2007

FINANCIAL STATEMENTS

Small fibers. Big difference.

Ahlstrom

Contents

Report by the Board of Directors

Overview of 2007

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

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

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

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

Financial performance in 2007

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

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

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

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

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

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

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

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

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

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

Financing and financial position in 2007

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

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

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

Growth strategy

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

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

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

Capital expenditure in 2007 and estimate for 2008

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

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

Acquisitions and investment decisions in 2007

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

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

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

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

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

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

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

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

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

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

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

Organic growth investment start-ups in 2007

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

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

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

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

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

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

Divestments in 2007

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

Research and development (R&D) in 2007

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

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

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

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

Changes in corporate structure in 2007

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

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

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

Changes in the Corporate Executive Team in 2007

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

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

Personnel

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

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

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

Risk management

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

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

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

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

Strategic business risks

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

Operational risks

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

Financial risks

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

Health, safety and environment

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

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

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

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

Shares and share capital

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

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

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

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

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

Annual General Meeting

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

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

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

Other events

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

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

Outlook for the first half of 2008

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

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

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

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

Segment reviews

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

FiberComposites segment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Raw material and energy prices continued to rise throughout the year

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

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

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

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

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

Specialty Papers segment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Income statement

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

Balance sheet

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

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

Statement of changes in equity

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

Statement of cash flows

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

Accounting principles

Corporate information

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

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

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

Basis of preparation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Transactions denominated in foreign currencies

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

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

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

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

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

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

Financial instruments

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

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

Financial assets at fair value through profit or loss

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

Loans and other receivables

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

Available-for-sale financial assets

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

Cash and cash equivalents

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

Financial liabilities

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

Derivative financial instruments and hedge accounting

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

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

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

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

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

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

Revenue recognition

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

Income taxes

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

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

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

Property, plant and equipment

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

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

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

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

Intangible assets

Goodwill

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

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

Research and development

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

Other intangible assets

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

Investment property

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

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

Leasing

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

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

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

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

Impairment of assets

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

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

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

Inventories

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

Trade receivables

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

Provisions

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

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

Employee benefits

Defined contribution and defined benefit plans

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

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

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

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

Share-based payment transactions

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

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

Dividends

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

The transaction costs related to the initial public offering in 2006

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

Government grants

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

Emission rights

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

Non-current assets held for sale and discontinued operations

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

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

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

Operating profit

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

Application of improved or revised IFRS-standards

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

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

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

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

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

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

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

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

1. Segment information

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

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

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

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

Inter-segment pricing is based on market prices.

Business segments 2007

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

Business segments 2006

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

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

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

Geographical segments

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

2. Disposal of businesses

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

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

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

3. Acquisitions of businesses

2007

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

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

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

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

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

The table below summarizes the acquisitions in 2007.

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

2006

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

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

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

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

4. Other operating income and expenses

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

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

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

5. Employee benefit expenses

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

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

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

6. Financial income and expenses

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

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

7. Income taxes

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

8. Earnings per share

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

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

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

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

9. Property, plant and equipment

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

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

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

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

10. Intangible assets

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

11. Impairment testing, impairment loss and subsequent reversal

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

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

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

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

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

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

12. Investment property

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

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

13. Investments in associated companies

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

Financial information of major associated companies

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

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

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

14. Other investments

Non-current other investments are investments to unlisted shares EUR 0.2 million (EUR 0.2 million in 2006) and they are classified as available-for-sale financial assets. For unlisted shares the fair value cannot be measured reliably, therefore the investment is carried at cost.

Current other investments of EUR 5.8 million (EUR 5.0 million in 2006) are booked at fair value through income statement.

15. Deferred tax assets and liabilities

EUR million	Balance at Jan 1	Charged to income statement	Charged to equity	Acquisitions and disposals	Translation differences	Balance at Dec 31
2007						
Deferred tax assets						
Property, plant and equipment and intangible assets	13.7	-2.1	-	-	-0.2	**11.4**
Employee benefit obligations	23.7	-4.2	-	-	-1.2	**18.3**
Tax loss carried forward and unused tax credits	19.3	13.1	-	-	-1.0	**31.4**
Other temporary differences	18.4	7.4	-	0.1	-0.4	**25.5**
Total	75.1	14.2	-	0.1	-2.8	**86.6**
Offset against deferred tax liabilities	-49.3	-10.4	-	-	2.6	**-57.1**
Deferred tax assets	25.9	3.8	-	0.1	-0.2	**29.7**
Deferred tax liabilities						
Property, plant and equipment and intangible assets	73.2	-6.5	-	18.9	-3.9	**81.7**
Other temporary differences	2.8	0.2	-	-	0.0	**3.0**
Total	76.1	-6.3	-	18.9	-3.9	**84.8**
Offset against deferred tax assets	-49.3	-10.4	-	-	2.6	**-57.1**
Deferred tax liabilities	26.8	-16.8	-	18.9	-1.3	**27.6**

EUR million	Balance at Jan 1	Charged to income statement	Charged to equity	Acquisitions and disposals	Translation differences	Balance at Dec 31
2006						
Deferred tax assets						
Property, plant and equipment and intangible assets	19.4	-5.4	-	-	-0.3	13.7
Employee benefit obligations	26.1	-1.9	0.6	-	-1.1	23.7
Tax loss carried forward and unused tax credits	15.8	5.5	-1.6	-	-0.5	19.3
Other temporary differences	21.6	-3.9	0.8	-	-0.2	18.4
Total	83.0	-5.6	-0.1	-	-2.1	75.1
Offset against deferred tax liabilities	-50.9	-0.2	-	-	1.8	-49.3
Deferred tax assets	32.2	-5.8	-0.1	-	-0.3	25.9
Deferred tax liabilities						
Property, plant and equipment and intangible assets	74.2	2.5	0.0	-	-3.4	73.2
Other temporary differences	3.0	-0.2	0.0	-	0.0	2.8
Total	77.2	2.3	0.0	-	-3.4	76.1
Offset against deferred tax assets	-50.9	-0.2	-	-	1.8	-49.3
Deferred tax liabilities	26.3	2.1	0.0	-	-1.6	26.8

No deferred tax liability has been recognized for undistributed earnings of the subsidiaries since such earnings can either be transferred to the parent company without any tax consequences or such earnings are regarded as permanently invested in the company in question and there are no plans to distribute those earnings to the parent company in the foreseeable future. If all retained earnings would be distributed to the parent company, the withholding tax payable would not be a material amount compared to the deferred tax liability of the Group.

In 2007, the net impact of the corporate tax rate changes on the Group deferred taxes was EUR -2.1 million related mainly to Germany and Italy. In 2006, the impact was not material.

At December 31, 2007 the Group had tax loss carry forwards of EUR 129.6 million (EUR 82.5 million in 2006) in total, of which EUR 77.9 million (EUR 54.0 million in 2006) has no expiration period. Regarding losses amounting to EUR 37.4 million (EUR 34.0 million in 2006) no deferred tax asset was recognized due to the uncertainty of utilization of these tax loss carry forwards.

16. Inventories

EUR million	2007	2006
Material and supplies	**92.4**	69.2
Work in progress	**14.9**	11.3
Finished goods	**138.9**	132.4
Advances paid	**0.0**	1.5
Total	**246.3**	214.4

In 2007, EUR 7.7 million (EUR 7.5 million in 2006) was recognized as expense as the carrying value of the inventories was written down to reflect its net realizable value.

17. Trade and other receivables

EUR million	2007	2006
Non-current		
Loan receivables	**0.6**	0.8
Trade receivables	**0.0**	0.0
Prepaid expenses and accrued income	**0.2**	0.1
Other receivables	**16.0**	5.1
Total	**16.9**	6.1
Current		
Loan receivables	**1.1**	1.6
Trade receivables	**345.3**	292.6
Receivables from associated companies	**0.1**	0.5
Prepaid expenses and accrued income	**14.3**	12.4
Derivative financial instruments	**6.0**	2.1
Other receivables	**22.6**	18.7
Total	**389.3**	328.0

The maximum exposure to credit risk at the reporting date is the carrying amount of the trade and other receivables.

Analysis of trade receivables by age		
Not past due	**301.0**	244.6
Past due 1-30 days	**27.4**	34.1
Past due 31-90 days	**13.1**	10.2
Past due more than 90 days	**4.0**	3.9
Total	**345.4**	292.8
Impaired receivables deducted from trade receivables		
Balance at Jan 1	**6.9**	7.7
Increase	**1.4**	1.5
Decrease	**-1.9**	-1.9
Recovery	**-1.4**	-0.4
Balance at Dec 31	**5.0**	6.9

In 2007, EUR 4.7 million (EUR 6.6 million in 2006) of the impaired receivables relates to the trade receivables past due more than 90 days.

