OFFERING CIRCULAR **STRICTLY CONFIDENTIAL**

Ahlstrom Corporation

Initial Public Offering of
8,000,000 Ordinary Shares
Offer Price €22.00 per Offer Share

This Offering Circular relates to an offering (the "Offering") of 8,000,000 new ordinary shares (the "New Shares") of Ahlstrom Corporation, a public limited liability company incorporated under the laws of Finland ("Ahlstrom" or the "Company"). The Offering consists of (i) a public offering to retail investors in Finland (the "Retail Offering") and (ii) an offering to institutional investors in Finland and internationally (the "Institutional Offering"), including a private placement in the United States to "qualified institutional buyers" as defined in Rule 144A ("Rule 144A") under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"). All offers and sales outside the United States will be made in reliance on Regulation S ("Regulation S") under the U.S. Securities Act. The initial public offering price is €22.00 per share (the "Offer Price").

The Company has granted SEB Enskilda, acting on behalf of the Managers, as identified in "*Underwriting and plan of distribution*", an option, exercisable for 30 days from the date of pre-listing of the Shares on the Helsinki Stock Exchange Ltd. (the "Helsinki Stock Exchange"), to subscribe for up to 1,150,000 additional new shares at the Offer Price, solely to cover over-allotments, if any, in connection with the Offering (the "Over-Allotment Option"). The additional new shares that may be purchased by the Managers pursuant to the Over-Allotment Option are referred to herein as the "Additional Shares" and, together with the New Shares, the "Offer Shares".

As part of the Offering, Antti Ahlströmin Perilliset Oy, the Company's largest shareholder, has been granted a preferential allocation in the Institutional Offering to subscribe for such number of Offer Shares as is required to allow Antti Ahlströmin Perilliset Oy to maintain its proportional shareholding in the Company after the Offering. As of the date of this Offering Circular, Antti Ahlströmin Perilliset Oy owns 10.0% of the Company's outstanding shares and votes.

The Offer Shares will rank *pari passu* with all outstanding shares of the Company (including the Offer Shares, the "Shares") and will be entitled to any future dividends. Each of the Shares is entitled to one vote at the general meetings of the Company's shareholders.

Prior to the Offering, there has been no public market for the Shares. Application has been made for all of the Shares to be listed on the main list of the Helsinki Stock Exchange under the trading symbol AHL1V. Trading of the Shares on the pre-list of the Helsinki Stock Exchange is expected to commence on or about March 14, 2006, and on the main list of the Helsinki Stock Exchange on or about March 17, 2006.

Investing in the Offer Shares involves risks. See "*Risk factors*".

THE OFFER SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OR ANY STATE SECURITIES LAWS, AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO U.S. PERSONS EXCEPT TO QUALIFIED INSTITUTIONAL BUYERS IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144A AND OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S. FOR CERTAIN RESTRICTIONS ON TRANSFER, SEE "*SELLING AND TRANSFER RESTRICTIONS*".

It is expected that the Offer Shares will be ready for delivery in book-entry form through the facilities of the Finnish Book-Entry Securities System, Euroclear Bank S.A./N.V., as operator of the Euroclear System, and Clearstream Banking, S.A., starting on or about March 17, 2006, against payment therefor in immediately available funds.

Global Coordinator and Bookrunner

SEB Enskilda

Co-lead managers

CALYON **Opstock**

March 13, 2006

Each prospective purchaser of the Offer Shares must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Offer Shares or possesses or distributes this Offering Circular and must obtain any consent, approval or permission required by it for the purchase, offer or sale of the Offer Shares under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither the Company nor the Managers shall have any responsibility for complying with these obligations.

A separate prospectus (the "Finnish Prospectus") prepared pursuant to applicable legislation governing the public offering of securities in Finland has been published in Finland and approved by the Finnish Financial Supervision Authority (the "FSA"). The approval by the FSA does not imply that the FSA guarantees that the factual information provided therein or herein is correct and complete.

The Managers make no representation or warranty, express or implied, as to the accuracy or completeness of the information in this Offering Circular, and nothing in this Offering Circular is, or shall be relied upon as, a promise or representation by the Managers.

NOTICE TO INVESTORS

In this Offering Circular, any reference to the "Company", "Ahlstrom", "Ahlstrom Group" or "Group" means Ahlstrom Corporation and its consolidated subsidiaries, except where the context otherwise requires, and except that references and matters relating to the shares and share capital of the Company or matters of corporate governance of the Company shall refer to the shares, share capital and corporate governance of Ahlstrom Corporation.

This Offering Circular is confidential. This Offering Circular has been prepared by the Company in connection with the Offering to be used solely to enable investors to consider purchasing or subscribing for the Offer Shares. The information contained in this Offering Circular has been provided by the Company, or other sources identified in this Offering Circular. Any reproduction or distribution of this Offering Circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Offer Shares is prohibited. Each offeree of the Offer Shares, by accepting delivery of this Offering Circular, agrees to the foregoing.

No person has been authorized to give any information or to make any representation in connection with the Offering other than as contained in this Offering Circular. If given or made, such information or representation must not be relied upon as having been authorized by the Company, the Managers or any of their respective affiliates. Neither the delivery of this Offering Circular nor any sale or assignment based thereon shall, under any circumstances, create any implication that the information contained in the Offering Circular is correct as of any time subsequent to the date hereof or that the operations of the Company have not since changed.

In making an investment decision, prospective investors must rely on their own examination of Ahlstrom and the terms of the Offering, including the merits and risks involved. Any decision to purchase any Offer Shares should be based solely on this Offering Circular (and any supplement thereto), taking into account that any summary or description set forth in this Offering Circular of legal provisions, accounting principles or comparison of such principles, corporate structuring or contractual relationships is for information purposes only and should not be construed as legal, accounting or tax advice as to the interpretation or enforceability of such provisions, information or relationships. The Offering has not been recommended by any securities commission or regulatory authority in Finland or elsewhere. This Offering Circular does not contain all the information that would be included in a prospectus for the Offering of the Offer Shares, if such Offering was registered under the U.S. Securities Act.

No actions have been taken to register or qualify the Offer Shares to be offered in the Offering or otherwise to permit a public offering of the Offer Shares in any jurisdiction outside of Finland. Accordingly, any person who resides in any country other than Finland, may not be permitted to receive this Offering Circular or purchase any Offer Shares in the Offering. The Offer Shares may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering-related documents may be distributed or published in any jurisdiction, except in circumstances that will result in compliance with all applicable laws and regulations. This Offering Circular does not constitute an offer to sell, or constitute a solicitation of an offer to purchase, any of the Offer Shares to any person in any jurisdiction in which it is unlawful to make such an offer or solicitation to such person. The Company and the Managers require persons into whose possession this Offering Circular comes to inform themselves of and observe all such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. None of the Company, the Managers or any of their respective affiliates accepts any legal responsibility for any such violations, whether or not a prospective purchaser of the Offer Shares is aware of such restrictions. See "*Selling and transfer restrictions*".

The Offering will be governed by and construed in accordance with the laws of Finland. Any disputes arising in connection with the Offering will be settled in a competent court of law having its jurisdiction in Finland.

This document is an advertisement for purposes of the Prospectus Directive. A prospectus prepared pursuant to applicable legislation governing the public offering of securities in Finland has been published in Finland. Any offer of securities to the public that may be deemed to be made pursuant to this Offering Circular in any Member State of the European Economic Area ("EEA") that has implemented Directive 2003/71/EC (together with any applicable implementing measures in any Member State, the "Prospectus Directive") is only addressed to qualified investors in that Member State within the meaning of the Prospectus Directive.

This Offering Circular has been prepared on the basis that all offers of Offer Shares other than the offer contemplated in the Finnish Prospectus will be made pursuant to an exemption under the Prospectus Directive, as implemented in member states of the EEA, from the requirement to produce a prospectus for offers of Offer Shares. Accordingly, any person making or intending to make any offer within the EEA of Offer Shares which is the subject of the placement contemplated in this Offering Circular should only do so in circumstances in which no obligation arises for the Company or any of the Managers to produce a prospectus for such offer. Neither the Company nor the Managers have authorized, nor do they authorize, the making of any offer of Offer Shares through any financial intermediary, other than offers made by Managers which constitute the final placement of Offer Shares contemplated in this Offering Circular.

Each person in a Member State of the EEA which has implemented the Prospectus Directive (each, a "Relevant Member State") other than, in the case of paragraph (a), persons receiving offers contemplated in the Finnish Prospectus in Finland, who receives any communication in respect of, or who acquires any Offer Shares under, the offers contemplated in this Offering Circular will be deemed to have represented, warranted and agreed to and with each Manager and the Company that:

(a) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

(b) in the case of any Offer Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the Offer Shares acquired by it in the Offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of SEB Enskilda has been given to the offer or resale; or (ii) where the Offer Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Shares to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of the representation above, the expression an "offer of Offer Shares to the public" in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Offer Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

In connection with the Offering of the Offer Shares, SEB Enskilda (acting on behalf of the Managers) may over-allot Offer Shares or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail. However, there is no assurance that SEB Enskilda will undertake such stabilization action. Such stabilizing may begin on the date of pre-listing of the Shares on the Helsinki Stock Exchange and, if commenced, may be discounted at any time and must be brought to an end no later than 30 calendar days thereafter. Any stabilization activities will be conducted in accordance with the European Commission Regulation (EC) No 2273/2003, implementing Directive 2003/6/EC of the European Parliament and the Council as regards exemptions for buy-back programs and stabilization of financial instruments. Information on the undertaken stabilization measures will be announced no later than April 13, 2006.

Notice to U.S. Investors

For this Offering, the Company and the Managers are relying upon exemptions from registration with the U.S. Securities and Exchange Commission (the "SEC") for an offer and sale that does not involve a public offering in the United States. The Offer Shares have not been recommended by any U.S. federal or state authorities and they have not determined that this Offering Circular is accurate or complete. Any representation to the contrary is a criminal offense under the laws of the United States.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or under the securities laws of any state or other jurisdiction of the United States as part of their distribution and, subject to certain exceptions, may not be offered or sold in the United States or to U.S. persons. The Offer Shares are being offered and sold in the United States only to qualified institutional buyers in reliance on Rule 144A and outside the United States in reliance on Regulation S. Prospective investors are hereby notified that the sellers of the Offer Shares may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. The Offer Shares are not transferable except in accordance with the restrictions described under *"Selling and transfer restrictions"* in this Offering Circular.

Any person in the United States who obtains a copy of the Offering Circular and who is not a qualified institutional buyer under Rule 144A is requested to disregard the contents of this Offering Circular.

In addition, until the expiration of 40 days after the commencement of the Offering, any offer or sale of the Offer Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Notice to U.K. Investors

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). The Offer Shares are only available to, and any invitation, offer or agreement to subscribe for, purchase or otherwise acquire such Offer Shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

Available Information

If, at any time, Ahlstrom is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, and if at such time the Offer Shares are "restricted securities" within the meaning of Rule 144 under the U.S. Securities Act, Ahlstrom will furnish, upon request, to any owner of the Offer Shares, or any prospective purchaser designated by any such owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act.

Enforceability of Civil Liabilities

The Company is a public limited liability company (in Finnish *julkinen osakeyhtiö*) incorporated under the laws of Finland. As a result, the rights of holders of the Company's Shares will be governed by Finnish law and the Company's Articles of Association. The rights of shareholders under Finnish law may differ from the rights of shareholders of companies incorporated in other jurisdictions, including the United States. In addition, the directors and almost all of the officers of the Company reside outside of the United States and a substantial portion of the assets of the directors and Ahlstrom are or may be located outside the United States. It may not be possible, therefore, for investors to effect service of process within the United States upon the Company or its directors or officers, or to enforce in United States courts judgments against them obtained in those courts based upon the civil liability provisions of the federal securities laws of the United States. Furthermore, there is substantial doubt as to the enforceability in Finland, whether by original actions or by seeking to enforce a judgment of a United States court, of claims based on the federal securities laws of the United States.

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In making their investment decision, prospective investors should rely only on the information contained in this Offering Circular. Ahlstrom and the Managers have not authorized anyone to provide prospective investors with any other information. If prospective investors receive any other information, they should not rely on it.

Ahlstrom and the Managers are offering to sell the Offer Shares only in places where offers and sales are permitted. Prospective investors should not assume that the information contained in this Offering Circular is accurate as of any date other than the date on the front cover of this Offering Circular.

It is expected that delivery of the Offer Shares will be made against payment therefore on or about the date specified on the front cover of this Offering Circular. See "*Underwriting and plan of distribution*".

SUMMARY

The following summary information does not purport to be complete and should be regarded as an introduction to the more detailed information appearing elsewhere in this Offering Circular. Any decision by a prospective investor to invest in the Offer Shares should be based on consideration of this Offering Circular as a whole and not solely on this summarized information. The persons responsible for the Offering Circular are liable for misstatements in this summary section only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this Offering Circular. Where a claim relating to the information contained in this Offering Circular is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Offering Circular before the legal proceedings are initiated.

Overview

Ahlstrom is a leading supplier of high performance fiber-based materials, including nonwovens and specialty papers. Products developed, produced and marketed by Ahlstrom are used around the world in a variety of everyday products, including filters, medical apparel, wipes, flooring, labels and tapes. The Company has a strong market presence in several businesses in which it operates, built upon 150 years of fiber expertise, innovation and long-term customer relationships. Ahlstrom estimates that over 50% of its net sales in 2005 originated from products that were market leaders in their respective product markets.

Ahlstrom's products are sold predominantly in roll good form to manufacturers, often referred to in the industry as converters, who process the materials further and convert them into end products. These products are then delivered to retail and industrial customers in a broad range of sectors, including the transportation, health care, food and beverage, packaging and labeling and home and office sectors.

Ahlstrom works in close cooperation with its customers to develop new products and improved product features, such as strength, durability, absorbency and filtering, that deliver enhanced performance and cost benefits. Ahlstrom seeks to provide its customers with advanced products by using its expertise in both natural and synthetic fibers, as well as chemicals. Supported by a range of versatile manufacturing facilities, the Company is able to develop and introduce new products and features to the market in an efficient manner.

Ahlstrom serves its customers from 33 production facilities in Europe, North America, South America and Asia. As of December 31, 2005, Ahlstrom had 5,525 employees in 22 countries on six continents. In 2005, the Company's net sales were €1,552.6 million and operating profit was €117.2 million. Return on capital employed was 12.4%. In 2005, Ahlstrom's main geographic markets in terms of net sales were Europe (64%), North America (22%), Asia (9%) and the rest of the world (5%).

Group structure

Ahlstrom reports its operations in two segments, FiberComposites and Specialty Papers:

- The FiberComposites segment supplies nonwoven roll goods, including nonwoven fabrics, filtration media, and glassfiber reinforcements to customers operating in many industries and geographic areas. In 2005, the FiberComposites segment generated net sales of €742.3 million, representing 47.7% of Group net sales. Ahlstrom estimates that the volume of the overall product markets served by the FiberComposites segment is currently growing at an approximate annual rate of 6–7%.

- Ahlstrom's Specialty Papers segment supplies a range of label and packaging and technical papers to customers operating in many industries and geographic areas. The segment generated net sales of €814.7 million in 2005, representing 52.3% of Group net sales. Ahlstrom estimates that the volume of the overall product markets served by the Specialty Papers segment is currently growing at an approximate annual rate of 3–4%.

Ahlstrom Corporation, the Group's parent company, is a holding company and that organizes the administrative functions for the Group. Ahlstrom Corporation has approximately 40 (direct or indirect) subsidiaries worldwide. The Group's operations are not structured on the basis of the subsidiaries.

Key strengths

Ahlstrom believes that its position as a leading supplier of high performance fiber-based materials is based on the following key strengths:

- Understanding market needs, customer processes and applications
- Fiber expertise
- Leading market positions
- Global presence
- Competitive and versatile operations
- Experienced management team

Strategy

Ahlstrom aims to strengthen further its position as a global source of fiber-based materials by implementing the following business strategies:

- Focusing on long-term customer relationships by expanding product offerings to key customers
- Achieving significant growth through innovation, organic investments and acquisitions in high performance roll goods
- Strengthening its global presence by expanding the Group's sales network and investing in global production
- Concentrating on competitive operations through capturing Group synergies and through continuous improvement

Risk factors

Before making an investment decision regarding the Offer Shares, prospective investors should carefully consider the risk factors described in this Offering Circular, in addition to the other information contained in this Offering Circular. Any of the described risks, which may relate to Ahlstrom's business environment, geographical markets, the Shares and the Offering, and other matters could have an adverse effect on Ahlstrom's business, results of operations or financial condition. If these risks were to lead to a decline in the trading price of Ahlstrom's Shares, prospective investors may lose all or part of their investment. The risks and uncertainties described in this Offering Circular are not the only ones affecting the operations of Ahlstrom. Additional risks and uncertainties not presently known or currently deemed immaterial may also have a material adverse effect on Ahlstrom's business, results of operations or financial condition. For a more detailed description of the risks relating to Ahlstrom's business, see "*Risk factors*".

Ahlstrom's business is affected by, among others, the following risk factors, which may have an adverse effect on the Company's business, results of operations and financial condition.

- The net sales of Ahlstrom are affected by general economic conditions, and the development of demand for and prices of end-use products in the industries that Ahlstrom serves.

- Ahlstrom's ability to achieve its strategy of growth depends on its ability to implement successfully its investment program and acquisitions. However, Ahlstrom may not be able to identify investment opportunities as they arise, or may not be successful in implementing investments that it makes. Furthermore, no assurance can be given that higher than anticipated capital expenditures will not be required to achieve any necessary or desired improvements in production capacity or efficiency.

- The markets for fiber-based materials are highly competitive. Ahlstrom competes with several large multinational companies, as well as certain regional or specialized manufacturers. Any failure by the Company to compete successfully with its competitors could result in the loss of market share and have a material adverse effect on Ahlstrom's business.

- Ahlstrom may not be able to utilize its production capacity efficiently due to variability in customer demand, interruptions in production or unexpected events.

- Ahlstrom may not be successful in product development and innovation, which are critical for the Company's future growth and for maintaining its market position.

- Ahlstrom faces competition from products that are potential substitutes for its fiber-based materials, some of which offer increased functionality and/or cost benefits. Substitutes for Ahlstrom's and its customers' products may have an adverse effect on Ahlstrom's profitability.

- Increases in costs of raw materials and delays and problems in the supply of raw materials could disrupt or otherwise adversely affect Ahlstrom's business.

- The loss of significant customer relationships could harm Ahlstrom's business.

- Fluctuations in exchange rates may have adverse effects on Ahlstrom's results of operations and financial condition.

- Compliance with environmental, health and safety and other national and international laws and regulations may increase Ahlstrom's operating costs. The nature of Ahlstrom's manufacturing processes and products exposes it to risk of potential liability under applicable laws and regulations relating to human health, the environment and natural resources. Many of the Company's manufacturing facilities are located on properties with a long history of industrial use, including the use, storage and disposal of hazardous materials such as phenolic resins, sulphuric acids and methanol.

- Ahlstrom is subject to an ongoing anti-trust investigation. In May 2004, Ahlstrom was informed that the European Commission is carrying out an anti-trust investigation of Ahlstrom and a number of other companies that operate in the release liner and face stock markets to determine whether companies within the industry have engaged in anti-competitive practices. It is Ahlstrom's policy to cooperate with the competition authorities in such investigations. At this stage of the current investigation it is impossible to predict what further actions, if any, the European Commission will take.

Risks related to the Shares and the Offering

- Prior to the Offering, there has been no public market for the Company's Shares. The Company has applied for the listing of the Shares on the main list of the Helsinki Stock Exchange, but there can be no assurance that an active or liquid trading market will develop or be sustained subsequent to the Offering. There can be no assurance that the market price of the Shares will not experience significant fluctuations or decline below the initial public offering price.

- Upon completion of the Offering, members of the Ahlström family will beneficially own a majority of the Shares in the Company. The Ahlström family constitutes a group of more than 270 individuals that generally has not voted as one block. Although management believes that there are no shareholders' agreements or other voting arrangements currently in place among the Company's existing shareholders, the other Ahlström family shareholders, if voting together, will have the ability to exercise effective voting control over significant matters relating to the Company.

- Shareholders who are expected to hold approximately 50.2% of the Shares after the completion of the Offering, assuming no exercise of the Over-Allotment Option and assuming that Antti Ahlströmin Perilliset Oy maintains its ownership at 10%, will not be subject to any lock-up agreement that would restrict the sale of such Shares held by such shareholders. Any such sales may have an adverse effect on the market price of Ahlstrom's Shares.

Management

Pursuant to the provisions of the Finnish Companies Act (September 29, 1978/734), as amended (the "Finnish Companies Act") and the Articles of Association of the Company, the management and control of the Company is divided between the shareholders, the Board of Directors and the President and Chief Executive Officer. In addition, the Company has a Corporate Executive Team, which operates within the mandate of the President and Chief Executive Officer. The general meeting of shareholders appoints the Board of Directors and approves, among other things, the annual report and the distribution of profits. Resolutions may be adopted at either the annual or extraordinary general meetings. The Board of Directors has general responsibility for the management, strategy, organization, accounting and financial control of the Company and for appointing and supervising the President and the Chief Executive Officer and members of the Corporate Executive Team. The President and Chief Executive Officer, supported by the Corporate Executive Team, is responsible for implementing the Company's strategy and for conducting the day-to-day business and operations in accordance with the instructions provided by the Board of Directors.

The current members of Ahlstrom's Board of Directors are Johan Gullichsen, Urban Jansson, Sebastian Bondestam, Jan Inborr, Bertel Paulig, Peter Seligson and Willem F. Zetteler. Ahlstrom's President and Chief Executive Officer is Jukka Moisio who also serves as the chairman of the Company's Corporate Executive Team. The other current members of the Corporate Executive Team are Gustav Adlercreutz, Risto Anttonen, Tommi Björnman, Diego Borello, Randal Davis, Claudio Ermondi, Leif Frilund, Patrick Jeambar, Jari Mäntylä and Laura Raitio. For a more detailed description of the Company's management, see "*Directors, management and employees of the Company*".

Shares and shareholders

As of the date of this Offering Circular, Ahlstrom Corporation's share capital was €54,655,105.50 and was divided into 36,436,737 Shares. All Shares rank *pari passu* in all respects and each Share entitles its holder to one vote at Ahlstrom's general meetings of shareholders. See "*Description of the Shares and share capital*".

As of February 23, 2006, Ahlstrom had a total of 273 registered shareholders, of whom a significant majority are private individuals. The largest individual shareholder was Antti Ahlströmin Perilliset Oy, which held 10.0% of the Shares and votes in Ahlstrom. See "*Major shareholders and related party transactions*".

The Offering

The Company	Ahlstrom Corporation is a public limited company registered under the laws of Finland. The Company is domiciled in Helsinki and its business identity code is 1670043-1.
Offering	The Offering comprises an offering of 8,000,000 New Shares to the public and to institutional investors in Finland and in various other jurisdictions.
Retail Offering	1,400,000 New Shares are being offered by the Company to the public in Finland in reliance on Regulation S under the U.S. Securities Act.
Institutional Offering	6,600,000 New Shares are being offered by the Company to institutional investors within and outside of Finland. The Institutional Offering consists of (i) an offering of Offer Shares outside the United States to institutional investors in reliance on Regulation S under the U.S. Securities Act and (ii) an offering of Offer Shares in the United States to "qualified institutional buyers" in reliance on Rule 144A under the U.S. Securities Act.
Over-Allotment Option	The Company has granted SEB Enskilda, acting on behalf of the Managers, an option exercisable at any time within 30 days from the date of pre-listing of the Shares on the Helsinki Stock Exchange, to subscribe for 1,150,000 Additional Shares, solely to cover over-allotments, if any. See "*Underwriting and plan of distribution*".
Allocation Preference	As part of the Offering, Antti Ahlströmin Perilliset Oy, the Company's largest shareholder, has been granted a preferential allocation in the Institutional Offering to subscribe for such number of Offer Shares as is required to allow Antti Ahlströmin Perilliset Oy to maintain its proportional shareholding in the Company after the Offering (assuming full exercise of the Over-Allotment Option). As of the date of this Offering Circular, Antti Ahlströmin Perilliset Oy owns 10.0% of the Company's outstanding Shares and votes.
Offer Price	The Offer Price is €22.00 per Offer Share, and is the same for all investors in the Offering. The Offer Price has been determined through a book-building process in which price indications for the Offer Shares were collected from potential institutional investors during the marketing of the Offering.
Lock-up	The Company and its principal shareholders have, subject to certain exceptions, agreed not to, without the prior written consent of SEB Enskilda (such consent not to be unreasonably withheld), until and including September 10, 2006, issue, offer, sell (including without limitation in a short sale), pledge or otherwise dispose of, directly or indirectly, any Shares, any options or warrants to purchase any Shares, or any other securities convertible into or exchangeable for Shares, now owned or hereafter acquired by the Company or such shareholder or with respect to which the Company or such shareholder has the power of disposition. See "*Major shareholders and related party transactions*" and "*Underwriting and plan of distribution*". Members of Ahlstrom's Board of Directors and Corporate Executive Team that hold Shares in the Company have, subject to certain exceptions, agreed not to, without the prior written consent of SEB Enskilda (such consent not to be unreasonably withheld), until and including December 31, 2006, sell (including without limitation in a short sale), pledge or otherwise dispose of, directly or indirectly, any Shares, any options or warrants to purchase any Shares, or any other securities convertible into or exchangeable for Shares, now owned or hereafter acquired by such person or with respect to which such person has the power of disposition. See "*Directors, management and employees of the Company*" and "*Underwriting and plan of distribution*". The restrictions described above do not prevent the Company and the other restricted parties from issuing or subscribing for Shares pursuant to existing option or other incentive programs. Moreover, the restrictions shall not affect existing pledge commitments or Share transfers relating to such pledges.

Listing on the Helsinki Stock Exchange	Prior to the Offering, there has been no public market for the Shares. Application has been made for the Company's Shares to be listed on the main list of the Helsinki Stock Exchange. Trading of the Shares on the pre-list of the Helsinki Stock Exchange is expected to commence on or about March 14, 2006, and on the main list of the Helsinki Stock Exchange on or about March 17, 2006. The trading symbol for the Shares is AHL1V and the ISIN code is FI0009010391.
Shareholders' rights	The Offer Shares will rank *pari passu* with all outstanding Shares and will be entitled to any future dividends. Each of the Shares is entitled to one vote at the general meetings of the Company's shareholders. See "*Description of the Shares and share capital*" and "*Dividends and dividend policy*".
Transfer restrictions	Transfers of the Offer Shares will be subject to certain restrictions. See "*Selling and transfer restrictions*".
Payment and settlement	It is expected that the Offer Shares will be accepted for delivery through the facilities of the Finnish book-entry securities system, Euroclear Bank S.A./N.V., as operator of the Euroclear System and Clearstream Banking S.A. starting on or about March 17, 2006, against payment therefor in immediately available funds. It is expected that the registration or transfer, as applicable, of the Offer Shares in the Finnish book-entry securities system will be confirmed on or about March 14, 2006.
Use of proceeds	The Company expects to receive net proceeds from the Offering of approximately €170.1 million, based on the Offer Price and assuming no exercise of the Over-Allotment Option, after deducting fees and commissions and estimated offering expenses payable by the Company. The net proceeds that the Company will receive if the Over-Allotment Option is exercised in full will be approximately €194.9 million. The Company, in its full discretion, may elect to pay to the Managers an additional fee of up to €1.0 million in connection with the Offering. The Company's Board of Directors is expected to decide what additional fee, if any, is paid to the Managers at its meeting to be held on March 22, 2006. Ahlstrom intends to use the proceeds of the Offering to expand and further improve its operations through (i) investments in new capacity, new technologies and productivity improvements in existing operations, (ii) investment and expansion in Asia, Russia/Eastern Europe and the Americas to grow with its global customer base, and (iii) possible acquisitions to expand its geographic presence and enhance its product offering, as well as for general corporate purposes. The Company has not decided how it will allocate the proceeds that it receives from the Offering among these purposes. See "*Background and reasons for the Offering and use of proceeds*".
Shares outstanding	Immediately prior to the Offering, there were 36,436,737 Shares issued and outstanding. Upon completion of the Offering, there will be 44,436,737 Shares issued and outstanding. Assuming full exercise of the Over-Allotment Option by SEB Enskilda, the number of issued and outstanding Shares immediately after the Offering will be 45,586,737. The Company has granted options to members of its management and key employees, which entitle their holders to subscribe for new Shares in the Company at a price below the Offer Price Range. See "*Description of the Shares and share capital – Option programs*".
Taxation	See "*Taxation*" for a discussion of certain tax considerations relevant to offerees considering the subscription of the Offer Shares.
Managers	Global Coordinator and Bookrunner: SEB Enskilda Co-lead Managers: Opstock and Calyon
Available documents	The documents referred to in chapter 4, section 7, subsection 1 of the Finnish Companies Act were available during the subscription period at the Company's headquarters (administrative secretariat), Eteläesplanadi 14, FIN-00130 Helsinki, Finland.

Governing law	The Offering shall be governed by the laws of Finland. Any disputes relating to or arising from the Offering shall be settled in a court with competent jurisdiction in Finland.

Summary financial information

The following summary financial information should be read in conjunction with "*Selected financial information*", "*Operating and financial review*" and the consolidated financial statements of the Company included elsewhere in this Offering Circular.

The summary income statement, balance sheet, cash flow and key figures of the Group presented below in accordance with Finnish Accounting Standards ("FAS") have been derived from the audited consolidated financial statements of the Company, prepared in accordance with FAS, for the financial years ended December 31, 2004 and December 31, 2003, included elsewhere in this Offering Circular, unless otherwise stated below. As of January 1, 2005, the Company adopted International Financial Reporting Standards as adopted by the European Union ("IFRS") as the basis for preparing its consolidated financial statements. Audited consolidated financial statements for the year ended December 31, 2005, together with the unaudited comparative period ended December 31, 2004, included elsewhere in this Offering Circular, have been prepared in accordance with IFRS, unless otherwise stated below. The summary IFRS financial information presented below is derived from the consolidated IFRS financial statement included elsewhere in this Offering Circular, and is not comparable to the summary financial information presented in accordance with FAS. FAS differs from IFRS in certain material respects. For important information on the principal effects of Ahlstrom's transition to IFRS reporting, see the note "*Transition to IFRS*" in Ahlstrom's financial statements for the 2005 financial year included elsewhere in this Offering Circular. See also "*Appendix A: Differences between U.S. GAAP, IFRS and FAS*".

	2003	2004		2005
	FAS Audited (1)	**FAS** Audited (1)	**IFRS** Unaudited	**IFRS** Audited (1)
Income statement data	(€ millions)			
Net sales	1,556.4	1,567.8	1,567.8	1,552.6
Expenses (2)	-1,418.0	-1,434.9	-1,437.1	-1,382.4
Share of the profit of associated companies, FAS (3)	3.4	2.8		
Other operating income	19.1	19.4	21.7	30.8
Amortization of goodwill, FAS (4)	-13.1	-11.8		
Depreciation and amortization	-99.3	-92.3	-90.3	-83.7
Operating profit	48.5	51.0	62.1	117.2
Share of the profit of associated companies, IFRS (3)			2.7	0.4
Net financial expenses	-14.8	-16.2	-16.9	-16.8
Profit before taxes	33.7	34.8	47.9	100.7
Income taxes	-11.1	-17.1	-14.5	-38.1
Minority interest	-0.2	-0.2	-0.2	-0.2
Profit for the period attributable to the equity holders of the parent	22.4	17.5	33.2	62.4
Cash flow statement data				
Net cash from operating activities	202.0	128.0	128.0	126.6
Net cash from investing activities (5)	-44.8	-160.5	-148.3	-10.8
Dividends paid	-56.4	-54.6	-54.6	-62.8
Cash from other financing activities (5)	-109.9	82.4	70.3	-57.1
Balance sheet data				
Non-current assets	782.3	798.6	805.7	818.4
Cash and cash equivalents	24.1	19.6	19.8	16.0
Total assets	1,425.5	1,399.8	1,381.4	1,367.2
Equity attributable to the equity holders of the parent	673.8	632.9	579.6	589.7
Interest-bearing loans and borrowings, Non-current (6)	173.1	195.5	212.5	119.6
Interest-bearing loans and borrowings, Current (6)	146.6	179.4	182.6	237.0

(1) Figures have been derived from the audited consolidated financial statements unless otherwise stated.
(2) *Expenses*; Expenses include the following items from the 2003 and 2004 income statements prepared in accordance with FAS: Change in inventories for finished goods, Production for own use, Materials and services, Employee benefit expenses and Other operating expenses. Expenses include the following items from the 2005 income statements prepared in accordance with IFRS: Change in inventories of finished goods and work in process, Production for own use, Materials and supplies, Employee benefit expenses and Other operating expenses.
(3) *Share of the profit of associated companies*; The Company has reported the share of associated companies' profit before operating profit under FAS and after operating profit under IFRS.
(4) *Amortization of goodwill, FAS*; Under FAS goodwill is amortized annually, whereas under IFRS goodwill is periodically tested for potential impairment. As a result, goodwill amortization under FAS is presented as a separate line item for the financial years 2003 and 2004.
(5) The change in notes receivable and short-term investments is included in net cash flow from financing under FAS and in net cash from investing activities under IFRS.
(6) The 2003 and 2004 figures (FAS) have been derived from the accounting system of the Company and are unaudited.

Key figures for the Group

	2003	2004		2005
	FAS Audited(1)	FAS Audited(1)	IFRS Unaudited	IFRS Audited(1)
Key figures (2)	**(€ millions unless otherwise stated)**			
Net sales	1,556.4	1,567.8	1,567.8	1,552.6
EBITDA (3)	160.9	155.1	152.4	200.9
EBITDA, % of net sales	10.3	9.9	9.7	12.9
Operating profit	48.5	51.0	62.1	117.2
Operating profit, % of net sales	3.1	3.3	4.0	7.5
Profit for the period attributable to the equity holders of the parent	22.4	17.5	33.2	62.4
Research and development expenses	32.9	27.6	27.6	27.1
Research and development expenses, % of net sales	2.1	1.8	1.8	1.7
Capital expenditure	92.5	101.0	101.0	62.4
Acquisitions	0.5	64.9	64.9	10.8
Capital employed	994.5	1,008.9	975.6	947.1
Return on capital employed, %	4.6	5.3	7.0	12.4
Return on equity, %	3.2	2.7	5.6	10.7
Gearing ratio, %	42.3	53.9	62.3	57.7
Basic earnings per share	0.61	0.48	0.91	1.71
Earnings per share, diluted (4)	0.61	0.48	0.90	1.67
Adjusted number of outstanding shares average, '000	36,418	36,418	36,418	36,418
Average number of shares, diluted, '000 (4)	36,418	36,418	36,786	37,277
Average number of personnel (5)	6,536	6,428	6,428	5,605

(1) Figures have been derived from the audited consolidated financial statements unless otherwise stated.

(2) *Calculation of key figures*; As a result of the transition to IFRS, the terminology in the formulas used to calculate the key ratios were adjusted. Although the content and the technical calculation principles of these key figures remained unchanged, the transition to IFRS reporting caused adjustments to the financial position, operating result and cash flows of the Group. The effect of the adoption of IFRS reporting and related bridge calculations are presented in the notes to the Company's financial statements for 2005. Formulas used to calculate certain of the Company´s key figures are presented in the table "*Calculation of key figures in accordance with IFRS*" in the section "*Selected financial information*". With the exception of earnings per share, these key figures are not measures of financial performance under IFRS.

(3) *EBITDA* is not a measure of financial performance under FAS or IFRS and is unaudited. EBITDA is equivalent to operating profit plus depreciation of tangible assets and amortization and impairment of goodwill and other intangible assets. Further information on EBITDA is presented in the section "*The Company, its directors, auditors and advisers – Certain matters*". Under FAS, the Company has reported the share of the profit of associated companies in EBITDA and the positive impact amounted to €3.4 million in 2003 and €2.8 million in 2004. However, under IFRS the Company has reported the share of profit of associated companies after EBITDA. The Company presents EBITDA because it considers it an important supplemental measure of its operating performance. Management believes that EBITDA is a standard measure commonly reported and widely used by analysts, investors and other interested parties in the industry.

(4) *Diluted earnings per share and average number of shares, diluted*; Average number of shares, diluted, is the weighted average of the number of outstanding shares adjusted to give effect to the issue of potential new ordinary shares.

(5) *Average number of personnel*; In the financial statements for 2004, the average number of personnel was calculated as an average of the number of personnel at the beginning of the year and at the end of the year, whereas in the financial statements for 2005 the number has been calculated as an average of the quarters of the financial year.

Key figures adjusted for divested Cores and Board and non-recurring items*

(The information in the table is unaudited)

	2003	2004		2005
	FAS Adjusted (1)	FAS Adjusted (1)	IFRS Adjusted (1)	IFRS Adjusted (1)
	(€ millions unless otherwise stated)			
Net sales (2)	1,458.6	1,489.9	1,489.9	1,552.6
EBITDA (3)	167.1	167.4	165.7	182.3
EBITDA, % of net sales	11.5	11.2	11.1	11.7
Operating profit (4)	67.7	70.2	82.2	99.0
Operating profit, % of net sales	4.6	4.7	5.5	6.4
Capital expenditure and acquisitions (5)	89.6	163.9	163.9	73.2
Capital employed (6)	939.0	1,008.9	975.6	947.1
Return on capital employed, %	6.7	7.2	9.1	10.5

* Ahlstrom's Cores and Board operations were transferred to Sonoco-Alcore Group in 2004. The figures in the table have been adjusted to (i) reflect the divestment of Ahlstrom's Cores and Board operations as if such divestment had occurred on January 1, 2003, and (ii) remove the effect of other non-recurring items. For more information on these non-recurring items, see *"Operating and financial review – Restructuring of operations, asset write-downs and asset sales"*.

(1) FAS Adjusted and IFRS Adjusted mean adjusted figures derived either from FAS or IFRS reporting and based on the same basic information used for the preparation of audited consolidated financial statements. The most significant adjustment is the elimination of the divested Cores and Board operations and non-recurring items, which are based on management's assessment and are not defined under FAS or IFRS. Additional information on these adjustments is presented in the table "*Reconciliation of EBITDA*" and the table "*Reconciliation of operating profit*" as well as in the section "*Operating and financial review – Restructuring of operations, asset write-downs and asset sales*".

(2) Adjustments in net sales relate to the divested Cores and Board operations, €97.8 million in 2003 and €77.9 million in 2004.

(3) The effect of the divested Cores and Board operations and non-recurring items is presented in the table "*Reconciliation of EBITDA*" presented in the section "*Selected financial information*". EBITDA is not a measure of financial performance under FAS or IFRS. EBITDA is equivalent to operating profit plus depreciation of tangible assets and amortization and impairment of goodwill and other intangible assets. Further information on EBITDA is presented in the section "*The Company, its directors, auditors and advisers – Certain matters*". Under FAS the Company has reported the share of profit of associated companies in EBITDA and the positive impact amounted to €3.4 million in 2003 and €2.8 million in 2004. However, under IFRS the Company has reported the share of profit of associated companies after EBITDA. EBITDA is used in the Company's business segments to provide additional financial information. Management believes that EBITDA is a standard measure commonly reported and widely used by analysts, investors and other interested parties in the industry.

(4) The effect of the divested Cores and Board operations and non-recurring items is presented in the table "*Reconciliation of operating profit*" in the section "*Selected financial information*".

(5) The Cores and Board adjustment reduces Capital expenditures and acquisitions by €3.4 million in 2003 and €2.0 million in 2004.

(6) The Cores and Board adjustment reduces Capital employed by €55.5 million in 2003.

RISK FACTORS

Prospective investors should carefully consider the following risk factors in addition to the other information contained in this Offering Circular. Any of the risks described below could have an adverse effect on Ahlstrom's business, results of operations or financial condition and could, alone or together with other factors, prevent the Company from reaching its financial targets. If these risks were to lead to a decline in the trading price of the Shares, prospective investors may lose all or part of their investment. The risks and uncertainties described below are not the only ones affecting the operations of Ahlstrom. Additional risks and uncertainties not presently known or currently deemed immaterial may also have a material adverse effect on Ahlstrom's business, results of operations or financial condition.

Risks related to Ahlstrom's business

The industries that Ahlstrom serves are subject to overall economic conditions and demand for end-use products

The net sales of Ahlstrom are affected by general economic conditions, and the development of demand for and prices of end-use products in the industries that Ahlstrom serves. Geographically, general economic conditions, particularly in the European and U.S. markets, constitute important factors affecting the demand for Ahlstrom's products. Ahlstrom's results may also be affected by the cyclicality of the end-user markets and industries it serves, although these cycles vary in different industries and in different geographic regions. Demand for and prices of Ahlstrom's products, for example in the furniture market, have fluctuated significantly during the past years as demand in the end-user and intermediate converter markets have changed. A substantial decline in general economic conditions combined with a consequent decline in the prices and/or demand for Ahlstrom's products could have an adverse effect on Ahlstrom's business, results of operations or financial condition.

Any failure by Ahlstrom to implement successfully its investment program or to make acquisitions could have an adverse effect on Ahlstrom's potential growth opportunities

Ahlstrom's ability to achieve its strategy of growth depends on its ability to implement successfully its investment program. Ahlstrom's management expects that the Company's capital expenditures, excluding acquisitions, will be significantly higher in 2006 than in 2005. However, Ahlstrom may not be able to identify investment opportunities as they arise, or may not be successful in implementing investments that it makes. Furthermore, no assurance can be given that higher than anticipated capital expenditures will not be required to achieve any necessary or desired improvements in production capacity or efficiency.

In addition to its strategy to expand its operations through organic investments, Ahlstrom continuously evaluates opportunities to expand its business through acquisitions. Ahlstrom may not succeed in identifying suitable acquisition targets, completing and financing potential acquisitions on favorable terms, or integrating acquired operations with its existing business. Furthermore, no assurance can be given that any new or acquired facility or any other acquisition that Ahlstrom successfully completes will ultimately provide the benefits originally anticipated. Any failure to make relevant acquisitions or lower than expected profitability of acquisitions made, could have an adverse effect on Ahlstrom's business, results of operations or financial condition.

Any failure by Ahlstrom to compete successfully could result in a loss of market share and have a negative effect on Ahlstrom's business

The markets for fiber-based materials are highly competitive. Ahlstrom competes with several large multinational companies, as well as certain regional or specialized manufacturers. Some of Ahlstrom's competitors have greater market presence and/or financial and other resources than Ahlstrom, allowing them to make investments in manufacturing facilities and/or product development at levels at which Ahlstrom may not be able to compete. Any failure by the Company to compete successfully with its competitors could result in the loss of market share and have a material adverse effect on Ahlstrom's business, results of operations and financial condition.

Existing competitors or another company with substantial financial resources may enter one or more of Ahlstrom's key markets. With respect to certain of Ahlstrom's products, existing or potential competitors might begin to manufacture competing products by adapting their existing production capacity or by investing in new capacity. If this were to occur to any significant degree, decreased prices for those products would likely follow, thus affecting the profitability of Ahlstrom's business.

Manufacturers may periodically introduce new production processes or technologies. Should there be an important advance in production technology by a competitor and in which Ahlstrom was not able to participate there could be a material adverse effect on the Company's business, results of operations or financial condition. A major development or breakthrough that created a new product that could substitute for one of Ahlstrom's key product lines could have a similar effect.

In the past several years, there have been a number of mergers, acquisitions and spin-offs in some of the markets in which Ahlstrom operates, including the nonwoven market. Management expects this trend to continue. This restructuring activity may result in Ahlstrom's competitors consisting of fewer, larger producers with greater research and development resources and wider market presence that may be able to benefit from economies of scale and otherwise compete more successfully. In recent years, Ahlstrom has also experienced increased competition from new geographic areas, including China, where manufacturers can benefit from lower labor costs.

Ahlstrom may not be able to utilize its production capacity efficiently due to variability in customer demand or unexpected events

Ahlstrom's ability to utilize its production capacity efficiently may be affected by variability in customer demand or interruptions in production. Ahlstrom has a relatively versatile production base with 33 production facilities worldwide, which facilitates effective use of capacity by, for example, allowing for the redirection of resources to reflect changes in demand. Nevertheless, a number of Ahlstrom's production facilities are one production-line sites making utilization rates particularly important for Ahlstrom. Any interruption in production at Ahlstrom's production sites, whether due to lack of orders, labor action, environment-related accidents, breakdown of major paper or other production machines, fire, accidents or other factors, has the potential to affect adversely Ahlstrom's ability to meet production goals for the year and result in lost business opportunities in the future. Also, any failure to fill customer orders on schedule could lead customers to seek alternative sources of supply.

Ahlstrom typically only produces goods against orders received, rather than for stock. Although Ahlstrom believes that its close customer relationships have helped it to make accurate estimates of future orders in the past, there could be significant or numerous reductions, delays or cancellations in anticipated or confirmed orders by a customer or Group of customers in the future, which could cause Ahlstrom to incur downtime on its machines and thereby have an adverse effect on Ahlstrom's business, results of operations or financial condition.

Ahlstrom may not be successful in product development and innovation, which are critical for the Company's future growth and for maintaining its market position

One of Ahlstrom's key strengths is its technical expertise and know-how that has allowed it to be innovative and thereby to address its customers' needs. Ahlstrom's future growth will depend on its ability to foresee the direction of the commercial and technological development of production processes and 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 develop successfully new and improved products, using its existing or new production capabilities, and to manufacture and market the products in changing markets.

Ahlstrom intends to make continued investments in research and development and the improvement of its production processes and capabilities. However, there can be no assurance that Ahlstrom will be successful in continuing to meet its customers' needs through innovation or in developing new products and/or technologies, or that, if developed, any such new products will be accepted by its customers. Ahlstrom may not be able to recover investments that it has made in order to develop these new products or processes, and may not have sufficient resources to keep pace with technological developments. The failure of Ahlstrom to keep pace with the evolving technological innovations in its markets and adequately foresee customer preferences could have an adverse effect on Ahlstrom's business, results of operations or financial condition.

Substitutes for Ahlstrom's and its customers' products may have an adverse effect on Ahlstrom's profitability

Ahlstrom faces competition from products that are potential substitutes for its fiber-based materials, some of which offer increased functionality and/or cost benefits. For example, plastics have in the past served as substitutes for paper-based packaging and label papers in specific market areas. If existing or potential competitors of Ahlstrom improve the quality or functionality of their alternative products or significantly lower the price they charge customers or otherwise achieve significant growth of sales for such substitutes, Ahlstrom's market share, net sales and profit margins could be adversely effected. Because Ahlstrom supplies its products to converters, who process the materials further and convert them into end products, any significant shift in the demand for end-use products or substitution thereof could also have a material adverse affect on Ahlstrom's business, results of operations or financial condition.

Substitution of Ahlstrom's products might also occur for reasons unrelated to product performance and cost. For example, increased environmental concerns by consumers could lead to a reduction in sales of single-use nonwoven products.

Increases in costs of raw materials and delays and problems in the supply of raw materials could disrupt or otherwise adversely affect Ahlstrom's business

Ahlstrom uses a number of raw materials, including many different types of wood pulp, synthetic fibers, chemicals and other raw materials to produce fiber-based materials. Raw material and energy costs account for the main portion of Ahlstrom's total expenses, approximately 57% in 2005, with wood pulp accounting for approximately one quarter of total expenses. Wood pulp prices are subject to substantial cyclical fluctuations, including the potential for rapid increases, which are beyond Ahlstrom's control. In the past, Ahlstrom has to a certain extent been able to reflect increases in raw material and energy costs in the prices that it charges its customers, although typically with some delay. There can be no assurance that Ahlstrom will be able to pass increases in prices of raw materials to its customers in the future, or that there will not be significant delays before it can do so because of specific contractual provisions, competitive pressures or other factors. In general, the prices payable under Ahlstrom's supply agreements are adjusted periodically. A substantial increase in the prices for wood pulp, or in the prices of other raw materials that Ahlstrom uses, could have an adverse effect on Ahlstrom's business, results of operations or financial condition. Furthermore, in the event that increases in raw material costs are reflected in corresponding increases in the price of Ahlstrom's products over the long-term, there is a risk that Ahlstrom's customers may turn to more cost effective substitute products made from alternate materials by other producers.

In addition, Ahlstrom's energy costs, which constituted 9% of the Company's total expenses in 2005, may be subject to significant variations. As a result of Ahlstrom's dependence on outside suppliers of energy, increases in the price of energy, mainly electricity and natural gas, as well as any interruption in the supply of energy, may have a material adverse effect on Ahlstrom's business, results of operations or financial condition. In recent years, unrest in the Middle East, natural disasters such as Hurricane Katrina in the United States and other factors have contributed to a significant increase in energy prices for Ahlstrom, particularly with respect to the price that it pays for natural gas.

An interruption in the supply of raw materials or an increase in the prices of raw materials due to market shortages or natural disturbances could significantly affect the Company's ability to provide competitively priced products to customers in a timely manner, and thus have a material adverse effect on its business, results of operations or financial condition. In the event of a significant interruption in the supply of any raw materials, or a significant increase in the prices of raw materials, Ahlstrom may have to purchase raw materials from alternative sources. Although Ahlstrom has identified alternative suppliers, the Company can give no assurance that it would be able to obtain replacement materials quickly or on similar or not materially less favorable terms. Consolidation among suppliers of certain key raw materials, such as coating chemicals and synthetic fibers, could also lead to price increases, and decrease Ahlstrom's ability to obtain raw materials from alternate sources.

Ahlstrom's operations are exposed to various risks in different countries around the world

Ahlstrom's international operations expose it to many risks, including multiple and possibly conflicting laws and unexpected changes in local regulatory requirements, import and export restrictions and tariffs, potentially adverse tax consequences, as well as political instability. Any one of these factors could have an adverse effect on Ahlstrom's sales of products to customers and could have an adverse effect on its business, results of operations or financial condition.

Should Ahlstrom increase its investments in emerging market countries, such as China or Russia, the investments could be subject to risks arising from establishment or enforcement of foreign exchange restrictions, changes in tax or other regulations, nationalization of assets, restrictions on the repatriation of profits and other factors. The political, economic and legal structures in certain emerging market countries may be less predictable than in countries with more established and sustained institutional structures. Political and economic changes or changes in laws may have a material adverse effect on the operations of Ahlstrom in these countries, and on the return from, or the value of, investments in these countries that Ahlstrom has made or may make in the future.

The loss of significant customer relationships could harm Ahlstrom's business

Although no single customer represented more than 8% of Ahlstrom's total net sales, and Ahlstrom's top ten customers together represented approximately 20% of net sales in 2005, the loss of a significant number of its key customers, a significant reduction in sales to any such customers or financial or operational difficulties suffered by any such customers, could have an adverse effect on Ahlstrom's business, results of operations or financial condition. Ahlstrom's customers might also decide to support a competitor to ensure that they have access to multiple suppliers of products, especially in markets where Ahlstrom holds a leading market position.

Management believes that the industries in which Ahlstrom's customers operate may be subject to future consolidation. Any such consolidation could result in companies with, among other attributes, increased bargaining power and could lead to a decline in Ahlstrom's market share if an existing customer merges with or is acquired by an entity that has a strong relationship with a competitor of Ahlstrom.

Fluctuations in exchange rates may have adverse effects on Ahlstrom's results of operations and financial condition

Ahlstrom's results of operations are subject to currency transaction risk and currency translation risk. Significant fluctuations in exchange rates may have an adverse effect on Ahlstrom's results of operations. Currency fluctuations may also affect the Company's financial competitiveness and development.

The Company incurs foreign currency transaction risk to the extent that its sales and costs are in different currencies. In 2005, approximately 63% of Ahlstrom's net sales were denominated in euro, approximately 31% in U.S. dollars and approximately 6% in other currencies. On the other hand, approximately 50% of Ahlstrom's production costs were denominated in euro, approximately 41% in U.S. dollars and approximately 9% in other currencies. The Company's principal raw material, wood pulp, is mainly priced in U.S. dollars. The amount of Ahlstrom's production costs denominated in U.S. dollars exceeds net sales denominated in U.S. dollars, and consequently the weakening of the euro against the U.S. dollar would have an adverse effect on Ahlstrom's profit margins and its results of operations.

Ahlstrom reports its results of operations in euro. Consequently, the Company incurs foreign currency translation risk to the extent that the assets, liabilities, revenues and expenses of its subsidiaries are reported in currencies other than the euro. In order to prepare its consolidated financial statements, the Company must translate the results of its operating subsidiaries into euro at the then-applicable exchange rates. Consequently, the weakening or the strengthening of the euro against other currencies in which the results of the Company's reporting subsidiaries are reported will affect the amount of the relevant items in the Company's consolidated financial statements, even if their amount has not changed in the original currency. This may have a material adverse effect on the results of operations or financial conditions of Ahlstrom.

Ahlstrom also incurs risks related to the long-term development of currency rates. Long-term changes in currency rates may have a material adverse effect on Ahlstrom's competitiveness. For example, if the euro strengthens against the U.S. dollar, as has occurred in recent years, Ahlstrom's goods produced in the European Union will be more expensive and less competitive in U.S. dollar denominated markets, or less profitable to Ahlstrom due to the majority of the relevant production costs being euro-denominated.

Although Ahlstrom seeks to manage its currency risks in accordance with the Company's treasury policies to mitigate the negative effects of the fluctuation of currency rates, there is no assurance that Ahlstrom will do so successfully. Fluctuations in currency rates, and especially in the currency exchange rates between the U.S. dollar and the euro, may have a material adverse effect on the results of operations or financial conditions of Ahlstrom. See *"Operating and financial review – Quantitative and qualitative disclosures about market risk"*.

Compliance with environmental, health and safety and other national and international laws and regulations may increase Ahlstrom's operating costs

Ahlstrom's operations are subject to environmental, health and safety, and other national and international laws and regulations. Ahlstrom incurs capital and operating costs in its efforts to comply with these laws and regulations. For example, wastewater discharges and air emissions are highly regulated, and investments are required to ensure compliance with applicable requirements. Other environmental and health and safety expenditures relate to maintenance, inspection and security requirements, contingency arrangements for emergency preparedness and insurance coverage. Although management believes that the Company is in material compliance with applicable environmental and related laws, the risk of substantial environmental costs and liabilities are inherent in industrial operations, including in the manufacturing processes in which Ahlstrom engages. Management believes that Ahlstrom has sufficient budgeted capital expenditures to continue to meet environmental and health and safety laws and regulations. Future changes to laws, regulations and operating permits, that Ahlstrom is unable to predict, however, may require Ahlstrom to incur increased operating costs and impose additional liabilities on the Company. Such changes could have an adverse effect on Ahlstrom's business, results of operations or financial condition.

The nature of Ahlstrom's manufacturing processes and products exposes it to risk of potential liability under applicable laws and regulations relating to human health, the environment and natural resources. Any environmental accident or finding or employee injury or other health and safety issue could impose significant liabilitities as well as remedial and reputational costs on the Company. In addition, individuals could seek damages for alleged personal injury or property damage due to accidents, including exposure to chemicals or other substances used by Ahlstrom.

Many of the Company's manufacturing facilities are located on properties with a long history of industrial use, including the use, storage and disposal of hazardous materials, such as phenolic resins, sulphuric acids and methanol. Some of the Company's facilities have on-site landfills currently or formerly used for waste generated by the operations of the Company or prior occupants of the site. Consequently, the Company may be subject to laws and regulations, and may incur costs and liabilities, relating to the presence and remediation of contamination.

In 2005, carbon dioxide emissions trading commenced in almost all of the EU countries where Ahlstrom has operations. Under this regime, industrial plants and other producers of carbon emissions are allocated rights which permit these producers to emit a certain level of carbon dioxide, in connection with their production processes. Rights are allocated on a three-year basis and are expected to be reduced over time. Ahlstrom believes that it has sufficient emission rights for the 2005-2007 period, but can provide no assurance as to the amount of rights that it will be allocated for future periods. If rights allocated to Ahlstrom in future periods were to be significantly reduced, Ahlstrom's ability to continue and expand its operations within Europe could be adversely affected.

Ahlstrom may also face certain asbestos-related liabilities. The calender bowl papers used in Ahlstrom's calender machines, particularly during the 1980s, contained asbestos. In addition, the Company's Altenkirchen production site in Germany produced calender bowl paper until 1990 and sealing and shielding papers until 1993, which contained asbestos. The Company's employees engaged in the maintenance of the calender machines and production of calender bowl papers and certain other functions may have been exposed to asbestos during these periods. As a result of potential exposure to asbestos, the Company's employees at the Rottersac production site in France are entitled to early retirement. The Company is currently aware of a small number of cases where individual employees in France have or are likely to present claims against the Company demanding compensation for health symptoms allegedly caused by asbestos. Although Ahlstrom does not believe that these claims will have a material effect on the Company's financial position, there can be no assurance that further claims will not be filed against the Company.

Ahlstrom depends on key personnel

Ahlstrom's success depends to a significant degree upon the continued contributions of its senior management and other key personnel, as well as its ability to attract qualified new personnel. The loss of these individuals or the inability to attract new qualified personnel could have an adverse effect on Ahlstrom's business, results of operations or financial condition. Although Ahlstrom has not had problems in the past with attracting and retaining skilled employees, there can be no assurances that it will be able to do so in the future.

Ahlstrom may be required to pay damages or other remedies as a result of product liability claims

Ahlstrom's products are generally integrated into and become a part of more valuable end products. If a product supplied by Ahlstrom is found to be defective and causes the end product to fail, Ahlstrom's potential liability may be higher than the cost of the faulty product sold by Ahlstrom. Management consults with Ahlstrom's legal department in connection with the negotiation of its major supply agreements and, as such, believes that the majority of Ahlstrom's supply agreements include proper limitations of liability. However, in the event that effective contractual limitations of liability have not been included in some of the supply agreements into which Ahlstrom has entered or will enter with its customers, or if such limitations are not enforceable, Ahlstrom may be required to pay substantial damages if faulty products have been or are delivered by it under such supply agreements. If Ahlstrom were required to pay substantial damages relating to a supply agreement, it could have an adverse effect on Ahlstrom's business, results of operations or financial condition.

Ahlstrom is subject to an on-going anti-trust investigation

In May 2004, Ahlstrom was informed that the European Commission is carrying out an anti-trust investigation of Ahlstrom and a number of other companies that operate in the release liner and face stock markets to determine whether companies within the industry have engaged in anti-competitive practices. It is Ahlstrom's policy to cooperate with the competition authorities in such investigations. At this stage of the current investigation it is impossible to predict what further actions, if any, the European Commission will take. In particular, it is unclear whether the pending investigation will ultimately lead to a decision or a series of decisions concluding that there has been a violation of applicable competition laws and the imposition of a fine. European law provides that the Commission can impose a fine on companies found to infringe the provisions of the EU Treaty on competition of up to a maximum of 10% of the worldwide turnover of the relevant Group of companies. An adverse decision by the competition authorities could be used by potential claimants in direct actions for damages and lead to significant financial and reputational damage to Ahlstrom. There can be no assurances that such actions, if determined adversely, would not have a material adverse effect on Ahlstrom's business, results of operations or financial condition.

Insurance policies obtained by Ahlstrom may be insufficient to cover certain eventualities

Ahlstrom has extensive insurance policies that management believes provide coverage consistent with industry practice. However, there is a possibility that these insurance policies may not adequately cover all risks and catastrophic events, and that any particular claim may not be paid. A catastrophic event or multiple catastrophic events may cause large losses and could have a material adverse effect on Ahlstrom's business, results of operations or financial condition. Natural catastrophic events to which Ahlstrom is exposed include windstorms, hurricanes, earthquakes, tornadoes, severe hail, severe winter weather and floods, which are inherently unpredictable in terms of both their occurrence and severity. Ahlstrom is also exposed to man-made catastrophic events, which may have a significant adverse impact on the industry where the Company operates and the Company's business.

Ahlstrom may incur liabilities in connection with divestments of operations

During recent years, Ahlstrom has divested a number of operations, including its pumps and machinery operations during 2000–2001, packaging operations in 2001 and Cores and Board operations in 2004. In accordance with the terms and conditions of these and other divestitures, Ahlstrom may incur liabilities relating to the sold operations for a specified time period. Although Ahlstrom is not aware of any material claims based on these indemnities, there can be no assurance that such claims will not be raised in the future. Such claims, if successful, could have a material adverse effect on Ahlstrom's business, results of operations and financial condition.

A major part of Ahlstrom's employees belong to labor unions and Ahlstrom may be subject to labor disruptions that could interfere with its operations

Ahlstrom is subject to the risk of labor disputes, which can disrupt its business operations and adversely affect the Company's business, results of operations and financial condition. The majority of employees of the Company are represented by labor unions with which there are several collective bargaining agreements. However, not all employees of the Company represented by labor unions are currently bound by valid collective bargaining agreements. In addition, organizations collectively representing the Company and other employers in its industry may not be able to renegotiate satisfactory collective labor agreements when they expire. Furthermore, the Company's existing labor agreements may not prevent a strike or work stoppage at any of its facilities in the future, and any such work stoppage may have a material adverse effect on the Company's business, results of operations and financial condition. Most recently, there was a work stoppage in the Finnish paper industry in 2005. Except for the operations of its joint venture entities, Jujo Thermal Ltd and Sonoco-Alcore, Ahlstrom's business was not significantly affected by this labor action because production was transferred elsewhere. The Company has in the past experienced more significant disruptions at some of its factories. Although these disruptions have not resulted in any material problems in the past with labor unions or collective bargaining agreements, there can be no assurance that there will not be labor disputes in the future.

The failure or malfunctioning of Ahlstrom's integrated data systems could negatively affect its business

Ahlstrom has established an integrated enterprise resource planning ("ERP") system that covers the Company's operations worldwide. This system manages a high volume of communications between the Company's operational units and centralized data processing facilities. Although Ahlstrom has secondary information technology systems in place, there can be no assurance that in case of significant failures in the ERP system these secondary systems will prevent a severe disruption to the Company's operations. Moreover, unauthorized parties may gain access to the ERP system or the system could otherwise be misused. In addition, there is a risk that information may not be available when needed, valuable communications and basic processing capacity could be lost and other operational difficulties may be encountered. A failure or malfunctioning of the ERP system or any misuse thereof could have a material adverse effect on Ahlstrom's business, results of operations or financial condition.

Goodwill included in Ahlstrom's balance sheet may be impaired in the future

Ahlstrom's balance sheet includes a substantial amount of goodwill. As of December 31, 2005, goodwill recorded in the Company's balance sheet amounted to €108.6 million. Management has tested and will continue to test, and if necessary, adjust the carrying value of the Company's goodwill annually or more frequently if events or changes in circumstances indicate that such carrying value may not be recoverable. These adjustments could include recording an impairment loss of the carrying value of goodwill that would negatively affect the Company's results of operations in the relevant period. Although an impairment would not affect the cash position of the Company and could provide a tax benefit, a significant write-down of goodwill could have a material adverse effect on the business, results of operations and financial condition of Ahlstrom.

Ahlstrom's defined benefit plans and other pension plans may not be fully financed

Ahlstrom has defined pension benefit and other post-retirement plans primarily in the United Kingdom, Germany and, to a certain extent, in the United States. The obligations under the defined benefit plans, based on calculations made by authorized actuaries, are funded according to the regulations in effect in these countries. The Company is exposed to various risks related to the defined benefit plans, including the risk of loss of market value of the plan assets, the risk of actual investment returns being less than assumed rates of return, and the risk of actual experience deviating from actuarial assumptions for such things as mortality of plan participants. In addition, fluctuations in interest rates may cause changes in the annual cost and benefit obligation. If these risks were to materialize, they could have a material adverse effect on Ahlstrom's business, results of operations and financial condition.

Risks related to the Shares and the Offering

Absence of a prior public market, possible volatility of the share price and restrictions on transfer may have an adverse impact on holders of Shares

Prior to the Offering, there has been no public market for the Company's Shares. The Company has applied for the listing of the Shares on the main list of the Helsinki Stock Exchange, but there can be no assurance that an active or liquid trading market will develop or be sustained subsequent to the Offering. In addition, the Offer Price was determined by the Company based on a book-building process, and may not be indicative of the prices that will prevail in the public market. The trading price of the Shares could be subject to significant fluctuations in response to factors such as actual or anticipated variations in quarterly operating results of the Company, market expectations, developments in the transport, food and beverage, health care, building, packaging and labeling, and home and office products sectors and other industries, stock market conditions, costs of required raw materials and energy inputs, changes in estimates or recommendations by financial analysts, and other factors. These factors may be beyond the Company's control. Moreover, in the past, the prices of shares offered publicly for the first time have been subject to considerable price fluctuations for periods of time, which may not have corresponded to the business or financial success of the particular company issuing such shares. There can be no assurance that the market price of the Shares will not experience significant fluctuations or decline below the Offer Price.

The Offer Shares have not been registered under the U.S. Securities Act, will not be listed in the United States and are subject to restrictions on transferability and resale. See "*Selling and transfer restrictions*".

Significant influence of certain shareholders

Upon completion of the Offering, members of the Ahlström family will beneficially own a majority of the Shares in the Company. See "*Major shareholders and related party transactions*" and "*Underwriting and plan of distribution*". The Ahlström family constitutes a group of more than 270 individuals that generally has not voted as one block. Although management believes that there are no shareholders' agreements or other voting arrangements currently in place among the Company's existing shareholders, the other Ahlström family shareholders, if voting together, will have the ability to exercise effective voting control over any matter being voted on by the Company's shareholders, including those concerning the election of its directors, and any merger, sale of the Company's assets or other change of control concerning the Company. There can be no assurance that the Company's business goals and those of the Ahlström family shareholders will continue to coincide, nor that their business goals will be in a prospective investor's interests as a shareholder. See "*Description of the Shares and share capital*".

Shares eligible for future sale may depress Ahlstrom's share price

The Company and certain of the Company's existing shareholders, including members of the Company's Board of Directors and the Corporate Executive Team, that are expected to hold a total of approximately 49.8% of the Company's Shares following the completion of the Offering, assuming no exercise of the Over-Allotment Option and assuming that Antti Ahlströmin Perilliset Oy maintains its ownership interest in the Company at 10%, have agreed, subject to certain exceptions, that they will not issue or sell any of the Shares of the Company (or any securities convertible into, or exchangeable for, the Shares of the Company) until and including September 10, 2006, without the consent of the Managers. The lock-up period for members of Ahlstrom's Board of Directors and the Corporate Executive Team is effective until and including December 31, 2006. Existing shareholders who have not entered into lock-up agreements are expected to hold approximately 50.2% of Shares after the closing of the Offering, assuming no exercise of the Over-Allotment Option and assuming that Antti Ahlströmin Perilliset Oy maintains its ownership interest in the Company at 10%. Any significant number of sales of the Company's Shares at any time by the existing shareholders who have not entered into lock-up agreements, sales after the expiration of the lock-up period by the Company or by the existing shareholders who have entered into lock-up agreements, or the perception that such sales could occur, would likely have an adverse effect on the market price of the Shares.

Ahlstrom's past dividend payments are not indicative of dividends that may be paid in the future

The amount of future dividend payments will primarily depend upon Ahlstrom's future earnings, financial condition and cash flows. In accordance with the Finnish Companies Act and prevailing practice in Finland, dividends are generally paid only annually and only after the annual general meeting of shareholders has approved the Company's results and decided upon the amount of the dividend that has been proposed by the Board of Directors. Dividends are limited to the amount of the distributable funds available at the end of the preceding financial year for Ahlstrom Corporation on an unconsolidated basis, or for Ahlstrom Group on a consolidated basis, whichever is lower. Unlike the Company's consolidated accounts, which are now prepared in accordance with IFRS, the Company's unconsolidated accounts continue to be prepared in accordance with FAS. Past dividends paid by the Company are not indicative of dividends that may be declared in the future. The Company's Board of Directors has adopted a dividend policy pursuant to which it will recommend that the shareholders approve the payment of an annual dividend that averages at least 50% of the Company's net profits of the previous financial year. There can be no assurances, however, as to the amount of dividends, if any, that the Company might pay. See "*Dividends and dividend policy*".

