´08 Annual Report

Ahlstrom

Contents

Annual Report

Financial statements

Ahlstrom in brief

> Ahlstrom is a global leader in the development, manufacture and marketing of high performance nonwovens and specialty papers.

Ahlstrom in brief

> Nonwovens and specialty papers, made by Ahlstrom, are used in a large variety of everyday products, such as filters, wipes, flooring, labels and tapes.

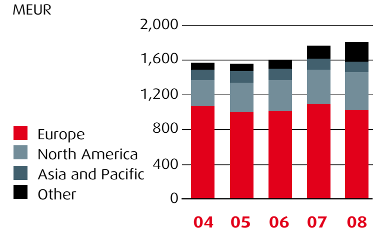
Based upon its unique fiber expertise and innovative approach, Ahlstrom is able to offer highly tailored solutions for its large customer base.

Ahlstrom's share is listed on the NASDAQ OMX Helsinki. The company website is at www.ahlstrom.com.

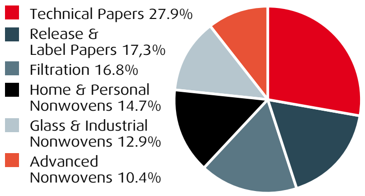
IN 2008, AHLSTROM'S NET SALES AMOUNTED TO EUR 1.8 BILLION.

The company was established in 1851 and has evolved from a diversified conglomerate to a focused specialist.

Net sales by geographic area



Net sales by business area 2008

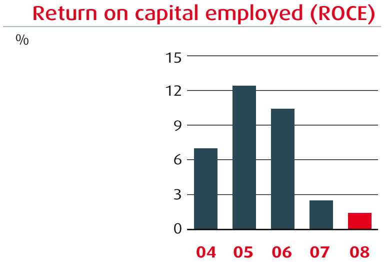


Key highlights of 2008

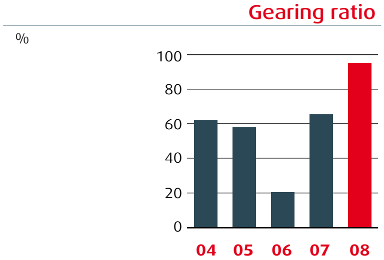
- In 2008, Ahlstrom finalized most of the large growth investment program initiated after the IPO. A total of EUR 500 million has been invested in growth in 2007 and 2008, including five acquisitions and nine organic growth investments.
- Ahlstrom's net sales grew to EUR 1,802.4 million and operating profit decreased to EUR 14.6 million. Profitability was burneded by high raw material and energy prices, ramp-up and integration costs as well as a downturn of the market in the final quarter.
- Net cash from operating activitities increased by EUR 58.5 million to EUR 102.4 million as a result of improvement in working capital turnover.
- Several measures were taken to improve profitability and to adjust operations to the decline in demand throughout the year, and further restructuring actions have been started in the beginning of 2009.

Financial targets and performance

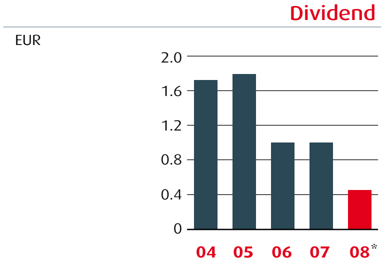
Profitability
Return on capital employed, ROCE: minimum of 13%



Solidity
Gearing ratio 50–80%



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



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

KEY FIGURES

MEUR	2008	2007	2006
Net sales	1,802.4	1,760.8	1,599.1
Operating profit	14.6	25.8	96.1
Operating profit excluding non-recurring items	35.7	67.8	87.3
Profit/loss before taxes	-20.6	0.2	81.2
Profit/loss for the period	-16.1	1.3	57.6
Return on capital employed (ROCE), %	1.4	2.5	10.4
Return on capital employed (ROCE), % excluding non-recurring items	3.0	6.3	9.5
Balance sheet, total	1,707.0	1,711.4	1,356.6
Capital expenditure (including acquisitions)	167.0	371.9	127.8
Net cash from operating activities	102.4	43.9	119.2
Gearing ratio, %	95.3	65.3	20.3
Earnings per share (EPS), EUR	-0.38	0.01	1.31
Cash earnings per share (CEPS), EUR	2.19	0.94	2.72
Dividend per share, EUR	0.45 *	1.00	1.00

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

> Ahlstrom's business

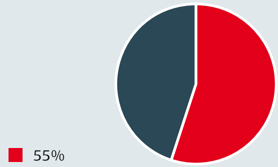
Ahlstrom develops and manufactures high performance nonwovens and specialty papers for the world's leading brand owners.

SEGMENTS

BUSINESS AREAS

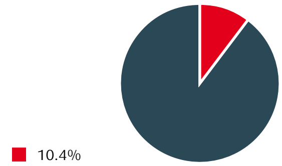
FIBER COMPOSITES

Share of Group net sales 2008



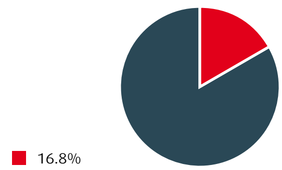
Advanced Nonwovens

Share of Group net sales 2008



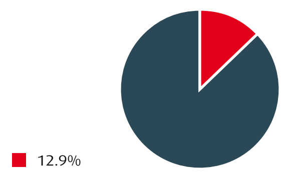
Filtration

Share of Group net sales 2008



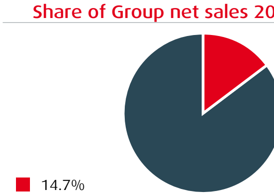
Glass & Industrial Nonwovens

Share of Group net sales 2008



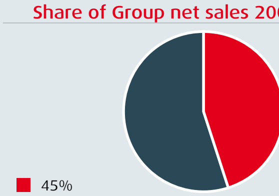
Home & Personal Nonwovens

Share of Group net sales 2008



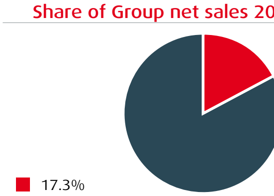
SPECIALTY PAPERS

Share of Group net sales 2008



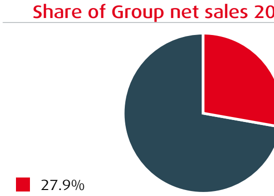
Release & Label Papers

Share of Group net sales 2008



Technical Papers

Share of Group net sales 2008



PRODUCT LINES AND KEY APPLICATIONS	MARKET POSITION *	MANUFACTURING SITES
Food nonwovens Teabags, absorbent food tray pads, fibrous meat casings	2	UK, USA
Medical nonwovens Drapes, gowns, face masks	2-3	UK, USA
Transportation filtration Automotive filtration	1	Brazil, Finland, Italy, South Korea, Spain, USA
Air filtration HVAC filtration, dust filtration, gas turbine filtration	1-2	China, Finland, Italy, South Korea, USA
Liquid filtration Food and beverage filtration, water and wastewater filtration, life sciences filtration and process filtration	1-2	Finland, Italy, South Korea, Spain, USA
Glassfiber tissues Floorings, wallcovers, building panels, roofing materials	2-3	Finland, Russia
Specialty reinforcements Windmill blades, boat hulls, sports goods, automotive and transportation applications	2	Finland, USA
Industrial nonwovens Wallcovers, automotive backings, industrial reinforcements, floorings, packaging	2	Belgium, France, South Korea, Sweden, UK, USA
Wipes Personal and baby care, home care, abrasive and industrial wipes	1	Brazil, France, Italy, Spain, Sweden, UK, USA
Face stock and wet glue labels Self-adhesive labels for beverages, food, pharmaceuticals and cosmetics, wet glue labels for beverage bottles and food cans	5-6	Brazil, France
Release base papers Self-adhesive labels for consumer and durable products, self-adhesive tapes	1-2	Brazil, France, Germany, Italy
Coated specialties Metalized beverage labels, metalized flexible packaging, food and non-food packaging	2	France
Industrial papers Food and non-food packaging, pharmaceutical packaging, envelope windows, repositionable notes, thermal papers	1	France
Abrasive base papers Sand papers	2	Germany
Pre-impregnated decor papers Furniture laminates, decorative panels	1	Germany
Wallpaper bases and poster papers Wallpapers, outdoor advertising	1-2	Germany
Crepe paper Masking tape, sterilization wrap, cleaning wipes	1	Finland, France, Italy
Vegetable parchment Baking paper, fast food packaging, butter and margarine packaging, furniture, tubes	1	France, USA
Sealing and shielding Sound absorption materials, heat shields, gaskets, calender bowl papers	1-2	Germany

* Global market position of the procuct line. Management estimate.

From growth investments towards internal growth

As I have started my work as Ahlstrom's new President & CEO in the beginning of 2009, I feel both humble and excited about the challenge. Considering the exceptionally challenging state of the current world economy, the coming year will not be an easy one. On the other hand, Ahlstrom has several strengths on which to build. The company is among the top three in the industry in most of its product lines, it has long customer relationships, and innovative, top-tier products, as well as a global footprint. These are good starting points for the future development of the company.

Looking back on 2008, we can see that one of the key achievements of the year was the finalization of most of the large growth investment program initiated after the IPO in 2006. A total of EUR 500 million has been invested in growth initiatives during 2007 and 2008, including five acquisitions and nine organic growth investments. A significant part of the investments have been made in the BRIC countries in Brazil, Russia, India and China in line with the strategy. As a result of this, Ahlstrom's global reach is now stronger than ever before. This is also visible in the net sales, where although Europe still accounts for approximately half of the total, in just two years its share has rapidly decreased from the earlier level of nearly 70%.

After such an intensive period of strategic growth initiatives, Ahlstrom is now entering a phase whereby the fruits of these investments can be leveraged. In addition, special emphasis will be placed on enhancing the role of customer orientation, and on promoting innovation. Ahlstrom's business is characterized by a large, decentralized customer base with specific needs. In order to be able to competitively serve such a customer base, it is vital that we are able to continuously offer highly tailored solutions, and to renew our offering. In the last three years alone, over 20% of Ahlstrom's net sales have been generated by genuinely new products.

Sustainability at the core of strategy

A sustainable business practice has been part of Ahlstrom's strategic agenda throughout the long history of the company. In short, sustainability simply makes sense for Ahlstrom, combining responsibility towards money, people, and the environment. The role of sustainability is also increasing in our product portfolio. Ahlstrom is committed to developing environmentally friendly products that correspond with the increasing demand for such, as dictated by customer preferences. As an example, our specialty papers have a much lower carbon footprint than competitive materials, notably aluminum and plastics.

Measures taken to improve profitability

The operating environment was exceptionally challenging in 2008. For most part of the year, the market was characterized by historically high raw material and energy prices, but still a healthy level of demand within most of our product lines. Towards the end of the year, the downturn of the global economy affected Ahlstrom's business as evidenced by a rapidly declining demand and a downsizing of volumes throughout the value chain.

What I am not happy about is the weak financial performance in 2008, which was mainly driven by the low gross margin, weak demand in the fourth quarter as well as the higher than expected ramp-up and integration costs related to the growth investment program. On a positive note, we achieved growth in net sales that was in line with market growth, and cash flow improved significantly as a result of an improvement in working capital turnover.

Several measures were implemented in order to improve profitability, and to adjust operations to the decline in demand. These included finalizing the work began at the end of 2007 to close down and restructure non-competitive operations in the USA and Europe. Towards the end of the year, production was reduced globally to adjust operations to the changed market situation.

The business area organization was revamped in order to achieve better customer focus, and corporate functions, such as the Sales Network, Innovations, and Sustainability, were strengthened to improve efficiency.

Focus on cash flow in 2009

The operating environment is anticipated to remain very challenging throughout 2009. It is clear that in difficult times such as these, all means to maximize cash flow will be utilized, including a lower investment activity than in 2008. Ahlstrom has also announced further global restructurings for 2009 to respond to the current level of demand, and to discontinue non-competitive operations.

Despite the current challenges, I wish to stress that together with the strengthened Corporate Executive Team, we shall take an active approach in developing Ahlstrom over the longer term in addition to managing short-term matters.

I would like to take this opportunity to extend my warmest thanks to Ahlstrom's customers, shareholders, employees and other stakeholders for their support during 2008. My special thanks go to Risto Anttonen, who led Ahlstrom in a determined way through the challenging year, and who will now continue beside me as my deputy.

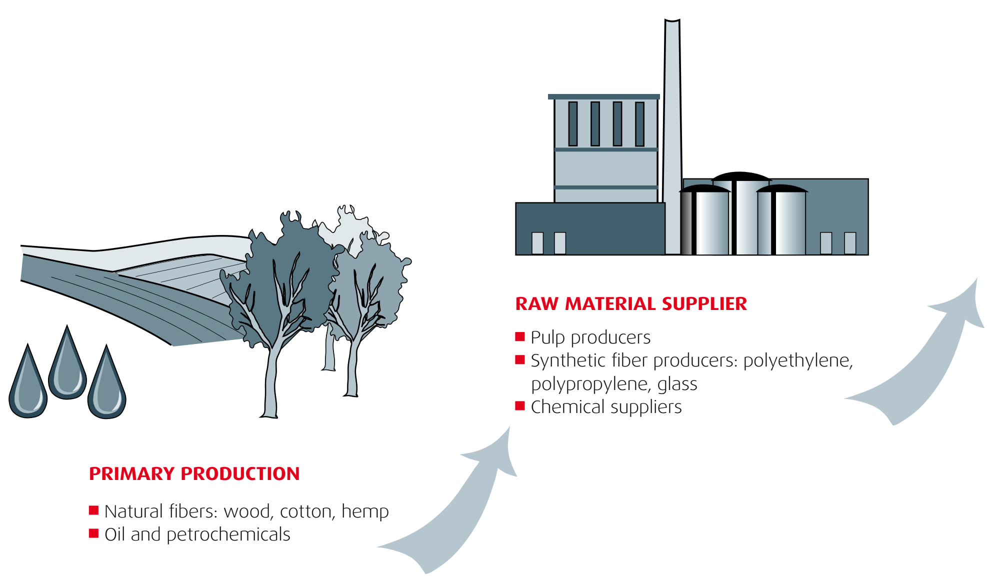
Jan Lång
President & CEO

Vision and strategy

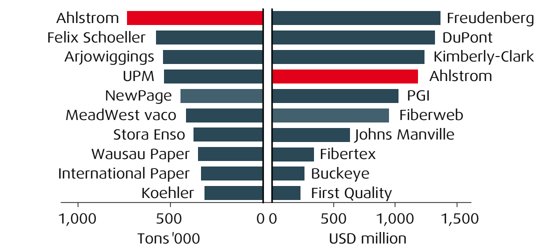
> Ahlstrom's vision is to be the preferred global source for fiber-based materials.

Ahlstrom manufactures high quality nonwovens and specialty papers from natural and synthetic fibers.

Ahlstrom supplies these materials to its industrial customers as roll goods for further processing. The customers, such as printers or transportation industry suppliers, deliver the products to a marketer or seller serving consumers or industrial customers worldwide.

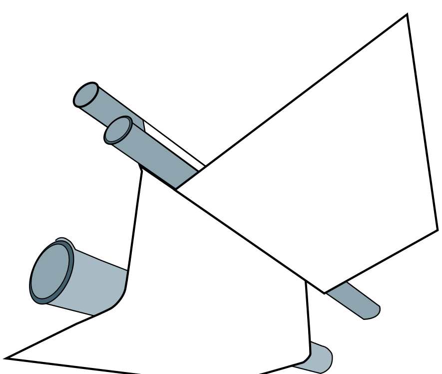


Ahlstrom is a leading supplier of fiber-based materials

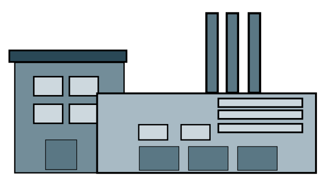


1) Source: Pöyry 2008
2) Source: Nonwovens Industry, September 2008

AHLSTROM'S BUSINESS IS CHARACTERIZED BY A LARGE, DECENTRALIZED CUSTOMER BASE WITH SPECIFIC NEEDS.

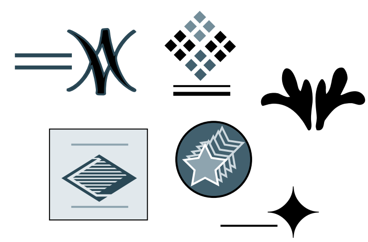


- Other roll goods producers



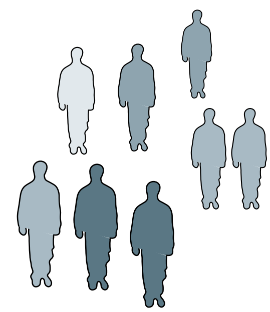
CONVERTER

- Healthcare and consumer goods suppliers
- Transportation industry suppliers
- Air and liquid filter manufacturers
- Packaging industry
- Printers and siliconizers: label, decor, poster, wallcover



MARKETER OR SELLER

- World class consumer or industrial brands



CONSUMERS AND INDUSTRIAL CUSTOMERS

Business strategy

Commitment to customers

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

Growth

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

Global presence

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

Competitiveness

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

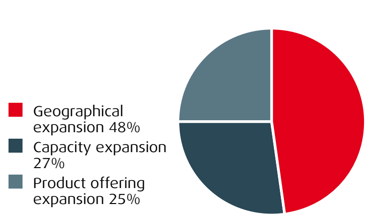
Key milestones in strategy implementation in 2008

Global presence and growth

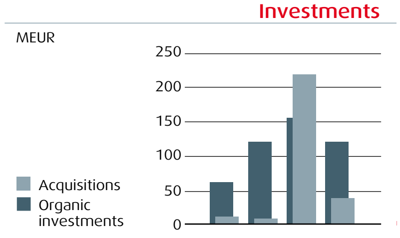
During 2008, Ahlstrom finalized most of the growth investment program initiated after the IPO in 2006. Approximately EUR 500 million has been invested in growth in two years, and a significant part of the investments has been made in the BRIC countries in Brazil, Russia, India and China in line with the strategy.

INVESTMENT	START	BUSINESS AREA	INVESTMENT DESCRIPTION	PRODUCT OR TECHNOLOGY
Green Bay, USA	1/2007	H&P NW	New production line	Nonwovens for wipes
Bishopville, USA	2/2007	G&I NW	Expansion	Specialty reinforcements
La Gère, France	5/2007	R&L P	Renewal of existing production line	Release base papers
Orlandi, Italy	5/2007	H&P NW	Acquisition	Nonwovens for wipes
Fiberweb, USA, Spain, Italy	6/2007	H&P NW	Acquisition	Nonwovens for wipes
Fabriano, Italy	6/2007	FIL	Acquisition	Microglass filter material
Jacareí, Brazil	9/2007 8/2008	R&L P	Joint venture (60%) and final acquisition (100%)	Coated and uncoated papers, labels and flexible packaging
Brignoud, France	1/2008	GIN	New production line	Nonwovens for industrial use
West Carrollton, USA	2/2008	TP	Acquisition	Vegetable parchment
Tver, Russia	5/2008	GIN	New manufacturing plant	Glassfiber tissue
Wuxi, China	9/2008	FIL	New production line	Dust filtration
Bethune, USA	9/2008	FIL	New production line	Dust filtration
Chirnside, UK	9/2008	ANW	New manufacturing plant	New nonwoven tea bag material
Paulínia, Brazil	11/2008	H&P NW	New manufacturing plant	Nonwovens for wipes
Turin PM4, Italy	4/2009	GIN	Renewal of existing production line	Nonwovens for wall coverings
Gujarat, India	1/2010	ANW	New manufacturing plant	Medical nonwovens

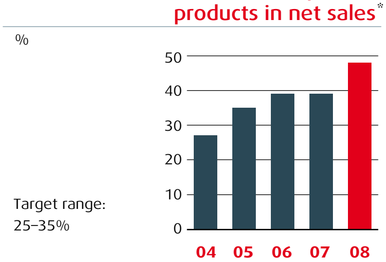
Investments by type 2005–2008



Investments



Share of new or improved products in net sales*



* 3M definition applied: New product perceived by customer as new, not older than 3 years; Other innovations represent a significant technical contribution, not older than 3 years.

Commitment to customers

Ahlstrom's business is characterized by a large, decentralized customer base with specific needs. On Group level, 20 biggest customers generate approximately a quarter of the net sales. In order to be able to competitively serve a customer base like this, it is vital that Ahlstrom is able to offer highly tailored solutions. None of Ahlstrom's products are off-the-shelf, but are made according to stringent customer specifications.

Ahlstrom works in close cooperation with its customers in product development in order to ensure an optimal time-to-market. Ahlstom's innovation and R&D activity focuses on customer-driven innovations and product improvements. In 2008, 48% of Ahlstrom's net sales was generated by new or improved products. The share of new products was especially high in the Glass & Industrial Nonwovens, Advanced Nonwovens and Home & Personal Nonwovens business areas.

Among the key innovations of the year was Ahlstrom's Disruptor™ PAC, a high-performance water filtration material, which was awarded as one of the most innovative products of the year by the industry's leading associations, and is in the process of commercialization by several of Ahlstrom's customers. Another key innovation is the fully compostable, biopolymer-based teabag material, which was launched at the end of the year for the high-tier teabag segment.

48% OF AHLSTROM'S NET SALES WAS GENERATED BY NEW OR IMPROVED PRODUCTS IN 2008.*

* 3M definition

Competitiveness

In 2008, several measures were taken to improve Ahlstrom's competitive position. The restructuring of unprofitable operations initiated in 2007 was completed, and special focus was put on improving the operational efficiency at manufacturing sites globally. Working capital has been high on the agenda throughout the year at all locations.

The business areas were reorganized resulting in six focused business areas, instead of the preceding five, and the role of corporate functions, especially in Sales, Innovations and Sustainability, was strengthened to enhance group synergies, focus and coordination.

Key success factors

> Ahlstrom possesses a unique knowledge in producing and treating fiber webs with a number of different technologies.

Understanding customer needs and processes
Ahlstrom's longest customer relations date back more than 100 years. Through the long and close cooperation with its customers, Ahlstrom has developed a deep understanding of the industries in which its customers operate.

Innovation
Active research and development, as well as innovative products and technologies, are essential to Ahlstrom's long-term success. Innovation and product development work is done in close cooperation with the customers and preferred suppliers.

Fiber and manufacturing expertise
Ahlstrom's knowledge of natural and synthetic fibers, fiber processing, and chemicals is based on over 150 years of operating in paper and fiber markets. Ahlstrom possesses a unique knowledge in producing and treating fiber webs with a number of different technologies, ranging from standard paper production to textile woven webs.

Global reach
Ahlstrom has operations in 26 countries on six continents, which enables it to serve customers effectively on a global basis.

Leading market position
Ahlstrom is among the top three companies on the market in most of its product lines. These positions provide Ahlstrom with increased visibility and access to leading customers, and make the company an important partner for its customers.

Competitive operations and continuous improvement
Ahlstrom strives to continuously improve its competitiveness and profitability. The key elements in competitive operations include cost efficiency, increased productivity as well as dedicated operations and support functions. Ahlstrom's group-wide performance excellence program aPlus is designed to consolidate the know-how and experience of Ahlstrom employees and to incorporate best practices across the organization.

Financial review

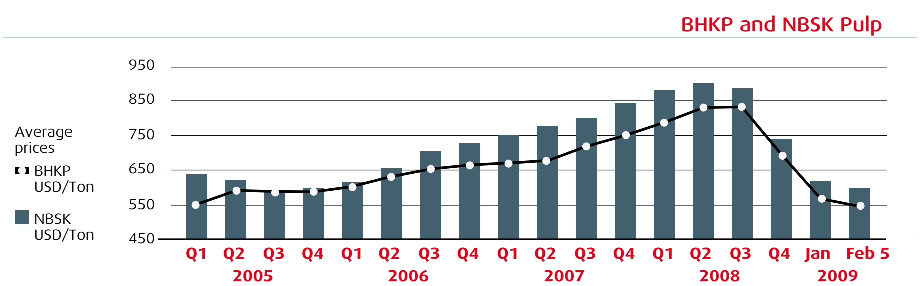
> The downturn of the global economy towards the end of the year reflected on Ahlstrom's financial performance in 2008.

Financial review

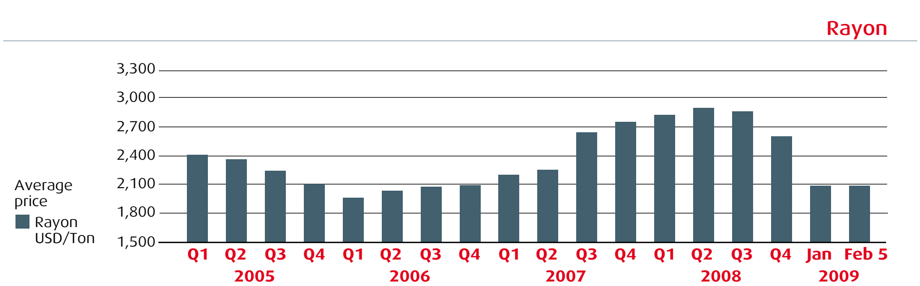
Operating environment

> In 2008, Ahlstrom's operating environment was very challenging and reflected the rapid downturn of the global economy. In the first half-year, demand for most of Ahlstrom's products was strong, despite the early signs of eventual softness of demand in some product segments. Demand was especially strong in high-growth sectors, such as the windmill industry. Demand started to gradually soften in the latter part of the year, which eventually resulted in a steeply declining order stock for most of Ahlstrom's products and a downsizing of inventory levels in the supply pipeline at the end of the year.

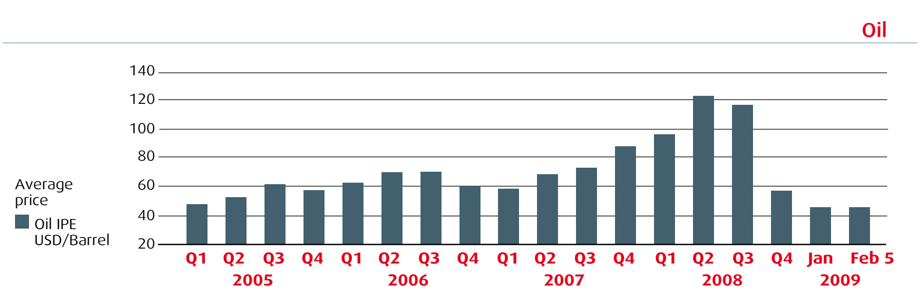
AVERAGE MARKET PRICE OF AHLSTROM´S MAIN RAW MATERIALS



Source: FOEX



Source: Nonwovens Markets



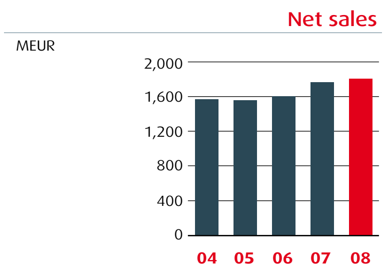
Source: Platts

Demand decreased especially strongly for filtration products due to the global decline in the automotive and construction industries. On the other hand, demand was brisk in medical and food nonwovens, crepe papers, as well as for release and label papers on the South American market.

Prices for Ahlstrom's main raw materials, wood pulp and rayon, and the price of oil, reached historical peak levels during the first half of the year, which had a negative impact on Ahlstrom's gross margins.

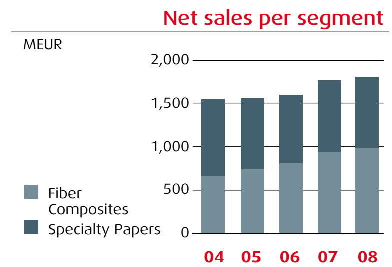
Towards the end of the third quarter, indications of a turn in the price trend started to emerge, and during the fourth quarter, the average USD market price of NBSK pulp was approximately 16% lower, polyester 18%, rayon 9% and crude oil over 51% lower than on the third quarter. This declining trend has continued in the beginning of 2009.

Growth



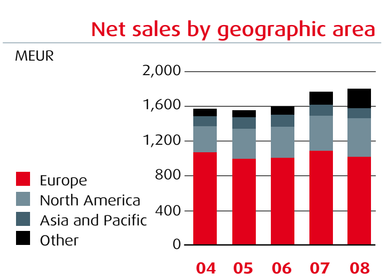
In 2008, Group net sales amounted to EUR 1,802.4 million, growing by 2.4% from 2007. Comparable net sales adjusted for the currency effect, acquisitions and closures, grew by 3.9% from previous year.

Net sales grew strongly throughout the three first quarters, but the weak demand at the end of the fourth quarter had a significant impact on the full-year figures. The development of sales volumes was nearly flat year-on-year, as comparable volumes adjusted for acquisitions and closures grew by 1.2%.

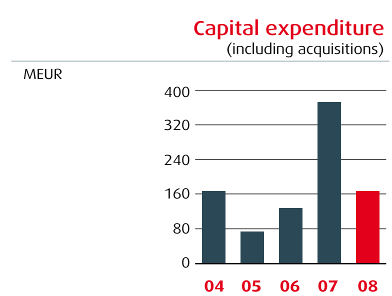


The net sales of the Fiber Composites segment amounted to EUR 987.4 million, growing by 4.9% over 2007. Comparable net sales adjusted for the currency effect, acquisitions and closures, grew by 4.5% from last year. In terms of the business areas, net sales grew especially strongly in Home & Personal Nonwovens, as a result of the acquisitions made in 2007, and also in Glass & Industrial Nonwovens thanks to the brisk demand for windmill applications.

The net sales of the Specialty Papers segment amounted to EUR 822.4 million, decreasing by 0.3% from 2007, mostly as a result of plant closures within the Release & Label Papers business area completed in 2008. On the other hand, new production gained through acquisitions, especially that of the Jacareí plant in Brazil, increased net sales by 11.5%. The comparable net sales adjusted for plant closures and acquisitions grew by 3.4%.



Europe's relative share of the Group net sales continued to decrease, and accounted for 56% of the Group total. Growth was strongest in North and South America as a result of completed acquisitions and organic growth investments.

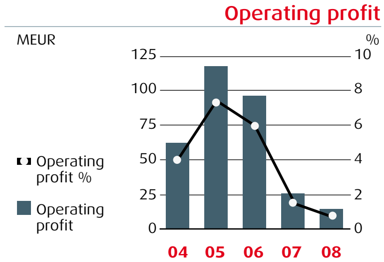


In 2008, Ahlstrom's capital expenditure, excluding acquistions, amounted to EUR 128.0 million, representing 7.1% of Group net sales. Ahlstrom made no new organic growth investment decisions in 2008. On-going investments are described on page 15.

Ahlstrom made two acquisitions in 2008, both within the Specialty Papers segment. In January, Ahlstrom acquired a US based vegetable parchment company, West Carrollton, at a price of EUR 9.8 million. In August, the remaining 40% of the joint venture earlier formed with Votorantim Celulose e Papel (VCP) in Brazil, was acquired and Ahlstrom now owns 100% of the shares. The total acquisition price was EUR 116 million.

Profitability

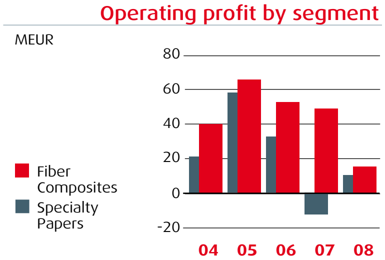
Operating profit



In 2008, Group operating profit amounted to EUR 14.6 million. Excluding non-recurring items, operating profit amounted to EUR 35.7 million, decreasing by 47.3% year-on-year. The non-recurring items of EUR 21.1 million were related to the restructuring actions announced in the beginning of 2009.

Most of the decline in the operating profit was due to the exceptionally severe market conditions, and low demand in the fourth quarter. For the first three quarters of the year, operating profit still totaled EUR 50.0 million, despite being burdened by historically high raw material and energy prices, and the additional costs incurred by the several ramp-ups and integration of acquisitions related to the large growth investment program.

