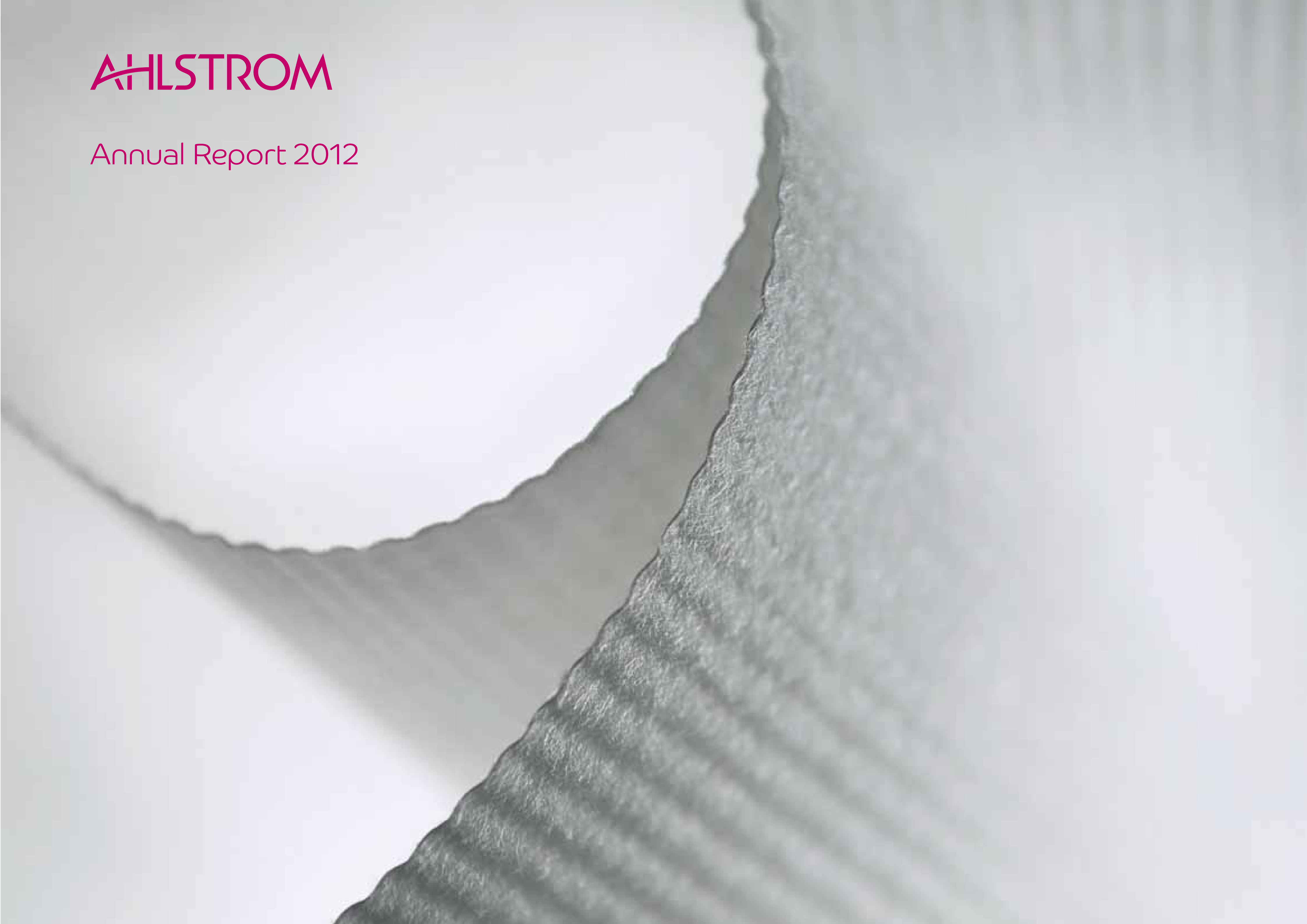
AHLSTROM

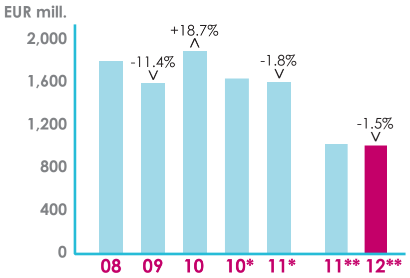
Annual Report 2012



Long-term financial targets and dividend policy

Performance against long-term financial targets

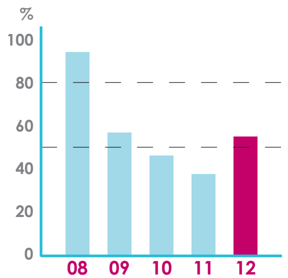
SALES GROWTH



* Continuing operations excluding Home and Personal
** Continuing operations excluding Home and Personal & Label and Processing

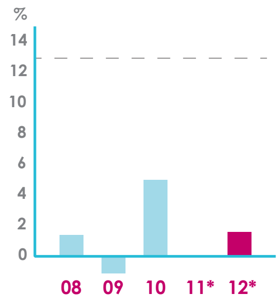
>> At least 5% annually

GEARING RATIO



>> Maintain within 50–80%

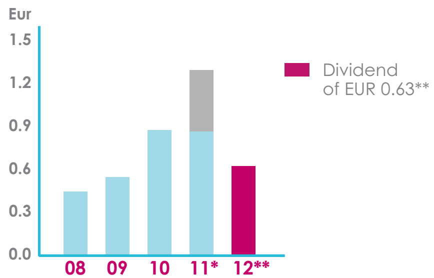
RETURN ON CAPITAL EMPLOYED



* Continuing operations excluding Home and Personal & Label and Processing

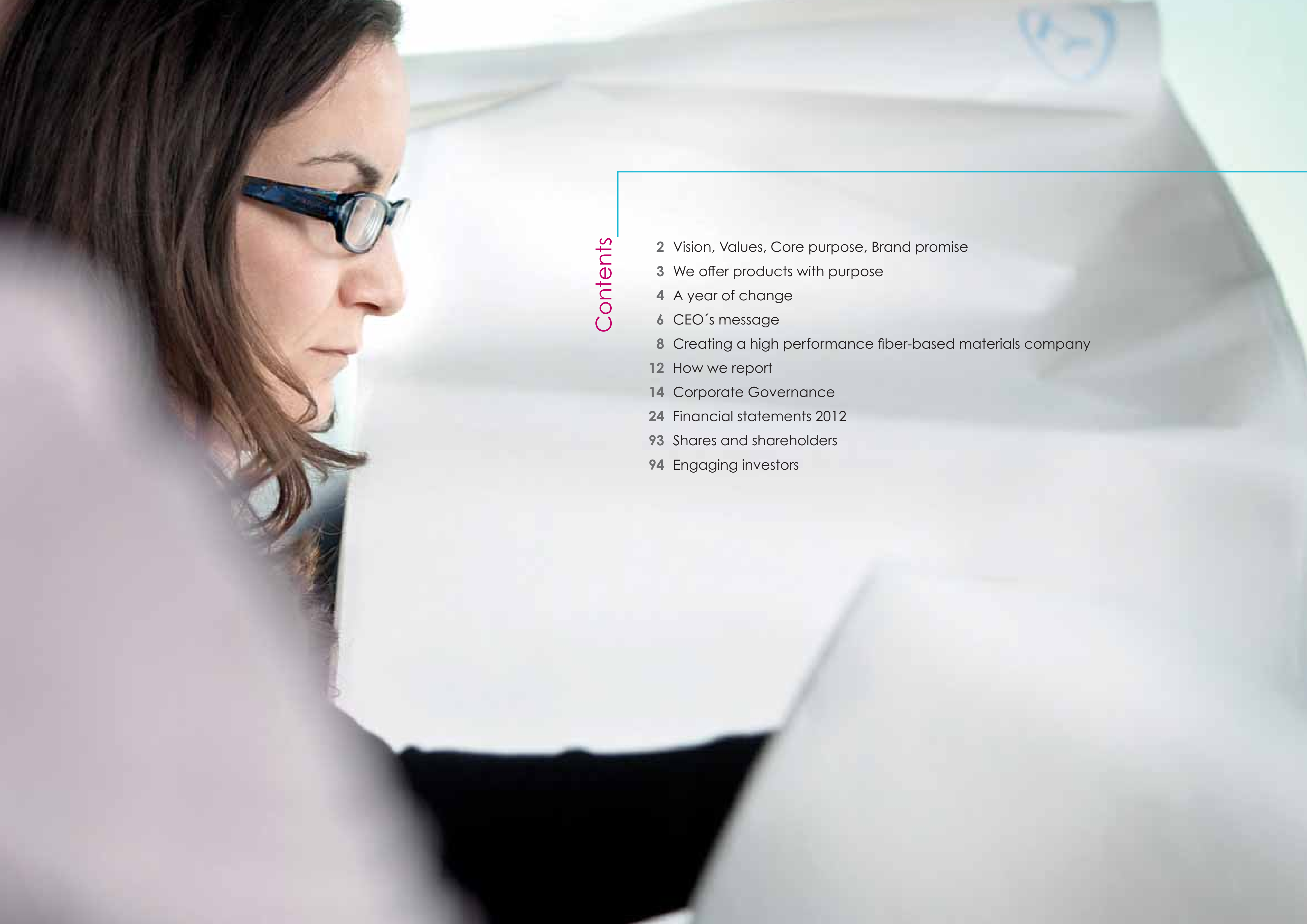
>> ROCE target minimum 13%

DIVIDEND PER SHARE



* Consists of a dividend of EUR 0.87 per share and an extra dividend of 0.43 per share
** Board of Directors' proposal to the Annual General meeting

>> Aim is to pay a dividend of not less than one third of net cash from operating activities after operative investments, calculated as three-year rolling average.



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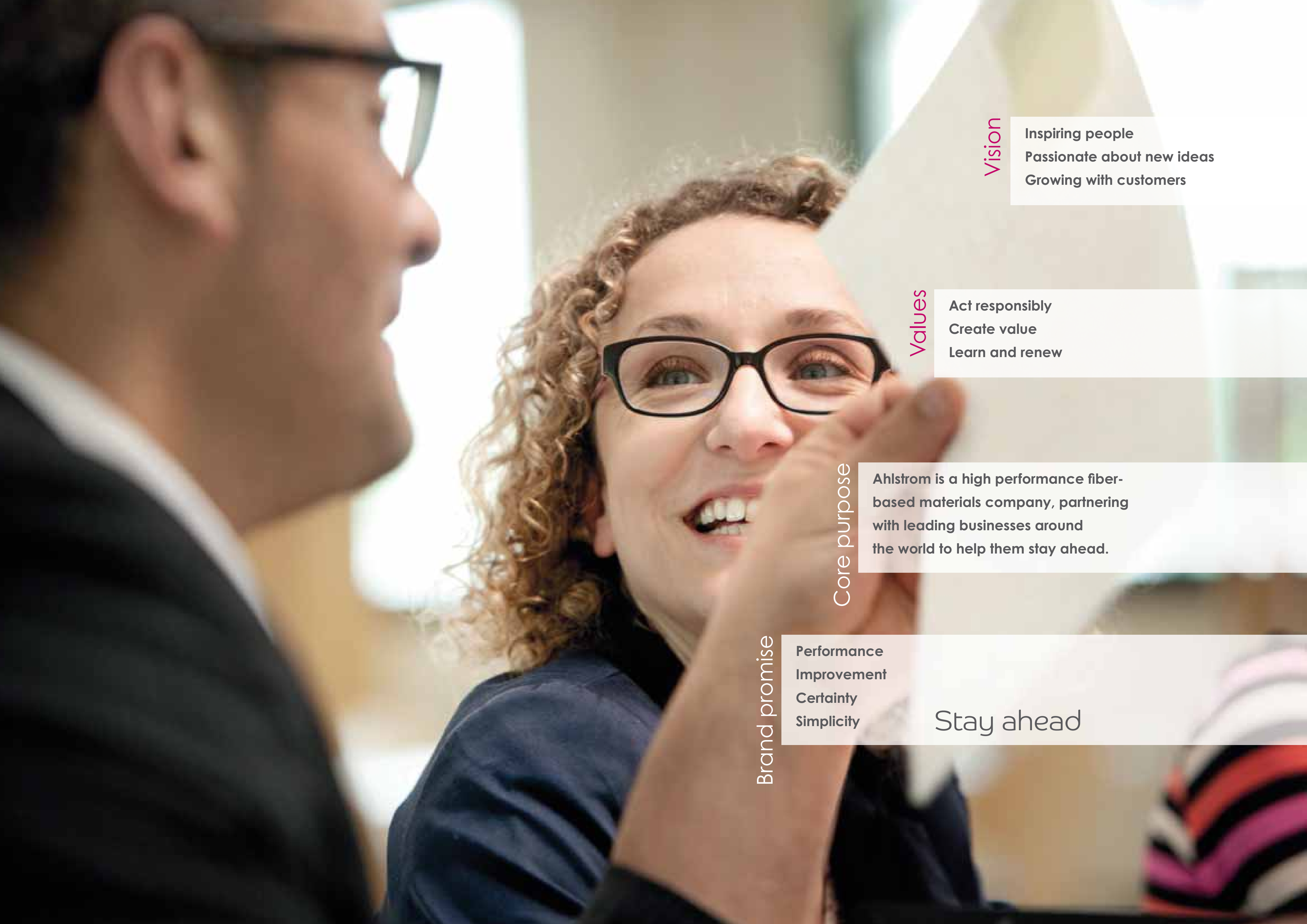


Vision

Inspiring people
Passionate about new ideas
Growing with customers

Values

Act responsibly
Create value
Learn and renew

Core purpose

Ahlstrom is a high performance fiber-based materials company, partnering with leading businesses around the world to help them stay ahead.

Brand promise

Performance
Improvement
Certainty
Simplicity

Stay ahead

We offer products with purpose

Ahlstrom produces high performance fiber-based materials that enable the required functionality and sustainability of our customers' products.

The essence of our strategy is that our fiber-based materials protect people, purify air and liquids, and provide surface and structure to our customers' products. Sustainability is at the heart of our operations.

Our products are mainly used by the transportation, construction, food and beverage, medical, energy, water, and life science industries.

Protect

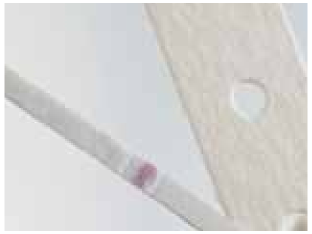
MEDICAL DRAPES AND GOWNS

STERILIZATION WRAPS AND POUCHES

FACE MASKS

FOOD AND BEVERAGES PACKAGING

SUBSTRATES FOR MASKING TAPE



Purify

OIL AND FUEL FILTRATION

AIR AND WATER FILTRATION

GAS TURBINE FILTRATION

LIFE SCIENCE FILTRATION

Provide surface & structure

WALLCOVERINGS

FLOORINGS

BUILDING PANELS

WIND TURBINE BLADES

BOAT HULLS

A year of change

Operating environment and financial performance

In 2012, the operating environment remained challenging as overall demand was soft with increasing volatility. Geographically, demand in Europe remained weak, while demand in North America slowed towards the end of the year following earlier gains. Some signs of recovery in the Asian market, and particularly in China, were seen.

In January–December 2012, net sales decreased by 1.5% to EUR 1,010.8 million, compared with EUR 1,025.8 million in the comparison period. The decline was mainly due to lower sales volumes and capacity closures. Higher selling prices and a favorable currency effect from the appreciation of the U.S. dollar against the euro had a positive impact on net sales.

Operating profit excluding non-recurring items was EUR 17.9 million (EUR 29.6 million). The decrease was due to lower sales volumes, adverse product mix and increased market-related downtime in production. Increased energy costs stemming from higher natural gas prices in Italy and Brazil also had a negative impact on operating profit.

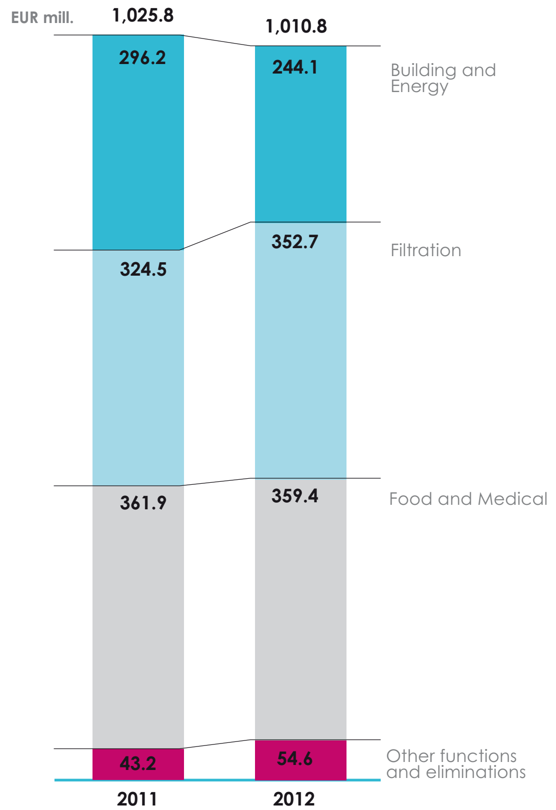
Higher selling prices and the profit improvement program implemented at the end of 2011 improved profitability. In addition, short-term cost mitigation, related to maintenance and temporary lay-offs, had a positive effect on profitability. The 2012 operating profit was also positively affected by the release of annual remuneration accruals from 2011 worth about EUR 2.8 million.

Key figures

EUR MILLION	2012*	2011*	CHANGE, %
Net sales	**1,010.8**	1,025.8	-1.5
Operating profit / loss	**18.6**	2.1	
Operating profit excluding non-recurring items	**17.9**	29.6	-39.5
% of net sales	**1.8**	2.9	
Profit / loss before taxes	**-5.7**	-22.3	74.5
Profit / loss for the period	**-15.9**	-22.1	28.2
Earnings per share	**-0.43**	-0.59	
Return on capital employed	**1.6**	0.0	
Capital expenditure excluding acquisitions	**74.1**	49.8	48.7
Gearing ratio**	**55.8**	38.2	
Net cash from operative activities**	**78.7**	83.7	-6.0
Dividend per share	**0.63*** **	1.3****	
Number of personnel at the end of year (FTE)	**3,829**	3,918	

* Continuing operations
** Including discontinued operations
*** The Board of Directors' proposal to the Annual General Meeting.
**** Consisting of a dividend of EUR 0.87 per share and an extra dividend of EUR 0.43 per share.

NET SALES*



*Continuing operations

Highlights in 2012

APRIL 4, 2012

The Annual General Meeting approved a total dividend of EUR 1.3 per share: consisting of a dividend of EUR 0.87 per share based on the company's dividend policy and an extra dividend of EUR 0.43 per share based on the cash generated by the divestment of the Home and Personal business.

AUGUST 28, 2012

An agreement signed to demerge the Label and Processing business and combine it with Munksjö AB to create a world leader in specialty papers Ahlstrom to focus on high performance fiber-based materials.

SEPTEMBER 5, 2012

Acquisition of Munktell Filter AB announced to accelerate growth in life science filtration materials.

OCTOBER 24, 2012

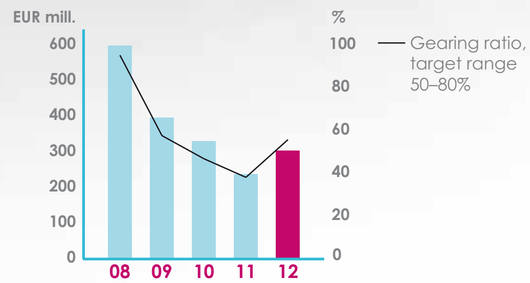
Ahlstrom to revise its organization to strengthen customer relationships and focus on growth – Filtration business area to be divided into two segments: Transportation Filtration and Advanced Filtration.

NOVEMBER 27, 2012

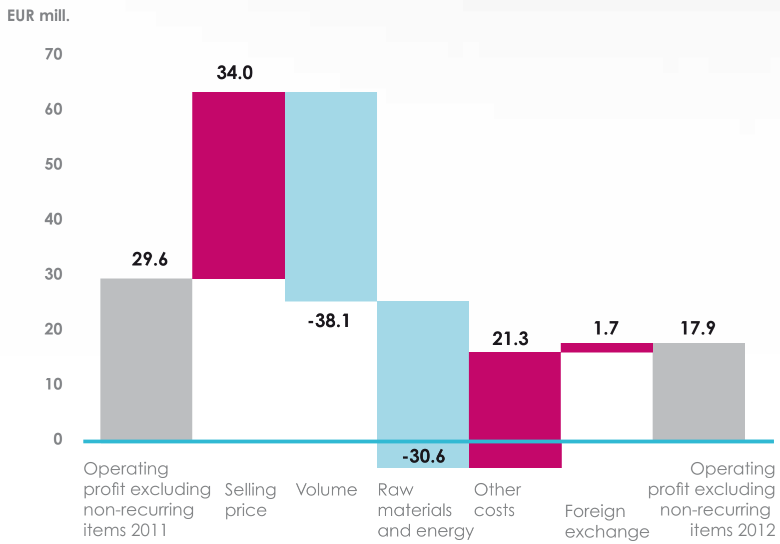
Ahlstrom announced a rightsizing initiative to lower annual cost base by EUR 15 million to reflect the future size and scope of the company.

The Extraordinary General Meeting approved the demerger of the Label and Processing business.

INTEREST BEARING NET LIABILITIES

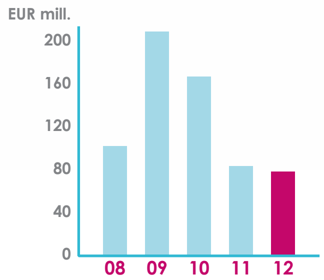


OPERATING PROFIT* DECLINE DRIVEN BY LOWER VOLUMES

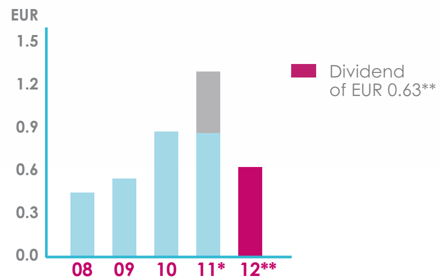


*Continuing operations, excluding non-recurring items

CASH FLOW



DIVIDEND PER SHARE



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"I am confident

that our improved focus,

stronger customer relationships

and innovative products will

bring us back to the path of

profitable growth."

JAN LÅNG PRESIDENT & CEO

CEO's message

The year 2012 could be characterized as a year when we announced one of the most significant developments in a quarter of a century of Ahlstrom's history. As a result of the planned demerger of the Label and Processing business and its combination with Munksjö AB, a new global leader in specialty papers will be created.

Going forward, Ahlstrom will increasingly focus on high performance fiber-based materials driven by technology innovations. As a global leader, our ambition is to provide materials that protect people, purify air and liquids, and provide surface and structure to our customers' products. We will steer our resources to areas where we see the most significant growth opportunities. Responding to the megatrends of the world – environmental awareness, resource scarcity and urbanization – with our products, we see good growth prospects. The acquisition of a life science filtration media company Munktell Filter AB last year is a great example of this. Geographically, our focus in terms of growth is particularly in Asia. I am pleased to note that our investment commitments in China progressed according to plan last year.

Following the completion of the Label and Processing demerger, our primary focus will be on growth and in raising profitability based on the product and technology platform now established. We will fully utilize our improved capabilities in product and technology development to introduce new and unique products that will help our customers to differentiate and stay ahead. We will also seek growth opportunities not just within our existing businesses but also beyond them during the coming years. A good example of this is the investment in a battery separator technology start-up company we made in late 2011.

Our customer service satisfaction index and employee survey results continued to improve last year. However, we must continue our journey as we still have room for improvement to become a truly world-class company. In 2012, we generated solid growth with our global key accounts and we will continue our efforts to improve our responsiveness to smaller customers. Our financial performance was clearly disappointing as sales fell below our expectations last year. Market demand volatility requires a more flexible and responsive cost structure than we have today.

We are vigorously executing our strategy through high priority programs, which are discussed in more detail in the strategy section of this report. In addition, we started a rightsizing program to adjust our cost base to reflect the current size of the company.

I would like to take the opportunity to express my warmest thanks to all of our stakeholders. The year 2013 will be exciting for Ahlstrom and our shareholders, who will own shares in two highly focused listed companies after the completion of the Label and Processing demerger. I am confident that our improved focus, stronger customer relationships and innovative products will bring us back to the path of profitable growth.

Sincerely Yours,

Jan Lång
President & CEO

Creating a high performance fiber-based materials company

Matching global megatrends is a key driver in executing our strategy

As our products protect, purify, and provide surface and structure, they also match some of the global megatrends that shape our economies, societies and the environment. In responding to these megatrends – environmental awareness, resource scarcity and urbanization – we see numerous interesting opportunities for us in the future.

Responding to changing demographics with aging populations and increased need for healthcare and wellbeing, the products that **protect people** include medical fabrics; drapes and gowns, sterile barrier systems (wraps, overwraps and breathable media for pouches) and facemasks which offer superior barrier protection – viral, bacterial, particulate and fluid. They significantly reduce the risk of Hospital Acquired Infections (HAIs), protecting devices and making life safer for clinicians and patients.

The right amount of food packaging is necessary to minimize food waste, which is a widely recognized sustainability problem. Our food packaging grades, made of genuine vegetable parchment, are made from 100% renewable resources and they are fully compostable.

Renovating old buildings, i.e. reusing them, is a sustainable housing trend where masking tape provides protection for overflow and waste, in the same way as in all painting jobs.

Our filtration products that **purify air and liquids** include oil and fuel filter media, air and water filter media as well as gas turbine and life science filtration. They help to cope with environmental pollution and reduce energy consumption. As water becomes scarcer, our Ahlstrom Disruptor® water filtration media offers a solution where no energy or chemicals are required. The Ahlstrom XAIR takes soot filtration to a new level and by improving the air flow in vehicle motors as well as achieving a reduction in fuel consumption that leads to lower CO_2 emissions. The product was launched in April 2012.

Our products that **provide surface and structure** include wallcoverings, floorings, building panels and wind turbine blades and boat hulls. The increasing and ever wealthier middle class demands new building materials that contribute to their well-being and come with sustainability features that are required for modern houses such as having a reduced energy demand. Our specialty glassfiber reinforcements help to generate renewable wind energy, and they also help to lower the CO_2 emissions by providing a lighter weight solution for many transportation needs.

Ahlstrom's strategic development

Customer focus

Differentiation

High performance culture

Supply chain efficiency

Growth in Asia

Investments and acquisitions

2013

Production of high quality wallcoverings to be started in Binzhou plant, China.

2012

Production of medical papers and masking tapes started in Longkou, China.

Acquisition of Munktell Filter AB to expand in life science filtration.

2011

Expansion of the Binzhou plant (China) into specialty reinforcement manufacturing, for example, for the wind energy industry.

Acquisition of a 49.5% stake in Porous Power Technologies LCC, U.S.-based company developing technology for lithium-ion battery separators.

2010

Production started in the medical materials plant in Mundra, India.

Establishment of a joint venture with Longkou Yulong Paper Co. for the production of medical papers and masking tape.

Acquisition of a transportation filtration plant in Binzhou, China.

Divestments and exits

Label and Processing business to be demerged and combined into the new Munksjö Oyj.

Divestment of Home and Personal business area to Suominen Corporation.

Divestment of sealing & shielding papers, dust and air filtration materials.

Strategic themes

To achieve our goal of being a global leader in high performance fiber-based materials we have identified three strategic themes.

Customers

The **success** of our customers is the prerequisite for our success. Through our **global platform** we can serve our customers worldwide with local insights and a product range customized to market needs. **In-depth partnerships** and **co-creation** with our customers create the foundation of a successful business relationship.

Technology base

We have unique **know-how in fibers**, **chemistry** and **forming**. We possess advanced manufacturing capabilities and environmentally sound technologies to create products that offer **exceptional value** to our customers. By leveraging our existing technologies to new applications and products we are able to drive profitable growth.

Growth

Our focus will be on growth following the decision to demerge the Label and Processing business. Apart from expanding our current businesses, our aim is also to **enter and grow adjacent businesses through organic growth and acquisitions.** The capability to create differentiated and unique products is the key success factor in achieving this goal. Geographically the focus will be in Asia.

Business portfolio development

We aim to strengthen our market positions globally:

>> **Reinforce** global leadership in transportation filtration

>> **Establish** global leadership in air, water and life science filtration materials

>> **Strengthen position** in wallcoverings and expand in functional wallcoverings

>> **Expand** in **selected specialties** for building, construction and packaging applications

>> **Expand differentiated product** offering in medical applications

Targets for Ahlstrom's future growth

Continued focus on organic growth and acquisitions in attractive areas

Refocus product portfolio to areas bringing higher growth potential

Drive higher-margin business through strong initiatives

Intensify technology platform and product development to provide unique and sustainable products

Invest in Asia: commitments and completed investments total more than EUR 100 million

High priority programs

To be able to execute our business strategy, we have defined five high priority programs and key activities that are crucial to our success.

Delivering outstanding customer value

We will enhance customer loyalty through meeting customer needs and offering world-class service to our customers.

Priorities
Continue efforts to introduce new value-added products.

Growing through differentiation

We will drive growth through unique products and advanced technology.

Priorities
Explore new growth opportunities to expand business in e.g. Advanced Filtration.

Implementing a high performance culture

We will continue to develop a culture and way of working where people take responsibility and live up to our values, learn and reach their targets.

Priorities
Continued focus on reaching targets and developing strategic capabilities.

Driving a world-class supply chain

We will continuously reduce our cost base while providing products and services that meet or exceed customer expectations.

Priorities
Program to focus on high customer service levels initiated.

Winning in Asia

We will significantly increase our business in Asia in terms of sales and people.

Priorities
Joint venture in crepe paper production in Longkou, China to ramp up, building of Binzhou wallcovering materials machine proceeds.

How we report

As of January 1, 2013* Ahlstrom has four business areas and financial reporting segments.

We will focus our resources on areas where we see the most attractive value-added and growth opportunities.

Advanced Filtration

is a global supplier of air and liquid filtration materials, with a leading market position in Life Science and Gas Turbine filtration.

Building and Energy

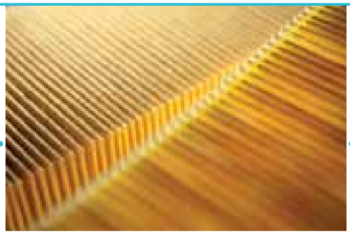
is one of the leading players globally for materials used in wallcoverings, floorings and windmill blades.

