrom takes no responsibility for any statements made by them.

- Calyon
- EQ Bank
- Evli
- Glitnir
- Handelsbanken Capital Markets
- Opstock
- SEB Enskilda

SHARE RELATED KEY FIGURES

EUR	2007	2006	2005
Earnings per share	0.01	1.31	1.71
Cash earnings per share	0.94	2.72	3.48
Dividend per share	1.00 *	1.00	1.79
Pay out ratio %	N/A	76.3	104.7
Dividend yield %**	6.1	4.4	N/A
P/E**	N/A	17.3	N/A
Average number of shares during the period, 1000s	46,476	43,802	36,418

* The proposal of the Board of Directors to the Annual General Meeting.
** The dividend yield and P/E have been calculated based on the last trading price of each year.

IR principles

The main goal of Ahlstrom's Investor Relations (IR) is to support a true and fair valuation of the Ahlstrom share at all times by providing correct, adequate and consistent information to the market in a timely manner. Ahlstrom follows the principle of transparency and impartiality and aims to provide good service to its stakeholders.

All investor enquiries are processed through the IR function. Investor communications include annual and interim reports, stock exchange and press releases, investor web pages and a regular dialogue with analysts and investors. Ahlstrom organizes conference calls for its stakeholders in conjunction with the publication of its financial reports. Ahlstrom also arranges an annual Capital Markets Day.

Prospects

Ahlstrom provides a verbal description of its prospects in the "Outlook" in the financial statement bulletins and interim reports. However Ahlstrom does not give exact estimates on future net sales or profit development.

Closed period

Ahlstrom's closed period starts three weeks prior to the publication of the company's annual financial statement bulletins or the interim reports. During this period Ahlstrom is not communicating with capital market representatives.

Financial reporting

Ahlstrom Corporation publishes its financial information in 2008 as follows:

Annual report 2007	**Week 12**
Interim report January – March	**Friday, April 25**
Interim report January – June	**Friday, July 25**
Interim report January – September	**Tuesday, October 28**

Investor information is available at www.ahlstrom.com/investors. Ahlstrom publishes its annual reports and interim reports in Finnish, English and Swedish and interim reports in English and Finnish and a summary in Swedish. Stock exchange and press releases are published in English and Finnish.

Financial reports and press releases can be viewed or ordered at the company web pages.

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Glossary

aPlus Ahlstrom's improvement program that consolidates the know-how and experience of Ahlstrom's employees and converts these best practices into daily routine.

Calender Machine used to make the surface of paper smooth and/or glossy. Two or more heavy cylinders impart heat and pressure as the paper web passes between them.

Coating Process of applying a liquid or clay-based paste to one (or both) surface(s) of a paper web, followed by drying or curing. It is used to give a smoother surface to improve the printability of paper or board.

Composite Combination of two or more specific materials that have a distinct interface between them.

Fiber Basic, threadlike structure that is the basis from which nonwovens, textile yarns, and papers are made. There are vegetable fibers, such as wood, cotton, and flax, and natural animal fibers, such as wool and silk. Man-made fibers include synthesized polymers such as polyester and nylon, modified natural polymers such as rayon, and mineral fibers such as glassfiber.

Fine fibers A proprietary process developed by Ahlstrom derived from the melt-spun nonwoven process. This technology produces 100% synthetic nonwoven materials with a unique fiber size distribution, 50% of the fibers being below 1 micron. The materials produced are especially well suited for various filtration applications including HVAC and liquid filtration.

HEPA High efficiency particulate air. HEPA and ULPA are two efficiency levels used in the categorization of air filters. They are the two highest air filtration levels available today, ULPA being higher than HEPA.

HSEA Health, safety, environment and assets protection.

Impregnation Treatment of certain filter papers, crepe papers and high end decor papers, where paper is saturated with chemicals and resins.

Laminate Combination of different, prefabricated layers, into a permanent bond, using an adhesive to secure the bonding if required.

Microglass filter media A web manufactured with the wet-laid process composed of only microglass fibers (glass fibers with a diameter below 1 micron) which is used in high-efficiency filtration applications. The extremely small size of the fibers and the uniformity of the web give the media its filtration characteristics.

Nanofibers Fibers that are submicron in size. Ahlstrom produces nanofibers through its own process with fiber sizes below 0.3 microns. These synthetic fibers are "spun" onto another media (paper or nonwoven for example) and enhance the properties of the media, especially for filtration.

Natural fibers Fibers that come directly from wood, other plants or animals; such as mechanical wood pulp, chemical pulp, silk, wool, flax, and cotton.

Needlepunch Mechanically binding a web to form a fabric by penetrating the web with an array of barbed needles that carry tufts of the web's own fibers in a vertical direction through the web.

Nonwoven A sheet, web, or batt of fabric that is manufactured by bonding fibers together by other means than weaving. Nonwovens are produced from both natural and man-made fibers.

Pulp The basic raw material for producing paper and board, derived through a cooking process of wood chips, cotton, or other source of cellulose with water and required chemicals.

Release base papers In a self-adhesive label stock, the back page of a label that is removed and discarded.

Roll goods Nonwoven fabric or a paper web rolled on core-tubing after being produced.

Specialty papers Coated and uncoated, calendered, crepped or impregnated papers including labeling, flexible packaging, greaseproof, decoration, crepe and wallpaper base papers designed and produced to meet specialized customer needs.

Specialty pulps Modified fibers made out of wood and used in very technical applications (filtration, absorbent materials, textile).

Spunlaced nonwovens A nonwovens process that involves use of high pressure water jets to entangle staple fibers with themselves.

Spunlaid / spunmelt A fiber web produced by spin laying, which creates a web that is consolidated into fabric in a single process, and which is bonded by one or more methods to provide fabric integrity.

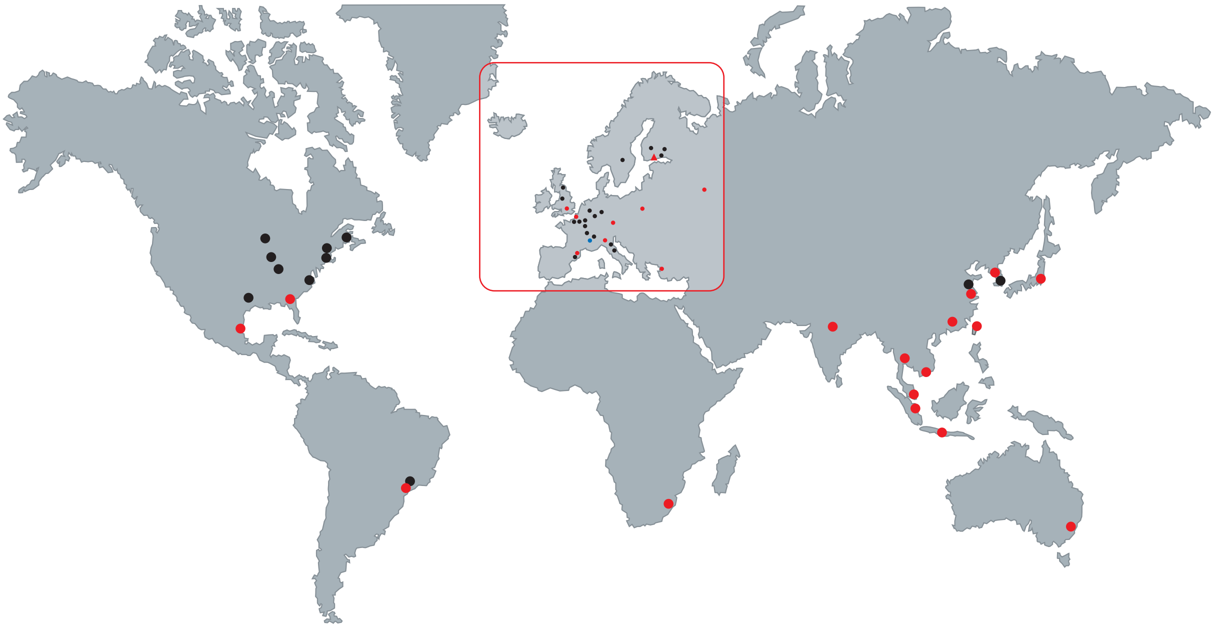
Synthetic fibers Polymers synthesized from chemical compounds (nylon, polyester), transformed natural polymers (rayon, acetates), or minerals (glassfiber).

ULPA Ultra low particulate air. ULPA and HEPA are two efficiency levels used in the categorization of air filters. They are the two highest air filtration levels available today, ULPA being higher than HEPA.

Vegetable parchment Paper that has been modified by sulphuric acid, to give it a high number of unique properties such as a dense surface, a high mechanical strength, and a high degree of resistance to grease, water, and heat.

Web A continuous, thin and flexible structure generally processed by moving over rollers at a high speed. Materials formed as webs include paper, nonwovens and textiles. Webs are stored in rolls between processing stages.

Wetlaid In the wetlaid (wet forming) process, a dilute slurry of water and fibers is deposited on a moving wire screen and drained to form a web, which can be further consolidated by pressing between rollers.



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● Production units
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● Ahlstrom Innovation Services
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2007

FINANCIAL STATEMENTS

Small fibers. Big difference.

Ahlstrom

Contents

Report by the Board of Directors

Overview of 2007

Demand in Ahlstrom's main markets Europe, USA, South America and Asia developed favorably with the exception of the labeling paper markets in Europe and the European export markets for coated-one-side papers. Although the US market became increasingly short-term oriented Ahlstrom did not see any signs of decreasing deliveries in its main businesses.

The prices for the main raw materials continued to escalate during the year. The price increases were driven by the continuous tight supply and strong demand. The average USD market price for BHKP pulp (Bleached Hardwood Kraft pulp, e.g. eucalyptus pulp), was on average approximately 9.7% higher than in 2006. The market price for NBSK (Northern Bleached Softwood Kraft pulp) was 17.7% higher than in 2006.

The prices for rayon and polyester, Ahlstrom's most important synthetic raw materials increased significantly as a consequence of the continued shortage of supply. In particular the price for rayon increased by more than 40% during 2007. For chemicals the price development was mixed.

Energy prices increased during the year as a result of increasing oil prices. Ahlstrom's main energy sources are natural gas and electricity.

Financial performance in 2007

The Group's full year 2007 net sales grew by 10.1% amounting to EUR 1,760.8 million (2006: EUR 1,599.1 million). Currency fluctuations, mainly the weakened USD, decreased net sales by EUR 48.3 million or by 3.0%. Sales volumes increased by 11.8%. Comparable net sales, adjusted for acquisitions, currency effect and investment standstills grew by 4.3%.

Operating profit excluding non-recurring items amounted to EUR 67.8 million (EUR 87.3 million). The decrease in operating profit was attributable to the weak performance of the Release & Label Papers business area. The main reason for the decrease was the weakening demand and oversupply of the coated-one-side papers in Europe and the decision was made to close the Chantraine, France and Ascoli, Italy plants.

Furthermore, the profitability was burdened by the operating loss of the closed plants and the technical problems with the ramp-up of the La Gère, France investment incurring additional costs of EUR 7.6 million in the fourth quarter of 2007. The high raw material and energy costs and the integration costs of the completed acquisitions of approximately EUR 3.0 million impacted full year operating profit as well.

Net non-recurring costs in 2007 totaled EUR 42.0 million (net gains of EUR 8.7 million) and were mainly related to the restructuring in the fourth quarter. The non-recurring gains were mainly related to the sale of three power plants in Italy during the first quarter. In addition to the non-recurring restructuring costs the closed plants incurred an operating loss of EUR 4.3 million.

Ahlstrom announced price increases in all business areas during the year to improve profitability. Throughout the year, Ahlstrom's continuous improvement program aPlus brought productivity gains in operations.

Operating profit for 2007 amounted to EUR 25.8 million (EUR 96.1 million).

Total net financial expenses were EUR 25.6 million (EUR 14.9 million). Net interest expenses increased to EUR 20.9 million (EUR 8.4 million) due to the increase in net debt and increased interest rates. Net foreign exchange losses were EUR 1.2 million (EUR 4.5 million).

Ahlstrom's share of the losses of associated companies amounted to EUR 0.06 million (profit of EUR 0.03 million).

Profit before taxes excluding non-recurring items decreased to EUR 42.1 million (EUR 72.5 million). Profit before taxes amounted to EUR 0.2 million (EUR 81.2 million). Tax income amounted to EUR 1.2 million (tax expense of EUR 23.6 million). Profit for the period amounted to EUR 1.3 million (EUR 57.6 million) and earnings per share (EPS) to EUR 0.01 (EUR 1.31).

Return on capital employed (ROCE) excluding non-recurring items was 6.3% (9.5%). ROCE was 2.5% (10.4%). Return on equity (ROE) was 0.2% (8.5%).

Financing and financial position in 2007

Net cash flow from operating activities in 2007 decreased to EUR 43.9 million (EUR 119.2 million) due to the increase of working capital as a result of growing net sales. In addition, the defined benefit pension plan in the United Kingdom was closed and the historical deficit was funded by EUR 20.8 million, impacting Ahlstrom's cash flow.

Interest-bearing net liabilities increased by EUR 335.9 million to EUR 491.1 million due to Ahlstrom's extensive investment program in 2007 including four acquisitions (EUR 155.2 million).

Gearing ratio increased to 65.3% (20.3%) and the equity ratio was 44.0% (56.5%).

Growth strategy

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

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

In 2007, Ahlstrom continued its global growth strategy by implementing four acquisitions and a number of organic growth investments on four continents, totaling EUR 371.9 million.

Capital expenditure in 2007 and estimate for 2008

Capital expenditure excluding acquisitions amounted to EUR 154.7 million (EUR 120.1 million). In 2007, the value of acquisitions was EUR 217.2 million (EUR 7.8 million).

In 2008, the organic investments are expected to be approximately EUR 120 million including the previously announced food nonwovens line to Chirnside, UK serving the infusion markets, the wiping fabrics line in Brazil and partly the new medical nonwovens plant to be built in Gujarat, India.

Acquisitions and investment decisions in 2007

On February 2, Ahlstrom decided to invest EUR 5 million in a new drylaid nonwoven line at its Groesbeck, TX, USA plant to serve the North American air filtration market. Later in 2007 Ahlstrom decided to postpone the investment until further notice.

On April 30, Ahlstrom closed the acquisition of the spunlace nonwovens business of the Italian Orlandi Group. The acquisition price was approximately EUR 60 million and the acquired business includes two plants in Italy. The acquired business generates annual net sales of approximately EUR 65 million.

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

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

On May 25, Ahlstrom closed the acquisition of the consumer wipes business of Fiberweb plc. The acquisition price was approximately EUR 65 million. The acquired business includes four plants in Europe and in the USA. Annual net sales of the acquired business amounts to EUR 110 million.

On May 31, Ahlstrom closed the acquisition of the Italian Fabriano Filter Media SpA. Fabriano is a manufacturer of microglass filter media, serving mainly the high efficiency air filtration market. The acquisition price was approximately EUR 7 million. The transaction includes one manufacturing plant with net sales of approximately EUR 7 million.

On September 3, Ahlstrom closed the transaction to form a joint venture with Brazilian Votorantim Celulose e Papel (VCP). Ahlstrom holds 60% and VCP 40% of the shares in the joint venture Ahlstrom-VCP. The price for Ahlstrom's shareholding was approximately EUR 80 million. The annual net sales of the joint venture is approximately EUR 100 million.

On September 21, Ahlstrom signed agreements with Zhejiang Kan Specialty Material Co (KAN Paper) and its management to acquire a majority shareholding in a specialty papers joint venture in China. Ahlstrom will hold 70% of the shares in the joint venture and the debt-free value of the acquisition is expected to be approximately EUR 10 million. The annual production capacity of the joint venture is approximately 12,000 tons. The transaction is expected to be closed during the first quarter 2008.

On December 13, Ahlstrom announced that it plans to double its production capacity for specialty glassfiber reinforcements in the USA to meet the fast growing demand especially within the wind energy markets. The capacity increase will be implemented in two phases by the end of 2011, and the total investment value is estimated to be approximately EUR 7 million.

On December 13, Ahlstrom announced an investment of approximately EUR 10 million in new nonwovens capacity at its Turin plant in Italy. The investment consists of a rebuild of the paper machine 4, currently producing release base papers, to manufacture nonwovens for industrial applications. The line will be operational by the end of the first quarter of 2009 and is targeted to serve customers within the construction and building industries.

On December 13, Ahlstrom announced an investment of EUR 38 million in a new medical nonwovens plant utilizing spunmelt technology in India. The site also enables future expansions of Ahlstrom businesses in India. The new facility will be located in the Mundra Special Economic Zone (SEZ) in the western state of Gujarat and is expected to start production by the end of 2009.

Organic growth investment start-ups in 2007

During the first quarter of 2007 Ahlstrom repaired a glass furnace and increased the production capacity of the chopped strand mat machine at its Karhula plant in Finland.

Ahlstrom's new wiping fabrics line located at the Green Bay, WI, USA plant ramped up during 2007.

Ahlstrom's new specialty glassfiber reinforcement plant in Bishopville, SC, USA serving the wind energy, marine and transportation markets was ramping up its production in January-September 2007.

In June 2007, a major release base paper capacity expansion was started up at the La Gère, France plant. The investment standstill lasted five weeks. The investment had technical problems and ramped up during the second half of 2007.

The new industrial nonwovens production line in the Brignoud, France plant started production in December 2007.

The new glassfiber tissue production plant in Tver, Russia was expected to start production in December 2007 but it was delayed until late January 2008.

Divestments in 2007

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

Research and development (R&D) in 2007

Innovation is a key element in Ahlstrom's growth strategy. In 2007, the R&D expenses totaled EUR 23.9 million (EUR 25.0 million), representing 1.4% (1.6%) of Ahlstrom's net sales.

In 2007, 39% (39%) of Ahlstrom's net sales was generated by new or improved products due to a large number of organic investments started up during the year. The company's target range for net sales generated by new or improved products is 25–35%.

Ahlstrom continued to introduce new products and technologies in order to further strengthen its position as a leading supplier of fiber-based materials. Ahlstrom was rewarded by ADME (French environment & energy control agency) for its innovative photocatalytic filter media utilized in the first anti-odor building. Other new products that were introduced included the expanded offering of pulp-containing and dispersible wipes and a new specialty glassfiber package for infusion processes used in windpower and marine applications.

The company continued to develop technologies utilizing nanofibers and the filter media acquisition made in 2007 broadened Ahlstrom's technology portfolio by adding microglass technology to the Group. In addition, Ahlstrom worked to continuously improve its existing products and to increase the use of cost-efficient raw materials e.g. eucalyptus pulp and reduce manufacturing costs.

Changes in corporate structure in 2007

Ahlstrom has changed the operative organization within the Specialty Papers segment with effect from October 1, 2007 in order to improve its performance. The Stenay and the Rottersac plants in France, previously part of the Label & Packaging Papers business area, were transferred to the Technical Papers business area. The plants employ 410 people. Following the reorganization, the Label & Packaging Papers business area was renamed Release & Label Papers. Ahlstrom's reporting reflects the new structure as of October 1, 2007.

In line with its strategy to improve profitability, Ahlstrom decided in the fourth quarter 2007 to close its Ascoli, Italy plant and its Chantraine, France plant. The Ascoli plant was closed in January 2008 and the Chantraine plant is expected to be closed by the second quarter in 2008.

Furthermore, Ahlstrom decided to consolidate its air filtration sites in Bellingham, Massachusetts and Darlington, South Carolina to its Bethune plant in South Carolina in order to reduce fixed costs. The Darlington plant was closed by the end of the year 2007 and the Bellingham plant will be closed by the third quarter of 2008. Moreover, Ahlstrom completed the integration of acquisitions made in 2007.