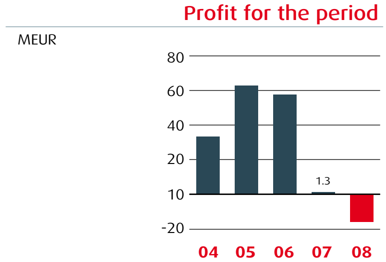
Operating profit by segment



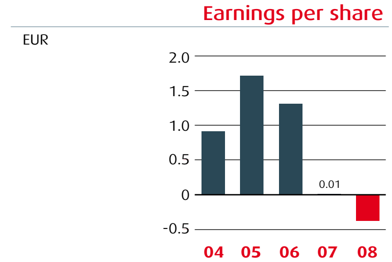
The operating profit of the Fiber Composites segment amounted to EUR 15.3 million, and excluding non-recurring items, to EUR 33.2 million. The decrease in the operating profit was mainly due to the low demand in the fourth quarter, the weak performance of the wipes business, and additional costs related to ramp-ups and the integration of acquisitions.

The operating profit of the Specialty Papers segment amounted to EUR 10.2 million. The improvement in the operating profit was mainly a result of new production at the Jacareí plant. Excluding non-recurring items, the operating result of the segment amounted to EUR 12.6 million.

Profit for the period



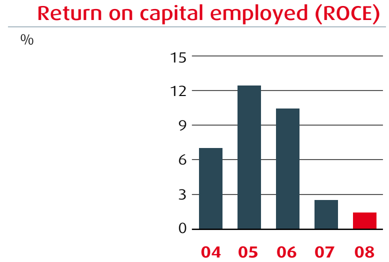
Earnings per share



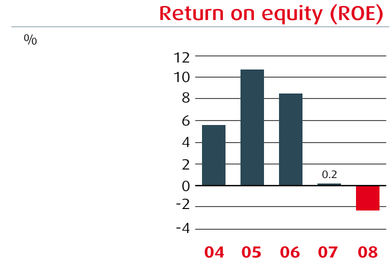
Loss for the period amounted to EUR -16.1 million.

Earnings per share (EPS) decreased to EUR -0.38.

Return on capital employed (ROCE)



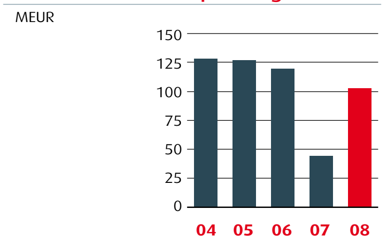
Return on equity (ROE)



Return on capital employed (ROCE) amounted to 1.4%, and return on equity (ROE) was -2.3%. Net asset turnover was 1.4.

Cash flow and financial position

Net cash from operating activities

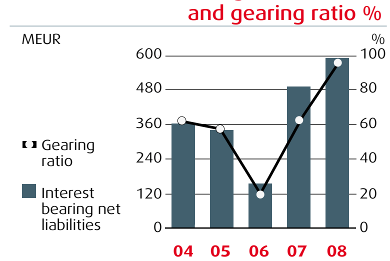


In 2008, the net cash flow from operating activities increased by EUR 58.5 million to EUR 102.4 million as a result of improvement in working capital turnover.

Interest-bearing net liabilities amounted to EUR 598.7 million and the gearing ratio was 95.3%. The equity ratio was 36.8%.

As of December 31, 2008, Ahlstrom's interest-bearing liabilities amounted to EUR 656.9 million, divided into financing from banks and other financial institutions of EUR 524.6 million, EUR 117.5 million in borrowings under the company's Finnish commercial paper program, and EUR 14.8 million in commitments under financial leases.

Interest bearing net liabilities and gearing ratio %



Quarterly data

GROUP MEUR	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Net sales	419.0	451.2	465.9	466.2	462.5	444.9	436.9	416.5
Other operating income *	4.3	5.8	2.4	2.3	2.0	3.1	1.7	2.6
Expenses *	-412.2	-421.4	-425.0	-425.9	-429.0	-407.7	-396.5	-379.9
Depreciation, amortization, impairment charges *	-24.8	-24.1	-23.9	-24.1	-24.5	-24.1	-21.0	-19.6
Non-recurring items	-21.7	-0.2	-0.1	0.8	-45.7	-0.1	-	3.8
Operating profit / loss	-35.4	11.3	19.4	19.3	-34.7	16.1	21.0	23.3
Net financial expenses	-13.8	-7.1	-4.7	-8.6	-8.6	-9.7	-4.3	-3.0
Share of profit / loss of associated companies	-0.3	-0.7	-0.6	0.5	0.1	0.2	-0.3	-0.1
Profit / loss before taxes	-49.5	3.5	14.2	11.2	-43.2	6.7	16.4	20.3
Income taxes	12.4	-1.0	-3.6	-3.4	14.2	-1.6	-4.5	-6.9
Profit / loss for the period	-37.0	2.5	10.6	7.8	-29.0	5.0	11.9	13.4
Attributable to								
Equity holders of the parent	-37.0	2.0	9.9	7.2	-29.6	4.9	11.9	13.3
Minority interest	-	0.5	0.7	0.6	0.6	0.1	0.0	0.0
Operating profit *	-13.7	11.5	19.5	18.4	11.0	16.2	21.0	19.6
Operating profit, % *	-3.3	2.5	4.2	4.0	2.4	3.6	4.8	4.7

* Excluding non-recurring items

SEGMENTS MEUR	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Net sales								
Fiber Composites	229.1	249.3	257.0	252.0	249.7	249.8	235.5	206.4
Specialty Papers	191.6	204.0	209.7	217.0	214.4	196.3	202.7	211.4
Other operations and eliminations	-1.7	-2.1	-0.7	-2.8	-1.5	-1.2	-1.3	-1.3
Group total	419.0	451.2	465.9	466.2	462.5	444.9	436.9	416.5
Operating profit / loss								
Fiber Composites	-24.7	7.7	16.8	15.5	2.7	13.5	17.3	15.2
Specialty Papers	-6.5	6.5	4.7	5.5	-33.6	2.7	5.4	13.0
Other operations and eliminations	-4.2	-2.9	-2.0	-1.7	-3.7	-0.1	-1.7	-4.9
Group total	-35.4	11.3	19.4	19.3	-34.7	16.1	21.0	23.3
Operating profit / loss excluding non-recurring items								
Fiber Composites	-4.5	7.4	15.3	15.0	15.7	14.1	17.3	13.4
Specialty Papers	-4.6	6.4	5.7	5.2	-2.8	2.7	5.4	8.6
Other operations and eliminations	-4.6	-2.3	-1.6	-1.7	-1.9	-0.7	-1.7	-2.5
Total	-13.7	11.5	19.5	18.4	11.0	16.2	21.0	19.6
Non-recurring items	-21.7	-0.2	-0.1	0.8	-45.7	-0.1	-	3.8
Group total	-35.4	11.3	19.4	19.3	-34.7	16.1	21.0	23.3

FACTORS AFFECTING AHLSTROM'S FINANCIAL PERFORMANCE ARE DESCRIBED IN THE RISK MANAGEMENT SECTION.

Risk management

> The objective of Ahlstrom's risk management is to support the achievement of the company's strategic and operational goals.

Risk management

The objective of Ahlstrom's risk management is to support the achievement of the company's strategic and operational goals by protecting the company against loss, uncertainty and lost opportunity. At Ahlstrom, risks are defined and prioritized according to likelihood, and their possible impact on the company's financial performance should the risks materialize. Key identified risks are followed up on and taken into consideration in Ahlstrom's business planning processes.

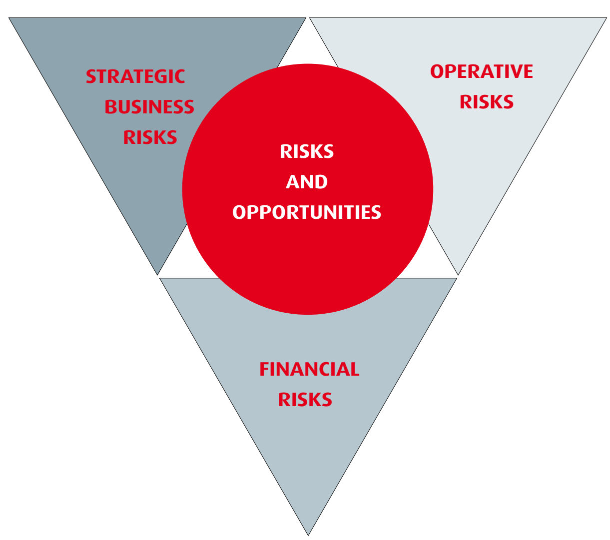
The Board has the ultimate responsibility for Ahlstrom's risk management, and approves the Group's risk management policy. The Board has delegated responsibility to the Audit Committee for overseeing the implementation of the risk management policies, and for reviewing the principles and information regarding risk management.

The President & CEO, the Corporate Executive Team (CET), and company management are responsible for implementing daily risk management procedures, and for ensuring that risks are taken into account in the Group's strategic planning. The Risk Management Steering Group, which is made up of senior management, and functional and business area representatives, coordinates risk management activities, and risk reporting within the company.

In Ahlstrom, the main principle is to manage risks at their source, i.e. within the business unit or function where risks may occur. To realize economies of scale and ensure appropriate group-level control, certain risk management activities – such as the establishment of group-wide insurance programs and management of the group's financial risks – are centralized. In addition, the corporate and business areas' HSEA (health, safety, environment and asset protection) organization, as well as the IT function, provide guidelines and review procedures for all business units and functions. Significant investments are controlled by the Investment Council before submission for approval by the President & CEO and/or the Board.

Risk assessment workshops within the Business Areas continued during 2008, and the first functional risk

> Ahlstrom has classified three categories of risks and opportunities affecting its operations.



> In Ahlstrom, the main principle is to manage risks at their source, i.e. within the business unit or function where risks may occur.

assessment workshop was also carried out. Mitigating actions were taken for identified key risks by the Business Areas, and these actions were followed up by the CET.

Based on a risk assessment made in the Group, the risks identified are described in the following sections.

In 2009, the main focus of the risk management activities will be on developing a standardized reporting system for the continuous monitoring of strategic and operative risks.

Strategic business risks

Strategic business opportunities and risks are primarily addressed by the CET and the business area management. The risks are addressed via the business planning processes and structured risk assessment workshops within the business areas. The main strategic business risks that Ahlstrom are exposed to are:

- business environment risks
- growth related risks
- product development and technology risks.

BUSINESS ENVIRONMENT RISKS

The markets for fiber-based materials are highly competitive. Ahlstrom competes with several large multinational companies, as well as certain regional or specialized manufacturers. Long-term supply/demand imbalances in the market could drive down prices, and have an adverse effect on the Company's business.

Economic cycles impact the demand for, and prices of, end-use products in the industries that Ahlstrom serves. They also effect the development of raw material prices, and thus can have an impact on the financial performance of the Company. Ahlstrom is mainly exposed to cyclical changes in the building, automotive, and marine industries where demand declined significantly during 2008 due to the economic downturn. On the other hand, demand in the food, packaging, medical, and energy industries wherein Ahlstrom has a strong presence, are more stable over the cycles. The raw material pricing risk is discussed in the operative risks section.

Changes in customer industries related to customer strategies, end-user needs, or new environmental regulations could have a negative impact on Ahlstrom's business. Although any single customer represents less than 3% of Ahlstrom's total net sales, and while Ahlstrom's top ten customers combined represented less than 20% of net sales in 2008, the loss of a significant number of its key customers, a significant reduction in sales to such customers, or financial or operational difficulties suffered by any such customers, could harm Ahlstrom's business.

Ahlstrom is managing these risks through close co-operation with its key customers, and the systematic monitoring of the business environment and the end user industries.

GROWTH RELATED RISKS

In recent years, Ahlstrom has been actively pursuing its global growth strategy. This has included a number of organic growth investments and acquisitions to facilitate growth on all continents, especially Brazil, Russia, India and China (i.e. the BRIC markets). Such growth investments and acquisitions include risks of, for example, adverse regulatory conditions, commercial objectives not achieved due to changed market conditions, retention of key staff, anticipated synergies and cost savings being delayed or not being achieved, and delay or higher than anticipated costs of planned expansion projects.

Ahlstrom is minimizing the risks through its thorough investment analysis, due diligence, and integration work. The integration of mergers and acquisitions at Ahlstrom aims at implementing uniform business processes in the acquired units with support from the various corporate functions, notably legal, purchasing, treasury, the global sales network, and IT. In 2008, additional costs were incurred due to several ramp-ups and the integration of acquisitions.

The emerging markets, such as the BRIC countries, have inherent political and legislative risks that could have an adverse effect on Ahlstrom's business although Ahlstrom's global coverage and broad customer end-use segments reduce such risks to the company.

PRODUCT DEVELOPMENT AND TECHNOLOGY RISK

Ahlstrom is building its market position on a combination of continuous innovation and long-term customer relationships. One of Ahlstrom's key strengths is its technical expertise and know-how that has allowed it to be innovative, and to thereby address its customers' needs.

Ahlstrom's risk on product development and technology is related to its ability to foresee end-user needs, and to successfully develop new and improved products in all of its key markets. Proper R&D investments, skilled research teams, and close cooperation with customers in product development are proven concepts, producing good results for both parties.

Operational risks

Operational risks are managed by the CET, and by the business area and product line management. Corporate functions, such as Human Resources, HSEA, Internal audit, IT, Purchasing, Legal department, R&D, and the Investment Council are managing risks within their specific areas. The Risk Management function supports the risk management activities throughout the Group.

Ahlstrom has developed its operational loss prevention processes in order to identify and mitigate operational risks. Ahlstrom has an established group-wide insurance program for risks related to property damages and business interruption, liability exposure, and cargo transport. The main operational risks that Ahlstrom is exposed to are:

- operational efficiency risk
- sourcing and raw material pricing risk
- health, safety, environment and asset protection
- human resources
- IT risks.

OPERATIONAL EFFICIENCY RISK

Ahlstrom's ability to utilize its production capacity efficiently may be affected by variations in customer demand or interruptions in production. Ahlstrom has a relatively versatile production base with 40 production facilities worldwide, which effectively use capacity by, for example, allowing for the redirection of resources to reflect changes in demand.

Ahlstrom typically only produces goods against orders received, rather than for stock. However, a variety of conditions may cause customers to reduce, delay or cancel anticipated or confirmed orders. In the fourth quarter of 2008 this risk materialized, and Ahlstrom had to take market related downtime due to the unstable economic environment.

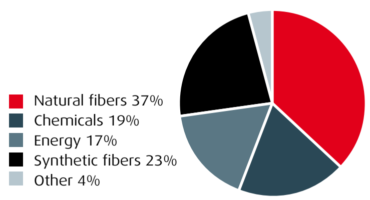
Ahlstrom's growth strategy has a built-in concept to assure operating leverage i.e. all new sites have space for further investments without incurring high additional fixed costs. In order to improve production efficiency, Ahlstrom has consolidated production to its bigger sites. The Ascoli (Italy), Chantraine (France) as well as Bellingham and Darlington (USA) sites were closed in 2008, and the decision has been made to close the Gallarate and Carbonate sites in 2009.

Furthermore, Ahlstrom's group-wide performance excellence program aPlus, is aimed at the continuous improvement of efficiency, within a safe working environment, in all operations.

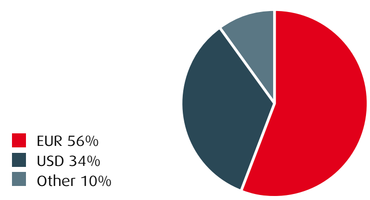
SOURCING AND RAW MATERIAL PRICING RISK

Ahlstrom is dependent upon outside suppliers for its main raw materials, i.e. various wood pulps (Bleached Hard Wood Kraft Pulp and Bleached Soft Wood Kraft Pulp), other natural and synthetic fibers, such as cotton, abaca, rayon, polypropylene etc., and chemicals (e.g. latex binders, fillers, pigments and resins).

Raw material
and energy costs 2008



Currency breakdown
of net sales 2008



Wood pulp prices are subject to substantial cyclical fluctuations. This was evidenced by increases in market prices in early 2008, followed by price decreases at the end of the year. Similarly, Ahlstrom's energy costs are subject to significant variations, and lately have shown substantial decreases due to the significant decline of oil prices. Purchasing prices from suppliers are, to a certain extent, reflected in Ahlstrom's customer sales prices, and typically prices are adjusted with a delay. In general, the prices payable under its supply agreements are adjusted periodically.

An interruption in the supply of raw materials, due to market shortages or natural disturbances, could significantly affect Ahlstrom's ability to provide competitively priced products to customers at the time they are wanted, and could thus have an adverse effect on the Group's financial performance. To mitigate the risk of a significant interruption in the supply of any raw materials, or of a significant increase in the prices of raw materials, Ahlstrom is working with long-term preferred supplier contracts, and has identified certain alternative suppliers and materials.

HEALTH, SAFETY, ENVIRONMENT AND PLANT ASSET PROTECTION

The business units' site managers are responsible for ensuring that the sites comply with local regulations. In Ahlstrom, operational accident risks, including injuries to people and damages to property or the environment, are managed by each plant individually, while the corporate and business areas' HSEA (health, safety, environment and plant asset protection) organization provides guidelines, and reviews the procedures that all plants have to follow. Natural catastrophic events, to which Ahlstrom could be exposed, and that are inherently unpredictable in terms of both their occurrence and severity, include windstorms, floods, earthquakes, and severe winter weather.

Ahlstrom's HSEA risk management is discussed in more detail in the Sustainability section, pages 61–63.

HUMAN RESOURCES

Ahlstrom's success depends, to a significant degree, upon the continued contributions of its key personnel, as well as on its ability to attract qualified new personnel. The annual management planning (succession planning) process ensures that an up-to-date career and succession plan is in place at all times. Ahlstrom's actions to motivate its personnel and to mitigate the risks related to human resources are further discussed in the Social performance section, pages 58–63.

IT risks

Ahlstrom has established a company-wide integrated enterprise resource planning (ERP) system for managing and supporting its key operative business processes. A significant failure of Ahlstrom's integrated information systems could negatively affect Ahlstrom's business and cause operational difficulties. Ahlstrom's IT function has implemented risk management procedures and controls in order to manage IT related risks. In addition, IT security processes protecting these systems are in place and subject to assessment as part of the review of internal controls over financial reporting.

Financial risks

Group Treasury manages financial risks, under a treasury policy approved and overseen by the Board through its Audit Committee. The treasury policy covers funding, interest rate, foreign exchange, and counterparty risks, as well as risks related to CO_2 emissions.

Ahlstrom's main financial risks are related to interest rates and foreign exchange. In 2008, interest expenses increased due to the increase in net debt. The foreign exchange rates, mainly the USD, had a negative impact on Ahlstrom's net sales of EUR 61.3 million. The profitability, however, is not affected to the same extent since sales and costs denominated in the same currency partly offset each other. The net currency exposure is hedged up to three months.

Due to the currency hedging policy of the Company no material foreign exchange losses were incurred in 2008. However, hedging costs increased due to the volatility caused by the financial crisis.

Financial risks and the hedging policy are discussed in more detail in the Financial Statements, note 23.

Fiber Composites

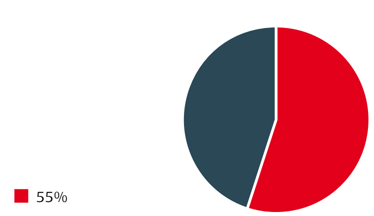
> Ahlstrom is one of the world's leading producers of nonwovens. This strong global position is based on Ahlstrom's innovative products and technologies, backed by its worldwide production facilities.

Fiber Composites

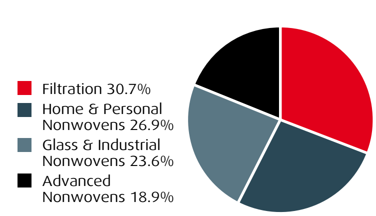
> Ahlstrom reports its nonwovens business as the Fiber Composites segment.
The segment comprises four business areas: Advanced Nonwovens, Glass & Industrial Nonwovens, Home & Personal Nonwovens, as well as Filtration.

Customers served operate in the building, transportation, healthcare and hygiene, food and industrial packaging as well as the utilities industries.

Segment´s share of Group net sales 2008



Segment´s net sales by business area 2008



Year of integration, ramp-ups and restructuring

SEVERAL ORGANIC GROWTH INVESTMENTS AND INTEGRATION OF ACQUISITIONS WERE IN THE IMPLEMENTATION PHASE WITHIN THE FIBER COMPOSITES SEGMENT IN 2008.

KEY FIGURES

MEUR	2008	2007	2006
Net sales	987.4	941.4	808.2
Operating profit	15.3	48.7	52.3
Operating profit excluding non-recurring items	33.2	60.6	54.1
Operating profit, % excluding non-recurring items	3.4	6.4	6.7
Return on net assets (RONA), %	2.0	7.0	8.6
Return on net assets (RONA), % excluding non-recurring items	2.9	8.7	8.9
Number of employees	3,564	3,553	3,054

Operating environment

In 2008, the operating environment of the Fiber Composites segment was characterized by the rapid change in the global economy. In the beginning of the year, demand for most of Ahlstrom's nonwoven products was still strong, especially in high-growth sectors such as the windmill industry.

Towards the summer months and particularly during the autumn, it had become evident that the financial crisis would impact the real economy as well. This was visible in the demand for many of Ahlstrom's products, such as wiping fabrics, filtration materials for automotive and construction industries, and glass nonwovens for the marine industry. In the fourth quarter, demand decreased in all business areas, especially strongly so in filtration products due to the global decline of the automotive and construction industries. On the other hand, demand was brisk in medical and food nonwovens.

Net sales

The net sales of the Fiber Composites segment amounted to EUR 987.4 million (EUR 941.4 million), representing 55% of the Group net sales. The segment's net sales grew by 4.9% compared with 2007.

Several organic growth investments and integration of acquisitions were in the implementation phase within the segment, as were closing down of uncompetitive operations in Europe and the USA. These affected the development of the net sales along with the currency effect driven by the US dollar. Comparable net sales, adjusted for the currency effect, acquisitions and plant closures grew by 4.5% from last year.

In terms of the business areas, net sales grew especially strongly in Home & Personal Nonwovens as a result of the acquisitions made in 2007, and also in Glass & Industrial Nonwovens thanks to the brisk demand for windmill applications.

Operating profit

The operating profit of the Fiber Composites segment amounted to EUR 15.3 million (EUR 48.7 million), and to EUR 33.2 million (EUR 60.6 million) excluding non-recurring items. The decrease in the operating profit was mainly due to the low demand in the fourth quarter, an overall weak performance of the wipes business and additional costs related to ramp-ups and the integration of acquisitions.

The non-recurring items are connected with the restructuring actions announced for 2009 in order to adjust Ahlstrom's operations to the lower level of demand. Within the Fiber Composites segment, Ahlstrom has announced plans to close down its Gallarate and Carbonate sites and one production line in Cressa. All three sites are located in Italy and manufacture nonwoven fabrics. In addition, Ahlstrom has started negotiations with personnel representatives concerning temporary and permanent layoffs worldwide.

Review by business area

In 2008, Ahlstrom reorganized its business areas within the Fiber Composites segment. The Nonwovens business area was split into Advanced Nonwovens and Home & Personal Nonwovens, and Industrial Nonwovens product line was included in the Glass Nonwovens business area. Hence, the Fiber Composites segment comprises four business areas as from January 1, 2009.

ADVANCED NONWOVENS

The Advanced Nonwovens business area serves customers primarily in the food packaging, medical, and healthcare markets. Examples of end-use applications include tea bags, coffee filters, as well as surgical gowns, drapes, and face masks.

> Among the key innovations of the year was the commercialization of Ahlstrom's Disruptor™ PAC high performance water filtration media. This product can be used to remove a wide range of contaminants from water, such as virus, bacteria, metals, colloids, lead, arsenic, mercury and copper.

In 2008, the business area posted net sales of EUR 189.2 million (EUR 191.7) million, down by 1.3% from 2007 and representing 10.4% of Group net sales. The slight decrease was due to the currency effect, mainly the US dollar.

In 2008, Ahlstrom had two major growth investment projects in progress within the Advanced Nonwovens business area.

In Chirnside, the UK, a new food nonwovens production line was successfully started up in the fourth quarter of 2008. The new line, utilizing spunmelt technology will primarily serve the growing infusion products market with next generation products used, for example, in teabags. This unique production line is able to process renewable and compostable plant based fibers. In line with this investment, Ahlstrom launched a new premium, environmentally friendly teabag material at the end of 2008.

A second, longer-term, investment project within Advanced Nonwovens is on-going in India, where Ahlstrom is establishing a new medical nonwovens plant in the Mundra Special Economic Zone in Gujarat. Operations are estimated to start in the first quarter of 2010. The new plant will manufacture a full range of spunmelt fabrics and will enable a potential future expansion of Ahlstrom's business in India.

HOME & PERSONAL NONWOVENS

The Home & Personal Nonwovens business area serves major brand owners in the home care, baby and personal care as well as the industrial wipes markets.

In 2008, the business area posted net sales of EUR 268.5 million (EUR 203.4 million), growing by 32% from 2007 and representing 14.7% of Group net sales. The growth was driven by the large acquisitions made in 2007, and the year was busy with integrating the acquired units in Europe. Work also progressed with the building of a new nonwoven wiping fabrics production line in Paulínia, Brazil. This new production line successfully started operations in the fourth quarter, and it targets customers within the household and industrial wipes sectors in Latin America.

GLASS & INDUSTRIAL NONWOVENS

The Glass & Industrial Nonwovens business area serves customers in the building, transportation, marine

OVER 50%

OF THE CARS RUNNING WORLDWIDE HAVE AT LEAST ONE FILTER USING AHLSTROM PRODUCTS.

and windmill industries. Examples of end-use applications include windmill blades, boat hulls, floorings, wallcoverings and automotive backings.

In 2008, the business area posted net sales of EUR 235.6 million (EUR 226.3 million) growing by 4.1% from 2007 and representing 12.9% of Group net sales. The growth was mainly driven by the good demand for glassfiber applications within the windmill industry.

Ahlstrom had two major growth investment projects in progress within this business area during 2008.

A major investment was completed in Tver, Russia, where Ahlstrom's new glassfiber tissue production plant was inaugurated in June. The plant will primarily serve Russian building and composite materials industries, and will strengthen Ahlstrom's position as a leading developer and manufacturer of specialty glassfiber tissues. Ahlstrom has a strong customer base in Russia, which the company is now able to serve locally from the new plant. Enhancing local presence also supports Ahlstrom's other expansion possibilities in Russia, as well as in Eastern Europe, the Middle East and Asia.

An innovative investment was on-going in Turin, Italy, where Ahlstrom was converting a paper machine for the production of nowoven fabric used in the growing wallcoverings market. Ahlstrom is investing in a new dedicated line to manufacture materials based on a mix of natural and synthetic fibers, which will make Ahlstrom's wallcovering technology portfolio by far the broadest on the market.

FILTRATION

The Filtration business area serves the transportation, air, and liquid filtration markets. Over 50% of the cars running worldwide have at least one filter using Ahlstrom products. Other common applications include air conditioning, industrial filtration, medical applications, and water filtration.

In 2008, the business area posted net sales of EUR 306.5 million (EUR 332.6 million), decreasing by 7.8% from 2007, and representing 16.8% of Group's total. The decrease was attributable to the global decline in the automotive and construction industries, especially at the end of the fourth quarter.

Ahlstrom had two major investment projects on-going within the business area in 2008, namely the building of two new dust filtration production lines, one in Wuxi, China and another in Bethune, South Carolina, USA. The Wuxi line started operations during the second quarter of 2008, and the Bethune line during the third quarter of 2008. With these investments, Ahlstrom is targeting the high temperature dust filtration markets in Asia and the USA, which are growing in line with infrastructure investments, increased regulations, and power needs.

Among the key innovations of the year was the commercialization of Ahlstrom's Disruptor™ PAC high performance water filtration media. This product can be used to remove a wide range of contaminants from water, such as virus, bacteria, metals, colloids, lead, arsenic, mercury and copper. Applications include beverage manufacturing, pharmaceutical make up water, point of use and point of entry filters, boiler and chiller water, and many others. The technology is exclusively licensed from the Argonide Corporation and Ahlstrom controls all IP. Disruptor™ PAC has received awards from the leading industry associations for its innovativeness.

Specialty Papers

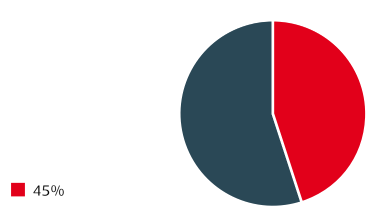
> Ahlstrom is the world's largest producer of specialty papers. The ability to provide customized products and converting concepts is critical to success in this industry.

Specialty Papers

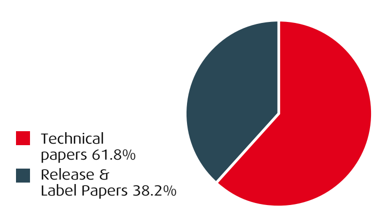
> Ahlstrom's Specialty Papers segment comprises the Technical Papers and the Release & Label business areas.

Customers served operate in the building, transportation, healthcare and hygiene, food and industrial packaging, and graphics industries.

Segment´s share of Group net sales 2008



Segment´s net sales by business area 2008



Leveraging on growth investments in North and South America

THE OPERATING PROFIT IMPROVED MAINLY AS A RESULT OF NEW PRODUCTION AT THE JACAREI PLANT IN BRAZIL.

KEY FIGURES

MEUR	2008	2007	2006
Net sales	822.4	824.7	794.0
Operating profit / loss	10.2	-12.5	32.2
Operating profit excluding non-recurring items	12.6	13.9	36.4
Operating profit, % excluding non-recurring items	1.5	1.7	4.6
Return on net assets (RONA), %	2.3	-3.2	10.5
Return on net assets (RONA), % excluding non-recurring items	2.9	-3.6	11.8
Number of employees	2,442	2,540	2,286

Operating environment

The rapid change in the global economy in 2008 had an impact on Ahlstrom's Specialty Papers segment. In the beginning of the year, the demand for many of Ahlstrom's paper products was still brisk, especially for vegetable parchment, industrial papers, crepe papers, as well as for release and label papers on the South American market thanks to the recent growth investment in Brazil.

Towards the end of the year, the slowdown of economic activity reflected strongly in the demand for Ahlstrom's specialty papers, especially with products for the construction industry, such as abrasive and furniture papers. On the other hand, demand was still good for crepe papers, as well as for release and label papers on the South American market.

Net sales

The Specialty Papers segment posted net sales of EUR 822.4 million in 2008 (EUR 824.7 million), down by 0.3% from 2007 and representing 45% of Group net sales. The decrease was mostly a result of plant closures within the Release & Label Papers business area completed in 2008. On the other hand, new production gained through acquisitions, especially through the Jacareí plant in Brazil, increased the net sales by 11.5%. The comparable net sales adjusted for plant closures and acquisitions grew by 3.4%.

Operating profit

The operating profit of the Specialty Papers segment amounted to EUR 10.2 million (loss of EUR -12.5 million). The improvement in the operating profit was mainly a result of new production at the Jacareí plant. Excluding the non-recurring items of EUR 1.8 million related to restructuring actions, the operating result of the segment amounted to EUR 12.6 million (EUR 13.9 million).

In order to adjust operations to the decline in demand, production was reducted in the fourth quarter, and negotiations were initiated with personnel representatives on temporary and permanent layoffs worldwide in the beginning of 2009.

Review by business area

TECHNICAL PAPERS

The market for technical papers is fragmented and involves a large number of specialized segments. Technical papers are used in numerous applications within, for example, the automotive, building, food, packaging, healthcare, and furniture industries.

In 2008, the business area posted net sales of EUR 507.9 million (EUR 485.9 million), a growth of 4.6% and representing 27.9% of Group net sales. Most of the growth came as a result of the West Carrollton acquisition made in the beginning of the year. Ahlstrom acquired this US-based vegetable parchment company in order to strengthen its global coverage, and through this acquisition became the leading global supplier of vegetable

> Among the key innovations in the Technical Papers were new specialty paper applications for the medical market to complete Ahlstrom's range of Sterile Barrier Systems.

parchment, with manufacturing facilities in Europe and the USA. Vegetable parchment is 100% natural specialty paper made from cellulose, and has numerous applications in the packaging, food, textile, furniture, graphic and other industries.

Among the key product innovations in Technical Papers, were new specialty paper applications for the medical market to complete Ahlstrom's range of Sterile Barrier Systems. A new bacterial-barrier paper range was introduced for the packaging of sterilized medical devices, such as syringes and catheters, as well as for the manufacture of sterilization pouches compatible with all sterilization methods. In addition, a reinforced crepe product was launched in 2008 to enlarge the range of products used as sterilization wrap. This new product is ideally suited for inner and outer sterilization wrap for medical devices.