Shareholders outside of Finland may not be able to exercise pre-emptive subscription rights

Under Finnish law, shareholders have certain pre-emptive rights to subscribe on a *pro rata* basis for cash issuances of new shares or other securities that entitle holders to acquire new shares. However, due to laws and regulations in their respective jurisdictions, Ahlstrom's non-Finnish shareholders may not be able to exercise their pre-emptive subscription rights. In particular, Ahlstrom's U.S. shareholders may not be able to exercise their pre-emptive subscription rights unless a registration statement under the U.S. Securities Act is effective or an exemption from the registration requirements of the U.S. Securities Act is available. There can be no assurance that Ahlstrom will file a registration statement in such circumstances, or that, if filed, such registration statement will be declared effective. If a U.S. or other shareholder cannot exercise its pre-emptive subscription rights, its ownership interest in the Company will be diluted.

THE COMPANY, ITS DIRECTORS, AUDITORS AND ADVISERS

The Company

Ahlstrom Corporation
Eteläesplanadi 14
FI-00130 Helsinki
Finland

Members of the Board of Directors of Ahlstrom

Name	Position
Johan Gullichsen	Chairman of the Board of Directors
Urban Jansson	Vice Chairman of the Board of Directors
Sebastian Bondestam	Member
Jan Inborr	Member
Bertel Paulig	Member
Peter Seligson	Member
Willem F. Zetteler	Member

The business address of all members of the Board of Directors is c/o Ahlstrom Corporation, Eteläesplanadi 14, FI-00130 Helsinki, Finland

Lead Manager

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Co-lead Managers

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Calyon Bank
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Legal Counsel for the Company with respect to Finnish law

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Legal Counsel for the Company with respect to English and U.S. law

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United Kingdom

Legal Counsel for the Managers with respect to Finnish, English and U.S. law

White & Case LLP
Eteläranta 14
FI-00130 Helsinki

Auditors of the Company

KPMG Oy Ab, Firm of Authorized Public Accountants
Mannerheimintie 20 B
FI-00100 Helsinki
Finland

Statement regarding information in this Offering Circular

The Company shall be responsible for this Offering Circular and the Company and its Board of Directors assure that they have ensured with due diligence that to the best of the Company's and the Board of Directors' knowledge, the information regarding the Company contained in this Offering Circular is in accordance with the facts and contains no omission likely to affect its import.

Certain matters

Forward-looking statements

This Offering Circular includes forward-looking statements, which reflect, among other things, management's current views and expectations with respect to Ahlstrom's financial condition, business strategy, plans and objectives for future operations and goals, including development plans relating to Ahlstrom's products and services. These statements are included under "*Summary*", "*Risk factors*", "*Industry overview*", "*Business*", "*Operating and financial review*", and elsewhere in this Offering Circular. These forward-looking statements relate both to Ahlstrom and the sectors and industries in which Ahlstrom operates, including certain financial targets that Ahlstrom has set for itself. Statements which include the words "expects", "intends", "plans", "predicts", "believes", "projects", "anticipates", "estimates", "will", "targets", "aims", "may", "would", "could", "continue", and similar statements of future or forward-looking nature identify forward-looking statements.

All forward-looking statements address matters that involve risks and uncertainties, and are not guarantees of future performance. Ahlstrom's actual results or operating results and ability to achieve its financial targets may differ materially from those indicated in the forward-looking statements included in this Offering Circular. Ahlstrom's future performance may differ because of factors that include, but are not limited to, those described in the section "*Risk factors*", which should be read together with the other cautionary statements included in this Offering Circular. In addition, even if Ahlstrom's results of operations, financial condition and liquidity and the development of the industry in which Ahlstrom operates are consistent with the forward-looking statements contained in this Offering Circular, those results or developments may not be indicative of results or developments in future periods.

Any forward-looking statements in this Offering Circular reflect Ahlstrom's current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to Ahlstrom's business, results of operations, growth strategy and liquidity. These forward-looking statements speak only as of the date of this Offering Circular. Subject to any obligations under the applicable laws and regulations (including the Finnish Securities Markets Act), the Company undertakes no obligation to update publicly or review any forward-looking statements, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward-looking statements attributable to Ahlstrom or individuals acting on behalf of Ahlstrom are expressly qualified in their entirety by this section. Prospective investors should specifically consider the factors identified in this Offering Circular, which could cause actual results to differ from expected results, before making an investment decision.

No incorporation of website information

The contents of Ahlstrom's website or any other website do not form a part of this Offering Circular, and prospective investors should not rely on such information in making their decision to invest in the Offer Shares.

Presentation of financial and other information

Financial data

The Company's audited consolidated financial statements as of and for the financial years ended December 31, 2004 and December 31, 2003 in relation to the Company have been prepared and presented in accordance with generally accepted accounting standards in Finland ("FAS"). As of January 1, 2005, the Company adopted International Financial Reporting Standards as adopted by the European Union ("IFRS"), as the basis for preparing its consolidated financial statements. Accordingly, the audited consolidated financial statements for the financial year ended December 31, 2005 have been prepared and presented in accordance with IFRS. The Company's consolidated financial statements prepared and presented in accordance with FAS, included in this Offering Circular, are not stated on a basis that is comparable to its financial statements prepared and presented in accordance with IFRS for the 2005 financial year. For important information on the effects of Ahlstrom's transition to IFRS reporting, see note "*Transition to IFRS*" in the Company's IFRS financial statements for the 2005 financial year, included elsewhere in this Offering Circular. When making an investment decision, prospective investors must rely on their own examination of Ahlstrom, the rights attaching to the Offer Shares and the financial information in this Offering Circular. Prospective investors should consult their own professional advisers for an understanding of the differences between FAS and IFRS. In addition, both FAS and IFRS differ in certain significant respects from generally accepted accounting standards in the United States ("U.S. GAAP"). A description of certain significant differences between FAS, IFRS and U.S. GAAP has been attached as Appendix A hereto.

For the 2003 and 2004 financial years, Ahlstrom's operations were divided into the FiberComposites, LabelPack and Specialties divisions. As of January 1, 2005, the Company combined its former LabelPack and Specialties divisions to form the Specialty Papers segment to better reflect the realignment of the Company's business. The Company's operations are now reported in two segments, FiberComposites and Specialty Papers. See "*Operating and financial review – Overview*".

The financial information included in this Offering Circular is not intended to comply with SEC reporting requirements. Compliance with such requirements would require the reconciliation, modification or exclusion of certain non-GAAP financial measures, including EBITDA, return on equity, return on capital employed, and gearing ratio.

EBITDA, return on equity, capital employed, return on capital employed, and gearing ratio are non-GAAP measures and investors should not consider such items as an alternative to the applicable GAAP measures. In particular, investors should not consider EBITDA as a measurement of our financial performance or liquidity under IFRS or FAS, as an alternative to net income, operating income or any other performance measures derived in accordance with the relevant GAAP, or as an alternative to cash flow from operating activities.

EBITDA is equivalent to operating profit plus depreciation of tangible assets and amortization and impairment of goodwill and other intangible assets. Some of the limitations of EBITDA as a measure are:

- it does not reflect Ahlstrom's cash expenditures or future requirements for capital expenditures or contractual commitments;
- it does not reflect changes in, or cash requirements for, Ahlstrom's working capital needs;
- it does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on Ahlstrom's debt;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA measures do not reflect any cash requirements for such replacements; and
- Other companies in Ahlstrom's industry may calculate EBITDA measures differently than Ahlstrom does, limiting EBITDA's usefulness as a comparative measure.

Because of these limitations, EBITDA should not be considered as a measure of discretionary cash available to Ahlstrom to invest in the growth of its business. Ahlstrom compensates for these limitations by relying primarily on its IFRS results and using EBITDA measures only supplementally.

Certain figures contained in this Offering Circular, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables may not conform exactly to the total figure given for that column or row.

Market, economic and industry data

Market, economic and industry data used throughout this Offering Circular is obtained or derived from various industry and other independent sources, including Association of Nonwoven Fabrics Industry ("INDA"), European Disposables and Nonwovens Association ("EDANA"), David Rigby Associates, Nonwovens Industry Magazine, Filter Media Consulting, Inc. – Nonwovens in Filtration Worldwide 2002–2010 and the JEC Group. Ahlstrom has extracted this third-party data from published sources and, as far as it is aware and to the extent it can ascertain from information published by these sources, there are no omissions that would render such information in this Offering Circular materially misleading. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Ahlstrom has not independently verified such data.

Elsewhere in this Offering Circular, statements regarding the markets in which Ahlstrom operates, Ahlstrom's position within those markets, and other companies operating in those markets, are based solely on Ahlstrom's experience, internal studies and estimates, and Ahlstrom's own investigation of market conditions, which Ahlstrom believes to be reliable. Ahlstrom cannot assure investors, however, that any of these assumptions are accurate or correctly reflect Ahlstrom's position in the relevant markets, and none of Ahlstrom's internal surveys or information has been verified by any independent sources. Ahlstrom estimates growth rates in markets in which it operates and Ahlstrom's relevant market position within these markets primarily based on extrapolations from current customer demand for Ahlstrom products, data disclosed by its competitors, estimates of competitor capacity, available industry bibles and reports and other available statistics. Unless otherwise specified, statements of market growth and market share are in terms of volume, not sales.

Other data

In this Offering Circular, Ahlstrom discloses the percentage of its net sales that have been generated by new and improved products. New products are defined as products that are perceived by the customer as new and that are not older than three years. Improved products are products that represent a significant technical contribution that is not older than three years.

Currency

Unless otherwise indicated in this Offering Circular, all references to "$" or "dollar" are to the lawful currency of the United States, and all references to "€" or "euro" are to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community.

EXCHANGE RATE INFORMATION

The following table sets forth, for the periods and dates indicated, the high, low, period average and period-end reference rates as published by the European Central Bank for the U.S. dollar per €1.00. The average rate is the average of the exchange rates on the last day of each month during the applicable period.

These rates are prepared solely for the convenience of the reader and are not necessarily the rates used in the preparation of the Company's financial statements and other financial information appearing in this Offering Circular. No representation is made that euros could have been converted into U.S. dollars at the rates shown or at any other rate for such periods or at such dates.

	Reference rates of U.S. dollars per €1.00			
Year ended	**High**	**Low**	**Period average (1)**	**Period-end**
2001	0.9545	0.8384	0.8956	0.8813
2002	1.0487	0.8578	0.9456	1.0487
2003	1.2630	1.0377	1.1312	1.2630
2004	1.3633	1.1802	1.2439	1.3621
2005	1.3507	1.1667	1.2447	1.1797

(1) The average of the reported rates on the last business day of each month during the period indicated.

The following table sets forth, for the months indicated, the high and low reference rates as published by the European Central Bank for the U.S. dollar per €1.00.

	Reference rates of U.S. dollars per €1.00	
	High	**Low**
August 2005	1.2457	1.2181
September 2005	1.2541	1.2005
October 2005	1.2144	1.1933
November 2005	1.2041	1.1667
December 2005	1.2020	1.1697
January 2006	1.2294	1.1826
February 2006	1.2092	1.1852
March 2006 (through March 10, 2006)	1.2020	1.1913

On March 10, 2006, the exchange rate for the U.S. dollar per euro published by the European Central Bank was €1.00 = U.S.$1.1919.

BACKGROUND AND REASONS FOR THE OFFERING AND USE OF PROCEEDS

Ahlstrom has undertaken this Offering and the application to list its Shares on the Helsinki Stock Exchange to help the Company take advantage of its growth potential in its existing and new geographic markets and business areas. The listing provides new options for obtaining financing from the capital markets and allows the Shares to be used to finance acquisitions. Ahlstrom has an over 150-year history as a family owned company. There are currently more than 270 shareholders, over 90% of whom are private individuals. Through the Offering and the listing of the Shares, the Company intends to increase the liquidity of its current shareholders and to allow them to diversify their investment risk. In addition, management believes that a listing will lead to increasing interest and focus on the business of the Company in the capital markets and among its customers and suppliers.

The extraordinary general meeting of Ahlstrom on February 14, 2006, decided in accordance with the proposal of the Board of Directors, to increase the Company's share capital by issuing a total of up to 8,000,000 Shares, each with a nominal value of €1.50, in deviation from the shareholders' pre-emptive subscription rights. Subscribers include members of the Company's inner circle and persons belonging to the Company's management. In addition, the decision of the extraordinary general meeting allows for the issuance of an additional 1,150,000 Shares, provided that SEB Enskilda, as representative for the Managers, exercises the Over-Allotment Option.

The Company expects to receive net proceeds from the Offering of approximately €170.1 million, based on the Offer Price, and assuming no exercise of the Over-Allotment Option, after deducting fees and commissions and estimated offering expenses payable by the Company. The net proceeds that the Company will receive if the Over-Allotment Option is exercised in full is expected to be approximately €194.9 million.

The expenses related to the Offering payable by Ahlstrom are estimated by management at approximately €2 million. In addition, fees payable to the Managers under the Underwriting Agreement are expected to be approximately €3.9 million, assuming that the Over-Allotment Option is not exercised, and approximately €4.4 million if the Over-Allotment Option is exercised in full. In addition, the Company, in its sole discretion, may elect to pay to the Managers an additional fee of up to €1.0 million in connection with the Offering. The Company's Board of Directors is expected to decide what additional fee, if any, is paid to the Managers at its meeting to be held on March 22, 2006.

Ahlstrom intends to use the proceeds of the Offering to expand and further improve its operations through (i) investments in new capacity, new technologies and productivity improvements in existing operations, (ii) investment and expansion in Asia, Russia/Eastern Europe and the Americas to grow with its global customer base, and (iii) possible acquisitions to expand its geographic presence and enhance its product offering, as well as for general corporate purposes. The Company has not decided how it will allocate the proceeds that it receives from the Offering among these purposes.

CAPITALIZATION

The following table shows Ahlstrom's capitalization and net indebtedness based on the Company's audited consolidated financial statements prepared in accordance with IFRS for the financial period ended December 31, 2005, and as adjusted to reflect the net proceeds from the Offering of the New Shares of €170.1 million, based on the price of €22 for the Offer Shares both excluding and including the exercise of the Over-Allotment Option. This table should be read together with the *"Operating and financial review"* and the audited consolidated financial statements of the Company and the notes thereto included elsewhere in this Offering Circular.

	As of December 31, 2005		
	Actual	**Adjusted (1)**	**Adjusted (2)**
		(€ millions)	
Equity attributed to equity holders of the parent			
Issued capital	54.6	66.6	68.3
Share premium	26.7	184.8	207.9
Reserves	4.7	4.7	4.7
Retained earnings	503.7	438.5	438.5
Total	589.7	694.6	719.4
Minority interest	0.8	0.8	0.8
Total equity	590.5	695.4	720.2
Indebtedness			
Total Current liabilities	513.9	513.9	513.9
Total Non-current liabilities (3)	262.8	262.8	262.8
Total equity and liabilities	1,367.2	1,472.1	1,496.9
Net indebtedness			
Cash and cash equivalents	16.0	186.1	210.9
Total Current interest-bearing loans and borrowings (4)	237.0	302.2	302.2
Total Non-current interest-bearing loans and borrowings (excluding current portion of long-term debt) (3,5)	119.6	119.6	119.6
Net indebtedness	340.6	235.7	210.9

Contingent liabilities are presented in the table "*Guarantees and contingent liabilties of Ahlstrom*" in the section "*Operating and financial review*".

(1) Adjusted to give effect to the proceeds to the Company from the issuance of the New Shares in the Offering (excluding the exercise of the Over-Allotment Option), the fees and expenses of approximately €5.9 million payable in connection with the Offering and the dividends distributed by the Company prior to the Offering. On February 14, 2006, the annual general meeting of shareholders of the Company resolved to distribute a total of €65.2 million as dividends in respect of the financial year ended December 31, 2005. The dividends were paid on February 24, 2006. In addition, the Company will decide on March 22, 2006 on a discretionary incentive fee of up to 0.5%.

(2) Adjusted to give effect to the proceeds to the Company from the issuance of Offer Shares in the Offering (including the exercise of the Over-Allotment Option in full), the fees and expenses of approximately €6.4 million payable in connection with the Offering and the dividends distributed by the Company prior to the Offering. In addition, the Company will decide on March 22, 2006 on a discretionary incentive fee of up to 0.5%.

(3) Includes secured debt of €3.5 million.

(4) Includes current leasing liabilities of €3.3 million.

(5) Includes non-current leasing liabilities of €20.4 million.

The New Shares represent approximately 22.0% of Ahlstrom's share capital immediately prior to the Offering and approximately 18.0% immediately after the Offering, assuming that the Over-Allotment Option is not excercised. If the Over-Allotment Option is excercised in full, the New Shares, together with the Additional Shares issued under the Over-Allotment Option, represent approximately 25.1% of Ahlstrom's share capital immediately prior to the Offering and approximately 20.1% immediately after the Offering and the exercise of the Over-Allotment Option.

DIVIDENDS AND DIVIDEND POLICY

The Company's objective is to pay regular annual dividends to its shareholders based upon, and in relation to, the profits of the Company for each financial year. The current dividend policy of the Board of Directors, applicable from and including the financial year ending December 31, 2006, is to recommend to the general meetings of shareholders a dividend payment averaging at least 50% of the net profits for the period of the previous financial year. The annual dividend may be adjusted if funds would be needed to finance required growth investments and acquisitions. The payment of dividends, as well as the amount of such dividends, is subject to the Company's future earnings, financial condition, cash flows and other factors. Even though the Board of Directors of the Company expects that dividends will be paid in accordance with the dividend policy described above, there is no certainty that dividends will be paid annually nor as to the amount of any such dividend payment. See "*Selected financial information – Key figures for the Group*" and "*Description of the Shares and share capital – Shareholder rights – Dividends and other distribution of funds*".

The Company paid dividends of €1.50 and €1.72 per Share in respect of the financial years ended December 31, 2003 and December 31, 2004, respectively. The dividend in respect of the 2004 financial year comprised a dividend of €0.75 per Share paid to shareholders in May 2005 and an additional dividend of €0.97 per Share paid in December 2005. In February 2006, the Company paid a dividend of €1.79 per Share for the financial year ended December 31, 2005. In the future, the Company expects to pay dividends in accordance with its declared policy, and past dividend payments should not be taken as an indication of any future dividend payments. See "*Risk factors – Risks related to the Shares and the Offering – Ahlstrom's past dividend payments are not indicative of dividends that may be paid in the future*".

Under the Finnish Companies Act and in accordance with prevailing practice in Finland, dividends on shares of a Finnish company are generally only paid annually, and may only be paid after shareholders have approved the company's financial statements and the amount of the dividend proposed by the Board of Directors. Accordingly, the payment of dividends requires the approval of the majority of the votes cast at the general meeting of shareholders. According to the Finnish Companies Act and the Company's Articles of Association, the annual general meeting must be held annually within six months of the end of the previous financial year.

Under the provisions of the Finnish Companies Act, the amount of any dividend is limited to the amount of the distributable funds available at the end of the preceding financial year for the parent company, Ahlstrom Corporation, or for the Ahlstrom Group, on a consolidated basis, whichever is lower. Unlike the Company's consolidated accounts, which are now prepared in accordance with IFRS, the Company's unconsolidated accounts continue to be prepared in accordance with FAS. As of December 31, 2005, aggregate distributable funds for Ahlstrom Corporation were €640.8 million, and for the consolidated Ahlstrom Group were €487.0 million, of which €65.2 million was distributed as a dividend in February 2006.

On September 2, 2005 the Finnish Government introduced a proposal (109/2005) to amend the Finnish Companies Act. If adopted, the new legislation may affect the Company's ability to pay dividends and make other distributions of funds. The proposed legislation would also, among other things, impose a general solvency test on companies seeking to pay dividends or distribute profits. Also, the current restriction on dividends and profit distributions based on the consolidated balance sheet would be abolished.

Dividends paid to holders of Shares who are non-residents of Finland generally will be subject to Finnish withholding tax, currently applied at a rate of 28%, which may be reduced pursuant to an applicable tax treaty to which Finland is a party. See "*Taxation*".

The Offer Shares offered in the Offering are entitled to any future dividends declared in respect of the Shares.

INDUSTRY OVERVIEW

High performance fiber-based materials include nonwovens and specialty papers that are used in a broad range of industrial and consumer sectors, including transportation, food and beverage, health care, building, packaging, and home and office sectors. These materials provide specific functions required in everyday products, such as filters, wipes, medical applications, hygiene products, flooring, tapes and labeling and packaging, and can offer enhanced performance and cost benefits to customers. These products are sold predominantly in roll good form to manufacturers, often referred to in the industry as converters, who process the materials further and convert them into end products.

Ahlstrom reports its fiber-based operations in two segments, FiberComposites and Specialty Papers. Products supplied by the FiberComposites segment include nonwovens, filtration media and glass nonwovens, and products supplied by the Specialty Papers segment include Label and Packaging Papers and Technical Papers.

FiberComposites

Ahlstrom operates in the nonwoven, filtration media and glass nonwoven markets, and reports its operations in these markets under its FiberComposites segment. Ahlstrom estimates that the volume of the overall product markets served by the Company's FiberComposites segment is currently growing at an approximate annual rate of 6–7%.

Nonwovens

A nonwoven is a material that is composed of natural and synthetic fibers entangled together in a sheet through fusing, bonding or mechanical interlocking. Nonwovens are typically sold to converters in roll good form. Products made using nonwovens include household, personal care, baby and industrial wipes; wallcoverings; single-use medical gowns and drapes; home furnishings; food products and filters such as teabags; and hygiene products such as baby diapers. Nonwovens can provide specific functionality to end products such as absorbency, liquid repellence, resilience, strength, softness and filtration. Certain products, such as medical gowns and drapes, wipes and wallcoverings, can be manufactured using either nonwoven technologies or paper-based technologies. Nonwoven products are generally perceived to be at the higher end of the product range because nonwoven products can offer better functionality than lower end paper products, although they are typically more expensive.

According to industry sources INDA and EDANA, the global nonwoven market had a value of $15.9 billion and a production volume of 4.4 million tons in 2004. Between 1994 and 2004, the value of the market in U.S. dollars grew by an average of 5.9% and the volume grew by an average of 7.4%. Between 2004 and 2009, the value of the global nonwoven market is expected to grow by an average of 7.1% and the volume by an average of 7.3%.

The following table sets forth the worldwide estimated production volumes and outlook for the nonwovens industry:

					Growth Rate	
Country/area	**1994**	**1999**	**2004**	**2009**	**1994–2004**	**2004–2009**
	(tons in thousands)				(%/Year)	
North America	732	907	1,164	1,506	4.7	5.3
Europe	601	910	1,358	1,834	8.5	6.2
Japan	204	309	309	333	4.2	1.5
Latin America	119	228	313	471	10.2	8.5
Asia-Pacific	408	655	1,022	1,671	9.6	10.3
Middle East	52	112	178	324	13.1	12.7
Rest of World	45	62	89	179	7.1	15
Total	2,161	3,183	4,433	6,318	7.4	7.3

Source: INDA, EDANA estimates (Worldwide Outlook for nonwovens industry 2004–2009, 2005 report).

The market for nonwovens is growing as several products that have traditionally been made from textiles, plastics or paper are increasingly being substituted with disposable nonwoven products. In addition, the market continues to develop as new nonwoven applications are introduced. These trends are primarily driven by technological and product innovation, superior product characteristics and versatility of end uses. A general trend toward greater hygiene and convenience is also supporting the expansion of nonwovens. For a number of end uses, nonwovens offer particular product characteristics and cost advantages; for example, reusable medical gowns and drapes have traditionally been made from woven textiles but are increasingly being substituted by single-use products made from nonwovens that save the end user costs associated with washing or sterilization. Environmental considerations, however, may favor the use of reusable textiles in certain circumstances.

Industry sources that analyze the nonwoven market, including INDA, EDANA and David Rigby Associates, differ in their projections of market growth rates and market volumes. During recent years, growth has been substantially in line with the estimates presented by INDA and EDANA. Ahlstrom estimates that product sectors, such as filtration and wipes, are growing faster in terms of volume than the nonwoven industry as a whole, whereas upholstering, building and clothing products have experienced slower growth. The following table sets forth the estimated sales volume and value of the main nonwoven applications by end-use for 2005 according to estimates from David Rigby Associates:

End-use (1)	**2005**	**2005**
	(tons in thousands)	**(€ millions)**
Hygiene / coverstock	1,091	2,625
Building	666	1,886
Clothing	644	3,552
Wipes	600	1,967
Upholstery, bedding, carpets	414	1,443
Automotive	296	1,489
Filtration (including tea bags)	290	1,756
Geotextiles & Agriculture	243	713
Medical	198	1,355
Other (2)	431	2,607
Total	4,873	19,393

(1) Ahlstrom classifies certain product groups presented in the table for internal purposes under other business areas, such as filtration.
(2) Other end uses include nonwovens for papermaking felts, battery separators, packaging, disposable chemical protective gear and sporting bags and shopping bags.

Source: David Rigby Associates, Nonwoven end-use products (World Market Forecasts to 2010, 2003 report). Certain product categories presented separately in the original source have been combined in this table.

Nonwovens Industry Magazine has estimated that Ahlstrom is the world's sixth largest producer of nonwoven products, holding stronger positions in its areas of focus, which include medical, wipes, food, wallcover and certain industrial nonwovens. Ahlstrom offers only a limited range of products to the hygiene sector, which is the single largest sector but which is also characterised by intense competition. Instead, Ahlstrom aims to concentrate on areas where it can leverage Group fiber and technical knowledge and gain leading market positions. These product areas are typically supplied with high value-added products and have potential for significant growth.

Principal technologies

Ahlstrom uses nonwoven production technologies to produce products within its FiberComposites segment, including filtration and glass nonwoven products. FiberComposites are typically produced as roll goods and are classified by the technology used and the manner in which the web is formed or bonded. The principal raw materials used to produce nonwoven products include synthetic fibers, pulp and chemicals.

The table below outlines the principal technologies used to produce nonwovens.

Technology	**Description**
Wetlaid	The wetlaid process is used in applications that include filtration materials, medical apparel, wiping products, wallcoverings and technical products used in decoration or insulation. The wetlaid process has been developed from papermaking techniques. In this 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.
Airlaid	The airlaid process is mostly used for hygiene applications. In airlaying, the fibers are fed into an air stream and from there to a moving belt or perforated drum, where they form a randomly oriented web.
Spunlaid	Spunlaid technology is used in applications that include medical apparel, transportation industry applications, construction, home furnishings and packaging materials. The spunlaid method prepares nonwoven fabrics using a variety of polymers. By melting polymer pellets and spinning them into continuous fibers, this method creates a web that is consolidated into a fabric in a single process. A variation of the spunlaid process, known as meltblown technology, is used typically in filtration and building applications where the use of small diameter fine fibers is required. Melted polymer pellets are spun into continuous fibers and laid down on a belt using a vacuum system, which scatters the melt, solidifies it and breaks it up into a fibrous web. The method can provide a small fiber diameter, which provides benefits in filtration, acoustic and absorption applications.
Carding / bonding methods	Nonwovens created through these processes are typically used for heating, ventilation and air conditioning

include: • Spunlace • Needlepunch • Thermal and chemical bonding	(“HVAC”) products and other filtration media for residential and industrial environments, wipes, hygiene products and in various transportation and building applications. The web is formed through a carding process that uses bales of fibers that are first opened and blended and then combed into a web by using a carding machine, which is a rotating drum or series of drums covered in fine wires or teeth. The web can then be bonded with various technologies, such as hydroentanglement (spunlace), needlepunching and thermal or chemical bonding.

Ahlstrom’s FiberComposites segment employs most of these nonwoven production technologies, including wetlaid and spunlaid (including meltblown) processes, carding (spunlace and needlepunch) and also, to a somewhat lesser extent, airlaid technologies.

Filtration

Filtration and separation media are typically made of nonwoven or paper materials. Applications for filtration media include water filters; household and industrial filters; HVAC filters; dust-filtering masks; gas turbine filters; fuel, lube, cabin air and exhaust filters; and blood plasma filtration. The filtration media used in the production of filter products are manufactured in roll good form and delivered to converters, such as oil and fuel filter producers and manufacturers of filter systems. Filtration media can range from simple resin impregnated papers, which can be used for basic dust filtration, to very technical products such as blood plasma filtration used in laboratories.

Ahlstrom estimates that the value of the global market for nonwoven and paper based filtration media used in the production of filter products was approximately €2.4 billion in 2004.

Increasingly stringent environmental, health and regulatory requirements, such as requirements for decreased emissions from automobiles, are placing demands on filtration applications. Sophisticated technical processes also require products that can filter progressively smaller particles from base liquids or gases, such as gasoline, diesel, oil and air. Demands for improved purity and clarity in water treatment, better indoor air quality (domestic and industrial), a need for finer degrees of separation and a need for better hot exhaust gas filtration have also impacted the market. Moreover, increasing needs for clean water capacity, combined with limited and decreasing clean freshwater resources are creating growing demand for seawater filtration and filtration of other water sources. Nonwoven production processes are increasingly being used to manufacture filtration media, and the use of synthetic fibers has also increased for specific high performance applications.

Filtration media markets can be divided into three segments: air, liquid and transportation filtration, which are described below.

- *Air filtration*. Ahlstrom estimates that the value of the market for air filtration media was approximately €1.2 billion in 2004 and, according to Filtration Media Consulting, the value of the market is currently growing at an annual rate of approximately 5%. The air filtration market includes dust, HVAC and other air filtration. Other air filtration products include applications within the power generation, household, and electronics industries. Within air filtration, dust filtration and HVAC filtration are the largest product groups. Ahlstrom estimates that, in 2004, the dust filtration market had an annual market value of approximately €0.5 billion and the HVAC filtration market had an annual market value of €0.4 billion. The market for HVAC filtration products has experienced higher volume growth than the filtration industry as a whole, while volume growth has been lower for dust filtration products, which are typically more commoditized.

- *Liquid filtration*. Ahlstrom estimates that the value of the market for liquid filtration media was approximately €0.8 billion in 2004 and, according to Filtration Media Consulting, the value of the market is currently growing at an annual rate of approximately 5%. Within liquid filtration, life science, water and food filtration are the largest product groups and include applications such as blood filtration, water purification and filtration applications for dairy products. The market for water filtration products has experienced higher growth than the industry on average.

- *Transportation filtration*. Ahlstrom estimates that the value of the market for transportation filtration media was approximately €0.4 billion in 2004 and that the value of the market is currently growing at an annual rate of approximately 2–4%. Transportation filtration products are used for fuel, air and oil filtration in many types of transportation vehicle engines, such as automobiles, heavy duty trucks, construction vehicles and locomotives. In recent years, cabin air filtration has developed as a new product. Ahlstrom estimates that transportation filtration has experienced growth that is below the filtration industry average, but certain areas of the overall transportation filtration market, such as common-rail diesel engine, construction vehicles and airline engine applications, have experienced higher growth. Also, synthetic based materials and nonwoven based products have experienced higher growth than filtration media using paper based products.

Ahlstrom believes that it is the leading supplier of roll good filtration media, and holds a particularly strong position in transportation filtration media. In the air filtration market, Ahlstrom is active in providing materials for HVAC products and selected high-end sectors of the dust filtration markets. In the liquid filtration market, Ahlstrom is active in providing materials with applications in the water, life science, food and industry process applications.

Filtration media are generally manufactured using the same underlying technologies that are used within the nonwovens industry, including wetlaid, carded and airlaid processes. Through the use of natural and synthetic fibers and various chemicals, filtration media can be customized to meet customer requirements in terms of filtration efficiency, filter life-time, wet strength, flame retardancy, water separation and high dust holding capacity.

Glass nonwovens

Glass nonwovens are glassfiber reinforcement products used, for example, in windmill blades, boat hulls and applications within the building industry, such as vinyl flooring. These materials are typically sold to industrial customers or converters in roll good form. The most basic form of glass nonwovens are glassfiber filament spools. Higher-end products include multi-layer reinforcements, such as multi-axial and multi-layered combination reinforcements or extremely light reinforcements, that are used in the manufacture of windmill blades and glassfiber tissues used as carriers of vinyl floorings.

A large share of glassfiber reinforcement products are produced for and sold to the composite market. Generally, composite end products are made by laying down fibers, such as glassfibers, and impregnating them with resins. Within the composite markets, Ahlstrom estimates that the worldwide glassfiber reinforcement market had a volume of 2.3 million tons in 2004 and an annual average growth of approximately 4–5% since the 1970s. Growth in the glass nonwovens market has been driven by the substitution of steel, aluminum, concrete and plastics due to the favorable weight/strength ratio, and anti-corrosive and other physical properties of glass nonwovens. Growth has also been driven by the growth in end-use sectors, such as the marine and windmill sectors, where the annual market growth during 2005 has been approximately 7% and 18%, respectively, according to JEC Group, an industry information network. Ahlstrom focuses on the higher end of the market, producing products that are used in the building, windmill, marine and transportation industries.

Glass nonwovens are generally manufactured using the same underlying technologies that are used within the nonwovens industry, including wetlaid and airlaid processes. Further, many of the specialty reinforcement products are produced with specific multi-axial or multi-layering technologies. Through the use of glassfibers, and the combination of synthetic and natural fibers and various chemicals, glass nonwovens can be customized to meet customer requirements, such as increased quality consistency, weight optimization and surface smoothness, and to provide mechanical properties including strength.

Specialty Papers

Specialty papers are designed and produced to meet specialized customer needs. Specialty paper products include, for example, label, flexible packaging, greaseproof, decoration, crepe, art and wallpaper base papers, which typically command a higher price per ton than more commodity-oriented printing and writing papers. Specialty papers can be coated, calendered, crepped or impregnated to create product properties such as reduced absorption, mechanical and wet-strength, reduced surface roughness, printability, thickness, porosity and barrier properties.

The global specialty paper market is defined as all papers excluding more commodity-oriented newsprint, magazine, fine, tissue and sack papers. Ahlstrom estimates that the specialty paper market had a volume of 10–12 million tons in 2005, with an annual value of approximately €15 billion. Ahlstrom further estimates that the volume of the overall product markets served by the Company’s Specialty Papers segment is currently growing at an approximate annual rate of 3–4%, driven mainly by growth in release base papers and also face stock and pre-impregnated decor papers. The largest product group in the specialty papers market is label and packaging papers. In addition, the specialty papers market includes a large number of smaller product areas, which Ahlstrom categorizes as technical papers.

Ahlstrom operates in this sector through its Label and Packaging Papers and Technical Papers business areas, and reports these operations under its Specialty Papers segment.

Label and Packaging Papers

Label and packaging papers include label face stock and release base papers for self-adhesive applications, wet and non-wet strength label papers and flexible packaging papers. Label and packaging paper markets are generally driven by increased demand for consumer products, opportunities for cost savings and environmental advantages of paper compared to plastics. Technological advances for individual applications can also influence the market, as can competition from other products such as films. The most important applications for label and packaging papers are described below.

- *Release base paper*. Ahlstrom estimates that the global release base paper market was approximately 2 million tons and had a value of €2.2 billion in 2004. The price of release base paper has been relatively stable in recent periods, and the Company further estimates that the market for release base paper is currently growing at an annual rate of approximately 5–7%, driven primarily by an increase in demand in Eastern Europe and Asia. Release base paper is mainly used as backing paper for self-adhesive labels, and is thus driven by the same market dynamics applicable to self-adhesive labels. A key requirement for release base paper is a smooth and closed surface, which enables converters to apply a very thin layer of silicon to provide release functionality. In addition to self-adhesive labels, release base papers are also used in medical, hygiene, tapes and industrial applications. The release liner industry has been successful in substituting its products for existing product technologies as they can be easier and more versatile to use than competing solutions, such as direct printing or wet glue labeling. There is, however, increasing pressure on manufacturers to develop adhesive solutions that reduce waste.

- *Face stock paper for self-adhesive labels*. According to PaperPlus, the annual average growth of the self-adhesive labels market is estimated to be between 4–5% until 2009, moderating from prior periods. Face stock for self-adhesive labels is typically made of paper or film. Ahlstrom estimates that the global market for face stock paper for self-adhesive labels was approximately 700,000 tons and had a value of €0.9 billion in 2004. Face stock label papers are used for self-adhesive labeling of a range of consumer products, such as cosmetic, pharmaceutical and food products, and industrial applications, such as product, bar code and security labeling. The market for self-adhesive labels is driven by the high number of new products introduced to consumer markets, mandatory product information requirements, and product identification marks. Although the market for face stock paper is growing, the more expensive plastic film-based labels have experienced somewhat higher growth partly as a result of properties that allow them to be used in a broader range of products, such as toilet, hygiene and chemical products that are in regular contact with water and other liquids.

- *Wet glue label paper*. According to PaperPlus, the annual average growth of the wet glue label paper market is estimated to be between 1–2% until 2009. Ahlstrom estimates that the global wet glue labeling market was 500,000 tons and had a value of €0.7 billion in 2004. Wet glue labels include papers that are used, for example, as labels on beer bottles, and are applied with glue to another surface as opposed to being self-adhesive. This type of labeling is used mainly in high-speed bottle filling lines that are used by major beer breweries and producers of soft drinks and bottled waters. Wet-glue label papers, especially for beer, are increasingly "vacuum metalized" prior to printing, in order to give the label a metallic and more appealing appearance. Ahlstrom operates a separate product line for these metalizing papers within the Label and Packaging Paper business area.

- *Flexible packaging paper*. The global flexible packaging paper market was 1.25 million tons in 2003, according to PaperPlus. For that same period, Ahlstrom estimates that the global flexible packaging paper market had a value of €1.5 billion. Flexible packaging paper constitutes a relatively stable market. Flexible packaging paper products include calendered one-side coated papers for use in packaging pet food, soap, confectionery, yogurt and coffee. Calendering gives paper high smoothness, gloss and density and can also make paper transparent. Coatings are applied to give the papers properties needed for high quality printing, and to provide barriers to grease or moisture, which are needed for packaging food.

- *Other label and packaging papers.* Other label and packaging papers include office and graphics papers, such as repositionable notes, envelope windows and photographic papers that meet specific customer requirements. Ahlstrom operates a separate product line for office and graphic papers within the Label and Packaging Papers business area.

Ahlstrom believes that it is the leading supplier of flexible packaging papers, and shares the leading position with UPM-Kymmene in release base papers. Moreover, Ahlstrom believes it is among the three largest suppliers of wet glue label papers and is also active in office and graphics papers and thermal papers.

Technical Papers

Technical papers include products used for a variety of end-use applications in, for example, furniture, building, food, healthcare and automotive industries. In general, technical papers represent a small portion of the cost of the final product, but the functional and quality requirements for the papers can be very high. Technical papers constitute a range of specialized markets that involve particular product applications requiring specific paper grades, production know how and production assets. As a result, product requirements and market drivers vary substantially. The principal challenges in the technical papers market include the identification of new markets and the production of these technically demanding products. Ahlstrom estimates that the current average growth of the various technical papers market sectors ranges between approximately 1.5-3%.

Below is a representative sample of the most important applications within the technical papers sector.

- *Decor papers*. Ahlstrom estimates that the global furniture decor paper market was approximately 680,000 tons and had a value of approximately €1.5 billion in 2004. Decor papers include finish foils and solid color decor papers. Customers in the building material and furniture industries use these papers as a decorative layer for wood-based panels and flooring laminates. Decor papers can be printed to imitate for example wood or stone surfaces. Decor papers are increasingly pre-impregnated with resins as part of the paper production process in order to reduce costs but also to improve delamination resistance and flexibility.

- *Crepe papers*. Ahlstrom estimates that the global industrial crepe paper market was 230,000 tons (excluding coffee filterpapers) and had a value of €0.3 billion in 2004. The primary applications for these crepe papers are masking tapes, table covers and wipes, in addition to sterilization and medical wraps. Crepe paper products are used in the automotive, building, do-it-yourself, food and healthcare sectors.

- *Greaseproof papers*. Ahlstrom estimates that the global market for greaseproof paper was 240,000 tons and had a value of €0.3 billion in 2004. Greaseproof papers are used, for example, for food wrapping and baking. The main drivers of the market are growth in the use of baking papers in fast food restaurants and in industrial and in-store baking. Certain high-end greaseproof papers, known as vegetable parchment papers, provide superior barrier and heat resistance properties and therefore command a higher price. Vegetable parchment applications consist of pan liners, pie cups and trays for fresh or frozen food, industrial and in-shop baking, textile tube covers, release base papers for carbon fiber composites and furniture laminates.

- *Wallpapers*. Ahlstrom estimates that the global market for wallpaper base paper was 310,000 tons and had a value of €0.3 billion in 2004. Customers within the wallpaper market require a wide range of products with varying characteristics in terms of style, color, patterns and materials, and have specific requirements, including with respect to the printability and consistency in shade of the paper product. Demand varies geographically and reflects current fashion trends. The overall market for wallpaper base paper has been decreasing during the last years.

- *Other technical papers*. Technical papers include a diverse range of other products, including thin papers used for the production of cigarettes, strong papers such as abrasive base papers, poster papers, calender bowl papers and gasket (sealing and shielding) papers, imaging papers, and specialty fine papers such as artists' papers and color papers.

Management estimates that Ahlstrom is the leading supplier of pre-impregnated decor, vegetable parchment and industrial crepe papers. Ahlstrom is among the top three global producers of abrasive base papers, calender bowl papers and gasket papers and wallpaper base paper.

Principal technologies

Specialty papers are generally produced as roll goods and comprise a number of paper grades, each characterized by particular properties. These papers often require special raw materials, typically including chemical pulp or other specific varieties of pulp and specific impregnation chemicals and coating substrates. Various specialty papers also require different production techniques for desired product characteristics.

The table below outlines the key technologies used to provide specialty papers, together with their required characteristics.

Technology	Description
Coating	Coated papers are used, for example, in flexible packaging materials, poster papers and label papers. Coated papers have certain advantages in comparison to uncoated papers, including decreased ink absorption and increased surface strength. Coating usually increases the paper's resistance to dust and enhances its gloss and brightness. In the coating process, a liquid coating is applied to either one or both sides of the paper. After application of the required amount, the coating is dried and finished. The coating can consist of several components, the most important of which usually are the pigment and the binder.
Calendering	Calendering is used, for example, in the production of release base papers, flexible packaging papers and other products where a smooth surface is required. The main purpose of calendering is to modify the surface structure and thickness of the paper to meet the specifications required for printing or other processing. With respect to printing, calendering reduces surface roughness and thereby improves printability. In the calendering process, the paper web is pressed between two or more rolls, where pressure and heat produce the desired properties.

Crepping	Crepe papers, such as masking tapes, are used in the automotive, building, do-it-yourself, food and healthcare sectors. The main characteristics of base papers for masking tape are its softness, elasticity and porosity, allowing for effective impregnation of the paper with additional materials to provide properties required for particular end uses. When making crepe paper, chemicals are also added for wet-strength and adjustment of other required properties. In the crepping process, the paper web is threaded against a blade laying on a cylinder, giving the paper a "wavy" shape and extra elasticity.
Impregnation	Impregnation is used to produce, for example, high end decor papers and certain crepe paper grades. Impregnation is used to give paper specific qualities, such as enhanced durability and barrier properties. In the impregnation process, paper is saturated with chemicals and resins. A separate saturation process is not required when impregnation is done during the paper making process itself, a process known as pre-impregnation.

BUSINESS

Overview

Ahlstrom is a leading supplier of high performance fiber-based materials, including nonwovens and specialty papers. Products developed, produced and marketed by Ahlstrom are used around the world in a variety of everyday products, including filters, medical apparel, wipes, flooring, labels and tapes. The Company has a strong market presence in several businesses in which it operates, built upon 150 years of fiber expertise, innovation and long-term customer relationships. Ahlstrom estimates that over 50% of its net sales in 2005 originated from products that were market leaders in their respective product markets.

Ahlstrom's products are sold predominantly in roll good form to manufacturers, often referred to in the industry as converters, who process the materials further and convert them into end products. These products are then delivered to retail and industrial customers in a broad range of sectors, including the transportation, health care, food and beverage, packaging and labeling and home and office sectors.

Ahlstrom works in close cooperation with its customers to develop new products and improved product features, such as strength, durability, absorbency and filtering, that deliver enhanced performance and cost benefits. Ahlstrom seeks to provide its customers with advanced products by using its expertise in both natural and synthetic fibers, as well as chemicals. Supported by a range of versatile manufacturing facilities, the Company is able to introduce new products and features to the market in an efficient manner.

Ahlstrom sells its products to over 100 countries and serves its customers from 33 production facilities in Europe, North America, South America and Asia. As of December 31, 2005, Ahlstrom had 5,525 employees in 22 countries on six continents. In 2005, the Company's net sales were €1,552.6 million and operating profit was €117.2 million. Return on capital employed was 12.4%. Approximately 35.2% of the Company's sales was generated from new products developed during the last three years. The following table includes Ahlstrom's main geographic markets in terms of net sales during 2003–2005.

Net sales by geographic market	**2003**	**2004**	**2005**
	FAS (1)	**IFRS (1)**	**IFRS**
	(€ millions unless otherwise stated)		
Europe	1,059.9	1,065.1	993.0
North America	286.3	300.8	345.1
Asia	127.6	117.4	131.7
Rest of world	82.6	84.5	82.8
Group total	1,556.4	1,567.8	1,552.6

(1) The data for years 2003 and 2004 has been adjusted to reflect Ahlstrom's adoption of a two segment reporting structure effective January 1, 2005. See "*Operating and financial review – Overview*".

Ahlstrom reports its operations in two segments, FiberComposites and Specialty Papers. The FiberComposites segment is divided into three business areas, Nonwovens, Filtration and Glass Nonwovens, and the Specialty Papers segment is divided into two business areas, Label and Packaging Papers and Technical Papers. Within these five business areas, 22 product lines form the core of Ahlstrom's operations. The following table sets forth the Company's net sales by segment and business area.

Net sales by segment and business area	**2003**	**2004**	**2005**
	FAS (1)	**IFRS (1)**	**IFRS**
FiberComposites	**(€ millions unless otherwise stated)**		
Nonwovens	302.2	308.0	363.0
Filtration	248.7	264.7	284.3
Glass Nonwovens	94.1	93.9	97.7
Eliminations	-0.3	-2.7	-2.7
Total FiberComposites	644.7	663.8	742.3
Specialty Papers			
Label and Packaging Papers	541.5	542.0	544.2
Technical Papers (excluding Cores and Board) (2)	250.4	268.8	271.2
Eliminations	-3.6	-2.8	-0.7
Total Specialty Papers	788.3	808.0	814.7

	2003	2004	2005
	FAS (1)	IFRS (1)	IFRS
	(€ millions unless otherwise stated)		
Other	25.6	18.0	-4.4
Group (excluding Cores and Board) (2)	1,458.6	1,489.9	1,552.6
Cores and Board (2)	97.8	77.9	0.0
Group Total	1.556.4	1.567.8	1 552.6

(1) The data for years 2003 and 2004 has been adjusted to reflect Ahlstrom's adoption of a two segment reporting structure effective January 1, 2005. See "*Operating and financial review – Overview*".
(2) Ahlstrom transferred its Cores and Board operations to Sonoco-Alcore in 2004. See "*Operating and financial review – Acquisitions, divestitures and changes in Group structure*".

History

A. Ahlstrom Corporation was incorporated in Finland in 1908, and traces its origins to the family saw mill, iron and shipping business of Antti Ahlström established in 1851. The company focused on pulp, paper and timber production and machinery, later expanding to glassworks. A. Ahlström Corporation began to grow internationally in 1963, when it acquired a majority interest in a paper mill near Turin, Italy, that produced filter papers and rifle cartridge paper. During the 1980s, the company exited the newsprint and magazine paper market and thereafter focused its operations on specialty papers, and in the 1990s, the company expanded its focus to include nonwoven products. At the end of 1996, A. Ahlström Corporation continued its expansion by acquiring the French specialty paper and nonwovens producer Sibille-Dalle. During that same year, A. Ahlström Corporation established the Ahlstrom Paper Group to encompass the company's fiber-based materials operations.

In 1999, A. Ahlström Corporation began an extensive reorganization to focus operations on the fiber-based materials business of Ahlstrom Paper Group.

As part of its restructuring, A. Ahlström Corporation demerged into the following three companies in June 2001:

- Ahlstrom Corporation, which continued the fiber-based materials operations of the Ahlstrom Paper Group;
- Ahlström Capital Oy, an entity managing capital assets and engaging in private equity investment operations; and
- A. Ahlström Osakeyhtiö, an entity holding the Ahlström family heritage properties in Finland.

Between 1999 and 2005, a number of operations were divested as part of the reorganization, including businesses focused on electrical accessories, manufacturing of industrial pumps, packaging, pulp and paper making equipment and mill construction, as well as the sale of shares in Ahlstrom Kauttua Oy to Jujo Thermal Ltd., a company owned by Ahlstrom, Nippon Paper Group Co. Ltd. and Mitsui & Co. Ltd., in which the Company holds a 41.7% interest. In 2004, Ahlstrom entered into a joint venture with Sonoco Products Europe of the United States to form Sonoco-Alcore. As part of the venture, Ahlstrom transferred its core and board operations to Sonoco-Alcore, and currently holds a 35.5% interest in the venture. The reorganization and focusing of Ahlstrom's operations was finalized in 2004 following the sale of the share capitals in Akerlund & Rausing SpA and ZAO Akerlund & Rausing Kuban, both entities engaged in the packaging business.

During the restructuring, Ahlstrom also acquired a number of businesses that augmented in its core fiber-based operations. In 2000, Ahlstrom acquired the nonwovens division of Dexter Corporation and, during the same year, the Company acquired the Ascoli mill in Italy, which focused on the production of label and packaging papers. In 2002, Ahlstrom acquired Papelera del Besós, the Spanish filtration media and specialty paper supplier. In 2004, the Company acquired the filtration division of Hollinee L.L.C., which produced filtration materials for HVAC applications, and the nonwoven wipes business of U.S. based Green Bay Nonwovens. In 2005, Ahlstrom acquired the filtration operations of Lantor Inc. in the United States and China, and in the beginning of 2006 the Company acquired HRS Textiles Inc., an entity that serves the U.S. air and liquid filtration market. These acquisitions not only expanded Ahlstrom's operations, but also enabled the Company to acquire additional expertise in nonwovens and the production of filtration media.

As a consequence of the restructuring, acquisitions and investments in its operations, Ahlstrom has been transformed from a conglomerate with net sales of €2,164.0 million in 1999, of which the Ahlstrom Paper Group accounted for 51%, into a company focused on high performance fiber-based materials with net sales of €1,552.6 million in 2005, of which fiber-based products accounted for 100%.

Key strengths

Ahlstrom believes that its position as a leading supplier of high performance fiber-based materials is based on the following key strengths:

Understanding market needs, customer processes and applications. Ahlstrom operates in several geographic markets and product areas, and has developed a deep understanding of the industries in which its customers operate. The Company has long-term relationships with its customers, and the oldest customer relationship dates back over 100 years. Through its business areas and product lines, 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, the Company is able to offer innovative products and solutions that address the current and future needs of the market.

Fiber expertise. The Company's knowledge of fibers and fiber processing is based on over 150 years of Ahlstrom entities operating in paper and fiber markets. This expertise has been strengthened by the acquisitions of Sibille-Dalle in 1996 and the nonwoven division of Dexter Corporation in 2000, as well as a number of subsequent supplementary acquisitions within Ahlstrom's nonwoven and filtration operations. Ahlstrom's expertise extends to the use of both natural and synthetic fibers, their various combinations, and a range of chemical agents, enabling the Company to develop and offer high performance materials that provide customers with unique properties and cost benefits.

Leading market positions. Ahlstrom has a leading position in many of the markets in which it operates. Over an estimated 50% of the Company's net sales in 2005 were generated in product markets where the Company estimated that it is the global market leader, including the markets for transportation filtration, release base papers, flexible packaging papers and metalizing papers, nonwoven food and wallcovers and selected technical papers such as pre-impregnated decor papers, industrial crepe papers and vegetable parchment. Furthermore, Ahlstrom estimates that approximately 20% of its net sales in 2005 were generated in product markets where the Company is the second or third largest supplier. These positions provide Ahlstrom with increased visibility and access to leading customers, and often make the Company the supplier of choice for its customers.

Global presence. Ahlstrom has production on four continents and a global sales network. The Company has its production facilities in Europe, North America, South America and Asia. Ahlstrom's sales network currently spans 21 countries on six continents. This network enables Ahlstrom to serve customers more effectively on a global basis. During 2005, Ahlstrom has expanded its production platform to China through the acquisition of the filtration operations of Lantor Inc., and opened new sales offices in India and Poland and a second sales office in China. The geographic reach of Ahlstrom's operations facilitates close cooperation with customers and provides a platform for future expansion.

Competitive and versatile operations. Ahlstrom has implemented a group-wide program that aims to maintain and improve its competitiveness. This program focuses on cost efficiency, increased productivity, and streamlined operations and support functions, including purchasing, administration, and research and development. For example, the Company has streamlined operations through centralizing purchasing at the Group level to coordinate purchases across its operations and leverage its purchasing power with the Company's global suppliers. In addition, the Company's production base is relatively versatile, which facilitates effective use of capacity, minimizes downtime and allows for the redirection of resources to reflect changes in demand. For example, for a number of machines, Ahlstrom is able to switch production between several products or even re-direct machines, such as the 2004 rebuild of one paper machine in the Turin facility to produce nonwoven transportation filtration media.

Experienced management team. Ahlstrom is led by an experienced team of senior officers and managers with a strong track record of achieving growth within its core businesses, improving existing products and services, introducing new products and services, leveraging the benefits of technology and reducing costs. The management team also has experience in post-acquisition integration, corporate restructuring and starting up green-field operations. The management team, consisting of 11 individuals, has an average tenure of 17 years with Ahlstrom.

Business strategies

Ahlstrom aims to strengthen further its position as a global source of fiber-based materials by implementing the following business strategies:

Focus on long-term customer relationships by expanding product offerings to key customers. Ahlstrom's position as a market leader has enabled it to develop close and longstanding relationships with customers that are global market leaders in their respective industries. 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 that address specific customer requirements.

Achieve significant growth through innovation, organic investments and acquisitions in high performance roll goods. Ahlstrom intends to continue to concentrate on the production of roll goods with a particular focus on high performance and high growth business opportunities. This focus is reflected in the market prices for Ahlstrom's products, which range from approximately €1 per kilogram to above €10 per kilogram, compared, for example, to prices of less than 70 cents per kilogram for commodity-type papers. Management believes that further business opportunities exist within the high performance and growth sectors. Management seeks to exploit these opportunities by developing new and improved products, investing in the Company's technology and production platforms and considering new targets for strategic acquisitions.

Strengthen global presence by expanding the Group's sales network and investing in global production. Ahlstrom is strategically positioned on six continents to serve its customers. Certain major customers have expanded their global production into new geographic areas and are likely to continue to do so in the future. 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.

Competitive operations through capturing Group synergies and through continuous improvement. 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. Through its performance excellence program, the Company seeks to capture synergies particularly in production, purchasing, sales and marketing, innovation and administration. Ahlstrom also intends to continue to close down any production lines that it deems are unable to meet the Company's productivity requirements. In addition to developing new technologies that benefit a range of product lines, Ahlstrom's research organization seeks to utilize existing technologies, such as coating technologies or various fiber or chemical-related innovations, that are used in one product line to benefit other product lines. Similarly, Ahlstrom constantly evaluates the use of its capacity to optimize the use of its asset base across its different businesses.

Operations

Ahlstrom manufactures a variety of high-performance materials by using both natural and synthetic fibers and chemicals. These materials are sold predominantly in roll good form to manufacturers, often referred to in the industry as converters, who process the materials further and sell finished goods to industrial and consumer end users. Materials manufactured by Ahlstrom are used around the world in a variety of industrial and consumer sectors, including in the health care, transportation, food and beverage, packaging and labeling and home and office sectors.

Ahlstrom reports its operations in two segments, FiberComposites and Specialty Papers. The FiberComposites segment includes three business areas, Nonwovens, Filtration and Glass Nonwovens, and the Specialty Papers segment includes two business areas, Label and Packaging Papers and Technical Papers.

FiberComposites

The FiberComposites segment supplies nonwoven roll goods, including nonwoven fabrics, filtration media, and glassfiber reinforcements, to customers in several industry sectors and geographic markets. In 2005, the FiberComposites segment generated net sales of €742.3 million, representing 47.7% of Group net sales. The FiberComposites segment consists of three business areas, Nonwovens, Filtration and Glass Nonwovens. Nonwovens Industry Magazine has estimated that Ahlstrom is the world's sixth largest producer in these product areas.

The following table sets forth the FiberComposites segment net sales and volume by business area:

	2003	2004	2005
	FAS	IFRS	IFRS
Net sales	**(€ millions unless otherwise stated)**		
Nonwovens	302.2	308.0	363.0
Filtration	248.7	264.7	284.3
Glass Nonwovens	94.1	93.9	97.7
Eliminations	-0.3	-2.7	-2.7
Total	644.7	663.8	742.3

	2003	2004	2005
Sales in volume		**(tons in thousands)**	
Nonwovens	74.3	79.6	95.8
Filtration	91.0	105.4	104.8
Glass Nonwovens	39.3	42.5	43.5
Eliminations	0.0	-0.6	-0.5
Total	204.6	226.9	243.5

Nonwovens

Ahlstrom's nonwovens are designed to provide multi-functional product characteristics, including, where relevant, absorbency, liquid repellence, strength or filtering, and are used alone or as components in a variety of applications. Ahlstrom seeks to build on a combination of its know-how relating to natural and synthetic fibers, production techniques and multi-layering of materials, to generate demand for new nonwoven and composite materials in both existing and new markets.

Ahlstrom's position and focus

Ahlstrom believes that it is one of the leading suppliers in the markets served by its medical, wipes, food and industrial nonwoven product lines. In general, Ahlstrom focuses on nonwoven product lines where it believes it can leverage Group fiber knowledge to gain a leading position in high value added market sectors that offer the potential for significant growth, such as medical and wallcover nonwovens. The Company also supplies markets that offer the potential for high growth, such as the wipes market, even if Ahlstrom's current market share is relatively small.

Ahlstrom aims to gain from the ongoing substitution trend in the nonwovens market, whereby nonwoven products replace products made of textiles, paper and plastics. Ahlstrom seeks to generate demand for nonwoven materials both in existing and new markets by seeking to continue to introduce new or improved products. For example, Ahlstrom aims to expand its technology base to allow for an increase in the production of composite and hybrid materials that combine different fibers or fiber layers. Moreover, Ahlstrom is looking for opportunities for geographic growth in the Americas and Asia, either through organic investments or acquisitions.

Customers and competition

Ahlstrom's customers in medical, wipes and certain other nonwoven applications include large multinational companies, which operate converting facilities that require inputs that can be processed at high speeds. In the wallcover, transportation and other niche markets for nonwoven fabrics, Ahlstrom typically has different customers with specialized needs that require Ahlstrom to have versatile production capacity. Although such customers vary in size, they include leading suppliers within their own target markets.

Ahlstrom's competitors in the Nonwoven business area are typically large companies with international operations. The Company's principal competitors in the medical and wipes sectors include Kimberly-Clark, DuPont, BBA, PGI and Freudenberg, whereas in the food sector the principal competitors include JR Crompton and S&H Glatfelter, and in the industrial nonwovens sector, FiberMark.

Nonwoven products also compete with a range of plastics, paper and textile products that seek to provide functionalities similar to those provided by many nonwovens. The ongoing trend toward greater hygiene and convenience may, however, offer an advantage to nonwoven products. Moreover, the recent rise in oil prices has increased the relative cost of plastics compared to competing materials.

Product lines

Ahlstrom's nonwovens product lines are relatively similar in size in terms of sales and include:

- *Medical*. Ahlstrom produces a range of products for nonwoven medical applications, with a focus on more technical and higher value-added products such as surgical drapes and gowns. Ahlstrom aims to increase its market share in medical nonwovens through product improvement. The Company believes that its fiber knowledge and ability to manufacture composite materials, such as breathable viral barriers, on a single production line provide a competitive advantage. Ahlstrom's typical customers in medical nonwovens are large converters, marketers and distributors that serve hospitals and other health care service providers. Ahlstrom is among the three largest suppliers of medical nonwovens in the world. Ahlstrom's crepe papers product line in the Technical Papers business area also serves the lower end of the medical sector. Marketing of these nonwoven and paper products is coordinated by Ahlstrom's nonwoven sales organization. This joint marketing enables the Company to offer a more complete range of products and to benefit from certain cross-group synergies.

- *Wipes*. Ahlstrom's nonwoven materials are used to make household, personal care, baby and industrial wipes. Applications for wipes products have increased as products become more differentiated to meet specific customer needs. The Company aims to provide wipe products with superior qualities by leveraging its technological platforms to develop products such as water-flushable and water-dispersible wipes. The Company is also researching possibilities to increase the use of natural fibers in the production of wipes in order to promote the natural and environmentally-friendly image of the products and to make their disposal easier. Competition in the wipes market is relatively fragmented, and as a result of strong growth in the market there is currently no clear market leader. Ahlstrom's crepe papers product line in the Technical Papers business area also serves the wipes market as nonwoven and paper product ranges complement each other and provide differing cost and performance combinations to match various customer needs. Marketing of these nonwoven and paper products is coordinated by Ahlstrom's nonwoven sales organization. This enables the Company to offer a more complete range of products and to benefit from certain cross-group synergies.

- *Food.* Ahlstrom supplies nonwovens used in the food industry for applications such as teabags, coffee pods, fibrous meat casings and absorbent food materials. Ahlstrom aims to leverage its broad production capabilities to seek growth in higher value-added products, such as coffee pods, teabags with embossed logos, and fibrous meat casings. Ahlstrom's principal customers include manufacturers of leading brands in the food, home and personal care sectors. Ahlstrom believes that despite modest general growth, opportunities may be found in certain geographic regions, including Asia and Eastern Europe, where consumer behavior may shift over time from the use of loose tea to packaged tea solutions.

- *Industrial nonwovens.* Ahlstrom supplies nonwoven products for a range of industrial applications with a particular focus on nonwoven wallcoverings, acoustic insulation and flooring in the building industry. Ahlstrom believes it pioneered the development and is currently the leading supplier of nonwoven wallcoverings. The wallcovering market is also served by Ahlstrom's wallpaper base and poster paper product line, which is a part of the Technical Papers business area. By coordinating the marketing and sales efforts of both these product lines, Ahlstrom is able to achieve cost benefits and can provide differing cost and performance combinations designed to match various customer needs. Through joint efforts of the Technical Papers and Nonwoven business areas, Ahlstrom is also currently developing a new hybrid wallcovering material that combines the desired properties of nonwoven-based and paper-based products in a cost effective way.

  In addition to wallcoverings and other building applications, Ahlstrom's industrial nonwovens product line currently supplies nonwoven materials used for decoration, graphics, automotive interiors, apparel, catering and luxury packaging. Within these products, Ahlstrom aims to continue to develop and identify new applications that may offer future growth potential.

Production and technology

Ahlstrom is able to employ a broad range of advanced nonwoven production technologies. Ahlstrom produces its nonwoven products from seven principal sites in Europe, Asia, and the United States. See "– *Production facilities*". Production capabilities at these sites are specialized and focused on different production techniques. In certain circumstances, however, Ahlstrom can shift production within nonwoven product lines and even between different business areas, such as filtration and nonwovens, to re-direct production to best meet demand. Ahlstrom predominantly uses wetlaid, spunlaid (including meltblown) and spunlace processes to produce its nonwoven products. See "*Industry overview – FiberComposites – Principal technologies*". In 2005, Ahlstrom entered into a strategic alliance with Advanced Fabrics ("SAAF") in order to enable Ahlstrom to supply surgical drapes and gowns manufactured by SAAF using spunbond/meltblown (SMS) technology alongside the Company's existing product range.

Recent product improvements include a composite production process that Ahlstrom has developed for medical fabrics that combines layers of nonwoven materials and plastic film on a single production line. Using this technique, Ahlstrom has introduced a new breathable viral barrier, which provides superior barrier properties for surgical drapes and gowns. A similar composite technology has also been developed and launched for wipes. Ahlstrom believes that innovations such as these can increase demand for new nonwoven materials, particularly in markets where nonwovens serve as a substitute for existing products, such as textiles, paper and plastics.

Filtration

Filtration media produced by Ahlstrom are used in the transportation industry and in liquid and air filtration applications. Ahlstrom believes that, as a result of its know-how and customer driven approach to developing solutions, the Company is well positioned to meet market demands for more specialized filtration media and sophisticated technical processes and to address increasingly stringent environmental, health and regulatory requirements.

Ahlstrom's position and focus

Ahlstrom estimates that it is the leading global supplier of filtration media, and holds a particularly strong position in transportation filtration. The Company is also active in liquid and air filtration, particularly in the HVAC markets. In addition to its continued concentration on transportation filtration, Ahlstrom aims to expand in the air and liquid filtration sectors, with a particular emphasis on gas turbine and high temperature air filtration, together with water and specialty liquid filtration. The Company expects above average growth rates for filtration markets in Eastern Europe, South America and Asia. The recent acquisition of the filtration operations of Lantor Inc. in the United States and China reinforces Ahlstrom's position in the transportation and air filtration markets by providing additional needlepunch nonwoven production capacity and by expanding the existing product portfolio, especially in air and transportation filtration. In the beginning of 2006, Ahlstrom acquired HRS Textiles Inc., an entity that serves the U.S. air and liquid filtration markets.

Customers and competition

Ahlstrom produces and delivers filtration media in roll good form to filter manufacturers and marketeters. Ahlstrom serves a broad base of customers. Principal competitors include Hollingsworth & Vose, FiberMark, Freudenberg, Kimberly-Clark and Lydall. Many smaller and typically regional companies also operate in the field of filtration.

Product lines

Ahlstrom's filtration product lines include:

- *Transportation filtration*. Transportation filtration represents a substantial part of Ahlstrom's filtration business. Ahlstrom is able to supply a full range of natural and synthetic fiber based filtration products, and seeks to develop filtration media that provide enhanced performance characteristics, such as longer filter life in heavy use and wet conditions, and media that can screen out finer particles. Ahlstrom estimates that it is the market leader in transportation filtration media.

- *Air filtration*. Ahlstrom focuses on the HVAC sector of the air filtration market. In addition, Ahlstrom currently serves customers within the power generation and selected high-end sectors of the dust filtration markets. Recent innovations within the filtration business area have also enabled Ahlstrom to enter market sectors that require higher filtration performance. For example, the use of carbon in the Trinitex® process can provide better odor control and effective filtration of fine particles. See "*– Production and technology*". Ahlstrom has a strong position in North America in mid-range filters and is expanding into higher value-added filtration media.

- *Liquid filtration*. Ahlstrom focuses on the water filtration sector of the liquid filtration market, where the Company perceives that the most promising growth opportunities exist. Ahlstrom also offers solutions for markets with high specification filtration requirements, including filters used in laboratory and diagnostic processes, reverse osmosis water filtration and a variety of food applications. In addition, Ahlstrom serves industrial markets with products adapted for coolant filters, press pads and other industrial liquid applications. Ahlstrom holds leading positions in many of the liquid filtration product markets that it serves, such as milk filtration.

Production and technology

The production of filtration media is largely based on the same underlying technologies that are used within the Nonwovens business area, including wetlaid, meltblown and carded/needlepunch processes. See "*Industry overview – FiberComposites – Principal technologies*". Ahlstrom produces its filtration products from 12 manufacturing sites with over 20 production lines. These sites are located in North America, South America, Asia and Europe. See " *– Production facilities*".

