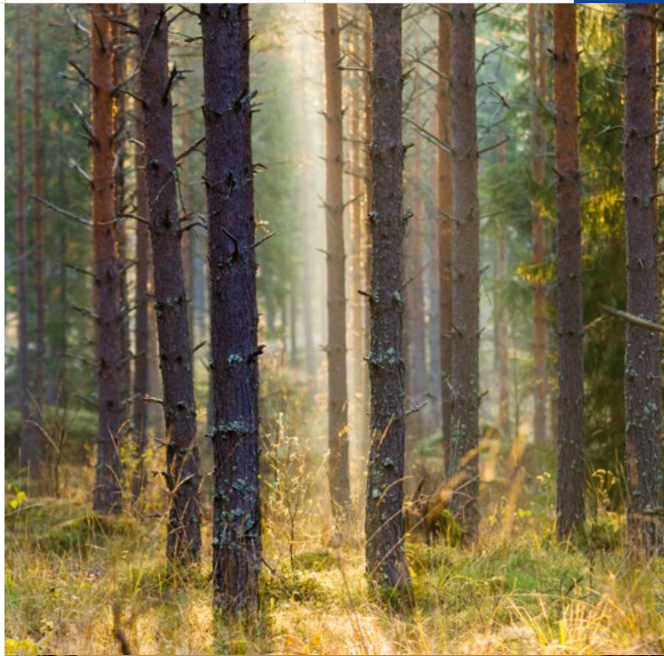
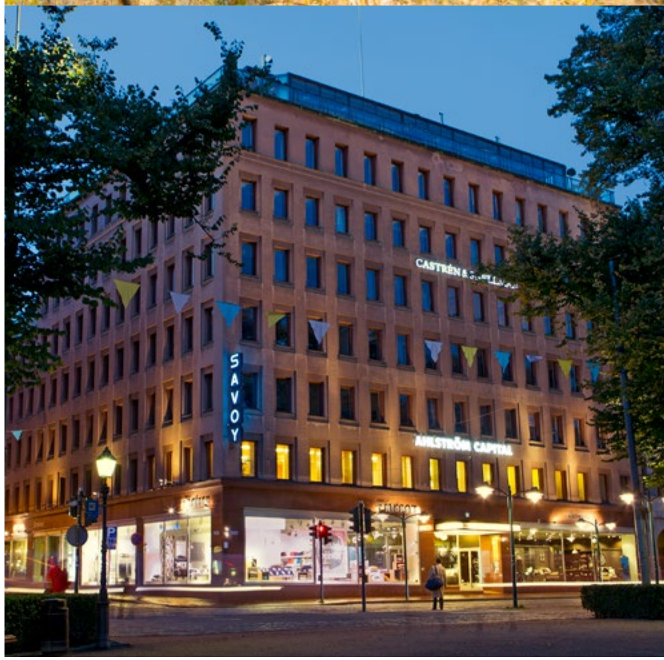
AHLSTRÖM CAPITAL

We develop leading businesses

ANNUAL REPORT 2019

CONTENTS

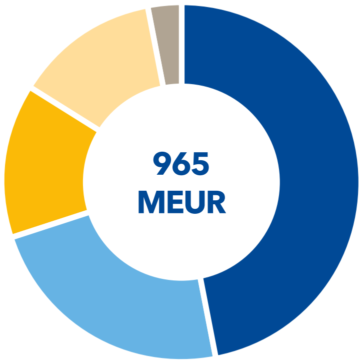




Ahlström Capital in brief

Ahlström Capital is a family-owned company that focuses its investment activity on industrial companies, real estate and forest. We are one of the largest and most significant investment companies in Finland with a long history of nearly 170 years. Ahlström Capital creates long-term shareholder value by actively developing its portfolio. Our industrial investments include substantial holdings in the listed companies Ahlstrom-Munksjö Oyj, Detection Technology Plc, Glaston Corporation and Suominen Corporation. In addition, the portfolio includes direct investments in non-listed companies Destia Group Plc and Enics AG, as well as an investment in the AC Cleantech Growth Fund I. Ahlström Capital's real estate and forest holdings are managed by its fully owned subsidiary A. Ahlström Real Estate Ltd.

External fair value (EFV); December 31, 2019



- Listed companies **47%**
- Non-listed companies **23%**
- Real estate **14%**
- Forest **13%**
- Liquid assets and other assets **3%**

The scope of our portfolio companies

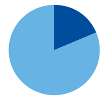
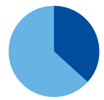
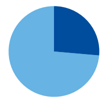
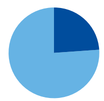
~EUR 5 billion
revenue of portfolio companies, total

~15,500
employees in portfolio companies

29
operating countries

Our portfolio

Listed companies

			Revenue, MEUR		Ahlström Capital's shareholding
AHLSTROM MUNKSJÖ	Ahlstrom-Munksjö is a global leader in fiber-based materials, supplying innovative and sustainable solutions to its customers.		2,916		18.7%
Detection Technology	Detection Technology is a global provider of X-ray detector solutions for medical, security and industrial applications.		103		36.7%
glaston	Glaston is the glass processing industry's innovative technology leader supplying equipment, services and solutions to the architectural, automotive, solar and appliance industries.		205		26.4%
Suominen	Suominen manufactures nonwovens as roll goods for wipes and other applications. The end products made of Suominen's nonwovens, such as wet wipes, feminine care products and swabs, are present in people's daily life worldwide.		411		24.0%

Our portfolio

Non-listed companies

			Revenue, MEUR	Ahlström Capital's shareholding
DESTIA	Destia is a Finnish infrastructure and construction service company that creates tomorrow's infrastructure for its customers, society and people in general. It creates urban construction innovations and smart infrastructure solutions that are built on a sustainable foundation.		570	100%
enics	Enics is the partner of choice for professional electronics in the fields of energy, industrial automation, transportation, building automation and instrumentation.		583	99.8%

Real estate and forest

A.AHLSTRÖM

			External fair value, MEUR
Real estate Ahlström Capital's real estate portfolio includes prime location buildings in Southern Finland. Our portfolio also includes heritage assets in Noormarkku and Kauttua.		67,700 m² Real estate area in total	143
Forest Ahlström Capital's forest assets are mainly located in Western Finland in the Satakunta region, and in Central and Eastern Finland.		34,000 ha Forests in total	141

Year 2019 in brief

Ahlstrom-Munksjö integrated two strategic acquisitions

At Ahlstrom-Munksjö, the acquired U.S. specialty paper producer Expera Specialty Solutions and MD Papéis' Caieiras specialty paper mill in Brazil was integrated during 2019. In addition, Ahlstrom-Munksjö divested some non-core businesses during the year.

Glaston acquired Bystronic glass

Glaston strengthened its position in the glass processing value chain through the acquisition of Bystronic glass in 2019. Ahlström Capital invested an additional EUR 19.4 million in Glaston and increased its holding from 17.5% to 26.4%.

Ahlström Capital's new office

Ahlström Capital's head office has been renovated and we moved into an open space office in August. We have a well-functioning, modern office and have also been able to release some 300 m² for commercial use.

New CEOs in our portfolio companies

Some of our portfolio companies changed CEOs during 2019. Petri Helsky started as the President and CEO of Suominen on January 7 and Elke Eckstein as the President and CEO of Enics on April 1.

Systematic analysis and deal screening

During 2019, Ahlström Capital continued with systematic deal screening, portfolio company value chain analysis and updated some value creation plans. We looked at some new cases and are happy to see that Ahlström Capital as a family-owned investment company is often perceived as a preferred partner.

We published our first report to the UN Global Compact

Ahlström Capital Group published its first sustainability report as a member of the UN Global Compact. The report describes our policies concerning the United Nation's ten principles of the Global Compact and how we implement and monitor them in practice. We continually aim to improve the integration of the Global Compact and its principles into our ownership model, culture and daily operations.

Good value growth in our portfolio while challenges in underlying performance

In 2019, we had good growth in the value of our assets and the dividend-adjusted increase in our external fair value (EFV) was 12%. The overall profit development was unsatisfactory, while the underlying cash flow development of our portfolio companies was strong. Ahlström Capital as the largest shareholder had an important role in financing Glaston's acquisition of Bystronic glass and we increased our ownership in Glaston during the year to 26.4%. We updated value creation plans for some of our companies and new talents were recruited to company boards and management. Strategies were updated, and in many of our portfolio companies this included organisational changes aiming to secure long-term value creation.

The revenue of Ahlström Capital Group increased by 5.4% from the previous year and amounted to EUR 1.2 billion. Our comparable operating profit decreased and was EUR 34.1 million.

Good growth but unsatisfactory profitability in our non-listed portfolio

The revenue growth in our non-listed portfolio companies Destia and Enics was good, but at the same time the profitability development was disappointing. At Destia, the maintenance service business performed well. The profitability in the road construction business decreased due to a few challenging projects. In 2020, Destia is increasing focus on the bidding process and project management improvement. At Enics, engineering services performed well but low profitability in manufacturing services was driven by a reduced material margin at few sites. A performance improvement programme focusing on operational excellence is ongoing, and the first results were already visible as customer satisfaction and delivery quality improved during the second half of 2019.

Both real estate and the forest investment portfolio continued to provide a stable performance. In December, a new real estate investment in Vantaa was signed. During 2019, over 500 hectares of forest was acquired.

Strong value growth in our listed portfolio companies

Ahlstrom-Munksjö had a clear headwind in the market during 2019. Sales volumes reduced and the profitability was below expectations. Cash flow developed favourably, driven by effective working capital management. The integration of the acquired businesses was completed according to plan. Ahlstrom-Munksjö has initiated an over EUR 50 million profit improvement programme providing a good ground for performance improvement in 2020.