Food and Medical

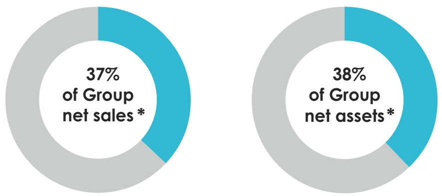
is one of the leading players globally for materials used in teabags, food packaging, masking tape and medical gowns and drapes.

Transportation Filtration

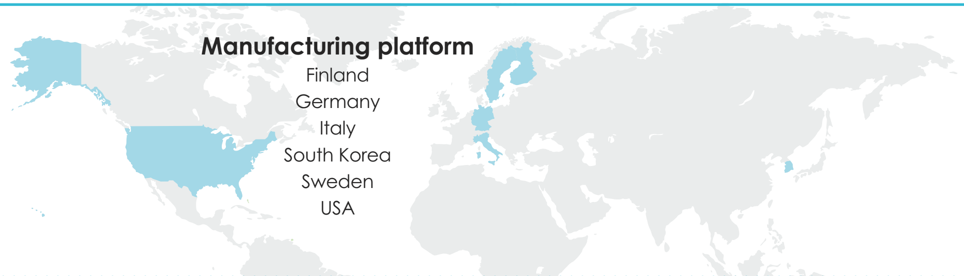
is the global leader in transportation filtration materials.



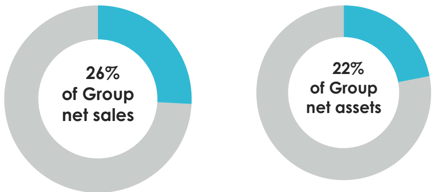
*The Label and Processing business is reported separately as part of discontinued operations.



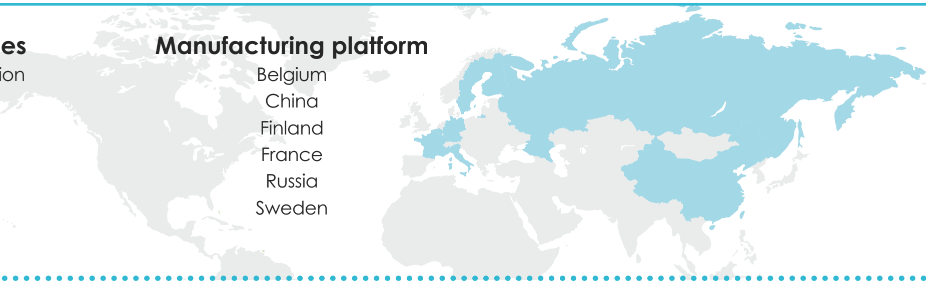
Customer industries
Water
Energy
Healthcare
Food and Beverage
Environmental Control



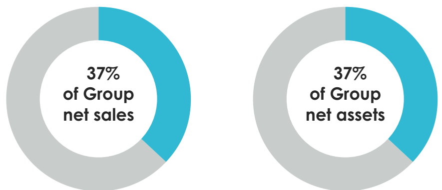
Manufacturing platform
Finland
Germany
Italy
South Korea
Sweden
USA



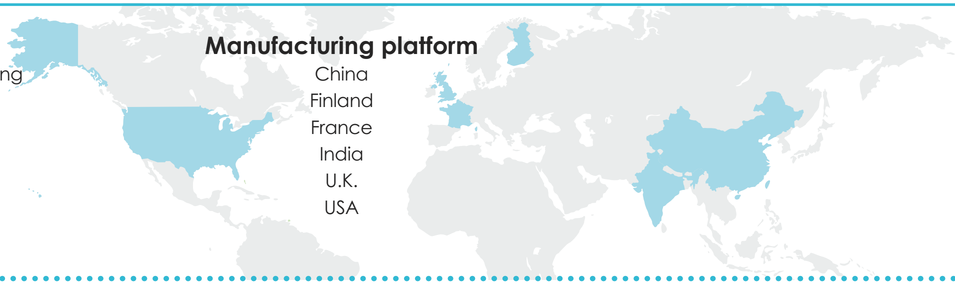
Customer industries
Building and construction
Energy
Fabric care
Marine
Transportation



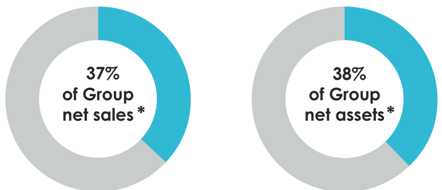
Manufacturing platform
Belgium
China
Finland
France
Russia
Sweden



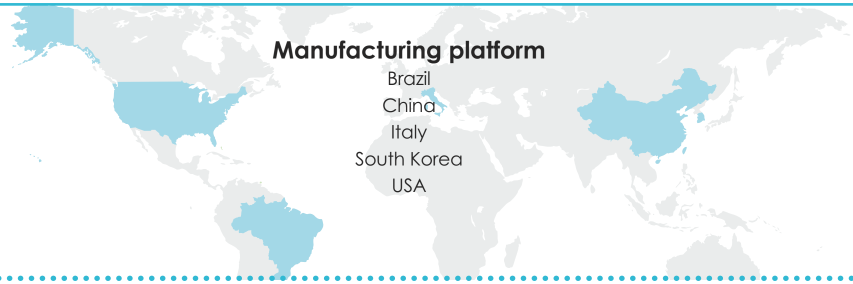
Customer industries
Food processing and packaging
Medical and healthcare
Building



Manufacturing platform
China
Finland
France
India
U.K.
USA



Customer industries
Automotive



Manufacturing platform
Brazil
China
Italy
South Korea
USA

*Reported figure for the former Filtration business area. On January 1, 2013, the former Filtration business area was divided into two segments: Advanced Filtration and Transportation Filtration.

Corporate Governance
Statement 2012

The Group's parent company, Ahlstrom Corporation ("Ahlstrom" or the "Company"), is a Finnish limited liability company that is listed on the NASDAQ OMX Helsinki Ltd stock exchange (Helsinki exchange). In its governance, Ahlstrom complies with applicable laws and regulations, its Articles of Association and the Finnish Corporate Governance Code ("Code"). The Code was issued by the Securities Markets Association in 2010 and is available at www.cgfinland.fi.

Ahlstrom departs from recommendation 22 of the Code as the Nomination Committee of the Board of Directors includes, in addition to three board members, three non-board members, Thomas Ahlström, Risto Murto and Alexander Ehrnrooth. The current composition of the Nomination Committee aims at increasing shareholder influence in nomination matters. Thomas Ahlström represents Antti Ahlström Perilliset Oy, Risto Murto represents Varma Mutual Pension Insurance and Alexander Ehrnrooth represents Vimpu Intressenter Ab. All three companies are major shareholders of Ahlstrom.

This statement has been prepared in accordance with Chapter 7, Section 7 of the Securities Markets Act and Recommendation 54 of the Code. The statement has been approved by the Company's Audit Committee and examined by the Company's auditor.

General Meeting

The General Meeting is the ultimate decision-making body of Ahlstrom, and normally convenes once a year. Its tasks and procedures are defined in the Finnish Companies' Act and the Company's Articles of Association. Certain important matters, such as amending the Articles of Association, approval of the Financial Statements, approval of the dividend, election of the members of the Board of Directors ("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, the auditor of the Company or 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.

According to the Company's Articles of Association, the notice to the General Meeting is published on the Company's website not earlier than three months and not later than three weeks before the meeting. The convocation shall, however, never be made later than nine days before the record date of the General Meeting. In addition to publishing the notice on the Company's website, the Board may decide to publish it, in whole or in part, through such other means of communication as it deems appropriate.

The notice of the General Meeting and the following information are available also on the website of the Company at least three weeks before the meeting:

- the documents to be submitted to the General Meeting, and
- any proposals for resolutions made by the Board

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 the resolutions made by the meeting, are posted on the Company's website within two weeks from the meeting.

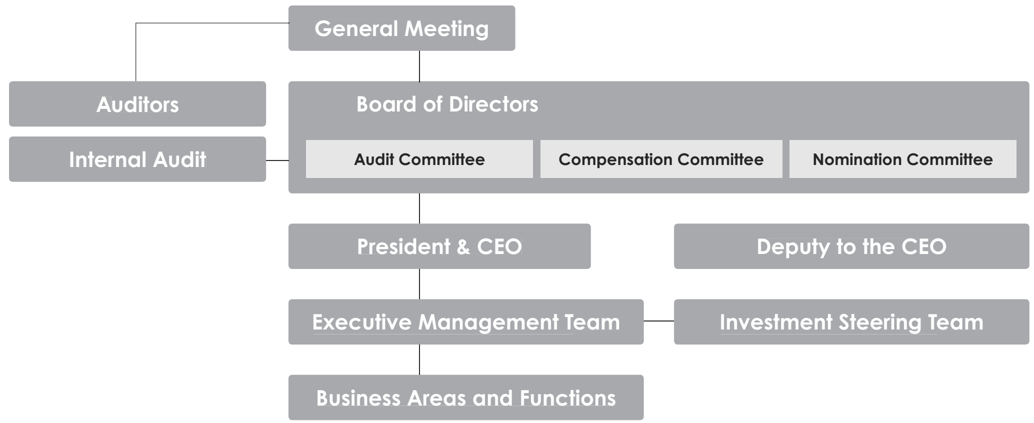
Shareholders may attend a General Meeting either in person or by proxy. In order to attend a General Meeting, a shareholder shall give prior notice to Ahlstrom to attend, by the date mentioned in the notice of the meeting. Only shareholders, who, on the record date set forth in the notice, are registered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

STRUCTURE OF AND GOVERNANCE IN THE AHLSTROM GROUP

EXTERNAL STEERING INSTRUMENTS

Finnish Companies' Act, Accounting Act, Securities Markets Act and other relevant legislation

Stock Exchange Rules and regulations



INTERNAL STEERING INSTRUMENTS

Articles of Association, Rules of Procedure of the Board of Directors, Audit Committee Charter, Compensation Committee Charter, Nomination Committee Charter, Code of Conduct, Compliance and other Group policies such as Approval and Signing Policy, Communication Manual and Disclosure Policy, Risk Management Policy, Credit Policy, Group Treasury Policy, Investment Policy and Manual, HR policies, Intellectual Property Policy, Sales Contract Policy, Information Security Policy, Sourcing Policy and Sustainability and HSEA related policies

of nominee registered shares may be registered temporarily in said shareholders' register and therefore, they are advised to request from their custodian banks necessary instructions regarding such temporary registration and the issuing of proxy documents. 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 at the latest on the date specified by the Company on its website www.ahlstrom.com. As regards the Annual General Meeting 2013, no such notifications were submitted by the set date January 3, 2013.

Ahlstrom aims to ensure that all Board members, the auditor, the President & CEO ("CEO") and the Chief Financial Officer ("CFO") are present at the General Meeting in order to give the shareholders 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.

General Meetings in 2012

Ahlstrom held its Annual General Meeting in Helsinki, Finland, on April 4, 2012.

206 shareholders were present representing 42.4% of the voting rights of the Company. All Board members were present at the General Meeting. In addition, the CEO, CFO and all other members of the Executive Management Team ("EMT") as well as the auditor attended said meeting.

All documents related to the Annual General Meeting 2012 are available on the Company's website www.ahlstrom.com.

Ahlstrom held an Extraordinary General Meeting in Helsinki, Finland, on November 27, 2012 relating to the demergers of the company. 274 shareholders were present representing 47.1% of the voting rights of the Company. All documents related to this Extraordinary General Meeting are available on the Company's website www.ahlstrom.com.

Board

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 management and the proper 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, including financial data and management comments. The Board appoints and dismisses the CEO and his/her Deputy, if any, as well as the senior management reporting to the CEO.

The Board has established and approved Rules of Procedure of the Board to complement the Articles of Association and Finnish applicable laws and regulations. Said rules describe the duties of the Board and CEO, division of tasks within the Board, meeting practices and reporting to the Board as summarized in this statement.

The Board consists of 5–7 members. The 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 majority of the Board members shall be independent of the Company and at least two of the members representing this majority shall also be independent of the significant shareholders of the Company. 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.

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

Most of the Board meetings are held at Ahlstrom's head office in Helsinki, but from time to time the Board also visits other locations of the Company and holds meetings there. If necessary, the Board also holds telephone and audiovisual meetings. The CEO normally attends the Board meetings. Other members of the EMT attend upon invitation by the Board. The General Counsel acts as Secretary to the Board.

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

Board in 2012

The Annual General Meeting held on April 4, 2012, confirmed the number of Board members to be seven. Sebastian Bondestam, Lori J. Cross, Anders Moberg, Esa Ikäheimonen, Pertti Korhonen and Peter Seligson were re-elected as Board members. Nathalie Ahlström, born 1974, was elected as a new member. Immediately after the Annual General Meeting, the Board elected Peter Seligson as Chairman of the Board and Pertti Korhonen as Vice Chairman.

On September 1, 2012, Nathalie Ahlström resigned as a member of the Board due to a conflict of interest caused by her taking up a new executive position. As from September 1, 2012 the Board continued with the remaining six members and no new Board member was elected in 2012.

Biographical details of the present Board members and the Board members' shareholdings in the Company are set forth at the end of this statement. The Board considers all of the Board members independent from the Company. The Board considers the Board members independent from its significant shareholders, except for Peter Seligson, who is a member of the Board of Directors of Antti Ahlström Perilliset Oy, and Thomas Ahlström, who is the Managing Director of Antti Ahlström Perilliset Oy.

In 2012, the Board convened 14 times (three meetings before April 4, 2012), including four meetings held as telephone or audio visual meetings. The average attendance frequency was 97.7%. The attendance of the individual Board members is set forth in the table below.

BOARD MEMBER	NUMBER OF BOARD MEETINGS ATTENDED	ATTENDANCE PERCENTAGE
Peter Seligson	14	100
Pertti Korhonen	14	100
Nathalie Ahlström (as from April 4, 2012 until September 1, 2012)	5	100
Thomas Ahlström (until April 4, 2012)	3	100
Sebastian Bondestam	14	100
Lori J. Cross	14	100
Esa Ikäheimonen	13	92.9
Anders Moberg	13	92.9

Board Committees

The Board annually appoints an Audit Committee and may also appoint other permanent committees if considered necessary at its constitutive meeting following the General Meeting.

According to the Board's rules of procedure, the Board shall also appoint a Compensation Committee and a Nomination Committee. The duties and working procedures of the committees shall be defined by the Board in the charters confirmed for the committees. The committees regularly report on their work to the Board.

Audit Committee
The Audit Committee consists of 3–4 members, all of which shall be Board members who are independent of the Company and shall have the qualifications necessary to perform the responsibilities of the committee. At least one member shall be independent of the significant shareholders and at least one member shall have expertise specifically in accounting, bookkeeping or auditing. The expertise may be based on, e.g. experience in corporate management.

According to its Charter, the Audit Committee assists the Board in fulfilling its supervisory responsibilities. The Audit Committee also makes recommendations to the Board. The Board has authorized the Audit Committee to make decisions in matters related to profit warnings, the detailed content of interim reports, the internal audit and internal audit plans as well as certain company policies. In addition, the Audit Committee makes recommendations for the election and removal of the external auditors and for their compensation and approves the external auditors' audit plan based on the auditors' proposal. 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 its own code of business conduct. The committee ensures that the Board is aware of matters which may significantly impact the financial conditions or affairs of the business.

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

Compensation Committee
The Compensation Committee consists of three members, a majority of which shall be Board members who are independent of the Company. No executives of the Company may be members of the committee.

According to its Charter, the Compensation Committee assists the Board in the efficient preparation and handling of the matters pertaining to the appointment and dismissal of the CEO and other executives and their remuneration. The committee decides on the compensation and benefits of the members of the EMT, other than the CEO. It reviews the compensation and benefits of the CEO and makes recommendations to the Board in relation thereto.

Nomination Committee
The Nomination Committee consists of three Board members and two to three members representing the major shareholders of the Company (at the Board's discretion). The composition of the Nomination Committee departs from recommendation 22 of the Code but aims at increasing shareholder influence in nomination matters. A majority of the committee members shall be independent of the Company. No executives of the Company may be members of the committee.

According to its Charter, the Nomination Committee assists the Board in the efficient preparation and handling of the matters pertaining to the nomination and remuneration of the Board members. Prior to making its proposals to the Board for candidates for election as Board members, the committee shall consult with the major shareholders of the Company if such shareholders are not represented on the Nomination Committee or if the committee otherwise finds it necessary or advisable.

Committees in 2012
On April 4, 2012, the Board appointed three committees, the Audit Committee, the Compensation Committee and the Nomination Committee.

Audit Committee
As from April 4, 2012, the members of the Audit Committee were Esa Ikäheimonen (Chairman), Sebastian Bondestam and Lori J. Cross. All of them are independent of the Company and its significant shareholders. All of the members of the Audit Committee have expertise in accounting, bookkeeping or auditing. The committee convened six times (one meeting before April 4, 2012) and the average attendance frequency was 100%. The attendance of the individual committee members is set forth in the table below.

COMMITTEE MEMBER	NUMBER OF COMMITTEE MEETINGS ATTENDED	ATTENDANCE PERCENTAGE
Esa Ikäheimonen	6	100
Thomas Ahlström (until April 4, 2012)	1	100
Sebastian Bondestam	6	100
Lori J. Cross (as from April 4, 2012)	5	100

Compensation Committee
As from April 4, 2012, the members of the Compensation Committee were Peter Seligson (Chairman), Anders Moberg and Pertti Korhonen. All of them are independent of the Company and its significant shareholders. The committee convened five times (two meetings before April 4, 2012) and the average attendance frequency was 100%. The attendance of the individual committee members is set forth in the table below.

COMMITTEE MEMBER	NUMBER OF COMMITTEE MEETINGS ATTENDED	ATTENDANCE PERCENTAGE
Peter Seligson	5	100
Lori J. Cross (until April 4, 2012)	2	100
Pertti Korhonen (as from April 4, 2012)	3	100
Anders Moberg	5	100

Nomination Committee
As from June 18, 2012, the members of the Nomination Committee were Peter Seligson (Chairman), Pertti Korhonen and Anders Moberg as well as the non-board members Thomas Ahlström and Risto Murto. Thomas Ahlström represents Antti Ahlström Perilliset Oy and Risto Murto represents Varma Mutual Pension Insurance. Both companies are major shareholders of Ahlstrom. On December 17, 2012, the Board appointed Alexander Ehrnrooth, representing Vimpu Intressenter Ab and Belgrano Investments Oy, as a non-board member of the Nomination Committee. All of the committee members are independent of the Company. The committee convened three times and the average attendance frequency was 100%. The attendance of the individual committee members is set forth in the table below.

COMMITTEE MEMBER	NUMBER OF COMMITTEE MEETINGS ATTENDED	ATTENDANCE PERCENTAGE
Peter Seligson	3	100
Pertti Korhonen	3	100
Anders Moberg	3	100
Carl Ahlström (until June 18, 2012)	1	100
Thomas Ahlström (as of June 18, 2012)	2	100
Risto Murto	3	100
Alexander Ehrnrooth (as of December 17, 2012)	-	-

CEO

The CEO is in charge of the executive management of the Company. 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 CEO is the Chairman of the EMT. The CEO's contract has been made in writing and approved by the Board.

As from January 1, 2009, Jan Lång has acted as CEO. The Company's CFO, Seppo Parvi, acts as Deputy to the CEO since January 1, 2011. Biographical details of the CEO and his Deputy and their shareholdings in the Company are set forth at the end of this statement.

Executive Management Team

The Executive Management Team (EMT) consists of the CEO as well as business area and functional leaders. The members of the EMT are proposed by the CEO and appointed by the Board. The members of the EMT report to the CEO.

The role of the EMT is to support the CEO in performing his duties and to align the business organization and functions. Within the framework given by the Board, the EMT monitors business performance and risk management, reviews investment proposals, business and annual plans as well as incentive plans before their presentation to the Board, implements strategy and direction, initiates actions and establishes policies and procedures. The EMT members receive monthly reports on the performance of the Company's businesses.

EMT in 2012
At the end of 2012, the EMT consisted of eleven members. The composition of the EMT, biographical details, the areas of responsibility of its members and the members' shareholdings in the Company are described at the end of this statement. In 2012, the EMT convened 16 times.

Remuneration of the Board and Senior Executives

The principles regarding the remuneration of the Board as well as the CEO and other senior executives are described in the Remuneration Statement available on the website www.ahlstrom.com.

For 2012, the total remuneration of the members of the Board and its committees amounted to EUR 469,000. The total remuneration of each member is set forth in the table below.

The total remuneration of the CEO and the other members of the EMT, including fringe benefits and bonuses, is set forth at the table below.

MEMBERS OF THE BOARD AND/OR ITS COMMITTEES AT DECEMBER 31, 2012	REMUNERATION IN 2012 (EUR)	REMUNERATION IN 2011 (EUR)
Peter Seligson	**96,000**	93,300
Pertti Korhonen	**73,500**	50,250
Nathalie Ahlström	**25,000**	-
Thomas Ahlström	**15,000**	50,700
Sebastian Bondestam	**51,000**	50,700
Lori J. Cross	**67,500**	66,000
Esa Ikäheimonen	**66,000**	58,500
Anders Moberg	**69,000**	73,200
Carl Ahlström (non-board member)	**1,500**	4,200
Risto Murto (non-board member)	**4,500**	4,200

2012	SALARIES AND FEES WITH FRINGE BENEFITS EUR	BONUS PAY EUR	LONG TERM PLAN BASED PAYMENTS EUR	TOTAL EUR
Jan Lång, President & CEO	624,795.51	64,125.00	-	688,920.51
Other EMT members	2,494,541.91	175,439.91	-	2,669,981.82

2011	SALARIES AND FEES WITH FRINGE BENEFITS EUR	BONUS PAY EUR	LONG TERM PLAN BASED PAYMENTS EUR	TOTAL EUR
Jan Lång, President & CEO	608,547.77	322,470	793,048.45	1,724,066.22
Other EMT members	3,234,716.14	1,136,702.37	2,591,770.42	6,963,188.93

Auditors

The Company shall have one auditor which is an accounting firm approved by the Finnish Central Chamber of Commerce (APA). The Annual General Meeting elects the Company's auditor.

PricewaterhouseCoopers Oy (PwC) has been acting as the Company's auditor since 2008. On April 4, 2012, the Annual General Meeting re-elected PwC as the Company's auditor. PwC designated Eero Suomela, APA, as the Responsible Auditor. The Company's subsidiaries are subject to local auditing under local regulations which are, with a few exceptions, conducted by representatives of PwC's network in each country.

The fees of the statutory audit for 2012 were EUR 1,020,000 in total in the Group (EUR 990,000 in 2011). Other fees charged by PwC amounted to EUR 758,000 in the Group (EUR 753,000 in 2011). The other fees were primarily related to tax advice and various specialist services relating to the demerger of Ahlstrom's Label and Processing Business Area.

Internal Control and Risk Management Systems related to Financial Reporting

Internal control is an essential part of the Company's governance and its management systems. It covers all processes and organizational levels of the Group. The purpose of internal control is to provide reasonable assurance that the Company can execute its strategy effectively in regard to business operations and reliable financial reporting is in place. Internal control is not a separate process but it is embedded in the operations of the Company covering all the Group-wide policies, principles, manuals and systems.

In order to strengthen the framework for internal control, the Company is carrying out a project to harmonize certain common processes and the use of systems related to such processes.

Financial Reporting

The Group companies have a common chart of accounts which is built-in in the Group's common global accounting system. Ahlstrom has a common global Enterprise Resource Planning (ERP) system. A common consolidation tool is used as a basis for internal and external reporting. The Group's global accounting and ERP systems provide the data for consolidation via an interface.

Centralized updating and maintaining of the accounting and ERP systems in Ahlstrom as well as such systems' implementation at new units are performed by the Group's own personnel in cooperation with a global IT service provider. The knowledge in the units is supported by internal training and user manuals which are updated regularly.

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). The core principles and instructions regarding the financial reporting have been gathered to a unified accounting manual (Ahlstrom Accounting Principles) which is applied in all Group companies. Group Controlling function ("Group Controlling") is responsible for the follow-up of the accounting standards, maintaining the financial reporting principles and communicating them to units. The manuals support reliable financial reporting.

The Board and the CEO have the overall responsibility for setting up the internal control and risk management systems related to financial reporting. The Board has authorized the Audit Committee to ensure the effectiveness of the internal control systems. In addition to the Board and the Audit Committee, the CEO and EMT are responsible for the efficient implementation of the internal control of the financial reporting.

The CFO and Group Controlling support, coordinate and monitor the Group-wide financial management and control of operations. On the basis of corporate policies and manuals, the Group companies' and business areas' controlling functions communicate and monitor the internal control procedures and practices.

The internal control is based on the Group's overall organizational structure. All levels, business areas, plants, Group companies and corporate functions, are responsible for the correctness of the figures reported by them. All Group companies report their figures by reporting entity to Group Controlling. In the monthly reporting process Group Controlling and the CFO consolidate the reports and analyze the figures and other financial data, and the financial performance in relation to targets is reviewed by the management at each organizational level, as well as by the EMT and the Board.

To ensure the correctness of the financial reports, the monitoring process includes the follow-up of quarterly reports as well as monthly management reports in relation to targets. Group Controlling prepares reports to the Board and the Group's financial performance is reviewed at each Board meeting. The Audit Committee reviews interim reports and annual financial statements in detail and the Board reviews such interim reports' summaries and any statements regarding the outlook and near term risks before the reports are released. The EMT members also receive the management reports for their monthly meetings.

The efficiency and profitability of Ahlstrom is monitored monthly by Group Controlling at the reporting entity level. The actual figures are compared to the Annual Plan and to previous year figures. Business performance control reviews are made at all levels of the Group, including Group companies, plants, business areas, Group Controlling, EMT and Board. Year-end estimates are updated quarterly. Long-term targets are set up in the Business Plan process for the next three years and the Annual Plan is prepared through a budgeting process for the following year. The Annual Plan and the Business Plan are approved by the Board.

Enterprise Risk Management

Risk management is one of the key internal control procedures of the Company. Enterprise risk management aims at supporting the achievement of the strategic and operational goals by protecting the Company against loss, uncertainty and lost opportunity. The framework and responsibilities related to risk management are defined in the Group Risk Management Policy.

The Board has the ultimate responsibility for Ahlstrom's risk management. The Board reviews the identified key risks and is responsible for the determination of risk appetite and tolerance.

The Audit Committee approves the Group Risk Management Policy and reviews the efficiency of the Company's risk management activities and the information provided to the management and the Board regarding key risks and plans to manage such risks.

The CEO, EMT and other management at Group, business area, plant and function levels are responsible for implementing the Risk Management Policy and daily risk management procedures, each within his/her domain.

As of 2011, the Group Risk Management has been outsourced to KPMG Oy Ab under the supervision of the CFO, who is responsible for overseeing the implementation of the Risk Management Policy, coordinating risk management activities and for risk reporting within the Company. These activities are reviewed and followed up as part of the Business Planning and Annual Planning processes.

The risk management process facilitates identifying, assessing and responding to events that may threaten the achievement of the Company's objectives. Identified risks are assessed and prioritized according to their likelihood and their possible impact on the Company's financial performance should the risks materialize. The risks that may affect the Company's operations are categorized as strategic risks, operational risks, financial risks and hazard risks.

In Ahlstrom, the main principle is to manage risks at their source, i.e. within the business area, plant or function where risks may occur. Risk identification and assessment is carried out at Group level and at business area and functional levels. Risk response and monitoring actions for the assessed risks are defined and carried out by the appropriate management at different levels of the organization.

An annual risk review process is facilitated with the business areas, the EMT and the Group functions. The outcome of these reviews is consolidated and presented to the EMT, the Audit Committee and the Board. Identified key risks are followed up and taken into consideration in the Company's business and annual planning processes. The evaluation by the Audit Committee of major risks and uncertainties relating to the Company and its operations is included in the Report of operations for 2012 (pages 30–31 in the Annual Report 2012).

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.

Internal Processes for Investments

During 2012, the Ahlstrom Investment Process was reorganized and the implementation of the new process was initiated in February 2012. The Investment Council was replaced by toll gate reviews (five toll gates throughout the lifespan of an investment) for investments above 1 MEUR. The main purpose of the first two toll-gates is to review and validate major investment proposals before their presentation for approval to the CEO and the Board (depending on the nature and value of the proposed investment). The final two toll-gates have the role of following-up the implementation of the investment, and to carry out post-audits of completed investment projects.

The previous Investment Council has been renamed Investment Steering Team, and is now responsible for the management of investment frames (sustain and improve investments below 1 MEUR) and to provide overall guidance on the investment process.

The Investment Steering Team is chaired by the EVP, Supply Chain. In 2012, the Team comprised senior executives or managers representing the Group Investments & Technology and the Business Areas' Supply Chain. In 2012, the Investment Steering Team comprised of seven members and it convened 12 times.

In 2012, the Investment Process focused on the follow-up and review of the following projects: the joint venture project with Longkou Yulong Paper Co. in China, the ramp-up of the new saturator investment in Turin, Italy, the engineering and sourcing activity for the of wallcovering line in Binzhou, China and the approval of the rebuild of PM4 in Turin for Filtration.

Internal Audit

The role of the Internal Audit is to evaluate and improve the effectiveness of the control, risk management and governance processes, and to facilitate the implementation of best practices to ensure that various risk management, control and governance processes, as designed and implemented by the Company's management, are adequate and functioning as planned. In doing so, the Internal Audit reviews the effectiveness and efficiency of the business processes and the compliance with policies, standards, procedures, and applicable laws and regulations.

The Audit Committee has the ultimate responsibility for organizing of the Internal Audit. As of 2010, Ahlstrom's Internal Audit function has been outsourced to a global service provider, KPMG Oy Ab.

Administratively, the Internal Audit reports to the CFO but on audit matters, the Internal Audit reports to the Audit Committee. The Internal Audit conducts regular process audits, site and subsidiary audits as well as audits at other Group units in accordance with the audit plan approved by the Audit Committee. The audit plan is developed by using appropriate risk-based methodology taking into account any risks or control concerns identified by the Group Risk Management function, the EMT and the auditors. The Internal Audit reports regularly on its activities to the Steering

Group consisting of the CEO and CFO and to the Audit Committee. The Internal Audit makes recommendations to the EMT members and local management based on its observations. The Internal Audit also monitors the implementation of the action plans made based on its recommendations.

The Internal Audit is coordinated with the work of the external auditors and the Company's other controlling and monitoring functions (Financial Accounting, Group Controlling, Taxation, Risk Management, Legal, IT, etc.).

To the extent permitted by law, the Internal Audit function has a free and unrestricted access to all relevant units, functions, records, physical properties and personnel.

The Institute of Internal Auditors' "Code of Ethics" is adhered to in the conduct of the Internal Audit. The Institute's "International Standards for the Professional Practice of Internal Auditing" (Standards) and "Practice Advisories" shall be followed to the extent practicable and applicable.

