AHLSTROM

Annual Report 2016

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Year 2016

From the CEO

The year 2016 was historical for Ahlstrom in many ways. We achieved a record high profitability and announced our intention to merge with Munksjö.

The year 2016 was historical for Ahlstrom in many ways. In terms of financial performance, we achieved a record high profitability and operating cash flow in the current structure and portfolio of the company. We also announced our intention to merge with Munksjö Oyj to create a leader in sustainable and innovative fiber-based materials.

There were several reasons behind our excellent performance as many pieces came together favorably last year. I was very pleased that we were able to grow the company again in the latter part of 2016 after several years of stagnation. At the same time, we able to boost our margins through our leaner operating model and enhanced commercial excellence. We executed our strategy very well on pricing management in an environment where many variable costs were lower than in previous years.

The growth was mainly driven by higher sales of wallcover and glass fiber materials as well as laboratory and life science diagnostics and single serve-coffee products. There was a healthy balance between our own actions and more favorable market conditions, which occurred particularly in the filtration and wind energy industries. Our much stronger balance sheet has given us more flexibility and the decision to upgrade our Madisonville filtration materials plant in the USA was our first growth investment decision in five years. In addition, our efforts to grow through new platforms paid off as we won breakthroughs in the fast growing North American and European markets for single-serve coffee products with our fully compostable solutions.

Towards a new era

We clearly accelerated the pace of executing on our strategy and came close to reaching our 2018 financial target of over eight percent adjusted operating margin already in 2016. The company was able to increase its margin from 1.3 percent to 7.4 percent of net sales in a mere three years. Last year also brought a leadership change as I was appointed in November to lead Ahlstrom until the completion of the merger with Munksjö. Most of the initiatives behind our improved performance, as well as our current strategy were formed under the leadership of my predecessor Marco Levi, who left the company following the merger announcement. I would like to offer my warmest thanks to Marco for his great work and achievement.

The planned merger with Munksjö is a major strategic milestone in the recent history of Ahlstrom. The combination will create substantial value to our stakeholders by offering further opportunities for growth and improved operational efficiency. A strong balance sheet and cash generation will support the growth of the combined company.

I would like to thank all of our stakeholders, and our customers and employees in particular, for the successful year of 2016. In addition to the all-important daily business activities, in 2017 our focus will be on completing the merger and the subsequent integration of the two companies.

Sincerely Yours,

Sakari Ahdekivi
Interim President & CEO

2016 in brief

Highlights

- All-time high adjusted operating profit and cash flow in the current structure and portfolio of the company with accelerated sales growth in the last quarter of 2016
- Close to achieving 2018 profitability target already in 2016
- Renewed strategy and new operating model implemented at an accelerated pace
- EUR 23 million project to upgrade the Madisonville engine and industrial filtration plant in the U.S. was started – Ahlstrom’s first major investment initiative in five years
- All manufacturing sites certified according to the environmental management system ISO 14001
- Total energy consumption fell by 8.3%
- Direct carbon dioxide emissions per gross dropped by 16.2%
- Merger with Munksjö Oyj was announced to create a leader in sustainable and innovative fiber-based solutions

Net sales in 2016 totaled EUR 1,085.9 million, showing an increase of 1.0% from the EUR 1,074.7 million in the comparison period. At constant currency rates, sales growth was 2.6%. Higher sales volumes had a positive impact on net sales. This was partially offset by an adverse product mix and lower average selling prices.

Operating profit excluding non-recurring items rose by almost 70% to EUR 80.6 million, representing 7.4% of net sales. The increase was driven by higher sales volumes, improved operational efficiency and lower fixed costs. Profit was also supported by margin and product mix management in an environment where energy and raw material costs were lower. Our balance sheet strengthened and gearing ratio came down to 44.6% from 65.4%. This was achieved through an improved operational result, reduction in operating working capital as well as low investments. At business unit level we made good progress and the majority improved their sales and operating profits throughout the year.

Performance against the key social and environmental targets is presented in the tables below. More details on our achievements in environmental performance, raw material and energy usage, employee engagement and safety can be found in the ***Sustainability* section**.

Our aim is to increase shareholder value. By fulfilling this commitment we also create value to society at large. The table on the direct economic value generated and distributed can be found in the ***Economic performance* section** of this report. It shows the impact of our operations to different stakeholder groups, including employees and communities. You can read more about how we create value in the ***Strategy* section**.

Financial key figures

EUR million	2016	2015	Change, %
Net sales	1,085.9	1,074.7	1.0
EBITDA	121.1	96.4	25.6
% of net sales	11.2	9.0	
Adjusted EBITDA	130.9	104.8	25.0
% of net sales	12.1	9.7	
Operating profit	70.8	21.9	223.8
% of net sales	6.5	2.0	
Adjusted operating profit	80.6	47.5	69.8
% of net sales	7.4	4.4	
Profit before tax	56.3	22.6	148.4
Profit for the period	34.9	8.6	
Earnings per share	0.61	0.06	
Return on capital employed	13.6	3.9	
Net cash from operating activities	125.8	60.0	109.8
Capital expenditure (excluding acquisitions)	37.9	27.3	39.0
Interest-bearing net liabilities	140.8	195.9	-28.1
Gearing ratio	44.6	65.4	
Dividend per share	0.49*	0.31	
Number of personnel, at year end (full-time equivalents)	3,233	3,311	-2.4

* The Extraordinary General Meeting authorized on January 11, 2017 the Board of Directors to distribute an extra dividend of EUR 0.49 per share in lieu of an annual payout before the compeletion of the merger with Munksjö.

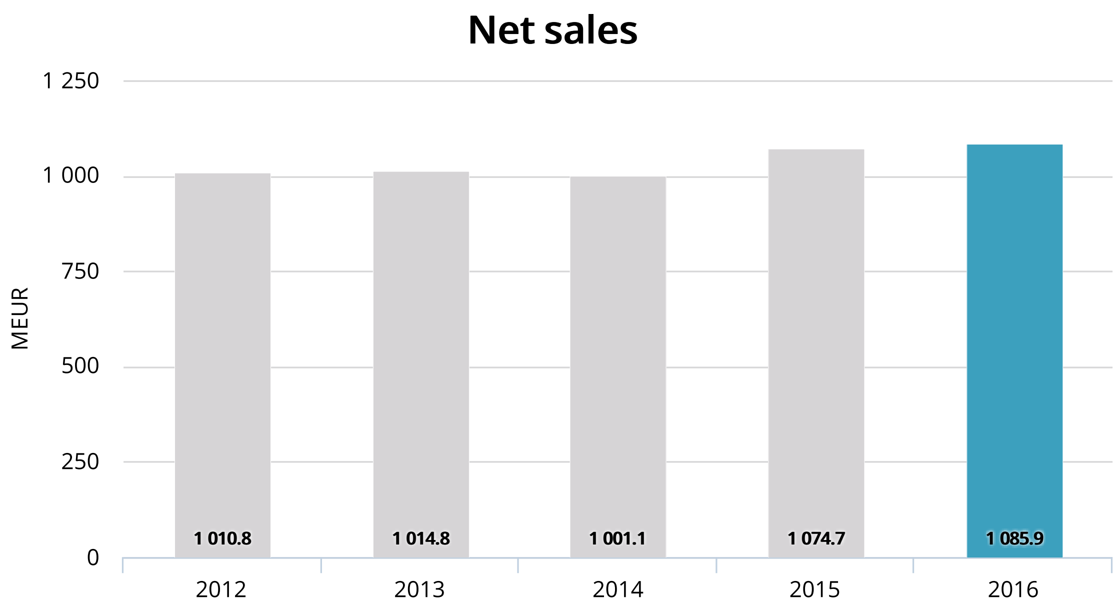
Adjustment items: restructuring costs, impairment charges, capital gains or losses
EBITDA = Operating profit + depreciation and amortizations + impairments
Adjusted EBITDA = EBITDA – Adjustment items
Adjusted operating profit = Operating profit – Adjustment items

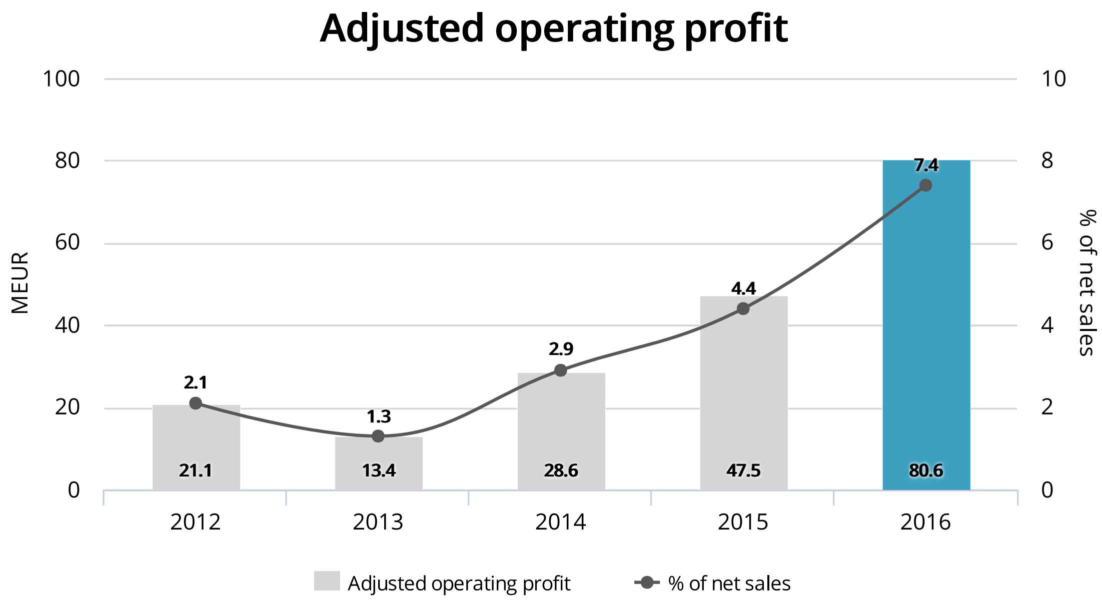
Environmental key figures

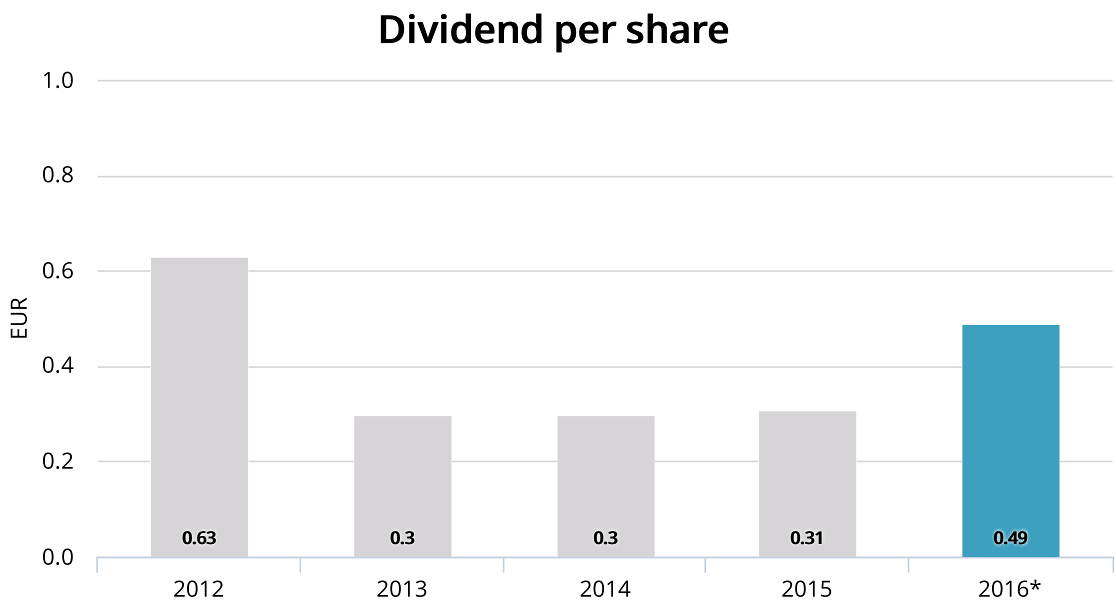
	2016	2015	Long-term goal
Electricity consumption, MWh/ton	1.28	1.32	20% reduction by 2020
Direct CO_2 emissions, kg/ton	641	765	
Waste to landfill, tons	4,233	4,196	Zero
Production covered by environmental management system (ISO 14001)	100%	94%	100%

Social key figures

	2016	2015	Long-term goal
AFR - Accident Frequency Rate	4.6	2.8	Zero
LTA - Lost Time Accidents	28	17	Zero
TRI - Total Recordable Injury	50	42	Zero
Code of Conduct e-learning completion for white-collar employees	85%	78%	100%
Supplier Code of Conduct	99%	99%	100%







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This is Ahlstrom

Ahlstrom is a global leader in innovative fiber-based materials with a function in everyday life. Our materials enable the required functionality and sustainability of our customers’ products. Our vision is to be our customers' first choice.

Our annual net sales are approximately EUR 1.1 billion and we employ 3,200 people in 22 countries. Our products are used in a large variety of everyday consumer and industrial applications, such as filters, medical gowns and drapes, diagnostics, wallcovers, and beverage and food packaging. In line with our strategy, we are committed to growing and creating value by providing the best performing sustainable fiber-based materials.

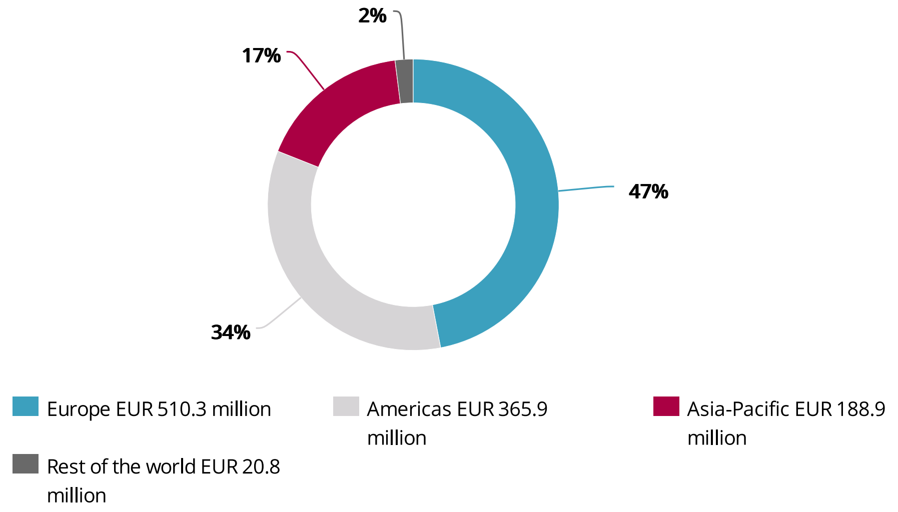
We create value by using unique know-how in combining, both natural and synthetic raw materials, with chemistry into innovative products. The majority of our fibers come from renewable sources. Sustainability is at the heart of our operations and our products are designed to minimize their environmental impacts over the whole life cycle. We offer more with less.

The needs of our customers are affected by end-user behavior, which challenges us to constantly develop and improve fiber-based material solutions. Global trends - growing global population and scarcity of resources, increased demand for greener and resource-efficient materials, emerging needs in healthcare, changes in demographics and urbanization - faced by our customers steer our product offering and provide us with a wealth of opportunities.

The markets for many of our products generally grow faster than the global economy, driven by substitution of products that have traditionally been made from plastics, textiles or aluminum. The total value of the fiber-based materials market, also known as nonwovens, is approximately USD 30 billion annually.

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

Net sales by region



Business areas

Our two business areas offer versatile high-quality products.

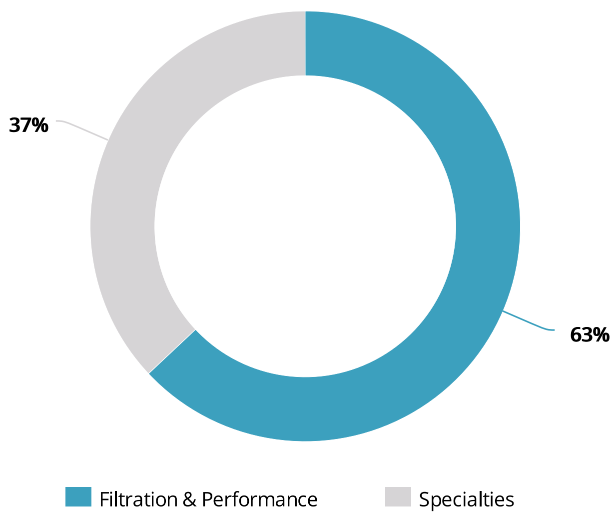
Filtration & Performance

- Environmentally friendly and energy efficient filtration materials
- Durable glassfiber tissue for flooring and other building applications, reinforcement for wind turbine blades
- High-quality materials for automotive, construction, apparel and hygiene applications
- Wide range of ease-of-use wallcovers with superb printing properties

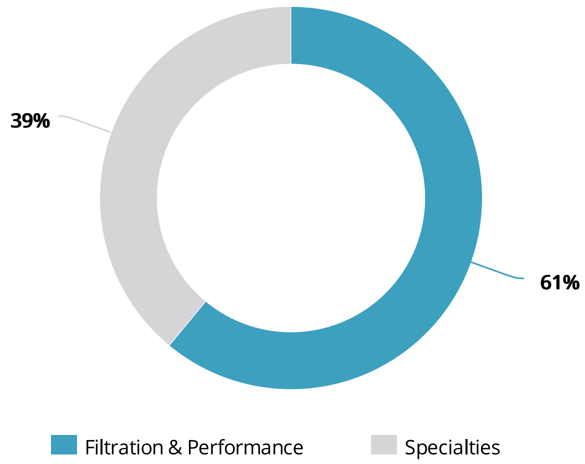
Specialties

- Innovative and compostable food packaging
- Tea and single-serve coffee infusion with great taste
- Ease-of-use laboratory, life science and medical diagnostics, water filtration
- Tape materials with consistent quality
- Performance-driven and safe surgical gowns and drapes, sterile barrier systems and face masks

Net sales by segment, EUR 1,085.9 million in 2016



Adj. operating profit by segment, EUR 80.6 million in 2016



Filtration & Performance

The Filtration & Performance business area produces engine oil, fuel and air as well as industrial air filtration materials, glass fiber used in flooring applications and wind turbines, industrial nonwoven products for automotive, construction, textile and hygiene applications, and wallcover and poster papers.

- Net sales in 2016: EUR 697.9 million, +3.2% and +4.4% at constant currency rates
- Adjusted operating profit in 2016: EUR 53.3 million, +110.4%

	Filtration	Industrial nonwovens	Wallcover & Poster	Building & Wind
Customers	• Heavy duty and automotive OEMs and suppliers • Gas turbine power generators	• Automotive suppliers, construction materials suppliers, textiles industry, hygiene and wound care product manufacturers, laundry care suppliers	• Wallcover and poster printers	• Flooring companies, manufacturers of constructions materials, wind turbine manufacturers, boat builders
Applications	• Oil filtration, fuel filtration, air filtration • Gas turbine filtration, industrial filtration	• Automotive interiors, plasterboard and furniture surfaces, textiles, laundry care, hygiene and wound care, wipes	• Wallcovers, posters papers	• Vinyl flooring, wind turbine blades, boat hulls
Demand drivers	• Mileage (kilometers driven), number of new vehicles manufactured, trends in road freight, construction and mining activity, natural gas consumption	• Construction spending, consumer spending, number of new vehicles manufactured	• Construction spending, home decoration, consumer spending, advertising spending	• Construction spending, • wind turbine installations.
Main competitors	• Neenah Paper, Hollingsworth & Vose, Lydall	• Freudenberg Group, Aralar, Glatfelter, Jacob Holm	• Glatfelter, Shandong Lunan	• Saertex, Owens Corning, Johns Manville, Saint Gobain

Performance in 2016

Net sales rose by 3.2% to EUR 679.8 million (EUR 676.0 million). The increase was the result of higher sales of wallcover and glass fiber products. Lower volumes of trading business materials, which include wipes and release liners, had an impact on net sales. At constant currency rates, sales growth was 4.4%. Adjusted operating profit amounted to EUR 53.3 million (EUR 25.3 million). The increase was driven by higher sales volumes, improved operational efficiency as well as lower fixed and variable costs.

Specialties

The Specialties business area produces food and beverage packaging materials, laboratory and life science diagnostics as well as water filtration materials, tape products, and medical fabrics.

- Net sales in 2016: EUR 411.3 million, -1.7% and +0.5% at constant currency rates
- Adjusted operating profit in 2016: EUR 33.8 million, +31.2%

	Food & Beverage	Advanced Liquid Technologies	Tape	Medical
Customers	• Suppliers and brand owners in food packaging	• Laboratory consumable and equipment suppliers, life science instrument and materials manufacturers, water purification equipment manufactures	• Masking tape manufacturers	• Marketers and suppliers in the health care industry
Applications	• Food and ready-made meals packaging, baking and wrapping papers, tea bags and coffee capsules, meat casings	• Laboratory and micro filtration, life science and diagnostics, residential and industrial water purification	• Masking tape for construction and automotive industries, specialty masking tape	• Sterile barrier systems, drapes and gowns, facemasks
Demand drivers	• Consumer spending and preferences, substitution to more sustainable materials	• Innovative and customized product development, water scarcity and reusability	• Building and construction activity, automotive aftermarket	• Demographics, liabilities around infections/ contamination, number of hospital beds, substitution to single-use fabrics
Main competitors	• Glatfelter, Metsä Tissue, Purico Group	• GE Healthcare-Whatman, Advantec, Merck Millipore, Macherey-Nagel	• Expera, Swiss Quality Paper	• Berry Plastics, SAAF

Performance in 2016

Net sales fell by 1.7% to EUR 411.3 million (EUR 418.5 million). At constant currency rates, net sales climbed by 0.5%. Higher sales of food packaging, coffee and laboratory and life science products had a positive impact on net sales. This was partially offset by lower sales of medical fabrics as well as teabag and meat casing materials. Adjusted operating profit amounted to EUR 33.8 million (EUR 25.7 million). The increase was driven by better pricing and product mix as well as lower variable costs.

Ahlstrom and Munksjö to combine

Ahlstrom and Munksjö to combine, creating a global leader in sustainable and innovative fiber-based solutions.

On November 7, 2016, Ahlstrom Corporation and Munksjö Oyj announced a plan merge the two companies. The combination will create a global leader in sustainable and innovative fiber-based solutions. The combination is expected to create significant value for the stakeholders in the combined company through stronger global growth opportunities and improved operational efficiency. The combined company's growth ambitions will be supported by a strong balance sheet and strong cash flow generation.

Quick facts

- Ahlstrom and Munksjö will merge through an absorption merger whereby Ahlstrom's shareholders will receive Munksjö shares as merger consideration
- Ahlstrom's shareholders will receive 0.9738 new shares in Munksjö for each share held in Ahlstrom as merger consideration, corresponding to an ownership in the combined company of approximately 47.2% for current Ahlstrom shareholders and approximately 52.8% for current Munksjö shareholders
- The annual cost synergies are expected to be about EUR 35 million
- The Extraordinary General Meetings (EGM) of both companies have approved the merger, which is expected to be completed at the beginning of the second quarter of 2017
- The EGM of Ahlstrom also authorized the Board of Directors to distribute an extraordinary dividend of EUR 0.49 per share in lieu of an annual payout before the completion of the transaction

Strategy

Global trends

Global trends steer our product offering

Demand for our product offering is supported by various global trends and market drivers. The needs of our customers are affected by end-user behavior, which challenges us to constantly develop and improve fiber-based material solutions.

Growing global population and scarcity of resources

Our solutions

- Our production processes are energy and raw material efficient, minimizing environmental effects

Increased demand for greener and resource efficient materials

Our solutions

- We are the global leader in filtration media that enable reduced emissions, cleaner air and efficient energy production

Emerging needs in healthcare

Our solutions

- We offer ease-of-use laboratory, life science and point-of-care medical testing and diagnostics and a comprehensive range of single-use medical

Changes in demographics and urbanization

Our solutions

- In addition to safe and innovative food and beverage packing materials, we are the leading provider of high-quality materials for construction, interiors, apparel and hygiene

Key success factors

Our key success factors form our competitive advantage. We strive for a customer-driven product offering for sustainable and high-performance end use.

Customer-focused with tailor-made products

- Responding to customer needs with agile product development and innovative products
- Close partnership with customers, suppliers and relevant stakeholders
- Comprehensive range of customized products with superior and consistent quality

Leading technology and manufacturing platforms

- Unique know-how in fibers, chemistry and materials technology
- Flexible manufacturing capabilities and unique technologies
- Resource-efficient technologies and processes utilizing renewable materials

Global reach and local insights

- Global operations meeting local market needs with quality customer and technical service
- Global product offering with a unique and unrivalled supply platform
- Short lead-times and logistic flexibility to customers worldwide

Roadmap

We are committed to growing and creating stakeholder value by proving the best performing sustainable fiber-based materials. Our vision is to be our customers' first choice.

We are in the business of providing innovative fiber-based materials with a function in everyday life. The needs of our customers are affected by end-user behavior, which challenges us to constantly develop and improve fiber-based material solutions. Global trends - *growing global population and scarcity of resources, increased demand for greener and resource-efficient materials, emerging needs in healthcare, changes in demographics and urbanization* - faced by our customers steer our product offering and provide us with a wealth of opportunities.

Roadmap to become our customers' first choice

With four strategic themes we are building a stronger, leaner and unified company, and they will help us to reach our long-term financial targets.

The strategic roadmap described below is based on the revised strategy announced in January 2016. Ahlstrom announced on November 7, 2016 its intent to merge with Munksjö Oyj. This strategic roadmap is in force until the expected completion of the merger at the beginning of April 2017. The merger prospectus, which includes pro forma financials and certain other information, is available on the Company's website **www.ahlstrom.com**.

Commercial excellence

- Introduction of new products and technologies to the market, optimized pricing and product mix, segmentation, improved customer satisfaction

New lean operating model

- Implementation of business unit specific strategies and operating models, reduction of organizational layers, further reduction in SG&A expenses

Organic growth via higher asset turnover

- Filling capacity where we have made investments recently

Growth via new platforms

- Our growth opportunities include compostable food and beverage packaging, medical diagnostics and water filtration

Financial targets

Long-term financial targets over the economic cycle

Adjusted operating profit margin*

- To be above 8% by 2018

Gearing

- To be maintained below 100%

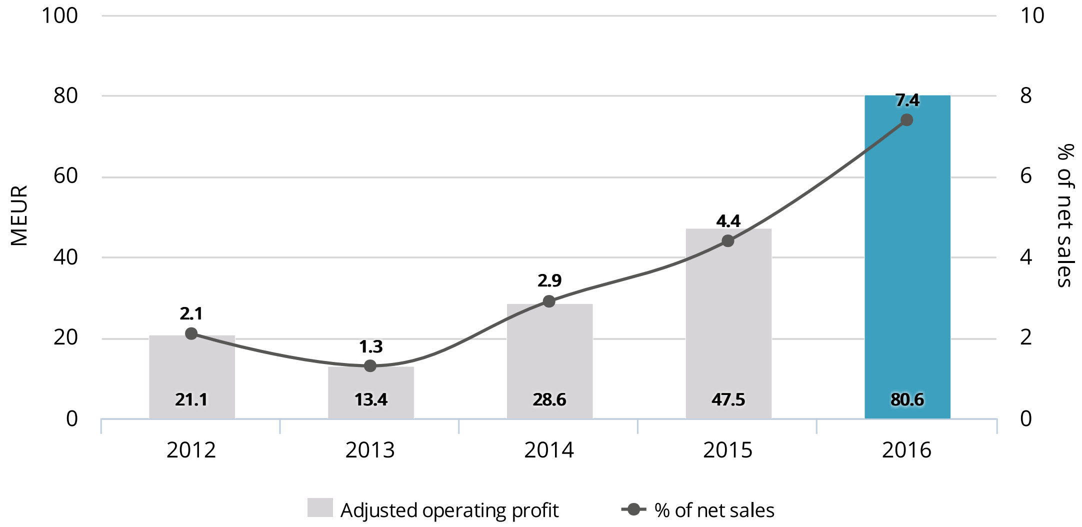
Dividend policy

- We aim for a stable dividend, increasing over time, based on the annual net income performance

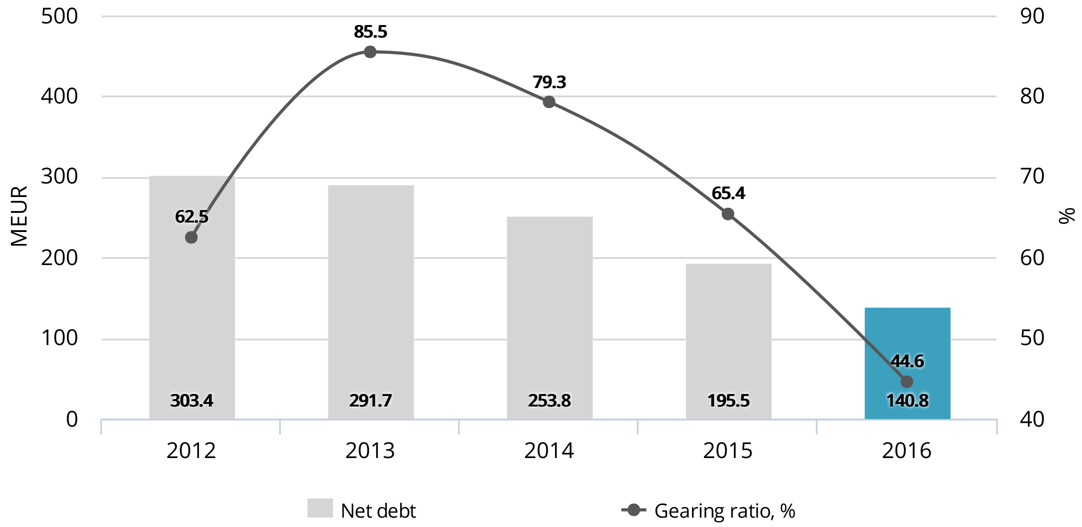
***The adjusted operating profit margin excludes restructuring costs, impairment charges, capital gains or losses, and discontinued operations.**

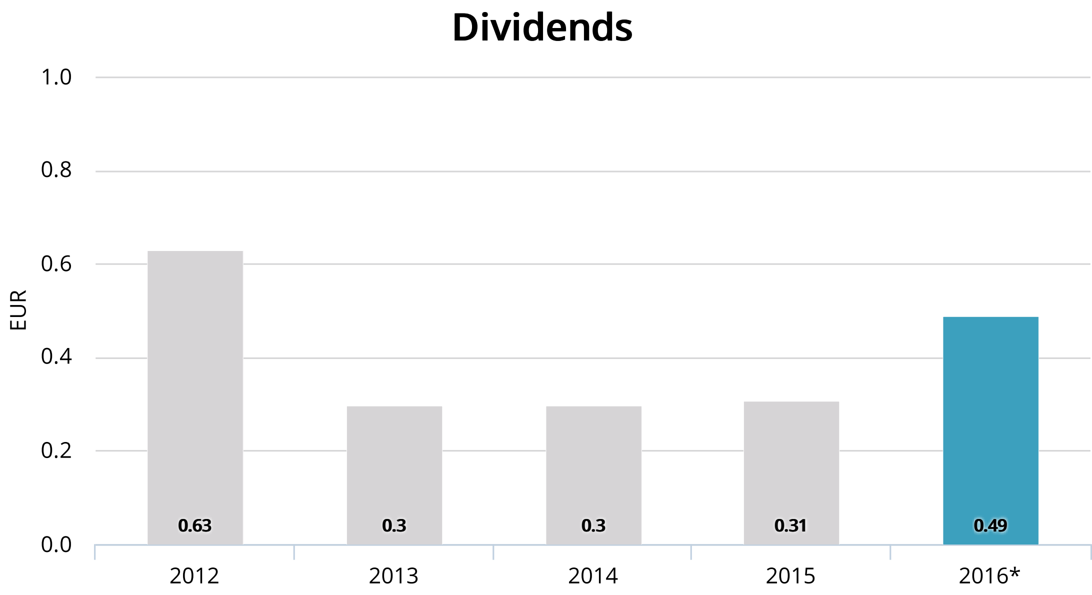
Five-year performance against long-term financial targets

Adjusted operating profit



Net debt and gearing ratio





* The Extraordinary General Meeting held on January 11, 2017 authorized the Board of Directors to distribute an extra dividend of EUR 0.49 per share in lieu of annual payout

Values

Our values are our guiding principles for behavior and actions

Passion

- We are passionate about our customers and our innovative products
- We are trustworthy and deliver on promises
- We are inspired to go the extra mile in everything we do

Respect

- We are open, transparent and consistent in our communications
- We act with integrity and respect in all that we do
- We value diversity

Achievement

- We deliver business results together as one team sharing and learning from each other
- We empower our people to take ownership and continuously improve
- We aim for enjoyment at work

Our people

New operating model and developing common company culture was an important theme in 2016.

Implementing our new operating model and developing our common company culture was an important area of development in 2016. This work was steered through a project called Unity, where the key focus areas were to implement a lean and simplified organization structure, create clarity and share understanding on roles and responsibilities, as well as improve our ways of working. Project Unity engaged employees across our company in team discussions and introductions to help us collaborate and connect with colleagues globally. The project focused on people and aimed to create a workplace where we can bring enjoyment at work while delivering great results.

Change Champions

Enhancing employee engagement was the focus in the Unity project. Employee survey results from 2015 gave us a good basis to plan the cross-company development actions throughout 2016 on a Group level. What we decided to do was to actively involve people in sharing ideas and planning actions to be implemented globally. We invited our employees to join a cross-organizational group of Change Champions on a voluntary basis to participate in the Unity network and share ideas and feedback amongst other Champions as well as to take an active role in internal communications.

Communication

Communication was another development area. We actively encouraged the sharing of best practices, success stories and positive news from across our plants and we also started to use new communication channels to increase our information sharing and collaboration. One very positive communication effort were the team introduction videos. More than 30 teams created their own introduction video that was shared on our intranet and this helped us to get to know our teams globally, what are they focusing on and who the team members are.

Team development

We focused on teams and bringing them together to have Unity discussions with the aim of reaching a common agreement on team purpose, key targets, roles and responsibilities and ways to work together and with key stakeholders. This helped to set the structure and create clarity and alignment within teams.

Ways of working

Our common ways of working, e.g. recognition and reward practices, clarity on job structure and onboarding were nurtured in efforts to create a desired company culture.

Our workforce

We are a global company employing 3,255 people in 22 countries. This highly international character and diversity calls for a shared vision and values that unite us worldwide. Our Code of Conduct is the foundation in terms of how we act and treat each other.

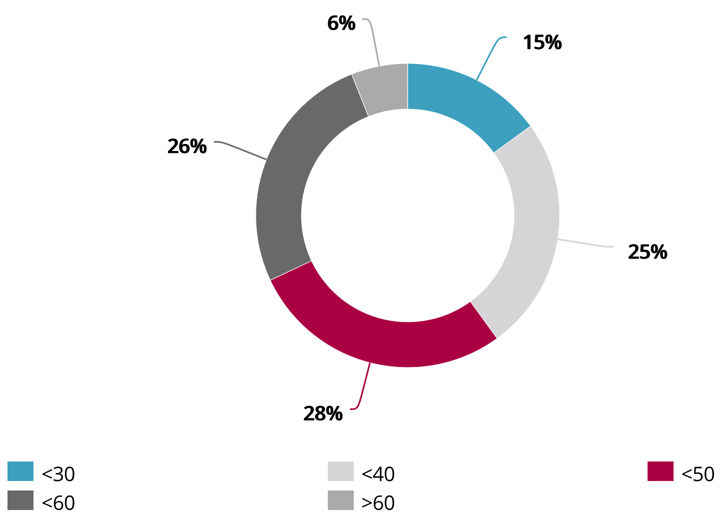
This means we treat all our employees with respect, give them equal opportunities for personal growth and development, regardless of gender, age, race, ethnicity, disabilities, nationality, sexual orientation, religious beliefs, political affiliations, marital or economic status, or position in the company. In 2016, there were no reported incidents of any type of discrimination, nor any grievances concerning labor practices.