At Detection Technology, annual revenue exceeded EUR 100 million for the first time, and growth was driven by the security and industrial business unit. The operating profit margin was above medium-term guidance of 15%. Detection Technology launched several new products during 2019 to strengthen the competitiveness in all target markets.

Glaston doubled its size by acquiring Bystronic glass during 2019. Thanks to the strong performance of the acquired business, revenue (pro forma) for 2019 was stable and profitability improved. Glaston now has a strong platform for growth.

At Suominen, revenue was at the level of 2018 and profit improved mainly driven by sales margin improvement. Sales prices increased during the year, but at the same time sales volumes reduced. An updated strategy with a sustainability agenda gives good ground for further improvement.

Sustainable value development

We maintain both short-term and long-term value creation plans for our investments. Sustainability driven value creation aligns with our values - ambition and responsibility. We released our first UN Global Compact report during summer 2019 and will continue to work together with our portfolio companies on the ESG agenda during 2020.

Our main priority is to further develop the companies and real estate in our portfolio, but at the same time we are actively screening new industrial and real estate investments. I am happy to see that Ahlström Capital as a family-owned investment company is often perceived as a preferred partner.

AC Network Day is gathering the boards and management of Ahlström Capital and its portfolio companies. Our annual AC Network Day was held in January with the theme transformation.

Finally, I would like to thank my team at Ahlström Capital and all the employees in our portfolio companies for their hard work done last year. I also wish to express my gratitude to our shareholders and Board for their continued trust and support.

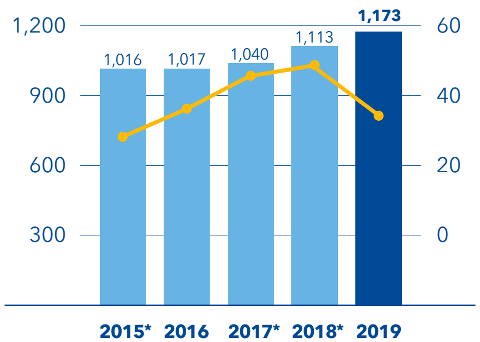
Lasse Heinonen
President and CEO

Financial performance

In 2019, the value growth in our portfolio was good and the dividend-adjusted increase of EFV was 12%. The overall profit development was disappointing while the underlying cash flow development in our portfolio companies was strong.

In 2020, the development of the global economy has weakened and become very uncertain due to the coronavirus. The financial impact on our portfolio is still difficult to estimate.

Revenue and comparable operating profit, MEUR

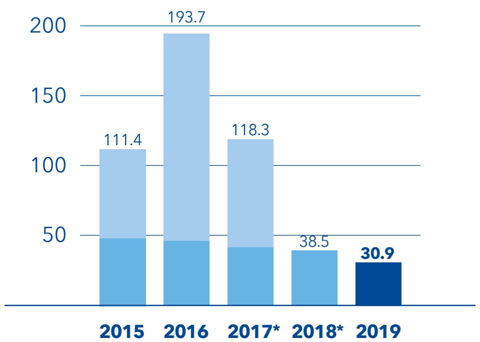


Revenue

Comparable operating profit

* Adjusted

Profit for the period, MEUR

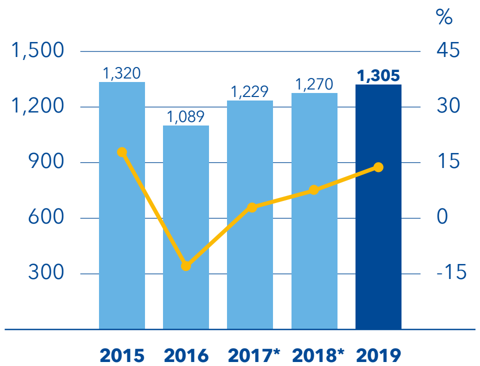


Profit for the period

Impact from divestments and Ahlstrom-Munksjö merger

* Adjusted

Balance sheet total, MEUR and net gearing, EFV-adjusted

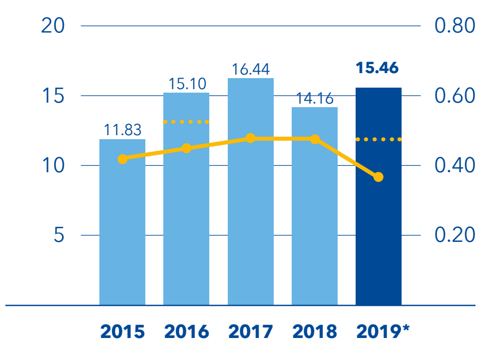


Balance sheet total

Net gearing, EFV-adjusted

* Adjusted

External fair value (EFV) per share and dividend per share, EUR



External fair value (EFV) per share

Dividend per share

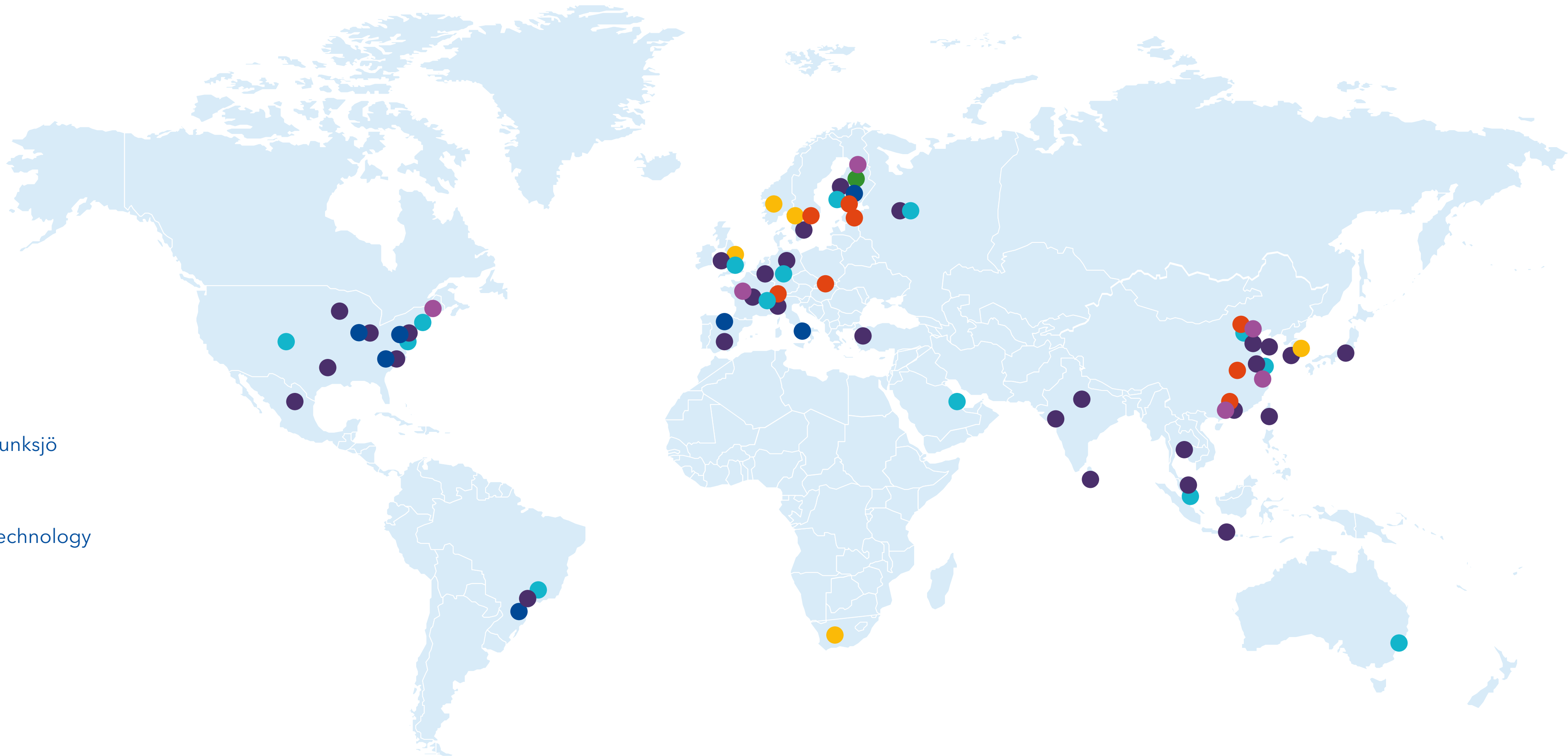
Total dividend per share

* Board's dividend proposal: A dividend of EUR 0,36 per share be paid in spring 2020 and additional maximum EUR 0,12 per share in autumn subject to the Board's discretion.

Number of shares was increased in 2017 (share issue without payment), comparative figures restated correspondingly.

The international operating environment of our portfolio companies

Our portfolio companies are affected by megatrends such as globalisation, urbanisation, population growth, digitalisation, automation and sustainability.



- Ahlstrom-Munksjö
- Suominen
- Detection Technology
- Glaston
- Cleantech
- Destia
- Enics

The dots represent both factories and sales offices.

Sustainable value creation

Ahlström Capital is a family-owned investment company. We focus our investments on industrial holdings, real estate and forests. We develop our investments with a sustainable, long-term approach.

Ahlström Capital combines the best features of an industrial company, an investment company and a family-owned company. We invest assets that the Ahlström family has accumulated during almost 170 years. We hold significant financial resources as one of the largest investment companies in Finland. Our mission is to create sustainable long-term shareholder value growth with attractive cash returns.