Compliance

It is the policy of Ahlstrom to comply throughout the organization with all applicable laws and regulations and to maintain an ethical workplace for its officers and employees as well as an ethical relationship with its customers, suppliers and other business partners.

In its Compliance Program established in 2003, the Company commits to establish and maintain compliance standards and procedures to be followed by its officers, employees and other representatives. The Compliance Program includes a system of education, monitoring and corrective action. The General Counsel as the Company's Compliance Officer oversees the Compliance Program. The main policies of the Compliance Program are the Company's Code of Conduct, Policy regarding the Competition and Antitrust, Antibribery Policy and the Insider Rules. As part of the program, a number of physical training sessions were held in 2012 at the Company's sites in Asia, Europe and North America.

In its insider administration, 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 CEO and his Deputy, auditors, certain members of the EMT as well as the General Counsel. 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 in the Company's securities 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.

Board of Directors December 31, 2012

SEBASTIAN BONDESTAM PERTTI KORHONEN LORI J. CROSS PETER SELIGSON ESA IKÄHEIMONEN ANDERS MOBERG

PETER SELIGSON
Born 1964, Lic. O ec. (HSG)

Ahlstrom shares*: 779,600

Partner, Seligson & Co Oyj

Chairman of the Board since 2007, member of the Board since 1999.

PERTTI KORHONEN
Born 1961, M.Sc. (Electronics Engineering),
Oulu University of Technology

Ahlstrom shares*: 3,000

President and CEO, Outotec Oyj

Vice Chairman and member of the Board since 2011.

NATHALIE AHLSTRÖM**
Born 1974, M.Sc.,Tech.

Member of the Board from April 4, 2012 until September 1, 2012.

Nathalie Ahlström resigned as a member of the Board due to the conflict of interest caused by her taking up a new executive position.

SEBASTIAN BONDESTAM
Born 1962, M.Sc. (Eng.),
Helsinki University of Technology

Ahlstrom shares*: 2,880

Executive Vice President,
Supply Chain, Uponor Corporation;
Deputy to the Managing Director,
Uponor Corporation.

Member of the Board since 2001.

LORI J. CROSS
Born 1960, M.Sc. (Eng.), MBA
Rensselaer Polytechnic, Northwestern University

Ahlstrom shares*: 750

President and Founder,
MindSpan Consulting, LLC

Member of the Board since 2010.

ESA IKÄHEIMONEN
Born 1963, LL.M,
University of Turku

Ahlstrom shares*: –

CFO, Transocean Ltd.

Member of the Board since 2011.

ANDERS MOBERG
Born 1950

Ahlstrom shares*: –

Chairman of the Board:
OBH Nordica, Biva A/S
and Clas Ohlson AB.

Member of the Board since 2009

* Shareholding as of December 31, 2012. More detailed curriculum vitae details are available on www.ahlstrom.com
** Not in the picture

Executive Management Team December 31, 2012

PAUL H. STENSON WILLIAM CASEY LUC ROUSSELET RAMI RAULAS LAURA RAITIO JAN LÅNG PAULA AARNIO TOMMI BJÖRNMAN AKI SAARINEN DANIELE BORLATTO SEPPO PARVI

JAN LÅNG
President & CEO
Born 1957, M.Sc. (Econ.)

Ahlstrom shares*: 24,999

Ownership in Ahlcorp Oy**: 28.4%

Joined Ahlstrom in 2008. Member of the Executive Management Team since 2008.

SEPPO PARVI
Chief Financial Officer, deputy to the president

Born 1964, M.Sc. (Econ.)

Ahlstrom shares*: 8,333

Ownership in Ahlcorp Oy**: 11.4%

Joined Ahlstrom in 2009. Member of the Executive Management Team since 2009.

PAULA AARNIO
Executive Vice President, Human Resources & Sustainability
Born 1958, M.Sc. (Eng.)

Ahlstrom shares*: 8,333

Ownership in Ahlcorp Oy**: 11.4%

Joined Ahlstrom in 2009. Member of the Executive Management Team since 2009.

TOMMI BJÖRNMAN
Executive Vice President, Filtration, resigned from Ahlstrom effective from December 31, 2012.

DANIELE BORLATTO
Executive Vice President, Label and Processing
Born in 1969, studies in Business and Administration

Ahlstrom shares*: 8,333

Joined Ahlstrom in 1990. Member of the Executive Management Team since 2011.

FULVIO CAPUSSOTTI***
Executive Vice President, Advanced Filtration
Born 1972, M.Sc. (Chem Eng.)
Ahlstrom shares: -
Joined Ahlstrom in 2002. Member of the Executive Management Team as of January 1, 2013.

WILLIAM CASEY
Executive Vice President, Food and Medical
Born 1959, B.Sc. (Chem. Eng.), MBA

Ahlstrom shares*: 41,951

Joined Ahlstrom in 2010. Member of the Executive Management Team since 2010.

JARI KOIKKALAINEN***
Executive Vice President, Transportation Filtration
Born 1965, M.Sc. (Eng.), eMBA
Ahlstrom shares: -
Joined Ahlstrom in 2013. Member of the Executive Management Team as of February 1, 2013.

LAURA RAITIO
Executive Vice President, Building and Energy

Born 1962, M.Sc. (Chem. Eng.), Lic. Tech. (Forest Prod. Tech.).

Ahlstrom shares**: 8,333

Ownership in Ahlcorp Oy: 11.4%

Joined Ahlstrom in 1990. Member of the Executive Management Team since 2006.

RAMI RAULAS
Executive Vice President, Sales & Marketing
Born 1961, M.Sc. (Econ.)

Ahlstrom shares**: 8,333

Ownership in Ahlcorp Oy: 11.4%

Joined Ahlstrom in 2009. Member of the Executive Management Team since 2009.

LUC ROUSSELET
Executive Vice President, Supply Chain
Born 1957, Master in Business Admin. and Chem. Eng.

Ahlstrom shares*: 6,000

Joined Ahlstrom in 2011. Member of the Executive Management Team since 2011.

AKI SAARINEN
Executive Vice President, Strategic Business Development
Born 1967, M.Sc. (paper technology), MBA

Ahlstrom shares*: –

Joined Ahlstrom in 2012. Member of the Executive Management Team since 2012

PAUL H. STENSON
Executive Vice President, Product & Technology Development
Born 1962. Ph.D, (Org. Chem.)

Ahlstrom shares*: –

Joined Ahlstrom in 2011. Member of the Executive Management Team since 2011.

* Shareholding as of December 31, 2012.
** Ahlcorp Oy held 296,311 shares as of December 31, 2012. More detailed curriculum vitae details are available on www.ahlstrom.com
*** Not in the picture

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Operating environment

In 2012, the operating environment remained challenging as overall demand was soft with increasing volatility. Geographically, demand in Europe remained weak, while demand in North America slowed towards the end of the year. Some signs of recovery in the Asian market, and particularly in China, were seen. Inventory destocking was visible across Ahlstrom's main markets towards the end of the review period.

In the **Building and Energy** business area, the demand for flooring, wallpaper and wallcovering materials in Europe remained stable. The wallcovering materials market in China showed some signs of improvement towards the end of the year following earlier declines. The demand for specialty reinforcements used by the wind energy industry weakened.

In the **Filtration** business area, the market for transportation filtration materials in North America weakened in the fourth quarter following earlier gains. The demand for transportation filtration materials in Europe remained soft throughout the year. The advanced filtration material markets served by Ahlstrom, particularly gas turbine, laboratory and life science filtration, continued to strengthen.

In the **Food and Medical** business area, the markets for tape, food packaging and beverage materials (e.g. teabag) remained weak during the review period, while the demand for medical materials was stable.

Market pulp prices increased somewhat in the fourth quarter following earlier declines, while prices for synthetic fibers, such as polypropylene and polyester, remained stable. Prices for chemicals in general continued to decline. In its production, Ahlstrom uses chemicals such as latex, titanium dioxide, starch, and clay. Natural gas prices eased in Europe following earlier gains, while prices in North America remained stable.

Development of net sales

In January-December 2012, net sales decreased by 1.5% to EUR 1,010.8 million, compared with EUR 1,025.8 million in the comparison period. The decline was mainly due to lower sales volumes and capacity closures. Higher selling prices and a favorable currency effect from the appreciation of the U.S. dollar against the euro had a positive impact on net sales.

Breakdown of the net sales change at comparable currency rates:

Q1–Q4/2011	Change, %
Price and mix	3.4
Currency	3.8
Volume	-5.3
Closures, divestments, and new assets	-3.2
Q1–Q4/2012	**-1.5**

Net sales in **Building and Energy** fell by 17.6 percent to 244.1 million euros and in **Food and Medical** by 0.7 percent to 359.4 million euros. Net sales in **Filtration** rose by 8.7 percent to 352.7 million euros.

Total sales volumes in tons fell 8.6% from the comparison period. Sales volumes declined in **Building and Energy** (-23.7%, or -4.8% excluding capacity closures) and **Food and Medical** (-9.3%). **Filtration** (1.0%) reported an increase. Total sales volumes, excluding the impact of closures mainly in Building and Energy, decreased by 2.8%.

Result and profitability

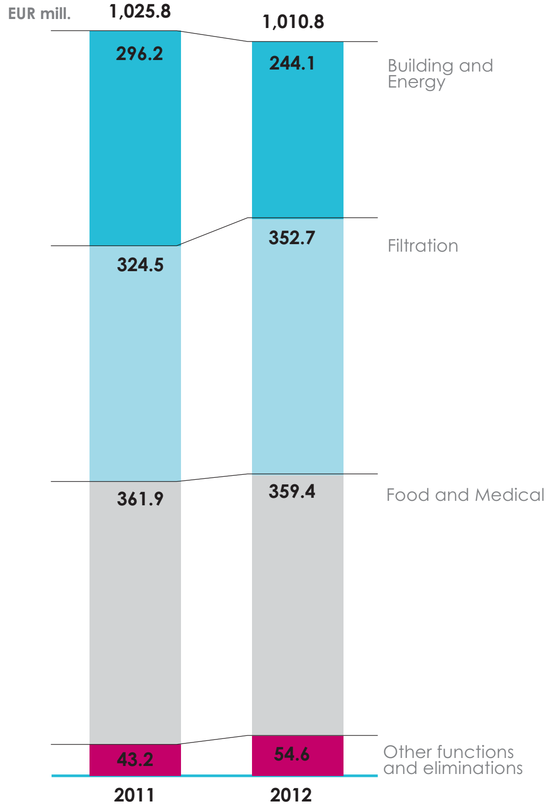
In January-December 2012, operating profit was EUR 18.6 million (EUR 2.1 million), including non-recurring items of EUR 0.7 million (EUR -27.5 million). Operating profit excluding non-recurring items was EUR 17.9 million (EUR 29.6 million).

The most significant non-recurring items in January–December 2012 were the following:

- The Building and Energy business area booked a EUR 4.1 million gain on sales of fixed assets.
- The Building and Energy business area booked a EUR 1.0 million reversal of unused provision from a landfill clean-up.
- The Filtration business area booked a cost of approximately EUR 4.3 million related to the closure of a plant in Spain.

In 2011, the most significant non-recurring items included costs to end production of glassfiber and glassfiber mats in Karhula, Finland, the closure of the Bishopville plant in the United States, and close down

NET SALES*



* Continuing operations

a hybrid wallcover production line in Turin, Italy. All these assets were part of the Building and Energy business area.

The decrease in operating profit was due to lower sales volumes, adverse product mix, and increased market-related downtime in production. Increased energy costs stemming from higher natural gas prices in Italy and Brazil also had a negative impact on operating profit.

Higher selling prices and the profit improvement program implemented at the end of 2011 improved profitability. In addition, short-term cost mitigation, related to maintenance and temporary lay-offs, had a positive effect on profitability. The 2012 operating profit was also positively affected by the release of annual remuneration accruals from 2011 worth about EUR 2.8 million.

Operating profit excluding non-recurring items of the Building and Energy business area increased to EUR 3.9 million from the comparison period of EUR 1.2 million. Operating profit amounted to EUR 9.5 million (EUR 27.8 million loss). Operating profit excluding non-recurring items of the Filtration business area was EUR 21.0 million (EUR 22.0 million). Operating profit amounted to EUR 16.7 million (EUR 22.8 million). Operating profit excluding non-recurring items of the Food and Medical business area fell to EUR 5.2 million from EUR 11.7 million. Operating profit was EUR 4.2 million (EUR 12.0 million).

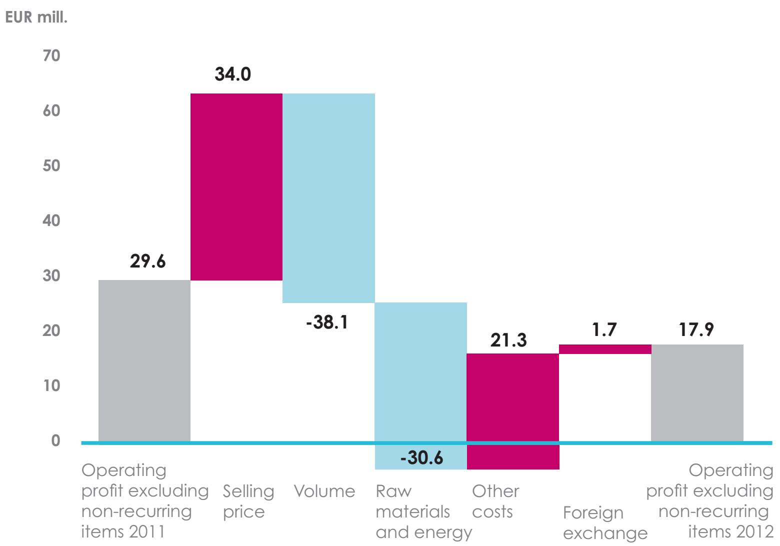
Ahlstrom's market-related downtime in production was 9.7% in 2012, compared with 8.8% in the corresponding period.

The loss before taxes was EUR 5.7 million (EUR 22.3 million loss).

Income taxes amounted to EUR 10.2 million (tax credit EUR 0.2 million). No tax revenues or tax assets were recognized for companies with uncertain profit forecasts or for losses in associated companies. In addition, the effective tax rate was impacted by the relatively large share of pre-tax profits in countries with higher tax rates. Taxes paid amounted to EUR 6.5 million.

The loss for the period was EUR 15.9 million (EUR 22.1 million loss). Earnings per share with the effect of interest on the hybrid bond were EUR -0.43 (EUR -0.59).

OPERATING PROFIT* DECLINE DRIVEN BY LOWER VOLUMES



* Continuing operations, excluding non-recurring items

Discontinued operations

Combination of the Label and Processing business area and Munksjö AB

On November 27, 2012, Ahlstrom's Extraordinary General Meeting approved the demerger of the Label and Processing businesses, which will be combined with Munksjö AB to form a global leader in specialty papers through two partial demergers: one consisting of the Label and Processing operations in Europe (LP Europe) and one in Brazil (Coated Specialties). The new company will be named Munksjö Oyj and its shares will be listed on the NASDAQ OMX Helsinki.

Label and Processing is reported separately as discontinued operations.

The Competition Directorate-General of the EU Commission has completed the first phase of its investigation under the EU Merger Regulation into the proposed combination of Ahlstrom's Label and Processing business and Munksjö AB and opened an in-depth (second phase) investigation into the proposed combination with respect to abrasive backings and pre-impregnated decor paper. The Commission has until April 29, 2013, to take a final decision on whether the combination would significantly impede effective competition in the European Economic Area (EEA) or any substantial part of it.

Ahlstrom and Munksjö AB continue to work closely with the Commission in order to allow the Commission to complete its review as quickly as possible, aiming at a completion of the demerger of Ahlstrom's Label and Processing business in Europe and other related measures forming the first phase of the planned transaction during the first quarter of 2013. It is, however, possible that the completion of the first phase of the planned transaction will not take place until the second quarter of 2013.

Divestment of the Home and Personal business area

Ahlstrom's former wipes fabrics business, Home and Personal, was transferred to

Suominen Corporation on October 31, 2011. As announced on September 27, 2012, the transfer of the wipes business in Brazil to Suominen Corporation was postponed. Ahlstrom had previously anticipated that the transfer would have taken place in the third quarter of 2012.

All necessary Brazilian regulatory permits for the operations in addition to competition clearances have been received. The parties are negotiating the prerequisites, including financing of the remaining EUR 25 million of the total transaction value of EUR 170 million, for completing the transaction.

Home and Personal was reported separately as discontinued operations until October 31, 2011. For the time being, the Brazilian operations of Home and Personal is reported as discontinued operations.

Result from discontinued operations

In January-December 2012, the profit for the period from discontinued operations was EUR 15.1 million, compared with a EUR 10.2 million loss in the comparison period. The 2012 and 2011 figures include the Label and Processing business. The 2011 figure includes the Home and Personal business area as a whole until October 31, 2011, while the 2012 figure includes the Brazilian part only. The 2011 figure includes an impairment loss recognized on the re-measurement to fair value and costs to sell of EUR 23.4 million after tax related to the divestment of the Home and Personal business area.

Result including discontinued operations

In January-December 2012, the loss for the period including discontinued operations was EUR 0.7 million (EUR 32.2 million loss). Earnings per share with the effect of interest on the hybrid bond were EUR -0.10 (EUR -0.81).

Return on equity (ROE) was -0.1% (-4.9%).

Financing (including discontinued operations)

In January–December 2012, net cash flow from operating activities amounted to EUR 78.7 million (EUR 83.7 million), and cash flow after investments was EUR 1.2 million (EUR 140.4 million).

As of December 31, 2012, operative working capital amounted to EUR 169.3 million (EUR 176.7 million at the end of 2011). Its turnover was unchanged at 41 days at the end of the review period.

Ahlstrom's interest-bearing net liabilities stood at EUR 303.4 million (EUR 237.8 million at the end of 2011). Ahlstrom's interest bearing liabilities amounted to EUR 358.9 million (EUR 332.2 million). The modified duration of the loan portfolio (average interest rate fixing period) was 15.3 months and the capital weighted average interest rate was 3.95%. The average maturity of the loan portfolio was 38.9 months.

In January–December 2012, net financial expenses were EUR 18.9 million (EUR 24.9 million). Net financial expenses include net interest expenses of EUR 15.4 million (EUR 16.6 million), a financing exchange rate gain/loss of EUR 0.0 million (EUR 3.7 million loss), and other financial expenses of EUR 3.6 million (EUR 4.6 million).

The company's liquidity continues to be good. At the end of the review period, its total liquidity, including cash and unused committed credit facilities, was EUR 314.8 million (EUR 397.6 million). In addition, the company had undrawn uncommitted credit facilities and cash pool overdraft limits of EUR 151.0 million (EUR 177.5 million) available.

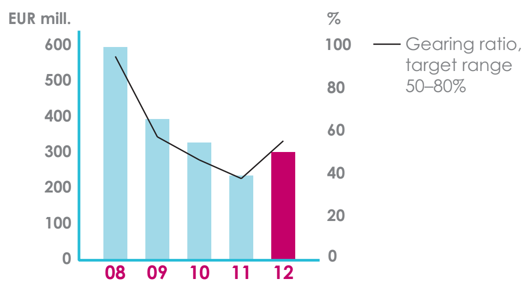
The gearing ratio stood at 55.8% (38.2% at the end of 2011). The equity ratio was 40.0% (43.6% at the end of 2011).

Capital expenditure

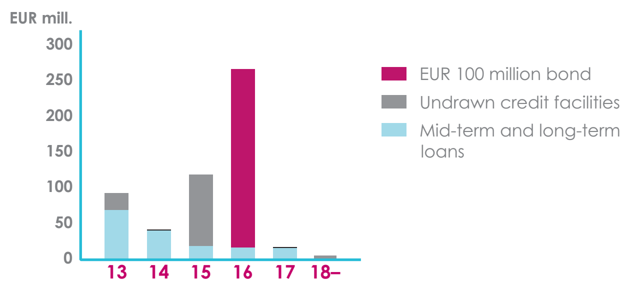
In January–December 2012, capital expenditure was EUR 74.1 million (EUR 49.8 million). The expenditure includes projects such as the joint venture for the production of crepe papers in Longkou, China, a wallcovering materials production line in Binzhou, China, and the filtration materials saturation capacity increase in Turin completed in 2012.

On September 11, 2012, Ahlstrom announced a new investment in additional capacity in filtration materials at its site in Turin, Italy. The investment of approximately EUR 10 million will be operational by the third quarter of 2013 and will consist of an upgrade to a paper machine producing filter media for transportation and gas turbine applications.

INTEREST-BEARING NET LIABILITIES



MATURITY PROFILE OF MEDIUM/ LONG-TERM CREDIT FACILITIES



Acquisition of Munktell

On October 25, 2012, Ahlstrom completed the acquisition of Munktell Filter AB as a strategic step to expand the advanced filtration business particularly in life science and laboratory applications. Under the agreement, Ahlstrom acquired 100 percent of the shares in Munktell Filter AB, as well as its holdings in Munktell & Filtrak GmbH, Filtres Fioroni SA and Munktell Inc. The enterprise value of the transaction was approximately EUR 20 million. Through the transaction, Ahlstrom will become a global leader in life science and laboratory media filtration.

Measures to improve competitiveness and financial performance

Following the completion of the planned Label and Processing demerger, Ahlstrom intends to right size the company's cost base to reflect the new size and scope of the company. The aim is to make the company's cost base leaner while maintaining sufficient resources globally, for example in product development and customer-facing teams. The company targets to achieve EUR 15 million in cost savings in addition to the costs that will be transferred to Munksjö within one year of the closing date of the Transaction.

The cost savings will be derived from rightsizing the activities and the common cost base of the services worldwide. More details on the cost improvement program will be announced later.

In December 2011, Ahlstrom concluded its profit improvement program. The program aimed to improve annual operating profit by approximately EUR 15 million starting from 2012 and affecting 362 employees at various sites, including Karhula in Finland, Bishopville in the U.S., Turin in Italy, Jacarei, Brazil and Osnabrück, Germany. The company recognized a total non-recurring cost of approximately EUR 31.5 million in 2011.

The project launched in 2010 to reduce material waste in manufacturing was completed during the second quarter of 2012. The targeted reduction of 15% in waste of the annual volume equaling annual savings of about EUR 20 million was achieved in 2012.

Product and technology development

In 2012, Ahlstrom invested approximately EUR 17.1 million (EUR 16.1 million in 2011), or 1.7% (1.6%) of the company's net sales from continued operations, into research and development. As in the previous years, Ahlstrom launched new products and technologies to reinforce its leading position in the fiber-based materials market. In 2012, 11.0% of Ahlstrom's net sales were generated by new products* (18.0% in 2011). The company's strategic target is to generate 15% of net sales from new products. In order to strengthen its intellectual property rights portfolio, Ahlstrom filed nine unique patent family applications and three trade secrets last year. This compares with just one unique patent family filed in 2011.

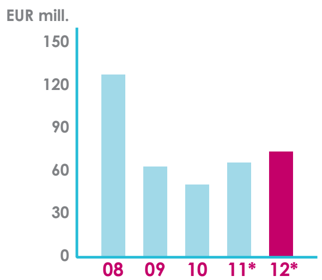
Ahlstrom has also continued to invest in and develop its product development management processes, with its stage and gate process for Product Development achieving a fully functional utilization across all business areas in 2012. In addition, the Outcome-Driven Innovation® approach was expanded to all business areas in order to have better capabilities to understand customers' unmet needs and bring new products faster to the market. A Customer Ideation Center named Synergy was opened to foster innovation with customers in our research and development facility in France. Several key strategic customers have already visited Synergy and are engaged in the co-development of new innovative solutions.

In product design Ahlstrom applies an EcoDesign approach, where new products are designed to minimize the environmental impacts over their whole life cycle. Key priorities include the elimination of formaldehyde and fluorochemicals. Progress in both these areas was made in 2012.

The company's Building and Energy business area launched Ahlstrom Extia™, a specialty nonwoven used in protective packaging. The Filtration business area introduced Ahlstrom XAIR, which takes soot

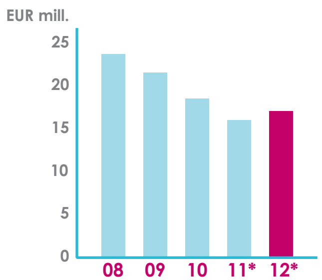
* Developed in the last three years.

CAPITAL EXPENDITURE, EXCLUDING ACQUISITIONS



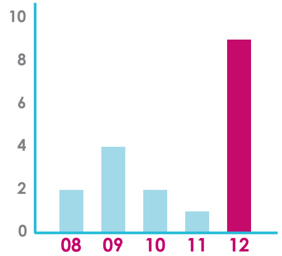
* Continuing operations

R&D EXPENDITURE



* Continuing operations

PATENTS FILED*



* Unique patent family applications

filtration to a new level: by improving the air flow in vehicle motors fuel consumption can be reduced, leading to lower CO_2 emissions. In discontinued operations, the company's Label and Processing business expanded the use of Ahlstrom Acti-V™ technology, a new generation of release papers for silicone coating.

Risks and risk management

The following risks were identified as the major business risks based on the risk assessments conducted at the Business Area, Group function and Executive Management Team levels in 2012.

Continuing uncertainty in the economic environment was reflected in the risk assessment results. Potential changes in the demand for Ahlstrom's end products due to the current economic situation as well as the company's ability to anticipate and respond to changes in the markets received increased attention in the risk assessments in 2012 compared to the previous year. Economic cycles affect the demand for Ahlstrom's end products especially in the building, marine and automotive industries. They also have an impact on the price development of the raw materials used. On the other hand, the effect of cycles is less pronounced in the food, packaging, medical, healthcare and life science industries where Ahlstrom has a strong presence.

Identifying potential measures to respond to unexpected or major changes in market demand continues to be one of the company's main focus areas from a risk management perspective. A new Group-wide demand planning process was implemented in 2012 as part of the Integrated Business Planning (IBP) process. The IBP process combines supply - demand planning and product management with a long-term planning horizon and enables more structured and accurate demand planning and raw material price forecasting. Different demand scenarios are used to identify potential short- to mid-term risk treatment actions for decreases in demand. In the long-run, changes in market trends affect Ahlstrom's investment strategy and product portfolio.

Increases in raw material and commodity prices affect Ahlstrom's profitability, depending on the company's ability to effectively mitigate the risk with operative actions. The magnitude of this risk is dependent on several external factors, such as the demand for Ahlstrom's end products, the negotiation power of major suppliers and customers and the availability of key raw materials. Good pricing management contributed positively to the financial performance although energy costs and specialty pulp prices increased during 2012. Alternative raw materials and technologies are identified in critical price increase and sole supplier situations. Since 2010, the company has applied a structured pulp price hedging strategy. Group-wide energy price risk management process is currently being defined, taking into account both operational and financial hedging strategies.

Major steps in the execution of Ahlstrom's strategy were taken in 2012, including the decision to demerge the Label and Processing business and combine it with Munksjö AB and the acquisition of the Munktell group in Advanced Filtration. The company's ability to execute its growth strategy through successful acquisitions and partnerships also in the future is considered fundamental. The importance of in-depth knowledge in choosing the right targets and having sufficient resources to execute business combinations successfully along with the normal business operations is well recognized. Consequently, human resources have been further strengthened during 2011 and 2012 in strategically significant areas such as in Strategic Business Development, Mergers and Acquisitions and in the Asian operations.

Ahlstrom's geographical focus in Asia was reflected in the risk assessments in terms of the company's ability to adjust to the rapidly changing competitive environment in Asia. Continuous monitoring of actions by competitors, proactive approach and timely reactions to market changes as well as a strong product portfolio were regarded as prerequisites for successful management of risks stemming from the external business environment. In addition, risk mitigation actions supporting the company's expansion in Asia include strengthening the harmonized "One Ahlstrom" culture, ongoing strategic workforce analysis in Asia and the implementation of common processes throughout the Group.

The technology base is a vital strategic asset for Ahlstrom. Strong technical expertise and know-how allow Ahlstrom to be innovative and thereby respond to customer requirements. Ahlstrom's product development and technology risk is related to its ability to foresee end-user needs and to successfully develop new and improved products in all of its key markets. Various R&D investments, skilled research and development teams and close co-operation with customers in product development are the main means used to manage this risk. Furthermore, a Group-wide Ahlstrom Product & Portfolio Management system was implemented in 2012 to steer product and technology development and to link product management to the Integrated Business Planning process. Additionally, the idea generation and management process as well as product launch and marketing processes were further strengthened during 2012.

Investments play a critical role in retaining leading market positions. By balancing replacement and expansion investments, the efficient use of both existing and new assets can be ensured. Ahlstrom's capital expenditure process was upgraded in 2011 to make the assessments of capital expenditure more comprehensive and to better support the execution of capital expenditure projects.

The upgraded process has been in use since the beginning of 2012. It includes an updated risk assessment and contingency planning as a part of the proposal phase of capital expenditure. The upgraded process also includes regular implementation reviews and post-audit activities.

Ahlstrom's focus on high performance materials and use of advanced technologies and processes increases the importance of actively managing competition law related issues and intellectual property rights. Risk management actions against legal and intellectual property rights related risks as part of daily operations include, among others, continuous training of the personnel, using standardized contract templates and implementing Group-wide policies and guidelines. During 2012, the management of such risks was further improved as Ahlstrom's IP Committee and a systematic patent management process were established.

One of Ahlstrom's primary financial risks is the availability of funding. This risk has been reduced as measures have been taken to secure funding for the coming years. Ahlstrom is also exposed to some extent to foreign exchange risk, which mainly realized through the net impact from EUR/USD exchange rate in 2012. Profitability was not significantly affected by foreign exchange rates since sales and costs denominated in the same currency have to a large extent offset each other. Management of the company's credit risks involves regular monitoring of the customers' creditworthiness based on external information as well as the use of letters of credit and a global credit insurance program, in which the majority of the Group companies participate. Due to its diversified customer base and a good geographical spread, Ahlstrom has no significant credit risk concentrations.

Ahlstrom's short-term risks are described in the Short-term risks section, on page 34.

The risk management process is introduced briefly in this annual report on pages 30–31. Financing risks and hedging principles are presented in the notes to the financial statements. The risk management is also reported on the company's website at www.ahlstrom.com. Furthermore, the risk management process is described in the Corporate Governance Statement on the website.

Sustainability

Ahlstrom is committed to sustainable development, which for the company means a balance between economic, social, and environmental responsibility. These principles are applied throughout a product's value chain, from raw materials to production and all the way to the end of the entire life cycle.

Natural fibers are by far the most significant of Ahlstrom's raw materials. The company considers it important for the fibers to come from sustainably managed forests. Ahlstrom buys wood pulp only from certified suppliers, or from suppliers that are in the process of being certified, in accordance with either PEFC or FSC, i.e. the most widely used sustainable forest management certification systems. Over 80% of the raw materials used by Ahlstrom are sourced from renewable sources.