RELEASE & LABEL PAPERS

Ahlstrom is one of the world's biggest suppliers of release base papers to the self-adhesive labeling industry. End-use applications include labels for the beverage, food, consumer, cosmetics and pharmaceutical industries, as well as tapes and numerous self-adhesive materials.

In 2008, the Release & Label Papers business area posted net sales of EUR 314.6 million (EUR 340.4 million), down by 7.6%, and representing 17.3% of

> Ahlstrom is one of the world's biggest suppliers of release base papers to the self-adhesive labeling industry.

Group total. The decline in net sales is mostly attributable to plant closures completed in 2008.

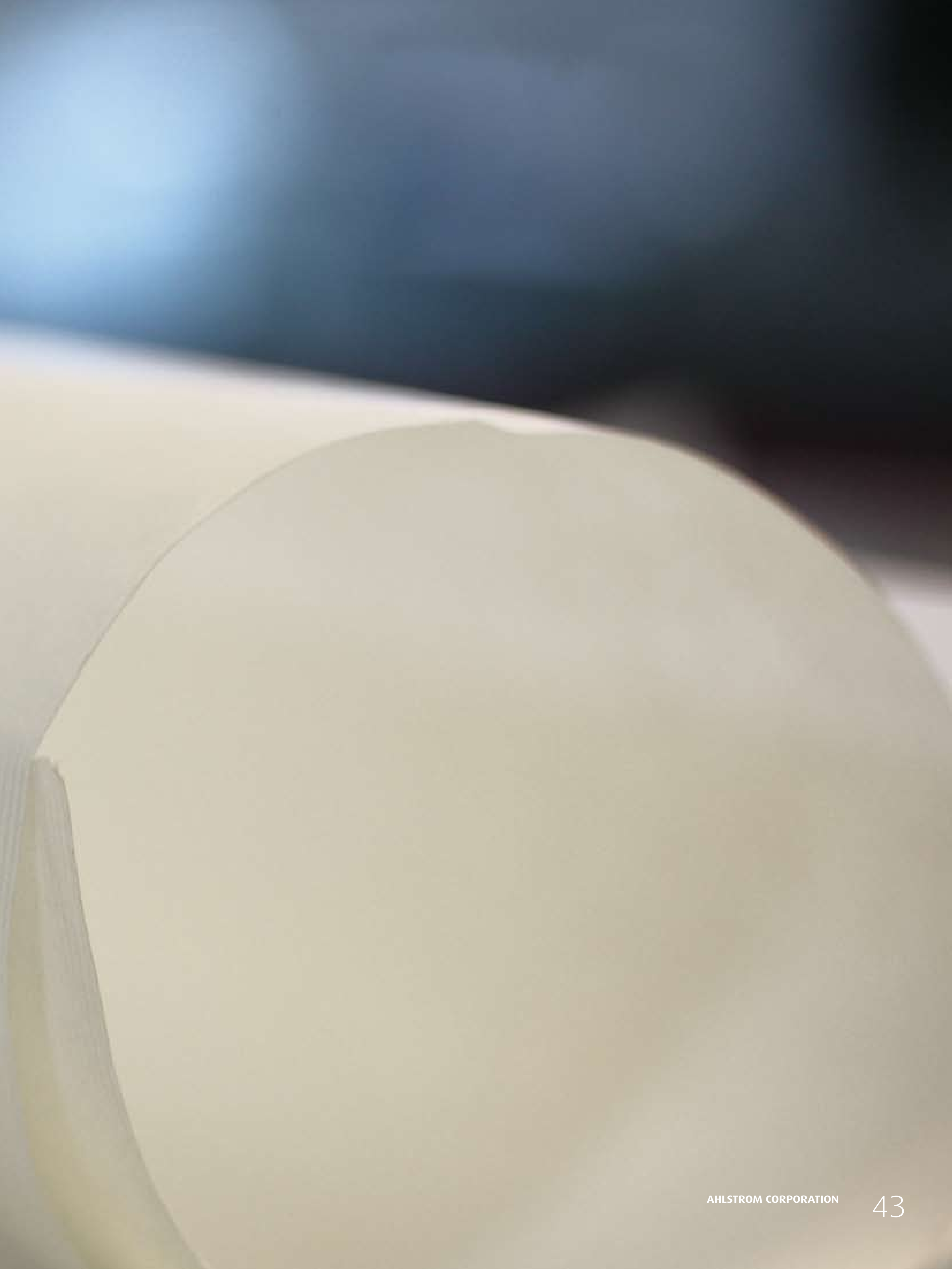
In August, an acquisition was made to further support Ahlstrom's growth and market position within the specialty papers market. Ahlstrom acquired the remaining 40% of the joint venture formed in 2007 with Votorantim Celulose e Papel (VCP) in Brazil. Ahlstrom now owns 100% of the shares, along with a specialty papers production facility located on the same site as VCP's pulp mill in Jacareí. Ahlstrom earlier held 60% and VCP 40% of the shares in the joint venture. The plant produces mainly release and label papers for the fast growing Latin American market.

A key product innovation within the business area was Ahlstrom's new release base paper, Silca™ Evolution. This precision substrate release base paper is used as a carrier for filmic self-adhesive labels. Silca™ Evolution papers feature high density and excellent thickness consistency. These characteristics are obtained through innovations in the papermaking process, starting from using a new type of cellulose fiber, and including a careful fiber refining process, exact control on the substance and thickness on the paper machine, and an adapted surface treatment.

> The development of Ahlstrom's new release base paper Silca™ Evolution is based on innovations in the papermaking process, starting from using a new type of cellulose fiber.

Sustainability

> For Ahlstrom, sustainability means a balance between economic, social and environmental responsibility.



Responsible business practices

> Climate change is one of the biggest challenges that the society is facing. Ahlstrom has outlined its main strategic principles to minimize the environmental impacts of its operations as follows:

- Support Sustainable Forestry Management (SFM)
  - Increase the use of natural fibers wherever possible
  - Increase the use of recycled fibers wherever possible
- Save energy and steam
- Employ Life Cycle Analysis methodologies to assess the carbon footprint for products and processes, as well as in business and research modeling
- Develop new manufacturing processes that lower greenhouse gas emissions
- Manage supply chain to optimize transportation
- Assess the risks and opportunities in a Low-Carbon Economy for each of our businesses.

TODAY OVER **90%** OF THE WOOD PULP AHLSTROM BUYS IS PRODUCED UNDER CHAIN-OF-CUSTODY DOCUMENTATION.

Forests absorb carbon dioxide from the atmosphere and are, therefore, the best mitigation for climate change. Thanks to the combination of Sustainable Forestry Management practices and a significant rate of recycling, Europe's forests are increasing. Ahlstrom supports this development all over the world by preferring the use of certified wood, and by aiming to increase its use of natural and recycled fibers wherever feasible.

Ahlstrom's track record in saving energy and steam has been excellent during the last two years, as is demonstrated by the reduction in direct emissions of CO_2. This has been coupled with corresponding financial savings.

Ahlstrom is starting to employ Life Cycle Assessment methodologies to determine the carbon footprint of its products. While still defining the communication strategies for the carbon footprint, it is already clear that Ahlstrom's specialty papers are in a very favorable position compared with high carbon competitive materials, such as plastics and aluminum.

Sustainable supply chain

Ahlstrom's policy is to buy pulp only from companies that are certified, or that are in the process of being certified, for Sustainable Forestry Management. Ahlstrom has certified all its main plants using wood pulp. The number of certified plants is increasing as smaller sites and nonwoven plants are also using more and more wood based cellulose and viscose pulp. Ahlstrom recognizes the two main certification schemes, the Forest Stewardship Council (FSC) and the Program for the Endorsement of Forest Certification (PEFC), which are both independent, non-profit, non-governmental organizations.

In 2008 Ahlstrom made substantial progress in the area of forestry certifications by certifying seven new plants for Chain-of-Custody. Ahlstrom's plan is to expand this further in 2009. Currently over 90% of the pulp Ahlstrom buys is produced under Chain-of-Custody documentation.

For Ahlstrom, it is important to work with suppliers who are responsible in matters relating to their economic, social, and environmental affairs. The company continues to develop policies that ensure sustainability throughout the supply chain.

Genetically Modified Organisms (GMO's) are a topic for current debate. In forestry, the company disapproves of GMO's by policy. Ahlstrom follows the discussion closely as it has an impact also for the company's other raw material purchases such as starch. In industrial applications there is room for more tolerance whereas the company feels that in food packaging more research is needed.

Organization

On the corporate level, the responsibility for sustainability matters lies with the Senior Vice President, Purchasing and Sustainability, who is a member of the Corporate Executive Team. During 2008 Ahlstrom strengthened its focus on this topic by adding a Vice President for Sustainability. The aim is to create a corporate umbrella for the various sustainability initiatives and actions within the company, with a particular focus on product offerings.

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

Key Performance Indicators	2008	2007	2006	2005	2004
Economical responsibility					
R&D expenditure as % of net sales	1.3	1.4	1.6	1.7	1.8
New or improved products as % of net sales	48	39	39	35	27
Number of patents awarded	22	63	52	54	98
Environmental responsibility					
Water usage (M^3/ton)	50.2	51.6	51.2	54.1	55.2
Electrical efficiency (MWh/ton)	1.03	1.06	1.07	1.07	1.03
Process heat (GJ/ton)	10.05	10.22	10.46	10.8	10.4
Waste to landfill (tons)	23,356	25,836	30,914	36,895	48,506
ISO 14001 certified plants	27	26	24	20	21
CO_2 emissions per ton of product (kg/ton)	547	592	655	651	649
Social responsibility					
Number of employees at year end	6,365	6,481	5,677	5,525	5,755
Number of employees, annual average	6,510	6,108	5,687	5,605	6,428
Net sales by employee, EUR 1,000	277	288	281	277	244
Average length of service, years	10.8	10.4	10.3	11.9	11.2
Employee turnover rate, %	6.7	5.6	11.2	13.3	8.7

Management systems to assure compliance

Ahlstrom's sustainability related policies are incorporated in its Operational Risk Management Policy Statement, and its operations are governed by the principles of ISO 14001 and OHSAS 18000. Commitment to this continuous improvement model provides a uniform framework for the successful management of environmental matters and occupational health and safety in the plants.

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

Ahlstrom's goal is to have all of its operating sites certified by the International Standards Organization's ISO 14001. Due to the large number of acquired and new plants, the target is not fully met. At this time, 27 of Ahlstrom's 40 operating plants, representing 91% of the company's production capacity, have been so certified. Ahlstrom has also developed a list of 23 core health, safety, environmental, and asset standards to which all operating sites are required to conform. Additionally, 13 sites have received OHSAS (Occupational Health and Safety Assessment Series) 18000 or equivalent accreditation.

During 2008, Ahlstrom has been focusing on ensuring that the raw materials used in European production operations are registered according to the new European chemical legislation (REACH). Ahlstrom's products are classified as articles, and therefore no registration is needed. The company has also ensured that no chemicals on the SVHC (Substance of Very High Concern) list are included among the raw materials used in its products.

In terms of product stewardship, the mandatory requirements for product safety vary according to the end use area, the most rigorous being for medical products and products for direct food contact. All Ahlstrom sites are governed by the principles of ISO 9001 to assure performance in line with international quality standards.

Reporting parameters

> Ahlstrom is committed to sustainable development. For Ahlstrom, sustainability means responsibility towards the environment and people, and the running of its business in a respectable way. Ahlstrom follows the G3 guideline issued by Global Reporting Initiative (GRI).

Sustainability reporting has been included in Ahlstrom's annual reports since 2003.

Scope of the reported sustainability information

Information in this sustainability section, covering pages 42–65, follows the boundaries of the annual accounts, with the exception of the health and safety and environmental data, which cover all of Ahlstrom's 40 manufacturing plants.

Changes in the corporate structure

In February, Ahlstrom acquired two plants with parchmentizing and converting operations in West Carrollton, Ohio, USA. These specialty papers plants serve mainly the food packaging market in the USA.

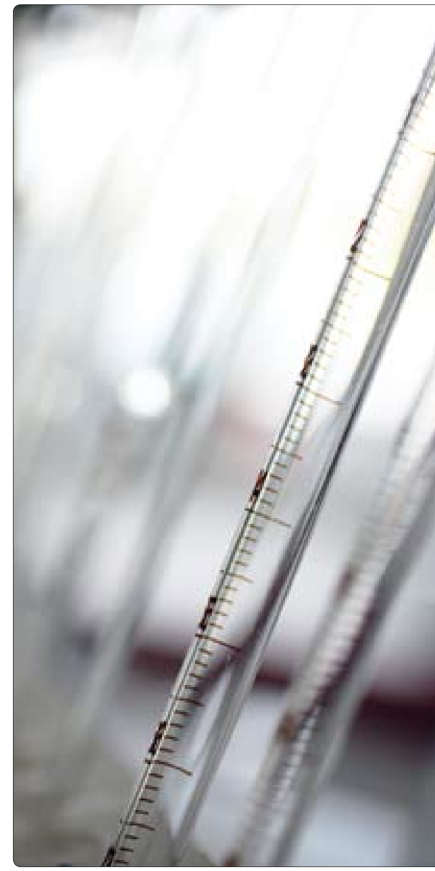
Ahlstrom's new glassfiber tissue production facility in Redkino, Tver Region, Russia, started operations in 2008. The plant produces glassfiber tissue for the Russian construction and plastic composite industries.

In August, Ahlstrom acquired the remaining 40% of the joint venture formed in September 2007 with Votorantim Celulose e Papel (VCP). Ahlstrom now owns 100% of the production facility located in Jacarei, Brazil, manufacturing specialty papers.

Ahlstrom closed four of its plants in 2008 due to unsatisfactory profitability and cash flow. The plant in Ascoli, Italy was closed in January, and the plant in Chantraine, France in June. These plants produced one-side coated papers for wet glue labeling, flexible packaging and graphical end users, and belonged to Ahlstrom's Release & Label Papers business. The plant in Darlington, South Carolina, USA was closed in January and the plant in Bellingham, Massachusetts, USA was closed in October. Both of the plants produced filtration media.

The impact on sustainability reporting of these new and closed busi-

> This sustainability report has been prepared with reference to the GRI guidelines to the level C. See reference table on pages 64–65.



nesses has been calculated respectively as being from the date of the official start-up, acquisition, or closure of each site.

Policies and practices on data reporting

Data concerning health, safety and the environment is collected at the Ahlstrom sites and consolidated at both the business area and corporate levels. The Health, Safety, Environment, and Assets Coordinators within the business areas work closely with the sites to make sure that the data is collected properly and in accordance with corporate guidelines. Sensitivity checks are performed each month.

Environmental data is measured, calculated, and reported, with all facilities utilizing common practices based on the Best Available Technique Reference Document (BREF) for the industry. BREF was issued by the European Commission in the context of the Integrated Pollution Prevention and Control Directive (IPPC) of the European Union.

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

Contacts

For further information on sustainability matters, please visit www.ahlstrom.com. You can also contact the Vice President, Sustainability Anna Maija Wessman at anna.wessman@ahlstrom.com or sustainability@ahlstrom.com.

Economic responsibility

Climate change

In line with the European Union's carbon trading scheme (ETS) according to the Kyoto agreement, Ahlstrom has been a net creditor in reporting lower carbon dioxide emissions than the emission rights it has been awarded. The funds received from carbon trading have been invested in energy savings yielding excellent payback, and yet lower direct carbon dioxide emissions from the company's plants.

Ahlstrom will closely follow developments concerning international agreements for the continuation of carbon trading. The United Nations Climate Change Conference, to be held in Copenhagen in December 2009, will be important in determining both the financial impact and the regulatory framework of fulfilling the challenging, but necessary, goals for reducing greenhouse gas emissions in the post-Kyoto timeframe.

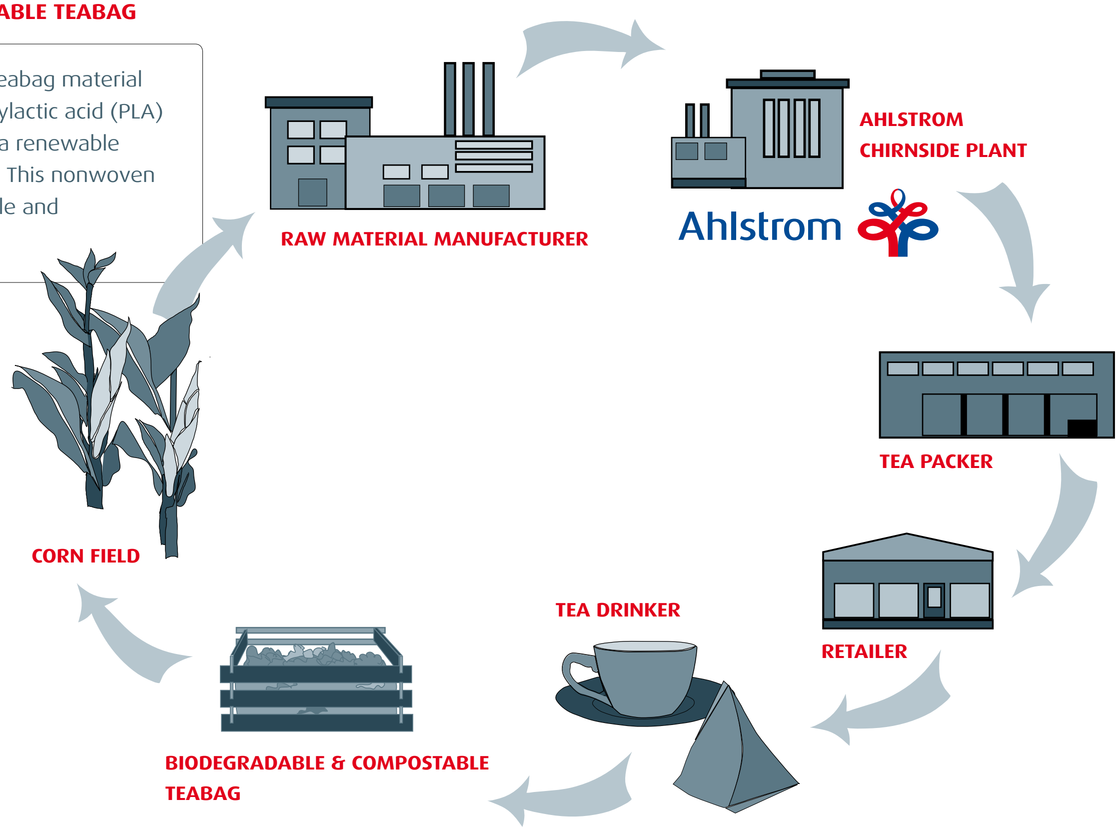
Sustainable products through innovation

In following Ahlstrom's climate strategy, it will be imperative to analyze the risks and to seize opportunities arising from a low-carbon society. Ahlstrom is starting to assess research projects against set sustainability criteria. Life Cycle Assessment methodology will be employed to measure the carbon footprint of all of the company's products, processes, and research modeling.

The sustainability criteria are of increasing importance to Ahlstrom's product portfolio. The raw materials used in the production process, the energy demand, as well as the end-of-life considerations, define the sustainable properties of a product.

LIFECYCLE OF A RECYCLABLE TEABAG

> Ahlstrom's new teabag material is made from polylactic acid (PLA) fibers, which are a renewable resource made of corn. This nonwoven product is biodegradable and compostable.



DIRECT ECONOMIC IMPACTS OF AHLSTROM´S OPERATIONS IN 2008

Customers
- Net sales EUR 1.80 billion (EUR 1.76 billion)

Sources of financing
- Drawdowns of non-current loans and borrowings EUR 162.0 million (165.1 million)
- Dividends received, interest and other financing income EUR 4.2 million (EUR 1.7 million)

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

> Ahlstrom >

Suppliers
- Purchases of raw materials and energy EUR 1,086.4 million (EUR 1,039.9 million)
- Purchases of property, plant and equipment, EUR 131.2 million (EUR 153.9 million)

Employees
- Wages, salaries and other personnel expenses EUR 249.9 million (EUR 256.9 million)

Financial institutions
- Net interest costs and other net financial items EUR 38.4 million (EUR 27.3 million)

Public sector
- Tax income EUR 4.5 million (tax expense EUR 1.2 million)

Shareholders
- Dividends paid EUR 46.7 million (EUR 46.6 million)

Ahlstrom's leading edge biopolymer teabag material is one example of a new nonwoven product that is entirely manufactured from a renewable resource.

Biopolymers are a new class of raw materials that Ahlstrom has started to employ in its processes as it looks to alternatives to petroleum based chemistries. This fine-spun nonwoven web is made from corn, and is fully compostable and biodegradable. A Life Cycle Assessment was used in analyzing the carbon footprint for the new material compared to the current technology in order to verify the benefits.

Customer relationship management

Ahlstrom insists that all of its employees work in a respectable and ethical manner. The company's code of conduct is available at www.ahlstrom.com.

Ethical behavior is especially important for members of our sales force that have direct customer contact. Training regarding Ahlstrom's policies on competition and antitrust, as well as anti-bribery, has been organized throughout the company, most recently for the Asian and European sales forces.

Customer relationship management is handled by the Ahlstrom business areas and product lines, as well as by the head of the Sales Network function. Ahlstrom believes that it is better to have sales activities in its own hands, to think globally and to act locally. In 2008, a total of 96% of all sales were handled by the company, while 4% was channeled through agents. Ahlstrom is employing agents in those geographies where a company sales office is not yet feasible.

Environmental responsibility

> Ahlstrom continued its good track record in minimizing the environmental impact of its operations.

Environmental responsibility

> Ahlstrom cares about the environment, and its people. The year 2008 represented a milestone in enhancing the company's efforts towards sustainability.

Production

In 2008, Ahlstrom's total gross production was 1,178,150 tons, representing a 2% decrease over 2007 levels. Production levels in 2008 were essentially a tale of two halves. During the first half of 2008, production increased by 44,233 tons (7.7%) versus the first half of 2007. This increase in production was driven largely by the increased production capacity resulting from the Fiberweb, Orlandi and VCP acquisitions of 2007. In the second half of 2008, production dropped by 7.8% compared to the second half of 2007. This slowing of production was driven by the worldwide economic downturn.

Direct environmental investments

In 2008, Ahlstrom invested approximately EUR 2.2 million for environmental improvements. In addition, another EUR 4.0 million was directed towards energy reduction projects. The focus areas for these investments were energy efficiency and associated CO_2 emissions reduction, wastewater treatment improvements, water conservation, and ambient emission reductions of NO_x and particulate. Two years ago, Ahlstrom established a dedicated Energy Investment Fund, and has since then invested altogether EUR 6 million to improve the energy efficiency of its operating plants.

In addition to its environmental investments, Ahlstrom invested EUR 4.6 million in health and safety improvements and assets protection during 2008.

ENVIRONMENTAL IMPACTS OF AHLSTROM´S OPERATIONS IN 2008

Natural fibers	764 kt
Other fiber raw materials	176 kt
Chemicals	335 kt
Recovered fibers/non-valued material	60 kt
Paper and board	10 kt
Packaging	27 kt

Purchased electricity	3,476 TJ
Purchased fossil fuel	9,948 TJ
Utilized bio fuel	1,344 TJ
Purchased steam	2,448 TJ

Internal production power	650 TJ

Water	50.2 million m^3

Ahlstrom

Tons produced (gross)	1,178 kt

Emissions to air	
CO_2	644,784 t
SO_2	492 t
NO_X	1,034 t

Discharge to river	
Water	43.9 million m^3
Suspended solids	395 t
COD	2,082 t
BOD_5	511 t
Phosphorus	15 t
Nitrogen	56 t
AOX	8 t

Landfill	
Landfilled solid waste	23,356 t

MATERIAL USAGE

Raw materials, tons	2008	2007	2006	2005	2004
Natural Fibers [1]	764,000	783,000	733,000	775,000	751,000
Chemicals [2]	335,000	396,000	391,000	404,000	351,000
Synthetic Fibers [3]	176,000	132,000	100,000	99,000	96,000
Recycled Paper [1]	60,000	56,000	46,000	41,000	73,000
Paper and Board [1]	10,000	6,000	10,000	13,000	103,000
Non Valued Material	0	0	0	0	32,000
Packaging [4]	26,500	27,000	26,000	26,000	22,000
Total	1,371,500	1,400,000	1,306,000	1,358,000	1,428,000

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

Material usage

Ahlstrom uses various natural and synthetic fibers as the principal raw material in its production. The vast majority of the purchased raw materials are natural fibers, even though the amount of synthetic fibers has been increasing due to changes in the product mix. Ahlstrom's capability to blend multiple fiber types in its processes allows the company to offer its customers products with unique features and performance characteristics.

In 2008, Ahlstrom used altogether 1,371,500 tons of raw materials in its production, of which 940,000 tons (915,000 tons in 2007) were virgin raw material fibers. This total represents a 2% reduction from 2007 levels coincident with the 2% reduction in production output. Chemical utilization (e.g. binders, resins, fillers and pigments) also decreased in 2008, reflecting the reduced production and the closure of plants in Ascoli in Italy and Chantraine in France. In 2008, Ahlstrom utilized 335,000 tons of chemicals, a 15% decrease over 2007 levels.

Use of waste materials

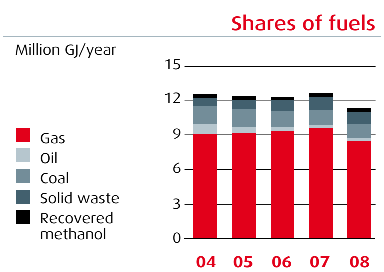
Ahlstrom continues to put emphasis on the reduction of waste and on the reuse of waste materials. The utilization of waste materials not only serves to offset the purchase of virgin raw materials, but also reduces the company's overall disposal burden.

As an example of this approach, the Louveira site in Brazil identified a use for its scrap filter paper during 2008. Now used in cardboard production, this initiative has had the effect of eliminating 80% of the site's annual total solid waste stream. Waste reduction is a core focus of Ahlstrom's aPlus performance improvement program.

The use of recycled paper increased from 56,000 tons in 2007 to 60,000 tons in 2008, an increase of 7%.

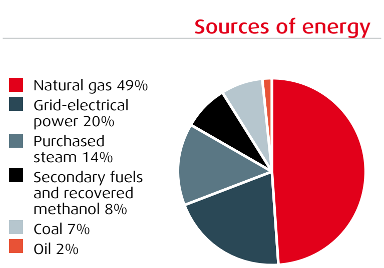
Energy

> Because of the energy intensive nature of the company's operations, the drive for efficient energy use is important for Ahlstrom.

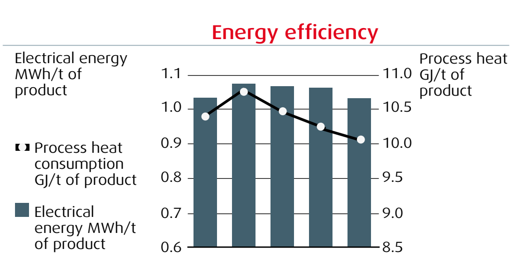


In 2008, the total use of energy decreased by 4% compared to 2007 on a 2% decrease in tonnage produced. The total energy usage (electricity and process heat) was 4.51 million MWh in 2008 (4.68 million MWh).

Major gains were achieved with targeted energy saving investment projects in the Technical Papers and Advanced Nonwovens Business Areas. In addition, Glass & Industrial Nonwovens obtained significant energy gains in 2008 through not being encumbered with a glass furnace rebuild in Karhula during the year. La Gère also achieved major gains by re-establishing efficiencies following its 2007 machine rebuild.



Ahlstrom continues to use natural gas preferentially. Natural gas burns cleaner than other fossil fuels, and produces less carbon dioxide per unit of energy released than, for example, oil or coal. In 2008, natural gas accounted for 49% of total energy used. This is down somewhat from past years reflecting the closure of the Ascoli and Chantraine facilities, both of which employed natural gas as their exclusive fuel. Purchased steam increased in 2008 to 14% of the total, up from 11% in 2007, as Ahlstrom continued to outsource steam supply during 2008.

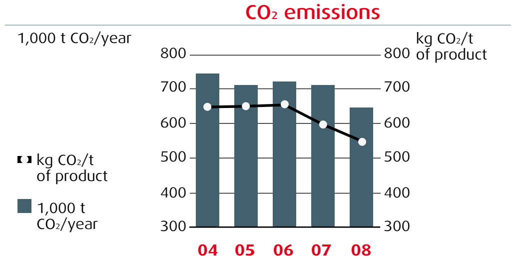


Energy efficiency is one of the most important environmental indicators for Ahlstrom. It is identified by the input of both electricity and heat for drying processes, divided by the gross tonnage produced. Ahlstrom's improving trend in energy efficiency continued for the third year in a row. In 2008, electrical efficiency stood at 1.03 MWh/ton and process heat efficiency was 10.05 GJ/ton.

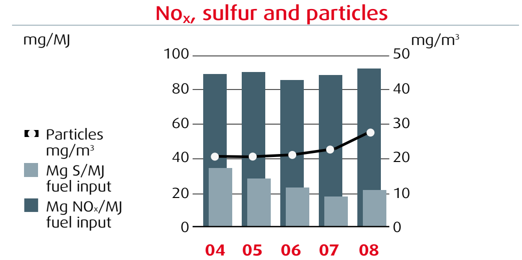
Emissions to air

> In its effort to minimize the environmental impacts of its operations, Ahlstrom focuses on reducing its greenhouse gas (GHG) emissions worldwide at all of its facilities. Ahlstrom sees four main focus areas as key in achieving the target: improving energy efficiency, switching to cleaner burning fuels, such as natural gas, whenever feasible, increasing the use of biofuels, and outsourcing steam generation.
>
> Ahlstrom monitors the emissions relevant to its own operations. The most significant emissions related to Ahlstrom's operations are those of carbon dioxide and other flue gases (SO_2, NO_x, particles).

CO_2 emissions



Emissions into the air: No_x, sulfur and particles



In 2008, Ahlstrom´s total CO_2 emissions were 644,784 tons, a decrease of 9.2% over 2007 totals. There were three principle reasons for this significant reduction. Firstly, fuel usage was lower because of the lower production levels, secondly, energy efficiency increased as a consequence of the targeted investments, and thirdly, the outsourcing of steam supply continued. The CO_2 per ton of product produced was 547 kg/ton, a 7.6% improvement over 2007 (592 kg/ton).

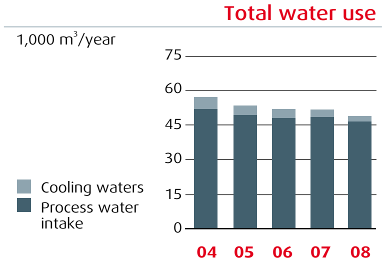
Individual plant CO_2 emissions are calculated by multiplying fuel usage by established, fuel specific, local emissions factors that are set by local energy suppliers and energy industry associations. Ahlstrom reports only its direct combustion emissions, consistent with the National Allocation Plan directives of the European Union.

Nitrogen oxides, sulfur, and particles are flue gas emissions resulting from the burning of fossil fuels. Nitrogen oxides (1,034 tons) decreased by 6% in 2008 as a consequence of lower fuel usage and the enhanced burner installations at a number of sites. Sulfur oxides (492 tons) increased by 9% versus 2007 levels as a result of the fuel mix, principally at the Stenay site. Particles (96 tons) increased marginally due to the fuel mix.

Water and wastewater

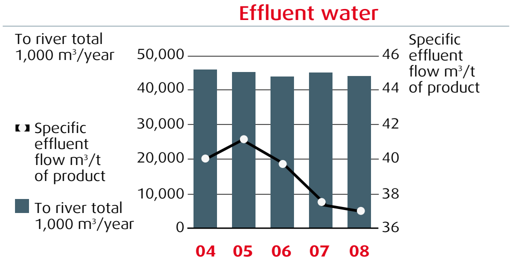
> Ahlstrom uses a great deal of water in its manufacturing processes. The company sees proper stewardship of this valuable resource as a key operating goal. Significant water savings have been achieved at the plants by identifying and eliminating losses, and by recycling process water back into the plant, thus eliminating the need for fresh water.

