

Ahlstrom Story 2013

Learning and renewing



AHLSTROM

You have just opened your very own copy of the Ahlstrom Story 2013 report. As part of our continuous learning and renewal process, we have divided our annual reporting into three parts: Ahlstrom Story 2013, Ahlstrom Sustainability 2013, and Ahlstrom Financials 2013. This report is also a step towards the new concept of Integrated Reporting. Our aim is to highlight, in a clear and concise manner, how we create value for our stakeholders over time.

I invite you to sit back, relax and enjoy your reading experience!

Jan Lång
President & CEO

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Vision

Inspiring people
Passionate about
new ideas
Growing with
our customers

Values

Act responsibly
Create value
Learn and renew

“ As we look into 2014, improving our financial performance is our highest priority following the years of transformation. ”



THE ROADMAP FOR GROWTH

We accomplished many things during 2013. The main achievements were the completion of the demerger of our specialty paper business, Label and Processing, and the definition of our strategic growth agenda until the year 2020.

2013 was a year of major accomplishments and challenges

We accomplished many things during 2013. The main achievements were the completion of the demerger of our specialty paper business, Label and Processing, and the definition of our strategic growth agenda until the year 2020. The roadmap for growth, based on our established business portfolio, has now been created. The demerger of the Label and Processing business demanded a lot of management time and effort from our personnel during the past two years. However, we can now focus our resources on the execution of our strategy, and, in particular, improve our financial performance, which are both ahead of us in 2014.

In accordance with our strategy statement, we aim to grow with a high performance product offering for a clean and healthy environment. This is our essence: our products respond to customer needs derived from stricter environmental controls, the need for affordable clean water and reliable healthcare as well as cost-efficient energy production. Our current and future product offering is driven by global megatrends, such as resource scarcity, increased environmental awareness, demographics and urbanization. We believe that the impact of these megatrends will grow over time, creating the need to solve these challenges.

I'm very pleased with the progress we made in product and technology development and, in particular, with idea generation and how we manage the product development process. In 2013, the share of new products in our net sales reached 13%, bringing us closer to our long-term target of 20%. The number of new product launches doubled from the previous year as we introduced many exciting products that all work in favor of a clean and healthy environment. These include high efficiency filtration media for indoor air and best-in-class fuel filtration media allowing smaller filter size, to name just a few. However, we still need to work harder on shortening the lead time from an idea to having a commercially successful product for the market.

In 2013, our business environment was overall rather soft. The market in Europe stabilized, whereas demand in North America continued to show signs of recovery. It was, however, encouraging to note that our sales at constant currency rates developed favorably. It is clear that our profitability did not meet our expectations. Apart from the soft market, the decline in profitability was due to the fact we were not able to fully compensate for increased raw material and energy costs. In addition, we have three start-up operations that continued to burden our results. We have taken firm actions to adjust. Following the demerger of Label and Processing and the earlier divestment of Home and Personal, our current size does not support our cost structure. We identified additional cost savings opportunities and expanded the previously announced rightsizing program from the EUR 35 million target to EUR 50 million.

Improving financial performance is the highest priority in 2014

As we look into 2014, improving our financial performance is our highest priority following the years of transformation. I'm confident that our enhanced product offering, which improves our sales mix and margins, and the planned cost savings program will help us improve our results in 2014 and beyond. Now that our business portfolio has been restructured, we can concentrate our efforts on profitability and growth. This is the only way we can create value in a sustainable manner for all of our stakeholders over the longer term.

Sincerely Yours,



Jan Lång
President & CEO



AHLSTROM IN BRIEF

As of January 1, 2014 Ahlstrom has five business areas.*

Ahlstrom produces high performance fiber-based materials that enable the required functionality and support the sustainability of our customers' products. Our annual net sales are approximately EUR 1 billion and we employ approximately 3,500 people in 24 countries. Our products are used in a large variety of everyday and industrial applications, such as filters, medical fabrics, life science and diagnostics, wallcoverings, and food packaging. We have a leading market position in the businesses in

which we operate. In line with our strategy, we offer high performance products for a clean and healthy environment.

We create value by using unique know-know in combining both natural and synthetic raw materials with chemistry into differentiated products. Our materials are typically sold to converters and marketers.

Ahlstrom's product offering is driven by global megatrends such as resource

scarcity, environmental awareness, demographics, and urbanization. The market for many of our products generally grows faster than global GDP as they substitute for materials such as textiles, plastics or aluminum. Sustainability is the key driver in our industry.

Our five business areas serve markets including food and beverage, medical care and life science, transportation, energy, and building and decoration.

ADVANCED FILTRATION

A global supplier of air and liquid filtration materials, with a leading market position in life science and gas turbine filtration.



BUILDING AND ENERGY

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



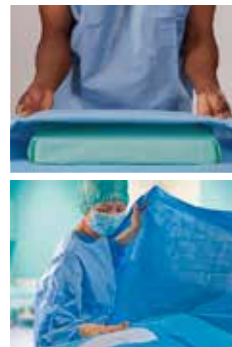
FOOD

One of the leading players globally for materials used in tea bags, coffee cups, molds, trays, food packaging, and masking tape.



MEDICAL

One the leading players globally for materials used in medical gowns and drapes, apparel and sterile barrier systems.



TRANSPORTATION FILTRATION

The global leader in transportation filtration materials for heavy-duty vehicles and passenger cars.



CUSTOMER INDUSTRIES

Energy, healthcare, environmental control, water, food and beverage

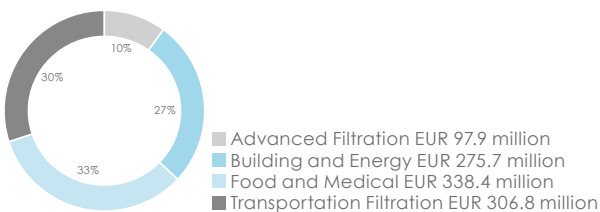
Building and construction, energy, fabric care, transportation

Food and beverage packaging, tape

Medical care

Automotive, heavy-duty vehicles, aviation, marine

AHLSTROM NET SALES 2013 BY BUSINESS AREAS



“ We create value by using unique know-know in combining, both natural and synthetic raw materials, with chemistry into differentiated products. ”

* Former Food and Medical business area was divided into two segments: Food business area and Medical business area.

OPERATING ENVIRONMENT AND FINANCIAL PERFORMANCE IN 2013

The operating environment in 2013 remained in line with the comparison year as the overall demand in Ahlstrom's main markets continued to be soft with regional variations. Geographically, demand in Europe remained weak, particularly in the southern part of the continent. The North American market showed some positive signs especially towards year end, while growth was fastest in Asia.

Net sales in January-December 2013 increased by 0.4% to EUR 1,014.8 million, compared with EUR 1,010.8 million in January-December 2012. The increase was mainly due to higher selling prices and a favorable product mix as well as the Munktell acquisition. An adverse currency effect had a negative impact on net sales. Net sales growth at constant currency rates was 2.9%.