Changes in the Corporate Executive Team in 2007

Daniele Borlatto, previously Vice President, Filtration business in Europe and South America was appointed Senior Vice President of the Release & Label Papers business area and member of the Corporate Executive Team as of October 11, 2007. Daniele Borlatto joined Ahlstrom in 1990, and he has held several managerial positions in sales and controlling prior to his current role.

Diego Borello, previously Senior Vice President of Ahlstrom's Label & Packaging Papers business area (renamed Release & Label Papers with effect from October 1, 2007), was appointed Senior Vice President, Innovation and Technology as of October 11, 2007. He continues as a member of the Corporate Executive Team.

Personnel

	2007	2006	2005
Number of employees, year-end	**6,481**	5,677	5,525
Number of employees, average	**6,108**	5,687	5,605
Wages and salaries, incl. bonus payments, EUR million	**256.9**	234.1	225.1

Geographically, 68% of Ahlstrom's employees were located in Europe, 23% in North America and 9% in the rest of the world. With 23% of the total workforce, USA has the largest percentage of employees, followed by France with 21%, Italy with 16%, Finland with 12% and Germany with 9%.

In 2007, 55% of Ahlstrom's employees worked within the FiberComposites segment, 39% in the Specialty Papers segment and 6% in other operations.

Risk management

The objective of Ahlstrom's risk management is to create a consistent consideration of risk and reward in day-to-day planning and execution to support achievement of agreed targets while avoiding undesired operational and financial events.

The Group's risk management policy states that threats to the achievement of the organization's goals will be identified, analyzed, evaluated and responded to, in order to protect the company against loss, uncertainty and lost opportunity. The policy also defines key activities and responsibilities related to managing risks.

Ahlstrom's risk management approach and framework was further developed during 2007. Structured risk assessment work continued in 2007, covering integration of the risk assessment aspect into the strategic business planning process as well as arranging detailed risk assessment workshops within the business areas.

Ahlstrom has classified risks affecting its operations in three categories, which are strategic business risks, operational risks and financial risks.

Strategic business risks

Strategic business risks are often related to customer relationships, product development, efforts to maintain competitive advantage in quality, service and capacity utilization, as well as capital investments and acquisitions. Some of the strategic business risks that Ahlstrom is exposed to relate to global fiber-based materials market, production capacity utilization, sourcing of raw materials as well as integration of realized growth opportunities. In accordance with the operative organization of the company, strategic business opportunities and risks are primarily addressed by the business area and product line management.

Operational risks

Operational risks often arise as a consequence of inadequate or failed internal processes, people's actions, systems or external events. If the risks materialize, they can lead to injuries, damage to property, interruption of operations, environmental impacts, or liabilities to third parties. In order to identify and mitigate operational risks, Ahlstrom has developed its operational loss prevention processes. To minimize the potential financial impact of materialized risks, Ahlstrom has an established group-wide insurance program.

Financial risks

Financial risks are managed by Group Treasury, under the company's Treasury Policy. The Treasury Policy covers funding, interest rate, foreign currency and counterparty risks as well as risk related to emission rights. There have been no major changes in the area of the financial risks during 2007.

Health, safety and environment

In its approach to management of its health, safety, environmental obligations and asset protection (HSEA), Ahlstrom applies a continuous improvement model. This model is applied to all phases of the life cycle of Ahlstrom's products: from product development, through raw material sourcing, production operations, product delivery and ultimate disposal or recycle.

Ahlstrom's operative structure changed significantly in 2007. Ten sites were either acquired or commenced operation during the year. Four sites were either closed or scheduled for closing. Environmental due diligence investigations were conducted of all new acquisitions. All sites scheduled for closing follow prescribed phase down procedures to ensure regulatory compliance and risk mitigation.

In 2007, Ahlstrom's environmental performance continued to improve as gauged by its key environmental performance indicators. Energy conservation was a key focus for the year. A significant number of energy saving investments were made utilizing a dedicated capital fund. The benefits of these investments were apparent in the third and fourth quarters of the year. Coincident with improved energy utilization, CO_2 emissions also dropped globally. Ahlstrom expects to be a net creditor for Phase 2 (2008–2012) of the European Emissions Trading Scheme (ETS). Water utilization also improved and waste to landfill continued to decrease as sites improved material utilization and pursued more environmentally friendly disposal techniques. There were no significant environmental incidents in 2007.

Ahlstrom believes that there are no material issues regarding compliance with applicable environmental laws or regulations at any of its sites. The company continuously monitors regulatory developments worldwide. At this time, Ahlstrom does not foresee any prospective environmental, health or safety regulatory change that would have a material impact on Ahlstrom's operations or product offerings.

Shares and share capital

Ahlstrom's share is listed on the OMX Nordic Exchange Helsinki. Ahlstrom has one series of shares. The share is classified under the Materials sector and the trading code is AHL1V.

During 2007, a total of 14.5 million Ahlstrom shares were traded for a total of EUR 290.1 million. The lowest trading price during the review period was EUR 16.03 and the highest EUR 24.50. The closing price on December 31, 2007 was EUR 16.37 and market capitalization was EUR 764.0 million.

Equity per share of Ahlstrom Group was EUR 15.35 at the end of the review period (EUR 16.79).

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

In 2007, a total of 1,008,871 new shares of Ahlstrom Corporation were subscribed with option rights under the company's stock option programs I (2001) and II (2001). After the corresponding increases in Ahlstrom's share capital, the share capital at the end of the review period amounted to EUR 70,005,912.00. The total number of shares on December 31 was 46,670,608.

Annual General Meeting

Ahlstrom Corporation's Annual General Meeting of Shareholders (AGM) was held on March 30, 2007.

The AGM confirmed the number of Board members unchanged at seven. Sebastian Bondestam, Jan Inborr, Urban Jansson, Bertel Paulig, Peter Seligson and Willem F. Zetteler were re-elected as members of the Board of Directors and Thomas Ahlström was elected as a new member as proposed by the Nomination Committee. The term of the Board of Directors will expire at the close of the next Annual General Meeting.

The AGM authorized the Board of Directors to repurchase a maximum of 4,500,000 Ahlstrom shares, corresponding to less than 10% of all issued company shares. The Board of Directors is also authorized to resolve to distribute the shares held by the company. The shares may be used as compensation in acquisitions and in other arrangements as well as to implement the company's share-based incentive plans. The Board of Directors has also the right to decide on the distribution of the shares in public trading for the purpose of financing possible acquisitions. The authorization is valid until the next Annual General Meeting on April 2, 2008. The Board did not utilize the authorization to repurchase or distribute the shares during 2007.

Other events

In December 2007 the Board of Directors of Ahlstrom Corporation decided to expand the responsibilities of the Compensation Committee to cover the tasks of the Nomination Committee with immediate effect. Consequently, the committee was renamed as Compensation and Nomination Committee. The members of the committee are Peter Seligson (Chairman), Jan Inborr and Urban Jansson. The main tasks of the Compensation and Nomination Committee are to decide on the compensation and benefits of the persons reporting to the President & CEO as well as to identify and propose candidates for election to the Board and propose compensation of the Board.

In December 2007 Ahlstrom Corporation's head office moved to more cost effective office premises in Salmisaari, in western Helsinki from Eteläesplanadi, Helsinki where Ahlstrom has had its head office since 1937.

Outlook for the first half of 2008

Demand in Ahlstrom's main markets is expected to continue at a good level. The slowdown in the USA increases uncertainty and reduces short-term visibility. However, currently Ahlstrom sees no signs of decreasing deliveries in its main businesses in the USA. The recent acquisitions and the ongoing investment projects in Brazil, Russia and China are expected to increase Ahlstrom's net sales by 10%.

Prices for Ahlstrom's main raw materials, especially pulp, are expected to increase or stay at the current high level during the outlook period. Oil prices continued to rise in the fourth quarter of 2007 and are expected to keep energy and synthetic fiber costs high. For chemicals the price development is anticipated to be mixed.

In order to improve profitability, Ahlstrom has implemented price increases, which are currently taking effect in all business areas. As a result of the restructuring actions decided during the fourth quarter, Ahlstrom will have a more competitive cost structure in 2008. The restructuring is targeted to gradually improve operating profit annually by EUR 25 million, with full effect seen from the second half of 2008 onwards.

Due to the implemented growth actions and recent restructuring measures, Ahlstrom is well positioned to grow and improve clearly its operating financial performance in 2008.

Segment reviews

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

FiberComposites segment

The FiberComposites segment comprises three business areas: the Nonwovens, Filtration and Glass Nonwovens business areas.

For the full financial year 2007, the segment's net sales amounted to EUR 941.4 million (EUR 808.2 million), reflecting 16.5% growth and representing 53% of Group net sales. Volumes sold grew by 23.3% from the 2006 level. Net sales growth was achieved by good demand in all business areas and by the acquisitions and the organic investments implemented during 2007. Net sales adjusted for currency effect and acquisitions grew by 6.6%.

The operating profit excluding non-recurring items increased clearly to EUR 60.6 million (EUR 54.1 million). The improvement in the segment's profitability was mainly achieved by increased net sales in all business areas. However, the segment's profitability was negatively impacted by the continued escalation of raw material and energy costs and the ramp-up of several large lines during 2007. In addition, the integration costs of the acquisitions had a EUR 3.0 million impact on operating profit in 2007.

In order to streamline its organization and improve its competitiveness, Ahlstrom decided to consolidate its air filtration sites in the USA in Bellingham, Massachusetts and Darlington, South Carolina to its Bethune plant in South Carolina in the fourth quarter of 2007.

Furthermore, Ahlstrom successfully finalized the integration of the three acquisitions made in 2007, Fabriano Filter Media SpA, Orlandi's nonwovens business and Fiberweb's consumer wipes business. As a result of the integration of the acquisitions and the restructuring of the FiberComposites segment altogether six manufacturing lines were closed and 200 positions reduced. The restructuring in the FiberComposites segment will further support profitability improvement in 2008.

Nonwovens business area (28% of the Group's net sales)

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

The good market situation for all the product areas continued throughout the year 2007 despite the general concerns of the US economy. The business area's sales volumes grew significantly by 54.4% in 2007 and net sales by 33.5% and amounted to EUR 491.6 million. The growth was mainly driven by strong demand in wipes and wall coverings and organic investments and acquisitions within the wiping fabrics business.

As a result of the growth actions in 2007, Ahlstrom became the largest wiping fabrics producer in the world. Comparable net sales adjusted for acquisitions and currency effect grew by 7.7%.

Costs for energy and raw materials continued to increase in 2007. Year-on-year, the price for rayon, one of the most important raw materials for the nonwovens business area increased by more than 40%. The business area was, however, able to partially offset the increased input costs by improving productivity at most of the manufacturing sites and by significantly increasing sales prices.

In the fourth quarter, Ahlstrom announced that it will invest EUR 38 million in a new medical nonwovens plant in India with a possibility for further expansions of Ahlstrom's businesses in the future. In addition, Ahlstrom decided to invest approximately EUR 10 million to convert a specialty paper machine to manufacture nonwovens for industrial applications at its Turin plant in Italy.

Filtration business area (19% of the Group's net sales)

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

In general, the demand for filtration materials continued to develop favorably in 2007. Demand for transportation filtration media was good in Europe and particularly strong in South America and Asia due to strong local economic growth and certain customers relocating to the area. In North America, the development was mixed. While the market for transport filtration remained good the market for air filtration media continued to suffer due to the slow down of the housing market. The demand for liquid filtration, however, remained steady throughout the year.

Full year sales volumes grew by 3.1%. Net sales amounted to EUR 332.6 million and remained at the same level as in 2006. Net sales for the full year 2007 adjusted for the currency effect and acquisitions increased by 4.0%.

Costs for energy and raw materials, especially pulp and methanol related products, increased significantly during the year. Price increases have been implemented in all geographic regions in order to improve profitability.

In the beginning of 2007 Ahlstrom decided to invest EUR 5 million in a new drylaid nonwoven line at its Groesbeck, TX, USA plant to serve the North American air filtration market. Later in the year Ahlstrom decided to postpone the investment until further notice.

The EUR 8 million investment in a new needlepunch line at the Darlington, USA facility announced on May 11, 2007 will be redirected to the Bethune, USA plant and start production in June 2008. On October 8, Ahlstrom made the decision to invest in new filtration capacity in its Windsor Locks, USA plant by converting a machine previously producing nonwovens materials.

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

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

The market demand for Ahlstrom's glass nonwovens applications developed favorably throughout the year in all main geographies. Especially the windmill market grew strongly in 2007.

In 2007, Ahlstrom's sales volumes grew by 9.8% and net sales by 11.1% and amounted to EUR 122.0 million. The new specialty reinforcement plant in Bishopville, USA serving the windmill, transportation and marine industries and the capacity expansion made in Karhula, Finland in the beginning of the year were the main drivers of sales growth. Furthermore, price increases and improved product mix had a positive impact on growth.

Raw material and energy prices continued to rise throughout the year

2007. The business area will continue to raise its sales prices and improve productivity.

The new glass nonwovens plant built in Bishopville, SC, USA started production during the first quarter. The investment was valued at approximately EUR 10 million. In addition, Ahlstrom repaired the existing glass furnace and increased the production capacity of the chopped strand mat machine at its Karhula, Finland plant. The investments were valued at approximately EUR 6 million in total.

The new glassfiber tissue production plant in Tver, Russia, serving the building and composite materials industries, was expected to start production in December 2007 but was delayed until late January 2008.

At the end of year 2007 Ahlstrom decided to double its production capacity for specialty glassfiber reinforcements in the USA to meet the fast growing demand especially within the wind energy markets. In the first phase, Ahlstrom will invest approximately EUR 3 million in 2008 and install new machinery at the Bishopville facility. In the second phase, the investment value is estimated to be approximately EUR 4 million.

The investments made in 2007 further strengthen Ahlstrom's global position as a leading supplier of glass nonwovens materials and supports further growth in the business area.

Specialty Papers segment

The Specialty Papers segment comprises two business areas: the Release & Label Papers and the Technical Papers business areas.

For the full financial year 2007, the segment's net sales increased by 3.9% and amounted to EUR 824.7 million (EUR 794.0 million). The segment net sales represented 47% of Group net sales. Comparable net sales adjusted for acquisitions and currency effect grew slightly by 1.1%.

Operating profit excluding non-recurring items decreased clearly to EUR 13.9 million (EUR 36.4 million). The main reason for the decline in profitability was the decrease in the sales prices in the Release & Label Papers business area. This was due to the weakening demand of coated-one-side papers in Europe and the temporary excess supply of release base papers. The operating loss of the closed plants and technical problems with the ramp-up of the La Gère, France investment impacted operating profit negatively. In addition, the increase in the main raw material costs had a negative impact on operating profit.

In order to improve its profitability, Ahlstrom decided in the fourth quarter of 2007 to restructure its European operations of the Specialty Paper segment including the closure of its Ascoli, Italy plant and the Chantraine, France plant and the closure of the Turin PM4 release base paper line. The Ascoli and the Turin PM4 have already been closed and Chantraine is expected to be closed during the first half of 2008. The actions will affect 450 positions and reduce capacity by 120 thousand tons and their positive effect will be seen during 2008.

Technical Papers business area (27% of the Group's net sales)

The main products of the Technical Papers business area are abrasive base papers, crepe papers (such as masking tape base, wipes, medical applications), pre-impregnated decor papers, sealing & shielding materials (for gaskets, heat shields, calender bowls), coated papers (e.g. wallpaper base and poster papers), flexible packaging papers as well as vegetable parchment papers. The business area's main markets include the furniture and home decoration, healthcare, food and automotive industries.

The demand for technical papers varied by product and geographic area. The market environment continued to be favorable for vegetable parchment, poster and crepe paper papers while market conditions for flexible packaging papers were challenging. The export markets were impacted by the weak USD against the euro.

For the full year 2007 the business area's sales volumes grew by 4.9% and net sales by 4.3% and amounted to EUR 485.6 million.

The price for pulp, the main raw material of the business area continued to rise throughout the year. In addition, electricity prices increased towards the end of the year when winter tariffs were adopted in Central Europe. Ahlstrom was able to increase sales prices in most product areas during the year. Productivity improvements and fixed cost reductions were implemented at all plants in order to improve profitability.

Ahlstrom signed the Zhejiang Kan Specialty Material Co (KAN Paper) joint venture in China on September 10, 2007 and was expected to close the transaction within the fourth quarter of 2007. The closing was postponed due to Chinese authority approvals and currently Ahlstrom expects to close the transaction during the first quarter of 2008.

Release & Label Papers business area (19% of the Group's net sales)

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

The market situation for the business area was challenging. The temporary excess supply of release base papers prevailed and the European export markets suffered due to the weak US dollar. In Latin America, the good demand of label and release base papers continued.

Sales volumes for the full year grew by 10.1%. Net sales was EUR 340.4 million and increased by 3.2%. The growth was mainly driven by the consolidation of the Ahlstrom-VCP joint venture in Brazil. Net sales adjusted for acquisitions and currency effect decreased by 5.4% due to the decrease in sales prices.

In June 2007, a major release base paper capacity expansion was started up at the La Gère, France plant. The investment standstill lasted five weeks. The investment ramp-up had technical problems and ramped up during the second half of 2007.

The business area's main raw material, pulp, escalated during the year. Furthermore, the energy costs increased towards the end of the year when the European plants adopted the winter energy prices. The operating loss of the closed plants and the technical problems with the ramp-up of the release base paper investment at the La Gère plant impacted the performance of the business area negatively.