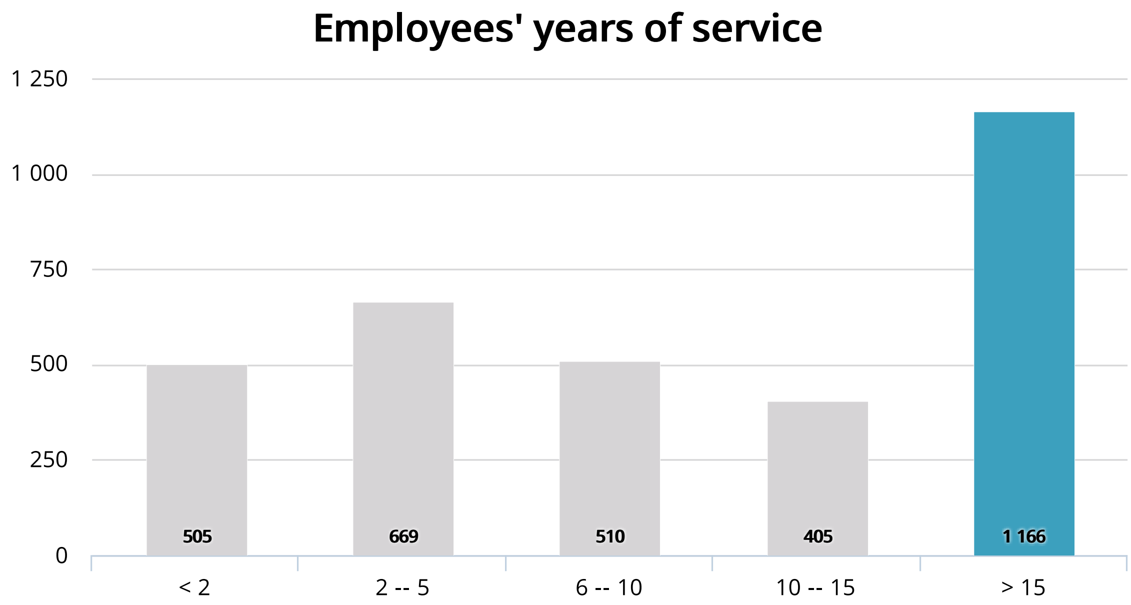
Employees at year end

	2016	2015	2014
Number of employees	3,255	3,310	3,396
Temporary, %	2.3	2.3	3.5
Permanent, %	97.7	97.7	96.5
White collar, %	36.0	37.0	39.0
Blue collar, %	64.0	63.0	61.0

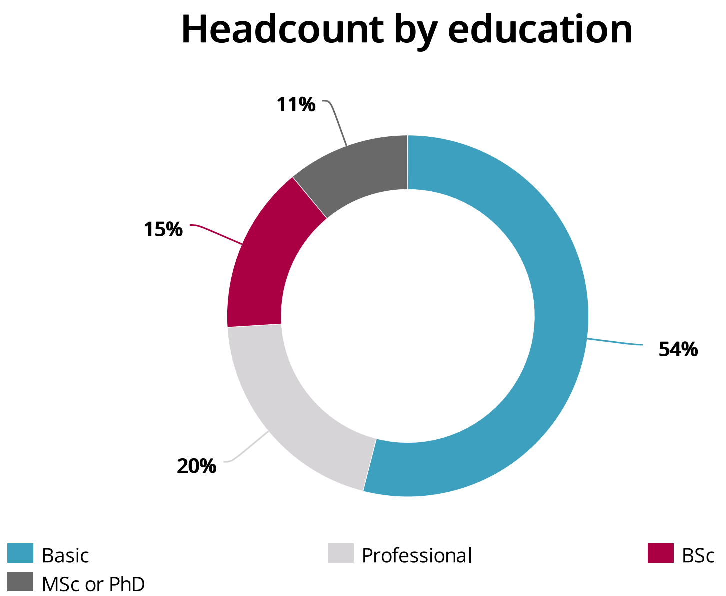
Overall age distribution continues to be well-distributed with in the age groups between 30 and 60. Six percent of our workforce is over the age of 60, while 15 % are younger than 30 years old. In terms of the tenure of employees, we clearly have the highest number of employees who have been in Ahlstrom more than 15 years.

Age distribution for the total workforce

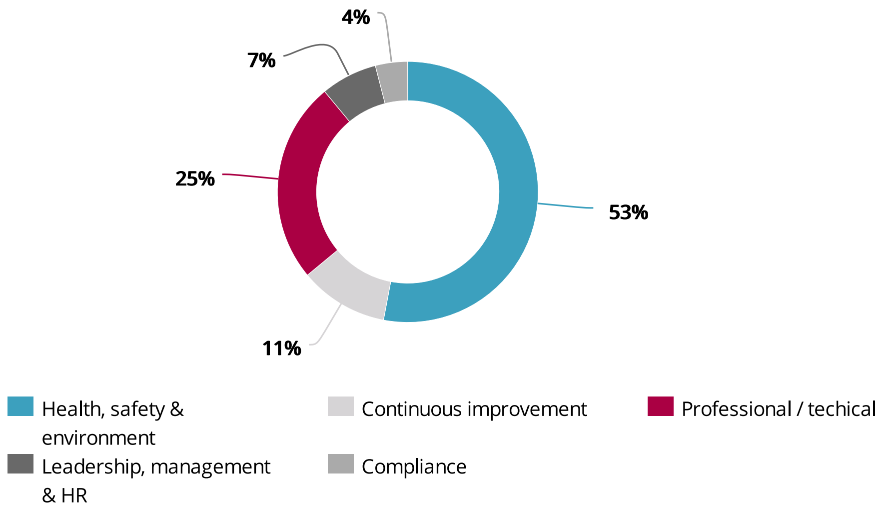




In terms of educational background, the number of employees with basic training has grown by about 10 percentage points from last year, while at the same time employees with professional education has decreased by about the same amount.   Other categories remained steady.



Trainings by category



Training has strongly continued across our plants, and the most common use for local training hours was Health and Safety training initiatives, constituting 53% of the total number of local training hours. The second most common use of trainings was related to the professional and technical skills of employees. The development of continuous improvement in operations – the global implementation of Lean in particular – constituted also a significant training investment during 2016, with 11% of all local training hours focusing on this area.

Employee turnover total and by region

	2016	2015	2014
Total turnover rate, %	8.1	8.5	11.2
Americas	10.4	6.7	11.5
EMEA	5.7	6.3	10.1
Asia-Pacific	12.3	14.6	14.1

Turnover consists of employments terminated by the employee as well as employments that have been terminated by the company e.g. due to closing units.

Diversity

Number of employees by gender and region

	Total	Female	Male
Americas	841	20%	80%
EMEA	1,864	23%	77%
Asia-Pacific	550	20%	80%
Total	3,255	22%	78%

We define diversity as the hiring, developing, retaining and promoting talented individuals from many races, cultures, age groups and with different educational backgrounds. We focus on creating an environment that leverages the talents and diverse thinking of all employees, as doing so will improve Ahlstrom's competitive position. We believe that diversity has a positive impact on our business.

Diversity by groups

Board of Directors	2016	2015	2014
Total count	7	7	7
Women, %	14	14	14
Men, %	86	86	86
<30, %	0	0	0
30-50, %	14	28.6	43
>50, %	86	71.4	57
Number of nationalities	2	3	4

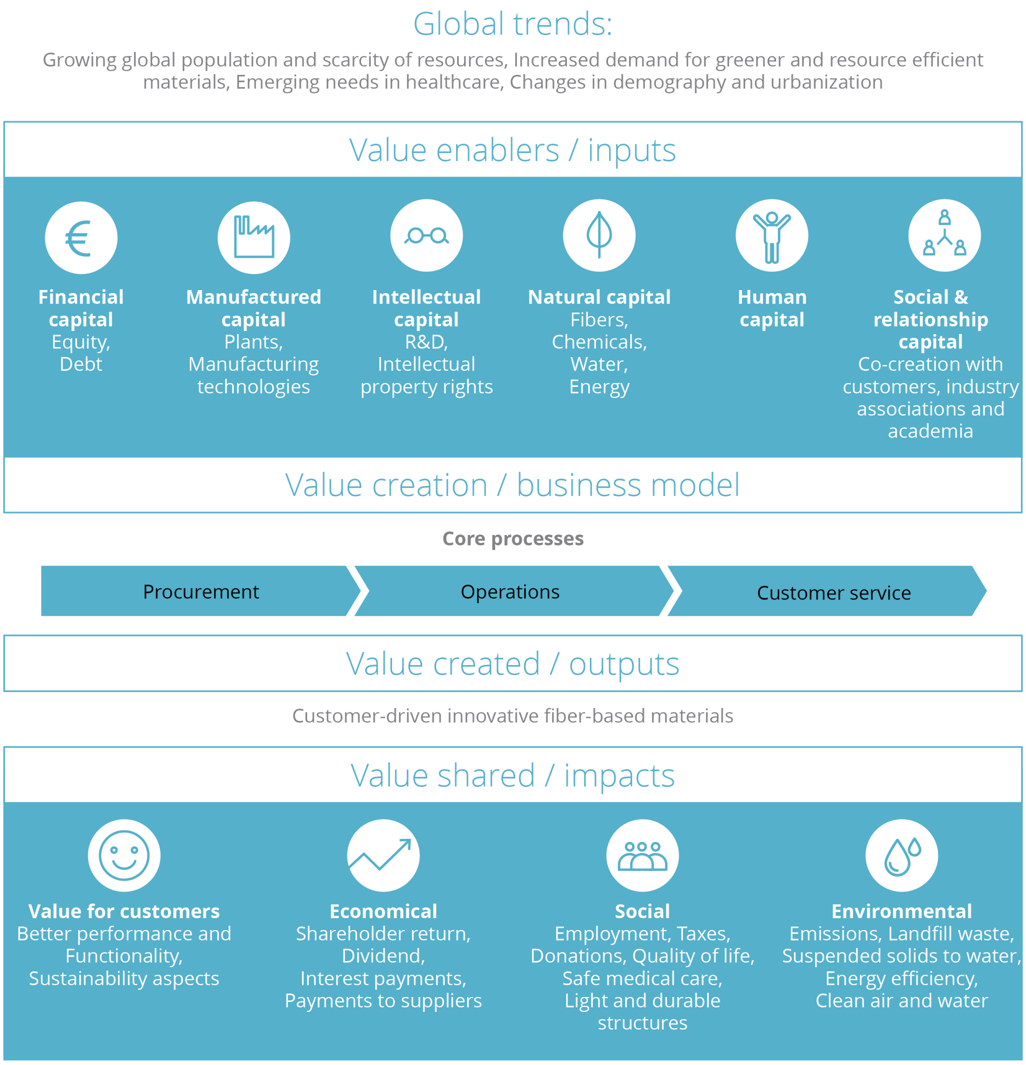
Executive management team	2016	2015	2014
Total count	6	8	8
Women, %	33.3	37.5	37.5
Men, %	66.7	62.5	62.5
<30, %	0	0	0
30-50, %	50.0	37.5	62.5
>50, %	50.0	62.5	37.5
Number of nationalities	3	4	4

Collective bargaining

Collective bargaining is a form of dialog between employees, their representatives and the company. We do not collect information on the number of organized employees, but we estimate that approximately 50% of all permanent blue-collar employees are covered by collective bargaining agreements, mainly in Europe.

Ahlstrom’s European Works Council (EWC) is a way for employee representatives from each European country to give feedback to Group management about topics of current interest, and also to hear about developments within the company. The EWC held its yearly meeting in September 2016. The meeting included internal discussions by the employee representatives as well as presentations and discussions led by Ahlstrom's President & CEO and other top management team members.

Value creation



Ahlstrom is in the business of creating value for people and the environment, as well as for society at large. The people for whom we create value include shareholders, customers, employees, and the communities in which we operate. We conduct our business in an ethical manner.

Resources

We are committed to increasing shareholder value over time by developing and making products that provide shared value to society in a competitive, resource efficient and profitable manner. In this process, we utilize a diverse range of capital, including financial, manufacturing, intellectual, human, natural as well as social and relationship as resources. Our sourcing, operations, core processes, and customer service churn this capital into outputs: innovative fiber-based products that add value to customers. The availability of all this capital and its effective use is critical to our ability to create value over time.

Processes, products and services

Our products are innovative fiber-based materials with a function in everday life. They purify air and water, enable environmentally friendly transportation and energy production, improve people's health by providing protection and convenience in medical applications and food packaging, and enhancing quality of life in building applications.

We strive to minimize our adverse impacts such as emissions into the air, water and soil. More details on the development of our emissions can be found in the ***Environmental performance*** section. We use the EcoDesign approach in our product development by applying the principles of green chemistry. These principles include the removal of hazardous chemicals, use of low impact materials i.e. bio-based and recycled materials, energy efficiency and optimization of the product's end-life. Our products are designed to have a minimal environmental impact over their whole life cycle.

Impacts

The products made by Ahlstrom generate various results and impacts, most of them positive. However, some are negative, such as emissions, and these we try to minimize. Our position in the value chain is one to three steps away from the final consumer or end-user.

In 2016, our shareholders' total return was 113%, including a dividend of EUR 14.5

million, or EUR 0.31 per share. We paid our creditors EUR 21.7 million in interest payments, including interest on hybrid bond.

Our products create value for customers through many benefits such as improved performance, durability and functionality, while supporting customers in tackling their sustainability issues. Considering the society at large, the current and future benefits of our products include cleaner air and water, better energy efficiency, well-being and quality of life, safe medical care, and light and durable structures.

Employee wages and benefits totaled EUR 223.5 million and national and local taxes amounted to EUR 7.9 million in 2016. In fact, our biggest impact on society is the employment of people who pay taxes.

Our community investments totaled EUR 149,000. This included EUR 30,000 donations to Ahlstrom's Louveira plant in Brazil and Binzhou plant in China to be used for charitable causes locally. Both regions are economically developing areas and the Louveira plant successfully emerged from a severe flood in 2016. The targets were decided at local level and employees were included in defining the recipients of the donations. In addition, our plants across the globe support children's activities, emergency agencies, environmental protection, senior citizens organizations and sports.

Ahlstrom does not make political contributions. The table on our direct economic value generated and distributed is presented in the ***Economic performance*** section.

Capital

We are committed to increase shareholder value by developing and making innovative fiber-based products that provide value to society in a competitive, resource efficient and profitable manner. In this process, we utilize a diverse range of capital described below.

Financial	Manufacturing	Intellectual
Ahlstrom’s financial capital is divided into equity and debt.	Ahlstrom’s global manufacturing platform is unrivalled in the industry and it covers all major web forming technologies.	Customer driven innovation is crucial to Ahlstrom’s success.
• Total equity EUR 315.8 million • Interest bearing net debt EUR 140.8 million • Total liquidity, including cash, unused committed credit facilities and committed cash pool overdraft limits was EUR 268.7 million. In addition, the company had undrawn uncommitted credit facilities and cash pool overdraft limits of EUR 70.0 million available.	28 plants in 13 countries: • 18 in Europe • 6 in Americas • 4 in Asia-Pacific	The company operates a research center in France and has product development activities at many sites.
In 2016: • Adjusted Ebitda EUR 130.9 million • Operating cash flow EUR 125.8 million • Capital expenditure EUR 37.9 million • Interest payments EUR 21.7 million (including interest payment on hybrid bond) • Dividend payment EUR 14.5 million	In 2016: • Total depreciation was EUR 49.6 million	In 2016: • Research and development costs were EUR 15.8 million, or 1.5% of net sales

Natural	Human	Social & relationship
Natural capital is Ahlstrom's source of raw materials. In 2016, raw materials and energy accounted for about 60% of our total cost base, while 79% of our fiber-based raw materials came from renewable sources.	Ahlstrom has a dedicated and diverse workforce sharing our values of passion, respect and achievement.	We co-create and foster open innovation with customers, universities, research centers and industry associations.

Natural capital consumption in 2016:
 	
• Renewable natural and synthetic fibers (e.g. pulp, viscose, abaca, cotton) 326,607 tons
• Non-renewable synthetic fibers (e.g. polyesters, polypropylene) 84,864 tons
• Chemicals (e.g. latex, methanol, and resins) 169,394 tons
• Water intake: 23.0 million cubic meters
• Energy consumption: 3,306 GWh
 	
Sold production was 380,600 metric tons in 2016.
	In 2016:
	
	• 3,233 employees (FTE) in 22 countries
	• EUR 223.5 million paid in wages and benefits to employees
		In 2016:
		
		• EUR 149,000 in donations including:
		  ◦ Louveira area in Brazil
		  ◦ Binzhou area in China
		  ◦ Local community support at sites

Sustainability

Integrating and managing sustainability

Our strategic intent of being committed to growing and creating stakeholder value by providing the best performing sustainable fiber-based materials also captures well our approach to sustainability. We are in the business of creating value for people and the environment and we act with integrity and respect in all that we do.

Economic responsibility means that we ensure the profitability of our business, while acting in an ethical manner. Social responsibility means safety, employee well-being, respecting human rights and making Ahlstrom a great and inspiring place to work. Environmental responsibility means minimizing the environmental impacts of both our operations and products, and also helping our customers to solve their sustainability challenges. In the following sections you can read more about our performance around these topics and how we manage sustainability aspects.

Our management approach aims for high performance in procurement, operations, product development, health & safety and human rights. The overall accountability for sustainability aspects is held by the President & CEO and the Executive Management Team members reporting to the CEO. The matrix below describes how sustainability is managed in practice and our achievements in this respect in 2016.

	Long-term targets	Performance 2016	Tools and policies
Procurement	• Long-term competitive advantage via partnering with strategic suppliers • Continuous improvement of our total cost ownership (TCO) • Ensure security of supply	• Supplier Code of Conduct signed by 99% of suppliers (99% in 2015) • Supplier Relationship Management process further developed with three strategic suppliers for all business areas • Reduced supply risk on identified products	• Sourcing Policy • Supplier Code of Conduct • Supplier Manual • Vendor Evaluation Tool
Operations	• World-class operations • Reduce energy consumption • Minimize environmental impact by reducing emissions (air, water and soil) • Global sharing of best practices	• Improved operational efficiency through less production waste • Higher energy efficiency, lower carbon dioxiode emissions and water consumption • Savings from energy efficiency projects	• Lean manufacturing as continuous improvement methodology • Regular follow up of Key Performance Indicators (KPIs) with benchmarking reference • Investment steering to prioritize projects • Monitoring risk and anticipate regulatory compliance
Health & Safety	• Accident-free work places • Zero Lost Time Accidents • Employee well-being	• Accident Frequency Rate 4.6 per million working hours (2.8 in 2015) • 28 Lost Time Accidents (17 in 2015)	• Behavioral Based Safety programs • Internal HSE standard • HSE auditing team • HSE network sharing the best practices
Human rights and compliance	• Human rights are respected throughout the whole value chain • No compliance violations • Code of Conduct e-learning completed for 100% of white-collar employees • No anti-corruption violations	• Zero human rights violations were reported • 85% of white collar employees have completed The Code of Conduct e-learning • Compliance trainings were held	• Human rights policy • Compliance Framework • Code of Conduct e-learning • Compliance trainings

Stakeholder engagement

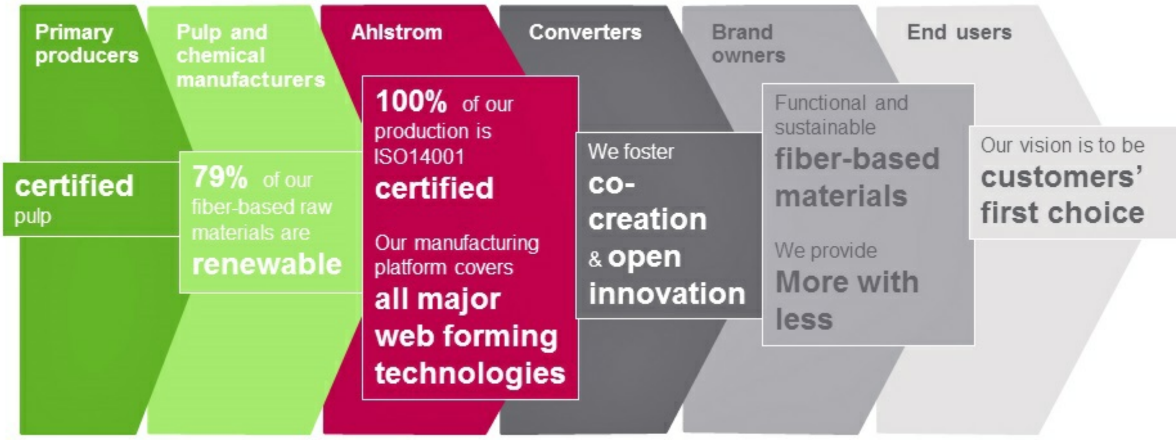
Interaction with our external and internal stakeholders is a critical part of our operations and success. We invite anybody with an interest in what we do to enter into dialog with us and provide feedback. It is very important for us to continuously improve our way of working and enhance performance. The table below lists some of our most important stakeholders and how we engaged with them in 2016.

	Engagement	Topics & issues
Customers	• Face-to-face meetings and other contacts • Joint product development projects • Exhibitions and trade shows • Website, e-newsletters, social media • Sustainability reporting	• Commercial excellence: pricing and product mix optimization, segmentation, customer satisfaction • Focus on improving overall customer service • Sales tools training
Suppliers	• Face-to-face meetings • Supplier performance evaluations • Joint projects in supply chain, product development, cost reduction and sustainability	• Sharing of short and medium term supply needs • Supplier Relationship Management process continued • Working capital and supply security agreements
Employees	• Performance management process • Unity discussions • Training programs • Behavioral Based Safety programs • Intranet, videos, information sessions • Cooperation and dialogue with unions and employee representatives at local and Group level	• Planned merger with Munksjö Oyj • New business unit structure • Change champions and team videos • Collaboration between teams, leadership, clarity over roles and simplification and communication
Shareholders, Investors, Media	• Full-year and interim financial reports • Quarterly result briefings • Stock exchange and press releases • Website • One-on-one meetings • Capital markets day • Seminars • Retail investor events • Background briefings	• Financial performance • Planned merger with Munksjö Oyj • Revised strategy and operating model • New long-term financial targets • Business unit structure • Fluctuations in raw material prices and currencies

Governments, communities, NGOs & Academia	• Cooperation with local authorities • Research and development projects • Recruitment fairs at schools and universities • Open house events • Public hearings	• Clean water project in Africa in-cooperation with Aalto University and Walter Ahlström Foundation
Industry Associations	• EDANA • FIBS • CleanTech Finland	• Sustainability credentials of nonwoven products • Industry support

Procurement and operations

Our products are sold to converters that are, for example, filter manufacturers, wallpaper producers, medical converters and building products companies. Their customers are again brand owners who sell to consumers via distributors and retailers. There are many variations to the overall value chain and in some cases Ahlstrom has moved vertically in the value chain e.g. in lateral flow analysis for medical diagnostics.



Responsible global procurement

Ahlstrom has a global sourcing organization serving all our businesses and plants. It is important to us that the production and supply of our raw materials does not cause harm to people, the environment or society. We have a Supplier Code of Conduct in place and signing of the code is included in our sourcing Key Performance Indicators. All new suppliers must sign the code before conducting business with Ahlstrom. In 2016, all of our revelant suppliers had signed the code. Our key raw materials are described in the ***Environmental performance*** section.

Renewable fibers are our most important raw material and we have an extensive company verification program to ensure that they come from legally harvested forests. SGS SA has verified our due diligence system for the European Union

Timber Regulation for five years. The purpose of this system is to prevent Ahlstrom from placing illegal timber products on the EU market. We conduct the same due diligence procedures for all pulps we buy adhering also to the U.S. Lacey Act and the Australian Illegal Logging Prohibition Regulation. Forestry certification is a mechanism using independent third-party assurance that the forest in question is managed according to internationally recognized sustainability criteria. The Forest Stewardship Council (FSC™) and the Program for the Endorsement of Forest Certification (PEFC™) are the two major international systems for forest certification. Buying wood pulp with a forest certification claim means:

- No illegally harvested wood
- No human rights violations in the supply chain
- No wood harvested from high conversation value forests
- No deforestation, i.e. no wood harvested in forests being converted to plantations or non-forest use
- No wood from forests where genetically modified trees are planted

All of Ahlstrom's pulp suppliers in 2016 were certified according to one of these programs or both, while 78% of the pulp was purchased as FSC or PEFC certified or FSC controlled wood. All inputs are covered, additionally, by our own verification system for legality.

Chain-of-Custody certification is a way of tracking wood-based raw materials from the forest to the consumer at each change in ownership. At the end of 2016, we had 16 certified plants as three new plants in the U.S. received their certification during the year. Apart from one, all major Ahlstrom plants using wood fiber are now Chain-of-Custody certified. A detailed list of certifications can be found on our **website**.

Operations

Ahlstrom's two business areas have full responsibility of operations that include manufacturing, engineering and logistics. In addition, the business areas are responsible for sales and marketing, business development, technical customer service, and product development. This structure allows better accountability and less complexity within the company. In 2016, higher operational efficiency resulted in lower production waste and supported improvement in key environmental performance indicators.

Certified production

One of our key objectives is to have an environmental management system in place in each plant. This target was achieved in 2016 as 100% of the production had an ISO14001 certification (94% in 2015) as all of Ahlstrom's manufacturing sites were certified. A detailed list of certifications can be found on our **website** .

Our aim is to minimize the impact from our operations and all of them have implemented precautionary actions to diminish any harm they would do to the environment. This means that in case of threats of serious damage, a lack of full scientific certainty is not used as a reason for postponing cost-effective measures to prevent environmental degradation to the environment.

Economic performance

Direct economic value generated and distributed

EUR million	2016	2015	2014
Direct economic value generated			
Revenues (including financial income)	1,086.6	1,095.1	1017.8
Direct economic value distributed			
Operating costs (excluding depreciation and impairments)	-741.2	-761.5	-723.7
Employee wages and benefits	-223.5	-216.6	-210.9
Payments to providers of capital (including interest income, other financing income, dividends paid and interest paid on hybrid bond)	-36.2	-40.0	-43.5
Community investments	-0.15	-0.18	-0.13
Taxes	-7.9	-4.7	-1.0
Economic value retained	**77.7**	**72.0**	**38.5**

Environmental performance

The use of natural capital including raw materials and energy in the most efficient way as possible is beneficial not just for our customers but to the entire world. With resource scarcity and growing environmental concern it's crucial that we minimize our own impacts.

Raw materials

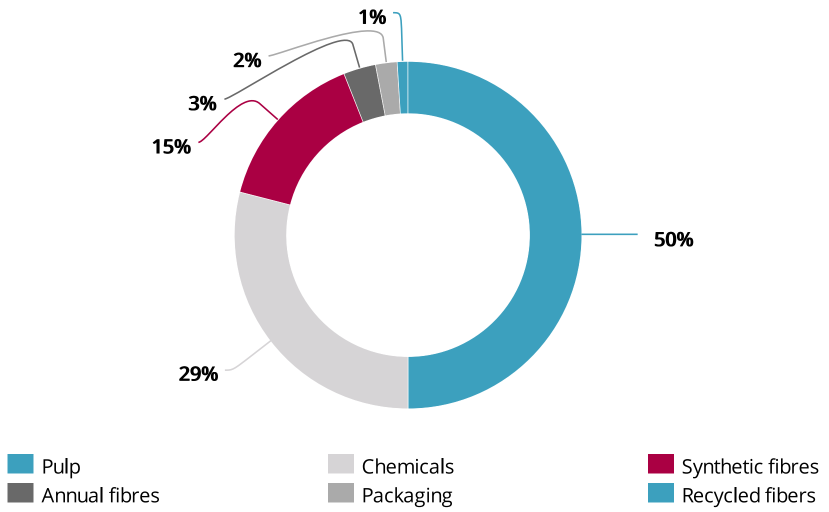
Overall, we spent approximately EUR 514 million on raw materials in 2016. Expenditure on pulp and natural fibers was about EUR 213 million, on synthetic fibers about 142 million and on chemicals about EUR 159 million. Energy expenditure was about EUR 77 million. Overall, raw materials and energy account for about 60% of our total cost base.

By far the most important raw material for us is fiber with about 70% of the total. In 2016, 79% of the fibers we used as raw material came from renewable sources, compared with 82% in 2015. The vast majority, or about 90% of the renewable fibers, is wood pulp from forests. We source pulp from suppliers principally located in the Nordic countries and South and North America. Viscose fiber used in some specialties is also made from forest fiber.

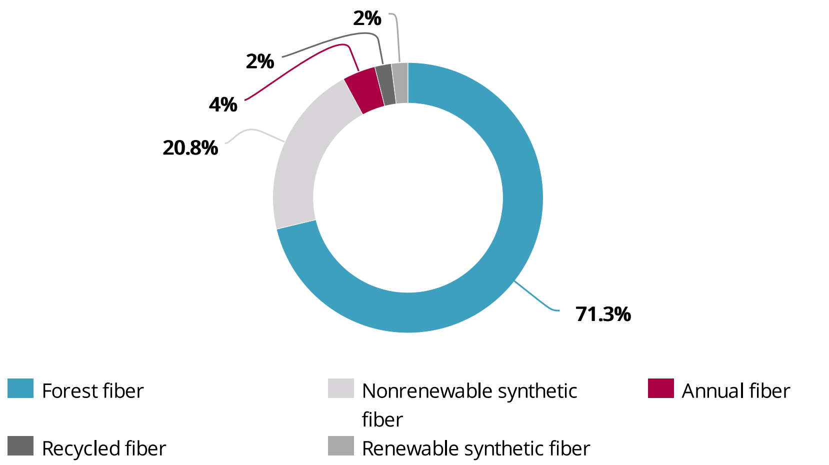
Other natural fibers that we use include annual fibers such as abaca, cotton linters, jute and some sisal and flax. Abaca, which is used in our food grades, is clearly the most important of them. Abaca is sourced from the Philippines as well as Ecuador.

We buy our synthetic fiber from producers that are located in Europe, Asia, and North and South America. Our main chemical suppliers are very large companies, but chemicals are also purchased from medium-sized specialty producers, generally based in Europe and North America.

Raw materials used in 2016: 591,365 metric tons



Fiber-based raw materials used in 2016: 411,471 metric tons



Energy efficiency

Highlights in 2016

- Total energy consumption declined by 8.3%
- Electrical efficiency improved by 2.5%
- Process heat efficiency improved by 9.8%

Ahlstrom is committed to the sustainable use of energy at all of our plants. Our approach is to manage and to reduce the energy consumption while ensuring the competitiveness of our business. These activities have an impact on direct and indirect emissions into the air and the cost of manufacturing.

Our main sources of energy are electricity from the grid, natural gas and purchased steam. Minor energy sources include other fuels, such as propane, oil and waste. In 2016, our total energy consumption was 3,306 GWh, showing a decrease of 8.3% from the 3,605 GWh consumed in 2015. Electrical efficiency increased by 2.5% to 1.28 MWh per gross ton and process heat efficiency improved by 9.8% to 12.5 GJ per gross ton.

Energy usage in 2016

MWh	2016	2015	Change, %
Natural gas	1,025,539	1,040,806	-1.5
Oil	7,520	13,626	-44.6
Coal	91,432	114,988	-20.5
Secondary fuels and recovered methanol	227,250	308,388	-26.3
Electrical power from the grid	509,083	542,930	-6.2
Purchased steam	1,444,964	1,583,777	-8.8
Total	**3,305,788**	**3,604,514**	-8.3

ISO 50001 certifications

In 2016, two of our French plants, Bousbecque and Saint Severin, were certified as

ISO 50001 Energy Management Systems. The third plant Pont Audemer is in the process of acquiring the certification during 2017. The total number of certifications rose from three to five.

Energy Monitoring System

The main project in our Energy Efficiency program was the initiation of the Energy Monitoring System. This is a cloud-based tracking system for each plant and their processes. On-site monitoring provides real time consumption data of each energy source and tracks the achievements in energy expenditure. The tool provides a more visual approach to the actual day-to-day consumption with alerts and reports.

In the future, this approach will support the forecasting of energy consumption and demand side management activities for key plants. This will also compliment procurement activities in the longer term.

Energy Savings Projects

We have been working on numerous projects to reduce energy consumption at our plants. By supporting investments and continuous improvement in process optimization we have been able to achieve savings in energy consumption, most significantly on process heat.

Our plants have been classified into three groups. First of all, we have the so-called *TOP8*, which are the biggest consumers of energy. Our focus has been on the performance of these sites and many of the energy savings projects and related investments have been carried out at these locations. Various process improvements have been implemented and the monitoring systems for consumption have been updated.

The second group are known as Medium plants, which are potential sites to implement energy management overall, but are clearly smaller than the *TOP8* sites. Projects related to compressed air, LED lighting, and other continuous improvement have been executed at these plants.

The third group we have are the Minor plants, whose energy expenditure is similar to regular office buildings. These plants have mainly focused on the efficient use of electricity.

Key Performance Indicators

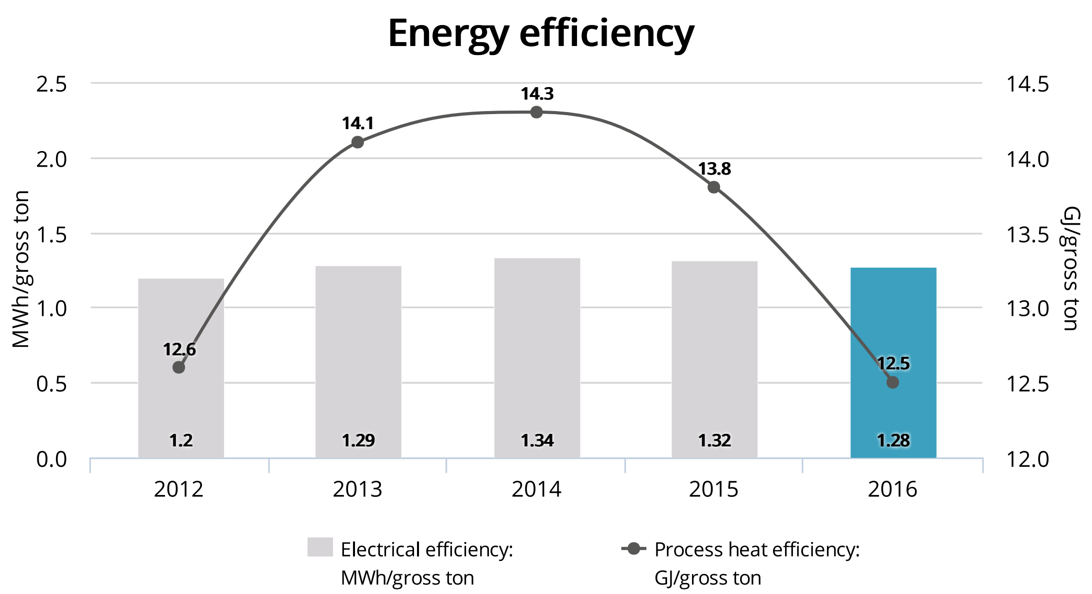
Our Key Performance Indicators (KPIs) in energy efficiency:

- Specific energy consumption in kWh/ton and in euros/ton
- CO2 emissions kg/ton
- Energy savings in euros/month/plant and in kWh/year/plant

In 2016, the performance was positively impcated by gains from our energy savings projects. In addition, Lower energy prices, variances in the product mix and higher production volumes impacted the KPIs.

For the future, the energy roadmap will be developed further to better visualize the trends and baselines of our manufacturing processes. The key is to be efficient in energy usage and to ensure the availability of energy with effective plans of action for sustainable energy sources.

The European Union has been actively promoting its 2020 agenda in which energy efficiency plays an important role. In line with the EU agenda, Ahlstrom has the ambition to aim at a reduction of 20% by 2020 in both specific energy consumption as well as carbon emissions per ton of product, using 2012 as the baseline.



Energy efficiency activities in 2016

Energy efficiency

- Improved energy tracking and monthly reporting
- Energy strategy and roadmap to reduce specific consumption and carbon dioxide emissions

ISO 50001 certification

Certified before 2016

- Ställdalen, Sweden
- Osnabrück, Germany

Certified in 2016

- Bousbecque, France
- Saint Severin, France

Certification expected in 2017

- Pont Audemer, France

Energy monitoring system

- Cloud-based solution to improve the tracking of energy consumption

Energy Savings Projects

- Over 30 projects group-wide tracked to save consumption of electricity, natural gas, steam and other fuels
- Further energy saving projects planned for 2017

Key Performance Indicator improvements

- Reduction in specific energy consumption
- Reduction in specific energy cost, tracking consumption improvements independently from price impacts

Emissions

Highlights in 2016

- Higher operational efficiency resulted in lower production waste and supported improvement in key environmental performance indicators
- Direct carbon dioxide emissions per gross ton dropped by 16.2%, including indirect emissions, the decline was 7.8%.
- Overall emissions to air continued on a five-year declining trend
- Total water intake fell by 4.1%

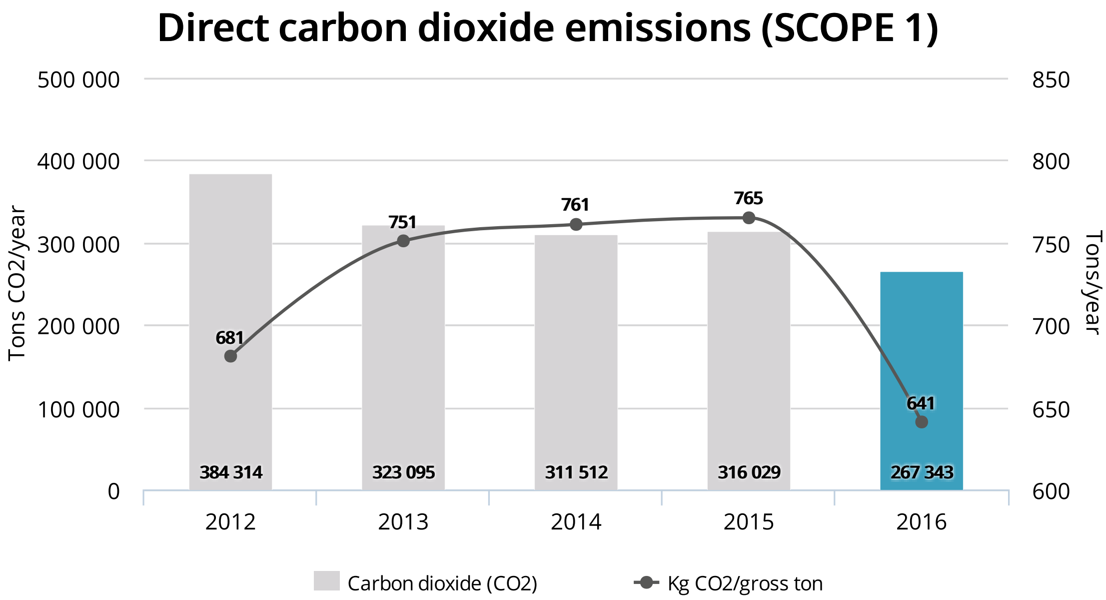
All Ahlstrom plants work with local, regional, and federal authorities to regulate and monitor emissions. Agreed-upon limits are monitored and amended to maintain compliance and protect the communities and moreover the world we call home.