Operating profit excluding non-recurring items was EUR 13.4 million (EUR 21.1 million) and operating profit was EUR 10.7 million (EUR 21.8 million). Non-recurring items affecting the operating profit were EUR -2.7 million (EUR 0.7 million).

The decrease in operating profit excluding non-recurring items was mainly due to increased raw material and energy costs as well as an increase in selling, general, and administrative expenses. Some of these costs were previously reported in discontinued operations, but are now included in continuing operations following the completion of the Label and Processing demerger. These additional costs will be addressed by the rightsizing program announced in August 2013 and further cost savings announced in January 2014.

Operational inefficiencies caused by boiler problems at the Osnabrück site had a negative impact of approximately EUR 2.6 million on operating profit. Commercialization of start-up operations in the Food and Medical business area continued to burden the result. The three start-up operations mentioned above contributed an approximately EUR 13.2 million loss in operating profit. Higher selling prices, improved product mix, and increased volumes had a positive impact on operating profit.

FINANCIAL KEY FIGURES

	2013*	2012*	Change, %
Net sales	1,014.8	1,010.8	0.4
Operating profit / loss	10.7	21.8	-50.9
Operating profit excluding non-recurring items	13.4	21.1	-36.7
% of net sales	1.3	2.1	
Profit / loss before taxes	-15.4	-6.4	-139.6
Profit / loss for the period	-18.9	-16.4	-15.2
Earnings per share	-0.46	-0.44	
Return on capital employed	0.9	2.3	
Capital expenditure excluding acquisitions	76.1	74.1	2.6
Gearing ratio**	85.5	62.5	
Net cash from operative activities**	41.0	78.7	-48.0
Dividend per share***	0.3	0.63	-52.4

* Continuing operations

** Including discontinued operations

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

The Board of Directors proposes to the Annual General Meeting that a dividend consisting of Munksjö Oyj shares and cash be paid for the financial year that ended on December 31, 2013. According to the proposal, Ahlstrom shareholders will receive one Munksjö share for each 26 shares held in Ahlstrom and a cash dividend of EUR 0.09 per share. The aggregate maximum amount of the total dividend is EUR 14.0 million, or EUR 0.30 per share.

SOCIAL KEY FIGURES

	2013*	2012*	Long-term goal
LTA - Lost Time Accidents	17	19	Zero
TRIFR - Total Recordable Injury Frequency Rate	54	n/a	Zero
Code of Conduct e-learning completion for white-collar employees	82%	49%	100%
Supplier Code of Conduct	85%	>70%	100%
Engagement Index	64.1	65.2	68
Customer satisfaction measured as NPI****	10	3	17
Goal and development discussion for all employees	72%	71%	100%

* Continuing operations

**** Net promoter index

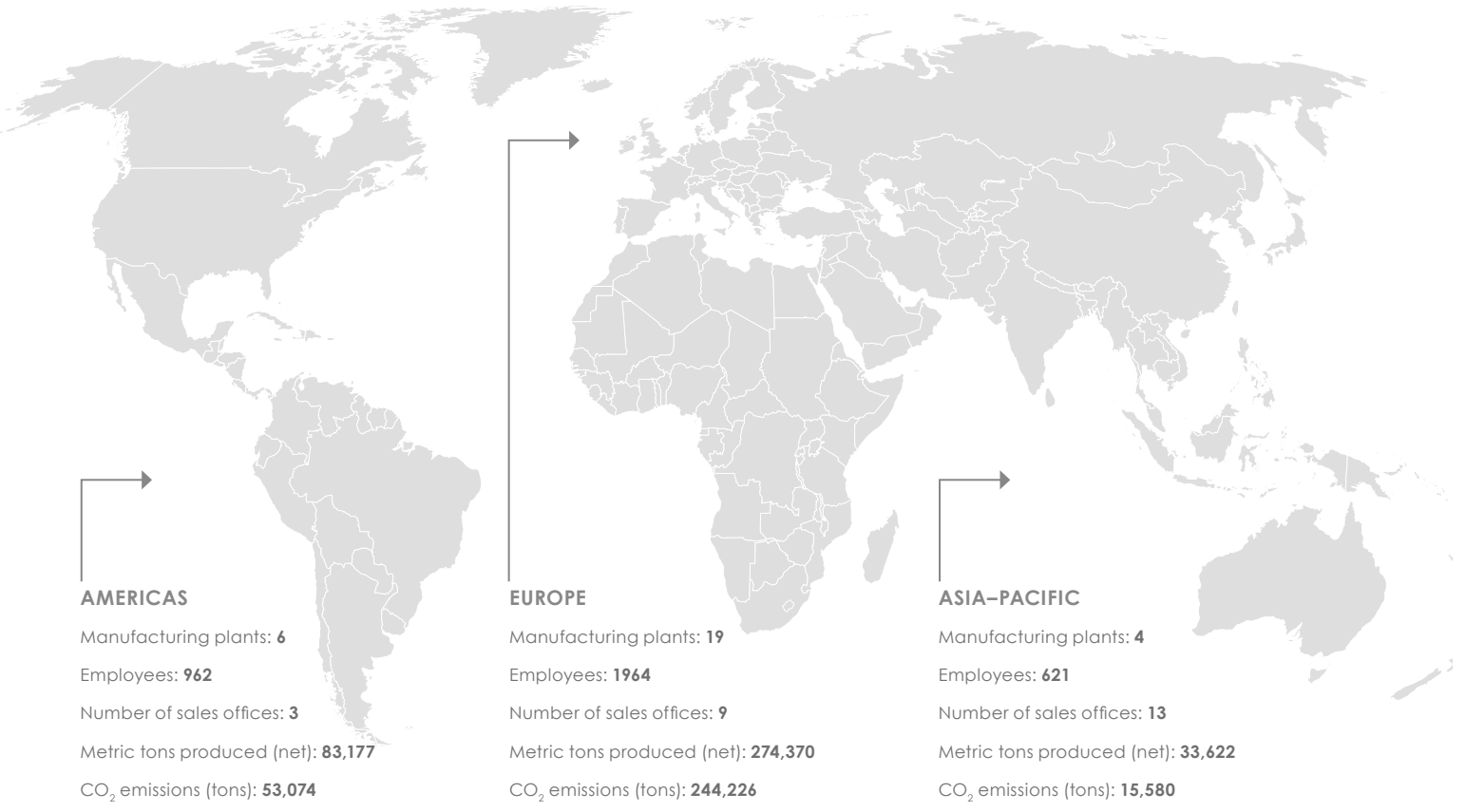
ENVIRONMENTAL KEY FIGURES

	2013*	2012*	Long-term goal
Electricity consumption, MWh/ton	1.29	1.29	20% reduction by 2020
Fuel usage, GJ/ton	13.87	13.79	
CO ₂ emissions, kg/ton	730	723	
Waste to landfill, tons	6,614	6,475	Zero
Environmental management system (ISO 14001) in each plant	94%	99%	100%
EcoDesign approach implemented for all new product developments	n/a	n/a	100%