Specification of prepaid expenses and accrued income		
Accrued discounts	**0.2**	0.5
Prepaid expenses	**5.3**	4.2
Accrued insurance indemnification	**0.3**	0.8
Other	**8.6**	7.1
Total	**14.5**	12.5

The carrying amounts of trade and other receivables are reasonable approximations of their fair value.

18. Cash and cash equivalents

EUR million	2007	2006
Cash, bank accounts and interest-bearing instruments maturing within three months	**21.3**	20.1
Cash and cash equivalents in the balance sheet	**21.3**	20.1

Cash and cash equivalents in the statement of cash flow equals to the cash and cash equivalents in the balance sheet.

19. Capital and reserves

	Number of shares (1,000)	Issued capital	Share premium	Non-restricted equity reserve	Total
Dec 31, 2005	36,418.4	54.6	26.7	-	81.3
Initial public offering	9,150.0	13.7	182.4	-	196.1
Shares subscribed with options	93.3	0.1	0.2	0.5	0.9
Dec 31, 2006	45,661.7	68.5	209.3	0.5	278.3
Shares subscribed with options	1,008.9	1.5	-	7.7	9.2
Dec 31, 2007	**46,670.6**	**70.0**	**209.3**	**8.3**	**287.5**

At December 31, 2007, the authorised share capital comprised 46,670,608 shares with a par value EUR 1.50. All shares have one vote and an equal right to dividend. The maximum share capital is EUR 180 million and the maximum number of shares is 120 million shares.

In 2007, a total of 1,008,871 new shares of Ahlstrom Corporation were subscribed with option rights under the company's stock option programs I (2001) and II (2001). In 2006, a total of 93,318 new shares were subscribed with option rights under the company's stock option program I (2001).

In March 2006, Ahlstrom made an Initial Public Offering (IPO) comprising 7,300,000 shares in the institutional offering and 700,000 shares in the retail offering. On March 13, 2006, the Board decided to allocate 6,600,000 shares to institutional investors and 1,400,000 to retail investors. Approximately 43 percent of the demand in the institutional offering originated from Finnish investors and approximately 57 percent from international investors. On March 16, SEB Enskilda, the lead manager of the IPO, exercised the over-allotment option to subscribe for 1,150,000 additional shares of Ahlstrom to cover over-allotment in the institutional offering.

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

Reserves

The share premium reserve was formed in the demerger of A. Ahlström Osakeyhtiö in 2001. The consideration received of the new shares have been recognized in the Share premium and after September 1, 2006 according to the updated Finnish Limited Liability Companies Act in the non-restricted equity reserve. The hedging reserve comprises the fair value changes of cash flow hedges qualifying for hedge accounting. The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of instruments that hedge the net investment in foreign subsidiaries.

Dividends

After the balance sheet date, the Board of Directors proposed a dividend of EUR 1.00 per share.

20. Employee benefit obligations

The Group has defined benefit pension plans in various countries. Plans have been arranged both in pension insurance companies and pension funds. In the defined benefit plan the benefits at retirement are determined based on for example salary and retirement age.

EUR million	2007	2006
Post-employment benefit plans		
Employee benefits liability recognized in the balance sheet		
Present value of funded benefit obligations	**180.1**	201.7
Present value of unfunded benefit obligations	**48.0**	51.0
Fair value of plan assets	**-151.0**	-135.0
Present value of net obligations	**77.1**	117.7
Unrecognized actuarial gains and losses	**-4.2**	-11.5
Unrecognized prior service cost	**0.6**	0.0
Net liability at Dec 31	**73.6**	106.2
Changes in the present value of obligations		
Present value of defined benefit obligation at Jan 1	**252.7**	258.0
Current service cost	**3.3**	6.2
Interest cost	**12.6**	12.1
Actuarial gains and losses	**-9.7**	-5.0
Gains and losses on curtailments	**-3.5**	1.1
Business combinations	**1.4**	-
Past service costs	**-**	0.5
Benefits paid	**-12.1**	-13.1
Other changes	**1.2**	3.4
Translation differences	**-17.7**	-10.6
Present value of defined benefit obligation at Dec 31	**228.1**	252.7
Changes in the fair value of the plan assets		
Fair value of plan assets at Jan 1	**135.0**	131.3
Expected return on plan assets	**10.8**	9.6
Actuarial gains and losses	**-1.9**	3.8
Contributions by employer	**31.5**	6.4
Benefits paid	**-11.9**	-11.0
Other changes	**0.5**	2.7
Translation differences	**-12.9**	-7.8
Fair value of plan assets at Dec 31	**151.0**	135.0
Expenses recognized in the income statement		
Current service cost	**-3.3**	-6.2
Interest cost	**-12.6**	-12.1
Expected return on plan assets	**10.8**	9.6
Net actuarial gains and losses recognized	**-0.7**	0.0
Past service cost	**-**	-0.5
Gains and losses on curtailments and settlements	**1.7**	0.5
Total charge (Net periodic cost)	**-4.0**	-8.9
Actual return on plan assets	**8.4**	7.7

The Group expects to contribute EUR 6.2 million to its defined benefit plans in 2008.

	2007	2006
Plan asset categories		
Equity instruments	**63.2%**	59.6%
Debt instruments	**31.3%**	34.3%
Property	**0.0%**	0.0%
Other	**5.5%**	6.1%
Principal actuarial assumptions (expressed as weighted averages)		
Europe		
Discount rate at Dec 31	**4.9%**	4.9%
Expected return on plan assets	**7.1%**	6.5%
Future salary increases	**2.9%**	2.9%
Future pension increases	**1.4%**	2.0%
North America		
Discount rate at Dec 31	**6.1%**	5.8%
Expected return on plan assets	**8.0%**	8.5%
Future salary increases	**4.5%**	4.5%
Future pension increases	**4.0%**	4.0%
Other Countries		
The actuarial assumptions in other countries are immaterial		

EUR million	2007	2006	2005
Five-year overview (as of Jan 1, 2005)			
Present value of obligations	**228.1**	252.7	258.0
Fair value of plan assets	**-151.0**	-135.0	-131.3
Deficit/surplus	**77.1**	117.7	126.7
Experience adjustments to plan liabilities	**-2.0**	3.7	5.3
Experience adjustments to plan assets	**-1.7**	6.5	-1.1

EUR million	2007	2006
Other long-term employee benefit liability		
Other long-term employee benefit liability at Jan 1	**6.2**	5.5
Increase	**0.3**	1.7
Decrease	**-2.9**	-1.0
Other long-term employee benefit liability at Dec 31	**3.7**	6.2

21. Provisions

EUR million	Restructuring	Environmental	Other	Total
Balance at Jan 1, 2007	6.2	3.8	6.5	16.5
Translation differences	-	-	-0.1	-0.1
Increase in provisions	28.2	1.1	5.8	35.2
Used provisions	-3.9	-1.6	-2.7	-8.2
Reversal of provisions	-0.3	-	-0.5	-0.8
Balance at Dec 31, 2007	**30.2**	**3.4**	**9.2**	**42.7**
Non-current	-	3.0	1.6	4.6
Current	30.2	0.4	7.5	38.1
Total	**30.2**	**3.4**	**9.2**	**42.7**

The restructuring provisions relate mainly to the announced closures of Ascoli plant in Italy and Chantraine plant in France as well as the consolidation of the air filtration sites in the USA from Bellingham, Massachusetts and Darlington, South Carolina to Bethune, South Carolina. The used provisions relate mainly to social plan charges in Germany at the Osnabrück plant and the restructuring plan in Nümbrecht. Environmental provisions have been made for landscaping of dumps in Finland. Other provisions consist mainly of customer and legal claim provisions and termination of external agent commission agreements.

22. Interest-bearing loans and borrowings

	Fair value		Carrying amount	
EUR million	**2007**	2006	**2007**	2006
Non-current				
Loans from financial institutions	**185.4**	23.5	**185.4**	23.5
Finance lease liabilities	**11.6**	13.6	**14.6**	17.1
Other non-current loans	**2.6**	3.3	**2.6**	3.3
Total	**199.6**	40.4	**202.7**	44.0
Current				
Current portion of non-current loans	**4.0**	2.4	**4.0**	2,4
Current portion of finance lease liabilities	**2.3**	2.9	**2.7**	3.4
Other current loans	**308.8**	130.6	**308.8**	130.6
Total	**315.1**	135.9	**315.5**	136.4

The carrying amounts of non-current and current loans from financial institutions and other loans are measured at amortized cost using the effective interest rate. These carrying amounts are reasonable approximations of their fair values.

In 2007, weighted average of effective interest rates for interest-bearing loans was 4.9% (4.5% in 2006).