Our industrial investments include substantial holdings in listed companies as well as direct investments in non-listed companies. They offer opportunities for strong value growth with a flexible holding period. Real estate and forest investments form the firm basis of our portfolio that provides strong cash flow and solid value growth. As a responsible investor we also want to impact the environmental, social and governance (ESG) policies and performance of our investments.

Our values are ambition and responsibility

The values of the Ahlström family – ambition and responsibility – guide all our operations. We have a long history and we want to continue that legacy and increase the company's value for future generations. Our focus is on sustainable value-creation. We are a reputable owner that leads our own and our companies' operations with a Nordic governance approach. Our portfolio is developed based on our industrial traditions and experience together with a strong partner network. Our vast network, consisting of our owners as well as the boards and management of Ahlström Capital and its portfolio companies, is our key strength.

The brain of an industrial company, the muscles of an investor and the heart of a family business

Developing leading businesses

Ahlström Capital invests in established companies that have strong positions in attractive markets and offer further development and value creation potential. We look for medium-sized companies (EUR 50–500 million) with Nordic presence and a global potential. Our aim is to have the leading role in listed companies and to be the majority owner in non-listed companies. However, we welcome co-investment opportunities with reputable investors.

For screening new potential acquisition targets and developing our existing businesses we apply a comprehensive set of evaluation criteria. Understanding market attractiveness, companies' strengths and weaknesses as well as the value creation potential is essential. As part of the process we evaluate the management of the company and also customer operations related issues. Environmental, social and governance related risks and opportunities are also evaluated.

Financial targets

Annual external fair value (EFV) growth 6–10% and an increasing dividend

Foundation

- Reputable owner with Nordic governance approach
- Focus on sustainable value creation
- Industrial traditions & experience
- Strong partner network

We develop our portfolio companies through active board and strategy work, as well as through mergers and acquisitions. We support and develop the companies by forming effective boards that possess in-depth industrial expertise and support the management to succeed in leading their business.

Investing in and developing real estate and forest

In real estate, we invest in properties in central locations in Southern Finland. We create value through active ownership and use our ability to execute real estate development and conversion projects. We look for office properties in established office areas in Helsinki, Espoo and Vantaa for our Core real estate portfolio. We target for direct ownership with asset size of EUR 10–75 million. Our Flexible real estate portfolio comprises a variety of property types: office (secondary), hotel, retail, logistics, light industrial and data centre. We look for these properties mainly in Helsinki, Espoo and Vantaa, but also in Tampere and Turku. To be more agile, the target asset size of properties in our Flexible portfolio is EUR 5–35 million.

Our forests are concentrated in the Satakunta region, and in Central and Eastern Finland. As a private forest owner, we are one of the largest in Finland. Our silviculture is most efficient when it is both financially profitable and sustainable. Forests cultivated in this way also sequester carbon in the best possible manner. Maintaining the carbon sink is one of the main objectives in our forestry strategy. Our real estate and forest portfolio is managed by A. Ahlström Real Estate Ltd.

We also own and develop culturally and historically significant works in Noormarkku and Kauttua.

Investment focus

Industrial holdings: 70–80% of EFV

ROLE: Strong value growth & solid cash flow with a flexible holding period

FOCUS: Leading role in established companies holding strong positions in attractive markets and offering further development & value creation potential

Real estate & Forests: 20–30% of EFV

ROLE: Strong cash flow & solid value growth with a typically long holding period

FOCUS: Prime location buildings in Southern Finland & forests in Finland

Special focus to take care of Heritage assets

VALUE CREATION: AC WAY & AC NETWORK

Choose

Create

Capture

We develop leading businesses

AHLSTROM-MUNKSJÖ

Smart solutions out of fibers

Innovation, quality and service are the base of Ahlstrom-Munksjö's value proposition. The high-value products Ahlstrom-Munksjö delivers are oriented towards customer requirements, rather than industry standards. Long-term cooperation in product development with customers creates a foundation for advancing the capabilities of what fiber-based materials can do.

Sustainability is a key priority for Ahlstrom-Munksjö. The company's mission is to provide sustainable and innovative fiber-based solutions. Its offering contributes to a more sustainable everyday life by providing renewable materials that are alternatives to non-renewables, and solutions that make the end product more sustainable. Ahlstrom-Munksjö provides solutions that have better performance and safer materials, use fewer resources and have a lower impact than alternative options. An important instrument in the sustainability strategy is the EcoDesign tool. The tool is used to consider the environmental performance of new products from the design phase onwards.

New products that were launched within the last three years contributed to 11% of sales. During 2019, the company launched various new products such as CelluStraw™ U, which is a new fiber-based solution for U-shaped paper drinking straws, enabling the food industry to provide consumers with an alternative to single-use plastic straws. Another example is Extia® 1000, an extended range of highly durable filtration media, specifically designed for industrial filtration applications. During the year, the company continued developing highly functional and sustainable wax alternative papers and sustainable materials for the medical sector.

AHLSTROM MUNKSJÖ

FOUNDED
Ahlstrom 1851 (by Antti Ahlström), Munksjö 1862

DOMICILE
Helsinki, Finland

INDUSTRY
Fiber-based solutions

OPERATING COUNTRIES
14 countries in Europe, the Americas and Asia-Pacific

PERSONNEL IN 2019
8,078

PRODUCTS
Custom made specialised fiber-based materials

MARKET CAPITALISATION (31.12.2019)
1,650.9 MEUR

IN AHLSTRÖM CAPITAL'S PORTFOLIO:
Since 2014



AHLSTROM-MUNKSJÖ

Strong cash flow

Ahlstrom-Munksjö is a global leader in fiber-based materials, supplying innovative and sustainable solutions to its customers. In 2019, the company continued to execute its strategy with speed and determination on many fronts in order to strengthen its competitiveness and profitability, as well as its balance sheet. Ahlstrom-Munksjö focused on the integration of Caieiras and Expera, acquired in 2018. The company implemented profit improvement actions, strengthened its company culture and actively developed its business portfolio. The company's cash flow was very strong due to its relentless focus on working capital and this helped to strengthen its financial position. However, market fundamentals turned out to be tougher than expected and the comparable EBITDA weakened slightly.

Ahlstrom-Munksjö's pro forma revenue was EUR 2,916.3 million (EUR 2,996.9 million) and a comparable EBITDA of EUR 312.9 million (EUR 329.9 million). Higher selling prices in all business areas except Industrial Solutions had a positive impact on revenue. Lower end-use demand and destocking in the value chain put pressure on delivery and production volumes which in turn had a negative impact on the company's results.

Ahlstrom-Munksjö is proceeding with its efforts to maintain and improve competitiveness. Identified cost saving measures are estimated to have an overall impact of at least EUR 50 million for the year 2020 compared with 2019.

Active business development

Ahlstrom-Munksjö actively developed its business structure. A step forward in the process for Decor business to become a globally leading stand-alone operation was taken by signing a letter of intent to acquire a Chinese decor manufacturer. The company also made one acquisition to grow its highly attractive Liquid Technologies business and announced the divestments of the glass fiber fabrics business and fine art paper business. The strategic investment program has kept the company's capital expenditure at an exceptionally high level for the past two years and the remaining four projects are expected to be compeleted by the end of 2021. On the product development front, the company continued to develop new value-added solutions for its customers.

Updated organisation structure

Since 2020, a new business and reporting structure combines businesses which share similar core capabilities, strategic targets and characteristics. This enables Ahlstrom-Munksjö to strengthen and further promote its capabilities in areas of product development and innovation, global key customer account management, product and production technology, as well as process improvement and production optimisation.

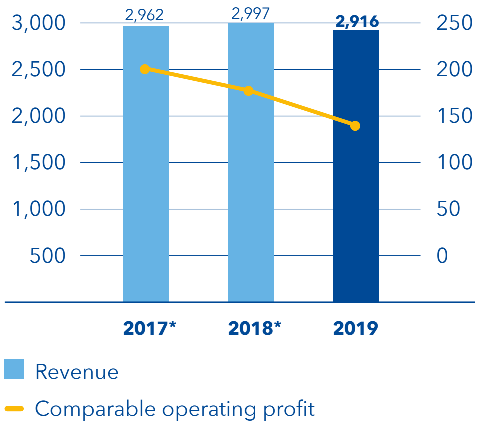
Outlook 2020

Ahlstrom-Munksjö changed from annual to quarterly guidance for the time being. Ahlstrom-Munksjö's comparable EBITDA in Q1/2020 is expected to be higher than in Q1/2019.

www.ahlstrom-munksjo.com

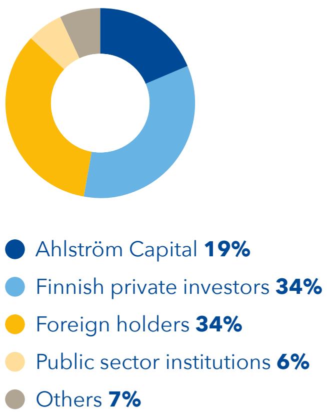
Revenue and Comparable Operating Profit, MEUR

(continuing operations)

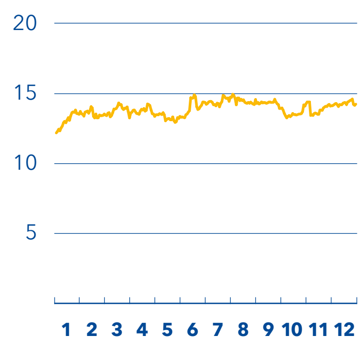


* Pro forma

Ownership, % December 31, 2019



Share price in 2019, EUR



DETECTION TECHNOLOGY

Growth through new innovations

A new strategy, DT-2025, was announced in 2019. Detection Technology's new strategic target is to be a growth leader in digital X-ray imaging detector solutions, and a significant player in other technologies and applications where the company sees good business opportunities. DT estimates the market size of digital X-ray imaging detector solutions will be around EUR 3 billion in 2025.