* Continuing operations

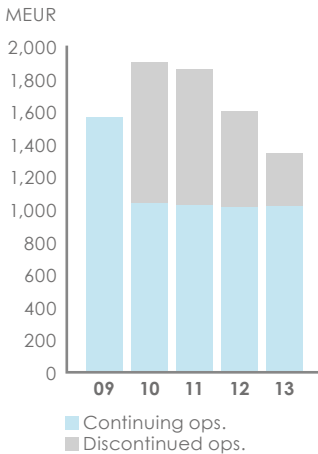
OUR APPROXIMATELY

3,500 EMPLOYEES SERVE CUSTOMERS ON **SIX** CONTINENTS FROM **29** MANUFACTURING PLANTS AND **25** SALES OFFICES

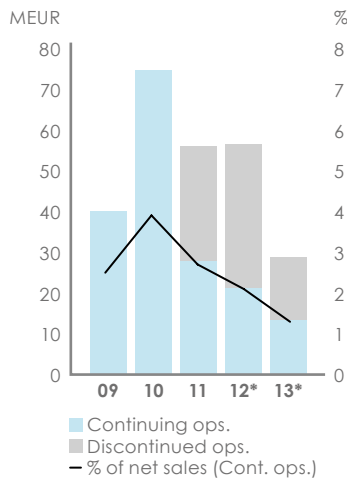


“ Our worldwide product offering is customized to local market needs with quality customer and technical service. We have a global presence with unique and unrivalled supply platform in the industry. ”

NET SALES DEVELOPMENT
More focused portfolio

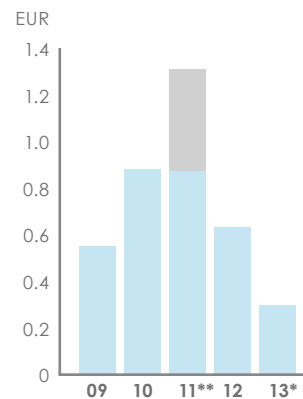


OPERATING PROFIT EXCL. NON-RECURRING ITEMS



* 2012 figures are restated and 2013 figures reported according to new IFRS standard on employee benefits.

DIVIDEND PER SHARE



* According to the dividend proposal, Ahlstrom shareholders will receive one Munksjö Oyj share for each 26 shares held in Ahlstrom and a cash dividend of EUR 0.09 per share. The aggregate maximum amount of the total dividend is EUR 14.0 million, or EUR 0.30 per share.
**Consisting of a dividend of EUR 0.87 per share and an extra dividend of EUR 0.43 per share.

OUR NEW STRATEGY

In 2013, Ahlstrom defined a growth strategy extending to the year 2020, as captured in our strategy statement:

We will grow
with a high
performance
product offering
for a clean
and healthy
environment.

Ahlstrom's current and future product offering is driven by global megatrends that shape our economies, societies, and the environment. On the following pages we will show you how responding to some of these megatrends – **RESOURCE SCARCITY, ENERGY AND ENVIRONMENT, EMERGING NEEDS IN HEALTHCARE**, and **DEMOGRAPHICS AND URBANIZATION** – will provide us with many interesting growth opportunities in the future. Our products respond to customer needs for stricter environmental controls, the need for clean water, reliable yet affordable and safe healthcare, and cost-efficient energy production. In line with our strategy, we will help to provide a cleaner and healthier environment.

Megatrend:**RESOURCE SCARCITY,
ENERGY AND ENVIRONMENT**

Every year we deplete the Earth's resources at a faster pace that they are renewed. Demand for energy, minerals, and natural resources keep on increasing as the world's population increases. At the same time people around the world are more concerned about the deteriorating quality of water, air, and soil. This is not sustainable in the longer run and we have to find ways to do more with less.

**Ahlstrom Disruptor®
technology**

A chemical-free solution that doesn't require electricity for various water treatment applications.

More efficient use of resources

We design our products to minimize their environmental impacts over the whole life-cycle by using an EcoDesign approach. In this approach the use of renewable low-impact raw materials is encouraged and, at the same time the use of hazardous chemicals is reduced or even eliminated. We strive to reduce the use of water, energy, and waste in our production processes.

**Cleaner water and air, more
efficient energy production**

We offer filtration solutions for clean water and our indoor air filtration products improve the quality of life for millions of people. In energy production, our materials play a critical role in improving the efficiency of gas turbines and wind turbines.



Ahlstrom Trinitex®

Air filtration product protects gas turbine blades and allows cost-efficient energy production with lower emissions.



Ahlstrom Captimax™

The best-in-class fuel filtration media lowering emissions and allowing smaller filter size.

Ahlstrom Flow2Save™

A high-quality filter media for improving indoor air quality. The product maximizes air flow and enables lower energy consumption.



Ahlstrom AceBlade™

A game changing glass fiber reinforcement product reducing raw material costs at wind mill blade manufacturers and enabling longer and lighter blades.

Environmentally friendly transportation

We are the global leader in environmentally friendly transportation, offering a comprehensive range of filtration media for cars and heavy-duty trucks. Our filter media is designed to reduce emissions into the air and fuel consumption. At the same time, it allows smaller filter size. As a result, our products provide better efficiency in terms of performance and resources.

Megatrend:**EMERGING NEEDS IN HEALTHCARE**

Our needs for healthcare are changing fast, especially in the Western world with aging populations. It's more convenient to perform various medical testing and diagnostics at home or on-the-go rather than at hospitals. At the same time, the increased amount of untreatable infections at hospitals raises the performance requirements for protecting fabrics in operating rooms to a new level.



Caring for your health and safety

Laboratory and point-of-care medical testing and diagnostics

Our fiber-based components enable improved specimen collection and cost-effective diagnostics with ease of use. This is our answer to aging populations and the need for more personalized medical treatment and diagnostics done at home.

Safe and convenient single-use medical fabrics

Our medical fabrics offer superior comfort and softness to doctors and nurses in operating rooms. At the same time, they are puncture resistant and protect against cuts and contamination.



Ahlstrom ReliaFlow™

A fiber-based material offering easy body fluid sample collection and storage. It provides reliable performance, reduces customers' resources and time, and has wide application opportunities, ranging from pregnancy to drug tests.



Ahlstrom TenderGuard™

A new fabric with added comfort and softness to protect patients and hospital staff in operation rooms.



Ahlstrom Reliance® Tandem

Our single-use sterile barrier solutions (SBS) are made from nonwovens and papers, and are preferred to conventional linen as they provide a bacterial barrier and are an important link in the chain of preventing Hospital Acquired Infections.

Ahlstrom Reliance® Tandem, or interleaving, is the concept of combining two layers to offer a high degree of flexibility in terms of performance, technology and cost for different applications.