The Company has recently developed the Trinitex® nonwoven production process, which enables one production line to create materials that include three wetlaid layers, comprising a sensitive encapsulated inner layer surrounded by softer wetlaid fibers on the outside. Products manufactured using the Trinitex® process include, for example, filtermedia with encapsulated micro-glass fibers that can be used to control humidity. In the high-end filtration area, Ahlstrom has also developed a new patent-protected photocatalytic technology for air and liquid filtration. This technology uses an environmentally friendly oxidization process to disinfect and purify air or liquids by destroying, for example, odor creating pollutants. The potential applications for this technology are significant both in the industrial and agriculture sectors. Most recently, Ahlstrom has introduced nanofiber production to its filtration product range. Through the use of nanofibers, the efficiency and life time of filtration media can be enhanced, while maintaining other important performance characteristics.

Glass Nonwovens

Ahlstrom's operates within various high-end sectors of the European glass nonwoven market, and its products have applications in the building, marine, transportation, windmill blade reinforcement and sporting goods sectors. Ahlstrom focuses on areas in which the Company has identified opportunities to differentiate itself from its competitors by combining its glassfiber, textile and nonwoven production know-how to produce specialty composite products.

Ahlstrom's position and focus

Ahlstrom holds leading positions in its specialty glassfiber product markets in Europe, such as vinyl flooring, marine and windmill markets. Ahlstrom aims to focus on the development and production of glassfiber tissues and specialty reinforcements to provide customers advanced and customized solutions. In addition, the Company seeks to evaluate organic investments and potential acquisitions that would expand the geographic reach of its production platform to the Americas and Eastern Europe, where Ahlstrom believes there are opportunities for higher growth.

Customers and competition

Ahlstrom serves large European customers in the higher end building and windmill sectors. In the marine sector, Ahlstrom's largest customers include several rapidly growing luxury boat builders in Europe. The Company's most significant customers in the transportation sector are large light-weight composite producers.

Ahlstrom's principal competitors in the global market for glass nonwovens are large producers of glassfiber reinforcement products. These producers, however, often focus on higher-volume commodity oriented products. Principal competitors include Vetrotex, a subsidiary of Saint-Gobain, Owens Corning and Johns Manville, which is an entity controlled by Berkshire Hathaway Inc. Competition within the glass nonwovens market is intensive, and increased glassfiber production in China is driving down prices, particularly in high-volume products.

Product lines

Ahlstrom's Glass Nonwoven product lines are relatively similar in size in terms of sales and include:

- *Glassfiber tissue*. Glassfiber tissues are used in the building and transportation industry, and are typically tailored for customer needs and used as carriers or as surface layers. Ahlstrom has been a pioneer in this sector, which it entered in the 1970's. Ahlstrom seeks to build strong relations and work in close cooperation with its customers in order to outperform its competitors by supplying materials that meet critical customer requirements, including consistent quality and smoothness of product surface. Ahlstrom estimates that it is one of the leading suppliers within the European vinyl floor market.

- *Glassfiber reinforcements*. Glassfiber reinforcements are primarily used in building, marine, transportation, windmill and other technical applications that involve weight critical structures. Ahlstrom is active in all of these sectors, with its primary focus on the European market and products that offer higher added value than more commodity based glassfibers. The Company aims to provide an expedited customer service and products with consistent quality and good mechanical properties, including strength. Ahlstrom believes that its advantage lies in its close customer relationships and broad product offering.

- *Specialty reinforcements.* Specialty reinforcements represent the higher end of the glassfiber market and have applications within the windmill, marine, transportation and other technical niches. Specialty reinforcements are distinguished from glassfiber reinforcements by the use of different textile technologies, such as woven, combination and multi-axial processes. A majority of the products are tailored and produced according to specific end product requirements. Ahlstrom supplies a range of products used, for example, as reinforcements in boat hulls and windmill blades, in addition to sporting goods such as rackets and skis. Management believes that Ahlstrom's advantage lies in its close customer relationships and its ability to offer a comprehensive and customized product offering providing specific properties, including optimized weight – strength ratios and consistency of quality. Ahlstrom believes that it is within the top three specialty reinforcement suppliers in the European market.

Production and technologies

Ahlstrom produces its glass nonwoven products at two sites in Finland. See "– *Production facilities*". Ahlstrom's glass nonwovens are generally manufactured using the same underlying technologies that are used within the nonwovens industry, including wetlaid and airlaid processes. Ahlstrom also uses technologies that originate from the textile sector to produce certain high-end specialty reinforcement products. Ahlstrom currently produces a significant portion of the glassfibers needed for the production of its glass nonwovens at its Karhula site in Finland.

Specialty Papers

Ahlstrom's Specialty Papers segment supplies a range of label and packaging and technical papers in roll good form to industrial and commercial customers in several industry sectors and geographic markets. Ahlstrom focuses its production on areas in which management believes the Company has a competitive advantage and which offer significant market opportunities. The segment generated net sales of €814.7 million in 2005, representing 52.3% of Group net sales. The Specialty Papers segment includes two business areas, Label and Packaging Papers and Technical Papers. Ahlstrom estimates that it is the global leader in the specialty papers market.

The following table sets forth the Specialty Papers segment net sales and volume by business area.

	2003 (1)	2004 (1)	2005
	FAS	IFRS	IFRS
Net sales	**(€ millions unless otherwise stated)**		
Label and Packaging Papers	541.5	542.0	544.2
Technical Papers	250.4	268.8	271.2
Eliminations	-3.6	-2.8	-0.7
Total (excluding Cores and Board) (2)	788.3	808.0	814.7
Cores and Board (2)	97.8	77.9	0.0
Total	886.1	885.9	814.7
Sales in volume	**(tons in thousands)**		
Label and Packaging Papers	479.8	485.9	487.9
Technical Papers	161.7	177.3	188.8
Eliminations	-1.9	-0.6	-0.6
Total (excluding Cores and Board) (2)	639.6	662.6	676.2
Cores and Board (2)	128.3	102.9	0.0
Total	767.9	765.5	676,2

(1) The data for years 2003 and 2004 has been adjusted to reflect Ahlstrom's adoption of a two segment reporting structure effective January 1, 2005. See "*Operating and financial review – Overview"*.
(2) Ahlstrom transferred its Cores and Board operations to Sonoco-Alcore in 2004. See "*Operating and financial review – Acquisitions, divestitures and changes in Group structure*".

Label and Packaging Papers

The Label and Packaging Papers business area supplies release base papers for self-adhesive applications, wet glue labels, flexible packaging papers, metalizing papers, face stock papers and office and graphic papers. Papers used range from metalized wet glue labels to calendered papers that are coated on either one or both sides.

Ahlstrom's position and focus

Ahlstrom believes that it is the leading supplier of flexible packaging papers and metalizing papers, and shares the leading position with UPM-Kymmene in release base papers. Ahlstrom's main geographic markets for label and packaging papers are Europe and the United States, but the Company is also increasingly selling products in Asia and other parts of the world. In addition to release base and flexible packaging papers, Ahlstrom focuses on selected higher value-added applications, such as metalizing base, wet strength labels and office and graphics papers.

Ahlstrom aims to grow its label and packaging business primarily through organic investments and by optimizing the efficiency and utilization of its production assets. Moreover, the Company is looking for opportunities for geographic growth in the Americas and Asia through organic investments and acquisitions. Ahlstrom aims to provide a full range of release base papers for self-adhesive applications and to leverage its research and development functions to innovate and introduce new and improved products.

Customers and competition

Ahlstrom's principal customers for release base papers include global producers of self-adhesive laminates. Similarly, Ahlstrom's principal customers in the flexible packaging market are leading converters in the food packaging industry, and the Company's principal customers in the wet glue sector include major international breweries. In office and graphics, the largest customers include global leaders in office products.

Ahlstrom's competitors in release base papers, flexible packaging and wetglue labels include integrated forest product companies that operate on a global scale, some of which focus on production of commodity-type paper grades and pulp. Principal competitors include UPM-Kymmene, Stora Enso, Cham Paper Group and Brigl & Bergmeister.

Ahlstrom's paper-based label and packaging products also compete with plastic-based products that, for example, provide superior barrier properties. Recent advances in paper-based label and packaging materials have partially offset some of these advantages, however, and the recent rise in oil prices has increased the relative cost of plastics compared to paper-based materials. Paper-based materials can also offer certain environmental advantages compared to plastic products.

Product lines

Ahlstrom's label and packaging product lines include:

- *Release base papers*. Release base paper represents a substantial part of Ahlstrom's Label and Packaging Papers business area and constitutes the Company's largest product line overall. Ahlstrom supplies release base papers to producers of self-adhesive laminates and commercial siliconizers. These producers have consolidated in recent years, and one customer accounts for a significant portion of Ahlstrom's release base paper sales. Customers have strict requirements for product properties, such as dimensional stability and a closed and smooth surface to allow for efficient production and required release properties. Ahlstrom has developed a range of release base paper products that meet these requirements, including the supercalendered base paper ("Silca") and clay coated base paper ("Silco"). The market for clay coated base paper, which represents approximately 15% of Ahlstrom's release base paper sales, has moderated in recent years and competition in these products has become more intense. Due to the higher volumes and strong growth of the supercalendered base papers, the Company has concentrated production on dedicated high-volume paper machines in order to facilitate efficient use of production assets. Ahlstrom believes that it shares the leading position in release base papers with UPM-Kymmene.

- *Face stock papers.* Ahlstrom offers a broad range of face stock papers for self adhesive labeling with a selection of weights and finishes that are suitable for diverse market needs. Management believes that the Company's advantage lies in its understanding of customer needs and continuous investment in the development of new products and the improvement of its existing product range.

- *Flexible packaging papers*. Ahlstrom supplies papers for packing dry pet food, coffee, dehydrated and frozen foods, confectionery and dairy products. Ahlstrom seeks to expand its flexible packaging papers production by offering new properties for packaging papers, including improved grease barriers, heat sealing properties transparency, and by offering base paper for metalized packaging. Ahlstrom estimates that it has the leading position in the market for flexible packaging papers.

- *Wet glue label papers*. Ahlstrom serves the wet-glue label printing industry on a global basis offering customized solutions especially for beer and beverage labeling. Self-adhesive labels are increasingly serving as substitutes for wet glue labels in some end use applications, such as for premium beer and other alcoholic beverages. Ahlstrom serves the wet-glue label printing industry on a global basis, with a particular focus on metalizing applications, offering customized solutions for beer and beverage labeling.

- *Metalizing papers.* Ahlstrom focuses on the development and production of wet glue and wrap around metalizing labels for the beer and beverage industry. Management believes that Ahlstrom's advantage lies in its experience in producing high quality coated papers that are designed for vacuum metalizing and its understanding of the needs of industrial metalizers and their customers. Ahlstrom believes that it is the leading supplier of metalizing papers.

- *Office and graphic papers.* Ahlstrom supplies a range of base papers for repositionable notes, envelope windows, and photographic materials to meet specific customer requirements within the office and graphic paper market. Ahlstrom aims to develop strong positions in high value added market segments that are suitable for the Company's existing production assets. Office and graphic papers can also be used to fill machine capacity during times when the relevant paper machines are not producing other products. Ahlstrom is also present in the thermal paper market through its Finnish joint venture entity Jujo Thermal Ltd, in which Ahlstrom holds a 41.7% interest. Ahlstrom believes that the venture is well-positioned in the market and it is actively seeking to expand its operations in thermal papers.

Production and technology

Ahlstrom produces label and packaging papers at six manufacturing sites in Europe. See "– *Production facilities*". Label and packaging products are manufactured by using basic paper production technologies and are often refined further using calendering, coating and other techniques.

Ahlstrom has recently developed a recyclable paper-based material used for packaging confectionery products, including chocolate bars. The new product, which has been developed exclusively for one of the Company's customers within the food industry, is visually attractive, easy to tear, suitable for food contact and compatible with the existing converter machines used by customers. As a result, the product is able to compete with plastic packaging.

Technical Papers

Ahlstrom serves global technical papers markets and offers technical solutions to demanding end-product specifications. Ahlstrom's technical paper products are supplied as roll goods to customers who convert these papers into sophisticated end-market products. The ability to provide customized products and converting concepts is critical to success in this industry. Ahlstrom's technical papers are used in a variety of applications, including within the automotive, building, food, healthcare and furniture industries. In general, paper represents a small portion of the cost of the final product, but the functional and quality requirements for the paper can be very high. Product requirements and market drivers, however, can vary substantially with each specific end use requiring a particular paper grade.

Ahlstrom's position and focus

The primary markets served by Ahlstrom are the building, furniture, tape, medical, automotive and food industries. Management believes that Ahlstrom is the leading supplier of pre-impregnated decor, industrial crepe, vegetable parchment and poster papers. Ahlstrom is among the top three global producers of calender bowl papers and gasket (sealing and shielding) papers and wallpaper and abrasive base papers. Ahlstrom aims to grow its technical papers business primarily through organic investments and new product innovations. In order to reduce dependence on the European market, the Company is seeking to expand its geographic production platform to South America and Asia, which the Company believes provide opportunities for higher growth. To support this growth strategy, Ahlstrom intends to evaluate suitable strategic acquisitions, where appropriate.

Customers and competition

The technical paper market is fragmented and involves a large number of specialized markets. Ahlstrom estimates that many of these markets are consolidated with over 50% of demand being supplied by three leading companies in the relevant sectors. Ahlstrom's customers for technical papers include well known and leading suppliers of industrial materials in various markets. Ahlstrom's principal competitors include Arjo Wiggins, Wausau, Neenah Paper and Munksjö, many of which manufacture a wide range of technical papers. Other important competitors, which may include operators such as M-real, may have broader paper operations but only supply a limited number of technical papers product lines.

Product lines

Ahlstrom's primary technical paper products are relatively similar in size in terms of sales with wallpaper base paper and vegetable parchment representing a somewhat larger proportion of sales. Product lines include:

- *Wallpaper base and poster paper.* Ahlstrom provides premium-coated papers for the wallpaper market and focuses primarily on high-end sectors where the Company is able to combine a variety of fibers, including recycled materials. Billboards for outdoor advertising constitute the largest market sector for Ahlstrom's poster papers. Ahlstrom uses similar production techniques for its wallpaper and poster products, and designated production machines are able to shift between products. Management believes that the Company has some of the most efficient production lines within both the wallpaper and poster paper markets. Ahlstrom estimates that it is among the top three suppliers of wallpaper base paper and is the leading supplier of poster papers. The wallpaper market is also served by the Company's industrial nonwovens product line. By coordinating the marketing and sales efforts of both these product lines, Ahlstrom is able to achieve cost benefits and can provide differing cost and performance combinations that match customer needs.

Through joint efforts of the Technical Papers and Nonwovens business areas, Ahlstrom is also currently developing a new hybrid wallcovering material that combines the desired properties of nonwoven-based and paper-based products in a cost effective way. The Company believes that these new hybrid solutions, which are also being developed by its competitors, will drive future demand for wallcoverings.

- *Vegetable parchment.* The primary applications for Ahlstrom's vegetable parchment papers are in the food wrapping market, with applications principally in the markets for baking and the wrapping of greasy foods. Ahlstrom also makes products for use in textile tubes, and release base papers for high-pressure furniture laminates and carbon fiber composites. Ahlstrom has identified an attractive opportunity for its heat resistant greaseproof papers in the fast food restaurant sector, where it believes that its products are able to provide superior performance in terms of heat resistance and release properties. Ahlstrom is the leading supplier of vegetable parchment papers and among the top three suppliers on the market for greaseproof papers overall. Vegetable parchment products are technically demanding, and Ahlstrom believes that producers of vegetable parchment must have substantial technical and production know-how and experience.

- *Crepe paper*. Ahlstrom's main focus within the crepe papers product line is on the production of base papers for masking tapes. The Company also produces crepe papers for use in sterilization applications in hospitals, wet wipes and table covers. In masking tape, management believes that Ahlstrom's advantage lies in its ability to supply multiple varieties of product widths, as required by its various customers. Moreover, significant benefits may be achieved through joint marketing of crepe paper-based wipes and sterilization wraps with Ahlstrom's nonwoven medical and wipes products. Ahlstrom estimates that it is the leading supplier of industrial crepe papers.

- *Pre-impregnated decor paper* ("*PRIP*"). Ahlstrom focuses on the high end of the decor paper market by producing PRIP that is used to decorate wood-based panels in the furniture and woodworking industry. Decorative laminates can be printed to imitate wood or stone surfaces. PRIP products are technically demanding and Ahlstrom believes that producers of PRIP must have substantial technical and production know-how and experience. Despite recent cyclicality in the market caused by changes in converter and end user demands, management believes that PRIP represents an interesting growth opportunity, as the product offers cost advantages over traditional decor papers in many new applications. Ahlstrom's advantage lies in the expertise it developed in pioneering the development of these paper grades and the proximity of its production assets proximity to the main markets in Europe. Ahlstrom believes that it is the leading supplier in the growing PRIP market.

- *Abrasive base paper*. Ahlstrom produces base paper for coated abrasive materials with a primary focus on heavy weight papers. The market for abrasive products is relatively stable, but the Company is in the process of expanding its offering into latex papers for wet abrasive applications and is evaluating possible combinations with nonwoven and paper products. Management believes that Ahlstrom's advantage in this sector lies in its high quality products and services and its strong research and development capabilities, combined with a specialized production asset base located close to the main markets for abrasive base paper. Ahlstrom estimates that it is a leading supplier of abrasive base papers.

- *Sealing and shielding materials.* Ahlstrom produces materials for a variety of sealing and shielding applications based on cotton processing and latex addition technologies. Materials produced from cotton or other natural fibers are used in manufacturing bowls for paper machine calenders and press pads used in the production of integrated circuits. Latex additive materials are used in engine head cylinder gaskets and engine room heat shields in the automotive industry. Management believes that Ahlstrom's advantage lies in its long term relationships with key customers and the Company's strong focus on technical development.

Production and technology

Ahlstrom manufactures its technical papers at ten paper machines located at eight production sites in Europe. See "– *Production facilities*". Technical paper products are manufactured by using basic paper production technologies and are often refined further using impregnation, coating and other techniques.

Ahlstrom has recently developed a new range of wipes products within the Technical Papers business area, which provide high cleaning efficiency, combined with softness, strength and biodegradability. This new wipe product range, called

"Soft & Resilient", represents a new generation of so-called hybrid products, which combine the desired properties of nonwoven and paper products in a more cost effective way.

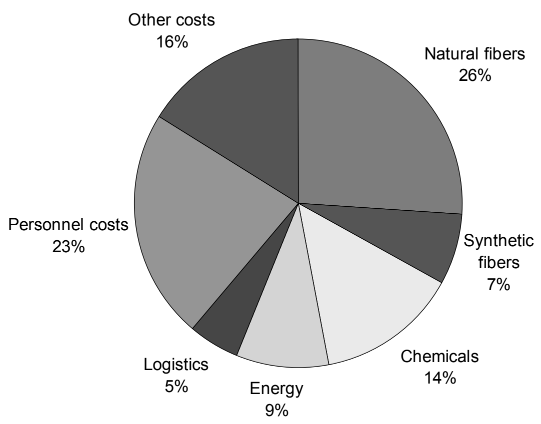
Purchasing

Raw material and energy account for the main portion of Ahlstrom's expenses, approximately 57% in 2005. The three most important categories of raw materials for Ahlstrom are wood pulp, chemicals and synthetic fibers. Unlike some of its competitors, Ahlstrom does not produce pulp. The Company estimates that it is among the largest non-integrated purchasers of market pulp in the world. The Company seeks to take advantage of lower prices that can be available for high volume purchasers, and has benefited from the new pulp production capacity coming online in various geographic markets. Synthetic fibers are predominantly purchased from a number of selected suppliers, whereas the broad range of chemical inputs required for Ahlstrom's production processes are sourced from specialized manufacturers of the specific chemicals required.

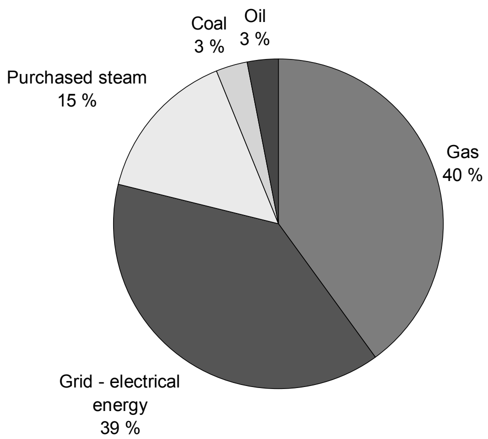
Energy inputs, including natural gas, electricity and steam, are also important components of Ahlstrom's production processes. The Company obtains the largest portion of its energy from natural gas, followed by electrical power. Historically, the Company generated much of the energy required for its operations itself. In recent years, however, the Company has entered into a variety of arrangements to outsource its energy requirements, ranging from sales of power plants to cogeneration and other agreements. Today, the Company purchases a majority of its energy requirements from regional suppliers. To control its energy costs, Ahlstrom consolidates purchasing with major regional suppliers, and seeks to enter firm price or index-linked contracts with these suppliers when possible. Presently, more than half of Ahlstrom's electricity and gas needs in Europe and a certain portion of the United States are covered by such agreements.

The charts below outline the division of Ahlstrom's total expenses amounting to €1,382.4 million and energy expenses amounting to €127.6 million for 2005. For a discussion of Ahlstrom's other expense items, see "*Operating and financial review – Factors affecting the results of operations and financial condition of Ahlstrom*".

Ahlstrom total expenses in 2005



Ahlstrom energy expenses in 2005



Many of Ahlstrom's production processes use similar raw material inputs leading the Company to centralize purchasing of raw materials at the Group level. This centralization enables Ahlstrom to coordinate raw material purchases across its operations and to leverage its purchasing power with its suppliers, most of whom operate on a global scale. Central purchasing sets and monitors compliance with concrete targets for the purchasing function that relate to gross margin, working capital, supply and price predictability and optimization of raw material inputs through innovation.

Through the central purchasing function, Ahlstrom aims to adopt a consistent approach to purchasing by focusing on limiting price volatility, maximizing rebates and negotiating favorable payment terms and consignment stock arrangements. In addition, Ahlstrom seeks to develop close relationships with suppliers to encourage collaboration in order to improve the Group's products. Central purchasing also evaluates current and alternative sources of raw materials and potential supply risks.

Ahlstrom's corporate purchasing is organized on three levels, the corporate, regional and local purchasing functions. Corporate purchasing is responsible for establishing purchasing strategy, setting targets and, where relevant, negotiating framework purchase agreements. With respect to wood pulp, where considerable understanding of the global pulp market is available at the Group level, corporate purchasing also coordinates actual purchases. In addition, corporate purchasing cooperates with the research and development function to analyze alternative raw materials that can be used in production processes that may be less costly or provide other benefits compared to current inputs. The regional and local purchasing functions implement the corporate purchasing strategy and place orders under the framework agreements. The local purchasing function also seeks to identify opportunistic raw material purchases, when available.

Ahlstrom aims to reduce the total number of its suppliers and has identified preferred suppliers that best meet its volume, price and quality needs. The Company's goal is to source between 60% and 80% of all purchases through this preferred supplier list. Supply agreements with preferred suppliers often provide for guaranteed supply volumes or volume rebates, and sometimes include pricing mechanisms designed to reduce the impact of cyclical price fluctuations by, for example, entering into firm price contracts or floor and cap price level contracts. Those supply agreements often provide for advance notice periods before supply arrangements can be terminated and for the renegotiation of contract terms in the event of a change in a major production unit or ownership of either party. Purchase contracts from preferred suppliers are generally made on a yearly basis based on existing inventories, market trends and to cover Ahlstrom's expected customer obligations. To complement the list of preferred suppliers, Ahlstrom has also identified supplementary sources of raw materials that can be used to reduce the risk of supply interruptions. See "*Risk factors – Risks related to Ahlstrom's business – Increases in costs of raw materials and delays and problems in the supply of raw materials could disrupt or otherwise adversely affect Ahlstrom's business*".

Sales and marketing

Ahlstrom reaches customers through its own sales channels, including direct sales by the product lines and the Company's sales offices, as well as through third-party agents. Ahlstrom has consistently worked to increase the portion of sales generated through its own channels. Through the use of its own sales channels, Ahlstrom seeks to develop closer relationships with customers that are leaders in their respective markets. The sales function also works to initiate development of new products through early-stage collaboration with customers, and to increase sales of technically advanced and higher value added products.

The Group aims to gain additional sales through coordinating sales of complementary products from different business areas. Ahlstrom has a program to coordinate sales and development to shared customers and industries and benefit from its Groupwide customer base. Examples of cross selling between product lines include crepe papers and medical nonwovens within the healthcare industry, paper and nonwoven-based wallcovers to serve a broader range of customer needs within the building industry, and wet wipes produced both within the Nonwovens and Technical Papers business areas. The business areas also benefit from corporate marketing that promotes the global Ahlstrom brand and supports business activities with sales channels, tools and templates to establish best practices in communications and marketing.

Customer relationships are typically long standing and have evolved through a period of cooperation during which the quality and properties of the products have been developed to best meet the particular demands of Ahlstrom's customers. Ahlstrom believes that this long-term nature of the customer-supplier relationships reduces the likelihood of customers switching suppliers. For the most part, Ahlstrom's sales are based on orders and order confirmations between Ahlstrom and its customers that specify relevant delivery terms and, to the extent possible, incorporate Ahlstrom's general terms of sale. These terms generally limit remedies for any breaches of warranty to repair or replacement of the relevant goods or reimbursement of the purchase price or cancellation of the purchase contract and, depending on the relevant jurisdiction, limit damages to the price of the goods sold by Ahlstrom. Some of Ahlstrom's customer relationships are based on annual framework agreements, which set forth pricing and other terms and conditions regarding product sales. See "*Risk factors – Risks related to Ahlstrom's business – Ahlstrom may be required to pay damages or other remedies as a result of product liability claims*".

Ahlstrom's sales organization has approximately 450 employees. Of these, approximately 300 employees are situated at the Company's various production sites and approximately 150 employees are situated in Ahlstrom's 23 sales offices, which are located in 21 different countries. During 2005, Ahlstrom opened sales offices in India and Poland and a second sales office in China. In order to expand its sales coverage, Ahlstrom uses third-party agents in smaller markets that are compensated on a commission basis.

Distribution

Ahlstrom organizes the transportation of a majority of its products directly to its own customers as business-to-business deliveries and without third party intermediaries in the distribution chain. With certain exceptions, products are produced against orders received from customers and there is only a limited need for Ahlstrom to maintain substantial product stocks.

Ahlstrom generally organizes the transportation of its products to customers using a variety of third-party transport service providers. Transportation is usually conducted by truck or ship. Ahlstrom typically charges transportation costs directly to its customers. Logistics costs represented approximately 5% of Ahlstrom's total expenses in 2005.

Research and development

An important part of the development of Ahlstrom's business is the development of new products and the continuous improvement of existing products. A total of 187 of Ahlstrom's employees are dedicated to research and development, representing 3.4% of the overall workforce. Approximately 35% of Ahlstrom's net sales in 2005 were generated from new and improved products launched during the last three years. Of these products, 14% represented new products and 21% represented improvements of existing products. In 2004 and 2003 approximately 27% and 22%, respectively, of net sales were generated from such new and improved products. Ahlstrom seeks to work together with its customers to discover not only new processes and technologies, but also to make incremental improvements to existing products and processes, in order to supply better and cheaper products. During 2005, Ahlstrom spent approximately €27 million, or 1.7% of net sales, on research and development activity. In the FiberComposites segment, Ahlstrom's 2005 research and development expenses represented 2.5% of that segment's net sales, which the Company estimates is in line with the industry average. In the Specialty Papers segment, Ahlstrom spent 1.0% of its net sales in research and development, in 2005, which the Company estimates is slightly above the paper industry average. See "*Risk factors – Risks related to Ahlstrom's business – Ahlstrom may not be successful in product development and innovation, which are critical for the Company's future growth and for maintaining its market position*". For further information on Ahlstrom's research and development expenses for the financial years 2003, 2004 and 2005, see "*Selected financial information*".

In order to coordinate the development of new products, Ahlstrom focuses research and development activity in its Research and Competence Center ("RCC") located in Pont-Evêque, France. The RCC facilitates innovation across Ahlstrom's various business areas, and develops specific know-how in selected areas, such as fibers, chemistry, web treatment and new technologies by using a unique pilot coater, which allows the Company to produce and test new products in a laboratory environment. It also works with raw material suppliers to improve product features and identify areas for cost-savings, in addition to working on new promising technologies. The RCC has established a large international network with universities, schools, research centers and laboratories, and some projects are being conducted in cooperation with these institutions. As of December 31, 2005, 36 employees worked in the RCC.

In addition to the RCC, Ahlstrom also has seven research and development centers located at certain operational sites. These centers work in close cooperation with Ahlstrom's individual product lines. These centers support the technology teams at the product lines, which operate in close connection with key customers to develop product improvements and provide technical and sales support. These technical teams also work closely with production teams for particular business areas and production lines to make product improvements or modifications or otherwise customize products to meet customer needs. Information developed by the technology teams is shared through the regional centers and throughout the Ahlstrom organization, and is used to identify future areas for potential growth areas.

As of December 31, 2005, Ahlstrom had 109 employees in technology teams working in the FiberComposites segment, and 42 employees in technology teams working in the Specialty Papers segment.

Examples of recent improvements developed by Ahlstrom's research and development team include a new packaging paper for confectionery products such as chocolate bars, which is able to compete with plastic packaging. For the automotive industry, Ahlstrom has developed a web that provides sound and thermal insulation for motors. One of the technologies applied by Ahlstrom in its nonwoven products is photocatalysis, which can be used to create products that remove odor from air.

Intellectual property

Although the businesses in which Ahlstrom is engaged are generally not driven by ownership of intellectual property rights, Ahlstrom actively protects its intellectual property by registering trademarks and patenting technical innovations. Through the use of non-disclosure commitments and other confidentiality arrangements, Ahlstrom also actively seeks to protect its trade secrets, technical information and know-how. Management believes that the Group's intellectual property portfolio is one of its most important assets and therefore substantial effort and resources are dedicated to maintain and increase the value of these assets.

The administration of the Group's patent portfolio is centrally co-ordinated from Finland. As of December 31, 2005, the Company has over 100 maintained inventions with approximately 450 registered patents and over 250 pending patent applications. The majority of the Company's patents and patent applications are related to the FiberComposites segment, which had over 280 patents and over 130 patent applications. As of December 31, 2005, the Company has also registered over 100 trademarks with nearby 600 registrations and over 70 pending applications.

Production facilities

As of the date of this Offering Circular, Ahlstrom has 33 production facilities in 12 countries. The FiberComposites segment has 21 production facilities and the Specialty Papers segment has 13 production facilities, with the Turin facility operating in both segments. Ahlstrom's principal facilities, with the types of products manufactured, are set forth below:

Production site	Country	Owned/leased	Business/product lines
FiberComposites			
Barcelona	Spain	Owned	Filtration: transportation filtration, liquid filtration
Bellingham	United States	Leased	Filtration: transportation filtration, air filtration
Brignoud	France	Owned	Nonwovens: industrial nonwovens
Chirnside	United Kingdom	Owned	Nonwovens: food, medical and wipes
Darlington	United States	Owned	Filtration: air filtration
Green Bay	United States	Leased	Nonwovens: wipes
Groesbeck	United States	Owned	Filtration: air filtration
Hyung Poong	South Korea	Owned	Filtration: transportation filtration. Nonwovens: industrial nonwovens
Karhula	Finland	Owned	Glass Nonwovens: glassfiber tissue, glassfiber reinforcement
Louveira	Brazil	Owned	Filtration: transportation filtration
Madisonville	United States	Owned	Filtration: transportation filtration
Malmédy	Belgium	Owned	Nonwovens: industrial nonwovens
Mikkeli	Finland	Owned	Glass Nonwovens: specialty reinforcement
Mt. Holly Springs	United States	Owned	Filtration: liquid filtration, air filtration
Radcliffe	United Kingdom	Owned	Nonwovens: food
Ställdalen	Sweden	Owned	Nonwovens: wipes and industrial nonwovens
Tampere	Finland	Leased	Filtration: transportation filtration, liquid filtration, air filtration
Taylorville	United States	Owned	Filtration: transportation filtration
Turin	Italy	Owned	Filtration: transportation filtration
Windsor Locks	United States	Owned	Nonwovens: medical, food, wipes and industrial nonwovens
Wuxi	China	Leased	Filtration: transportation filtration, air filtration
Specialty Papers			
Altenkirchen	Germany	Owned	Technical Papers: sealing and shielding
Ascoli	Italy	Owned	Label and Packaging Papers: release base paper, wet glue label paper, flexible packaging paper
Bousbecque	France	Owned	Technical Papers: vegetable parchment
Chantraine	France	Owned	Label and Packaging Papers: wet glue label paper
Kauttua	Finland	Owned	Technical Papers: crepe paper, thermal paper (joint venture)
La Gère	France	Owned	Label and Packaging Papers: release base paper
Nümbrecht	Germany	Owned	Technical Papers: wallpaper base paper
Osnabrück	Germany	Owned	Technical Papers: wallpaper base paper, poster paper, abrasive base and pre-impregnated decor. Label and Packaging Papers: release base paper
Pont-Audemer	France	Owned	Technical Papers: Crepe Paper
Rottersac	France	Owned	Label and Packaging Papers: office and graphic paper and flexible packaging paper

Production site	Country	Owned/leased	Business/product lines
Saint-Séverin	France	Owned	Technical Papers: vegetable parchment
Stenay	France	Owned	Label and Packaging Papers: flexible packaging papers, metalizing base papers, face stock papers
Turin	Italy	Owned	Label and Packaging Papers: release base paper. Technical Paper: crepe paper

Ahlstrom's scale and production capabilities enable Ahlstrom to focus machines on product lines despite the relatively specialized nature of the products. Certain production sites are dedicated to manufacturing a single product, especially in situations in which volumes are substantial, demand is relatively stable and Ahlstrom can reach high machine efficiency levels. For example, the La Gère production site focuses exclusively on the production of Silca release base papers.

For certain products, including one side coated label and packaging paper products, Ahlstrom is also able to switch machines between products without incurring prohibitive costs or delays. This versatility enables Ahlstrom to manufacture a wider variety of products, customize products to individual customer requirements, and optimize capacity utilization. With its extensive fiber knowledge and understanding of the similarities between products lines, Ahlstrom is also able to refocus machines to serve different product lines in appropriate circumstances. Examples include Ahlstrom's Malmédy production facility, where a packaging paper machine was converted to a nonwoven wallcover machine in 2000, Ahlstrom's Ascoli production facility, which has been gradually converted from producing medium weight coated ("MWC") papers to label and packaging papers since 2002, and Ahlstrom's Turin production facility (PM5) that produced Silco until 2004 and now also produces filtration media, hybrid nonwovens and crepe papers. The in-house capability to convert machine production allows the Company to respond to changes in market conditions and achieve synergies across business areas.

Organizational structure

Ahlstrom is a public limited company principally owned by members of the Ahlström family. Ahlstrom Corporation, the parent company, is a holding company and organizes the administrative functions for the Group. Ahlstrom Corporation has approximately 40 (direct or indirect) subsidiaries worldwide. The major subsidiaries and associated companies that Ahlstrom directly or indirectly owns as of the date of this Offering Circular are listed below.

Major subsidiaries	Country	% held of all shares and votes
Ahlstrom Benelux S.A.	Belgium	100.0
Ahlstrom Malmédy SA	Belgium	100.0
Ahlstrom Glassfibre Oy	Finland	100.0
Ahlstrom Tampere Oy	Finland	100.0
Ahlstrom Brignoud	France	100.0
Ahlstrom Chantraine	France	100.0
Ahlstrom Industries	France	100.0
Ahlstrom Labelpack	France	100.0
Ahlstrom Research and Services	France	100.0
Ahlstrom Specialties	France	100.0
Ahlstrom Altenkirchen GmbH	Germany	100.0
Ahlstrom Holding GmbH	Germany	100.0
Ahlstrom Nümbrecht GmbH & Co. KG	Germany	100.0
Ahlstrom Osnabrück GmbH	Germany	100.0
Ahlstrom Papiervertrieb GmbH	Germany	75.0
Ahlstrom Nordica S.r.l.	Italy	60.0
Ahlstrom Turin S.p.A.	Italy	100.0
Ahlstrom Barcelona, S.A.	Spain	100.0
Ahlstrom Spain SL	Spain	100.0
Ahlstrom Ställdalen AB	Sweden	100.0
Ahlstrom Chirnside Limited	United Kingdom	100.0
Ahlstrom (UK) Limited	United Kingdom	100.0
Ahlstrom Air Media LLC	United States	100.0
Ahlstrom Atlanta Inc.	United States	100.0
Ahlstrom Engine Filtration, LLC	United States	100.0
Ahlstrom Green Bay Inc.	United States	100.0
Ahlstrom Lantor, Inc.	United States	100.0
Ahlstrom Mount Holly Springs, LLC	United States	100.0
HRS Textiles Inc.	United States	100.0
Ahlstrom U.S. Industries, Inc.	United States	100.0
Ahlstrom Windsor Locks, LLC	United States	100.0
Ahlstrom Louveira Ltda	Brazil	100.0
Lantor (Wuxi) Technical Textiles Co., Ltd.	China	100.0
PT Ahlstrom Indonesia	Indonesia	99.0

Major subsidiaries	Country	% held of all shares and votes
Ahlstrom Korea Co. Ltd	South Korea	100.0
Ahlstrom Seoul Co. Ltd	South Korea	100.0
Ahlstrom Japan Inc.	Japan	100.0
Ahlstrom Australia Pty Ltd	Australia	100.0
Ahlstrom Sales LLC	Russia	100.0
Ahlstrom South Africa (Pty) Ltd	South Africa	60.0

Major associated companies	Country	% held of all shares and votes
Jujo Thermal Ltd	Finland	41.7
Sonoco-Alcore SARL	Luxembourg	35.5

Members of Ahlstrom's management serve on the board of directors of Sonoco-Alcore, but the venture does not form a part of Ahlstrom's core operations or strategic focus.

Environmental

Ahlstrom's production processes use products that can have an environmental impact, including potentially hazardous substances such as phenolic resins, sulphuric acids and methanol, which must be safely used, stored and disposed of. Ahlstrom's operations can also require, among other items, large intakes and discharges of water from local water sources, and its mills and other machinery produce carbon and related emissions. Ahlstrom is committed to complying with all applicable environmental laws and regulations. The Company has signed the Charter of Sustainable Development of the International Chamber of Commerce in 1991. Ahlstrom also actively participates in the environmental councils of industry associations such as the Environmental Committee, Copacel of France, Verband Deutscher Papierfabriken of Germany, Assocarta of Italy, European PaperPlus and the Confederation of European Paper Industries (CEPI). The Company is also a member of the nonwoven producers' associations INDA in the United States and, in Europe, EDANA and the European Association of Glass Fibre Manufacturers (APFE). See "*Risk factors – Risks related to Ahlstrom's business – Compliance with environmental, health and safety and other national and international laws and regulations may increase Ahlstrom's operating costs*".

Ahlstrom seeks to continuously comply with any new environmental rules and regulations, and believes that its production facilities are currently not facing substantial difficulties in complying with applicable requirements. The Company does not foresee any significant changes in environmental laws, regulations or operating permits that would have a material impact on its operations.

A total of 21 of Ahlstrom's 33 plants have received the ISO 14001 certification and the Company has set a target to have more than 90% of its production output covered by ISO 14001 during 2006. Seven of Ahlstrom's European plants already comply with the Integrated Pollution Prevention and Control ("IPPC") Directive and all plants must comply with the IPPC Directive requirements by the end of 2007. Ahlstrom does not foresee substantial difficulties in complying with the IPPC Directive.

The Company has implemented many programs for improving sustainability performance including, for example, water and energy efficiency programs. The aim of these programs is to reduce energy input per ton of product by 10% and water use per ton of product by 17% over a period of five years between 2002 and 2007. Between 1999 and 2005, the Company has succeeded in reducing water usage by 6%. Also, during 2005, Ahlstrom was able to reduce the amount of land-filled solid waste that it produces, in proportion to production volume, by 21% from 42,300 tons to 33,400 tons. In absolute terms, the amount of land-filled solid waste was reduced by 25% from from 48,506 tons to 36,441 tons. Ahlstrom's aggregate carbon dioxide emissions decreased to a certain extent over the same period, and in Europe, Ahlstrom's emissions were below permitted levels. There were no significant environmental accidents during 2005.

Litigation

Except as set forth below, neither Ahlstrom nor its Group companies are currently party to any legal, arbitration or administrative proceedings that would be likely to have a material adverse effect on the financial position of the Group. Furthermore, the Group has not been subject to any legal, arbitration or administrative proceedings within the past 12 months that would have had a material adverse effect on the financial position of the Group.

In May 2004, however, Ahlstrom was informed that the European Commission is carrying out an anti-trust investigation of Ahlstrom and a number of other companies that operate in the release liner and face stock markets to determine whether companies within the industry have engaged in anti-competitive practices. It is Ahlstrom's policy to cooperate with the competition authorities in such investigations. At this stage of the investigation, it is impossible to predict what further actions, if any, the competition authority will effectively take. European law provides that the Commission can impose a fine on companies found to infringe the provisions of the EU Treaty on competition of up to a maximum of 10% of the worldwide turnover of the relevant Group companies. See "*Risk factors – Risks related to Ahlstrom's business – Ahlstrom is subject to an on-going anti-trust investigation*".

Ahlstrom may also face certain asbestos-related liabilities. The calender bowl papers used in Ahlstrom's calender machines, particularly during the 1980s, contained asbestos. In addition, the Company's Altenkirchen production site in Germany produced calender bowl paper until 1990 and sealing and shielding papers until 1993, which contained asbestos. The Company's employees engaged in the maintenance of the calender machines and production of calender bowl papers and certain other functions may have been exposed to asbestos during these periods. As a result of potential exposure to asbestos, the Company's employees at the Rottersac production site in France are entitled to early retirement. The Company is currently aware of a small number of cases where individual employees in France have or are likely to present claims against the Company demanding compensation for health symptoms allegedly caused by asbestos. Although Ahlstrom does not believe that these claims will have a material effect on the Company's financial position, there can be no assurance that further claims will not be filed against the Company. See "*Risk factors – Risks related to Ahlstrom's business – Compliance with environmental, health and safety and other national and international laws and regulations may increase Ahlstrom's operating costs*".

Insurance

Ahlstrom has insured its assets and business risks through normal business insurance. The Company's director of insurance negotiates Ahlstrom's global insurance policies centrally. In each country where Ahlstrom has production facilities, there are certain compulsory and supplementary local policies that are in force. The Group's insurance policies are renewed annually.

Currently, material insurance policies related to the Group's business operations are obtained from FM Global Insurance Company Ltd. (property and business interruption), If P&C Insurance Limited (main liability policies) and Pohjola Non-Life Insurance Company Ltd. (cargo). The insurance premiums of the Group for these policies amounted to €7.3 million for the financial year ended December 31, 2005. Premiums paid for property and business interruption insurance are based on location-specific risk factors and invoiced directly to each subsidiary. The Company allocates the cost of other global insurance premia to each individual Group company on the basis of net sales or number of employees. Group companies are invoiced their portion of the global insurance premium total in the first quarter of each year.

Ahlstrom seeks to actively manage personal injury and property damage risks by systematically improving the prevention of accidents and the protection of the Group's production facilities. In improving its property loss control management, the Company is supported by the engineering skills of its insurer.

Ahlstrom believes that the current level of insurance protection is adequate for the business operations of the Group as presently conducted. See "*Risk factors – Risks related to Ahlstrom's business – Insurance policies obtained by Ahlstrom may be insufficient to cover certain eventualities*".

Information technology

Ahlstrom seeks to serve its business needs and customer relationships through the use of solid information technology ("IT") solutions that are part of a streamlined and cost effective IT infrastructure. Ahlstrom's order fulfillment process, which includes contracts, orders, production, deliveries and invoicing, is handled by a company and industry specific IT system supported by TietoEnator Corporation. This system is decentralized into the various business areas and units. Material management processes as well as administration and controlling processes are handled by a centralized Systems, Applications, Products ("SAP") system. Management estimates that by the end of 2008 all sites will use these systems. The Company's IT solutions are subject to the Company's IT governance model and IT security policy.

The corporate IT unit is responsible for the operation of the common IT infrastructure technology and its services used throughout the Group, as well as for the operation of centralized IT solutions. Ahlstrom's business areas also have IT resources that are responsible for operation of decentralized IT solutions. An IT security policy has been launched within the Company and compliance with the policy is subject to regular internal and external audit. See "*Risk factors – Risks related to Ahlstrom's business – The failure or malfunctioning of Ahlstrom's integrated data systems could negatively affect its business*".

Material contracts

The Company has not entered into (i) any material contracts outside the ordinary course of business during the two years preceding the date of this Offering Circular, or (ii) any contracts outside the ordinary course of business under which any member of Ahlstrom Group has any obligation or right which is material to the Company as of the date of this Offering Circular.

SELECTED FINANCIAL INFORMATION

The following summary financial information should be read in conjunction with "*Operating and financial review*" and the consolidated financial statements of the Company included elsewhere in this Offering Circular. The summary income statement, balance sheet, cash flow and key figures for the Group presented below in accordance with Finnish Accounting Standards ("FAS") have been derived from the audited consolidated financial statements of the Company, prepared in accordance with FAS, for the financial years ended December 31, 2004 and December 31, 2003, included elsewhere in this Offering Circular, unless otherwise stated below. As of January 1, 2005 the Company adopted International Financial Reporting Standards as adopted by the European Union ("IFRS") as the basis for preparing its consolidated financial statements. Audited consolidated financial statements for the year ended December 31, 2005, together with the unaudited comparative period ended December 31, 2004, included elsewhere in this Offering Circular, have been prepared in accordance with IFRS, unless otherwise stated below. The summary IFRS financial information presented below is derived from the consolidated IFRS financial statement included elsewhere in the Offering Circular, and is not comparable to the summary financial information presented in accordance with FAS. FAS differs from IFRS in certain material respects. For important information on the principal effects of Ahlstrom's transition to IFRS reporting, see the note "*Transition to IFRS*" in Ahlstrom's financial statements for the 2005 financial year included elsewhere in this Offering Circular. See also "*Appendix A: Differences between U.S. GAAP, IFRS and FAS*".

	2003	2004		2005
	FAS Audited (1)	**FAS Audited (1)**	**IFRS Unaudited**	**IFRS Audited (1)**
Income statement data	**(€ millions)**			
Net sales	1,556.4	1,567.8	1,567.8	1,552.6
Expenses (2)	-1,418.0	-1,434.9	-1,437.1	-1,382.4
Share of the profit of associated companies, FAS (3)	3.4	2.8		
Other operating income	19.1	19.4	21.7	30.8
Amortization of goodwill, FAS (4)	-13.1	-11.8		
Depreciation and amortization	-99.3	-92.3	-90.3	-83.7
Operating profit	48.5	51.0	62.1	117.2
Share of the profit of associated companies, IFRS (3)			2.7	0.4
Net financial expenses	-14.8	-16.2	-16.9	-16.8
Profit before taxes	33.7	34.8	47.9	100.7
Income taxes	-11.1	-17.1	-14.5	-38.1
Minority interest	-0.2	-0.2	-0.2	-0.2
Profit for the period attributable to the equity holders of the parent	22.4	17.5	33.2	62.4
Cash flow statement data				
Net cash from operating activities	202.0	128.0	128.0	126.6
Net cash from investing activities (5)	-44.8	-160.5	-148.3	-10.8
Dividends paid	-56.4	-54.6	-54.6	-62.8
Cash from other financing activities (5)	-109.9	82.4	70.3	-57.1
Balance sheet data				
Non-current assets	782.3	798.6	805.7	818.4
Cash and cash equivalents	24.1	19.6	19.8	16.0
Total assets	1,425.5	1,399.8	1,381.4	1,367.2
Equity attributable to the equity holders of the parent	673.8	632.9	579.6	589.7
Interest-bearing loans and borrowings, Non-current (6)	173.1	195.5	212.5	119.6
Interest-bearing loans and borrowings, Current (6)	146.6	179.4	182.6	237.0

(1) Figures have been derived from the audited consolidated financial statements unless otherwise stated.

(2) *Expenses*; Expenses include the following items from the 2003 and 2004 income statements prepared in accordance with FAS: Change in inventories for finished goods, Production for own use, Materials and services, Employee benefit expenses and Other operating expenses. Expenses include the following items from the 2005 income statements prepared in accordance with IFRS: Change in inventories of finished goods and work in process, Production for own use, Materials and supplies, Employee benefit expenses and Other operating expenses.

(3) *Share of the profit of associated companies*; The Company has reported the share of associated companies' profit before operating profit under FAS and after operating profit under IFRS.

(4) *Amortization of goodwill, FAS*; Under FAS goodwill is amortized annually, whereas under IFRS goodwill is periodically tested for potential impairment. As a result, goodwill amortization under FAS is presented as a separate line item for the financial years 2003 and 2004.

(5) The change in notes receivable and short-term investments is included in net cash flow from financing under FAS and in net cash from investing activities under IFRS.

(6) The 2003 and 2004 figures (FAS) have been derived from the accounting system of the Company and are unaudited.

Key figures for the Group

	2003	2004		2005
	FAS Audited(1)	FAS Audited(1)	IFRS Unaudited	IFRS Audited(1)
Key figures (2)	(€ millions unless otherwise stated)			
Net sales	1,556.4	1,567.8	1,567.8	1,552.6
EBITDA (3)	160.9	155.1	152.4	200.9
EBITDA, % of net sales	10.3	9.9	9.7	12.9
Operating profit	48.5	51.0	62.1	117.2
Operating profit, % of net sales	3.1	3.3	4.0	7.5
Profit for the period attributable to the equity holders of the parent	22.4	17.5	33.2	62.4
Research and development expenses	32.9	27.6	27.6	27.1
Research and development expenses, % of net sales	2.1	1.8	1.8	1.7
Capital expenditure	92.5	101.0	101.0	62.4
Acquisitions	0.5	64.9	64.9	10.8
Capital employed	994.5	1,008.9	975.6	947.1
Return on capital employed, %	4.6	5.3	7.0	12.4
Return on equity, %	3.2	2.7	5.6	10.7
Gearing ratio, %	42.3	53.9	62.3	57.7
Basic earnings per share	0.61	0.48	0.91	1.71
Earnings per share, diluted (4)	0.61	0.48	0.90	1.67
Adjusted number of outstanding shares, average '000	36,418	36,418	36,418	36,418
Average number of shares, diluted '000 (4)	36,418	36,418	36,786	37,277
Average number of personnel (5)	6,536	6,428	6,428	5,605

(1) Figures have been derived from the audited consolidated financial statements unless otherwise stated.

(2) *Calculation of key figures*; As a result of the transition to IFRS, the terminology in the formulas used to calculate the key ratios were adjusted. Although the content and the technical calculation principles of these key figures remained unchanged, the transition to IFRS reporting caused adjustments to the financial position, operating result and cash flows of the Group. The effect of the adoption of IFRS reporting and related bridge calculations are presented in the notes to the Company's financial statements for 2005. Formulas used to calculate certain of the Company´s key figures are presented in the table "*Calculation of key figures in accordance with IFRS*". With the exception of earnings per share, these key figures are not measures of financial performance under IFRS.

(3) *EBITDA* is not a measure of financial performance under FAS or IFRS and is unaudited. EBITDA is equivalent to operating profit plus depreciation of tangible assets and amortization and impairment of goodwill and other intangible assets. Further information on EBITDA is presented in the section "*The Company, its directors, auditors and advisers – Certain matters*". Under FAS, the Company has reported the share of the profit of associated companies in EBITDA and the positive impact amounted to €3.4 million in 2003 and €2.8 million in 2004. However, under IFRS the Company has reported the share of profit of associated companies after EBITDA. The Company presents EBITDA because it considers it an important supplemental measure of its operating performance. Management believes that EBITDA is a standard measure commonly reported and widely used by analysts, investors and other interested parties in the industry.

(4) *Diluted earnings per share and average number of shares, diluted*; Average number of shares, diluted, is the weighted average of the number of outstanding shares adjusted to give effect to the issue of potential new ordinary shares.

(5) *Average number of personnel*; In the financial statements for 2004, the average number of personnel was calculated as an average of the number of personnel at the beginning of the year and at the end of the year, whereas in the financial statements for 2005 the number has been calculated as an average of the quarters of the financial year.

Key figures adjusted for divested Cores and Board and non-recurring items*

(The information in the table is unaudited)

	2003	2004		2005
	FAS Adjusted (1)	FAS Adjusted (1)	IFRS Adjusted (1)	IFRS Adjusted (1)
	(€ millions unless otherwise stated)			
Net sales (2)	1,458.6	1,489.9	1,489.9	1,552.6
EBITDA (3)	167.1	167.4	165.7	182.3
EBITDA, % of net sales	11.5	11.2	11.1	11.7
Operating profit (4)	67.7	70.2	82.2	99.0
Operating profit, % of net sales	4.6	4.7	5.5	6.4
Capital expenditure and acquisitions (5)	89.6	163.9	163.9	73.2
Capital employed (6)	939.0	1,008.9	975.6	947.1
Return on capital employed, %	6.7	7.2	9.1	10.5

* Ahlstrom's Cores and Board operations were transferred to Sonoco-Alcore Group in 2004. The figures in the table have been adjusted to (i) reflect the divestment of Ahlstrom's Cores and Board operations as if such divestment had occurred on January 1, 2003, and (ii) remove the effect of other non-recurring items. For more information on these non-recurring items, see *"Operating and financial review – Restructuring of operations, asset write-downs and asset sales"*.

(1) FAS Adjusted and IFRS Adjusted mean adjusted figures derived either from FAS or IFRS reporting and based on the same basic information used for the preparation of audited consolidated financial statements. The most significant adjustment is the elimination of the divested Cores and Board operations and non-recurring items, which are based on management's assessment and are not defined under FAS or IFRS. Additional information on these adjustments is presented in the table "*Reconciliation of EBITDA*" and the table "*Reconciliation of operating profit*" as well as in section "*Operating and financial review – Restructuring of operations, asset write-downs and asset sales*".

(2) Adjustments in net sales relate to the divested Cores and Board operations, €97.8 million in 2003 and €77.9 million in 2004.

(3) The effect of the divested Cores and Board operations and non-recurring items is presented in the table "*Reconciliation of EBITDA*" presented in the section "*Selected financial information*". EBITDA is not a measure of financial performance under FAS or IFRS. EBITDA is equivalent to operating profit plus depreciation of tangible assets and amortization and impairment of goodwill and other intangible assets. Further information on EBITDA is presented in the section "*The Company, its directors, auditors and advisers – Certain matters*". Under FAS the Company has reported the share of profit of associated companies in EBITDA and the positive impact amounted to €3.4 million in 2003 and €2.8 million in 2004. However, under IFRS the Company has reported share of profit of associated companies after EBITDA. EBITDA is used in the Company's business segments to provide additional financial information. Management believes that EBITDA is a standard measure commonly reported and widely used by analysts, investors and other interested parties in the industry.

(4) The effect of the divested Cores and Board operations and non-recurring items is presented in the table "*Reconciliation of operating profit*" in the section "*Selected financial information*".

(5) The Cores and Board adjustment reduces Capital expenditures and acquisitions by €3.4 million in 2003 and €2.0 million in 2004.

(6) The Cores and Board adjustment reduces Capital employed by €55.5 million in 2003.

Selected financial information on Ahlstrom's segments

(The information in the table is unaudited)

	2003	2004		2005
	FAS Adjusted (1)	FAS Adjusted (1)	IFRS Adjusted (1)	IFRS Adjusted (1)
FiberComposites	(€ millions unless otherwise stated)			
Net sales	644.7	663.8	663.8	742.3
EBITDA (2)	101.1	81.3	82.1	111.1
EBITDA excluding non-recurring items (2)	96.5	86.4	87.2	107.9
Operating profit	57.2	33.9	39.8	65.5
Operating profit excluding non-recurring items	52.6	41.2	47.1	62.7
Capital expenditures and acquisitions	57.5	136.2	136.2	45.6
Capital employed (in segment), at the end of the period	490.6	560.6	552.0	610.9
***Specialty Papers* (3)**				
Net sales	886.1	885.9	885.9	814.7
Net sales excluding the Cores and Boards business	788.3	808.0	808.0	814.7
EBITDA (2)	62.6	79.2	64.0	91.8
EBITDA excluding the Cores and Boards business and non-items (2)	71.9	77.3	76.7	77.2
Operating profit	1.2	27.9	20.9	57.7
Operating profit excluding the Cores and Boards business and non-recurring items	23.5	30.5	38.0	42.9
Capital expenditures and acquisitions	31.4	25.1	25.1	25.6
Capital expenditures and acquisitions excluding the Cores and Board business	28.0	23.1	23.1	25.6
Capital employed (in segment), at the end of period	448.0	378.2	318.3	297.3
Capital employed (in segment), excluding the Cores and Board business	392.5	378.2	318.3	297.3
Other functions and eliminations				
Net sales	25.6	18.1	18.1	-4.4
EBITDA (2)	-2.8	-5.4	6.3	-2.0
Operating profit	-9.9	-10.8	1.4	-6.0
Capital expenditures and acquisitions	4.3	4.6	4.6	2.0
Capital employed at the end of period	55.9	70.1	105.3	38.9

(1) FAS Adjusted and IFRS Adjusted mean adjusted figures derived either from FAS or IFRS reporting and based on the same basic information used for the preparation of the Company's audited consolidated financial statements. The most significant adjustment is the impact of the elimination of the divested Cores and Board operations and non-recurring items, which are based on management's assessment and are not defined under FAS or IFRS. Additional information on these adjustments is presented in the table "*Reconciliation of EBITDA*" and the table "*Reconciliation of operating profit*" as well as in the section "*Operating and financial review – Restructuring of operations, asset write-downs and asset sales*".

(2) EBITDA is not a measure of financial performance under FAS or IFRS. EBITDA is equivalent to operating profit plus depreciation of tangible assets and amortization and impairment of goodwill and other intangible assets. Further information on EBITDA is presented in the section "*The Company, its directors, auditors and advisers – Certain matters*".

(3) The Specialty Papers segment includes the Label and Packaging and Technical Papers business areas since 2005. Information included for the 2003 and 2004 results for the Specialty Papers segment reflects the results of the Specialties and LabelPack divisions for those periods. For more information on the Company's segment structure and the combination of these divisions into the Specialty Papers segment, see "*Operating and financial review – Overview*". During the course of establishing the Company's new segment structure, one paper machine was allocated to the Cores and Boards business and therefore the operating profit cannot be directly derived from the 2004 financials under FAS. The Cores and Board adjustments are presented in footnotes 2-6 on the previous page.

The table below presents the reconciliation of EBITDA as reported to adjusted EBITDA. Breakdown of non-recurring items is presented in the section "*Operating and financial review – Restructuring of operations, asset write-downs and asset sales*".

Reconciliation of EBITDA	**2003 FAS**	**2004 FAS**	**2004 IFRS**	**2005 IFRS**
	(€ millions)			
Fiber Composites, EBITDA as reported	101.1	81.3	82.1	111.1
Non-recurring items	-4.6	5.1	5.1	-3.2
Fiber Composites, EBITDA adjusted	96.5	86.4	87.2	107.9
Specialty Papers, EBITDA as reported	62.6	79.2	64.0	91.8
Non-recurring items	13.8	3.6	16.9	-14.6
Cores and Board, EBITDA profit (-)/loss (+) excluding non-recurring items		-5.5		0.0
Specialty Papers, EBITDA adjusted	71.9	77.3	76.7	77.2
Other and eliminations, EBITDA as reported	-2.8	-5.4	6.3	-2.0
Non-recurring items	1.5	9.1	-4.5	-0.8
Other and eliminations, EBITDA adjusted	-1.3	3.7	1.8	-2.8
Group's EBITDA as reported	160.9	155.1	152.4	200.9
Total non-recurring items	10.7	17.8	17.5	-18.6
Cores and Board, EBITDA profit (-)/loss (+) excluding non-recurring items		-5.5		0.0
Group's EBITDA, adjusted	167.1	167.4	165.7	182.3

The table below presents the reconciliation of segment level operating profit as reported to adjusted operating profit. Breakdown of non-recurring items is presented in the section "*Operating and financial review – Restructuring of operations, asset write-downs and asset sales*".

Reconciliation of operating profit	**2003 FAS**	**2004 FAS**	**2004 IFRS**	**2005 IFRS**
	(€ millions)			
Fiber Composites, operating profit as reported	57.2	33.9	39.8	65.5
Non-recurring items	-4.6	7.3	7.3	-2.8
Fiber Composites, operating profit adjusted	52.6	41.2	47.1	62.7
Specialty Papers, operating profit as reported	1.2	27.9	20.9	57.7
Non-recurring items	20.0	3.7	17.0	-14.8
Cores and Board, operating profit (-)/loss (+) excluding non-recurring items	2.3		0.1	
Specialty Papers, operating profit adjusted	23.5	30.5	38.0	42.9
Other and eliminations, operating profit as reported	-9.9	-10.8	1.4	-6.0
Non-recurring items	1.5	9.3	-4.3	-0.6
Other and eliminations, operating profit adjusted	-8.4	-1.5	-2.9	-6.6
Group's operating profit as reported	48.5	51.0	62.1	117.2
Total non-recurring items	16.9	20.3	20.0	-18.2
Cores and Board, operating profit (-)/loss (+) excluding non-recurring items	2.3		0.1	
Group's operating profit, adjusted	67.7	70.2	82.2	99.0

Calculation of key figures in accordance with IFRS (1)

Return on capital employed (ROCE), %	$\dfrac{\text{Profit/loss before taxes + financial expenses}}{\text{Total assets (annual average) – Non-interest-bearing liabilities (annual average)}} \times 100$
Return on equity (ROE), %	$\dfrac{\text{Profit for the period}}{\text{Equity (annual average)}} \times 100$
Gearing ratio, %	$\dfrac{\text{Net interest-bearing liabilities}}{\text{Equity}} \times 100$
Earnings per share	$\dfrac{\text{Profit for the period attributable to equity holders of the parent}}{\text{Average adjusted number of shares during the period}}$
Capital employed (in segment)	Assets – non-interest bearing liabilities

Net sales and operating profit are determined in the Significant accounting policies of the consolidated financial statements.

(1) With the exception of earnings per share, the key figures identified above are not measures of financial performance under IFRS. However, these measures are required to be reported by publicly quoted companies in Finland. As a result of the transition to IFRS, the terminology in the formulas used to calculate these key ratios were adjusted. Although the content and the technical calculation principles of the key figures remained unchanged, the transition to IFRS reporting caused adjustments to the financial position, operating result and cash flows of the Group. The effect of the adoption of IFRS reporting and related bridge calculations are presented in the notes to the Company's financial statements for 2005.

OPERATING AND FINANCIAL REVIEW

The following information should be read in conjunction with the audited financial statements of Ahlstrom and the notes thereto, the selected financial information of Ahlstrom, as well as the comparison of certain differences between U.S. GAAP, IFRS and FAS, each of which is included elsewhere in this Offering Circular. The discussion below includes forward-looking statements which involve risks and uncertainties. Investors should review the sections under "Risk factors" and "The Company, its directors, auditors and advisers – Certain matters – Forward-looking statements" set forth elsewhere in this Offering Circular for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained herein.

The consolidated financial statements of Ahlstrom for the financial years 2003 and 2004 that form the basis of the information discussed in this section have been prepared and presented in accordance with FAS and the provisions of the Finnish Accounting Act (Act of December 30,1997/1336, as amended). The financial statements include the information contained in the financial statements of Ahlstrom and its consolidated subsidiaries and affiliates. Ahlstrom adopted IFRS for consolidated financial reporting purposes as of January 1, 2005. The financial statements for the financial year 2005, and the unaudited comparative financial data for the financial year 2004, discussed herein, have been prepared in accordance with IFRS. As a result, the financial information presented below for Ahlstrom's 2003 financial year is not stated on a basis that is comparable to the financial information for Ahlstrom's 2005 financial year. For important information on the effects of the transition to IFRS reporting see note "*Transition to IFRS*" in Ahlstrom's 2005 financial statements included in this Offering Circular. IFRS and FAS differ in certain significant respects from U.S. GAAP. See "*Appendix A: Differences between U.S. GAAP, IFRS and FAS*".

In this section "Financial year 2003" or "2003" refers to the financial year ended December 31, 2003, "Financial year 2004" or "2004" refers to the financial year ended December 31, 2004 and "Financial year 2005" or "2005" refers to the financial year ended December 31, 2005.

Overview

Ahlstrom is a leading supplier of high performance fiber-based materials, including nonwovens and specialty papers. Products developed, produced and marketed by Ahlstrom are used around the world in a variety of everyday products, including filters, medical apparel, wipes, flooring, labels and tapes. Ahlstrom's products are sold predominantly in roll good form to manufacturers, often referred to in the industry as converters, who process the materials further and convert them into end products. These products are then delivered to retail and industrial customers in a broad range of sectors, including the transportation, health care, food and beverage, packaging and labelling and home and office sectors.

Starting in 1999, the Company began to reorganize its business to focus on fiber based materials. As part of its reorganization, a number of operations were divested, while Ahlstrom also concluded a number of acquisitions in its core fiber-based operations. In 2004, Ahlstrom sold its remaining packaging manufacturing units and transferred its Cores and Board operations to an associated company, in which it currently holds a minority share. Management believes that these restructuring measures have allowed Ahlstrom to better concentrate on improving the performance of its fiber-based materials business. See "*– Acquisitions, divestitures and changes in Group structure*".

The global economic environment has been challenging for Ahlstrom during the period from 2003 to 2005. Growth in the European markets has remained unsatisfactory for Ahlstrom, with demand remaining relatively stable over the period. In the North American markets, however, demand for the Company's products has improved toward the end of this period. An increase in demand for the Company's products has also been seen in Asia. Management believes that several investments to increase production capacity will enable future growth in the Company's key markets of Europe, North America and Asia.

Increases in energy and raw material costs have had a negative impact on Ahlstrom's profitability over the period under review. In order to mitigate the effect of price increases in raw materials, the Company has aimed to improve its sourcing of raw materials through centralized purchasing, where deemed beneficial, and by using less expensive raw materials, where possible. See "*Business – Purchasing*". In addition, Ahlstrom has announced and implemented several product price increases during 2004 and 2005 in order to partially offset energy and raw material price increases. The Company has also focused on production efficiency and cost cutting in its operations, which management believes has helped the Company to improve its profitability in its core operations in the challenging market environment over the past three years.

Ahlstrom reports its operations in two segments, FiberComposites and Specialty Papers:

The FiberComposites segment supplies nonwoven roll goods, including nonwoven fabrics, filtration media, and glassfiber reinforcements, to customers in several industry sectors and geographic markets. In 2005, the FiberComposites segment generated net sales of €742.3 million, representing 47.7% of Group net sales. The FiberComposites segment consists of three business areas, Nonwovens, Filtration and Glass Nonwovens. Nonwovens Industry Magazine has estimated that Ahlstrom is the world's sixth largest producer in the nonwovens industry.

The Specialty Papers segment supplies a range of label and packaging and technical papers in roll good form to industrial and commercial customers in several industry sectors and geographic markets. Ahlstrom focuses its production on areas in which management believes the Company has a competitive advantage and which offer significant market opportunities. The segment generated net sales of €814.7 million in 2005, representing 52.3% of Group net sales. The Specialty Papers segment includes two business areas, Label and Packaging Papers and Technical Papers. Ahlstrom estimates that it is the global leader in the specialty papers market.

For the 2003 and 2004 financial years, Ahlstrom's operations were divided into the FiberComposites, LabelPack and Specialties divisions. As of January 1, 2005, the Company combined its former LabelPack and Specialties divisions to form the Specialty Papers segment to better reflect the realignment of the Company's business following its reorganization. In this section, the results of operations and financial condition of Ahlstrom are discussed based on the current segment reporting also for the years 2003 and 2004. See the table "*Income statement data*" in the section "*Selected financial information*".