In matters concerning occupational health and safety, environment and asset protection (HSEA), Ahlstrom applies a continuous improvement model. In the company's view, no significant changes affecting the company's operations or product assortment are expected to take place in the legislation governing these issues.

Personnel

Ahlstrom employed an average of 3,825 people* in January–December 2012 (3,867), and 3,829 people (3,918) at the end of the period. At the end of the period, the highest numbers of employees were in the United States (24.7%), France (16.3%), Finland (10.3%), Italy (8.5%), China (8.2%) and Germany (6.8%).

Management

Board of Directors

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

The AGM held on April 4, 2012 confirmed the number of Board members to be seven. Sebastian Bondestam, Lori J. Cross, Esa Ikäheimonen, Pertti Korhonen, Anders Moberg and Peter Seligson were re-elected as members of the Board of Directors. Nathalie Ahlström, born 1974, was elected as a new member. Immediately after the Annual General Meeting, the Board elected Peter Seligson as Chairman of the Board and Pertti Korhonen as Vice Chairman. The term of the Board of Directors will expire at the close of the next Annual General Meeting.

Nathalie Ahlström decided to tender her resignation as a member of Ahlstrom's Board of Directors due to a conflict of interest caused by her taking up a new executive position. The resignation became effective on September 1, 2012.

In 2012, the Board convened 14 times. The average attendance frequency was 97.7%.

Ahlstrom Corporation's management is described in greater detail in the section on Corporate Governance on pages 14–21. Board members are introduced and their shareholdings are described on page 22.

* Continuing operations. Calculated as full-time equivalents.

The company's Corporate Governance Statement 2012, in its entirety, is available on the company's website at www.ahlstrom.com.

Authorizations of the Board

The Annual General Meeting of Shareholders held on April 4, 2012, authorized the Board of Directors to repurchase Ahlstrom shares. The maximum number of shares to be purchased is 4,000,000. The shares may be repurchased only through public trading at the prevailing market price using unrestricted shareholders' equity.

The AGM also authorized the Board of Directors to distribute a maximum of 4,000,000 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 also has 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.

Executive Management Team

The Executive Management Team consists of the President and CEO as well as the business area and functional leaders. The members of the EMT report to the President and CEO.

On May 18, 2012 Aki Saarinen (b. 1967), M.Sc. (paper technology), MBA, was appointed Executive Vice President, Strategic Business Development, and member of the Executive Management Team as of June 11, 2012,

On October 24, 2012, Tommi Björnman, Executive Vice President, Filtration, and a member of the Executive Management Team, resigned from Ahlstrom effective as of December 31, 2012.

On October 24, 2012, Fulvio Capussotti (b. 1972), M.Sc. (Chem. Eng.) was appointed Executive Vice President, Advanced Filtration, and member of the Executive Management team as of January 1, 2013.

On October 30, 2012, Jari Koikkalainen (b. 1965), M.Sc. (Tech), eMBA, was appointed Executive Vice President, Transportation Filtration, and member of the Executive Management Team as of February 1, 2013.

Ahlstrom's Executive Management Team:

Jan Lång, President & CEO
Seppo Parvi, CFO and deputy to the President
Paula Aarnio, EVP, Human Resources & Sustainability
Daniele Borlatto, EVP, Label and Processing
Fulvio Capussotti, EVP, Advanced Filtration (as of January 1, 2013)
William Casey, EVP, Food and Medical
Jari Koikkalainen, EVP, Transportation Filtration (as of February 1, 2013)
Laura Raitio, EVP, Building and Energy
Rami Raulas, EVP, Sales & Marketing
Luc Rousselet, EVP, Supply Chain
Aki Saarinen, EVP, Strategic Business Development
Paul H. Stenson, EVP, Product & Technology

The Executive Management Team members are introduced and their shareholdings are described on page 23. This information is also available on the company's website at www.ahlstrom.com.

Organization

Ahlstrom is one of the world's leading manufacturers of high performance fiber-based materials. This strong global position is based on the company's innovative products and technologies, backed by its worldwide production capacity. The company has operations in more than 20 countries. The parent company Ahlstrom Corporation is a Finnish publicly listed company with its registered office in Helsinki. Ahlstrom has several subsidiaries, which are listed in the Notes to the Financial Statements.

Ahlstrom's business is reported in four segments; Advanced Filtration, Building and Energy, Food and Medical, and Transportation Filtration. The current structure has been effective since January 1, 2013 when the Filtration business area was divided into two segments: Advanced Filtration and Transportation filtration.

The Advanced Filtration business area serves customers mainly in the water, energy, healthcare, food and beverage, and environmental control industries. Examples of end-use applications include water and air filtration, gas turbine filtration, and life-science and laboratory filtration.

The Building and Energy business area serves customers mainly in the construction, energy, fabric care, marine and transportation industries. Examples of end-use applications include wallcoverings, floorings, building panels, fabric care applications, car interiors, wind turbine blades and boat hulls.

The Food and Medical business area serves customers primarily in the food, beverage, medical, healthcare and construction industries. Examples of end-use applications include tea bags, coffee filters, fibrous meat casings, food packaging, baking papers, masking tape, surgical gowns and drapes, as well as face masks and sterilization wraps.

The Transportation Filtration business area serves the automotive industry. Examples of end-use applications include engine oil, fuel, transmission and cabin air filtration for cars and heavy duty trucks.

The Label and Processing business is reported separately as part of the discontinued operations,

Extraordinary General Meeting

Ahlstrom's Extraordinary General Meeting of Shareholders (EGM) was held on November 27, 2012. The EGM decided to initiate the demergers of the company as described below.

Demerger of the Label and Processing business in Europe

The EGM resolved to approve the demerger concerning the Ahlstrom Group's Label and Processing business in Europe ('LP Europe Demerger') in accordance with the demerger plan.

Upon the execution of the demerger concerning the Label and Processing business in Europe, the shareholders of Ahlstrom Corporation will receive as demerger consideration 0.25 new shares in Munksjö Oyj for each share owned in Ahlstrom Corporation (i.e. the exchange ratio is 4:1). In case the number of shares received by a shareholder of the company as demerger consideration would be a fractional number, the fractions will be rounded down to the nearest whole number. No demerger consideration will be paid on the basis of own shares held by Ahlstrom Corporation.

The completion of the demerger is subject to, among other things, approvals of the competition authorities.

Demerger of the Label and Processing business in Brazil

The EGM resolved to approve the demerger concerning the Ahlstrom Group's Label and Processing business in Brazil ('Coated Specialties Demerger') in accordance with the demerger plan.

Upon execution of the demerger concerning the Label and Processing business in Brazil, the shareholders of Ahlstrom Corporation will receive as demerger consideration 0.265 new shares in Munksjö Oyj for each share owned in Ahlstrom Corporation. In case the number of shares received by a shareholder of the company as demerger consideration would be a fractional number, the fractions will be rounded down to the nearest whole number. No demerger consideration will be paid on the basis of own shares held by Ahlstrom Corporation.

The completion of the demerger is subject to, among other things, certain regulatory approvals in Brazil, including the approval of the Brazilian competition authority (CADE).

Shares and shareholders

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

During January-December 2012, a total of 2.46 million Ahlstrom shares were traded for a total of EUR 32.9 million. The lowest trading price was EUR 11.86 and the highest EUR 15.45. The closing price on December 28, 2012, was EUR 13.23. Market capitalization at the end of the review period was EUR 610.0 million, excluding the shares owned by the parent company and Ahlcorp Oy, which is a management ownership company.

At the end of 2012, Ahlstrom held a total of 269,005 of its own shares, corresponding to approximately 0.58% of the total shares and votes.

Ahlstrom Group's equity per share was EUR 9.77 at the end of the review period (December 31, 2011: EUR 11.50).

Increase in Vimpu Intressenter Ab's shareholding

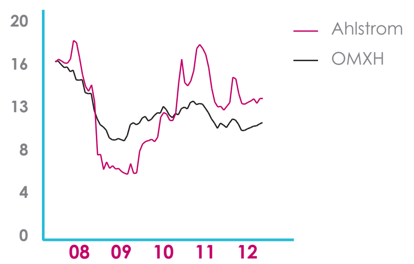
On October 2, 2012, Ahlstrom received an announcement from Vimpu Intressenter Ab regarding a change in the shareholding of the said shareholder.

According to the announcement, Vimpu Intressenter's shareholding in Ahlstrom Corporation had on October 2, 2012, exceeded 5% (1/20) of the share capital and voting rights of Ahlstrom Corporation.

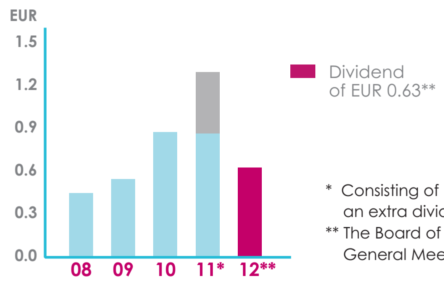
Events after the review period

On January 17, 2013, Ahlstrom provided preliminary information on net sales and operating profit excluding non-recurring from continuing operations items for 2012. Net sales were in line with outlook Ahlstrom issued in November 2012. The operating profit excluding non-recurring items was lower than the company had earlier anticipated because of weaker sales mix and volumes across all key

SHARE QUOTATIONS 2008–2012, EUR



DIVIDEND PER SHARE



* Consisting of a dividend of EUR 0.87 per share and an extra dividend of EUR 0.43 per share
** The Board of Director's proposal to the Annual General Meeting

markets towards the end of the year, as well as longer than expected production downtime taken during the last quarter.

Dividend policy and proposal for the distribution of profits

Ahlstrom aims to pay a dividend of not less than one third of the net cash from operating activities after operative investments, calculated as a three-year rolling average to achieve stability in the dividend pay-out. Operative investments include maintenance, cost reduction, and efficiency improvement investments.

The distributable funds on the balance sheet of Ahlstrom Corporation as of December 31, 2012 amounted to EUR 526,131,945.20

The Board of Directors will propose to the Annual General Meeting that for the financial year ended on December 31, 2012 a dividend totaling EUR 0.63 per share be paid based on the dividend policy mentioned above.

The dividends will be paid to shareholders registered in the Register of Shareholders held by Euroclear Finland Ltd. on the record date, April 3, 2013. On December 31, 2012, the number of shares of the Company amounted to 46,670,608 based on which the maximum amount that can be distributed as dividend would be EUR 29,402,483. The Board of Directors proposes that the dividend be paid on April 10, 2013.

In addition, the Board of Directors proposes that EUR 75,000 will be reserved for donations at the discretion of the Board.

Outlook

From 2013 onwards, Ahlstrom continues to provide its outlook on net sales as a range in euros. The outlook for operating profit excluding non-recurring items is given as a range in percentage of net sales instead of the euro-based range previously used.

Net sales from continuing operations are expected to be EUR 980–1,140 million in 2013. Operating margin excluding non-recurring items from continuing operations is expected to be 2–5% of net sales.

In 2013, investments excluding acquisitions from continuing operations are estimated to be approximately EUR 75 million (EUR 74.1 million in 2012). The estimate includes investments that were already announced in 2011 and 2012, such as the wallcovering materials line Binzhou, China, and the additional capacity in filtration materials in Turin, Italy.

Short-term risks

The global economic outlook remains uncertain with increased volatility. The European economy may face a prolonged slowdown as proposed cuts in public spending and tax increases coupled with record high unemployment reduce disposable incomes. Recent indicators for the U.S. economy continue to be more mixed. In Asia the economy in China in particular has shown signs of recovery.

Slower economic growth, or even a temporary contraction, poses risks to Ahlstrom's financial performance. It may lead to lower sales volumes and force Ahlstrom to initiate more market-related shutdowns at plants, which could affect profitability. The uncertainty related to global economic growth, increased volatility in our main markets, and limited visibility makes it more difficult to forecast future developments.

In recent years, Ahlstrom has initiated investment projects, especially in China, that are in a start-up phase, or will be in the near future. The company's financial performance may be negatively affected by the commercialization of the new production lines.

Ahlstrom's main raw materials are natural fibers, mainly pulp, synthetic fibers, and chemicals. The prices of some key raw materials used by Ahlstrom remain at a high level with volatility.

If global economic growth slows down further, maintaining current sales prices may be at risk and sustaining the current level of profitability may be compromised, even if raw material prices fall at the same time.

The general risks for Ahlstrom's business operations are described in more detail on pages 30–31, in the section Risks and risk management. The risk management process is introduced briefly in this annual report on pages 30–31. Financing risks and hedging principles are described in the notes to the financial statements. The risk management is also reported on the company's website at www.ahlstrom.com.

Furthermore, the risk management process is presented in the company's Corporate Governance Statement 2012 on the website.

Ahlstrom Corporation
Board of Directors

Income statement

EUR million	(Note)	2012	2011
Continuing operations			
Net sales	(2,3,4,5)	**1,010.8**	1,025.8
Cost of goods sold	(6,8,9)	**-865.6**	-896.6
Gross profit		**145.2**	129.2
Sales and marketing expenses	(8,9)	**-42.4**	-37.8
R&D expenses	(8,9)	**-17.1**	-16.1
Administrative expenses	(8,9)	**-75.3**	-67.0
Other operating income	(7)	**10.4**	10.6
Other operating expense	(7,10)	**-2.3**	-16.7
Operating profit / loss		**18.6**	2.1
Financial income	(11)	**0.9**	1.7
Financial expenses	(11)	**-18.2**	-22.1
Share of profit / loss of associated companies	(17)	**-7.1**	-4.0
Profit / loss before taxes		**-5.7**	-22.3
Income taxes	(12,20)	**-10.2**	0.2
Profit / loss for the period from continuing operations		**-15.9**	-22.1
Discontinued operations			
Profit / loss for the period		**17.4**	13.3
Impairment and cost to sell		**-2.3**	-23.4
Profit / loss for the period from discontinued operations		**15.1**	-10.2
Profit / loss for the period		**-0.7**	-32.2
Attributable to			
Owners of the parent		**0.9**	-32.2
Non-controlling interest		**-1.6**	0.0
Continuing operations			
Basic and diluted earnings per share (EUR)	(14)	**-0.43**	-0.59
Including discontinued operations			
Basic and diluted earnings per share (EUR)	(14)	**-0.10**	-0.81
Statement of comprehensive income			
Profit / loss for the period		**-0.7**	-32.2
Other comprehensive income, net of tax	(13)		
Translation differences		**-14.5**	-11.9
Share of other comprehensive income of associates	(17)	**0.0**	-
Other comprehensive income, net of tax		**-14.5**	-11.9
Total comprehensive income for the period		**-15.3**	-44.1
Attributable to			
Owners of the parent		**-13.6**	-44.0
Non-controlling interest		**-1.6**	0.0

Balance sheet

EUR million	(Note)	Dec 31, 2012	Dec 31, 2011
Assets			
Non-current assets			
Property, plant and equipment	(15)	**372.9**	553.4
Goodwill	(10,16)	**69.0**	113.8
Other intangible assets	(16)	**28.7**	47.6
Equity accounted investments	(17)	**29.8**	36.6
Other investments	(18,28)	**0.3**	0.4
Other receivables	(22,28)	**54.9**	51.9
Deferred tax assets	(20)	**34.7**	61.2
Total non-current assets		**590.2**	865.0
Current assets			
Inventories	(21)	**112.4**	185.8
Trade and other receivables	(22,28)	**158.0**	241.4
Income tax receivables		**0.6**	2.4
Cash and cash equivalents	(19,28)	**52.8**	94.0
Total current assets		**323.9**	523.6
Assets classified as held for sale and distribution to owners	(3)	**473.7**	42.3
Total assets		**1,387.8**	1,430.8

EUR million	(Note)	Dec 31, 2012	Dec 31, 2011
Equity and liabilities			
Equity attributable to equity holders of the parent	(23)		
Issued capital		**70.0**	70.0
Share premium		**209.3**	209.3
Reserves		**-6.7**	7.8
Retained earnings		**178.0**	243.0
		450.6	530.1
Hybrid bond		**80.0**	80.0
Non-controlling interest		**13.3**	12.6
Total equity		**543.9**	622.7
Non-current liabilities			
Interest-bearing loans and borrowings	(26,28)	**201.1**	274.2
Employee benefit obligations	(24)	**44.4**	73.3
Provisions	(25)	**2.0**	4.5
Other liabilities	(27,28)	**5.5**	4.8
Deferred tax liabilities	(20)	**12.4**	28.8
Total non-current liabilities		**265.5**	385.5
Current liabilities			
Interest-bearing loans and borrowings	(26,28)	**177.2**	58.1
Trade and other payables	(27,28)	**196.5**	328.8
Income tax liabilities		**2.7**	5.6
Provisions	(25)	**7.2**	20.4
Total current liabilities		**383.7**	412.8
Total liabilities		**649.2**	798.3
Liabilities directly associated with assets classified as held for sale and distribution to owners	(3)	**194.7**	9.8
Total equity and liabilities		**1,387.8**	1,430.8

Statement of changes in equity

EUR million	Issued capital	Share premium	Non-restricted equity reserve	Hedging reserve	Translation reserve	Own shares	Retained earnings	**Total attributable to owners of the parent**	Non-controlling interest	Hybrid bond	**Total equity**
Equity at January 1, 2011	70.0	209.3	8.3	0.0	18.8	-6.4	323.0	623.0	0.9	80.0	703.8
Profit / loss for the period	-	-	-	-	-	-	-32.2	-32.2	-0.1	-	-32.2
Other comprehensive income, net of tax											
Translation differences	-	-	-	-	-11.9	-	-	-11.9	-	-	-11.9
Share of other comprehensive income of associates	-	-	-	-	-	-	-	-	-	-	-
Dividends paid and other	-	-	-	-	-	-	-41.1	-41.1	-	-	-41.1
Hybrid bond	-	-	-	-	-	-	-	-	-	-	-
Interest on hybrid bond	-	-	-	-	-	-	-5.6	-5.6	-	-	-5.6
Purchases of own shares	-	-	-	-	-	-3.1	-	-3.1	-	-	-3.1
Share ownership plan for EMT	-	-	-	-	-	-	-	-	-	-	-
Change in non-controlling interests	-	-	-	-	-	-	-	-	11.8	-	11.8
Share-based incentive plan	-	-	-	-	-	2.1	-1.1	1.0	-	-	1.0
Equity at December 31, 2011	70.0	209.3	8.3	0.0	6.9	-7.4	243.0	530.1	12.6	80.0	622.7
Equity at January 1, 2012	**70.0**	**209.3**	**8.3**	**0.0**	**6.9**	**-7.4**	**243.0**	**530.1**	**12.6**	**80.0**	**622.7**
Profit / loss for the period	-	-	-	-	-	-	0.9	0.9	-1.6	-	-0.7
Other comprehensive income, net of tax											
Translation differences	-	-	-	-	-14.5	-	-	-14.5	-0.1	-	-14.7
Share of other comprehensive income of associates	-	-	-	-	0.0	-	-	0.0	-	-	0.0
Dividends paid and other	-	-	-	-	-	-	-60.4	-60.4	-	-	-60.4
Hybrid bond	-	-	-	-	-	-	-	-	-	-	-
Interest on hybrid bond	-	-	-	-	-	-	-5.7	-5.7	-	-	-5.7
Purchases of own shares	-	-	-	-	-	-	-	-	-	-	-
Share ownership plan for EMT	-	-	-	-	-	-	-	-	-	-	-
Change in non-controlling interests	-	-	-	-	-	-	-	-	2.4	-	2.4
Share-based incentive plan	-	-	-	-	-	-	0.3	0.3	-	-	0.3
Equity at December 31, 2012	**70.0**	**209.3**	**8.3**	**0.0**	**-7.6**	**-7.4**	**178.0**	**450.6**	**13.3**	**80.0**	**543.9**

Statement of cash flows

EUR million	(Note)	2012	2011
Cash flow from operating activities			
Profit/loss for the period		**-0.7**	-32.2
Adjustments:			
Non-cash transactions and transfers to cash flow from other activities:			
Depreciation and amortization		**72.8**	125.2
Gains and losses on sale of non-current assets		**-2.6**	-3.7
Gains and losses on sale of subsidiary shares		**-**	0.0
Change in employee benefit obligations		**-4.6**	-14.5
Non-cash transactions and transfers to cash flow from other activities, total		**65.6**	107.0
Interest and other financial income and expense		**31.0**	29.0
Dividend income		**0.0**	0.0
Taxes		**20.2**	5.2
Changes in net working capital:			
Change in trade and other receivables		**4.1**	35.3
Change in inventories		**7.4**	-19.0
Change in trade and other payables		**-11.1**	-27.0
Change in provisions		**-10.7**	14.0
Interest received		**0.7**	1.7
Interest paid		**-16.7**	-17.7
Other financial items		**-4.6**	-4.7
Income taxes paid		**-6.5**	-7.9
Net cash from operating activities		**78.7**	83.7
Cash flow from investing activities			
Acquisitions of Group companies	(4)	**-17.6**	-1.0
Purchases of tangible and intangible assets		**-87.5**	-60.0
Proceeds from disposal of shares in Group companies and businesses and associated companies	(3)	**0.4**	15.3
Change in other investments		**2.8**	-25.9
Proceeds from disposal of property, plant and equipment	(3)	**24.5**	128.4
Dividends received		**0.0**	0.0
Net cash from investing activities		**-77.5**	56.7
Cash flow from financing activities			
Repurchase of own shares		**-**	-3.1
Interest on hybrid bond		**-7.6**	-7.6
Drawdowns of non-current loans and borrowings		**15.2**	48.3
Repayments of non-current loans and borrowings		**-48.3**	-37.9
Change in current loans and borrowings		**63.6**	-27.7
Change in capital leases		**-1.2**	-1.6
Dividends paid and other		**-60.0**	-41.2
Net cash from financing activities		**-38.4**	-70.7
Net change in cash and cash equivalents		**-37.2**	69.7
Cash and cash equivalents at the beginning of the period		**94.4**	24.6
Foreign exchange effect on cash		**-1.8**	0.1
Cash and cash equivalents at the end of the period		**55.5**	94.4

Accounting principles

Corporate information

Ahlstrom Corporation ("the parent company") with its subsidiaries ("Ahlstrom" or "the Group") is a global leader in the development, manufacture and marketing of high performance fiber-based materials. Ahlstrom supplies these products as roll goods to its industrial customers for further processing. The reported segments for the year 2012 were: Building and Energy, Filtration and Food and Medical. The Label and Processing segment is reported as discontinued operations starting November 27, 2012. In 2012, Ahlstrom had operations in 28 countries, and the Group employed approximately 5,100 people.

Ahlstrom Corporation is a Finnish public limited liability company domiciled in Helsinki. The company's registered address is Alvar Aallon katu 3 C, 00100 Helsinki. The consolidated financial statements are available at www.ahlstrom.com or from the aforementioned address. The parent company's shares are listed on the NASDAQ OMX Helsinki.

These consolidated financial statements were authorized for publication by the Board of Directors of Ahlstrom Corporation on January 31, 2013. In accordance with the Finnish Limited Liability Companies Act, the Annual General Meeting decides on the adoption of these financial statements.

Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. These contain 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 regulations.

The consolidated financial statements have been prepared under the historical cost convention except for the following assets and liabilities which are measured at fair value: financial instruments at fair value through profit and loss, financial assets classified as available-for-sale, hedged items in fair value hedge accounting and liabilities for cash-settled share-based payments. The consolidated financial statements are presented in millions of euros unless stated otherwise. For presentation, individual figures and sum totals have been rounded to millions with one decimal, which may cause rounding differences when they are summed up.

The Group has adopted the following new or amended standards and interpretations as of January 1, 2012:

– IFRS 7 Financial Instruments: Disclosures (amendments). Those amendments broaden the disclosure requirements in relation to transferred financial assets. The amendments have not had any effect on the consolidated financial statements.

Consolidation principles

The consolidated financial statements contain the parent company Ahlstrom Corporation, all subsidiaries, associated companies and the management's holding company Ahlcorp Oy. Subsidiaries are entities controlled by the parent company. Control exists when the parent company has, directly or indirectly, more than one half of the voting rights or the parent company has the power to decide on the financial and operating matters of the subsidiary. A potential control of voting rights is also taken into consideration when assessing whether the Group controls another entity. Associated companies are companies in which the Group has a significant influence, but not control, over the financial and operating decisions and the Group generally has a shareholding of between 20% and 50% of the voting rights.

Acquired subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Group, whereas companies divested are included in the consolidated financial statements until the date when control ceases. Acquired companies are accounted for using the purchase method of accounting. The identifiable assets acquired and liabilities and contingent liabilities assumed are measured at their fair value on the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. All intragroup transactions, receivables and liabilities as well as unrealized profits and intragroup profit distributions are eliminated in consolidation.

The investments in associated companies are accounted for using the equity method of accounting. The share of profits or losses of associated companies is presented separately in the consolidated income statement. Accordingly the share of the changes in other comprehensive income of associated companies is recognized in other comprehensive income of the Group. 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.

Ahlcorp Oy, which is a management ownership company, is included in the consolidated financial statements. The share of non-controlling interest in the company is 100%.

Non-controlling interest is reported as a separate item in equity in the consolidated balance sheet. Profit or loss for the period attributable to the owners of the parent and the non-controlling interest are each presented separately in the consolidated income statement and the comprehensive income for the period attributable to the owners of the parent and the non-controlling interest are each presented separately in the consolidated statement of comprehensive income.

Foreign currency translation

Figures representing the financial result and position 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 the presentation currency of the parent company.

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

The balance sheets of foreign subsidiaries are translated into euros at the exchange rates prevailing at the balance sheet date while the income statements are translated at the average exchange rates for the period. Translating the result of the period using different exchange rates on the balance sheet and income statement causes a translation difference to be recognized in equity and its change is recorded in the consolidated statement of comprehensive income.

Translation differences arising from the elimination of the acquisition price of foreign subsidiaries and from the translation differences in equity items since the acquisition date as well as the changes in spot values of forward contracts that hedge the currency exposures on net investments are recognized in the consolidated statement of comprehensive income. When a subsidiary is disposed or sold wholly or partially, translation differences arising from the net investment and 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 (the date the Group adopted IFRS) have been recognized in retained earnings at the time of the transition to IFRS. Upon disposal or sale of a subsidiary, such translation differences will not be recognized in the income statement. Translation differences incurred since January 1, 2004 are presented separately in the statement of changes in equity.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses. Interest costs on borrowings to finance long-term construction of qualifying assets are capitalized as part of their historical cost base during the period required to complete the asset for its 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 a 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 the part and the possible remaining carrying amount is depreciated at the time of replacement. Ordinary repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

The residual values and the useful lives of non-current assets are reassessed at each balance sheet date and appropriate adjustments are recorded to reflect the changes in estimated recoverable amounts. Depreciation on items of property, plant and equipment is discontinued when the item is classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

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

Investment properties

The purpose of owning investment properties is to obtain rental income or value appreciation. The investment properties are measured at fair value which equals the market value of the functioning market. Gains and losses arising from the adjustments of the fair value of investment properties are included in other operating income or expenses. The Group had no investment properties during the financial period.

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. Goodwill is stated at original cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and it is not amortized but instead is tested annually for impairment.

Acquisitions prior to the IFRS transition date have, in accordance with IFRS 1, not been restated, and therefore the balance sheet carrying values according to the previous accounting standards continue to be used as the recorded cost of the acquisition. 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 to intangible assets, property, plant and equipment and goodwill.

Research and development

Research costs are expensed as incurred in the income statement. Expenditures on development activities are also expensed as incurred except for those development expenses which meet the capitalization criteria under IAS 38 Intangible Assets.

Other intangible assets

Other intangible assets e.g. trademarks, patents, licenses and computer software, which have a definite useful life are stated at cost less accumulated amortization and impairment losses. Other intangible assets which have an indefinite useful life are not amortized but tested annually for possible impairment.

Intangible assets are amortized on a straight-line basis over their expected useful lives. The expected useful lives for trademarks, patents and licenses are ranging from 5 to 20 years and for computer software from 3 to 5 years.

Other intangible assets, e.g. customer relationships, acquired in business combinations are recorded at fair value at the acquisition date. These intangible assets have a definite useful life and are carried at cost less accumulated straight-line amortization over the expected life of the intangible asset.

Emission rights

The Group participates in the European Union emission trading scheme in which it has been allocated emission allowances for a defined period. The allocated allowances received free of charge according to the carbon dioxide emissions and the liability based on the actual emissions are netted. A provision is recognized if the allowances received free of charge do not cover the actual emissions. No intangible asset is recognized for the excess of allowances. Gains arising from the sale of the emission right allowances are recorded in other operating income.

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. The cost of finished goods and work in progress comprises raw materials, energy, direct labor, other direct costs and related indirect production overheads based on normal operating capacity.

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. The corresponding lease obligations, net of finance charges, are included in interest-bearing liabilities. Each lease payment is allocated between the liability and the finance charges. The interest element of the finance cost is charged to the income statement over the lease period using a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment 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

The carrying amounts of the Group's assets are reviewed continuously to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Goodwill is tested for impairment annually whether there is any indication of impairment or not.

The need for impairment is reviewed at the level of cash-generating units, in other words, on the lowest unit level which is mainly independent of other units.

The recoverable amount is the higher of the asset's fair value less costs to sell or 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. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the specific risk to the asset for which the future cash flow estimates have not been adjusted.

An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. An impairment loss is immediately recognized in the income statement and allocated first to reduce the goodwill of the cash-generating unit and thereafter to reduce the other assets of the unit. An impairment loss allocated to assets other than goodwill can be reversed in case a positive change has taken place in the recoverable amount of an asset. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized in prior years. However, an impairment loss recorded on goodwill is never reversed.

Employee benefits

Defined contribution and defined benefit plans

Group companies have various pension schemes in accordance with local practices in different countries. The pension arrangements are classified as either defined contribution plans or defined benefit plans. The schemes are mostly funded through payments to insurance companies or trustee-administered funds according to local regulations. A defined contribution plan is a pension plan under which the company and usually also the employees pay fixed contributions to an insurance company. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay the pension benefits to the employees. Contributions to defined contribution pension plans are recognized as expense in the period when they incur. All pension plans which do not meet the criteria for defined contribution plans are defined benefit plans. Defined benefit plans typically define a fixed amount of benefit that an employee will receive after retirement and which the company is responsible for.

The Group's net obligation of defined benefit plans is calculated and recorded separately for each pension scheme based on calculations prepared by independent actuaries. The present value of defined benefit obligations is determined using the projected unit credit method. The net liability recognized in the balance sheet is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets adjusted by the unrecognized actuarial gains or losses and unrecognized past service costs. The discount rate used to determine the present value of the defined benefit obligation is equal to the yield on high quality corporate bonds or, if not available, government bonds. The interest rates of the high quality corporate bonds are determined in the currency in which the benefits will be paid with a similar maturity to the obligation.