Megatrend:**DEMOGRAPHICS AND URBANIZATION**

The world's population continues to increase and the middle class is ever wealthier, particularly in emerging nations such as China, India, and Brazil. At the same time, more and more people are moving to the metropolises and cities of the world from rural areas. This change in living standards and lifestyles puts huge pressure on resources and housing. In addition, there's a growing concern over safe and sustainable food supply.

Solutions for everyday living

Functional materials for construction and home decoration

We are a leading provider of high-quality functional materials for construction and home decoration. These include wallcovering materials that are easy to use and affordable, especially for the emerging middle class in countries like China. However they offer a personalized touch in home decoration.

Sustainable and innovative food and beverage packaging

We provide safe, convenient, and innovative products for food and beverage packaging. In this area, we are fulfilling people's desire for companies to come up with alternatives that are both environmentally friendly and easy to use. For example, our compostable molds are aimed at replacing aluminum and polyester for fresh and processed foods.



Ahlstrom EasyLife™

A functional, easy-to-use wallcover product range allowing you to design your own designs and digital printing.



Ahlstrom BioWeb™

A fully compostable and biodegradable material for a better tea drinking experience and taste.

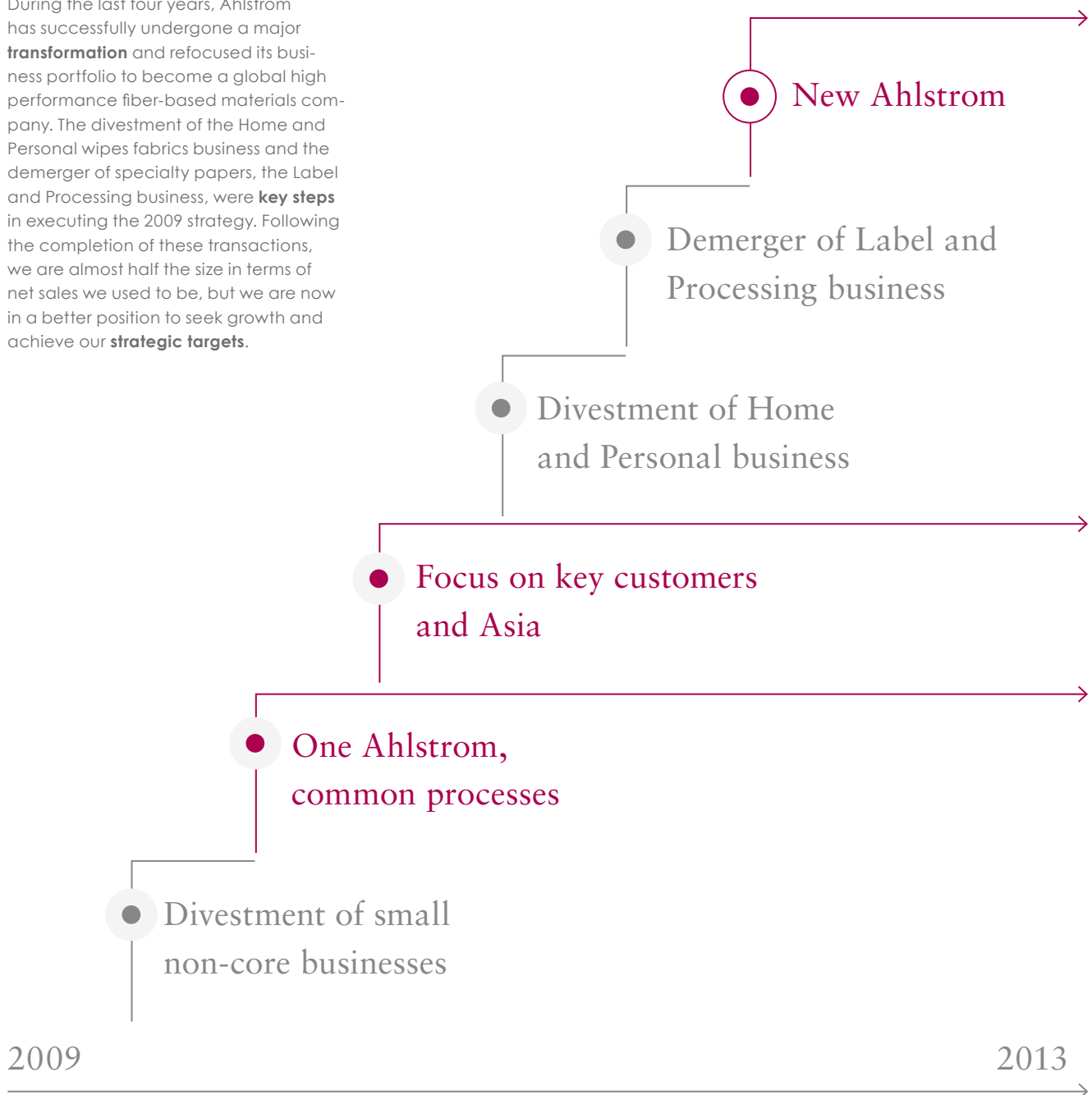


Ahlstrom NatureMold™

Renewable packaging material replacing aluminum and plastic used in food trays and molds.

Successful transformation 2009–2013

During the last four years, Ahlstrom has successfully undergone a major **transformation** and refocused its business portfolio to become a global high performance fiber-based materials company. The divestment of the Home and Personal wipes fabrics business and the demerger of specialty papers, the Label and Processing business, were **key steps** in executing the 2009 strategy. Following the completion of these transactions, we are almost half the size in terms of net sales we used to be, but we are now in a better position to seek growth and achieve our **strategic targets**.



Strategy built on three strong strategic enablers

Co-creation and open innovation
 Technology and manufacturing platforms
 Global reach with local insights

Strategic enablers

Ahlstrom aims to grow with a high performance product offering for a clean and healthy environment. Our strategy is built on three strong strategic enablers:

Co-creation and open innovation allows us to introduce differentiated products together with customers and partners. Through our **technology and manufacturing platforms** we possess unique know-how of fibers, chemistry, and materials technology. This is coupled with flexible manufacturing capabilities and the use of renewable materials. **Global reach with local insights** in operations enables us to offer a global product offering, which is customized to local needs and customer service.

Products with purpose

The end-use applications of our products are used in a wide variety of industrial and everyday applications ranging from medical diagnostics to tea bags and engine filters. We design our products with the aim to minimize the life-cycle impact of our customers' products and contain renewable raw materials. As a result, we speak of products with purpose.

WE SERVE THE FOLLOWING MARKET SEGMENTS:

<p>FOOD & BEVERAGE</p> <p>Materials used in food and beverage packaging, water filtration and other consumer goods</p>	<p>MEDICAL CARE & LIFE SCIENCE</p> <p>Materials used in medical fabrics, diagnostics as well as laboratory and life science applications</p>	<p>TRANSPORTATION</p> <p>Materials used in automotive and heavy-duty air, oil and fuel filtration, reinforcements and other transportation applications</p>	<p>ENERGY & ENVIRONMENT</p> <p>Materials used in energy production, gas turbines and other environment specific applications</p>	<p>BUILDING & DECORATION</p> <p>Materials used in construction and decoration applications such as wallcovers, flooring and masking tape</p>
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These markets are served by our five business areas: **ADVANCED FILTRATION, BUILDING AND ENERGY, FOOD, MEDICAL** and **TRANSPORTATION FILTRATION**.