Factors affecting the results of operations and financial condition of Ahlstrom

General economic conditions and demand for end-user products

Ahlstrom's results may be affected by general economic conditions and by demand in the end-user markets and industries it serves, although these vary in different industries and in different geographic regions. These changes affect both sales volumes and prices for Ahlstrom's products. Geographically, the general economic conditions in Ahlstrom's main markets, Europe and North America, which together represented approximately 86% of Ahlstrom's net sales in 2005, are important factors affecting the demand for Ahlstrom's products. In 2004, the shares of net sales attributable to these markets were at approximately the same level. Sales in North America have developed favorably in 2005, especially toward the end of the year, while demand in Europe has remained relatively stable. Demand in the Asian markets has become increasingly important for Ahlstrom, particularly in the Filtration and Label and Packaging Papers business areas. On the other hand, demand for and prices of Ahlstrom's products, for example in the specialty reinforcements and the furniture businesses (included in the Glass Nonwovens and Technical Papers business areas, respectively), have fluctuated in the past when demand in the end-user markets has significantly changed. The Company believes that the diversity of industries in which Ahlstrom's customers operate helps to protect Ahlstrom against particular customer industry cycles.

Product mix and capacity utilization

Ahlstrom has many long and established customer relationships and demand for its products has been relatively predictable in the past. Ahlstrom believes that these factors have enabled Ahlstrom to optimize its product mix and capacity utilization. In many cases, Ahlstrom can produce a variety of products using the same production facility, and where customer demand for certain products with higher product margins has decreased, the Company has used available capacity to produce other products to fill capacity and offset fixed costs. 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 and thereby have an adverse effect on Ahlstrom's profitability. See "*Risk factors – Risks related to Ahlstrom's business - Ahlstrom may not be able to utilize its production capacity efficiently due to variability in customer demand or unexpected events*".

Expenses

Ahlstrom's principal expenses are raw materials, energy, and personnel costs.

Raw materials

In 2005, raw materials costs were €661.4 million and represented 47.8% of total expenses. The three most important categories of raw materials for Ahlstrom are pulp, chemicals and synthetic fibers. In 2005, pulp accounted for 50.7% of Ahlstrom's raw material costs, chemicals accounted for approximately 30.0% and synthetic fibers accounted for approximately 13.6% of raw material costs. In 2004, raw materials costs were €644.4 million and represented 45.5% of total expenses. In 2004, pulp accounted for 52.2%, chemicals for 30.1% and synthetic fibers for 12.7% of raw material costs.

Ahlstrom Group's pulp costs were €335.0 million in 2005, and €336.2 million in 2004. As Ahlstrom does not produce wood pulp, the Company's profitability is exposed to variations in pulp prices, with certain exceptions for prices of specialty pulps, which have fluctuated less in the past. The purchasing of pulp is managed on a centralized basis and Ahlstrom believes it benefits from economies of scale in its purchasing activities by coordinating purchases across the Company's business areas. See "*Business – Purchasing*". Pulp can be subject to substantial cyclical price fluctuations. Market prices for the type of pulp primarily used by Ahlstrom, NBSK-pulp, varied between $440 and $559 per ton in 2003, $560 and $662 in 2004, and $583 and $649 per ton in 2005. While Ahlstrom has long-term agreements with the aim of securing pulp supplies, the prices payable under these agreements are adjusted periodically, usually on a monthly basis. Ahlstrom seeks to limit variations in the prices it pays for pulp by setting firm prices or by agreeing floor and cap price level contracts and has secured such terms in a significant portion of its wood pulp supply contracts. See *"Risk factors – Risks related to Ahlstrom's business – Increases in costs of raw materials and delays and problems in the supply of raw materials could disrupt or otherwise adversely affect Ahlstrom's business*".

Ahlstrom uses a wide variety of chemicals in its production processes, such as latex binders, fillers, pigments and resins. The total cost of chemicals amounted to €198.7 million in 2005 and €194.0 million in 2004. Latex binders represent a significant portion of the cost of chemicals. Latex binders are petrochemical derivatives and face price volatility that historically has been strongly correlated with oil prices. Over all, however, prices for chemicals have historically been less variable than those for pulp. Typically, Ahlstrom purchases chemicals from numerous specialized manufacturers that produce the specific chemical agents required.

Ahlstrom also uses a wide variety of synthetic fibers in its production, amounting to €90.0 million in 2005 and €82.0 million in 2004. Prices for synthetic fibers are influenced by changes in crude oil prices, and have increased in connection with recent increases of oil prices.

Energy

Energy inputs, including natural gas and electricity, are important components of Ahlstrom's production processes. Ahlstrom's total energy costs in 2005 amounted to €127.6 million and accounted for 9.2% of Ahlstrom's expenses. In 2004, total energy costs amounted to €109.8 million and accounted for 7.6% of Ahlstrom's expenses. Natural gas and electricity accounted for more than 90% of these energy costs. Energy prices have increased in recent years, especially in Western Europe, where management estimates that energy prices increased in France by approximately 40% and in the United Kingdom by almost 90% between 2003 and 2005. Although the Company obtains a part of its energy requirements from power co-generation and in-house facilities, Ahlstrom generally purchases its energy requirements from regional suppliers, and aims to decrease price sensitivity through coordinated purchasing, firm price contracts, and energy savings in mills. Presently, more than half of Ahlstrom's electricity and gas needs in Europe (and a certain portion in the United States) are covered by fixed price or index linked purchase contracts for 2006.

The carbon dioxide emissions trading program within the European Union began in 2005. Under the program, tradable rights are allocated by national governments to producers of carbon emissions, authorizing them to emit a certain level of carbon dioxide. In nearly all of the European Union countries where Ahlstrom has production, the emission rights for 2005 to 2007 have already been allocated and distributed to the industries. Ahlstrom has sufficient rights to cover its present carbon dioxide emissions until 2007.

Personnel costs

Ahlstrom had an average of 5,605 employees in 2005 and 6,428 employees in 2004. Personnel costs were €313.1 million, and represented 22.6% of total expenses, in 2005. In 2004, personnel costs amounted to €340.1 million, and represented 23.7% of total expenses. The number of personnel and personnel costs have decreased over the three year period primarily due to divestments and restructuring. In addition, the Company has outsourced certain operations, including the operating of power plants for some of its mills. The Company also seeks to take advantage of hiring temporary personnel from external agencies. While personnel costs have decreased, this has been partially offset by costs for outsourced operations. For example, costs associated with the outsourcing of certain power plant operations are reflected in the Company's energy costs.

Ahlstrom's other expenses

Ahlstrom's other expenses are mainly attributable to freight costs, maintenance costs, paper machine clothing materials, insurance, as well as administrative costs and fees. Ahlstrom's other expenses represented 20.3% of total expenses in 2005, and 23.9% of total expenses in 2004.

Foreign currencies

A large part of the Group's cash flows, receivables, payables and loans are denominated in currencies other than the euro. In 2005, approximately 63% of Ahlstrom's net sales were denominated in euro, approximately 31% in U.S. dollars and approximately 6% in other currencies. The division of net sales by currency was similar in 2004. Changes in U.S. dollar exchange rates have a significant impact on the reported net sales of Ahlstrom. If the euro strengthens against the U.S. dollar, as has occurred in recent years, Ahlstrom's sales in U.S. dollars translate to lower euro values in Ahlstrom's consolidated financial statements. The effect is more pronounced in the FiberComposites segment, where over 60% of net sales for 2005 were denominated in non-euro currencies, whereas in the Specialty Papers segment, only approximately 20% of net sales for the same period were denominated in non-euro currencies.

Although changes in foreign currency rates have affected 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 Group's sales are denominated in U.S. dollars, for example, its principal raw material, pulp, is also mainly priced in U.S. dollars. Also, within each of Ahlstrom's countries of operation, revenues are often received and local costs are typically incurred in the currency of that country and Ahlstrom seeks to set off local costs against local sales to the extent possible to mitigate currency risks. In 2005, approximately 50% of Ahlstrom's expenses were denominated in euro, approximately 41% in U.S. dollars and approximately 9% in other currencies. Net sales denominated in euro exceeded expenses denominated in euro by approximately €258 million, while in respect of the U.S.dollar, expenses exceeded net sales by €114 million. In respect of other currencies, expenses exceeded net sales by €27 million. See "*– Liquidity and capital resources*".

Long-term changes in the exchange rates between the euro and other currencies also have an impact on Ahlstrom's competitiveness. If the euro strengthens against the U.S. dollar, for example, Ahlstrom's goods produced in the European Union will be more expensive and less competitive in U.S. dollar denominated markets, or less profitable to Ahlstrom due to the majority of the production costs being euro-denominated.

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 under "*– Quantitative and qualitative disclosures about market risk*".

Seasonality

Ahlstrom's business is seasonal to a certain extent, with the second half of the year typically having a lower level of net sales and operating profit. This seasonality is mainly the result of customers' summer holidays and parallel manufacturing shutdowns by Ahlstrom in July and August as well as the impact of the year-end holidays.

Acquisitions, divestitures and changes in Group structure

Ahlstrom has reorganized its business in recent years to focus on the production of fiber based materials. As part of this reorganization, a number of operations were divested, including businesses focused on the manufacturing of industrial pumps, folding cartons, pulp and paper making equipment and mill construction. During the restructuring, Ahlstrom also concluded a number of acquisitions in its core fiber based operations. Acquisitions and disposals made by the Company from 2003 to 2005 included the following:

In December 2005, Ahlstrom acquired the absorbent and blotting materials business from FiberMark in North America. The acquired business will be integrated into the Company's Filtration business area. Ahlstrom also announced the acquisition of the filtration operations of Lantor, Inc. in the United States and China. The acquisition includes a facility in Bellingham, Massachusetts, in the United States and will also include a facility in Wuxi, China, which started production in May 2005.

In August 2005, Ahlstrom transferred its base paper production at Kauttua to Jujo Thermal Ltd., a Finnish company in which Ahlstrom holds a 41.7% stake. Net sales of the sold entity were approximately €45.2 million in 2004, while sales volumes amounted to approximately 43.2 thousand tons. At the time of the transfer, Ahlstrom Kauttua Oy employed approximately 145 persons. In addition to producing base paper, the paper machine included in the assets of the sold company also produced face stock and wet glue label paper. During a transition period, the production of label papers will be transferred to Ahlstrom's other plants in Europe. Ahlstrom continues to own and operate one paper machine at the Kauttua facility manufacturing high performance crepe papers.

In November 2004, Ahlstrom transferred its Cores and Board operations to Sonoco-Alcore, in which Ahlstrom currently holds a 35.5% stake. Sonoco-Alcore employs 1,800 people and its net sales for 2005 amounted to approximately €267 million, making the company one of the largest European producers of cores and board. At the time of the transfer, Ahlstrom's Cores and Board operations employed approximately 470 persons. After the completion of this transaction, Ahlstrom's business is focused on the production of high performance nonwovens and specialty papers. Sonoco-Alcore is reported as an associated company, and Ahlstrom includes the results from Sonoco-Alcore in its financial statements using the equity method.

In October 2004, Ahlstrom also announced the divestment of its two flexible packaging units that produced finished flexible packaging material for end users. The divestment was part of Ahlstrom's strategy to focus on the production of fiber-based materials in roll good form. Tecno Jolly (Akerlund & Rausing SpA) in Italy was sold to the Italian flexible packaging company Sacchital SpA. ZAO Akerlund & Rausing Kuban in Russia was sold to Kuban AB, a private equity investor. The divested units had approximately 300 employees at the time of divestment.

In June 2004, the Company acquired the filtration division of Hollinee L.L.C., which produced filtration materials for HVAC applications, to expand Ahlstrom's air filtration product range. The acquired division employed approximately 200 persons at the time of the acquisition. In October 2004, Ahlstrom acquired Green Bay Nonwovens to expand Ahlstrom's wipes product line and North American spunlacing capacity. The acquired company employed approximately 75 persons at the time of the acquisition.

Restructuring of operations, asset write-downs and asset sales

With the aim of focusing on the production of fiber based materials and achieving efficiency improvements and cost reductions, Ahlstrom has completed certain disposals of non-core assets, restructured or shut-down unprofitable operations and reduced personnel during the period from 2003 to 2005. These measures have resulted in capital gains and losses from asset sales, provisions for restructuring costs and asset write-downs that affect operating profit, all of which are not related to the Company's normal business operations and which are reported as non-recurring items. The following table identifies the non-recurring items of the two segments of the Company in the financial years 2003, 2004 and 2005:

	2003	2004		2005
	FAS	FAS	IFRS	IFRS
		(€ millions)		
FiberComposites				
Gains and losses from asset sales	4.6			3.3
Write-downs relating to restructuring		-2.2	-2.2	-0.2
Provisions for costs relating to restructuring		-4.5	-4.5	-1.4
Other non-recurring items		-0.6	-0.6	1.1
FiberComposites, total non-recurring items	**4.6**	**-7.3**	**-7.3**	**2.8**
Specialty Papers				
Gains and losses from asset sales		0.7	0.7	14.8
Write-downs relating to restructuring	-6.2	-0.1	-0.1	
Provisions for costs relating to restructuring	-14.0	-2.3	-13.9	-0.2
Other non-recurring items	0.2	-2.0	-3.7	0.2
Specialty Papers, total non-recurring items	**-20.0**	**-3.7**	**-17.0**	**14.8**
Other operations and eliminations				
Gains and losses from asset sales		-6.0	4.6	0.3
Write-downs relating to restructuring		-0.2	-0.2	-0.3
Provisions for costs relating to restructuring	-1.5	-2.2	-2.3	-0.2
Other non-recurring items		-0.9	2.2	0.8
Other operations and eliminations, total non-recurring items	**-1.5**	**-9.3**	**4.3**	**0.6**
Group				
Gains and losses from asset sales	4.6	-5.3	5.3	18.4
Write-downs relating to restructuring	-6.2	-2.5	-2.5	-0.5
Provisions for costs relating to restructuring	-15.5	-9.0	-20.7	-1.8
Other non-recurring items	0.2	-3.5	-2.1	2.1
Group, total non-recurring items	**-16.9**	**-20.3**	**-20.0**	**18.2**

In 2003, Ahlstrom began a restructuring of the Technical Papers business area, which is included in the Specialty Papers segment. Restructuring measures focused on underperforming operations in Pont Audemer, France and Osnabrück, Germany. The restructuring resulted in provision charges for employee redundancies and the write-down of assets with a negative impact on the operating profit of the Specialty Papers segment. In addition, the Company recognized a capital gain from the sale of a power co-generation facility in Windsor Locks in the United States, which had a positive impact on the operating profit of the FiberComposites segment.

In 2004, significant non-recurring items consisted of capital losses from the sale of Ahlstrom's Tecno Jolly and Kuban packaging plants in Italy and Russia and capital gains from the transfer of the Company's Cores and Board operations to Sonoco-Alcore. These items have a net negative impact on the operating profit of Other operations and eliminations. In addition, provision charges were made in the FiberComposites segment for the restructuring of the Ställdalen nonwovens plant in Sweden and the closing of the Edinburgh office in the United Kingdom. The non-recurring costs for the Specialty Papers segment consist of costs and provisions for certain employee benefits in France.

The difference between the Provisions for costs relating to restructuring amount reported in FAS and IFRS in 2004 is explained by a restructuring provision charge of €11.6 million in the Specialty Papers segment booked in FAS for 2003 and in IFRS for 2004. The difference in other operations and eliminations is due to reversion of impairment write-downs relating to the sale of Ahlstrom's Tecno Jolly packaging plant as it was fully impaired in the IFRS 2004 opening balance sheet.

In 2005, Ahlstrom divested a hydropower asset in Turin, Italy resulting in capital gains which had a positive impact on the operating profit of the Specialty Paper and FiberComposites segments.

Recent developments and current outlook

There has been no significant change in the financial or trading position of Ahlstrom which has occurred since the end of 2005.

In January 2006, Ahlstrom completed an investment in upgrading its release base paper machine at the Company's Turin plant in Italy. The paper machine and its two off-line supercalenderers were subject to significant modifications that required a reduction in the Company's output of release base paper in January, 2006. The paper machine was running at a normal utilization rate in February, 2006.

In January 2006, Ahlstrom also acquired HRS Textiles Inc., a manufacturer of specialty nonwovens based in South Carolina in the United States. The company primarily operates in the North American air and liquid filtration markets. The new entity will operate as part of Ahlstrom Air Media LLC. Ahlstrom also decided to invest approximately €2 million in its FiberComposites segment to expand production capacity of filtration media at the Company's Tampere plant in Finland. The acquisition of HRS Textiles Inc. and the investment at the Tampere plant in Finland did not have a significant effect on the Company.

Management believes that Ahlstrom's business environment will remain challenging in 2006. Growth expectations in Europe are modest, while demand in North America and Asia is expected to enjoy a higher growth rate. Energy and raw material costs are expected to remain at 2005 levels or rise, maintaining pressure on margins. Ahlstrom's announced price increases are aimed to offset these cost increases.

Investments and acquisitions made in 2005 and early 2006 are in line with Ahlstrom's long-term growth strategy. Management believes that the current market situation supports growth for 2006. Ahlstrom will continue to focus on productivity improvements and maintain strict cost control with the aim of improving profitability.

Except as discussed above, there have been no material changes in trends for the Company's production, sales and inventory, and costs and selling prices since the end of 2005.

Adoption of International Financial Reporting Standards

Ahlstrom adopted International Financial Reporting Standards as adopted by the European Union ("IFRS") for financial reporting purposes as of January 1, 2005. Previously, Ahlstrom reported its financial statements in accordance with Finnish Accounting Standards ("FAS").

For Ahlstrom, the most significant effects of the transition to IFRS relate to the impairment of assets, the treatment of pension liabilities and goodwill, and the ensuing tax effects. These effects have had an impact on Ahlstrom's amortization of goodwill and income tax, as well as employee benefits, non-current assets, shareholders equity, deferred tax assets and deferred tax liabilities. Other changes mainly relate to the recording and reporting of provisions and financial leases. In the beginning of 2004, Ahlstrom closed down its coreboard production in France as part of the Sonoco-Alcore joint venture and reorganized a plant in Germany. The reorganization provisions booked by Ahlstrom at the end of 2003 under FAS did not fully comply with IAS 37, and therefore the provisions were reversed in the IFRS opening balance sheet and re-entered as costs in the first-quarter result of 2004, amounting to €11.6 million. The transition to IFRS did not affect the Group's reported cash flow. As a result of the transition to the IFRS, the Company's balance sheet and equity have decreased and the gearing ratio slightly weakened. The transition to IFRS decreased equity by €69 million as at January 1, 2004 and by €52 million at December 31, 2004. The transition had a positive effect on the Group's operating profit and profit for the period due to the elimination of goodwill amortization in favor of periodic impairment testing. The transition to IFRS increased the profit for the period by €15 million.

As of January 1, 2005, Ahlstrom's financial reporting is based on the FiberComposites and Specialty Papers segments, which constitute the Company's primary segments for purposes of IFRS reporting. The comparative segment information in this "*Operating and financial review*" section has been prepared accordingly. The secondary IFRS segments for Ahlstrom are geographical areas, which are Europe, North America, Asia, and the rest of the world.

For further information on the main effects of the transition to IFRS reporting see note "*Transition to IFRS*" in Ahlstrom's 2005 financial statements included in this Offering Circular. See also "*Appendix A: Differences between U.S. GAAP, IFRS and FAS*" in this Offering Circular.

Critical accounting policies

General

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and the accompanying notes. On an on-going basis, the management evaluates and estimates doubtful accounts, inventory valuation, asset impairment, restructuring of operations, investments, environmental obligations, pensions and other post employment benefit obligations, goodwill, and litigation and contingencies. Management's estimates are based on historical experience and on various other assumptions that management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. However, actual results and timing of recognition could differ from those estimates under different assumptions or conditions. Management believes that the accounting policies discussed below represent those accounting policies requiring the exercise of judgment where a different set of judgments could result in the greatest changes to the reported results. The policies discussed below represent the accounting policies of Ahlstrom in accordance with IFRS. The Group has applied IFRS beginning from January 1, 2005, with a transition date of January 1, 2004.

Ahlstrom's accounting policies are described in more detail in the notes to its consolidated financial statements for the year 2005 included in this Offering Circular.

Property, plants and equipment

Depreciation of property, plants and equipment is calculated on a straight-line basis over the relevant asset's estimated useful life. The carrying amount of fixed assets is reviewed at each balance sheet date or whenever events or changes in circumstances indicate that the carrying amount of an asset may be impaired. Circumstances that indicate that an impairment review may be required include, among other things, the following: Significant changes in the Group's strategic orientation affecting business plans and previous investment policies, significant under-performance relative to previously expected historical or projected future performance, and material deterioration in the economic or political environment of the Group's customers or the Group's own activity.

If there is any indication that an asset impairment exists, the asset's recoverable amount is estimated based on either the fair value of the asset less costs to sell, or the asset's value in use. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. At the transition to IFRS, the Group recognized an impairment loss on fixed assets of €56 million arising mainly from the impairment of two production facilities in Italy and one in Germany.

Goodwill

Under IFRS 3, goodwill is no longer amortized but tested for impairment on at least an annual basis. Goodwill impairment is measured using the discounted cash flow valuation method. This method uses future projections and cash flows from each of the cash generating units (production lines) and takes into account, among other items, estimates, projections of future product pricing, production levels, product costs, market supply and demand, projected maintenance capital expenditures and an assumption of the weighted average cost of capital. A pre-tax discount rate used for the net present value calculation of projected cash flows reflects the weighted average cost of capital. At the transition to IFRS, the Group recognized an impairment loss on goodwill of €4 million.

Derivatives and hedging activities

The Group is exposed to foreign currency exchange rate movements and interest rate risks arising from its business operations and financing. The Group manages these risks to minimize their impact on the Group's profitability and financial position by using a variety of derivative financial instruments. See "*Risk factors – Risks related to Ahlstrom's business – Fluctuations in exchange rates may have adverse effects on Ahlstrom's results of operations and financial condition*", and "*– Factors affecting the results of operations and financial condition of Ahlstrom – Foreign currencies*".

The Group applies hedge accounting under IAS 39, *Financial Instruments: Recognition and Measurement*, for translation risk in net investments in foreign entities and to a limited extent for interest rate derivatives related to financing risk. See "*– Quantitative and qualitative disclosures about market risk*". The derivative financial instruments that do not qualify for the criteria for hedge accounting are recognized at fair value through the income statement.

Pension plans

The Group companies in different countries operate various pension plans in accordance with local conditions and practices. These pension plans are classified as defined contribution plans or defined benefit plans.

Contributions to a defined contribution plan are recognized in employee benefit expenses in the income statement as the obligation to make the payments is incurred.

The amount recognized as a defined benefit liability in the balance sheet is the present value of the defined benefit obligation, less the fair value at the balance sheet date of plan assets, adjusted with actuarial gains and losses. The calculations to determine the present value of the defined benefit obligation are based on the projected unit credit method, according to which the future benefits to which an employee will be entitled to are attributed to the periods of service. The defined benefit liability calculations are prepared by independent actuaries.

Actuarial gains and losses arise from changes in the actuarial assumptions used in calculations or differences between the actuarial assumptions and actual outcome. Actuarial assumptions represent the Group's estimate of, for example, discount rates for the obligation, expected return on plan assets and the future level of pensions. Ahlstrom applies the "corridor" method to recognize the actuarial gains and losses. The corridor is 10% of the greater of the present value of the obligation or the fair value of the plan assets. The net cumulative unrecognized actuarial gain or loss in excess of the corridor is amortized on a straight-line basis over the expected remaining working lives of the employees in the plan, and the amortization for the period is recognized in the income statement as income or expense. The corridor is redetermined at each balance sheet date, and separately for each plan. Actuarial gains and losses may affect the Group's expenses in the future periods.

Restructuring of operations

Restructuring charges are recognized in accordance with IAS 37 in connection with the reorganization or relocation of operations, exited business lines, or shutdowns of specific sites. These restructuring charges, which reflect commitment to a termination or exit plan, are based on estimates of the expected costs associated with site closure, employment matters, contract terminations or other costs directly related to the restructuring. In the beginning of 2004, Ahlstrom closed down its coreboard production in France and reorganized the Osnabrück plant in Germany. The reorganization provisions booked at the end of 2003 under FAS did not fully comply with IAS 37 and therefore the provisions were reversed on the IFRS opening balance sheet and re-entered as costs in the first-quarter result of 2004, amounting to €11.6 million

Share-based payments

As of January 1, 2005, the Group recognizes its long-term incentive plan, approved by the Board on October 27, 2004, in accordance with IFRS 2. The number of synthetic stock options granted to each participant for each year (during the 2005 to 2007 period) is based both on the performance of the Group (measured by operated earnings per Share) and the personal performance of the participant. The value of these options is 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 charge in the income statement in personnel costs is dependent on both the number of options granted and the value of the Ahlstrom share.

The valuation of the Ahlstrom share, before public listing, has been prepared by an external party using valuation methods used for non-listed shares and is partly based on the future financial development of the Group. The future financial estimate requires management to make certain assumptions including growth of net sales and operating profit, capital expenditures and discount rate. The number of options awarded is primarily based on the management's assessment of each participant's personal performance.

Results of operations

The following is a discussion of Ahlstrom's results of operations for the financial years ended December 31, 2005, December 31, 2004 and December 31, 2003. Results of operations for the 2005 financial year and the comparative financial data for the 2004 financial year, each prepared in accordance with IFRS, are first discussed. Ahlstrom's results of operations for the 2004 financial year compared to the results for the 2003 financial year, each prepared in accordance with FAS, are discussed next. The discussions of the development of the results of operations generally reflect the total net sales, expenses, depreciation, amortization and goodwill, operating profit, share of profits from associated companies, net financing costs and income taxes, as well as profit for the period presented in Ahlstrom's consolidated financial statements for each of the financial years.

Financial year 2005 compared to financial year 2004 (IFRS)

The financial statements for the financial year 2005 has been prepared in accordance with IFRS, as has the comparative financial data for the financial year 2004 presented below. See "*Transition to IFRS*" in the financial statements of Ahlstrom for the financial year 2005, included in this Offering Circular.

Net Sales

Group

Ahlstrom Group's net sales in 2005 amounted to €1,552.6 million, a decrease of 1.0% compared to €1,567.8 million in 2004. The decrease was mainly due to the divestment of Ahlstrom's Cores and Board operations and the disposal of the Company's flexible packaging units in October 2004. In addition, net sales were affected by the disposal of Ahlstrom Kauttua Oy in August 2005. Foreign currency fluctuations had a limited effect on the development of net sales during 2005.

Net sales, excluding the Cores and Board operations, increased by 4.2% in 2005, up from €1,489.9 million in 2004. Adjusted sales volumes grew over the period by 3.7%. Net sales and volumes grew particularly in the FiberComposites segment while sales and volumes in the Specialty Papers segment remained unchanged, primarily because of the impact of the disposal of Ahlstrom Kauttua Oy in August 2005.

FiberComposites

Net sales in the FiberComposites segment in 2005 amounted to €742.3 million, an increase of 11.8% compared to €663.8 million in 2004. Sales volumes grew over the period by 7.3% in the FiberComposites segment. This increase was mainly due to increased demand for nonwovens, especially in the North American markets. Increased sales volumes were supported by further investments in nonwoven production capacity in the Company's facility in Windsor Locks in the United States. Demand for medical products also increased in North America and Europe during this period. The increase in net sales was also due to the full year impact of the October 2004 acquisition of Green Bay Nonwovens. In the Filtration business area, sales volumes remained unchanged during the period, while net sales in the business area increased due to a more favorable product mix and increased prices for Ahlstrom's products. The increase in Filtration net sales was also due to the full year impact of the June 2004 acquisition of the filtration business of Hollinee L.L.C. and the transfer of a production line from the Label and Packaging Papers business area to Filtration. In the Glass Nonwovens business area, net sales in the specialty reinforcements product line developed favorably over the period.

Specialty Papers

Net sales from Specialty Papers in 2005 amounted to €814.7 million, a decrease of 8.0% compared to €885.9 million in 2004. The decrease was due to the divestment of Ahlstrom's Cores and Board operations in October 2004. Net sales were also affected by the disposal of Ahlstrom Kauttua Oy in August 2005.

Net sales, excluding the Cores and Board operations, amounted to €814.7 million in 2005, an increase of 0.8% compared to €808.0 million in 2004. Adjusted sales volumes grew by 2.1% during the same period. Net sales and volumes increased particularly in release base paper in the Label and Packaging Papers business area due to increased market demand. Demand was partially increased by disruptions in supply due to a labor dispute in the Finnish paper industry, that affected certain of the Company's competitors, as well as the net sales of the Company's wet glue and face stock label papers. Sales volumes were positively affected by increased demand for poster paper in the Technical Papers business area. This increase in net sales was offset by the disposal of Ahlstrom Kauttua Oy, which affected the Company's Label and Packaging business area. Demand for pre-impregnated decor products decreased over the period due to a downturn in the furniture markets.

Other operations and eliminations

Other operations for 2005 included corporate units in Finland, France and the United States, and Ahlstrom's sales offices. In 2004, other operations also included Ahlstrom's Tecno Jolly and Kuban packaging plants in Italy and Russia, which were sold in October 2004. Eliminations mainly consisted of internal sales among Group companies, including the Cores and Board operations, which were divested at the end of October 2004.

Net sales from Ahlstrom's other operations and eliminations in 2005 consisted primarily of Group eliminations and amounted to a loss of €4.4 million. In 2004, net sales from other operations and eliminations amounted to €18.1 million, which consisted primarily of sales from the Tecno Jolly and Kuban packaging units, which were divested in 2004, in addition to Group eliminations.

Expenses

Ahlstrom's expenses in 2005 amounted to €1,382.4 million, a decrease from €1,437.1 million in 2004. Expenses decreased in large part due to divestments made over the period, in addition to the impact of cost cutting and restructuring programs. These reductions were partially offset by an increase in prices for pulp and oil based raw materials, including synthetic fibers. In 2005, raw material costs amounted to €661.4 million, an increase of 2.6% from €644.4 million in 2004. This increase was mainly due to higher cellulose and oil based raw material prices. Energy costs amounted to €127.6 million in 2005, an increase of 16.2% from €109.8 million in 2004. This increase was mainly due to increases in electricity prices, particularly in Europe, and natural gas prices in the United States. Certain fixed price agreements for the supply of energy also expired over the period, which increased the costs for energy. Employee benefit expenses amounted to €313.1 million in 2005, a decrease of 7.9% from €340.1 million in 2004. Employee benefit expenses decreased mainly due to reduction of the work force as a result of the divestment of the Company's Cores and Board operations. Other expenses from operations amounted to €280.3 million in 2005, a decrease of 18.2% from €342.8 million in 2004. Other expenses decreased as a result of the divestment of operations and savings in fixed costs.

Depreciation, amortization and impairment charge

Depreciation, amortization and impairment charges for the Ahlstrom Group's in 2005 amounted to €83.7 million compared to €90.3 million in 2004. This decrease was mainly due to the disposal of the Company's Cores and Board operations.

Operating profit

Group

Ahlstrom Group's operating profit in 2005 amounted to €117.2 million, an increase of 88.7% compared to €62.1 million in 2004. Non-recurring items had a positive impact of €18.2 million on the 2005 operating profit, but a negative impact of €20.0 million in 2004. The Cores and Board operations of Ahlstrom, which were divested in October 2004, had a negative impact of €0.1 million on operating profit in 2004.

The operating profit for the Ahlstrom Group, excluding the non-recurring items and the Cores and Board operations, amounted to €99.0 million in 2005, an increase of 20.4% compared to €82.2 million in 2004. This increase was mainly due to increased operating profit in the FiberComposites segment, although the operating profit in the Specialty Papers segment also increased during the period.

FiberComposites

The operating profit in the FiberComposites segment in 2005 amounted to €65.5 million, an increase of 64.6% compared to €39.8 million in 2004. Non-recurring items had a positive impact of €2.8 million on operating profit in 2005, and had a negative impact of €7.3 million in 2004. Non-recurring items consisted mainly of asset sales in 2005, including the sale of the Company's hydropower assets in Turin, Italy, and in 2004 consisted primarily of provisions related to the Company's restructuring, as well as asset write-downs.

Operating profit for FiberComposites, excluding non-recurring items, amounted to €62.7 million in 2005, an increase of 33.1% compared to €47.1 million in 2004. This increase was mainly due to the increase of net sales, lower fixed costs relative to net sales, and an insurance reimbursement in the amount of €3.3 million, which was assigned to the FiberComposites-segment in 2005. This development was partially offset by an increase in raw material and energy prices.

Specialty Papers

The operating profit for SpecialtyPapers in 2005 amounted to €57.7 million, an increase of 176.1% compared to €20.9 million in 2004. Non-recurring items had a positive impact of €14.8 million on operating profits in 2005, but a negative impact of €17.0 million in 2004. The main non-recurring items consisted of a capital gain from the sale of the base paper production at Ahlstrom's Kauttua plant in Finland, and the hydropower assets in Turin, Italy, in 2005, and a restructuring provision charge in 2004. The Cores and Board operations, which were divested in October 2004, had a negative impact of €0.1 million on operating profit in the Specialty Papers segment in 2004.

Operating profit for Specialty Papers, excluding non-recurring items and the divested Cores and Board operations, amounted to €42.9 million in 2005, an increase of 12.9% compared to €38.0 million in 2004. This increase was mainly due to increased net sales, as well as improved production efficiency and lower fixed costs. This increase was largely offset by the increase of raw material and energy costs. The Technical Papers business area's profitability decreased substantially as a result of a downturn in the furniture market and generally poor market conditions in Europe. The Company launched rationalization measures in the production at its sites in Osnabrück, Altenkirchen and Pont-Audemer.

Other operations and eliminations

Other operations for 2005 included corporate units in Finland, France and the United States, and Ahlstrom's sales offices. In 2004, other operations also included Ahlstrom's Tecno Jolly and Kuban packaging plants in Italy and Russia, which were sold in October 2004. Eliminations did not have a significant effect on operating profit.

The operating profit from Ahlstrom's other operations and eliminations in 2005 amounted to a loss of €6.0 million, whereas they contributed €1.4 million to the operating profit in 2004. Operating profit in 2004 was positively affected by non-recurring items, including income from asset sales, as well as certain insurance receivables established at the Group level in the amount of €3.5 million in 2004. The amounts were reallocated to the FiberComposites segment in 2005, which had a corresponding negative effect on the operating profit of other operations in 2005. The loss was also partly due to non-recurring items mainly consisting of provisions for environmental clean up in Kauttua in 2005.

Share of profit of associated companies

The share of profit of associated companies for the Ahlstrom Group in 2005 amounted to €0.4 million, compared to €2.7 million in 2004. This decrease was mainly due to the labour dispute in the Finnish paper industry, which negatively affected production at the plants of Jujo Thermal Ltd. and Sonoco-Alcore in Finland.

Net financing costs

Net financing costs for the Ahlstrom Group amounted to €16.8 million in 2005, and €16.9 million in 2004. The net interest expenses amounted to €11.5 million in 2005, and €12.5 million in 2004. Foreign exchange losses amounted to €3.8 million in 2005, and €0.5 million in 2004. The majority of foreign exchange losses related to losses incurred in connection with the Company's exchange currency hedging. The net financing costs for 2004 also include a loss in the amount of €1.7 million relating to sale of assets held for sale.

Taxes

Income taxes in 2005 amounted to €38.1 million, and €14.5 million in 2004. The increase was due to higher taxable income in 2005 arising from higher profitability and divestments. Current taxes based on taxable income for the financial period amounted to €19.5 million in 2005 and €8.2 million in 2004, while the deferred taxes amounted to €18.6 million in 2005 and €6.3 in 2004. The effective tax rate was 37.9% for Ahlstrom in 2005 and 30.3% in 2004. The tax rate in 2005 reflects the corporate tax rates in the countries where Ahlstrom operates. Ahlstrom experienced a lower rate of taxation in 2004 than in 2005. This was due to income tax rates in countries where Ahlstrom operates being higher than those in Finland, as well as to non-recurring tax relief related to investments in South Korea and a positive contribution to results from associated companies in 2004.

Profit for the shareholders of the parent company

Ahlstrom Group's profit for the shareholders of the parent company in 2005 amounted to €62.4 million, an increase of 88.0% compared to €33.2 million in 2004, due to the reasons described above.

Financial year 2004 compared to financial year 2003 (prepared in accordance with FAS)

The financial statements for the financial years ending December 31, 2004 and December 31, 2003 have been prepared in accordance with FAS. FAS differs from IFRS in certain material respects, and consequently, the description of the performance and financial condition of Ahlstrom based on the financial information presented below is not stated on a basis that is comparable with the corresponding financial information for the financial year 2005, and the comparative data for the financial year 2004, which have been prepared in accordance with IFRS. See note "*Transition to IFRS*" in the 2005 financials statements, included in this Offering Circular.

For the financial years 2003 and 2004, Ahlstrom's operations were divided into the FiberComposites, LabelPack and Specialties divisions. As of January 1, 2005, the FiberComposites division was divided into three business areas, Nonwovens, Filtration and Glass nonwovens, that together form the FiberComposites segment. The LabelPack and Specialties divisions now form the Specialty Papers segment. The following discussion is based on Ahlstrom's current segment structure, with the previously reported results for the LabelPack and Specialties divisions combined and reported under the Specialty Papers segment.

Net sales

Group

Ahlstrom Group's net sales in 2004 amounted to €1,567.8 million compared to €1,556.4 million in 2003. The strengthening of the euro decreased the amount of Ahlstrom's net sales by approximately €40 million in 2004. Net sales also decreased due to the divestment of the Cores and Board operations of Ahlstrom at the end of October 2004.

Net sales, excluding Ahlstrom's Cores and Board operations, amounted to €1,489.9 million in 2004, an increase of 2.1% from €1,458.6 million in 2003. Sales volumes, excluding the Cores and Board operations, grew by 4.7% over the same period. This increase was mainly due to market growth and investments made in the FiberComposites segment. Growth of net sales in Specialty Papers also contributed to the increase over the period. The increase of the adjusted net sales was offset in part by the strengthening of the euro over the period.

FiberComposites

Net sales in the FiberComposites segment in 2004 amounted to €663.8 million, an increase of 3.0% compared to €644.7 million in 2003. Sales volumes increased by 10.9% over the same period. This growth was mainly due to an increase in sales volumes in the United States, as well as to acquisitions and investments made in new production lines in the United States, Italy and South Korea. Ahlstrom acquired the filtration division of Hollinee L.L.C. in June 2004, and, in October 2004, Green Bay Nonwovens, which expanded the Company's wipes product line. In addition, net sales in FiberComposites increased due to the transfer of a production line from the Label and Packaging Papers business area to the Filtration business area in 2004. The effect of foreign exchange rate fluctuations was more pronounced in this period compared to 2005. The strengthening of the euro partially offset the increase in net sales, as over 60% of the net sales in FiberComposites were in currencies other than euro, principally the U.S. dollar.

Specialty Papers

Net sales in the Specialty Papers segment remained substantially unchanged over the period. In 2004, net sales amounted to €885.9 million compared to €886.1 million in 2003. Sales volumes also remained stable. Ahlstrom divested its Cores and Board operations in October 2004, which negatively affected net sales and sales volumes in 2004.

Net sales, excluding the Cores and Board operations, amounted to €808.0 million in 2004, an increase of 2.5% from €788.3 million in 2003. Sales volumes, excluding Cores and Board operations, increased by 3.6% over the period. Net sales of release base papers in the Label and Packaging Papers business area provided a source of growth over the period. Net sales and volumes also grew in the Technical Papers business area, driven mainly by market growth in pre-impregnated decor papers, which benefited from increased demand in the furniture market. Growth of net sales was offset by the transfer of a production line from the Label and Packaging Papers business area to Filtration in the FiberComposites segment as of January 1, 2004. The effect of foreign currency fluctuations was less pronounced in the Specialty Papers segment than in FiberComposites over the period although certain products, especially the wet glue labels market, were negatively affected by the strengthening euro because a larger share of their sales were in non-euro denominated markets compared to other products.

Other operations and eliminations

Other operations consisted mainly of Ahlstrom's Tecno Jolly and Kuban packaging plants in Italy and Russia, which were sold in October 2004. Other operations also included corporate units in Finland, France and the United States, and Ahlstrom's sales offices. Eliminations mainly consisted of internal sales among the Group companies, including the Cores and Board operations, that were divested in the end of October 2004.

Net sales from Ahlstrom's other operations and eliminations in 2004 amounted to €18.1 million compared to €25.6 million in 2003. The decrease was mainly due to the divestment of the Tecno Jolly and Kuban packaging units.

Expenses

Ahlstrom's expenses in 2004 amounted to €1,434.9 million compared to €1,418.0 million in 2003. The prices for oil based raw materials, including synthetic fibers, increased over the period. Energy prices also increased mainly due to increases in electricity prices particularly in Europe. To an extent, the increase in energy prices was mitigated by fixed price supply agreements. Pulp prices also decreased over the period in euro terms due to the weakening of the U.S. dollar. Personnel costs also decreased, mainly due to a reduction of the work force as a result of divestments, and the establishment of the Sonoco-Alcore joint venture. At the same time, the Company gained new employees through the acquisition of the filtration division of Hollinee L.L.C. and Green Bay Nonwovens in the United States. Expenses were also reduced by the Company's cost cutting and restructuring programs.

Share of profit of associated companies

The share of profit of associated companies for the Ahlstrom Group in 2004 amounted to €2.8 million compared to €3.4 million in 2003. This decrease was mainly due to lower profitability of Jujo Thermal Ltd.

Depreciation, amortization and impairment charge

Depreciation and amortization for the Ahlstrom Group in 2004 amounted to €104.1 million, a decrease of 7.4% compared to €112.4 million in 2003. This decrease was mainly due to lower values of non-current assets in 2004, reflecting the divestment of the Cores and Board operations, as well as the packaging units in Italy and Russia. Goodwill amortization in 2004 amounted to €11.8 million, compared to €13.1 million in 2003.

Operating profit

Group

In 2004, the Group's operating profit was €51.0 million, an increase of 5.2% from €48.5 million in 2003. The Cores and Board operations had a positive impact of €1.1 million on the operating profit in 2004, and a negative impact of €2.3 million in 2003 because of asset write downs made in 2003. Non-recurring items primarily related to reorganization costs and asset sales accounted for €20.3 million of operating profit in 2004, and €16.9 million of operating profit in 2003.

Operating profit for the Ahlstrom Group, excluding non-recurring items and the divested Cores and Board operations amounted to €70.2 million in 2004, an increase of 3.7% compared to €67.7 million in 2003. This increase was mainly due to improved profitability in the Specialty Papers segment. This increase was offset in part by the overall decrease in operating profits in FiberComposites.

FiberComposites

In 2004, the operating profit of the FiberComposites segment was €33.9 million, a decrease of 40.7% from €57.2 million in 2003. The decrease was mainly due to non-recurring items, which had a negative impact of €7.3 million on operating profit in 2004, and a positive impact of €4.6 million in 2003. Non-recurring items mainly included provisions for restructurings and asset write-downs in 2004 and sales of assets in 2003, principally consisting of a gain from the sale of a power generating facility in the United States.

Operating profit for FiberComposites, excluding non-recurring items, amounted to €41.2 million in 2004, a decrease of 21.7% compared to €52.6 million in 2003. The decrease was mainly due to the weakening of the U.S. dollar against the euro, as well as the weak demand in Europe, especially in the case of the Nonwovens business area, for example. This decrease was also due to increases in the cost of raw materials, which were not fully offset by price increases for Ahlstrom's products. Further, three new manufacturing lines were constructed during the period in Windsor Locks, the United States, in Turin, Italy and in Hyun Poong, Korea, which increased expenses without contributing fully to sales during the period. However, these effects were partially offset by personnel reductions which had a positive effect on operating profit over the period.

Specialty Papers

In 2004, the operating profit of the Specialty Papers segment was €27.9 million, compared to €1.2 million in 2003. Non-recurring items accounted for €3.7 million in 2004, and €20.0 million in 2003. In 2004, non-recurring items primarily included the formation of the Sonoco-Alcore joint venture, in addition to asset write downs and provision charges for personnel reductions in underperforming units. Non-recurring items in 2003 included provision charges related to restructuring projects in France and Germany that involved the closing down and upgrading of production lines and personnel reductions. The Cores and Board operations of Ahlstrom accounted for €1.1 million of operating profit in 2004, and a loss of €2.3 million in 2003.

Operating profit for Specialty Papers, excluding non-recurring items and the divested Cores and Board operations, amounted to €30.5 million in 2004, an increase of 29.8% compared to €23.5 million in 2003. This increase was mainly due to an increase of sales volumes, improved productivity, as well as reductions in fixed costs from reorganizations.

Other operations and eliminations

Other operations consisted mainly of Ahlstrom's Tecno Jolly and Kuban packaging plants in Italy and Russia, which were sold in October 2004. Other operations also included corporate units in Finland, France and the United States, and Ahlstrom's sales offices, as well as the associated company Jujo Thermal Ltd, which is not included in this line item under IFRS. Eliminations did not have a significant effect on operating profit.

The total operating loss from Ahlstrom's other operations amounted to €10.8 million in 2004, compared to a loss of €9.9 million in 2003. The increase in losses was mainly due to a net capital loss realized on the sale of the Tecno Jolly and Kuban plants. Reserves established for insurance compensation had an offsetting impact on the increase in losses.

Net financing costs

Net financing costs for the Ahlstrom Group amounted to €16.2 million in 2004 compared to €14.8 million in 2003. Net interest expenses totalled €12.0 million in 2004 and €10.4 million in 2003. The increase in net interest expenses was mainly due to higher interest-bearing net debt caused by acquisitions, as well as to higher capital expenditure primarily in the FiberComposites segment. Foreign exchange loss, mainly arising from the conversion of trade receivables denominated in U.S. dollars, was €2.1 million in 2004 and €4.7 million in 2003. Other net financial expenses were €2.8 million in 2004 and €0.2 million in 2003.

Taxes

Income taxes amounted to €17.1 million in 2004, and €11.1 million in 2003. Current taxes amounted to €8.2 million in 2004 and €14.2 million in 2003. Deferred tax expense in 2004 was €8.9 million, while deferred tax income amounted to €3.1 million in 2003. The lower taxes in 2003 were primarily due to utilization of tax benefits from prior years, non-recurring tax refunds and tax-deductible write downs of subsidiary shares in 2003.

Profit for the period

Ahlstrom Group's profit for the period in 2004 amounted to €17.5 million compared to €22.4 million in 2003 due to the reasons discussed above.

Liquidity and capital resources

Ahlstrom's principal source of liquidity is cash generated from operations. Ahlstrom's principal liquidity requirements have been financing capital investments and servicing debt and working capital needs. Ahlstrom uses external debt financing mainly for major investments or acquisitions, while cash from operations typically satisfies working capital needs. In addition, dividend payments have affected liquidity, as the Company has paid over €150 million in dividends over the past three years. See "*Dividends and dividend policy*". The parent company of the Ahlstrom Group has the principal responsibility for cash management within the Group, and serves the cash needs of its operating subsidiaries. Funds are transferred from the operating subsidiaries to the parent company mainly in the form of dividends, Group contributions, and debt repayment.

As of January 1, 2005, Ahlstrom's external reporting has complied with IFRS. Previously, Ahlstrom reported its financial statements in accordance with FAS. The transition to IFRS did not affect the Group's reported net cash flow, although it did impact certain reported line items, including cash flows used in investing activities. See note "*Transition to IFRS*" in Ahlstrom's 2005 financial statements included in this Offering Circular.

Cash flows from operating activities amounted to €126.6 million in 2005, €128.0 million in 2004, and €202.0 million in 2003. Improved profitability had a positive effect on the cash flow for 2005, while the increase in net working capital and realized exchange rate differences in foreign currency hedging instruments had a negative effect on cash flow. The decrease in 2004 cash flows compared to 2003 was a result of lower profitability in 2004. Cash flow from operating activities was also high in 2003 due to a decrease in working capital resulting from a reduced amount of accounts receivable. In addition, cash flow from operating activities in 2003 was positively affected by cash flow from equity hedging instruments in 2003 during a period when the U.S. dollar weakened.

Cash flows used in investing activities amounted to €10.8 million in 2005. In 2004, cash flows used in investing activities amounted to €148.3 million, reported in accordance with IFRS. According to FAS, the equivalent amount of cash flow used in investing activities in 2004 was €160.5 million. The difference caused by the transition to IFRS relates to the change in presentation regarding cash flow from change in notes receivable and short-term investments. Cash flows used in investing activities amounted to €44.8 million in 2003. The decrease of 92.7% in 2005 from cash flows used in investing activities in 2004 (under IFRS) was primarily the result of a reduced level of capital expenditure. Moreover, Ahlstrom did not undertake significant acquisitions and the proceeds from the sale of non-current assets were higher. In particular, in 2005, the cash flow from investing activities was affected by the sale of Ahlstrom Kauttua Oy and the Company's hydropower asset in Italy. The increase in cash flows used in investing activities in 2004 compared to 2003 was primarily the result of the acquisitions in the United States of the Hollinee L.L.C. filtration business and Green Bay Nonwovens, as well as investments in FiberComposites productions lines, which were offset to a lesser degree by proceeds from the sale of non-current assets during 2005 compared to 2004. In 2003, Ahlstrom sold its 6.8% share in Amcor Flexibles Europe A/S and its remaining North American power generating operations, which are reflected in 2003 cash flows.

Cash flows used in financing activities amounted to €119.8 million in 2005. During 2004, Ahlstrom had a negative cash flow used in financing activities of €15.7 million (under IFRS). The equivalent figure reported in accordance with FAS was positive €27.8 million. The difference caused by the transition to IFRS relates to the change in presentation regarding cash flow from change in notes receivable and short-term investments. The change in cash flows between 2005 and 2004 was mainly due to differences in interest bearing debt and paid dividends. Cash flows used in financing activities amounted to negative €166.4 million in 2003. The change in cash flows relating to financing activities compared to 2004 was primarily a result of the repayment of debt and higher dividends in 2003. The additional financing needed in 2004 compared to 2003 was primarily a result of the Hollinee L.L.C. filtration and Green Bay Nonwovens acquisitions made in 2004. In 2003, the amount of the Company's investments was lower and the Company paid off its medium and long-term debt.

Ahlstrom's cash and cash equivalents amounted to €16.0 million as of December 31, 2005, €19.6 million as of December 31, 2004 and €24.1 million as of December 31, 2003.

Ahlstrom Group Treasury seeks to manage the external sources of financing of the Company to minimize interest and related financing expenses. The external financing of Group companies is centrally managed with a view to achieving cost effective financing in compliance with relevant national regulations. Ahlstrom seeks to maintain an appropriate mix of cash, short-, medium- and long-term loans and committed and uncommitted credit facilities provided by banks and other financial institutions both in the national and international financial markets. In Finland the Company also accesses short term funds under a commercial paper program. Ahlstrom seeks to maintain a gearing ratio, measured as the percentage of net interest bearing debt divided by the sum of shareholders' equity and minority interest, of between 50% and 80%. As of December 31, 2005, Ahlstrom's gearing ratio was 57.7%.

Ahlstrom secures its ability to fund its business needs by maintaining sufficient liquid assets by different cash control solutions, such as a Group cash pool and credit lines. The majority of Group companies is connected to national or regional cash pools in different countries. Management believes that these arrangements are sufficient to meet the present operating requirements of Ahlstrom. The treasury and cash management functions are managed as centrally as possible within each country in which Ahlstrom operates, and the overall activities are coordinated by Group Treasury.

Committed credit facilities available to the Group amounted to €657 million at December 31, 2005, including a 5-year €400 million syndicated revolving credit facility raised in November 2004. As of December 31, 2005, the undrawn amount under these credit facilities was €464 million. The margins on Ahlstrom's committed medium and long-term credit facilities vary from 0.375% to 0.65% over EURIBOR/LIBOR. The average maturity of these facilities is 3.7 years. The Company's current credit facility agreements do not include financial covenants.

Based on the Company's outstanding interest bearing debt as of December 31, 2005 €241 million was exposed to movements in interest rates, amounting to 67% of all interest bearing debt. Provided that this amount of debt would remain unchanged, the Company estimates that an increase in interest rates by one percent with full effect over a period of the subsequent 12 months would increase the Company's interest costs by approximately €2.7 million.

The following table sets out the Company's interest bearing debt by currency as of December 31, 2005:

Interest-bearing debt by currency

Currency	Amount (€ millions)
U.S. dollar	142.1
Euro	206.3
Other	8.2
Total	356.6

The table below sets forth Ahlstrom's obligations and commitments to make future payments under contracts and contingent commitments as of December 31, 2005:

Repayment schedule of non-current interest bearing liabilities

	2006	2007	2008	2009	2010	After 2010	Total
	(€ millions)						
Floating rate loans from financial institutions	65.9	5.0	-	65.0	-	25.1	161.0
Finance lease liabilities	3.3	2.6	2.3	1.8	1.6	12.2	23.7
Other non-current loans	0.8	0.8	0.7	0.7	0.7	1.1	4.9
Total	70.0	8.4	3.1	67.5	2.3	38.3	189.6

For additional information on Ahlstrom's interest-bearing loans and borrowings, see note 22 to Ahlstrom's 2005 financial statements included in this Offering Circular. For additional information on Ahlstrom's minimum lease payments due over the next five years under its operating leases, see note 27 to Ahlstrom's 2005 financial statements included in this Offering Circular.

The table below sets forth guarantees and other contingent liabilities of Ahlstrom as of December 31, 2005:

Guarantees and contingent liabilities of Ahlstrom

Commitments and Contingent Liabilities	2005 (€ millions)
For own liabilities	
Loans from financing institutions	
amount of loans	0.2
amount of mortgages	0.2
Other loans	
amount of loans	3.3
book-value of pledges	3.6
For own commitments	
Guarantees	24.1
For commitments of associated companies	
Guarantees	8.3
Investment commitments	11.2
Other contingent liabilities	8.4

Working capital statement

The Company believes that its working capital is sufficient for its current needs.

Off-balance sheet financing arrangements

Ahlstrom does not have special-purpose financing vehicles or similar financing arrangements. Ahlstrom does not have any off-balance sheet financing arrangements with or through any of its affiliates or with any unconsolidated entities.

Capital Expenditures

In the past three years, the Company has focused its capital expenditure to increase capacity in response to identified customer demand. The Company seeks to deploy its resources to achieve a return on capital employed of at least 13%. For the financial year 2005, Ahlstrom had a return on capital employed of 12.4%.

Capital expenditures, which do not include acquisitions, totalled €62.4 million in 2005, compared to €101.0 million in 2004 and €92.7 million in 2003. In 2005, Ahlstrom made several investments to add production capacity and new capabilities to its manufacturing facilities. In 2004, the largest investments related to new production lines in the Nonwovens and Filtration business areas, while in 2003, the largest completed investment related to improving the performance of one of the Company's largest paper machines at its Osnabrück plant in Germany. The following discussion briefly describes key capital expenditures announced by Ahlstrom, as well as those made by Ahlstrom during the financial years 2003, 2004 and 2005.

Ahlstrom has announced several capital expenditures that the Company aims to complete during 2006 and 2007:

- Investment of €5 million to expand glass nonwovens production capacity at Ahlstrom's Mikkeli plant in Finland. The investment will consist of an additional building and new machinery. Construction work is expected to be completed during 2006.
- Investment of €7 million in a new power co-generation facility at the Company's Turin plant in Italy, to serve the plant's energy needs. It will be built and run by an external partner. The new facility is expected to be completed in 2007.
- Investment in a new spunlace machine at the Green Bay plant in the United States, which is expected to result in new production capacity in 2007.
- Investment in proprietary nanofiber production capabilities at the Madisonville plant in the United States, which are expected to be used particularly in the Filtration business area. A new production line is estimated to be ready for operations in 2007.
- Investment of €30 million to expand the production capacity of supercalendered release base papers at the Company's La Gère plant in France. The expansion is scheduled to be completed in the beginning of 2007.
- Investment of €18 million to expand the Company's production capacity for supercalendered release base papers at the Company's Turin plant in Italy.

In 2005, Ahlstrom made capital expenditures in the total amount of approximately €34.9 million in its FiberComposites segment. These investments included an investment of €6 million in the fine fiber line at the Turin plant in Italy and an investment of €4 million to expand the glass tissue line at the Karhula plant in Finland. Capital expenditure in the Specialty Papers segment amounted to €25.6 million, and priarily related to the expansion of production capacity for release base paper at the Turin plant in Italy.

In 2004, Ahlstrom made capital expenditures of approximately €71 million in its FiberComposites segment. Approximately €38 million was invested in a new nonwoven manufacturing line in Windsor Locks targeted at the wipes market. Other capital expenditures included investments in production lines in South Korea and Italy. Capital expenditures in the Specialty Papers segment amounted to approximately €25 million in 2004. Capital expenditure was mainly used to expand production capacity of supercalendered release base papers in Italy as well as for production efficiency and quality improvements. Major investments also included the restructuring of the Pont Audemer plant in France, and the improvement of the pre-impregnated decor line at Ahlstrom's Osnabrück plant in Germany.

In 2003, Ahlstrom made capital expenditures in the total amount of approximately €58 million in its FiberComposites segment. Investments were made in a new manufacturing line in Windsor Locks targeted at the wipes market, as well as new production lines in South Korea. Capital expenditure in the Specialty Papers segment amounted to approximately €31 million. Capital expenditure was mainly used to expand production capacity of supercalendered release base papers in Italy as well as for production efficiency and quality improvements. Other main investments included the rebuild of a paper machine at the Osnabrück plant in Germany and the increase of capacity for crepe papers at the Kauttua plant in Finland.

The actual amount of Ahlstrom's capital expenditure and investments in the future will depend on various factors that cannot currently be foreseen. Ahlstrom's management expects that the Group's capital expenditures, excluding acquisitions and significant capacity increases, are expected to be significantly above the 2005 level in 2006. Management expects that future capital expenditures and other financing requirements of Ahlstrom will be mainly covered by cash generated by operations of the Company and by additional borrowings from financial markets.

Quantitative and qualitative disclosures about market risk

The goals of Ahlstrom's financial risk management are to secure the availability of funds required for the financing of the business operations of the Group on the best available terms, to protect Ahlstrom's net result and balance sheet from movements in foreign exchange and interest rates and to minimize counterparty risks. Ahlstrom's Group Treasury manages financial risks on a centralized basis.

Funding risk

The Ahlstrom Group aims to secure the timely availability of funds by maintaining an appropriate mix of cash, short-, medium and long-term loans and committed and uncommitted credit facilities provided by banks and other financial institutions both in the national and international financial markets. In Finland the Company also uses short term funding under a commercial paper program.

Foreign exchange risk

A large part of Ahlstrom's sales and expenses are denominated in currencies other than the euro, which is the Company's reporting currency. In 2005, approximately 63% of Ahlstrom's net sales were denominated in euro, approximately 31% in U.S. dollars and approximately 6% in other currencies. Ahlstrom's raw materials are generally purchased in U.S. dollars and euros. Other expenses, such as personnel costs, are typically incurred in the currency of the countries in which Ahlstrom's operations are located. Ahlstrom's consolidated results of operations are reported in euro, while the results of operations and shareholders' equity of a number of its operating subsidiaries are reported in local currencies. As a result, Ahlstrom's results of operations are subject to currency transaction risk and currency conversion risk. Movements in foreign exchange rates relating to its operations outside jurisdictions using the euro can impact both Ahlstrom's cash flows and equity invested in its operating subsidiaries. See "*– Factors affecting the results of operations and financial condition of Ahlstrom – Foreign currencies*".

Ahlstrom seeks to manage its currency transaction risk by offsetting revenue earned in local currencies against expenses incurred in the same currency. Ahlstrom's operating subsidiaries then hedge their foreign currency denominated cash inflows and outflows on a net exposure basis per currency based on the base currency of the respective subsidiary in accordance with a formula defined in the Company's treasury policy. The length of the transaction exposure periods is determined individually by the Ahlstrom Group companies in accordance with their specific guidelines in order to allow for as accurate a match as possible with the underlying risk profiles of the underlying obligations. Foreign currency denominated loans, forward contracts and, to a lesser extent, options are used as hedging instruments.

With respect to currency translation risk on its consolidated balance sheet, Ahlstrom generally applies a policy of hedging 100% of its foreign currency denominated equity in foreign subsidiaries. After adjusting for debt denominated in foreign currencies, the net exposures between foreign currencies and the euro are hedged by using forward contracts and medium term cross-currency swaps. In accordance with IAS 39, the foreign exchange differences relating to these transactions are booked against conversion differences in the consolidated balance sheet, reducing the impact of movements in foreign exchange rates on Ahlstrom's reported shareholders' equity.

The following table provides information about Ahlstrom Corporation's foreign exchange derivatives contracts.

*Foreign exchange derivative financial instruments**

€ millions, 2005	
Foreign exchange derivatives	
Fair value **	
Equity hedging	-1.9
Other foreign exchange derivatives	-0.6
Total	-2.5
Nominal value	434.6

* The values illustrate the extent of the hedging activities and do not as such measure the risk exposure of Ahlstrom.
** The fair value of the financial instruments has been calculated from prevailing market rates as of December 31, 2005.

The following table briefly describes the effect of changes in foreign currency rates on the results of operations of Ahlstrom. The presentation is based on financial information regarding the year 2005:

*Sensitivity to changes in foreign exchange rates**

	In euro			Impact of 1% FX increase on:		2005 FX rate	
Currency	**Net sales**	**Costs**	**Net**	**Net sales, € million**	**Net, € million**	**Average**	**Dec. 31**
€...........................	971	-713	258				
$...........................	478	-592	-114	4.8	-1.1	1.24	1.18
£...........................	56	-81	-25	0.6	-0.3	0.68	0.69
Yen	37	-18	19	0.4	0.2	137.1	138.9
Other (in €)	11	-32	-21	0.1	-0.2		
Total.....................	1,553	-1,436	117	5.9	-1.4		

* Net sales by currency are based on the currency in which products are invoiced to customers. Costs, being the sum of Expenses, Other operating income and Depreciation and amortization, by currency have been calculated based on jurisdiction where sites are located, except for purchases of pulp and synthetic fibers, the majority of which are purchased in U.S. dollars on a Group basis. These figures have been derived from the internal reporting system of the Company.

Interest rate risk

The primary focus of Ahlstrom's interest rate risk management is to maintain a 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, forwards, futures and options. Swaps usually have maturities of between two and five years. Ahlstrom monitors the fair market value of these transactions on a continuous basis.

Based on the Company's outstanding interest bearing debt as of December 31, 2005, €241 million was exposed to movements in interest rates, representing 67% of all interest bearing debt. Provided that this amount of debt would remain unchanged, management estimates that an increase in interest rates by one percent with full effect over a period of the subsequent 12 months would increase the Company's interest costs by approximately €2.7 million, taking into consideration the maturities of the Company's interest rate swap agreements.

Ahlstrom's interest rate swaps involve the exchange of floating for fixed rate interest payments to effectively convert floating rate debt into fixed rate debt. The fair value of Ahlstrom's interest rate derivatives outstanding on December 31, 2005 was €0.7 million. See note 22 to Ahlstrom's 2005 financial statements included in this Offering Circular.

*Interest rate derivative financial instruments**

€ millions, 2005	
Interest rate swaps	
Fair value**	0.7
Nominal value.....................	67.4

* The values illustrate the extent of the hedging activities and do not as such measure the risk exposure of Ahlstrom.
** The fair value of interest rate swaps is based on actually quoted market rates as of December 31, 2005.

Counterparty risk

The Ahlstrom Group seeks to minimize counterparty risks associated with foreign exchange transactions, derivatives contracts and occasional external placements by limiting its exposures to financial institutions and other counterparties with high credit ratings. Even though counterparty risk cannot be entirely eliminated, management believes that these risks are efficiently managed. Customer related counterparty risks are limited through a combination of a diversified customer base and Ahlstrom's policy of entering risk sharing arrangements with banks and insurance companies in respect of larger exposures. Almost all of Ahlstrom's customers are industrial companies.

DIRECTORS, MANAGEMENT AND EMPLOYEES OF THE COMPANY

General

Pursuant to the provisions of the Finnish Companies Act and Ahlstrom's Articles of Association (the "Articles of Association"), the management and control of the Company is divided between the shareholders, the Board of Directors (the "Board") and the President and Chief Executive Officer. In addition, the Company has a Corporate Executive Team, which operates within the mandate of the President and Chief Executive Officer.

The shareholders participate in the administration and management of the Company through resolutions adopted at general meetings of shareholders. General meetings of shareholders are normally convened upon notice given by the Board. In addition, a general meeting of shareholders must be held when requested in writing by an auditor of the Company or by shareholders representing at least one-tenth of all the issued Shares of the Company.

The business address of the members of the Board, the Corporate Executive Team and the President and Chief Executive Officer is c/o Ahlstrom Corporation, Eteläesplanadi 14, FI-00130 Helsinki, Finland and the telephone number is +358 10 888 0.

Board of Directors

Pursuant to the Articles of Association, the Board consists of a minimum of five members and a maximum of seven members. The annual general meeting of shareholders confirms the number of board members, elects them, and decides on their compensation. The mandate of each board member expires at the end of the annual general meeting of shareholders immediately following their election. There are no limitations as to the number of terms a person can be a board member and no mandatory retirement age. Currently, the Company has seven board members from which the Board has elected a Chairman and Vice Chairman. All of the board members are non-executive.

The Board has general authority to decide and act on any matter not reserved by law or under the provisions of the Articles of Association to any other governing body of the Company. Thus, the Board is, among other things, responsible for the Company's administration and the due organization of its operations. It formulates and confirms the Company's long-term business strategies and approves the Company's business plans and annual plans. The Board decides on major capital expenditures, acquisitions and substantial divestments of assets and approves the general framework for other capital expenditures. It also monitors the Company's performance and human resource development. Each board member receives a monthly performance report from the Company, including financial data and management comments. The Board constitutes a quorum when over half of its members are present.

Most of the meetings of the Board are held at the Company's 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 the Company acts as the Secretary of the Board.

The Board has established and approved Rules of Procedure of the Board to complement the Articles of Association and applicable laws and regulations in Finland. The Board conducts an annual self assessment process, in which each board member completes a questionnaire relating to the Board's performance, practices and procedures. The responses of the board members are discussed in a subsequent board meeting, and actions are taken to address the issues raised.

The members of the Board are presented in the table below:

Name	**Year born**	**Position**	**Year appointed** (1)
Johan Gullichsen	1936	Chairman	1972 (2)
Urban Jansson	1945	Vice Chairman	1999 (3)
Sebastian Bondestam	1962	Member	2001
Jan Inborr	1948	Member	2001
Bertel Paulig	1947	Member	2005
Peter Seligson	1964	Member	1999
Willem F. Zetteler	1945	Member	2001 (4)

(1) Reflects the year the person joined the Board of Ahlstrom Corporation or the Board of Directors of its predecessor entity.
(2) Mr. Gullichsen has served as a member of the Board from 1972 to 1986 and as the Chairman of the Board from 1986 to 1998 and from 1999 to present.
(3) Mr. Jansson has served as the Vice Chairman of the Board since 2005.
(4) Mr. Zetteler has served as a member of the Board of Ahlstrom Paper Group from 1998 to 2000.

Johan Gullichsen has been the Chief Executive Officer and the owner of Arhippainen, Gullichsen and Co, an independent consulting firm specializing in pulp and paper mill process engineering, since 1970. Mr. Gullichsen has been a member of the Board of Directors of Andritz Oy since 2001. He has served as the Chairman of the Board of Directors of the Walter Ahlström Foundation since 1978 and as the Chairman of the Board of Directors of the Runar Bäckström Foundation since 1990. Mr. Gullichsen has also served as a member of the Board of Directors of the Maj and Tor Nessling Foundation since 1995 and as a member of the Board of Directors of the Walter and Andrée de Nottbeck Foundation since 1990. He was the Chairman of the Board of Directors of the Swedish Academy of Technical Sciences from 1995 to 2001. Mr. Gullichsen holds a Master of Science degree in Chemical Engineering. He is a Doctor of Technology h.c. and professor emeritus at the Helsinki University of Technology.