EUR million	**2007**	2006
Currency distribution of non-current interest-bearing liabilities:		
EUR	**201.5**	42.3
USD	**0.2**	0.3
Others	**1.0**	1.4
Currency distribution of current interest-bearing liabilities:		
EUR	**247.1**	60.5
USD	**57.6**	61.1
Others	**10.8**	14.8

EUR million	2007	2006
Finance lease liabilities		
Minimum lease payments		
Not later than one year	**3.0**	3.5
Between one and five years	**8.6**	10.4
More than five years	**8.7**	9.9
Total minimum lease payments	**20.2**	23.9
Future finance charges	**-2.9**	-3.4
Present value of minimum lease payments	**17.3**	20.5
Present value of minimum lease payments		
Not later than one year	**2.7**	3.0
Between one and five years	**6.9**	8.8
More than five years	**7.8**	8.7
Present value of minimum lease payments	**17.3**	20.5

23. Trade and other payables

Non-current		
Other liabilities	**0.3**	0.4
Accrued expenses and deferred income	**0.3**	0.2
Total	**0.6**	0.6
Current		
Trade payables	**193.6**	171.5
Liabilities to associated companies	**0.5**	0.8
Accrued expenses and deferred income	**54.7**	48.5
Derivative financial instruments	**2.0**	1.5
Advances received	**0.3**	0.2
Other current liabilities	**21.9**	18.4
Total	**273.1**	241.0
Specification of accrued expenses and deferred income		
Accrued wages, salaries and related cost	**40.0**	36.1
Accrued restructuring costs	**0.1**	1.0
Accrued interest expense	**3.2**	0.6
Other	**11.7**	11.1
Total	**55.0**	48.7

24. Financial risk management

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

The overall objective of financial risk management in Ahlstrom is to have cost-effective funding in Group companies as well as to protect the Group from unfavourable changes in the financial markets and thus help to secure profitability. The principles and limits for financing activities are defined in the Group Treasury Policy on the basis of which Group companies have specified their own procedures, which take into account the special aspects unique to their businesses. The Group Treasury Policy has been approved by the company's Board of Directors and the treasury activities are co-ordinated by Group Treasury.

Liquidity and refinancing risk

The Group seeks to maintain adequate liquidity under all circumstances by means of efficient cash management and restricting investments to highly liquid instruments. It also aims to secure the timely availability of funds by maintaining an appropriate designed mix of cash, short- and long-term loans and committed and uncommitted credit facilities provided by banks and other financial institutions both in the domestic and international financial markets. In Finland the Group accesses short-term funds under a commercial paper program. Of the maximum amount of EUR 300 million EUR 96.4 million was drawn on the balance sheet day (none in 2006). The Group's main funding facility is a EUR 200 million syndicated revolving credit facility maturing in November 2009, of which EUR 140 million was in use by year-end (none in 2006).

Refinancing risks are minimized by ensuring that the loan portfolio has a balanced maturity schedule and that loans have sufficiently long maturities. The maturity profile of the liabilities of the Group is shown below.

Maturity profile of liabilities

EUR million

2007	2008	2009	2010	2011	2012	Later	Total
Floating rate loans from financial institutions	12.8	152.6	5.3	30.1	3.7	8.5	213.0
Finance lease liabilities	3.0	3.6	2.0	1.7	1.3	8.7	20.2
Other non-current loans	0.9	0.8	0.8	0.7	0.3	0.1	3.6
Other current loans	308.8	-	-	-	-	-	308.8
Trade and other payables	273.1	-	-	-	-	-	273.1
Total	598.6	157.0	8.1	32.6	5.3	17.2	818.7

2006	2007	2008	2009	2010	2011	Later	Total
Floating rate loans from financial institutions	2.7	4.2	4.0	3,9	3.7	11.9	30.4
Finance lease liabilities	3.5	3.5	2.7	2.6	1.6	9.9	23.9
Other non-current loans	0.9	0.9	0,8	0,8	0,7	0.4	4.4
Other current loans	130.6	-	-	-	-	-	130.6
Trade and other payables	241.0	-	-	-	-	-	241.0
Total	378.8	8.5	7.5	7.2	6.0	22.2	430.2

Foreign currency risk

The Group is exposed to currency risk arising from exchange rate fluctuations. The management of foreign currency exposure is divided into two parts: that relating to foreign currency flows (transaction exposure) and that relating to balance sheet items denominated in foreign currency (translation exposure).

The first concerns forecasted foreign currency flows and firm commitments. In 2007, approximately 60% of Ahlstrom's net sales were denominated in euros, approximately 32% in US dollars and 8% in other currencies. Ahlstrom's raw materials are generally purchased in US dollars and euros. Foreign currency flows are hedged on a net exposure basis per currency against the base currency of the respective Group company in accordance with a formula defined in the Group Treasury Policy. The length of the transaction exposure periods is determinated individually by the Group companies in accordance with their specific guidelines in order to allow for as accurate a match with the underlying risk profile as possible. Foreign currency forwards are used as hedging instruments and these are generally booked through income statement. Ahlstrom has in 2007 started to apply fair value hedge accounting only for hedges related to certain investments. In 2006, the Group applied cash flow hedge accounting for a small number of hedging instruments which have matured before the balance sheet date.

The balance sheet position consists of foreign currency denominated debts and receivables. According to the Group Treasury Policy, the aim is a fully hedged position. Foreign currency risks associated with the net investments in foreign subsidiaries are partially hedged and for these hedging instruments Ahlstrom applies hedge accounting. The hedging policy related to net investments was adjusted during 2007 to allow more flexibility and as a consequence the net equity hedging ratio dropped from approximately 50% in 2006 to 30% in 2007.

Interest rate risk

Fluctuations in interest rates affect the interest expense of the Group. The primary focus of Ahlstrom's interest rate risk management is to maintain a sound balance between floating and fixed rate obligations in respect of the interest-bearing liabilities of the Group. The floating to fixed ratio is adjusted by the use of derivative instruments such as interest rate swaps and these are usually between two and five years long. At the balance sheet date all interest rate swap contracts were classified as financial assets held for trading. Derivative fair values are shown in note 25.

Credit and counterparty risk

Credit risk is the probability of a loss from a debtor's default to fulfill its contractual obligation for payment. Credit risk in the Group arises from commercial receivables as well as from occasional external placements to financial institutions and from derivative contracts. The quantity of credit risk can be determined by the credit status of the counterparty.

The objective of the group credit management is to control and mitigate commercial credit risk in the company, to ensure that customer credit limits are properly evaluated and approved prior to granting credit and to reduce potential collection problems. The structure and procedures of credit management are outlined in the Ahlstrom group credit policy guideline. The business areas are responsible for implementing the credit management throughout the operations and for ensuring that each operating entity has a credit policy stating procedures for credit application and extension, credit hold, allowance for bad debt and collection process. Business areas set and delegate the credit risk limits within their authorization.

Credit insurance has been used as a mitigation tool covering significant amount of risk originating from Europe. In other areas, creditworthiness of counterparties is evaluated by obtaining credit references from e.g. credit rating agencies, and exposure may be reduced by the use of letters of credit, advance payments and bank guarantees. No significant concentration of credit risk exists for the Group due to the diversified customer base and geographical split of the receivables. Almost all of Ahlstrom's customers are industrial companies. See aging analysis of trade receivables in note 17.

Short-term cash investments and deposits are occasionally placed mainly at first-class banks and financial institutions and other counterparties with high credit rating only. Credit risk from transactions with financial institutions is mitigated by managing these transactions (including receivables and derivative instruments) centrally by group treasury. Treasury selects counterparties for these transactions based on financial ratings. Whilst counterparty risks cannot be entirely eliminated, the management is confident that they are under control.

Sensitivities to market risks

The following sensitivity analysis illustrates the Group's sensitivity to market risks arising from financial instruments as required by IFRS 7. The analysis has been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives portfolio and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at December 31, 2007. The financial instruments affected by market risks include working capital items, such as trade and other receivables and payables, borrowings, deposits, cash and cash equivalents and derivative financial instruments. These are sensitive to exchange rate fluctuations and changes in interest rates.

Below is a summary of the nominal amounts by major currencies that are exposed to currency risks.

	Income statement			Equity			
EUR million	USD	GBP	SEK	USD	GBP	SEK	BRL
2007							
Assets	215.4	33.4	0.6	117.6	46.6	31.3	110.7
Liabilities	-54.4	-0.4	-2.4	-	-13.6	-	-
Foreign exchange derivative contracts	-178.6	-33.7	8.0	-40.3	-1.4	-27.1	-
Total open position	**-17.6**	**-0.7**	**6.2**	**77.3**	**31.6**	**4.2**	**110.7**
2006							
Assets	161.2	33.5	1.0	141.7	31.7	31.9	-
Liabilities	-29.6	-	-4.8	-	-	-	-
Foreign exchange derivative contracts	-104.7	-20.3	8.2	-52.9	-0.9	-29.9	-
Total open position	26.9	13.2	4.4	88.8	30.9	2.0	-

The following table shows how much the income statement and the equity would be affected by a +10% change in the exchange rates against the euro. In case of a -10% change in the exchange rates against the euro, the effect would be the opposite.