This structure has been in place since January 1, 2014 when the former Food and Medical business area was divided into two segments.

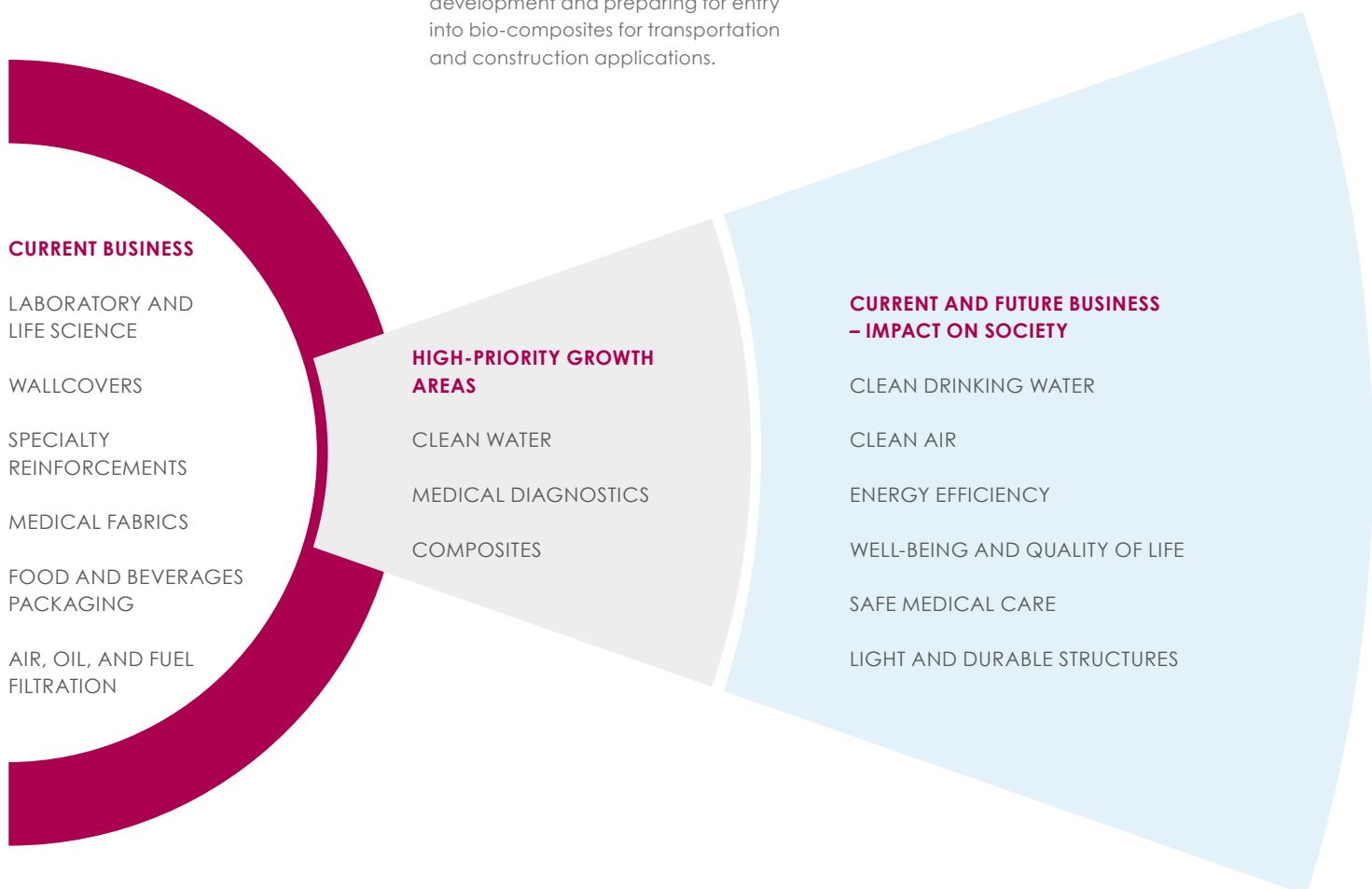
We aim to grow with our customers

The current businesses and the selected market segments offer good opportunities for growth globally. In addition, we have identified new high-priority growth areas in clean water, medical diagnostics, and composite materials for the construction and transportation industries. The impact from our current and future businesses on society include energy efficiency, clean air and drinking water, light and durable structures, and safe medical care.

High-priority growth areas

The three identified high-priority growth areas – clean water, medical diagnostics, and composites – are expected to grow at a faster rate than the global economy in the coming years. There are strong drivers linked to the megatrends behind these markets. In clean water and medical diagnostics Ahlstrom already offers unique and highly differentiated products and solutions. In composites the company is strengthening product and technology development and preparing for entry into bio-composites for transportation and construction applications.

“ We have sustainable and profitable growth opportunities. ”



We are committed to improving

To achieve our strategic priorities we need to:

- 1 Enhance our capabilities to reach a high performance culture
- 2 Invest in new product and business development to create a winning offering with our customers
- 3 Execute selective acquisitions, partnerships, and investments to gain new capabilities
- 4 Improve our economic, social, and environmental performance to drive sustainable growth

Solid execution of strategy

We achieved a major milestone in the execution of our strategy last year as we completed the demerger of the Label and Processing business. This was also the culmination of the transformation process we started a few years ago.

In 2013, good progress was made in introducing new products to the market as we doubled the number of launches compared to the previous year. In addition, our sales generated from new products as a percentage of the total improved and we are well on track to achieve our long-term target.

In 2014, we will continue to drive higher margins through our enhanced product portfolio and launch new products to improve our sales mix and margins. The implementation of the expanded rightsizing program will also have an important effect. In addition, we need to turn around the poor financial performance of the identified three start-up operations.

To support us in the execution of our strategy based on a high performance product offering for a clean and healthy environment, we have redefined our three Focus Areas. These are illustrated on the right-hand side box.

Focus Areas

WINNING BUSINESS

- More sales through new leads and better win rate
- Improve customer engagement, service and gain loyalty
- Improve margins

COMMERCIAL SUCCESS WITH NEW PRODUCTS

- Differentiated products for a clean and healthy environment
- Speed up the process from idea to market scale-up
- Communicate clear value propositions and capture value

HIGH PERFORMANCE

- Reach and exceed targets
- Keep promises and high quality
- Create a learning environment

AHLSTROM'S BUSINESS MODEL

Ahlstrom is in the business of creating value for people and the environment, and society at large.