Urban Jansson has served as the Chairman of the Board of Directors of the Swedish companies Tylö AB and Siemens AB since 2005 and as the Vice Chairman of the Board of Directors of the Norwegian company Plantasjen ASA since 2000. He has also served as a member of the Board of Directors of the Swedish companies: SEB AB (publ.) since 1996, Addtech AB (publ.) since 2000, Eniro AB (publ.) since 2000 and Clas Ohlsson AB (publ.) since 2005. He has also served as a member of the Board of Directors of the Norwegian company Ferd A/S since 2003, and the Swedish company HMS AB since 1999. Mr. Jansson has been a member of the Listing Committee of Stockholm Stock Exchange since 1999. Mr. Jansson holds a Higher Bank Degree.

Sebastian Bondestam is the Converting Director EU of Tetra Pak. Mr. Bondestam has worked for Tetra Pak since 1991 in different positions, most recently as the Vice President Converting America. Mr. Bondestam holds a Master of Science degree in Engineering.

Jan Inborr is the President and Chief Executive Officer of Ahlström Capital Oy, which position he has held since 2001. He served as the Managing Director of Ahlstrom Paper Group Ltd. between 1996 and 2000. Mr. Inborr has served as a member of the Board of Directors of Vacon Plc, a company listed on the Helsinki Stock Exchange, since 2002 (serving as Chairman of the Board of Directors since 2003) and as a member of the Board of Directors of A&R Carton AB since 2001 (serving as Vice Chairman of the Board of Directors since 2005). He has also served as the Chairman of the Board of Directors of Enics AG since 2004 and as a member of the Board of Directors of Nordkalk Oyj Abp since 2002. He is also a member of the Board of Directors and the Managing Director of Soldino Oy. In addition, Mr. Inborr has served as a member of the Board of Directors of Stiftelsen för Åbo Akademi since 2003. Mr. Inborr holds a Bachelor of Science degree in Economics.

Bertel Paulig has been the Executive Chairman of the Board of Directors of Paulig Ltd, a Finnish enterprise concentrating on coffee, seasonings and ethnic foods, since 1997. He has also served as the Chairman of the Board of Directors of Veho Group Oy Ab since 2000, as the Chairman of the Board of Directors of the Economic Information Office since 2005 and as a member of the Board of Directors of the International Chamber of Commerce ICC Finland since 2005. Mr. Paulig holds a Master of Science degree in Macroeconomics.

Peter Seligson is the Partner of Seligson & Co Oyj. Mr. Seligson has served as the Managing Director of Menire Advisors Oy from 2000 to 2002. Prior to that, he worked for Seligson & Co and Alfred Berg Finland Oy. Mr. Seligson is currently a member of the Board of Directors of Baltiska Handels AB, Hanso S.A., Thaddeus & Cie S.A. Atine Group, Endero Oyj, Broadius Holding Oy, Involve Holding Ab, Pricoat Oy, Stiftelsen Blomsterfonden and Turvatiimi Oyj. Furthermore, he is currently the Chairman of the Board of Directors of Broadius Partners Oy and Unic Minds Oy. He has previously served as a member of the Board of Directors of Potz Holding S.A., Conor Venture Partner Oy, Valimo Wireless Oy, Donator Ab, Aktivist Network Oy, Suomen Arvopaperimediat Oy, Barium Holding Ab, Involve Learning ASA, Terra Nova Group Oyj, eQ Online Oyj, Emcat e-Business Solutions Ab, Moving Skills AB, Finvest Oyj, PharmaPoint AB, eQ Holding Oyj, Vestcap Oyj and Nexit Ventures Oy. He has also served as a member of Folkhälsan since 2000 and as the Chairman of the Board of Skatte och Företagsekonomiska Stiftelsen since 2004. Mr. Seligson holds a Lic. Oec. degree.

Willem F. Zetteler is the former President and Chief Executive Officer of Otra N.V. He has served as a member of the Supervisory Board of SHV Holdings N.V. from 1998 to 2005 and he is currently a member of the Board of Directors of Trespa International B.V., Mercurius Groep B.V., PontMeyer N.V., Pearle Europe B.V., Kon. Ahrend N.V. and Hoogland & Massee Holding B.V. Mr. Zetteler holds a Bachelor of Science degree in Economics.

Permanent Committees

The Board may appoint permanent committees of the Board and establish their working procedures. These committees are composed of members of the Board and they report to the Board. In 2001, the Board appointed the Compensation Committee and, in 2003, the Audit Committee.

Compensation Committee

According to the Rules of Procedure of the Board, the Compensation Committee decides on the compensation and benefits of the persons reporting to the President and Chief Executive Officer. As at the date hereof, the members of the Compensation Committee are Mr. Johan Gullichsen (Chairman), and Messrs. Urban Jansson and Willem F. Zetteler. The Board in its entirety decides on the compensation and benefits of the President and Chief Executive Officer.

Audit Committee

According to its charter, which has been approved by the Board, the Audit Committee assists the Board in fulfilling its oversight responsibilities. It reviews the financial reporting process of the Group, the system of internal control and management of financial risks, the audit process of the Group, and the Company's process for monitoring its compliance with applicable laws and regulations and its own code of business conduct.

The Audit Committee is required to regularly update the Board on the Audit Committee's activities and make appropriate recommendations. The Audit Committee is also required to ensure that the Board is aware of matters which may significantly impact the financial condition or affairs of the Company's 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.

All members of the Audit Committee must be independent of management and should each be capable of making a valuable contribution to the Audit Committee. As at the date hereof, the members of the Audit Committee are Mr. Peter Seligson (Chairman), and Messrs. Jan Inborr and Bertel Paulig.

President and Chief Executive Officer

Mr. Jukka Moisio is the President and Chief Executive Officer of the Company. The President and Chief Executive Officer is in charge of the Company's operations and day-to-day 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 implements the decisions of the Board. The President and Chief Executive Officer also serves as the Chairman of the Corporate Executive Team. The Board is responsible for appointing and dismissing the President and Chief Executive Officer and any deputy.

Corporate Executive Team

The Corporate Executive Team consists of Ahlstrom's top corporate management as well as business area and functional leaders. The members of the Corporate Executive Team are nominated by the President and Chief Executive Officer and appointed by the Board. The General Counsel of Ahlstrom acts as the Secretary of the Corporate Executive Team. The members of the Corporate Executive Team report to the President and Chief Executive Officer. There are currently 11 members of the Corporate Executive Team.

The role of the Corporate Executive Team is to support the President and Chief Executive Officer in performing his duties. Within the framework set by the Board, the Corporate Executive Team monitors business performance, implements strategy and initiates actions as well as establishes policies and procedures.

At the date of this Offering Circular, the following members belong to the Corporate Executive Team:

Name	**Year born**	**Position**	**Year joined** (1)
Jukka Moisio	1961	President and Chief Executive Officer, Chairman of the Corporate Executive Team	1991
Gustav Adlercreutz	1957	Senior Vice President, Administration, General Counsel, Secretary of the Corporate Executive Team	1984
Risto Anttonen	1949	Senior Vice President, Commercial Operations	1991
Tommi Björnman	1966	Senior Vice President, Glass Nonwovens	1996
Diego Borello	1953	Senior Vice President, Label and Packaging Papers	1983
Randal Davis	1956	Senior Vice President, Filtration	2000 (2)
Claudio Ermondi	1958	Senior Vice President, Nonwovens	1984
Leif Frilund	1953	Senior Vice President, Technical Papers	1986
Patrick Jeambar	1946	Senior Vice President, Technology	1997 (3)
Jari Mäntylä	1959	Senior Vice President, Finance	2000
Laura Raitio	1962	Senior Vice President, Marketing	1991

(1) Reflects the year the person joined Ahlstrom Corporation or its predecessor entity.
(2) Mr. Davis joined Dexter Corporation in 1983. The nonwovens division of Dexter Corporation was acquired by Ahlstrom in 2000, at which time Mr. Davis joined Ahlstrom.
(3) Mr. Jeambar joined Ahlstrom in 1997, when Ahlstrom acquired Sibille-Dalle. Mr. Jeambar joined Dexter Corporation in 1979. From 1979 to 1986 the nonwovens division of Sibille-Dalle was a part of Dexter Corporation.

Jukka Moisio was appointed President and Chief Executive Officer of the Company in September 2004. Prior to his current appointment, he worked as the President of Ahlstrom's FiberComposites division, to which he had been appointed in November 2000. Between September 2003 and August 2004, Mr. Moisio also acted as the Executive Vice President and Deputy to the Chief Executive Officer. From January 1999 to November 2000, Mr. Moisio served as the Chief Financial Officer of Ahlstrom Paper Group, responsible for business planning, finance and accounting, controlling and treasury. Mr. Moisio joined Ahlstrom in 1991, and prior to his appointment as the Chief Financial Officer, he held a series of corporate planning positions in the parent company, as well as in its business groups in Finland, France and the Netherlands. Mr. Moisio began his career as a consultant at McKinsey & Company in Stockholm, working on strategic studies, cost reduction projects and mergers and acquisitions in several industries. Mr. Moisio holds a Master of Science degree in Economics and a Master of Business Administration degree. He is a Finnish national.

Gustav Adlercreutz was appointed Senior Vice President, Administration and General Counsel, in May 2005. He also serves as the secretary of the Board and the Corporate Executive Team. From 2001 to May 2005, he served as the Senior Vice President and General Counsel of Ahlstrom Corporation and was also the secretary of the company's board and management team. From 1996 to 2001, he served as the general counsel of Ahlstrom Paper Group, and in 2000 he also acted as the human resources director of A. Ahlstrom Corporation. Mr. Adlercreutz joined the Company in December 1984 as a legal counsel. Before joining Ahlstrom, Mr. Adlercreutz was an associate at Roschier, Holmberg & Waselius, a leading law firm in Finland. Mr. Adlercreutz has served as the Chairman of the Board of Directors of Ahlstrom's associated company Jujo Thermal Oy since 1998 and is currently a member of the Board of Directors of the Finnish companies Oy Sandman-Nupnau Ab, Suomen Vaimennin Oy, Suomen Autotuote Oy and Fastighets Ab Nyland and the Chairman of the Board of Directors of Soldino Oy. Mr. Adlercreutz holds a Master of Laws degree. He is a Finnish national.

Risto Anttonen was appointed Senior Vice President, Commercial Operations, in July 2003. In this position Mr. Anttonen is in charge of Group purchasing, Ahlstrom's Asian expansion and the Company's sales network. From 2001 to 2003, Mr. Anttonen served as the division president of the Specialties division and from 1999 to 2001 as division president of the Industrial Products division. He joined the Company in 1991 as the Managing Director of Ahlstrom Alcore Oy. Prior to that, he was the Managing Director of Norpe Oy, a manufacturer of display refrigeration. Mr. Anttonen has served as a member of the Board of Directors of Ensto Oy since 2002, Uusimaa Oy since 1991, Paperinkeräys Oy since 1996, and the Chamber of Commerce of Itä-Uusimaa province since 1988. He has also served as a member of the Council of the Central Chamber of Commerce of Finland since 2002. Mr. Anttonen holds a Bachelor of Science degree in Economics. He is a Finnish national.

Tommi Björnman was appointed Senior Vice President, Glass Nonwovens, in January 2005. He has served as the Managing Director of Ahlstrom Glassfibre Oy since 2003, and served as the Deputy Managing Director from March 2002 to March 2003. Mr. Björnman started his career in the Company in 1996 as a Product Manager in Ahlstrom Glassfibre Oy. From 1997 to 2002, he held different managerial positions at Ahlstrom, and has served as the General Manager and Plant Manager at the Karhula plant in Finland. Before joining the Company, Mr. Björnman worked as a Planning and Sourcing Manager for Unilever Oy in Finland, and as a Product Manager (research and development) for Wisapak Oy Ab. Mr. Björnman has served as a member of the Board of Directors of KET, the Association of Consumer Goods and Special Product Industries, and APFE, the European Glass Fibre Producers Association, since 2003. He has also been a member of the Energy Committee in Elinkeinoelämän Keskusliitto (EK), the Confederation of Finnish Industries, since 2005. Mr. Björnman holds a Master of Science degree in Industrial Engineering. He is a Finnish national.

Diego Borello was appointed Senior Vice President, Label and Packaging Papers, in January 2005. Mr. Borello's career at Ahlstrom spans 26 years and a range of responsibilities. Before being appointed President of the Self-Adhesive division of Ahlstrom Paper Group in 1996, he served as the General Manager of Ahlstrom's Turin plant in Italy and as Commercial Manager, Export Sales Manager, Research and Development Manager, and Quality Control Manager for engine filter papers and self-adhesive and flexible packaging papers. Mr. Borello is a board member of the Italian Paper Industry Association, and the Industry Federation in Turin. He has also served as the Chairman of the Board of PaperPlus, a European association of Specialty Paper Manufacturers, since 2004. Mr. Borello graduated from the University of Turin with a major in analytical chemistry. He is an Italian national.

Randal Davis was appointed Senior Vice President, Filtration, in January 2005. He has previously held various management positions within Ahlstrom's Consumer and Medical Nonwovens product areas**.** In September 2000, when Ahlstrom acquired Dexter Nonwovens, Mr. Davis was the Vice President, Sales and Marketing, of Dexter. From 1983 to 2000, he worked in several sales and marketing positions within Dexter Corporation, including as the European Sales and Marketing Director, based in Brussels, Belgium. He was employed by Kendall Company from 1979 to 1983. Mr. Davis was a member of the Board of Directors of INDA Nonwovens Association from 2002 to 2005, the U.S. Tea Association from 2002 to 2005, and served on the board of the New England Air Museum since 2003. He holds a BSBA degree in Finance, and a Master of Business Administration degree. He is a U.S. national.

Claudio Ermondi was appointed Senior Vice President, Nonwovens, in January 2005. Prior to his current position, Mr. Ermondi served as the Vice President for the Filtration business area. From 1999 to 2000, he was the Deputy Vice President, and from 1991 to 1998, the European General Manager, for the Filtration business, having joined Ahlstrom in 1984. Mr. Ermondi graduated from the University of Turin with a major degree in Theoretical Chemistry. He is an Italian national.

Leif Frilund was appointed Senior Vice President, Technical Papers, in January 2005. Mr. Frilund has held various other managerial positions within the Ahlstrom Group, most recently serving as the President of the Specialties division from October 2003 to December 2004. Prior to that, Mr. Frilund was the Vice President and General Manager of the Cores and Board business area in the Specialties division from 2000 to 2003. Before that, he served as the Managing Director of Ahlstrom Alcore Oy. Mr. Frilund has also served as the General Manager of the Company's carbonless paper business, Sales Director of the Kauttua mill and Technical Director at Ahlstrom Paper's head office in Meggen, Switzerland, having joined the Company in 1986 as a Product Manager at the Company's Osnabrück mill in Germany. Between 1995 and 1998, Mr. Frilund was the Managing Director of Albany Fennofelt Oy, a producer of paper machine clothing. He began his career with Raisio Chemicals, where he worked from 1980 to 1986. Mr. Frilund has served as a member of the Boards of Directors of Sonoco-Alcore S.a.r.l. and Tukeva, the research and higher education committee of the Finnish Forest Industries Federation, since 2005. Mr. Frilund holds a Master of Science degree in Engineering. He is a Finnish national.

Patrick Jeambar was appointed Senior Vice President, Technology, in January 2005. He is responsible for innovations and research and development, as well as health, safety, environment and asset protection. From 2001 to 2004, Mr. Jeambar was the head of Industrial Nonwoven business area of the FiberComposites division. From 1997 to 2000, he was the General Manager of the Glassfiber and Nonwoven division. He joined Ahlstrom in 1997 in conjunction with the acquisition of Sibille-Dalle, where he also led the Nonwoven division. From 1979 to 1986, he was the Mill Manager of the Brignoud mill in France, then part of Dexter Corporation. Mr. Jeambar began his career with La Rochette Cenpa, first as a Research and Development Manager and later as a Production Manager. Mr. Jeambar is currently a member of the Board of Directors of Copacel, the French paper industry association, EDANA, the European Disposables and Nonwovens Association, and Rhône Meditérannée Corse Water Agency. Mr. Jeamber is also as a member of the Chamber of Commerce of Grenoble and the Chamber of Commerce Franco-Finlandaise. Mr. Jeambar graduated as a paper engineer. In addition, he holds a Master of Business Administration degree. He is a French national.

Jari Mäntylä was appointed Senior Vice President, Finance, in March 2005. Mr. Mäntylä joined the Company as Financial Director in 2000, a position which he held until his current appointment. Prior to joining the Company, Mr. Mäntylä worked as the Corporate Controller of Fortum Corporation from 1998 to 2000 and from 1994 to 1998 he was the Assistant Vice President, Group financial planning, of Outokumpu Oyj, both corporations listed on the Helsinki Stock Exchange. Mr. Mäntylä started his career as a Financial Accountant in Neste Oy, a former Finnish oil refining company. Mr. Mäntylä holds a Master of Science degree in Economics and a Master of Science degree in Engineering. He is a Finnish national.

Laura Raitio was appointed Senior Vice President, Marketing, in January 2006. From 2002 until her present appointment, Ms. Raitio served as the Vice President and General Manager of Ahlstrom Osnabrück GmbH. Ms. Raitio joined the Company as a research engineer in 1991, and has held several managerial positions in the Company. From 2001 to 2002, Ms. Raitio served as the Managing Director of Ahlstrom Kauttua Oy, and from 1999 to 2001 as the Director of Marketing, Communications and Quality Management. Ms. Raitio holds a Licentiate of Technology degree in Pulping Technology. She is a Finnish national.

Litigation statement concerning directors and officers

With the exceptions described below, at the date of this Offering Circular, none of the members of the Board, the President and Chief Executive Officer, or any member of the Corporate Executive Team for at least the previous five years:

- has any convictions in relation to fraudulent offenses;
- has held an executive function in the form of a senior manager or a member of the administrative, management or supervisory bodies of any company at the time of or preceding any bankruptcy, receivership or liquidation; or
- has been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

From 2002 to 2003, Mr. Seligson, in his capacity as a representative of a venture capital firm, served as a member of the Board of Directors of companies affiliated with Involve Incoming ASA, and from 2000 to 2002 as a member of the Board of Directors of Moving Skills AB, both of which have been declared bankrupt. In addition, Mr. Inborr served as a member of the Board of Directors of A&R Carton AB, when its subsidiaries in France and United Kingdom were declared bankrupt in 2001 and 2003, respectively.

Conflicts of interest

Provisions regarding management conflicts of interest are set forth in the Finnish Companies Act. Pursuant to chapter 8, section 10 of the Finnish Companies Act, a member of the board of directors or the managing director may not participate in decision making relating to contracts between a member of the board and the company. Nor may such member of the board of directors participate in decision making relating to a contract between the company and a third party if the relevant member of the board of directors may thereby receive a material benefit which may be in conflict with the interests of the company.

To the knowledge of the Company, the members of the Board, the President and Chief Executive Officer and the members of the Corporate Executive Team do not have any conflicts of interest between their duties to the Company and their private interests and/or their other duties.

There are no family relationships between the members of the Board, the President and Chief Executive Officer and the members of the Corporate Executive Team. However, Messrs. Johan Gullichsen, Peter Seligson and Sebastian Bondestam are related to the extended Ahlström family.

Management remuneration

As decided by the 2005 annual general meeting of shareholders, the remuneration of the Chairman of the Board was €4,850 per month and the remuneration for each other member of the Board was €2,425 per month. In addition, each member of Board committee receives €1,050 for each committee meeting in which the director participates. None of the board members receives any additional remuneration from the Company other than that based on board membership.

The total remuneration of the members of the Board in 2005 was €257,430. There is no pension scheme for board members. In connection with the demerger of A. Ahlström Corporation the pension liabilities for the members of the Board of Directors of A. Ahlström Corporation were transferred to Ahlstrom. As of December 31, 2005, the aggregate amount of these pension liabilities with respect to current board members is €709,706.

The total remuneration of the current members of the Corporate Executive Team, including the President and Chief Executive Officer, including salary, fringe benefits and bonuses, in 2005 was €3,104,648. Under the Short Term Incentive Plan approved by the Board on October 27, 2004, the annual bonus payable to a member of the Corporate Executive Team is performance based and can be as high as between 40% and 60% of the member's annual base salary. Beginning in 2005, members of the Corporate Executive Team also participate in the Long Term Incentive Plan, which has been approved by the Board. See "– *Incentive schemes*".

The total remuneration of the President and Chief Executive Officer, including salary, fringe benefits and bonuses, was €588,382 in 2005. The President and Chief Executive Officer and the Finnish members of the Corporate Executive Team participate in a voluntary collective pension insurance plan to which both they and the Company make contributions of equal size. The annual maximum contribution of the Company is one month's base salary. In 2005, the Company's aggregate contribution to the pension insurance plan was €61,221.50 for these persons. According to the terms and conditions of the pension insurance plan, the President and Chief Executive Officer and the Finnish members of the Corporate Executive Team may retire at the earliest after reaching the age of 60. In addition, one member of the Corporate Executive Team has an additional pension insurance to which the Company made contributions of €8,409 during 2005.

Generally, no separate remuneration is paid to the President and Chief Executive Officer or the other members of the Corporate Executive Team for the membership on governing bodies of Group legal units or associated companies. The Company has not given any guarantee or other security on behalf of the members of the Corporate Executive Team or the Board.

Management holdings

As of the date of this Offering Circular, the members of the Board, the President and Chief Executive Officer and the members of the Corporate Executive Team own a total of 899,778 of the Company's Shares prior to the Offering, corresponding to approximately 2.5% of the Company's Shares and votes attached to the Shares. After the completion of the Offering and assuming full exercise of the Over-Allotment Option, the members of the Board, the Corporate Executive Team and the President and Chief Executive Officer in the Company are expected to hold approximately 2.0% of the Company's Shares and votes.

At the date of this Offering Circular, members of the Board, the President and Chief Executive Officer and the members of the Corporate Executive Team hold a total of 402,421 option rights, entitling them to subscribe for up to 402,421 new Shares of the Company. See "*Description of the Shares and share capital – Option programs*".

The shareholdings and stock options of the members of the Board, the President and Chief Executive Officer and the members of Corporate Executive Team are presented in the following table (excluding any Offer Shares acquired in the Offering):

Name	**Position**	**Shares** (1)	**Stock options** (2)
Johan Gullichsen	Chairman of the Board	634,451	0
Urban Jansson	Vice Chairman of the Board	0	0
Sebastian Bondestam	Member of the Board	100	0
Jan Inborr	Member of the Board	9,159	82,431
Bertel Paulig	Member of the Board	0	0
Peter Seligson	Member of the Board	225,538	0
Willem F. Zetteler	Member of the Board	0	0
Jukka Moisio	President and CEO, Chairman of the Corporate Executive Team	15,265	137,385
Gustav Adlercreutz	Member of the Corporate Executive Team	3,053	27,477
Risto Anttonen	Member of the Corporate Executive Team	3,053	27,477
Tommi Björnman	Member of the Corporate Executive Team	0	9,044
Diego Borello	Member of the Corporate Executive Team	3,053	27,477
Randal Davis	Member of the Corporate Executive Team	0	9,044
Claudio Ermondi	Member of the Corporate Executive Team	0	9,044
Leif Frilund	Member of the Corporate Executive Team	3,053	27,477
Patrick Jeambar	Member of the Corporate Executive Team	3,053	27,477
Jari Mäntylä	Member of the Corporate Executive Team	0	9,044
Laura Raitio	Member of the Corporate Executive Team	0	9,044
Total		899,778	402,421

(1) The Shares of the Company have historically been divided into two series of shares, series A and series B. The general meeting of shareholders of Ahlstrom decided on February 14, 2006, to combine the two series of shares. At the time of commencement of public trading in the Shares, which is expected to be on or about March 14, 2006, the Company will have only one series of shares. See "*Description of the Shares and share capital*".

(2) The options are divided into two programs. As of the date of this Offering Circular, the last date of the share subscription period and the share subscription price for both programs, as amended, is the same. See "*Description of the Shares and share capital – Option programs*".

Incentive schemes

On October 27, 2004, the Board approved a new Long Term Incentive Plan for key employees. From 2005 to 2007, each participant in the plan will be able to earn up to a predetermined maximum number of synthetic stock options each calendar year based on the plan category to which that participant has been assigned. The actual number of options received each year is based both on the performance of the Group, measured with respect to earnings per share, and the personal performance of the participant measured by individual performance criteria. The value of the options is based on the value of Ahlstrom's Shares over 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 granted, is determined by multiplying the number of options received by the change in the value of the Ahlstrom Share. See "*Description of the Shares and share capital – Option programs*".

Service contracts

The President and Chief Executive Officer's service contract, which has been made in writing, may be terminated by either the President and Chief Executive Officer or the Company with six months' notice. In the event the Company terminates the contract without cause, the Company must pay to the President and Chief Executive Officer a severance payment equal to eighteen months' salary.

The employment contracts of the Finnish members of the Corporate Executive Team may be terminated by either the executive or the Company with six months' notice. In the event the Company terminates the contract without cause, the Company must pay to the executive a severance payment equal to twelve months' salary. For one member of the Corporate Executive Team, the severance payment is equal to eighteen months' salary. The applicable laws of a relevant country are applied to the severance payments. For example, in Italy the severance payment payable to the executives may be equivalent to 25–28 months' salary.

Auditors

At the date of this Offering Circular, the Company's auditor is KPMG Oy Ab ("KPMG"), a firm of authorized public accountants. KPMG has audited the IFRS financial statements of the Company for the financial year ended December 31, 2005 and the FAS financial statements of the Company for the financial years ended December 31, 2004 and 2003, which are included elsewhere in this Offering Circular.

Corporate Governance

In addition to applicable law and the Articles of Association, Ahlstrom complies with the Corporate Governance Recommendation for Listed Companies issued by the Helsinki Stock Exchange, the Finnish Central Chamber of Commerce and the Confederation of Finnish Industry (2003), as well as the OECD Principles on Corporate Governance (1999).

Employees

The chart below describes the average number of employees in the Company and its subsidiaries by business areas during the periods covered by the historical financial information included in this Offering Circular.

Business area	**Average number of employees for the year ended December 31**		
	2003	**2004**	**2005**
Filtration	951	1,106	1,118
Glass Nonwovens	533	535	559
Nonwovens	1,197	1,162	1,153
Label and Packaging Papers	1,540	1,536	1,359
Technical Papers (1)	1,659	1,513	1,054
Others	656	575	362
Total	**6,536**	**6,428**	**5,605**

(1) Years 2003 and 2004 include employees of Ahlstrom's divested Cores and Board operations.

The chart below describes the average number of employees in the Company and its subsidiaries by country during the periods covered by the historical financial information included in this Offering Circular.

Country	**Average number of employees for the year ended December 31**		
	2003 (1)	**2004** (1)	**2005**
Finland	1,087	1,062	731
France	1,525	1,508	1,389
The United States	884	1,003	1,127
Italy	796	892	774
Germany	768	749	693
The United Kingdom	300	288	277
Sweden	266	216	123
Spain	115	120	113
South Korea	85	108	119
Belgium	82	85	85
Brazil	88	77	81
Others	540	320	93
Total	**6,536**	**6,428**	**5,605**

(1) Years 2003 and 2004 include employees of Ahlstrom's divested Cores and Board operations.

The decrease in the number of employees is primarily due to the divestment of non-core operations and the restructuring of the Company.

A significant portion of the Company's non-management employees are members of labor unions in their home countries. Local customs and legislation are observed in labor matters and in negotiating collective bargaining agreements. Management believes that the Company's relationships with employees and their representatives are good. Strikes and work stoppages may, however, affect the Company's operations. For example, there have been work stoppages in the paper industry in Finland in 2005, although the Company's business was not significantly affected, as production was transferred elsewhere. See also "*Risk factors – Risks related to Ahlstrom's business – A major part of Ahlstrom's employees belong to labor unions and Ahlstrom may be subject to labor disruptions that could interfere with its operations*".

MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

As of February 23, 2006, Ahlstrom had a total of 273 registered shareholders of whom a significant majority are private individuals. The largest individual shareholder was Antti Ahlströmin Perilliset Oy, which held 10.0% of the Shares and votes in Ahlstrom. As part of the Offering, Antti Ahlströmin Perilliset Oy has been granted a preferential allocation in the Institutional Offering to subscribe for such number of Offer Shares as is required to allow Antti Ahlströmin Perilliset Oy to maintain its proportional shareholding in the Company after the Offering, assuming full exercise of the Over-Allotment Option.

Antti Ahlströmin Perilliset Oy is a holding company owned by approximately 130 descendants of Ahlstrom's original founder, Mr. Antti Ahlström. All shareholders of Ahlstrom who are members of the Ahlström family are not necessarily shareholders in Antti Ahlströmin Perilliset Oy. The Company understands that no single shareholder has a controlling interest in Antti Ahlströmin Perilliset Oy, and that the largest shareholder has less than 10% of the shares and voting rights.

Principal shareholders

The following table sets forth the largest shareholders of the Company and their holdings on February 23, 2006. On the date of this Offering Circular, there were a total of 36,436,737 Shares outstanding. As of February 23, 2006, the major shareholders were the following:

	Total number of Shares (1)	% of Shares	% of votes
Antti Ahlströmin Perilliset Oy	3,656,564	10.0	10.0
Keskinäinen Työeläkevakuutusyhtiö Varma	1,416,200	3.9	3.9
Mona Huber	1,256,700	3.4	3.4
Jacqueline Tracewski	1,007,600	2.8	2.8
Krister Ahlström	970,919	2.7	2.7
Ulla Ahlström	737,738	2.0	2.0
Kaj Nahi	717,538	2.0	2.0
Niklas Lund	693,738	1.9	1.9
Kim Kylmälä	663,000	1.8	1.8
Samuel Huber	639,600	1.8	1.8
Others	24,677,140	67.7	67.7
Total	36,436,737	100%	100%

(1) The Shares of the Company have historically been divided into two series of shares, series A and series B. The general meeting of shareholders of Ahlstrom decided on February 14, 2006, to combine the two series of shares. At the time of commencement of public trading in the Shares, which is expected to be on or about March 14, 2006, the Company will have only one series of shares. See "*Description of the Shares and share capital*".

As of February 23, 2006, the total number of nominee registered shares was 196,900, which constituted 0.5% of all Shares and 0.5% of all votes.

Related party transactions

The Group's related parties include subsidiaries, associated companies, management, shareholders and entities in which the Company holds a controlling interest. Ahlstrom's transactions with related parties are described in note "*Transactions with related parties*" in Ahlstrom's financial statements for 2005. See "*Financial information on Ahlstrom*".

Ahlstrom's predecessor, A. Ahlström Osakeyhtiö, was demerged in June 2001 into the following three new entities: Ahlstrom Corporation, the issuer in the Offering, Ahlström Capital Oy and A. Ahlström Osakeyhtiö. At the time of the demerger, these entities had the same shareholder structure and the entities still have many of the same shareholders. Members of management of Ahlstrom hold shares in Ahlström Capital Oy and A. Ahlström Osakeyhtiö. Moreover, Mr. Jan Inborr, a member of Ahlstrom's Board, is the President and Chief Executive Officer of Ahlström Capital Oy. As a result of these relationships between Ahlstrom, Ahlström Capital Oy and A. Ahlström Osakeyhtiö, a brief summary of certain material agreements, arrangements and transactions between the Company, Ahlström Capital Oy and A. Ahltröm Osakeyhtiö, has been provided below.

The Company has leased its headquarters premises located in Helsinki at the address Eteläesplanadi 14 from Ahlström Capital Oy. The lease agreement is in force until December 2010. The monthly aggregate rent of the premises is €98,484. In addition, the Company has leased from A. Ahlström Osakeyhtiö a house in the center of Helsinki for use as the residence of the President and Chief Executive Officer. The lease agreement is in force until 2010, and the monthly lease is €11,913. The current President and Chief Executive Officer has chosen not to reside in the apartment, and the apartment has therefore been subleased. The income from this sublease arrangement only partially covers the lease paid by the Company for the apartment.

The Company provides certain services to Ahlström Capital Oy and A. Ahlström Osakeyhtiö pursuant to cooperation and service agreements entered into with these entities. These services include a range of office services and occupational health, travel, IT and administrative services, including treasury, legal, tax, personnel, financing and insurance related services. During 2005, Ahlström Capital Oy and A. Ahlström Osakeyhtiö paid an average monthly fee of €7,960 and €2,321, respectively, for these services. The current service agreements are in force until further notice and may be terminated with six months' prior written notice. As part of the service arrangement with Ahlström Capital Oy, Ahlstrom also provides treasury and financing services to Enics AG, an entity controlled by Ahlström Capital Oy. During 2005, the Company received an average monthly fee of €3,222 for these services from Enics AG.

The Company has entered into an agreement with A. Ahlström Osakeyhtiö relating to the use of the recreational, social, meeting and accommodation facilities of A. Ahlström Osakeyhtiö's mansion in Noormarkku, Finland. The agreement has been entered into for a fixed term until December 2010. Under the agreement, Ahlstrom pays an annual maintenance fee of €340,752 for the right to use the facilities. The Company also pays a separate fee per use for each use of the facilities.

In October 2004, Ahlstrom sold its packaging unit ZAO Akerlund & Rausing Kuban in Russia to Kuban AB, a private equity investor. At the time of the sale, Kuban AB was owned by Ahlström Capital Oy, one of the companies formed in connection with the demerger of A. Ahlström Corporation in 2001. The transaction was carried out at arm's length. See "*Operating and financial review – Acquisitions, divestitures and changes in Group structure*".

The Company has also leased certain office space located near the Karhula production site from A. Ahlström Osakeyhtiö. The monthly rent for the premises is €3,680.

DESCRIPTION OF THE SHARES AND SHARE CAPITAL

General overview

The business name of the Company is Ahlstrom Corporation. The Company is domiciled in Helsinki, Finland, with a registered address at Eteläesplanadi 14, FI-00130 Helsinki, Finland and a telephone number of +358 10 888 0. The Company is subject to the laws of Finland and its business identity code is 1670043-1. The financial year of the Company is the calendar year.

Pursuant to Article 2 of the Articles of Association, the Company's field of business is to engage in the manufacture, converting and sale of fiber-based specialty materials and products and in other related activities, and to own shares of companies engaged in such activities. The Company can also own real estate, stocks and shares, in addition to providing support functions for its subsidiaries, including providing administrative services and financing.

Company Shares

Pursuant to the Articles of Association, the Company's minimum share capital is €45,000,000 and its maximum share capital is €180,000,000, within which limits the share capital may be increased or reduced without amending the Articles of Association. The nominal value of the shares is €1.50. The Shares of the Company are in registered form and they have been entered into the Finnish Central Securities Depository Ltd. ("FCSD") book-entry securities system. The ISIN code of the Ahlstrom Shares is FI0009010391.

Prior to the Offering, the Shares of the Company have been divided into two series of shares, series A and series B. The two series do not represent different classes for purposes of the Finnish Companies Act. On January 1, 2005 and on December 31, 2005, Ahlstrom's share capital was €54,627,628.50, divided into 36,418,419 fully paid Shares. Of the shares 21,190,100 were series A and 15,228,319 series B. The Company's share capital has remained unchanged during the financial periods 2003, 2004 and 2005. On February 8, 2006, the Company's share capital was increased by a total of €27,477 as a result of an exercise of options in Option Program I on January 1, 2006. See "– *Option programs*".

The general meeting of shareholders of Ahlstrom decided on February 14, 2006, to combine Ahlstrom's two series of shares. At the time of commencement of public trading in the Shares, which is expected to be on or about March 14, 2006, the Company will have only one series of shares. At the date of this Offering Circular, the share capital of Ahlstrom is €54,655,105.50. The share capital is divided into 36,436,737 fully paid Shares.

Redemption clause

Pursuant to Article 13 of the Articles of Association, a shareholder whose Shares alone or together with the Shares of other shareholders, as specified below, equals or exceeds 33⅓% or 50% of the Company's capital stock or the voting rights attached thereto shall be required, at the request of other shareholders, to redeem the Shares of such shareholders together with any securities that entitle the holder to acquire Shares under the Finnish Companies Act.

In calculating the percentage of the Shares and voting rights held by a shareholder in the Company, Shares belonging to such shareholder shall be aggregated with the Shares belonging to:

- an entity that belongs to the same group as the shareholder for purposes of the Finnish Companies Act;
- an enterprise that is included in the shareholder's consolidated financial accounts that are prepared in accordance with the Accounting Act;
- pension foundations or pension funds of the entities or enterprises referred to above;
- a non-Finnish entity or enterprise that, were it Finnish, would belong to the same group as the shareholder as described in the preceding clauses; and
- shareholders that are parties to an agreement or other arrangement that, if realized, would lead to the 33⅓% or 50% limits being reached or exceeded.

Where a redemption obligation is based on aggregate holdings or voting rights, the shareholders subject to such redemption obligation shall be jointly and severally responsible vis-à-vis the shareholders entitled to redemption for proceeding with the redemption. In such a situation, a claim for redemption shall be considered to be made to all shareholders subject to redemption obligation even if it is only made to one shareholder in the group.

Where two shareholders reach or exceed the shareholding or voting-right limit triggering the redemption obligation such that they become obligated to redeem Shares simultaneously, a shareholder entitled to redemption may claim redemption from both of them separately.

The redemption obligation does not apply to Shares or securities that entitle the holder to acquire Shares which the shareholder demanding redemption has acquired after the redemption obligation became known.

The redemption price of the Shares

The redemption price of the Shares is the highest of the following:

1) the weighted average trading price of the Shares on the Helsinki Stock Exchange during the ten business days before the redemption obligation was triggered (including the day on which the obligation was triggered), or, in the absence of trading, the most recent trading price of the Company's Shares on the Helsinki Stock Exchange;

2) the weighted average of the trading prices of the Shares on the Helsinki Stock Exchange during the twelve months before the redemption obligation was triggered (including the day on which the obligation was triggered);

3) the weighted average price that the shareholder subject to such redemption obligation has paid for Shares he has bought or otherwise acquired for consideration during the twelve months before the redemption obligation was triggered (including the day on which the obligation was triggered); and

4) if the shareholder subject to such redemption obligation has failed to make the required notification of the redemption within the required time frame, the highest single price that such shareholder has paid for a Share of the Company that he has bought or otherwise acquired for a consideration during the twelve months before the redemption obligation was triggered (including the day on which the obligation was triggered).

If an acquisition affecting the average price is denominated in a foreign currency, its equivalent value in euros shall be calculated based on the middle rate quoted by the European Central Bank for the currency in question seven days before the day on which the Board notified the shareholders of the possibility to have their Shares redeemed, or in the absence of such quotation, on the nearest equivalent quotation chosen by the Board.

The procedures outlined above with respect to the calculation of the redemption price of the Shares shall be, where appropriate, also applicable to other securities to be redeemed. If no market quotation for such security is available from the Helsinki Stock Exchange, the redemption price shall be calculated as if the right for the holder of the security to subscribe for Shares of the Company had arisen at the same time as the redemption obligation was triggered. If the subscription right attached to the security is based on a stock quotation, the price referred under 2) above shall be applied.

Redemption procedure

A shareholder required to make a redemption offer shall within seven days of the date the redemption obligation was triggered notify the Board thereof in writing at the Company's address. The notification shall indicate the number of the Shares held by him and the number and prices of the Shares bought or otherwise acquired by him during the last twelve months, together with the dates of such acquisitions. The notice shall include the address where the shareholder required to make the redemption offer can be contacted. The duty of notification is deemed to have been fulfilled when all required details have been submitted to the Board in writing.

The Board shall inform the shareholders of the triggered redemption obligation within four weeks of receiving the notice referred to above or, if such notice is not received at all or is not received in due time, within four weeks of the date when it otherwise became aware of the triggered redemption obligation and has obtained the details referred to above needed to determine the redemption price. The notice shall indicate the date when the redemption obligation was triggered, the basis for determining the redemption price and the date by which claims for redemption shall be made. The notice to the shareholders shall be given in the same manner as a notice to convene a general meeting of shareholders.

A shareholder entitled to redemption shall in a manner determined by the Board make a written claim for redemption within 60 days of the date the notice by the Board regarding the redemption obligation was published. The claim for redemption, which is to be delivered to the Company, shall indicate the number of the Shares and other securities covered by the claim. The shareholder demanding redemption shall at the same time supply to the Company the documents carrying the right to the Shares, to be delivered to the shareholder subject to redemption obligation against payment of the redemption price.

If a claim for redemption is not made by the due date in the manner described above, the shareholder's right to demand redemption shall be forfeited for that particular redemption case. A shareholder entitled to redemption shall have the right to withdraw his claim as long as redemption has not taken place.

Should the time limit mentioned above expire on a day that is not a banking day, the limit shall be extended until the end of the next banking day.

On the expiration of the period for the shareholders entitled to redemption to make their claims, the Board shall inform the shareholder subject to the redemption obligation of the claims presented. The shareholder subject to redemption obligation shall within two weeks of being informed of the redemption claims pay the redemption price in a manner prescribed by the Board against a receipt given by the Company. The Board shall see to it that the shareholder redeeming the Shares is immediately entered as the owner of the redeemed Shares in the book-entry account.

Penalty interest in accordance with the Interest Act (August 20, 1982/633, as amended) shall be payable for any redemption price that has not been paid within the time required, calculated from the latest date on which the redemption should have been made. If the shareholder subject to redemption obligation has failed to comply with what is stipulated above regarding the duty of notification, the penalty interest is calculated from the latest day on which the duty of notification should have been fulfilled.

Other provisions

The redemption obligation shall not apply to a shareholder who has reached or exceeded the Share or voting-right limit triggering the redemption obligation when acquiring new Shares directly from the Company in a new issue to increase the Company's share capital where exception is made from the shareholders' pre-emptive right, or who has reached or exceeded the limits after the Company has acquired its own Shares and the shareholder concerned has not thereafter acquired Shares that would confer to him a share of 5% or more of the voting power of all the Shares in the Company.

Any disputes regarding the redemption obligation referred to above, the right to demand redemption related thereto and the amount of the redemption price shall be referred to settlement by arbitrators at the Company's domicile in accordance with the provisions of the law on arbitration proceedings effective at the time. Finnish law shall be applied in the arbitration proceedings.

Option programs

On September 26, 2001, in conjunction with the approval of Ahlstrom Paper Group Oy's merger with Ahlstrom Corporation, the extraordinary meeting of shareholders decided to exchange the shares and stock options that management owned in Ahlstrom Paper Group Oy for Shares and stock options in Ahlstrom Corporation. As a result, 70,219 shares and 659,448 stock options in Ahlstrom Corporation were issued. According to the terms of the stock option program (the "Option Program I"), the subscription period for Shares starts not earlier than May 1, 2002 and ends on April 30, 2006. Each stock option gives the holder the right to subscribe for one Share in Ahlstrom Corporation.

At the same time as the exchange, the said shareholders' meeting decided to issue 1,092,620 new stock options to management and key employees who had not participated in the Option Program I (the "Option Program II"). As of December 31, 2005, a total of 877,559 options have been granted under the Option Program II. According to the terms of the Option Program II, the subscription period for Shares starts not earlier than May 1, 2003 and ends on April 30, 2006. The subscription period does not, however, commence before the Shares in Ahlstrom Corporation have been listed on the Helsinki Stock Exchange or another stock exchange for two months. Each stock option gives its holder the right to subscribe for one Share in Ahlstrom Corporation.

According to the terms of both stock option programs, each option may be exercised to acquire one Share of the Company at a price equal to €16.13 less the amount of dividends per share distributed after January 1, 2002 and prior to exercise. As of the date of this Offering Circular, the exercise price was €9.22. Based on the original option terms, the holders may require the Company to redeem their options because the Company's Shares were not listed on a stock exchange by a specified date. The redemption price is equal to the fair market value of a Share less the exercise price of the option.

On December 13, 2005, the extraordinary meeting of shareholders resolved to amend the terms of the stock option programs:

- The share subscription period of the Option Program I was extended to expire on April 30, 2007. Moreover, it was decided to extend the period during which the option holders may demand redemption of the options until May 31, 2007. Accordingly, the option holders shall be entitled to demand that the Company redeem the options, provided that the Company has not been listed on a stock exchange by March 31, 2007. For the redemption, the Company must receive a written redemption request from the option holder by May 31, 2007.

- The share subscription period of the Option Program II was changed to commence on January 1, 2007 and to expire on April 30, 2007. The subscription period will, however, not commence until the listing of the Company has occurred. It was also decided to extend the period during which the option holders may demand redemption of their options until May 31, 2007. Option holders shall be entitled to demand that the Company redeem the options, provided that the Company has not been listed on a stock exchange by March 31, 2007. For the redemption, the Company must receive a written redemption request from the option holder by May 31, 2007.

- Holders of stock options in both programs (I and II) had to confirm their acceptance of the new terms and conditions for the stock options in writing to the Company no later than January 31, 2006. If the Company did not receive a holder's written confirmation by January 31, 2006, the old terms and conditions would have continued to apply to that holder's stock options.

On October 27, 2004, the Board approved a new Long Term Incentive Plan for key employees. From 2005 to 2007, each participant in the plan will be able to earn up to a predetermined maximum number of synthetic stock options each calendar year based on the category to which the participant has been assigned. The actual number of options received each year is based both on the performance of the Group, measured with respect to earnings per share, and the personal performance of the participant measured by individual performance criteria. The value of the options is based on the value of Ahlstrom's Shares over 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 granted, is determined by multiplying the number of options received with the change in the value of an Ahlstrom Share.

The maximum aggregate number of options to be earned over the life of the Long Term Incentive Plan is 2,002,500, and is equivalent to a 5% dilution of the Company's Shares prior to the Offering. The Board has approved 99 individuals to participate in the program. The President and Chief Executive Officer can earn up to 40,000 options per year, and other members of the Corporate Executive Team can earn up to 20,000 options per year. Following the public listing of Ahlstrom's Shares on the Helsinki Stock Exchange, recipients of grants under the plan are recommended to invest at least 20% of the annual pay-out from the exercise of the synthetic options in Ahlstrom's Shares. Each member of the Corporate Executive Team need only invest 20% of the pay-out from the exercise of the synthetic options until the value of the Shares owned by such member is equal to such member's annual base salary.

See also "*Directors, management and employees of the Company – Incentive schemes*".

Shareholder rights

Shareholder pre-emptive rights

Under the Finnish Companies Act, the shareholders have pre-emptive rights to subscribe, in proportion to their shareholdings, for new shares, options and convertible bonds that are issued by the company, unless otherwise resolved at the general meeting of shareholders approving such issue. Under the Finnish Companies Act, a resolution to deviate from the shareholders' pre-emptive rights is valid only if approved by at least two-thirds of all votes cast and all shares represented at a general meeting of shareholders. In the Offering, the New Shares will be offered for subscription in deviation from the shareholders' pre-emptive subscription right. See "*Risk factors – Risks related to the Shares and the Offering – Shareholders outside of Finland may not be able to exercise pre-emptive subscription rights*".

General meetings of shareholders

Under the Finnish Companies Act, shareholders exercise their decision-making power at the annual general meeting. Pursuant to the Articles of Association of the Company, a general meeting of shareholders shall be held either at the Company's domicile or in the municipality of Noormarkku, Finland. The annual general meeting is required to be held each year within six months of the end of the previous financial year.

Shareholders at the annual general meeting review the annual accounts of the Company on both an individual and consolidated basis, in addition to the auditor's report and the Group auditing report. Shareholders at the annual general meeting also decide on:

1) the adoption of the Company's individual and consolidated income statement and balance sheet;

2) any measures warranted by the profit or loss shown on the individual or consolidated balance sheet adopted by the shareholders;

3) the discharge from liability of the members of the Board of Directors, the President, and the deputy President, if any;

4) the remuneration payable to the members of the Board of Directors and to the auditor; and

5) the number of the members of the Board of Directors.

At the annual general meeting, the shareholders also elect the members of the Board of Directors and the auditor, and also consider any other business referenced in the notice calling the meeting.

In addition to the annual general meeting, extraordinary general meetings of shareholders may also be held if required. Depending on the matter to be considered, provisions of the Finnish Companies Act may require that any measure adopted be approved by a qualified majority, for example a majority of two-thirds of the votes cast and of the shares represented at the general meeting of shareholders. There are no quorum requirements for general meetings of shareholders in the Finnish Companies Act or the Company's Articles of Association.

Under the Finnish Companies Act, a shareholder may submit a written request to the Company's Board to include on the agenda for the next shareholders' meeting any matter that may properly be considered by the shareholders. If either a shareholder or shareholders controlling at least 10% of the Company's Shares or the Company's auditor request that a certain matter be considered at a general shareholders' meeting, the Board must immediately call a general meeting of shareholders.

A shareholder who wishes to attend a general meeting must be listed as a shareholder in the Company's shareholders' register maintained by the Finnish Central Securities Depository Ltd. (the "FCSD") at least ten days before the general meeting, or as a beneficial owner of nominee-registered shares temporarily entered in the Company's shareholders' register at least ten days before the general meeting, and who has informed the Company of the shareholder's attendance no later than on the date specified in the notice of the general meeting. A shareholder may attend a general meeting in person or through a representative. The representative shall present a proxy or other credible evidence of such person's appointment as representative. Each shareholder or representative may have an assistant present at the general meeting.

Notices of shareholders' meetings must be published in a Finnish language and a Swedish language newspaper published in Helsinki, Finland, not earlier than two months and not later than seventeen days prior to the meeting. In order to attend a general meeting, a shareholder must notify the Company by the date stated in the notice of the meeting, which date may be no earlier than ten days prior to the meeting. Information regarding general shareholders' meetings is also posted on the Company's internet site.

Voting rights

A shareholder may attend and vote at a general meeting of shareholders personally or by using an authorized representative. If Shares are registered in the name of a nominee, and a beneficial owner wishes to exercise the voting rights attached to such Shares, the beneficial owner must be registered temporarily in the Company's shareholder register no later than ten days prior to the relevant general meeting.

At a general meeting of shareholders, resolutions generally require the approval of the majority of the votes cast. However, certain resolutions, such as amending the Articles of Association, issuing shares in deviation of the existing shareholders' pre-emptive subscription rights and, in certain cases, a resolution regarding the merger or liquidation of the Company, require a majority of two-thirds of the votes cast and of the Shares represented at the general meeting of shareholders.

Dividends and other distribution of funds

Under the Finnish Companies Act and in accordance with prevailing practice in Finland, dividends on shares of a Finnish company are generally only paid annually, and may only be paid after a general meeting of shareholders has approved the company's financial statements and the amount of the dividend as proposed by the Board of Directors.

Under the Finnish Companies Act, shareholders' equity is divided into restricted and unrestricted equity in order to determine the amount of funds that can be distributed to shareholders. Restricted equity consists of the share capital, the share premium fund, the reserve fund and the revaluation fund. Unrestricted equity includes other reserves. The amount of any dividend is limited to the amount of distributable funds. Distributable funds include the profit for the preceding financial year, retained earnings from previous years and other unrestricted equity, less reported losses and the amount required by the company's Articles of Association to be transferred to the reserve fund or otherwise to be left undistributed. A parent company of a consolidated group of companies may not distribute more than the amount of distributable funds shown on the parent company's individual financial statements or the consolidated financial statements, whichever is lower.

A dividend may not exceed the amount proposed by the Board of Directors unless requested at the annual general meeting by shareholders representing at least 10% of the issued shares of the company. If such a request is presented, and sufficient distributable funds are available, the dividend paid shall equal at least one-half of the company's profit for the preceding financial year, less reported losses, the amount required by the company's Articles of Association to be transferred to the reserve fund or otherwise to be left undistributed and other non-distributable funds. Shareholders may, however, not request that dividends exceeding 8% of the company's total shareholders' equity be distributed. The company may not, however, pay interim dividends based on the earnings of the then-current financial year.

Dividends and other distributions are paid to shareholders or their nominees that are included in the shareholders' register on the relevant record date. Such register is maintained by the FCSD through the relevant book-entry account operators. Under the Finnish book-entry securities system, dividends are paid by account transfers to the accounts of the shareholders appearing in the register. All Shares of the Company, including the Offer Shares after the increase in share capital of the Company that have been registered with the Finnish Trade Register, provide equal rights to dividends and other distributions of the Company (including distribution of assets in an event of liquidation of the Company). The right to receive a dividend expires five years from the date of the general meeting that authorized payment of the dividend.

On September 2, 2005 the Finnish Government has introduced a proposal (109/2005) for amending the Finnish Companies Act. If adopted, the new legislation may affect the Company's ability to pay dividends and make other distributions of funds. The proposed legislation would also, among other things, impose a general solvency test on companies seeking to pay dividends or distribute profits. Also, the current restriction on dividends and profit distributions based on the consolidated balance sheet would be abolished.

Treasury shares

Under the Finnish Companies Act, a company may acquire its own shares using distributable funds. Decisions on the acquisition of a company's own shares must be made by the general meeting of shareholders. The general meeting of shareholders may also authorize the Board of Directors to decide upon purchases of the company's own shares for a specific period of time, which cannot exceed one year. A public limited liability company may neither directly nor through a subsidiary hold more than 10% of its share capital or votes.

At the date of this Offering Circular, the Company and its subsidiaries did not own any Shares of the Company, and the annual general meeting of shareholders has not authorized the Company to acquire its own Shares.

Transfers

Upon a sale of shares through the Finnish book-entry securities system, the relevant shares are transferred from the seller's book-entry account to the buyer's book-entry account as an account transfer. The sale is registered as an advance transaction until the settlement thereof and the payment for the shares, after which the buyer will automatically be registered in the register of shareholders of the relevant company. In the case of registration in the name of the nominee, a sale of shares does not require any entries into the Finnish book-entry securities system unless the nominee is changed pursuant to the sale.

Redemption obligation

The Securities Markets Act requires a shareholder who holds shares representing more than two-thirds of the voting rights in a company, the shares or securities of which are publicly traded, to make an offer to redeem all remaining shares and securities that entitle the holder to acquire such shares in the company at fair value. For information on the implementation of the Takeover Directive in Finland see "*The Finnish securities market – Regulation of the Finnish securities market*".

Restrictions on foreign ownership

Restrictions on foreign ownership of Finnish companies were abolished as of January 1, 1993. However, under the Act on the Control of Foreigners' Acquisition of Finnish Companies of 1992 (the "Control Act"), clearance by the Finnish Ministry of Trade and Industry would be required if a foreign person or entity, other than a person or entity from another member state of the European Economic Area (the "EEA") or the Organization for Economic Co-operation and Development (the "OECD"), or a Finnish entity controlled by one or more such foreign persons or entities were to acquire a holding of one-third or more of the voting rights of the company. The Control Act is applicable for acquisitions of companies (i) with more than 1,000 employees during the preceding or current financial year; (ii) with the net sales exceeding €168.2 million according to its latest approved financial statements, or (iii) with total assets exceeding €168.2 million according to its latest approved financial statements. The Ministry of Trade and Industry could refuse clearance where the acquisition would jeopardize important national interests, in which case the matter would be referred to the Finnish government.

Foreign exchange control

Shares of a Finnish company may be purchased by non-residents of Finland without any separate Finnish exchange control consent. Non-residents may receive dividends without separate Finnish exchange control consent, the transfer out of Finland being subject to payment by the company of withholding taxes in the absence of an applicable double taxation treaty. Non-residents having acquired shares may receive shares pursuant to a bonus issue or through participation in a rights issue without a separate Finnish exchange control consent. Shares of a Finnish company may be sold in Finland by non-residents, and the proceeds of such sale may be transferred out of Finland in any convertible currency. There are no Finnish exchange control regulations applying to the sale of shares of a Finnish company by non-residents to other non-residents.

THE FINNISH SECURITIES MARKET

Trading and clearing on the Helsinki Stock Exchange

Trading in, and clearing of, securities on the Helsinki Stock Exchange takes place in euro, with prices quoted in minimum increments of 0.01 euro. All price information is produced and published only in euro.

In September 2004, the Helsinki Stock Exchange transferred its trading operations to a new Saxess platform. Saxess is an order-based system in which orders are executed when price and volume information as well as other conditions match. Following the transfer to the Saxess trading platform, the Helsinki Stock Exchange has three principal trading periods: pre-trading, trading and post-trading. For shares, pre-trading begins at 8.30 a.m. and ends at 9.45 a.m. at the prices established during the previous trading day. Trading with calls and continuous trading takes place from 9.45 a.m. to 6.30 p.m., with the opening call beginning at 9.45 a.m. and ending at 10.00 a.m. Round lot orders entered during the pre-trading session and existing orders that are valid for more than one day are automatically transferred into the opening call. Continuous trading begins sequentially after the end of the opening call at 10.00 a.m., after the first share is assigned its opening price and then becomes subject to continuous trading. After approximately six minutes, the opening prices for all the shares have been established and trading continues at prices based on market demand until 6.20 p.m., when the closing call is initiated. The closing call ends at approximately 6.30 p.m., when closing prices are determined. Post-trading takes place from 6.40 p.m. to 7.00 p.m. During the post-trading period, only contract transactions for shares can be registered, primarily within the price limits established during the trading day.

Trades are normally cleared in the FCSD's automated clearing and settlement system (HEXClear system) on the third banking day after the trade date unless otherwise agreed by the parties.

The Helsinki Stock Exchange is a part of the OMX group. OMX also owns and maintains the exchanges in Stockholm, Copenhagen, Riga, Vilnius and Tallinn. OMX's Nordic List, the so-called OMX List, will be launched on October 2, 2006. The OMX List will replace the current Main List, I List and NM List in Helsinki, A List and O List in Stockholm and the current list in Copenhagen. Through the OMX List, the listing requirements for companies will also be harmonized as well as the way of presenting the listed companies.

Regulation of the Finnish securities market

The securities market in Finland is supervised by the FSA. The principal statute governing the securities market is the Securities Markets Act, which, among other things, contains regulations with respect to company and shareholder disclosure obligations, admission to listing and trading of listed securities, public tender offers and insider dealing. The FSA monitors compliance with these regulations.

The Securities Markets Act specifies the minimum disclosure requirements for Finnish companies applying to list on the Helsinki Stock Exchange or making a public offering of securities in Finland. It requires companies applying to list or offer their securities to provide sufficient information on matters that have a material impact on the value of the relevant securities to enable investors to make a sound evaluation of the company and the securities being offered. Finnish listed companies have continuing obligations to publish regular financial information on the company and to inform the market of any matters likely to have a material impact on the value of their securities.

Shareholders are required, without undue delay, to notify a Finnish listed company and the FSA when their voting interest in, or percentage ownership of, the issued share capital of such Finnish listed company reaches, exceeds or falls below 5%, 10%, 15%, 20%, 25%, 33 ⅓%, 50% or 66 ⅔%, calculated in accordance with the Securities Markets Act, or when they enter into an agreement or other arrangement that, when effective, leads to a crossing of any of such thresholds. If a Finnish listed company receives information indicating that a voting interest or ownership interest has reached, exceeded or fallen below any of these thresholds, it must disclose such information without undue delay to the Helsinki Stock Exchange and to the public.

Pursuant to the Securities Markets Act, a shareholder whose holding in a listed company increases above two-thirds of the total voting rights attached to the shares of the company, calculated in accordance with the Securities Markets Act, must make a public tender offer to purchase the remaining shares and other securities that entitle the holder to acquire shares of such company at fair market value. In determining the fair market value, the average price paid for the security in public trade during the twelve months preceding the arising of the redemption duty weighted by the volume of the trade as well as to any higher price paid by the party under the duty of redemption as well as any special circumstances must be taken into consideration. However, pursuant to the Takeover Directive (Commission Directive 2004/25/EC), EU member states must ensure that by May 20, 2006, a shareholder whose holding in a company gives the shareholder control of the company is required to make a public tender offer to purchase the remaining shares in the relevant company. The

Takeover Directive provides that EU member states, when implementing the Directive, may not adopt a threshold for a mandatory tender offer that exceeds 50%, although they may adopt thresholds below 50%. The Directive does not have retroactive effect. Under the Finnish Companies Act, a shareholder holding shares representing more than 90% of all the shares in a company and of the votes entitled to be cast at a general meeting of shareholders has the right to redeem the remaining shares of such company at fair market value. In addition, any minority shareholder that possesses shares that may be so purchased by a majority shareholder is entitled to require such majority shareholder to purchase its shares. The Finnish Companies Act includes detailed rules that apply to the calculation of the specified proportions of shares and votes. These rules are in addition to the restrictions imposed by the Company's Articles of Association. See "*Description of the Shares and share capital – Redemption clause*."

The Finnish Penal Code (Act of December 19, 1889/38, as amended) contains provisions relating to the breach of disclosure requirements, misuse of privileged or inside information and market manipulation. A breach of these provisions constitutes a criminal offense. The Securities Markets Act, the Finnish Penal Code and the Finnish Act on the Financial Supervision Authority (Act of June 27, 2003/587, as amended) and certain other statutes have been amended due to the implementation of the EU Market Abuse Directive (Commission Directive 2003/6/EC). Pursuant to these amendments, the FSA has been authorized to impose administrative sanctions for a breach of the provisions of the Market Abuse Directive, including provisions relating to insider trading or market manipulation, to the extent that the offenses do not fall within the scope of the Finnish Penal Code. The FSA can, for example, impose an administrative fine, issue a public reprimand or public warning, or propose that a penalty payment be imposed for a breach of provisions regulating misuse of insider information or market manipulation. The Finnish Market Court, a Finnish special court hearing market law, competition and public procurement cases, may impose the penalty payment upon the proposal of the FSA.

Finnish book-entry securities system

General

Companies whose shares are listed on the Helsinki Stock Exchange are required to use the Finnish book-entry security system.

The Finnish book-entry securities system is centralized at the FCSD, which provides national clearing and settlement, as well as registration services for securities. The FCSD maintains a centralized book-entry securities system for both equity and debt securities. The business address of the FCSD is P.O. Box 1110, FI-00101 Helsinki, Finland.

The FCSD maintains shareholder registers of listed companies and book-entry accounts for shareholders that do not wish to utilize the services of a commercial account operator. The expenses incurred by the FCSD in connection with maintaining the centralized book-entry securities system are borne by the issuers participating in the system and the account operators. The account operators, which consist of credit institutions, investment services companies and other institutions licensed by the FCSD to act as account operators (each, an "account operator"), are entitled to make entries in the book-entry register and administer the book-entry accounts.

Registration procedure

In order to affect entries in the Finnish book-entry securities system, a security holder or such holder's nominee must establish a book-entry account with an account operator or with the FCSD, or register its shares through a nominee registration process. Shareholders who are not Finnish citizens or entities may register their shares using nominee registration. For shareholders who have not transferred their shares into book-entry form, a joint book-entry account must be opened with the FCSD, the registered holder of which is the issuer. All transactions in securities registered with the book-entry securities system are executed as computerized book-entry transfers. The account operator confirms book-entry transfers by sending notifications of transactions to the holder of the respective book-entry account. The account holders also receive an annual statement of their holdings as of the end of each calendar year.

Each book-entry account is required to contain specified information with respect to the account holder or the custodian administering the assets of the nominee account. Such required information includes the type and number of book-entry securities registered and the rights and restrictions pertaining to the account and to the book-entry securities registered in the account. A nominee account is identified as such on the entry. The FCSD and the account operators are bound by strict confidentiality requirements, although certain information (for example the name, nationality and address of each account holder) contained in the register is public, except in the case of nominee registration. The FSA is entitled to receive certain information on nominee registrations upon request. See "*– Custody of the shares and nominee registration*".

Each account operator is strictly liable for errors and omissions on the registers maintained by it and for any unauthorized disclosure of information. If an account holder has suffered a loss as a result of a faulty registration or an amendment to, or deletion of, rights in respect of registered securities and the account operator is unable to compensate for such loss, such account holder is entitled to receive compensation from the statutory registration fund of the FCSD. The capital of the registration fund must be at least 0.000048% of the average of the total market value of the book-entry securities included in the book-entry system during the previous five calendar years and, in any event, must at least equal €20 million. Compensation paid to an injured party shall be equal to the amount of damages claimed from a single account operator subject to a maximum amount of €25,000. The liability of the registration fund to pay damages in relation to each individual incident is limited to €10 million.

Custody of the shares and nominee registration

A non-Finnish shareholder may appoint an account operator (or certain non-Finnish organizations approved by the FCSD) to act as a custodial nominee account holder on its behalf. A nominee shareholder is entitled to receive dividends and to exercise all share subscription rights and other financial and administrative rights attached to the shares held in the nominee's name. A beneficial owner wishing to attend and vote at general meetings of shareholders must ask to be registered temporarily in the shareholders' register no later than ten days prior to the relevant general meeting of shareholders. When the beneficial owner is known, a custodial nominee account holder is required on request to disclose to the FSA and the relevant company the name of the beneficial owner of any shares registered in the name of such custodial nominee, as well as the number of shares owned by such beneficial owner. If the name of the beneficial owner is not known, the custodial nominee account holder is required to disclose the name of the representative acting on behalf of the beneficial owner and the number of shares held, and to submit a written declaration to the effect that the beneficial owner of the shares is not a Finnish natural person or legal entity.

Finnish Depositories for both Euroclear Bank, S.A./N.V., as operator of Euroclear, and Clearstream Banking S.A. have nominee accounts within the Finnish book-entry securities system, and accordingly, non-Finnish shareholders may hold their shares through their accounts with Euroclear or Clearstream.

Shareholders wishing to hold their shares in the book-entry securities system in their own name and who do not maintain a custody account in Finland are required to open a book-entry account at an authorized account operator in Finland and a convertible euro account at a bank.

TAXATION

The following summary is based on the tax laws of Finland as in effect and applied on the date of this Offering Circular, and is subject to changes in Finnish tax laws or in the interpretation thereof, including changes that could have a retroactive effect. The summary is not exhaustive and does not take into account or discuss the tax laws of any country other than Finland. Prospective investors are advised to consult their own tax advisor as to the Finnish tax consequences resulting from the Offering and the purchase, ownership and disposition of the Offer Shares. Notwithstanding the aforementioned, certain information in this section relates to the laws of the United States of America, and certain tax considerations for U.S. Persons. Prospective investors, who may be affected by the tax laws of other jurisdictions, should consult their tax advisors with respect to the tax consequences applicable to their particular circumstances.

Finnish tax considerations

The following is a description of the material Finnish income and transfer tax consequences that may be relevant with respect to this Offering. The description below only addresses Finnish tax legislation and does not take into account the tax laws of any other countries. This description does not address tax considerations applicable to holders of shares that may be subject to special tax rules, including, among other things, non-business carrying entities, tax-exempt entities or general or limited partnerships. Furthermore, this description addresses neither Finnish inheritance tax nor gift tax consequences.

This description is based on:

- The Finnish Income Tax Act, as amended (December 30, 1992/1535);
- The Finnish Business Income Tax Act, as amended (June 24, 1968/360); and
- The Finnish Transfer Tax Act, as amended (November 29, 1996/931).

In addition, relevant case law, decisions and statements made by the tax authorities in effect and available at the date of this Offering Circular have also been taken into account. All of the foregoing is subject to change, which change could apply retroactively and could affect the tax consequences described below.

General

Finnish residents and non-residents are treated differently for tax purposes. The worldwide income of persons resident in Finland is subject to taxation in Finland. Non-residents are not generally liable for tax in Finland and are taxed on Finnish source income and net wealth located in Finland only, although shares in Finnish limited liability companies that are taxed on the basis of Business Income Tax Act are not included in the taxable net wealth of non-residents. In addition, and subject to applicable double taxation treaty provisions, all income of a non-resident derived from and all assets belonging to a permanent establishment located in Finland will be taxed in Finland.

Generally, an individual is deemed a resident of Finland if such individual stays in Finland for more than six consecutive months or if the permanent home and dwelling of such individual is in Finland. Earned income, including salary, is taxed at progressive rates while capital income is currently taxed at a flat rate of 28%. Corporate entities established under the laws of Finland are regarded as residents of Finland. Finnish companies are subject to corporate income tax on their worldwide income. Currently, the corporate income tax rate is 26%.