	Income statement			Equity			
EUR million	USD	GBP	SEK	USD	GBP	SEK	BRL
2007							
Balance Sheet							
Equity	-	-	-	11.8	4.7	3.1	11.1
Trade receivables	2.9	0.8	0.0	-	-	-	-
Trade payables	-1.9	0.0	0.0	-	-	-	-
Cash and cash equivalents	0.3	0.0	0.0	-	-	-	-
Loans and borrowings	14.8	2.5	-0.2	-	-1.4	-	-
Foreign exchange derivative contracts	-17.9	-3.4	0.8	-4.0	-0.1	-2.7	-
Net effect	**-1.8**	**-0.1**	**0.6**	**7.7**	**3.2**	**0.4**	**11.1**
2006							
Balance Sheet							
Equity	-	-	-	14.2	3.2	3.2	-
Trade receivables	3.9	0.9	0.1	-	-	-	-
Trade payables	-3.0	-	-	-	-	-	-
Cash and cash equivalents	0.2	0.0	0.0	-	-	-	-
Loans and borrowings	12.0	2.5	-0.5	-	-	-	-
Foreign exchange derivative contracts	-10.4	-2.0	0.8	-5.3	-0.1	-3.0	-
Net effect	2.7	1.4	0.5	8.9	3.1	0.2	-

EUR million	2007	2006
Items exposed to interest rate risk		
Other investments	**5.8**	5.0
Interest-bearing liabilities excluding finance lease liabilities	**500.8**	159.9
Interest rate derivative contracts (nominal amount)	**100.0**	25.0
Interest Rate Risk arising from financial instruments		
The following table shows the net effect after a 1% parellell shift in the interest rate curve.		
Other investments and interest-bearing liabilities excluding finance lease liabilities	**-4.7**	-1.7
Interest rate derivative contracts	**3.2**	0.8
Net effect	**-1.4**	-0.9

25. Nominal and fair values of derivative financial instruments

Fair values of derivative financial instruments

EUR million	Positive fair values maturing in < 1 year	> 1 year	Negative fair values maturing in < 1 year	> 1 year
2007				
Hedge accounting				
Foreign exchange forward contracts*	1.6	-	-0.3	-
Total	**1.6**	**-**	**-0.3**	**-**
Non-hedge accounting				
Interest rate swaps	-	0.9	-	-0.6
Foreign exchange forward contracts	4.0	-	-1.7	-
Total	**4.0**	**0.9**	**-1.7**	**-0.6**
2006				
Hedge accounting				
Foreign exchange forward contracts	0.5	-	-0.3	-
Total	0.5	-	-0.3	-
Non-hedge accounting				
Interest rate swaps	-	0.8	-	0.0
Foreign exchange forward contracts	0.7	-	-1.0	-
Total	0.7	0.8	-1.0	0.0

* Out of foreign exchange forward contracts, fair value of EUR 0.2 million was designated for fair value hedges and reported in income statement along with the changes in the fair value of the underlying firm commitment. The fair value of EUR 1.2 million was designated for hedges of net investment in foreign subsidiaries as at December 31, 2007 (EUR 0.2 million in 2006) and reported in translation difference in equity.

Nominal values of derivative financial instruments

EUR million	Maturing in < 1 year	> 1 year	Total
2007			
Interest rate swaps	-	100.0	100.0
Foreign exchange forward contracts	457.0	-	457.0
Total	**457.0**	**100.0**	**557.0**
2006			
Interest rate swaps	-	25.0	25.0
Foreign exchange forward contracts	393.1	-	393.1
Total	393.1	25.0	418.1

The fair values of interest rate swaps have been calculated as the present value of the estimated future cash flows while the fair values of foreign exchange forward contracts have been determined by using market rates at the balance sheet date.

Of the outstanding foreign exchange forward contracts EUR 350.5 million (EUR 256.7 million in 2006) relate to the hedging of the operational and financial cash flows and EUR 106.5 million (EUR 136.4 million in 2006) to the hedging of the foreign currency denominated net equity investments in foreign subsidiaries.

26. Carrying amounts of financial assets and liabilities by measurement categories

EUR million	(Note)	Financial assets/ liabilities at fair value through income statement	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Carrying amounts by balance sheet item
2007						
Non-current financial assets						
Other investments	(14)	-	-	0.2	-	**0.2**
Other receivables	(17)	-	16.9	-	-	**16.9**
Current financial assets						
Trade and other receivables	(17)	-	383.3	-	-	**383.3**
Derivative financial instruments	(17,25)	6.0	-	-	-	**6.0**
Other investments	(14)	5.8	-	-	-	**5.8**
Cash and cash equivalents	(18)	-	21.3	-	-	**21.3**
Carrying amount by category		**11.8**	**421.5**	**0.2**	**-**	**433.5**
Non-current financial liabilities						
Interest-bearing loans and borrowings	(22)	-	-	-	202.7	**202.7**
Other liabilities	(23)	-	-	-	0.6	**0.6**
Current financial liabilites						
Interest-bearing loans and borrowings	(22)	-	-	-	315.5	**315.5**
Trade and other payables	(23)	-	-	-	271.1	**271.1**
Derivative financial instruments	(23,25)	2.0	-	-	-	**2.0**
Carrying amount by category		**2.0**	**-**	**-**	**789.9**	**791.9**
2006						
Non-current financial assets						
Other investments	(14)	-	-	0.2	-	0.2
Other receivables	(17)	-	6.1	-	-	6.1
Current financial assets						
Trade and other receivables	(17)	-	325.8	-	-	325.8
Derivative financial instruments	(17,25)	2.1	-	-	-	2.1
Other investments	(14)	5.0	-	-	-	5.0
Cash and cash equivalents	(18)	-	20.1	-	-	20.1
Carrying amount by category		7.1	352.0	0.2	-	359.3
Non-current financial liabilities						
Interest-bearing loans and borrowings	(22)	-	-	-	44.0	44.0
Other liabilities	(23)	-	-	-	0.6	0.6
Current financial liabilites						
Interest-bearing loans and borrowings	(22)	-	-	-	136.4	136.4
Trade and other payables	(23)	-	-	-	239.5	239.5
Derivative financial instruments	(23,25)	1.5	-	-	-	1.5
Carrying amount by category		1.5	-	-	420.4	422.0

27. Capital structure

The Group's objective is to maintain an efficient capital structure which is targeted both to increase the company's shareholder value and also to secure the Group's ability to operate on the loan and equity markets at all times. Despite the fact that Ahlstrom does not have a public rating, the company's target is to have a capital structure equivalent to that of other companies with a public investment grade rating. The Board of Directors reviews the capital structure of the Group regularly.

The capital structure is monitored on the basis of the gearing ratio which is calculated by dividing interest-bearing net liabilities with total equity. Interest-bearing net liabilities are calculated as interest-bearing loans and borrowings less cash and cash equivalents and other current investments.

According to the set financial targets Ahlstrom's gearing ratio should on a long-term be between 50–80%. In 2006, the gearing ratio was clearly below the target level due to the IPO in March 2006. The gearing ratios in 2006 and 2007 were as follows:

EUR million	**2007**	2006
Interest-bearing loans and borrowings	**518.2**	180.4
Cash and cash equivalents	**21.3**	20.1
Other current investments	**5.8**	5.0
Interest-bearing net liabilities	**491.1**	155.2
Equity, total	**752.4**	766.6
Gearing ratio	**65.3%**	20.3%

28. Operating leases

Minimum lease payments from operating lease contracts:		
Less than one year	**5.3**	6.1
Between one and five years	**10.3**	12.9
More than five years	**4.6**	5.2
Total	**20.3**	24.3

29. Notes to the consolidated statement of cash flows

Non-cash transactions and transfers to cash flow from other activities:		
Depreciation and amortization	**99.9**	81.2
Gains and losses on sale of non-current assets	**-10.2**	-8.3
Gains and losses on sale of subsidiary shares	**-1.6**	-3.3
Change in employee benefit obligations	**-10.1**	1.7
Total	**78.0**	71.4

30. Commitments and contingent liabilities

EUR million	**2007**	2006
For own liabilities:		
Other loans		
Amount of loans	**0.9**	1.5
Book value of pledges	**1.0**	1.6
For own commitments:		
Guarantees	**23.8**	29.1
For commitments of associated companies:		
Guarantees	**6.3**	8.3
Capital expenditure commitments	**32.4**	50.6
Other contingent liabilities	**4.7**	5.3

Group companies are currently not a party to any material legal, arbitration or administrative proceedings.

Capital expenditure commitments consist mainly of a new food nonwovens line in Chirnside, UK, a new power plant in Turin, Italy and a new glassfiber tissue plant in Tver, Russia.