Income statement

EUR million	(Note)	**2007**	2006
Net sales	(1,3)	**1,760.8**	1,599.1
Other operating income	(2,4)	**20.4**	36.7
Change in inventories of finished goods and work in progress		**10.1**	2.9
Production for own use		**1.7**	0.4
Materials and supplies		**-1,039.9**	-893.0
Employee benefit expenses	(5)	**-362.1**	-319.6
Depreciation and amortization	(9,10,12)	**-93.9**	-79.9
Impairment charges	(11)	**-5.9**	-1.7
Other operating expenses	(4)	**-265.3**	-248.8
Operating profit		**25.8**	96.1
Financial income	(6)	**1.7**	2.5
Financial expenses	(6)	**-27.3**	-17.4
Share of net profit of associated companies	(13)	**-0.1**	0.0
Profit before taxes		**0.2**	81.2
Income taxes	(7,15)	**1.2**	-23.6
Profit for the period		**1.3**	57.6
Attributable to:			
Equity holders of the parent		**0.5**	57.5
Minority interest		**0.8**	0.1
Basic earnings per share (EUR)		**0.01**	1.31
Diluted earnings per share (EUR)		**0.01**	1.29

Balance sheet

EUR million	(Note)	**Dec 31, 2007**	Dec 31, 2006
Assets			
Non-current assets			
Property, plant and equipment	(9)	**747.7**	601.7
Goodwill	(10,11)	**179.7**	101.0
Other intangible assets	(10)	**58.2**	32.6
Investment property	(12)	**-**	-
Investments in associated companies	(13)	**12.4**	12.9
Other investments	(14,26)	**0.2**	0.2
Other receivables	(17,26)	**16.9**	6.1
Deferred tax assets	(15)	**29.7**	25.9
Total non-current assets		**1,044.8**	780.4
Current assets			
Inventories	(16)	**246.3**	214.4
Trade and other receivables	(17,26)	**389.3**	328.0
Income tax receivables		**3.9**	8.7
Other investments	(14,26)	**5.8**	5.0
Cash and cash equivalents	(18,26)	**21.3**	20.1
Total current assets		**666.5**	576.1
Total assets		**1,711.4**	1,356.6

EUR million	(Note)	**Dec 31, 2007**	Dec 31, 2006
Equity and liabilities			
Equity attributable to equity holders of the parent	(19)		
Issued capital		**70.0**	68.5
Share premium		**209.3**	209.3
Reserves		**-7.2**	-2.4
Retained earnings		**444.3**	490.4
		716.4	765.8
Minority interest		**36.0**	0.8
Total equity		**752.4**	766.6
Non-current liabilities			
Interest-bearing loans and borrowings	(22,26)	**202.7**	44.0
Employee benefit obligations	(20)	**87.7**	112.4
Provisions	(21)	**4.6**	3.7
Other liabilities	(23,26)	**0.6**	0.6
Deferred tax liabilities	(15)	**27.6**	26.8
Total non-current liabilities		**323.2**	187.4
Current liabilities			
Interest-bearing loans and borrowings	(22,26)	**315.5**	136.4
Trade and other payables	(23,26)	**273.1**	241.0
Income tax liabilities		**9.1**	12.4
Provisions	(21)	**38.1**	12.8
Total current liabilities		**635.8**	402.6
Total liabilities		**959.0**	590.0
Total equity and liabilities		**1,711.4**	1,356.6

Statement of changes in equity

EUR million	Attributable to equity holders of the parent							Minority interest	Total equity
	Issued capital	Share premium	Non-restricted equity reserve	Hedging reserve	Translation reserve	Retained earnings	Total		
Equity at December 31, 2005	**54.6**	**26.7**	**-**	**1.0**	**3.7**	**503.7**	**589.7**	**0.8**	**590.5**
Cash flow hedges, net of tax:									
Gains and losses taken to equity	-	-	-	-0.9	-	-	-0.9	-	-0.9
Translation differences	-	-	-	-	-15.6	-	-15.6	-	-15.6
Gains and losses from hedge of net investments in foreign operations, net of tax	-	-	-	-	8.9	-	8.9	-	8.9
Other changes	-	-	-	-	-	-0.9	-0.9	0.0	-0.9
Profit for the period	-	-	-	-	-	57.5	57.5	0.1	57.6
Total recognized income and expense for the period	-	-	-	-0.9	-6.8	56.6	48.9	0.1	49.1
Dividends paid and other	-	-	-	-	-	-65.2	-65.2	-0.1	-65.3
Share issue	13.7	182.4	-	-	-	-	196.1	-	196.1
Share options exercised	0.1	0.2	0.5	-	-	-	0.9	-	0.9
Redemption of share options	-	-	-	-	-	-4.7	-4.7	-	-4.7
	13.9	182.6	0.5	-	-	-69.9	127.1	-0.1	127.0
Equity at December 31, 2006	**68.5**	**209.3**	**0.5**	**0.1**	**-3.1**	**490.4**	**765.8**	**0.8**	**766.6**
Cash flow hedges, net of tax:									
Gains and losses taken to equity	-	-	-	-0.1	-	-	-0.1	-	-0.1
Translation differences	-	-	-	-	-19.9	-	-19.9	-	-19.9
Gains and losses from hedge of net investments in foreign operations, net of tax	-	-	-	-	7.5	-	7.5	-	7.5
Minority increase Ahlstrom-VCP	-	-	-	-	-	-	-	34.6	34.6
Other changes	-	-	-	-	-	0.0	0.0	0.0	-0.1
Profit for the period	-	-	-	-	-	0.5	0.5	0.8	1.3
Total recognized income and expense for the period	-	-	-	-0.1	-12.4	0.5	-12.0	35.3	23.3
Dividends paid and other	-	-	-	-	-	-46.6	-46.6	-0.1	-46.7
Share options exercised	1.5	-	7.7	-	-	-	9.2	-	9.2
	1.5	-	7.7	-	-	-46.6	-37.4	-0.1	-37.5
Equity at December 31, 2007	**70.0**	**209.3**	**8.3**	**0.0**	**-15.5**	**444.3**	**716.4**	**36.0**	**752.4**

Statement of cash flows

EUR million	(Note)	2007	2006
Cash flow from operating activities			
Profit for the period		**1.3**	57.6
Adjustments:			
Non-cash transactions and transfers to cash flow from other activities	(29)	**78.0**	71.4
Interest and other financial income and expense		**25.6**	14.9
Dividend income		**0.0**	0.0
Taxes		**-1.2**	23.6
Changes in net working capital:			
Change in trade and other receivables		**-28.9**	-5.8
Change in inventories		**-6.5**	-5.2
Change in trade and other payables		**-0.2**	-3.4
Change in provisions		**10.4**	-0.5
Interest received		**1.6**	3.5
Interest paid		**-18.3**	-8.7
Other financial items		**1.6**	1.5
Taxes paid		**-19.7**	-29.6
Net cash from operating activities		**43.9**	119.2
Cash flow from investing activities			
Acquisitions of Group companies, net of cash	(3)	**-217.2**	-7.8
Purchases of property, plant and equipment		**-153.9**	-116.5
Proceeds from disposal of shares in Group companies and businesses and associated companies	(2)	**10.9**	39.5
Proceeds from disposal of other investments		**0.5**	0.6
Increase in other investments		**-0.8**	-5.0
Proceeds from disposal of property, plant and equipment		**2.5**	9.8
Dividends received		**0.0**	0.4
Net cash from investing activities		**-358.1**	-79.0
Cash flow from financing activities			
Share issue and share options exercised		**9.2**	195.1
Drawdowns of non-current loans and borrowings		**165.1**	-
Repayments of non-current loans and borrowings		**-4.2**	-137.5
Change in current loans and borrowings		**192.3**	-21.5
Redemption of options		**-**	-6.8
Dividends paid		**-46.8**	-65.3
Net cash from financing activities		**315.6**	-36.0
Net change in cash and cash equivalents		**1.4**	4.3
Cash and cash equivalents at beginning of period		**20.1**	16.0
Foreign exchange effect on cash		**-0.2**	-0.1
Cash and cash equivalents at end of period		**21.3**	20.1

Accounting principles

Corporate information

Ahlstrom Group (the "Group") is a multinational group operating in the fiber-based specialty materials business. The parent company Ahlstrom Corporation is a Finnish public limited liability company organized under the laws of Finland and domiciled in Helsinki and its registered address is Salmisaarenaukio 1, FIN-00180 Helsinki, P.O. Box 329, FIN-00101 Helsinki. The shares of Ahlstrom Corporation have been listed on the OMX Nordic Exchange Helsinki since March 2006. The consolidated financial statements are available at www.ahlstrom.com or from the address Ahlstrom Corporation Head Office, P.O. Box 329, FIN-00101 Helsinki.

Ahlstrom Group reports its operations in two segments, FiberComposites and Specialty Papers. Products supplied by the FiberComposites segment include nonwovens, filtration media and glass nonwovens products. The Specialty Papers segment operates in release and label papers as well as in technical papers. In 2007, Ahlstrom had activities in 26 countries and employed about 6500 people.

These consolidated financial statements were authorized for issue by the Board of Directors of Ahlstrom Corporation on January 31, 2008.

Basis of preparation

The financial statements of the Group are prepared in accordance with the International Financial Reporting Standards (IFRS) complying with the valid IAS- and IFRS-standards as well as the Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) interpretations. In the Finnish Accounting Act and ordinances based on the provisions of the Act, IFRSs refer to the standards and to their interpretations adopted in accordance with the procedures laid down in regulation (EC) No 1606/2002 of the European Parliament and of the Council. The notes to the Consolidated Financial Statements are also in accordance with the requirements of the Finnish Accounting and Limited Liability Companies Acts complementing the IFRS.

The Group has adopted the following new or amended standards and interpretations as of January 1, 2007. The comparative figures have been amended as required:

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

The above mentioned standards and interpretations do not have an effect on the consolidated financial statements with exception of the notes relating to the IFRS 7 and IAS 1.

The consolidated financial statements are presented in millions of euros unless otherwise stated. The financial statements are prepared under the historical cost convention except that the following assets and liabilities are stated at their fair value: financial instruments at fair value through income statement, financial instruments classified as available-for-sale, derivative financial instruments, hedged items in fair value hedge accounting and liabilities for cash-settled share-based payments. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

Critical judgements in applying accounting principles and key sources of estimation uncertainty

The preparation of consolidated financial statements in conformity with IFRS requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported period. The estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events. Although the amounts are based on the management's best knowledge at the balance sheet date, actual results may differ from the estimates. The most significant estimates and assumptions in the Group are used for example to determine impairment of non-current assets, allocations of purchase prices to acquired assets, employee benefits and deferred taxes.

Impairment of non-current assets

Goodwill, tangible assets and intangible assets are tested annually for possible impairment. In addition, on each balance sheet date the assets are reviewed to determine any indication of impairment. The recoverable amounts of the cash-generating units are determined based on value in use calculations. These calculations and as well as the pre-tax discount rate needed to calculate the net present value of the future cash flows are based on management estimates. The discount rate used reflects the Group's weighted average cost of capital. Actual cash flows may vary from estimated cash flows. The changes relating for example to the useful lives of assets, estimated future sales prices of products, estimated production costs or discount rate used could lead to impairment charges.

Allocation of purchase price to acquired assets

In business combinations the net identifiable assets of the acquired companies are measured at fair value. For all major tangible and intangible assets acquired, an external advisor is used to perform a fair valuation. The appraisals, which have been based on current replacement costs, discounted cash flows and estimated selling prices depending on the underlying assets, require management to make estimates and assumptions of the future performance and use of these assets. The assigned values and useful lives, as well as the underlying assumptions, are based on the management's best knowledge on the balance sheet date and different assumptions, assigned values and useful lives could have an impact on the reported amounts.

Employee benefits

Several statistical and other actuarial assumptions are used in calculating the expenses, liabilities and assets related to the employee benefits. These assumptions include, among other things, discount rates used in the measurement of planned assets and liabilities as well as other actuarial assumptions such as future salary increases and mortality rate. Defined benefit plans are calculated by qualified actuaries. The changes in actuarial assumptions are charged or credited to income over the expected remaining service lives of the employees. Statistical information used may differ materially from actual results due to changing market conditions, changes in service period of plan participants or changes in other factors, which could have an impact on the personnel costs and employee benefit liabilities.

Deferred taxes

The Group reviews at each balance sheet date especially the carrying amount of deferred tax assets and considers whether it is probable that the group companies will have sufficient taxable income against which the deductible temporary differences, tax losses carried forward and unused fax credits can be utilized. Due to new circumstances and new information the actual outcome may differ from estimates and estimates can be changed, which may lead to recording of deferred tax expense or revenue in the income statement.

Principles of consolidation

The consolidated financial statements include the financial statements of the parent company and all subsidiaries. Subsidiaries are entities controlled by the parent company. Control exists when the parent company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The subsidiaries are listed in note 31. Subsidiaries acquired during the financial year are included in the consolidated income statement from the date of acquisition, whereas companies that have been disposed of during the financial year are included up to the date of disposal. Acquired companies are accounted for using the purchase method of accounting according to which the assets and liabilities of the acquired company are measured at their fair value at the date of acquisition. The cost of goodwill is the excess of the cost of acquisition over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Associated companies are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The equity method of accounting is used to account for investments in associated companies in which the Group has 20 to 50 percent of the voting shares. The share of profits or losses of associated companies is presented separately below operating profit.

All intragroup transactions, receivables and liabilities as well as unrealized profits and intragroup profit distributions are eliminated in consolidation. Minority interest is reported as a separate item in equity in the consolidated balance sheet. Profit or loss for the period attributable to minority interest is presented separately at the end of the consolidated income statement.

Transactions denominated in foreign currencies

Items included in the financial statements of each subsidiary in the Group are measured using the currency of the primary economic environment in which the subsidiary operates (the functional currency). The consolidated financial statements are presented in euros, which is the functional and presentation currency of the parent company.

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the balance sheet date. Foreign exchange differences arising from translation are recognized in the income statement. Foreign exchange gains and losses arising in respect of operating business transactions are included in operating profit, and those arising in respect of financial assets and liabilities are included as a net amount in financial income and expenses. The foreign currency differences arising from the qualifying cash flow hedges and qualifying hedges of a net investment in foreign operations are recognized in equity.

The balance sheets of subsidiaries whose functional currency is not euro are translated into euros at the exchange rates prevailing at the balance sheet date while the income statements of such subsidiaries are translated at the average exchange rates for the period. The effect of such translation is recognized as a separate component of equity.

Translation differences arising from the elimination of the acquisition price of foreign subsidiaries and from the changes in equity after the acquisition date are recognized in equity. In addition, the changes in fair values of forward contracts that hedge the currency exposures on net investments are recorded in equity. When a subsidiary is disposed of, translation differences arising from the net investment and from possible related hedges are recognized in the income statement as part of the gain or loss on sale.

Translation differences that have arisen before January 1, 2004 have in accordance with the IFRS 1 standard been recognized in the retained earnings at the transition to IFRS. At disposal of the subsidiary, such translation differences will not be recognized in the income statement.

Goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising from the acquisition of a foreign operation are recognized in the functional currency of that foreign operation and translated at the balance sheet rate.

Financial instruments

The Group classifies financial assets in accordance with IAS 39 in one of the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables. Classification is made on initial recognition based on the purpose for which the financial asset was acquired. The purchases and sales of financial assets are accounted for at trade date. Transaction costs are included in the initial measurement of financial assets that are not measured at fair value through profit or loss.

A financial asset is derecognized when the Group has lost its contractual rights to the cash flows from the financial asset or when it has transferred substantially all the significant risks and rewards of ownership of the financial asset to an external party.

Financial assets at fair value through profit or loss

This category includes the financial assets held for trading, all derivatives which do not qualify for hedge accounting, and any financial assets that are designated by the Group at the initial recognition as measured at fair value through profit or loss. Financial assets held for trading are mainly held to generate profits from short-term market price changes. The assets in the category are measured at fair value. The assets held for trading and the assets due within 12 months are included in current assets. Unrealized and realized gains and losses due to fair value adjustments are recognized in profit or loss in the period they occur.

Loans and other receivables

Loans and other receivables category is for non-derivative financial assets, which arise from the sale of goods and services or from lending activities. They are not quoted on an active market. Payments from loans and receivables are fixed or determinable. Loans and receivables are recognized at amortized cost. They are included in non-current or current assets, depending on their maturity.

Available-for-sale financial assets

Available-for-sale financial assets category includes unlisted securities and other interest-bearing current investments. They are measured at fair value. Unlisted securities are stated at lower of cost or probable value, if their fair value cannot be measured reliably. Unrealized gains and losses on remeasurement are recognized directly in fair value reserve in equity deducted with the associated tax effect. Amounts recognized directly in equity are transferred to profit or loss when the asset is sold or substantially impaired. Available-for-sale financial assets are included in non-current assets unless the Group intends to hold them for less than 12 months after the balance sheet date.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are included in short-term interest-bearing liabilities on the balance sheet.

Financial liabilities

The Group's financial liabilities include loans from financial institutions, trade payables and other financial liabilities. Loans are initially measured at fair value which is based on the consideration received. Transaction costs associated with financial liabilities are included in the initial measurement. Subsequent to initial recognition, financial liabilities are stated at amortized cost calculated using the effective interest rate method.

Derivative financial instruments and hedge accounting

Derivative financial instruments are recognized at cost reflecting their fair value on the date a contract is entered into and are thereafter remeasured at their fair value. Gains and losses on remeasurement to fair value are recognized according to the nature of the item being hedged. When derivative contracts are entered into, the Group designates them as either hedges of the fair value of recognized assets, liabilities or firm commitments (fair value hedge), hedges of forecasted transactions or firm commitments (cash flow hedge), hedges of net investments in foreign operations or as derivative financial instruments not meeting the hedge accounting criteria.

For hedge accounting purposes the Group prepares documentation of the hedged item, the risk being hedged, and the risk management objective and strategy for undertaking the hedge. The effectiveness of a hedging instrument is tested both prospectively and retrospectively at every balance sheet date. A hedge is effective if the hedging instrument offsets the changes in cash flows or revaluation of the hedged item.

Changes in the fair value of derivatives designated and qualifying as fair value hedges, and which are highly effective, are recorded in the income statement, along with any changes in the fair value of the hedged assets or liabilities attributable to the hedged risk.

Changes in the fair value of derivatives designated and qualifying as cash flow hedges, and which are effective, are recognized directly in equity. The cumulative gain or loss of a derivative deferred in equity is transferred to the income statement in the same period in which the hedged item affects the income statement. When a hedging instrument expires, is sold or no longer qualifies for hedge accounting, the cumulative gain or loss in equity at that point is recognized in profit or loss.

The Group uses either derivatives or currency loans to hedge its currency exposure of net investments in foreign operations. These are accounted for similarly to cash flow hedges. The effective portion of the change in fair value of hedging instruments is recognized in the currency translation reserve in equity. Any ineffective portion of the change is recognized in profit or loss. If a foreign currency loan is used as a hedge, the effective portion of the associated exchange gains or losses is taken to translation reserve. When the subsidiary is disposed of, the cumulative amount in the translation reserve is transferred to profit or loss as an adjustment to the profit or loss on disposal.

Other derivative instruments do not necessarily qualify for hedge accounting in IAS 39, even if they are economic hedges according to the Group treasury policy. Changes in fair values of these non-qualifying derivatives and potential embedded derivatives defined under IAS 39 are recognized in profit or loss in the period they occur. Fair values are determined by utilizing public price quotations and rates as well as generally used valuation models. The data and assumptions used in the valuation model are based on verifiable market prices.

Revenue recognition

The Group recognizes revenue from product sales upon shipment, when the customer takes ownership and when the Group has transferred the decisive risks and rewards to the customer and the Group retains no effective control of the products. The majority of the Group's revenue is recognized upon delivery to the customer in accordance with agreed terms of delivery. The Group recognizes revenue from services when the services are rendered. Sales are presented net of returns, indirect taxes, discounts and annual rebates.

Income taxes

Income taxes consist of current and deferred taxes. Current taxes include taxes of the Group companies for the financial year in accordance with the local regulations, as well as adjustments to prior year taxes. The income tax effects of items recognized directly in equity are similarly recognized in equity.

Deferred taxes are provided for temporary differences arising between the carrying amounts in the balance sheet and the tax bases of assets and liabilities using the relevant enacted tax rates in each country. The most significant temporary differences arise from property, plant and equipment, employee benefit obligations and unused tax losses. A deferred tax asset on deductible temporary differences, tax losses carried forward and unused tax credits is recognized only to the extent that it is probable that future taxable profits will be available, against which the deductible temporary differences can be utilized.

Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the income statement in the period that includes the enactment date.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses. Interest costs on long-term borrowings to finance the construction of property, plant and equipment are capitalized as part of their cost during the period of time required to complete the assets for their intended use.

Depreciation on property, plant and equipment is calculated on a straight-line basis over the estimated useful lives of the assets as follows: buildings and constructions 20-40 years; heavy machinery 10-20 years; other machinery and equipment 3-10 years. Land is not depreciated. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items. The Group recognizes in the carrying amount the cost incurred for replacing a part of such an item if it is probable that the future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. Ordinary repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Expected useful lives and residual values of non-current assets are reassessed at each balance sheet date and where they differ significantly from previous estimates, depreciation periods are changed accordingly.

Gains and losses arising from the sale of property, plant and equipment are included in other operating income or expense.

Intangible assets

Goodwill

Acquisitions are accounted for under the purchase method of accounting and accordingly, the excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized in the balance sheet as goodwill. Identifiable net assets include the assets acquired, and liabilities and contingent liabilities assumed. The cost of acquisition is the fair value of purchase consideration given added by any costs directly attributable to the acquisition. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and it is not amortized but tested annually for impairment.

Acquisitions prior to the IFRS transition date have in accordance with IFRS 1 not been restated but the balance sheet values according to the previous accounting standards are taken as the deemed cost. Prior to the IFRS transition date, the difference between the acquisition cost and the subsidiary's equity at the time of acquisition has been allocated, where applicable, to the assets acquired.

Research and development

Research costs are expensed as incurred in the income statement. Expenditure on development activities are also expensed as incurred except for those development expenses which meet the capitalization criteria under IAS 38 Intangible Assets. The Group has not capitalized development expenses as it has not been assured that they will meet all the criteria for capitalization.