The following is a summary of certain Finnish tax consequences relating to the purchase, ownership and disposition of shares by Finnish resident shareholders.

Taxation of Finnish corporations

Capital gains or losses

Finnish corporations are subject to national corporate income tax on their worldwide income. In general, any sales price from a transfer of shares is included either in the income arising from business activities (business income source) or from passive assets (other income source) of a Finnish resident corporation. Taxable income of corporations is determined separately for these income sources, both of which are taxed at a flat rate of 26%. The acquisition cost of the shares sold is deductible either from business or other income depending on which assets the shares belonged to at the time the shares were sold. In general, capital loss arising from the sale of shares attributable to business activities is deductible from business income. A loss of business activities can be carried forward for ten years. Capital losses attributable to other income can only be offset against capital gains arising from the sale of passive assets and can be carried forward only for three years.

Despite the above, capital gains based on the disposal of shares in a limited liability company may be tax exempt for corporate entities provided, among other things, that the seller company has owned at least 10% of the company's share capital and the disposed shares for at least one year and the shares belong to the seller's fixed assets attributable to business activities. Losses relating to the disposals of shares entitled to the tax exemption will not be tax deductible. Losses arising from disposal of shares, which belong to the seller's fixed assets, but do not qualify for the tax-exemption, are deductible only from capital gains arising from the sale of shares in the same fiscal year and the subsequent five years.

Dividend income

Taxation of dividend distributed by a company listed on the Helsinki Stock Exchange varies depending on whether a shareholder that is resident in Finland is a listed company or a non-listed company. When the shareholder is a listed company, dividend received by such shareholder is not taxable income. Only in case the underlying shares belong to the investment assets of such shareholder, 75% of the dividend is taxable income of the shareholder and 25% is tax-exempt. Consequently, the effective tax rate of the dividend is 19.5%.

If the shareholder is a non-listed company, 75% of the dividend is taxable income and 25% of the dividend is tax-free, provided that such shareholder does not directly own at least 10% of the share capital of the distributing company. If the 10% ownership threshold is met, the dividend is tax-free. Dividend received by a non-listed shareholder is also 75% taxable and 25% tax-free in case the underlying shares are included in the investment assets of the shareholder irrespective of whether the 10% ownership threshold is met.

Taxation of Finnish individuals

Capital gains or losses

Generally, any gain or loss arising from the sale of shares is taxable or deductible as capital income or loss for sellers resident in Finland for tax purposes. Any such capital gain is taxed at a flat rate of 28%. Capital gain is, however, exempted from tax if the total amount of the sales price of the assets sold does not exceed €1,000 in a calendar year. Capital losses arising from the sale of shares, which do not belong to the business activity of the seller, are deductible only from capital gains arising from the sale of assets in the same year or during the following three years. The capital losses will not, however, be tax deductible if the total amount of the acquisition price of the assets sold does not exceed €1,000 in a calendar year. If the shares belong to the business activity (business income source) of the seller, any gain is divided to be taxed as earned income at progressive tax rates and capital income at a flat rate of 28%. Capital losses belonging to business activities are deductible from the business income as discussed above under "*– Taxation of Finnish corporations*".

Taxable capital gains and losses are calculated as the difference between the sales price and the aggregate of the acquisition cost of the shares and sales related expenses. When calculating capital gains, the seller may choose to apply a so-called presumptive acquisition cost instead of the actual acquisition cost. The presumptive acquisition cost is normally 20% of the sales price, but is 40% of the sales price for shares that have been held by the seller for at least a period of ten years. If the presumptive acquisition cost is used instead of the actual acquisition cost, any sales-related expenses are deemed to be included and, therefore, cannot be deducted separately.

Dividends

Dividend received by Finnish resident individuals from a listed company is taxed so that 70% is treated as capital income and 30% is tax-exempt. The applicable tax rate for capital income is 28%. Consequently, the effective tax rate of the dividend is 19.6%.

When a listed company distributes dividends, it is obligated to withhold advance tax from dividends paid to resident individuals. In 2006, the amount of the advance tax withholding is 19% of the amount of the dividend. The advance tax withheld by the distributing company is credited against the final tax payable by the individual shareholder for the dividend received. Resident individuals must check from their pre-completed tax return that the dividend information is correct, and report possible errors and lack of information to the tax authorities.

Non-resident investors

Capital gains or losses

Investors that are not resident in Finland for tax purposes are not subject to Finnish tax on capital gains realised in the transfer of the shares unless the transfer of shares relate to business carried on in Finland (a Finnish permanent establishment).

Dividends

The withholding tax rate applicable to dividends is 28%. The withholding tax may be reduced or removed based on the treaties for the elimination of double taxation.

No withholding tax shall be levied under Finnish laws on dividends paid to corporate entities that reside in the European Union and directly hold at least 20% of the capital of the distributing Finnish company. This threshold will be reduced to 15% in 2007 and 10% in 2009.

Transfer tax

There is no transfer tax payable in Finland on transfers or sales of shares made in public trading on the Helsinki Stock Exchange or on other comparable stock exchanges as defined in the Finnish Securities Market Act. If the intermediary or the transferee is not a "securities broker" as defined in the Transfer Tax Act (*i.e.*, the intermediary is a foreign broker not having a branch or office in Finland), the precondition for the tax exemption is that the transferee submits a notification to the Finnish tax authorities within two months of such transfer.

If the above conditions are not met and the seller or the buyer or both are residents in Finland for tax purposes, a transfer tax at a rate of 1.6% of the transfer price is payable by the buyer. The minimum amount of transfer tax collected is €10. However, if the buyer is neither a resident of Finland nor a Finnish branch of a foreign credit institution nor a Finnish branch of a foreign investment firm, the seller must collect the tax from the buyer. If neither the buyer nor the seller is a resident of Finland or a Finnish branch or office of a foreign credit institution or a Finnish branch of a foreign investment firm, the transfer of shares will be exempt from Finnish transfer tax.

Where a Finnish investment firm or credit institution or the Finnish branch or office of a foreign investment firm or a foreign credit institution is a party to or used as a broker in the transaction, it is liable to collect and pay the possible transfer tax on behalf of the buyer.

No Finnish transfer tax is payable in connection with the issuance of new shares.

Certain U.S. federal income tax considerations

This section is a summary, under current law, of certain U.S. federal income tax considerations relevant to an investment by a U.S. shareholder in the Shares. This summary applies to prospective purchasers only if they are eligible for benefits as a U.S. resident under the current income tax convention between the United States and Finland (the "Treaty") in respect of their investment in the Shares ("U.S. shareholders"). In general, a shareholder will be eligible for such benefits if the shareholder:

(i) is:

- an individual U.S. citizen or resident;
- a U.S. corporation; or
- a partnership, estate, or trust to the extent the shareholder's income is subject to taxation in the United States as the income of a resident, either in the shareholder's hands or in the hands of the shareholder's partners or beneficiaries;

(ii) is not also a resident of the Finland for Finnish tax purposes;

(iii) is the beneficial owner of the Shares (and the dividends paid with respect thereto);

(iv) holds the Shares as a capital asset for tax purposes;

(v) does not hold the Shares in connection with the conduct of business through a permanent establishment, or the performance of personal services through a fixed base, in Finland; and

(vi) is not subject to an anti-treaty shopping provision in the Treaty that applies in limited circumstances.

This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular investor, and does not address the tax treatment of investors who are subject to special rules. It is based upon the assumption that prospective shareholders are familiar with the tax rules applicable to investments in securities generally and with any special rules to which they may be subject. Prospective purchasers should consult their own tax advisers concerning the U.S. federal, state, local and other national tax consequences of purchasing, owning and disposing of the Shares in light of their particular circumstances.

This summary has been written to support the marketing of the Shares. It was not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding U.S. federal income tax penalties. Investors should consult their own tax advisors in determining the tax consequences to them of investing in the Shares, including the application to their particular situation of the U.S. federal income tax considerations discussed below, as well as the application of state, local, foreign or other tax laws.

Taxation of dividends

U.S. shareholders must include the gross amount of cash dividends paid on the Shares, without reduction for Finnish withholding tax, in ordinary income on the date that they receive them, translating dividends paid in euro into U.S. dollars using the exchange rate in effect on the date of receipt.

Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by a non-corporate U.S. shareholder with respect to the Shares before January 1, 2009 will be subject to taxation at a maximum rate of 15% if the dividends are "qualified dividends". Dividends received with respect to the Shares will be qualified dividends if the Company (i) is eligible for the benefits of a comprehensive income tax treaty with the United States that the IRS has approved for the purposes of the qualified dividend rules and (ii) was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a passive foreign investment company ("PFIC"). The Treaty has been approved for the purposes of the qualified dividend rules. Based on the Company's audited financial statements and relevant market and shareholder data, the Company believes that it was not treated as a PFIC for U.S. federal income tax purposes with respect to its 2005 taxable year. In addition, based on its audited financial statements and its current expectations regarding the value and nature of its assets, the sources and nature of its income, and relevant market and shareholder data, the Company does not anticipate becoming a PFIC for its 2006 taxable year.

Finnish tax withheld from dividends will be treated, up to the 15% rate provided under the Treaty, as a foreign income tax that, subject to generally applicable limitations under U.S. tax law, is eligible for credit against the U.S. federal income tax liability of U.S. shareholders or, if they have elected to deduct such taxes, may be deducted in computing taxable income.

Taxation of sales or other taxable dispositions

Sales or other taxable dispositions by U.S. shareholders of the Shares generally will give rise to capital gain or loss equal to the difference between the U.S. dollar value of the amount realized on the disposition (using the exchange rate in effect on the date of the disposition) and the U.S. shareholder's U.S. dollar basis in the Shares. Any such capital gain or loss will be long-term capital gain or loss, subject to taxation at reduced rates for non-corporate taxpayers, if the Shares were held for more than one year. The deductibility of capital losses is subject to limitations.

UNDERWRITING AND PLAN OF DISTRIBUTION

Under the terms and subject to the conditions of the Underwriting Agreement entered into on March 13, 2006 (the "Underwriting Agreement"), between the Company and the managers named below (the "Managers"), the Company has agreed to issue, and each of the Managers has severally agreed to procure subscribers for or, failing which, to subscribe for themselves at the Offer Price per Share, the number of Offer Shares set forth opposite their names below:

Managers	Number of Offer Shares (1)
Enskilda Securities AB	6,000,000
Calyon Bank	1,000,000
Opstock Oy	1,000,000
Total	8,000,000

(1) Excludes any Additional Shares issued pursuant to the Over-Allotment Option.

The Underwriting Agreement provides that the obligations of the several Managers to procure subscribers for, or failing which to subscribe for themselves, the Offer Shares are subject to certain conditions, including the absence of any material adverse change in the Group's business. The Managers also have the right to terminate the Underwriting Agreement upon the occurrence of certain events prior to the closing of the Offering. As described in more detail therein, the Managers have the right to terminate the Underwriting Agreement should any of the following have occurred: (i) trading in securities has been suspended or minimun prices established on the Helsinki Stock Exchange or certain other exchanges specified in the Underwriting Agreement, (ii) a banking moratorium has been declared in Finland or certain other jurisdictions specified in the Underwriting Agreement or (iii) there has occurred a material adverse change in national or international financial or foreign exchange markets or political or economic conditions in Finland or certain other countries, including any outbreak or escalation of hostilities, war or other international crisis that, in each case, in the reasonable opinion of SEB Enskilda, makes it impracticable or inadvisable to proceed with the Offering.

In consideration of the agreement by the Managers to procure subscribers for, or failing which to subscribe for themselves, the Offer Shares at the Offer Price per Share and subject to the Offer Shares being issued and sold as provided for in the Underwriting Agreement, excluding any Additional Shares issued pursuant to the Over-Allotment Option, the Company shall pay to the Managers a combined management and underwriting commission of 2.19% of the Offer Price for each such Offer Share. The Company has also agreed to pay to the Managers a management and underwriting commission of 2.19% of the Offer Price for each Additional Share issued pursuant to the Over-Allotment Option. Moreover, the Company, in its sole discretion, may elect to pay to the Managers an additional fee of up to €1.0 million in connection with the Offering. The Company's Board of Directors is expected to decide what additional fee, if any, is paid to the Managers at its meeting to be held on March 22, 2006. In addition, the Company has agreed to reimburse the Managers in respect of certain expenses, in an amount not to exceed €400,000.

The Company has been advised by the Managers that the Managers have offered and will offer the Offer Shares initially at the Offer Price (1) in a public offering in Finland, (2) in the United States only to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) pursuant to an exemption from the registration requirements of the Securities Act and (3) to institutional investors outside the United States. All offers and sales outside of the United States will be made in reliance on Regulation S under the Securities Act. The Offer Shares have not been registered under the Securities Act and may not be offered or sold within the United States except as described in the immediately preceding sentence.

Any offer and sale in the United States will be made by affiliates of the Managers who are broker-dealers registered under the Exchange Act. In addition, until 40 days after the commencement of the Offering, an offer or sale of Shares within the United States by a dealer, whether or not participating in the Offering, may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

The offer period for the Retail Offering to the public in Finland commenced at 9.30 a.m. Finnish time on March 1, 2006 and ended on March 9, 2006 at 4.30 p.m. Finnish time. The 1,400,000 New Shares in the Retail Offering are included in the table above. The Offer Price is the same for the Retail Offering to the public in Finland and the Institutional Offering.

The offer period for the Institutional Offering commenced on February 27, 2006 at 9.00 a.m. Finnish time and ended on March 13, 2006 at noon Finnish time. The 6,600,000 New Shares in the Institutional Offering are included in the table above. The Offer Price is the same for the Retail Offering and the Institutional Offering.

The Company has granted SEB Enskilda on behalf of the Managers the Over-Allotment Option exercisable during a period of 30 days after the date of pre-listing of the Shares on the Helsinki Stock Exchange, which is expected to be on or about March 14, 2006, to or about April 13, 2006, to subscribe for up to an aggregate of 1,150,000 Shares solely to cover over-allotments, if any, at the Offer Price. To the extent the Over-Allotment Option is exercised, each Manager will become severally obligated, subject to certain conditions, to procure subscribers for, or to subscribe for themselves, approximately the same percentage of such Additional Shares as the number set forth next to such Manager's name in the preceding table bears to the total number of Offer Shares set forth next to the names of all Managers in such table.

In order to facilitate the Offering of the Offer Shares, SEB Enskilda as the stabilizing manager, or its agents, on behalf of the Managers, may engage in transactions that stabilize, maintain or otherwise affect the price of the Offer Shares for up to 30 days from the date of pre-listing of the Shares on the Helsinki Stock Exchange. Specifically, the Managers may sell more Offer Shares than for which they are obligated to procure purchasers under the Underwriting Agreement, creating a short position. A short sale is covered if the short position is no greater than the number of Additional Shares available for purchase by the Managers under the Over-Allotment Option. The Managers can close out a covered short sale by exercising the Over-Allotment Option or purchasing Shares in the open market. In determining the source of Shares to close out a covered short sale, the Managers will consider, among other things, the open market price of Shares compared to the price available under the Over-Allotment Option. The Managers may also sell Offer Shares in excess of the Over-Allotment Option, creating a naked short position. The Managers must close out any naked short position by purchasing Shares in the open market. A naked short position is more likely to be created if the Managers are concerned that there may be downward pressure on the price of the Shares in the open market after pricing that could adversely affect investors who purchase in the Offering. As an additional means of facilitating the Offering, the Managers may bid for, and purchase, Shares in the open market to stabilize the price of the Shares. The Managers may also impose a penalty bid. Penalty bids permit the underwriting syndicate to reclaim selling concessions allowed to a Manager or a dealer for distributing the Offer Shares, if the syndicate repurchases previously-distributed Offer Shares to cover syndicate short positions or to stabilize the price of the shares. These activities may raise or maintain the market price of the Shares above independent market levels or prevent or retard a decline in the market price of the Shares. The Managers are not required to engage in these activities, and may end any of these activities at any time.

Any stabilization activities will be conducted in accordance with the European Commission Regulation (EC) No 2273/2003 implementing Directive 2003/6/EC of the European Parliament and the Council as regards exemptions for buy-back programs and stabilization of financial instruments.

In connection with settlement and stabilization, SEB Enskilda, on behalf of the Managers, has entered into a share lending arrangement with Varma Mutual Pension Insurance Company. In accordance with the share lending arrangement, SEB Enskilda may borrow a number of Shares equal to the number of Additional Shares subject to the Over-Allotment Option that will allow it to settle over-allotments made, if any, in connection with the Offering. To the extent SEB Enskilda borrows Shares under these provisions, it will be required to return an equivalent number of Shares or rights representing such number of Shares to Varma Mutual Pension Insurance Company.

It is expected that delivery of the Offer Shares will be made against payment therefor through the facilities of the Finnish book-entry securities system, Euroclear Bank S.A./N.V. as operator of the Euroclear System and Clearstream Banking S.A. on or about the date specified on the cover of this Offering Circular.

Ahlstrom's Board of Directors decided on the listing of the Shares on the Helsinki Stock Exchange on February 27, 2006. Prior to the Offering there has been no public market for the Shares. Trading of the Shares on the pre-list of the Helsinki Stock Exchange is expected to commence on or about March 14, 2006 and on the main list of the Helsinki Stock Exchange on or about March 17, 2006.

The Company and its principal shareholders have agreed with the Managers that they will not, without the prior written consent of SEB Enskilda (which consent shall not be unreasonably withheld), until and including September 10, 2006, issue, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Shares owned by them at the time the undertaking was given or any securities exchangeable for or convertible into or exercisable for such Shares. Members of the Board and the Corporate Executive Team that own Shares in the Company have made a similar commitment which is effective until December 31, 2006. Shareholders that together own approximately 49.8% of Ahlstrom's outstanding Shares immediately after the Offering, assuming that the Over-Allotment Option is not exercised and assuming that Antti Ahlströmin Perilliset Oy maintains its ownership interest in the Company at 10%, have committed to a lock-up. The restrictions described above shall not prevent the Company and the other restricted parties from issuing or subscribing for Shares pursuant to existing option or other incentive programs. Moreover, the restrictions shall not affect existing pledge commitments or Share transfers relating to such pledges. Any determination to release any Shares subject to the lock-up agreements would be based on a number of factors at the time of determination, including the market price of the Shares, the liquidity of the trading market for the Shares, general market conditions, the number of Shares proposed to be sold and the timing, purpose and terms of the proposed sale.

The Company has agreed to compensate the Managers for certain expenses and to indemnify the underwriters against certain liabilities, including liabilities under applicable securities laws. If these indemnities are not enforceable, the Company has agreed to contribute to any payments that the Managers are required to make in respect of the liabilities against which the Company has agreed to indemnify them. In addition, the Company has made customary representations, warranties and undertakings to the Managers.

Certain of the Managers have in the past provided, and may in the future from time to time provide, investment banking and advisory services to the Company for which they have in the past received, and may in the future receive, fees and commissions.

Prior to this Offering, there has been no public market for the Shares. The Offer Price of €22.00 per Offer Share was determined through a book-building process pursuant to which the Company collected indications of interest for the Offer Shares from potential institutional investors. There can be no assurance that an active market will develop for the Shares or that the Shares will trade in the public market at or above the initial Offer Price.

Allocation preference

As part of the Offering, Antti Ahlströmin Perilliset Oy, the Company's largest shareholder, will be granted a preferential allocation in the Institutional Offering to subscribe for such number of Offer Shares as is required to allow Antti Ahlströmin Perilliset Oy to maintain its proportional shareholding in the Company after the Offering, assuming full exercise of the Over-Allotment Option. As of the date of this Offering Circular, Antti Ahlströmin Perilliset Oy owns 10.0% of the Company's outstanding Shares and votes.

Selling and transfer restrictions

Prospective investors in the Offer Shares must familiarize themselves and comply with all applicable laws and regulations relating to the offer, sale and transfer of the Offer Shares. See "*Selling and transfer restrictions*".

Dividends

The Offer Shares will rank *pari passu* with all outstanding Shares and will be entitled to any future dividends. See "*Description of the Shares and share capital*" and "*Dividends and dividend policy*".

Taxation

See "*Taxation*" for a discussion of certain tax considerations relevant to offerees considering the purchase of the Offer Shares.

SELLING AND TRANSFER RESTRICTIONS

Selling restrictions

General

No action has been or will be taken in any jurisdiction other than Finland that would permit a public offering of the Offer Shares or the possession, circulation or distribution of this Offering Circular or any other material relating to the Company or the Offer Shares in any jurisdiction where action for that purpose is required. Accordingly, the Offer Shares may not be sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisement in connection with the Offer Shares may be distributed or published in any form or in any country or jurisdiction except under circumstances that will result in compliance with any applicable laws, rules and regulations of any such country or jurisdiction. The Company and the Managers require that the persons to whom this Offering Circular is available familiarize themselves with all restrictions regarding the Offering of the Offer Shares and the distribution of this Offering Circular and comply with such restrictions.

Each of the Managers has acknowledged that it has not offered, sold or delivered and will not offer, sell or deliver any of the Offer Shares directly or indirectly, or distribute this Offering Circular or any other offering material relating to the Offer Shares, in or from any jurisdiction except under circumstances that will result in compliance with the applicable laws and regulations thereof and will not impose any obligations on the Company except as set forth in the Underwriting Agreement.

United States

The Offer Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered, sold, pledged or otherwise transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Accordingly, each Manager has acknowledged and agreed that it will not offer or sell the Offer Shares in this Offering within the United States, except to qualified institutional buyers in reliance on Rule 144A under the Securities Act. Offer Shares are being offered outside the United States in reliance on Regulation S. Transfers of the Offer Shares will be restricted and each purchaser will be deemed to have made acknowledgments, representations and agreements, as described under "– *Transfer restrictions*".

In addition, until 40 days after the commencement of the Offering, an offer or sale of the Offer Shares within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirement of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

European Economic Area

In relation to each Relevant Member State an offer to the public of Offer Shares which are the subject of the offering contemplated by this Offering Circular may not be made in that Relevant Member State other than the offer contemplated in the Finnish Prospectus in Finland once the Finnish Prospectus has been approved by the competent authority in such Member State and published in accordance with the Prospectus Directive as implemented in Finland except that an offer to the public in that Relevant Member State of any Offer Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
(c) by the Managers to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of SEB Enskilda for any such offer; or
(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Offer Shares shall result in a requirement for the publication by the Company or any Manager of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Offer Shares to be offered so as to enable an investor to decide to purchase any Offer Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State.

France

Neither this Offering Circular nor any other offering material relating to the Offer Shares has been submitted to the clearance procedures of the *Autorité des marchés financiers* in France. The Offer Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this Offering Circular nor any other offering material relating to the Offer Shares has been or will be (i) released, issued, distributed or caused to be released, issued or distributed to the public in France or (ii) used in connection with any offer for subscription or sale of the Offer Shares to the public in France. Such offers, sales and distributions will be made in France only (i) to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account, all as defined in and in accordance with Article L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier* or (ii) to investment services providers authorized to engage in portfolio management on behalf of third parties, or (iii) in a transaction that, in accordance with article L.411-2-II-1°-or-2° of the French *Code monétaire et financier*, does not constitute a public offer (*appel public à l'épargne*) as a result of the aggregate amount of the offer, in one or several transactions over a period of twelve consecutive months, or, as the case may be, of the individual amount of investment by each investor, as such amounts are provided by article 211-2 of the General Regulations (*Règlement Général*) of the *Autorité des marchés financiers*. Such Offer Shares may be resold only in compliance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French *Code monétaire et financier*.

Italy

Each Manager has acknowledged and agreed that the offering of the Offer Shares has not been cleared by the Italian Securities Exchange Commission (*Commissione Nazionale per le Società e la Borsa*) (the "CONSOB") pursuant to Italian securities legislation and, accordingly, has represented and agreed that the Offer Shares may not and will not be offered, sold or delivered, nor may or will copies of this Offering Circular or any other documents relating to the Offer Shares or the Offering be distributed in Italy other than to professional investors (*operatori qualificati*), as defined in Article 31, paragraph 2 of CONSOB Regulation No. 11522 of July 1, 1998, as amended ("Regulation No. 11522").

Each Manager has represented and agreed that any offer, sale or delivery of the Offer Shares or distribution of copies of the Offering Circular or any other document relating to the Offer Shares or the Offering in Italy may and will be effected in accordance with all Italian securities, tax, exchange control and other applicable laws and regulations, and, in particular, will be: (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Legislative Decree No. 385 of September 1, 1993, as amended (the "Italian Banking Law"), Legislative Decree No. 58 of February 24, 1998, as amended, Regulation No. 11522, and any other applicable laws and regulations; (ii) in compliance with Article 129 of the Italian Banking Law and the implementing guidelines of the Bank of Italy; and (iii) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

Any investor purchasing the Offer Shares in the Offering is solely responsible for ensuring that any offer or resale of the Offer Shares it purchased in the Offering occurs in compliance with applicable laws and regulations.

This Offering Circular and the information contained herein are intended only for the use of its recipient and are not to be distributed to any third party resident or located in Italy for any reason. No person resident or located in Italy other than the original recipients of this document may rely on it or its content.

In addition to the above (which shall continue to apply to the extent not inconsistent with the implementing measures of the Prospective Directive in Italy), after the implementation of the Prospectus Directive in Italy, the restrictions, warranties and representations set out under the heading *"European Economic Area"* above shall apply to Italy.

Spain

The offer of Offer Shares has not been registered with the Comisión Nacional del Mercado de Valores in Spain. Accordingly, no Offer Shares will be offered or sold in Spain nor may this Offering Circular or any other offer material be distributed or targeted at Spanish resident investors save in compliance and in accordance with the requirements of the Spanish Securities Market Law 24/1998, as amended, and any regulation issued thereunder.

United Kingdom

Each Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of the Offer Shares in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Offer Shares in, from or otherwise involving the United Kingdom.

Australia

This Offering Circular has not been and will not be lodged with the Australian Securities and Investments Commission or the Australian Stock Exchange, and is not a disclosure document for the purposes of Australian law. This Offering Circular (whether in preliminary or definitive form) may not be issued or distributed in Australia and no offer or invitation may be made in relation to the issue, sale or purchase of Offer Shares in Australia (including an offer or invitation received by a person in Australia) and no Offer Shares may be sold in Australia, unless the offer or invitation does not need disclosure to investors under Part 6D.2 or Division 2 of Part 7.9 of the Corporations Act 2001 (Cth). Restrictions on the resale of the Shares in Australia may also apply under Australia's Corporations Act and, as such, professional advice should be obtained in such a situation.

Japan

The Offer Shares have not been and will not be registered under the Securities and Exchange Law of Japan, as amended, (the "SEL") and, accordingly, each Manager has undertaken that it has not offered or sold, or will not offer or sell any Offer Shares, directly or indirectly, in Japan or to, or for the account or benefit of, any Japanese Person except under circumstances which will result in the compliance with the SEL and any other applicable laws and regulations promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Transfer restrictions

United States

Because of the following restrictions, prospective investors are advised to consult legal counsel prior to making any offer for, resale, pledge or other transfer of, the Offer Shares.

The Offer Shares have not and will not be registered under the Securities Act or any state securities law. The Offer Shares in this Offering may not be offered, sold or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state laws. Accordingly, the Offer Shares in this Offering are being offered and sold:

(i) in the United States only to "qualified institutional buyers", as such term is defined under Rule 144A of the Securities Act ("Rule 144A"); and

(ii) outside the United States pursuant to Regulation S under the Securities Act.

Each purchaser of Offer Shares in this Offering within the United States pursuant to Rule 144A and each subsequent purchaser thereof, will be deemed to have represented and agreed as follows (terms used herein that are defined in Rule 144A or Regulation S are used herein as defined therein):

(i) it is (A) a qualified institutional buyer, (B) aware, and each beneficial owner of such Offer Shares has been advised, that the sale of the Offer Shares is being made in reliance on Rule 144A and (C) acquiring such Shares for its own account or for the account of a qualified institutional buyer, as the case may be;

(ii) it understands that the Offer Shares have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except (A)(i) to a person who it reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder, if available, and (B) in accordance with all applicable securities laws of the states of the United States;

(iii) it acknowledges that the Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of Offer Shares:

(iv) it agrees that, notwithstanding anything to the contrary in the foregoing, for so long as they are "restricted securities", the Offer Shares in this Offering may not be deposited into any unrestricted depository receipt facility in respect of Offer Shares that may be established or maintained by a depository bank.

OTHER MATTERS

Legal matters

Certain legal matters in connection with the Offering will be passed upon for the Company by Hannes Snellman Attorneys at Law Ltd., Finnish counsel to the Company and Cleary Gottlieb Steen and Hamilton LLP, international counsel to the Company with respect to U.S. and English law. The Managers have been advised as to certain matters of Finnish, U.S. and English law by White & Case LLP.

Documents on display

Copies of the following documents may be inspected during the period of validity of this Offering Circular at the registered office of Ahlstrom, address Eteläesplanadi 14, FI-00130 Helsinki, Finland on weekdays during normal business hours:

(a) the Articles of Association of Ahlstrom, as effective prior to the registration of the amendments to the Articles of Association relating to the Offering, on or about March 14, 2006;

(b) the financial statements of Ahlstrom for the financial periods ended December 31, 2004 and December 31, 2005;

(c) the decision of the general meeting of shareholders held on February 14, 2006 relating to the Offering;

(d) an account of the Board of Directors of events that have occurred after the end of the financial year ended December 31, 2005;

(e) this Offering Circular; and

(f) the decisions of the FSA regarding this Offering Circular.

FINANCIAL INFORMATION ON AHLSTROM

INDEX TO FINANCIAL STATEMENTS

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Ahlstrom Corporation
Consolidated Financial Statements 2005

INDEPENDENT AUDITOR´S REPORT

To the shareholders of Ahlstrom Corporation

We have audited the accompanying consolidated balance sheet of Ahlstrom Corporation and subsidiaries ("Ahlstrom") as of December 31, 2005 and the related consolidated statement of income, statement of changes in equity and consolidated statements of cash flow of Ahlstrom for the year then ended prepared in accordance with International Financial Reporting Standards as adopted by the European Union, included in the Offering Circular. These consolidated financial statements are the responsibility of Ahlstrom's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Finland. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above give true and fair view, in all material respects, of the financial position of Ahlstrom of December 31, 2005 and the results of operations, changes in equity and cash flows of Ahlstrom for the year then ended in conformity with International Financial Reporting Standards as adopted by the European Union.

February 3, 2006

KPMG OY AB

Sixten Nyman
Authorized Public Accountant

Consolidated Income Statement

EUR million	**(Note)**	**2005**	2004 (Unaudited)
Net sales	(1,3)	**1,552.6**	1,567.8
Other operating income	(2,4)	**30.8**	21.7
Change in inventories of finished goods and work in process		**-2.4**	-8.4
Production for own use		**-13.0**	0.2
Materials and supplies		**-876.1**	-873.6
Employee benefit expenses	(5)	**-313.1**	-340.1
Depreciation and amortization	(9,10,12)	**-82.9**	-86.7
Impairment charges	(11)	**-0.8**	-3.6
Other operating expenses	(4)	**-177.8**	-215.1
Operating profit		**117.2**	62.1
Financial income	(6)	**3.2**	5.1
Financial expenses	(6)	**-20.0**	-21.9
Share of net profit of associated companies	(13)	**0.4**	2.7
Profit before taxes		**100.7**	47.9
Income taxes	(7,15)	**-38.1**	-14.5
Profit for the period		**62.6**	33.4
Attributable to:			
Equity holders of the parent		**62.4**	33.2
Minority interest		**0.2**	0.2
Basic earnings per share (EUR)		**1.71**	0.91
Diluted earnings per share (EUR)		**1.67**	0.90

See also notes to the consolidated Financial Statements

Consolidated Statement of Cash Flows

EUR million	(Note)	2005	2004
			(Unaudited)
Cash flow from operating activities			
Profit for the period		**62.6**	33.4
Adjustments:			
Non-cash transactions and transfers to cash flow from other activities	(28)	**66.9**	92.8
Interest and other financial income and expense		**16.6**	14.8
Dividend income		**-0.1**	-0.7
Taxes		**38.1**	14.5
Changes in net working capital:			
Change in trade and other receivables		**-6.2**	1.8
Change in inventories		**0.5**	3.5
Change in trade and other payables		**-9.5**	-4.2
Change in provisions		**-4.5**	-8.8
Interest received		**0.7**	3.7
Interest paid		**-9.3**	-17.0
Other financial items		**-19.8**	1.5
Taxes paid		**-9.4**	-7.3
Net cash from operating activities		**126.6**	128.0
Cash flow from investing activities			
Acquisitions of Group companies, net of cash	(3)	**-10.8**	-64.9
Purchases of property, plant and equipment		**-55.4**	-101.0
Proceeds from disposal of shares in Group companies and businesses	(2)	**29.7**	1.4
Proceeds from disposal of other investments		**19.2**	11.1
Proceeds from disposal of property, plant and equipment		**5.5**	2.2
Dividends received		**1.0**	2.9
Net cash from investing activities		**-10.8**	-148.3
Cash flow from financing activities			
Change in interest-bearing loans and borrowings		**-57.1**	70.3
Dividends paid		**-62.8**	-54.6
Net cash from financing activities		**-119.8**	15.7
Net change in cash and cash equivalents		**-4.0**	-4.5
Cash and cash equivalents at beginning of period		**19.8**	24.1
Foreign exchange adjustment		**0.3**	0.2
Cash and cash equivalents at end of period		**16.0**	19.8

See also notes to the consolidated Financial Statements

Consolidated Balance Sheet

EUR million	**(Note)**	**Dec 31, 2005**	Dec 31, 2004 (Unaudited)
Assets			
Property, plant and equipment, net	(9)	**577.4**	574.4
Goodwill, net	(10,11)	**108.6**	106.9
Intangible rights and other intangibles, net	(10)	**39.0**	24.7
Investment property	(12)	**4.0**	3.9
Investments in associated companies	(13)	**49.4**	49.9
Other investments	(14)	**2.9**	3.3
Other receivables	(17)	**4.9**	7.2
Deferred tax assets	(15)	**32.2**	35.5
Total non-current assets		**818.4**	805.7
Inventories	(16)	**212.6**	212.6
Trade and other receivables	(17)	**320.2**	329.8
Other investments	(14)	**0.0**	13.5
Cash and cash equivalents	(18)	**16.0**	19.8
Total current assets		**548.8**	575.7
Total assets		**1,367.2**	1,381.4

See also notes to the consolidated Financial Statements

Consolidated Balance Sheet

EUR million	(Note)	Dec 31, 2005	Dec 31, 2004 (Unaudited)
Equity and liabilities			
Equity attributable to equity holders of the parent	(19)		
Issued capital		**54.6**	54.6
Share premium		**26.7**	26.7
Reserves		**4.7**	-3.2
Retained earnings		**503.7**	501.5
Minority interest		**0.8**	0.9
Total equity		**590.5**	**580.5**
Liabilities			
Interest-bearing loans and borrowings	(22)	**119.6**	212.5
Employee benefit obligations	(20)	**112.8**	108.6
Provisions	(21)	**3.7**	3.7
Other liabilities	(23)	**0.4**	0.1
Deferred tax liabilities	(15)	**26.3**	13.0
Total non-current liabilities		**262.8**	337.9
Interest-bearing loans and borrowings	(22)	**237.0**	182.6
Trade and other payables	(23)	**263.6**	262.6
Provisions	(21)	**13.3**	17.7
Total current liabilities		**513.9**	462.9
Total liabilities		**776.7**	800.9
Total equity and liabilities		**1,367.2**	1,381.4

See also notes to the consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent							Minority interest	Total equity
EUR million	Issued capital	Share premium	Fair value reserve	Hedging reserve	Translation reserve	Retained earnings	Total		
Equity at December 31, 2003	**54.6**	**26.7**				**592.5**	**673.8**		**673.8**
The impact of adopting IFRS (note 32)						-69.5	-69.5	1.1	-68.4
Adjusted equity at January 1, 2004 Unaudited	**54.6**	**26.7**	**0.0**	**0.0**	**0.0**	**523.0**	**604.3**	**1.1**	**605.4**
Translation differences					-8.6		-8.6	-0.2	-8.8
Gains and losses from hedge of net investments in foreign operations, net of tax					5.4		5.4		5.4
Other changes								-0.2	-0.2
Profit for the period						33.2	33.2	0.2	33.4
Total recognized income and expense for the period	0.0	0.0	0.0	0.0	-3.2	33.2	30.0	-0.2	29.8
Dividends paid and other						-54.7	-54.7		-54.7
Equity at December 31, 2004 Unaudited	**54.6**	**26.7**	**0.0**	**0.0**	**-3.2**	**501.5**	**579.6**	**0.9**	**580.5**
The impact of adopting IAS 32 and 39			2.4				2.4		2.4
Adjusted equity at January 1, 2005	**54.6**	**26.7**	**2.4**	**0.0**	**-3.2**	**501.5**	**582.0**	**0.9**	**582.9**
Cash flow hedges, net of tax:									
Gains and losses taken to equity				1.0			1.0		1.0
Translation differences					26.4		26.4	-0.2	26.2
Gains and losses from hedge of net investments in foreign operations, net of tax					-19.5		-19.5		-19.5
Other changes			-2.4			2.4	0.0		0.0
Profit for the period						62.5	62.5	0.1	62.6
Total recognized income and expense for the period	0.0	0.0	-2.4	1.0	6.9	64.9	70.4	-0.1	70.3
Dividends paid and other						-62.7	-62.7		-62.7
Equity at December 31, 2005	**54.6**	**26.7**	**0.0**	**1.0**	**3.7**	**503.7**	**589.7**	**0.8**	**590.5**

See also notes to the consolidated Financial Statements

Significant accounting principles

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 company organized under the laws of Finland and domiciled in Helsinki. 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 is organized through two segments, FiberComposites and Specialty Papers. The FiberComposites segment operates in filtration media, consumer, medical and industrial non-wovens and glass non-woven reinforcement products. The Specialty Papers segment operates in self-adhesive, packaging and label papers as well as in technical papers, which supplies customers in abrasive materials, furniture, automobile and bakery industries, among others.

a) Basis of preparation

These are the first financial statements of the Group 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. Also the notes to the Consolidated Financial Statements are in accordance with the requirements of the Finnish Accounting and Companies Acts.

The Group's date of transition to IFRS was January 1, 2004 and the adoption of IFRS standards was done in accordance with the IFRS 1 (First-time Adoption of IFRS). However, for the adoption of IAS 39 (Financial Instruments: Recognition and Measurement) and IAS 32 (Financial Instruments: Disclosure and Presentation), the transition date was January 1, 2005.

Comparative figures for 2004 have been restated to comply with IFRS, but for financial instruments the Group utilized the exemption for a first-time adopter of IFRS not to restate comparative information for 2004. The financial instruments are presented in accordance with Finnish accounting standards for the comparative year 2004. The effects of the transition are summarized in note 32, Transition to IFRS.

The consolidated financial statements are presented in euro. They are prepared under the historical cost convention except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading and financial instruments classified as available-for-sale. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

b) Use of estimates

The preparation of consolidated financial statements in conformity with IFRS requires 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. Actual results may differ from these amounts.

c) 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 30. Subsidiaries acquired during the year are included in the consolidated income statement from the date of acquisition, whereas companies that have been disposed of during the year are included up to the date of disposal. Acquisitions of companies are accounted for using the purchase method of accounting.

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.

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.

d) Transactions denominated in foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the balance sheet date exchange rate. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising from translation are recognized in the income statement.

The balance sheets of subsidiaries whose reporting currency is not euro are translated into euro at the exchange rate prevailing at the balance sheet date while the income statements of such subsidiaries are translated at the average exchange rate for the period. The effect of such translation is recognized in a separate component of equity. When a subsidiary is disposed of, translation differences arising from the net investment and from related hedges, are recognized in the income statement as part of the gain or loss on the sale. Translation differences that have arisen before January 1, 2004 have in accordance with the IFRS 1 standard been recognized in retained earnings at the transition to IFRS. Such translation differences will not in the future, at disposal of the subsidiary, 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.

e) Financial instruments

The Group adopted amended IAS 32 and IAS 39 standards January 1, 2005. The transition was based on the exemption allowed by IFRS 1, according to which no restatement of comparative financial instrument information is required. In 2004, financial instruments subject to IAS 32 and 39 have been recognized in accordance with the Finnish accounting standards.

Financial assets and liabilities

As of January 1, 2005, the Group classifies the 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 investments, or loans and receivables. Classification is made on initial recognition and it is based on the nature of the item. 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 other than hedging instruments, 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 recognized at fair value, which is based on their current market bid price on the balance sheet date. The assets held for trading and the assets due within 12 months are included in the balance sheet 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

The loans and other receivables category is for non-derivate financial assets, which arise from the sale of goods and services or from lending activities. They are not quoted in 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 investments

The available-for-sale investments category includes listed and unlisted securities as well as 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. Normally available-for-sale investments 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 comprises cash balances, bank accounts and other short-term highly liquid investments.

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 method.

f) Derivative financial instruments and hedge accounting

Derivative financial instruments are initially recognized at cost reflecting their fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. Gains and losses on remeasurement to fair value are recognized according to the intended use of the derivative financial instrument.

The Group holds derivative instruments qualifying for IAS 39 hedge accounting to hedge a cash flow exposure on some floating rate loans, and a currency exposure on a net investment in foreign operations. For hedge accounting purposes the Group prepares the 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 measurement of the hedged item.

When hedging the cash flow exposure on floating rate loans, the hedging instruments are interest rate swaps. Fair value changes of qualifying cash flow hedges are recognized directly in equity. The associated gains and losses are removed from equity and recognized in profit or loss in the same period with the hedged transaction. 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 foreign currency loans, forward contracts and medium-term cross-currency swaps to hedge its currency exposure on a net investment in foreign operations. The effective portion of the change in fair value (change in spot rate) is recognized in the currency translation reserve in equity. Any ineffective portion of the change, as well as all changes in derivative's time value are 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 meet the criteria for hedge accounting in IAS 39, even if they are economic hedges according to the Group risk management 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.

g) 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 sale. The Group recognizes revenue from services when the services are rendered. Sales are presented net of returns, indirect taxes, discounts and annual rebates.

h) Income taxes

Income tax expense consists of current and deferred taxes. Current taxes include taxes of the Group companies for the 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 accounted for using the balance sheet liability method, as measured with enacted tax rates, to reflect the net tax effects of all temporary differences between the financial reporting and tax bases of assets and liabilities. The most significant deferred tax assets and liabilities arise from the difference between the carrying amounts for financial reporting and the tax bases of property, plant and equipment, fair value measurement of net assets in acquired companies, pension and other obligations, untaxed reserves and unused tax losses and tax credits. Deductible temporary differences are recognized as a deferred tax asset to the extent that it is probable that future taxable profits will be available, against which the deductible temporary difference can be utilized. Temporary differences related to investments in foreign subsidiaries or associates are not recognized as deferred tax liabilities to the extent that they will probably not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured using 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.

i) Property, plant and equipment

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

Depreciation on property, plant and equipment is calculated on the 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. 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 of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost can be measured reliably. Expected useful lives and residual values of non-current assets are reassessed at each balance sheet date and where they differ from previous estimates, depreciation periods are changed accordingly.

j) 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 and any costs directly attributable to the acquisition added. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer 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

Expenditure on research activities is recognized in the profit or loss as an expense as incurred. The Group has no such expenditure on development activities that would qualify for the capitalization criteria set out in IAS 38 (Intangible assets).

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.

k) 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 impairment losses. Depreciation is calculated on a straight-line basis and the useful lives are the same as for property, plant and equipment.

l) 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 risks and benefits 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 divided into reduction of the lease liability and the interest charge for the period, so that a constant rate of interest is recognized on the outstanding balance of the lease liability. 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.

Payments made under operating leases are expensed as incurred.

m) 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 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 every year or in case of indication of impairment. For the first time goodwill was tested for impairment on January 1, 2004, the date of transition to IFRS.

n) Inventories

Inventories are stated at the lower of cost or net realizable value. 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 process includes all direct costs as well as an allocation of variable and fixed production overheads.

o) Accounts receivable

Accounts receivable are measured at cost, and recorded net of 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.

p) Provisions

Provision is recognized when the Group has a present legal or constructive obligation as a result of past events, 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. A provision for site restoration in respect of contaminated land is recognized when the land is contaminated.

q) 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 either as 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 a qualified actuary.

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 by 10% the greater of the present value of the defined benefit obligation and 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 before 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.

r) 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.

s) Government grants

Government or other grants are recognized in the income statement in the same periods in which the expenses are incurred. The Group presents the emission rights net of the deferred government grant.

t) 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 carrying amount or fair value less costs to sell, if the 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 line of business or geographical area of operations.

u) Operating profit

Operating profit is the net amount of net sales and other operating income less cost of finished goods and work in process 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.

v) Application of improved or revised IFRS-standards

In December 2004 the IASB issued the new interpretation IFRIC 4 *Determining Whether an Arrangement Contains a Lease* that the Group will adopt in 2006. According to the Group estimate it will have no material impact on the consolidated financial statements. As of 2006, the Group will apply IFRS 7 *Financial Instruments: Disclosures* issued in 2005. Group estimates that the new standard will mainly impact the notes to the financial statements.

EUR million

1. Segment information (2004 Unaudited)

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 Speciality Papers. The FiberComposites segment operates in filtration media, consumer, medical and industrial nonwovens and glass nonwoven reinforcement products. The Specialty Papers segment operates in self-adhesive, packaging and label papers as well as in technical papers, which supplies customers in abrasive materials, furniture, automobile and bakery industries, 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 2005	**Fiber-Composites**	**Specialty Papers**	**Other operations**	**Eliminations**	**Group**
External net sales	738.5	810.5	3.6	-	1,552.6
Inter-segment net sales	3.7	4.2	5.6	-13.5	-
Net sales	**742.3**	**814.7**	**9.1**	**-13.5**	**1,552.6**
Operating profit/loss	65.5	57.7	-6.3	0.3	117.2
Share of net profit of associated companies	-	-	0.4	-	0.4
Profit for the period	-	-	-	-	**62.6**
Segment assets	746.8	499.3	30.4	-16.8	1,259.7
Investments in associated companies	-	-	49.4	-	49.4
Unallocated assets	-	-	-	-	58.1
Total assets					**1,367.2**
Segment liabilities	135.9	202.0	47.2	-16.8	368.3
Unallocated liabilities	-	-	-	-	408.4
Total liabilities					**776.7**
Capital expenditure	34.9	25.6	2.0	-	62.4
Depreciation and amortization	45.6	33.3	4.0	-	82.9
Impairment charges	-	0.8	-	-	0.8
Non-cash expenditures:					
Change in provisions	-	-	1.6	-	1.6

Business segments 2004	**Fiber-Composites**	**Specialty Papers**	**Other operations**	**Eliminations**	**Group**
External net sales	662.6	879.8	25.4	-	1,567.8
Inter-segment net sales	1.3	6.1	15.0	-22.4	-
Net sales	**663.8**	**885.9**	**40.5**	**-22.4**	**1,567.8**
Operating profit/loss	39.8	20.9	1.6	-0.2	62.1
Share of net profit of associated companies	-	-	2.7	-	2.7
Profit for the period	-	-	-	-	**33.4**
Segment assets	672.3	543.8	33.8	-10.6	1,239.2
Investments in associated companies	-	-	49.9	-	49.9
Unallocated assets	-	-	-	-	92.2
Total assets					**1,381.4**
Segment liabilities	120.4	225.6	41.8	-10.3	377.6
Unallocated liabilities	-	-	-	-	423.3
Total liabilities					**800.9**

EUR million

Capital expenditure	71.3	25.1	4.6	-	101.0
Depreciation and amortization	42.4	40.0	4.4	-	86.7
Impairment charges	-	3.2	0.4	-	3.6
Non-cash expenditures:					
Change in provisions	1.1	0.3	2.2	-	3.6

In 2005, the main capital expenditures in the FiberComposites segment include a fine fiber line in Turin, Italy (EUR 6 million) and the expansion of a glass tissue line in Karhula, Finland (EUR 4 million). In 2004, the main capital expenditures were a new nonwoven manufacturing line in Windsor Locks, USA (EUR 38 million) and a new nonwovens and filtration production line in Hyun Poong, Korea (EUR 30 million). In 2005 and 2004, the Specialty Papers segment made several investments to increase production capacity and to improve production efficiency and quality.

Geographical segments 2005	**Europe**	**North America**	**Asia**	**Other**	**Eliminations**	**Group**
External net sales	993.0	345.1	131.7	82.8	-	1,552.6
Assets	803.6	407.0	56.8	2.1	-9.8	1,259.7
Capital expenditure	47.7	11.7	2.8	0.2	-	62.4

Geographical segments 2004	**Europe**	**North America**	**Asia**	**Other**	**Eliminations**	**Group**
External net sales	1,065.1	300.8	117.4	84.5	-	1,567.8
Assets	852.8	350.4	44.7	2.8	-11.5	1,239.2
Capital expenditure	59.1	22.2	17.6	2.1	-	101.0

2. Disposal of businesses (2004 Unaudited)

In August 2005, the Group sold Ahlstrom Kauttua Oy, part of the Specialty Papers segment. The disposal was consistent with the Group strategy to focus on its core businesses. Another disposal was the sale of the hydropower station in Italy in July 2005.

In October 2004, the Group sold the Techno Jolly and the Akerlund & Rausing Kuban packaging manufacturing entities. These entities were part of the Other operations segment. The related assets and liabilities were classified as held for sale in the IFRS opening balance on January 1, 2004. At that date, a loss of EUR 9 million arose from the measurement of Techno Jolly to fair value less costs to sell. These disposals completed the Group's exit from the packaging manufacturing operations.

In 2004, Ahlstrom and Sonoco, a global cores and tubes producer, combined their European paper-based core, tube and coreboard operations by establishing a new company, Sonoco-Alcore SARL. Sonoco-Alcore acquired Sonoco's European based operations as well as Ahlstrom's 14 core and coreboard plants, one board plant and a service center. Ahlstrom holds 35.5% of the shares of the company, which is an associated company of the Group. In a separate transaction, Ahlstrom's paper mill core operations in Shouguang, China were sold to Sonoco Singapore Pte, Ltd. The core and coreboard operations were part of the Specialty Papers segment.

	2005 Book values of assets disposed of	**2004 Book values of assets disposed of**
Property, plant and equipment	17.0	37.4
Intangible assets	-	1.4
Other long-term investments	0.2	10.2
Inventories	7.6	9.4
Trade and other receivables	15.3	34.4
Cash and cash equivalents	0.6	2.6
Assets, total	**40.7**	**95.5**
Deferred tax liabilities	2.2	3.4
Employee benefit obligations	0.3	3.1
Interest-bearing loans and borrowings	11.5	34.4
Trade and other payables	12.8	23.5
Liabilities, total	**26.8**	**64.4**
Net assets	**13.9**	**31.1**
Consideration received (in cash)	30.3	4.0
Cash (disposed of)	-0.6	-2.6
Net cash inflow	**29.7**	**1.4**

EUR million

3. Acquisitions of businesses (2004 Unaudited)

2005

In December 2005, the Group acquired FiberMark's absorbent and blotting materials business situated in the USA and filtration business of Lantor, Inc. including the manufacturing sites in the USA and in China. The effects of the acquisitions to the assets and liabilities of the Group have been specified below:

	Book values before the consolidation	Fair values entered in consolidation
Property, plant and equipment	1.8	4.3
Intangible assets	-	1.9
Inventories	1.7	1.7
Trade and other receivables	3.1	3.1
Cash and cash equivalents	-	-
Assets, total	**6.6**	**11.0**
Deferred tax liabilities	-	-
Employee benefit obligations	-	-
Interest-bearing loans and borrowings	-	-
Trade and other payables	1.3	1.9
Liabilities, total	**1.3**	**1.9**
Net assets	**5.3**	**9.1**
Goodwill arising in acquisition	-	1.7
Acquisition price paid (in cash)	-	10.8
Cash (acquired)	-	-
Net cash outflow	-	**10.8**

The goodwill relating to the acquisition of FiberMark is due to the future advantages of synergy and increase in market share. The goodwill from the acquisition of the Lantor business follows from the advantages of synergy received in reinforcing Ahlstrom's position in the automotive and air filtration markets by adding production capacity and by expanding the product portfolio. As the transactions took place at the end of December they had only a minor effect on the Group net profit in 2005. If the acquisition had taken place on January 1, the annualized effect to net sales would according to the estimate of the management have been EUR 20 million. Management estimates that the annualized effect to the net profit would have been immaterial due to the size of the units. As part of the same acquisition and in addition to the operations in North America, Ahlstrom purchased a filtration media plant in China. This transaction was finalized in January 2006 and had no cash flow effect in 2005.

2004

In 2004, the Group completed two add-on acquisitions in the USA. In June the Group acquired Hollinee L.L.C.'s Filtration division, a business comprising three filtration materials manufacturing sites in the USA. They produce mainly nonwoven filtration materials for heating, ventilation and air-conditioning applications. In October 2004 the Group acquired Green Bay Nonwovens, a wipes manufacturing company situated in the USA. The acquisition of Hollinee and Green Bay Nonwovens had the following effect on the Group's assets and liabilities:

	Book values before the consolidation	Fair values entered in consolidation
Property, plant and equipment	18.4	20.2
Intangible assets	0.3	13.1
Inventories	4.2	4.2
Trade and other receivables	7.6	7.6
Cash and cash equivalents	-	-
Assets, total	**30.5**	**45.0**
Deferred tax liabilities	2.2	4.1
Employee benefit obligations	-	-
Interest-bearing loans and borrowings	0.8	0.8
Trade and other payables	4.5	4.5
Liabilities, total	**7.5**	**9.4**
Net assets	**23.0**	**35.6**
Goodwill arising in acquisition	-	29.3
Acquisition price paid (in cash)	-	64.9
Cash (acquired)	-	-
Net cash outflow	-	**64.9**

EUR million

Acquisition prices include consultancy fees amounting to an aggregate amount of EUR 1 million. Goodwill has risen from the acquisition of Hollinee's filtration division as the acquisition expands the Group's product offering to the HVAC filtration media business, and brings growth opportunities. During 2004, the acquisition of Hollinee's filtration division reduced the consolidated operating profit for the year by EUR 0.1 million. If the acquisition had occured January 1, 2004, according to the Management's estimate the Group net sales would have increased by approximately EUR 27 million. The acquisition would have had only a minor effect on the profit for the year.

Goodwill has risen from the acquisition of Green Bay Nonwovens as the company expands the Group's wipes product line and North American spunlacing capacity. During 2004 Ahlstrom Green Bay contributed operating profit of EUR 1.1 million to the consolidated operating profit for the year. If the acquisition had occurred January 1, 2004, according to the Management's estimate the Group net sales would have increased by approximately EUR 29 million. The effect of the acquisition to the operating profit would have been approximately EUR 2 million on an annual basis.

4. Other operating income and expenses (2004 Unaudited)

Other operating income	**2005**	**2004**
Gain on sale of shares and non-current assets	19.9	7.0
Insurance indemnification	-	4.0
Gains from litigations	1.4	-
Rent income	1.3	1.5
Reversal of provisions	2.6	0.9
Government grants	1.7	1.2
Other	3.9	7.1
Total	**30.8**	**21.7**

Other operating expenses		
Maintenance costs	50.3	57.4
Consultancy fees	17.9	20.9
Rentals	14.1	16.2
Property and other taxes	11.8	11.0
Labour leasing	7.2	7.3
Insurance premiums	7.3	7.0
Restructuring costs	0.0	10.4
Other	69.2	84.9
Total	**177.8**	**215.1**

The research and development costs included in the income statement were EUR 27.1 million in 2005 (EUR 27.6 million in 2004).

5. Employee benefit expenses (2004 Unaudited)

	2005	**2004**
Wages and salaries	225.1	254.8
Social security costs	49.9	52.5
Contributions to defined contribution plans	11.4	8.5
Net periodic cost for defined benefit plans	10.9	8.5
Increase in liability for other long-term benefits	1.6	0.1
Cash-settled share-based transactions	0.9	-
Other personnel costs	13.4	15.8
Total	**313.1**	**340.1**

Management employee benefit expenses are specified in note 30.

Average number of personnel	**2005**	**2004**
FiberComposites	2,830	2,803
Specialty Papers	2,413	3,050
Other operations	362	575
Total	**5,605**	**6,428**

6. Financial income and expense (2004 Unaudited)

	2005	2004
Financial income		
Dividend income	0.1	0.7
Interest income	1.2	3.6
Other financial income	1.9	0.8
Total	**3.2**	**5.1**
Financial expense		
Interest expense	-12.7	-16.1
Loss on disposal of available-for-sale investments	-	-1.7
Fair value losses on derivatives, non-hedge accounting	-0.5	-
Net foreign exchange losses	-3.3	-0.5
Other financial expense	-3.5	-3.6
Total	**-20.0**	**-21.9**

Exchange gains and losses amounting to EUR 5.9 million (EUR -1.3 million) are recognized in the operating profit.

7. Income taxes (2004 Unaudited)

Current tax	**2005**	**2004**
Europe	-16.2	-7.2
United States	-2.3	-0.5
Other countries	-1.0	-0.5
Total current tax expense	-19.5	-8.2
Deferred tax		
Europe	-11.9	-3.4
United States	-5.9	-5.0
Other countries	-0.8	2.1
Total deferred tax expense	-18.6	-6.3
Income taxes in the income statement	**-38.1**	**-14.5**

Income tax reconciliation	**2005**	**2004**
Finnish income tax rate	26.0 %	29.0 %
Differences between foreign and Finnish tax rates	7.5 %	3.8 %
Italian regional tax (IRAP) and minimum taxes	4.0 %	5.6 %
Adjustment of taxes for previous periods	-0.2 %	-1.8 %
Share of net profit in associated companies	-0.1 %	-5.2 %
Non-deductible expenses and tax exempt income	0.2 %	2.0 %
Adjustments to deferred tax assets regarding losses and credits	0.1 %	-3.4 %
Other items	0.4 %	0.3 %
Effective tax rate	37.9 %	30.3 %
Tax rate, current tax	19.4 %	17.1 %

8. Earnings per share (2004 Unaudited)

	2005	2004
Basic earnings per share		
Profit for the year attributable to the equity holders of the Company (EUR million)	62.4	33.2
Weighted average number of shares during the period (1,000 shares)	36,418.4	36,418.4
Basic earnings per share (EUR)	**1.71**	**0.91**
Diluted earnings per share		
Profit for the year attributable to the equity holders of the Company (EUR million)	62.4	33.2
Weighted average number of shares for calculation of diluted earnings per share		
Weighted average number of shares during the period (1,000 shares)	36,418.4	36,418.4
Effect of share option issue (1,000 shares)	858.2	367.5
Diluted weighted average number of shares (1,000 shares)	37,276.6	36,785.9
Diluted earnings per share (EUR)	**1.67**	**0.90**

EUR million

9. Property, plant and equipment (2004 Unaudited)

2005	Land and water areas	Buildings and con-structions	Machinery and equipment	Other tangible assets	Advances paid and construction in progress
Historical cost at Jan. 1	19.0	210.6	1,297.3	30.1	16.7
Acquisitions through business combinations	-	-	2.6	-	-
Other acquisitions	-	1.7	19.3	0.6	42.2
Disposals	-0.6	-10.2	-78.4	-0.7	-1.7
Transfers to other asset categories	-	4.2	26.9	-4.4	-27.3
Other changes	-0.1	0.3	5.9	0.2	-0.1
Translation adjustment	0.8	6.3	40.7	0.3	0.6
Historical cost at Dec. 31	**19.2**	**213.1**	**1,314.2**	**26.0**	**30.4**
Accumulated depreciation and impairment at Jan. 1	2.6	102.6	873.8	20.5	0.7
Depreciation for the year	-	7.5	67.8	1.6	-
Impairment losses	0.2	1.3	3.6	0.4	-
Reversal of impairment losses	-0.3	-1.2	-3.2	-	-
Disposals	-	-4.8	-66.7	-0.5	-
Transfers to other asset categories	-	0.7	3.5	-4.4	-
Other changes	-	0.4	4.7	0.4	-
Translation adjustment	-	1.4	13.5	0.1	-
Accumulated depreciation and impairment at Dec. 31	**2.5**	**108.1**	**897.1**	**18.1**	**0.7**
Book value Jan. 1, 2005	**17.3**	**108.0**	**423.4**	**9.6**	**16.0**
Book value Dec. 31, 2005	**17.6**	**105.0**	**417.2**	**7.8**	**29.7**

2004	Land and water areas	Buildings and con-structions	Machinery and equipment	Other tangible assets	Advances paid and construction in progress
Historical cost at Jan. 1	21.8	225.5	1,280.7	30.3	50.7
Acquisitions through business combinations	0.2	0.9	17.7	0.2	0.3
Other acquisitions	0.1	5.9	52.3	0.9	38.3
Disposals	-3.1	-24.5	-102.5	-1.8	-2.4
Transfers to other asset categories	-	4.7	63.6	0.7	-69.1
Other changes	-	0.2	-1.7	-0.2	-
Translation adjustment	-	-2.1	-12.8	-0.2	-1.1
Historical cost at Dec. 31	**19.0**	**210.6**	**1,297.3**	**30.1**	**16.7**
Accumulated depreciation and impairment at Jan. 1	2.7	107.9	884.2	20.3	0.6
Depreciation for the year	-	8.1	70.5	1.9	-
Impairment losses	-	0.4	2.3	-	0.2
Disposals	-	-12.6	-81.4	-1.1	-0.3
Transfers to other asset categories	-0.2	-0.7	1.3	-0.5	0.2
Other changes	-	0.2	3.6	-	-
Translation adjustment	-	-0.6	-6.6	-0.1	-
Accumulated depreciation and impairment at Dec. 31	**2.6**	**102.6**	**873.8**	**20.5**	**0.7**
Book value Jan. 1, 2004	**20.0**	**117.5**	**396.5**	**10.1**	**50.2**
Book value Dec. 31, 2004	**17.3**	**108.0**	**423.4**	**9.6**	**16.0**

In 2004, the Group booked a receivable of approximately EUR 3.5 million from the insurance company in relation to a fire at the Louveira plant in Brazil.

EUR million

Assets leased by finance lease agreements

2005	Land and water areas	Buildings and con-structions	Machinery and equipment
Historical cost	0.4	6.7	33.9
Accumulated depreciation	-	1.1	17.8
Book value Dec. 31	**0.4**	**5.6**	**16.1**
2004			
Historical cost	0.4	6.7	34.6
Accumulated depreciation	-	0.9	13.1
Book value Dec. 31	**0.4**	**5.8**	**21.5**

10. Intangible assets (2004 Unaudited)

2005	Intangible rights	Goodwill	Other intangible assets	Advances paid
Historical cost at Jan. 1	49.4	191.6	8.7	1.1
Acquisitions through business combinations	1.7	1.7	-	-
Other acquisitions / internally developed	1.9	-	-	0.4
Disposals	-2.4	-0.5	-1.3	-
Transfers to other asset categories	13.2	-12.4	-	-0.8
Other changes	-0.1	0.3	0.5	-
Translation adjustment	4.1	15.0	0.1	-
Historical cost at Dec. 31	**67.8**	**195.9**	**8.0**	**0.7**
Accumulated amortization and impairment at Jan. 1	26.6	84.7	7.9	-
Amortization for the year	4.7	-	1.2	-
Disposals	-2.3	-0.5	-1.3	-
Other changes	-0.2	-	-0.5	-
Translation adjustment	1.4	3.0	0.1	-
Accumulated amortization and impairment at Dec. 31	**30.2**	**87.2**	**7.4**	**-**
Book value Jan. 1, 2005	**22.8**	**106.9**	**0.8**	**1.1**
Book value Dec. 31, 2005	**37.6**	**108.6**	**0.6**	**0.7**

2004	Intangible rights	Goodwill	Other intangible assets	Advances paid
Historical cost at Jan. 1	49.4	173.6	18.1	0.7
Acquisitions through business combinations	-	38.5	0.5	-
Other acquisitions / internally developed	0.4	-	-	0.6
Disposals	-4.8	-15.2	-3.6	-
Transfers to other asset categories	6.2	-	-6.0	-0.2
Other changes	0.5	-0.5	-0.3	-0.1
Translation adjustment	-2.4	-4.7	-	-
Historical cost at Dec. 31	**49.4**	**191.6**	**8.7**	**1.1**
Accumulated amortization and impairment at Jan. 1	22.8	99.9	13.3	-
Amortization for the year	5.5	-	0.7	-
Impairment losses	0.2	0.2	-	-
Disposals	-4.4	-13.9	-3.7	-
Transfers to other asset categories	2.4	-	-2.4	-
Other changes	1.0	-0.1	-0.1	-
Translation adjustment	-0.9	-1.5	-	-
Accumulated amortization and impairment at Dec. 31	**26.6**	**84.7**	**7.9**	**-**
Book value Jan. 1, 2004	**26.6**	**73.6**	**4.8**	**0.7**
Book value Dec. 31, 2004	**22.8**	**106.9**	**0.8**	**1.1**

EUR million

11. Impairment testing, impairment loss and subsequent reversal (2004 Unaudited)

The following production lines' assets include significant amounts of goodwill:	**2005**	**2004**
Ahlstrom Windsor Locks, a Nonwovens production line	31.3	27.1
Ahlstrom Green Bay, a Nonwovens production line	17.8	17.4
Ahlstrom Air Media, a Filtration Applications production line	14.6	21.1
Ahlstrom Engine Filtration, a Filtration Applications production line	13.1	11.3
Ahlstrom Labelpack, a Label papers production line	10.9	10.9
Ahlstrom Ställdalen, a Nonwovens production line	9.5	9.9
Total	97.1	97.7
Production lines with minor amounts of goodwill	11.5	9.2
Goodwill total	**108.6**	**106.9**

Goodwill allocated to the cash-generating units and other underlying non-current assets were tested for the first time at the IFRS transition date January 1, 2004. As a result, an impairment loss amounting to EUR 60 million was recognised and allocated to reduce the cash-generating units' goodwill and other non-current assets. The reason for the recognition was mainly the underperformance of the plants in question.

In 2004, impairment losses amounting to EUR 3.3 million were recorded relating to non-current assets of several production lines.

Due to the market situation, the Group has changed the product mix at the production site in Italy which has had a positive effect on the profitability of the unit. Following this change, EUR 4.7 million of the initially recognised impairment allocated to reduce the book value of non-current assets was reversed in 2005. New impairment losses amounting to EUR 4.4 million were recorded in 2005 of which EUR 1.3 million were allocated to reduce the book values of non-current assets in Germany and EUR 3.1 million were allocated to reduce the book values of goodwill and non-current assets in France.

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 and four-year business plans. Cash flows for further 5 to 20 years are extrapolated using a 1.7% growth rate corresponding to the general inflation rate. The 20-year period results from the estimated economic lives of the underlying assets. A pre-tax discount rate of 8% has been used in discounting the projected cash flows.

12. Investment property (2004 Unaudited)

	2005	**2004**
Historical cost at Jan. 1	4.3	4.3
Transfers from property, plant and equipment	0.4	-
Historical cost at Dec. 31	**4.7**	**4.3**
Accumulated depreciation at Jan. 1	0.5	0.3
Depreciation for the year	0.1	0.1
Transfers from property, plant and equipment	0.2	-
Accumulated depreciation at Dec. 31	**0.8**	**0.4**
Book value Jan. 1	**3.9**	**4.0**
Book value Dec. 31	**4.0**	**3.9**
Rental income from investment properties	0.9	0.9
Maintenance expenses of investment properties	0.1	0.5
Fair value of investment properties	12.9	12.9

The fair values have been determined in the previous fiscal period by using external valuation. The circumstances have not changed essentially from that.