All actuarial gains and losses as of January 1, 2004 were recognized in equity in connection with the transition to IFRS. The actuarial gains and losses that arise subsequent to January 1, 2004 are, to the extent that the cumulative unrecognized actuarial gain or loss exceeds the greater of 10% of the present value of the defined benefit obligation or 10% of the fair value of the plan assets, recognized in the income statement over the expected average remaining working lives of the employees participating in the plan.

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

Share-based payments

The Group has share-based incentive plans for Executive Management Team members under which the senior management is granted a combination of shares and cash payment based on financial performance of the Group. The estimated amount of the shares to be granted based on the program are measured at the fair value on the grant date and are recorded in the income statement as employee benefits equally over the period when the right to share-based compensation occurs and to the equity. The portion to be paid in cash is recognized in personnel expenses and as debt.

Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that a cash outflow will be required to settle the obligation and a reliable estimate of the obligation can be made. Long-term provisions are discounted to their present value.

A provision for restructuring is recognized only when a formal plan has been approved, and the implementation of the plan has either commenced or the plan has been announced. An environmental provision is recorded based on the 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.

Income taxes

In the consolidated statement of income, the taxes based on the taxable income of the financial period, adjustments to prior year taxes and deferred taxes are presented as income taxes. Taxes are recognized in the income statement unless they relate to items recognized directly in equity or in the consolidated statement of comprehensive income. In this case the tax is also recognized in other comprehensive income or directly 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. Deferred tax assets on deductible temporary differences, tax losses carried forward and unused tax credits are recognized only to the extent that it is probable that future taxable profits will be available, against which the 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 when the tax rate change is enacted.

Revenue recognition

Net sales are the revenues from the sale of products and services adjusted by indirect taxes, returns, rebates, discounts and other credits. Net sales are not adjusted with exchange rate differences from foreign currency sales after the original sale is recorded.

The Group recognizes revenue from product sales when the ownership of goods and the material risks related to ownership have been transferred to the buyer or other responsible party. The majority of the Group's revenue is recognized upon delivery to the customer. Revenue from services is recognized when the services are rendered.

Rental income is recorded in the income statement on a straight-line basis over the lease term. Recognition of license and royalty income is performed in accordance with the content of the agreements. Interest income is recognized using the effective interest rate method for the period during which the interest income is generated and dividend income is recognized when the right to the dividend has arisen.

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 the asset in the form of reduced depreciation charges. Grants received as reimbursement of actual expenses, are recognized in the income statement in the same period when the right to receive the grant exists. Such grants are recognized in other operating income.

Non-current assets held for sale and discontinued operations

Non-current assets held for sale and assets and liabilities related to discontinued operations are classified as held for sale if their carrying amount will be recovered principally through a sale transaction instead of continuous operations. The prerequisites for the classification as held for sale are considered to be met when the sale is considered highly probable and management is committed to the sale within one year from the date of classification for sale. From the classification date the assets held for sale are measured at lower of their carrying amount or fair value less selling costs. Depreciation of these assets is discontinued on the classification date.

Financial assets and liabilities

The Group's financial assets are classified into the following categories according to IAS 39: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification is determined on initial recognition based on the intended use of the financial asset. The purchases and sales of financial assets are recognized on the trade date and they are classified as current or non-current assets based on their maturities. Investments are recognized at cost including transaction costs for all financial assets not measured at fair value through profit or loss.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset have expired or have been transferred and substantially all the risks and rewards of ownership have been moved outside the Group.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit and loss are assets held for trading. Assets in this category are mainly held to generate profits from short-term market price changes. Derivatives are also categorized in this group unless they qualify for hedge accounting. Assets in this category are measured at fair value. 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 include derivatives and other current investments.

Loans and receivables

Loans and receivables are 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 and payments are fixed or determinable and are not held for trading. Loans and receivables are recognized at amortized cost. The Group's loans and other receivables comprise trade and other receivables.

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. The Group's available-for-sale financial assets include unlisted securities classified in non-current other investments in the balance sheet. Unlisted securities are stated at lower of cost or probable value.

Cash and cash equivalents

Cash and cash equivalents includes 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.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

An impairment of trade receivables is recorded when there is sufficient evidence that the receivable can not be collected at the carrying amount of the asset. Impairment loss is determined by management based on its judgement of the customer's ability to fulfill the obligation. An impairment of trade receivables and any reversal of a previously recorded impairment loss is recognized in other operating expenses in the consolidated income statement.

Financial liabilities

The Group's financial liabilities include interest-bearing loans and borrowings, trade and other payables and other financial liabilities. Financial liabilities are classified as financial liabilities at fair value through profit and loss and other financial liabilities measured at amortized cost. Derivatives for which hedge accounting is not applied are included in the financial liabilities at fair value through profit and loss. Other financial liabilities 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 at fair value. Subsequent to initial recognition at fair value, financial liabilities, with the exception of derivatives, are measured at amortized cost using the effective interest rate method. Financial liabilities are categorized as current or non-current liabilities based on their maturities. Financial liabilities are current if the Group does not have an unconditional right to settle the liability later than 12 months from the closing date.

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments to manage foreign currency, interest rate and commodity risks. Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gains or losses is dependent on the intended use of the derivative in question. Changes in fair value of derivatives designated and qualifying for hedge accounting and which are effective are recognized congruently with the hedged item. When derivative contracts are entered into, the Group designates them either as hedges of the fair value of recognized assets, liabilities or firm commitments (fair value hedge), hedges of forecasted transactions or firm commitments (cash flow hedge), hedges of net investments in foreign operations (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. The Group also documents its assessment, both at hedge inception and on an ongoing basis, as to whether the derivatives used as hedging instruments are effective in offsetting changes in fair values or cash flows of hedged items.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges 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 that are designated and qualify as cash flow hedges is recorded in the consolidated statement of comprehensive income and presented as hedging reserve in equity. The cumulative gain or loss of a derivative deferred in equity is recognized in the income statement in the same period in which the hedged item affects profit or loss. When hedging the foreign currency risk of forecasted net sales and purchases or commodity risk the fair value of the derivatives is recognized in the cost of goods sold in the income statement. When a hedging instrument expires, is sold or no longer qualifies for hedge accounting, any cumulative gain or loss reflected in equity at that time remains in equity until the forecasted business transaction hedged occurs. However, if the forecasted transaction is no longer expected to occur, the cumulative gain or loss reported in equity is recognized in the income statement.

The Group uses either derivatives or currency loans to hedge its currency exposure of net investments in foreign operations which are accounted for similarly to cash flow hedges. The effective portion of the change in fair value of the hedging instrument, i.e. change in spot value, is recorded in the consolidated statement of comprehensive income and presented as translation reserve in equity. Any ineffective portion of the difference in interest rates is recognized in finance items in the income statement. If a foreign currency loan is used as a hedge, the effective portion of the associated exchange gains or losses is recorded in the consolidated statement of comprehensive income and presented as translation reserve in equity. When the subsidiary is disposed or sold, the cumulative amount in the translation reserve is recognized in the income statement as an adjustment to the gain or loss on the disposal.

The fair values of derivatives under hedge accounting are presented in current assets or liabilities in the balance sheet.

Other derivative instruments do not necessarily qualify for hedge accounting, even if they are economic hedges according to the Group treasury policy. Changes in fair values of these non-qualifying derivatives are recorded according to the hedged item in the income statement in the period they occur. The embedded derivatives which meet the terms and conditions defined in IAS 39 standard will be separated from the host contract and measured at fair value through profit or loss. Fair values are determined by utilizing public price quotations and generally accepted valuation methods. The valuation data and assumptions are based on verifiable market prices. The fair values of pulp derivatives are based on prices provided by market makers.

Equity and dividends

The company's shares are entered in a book-entry securities system and they are presented as share capital in the consolidated financial statements.

The Group reports the own shares it holds as reduction in equity. The purchase, sale, issuance and cancellation of own shares is not recognized as profit or loss in the income statement but the considerations paid or received and expenses incurred, net of taxes, are recognized in equity.

Dividends proposed by the Board of Directors are recognized in the financial statements at the approval by the shareholders at the Annual General Meeting.

The hybrid bond is treated as equity in the consolidated financial statements. Interest on the hybrid bond is not accrued but is recorded in retained earnings, net of taxes, after dividend approved by the Annual General Meeting. When calculating the earnings per share the accumulated interest of the hybrid bond during the financial period is included in the result for the period.

Operating profit

The Group's operating profit is the net amount of net sales and other operating income less cost of goods sold, sales and marketing expenses, research and development expenses, administrative expenses and other operating expenses.

All other income statement items are presented below operating profit. Foreign exchange differences and changes in fair values of derivatives are included in operating profit if they relate to normal business operations. Foreign exchange differences related to financial operations are recorded in financial income and expenses.

Critical accounting estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to use accounting estimates and assumptions in applying the accounting principles. The estimates are based on the management's best knowledge at the balance sheet date but the actual outcome may differ from the estimates and assumptions used. The most significant estimates are related to the fair value calculations of business combinations, the economic lives of property, plant and equipment, pension benefits, deferred taxes, valuation of provisions and impairment testing of goodwill.

The Group management exercises judgement in selecting and applying the accounting principles, particularly in cases where the existing IFRS standards offer alternative recognition, valuation or presentation methods or where the interpretation of the existing IFRS standard is impacted by other legisture in the jurisdiction of the company (IFRIC 17). The basis for the estimates are described in greater detail in the accounting principles and later in the relevant notes to the consolidated financial statements.

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 if not otherwise mentioned in the description of the standard.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (amendment).
The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. The amendment is effective for accounting periods beginning on or after July 1, 2011. The amendment will have an effect on the presentation of the other comprehensive income in the consolidated financial statements of the group.

IAS 12 Income taxes – Deferred tax: recovery of underlying assets (amendment).
The amendment clarifies the determining whether assets measured using the fair value model in IAS 40 Investment Property are recovered through use or through sale. The amendment is effective in EU for the accounting periods beginning on or after January 1, 2013. The amendment will not have any effect on the consolidated financial statements.

IAS 19 Employee Benefits (amendment).
The amendment includes the requirement that all actuarial gains and losses are recognized immediately in the period in which they occur in other comprehensive income. This change will remove the use of corridor approach. The amendment is effective for accounting periods beginning on or after January 1, 2013. As a result of the change in recognizing actuarial gains and losses the long-term liabilities on the balance sheet of the consolidated financial statements of the group as of December 31, 2012 will increase EUR 88.7 million and the equity attributable to the owners of the parent company will decrease EUR 58.4 million. The remeasurement of the net benefit liability/asset net of tax EUR 19.3 million for the year ended December 31, 2012 will be shown as part of other comprehensive income. In addition the new measurement and presentation of the net interest component is expected to decrease pension expenses and increase finance costs.

IFRS 9 Financial Instruments – classification and measurement of financial assets and liabilities (new).
The new standard is the first step to replace the current IAS 39 Financial Instruments: Recognition and Measurement standard. IFRS 9 introduces new requirements for classifying and measuring financial assets. It is likely to affect the Group's accounting for its financial assets but will potentially have no impact on classification and measurements of financial liabilities. The mandatory effective date of the new standard is January 1, 2015. The standard is not yet endorsed by EU. The Group will assess the full impact of the new IFRS 9 standard in conjunction of the other phases, when issued.

IFRS 10 Consolidated Financial Statements (new).
The new standard replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements and SIC 12 Consolidation-Special Purpose Entities. The new standard is effective in EU for the accounting periods beginning on or after January 1, 2014. It is not expected to have a significant effect on the consolidated financial statements of the group.

IFRS 11 Joint Arrangements (new).
The standard covers the accounting requirements for jointly-controlled entities including joint ventures. IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly-controlled Entities – Non-monetary Contributions by Ventures. The new standard is effective in EU for accounting periods beginning on or after January 1, 2014. It is not expected to have a significant effect on the consolidated financial statements of the group.

IFRS 12 Disclosure of Interests in Other Entities (new).
The standard contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The new standard is effective in EU for accounting periods beginning on or after January 1, 2014. The new standard will increase the disclosures of interests in other entities presented in the consolidated financial statements of the group.

IFRS 13 Fair Value Measurement (new).
The standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. The new standard is effective for accounting periods beginning on or after January 1, 2013. The new standard will increase the disclosures of fair value measurement of non financial assets presented in the consolidated financial statements of the group.

IAS 27 Separate Financial Statements (revised 2011).
As a consequence of the new IFRS 10 what remains of IAS 27 is limited to accounting for subsidiaries, jointly-controlled entities, and associates in separate financial statements. The amendment is effective in EU for accounting periods beginning on or after January 1, 2014. It is not expected to have a significant effect on the consolidated financial statements of the group.

IAS 28 Investments in Associates and Joint Ventures (revised 2011).
As a consequence of the new IFRS 11 the standard has been revised and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment is effective in EU for accounting periods beginning on or after January 1, 2014. It is not expected to have a significant effect on the consolidated financial statements of the group.

IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (amendment).
The amendment specifies the requirements for the presentation of offsetted financial assets and financial liabilities and increase the application guidance for offsetting financial assets and financial liabilities. The amendment is effective for accounting periods beginning on or after January 1, 2014. The amendment is not expected to have a significant effect on the consolidated financial statements of the group.

IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (amendment).
The amendment specifies the disclosure requirements for the netted financial instruments in the balance sheet as well as common netting arrangements or similar agreements. The amendment is effective for accounting periods beginning on or after January 1, 2014. The amendment is not expected to have a significant effect on the consolidated financial statements of the group.

Annual Improvements to IFRS standards 2009–2011.
The amendments cover five separate standards and are effective for accounting periods beginning on or after January 1, 2013. The impacts of the amendments vary by standard. The amendment to IAS 16 Property, plant and equipment clarifies that spare parts and servicing equipment used for more than one period are classified as property, plant and equipment rather than inventory. Other amendments are not expected to have a significant effect on the consolidated financial statements of the group. The amendments have not yet been approved by EU.

1. Financial risk management

Financial risk management is part of Ahlstrom's group-wide 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 Audit Committee of the Board of Directors and the treasury activities are coordinated by Group Treasury.

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).

Transaction exposure concerns forecasted foreign currency flows and firm commitments. In 2012, approximately 53% of Ahlstrom's net sales were denominated in euros, approximately 33% in US dollars and 14% 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 of the respective Group company in accordance with the rules set in the Group Treasury Policy. The guideline for Group companies is to hedge 100% of the forecasted 3 month net foreign currency flows per currency against the base currency of the respective company. However, hedging periods can be extended up to 12 months when agreed with Group Treasury. Foreign currency forwards are used as hedging instruments and these are generally booked through the income statement.

Translation exposure consists mainly of foreign currency denominated loans and receivables (Balance Sheet exposure) and net investments in foreign subsidiaries (Equity exposure). The Balance Sheet exposure is managed by Group Treasury and the aim is a fully hedged balance sheet exposure position, whenever economically possible. The Group norm is to leave the Equity exposure unhedged due to the long-term nature of the investments. On December 31, 2012 the equity hedging ratio was 0% (31.12.2011 0%).

Financial instruments' foreign exchange risk sensitivity analysis according to IFRS 7

The analysis has been prepared on the basis that the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at December 31, 2012. 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 changes in exchange rates and interest rates.

The following table shows how much the income statement 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.

Transaction exposure	**31.12.2012**		31.12.2011	
EUR million	**Open Position**	**Effect on income statement**	Open Position	Effect on income statement
USD	**11.1**	**1.1**	11.0	1.1
GBP	**4.0**	**0.4**	3.0	0.3
SEK	**0.2**	**0.0**	1.3	0.1
Net effect		**1.5**		1.5

The net effect has been calculated before taxes.

The following table shows how much 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.

Translation exposure	**31.12.2012**		31.12.2011	
EUR million	**Open Position**	**Effect on Equity**	Open Position	Effect on Equity
BRL	**165.4**	**16.5**	152.7	15.3
USD	**90.3**	**9.0**	88.3	8.8
GBP	**37.7**	**3.8**	39.9	4.0
RUB	**43.7**	**4.4**	40.5	4.1
KRW	**28.3**	**2.8**	25.2	2.5
SEK	**35.3**	**3.5**	20.7	2.1
CNY	**31.6**	**3.2**	31.1	3.1
INR	**19.4**	**1.9**	11.6	1.2
Net effect		**45.2**		41.0

The net effect has been calculated before taxes.

Interest rate risk

Interest rate risk is measured with modified duration, which defines the Group's loan portfolio's interest rate sensitivity in response to a change in interest rates. According to the Group Treasury Policy the Group's benchmark duration is 12 months and the duration may deviate between 3 and 48 months. On December 31, 2012 the duration of the loan portfolio was 15.3 months. The duration of the loan portfolio can be adjusted by the use of derivative instruments such as interest rate swap contracts with maturities usually between 2 and 5 years. On December 31, 2012 there were no open interest rate swap contracts. Derivative fair values are shown in note 29.

Financial instruments' interest rate risk sensitivity analysis according to IFRS 7

The analysis has been prepared on the basis that the amount of net debt and the ratio of fixed to floating interest rate of the debt are constant. The financial instruments affected by market risks include borrowings, other short-term deposits and derivative financial instruments. These are sensitive to changes in interest rates.

The following table shows how much the income statement and the equity would be affected by a 1 percentage point parallell shift in the yield curve

	31.12.2012			31.12.2011		
EUR million	**Open Position**	**Effect on income statement**	**Effect on Equity**	Open Position	Effect on income statement	Effect on Equity
Net interest-bearing liabilities*	**166.4**	**-1.4**	**-**	57.7	-0.4	-
Interest rate derivatives	**-**	**-**	**-**	-	-	-
Net effect		**-1.4**	**-**		-0.4	-

*) Net interest-bearing liabilities includes interest-bearing liabilities and other short-term deposits. Cash and finance lease liabilities are excluded. The net effect has been calculated before taxes.

Raw material and energy price risk

Group earnings are exposed to commodity and energy price volatility. Group companies have the responsibility of identifying and measuring their commodity and energy price risk. Group companies should primarily seek to hedge their risks in relation to movements in commodity prices (primarily for pulp, energy and chemicals) with their suppliers through fixed price contracts for a defined period. Where such hedges cannot be obtained or if they are commercially uneconomical Group companies may enter into financial commodity price risk hedging transactions through commodity derivatives. All such transactions need to be concluded with Group Treasury. On December 31, 2012 there were no open pulp derivative agreements. In 2011, total amount of pulp derivative agreements was 1,500 tons.

Financial instruments' commodity risk sensitivity analysis according to IFRS 7

The analysis has been prepared on the basis that the amount of derivative contracts is constant. The financial instruments affected by market risks include pulp and platinum derivative financial instruments. These are sensitive to changes in the commodity forward prices.

The following table shows how much the income statement and the equity would be affected by a +10% change in the commodity forward price curve. In case of a -10% change in the commodity forward price curve the effect would be the opposite.

	31.12.2012			31.12.2011		
EUR million	**Nominal amount**	**Effect on income statement**	**Effect on Equity**	Nominal amount	Effect on income statement	Effect on Equity
Pulp derivative agreements	**-**	**-**	**-**	1.0	0.1	-
Platinum derivative agreements	**-**	**-**	**-**	43.9	-1.5	-
Net effect		**-**	**-**		-1.4	-

The net effect has been calculated before taxes.

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 only. Cash, cash equivalents and available committed credit facilities should always cover outstanding short term debt and following 12 months interest payments, loan amortizations, committed capital and maintenance investments and estimated dividend payments.

As of December 31, 2012, Ahlstrom's interest-bearing liabilities amounted to EUR 358.9 million (EUR 332.2 million on December 31, 2011), divided into financings from banks and other financial institutions of EUR 291.6 million (EUR 322.6 million), EUR 59.0 million (not in use in 2011) in borrowings under the company's EUR 300 million domestic commercial paper program and EUR 8.4 million (EUR 9.6 million) in commitments under financial leases. At the end of the year, its total liquidity, including cash and unutilized committed credit facilities was EUR 314.8 million (EUR 397.6 million). In addition, the company had cash pool overdraft limits and undrawn uncommitted credit facilities totalling EUR 151.0 million (EUR 177.5 million).

During the year Ahlstrom renewed a matured EUR 30 million bilateral revolving credit facility for 5 years. Negotiations concerning the renewal of another USD 30 million bilteral credit line agreement, also for 5 years, were completed towards the end of the year. The transaction was closed in January 2013.

After completing waiver and consent discussions, Ahlstrom's main creditors approved by common consent the demerger of the Label and Processing business from the remaining Ahlstrom organization.

Following an internal assessment of its long term financing requirements after the demerger Ahlstrom elected to voluntarily cancel EUR 50 million worth of commitments under its EUR 250 million Multicurrency Revolving Credit Facility Agreement of 30 June 2011 and to voluntarily prepay EUR 15 million under its long term EUR 45 million financing arrangements for research and development costs with the European Investment Bank of 21 December 2010.

Ahlstrom's financial covenant undertakings remain unchanged. The company has agreed to a gearing covenant which is the only financial covenant governing any of Ahlstrom's loan agreements.

Throughout the year the Group was in full compliance with the covenants of its financing agreements and management expects such compliance to continue.

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 in the following table.

Contractual undiscounted cash flows of repayments and interests of liabilities

Dec 31, 2012

EUR million	**2013**	**2014**	**2015**	**2016**	**2017**	**Later**	**Total**
Floating rate loans from financial institutions	34.5	14.4	9.9	8.0	6.6	5.4	78.8
Fixed rate loans from financial institutions	17.9	14.0	12.0	11.5	2.3	3.3	61.1
Pension loans	19.4	18.4	1.3	-	-	-	39.1
Finance lease liabilities	1.3	1.0	5.3	0.5	0.4	0.8	9.3
Other non-current loans	4.5	4.5	103.4	0.0	0.0	0.1	112.6
Other current loans	87.3	-	-	-	-	-	87.3
Trade and other payables	328.8	-	-	-	-	-	328.8
Total	493.8	52.3	131.9	20.0	9.5	9.6	717.1
Derivatives							
Foreign exchange forward contracts, outflow	-133.9	-	-	-	-	-	-133.9
Foreign exchange forward contracts, inflow	133.9	-	-	-	-	-	133.9
Commodity derivatives	-	-	-	-	-	-	-
Derivatives, net	-0.1						-0.1

Dec 31, 2011

EUR million	**2012**	**2013**	**2014**	**2015**	**2016**	**Later**	**Total**
Floating rate loans from financial institutions	5.7	38.0	12.5	10.6	8.8	16.9	92.5
Fixed rate loans from financial institutions	14.3	17.9	13.6	9.8	9.5	1.6	66.7
Pension loans	20.2	19.3	18.3	1.2	-	-	59.0
Finance lease liabilities	1.6	1.3	1.0	5.3	0.5	1.2	10.9
Other non-current loans	4.8	4.5	4.5	103.3	0.0	0.1	117.3
Other current loans	24.6	-	-	-	-	-	24.6
Trade and other payables	336.3	-	-	-	-	-	336.3
Total	407.4	81.0	49.9	130.3	18.8	19.7	707.3
Derivatives							
Foreign exchange forward contracts, outflow	-109.4	-	-	-	-	-	-109.4
Foreign exchange forward contracts, inflow	108.6	-	-	-	-	-	108.6
Commodity derivatives	1.3	-	-	-	-	-	1.3
Derivatives, net	0.5						0.5

As the amounts disclosed in the table above are the contractual undiscounted cash flows, they differ from the carrying values in the Group balance sheet. The Group has a financial guarantee given on behalf of the associated company Jujo Thermal Oy. On December 31, 2012 the financial guarantee amounted to EUR 15.0 million. The guarantee expires on April 30, 2016.

Interest-bearing liabilities and debt structure

Dec 31, 2012 EUR million	Drawn	Undrawn	Total	2013	2014	2015	2016	2017	Later
				Facility maturity					
Available committed facilities	**-**	**259.3**	**259.3**	22.7	-	-	200.0	36.6	-
				Loan maturity					
Non-current loans	**263.2**	**-**	**263.2**	66.7	38.6	118.2	15.9	16.2	7.6
Finance lease liabilities	**8.4**	**-**	**8.4**	1.0	0.7	5.1	0.5	0.4	0.7
Current loans	**85.4**	**-**	**85.4**	85.4	-	-	-	-	-
Bank credit lines utilized	**1.9**	**-**	**1.9**	1.9	-	-	-	-	-
Total interest-bearing liabilities	**358.9**	**-**	**358.9**	155.0	39.3	123.3	16.4	16.6	8.3
Total loans and undrawn committed	**358.9**	**259.3**	**618.3**						

Dec 31, 2011 EUR million	Drawn	Undrawn	Total	2012	2013	2014	2015	2016	Later
				Facility maturity					
Available committed facilities	-	303.2	303.2	30.0	23.2	-	-	250.0	
				Loan maturity					
Non-current loans	298.1	-	298.1	32.3	69.8	41.6	119.5	17.3	17.6
Finance lease liabilities	9.6	-	9.6	1.2	1.0	0.7	5.1	0.5	1.1
Current loans	14.5	-	14.5	14.5	-	-	-	-	-
Bank credit lines utilized	10.1	-	10.1	10.1	-	-	-	-	-
Total interest-bearing liabilities	332.2	-	332.2	58.1	70.8	42.3	124.6	17.8	18.7
Total loans and undrawn committed facilities	332.2	303.2	635.4						

Factoring

Group companies may enter into factoring or other corresponding financing arrangements subject to Group Treasury approval and according to the criterias defined in the Group Treasury Policy. On December 31, 2012 the Group had factoring arrangements of EUR 14.0 million (EUR 14.6 million).

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 in the credit and capital markets at all times. 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 in the long-term be between 50–80%.

Ahlstrom Corporation issued in November 2009 a EUR 80 million domestic hybrid bond. The bond is treated as equity in the consolidated financial statements.

The gearing ratios in 2011 and 2012 were as follows.

EUR million	2012	2011
Interest-bearing loans and borrowings	**358.9**	332.2
Cash and cash equivalents	**55.5**	94.4
Other current investments	**-**	-
Interest-bearing net liabilities	**303.4**	237.8
Equity, total	**543.9**	622.7
Gearing ratio	**55.8%**	38.2%

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 relating to trade receivables are managed by assessing the creditworthiness of customers and by approving customer credit limits based on guidelines defined in the Group Credit Policy. Monitoring of past payment behaviour, obtainment of credit information data and credit references form part of the limit approval process. As its main risk mitigation tool Ahlstrom uses a global credit insurance program, in which a majority of the subsidiaries are participating. Due to its diversified customer base and geographical spread of the receivables there is no significant concentration of credit risks for the Group. The ten largest customers of Ahlstrom account for less than 20% of net sales. The aging analysis of trade receivables is presented in note 22.

Counterparty risks arise from exposures associated with financial transactions such as deposits, placements, derivatives contracts, guarantees issued in favour of Group companies and receivables from insurance companies. Counterparty risks are managed by monitoring the creditworthiness of counterparts based on guidelines defined in the Group Treasury Policy and transactions are concluded with highly rated banks, insurance companies and other financial institutions only. Ahlstrom encountered no materialized counterparty risks in 2012. .

2. Segment information

The Group has three segments: Building and Energy, Filtration, Food and Medical. The segments are the same as Ahlstrom's business areas. The Label and Processing segment is reported in discontinued operations starting November 27, 2012.

The Building and Energy segment serves customers in building, transportation, marine, windmill and fabric care industries. The segment's products can be found in wallcoverings, floorings, boat hulls, windmill blades and automotive interiors.

The Filtration segment manufactures filtration materials. Filtration materials are mainly used in the transportation industry as well as in air and liquid filtration.

The Food and Medical segment manufactures materials for the food industry and hospital applications. The food industry products are teabags and food packaging materials. Hospital products are primarily medical gowns, drapes, face masks and sterilization wraps.

Other operations include financial and tax assets and liabilities, net financing cost, taxes, Holding and Sales Companies' income, expense, assets and liabilities as well as share of result of associated companies.

Ahlstrom Group management monitors the segments' result, cash flow and capital employed in order to evaluate the segment's performance and to make decisions on resource allocations.

Ahlstrom's highest operative decision-making body is the Group's Executive Management Team (EMT). The CEO is the chairman of the EMT and its other members are the business area leaders and functional leaders. The EMT members receive a monthly performance report including income statement, operative cash flow and main KPI's of each business area. The performance of the business areas is evaluated mainly based on operating profit, operative cash flow and return on net assets (RONA).

The segments' results, assets and liabilities include items directly attributable to the segment's operations. The valuation principles of the segment information are in accordance with the Group's accounting principles.