Other intangible assets

Other intangible assets include trademarks, patents, licenses and computer software which are stated at cost less accumulated amortization and impairment losses. Trademarks, patents and licenses are amortized on a straight-line basis over their expected useful lives ranging from 5 to 20 years. Computer software is amortized on a straight-line basis over their expected useful lives ranging from 3 to 5 years.

Investment property

Investment property includes property held to earn rentals or for capital appreciation or both. Investment property is treated as a long-term investment and is stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on a straight-line basis and the useful lives are the same as for property, plant and equipment.

The Group has no investment property at the balance sheet date.

Leasing

The Group leases certain property and equipment under various operating and finance lease arrangements. Leases are classified and accounted for as finance leases if substantially all the risks and rewards of ownership of the underlying assets have been transferred to the lessee.

The assets related to finance leases are capitalized at the lower of their fair value or the estimated present value of the minimum lease payments. Each lease payment is allocated between the lease liability and the finance charges, so that a constant rate of interest is recognized on the outstanding balance of the lease liability for each period. The lease liability, net of interest charges, is included in interest-bearing liabilities.

Property, plant and equipment acquired under finance lease contracts are depreciated over the shorter of the useful life of the asset or the term of the lease.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are expensed on a straight-line basis over the lease period.

Impairment of assets

At each balance sheet date, the carrying amounts of the Group's assets are reviewed to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of an assets' fair value less costs to sell, or its value in use. The value in use represents the discounted future cash flows expected to be derived from an asset or a cash-generating unit. In Ahlstrom Group the recoverable amount is mainly based on the values in use.

An impairment loss is recognized in the income statement when the carrying amount of an asset exceeds its recoverable amount. An impairment loss is reversed if there has been a positive change in the estimates used to determine the recoverable amount of an asset or cash-generating unit. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized in prior years. However, an impairment loss in respect of goodwill is never reversed.

In the Group the cash-generating units are based on the product line organization. A cash-generating unit is the lowest level for which there are separately identifiable, mainly independent, cash inflows and outflows. Goodwill has been allocated to the cash-generating units that are expected to benefit from the business combination. The recoverable amount for the units with goodwill allocation is assessed annually and always when there is indication of impairment.

Inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost of raw materials and supplies is determined on a weighted average cost method. Cost of other inventories is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in progress includes all direct costs as well as an allocation of variable and fixed production overheads.

Trade receivables

Trade receivables are measured at cost, and recorded net of estimated allowances for doubtful accounts. Management considers current information and events regarding the customers' ability to repay their obligations and makes an estimate of the amount of allowance when it is probable that the full amount will not be collected.

Provisions

Provision is recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provision for restructuring is recognized only when a detailed and formal plan has been approved, and the implementation of the plan has either commenced or the plan has been announced to the persons it concerns. An environmental provision is recorded based on the current interpretations of environmental laws and the Group's environment principles when it is probable that an obligation has arisen and the amount of obligation can be reliably estimated.

Employee benefits

Defined contribution and defined benefit plans

Group companies in different countries have various pension plans in accordance with local conditions and practices. The plans are classified as either defined contribution plans or defined benefit plans. Contributions to defined contribution pension plans are recognized as an expense in the period to which they relate.

In respect of each defined benefit plan, the Group's net obligation is calculated by estimating the amount of future benefit the employees have earned in return for their service; that benefit is discounted to its present value and the fair value of any plan assets are deducted. The present value of defined benefit obligations is determined using the projected unit credit method. The discount rate to determine the present value of defined benefit obligation is the yield on high quality corporate bonds or government bonds with a similar maturity to the obligation. The calculations are prepared by qualified actuaries.

All actuarial gains and losses as at January 1, 2004 were recognized in equity. The actuarial gains and losses that arise subsequent to January 1, 2004 in calculating the Group's obligation are, to the extent that the cumulative unrecognized actuarial gain or loss exceeds the greater of 10% of the present value of the defined benefit obligation or 10% of the fair value of the plan assets, recognized in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognized.

The Group's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Share-based payment transactions

The Group applies IFRS 2 (Share-based payments) to share-based payment programs granted after November 7, 2002 and not vested prior to January 1, 2005. The applicable share-based payment program grants key personnel share appreciation rights conditional upon satisfying specified vesting conditions.

The fair value of the amount payable is recognized as an expense with a corresponding increase in liabilities. The fair value is initially measured at grant date and spread over the period during which the persons become entitled to the payment. The liability is remeasured at each reporting date until settled. Any changes in the fair value are recognized as an employee benefit cost. The measurement is based on an option pricing model, taking into account the terms and conditions on which the share appreciation rights have been granted, and the extent to which the employees have rendered service to date.

Dividends

Dividends proposed by the Board of Directors are not recognized in the financial statements until they have been approved by the shareholders at the Annual General Meeting.

The transaction costs related to the initial public offering in 2006

Ahlstrom Corporation made the initial public offering and shares have been listed on the OMX Nordic Exchange Helsinki since March 2006. The transaction costs of the equity transaction, net of income tax benefit, have been accounted for as a deduction from the share premium in equity.

Government grants

Government or other grants are recognized in the income statement in the same periods in which the related expenses are incurred. Government grants relating to the purchase of property, plant and equipment are deducted from the carrying amount of the asset and recognized as income over the life of a depreciable asset by way of a reduced depreciation charge.

Emission rights

The allocated allowances received free of charge according to the carbon dioxide emissions and the liability to return allowances based on the actual emissions are netted. A provision is recognized if the received allowances will not cover the liability. On the contrary no intangible assets are recognized of the excess of allowances. The information of the emission rights at the balance sheet date and actual emissions are presented in the notes to the financial statements. The gains arising from the sale of the emission right allowances are recorded in other operating income.

Non-current assets held for sale and discontinued operations

Non-current assets held for sale and assets related to discontinued operations are recognized at the lower of their carrying amount or fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, and the sale is considered highly probable.

A discontinued operation is a major business unit or geographical area of operations.

The Group did not have any non-current assets held for sale or assets related to discontinued operations during years 2006 and 2007.

Operating profit

Operating profit is the net amount of net sales and other operating income less cost of finished goods and work in progress adjusted with the change in inventories, cost of employee benefits, depreciation, amortization and impairment loss, and other operating expenses. Operating profit includes foreign exchange differences related to normal business operations. Foreign exchange differences related to financial operations are recorded in financial income and expenses.

Application of improved or revised IFRS-standards

IASB has issued the following new standards, interpretations and their amendments which are not yet effective and the Group has not adopted them as of the balance sheet date. The Group will adopt them from the effective date of each new or amended standard and interpretation or in case the effective date is different from the start date of the accounting period, adoption will take place in the beginning of the next accounting period.

- IFRIC 11 IFRS 2 - Group and Treasury Share Transactions is effective for accounting periods beginning on or after March 1, 2007. The Group estimates that the new interpretation will have no impact on the future consolidated financial statements. The interpretation has been approved by EU.

- IFRIC 12 Service Concession Arrangements is effective for accounting periods beginning on or after January 1, 2008. The Group estimates that the new interpretation will have no impact on the future consolidated financial statements. The interpretation has not yet been approved by EU.

- IFRIC 13 Customer Loyalty Programmes is effective for accounting periods beginning on or after July 1, 2008. The Group has no customer loyalty programs specified in the interpretation and the new interpretation will have no impact on the future consolidated financial statements. The interpretation has not yet been approved by EU.

- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets. Minimum Funding Requirements and their Interaction is effective for accounting periods beginning on or after January 1, 2008. The Group has various defined benefit pension plans in different countries. According to a preliminary analysis initiated the Group estimates that the new interpretation will not have a significant impact on the future consolidated financial statements. The interpretation has not yet been approved by EU.

- IFRS 8 Operating segments is effective for accounting periods beginning on or after January 1, 2009. The Group estimates that the new standard will not essentially change the current segment reporting as the current reportable primary operating segments have been determined according to the segments reported to the management. The Group estimates that the adoption of the new standard will impact the presentation of the notes to the consolidated financial statements regarding segments. The IFRS 8 standard has been approved by EU.

- Revised IAS 23 Borrowing costs is effective for accounting periods beginning on or after January 1, 2009. The revised standard requires borrowing costs to be capitalized if they are directly attributable to acquisition, construction or production of a qualifying asset. The Group has already earlier applied this possibility and the adoption of the revised standard will have no material impact on the future consolidated financial statements. The revised standard has not yet been approved by EU.

- Amendments to IAS 1 A Revised presentation is effective for accounting periods beginning on or after January 1, 2009. The amendment changes the presentation of the financial statements. The Group estimates that the amendment will mainly have impact on the presentation of the income statement and the statement of changes in equity. The revised standard has not yet been approved by EU.

1. Segment information

In segment reporting, the business segment is defined as the primary segment and the geographical segment as the secondary segment. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Other operations include mainly financial assets and liabilities, net financing cost, taxes, and corporate and some sales offices' income, expense, assets and liabilities.

The business segments are FiberComposites and Specialty Papers. The FiberComposites segment operates in filtration media, consumer, medical and industrial nonwovens and glass fiber tissues and specialty reinforcements. The Specialty Papers segment operates in self-adhesive, packaging and label papers as well as in crepe papers, vegetable parchment, abrasive base papers and pre-impregnated decor papers, among others.

The split into segments is based on the organizational structure of the Group. The products, customer groups and markets are also similar within the two chosen business segments as are the production technologies and raw materials used. In addition, the production in the business segments is easily transferable from one production plant to another.

Geographical segments are Europe, North America, Asia and Other countries. Segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Inter-segment pricing is based on market prices.

Business segments 2007

EUR million	Fiber-Composites	Specialty Papers	Other operations	Eliminations	Group
External net sales	936.7	820.3	3.7	-	1,760.8
Inter-segment net sales	4.7	4.4	13.4	-22.5	0.0
Net sales	941.4	824.7	17.2	-22.5	1,760.8
Operating profit	48.7	-12.5	-10.4	-	25.8
Share of net profit of associated companies	-	-	-0.1	-	-0.1
Profit for the period	-	-	-	-	1.3
Segment assets	935.3	679.9	30.7	-14.8	1,631.1
Investments in associated companies	-	-	12.4	-	12.4
Unallocated assets	-	-	-	-	67.8
Total assets					1,711.4
Segment liabilities	157.8	214.5	40.9	-14.8	398.4
Unallocated liabilities	-	-	-	-	560.6
Total liabilities					959.0
Capital expenditure	96.1	57.6	0.9	-	154.7
Depreciation and amortization	60.3	31.0	2.6	-	93.9
Impairment charges	0.4	5.4	-	-	5.9
Non-cash expenditures:					
Change in provisions	9.1	22.6	2.9	-	34.6

Business segments 2006

EUR million	Fiber-Composites	Specialty Papers	Other operations	Eliminations	Group
External net sales	804.9	789.4	4.8	-	1,599.1
Inter-segment net sales	3.3	4.6	7.8	-15.7	0.0
Net sales	808.2	794.0	12.6	-15.7	1,599.1
Operating profit	52.3	32.2	11.5	-	96.1
Share of net profit of associated companies	-	-	0.0	-	0.0
Profit for the period	-	-	-	-	57.6
Segment assets	752.2	515.0	26.5	-14.2	1,279.4
Investments in associated companies	-	-	12.9	-	12.9
Unallocated assets	-	-	-	-	64.3
Total assets					1,356.6
Segment liabilities	142.7	196.2	44.1	-14.2	368.8
Unallocated liabilities	-	-	-	-	221.2
Total liabilities					590.0
Capital expenditure	77.4	41.8	0.9	-	120.1
Depreciation and amortization	46.6	30.1	3.2	-	79.9
Impairment charges	-	1.7	-	-	1.7
Non-cash expenditures:					
Change in provisions	-0.4	4.1	-0.3	-	3.4

In 2007, the main capital expenditure in the Specialty Papers segment include a modification of release base paper production line at La Gère, France plant (EUR 38 million). The main capital expenditures in the FiberComposites segment were a new glassfiber tissue plant in Tver, Russia (EUR 33 million), a specialty reinforcement plant in Bishopville, USA (EUR 8 million) and a new food nonwovens production line in Chirnside, UK (EUR 6 million).

In 2006, the main capital expenditures in the Specialty Papers segment include an increase of the production capacity of release base papers at Turin, Italy plant (EUR 12 million) and a similar investment at La Gère, France plant (EUR 12 million). The main investments in the FiberComposites segment were a new production line in Green Bay, USA (EUR 23 million), a new plant in Tver, Russia (EUR 6 million) and an expansion of the Mikkeli plant in Finland (EUR 4 million).

Geographical segments

EUR million	Europe	North America	Asia	Other	Eliminations	Group
2007						
External net sales	1,086.5	399.3	130.3	144.6	-	1,760.8
Assets	1,025.3	389.9	51.2	173.5	-8.9	1,631.1
Capital expenditure	120.6	24.7	2.6	6.8	-	154.7
2006						
External net sales	1,004.5	358.1	137.6	98.9	-	1,599.1
Assets	831.5	398.7	58.7	11.6	-21.0	1,279.4
Capital expenditure	75.7	40.5	2.3	1.6	-	120.1

2. Disposal of businesses

The Group's strategy is to focus on high performance fiber-based materials and to divest non-core assets. In March 2007, Ahlstrom agreed to sell three hydropower plants close to its Turin, Italy plant to a local energy company. In addition, Ahlstrom sold some minor non-core assets.

In July 2006, Ahlstrom sold its 35.5% shareholding in the Sonoco-Alcore joint venture to Sonoco for EUR 39.5 million. The associated company was included in Other operations. Ahlstrom booked a capital gain of EUR 3.4 million from the sale.

EUR million	2007 Book values of assets disposed of	2006 Book values of assets disposed of
Property, plant and equipment	**0.1**	-
Other long-term investments	**0.2**	36.1
Assets, total	**0.3**	36.1
Net assets	**0.3**	36.1
Consideration received (in cash)	**10.9**	39.5
Cash (disposed of)	**-**	-
Net cash inflow	**10.9**	39.5

3. Acquisitions of businesses

2007

In 2007, Ahlstrom made several acquisitions in line with its strategy.

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

In September, Ahlstrom acquired 60% of a Brazilian specialty paper production plant and formed a joint venture with the seller, Votorantim Celulose e Papel (VCP). The joint venture will serve mainly labelling and flexible packaging applications but produces also coated and uncoated papers for other end users.

The management estimates that the consolidated net sales for the year 2007 would have been EUR 1,900 million, if the acquisitions had been accomplished on January 1, 2007.

The acquisition prices include professional fees EUR 2.6 million paid to legal advisers and other consultants. The goodwill that arose mainly from the acquisition of Orlandi Group and the Ahlstrom-VCP joint venture reflects the synergy benefits resulting from the expanded product offering to wipes and filtration business, entry to the new geographical markets as well as growth opportunities.

The table below summarizes the acquisitions in 2007.

	Orlandi, Fiberweb, Fabriano		Ahlstrom-VCP	
EUR million	Book values before the consolidation	Fair values entered in consolidation	Book values before the consolidation	Fair values entered in consolidation
Property, plant and equipment	54.4	60.8	44.2	56.8
Intangible assets	5.3	8.6	0.3	23.9
Inventories	22.0	20.6	12.0	12.0
Trade and other receivables	34.7	34.6	16.5	16.5
Cash and cash equivalents	2.9	2.9	0.2	0.2
Assets, total	119.4	127.4	73.2	109.4
Deferred tax liabilities	0.8	6.0	-	12.3
Employee benefit obligations	1.4	1.4	-	-
Interest-bearing loans and borrowings	10.5	10.5	-	-
Trade and other payables	25.1	25.3	11.0	11.0
Liabilities, total	37.8	43.1	11.0	23.3
Net assets	81.5	84.3	62.2	86.1
Minority		-		-34.4
Goodwill arising in acquisition		48.1		38.7
Acquisition price paid (in cash)		132.4		90.3
Exchange rate differences		-0.4		-2.0
Cash (acquired)		-2.9		-0.2
Net cash outflow		129.1		88.1

2006

In January 2006, Ahlstrom acquired the specialty nonwovens manufacturer HRS Textiles Inc., based in Darlington, SC, USA, serving mainly the North American air and liquid filtration markets. In addition, the acquisition calculation of Lantor businesses, which took place in December 2005, has been revised in 2006.

The acquisition price of HRS Textiles Inc. includes legal fees and other costs amounting to EUR 0.1 million. Goodwill has risen from the acquisition of net assets of HRS Textiles Inc. because the transaction expands the Group's product offering to the air filtration media business and provides synergies to our existing business as well as growth opportunities. The Group's results for 2006 include a net loss from the acquired business of EUR 0.1 million. If the acquisition had occurred on January 1, 2006, Group net sales and the net profit would not have changed materially.

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

EUR million	Book values before the consolidation	Fair values entered in consolidation
Property, plant and equipment	4.2	4.5
Intangible assets	-	1.1
Inventories	0.9	0.9
Trade and other receivables	2.5	2.5
Cash and cash equivalents	0.1	0.1
Assets, total	7.7	9.2
Deferred tax liabilities	-	-
Employee benefit obligations	-	-
Interest-bearing loans and borrowings	0.3	0.3
Trade and other payables	1.5	1.5
Liabilities, total	1.9	1.9
Net assets	5.9	7.3
Goodwill arising in acquisition		0.4
Acquisition price paid (in cash)		7.7
Exchange rate differences		0.1
Cash (acquired)		-0.1
Net cash outflow		7.8

4. Other operating income and expenses

EUR million	**2007**	2006
Other operating income		
Gain on sale of shares	**2.3**	5.6
Gain on sale of non-current assets	**9.5**	8.5
Insurance indemnification	**1.4**	2.5
Gains from litigations	**0.4**	1.0
Rent income	**0.4**	0.9
Reversal of provisions	**0.0**	0.8
Gain on sale of emission rights	**0.2**	7.3
Government grants	**2.2**	1.3
Other	**3.9**	8.8
Total	**20.4**	36.7

EUR million	2007	2006
Other operating expenses		
Freight of sales	**-79.5**	-72.4
Maintenance costs	**-53.9**	-51.7
Consultancy fees	**-20.2**	-10.3
Rentals	**-13.4**	-13.3
Property and other taxes	**-9.8**	-12.9
Labour leasing	**-8.4**	-7.5
Insurance premiums	**-4.1**	-6.2
Commissions	**-5.7**	-5.9
Other	**-70.3**	-68.6
Total	**-265.3**	-248.8

The research and development costs included in the income statement were EUR 23.9 million in 2007 (EUR 25.0 million in 2006).

5. Employee benefit expenses

Wages and salaries	**-256.9**	-234.1
Social security costs	**-54.1**	-50.7
Contributions to defined contribution plans	**-12.1**	-11.1
Net periodic cost for defined benefit plans	**-4.0**	-8.9
Changes in liability for other long-term benefits	**-0.2**	0.4
Cash-settled share-based transactions	**0.6**	-0.9
Other personnel costs	**-35.3**	-14.3
Total	**-362.1**	-319.6

Employee benefit expenses include in 2007 EUR 28.3 million non-recurring costs related to the restructuring actions.
Employee benefit expenses of key management are specified in note 31.

Average number of personnel		
FiberComposites	**3,393**	3,054
Specialty Papers	**2,342**	2,286
Other operations	**373**	347
Total	**6,108**	5,687

6. Financial income and expenses

Financial income		
Interest income from loans and receivables	**1.5**	2.2
Interest rate derivatives, non-hedge accounting	**0.2**	0.0
Other financial income	**0.0**	0.2
Total	**1.7**	2.5
Financial expenses		
Interest expenses for financial liabilities at amortized cost	**-18.8**	-11.9
Interest rate derivatives, non-hedge accounting	**-3.9**	1.2
Other financial expenses	**-3.4**	-2.2
Total	**-26.0**	-12.9
Exchange rate difference and fair value gains and losses		
Loans and receivables	**-21.0**	-9.6
Foreign exchange rate derivatives, hedge accounting	**-**	-1.9
Foreign exchange rate derivatives, non-hedge accounting	**19.7**	7.0
Total	**-1.3**	-4.5
Net financial expenses	**-25.6**	-14.9

In 2007, net exchange losses amounting to EUR 1.5 million (net losses of EUR 2.7 million in 2006) are recognized in the operating profit, including net losses of EUR 1.1 million from foreign exchange rate derivatives, non-hedge accounting (net losses of EUR 1.6 million in 2006).