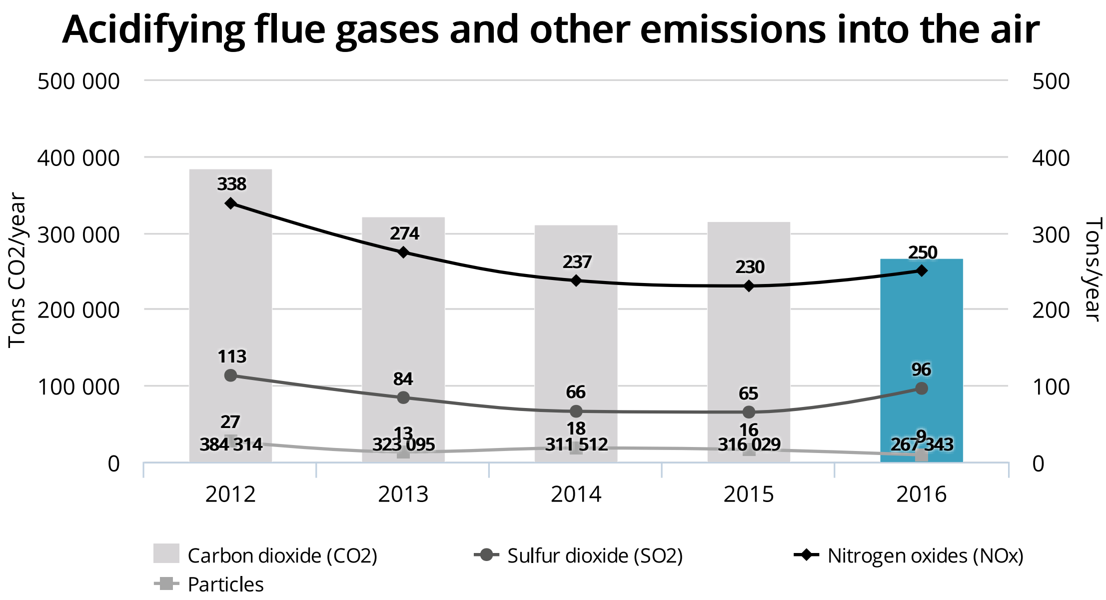
Air

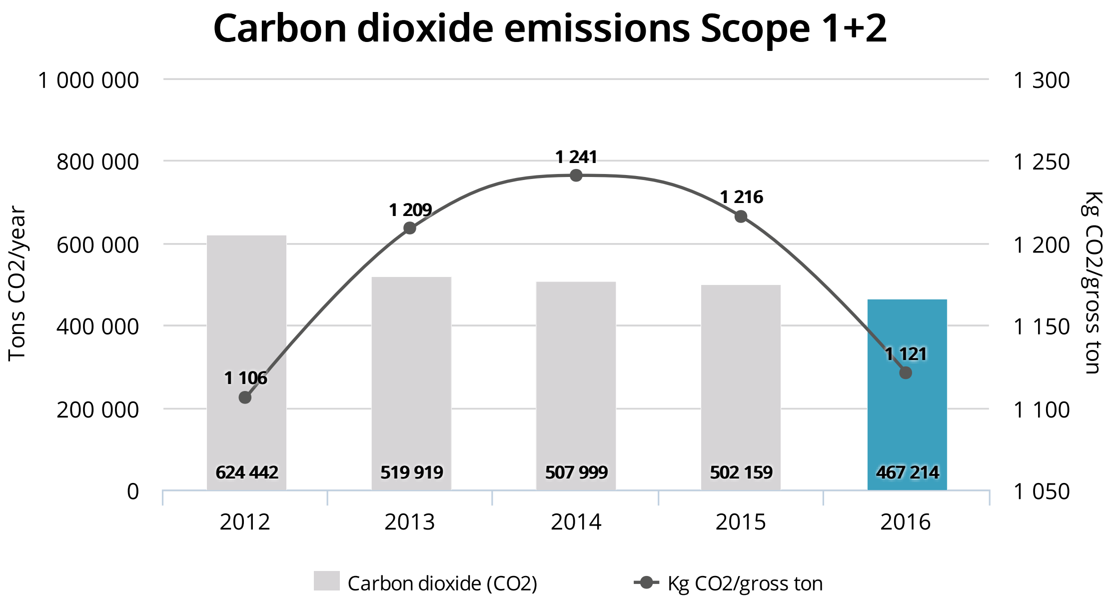
Absolute emissions of carbon dioxide (CO_2), nitrogen oxides (NO_X), and sulfur dioxide (SO_2) continued on a downward five-year trend. In 2016, direct CO_2 emissions (Scope 1) totaled 267,343 tons, showing a significant drop of 15.4% from 316,029 tons in 2015. The decrease was mainly because of lower consumption of electricity and process heat and a cleaner burning mix of fuels; more natural gas and less oil, coal and secondary fuels. More details on energy consumption and efficiency are available in the respective section. CO_2 intensity fell by 16.2% to 641 kg per gross ton from 765 kg per gross ton in the comparison period. CO_2 emissions including energy purchases (Scope 1&2) also fell remarkably from the previous year as show in the chart below.

In 2016, nitrogen oxides emissions were 250 tons, up from 230 tons in the comparison period. This still represents a reduction of more than 25% since 2012. Sulfur dioxide emissions in 2016 were 96 tons, up from 65 tons in 2015. However, this constitutes a 15% reduction compared to 2012.

Gross production rate increased in 2016 to 416,994 tons from 412,959 tons in the previous year. Material loss – the difference between gross and net production - declined by 10.7% from the comparison period, leading to an improved operational efficiency.

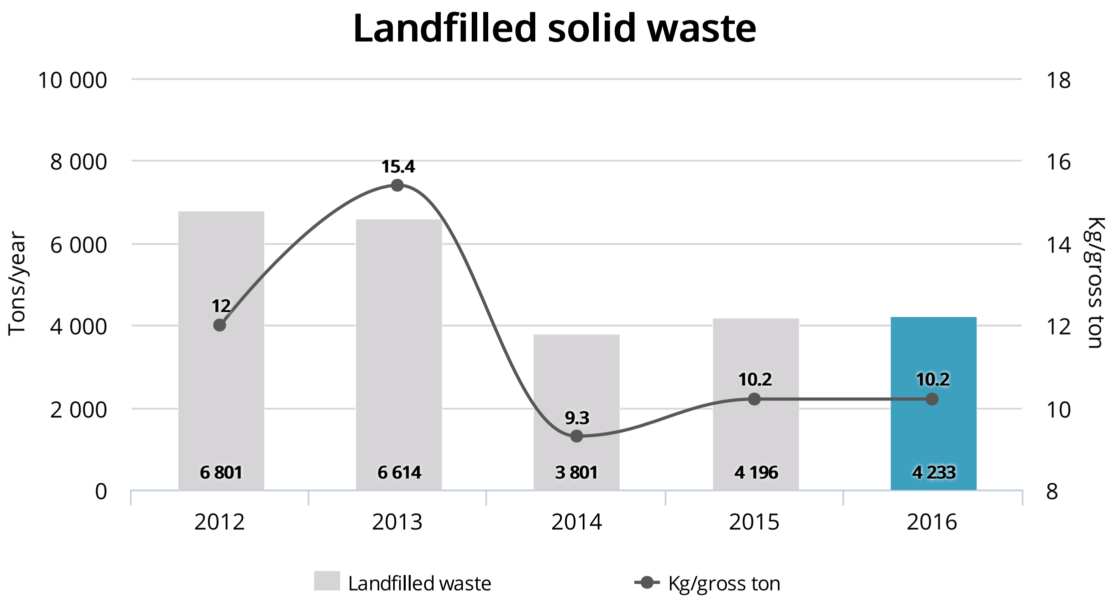






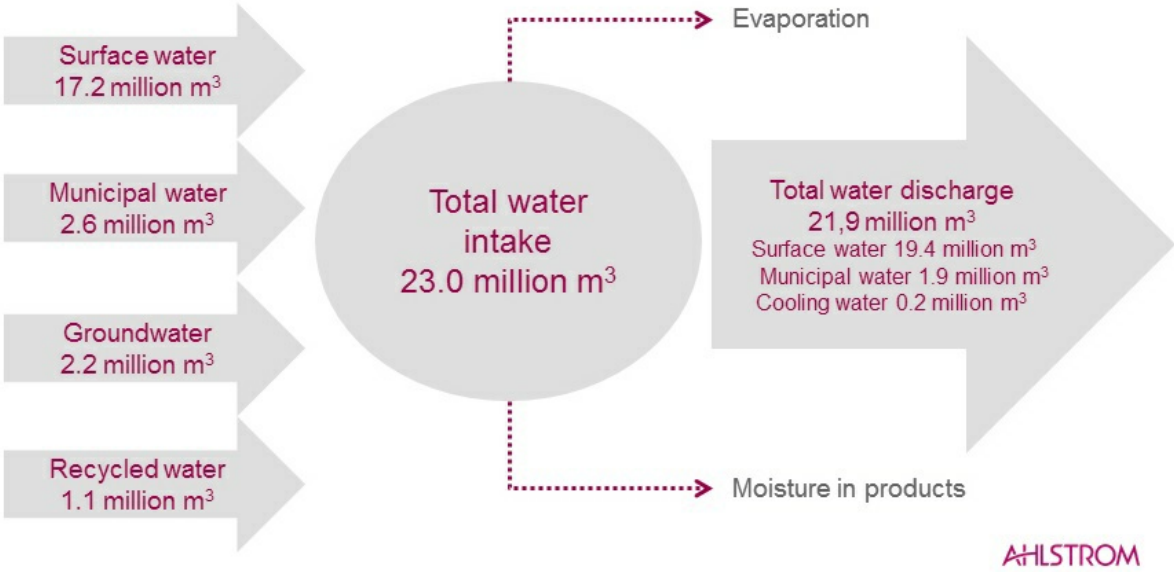
Waste to landfill

Waste to landfill is a measured key process indicator (KPI) and is reported at several levels each month. Ahlstrom's stated long-term goal is zero waste to landfill. Sixteen of our 28 sites have already achieved this goal, while other sites still work to identify and develop alternatives. In 2016, waste to landfill from our manufacturing facilities remained virtually unchanged at 10.2 kg/ton. However, the five-year trend solidly reflects the progress and commitment to this endeavor.

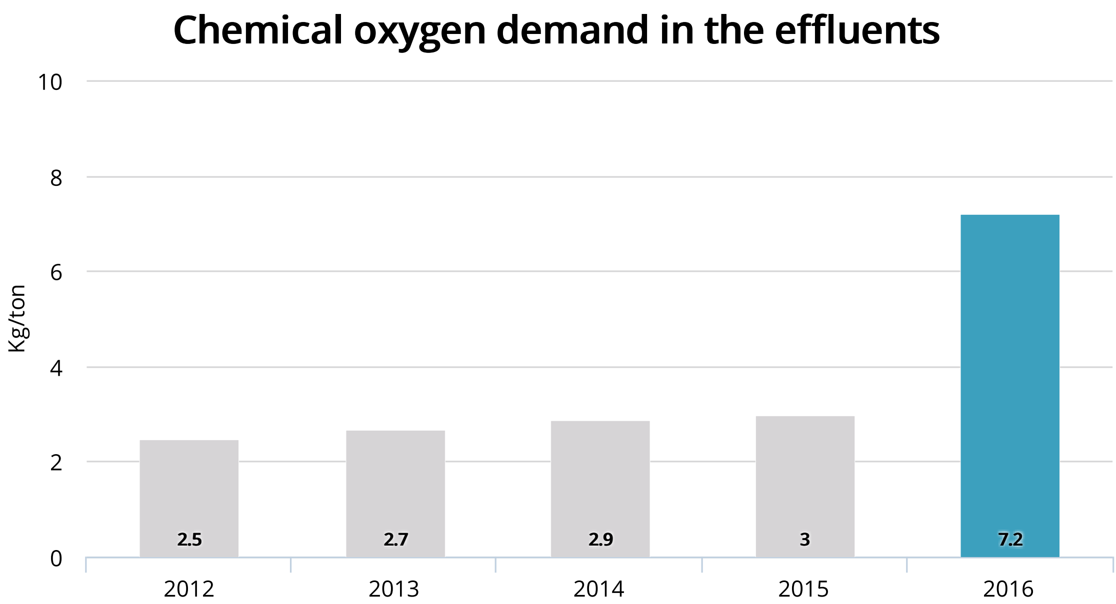


Water

Water used in plant production is reported monthly as a KPI (m^3/ton). Plants work to identify usage reductions while maintaining product characteristics and purity in product requirements. Specific water consumption per gross ton decreased by 5.0% as capacity utilization rates increased at the sites where Ahlstrom has made investments in the recent years. All plants operated in compliance with their discharge permit range. Higher pollutant loads in effluents in 2016 were related to water treatment process problems at several sites.



We did not have any major accidents or spills into the environment in 2016. Also, we did not pay any fines for non-compliance of environmental laws and regulations.



Social performance

A safe work place and human rights are the corner stones of our ways of working. All people have the right to return unhurt from work to home and to be treated with respect and dignity.

Health and Safety

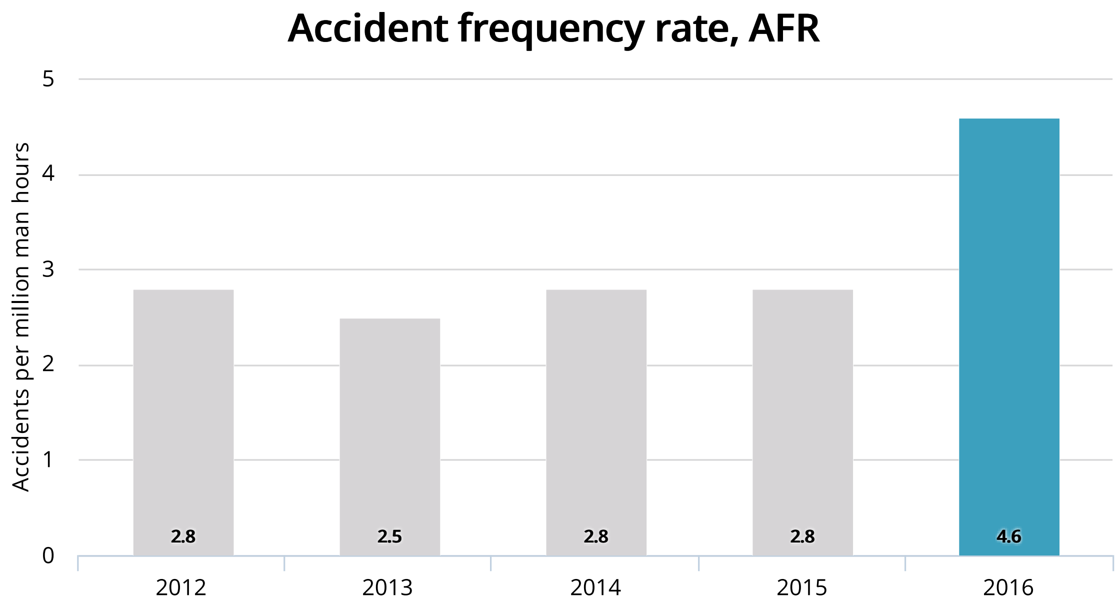
Ahlstrom's Safety performance slipped in 2016. The Accident Frequency Rate (AFR) - defined as number of lost time accidents per million man hours – rose to 4.6 compared to 2.7 in 2015. Among the 31 reporting sites there were 50 Total Recordable Accidents (TRI) in 2016 compared to 42 in 2015.

However, the cumulative numbers do not give a comprehensive picture of safety performance within the Group. Five reporting sites account for 50% of reported Recordable accidents. Three of the five sites also struggled in 2015. Nineteen plants had one or zero accidents.

The Americas region saw a severe decline in Safety performance. In 2016, there were 22 Recordable Accidents compared to 11 Recordable Accidents in 2015.

The primary focus in 2016 was implementation of Behavioral Based Safety practices. Beyond training and introductory launches in numerous plants, the challenge was to achieve broad-based participation to actively audit and discuss working methods and observations.

A new tool was added to support plants and identify HSE issues. Risk Assessments were performed at eight sites by an outside auditor. Risk assessments identify and rank hazards to assist in prioritizing corrective actions and resources.


Accident frequency rate, AFR
Accidents per million man hours
5
4
3
2
1
0
2.8
2.5
2.8
2.8
4.6
2012
2013
2014
2015
2016

Ethics, human rights and compliance

Ahlstrom is committed to conduct its business in an ethical and honest manner around the world. We have a comprehensive Compliance Framework which is dynamic and reflecting changes in legal requirements where we operate.

The Compliance Framework helps us to understand and put into practice our ethical values and to describe the process for reporting and investigating allegations of misconduct. Ahlstrom's Code of Conduct is the foundation for all the policies within the Ahlstrom Compliance Framework. Other key policies included in the Compliance Framework are:

- Approval and Signing Policy
- Anti-bribery Policy
- Competition and Anti-trust Policy
- Donation Policy
- Trade Compliance Policy
- Insider Rules
- Risk Management Policy

In addition, Ahlstrom has implemented trade compliance procedures to ensure that it does business only with permitted customers and vendors in a manner that complies with legal and company standards. In 2016, the company also launched a data protection policy.

The goal of these and other related policies is to ensure that Ahlstrom's compliance standards meet or exceed the requirements of changing anti-bribery, environmental, trade and export regulations as well as other laws affecting international commerce. To reinforce compliance, trade compliance training courses were held in 2016.

The Code of Conduct is available in eight languages, while an e-learning program can be completed in English, German and Chinese. The program is part of the induction process for all new employees.

We have designed our processes to promote an effective application of the Code of Conduct throughout our global business operations. In a consistent manner, we have aligned our Supplier Code of Conduct with the Code of Conduct to integrate our principal suppliers into Ahlstrom's compliance efforts. It has been successfully implemented with our main raw material suppliers. Our Anti-Bribery Policy clarifies the rules that we follow in relation to bribery and other corrupt practices such as facilitation payments, kickbacks and secret rebates, and defines our approach with respect to gifts, expenses and hospitality, and donations.

We also have a separate Human Rights Policy, which is aligned with the principles of the ISO26000 social responsibility standard and is derived from the Universal Declaration of Human Rights. Our policy commits us to supporting human rights throughout our value chain and not only in our own operations and suppliers but also with our customers.

The Code of Conduct, Supplier Code of Conduct and Human Rights Policy can be obtained from our ***Responsibility*** website.

Monitoring

Ahlstrom has a system known as SpeakUp for all employees to report unethical or unlawful behavior. The reports may be anonymously completed in 13 languages by phone or to an external service provider's website. Ahlstrom's Chief Compliance Officer (CCO) evaluates the information received and decides the appropriate course of action. All reports are managed with utmost confidentiality.

All reported cases were appropriately investigated. There were no fines or non-monetary sanctions for non-compliance with rules and regulations and zero incidents for human rights violations. Business areas and functions are mainly responsible for implementing compliance as there is no specific compliance function at Ahlstrom. The Chief Compliance Officer oversees the implementation and the Legal, Human Resources and Finance functions assist the CCO in compliance related matters.

Report profile and materiality

Ahlstrom's annual report for the calendar year 2016 is published in an electronic form on the company's **website**. The entire report, or sections of it, can be downloaded into a PDF form.

As in our previous annual report published in February 2016, sustainability is embedded to the publication in an integrated approach and we do not publish a stand-alone sustainability report. Based on our own assessment, the reporting follows the Global Reporting Initiative's (GRI) G4 guidelines at core level. The report also reflects some principles set out in the International Integrated Reporting <IR> Framework.

The ***Financials*** section includes audited consolidated financial statements and the report of operations for the year 2016. The ***Governance*** section includes our corporate governance statement and remuneration statement for 2016.
The ***Investors*** section includes important information for our shareholders.

All GRI related data in 2016 reporting covers all functions under Ahlstrom's control, including all subsidiaries. The operations in Osnabrück, which were sold in early 2017, are included in the figures except for water consumption. In the balance sheet, the unit is presented under the line assets held for sale.There were no major restatements of information compared to the 2015 report. There are also no major changes in the material aspects or boundaries.

In 2016, our reporting related to GRI guidelines was not assured by a third party as per top management decision. However, as our certification table available on our website shows, our plants are subject to multiple audits by third parties every year. In addition, we have a well-functioning internal HSE audit system and our sites are also subject to many customer audits for the qualification of our products.

Data collection for our material balance, headcount and internal controls were carried out centrally by the Group's sourcing, operations, human resources and legal functions. Consolidated financial statements were prepared by the Group's finance function in accordance with the International Financial Reporting

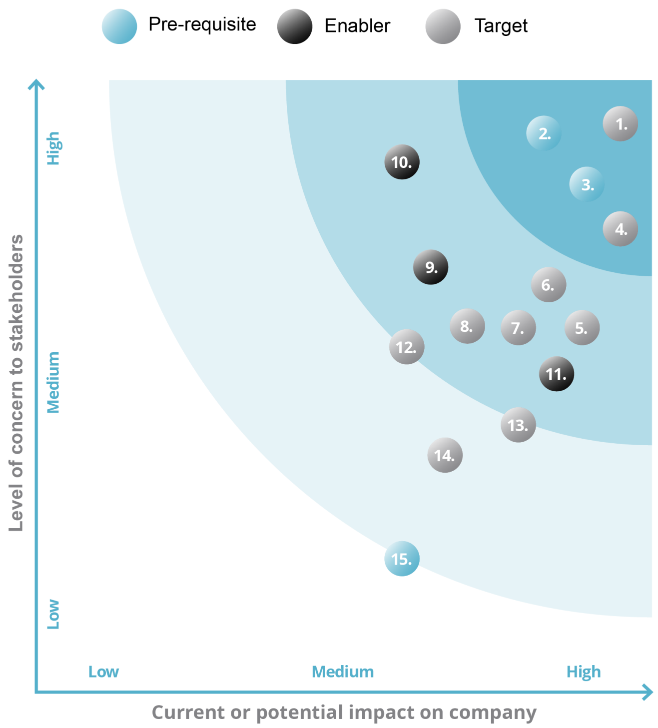
Standard (IFRS) as adopted by the European Union. Accounting principles are described in the notes sections of the financials.

Materiality

We have defined our most important sustainability topics by using the materiality matrix below. The relative importance of the aspects to Ahlstrom is shown on the horizontal axis, whereas the relative importance of the aspects to the company's stakeholders is shown on the vertical axis. The listed aspects identified in a review conducted in 2014 were still considered material within and outside the organization in 2016. The review included stakeholder interviews, customer satisfaction and employee engagement surveys, and top management discussions and workshops. The matrix was approved by our President & CEO.

Ahlstrom materiality matrix 2016

1. **Partnering with customers for improved performance**
   Commercial success, Sustainability
2. **Ethics**
   Values, Human rights & freedom of association, Code of Conduct, Anti-corruption
3. **Financial performance**
4. **Safety**
5. **Open communication**
6. **Resource efficiency**
   Energy use, Raw materials/waste, Water, CO_2, EcoDesign
7. **Responsible sourcing**
8. **Minimizing emissions**
9. **Communication of the sustainability benefits of our products**
10. **Business agility**
11. **Innovation**
12. **Community and stakeholder relations**
13. **Well-being and engagement of workforce**
14. **Competence development**
15. **Diversity**



GRI Index

GRI content table

Code	GRI content	Location	Further information
General standard disclosures			
	Strategy and analysis		
G4-1	Statement from the President and CEO	From the CEO	
	Organization profile		
G4-3	Name of the organization	This is Ahlstrom	
G4-4	Primary brands, products, and services	This is Ahlstrom, Business areas	
G4-5	Location of the organization's headquarters	Financials	
G4-6	Number of countries where the organization operates	This is Ahlstrom, Financials	
G4-7	Nature of ownership and legal form	Governance, Financials	
G4-8	Markets served	This is Ahlstrom, Business areas	
G4-9	Scale of the organization	This is Ahlstrom, Our people, Financials	
G4-10	Breakdown of workforce	Our people	
G4-11	Employees covered by collective bargaining agreements	Our people	
G4-12	Describe the organization's supply chain	Procurement and operations	
G4-13	Significant changes during the reporting period on size, structure, ownership, or supply chain	Financials, report profile	
G4-14	How the precautionary approach or principle is addressed	Procurement and operations	
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives endorsed	Stakeholder engagement	
G4-16	Memberships of associations	Stakeholder engagement	

	Identified material aspects and boundaries	
G4-17	Entities included in the organization’s consolidated financial statements	Financials, report profile
G4-18	Process for defining the report content and the aspect boundaries	Report profile and maturity
G4-19	All the material aspects identified in the process for defining report content	Report profile and maturity
G4-20	The aspect boundary within the organization	Report profile and maturity
G4-21	Aspect boundary outside the organization	Report profile and maturity
G4-22	Restatements of information provided in previous reports	Report profile and maturity
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	Report profile and maturity
	Stakeholder engagement	
G4-24	A list of stakeholder groups engaged by the organization	Stakeholder engagement
G4-25	Identification and selection of stakeholders	Stakeholder engagement
G4-26	Approach to stakeholder engagement	Stakeholder engagement
G4-27	Response to key topics and concerns raised through stakeholder engagement	Stakeholder engagement
	Report profile	
G4-28	Reporting period for information provided	Report profile
G4-29	Date of most recent previous report	Report profile
G4-30	Reporting cycle	Report profile
G4-31	The contact point for questions regarding the report or its contents	Engaging investors
G4-32	‘In accordance’ option, the GRI Content Index and external assurance report	Report profile
G4-33	Policy and current practice with regard to seeking external assurance for the report	Report profile
	Governance	
G4-34	Governance structure of the organization, including committees of the highest governance body	Governance, Integrating and managing sustainability

	Ethics and integrity		
G4-56	Values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Values, ethics, human rights & compliance	
Specific standard disclosures			
	Disclosure on Management Approach		
	Disclosure of management approach (DMA)	Integrating and managing sustainability	
	Economic performance		
G4-EC1	Direct economic value generated and distributed	Economic performance	
	Environmental performance		
	Materials		
G4-EN1	Materials used by weight or volume	Raw materials	
G4-EN2	Percentage of materials used that are recycled	Raw materials	
	Energy		
G4-EN3	Energy consumption within the organization	Energy efficiency	
G4-EN5	Energy intensity	Energy efficiency	
G4-EN6	Reduction of energy consumption	Energy efficiency	
	Water		
G4-EN8	Total water withdrawal by source	Emissions	
	Emissions		
G4-EN15	Direct greenhouse gas (ghg) emissions (scope 1)	Emissions	
G4-EN16	Indirect greenhouse gas (ghg) emissions (scope 1-2)	Emissions	Carbon dioxide emissions only
G4-EN18	Greenhouse gas (ghg) emissions intensity	Emissions	Carbon dioxide emissions only
G4-EN19	Reduction of greenhouse gas (ghg) emissions	Emissions, Energy efficiency	
G4-EN21	NOX, SOX, and other significant air emissions	Emissions	
	Effluents and waste		

G4-EN22	Total water discharge by quality and destination	Emissions	
G4-EN23	Total weight of waste by type and disposal method	Emissions	
G4-EN24	Total number and volume of significant spills	Emissions	
	Products and services		
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Value creation	Partly
	Compliance		
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations overall	Emissions	
	Supplier environmental assessment		
G4-EN32	New suppliers screened	Procurement and operations	
	Social performance		
	Labor practices and decent work		
	Employment		
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Our people	Partly
	Occupational health and safety		
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Health & safety	Partly
	Training and education		
	Diversity and equal opportunity		
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity labor practices	Our people	Partly
	Grievance mechanisms		
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	Ethics, human rights & compliance	
	Human rights		
	Investment		
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including	Our people	Partly

	the percentage of employees trained		
	Non-discrimination		
G4-HR3	Total number of incidents of discrimination and corrective actions taken	Ethics, human rights & compliance, Our people	
	Supplier human rights assessment		
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	Sourcing and operations	
	Human rights grievance mechanisms		
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	Ethics, human rights & compliance, Our people	
	Society		
	Local communities		
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Value creation	Partly
	Anti-corruption		
G4-SO4	Communication and training on anti-corruption policies and procedures	Ethics, human rights & compliance	
G4-SO5	Confirmed incidents of corruption and actions taken	Ethics, human rights & compliance	
	Public policy		
G4-SO6	Total value of political contributions by country and recipient/beneficiary	Value creation	
	Anti-competitive behavior		
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	Ethics, human rights & compliance	
	Compliance		
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Ethics, human rights & compliance	

Governance

Board of Directors

The Board members on December 31, 2016.

HANS SOHLSTRÖM

Chairman of the Board since 2016
b. 1964. M.Sc. (Tech.), M.Sc. (Econ.)
President and CEO of Ahlström Capital
Independent of the company but not independent of significant shareholders
Ahlstrom shares*: -

JAN INBORR

Vice Chairman of the Board since 2015
b. 1948. B.Sc. (Econ.)
Board professional
Independent of the company and independent of significant shareholders
Ahlstrom shares*: 9,159

ALEXANDER EHRNROOTH

Member of the Board since 2015
b. 1974. M.Sc. (Econ.), MBA
President & CEO of Virala Oy Ab
Independent of the company and not independent of significant shareholders
Ahlstrom shares*: 6,278,750

JOHANNES GULLICHSEN

Member of the Ahlstrom Board since 2015
b. 1964. B.Sc. (Engineering), MBA
Entrepreneur
Independent of the company and independent of significant shareholders
Ahlstrom shares*: 232,091

JAN JOHANSSON

Member of the Board since 2016
b. 1954. Master of Laws
Board professional
Independent of the company and independent of significant shareholders
Ahlstrom shares*: -

HARRI-PEKKA KAUKONEN

Member of the Board since 2016
b. 1963. Ph.D., Computational material physics, M.Sc. (Eng., Technical Physics)
Board professional
Independent of the company and independent of significant shareholders
Ahlstrom shares*: -

RIITTA VIITALA

Member of the Board since 2016.
b. 1959. PhD. (Econ), M.Sc. (Econ.)
Professor of management studies at the University of Vaasa
Independent of the company and independent of significant shareholders
Ahlstrom shares*: -

Committees

Audit Committee members: Hannu-Pekka Kaukonen (Chairman), Alexander Ehrnrooth and Johannes Gullichsen.

Human Resources Committee members: Hans Sohlström (Chairman), Jan Inborr, Jan Johansson, Riitta Viitala.

Shareholders' Nomination Board**

Alexander Ehrnrooth, Harri-Pekka Kaukonen and Hans Sohlström were also members of the Nomination Board.

* Shareholding on December 31, 2016.
** Includes non-board members Thomas Ahlström and Risto Murto.

More detailed curriculum vitae details are available on the **company website**.

Executive Management Team

The members of the Executive Management Team on December 31, 2016.

SAKARI AHDEKIVI

Interim President & CEO, Chief Financial Officer
b. 1963. M.Sc. (Econ.)
Joined Ahlstrom in 2014 and member of the Executive Management Team since 2014
Ahlstrom shares*: -

ULLA BONO

Excutive Vice President, Legal and General Counsel
b. 1970. Licentiate of Laws, trained at the bench
Joined Ahlstrom in 2014 and member of the Executive Management Team since 2014
Ahlstrom shares*: -

FULVIO CAPUSSOTTI

Executive Vice President, Filtration & Performance
b. 1972. M.Sc. (Chemical Eng.)
Joined Ahlstrom in 2002 and Member of the Executive Management Team since 2013
Ahlstrom shares*: 8,493

OMAR HOEK

Executive Vice President, Specialties
b. 1969. M.Sc. (Bus. Adm.)
Joined Ahlstrom in 2011 and member of the Executive Management Team since 2014
Ahlstrom shares*: 3,943

JARI KOIKKALAINEN

Executive Vice President, Procurement & Group Technology
b. 1965. M.Sc. (Eng.), eMBA
Joined Ahlstrom in 2013 and member of the Executive Management Team since 2013
Ahlstrom shares*: 8,493

PÄIVI LESKINEN

Executive Vice President, Human Resources
b. 1965. M.Sc. (Soc.)
Joined Ahlstrom in 2015 and member of the Executive Management Team since 2015
Ahlstrom shares*: -

Marco Levi was the President & CEO of Ahlstrom until November 7, 2016, when he left the company due to the merger announcement with Munksjö Oyj.

* Shareholding on December 31, 2016.

More detailed curriculum vitae details are available on the **company website**.

Corporate Governance Statement

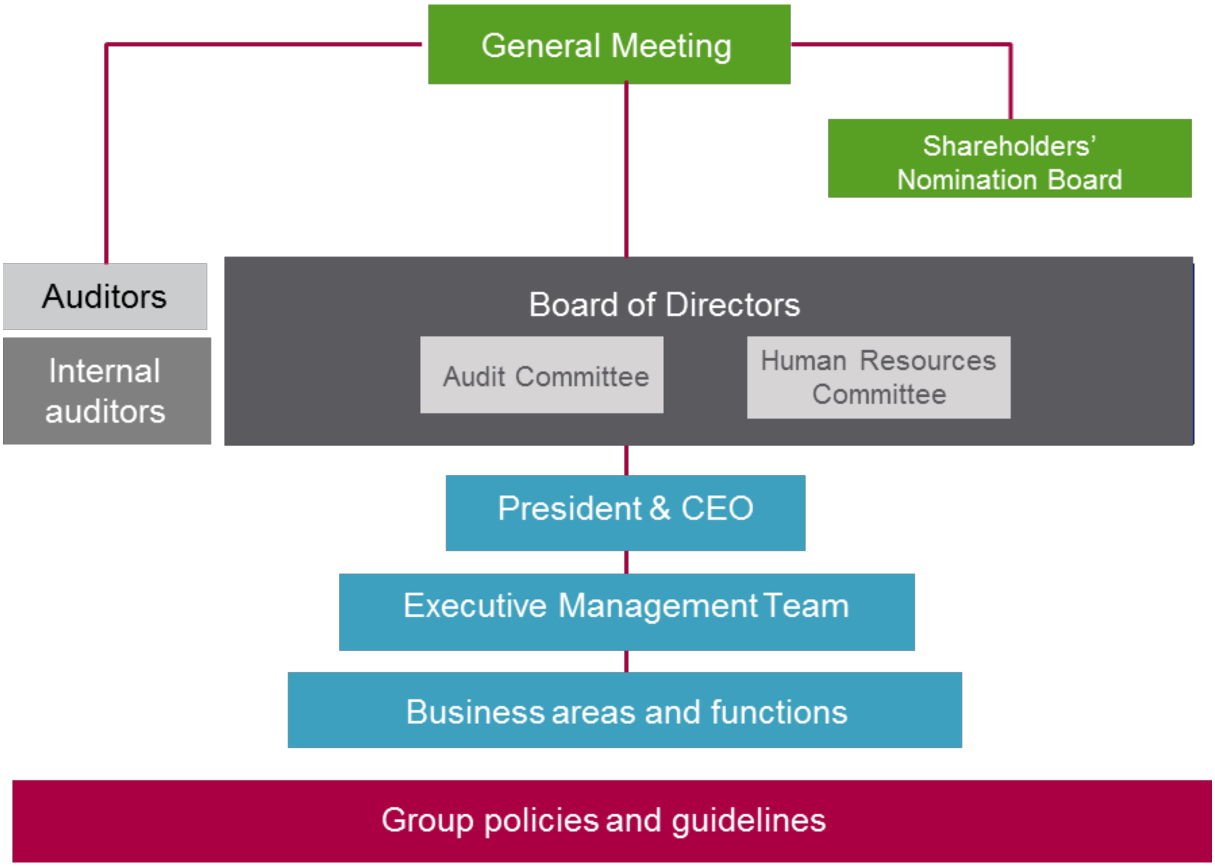
I. INTRODUCTION

This Corporate Governance Statement has been prepared pursuant to the Finnish Corporate Governance Code 2015 and the guidelines of the Securities Market Association.