The main item in other contingent liabilities is a binding contract for raw material purchases.

Contingent assets

Tons	**2007**
Emission rights at Jan 1, 2007	49,495
Emission rights received	656,364
Pollutants emitted	-551,225
Emission rights sold	-154,500
Emission rights at Dec 31, 2007	134

The rights in excess of pollutants emitted at December 31, 2006 were transferred to 2007. The sales of emission rights were EUR 0.2 million in 2007. The fair value at the balance sheet date was close to zero.

31. Transactions with related parties

The Group has a related party relationship with its subsidiaries, associated companies and its management.

At Dec 31, 2007 the Group parent company and subsidiaries are as follows

	Ownership interest, %	Country
Parent company Ahlstrom Corporation		Finland
Ahlcorp Oy	100.0	Finland
Ahlstrom Australia Pty Ltd	100.0	Australia
Ahlstrom B.V.	100.0	Netherlands
Ahlstrom Chirnside Limited	100.0	UK
Ahlstrom Japan Inc.	100.0	Japan
Ahlstrom Korea Co., Ltd	100.0	South Korea
Ahlstrom Malmédy SA	100.0	Belgium
Ahlstrom Monterrey, S. de R.L. de C.V.	100.0	Mexico
Ahlstrom Nordic Oy	100.0	Finland
Ahlstrom Norrköping AB	100.0	Sweden
Ahlstrom Sales LLC	100.0	Russia

	Ownership interest, %	Country
Ahlstrom South Africa (Pty) Ltd	60.0	South Africa
Ahlstrom Ställdalen AB	100.0	Sweden
Ahlstrom (Wuxi) Technical Textile Co., Ltd	100.0	China
Akerlund & Rausing Kuban Holding GmbH	100.0	Germany
Fiberflow Oy	100.0	Finland
Lantor (Hong Kong) Limited	100.0	Hong Kong
Ahlstrom Asia Holdings Pte Ltd	100.0	Singapore
PT Ahlstrom Indonesia	100.0	Indonesia
Ahlstrom Barcelona, S.A.	100.0	Spain
Ahlstrom Alicante Nonwovens S.A.U.	100.0	Spain
Ahlstrom Glassfibre Oy	100.0	Finland
Karhulan Teollisuuskeräys Oy	100.0	Finland
Ahlstrom Holding GmbH	100.0	Germany
Ahlstrom Munich GmbH	100.0	Germany
Ahlstrom Osnabrück GmbH	100.0	Germany
Ahlstrom Altenkirchen GmbH	100.0	Germany
Ahlstrom Nümbrecht GmbH & Co. KG	100.0	Germany
Ahlstrom Nümbrecht Verwaltung GmbH	100.0	Germany
Ahlstrom Industrial Holdings Limited	100.0	UK
Ahlstrom Group Finance Limited	100.0	UK
Ahlstrom Industries	100.0	France
Ahlstrom Brignoud	100.0	France
Ahlstrom Tampere Oy	100.0	Finland
Ahlstrom Chantraine	100.0	France
Ahlstrom Labelpack	100.0	France
Ahlstrom Research and Services	100.0	France
Ahlstrom Specialties	100.0	France
Ahlstrom Louveira Ltda	100.0	Brazil
Ahlstrom - VCP Indústria de Papéis Especiais S.A.	60.0	Brazil
Ahlstrom Russia Oy	100.0	Finland
Ahlstrom Tver LLC	100.0	Russia
Ahlstrom Turin S.p.A.	100.0	Italy
Ahlstrom Fabriano S.r.l.	100.0	Italy
Ahlstrom Ibérica, S.L.	51.0	Spain
Ahlstrom Milano S.r.l.	100.0	Italy
Ahlstrom Nordica S.r.l.	60.0	Italy
Ahlstrom USA Inc.	100.0	USA
Ahlstrom Atlanta LLC	100.0	USA
Ahlstrom Capital Corporation	100.0	USA
Ahlstrom Filtration LLC	100.0	USA
Ahlstrom Nonwovens LLC	100.0	USA
Windsor Locks Canal Company	100.0	USA
Ahlstrom Specialty Reinforcements Bishopville LLC	100.0	USA
Titanium Foreign Sales Corporation	100.0	USA

The Group has merged several companies in the USA in 2007. Ownership interest does not differ from the voting rights.

Related party transactions with associated companies

EUR million	2007	2006
Sales and interest income	**1.3**	1.3
Purchases of goods and services	**-5.0**	-10.9
Trade and other receivables	**0.1**	0.5
Trade and other payables	**0.5**	0.8
Interest-bearing loans and borrowings	**0.1**	6.6

Market prices have been used in transactions with associated companies. Commitments on behalf of associated companies are shown in note 30.

EUR thousand	2007	2006
Board Remuneration		
Board members at December 31, 2007		
Peter Seligson, Chairman	**57**	40
Urban Jansson, Vice Chairman	**35**	35
Sebastian Bondestam	**32**	30
Jan Inborr	**35**	42
Bertel Paulig	**33**	40
Willem F. Zetteler	**33**	32
Thomas Ahlström	**24**	-
Former Board member		
Johan Gullichsen	**19**	65
Total	**268**	284
Employee benefits for key management		
Short-term employee benefits	**3,524**	3,406
Post-employment benefits	**73**	71
Cash-settled share-based transactions	**-220**	318
Total	**3,377**	3,795
Executive Remuneration		
President and CEO Jukka Moisio	**616**	739
Other Corporate Executive Team (CET) members	**2,909**	2,667
Total	**3,524**	3,406
Benefits of the subscriptions and trades of the options of the option program I (2001) and II (2001)		
President and CEO Jukka Moisio	**1,640**	-
Other Corporate Executive Team (CET) members	**1,850**	-
Total	**3,490**	-

The liability recognized arising from the cash-settled share-based transactions (option program 2004 A) regarding the President and CEO and Corporate Executive Team members has decreased in 2007 by EUR 220 thousand to EUR 395 thousand on December 31, 2007.

The Group also provides non-cash benefits to the management.

The President and CEO and the Finnish members of the Corporate Executive Team may be eligible for early retirement at the age of 60 according to the voluntary collective pension plan.

Share-based payment plans to key personnel (IFRS 2 - cash-settled share-based transactions)

On October 27, 2004 the Board approved a Long-Term Incentive Plan for key employees. During the period of 2005–2007, each participant in the plan had each calendar year the possibility to earn a predetermined maximum number of synthetic stock options. The maximum aggregate amount of the options which could have been earned during 2005–2007 was 2,505,128. The options entitled the participants to a pay-out, which is made in cash during the third year following the year for which the options have been earned. For the options granted in 2005 (2004 A), the cash payment will be in 2008. The amount of the payment was determined based on the performance of the Group, among other things.

In 2006 (program 2004 B) and in 2007 (2004 C), no options were earned by the participants due to the lower than targeted EPS performances of the Group. Therefore no fair value calculation was needed at December 31, 2007. The liability recognized arising from the program 2004 A at the balance sheet date was EUR 1.0 million. On December 31, 2006 the liability arising from the program 2004 A was EUR 1.7 million.

The fair value of the arising liability of the Plan at December 31, 2006 was calculated using the Black-Scholes formula and recognized as an expense in the income statement during the vesting period. Within the formula, a risk-free interest rate of 3.0% and expected volatility based on peer group performance of 23% were used.

The following table illustrates the general terms and conditions of the option programs:

	2004 A	2004 B	2004 C
Grant date	Oct 27,2004	Oct 27,2004	Oct 27,2004
The maximum number of options available	816,278	844,425	844,425
The number of options granted	246,482	0	0
Share value at grant date*	16.73	16.73	16.73
Term of contract	Oct 27, 2004–Mar 31, 2008	Oct 27, 2004–Mar 31, 2009	Oct 27, 2004–Mar 31, 2010
Vesting period	Jan 1, 2005–Dec 31, 2007	Jan 1, 2006–Dec 31, 2008	Jan 1, 2007–Dec 31, 2009
Conditions of agreement	The Group's earnings per share and personal performance in 2005, and share price performance during 2005-2007.	The Group's earnings per share and personal performance in 2006, and share price performance during 2006-2008.	The Group's earnings per share and personal performance in 2007, and share price performance during 2007-2009.
Exercise price, EUR (dividends not deducted)	16.73	23.79	22.65
Fair value of the option, EUR	4.27	n/a	n/a

* Determined by an independent expert as Ahlstrom's share was not publicity listed

The number and weighted average exercise prices of stock options are as follows:

	2007		2006	
	Weighted average exercise price, EUR	Number of options	Weighted average exercise price, EUR	Number of options
Outstanding at the beginning of the period	**10.55**	**246,482**	13.52	194,250
Granted during the year	-	-	12.67	63,311
Forfeited during the year	**10.32**	**-11,709**	10.38	-11,079
Outstanding at the end of the period	**4.27**	**234,773**	10.55	246,482
Exercisable at the end of the period		-		-

Non-IFRS 2 applicable stock option arrangements

On September 26, 2001 the Group decided to issue 1,752,068 stock options to the Ahlstrom management and key employees. Each stock option gave its holder the rights to subscribe for one share in Ahlstrom Corporation. The subscription price of a share subscribed with a stock option was EUR 16.13 decreased by the amount of dividends after January 1, 2002 and prior to the share subscription. The share subscription period of both of the option programs expired on April 30, 2007. From January 2, 2007 through April 23, 2007, the options were listed on the OMX Nordic Exchange Helsinki. In January-April of 2007 1,008,871 new shares of Ahlstrom Corporation were subscribed with option rights.