7. Income taxes

EUR million	2007	2006
Current tax	**-19.4**	-15.7
Deferred tax	**20.6**	-7.9
Income taxes in the income statement	**1.2**	-23.6
Income tax reconciliation		
Tax calculated at Finnish nominal tax rate	**0.0**	-21.1
Differences between foreign and Finnish tax rates	**5.0**	-3.3
Italian regional tax (IRAP) and minimum taxes	**-1.6**	-2.4
Adjustment of taxes for previous periods	**-0.8**	0.4
Non-deductible expenses and tax exempt income	**-0.5**	6.5
Adjustments to deferred tax assets	**-1.2**	-4.2
Tax reliefs	**2.3**	0.3
Changes in tax rates	**-2.1**	-0.2
Other items	**0.1**	0.4
Income taxes in the income statement	**1.2**	-23.6
Taxes booked to equity		
Hedging instruments for which hedge accounting has been applied	**-2.6**	-2.8
Redemption of stock options	**-**	2.0
Listing expenses	**-**	1.8
Total	**-2.6**	1.0

8. Earnings per share

Earnings per share is calculated by dividing the profit for the period attributable to the equity holders of the parent by the weighted average number of ordinary shares.

For the diluted earnings per share the number of shares are adjusted by the effect of the option programs I (2001) and II (2001). The option programs are specified in note 31.

Share options have a dilution effect only when the fair value of the share is higher than the subscription price of the option. The fair value of the share is based on the weighted average price of the share during the last quarter. The Group does not own any of its own shares.

	2007	2006
Basic earnings per share		
Profit for the year attributable to the equity holders of the parent (EUR million)	**0.5**	57.5
Weighted average number of shares during the period (1,000 shares)	**46,476.2**	43,801.7
Basic earnings per share (EUR)	**0.01**	1.31
Diluted earnings per share		
Profit for the year attributable to the equity holders of the parent (EUR million)	**0.5**	57.5
Weighted average number of shares for calculation of diluted earnings per share:		
Weighted average number of shares during the period (1,000 shares)	**46,476.2**	43,801.7
Effect of share option programs (1,000 shares)	**-**	565.4
Diluted weighted average number of shares (1,000 shares)	**46,476.2**	44,367.1
Diluted earnings per share (EUR)	**0.01**	1.29

9. Property, plant and equipment

EUR million	Land and water areas	Buildings and con-structions	Machinery and equipment	Other tangible assets	Advances paid and construction in progress
2007					
Historical cost at Jan 1	20.4	216.7	1,340.9	27.1	68.0
Acquisitions through business combinations	0.6	18.0	141.5	0.2	1.8
Additions	1.5	3.6	24.3	0.4	120.5
Disposals	-0.2	-1.3	-16.5	-0.1	-
Transfers to other asset categories	0.5	19.9	94.1	0.9	-115.3
Other changes	-0.1	-2.6	-3.4	-0.1	1.0
Translation differences	-0.6	-5.3	-35.7	-0.2	-3.6
Historical cost at Dec 31	**22.1**	**248.9**	**1,545.2**	**28.2**	**72.5**
Accumulated depreciation and impairment at Jan 1	2.5	110.7	938.8	19.0	0.5
Acquisitions through business combinations	-	5.9	39.5	-	-
Depreciation for the year	0.1	9.6	76.1	2.1	0.0
Impairment losses	0.3	1.1	4.0	0.0	0.0
Disposals	-0.1	-1.2	-15.6	-0.1	-
Transfers to other asset categories	-0.1	0.2	0.1	0.1	-0.3
Other changes	-	-1.8	-3.4	0.0	-
Translation differences	-	-1.6	-17.2	-0.1	-
Accumulated depreciation and impairment at Dec 31	**2.7**	**122.9**	**1,022.3**	**21.1**	**0.2**
Book value Jan 1, 2007	**17.9**	**106.1**	**402.1**	**8.1**	**67.5**
Book value Dec 31, 2007	**19.4**	**126.0**	**522.9**	**7.2**	**72.3**

The borrowing costs capitalized as part of non-current assets amounted to EUR 0.02 million in 2007. In 2006, the capitalized interests were EUR 0.04 million.

EUR million	Land and water areas	Buildings and con-structions	Machinery and equipment	Other tangible assets	Advances paid and construction in progress
2006					
Historical cost at Jan 1	20.1	213.1	1,314.2	26.0	30.4
Acquisitions through business combinations	0.2	1.1	3.1	0.2	0.0
Additions	0.1	3.8	28.8	1.2	83.1
Disposals	-0.1	-1.4	-14.1	-0.2	-
Transfers to other asset categories	0.4	6.4	36.2	0.7	-44.2
Other changes	-	-2.3	-1.5	-0.5	-0.4
Translation differences	-0.3	-3.9	-25.9	-0.2	-1.0
Historical cost at Dec 31	20.4	216.7	1,340.9	27.1	68.0
Accumulated depreciation and impairment at Jan 1	2.5	108.1	897.1	18.1	0.7
Depreciation for the year	-	6.8	65.8	1.5	0.0
Impairment losses	0.0	0.3	1.0	0.1	0.2
Disposals	-	-1.2	-13.5	-0.2	-
Transfers to other asset categories	-	0.0	0.0	-	-0.1
Other changes	-	-2.3	-1.2	-0.4	-0.4
Translation differences	-	-1.1	-10.4	-0.1	-
Accumulated depreciation and impairment at Dec 31	2.5	110.7	938.8	19.0	0.5
Book value Jan 1, 2006	17.6	105.0	417.2	7.8	29.7
Book value Dec 31, 2006	17.9	106.1	402.1	8.1	67.5

Assets leased by finance lease agreements EUR million	Land and water areas	Buildings and con-structions	Machinery and equipment
2007			
Historical cost	0.4	7.6	35.2
Accumulated depreciation	-	2.5	22.8
Book value Dec 31, 2007	**0.4**	**5.2**	**12.4**
2006			
Historical cost	0.4	6.7	35.8
Accumulated depreciation	-	1.3	21.3
Book value Dec 31, 2006	0.4	5.4	14.4

10. Intangible assets

EUR million	Intangible rights	Goodwill	Other intangible assets	Advances paid
2007				
Historical cost at Jan 1	65.2	105.6	5.6	0.7
Acquisitions through business combinations	32.3	86.9	7.7	0.0
Additions	0.7	-	0.3	0.9
Disposals	-0.4	-	-0.8	-
Transfers to other asset categories	1.2	0.0	-0.3	-0.9
Other changes	-0.1	0.6	-	-
Translation differences	-4.5	-10.4	-0.1	-
Historical cost at Dec 31	**94.5**	**182.6**	**12.4**	**0.7**
Accumulated amortization and impairment at Jan 1	34.1	4.6	4.8	-
Acquisitions through business combinations	-	-	7.4	-
Amortization for the year	5.9	-	0.1	-
Impairment losses	-	0.5	-	-
Disposals	-0.3	-	-0.8	-
Transfers to other asset categories	0.3	-	-0.3	-
Other changes	0.0	-	-	-
Translation differences	-1.7	-2.2	-0.1	-
Accumulated amortization and impairment at Dec 31	**38.2**	**2.9**	**11.1**	**-**
Book value Jan 1, 2007	**31.1**	**101.0**	**0.8**	**0.7**
Book value Dec 31, 2007	**56.3**	**179.7**	**1.2**	**0.7**
2006				
Historical cost at Jan 1	67.8	113.2	8.0	0.7
Acquisitions through business combinations	1.1	0.6	-	-
Additions	0.8	-	0.1	0.3
Disposals	-0.4	-	-2.6	-
Transfers to other asset categories	0.7	-	0.2	-0.3
Other changes	0.0	0.1	0.0	-
Translation differences	-4.9	-8.3	-0.1	-
Historical cost at Dec 31	65.2	105.6	5.6	0.7
Accumulated amortization and impairment at Jan 1	30.2	4.6	7.4	-
Amortization for the year	5.5	-	0.1	-
Disposals	-0.2	-	-2.6	-
Transfers to other asset categories	0.0	-	0.1	-
Other changes	0.0	-	0.0	-
Translation differences	-1.4	-	-0.1	-
Accumulated amortization and impairment at Dec 31	34.1	4.6	4.8	-
Book value Jan 1, 2006	37.6	108.6	0.6	0.7
Book value Dec 31, 2006	31.1	101.0	0.8	0.7

11. Impairment testing, impairment loss and subsequent reversal

EUR million	2007	2006
The following production lines' assets include significant amounts of goodwill:		
Ahlstrom-VCP, a Release and Label Papers production line	**38.8**	-
Ahlstrom Milano, a Nonwovens production line	**32.4**	-
Ahlstrom Windsor Locks, a Nonwovens production line	**25.6**	28.0
Ahlstrom Green Bay, a Nonwovens production line	**14.2**	15.9
Ahlstrom Alicante, a Nonwovens production line	**13.9**	-
Ahlstrom Air Media, a Filtration Applications production line	**11.7**	13.6
Ahlstrom Engine Filtration, a Filtration Applications production line	**10.5**	11.7
Ahlstrom Labelpack, a Release and Label papers production line	**10.9**	10.9
Ahlstrom Ställdalen, a Nonwovens production line	**9.4**	9.9
Total	**167.4**	90.0
Production lines with minor amounts of goodwill	**12.3**	11.0
Goodwill total	**179.7**	101.0

New impairment losses amounting to EUR 5.9 million were recorded in 2007 of which EUR 5.2 million were allocated to reduce the book values of non-current assets in Italy and EUR 0.4 million were allocated to reduce the book values of goodwill in the USA.

In 2006, impairment losses amounting to EUR 1.7 million were recorded of which EUR 1.4 million at the production site in France. This amount reduced the book value of non-current assets.

The recoverable amounts of the cash-generating units containing goodwill are based on value in use calculations. The calculations use cash flow projections based on EBITDA of the business plans for the years 2008-2010 and latest estimates at the balance sheet date. Cash flows for further 5 to 20 years are extrapolated using a 1.8% growth rate corresponding to the general inflation rate. The 20-year period results from the estimated economic lives of the underlying assets. In 2007, a pre-tax discount rate of 8.5% has been used in discounting the projected cash flows. Sharpe model has been used in calculation.

According to the management estimate there is no reasonable possibility of such a change in any key assumption that would lead to additional impairment losses of goodwill.

In addition, it has been proven with the sensitivity analyses that no additional impairment loss in respect of goodwill will arise if the discount rate would be two percentage points higher which is 10.5%.

12. Investment property

EUR million	2007	2006
Historical cost at Jan 1	-	4.7
Disposals	-	-4.7
Historical cost at Dec 31	-	0.0
Accumulated depreciation at Jan 1	-	0.8
Depreciation for the year	-	0.2
Disposals	-	-1.0
Accumulated depreciation at Dec 31	-	0.0
Book value Jan 1	-	4.0
Book value Dec 31	-	0.0
Rental income from investment properties	-	0.6
Maintenance expenses of investment properties	-	0.0

In July 2006, Ahlstrom sold a property in Hochheim, Germany to WM-Bauträger GmbH for EUR 7.5 million and booked a capital gain of EUR 4.6 million. In June 2006, Ahlstrom sold a property in Hochheim, Germany to AERO Pump Vermögensverwaltungs GmbH & Co. KG for EUR 4.2 million and booked a capital gain of EUR 2.9 million.

13. Investments in associated companies

EUR million	2007	2006
Balance at Jan 1	**12.9**	49.4
Share of net profit for the period	**-0.1**	0.0
Dividends received	**-**	-0.4
Disposals	**-0.4**	-36.1
Balance at Dec 31	**12.4**	12.9

Financial information of major associated companies

	Domicile	Owner-ship (%)	Assets	Liabilities	Net sales	Profit/loss for the period
2007						
Jujo Thermal Oy	Finland	41.7	90.0	60.3	102.9	-0.1
2006						
Ahlström Karhulan Palvelut Oy	Finland	37.0	2.8	2.3	9.6	-0.2
Jujo Thermal Oy	Finland	41.7	99.9	70.3	93.4	0.8

In February 2007, Ahlstrom sold its 37.0% shareholding in Ahlström Karhulan Palvelut Oy to Coor Service Management Oy.

In July 2006, Ahlstrom sold its 35.5% shareholding in the Sonoco-Alcore joint venture to Sonoco.

14. Other investments

Non-current other investments are investments to unlisted shares EUR 0.2 million (EUR 0.2 million in 2006) and they are classified as available-for-sale financial assets. For unlisted shares the fair value cannot be measured reliably, therefore the investment is carried at cost.

Current other investments of EUR 5.8 million (EUR 5.0 million in 2006) are booked at fair value through income statement.

15. Deferred tax assets and liabilities

EUR million	Balance at Jan 1	Charged to income statement	Charged to equity	Acquisitions and disposals	Translation differences	Balance at Dec 31
2007						
Deferred tax assets						
Property, plant and equipment and intangible assets	13.7	-2.1	-	-	-0.2	**11.4**
Employee benefit obligations	23.7	-4.2	-	-	-1.2	**18.3**
Tax loss carried forward and unused tax credits	19.3	13.1	-	-	-1.0	**31.4**
Other temporary differences	18.4	7.4	-	0.1	-0.4	**25.5**
Total	75.1	14.2	-	0.1	-2.8	**86.6**
Offset against deferred tax liabilities	-49.3	-10.4	-	-	2.6	**-57.1**
Deferred tax assets	25.9	3.8	-	0.1	-0.2	**29.7**
Deferred tax liabilities						
Property, plant and equipment and intangible assets	73.2	-6.5	-	18.9	-3.9	**81.7**
Other temporary differences	2.8	0.2	-	-	0.0	**3.0**
Total	76.1	-6.3	-	18.9	-3.9	**84.8**
Offset against deferred tax assets	-49.3	-10.4	-	-	2.6	**-57.1**
Deferred tax liabilities	26.8	-16.8	-	18.9	-1.3	**27.6**

EUR million	Balance at Jan 1	Charged to income statement	Charged to equity	Acquisitions and disposals	Translation differences	Balance at Dec 31
2006						
Deferred tax assets						
Property, plant and equipment and intangible assets	19.4	-5.4	-	-	-0.3	13.7
Employee benefit obligations	26.1	-1.9	0.6	-	-1.1	23.7
Tax loss carried forward and unused tax credits	15.8	5.5	-1.6	-	-0.5	19.3
Other temporary differences	21.6	-3.9	0.8	-	-0.2	18.4
Total	83.0	-5.6	-0.1	-	-2.1	75.1
Offset against deferred tax liabilities	-50.9	-0.2	-	-	1.8	-49.3
Deferred tax assets	32.2	-5.8	-0.1	-	-0.3	25.9
Deferred tax liabilities						
Property, plant and equipment and intangible assets	74.2	2.5	0.0	-	-3.4	73.2
Other temporary differences	3.0	-0.2	0.0	-	0.0	2.8
Total	77.2	2.3	0.0	-	-3.4	76.1
Offset against deferred tax assets	-50.9	-0.2	-	-	1.8	-49.3
Deferred tax liabilities	26.3	2.1	0.0	-	-1.6	26.8

No deferred tax liability has been recognized for undistributed earnings of the subsidiaries since such earnings can either be transferred to the parent company without any tax consequences or such earnings are regarded as permanently invested in the company in question and there are no plans to distribute those earnings to the parent company in the foreseeable future. If all retained earnings would be distributed to the parent company, the withholding tax payable would not be a material amount compared to the deferred tax liability of the Group.

In 2007, the net impact of the corporate tax rate changes on the Group deferred taxes was EUR -2.1 million related mainly to Germany and Italy. In 2006, the impact was not material.

At December 31, 2007 the Group had tax loss carry forwards of EUR 129.6 million (EUR 82.5 million in 2006) in total, of which EUR 77.9 million (EUR 54.0 million in 2006) has no expiration period. Regarding losses amounting to EUR 37.4 million (EUR 34.0 million in 2006) no deferred tax asset was recognized due to the uncertainty of utilization of these tax loss carry forwards.

16. Inventories

EUR million	2007	2006
Material and supplies	**92.4**	69.2
Work in progress	**14.9**	11.3
Finished goods	**138.9**	132.4
Advances paid	**0.0**	1.5
Total	**246.3**	214.4

In 2007, EUR 7.7 million (EUR 7.5 million in 2006) was recognized as expense as the carrying value of the inventories was written down to reflect its net realizable value.

17. Trade and other receivables

EUR million	2007	2006
Non-current		
Loan receivables	**0.6**	0.8
Trade receivables	**0.0**	0.0
Prepaid expenses and accrued income	**0.2**	0.1
Other receivables	**16.0**	5.1
Total	**16.9**	6.1
Current		
Loan receivables	**1.1**	1.6
Trade receivables	**345.3**	292.6
Receivables from associated companies	**0.1**	0.5
Prepaid expenses and accrued income	**14.3**	12.4
Derivative financial instruments	**6.0**	2.1
Other receivables	**22.6**	18.7
Total	**389.3**	328.0

The maximum exposure to credit risk at the reporting date is the carrying amount of the trade and other receivables.

Analysis of trade receivables by age		
Not past due	**301.0**	244.6
Past due 1-30 days	**27.4**	34.1
Past due 31-90 days	**13.1**	10.2
Past due more than 90 days	**4.0**	3.9
Total	**345.4**	292.8

Impaired receivables deducted from trade receivables		
Balance at Jan 1	**6.9**	7.7
Increase	**1.4**	1.5
Decrease	**-1.9**	-1.9
Recovery	**-1.4**	-0.4
Balance at Dec 31	**5.0**	6.9

In 2007, EUR 4.7 million (EUR 6.6 million in 2006) of the impaired receivables relates to the trade receivables past due more than 90 days.

Specification of prepaid expenses and accrued income		
Accrued discounts	**0.2**	0.5
Prepaid expenses	**5.3**	4.2
Accrued insurance indemnification	**0.3**	0.8
Other	**8.6**	7.1
Total	**14.5**	12.5

The carrying amounts of trade and other receivables are reasonable approximations of their fair value.

18. Cash and cash equivalents

EUR million	2007	2006
Cash, bank accounts and interest-bearing instruments maturing within three months	**21.3**	20.1
Cash and cash equivalents in the balance sheet	**21.3**	20.1

Cash and cash equivalents in the statement of cash flow equals to the cash and cash equivalents in the balance sheet.

19. Capital and reserves

	Number of shares (1,000)	Issued capital	Share premium	Non-restricted equity reserve	Total
Dec 31, 2005	36,418.4	54.6	26.7	-	81.3
Initial public offering	9,150.0	13.7	182.4	-	196.1
Shares subscribed with options	93.3	0.1	0.2	0.5	0.9
Dec 31, 2006	45,661.7	68.5	209.3	0.5	278.3
Shares subscribed with options	1,008.9	1.5	-	7.7	9.2
Dec 31, 2007	**46,670.6**	**70.0**	**209.3**	**8.3**	**287.5**

At December 31, 2007, the authorised share capital comprised 46,670,608 shares with a par value EUR 1.50. All shares have one vote and an equal right to dividend. The maximum share capital is EUR 180 million and the maximum number of shares is 120 million shares.

In 2007, a total of 1,008,871 new shares of Ahlstrom Corporation were subscribed with option rights under the company's stock option programs I (2001) and II (2001). In 2006, a total of 93,318 new shares were subscribed with option rights under the company's stock option program I (2001).