Total water use



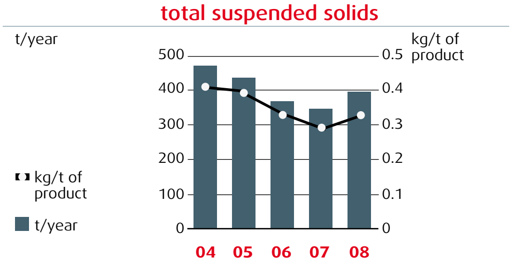
The total amount of process water used in 2008 was 50.2 million m^3 (51.6 million m^3 in 2007). This represents a 2.7% decrease in water usage on a 1.8% production decrease over 2007. Water usage per ton of product dropped from 43.0 m^3/ton in 2007, to 42.6 m^3/ton in 2008, a 1.0% improvement. This improvement in water utilization reflects the acquisition of less water intensive operations, plus water reduction efforts, most notably in Osnabrück, Karhula, Louveira and Tampere.

Effluent water



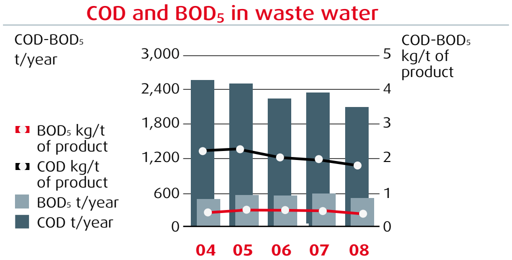
Total effluent water discharged in 2008 amounted to 43.9 million m^3, a 2% decrease over 2007. By the end of 2008, 6% of Ahlstrom's process wastewater (2.8 million m^3) was treated by third parties, principally local municipality operated treatment plants. Ahlstrom reports effluent from Ahlstrom owned and operated treatment plants. Pollutant loads contained in flows to treatment works owned by parties other than Ahlstrom, are not represented here.

Effluents to water: total suspended solids



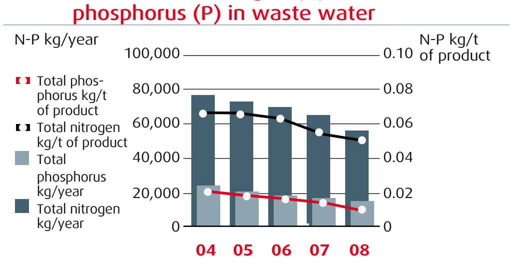
Suspended solids are used as an indicator of wastewater quality. Total suspended solids (TSS) in 2008 wastewater effluents totaled 395 tons (345 tons in 2007) with a kg/ton of product value of 0.33. This represents a 16% increase following a 12% decrease in 2007. Treatment efficiency related to TSS deteriorated slightly at Windsor Locks, Osnabrück, Rottersac, Chirnside, and Sassoferrato. Additionally, the West Carrollton acquisition increased TSS loadings.

COD and BOD_5 in waste water



Biological Oxygen Demand (BOD_5) and Chemical Oxygen Demand (COD) provide an indication of the amount of organic matter in the wastewater effluent that can be biologically degraded and oxidized. In 2008, Ahlstrom discharged 2,082 tons of COD, 253 tons less than in 2007. BOD in 2008 was 511 tons versus 589 tons in 2007. These decreases reflect decreased wastewater flows coupled with some improvements in removal efficiencies. Specifically, the treatment efficiency (kg/ton of product) improved by 9.2% for COD, and by 11.6% for BOD.

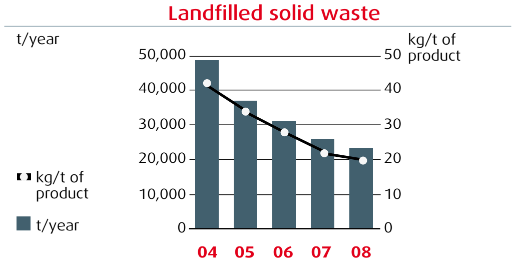
Nitrogen (N) and phosphorus (P) in waste water



In 2008, Ahlstrom's discharge of nitrogen decreased by 14% from the levels recorded in 2007. Phosphorus levels dropped from 16,978 kilograms in 2007 to 15,294 kilograms in 2008, a reduction of 10%.

Waste management

Landfilled solid waste



In terms of waste management options, Ahlstrom has established a hierarchy of preferred techniques. The primary option is not to create waste, thus completely avoiding disposal. Failing that, recycle options, both internal and external, should be pursued. If recycling is not viable, composting and energy recovery provide environmentally beneficial outlets. The least desirable disposal option is landfill and, accordingly, Ahlstrom uses a key performance indicator to target a reduction of waste to landfill. In 2008, Ahlstrom landfilled 23,356 tons of waste, down 2,480 tons from 2007. Indeed, "waste to landfill" per ton of product produced dropped significantly by 8.0% between 2007 and 2008.

Social responsibility

> Many Ahlstrom employees regard multiculturality as one of the greatest richnesses in working for the company.

Continuous dialog with stakeholders

For Ahlstrom it is important to have an on-going and open dialog with all of its stakeholders. Characteristically, there are expectations, wants and needs on both sides. Responsibility is the common denominator and key word in answering the various demands for economic, social and environmental matters.

On the corporate level, Ahlstrom has defined its most important stakeholders as being its customers, employees, shareholders, suppliers, and the general public. At the local level, Ahlstrom's sites define their own main stakeholders. These include, in addition to the above, local neighbors in the vicinity of the production plants, universities, and public authorities.

Ahlstrom participates actively in key industry associations; EDANA (European Association for the Nonwovens and related industries) and INDA (Association of the Nonwoven Fabrics Industry) for nonwovens, PaperPlus for Specialty Papers, and APFE (European Glass Fibre Producers Association) for the glassfiber reinforcement industry. Ahlstrom representatives have held chairmanship positions in 2008 in PaperPlus and APFE.

STAKEHOLDER	STAKEHOLDER EXPECTATIONS	AHLSTROM'S EXPECTATIONS	CHANNELS OF DIALOG	ASSESSMENTS
Customers	Good quality, safe products with good service, delivery security with a competitive price and corporate responsibility	Business, trust, responsibility, cooperation	Face-to-face and other contacts via sales personnel within the product lines and global sales network, www.ahlstrom.com	Customer satisfaction surveys
Employees	Responsibility, challenging tasks, safety, development opportunities, recognition and fair compensation	Expertise, commitment, dedication, motivation	Daily face-to-face contacts, performance dialog process, education and training, internal information meetings, corporate intranet, internal magazine, Ahlstrom's European Dialogue, local cooperation with unions and employee representatives	Employee satisfaction surveys
Shareholders and Investors	Profitability, Return on Investment, corporate responsibility	To perceive Ahlstrom as an attractive investment	Annual General Meeting, Capital Markets Day, www.ahlstrom.com, conference calls, one-on-one meetings, road shows, annual report, interim reports, stock exchange releases	Investor relations surveys
Suppliers	Business, cooperation, responsibility and innovation opportunities	Material supplies and services, competitive prices, responsibility	Face-to-face and other contacts via the purchasing function and site personnel, theme days (e.g. innovation), Supplier of the Year Award	Supplier surveys
Society, e.g. national and local authorities, neighbors	Participation, cooperation, support, responsibility, jobs	Approval, trust, cooperation	Local level cooperation with authorities, Open house days	Stakeholder feedback, corporate image surveys
Academic institutions	Employment opportunities and training, research collaboration, contacts with the business community	Education and training, research cooperation	Opportunities for practical training and degree thesis, R&D projects, participation in recruitment fairs, sponsorship of student activities	Preferred employer surveys
Media	Cooperation, up-to-date information about Ahlstrom activities	Cooperation, objective coverage of Ahlstrom	Media meetings and news conferences, one-on-one meetings, press releases, financial communications, www.ahlstrom.com	Media coverage reporting, company image surveys
Other stakeholders, e.g. non-governmental organizations, business associations	Participation, cooperation, support, responsibility	Support and promoting of our interests and business opportunities	Local / national level cooperation, guest lectures	

Competent personnel is crucial in a time of rapid change

> Having personnel that are competent, motivated, and customer-oriented is a cornerstone of Ahlstrom's success.

The role of the Human Resources (HR) function is to ensure the availability of suitable people in the right positions in locations around the world. In 2008, Ahlstrom's global HR continued to support the businesses in their integration and training of personnel within the acquired and newly established units around the world, and strengthened the focus on personnel development through training programs.

Human resources management adjusts to changing business climate

Year 2008 was made up of two parts for Ahlstrom's human resources management. In the beginning of the year, the focus was on integrating the acquisitions made in 2007. The latter part of the year was marked by the need to adjust Ahlstrom's operations to the declining demand caused by the global economic downturn.

At the end of 2008, Ahlstrom had a total of 6,365 (6,481 at the end of 2007) employees in more than 20 countries on six continents.

Most of the total workforce was employed in the USA (25%), followed by France (19%), Italy (15%), Finland (11%) and Germany (9%). Despite the changes in the organization, the overall personnel structure remained roughly the same compared to the previous year. The reductions resulting from plant closures were supplemented by acquisitions or moderate growth in other units. More information on the changes in the corporate structure is available on page 46.

Personnel development and succession planning are vital

Ahlstrom supports the personal growth of its employees via diversified training programs. The company provides leadership training for managers in different stages of their career, as well as in-house training for managers and professionals. At the plant and unit level, the company provides employees with training for developing their individual work skills.

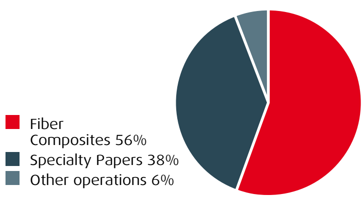
During 2008, Corporate HR arranged training and development programs in different parts of the world that were attended by altogether 225 participants. The company's Stretching Knowledge training comprised five block sessions focusing on Ahlstrom financials, production knowledge, asset protection and crisis management. The leadership development program comprised the JUMP (Junior Management Program) training session for junior managers, two sessions devoted to the PKE (Process Kaizen Engineers) program, and one session for PKL (Process Kaizen Leaders). There were also two Leadership Triathlon sessions for senior management.

Through the management planning process, Ahlstrom aims to ensure that capable management resources are identified and developed across the organization. It is critical for Ahlstrom to have its key positions occupied by competent managers, and to make sure that a succession plan is in place to facilitate a timely job rotation when the need arises.

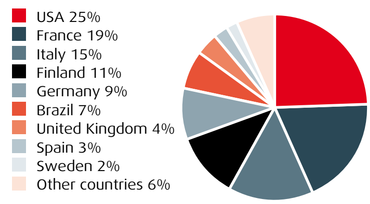
Employee satisfaction measured regularly

Ahlstrom routinely conducts surveys to scan employee satisfaction on various subjects, such as the physical environment, work content and motivation, management and leadership, as well as Ahlstrom as an employer. The target is to have each plant and function surveyed every three years. In 2008, the survey was conducted at eight plants covering approximately 1,300 people. The survey results are analyzed and development plans are then drawn up within the units jointly with the employees.

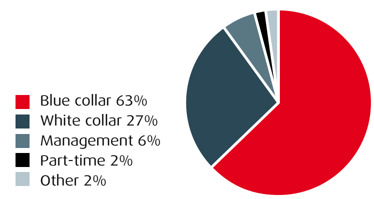
Employees by segment



Employees by country

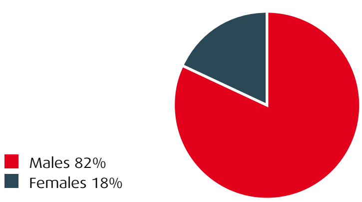


Employees by employment type

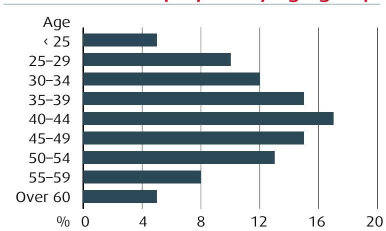


In 2008, temporary and apprenticeship agreements covered in total approximately 2% of Ahlstrom's workforce

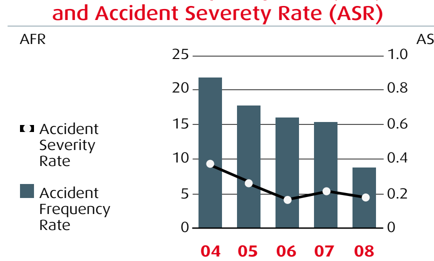
Employees by gender



Employees by age group



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



AT THE END OF 2008, AHLSTROM HAD

A TOTAL OF 6,365 EMPLOYEES

IN 26 COUNTRIES ON 6 CONTINENTS.

HR organization and processes

Ahlstrom's Human Resources network works in particular to attract, retain, develop and motivate employees, and to ensure compliance with legislation applicable to the HR area. The global HR network consists of corporate and regional HR representatives who meet regularly to ensure consistency in global processes, and to share information on current HR topics.

The Corporate HR team coordinates, develops, and supervises key group-wide processes, which are Compensation & Benefits, Management Planning, Performance Dialog, and Training & Development. The persons responsible for regional HR matters take care of human resources management, and the consistent implementation of global processes within their own geographical area. The local human resources professionals at the site level support the local management and personnel, and administer local procedures relating to all HR aspects, such as employment relationships, rewards and training.

Performance and compensation go hand in hand

Through the annual Performance Dialog process, Ahlstrom aims to ensure that all key position holders within Ahlstrom know and understand their roles, responsibilities and priority targets. Furthermore, it is seen as the main tool for evaluating past performance and, in particular, for setting clear personal targets for the future that are aligned with corporate targets.

Ahlstrom's compensation programs are intended to be a motivator for the employees. For this reason Ahlstrom stresses the importance of maintaining a compensation structure that is both externally competitive, and internally fair and equitable. Annual compensation programs are designed to support all organizational units and individual managers in reaching or exceeding their preset annual targets. A long-term incentive plan is in place for senior management and is explained in more detail in the Corporate Governance section, pages 71–72.

Excellent improvement in work related accidents

> Overall lost time accidents dropped by nearly 43% in 2008. The number of accidents that resulted in absence decreased for the seventh consecutive year.

Globally, Ahlstrom has two Key Performance Indicators (KPI's), the Accident Frequency Rate and the Accident Severity Rate. There has been a step-change improvement in overall lost time accidents, which have been reduced by 42.8%, while the Accident Frequency Rate (AFR) has been reduced from 15.30 to 8.75. This result is particularly gratifying and is a reflection of the considerable effort made by all employees in making Ahlstrom a safer place to work.

This is the seventh consecutive year that the company has seen a reduction in the AFR. The ratio indicates the number of accidents that resulted in absence per million man-hours worked. Some 62% of Ahlstrom's sites improved or maintained their Accident Frequency Rate during 2008. The Accident Severity Rate also fell from 0.22 to 0.18.

aPlus as the key tool in HSE development

The development of Health and Safety orientated systems showed a very positive return in 2008 in terms of the basics of good Health and Safety practice. With a continuous increase in the number of safety inspections, the near-miss reporting has improved by a further 140%. Reporting near misses, i.e. incidents with the potential for injury but where no injury has occurred, increases the likelihood of avoiding any actual injuries.

While these items alone do not deliver good safety, they are the cornerstone of any improvement process and provide the base data for the Health and Safety pillar of Ahlstrom's continuous improvement program aPlus, which is used to deliver the required performance improvements.

These improvements could not have been achieved without the full support of all employees. Central to employee involvement is the implementation of aPlus and its precise measurement and problem solving methodologies. This team-based approach enables the skills and knowledge of the workforce to be brought to bear on any problem or operational issue, delivering realistic and practical solutions.

Internal assessment conducted at 16 sites

With more than 40 manufacturing facilities around the world, the continuation of life-long learning in Health & Safety is a primary issue for Ahlstrom and its employees. An internal assessment of 16 sites to benchmark them against Ahlstrom's Corporate Standards and Guidelines were completed during the year. This resulted in a total of 444 items being identified as not completely meeting the exacting standards of Ahlstrom. The sites showed their high level of support for the program by implementing corrective actions based on the recommendations identified during the program. Of these corrective actions, over 70% had been completed on-time.

E-learning tools are utilized within Ahlstrom's Health and Safety development. A specific development project, DREAD-ED, has been established in partnership with TILS S.p.A. (Italy), Duisburg-Essen University (Germany), Lincoln University (UK), the University of Naples (Italy), and Protezione Civile (Italy). The project aims to deliver leading-edge online training on disaster readiness and planning through the use of interactive gaming simulation. This enables players, within the safety of a gaming environment, to be exposed to real-life scenarios that will test and sharpen their abilities in leadership, coordination, negotiation, effective communication, time management and team-working. (www.dread-ed.eu)

GRI content index

GRI C	
x	reported fully
o	reported partly
	not reported

	REPORTED	PAGE
1. Strategy and Analysis		
1.1 CEO's statement	x	9, 46
1.2 Description of key impacts, risks, and opportunities	o	25–29
2. Organizational Profile		
2.1 Name of the organization	x	2–7
2.2 Primary brands, products, and services	x	2–7
2.3 Operational structure	x	2–7
2.4 Location of organization's headquarters	x	158
2.5 Number of countries and location of operations	x	7, 17, 158
2.6 Nature of ownership and legal form	x	2–7
2.7 Markets served	x	2–7
2.8 Scale of the reporting organization	x	2–7
2.9 Significant changes during the reporting period	x	15, 46–47
2.10 Awards received in the reporting period	x	16
3. Report Parameters		
3.1 Reporting period	x	46–47
3.2 Date of most recent previous report	x	46–47
3.3 Reporting cycle	x	46–47
3.4 Contact point for questions regarding the report	x	47
3.5 Process for defining report content	x	47
3.6 Boundary of the report	x	46–47
3.7 Limitations on the scope or boundary of the report	x	46–47
3.8 Basis for reporting on joint ventures and subsidiaries	x	46–47
3.9 Data measurement techniques and the bases of calculations	o	47
3.10 Explanation of re-statements	x	15, 46–47
3.11 Significant changes from previous reporting periods	x	46–47
3.12 Table identifying the location of the Standard Disclosures in the report	x	64–65
3.13 Assurance policy and practice		
4. Governance, Commitments, and Engagement		
4.1 Governance structure	x	68–77
4.2 Position of the Chairman of the Board	x	68–77
4.3 Independence of the Board members	x	68–77
4.4 Mechanism for shareholder and employee consultation	x	68–77
4.5 Executive compensation and linkage to organization's performance	o	68–77
4.6 Processes for avoiding conflicts of interest		
4.7 Processes for determining expertise		
4.8 Implementation of mission and values statements; code of conduct	o	49
4.9 Procedures of the Board for overseeing the management of economic, environmental and social performance		
4.10 Processes for evaluating the Board's performance		
4.11 Precautionary principle		
4.12 Voluntary charters and other initiatives		
4.13 Memberships in associations	x	60
4.14 List of stakeholder groups	x	60
4.15 Identification and selection of stakeholders	x	60
4.16 Approaches to stakeholder engagement	x	60
4.17 Key topics raised through stakeholder engagement	x	60
5. Management Approach and Performance Indicators		
ECONOMIC		
EC1 Direct economic value generated and distributed	x	49
EC2 Risks and opportunities due to climate change		
EC3 Coverage of defined benefit plan obligations		
EC4 Significant financial assistance received from government	x	49
EC5 Entry level wage compared to minimum wage		
EC6 Spending on local suppliers		
EC7 Local hiring		
EC8 Infrastructure investments provided for public benefit		
EC9 Significant indirect impacts		
ENVIRONMENTAL		
EN1 Materials used by weight or volume	x	52–53
EN2 Recycled materials used	x	52–53
EN3 Direct energy consumption	x	52, 54
EN4 Indirect energy consumption		
EN5 Energy saved due to conservation and efficiency improvements	x	54
EN6 Initiatives to provide energy-efficient or renewable energy based products and services	x	44–45, 52, 54–55
EN7 Initiatives to reduce indirect energy consumption		
EN8 Total water withdrawal	x	52, 56

	REPORTED	PAGE
ENVIRONMENTAL		
EN9 Water sources significantly affected		
EN10 Percentage and total volume of water recycled and reused		
EN11 Location and size of land in biodiversity-rich areas		
EN12 Description of significant impacts of activities, products, and services on biodiversity		
EN13 Habitats protected or restored		
EN14 Managing impacts on biodiversity		
EN15 Species with extinction risk with habitats in areas affected by operations		
EN16 Total direct and indirect greenhouse gas emissions	o	45, 52, 55
EN17 Other relevant indirect greenhouse gas emissions		
EN18 Initiatives to reduce greenhouse gas emissions	x	44, 55
EN19 Emissions of ozone-depleting substances		
EN20 NO_x, SO_x, and other significant air emissions	x	52, 55
EN21 Total water discharge	x	52, 56
EN22 Total amount of waste	x	45, 52, 57
EN23 Significant spills		
EN24 Transported, imported, exported, or treated hazardous waste		
EN25 Water bodies and habitats affected by discharges of water		
EN26 Mitigating environmental impacts of products and services		
EN27 Reclaimable products and reuse		
EN28 Significant fines and sanctions for non-compliance with environmental laws and regulations		
EN29 Environmental impacts of transportation		
EN30 Total environmental protection expenditures and investments	o	52
LABOR PRACTICES AND DECENT WORK		
LA1 Breakdown of workforce	x	62
LA2 Breakdown of employee turnover		
LA3 Employee benefits		
LA4 Percentage of employees covered by collective bargaining agreements		
LA5 Minimum notice period(s) regarding operational changes		
LA6 Representation in joint health and safety committees		
LA7 Injury, lost time injury, fatalities, absence rates	o	63
LA8 Education and prevention programs regarding serious diseases		
LA9 Health and safety topics covered in formal agreements with trade unions		
LA10 Average training hours per year		
LA11 Programs for skills management	x	61
LA12 Employees receiving regular performance and career development reviews		
LA13 Composition of governance bodies and breakdown of employees		
LA14 Ratio of basic salary of men to women by employee category		
HUMAN RIGHTS		
HR1 Investment agreements that include human rights clauses		
HR2 Suppliers and contractors that have undergone human rights screening		
HR3 Human rights related training for employees		
HR4 Incidents of discrimination and actions taken		
HR5 Supporting right to freedom of association and collective bargaining in risk areas		
HR6 Measures taken to eliminate child labor in risk areas		
HR7 Measures taken to eliminate forced labor in risk areas		
HR8 Human rights related training for security personnel		
HR9 Incidents involving rights of indigenous people and actions taken		
SOCIETY		
SO1 Managing the impacts of operations on communities		
SO2 Business units analyzed for risks related to corruption		
SO3 Anti-corruption training	o	49
SO4 Actions taken in response to incidents of corruption		
SO5 Public policy positions and participation in public policy development and lobbying		
SO6 Contributions to politicians and related institutions		
SO7 Legal actions for anticompetitive behavior, anti-trust, and monopoly practices		
SO8 Fines and sanctions for noncompliance with laws and regulations		
PRODUCT RESPONSIBILITY		
PR1 Assessment of health and safety impacts of products	o	48–49
PR2 Non-compliance with regulations concerning health and safety impacts of products		
PR3 Product information required by procedures		
PR4 Non-compliance with regulations concerning product information and labeling		
PR5 Customer satisfaction	o	60
PR6 Adherence to marketing communications laws, standards, and voluntary codes		
PR7 Non-compliance with marketing communications regulations and voluntary codes		
PR8 Complaints regarding breaches of customer privacy		
PR9 Fines for noncompliance with laws and regulations concerning the provision and use of products and services		

Corporate governance

Corporate governance

In addition to applicable laws and regulations and its Articles of Association, in its corporate governance, Ahlstrom complies with the Finnish Corporate Governance Code 2008 for Listed Companies issued by the Securities Market Association (www.cgfinland.fi). The Ahlstrom share is listed on the NASDAQ OMX Helsinki Ltd stock exchange (Helsinki exchange).

Organization

Ahlstrom reports its business in two segments, Fiber Composites and Specialty Papers. The Fiber Composites segment includes the following business areas: Filtration, Advanced Nonwovens, Home & Personal Nonwovens and Glass & Industrial Nonwovens. The Specialty Papers segment comprises the Technical Papers and Release & Label Papers business areas.

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

General Meeting

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

The General Meeting is convened by the Board. The Annual General Meeting must be held within six months of the end of the financial period. An Extraordinary General Meeting shall be held whenever the Board deems necessary, or if shareholders with at least 10% of the shares so demand in writing in order to deal with a given matter, or if this otherwise is required by law.

In 2008, Ahlstrom Corporation held its Annual General Meeting in Helsinki, Finland on April 2, 2008. 215 shareholders were present representing 27.02% of the voting rights of the company. In addition to the auditor, CEO and Chief Financial Officer (CFO), all Board members, except Urban Jansson, who had informed the company that he was no longer available for re-election, were present at the General Meeting.

The notice to the General Meeting is published no more than two months and no less than 17 days prior to the General Meeting in a Finnish language as well as a Swedish language newspaper published in Helsinki, Finland, selected by the Board. In addition, the notice is also published as a stock exchange release. The notice of the General Meeting and the following information are available also on the website of the company:

- the total number of shares and voting rights at the date of the notice
- the documents to be submitted to the General Meeting
- any proposals for resolutions made by the Board, and
- any item included in the agenda of the General Meeting but with respect to which no resolution is proposed to be made.

The Annual Report of the company as well as other material related to a General Meeting is sent on request to shareholders prior to said General Meeting.

The minutes of the General Meeting, including the voting results and appendices of the minutes that are part of resolutions made by the meeting, are posted on the company's website within two weeks from the meeting.

Shareholders may attend a General Meeting either in person or by proxy. In order to attend a General Meeting, a shareholder shall give prior notice to Ahlstrom to attend, by the date mentioned in the notice of the meeting. Only shareholders, who, on the record date set forth in the notice, are registered in the register of shareholders maintained by the Euroclear Finland Ltd (former Finnish Central

Securities Depository) are entitled to participate in a General Meeting. A holder of nominee registered shares is therefore advised to request from his/her custodian bank necessary instructions regarding a temporary registration in the shareholders' register, the issuing of proxy documents and the registration for said General Meeting. A proxy representative shall produce a dated proxy document or otherwise in a reliable manner demonstrate his/her right to represent the shareholder.

Each share has one vote in all matters dealt with by a General Meeting.

If a shareholder wishes to bring up a matter for consideration by the General Meeting, he/she/it shall present the matter in writing to the Board early enough for the matter to be included in the notice convening the meeting.

Ahlstrom's aim is to ensure that all Board members, the auditor, the President & CEO and the CFO are present in the General Meeting, so that the shareholders have the opportunity to put questions to them in relation to the matters on the agenda.

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

Board

The Ahlstrom Corporation Board consists of a minimum of five members and a maximum of seven members. The Annual General Meeting confirms the number of members of the Board, elects them, and decides on their compensation. The mandate of each member of the Board expires at the end of the Annual General Meeting immediately following their election. There are no limitations as to the number of terms a person can be member of the Board and no maximum age.

The Annual General Meeting held on April 2, 2008, confirmed the number of Board members unchanged at seven. Thomas Ahlström, Sebastian Bondestam, Jan Inborr, Martin Nüchtern, Bertel Paulig, Peter Seligson and Willem F. Zetteler were elected as Board members. Immediately after the Annual General Meeting, the Board elected Peter Seligson as Chairman of the Board and Bertel Paulig as Vice Chairman. Biographical details of the Board members are set forth on page 75.

All of the Board members are non-executive. Each Board member shall provide the Board with sufficient information that will allow the Board to evaluate his or her qualifications and independence and notify the Board without delay of any changes in such information. The Board considers all of the present Board members independent from the company and its major shareholders.

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

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

Most of the Board meetings are held at the corporate head office in Helsinki, but from time to time the Board also visits other locations of the company and holds meetings there. If necessary, the Board also arranges telephone meetings. The Board annually holds a two-day strategy meeting. In 2008, the Board convened 13 times, including 3 meetings held as telephone meetings. The average attendance frequency was 96.7%. The President & CEO, the CFO and the General Counsel normally attend the Board meetings. Other members of the

CET attend upon invitation by the Board. The General Counsel of Ahlstrom acts as Secretary to the Board.

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

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

The remuneration of the Chairman, as decided by the 2008 Annual General Meeting, was EUR 5,400 per month and EUR 2,700 per month for the other members of the Board. In addition, each member of the committees received EUR 1,150 for each committee meeting in which he participated. None of the Board members receives any other remuneration from the company than that based on Board membership. There is no pension scheme for Board members. Travel expenses are reimbursed in accordance with Ahlstrom's travel policy.

Permanent committees

The Board may appoint permanent committees and establish their working procedures. These committees report to the Board. On April 2, 2008, the Board appointed two committees, the Audit Committee and the Compensation and Nomination Committee.

According to its Charter, the Audit Committee assists the Board in fulfilling its oversight responsibilities. Among its other duties, the Audit Committee reviews and monitors the financial reporting process, the effectiveness of the system of internal control and risk management, the audit process, and the company's process for monitoring compliance with laws and regulations and the company's own code of business conduct. The Audit Committee makes recommendations to the Board regarding the appointment of the external auditors.

In performing its duties, the committee will maintain effective working relationships with the Board, management, and the internal and external auditors.

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

In 2008, the members of the Audit Committee were Bertel Paulig (Chairman), Thomas Ahlström and Willem F. Zetteler. All of the members have the qualifications necessary to perform the responsibilities of the Audit Committee, including expertise in accounting, bookkeeping or auditing. All of the members are independent of the company and its significant shareholders. In 2008, the Audit Committee convened 8 times.

According to the Rules of Procedure of the Board, the main tasks of the Compensation and Nomination Committee are to decide on the compensation and benefits of the persons reporting to the President & CEO as well as to identify and propose candidates for election to the Board and to propose compensation of the Board. Prior to making its proposal for candidates to the Board, the Compensation and Nomination Committee shall consult with the major shareholders of the company. The Board in corpore decides on the compensation and benefits of the President & CEO. The members of the Compensation and Nomination Committee were Peter Seligson (Chairman), Jan Inborr and Urban Jansson until April 2, 2008. Thereafter the members of the Compensation and Nomination Committee were Peter Seligson (Chairman), Jan Inborr and Sebastian Bondestam. All of the members are independent of the company and its significant shareholders. In 2008, the Compensation and Nomination Committee convened three times.

President & CEO

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

The President & CEO is the Chairman of the CET.

The total remuneration of the President & CEO, including fringe benefits and bonuses, is set forth on page 73.

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

In 2008, the company did not have a Deputy of the President & CEO. Effective January 1, 2009, the Board has appointed Jan Lång as President & CEO and Risto Anttonen as Deputy of the President & CEO. Biographical details of the President & CEO and his Deputy are set forth on page 77.

Corporate Executive Team

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

In total, there were 13 members of the CET on February 1, 2009. The composition of the CET, biographical details and the areas of responsibility of its members are more particularly described on page 77. In 2008, the CET convened 13 times.

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

The total remuneration of the members of the CET, including salary, fringe benefits and incentive plan based payments, is set forth on page 73. The remuneration of the President & CEO is not included in the figure. According to the Short Term Incentive Plan approved by the Board, the annual bonus payable to a member of the CET can as a maximum amount to the equivalent of 40–60% of his/her annual base salary. The amount of the bonus payable to a member of the CET is based on the Group's financial performance as well as the attainment of the individual performance targets mutually agreed between the CET member and his/her superior in the annual performance dialogue in the beginning of the year. The CET members are also participating in the Long Term Incentive Plans approved by the Board.

The Finnish members of the CET are participating in the same voluntary collective pension insurance in which the President & CEO is participating and the terms and conditions are the same.

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

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

Long term incentive plan for management and key employees

On January 31, 2008, the Board approved a share-based Long Term Incentive Plan for the CET for 2008–2010. The Plan offers a possibility to receive Ahlstrom shares and cash (equaling the amount of taxes of the total reward) as a reward, if the Earnings Per Share (EPS) targets set by the Board for each earning period are achieved. If the targets of the plan are attained in full for all three earning periods, the reward to be paid on the basis of the Plan will in its entirety correspond to a gross value of 500,000 shares. The Board recommends that the President & CEO owns shares in the Company corresponding to his annual net salary and that the other CET members own shares in the Company, corresponding in value to half of their annual net salary. At the same time a cash-based Long Term Incentive Plan was approved for other management and key employees. As Ahlstrom did not reach the EPS target set by the Board, no shares or cash were received by the CET members, other management or key employees for 2008.