Ahlstrom is in the business of creating value for people and the environment, and society at large. The people for whom we create value include customers, employees, and shareholders, and the communities we serve. Our **products for a clean and healthy environment** create **shared value** as they clean water and air, enable environmentally friendly energy production and transportation, improve people's health by providing protection in medical applications, and enhance quality of life in building applications.

Our **manufactured capital** consists of all main web-forming technologies for fiber-based materials with 29 manufacturing plants in 13 countries. The most common technologies use water to disperse the fibers, one of our **natural capitals**. Last year, 83% of the fibers we used were from renewable sources. No wood fiber comes from controversial sources; we buy from responsibly managed forests for our certified plants. Likewise, our aim is sustainable water use.

While aiming to maximize the shared societal value, we aim to minimize our own adverse impacts. We use an EcoDesign approach in our product development by applying the principles of green chemistry. We have management systems in place at our plants for both safety and the environment. We always aim to do the right thing by using our resources efficiently and minimizing waste.

Our **human capital** is comprised of a dedicated, and diverse workforce, 3,547 employees in 24 countries. The glue that holds us together as "One Ahlstrom" is our shared **values**; acting responsibly, creating value, and learning and renewing. We also share the same **vision** to grow with our customers, being passionate about new ideas, and inspiring people.

We are proud of our knowledge in fibers, chemistry, and processes, which form our **intellectual capital**. We are able to better advance our strategic goals to develop products for a clean and healthy environment by utilizing our **social and relationship capital**, by co-creation and open innovation with universities, research centers, and industrial partners.

We have spent a great deal of time on improving our capabilities and harmonizing our processes towards a more customer orientated company during the last few years. For the effectiveness of value creation from the various capitals, it is crucial that all our **core processes** work well.

Our position in the **value chain** is one to three steps away from the final consumer or end-user, depending on the business. One element in our new growth strategy is that we can enhance our value creation by extending our business model.

FINANCIAL CAPITAL

- Total equity EUR 341.4 million, interest bearing net liabilities EUR 291.7 million
- Total liquidity, including cash and unused committed credit facilities was EUR 290.4 million at the end of 2013. In addition, Ahlstrom had undrawn uncommitted credit facilities and cash pool overdraft limits of EUR 140.9 million available

MANUFACTURED CAPITAL

- All main web forming technologies
- 29 plants in 13 countries

INTELLECTUAL CAPITAL

- R&D expenditure 1.9% of net sales (cont. operations)
- 12 new inventions were filed in 2013, total number of granted patents was 431 at the end of 2013
- Research centers in France and China

NATURAL CAPITAL

- 83% of fibers came from renewable sources
- 24,7 million m³ / year water intake
- Chemicals
 - └ Pigments
 - └ Fossil-based polymers
 - └ Fillers and binders

HUMAN CAPITAL

- 3,547 employees in 24 countries
- 24% have at least bachelor's degree

SOCIAL & RELATIONSHIP CAPITAL

- Co-creation and open innovation with universities, research centers, industry associations



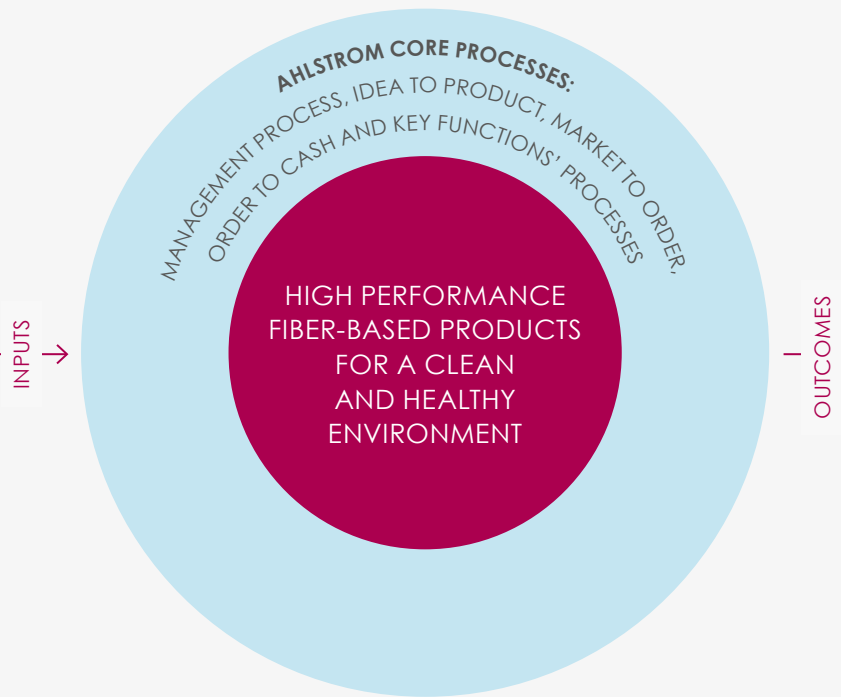
AHLSTROM

VISION

INSPIRING PEOPLE – PASSIONATE ABOUT NEW IDEAS –
GROWING WITH CUSTOMERS

VALUES

ACT RESPONSIBLY – CREATE VALUE –
LEARN AND RENEW



VALUE FOR SHAREHOLDERS



- Total shareholder return: -12.6% in 2013

SHARED VALUE FOR SOCIETY



- Current and future business – Impact on society:
 - Clean drinking water
 - Clean air
 - Energy efficiency
 - Well-being and quality of life
 - Safe medical care
 - Light and durable structures

IMPACT ON ENVIRONMENT



- 2013 Emissions to
 - Air : 313,880 tons CO₂
 - Water: 188 tons suspended solids
 - Soil: 6,614 tons waste to landfill
- Focus on reducing
 - CO₂ emissions
 - Waste to landfill to zero by 2015

IMPACT ON COMMUNITY



- Employment
- Local and national taxes
- Donations

VALUE CHAIN



GOVERNANCE

In its governance, Ahlstrom complies with applicable laws and regulations, its Articles of Association and the Finnish Corporate Governance Code.

Ahlstrom Corporation 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.

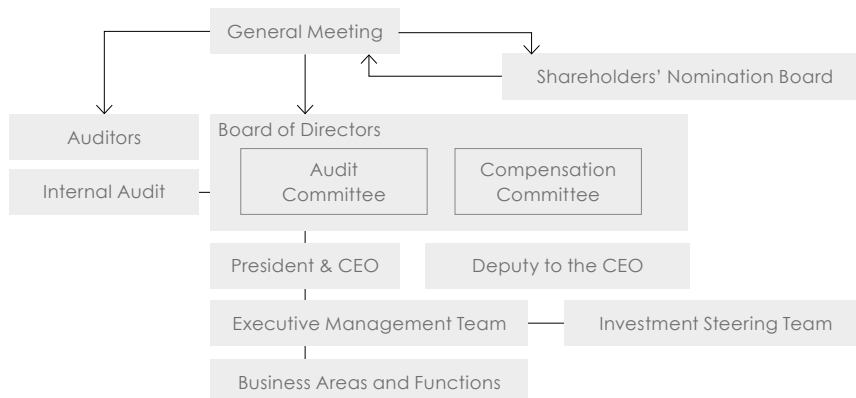
The Corporate Governance report explains in detail Ahlstrom's governing bodies, their responsibilities and compositions. It covers the processes in decision making and specifies the people charged with governance. In addition, it identifies the main risks the company faces and how these risks are managed and mitigated. The election of Auditors and their fees as well as how the company deals with compliance matters are also included.