Business segments 2012

EUR million	Building and Energy	Filtration	Food and Medical	Other operations	Eliminations	Continuing operations
External net sales	240.8	341.5	335.5	93.0		**1,010.8**
Inter-segment net sales	3.3	11.2	23.9	34.2	-72.6	**0.0**
Net sales	244.1	352.7	359.4	127.2	-72.6	**1,010.8**
Operating profit / loss	9.5	16.7	4.2	-11.8	0.1	**18.6**
Financial income	-	-	-	0.9	-	**0.9**
Financial expenses	-	-	-	-18.2	-	**-18.2**
Share of profit/loss of associated companies	-	-	-	-7.1	-	**-7.1**
Profit / loss before taxes						**-5.7**
Operating profit / loss, %	3.9	4.7	1.2	-	-	**1.8**
Return on net assets, RONA, % (Continuing operations ROCE, %)	7.7	9.0	2.0	-	-	**1.6**
Operative cash flow	16.6	9.9	-0.2	-19.5	-0.2	**6.6**
Segment assets	160.7	272.9	274.8	89.2	-5.3	**792.4**
Investments in associated companies	-	-	-	29.8		**29.8**
Unallocated assets	-	-	-	242.0		**242.0**
Total assets						**1,064.2**
Segment non-interest bearing liabilities	43.0	71.2	63.0	81.0	-5.1	**253.0**
Unallocated liabilities	-	-	-	396.2	-	**396.2**
Total equity	-	-	-	415.0	-	**415.0**
Total equity and liabilities						**1,064.2**
Depreciation and amortization	-11.3	-18.6	-18.7	-3.9	-	**-52.4**
Impairment	-	-	-	-	-	**0.0**
Non-recurring items	5.6	-4.3	-1.0	0.4	-	**0.7**
Capital expenditure	15.9	23.7	27.4	7.1	-	**74.1**
Sales volumes (thousands of tonnes)	96.9	112.0	116.6	53.4	-	**379.0**

Business segments 2011

EUR million	Building and Energy	Filtration	Food and Medical	Other operations	Eliminations	Continuing operations
External net sales	292.4	315.1	327.7	90.5		1,025.8
Inter-segment net sales	3.8	9.4	34.1	19.7	-67.0	0.0
Net sales	296.2	324.5	361.9	110.2	-67.0	1,025.8
Operating profit / loss	-27.8	22.8	12.0	-4.8	-0.1	2.1
Financial income	-	-	-	1.7	-	1.7
Financial expenses	-	-	-	-22.1	-	-22.1
Share of profit/loss of associated companies	-	-	-	-4.0	-	-4.0
Profit / loss before taxes						-22.3
Operating profit / loss, %	-9.4	7.0	3.3	-	-	0.2
Return on net assets, RONA, % (Continuing operations ROCE, %)	-19.8	13.6	5.7	-	-	0.0
Operative cash flow	-15.7	21.5	22.8	-6.2	-	22.4
Segment assets	191.8	238.3	267.9	81.4	-5.0	774.3
Investments in associated companies	-	-	-	36.6		36.6
Unallocated assets	-	-	-	265.0		265.0
Total assets						1,076.0
Segment non-interest bearing liabilities	62.4	69.8	59.5	76.3	-4.7	263.3
Unallocated liabilities	-	-	-	379.0	-	379.0
Total equity	-	-	-	433.8	-	433.8
Total equity and liabilities						1,076.0
Depreciation and amortization	-18.2	-16.7	-18.4	-5.9	-	-59.3
Impairment	-11.1	-	-	-	-	-11.1
Non-recurring items	-29.0	0.8	0.3	0.5	-	-27.5
Capital expenditure	7.5	21.8	16.4	4.2	-	49.8
Sales volumes (thousands of tonnes)	127.1	110.9	128.7	47.9	-	414.6

Geographic information

External net sales is based on the geographical location of the customers. Reporting of non-current assets is based on the geographical location of the assets. Non-current assets are presented excluding financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

EUR million	External net sales	Non-current assets
2012		
USA	**291.2**	**121.1**
Germany	**212.7**	**31.4**
Brazil	**134.9**	**132.7**
France	**124.0**	**121.1**
Italy	**110.6**	**92.4**
China	**73.5**	**60.8**
Spain	**71.6**	**0.4**
United Kingdom	**61.6**	**29.1**
Finland	**10.7**	**85.8**
Other countries	**507.9**	**90.4**
Total	**1,598.6**	**765.2**
Discontinued operations	**587.8**	**261.6**
Continuing operations	**1,010.8**	**503.6**
2011		
USA	392.6	132.7
Germany	230.5	23.3
Brazil	148.5	148.8
France	126.7	120.5
Italy	142.6	87.7
China	83.4	31.5
Spain	91.2	3.6
United Kingdom	77.7	31.6
Finland	11.5	109.3
Other countries	548.1	87.4
Total	1,852.6	776.3
Discontinued operations	826.8	285.6
Continuing operations	1,025.8	490.7

The Group has no individual customers whose share exceeds 10% of the Group's total net sales.

3. Disposals of businesses and discontinued operations

2012

Disposals of businesses

Label and Processing to be combined with Munksjö AB

Ahlstrom Corporation has on August 28, 2012 signed an agreement ("Combination Agreement") with EQT, the principal owner of Munksjö AB, to combine its Label and Processing business area with Munksjö AB to form a global leader in specialty papers through two partial demergers: one consisting of the Label and Processing operations in Europe ("LP Europe") and one in Brazil ("Coated Specialties"). The new company created through the combination will be called Munksjö Oyj, the shares of which will be applied for listing on NASDAQ OMX Helsinki Ltd.

In connection with the LP Europe Demerger Munksjö Oyj will execute a directed issue of new shares amounting to MEUR 100 to Ahlstrom, EQT III Limited and the institutional investors, Varma Mutual Pension Insurance Company and Ilmarinen Mutual Pension Insurance Company. Ahlstrom's share of the committed equity investment amounts to EUR 62.5 million.

The extraordinary general meeting of Ahlstrom, held on November 27, 2012, has approved the demergers.

Ahlstrom and EQT have established a new company, Munksjö Oyj, to carry out the planned transaction estimated to take place in the first half of 2013. In the first phase Munksjö Oyj will acquire the operations of Munksjö AB in exchange for new shares in Munksjö Oyj. Thereafter LP Europe will be separated from Ahlstrom Corporation through a partial demerger and transferred into Munksjö Oyj in exchange for shares in Munksjö Oyj to be distributed to Ahlstrom's shareholders. Ahlstrom shareholders will receive as demerger consideration 0.25 new shares in Munksjö Oyj for each share owned in Ahlstrom Corporation.

Prior to the public listing of the new company, the directed share issue will be executed.

In the second phase, Coated Specialties will be separated from Ahlstrom Corporation through another partial demerger into the listed company. Upon the execution of the Brazilian part Ahlstrom shareholders will receive as demerger consideration 0.265 new shares of Munksjö Oyj for each share owned in Ahlstrom Corporation.

The Demergers are accounted for as disposals to owners in accordance with IFRIC 17, Distributions of non-cash assets to owners. Accordingly, the assets and liabilities held for distribution have been classified separately on the balance sheet and presented as discontinued operations.

Pursuant to the terms and conditions of the Combination Agreement, at the date of the LP Europe completion the responsibility of certain loans pertaining to LP Europe shall be transferred from Ahlstrom Corporation to Munksjö Oyj to be refinanced and repaid to Ahlstrom Corporation. The net debt amount that will be transferred will comprise the net debt balances held by the LP Europe entities to be transferred to Munksjö Oyj and the remaining portion of the Ahlstrom Corporation's debt which will be adjusted at the completion of the LP Europe Demerger. The total net debt to be transferred from Ahlstrom Corporation to Munksjö Oyj is estimated to be approximately EUR 150 million.

The Combination Agreement entails a price risk sharing agreement, according to which Ahlstrom and EQT agree on a mechanism to share the potential price risk arising from divestment of the certain shares of the new Munksjö. This agreement is a standalone derivative, recorded at fair value through profit and loss. As of December 31, 2012 the value of the agreement
is zero.

As the relevant regulatory processes are ongoing and the outcome of such procedures is pending, the amounts that will be recorded to the consolidated financial statements at closing of the transaction are subject to change.

EUR million	Label and Processing
	Dec 31, 2012
Property, plant and equipment	173.0
Intangible assets	68.3
Inventories	69.8
Trade and other receivables	131.5
Cash and cash equivalents	2.8
Assets, total	445.4
Deferred tax liabilities	19.7
Employee benefit obligations	30.1
Provisions	4.9
Interest-bearing loans and borrowings	4.7
Trade and other payables	132.9
Liabilities, total	192.3
Net assets	253.1

2011

Disposals of businesses

Ahlstrom's target is to offer price competitive and value-added fiber-based materials to create sustainable and profitable relationships with its customers. The divestment of Home and Personal business enables us to further drive profitable growth in businesses chosen as our strategic priorities.

Ahlstrom Corporation signed on August 4, 2011 an agreement to divest it's wipes fabrics business area, Home and Personal, to Suominen Corporation. Closing of the divestment was confirmed on October 20, 2011. The business was transferred on October 31, 2011 except for the Brazilian part of the business. The aim is to transfer the operations in Brazil to Suominen as soon as possible. The total value of the transaction including Brazilian part is approximately EUR 170 million less the cost to sell. Following the transaction, Ahlstrom became the largest shareholder in Suominen with a 27.1% stake. Ahlstrom is committed to hold a minimum of 20% stake in Suominen for the first two years. Home and Personal has been presented as held for sale following the approval of the group's management and the Board of Directors from June 2011 onwards.

On December 7, 2010 Ahlstrom signed an agreement to sell Wuxi plant in China and three production lines in Bethune in the USA to Andrew Industries. Ahlstrom completed the sales of production lines in Bethune on December 22, 2010 and the sales of Wuxi on March 31, 2011. The value of the Wuxi transaction is EUR 1.1 million.

EUR million	Wuxi	Home and Personal
Property, plant and equipment	-	83.1
Intangible assets	-	29.2
Inventories	0.1	26.9
Trade and other receivables	0.2	6.7
Cash and cash equivalents	0.2	1.0
Financial liabilities	-	0.0
Trade and other payables	0.3	9.0
Net Assets	0.3	137.8
Total transaction value	1.1	136.8
Consideration received in cash 2011	0.7	138.8
Cash and cash equivalents disposed of	0.2	1.0
Net cash flow on disposals	0.5	137.8

Discontinued operations

Label and Processing and Brasilian part of Home and Personal

EUR million	2012	2011
Net sales	**651.4**	899.5
Expenses	**-624.5**	-879.9
Profit before tax	**27.4**	19.6
Income tax	**-10.0**	-6.3
Profit/loss for the period	**17.4**	13.3
Impairment and gain/loss of the sales	**-2.3**	-23.4
Profit/loss for the period from discontinued operations	**15.1**	-10.2

EUR million	2012	2011
Operating cash flows	**46.8**	31.5
Investing cash flows	**-17.1**	120.0
Total cash flows from discontinued operations	**29.7**	151.5

Financing cash flows are not presented as the units were financed internally by Ahlstrom Group.

Assets classified as held for sale and distribution to owners

EUR million	2012	2011
Property plant and equipment	**191.6**	20.0
Goodwill	**48.1**	-
Other intangible assets	**21.0**	0.9
Inventories	**71.3**	1.9
Other assets	**141.7**	19.5
Total	**473.7**	42.3

Liabilities directly associated with assets classified as held for sale and distribution to owners

EUR million	2012	2011
Non-current liabilities	**52.6**	2.2
Trade and other payables	**137.2**	7.5
Provisions	**5.0**	0.0
Total	**194.7**	9.8

4. Acquisitions of businesses

2012

In October, Ahlstrom completed the acquisition of Munktell Filter AB. Under the agreement, Ahlstrom acquired 100 percent of the shares in Munktell Filter AB, as well as its holdings in Munktell & Filtrak GmbH, Filtres Fioroni SA and Munktell Inc. The enterprise value of the transaction is approximatly EUR 21 million. Through the transaction, Ahlstrom became a global leader in life science and laboratory filtration materials.

Munktell Filter AB has been incorporated in Ahlstrom's accounts as part of Filtration segment since October 25, 2012. The yearly net sales of the acquired entities amounts to approximately EUR 20 million. Direct costs related to the transaction were EUR 0.7 million and they are booked as administrative expenses in the Group's income statement.

The transaction value exceeded the book value of net assets of Munktell units by EUR 11.9 million, of which EUR 5.0 million is allocated to intangible assets and EUR 0.4 million to inventories to meet their fair value. Deferred tax liability posting of the allocation amounts to EUR 1.6 million. The goodwill of EUR 8.1 million that arose from the acquisition reflects the personnel, synergy benefits and expanded business 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	2.4	2.4
Intangible assets	0.0	5.0
Inventories	4.4	4.8
Trade and other receivables	3.1	3.1
Cash and cash equivalents	2.5	2.5
Assets, total	12.4	17.8
Deferred tax liabilities	0.2	1.8
Interest-bearing loans and borrowings	0.2	0.2
Trade and other payables	2.5	2.5
Liabilities, total	2.9	4.5
Net assets	9.5	13.2
Goodwill arising in acquisition		8.1
Total purchase price		21.3
Acquisition price paid (in cash)		20.0
Cash (acquired)		-2.5
Net cash outflow		17.6

2011

No acquisitions of new businesses.

5. Net Sales

EUR million	2012	2011
Sales of goods	**1,012.1**	1,029.4
Sales of services	**9.9**	12.1
Sales deductions	**-11.1**	-15.7
Continuing operations	**1,010.8**	1,025.8

Sales deductions are rebates, credits and discounts. Net sales are not adjusted with exchange rate differences from foreign currency sales after the original sale is recorded.

6. Cost of goods sold

EUR million	2012	2011
Raw materials	**-485.4**	-484.4
Energy	**-74.5**	-78.3
Delivery expenses	**-32.6**	-36.1
Other variable costs	**-30.7**	-29.1
Operative exchange gains / losses	**-0.5**	0.4
Production costs	**-241.9**	-269.0
Continuing operations	**-865.6**	-896.6

7. Other operating income and expenses

EUR million	2012	2011
Other operating income		
Gain on sale of emission rights	**2.6**	0.2
Government grants	**3.9**	1.6
Insurance indemnification	**0.5**	2.2
Gain on sale of non-current assets	**4.3**	4.2
Gains from litigations	**0.6**	0.6
Other	**3.9**	4.9
Total	**15.8**	13.8
Discontinued operations	**5.4**	3.2
Continuing operations	**10.4**	10.6
Other operating expenses		
Impairment	**0.1**	-32.7
Other*	**-4.0**	-10.9
Total	**-4.0**	-43.7
Discontinued operations	**-1.6**	-27.0
Continuing operations	**-2.3**	-16.7

* Includes loss from disposals of assets and businesses EUR 0.4 million (EUR 1.5 million in 2011).

Auditor's fees		
To PricewaterhouseCoopers network		
Audit	**-1.0**	-1.0
Tax services	**-0.5**	-0.3
Other services	**-0.3**	-0.4
Total	**-1.8**	-1.7

8. Employee benefit expenses

EUR million	2012	2011
Wages and salaries	**-219.8**	-254.8
Social security costs	**-41.9**	-44.3
Contributions to defined contribution plans	**-20.0**	-23.2
Net periodic cost for defined benefit plans	**-5.6**	-6.1
Changes in liability for other long-term benefits	**-1.3**	0.1
Other personnel costs	**-20.5**	-25.5
Total	**-309.0**	-353.8
Discontinued operations	**-92.7**	-125.5
Continuing operations	**-216.3**	-228.3

In 2012 employee benefit expenses included non-recurring costs of EUR 2.4 million (EUR 12.9 million in 2011) related to the restructuring actions. Employee benefit expenses of key management are specified in Note 32.

Average number of personnel

Label and Processing	**1,433**	1,466
Filtration	**1,160**	1,136
Food and Medical	**1,189**	1,107
Building and Energy	**785**	1 015
Home and Personal	**28**	483
Other operations	**545**	460
Total	**5,141**	5,666
Discontinued operations	**1,316**	1,799
Continuing operations	**3,825**	3,867

9. Depreciations and amortizations

EUR million	2012	2011
Machinery and equipment	**-58.8**	-75.7
Buildings and constructions	**-8.9**	-10.8
Intangible assets	**-3.7**	-4.4
Other tangible assets	**-1.5**	-1.4
Total depreciation and amortization	**-72.9**	-92.3
Discontinued operations	**-20.5**	-33.0
Continuing operations	**-52.4**	-59.3

10. Impairment

Impairment charges and reversals and goodwill of cash-generating units:

	Impairment charges and reversals		Goodwill	
EUR million	2012	2011	2012	2011
Wipes	**-**	-21.9	**0.0**	0.0
Transportation filtration	**-**	-	**18.6**	18.9
Advance filtration	**-**	-	**13.8**	5.7
Food & Medical nonwoven	**-**	-	**16.8**	17.1
Vegetable parchment	**-**	-	**5.9**	6.0
Crepe papers	**-**	-	**-**	-
Specialties & Wallcover	**-**	-8.2	**11.2**	10.9
Composites	**-**	-2.8	**-**	-
Porous Power Technologies	**-**	-	**2.5**	2.6
Labels	**-**	-	**37.2**	41.7
Graphics and packaging (Stenay)	**-**	-	**4.6**	4.6
Graphics and packaging (Rottersac)	**-**	-	**3.4**	3.4
Release base papers	**-**	-	**2.8**	2.8
Processing	**-**	-	**-**	-
Other Units	**0.1**	0.2	**0.1**	0.1
Total	**0.1**	-32.7	**117.1**	113.8
Discontinued operations	**0.1**	-21.7	**48.1**	0.0
Continuing operations	**0.0**	-11.1	**69.0**	113.8

In 2012 no impairment charge was recorded. Additional goodwill from Munktell acquisition in Advance filtration.

In 2011 significant impairment charge MEUR 21.9 was recorded in the goodwill in Wipes business which was sold to Suominen 31.October 2011. An impairment charge MEUR 8.2 related to the closure of the machine in Turin, Italy was recorded to Specialties & Wallcover business (Building and Energy). Bishopville site closing in Composite (Building and Energy) created MEUR 2.8 impairment charge.

The recoverable amount of the cash-generating units is based on value in use calculation. Projected cash flows are used in the calculations. The projected cash flows are based on EBITDA, normal replacement investments and changes in operative working capital of the business plans for the years 2013–2015. Cash flows for further years are extrapolated using a 2.3% general inflation rate. The duration of the review period is determined by the estimated economic lives of the underlying non-current assets. The same pre-tax discount rate has been used to all cash-generating units in discounting the projected cash flows. The discount rate 7.48% is based on the market view of the time-value of money and the specific risks related to the assets for which the future cash flow estimates have not been adjusted.

A Goodwill impairment test is performed twice a year. The first test is carried out in connection with the September closing and the second one in connection to December closing. In addition to these, impairment tests are performed whenever there is an indication of impairment.

According to the management estimate, there is no reasonable possibility of such a change in any key assumptions that would lead to additional impairment charges of goodwill. Sensitivity analyses have also shown that a two percentage points increase in the discount rate and a twenty percent reduction in EBITDA would not result in new goodwill impairment losses. Reduction of 40% in EBITDA would lead to the new impairment needs.

11. Financial income and expenses

EUR million	2012	2011
Financial income		
Interest income from loans and receivables	**0.7**	0.6
Derivatives, non-hedge accounting	**0.2**	0.9
Other financial income	**-**	-
Total	**0.9**	1.4
Discontinued operations	**0.0**	-0.3
Continuing operations	**0.9**	1.7
Financial expenses		
Interest expenses for financial liabilities at amortized cost	**-16.0**	-17.9
Interest rate derivatives, non-hedge accounting	**-0.3**	-0.2
Other financial expenses	**-3.6**	-4.6
Total	**-19.9**	-22.6
Discontinued operations	**-1.8**	-1.9
Continuing operations	**-18.1**	-20.7
Exchange rate differences and fair value gains and losses		
Loans and receivables	**0.6**	-5.8
Derivatives, non-hedge accounting	**-0.6**	2.0
Total	**0.0**	-3.7
Discontinued operations	**0.1**	-2.4
Continuing operations	**-0.1**	-1.4
Net financial expenses	**-18.9**	-24.9
Discontinued operations	**-1.7**	-4.5
Continuing operations	**-17.3**	-20.4

In addition to the exchange rate differences disclosed in Financial income and expenses, total consolidated operating profit included exchange rate differences of EUR -0.6 million (EUR -0.3 million in 2011) of which derivatives accounted for EUR -0.2 million (EUR -0.4 million in 2011). EUR -1.1 million (EUR -0.9 million in 2011) arising from commodity derivatives has been recognised in operating profit. Hedge accounting has not been applied.

12. Income taxes

EUR million	2012	2011
Taxes for the financial period	**-3.2**	-8.6
Taxes for previous periods	**-1.9**	0.1
Deferred tax	**-15.1**	3.3
Total income taxes	**-20.2**	-5.2
Discontinued operations	**-10.0**	-5.4
Continuing operations	**-10.2**	0.2
Taxes booked to equity		
Hybrid bond	**1.9**	2.0
Other	**0.0**	0.1
Total taxes booked to equity	**1.9**	2.1
Income tax reconciliation		
Including discontinued operations		
Tax calculated at Finnish nominal tax rate	**-4.8**	7.0
Differences between foreign and Finnish tax rates	**-2.1**	0.7
Italian regional tax (IRAP) and minimum taxes	**-3.2**	-3.4
Adjustment of taxes for previous periods	**-1.9**	0.1
Non-deductible expenses and tax exempt income	**-0.6**	-6.7
Adjustments to deferred tax assets	**-6.1**	-2.8
Tax reliefs	**1.4**	2.3
Changes in tax rates	**0.4**	-0.8
Associated companies and other items	**-3.3**	-1.6
Total income taxes	**-20.2**	-5.2

Non-deductible expenses in 2011 consist mainly of non-deductible goodwill impairment relating to discontinued operations. Adjustments to deferred tax assets have been booked in those group companies where assumptions regarding the utilization of tax assets has been changed.

In some of the Group companies income tax returns for periods ranging from 2006 to 2010 are under examination in tax audits by the tax authorities.The main items under discussion relate to transfer pricing. Based on evaluation of the current state of the tax audits no significant additional taxes have been booked.

13. Taxes related to other comprehensive income

	2012			2011		
EUR million	**Before taxes**	**Tax charge/ credit**	**After taxes**	Before taxes	Tax charge/ credit	After taxes
Translation differences	**-14.5**	**-**	**-14.5**	-11.9	-	-11.9

14. Earnings per share

Earnings per share is calculated by dividing the profit for the period attributable to owners of the parent by the weighted average number of ordinary shares. The accrued interest expenses on hybrid bond for the period after taxes have an effect on earnings per share calculation. Profit or loss for the year attributable to owners of the parent is deducted by these interests. Accrued interests after taxes for the year were EUR 5.7 million (EUR 5.6 million in 2011) and the effect on earnings per share was EUR 0.12 (EUR 0.12 in 2011).

	2012	2011
Basic and diluted earnings per share		
Profit / loss for the year attributable to owners of the parent (EUR million)	**0.9**	-32.2
Interest on hybrid bond for the year after taxes (EUR million)	**-5.7**	-5.6
Total including discontinued operations	**-4.8**	-37.8
Discontinued operations (EUR million)	**15.1**	-10.2
Continuing operations	**-20.0**	-27.7
Weighted average number of shares during the year (1,000 shares)	**46,670.6**	46,670.6
Continuing operations		
Basic and diluted earnings per share (EUR)	**-0.43**	-0.59
Including discontinued operations		
Basic and diluted earnings per share (EUR)	**-0.10**	-0.81

15. Property, plant and equipment

EUR million	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and construction in progress	Total property, plant and equipment
2012						
Historical cost at Jan 1	17.9	265.1	1,473.7	28.1	40.9	1,825.8
Acquisitions through business combinations	0.2	1.0	1.1	0.2	0.0	2.4
Additions	2.3	5.1	14.1	0.2	64.9	86.5
Disposals	-1.2	-7.5	-35.8	-1.1	-0.1	-45.8
Transfers to other asset categories	-	12.0	42.2	0.9	-55.1	0.0
Other changes	-	-	0.4	-	-	0.4
Translation differences	-0.1	-2.4	-9.0	0.0	-0.6	-12.0
Historical cost at Dec 31	**19.1**	**273.3**	**1,486.6**	**28.4**	**50.1**	**1,857.3**
Accumulated depreciation and impairment at Jan 1	0.5	138.8	1,091.5	21.6	0.0	1,252.5
Depreciation for the year	0.0	8.9	58.8	1.3	0.1	69.2
Impairment losses	-	-	-	-	-	-
Reversal of impairment losses	-0.1	-	-0.2	0.1	0.1	-0.1
Disposals	-	-2.7	-20.7	-1.0	-0.1	-24.5
Transfers to other asset categories	-	-	-	-	-	-
Other changes	-	-	0.2	-	-	0.2
Translation differences	0.0	-0.6	-3.8	0.0	0.0	-4.4
Accumulated depreciation and impairment at Dec 31	**0.4**	**144.4**	**1,126.0**	**22.0**	**0.1**	**1,292.9**
Book value Jan 1, 2012	**17.4**	**126.3**	**382.2**	**6.5**	**40.9**	**573.3**
Book value Dec 31, 2012	**18.6**	**128.9**	**360.6**	**6.4**	**50.0**	**564.4**
Discontinued operations	**7.1**	**42.5**	**125.8**	**2.7**	**13.4**	**191.6**
Continuing operations	**11.5**	**86.3**	**234.7**	**3.7**	**36.6**	**372.9**

In 2012, property, plant and equipment included EUR 0.6 million of capitalized interest expenses related to the loans taken out for building a plant in Longkou and a production line in India. In 2011, no capitalized interest expenses were included in property, plant and equipment.

EUR million	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and construction in progress	Total property, plant and equipment
2011						
Historical cost at Jan 1	20.7	292.2	1,683.6	29.6	18.9	2,044.9
Acquisitions through business combinations	-	-	-	-	-	-
Additions	0.0	1.4	18.3	0.3	49.4	69.5
Disposals	-2.8	-30.6	-248.1	-2.4	-1.7	-285.5
Transfers to other asset categories	0.0	2.7	22.3	0.7	-25.8	-0.1
Other changes	-	0.3	-2.2	-0.1	-	-2.0
Translation differences	0.0	-0.8	-0.2	0.1	0.0	-1.0
Historical cost at Dec 31	17.9	265.1	1,473.7	28.1	40.9	1,825.8
Accumulated depreciation and impairment at Jan 1	1.9	143.2	1,172.4	22.5	0.0	1,340.1
Depreciation for the year	-	10.8	75.7	1.4	-	87.9
Impairment losses	0.3	1.9	13.4	-	-	15.5
Reversal of impairment losses	-0.1	-0.1	-	-0.1	-	-0.2
Disposals	-1.6	-17.7	-176.0	-2.3	-	-197.6
Transfers to other asset categories	-	-	0.0	0.0	-	0.0
Other changes	-	0.0	0.0	-	-	0.0
Translation differences	0.0	0.6	6.0	0.1	-	6.8
Accumulated depreciation and impairment at Dec 31	0.5	138.8	1,091.5	21.6	0.0	1,252.5
Book value Jan 1, 2011	18.8	148.9	511.2	7.0	18.9	704.9
Book value Dec 31, 2011	17.4	126.3	382.2	6.5	40.9	573.3
Discontinued operations	1.5	8.1	10.4	0.0	0.0	20.0
Continuing operations	15.9	118.2	371.8	6.5	40.9	553.4

Assets leased by finance lease agreements

EUR million	Land and water areas	Buildings and constructions	Machinery and equipment	Total
2012				
Historical cost	0.4	5.9	23.9	30.2
Accumulated depreciation	-	1.8	20.4	22.2
Book value Dec 31, 2012	**0.4**	**4.1**	**3.5**	**8.0**
2011				
Historical cost	0.4	5.9	24.3	30.6
Accumulated depreciation	-	1.6	19.7	21.4
Book value Dec 31, 2011	0.4	4.2	4.6	9.2

16. Intangible assets

EUR million	Intangible rights	Goodwill	Other intangible assets	Advances paid	Total intangible assets
2012					
Historical cost at Jan 1	84.2	119.1	10.9	0.4	214.6
Acquisitions through business combinations	0.0	8.2	5.0	-	13.2
Additions	2.4	-	-	0.3	2.7
Disposals	-0.6	-	-	-	-0.6
Transfers to other asset categories	0.2	-	0.0	-0.2	0.0
Other changes	0.0	-	-	-	0.0
Translation differences	-3.6	-5.2	-0.2	-	-9.0
Historical cost at Dec 31	**82.6**	**122.1**	**15.7**	**0.6**	**220.9**
Accumulated amortization and impairment at Jan 1	41.4	5.3	5.5	-	52.2
Amortization for the year	3.4	-	0.3	-	3.7
Impairment losses	-	-	-	-	-
Disposals	-0.6	-	-	-	-0.6
Transfers to other asset categories	-	-	-	-	-
Other changes	-	-	0.0	0.0	0.0
Translation differences	-0.9	-0.3	-0.1	-	-1.3
Accumulated amortization and impairment at Dec 31	**43.3**	**4.9**	**5.8**	**0.0**	**54.1**
Book value Jan 1, 2012	**42.8**	**113.8**	**5.3**	**0.4**	**162.4**
Book value Dec 31, 2012	**39.2**	**117.1**	**9.9**	**0.6**	**166.8**
Discontinued operations	**20.2**	**48.1**	**0.8**	**-**	**69.1**
Continuing operations	**19.1**	**69.0**	**9.1**	**0.6**	**97.7**

EUR million	Intangible rights	Goodwill	Other intangible assets	Advances paid	Total intangible assets
2011					
Historical cost at Jan 1	91.1	194.5	7.9	1.1	294.7
Acquisitions through business combinations	9.4	2.6	-	-	12.0
Additions	1.6	-	0.0	0.3	1.9
Disposals	-14.4	-76.7	-0.9	-0.2	-92.3
Transfers to other asset categories	-2.4	-	3.3	-0.8	0.1
Other changes	0.0	-0.9	0.6	-	-0.3
Translation differences	-1.0	-0.4	-0.1	-	-1.5
Historical cost at Dec 31	84.2	119.1	10.9	0.4	214.6
Accumulated amortization and impairment at Jan 1	44.8	38.3	5.9	-	88.9
Amortization for the year	4.0	-	0.4	-	4.4
Impairment losses	-	17.5	-	-	17.5
Disposals	-7.9	-52.5	-0.7	-	-61.2
Transfers to other asset categories	0.0	-	0.0	-	0.0
Other changes	-	-	-	-	-
Translation differences	0.6	2.0	0.0	-	2.6
Accumulated amortization and impairment at Dec 31	41.4	5.3	5.5	-	52.2
Book value Jan 1, 2011	46.4	156.2	2.0	1.1	205.7
Book value Dec 31, 2011	42.8	113.8	5.3	0.4	162.4
Discontinued operations	0.2	-	0.8	-	0.9
Continuing operations	42.7	113.8	4.5	0.4	161.5

Emission rights

Ahlstrom was granted 794,780 units of CO_2 emission rights for the year 2012. As of December 31, 2012 the remaining emission rights amounted to 233,469 units and their market value was approximately EUR 1.6 million. No value has been recognized in the balance sheet. The rights in excess have been transferred to 2013. The sales of emission rights were EUR 2.6 million in 2012 (EUR 0.2 million in 2011).

17. Investments in associated companies

EUR million	2012	2011
Balance at Jan 1	**36.6**	10.7
Share of profit/loss for the period	**-7.1**	-4.0
Share of other comprehensive income of associates	**0.0**	-
Additions	**0.2**	30.0
Balance at Dec 31	**29.8**	36.6

Ahlstrom's ownership % in Jujo Thermal Oy increased to 50% in April 2012 after Jujo Thermal decided to redeem the shares of its minority shareholder.

Financial information of major associated company

EUR million	Domicile	Ownership (%)	Assets	Liabilities	Net sales	Profit/loss for the period
2012						
Jujo Thermal Oy	Finland	**50.0**	**65.4**	**52.3**	**82.5**	**-7.8**
Suominen Corporation	Finland	**27.1**	**278.9**	**182.7**	**454.9**	**-11.9**
2011						
Jujo Thermal Oy	Finland	41.7	65.5	44.9	90.7	-4.3
Suominen Corporation	Finland	27.1	338.0	229.3	213.4	-9.5

Related party transactions with associated companies

EUR million	2012	2011
Sales of goods and services	**25.6**	5.0
Purchases of goods and services	**-22.1**	-4.2
Trade and other receivables	**13.9**	7.3
Trade and other payables	**1.4**	3.4

Market prices have been used in transactions with associated companies. Commitments on behalf of associated companies are shown in note 31.