Insiders

Ahlstrom follows the Guidelines for Insiders issued by Helsinki exchange complemented by the company's own Insider Rules approved by the Board. The company maintains its public and company-specific insider registers in the SIRE system of Euroclear Finland Ltd.

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

According to Ahlstrom's Insider Rules, persons listed as permanent insiders shall always obtain a prior approval for trading from the company's Insider Officer. Said permanent insiders may not in any event trade in the company's securities after the end of each calendar quarter until the day after the publication of the (quarterly) interim report or annual result (Closed Window). The Closed Window shall, however, always include at least the three weeks immediately preceding the publication of the (quarterly) interim report or annual result and the date of publication of such report.

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

Audit

In 2008, the Annual General Meeting of the Shareholders elected PricewaterhouseCoopers Oy (PwC) as the company's auditor. PwC designated Eero Suomela, Authorized Public Accountant, as the auditor in charge. The fees of the statutory audit for 2008 were EUR 934,000 in total in the Group. Other fees charged by the firm of auditors amounted to EUR 82,000 in the Group. The other fees were primarily related to tax advice.

Risk management

The objective of Ahlstrom's risk management is to support the achievement of the company's strategic and operational goals by protecting the company against loss, uncertainty and lost opportunity. At Ahlstrom, risks are defined and prioritized according to likelihood, and their possible impact on the company's financial performance should the risks materialize. Key identified risks are followed up on and taken into consideration in Ahlstrom's business planning processes.

The Board has the ultimate responsibility for Ahlstrom's risk management, and approves the Group's risk management policy. The Board has delegated responsibility to the Audit Committee for overseeing the implementation of the risk management policies, and for reviewing the principles and information regarding risk management.

The President & CEO, the CET, and company management are responsible for implementing daily risk management procedures, and for ensuring that risks are taken into account in the Group's strategic planning. The Risk Management Steering Group, which is made up of senior management, and functional and business area representatives, coordinates risk management activities, and risk reporting within the company.

In Ahlstrom, the main principle is to manage risks at their source, i.e. within the business unit or function where risks may occur. To realize economies of scale and ensure appropriate group-level control, certain risk management activities – such as the establishment of group-wide insurance programs and management of the group's financial risks – are centralized.

The company has classified risks that may affect its operations in three categories: strategic business risks, operational risks and financial risks.

Risk management is discussed in more detail on pages 24–29. Financial risks are discussed in more detail in note 23 to the Consolidated Financial Statements.

Internal Audit

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

SHAREHOLDINGS OF THE BOARD AND MANAGEMENT ON DECEMBER 31, 2008

Board of Directors	Shares
Thomas Ahlström	74,700
Sebastian Bondestam	1,580
Jan Inborr	9,159
Martin Nüchtern	1,500
Bertel Paulig	5,000
Peter Seligson	330,000
Willem F. Zetteler	500

Corporate Executive Team	
Jan Lång	0
Risto Anttonen	3,100
Gustav Adlercreutz	3,500
Jean-Marie Becker	0
Tommi Björnman	50
Diego Borello	3,053
Daniele Borlatto	0
Claudio Ermondi	0
Patrick Jeambar	13,153
Paul Marold	0
Jari Mäntylä	12,500
Laura Raitio	0
Rami Raulas	0

SALARIES, FRINGE BENEFITS AND BONUS PAYMENTS IN 2008 FOR THE CORPORATE EXECUTIVE TEAM

EUR	Salaries and fees with employee benefits	Bonus pay	Long term plan based payments (Synthetic Options)	Total
President & CEO				
Jukka Moisio, CEO Jan 1–Feb 27, 2008 *	190,226.14	61,500.00	76,920.00	328,646.14
Risto Anttonen, CEO Feb 28–Dec 31, 2008	386,649.58			386,649.58
Other CET members	2,621,327.28	488,448.80	340,911.00	3,450,687.08

* Jukka Moisio's employment contract with Ahlstrom Corporation ended as of March 31, 2008.

Board of Directors

PETER SELIGSON

BERTEL PAULIG

THOMAS AHLSTRÖM

SEBASTIAN BONDESTAM

JAN INBORR

MARTIN NÜCHTERN

WILLEM F. ZETTELER

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

BERTEL PAULIG
Born 1947, M.Soc.Sc. (macro economics) 1969
Chairman of Paulig Ltd,
Vice Chairman of the Board since 2008,
Board member since 2005.
Chairman of the Board: Paulig Ltd, Veho Group Oy Ab, Economic Information Office.
Board member: Aseman Lapset ry, International Chamber of Commerce Finland.
Primary work experience: Executive Chairman, Paulig Ltd, 1997–2008, Chief Executive, Paulig Ltd, 1986–1997, Deputy Managing Director, Gustav Paulig Ltd, 1982–1986 Managing Director, Finnboard (UK), 1979–1982, Various assignments, Finnboard, 1969–1978.

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

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

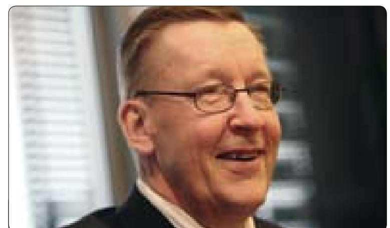
JAN INBORR
Born 1948, B.Sc. (Econ.) 1970
Managing Director of Soldino Oy
Board member since 2001.
Chairman of the Board:
Enics AG, Vacon Plc Symbicon Ltd.
Vice Chairman of the Board: Å&R Carton AB.
Board member:
BaseN Corporation Pricasting Oy.
Other key positions of trust:
Stiftelsen för Åbo Akademi.
Primary work experience: President and CEO Ahlström Capital Oy 2001–2008, President and CEO, Ahlstrom Paper Group, 1996–2000, Deputy to the Group President and CEO, Ahlstrom Group, 1994–2000, Member of the Executive Board, Ahlstrom Group, 1985–2000, Various managerial positions, Ahlstrom Group, 1972–1984.

MARTIN NÜCHTERN
Born 1953, D.Sc. (Business Administration)
Senior Advisor, N M Rothschild & Sons
Board member since 2008.
Board member: Mast Jägermeister AG.
Primary work experience: Senior Advisor, N M Rothschild & Sons, London, since April 2007, President Special Assignment, Procter & Gamble, London, 2004–2005, President Global Haircare, Procter & Gamble, London, 1999–2004, President AAI (ASEAN/ Australasia/India), Procter & Gamble Far East, Singapore, 1995–1999, Several managerial positions at Procter & Gamble, 1983–1995.

WILLEM F. ZETTELER
Born 1945, B.Sc. (Econ.) 1971
Former President and CEO of Otra N.V.
Board member since 2001.
Member of the Ahlstrom Paper Group Board 1998–2000.
Board member: Broadview Holding B.V., Mercurius Groep B.V., PontMeyer N.V., Pearle Europe B.V., Kon. Ahrend N.V.
Primary work experience: President and CEO of Otra N.V. 1996–1999, Member of Executive Board of Sonepar Distribution 1998–1999, Member of Executive Board of Otra N.V. 1995–1996, Managing Director and CEO, Koninklijke KNP BT's paper merchanting division, 1993–1995, Managing Director and CEO, Corrugated Europe B.V. 1990–1993, Managing Director, KNP Royal Dutch Paper mills in Belgium 1985–90, Managing Director, Proost & Brandt, 1982–1985, Various managerial positions at Fri-Jado-Wilmeta (OGEM) and Rank Xerox, 1971–1982.

Corporate Executive Team*


JAN LÅNG

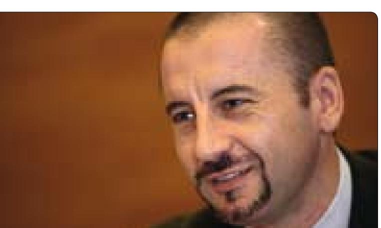

RISTO ANTTONEN


GUSTAV ADLERCREUTZ


JEAN-MARIE BECKER


TOMMI BJÖRNMAN


DIEGO BORELLO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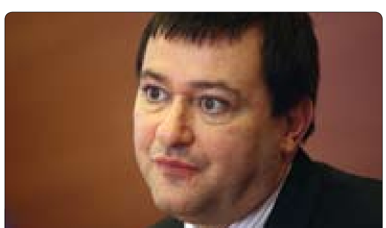
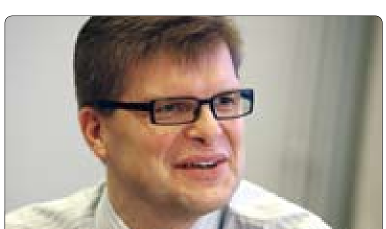

CLAUDIO ERMONDI


PATRICK JEAMBAR


PAUL MAROLD


JARI MÄNTYLÄ


LAURA RAITIO


RAMI RAULAS

* Status on February 1, 2009

JAN LÅNG
President & CEO
Born 1957, M.Sc. (Econ.)
Joined Ahlstrom in December 2008.
Primary work experience: President and CEO, Uponor Corporation (2003–2008). Various management positions at Huhtamäki Group during 1982–2003.
Board member: Glaston Oyj.

RISTO ANTTONEN
Deputy of the President & CEO
Born 1949, B.Sc. (Econ.)
Joined Ahlstrom in 1991. Member of the Corporate Executive Team since it was established in 2001.
Primary work experience: Chief Executive Officer (2008), Senior Vice President, Commercial Operations (2003–2008). President of Ahlstrom's Specialties division (2001–2003) and the Industrial Products division (1999–2001). Prior to that, he was Managing Director of Ahlstrom Alcore Oy. Before joining Ahlstrom, he was Managing Director of Norpe Oy.
Board member: Ensto Oy, Paperinkeräys Oy, Suomen Lehtiyhtymä Oy.

GUSTAV ADLERCREUTZ
Senior Vice President, Legal Affairs, General Counsel
Born 1957, LLM
Joined Ahlstrom in 1984. Member of the Corporate Executive Team since it was established in 2001.
Primary work experience: Various managerial positions within Legal Affairs and Human Resources in the company. Prior to joining Ahlstrom, he was an Associate at Roschier-Holmberg & Waselius Attorneys at Law.
Chairman of the Board: Jujo Thermal Oy.

JEAN-MARIE BECKER
Senior Vice President, Home & Personal Nonwovens
Born 1957, B.Sc. (Tech.)
Joined Ahlstrom in 1996. Member of the Corporate Executive Team since 2008.
Primary work experience: Vice President and General Manager of the Industrial nonwovens product line (2004–2008). Led the Technical nonwovens product line (2001–2004). Joined Ahlstrom following the acquisition of Sibille Dalle, where he held various managerial positions.
Board member: EDANA (European Nonwovens Association).

TOMMI BJÖRNMAN
Senior Vice President, Filtration
Born 1966, M.Sc. (Eng.)
Joined Ahlstrom in 1996. Member of the Corporate Executive Team since 2006.
Primary work experience: Senior Vice President, Glass Nonwovens (2001–2008). Various management positions in Ahlstrom Glassfibre since 1996. Prior to that, he worked in planning, sourcing and product management positions in Suomen Unilever Oy and Wisapak Oy Ab.
Chairman of the Board: APFE, European Glass Fibre Producers Association KET, the Association of Consumer Goods and Special Product Industries.
Member: Energy Committee of EK, the Confederation of Finnish Industries.

DIEGO BORELLO
Senior Vice President, Purchasing & Sustainability
Born 1953, M.Sc. (Chemistry)
Joined Ahlstrom in 1979. Member of the Corporate Executive Team since it was established in 2001.
Primary work experience: Senior Vice President, Innovation, Health, Safety and Environment. Senior Vice President, Label & Packaging Papers, President of the Label-Pack division and the Self Adhesive Division. Prior to that, he worked in various management position in Ahlstrom Turin in Italy.
Chairman of the Board: PaperPlus-Specialty Paper Manufacturers Association AISBL
Board member: Industry Federation in Turin.

DANIELE BORLATTO
Senior Vice President, Release & Label Papers
Born 1969, Education in Business and Administration
Joined Ahlstrom in 1990. Member of the Corporate Executive Team since 2007.
Primary work experience: Vice President Europe & South America, Filtration business area and General Manager, Filtration, Ahlstrom Turin. During 1999–2001 Mr. Borlatto was Division Controller for Filtration and 1996–1998 Sales Area Manager.

CLAUDIO ERMONDI
Senior Vice President, Innovations & Technology
Born 1958, M. Sc. (Theoretical Chemistry)
Joined Ahlstrom in 1984. Member of the Corporate Executive Team since 2005.
Primary work experience: Senior Vice President, Advanced Nonwovens (2008). Senior Vice President, Nonwovens (2005–2008). Vice President for the Filtration business area (2002–2004). During 1999–2001 he was Deputy Vice President, and from 1991 to 1998, European General Manager for the Filtration business.

PATRICK JEAMBAR
Senior Vice President, Technical Papers
Born 1946, M.Sc. (Paper Eng.), MBA
Joined Ahlstrom in 1996. Member of the Corporate Executive Team since 2003.
Primary work experience: Senior Vice President, Health, Safety, Environment and Plant Asset Protection (2004–2007) and innovation (2005–2007). Business Area Manager for Industrial nonwovens (1997–2003). Joined Ahlstrom following the acquisition of Sibille Dalle, where held various managerial positions since 1974.
Board member: French Association of the Paper Industry (Copacel), Environmental Water Agency RMC (Rhône Méditerrannée, Corse), France.

PAUL MAROLD
Senior Vice President, Advanced Nonwovens
Born 1961, B.Sc. (Eng.)
Joined Ahlstrom in 1999. Member of the Corporate Executive Team since 2009.
Primary work experience: Vice President and General Manager of the Medical Nonwovens product line since 2001. Joined Ahlstrom as Director of Sales for Dexter Nonwovens. Prior to joining Ahlstrom, he held various positions in sales and general management at Cytec Industries.

JARI MÄNTYLÄ
Chief Financial Officer
Born 1959, M.Sc. (Econ.), M.Sc. (Eng)
Joined Ahlstrom in 2000. Member of the Corporate Executive Team since 2005.
Primary work experience: Financial Director (2000–2005). Prior to joining Ahlstrom, he worked as Corporate Controller of Fortum Corporation (1998–2000). Before that he was Assistant Vice President, group financial planning, of Outokumpu (1994–1998).

LAURA RAITIO
Senior Vice President, Glass & Industrial Nonwovens
Born 1962, M.Sc. (Chem. Eng.), Lic. Tech. (forest products technology)
Joined Ahlstrom in 1990. Member of the Corporate Executive Team since 2006.
Primary work experience: Senior Vice President, Marketing (sales network, human resources, communications and marketing, 2006–2008). Vice President and General Manager for Wallpaper & Poster, Pre-impregnated Decor, Abrasive Base in Osnabrück, Germany (2002–2005). In addition, she has held several managerial positions within Ahlstrom's specialty papers business.

RAMI RAULAS
Senior Vice President, Sales & Marketing
Born 1961, M.Sc. (Econ.)
Joined Ahlstrom in February 2009.
Primary work experience: Joined Ahlstrom from Meadville Enterprises (HK) Ltd. Raulas was previously working as Senior Vice President of Sales & Marketing in Aspocomp Group. Prior to that he worked in various managerial positions in sales and marketing e.g. in Fujitsu Siemens Computers.

Contents

Financial statements

Report by the Board of Directors

Business environment

In 2008, Ahlstrom's operating environment was very challenging and reflected the rapid downturn of the global economy. In the first year-half, demand for most of Ahlstrom's products was strong despite the early signs of eventual softness of demand in some product segments. Demand was especially strong in high-growth sectors, such as the windmill industry.

Demand started to gradually soften in the latter part of the year, resulting in a steeply declining order stock for most of Ahlstrom's products as well as a downsizing of inventory levels in the supply pipeline at the end of the year. Demand decreased especially strongly in filtration products due to the decline of the global automotive and construction industries. On the other hand, demand was brisk in medical and food nonwovens, crepe papers as well as release and label papers on the South American market.

Prices for Ahlstrom's main raw materials, wood pulp and rayon, and the price of oil, reached their historical peak levels during the first half of the year, which had a negative impact on Ahlstrom's gross margins. Towards the end of the third quarter, indications of a turn in the price trend started to emerge, and during the fourth quarter, the average USD market price of NBSK pulp was approximately 16% lower, polyester 18%, rayon 9% and crude oil over 51% lower than on the third quarter. The decreasing trend has continued in the beginning of 2009.

Net sales

In 2008, Group net sales amounted to EUR 1,802.4 million (EUR 1,760.8 million), growing by 2.4% from 2007. Comparable net sales adjusted for the currency effect, acquisitions and closures grew by 3.9% from last year. Net sales grew strongly throughout the three first quarters, but the weak demand at the end of the fourth quarter reflected significantly on the full-year figures. The development of sales volumes was nearly flat year-on-year, as comparable volumes adjusted for acquisitions and closures grew by 1.2%.

The net sales of the Fiber Composites segment amounted to EUR 987.4 million (EUR 941.4 million), representing 55% of the Group net sales. The net sales of the segment grew by 4.9% compared with that of 2007. Comparable net sales adjusted for the currency effect, acquisitions and closures grew by 4.5% from last year. In terms of the business areas, net sales grew especially strongly in Home & Personal Nonwovens as a result of the acquisitions made in 2007, and also in Glass Nonwovens thanks to the brisk demand for windmill applications.

The net sales of the Specialty Papers segment amounted to EUR 822.4 million (EUR 824.7 million), accounting for 45% of the Group net sales. The net sales of the segment decreased by 0.3% from 2007, mostly as a result of plant closures within the Release & Label Papers business area completed in 2008. On the other hand, new production gained through acquisitions, especially through the Jacarei plant in Brazil, increased the net sales by 11.5%. The comparable net sales adjusted for plant closures and acquisitions grew by 3.4%.

In terms of geographical areas, the relative share of Europe of the Group net sales continued to decrease, accounting for 56% (62%) of Group total. Growth was strongest in North and South America as a result of completed acquisitions and organic growth investments.

Financial result

In 2008, Group operating profit amounted to EUR 14.6 million (EUR 25.8 million). Excluding non-recurring items, operating profit amounted to EUR 35.7 million (EUR 67.8 million), decreasing by 47.3% year-on-year.

Most of the decline in the operating profit was due to the exceptionally severe market conditions and low demand in the fourth quarter. For the first three quarters of the year, operating profit still totaled EUR 50.0 million (EUR 60.5 million), although burdened by historically high raw material and energy prices, as well as additional costs incurred by the several ramp-ups and integration of acquisitions related to the large growth investment program.

In order to adjust its operations to the demand, Ahlstrom has announced further restructuring actions for 2009. Related to the actions, a non-recurring restructuring charge of EUR 6.3 million has been booked in the fourth quarter financial results. In addition, an impairment charge on goodwill and tangible assets of EUR 15.4 million has been booked related to the plant closures in Italy. The distribution of the non-recurring items by segment is the following: Specialty Papers EUR 1.8 million and Fiber Composites EUR 20.2 million. In addition, a non-recurring gain of EUR 0.3 million related to sale of assets has been booked in the fourth quarter financials.

The operating profit of the Fiber Composites segment amounted to EUR 15.3 million (EUR 48.7 million), and excluding the non-recurring items, to EUR 33.2 million (EUR 60.6 million). The decrease in the operating profit is mainly due to the low demand in the fourth quarter, the weak performance of the wipes business, and additional costs related with ramp-ups and integration of acquisitions.

The operating profit of the Specialty Papers segment amounted to EUR 10.2 million (loss of EUR -12.5 million). The improvement in the operating profit was mainly a result of new production at the Jacarei plant. Excluding the non-recurring items, the operating result of the segment amounted to EUR 12.6 million (EUR 13.9 million).

Loss before taxes was EUR -20.6 million (profit of EUR 0.2 million). Excluding the non-recurring items, profit before taxes was EUR 0.5 million (EUR 42.1 million).

Tax income totaled EUR 4.5 million (EUR 1.2 million).

Loss for the period amounted to EUR -16.1 million (Profit of EUR 1.3 million) and earnings per share (EPS) to EUR -0.38 (EUR 0.01).

Return on capital employed (ROCE) amounted to 1.4% (2.5%), and return on equity (ROE) was -2.3% (0.2%). Net asset turnover was 1.4 (1.6).

Financing

In 2008, the net cash flow from operating activities increased by EUR 58.5 million to EUR 102.4 million (EUR 43.9 million) as a result of improvement in working capital turnover.

Interest-bearing net liabilities increased by EUR 107.6 million to EUR 598.7 million (EUR 491.1 million).

The gearing ratio was 95.3% (65.3%) and the equity ratio 36.8% (44.0%).

As of December 31, 2008, Ahlstrom's interest-bearing liabilities amounted to EUR 656.9 million, divided into financing from banks and other financial institutions of EUR 524.6 million, EUR 117.5 in borrowings under the company's Finnish commercial paper program and EUR 14.8 million in commitments under financial leases.

During the reporting period, Ahlstrom held several preparatory discussions with the majority of its relationship banks concerning the refinancing of EUR 233 million worth of medium-term credit facilities which will mature in 2009, of which EUR 200 million in the last quarter. Ahlstrom's unutilized credit facilities as of December 31, 2008 amounted to EUR 185 million.

Capital expenditure

In 2008, Ahlstrom's capital expenditure excluding acquisitions amounted to EUR 128.0 million (EUR 154.7 million), representing 7.1% (8.8%) of Group net sales.

Ahlstrom made no new major organic investment decisions during 2008. Among the largest on-going investments were the following, previously announced organic growth investments: two new dust filtration production lines, one in Wuxi, China and another in Bethune, South Carolina, the USA; a new glassfiber tissue production plant in Tver, Russia; a new food nonwovens production line in Chirnside, the UK; a new nonwoven wiping fabrics production line in Paulínia, Brazil; a new nonwoven production line in Brignoud, France; and a converting of a paper machine to nonwoven production in Turin, Italy.

In addition, Ahlstrom is establishing a new medical nonwovens plant in Gujarat, India, with operations estimated to start in the first quarter of 2010.

ACQUISITIONS AND INVESTMENT DECISIONS IN 2008

On February 1, 2008 Ahlstrom announced that it had signed an agreement to acquire Friend Group Inc., which consists of West Carrollton

Parchment Company and West Carrollton Converting Company. The deal was closed on February 13, 2008, and the acquisition price was EUR 9.8 million.

On August 29, 2008 Ahlstrom announced that it would acquire the remaining 40% of the joint venture formed with Votorantim Celulose e Papel (VCP) in Brazil and Ahlstrom now owns 100% of the shares. The assets in the company comprise a paper machine, an offline coater and extensive finishing equipment at the Jacarei plant, close to São Paolo. The unit is part of Ahlstrom's Release & Label Papers business area and serves mainly the labeling applications and certain flexible packaging markets. Additionally, it produces coated and uncoated paper grades for other end-uses. The total acquisition price was EUR 116 million.

Research & development

Innovation is a key element in Ahlstrom's growth strategy. In 2008, the R&D expenses totaled EUR 23.8 million (EUR 23.9 million), representing 1.3% (1.4%) of Ahlstrom's net sales.

In 2008, 48% (39%) of Ahlstrom's net sales was generated by new or improved products as a result of 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%. In its reporting, Ahlstrom uses the 3M definition, in which a new product is perceived by customer as new, not older than three years, and other innovations represent a significant technical contribution, not older than three years.

Ahlstrom continued to introduce new products and technologies in order to further strengthen its position as a leading supplier of fiber-based materials. Among the key innovations of the year was the commercialization of Ahlstrom's Disruptor™ PAC water filtration media. The product can be used to remove a wide range of contaminants from water, such as virus, bacteria, metals, colloids, lead, arsenic, mercury and copper. During 2008, Disruptor™ PAC was awarded as an innovation of the year by a leading association in the nonwovens industry.

In 2008, Ahlstrom also commissioned a new production platform in Chirnside, the UK, to serve the growing infusion products market. The unique production line is able to process renewable and compostable plant based fibers, and in line with this investment, Ahlstrom launched a new premium, compostable teabag material at the end of 2008.

In addition, development efforts were continued to increase the share of eucalyptus pulp in Ahlstrom's products. In two years, the share of eucalyptus fibers has increased from 20% to nearly 40%, and benefits in terms of raw material sustainability, long-term availability and cost make this a highly strategic development initiative.

Risks and risk management

Based on a risk assessment made in the Group, the risks identified are described below.

Market risk is related to the highly competitive fiber-based materials markets. Long-term supply and demand imbalances could drive down prices in the market and have an adverse effect on the Group's business.

Economic cycles impact the demand for, and price of, end-use products in the industries that Ahlstrom serves, as well as the development of Ahlstrom's raw material prices. Ahlstrom is mainly exposed to cyclical changes in the following end-use industries: building, automotive and marine industries, where demand has declined significantly during 2008. On the other hand, demand in the food, packaging, medical and energy industries wherein Ahlstrom has a strong presence, are more stable over the cycles.

Wood pulp prices are subject to substantial cyclical fluctuations. This was evidenced by increases in market prices in early 2008, followed by price decreases at the end of the year. Similarly Ahlstrom's energy costs are subject to significant variations, and lately have shown substantial decreases due to the significant decline of oil prices. Purchasing prices from suppliers are, to a certain extent, reflected in Ahlstrom's customer sales prices, and typically prices are adjusted with a delay.

Ahlstrom's ability to utilize its production capacity efficiently may be affected by variations in customer demand or interruptions in production. A variety of conditions may cause customers to reduce, delay or cancel anticipated or confirmed orders. In the fourth quarter this risk materialized, and Ahlstrom had to take market related downtime due to the unstable economic environment.

In recent years, Ahlstrom has been actively pursuing a global growth strategy, which has included a number of organic growth investments and acquisitions. These include risks of e.g. adverse regulatory conditions, commercial objectives not achieved, retention of key staff, anticipated synergies and cost savings being delayed or not being achieved, and higher than anticipated costs of planned expansion projects. In 2008, additional costs were incurred due to several ramp-ups and the integration of acquisitions.

Ahlstrom's main financial risks are related to interest rates and foreign exchange rates. In 2008, interest expenses increased due to the increase in net debt. The foreign exchange rates, mainly USD had a negative impact on Ahlstrom's net sales of EUR 61.3 million. The profitability, however, is not affected to the same extent since sales and costs denominated in the same currency partly offset each other. The net currency exposure is hedged up to three months.

Due to the currency hedging policy of the Company no material foreign exchange losses were incurred in 2008. However, hedging costs increased due to the volatility caused by the financial crisis.

Ahlstrom provides more detailed information on its risk management in this Annual Report, pages 24–29.

Sustainability

Ahlstrom is committed to sustainable development. For Ahlstrom, sustainability means responsibility towards the environment and people, and running of its business in a respectable way. Ahlstrom reports according to the G3 guidelines issued by the Global Reporting Initiative (GRI).

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 to ultimate disposal or recycle.

Climate change will be the biggest single factor for changing the world's economy in the coming years, and Ahlstrom has formulated its strategy in both mitigating and adapting to the climate change.

In 2008, Ahlstrom invested approximately EUR 2.2 million for environmental improvements. Following its climate change mitigation strategy, another EUR 4.0 million was directed towards energy reduction projects. The focus areas for these investments were energy efficiency and associated CO_2 emissions reduction. In 2008, Ahlstrom's improving trend in energy efficiency continued for the third year in a row. In 2008, CO_2 emissions decreased by 9.2% over 2007 totals.

Funds were directed also to wastewater treatment improvements, water conservation, and ambient emissions reductions of NO_x and particulate. In addition to environmental investments, Ahlstrom invested EUR 4.6 million in the area of health and safety improvements and assets protection during 2008.

Following its commitment to Sustainable Forestry Management (SFM), Ahlstrom certified seven plants for Chain-of-Custody in 2008, and will continue to certify more plants in 2009. Ahlstrom believes that following the SFM will have a vast potential in battling the climate change.

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.

More detailed information on Sustainability is provided in this Annual Report, pages 42–65.

Personnel

At the end of 2008, Ahlstrom had 6,365 employees (6,481). The average number of employees in 2008 was 6,510 (6,108).

	2008	2007	2006
Number of employees, year-end	**6,365**	6,481	5,677
Number of employees, average	**6,510**	6,108	5,687
Wages and salaries, incl. bonus payments, EUR million	**249.9**	256.9	234.1

Geographically, 65% of Ahlstrom's employees were located in Europe, 25% in North America, and 10% in the rest of the world. With 25% of the total workforce, USA has the largest percentage of employees, followed by France with 19%, Italy with 15%, Finland with 11% and Germany with 9%.

In 2008, 56% of Ahlstrom's employees worked within the Fiber Composites segment, 38% in the Specialty Papers segment and 6% in other operations.

Ahlstrom provides more detailed information on personnel in this Annual Report, pages 58–63.

Administration

BOARD OF DIRECTORS

The Ahlstrom Corporation Board of Directors consists of a minimum of five members and a maximum of seven members. The Annual General Meeting (AGM) confirms the number of members of the Board, elects them, and decides on their compensation. The mandate of each member of the Board expires at the end of the Annual General Meeting immediately following their election. There are no limitations as to the number of terms a person can be member of the Board and no maximum age.

The Annual General Meeting held on April 2, 2008, confirmed the number of Board members unchanged at seven. Thomas Ahlström, Sebastian Bondestam, Jan Inborr, Martin Nüchtern, Bertel Paulig, Peter Seligson and Willem F. Zetteler were elected as Board members. Immediately after the Annual General Meeting, the Board elected Peter Seligson as Chairman of the Board and Bertel Paulig as Vice Chairman.

In 2008, the Board convened 13 times. The average attendance frequency was 96.7%.

The shareholdings of the Board members are described in the Corporate Governance section of this Annual Report, pages 66–73.

BOARD AUTHORIZATIONS

The AGM authorized the Board of Directors to repurchase a maximum of 4,500,000 Ahlstrom shares. The shares may be repurchased only through public trading at the prevailing market price by using unrestricted shareholders' equity.

The AGM also authorized the Board of Directors to distribute a maximum of 4,500,000 own shares held by the Company. The Board of Directors is authorized to decide to whom and in which order the shares will be distributed. The shares may be used as consideration in acquisitions and in other arrangements as well as to implement the Company's share-based incentive plans in the manner and to the extent decided by the Board of Directors. 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 authorizations are valid for 18 months from the close of the Annual General Meeting but will, however, expire at the close of the next Annual General Meeting, at the latest.

PRESIDENT & CEO AND CORPORATE EXECUTIVE TEAM

B.Sc. (Econ.) Risto Anttonen (born 1949) acted as interim CEO from February 28, 2008 to December 31, 2008, following President & CEO Jukka Moisio's resignation on February 28, 2008.

On August 13, 2008, the Board of Directors of Ahlstrom Corporation appointed M.Sc. (Econ.) Jan Lång (born 1957) President & CEO of the company as from January 1, 2009. Lång joins Ahlstrom from the position of President and CEO of Uponor Corporation.

As from January 1, 2009, Risto Anttonen assumed the role of Deputy of the President & CEO and continues as a member of the Corporate Executive Team.

The composition of Corporate Executive Team (CET) changed during the year. The current CET members are Jan Lång, President & CEO; Risto Anttonen, Deputy of the President & CEO; Gustav Adlercreutz, Senior Vice President, General Counsel; Jean-Marie Becker, Senior Vice President, Home & Personal Nonwovens; Tommi Björnman, Senior Vice President, Filtration; Diego Borello, Senior Vice President, Purchasing and Sustainability; Daniele Borlatto, Senior Vice President, Release & Label Papers; Claudio Ermondi, Senior Vice President, Innovations and Technology; Patrick Jeambar, Senior Vice President, Technical Papers; Paul Marold, Senior Vice President, Advanced Nonwovens; Jari Mäntylä, Chief Financial Officer; Laura Raitio, Senior Vice President, Glass & Industrial Nonwovens and Rami Raulas, Senior Vice President, Sales & Marketing.

The shareholdings of the members of the Corporate Executive Team are described in the Corporate Governance section of this Annual Report, pages 66–73.

Group structure and major changes in 2008

Ahlstrom Corporation is a multinational group operating in the fiber-based specialty materials business. The parent company Ahlstrom Corporation is a Finnish public limited company domiciled in Helsinki. Ahlstrom has several subsidiaries, which are presented in the notes to the financial statements. Ahlstrom's business is reported in two segments: the Fiber Composites segment and the Specialty Papers segment.