In March 2006, Ahlstrom made an Initial Public Offering (IPO) comprising 7,300,000 shares in the institutional offering and 700,000 shares in the retail offering. On March 13, 2006, the Board decided to allocate 6,600,000 shares to institutional investors and 1,400,000 to retail investors. Approximately 43 percent of the demand in the institutional offering originated from Finnish investors and approximately 57 percent from international investors. On March 16, SEB Enskilda, the lead manager of the IPO, exercised the over-allotment option to subscribe for 1,150,000 additional shares of Ahlstrom to cover over-allotment in the institutional offering.

The Annual General Meeting authorized the Board of Directors to repurchase a maximum of 4,500,000 Ahlstrom shares. The Board of Directors is also authorized to resolve to distribute the shares held by the company. The shares may be used as compensation in acquisitions and in other arrangements as well as to implement the company's share-based incentive plans. The Board of Directors has also the right to decide on the distribution of the shares in public trading for the purpose of financing possible acquisitions. The authorization is valid until the next Annual General Meeting on April 2, 2008. The Board of Directors did not utilize the authorization to repurchase or distribute the shares during 2007.

Reserves

The share premium reserve was formed in the demerger of A. Ahlström Osakeyhtiö in 2001. The consideration received of the new shares have been recognized in the Share premium and after September 1, 2006 according to the updated Finnish Limited Liability Companies Act in the non-restricted equity reserve. The hedging reserve comprises the fair value changes of cash flow hedges qualifying for hedge accounting. The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of instruments that hedge the net investment in foreign subsidiaries.

Dividends

After the balance sheet date, the Board of Directors proposed a dividend of EUR 1.00 per share.

20. Employee benefit obligations

The Group has defined benefit pension plans in various countries. Plans have been arranged both in pension insurance companies and pension funds. In the defined benefit plan the benefits at retirement are determined based on for example salary and retirement age.

EUR million	2007	2006
Post-employment benefit plans		
Employee benefits liability recognized in the balance sheet		
Present value of funded benefit obligations	**180.1**	201.7
Present value of unfunded benefit obligations	**48.0**	51.0
Fair value of plan assets	**-151.0**	-135.0
Present value of net obligations	**77.1**	117.7
Unrecognized actuarial gains and losses	**-4.2**	-11.5
Unrecognized prior service cost	**0.6**	0.0
Net liability at Dec 31	**73.6**	106.2
Changes in the present value of obligations		
Present value of defined benefit obligation at Jan 1	**252.7**	258.0
Current service cost	**3.3**	6.2
Interest cost	**12.6**	12.1
Actuarial gains and losses	**-9.7**	-5.0
Gains and losses on curtailments	**-3.5**	1.1
Business combinations	**1.4**	-
Past service costs	**-**	0.5
Benefits paid	**-12.1**	-13.1
Other changes	**1.2**	3.4
Translation differences	**-17.7**	-10.6
Present value of defined benefit obligation at Dec 31	**228.1**	252.7
Changes in the fair value of the plan assets		
Fair value of plan assets at Jan 1	**135.0**	131.3
Expected return on plan assets	**10.8**	9.6
Actuarial gains and losses	**-1.9**	3.8
Contributions by employer	**31.5**	6.4
Benefits paid	**-11.9**	-11.0
Other changes	**0.5**	2.7
Translation differences	**-12.9**	-7.8
Fair value of plan assets at Dec 31	**151.0**	135.0
Expenses recognized in the income statement		
Current service cost	**-3.3**	-6.2
Interest cost	**-12.6**	-12.1
Expected return on plan assets	**10.8**	9.6
Net actuarial gains and losses recognized	**-0.7**	0.0
Past service cost	**-**	-0.5
Gains and losses on curtailments and settlements	**1.7**	0.5
Total charge (Net periodic cost)	**-4.0**	-8.9
Actual return on plan assets	**8.4**	7.7

The Group expects to contribute EUR 6.2 million to its defined benefit plans in 2008.

	2007	2006
Plan asset categories		
Equity instruments	**63.2%**	59.6%
Debt instruments	**31.3%**	34.3%
Property	**0.0%**	0.0%
Other	**5.5%**	6.1%
Principal actuarial assumptions (expressed as weighted averages)		
Europe		
Discount rate at Dec 31	**4.9%**	4.9%
Expected return on plan assets	**7.1%**	6.5%
Future salary increases	**2.9%**	2.9%
Future pension increases	**1.4%**	2.0%
North America		
Discount rate at Dec 31	**6.1%**	5.8%
Expected return on plan assets	**8.0%**	8.5%
Future salary increases	**4.5%**	4.5%
Future pension increases	**4.0%**	4.0%
Other Countries		
The actuarial assumptions in other countries are immaterial		

EUR million	2007	2006	2005
Five-year overview (as of Jan 1, 2005)			
Present value of obligations	**228.1**	252.7	258.0
Fair value of plan assets	**-151.0**	-135.0	-131.3
Deficit/surplus	**77.1**	117.7	126.7
Experience adjustments to plan liabilities	**-2.0**	3.7	5.3
Experience adjustments to plan assets	**-1.7**	6.5	-1.1

EUR million	2007	2006
Other long-term employee benefit liability		
Other long-term employee benefit liability at Jan 1	**6.2**	5.5
Increase	**0.3**	1.7
Decrease	**-2.9**	-1.0
Other long-term employee benefit liability at Dec 31	**3.7**	6.2

21. Provisions

EUR million	Restructuring	Environmental	Other	Total
Balance at Jan 1, 2007	6.2	3.8	6.5	16.5
Translation differences	-	-	-0.1	-0.1
Increase in provisions	28.2	1.1	5.8	35.2
Used provisions	-3.9	-1.6	-2.7	-8.2
Reversal of provisions	-0.3	-	-0.5	-0.8
Balance at Dec 31, 2007	**30.2**	**3.4**	**9.2**	**42.7**
Non-current	-	3.0	1.6	4.6
Current	30.2	0.4	7.5	38.1
Total	**30.2**	**3.4**	**9.2**	**42.7**

The restructuring provisions relate mainly to the announced closures of Ascoli plant in Italy and Chantraine plant in France as well as the consolidation of the air filtration sites in the USA from Bellingham, Massachusetts and Darlington, South Carolina to Bethune, South Carolina. The used provisions relate mainly to social plan charges in Germany at the Osnabrück plant and the restructuring plan in Nümbrecht. Environmental provisions have been made for landscaping of dumps in Finland. Other provisions consist mainly of customer and legal claim provisions and termination of external agent commission agreements.

22. Interest-bearing loans and borrowings

	Fair value		Carrying amount	
EUR million	**2007**	2006	**2007**	2006
Non-current				
Loans from financial institutions	**185.4**	23.5	**185.4**	23.5
Finance lease liabilities	**11.6**	13.6	**14.6**	17.1
Other non-current loans	**2.6**	3.3	**2.6**	3.3
Total	**199.6**	40.4	**202.7**	44.0
Current				
Current portion of non-current loans	**4.0**	2.4	**4.0**	2,4
Current portion of finance lease liabilities	**2.3**	2.9	**2.7**	3.4
Other current loans	**308.8**	130.6	**308.8**	130.6
Total	**315.1**	135.9	**315.5**	136.4

The carrying amounts of non-current and current loans from financial institutions and other loans are measured at amortized cost using the effective interest rate. These carrying amounts are reasonable approximations of their fair values.

In 2007, weighted average of effective interest rates for interest-bearing loans was 4.9% (4.5% in 2006).

EUR million	**2007**	2006
Currency distribution of non-current interest-bearing liabilities:		
EUR	**201.5**	42.3
USD	**0.2**	0.3
Others	**1.0**	1.4
Currency distribution of current interest-bearing liabilities:		
EUR	**247.1**	60.5
USD	**57.6**	61.1
Others	**10.8**	14.8

EUR million	2007	2006
Finance lease liabilities		
Minimum lease payments		
Not later than one year	**3.0**	3.5
Between one and five years	**8.6**	10.4
More than five years	**8.7**	9.9
Total minimum lease payments	**20.2**	23.9
Future finance charges	**-2.9**	-3.4
Present value of minimum lease payments	**17.3**	20.5
Present value of minimum lease payments		
Not later than one year	**2.7**	3.0
Between one and five years	**6.9**	8.8
More than five years	**7.8**	8.7
Present value of minimum lease payments	**17.3**	20.5

23. Trade and other payables

Non-current		
Other liabilities	**0.3**	0.4
Accrued expenses and deferred income	**0.3**	0.2
Total	**0.6**	0.6
Current		
Trade payables	**193.6**	171.5
Liabilities to associated companies	**0.5**	0.8
Accrued expenses and deferred income	**54.7**	48.5
Derivative financial instruments	**2.0**	1.5
Advances received	**0.3**	0.2
Other current liabilities	**21.9**	18.4
Total	**273.1**	241.0
Specification of accrued expenses and deferred income		
Accrued wages, salaries and related cost	**40.0**	36.1
Accrued restructuring costs	**0.1**	1.0
Accrued interest expense	**3.2**	0.6
Other	**11.7**	11.1
Total	**55.0**	48.7

24. Financial risk management

Financial risk management is a part of Ahlstrom's groupwide risk management activities targeted to mitigate events which could effect the achievement of the company's goals. The general risk management principles are described in the Ahlstrom risk management policy which also outlines the risk management responsibilities and monitoring within the Group.

The overall objective of financial risk management in Ahlstrom is to have cost-effective funding in Group companies as well as to protect the Group from unfavourable changes in the financial markets and thus help to secure profitability. The principles and limits for financing activities are defined in the Group Treasury Policy on the basis of which Group companies have specified their own procedures, which take into account the special aspects unique to their businesses. The Group Treasury Policy has been approved by the company's Board of Directors and the treasury activities are co-ordinated by Group Treasury.

Liquidity and refinancing risk

The Group seeks to maintain adequate liquidity under all circumstances by means of efficient cash management and restricting investments to highly liquid instruments. It also aims to secure the timely availability of funds by maintaining an appropriate designed mix of cash, short- and long-term loans and committed and uncommitted credit facilities provided by banks and other financial institutions both in the domestic and international financial markets. In Finland the Group accesses short-term funds under a commercial paper program. Of the maximum amount of EUR 300 million EUR 96.4 million was drawn on the balance sheet day (none in 2006). The Group's main funding facility is a EUR 200 million syndicated revolving credit facility maturing in November 2009, of which EUR 140 million was in use by year-end (none in 2006).

Refinancing risks are minimized by ensuring that the loan portfolio has a balanced maturity schedule and that loans have sufficiently long maturities. The maturity profile of the liabilities of the Group is shown below.

Maturity profile of liabilities

EUR million

2007	2008	2009	2010	2011	2012	Later	Total
Floating rate loans from financial institutions	12.8	152.6	5.3	30.1	3.7	8.5	213.0
Finance lease liabilities	3.0	3.6	2.0	1.7	1.3	8.7	20.2
Other non-current loans	0.9	0.8	0.8	0.7	0.3	0.1	3.6
Other current loans	308.8	-	-	-	-	-	308.8
Trade and other payables	273.1	-	-	-	-	-	273.1
Total	598.6	157.0	8.1	32.6	5.3	17.2	818.7

2006	2007	2008	2009	2010	2011	Later	Total
Floating rate loans from financial institutions	2.7	4.2	4.0	3,9	3.7	11.9	30.4
Finance lease liabilities	3.5	3.5	2.7	2.6	1.6	9.9	23.9
Other non-current loans	0.9	0.9	0,8	0,8	0,7	0.4	4.4
Other current loans	130.6	-	-	-	-	-	130.6
Trade and other payables	241.0	-	-	-	-	-	241.0
Total	378.8	8.5	7.5	7.2	6.0	22.2	430.2

Foreign currency risk

The Group is exposed to currency risk arising from exchange rate fluctuations. The management of foreign currency exposure is divided into two parts: that relating to foreign currency flows (transaction exposure) and that relating to balance sheet items denominated in foreign currency (translation exposure).

The first concerns forecasted foreign currency flows and firm commitments. In 2007, approximately 60% of Ahlstrom's net sales were denominated in euros, approximately 32% in US dollars and 8% in other currencies. Ahlstrom's raw materials are generally purchased in US dollars and euros. Foreign currency flows are hedged on a net exposure basis per currency against the base currency of the respective Group company in accordance with a formula defined in the Group Treasury Policy. The length of the transaction exposure periods is determinated individually by the Group companies in accordance with their specific guidelines in order to allow for as accurate a match with the underlying risk profile as possible. Foreign currency forwards are used as hedging instruments and these are generally booked through income statement. Ahlstrom has in 2007 started to apply fair value hedge accounting only for hedges related to certain investments. In 2006, the Group applied cash flow hedge accounting for a small number of hedging instruments which have matured before the balance sheet date.

The balance sheet position consists of foreign currency denominated debts and receivables. According to the Group Treasury Policy, the aim is a fully hedged position. Foreign currency risks associated with the net investments in foreign subsidiaries are partially hedged and for these hedging instruments Ahlstrom applies hedge accounting. The hedging policy related to net investments was adjusted during 2007 to allow more flexibility and as a consequence the net equity hedging ratio dropped from approximately 50% in 2006 to 30% in 2007.

Interest rate risk

Fluctuations in interest rates affect the interest expense of the Group. The primary focus of Ahlstrom's interest rate risk management is to maintain a sound balance between floating and fixed rate obligations in respect of the interest-bearing liabilities of the Group. The floating to fixed ratio is adjusted by the use of derivative instruments such as interest rate swaps and these are usually between two and five years long. At the balance sheet date all interest rate swap contracts were classified as financial assets held for trading. Derivative fair values are shown in note 25.

Credit and counterparty risk

Credit risk is the probability of a loss from a debtor's default to fulfill its contractual obligation for payment. Credit risk in the Group arises from commercial receivables as well as from occasional external placements to financial institutions and from derivative contracts. The quantity of credit risk can be determined by the credit status of the counterparty.

The objective of the group credit management is to control and mitigate commercial credit risk in the company, to ensure that customer credit limits are properly evaluated and approved prior to granting credit and to reduce potential collection problems. The structure and procedures of credit management are outlined in the Ahlstrom group credit policy guideline. The business areas are responsible for implementing the credit management throughout the operations and for ensuring that each operating entity has a credit policy stating procedures for credit application and extension, credit hold, allowance for bad debt and collection process. Business areas set and delegate the credit risk limits within their authorization.

Credit insurance has been used as a mitigation tool covering significant amount of risk originating from Europe. In other areas, creditworthiness of counterparties is evaluated by obtaining credit references from e.g. credit rating agencies, and exposure may be reduced by the use of letters of credit, advance payments and bank guarantees. No significant concentration of credit risk exists for the Group due to the diversified customer base and geographical split of the receivables. Almost all of Ahlstrom's customers are industrial companies. See aging analysis of trade receivables in note 17.

Short-term cash investments and deposits are occasionally placed mainly at first-class banks and financial institutions and other counterparties with high credit rating only. Credit risk from transactions with financial institutions is mitigated by managing these transactions (including receivables and derivative instruments) centrally by group treasury. Treasury selects counterparties for these transactions based on financial ratings. Whilst counterparty risks cannot be entirely eliminated, the management is confident that they are under control.

Sensitivities to market risks

The following sensitivity analysis illustrates the Group's sensitivity to market risks arising from financial instruments as required by IFRS 7. The analysis has been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives portfolio and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at December 31, 2007. The financial instruments affected by market risks include working capital items, such as trade and other receivables and payables, borrowings, deposits, cash and cash equivalents and derivative financial instruments. These are sensitive to exchange rate fluctuations and changes in interest rates.

Below is a summary of the nominal amounts by major currencies that are exposed to currency risks.

	Income statement			Equity			
EUR million	USD	GBP	SEK	USD	GBP	SEK	BRL
2007							
Assets	215.4	33.4	0.6	117.6	46.6	31.3	110.7
Liabilities	-54.4	-0.4	-2.4	-	-13.6	-	-
Foreign exchange derivative contracts	-178.6	-33.7	8.0	-40.3	-1.4	-27.1	-
Total open position	**-17.6**	**-0.7**	**6.2**	**77.3**	**31.6**	**4.2**	**110.7**
2006							
Assets	161.2	33.5	1.0	141.7	31.7	31.9	-
Liabilities	-29.6	-	-4.8	-	-	-	-
Foreign exchange derivative contracts	-104.7	-20.3	8.2	-52.9	-0.9	-29.9	-
Total open position	26.9	13.2	4.4	88.8	30.9	2.0	-

The following table shows how much the income statement and the equity would be affected by a +10% change in the exchange rates against the euro. In case of a -10% change in the exchange rates against the euro, the effect would be the opposite.

	Income statement			Equity			
EUR million	USD	GBP	SEK	USD	GBP	SEK	BRL
2007							
Balance Sheet							
Equity	-	-	-	11.8	4.7	3.1	11.1
Trade receivables	2.9	0.8	0.0	-	-	-	-
Trade payables	-1.9	0.0	0.0	-	-	-	-
Cash and cash equivalents	0.3	0.0	0.0	-	-	-	-
Loans and borrowings	14.8	2.5	-0.2	-	-1.4	-	-
Foreign exchange derivative contracts	-17.9	-3.4	0.8	-4.0	-0.1	-2.7	-
Net effect	**-1.8**	**-0.1**	**0.6**	**7.7**	**3.2**	**0.4**	**11.1**
2006							
Balance Sheet							
Equity	-	-	-	14.2	3.2	3.2	-
Trade receivables	3.9	0.9	0.1	-	-	-	-
Trade payables	-3.0	-	-	-	-	-	-
Cash and cash equivalents	0.2	0.0	0.0	-	-	-	-
Loans and borrowings	12.0	2.5	-0.5	-	-	-	-
Foreign exchange derivative contracts	-10.4	-2.0	0.8	-5.3	-0.1	-3.0	-
Net effect	2.7	1.4	0.5	8.9	3.1	0.2	-

EUR million	2007	2006
Items exposed to interest rate risk		
Other investments	**5.8**	5.0
Interest-bearing liabilities excluding finance lease liabilities	**500.8**	159.9
Interest rate derivative contracts (nominal amount)	**100.0**	25.0

Interest Rate Risk arising from financial instruments

The following table shows the net effect after a 1% parellell shift in the interest rate curve.

Other investments and interest-bearing liabilities excluding finance lease liabilities	**-4.7**	-1.7
Interest rate derivative contracts	**3.2**	0.8
Net effect	**-1.4**	-0.9

25. Nominal and fair values of derivative financial instruments

Fair values of derivative financial instruments

EUR million	Positive fair values maturing in < 1 year	Positive fair values maturing in > 1 year	Negative fair values maturing in < 1 year	Negative fair values maturing in > 1 year
2007				
Hedge accounting				
Foreign exchange forward contracts*	1.6	-	-0.3	-
Total	**1.6**	**-**	**-0.3**	**-**
Non-hedge accounting				
Interest rate swaps	-	0.9	-	-0.6
Foreign exchange forward contracts	4.0	-	-1.7	-
Total	**4.0**	**0.9**	**-1.7**	**-0.6**
2006				
Hedge accounting				
Foreign exchange forward contracts	0.5	-	-0.3	-
Total	0.5	-	-0.3	-
Non-hedge accounting				
Interest rate swaps	-	0.8	-	0.0
Foreign exchange forward contracts	0.7	-	-1.0	-
Total	0.7	0.8	-1.0	0.0

* Out of foreign exchange forward contracts, fair value of EUR 0.2 million was designated for fair value hedges and reported in income statement along with the changes in the fair value of the underlying firm commitment. The fair value of EUR 1.2 million was designated for hedges of net investment in foreign subsidiaries as at December 31, 2007 (EUR 0.2 million in 2006) and reported in translation difference in equity.