The statement has been approved by the company's Audit Committee and examined by the company's auditor. It is published as a separate document on the website www.ahlstrom.com and is also included in the Financial statements 2013.

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 and the auditors fall within the sole jurisdiction of the General Meeting.

Ahlstrom held two General Meetings in 2013. The Annual General Meeting was held in Helsinki, Finland, on March 27, 2013. An Extraordinary General Meeting was held in Helsinki, Finland, on July 4, 2013.



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, Shareholders' Nomination Board 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 Systems Policy, Sourcing Policy and Sustainability and HSEA related Policies

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. In 2013, the Board convened 11 times, including three meetings held as telephone or audio visual meetings. In addition, the Board made six written resolutions.

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. Prior to the establishment of the Shareholders' Nomination Board in the Annual General Meeting 2013, the Board also appointed a Nomination Committee.

The Nomination Board prepares proposals to the AGM for the election and remuneration of the members of the Board of Directors and the remuneration of the Board committees and the Nomination Board. The Nomination Board comprises representatives of the three largest shareholders of the company and, in addition, of the Chairman of Ahlstrom's Board of Directors and a person nominated by the company's Board of Directors as members.

The statement also includes remuneration of the Board members and senior executives as well as the number of Board and committee meetings held and respective attendance rates. More information on remuneration including bonuses and incentive and pension plans is included in the Remuneration statement 2013 published on the website www.ahlstrom.com.

Pictures and brief biographical details and shareholdings of the Board of Directors and members of the Executive Management Team are available on pages 22–23 of this report. More detailed information can be found on the website www.ahlstrom.com.

RISK MANAGEMENT

In our daily operations at Ahlstrom, we face several key risks and opportunities that affect our ability to create value.

We define risk as anything that could affect the sustainable and ethical achievement of our strategic, operational, and financial targets. Risks can be sudden unexpected events, threats, uncertainties, or lost opportunities. The main principle is to manage those risks at source. The matrix below explains in detail how we manage and mitigate the key risks and simultaneously try to create value from the key opportunities.

Our most important assets are our people, property, assets, earning capability, customer relations, and reputation. Their preservation and security are essential for our continued ability to create value over time. It's in the interests of employees, customers, shareholders, and the communities in which we operate that we minimize the identified risks and capitalize on the opportunities.

Many of the identified risks can also be seen as opportunities. Over the past few years, we have made significant investments in our processes to enhance our capabilities in running our business in all kinds of market environments. In sourcing, we have established a companywide energy risk management process. Wood fiber is only sourced from sustainably managed forests. In Product & Technology Development, we focus on understanding customers' unmet needs and bringing new products faster to the market. In product design, we use the EcoDesign approach, where products are designed to minimize the environmental impacts over their whole life-cycle.

Thus, we can turn many of these risks to our competitive advantage.

Responsibility

The Board of Directors 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, which defines the related framework and responsibilities, 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, Executive Management Team, and other management at group, business area, plant, and function levels are responsible for implementing the Risk Management Policy and daily risk management procedures.

	RISK DESCRIPTION	ACTIONS TO MITIGATE
Business & market environment	<ul style="list-style-type: none"> - Fluctuations in economic cycles - Competitiveness - Ability to foresee changes in customer behavior and needs 	<ul style="list-style-type: none"> - Companywide demand planning process (Integrated Business Planning) - Continuous market intelligence - Product & portfolio management system
Financial	<ul style="list-style-type: none"> - Availability of funding 	<ul style="list-style-type: none"> - Measures taken to secure funding for coming years
Supply chain	<ul style="list-style-type: none"> - Fluctuations in the availability and market prices of raw materials and energy - Non-compliance or unethical behavior by suppliers 	<ul style="list-style-type: none"> - Alternative supplier and raw material options identified - Pricing management - Companywide energy risk management process - Supplier Code of Conduct
Employee safety & workforce	<ul style="list-style-type: none"> - Safety risks in manufacturing at plants - Attracting and retention of desired human capital 	<ul style="list-style-type: none"> - Companywide safety standards and guidelines at each location - Bonuses tied to safety achievements - Strategic workforce and succession planning
Plants, property & intellectual property rights	<ul style="list-style-type: none"> - Hazards such as fires, explosions, and natural incidents like floods and storms - Theft of intellectual property rights 	<ul style="list-style-type: none"> - Contingency and recovery plans at each site - Patent filings
Legal, regulation & political	<ul style="list-style-type: none"> - New legislation and regulation - Shifts in political power - Non-compliance 	<ul style="list-style-type: none"> - Code of Conduct - Legal and compliancy training - Regulatory and political risks assessed through joint ventures and internal investment process (Investment Steering Team)
Environment & climate change	<ul style="list-style-type: none"> - Impact from operations on air, water and land - Carbon foot print 	<ul style="list-style-type: none"> - Life cycle assessment - EcoDesign approach in all products - Wood fiber sourced only from sustainably managed forests

BOARD OF DIRECTORS DEC. 31, 2013



Pertti Korhonen ● ●
b. 1961, M.Sc.
(Electronics Engineering),
Oulu University of Technology
President and CEO, Outotec Oyj
Chairman of the Board since 2013,
Vice Chairman and member of the
Board 2011-2013.
Ahlstrom shares*: 3,000

Peter Seligson ●
b. 1964, Lic. O ec. (HSG)
Partner, Seligson & Co Oyj
Vice Chairman of the Board since
2013, Chairman of the Board
2007–2013, member of the Board
since 1999.
Ahlstrom shares*: 779,600

Robin Ahlström ●
b. 1946, M.Sc., (Econ), Stanford and
Svenska Handelshögskolan
Chairman of the Board of
A. Ahlström Oy
Member of the Ahlstrom Board since
2013.
Ahlstrom shares*: 407,038

Lori J. Cross ●
b. 1960, M.Sc. (Eng.), MBA Rensselaer
Polytechnic, Northwestern University
President and Founder, MindSpan
Consulting, LLC
Member of the Board since 2010.
Ahlstrom shares*: 750



Esa Ikäheimonen ●
b. 1963, LL.M., University of Turku
CFO, Transocean Ltd.
Member of the Board since 2011.
Ahlstrom shares*: –

Daniel Meyer
b. 1967, HND, International trade
(ECAFI, Paris & HK, Aachen)
Executive Vice President, Bayer Group
Member of the Board since 2013.
Ahlstrom shares*: –