Ahlstrom closed four plants in 2008 due to unsatisfactory profitability and cash flow. The plant in Ascoli, Italy was closed in January, and the plant in Chantraine, France in June. These plants produced one-side coated papers for wet glue labeling, flexible packaging and graphical end-users, and belonged to Ahlstrom's Release & Label Papers business. The plant in Darlington, South Carolina, USA was closed in January and the plant in Bellingham, Massachusetts, USA in October. Both of the plants produced filtration media.

The business area organization was changed during the year. The organization effective as from January 1, 2009 is as follows. The Fiber Composites segment comprises the Advanced Nonwovens, Home & Personal Nonwovens, Glass & Industrial Nonwovens business areas. Specialty Papers segment comprises the Technical Papers and Release & Label Papers business areas. Ahlstrom's financial reporting will reflect this structure as from the first quarter of 2009 onwards.

Share and shareholders

Ahlstrom's share is listed on the NASDAQ OMX Helsinki. Ahlstrom has one series of shares, and each share entitles its holder to one vote at a general meeting of the shareholders. The share is classified under the Materials sector and the trading code is AHL1V.

The share capital at the end of the financial year amounted to EUR 70,005,912.00. The total number of shares on December 31 was 46,670,608. Neither the company nor its subsidiaries held any own shares at the end of the year, and there were no outstanding options entitling to subscription of Ahlstrom shares.

During 2008, a total of 6.1 million Ahlstrom shares were traded for a total of EUR 89.8 million. The lowest trading price during the review period was EUR 6.51 and the highest EUR 18.78. The closing price on December 31, 2008 was EUR 6.65 and market capitalization was EUR 310 million.

Equity per share of Ahlstrom Group was EUR 13.46 at the end of the review period (EUR 15.35).

At the end of the review period, Ahlstrom had 12,704 shareholders. The largest shareholder is Antti Ahlströmin Perilliset Oy holding 10% of the share capital. The breakdown of the shareholders is described in this Annual Report, section Investor Information, pages 154–156.

Events after the balance sheet date

On January 9, 2009, Rami Raulas, born 1961, M.Sc. (Econ.), was appointed Senior Vice President, Sales & Marketing and member of the Corporate Executive Team effective as of February 1, 2009. He joins Ahlstrom from Meadville Enterprises (HK) Ltd.

Outlook for 2009

In 2009, the market environment is anticipated to be very challenging, with the visibility of the demand for Ahlstrom products being extremely short-term oriented. Therefore, Ahlstrom has decided to change its disclosure policy as from the beginning of 2009. During a period of major uncertainty, the outlook includes forecasts of the business and market environment only. Forecasts of net sales development will be included when the operating environment has returned to a more predictable mode.

According to current estimates, the demand for Ahlstrom products will vary significantly by product line and depending on the general development of the customer industries. The food packaging, medical applications and energy industries are anticipated to be less sensitive to the current uncertainty, and for Ahlstrom, this is anticipated to reflect on the demand for e.g. food and medical nonvowens, specialty papers for food packaging and wrapping, crepe papers as well as glassfiber reinforcements for the windmill industry.

On the other hand, the uncertainty of the global economy, and especially the decline of the transportation and construction industries, is expected to impact the demand for such Ahlstrom products as filtration media for the automotive and construction industries, nonwovens and specialty papers for the building industry, glassfiber reinforcements for the marine industry as well as different kinds of nonwoven wipes.

The prices for Ahlstrom's main raw materials, wood pulp and rayon, and the price of energy are anticipated to continue on the current decreasing trend, which started towards the end of 2008.

In the current operating environment, Ahlstrom will focus on maximizing its cash flow in 2009, including a lower capital expenditure than in 2008.

Ahlstrom Corporation
Board of Directors

Income statement

EUR million	(Note)	**2008**	2007
Net sales	(1,3)	**1,802.4**	1,760.8
Other operating income	(2,4)	**18.7**	20.4
Change in inventories of finished goods and work in progress		**-9.9**	10.1
Production for own use		**0.5**	1.7
Materials and supplies		**-1,086.4**	-1,039.9
Employee benefit expenses	(5)	**-337.8**	-362.1
Depreciation and amortization	(9,10)	**-97.9**	-93.9
Impairment charges	(11)	**-14.4**	-5.9
Other operating expenses	(4)	**-260.7**	-265.3
Operating profit		**14.6**	25.8
Financial income	(6)	**4.2**	1.7
Financial expenses	(6)	**-38.4**	-27.3
Share of loss of associated companies	(12)	**-1.1**	-0.1
Profit/loss before taxes		**-20.6**	0.2
Income taxes	(7,14)	**4.5**	1.2
Profit/loss for the period		**-16.1**	1.3
Attributable to:			
Equity holders of the parent		**-17.9**	0.5
Minority interest		**1.8**	0.8
Basic earnings per share (EUR)	(8)	**-0.38**	0.01
Diluted earnings per share (EUR)	(8)	**-0.38**	0.01

Balance sheet

EUR million	(Note)	**Dec 31, 2008**	Dec 31, 2007
Assets			
Non-current assets			
Property, plant and equipment	(9)	**745.7**	747.7
Goodwill	(10,11)	**169.1**	179.7
Other intangible assets	(10)	**51.6**	58.2
Investments in associated companies	(12)	**11.4**	12.4
Other investments	(13,25)	**0.2**	0.2
Other receivables	(16,25)	**15.6**	16.9
Deferred tax assets	(14)	**40.4**	29.7
Total non-current assets		**1,033.9**	1,044.8
Current assets			
Inventories	(15)	**252.5**	246.3
Trade and other receivables	(16,25)	**356.2**	389.3
Income tax receivables		**6.3**	3.9
Other investments	(13,25)	**0.0**	5.8
Cash and cash equivalents	(17,25)	**58.2**	21.3
Total current assets		**673.2**	666.5
Total assets		**1,707.0**	1,711.4

EUR million	(Note)	**Dec 31, 2008**	Dec 31, 2007
Equity and liabilities			
Equity attributable to equity holders of the parent	(18)		
Issued capital		**70.0**	70.0
Share premium		**209.3**	209.3
Reserves		**-42.1**	-7.2
Retained earnings		**390.9**	444.3
		628.1	716.4
Minority interest		**0.0**	36.0
Total equity		**628.1**	752.4
Non-current liabilities			
Interest-bearing loans and borrowings	(21,25)	**188.7**	202.7
Employee benefit obligations	(19)	**84.6**	87.7
Provisions	(20)	**4.4**	4.6
Other liabilities	(22,25)	**0.2**	0.6
Deferred tax liabilities	(14)	**16.5**	27.6
Total non-current liabilities		**294.4**	323.2
Current liabilities			
Interest-bearing loans and borrowings	(21,25)	**468.1**	315.5
Trade and other payables	(22,25)	**293.3**	273.1
Income tax liabilities		**3.5**	9.1
Provisions	(20)	**19.7**	38.1
Total current liabilities		**784.5**	635.8
Total liabilities		**1,078.9**	959.0
Total equity and liabilities		**1,707.0**	1,711.4

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, 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
Net income for the period recognized directly in equity	-	-	-	-0.1	-12.4	0.0	-12.6	34.5	22.0
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**
Cash flow hedges, net of tax:									
Gains and losses taken to equity	-	-	-	-1.2	-	-	-1.2	-	-1.2
Translation differences	-	-	-	-	-40.0	-	-40.0	2.9	-37.1
Gains and losses from hedge of net investments in foreign operations, net of tax	-	-	-	-	6.4	-	6.4	-	6.4
Purchases of minority interest	-	-	-	-	-	11.3	11.3	-40.7	-29.4
Other changes	-	-	-	-	-	0.0	0.0	-	0.0
Net income for the period recognized directly in equity	-	-	-	-1.2	-33.6	11.2	-23.6	-37.8	-61.4
Profit/loss for the period	-	-	-	-	-	-17.9	-17.9	1.8	-16.1
Total recognized income and expense for the period	-	-	-	-1.2	-33.6	-6.7	-41.5	-36.0	-77.5
Dividends paid and other	-	-	-	-	-	-46.7	-46.7	-	-46.7
Equity at December 31, 2008	**70.0**	**209.3**	**8.3**	**-1.2**	**-49.1**	**390.9**	**628.1**	**0.0**	**628.1**

Statement of cash flows

EUR million	(Note)	2008	2007
Cash flow from operating activities			
Profit/loss for the period		**-16.1**	1.3
Adjustments:			
Non-cash transactions and transfers to cash flow from other activities	(28)	**100.7**	78.0
Interest and other financial income and expense		**35.2**	25.6
Dividend income		**0.0**	0.0
Taxes		**-4.5**	-1.2
Changes in net working capital:			
Change in trade and other receivables		**38.8**	-28.9
Change in inventories		**-7.4**	-6.5
Change in trade and other payables		**15.8**	-0.2
Change in provisions		**-20.0**	10.4
Interest received		**4.7**	1.6
Interest paid		**-32.1**	-18.3
Other financial items		**10.6**	1.6
Taxes paid		**-23.4**	-19.7
Net cash from operating activities		**102.4**	43.9
Cash flow from investing activities			
Acquisitions of Group companies, net of cash	(3)	**-39.0**	-217.2
Purchases of tangible and intangible assets		**-131.2**	-153.9
Proceeds from disposal of shares in Group companies and businesses and associated companies	(2)	**3.6**	10.9
Proceeds from disposal of other investments		**8.9**	0.5
Increase in other investments		**-**	-0.8
Proceeds from disposal of property, plant and equipment		**4.4**	2.5
Dividends received		**0.0**	0.0
Net cash from investing activities		**-153.4**	-358.1
Cash flow from financing activities			
Share issue and share options exercised		**-**	9.2
Drawdowns of non-current loans and borrowings		**162.0**	165.1
Repayments of non-current loans and borrowings		**-4.0**	-4.2
Change in current loans and borrowings		**-18.8**	196.7
Change in capital leases		**-2.8**	-4.4
Dividends paid		**-46.7**	-46.8
Net cash from financing activities		**89.7**	315.6
Net change in cash and cash equivalents		**38.7**	1.4
Cash and cash equivalents at beginning of period		**21.3**	20.1
Foreign exchange effect on cash		**-1.7**	-0.2
Cash and cash equivalents at end of period		**58.2**	21.3

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, FI-00180 Helsinki, P.O. Box 329, FI-00101 Helsinki. The shares of Ahlstrom Corporation are listed on the NASDAQ OMX Helsinki. The consolidated financial statements are available at www.ahlstrom.com or from the address Ahlstrom Corporation Head Office, P.O. Box 329, FI-00101 Helsinki.

Ahlstrom Group reports its operations in two segments, Fiber Composites and Specialty Papers. Products supplied by the Fiber Composites 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 2008, Ahlstrom had activities in 26 countries and employed about 6,500 people.

These consolidated financial statements were authorized for issue by the Board of Directors of Ahlstrom Corporation on February 4, 2009.

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union including the existing IAS and IFRS standards as well as the Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) interpretations. 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, 2008.

- Amendments to IAS 39 and IFRS 7: Reclassification of Financial Assets
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction

The above mentioned standards and interpretations do not have an effect on the consolidated financial statements.

The consolidated financial statements are presented in millions of euros unless otherwise stated. The consolidated financial statements have been prepared under the historical cost convention except that the following assets and liabilities are measured at fair value: financial instruments at fair value through profit or loss, 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 accounting estimates and assumptions

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 and intangible assets with indefinite useful lives 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 needed to calculate the net present value of the future cash flows are based on management estimates. The pre-tax 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. The Group performs sensitivity analysis on the most critical estimates.

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. When market values or price quotations are not available, the valuation is based on past performance of such asset and expected future cash generating capacity. 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 and expected return on plan assets as well as other actuarial assumptions such as changes in future compensations 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 tax 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, Ahlstrom Corporation, 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 and generally holds over 50% of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. The subsidiaries are listed in note 30.

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. Identifiable assets acquired and liabilities and contingent assets assumed 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 and the Group generally has a shareholding of between 20% and 50% of the voting rights. The equity method of accounting is used to account for investments in associated companies. The share of profits or losses of associated companies is presented separately in the consolidated income statement. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

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 in the consolidated income statement. The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between acquisition cost and the acquired equity is recorded in equity.

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 transactions. 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 its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The 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 recognized on the trade date. Financial assets are initially recognized at fair value plus transaction costs for all 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 financial assets held for trading. Financial assets held for trading are mainly held to generate profits from short-term market price changes. Derivatives are also categorized as held for trading unless they qualify for hedge accounting. 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 income statement in the period they occur. The Group's financial assets at fair value through profit or loss comprise derivatives and other current investments.

LOANS AND RECEIVABLES
Loans and 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. The Group's loans and other receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

AVAILABLE-FOR-SALE FINANCIAL ASSETS
Available-for-sale financial assets category includes non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are measured at fair value. 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 and classifies them as current assets. The Group's available-for-sale financial assets comprise unlisted securities in the non-current other investments in the balance sheet.

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. When the asset is sold or impaired, the amounts recognized directly in equity are transferred to income statement.

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 interest-bearing loans and borrowings in current liabilities on the balance sheet.

FINANCIAL LIABILITIES
The Group's financial liabilities include interest-bearing loans and borrowings, trade and other 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 using the effective interest rate method.

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments to decrease foreign currency and interest rate risks. Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, 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 or liabilities or firm commitments (fair value hedge), hedges of forecasted transactions or firm commitments (cash flow hedge), hedges of net investments in foreign operations (net investment hedge) 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 various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, whether the derivatives used in hedging transaction are highly effective in offsetting changes in fair values or cash flows of hedged items.

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, together with any changes in the fair value of the hedged assets or liabilities attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is 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, any cumulative gain or loss in equity at that point is recognized in income statement.

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 income statement. 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 income statement as an adjustment to 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 income statement 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 charges.

Interest costs on borrowings to finance the construction of qualifying assets 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 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 charges. 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 charges. 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.

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 commencement of the lease term at the lower of the fair value of the leased property and the estimated present value of the minimum lease payments. Each lease payment is allocated between the lease liability and the finance charges. The corresponding rental obligations, net of finance charges, are included in interest-bearing liabilities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment leased under finance lease contracts are depreciated over the shorter of the useful life of the asset and the lease term.

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 and 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 charge is recognized in the income statement when the carrying amount of an asset exceeds its recoverable amount. An impairment charge 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 charge 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 charge been recognized in prior years. However, an impairment charge 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 and 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 comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity).

Trade receivables

Trade receivables are measured at cost, and reported 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. Subsequent recoveries of amounts previously written off are credited against other operating expense in the income statement.

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 resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Long-term provisions are discounted to their present value.

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 generally funded through payments to insurance companies or trustee-administered funds. The plans are classified as either defined contribution plans or defined benefit plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay the benefits relating to employee service in the current or prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Contributions to defined contribution pension plans are recognized as an expense in the period to which the contributions 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 and 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 has applied IFRS 2 (Share-based payments) to the equity-settled share-based payment program for 2008–2010 and to the cash-settled share-based payment program for 2005–2007. The share-based payment programs grant either shares or share appreciation rights conditional upon satisfying specified vesting conditions.

Based on the equity-settled share-based plan the top management is compensated with shares depending on the Group's financial performance. Share awards are valued based on the market price of Ahlstrom's share at the grant date. They are recognized as employee benefit expenses over the vesting period with corresponding entry in equity.

The fair value of the amount payable in cash-settled share-based plan 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.

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. No intangible assets are recognized of the excess of allowances. The information of the emission rights at the balance sheet date is 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 and 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 2007 and 2008.

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 charges, 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 new 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 early 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.

The Group will adopt the following standards and interpretations in 2009:

- IFRS 8 Operating segments (effective for accounting periods beginning on or after January 1, 2009). The new standard replaces IAS 14. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segments reported by the Group will also in the future be the same as the business segments under IAS 14. The adoption of the new standard will primarily impact the presentation of the segment information in the notes to the consolidated financial statements.

- Revised IAS 23 Borrowing costs (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 accounting policy and the adoption of the revised standard will have no material impact on the future consolidated financial statements.

- Revised IAS 1 Presentation of financial statements (effective for accounting periods beginning on or after January 1, 2009). The amendment changes the presentation of the financial statements. The amendment will mainly have impact on the presentation of the income statement and the statement of changes in equity.

- Amendment to IFRS 2 Share-based Payment (effective for accounting periods beginning on or after January 1, 2009). The amendment clarifies that only service conditions and performance conditions are vesting conditions. All other features of a share-based payment need to be included in the grant date fair value and do not impact the number of awards expected to vest or the valuation subsequent to grant date. The amendment also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group is currently assessing the possible impact of this amendment.

- Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of financial statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective for accounting periods beginning on or after January 1, 2009). The amended standards require some puttable financial instruments to be classified as equity if certain conditions are met. The amendments do not have any impact on the future consolidated financial statements.

- Amendments to IFRS 1 First time adoption of IFRS and IAS 27 Consolidated and separate financial statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective for accounting periods beginning on or after January 1, 2009). The amended standards regard first-time adopters of IFRS and they will not have any impact on the consolidated financial statements.

- Improvements to IFRSs (effective mainly for accounting periods beginning on or after January 1, 2009). The improvements to IFRS project is an annual process where small non-urgent but necessary amendments to standards are gathered together and implemented once a year. These annual improvements include amendments to 34 standards. The effects of the amendments vary by standards but Group expects them to be minor to the consolidated financial statements.

- IFRIC 12 Service Concession Arrangements (effective for accounting periods beginning on of after January 1, 2008). The interpretation applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. This interpretation does not have an impact on the consolidated financial statements. The interpretation is not yet endorsed by EU.

- IFRIC 13 Customer Loyalty Programmes (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.

- IFRIC 15 Agreements for the Construction of Real Estate (effective for accounting periods beginning on or after January 1, 2009). The new interpretation is intended for the use of real estate industry and will have no impact on the Group's future consolidated financial statements. The interpretation is not yet endorsed by EU.

- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for the accounting periods on or after October 1, 2008). The interpretation clarifies the accounting of the hedges of net investments in a foreign currency in the consolidated financial statements. This interpretation is not expected to have material impact on the consolidated financial statements. The interpretation is not yet endorsed by EU.

The Group will adopt the following standards and interpretations in 2010:

- Revised IFRS 3 Business Combinations (effective for accounting periods beginning on or after July 1, 2009). The revised standard includes some changes that are likely to be relevant to the Group. Contingent consideration will be measured at fair value, with subsequent changes recognized in income statement. All acquisition-related costs should be expensed. Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities, on a transaction-by-transaction basis. The Group will apply revised IFRS 3 prospectively to all business combinations from January 1, 2010. The revised standard is not yet endorsed by EU.

- Revised IAS 27 Consolidated and separate financial statements (effective for accounting periods beginning on or after July 1, 2009). The revised standard requires the effects of all transactions with non-controlling (minority) interests to be recorded in equity if there is no change in control. These transactions will no longer result in goodwill or gains or losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in income statement. The revised standard is not yet endorsed by EU.

- Amendment to IAS 39 Financial instruments: Recognition and Measurement – Eligible Hedged Items (effective for accounting periods beginning on or after July 1, 2009). The amendment prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in one-sided hedged risk when designating options as hedges. The Group estimates that this amendment will not have any impact on the future consolidated financial statements. The amendment is not yet endorsed by EU.

- IFRIC 17 Distributions of Non-cash Assets to Owners (effective for the accounting periods on or after July 1, 2009). The new interpretation clarifies how an entity should measure distributions of non-cash assets made as a dividend to its owners. This interpretation is not expected to have any impact on the future consolidated financial statements. The interpretation is not yet endorsed 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 as well as Holding and Sales Companies' income, expense, assets and liabilities.

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

The raw material base is different between the business segments but similar within the segment. The units within the Fiber Composites segment use mainly synthetic fibers whereas the Specialty Papers units use pulp-based natural fibers. The production technologies also differ between the segments but are similar within the segment. The Specialty Papers segment uses paper making technology in its sites. The products and customer groups are similar within the two chosen business segments. Ahlstrom sells its products almost entirely to other industrial companies. In addition, the production in the business segments is 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 2008

EUR million	Fiber Composites	Specialty Papers	Other operations	Eliminations	Group
External net sales	981.8	813.4	7.2	-	1,802.4
Inter-segment net sales	5.6	9.0	12.9	-27.6	0.0
Net sales	987.4	822.4	20.2	-27.6	1,802.4
Operating profit/loss	15.3	10.2	-10.7	-0.2	14.6
Share of loss of associated companies	-	-	-1.1	-	-1.1
Profit/loss for the period	-	-	-	-	-16.1
Segment assets	947.1	609.2	30.4	-15.9	1,570.8
Investments in associated companies	-	-	11.4	-	11.4
Unallocated assets	-	-	-	-	124.9
Total assets					1,707.0
Segment non-interest bearing liabilities	157.9	198.6	44.9	-15.7	385.6
Unallocated liabilities	-	-	-	-	693.3
Total liabilities					1,078.9
Capital expenditure	103.7	23.3	1.0	-	128.0
Depreciation and amortization	61.4	34.1	2.4	-	97.9
Impairment charges	13.8	1.6	-	-	15.4
Reversal of impairment charges	-	-1.1	-	-	-1.1
Non-cash expenditures:					
Change in provisions	2.4	4.1	1.9	-	8.4

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/loss	48.7	-12.5	-10.4	-	25.8
Share of loss of associated companies	-	-	-0.1	-	-0.1
Profit/loss 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 non-interest bearing 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

In 2008, the main capital expenditures in the Fiber Composites segment were a new food nonwovens production line in Chirnside, the UK (EUR 22 million), a new nonwoven wiping fabrics production line in Paulínia, Brazil (EUR 17 million) and a new medical nonwovens plant in Gujarat, India (EUR 14 million). The Specialty Papers segment had several minor capital expenditures in 2008.

In 2007, the main capital expenditure in the Specialty Papers segment included a modification of release base paper production line at La Gère, France plant (EUR 38 million). The main capital expenditures in the Fiber Composites 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).

GEOGRAPHICAL SEGMENTS

EUR million	**Europe**	**North America**	**Asia**	**Other**	**Eliminations**	**Group**
2008						
External net sales	1,015.9	442.5	119.4	224.7	-	1,802.4
Assets	953.5	411.8	55.1	162.7	-12.3	1,570.8
Capital expenditure	73.9	15.7	16.0	22.5	-	128.0
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

2. Disposal of businesses

The Group's strategy is to focus on high performance fiber-based materials and to divest non-core assets. In June 2008, Ahlstrom sold a hydropower plant close to its Fabriano, Italy plant to Energetica.

In 2007, Ahlstrom sold hydropower plants close to its Turin, Italy plant to a local energy company. In addition, Ahlstrom sold some minor non-core assets.

EUR million	**2008**	2007
Property, plant and equipment	**1.7**	0.1
Other long-term investments	**-**	0.2
Assets, total	**1.7**	0.3
Net assets	**1.7**	0.3
Consideration received (in cash)	**3.6**	10.9
Cash (disposed of)	**-**	-
Net cash inflow	**3.6**	10.9

3. Acquisitions of businesses

2008

In February, Ahlstrom acquired The Friend Group Inc., which consists of West Carrollton Parchment Company and West Carrollton Converting Company. The Friend Group has two sites in West Carrollton serving mainly the food packaging market in the USA. West Carrollton is a producer of vegetable parchment and has parchmentizing and converting operations located in West Carrollton, Ohio, The USA.

Ahlstrom West Carrollton has been incorporated in Ahlstrom's accounts as part of Specialty Papers segment since February 1, 2008. Management estimates that if the acquisition had occurred on January 1, 2008, Ahlstrom Group's net sales and profit for the period would not have changed materially.

The acquisition price includes professional fees amounting to EUR 0.1 million. The goodwill that arose from the acquisition of the shares of the Friend Group Inc. reflects the synergy benefits resulting from the expanded product offering to the Technical Papers' vegetable parchment business and provides synergies to our existing business as well as growth opportunities.

The acquisition had the following effect on the Group's assets and liabilities.

EUR million	Carrying amount of acquired company	Fair value
Property, plant and equipment	3.3	3.6
Intangible assets	0.0	1.3
Inventories	3.8	3.6
Trade and other receivables	2.7	2.6
Cash and cash equivalents	-	-
Assets, total	9.7	11.1
Deferred tax liabilities	0.4	0.5
Employee benefit obligations	0.4	0.6
Interest-bearing loans and borrowings	-	-
Trade and other payables	3.1	3.4
Liabilities, total	3.9	4.5
Net assets	5.8	6.6
Goodwill arising in acquisition		3.2
Acquisition price paid (in cash)		9.8
Exchange rate differences		-0.2
Cash (acquired)		-
Net cash outflow		9.6

Ahlstrom has acquired the remaining 40% of the joint venture formed in September 2007 with Votorantim Celulose e Papel (VCP). The price for this acquisition was EUR 28.0 million.

In addition, Ahlstrom has acquired the shares from the minority shareholders of two sales companies amounting to EUR 1.4 million.

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 S.p.A., 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	Carrying amount of acquired companies	Fair value	Carrying amount of acquired company	Fair value
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

4. Other operating income and expenses

EUR million	2008	2007
Other operating income		
Gain on sale of shares	**0.0**	2.3
Gain on sale of non-current assets	**5.0**	9.5
Insurance indemnification	**2.7**	1.4
Gains from litigations	**0.7**	0.4
Rent income	**0.2**	0.4
Gain on sale of emission rights	**5.0**	0.2
Government grants	**1.3**	2.2
Other	**3.9**	4.0
Total	**18.7**	20.4
Other operating expenses		
Freight of sales	**-77.4**	-79.5
Maintenance costs	**-51.1**	-53.9
Consultancy fees	**-14.3**	-20.2
Rentals	**-14.2**	-13.4
Property and other taxes	**-9.6**	-9.8
Labour leasing	**-8.4**	-8.4
Insurance premiums	**-5.2**	-4.1
Commissions	**-4.4**	-5.7
Other	**-76.2**	-70.3
Total	**-260.7**	-265.3

The research and development costs included in the income statement were EUR 23.8 million in 2008 (EUR 23.9 million in 2007).

Auditor's fees

To PricewaterhouseCoopers network		
Audit	**-0.9**	-
Tax services	**-0.1**	-
Other services	**-0.0**	-
Total	**-1.0**	-
To KPMG network		
Audit	**-**	-1.0
Tax services	**-**	-0.2
Total	**-**	-1.2

5. Employee benefit expenses

EUR million	2008	2007
Wages and salaries	**-249.9**	-256.9
Social security costs	**-55.3**	-54.1
Contributions to defined contribution plans	**-11.9**	-12.1
Net periodic cost for defined benefit plans	**-3.5**	-4.0
Changes in liability for other long-term benefits	**-0.1**	-0.2
Cash-settled share-based transactions	**-**	0.6
Other personnel costs	**-17.1**	-35.3
Total	**-337.8**	-362.1

Employee benefit expenses included non-recurring costs of EUR 3.4 million related to the restructuring actions in 2008 (EUR 28.3 million in 2007). Employee benefit expenses of key management are specified in note 30.

Average number of personnel		
Fiber Composites	**3,609**	3,393
Specialty Papers	**2,523**	2,342
Other operations	**378**	373
Total	**6,510**	6,108

6. Financial income and expenses

Financial income		
Interest income from loans and receivables	**1.5**	1.5
Derivatives, non-hedge accounting	**2.7**	0.2
Other financial income	**0.0**	0.0
Total	**4.2**	1.7
Financial expenses		
Interest expenses for financial liabilities at amortized cost	**-27.7**	-18.8
Interest rate derivatives, hedge accounting	**0.1**	-
Interest rate derivatives, non-hedge accounting	**-6.7**	-3.9
Other financial expenses	**-2.6**	-3.4
Total	**-36.9**	-26.0
Exchange rate and fair value gains and losses		
Loans and receivables	**-16.6**	-21.0
Derivatives, non-hedge accounting	**15.1**	19.7
Total	**-1.5**	-1.3
Net financial expenses	**-34.2**	-25.6

In 2008, net exchange gains amounting to EUR 3.2 million (net losses of EUR 1.5 million in 2007) are recognized in the operating profit, including net gains of EUR 2.8 million from foreign exchange rate derivatives, non-hedge accounting (net losses of EUR 1.1 million in 2007).

7. Income taxes

EUR million	**2008**	2007
Current tax	**-13.3**	-19.4
Deferred tax	**17.8**	20.6
Income taxes in the income statement	**4.5**	1.2
Income tax reconciliation		
Tax calculated at Finnish nominal tax rate	**5.4**	0.0
Differences between foreign and Finnish tax rates	**2.1**	5.0
Italian regional tax (IRAP) and minimum taxes	**-0.8**	-1.6
Adjustment of taxes for previous periods	**-1.3**	-0.8
Non-deductible expenses and tax exempt income	**-3.5**	-0.5
Adjustments to deferred tax assets	**-1.2**	-1.2
Tax reliefs	**3.6**	2.3
Changes in tax rates	**0.3**	-2.1
Other items	**-0.2**	0.1
Income taxes in the income statement	**4.5**	1.2
Taxes booked to equity		
Hedging instruments for which hedge accounting has been applied	**-1.8**	-2.6

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.

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. Neither the company nor its subsidiaries held any own shares at the end of the year, and there were no outstanding options entitling to subscription of Ahlstrom shares.

Basic and diluted earnings per share		
Profit/loss for the year attributable to the equity holders of the parent (EUR million)	**-17.9**	0.5
Weighted average number of shares during the period (1,000 shares)	**46,670.6**	46,476.2
Basic earnings per share (EUR)	**-0.38**	0.01
Diluted earnings per share (EUR)	**-0.38**	0.01

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
2008					
Historical cost at Jan 1	22.1	243.0	1,505.7	28.2	72.5
Acquisitions through business combinations	0.2	1.6	2.1	-	0.0
Additions	0.0	1.4	26.0	0.9	90.3
Disposals	-0.9	-0.8	-29.9	-0.2	0.0
Transfers to other asset categories	0.1	19.5	82.5	0.6	-102.5
Other changes	-	-0.2	-2.4	-0.3	0.0
Translation differences	-0.7	-2.4	-31.4	0.1	-4.5
Historical cost at Dec 31	**20.7**	**262.1**	**1,552.6**	**29.3**	**55.7**
Accumulated depreciation and impairment at Jan 1	2.7	117.1	982.8	21.1	0.2
Depreciation for the year	0.1	9.3	81.4	1.3	-0.1
Impairment charges	-	0.0	6.3	0.0	0.1
Reversal of impairment charges	-	-0.1	-0.9	-	-
Disposals	-0.1	-0.8	-27.1	-0.2	-
Transfers to other asset categories	-	0.1	0.0	0.0	-
Other changes	-	-	-0.6	-0.3	-
Translation differences	0.0	-1.1	-16.3	0.1	-
Accumulated depreciation and impairment at Dec 31	**2.7**	**124.4**	**1,025.5**	**22.0**	**0.1**
Book value Jan 1, 2008	**19.4**	**126.0**	**522.9**	**7.2**	**72.3**
Book value Dec 31, 2008	**18.0**	**137.7**	**527.1**	**7.3**	**55.5**

The borrowing costs capitalized during 2008 as part of non-current assets amounted to EUR 1.5 million. In 2007, the capitalized borrowing costs were EUR 0.02 million.