Corporate governance at Ahlstrom is based on the laws of Finland, the Articles of Association (“Articles”) of the parent company Ahlstrom Corporation (“Company” or “Ahlstrom”), the Finnish Corporate Governance Code 2015, and the rules and regulations of the Finnish Financial Supervisory Authority and Nasdaq Helsinki Ltd, where the Company is listed. The Finnish Corporate Governance Code 2015, is publicly available on the website of the Securities Market Association www.cgfinland.fi.

The Report of operations for 2016 is included in the Annual Report 2016 available on the **website**.

II. DESCRIPTIONS CONCERNING CORPORATE GOVERNANCE



General Meeting

The shareholders of Ahlstrom exercise their decision-making power at the Company's General Meeting of Shareholders. The rights of the shareholders and the duties of the General Meeting are defined in the Companies Act and in the Articles of the Company. The Annual General Meeting ("AGM") is held every year before the end of June, usually in March or April. The matters to be dealt with in the AGM are defined in the Companies Act and in the Articles of the Company.

The General Meeting is convened by the Board. 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.

General Meeting in 2016

The Annual General Meeting was held in Helsinki, Finland, on April 5, 2016.

In the Annual General Meeting a total of 152 shareholders were present representing 56% of the shares and voting rights of the Company. Five out of seven 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 2016 are available on the Company's **website**.

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 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 5–9 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 the Company 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 the Company's head office in Helsinki, but 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 and CFO normally attend 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.

Board Diversity

On September 2016, Ahlstrom's Shareholders' Nomination Board approved the Company's Board Diversity Policy. The policy is published on the Company's **website**. The policy is applied by the Shareholder's Nomination Board in preparing the Board composition proposal to the Company's Annual General Meeting.

Diversity at the Board level is an essential element in supporting the Company's attainment of its strategic goals and ensuring that the Board fulfills its fiduciary responsibilities. Board work requires understanding of differences in culture, values and ways of conducting business.

At Ahlstrom, diversity of the Board is considered from a number of aspects, including, but not limited to gender, age, nationality and cultural background. The

Shareholder's Nomination Board deems it is important to have a Board with an appropriate age mix with different experiential and educational backgrounds as well as work experiences. The Board composition should also take into account the ownership structure of the Company and the Board shall ideally consist of members with experience from international business representing different industries, tasks, positions, cultures and countries. Having members from both genders on the Board is essential.

The Company's Board in 2016 represented a mix of individuals representing genders, different nationalities and different industries.

Board in 2016

The Annual General Meeting held on April 5, 2016, confirmed the number of Board members to be seven. Alexander Ehrnrooth (b. 1974), Johannes Gullichsen (b. 1964) and Jan Inborr (b. 1948) were re-elected members of the Board of Directors. Jan Johansson (b. 1954), Harri-Pekka Kaukonen (b. 1963), Hans Sohlström (b. 1964) and Riitta Viitala (b. 1959) were elected as new members of the Board. The term of the Board of Directors will expire at the close of the next Annual General Meeting. Immediately after the Annual General Meeting, the Board elected Hans Sohlström as Chairman of the Board and Jan Inborr Vice Chairman.

Biographical details of the Board members and the Board members' shareholdings in the Company are available at the end of this document and can also be found on the company's **website**. 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:

- Alexander Ehrnrooth, who is the President & CEO of Virala Oy Ab, the indirect owner of Viknum AB
- Hans Sohlström, who is the President and CEO of Ahlström Capital Oy, the indirect owner of AC Invest Six B.V.

In 2016, the Board convened 17 times (4 meetings before April 5, 2016), including 2 held as a telephone and video meeting. In addition the Board made 1 written resolution in lieu of a meeting in accordance with Chapter 6, Section 3 of the Companies Act. The average attendance frequency in board meetings was 97.5 %. The attendance of the individual Board members is set forth in the table below.

Board member	**Number of Board meetings attended**	**Attendance percentage**
Lori J. Cross (until April 5, 2016)	4	100 %
Alexander Ehrnrooth	17	100 %
Johannes Gullichsen	16	94.1 %
Jan Inborr	17	100 %
Jan Johansson (as of April 5, 2016)	11	84.6 %
Harri Pekka Kaukonen (as of April 5, 2016)	13	100 %
Anders Moberg (until April 5, 2016)	4	100 %
Markus Rauramo (until April 5, 2016)	4	100 %
Panu Routila (until April 5, 2016)	4	100 %
Hans Sohlström (as of April 5, 2016)	13	100 %
Riitta Viitala (as of April 5, 2016)	13	100 %

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 Human Resources 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 their work to the Board.

On April 5, 2015, the Board appointed two committees, the Audit Committee and the Human Resources Committee.

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 e.g. 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 the external auditors' audit plan based on the auditors' proposal. The Audit Committee has a preparatory role and has no decision-making power on the behalf of the Board of Directors.

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.

In 2016

As of April 5, 2016, the members of the Audit Committee were Harri-Pekka Kaukonen (Chairman), Alexander Ehrnrooth and Johannes Gullichsen. All of them are independent of the Company and its significant shareholders, except for:

- Alexander Ehrnrooth, who is the President & CEO of Virala Oy Ab, the indirect owner of Viknum AB

All of the members of the Audit Committee have expertise in accounting, bookkeeping or auditing. The committee convened 5 times (1 meeting before

April 5, 2016) and the average attendance frequency was 100 %. The attendance of the individual committee members is set forth in the table below.

Audit Committee member	Number of committee meetings attended	Attendance percentage
Alexander Ehrnrooth	5	100 %
Johannes Gullichsen	5	100 %
Harri-Pekka Kaukonen (as of April 5, 2016)	4	100 %
Markus Rauramo (until April 5, 2016)	1	100 %
Panu Routila (until April 5, 2016)	1	100 %

Human Resources Committee

According to its Charter, the Human Resources Committee assists the Board to ensure that all human capital related topics, such as ethics and values, resourcing strategy, competence and performance management as well as compensation arrangements, support the strategic aims of the business and enable the recruitment, development, motivation and retention of key personnel while complying with regulatory and governance requirements, and satisfying the expectations of shareholders. The Committee further provides guidance in human capital related corporate responsibility matters.

The Committee also ensures that compensation arrangements focus on achieving long-term business objectives and growth in shareholder value. In satisfying this requirement, the Committee shall prepare, review and in specific cases approve incentive arrangements.

The Human Resources 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. It reviews the compensation and benefits of the CEO and makes recommendations to the Board in relation thereto. In addition, the committee prepares for the Board's decision on the appointments and dismissals of members of the Executive Management Team (other than the CEO) upon the proposal of the CEO. The committee has only preparatory role, i.e. no decision-making power on the behalf of the Board of Directors.

In 2016

As of April 5, 2016, the members of the Human Resources Committee were Hans Sohlström (Chairman), Jan Inborr, Jan Johansson and Riitta Viitala. All of them are independent of the Company and its significant shareholders, except for:

- Hans Sohlström, who is the President and CEO of Ahlström Capital Oy, the indirect owner of AC Invest Six B.V.

The committee convened four times (one meeting before April 5, 2016). The average attendance frequency was 93.8 %.The attendance of the individual committee members is set forth in the table below.

Human Resources Committee member	Number of committee meetings attended	Attendance percentage
Lori J. Cross (until April 5, 2016)	1	100 %
Jan Inborr	4	100 %
Jan Johansson (as of April 5, 2016)	2	66.7 %
Anders Moberg (until April 5, 2016)	1	100 %
Hans Sohlström (as of April 5, 2016)	3	100 %
Riitta Viitala (as of April 5, 2016)	3	100 %

The Shareholders' Nomination Board

The Shareholders' Nomination Board prepares proposals to the Annual General Meeting 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 is also responsible for ensuring that the Board of Directors and its members maintain and represent a sufficient level of expertise, knowledge and competence for the needs of the Company.

The Nomination Board comprises representatives of the three largest shareholders of the Company and, in addition, of the Chairman of the Company's

Board of Directors and a person nominated by the Company’s Board of Directors as members. The right to nominate the shareholder representatives lies with those three shareholders whose share of all the voting rights in the Company is on May 31preceding the next Annual General Meeting the largest on the basis of the shareholders’ register of the Company held by Euroclear Finland Ltd. However, holdings by a shareholder who, under the Finnish Securities Market Act, has the obligation to disclose its shareholdings (flagging obligation) that are divided into several funds or registers, will be summed up when calculating the share of all the voting rights, provided that such shareholder presents a written request to that effect to the Chairman of the Company’s Board of Directors no later than on May 30 preceding the next Annual General Meeting. Further, holdings by a group of shareholders, who have agreed to nominate a joint representative to the Nomination Board, will be summed up when calculating the share of all the voting rights, provided that the shareholders in question present a joint written request to that effect together with a copy of such an agreement to the Chairman of the Company’s Board of Directors no later than on May 30 preceding the Annual General Meeting. Should a shareholder not wish to use its nomination right, the right transfers to the next largest shareholder who would otherwise not have a nomination right.

Holdings by a holder of nominee registered shares will be considered when determining the three largest shareholders if the holder of the nominee registered presents a written request to that effect to the Chairman of the Company’s Board of Directors no later than on May 30 preceding the next Annual General Meeting. The written request shall be accompanied by documentation evidencing such shareholder’s ownership of the nominee registered shares.

The Chairman of the Board of Directors convenes the first meeting of the Nomination Board and the Nomination Board elects a chairman from among its members. Ahlstrom Corporation's three largest registered shareholders on May 31, 2016 nominated the following persons as their representatives in the Shareholders' Nomination Board of Ahlstrom:

- Thomas Ahlström, representing the combined shareholding of AC Invest Six B.V. Kai Nahi, Niklas Lund, Michael Sumelius, Kasper Kylmälä and Carl Ahlström amounted to 8,293,086 (17.8%).

- Alexander Ehrnrooth, representing the combined shareholding of Vimpu Intressenter Ab and Belgrano Inversiones Oy totaled 6,275,000 (13.4%).
- Risto Murto, representing the shareholding of Varma Mutual Pension Insurance Company amounted to 1,532,200 (3.3%).

Hans Sohlström, Chairman of the Board and Harri-Pekka Kaukonen, member of the Board, were also members of the Nomination Board.

On June 7, 2016, the Nomination Board elected Thomas Ahlström amongst its members as Chairman.

The Nomination Board shall submit its proposals to the Board of Directors annually, latest on January 31 preceding the next Annual General Meeting.

The Nomination Board did not submit its proposals to the Board of Directors by the end of January 2017 due to the planned merger with Munksjö Oyj.

In 2016 the Nomination Board convened three times (one meeting before May 30, 2016). In addition the Nomination Board made two written resolutions in lieu of a meeting. The average attendance frequency was 100.0%. The attendance of the individual Nomination Board members is set forth in the table below.

Nomination Board member	Number of Nomination Board meetings attended	Attendance percentage
Thomas Ahlström	3	100 %
Alexander Ehrnrooth	3	100 %
Jan Inborr	1	100 %
Harri-Pekka Kaukonen	2	100 %
Risto Murto	3	100 %
Panu Routila	1	100 %
Hans Sohlström	2	100%

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.

On November 7, 2016, the Board appointed Sakari Ahdekivi as the Company's interim President & CEO with immediate effect. He replaced Marco Levi due to the announced merger plan between Ahlstrom and Munksjö Oyj.

Biographical details of Sakari Ahdekivi and Marco Levi and their shareholdings in the Company are available at the end of this document and can also be found on the **website**.

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 EMT has an operational business role in contrast to the Company's statutory governing bodies.

The role of the EMT is to support the CEO in performing his operational 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 2016

At the end of 2016, the EMT consisted of six members. The composition of the EMT, biographical details, the areas of responsibility of its members and the members' shareholdings in the Company are available at the end of this document and can also be found on the company's **website** .

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 5, 2016, the Annual General Meeting re-elected PwC as the Company's auditor. PwC designated Markku Katajisto, 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 2016 were EUR 661 thousand in total in the Group (EUR 705 thousand in 2015). Other fees charged by PwC amounted to EUR 843 thousand in the Group, of which EUR 602 thousand were related to the planned merger with Munksjö Oyj (EUR 562 thousand in 2015). The other fees mainly consist of tax and audit related services as well as other consulting services.

III. DESCRIPTIONS OF INTERNAL CONTROL PROCEDURES AND THE MAIN FEATURES OF RISK MANAGEMENT SYSTEMS

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 continues to develop and harmonize certain common processes and the use of systems related to such processes.

Financial reporting

The majority of 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 Ahlstrom core principles and instructions regarding financial reporting (Ahlstrom Accounting Principles) which is applied in all Group companies. These are based on Ahlstrom's interpretation of the International Financial Reporting Standards (IFRS) adopted in the EU. The Group Controlling function ("Group Controlling") is responsible for the follow-up of the accounting standards, for maintaining the financial reporting principles and for communicating them to the units.

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 lead, 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 held at all levels of the Group, including Group companies, plants, business areas, Group Controlling, EMT and the 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 components of the Company's internal control system. The objective of Ahlstrom's enterprise risk management process is to create a consistent consideration of risk and reward in day-to-day operations and to protect the Company against loss, uncertainty and lost business opportunities. Enterprise risk management also supports the achievement of the Company's strategic and operational targets while managing risks within the risk appetite of the Company.

The enterprise risk management process facilitates the identification and assessment of as well as response to events that may threaten the achievement of Ahlstrom's strategic or operational goals. Identified risks are assessed and prioritized according to their likelihood and their potential impact on Ahlstrom's financial performance. Risks are categorized as strategic risks, operational risks, financial risks and hazard risks.

The enterprise risk management framework and process, their alignment with the overall management system as well as the related responsibilities are defined in the Group Risk Management Policy

The Board has the ultimate responsibility for the Company's risk management and also approves the Group's Risk Management Policy. The Board reviews the identified key risks and is responsible for the determination of risk appetite and tolerance.

The Audit Committee also regularly reviews the effectiveness of the Company's risk management activities, assesses the information provided to the management and the Board regarding key risks and evaluates the plans to manage such risks.

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

The CFO is responsible for overseeing the implementation of the Group Risk Management Policy, coordinating risk management activities and for risk reporting within the Company. As of 2011, the Group risk management activities have been outsourced to KPMG Oy Ab under the supervision of the CFO.

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 treatment and monitoring actions for the assessed risks are defined and carried out by the appropriate management at different levels of the organization. To realize economies of scale and to 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.

Risk assessments are conducted annually by the business areas, the EMT and the Group functions. The outcome of these assessments is consolidated and presented to the EMT, the Audit Committee and the Board. Identified key risks and the respective risk treatment actions 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 2016.

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 overseeing that the Internal Audit has been properly organized. 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 as well as 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 Board of Directors. 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 internal 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

At Ahlstrom compliance is the responsibility of every director, officer and representative regardless of the region, business area or function in which they operate. Compliance starts from the top down and is directly linked to all activities conducted for Ahlstrom.

Ahlstrom' Board has approved Compliance Framework in 2014. The Compliance Framework is based on the following elements:

- Ahlstrom's management's commitment and leadership to compliance
- Ahlstrom Code of Conduct and other key compliance policies
- Compliance communication
- Compliance education and training
- Compliance monitoring and associated record keeping
- Whistleblowing service
- Disciplinary actions

In addition, Ahlstrom has implemented trade compliance procedures to ensure that it does business only with permitted customers and vendors in a manner that complies with legal and company standards. In 2016, the company also launched a data protection policy.

The main policies of the Compliance Framework are the Company's Code of Conduct, Approval and Signing Policy, Competition and Antitrust Policy, the Anti-bribery Policy, the Trade Compliance Policy, the Donation Policy, the Risk Management Policy and Insider Rules.

Ahlstrom Board is responsible for overseeing how compliance is organized and managed at Ahlstrom. The Board is assisted by its Audit Committee.

The Chief Compliance Officer of Ahlstrom is responsible for supporting the Board and Ahlstrom's senior management in implementing compliance at Ahlstrom. The Chief Compliance Officer reports directly to the President & CEO and the Audit Committee in compliance matters. Unless otherwise nominated by the Board, Ahlstrom's EVP Legal, General Counsel shall act as the Chief Compliance Officer.

Ahlstrom has an externally maintained whistleblowing system, *SpeakUp,* for all employees to report anonymously unethical or unlawful behavior.

Insider Matters

In its insider administration, Ahlstrom follows the Guidelines for Insiders issued by Nasdaq Helsinki stock exchange complemented by the Company's own Insider Rules approved by the Board.

Ahlstrom Board of Directors has updated the insider rules on July 3, 2016. These Insider Rules apply to all personnel of the Company and its group companies, including employees, the President and CEO, the Board of Directors and other management.

As a result of Market Abuse Regulation (596/2014/EU, as amended, "MAR") that entered into force on July 3, 2016, Ahlstrom does no longer maintain public or permanent company specific insiders lists. The Company maintains a Project-specific Insider lists, which must always be created and maintained for a project which, when published, would be likely to have a significant effect on the price of the Company's financial instruments.

The company has defined that the Company's managers include the following persons (the"Managers"):

- the members of the Board of Directors and their deputies, if any;
- the President and CEO and his/her deputies, if any;
- the members of the Company's Executive Management Team; and any other senior executive of the Company who has regular access to inside information relating directly or indirectly to the Company and power to make managerial decisions affecting the future developments and business prospects of the Company (such executives to be identified by the General Counsel and re-evaluated on a continuous basis, and the President & CEO to define such executives based on the proposal made by the General Counsel).

The Company has informed the Managers in writing of his/her duties under the MAR.

According to Ahlstrom's Insider Rules, persons listed as Managers shall not in any case trade in the Company's securities 30 days ("Closed Window") prior to the publication of an interim report or annual financial results. According to its Insider rules, the Closed Window shall also apply to persons who work with interim reports and annual results or who otherwise possess significant and unpublished information (for the sake of clarity, which does not, however, constitute inside information) of the Company or its financial instruments.

Biographical information and shareholdings

Selected biographical details and shareholdings of the members of Ahlstrom's Board of Directors, the Shareholders' Nomination Board as well the Executive Management Team as of December 31, 2016 are shown below.

The Board of Directors

Hans Sohlström

Chairman of the Board
b. 1964. M.Sc. (Tech.), M.Sc. (Econ.)
President and CEO of Ahlström Capital
Independent of the company but not independent of significant shareholders
Ahlstrom shares: -

Jan Inborr
Vice Chairman of the Board
b. 1948. B.Sc. (Econ.)
Board professional
Independent of the company and independent of significant shareholders
Ahlstrom shares: 9,159

Alexander Ehrnrooth
b. 1974. M.Sc. (Econ.), MBA
President & CEO of Virala Oy Ab
Independent of the company and not independent of significant shareholders
Ahlstrom shares: 6,278,750

Johannes Gullichsen
b. 1964. B.Sc. (Engineering), MBA
Entrepreneur
Independent of the company and independent of significant shareholders
Ahlstrom shares: 232,091

Jan Johansson
b. 1954. Master of Laws
Board professional
Independent of the company and independent of significant shareholders
Ahlstrom shares: -

Harri-Pekka Kaukonen
b. 1963. Ph.D., Computational material physics, M.Sc. (Eng., Technical Physics)
Board professional
Independent of the company and independent of significant shareholders
Ahlstrom shares: -

Riitta Viitala
b. 1959. PhD. (Econ), M.Sc. (Econ.)
Professor of management studies at the University of Vaasa.
Independent of the company and independent of significant shareholders
Ahlstrom shares: -

The Shareholders' Nomination Board

Thomas Ahlström
b, 1958. M.Sc. (Econ.)
Managing Director of Antti Ahlström Perilliset
Independent of the company and independent of significant shareholders
Ahlstrom shares: 71,420

Risto Murto
b. 1963. Ph.D. (Econ.)
President and CEO of Varma Mutual Pension Insurance Company
Independent of the company and independent of significant shareholders
Ahlstrom shares: -

Alexander Ehrnrooth, Hans Sohlström and Harri-Pekka Kaukonen were also members of the Nomination Board.

The Executive Management Team

Sakari Ahdekivi
Interim President & CEO (as of Nov. 7, 2016), Chief Financial Officer
b. 1963. M.Sc. (Econ.)
Ahlstrom shares: -

Ulla Bono
Executive Vice President, Legal and General Counsel
b. 1970. Licentiate of Laws, trained at the bench
Ahlstrom shares: -

Fulvio Capussotti

Executive Vice President, Filtration & Performance
b. 1972. M.Sc. (Chemical Eng.)
Ahlstrom shares: 8,439

Omar Hoek
Executive Vice President, Specialties
b. 1969. M.Sc. (Bus. Adm.)
Ahlstrom shares: 3,943

Jari Koikkalainen
Executive Vice President, Procurement & Group Technology
b. 1965. M.Sc. (Eng.), eMBA
Ahlstrom shares: 8,439

Päivi Leskinen
Executive Vice President, Human Resources
b. 1965. M.Sc. (Soc.)
Ahlstrom shares: -

Marco Levi
President & CEO (until November 7, 2016)
b. 1959. Doctor, Industrial Chemistry
Ahlstrom shares: 120,000

Remuneration Statement

Remuneration of the Board

The Annual General Meeting decides on the remuneration of the Board members based on the recommendation of the Shareholders' Nomination Board.

The remuneration of the Chairman, as decided by the 2016 Annual General Meeting, is EUR 84,000 per year, EUR 63,000 per year for the Vice Chairman as well as for the Chairman of the Audit Committee and EUR 42,000 per year for the other members of the Board. In addition, the remuneration for attendance at Board meetings is EUR 1,500 per meeting for Board members residing outside Finland. As regards the permanent Board committees and the Nomination Board, the remuneration for attendance at committee and the Nomination Board meetings is EUR 1,500 per meeting.

For 2016, the total remuneration of the members of the Board and its committees amounted to EUR 490,500. The total remuneration of each member is set forth in the table below.

Members of the Board and/or its committees and the Shareholders' Nomination Board at December 31, 2016	Remuneration paid in 2016 (EUR)	Remuneration in 2015 (EUR)
Hans Sohlström (as of April 2016)	69,000	0
Alexander Ehrnrooth (as of April 2015)	55,500	45 000
Johannes Gullichsen (as of April 2015)	49,500	37 500
Jan Inborr (as of April 2015)	73,500	57 750
Jan Johansson (as of April 2016)	46,500	0
Harri-Pekka Kaukonen (as of April 2016)	53,250	0
Riitta Viitala (as of April 2016)	34,500	0
Anders Moberg (until March 2016)	24,000	70 500
Markus Rauramo (until March 2016)	20,250	68 250
Panu Routila (until March 2016)	28,500	97 000
Lori J. Cross (until March 2016)	24,000	66 000
Esa Ikäheimonen (until March 2015)	0	23 250
Daniel Meyer (until March 2015)	0	15 000
Thomas Ahlström	6,000	7 500
Risto Murto	6,000	7 500
Robin Ahlström (January 2015)	0	7 000

The Board members do not receive shares or share-related rights as remuneration for their membership and they do not participate in the Company's incentive or pension plans.

Travel expenses are reimbursed in accordance with Ahlstrom's travel policy.

Remuneration of the President & CEO and the other members of the Executive Management Team

The remuneration of the President & CEO ("CEO") and the other members of the Executive Management Team ("EMT") consists of base salary, customary fringe benefits (such as car, phone and, with regard to some members of the EMT, housing and/or healthcare benefits), bonuses and long term incentives as well as voluntary pension insurances as described in more detail below.

Decision-making procedures

Based on the recommendations of the Human Resources Committee, the Board decides on:

- the compensation and benefits of the CEO including his individual performance target setting, and
- the Group Long Term Incentive Plans for the EMT and other management and key employees as well as the financial performance objectives and the payout under such plans
- the compensation and benefits of the members of the EMT
- the Group Bonus Plan for the EMT and other management and key employees as well as the financial performance objectives and the payout under such plans.

Incentive Plans

Both the Group Bonus Plan and Long Term Incentive Plans have been documented in writing. The target setting under the plans shall be made so that the achievement of such targets will strengthen the competitiveness of the Company, contribute to its long-term success and increase shareholder value. The maximum payouts are defined in each plan.

Bonus Plan

Annual bonuses are payable based on the attainment of key performance targets of the Group, business area or unit as well as individual/team performance targets. For 2016, the key performance targets of the CEO and other members of the EMT were based on the Group's operating profit, key customer focus, asset turnover and accident frequency rate.

Individual/team performance targets are mutually agreed upon between the participant and his/her manager in the annual Goal and Development Plan. Individual/team targets must be defined precisely to measure the value-added outputs of the job(s). The bonus payout shall be approved by applying the so called one above principle, i.e. shall be approved by at least one organizational level above the respective participant's manager. The progress in the achievement of the performance targets is evaluated in bi-annual reviews between each participant and his/her manager.

The annual bonus payable to the CEO for achieving his targets could as a maximum amount to the equivalent of 100% of his annual salary and for each other member of the EMT, 50% of his/her annual salary.

Long Term Incentive Plan 2011 – 2015

A share-based Long Term Incentive Plan 2011 – 2015, which consists of three earning periods, offers for the EMT and other key personnel (maximum 50 persons in total per earning period) a possibility to receive Ahlstrom shares and cash (equalling the amount of taxes of the total reward) as a reward, if ROCE and EPS targets set by the Board for each earning period are achieved. If the targets of the plan are attained in full for all three earning periods, the reward to be paid on the basis of the plan will in its entirety correspond to a gross value of approximately 1,000,000 shares.

The restriction period for each earning period is one year after the earning period in question. The Board recommends that the 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.

Neither the CEO, nor other member of the EMT nor any other key personnel earned any shares or money from the earning period 2011–2012 as the set ROCE or EBIT targets were not achieved.

The reward for the earning period of 2012 – 2014 amounted to approximately 16% of the maximum reward and was paid in cash to all 24 plan participants in March 2015.

The reward for the earning period of 2013 – 2015 amounted to approximately 67% of the maximum reward. According to the resolution of Ahlstrom's Board of Directors, 80,196 of the company's own shares were transfer without consideration to the 25 key employees of said program. In addition, the company paid a cash portion to the recipients equalling the total amount of taxes payable for the total award. The handover date of the shares to the recipients' book-entry accounts was April 29, 2016.

Long Term Incentive Plan 2014 – 2018

The plan consists of approximately 50 persons and the aim of the plan is to align the objectives of the shareholders and the key employees in order to increase the value of the company.

The plan consists of earning periods beginning on January 1, 2014; on January 1, 2015 and on January 1, 2016, and potential rewards will be paid after the end of each earning period. The shares received as reward may not be transferred during a restriction period that ends three years after the beginning of the earning period.

If the targets set by the Board of Directors for the earning periods are achieved, the plan offers an opportunity to receive Ahlstrom shares and a cash proportion which the company uses for taxes and tax-related costs arising from the reward to be paid. The reward from the first earning period was based on the Ahlstrom Group's net sales, earnings per share and percentage of sales from new products. As a rule, no reward will be paid if a key employee's employment or service ends before reward payment.

The President & CEO must hold 40% of the shares received on the basis of the plan as long as his service as the President and CEO continues, and the other members of the Executive Management Team must hold 40% of the shares received on the basis of the plan for two years after the end of a three-year earning period or after the end of the restriction period.

The reward for the earning period of 2014 amounted to approximately 10% of the maximum reward and was paid in cash in March 2015.

The reward for the earning period of 2015 was based on the Ahlstrom Group's EPS and ROCE targets and it amounted to approximately 65% of the maximum reward. The payout was in cash and it took place in November, 2016.

The third and last earning period of year 2016 was launched in spring 2016. The targets were based on Ahlstrom Group operating profit and operating cash flow. The payout for said earning period will be made during spring 2017.

Pension Plans

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. The annual contribution of the Company to the former CEO Marco Levi's pension plan equals approximately to his three month's salary (not including bonuses) and to the other EMT members' respective plans, including interim CEO Sakari Ahdekivi, in maximum 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.

The former CEO Marco Levi's retirement age is 63 (August 2022). The interim CEO Sakari Ahdekivi's retirement age is also 63 years (July 2026).

Share ownership plan

The share ownership plan for previous management has been dissolved and the holding company Ahlcorp Oy has been liquidated in 2015.

Other terms relating to the remuneration of the CEO and the other members of the EMT

The CEO’s contract may be terminated by either the CEO or the Company with six months’ notice. In the event the Company terminates the contract without cause, the Company shall, in addition to his salary during the notice period, pay to the CEO a severance payment corresponding to his 12 months’ salary.

According to the former CEO Marco Levi’s contract, the Company maintains insurance for him to cover permanent disability.

Five per cent of the annual base salary paid to the former CEO Marco Levi is paid for membership on governing bodies of group legal units or associated companies.

The interim CEO Sakari Ahdekivi belongs to the obligatory Finnish insurances.

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

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

2016	Salaries and fees with fringe benefits (EUR)	Bonus pay (EUR)	Long term plan based payments (EUR)	Total (EUR)
Marco Levi, President & CEO, until November 2016	588 983,71	418 507,50	-	1 007 491,21
Sakari Ahdekivi, interim CEO, as of November 2016	117 057,09	-	162 104,35	279 161,44
Other EMT members	1 504 140,81	472 197,58	837 391,94	2 813 730,33

2015	Salaries and fees with fringe benefits (EUR)	Bonus pay (EUR)	Long term plan based payments (EUR)	Total (EUR)
Marco Levi, President & CEO	701,890.14	243,750.00	81,149.98	1,026,790.12
Other EMT members	1,622,675.37	315,740.62	140,832.37	2,079,248.36

Risk management

In our daily operations we face several key risks that may affect our ability to create value. The matrix below explains some of our key risks and how we manage them and mitigate their impacts.

Our most important assets are people, property, earnings capability, customer relations, and reputation. Their preservation and security are essential for our ability to create value. It is in the interest of our employees, customers, shareholders and communities in which we operate that we minimize the impacts from the identified risks. The main principle is to manage those risks at source. Many of the risks can be turned into opportunities and competitive advantage through successful mitigation actions.

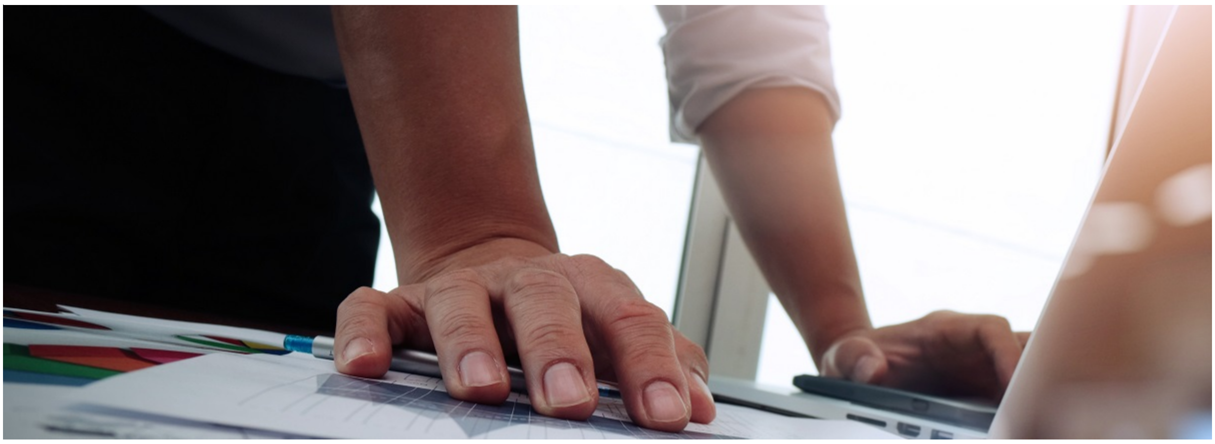
Responsibility

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 President & CEO, Executive Management Team, and other management at Group, business area, and plant levels are responsible for implementing the Risk Management Policy.

	Risk description	Actions to mitigate
Business & market environment	• Increased competition • Loss of business focus during the Munkjsö merger process • Fluctuations in demand • Changes in political environment • Ability to foresee changes in customer needs and delays in launching new products	• Capital expenditure planning • Demand planning process • Continuous market intelligence • Effective communication and change management • Tracking system to prevent trade to embargoed countries
Financial	• Tax disputes • Exchange rate fluctuations • Global financial environment	• Compliance review, tax experts to defend positions • Financial hedging policy
Procurement & manufacturing	• Availability and fluctuations in the prices of raw materials and energy • Technology changes • Inflexibility to adjust production capacity • IT security, cyber threats and contingency of IT operations	• Alternative suppliers and product recipes • Improved contract management and legal support • Data collection for the basis of raw material price hedging • Indexed contracts • IT security campaigns • IT security assessment and contingency planning
Employees & safety	• Competence development • Retention of key personnel • Safety risks in manufacturing at plants	• Human resources management plan • Change management • Succession planning • Company-wide safety standards and guidelines at each location • Bonuses tied to safety achievements
Plants & property	• Hazards such as fires, explosions, and natural incidents like floods and storms	• Contingency and recovery plans at each site
Legal & compliance	• Contract management • Infringement of intellectual property rights • Non-compliance with new and current legislation and regulation	• Legal support in contract negotiations • Policies and guidelines • Legal and compliancy training • Monitoring of local regulations

Environment	• Environmental legislation • Impact from operations into air, water and land	• Development of formaldehyde free products • Life cycle assessment in product development • Wood fiber sourced only from sustainably managed forests



Financials

Report of operations

Highlights of the Year 2016

- Net sales EUR 1,085.9 million (EUR 1,074.7 million). At constant currency rates, growth was 2.6%.
- Adjusted EBITDA EUR 130.9 million (EUR 104.8 million), representing 12.1% (9.7%) of net sales
- Operating profit EUR 70.8 million (EUR 21.9 million)
- Adjusted operating profit EUR 80.6 million (EUR 47.5 million), representing 7.4% (4.4%) of net sales
- Profit before taxes EUR 56.3 million (EUR 22.6 million. The comparison figure includes a capital gain of EUR 20.3 million from share sales.)
- Earnings per share EUR 0.61 (EUR 0.06)
- Net cash flow from operating activities EUR 125.8 million (EUR 60.0 million)

Major events

- Ahlstrom announced a plan to merge with Munksjö Oyj to create a leader in sustainable and innovative-fiber solutions. In conjunction, Sakari Ahdekivi was appointed interim President & CEO of Ahlstrom. He replaced Marco Levi, who left the company as a consequence of the merger announcement.
- The Extraordinary General Meetings of Ahlstrom and Munksjö approved the merger on January 11, 2017. The transaction is expected to be completed at beginning of the second quarter of 2017.
- The EGM of Ahlstrom also authorized the Board of Directors to distribute an extraordinary dividend of EUR 0.49 per share in lieu of an annual payout

Ahlstrom and Munksjö to combine

On November 7, 2016, Ahlstrom Corporation and Munksjö Oyj announced a plan merge the two companies. The combination will create a global leader in sustainable and innovative fiber-based solutions. The combination is expected to create significant value for the stakeholders in the combined company through stronger global growth opportunities and improved operational efficiency. The combined company's growth ambitions will be supported by a strong balance sheet and strong cash flow generation.

- Ahlstrom and Munksjö will merge through an absorption merger whereby Ahlstrom's shareholders will receive Munksjö shares as merger consideration
- Ahlstrom's shareholders will receive 0.9738 new shares in Munksjö for each share held in Ahlstrom as merger consideration, corresponding to an ownership in the combined company of approximately 47.2% for current Ahlstrom shareholders and approximately 52.8% for current Munksjö shareholders
- In connection with the merger Ahlstrom proposes to distribute funds in the total amount of approximately EUR 23 million, corresponding to EUR 0.49 per share before the combination is completed in lieu of the company's ordinary annual distribution
- The Extraordinary General Meetings of both companies have approved the merger, which is expected to be completed at the beginning of the second quarter of 2017

Unaudited pro forma financials of the combined company and certain other information, such as composition of the management team can be found in the merger prospectus, published on December 16, 2016.

Financial performance in 2016

Net sales in 2016 totaled EUR 1,085.9 million, showing an increase of 1.0% from the EUR 1,074.7 million in the comparison period. At constant currency rates, sales growth was 2.6%. Higher sales volumes had a positive impact on net sales. This was partially offset by an adverse product mix and lower average selling prices.