These stock option arrangements have been granted before November 7, 2002 and in accordance with IFRS 1 and IFRS 2, IFRS recognition and measurement principles have not been applied to these arrangements.

The number and weighted average exercise prices of stock options are as follows:

	2007		2006	
	Weighted average exercise price, EUR	Number of options	Weighted average exercise price, EUR	Number of options
Outstanding at the beginning of the period	**9.22**	**1,008,871**	11.01	1,537,007
Forfeited during the year	-	-	9.22	-29,876
Exercised during the year	**9.16**	**-1,008,871**	9.57	-93,318
Redeemed during the year	-	-	9.22	-404,942
Outstanding at the end of the period		**0**	9.22	1,008,871
Exercisable at the end of the period		-		488,699

32. Subsequent events after the balance sheet date

The Group's management does not have knowledge of any significant events after the balance sheet date, which would have had an impact on the financial statements.

Key figures

EUR million	2007 IFRS	2006 IFRS	2005 IFRS	2004 IFRS	2004 FAS	2003 FAS
Financial indicators						
Net sales	**1,760.8**	1,599.1	1,552.6	1,567.8	1,567.8	1,556.4
Personnel costs	**362.1**	319.6	313.1	340.1	338.5	357.0
% of net sales	**20.6**	20.0	20.2	21.7	21.6	22.9
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**125.6**	177.6	200.9	152.4	155.1	160.9
% of net sales	**7.1**	11.1	12.9	9.7	9.9	10.3
Depreciation *	**93.9**	79.9	82.9	86.7	91.6	94.3
Goodwill amortization and impairment of non-current assets *	**5.9**	1.7	0.8	3.6	12.5	18.1
Operating profit	**25.8**	96.1	117.2	62.1	51.0	48.5
% of net sales	**1.5**	6.0	7.5	4.0	3.3	3.1
Net interest expense	**20.9**	8.4	11.5	12.5	12.0	10.4
% of net sales	**1.2**	0.5	0.7	0.8	0.8	0.7
Profit before taxes	**0.2**	81.2	100.7	47.9	34.8	33.7
% of net sales	**0.0**	5.1	6.5	3.1	2.2	2.2
Profit for the period attributable to the equity holders of the parent	**0.5**	57.5	62.4	33.2	17.5	22.4
% of net sales	**0.0**	3.6	4.0	2.1	1.1	1.4
Capital employed (end of period)	**1,270.6**	946.9	947.1	975.6	1,008.9	994.5
Interest-bearing net liabilities	**491.1**	155.2	340.6	361.8	341.8	285.8
Total equity	**752.4**	766.6	590.5	580.5	632.9	673.8
Return on capital employed (ROCE), %	**2.5**	10.4	12.4	7.0	5.3	4.6
Return on equity (ROE), %	**0.2**	8.5	10.7	5.6	2.7	3.2
Equity ratio, %	**44.0**	56.5	43.2	42.0	45.3	47.4
Gearing ratio, %	**65.3**	20.3	57.7	62.3	53.9	42.3
Capital expenditure, including acquisitions	**371.9**	127.8	73.2	167.0	167.0	93.1
% of net sales	**21.1**	8.0	4.7	10.7	10.7	6.0
R&D expenditure	**23.9**	25.0	27.1	27.6	27.6	32.9
% of net sales	**1.4**	1.6	1.7	1.8	1.8	2.2
Net cash from operating activities	**43.9**	119.2	126.6	128.0	128.0	202.0
Number of employees, year-end	**6,481**	5,677	5,525	5,755	5,755	6,486
Number of employees, annual average	**6,108**	5,687	5,605	6,428	6,428	6,536
Net sales per employee, EUR thousands	**288**	281	277	244	244	238

* According to IFRS there is no amortization on goodwill

	2007	2006	2005	2004		2003
	IFRS	IFRS	IFRS	IFRS	FAS	FAS
Share indicators						
Earnings per share, EUR	**0.01**	1.31	1.71	0.91	0.48	0.61
Earnings per share, diluted, EUR	**0.01**	1.29	1.67	0.90	0.48	0.61
Cash earnings per share, EUR	**0.94**	2.72	3.48	3.52	3.52	5.55
Equity per share, EUR	**15.35**	16.79	16.21	15.94	17.38	18.50
Dividend per share, EUR	**1.00****	1.00	1.79	1.72	1.72	1.50
Payout ratio, %	**n/a**	76.3	104.7	188.9	358.1	245.9
Adjusted number of outstanding shares, end of period (1,000 shares)	**46,670.6**	45,661.7	36,418.4	36,418.4	36,418.4	36,418.4
Adjusted number of outstanding shares, average (1,000 shares)	**46,476.2**	43,801.7	36,418.4	36,418.4	36,418.4	36,418.4

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

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

Calculation of key figures

Interest-bearing net liabilities: Interest-bearing loans and borrowings – Cash and cash equivalents – Other investments (current)

Equity ratio, %: $$\frac{\text{Total equity}}{\text{Total assets – Advances received}} \times 100$$

Gearing ratio, %: $$\frac{\text{Interest-bearing net liabilities}}{\text{Total equity}} \times 100$$

Return on equity (ROE), %: $$\frac{\text{Profit (loss) for the period}}{\text{Total equity (annual average)}} \times 100$$

Return on capital employed (ROCE), %: $$\frac{\text{Profit (loss) before taxes + Financing expenses}}{\text{Total assets (annual average) – Non-interest bearing liabilities (annual average)}} \times 100$$

Earnings per share, EUR: $$\frac{\text{Profit for the period attributable to equity holders of the parent}}{\text{Average adjusted number of shares during the period}}$$

Cash earnings per share, EUR: $$\frac{\text{Net cash from operating activities}}{\text{Average adjusted number of shares during the period}}$$

Equity per share, EUR: $$\frac{\text{Equity attributable to equity holders of the parent}}{\text{Adjusted number of shares at the end of the period}}$$

Dividend per share, EUR: $$\frac{\text{Dividends paid for the period}}{\text{Adjusted number of shares at the end of the period}}$$

Payout ratio, %: $$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

Income statement

EUR million	(Note)	2007	2006
Net sales	(1)	**61.1**	65.0
Other operating income	(2)	**1.0**	1.7
Personnel costs	(3)	**-8.7**	-11.1
Depreciation and write-downs	(10)	**-0.1**	-0.2
Other operating expense		**-21.2**	-30.7
		-30.0	-42.0
Operating profit		**32.1**	24.7
Financing income and expense			
Dividend income	(5)	**4.4**	30.4
Interest and other financing income	(6)	**29.3**	23.0
Interest and other financing expense	(7)	**-18.9**	-14.6
Gains and losses on foreign currency		**10.2**	12.8
		25.0	51.6
Profit before extraordinary items		**57.1**	76.3
Extraordinary items	(8)		
Extraordinary income		**5.5**	5.6
Profit after extraordinary items		**62.6**	81.9
Income taxes	(9)	**-13.2**	-11.4
Net profit		**49.4**	70.5

Balance sheet

EUR million	(Note)	Dec 31, 2007	Dec 31, 2006
Assets			
Non-current assets			
Intangible assets	(10)		
Intangible rights		**0.4**	0.4
Advances paid and construction in progress		**0.1**	0.1
		0.5	0.5
Tangible assets	(10)		
Land and water areas		**0.4**	0.4
Machinery and equipment		**0.1**	0.1
Other tangible assets		**0.1**	0.1
		0.6	0.6
Long-term investments	(11)		
Shares in Group companies		**793.7**	512.8
Receivables from Group companies		**15.0**	-
Shares in associated companies		**2.7**	2.8
Shares in other companies		**0.5**	0.5
		811.9	516.1
Current assets			
Long-term receivables			
Receivables from Group companies	(17)	**68.1**	160.7
Deferred tax assets	(16)	**1.4**	1.6
		69.5	162.3
Short-term receivables			
Trade receivables		**0.1**	0.3
Receivables from Group companies	(17)	**520.0**	365.9
Receivables from associated companies	(18)	**-**	0.4
Deferred tax assets	(16)	**0.1**	0.2
Other short-term receivables		**0.0**	1.8
Prepaid expenses and accrued income	(12)	**13.3**	7.5
		533.5	376.1
Short-term investments		**5.8**	5.0
Cash and cash equivalents		**3.2**	4.9
		9.0	9.9
Total assets		**1,425.0**	1,065.5