Nominal values of derivative financial instruments

EUR million	Maturing in < 1 year	Maturing in > 1 year	Total
2007			
Interest rate swaps	-	100.0	100.0
Foreign exchange forward contracts	457.0	-	457.0
Total	**457.0**	**100.0**	**557.0**
2006			
Interest rate swaps	-	25.0	25.0
Foreign exchange forward contracts	393.1	-	393.1
Total	393.1	25.0	418.1

The fair values of interest rate swaps have been calculated as the present value of the estimated future cash flows while the fair values of foreign exchange forward contracts have been determined by using market rates at the balance sheet date.

Of the outstanding foreign exchange forward contracts EUR 350.5 million (EUR 256.7 million in 2006) relate to the hedging of the operational and financial cash flows and EUR 106.5 million (EUR 136.4 million in 2006) to the hedging of the foreign currency denominated net equity investments in foreign subsidiaries.

26. Carrying amounts of financial assets and liabilities by measurement categories

EUR million	(Note)	Financial assets/ liabilities at fair value through income statement	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Carrying amounts by balance sheet item
2007						
Non-current financial assets						
Other investments	(14)	-	-	0.2	-	**0.2**
Other receivables	(17)	-	16.9	-	-	**16.9**
Current financial assets						
Trade and other receivables	(17)	-	383.3	-	-	**383.3**
Derivative financial instruments	(17,25)	6.0	-	-	-	**6.0**
Other investments	(14)	5.8	-	-	-	**5.8**
Cash and cash equivalents	(18)	-	21.3	-	-	**21.3**
Carrying amount by category		**11.8**	**421.5**	**0.2**	**-**	**433.5**
Non-current financial liabilities						
Interest-bearing loans and borrowings	(22)	-	-	-	202.7	**202.7**
Other liabilities	(23)	-	-	-	0.6	**0.6**
Current financial liabilites						
Interest-bearing loans and borrowings	(22)	-	-	-	315.5	**315.5**
Trade and other payables	(23)	-	-	-	271.1	**271.1**
Derivative financial instruments	(23,25)	2.0	-	-	-	**2.0**
Carrying amount by category		**2.0**	**-**	**-**	**789.9**	**791.9**
2006						
Non-current financial assets						
Other investments	(14)	-	-	0.2	-	0.2
Other receivables	(17)	-	6.1	-	-	6.1
Current financial assets						
Trade and other receivables	(17)	-	325.8	-	-	325.8
Derivative financial instruments	(17,25)	2.1	-	-	-	2.1
Other investments	(14)	5.0	-	-	-	5.0
Cash and cash equivalents	(18)	-	20.1	-	-	20.1
Carrying amount by category		7.1	352.0	0.2	-	359.3
Non-current financial liabilities						
Interest-bearing loans and borrowings	(22)	-	-	-	44.0	44.0
Other liabilities	(23)	-	-	-	0.6	0.6
Current financial liabilites						
Interest-bearing loans and borrowings	(22)	-	-	-	136.4	136.4
Trade and other payables	(23)	-	-	-	239.5	239.5
Derivative financial instruments	(23,25)	1.5	-	-	-	1.5
Carrying amount by category		1.5	-	-	420.4	422.0

27. Capital structure

The Group's objective is to maintain an efficient capital structure which is targeted both to increase the company's shareholder value and also to secure the Group's ability to operate on the loan and equity markets at all times. Despite the fact that Ahlstrom does not have a public rating, the company's target is to have a capital structure equivalent to that of other companies with a public investment grade rating. The Board of Directors reviews the capital structure of the Group regularly.

The capital structure is monitored on the basis of the gearing ratio which is calculated by dividing interest-bearing net liabilities with total equity. Interest-bearing net liabilities are calculated as interest-bearing loans and borrowings less cash and cash equivalents and other current investments.

According to the set financial targets Ahlstrom's gearing ratio should on a long-term be between 50–80%. In 2006, the gearing ratio was clearly below the target level due to the IPO in March 2006. The gearing ratios in 2006 and 2007 were as follows:

EUR million	**2007**	2006
Interest-bearing loans and borrowings	**518.2**	180.4
Cash and cash equivalents	**21.3**	20.1
Other current investments	**5.8**	5.0
Interest-bearing net liabilities	**491.1**	155.2
Equity, total	**752.4**	766.6
Gearing ratio	**65.3%**	20.3%

28. Operating leases

Minimum lease payments from operating lease contracts:		
Less than one year	**5.3**	6.1
Between one and five years	**10.3**	12.9
More than five years	**4.6**	5.2
Total	**20.3**	24.3

29. Notes to the consolidated statement of cash flows

Non-cash transactions and transfers to cash flow from other activities:		
Depreciation and amortization	**99.9**	81.2
Gains and losses on sale of non-current assets	**-10.2**	-8.3
Gains and losses on sale of subsidiary shares	**-1.6**	-3.3
Change in employee benefit obligations	**-10.1**	1.7
Total	**78.0**	71.4

30. Commitments and contingent liabilities

EUR million	**2007**	2006
For own liabilities:		
Other loans		
Amount of loans	**0.9**	1.5
Book value of pledges	**1.0**	1.6
For own commitments:		
Guarantees	**23.8**	29.1
For commitments of associated companies:		
Guarantees	**6.3**	8.3
Capital expenditure commitments	**32.4**	50.6
Other contingent liabilities	**4.7**	5.3

Group companies are currently not a party to any material legal, arbitration or administrative proceedings.

Capital expenditure commitments consist mainly of a new food nonwovens line in Chirnside, UK, a new power plant in Turin, Italy and a new glassfiber tissue plant in Tver, Russia.

The main item in other contingent liabilities is a binding contract for raw material purchases.

Contingent assets

Tons	**2007**
Emission rights at Jan 1, 2007	49,495
Emission rights received	656,364
Pollutants emitted	-551,225
Emission rights sold	-154,500
Emission rights at Dec 31, 2007	134

The rights in excess of pollutants emitted at December 31, 2006 were transferred to 2007. The sales of emission rights were EUR 0.2 million in 2007. The fair value at the balance sheet date was close to zero.

31. Transactions with related parties

The Group has a related party relationship with its subsidiaries, associated companies and its management.

At Dec 31, 2007 the Group parent company and subsidiaries are as follows

	Ownership interest, %	Country
Parent company Ahlstrom Corporation		Finland
Ahlcorp Oy	100.0	Finland
Ahlstrom Australia Pty Ltd	100.0	Australia
Ahlstrom B.V.	100.0	Netherlands
Ahlstrom Chirnside Limited	100.0	UK
Ahlstrom Japan Inc.	100.0	Japan
Ahlstrom Korea Co., Ltd	100.0	South Korea
Ahlstrom Malmédy SA	100.0	Belgium
Ahlstrom Monterrey, S. de R.L. de C.V.	100.0	Mexico
Ahlstrom Nordic Oy	100.0	Finland
Ahlstrom Norrköping AB	100.0	Sweden
Ahlstrom Sales LLC	100.0	Russia

	Ownership interest, %	Country
Ahlstrom South Africa (Pty) Ltd	60.0	South Africa
Ahlstrom Ställdalen AB	100.0	Sweden
Ahlstrom (Wuxi) Technical Textile Co., Ltd	100.0	China
Akerlund & Rausing Kuban Holding GmbH	100.0	Germany
Fiberflow Oy	100.0	Finland
Lantor (Hong Kong) Limited	100.0	Hong Kong
Ahlstrom Asia Holdings Pte Ltd	100.0	Singapore
PT Ahlstrom Indonesia	100.0	Indonesia
Ahlstrom Barcelona, S.A.	100.0	Spain
Ahlstrom Alicante Nonwovens S.A.U.	100.0	Spain
Ahlstrom Glassfibre Oy	100.0	Finland
Karhulan Teollisuuskeräys Oy	100.0	Finland
Ahlstrom Holding GmbH	100.0	Germany
Ahlstrom Munich GmbH	100.0	Germany
Ahlstrom Osnabrück GmbH	100.0	Germany
Ahlstrom Altenkirchen GmbH	100.0	Germany
Ahlstrom Nümbrecht GmbH & Co. KG	100.0	Germany
Ahlstrom Nümbrecht Verwaltung GmbH	100.0	Germany
Ahlstrom Industrial Holdings Limited	100.0	UK
Ahlstrom Group Finance Limited	100.0	UK
Ahlstrom Industries	100.0	France
Ahlstrom Brignoud	100.0	France
Ahlstrom Tampere Oy	100.0	Finland
Ahlstrom Chantraine	100.0	France
Ahlstrom Labelpack	100.0	France
Ahlstrom Research and Services	100.0	France
Ahlstrom Specialties	100.0	France
Ahlstrom Louveira Ltda	100.0	Brazil
Ahlstrom - VCP Indústria de Papéis Especiais S.A.	60.0	Brazil
Ahlstrom Russia Oy	100.0	Finland
Ahlstrom Tver LLC	100.0	Russia
Ahlstrom Turin S.p.A.	100.0	Italy
Ahlstrom Fabriano S.r.l.	100.0	Italy
Ahlstrom Ibérica, S.L.	51.0	Spain
Ahlstrom Milano S.r.l.	100.0	Italy
Ahlstrom Nordica S.r.l.	60.0	Italy
Ahlstrom USA Inc.	100.0	USA
Ahlstrom Atlanta LLC	100.0	USA
Ahlstrom Capital Corporation	100.0	USA
Ahlstrom Filtration LLC	100.0	USA
Ahlstrom Nonwovens LLC	100.0	USA
Windsor Locks Canal Company	100.0	USA
Ahlstrom Specialty Reinforcements Bishopville LLC	100.0	USA
Titanium Foreign Sales Corporation	100.0	USA

The Group has merged several companies in the USA in 2007. Ownership interest does not differ from the voting rights.

Related party transactions with associated companies

EUR million	2007	2006
Sales and interest income	**1.3**	1.3
Purchases of goods and services	**-5.0**	-10.9
Trade and other receivables	**0.1**	0.5
Trade and other payables	**0.5**	0.8
Interest-bearing loans and borrowings	**0.1**	6.6

Market prices have been used in transactions with associated companies.
Commitments on behalf of associated companies are shown in note 30.

EUR thousand	2007	2006
Board Remuneration		
Board members at December 31, 2007		
Peter Seligson, Chairman	**57**	40
Urban Jansson, Vice Chairman	**35**	35
Sebastian Bondestam	**32**	30
Jan Inborr	**35**	42
Bertel Paulig	**33**	40
Willem F. Zetteler	**33**	32
Thomas Ahlström	**24**	-
Former Board member		
Johan Gullichsen	**19**	65
Total	**268**	284
Employee benefits for key management		
Short-term employee benefits	**3,524**	3,406
Post-employment benefits	**73**	71
Cash-settled share-based transactions	**-220**	318
Total	**3,377**	3,795
Executive Remuneration		
President and CEO Jukka Moisio	**616**	739
Other Corporate Executive Team (CET) members	**2,909**	2,667
Total	**3,524**	3,406
Benefits of the subscriptions and trades of the options of the option program I (2001) and II (2001)		
President and CEO Jukka Moisio	**1,640**	-
Other Corporate Executive Team (CET) members	**1,850**	-
Total	**3,490**	-

The liability recognized arising from the cash-settled share-based transactions (option program 2004 A) regarding the President and CEO and Corporate Executive Team members has decreased in 2007 by EUR 220 thousand to EUR 395 thousand on December 31, 2007.

The Group also provides non-cash benefits to the management.

The President and CEO and the Finnish members of the Corporate Executive Team may be eligible for early retirement at the age of 60 according to the voluntary collective pension plan.

Share-based payment plans to key personnel (IFRS 2 - cash-settled share-based transactions)

On October 27, 2004 the Board approved a Long-Term Incentive Plan for key employees. During the period of 2005–2007, each participant in the plan had each calendar year the possibility to earn a predetermined maximum number of synthetic stock options. The maximum aggregate amount of the options which could have been earned during 2005–2007 was 2,505,128. The options entitled the participants to a pay-out, which is made in cash during the third year following the year for which the options have been earned. For the options granted in 2005 (2004 A), the cash payment will be in 2008. The amount of the payment was determined based on the performance of the Group, among other things.

In 2006 (program 2004 B) and in 2007 (2004 C), no options were earned by the participants due to the lower than targeted EPS performances of the Group. Therefore no fair value calculation was needed at December 31, 2007. The liability recognized arising from the program 2004 A at the balance sheet date was EUR 1.0 million. On December 31, 2006 the liability arising from the program 2004 A was EUR 1.7 million.

The fair value of the arising liability of the Plan at December 31, 2006 was calculated using the Black-Scholes formula and recognized as an expense in the income statement during the vesting period. Within the formula, a risk-free interest rate of 3.0% and expected volatility based on peer group performance of 23% were used.

The following table illustrates the general terms and conditions of the option programs:

	2004 A	2004 B	2004 C
Grant date	Oct 27,2004	Oct 27,2004	Oct 27,2004
The maximum number of options available	816,278	844,425	844,425
The number of options granted	246,482	0	0
Share value at grant date*	16.73	16.73	16.73
Term of contract	Oct 27, 2004–Mar 31, 2008	Oct 27, 2004–Mar 31, 2009	Oct 27, 2004–Mar 31, 2010
Vesting period	Jan 1, 2005–Dec 31, 2007	Jan 1, 2006–Dec 31, 2008	Jan 1, 2007–Dec 31, 2009
Conditions of agreement	The Group's earnings per share and personal performance in 2005, and share price performance during 2005-2007.	The Group's earnings per share and personal performance in 2006, and share price performance during 2006-2008.	The Group's earnings per share and personal performance in 2007, and share price performance during 2007-2009.
Exercise price, EUR (dividends not deducted)	16.73	23.79	22.65
Fair value of the option, EUR	4.27	n/a	n/a

* Determined by an independent expert as Ahlstrom's share was not publicity listed

The number and weighted average exercise prices of stock options are as follows:

	2007		2006	
	Weighted average exercise price, EUR	Number of options	Weighted average exercise price, EUR	Number of options
Outstanding at the beginning of the period	**10.55**	**246,482**	13.52	194,250
Granted during the year	-	-	12.67	63,311
Forfeited during the year	**10.32**	**-11,709**	10.38	-11,079
Outstanding at the end of the period	**4.27**	**234,773**	10.55	246,482
Exercisable at the end of the period		-		-

Non-IFRS 2 applicable stock option arrangements

On September 26, 2001 the Group decided to issue 1,752,068 stock options to the Ahlstrom management and key employees. Each stock option gave its holder the rights to subscribe for one share in Ahlstrom Corporation. The subscription price of a share subscribed with a stock option was EUR 16.13 decreased by the amount of dividends after January 1, 2002 and prior to the share subscription. The share subscription period of both of the option programs expired on April 30, 2007. From January 2, 2007 through April 23, 2007, the options were listed on the OMX Nordic Exchange Helsinki. In January-April of 2007 1,008,871 new shares of Ahlstrom Corporation were subscribed with option rights.

These stock option arrangements have been granted before November 7, 2002 and in accordance with IFRS 1 and IFRS 2, IFRS recognition and measurement principles have not been applied to these arrangements.

The number and weighted average exercise prices of stock options are as follows:

	2007		2006	
	Weighted average exercise price, EUR	Number of options	Weighted average exercise price, EUR	Number of options
Outstanding at the beginning of the period	**9.22**	**1,008,871**	11.01	1,537,007
Forfeited during the year	-	-	9.22	-29,876
Exercised during the year	**9.16**	**-1,008,871**	9.57	-93,318
Redeemed during the year	-	-	9.22	-404,942
Outstanding at the end of the period		**0**	9.22	1,008,871
Exercisable at the end of the period		-		488,699

32. Subsequent events after the balance sheet date

The Group's management does not have knowledge of any significant events after the balance sheet date, which would have had an impact on the financial statements.

Key figures

EUR million	**2007 IFRS**	2006 IFRS	2005 IFRS	2004 IFRS	2004 FAS	2003 FAS
Financial indicators						
Net sales	**1,760.8**	1,599.1	1,552.6	1,567.8	1,567.8	1,556.4
Personnel costs	**362.1**	319.6	313.1	340.1	338.5	357.0
% of net sales	**20.6**	20.0	20.2	21.7	21.6	22.9
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**125.6**	177.6	200.9	152.4	155.1	160.9
% of net sales	**7.1**	11.1	12.9	9.7	9.9	10.3
Depreciation *	**93.9**	79.9	82.9	86.7	91.6	94.3
Goodwill amortization and impairment of non-current assets *	**5.9**	1.7	0.8	3.6	12.5	18.1
Operating profit	**25.8**	96.1	117.2	62.1	51.0	48.5
% of net sales	**1.5**	6.0	7.5	4.0	3.3	3.1
Net interest expense	**20.9**	8.4	11.5	12.5	12.0	10.4
% of net sales	**1.2**	0.5	0.7	0.8	0.8	0.7
Profit before taxes	**0.2**	81.2	100.7	47.9	34.8	33.7
% of net sales	**0.0**	5.1	6.5	3.1	2.2	2.2
Profit for the period attributable to the equity holders of the parent	**0.5**	57.5	62.4	33.2	17.5	22.4
% of net sales	**0.0**	3.6	4.0	2.1	1.1	1.4
Capital employed (end of period)	**1,270.6**	946.9	947.1	975.6	1,008.9	994.5
Interest-bearing net liabilities	**491.1**	155.2	340.6	361.8	341.8	285.8
Total equity	**752.4**	766.6	590.5	580.5	632.9	673.8
Return on capital employed (ROCE), %	**2.5**	10.4	12.4	7.0	5.3	4.6
Return on equity (ROE), %	**0.2**	8.5	10.7	5.6	2.7	3.2
Equity ratio, %	**44.0**	56.5	43.2	42.0	45.3	47.4
Gearing ratio, %	**65.3**	20.3	57.7	62.3	53.9	42.3
Capital expenditure, including acquisitions	**371.9**	127.8	73.2	167.0	167.0	93.1
% of net sales	**21.1**	8.0	4.7	10.7	10.7	6.0
R&D expenditure	**23.9**	25.0	27.1	27.6	27.6	32.9
% of net sales	**1.4**	1.6	1.7	1.8	1.8	2.2
Net cash from operating activities	**43.9**	119.2	126.6	128.0	128.0	202.0
Number of employees, year-end	**6,481**	5,677	5,525	5,755	5,755	6,486
Number of employees, annual average	**6,108**	5,687	5,605	6,428	6,428	6,536
Net sales per employee, EUR thousands	**288**	281	277	244	244	238

* According to IFRS there is no amortization on goodwill

	2007 IFRS	2006 IFRS	2005 IFRS	2004 IFRS	2004 FAS	2003 FAS
Share indicators						
Earnings per share, EUR	**0.01**	1.31	1.71	0.91	0.48	0.61
Earnings per share, diluted, EUR	**0.01**	1.29	1.67	0.90	0.48	0.61
Cash earnings per share, EUR	**0.94**	2.72	3.48	3.52	3.52	5.55
Equity per share, EUR	**15.35**	16.79	16.21	15.94	17.38	18.50
Dividend per share, EUR	**1.00****	1.00	1.79	1.72	1.72	1.50
Payout ratio, %	**n/a**	76.3	104.7	188.9	358.1	245.9
Adjusted number of outstanding shares, end of period (1,000 shares)	**46,670.6**	45,661.7	36,418.4	36,418.4	36,418.4	36,418.4
Adjusted number of outstanding shares, average (1,000 shares)	**46,476.2**	43,801.7	36,418.4	36,418.4	36,418.4	36,418.4

Net sales and operating profit are determined in the accounting principles of the consolidated financial statements.