Breakdown of the change in net sales:

	Net sales
2015, EUR million	**1,074.7**
Price and mix, %	-1.5
Currency, %	-1.6
Volume, %	4.1
Closures, divestments and new assets, %	0.0
Total, %	**1.0**
2016, EUR million	**1,085.9**

Operating profit was EUR 70.8 million (EUR 21.9 million), and adjusted operating profit amounted to EUR 80.6 million (EUR 47.5 million). The adjustment items affecting the operating profit totaled EUR -9.8 million (EUR -25.6 million).

Major adjustment items in 2016:

- Approximately EUR 6.9 million in costs related to the merger with Munksjö. The figure includes costs of about EUR 1.8 million related to the early termination of the company's share-based incentive plan.
- In addition, restructuring costs were booked and were mainly related to the new operating model

Major adjustment items in 2015:

- Impairment losses of EUR 17.2 million related to non-current assets in Ahlstrom Osnabrück GmBH, part of the Filtration & Performance business area, and to a production line at the Chirnside plant in the U.K., part of the Specialties business area.
- Restructuring costs of EUR 2.1 million related to product development operations in Asia
- In addition, some other restructuring costs were booked

Higher sales volumes, particularly in the Filtration & Performance business area, had a positive impact on operating profit. Also, operational efficiency improved through lower production waste. Selling, general and administrative expenses (adjusted) declined further during the reporting period. Operating profit was also supported by margin and product mix management in an environment where energy and raw material costs for pulp, chemicals and synthetic fibers were lower. Adverse currency rate fluctuations had a slight negative impact on operating profit.

Profit before taxes was EUR 56.3 million (EUR 22.6 million). The comparison figure includes a capital gain of EUR 20.3 million from the sale of Munksjö Oyj shares. Income taxes amounted to EUR 21.4 million (EUR 14.1 million). Profit for the period was EUR 34.9 million (EUR 8.6 million).

Earnings per share were EUR 0.61 (EUR 0.06). Accrued net of tax interest costs on the hybrid bond have been deducted in the calculation of earnings per share.

Segments

Filtration & Performance

The Filtration & Performance business area produces engine oil, fuel and air as well as industrial air filtration materials, glass fiber used in flooring applications and wind turbines, industrial nonwoven products for automotive, construction, textile and hygiene applications, and wallcover and poster papers.

Market review in 2016:

The overall market activity in filtration remained stable as growth in Europe and Asia was offset by a decline in North America. Demand for wallpaper and wallcover substrates showed signs of improvement in Europe and Russia. In China, demand for high-end wallcover products increased, while the overall market remained very competitive.

Demand for glass fiber tissue used in flooring applications remained solid in Europe and Russia, and continued to grow in North America. The market for reinforced glass fiber products for the wind energy industry was strong. The markets for various industrial nonwoven applications remained at a good level.

Net sales and operating profit development in 2016:

Net sales rose by 3.2% to EUR 697.8 million (EUR 676.0 million). The increase was the result of higher sales of wallcover and glass fiber products. Lower volumes of trading business materials, which include wipes and release liners, had an impact on net sales. At constant currency rates, sales growth was 4.4%. Adjusted operating profit amounted to EUR 53.3 million (EUR 25.3 million). The increase was driven by higher sales volumes, improved operational efficiency as well as lower fixed and variable costs. Operating profit was EUR 49.8 million (EUR 13.7 million. The comparison figure includes an impairment of EUR 7.5 million related to non-current assets in Ahlstrom Osnabrück).

Specialties

The Specialties business area produces food and beverage packaging materials, laboratory and life science diagnostics as well as water filtration materials, tape products, and medical fabrics.

Market review in 2016:

The markets for food packaging materials were quite strong, particularly for cooking applications in Europe and North America. Demand for single-serve coffee products was solid, and good demand was noted for teabag materials in Asia, while it remained steady in North America and weaker in Europe. The markets for laboratory, life science and water filtration materials remained strong in all major geographical areas. In tape products, positive demand development was noted in North America and Europe, while Asian markets slowed down. Demand for medical fabrics improved in North America, while remained steady in Europe and weak in Asia.

Net sales and operating profit development in 2016:

Net sales fell by 1.7% to EUR 411.3 million (EUR 418.5 million). At constant currency rates, net sales climbed by 0.5%. Higher sales of food packaging, coffee and laboratory and life science products had a positive impact on net sales. This was partially offset by lower sales of medical fabrics as well as teabag and meat casing materials. Adjusted operating profit amounted to EUR 33.8 million (EUR

25.7 million). The increase was driven by better pricing and product mix as well as lower variable costs. Operating profit was EUR 33.0 million (EUR 14.6 million. The comparison figure includes an impairment of EUR 9.7 million related to non-current assets at the production line in Chirnside).

Financing

Net financial expenses

In January-December 2016, net financial expenses were EUR 14.8 million (EUR 0.6 million income). Net financial expenses include net interest expenses of EUR 12.3 million (EUR 16.4 million), a financing exchange rate gain of EUR 0.2 million (EUR 0.5 million loss) and other financial expenses of EUR 2.7 million (EUR 17.5 million income). The other financial income in the comparison period included a capital gain of EUR 20.3 million from the sale of Munksjö Oyj shares.

Cash flow

In January-December 2016, net cash flow from operating activities amounted to EUR 125.8 million (EUR 60.0 million), and cash flow after investing activities was EUR 73.5 million (EUR 82.0 million). Cash flow after investments in the comparison period includes EUR 44.5 million in proceeds from the share sales mentioned above.

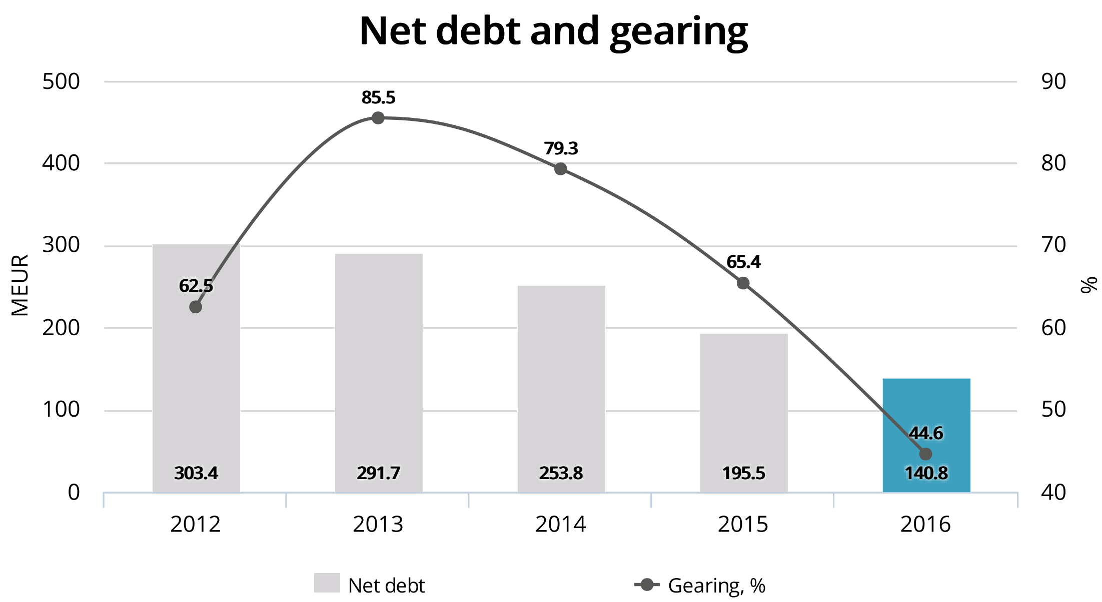
As of December 31, 2016, operative working capital amounted to EUR 89.8 million (EUR 113.8 million). The rolling 12-month turnover rate of the operative working capital declined by eight days, to 37 days. This was the result of active working capital management.

Net debt and gearing

Ahlstrom's interest-bearing net liabilities stood at EUR 140.8 million at the end of the review period (EUR 195.9 million at the end of 2015) and interest-bearing liabilities amounted to EUR 190.2 million (EUR 243.3 million at the end of 2015). The modified interest rate duration of the loan portfolio (average interest rate fixing period) was 17.4 months, and the capital weighted average interest rate was 4.04%. The average maturity of the long-term loan portfolio and committed credit facilities was 27.4 months.

The company's liquidity continues to be good. At the end of the review period, its total liquidity, including cash, unused committed credit facilities and committed cash pool overdraft limits was EUR 268.7 million (EUR 299.0 million). In addition, the company had undrawn uncommitted credit facilities and cash pool overdraft limits of EUR 70.0 million (EUR 103.6 million) available.

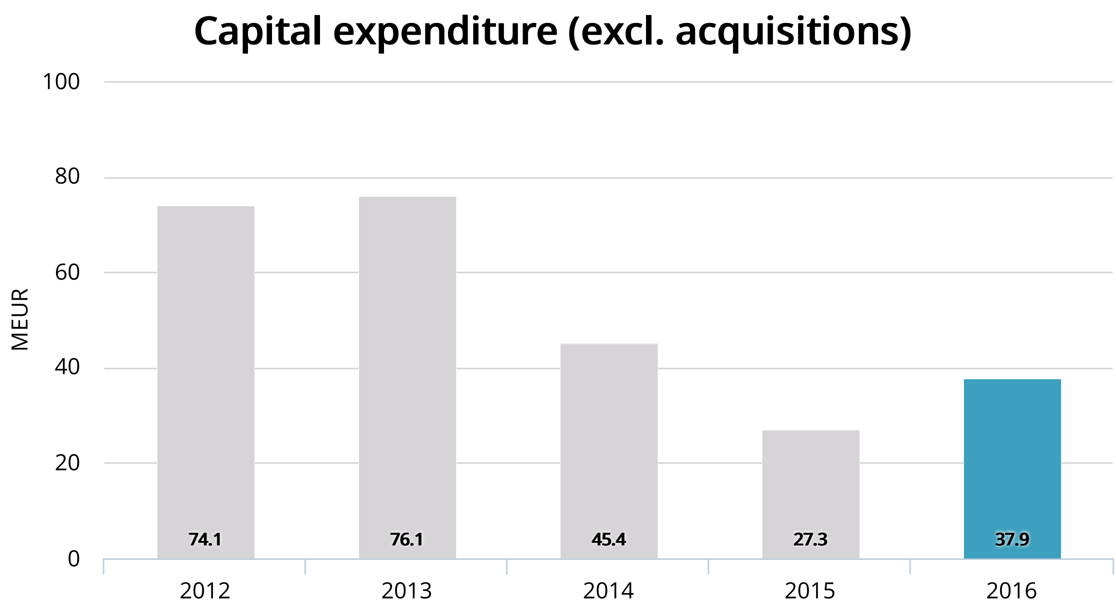
Gearing stood at 44.6% (65.4% at the end of 2015), and the equity ratio was 38.2% (35.8% at the end of 2015). An improved operative result and reduction in operative working capital had a positive impact on the gearing ratio. Ahlstrom has a EUR 100 million hybrid bond, which is treated as equity in the calculations of the ratios above. Gearing was 111.6. % when the hybrid bond is treated as debt (148.4% at the end of 2015).



Capital expenditure

Ahlstrom's capital expenditure excluding acquisitions totaled EUR 37.9 million in January-December 2016 (EUR 27.3 million). The investments were related to maintenance, upgrade of the Madisonville filtration plant in the U.S. as well as increasing the flexibility of the Binzhou wallcover production line.

On October 20, 2016, Ahlstrom announced an investment to enhance the quality and widen the range of engine and industrial filtration materials being produced at its Madisonville plant in Kentucky, in the U.S. The investment is approximately EUR 23 million and it will be completed in the first half of 2018.



Personnel

Ahlstrom employed an average of 3,286 people in January-December 2016 (3,376), and 3,233 people at the end of the period (3,311). The decline was primarily due to the implementation of the company's new operating model. At the end of the period, the highest numbers of employees were in the United States (22.4%), France (17.2%), China (10.1%), Finland (9.3%) and Italy (8.9%).

Changes in the Executive Management Team

On November 7, 2016, Sakari Ahdekivi was appointed interim President & CEO. He replaced Marco Levi due to the announced merger plan between Ahlstrom and Munksjö Oyj. Ahdekivi also continues in his role as Chief Financial Officer.

Ahlstrom's Executive Management Team as of December 31, 2016:

- Sakari Ahdekivi, interim President & CEO, Chief Financial Officer
- Ulla Bono, Executive Vice President, Legal, General Counsel
- Fulvio Capussotti, Executive Vice President, Filtration & Performance
- Omar Hoek, Executive Vice President, Specialties
- Jari Koikkalainen, Executive Vice President, Procurement, Commercial Excellence & Technology
- Päivi Leskinen, Executive Vice President, Human Resources

Redefined strategy and long-term financial targets

Ahlstrom's redefined strategy and new long-term financial targets extending to the year 2018 were announced in January 2016. Global trends faced by our customers steer our product offering and provide us with a wealth of opportunities. We are committed to growing and creating stakeholder value by providing the best-performing sustainable fiber-based materials.

As part of the implementation, the company's business structure was simplified and reorganized into two business areas: Filtration & Performance and Specialties. The aim of this change is to increase market and customer focus. Both business areas have business unit-specific strategies and operating models. This enables Ahlstrom to provide customer-driven product development and tailored customer service, cost efficiency, better allocation of resources, and specific go-to-market approaches.

The roadmap for execution outlines the change in strategy and is focused on commercial excellence, a new lean operating model, organic growth via higher asset turnover and growth via new platforms.

Long-term financial targets over the economic cycle:

- Operating profit margin: adjusted operating profit margin to be above 8% by

2018
- Gearing: gearing to be maintained below 100%
- Dividend policy: we aim for a stable dividend, increasing over time, based on the annual net income performance

The adjusted operating profit margin excludes restructuring costs, impairment charges, capital gains or losses, and discontinued operations.

The Executive Management Team members are introduced and their shareholdings are described on the ***Executive Management Team*** section of the annual report. This information is also available on the company's **website**.

Other events during the period

Agreement to divest Building & Wind business unit terminated

On July 27, 2016, Ahlstrom and Owens Corning announced the termination of the agreement regarding the planned divestiture of Ahlstrom's Building & Wind business unit to Owens Corning following challenges associated with obtaining regulatory clearance in Germany for the transaction. The divestment was announced on January 21, 2016, while the German competition authority opened a second-phase investigation into the planned transaction on April 8, 2016. Ahlstrom continues to operate and develop the Building & Wind business unit as before and it is reported as part of the Filtration & Performance segment.

Changes in outlook

On July 20, 2016, Ahlstrom raised its outlook for adjusted operating profit margin in 2016 as the result of continued improvement in operational performance and lower variable costs. The outlook for net sales was kept unchanged.

On July 27, 2016, Ahlstrom revised the outlook to include the Building & Wind business unit.

On September 13, 2016, Ahlstrom raised its outlook for adjusted operating profit margin in 2016 as the result of continued improvement in operational performance and lower variable costs. The outlook range for net sales was narrowed. The outlook is presented in detail in the *Outlook in 2016* section of this report.

Divestment of the Osnabrück plant

On November 7, 2016, Ahlstrom announced the sale of its German subsidiary with operations in Osnabrück to Kämmerer Paper Holding GmbH. The parties have agreed not to disclose the purchase price of the transaction, which was completed on January 3, 2017.

Ahlstrom produced base papers for wallcovers, poster papers as well as release liners for self-adhesive labels at the Osnabrück plant, which was part of the Filtration & Performance business area. The sale will reduce Ahlstrom's annual net sales by about EUR 80 million and the impact on adjusted operating profit is slightly positive. The transaction also included Ahlstrom's 50% stake in AK Energie (a joint venture with Kämmerer), which is the site's utility providing power and water treatment services.

Business structure

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.

In 2016, Ahlstrom’s business was reported in two segments; Filtration & Performance and Specialties.

The **Filtration & Performance** business area serves customers mainly in the automotive, transportation, construction, decoration, energy, marine, healthcare, and consumer staples industries. Examples of end-use applications include engine oil, fuel, transmission and cabin air filtration for cars and heavy duty trucks, indoor and outdoor air filtration, gas turbine filtration, wallcovers, floorings, building panels, fabric care applications, car interiors, wind turbine blades and boat hulls.

The **Specialties** area serves customers primarily in the food, beverage, construction, medical, and healthcare industries. Examples of end-useapplications include tea bags, single-use coffeecapsules, fibrous meat casings, food packaging,baking papers, laboratory filtration and life science diagnostics, water purification, masking tape, surgical gowns and drapes, as well as face masks and sterilization wraps.

Product and technology development

In 2016, Ahlstrom invested approximately EUR 15.8 million (EUR 20.9 million in 2015, EUR 17.5 million in 2014), or 1.5% (1.9%, 1.7%) of the company's net sales 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 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 removal of hazardous chemicals, using materials with low impact on the environment, optimization of the product's end-of-life and energy efficiency.

Corporate responsibility and 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 i.e. by the most widely used sustainable forest management certification systems. Over 80% of the fibers used by

Ahlstrom as raw materials are sourced from renewable sources.

In matters concerning occupational health and safety, environment and asset protection (HSEA), Ahlstrom applies a continuous improvement model.

Ahlstrom's annual report 2016 provides an overview of the company's key activities and performance on corporate responsibility and sustainability aspects. The report, which based on our own assessment follows the Global Reporting Initiative's G4 guidelines at "core level", is published on the company's website **www.ahlstrom.com**.

Risks and risk management

The following risks were identified as the major business risks based on the Company's enterprise risk assessment process covering both Business Areas and Group functions during 2016.

Strategic risks

Tightened competitive situation as a result of competitors' increased production capacity and price pressures was highlighted as one of the main risks for the Company in 2016. The Company has focused on e.g. investing in production capacity, optimizing product quality, improving its R&D operations and market monitoring as well as business intelligence to mitigate the risk. The Company is also improving waste and recipe cost management which is expected to result in cost savings. The Company is also continually seeking for more long-term contracts with the customers.

Another trend in the competitive situation facing the Company is a wider adoption of SMS (spunbond-meltblow-spunbond) technology in the Company's Specialties Business Area as opposed to wet-laid technology. To keep up with the competition the Company has redesigned its product portfolio and lowered the cost structure of its existing products and has made investments in SMS technology.

Flexibility of the Company's production capacity and unexpected or major changes in market demand remains as one of the Company's main risks. During

2016 Ahlstrom has continued to mitigate the risk by investing in production capacity. The Company has also developed its short-term supply planning, inventory management and forecasting processes.

Ahlstrom has strong relationships with key customers. These relationships are fundamental to Ahlstrom's success, and loss of key customers due to e.g. decreased satisfaction would have a negative impact on Ahlstrom's financial performance. Ahlstrom has focused on developing relationships with key customers and re-negotiated longer contracts with some of them.

Shortage of supply for the Company's key raw materials can result in a situation where the Company is temporarily not fully able to meet customer demand. The risk is managed by continually developing alternative product recipes, searching for new suppliers and by negotiating annual delivery contracts with suppliers. Additionally, changes in production processes have been made to ease up shifting from one raw material supplier to another, in case needed.

Attracting highly skilled personnel is important especially in R&D, sales and marketing. Potential lack of competences in these areas can cause uncertainty in reaching set growth targets. The risk is mitigated by the annual human capital review process. The process comprises annual individual performance assessment and assessment of risk of key personnel leaving the Company. Also a branding campaign to increase Ahlstrom's attractiveness as an employer is continued.

Unpredictable political environment in the Company's operating countries is considered an important risk. E,g, uncertainty in future U.S. trade policies and the United Kingdom potentially leaving the European Union as a result of mid-year referendum are among potential risk factors. Unstable economic situation in Brazil and Argentina could also cause negative effects on the Group's operations. Political events and trade sanctions can affect the Company directly and indirectly. While these events are outside of the Company's influence, mitigation measures for potential effects include e.g. active demand planning and flexible operations. The Company actively monitors political atmosphere in its operating countries and strives to prepare well in advance for any potential negative political changes and risks. Also a tracking system with the aim of preventing sales to trade embargoed countries is in place. Political changes can also present the Company with new business opportunities.

Operative risks

Retaining key personnel has been identified as an important focus area for the Company. In 2016 possible effects of the announced merger with Munksjö on personnel was identified as a potential risk. The Company's Human Resources management plan and annual Human Capital Review process support the management of key personnel risk, e.g. by providing tools for succession planning.

Environment, health and safety risks, such as natural disasters or accidents can cause interruptions in production and they can also result in injuries. To manage these risks, the Company has revised its insurance coverage which is monitored on an annual basis. Ahlstrom also has health and safety audit protocols and a saturator safety model in place. Health and safety audits are conducted on a regular basis.

Cyber risks and potential breaches in cyber security can lead to a loss of intellectual property and other sensitive data. The company has responded to the risk by conducting a separate cyber security assessment including e.g. penetration tests, firewall and proxy reviews, and application security reviews. Additionally the Company has an on-going campaign to increase employee awareness of cyber risks.

Deficiencies in IT contingency planning were identified as a risk in 2015. During 2016 the Company has enhanced its contingency planning and related service level agreements with its key IT service suppliers.

Financial risks

Increases in raw material prices can affect the Company's profitability depending on its ability to effectively mitigate the risk by operative actions. The magnitude of this risk is dependent on several factors, such as the demand for the Company's products, the negotiation power of major suppliers and customers, the

Company's timely planning and management of sales prices as well as availability of key raw materials. Raw material price risk is managed by several complementing ways. The Company is continuously identifying new raw material suppliers and alternative materials to strengthen its negotiation power. Contractual risk management methods are continuously improved, and the Company has aimed at making annual contracts with suppliers to ensure better raw material availability. Managing raw material price risk continues to be a top priority for the Group.

Legal and compliance risks

The OECD's tax avoidance project (BEPS = base erosion and profit shifting) can potentially cause additional administrative burden for the Company. The Company has strengthened its tax and legal resources to comply with potential new regulations and related implementation guidance.

Ahlstrom's focus on high performance materials and use of advanced technologies and processes increases the importance of actively managing competition law, intellectual property rights and contract compliance. Risk management actions aimed at mitigating these risks include, among others, continuous training, using standardized contract templates and legal support in negotiating major contracts and implementing Group-wide policies and guidelines.

Ahlstrom has an externally maintained system known as *SpeakUp* for all employees to report anonymously unethical or unlawful behavior.

Ahlstrom's short-term risks are described in the Short-term risks section. Financial 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.

Shares and shareholders

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

During January-December 2016, a total of 8.1 million Ahlstrom shares were traded for a total of EUR 89.0 million. This represented 17.4% of the outstanding number of shares at the end of the reporting period (4.3% in 2015). The lowest trading price was EUR 6.75 and the highest was EUR 15.79. The closing price on December 30, 2016 was EUR 15.12. The market capitalization at the end of the review period was EUR 704.6 million, excluding the shares owned by the parent company.

As of December 31, 2016, Ahlstrom held a total of 72,752 of its own shares, corresponding to approximately 0.16% of the total shares and votes. The total number of shares was 46,670,608 and the company had 9,853 shareholders at the end of the reporting period (10,409 shareholders as of December 31, 2015).

Ahlstrom Group's equity per share was EUR 4.53 at the end of the review period (December 31, 2015: EUR 4.20).

More details on Ahlstrom's major shareholders and distribution of ownership can be found in the Investor section of the Annual report.

Annual General Meeting

Ahlstrom Corporation's Annual General Meeting of Shareholders (AGM) was held on April 5, 2016.

The AGM resolved, in accordance with the proposal of the Board of Directors, that dividends in the aggregate maximum amount of EUR 14,467,888.48, or EUR 0.31 per share, shall be paid.

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 5, 2016 confirmed the number of Board members to be seven. Alexander Ehrnrooth (b. 1974), Johannes Gullichsen (b. 1964) and Jan Inborr (b. 1948) were re-elected as members of the Board of Directors. Jan Johansson (b. 1954), Harri-Pekka Kaukonen (b. 1963), Hans Sohlström (b. 1964) and Riitta Viitala (b. 1959) were elected as new members of the Board. The term of the Board of Directors will expire at the close of the next Annual General Meeting in 2017.

In 2016, the Board convened 17 times. The average attendance frequency was 97.5%.

Ahlstrom’s management is described in greater detail in the Governance section of the Annual report. Board members are introduced and their shareholdings are described on the *Board of Directors* section.

The company’s Corporate Governance Statement 2016, in its entirety, is available on the company’s website at **www.ahlstrom.com**.

Authorizations of the Board

The AGM held on April 5, 2016 authorized The AGM authorized the Board of Directors to repurchase and distribute the Company's own shares as well as to accept them as pledge as proposed by the Board of Directors. The number of shares to be repurchased or accepted as pledge by virtue of the authorization shall not exceed 4,000,000 shares in the Company, yet always taking into account the limitations set forth in the Companies' Act regarding the maximum number 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. The rules and guidelines of NASDAQ Helsinki Oy and Euroclear Finland Ltd shall be followed in the repurchase.

The authorization includes the right for the Board of Directors to decide upon all other terms and conditions for the repurchase of the Company's own shares, or their acceptance as pledge including the right to decide on the repurchase of the Company's own shares otherwise than in proportion to the shareholders' holdings in the Company.

By virtue of the authorization, the Board of Directors has the right to resolve to distribute a maximum of 4,000,000 shares held by the Company. The Board of Directors will be authorized to decide to whom and in which order the own shares will be distributed. The Board of Directors may decide on the distribution of the Company's own shares otherwise than in proportion to the existing pre-emptive right of shareholders to purchase the Company's own shares. The shares may be used as consideration in potential 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 authorization also includes the right for the Board of Directors to resolve on the sale of the shares accepted as a pledge. The authorization includes the right for the Board of Directors to resolve upon all other terms and conditions for the distribution of the shares held by the Company.

The authorizations for the Board of Directors to repurchase the Company's own shares, to distribute them as well as to accept them as pledge 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.

Composition of Ahlstrom's Nomination Board

Ahlstrom's three largest registered shareholders based on holdings on May 31, 2016 nominated the following persons as their representatives in the Shareholders' Nomination Board of Ahlstrom:

- Thomas Ahlström, AC Invest Six B.V. and five other shareholders
- Alexander Ehrnrooth, Vimpu Intressenter Ab and Belgrano Inversiones Oy
- Risto Murto, Varma Mutual Pension Insurance Company

The company's Chairman of the Board, Hans Sohlström, and Harri-Pekka Kaukonen, as nominated by the Board, are also members of the Nomination Board. On June 6, 2016, the Nomination Board elected Thomas Ahlström from among its members as Chairman.

The Nomination Board did not submit its proposals to the Board of Directors due to the planned merger with Munksjö Oyj.

Major events after the reporting period

Decisions taken by the Extraordinary General Meeting

Ahlstrom’s Extraordinary General Meeting of Shareholders (EGM) was held on January 11, 2017. The EGM made the following resolutions related to the combination:

a) Resolution on the merger

The EGM resolved to approve the combination of Ahlstrom's and Munksjö Oyj's business operations through a statutory absorption merger. The registration of the merger is expected to take place in the beginning of the second quarter of 2017.

b) Authorization of the Board of Directors to resolve on the distribution of dividend

The EGM resolved to authorize the Board of Directors to resolve, based on the audited financial statements of Ahlstrom for 2015, on the distribution of an extra dividend in the total amount of maximum EUR 0.49 per each outstanding share in the company (representing a maximum total amount of approximately EUR 22,832,949 after excluding the treasury shares held by the company) prior to the completion of the combination. The extra dividend will be paid prior to the registration of the execution of the merger.

Authorization of the Board of Directors to resolve on the issuance of shares to the company free of charge

The EGM resolved to authorize the Board of Directors to resolve, by one or several resolutions, on the issuance of new shares to the company free of charge for the purpose that the company may dispose of such treasury shares pursuant to the company's Long Term Incentive Plan 2014-2018.

The authorization shall consist of up to 230,000 shares in the aggregate. The Board of Directors shall be authorized to resolve on all other terms and conditions of the issuance of shares hereunder. The authorization shall be valid for six (6) months from the close of the EGM but will, however, expire at the close of the next Annual General Meeting, if any, at the latest. This authorization shall not replace previous authorizations granted to the Board of Directors.

Outlook for 2017

Ahlstrom does not provide an outlook for the year 2017 due to the planned merger with Munksjö, which is expected to be completed at the beginning of the second quarter of 2017.

Short-term risks

The economic outlook varies geographically. Growth in the U.S. is expected to be the highest among developed economies, while that in Europe is expected to continue growing at a moderate pace. Britain’s decision to leave the European Union as well as swings in political tendencies across several nations has increased uncertainty. China’s expected shift in its economic structure towards more consumer consumption and less investment has caused some concerns, but it can also provide opportunities.

Slower-than-anticipated economic growth poses risks for Ahlstrom’s financial performance. It may lead to lower sales volumes and force the company to initiate market-related shutdowns at plants, which could affect profitability. Tougher competition through competitors’ increased production capacity, aggressive pricing as well as the adoption of new technologies may also affect profitability. Shifts in the pattern of demand for the company’s products may strain the flexibility of its asset base and leave some assets underutilized, while others may become over-loaded.

Swings in currency exchange rates may lead to fluctuations in net sales and profitability. Ahlstrom's main raw materials are wood pulp, synthetic fibers, and chemicals. The prices of these key raw materials are volatile, and any increases may affect the company’s profitability depending on its ability to mitigate the risk.

In some of the Group companies income tax returns are under examination in tax audits or have been already disputed by the tax authorities. The main items under discussion or already disputed relate to transfer pricing and restructuring issues. Based on an evaluation of the current state of these processes, no significant tax provisions have been booked.

Ahlstrom and Munksjö have announced a plan to merge in 2017. The process may cause loss of business focus at Ahlstrom and the loss of skilled personnel and know-how.

Ahlstrom Corporation

Board of Directors

Consolidated financial statements

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Income statement

EUR million	Note	2016	2015
Net sales	2,3,4,5	**1,085.9**	1,074.7
Cost of goods sold	6,8,9	**-883.5**	-910.0
Gross profit		**202.4**	164.8
Sales and marketing expenses	8,9	**-39.7**	-40.2
R&D expenses	8,9	**-15.8**	-20.9
Administrative expenses	8,9	**-80.6**	-76.4
Other operating income	7	**10.3**	7.0
Other operating expense	7,10	**-5.9**	-12.4
Operating profit/loss		**70.8**	21.9
Financial income	11	**0.5**	0.5
Financial expenses	11	**-15.3**	0.1
Share of profit/loss of equity accounted investments	17	**0.2**	0.2
Profit/loss before taxes		**56.3**	22.6
Income taxes	12,20	**-21.4**	-14.1
Profit/loss for the period		**34.9**	8.6
Attributable to			
Owners of the parent		**34.8**	9.2
Non-controlling interest		**0.1**	-0.7
Basic and diluted earnings per share (EUR)	14	**0.61**	0.06
Statement of comprehensive income			
Profit/loss for the period		**34.9**	8.6

Other comprehensive income, net of tax	13		
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans		**-4.6**	-2.6
Total		**-4.6**	-2.6
Items that may be reclassified subsequently to profit or loss			
Translation differences		**6.6**	6.5
Hedges of net investments in foreign operations		**-0.8**	0.2
Share of other comprehensive income of equity accounted investments	17	**-**	-
Changes in the fair value of available-for-sale financial assets		**-**	-17.0
Cash flow hedges		**-0.2**	0.5
Total		**5.6**	-9.9
Other comprehensive income, net of tax		**1.1**	-12.6
Total comprehensive income for the period		**36.0**	-4.0
Attributable to			
Owners of the parent		**36.1**	-3.6
Non-controlling interest		**-0.1**	-0.4

Balance sheet

EUR million	Note	**Dec 31, 2016**	Dec 31, 2015
Assets			
Non-current assets			
Property, plant and equipment	15	**320.8**	339.8
Goodwill	10,16	**74.9**	74.3
Other intangible assets	16	**16.9**	12.5
Equity accounted investments	17	**12.5**	15.5
Other investments	18,28	**0.3**	0.3
Other receivables	22,28	**7.2**	5.8
Deferred tax assets	20	**59.6**	71.0
Total non-current assets		**492.1**	519.2
Current assets			
Inventories	21	**107.3**	117.6
Trade and other receivables	22,28	**127.3**	151.9
Income tax receivables		**1.6**	1.6
Cash and cash equivalents	19,28	**49.4**	47.3
Total current assets		**285.6**	318.5
Assets classified as held for sale	3	**50.4**	-
Total assets		**828.1**	837.8

EUR million	Note	**Dec 31, 2016**	Dec 31, 2015
Equity and liabilities			
Equity attributable to equity holders of the parent	23		
Issued capital		**70.0**	70.0
Reserves		**50.3**	41.9
Retained earnings		**90.8**	83.3
		211.1	195.2
Hybrid bond		**100.0**	100.0
Non-controlling interest		**4.7**	4.2
Total equity		**315.8**	299.4
Non-current liabilities			
Interest-bearing loans and borrowings	26,28	**100.4**	126.9
Employee benefit obligations	24	**64.2**	100.3
Provisions	25	**1.2**	0.8
Other liabilities	27,28	**-**	0.0
Deferred tax liabilities	20	**2.1**	2.0
Total non-current liabilities		**167.9**	230.0
Current liabilities			
Interest-bearing loans and borrowings	26.28	**89.8**	116.4
Trade and other payables	27,28	**197.5**	183.5
Income tax liabilities		**3.1**	1.5
Provisions	25	**3.9**	7.1
Total current liabilities		**294.3**	308.4
Total liabilities		**462.2**	538.4
Liabilities directly associated with assets classified as held for sale	3	**50.1**	-
Total equity and liabilities		**828.1**	837.8

Statement of changes in equity

EUR million	Issued capital	Non-restricted equity reserve	Hedging reserve	Fair value reserve	Translation reserve	Own shares	Retained earnings	**Total attributable to owners of the parent**	Non-controlling interest	Hybrid bond	**Total equity**
Equity at Jan 1, 2015	**70.0**	**61.1**	**-0.2**	**17.0**	**-23.0**	**-6.5**	**96.6**	**215.1**	**5.0**	**100.0**	**320.1**
Profit/loss for the period	-	-	-	-	-	-	9.2	9.2	-0.7	-	8.6
Other comprehensive income, net of tax											
Remeasurements of defined benefit plans	-	-	-	-	-	-	-2.6	-2.6	-	-	-2.6
Translation differences	-	-	-	-	7.0	-	-0.9	6.2	0.3	-	6.5
Hedges of net investments in foreign operations	-	-	-	-	0.2	-	-	0.2	-	-	0.2
Changes in the fair value of available-for-sale financial assets	-	-	-	-17.0	-	-	-	-17.0	-	-	-17.0
Cash flow hedges	-	-	0.5	-	-	-	-	0.5	-	-	0.5
Dividends paid and other	-	-	-	-	-	-	-14.0	-14.0	-	-	-14.0
Interest on hybrid bond	-	-	-	-	-	-	-6.3	-6.3	-	-	-6.3
Changes in own shares	-	-	-	-	-	2.8	-	2.8	-	-	2.8
Change in non-controlling interests	-	-	-	-	-	-	1.3	1.3	-0.4	-	0.8
Equity at Dec 31, 2015	**70.0**	**61.1**	**0.2**	**-**	**-15.8**	**-3.7**	**83.3**	**195.2**	**4.2**	**100.0**	**299.4**

EUR million	Issued capital	Non-restricted equity reserve	Hedging reserve	Fair value reserve	Translation reserve	Own shares	Retained earnings	**Total attributable to owners of the parent**	Non-controlling interest	Hybrid bond	**Total equity**
Equity at Jan 1, 2016	**70.0**	**61.1**	**0.2**	**-**	**-15.8**	**-3.7**	**83.3**	**195.2**	**4.2**	**100.0**	**299.4**
Profit/loss for the period	-	-	-	-	-	-	34.8	34.8	0.1	-	34.9
Other comprehensive income, net of tax											
Remeasurements of defined benefit plans	-	-	-	-	-	-	-4.6	-4.6	-	-	-4.6
Translation differences	-	-	-	-	8.8	-	-2.1	6.7	-0.1	-	6.6
Hedges of net investments in foreign operations	-	-	-	-	-0.8	-	-	-0.8	-	-	-0.8
Cash flow hedges	-	-	-0.2	-	-	-	-	-0.2	-	-	-0.2
Dividends paid and other	-	-	-	-	-	-	-14.5	-14.5	-	-	-14.5
Interest on hybrid bond	-	-	-	-	-	-	-6.3	-6.3	-	-	-6.3
Change in non-controlling interests	-	-	-	-	-	-	-	-	0.7	-	0.7
Share based incentive plan	-	-	-	-	-	0.6	-	0.6	-	-	0.6
Equity at Dec 31, 2016	**70.0**	**61.1**	**0.0**	**-**	**-7.7**	**-3.1**	**90.8**	**211.1**	**4.7**	**100.0**	**315.8**

Statement of cash flows

EUR million	Note	2016	2015
Cash flow from operating activities			
Profit/loss for the period		**34.9**	8.6
Adjustments:			
Non-cash transactions and transfers to cash flow from other activities			
Depreciation and amortization		**50.3**	74.6
Gains and losses on sale of non-current assets		**1.7**	0.5
Change in employee benefit obligations		**-9.2**	-7.3
Non-cash transactions and transfers to cash flow from other activities, total		**42.8**	67.7
Interest and other financial income and expense		**14.6**	-0.8
Dividend income		**0.0**	0.0
Taxes		**21.4**	14.1
Changes in net working capital:			
Change in trade and other receivables		**14.4**	22.6
Change in inventories		**-2.1**	-6.4
Change in trade and other payables		**20.2**	-15.0
Change in provisions		**-2.7**	-2.2
Interest received		**0.9**	0.2
Interest paid		**-9.8**	-14.4
Other financial items		**-3.7**	-11.4
Income taxes paid / received		**-5.0**	-3.0
Net cash from operating activities		**125.8**	60.0
Cash flow from investing activities			
Purchases of tangible and intangible assets		**-41.0**	-26.9
Proceeds from disposal of shares in Group companies and businesses and associated companies	3	**-12.7**	2.7
Change in other investments		**0.0**	45.3
Proceeds from disposal of property, plant and equipment		**1.4**	0.9
Net cash from investing activities		**-52.3**	22.1

Cash flow from financing activities		
Sale/repurchase of own shares	**-**	3.1
Interest on hybrid bond	**-7.9**	-7.9
Repayments of non-current loans and borrowings	**-13.6**	-73.8
Change in current loans and borrowings	**-37.0**	21.9
Change in finance leases	**-0.0**	-4.5
Dividends paid and other	**-14.5**	-13.9
Net cash from financing activities	**-73.0**	-75.1
Net change in cash and cash equivalents	**0.4**	6.9
Cash and cash equivalents at the beginning of the period	**47.3**	41.4
Foreign exchange effect on cash	**1.6**	-1.0
Cash and cash equivalents at the end of the period	**49.4**	47.3

Notes to the consolidated financial statements

Accounting principles

Corporate information

Ahlstrom Corporation ("the parent company") with its subsidiaries ("Ahlstrom" or "the Group") provides innovative fiber-based materials with a function in everyday life. We are committed to growing and creating stakeholder value by proving the best performing sustainable fiber-based materials. Our products are used in everyday applications such as filters, medical fabrics, life science and diagnostics, wallcoverings, tapes, and food and beverage packaging. The reported segments for the year 2016 were: Filtration & Performance and Specialties. In 2016, Ahlstrom had operations in 22 countries, and the Group employed approximately 3,200 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 Helsinki.