The main goal of DT's previous 2020 strategy was to become a leader in the Computed Tomography (CT) and line scan X-ray detector and solution markets by the end of 2020. The company reached the goal ahead of time at the end of 2019 with an approximate 20% market share.

In line with the new strategy, DT has continued to invest in new customer acquisitions, startup of production of new products and the expansion of its technology base. During the year the number of active customers increased from 240 to 280. In the field of new products, DT estimates that thanks to the Aurora product family, its market and competitive position have strengthened especially in China in the line-scanning segment. The development of the X-panel product family has continued during the year, and sales for dental applications will start during spring 2020.

DT expanded its technology base and launched TDI-based X-Scan T camera for industrial applications (optimised for the food industry). Company aims to start commercial production of the Multi-Energy (ME) product line by the end of 2020. DT's ME activities in Grenoble were moved to a new facility to support production.

A new production and service site in Wuxi, China was completed during 2019.

Detection Technology

FOUNDED
1991

DOMICILE
Oulu, Finland

INDUSTRY
X-ray imaging solutions

OPERATING COUNTRIES
Finland, France, China and USA

PERSONNEL IN 2019
496

PRODUCTS
X-ray imaging solutions for medical, security and industrial applications

MARKET CAPITALISATION (31.12.2019):
368.0 MEUR

IN AHLSTRÖM CAPITAL'S PORTFOLIO:
Since 2017

DETECTION TECHNOLOGY

Security and Industrial Business Unit outperforming the market

In 2019, Detection Technology's (DT) revenue increased by 9.1% and was EUR 102.5 million (93.9). The company achieved an important milestone and exceeded EUR 100 million revenue for the first time. The Security and Industrial Business Unit outperformed the market with revenue growth of 24.0%. In the Medical Business Unit revenue decreased by -12.4%. The company's operating profit excluding non-recurring items in 2019 was EUR 17.7 million (19.0). The company's R&D costs were 10.4% (9.4) of net sales. The company expects the R&D costs to remain at an approximate 11% level in 2020.

Market for medical solutions softened

In the Medical Business Unit, sales were slow in 2019. The main highlights were high interest in DT's X-Panel product family based on the CMOS technology in dental and other medical applications, as well as positive customer feedback for small-series production. DT expects sales for dental applications to start during spring 2020.

New financial targets

Detection Technology released new medium-term targets, the company adjusted its annual growth target down to correspond to the market situation and kept its profitability target and dividend distribution strategy unchanged. DT aims to increase sales by at least 10% per annum and to achieve an operating margin at or above 15% in the medium term. The aim is to distribute approximately 30–60% of the Group's annual result (earnings per share) to shareholders either in the form of dividend or returned capital.

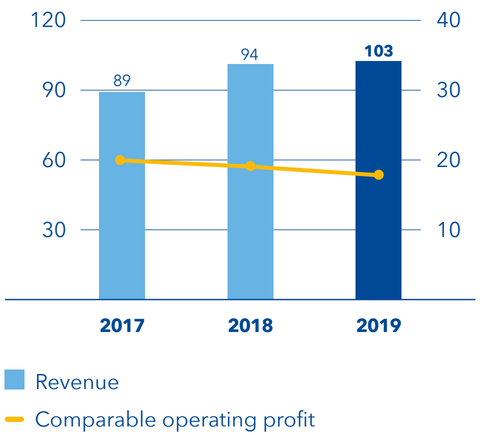
Business outlook

Forecasts in the industry estimate the medical X-ray imaging market to grow on average by about 5% a year, security X-ray imaging by 6% and the industrial X-ray imaging market by some 5%. DT estimates annual growth to remain at this level in all market segments in 2020, but the indirect impacts of the coronavirus epidemic in Asia may have a temporary adverse impact on growth in H1.

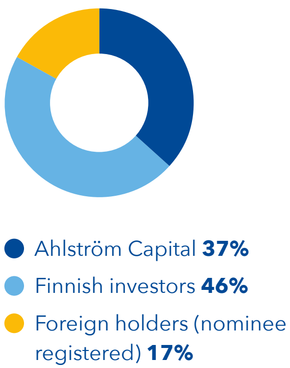
The company estimates the temporary slowdown in the global medical CT market to continue in Q1, and the situation to normalise by the end of 2020, but demand may fluctuate significantly. Although CT scanning is used to detect virus-related pulmonary changes, which increases demand for scanners, it is too early to estimate its overall impacts on the company's operations. DT expects its revenue to grow in 2020 after these temporary market slowdowns have passed. There is some uncertainty regarding demand, and intense competition may reflect on pricing.

www.deetee.com

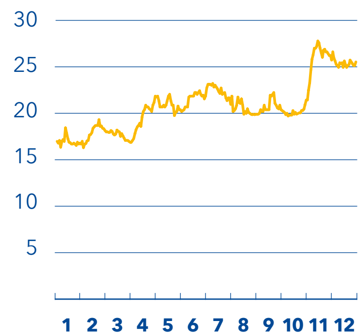
Revenue and Comparable Operating Profit, MEUR



Ownership, % December 31, 2019



Share price in 2019, EUR



GLASTON

Combining the strengths of two companies

In April 2019, Glaston completed the acquisition of Bystronic glass, a Swiss-German based globally operating high-end machinery, systems and services provider for the processing of glass. The acquisition supports Glaston's goals and strategy to further strengthen its position in the glass processing value chain.

The integration has progressed well and the two companies have succeeded in combining their operations faster than expected. The planned integrations of operational functions were completed, a new organisation was published and overlapping functions were removed. The merging of various IT and CRM systems, the integrations of the Bystronic glass brand with Glaston and the development of a common digital product platform, are the next steps in concluding the integration.

The integration is expected to result in significant benefits through synergies in services sales and cross-selling of new equipment, as well as estimated annual cost synergies of approximately EUR 4 million by 2021. The cost synergies will come mainly from procurement, sales & marketing, and administration. The transaction also provides additional synergy potential related to product development, procurement, fixed cost leverage and best practice sharing. Costs and capital expenditure affecting comparability related to the achievement of synergies are estimated at approximately EUR 7 million over the same period.

Changes in Glaston's group structure to better reflect its market drivers and business dynamics were announced in early 2020. The new business areas are: Heat Treatment Technologies, Insulating Glass Technologies and Automotive & Emerging Technologies.

glaston

FOUNDED
1970 (Tamglass)

DOMICILE
Helsinki, Finland

INDUSTRY
Glass processing

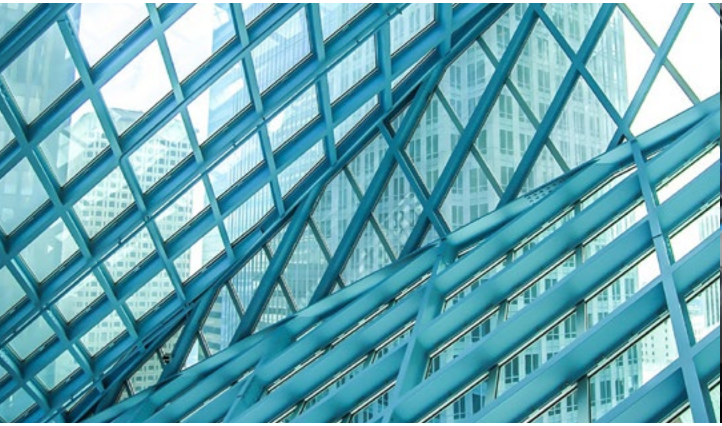
OPERATING COUNTRIES
Finland, Russia, UK, Germany, Switzerland, China, Singapore, Australia, UAE, USA, Brazil

PERSONNEL IN 2019
790

PRODUCTS
Glass processing services & technologies for architectural, automotive, solar energy equipment and appliance industries

MARKET CAPITALISATION (31.12.2019):
105.8 MEUR

IN AHLSTRÖM CAPITAL'S PORTFOLIO:
Since 2017



GLASTON

Business environment

Glaston Corporation is a glass industry technologies and services frontrunner. Glass processed with Glaston's processing machines is supplied to the architectural glass, automotive glass, solar energy and appliance industries. Most of the glass produced with the company's technology is supplied to the construction industry. Glaston's market areas are EMEA, the Americas and Asia-Pacific.

Glaston doubled its size

2019 was a historic year for Glaston, as the company doubled its size through the acquisition of Bystronic glass. The Bystronic acquisition was well received by the customers, and the new company has already had success in the cross-selling of the products.

Glaston has a strong market position, and demand, particularly for Bystronic glass's TPS (Thermo Plastic Spacer) technology, was strong throughout the year. In contrast, challenges in heat treatment have continued and the company initiated measures to improve operational profitability. The downturn in the automotive glass market continued. In 2019, orders received totalled EUR 184.6 (216.7) million. Glaston's pro forma revenue remained at the previous year's level and was EUR 204.6 (201.8) million. The comparable (pro forma) EBITA improved in line with the company's expectations and the comparable operating result was 3.6% (3.3) of the revenue.