18. Other investments

Non-current other investments are investments to unlisted shares and interests EUR 0.3 million (EUR 0.4 million in 2011) and they are classified as available-for-sale financial assets. For unlisted shares and interests the fair value cannot be measured reliably, therefore the investment is carried at cost.

The Group has no current other investments.

19. Cash and cash equivalents

EUR million	2012	2011
Cash, bank accounts and interest-bearing instruments with maturities of three months or less	**55.5**	94.4
Cash and cash equivalents in the balance sheet	**55.5**	94.4
Discontinued operations	**2.7**	0.4
Continuing operations	**52.8**	94.0

Cash and cash equivalents (including discontinued operations) in the statement of cash flow equals to the cash and cash equivalents (including discontinued operations) in the balance sheet.

20. Deferred tax assets and liabilities

EUR million	Balance at Jan 1	Charged to income statement	Charged to other comprehensive income	Charged to equity	Acquisitions and disposals	Translation differences and other	Balance at Dec 31
2012							
Deferred tax assets							
Property, plant and equipment and intangible assets	10.9	4.6	-	-	-	-	**15.5**
Employee benefit obligations	11.8	-0.4	-	-	-	-0.1	**11.3**
Tax loss carried forward and unused tax credits	75.1	-17.1	-	1.9	-	-0.3	**59.6**
Other temporary differences	24.5	-2.2	-	-	-	-0.3	**22.0**
Total	122.3	-15.1	-	1.9	-	-0.7	**108.4**
Offset against deferred tax liabilities	-60.5	4.4	-	-	-	-	**-56.1**
Deferred tax assets	61.8	-10.7	-	1.9	-	-0.7	**52.3**
Discontinued operations	0.6						**17.6**
Continuing operations	61.2						**34.7**
Deferred tax liabilities							
Property, plant and equipment and intangible assets	70.0	-1.3	-	-	1.6	-2.9	**67.4**
Other temporary differences	19.2	1.2	-	-	0.3	-	**20.7**
Total	89.2	-0.1	-	-	1.9	-2.9	**88.1**
Offset against deferred tax assets	-60.5	4.4	-	-	-	-	**-56.1**
Deferred tax liabilities	28.8	4.4	-	-	1.9	-2.9	**32.1**
Discontinued operations	-						**19.7**
Continuing operations	28.8						**12.4**
2011							
Deferred tax assets							
Property, plant and equipment and intangible assets	11.6	-0.8	-	-	-	0.1	10.9
Employee benefit obligations	11.8	-0.6	-	0.4	-	0.2	11.8
Tax loss carried forward and unused tax credits	83.6	-10.9	-	2.1	1.0	-0.6	75.1
Other temporary differences	19.6	4.8	-	-	0.3	-0.2	24.5
Total	126.7	-7.6	-	2.5	1.3	-0.6	122.3
Offset against deferred tax liabilities	-71.8	11.4	-	-	-0.3	0.1	-60.5
Deferred tax assets	54.9	3.9	-	2.5	1.0	-0.5	61.8
Discontinued operations	-						0.6
Continuing operations	54.9						61.2
Deferred tax liabilities							
Property, plant and equipment and intangible assets	91.1	-21.4	-	-	2.6	-2.4	70.0
Other temporary differences	8.3	10.5	-	-	-	0.4	19.2
Total	99.4	-10.9	-	-	2.6	-1.9	89.2
Offset against deferred tax assets	-71.8	11.4	-	-	-0.3	0.1	-60.5
Deferred tax liabilities	27.7	0.5	-	-	2.4	-1.8	28.8
Discontinued operations	0.3						-
Continuing operations	27.4						28.8

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

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 52.3 million (EUR 61.8 million in 2011) is dependant on future taxable profits in excess of the profits arising from reversal of existing taxable temporary differences. Based on the business plans utilization of these tax assets is probable.

At December 31, 2012 the Group had tax loss carry forwards of EUR 275.0 million (EUR 275.3 million in 2011) in total, of which EUR 169.5 million (EUR 181.6 million in 2011) has no expiration period. Regarding losses amounting to EUR 82.6 million (EUR 34.5 million in 2011) no deferred tax asset was recognized due to the uncertainty of utilization of these tax loss carry forwards.

21. Inventories

EUR million	2012	2011
Material and supplies	**64.6**	72.8
Work in progress	**15.4**	12.0
Finished goods	**103.6**	102.8
Advances paid	**0.0**	0.0
Total	**183.7**	187.7
Discontinued operations	**71.3**	1.9
Continuing operations	**112.4**	185.8

IIn 2012, the write-downs and reversals of write-downs for finished goods totaled EUR - 2.2 million (EUR -2.7 million in 2011).

22. Trade and other receivables

EUR million	2012	2011
Non-current		
Loan receivables	**0.7**	0.7
Trade receivables	**0.3**	0.1
Prepaid expenses and accrued income	**3.5**	3.5
Defined benefit pension asset	**46.9**	43.4
Other receivables	**4.8**	4.3
Total	**56.2**	52.0
Discontinued operations	**1.3**	0.0
Continuing operations	**54.9**	51.9
Current		
Loan receivables	**1.0**	0.7
Trade receivables	**202.2**	215.9
Prepaid expenses and accrued income	**13.7**	12.7
Derivative financial instruments	**0.6**	2.6
Receivables from associated companies	**13.9**	7.3
Other receivables	**19.8**	20.6
Total	**251.1**	259.8
Discontinued operations	**93.0**	18.4
Continuing operations	**158.0**	241.4

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

Including discontinued operations

EUR million	2012	2011
Balance at Jan 1	**5.3**	5.3
Increase	**0.6**	1.8
Decrease	**-0.6**	-1.5
Recovery	**-0.1**	-0.3
Balance at Dec 31	**5.2**	5.3

Impaired receivables deducted from trade receivables are mainly defined as receivables which are more that 180 days overdue if not insured or under a specific payment plan, or if for other reason it is probable that the receivable can not be collected.

Analysis of trade receivables by age
Including discontinued operations

EUR million	2012	2011
Not overdue	**189.9**	197.5
Overdue 1–30 days	**21.1**	19.3
Overdue 31–90 days	**2.3**	3.2
Overdue more than 90 days	**2.8**	3.2
Total	**216.0**	223.2

Specification of prepaid expenses and accrued income
Including discontinued operations

EUR million	2012	2011
Prepaid expenses	**8.6**	9.6
Other tax receivables	**4.3**	3.4
Accrued interest income	**1.9**	1.8
Accrued discounts	**0.1**	0.1
Accrued insurance indemnification	**0.3**	0.7
Other	**2.0**	0.7
Total	**17.2**	16.2

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

23. Capital and reserves

The following table shows the impact of changes in the number of shares:

EUR million	Number of shares (1,000)	Issued capital	Share premium	Non-restricted equity reserve	Own shares	Total
Dec 31, 2010	46,224.3	70.0	209.3	8.3	-6.4	281.1
Payout of the share based incentive plan	125.0	-	-	-	2.0	2.0
Transfer of own shares	6.0	-	-	-	0.1	0.1
Purchases of own shares	-250.0	-	-	-	-3.1	-3.1
Dec 31, 2011	46,105.3	70.0	209.3	8.3	-7.4	280.1
Dec 31, 2012	**46,105.3**	**70.0**	**209.3**	**8.3**	**-7.4**	**280.1**

At December 31, 2012 Ahlstrom Corporation's share capital was EUR 70,005,912. The share capital is divided into 46,670,608 shares. All shares have one vote and an equal right to dividend. The shares have no nominal value.

Own shares

The Annual General Meeting (AGM) on March 30, 2011 authorized the Board of Directors to repurchase and distribute Ahlstrom shares as well as to accept them as pledge as proposed by the Board of Directors. The maximum number of shares to be repurchased or accepted as pledge is 4,000,000 however, yet always taking into account the limitations set forth in the Companies Act as regards the maximum number of shares owned by or pledged to the Company or its subsidiaries. The shares may be repurchased only through public trading at the prevailing market price by using unrestricted shareholders' equity. By virtue of the authorization, the Board of Directors has the right to resolve to distribute a maximum of 4,000,000 own shares held by the Company. The shares may be used e.g. 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 own shares in public trading for the purpose of financing possible acquisitions. The authorizations are valid for 18 months from the close of the AGM but will, however, expire at the next AGM, at the latest.

Based on the authorizations given by the AGM on March 30, 2011 the company repurchased a total of 250,000 of its own shares during the financial year 2011 for the implementation of the company's share-based incentive plan.

Based on the authorization of the AGM on March 31, 2010, Ahlstrom's Board of Directors decided to transfer 124,995 of the company shares held by the company without consideration to the recipients of the payout for 2009 and 2010 in the share-based long term incentive plan for 2008–2010. The handover date of the shares was March 15, 2011.

At December 31, 2012 a total of 269,005 of own shares were held by the parent company and a total of 296.311 company shares were held by Ahlcorp Oy, which is a management ownership company.

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 changes in fair value of the instruments that hedge the net investment in foreign subsidiaries.

Hybrid bond

Ahlstrom Corporation issued in November 2009 an EUR 80 million domestic hybrid bond. The coupon rate of the bond is 9.50% per annum. The bond has no maturity but the company may call the bond after four years. The bond is treated as equity in the consolidated financial statements. The arrangement fee paid at the issuance in 2009 and the interests paid in November 2010 to 2012 have been recorded in retained earnings in equity.

Dividends

After the balance sheet date, the Board of Directors proposed a dividend of EUR 0.63 per share.

24. Employee benefit obligations

The Group has defined benefit plans in several countries, of which the most significant are in the United States, Great Britain and Germany. The plans are in accordance with the local laws and practices and are either funded or unfunded. Funded plans are arranged in external funds and foundations separately from the Group's assets. In defined benefit plans, the pension benefit is usually determined by the number of years worked and the final salary. The obligations of defined benefit plans are defined separately for each plan based on the calculations of authorized actuaries.

Employee benefits for key management are specified in note 32.

EUR million	2012	2011
Post-employment benefit plans		
Employee benefits liability recognized in the balance sheet		
Present value of funded benefit obligations	**216.0**	201.5
Present value of unfunded benefit obligations	**84.7**	63.9
Other long-term employee benefits	**4.0**	3.0
Fair value of plan assets	**-188.3**	-172.0
Present value of net obligations	**116.4**	96.4
Unrecognized actuarial gains and losses	**-88.7**	-64.3
Net liability at Dec 31	**27.6**	32.1
Amounts in the balance sheet		
Liabilities	**74.5**	75.5
Assets	**46.9**	43.4
Net liability at Dec 31	**27.6**	32.1

EUR million	2012	2011
Changes in the present value of obligations*		
Present value of defined benefit obligation at Jan 1	**265.4**	241.0
Current service cost	**2.0**	1.9
Interest cost	**12.2**	11.8
Actuarial gains and losses	**39.0**	17.2
Gains and losses on curtailments	**-1.8**	0.0
Unrecognized prior service cost	**-**	-
Benefits paid	**-14.9**	-12.4
Translation differences	**-1.3**	6.0
Present value of defined benefit obligation at Dec 31	**300.7**	265.4
Changes in the fair value of the plan assets*		
Fair value of plan assets at Jan 1	**172.0**	149.3
Expected return on plan assets	**11.6**	9.9
Actuarial gains and losses	**9.4**	-1.0
Contributions by employer	**10.9**	21.3
Benefits paid	**-14.9**	-12.4
Other changes	**0.0**	0.0
Translation differences	**-0.7**	4.9
Fair value of plan assets at Dec 31	**188.3**	172.0
Expenses recognized in the income statement*		
Current service cost	**-2.0**	-1.9
Interest cost	**-12.2**	-11.8
Expected return on plan assets	**11.6**	9.9
Net actuarial gains and losses recognized	**-4.0**	-2.2
Unrecognized prior service cost	**-**	-
Gains and losses on curtailments and settlements	**1.1**	-0.1
Total charge (Net periodic cost)	**-5.6**	-6.1
Actual return on plan assets*	**7.7**	8.8

The Group expects to contribute EUR 9.9 million to its defined benefit plans in 2013.

Plan asset categories*		
Equity instruments	**41.6%**	40.9%
Debt instruments	**47.2%**	42.6%
Property	**0.1%**	0.1%
Other	**11.1%**	16.4%

EUR million	2012	2011
Principal actuarial assumptions*		
Europe		
Discount rate at Dec 31	**1.0% – 4.2%**	3.0% – 5.1%
Expected return on plan assets	**3.0% – 5.7%**	2.8% – 5.8%
Future salary increases	**2.0% – 3.5%**	2.8% – 3.5%
Future pension increases	**1.75% – 3.0%**	1.8% – 3.2%
North America		
Discount rate at Dec 31	**2.6% – 3.75%**	3.8% – 4.8%
Expected return on plan assets	**8.0%**	7.8%
Future salary increases	**4.5% – 5.0%**	4.5%
Future pension increases	**3.0%**	

The actuarial assumptions in other countries are immaterial.

Assumptions regarding future mortality are based on actuarial guidelines in accordance with published statistics and experience in each region. Mortality assumptions used in the most important countries and plans are based on the following post-retirement mortality tables: a) Germany: Richttafeln 2005 G, b) Great-Britain: projected to year 2020 PMA (92) and PFA (92) and c) the United States: RP2000. The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy.

EUR million	2012	2011	2010	2009	2008
Five-year overview*					
Present value of obligations	**304.7**	268.4	244.4	230.6	210.0
Fair value of plan assets	**-188.3**	-172.0	-149.3	-127.2	-107.1
Deficit / surplus	**116.4**	96.4	95.1	103.4	102.9
Experience adjustments to plan liabilities	**9.6**	1.6	-1.9	6.4	-8.2
Experience adjustments to plan assets	**4.7**	-1.0	0.8	6.8	-38.2

*Including discontinued operations

25. Provisions

Including discontinued operations

EUR million	Restructuring	Environmental	Other	Total
Balance at Jan 1, 2012	17.2	2.4	5.3	24.9
Translation differences	0.0	0.0	0.0	-0.1
Increase in provisions	3.4	0.7	2.8	6.9
Used provisions	-11.3	-0.3	-2.8	-14.5
Reversal of provisions	-1.2	-1.3	-0.5	-3.0
Balance at Dec 31, 2012	**8.0**	**1.4**	**4.7**	**14.2**
Non-current	2.0	0.6	0.4	3.1
Current	6.0	0.8	4.3	11.1
Total	**8.0**	**1.4**	**4.7**	**14.2**

Increase in restructuring provisions relates mainly to the closure of Barcelona plant. The provisions are for the most part expected to be used within 12 months.

The used restructuring provisions relate mostly to the closure of Barcelona and Bishopville plants, closure of a production line in Karhula and Turin and customer claims in France.

Environmental provisions have mainly been made for landscaping of dumps in Finland, which have been partly reversed according to the updated calculations. Increase in environmental provisions during 2012 relates to Ställdalen.

Other provisions consist mostly of customer claim provisions and legal claim provision in France. The provisions are for the most part to be used within 12 months.

26. Interest-bearing loans and borrowings

	Fair value		Carrying amount	
EUR million	2012	2011	2012	2011
Non-current				
Loans from financial institutions	**77.8**	129.2	**77.8**	129.2
Finance lease liabilities	**6.8**	7.4	**7.4**	8.4
Other non-current loans	**122.6**	135.6	**118.8**	136.5
Total	**207.2**	272.3	**203.9**	274.2
Discontinued operations	**2.8**	-	**2.8**	-
Continuing operations	**204.4**	272.3	**201.1**	274.2
Current				
Current portion of non-current loans	**66.7**	32.3	**66.7**	32.3
Current portion of finance lease liabilities	**1.0**	1.2	**1.0**	1.2
Other current loans	**87.3**	24.6	**87.3**	24.6
Total	**155.0**	58.0	**155.0**	58.1
Discontinued operations	**-22.2**	-	**-22.2**	-
Continuing operations	**177.2**	58.0	**177.2**	58.1

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. Other non-current loans includes a bond which is listed in NASDAQ OMX Helsinki. The carrying amounts of other liabilities are reasonable approximations of their fair values.

In 2012, the weighted average of effective interest rates for interest-bearing loans was 3.95% (4.64% in 2011).

EUR million	2012	2011
Currency distribution of non-current interest-bearing liabilities:		
Including discontinued operations		
EUR	**157.5**	213.3
USD	**26.3**	48.2
Others	**20.1**	12.7
Currency distribution of current interest-bearing liabilities:		
Including discontinued operations		
EUR	**115.0**	27.6
USD	**13.9**	12.6
Others	**26.1**	17.9

EUR million	2012	2011
Finance lease liabilities		
Including discontinued operations		
Minimum lease payments		
Within one year	**1.3**	1.6
Between one and five years	**7.2**	8.1
More than five years	**0.8**	1.2
Total minimum lease payments	**9.3**	10.9
Future finance charges	**-1.0**	-1.3
Present value of minimum lease payments	**8.4**	9.6
Present value of minimum lease payments		
Within one year	**1.0**	1.2
Between one and five years	**6.6**	7.3
More than five years	**0.7**	1.1
Present value of minimum lease payments	**8.4**	9.6

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 duration.

27. Trade and other payables

EUR million	2012	2011
Non-current		
Other liabilities	**4.9**	0.1
Accrued expenses and deferred income	**0.6**	4.7
Total	**5.5**	4.8
Discontinued operations	**0.0**	0.0
Continuing operations	**5.5**	4.8
Current		
Trade payables	**248.5**	249.3
Accrued expenses and deferred income	**57.0**	58.6
Derivative financial instruments	**0.7**	2.1
Advances received	**0.9**	1.0
Liabilities to associated companies	**1.4**	3.4
Other current liabilities	**20.3**	21.9
Total	**328.8**	336.3
Discontinued operations	**132.2**	7.5
Continuing operations	**196.5**	328.8
Specification of accrued expenses and deferred income		
Including Discontinued operations		
Accrued wages, salaries and related cost	**44.7**	49.4
Accrued interest expense	**6.0**	5.6
Other	**7.0**	8.3
Total	**57.6**	63.4

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

EUR million	(Note)	Financial assets/ liabilities at fair value through profit and loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Carrying amounts by balance sheet item	Discontinued operations	Continuing operations	IFRS fair value hierarchy level
2012									
Non-current financial assets									
Other investments	(18)	-	-	0.4	-	**0.4**	0.1	**0.3**	
Other receivables	(22)	-	56.2	-	-	**56.2**	1.3	**54.9**	
Current financial assets									
Trade and other receivables	(22)	-	250.5	-	-	**250.5**	93.0	**157.5**	
Derivative financial instruments	(22,29)	0.6	-	-	-	**0.6**	0.0	**0.6**	2
Cash and cash equivalents	(19)	-	55.5	-	-	**55.5**	2.7	**52.8**	
Carrying amount by category		**0.6**	**362.1**	**0.4**	**-**	**363.1**	**97.1**	**266.1**	
Non-current financial liabilities									
Interest-bearing loans and borrowings	(26)	-	-	-	203.9	**203.9**	2.8	**201.1**	
Other liabilities	(27)	-	-	-	5.5	**5.5**	0.0	**5.5**	
Current financial liabilites									
Interest-bearing loans and borrowings	(26)	-	-	-	155.0	**155.0**	-22.2	**177.2**	
Trade and other payables	(27)	-	-	-	328.1	**328.1**	132.2	**195.9**	
Derivative financial instruments	(27,29)	0.7	-	-	-	**0.7**	0.0	**0.7**	2
Carrying amount by category		**0.7**	**-**	**-**	**692.6**	**693.2**	**112.8**	**580.4**	
2011									
Non-current financial assets									
Other investments	(18)	-	-	0.4	-	0.4	-	0.4	
Other receivables	(22)	-	52.0	-	-	52.0	0.0	51.9	
Current financial assets									
Trade and other receivables	(22)	-	257.2	-	-	257.2	18.4	238.8	
Derivative financial instruments	(22,29)	2.6	-	-	-	2.6	-	2.6	2
Cash and cash equivalents	(19)	-	94.4	-	-	94.4	0.4	94.0	
Carrying amount by category		2.6	403.6	0.4	-	406.6	18.8	387.8	
Non-current financial liabilities									
Interest-bearing loans and borrowings	(26)	-	-	-	274.2	274.2	-	274.2	
Other liabilities	(27)	-	-	-	4.8	4.8	0.0	4.8	
Current financial liabilites									
Interest-bearing loans and borrowings	(26)	-	-	-	58.1	58.1	-	58.1	
Trade and other payables	(27)	-	-	-	334.2	334.2	7.5	326.7	
Derivative financial instruments	(27,29)	2.1	-	-	-	2.1	-	2.1	2
Carrying amount by category		2.1	-	-	671.3	673.4	7.6	665.8	

All Group's financial instruments measured at fair value belong to level 2 in the IFRS 7 standard fair value hierarchy.

29. Derivative financial instruments

EUR million	Nominal value maturing in < 1 year	Nominal value maturing in > 1 year	Total	Fair value, assets maturing in < 1 year	Fair value, assets maturing in > 1 year	Fair value, liabilities maturing in < 1 year	Fair value, liabilities maturing in > 1 year
2012							
Non-hedge accounting							
Foreign exchange forward contracts*	133.3	-	133.3	0.6	-	-0.7	-
Interest rate options	-	10.0	10.0	-	0.0	-	-
Commodity derivatives	-	-	-	-	-	-	-
Total	**133.3**	**10.0**	**143.3**	**0.6**	**0.0**	**-0.7**	**-**
2011							
Non-hedge accounting							
Foreign exchange forward contracts*	107.8	-	107.8	0.8	-	-1.6	-
Interest rate options	-	10.0	10.0	-	0.0	-	-
Commodity derivatives	44.8	-	44.8	1.8	-	-0.5	-
Total	152.6	10.0	162.6	2.6	0.0	-2.1	-

* Outstanding foreign exchange forward contracts, nominal amount of EUR 133.3 million (EUR 107.8 million in 2011) relate to the hedging of the operational and financial cash flows.

The fair values of derivative financial instruments are the discounted cashflows calculated using existing forward prices of derivatives.

30. Operating leases

Including discontinued operations

EUR million	2012	2011
Minimum lease payments from operating lease contracts:		
Within one year	**6.8**	5.8
Between one and five years	**14.1**	9.6
More than five years	**9.7**	10.2
Total	**30.6**	25.5

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

In 2012 rental expenses from operating leases booked to income statement amounted to EUR 8.3 million (EUR 9.1 million in 2011).

31. Collaterals and commitments

Including discontinued operations

EUR million	2012	2011
Mortgages	**73.2**	73.0
Pledges	**0.8**	0.3
Commitments		
Guarantees given on behalf of group companies	**9.5**	19.5
Guarantees given on behalf of associated companies	**15.0**	15.0
Capital expenditure commitments	**22.7**	19.5
Other commitments	**2.1**	3.1

The most significant capital expenditure commitments are related to the additional investments to Binzhou and Stenay plants.

Other commitments include binding contract for purchases of energy among others.

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

Operating lease commitments are specified in note 30.

32. Transactions with related parties

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

At Dec 31, 2012 the Group parent company and subsidiaries are as follows

	Ownership interest, %	Country
Parent company Ahlstrom Corporation		Finland
Ahlstrom Australia Pty Ltd	100.0	Australia
Ahlstrom Brasil Indústria e Comérciode Papéis Especiais Ltda	100.0	Brazil
Ahlstrom Fabricação de Não Tecidos Ltda	100.0	Brazil
Ahlstrom Chirnside Limited	100.0	UK
Ahlstrom Fibercomposites (Binzhou) Limited	100.0	China
Ahlstrom Fiber Composites India Private Ltd	100.0	India
Ahlstrom Helsinki Oy	100.0	Finland
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 Sales LLC	100.0	Russia
Ahlstrom South Africa (Pty) Ltd	100.0	South Africa
Ahlstrom Ställdalen AB	100.0	Sweden
Munktell Filter AB	100.0	Sweden
Ahlstrom Warsaw Sp. Z.o.o	100.0	Poland
Ahlstrom Yulong Specialty Paper Company Limited	60.0	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 Ibérica, S.L.	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 Nümbrecht GmbH & Co. KG	100.0	Germany
Ahlstrom Nümbrecht Verwaltung GmbH	100.0	Germany

At Dec31, 2012 the Group parent company and subsidiaries are as follows

	Ownership interest, %	Country
Munktell & Filtrak 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
Filtres Fioroni	100.0	France
Ahlstrom Italy S.p.A.	100.0	Italy
Ahlstrom Russia Oy	100.0	Finland
Ahlstrom Tver LLC	100.0	Russia
Ahlstrom Turin S.p.A.	100.0	Italy
Ahlstrom USA Inc.	100.0	USA
Ahlstrom North America LLC	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
Porous Power Technologies LLC	49.5	USA
Titanium Foreign Sales Corporation	100.0	USA
Tybalt Limited	100.0	UK

Ownership interest does not differ from the voting rights.

Board Remuneration

EUR thousand	2012	2011
Board members at December 31, 2012		
Peter Seligson, Chairman	**96**	93
Pertti Korhonen, Vice Chairman	**74**	50
Sebastian Bondestam	**51**	51
Lori J. Cross	**68**	66
Esa Ikäheimonen	**66**	59
Anders Moberg	**69**	73
Former Board members		
Nathalie Ahlström	**25**	-
Thomas Ahlström	**15**	51
Bertel Paulig	**-**	11
Total	**463**	454
Employee benefits for key management		
Short-term employee benefits	**3,359**	5,302
Post-employment benefits	**407**	442
Share-based incentive plan	**158**	961
Total	**3,924**	6,706
Executive Remuneration		
President and CEO Jan Lång	**689**	931
Other Executive Management Team (EMT) members	**2,670**	4,371
Total	**3,359**	5,302
Loans to key management		
William Casey	**414**	407
Total	**414**	407

The CEO and the other members of the EMT may participate in voluntary pension insurances. All such pension insurances are country-specific defined contribution plans. As regards each participant, the annual contribution of the Company to the relevant plan does not exceed his/her two month's salary (including fringe benefits without bonuses). The participants' pensions will be determined based on the applicable local pension rules and the amount of their savings in the aforesaid defined contribution plans. According to the terms and conditions of the plan, the CEO may retire at the age of 60, at the earliest.

Share-based incentive plan

On January 31, 2008 Ahlstrom's Board of Directors approved a share-based long-term incentive plan for the Executive Management Team (EMT) 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 targets set by the Board for each earning period are achieved. Shares earned on the basis of the plan must be owned for at least two years after each earning period.

As Ahlstrom did not reach the EPS target set by the Board, no shares or cash were received by the EMT members for 2008.

Ahlstrom's Board of Directors approved some changes to the share-based incentive scheme in May 2009. The 2009 and 2010 earning periods were combined into one period 2010. The target set for the earning period was changed from earnings per share (EPS) to return on capital employed (ROCE). The accrued costs of the plan were EUR 0.2 million for 2009, EUR 4.6 million for 2010, EUR 0.2 million for 2011 and EUR 0.2 million for 2012.

The ROCE target set for the earning period 2010 was reached partially. According to the terms and conditions of the plan a total of 124,995 shares were transferred to the 13 recipients as the payout of the plan. Fair value of the shares paid on the transfer date was EUR 16.28 per share.

On December 15, 2010 Ahlstrom's Board of Directors approved a new long-term share-based incentive plan for 2011–2015 for the Executive Management Team (EMT) and other key employees consisting in total of maximum 50 persons per earning period.

The plan will be in effect for five years and consists of three earning periods 2011–2012, 2012–2014 and 2013–2015. The plan offers a possibility to receive Ahlstrom shares and cash equivalent to the amount of taxes of the total reward, if return on capital employed and earnings per share targets set by the Board for each earning period are achieved. If the targets of the plan are achieved 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 approximately 1,000,000 shares as a maximum. Transfer of the shares earned for one earning period is restricted for one year after the earning period. The accrued cost of the plan was EUR 0.1 million for 2011, and the amount was reversed fully in 2012.

The Board recommends that the President & CEO holds shares in the Company corresponding in value to his annual net salary and that the other EMT members hold shares in the Company corresponding in value to half of their annual net salary.

Share ownership plan for EMT

On August 17, 2010 the Board decided on a new share ownership plan for the Group's Executive Management Team (EMT). The purpose of the ownership plan is to support the shareholding of the EMT members in the company. Ahlstrom finances the management's holding company Ahlcorp Oy as part of a system which enables significant long-term shareholding by the management in the company. The President and CEO and a group of EMT members personally invested a significant amount of their own funds in Ahlstrom shares through a holding company, Ahlcorp Oy. Due to the U.S. legal requirements, American EMT member William Casey acquired Ahlstrom shares directly. The plan harmonizes the benefits of the company and its management and supports the achievement of Ahlstrom's strategic objectives.

As part of the plan, Ahlcorp Oy and William Casey purchased Ahlstrom Corporation shares worth EUR 4.9 million from the market. The purchase was financed with a capital investment of the executive team members in Ahlcorp Oy as well as with an interest-bearing loan of EUR 3.8 million granted to Ahlcorp Oy and William Casey by Ahlstrom Corporation. The loan will be repaid in full by December 31, 2013. If the plan is continued in 2013 and 2014, the loan repayment will be postponed accordingly. Ahlcorp Oy has the right to repay the loan at any time and is obligated to prepay the loan by selling shares it holds in Ahlstrom Corporation if the share price exceeds a certain predetermined value.

The plan is in effect until the release date of the January–September 2013 interim report after which the plan will be discontinued in a manner to be decided on later. In 2013 and 2014, the plan will continue one year at a time if the price of Ahlstrom Corporation's share in October-November of these years is lower than the price paid by Ahlcorp Oy for these shares. While the plan is in effect, selling shares of Ahlstrom Corporation held by Ahlcorp Oy is restricted.