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	12.1	102.0	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	243.0	1,505.7	28.2	72.5
Accumulated depreciation and impairment at Jan 1	2.5	110.7	938.8	19.0	0.5
Depreciation for the year	0.1	9.6	76.1	2.1	0.0
Impairment charges	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	117.1	982.8	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

Assets leased by finance lease agreements

EUR million	**Land and water areas**	**Buildings and con-structions**	**Machinery and equipment**
2008			
Historical cost	0.4	6.7	30.6
Accumulated depreciation	-	1.7	20.8
Book value Dec 31, 2008	**0.4**	**5.0**	**9.8**
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

10. Intangible assets

EUR million	Intangible rights	Goodwill	Other intangible assets	Advances paid
2008				
Historical cost at Jan 1	94.5	182.6	5.0	0.7
Acquisitions through business combinations	0.0	3.4	1.3	-
Additions	1.2	-	0.2	0.4
Disposals	-0.2	-	0.0	-
Transfers to other asset categories	0.2	-	0.1	-0.4
Other changes	0.0	-	-0.1	-
Translation differences	-2.7	-4.2	-1.5	-
Historical cost at Dec 31	**93.0**	**181.8**	**5.1**	**0.7**
Accumulated amortization and impairment at Jan 1	38.2	2.9	3.8	-
Amortization for the year	5.6	-	0.3	-
Impairment charges	0.0	9.0	0.1	-
Disposals	-0.2	-	0.0	-
Transfers to other asset categories	-	-	-	-
Other changes	0.0	-	0.0	-
Translation differences	0.9	0.9	-1.5	-
Accumulated amortization and impairment at Dec 31	**44.5**	**12.7**	**2.7**	**-**
Book value Jan 1, 2008	**56.3**	**179.7**	**1.2**	**0.7**
Book value Dec 31, 2008	**48.5**	**169.1**	**2.4**	**0.7**
2007				
Historical cost at Jan 1	65.2	105.6	5.6	0.7
Acquisitions through business combinations	32.3	86.9	0.3	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	5.0	0.7
Accumulated amortization and impairment at Jan 1	34.1	4.6	4.8	-
Amortization for the year	5.9	-	0.1	-
Impairment charges	-	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	3.8	-
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

EMISSION RIGHTS

Ahlstrom has been granted CO_2 emission rights of 743,131 units for the year 2008. As of December 31, 2008 the remaining emission rights amounted to 13,630 units and their market value was approximately EUR 0.2 million. No value has been recognized in the balance sheet. The rights in excess have been transferred to 2009. The sales of emission rights were EUR 5.0 million in 2008.

11. Impairment testing, impairment charges and subsequent reversals

EUR million	**2008**	2007
The following production lines' assets include significant amounts of goodwill:		
Fiber Composites segment		
Ahlstrom Milano, Nonwovens production line	**23.4**	32.4
Ahlstrom Windsor Locks, Nonwovens production line	**27.0**	25.6
Ahlstrom Green Bay, Nonwovens production line	**15.1**	14.2
Ahlstrom Alicante, Nonwovens production line	**13.9**	13.9
Ahlstrom Air Media, Filtration Applications production line	**12.4**	11.7
Ahlstrom Engine Filtration, Filtration Applications production line	**11.1**	10.5
Ahlstrom Ställdalen, Nonwovens production line	**8.2**	9.4
Production lines with minor amounts of goodwill	**10.3**	10.0
Total	**121.4**	127.7
Specialty Papers segment		
Ahlstrom Brasil, Release and Label Papers production line	**31.0**	38.8
Ahlstrom Labelpack, Release and Label papers production line	**10.9**	10.9
Production lines with minor amounts of goodwill	**5.7**	2.3
Total	**47.6**	52.0
Goodwill total	**169.1**	179.7

New impairment charges amounting to EUR 15.4 million were recorded in 2008 of which EUR 9.0 million related to goodwill and EUR 6.3 million to non-current assets in connection with the plant closures in Italy. Due to the higher sales value of machines and equipment in France EUR 1.0 million of the initially recognised impairment was reversed in 2008.

In 2007, impairment charges amounting to EUR 5.9 million were recorded 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.

The recoverable amounts of the cash-generating units containing goodwill are based on value in use calculations. The calculations use cash flow projections based on EBITDA and operative working capital of the business plans for the years 2009–2013 and latest estimates at the balance sheet date. Cash flows for further 5 to 20 years are extrapolated using a 2.0% growth rate corresponding to the general inflation rate. The 20-year period results from the estimated economic lives of the underlying assets. In 2008, the same pre-tax discount rate of 8.2% has been used to all cash-generating units in discounting the projected cash flows. Sharpe model has been used in calculation.

Goodwill is tested for impairment twice a year. First test is done in September closing and second test in December closing.

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

In addition, it has been proven with the sensitivity analyses that no additional impairment charge in respect of goodwill will arise if the discount rate would be one percentage points higher or cash flows five percentage points lower.

12. Investments in associated companies

EUR million	2008	2007
Balance at Jan 1	**12.4**	12.9
Share of loss for the period	**-1.1**	-0.1
Disposals	**-**	-0.4
Balance at Dec 31	**11.4**	12.4

Financial information of major associated company

	Domicile	Owner-ship (%)	Assets	Liabilities	Net sales	Profit/loss for the period
2008						
Jujo Thermal Oy	Finland	41.7	85.1	57.9	100.3	-2.6
2007						
Jujo Thermal Oy	Finland	41.7	90.0	60.3	102.9	-0.1

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

13. Other investments

Non-current other investments are investments to unlisted shares EUR 0.2 million (EUR 0.2 million in 2007) 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 are EUR 0.0 million (EUR 5.8 million in 2007). They are booked at fair value through income statement.

14. Deferred tax assets and liabilities

EUR million	Balance at Jan 1	Charged to income statement	Charged to equity	Acquisitions and disposals	Other	Translation differences	Balance at Dec 31
2008							
Deferred tax assets							
Property, plant and equipment and intangible assets	11.4	-1.1	-	-	-	0.0	**10,3**
Employee benefit obligations	18.3	-3.0	-	0.2	-	0.3	**15,8**
Tax loss carried forward and unused tax credits	31.4	30.7	-	0.1	-	0.0	**62,2**
Other temporary differences	25.5	-3.6	0.2	0.3	1.0	-0.1	**23,4**
Total	86.6	23.0	0.2	0.5	1.0	0.2	**111,7**
Offset against deferred tax liabilities	-57.1	-13.4	-	-	-	-0.8	**-71,3**
Deferred tax assets	29.7	9.6	0.2	0.5	1.0	-0.6	**40,4**
Deferred tax liabilities							
Property, plant and equipment and intangible assets	81.7	4.1	-	1.0	-	-2.8	**84,0**
Other temporary differences	3.0	1.1	-	0.0	0.0	-0.3	**3,8**
Total	84.8	5.2	-	1.0	0.0	-3.1	**87,8**
Offset against deferred tax assets	-57.1	-13.4	-	-	-	-0.8	**-71,3**
Deferred tax liabilities	27.6	-8.2	-	1.0	0.0	-3.9	**16,5**
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

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.

The utilisation of deferred tax assets of EUR 38.8 million (EUR 24.5 million in 2007) is dependant on future taxable profits in excess of the profits arising from reversal of existing taxable temporary differences. Based on the business plans utilisation of these tax assets is probable.

At December 31, 2008 the Group had tax loss carry forwards of EUR 221.7 million (EUR 129.6 million in 2007) in total, of which EUR 120.6 million (EUR 77.9 million in 2007) has no expiration period. Regarding losses amounting to EUR 38.8 million (EUR 37.4 million in 2007) no deferred tax asset was recognized due to the uncertainty of utilization of these tax loss carry forwards.

15. Inventories

EUR million	2008	2007
Material and supplies	**108.5**	92.4
Work in progress	**11.0**	14.9
Finished goods	**132.9**	138.9
Advances paid	**0.0**	0.0
Total	**252.5**	246.3

In 2008, EUR 7.2 million (EUR 7.7 million in 2007) was recognized as expense as the carrying value of the inventories was written down to reflect its net realizable value.

16. Trade and other receivables

Non-current		
Loan receivables	**0.4**	0.6
Trade receivables	**0.0**	0.0
Prepaid expenses and accrued income	**0.9**	0.2
Defined benefit pension asset	**10.5**	10.5
Other receivables	**3.8**	5.5
Total	**15.6**	16.9
Current		
Loan receivables	**1.1**	1.1
Trade receivables	**293.8**	345.3
Receivables from associated companies	**2.6**	0.1
Prepaid expenses and accrued income	**12.8**	14.3
Derivative financial instruments	**18.2**	6.0
Other receivables	**27.8**	22.6
Total	**356.2**	389.3

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

Impaired receivables deducted from trade receivables		
Balance at Jan 1	**5.0**	6.9
Increase	**3.5**	1.4
Decrease	**-1.7**	-1.9
Recovery	**-0.1**	-1.4
Balance at Dec 31	**6.7**	5.0

In 2008, EUR 5.2 million (EUR 4.7 million in 2007) of the impaired receivables relates to the trade receivables past due more than 90 days.

EUR million	2008	2007
Specification of prepaid expenses and accrued income		
Accrued discounts	**0.1**	0.2
Prepaid expenses	**6.1**	5.3
Accrued insurance indemnification	**0.4**	0.3
Other	**7.1**	8.6
Total	**13.6**	14.5

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

17. Cash and cash equivalents

Cash, bank accounts and interest-bearing instruments with maturities of three months or less	**58.2**	21.3
Cash and cash equivalents in the balance sheet	**58.2**	21.3

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

18. Capital and reserves

EUR million	Number of shares (1,000)	Issued capital	Share premium	Non-restricted equity reserve	Total
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
Dec 31, 2008	**46,670.6**	**70.0**	**209.3**	**8.3**	**287.5**

At December 31, 2008 Ahlstrom Corporation's share capital was EUR 70,005,912.00. The share capital is divided into 46,670,608 shares. All shares have one vote and an equal right to dividend.

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).

The Annual General Meeting on April 2, 2008 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 shares may be repurchased only through public trading at the prevailing market price by using unrestricted shareholders' equity. The Board of Directors is also authorized to resolve to distribute a maximum of 4,500,000 own shares held by the Company. The shares may be used as consideration 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 March 25, 2009. The Board of Directors did not utilize the authorization to repurchase or distribute the shares during 2008.

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 0.45 per share.

19. 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	2008	2007
Post-employment benefit plans		
Employee benefits liability recognized in the balance sheet		
Present value of funded benefit obligations	**161.5**	180.1
Present value of unfunded benefit obligations	**45.0**	48.0
Fair value of plan assets	**-107.1**	-151.0
Present value of net obligations	**99.4**	77.1
Unrecognized actuarial gains and losses	**-28.8**	-4.2
Unrecognized prior service cost	**0.0**	0.6
Net liability at Dec 31	**70.6**	73.6
Changes in the present value of obligations		
Present value of defined benefit obligation at Jan 1	**228.1**	252.7
Current service cost	**2.5**	3.3
Interest cost	**12.4**	12.6
Actuarial gains and losses	**-14.5**	-9.7
Gains and losses on curtailments	**-1.2**	-3.5
Business combinations	**2.5**	1.4
Benefits paid	**-14.7**	-12.1
Other changes	**-3.6**	1.2
Translation differences	**-5.1**	-17.7
Present value of defined benefit obligation at Dec 31	**206.5**	228.1
Changes in the fair value of the plan assets		
Fair value of plan assets at Jan 1	**151.0**	135.0
Expected return on plan assets	**10.1**	10.8
Actuarial gains and losses	**-38.2**	-1.9
Contributions by employer	**8.7**	31.5
Business combinations	**2.1**	-
Benefits paid	**-14.7**	-11.9
Other changes	**-1.1**	0.5
Translation differences	**-10.8**	-12.9
Fair value of plan assets at Dec 31	**107.1**	151.0
Expenses recognized in the income statement		
Current service cost	**-2.5**	-3.3
Interest cost	**-12.5**	-12.6
Expected return on plan assets	**10.7**	10.8
Net actuarial gains and losses recognized	**-0.6**	-0.7
Gains and losses on curtailments and settlements	**1.5**	1.7
Total charge (Net periodic cost)	**-3.5**	-4.0
Actual return on plan assets	**31.2**	8.4

The Group expects to contribute EUR 10.7 million to its defined benefit plans in 2009. The overall expected rate of return on assets is based on the actuarial assumptions.

	2008	2007
Plan asset categories		
Equity instruments	**52.4%**	63.2%
Debt instruments	**43.1%**	31.3%
Property	**0.0 %**	0.0%
Other	**4.4%**	5.5%
Principal actuarial assumptions (expressed as weighted averages)		
Europe		
Discount rate at Dec 31	**5.9%**	4.9%
Expected return on plan assets	**6.0%**	7.1%
Future salary increases	**3.7%**	2.9%
Future pension increases	**1.5%**	1.4%
North America		
Discount rate at Dec 31	**6.3%**	6.1%
Expected return on plan assets	**8.0%**	8.0%
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	2008	2007	2006	2005
Five-year overview (as of Jan 1, 2005)				
Present value of obligations	**206.5**	228.1	252.7	258.0
Fair value of plan assets	**-107.1**	-151.0	-135.0	-131.3
Deficit/surplus	**99.4**	77.1	117.7	126.7
Experience adjustments to plan liabilities	**-8.2**	-2.0	3.7	5.3
Experience adjustments to plan assets	**-38.2**	-1.7	6.5	-1.1

EUR million	2008	2007
Other long-term employee benefit liability		
Other long-term employee benefit liability at Jan 1	**3.7**	6.2
Increase	**0.3**	0.3
Decrease	**-0.5**	-2.9
Other long-term employee benefit liability at Dec 31	**3.5**	3.7
Amounts in the balance sheet		
Liabilities	**84.6**	87.7
Assets	**-10.5**	-10.5
Net liabilities	**74.1**	77.2

20. Provisions

EUR million	Restructuring	Environmental	Other	Total
Balance at Jan 1, 2008	30.2	3.4	9.2	42.7
Translation differences	0.3	0.0	-0.1	0.2
Increase in provisions	5.8	0.4	4.9	11.1
Used provisions	-22.1	-0.8	-4.2	-27.1
Reversal of provisions	-1.0	-0.1	-1.7	-2.8
Balance at Dec 31, 2008	**13.1**	**2.9**	**8.1**	**24.1**
Non-current	0.3	2.3	1.8	4.4
Current	12.8	0.6	6.3	19.7
Total	**13.1**	**2.9**	**8.1**	**24.1**

Increase in restructuring provisions relates mostly to the announced plans to close Gallarate and Carbonate sites and to close down production line in Cressa. These are located in Italy and manufacture nonwoven fabrics. The outflows of resources are expected to occur within 12 months.

The used restructuring provisions relate mainly to closure of Ascoli plant in Italy and Chantraine plant in France and to the closure of release base paper line in Turin, Italy. In addition to the formers, the restructuring plans have required outflows of resources for to the consolidation of the air filtration sites in the USA from Bellingham, Massachusetts, and Darlington, South Carolina to Bethune, South Carolina. The remaining EUR 6.8 million outflows of these obligations are estimated to be fully used during the next 12 months.

Environmental provisions have mainly been made for landscaping of dumps in Finland, which are expected to be used within three to four years.

Current other provisions consist mostly of customer and legal claim provisions and termination of external agent commission agreements. Non-current other provisions include mainly tax provisions for which the timing of outflows is inherently uncertain.

21. Interest-bearing loans and borrowings

EUR million	Fair value 2008	Fair value 2007	Carrying amount 2008	Carrying amount 2007
Non-current				
Loans from financial institutions	**174.4**	185.4	**174.4**	185.4
Finance lease liabilities	**10.0**	11.6	**12.6**	14.6
Other non-current loans	**1.8**	2.6	**1.8**	2.6
Total	**186.2**	199.6	**188.7**	202.7
Current				
Current portion of non-current loans	**174.0**	4.0	**174.0**	4.0
Current portion of finance lease liabilities	**2.0**	2.3	**2.2**	2.7
Other current loans	**291.9**	308.8	**291.9**	308.8
Total	**467.9**	315.1	**468.1**	315.5

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 2008, weighted average of effective interest rates for interest-bearing loans was 4.6% (4.9% in 2007).

EUR million	2008	2007
Currency distribution of non-current interest-bearing liabilities:		
EUR	**186.1**	201.5
USD	**0.0**	0.2
Others	**2.6**	1.0
Currency distribution of current interest-bearing liabilities:		
EUR	**399.4**	247.1
USD	**64.5**	57.6
Others	**4.2**	10.8
Finance lease liabilities		
Minimum lease payments		
Not later than one year	**2.6**	3.0
Between one and five years	**7.1**	8.6
More than five years	**7.6**	8.7
Total minimum lease payments	**17.3**	20.2
Future finance charges	**-2.5**	-2.9
Present value of minimum lease payments	**14.8**	17.3
Present value of minimum lease payments		
Not later than one year	**2.2**	2.7
Between one and five years	**5.6**	6.9
More than five years	**7.0**	7.8
Present value of minimum lease payments	**14.8**	17.3

The Group has leased production facilities, office premises, land areas, machinery and other items of property, plant and equipment under finance lease agreements of varying length.

22. Trade and other payables

EUR million	**2008**	2007
Non-current		
Other liabilities	**0.2**	0.3
Accrued expenses and deferred income	**-**	0.3
Total	**0.2**	0.6
Current		
Trade payables	**207.0**	193.6
Liabilities to associated companies	**0.3**	0.5
Accrued expenses and deferred income	**49.9**	54.7
Derivative financial instruments	**13.9**	2.0
Advances received	**0.3**	0.3
Other current liabilities	**21.9**	21.9
Total	**293.3**	273.1
Specification of accrued expenses and deferred income		
Accrued wages, salaries and related cost	**35.8**	40.0
Accrued restructuring costs	**-**	0.1
Accrued interest expense	**5.3**	3.2
Other	**8.8**	11.7
Total	**49.9**	55.0

23. Financial risk management

Financial risk management is part of Ahlstrom's groupwide risk management activities targeted to mitigate events, which could affect negatively the achievement of the company's strategic and operative goals. 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 unfavorable 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 coordinated 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 as well as committed and uncommitted credit facilities granted by banks and other financial institutions both in the domestic and international financial markets.

As of December 31, 2008, Ahlstrom's interest-bearing liabilities amounted to EUR 656.9 million, divided into financing from banks and other financial institutions of EUR 524.6 million, EUR 117.5 million in borrowings under the company's Finnish commercial paper program and EUR 14.8 million in commitments under financial leases. During the reporting period, Ahlstrom held several preparatory discussions with the majority of its relationship banks concerning the refinancing of EUR 233 million worth of medium-term credit facilities, which will mature in 2009, of which EUR 200 million in the last quarter. Ahlstrom's unutilized credit facilities as of December 31, 2008 amounted to EUR 185 million.

Refinancing risks are managed by seeking to ensure that the loan portfolio has a balanced maturity profile both in terms of length and concentration of repayments. The maturity profile of the liabilities of the Group is shown below.

MATURITY PROFILE OF LIABILITIES

Contractual undiscounted cash flows of liabilities at December 31, 2008:

EUR million	2009	2010	2011	2012	2013	Later	Total
Floating rate loans from financial institutions	188.1	40.4	65.3	11.6	44.0	33.1	382.5
Finance lease liabilities	2.6	2.8	1.8	1.4	1.2	7.6	17.3
Other non-current loans	1.0	0.8	0.7	0.3	0.0	0.0	2.9
Other current loans	291.9	-	-	-	-	-	291.9
Trade and other payables	289.5	-	-	-	-	-	289.5
Interest rate swaps	1.3	0.9	1.0	0.5	-	-	3.7
Total	774.3	44.9	68.8	13.8	45.2	40.8	987.8

Contractual undiscounted cash flows of liabilities at December 31, 2007:

EUR million	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

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: one relating to foreign currency flows (transaction exposure) and the other relating to balance sheet items denominated in foreign currency (translation exposure).

The former concerns forecasted foreign currency flows and firm commitments. In 2008, approximately 56% of Ahlstrom's net sales were denominated in euros, approximately 34% in US dollars and 10% 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 period 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 applied fair value hedge accounting only for hedges related to certain investments. In 2008, the Group applied cash flow hedge accounting to some hedging instruments.

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, the net equity hedging ratio being 25% in 2008 (30% in 2007). For these hedging instruments Ahlstrom applies hedge accounting.

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 with maturities usually between two and five years. At the balance sheet date all interest rate swap contracts were classified as financial assets held for trading. In 2008, hedge accounting was applied to one interest rate contract. Derivative fair values are shown in note 24.

CREDIT AND COUNTERPARTY RISK

Credit and counterparty risks materialize when a customer or a financial institution is unable to meet its financial obligations towards Ahlstrom. Credit risks arise from commercial receivables and counterparty risks from exposures associated with financial transactions such as deposits, placements, derivatives contracts, bonds and guarantees issued in favor of members of the Group or receivables from insurance companies.

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. Ahlstrom has a Group Credit Policy which the business areas are responsible for implementing. Credit insurance has been used as a mitigation tool covering the majority of risk originating from Europe. In other areas, creditworthiness of counterparties is evaluated by previous experience and 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. The ten largest customers account for less than 20% of net sales. See aging analysis of trade receivables below.

ANALYSIS OF TRADE RECEIVABLES BY AGE

EUR million	**2008**	2007
Not past due	**247.4**	301.0
Past due 1–30 days	**28.7**	27.4
Past due 31–90 days	**11.8**	13.1
Past due more than 90 days	**5.9**	4.0
Total	**293.8**	345.4

Financial transactions involving counterparty risks are concluded with highly rated banks and other financial institutions only. Acceptable counterparties are centrally approved by Group Treasury. Whilst counterparty risks cannot be fully eliminated, management is confident that they are under control. Ahlstrom encountered no materialized financial counterparty risks in 2008.

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 in relation to 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, 2008. 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	RUB	USD	GBP	SEK	BRL
2008								
Assets	247.7	28.6	0.6	25.3	115.2	45.0	27.8	105.2
Liabilities	-80.0	-0.1	-6.6	0.0	-	0.0	-	-
Foreign exchange derivative contracts	-148.9	-28.1	11.6	-24.8	-71.0	0.0	-27.2	-
Total open position	**18.8**	**0.4**	**5.6**	**0.5**	**44.2**	**45.0**	**0.6**	**105.2**
2007								
Assets	215.4	33.4	0.6	14.7	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	-14.7	-40.3	-1.4	-27.1	-
Total open position	-17.6	-0.7	6.2	0.0	77.3	31.6	4.2	110.7

The open position is the unhedged net exposure the Group had presented in the currencies. The open position contains currency loans, deposits, cash, accounts payable and accounts receivable. The largest income statement exposure was in USD, an exposure equivalent to EUR 18.8 million (EUR -17.6 million in 2007). The largest equity exposure was in BRL equivalent to EUR 105.2 million (EUR 110.7 million in 2007).

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	RUB	USD	GBP	SEK	BRL
2008								
Balance sheet								
Equity	-	-	-	-	11.5	4.5	2.8	10.5
Trade receivables	3.3	0.5	0.1	0.0	-	-	-	-
Trade payables	-3.7	0.0	0.0	0.0	-	-	-	-
Cash and cash equivalents	0.2	0.0	0.0	0.1	-	-	-	-
Loans and borrowings	17.0	2.3	-0.7	2.5	-	-	-	-
Foreign exchange derivative contracts	-14.9	-2.8	1.2	-2.5	-7.1	0.0	-2.7	-
Net effect	**1.9**	**0.0**	**0.6**	**0.1**	**4.4**	**4.5**	**0.1**	**10.5**
2007								
Balance sheet								
Equity	-	-	-	-	11.8	4.7	3.1	11.1
Trade receivables	2.9	0.8	0.0	0.0	-	-	-	-
Trade payables	-1.9	0.0	0.0	0.0	-	-	-	-
Cash and cash equivalents	0.3	0.0	0.0	0.0	-	-	-	-
Loans and borrowings	14.8	2.5	-0.2	14.7	-	-1.4	-	-
Foreign exchange derivative contracts	-17.9	-3.4	0.8	-14.7	-4.0	-0.1	-2.7	-
Net effect	-1.8	-0.1	0.6	0.0	7.7	3.2	0.4	11.1

The net effect would be the impact on the income statement and the equity. The analysis has been prepared without tax effect.

EUR million	**2008**	2007
Items exposed to interest rate risk		
Other short-term deposits	**27.5**	5.8
Interest-bearing liabilities excluding finance lease liabilities	**642.1**	500.8
Interest rate derivative contracts (nominal amount)	**135.0**	100.0
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 short-term deposits and interest-bearing liabilities excluding finance lease liabilities	**-5.4**	-4.7
Interest rate derivative contracts *	**1.3**	3.2
Net effect	**-4.1**	-1.4

The net effect would be the impact on the income statement. The analysis has been prepared without tax effect.

* Since the time-to-maturity of the open interest rate derivative contracts was shorter in 2008 than 2007, the impact of a 1% parallell shift in the yield curve would be much smaller in the end of 2008 than in the end of year 2007.

24. Nominal and fair values of derivative financial instruments

FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

	Positive fair values maturing in		Negative fair values maturing in	
EUR million	< 1 year	> 1 year	< 1 year	> 1 year
2008				
Hedge accounting				
Interest rate swaps	-	-	-	-1.1
Foreign exchange forward contracts *	6.3	-	-1.5	-
Total	**6.3**	**-**	**-1.5**	**-1.1**
Non-hedge accounting				
Interest rate swaps	-	-	-0.1	-2.3
Foreign exchange forward contracts	10.0	-	-6.5	-
Total	**10.0**	**-**	**-6.5**	**-2.3**
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

* Out of foreign exchange forward contracts, fair value of EUR 1.0 million (EUR 0.2 million in 2007) 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 4.5 million was designated to hedges of net investment in foreign subsidiaries as of December 31, 2008 (EUR 1.2 million in 2007) and reported in translation difference in equity. The hedges have been efficient.

NOMINAL VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

	Maturing in		
EUR million	< 1 year	> 1 year	Total
2008			
Interest rate swaps	60.0	75.0	135.0
Foreign exchange forward contracts	551.7	-	551.7
Total	**611.7**	**75.0**	**686.7**
2007			
Interest rate swaps	-	100.0	100.0
Foreign exchange forward contracts	457.0	-	457.0
Total	457.0	100.0	557.0

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 446.0 million (EUR 350.5 million in 2007) relate to the hedging of the operational and financial cash flows and EUR 105.8 million (EUR 106.5 million in 2007) to the hedging of the foreign currency denominated net equity investments in foreign subsidiaries.

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

EUR million	(Note)	Financial assets/ liabilities at fair value through profit or loss	Derivatives used for hedging	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Carrying amounts by balance sheet item
2008							
Non-current financial assets							
Other investments	(13)	-	-	-	0.2	-	**0.2**
Other receivables	(16)	-	-	15.6	-	-	**15.6**
Current financial assets							
Trade and other receivables	(16)	-	-	338.0	-	-	**338.0**
Derivative financial instruments	(16,24)	11.9	6.3	-	-	-	**18.2**
Other investments	(13)	0.0	-	-	-	-	**0.0**
Cash and cash equivalents	(17)	-	-	58.2	-	-	**58.2**
Carrying amount by category		**11.9**	**6.3**	**411.8**	**0.2**	**-**	**430.1**
Non-current financial liabilities							
Interest-bearing loans and borrowings	(21)	-	-	-	-	188.7	**188.7**
Other liabilities	(22)	-	-	-	-	0.2	**0.2**
Current financial liabilites							
Interest-bearing loans and borrowings	(21)	-	-	-	-	468.1	**468.1**
Trade and other payables	(22)	-	-	-	-	279.4	**279.4**
Derivative financial instruments	(22,24)	12.0	1.9	-	-	-	**13.9**
Carrying amount by category		**12.0**	**1.9**	**-**	**-**	**936.5**	**950.4**

EUR million	(Note)	Financial assets/ liabilities at fair value through profit or loss	Derivatives used for hedging	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	(13)	-	-	-	0.2	-	0.2
Other receivables	(16)	-	-	16.9	-	-	16.9
Current financial assets							
Trade and other receivables	(16)	-	-	383.3	-	-	383.3
Derivative financial instruments	(16,24)	4.4	1.6	-	-	-	6.0
Other investments	(13)	5.8	-	-	-	-	5.8
Cash and cash equivalents	(17)	-	-	21.3	-	-	21.3
Carrying amount by category		10.2	1.6	421.5	0.2	-	433.5
Non-current financial liabilities							
Interest-bearing loans and borrowings	(21)	-	-	-	-	202.7	202.7
Other liabilities	(22)	-	-	-	-	0.6	0.6
Current financial liabilites							
Interest-bearing loans and borrowings	(21)	-	-	-	-	315.5	315.5
Trade and other payables	(22)	-	-	-	-	271.1	271.1
Derivative financial instruments	(22,24)	1.8	0.3	-	-	-	2.0
Carrying amount by category		1.8	0.3	-	-	789.9	791.9

26. 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 2008, the gearing ratio was above the target level due to the investments and acquisitions as well as restructuring provisions and impairment charges. The gearing ratios in 2007 and 2008 were as follows

EUR million	**2008**	2007
Interest-bearing loans and borrowings	**656.9**	518.2
Cash and cash equivalents	**58.2**	21.3
Other current investments	**0.0**	5.8
Interest-bearing net liabilities	**598.7**	491.1
Equity, total	**628.1**	752.4
Gearing ratio	**95.3%**	65.3%

27. Operating leases

EUR million	2008	2007
Minimum lease payments from operating lease contracts:		
Less than one year	**6.9**	5.3
Between one and five years	**12.0**	10.3
More than five years	**5.1**	4.6
Total	**24.0**	20.3

Lease arrangements are mainly related to buildings and constructions as well as to machinery and equipments.

28. Notes to the consolidated statement of cash flows

Non-cash transactions and transfers to cash flow from other activities:		
Depreciation and amortization	**112.3**	99.9
Gains and losses on sale of non-current assets	**-4.1**	-10.2
Gains and losses on sale of subsidiary shares	**-**	-1.6
Change in employee benefit obligations	**-7.4**	-10.1
Total	**100.7**	78.0

29. Commitments and contingent liabilities

For own liabilities:		
Other loans		
Amount of loans	**0.5**	0.9
Book value of pledges	**0.5**	1.0
For own commitments:		
Guarantees	**38.7**	23.8
For commitments of associated companies:		
Guarantees	**4.2**	6.3
Capital expenditure commitments	**36.2**	32.4
Other contingent liabilities	**4.7**	4.7

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

Capital expenditure commitments consist mainly of a new medical nonwovens plant in Gujarat, India, and the converting of a paper machine to nonwoven production in Turin, Italy.

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

30. Transactions with related parties

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

AT DEC 31, 2008 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 Brasil Indústria e Comércio de Papéis Especiais Ltda	100.0	Brazil
Ahlstrom Chirnside Limited	100.0	UK
Ahlstrom Fibercomposites India Private Ltd	100.0	India
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 Norrköping AB	100.0	Sweden
Ahlstrom Sales Helsinki Oy	100.0	Finland
Ahlstrom Sales LLC	100.0	Russia
Ahlstrom South Africa (Pty) Ltd	100.0	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 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

	Ownership interest, %	Country
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 Glass Nonwovens LLC	100.0	USA
Ahlstrom West Carrollton Inc.	100.0	USA
Titanium Foreign Sales Corporation	100.0	USA

Ownership interest does not differ from the voting rights.

RELATED PARTY TRANSACTIONS WITH ASSOCIATED COMPANIES

EUR million	**2008**	2007
Sales and interest income	**1.0**	1.3
Purchases of goods and services	**-3.6**	-5.0
Trade and other receivables	**2.6**	0.1
Trade and other payables	**0.3**	0.5
Interest-bearing loans and borrowings	**0.0**	0.1

Market prices have been used in transactions with associated companies.

Commitments on behalf of associated companies are shown in note 29.

BOARD REMUNERATION

EUR thousand	**2008**	2007
Board members at December 31, 2008		
Peter Seligson, Chairman	**73**	57
Bertel Paulig, Vice Chairman	**49**	33
Martin Nüchtern	**24**	-
Sebastian Bondestam	**32**	32
Jan Inborr	**40**	35
Willem F. Zetteler	**47**	33
Thomas Ahlström	**49**	24
Former Board members		
Urban Jansson	**19**	35
Johan Gullichsen	**-**	19
Total	**333**	268
Employee benefits for key management		
Short-term employee benefits	**3,748**	3,524
Post-employment benefits	**80**	73
Cash-settled share-based transactions	**-**	-220
Total	**3,828**	3,377

EUR thousand	**2008**	2007
Executive remuneration		
President and CEO Jukka Moisio (until February 27, 2008)	**252**	616
CEO Risto Anttonen (as of February 28, 2008)	**387**	-
Other Corporate Executive Team (CET) members	**3,109**	2,909
Total	**3,748**	3,524
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

In 2008, the cash-settled share-based transactions earned in 2005 totaling EUR 418 thousand (option program 2004 A) were paid to the President and CEO and CET members.