New orders in Emerging Technologies

Emerging glass technologies and value-adding products, such as smart glass, are making a strong entry into the market. The Emerging Technologies unit received a significant order at the end of 2019 concerning a bending and tempering line for the production of complex shapes. The product development of the Heliotrope project continues, and it is approaching a product that can be industrialised.

Responsibility at Glaston

As environmental awareness increases, demand for more energy-efficient and environmentally sustainable glass solutions is growing. Glaston has defined a corporate responsibility agenda where the key issues of responsibility were identified, with the most essential themes being: responsible own activities (personnel, environment, responsible business), responsible purchases, responsible partner and responsible member of society. Glaston has an important role as the industry's technology leader to be involved in the development of smart glass, ultra-thin glass and glass used in solar energy solutions.

Updated financial targets

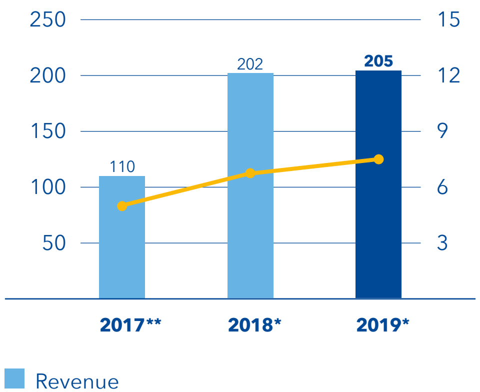
The company's revised financial targets for 2018–2021 are annual growth of net sales exceeding market growth, comparable EBITA above 8% at the end of the strategy period and comparable ROCE reaching more than 14% at the end of the period.

Outlook for 2020 suspended

Glaston Corporation comparable EBITDA is unlikely to improve in 2020. The company's aim is to give an update on the outlook once a more reliable estimate on the potential impact can be made.

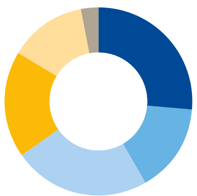
www.glaston.net

Revenue and Comparable Operating Profit, MEUR

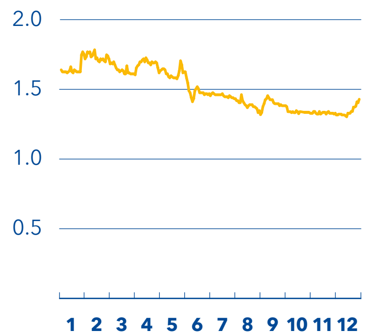


* Pro forma
** Adjusted

Ownership, % December 31, 2019



Share price in 2019, EUR



SUOMINEN

New strategy and sustainability agenda for 2020–2025

Suominen published its new strategy for 2020–2025. The company has two main targets, growth and improved profitability. Suominen is planning to grow by creating innovative and more sustainable nonwovens for its customers, improving its profitability through more efficient operations and building a high-performance culture. Suominen has named five areas they will focus on to achieve the strategic targets which are:

- Operational excellence – efficiency and cost consciousness
- Sustainability leadership leveraging fiber-based nonwovens know-how and unique assets
- Differentiate with innovation and commercial excellence
- Great place to work – focus on positive energy and commitment to deliver results
- Dual operating model – specialties and standard to optimise and improve the results

The financial targets are growing the net sales above relevant market growth, increasing the EBITDA margin above 12% by 2025 and keeping the gearing within 40–80%, including the effect of IFRS 16 Leases.

Suominen's sustainability agenda for 2020–2025 was updated, as legislation and consumer behaviour drive for more sustainable products. The company will focus on four themes as the basis for targets and actions: people & safety, sustainable nonwovens, low-impact manufacturing and corporate citizenship. The people & safety theme includes increasing employee engagement, building a high-performance culture and strengthening the company's safety culture. The corporate citizenship theme includes following responsible business practices throughout the company's operations and supply chain, as well as transparent communication.

Suominen

FOUNDED
1898 (J.W.Suominen Ltd)

DOMICILE
Helsinki, Finland

INDUSTRY
Manufacturing of nonwovens

OPERATING COUNTRIES
Finland, Italy,
Spain, Brazil and USA

PERSONNEL IN 2019
685

PRODUCTS
Nonwovens as roll goods for wipes and for hygiene products and medical applications

MARKET CAPITALISATION (31.12.2019):
132.9 MEUR

IN AHLSTRÖM CAPITAL'S PORTFOLIO:
Since 2014

Business environment

Suominen's nonwovens are, for the most part, used in daily consumer goods, such as wet wipes as well as in hygiene and medical products. In these target markets of Suominen, the general economic situation determines the development of consumer demand, even though the demand for consumer goods is not very cyclical in nature. North America and Europe are the largest market areas for Suominen. In addition, the company operates in South American markets. The growth in the demand of nonwovens has typically exceeded the growth of gross domestic product by a couple of percentage points. Suominen assesses the trend in the demand for its products on the basis of both the general market situation and, above all, based on the framework agreements drawn up with its customers. There is currently overcapacity on the market, mainly in nonwovens for baby wipes and flushables. At large, the growth in the demand in Suominen's target markets is expected to continue in 2020 at the pace of 2019, on average.

Improved profitability

In 2019, the revenue was at the level of 2018, EUR 411.4 million (431.1). Sales volumes decreased from the comparison period, while sales prices increased slightly. Operating profit improved and amounted to EUR 8.1 million (4.6), mainly due to improvement in gross profit. During the year, Suominen made progress in many areas. The group-wide ICT systems renewal came to a successful end and the systematic improvement actions in operations led to improvement in operational performance. The new strategy targeting growth by creating innovative and more sustainable nonwovens for the customers was announced in January 2020. Suominen is the leader in nonwovens for wipes.

Health & Safety

Suominen aims to provide a safe and healthy working environment for all its employees. Suominen has established a Life Saving rules and Behaviour Based Safety Program to enforce its safety culture.

For Suominen, the material aspects of environmental responsibility include the targets to minimise the environmental impacts of products throughout their life cycle, reduce the environmental impacts of operations and continuously develop responsible sourcing practices. Suominen is committed to developing more sustainable products by using raw materials with a smaller environmental footprint, as well as continuously minimising the environmental impacts of its operations.

New CEO & market areas

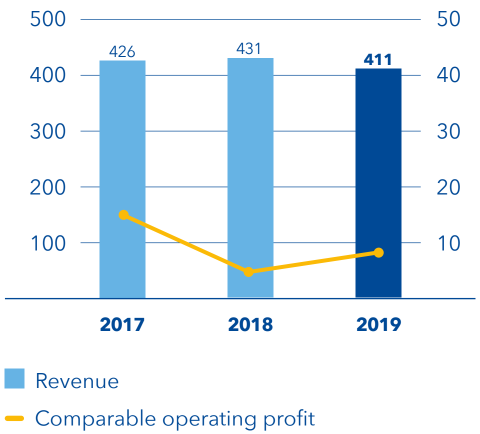
Petri Helsky started as the President and CEO of Suominen on January 7, 2019. As of July 1, 2019 Suominen's new business areas are the Americas and Europe.

Outlook

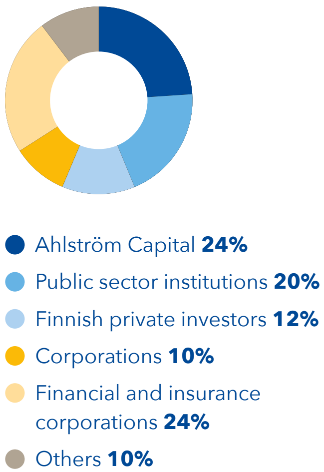
Suominen's long term revenue target for the strategy period 2020-2025 is that the revenue growth will be above relevant market growth. Suominen expects that in 2020, its comparable operating profit will improve from 2019. In 2019, Suominen's operating profit amounted to EUR 8.1 million.

www.suominen.fi

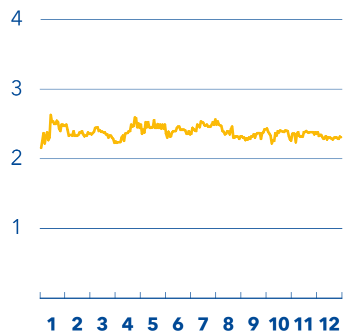
Revenue and Comparable Operating Profit, MEUR



Ownership, % December 31, 2019



Share price in 2019, EUR



DESTIA

Implementation of the new strategy

Destia's goal for the renewed 2020–2024 strategy is "Connecting northern life". Strategic objectives are to ensure the competitiveness of the company's core business, comprising of large road projects and infrastructure maintenance requiring special expertise. Destia will grow into a stronger urban developer in a changing, increasingly demanding operating environment. At the same time, Destia will chart new business opportunities in Northern Sweden and Northern Norway. With this renewed strategy, Destia is looking for a more prominent role in the sector's value chain by offering its customers services that have higher added value.

Destia's strong expertise and the Destia spirit - the company's harmonised, ethically sustainable and responsible way of doing business - provide a firm foundation for the implementation of the strategy. Customer orientation, sense of infrastructure, smart production and inspiring leadership are the factors creating Destia's competitive advantages.

During 2019, Destia launched strategic projects promoting the implementation of the strategy, kicked off the renewal of corporate culture, implemented a new organisational structure and reorganised and elaborated its business group-specific business plans.

The new service-based organisation structure was implemented in April 2019 to support and drive the updated strategy. Productivity improvement initiatives have also been conducted during the last year. The new organisation structure is based on Destia's values – fairly, together, renewing and successfully.