Anders Moberg ● ●
b. 1950
Board professional
Chairman of the Board:
OBH Nordica and Clas Ohlson AB.
Member of the Ahlstrom Board since
2009.
Ahlstrom shares*: –

EXECUTIVE MANAGEMENT TEAM DEC. 31, 2013



Jan Lång ●
 President & CEO
 b. 1957, M.Sc. (Econ.)
 Joined Ahlstrom in 2009. Member of the Executive Management Team since 2009.
 Ahlstrom shares*: 24,999
 Ownership in Ahlcorp Oy**: 28.4%

Seppo Parvi ● ●
 Chief Financial Officer, deputy to the President, Executive Vice President, Food and Medical
 b. 1964, M.Sc. (Econ.)
 Joined Ahlstrom in 2009. Member of the Executive Management Team since 2009 until January 31, 2014.
 Ahlstrom shares*: 8,333
 Ownership in Ahlcorp Oy**: 11.4%

Fulvio Capusotti ●
 Executive Vice President, Advanced Filtration
 b. 1972, M.Sc. (Chem. Eng.)
 Joined Ahlstrom in 2002. Member of the Executive Management Team since 2013.
 Ahlstrom shares*: –

Jari Koikkalainen ●
 Executive Vice President, Transportation Filtration
 b. 1965, M.Sc. (Chem. Eng.), eMBA
 Joined Ahlstrom in 2013. Member of the Executive Management Team since 2013.
 Ahlstrom shares*: –



Laura Raitio ●
 Executive Vice President, Building and Energy
 b. 1962, M.Sc. (Chem. Eng.), Lic. Tech. (Forest Prod. Tech.)
 Joined Ahlstrom in 1990. Member of the Executive Management Team since 2006.
 Ahlstrom shares*: 8,333
 Ownership in Ahlcorp Oy**: 11.4%

Paula Aarnio ●
 Executive Vice President, Human Resources & Sustainability
 b. 1958, M.Sc. (Eng.)
 Joined Ahlstrom in 2009. Member of the Executive Management Team since 2009.
 Ahlstrom shares*: 8,333
 Ownership in Ahlcorp Oy**: 11.4%

Rami Raulas ●
 Executive Vice President, Sales & Marketing
 b. 1961, M.Sc. (Econ.)
 Joined Ahlstrom in 2009. Member of the Executive Management Team since 2009.
 Ahlstrom shares*: 8,333
 Ownership in Ahlcorp Oy**: 11.4%

Luc Rousselet ●
 Executive Vice President, Supply Chain
 b. 1957, Master in Business Admin. and Chem. Eng.
 Joined Ahlstrom in 2011. Member of the Executive Management Team since 2011.
 Ahlstrom shares*: 6,000



Aki Saarinen ●
 Executive Vice President, Strategic Business Development
 b. 1967, M.Sc. (paper technology), MBA
 Joined Ahlstrom in 2012. Member of the Executive Management Team since 2012.
 Ahlstrom shares*: –

Paul H. Stenson ●
 Executive Vice President, Product and Technology Development
 b. 1962, Ph.D., (Org. Chem.)
 Joined Ahlstrom in 2011. Member of the Executive Management Team since 2011.
 Ahlstrom shares*: –

APPOINTMENTS AND CHANGES IN EARLY 2014:

Sakari Ahdekivi ●
 Chief Financial Officer
 b. 1963, M.Sc. (Econ.)

Roberto Boggio ●
 Executive Vice President, Medical
 b. 1968, M.Sc. (Mech. Eng.)

William Casey ●
 Executive Vice President, Sales region, Americas
 b. 1959, B.Sc. (Chem. Eng.), MBA

Omar Hoek ●
 Executive Vice President, Food
 b. 1969, M.Sc. (Bus. Adm.)

Arnaud Marquis ●
 Executive Vice President, Building and Energy
 b. 1971, M.Sc. (Eng.), MBA

Jari Koikkalainen assumed the responsibility for leading sales in Asia in addition to his current responsibilities as EVP, Transportation Filtration.

Seppo Parvi resigned from Ahlstrom as of January 31, 2014.

Laura Raitio stepped down from the EMT in February 2014 following her resignation announcement.

Rami Raulas was appointed Executive Vice President, Sales region, Europe, Middle East and India.

Aki Saarinen stepped down from the EMT in February 2014 following his resignation announcement.



* Shareholding as of December 31, 2013.
 ** Ahlcorp Oy held 296,311 shares as of December 31, 2013.
 More detailed curriculum vitae details are available on www.ahlstrom.com

LOOKING AHEAD

It's now time for us to deliver on the promises we have made.

We have now established a strategic roadmap for growth following an extensive period of restructuring and business portfolio renewal. It's now time for us to deliver on the promises we have made to our stakeholders. To support our journey we have set several ambitious financial, social, and environmental targets.

Our financial target is to reach 7% operating profit margin by 2016. This will be done by implementing the extended rightsizing program, turning around the performance of the identified start-up operations, and driving higher volumes and margins at our current and new businesses. In 2013, our operating margin was a disappointing 1.3 % of net sales.

It's crucial for our success that we are able to introduce on a continuous basis new differentiated products that meet the needs of our customers and help them to stay ahead. This will improve our

sales mix and margins. We need to be resilient, agile and be ready to change our way of working. In addition, we need to make sure we are able to finance our business with reasonable terms, ensure the seamless supply of raw materials, and attract the right people to run our business.

We already made some good progress last year in terms of net sales growth at constant currencies and generating sales from new products. We will continue to work vigorously towards these targets.

When taking a look at the bigger picture, economic cycles have an impact on our external environment and thus on the demand for our products. In addition, they influence the price and availability of our key raw materials. In the longer run, the impact from global megatrends emerges as the key driver for growth.

In response to these megatrends, we offer numerous differentiated products to match them.

By focusing on a product offering for a clean and healthy environment, we can certainly create value over time for all of our stakeholders as well as shared societal value.

Outlook

Ahlstrom provides its full-year 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. The guidance is published in the Outlook section of the Financial Statements Bulletin and interim reports.

For more information, please visit the website www.ahlstrom.com

Long-term financial targets over the economic cycle

NET SALES

AT LEAST

5%

UNDERLYING
ANNUAL
GROWTH

SALES FROM NEW PRODUCTS*

AT LEAST

20%

OPERATING PROFIT**

AT LEAST

7%

OF NET SALES BY 2016
• Implies ROCE 13%

10%

OF NET SALES BEYOND 2016
• Implies ROCE 15%

GEARING

TO BE MAINTAINED WITHIN

50–80%

RANGE

* Developed in the last three years

** Excluding non-recurring items

CONTACT DETAILS

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Stay ahead™

Ahlstrom Group

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This year our annual reporting is divided into three separate parts: Ahlstrom Story 2013, Ahlstrom Sustainability 2013 and Ahlstrom Financials 2013. All three documents are available in PDF form on our website www.ahlstrom.com and can also be ordered as printed versions.