EUR million

13. Investments in associated companies (2004 Unaudited)

	2005	2004
Balance at Jan. 1	49.9	12.9
Share of net profit for the periods	0.4	2.7
Dividends received	-0.9	-2.2
Acquisitions	0.2	16.2
Disposals	-0.2	-0.8
Transfer from investments in subsidiaries (see note 2)	-	21.1
Balance at Dec. 31	**49.4**	**49.9**

Financial information of major associated companies

	Domicile	Owner-ship (%)	Assets	Liabilities	Net sales	Profit/loss for the period
2005						
Ahlström Karhulan Palvelut Oy	Finland	37.0	3.0	2.2	8.5	-
Jujo Thermal Oy	Finland	41.7	80.8	51.1	62.9	3.5
Sonoco-Alcore SARL	Luxemburg	35.5	231.7	106.3	266.8	-8.1
2004						
Ahlström Karhulan Palvelut Oy	Finland	37.0	3.0	1.9	7.9	0.3
Jujo Thermal Oy	Finland	41.7	35.5	6.3	54.4	6.0
Sonoco-Alcore SARL	Luxemburg	35.5	256.7	124.4	46.5	-10.7

In 2004, the Group recognized costs relating to Sonoco-Alcore SARL which have been included in the result of Sonoco-Alcore only in 2005.

14. Other investments (2004 Unaudited)

Non-current investments	2005	2004
Investment in life insurance policy	2.7	-
Other shares	0.2	3.3
Total available-for-sale investments	**2.9**	**3.3**
Current investments		
Listed shares	-	8.5
Other current investments	-	5.0
Total available-for-sale investments	**-**	**13.5**

15. Deferred tax assets and liabilities (2004 Unaudited)

	2005	2004
Deferred tax assets		
Tangible and intangible assets	11.2	20.8
Employee benefits obligations	25.2	25.6
Tax loss carried forward and unused tax credits	15.8	15.0
Other temporary differences	21.8	21.0
Total	74.0	82.4
Offset against deferred tax liabilities	-41.8	-46.9
Net deferred tax assets	**32.2**	**35.5**
Deferred tax liabilities		
Tangible and intangible assets	62.5	57.5
Other temporary differences	5.6	2.4
Total	68.1	59.9
Offset against deferred tax assets	-41.8	-46.9
Net deferred tax liability	**26.3**	**13.0**

EUR million

Tax effect amounting to EUR 5.7 million of certain hedging instruments and some minor items has been booked directly to the equity in 2005. In 2004 IAS 39 was not applied.

Deferred tax liabilities on undistributed earnings in foreign subsidiaries have not been recorded, because such retained earnings are regarded as permanently invested in the countries in question or such retained earnings can be transferred to the parent company without any tax consequences. 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.

Changes in corporate tax rates had no signficant impact on the Group deferred taxes in 2005 and 2004.

At December 31, 2005 the Group had loss carry forwards, primarily attributable to foreign subsidiaries in Germany and Belgium (and USA in 2004) of EUR 62.0 million (EUR 60.3 million) in total, of which EUR 46.3 million (EUR 46.1 million) has no expiration period. Regarding losses amounting to EUR 23.9 million (EUR 24.8 million) no deferred tax asset was recognized due to the uncertainty of utilization of these loss carry forwards.

16. Inventories (2004 Unaudited)

	2005	2004
Material and supplies	70.3	72.5
Work in process	12.8	13.2
Finished goods	128.1	125.9
Advances paid	1.4	1.0
Total	**212.6**	**212.6**

17. Trade and other receivables (2004 Unaudited)

	2005	2004
Non-current		
Loan receivables	0.8	3.5
Trade receivables	0.4	0.1
Prepaid expenses and accrued income	0.2	0.4
Other receivables	3.4	3.2
Total	**4.9**	**7.2**
Current		
Loan receivables	2.7	0.8
Trade receivables	285.1	272.3
Receivables from associated companies	1.9	1.9
Prepaid expenses and accrued income	16.4	41.2
Other receivables	14.2	13.7
Total	**320.2**	**329.8**
Doubtful receivables deducted from trade receivables		
Balance at Jan. 1	10.3	9.9
Increase	1.9	3.8
Decrease	-3.4	-0.7
Recovery	-1.1	-2.6
Balance at Dec. 31	**7.7**	**10.3**
Specification of prepaid expenses and accrued income		
Fair value of derivative financial instruments	3.2	11.0
Accrued discounts	0.1	8.5
Prepaid expenses	6.2	6.5
Income tax receivable	0.7	2.3
Other	6.3	13.3
Total	**16.6**	**41.5**

18. Cash and cash equivalents (2004 Unaudited)

	2005	2004
Cash, bank accounts and interest-bearing instruments maturing within three months	16.0	19.8
Cash and cash equivalents in the balance sheet	**16.0**	**19.8**

Cash and cash equivalents in the statement of cash flow equals to the cash and cash equivalents in the balance sheet.

EUR million

19. Capital and reserves

Shares
At December 31, 2005, the authorised share capital comprised 21,190,100 series A shares and 15,228,319 series B shares. No changes were recorded from the year 2004. Both series have a par value of EUR 1.50. All shares have one vote and an equal right to dividend, but the series A shares are encumbered with the redemption clause in § 14 of the Articles of Association.

Reserves
The share premium reserve was formed in the demerger of A. Ahlström Osakeyhtiö in 2001. Fair value reserves contains the measurement of available-for-sale investments at fair value. The hedging reserve contains 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 a foreign subsidiary.

Dividends
After the balance sheet date, the Board of Directors proposed a dividend of EUR 1.79 per share totaling EUR 65.2 million.

20. Employee benefit obligations (2004 Unaudited)

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.

Finnish Statutory Employment Pension Scheme (TEL)
At the end of 2004, the Finnish Ministry of Social Affairs and Health approved changes to the calculation principles of the disability pension component of TEL. As a result, TEL disability pension component is to be accounted for as a defined contribution plan in the IFRSs. Ahlstrom has recognized this change as a curtailment to the plan and recorded EUR 3.0 million as deduction of employee benefit expenses in 2004.

Early retirement plan in France
The law regarding a state supported early retirement plan in France was passed in 2004 and came into force on January 1, 2005. The change in the plan was analogised to the introduction of a new plan and accounted for as past service costs. The resulting employee benefit expense of EUR 1.7 million was recognized in 2004.

Post-employment benefit plans

	2005	**2004**
Employee benefits liability recognized in the balance sheet		
Present value of funded benefit obligations	182.7	155.4
Present value of unfunded benefit obligations	77.4	62.1
Fair value of plan assets	-128.0	-109.8
Present value of net obligations	132.1	107.7
Unrecognized actuarial gains and losses	-19.2	-0.3
Recognized liability for defined benefit obligations	112.9	107.4
Unrecognized prior service cost	-0.1	1.2
Net liability at December 31	**112.8**	**108.6**

Movements of liability recognized in the balance sheet	**2005**	**2004**
Net liability for defined benefit obligations at January 1	108.6	111.2
Translation difference	4.4	-2.0
Net periodic cost recognized in the income statement	10.9	8.5
Contributions paid	-9.1	-7.1
Other changes	-1.9	-2.0
Net liability for defined benefit obligations at December 31	**112.8**	**108.6**

EUR million

Expenses recognized in the income statement	**2005**	**2004**
Current service cost	-6.8	-5.9
Interest expenses	-12.0	-11.7
Expected return on plan assets	8.9	8.3
Net actuarial gains and losses recognized	-0.5	2.2
Past service cost	-0.5	-3.3
Gains and losses on curtailments and settlements	-	1.9
Total charge (Net periodic cost)	**-10.9**	**-8.5**
Actual return on plan assets	**13.6**	**9.0**

Principal actuarial assumptions (expressed as weighted averages)	**2005**	**2004**
Europe		
Discount rate at December 31, %	4.4	5.1
Expected return on plan assets, %	6.7	6.9
Future salary increases, %	2.9	2.9
Future pension increases, %	1.8	1.9
North America		
Discount rate at December 31, %	5.7	6.0
Expected return on plan assets, %	8.2	8.5
Future salary increases, %	4.5	4.5
Future pension increases, %	4.0	3.9
Other countries		
Discount rate at December 31, %	6.0	5.5
Expected return on plan assets, %	6.0	6.0
Future salary increases, %	4.7	4.1
Future pension increases, %	6.0	6.0

Other long-term employee benefit liability		
Other long-term employee benefit liability at January 1	17.8	17.7
Increase	1.6	0.1
Other long-term employee benefit liability at December 31	**19.4**	**17.8**

21. Provisions

	Restructuring	**Environmental**	**Other**	**Total**
Balance at Jan. 1, 2005	11.0	4.0	6.5	21.4
Translation adjustment	-	-	0.2	0.2
Increase in provisions	0.4	1.0	2.6	4.1
Used provisions	-4.1	-0.2	-1.8	-6.1
Reversal of provisions	-0.6	-1.0	-1.0	-2.6
Balance at Dec. 31, 2005	**6.7**	**3.7**	**6.5**	**17.0**
Non-current	-	3.3	0.4	3.7
Current	6.7	0.4	6.1	13.3
Total	**6.7**	**3.7**	**6.5**	**17.0**

The restructuring provisions relate mainly to the remaining social plan charges in Germany at the Osnabrück and Altenkirchen plants. In addition there is a social plan in France, Pont-Audemer plant of EUR 0.6 million remaining at December 31, 2005. The used provisions in 2005 relate to a large extent to the modifications made to the buildings and machinery at the Pont-Audemer plant in France. Environmental provisions have been made in 2003 for landscaping of dumps in Finland which was reduced by EUR 1.0 million in 2005, but at the same time a new provision was made for another landscaping of a dump. Other provisions comprise mainly of customer claim provisions.

22. Interest-bearing loans and borrowings (2004 Unaudited)

	2005	**2004**
Non-current		
Loans from financial institutions	95.1	182.9
Finance lease liabilities	20.4	24.7
Other non-current loans	4.1	4.8
Total	**119.6**	**212.5**
Current		
Current portion of non-current loans	66.7	19.9
Current portion of finance lease liabilities	3.3	1.1
Other current loans	167.0	161.7
Total	**237.0**	**182.6**

EUR million

Repayment schedule of non-current interest-bearing liabilities

2005	**2006**	**2007**	**2008**	**2009**	**2010**	**Later**	**Total**
Floating rate loans from financial institutions	65.9	5.0	-	65.0	-	25.1	**161.0**
Finance lease liabilities	3.3	2.6	2.3	1.8	1.6	12.2	**23.7**
Other non-current loans	0.8	0.8	0.7	0.7	0.7	1.1	**4.9**
Total	70.0	8.4	3.1	67.5	2.3	38.3	**189.6**

2004	**2005**	**2006**	**2007**	**2008**	**2009**	**Later**	**Total**
Floating rate loans from financial institutions	15.7	112.8	25.0	-	20.0	25.1	**198.7**
Finance lease liabilities	1.1	5.2	2.8	2.4	1.9	12.4	**25.8**
Other non-current loans	4.1	0.8	0.8	0.7	0.7	1.7	**8.9**
Total	20.9	118.8	28.6	3.2	22.7	39.2	**233.4**

Floating rate loans amounting to EUR 92.4 million, maturing within the next five years, have been changed into fixed rate loans by interest rate swaps.

Currency distribution of non-current interest-bearing liabilities:	**2005**	**2004**
EUR	72.6	161.1
USD	45.2	48.6
Others	1.8	2.7
Currency distribution of current interest-bearing liabilities:		
EUR	133.7	115.4
USD	96.9	64.5
Others	6.4	2.7

Weighted averages of effective interest rates for non-current interest-bearing liabilities at December 31	**2005**	**2004**
Loans from financial institutions	3.9 %	2.8 %
Loans from financial institutions including interest rate swaps	3.7 %	3.0 %
Finance lease liabilities	3.5 %	3.5 %
Other non-current loans	1.8 %	1.8 %
Weighted averages of effective interest rates for current interest-bearing liabilities at December 31		
Loans from financial institutions, current portion	4.0 %	2.8 %
Finance lease liabilities, current portion	3.2 %	3.2 %
Other current loans	3.3 %	2.5 %

Finance lease liabilities

	2005	**2004**
Minimum lease payments		
Less than one year	3.5	1.1
Between one and five years	11.9	17.2
More than five years	17.2	17.2
Total minimum lease payments	**32.6**	**35.5**
Future finance charges	-8.9	-9.7
Present value of minimum lease payments	**23.7**	**25.8**

EUR million

23. Trade and other payables (2004 Unaudited)

	2005	2004
Non-current		
Other liabilities	0.1	0.1
Accrued expenses and deferred income	0.2	-
Total	**0.4**	**0.1**
Current		
Trade payables	167.9	165.9
Liabilities to associated companies	0.9	1.0
Accrued expenses and deferred income	74.5	75.9
Advances received	0.5	0.3
Other current liabilities	19.9	19.5
Total	**263.6**	**262.6**
Specification of accrued expenses and deferred income		
Accrued wages, salaries and related cost	37.7	35.3
Income tax liability	19.9	13.1
Deferred income	-	8.3
Fair value of derivative financial instruments	4.6	1.4
Accrued interest expense	1.0	0.7
Other	11.4	17.1
Total	**74.8**	**75.9**

24. 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 Group 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 on the basis of which the Group entities have specified their own procedures, which take into account the special aspect unique to their businesses. The treasure acitivites are coordinated by Group treasury.

Funding risk

The Group aims to secure the timely availability of funds by maintaining an appropriately designed mix of cash, short-, medium- 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 also accesses short term funds under a commercial paper program. In November 2004, the Group signed a five-year EUR 400 million syndicated credit facility for corporate purposes and to refinance part of existing bilateral facilities maturing during 2005 and 2007. The maturity profile of the long-term loans of the Group is shown in note 22.

Foreign exchange risk

The Group 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. In 2005, approximately 63% of Ahlstrom's net sales were denominated in euros, approximately 31% in U.S. dollars and approximately 6% in other currencies. Ahlstrom's raw materials are generally purchased in U.S. dollars and euros. For foreign exchange exposure, the Group applies hedge accounting only when hedging net investment in foreign operations. Other hedges do not necessarily meet the criteria of IAS 39 hedge accounting, even if they are considered economic according to the Group treasury policy. Foreign currency denominated cash inflows and outflows are hedged on a net exposure basis per currency against the base currency of the respecitve 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 denominated loans, forward contacts, and to a lesser extent, options are used as hedging instruments. The derivative fair values are presented in note 25.

Ahlstrom applies a policy of hedging its net investment in foreign operations. Foreign currency denominated medium-term loans, forward contracts, and medium-term cross-currency swaps 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 Group. Interest rate exposures are hedged using derivative financial instruments such as interest rate swaps, forwards and options. Swaps are usually of maturities between two to five years. The Group applies hedge accounting to selected derivatives hedging cash flow exposure on floating rate loans. Other derivative instruments are classified as financial assets held for trading. Derivative fair values are shown in note 25.

Counterparty risk

The Group seeks to minimize counterparty risks associated with foreign exchange transactions, derivatives 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. Over 95% of Ahlstrom's customers are industrial companies.

EUR million

25. Nominal and fair values of derivative financial instruments (2004 Unaudited)

Fair values of derivative financial instruments	2005 Positive fair values	2005 Negative fair values	2004 Positive fair values	2004 Negative fair values
Hedge accounting				
Interest rate swaps	0.8	-0.1	0.5	-0.4
Foreign exchange forward contracts	0.4	-2.3	7.0	-0.5
Total	**1.2**	**-2.4**	**7.6**	**-0.9**
Non-hedge accounting				
Foreign exchange forward contracts	1.7	-2.3	4.0	-1.5
Options sold	-	-	0.2	-
Total	**1.7**	**-2.3**	**4.2**	**-1.5**

Nominal values of derivative financial instruments	2005	2004
Interest rate swaps	67.4	109.4
Foreign exchange forward contracts	434.6	462.9
Options	-	6.8
Total	**502.0**	**579.1**

Fair values of foreign exchange forward contracts have been determined by using listed market prices at the balance sheet date or by discounting the contractual forward price and deducting the current spot rate. For interest rate swaps and options sold, the market price is obtained from the banks.

Of the outstanding forward foreign exchange contracts EUR 201.6 million (EUR 193.4 million) relate to the hedging of the operational and financial cash flows and EUR 233.0 million (EUR 269.5 million) to the hedging of the foreign currency denominated net equity investments in foreign subsidiaries.

26. Fair values of other financial instruments (2004 Unaudited)

	2005 Book value	2005 Fair value	2004 Book value	2004 Fair value
Available-for-sale investments	-	-	8.5	11.6
Finance lease liabilities	23.7	21.4	25.8	22.5

The fair value of the other financial assets and liabilities substantially equals to their book values.

27. Operating leases (2004 Unaudited)

Minimum lease payments from operating lease contracts:	2005	2004
Less than one year	4.6	4.8
Between one and five years	16.3	12.8
More than five years	7.3	7.3
Total	**28.2**	**24.9**

28. Notes to the consolidated statement of cash flows (2004 Unaudited)

	2005	2004
Non-cash transactions and transfers to cash flow from other activities		
Depreciation and amortization	83.8	90.3
Gains and losses on sale of non-current assets	-18.4	-
Gains and losses on sale of subsidiary shares	-0.2	-1.0
Change in employee benefit obligations	1.7	3.6
Total	**66.9**	**92.8**

EUR million

29. Commitments and contingent liabilities (2004 Unaudited)

	2005	2004
For own liabilities:		
Loans from financing institutions		
Amount of loans	**0.2**	0.8
Amount of mortgages	**0.2**	9.0
Other loans		
Amount of loans	**3.3**	0.6
Book value of pledges	**3.6**	0.6
For own commitments:		
Guarantees	**24.1**	36.0
For commitments of associated companies:		
Guarantees	**8.3**	-
For commitments of third parties:		
Guarantees	**-**	30.8
Capital expenditure commitments	**11.2**	2.4
Other contingent liabilities	**8.4**	4.9

Group companies are currently not a party to any legal, arbitration or administrative proceedings. In May 2004, however, the Group was informed that the European Commission is carrying out an anti-trust investigation of Ahlstrom and a number of other companies that operate in the release liner and face stock markets to determine whether companies within the industry have engaged in anti-competitive practices. At this stage of investigation, it is impossible for the Group to predict what further actions, if any, the competition authority will effectively take. Company cooperates with the competition authorities in the investigations.

The main item in other contingent liabilities is a binding contract for raw material purchases.

Contingent assets	**2005**
	tons
Emission rights received	735,461
Pollutants emitted	569,662
Emission rights at December 31, 2005	165,799

Emission rights have not been sold during 2005. The rights in excess of pollutants emitted at December 31, 2005 are transferred to the following year. Their fair value at the balance sheet date is approximately EUR 3.5 million. Emission rights had no effect on the Group profit for 2005.

30. Transactions with related parties (2004 Unaudited)

The Group has a related party relationship with its subsidiaries, associated companies and its management.

At December 31, 2005 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 Finance Canada Inc.	100.0 %	Canada
Ahlstrom Finance Ireland	100.0 %	Ireland
Ahlstrom International B.V.	100.0 %	The Netherlands
Ahlstrom Japan Inc.	100.0 %	Japan
Ahlstrom Korea Co., Ltd	100.0 %	Korea
Ahlstrom Louveira Ltda	100.0 %	Brazil
Ahlstrom Milano S.r.l.	100.0 %	Italy
Ahlstrom Nordic Oy	100.0 %	Finland
Ahlstrom Norrköping AB	100.0 %	Sweden
Ahlstrom Sales LLC	100.0 %	Russia
Ahlstrom Ställdalen AB	100.0 %	Sweden
Ahlstrom Ställdalen Holding AB	100.0 %	Sweden
Akerlund & Rausing Kuban Holding GmbH	99.0 %	Germany
ALS-Soft Oy	100.0 %	Finland
Fiberflow Oy	100.0 %	Finland
Norrmark Limited	100.0 %	Isle of Man
Ahlstrom Asia Holdings Pte Ltd	100.0 %	Singapore
Ahlstrom Seoul Co. Ltd	100.0 %	Korea
PT Ahlstrom Indonesia	99.0 %	Indonesia
Ahlstrom Barcelona, S.A.	100.0 %	Spain
Ahlstrom Spain SL	100.0 %	Spain

EUR million

Ahlstrom B.V.	100.0 %	The Netherlands
Ahlstrom Paper Group Holding B.V.	100.0 %	The Netherlands
Ahlstrom South Africa (Pty) Ltd	60.0 %	South Africa
Ahlstrom Chirnside Limited	100.0 %	UK
Ahlstrom (UK) Limited	100.0 %	UK
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 Papiervertrieb GmbH	75.0 %	Germany
Ahlstrom Industrial Holdings Limited	100.0 %	UK
Ahlstrom Group Finance Limited	100.0 %	UK
Ahlstrom Industries	100.0 %	France
Ahlstrom Benelux S.A.	100.0 %	Belgium
Ahlstrom Brignoud	100.0 %	France
Ahlstrom Tampere Oy	100.0 %	Finland
Ahlstrom Chantraine	100.0 %	France
Ahlstrom Labelpack	100.0 %	France
Ahlstrom Malmédy SA	100.0 %	Belgium
Ahlstrom Research and Services	100.0 %	France
Ahlstrom Specialties	100.0 %	France
Ahlstrom Turin S.p.A.	100.0 %	Italy
Ahlstrom Ibérica, S.L.	51.0 %	Spain
Nordica Nord Italia Carta S.r.l.	60.0 %	Italy
Ahlstrom U.S. Industries, Inc.	100.0 %	USA
Ahlstrom Air Media LLC	100.0 %	USA
Ahlstrom Atlanta Inc.	100.0 %	USA
Ahlstrom Capital Corporation	100.0 %	USA
Ahlstrom Engine Filtration, LLC	100.0 %	USA
Ahlstrom Green Bay Inc.	100.0 %	USA
Ahlstrom Holdings, Inc.	100.0 %	USA
Ahlstrom Lantor, LLC	100.0 %	USA
Ahlstrom Mount Holly Springs, LLC	100.0 %	USA
Ahlstrom Windsor Locks, LLC	100.0 %	USA
Windsor Locks Canal Company	100.0 %	USA
The Youngstown Welding and Engineering Company	100.0 %	USA
Titanium Foreign Sales Corporation	100.0 %	USA
Elmerks Holding AB	100.0 %	Sweden
Elmat Holding A/S	100.0 %	Denmark

Ownership interest does not differ from the voting rights.

Related party transactions with associated companies	**2005**	**2004**
Sales and interest income	**12.1**	2.9
Purchases of goods and services	**-4.9**	-2.9
Trade and other receivables	**1.9**	1.9
Trade and other payables	**2.4**	3.9

Market prices have been used in transactions with associated companies.
Commitments on behalf of associated companies are shown in note 29.

Management employee benefit expenses (EUR 1,000)

Short-term employee benefits	3,292	3,097
Post-employment benefits	70	61
Cash-settled share-based transactions	297	-
Total	**3,659**	**3,158**

EUR million

Board Remuneration (EUR 1,000)	2005	2004
Board members at December 31, 2005		
Johan Gullichsen, Chairman	62	55
Urban Jansson, Vice Chairman	35	32
Sebastian Bondestam	29	28
Jan Inborr	33	32
Bertel Paulig	19	-
Peter Seligson	33	32
Willem F. Zetteler	34	28
Former Board member		
Mikael Lilius	14	28

Executive Remuneration (EUR 1,000)		
President and CEO Jukka Moisio	588	152
Former President and CEO Juha Rantanen	-	516
Corporate Executive Team (CET)	2,516	2,256
Total	**3,362**	**3,158**

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 appreciation rights granted to key personnel (cash-settled share-based transactions)

In 2004, the Group granted share appreciation rights to key personnel that entitles them to a cash payment (synthetic stock option). The amount of the cash payment is determined based on the growth in profit, among other things. The share appreciation rights are granted under a service condition. The number of instruments related to the arrangement amounts to 652,500.

The fair value of the share appreciation rights at grant date is determined based on the Black-Scholes formula. The model inputs were the share price of EUR 25.90, the excercise price of EUR 12.21, expected volatility of 30%, a term of three years and a risk-free interest rate of 3%. The fair value of the arising liability is remeasured at each balance sheet date and at settlement date.

The terms and conditions of the non-IFRS 2 applicable option arrangements are as follows:

Additionally, two share option arrangements granted before November 7, 2002 exist. In accordance with IFRS 1 and IFRS 2, IFRS recognition and measurement principles have not been applied to these arrangements.

Duration and terms of share options arrangements are:

Grant date / employees entitled	Number of instruments	Vesting conditions	Contractual life of options
Option granted to key personnel in 2001 (arrangement number 1/2001)	659,448	Service period	16 months
Option granted to key personnel in 2001 (arrangement number 2/2001)	877,559	Service period Public listing	16 months
Total share options	1,537,007		

The number and weighted average exercise prices of share options are as follows:

	2005		2004	
	Weighted average exercise price, EUR	Number of options	Weighted average exercise price, EUR	Number of options
Outstanding at the beginning of the period	11.01	1,537,007	12.73	1,537,007
Outstanding at the end of the period		1,537,007		1,537,007
Exercisable at the end of the period		659,448		659,448

EUR million

31. Subsequents events after the balance sheet date

The Group has announced its intention to expand its ownership base. One possibility is to increase the share capital through new issue of shares and the listing of the shares on the main list of the Helsinki Stock Exchange. The invitation to the General Meeting of Shareholders has been published on January 25, 2006.

On January 20, the Group announced that it has signed an agreement to acquire HRS Textiles Inc., based in Darlington, SC, USA, a manufacturer of specialty nonwovens, serving mainly the North American air and liquid filtration markets. This acquisition will strengthen Ahlstrom's position in the air and liquid filtration markets in North America, particularly in the HVAC segment. It continues Ahlstrom's growth strategy in filtration, and comes as a strategic fit to complement previous acquisitions.
The transaction is estimated to add approximately EUR 17 million in sales to Ahlstrom's Filtration business and includes all assets of HRS in Darlington, SC, USA. The new entity will operate as part of Ahlstrom FiberComposites segment. HRS currently has 120 employees.

On January 2, the Group announced that it has decided to invest approximately EUR 2 million in production capacity expansion of filtration media at its Tampere, Finland plant. The plant is part of the FiberComposites segment. The investment further strengthens the plant's position as an important developer and manufacturer of advanced filtration media.

32. Transition to IFRS (2004 Unaudited)

These are the Group's first consolidated financial statements prepared in accordance with IFRS.

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with the Finnish Accounting Standards (FAS). An explanation of how the transition from FAS to IFRS has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the accompanying notes.

BALANCE SHEET RECONCILIATION JANUARY 1, 2004 AND DECEMBER 31, 2004

	FAS Dec. 31, 2003	**Effect of transition**	**IFRS Jan. 1, 2004**	**FAS Dec. 31, 2004**	**Effect of transition**	**IFRS Dec. 31, 2004**
ASSETS						
Property, plant and equipment	632	-38	594	601	-27	574
Goodwill	78	-4	74	100	7	107
Other intangible assets	33	-1	32	26	-1	25
Investment property	-	4	4	-	4	4
Investments in associated companies	13	-	13	50	-	50
Other investments	4	-	4	3	-	3
Other receivables	6	-2	4	8	-1	7
Deferred tax assets	36	5	41	26	9	35
Total non-current assets	**802**	**-37**	**765**	**814**	**-9**	**805**
Inventories	239	-13	226	223	-10	213
Trade and other receivables	346	-8	338	327	3	330
Other investments	14	-1	13	17	-4	13
Cash and cash equivalents	24	-1	23	20	-	20
Assets classified as held for sale	-	19	19	-	-	-
Total current assets	**623**	**-4**	**619**	**587**	**-11**	**576**
Total assets	**1,426**	**-42**	**1,384**	**1,400**	**-19**	**1,381**

EUR million

	FAS Dec. 31, 2003	Effect of transition	IFRS Jan. 1, 2004	FAS Dec. 31, 2004	Effect of transition	IFRS Dec. 31, 2004
EQUITY AND LIABILITIES						
Equity attributable to equity holders of the parent	674	-70	604	633	-53	580
Minority interest	-	1	1	-	1	1
Equity	**674**	**-69**	**605**	**633**	**-52**	**581**
Minority interest	**1**	**-1**	**0**	**1**	**-1**	**0**
LIABILITIES						
Interest-bearing loans and borrowings	173	19	192	196	16	212
Employee benefit obligations	65	46	111	64	45	109
Provisions	21	-16	5	19	-15	4
Deferred tax liabilities	29	-14	15	27	-14	13
Total non-current liabilities	**288**	**35**	**323**	**306**	**32**	**338**
Interest-bearing loans and borrowings	147	2	149	179	3	182
Trade and other payables	289	-11	278	263	-	263
Provisions	27	-13	14	18	-	18
Liabilities classified as held for sale	-	14	14	-	-	-
Total current liabilities	**463**	**-8**	**455**	**460**	**3**	**463**
Total equity and liabilities	**1,426**	**-42**	**1,384**	**1,400**	**-19**	**1,381**

INCOME STATEMENT RECONCILIATION FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2004

	FAS Jan. 1, - Dec. 31, 2004	Effect of transition	IFRS Jan. 1, - Dec. 31, 2004
Net sales	**1,568**	**-**	**1,568**
Other operating income	19	3	22
Expenses	-1,435	-3	-1,438
Share of profit of associated companies, FAS	3	-3	-
Depreciation, amortization and impairment charges	-104	14	-90
Operating profit	**51**	**11**	**62**
Share of net profit of associated companies, IFRS	-	3	3
Net financial expenses	-16	-	-16
Profit before taxes	**35**	**13**	**48**
Income taxes	-17	3	-15
Profit for the period	**18**	**15**	**33**
Attributable to:			
Equity holders of the parent	18		33
Minority interest	0		0
Basic earnings per share (EUR)	0.48		0.91
Diluted earnings per share (EUR)	0.48		0.90

EUR million

RECONCILIATION OF EQUITY JANUARY 1, 2004 AND DECEMBER 31, 2004	January 1, 2004	December, 31 2004
Equity 2004, FAS	**674**	**633**
By IFRS standard		
IAS 1 Presentation of Financial Statements	1	1
IAS 2 Inventories	-8	-10
IFRS 3 Business combinations	0	9
IAS 12 Income taxes	18	19
IAS 19 Employee benefits	-28	-23
IAS 36 Impairment of assets	-60	-45
IAS 37 Provision, contingent liabilities and assets	9	-3
Other standards	-1	0
Total effect on profit for the period	**-69**	**-52**
Equity 2004, IFRS	**605**	**581**

RECONCILIATION OF NET PROFIT FOR THE PERIOD, JANUARY 1 - DECEMBER 31, 2004	Jan. 1, - Dec. 31, 2004
Profit for the period 2004, FAS	**18**
By IFRS standard	
IAS 2 Inventories	-1
IFRS 3 Business combinations	11
IAS 12 Income taxes	2
IAS 19 Employee benefits	2
IAS 36 Impairment of assets	14
IAS 37 Provision, contingent liabilities and assets	-12
Other standards	-1
Total effect on Net profit	**15**
Profit for the period 2004, IFRS	**33**

ADDITIONAL INFORMATION ON RECONCILIATIONS

1. Operating expenses
The increase in operating expenses is due to the provisions related to the reorganization carried out at the beginning of 2004. The provisions were reversed on the IFRS opening balance sheet and re-entered as costs in the first-quarter result of 2004 in accordance with the IAS 37 (see note 9 below).

2. Share of net profit of associated companies
Under FAS, the share of profit of associated companies after tax was included in operating profit. Under IFRS, the share of net profit of associated companies is reported after operating profit.

3. Depreciation, amortization and impairment charges
The decrease in amortization is mainly due to the abolition of goodwill amortization under IFRS 3. The impairment of assets has decreased the non-current assets and thus decreased the asset depreciation. On the other hand, finance lease agreements have partly compensated for the decrease of assets.

4. Financial expenses, net
Foreign exchange gains and losses caused by cash flow hedging are reported within operating expenses in the income statement. Thus, the loss accrued in 2004 decreased the IFRS net financing expenses for the year.

5. Income taxes
The effective tax rate for 2004 was 30.3% under IFRS and 49% under FAS. Under FAS, deferred tax assets have not been recognized on amortization of non-deductible goodwill. Under IFRS, no amortization of goodwill exists, which mainly explains the lower effective tax rate under IFRS.

6. Non-current assets and inventories
As a result of impairment tests performed, non-current assets decreased by EUR 60 million at January 1, 2004 and by EUR 45 million at December 31, 2004. On the other hand, finance lease agreements have increased the non-current assets by EUR 25 million at January 1, 2004 and by EUR 35 million at December 31, 2004. The decrease in inventories is mainly due to more accurate principles in providing for obsolete inventories and changes in accounting of spare parts.

7. Deferred tax assets and liabilities
The increase in deferred tax assets on transition to IFRS is mainly attributable to the temporary differences related to benefit pension liabilities and impairments of assets. The increase in deferred tax assets on IFRS adjustments at the date of transition amounts to EUR 5 million.

EUR million

8. Employee benefit obligations

Under FAS, pension liabilities are generally recorded in accordance with local accounting practices of each country. On transition to IFRS additional pension liabilities were recognized for certain defined benefit plans. In accordance with IFRS 1, the Group decided to recognize all cumulative actuarial gains and losses for all plans in the balance sheet at the date of transition to IFRS. Consequently, the Group's employee benefit obligations increased by EUR 27 million. The largest increases by country are as follows: EUR 10 million in the UK, EUR 8 million in Germany and EUR 4 million in Finland.

9. Provisions

At the beginning of 2004 Ahlstrom closed down the coreboard production in France and reorganized a plant in Germany. The reorganization provisions booked at the end of 2003 under FAS did not fully comply with IAS 37 and therefore the provisions were reversed on the IFRS opening balance sheet and re-entered as costs in the first-quarter result of 2004.

10. Interest-bearing liabilities

Certain long-term lease agreements classified as finance leases in IFRS have been booked in the balance sheet. They increase the interest-bearing liabilities by EUR 20 million at December 31, 2004 and by EUR 21 million at January 1, 2004.

RECONCILIATION OF IAS 32 AND IAS 39 ADOPTION, JANUARY 1, 2005	**IFRS Dec. 31, 2004**	**Effect of adoption**	**IFRS Jan. 1, 2005**
ASSETS			
Property, plant and equipment	574	-	574
Goodwill	107	-	107
Other intangible assets	25	-	25
Investment property	4	-	4
Investments in associated companies	50	-	50
Other investments	3	-	3
Other receivables	7	-	7
Deferred tax assets	35	-	35
Total non-current assets	**805**	**-**	**805**
Inventories	213	-	213
Trade and other receivables	330	-	330
Other investments	13	3	16
Cash and cash equivalents	20	-	20
Total current assets	**576**	**3**	**579**
Total assets	**1,381**	**3**	**1,384**

EQUITY AND LIABILITIES	**IFRS Dec. 31, 2004**	**Effect of adoption**	**IFRS Jan. 1, 2005**
Equity attributable to equity holders of the parent	580	2	582
Minority interest	1	-	1
Equity	**581**	**2**	**583**
LIABILITIES			
Interest-bearing loans and borrowings	212	-	212
Employee benefit obligations	109	-	109
Provisions	4	-	4
Deferred tax liabilities	13	1	14
Total non-current liabilities	**338**	**1**	**339**
Interest-bearing loans and borrowings	182	-	182
Trade and other payables	263	-	263
Provisions	18	-	18
Total current liabilities	**463**	**-**	**463**
Total equity and liabilities	**1,381**	**3**	**1,384**

In the comparative period ending December 31, 2004 the current assets includes EUR 8.5 million listed shares which have been valued at historical cost under FAS. Starting January 1, 2005 listed shares are classified available-for-sale investments according to IAS 39 and valued at fair value amounting to EUR 11.6 million. The unrealized change of EUR 2.4 million, EUR 3.1 million net of deferred taxed EUR 0.8 million, is included in the fair value reserve.

EUR million	2005 IFRS	2004 IFRS	2004 FAS	2003 FAS	2002 FAS
Financial key figures					
Net sales	1,552.6	1,567.8	1,567.8	1,556.4	1,778.0
Personnel costs	313.1	340.1	338.5	357.0	409.5
% of net sales	20.2	21.7	21.6	22.9	23.0
Earnings before interest, taxes, depreciation and amortization (EBITDA)	200.9	152.4	155.1	160.9	207.1
% of net sales	12.9	9.7	9.9	10.3	11.6
Depreciation *)	82.9	86.7	91.6	94.3	101.8
Goodwill amortization and impairment of non-current assets *)	0.8	3.6	12.5	18.1	12.9
Operating profit	117.2	62.1	51.0	48.5	92.4
% of net sales	7.5	4.0	3.3	3.1	5.2
Net interest expense	11.5	12.5	12.0	10.4	11.9
% of net sales	0.7	0.8	0.8	0.7	0.7
Profit before taxes	100.7	47.9	34.8	33.7	67.9
% of net sales	6.5	3.1	2.2	2.2	3.8
Profit for the period attributable to equity holders of the parent	62.4	33.2	17.5	22.4	55.2
% of net sales	4.0	2.1	1.1	1.4	3.1
Capital employed (end of period)	947.1	975.6	1,008.9	994.5	1,171.8
Interest-bearing net liabilities	340.6	361.8	341.8	285.8	401.5
Total equity	590.5	580.5	632.9	673.8	725.9
Return on capital employed (ROCE), %	12.4	7.0	5.3	4.6	7.5
Return on equity (ROE), %	10.7	5.6	2.7	3.2	7.1
Equity ratio, %	43.2	42.0	45.3	47.4	45.4
Gearing ratio, %	57.7	62.3	53.9	42.3	55.2
Capital expenditure, including acquisitions	73.2	167.0	167.0	93.1	83.1
% of net sales	4.7	10.7	10.7	6.0	4.7
R&D expenditure	27.1	27.6	27.6	32.9	27.7
% of net sales	1.7	1.8	1.8	2.2	1.6
Net cash from operating activities	126.6	128.0	128.0	202.0	184.0
Number of employees, year-end	5,525	5,755	5,755	6,486	6,585
Number of employees, annual average	5,605	6,428	6,428	6,536	6,761
Net sales per employee, EUR thousands	277	244	244	238	263
Share indicators					
Earnings per share, EUR	1.71	0.91	0.48	0.61	1.42
Earnings per share, diluted, EUR	1.67	0.90	0.48	0.61	1.42
Cash earnings per share, EUR	3.48	3.52	3.52	5.55	5.05
Equity per share, EUR	16.21	15.94	17.38	18.50	19.93
Dividend per share, EUR	1.79 **	1.72	1.72	1.50	1.55
Dividends, EUR million	65.2 **	62.6	62.6	54.6	56.4
Payout ratio, %	104.7 **	188.9	358.1	245.9	109.2
Adjusted number of outstanding shares, end of period	36,418,419	36,418,419	36,418,419	36,418,419	36,418,419
Adjusted number of outstanding shares, average	36,418,419	36,418,419	36,418,419	36,418,419	36,412,567

Net sales and operating profit are determined in the significant accounting policies of the consolidated financial statements.
* According to IFRS there is no amortization on goodwill.
** The Board of Directors' proposal to the Annual General Meeting.

Calculation of key figures

Interest-bearing net liabilities	Interest-bearing liabilities - Cash and cash equivalents - Other short-term investments
Equity ratio %	$\frac{\text{Equity}}{\text{Total assets - Advances received}} \times 100$
Gearing ratio %	$\frac{\text{Interest-bearing net liabilities}}{\text{Equity}} \times 100$
Return on equity ROE %	$\frac{\text{Profit (loss) for the period}}{\text{Equity (annual average)}} \times 100$
Return on capital employed ROCE %	$\frac{\text{Profit (loss) before taxes + Financial expenses}}{\text{Total assets (annual average) - Non-interest bearing liabilities (annual average)}} \times 100$
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, %	$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$

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Ahlstrom Group financial information 2003-2004 (FAS)

INDEPENDENT AUDITOR´S REPORT

To the shareholders of Ahlstrom Corporation

We have audited the accompanying consolidated balance sheets of Ahlstrom Corporation and subsidiaries ("Ahlstrom") as of December 31, 2004 and December 31, 2003 and the related consolidated statement of income and consolidated statements of cash flow of Ahlstrom for the years then ended, included in the Offering Circular. These consolidated financial statements are the responsibility of Ahlstrom´s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Finland. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above give a true and fair view, in all material respects, the financial position of Ahlstrom as of December 31, 2004 and December 31, 2003 and the results of operations and cash flows of Ahlstrom for the years then ended in conformity with accounting principles generally accepted in Finland.

The Auditors' Report for the year 2004 has been issued on February 4, 2005 and Auditors' Report for the year 2003 has been issued on February 11, 2004.

KPMG OY AB

Sixten Nyman
Authorized Public Accountant

Income statement

EUR million	(Note)	2004	2003
Net sales	(1,2)	**1,567.8**	1,556.4
Change in inventories of finished goods and work in process		**- 6.8**	10.3
Production for own use		**0.7**	0.8
Share of net profit of associated companies		**2.8**	3.4
Other operating income	(3)	**19.4**	19.1
Materials and services			
Purchases		**- 779.6**	-821.3
Change in inventory		**- 60.2**	- 4.3
External services		**- 46.5**	- 76.1
Personnel costs	(4)	**- 338.5**	- 357.0
Depreciation, amortization and write-downs	(10)	**- 104.1**	- 112.4
Other operating expense		**- 204.0**	- 170.4
		- 1,532.9	- 1,541.5
Operating profit	(2)	**51.0**	48.5
Financing income and expense			
Dividend income	(6)	**0.7**	0.5
Interest and other financing income	(7)	**3.6**	5.0
Interest and other financing expense	(8)	**- 18.4**	- 15.6
Gains and losses on foreign currency		**- 2.1**	- 4.7
		- 16.2	- 14.8
Profit before taxes		**34.8**	33.7
Income taxes	(9)	**- 17.1**	- 11.1
Profit/loss before minority interest		**17.7**	22.6
Minority interest		**- 0.2**	- 0.2
Net profit		**17.5**	22.4

See also notes to the consolidated Financial Statements

Statement of cash flows

EUR million	**2004**	2003
Cash flow from operating activities		
Operating profit/loss	**51.0**	48.5
Depreciation, amortization and write-downs	**104.1**	112.4
Other adjustments	**- 9.1**	- 8.8
Operating profit/loss before change in net working capital	**146.0**	152.1
Change in net working capital	**1.1**	39.8
Cash generated from operations	**147.1**	191.9
Interest income	**3.7**	1.5
Interest and other financing expense	**- 19.7**	- 14.2
Gains and losses on foreign currency	**4.2**	40.0
Income taxes	**- 7.3**	- 17.1
Net cash from operating activities	**128.0**	202.0
Cash flow from investing activities		
Capital expenditures	**- 101.0**	- 92.5
Acquisitions of Group companies	**- 64.9**	- 0.5
Investments in other shares	**- 1.2**	- 0.2
Proceeds from disposal of shares in Group companies	**1.4**	
Proceeds from sale of non-current assets	**2.2**	44.1
Dividends received	**2.9**	4.2
Change in other receivables	**0.1**	
Net cash used in investing activities	**- 160.5**	- 44.8
Cash flow from financing activities		
Change in notes receivable and short-term investments	**12.3**	- 4.7
Change in long-term debt	**- 14.7**	- 58.6
Change in short-term debt	**84.8**	- 46.6
Dividends paid	**- 54.6**	- 56.4
Net cash used in financing activities	**27.8**	- 166.4
Net change in cash and cash equivalents	**- 4.7**	- 9.1
Cash and cash equivalents at beginning of period	**24.1**	35.3
Foreign exchange adjustment	**0.2**	- 2.0
Cash and cash equivalents at end of period	**19.6**	24.1

See also notes to the consolidated Financial Statements

Balance sheet

EUR million	(Note)	**Dec 31, 2004**	Dec 31, 2003
Assets			
Non-current assets			
Intangible assets	(10)		
Intangible rights		**22.9**	26.6
Goodwill		**99.9**	77.7
Other intangible assets		**3.0**	6.6
		125.9	111.0
Tangible assets	(10)		
Land and water areas		**21.2**	24.0
Buildings and constructions		**120.4**	133.7
Machinery and equipment		**429.7**	412.8
Other tangible assets		**9.5**	10.8
Advances paid and construction in progress		**19.8**	50.7
		600.5	632.0
Long-term investments	(11)		
Shares in associated companies		**49.7**	13.3
Shares in other companies		**3.3**	3.3
Other receivables			0.5
		53.0	17.2
Current assets			
Inventories			
Material and supplies		**82.1**	86.1
Work in process		**13.2**	14.8
Finished goods		**126.4**	137.2
Advances paid		**1.0**	0.7
		222.7	238.9
Long-term receivables			
Notes receivable		**3.7**	1.2
Deferred tax assets	(16)	**11.8**	16.6
Other long-term receivables		**3.3**	3.6
Prepaid expenses and accrued income	(12)	**0.5**	0.8
		19.2	22.1
Short-term receivables			
Accounts receivable		**272.0**	283.4
Receivables from associated companies	(17)	**1.9**	1.7
Notes receivable		**1.7**	3.0
Deferred tax assets	(16)	**14.6**	19.5
Other short-term receivables		**22.3**	21.5
Prepaid expenses and accrued income	(12)	**32.6**	41.2
		345.2	370.4
Short-term investments		**13.6**	9.8
Cash and cash equivalents		**19.6**	24.1
		33.3	34.0
Total assets		**1,399.8**	1,425.5

See also notes to the consolidated Financial Statements

EUR million	(Note)	**Dec 31, 2004**	Dec 31, 2003
Shareholders' equity and liabilities			
Shareholders' equity	(13)		
Share capital		**54.6**	54.6
Other reserves		**26.7**	26.7
Retained earnings		**534.1**	570.1
Net profit/loss		**17.5**	22.4
		632.9	673.8
Minority interest		**0.9**	1.0
Liabilities			
Provisions for contingencies	(15)	**37.0**	47.9
Long-term liabilities	(14)		
Loans from financial institutions		**187.7**	167.0
Deferred tax liabilities	(16)	**25.5**	28.7
Other long-term liabilities		**72.4**	71.5
		285.7	267.2
Short-term liabilities			
Loans from financial institutions		**176.6**	145.8
Other advances received		**0.2**	0.7
Accounts payable		**166.9**	182.9
Liabilities to associated companies	(17)	**3.9**	1.2
Deferred tax liabilities	(16)	**1.1**	0.3
Other short-term liabilities		**23.4**	29.3
Accrued expenses and deferred income	(18)	**71.1**	75.5
		443.2	435.7
Total liabilities		**765.9**	750.7
Total shareholders' equity and liabilities		**1,399.8**	1,425.5

See also notes to the consolidated Financial Statements

ACCOUNTING PRINCIPLES

Description of business

Ahlstrom Group (the “Group”) is a multinational group headquartered in Helsinki, Finland operating in the fiberbased materials business. The Group’s FiberComposites business operates in filtration media, consumer, medical and industrial nonwovens and glass nonwoven reinforcement products. The Specialty Papers business, including the former divisions LabelPack and Specialties, operates in self-adhesive, packaging and label papers as well as in technical papers, which supplies customers in abrasive materials, furniture, automobile and bakery industries, among others. The Group’s raw materials are readily available and the Group is not dependent on any single supplier.

Basis of preparation

The consolidated financial statements of the Group have been prepared in euro and in accordance with accounting principles generally accepted in Finland. They include the financial statements of Ahlstrom Corporation (the “Parent Company”) and its subsidiaries and have been prepared under the historical cost convention.

Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires 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. Actual results may differ from these amounts.

Summary of significant accounting policies

a) Principles of consolidation

The consolidated financial statements include the accounts of the Parent Company and all subsidiaries in which it directly or indirectly owns more than 50% of the voting shares. The principal subsidiaries are listed in Note 20.

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.

Subsidiaries acquired during the year are included in the consolidated income statement from the date of acquisition, whereas companies that have been sold during the year are included up to the date of sale.

All intercompany transactions, receivables and liabilities as well as unrealized profits and intragroup profit distributions are eliminated in the consolidation. Minority interests are reported separately from shareholders’ equity in the consolidated balance sheets and as a separate item in the consolidated income statements.

Acquisitions are accounted for under the purchase method of accounting and accordingly, the respective purchase price is allocated to the assets acquired and the liabilities assumed based on their estimated fair values at the date of acquisition. The excess of the purchase price over the fair values of the net assets acquired is recorded on the balance sheet as goodwill.

The purchase price allocated to the assets acquired is charged to income in a manner applicable to the respective assets.

b) Transactions denominated in foreign currencies

Receivables and liabilities denominated in a foreign currency are restated at the year end exchange rate with the resulting gain or loss recorded in the income statement. Gains and losses on foreign currency loans and other instruments designated as hedges of a foreign subsidiary’s equity are recorded directly in shareholders’ equity.

The balance sheets of subsidiaries whose reporting currency is not euro are translated into euro at the exchange rate prevailing at the balance sheet date while the income statements of such subsidiaries are translated at the average exchange rate for the year. The effect of such translation is recorded directly in a separate component of the shareholders’ equity.

c) Derivative financial instruments

The Group is exposed to foreign currency exchange and interest rate risks arising from the business operations and financing. In the normal course of business, the Group uses a variety of derivative financial instruments to manage these risks so as to minimize their impact on the Group’s profitability and financial position.

The derivative financial instruments used by the Group 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 Group uses derivative financial instruments for trading purposes to a very limited extent in accordance with the Group's Treasury Policy.

To qualify as a hedge, a derivative financial instrument must relate to an identified asset, liability or commitment, to a portfolio of assets, liabilities or commitments or to a highly probable forecasted transaction. The instrument must also be denominated in the same currency as the underlying exposure, and must reduce the respective risk profile of the Group.

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.

The fair values of all option based derivative financial instruments, whether related to foreign exchange rates or interest rates, are determined on the last business day of each of the reporting period. Changes in the fair values are recorded as income or expense in the income statement.

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.

d) 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 sale.

The Group recognizes revenue from services when the services are rendered.

Sales are shown net of returns, indirect taxes, discounts and annual rebates. The Group records provisions for sales returns in the period of the sale using estimates based on historical experience.

e) Research and development costs

Research and development costs are expensed as incurred.

f) Income taxes

Income tax expense consists of current and deferred taxes. Current taxes include taxes of the Group companies for the year in accordance with local regulations, as well as adjustments to prior year taxes.

Deferred income taxes are accounted for by the U.S. subsidiaries under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences of differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using 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 on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

For other Group companies, deferred taxes are provided for timing differences between book and taxable income.

g) Non-current assets

Property, plant and equipment are carried at the original acquisition cost less depreciation or amortization. Interest costs on borrowings to finance the construction of major assets are capitalized as part of their cost during the period required to complete the assets for their intended use.

Depreciation on property, plant and equipment is calculated on the straightline basis over the estimated useful lives of the assets as follows: Buildings 20–40 years; heavy machinery 10–20 years; other machinery and equipment 3–10 years.

Goodwill, which represents the excess of purchase price over the fair value of certain net assets acquired, is amortized on a straight-line basis over the periods expected to be benefited, generally 10 years, but ranging up to a maximum of 20 years, depending on the nature of the acquisition.

Other intangible assets include trademarks, patents and licenses which are stated at historical cost and amortized on a straight-line basis over their expected useful lives ranging from 5 to 20 years.

Development or acquisition costs of new software clearly associated with an identifiable unique product which has a probable benefit beyond one year are recognized as an asset. Development costs include personnel costs of the development team. Computer software costs are amortized on a straight line basis over their expected useful lives ranging from 3 to 5 years.

Impairment of property, plant and equipment, goodwill, and other intangible assets is recognized if it is evident that the value of the non-current asset is expected to be permanently lower than the historical cost, net of depreciation or amortization. Impairment is recorded as an expense. Non-current assets, excluding goodwill, may be revalued upwards to recover the amounts previously recorded as impairment.

h) 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 risks and benefits of ownership of the underlying assets have been transferred to the lessee.

The assets related to all major finance leases are capitalized at the lower of their fair value or the estimated net present value of the lease payments. Each lease payment is allocated between reducing the lease liability and the finance charge so that a constant rate of interest is achieved on the balance of the lease liability. The lease liability, net of finance charges, is included in interest-bearing liabilities. Property, plant and equipment acquired under finance lease contracts are depreciated over the lesser of the useful life of the asset or the term of the lease.

Payments made under operating leases, or under rental agreements, are expensed as incurred.

i) Inventories

Inventories are stated at the lower of cost or net realisable value. Cost of raw materials and supplies is determined on a weighted average cost method. The cost of finished goods and work in process includes all direct costs as well as an allocation of production overheads.

j) Accounts receivable

Accounts receivable are recorded net of an allowance for doubtful accounts. Management considers current information and events regarding the customers’ ability to repay their obligations and makes a provision against amounts when it is probable that the full amount will not be collected.

k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and highly liquid short-term investments. Bank overdrafts in use are included in loans from financial institutions under short-term liabilities.

l) Investments

Investments in marketable securities held as short-term investments are recorded at the lower of cost or market value. Long-term investments are recorded at cost less any permanent declines in the value of the individual investments.

m) Provisions

Provisions are recognised when a present legal or constructive obligation exists as a result of past events, it is probable that an outflow of funds will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

n) Pension plans

In Finland, 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. Group companies outside of Finland have pension obligations arranged and pension liabilities recorded in accordance with local legislation and practice.

Pension insurance premiums are charged to income. The accrued pension liabilities not covered by insurance policies and changes thereof are recorded in the balance sheet and income statement in accordance with local practice. Pension liabilities which are not included in the balance sheet under the local rules are disclosed in the Notes to financial statements.

o) Dividends

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

Notes to the financial statements

EUR million	**2004**	2003
1. Distribution of net sales		
USA	**289.3**	275.1
Germany	**251.9**	254.9
France	**180.6**	173.0
Italy	**143.7**	141.8
United Kingdom	**85.1**	94.7
Spain	**62.2**	58.1
Russia	**49.7**	45.8
Finland	**45.1**	49.4
Belgium	**44.7**	43.5
Other	**415.5**	420.1
Total	**1,567.8**	1,556.4
2. Financial data by division		
Net sales		
FiberComposites	**663.8**	644.7
LabelPack	**542.0**	541.5
Specialties (excl. Cores & Board)	**270.9**	256.9
Other*	**67.8**	58.1
Eliminations	**-70.9**	-60.4
Total	**1,473.6**	1,440.8
Discontinued operations	**94.2**	115.6
Group	**1,567.8**	1,556.4

* Includes intragroup sales of services EUR 60.1 million in 2004 (EUR 58.1 million in 2003)

	2004	2003
Earnings before interest, taxes, depreciation and amortization (EBITDA)		
FiberComposites	**81.3**	101.1
LabelPack	**49.4**	58.3
Specialties (excl. Cores & Board)	**21.9**	-3.1
Other	**0.3**	-3.0
Total	**152.9**	153.3
Discontinued operations	**2.2**	7.6
Group	**155.1**	160.9
Operating profit/loss		
FiberComposites	**33.9**	57.2
LabelPack	**17.1**	24.9
Specialties (excl. Cores & Board)	**7.0**	-26.3
Other	**-3.9**	-8.6
Total	**54.1**	47.2
Discontinued operations	**-3.1**	1.3
Group	**51.0**	48.5

EUR million	**2004**	2003
Capital employed at Dec 31		
FiberComposites	**560.6**	490.6
LabelPack	**263.1**	290.8
Specialties (excl. Cores & Board)	**115.1**	100.0
Other	**70.1**	55.9
Total	**1,008.9**	937.3
Discontinued operations		57.2
Group	**1,008.9**	994.5
Investments (including acquisitions)		
FiberComposites	**136.2**	57.5
LabelPack	**15.0**	14.5
Specialties (excl. Cores & Board)	**8.1**	14.0
Other	**7.7**	7.2
Group	**167.0**	93.2

3. Other operating income

Gain on sale of shares	**4.9**	
Gain on sale of other non-current assets	**1.6**	5.6
Insurance indemnification	**4.0**	2.6
Rent income	**1.5**	1.1
Reversal of provisions	**1.2**	3.1
Subsidies received	**1.2**	1.8
Other	**5.0**	4.9
Total	**19.4**	19.1

4. Personnel costs

Remuneration of board members	**0.5**	0.6
Remuneration of managing directors	**5.2**	5.1
Bonuses to managing directors	**0.3**	0.4
Other wages and salaries	**243.9**	262.5
Pension costs	**32.3**	33.3
Other wage-related costs	**56.3**	55.1
Total	**338.5**	357.0

Board members and managing directors of certain Group companies may be eligible for early retirement at age 60.

5. Average number of personnel

Salaried	**2,454**	2,697
Hourly paid	**3,667**	3,839
Total	**6,121**	6,536

6. Dividend income

From other companies	**0.7**	0.5
Total	**0.7**	0.5

EUR million	**2004**	2003
7. Interest and other financing income		
Interest income from others	**3.6**	2.9
Reversal of write-downs of current short-term investments		2.1
Total	**3.6**	5.0
8. Interest and other financing expense		
To others	**-18.4**	-15.6
Total	**-18.4**	-15.6
9. Income taxes		
Taxes for current and previous years	**-8.2**	-14.2
Deferred taxes	**-8.9**	3.1
Income tax in the income statement	**-17.1**	-11.1

10. Intangible and tangible assets

EUR million	Goodwill	Intangible rights	Other intangible assets	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and construction in progress
Cost at Jan 1, 2004	179.8	49.5	19.8	23.8	238.3	1,245.2	30.0	50.7
Translation adjustment	-4.8	-2.4	-0.1		-2.1	-12.7	-0.1	-1.1
Increases	38.5	0.4	1.1	0.3	6.9	68.2	0.9	38.6
Decreases	-16.7	-4.8	-3.6	-3.1	-24.5	-102.0	-1.7	-2.3
Reclassifications		6.2	-6.2		5.1	60.4	0.5	-66.1
Other changes	-0.6	0.5	0.1		0.2	-1.4	-0.1	
Cost at Dec 31, 2004	**196.4**	**49.5**	**11.1**	**21.0**	**223.9**	**1,257.7**	**29.6**	**19.8**
Accumulated depreciation and amortization at Jan 1, 2004	102.1	23.0	13.2	0.7	104.6	832.4	19.2	
Translation adjustment	-1.9	-0.9	0.1		-0.6	-6.4		
Depreciation and amortization for the fiscal year	11.8	5.6	0.6		9.4	71.7	2.1	
Write-downs		0.6	0.5		0.3	1.5	0.1	
Increases						2.8		
Decreases	-15.7	-4.4	-3.6		-10.4	-72.8	-1.1	
Reclassifications		2.4	-2.4					
Other changes		0.5	-0.3		0.1	-1.2		
Accumulated depreciation and amortization at Dec 31, 2004	**96.4**	**26.6**	**8.1**	**0.7**	**103.5**	**827.9**	**20.1**	
Revaluations at Jan 1, 2004				0.9				
Revaluations at Dec 31, 2004				0.9				
Book value at December 31, 2004	**99.9**	**22.9**	**3.0**	**21.2**	**120.4**	**429.7**	**9.5**	**19.8**

EUR million	Goodwill	Intangible rights	Other intangible assets	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and construction in progress
Cost at Jan 1, 2003	196.3	54.0	21.3	25.7	245.2	1 285.5	30.1	24.9
Translation adjustment	-14.1	-6.5	-0.4	-1.0	-7.7	-48.9	-0.4	-2.2
Increases	0.4	0.5	0.8		1.4	29.9	0.9	56.4
Decreases		-0.1	-0.6		-4.9	-26.4	-1.4	-0.9
Reclassifications	-2.8	1.6	-1.0	-0.9	4.9	24.7	0.7	-27.3
Other changes			-0.2		-0.6	-19.7	0.1	-0.2
Cost at Dec 31, 2003	**179.8**	**49.5**	**19.8**	**23.8**	**238.3**	**1,245.2**	**30.0**	**50.7**
Accumulated depreciation and amortization at Jan 1, 2003	96.2	19.6	12.2	0.7	98.0	799.2	18.2	0.2
Translation adjustment	-4.4	-1.5	-0.2		-1.6	-19.8	-0.2	
Depreciation and amortization for the fiscal year	13.1	4.9	1.8		9.8	75.3	2.4	
Write-downs			0.4			5.0		
Decreases			-0.6		-1.4	-13.9	-1.0	
Reclassifications	-2.8	-0.1	-0.4		-0.1	3.6	-0.3	
Other changes					-0.2	-17.0		-0.2
Accumulated depreciation and amortization at Dec 31, 2003	**102.1**	**23.0**	**13.2**	**0.7**	**104.6**	**832.4**	**19.2**	**0.0**
Revaluations at Jan 1, 2003					1.2			
Reclassifications				0.9	-0.9			
Depreciation for the fiscal year					-0.2			
Revaluations at Dec 31, 2003				0.9	0.0			
Book value at December 31, 2003	**77.7**	**26.6**	**6.6**	**24.0**	**133.7**	**412.8**	**10.8**	**50.7**

11. Long-term investments

EUR million	Shares in associated companies	Shares in other companies	Other receivables
Cost at Jan 1, 2004	13.3	3.3	0.5
Translation adjustment	-0.1		-0.1
Increases	15.7	0.1	
Decreases	-0.7	-0.1	
Share of profits	2.6		
Dividends received	-2.2		
Reclassifications	21.1		
Write-downs			-0.4
Cost at Dec 31, 2004	49.7	3.3	0.0
Book value at Dec 31, 2004	**49.7**	**3.3**	**0.0**

EUR million	Shares in associated companies	Shares in other companies	Other receivables
Cost at Jan 1, 2003	13.5	23.2	1.0
Translation adjustment			-0.2
Increases		0.1	
Decreases		-20.0	-0.3
Share of profits	3.4		
Dividends received	-3.6		
Cost at Dec 31, 2003	13.3	3.3	0.5
Book value at Dec 31, 2003	**13.3**	**3.3**	**0.5**

EUR million	**2004**	2003
12. Prepaid expenses and accrued income		
Long-term	**0.5**	0.8
Short-term	**32.6**	41.2
Total	**33.1**	42.0
Main items:		
Accruals of hedging contracts	**10.9**	14.1
Current tax receivable	**5.8**	5.7
Accrued insurance indemnification	**0.1**	1.2
Accrued interest income	**0.1**	0.4
Other	**16.2**	20.6
Total	**33.1**	42.0
13. Shareholders' equity		
Balance at Jan 1	**673.8**	725.9
Dividends paid	**-54.6**	-56.4
Translation adjustment after equity hedging, net of tax	**-2.9**	-12.9
Other	**-0.8**	-5.2
Net profit	**17.5**	22.4
Balance at Dec 31	**632.9**	673.8
Retained earnings	**551.6**	592.4
Depreciation difference and untaxed reserves, net of tax	**-33.2**	-43.0
Distributable shareholders' equity	**518.4**	549.4

EUR million	2006	2007	2008	2009	2010-	Total
14. Maturities of long-term liabilities, 2004						
Loans from financial institutions	10.0	113.6	15.8	0.8	47.5	187.7
Deferred tax liabilities	1.3	3.0	4.3	2.0	14.9	25.5
Other long-term liabilities	4.0	3.2	3.2	3.6	58.4	72.4
Total	**15.3**	**119.8**	**23.3**	**6.4**	**120.9**	**285.7**

EUR million	2005	2006	2007	2008	2009-	Total
Maturities of long-term liabilities, 2003						
Loans from financial institutions	9.6	103.0	26.1	0.8	27.5	167.0
Deferred tax liabilities	0.7	1.8	2.1	1.6	22.5	28.7
Other long-term liabilities	2.7	2.7	2.7	2.7	60.7	71.5
Total	**13.0**	**107.5**	**30.9**	**5.1**	**110.7**	**267.2**

EUR million	**2004**	2003
15. Provisions for contingencies		
Restructuring costs	**10.6**	19.9
Pension and other employee benefit plan liabilities	**19.1**	21.4
Discontinued operations	**0.9**	2.5
Other	**6.4**	4.1
Total	**37.0**	47.9

EUR million	**2004**	2003
16. Deferred tax assets and liabilities		
Long-term assets	**11.8**	16.6
Short-term assets	**14.6**	19.5
Long-term liabilities	**-25.5**	-28.7
Short-term liabilities	**-1.1**	-0.3
Total	**-0.2**	7.1
Arising from:		
Depreciation differences and untaxed reserves	**-21.7**	-31.1
Other timing differences	**20.8**	37.5
Consolidation entries	**0.6**	0.7
Total	**-0.2**	7.1
17. Receivables from and liabilities to associated companies		
Accounts receivable	**1.5**	1.4
Short-term note receivable	**0.3**	0.3
Prepaid expenses and accrued income	**0.1**	
Total	**1.9**	1.7
Short-term debt	**2.9**	0.8
Accounts payable	**0.8**	0.4
Accrued expenses and deferred income	**0.2**	
Total	**3.9**	1.2

18. Accrued expenses and deferred income	**2004**	2003
Short-term	**71.1**	75.5
Total	**71.1**	75.5

	2004	2003
Main items:		
Accrued personnel costs	**35.5**	33.5
Current tax payable	**9.0**	14.3
Accrued interest expense	**0.9**	1.8
Deferred income	**6.0**	6.0
Accruals of hedging contracts	**1.3**	0.2
Other	**18.4**	19.7
Total	**71.1**	75.5

19. Commitments and contingent liabilities

	2004	2003
For own liabilities:		
Loans from financing institutions		
amount of loans	**0.8**	9.2
amount of mortgages	**9.0**	30.7
Other loans		
amount of loans	**0.6**	
book value of pledges	**0.6**	
For own commitments:		
guarantees	**36.0**	38.7
book value of pledges		0.6
For commitments of third parties:		
guarantees	**30.8**	98.3
Leasing commitments		
current portion	**7.7**	8.1
long-term portion	**25.7**	28.4
Other contingent liabilities	**4.9**	1.2

At December 31, 2004 the deficit in the pension funds of the UK and the US, which according to local accounting practice can be left unrecognized, amounted to EUR 13.8 million (EUR 14.9 million in 2003).