DESTIA

FOUNDED
2008 (previously The Finnish Road Enterprise)

DOMICILE
Vantaa, Finland

INDUSTRY
Infrastructure and construction services

OPERATING COUNTRIES
Finland

PERSONNEL IN 2019
1,651

PRODUCTS
Road and railway construction, foundation and field engineering, engineering and rock construction, energy infrastructure, and maintenance of infrastructure

IN AHLSTRÖM CAPITAL'S PORTFOLIO:
Since 2014

DESTIA

Growth in infrastructure

In 2019, Destia's revenue increased to EUR 569.9 million (550.3) due to the strong order intake in the previous year. Profitability developed unfavourably and comparable operating profit ended up at EUR 11.2 million (16.7). Performance in Road Maintenance was good, but the profitability decreased due to cost overruns in a few challenging projects in Road Construction. Actions to improve the bidding process and project management have been started and will be further in focus in 2020.

Order book developed positively

At year-end 2019, Destia's order book amounted to EUR 763.6 million (732.7). The most significant new projects, recorded to the orderbook were the execution phases of national road 4 Kirri–Tikkakoski and E18 Kausela-Kirismäki projects as well as nine new area-wide maintenance contracts for the years 2019–2024.

Following the strategy renewal in 2018, Destia implemented a new service-based organisation as of April 1, 2019.

High quality and effective operations

Customers value responsible and contractually compliant operations, innovation and smooth service. The employees working in projects are responsible for quality assurance planning, implementation and timely reporting. Destia ensures its ability to provide high-quality projects by investing in employee competence development and the systematic development of skills.

Sustainability throughout the company

Destia's aim is to build environmentally efficient infrastructure which also serves the needs of citizens and businesses as well as possible. Destia engages in systematic efforts to improve eco-efficiency, improve both material and energy efficiency, minimise the environmental impacts of its operations and conserve biodiversity. Regulatory compliance is the foundation for Destia's ecologically sustainable operations.

Destia has a strong focus on safety at work. The aim is to have zero-accident sites. Destia's operating principles, practices and goals are also applied to its partners and subcontractors.

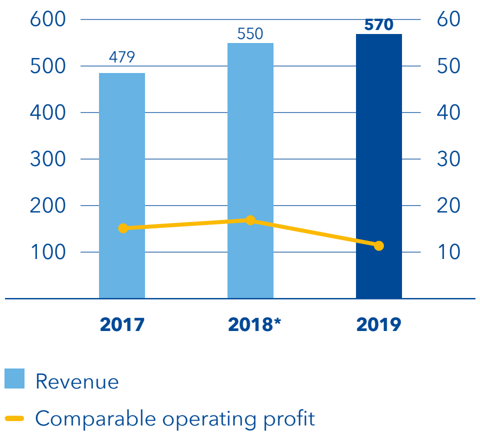
Top-level research and development

Destia invests in its operations to ensure that state-of-art technology is used and contribute to the renewal methods used in the infrastructure industry in cooperation with customers and other industry players. Destia's focus areas in smart production R&D are:

- Data model-based design and production: construction implemented based on digital data models in a transparent manner, while collecting information on the realisation
- Smart production management: production managed with the help of real-time snapshots and analytics
- Digitalisation of maintenance: the condition of roads is automatically analysed, and the data is used in work supervision.

www.destia.fi

Revenue and Comparable Operating Profit, MEUR



* Adjusted

Ownership, % December 31, 2019

Ahlström Capital **100%**

Enics is going Back to Basics

Enics' updated strategy was launched in January 2019, and its execution started in the first half of 2019, led by Enics' new President and CEO, Elke Eckstein. Strategy execution has been divided into three phases: Back to Basics, Build the Future and Shared Successes, which will be implemented over the coming years.

In 2019, Enics focused on the Back to Basics programme which introduces a new governance model and includes a set of initiatives addressing e.g. production efficiency, supply chain processes and inventory management practices.

A co-creation project of a process-driven organisation, "Enics New Governance Model", was launched in summer 2019, and dozens of Enics' employees started working on defining processes and an organisational structure enabling effective day-to-day work for the best of the customers. Roll-out of the new governance model started in early 2020. Once completed, the new model will support Enics in moving on to the next steps in strategy execution and will pave the way for future growth.

In addition to the new governance model, several "Key Improvement Priorities" (KIP) were launched. For each of the KIPs, measurable targets were defined. The 2019 KIPs covered development of Enics Production System, supply chain related process implementation, definition of production sites' profile, program for working capital reduction and an initiative to drive production machinery efficiency.

KIPs drove Enics' performance in 2019 with visible improvements in the defined performance indicators. The work will continue in 2020 with a strong focus on operational excellence and further development of processes towards a customer-centric way of working.

enics

FOUNDED
2004

FOUNDED
Zürich, Switzerland

INDUSTRY
Electronics manufacturing services

OPERATING COUNTRIES
China, Estonia, Finland, Slovakia, Sweden and Switzerland

PERSONNEL IN 2019
3,622

PRODUCTS
Services for industrial electronics throughout the product life-cycle: engineering, manufacturing and after sales services

IN AHLSTRÖM CAPITAL'S PORTFOLIO:
Since 2004

Year of renewal

2019 was a year of renewal for Enics, determined by the definition of its operating model, the strategy, as well as changes in the top management team. The customer portfolio is well-balanced and Enics made an all-time high annual revenue of EUR 583.2 million (543.1), representing a year-on-year growth of 7.4%.

Enics' profitability was impacted by investments in growth, as well as additional resources and efforts taken to ramp-up new businesses to volume. Higher material costs and lower than targeted productivity in ramping up new businesses and responding to volatile demand especially burdened the profitability of Manufacturing Services. Comparable operating profit decreased compared to the previous year and was EUR 17.7 million (18.9) or 3.0% (3.5).

Strategy implementation and changes in personnel

Elke Eckstein started as President and CEO as of April 1, 2019 and with her lead the strategy execution has been accelerated and various improvement and optimisation activities have been started and completed.

Strategy implementation with the focus on operational excellence, as well as strengthening customer confidence and satisfaction, were key topics on the management agenda. A key part of these efforts was also the implementation of the customer centric and process driven operating models. Enics' management team was also renewed during the year and key positions were filled with both internal and external hires.

All these activities together with Enics' excellent customer base provide good opportunities for further growth, and the company is now well placed as a key player in industrial electronics also for years to come.

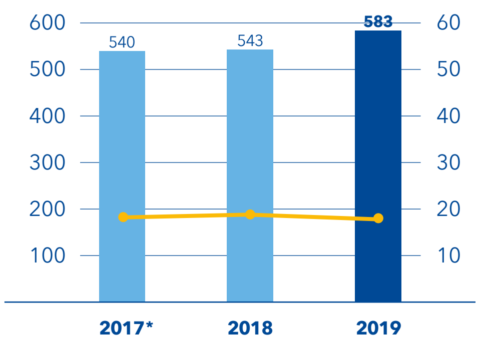
Customer portfolio development

Enics has long-lasting relationships with its largest customers and has been able to expand its offering and deepen partnerships with them. The company is also working with tens of smaller customers with huge untapped opportunity. For Enics' customers, high quality and on-time-delivery (OTD) performance are the two most important factors. The company has worked to improve in these areas and the positive impact has already been seen. At the end of the year, Enics' Net Promoter Score (NPS) improved in comparison to the previous year and was at a good level.

Development in digitalisation, automation, robotics etc. opens up new opportunities in terms of value-add services, which in turn also supports the manufacturing services' business. Customers require a broader range of services to be provided by one partner and they get the best Total Cost of Ownership (TCO) when they let the design partner take care of production and related services and thus optimise the whole value chain.

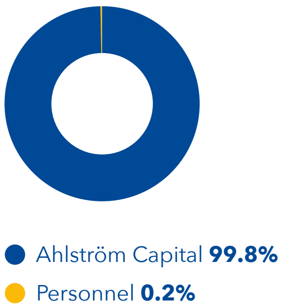
www.enics.com

Revenue and Comparable Operating Profit, MEUR



* Adjusted

Ownership, % December 31, 2019



Development in the growing cleantech industry

AC Cleantech Growth Fund has been active since 2010. The fund has invested in sustainable business, targeting interesting companies in the cleantech industry. AC Cleantech Growth Fund holds a 17% share in Swedish Stirling AB (former Ripasso Energy), a 21% share in Scandinavian Biogas and a 40% share in Frangible Safety Posts. Ahlström Capital Group's ownership in the fund is 30%. Varma, Sitra and Stiftelsen för Åbo Akademi have also invested in the fund. The fund is consolidated as an associate in the Ahlström Capital Group.

Scandinavian Biogas is one of the largest private producers of biogas in the Nordics. The company has plants in Sweden, Norway and South Korea. The liquid biogas is used as vehicle fuel in buses for public transportation and increasingly also for private sector heavy transportation haulers. The company is leading the way in the increasingly growing market of liquefied biogas (LBG) for the heavy transportation sector. In 2019, the company made a significant improvement in its performance based on a business plan with a revenue of SEK 363.6 million (275.2), and an EBITDA of SEK 87.8 (-6.2). This improvement resulted in attracting new capital of SEK 150 million via rights issue and directed share issue carried out in 2019. There has been a strong demand from the shipping industry towards Scandinavian Biogas and in May 2019, a 7.5-year contract was signed between the company's Norwegian subsidiary Biokraft and Hurtigruten to supply LBG to Hurtigruten's ships. The partnership will result in substantial emissions reductions and signals a paradigm shift in the shipping industry. This agreement is a natural consequence of the commissioning last year of the world's largest LBG plant in Skogn, Norway, owned by Scandinavian Biogas.