EUR million	(Note)	Dec 31, 2007	Dec 31, 2006
Shareholders' equity and liabilities			
Shareholders' equity	(13)		
Share capital		**70.0**	68.5
Share premium		**187.8**	187.9
Non-restricted equity reserve		**8.3**	0.5
Retained earnings		**599.4**	575.5
Net profit		**49.4**	70.5
		914.9	902.9
Liabilities			
Provisions for contingencies	(15)	**5.2**	6.1
Long-term liabilities	(14)		
Loans from financial institutions		**185.3**	23.4
Liabilities to Group companies	(17)	**-**	14.9
		185.3	38.3
Short-term liabilities			
Loans from financial institutions		**218.8**	31.8
Trade payables		**1.4**	0.6
Liabilities to Group companies	(17)	**89.6**	66.3
Liabilities to associated companies	(18)	**0.1**	6.6
Other short-term liabilities		**0.4**	0.4
Accrued expenses and deferred income	(19)	**9.3**	12.5
		319.6	118.2
Total liabilities		**510.1**	162.6
Total shareholders' equity and liabilities		**1,425.0**	1,065.5

Statement of cash flows

EUR million	**2007**	2006
Cash flow from operating activities		
Operating profit	**32.1**	24.7
Depreciation, amortization and write-downs	**0.1**	0.2
Other adjustments	**-1.7**	-
Operating profit before change in net working capital	**30.5**	24.9
Change in net working capital	**9.7**	-4.9
Cash generated from operations	**40.2**	20.0
Interest income	**27.4**	20.0
Interest and other financing expense	**-15.2**	-5.9
Gains and losses on foreign currency	**8.1**	3.6
Income taxes	**-19.4**	-7.5
Net cash from operating activities	**41.1**	30.2
Cash flow from investing activities		
Capital expenditures	**-0.2**	-0.1
Acquisitions of Group companies	**-281.4**	-23.5
Increase in other investments	**-15.0**	-
Proceeds from disposal of shares in Group companies	**1.8**	-
Proceeds from liquidation of Group companies	**0.3**	0.7
Proceeds from sale of non-current assets	**0.8**	0.1
Dividends received	**4.4**	30.4
Group contributions	**7.6**	2.8
Net cash used in investing activities	**-281.7**	10.4
Cash flow from financing activities		
Share issue and share options exercised	**9.2**	202.2
Change in notes receivable and short-term investments	**-73.6**	-12.7
Change in long-term debt	**148.5**	-98.4
Change in short-term debt	**201.4**	-64.4
Dividends paid	**-46.6**	-65.2
Net cash used in financing activities	**238.9**	-38.5
Net change in cash and cash equivalents	**-1.7**	2.1
Cash and cash equivalents at beginning of period	**4.9**	2.8
Cash and cash equivalents at end of period	**3.2**	4.9

Accounting principles

Company information
Ahlstrom Corporation is the parent company of the Ahlstrom Group and acts as a holding company for its subsidiaries. The parent company coordinates the treasury functions of Ahlstrom and also the group internal financing. In addition, the parent company sells management services and other administrative services to its subsidiaries. The shares of Ahlstrom Corporation have been listed on the OMX Nordic Exchange Helsinki since March 2006.

Basis of preparation
The financial statements of the company have been prepared in euro and in accordance with the requirements of Finnish Accounting Act and other acts and accounting principles generally accepted in Finland. Ahlstrom Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and the parent company has observed the Group's accounting principles whenever this has been possible. Presented below are principally the accounting principles in which the practice differs from the Group's accounting principles. In other respects, the Group's accounting principles are applied.

Derivative financial instruments
The company is exposed to foreign currency exchange and interest rate risks arising from the business operations and financing. In the normal course of business, the company uses a variety of derivative financial instruments to manage these risks so as to minimize their impact on the company's profitability and financial position.

The derivative financial instruments used by the company are designated as either hedges of forecasted transactions or firm commitments (cash flow hedges) or as hedges of net investments in foreign entities. In addition, the company uses derivative financial instruments for trading purposes to a very limited extent in accordance with the Group's Treasury Policy.

The gains or losses on forward foreign exchange contracts are comprised of an interest rate component and a currency component. The interest rate component is amortized over the lifetime of the contract and is reported in interest income or interest expense in the income statement. The currency component of the transaction is valued at the end of each reporting period based on the currency exchange rates in effect on the last business day of the reporting period and the resulting gain or loss is reported in the income statement under exchange gains/losses.

Interest rate swaps that are designated as cash flow hedges are accounted for on an accrual basis. Interest payable and receivable under the swap terms are accrued and recorded as an adjustment of the interest expense of the designated liability.

Extraordinary items
The extraordinary items in the financial statements include group contributions granted or received and the related income tax effects.

Leasing
Payments made under operating leases, or under rental agreements, are expensed as incurred.

Pension plans
A statutory pension liability and supplementary pension benefits are funded through compulsory insurance policies. Payments to pension insurance institutions are determined by the insurance institution according to prescribed actuarial assumptions and other rulings.

Pension insurance premiums are charged to income. In Finland, the accrued pension liabilities not covered by insurance policies and changes thereof are recorded in the balance sheet and income statement.

EUR million	**2007**	2006
1. Distribution of net sales		
France	**14.8**	18.0
USA	**13.4**	14.0
Italy	**12.7**	11.5
Germany	**6.1**	7.5
Finland	**6.0**	6.2
United Kingdom	**2.8**	3.5
Sweden	**1.4**	1.4
South Korea	**1.2**	1.2
Spain	**1.2**	0.6
Belgium	**1.0**	0.9
Other	**0.5**	0.2
Total	**61.1**	65.0
2. Other operating income		
Gain on sale of shares	**0.7**	1.0
Other	**0.3**	0.7
Total	**1.0**	1.7
3. Personnel costs		
Remuneration of board members	**-0.3**	-0.3
Remuneration of managing director	**-0.5**	-0.5
Bonuses to managing director	**-0.1**	-0.2
Other wages and salaries	**-6.4**	-8.3
Pension costs	**-0.9**	-0.8
Other wage-related costs	**-0.5**	-1.0
Total	**-8.7**	-11.1

The President and CEO and the Finnish members of the Corporate Executive Team may be eligible for early retirement at the age of 60 according to the voluntary collective pension plan.

4. Average number of personnel		
Salaried	**91**	90
5. Dividend income		
from Group companies	**4.4**	30.0
from associated companies	**-**	0.4
Total	**4.4**	30.4
6. Interest and other financing income		
from Group companies	**27.8**	20.0
from others	**1.5**	3.0
Total	**29.3**	23.0
7. Interest and other financing expense		
to Group companies	**-2.9**	-3.0
to others	**-16.0**	-11.6
Total	**-18.9**	-14.6
8. Extraordinary items		
Group contributions	**7.5**	7.6
Taxes related to extraordinary items	**-2.0**	-2.0
Total	**5.5**	5.6

EUR million	2007	2006
9. Income taxes		
Taxes for current and previous years	**-15.0**	-11.6
Deferred taxes	**-0.2**	-1.8
Taxes related to extraordinary items	**2.0**	2.0
Income taxes in the income statement	**-13.2**	-11.4

10. Intangible and tangible assets

EUR million	Intangible rights	Land and water areas	Machinery and equipment	Other tangible assets
2007				
Cost at Jan 1	2.5	0.4	1.3	0.6
Increases	-	-	-	-
Decreases	-	-	-1.1	-
Cost at Dec 31	**2.5**	**0.4**	**0.2**	**0.6**
Accumulated depreciation and amortization at Jan 1	2.0	-	1.2	0.5
Depreciation and amortization for the fiscal year	0.1	-	-	-
Decreases	-	-	-1.1	-
Accumulated depreciation and amortization at Dec 31	**2.0**	**-**	**0.1**	**0.5**
Book value at Dec 31, 2007	**0.5**	**0.4**	**0.1**	**0.1**
2006				
Cost at Jan 1	2.5	0.4	1.3	0.6
Increases	0.1	-	-	-
Decreases	-0.1	-	-	-
Cost at Dec 31	2.5	0.4	1.3	0.6
Accumulated depreciation and amortization at Jan 1	1.9	-	1.2	0.5
Depreciation and amortization for the fiscal year	0.1	-	-	-
Decreases	-	-	-	-
Accumulated depreciation and amortization at Dec 31	2.0	-	1.2	0.5
Book value at Dec 31, 2006	0.5	0.4	0.1	0.1