20. Shares

Major subsidiaries	Country	% held As at Dec 31, 2004	% held As at Dec 31, 2003
Ahlstrom Australia Pty Ltd	Australia	74.0	74.0
Ahlstrom B.V.	The Netherlands	100.0	100.0
Ahlstrom South Africa (Pty) Ltd	South Africa	60.0	60.0
Ahlstrom Asia Holdings Pte Ltd	Singapore	100.0	100.0
Ahlstrom Paper Shanghai Co., Ltd	China	0	70.0
Ahlstrom Seoul Co. Ltd	Korea	80.0	56.0
PT Ahlstrom Indonesia	Indonesia	99.0	70.0
Ahlstrom Barcelona, S.A.	Spain	100.0	100.0
Ahlstrom Spain SL	Spain	100.0	100.0
Ahlstrom Chirnside Limited	UK	100.0	100.0
Ahlstrom Glassfibre Oy	Finland	100.0	100.0
Ahlstrom Holding GmbH	Germany	100.0	100.0
Ahlstrom Cores GmbH	Germany	0	100.0
Ahlstrom Cores Oy	Finland	0	100.0
Ahlstrom Cores	France	0	100.0
Ahlstrom Cores AB	Sweden	0	100.0
Ahlstrom Cores AS	Norway	0	100.0
Ahlstrom Cores B.V.	The Netherlands	0	100.0
Ahlstrom Cores Oü	Estonia	0	100.0
Ahlstrom Cores Sp.z.o.o.	Poland	0	100.0
Ahlstrom Cores China Co. Ltd	China	0	100.0
ZAO Ahlstrom Cores	Russia	0	100.0
Ahlstrom Neu-Isenburg GmbH	Germany	0	100.0
Ahlstrom Osnabrück GmbH	Germany	0	100.0

Ahlstrom Altenkirchen GmbH	Germany	100.0	100.0
Ahlstrom Nümbrecht GmbH & Co. KG	Germany	100.0	100.0
Homburger Papierfabrik Verwaltung GmbH	Germany	100.0	100.0
Ahlstrom Papiervertrieb GmbH	Germany	75.0	75.0
Ahlstrom Industries	France	100.0	100.0
Ahlstrom Benelux S.A.	Belgium	100.0	100.0
Ahlstrom Brignoud	France	100.0	100.0
Ahlstrom Tampere Oy	Finland	100.0	100.0
Ahlstrom Chantraine	France	100.0	100.0
Ahlstrom Labelpack	France	100.0	100.0
Ahlstrom Malmédy SA	Belgium	100.0	100.0
Ahlstrom Research and Services	France	100.0	100.0
Ahlstrom Specialties	France	100.0	100.0
Ahlstrom (UK) Limited	UK	100.0	75.0
Ahlstrom Japan Inc.	Japani	100.0	100.0
Ahlstrom Kauttua Oy	Finland	100.0	100.0
Ahlstrom Korea Co., Ltd	Korea	100.0	100.0
Ahlstrom Louveira Ltda	Brazil	100.0	100.0
Ahlstrom Norrköping AB	Sweden	100.0	100.0
Ahlstrom Sales LLC	Russia	100.0	100.0
Ahlstrom Ställdalen Holding AB	Sweden	100.0	100.0
Ahlstrom Ställdalen AB	Sweden	100.0	100.0
Ahlstrom Turin S.p.A.	Italy	100.0	100.0
Nordica Nord Italia Carta S.r.l.	Italy	60.0	60.0
Ahlstrom USA Inc.	USA	100.0	100.0
Ahlstrom Capital Corporation	USA	100.0	100.0
Ahlstrom Holdings, Inc.	USA	100.0	100.0
Ahlstrom U.S. Industries, Inc.	USA	100.0	100.0
Ahlstrom Air Media LLC	USA	100.0	0
Ahlstrom Atlanta Inc.	USA	100.0	100.0
Ahlstrom Engine Filtration, LLC	USA	100.0	100.0
Ahlstrom Green Bay Inc.	USA	100.0	0
Ahlstrom Mount Holly Springs, LLC	USA	100.0	100.0
Ahlstrom Windsor Locks, LLC	USA	100.0	100.0
Akerlund & Rausing S.p.A	Italy	0	100.0
ZAO Akerlund & Rausing Kuban	Russia	0	100.0
Major associated companies			
Ahlström Karhulan Palvelut Oy	Finland	37.0	48.0
AT-Spiral Oy	Finland	0	48.9
Jujo Thermal Oy	Finland	41.7	41.7
Sonoco-Alcore SARL	Luxemburg	35.5	0

21. Financial risk management

Ahlstrom's approach to financial risk management is to secure the availability of funds required for the financing of the business operations of the Group 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 on the basis of which the individual members of the Group have specified their own procedures, which take into account the special aspects unique to their businesses. The treasury activities are coordinated by Group treasury.

Funding risk

The Group aims to secure the timely availability of funds by maintaining an appropriately designed mix of cash, short and medium-/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 also accesses short term funds under a commercial paper program. The maturity profile of the medium and long term loans of the Group is shown in note 14 to the financial statements.

Foreign exchange risk
The Group has an exposure to movements in foreign exchange rates relating to its operations outside the Eurozone 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 profiles as possible. Foreign currency denominated loans, forward contracts and, to a lesser extent, options are used as hedging instruments.

Ahlstrom applies a policy of in principle hedging 100% of its foreign currency denominated equity in foreign subsidiaries. Foreign currency denominated medium term loans, forward contracts and medium term cross-currency swaps are used as hedging instruments. Foreign exchange differences relating to these transactions are booked against translation differences in the consolidated balance sheet.

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 Group. Interest rate exposures are hedged using derivative financial instruments such as interest rate swaps, forwards, futures and options. 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 Group seeks to minimize counterparty risks associated with foreign exchange transactions, derivatives contracts and occasional external placements by limiting its exposures to first-class banks and financial institutions and other highly credit rated counterparts only. Whilst counterparty risks cannot be entirely eliminated the management is confident that they are well under control. Customer related counterparty risks are limited by the combination of a well diversified customer base and the impact of a policy of concluding risk sharing arrangements in respect of larger exposures with banks and insurance companies. Over 90 percent of Ahlstrom’s customers are industrial companies.

Derivative financial instruments *		**Nominal values**		**Fair values****	
EUR million		**2004**	2003	**2004**	2003
Interest rate derivatives					
	Interest rate swaps	**109.4**	116.1	0.1	-1.6
Foreign exchange derivatives					
	Foreign exchange forward contracts	**193.5**	137.1	2.5	1.9
	Options bought	**3.4**	4.8	0.0	0.2
	Options sold	**3.4**	4.8	0.2	
Equity hedging					
	Foreign exchange forward contracts	**269.5**	212.9	6.5	12.1

* 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.

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Parent Company

Ahlstrom Corporation Financial Statements for 2003 – 2005 (FAS)

INDEPENDENT AUDITORS' REPORT

To the shareholders of Ahlstrom Corporation

We have audited the financial statements of the parent company of Ahlstrom, Ahlstrom Corporation, ("Company") as of December 31, 2005, December 31, 2004 and December 31, 2003 and the related statements of income and statements of cash flow of the Company for the years then ended included in the Offering Circular. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Finland. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures 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. We believe our audits provide a reasonable basis for our opinion.

In our opinion the financial statements referred to above give a true and fair view, in all material respects, of the financial position of the Company as of December 31, 2005, December 31, 2004 and December 31, 2003 and the results of operations and cash flows of the Company for the years then ended in conformity with accounting principles generally accepted in Finland.

The Auditors' Report for the year 2005 was issued on 3 February 2006. The Auditors' Report for the year 2004 was issued on 4 February 2005. The Auditors' Report for the year 2003 was issued on 11 February 2004.

KPMG OY AB

Sixten Nyman
Authorized Public Accountant

Income Statement

EUR million	(Note)	Jan 1-Dec 31, 2005	Jan 1-Dec 31, 2004	Jan 1-Dec 31, 2003
Net sales	(1)	**28.9**	32.4	27.3
Other operating income	(2)	**79.3**	2.3	3.2
Personnel costs	(3)	**-9.8**	-10.8	-8.0
Depreciation and write-downs	(10)	**-0.7**	-0.8	-0.8
Other operating expense		**-23.5**	-41.8	-27.3
		-34.0	-53.3	-36.1
Operating profit/loss		**74.2**	-18.6	-5.6
Financing income and expense				
Dividend income	(5)	**52.7**	22.6	61.9
Interest and other financing income	(6)	**20.9**	17.2	22.3
Interest and other financing expense	(7)	**-16.2**	-16.4	-15.2
Write-downs of subsidiary shares		**-33.5**	-28.0	-2.0
Gains and losses on foreign currency		**-25.9**	8.5	38.6
		-2.0	3.9	105.6
Profit/loss before extraordinary items		**72.2**	-14.7	100.0
Extraordinary items	(8)			
Extraordinary income		**9.8**	5.8	9.9
		9.8	5.8	9.9
Profit/loss after extraordinary items		**82.0**	-8.9	109.9
Provisions				
Change in depreciation difference			0.1	0.1
Income taxes	(9)	**5.1**	-3.4	-14.3
Net profit/loss		**87.1**	-12.2	95.7

See also notes to the consolidated Financial Statements

Statement of Cash Flows

EUR million	2005	2004	2003
Cash flow from operating activities			
Operating profit/loss	**74.2**	-18.6	-5.6
Depreciation. amortization and write-downs	**0.7**	0.8	0.8
Gain on liquidation of Group company	**-72.9**		
Other adjustments	**1.1**	-1.7	-4.9
Operating profit/loss before change in net working capital	**3.1**	-19.5	-9.7
Change in net working capital	**2.0**	4.2	-0.1
Cash generated from operations	**5.1**	-15.3	-9.8
Interest income	**13.8**	16.3	20.8
Interest and other financing expense	**-8.3**	-16.7	-14.8
Gains and losses on foreign currency	**-17.9**	7.5	44.0
Income taxes	**-4.8**		-12.4
Net cash from operating activities	**-12.1**	-8.2	27.8
Cash flow from investing activities			
Capital expenditures	**-0.2**		-0.7
Acquisitions of Group companies	**-24.2**	-2.2	-51.6
Investments in other shares		-0.1	
Proceeds from disposal of shares in Group companies	**13.5**	38.8	158.6
Proceeds from liquidation of Group companies	**27.0**		
Proceeds from sale of non-current assets	**2.8**	0.2	0.6
Dividends received	**52.7**	21.7	56.0
Group contributions	**18.5**	14.0	12.6
Net cash used in investing activities	**90.1**	72.4	175.5
Cash flow from financing activities			
Change in notes receivable and short-term investments	**50.1**	6.5	50.5
Change in long-term debt	**-41.5**	-38.7	-63.9
Change in short-term debt	**-21.6**	20.5	-134.8
Dividends paid	**-62.6**	-54.7	-56.5
Net cash used in financing activities	**-75.6**	-66.4	-204.7
Net change in cash and cash equivalents	**2.4**	-2.2	-1.4
Cash and cash equivalents at beginning of period	**0.4**	2.6	4.0
Cash and cash equivalents at end of period	**2.8**	0.4	2.6

See also notes to the Financial Statements

Balance Sheet

EUR million	**(Note)**	**Dec 31, 2005**	Dec 31, 2004	Dec 31, 2003
Assets				
Non-current assets				
Intangible assets	(10)			
Intangible rights		**0.5**	0.7	1.0
Advances paid and construction in progress		**0.1**	0.2	0.3
		0.6	0.9	1.3
Tangible assets	(10)			
Land and water areas		**0.4**	0.6	0.6
Machinery and equipment		**0.1**	0.2	0.7
Other tangible assets		**0.1**	0.2	0.4
		0.6	1.1	1.7
Long-term investments	(11)			
Shares in Group companies		**489.6**	467.2	531.8
Shares in associated companies		**2.8**	2.8	2.8
Shares in other companies		**0.5**	3.1	3.1
		492.9	473.0	537.7
Current assets				
Long-term receivables				
Receivables from Group companies	(18)	**19.2**	33.9	48.0
Notes receivable			2.6	0.1
Deferred tax assets	(17)	**1.5**	1.3	1.5
		20.7	37.8	49.6
Short-term receivables				
Accounts receivable		**0.3**	0.2	
Receivables from Group companies	(18)	**485.6**	509.8	511.6
Receivables from associated companies	(19)	**0.7**	0.4	0.2
Deferred tax assets	(17)	**1.9**	0.3	0.8
Other short-term receivables		**1.4**	0.2	0.5
Prepaid expenses and accrued income	(12)	**8.6**	14.2	18.7
		498.5	525.0	531.8
Short-term investments			13.5	9.5
Cash and cash equivalents		**2.8**	0.4	2.6
		2.8	14.0	12.1
Total assets		**1,016.1**	1,051.8	1,134.2

See also notes to the Financial Statements

Balance Sheet

EUR million	(Note)	Dec 31, 2005	Dec 31, 2004	Dec 31, 2003
Shareholders' equity and liabilities				
Shareholders' equity	(13)			
Share capital		**54.6**	54.6	54.6
Retained earnings		**553.7**	628.6	587.7
Net profit/loss		**87.1**	-12.2	95.7
		695.4	671.1	738.0
Untaxed reserves				
Accumulated depreciation difference				0.1
Liabilities				
Provisions for contingencies	(16)	**6.8**	6.0	7.7
Long-term liabilities	(15)			
Loans from financial institutions		**94.9**	150.4	123.6
Liabilities to Group companies	(18)	**14.6**	14.5	44.3
		109.5	164.9	167.9
Short-term liabilities				
Loans from financial institutions		**110.5**	86.0	95.5
Accounts payable		**0.9**	0.7	0.9
Liabilities to Group companies	(18)	**79.0**	107.1	115.1
Liabilities to associated companies	(19)	**1.6**	3.0	0.9
Other short-term liabilities		**0.7**	4.5	0.6
Accrued expenses and deferred income	(20)	**11.7**	8.7	7.5
		204.4	209.9	220.5
Total liabilities		**320.7**	380.8	396.1
Total shareholders' equity and liabilities		**1,016.1**	1,051.8	1,134.2

See also notes to the Financial Statements

Accounting principles

Description of business

Ahlstrom Corporation is the parent company of the Ahlstrom Group and acts as a holding company for its subsidiaries. The parent company co-ordinates 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.

Basis of preparation

The financial statements of the company have been prepared in euro and in accordance with accounting principles generally accepted in Finland.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and management liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results may differ from these amounts.

The main accounting principles are:

a) Transactions denominated in foreign currencies

Receivables and liabilities denominated in a foreign currency are restated at the year end exchange rate with the resulting gain or loss recorded in the income statement.

b) 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.

The fair values of all option based derivative financial instruments, whether related to foreign exchange rates or interest rates, are determined on the last business day of each of the reporting period. Changes in the fair values are recorded as income or expense in the income statement.

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.

c) Revenue recognition

The company recognizes revenue from services when the services are rendered.

d) Extraordinary items

The extraordinary items in the financial statements include group contributions granted or received.

e) Income taxes

Income tax expense consists of current and deferred taxes as well as adjustments to prior year taxes.

Deferred taxes are provided for timing differences between book and taxable income. Deferred tax assets and liabilities are measured using 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 on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

f) Non-current assets

Property, plant and equipment are carried at the original acquisition cost less depreciation or amortization and possible impairments.

Depreciation on property, plant and equipment is calculated on the straight-line basis over the estimated useful lives of the assets as follows: machinery and equipment and other intangible assets 3-10 years.

Other intangible assets include trademarks, patents and licenses which are stated at historical cost and amortized on a straight-line basis over their expected useful lives ranging from 5 to 20 years. Computer software costs are amortized on a straight-line basis over their expected useful lives ranging from 3 to 5 years.

Impairment of property, plant and equipment and other intangible assets is recognized if it is evident that the value of the non-current asset is expected to be permanently lower than the historical cost, net of depreciation or amortization. Impairment is recorded as an expense. Non-current assets may be revalued upwards to recover the amounts previously recorded as impairment.

g) Leasing

Payments made under operating leases, or under rental agreements, are expensed as incurred.

h) Accounts receivable

Accounts receivable are recorded net of an allowance for doubtful accounts. Management considers current information and events regarding the customers' ability to repay their obligations and makes a provision against amounts when it is probable that the full amount will not be collected.

i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and highly liquid current investments. Shares, deposits and other highly liquid investments with a tenue time of less than one year are presented as current investments. Bank overdrafts in use are included in current interest-bearing loans and borrowings.

j) Investments

Investments in marketable securities held as current investments are recorded at the lower of cost or market value. Non-current investments are recorded at cost less any permanent declines in the value of the individual investments.

k) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of funds will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

l) 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.

m) Dividends

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

Supplementary information

EUR million	2005	2004	2003
1. Distribution of net sales			
USA	5.0	5.3	4.3
Germany	4.0	4.0	2.8
France	8.1	8.4	7.4
Italy	5.0	5.3	4.5
United Kingdom	1.2	1.4	1.2
Spain	0.3	0.4	0.3
Sweden	0.6		
Finland	3.7	5.3	4.5
Belgium	0.3	0.3	0.4
Other	0.7	2.1	1.9
Total	**28.9**	**32.4**	**27.3**
2. Other operating income			
Gain on subsidiary liquidation	74.7		
Gain on sale of other non-current assets			0.1
Insurance indemnification	3.3		
Reversal of provisions		0.8	1.5
Other	1.3	1.5	1.6
Total	**79.3**	**2.3**	**3.2**
3. Personnel costs			
Remuneration of board members	0.3	0.2	0.2
Remuneration of managing directors	0.5	0.8	0.6
Bonuses to managing directors	0.1	0.1	
Other wages and salaries	6.8	6.8	6.1
Pension costs	1.7	1.9	0.7
Other wage-related costs	0.5	1.0	0.4
Total	**9.8**	**10.8**	**8.0**

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.

EUR million	2005	2004	2003
4. Average number of personnel			
Salaried	88	94	89
5. Dividend income			
from Group companies	51.7	18.9	56.7
from associated companies	0.9	3.1	4.7
from other companies	0.1	0.6	0.5
Total	**52.7**	**22.6**	**61.9**
6. Interest and other financing income			
from Group companies	15.9	14.7	16.5
from others	5.0	2.5	3.7
Reversal of write-downs of current short-term investments			2.1
Total	**20.9**	**17.2**	**22.3**
7. Interest and other financing expense			
to Group companies	-3.9	-4.0	-4.4
to others	-12.3	-12.4	-10.8
Total	**-16.2**	**-16.4**	**-15.2**

8. Extraordinary items

Group contributions	13.2	8.1	14.0
Tax related to extraordinary items	-3.4	-2.3	-4.1
Total	**9.8**	**5.8**	**9.9**

9. Income taxes

Taxes for current and previous years	-0.2	-5.0	-17.0
Deferred taxes	1.9	-0.7	-1.4
Tax related to extraordinary items	3.4	2.3	4.1
Income tax in the income statement	**5.1**	**-3.4**	**-14.3**

10. Intangible and tangible assets 2005

EUR million	Intangible rights	Land and water areas	Machinery and equipment	Other tangible assets
Cost at Jan 1, 2005	2.5	0.6	1.4	0.6
Increases	0.1		0.1	
Decreases	-0.1	-0.2	-0.2	
Cost at Dec 31, 2005	**2.5**	**0.4**	**1.3**	**0.6**
Accumulated depreciation and amortization at Jan 1, 2005	1.6		1.2	0.4
Depreciation and amortization for the fiscal year	0.4		0.2	0.1
Decreases	-0.1		-0.2	
Accumulated depreciation and amortization at Dec 31, 2005	**1.9**		**1.2**	**0.5**
Book value at December 31, 2005	**0.6**	**0.4**	**0.1**	**0.1**

Intangible and tangible assets 2004	Intangible rights	Land and water areas	Machinery and equipment	Other tangible assets
Cost at Jan 1, 2004	2.4	0.6	1.9	0.7
Increases	0.1			
Decreases			-0.5	-0.1
Cost at Dec 31, 2004	**2.5**	**0.6**	**1.4**	**0.6**
Accumulated depreciation and amortization at Jan 1, 2004	1.1		1.2	0.3
Depreciation and amortization for the fiscal year	0.5		0.3	0.1
Decreases			-0.3	
Accumulated depreciation and amortization at Dec 31, 2004	**1.6**		**1.2**	**0.4**
Book value at December 31, 2004	**0.9**	**0.6**	**0.2**	**0.2**

Intangible and tangible assets 2003	Intangible rights	Land and water areas	Machinery and equipment	Other tangible assets
Cost at Jan 1, 2003	2.0	0.6	1.8	0.6
Increases	0.4		0.1	0.1
Cost at Dec 31, 2003	**2.4**	**0.6**	**1.9**	**0.7**
Accumulated depreciation and amortization at Jan 1, 2003	0.7		0.9	0.2
Depreciation and amortization for the fiscal year	0.4		0.3	0.1
Accumulated depreciation and amortization at Dec 31, 2003	**1.1**		**1.2**	**0.3**
Book value at December 31, 2003	**1.3**	**0.6**	**0.7**	**0.4**

11. Long-term investments

EUR million	Shares in Group companies	Shares in associated companies	Shares in other companies
Cost at Jan 1, 2005	467.2	2.8	3.1
Increases	73.2		
Decreases	-19.8		-2.6
Write-downs	-31.0		
Cost at Dec 31, 2005	489.6	2.8	0.5
Book value at December 31, 2005	**489.6**	**2.8**	**0.5**
Cost at Jan 1, 2004	531.8	2.8	3.1
Increases	2.2		0.1
Decreases	-38.8		-0.1
Write-downs	-28.0		
Cost at Dec 31, 2004	467.2	2.8	3.1
Book value at December 31, 2004	**467.2**	**2.8**	**3.1**
Cost at Jan 1, 2003	640.0	2.8	3.5
Increases	52.3		0.1
Decreases	-158.5		-0.5
Write-downs	-2.0		
Cost at Dec 31, 2003	531.8	2.8	3.1
Book value at December 31, 2003	**531.8**	**2.8**	**3.1**

EUR million	**2005**	**2004**	**2003**
12. Prepaid expenses and accrued income			
Short-term	**8.6**	**14.2**	**18.7**
Main items:			
Accruals of hedging contracts	2.4	10.9	13.5
Accrued rebates	5.1	3.0	4.5
Accrued insurance indemnification	0.1		
Accrued interest income		0.1	0.3
Other	1.0	0.2	0.4
Total	**8.6**	**14.2**	**18.7**
13. Shareholders' equity			
Balance at Jan 1	671.1	738.0	698.7
Dividends paid	-62.6	-54.6	-56.4
Other	-0.1	-0.1	
Net profit	87.1	-12.2	95.7
Balance at Dec 31	**695.4**	**671.1**	**738.0**

14. Share capital of Parent Company by classes of share, December 31, 2005

The shares are divided into two classes, Series A and B.
The par value of all shares is EUR 1.50.

	Number of shares	**EUR million**
Series A, 1 vote/share, with redemption clause	21,190,100	31.8
Series B, 1 vote/share	15,228,319	22.8
Total	**36,418,419**	**54.6**

	EUR million	2007	2008	2009	2010	2011-	Total
15.	**Maturities of long-term liabilities 2005**						
	Loans from financial institutions	5.0		64.9		25.0	94.9
	Liabilities to Group companies				14.6		14.6
	Total	**5.0**		**64.9**	**14.6**	**25.0**	**109.5**

	2006	2007	2008	2009	2010-	Total
Maturities of long-term liabilities 2004						
Loans from financial institutions	80.4	25.0		20.0	25.0	150.4
Liabilities to Group companies					14.5	14.5
Total	**80.4**	**25.0**		**20.0**	**39.5**	**164.9**

	2005	2006	2007	2008	2009-	Total
Maturities of long-term liabilities 2003						
Loans from financial institutions	7.1	66.5	25.0		25.0	123.6
Liabilities to Group companies	30.1				14.2	44.3
Total	**37.2**	**66.5**	**25.0**		**39.2**	**167.9**

	EUR million	**2005**	**2004**	**2003**
16.	**Provisions for contingencies**			
	Restructuring costs		0.1	
	Environmental responsibility	1.0		
	Pension and other employee benefit plan liabilities	4.9	5.0	5.2
	Discontinued operations	0.9	0.9	
	Other			2.5
	Total	**6.8**	**6.0**	**7.7**
17.	**Deferred tax assets and liabilities**			
	Long-term assets	1.5	1.3	1.5
	Short-term assets	1.9	0.3	0.8
	Total	**3.4**	**1.6**	**2.3**
	Arising from:			
	Timing differences	3.4	1.6	2.3
18.	**Receivables from and liabilities to Group companies**			
	Long-term notes receivable	19.2	33.9	48.0
	Accounts receivable	3.2	7.0	3.9
	Notes receivable	478.0	492.7	492.3
	Prepaid expenses and accrued income	4.4	10.1	15.1
	Other short-term receivables			0.3
	Total receivables	**504.8**	**543.7**	**559.6**
	Long-term liabilities	14.6	14.5	44.3
	Accounts payable	0.6	1.9	2.4
	Accrued expenses and deferred income	9.5	5.1	1.7
	Other short-term liabilities	68.9	100.1	111.0
	Total liabilities	**93.6**	**121.6**	**159.4**

	EUR million	2005	2004	2003
19.	**Receivables from and liabilities to associated companies**			
	Short-term notes receivable	**0.7**	**0.4**	**0.2**
	Short-term debt	1.6	2.9	
	Accounts payable		0.1	
	Other short-term liabilities			0.9
	Total	**1.6**	**3.0**	**0.9**
20.	**Accrued expenses and deferred income**			
	Short-term	**11.7**	**8.7**	**7.5**
	Main items:			
	Accrued personnel costs	2.8	2.9	1.1
	Current tax payable	3.5	3.8	4.7
	Accrued interest expense	0.7	0.5	1.3
	Accruals of hedging contracts	4.5	1.3	0.2
	Other	0.2	0.2	0.2
	Total	**11.7**	**8.7**	**7.5**
21.	**Commitments and contingent liabilities**			
	For own commitments:			
	guarantees	22.4	34.3	38.5
	For commitments of Group companies:			
	guarantees	99.8	89.3	137.5
	For commitments of associated companies:			
	guarantees	8.3		
	For commitments of third parties:			
	guarantees		30.8	76.8
	Leasing commitments			
	current portion	1.7	1.8	1.7
	long-term portion	6.5	5.7	8.1

	22. Shares in subsidiaries	**Country**	**Percentage held**	
			Ahlstrom	**Ahlstrom**
	Subsidiaries December 31, 2005		**Corporation**	**Group**
	Ahlcorp Oy	Finland	100.0	100.0
	Ahlstrom Australia Pty Ltd	Australia	100.0	100.0
	Ahlstrom Finance Canada Inc.	Canada	100.0	100.0
	Ahlstrom Finance Ireland	Ireland	100.0	100.0
	Ahlstrom International B.V.	The Netherlands	100.0	100.0
	Ahlstron Japan Inc.	Japan	100.0	100.0
	Ahlstrom Korea Co., Inc.	Korea	100.0	100.0
	Ahlstrom Louveira Ltda	Brazil	100.0	100.0
	Ahlstrom Milano S.r.l.	Italy	100.0	100.0
	Ahlstrom Nordic Oy	Finland	100.0	100.0
	Ahlstrom Norrköping AB	Sweden	100.0	100.0
	Ahlstrom Sales LLC	Russia	100.0	100.0
	Ahlstrom Ställdalen AB	Sweden	100.0	100.0
	Ahlström Ställdalen Holding AB	Sweden	100.0	100.0
	Akerlund & Rausing Kuban Holding GmbH	Germany	99.0	99.0
	ALS-Soft Oy	Finland	100.0	100.0
	Fiberflow Oy	Finland	100.0	100.0
	Norrmark Limited	Isle of Man	100.0	100.0
	Ahlstrom Asia Holdings Pte Ltd	Singapore	100.0	100.0
	Ahlstrom Seoul Co. Ltd	Korea		100.0
	PT Ahlstrom Indonesia	Indonesia		99.0

Ahlstrom Barcelona S.A.	Spain	100.0	100.0
Ahlstrom Spain SL	Spain		100.0
Ahlstrom B.V.	The Netherlands	100.0	100.0
Ahlstrom Paper Group Holding B.V.	The Netherlands		100.0
Ahlstrom South Africa (Pty) Ltd	South Africa		60.0
Ahlstrom Chirnside Limited	UK	100.0	100.0
Ahlstrom (UK) Limited	UK		100.0
Ahlstrom Glassfibre Oy	Finland	100.0	100.0
Karhulan Teollisuuskeräys Oy	Finland		100.0
Ahlstrom Holding GmbH	Germany	100.0	100.0
Ahlstrom Munich GmbH	Germany		100.0
Ahlstrom Osnabrück GmbH	Germany		100.0
Ahlstrom Altenkirchen GmbH	Germany		100.0
Ahlstrom Nümbrecht GmbH & Co. KG	Germany		100.0
Ahlstrom Nümbrecht Vervaltung GmbH	Germany		100.0
Ahlstrom Papiervertrieb GmbH	Germany		75.0
Ahlstrom Industrial Holdings Limited	UK	100.0	100.0
Ahlstrom Group Finance Limited	UK		100.0
Ahlstrom Industries	France	100.0	100.0
Ahlstrom Benelux S.A.	Belgium		100.0
Ahlstrom Brignoud	France		100.0
Ahlstrom Tampere Oy	Finland		100.0
Ahlstrom Chantraine	France		100.0
Ahlstrom Labelpack	France		100.0
Ahlstrom Malmédy SA	Belgium		100.0
Ahlstrom Research and Services	France		100.0
Ahlstrom Specialties	France		100.0
Ahlstrom Turin S.p.A.	Italy	100.0	100.0
Ahlstrom Ibérica, S.L.	Italy		51.0
Ahlstrom Nord Italia Carta S.r.l.	Italy		60.0
Ahlstrom U.S. Industries, Inc.	USA	100.0	100.0
Ahlstrom Air Media LLC	USA		100.0
Ahlstrom Atlanta Inc.	USA		100.0
Ahlstrom Capital Corporation	USA		100.0
Ahlstrom Engine Filtration, LLC	USA		100.0
Ahlstrom Green Bay Inc.	USA		100.0
Ahlstrom Holdings. Inc.	USA		100.0
Ahlstrom Lantor, LLC	USA		100.0
Ahlstrom Mount Holly Springs, LLC	USA		100.0
Ahlstrom Windsor Locks, LLC	USA		100.0
Windsor Locks Canal Company	USA		100.0
The Youngstown Welding and Engineering Company	USA		100.0
Titanium Foreign Sales Corporation	USA		100.0
Elmerks Holding AB	Sweden	100.0	100.0
Elmat Holding A/S	Denmark		100.0
Associated companies			
Ahlström Karhulan Palvelut Oy	Finland	22.0	37.0
Jujo Thermal Ltd	Finland	41.7	41.7

23. Financial risk management

Ahlstrom's approach to financial risk management is to secure the 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 on the basis of which the individual members of the company have specified their own procedures, which take into account the special aspects unique to their businesses. The treasury activities are coordinated by Group treasury.

Funding risk
The company aims to secure the timely availability of funds by maintaining an appropriately designed mix of cash, short and medium-/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 maturity profile of the medium and long term loans of the company is shown in note 15 to the financial statements.

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 profiles as possible. Foreign currency denominated loans, forward contracts and, to a lesser extent, options are used as hedging instruments.

Ahlstrom applies a policy of in principle hedging 100 % of its foreign currency denominated equity in foreign subsidiaries. Foreign currency denominated medium term loans, forward contracts and medium term cross-currency swaps are used as hedging instruments. Foreign exchange differences relating to these transactions are booked against translation differences in the consolidated balance sheet.

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, forwards and options. 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, derivatives contracts and occasional external placements by limiting its exposures to first-class banks and financial institutions and other highly credit rated counterparts only. Whilst counterparty risks cannot be entirely eliminated the management is confident that they are well under control. Customer related counterparty risks are limited by the combination of a well diversified customer base and the impact of a policy of concluding risk sharing arrangements in respect of larger exposures with banks and insurance companies. Over 95% of Ahlstrom's customers are industrial companies.

Derivative financial instruments *	**Nominal values**			**Fair values ****		
EUR million	2005	2004	2003	2005	2004	2003
Interest rate derivatives						
Interest rate swaps	67.4	98.4	104.2	0.7	0.4	-0.7
Foreign exchange derivatives						
Foreign exchange forward contracts	189.0	182.2	137.1	-0.3	3.0	1.9
Options bought		3.4	4.8			0.2
Options sold		3.4	4.8		0.2	
Equity hedging						
Foreign exchange forward contracts	232.9	269.5	212.9	-1.9	6.5	12.1

* 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.

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SUMMARY OF CERTAIN DIFFERENCES BETWEEN FINNISH GAAP, IFRS AND U.S. GAAP

The consolidated financial information of Ahlstrom Group included in this Offering Circular has been prepared and presented for the financial year ended December 31, 2003 and 2004 in accordance with accounting principles generally accepted in Finland ("Finnish GAAP"). For the financial year ended December 31, 2005, consolidated financial statements of Ahlstrom have been prepared and presented in accordance with international financial reporting standards ("IFRS") as adopted by the EU. Certain differences exist between Finnish GAAP, IFRS and generally accepted accounting principles in the United States of America ("U.S. GAAP") which might be material to the financial information included in this Offering Circular.

The matters below summarize certain differences between Finnish GAAP, IFRS and U.S. GAAP that may be material. The Company has not prepared a reconciliation of its consolidated financial statements and related footnote disclosures to U.S. GAAP and has not quantified such differences. Accordingly, no assurance is provided that the following summary of certain differences between Finnish GAAP, IFRS and U.S. GAAP, as applicable to the Company is complete.

Had the Company undertaken any such quantification or reconciliation, other accounting and disclosure differences may have come to its attention that are not identified below. Accordingly, the Company can provide no assurance that the identified differences in the summary below represent all principal differences relating to Ahlstrom Group. The differences highlighted below reflect only those differences in accounting policies in force at the time of the preparation of the Finnish GAAP and the IFRS audited consolidated financial statements. No attempt has been made to identify future differences between Finnish GAAP, IFRS and U.S. GAAP as the result of prescribed changes in accounting standards, transactions or events that may occur in the future. Regulatory bodies that promulgate Finnish GAAP, IFRS and U.S. GAAP have significant ongoing projects that could affect future comparisons such as this one between Finnish GAAP and U.S GAAP and IFRS and U.S. GAAP. Future development or changes in either Finnish GAAP, IFRS or U.S. GAAP may give rise to additional differences between Finnish GAAP, IFRS and U.S. GAAP, which could have a significant impact on the Company.

In making an investment decision, investors must rely on their own examination of the Company, the terms of the Offering and the financial information included in this Offering Circular. Potential investors should consult their own professional advisors for an understanding of the differences between Finnish GAAP, IFRS and U.S. GAAP, and how these differences might affect the financial information included in this Offering Circular.

Business combinations, goodwill and intangible assets

Finnish GAAP is not as comprehensive as IFRS and U.S. GAAP with respect to the allocation of the purchase price to assets acquired and liabilities assumed. Fair value is used when allocating purchase price to tangible assets. Purchase price is very seldom allocated to intangible assets. Goodwill is amortized over its useful lifetime, not exceeding 20 years. There are no specific rules on impairment for intangible assets.

Under IFRS 3, 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. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortized but tested annually for impairment. An impairment loss is recognized 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.

Under U.S. GAAP, the cost of investment is allocated to the acquired entity's identifiable acquired assets and liabilities assumed based on fair values to the acquirer at the date of acquisition. Goodwill is no longer amortized but tested for impairment, at the reporting unit level at least annually or whenever events or changes in circumstances indicate that the recoverability of the carrying amount must be assessed. A two-step impairment test is required: First the fair value and the carrying amount of the reporting unit including goodwill is compared. If the fair value of the reporting unit is less than the book value, goodwill would be considered to be impaired. In the second step, the goodwill impairment is measured as the excess of the carrying amount of goodwill over its implied fair value. The implied fair value of goodwill should be determined by allocating fair value to the various assets and liabilities included in the reporting unit in the same manner as goodwill is determined in a business combination. The impairment charge should be included in operating income.

Impairment of non-current assets

Under Finnish GAAP, the Group recognized the impairment of property, plant and equipment if it was evident that the value of non-current assets was expected to be permanently lower than the historical cost, net of depreciation or amortization. Non-current assets, excluding goodwill, may be revalued upwards to recover the amounts previously recorded as impairment.

Under IFRS, at each balance sheet date, the Group reviews the carrying amounts of assets 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 the Group, the recoverable amount is mainly based on the values in use.

An impairment loss is recognized 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 lines. 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 every year or in case of indication of impairment.

Under U.S. GAAP, SFAS 144 *"Accounting for the Impairment or Disposal of Long-Lived Assets"* applies to recognized long-lived assets of an enterprise to be held and used or to be disposed of, including capital (finance) leases of lessees, long-lived assets of lessors subject to operating leases, and long-term prepaid assets and intangible assets that are amortized. A long-lived assets (asset group) is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows that are expected to result from the use and eventual disposition of the asset. An impairment loss is recognized only if the carrying amount of long-lived assets (asset group) is not recoverable and exceeds the fair value of the asset. Fair value is defined as the amount at which the asset could be bought or sold in a current market transaction between willing parties. Fair value is based on quoted market prices in active markets. The impairment loss equals the excess of the asset's carrying amount over its fair value. Any impairment loss should be allocated only to those long-lived assets within the asset group that are included in the scope of SFAS 144. Impairment losses cannot be reversed.

Pension plans

Group companies in different countries have various pension plans in accordance with local regulations and practices. Statutory and supplementary pension obligations in Finland are covered through a pension insurance policy (Finnish TEL system)

Under Finnish GAAP, the Group reported the pension liabilities in accordance with local regulations and practices in countries where it operates. In Finland, 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. Group companies outside of Finland have pension obligations arranged and pension liabilities recorded in accordance with local legislation and practice. Under Finnish GAAP, the TEL system is accounted for as a defined contribution plan. Pension insurance premiums are charged to income. The accrued pension liabilities not covered by insurance policies and changes thereof are recorded in the balance sheet and income statement in accordance with local practice. Pension liabilities which are not included in the balance sheet under the local rules are disclosed in the notes to the financial statements.

Under IAS 19, the pension plans are classified either as defined contribution plans or defined benefit plans. The contributions to defined contribution plans are recognized as an expense in the period to which they relate. In respect of each defined 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 the defined benefit obligations is determined using the projected unit credit method. The discount rate used to determine the present value of the defined benefit obligation is the yield on high quality corporate bonds or government bonds with similar maturity to the obligation. The calculations are prepared by a qualified actuary.

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 pension obligations are, to the extent that the cumulative unrecognized actuarial gain or loss exceeds by 10% the greater of the present value of the defined benefit obligation and 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

Under U.S. GAAP, post-employment benefits are classified either as defined contribution or defined benefit plans. A defined contribution pension plan provides pension benefits in return for services rendered, provides individual accounts for each participant, and specifies how contributions to individuals are to be determined, instead of specifying the amount of benefits an individual is to receive. A defined benefit plan is one that defines the amount of benefit to be received. SFAS 87, *"Employers' Accounting for Pensions"*, applies to all defined benefit and defined contribution plans, including foreign and multi-employer plans. In determining pension obligations, benefits are ordinarily attributed to periods of employee service based on the plan's benefit formula. For plan benefit formulas that define benefits similarly for all years of service, a "benefit/year-of-service" approach is used to determine the obligation, which attributes the same amount of pension benefit to each year of service. U.S. GAAP permits or requires the recognition of additional liabilities for vested benefits in certain cases. Under SFAS 87, actuarial assumptions should be the best estimate for future experience, although anticipation of changes in state benefits that affect the plan is precluded. SFAS 87 also requires that the measurement date of plan assets and obligations be at or within three months of each fiscal year end.

Leases

The Group leases certain property and equipment under various operating and finance lease agreements.

Under Finnish GAAP, payments made under operating leases, or under rental agreements, are expensed as incurred. As allowed under Finnish GAAP, leases are classified and accounted for the consolidated financial statements as finance leases if substantially all risks and benefits of ownership of the underlying assets have been transferred to the lessee. The assets related to all major finance leases are capitalized at the lower of their fair value or the estimated net present value of the lease payments. Each lease payment is allocated between reducing the lease liability and the finance charge so that a constant rate of interest is achieved on the balance of the lease liability. The lease liability, net of finance charges, is included in interest-bearing liabilities. Property, plant and equipment acquired under finance lease contracts are depreciated over the lesser of the useful life of the asset or the term of the lease.

Under IAS 17, leases are classified and accounted for as finance leases if substantially all risks and benefits of ownership of the underlying assets have been transferred to the lessee. The assets related to all major finance leases are capitalized at the lower of their fair value or the estimated net present value of the lease payments. Each lease payment is divided into reduction of the lease liability and the interest charge for the period, so that a constant rate of interest is recognized on the outstanding balance of the lease liability. The lease liability, net of finance charges, is included in interest-bearing liabilities. Property, plant and equipment acquired under finance lease contracts are depreciated over the useful life of the asset or the term of the lease. Payments made under operating leases are expensed as incurred.

Under U.S. GAAP, from the standpoint of the lessee, SFAS 13 *"Accounting for Leases"*, classifies leases as either operating or capital leases. Under U.S. GAAP a lease meeting any one of the following four criteria must be treated as a capital lease:

- the lease transfers ownership;
- the lease contains a bargain purchase option;
- the lease term is equal to or greater than 75% of the estimated economic life of the property; or
- the present value of the minimum lease payments equals or exceeds 90% of the fair value of the property

The lessee records a capital lease as an asset and an obligation at an amount equal to the lesser of the present value of the minimum lease payments at the beginning of the lease term or the fair value of the leased property. If none of the criteria is met, the lease is classified as an operating lease, with no balance sheet recognition other than an accrual or prepayment for rent. Rental payments, including lease incentives such as rent free periods or cash payments, generally are expensed in the income statement on a straight-line basis, unless some other systematic or rational basis is more representative of the time pattern of benefits.

Share-based payments

The Group has a number of option plans.

Under Finnish GAAP there are no standards to specify recognition and measurement requirements for equity compensation benefits. Terms of share-based payments are disclosed in the financial statements.

Under IFRS, the Group applies IFRS 2 *"Share-based payments"* to share-based payments programs granted after November 7, 2002 and not vested before January 1, 2005. The applicable share-based payment program grants key personnel share appreciation rights conditional upon satisfying specific 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 the 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 services to date.

Under U.S. GAAP, share-based payments include, for example, stock option plans, stock purchase plans, restricted stock plans and stock appreciation rights. APB 25 and SFAS 123 provide the basic principles of accounting for stock-based compensation. APB 25 is based upon an intrinsic value method of accounting. Under this method, compensation cost is measured as the excess, if any, of the quoted market price of the stock at the measurement date over the amount to be paid by the employee. SFAS 123 is based upon a fair value method of accounting. Under this method, compensation cost is measured at the fair value of the award on the applicable measurement date

Provisions

Under Finnish GAAP, the Group recognizes a provision when a present legal or constructive obligation exists as a result of past events, it is probable that an outflow of funds will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Under IFRS, provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of funds will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Under IFRS, an acquirer may recognize acquisition restructuring provisions as part of the acquired liabilities only when the acquiree has at the acquisition date an existing liability for restructuring recognized in accordance with IAS 37.

Under U.S. GAAP, provisions include liabilities which are probable future sacrifices of economic benefits arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events. However, specific rules apply to provisions for restructuring costs. For exit and disposal activities initiated after December 31, 2002, U.S. GAAP requires adoption of SFAS 146, *"Accounting for Costs Associated with Exit and Disposal Activities"*. SFAS 146 addresses financial accounting and reporting for costs associated with exit and disposal activities and requires the recognition only when the liability is incurred. Additionally, SFAS 146 stipulates that the liability be measured at fair value and adjusted for changes in cash flow estimates. Under U.S. GAAP (EITF 95-3) the recognition of a restructuring provision can be made if the management, having the appropriate level of authority as of the acquisition date, have begun to assess and formulate a plan to exit an activity of the acquired entity. The plan must be completed in detail as soon as possible, but no more than one year after the consummation date, and management must communicate the termination or relocation arrangements to the employees of the acquired company. The restructuring provision must meet the definition of a liability in order to be recorded.

Accounting for available-for-sale financial assets

Under Finnish GAAP, the Group recognizes available-for-sale financial instruments at the lower of cost or market value. Impairments are recognized in the income statement.

Under IAS 39, the available-for-sale investment category includes listed and unlisted securities as well as other interest-bearing current investments. They are measured at fair value. Unlisted securities are stated at the 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. Normally, available-for-sale investments are included in non-current assets unless the Group has the intention to hold them for less than 12 months after the balance sheet date.

Under US GAAP, changes in the fair value of available-for-sale financial instruments must be recognized directly in other comprehensive income. Impairment is recognized in the income statement.

Derivative financial instruments

The Group is exposed to foreign currency exchange and interest rate risks arising from its business operations and financing. In the normal course of business, the Group uses a variety of derivative financial instruments to manage these risks so as to minimize their impact on the Group's profitability and financial position.

Under Finnish GAAP, the derivative financial instruments used by the Group 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 Group uses derivative financial instruments for trading purposes to a very limited extent in accordance with the Group's Treasury Policy. To qualify as a hedge, a derivative financial instrument must relate to an identified asset, liability or commitment, to a portfolio of assets, liabilities or commitments or to a highly probable forecasted transaction. The instrument must also be denominated in the same currency as the underlying exposure, and must reduce the respective risk profile of the Group.

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. The fair values of all option-based derivative financial instruments, whether related to foreign exchange rates or interest rates, are determined on the last business day of each reporting period. Changes in the fair values are recorded as income or expense in the income statement. 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.

Under Finnish GAAP, there are no accounting rules for embedded derivatives.

Under IAS 39, the Group recognizes derivative financial instruments initially at cost reflecting their fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. Gains and losses on remeasurement to fair value are recognized according to the intended use of the derivative financial instrument.

The Group holds derivative instruments qualifying for IAS 39 hedge accounting to hedge a cash flow exposure on floating rate loans, and a currency exposure on a net investment in foreign operations. For hedge accounting purposes the Group prepares the 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 measurement of the hedged item.

When hedging the cash flow exposure on floating rate loans, the hedging instruments are interest rate swaps. Fair value changes of qualifying cash flow hedges are recognized directly in fair value reserve in equity. The associated gains and losses are removed from equity and recognized in the income statement in the same period with the hedged transaction. When a hedging instrument expires, is sold or no longer qualifies for hedge accounting, the cumulative gain or loss at that point is recognized in the profit or loss.

The Group uses foreign currency loans, forward contracts and medium-term cross-currency swaps to hedge its currency exposure on a net investment in foreign operations. The effective portion of the change in fair value (change in spot rate) is recognized in the currency translation reserve in equity. Any ineffective portion of the change, as well as all changes in the derivative's time value are 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 net investment is sold, the cumulative amount in the translation reserve is transferred to profit or loss as an adjustment to the profit or loss on disposal.

Some derivative instruments do not meet the criteria for hedge accounting in IAS 39, even if they are economic hedges according to the Group risk management 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.

IAS 39 defines embedded derivatives which may exist due to a broader definition of derivative instrument. Embedded derivatives are accounted for in the same manner as any other derivatives.

Under U.S. GAAP, all derivative contracts are recognized at fair value. In accordance with SFAS 133 *"Accounting for Derivative Instruments and Hedging Activities",* as amended, accounting for derivative instruments is in large part determined by the purpose for which the instrument was entered into. In general, derivative financial instruments which were entered into for speculative or trading purposes (or which do not meet the criteria for accounting for such items as hedges), rather than to hedge exposures to risks, are accounted for at fair value with all gains and losses recognized currently in earnings. Derivative financial instruments which (i) are entered into in order to hedge certain exposures and (ii) meet defined criteria in order to be classified as hedges, are accounted for in a manner so as to offset the gains and losses applicable to the derivative financial instrument against the gains and losses on the transactions or commitments which are being hedged (i.e., either by recording the gains and losses in derivative financial instruments currently when they are used as hedges of existing (on-balance sheet) transactions or by deferring the gains and losses on derivative financial instruments in the equity section of the balance sheet when they are used as hedges of forecasted transactions). In addition, SFAS 133 also defines the concept of embedded derivatives which may exist due to a broader definition of derivative instrument. Embedded derivatives are accounted for in the same manner as any other derivatives.

Deferred income taxes

Under Finnish GAAP, income tax expense consists of current and deferred taxes. Current taxes include taxes of the Group companies for the year in accordance with local regulations, as well as adjustments to prior year taxes. The Group accounted for deferred income taxes by its U.S. subsidiaries under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences of differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using 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 on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. For other group companies, the deferred taxes are provided for timing differences between book and taxable income.

Under IFRS, income tax expense consists of current and deferred taxes. Current taxes include taxes of the Group companies for the 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.

Deferred income taxes are accounted for using the balance sheet liability method, as measured with enacted tax rates, to reflect the net tax effects of all temporary differences between the financial reporting and tax bases of assets and liabilities. The main deferred tax assets and liabilities arise from the difference between the carrying amounts for financial reporting and the tax bases of property, plant and equipment, fair value measurement of net assets in acquired companies, pension and other obligations, untaxed reserves and unused tax losses and credits carried forward. Deductible temporary differences are recognized as a deferred tax asset to the extent that it is probable that future taxable profits will be available, against which the deductible temporary difference can be utilized.

Deferred tax assets and liabilities are measured using 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.

Under U.S. GAAP, income taxes are accounted for under the asset and liability method. A current tax liability or asset is recognized for income tax payable or recoverable in respect of all periods to date. A deferred tax asset is recognized for temporary differences that should result in deductible amounts in future years and for tax loss carry-forwards. Deferred taxes are also recorded for temporary differences between the financial statement basis and tax basis of equity method investments. However, a valuation allowance is deducted from this asset if, based on the weight of all available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized. All available evidence, both positive and negative, is considered to determine whether such an allowance is needed. The weight given to the potential effect of negative and positive evidence should be commensurate with the extent to which it can be verified objectively. The more negative evidence that exists the more positive evidence is necessary and the more difficult it is to support a conclusion that a valuation allowance is not needed. Deferred tax assets and liabilities are measured using the enacted tax rates in effect at the balance sheet date expected to apply to taxable income in the years 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 profit and loss in the period that includes the enactment date. Further, deferred taxes are recorded in purchase accounting on the differences between tax bases and the fair values of assets acquired as well as other identifiable assets, except for goodwill.

APPENDIX B Articles of Association of Ahlstrom

The Articles of Association of Ahlstrom after the registration of the amendments to the Articles of Associations relating to the Offering, on or about March 14, 2006, are set forth below:

1§
The name of the Company is Ahlstrom Oyj, in Swedish Ahlstrom Abp and in English Ahlstrom Corporation. The domicile of the Company is Helsinki.

2§
The Company's field of business is to engage in the manufacture, converting and sale of fibre-based specialty materials and products and in other related activities, and to own stocks and shares in companies engaged in the aforesaid activities. The Company can also as the parent company take care of the Group companies' common tasks such as administrative services and financing, and own real estate, stocks and shares.

3§
The Company's minimum share capital is forty-five million (45,000,000) euros and its maximum share capital is one hundred and eighty million (180,000,000) euros, within which limits the share capital may be increased or reduced without amending the Articles of Association.

The nominal value of the shares is one euro and fifty cents (1.50).

4§
The shares of the Company belong to the book-entry securities system.

The right to receive funds distributed by the Company and to subscribe for shares upon an increase of the share capital shall only belong to a person:

1) who was registered as a shareholder in the shareholder register on the record date; or
2) whose right to performance was on the record date entered in the book-entry account of a shareholder registered in the shareholder register and recorded in the shareholder register; or,
3) if a share is nominee-registered, in whose book-entry account the share was entered on the record date and the custodian of whose shares was recorded as the custodian of the shares on the record date.

5§
The Board of Directors of the Company shall comprise a minimum of five (5) and a maximum of seven (7) ordinary members. The Board members shall be elected annually at the Annual General Meeting for a term of office expiring upon the closing of the Annual General Meeting following their election.

The Board of Directors shall elect a chairman from among its members and, if it finds it warranted, a deputy chairman.

The Board of Directors may make written resolutions without meeting provided that all the Board members agree on such resolution and confirm that by their signatures.

6§
The Company shall have a President, appointed by the Board of Directors. The Board of Directors may, if it finds it warranted, appoint a deputy for the President.

7§
The President is authorized to sign alone for and on behalf of the Company. The Board of Directors may in addition authorize other persons to sign for and on behalf of the Company either alone or two jointly.

8§
The Company shall have one auditor, who must be a firm of auditors certified by the Finnish Central Chamber of Commerce.

The term of the auditor shall expire upon the closing of the first Annual General Meeting following his election.

9§
The Company's financial period shall be the calendar year.

10§
A General Meeting shall be convened by a notice published in one Finnish-language and one Swedish-language newspaper published in Helsinki, designated by the Board of Directors, not earlier than two months and not later than seventeen (17) days prior to the meeting.

In order to attend a General Meeting, a shareholder must notify the Company by the date stated in the notice of meeting, which date may be no earlier than ten (10) days prior to the meeting.

11§
A General Meeting shall be held either in the Company's domicile or in the municipality of Noormarkku.

12§
The Annual General Meeting shall be held each year within six months of the end of the financial period.

The Annual General Meeting shall:

- review
1 the annual accounts and the consolidated annual accounts
2 the auditor's report and the Group auditing report;

- decide on
3 the adoption of the income statement and balance sheet and the consolidated income statement and consolidated balance sheet;
4 any measures warranted by the profit or loss shown by the adopted balance sheet or consolidated balance sheet;
5 discharge from liability of the members of the Board of Directors, the President, and the deputy for the President, if any;
6 the remuneration payable to the members of the Board of Directors and to the auditor;
7 the number of the members of the Board of Directors;

- elect
8 the members of the Board of Directors;
9 the auditor;

- deal with
10 any other business mentioned in the notice of the meeting.

13§
A shareholder whose share alone or together with the shares of other shareholders, in a manner defined hereinafter, equals or exceeds 33 1/3 or 50 percent of the Company's capital stock or the voting rights attached thereto (shareholder subject to redemption obligation) shall be obliged, at the request of other shareholders (shareholders entitled to redemption), to redeem the shares of these shareholders and any securities which entitle to shares under the Finnish Companies Act, as stipulated in this Article.

What in this Article is said about shares and securities shall also be applicable to book-entry securities.

In calculating the percentage of the shares and voting rights held by a shareholder in the Company, also included shall be the shares belonging to:

1) an entity that according to the Finnish Companies Act belongs to the same group as the shareholder;

2) an enterprise that in the consolidated financial accounts prepared in accordance with the Accounting Act is regarded as belonging to the same group as the shareholder;

3) pension foundations or pension funds of the entities or enterprises referred to above;

4) such non-Finnish entity or enterprise that, were it Finnish, would, in the manner referred to above, belong to the same group as the shareholder; and

5) shareholders that are parties to an agreement or other arrangement that, if realized, would lead to the said share or voting right limits being reached or exceeded.

Where the redemption obligation is based on aggregate holdings or voting rights, the shareholders subject to redemption obligation shall be jointly and severally responsible vis-à-vis the shareholders entitled to redemption for performing the redemption. In such a situation a claim for redemption shall be considered to be made to all shareholders subject to redemption obligation even without a separate claim.

Where two shareholders reach or exceed the shareholding or voting-right limit triggering the redemption obligation so that they become obliged to redemption simultaneously, a shareholder entitled to redemption may claim redemption from both of them separately.

The redemption obligation shall not apply to shares or securities entitling to shares which the shareholder demanding redemption has acquired after the redemption obligation became known.

The redemption price of the shares

The redemption price of the shares shall be the highest of the following:

1) the weighted average trading price of the shares on the Helsinki Stock Exchange during the last ten (10) business days preceding the day on which the holding or voting-right limit referred to above was reached or exceeded, this day included, or, in the absence of trading, the most recent trading price of the share on the Helsinki Stock Exchange;

2) the weighted average of the trading prices of the shares on the Helsinki Stock Exchange during the last twelve (12) months preceding the day referred to under 1) above, this day included;

3) the weighted average price that the shareholder subject to redemption obligation has paid for shares he has bought or otherwise acquired for a consideration during the last 12 months preceding the day referred to under 1) above, this day included;

4) if the shareholder subject to redemption obligation has failed to make the notification referred to below in due time, the highest single price that he has paid for a share he has bought or otherwise acquired for a consideration during the last 12 months preceding the day referred to under 1) above, this day included.

If an acquisition affecting the average price is denominated in a foreign currency, its counter value in euros shall be calculated based on the middle rate quoted by the European Central Bank for the currency in question seven (7) days before the day on which the Board of Directors notified the shareholders of the possibility to have their shares redeemed, or in the absence of such quotation, on the nearest equivalent quotation chosen by the Board of Directors.

What is said above about determining the redemption price of the shares shall be, where appropriate, also applicable to other securities to be redeemed. If there is no stock quotation for such a security as referred to above in this Article, the redemption price shall be calculated as if the right for the holder of the security to subscribe for shares had arisen at the same time as the redemption obligation was triggered. If the subscription right attached to the security is based on a stock quotation, the price referred under 2) above shall be applied.

Redemption procedure

A shareholder subject to redemption obligation shall within seven (7) days of the date the redemption obligation was triggered notify the Board of Directors thereof in writing at the Company's address. The notification shall indicate the number of the shares held by him and the number and prices of the shares bought or otherwise acquired by him during the last twelve (12) months and the dates of such acquisitions. The notice shall include the address where the shareholder subject to redemption obligation can be contacted. The duty of notification is deemed to have been fulfilled when all the details mentioned above have been submitted to the Board of Directors in writing.

The Board of Directors shall inform the shareholders of the triggered redemption obligation within four (4) weeks of receiving the notice referred to above or, if such notice is not received at all or is not received in due time, within four (4) weeks of the date when it became otherwise aware of the triggered redemption obligation and has obtained the details referred to above needed to determine the redemption price. The notice shall indicate the date when the redemption obligation was triggered, the basis for determining the redemption price and the date by which claims for redemption shall be made. The notice to the shareholders shall be given in the same manner as the notice to convene a General Meeting is given.

A shareholder entitled to redemption shall in a manner determined by the Board of Directors make a written claim for redemption within sixty (60) days of the date the notice by the Board of Directors regarding the redemption obligation was published. The claim for redemption, which is to be delivered to the Company, shall indicate the number of the shares and other securities covered by the claim. The shareholder demanding redemption shall at the same time supply to the Company the documents carrying the right to the shares, to be delivered to the shareholder subject to redemption obligation against payment of the redemption price.

If a claim for redemption is not made by the due date in the manner described above, the shareholder's right to demand redemption shall be forfeited for that particular redemption case. A shareholder entitled to redemption shall have the right to withdraw his claim as long as redemption has not taken place.

Should the time limit mentioned above expire on a day that is not a banking day, the limit shall be extended until the end of the next banking day.

On the expiration of the period for the shareholders entitled to redemption to make their claims, the Board of Directors shall inform the shareholder subject to redemption obligation of the claims presented. The shareholder subject to redemption obligation shall within two (2) weeks of being informed of the redemption claims pay the redemption price in a manner prescribed by the Board of Directors against a receipt given by the Company. The Board of Directors shall see to it that the shareholder redeeming the shares is immediately entered as the owner of the shares in the book-entry account.

Penalty interest in accordance with the Interest Act shall be payable for the redemption price that has not been paid within the specified time, calculated from the date on which at the latest the redemption should have been made. If the shareholder subject to redemption obligation has failed to comply with what is stipulated above regarding the duty of notification, the penalty interest is calculated from the day on which at the latest the duty of notification should have been fulfilled.

Other provisions

The redemption obligation of this Article shall not apply to a shareholder who has reached or exceeded the share or voting-right limit triggering the redemption obligation when acquiring new shares directly from the Company in a new issue to increase the Company's share capital where exception is made from the shareholders' pre-emptive right, or who has reached or exceeded the limits after the Company has acquired its own shares and the shareholder concerned has not thereafter acquired shares that would confer to him a share of 5% or more of the voting power of all the shares in the Company.

Any disputes regarding the redemption obligation referred to above, the right to demand redemption related thereto and the amount of the redemption price shall be referred to settlement by arbitrators at the Company's domicile in accordance with the provisions of the law on arbitration proceedings effective at the time. Finnish law shall be applied in the arbitration proceedings.

APPENDIX C Glossary

GLOSSARY OF TECHNICAL AND INDUSTRY TERMS

Airlaying	The airlaying process is mostly used for hygiene applications. In airlaying, the fibers are fed into an air stream and from there to a moving belt or perforated drum, where they form a randomly oriented web.
Airlaid Nonwoven	Airlaid web bonded by one or more methods to provide fabric integrity.
Backing	Web or material that reinforces or supports the back of a product such as wallpaper or carpet.
Bonding	Conversion of fiber web materials into a nonwoven sheet by chemical (adhesive or solvent) or physical (mechanical or thermal) means.
Bonding agent	Substance used to bond materials together. It can be mixed into a liquid solution or applied in dry form and melted with heat.
Calender	Machine used to make the surface of paper smooth or glossy. In the calender machine two or more heavy cylinders impart heat and pressure as sheets are drawn between them. The cylinders can have surface features required in the fabric being produced (for example, patterned or smooth surfaces, or features to increase porosity).
Calendering	Finishing process that uses a calender to finish fiber web fabrics - also describes adding special features such as high luster, glazing and patterns. It is used to give a smoother, often glossier surface to improve the printability of paper or board.
Carding	Nonwoven manufacturing process using bales of fibers that are first opened and blended and then formed into a web by using a carding machine. Carded webs can be bonded using spunlace, needlepunch, thermal or chemical bonding.
Carding machine	Machine, which is a rotating drum or series of drums covered in fine wires or teeth, used in the carding process.
Chemical Bonding	Method of bonding fiber web materials using chemicals (bonding agents or solvents). The process of chemical bonding may use impregnation, spraying, printing and/or foam applications.
Coating	Coated papers are used, for example, in flexible packaging materials, poster papers and label papers. Coated papers have certain advantages in comparison to uncoated papers, including decreased ink absorption and increased surface strength. Coating usually increases the paper's resistance to dust and enhances its gloss and brightness. In the coating process, a liquid coating is applied to either one or both sides of the paper. After application of the required amount, the coating is dried and finished. The coating can consist of several components, the most important of which usually are the pigment and the binder.
Composite	Combination of two or more specific materials that have a distinct interface between them.
Composite Nonwoven	Term used to describe a product where the essential part of a composite material can be identified as a nonwoven - such as a nonwoven fabric to which filaments or yarn have been added.
Converter	Entity that converts fabric on rolls to a finished or next-step intermediary product. Among other things, converters can process roll-good materials to prepare them for use by end-users (slit, dye or print).

Coreboard	Coreboard is produced from recovered fibers, sometimes combined with a small proportion of primary wood pulp. Coreboard is used to produce papercores, for example, for the paper and textile industry.
Cores	Paper cores produced from coreboard are used by the paper and board, textile yarn and plastic-film industries.
Crepe	Characteristic of a fabric given by crepping or embossing to give a crimped surface to provide stretch or increased absorbency.
Crepping	Process of making crepe papers, where the paper web is threaded against a blade laying on a cylinder, giving the paper a “wavy” shape and extra elasticity.
Drape	Ability of a fabric to fold in on itself and conform to the shape of the object it is covering. It is also the term for the covering over a patient used during surgical operations.
EDANA	European Disposables and Nonwovens Association, an industry association that serves the nonwovens and related industries in Europe.
Embossing	Process where a pattern is pressed onto a material, generally by being drawn between two cylinders, one with a raised pattern and the other heated.
Impregnation	Treatment of certain filter papers, crepe papers and high end décor papers, where paper is saturated with chemicals and resins.
JEC Group	JEC Group is a company devoted to the promotion of composite materials. It supports the development of composites through the dissemination of knowledge and the promotion of exchanges between suppliers and users.
Facing	Outer covering of a product that is exposed or in contact with the body. In wallcovering products, facing is a fiber web ready for printing without any further surface treatments.
Fiber	Short, basic, threadlike structure that is the basis from which papers, nonwovens, yarns and textiles are made. There are natural animal fibers such as wool and silk; vegetable fibers such as cellulosic (wood or grass), cotton and flax; and mineral fibers such as asbestos. Manmade fibers include synthesized polymers such as polyester and nylon, modified natural polymers such as rayon and mineral fibers such as glass.
Fiber web	Product of web-forming machines and processes such as wetlaid, airlaid, spunlaid and carding and others that produce nonwoven fiber webs.
Glassine	European term for paper which is passed through a supercalender stack comprising between 16 and 18 rolls. The combination of heat, pressure and moisture results in a dense, smooth and transparent paper. See *“Supercalendered KraftPaper-SCK”*.
INDA	INDA Association of Nonwoven Fabrics Industry, an industry trade association that represents the nonwoven fabrics industry in North America.
Label Papers	One-side machine-coated or cast-coated papers used for labels in the beverage and food industry as well as for industrial and office use.
Laminate	Combination of different, prefabricated layers, into a permanent bond, using an adhesive to secure the bonding if required.

LWC, MWC, HWC	Light-weight, medium-weight and heavy-weight coated papers, which are produced from mechanical and chemical pulp. These papers are coated to provide a high-quality printing surface. Used for special and general interest magazines, cataloges and advertising materials.
Manmade Fibers	All chemically produced fibers that are not completely natural fibers such as wood fibers, cotton, wool, flax and silk. Manmade fibers are polymers synthesized from chemical compounds (such as nylon or polyester), transformed natural polymers (such as Rayon, acetates) or minerals (glass).
Medical Fabrics	Nonwoven, composite and crepe fabrics, which can be used in sterilization wraps, drapes, gowns, disposable devices, and accessories. Medical fabrics offer uniformity, strength, absorbency or repellency and are low-linting.
Mechanical Bonding	Process of bonding fiber web materials by entangling them using needle punching, stitching or high-pressure air or water jets (Spunlace).
Meltblown Technology	A variation of the Spunlaid process, whereby melted polymer pellets are spun into continuous fibers and laid down on a belt through a vacuum system, which scatters the melt, solidifies it and breaks it up into a fibrous web. This method can provide a small fiber diameter, which provides benefits in filtration, acoustic and absorption applications.
MWC	Medium weight coated. See *"LWC"*.
Natural Fibers	Fibers that come directly from animals, plants or minerals including wood, silk, wool, flax, cotton, ramie, jute and chemical pulp.
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 manufactured sheet or web of directionally or randomly oriented fibers bonded by friction and/or cohesion and/or adhesion, excluding paper and products that are woven, knitted, tufted, stitch-bonded; incorporate binding yarns or filaments; or are felted by wet-milling, whether or not additionally needled. The fibers may be of natural or man-made origin. They may also be staple or continuous filaments or be formed in situ.
Nonwovens Industry Magazine	Monthly trade magazine for the nonwovens industry.
NBSK-pulp	Northern bleached softwood kraft.
PaperPlus	Association of the European flexible packaging and labeling industry. An organization that aims to improve awareness about the advantages offered by paper as a substrate for flexible packaging of primarily food and non-food products, for wet glue bottle labels and for self-adhesive laminates and labels, to the benefit of converters, brand owners, retailers and final consumers.
Polymer	Liquid or solid substance that is made by chemically linking macromolecules together in chains. Made by the process of polymerization; a "high polymer" describes a polymer produced of long polymer chains.
Pulp	Product resulting from the cooking of wood chips, cotton or other source of cellulose with water and required chemicals. Pulp forms the basic raw material for producing paper and boards.
Random Laying	Forming a fiber web without regard to the direction in which the fibers are aligned.

Release Base Papers	In a self-adhesive label stock, the back page of a label that is removed and discarded.
Roll Goods	Fabric or fiber web rolled on core-tubing after being produced. Roll goods are often delivered to contractors for further processing and delivery to end users.
Specialty Papers	Coated, calendered, crepped or impregnated papers including labeling, flexible packaging, greaseproof, decoration, crepe and wallpaper base papers designed and produced to meet specialized customer needs.
Spinneret	Device used for making Rayon, nylon, and other synthetic fibers. It consists of a plate pierced with holes through which polymer pellets are extruded in filaments.
Spin Laying	Process of extruding polymeric solution through Spinnerets to form fibers and filaments before laying them down on a moving screen to form a web.
Spunlaid	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.
Supercalendered Paper (SC)	Super-calendered paper is an uncoated paper produced from mechanical, chemical and deinked pulp and filler. The paper is calendered to achieve a glossy printing surface. Used for magazines, catalogues and advertising materials.
Supercalendered Kraft Paper (SCK)	North American term for paper which is passed through a supercalender stack comprising between 7 and 10 rollers. Due to the use of fewer rollers there is less pressure and hence SCK is less dense and less transparent than European glassine calendered grades of paper.
Synthetic Fibers	Manmade fiber which usually is created from a molten polymer or polymer in solution.
Wet Forming	The wet forming (wetlaid) process is used in applications that include filtration materials, medical apparel, wiping products, wallcoverings and technical products used in decoration or insulation. The wetlaid process has been developed from papermaking techniques. In this 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.
Wetlaid	A fiber web made by Wet Forming.
Wetlaid Nonwoven	Wetlaid nonwoven web bonded to provide fabric integrity.
Wood Pulp	Used to make paper, wood pulp is formed by cooking cellulose fibers with water and chemicals. It is very absorbent and used as a raw material for forming paper and nonwoven fiber webs.
Yarn	A continuous strand of fibers or filaments that are twisted together and used for woven, knitted or braided fabrics.

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Ahlstrom