Swedish Stirling AB (former Ripasso Energy) is a Swedish cleantech company specialised in developing the technology of the Stirling engine, which has the ability to convert thermal energy to electricity. The company's latest product, PWR BLOK 400-F, is developed for recovering energy from industrial residual and flare gases and converting them into climate-friendly, 100% carbon-neutral electricity with high efficiency. During 2019, the financing base and technical abilities of the company have improved greatly, hence the company's capability for delivering even bigger volumes has increased. Swedish Stirling has moved forward with a major ferrochrome company Glencore, signing an exclusivity agreement in July 2019, which gives the company exclusivity to negotiate an installation of initially up to 25 of the PWR BLOK 400-F products. The estimated annual revenue of these is MSEK 40. Interest in the PWR BLOK has been growing during the year and in December 2019 an agreement on a pilot facility with a major South African ferrochrome manufacturer Samancor Chrome was signed. With both Glencore and Samancor Chrome as customers of the company, Swedish Stirling has a strong network in the entire South African ferrochrome industry.

REAL ESTATE:
Renewal of the historical Industrial Palace

At our flagship building, Eteläesplanadi 14, many changes were made during the year. With an excellent location in the commercial business district in Helsinki city centre, the building has several long-term tenants, with the average tenancy at around 10 years. As the owner, we want to maintain and develop the building, built in 1937, by implementing regular renovations.

Last year our largest tenant, Castrén & Snellman, renovated their facilities. The project was completed at the beginning of 2020.

Ahlström Capital's office located in the 'Industrial Palace' was converted into a modern and flexible open office space and 300 m² was freed for commercial use.

The traditional and famous Restaurant Savoy has also started a general overhaul of their 8th floor facilities in December 2019. The first part of the renovation – the restaurant and the terrace – were completed and reopened to the public at the beginning of 2020. The second part of the renovation is planned to be completed in summer 2020. The previous time the Savoy was refurbished was in 1996.

The improvement project of Savoy is a collaboration between Ahlström Capital, in the position of a property owner, together with Alvar Aalto Foundation, Helsinki City Museum and Artek. The original interior design of Restaurant Savoy was by Alvar and Aino Aalto and the new one is designed by Ilse Crawford's Studioilse. The new design honours the original work of Alvar and Aino Aalto.

Photo: Anton Sucksdorff

Stable real estate market

In 2019, the transaction volume in the Finnish property market totalled EUR 6.3 billion. The volume decreased by 34% from the previous year, yet still the number of transactions remained high. Last year was lacking exceptionally large transactions, hence the decrease in the transaction volumes. Due to high investor demand, the transaction prices of the best properties continued to increase especially in the Helsinki metropolitan area. Office properties were the most traded property type in 2019, accounting for 37% of the total volume.

Our real estate strategy

We have classified our current and potential real estate objects into two categories: Core and Flexible. The Core portfolio consists of office properties with a prime location in Helsinki, Espoo and Vantaa. In our Core portfolio, we aim for direct ownership with a target asset size of EUR 10–75 million. The Flexible portfolio comprises a variety of property types: office (secondary), hotel, retail, logistics, light industrial and data centre in the Helsinki region, Tampere and Turku. To ensure the portfolio's future value creation, land areas or building rights can also be considered. The properties are mostly owned directly, but indirect or joint venture -ownership can be taken into consideration. To be more agile, the target asset size of properties in our Flexible portfolio is EUR 5–35 million. Our real estate portfolio is managed by our fully-owned subsidiary A. Ahlström Real Estate Ltd.

During 2019, Pia Lindborg started as the new real estate director at A. Ahlström Real Estate Ltd.

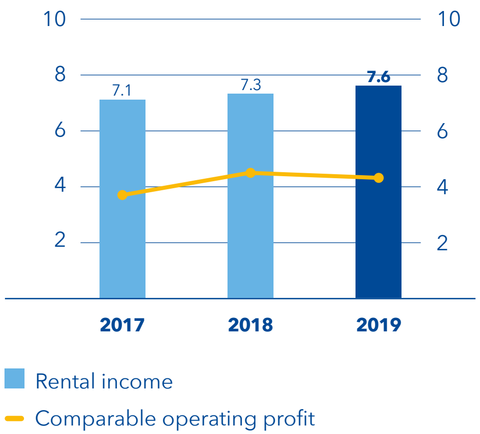
New real estate investment

In December 2019, A. Ahlström Real Estate Ltd signed an agreement on a new real estate investment for an international company. The real estate development project, is a joint venture with a Finnish institutional investor. Closing will take place in April 2020.

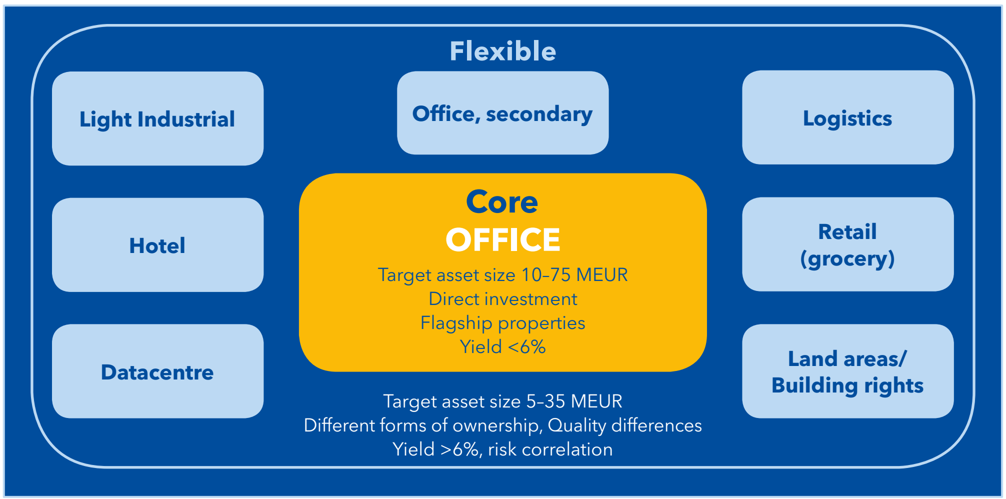
Responsibility in the real estate business

Sustainable operations are important for us also in the real estate business. All buildings in our ownership are managed in an energy-efficient manner and they either have an environmental certificate (BREEAM, LEED) or we will apply for one. BREEAM - Building Research Establishment Environmental Assessment Method is a leading sustainability assessment method for masterplanning projects, infrastructure and buildings. BREEAM measures sustainable value in a series of categories, ranging from energy to ecology. LEED is another green building certification which can be applied for buildings to measure their sustainability. During last year, one of our real estate investments, a multi-purpose property, Hankasuontie 11, received the BREEAM certificate with a very good level. The BREEAM certificate has also been applied for the Eteläesplanadi 14 building and we are expecting to receive it during 2020.

Rental income and Comparable Operating Profit, MEUR



Real Estate Investments



FORESTS:
Maintenance of the carbon sink with sustainable forestry

Ahlström Capital has a long tradition in sustainable forestry. Our silviculture is most efficient when it is both financially profitable and sustainable. Forests cultivated in this way also sequester carbon in the best possible manner. Maintaining vitality and growth of trees is the best way to also keep carbon sequestration high in our forests. The annual growth in our forests is 187,000 m^3.

A carbon sink means that a forest stores more carbon dioxide than it releases into the atmosphere. As trees grow, they store carbon in their trunks, branches, roots and leaves. Plant litter stores carbon in the soil. Carbon is released back into the air as carbon dioxide when wood and plant litter decompose. When wood is being used, the carbon is stored or released, depending on what is being made from the wood.

The carbon sink of our forests, the annual amount of sequestered carbon dioxide, is estimated to be around 135,000 tonnes. This is equal to the yearly carbon footprint of ca. 13,500 Finns.

Forest carbon sinks can be enhanced by improving tree growth. In 2019, we planted 380,000 new seedlings which is about four times more than the amount of logged trees. Cultivation of new trees and tending to seedling stands are the most important measures in terms of carbon sequestration and silviculture. Proper management increases the diameter of the trees, they become stronger and more durable, hence they can bind more carbon. We use improved nursery seedlings in silviculture because they grow 15–20% more than natural seedlings.

We also strive to preserve the carbon stock in the soil by transitioning to uneven-aged forest management on suitable sites. We began to use this method in our forests in 2018. Uneven-aged management is used in our forests particularly in peatland forests and on sites with sensitive landscape values. This type of silviculture retains trees in the forest on a continuous basis and supports biodiversity.

Long traditions

Ahlström Capital is one of the largest private forest owners in Finland. We have a long tradition in forestry, as the first forest assets were bought in the late 1800s. Our forests are concentrated in the Satakunta region in Western Finland.

Increase in volumes, revenue and operating profit

In 2019, delivery sales and standing sales volumes of timber increased by 4% compared to the previous year. The delivery sales volume totalled 138,000 m^3 and the standing sales volume was 29,000 m^3. Insect damage in Central Europe has resulted in an excess supply in the sawn timber markets. This lowered the price of sawn timber and was reflected in the timber market as well, so that the price of logs decreased towards the end of the year by approximately 10% compared to 2018.

Pulp production volumes have remained unchanged from 2018, but the price has dropped somewhat from the peak figures seen in the previous year. The drop in pulp prices has reverberated in pulpwood prices, which have decreased by a few per cent in 2019. The need and utilisation rates of energy wood, and the price, are at the same level as the previous year.