11. Long-term investments

EUR million	Shares in Group companies	Receivables from Group companies	Shares in associated companies	Shares in other companies
2007				
Cost at Jan 1	512.8	-	2.8	0.5
Increases	281.3	15.0	-	-
Decreases	-0.4	-	-0.1	-
Cost at Dec 31	**793.7**	**15.0**	**2.7**	**0.5**
Book value at Dec 31, 2007	**793.7**	**15.0**	**2.7**	**0.5**
2006				
Cost at Jan 1	489.6	-	2.8	0.5
Increases	23.5	-	-	-
Decreases	-0.3	-	-	0.0
Cost at Dec 31	512.8	-	2.8	0.5
Book value at Dec 31, 2006	512.8	-	2.8	0.5

EUR million	2007	2006
12. Prepaid expenses and accrued income		
Short-term	**13.3**	7.5
Main items:		
Accruals of hedging contracts	**5.7**	1.3
Accrued rebates	**7.4**	6.1
Other	**0.2**	0.1
Total	**13.3**	7.5
13. Shareholders' equity		
Balance at Jan 1	**902.9**	695.4
Dividends paid	**-46.6**	-65.2
Share issue and share options exercised	**9.3**	202.2
Net profit	**49.4**	70.5
Balance at Dec 31	**914.9**	902.9

At December 31, 2007 share capital amounted to EUR 70,005,912.00 The total number of shares was 46,670,608 shares with a par value EUR 1.50 per share. All shares have one vote and equal right to dividend.

14. Maturity profile of long-term liabilities

2007	2009	2010	2011	2012	2013-	Total
Loans from financial institutions	143.1	3.1	28.1	3.1	7.9	185.3
Liabilities to Group companies	-	-	-	-	-	-
Total	143.1	3.1	28.1	3.1	7.9	185.3

2006	2008	2009	2010	2011	2012-	Total
Loans from financial institutions	3.1	3.1	3.1	3.1	11.0	23.4
Liabilities to Group companies	14.9	-	-	-	-	14.9
Total	18.0	3.1	3.1	3.1	11.0	38.3

EUR million	2007	2006
15. Provisions for contingencies		
Environmental responsibility	**1.0**	1.0
Pension and other employee benefit plan liabilities	**4.2**	4.6
Discontinued operations	**-**	0.5
Total	**5.2**	6.1
16. Deferred tax assets		
Long-term assets	**1.4**	1.6
Short-term assets	**0.1**	0.2
Total	**1.5**	1.8
Arising from:		
Temporary differences	**1.5**	1.8

EUR million	2007	2006
17. Receivables from and liabilities to Group companies		
Long-term notes receivable	**68.1**	160.7
Trade receivables	**2.2**	11.7
Notes receivable	**508.0**	344.6
Prepaid expenses and accrued income	**9.7**	9.6
Total	**588.0**	526.6
Long-term liabilities	**-**	14.9
Trade payables	**0.3**	2.9
Accrued expenses and deferred income	**14.8**	11.0
Other short-term liabilities	**74.5**	52.4
Total	**89.6**	81.2
18. Receivables from and liabilities to associated companies		
Short-term notes receivable	**-**	0.3
Trade receivables	**-**	0.1
Total	**-**	0.4
Short-term liability	**0.1**	6.6
19. Accrued expenses and deferred income		
Short-term	**9.3**	12.5
Main items:		
Accrued personnel costs	**2.5**	3.0
Current tax payable	**3.3**	7.7
Accrued interest expense	**2.4**	0.1
Accruals of hedging contracts	**0.9**	1.5
Other	**0.2**	0.2
Total	**9.3**	12.5
20. Commitments and contingent liabilities		
For commitments of Group companies:		
Guarantees	**59.3**	70.4
For commitments of associated companies:		
Guarantees	**6.2**	8.3
Leasing commitments		
Current portion	**0.8**	2.0
Long-term portion	**3.8**	5.1
Other commitments	**0.3**	0.5

21. Shares in subsidiaries

The list of subsidiaries can be found on page 48.

22. Financial risk management

Ahlstrom's approach to financial risk management is to secure the timely availability of funds required for the financing of the business operations of the company at optimal cost, to protect the net result and balance sheet from movements in foreign exchange and interest rates as well as to minimize counterparty risks. Principles and guidelines for the treasury activities are defined in the Group treasury policy.

Funding risk

The company aims to secure the timely availability of funds by maintaining an appropriately designed mix of cash, short-, and long-term loans and committed and uncommitted credit facilities provided by banks and other financial institutions both in the domestic and international financial markets. In Finland the company also accesses short-term funds under a commercial paper program. The company's main funding facility is a EUR 200 million syndicated revolving credit facility maturing in November 2009. The maturity profile of the long-term loans of the company is shown in note 14.

Foreign exchange risk

The company has an exposure to movements in foreign exchange rates relating to its operations outside the Euro-zone both in terms of cross-border sales and purchases as well as foreign investments. Good management of foreign exchange transaction and translation exposures is therefore essential. Foreign currency denominated cash inflows and outflows are hedged on a net exposure basis per currency against the base currency of the respective exposed Group company in accordance with a formula defined in the Group treasury policy. The length of the transaction exposure periods is determined individually by the Group companies in accordance with their specific guidelines in order to allow for as accurate a match with the underlying risk profile as possible. Foreign currency forward contracts are used as hedging instruments.

Ahlstrom currently applies a policy of hedging approximately 30% of its foreign currency denominated net equity investments in foreign subsidiaries. Foreign currency denominated loans and foreign currency forward contracts are used as hedging instruments.

Interest rate risk

The primary focus of Ahlstrom's interest rate risk management is to maintain a sound balance between floating and fixed rate obligations in respect of the interest bearing liabilities of the company. Interest rate exposures are hedged using derivative financial instruments such as interest rate swaps. Swaps are usually of maturities between two to five years. The fair values of these transactions are monitored on a continuous basis.

Counterparty risk

The company seeks to minimize counterparty risks associated with foreign exchange transactions, derivative contracts and occasional external placements by limiting its exposures to first-class banks and financial institutions and other counterparties with high credit rating only. Whilst counterparty risks cannot be entirely eliminated the management is confident that they are under control. Customer related counterparty risks are limited by the combination of a diversified customer base and the impact of a policy of concluding risk sharing arrangements in respect of larger exposures with banks and insurance companies. Almost all of Ahlstrom's customers are industrial companies.

Derivative financial instruments*

EUR million	Nominal values 2007	Nominal values 2006	Fair values** 2007	Fair values** 2006
Interest rate derivatives				
Interest rate swaps	**100.0**	25.0	**0.3**	0.8
Foreign exchange derivatives				
Foreign exchange forward contracts	**304.0**	245.9	**3.6**	-0.4
Equity hedging				
Foreign exchange forward contracts	**106.5**	136.4	**1.2**	0.2

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

** The fair values of interest rate swaps are based on actually quoted market rates at year-ends. The fair values of all other financial instruments have been calculated from prevailing market rates at year-ends.

Proposal for the distribution of profits

The Parent Company's balance sheet on December 31, 2007 shows:

	EUR
Retained earnings	599,388,651
Non-restricted equity reserve	8,266,273
Profit for the period	49,406,124
Total distributable funds	657,061,048

The Board of Directors proposes to the Annual General Meeting to be held on April 2, 2008 that
- a dividend of EUR 1.00 per share be paid
- EUR 70,000 be reserved to be used at the disposal of the Board of Directors
- and the remainder be retained.

The suggested dividend record date is April 7, 2008 and the dividend will be paid on April 14, 2008. On December 31, 2007, there were 46,670,608 outstanding shares and the corresponding amount to be paid in dividends is EUR 46,670,608.00.

Helsinki, January 31, 2008

Peter Seligson

Urban Jansson

Sebastian Bondestam

Jan Inborr

Bertel Paulig

Thomas Ahlström

Willem F. Zetteler

Jukka Moisio
President & CEO

Auditor’s report

To the shareholders of Ahlstrom Corporation

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Ahlstrom Corporation for the period 1.1. – 31.12.2007. The Board of Directors and the Managing Director have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, containing the consolidated balance sheet, income statement, cash flow statement, statement on the changes in equity and notes to the financial statements, as well as the report of the Board of Directors and the parent company’s financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company’s balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company’s financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine whether the members of the Board of Directors and the Managing Director of the parent company have complied with the rules of the Limited Liability Companies Act.

Consolidated financial statements

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company’s financial statements, report of the Board of Directors and administration

In our opinion the parent company’s financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company’s financial statements give a true and fair view of the parent company’s result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company’s financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company’s financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Limited Liability Companies Act.

Helsinki January 31, 2008
KPMG OY AB
Sixten Nyman
Authorized Public Accountant

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