33. 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	2012	2011	2010	2009	2008
Financial indicators					
Net sales	**1,598.6**	1,852.6	1,894.2	1,596.1	1,802.4
Net sales - Continuing operations	**1,010.8**	1,025.8	1,031.1		
Personnel costs	**309.0**	353.8	350.0	337.8	337.8
% of net sales	**19.3**	19.1	18.5	21.2	18.7
Personnel costs - Continuing operations	**216.3**	228.3	232.8		
% of net sales	**21.4**	22.3	22.6		
Depreciation and amortization	**72.9**	92.3	104.8	106.7	97.9
Depreciation and amortization - Continuing operations	**52.4**	59.3	62.8		
Impairment charges	**-0.1**	32.7	0.2	31.1	14.4
Impairment charges - Continuing operations	**0.0**	11.1	0.1		
Operating profit	**50.4**	2.0	53.7	-14.6	14.6
% of net sales	**3.2**	0.1	2.8	-0.9	0.8
Operating profit - Continuing operations	**18.6**	2.1	16.4		
% of net sales	**1.8**	0.2	1.6		
Net interest expense	**15.4**	16.6	21.4	23.3	30.0
% of net sales	**1.0**	0.9	1.1	1.5	1.7
Net interest expense - Continuing operations	**13.8**	14.7	20.4		
% of net sales	**1.4**	1.4	2.0		
Profit before taxes	**19.5**	-27.0	25.5	-40.1	-20.6
% of net sales	**1.2**	-1.5	1.3	-2.5	-1.1
Profit before taxes - Continuing operations	**-5.7**	-22.3	2.6		
% of net sales	**-0.6**	-2.2	0.3		
Profit for the period attributable to owners of the parent	**0.9**	-32.2	17.9	-32.9	-17.9
% of net sales	**0.1**	-1.7	0.9	-2.1	-1.0
Interest on hybrid bond for the period after taxes	**5.7**	5.6	5.6	0.6	-

EUR million	2012	2011	2010	2009	2008
Capital employed (end of period)	**902.8**	955.0	1,058.5	1 101.5	1 285.0
Capital employed (end of period) - Continuing operations	**793.3**	786.4	740.2		
Interest-bearing net liabilities	**303.4**	237.8	330.1	395.9	598.7
Total equity	**543.9**	622.7	703.8	685.6	628.1
Return on capital employed (ROCE), %	**4.2**	-0.1	5.0	-1.1	1.4
Return on capital employed (ROCE), % - Continuing operations	**1.6**	0.0	4.1		
Return on equity (ROE), %	**-0.1**	-4.9	2.6	-5.0	-2.3
Equity ratio, %	**40.0**	43.6	45.6	44.8	36.8
Gearing ratio, % (Net debt to equity ratio)	**55.8**	38.2	46.9	57.7	95.3
Capital expenditure, including acquisitions	**111.7**	71.4	62.3	63.8	167.0
% of net sales	**7.0**	3.9	3.3	4.0	9.3
Capital expenditure, including acquisitions - Continuing operations	**95.4**	50.8	40.3		
% of net sales	**9.4**	5.0	3.9		
R&D expenditure	**18.6**	19.3	20.3	21.6	23.8
% of net sales	**1.2**	1.0	1.1	1.4	1.3
R&D expenditure - Continuing operations	**17.1**	16.1	17.0		
% of net sales	**1.7**	1.6	1.6		
Net cash from operating activities	**78.7**	83.7	167.5	209.6	102.4
Number of employees, year-end	**5,145**	5,223	5,688	5,841	6,365
Number of employees, year-end - Continuing operations	**3,829**	3,918	3,792		
Number of employees, annual average	**5,141**	5,666	5,823	5,993	6,510
Net sales per employee, EUR thousands	**311**	327	325	266	277
Number of employees, annual average - Continuing operations	**3,825**	3,867	3,913		
Net sales per employee, EUR thousands	**264**	265	264		

EUR million	2012	2011	2010	2009	2008
Share indicators					
Earnings per share, EUR	**-0.10**	-0.81	0.26	-0.72	-0.38
Earnings per share, EUR - Continuing operations	**-0.43**	-0.59	-0.23		
Earnings per share, diluted, EUR	**-0.10**	-0.81	0.26	-0.72	-0.38
Effect of the interest on hybrid bond for the period after taxes, EUR	**0.12**	0.12	0.12	0.01	0.00
Equity per share, EUR	**9.77**	11.50	13.48	12.98	13.46
Dividend per share, EUR	***0.63**	1.30	0.88	0.55	0.45
Payout ratio, %	**n/a**	n/a	338.5	n/a	n/a
Number of outstanding shares at the end of the period (1,000 shares)	**46,105.3**	46,105.3	46,224.3	46,670.6	46,670.6
Own shares held by the parent company at the end of the period (1,000 shares)	**269.0**	269.0	150.0	-	-
Shares held by Ahlcorp Oy at the end of the period (1,000 shares)	**296.3**	296.3	296.3	-	-
Total number of shares at the end of the period (1,000 shares)	**46,670.6**	46,670.6	46,670.6	46,670.6	46,670.6
Average number of shares during the period (1,000 shares)	**46,670.6**	46,670.6	46,670.6	46,670.6	46,670.6
Average number of outstanding shares during the period (1,000 shares)	**46,105.3**	46,281.8	46,514.2	46,670.6	46,670.6

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, %	Total equity / Total assets - Advances received	x 100
Gearing ratio, %	Interest-bearing net liabilities / Total equity	x 100
Return on equity (ROE), %	Profit (loss) for the period / Total equity (annual average)	x 100
Return on capital employed (ROCE), %	Profit (loss) before taxes + Financing expenses / Total assets (annual average) - Non-interest bearing liabilities (annual average)	x 100
Earnings per share, EUR	Profit for the period attributable to owners of the parent - Interest on hybrid bond for the period after taxes / Average number of shares during the period	
Equity per share, EUR	Equity attributable to owners of the parent / Number of outstanding shares at the end of the period	
Dividend per share, EUR	Dividends paid for the period / Number of outstanding shares at the end of the period	
Payout ratio, %	Dividend per share / Earnings per share	x 100

Income statement

EUR million	(Note)	2012	2011
Net sales	(1)	**82.8**	56.6
Other operating income		**0.3**	0.5
Personnel costs	(2)	**-11.7**	-14.2
Depreciation and amortization	(9)	**-0.8**	-1.2
Other operating expense	(3)	**-59.2**	-28.3
		-71.7	-43.7
Operating profit		**11.4**	13.4
Financing income and expense			
Dividend income	(4)	**11.2**	34.4
Interest and other financing income	(5)	**5.9**	6.9
Reduction in value of investments held as non-current assets		**-59.2**	-2.1
Interest and other financing expense	(6)	**-21.5**	-25.0
Gains and losses on foreign currency		**-0.3**	-0.3
		-63.9	13.9
Profit / loss before extraordinary items		**-52.5**	27.3
Extraordinary items			
Extraordinary income	(7)	**3.0**	1.2
Profit / loss before appropriations and taxes		**-49.5**	28.5
Appropriations			
Change in cumulative accelerated depreciation		**-0.4**	-0.1
Income taxes	(8)	**0.0**	0.1
Profit / loss for the period		**-49.9**	28.5

Balance sheet

EUR million	(Note)	Dec 31, 2012	Dec 31, 2011
Assets			
Non-current assets			
Intangible assets	(9)		
Intangible rights		**4.4**	2.8
Advances paid		**0.5**	0.3
		4.9	3.1
Tangible assets	(9)		
Land and water areas		**0.4**	0.4
Machinery and equipment		**0.1**	0.0
Other tangible assets		**0.1**	0.1
		0.6	0.5
Long-term investments	(10)		
Shares in Group companies		**995.5**	1,095.2
Receivables from Group companies		**2.0**	23.0
Shares in associated companies		**28.7**	32.7
Shares in other companies		**0.5**	0.5
		1,026.7	1,151.4
Current assets			
Long-term receivables			
Receivables from Group companies	(16)	**163.6**	89.3
Loans receivable		**0.4**	0.4
Deferred tax assets	(15)	**1.0**	1.0
Prepaid expenses and accrued income	(11)	**1.3**	1.3
		166.3	92.0
Short-term receivables			
Trade receivable		**0.0**	0.0
Receivables from Group companies	(16)	**65.4**	51.7
Receivables from associated companies	(17)	**6.8**	0.4
Deferred tax assets	(15)	**5.2**	4.9
Prepaid expenses and accrued income	(11)	**1.2**	1.7
		78.6	58.7
Short-term Investments		**0.0**	10.0
Cash and cash equivalents		**9.4**	54.4
Total assets		**1,286.5**	1,370.1

EUR million	(Note)	Dec 31, 2012	Dec 31, 2011
Shareholders' equity and liabilities			
Shareholders' equity	(12)		
Share capital		**70.0**	70.0
Share premium		**187.8**	187.8
Non-restricted equity reserve		**8.3**	8.3
Retained earnings		**567.8**	599.7
Profit / loss for the period		**-49.9**	28.5
		783.9	894.3
Appropriations			
Cumulative accelerated depreciation		**0.5**	0.2
Provisions for contingencies	(14)	**4.0**	4.2
Liabilities			
Long-term liabilities	(13)		
Hybrid bond		**-**	80.0
Bonds		**99.5**	99.4
Loans from financial institutions		**57.6**	116.6
Pension loans		**19.1**	36.9
Accrued expenses and deferred income	(18)	**0.0**	0.6
		176.2	333.5
Short-term liabilities			
Hybrid bond		**80.0**	-
Loans from financial institutions		**101.2**	7.6
Pension loans		**17.9**	17.9
Trade payables		**3.9**	1.5
Liabilities to Group companies	(16)	**110.1**	98.5
Other short-term liabilities		**1.4**	3.6
Accrued expenses and deferred income	(18)	**7.4**	8.8
		321.9	137.9
Total liabilities		**498.1**	471.4
Total shareholders' equity and liabilities		**1,286.5**	1,370.1

Statement of cash flows

EUR million	2012	2011
Cash flow from operating activities		
Operating profit	**11.4**	13.4
Depreciation, amortization and write-downs	**0.8**	1.2
Other adjustments	**-0.5**	1.5
Operating profit before change in net working capital	**11.7**	16.1
Change in net working capital	**-4.8**	-0.6
Cash generated from operations	**6.9**	15.5
Interest income	**4.7**	5.8
Interest and other financing expense	**-20.9**	-23.8
Gains and losses on foreign currency	**-2.1**	3.6
Income taxes	**-1.2**	-0.9
Net cash from operating activities	**-12.6**	0.2
Cash flow from investing activities		
Capital expenditures	**-2.7**	-1.8
Capital injections in Group companies	**-18.2**	-52.2
Acquisitions of associated companies	**0.0**	-30.0
Capital repayments from Group companies	**96.9**	81.9
Proceeds from sale of Group companies	**0.4**	0.7
Proceeds from sale of non-current assets	**-2.0**	5.3
Dividends received	**11.2**	34.4
Net cash used in investing activities	**85.6**	38.3
Cash flow from financing activities		
Change in notes receivable and short-term investments	**-67.7**	64.0
Change in long-term debt	**-41.5**	18.9
Change in short-term debt	**50.0**	-25.7
Dividends paid	**-60.4**	-41.4
Repurchase of own shares	**-**	-3.1
Group contributions	**1.6**	3.1
Net cash used in financing activities	**-118.0**	15.8
Net change in cash and cash equivalents	**-45.0**	54.3
Cash and cash equivalents at the beginning of the period	**54.4**	0.1
Cash and cash equivalents at the end of the period	**9.4**	54.4

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 sales, management 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. The consolidated financial statements of Ahlstrom Group have been prepared in accordance with International Financial Reporting Standards (IFRS), and the parent company complies with the Group's accounting principles whenever this has been possible.

Non-current assets

Intangible and tangible non-current assets are stated at historical cost less accumulated depreciation or amortization. Depreciation and amortization are calculated on a straight line basis over the estimated useful lives of the assets as follows:

Trademarks, patents and licenses
5–20 years
Computer software
3–5 years
Machinery and equipment
3–10 years

Foreign currency translation

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the balance sheet date. Foreign exchange gains or losses arising from translation are recognized in the financial income and expenses in the income statement.

Derivative financial instruments

The derivative financial instruments include foreign exchange forward contracts, an interest rate option and commodity derivatives. They are used for hedging purposes, to decrease currency, interest rate and commodity price risk.

Derivative contracts are initially recognised at fair value and subsequently re-measured at their fair value through profit and loss.

Extraordinary items

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

Income taxes

Deferred taxes are provided for temporary differencies arising between the carrying amounts in the balance sheet and the tax bases of assets and liabilities as well as for tax losses carried forward using the relevant enacted tax rate. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available, against which the temporary differences can be utilized.

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 calculations. Pension insurance premiums are charged to income. In Finland, the accrued pension liabilities not covered by insurance policies and their changes are recorded in the balance sheet and income statement according to accounting principles generally accepted in Finland.

Hybrid bond

The subordinated hybrid bond is reported in the balance sheet under the liabilies. Interest payable under the loan terms is accrued over the loan period. The arrangement fee is recognized as expense on the date of issue.

1. Distribution of net sales

EUR million	2012	2011
France	**21.6**	13.6
USA	**15.8**	13.5
Italy	**11.8**	9.0
Germany	**7.8**	4.7
Finland	**7.2**	4.2
Brazil	**7.2**	4.1
United Kingdom	**2.8**	1.7
Sweden	**2.5**	1.3
South Korea	**2.3**	1.4
Russia	**1.3**	0.7
Belgium	**1.3**	1.0
Other	**1.2**	1.4
Total	**82.8**	56.6

2. Personnel costs

EUR million	2012	2011
Remuneration of board members	**-0.5**	-0.5
Remuneration and bonuses of managing director	**-0.7**	-1.9
Other wages and salaries	**-8.2**	-9.7
Pension costs	**-1.8**	-1.6
Other wage-related costs	**-0.5**	-0.5
Total	**-11.7**	-14.2

The President and CEO and the other members of the Corporate Executive Team may participate in voluntary pension insurances. All such pension insurances are defined contribution plans. According to the terms and conditions of the plan, the President and CEO may retire at the age of 60, at the earliest.

	2012	2011
Average number of personnel		
Salaried	**88**	71

3. Auditors' fees

EUR million	2012	2011
To PricewaterhouseCoopers		
Audit	**-0.2**	-0.2
Tax services	**0.0**	-0.0
Other services	**-0.3**	-0.4
Total	**-0.5**	-0.6

4. Dividend income

EUR million	2012	2011
from Group companies	**11.2**	34.4

5. Interest and other financing income

EUR million	2012	2011
from Group companies	**5.5**	5.8
from others	**0.4**	1.1
Total	**5.9**	6.9

6. Interest and other financing expense

EUR million	2012	2011
to Group companies	**-0.5**	-0.9
to others	**-21.0**	-24.1
Total	**-21.5**	-25.0

7. Extraordinary items

EUR million	2012	2011
Group contributions	**4.0**	1.6
Tax related to extraordinary items	**-1.0**	-0.4
Total	**3.0**	1.2

8. Income taxes

EUR million	2012	2011
Taxes for current and previous years	**-1.2**	-0.8
Deferred taxes	**0.2**	0.5
Tax related to extraordinary items	**1.0**	0.4
Income taxes in the income statement	**0.0**	0.1

9. Intangible and tangible assets

EUR million	Intangible rights	Land and water areas	Machinery and equipment	Other tangible assets
2012				
Historical cost at Jan 1	6.0	0.4	0.2	0.6
Increases	2.6	-	0.1	-
Decreases	-	-	-	-
Historical cost at Dec 31	**8.6**	**0.4**	**0.3**	**0.6**
Accumulated depreciation and amortization at Jan 1	2.9	-	0.2	0.5
Depreciation and amortization for the fiscal year	0.8	-	-	-
Decreases	-	-	-	-
Accumulated depreciation and amortization at Dec 31	**3.7**	**-**	**0.2**	**0.5**
Book value at Dec 31, 2012	**4.9**	**0.4**	**0.1**	**0.1**

EUR million	Intangible rights	Land and water areas	Machinery and equipment	Other tangible assets
2011				
Historical cost at Jan 1	13.6	0.4	0.2	0.6
Increases	1.7	-	-	-
Decreases	-9.3	-	-	-
Historical cost at Dec 31	6.0	0.4	0.2	0.6
Accumulated depreciation and amortization at Jan 1	5.9	-	0.2	0.5
Depreciation and amortization for the fiscal year	1.2	-	-	-
Decreases	-4.2	-	-	-
Accumulated depreciation and amortization at Dec 31	2.9	-	0.2	0.5
Book value at Dec 31, 2011	3.1	0.4	0.0	0.1

10. Long-term investments

EUR million	Shares in Group companies	Receivables from Group companies	Shares in associated companies	Shares in other companies
2012				
Historical cost at Jan 1	1,097.3	23.0	32.7	0.5
Increases	39.4	-	0.0	-
Decreases	-99.0	-8.0	-	-
Historical cost at Dec 31	**1,037.7**	**15.0**	**32.7**	**0.5**
Accumulated impairment at Jan 1	2.1	-	-	-
Impairment for the fiscal year	42.2	13.0	4.0	-
Decreases	-2.1	-	-	-
Accumulated impairment at Dec 31	**42.2**	**13.0**	**4.0**	**-**
Book value at Dec 31, 2012	**995.5**	**2.0**	**28.7**	**0.5**

EUR million	Shares in Group companies	Receivables from Group companies	Shares in associated companies	Shares in other companies
2011				
Historical cost at Jan 1	1,128.0	25.1	2.7	0.5
Increases	52.2	-	30.0	-
Decreases	-82.9	-2.1	-	-
Historical cost at Dec 31	1,097.3	23.0	32.7	0.5
Accumulated impairment at Jan 1	-	-	-	-
Impairment for the fiscal year	2.1	-	-	-
Decreases	-	-	-	-
Accumulated impairment at Dec 31	2.1	-	-	-
Book value at Dec 31, 2011	1,095.2	23.0	32.7	0.5

At december 31, 2012 the company held a total of 66,666,666 of Suominen Oyj shares. During the year the historical cost was reduced by EUR 4.0 million to EUR 26.0 million. The market value of the shares owned at December 31, 2012 was EUR 23.3 million

11. Prepaid expenses and accrued income

EUR million	2012	2011
Long-term		
Loan arrangement fees	**1.3**	1.3
Short-term		
Accruals of hedging contracts	**0.5**	0.8
Loan arrangement fees	**0.5**	0.4
Other	**0.2**	0.5
Total	**1.2**	1.7

12. Shareholders' equity

EUR million	2012	2011
Balance at Jan 1	**894.3**	908.0
Dividends paid	**-60.3**	-41.1
Donations	**-0.1**	-0.1
Repurchase of own shares	**-**	-3.1
Transfer of own shares	**-**	2.1
Net profit	**-49.9**	28.5
Balance at Dec 31	**783.9**	894.3

At December 31, 2012 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.

13. Maturity profile of long-term liabilities

EUR million	2014	2015	2016	2017	2018-	Total
2012						
Hybrid bond	-	-	-	-	-	-
Bonds	-	99.5	-	-	-	99.5
Loans from financial institutions	17.2	15.7	14.1	5.3	5.3	57.6
Pension loans	17.9	1.2	-	-	-	19.1
Total	**35.1**	**116.4**	**14.1**	**5.3**	**5.3**	**176.2**

EUR million	2013	2014	2015	2016	2017-	Total
2011						
Hybrid bond	80.0	-	-	-	-	80.0
Bonds	-	-	99.4	-	-	99.4
Loans from financial institutions	45.0	20.0	18.6	16.9	16.1	116.6
Pension loans	17.9	17.9	1.1	-	-	36.9
Total	142.9	37.9	119.1	16.9	16.1	332.9

14. Provisions for contingencies

EUR million	2012	2011
Environmental responsibility	**0.1**	0.4
Pension and other employee benefit plan liabilities	**3.8**	3.8
Total	**4.0**	4.2

15. Deferred tax assets

EUR million	2012	2011
Long-term assets	**1.0**	1.0
Short-term assets	**5.2**	4.9
Total	**6.2**	5.9
Arising from:		
Temporary differences and tax losses	**6.2**	5.9

16. Receivables from and liabilities to Group companies

EUR million	2012	2011
Long-term notes receivable	**163.6**	89.3
Trade receivables	**1.2**	1.4
Notes receivable	**59.3**	47.9
Prepaid expenses and accrued income	**4.8**	2.3
Total	**228.9**	140.9
Trade payables	**0.4**	0.2
Accrued expenses and deferred income	**0.3**	1.2
Other short-term liabilities	**109.4**	97.1
Total	**110.1**	98.5

17. Receivables from and liabilities to associated companies

EUR million	2012	2011
Trade receivables	**6.8**	0.4

18. Accrued expenses and deferred income

EUR million	2012	2011
Long-term		
Accrued personnel costs	**-**	0.6
Short-term		
Accrued personnel costs	**3.8**	3.1
Accrued interest expense	**2.6**	3.1
Accruals of hedging contracts	**0.7**	1.5
Other	**0.3**	1.1
Total	**7.4**	8.8

19. Commitments and contingent liabilities

EUR million	2012	2011
For commitments of Group companies:		
Guarantees	**138.0**	116.9
For commitments of associated companies:		
Guarantees	**15.0**	15.0
Leasing commitments		
Current portion	**1.6**	1.1
Long-term portion	**9.7**	9.0

20. Shares in subsidiaries

The list of subsidiaries can be found in note 32 to the consolidated financial statements.

21. Nominal and fair values of derivative financial instruments

	Nominal values		Fair values	
EUR million	**2012**	2011	**2012**	2011
Interest rate derivatives				
Interest rate options	**10.0**	10.0	**0.0**	0.0
Foreign exchange derivatives				
Foreign exchange forward contracts	**126.8**	102.8	**-0.2**	-0.8
Commodity derivatives	**-**	44.8	**-**	1.3

Derivatives are hedging transactions in line with Ahlstrom Group hedging policy. More information of financial risks can be found in note 1 to the consolidated financial statements.

Proposal for the distribution of profits

The Parent Company's balance sheet on December 31, 2012 shows:

	EUR
Retained earnings	567,809,430.50
Non-restricted equity reserve	8,266,273.12
Profit for the period	-49,943,758.42
Total distributable funds	526,131,945.20

The Board of Directors proposes to the Annual General Meeting to be held on March 27, 2013 as follows:

- a dividend of EUR 0.63 per share to be paid from the retained earnings corresponding to	29,402,483.04
- to be reserved for donations at the discretion of the Board of Directors	75,000.00
- to be retained in non-restricted equity reserve	8,266,273.12
- to be retained in retained earnings	488,388,189.04
	526,131,945.20

The suggested dividend record date is April 3, 2013 and the dividend will be paid on April 10, 2013.

Helsinki, January 31, 2013

Peter Seligson

Sebastian Bondestam

Lori J. Cross

Esa Ikäheimonen

Pertti Korhonen

Anders Moberg

Jan Lång
President & CEO

Auditor's Report

To the Annual General Meeting of Ahlstrom Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Ahlstrom Corporation for the year ended 31 December, 2012. The financial statements comprise the consolidated income statement, statement of comprehensive income, balance sheet, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's income statement, balance sheet, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the President & CEO

The Board of Directors and the President & CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view 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 Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the President & CEO 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 express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about 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 or the President & CEO are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

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, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. 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.

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, 15 February 2013

PricewaterhouseCoopers Oy
Authorised Public Accountants

Eero Suomela
Authorised Public Accountant

Shares and shareholders

Shares and share capital

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

At the end of 2012, Ahlstrom's share capital was EUR 70,005,912 and the total number of shares was 46,670,608. At the end of the period, there were no unpaid options which would entitle to subscribing the company's shares.

Share price performance and trading

During January-December 2012, a total of 2.46 million Ahlstrom shares were traded for a total of EUR 32.9 million. The lowest trading price was EUR 11.86 and the highest EUR 15.45. The closing price on December 28, 2012, was EUR 13.23. Market capitalization at the end of the review period was EUR 610.0 million, excluding the shares owned by the parent company and Ahlcorp Oy, which is a management ownership company.

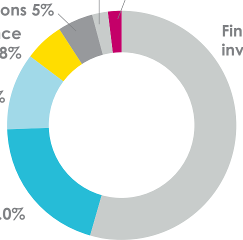
Shareholders

Ahlstrom had a total of 12,431 shareholders at the end of 2012. The largest shareholder is Antti Ahlströmin Perilliset Oy, which holds 10 percent of the company's share capital. For more information on the shareholders, please see the tables on this page. A list of Ahlstrom's largest shareholders, which is updated once a month, is available in the Investors section of the company's website at www.ahlstrom.com.

MAJOR SHAREHOLDERS AS OF DECEMBER 31, 2012

SHAREHOLDERS	SHARES AND VOTES	%
Antti Ahlström Perilliset Oy	4,674,802	10.02
Vimpu Intressenter Ab	2,806,904	6.01
Nordea Life Assurance Finland Ltd	2,000,000	4.29
Varma Mutual Pension Insurance Company	1,532,200	3.28
Huber Mona	1,256,700	2.69
Tracewski Jacqueline	1,007,600	2.16
Seligson, Peter	797,600	1.71
Seligson, Peter	555,000	1.19
Baltiska Handels AB	242,600	0.52
Kylmälä Tauno	771,400	1.65
Nahi Kai	717,538	1.54
Lund Niklas	693,738	1.49
Kylmälä Kasper	677,100	1.45
Huber Samuel	639,600	1.37
Huber Karin	638,700	1.37
Studer Anneli	636,420	1.36
Emmett Linda	635,800	1.36
Gullichsen Johan	634,451	1.36
Sumelius John	618,038	1.32
Koivulehto Monica	581,700	1.25
Coulet-Tracewski Eliane	545,100	1.17
Lydecken Robert	459,000	0.98

OWNERSHIP STRUCTURE ON DECEMBER 31, 2012



DISTRIBUTION OF OWNERSHIP AS OF DECEMBER 31, 2012

NUMBER OF SHARES	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
1–100	6,785	54.58	442,512	0.95
101–1,000	4,712	37.91	1,702,120	3.65
1,001–10,000	711	5.72	1,901,428	4.07
10,001–100,000	124	1.00	4,464,385	9.57
100,001–250,000	59	0.48	9,119,414	19.54
250,001–500,000	20	0.16	6,916,352	14.82
500,001–	20	0.16	22,124,397	47.41
Total	12,431	100.00	46,670,608	100
Nominee registered	8	0.00	891,196	1.91

Engaging investors

The Annual General Meeting of Shareholders (AGM) of Ahlstrom Corporation will be held on Wednesday, March 27, 2013 at 1:00 p.m. in Finlandia Hall (Mannerheimintie 13e, Helsinki, Finland). The registration of shareholders participating in the meeting begins at 12 noon.

In order to attend the Annual General Meeting, a shareholder must be registered in the company's register of shareholders, held by Euroclear Finland Ltd. on the record date of March 15, 2013.

As instructed on the notice, shareholders participating in the Annual General Meeting must give prior notice to attend the AGM by March 22, 2013. For further information, please visit www.ahlstrom.com.

Dividend policy and payment of dividends

Ahlstrom's dividend policy is based on the company's cash generating capability. Ahlstrom aims to pay a dividend of not less than one third of the net cash flow from operating activities after operative investments. The figure is calculated as a three-year rolling average to achieve stability in the dividend pay-out. Operative investments include maintenance, cost reduction and efficiency improvement investments.

The Board of Directors proposes to the Annual General Meeting that for the financial year ended on December 31, 2012 a dividend totaling of EUR 0.63 per share be paid based on the above mentioned policy. The dividend will be paid to shareholders registered in the register of shareholders held by Euroclear Finland Ltd. on the record date of April 3, 2013. The dividend payout date is April 10, 2013.

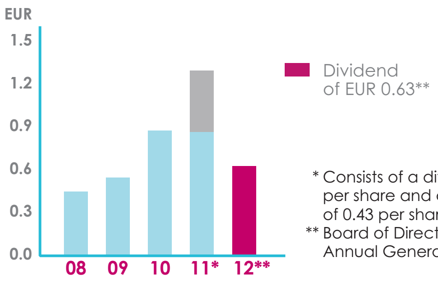
SHARE RELATED KEY FIGURES

	2012	2011	2010
Earnings per share	-0.43*	0.38*	0.26
Divdidend per share	0.63**	1.30***	0.88
Dividend yield, %	4.5	10.4	5.9
Average number of shares during the period, 1,000s	**46,670.6**	46,670.6	46,670.6

* Continuing operations
** Board of Directors' proposal to the Annual General meeting
*** Consists of a dividend of EUR 0.87 per share and an extra dividend of 0.43 per share

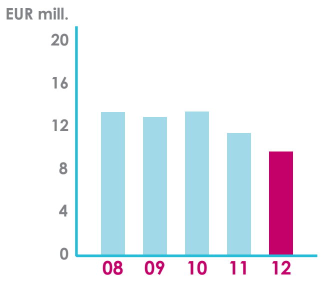
SHARE QUOTATIONS 2008–2012, EUR

DIVIDEND PER SHARE

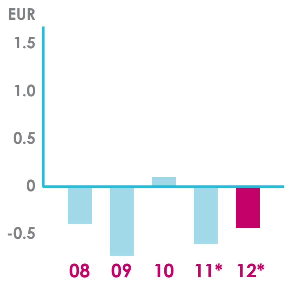


* Consists of a dividend of EUR 0.87 per share and an extra dividend of 0.43 per share
** Board of Directors' proposal to the Annual General meeting

EQUITY PER SHARE



EARNINGS PER SHARE



*Continuing operations

Investor Relations

The objective of Ahlstrom's Investor Relations is to ensure that the market has correct, adequate and current information for true and fair valuation of the Ahlstrom share. The company follows all principles of transparency and impartiality and strives to serve all of its stakeholders in the best possible manner.

All inquiries relating to investor relations are processed through the Investor Relations function. Ahlstrom's investor communications include, among other things, annual and interim reports, stock exchange and press releases, the Investors section of the website, regular contacts with analysts and investors, press conferences held in connection with the publication of the interim reports, as well as other investor events.

Analysts covering Ahlstrom

To Ahlstrom's knowledge at least the following investment banks and brokerage firms cover Ahlstrom in their research.

- Credit Agricole Cheuvreux Nordic
- Evli Bank
- Inderes
- Nordea Bank
- Pohjola Bank
- SEB Enskilda

The analysts follow Ahlstrom on their own initiative and the company takes no responsibility on any of their statements.

Investor materials

Ahlstrom publishes its annual reports in Finnish and English. Printed copies of the annual report are sent to subscribers. Interim reports and stock exchange releases are published in Finnish and English. All the above mentioned materials are available at www.ahlstrom.com. They can also be ordered through the website.

Outlook

From 2013 onwards, Ahlstrom continues to provide its outlook on net sales as a range in euros. The outlook for operating profit excluding non-recurring items is given as a range in percentage of net sales instead of the euro-based range previously used. The outlook is provided in the financial statements bulletin and interim reports.

Additional information

Additional information is available in the Investors section at www.ahlstrom.com.

FINANCIAL INFORMATION IN 2013

REPORT	DATE OF PUBLICATION	SILENT PERIOD
Financial statements bulletin 2012	Thursday, January 31	January 1–31
Annual report	Week starting March 4	
Interim Report January–March	Thursday, April 25	April 1–25
Interim Report January–June	Wednesday, August 7	July 1–August 7
Interim Report January–September	Thursday, October 24	October 1–24

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