These consolidated financial statements were authorized for publication by the Board of Directors of Ahlstrom Corporation on January 26, 2017. 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 as of December 31, 2016. 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, 2016.

- Annual Improvements to IFRS standards 2012 – 2014. The impacts of the amendments vary by standard but have not had any significant effect on the consolidated financial statements of the group.
- IAS 1 Presentation of Financial Statements, Disclosure Initiative (amendment). The amendments clarify the IAS 1 guidelines related to materiality, combining income statement and balance sheet items, the presentation of sub-headings, and the structure and accounting policies of financial statements. Amendments have not had any significant effect on the consolidated financial statements of the group.

Consolidation principles

The consolidated financial statements contain the parent company Ahlstrom Corporation, all subsidiaries and associated companies. Subsidiaries are entities controlled by the parent company. Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. 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.

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 other comprehensive income and accumulated currency differences are 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 other 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 effective portion of hedging instruments that hedge the currency exposures on net investments are recognized in the consolidated statement of other 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.

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 calculated. 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 unit, 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 of 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. 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.

The Group adopted the revised IAS 19 Employee Benefits standard as of January 1, 2013. The revised standard includes amendments to the recognition of defined benefit plans. The “Corridor method” has been removed and all actuarial gains and losses are recognised immediately in other comprehensive income. The net asset or liability arising from the employee benefit plans are recognised in full on the balance sheet. The expected return on plan asset is calculated by using the same discount rate as when calculating the present value of the defined benefit liability.

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 and other key employees under which the members are 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 and in the consolidated statement of other comprehensive income. In this case the tax is presented in other comprehensive income and 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. 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: 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 on the settlement date, except for the derivatives on the trade date, based on the intended use of the financial asset.

The purchases and sales of financial assets are recognized 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 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. Derivatives are also categorized in this group unless they qualify for hedge accounting.

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 sales 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 judgment 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 under hedge accounting is recorded in the consolidated statement of other 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 as hedging instrument 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, (being the change in spot value and in currency forwards the interest element after taxes), are recorded in the consolidated statement of other comprehensive income and presented as translation reserve in equity. Any recognised ineffectiveness is presented in financial gains and losses. 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.

Other derivative instruments do not necessarily qualify for hedge accounting, even if they are economic hedges according to the Group treasury policy. 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 derivatives under hedge accounting are presented in current assets or liabilities in the balance sheet. The changes of the fair values of the derivatives which do not qualify for hedge accounting are recorded according to the hedged item in the income statement in the period they occur.

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, net of taxes, 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 judgment in selecting and applying the accounting principles, particularly in cases where the existing IFRS standards offer alternative recognition, valuation or presentation methods. 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.

- IFRS 9 Financial Instruments replaces the current standard IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets, an 'expected credit loss' model for the measurement of the impairment of financial assets and new general hedge accounting requirements. The Group expects the standard to cause changes in the accounting principles, but material changes in reported figures are not expected.
- IFRS 15 Revenue from contracts with customers (new). The new standard outlines the principles to measure and recognize revenue using a five-step model and replaces all existing revenue requirements. Revenue is recognized when a customer obtains control of a good or service. New standard is not expected to have significant effect on the consolidated financial statements of the group.
- IFRS 16 Leases issued in January 2016 (new). The new standard replaces current standard IAS 17 Leases. IFRS 16 requires lessees to recognize assets and liabilities for most leases. The standard will have impact on the recognition of lease expenses, non-current assets and interest bearing liabilities. The Group investigates this new standard’s impact on the Group’s consolidated financial statements in more detail. The standard has not yet been endorsed by the EU.
- IAS 7 Statement of Cash Flows, Disclosure initiative (amendment). The amendment increases the amount of disclosures related to changes in liabilities arising from financing activities. This new standard has not yet been approved for application in the 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 approved by 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 against its reporting currency euro. 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 risks arise from commercial and finance-related transactions and payments, which are denominated in a currency other than the unit’s functional currency. In 2016, approximately 45% of Ahlstrom's net sales were denominated in euros, approximately 42% in U.S. dollars and 13% in other currencies. Ahlstrom's raw materials are generally purchased in U.S. 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. The currency risk related to the foreign currency denominated loans and receivables is managed by Group Treasury and the aim is a fully hedged position. In accordance with the Group Treasury Policy, all internal loans and deposits are denominated in the local currency of each Group company, whenever economically possible.

Translation exposure consists mainly of net investments in foreign subsidiaries (equity exposure). The Group norm is to leave the equity exposure unhedged due to the long-term nature of the investments. However capital reductions are hedged as the equity risk becomes more short-term in nature. On the balance sheet date, the equity hedging ratio was 0.9% (31.12.2015 1.7%).

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, 2016. 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. Forecasted cash flows are not part of the analysis.

The following table shows how much the income statement and equity would be affected by a 10% strengthening of the foreign currency against the reporting currency euro. In case of a 10% weakening of the foreign currency against the euro the effect would be the opposite. Effect on equity is caused by foreign exchange forwards designated in cash flow hedge accounting.

Transaction exposure		**31.12.2016**	**31.12.2016**		31.12.2015	31.12.2015
EUR million	**Open position**	**Effect on income statement**	**Effect on equity**	Open position	Effect on income statement	Effect on equity
USD	13.1	1.5	-	13.6	1.5	-
SEK	-0.2	0.0	-	18.3	0.0	2.0
GBP	0.1	0.0	-	0.8	0.1	-
Net effect		**1.4**	**-**		1.6	2.0

Open position is presented as net assets (assets less liabilities). The net effect has been calculated before taxes.

The following table shows how much the equity would be affected by a 10% strengthening of the foreign currency against the reporting currency euro. In case of a 10% weaking of the foreign currency against the euro the effect would be the opposite.

Translation exposure		**31.12.2016**		31.12.2015
EUR million	**Open position**	**Effect on equity**	Open position	Effect on equity
USD	90.0	10.0	76.3	8.5
CNY	63.1	7.0	50.1	5.6
SEK	29.3	3.3	28.4	3.2
BRL	28.3	3.1	21.2	2.4
INR	27.7	3.1	28.0	3.1
KRW	24.1	2.7	35.3	3.9
RUB	18.7	2.1	11.3	1.3
GBP	16.8	1.9	25.1	2.8
Net effect		**33.1**		30.6

Open position is presented as net assets (assets less liabilities). The net effect has been calculated after 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, 2016 the modified duration of the loan portfolio was 17.4 months (18.2 months in 2015). The duration of the loan portfolio can be adjusted by the use of derivative instruments such as interest rate swap contracts. On December 31, 2016 there were no open interest rate swap contracts.

As of 31 December 2016, a one percentage point parallel shift in the yield curve would have a net effect of EUR -0.8 million (EUR -1.2 million) on the income statement. This sensitivity analysis calculates the interest effect of a 100 basis point parallel shift in interest rates on all floating rate based interest-bearing liabilities and other short-term deposits. Cash and finance lease liabilities are excluded. The net effect has been calculated after 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, 2016 there were no open pulp derivative agreements (0 tons on December 31, 2015).

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 and maintenance investments and estimated dividend payments.

As of December 31, 2016, Ahlstrom's interest-bearing liabilities amounted to EUR 190.2 million (EUR 243.3 million on December 31, 2015), divided into financings from banks and other financial institutions of EUR 80.6 million (EUR 113.8 million), EUR 99.6 million (EUR 99.5 million) in senior unsecured callable bonds, EUR 10.0 million (EUR 30.0 million) in borrowings under the company's EUR 300 million domestic commercial paper program and EUR 0.0 million (EUR 0.0 million) in commitments under financial leases. At the end of the year, its total liquidity, including cash, unused committed credit facilities and committed cash pool overdraft limits was EUR 268.7 million (EUR 299.0 million), divided into cash and cash equivalents EUR 49.4 million (EUR 47.3 million), long-term unutilized committed credit facilities EUR 210.0 million (EUR 237.6 million) and committed cash pool overdraft limits EUR 9.3 million (EUR 14.1 million). In addition, the company had uncommitted cash pool overdraft limits and undrawn uncommitted credit facilities totalling EUR 70.0 million (EUR 103.6 million).

Ahlstrom's EUR 180 million three-year revolving credit facility signed on June 25, 2015 includes two 12-month extension options for the company subject to the consent of the participating banks. In June 2016 the maturity of the facility was extended for one year in accordance with the extension option of the loan agreement. The maturity of the committed facility used for general corporate purposes is now extended until June 2019.

On December 2, 2016 Ahlstrom announced a consent solicitation for its outstanding EUR 100 million senior unsecured callable fixed rate notes due 2019 to solicit consents, waivers and decisions to amend the terms and conditions of the notes as may be required for, or in relation to, the merger of Ahlstrom Corporation into Munksjö Oyj. A meeting of noteholders was convened and the noteholders resolved to approve the proposals on January 10, 2017. The consents and waivers became effective immediately upon approval at the meeting, and the amendments will become effective at the completion of the merger of Ahlstrom Corporation into Munksjö Oyj.

On November 10, 2016 Ahlstrom entered into EUR 200 million unsecured and unguaranteed bridge facility agreement. The facility will be available to Ahlstrom from and including ten business days prior to the effective date of the merger of Ahlstrom Corporation into Munksjö Oyj up to and including the effective date on a certain funds basis subject to fulfillment of conditions of the combination agreement and certain other customary conditions precedent. Assuming that the merger is completed, the bridge facility agreement will be assumed by Munksjö on the effective date with amended and restated terms and the commitments reduced to EUR 100 million. Ahlstrom may utilize the facility for the purpose of refinancing the existing indebtedness. If the merger is not completed by August 1, 2017, the available commitments under the bridge facility will be immediately cancelled in full. If the facility has been utilized but the merger is not completed, the facility will mature on December 31, 2017.

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 debts of the Group is shown in the following table.

Contractual undiscounted cash flows of repayments and interests of debts

Dec 31, 2016							
EUR million	**2017**	**2018**	**2019**	**2020**	**2021**	**Later**	**Total**
Floating rate loans from financial institutions	26.1	-	-	-	-	-	26.1
Fixed rate loans from financial institutions	-	-	-	-	-	-	-
Finance lease liabilities	-	-	-	-	-	-	-
Other non-current loans	4.2	4.9	102.6	-	-	-	111.6
Other current loans	64.0	-	-	-	-	-	64.0
Total	94.2	4.9	102.6	-	-	-	201.7
Derivatives							
Foreign exchange forward contracts, outflow	-90.8	-	-	-	-	-	-90.8
Foreign exchange forward contracts, inflow	90.5	-	-	-	-	-	90.5
Derivatives, net	-0.3						-0.3
Dec 31, 2015							
EUR million	2016	2017	2018	2019	2020	Later	Total
Floating rate loans from financial institutions	4.5	27.0	-	-	-	-	31.4
Fixed rate loans from financial institutions	9.0	-	-	-	-	-	9.0
Finance lease liabilities	0.0	-	-	-	-	-	0.0
Other non-current loans	4.2	4.2	4.9	102.4	-	0.0	115.7
Other current loans	103.7	-	-	-	-	-	103.7
Total	121.4	31.1	4.9	102.4	0.0	0.0	259.8
Derivatives							
Foreign exchange forward contracts, outflow	-148.5	-	-	-	-	-	-148.5
Foreign exchange forward contracts, inflow	148.0	-	-	-	-	-	148.0
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.

Interest-bearing liabilities and debt structure

Dec 31, 2016									
EUR million	**Drawn amount**	**Undrawn amount**	**Total**	**Maturity 2017**	**2018**	**2019**	**2020**	**2021**	**Later**
Available committed facilities		210.0	**210.0**	30.0	-	180.0	-	-	-
Non-current loans	126.2	-	**126.2**	25.8	0.7	99.6	-	-	0.0
Finance lease liabilities	-	-	**-**	-	-	-	-	-	-
Current loans	64.0	-	**64.0**	64.0	-	-	-	-	-
Bank credit lines utilized	0.0	-	**0.0**	0.0	-	-	-	-	-
Total interest-bearing liabilities	**190.2**	-	**190.2**	89.8	0.7	99.6	-	-	0.0
Total loans and undrawn committed facilities	**190.2**	**210.0**	**400.2**	119.8	0.7	279.6	-	-	0.0

Dec 31, 2015									
EUR million	Drawn amount	Undrawn amount	Total	Maturity 2016	2017	2018	2019	2020	Later
Available committed facilities	-	237.6	237.6	-	30.0	207.6	-	-	-
Non-current loans	139.5	-	139.5	12.6	26.7	0.7	99.5	-	-
Finance lease liabilities	0.0	-	0.0	0.0	-	-	-	-	-
Current loans	103.4	-	103.4	103.4	-	-	-	-	-
Bank credit lines utilized	0.3	-	0.3	0.3	-	-	-	-	-
Total interest-bearing liabilities	243.3	-	243.3	116.4	26.7	0.7	99.5	0.0	0.0
Total loans and undrawn committed facilities	243.3	237.6	480.8	116.4	56.7	208.3	99.5	0.0	0.0

Factoring

Group companies may enter into factoring, supplier finance or other corresponding financing arrangements subject to Group Treasury approval and according to the criterias defined in the Group Treasury Policy. All factoring or similar arrangements are made on non-recourse basis. During 2016 Group has established new factoring programs and at the end of the reporting period the outstanding amount under factoring or similar arrangements was EUR 44.2 million (EUR 28.2 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 long-term financial targets announced in January 2016, gearing is to be maintained below 100%.

Ahlstrom Corporation has a EUR 100 million hybrid bond outstanding with a coupon rate of 7.875% per annum. The bond has no maturity but the company may exercise an early redemption option starting October 2017. The bond is treated as equity in the consolidated financial statements.

The gearing ratios in 2016 and 2015 were as follows.

EUR million	**2016**	2015
Interest-bearing loans and borrowings	**190.2**	243.3
Cash and cash equivalents	**49.4**	47.3
Other current investments	**-**	-
Interest-bearing net liabilities	**140.8**	195.9
Equity, total	**315.8**	299.4
Gearing ratio	**44.6 %**	65.4 %

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.

2. Segment information

The Group has two segments: Filtration & Performance and Specialties. The segments are the same as Ahlstrom's business areas.

Filtration & Performance business area includes four business units: Filtration, Industrial Nonwovens, Wallcover & Poster and Building & Wind. Specialties business area consists of Food and Beverage Packaging, Advanced Liquid Technologies, Tape and Medical businesses.

The 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 the share of result of associated companies.

Ahlstrom Group management monitors the segments' results, 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 the 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 2016

EUR million	Filtration & Performance	Specialties	Other operations	Eliminations	Group
External net sales	687.2	393.7	5.0	0.0	1,085.9
Inter-segment net sales	10.5	17.6	30.8	-59.0	0.0
Net sales	697.8	411.3	35.8	-59.0	1,085.9
Operating profit/loss	49.8	33.0	-11.9	-0.0	70.8
Financial income	-	-	0.5	-	0.5
Financial expenses	-	-	-15.3	-	-15.3
Share of profit/loss of associated companies	-	-	0.2	-	0.2
Profit/loss before taxes					56.3
Operating profit/loss, %	7.1	8.0	-	-	6.5
Return on net assets, RONA, % (Group ROCE, %)	**19.0**	**18.5**	-	-	**13.6**
Operative cash flow	68.0	47.2	-17.4	0.5	98.2

Segment assets	381.4	244.0	30.7	-5.0	651.2
Investments in associated companies	-	-	12.5	-	12.5
Unallocated assets	-	-	164.5	-	164.5
Total assets					828.1
Segment non-interest bearing liabilities	116.7	75.2	77.8	-4.9	264.8
Unallocated liabilities	-	-	247.4	-	247.4
Total equity	-	-	315.8	-	315.8
Total equity and liabilities					828.1
Depreciation and amortization	-29.9	-17.1	-2.6	-	-49.6
Impairment	-0.6	-	-	-	-0.6
Adjustment items	-3.5	-0.8	-5.5	-	-9.8
Capital expenditure	20.2	9.3	8.5	-	37.9
Sales volumes (thousands of tonnes)	270.7	115.7	1.3	-7.1	380.6

Business segments 2015

EUR million	Filtration & Performance	Specialties	Other operations	Eliminations	Group
External net sales	662.4	398.0	14.4	0.0	1,074.7
Inter-segment net sales	13.6	20.5	40.5	-74.7	0.0
Net sales	676.0	418.5	54.9	-74.7	1,074.7
Operating profit/loss	13.7	14.6	-6.5	0.1	21.9
Financial income	-	-	0.5	-	0.5
Financial expenses	-	-	0.1	-	0.1
Share of profit/loss of associated companies	-	-	0.2	-	0.2
Profit/loss before taxes					22.6
Operating profit/loss, %	2.0	3.5	-	-	2.0
Return on net assets, RONA, % (Group ROCE, %)	5.1	7.6	-	-	3.9
Operative cash flow	43.0	34.8	-8.0	-0.5	69.3
Segment assets	416.8	259.9	30.0	-5.7	701.0
Investments in associated companies	-	-	15.5	-	15.5
Unallocated assets	-	-	121.3	-	121.3

Total assets					837.8
Segment non-interest bearing liabilities	156.3	72.6	65.4	-5.6	288.8
Unallocated liabilities	-	-	249.6	-	249.6
Total equity	-	-	299.4	-	299.4
Total equity and liabilities					837.8
Depreciation and amortization	-33.6	-30.3	-3.1	-	-67.0
Impairment	-7.5	-	-	-	-7.5
Adjustment items	-11.6	-11.2	-2.8	-	-25.6
Capital expenditure	16.7	7.5	3.1	-	27.3
Sales volumes (thousands of tonnes)	254.5	115.9	3.6	-8.5	365.6

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.

External net sales, EUR million	**2016**	2015
USA	**281.4**	299.0
Germany	**123.6**	115.5
China	**79.9**	66.5
Italy	**67.7**	70.6
United Kingdom	**54.5**	61.0
France	**50.9**	50.6
Brazil	**29.8**	27.4
India	**24.8**	23.0
Finland	**6.6**	5.5
Other countries	**366.7**	355.6
Total	**1,085.9**	1,074.7

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

Non-current assets, EUR million	2016	2015
USA	**109.0**	109.0
Germany	**6.6**	10.2
China	**106.1**	117.3
Italy	**44.4**	47.4
United Kingdom	**7.2**	8.4
France	**28.3**	28.9
Brazil	**9.6**	6.7
India	**17.0**	20.5
Finland	**42.7**	37.0
Other countries	**55.9**	58.9
Total	**426.8**	444.2

3. Disposals of businesses and discontinued operations

2016

On November 7, 2016, Ahlstrom signed an agreement to sell its German subsidiary with operations in Osnabrück to Kämmerer Paper Holding GmbH. The Osnabrück plant produces base papers for wallcovers, poster papers as well as release liner. The plant was part of the Filtration & Performance business area. The sale will reduce Ahlstrom's annual net sales by about EUR 80 million and the impact on adjusted operating profit is slightly positive. The transaction also included Ahlstrom's 50% stake in the joint venture AK Energie, which is the site's utility providing power and water treatment services.The sales was completed on January 3, 2017.

Ahlstrom Osnabrück GmbH - Asset and liabilities held for sale

Balance sheet 31.12.2016	**Dec 2016**
Intangible rights	0.2
Shares in associated companies	3.2
Long term accounts receivable	0.0
Total inventories	13.1
Short term accounts receivable	7.6
Other short term receivables	14.5
Short term prepaid expenses and accrued income	0.3
Cash and cash equivalents	11.4
Total assets	**50.4**
Pension and defined benefit provisions	35.2
Advances received	0.4
Short term provisions for contingencies	0.1
Other short term liabilities	0.5
Short term accounts payable	13.4
Short term accrued expenses and deferred income	0.4
Total liabilities	**50.1**
Total equity	**0.3**
Total shareholders' equity & liabilities	**50.4**

2015

No disposals of businesses in the year 2015.

4. Acquisitions of businesses

2016

No acquisitions of new businesses.

2015

No acquisitions of new businesses.

5. Net Sales

EUR million	**2016**	2015
Sales of goods	**1,103.5**	1,091.1
Sales of services	**0.1**	0.3
Sales deductions	**-17.7**	-16.6
Total	**1,085.9**	1,074.7

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	**2016**	2015
Raw materials	**-483.4**	-491.7
Energy	**-77.5**	-86.7
Delivery expenses	**-33.9**	-36.2
Other variable costs	**-34.1**	-31.6
Operative exchange gains/losses	**-0.4**	0.4
Production costs	**-254.2**	-264.3
Total	**-883.5**	-910.0

7. Other operating income and expenses

EUR million	**2016**	2015
Other operating income		
Gain on sale of emission rights	**0.7**	0.4
Government grants	**3.0**	2.6
Insurance indemnification	**1.1**	0.1
Gain on sale of non-current assets	**0.9**	2.0
Gains from litigations	**0.2**	0.1
Other	**4.5**	1.8
Total	**10.3**	7.0
Other operating expenses		
Impairment	**-0.6**	-7.5
Loss from disposals of non current assets	**-2.5**	-0.5
Bad debt losses	**-1.3**	-0.7
Restructuring costs and reversals	**0.1**	-0.4
Other	**-1.5**	-3.2
Total	**-5.9**	-12.4

Auditor's fees	**2016**	2015
To PricewaterhouseCoopers network		
Audit	**-0.7**	-0.7
Tax services	**-0.3**	-0.2
Other services	**-0.5**	-0.3
Total	**-1.5**	-1.3

8. Employee benefit expenses

EUR million	2016	2015
Wages and salaries	**-165.3**	-156.3
Social security costs	**-27.1**	-26.8
Contributions to defined contribution plans	**-13.2**	-13.5
Net periodic cost for defined benefit plans	**0.6**	-1.5
Changes in liability for other long-term benefits	**-0.1**	-0.2
Other personnel costs	**-18.5**	-18.3
Total	**-223.5**	-216.6

In 2016, employee benefit expenses included adjustment items of EUR 8.3 million (EUR 4.5 million in 2015) related to the restructuring actions. Employee benefit expenses of key management are specified in Note 32.

Average number of personnel	2016	2015
Filtration & Performance	**1,676**	1,699
Specialties	**1,228**	1,252
Other operations	**382**	425
Total	**3,286**	3,376

9. Depreciations and amortizations

EUR million	**2016**	2015
Machinery and equipment	**-39.5**	-51.2
Buildings and constructions	**-6.9**	-11.4
Intangible assets	**-2.7**	-3.6
Other tangible assets	**-0.5**	-0.7
Total depreciation and amortization	**-49.6**	-67.0

10. Impairment

Impairment charges and reversals and goodwill of cash-generating units (CGU):

EUR million	**Impairment charges and reversals 2016**	Impairment charges and reversals 2015	**Goodwill 2016**	Goodwill 2015
Transportation Filtration	-	-	24.2	24.0
Advanced Filtration	-	-	12.7	12.7
Medical nonwoven	-	-	21.0	20.4
Vegetable parchment	-	-	6.8	6.7
Specialties & Wallcover	-	-	10.2	10.6
Processing (Osnabruck)	**-0.6**	-7.5	-	-
Other Units	-	-	-	-
Total	**-0.6**	-7.5	**74.9**	74.3

In December 2016, an impairment charge of EUR 0.6 million (EUR 7.5 million in 2015) related to the Processing CGU in Osnabruck plant was recorded in FIltration & Performance business area. This impacted property, plant and equipment. The Osnabruck plant produces materials for wallcoverings, poster papers and release liners. The change in goodwill was EUR 0.6 million and was due to the changes in currency rates. Due to the change in business structure in 2016, there is a change in Goodwill between two cash-generating units (Advanced Filtration and Transportation Filtration) compared to the year 2015.

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 financial plans for the four years period. Cash flows for further years are based to the terminal value which is calculated by using the average of the planned four years and general growth rate of 0.6 % and indefinite economic life time. The same pre-tax discount rate has been used to all cash-generating units in discounting the projected cash flows. The discount rate (WACC) 8.0 % is based on the market view of the time-value of money and on the specific risks related to the assets for which the future cash flow estimates have not been adjusted. Specific risks related to cash-generating units are included in the financial plans of the units.

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. Group Business areas are monitoring the impairment sensitivity every month and should the sensitivity indicates impairment , a full test will be initiated.

According to the management estimate, there is no reasonable possibility of such a change in any key assumptions that would lead to the additional impairment charges. Sensitivity analyses have shown that 5 %-points increase in the discount rate or 20 % decrease in EBITDA would not lead to the impairment in any CGU.

11. Financial income and expenses

EUR million	**2016**	2015
Financial income		
Interest income from loans and receivables	**0.4**	0.2
Forward contracts interest component, non-hedge accounting	**0.1**	0.2
Other financial income	-	-
Total	**0.5**	0.5
Financial expenses		
Interest expenses for financial liabilities at amortized cost	**-12.1**	-16.5
Forward contracts interest component, non-hedge accounting	**-0.7**	-0.4
Other financial expenses	**-2.7**	17.5
Total	**-15.5**	0.6
Exchange rate differences and fair value gains and losses		
Loans and receivables	**-0.8**	7.7
Forward contracts, non-hedge accounting	**1.0**	-8.2
Total	**0.2**	-0.5
Net financial income and expenses	**-14.8**	0.6

Interest expenses include EUR 2.7 million net interest cost on defined benefit plans (EUR 2.6 million in 2015).

In the comparison year 2015 other financial expenses included a capital gain of EUR 20.3 million from the sale of Munksjö Oyj shares.

In addition to the exchange rate differences disclosed in financial income and expenses, consolidated operating profit included exchange rate differences of EUR -0.4 million (EUR 0.4 million in 2015) of which derivatives accounted for EUR -0.5 million (EUR 0.4 million in 2015).

12. Income taxes

EUR million	2016	2015
Taxes for the financial period	**-8.0**	-4.3
Taxes for previous periods	**0.1**	-0.5
Deferred tax	**-13.5**	-9.3
Total income taxes	**-21.4**	-14.1
Taxes booked to equity		
Hybrid bond	**1.6**	1.6
Other items	**-0.1**	-0.2
Total taxes booked to equity	**1.5**	1.4
Income tax reconciliation		
Tax calculated at Finnish nominal tax rate	**-11.3**	-4.5
Differences between foreign and Finnish tax rates	**-3.4**	0.1
Italian regional tax (IRAP), witholding and minimum taxes	**0.0**	-0.6
Adjustment of taxes for previous periods	**0.1**	-0.5
Non-deductible expenses and tax exempt income	**0.5**	4.3
Adjustments to deferred tax assets	**-5.0**	-11.8
Changes in statutory tax rates	**-2.3**	-1.3
Associated companies and other items	**0.0**	0.2
Total income taxes	**-21.4**	-14.1

Tax exempt income in 2015 consists mainly of gain from the sale of Munksjö shares. Adjustments to deferred tax assets have been booked in those group companies where assumptions regarding the utilization of tax assets have been changed or where there is no sufficient evidence of utilization of current year's loss.

In some of the Group companies income tax returns are under examination in tax audits or have been already disputed by the tax authorities. The main items under discussion relate to transfer pricing and company restructuring matters. Based on the evaluation of the current state of these processes no significant tax provisions have been booked, because it is not possible to make a reliable estimate of the outcome of the processes.

13. Taxes related to other comprehensive income

EUR million	2016 Before taxes	2016 Tax charge/ credit	2016 After taxes	2015 Before taxes	2015 Tax charge/ credit	2015 After taxes
Items that will not be reclassified to profit or loss						
Remeasurements of defined benefit plans	**-4.7**	**0.1**	**-4.6**	-4.3	1.6	-2.6
Total	**-4.7**	**0.1**	**-4.6**	-4.3	1.6	-2.6
Items that may be reclassified subsequently to profit or loss						
Translation differences	**6.6**	**-**	**6.6**	6.5	-	6.5
Hedges of net investments in foreign operations	**-1.0**	**0.2**	**-0.8**	0.2	-	0.2
Share of other comprehensive income of equity accounted investments	**-**	**-**	**0.0**	-	-	-
Changes in the fair value of available-for-sale financial assets	**-**	**-**	**-**	-17.0	-	-17.0
Cash flow hedges	**-0.3**	**0.1**	**-0.2**	0.6	-0.1	0.5
Total	**5.3**	**0.3**	**5.6**	-9.8	-0.1	-9.9
Total other comprehensive income	**0.7**	**0.4**	**1.1**	-14.1	1.5	-12.6

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 6.3 million (EUR 6.3 million in 2015) and the effect on earnings per share was EUR 0.13 (EUR 0.13 in 2015).

	2016	2015
Basic and diluted earnings per share		
Profit/loss for the year attributable to owners of the parent (EUR million)	**34.8**	9.2
Interest on hybrid bond for the year after taxes (EUR million)	**-6.3**	-6.3
Total	**28.5**	2.9
Weighted average number of shares during the year (1,000 shares)	46,670.6	46,670.6
Basic and diluted earnings per share (EUR)	**0.61**	0.06

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
2016						
Historical cost at Jan 1	11.1	179.0	1,009.2	10.2	23.5	1,233.0
Acquisitions through business combinations	-	-	-	-	-	-
Additions	-	0.7	8.0	0.2	21.7	30.7
Disposals	-0.4	-6.2	-87.9	-2.4	-0.4	-97.3
Transfers to other asset categories	-	3.4	20.8	0.1	-24.5	-0.2
Other changes	-	2.1	3.8	-0.1	-1.8	4.0
Translation differences	0.0	0.5	1.4	0.3	0.3	2.5
Historical cost at Dec 31	**10.7**	**179.5**	**955.3**	**8.4**	**18.8**	**1172.7**
Accumulated depreciation and impairment at Jan 1	0.5	95.9	779.7	8.1	8.9	893.2
Depreciation for the year	0.1	6.9	39.5	0.4	0.0	46.9
Impairment losses	-	0.0	1.8	0.1	-1.2	0.6
Reversal of impairment losses	-	-	-	-	-	-
Disposals	-0.3	-6.1	-87.7	-2.4	-0.4	-97.0
Transfers to other asset categories	-	-	0.0	-0.0	-	-
Other changes	-	3.4	4.2	-0.1	-1.8	5.7
Translation differences	0.0	0.1	2.2	0.2	0.0	2.4
Accumulated depreciation and impairment at Dec 31	**0.2**	**100.2**	**739.6**	**6.4**	**5.5**	**851.9**
Book value Jan 1, 2016	**10.6**	**83.1**	**229.6**	**2.1**	**14.5**	**339.9**
Book value Dec 31, 2016	**10.4**	**79.3**	**215.7**	**2.0**	**13.3**	**320.8**

In 2016, EUR 0.6 million interest expenses were capitalized. In 2015, 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
2015						
Historical cost at Jan 1	10.5	169.2	967.0	9.8	27.0	1,183.5
Acquisitions through business combinations	-	-	-	-	-	-
Additions	0.0	0.7	8.3	0.2	15.9	25.0
Disposals	-	-0.6	-16.9	-0.1	-	-17.6
Transfers to other asset categories	-	2.6	17.4	0.1	-20.2	-0.0
Other changes	-	-	-0.0	-	-0.1	-0.1
Translation differences	0.6	7.1	33.5	0.2	0.8	42.2
Historical cost at Dec 31	11.1	179.0	1,009.2	10.2	23.5	1,233.0
Accumulated depreciation and impairment at Jan 1	0.4	81.9	714.8	6.3	7.3	810.6
Depreciation for the year	0.1	11.4	51.2	0.6	-	63.4
Impairment losses	-	-	6.4	1.1	-	7.5
Reversal of impairment losses	-	-	-	-	-	-
Disposals	-	-0.5	-16.2	-0.1	-	-16.8
Transfers to other asset categories	-	-	-	-	-	-
Other changes	-	-0.0	0.0	0.0	1.7	1.6
Translation differences	0.0	3.1	23.5	0.2	-	26.8
Accumulated depreciation and impairment at Dec 31	0.5	95.9	779.7	8.1	8.9	893.2
Book value Jan 1, 2015	10.1	87.3	252.2	3.5	19.7	372.9
Book value Dec 31, 2015	10.6	83.1	229.6	2.1	14.5	339.9

Assets leased by finance lease agreements

EUR million	Land and water areas	Buildings and constructions	Machinery and equipment	Total
2016				
Historical cost	-	-	0.3	0.3
Accumulated depreciation	-	-	0.2	0.2
Book value Dec 31, 2016	**-**	**-**	**0.0**	**0.0**
2015				
Historical cost	-	-	0.3	0.3
Accumulated depreciation	-	-	0.2	0.2
Book value Dec 31, 2015	**-**	**-**	0.1	0.1

16. Intangible assets

EUR million	Intangible rights	Goodwill	Other intangible assets	Advances paid	Total intangible assets
2016					
Historical cost at Jan 1	53.2	40.5	12.2	1.4	107.3
Acquisitions through business combinations	-	-	-	-	-
Additions	7.5	-	0.0	0.5	8.0
Disposals	-1.8	4.5	-	-	2.7
Transfers to other asset categories	0.8	-	-	-0.6	0.2
Other changes	0.2	75.4	-2.0	-0.0	73.5
Translation differences	1.2	1.3	-0.2	-	2.4
Historical cost at Dec 31	**61.1**	**121.7**	**10.0**	**1.2**	**194.0**
Accumulated amortization and impairment at Jan 1	49.7	-33.8	4.5	-	20.4
Amortization for the year	2.1	-	0.6	-	2.7
Impairment losses	-	-	-	-	-
Disposals	-1.4	-	-	-	-1.4
Transfers to other asset categories	-	-	-	-	-
Other changes	-0.0	79.9	-1.3	-	78.5
Translation differences	1.3	0.7	-0.0	-	1.9
Accumulated amortization and impairment at Dec 31	**51.6**	**46.8**	**3.8**	**-**	**102.2**
Book value Jan 1, 2016	**3.5**	**74.3**	**7.6**	**1.4**	**86.8**
Book value Dec 31, 2016	**9.5**	**74.9**	**6.2**	**1.2**	**91.8**

EUR million	Intangible rights	Goodwill	Other intangible assets	Advances paid	Total intangible assets
2015					
Historical cost at Jan 1	59.4	66.9	11.9	0.7	138.9
Acquisitions through business combinations	-	-	-	-	-
Additions	1.2	-	-	0.8	2.1
Disposals	-11.5	-26.4	-	-	-37.9
Transfers to other asset categories	0.1	-	0.0	-0.1	-
Other changes	-0.8	-	-	-0.0	-0.8
Translation differences	4.7	-0.0	0.3	-	5.0
Historical cost at Dec 31	53.2	40.5	12.2	1.4	107.3
Accumulated amortization and impairment at Jan 1	54.2	-2.1	3.9	-	56.0
Amortization for the year	3.0	-	0.6	-	3.6
Impairment losses	0.0	-	-	-	0.0
Disposals	-11.5	-26.4	-	-	-37.9
Transfers to other asset categories	-	-	-	-	-
Other changes	-0.5	-	-	-	-0.5
Translation differences	4.5	-5.3	0.0	-	-0.8
Accumulated amortization and impairment at Dec 31	49.7	-33.8	4.5	-	20.4
Book value Jan 1, 2015	5.2	69.0	8.0	0.7	82.9
Book value Dec 31, 2015	3.5	74.3	7.6	1.4	86.8

Emission rights

Ahlstrom was granted 153,979 units of CO_2 emission rights for the year 2016. As of December 31, 2016, the remaining emission rights amounted to 424,648 units and their market value was approximately EUR 2.8 million. No value has been recognized in the balance sheet. The rights in excess have been transferred to 2017. The sales of emission rights were EUR 0.7 million in 2016 (EUR 0.4 million in 2015).