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 INCENTIVE PLAN

On January 31, 2008 Ahlstrom's Board of Directors approved a share-based long-term incentive plan for the Corporate Executive Team (CET) as part of the remuneration and commitment program. The plan will last five years, comprising three one-year earning periods, the years 2008, 2009 and 2010 followed by two-year ownership periods. The plan offers a possibility to receive Ahlstrom shares and cash (equaling the amount of taxes of the total reward) as a reward, if the Earning Per Share (EPS) targets set by the Board for each earning period are achieved. If the targets of the plan are attained in full for all three earning periods, the reward to be paid on the basis of the plan will in its entirety correspond to 500,000 shares.

Shares earned on the basis of the plan must be owned for at least two years after each earning period. The Board recommends that the President & CEO continues to own the shares in the Company, corresponding to his annual net salary and that the other CET members continue to own the shares in the company, corresponding in value to half of their annual net salary.

As Ahlstrom did not reach the EPS target set by the Board, no shares or cash were received by the CET members for 2008. No expenses have been recorded regarding the incentive plan in the reporting period.

SHARE-BASED PAYMENT PLANS TO KEY PERSONNEL (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 was settled 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 2007 (2004 C), no options were earned by the participants due to the lower than targeted EPS performances of the Group. On December 31, 2007 the liability recognized arising from the program 2004 A was EUR 1.0 million. At the balance sheet date there was no liability as the cash payment took place in 2008.

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 publicly listed

The number and weighted average exercise prices of the synthetic stock options were as follows

	2008		2007	
	Weighted average exercise price, EUR	**Number of options**	Weighted average exercise price, EUR	Number of options
Outstanding at the beginning of the period	**4.27**	**234,773**	10.55	246,482
Exercised during the year	**4.27**	**-234,773**	-	-
Forfeited during the year	**-**	**-**	10.32	-11,709
Outstanding at the end of the period	**-**	**0**	4.27	234,773
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 the stock options were as follows

	2008		2007	
	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
Exercised during the year	-	-	9.16	-1,008,871
Outstanding at the end of the period		-		0
Exercisable at the end of the period		-		-

31. 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	2008	2007	2006	2005	2004
Financial indicators					
Net sales	**1,802.4**	1,760.8	1,599.1	1,552.6	1,567.8
Personnel costs	**337.8**	362.1	319.6	313.1	340.1
% of net sales	**18.7**	20.6	20.0	20.2	21.7
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**126.9**	125.6	177.6	200.9	152.4
% of net sales	**7.0**	7.1	11.1	12.9	9.7
Depreciation and amortization	**97.9**	93.9	79.9	82.9	86.7
Impairment charges	**14.4**	5.9	1.7	0.8	3.6
Operating profit	**14.6**	25.8	96.1	117.2	62.1
% of net sales	**0.8**	1.5	6.0	7.5	4.0
Net interest expense	**30.0**	20.9	8.4	11.5	12.5
% of net sales	**1.7**	1.2	0.5	0.7	0.8
Profit before taxes	**-20.6**	0.2	81.2	100.7	47.9
% of net sales	**-1.1**	0.0	5.1	6.5	3.1
Profit for the period attributable to the equity holders of the parent	**-17.9**	0.5	57.5	62.4	33.2
% of net sales	**-1.0**	0.0	3.6	4.0	2.1
Capital employed (end of period)	**1,285.0**	1,270.6	946.9	947.1	975.6
Interest-bearing net liabilities	**598.7**	491.1	155.2	340.6	361.8
Total equity	**628.1**	752.4	766.6	590.5	580.5
Return on capital employed (ROCE), %	**1.4**	2.5	10.4	12.4	7.0
Return on equity (ROE), %	**-2.3**	0.2	8.5	10.7	5.6
Equity ratio, %	**36.8**	44.0	56.5	43.2	42.0
Gearing ratio, %	**95.3**	65.3	20.3	57.7	62.3
Capital expenditure, including acquisitions	**167.0**	371.9	127.8	73.2	167.0
% of net sales	**9.3**	21.1	8.0	4.7	10.7
R&D expenditure	**23.8**	23.9	25.0	27.1	27.6
% of net sales	**1.3**	1.4	1.6	1.7	1.8
Net cash from operating activities	**102.4**	43.9	119.2	126.6	128.0
Number of employees, year-end	**6,365**	6,481	5,677	5,525	5,755
Number of employees, annual average	**6,510**	6,108	5,687	5,605	6,428
Net sales per employee, EUR thousands	**277**	288	281	277	244

	2008	2007	2006	2005	2004
Share indicators					
Earnings per share, EUR	**-0.38**	0.01	1.31	1.71	0.91
Earnings per share, diluted, EUR	**-0.38**	0.01	1.29	1.67	0.90
Cash earnings per share, EUR	**2.19**	0.94	2.72	3.48	3.52
Equity per share, EUR	**13.46**	15.35	16.79	16.21	15.94
Dividend per share, EUR	**0.45** *	1.00	1.00	1.79	1.72
Payout ratio, %	**n/a**	n/a	76.3	104.7	188.9
Adjusted number of outstanding shares, end of period (1,000 shares)	**46,670.6**	46,670.6	45,661.7	36,418.4	36,418.4
Adjusted number of outstanding shares, average (1,000 shares)	**46, 670.6**	46,476.2	43,801.7	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)	2008	2007
Net sales	(1)	**61.5**	61.1
Other operating income	(2)	**0.4**	1.0
Personnel costs	(3)	**-8.1**	-8.7
Depreciation and write-downs	(10)	**-0.1**	-0.1
Other operating expense	(4)	**-21.1**	-21.2
		-29.3	-30.0
Operating profit		**32.6**	32.1
Financing income and expense			
Dividend income	(5)	**-**	4.4
Interest and other financing income	(6)	**33.0**	29.3
Interest and other financing expense	(7)	**-31.1**	-18.9
Gains and losses on foreign currency		**6.9**	10.2
		8.8	25.0
Profit before extraordinary items		**41.4**	57.1
Extraordinary items	(8)		
Extraordinary income		**4.4**	5.5
Profit after extraordinary items		**45.8**	62.6
Income taxes	(9)	**-10.8**	-13.2
Profit for the period		**35.0**	49.4

Balance sheet

EUR million	(Note)	**Dec 31, 2008**	Dec 31, 2007
Assets			
Non-current assets			
Intangible assets	(10)		
Intangible rights		**0.3**	0.4
Advances paid and construction in progress		**0.3**	0.1
		0.6	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		**1,029.2**	793.7
Receivables from Group companies		**25.0**	15.0
Shares in associated companies		**2.7**	2.7
Shares in other companies		**0.5**	0.5
		1,057.4	811.9
Current assets			
Long-term receivables			
Receivables from Group companies	(17)	**47.5**	68.1
Deferred tax assets	(16)	**1.1**	1.4
		48.6	69.5
Short-term receivables			
Trade receivables		**-**	0.1
Receivables from Group companies	(17)	**457.8**	520.0
Receivables from associated companies	(18)	**2.5**	-
Deferred tax assets	(16)	**0.1**	0.1
Other short-term receivables		**0.0**	0.0
Prepaid expenses and accrued income	(12)	**26.8**	13.3
		487.2	533.5
Short-term investments		**-**	5.8
Cash and cash equivalents		**30.6**	3.2
		30.6	9.0
Total assets		**1,625.0**	1,425.0

EUR million	(Note)	**Dec 31, 2008**	Dec 31, 2007
Shareholders' equity and liabilities			
Shareholders' equity	(13)		
Share capital		**70.0**	70.0
Share premium		**187.8**	187.8
Non-restricted equity reserve		**8.3**	8.3
Retained earnings		**602.1**	599.4
Profit for the period		**35.0**	49.4
		903.2	914.9
Liabilities			
Provisions for contingencies	(15)	**4.6**	5.2
Long-term liabilities	(14)		
Loans from financial institutions		**172.2**	185.3
Short-term liabilities			
Loans from financial institutions		**389.6**	218.8
Trade payables		**1.2**	1.4
Liabilities to Group companies	(17)	**133.6**	89.6
Liabilities to associated companies	(18)	**-**	0.1
Other short-term liabilities		**1.2**	0.4
Accrued expenses and deferred income	(19)	**19.4**	9.3
		545.0	319.6
Total liabilities		**721.8**	510.1
Total shareholders' equity and liabilities		**1,625.0**	1,425.0

Statement of cash flows

EUR million	**2008**	2007
Cash flow from operating activities		
Operating profit	**32.6**	32.1
Depreciation, amortization and write-downs	**0.1**	0.1
Other adjustments	**-0.3**	-1.7
Operating profit before change in net working capital	**32.4**	30.5
Change in net working capital	**2.1**	9.7
Cash generated from operations	**34.5**	40.2
Interest income	**31.8**	27.4
Interest and other financing expense	**-30.1**	-15.2
Gains and losses on foreign currency	**6.9**	8.1
Income taxes	**-15.3**	-19.4
Net cash from operating activities	**27.8**	41.1
Cash flow from investing activities		
Capital expenditures	**-0.2**	-0.2
Acquisitions of Group companies	**-242.9**	-281.4
Increase in other investments	**-10.0**	-15.0
Proceeds from disposal of shares in Group companies	**-**	1.8
Proceeds from liquidation of Group companies	**7.6**	0.3
Proceeds from sale of non-current assets	**0.2**	0.8
Dividends received	**-**	4.4
Group contributions	**7.5**	7.6
Net cash used in investing activities	**-237.8**	-281.7
Cash flow from financing activities		
Share issue and share options exercised	**-**	9.2
Change in notes receivable and short-term investments	**83.9**	-73.6
Change in long-term debt	**156.9**	148.5
Change in short-term debt	**43.3**	201.4
Dividends paid	**-46.7**	-46.6
Net cash used in financing activities	**237.4**	238.9
Net change in cash and cash equivalents	**27.4**	-1.7
Cash and cash equivalents at beginning of period	**3.2**	4.9
Cash and cash equivalents at end of period	**30.6**	3.2

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 are listed on the NASDAQ OMX Helsinki.

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 observes 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.

1. Distribution of net sales

EUR million	**2008**	2007
USA	**16.2**	13.4
France	**15.0**	14.8
Italy	**9.7**	12.7
Germany	**6.4**	6.1
Finland	**5.2**	6.0
United Kingdom	**2.2**	2.8
Spain	**1.5**	1.2
Sweden	**1.4**	1.4
South Korea	**1.1**	1.2
Belgium	**1.1**	1.0
Brazil	**1.0**	0.4
Other	**0.7**	0.1
Total	**61.5**	61.1

2. Other operating income

Gain on sale of shares	**0.1**	0.7
Gain on sale of other noncurrent assets	**0.2**	-
Other	**0.1**	0.3
Total	**0.4**	1.0

3. Personnel costs

Remuneration of board members	**-0.3**	-0.3
Remuneration of President and CEO	**-0.5**	-0.5
Bonuses to President and CEO	**-0.1**	-0.1
Other wages and salaries	**-6.0**	-6.4
Pension costs	**-0.8**	-0.9
Other wage-related costs	**-0.4**	-0.5
Total	**-8.1**	-8.7

As of President and CEO Jukka Moisio's resignation on February 28, 2008 Risto Anttonen acted as interim CEO until December 31, 2008.

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.

Average number of personnel		
Salaried	**80**	91

4. Auditors' fees

EUR million	**2008**	2007
To PricewaterhouseCoopers		
Audit	**-0.1**	-
Tax services	**-0.0**	-
Other services	**-0.0**	-
Total	**-0.1**	-
To KPMG		
Audit	**-**	-0.1
Tax services	**-**	-0.1
Total	**-**	-0.2

5. Dividend income

from Group companies	**-**	4.4

6. Interest and other financing income

from Group companies	**29.6**	27.8
from others	**3.4**	1.5
Total	**33.0**	29.3

7. Interest and other financing expense

to Group companies	**-3.4**	-2.9
to others	**-27.7**	-16.0
Total	**-31.1**	-18.9

8. Extraordinary items

Group contributions	**5.9**	7.5
Tax related to extraordinary items	**-1.5**	-2.0
Total	**4.4**	5.5

9. Income taxes

Taxes for current and previous years	**-12.1**	-15.0
Deferred taxes	**-0.2**	-0.2
Tax related to extraordinary items	**1.5**	2.0
Income taxes in the income statement	**-10.8**	-13.2

10. Intangible and tangible assets

EUR million	Intangible rights	Land and water areas	Machinery and equipment	Other tangible assets
2008				
Cost at Jan 1	2.5	0.4	0.2	0.6
Increases	0.2	-	-	-
Decreases	-	-	-	-
Cost at Dec 31	**2.7**	**0.4**	**0.2**	**0.6**
Accumulated depreciation and amortization at Jan 1	2.0	-	0.1	0.5
Depreciation and amortization for the fiscal year	0.1	-	0.0	-
Decreases	-	-	-	-
Accumulated depreciation and amortization at Dec 31	**2.1**	**-**	**0.1**	**0.5**
Book value at Dec 31, 2008	**0.6**	**0.4**	**0.1**	**0.1**
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	-	0.0	-
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

11. Long-term investments

EUR million	Shares in Group companies	Receivables from Group companies	Shares in associated companies	Shares in other companies
2008				
Cost at Jan 1	793.7	15.0	2.7	0.5
Increases	242.9	10.0	-	-
Decreases	-7.4	-	-	-
Cost at Dec 31	**1,029.2**	**25.0**	**2.7**	**0.5**
Book value at Dec 31, 2008	**1,029.2**	**25.0**	**2.7**	**0.5**
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

12. Prepaid expenses and accrued income

EUR million	**2008**	2007
Short-term	**26.8**	13.3
Main items:		
Accruals of hedging contracts	**19.0**	5.7
Accrued rebates	**7.3**	7.4
Other	**0.5**	0.2
Total	**26.8**	13.3

13. Shareholders' equity

Balance at Jan 1	**914.9**	902.9
Dividends paid	**-46.7**	-46.6
Share issue and share options exercised	**-**	9.3
Profit for the period	**35.0**	49.4
Balance at Dec 31	**903.2**	914.9

At December 31, 2008 share capital amounted to EUR 70,005,912.00. The share capital is divided into 46,670,608 shares. All shares have one vote and equal right to dividend.

14. Maturity profile of long-term liabilities

EUR million	**2010**	**2011**	**2012**	**2013**	**2014-**	**Total**
2008						
Loans from financial institutions	33.1	58.1	7.6	42.0	31.4	172.2

EUR million	2009	2010	2011	2012	2013-	Total
2007						
Loans from financial institutions	143.1	3.1	28.1	3.1	7.9	185.3

15. Provisions for contingencies

EUR million	**2008**	2007
Environmental responsibility	**0.4**	1.0
Pension and other employee benefit plan liabilities	**4.2**	4.2
Total	**4.6**	5.2

16. Deferred tax assets

Long-term assets	**1.1**	1.4
Short-term assets	**0.1**	0.1
Total	**1.2**	1.5
Arising from:		
Temporary differences	**1.2**	1.5

17. Receivables from and liabilities to Group companies

Long-term notes receivable	**47.5**	68.1
Trade receivables	**0.4**	2.2
Notes receivable	**448.3**	508.0
Prepaid expenses and accrued income	**9.1**	9.7
Total	**505.3**	588.0
Trade payables	**0.5**	0.3
Accrued expenses and deferred income	**16.1**	14.8
Other short-term liabilities	**117.0**	74.5
Total	**133.6**	89.6

18. Receivables from and liabilities to associated companies

Short-term notes receivable	**2.5**	-
Short-term liability	**-**	0.1

19. Accrued expenses and deferred income

EUR million	2008	2007
Short-term	**19.4**	9.3
Main items:		
Accrued personnel costs	**1.8**	2.5
Current tax payable	**0.2**	3.3
Accrued interest expense	**4.7**	2.4
Accruals of hedging contracts	**12.4**	0.9
Other	**0.3**	0.2
Total	**19.4**	9.3

20. Commitments and contingent liabilities

For commitments of Group companies:		
Guarantees	**77.5**	59.3
For commitments of associated companies:		
Guarantees	**4.2**	6.2
Leasing commitments:		
Current portion	**1.0**	0.8
Long-term portion	**2.2**	3.8
Other commitments	**0.1**	0.3

21. Shares in subsidiaries

The list of subsidiaries can be found on page 131.

22. Nominal and fair values of derivative financial instruments

	Nominal values		Fair values	
EUR million	2008	2007	2008	2007
Interest rate derivatives				
Interest rate swaps	**135,0**	100,0	**-3.4**	0.3
Foreign exchange derivatives				
Foreign exchange forward contracts	**386,9**	304,0	**2.8**	3.6
Equity hedging				
Foreign exchange forward contracts	**105,8**	106,5	**4.6**	1.2

Derivatives are hedging transactions in line with Ahlstrom Group hedging policy. More information of financial risks can be found in note 23 to the consolidated financial statements.

Proposal for the distribution of profits

The Parent Company's balance sheet on December 31, 2008 shows:

	EUR
Retained earnings	602,066,744.78
Non-restricted equity reserve	8,266,273.12
Profit for the period	35,023,673.87
Total distributable funds	645,356,691.77

The Board of Directors proposes to the Annual General Meeting to be held on March 25, 2009 as follows:

- a dividend of EUR 0.45 per share to be paid from the retained earnings corresponding	21,001,773.60
- to be reserved at the disposal of the Board of Directors	35,000.00
- to be retained in non-restricted equity reserve	8,266,273.12
- to be retained in retained earnings	616,053,645.05
	645,356,691.77

The suggested dividend record date is March 30, 2009 and the dividend will be paid on April 6, 2009.

Helsinki, February 4, 2009

Peter Seligson

Bertel Paulig | Sebastian Bondestam | Jan Inborr

Martin Nüchtern | Thomas Ahlström | Willem F. Zetteler

Jan Lång
President & CEO

Auditor's report

To the Annual General Meeting of Ahlstrom Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Ahlstrom Oyj for the year ended on 31 December 2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the parent company's financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors of the parent company and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 4 February 2009

PricewaterhouseCoopers Oy
Authorised Public Accountants

Eero Suomela
Authorised Public Accountant

Main events in 2008

This is a summary of Ahlstrom's main events in 2008.
All stock exchange releases and press releases are available at www.ahlstrom.com.

FEBRUARY 1

Financial statements bulletin 2007

Ahlstrom states that during 2007 the company used the proceeds raised in the 2006 IPO to expand its geographic presence and offerings especially in the fast growing markets in Brazil, Russia, India and China. In addition, restructuring actions were taken to discontinue non-profitable operations throughout the organization. Ahlstrom is anticipating the demand in its main markets to continue at a good level in 2008 but is also taking into consideration the slowdown in the USA, which increases uncertainty and reduces short-term visibility. In addition, the rising raw material prices are expected to have an impact on the company's sales margins.

FEBRUARY 1

Ahlstrom acquires a US-based specialty paper company

Ahlstrom acquires a vegetable parchment producer Friend Group, which operates two sites in West Carrollton, USA. The acquisition is confirmed on February 13, and the acquisition price is EUR 9.8 million. This acquisition enables Ahlstrom to build a global platform for its vegetable parchment business, develop new applications for the product as well as improve its customer service worldwide.

FEBRUARY 28

Ahlstrom´s CEO Jukka Moisio resigns

Jukka Moisio announces that he will resign to take on new challenges outside the company. The Board of Directors appoints Risto Anttonen as interim CEO and initiates the search for a new President and CEO.

Feb

Apr

Jun

APRIL 2

Decisions taken by Ahlstrom´s Annual General Meeting

The Annual General Meeting resolves to distribute a dividend of EUR 1.00 per share in accordance with the proposal of the Board of Directors.

APRIL 16

Interim report January–March 2008

The company states that there was solid growth in the net sales during the first quarter of the year. Towards the end of the review period, the predictability of the market became increasingly short-term oriented.

JUNE 24

Changes in Ahlstrom´s business area organization and Corporate Executive Team

The Nonwovens business area is split into Advanced Nonwovens and Home & Personal Nonwovens. The CET responsibilities are adjusted accordingly.

JULY 28

Interim report January–June 2008

Ahlstrom announces that during the second quarter of 2008 the sales growth continued. Full-year result is expected to improve from the previous year.

AUGUST 13

Jan Lång appointed President & CEO of Ahlstrom Corporation

The Board of Directors appoints Jan Lång President & CEO of the company effective as from January 1, 2009.

AUGUST 29

Ahlstrom acquires the remaining share of its joint venture in Brazil

The company acquires the remaining 40% of the joint venture formed with Votorantim Celulose e Papel in September 2007. The production facility in Jacareí, Brazil manufactures specialty papers. The total value of the acquisition is approximately EUR 110 million.

SEPTEMBER 11

Profit warning: Full-year operating profit to remain at the level of 2007

Ahlstrom gives a profit warning concerning the full-year result due to softness in the demand for some of its products.

Jul Aug Sep Oct Nov

OCTOBER 28

Interim report January–September 2008

Ahlstrom reports growing net sales in the third quarter of 2008 and expects the full-year net sales to increase from 2007. Full-year operating profit excluding non-recurring items is expected to be clearly lower than in 2007.

NOVEMBER 6

Changes in Ahlstrom´s Corporate Executive Team and business area organization

Changes are announced both in business management and functional management. In addition, the Industrial Nonwovens product line is combined with the Glass Nonwovens business area, and the business area is renamed Glass & Industrial Nonwovens.

Investor information

Ahlstrom's share and share capital

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

The share capital at the end of the financial year amounted to EUR 70,005,912.00. The total number of shares on December 31 was 46,670,608. At the end of the review period, there were no outstanding options entitling to subscription of Ahlstrom shares.

Share price development and trading activity

During 2008, a total of 6.1 million Ahlstrom shares were traded for a total of EUR 89.8 million. The lowest trading price during the financial year was EUR 6.51 and the highest EUR 18.78. The closing price on December 30, 2008 was EUR 6.65 and market capitalization was EUR 310.4 million.

Annual General Meeting

The Annual General Meeting of Ahlstrom Corporation will be held on Wednesday, March 25, 2009 at 1:00 p.m. at the Finlandia Hall, Mannerheimintie 13 e, Helsinki, Finland. Registration of shareholders participating in the meeting and the distribution of voting tickets will begin at 12:00.

In order to attend the Annual General Meeting, a shareholder must be registered in the Register of Shareholders of the Company held by Euroclear Finland Ltd, on March 13, 2009.

A shareholder must give prior notice to attend the Annual General Meeting by 4:00 p.m. on March 20, 2009, either through the company's website at www.ahlstrom.com/agm, by e-mail to yhtiokokous@ahlstrom.com, by mail to Ahlstrom Corporation, AGM, P.O.Box 329, 00101 Helsinki, Finland, by fax to +358 (0)10 888 4789, or by phone during office hours to +358 (0)10 888 4726 (Armi Jaakkola) or +358 (0)10 888 4746 (Merja Tuovinen).

A shareholder may participate in the Annual General Meeting also by way of proxy presentation. A proxy representative shall produce a dated proxy document or otherwise in a reliable manner demonstrate his/her right to represent the shareholder at the Annual General Meeting. The proxy documents should be delivered to the address above before the last date for registration.

A holder of nominee registered shares, who wants to participate in the Annual General Meeting, must be entered into the Register of Shareholders of the Company on March 13, 2009, the record date of the meeting. A holder of nominee registered shares is advised to request from his/her custodian bank necessary instructions regarding a registration in the shareholders´ register, the issuing of proxy documents and the registration for the Annual General Meeting.

Dividend policy and payment of dividends

The company's policy is to pay a dividend averaging at least 50% of the profit for the period of the previous financial year. The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.45 per share be paid for the financial year 2008. Dividend is paid to a shareholder who on the date of record for dividend payment, March 30, 2009, is registered in the register of shareholders of Ahlstrom. The dividend payment date is April 6, 2009.

Authorizations of the Board of Directors

In accordance with the resolutions of the Annual General Meeting held on April 2, 2008, the Board of Directors has an authorization 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 consideration 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 March 25, 2009.

Shareholders

At the year-end Ahlstrom had 12,701 shareholders. The largest shareholder is Antti Ahlströmin Perilliset Oy holding 10% of the share capital. The breakdown of the shareholders is shown in the tables on the facing page. A monthly updated list of Ahlstrom's major shareholders is available on the company's website at www.ahlstrom.com/investors.

MAJOR SHAREHOLDERS ON DECEMBER 31, 2008

Shareholders	Shares and votes	%
Antti Ahlströmin Perilliset Oy	4,674,802	10.0
Vilha Intressenter Ab	2,572,216	5.5
Varma Mutual Pension Insurance Company	1,532,200	3.3
Huber Mona	1,256,700	2.7
Tracewski Jacqueline	1,007,600	2.2
Nahi Kaj Anders Bertel	717,538	1.5
Lund Niklas Roland	693,738	1.5
Huber Samuel	639,600	1.4
Huber Karin	638,700	1.4
Studer Anneli	636,420	1.4
Nominee registered	808,049	1.7
Other shareholders	31,493,045	67.5
Total	46,670,608	100.0

DISTRIBUTION OF OWNERSHIP BY NUMBER OF SHARES, DECEMBER 31, 2008

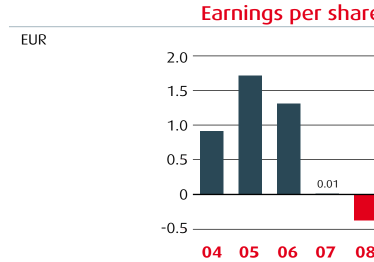
Number of shares	Number of shareholders	%
1–100	7,482	58.9
101–1,000	4,289	33.8
1,001–10,000	698	5.5
10,001–100,000	124	1.0
100,001–250,000	61	0.5
250,001–500,000	29	0.2
501,001–	18	0.1
Total	12,701	100.0

SHARE RELATED KEY FIGURES

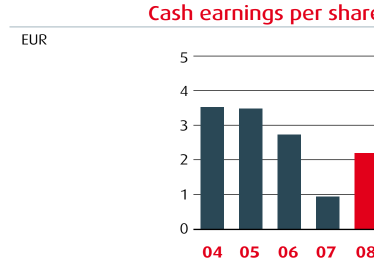
EUR	2008	2007	2006
Earnings per share	-0.38	0.01	1.31
Cash earnings per share	2.19	0.94	2.72
Dividend per share	0.45 *	1.00	1.00
Pay out ratio, %	N/A	N/A	76.3
Dividend yield, % **	6.8	6.1	4.4
P/E **	N/A	N/A	17.3
Average number of shares during the period, 1,000s	46,671	46,476	43,802

* The Board of Directors' proposal to the Annual General Meeting 2009
** The dividend yield and P/E have been calculated based on the last trading price of each year.

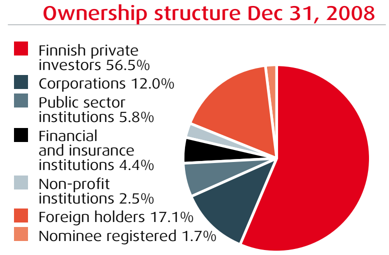
Earnings per share



Cash earnings per share



Ownership structure Dec 31, 2008



Analyst coverage

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

- Crédit Argicole Cheuvreux Nordic
- eQ Bank
- Evli Bank
- Handelsbanken
- Nordea Bank Finland
- Pohjola Bank
- SEB Enskilda.

IR principles

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

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

Prospects

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

Closed period

Ahlstrom's closed period starts three weeks prior to the publication of the company's annual financial statement bulletins or the interim reports.

During this period Ahlstrom is not communicating with capital market representatives.

Financial reporting

Ahlstrom Corporation publishes its financial information in 2009 as follows:

Annual report 2008	**Week 12**
Interim report January–March	**Wednesday, April 29**
Interim report January–June	**Friday, July 24**
Interim report January–September	**Wednesday, October 28**

Investor information is available at www.ahlstrom.com/investors. Ahlstrom publishes its annual reports and interim reports in Finnish, English and Swedish and interim reports in English and Finnish and a summary in Swedish. Stock exchange and press releases are published in English and Finnish. Financial reports and press releases can be viewed or ordered on the company website.

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Glossary

Abrasive base paper An impregnated base paper for the production of coated abrasive materials, such as grinding or sand papers, for use in the building, automotive and do-it-yourself markets.

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

Accident Severity Rate (ASR) The ASR – accident severity rate, is calculated by dividing the number of days of absence by the man hours worked and multiplying by 1000.

Air filtration media Nonwovens used in air filtration are manufactured using a variety of dry- and wet-lay processes. The markets served are Heating, Ventilation and Air Conditioning (HVAC), dust and odor control, power generation, etc.

APFE European Glass Fibre Producers Association

BREF BREF or Best Available Technique Reference is a guideline for the industry issued by the European Commission.

Chain-of-Custody (CoC) Chain-of-custody is a verified system according to which wood must be tracked from a certified forest to the finished product.

EDANA European association for the nonwovens and related industries. Established as: European Disposables and Nonwovens Association.

Flexible packaging Flexible packaging papers are used to wrap a wide range of food and other everyday products.

FSC FSC is an international forest certification system. The Forest Stewardship Council is an independent, non-governmental, not-for-profit organization established to promote the responsible management of the world's forests.

Glassfiber tissue A product used as reinforcement in the construction and plastic composite industries, as in vinyl flooring.

Glassine Glazed greaseproof pergamyn; transparent cellulose

Hybrid wallcover A new EasyLife™ wallcover substrate made of a mix of synthetic and cellulose fibers.

INDA A trade association that has represented the nonwoven fabrics industry since 1968.

Life Cycle Assessment Methodologies to analyze the carbon footprint for products & processes throughout their lifecycle.

Man-made fibers Man-made or synthetic fibers are industrially produced fibers, such as polymers synthesized from chemical compounds (nylon, polyester), transformed natural polymers (rayon, acetates), or minerals (glassfiber).

Natural fibers Fibers originating from nature, such as wood (mechanical wood pulp, chemical pulp); plants (abaca, cotton, corn or flax fibers); animals (silk, wool)

Nonwoven products Nonwovens are sheets, webs or rolls of fabric that are manufactured by bonding natural and/or man-made fibers together by means other than weaving.

One-side coated paper Base papers can be coated on one side (or both) with mineral pigments (kaolin), binders, or chemicals in order to improve their gloss, printability and color.

PaperPlus A European association that promotes specialty papers and awareness of the advantages of paper in flexible packaging, wet-glue labeling, and self-adhesive laminates and labels.

Parchmentizing A manufacturing process whereby a "waterleaf" base paper is produced and then "parchmentized" by immersing it in an acid bath to jellify the fibers.

PEFC The Programme for the Endorsement of Forest Certification Council is an independent, non-profit, non-governmental organization promoting sustainably managed forests through independent third-party certification.

Pre-impregnated decor paper Pre-impregnated decor papers are used as finish foils in furniture laminates and decorative panels for the construction industry.

Release base paper Release base papers for silicone coating act as carriers of pressure sensitive adhesive labels and tags and numerous self-adhesive materials and components.

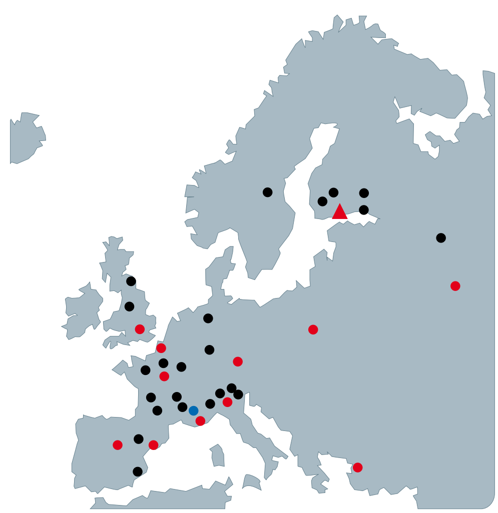
SFM Sustainable Forest Management is defined as the stewardship and use of forests and forest land in a way that maintains their biodiversity, productivity, regeneration capacity, vitality and potential at local, national and global levels and does not cause damage to other ecosystems.

Vegetable parchment Paper that in the parchmentizing process has been modified, to give it unique properties, such as a dense surface, a high mechanical strength, and a high degree of resistance to grease, water, and heat.

Wet-glue labeling Wet-glue (also known as glue-applied) label papers are versatile, environmentally friendly and cost-effective and have excellent printing and labeling properties.

Virgin raw material fibers Virgin or primary fibers i.e. non-recycled fibers.

Contact information



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● **Ahlstrom Innovation Services**
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