** The Board of Directors' proposal to the Annual General Meeting

Calculation of key figures

Interest-bearing net liabilities: Interest-bearing loans and borrowings – Cash and cash equivalents – Other investments (current)

Equity ratio, %: $$\frac{\text{Total equity}}{\text{Total assets – Advances received}} \times 100$$

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), %: $$\frac{\text{Profit (loss) before taxes + Financing expenses}}{\text{Total assets (annual average) – Non-interest bearing liabilities (annual average)}} \times 100$$

Earnings per share, EUR: $$\frac{\text{Profit for the period attributable to equity holders of the parent}}{\text{Average adjusted number of shares during the period}}$$

Cash earnings per share, EUR: $$\frac{\text{Net cash from operating activities}}{\text{Average adjusted number of shares during the period}}$$

Equity per share, EUR: $$\frac{\text{Equity attributable to equity holders of the parent}}{\text{Adjusted number of shares at the end of the period}}$$

Dividend per share, EUR: $$\frac{\text{Dividends paid for the period}}{\text{Adjusted number of shares at the end of the period}}$$

Payout ratio, %: $$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

Income statement

EUR million	(Note)	2007	2006
Net sales	(1)	**61.1**	65.0
Other operating income	(2)	**1.0**	1.7
Personnel costs	(3)	**-8.7**	-11.1
Depreciation and write-downs	(10)	**-0.1**	-0.2
Other operating expense		**-21.2**	-30.7
		-30.0	-42.0
Operating profit		**32.1**	24.7
Financing income and expense			
Dividend income	(5)	**4.4**	30.4
Interest and other financing income	(6)	**29.3**	23.0
Interest and other financing expense	(7)	**-18.9**	-14.6
Gains and losses on foreign currency		**10.2**	12.8
		25.0	51.6
Profit before extraordinary items		**57.1**	76.3
Extraordinary items	(8)		
Extraordinary income		**5.5**	5.6
Profit after extraordinary items		**62.6**	81.9
Income taxes	(9)	**-13.2**	-11.4
Net profit		**49.4**	70.5

Balance sheet

EUR million	(Note)	**Dec 31, 2007**	Dec 31, 2006
Assets			
Non-current assets			
Intangible assets	(10)		
Intangible rights		**0.4**	0.4
Advances paid and construction in progress		**0.1**	0.1
		0.5	0.5
Tangible assets	(10)		
Land and water areas		**0.4**	0.4
Machinery and equipment		**0.1**	0.1
Other tangible assets		**0.1**	0.1
		0.6	0.6
Long-term investments	(11)		
Shares in Group companies		**793.7**	512.8
Receivables from Group companies		**15.0**	-
Shares in associated companies		**2.7**	2.8
Shares in other companies		**0.5**	0.5
		811.9	516.1
Current assets			
Long-term receivables			
Receivables from Group companies	(17)	**68.1**	160.7
Deferred tax assets	(16)	**1.4**	1.6
		69.5	162.3
Short-term receivables			
Trade receivables		**0.1**	0.3
Receivables from Group companies	(17)	**520.0**	365.9
Receivables from associated companies	(18)	**-**	0.4
Deferred tax assets	(16)	**0.1**	0.2
Other short-term receivables		**0.0**	1.8
Prepaid expenses and accrued income	(12)	**13.3**	7.5
		533.5	376.1
Short-term investments		**5.8**	5.0
Cash and cash equivalents		**3.2**	4.9
		9.0	9.9
Total assets		**1,425.0**	1,065.5

EUR million	(Note)	**Dec 31, 2007**	Dec 31, 2006
Shareholders' equity and liabilities			
Shareholders' equity	(13)		
Share capital		**70.0**	68.5
Share premium		**187.8**	187.9
Non-restricted equity reserve		**8.3**	0.5
Retained earnings		**599.4**	575.5
Net profit		**49.4**	70.5
		914.9	902.9
Liabilities			
Provisions for contingencies	(15)	**5.2**	6.1
Long-term liabilities	(14)		
Loans from financial institutions		**185.3**	23.4
Liabilities to Group companies	(17)	**-**	14.9
		185.3	38.3
Short-term liabilities			
Loans from financial institutions		**218.8**	31.8
Trade payables		**1.4**	0.6
Liabilities to Group companies	(17)	**89.6**	66.3
Liabilities to associated companies	(18)	**0.1**	6.6
Other short-term liabilities		**0.4**	0.4
Accrued expenses and deferred income	(19)	**9.3**	12.5
		319.6	118.2
Total liabilities		**510.1**	162.6
Total shareholders' equity and liabilities		**1,425.0**	1,065.5

Statement of cash flows

EUR million	2007	2006
Cash flow from operating activities		
Operating profit	**32.1**	24.7
Depreciation, amortization and write-downs	**0.1**	0.2
Other adjustments	**-1.7**	-
Operating profit before change in net working capital	**30.5**	24.9
Change in net working capital	**9.7**	-4.9
Cash generated from operations	**40.2**	20.0
Interest income	**27.4**	20.0
Interest and other financing expense	**-15.2**	-5.9
Gains and losses on foreign currency	**8.1**	3.6
Income taxes	**-19.4**	-7.5
Net cash from operating activities	**41.1**	30.2
Cash flow from investing activities		
Capital expenditures	**-0.2**	-0.1
Acquisitions of Group companies	**-281.4**	-23.5
Increase in other investments	**-15.0**	-
Proceeds from disposal of shares in Group companies	**1.8**	-
Proceeds from liquidation of Group companies	**0.3**	0.7
Proceeds from sale of non-current assets	**0.8**	0.1
Dividends received	**4.4**	30.4
Group contributions	**7.6**	2.8
Net cash used in investing activities	**-281.7**	10.4
Cash flow from financing activities		
Share issue and share options exercised	**9.2**	202.2
Change in notes receivable and short-term investments	**-73.6**	-12.7
Change in long-term debt	**148.5**	-98.4
Change in short-term debt	**201.4**	-64.4
Dividends paid	**-46.6**	-65.2
Net cash used in financing activities	**238.9**	-38.5
Net change in cash and cash equivalents	**-1.7**	2.1
Cash and cash equivalents at beginning of period	**4.9**	2.8
Cash and cash equivalents at end of period	**3.2**	4.9

Accounting principles

Company information
Ahlstrom Corporation is the parent company of the Ahlstrom Group and acts as a holding company for its subsidiaries. The parent company coordinates the treasury functions of Ahlstrom and also the group internal financing. In addition, the parent company sells management services and other administrative services to its subsidiaries. The shares of Ahlstrom Corporation have been listed on the OMX Nordic Exchange Helsinki since March 2006.

Basis of preparation
The financial statements of the company have been prepared in euro and in accordance with the requirements of Finnish Accounting Act and other acts and accounting principles generally accepted in Finland. Ahlstrom Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and the parent company has observed the Group's accounting principles whenever this has been possible. Presented below are principally the accounting principles in which the practice differs from the Group's accounting principles. In other respects, the Group's accounting principles are applied.

Derivative financial instruments
The company is exposed to foreign currency exchange and interest rate risks arising from the business operations and financing. In the normal course of business, the company uses a variety of derivative financial instruments to manage these risks so as to minimize their impact on the company's profitability and financial position.

The derivative financial instruments used by the company are designated as either hedges of forecasted transactions or firm commitments (cash flow hedges) or as hedges of net investments in foreign entities. In addition, the company uses derivative financial instruments for trading purposes to a very limited extent in accordance with the Group's Treasury Policy.

The gains or losses on forward foreign exchange contracts are comprised of an interest rate component and a currency component. The interest rate component is amortized over the lifetime of the contract and is reported in interest income or interest expense in the income statement. The currency component of the transaction is valued at the end of each reporting period based on the currency exchange rates in effect on the last business day of the reporting period and the resulting gain or loss is reported in the income statement under exchange gains/losses.

Interest rate swaps that are designated as cash flow hedges are accounted for on an accrual basis. Interest payable and receivable under the swap terms are accrued and recorded as an adjustment of the interest expense of the designated liability.

Extraordinary items
The extraordinary items in the financial statements include group contributions granted or received and the related income tax effects.

Leasing
Payments made under operating leases, or under rental agreements, are expensed as incurred.

Pension plans
A statutory pension liability and supplementary pension benefits are funded through compulsory insurance policies. Payments to pension insurance institutions are determined by the insurance institution according to prescribed actuarial assumptions and other rulings.

Pension insurance premiums are charged to income. In Finland, the accrued pension liabilities not covered by insurance policies and changes thereof are recorded in the balance sheet and income statement.

EUR million	2007	2006
1. Distribution of net sales		
France	**14.8**	18.0
USA	**13.4**	14.0
Italy	**12.7**	11.5
Germany	**6.1**	7.5
Finland	**6.0**	6.2
United Kingdom	**2.8**	3.5
Sweden	**1.4**	1.4
South Korea	**1.2**	1.2
Spain	**1.2**	0.6
Belgium	**1.0**	0.9
Other	**0.5**	0.2
Total	**61.1**	65.0
2. Other operating income		
Gain on sale of shares	**0.7**	1.0
Other	**0.3**	0.7
Total	**1.0**	1.7
3. Personnel costs		
Remuneration of board members	**-0.3**	-0.3
Remuneration of managing director	**-0.5**	-0.5
Bonuses to managing director	**-0.1**	-0.2
Other wages and salaries	**-6.4**	-8.3
Pension costs	**-0.9**	-0.8
Other wage-related costs	**-0.5**	-1.0
Total	**-8.7**	-11.1

The President and CEO and the Finnish members of the Corporate Executive Team may be eligible for early retirement at the age of 60 according to the voluntary collective pension plan.

4. Average number of personnel		
Salaried	**91**	90
5. Dividend income		
from Group companies	**4.4**	30.0
from associated companies	**-**	0.4
Total	**4.4**	30.4
6. Interest and other financing income		
from Group companies	**27.8**	20.0
from others	**1.5**	3.0
Total	**29.3**	23.0
7. Interest and other financing expense		
to Group companies	**-2.9**	-3.0
to others	**-16.0**	-11.6
Total	**-18.9**	-14.6
8. Extraordinary items		
Group contributions	**7.5**	7.6
Taxes related to extraordinary items	**-2.0**	-2.0
Total	**5.5**	5.6

EUR million	2007	2006
9. Income taxes		
Taxes for current and previous years	**-15.0**	-11.6
Deferred taxes	**-0.2**	-1.8
Taxes related to extraordinary items	**2.0**	2.0
Income taxes in the income statement	**-13.2**	-11.4

10. Intangible and tangible assets

EUR million	Intangible rights	Land and water areas	Machinery and equipment	Other tangible assets
2007				
Cost at Jan 1	2.5	0.4	1.3	0.6
Increases	-	-	-	-
Decreases	-	-	-1.1	-
Cost at Dec 31	**2.5**	**0.4**	**0.2**	**0.6**
Accumulated depreciation and amortization at Jan 1	2.0	-	1.2	0.5
Depreciation and amortization for the fiscal year	0.1	-	-	-
Decreases	-	-	-1.1	-
Accumulated depreciation and amortization at Dec 31	**2.0**	**-**	**0.1**	**0.5**
Book value at Dec 31, 2007	**0.5**	**0.4**	**0.1**	**0.1**
2006				
Cost at Jan 1	2.5	0.4	1.3	0.6
Increases	0.1	-	-	-
Decreases	-0.1	-	-	-
Cost at Dec 31	2.5	0.4	1.3	0.6
Accumulated depreciation and amortization at Jan 1	1.9	-	1.2	0.5
Depreciation and amortization for the fiscal year	0.1	-	-	-
Decreases	-	-	-	-
Accumulated depreciation and amortization at Dec 31	2.0	-	1.2	0.5
Book value at Dec 31, 2006	0.5	0.4	0.1	0.1

11. Long-term investments

EUR million	Shares in Group companies	Receivables from Group companies	Shares in associated companies	Shares in other companies
2007				
Cost at Jan 1	512.8	-	2.8	0.5
Increases	281.3	15.0	-	-
Decreases	-0.4	-	-0.1	-
Cost at Dec 31	**793.7**	**15.0**	**2.7**	**0.5**
Book value at Dec 31, 2007	**793.7**	**15.0**	**2.7**	**0.5**
2006				
Cost at Jan 1	489.6	-	2.8	0.5
Increases	23.5	-	-	-
Decreases	-0.3	-	-	0.0
Cost at Dec 31	512.8	-	2.8	0.5
Book value at Dec 31, 2006	512.8	-	2.8	0.5

EUR million	2007	2006

12. Prepaid expenses and accrued income

Short-term	**13.3**	7.5
Main items:		
Accruals of hedging contracts	**5.7**	1.3
Accrued rebates	**7.4**	6.1
Other	**0.2**	0.1
Total	**13.3**	7.5

13. Shareholders' equity

Balance at Jan 1	**902.9**	695.4
Dividends paid	**-46.6**	-65.2
Share issue and share options exercised	**9.3**	202.2
Net profit	**49.4**	70.5
Balance at Dec 31	**914.9**	902.9

At December 31, 2007 share capital amounted to EUR 70,005,912.00 The total number of shares was 46,670,608 shares with a par value EUR 1.50 per share. All shares have one vote and equal right to dividend.

14. Maturity profile of long-term liabilities

2007	2009	2010	2011	2012	2013-	Total
Loans from financial institutions	143.1	3.1	28.1	3.1	7.9	185.3
Liabilities to Group companies	-	-	-	-	-	-
Total	143.1	3.1	28.1	3.1	7.9	185.3

2006	2008	2009	2010	2011	2012-	Total
Loans from financial institutions	3.1	3.1	3.1	3.1	11.0	23.4
Liabilities to Group companies	14.9	-	-	-	-	14.9
Total	18.0	3.1	3.1	3.1	11.0	38.3

EUR million	2007	2006

15. Provisions for contingencies

Environmental responsibility	**1.0**	1.0
Pension and other employee benefit plan liabilities	**4.2**	4.6
Discontinued operations	**-**	0.5
Total	**5.2**	6.1

16. Deferred tax assets

Long-term assets	**1.4**	1.6
Short-term assets	**0.1**	0.2
Total	**1.5**	1.8

Arising from:		
Temporary differences	**1.5**	1.8

EUR million	2007	2006

17. Receivables from and liabilities to Group companies

Long-term notes receivable	**68.1**	160.7
Trade receivables	**2.2**	11.7
Notes receivable	**508.0**	344.6
Prepaid expenses and accrued income	**9.7**	9.6
Total	**588.0**	526.6
Long-term liabilities	-	14.9
Trade payables	**0.3**	2.9
Accrued expenses and deferred income	**14.8**	11.0
Other short-term liabilities	**74.5**	52.4
Total	**89.6**	81.2

18. Receivables from and liabilities to associated companies

Short-term notes receivable	-	0.3
Trade receivables	-	0.1
Total	-	0.4
Short-term liability	**0.1**	6.6

19. Accrued expenses and deferred income

Short-term	**9.3**	12.5
Main items:		
Accrued personnel costs	**2.5**	3.0
Current tax payable	**3.3**	7.7
Accrued interest expense	**2.4**	0.1
Accruals of hedging contracts	**0.9**	1.5
Other	**0.2**	0.2
Total	**9.3**	12.5

20. Commitments and contingent liabilities

For commitments of Group companies:		
Guarantees	**59.3**	70.4
For commitments of associated companies:		
Guarantees	**6.2**	8.3
Leasing commitments		
Current portion	**0.8**	2.0
Long-term portion	**3.8**	5.1
Other commitments	**0.3**	0.5

21. Shares in subsidiaries

The list of subsidiaries can be found on page 48.

22. Financial risk management

Ahlstrom's approach to financial risk management is to secure the timely availability of funds required for the financing of the business operations of the company at optimal cost, to protect the net result and balance sheet from movements in foreign exchange and interest rates as well as to minimize counterparty risks. Principles and guidelines for the treasury activities are defined in the Group treasury policy.

Funding risk

The company aims to secure the timely availability of funds by maintaining an appropriately designed mix of cash, short-, and long-term loans and committed and uncommitted credit facilities provided by banks and other financial institutions both in the domestic and international financial markets. In Finland the company also accesses short-term funds under a commercial paper program. The company's main funding facility is a EUR 200 million syndicated revolving credit facility maturing in November 2009. The maturity profile of the long-term loans of the company is shown in note 14.

Foreign exchange risk

The company has an exposure to movements in foreign exchange rates relating to its operations outside the Euro-zone both in terms of cross-border sales and purchases as well as foreign investments. Good management of foreign exchange transaction and translation exposures is therefore essential. Foreign currency denominated cash inflows and outflows are hedged on a net exposure basis per currency against the base currency of the respective exposed Group company in accordance with a formula defined in the Group treasury policy. The length of the transaction exposure periods is determined individually by the Group companies in accordance with their specific guidelines in order to allow for as accurate a match with the underlying risk profile as possible. Foreign currency forward contracts are used as hedging instruments.

Ahlstrom currently applies a policy of hedging approximately 30% of its foreign currency denominated net equity investments in foreign subsidiaries. Foreign currency denominated loans and foreign currency forward contracts are used as hedging instruments.

Interest rate risk

The primary focus of Ahlstrom's interest rate risk management is to maintain a sound balance between floating and fixed rate obligations in respect of the interest bearing liabilities of the company. Interest rate exposures are hedged using derivative financial instruments such as interest rate swaps. Swaps are usually of maturities between two to five years. The fair values of these transactions are monitored on a continuous basis.

Counterparty risk

The company seeks to minimize counterparty risks associated with foreign exchange transactions, derivative contracts and occasional external placements by limiting its exposures to first-class banks and financial institutions and other counterparties with high credit rating only. Whilst counterparty risks cannot be entirely eliminated the management is confident that they are under control. Customer related counterparty risks are limited by the combination of a diversified customer base and the impact of a policy of concluding risk sharing arrangements in respect of larger exposures with banks and insurance companies. Almost all of Ahlstrom's customers are industrial companies.

Derivative financial instruments*

	Nominal values		Fair values**	
EUR million	**2007**	2006	**2007**	2006
Interest rate derivatives				
Interest rate swaps	**100.0**	25.0	**0.3**	0.8
Foreign exchange derivatives				
Foreign exchange forward contracts	**304.0**	245.9	**3.6**	-0.4
Equity hedging				
Foreign exchange forward contracts	**106.5**	136.4	**1.2**	0.2

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

** The fair values of interest rate swaps are based on actually quoted market rates at year-ends. The fair values of all other financial instruments have been calculated from prevailing market rates at year-ends.

Proposal for the distribution of profits

The Parent Company's balance sheet on December 31, 2007 shows:

	EUR
Retained earnings	599,388,651
Non-restricted equity reserve	8,266,273
Profit for the period	49,406,124
Total distributable funds	657,061,048

The Board of Directors proposes to the Annual General Meeting to be held on April 2, 2008 that
- a dividend of EUR 1.00 per share be paid
- EUR 70,000 be reserved to be used at the disposal of the Board of Directors
- and the remainder be retained.

The suggested dividend record date is April 7, 2008 and the dividend will be paid on April 14, 2008. On December 31, 2007, there were 46,670,608 outstanding shares and the corresponding amount to be paid in dividends is EUR 46,670,608.00.

Helsinki, January 31, 2008

Peter Seligson

Urban Jansson

Sebastian Bondestam

Jan Inborr

Bertel Paulig

Thomas Ahlström

Willem F. Zetteler

Jukka Moisio
President & CEO

Auditor's report

To the shareholders of Ahlstrom Corporation

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Ahlstrom Corporation for the period 1.1. – 31.12.2007. The Board of Directors and the Managing Director have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, containing the consolidated balance sheet, income statement, cash flow statement, statement on the changes in equity and notes to the financial statements, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine whether the members of the Board of Directors and the Managing Director of the parent company have complied with the rules of the Limited Liability Companies Act.

Consolidated financial statements

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, report of the Board of Directors and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Limited Liability Companies Act.

Helsinki January 31, 2008
KPMG OY AB
Sixten Nyman
Authorized Public Accountant

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