17. Investments in associated companies

EUR million	**2016**	2015
Balance at Jan 1	**15.5**	15.3
Share of profit/loss for the period	**0.2**	0.2
Share of other comprehensive income of associates	**-**	-
Additions	-	-
Disposals	**-3.2**	-
Balance at Dec 31	**12.5**	15.5

Ahlstrom's ownership in AM Real Estate S.r.l. remained unchanged 50%. AK Energy GmbH is disposed and included in the assets held for sale due to the coming disposal of Ahlstrom Osnabruck GmbH.

Financial information of major associated company

EUR million	**Domicile**	**Ownership (%)**	**Assets**	**Liabilities**	**Net sales**	**Profit/loss for the period**
2016						
AM Real Estate S.r.l.	Italy	**50.0**	**27.5**	**2.5**	**0.0**	**0.4**
AK Energie GmbH	Germany	**50.0**	**5.8**	**2.3**	**0.0**	**0.0**
2015						
AM Real Estate S.r.l.	Italy	50.0	27.3	2.8	0.0	0.4
AK Energie GmbH	Germany	50.0	5.4	1.9	0.0	0.0

Related party transactions with associated companies

EUR million	**2016**	2015
Sales of goods and services	**0.0**	0.0
Purchases of goods and services	**-10.7**	-10.9
Trade and other receivables	**0.0**	0.0
Trade and other payables	**0.0**	0.6

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

18. Other investments

Other investments consist of unlisted shares and interests amounting to EUR 0.3 million (EUR 0.3 million in 2015).

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	**2016**	2015
Cash, bank accounts and interest-bearing instruments with maturities of three months or less	**49.4**	47.3
Cash and cash equivalents in the balance sheet	**49.4**	47.3

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

Cash and cash equivalents don't include restricted cash of EUR 2.1 million. Restricted cash is reported under Other receivables.

Cash and cash equivalents of Ahlstrom Osnabruck Gmbh EUR 11.4 million are reported in Assets classified as held for sale.

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
2016							
Deferred tax assets							
Property, plant and equipment and intangible assets	4.6	-1.2	-	-	-	1.2	**4.6**
Employee benefit obligations	21.5	-3.8	0.1	-0.1	-	0.2	**17.9**
Tax loss carried forward and unused tax credits	58.3	-11.5	-	1.6	-	0.3	**48.7**
Other temporary differences	13.3	6.6	0.3	-	-	1.3	**21.5**
Total	97.7	-9.9	0.4	1.5	-	3.0	**92.7**
Offset against deferred tax liabilities	-26.6	-3.9	-	-	-	-2.6	**-33.1**
Deferred tax assets	71.0	-13.8	0.4	1.5	-	0.4	**59.6**
Deferred tax liabilities							
Property, plant and equipment and intangible assets	21.7	-2.1	-	-	-	0.3	**19.9**
Other temporary differences	6.9	5.7	-	-	-	2.7	**15.3**
Total	28.6	3.6	-	-	-	3.0	**35.2**
Offset against deferred tax assets	-26.6	-3.9	-	-	-	-2.6	**-33.1**
Deferred tax liabilities	2.0	-0.3	-	-	-	0.4	**2.1**
2015							
Deferred tax assets							
Property, plant and equipment and intangible assets	5.8	-1.3	-	-	-	0.1	4.6
Employee benefit obligations	18.6	-0.7	1.6	0.1	-	1.9	21.5
Tax loss carried forward and unused tax credits	66.7	-7.6	-	1.6	-	-2.4	58.3
Other temporary differences	13.2	1.9	-	-0.2	-	-1.6	13.3
Total	104.3	-7.7	1.6	1.5	-	-2.0	97.7
Offset against deferred tax liabilities	-26.1	-1.7	-	-	-	1.2	-26.6

Deferred tax assets	78.1	-9.4	1.6	1.5	-	-0.8	71.0
Deferred tax liabilities							
Property, plant and equipment and intangible assets	22.3	-2.7	-	-	-	2.1	21.7
Other temporary differences	5.6	4.3	0.1	-	-	-3.1	6.9
Total	27.9	1.6	0.1	-	-	-1.0	28.6
Offset against deferred tax assets	-26.1	-1.7	-	-	-	1.2	-26.6
Deferred tax liabilities	1.8	-0.1	0.1	-	-	0.2	2.0

Deferred tax assets and liabilities are offset when there is 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 taxes in the balance sheet.

The utilization of deferred tax assets of EUR 59.6 million (EUR 71.0 million in 2015) is dependant on the future taxable profits including the profits arising from reversal of existing taxable temporary differences. Based on the business plans utilization of these tax assets is probable.

As of December 31, 2016, the Group had tax loss carry forwards of EUR 265.5 million (EUR 338.1 million in 2015) in total, of which EUR 185.7 million (EUR 245.7 million in 2015) has no expiration period. Regarding losses amounting to EUR 87.7 million (EUR 122.0 million in 2015) no deferred tax asset was recognized due to the uncertainty of utilization of these tax loss carry forwards. Tax losses of Ahlstrom Osnabrück GmbH (sold in 2017) are not included in 2016 amounts.

21. Inventories

EUR million	2016	2015
Material and supplies	**45.4**	42.9
Work in progress	**15.4**	18.5
Finished goods	**46.4**	56.3
Advances paid	**0.0**	0.0
Total	**107.3**	117.6

In 2016, the write-downs and reversals of write-downs for finished goods totaled EUR +1.9 million (EUR -0.4 million in 2015).

22. Trade and other receivables

EUR million	2016	2015
Non-current		
Loan receivables	**2.2**	0.2
Trade receivables	**0.0**	0.0
Prepaid expenses and accrued income	**1.4**	1.7
Defined benefit pension asset	**0.0**	0.3
Other receivables	**3.6**	3.5
Total	**7.2**	5.8
Current		
Loan receivables	**-**	0.0
Trade receivables	**100.1**	118.5
Prepaid expenses and accrued income	**9.5**	13.0
Derivative financial instruments	**0.6**	0.9
Receivables from associated companies	**0.0**	0.0
Other receivables	**17.1**	19.4
Total	**127.3**	151.9

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

EUR million	2016	2015
Balance at Jan 1	**2.0**	2.2
Increase	**1.4**	0.2
Decrease	**-1.5**	-0.2
Recovery	**-0.0**	-0.1
Balance at Dec 31	**1.9**	2.0

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

EUR million	2016	2015
Not overdue	**88.4**	102.8
Overdue 1-30 days	**10.3**	12.4
Overdue 31-90 days	**1.1**	2.1
Overdue more than 90 days	**0.3**	1.2
Total	**100.1**	118.5

Specification of prepaid expenses and accrued income

EUR million	2016	2015
Prepaid expenses	**7.2**	10.2
Other tax receivables	**0.5**	2.1
Accrued interest income	**0.6**	0.7
Accrued discounts	**0.3**	0.0
Accrued insurance indemnification	**0.1**	0.3
Other	**2.1**	1.4
Total	**10.9**	14.7

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	Non-restricted equity reserve	Own shares	Total
Dec 31, 2014	46,225.3	70.0	61.1	-6.5	124.7
Sale of own shares	296.3	-	-	2.8	2.8
Dec 31, 2015	46,521.6	70.0	61.1	-3.7	127.5
Share based incentive plan	76.3	-	-	0.6	0.6
Dec 31, 2016	**46,597.9**	**70.0**	**61.1**	**-3.1**	**128.0**

As of December 31, 2016, Ahlstrom Corporation's share capital was EUR 70,005,912.00. The share capital is divided into 46,670,608 shares. All shares have one vote and an equal right to dividend. The shares have no nominal value.

Own shares

Total of 76,253 of Ahlstrom Corporation's own shares were transferred without consideration to the company's key personnel participating in the share-based long-term incentive plan 2013-2015. The directed issue was based on the authorization given by the Annual General Meeting of the Shareholders on March 26, 2015 and the subsequent decision by Ahlstrom's Board of Directors. After the transfer, Ahlstrom holds 72,752 own shares.

Reserves

The hedging reserve comprises the fair value changes of cash flow hedges qualifying for hedge accounting. The fair value reserve comprises the changes in the fair value of available-for-sale financial assets. 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

As of December 31, 2016, Ahlstrom had an EUR 100 million domestic hybrid bond issued in September 2013. The coupon rate of the bond is 7.875% per annum. The bond has no maturity but the company may exercise an early redemption option after four years. The bond is treated as equity in the consolidated financial statements. The arrangement fees at the issuance and the interests paid are recorded in the retained earnings of equity.

Dividends

After the balance sheet date, the Board of Directors proposed not to distribute dividends based on the financial statements of Ahlstrom for 2016.

After the balance sheet date, on January 11th, 2017, the EGM resolved in accordance with the proposal of the Board of Directors to authorize the Board of Directors to resolve, based on the audited financial statements of Ahlstrom for 2015, on the distribution of an extra dividend in the total amount of maximum EUR 0.49 per each outstanding share in the company (representing a maximum total amount of approximately EUR 22,832,949 after excluding the treasury shares held by the company) to the shareholders of Ahlstrom prior to the completion of the combination.

24. Employee benefit obligations

The Group has defined benefit plans in several countries, of which the most significant are in the United States. 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.

Total net liability excludes net liability of Ahlstrom Osnabruck Gmbh EUR 35.2 million which is included in Liabilities directly associated with assets classified as held for sale. The decrease in the present value of obligations and in the fair value of the plan assets resulted mainly due to arrangements done for the U.S. pension plans.

Employee benefits for key management are specified in note 32.

EUR million	**2016**	2015
Post-employment and other long-term benefit plans		
Employee benefits liability recognized in the balance sheet		
Present value of funded benefit obligations	**202.9**	248.9
Present value of unfunded benefit obligations	**27.4**	62.1
Fair value of plan assets	**-175.1**	-221.8
Deficit / Surplus	**55.2**	89.2
Effect of asset ceiling	**7.4**	9.0
Net defined benefit liability at Dec 31	**62.6**	98.3
Other long-term employee benefits	**1.7**	1.7
Total net liability at Dec 31	**64.2**	100.0

Amounts in the balance sheet		
Liabilities	**64.2**	100.3
Assets	**0.0**	0.3
Total net liability at Dec 31	**64.2**	100.0

Changes in the present value of obligations		
Present value of defined benefit obligation at Jan 1	**311.3**	296.6
Current and past service cost	**-0.6**	1.6
Interest cost	**10.6**	10.8
Remeasurement gain/loss on pension scheme liabilities	**16.6**	-5.1
Gains and losses on settlement	**-0.0**	-0.1
Benefits paid	**-20.9**	-15.6
Other changes	**-81.1**	-0.4

Translation differences	**-5.7**	23.6
Present value of defined benefit obligation at Dec 31	**230.3**	311.3

Changes in the fair value of the plan assets		
Fair value of plan assets at Jan 1	**221.8**	207.3
Interest income on plan assets	**8.2**	8.3
Remeasurement gain/loss on pension scheme assets	**11.3**	-5.7
Contributions by employer	**8.4**	8.5
Benefits paid	**-20.9**	-15.6
Other changes	**-45.6**	0.0
Translation differences	**-8.1**	19.0
Fair value of plan assets at Dec 31	**175.1**	221.8

Changes in the effect of asset ceiling		
Effect of asset ceiling at Jan 1	**9.0**	4.9
Change in asset ceiling	**-0.4**	3.8
Translation differences	**-1.3**	0.3
Effect of asset ceiling at Dec 31	**7.4**	9.0

Amounts recognized in income statement		
Personnel costs		
Current service cost	**-1.5**	-1.6
Past service cost	**2.0**	-0.0
Gains and losses on settlement	**0.0**	0.1
Finance costs		
Net interest cost	**-2.7**	-2.6
Cost recognized in income statement	**-2.2**	-4.1

Remeasurement effects recognized in other comprehensive income (OCI)		
Remeasurement gain/loss on pension scheme assets	**11.3**	-5.7
Remeasurement gain/loss on pension scheme liabilities	**-16.6**	5.1
Remeasurement gain/loss on change in asset ceiling	**0.6**	-3.6
Income tax relating to remeasurement effects	**0.1**	1.6
Remeasurement effects recognized in OCI	**-4.6**	-2.6

The Group expects to contribute EUR 11.8 million to its defined benefit plans in 2017.

Plan asset categories	2016	2015
Equity instruments (listed)	**24.4 %**	23.3 %
Debt instruments	**59.5 %**	61.0 %
Property	**0.1 %**	0.1 %
Other	**16.0 %**	15.6 %

Principal actuarial assumptions		
Europe		
Discount rate	**1.8 %**	2.1 %
Future salary increases	**1.1 %**	2.3 %
Future pension increases	**0.7 %**	1.4 %
North America		
Discount rate	**3.9 %**	3.8 %
Future salary increases	**2.1 %**	3.1 %
Future pension increases	**3.0 %**	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: United States: RP2014.

Sensitivity analyses: Discount rate impact on defined benefit obligation		
Discount rate change + 0,50 %	**-15.2**	-19.8
Discount rate change – 0,50 %	**17.2**	22.2

Sensitivities are calculated by changing discount rate while keeping other variables constant.

25. Provisions

EUR million	Restructuring	Environmental	Other	Total
2016				
Balance at Jan 1	4.8	0.9	2.2	7.9
Translation differences	0.0	-0.0	0.0	0.0
Increase in provisions	2.5	0.0	4.0	6.5
Used provisions	-5.4	-0.2	-2.2	-7.8
Reversal of provisions	-1.1	0.0	-0.4	-1.6
Balance at Dec 31	**0.8**	**0.7**	**3.6**	**5.1**
Non-current	0.0	0.2	0.9	1.2
Current	0.8	0.5	2.6	3.9
Total	**0.8**	**0.7**	**3.6**	**5.1**

Total provisions have decreased mainly as a result of using restructuring provisions. The provisions are for the most part expected to be used within 12 months.

Environmental provisions have mainly been made for landscaping of dumps in Finland and Sweden.

26. Interest-bearing loans and borrowings

EUR million	Fair value 2016	Fair value 2015	Carrying amount 2016	Carrying amount 2015	IFRS fair value hierarchy level
Non-current					
Loans from financial institutions	**-**	26.7	**-**	26.7	2
Other non-current loans	**103.6**	103.1	**100.4**	100.2	1
Total	**103.6**	129.8	**100.4**	126.9	
Current					
Current portion of non-current loans	**25.8**	12.6	**25.8**	12.6	2
Other current loans	**64.0**	103.7	**64.0**	103.7	2
Total	**89.8**	116.4	**89.8**	116.4	

The carrying amounts of non-current and current loans from financial institutions and other loans are measured at amortized cost using the effective interest rate. The fair value amounts are reasonable approximations of their carrying amounts. Other non-current loans includes a bond which is listed on the Nasdaq Helsinki.

In 2016, the capital weighted average interest rate for interest-bearing loans was 4.04 % (3.98 % in 2015).

Currency distribution

EUR million	2016	2015
Non-current interest-bearing liabilities:		
EUR	**100.4**	125.2
USD	-	-
CNY	-	1.7
Others	-	-
Current interest-bearing liabilities:		
EUR	**38.4**	39.0
USD	-	1.8
CNY	**51.4**	75.5
Others	-	-

27. Trade and other payables

EUR million	2016	2015
Non-current		
Accrued expenses and deferred income	-	0.0
Total	-	0.0
Current		
Trade payables	122.7	130.1
Accrued expenses and deferred income	50.0	40.3
Derivative financial instruments	0.9	1.4
Advances received	1.1	0.6
Liabilities to associated companies	0.0	0.6
Other current liabilities	22.8	10.5
Total	197.5	183.5
Specification of accrued expenses and deferred income		
Accrued wages, salaries and related cost	43.2	31.5
Accrued interest expense	1.9	1.7
Other	4.9	7.1
Total	50.0	40.3

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

EUR million	(Note)	Financial assets/ liabilities at fair value through profit and loss	Derivatives under hedge accounting	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Carrying amounts by balance sheet item	IFRS fair value hierarchy level
2016								
Non-current financial assets								
Other investments	(18)	-	-	-	0.3	-	**0.3**	
Other receivables	(22)	-	-	7.2	-	-	**7.2**	
Current financial assets								
Trade and other receivables	(22)	-	-	126.7	-	-	**126.7**	
Derivative financial instruments	(22,29)	0.6	0.0	-	-	-	**0.6**	2
Cash and cash equivalents	(19)	-	-	49.4	-	-	**49.4**	
Carrying amount by category		**0.6**	**0.0**	**183.3**	**0.3**	**-**	**184.2**	
Non-current financial liabilities								
Interest-bearing loans and borrowings	(26)	-	-	-	-	100.4	**100.4**	
Other liabilities	(27)	-	-	-	-	-	**-**	
Current financial liabilites								
Interest-bearing loans and borrowings	(26)	-	-	-	-	89.8	**89.8**	
Trade and other payables	(27)	-	-	-	-	196.6	**196.6**	
Derivative financial instruments	(27,29)	0.9	-	-	-	-	**0.9**	2
Carrying amount by category		**0.9**	**-**	**-**	**-**	**386.8**	**387.7**	

2015								
Non-current financial assets								
Other investments	(18)	-	-	-	0.3	-	0.3	
Other receivables	(22)	-	-	5.8	-	-	5.8	
Current financial assets								
Trade and other receivables	(22)	-	-	151.0	-	-	151.0	
Derivative financial instruments	(22,29)	0.4	0.5	-	-	-	0.9	2
Cash and cash equivalents	(19)	-	-	47.3	-	-	47.3	
Carrying amount by category		0.4	0.5	204.1	0.3	-	205.3	
Non-current financial liabilities								
Interest-bearing loans and borrowings	(26)	-	-	-	-	126.9	126.9	
Other liabilities	(27)	-	-	-	-	0.0	0.0	
Current financial liabilites								
Interest-bearing loans and borrowings	(26)	-	-	-	-	116.4	116.4	
Trade and other payables	(27)	-	-	-	-	182.0	182.0	
Derivative financial instruments	(27,29)	1.4	-	-	-	-	1.4	2
Carrying amount by category		1.4	-	-	-	425.3	426.7	

The Group's financial instruments measured at fair value belong to level 2 in the 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
2016							
Hedge accounting							
Foreign exchange forward contracts*	2.7	-	0.0	0.0	-	-	-
Total	**2.7**	**-**	**0.0**	**0.0**	**-**	**-**	**-**
Non-hedge accounting							
Foreign exchange forward contracts*	87.2	-	-0.3	0.5	-	-0.8	-
Total	**87.2**	**-**	**-0.3**	**0.5**	**-**	**-0.8**	**-**
2015							
Hedge accounting							
Foreign exchange forward contracts*	23.0	-	0.5	0.5	-	-	-
Total	23.0	-	0.5	0.5	-	-	-
Non-hedge accounting							
Foreign exchange forward contracts*	124.3	-	-1.0	0.3	-	-1.3	-
Total	124.3	-	-1.0	0.3	-	-1.3	-

* Outstanding foreign exchange forward contracts, nominal amount of EUR 90.0 million (EUR 147.2 million in 2015) relate to the hedging of the operational and financial cash flows and net investment in foreign operation.

The fair values of derivative financial instruments are the discounted cashflows calculated using existing forward prices of derivatives. The fair value of derivatives has been recognized as gross in the balance sheet.

The Group enters into derivative transactions under master netting agreements agreed with each counterparty. In case of an unlikely credit event, such as default, all outstanding transactions under the master netting agreements are terminated and only a single net amount per counterparty is payable in settlement of all transactions. The master netting agreements do not meet the criteria for offsetting in the balance sheet due to the reason that offsetting is enforceable only on the occurrence of certain future events. On the December 31, 2016, the financial impact of netting for instruments subject to an enforceable master netting agreement is EUR 0.3 million for derivative assets and EUR -0.6 million for derivative liabilities. On the December 31, 2015 the financial impact for derivative assets were EUR 0.2 and for derivative liabilities were EUR -0.8 million. The Group has not given or received collaterals relating to the derivatives.

30. Operating leases

EUR million	2016	2015
Minimum lease payments from operating lease contracts:		
Within one year	**5.8**	6.4
Between one and five years	**9.5**	12.2
More than five years	**5.2**	7.4
Total	**20.5**	26.1

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

In 2016, rental expenses from operating leases booked to income statement amounted to EUR 7.3 million (EUR 7.6 million in 2015).

31. Collaterals and commitments

EUR million	2016	2015
Mortgages	**6.3**	6.6
Pledges	**0.3**	0.1
Commitments		
Guarantees given on behalf of group companies	**52.8**	58.9
Capital expenditure commitments	**0.4**	0.3
Commitments on behalf of group companies	**1.1**	1.8
Other commitments	**6.2**	10.1

Guarantees given on behalf of Group companies include a pension liability guarantee EUR 29.4 million in the U.K. (EUR 32.9 million in 2015).

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, 2016 the Group parent company and subsidiaries are as follows

	Ownership interest, %	Country
Parent company Ahlstrom Corporation		Finland
Ahlstrom Asia Holdings Pte Ltd	100.0	Singapore
PT Ahlstrom Indonesia	100.0	Indonesia
Ahlstrom Barcelona, S.A.	100.0	Spain
Ahlstrom Brasil Indústria e Comércio de Papéis Especiais 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 Germany GmbH	100.0	Germany
Ahlstrom Osnabrück GmbH	100.0	Germany
Ahlstrom Glassfibre Oy	100.0	Finland
Ahlstrom Tver LLC	100.0	Russia
Ahlstrom Industries	100.0	France
Ahlstrom Brignoud	100.0	France
Ahlstrom Tampere Oy	100.0	Finland
Ahlstrom Specialties	100.0	France
Ahlstrom Italy S.p.A.	100.0	Italy
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 Product & Technology Center - Shanghai	100.0	China
Ahlstrom South Africa (Pty) Ltd	100.0	South Africa
Ahlstrom Ställdalen AB	100.0	Sweden
Ahlstrom Falun AB	100.0	Sweden
Ahlstrom USA Inc.	100.0	USA
Ahlstrom Filtration LLC	100.0	USA
Ahlstrom Nonwovens LLC	100.0	USA

Windsor Locks Canal Company	100.0	USA
Ahlstrom Vilnius UAB	100.0	Lithuania
Ahlstrom Warsaw Sp. Z.o.o	100.0	Poland
Ahlstrom Yulong (Shanghai) Specialty Paper Trading Co. Ltd	60.0	China
Ahlstrom Yulong Specialty Paper Company Limited	60.0	China
Akerlund & Rausing Kuban Holding GmbH	100.0	Germany
Ownership interest does not differ from the voting rights.		

Board remuneration		
EUR thousand	**2016**	2015
Board members at December 31, 2016		
Hans Sohlström, Chairman from April 5, 2016	**69**	-
Jan Inborr, Vice Chairman	**74**	58
Alexander Ehrnrooth	**56**	45
Johannes Gullichsen	**50**	38
Jan Johansson	**47**	-
Harri-Pekka Kaukonen	**53**	-
Riitta Viitala	**35**	-
Former Board members		
Panu Routila, Chairman until April 5, 2016	**29**	97
Robin Ahlström, Chairman until January 26, 2015	**0**	7
Lori J. Cross	**24**	66
Anders Moberg	**24**	71
Markus Rauramo	**20**	68
Esa Ikäheimonen	**0**	23
Daniel Meyer	**0**	15
Total	**479**	487

Employee benefits for key management		
Short-term employee benefits	**4,100**	3,106
Post-employment benefits	**194**	173
Total	**4,294**	3,279
Executive remuneration		
President and CEO Marco Levi until November 7, 2016	**1,007**	1,027
President and CEO Sakari Ahdekivi from November 7, 2016	**279**	-
Other Executive Management Team (EMT) members	**2,814**	2,079
Total	**4,100**	3,106

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 63, at the earliest. Pension cost for the CEO amounted EUR 172 thousand.

Share-based incentive plan

On December 15, 2010, Ahlstrom's Board of Directors approved a 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. There was no cost accrued for 2013. The accrued amount 2014 for the plan 2012-2014 was EUR 0.2 million and total pay out in 2015 was EUR 0.3 million. The accrued amount 2015 for the plan 2013-2015 was EUR 0.6 million and total pay out in 2016 was EUR 1.3 million.

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.

Ahlstrom's Board of Directors approved January 24th 2014 a new long-term share-based incentive plan for the Executive Management Team and other key employees, consisting of approximately 50 persons as part of the remuneration and commitment program. The aim of the plan is to align the objectives of the shareholders and the key employees in order to increase the value of the company.
The plan consists of earning periods beginning on January 1, 2014; on January 1, 2015 and on January 1, 2016, and potential rewards will be paid after the end of each earning period. The shares received as reward may not be transferred during a restriction period that ends three years after the beginning of the earning period.

If the targets set by the Board of Directors for the earning periods are achieved, the plan offers an opportunity to receive Ahlstrom shares and a cash proportion which the company uses for taxes and tax-related costs arising from the reward to be paid. The potential reward from the first earning period will be based on the Ahlstrom Group's net sales, earnings per share and percentage of sales from new products.

The accrued amount 2014 for the plan 2014 was EUR 0.2 million and total pay out in 2015 was EUR 0.5 million

The accrued amount 2015 for the plan 2015 was EUR 0.7 million and total pay out in 2016 was EUR 2.3 million.

As a rule, no reward will be paid if a key employee's employment or service ends before reward payment.

The targets for the earning period 2016 were set by Board of Directors and accrued amount in 2016 was EUR 6.8 million.
The Board of Directors decided that the President & CEO must hold 40 percent of the shares received on the basis of the plan as long as his service as the President and CEO continues, and the other members of the Executive Management Team must hold 40 percent of the shares received

on the basis of the plan for two years after the end of a three-year earning period or after the end of the restriction period.

Share ownership plan for previous management

This share ownership plan has been dissolved and the holding company Ahlcorp Oy liquidated.

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 2016.

Ahlstrom Corporation's Extraordinary General Meeting of Shareholders resolved on January 11, 2017 to approve, in accordance with the merger plan, the combination of Ahlstrom's and Munksjö Oyj's business operations through a statutory absorption merger of Ahlstrom into Munksjö pursuant to the Finnish Companies Act and approve the merger plan.

The meeting of the holders of Ahlstrom Corporation's EUR 100 000 000 senior unsecured callable fixed rate notes due 2019 was held on January 10, 2017. The holders of the Notes resolved to approve the proposals relating to granting consents and waivers and took decisions to amend the terms and conditions of the Notes. The Consents and Waivers became effective immediately upon approval at the meeting, and the Amendments will become effective at the completion of the statutory absorption merger of Ahlstrom into Munksjö Oyj as announced on November 7, 2016.

Ahlstrom has completed the sale of its German subsidiary with operations in Osnabrück to Kämmerer Paper Holding GmbH on January 3, 2017. The transaction was announced on November 7, 2016. The parties have agreed not to disclose the purchase price of the transaction

Key figures

EUR million	**2016**	2015	2014	2013	2012
Financial indicators					
Net sales	**1,085.9**	1,074.7	1,001.9	1,336.1	1,598.6
Net sales - Continuing operations	**1,085.9**	1,074.7	1,001.1	1,014.8	1,010.8
Personnel costs	**223.5**	216.6	211.0	268.2	304.7
% of net sales	**20.6**	20.2	21.1	20.1	19.1
Personnel costs - Continuing operations	**223.5**	216.6	210.9	219.2	213.3
% of net sales	**20.6**	20.2	21.1	21.6	21.1
Depreciation and amortization	**49.6**	67.0	58.4	51.3	72.9
Depreciation and amortization - Continuing operations	**49.6**	67.0	58.4	51.3	52.4
Impairment charges	**0.6**	7.5	10.7	59.0	-0.1
Impairment charges - Continuing operations	**0.6**	7.5	11.9	2.6	-0.1
Operating profit	**70.8**	21.9	7.7	-32.9	54.8
% of net sales	**6.5**	2.0	0.8	-2.5	3.4
Operating profit - Continuing operations	**70.8**	21.9	-3.7	10.7	21.8
% of net sales	**6.5**	2.0	-0.4	1.1	2.2
Net interest expense	**12.3**	16.4	17.9	18.2	18.8
% of net sales	**1.1**	1.5	1.8	1.4	1.2
Net interest expense - Continuing operations	**12.3**	16.4	17.9	17.4	17.7
% of net sales	**1.1**	1.5	1.8	1.7	1.8
Profit before taxes	**56.3**	22.6	2.1	53.8	20.4
% of net sales	**5.2**	2.1	0.2	4.0	1.3
Profit before taxes - Continuing operations	**56.3**	22.6	-9.4	-15.4	-6.4
% of net sales	**5.2**	2.1	-0.9	-1.5	-0.6
Profit for the period attributable to owners of the parent	**34.8**	9.2	3.6	61.0	1.6
% of net sales	**3.2**	0.9	0.4	4.6	0.1
Interest on hybrid bond for the period after taxes	**6.3**	6.3	6.3	6.5	5.7
Capital employed (end of period)	**506.0**	542.6	615.3	671.8	844.1
Capital employed (end of period) - Continuing operations	**506.0**	542.6	615.3	675.1	715.3
Interest-bearing net liabilities	**140.8**	195.9	253.8	291.7	303.4
Total equity	**315.8**	299.4	320.1	341.4	485.1
Return on capital employed (ROCE), %	**13.6**	3.9	1.3	-4.3	5.0
Return on capital employed (ROCE), % - Continuing operations	**13.6**	3.9	-0.5	0.9	2.3
Return on equity (ROE), %	**11.3**	2.8	-0.8	13.8	0.0
Equity ratio, %	**38.2**	35.8	34.8	35.2	36.2
Gearing ratio, % (Net debt to equity ratio)	**44.6**	65.4	79.3	85.5	62.5
Capital expenditure, excluding acquisitions	**37.9**	27.3	49.1	84.8	90.4
% of net sales	**3.5**	2.5	4.9	6.3	5.7

Capital expenditure, excluding acquisitions - Continuing operations	**37.9**	27.3	45.4	76.1	74.1
% of net sales	**3.5**	2.5	4.5	7.5	7.3
R&D expenditure	**15.8**	20.9	17.5	19.9	18.6
% of net sales	**1.5**	1.9	1.7	1.5	1.2
R&D expenditure - Continuing operations	**15.8**	20.9	17.5	19.3	17.1
% of net sales	**1.5**	1.9	1.7	1.9	1.7
Net cash from operating activities	**125.8**	60.0	35.4	41.0	78.7
Number of employees, year-end	**3,233**	3,311	3,401	3,573	5,145
Number of employees, year-end - Continuing operations	**3,233**	3,311	3,401	3,536	3,829
Number of employees, annual average	**3,286**	3,376	3,499	4,490	5,141
Net sales per employee, EUR thousands	**330**	318	286	298	311
Number of employees, annual average - Continuing operations	**3,286**	3,376	3,493	3,744	3,825
Net sales per employee, EUR thousands	**330**	318	287	271	264
Share indicators					
Earnings per share, EUR	**0.61**	0.06	-0.06	1.17	-0.09
Earnings per share, EUR - Continuing operations	**0.61**	0.06	-0.22	-0.46	-0.44
Earnings per share, diluted, EUR	**0.61**	0.06	-0.06	1.17	-0.09
Effect of the interest on hybrid bond for the period after taxes, EUR	**0.13**	0.13	0.13	0.14	0.12
Equity per share, EUR	**4.53**	4.20	4.65	5.04	8.50
Dividend per share, EUR	***0,49**	0.31	0.30	0.30	0.63
Payout ratio, %	**n/a**	491.3	n/a	25.6	n/a
Number of outstanding shares at the end of the period (1,000 shares)	**46,597.9**	46,521.6	46,225.3	46,105.3	46,105.3
Own shares held by the parent company at the end of the period (1,000 shares)	**72.8**	149.0	149.0	269.0	269.0
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)	**46,573.4**	46,420.9	46,170.7	46,105.3	46,105.3

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

*)The EGM, held on January 11th, 2017, resolved to authorize the Board of Directors to resolve, based on the audited financial statements of Ahlstrom for 2015, on the distribution of an extra dividend in the total amount of maximum EUR 0.49 per each outstanding share to the shareholders of Ahlstrom prior to the completion of the combination.

Calculation of key figures

Interest-bearing net liabilities	Interest-bearing loans and borrowings - Cash and cash equivalents - Other investments (current)
Equity ratio, %	$\frac{\text{Total equity}}{\text{Total assets - Advances received}} \times 100$
Gearing ratio, %	$\frac{\text{Interest-bearing net liabilities}}{\text{Total equity}} \times 100$
Return on equity (ROE), %	$\frac{\text{Profit (loss) for the period}}{\text{Total equity (annual average)}} \times 100$
Return on capital employed (ROCE), %	$\frac{\text{Profit (loss) before taxes + Financing expenses}}{\text{Total assets (annual average) - Non-interest bearing liabilities (annual average)}} \times 100$
Return on capital employed (RONA), %	$\frac{\text{Operating profit/loss}}{\text{Working capital (annual average) + Property, plant and equipment and Intangible assets (annual average)}} \times 100$
Basic earnings per share, EUR	$\frac{\text{Profit (loss) for the period - Non-controlling interest - Interest on hybrid bond for the period, net of tax}}{\text{Average number of shares during the period}}$
Diluted earnings per share, EUR	$\frac{\text{Profit (loss) for the period - Non-controlling interest - Interest on hybrid bond for the period, net of tax}}{\text{Average diluted number of shares during the period}}$
Equity per share, EUR	$\frac{\text{Equity attributable to owners of the parent}}{\text{Number of outstanding shares at the end of the period}}$

Parent company financial statements, FAS

Contents

Income statement

EUR million	Note	2016	2015
Net sales	1	**75.2**	80.3
Other operating income		**0.0**	9.6
Personnel costs	2	**-13.2**	-8.3
Depreciation and amortization	7	**-1.5**	-1.6
Other operating expense	3	**-34.0**	-43.7
		-48.7	-53.6
Operating profit		**26.5**	36.3
Financing income and expense			
Interest and other financing income	4	**5.7**	8.6
Change in value of investments held as non-current assets		**-10.0**	0.2
Interest and other financing expense	5	**-16.3**	-18.9
Gains and losses on foreign currency		**-0.5**	0.2
		-21.1	-10.0
Profit/loss before appropriations and taxes		**5.4**	26.3
Appropriations			
Change in cumulative accelerated depreciation		**0.0**	0.3
Group contributions		**-14.5**	1.5
Income taxes	6	**0.7**	-4.0
Profit/loss for the period		**-8.4**	24.2

Balance sheet

EUR million	Note	**Dec 31, 2016**	Dec 31, 2015
Assets			
Non-current assets			
Intangible assets	7		
Intangible rights		**9.2**	3.0
Advances paid		**1.1**	1.4
		10.3	4.3
Tangible assets	7		
Land and water areas		**0.0**	0.0
Machinery and equipment		**0.5**	0.5
Other tangible assets		**0.1**	0.1
		0.6	0.6
Long-term investments	8		
Shares in Group companies		**720.7**	711.3
Shares in associated companies		**9.9**	9.9
Shares in other companies		**0.1**	0.1
		730.7	721.3
Current assets			
Long-term receivables			
Receivables from Group companies	14	**68.7**	77.8
Loans receivable		**-**	-
Deferred tax assets	13	**0.7**	0.7
Prepaid expenses and accrued income	9	**0.2**	0.4
		69.6	78.9
Short-term receivables			
Trade receivables		**0.1**	0.9
Receivables from Group companies	14	**11.9**	11.5
Deferred tax assets	13	**0.9**	0.0
Other short-term receivables		**0.3**	-
Prepaid expenses and accrued income	9	**0.9**	1.8
		14.1	14.3
Cash and cash equivalents		**8.5**	5.2
Total assets		**833.8**	824.6

EUR million	Note	Dec 31, 2016	Dec 31, 2015
Shareholders' equity and liabilities			
Shareholders' equity	10		
Share capital		**70.0**	70.0
Non-restricted equity reserve		**61.1**	61.1
Retained earnings		**340.8**	330.5
Profit/loss for the period		**-8.4**	24.2
		463.5	485.8
Appropriations			
Cumulative accelerated depreciation		**0.5**	0.5
Provisions for contingencies	12	**3.5**	3.7
Liabilities			
Long-term liabilities	11		
Hybrid bond		**-**	100.0
Bonds		**99.6**	99.5
Loans from financial institutions		**-**	25.0
Loans from associated companies	15	**0.7**	0.7
		100.3	225.2
Short-term liabilities			
Hybrid bond		**100.0**	-
Bonds		**-**	-
Loans from financial institutions		**35.0**	38.9
Pension loans		**-**	-
Trade payables		**2.0**	1.7
Liabilities to Group companies	14	**119.2**	59.1
Other short-term liabilities		**0.5**	0.8
Accrued expenses and deferred income	16	**9.3**	8.9
		266.0	109.4
Total liabilities		**366.3**	334.6
Total shareholders' equity and liabilities		**833.8**	824.6

Statement of cash flows

EUR million	2016	2015
Cash flow from operating activities		
Operating profit	**26.5**	36.3
Depreciation, amortization and write-downs	**1.5**	1.6
Other adjustments	**0.5**	-9.3
Operating profit before change in net working capital	**28.5**	28.6
Change in net working capital	**15.3**	0.1
Cash generated from operations	**43.8**	28.7
Interest income	**5.2**	6.9
Interest and other financing expense	**-14.9**	-18.1
Gains and losses on foreign currency	**-1.6**	0.2
Income taxes	**-0.2**	0.1
Net cash from operating activities	**32.3**	17.8
Cash flow from investing activities		
Capital expenditures	**-7.8**	-2.0
Capital injections in Group companies	**-35.0**	-44.6
Capital repayments from Group companies	**15.6**	0.1
Proceeds from sale of associated companies	**-**	-
Proceeds from sale of other long-term investments	**-**	45.3
Proceeds from sale of non-current assets	**0.2**	0.4
Dividends received	**-**	-
Net cash used in investing activities	**-27.0**	-0.8
Cash flow from financing activities		
Change in notes receivable and short-term investments	**4.4**	31.4
Change in long-term debt	**-8.9**	-65.9
Change in short-term debt	**15.5**	24.1
Dividends paid	**-14.5**	-14.0
Group contributions	**1.5**	3.8
Net cash used in financing activities	**-2.0**	-20.6
Net change in cash and cash equivalents	**3.3**	-3.6
Cash and cash equivalents at the beginning of the period	**5.2**	8.8
Cash and cash equivalents at the end of the period	**8.5**	5.2

Accounting principles

Company information

Ahlstrom Corporation is the parent company of the Ahlstrom Group and acts as a holding company for its subsidiaries. The parent company coordinates the treasury functions of Ahlstrom and also the group internal financing. In addition, the parent company sells sales, management and other administrative services to its subsidiaries. The shares of Ahlstrom Corporation are listed on the Nasdaq 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.

Financial items and derivative contracts

Derivative financial instruments include foreign exchange forward contracts. They are used for hedging purposes, to decrease currency and interest rate risk. Derivative contracts are initially recognised at fair value and subsequently re-measured at their fair value through profit and loss in accordance with the fair value principles in FAS. Fair values are measured using the balance sheet date market prices.

Other loans and receivables and other financial liabilities are measured at amortized cost. Loans and receivables consist of cash and cash equivalents, loans and trade and other receivables. Other financial liabilities includes interest-bearing liabilities and trade and other liabilities.

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 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.

Notes to the parent company financial statements

Contents

1. Distribution of net sales

EUR million	**2016**	2015
USA	**21.1**	23.5
France	**14.3**	13.3
Italy	**8.2**	8.0
Finland	**6.4**	7.2
Germany	**5.2**	6.6
South Korea	**4.5**	4.7
United Kingdom	**4.2**	4.7
Sweden	**3.8**	4.0
China	**2.3**	1.8
Russia	**1.9**	1.8
Belgium	**1.2**	1.4
India	**1.1**	1.6
Brazil	**1.0**	1.7
Total	**75.2**	80.3

2. Personnel costs

EUR million	2016	2015
Remuneration of board members	**-0.5**	-0.5
Remuneration and bonuses of managing director	**-2.6**	-1.0
Other wages and salaries	**-8.5**	-5.8
Pension costs	**-1.3**	-0.7
Other wage-related costs	**-0.3**	-0.3
Total	**-13.2**	-8.3

The President and CEO and other members of the Executive Management 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 63, at the earliest. The pension cost for the CEO amounted to EUR 172,000 in 2016.

Average number of personnel		
Salaried	**48**	45

3. Auditors' fees

EUR million	**2016**	2015
To PricewaterhouseCoopers		
Audit	**-0.1**	-0.1
Tax services	**-0.1**	0.0
Other services	**-0.5**	-0.4
Total	**-0.7**	-0.5

4. Interest and other financing income

EUR million	**2016**	2015
from Group companies	**5.4**	8.2
from others	**0.3**	0.4
Total	**5.7**	8.6

5. Interest and other financing expense

EUR million	**2016**	2015
to Group companies	**-0.6**	-0.3
to others	**-15.7**	-18.6
Total	**-16.3**	-18.9

6. Income taxes

EUR million	**2016**	2015
Taxes for current and previous years	**-0.2**	-0.9
Deferred taxes	**0.9**	-3.1
Income taxes in the income statement	**0.7**	-4.0

7. Intangible and tangible assets

EUR million	Intangible rights	Land and water areas	Machinery and equipment	Other tangible assets
2016				
Historical cost at Jan 1	11.2	-	0.8	0.1
Increases	7.6	-	0.1	-
Decreases	-0.7	-	-0.1	-
Historical cost at Dec 31	**18.1**	**-**	**0.8**	**0.1**
Accumulated depreciation and amortization at Jan 1	6.9	-	0.3	-
Depreciation and amortization for the fiscal year	1.4	-	0.1	-
Decreases	-0.5	-	-0.1	-
Accumulated depreciation and amortization at Dec 31	**7.8**	**-**	**0.3**	**-**
Book value at Dec 31, 2016	**10.3**	**-**	**0.5**	**0.1**
2015				
Historical cost at Jan 1	10.1	0.4	0.9	0.1
Increases	2.0	-	-	-
Decreases	-0.9	-0.4	-0.1	-
Historical cost at Dec 31	11.2	**-**	0.8	0.1
Accumulated depreciation and amortization at Jan 1	6.2	-	0.3	-
Depreciation and amortization for the fiscal year	1.5	-	0.1	-
Decreases	-0.8	-	-0.1	-
Accumulated depreciation and amortization at Dec 31	6.9	-	0.3	**-**
Book value at Dec 31, 2015	4.3	-.0	0.5	0.1

8. Long-term investments

EUR million	Shares in Group companies	Receivables from Group companies	Shares in associated companies	Shares in other companies
2016				
Historical cost at Jan 1	868.1	-	9.9	0.1
Increases	35.0	-	-	-
Decreases	-15.6	-	-	-
Historical cost at Dec 31	**887.5**	**-**	**9.9**	**0.1**
Value reductions at Jan 1	156.8	-	-	-
Value reductions recognized/reversed	10.0	-	-	-
Decreases	-	-	-	-
Value reductions at Dec 31	**166.8**	**-**	-	-
Book value at Dec 31, 2016	**720.7**	**-**	**9.9**	**0.1**
2015				
Historical cost at Jan 1	835.1	12.8	9.9	38.2
Increases	44.6	-	-	-
Decreases	-11.6	-12.8	-	-38.1
Historical cost at Dec 31	868.1	**-**	9.9	0.1
Value reductions at Jan 1	156.8	12.8	-	-
Value reductions recognized/reversed	-	-	-	-
Decreases	-	-12.8	-	-
Value reductions at Dec 31	156.8	**-**	-	-
Book value at Dec 31, 2015	711.3	-	9.9	0.1

9. Prepaid expenses and accrued income

EUR million	2016	2015
Long-term		
Loan arrangement fees	**0.2**	0.4
Short-term		
Accruals of hedging contracts	**0.5**	0.8
Loan arrangement fees	**0.3**	0.3
Accrued personnel costs	**-**	0.7
Other	**0.1**	0.0
Total	**0.9**	1.8

10. Shareholders' equity

EUR million	**2016**	2015
Balance at Jan 1	**485.8**	475.7
Dividends paid	**-14.4**	-14.0
Donations	**-0.1**	-0.1
Transfer of own shares	**0.6**	-
Net profit/loss	**-8.4**	24.2
Balance at Dec 31	**463.5**	485.8

As of December 31, 2016, 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.

11. Maturity profile of long-term liabilities

EUR million	2018	2019	2020	2021	2022-	Total
2016						
Hybrid bond	-	-	-	-	-	0.0
Bonds	-	99.6	-	-	-	99.6
Loans from financial institutions	-	-	-	-	-	0.0
Loans from associated companies	0.7	-	-	-	-	0.7
Total	**0.7**	**99.6**	**0.0**	**-**	**-**	**100.3**

EUR million	2017	2018	2019	2020	2021-	Total
2015						
Hybrid bond	100.0	-	-	-	-	100.0
Bonds	-	-	99.5	-	-	99.5
Loans from financial institutions	25.0	-	-	-	-	25.0
Loans from associated companies	-	0.7	-	-	-	0.7
Total	125.0	0.7	99.5	-	-	225.2

12. Provisions for contingencies

EUR million	**2016**	2015
Environmental responsibility	**0.1**	0.1
Pension and other employee benefit plan liabilities	**3.4**	3.6
Total	**3.5**	3.7

13. Deferred tax assets

EUR million	**2016**	2015
Long-term assets	**0.7**	0.7
Short-term assets	**0.9**	0.0
Total	**1.6**	0.7
Arising from:		
Temporary differences	**1.6**	0.7

14. Receivables from and liabilities to Group companies

EUR million	2016	2015
Long-term notes receivable	**68.7**	77.8
Trade receivables	**0.1**	1.0
Notes receivable	**11.5**	6.7
Prepaid expenses and accrued income	**0.3**	3.8
Total	**80.6**	89.3
Trade payables	**1.3**	1.7
Accrued expenses and deferred income	**0.1**	0.5
Other short-term liabilities	**117.8**	56.9
Total	**119.2**	59.1

15. Receivables from and liabilities to associated companies

EUR million	**2016**	2015
Long-term loans	**0.7**	0.7

16. Accrued expenses and deferred income

EUR million	2016	2015
Short-term		
Accrued personnel costs	**4.9**	2.3
Accrued interest expense	**2.9**	2.9
Accruals of hedging contracts	**0.5**	1.4
Other	**1.0**	2.3
Total	**9.3**	8.9

17. Commitments and contingent liabilities

EUR million	**2016**	2015
For commitments of Group companies:		
Guarantees	**160.4**	229.8
Leasing commitments		
Current portion	**1.2**	1.2
Long-term portion	**4.7**	6.5

18. Shares in subsidiaries

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

19. Nominal and fair values of derivative financial instruments

EUR million	**Nominal values 2016**	Nominal values 2015	**Fair values 2016**	Fair values 2015
Foreign exchange forward contracts				
Group companies	**12.4**	53.4	**0.0**	-0.3
Others	**76.9**	134.5	**0.0**	-0.6

Derivatives are hedging transactions in line with Ahlstrom Group hedging policy. Derivatives are recognized at fair value (fair value hierarchy level 2). More information about the valuation principles of derivatives can be found in note 29 to the consolidated financial statements.

Principles of financial risk management in Ahlstrom group 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, 2016 shows:

	EUR
Retained earnings	330,508,456.79
Non-restricted equity reserve	61,146,256.56
Loss for the period	-8,431,591.68
Total	393,524,617.87
Extra dividend for 2015)*	-22,832,949.44
Total distributable funds	**370,691,668.43**

*)The EGM, held on January 11, 2017, resolved to authorize the Board of Directors to resolve, based on the audited financial statements of Ahlstrom for 2015, on the distribution of an extra dividend in the total amount of maximum EUR 0.49 per each outstanding share to the shareholders of Ahlstrom prior to the completion of the combination. The extra dividend shall be paid prior to the registration of the execution of the merger. The authorization shall be valid until the close of the next Annual General Meeting of Ahlstrom.

The Board of Directors proposes to the shareholders' meeting**) as follows:

	EUR
- no dividend to be paid from the retained earnings corresponding to	-
- to be retained in non-restricted equity reserve	61,146,256.56
- to be retained in retained earnings	309,545,411.87
- to be retained in retained earnings, extra dividend for 2015*)	22,832,949.44
	393,524,617.87

**) Shareholders' meeting to be held in 2017 after the completion of the merger with Munksjö Oyj.

Helsinki, January 27, 2017

	Hans Sohlström	
Alexander Ehrnrooth	Johannes Gullichsen	Jan Inborr
Jan Johansson	Harri-Pekka Kaukonen	Riitta Viitala
	Sakari Ahdekivi Interim President & CEO	

Auditor's report

To the Annual General Meeting of Ahlstrom Corporation

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial performance and financial position in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

What we have audited

We audited the financial statements of Ahlstrom Oyj (business identity code 1670043-1) for the year ended 31 December, 2016. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our Audit Approach

Overview

Materiality

- Overall group materiality: € 10 million

Group scoping

- In addition to parent company our group scope consists of 11 subsidiaries in 7 countries. For the group audit purposes specific key business process areas and specified account balances were included in group scope.

Key audit matters

- Revenue recognition in correct period
- Goodwill impairment test and impairment of property plant and equipment
- Deferred tax assets
- Defined benefit pension plan obligations

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€ 10 million
How we determined it	Materiality was calculated based on Ahlstrom group total external net sales in the financial statement 2016 using 1% rule of thumb.
Rationale for the materiality benchmark applied	*We applied total revenues as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 1% as a applied percentage share.*

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the Ahlstrom Corporation , the accounting processes and controls, and the industry in which the group operates. Ahlstrom Corporation operates in 22 countries located in America, EMEA and Asia where in all regions it has all together 28 manufacturing plants and sales offices.

We determined the type of work that needed to be performed at group companies by us, as the group engagement team, or by auditors from other PwC network firms operating under our instruction. Audits were performed in group companies which are considered significant either because of their individual financial significance or due to their specific nature, covering the vast majority of revenue, assets and liabilities of the Group. We performed selected specified procedures as well as analytical procedures to cover the remaining companies.

By performing the procedures above at reporting components, combined with additional procedures at the Group level, we have obtained sufficient and appropriate evidence regarding the financial information of the Group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Revenue recognition in correct period *Refer to note 5 in the financial statements* The group's revenues comprise sales of different innovative high quality fiber-based materials which are used in e.g. filters, medical gowns and drapes, diagnostics, wallcovers, and beverage and food packaging. Net sales are the net of revenues from the sale of products adjusted by indirect taxes, returns, rebates, discounts and other credits. Revenue from product sales is recognised when ownership of goods and the material risk related to ownership have been transferred to the buyer or other responsible party. However, in practice revenue is recognised in the system whenever goods leave the plants regardless of the specific incoterms. In order to ensure correct revenue cut-off at year end an exception report is prepared in every country, which provides details of sales recorded in the period, and for which risk and rewards of ownership have not yet been transferred. These country specific reports are compiled into one report at group level for group management 's assessment as to whether a top side entry at group level is required to in order adjust the revenue recognised at the year end. The automatic revenue recognition and manual correction introduce a risk that not all erroneously recognised revenue is recognized detected and corrected.	We performed audit procedures in accordance with our materiality connected with cut-off of revenue recognition. We obtained, understood and evaluated management's assessment around the revenue cut-off difference. We tested relevant IT systems related to revenue. We performed substantive testing covering the timing of revenue recognition and we reconciled country-specific findings to a group-level summary. Our substantive test of revenue included: • testing a sample of transactions occurring within proximity of the financial year-end • testing journal entries posted to revenue on a sample basis • testing revenue related balances recognised in the balance Based on the procedures performed we were able to assess management analysis and conclusion not to book a top side entry to adjust the revenue at year end.

Due to the abovementioned risk factors we consider revenue cut-off in revenue recognition to constitute a key audit matter in the audit of the group.

Goodwill impairment test and impairment of property plant and equipment *Refer to notes 10, 15 and 16* As the Company business is the manufacturing of different fibre-based materials to the market it has several plants across the world with significant individual manufacturing machinery. Ahlstrom has two reporting segments, Specialties and Filtration, that consist of eight separate cash generating units (CGU). Goodwill at the company is stated at original cost less any accumulated impairment losses and it is allocated to cash-generating units. The largest goodwill balances are recorded under Transportation filtration and Medical nonwoven CGUs. A goodwill impairment test is performed twice a year. For the impairment test management key assumptions are the terminal growth rate and indefinite terminal life time and discount rate, which is based on the market view of the time-value of money and on other specific risks related to the assets. Particularly assumptions relating to the cash flow forecast and the applied discount rate are judgmental, which is why we decided to concentrate on those. The remaining goodwill relates to businesses for which the company assessed that there is ample headroom before any required impairment would be booked. The carrying amounts of the company's assets are reviewed continuously to determine whether there are any indications of impairment. Even though no indications that the Group's property, plant and equipment assets would be impaired were identified, management has assessed the recoverable amount of the tangible assets in connection with the goodwill impairment test. As described above, the key assumptions of the impairment calculation relate to each units cash flow and discount rate. There is a risk the estimates used in the calculations will differ from the actual outcome. Due to the abovementioned accounting estimates, including estimation uncertainty, we consider impairment of goodwill and impairment of property plant and equipment to constitute a key audit matter in the audit of the group.	We obtained an understanding of, and evaluated management's impairment models. Our audit procedures included an evaluation of the Group's budgeting procedures, upon which forecasts are based, and an assessment of the principles used in management's discounted cash flow models. We evaluated the company's future cash flow forecast in connection with discussions with the management. We performed the following audit procedures: • we evaluated the reliability of estimates used by management by comparing forecasts made in prior years to actual outcomes at the CGU level • we performed a sensitivity analysis around key assumptions in order to ascertain the extent of change in those assumptions individually that would be required for the goodwill to be impaired • we assessed key inputs in the calculations such as revenue growth, EBITDA and discount rate, by reference to management's forecasts • we tested the mathematical accuracy of the calculations derived from the forecast model • we compared the used assumptions to market information and the information we have about the Company. In addition to the above described audit procedures relating to the goodwill impairment test our substantive audit procedures included: • comparing individual cash generating assets recoverable amount to their carrying values in the financial statements. Furthermore we have focused on the adequacy of the disclosures in the note for impairment.

Deferred tax assets
Refer to note 20 in the financial statements

At 31 December, 2016 the Group had deferred tax assets related to tax losses carried forward of € 49 million recognized in the balance sheet. Deferred tax assets constitute a material balance in the group consolidated financial statement.

The assessment of the recognition and recoverability of deferred tax assets was significant to our audit because the amounts are material, the assessment process is judgmental and is based on assumptions that are affected by expected future market or economic conditions.

Due to the abovementioned factors including accounting estimates that have been identified as having high estimation uncertainty we consider deferred tax assets to constitute a key audit matter in the audit of the group.

We audited the tax losses available to the company focusing on the most significant amounts that were subject to judgment. We analysed the evidence provided by the Company, related to whether taxable income will arise, against which the tax losses and other deductible temporary differences for which the deferred tax assets have been booked may be utilized.
To the extent that a group entity has made losses, and does not have temporary differences which will result in taxable income against which the deferred tax assets can be utilized, we focused the following:

- has the result of the group entity already turned positive:
- have the tax losses resulted from identifiable causes, which are unlikely to recur, taking into account the actions taken by the company to improve the profitability of the entity.

We have also critically assessed whether the Company has presented objective evidence that that the entity will have sufficient taxable profit before the unused tax losses expire, taking into account limitations set out in local tax laws for the use of tax losses, and if applicable, verified that the evidence provided is in line with other audit evidence.

Defined benefit pension plan obligations
Refer to note 24 in the financial statements
The company has defined benefit pension plans in several countries totaling € 63 million, of which the most significant are in the United States. The plans are, in accordance with the local laws and practices, either funded or unfunded. The obligations of defined benefit pension plans are defined separately for each plan based on the calculations by authorized actuaries.

The defined benefit pension plan obligation is a significant balance, involves judgment, and technical expertise and significant assumptions are used in the calculations.
Due to the abovementioned factors including accounting estimates that have been identified as having high estimation uncertainty we consider defined benefit pension plan obligations to constitute a key audit matter in the audit of the group.

We performed audit procedures in accordance with our materiality to assess the valuation of the defined pension benefit obligations. We involved a PwC pension expert to assist us in evaluating the actuarial and demographic assumptions and valuation methodologies used by the group to assess the pension obligations.
Our audit procedures focused on the discount rate and reasonableness of the actuarial model used to value the IAS 19 projected benefit obligation. We reviewed the actuarial gains and losses because as we considered these to have the most significant effect on the obligations.
The calculation for pension obligation also includes assumptions, which some are as a rule stable like inflation, mortality, benefit increase and salary increase. We evaluated relevance and reasonableness of these key actuarial assumptions, including the rationale for any changes. In addition we analysed yearly movements of census data.
We performed the following audit procedures:

- we compared the discount rate used in the valuation of pension obligations to our internally developed benchmarks
- we compared the assumptions around salary increases and mortality to national and industry averages
- we reviewed the development of the number of plan members used in calculating the pension obligations.

	In addition, we assessed whether the pension schemes were calculated, classified and disclosed in accordance with the revised IAS 19 standard in the financial statements.
We have no key audit matters to report with respect to our audit of the parent company financial statements.	

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director 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, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial

statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our auditor’s report thereon. We obtained the report of the Board of Directors prior to the date of this auditor’s report and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the information included in the report of the Board of Directors, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 10 February 2017

PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Katajisto
Authorised Public Accountant

(This is a translation of the Finnish original.)

Investors

Ahlstrom as an investment

Ahlstrom produces innovative fiber-based materials with a function in everyday life. They enable the required functionality and sustainability of our customers' products.

Four reasons to invest

Markets

Ahlstrom is a worldwide leader in the USD 30 billion annual fiber-based materials market. Our growth is supported by global megatrends and we are well positioned to grow in:

- Environmentally friendly and energy efficient filtration
- Compostable food and beverage packaging
- Ease-of use life science and diagnostics as well as performance-driven medical fabrics
- High-quality construction and home decoration materials

Performance

We have an improving track record with three years of continuous improvement in profitability and balance sheet, driven by enhanced margin through commercial excellence, better product mix as well as improved operational efficiency and lower costs.

Strategy

We are committed to growing and creating value by providing the best performing sustainable fiber-based materials. Our vision is to be our customers' first choice. With the four strategic themes listed bellow, we are building a stronger, leaner and unified company, and they will help us to reach our long-term financial targets:

- Commercial Excellence
- Lean operating model
- Organic growth via higher asset turnover
- Growth via new platforms

Merger with Munksjö

On November 7, 2016, Ahlstrom Corporation and Munksjö Oyj announced a plan merge the two companies. The combination will create a global leader in innovative and sustainable fiber-based solutions. The combination is expected to create significant value for the stakeholders in the combined company through stronger global growth opportunities and improved operational efficiency. The combined company's growth ambitions will be supported by a strong balance sheet and strong cash flow generation.

Engaging investors

Our shareholders and the financial community at large have shown a great deal of interest to Ahlstrom's improving financial performance and share price development last year. In addition, the announced plan to merge with Munksjö Oyj was under the microscope.

Ahlstrom's Investor Relations function maintains a continuous dialogue with the financial community. The main goal of this is to support a true and fair valuation of the Ahlstrom share at all times by providing correct, adequate and consistent information to the market in a timely manner. Ahlstrom follows the principle of transparency and impartiality and aims to provide the best possible service to its stakeholders. For more details, please read our Disclosure Policy on our **website**.

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.

Investor materials

Quarterly interim reports and briefings are regular disclosure updates that Ahlstrom provides to the financial community and public at large. The recordings of the briefings are available on-demand at the company's website. In addition, several meetings with analysts, investors and representatives of the media were held during the year and the company participated on private investor events.

Ahlstrom publishes its annual and interim reports as well as all stock exchange and press releases in Finnish and English. All the above mentioned materials are available at **www.ahlstrom.com**.

Outlook

Ahlstrom does not provide an outlook for the year 2017 due to the planned merger with Munksjö, which is expected to be completed at the beginning of the second quarter of 2017.

Additional information

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

Financial calender 2017

Financial statements release 2016
Date of publication: Friday, January 27, 2017

Annual report 2016
Date of publication: Week starting February 20, 2017

Interim report January-March 2017
Date of publication: Tuesday, April 25

The Board of Directors has not convened the Annual General Meeting in 2017 due to the planned merger with Munksjö.

Equity research

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

- Evli Bank
- Kepler Cheuvreux

- 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.

Contacts

Investors

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Communications

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VP, Communications
tel: +358 10 888 4738

Shares and shareholders

Ahlstrom's shares are listed on the Nasdaq 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 2016, 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 2016, a total of 8.1 million Ahlstrom shares were traded for a total of EUR 89.0 million. This represented 17.4% of the outstanding number of shares at the end of the reporting period (4.3% in 2015). The lowest trading price was EUR 6.75 and the highest was EUR 15.79. The closing price on December 30, 2016 was EUR 15.12. The market capitalization at the end of the review period was EUR 704.6 million, excluding the shares owned by the parent company.

On December 31, 2016, Ahlstrom held a total of 72,752 of its own shares, corresponding to approximately 0.16% of the total shares and votes.

- **Ahlstrom share price performance in 2016: +104.6%**
- **Ahlstrom share price performance in 2012-2016: +64.9%**

Share related key figures

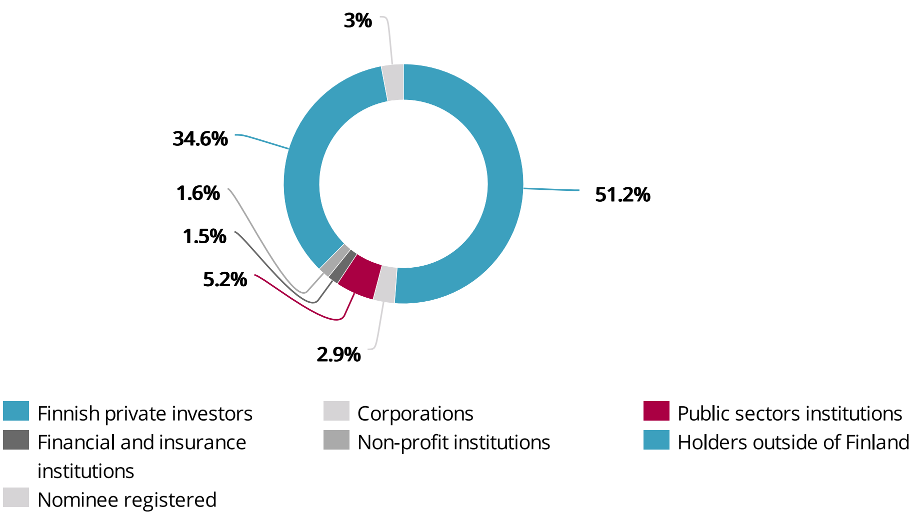
EUR	2016	2015	2014
Earnings per share	0.61	0.06	-0.22
Dividend per share	0.49*	0.31	0.3
Dividend yield, %	3.2	4.2	3.7
Equity per share	4.53	4.20	4.65
Average number of shares during the period, 1,000s	46,670.6	46,670.6	46,670.6

* The Extraordinary General Meeting held on January 11, 2017 authorized the Board of Directors to distribute an extra dividend of EUR 0.49 per share in lieu of annual payout

Shareholders

At the end of 2016, Ahlstrom had 9,853 shareholders (10,409 shareholders at the endof 2015). The largest shareholders include Virala Group and Ahlström Capital, which both hold over ten percent of the company’s share capital. For more information on the shareholders, please see the table below. 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**.

Ownership structure on Dec. 31, 2016



Major shareholders on December 31, 2016

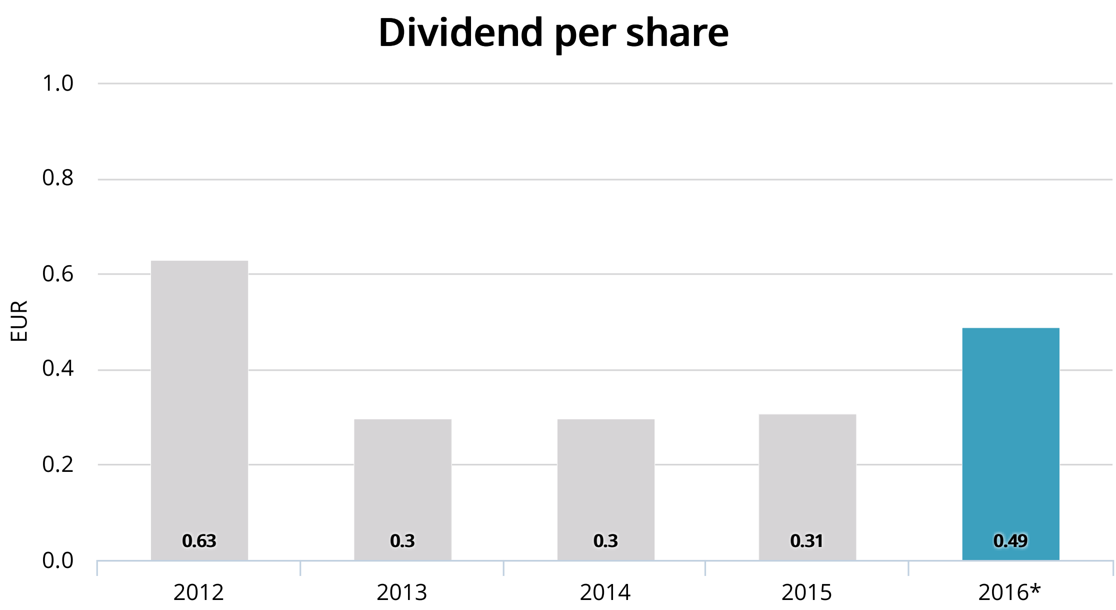
Shareholder	# of shares and votes	%
Virala-Group*	5,725,000	12.27
Ahlström Capital**	5,443,267	11.66
Varma Mutual Pension Insurance Company	1,532,200	3.28
Huber Mona Lilly	1,251,700	2.68
Tracewski Jacqueline	807,600	1.73
Nahi Kai Anders Bertel	798,288	1.71
Kylmälä Kim	771,400	1.65
Emmett Linda-Maria	700,350	1.50
Lund Niklas Roland	693,738	1.49
Sumelius John Michael	682,588	1.46
Studer Anneli	667,170	1.43
Huber Samuel	639,600	1.37
Huber Karin	638,700	1.37
Gullichsen Johan Erik	634,451	1.36
Koivulehto Monica	575,200	1.23

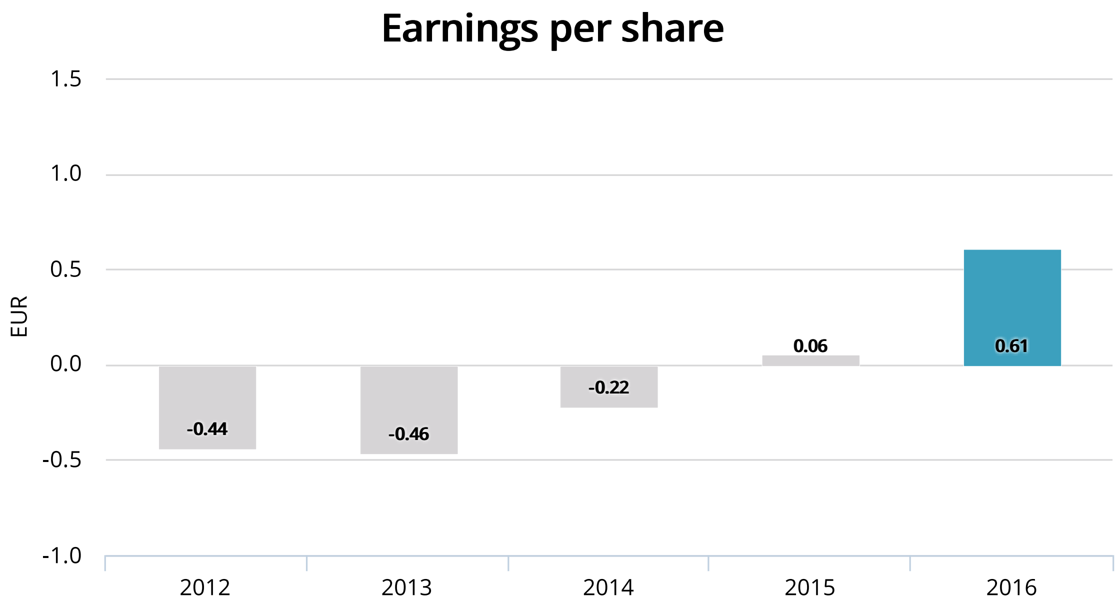
Kylmälä Kasper	567,121	1.22
Seligson Peter Robin Mikael	555,000	1.19
Belgrano Inversiones Oy	550,000	1.18
Coulet-Tracewski Eliane Tyra Helene	545,100	1.17
Lydecken Robert	459,000	0.98
Melin Patrick Marie Jaques	420,900	0.90
The State Pension Fund	420,000	0.90
Ahlström Robin	407,038	0.87
Walter Ahlström´s Foundation	403,900	0.87
Ahlström Carl	402,600	0.86
Ilmarinen Mutual Pension Insurance Company	382,674	0.82
Studer Stefan	364,440	0.78
Alanen Noora	342,290	0.73
Donner Marina	300,000	0.64
Borg Per Stefan Frejvid	289,330	0.62
30 largest shareholders	27,971,145	59.93
Nominee registered shareholders	1,392,785	2.98
Other shareholders	17,306,678	38.09
Total	**46,670,608**	**100.00**

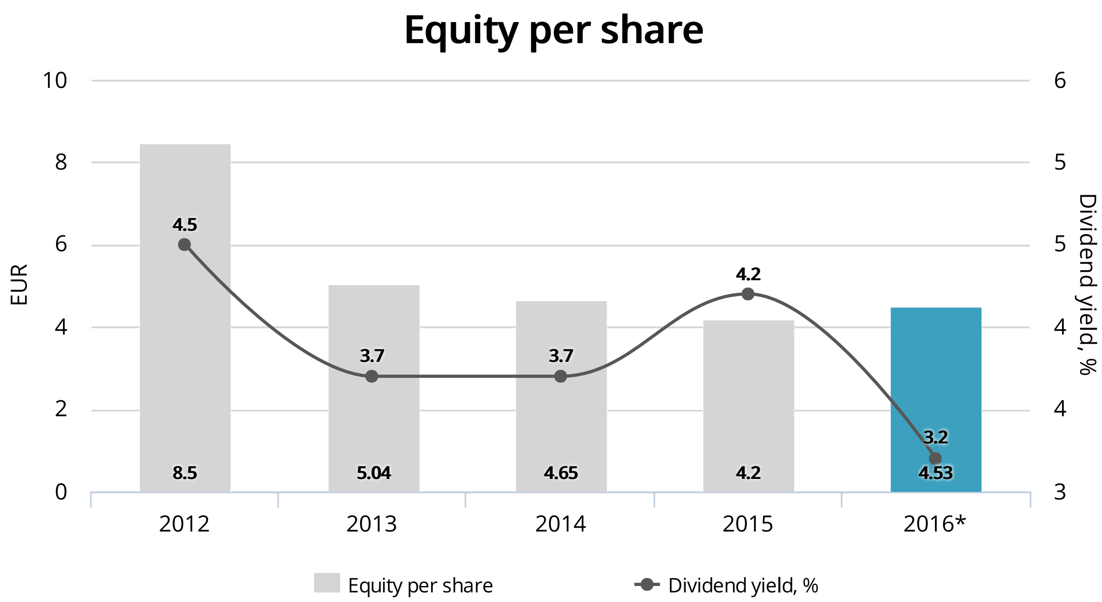
* Ownership through Viknum AB
** Ownership through AC Invest Six B.V.

Distribution of onwnership on December 31, 2016

Number of shares	Number of shareholders	%	Number of shares	%
1 - 100	5,418	54.99	342,540	0.73
101 - 1,000	3,612	36.66	1,286,759	2.76
1,001 - 10,000	618	6.27	1,671,093	3.58
10,001 - 100,000	112	1.14	4,139,431	8.87
100,001 - 250,000	56	0.57	8,582,149	18.39
250,001 - 500,000	16	0.16	5,539,770	11.87
500,001 -	21	0.21	25,108,866	53.80
Total	9,853	100.00	46,670,608	100.00
Nominee registered	8		1,392,785	2.98







* The Extraordinary General Meeting authorized on January 11, 2017 the Board of Directors to distribute an extra dividend of EUR 0.49 per share in lieu of an annual payout before the compeletion of the merger with Munksjö.