In 2019, the revenue of the forestry business totalled EUR 9.9 million, and comparable operating profit was EUR 5.4 million. In comparison with 2018, the comparable operating profit increased by 6.5%.

Versatile effects of forest management

There are various aspects in addition to actual forest management which need to be taken into consideration in our forestry business. One of these aspects is wild game management. Winter feed and the need for shelter for small game is taken into consideration when doing logging and other forest work.

In 2019, fallow deer were introduced to an enclosure in the vicinity of the Noormarkku Works to increase the multiformity. The area of the enclosure totals over 20 hectares. The deer will breed in the enclosure and, over the coming years, they will be released into the forests in the nearby area.

Controlled burning as part of forestry enhances biodiversity in the forests as it creates more diverse, healthier forests and produces habitats for insect and plant species, which require burnt wood material and habitats created by forest fires. In 2019, controlled burning took place on one of the company's forest estates.

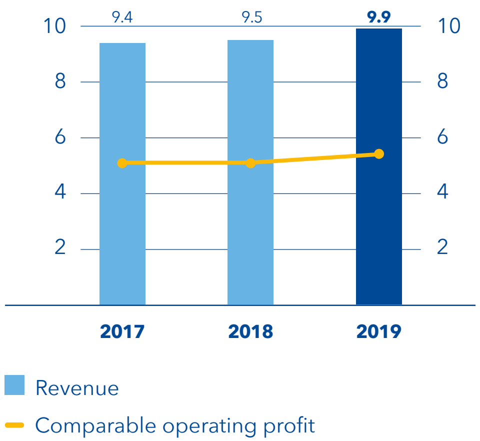
Project to reserve nature values

Another action taken towards diverse forestry in 2019 was a nature monitoring project which took place in our forests near the Ahlström Works area. The goal of the project was to monitor approximately 11,000 hectares of forest, seeking objects with nature value in need of protection. In total, 220 hectares, and approximately 180 objects with nature value, were found during the project and were included in our forest management programme. The objects are areas important for the multiformity of the forests and they will be managed in such a way that their special characteristics will remain as they are, for example, during logging.

Our forests are certified

All forests in Ahlström Capital's ownership are certified. The Programme for the Endorsement of Forest Certification (PEFC) is an international non-profit, non-governmental organisation dedicated to promoting Sustainable Forest Management (SFM) through independent third-party certification. PEFC certification includes 32 criteria, all of which Ahlström Capital is committed to fulfilling. The criteria include various topics related to environmental protection and forest management in general. Our actions are reported annually.

Revenue and Comparable Operating Profit, MEUR



Logging in total 183,000 m^3

Unique hospitality for over 150 years

Ahlström Capital's two historical works, The Noormarkku and Kauttua Works in the Satakunta region in Western Finland, have a significant role not only in the long history of Ahlström family, but in the industrial and cultural history of Finland.

Noormarkku Works offers a warm and unique destination for different customer groups. Especially for the corporate groups, the Noormarkku Works offers special and high-quality meeting facilities in the elegantly renovated conference rooms. Originally the home of the director of Noormarkku Works, these days the Works serve as a venue for meetings and events. Noormarkku Works is a place for corporate groups to retreat, away from the busy city life and to feel welcomed to enjoy a different meeting set-up from the usual meeting environments.

Alongside the meetings, the guests can enjoy local food at Noormarkku Club and accommodation in the unique rooms of the hotel in some of the guest houses. Companies are also able to combine culture with business by choosing from cultural and nature services offered at the Works area. There are three significant historical buildings located in the Noormarkku Works area: Isotalo, Havulinna and Villa Mairea.

Villa Mairea has attained the most worldwide recognition of all the buildings located in the Noormarkku Works area. Last year the building, designed by Aino and Alvar Aalto and built in 1939, celebrated its 80th birthday. To honour the birthday, one of the cultural events at Noormarkku was a guided tour of Villa Mairea with a jubilee exhibition displaying drawings of Maire Gullichsen, made by the American artist Alexander Calder and by the Swedish artist Kurt Jungstedt. The exhibition also displayed works of various other artists. A beautiful sketch of Villa Mairea by Alvar Aalto is on show at Klubi.

Ahlström Capital as a responsible investor and owner

Ahlström Capital is a family-owned investment company, which develops its portfolio companies with a sustainable long-term approach. We are committed to promoting responsible business practices in our portfolio companies and to conducting sustainable asset management of our real estate and forest investments.

Our biggest impact on the environment and society is created through our portfolio companies, which form approximately 70% of our investments. At the end of 2019, we had six companies in our portfolio, of which five are in manufacturing and one in the infrastructure construction industry. These companies employ around 15,500 people in 29 countries. Almost 30% of our investments are in real estate and forests. Our real estate portfolio includes prime location buildings and heritage assets of ca. 67,700 m^2 as well as forest assets ca. 34,000 ha.

Active ownership

As a responsible investor we want to incorporate environment, social and governance (ESG) issues into our analysis and decision-making processes and impact the ESG performance of our portfolio companies, as well as real estate and forest investments. ESG issues need to be managed in all aspects of the investment process, including deal screening, due diligence, ownership and value creation and also in the exit process. All Ahlström Capital portfolio companies need to manage, monitor and evaluate ESG risks, opportunities and value creation possibilities.

We support our portfolio companies in their responsibility efforts through active board participation and guidance as well as by cooperation with the management. Our portfolio companies need to define sustainability goals and follow up on the initiatives and the ESG development in the Boards regularly. We have created assessment tools to be able to monitor the development of our portfolio companies' sustainability work and we evaluate status updates from each company annually.

We have identified Ahlström Capital's

WE SUPPORT UN GLOBAL COMPACT

Ahlström Capital Group is committed to the United Nation's ten principles of the Global Compact with respect to human rights, labour, environment and anti-corruption. Our first report on the progress towards implementing the ten principles was published in June 2019. The report describes the assessments, policies, targets and actions in Ahlström Capital, our direct holdings Destia and Enics and our subsidiary A. Ahlström Real Estate Ltd. (our real estate and forest investments).

Assessments and policies:
Each company's Code of Conduct stipulates the basic principles guiding the daily work with respect to human and labour rights, environment and anti-corruption. In our real estate investments we aim to get environmental certificates for all new properties, and all our forest assets have PEFC sustainable management certification. Our non-listed companies are guiding daily work also by i.e. occupational health and safety policies, environmental policies, anti-corruption policies, certifications such as ISO14001 and supplier Code of Conduct. All the companies have whistleblowing channels for reporting any misconduct.

Targets and actions are based on:
Performance of AC Group companies is measured with indicators such as:

Human and labour rights:	lost time and near miss incidents, accidents frequancy, safety observations, safety trainings
Environment:	carbon sink, greenhouse gas emissions, customer ratings of environmental isssues, energy and material efficiency, % real estate/forests that are certified
Anti-corruption:	Code of Conduct trainings, number of incidents in the whistleblowing channel

The report is found www.ahlstromcapital.com/en/sustainability material ESG topics that will be followed in all our portfolio companies. The sustainable objectives we want to focus on are;

- Environment: promote activities that combat climate change and improve energy efficiency
- Social: promote health and safety and customer satisfaction
- Governance: promote fair business and governance practices

Key performance indicators applicable to our portfolio for these ESG objectives have been identified and we are creating a reporting process to enable monitoring of the development in our companies. In addition to these ESG topics, portfolio companies have their own industry specific ESG topics.

Sustainable real estate and forest management

Our investments are operated in a way that carefully evaluates environmental impacts. The built environment has a significant role in decreasing our carbon footprint and waste. When we select new properties into our real estate portfolio, we need to consider energy efficiency, property life-cycle thinking and using materials and techniques that endure. All properties are managed in an energy efficient manner, with the aim of getting environmental certificates (e.g. LEED and BREEAM) for them.

We promote ecologically and economically sustainable forestry and take into account the multipurpose use of forests. The carbon sink of our forests can be maintained and increased with sustainable forestry. We have excluded some ecologically diverse areas from our active forest management. All our forests have PEFC Sustainable Forest management certification, which means that for example biodiversity of forest ecosystems is maintained or enhanced.

Sustainable way of working

We place importance on a positive and safe work environment, employee commitment, talent development, equality and diversity. We aim to build up a sound occupational environment and health, including work-life balance.

Our sustainability work is based on the UN Global Compact's ten principles. The progress in Ahlström Capital Group is reported once a year to the UN Global Compact. We also expect that our listed portfolio companies, Ahlstrom-Munksjö, Detection Technology, Glaston and Suominen, are committed to the UN Global Compact's ten principles. In order to develop our sustainability work, we have continuous dialogues with all of our stakeholders, including FIBS, which we joined in 2016.

Donations in 2019

In 2019, Ahlström Capital donated EUR 25,000 to UNICEF for the children of the world. The donation was directed to the UNICEF child protection program in Zambia. The Eva Ahlström Foundation and Ahlstrom-Munksjö, both part of Ahlström Capital's network, have also supported the same child protection program. Cooperation with UNICEF is a natural way for Ahlström as a family-owned company to take part in building a better future for the next generations.

Ahlström Capital also donated EUR 20,000 for the research on forests in the University of Eastern Finland. This donation was directed to a project in the School of Forest Sciences to further improve sustainable forestry.

Almost 170 years of industrial traditions

1851
Antti Ahlström (1827–1896) starts businesses in the fields of shipping and sawn goods.

1870
Antti Ahlström acquires the Noormarkku works, which later becomes his home and the centre of the company's businesses. During the late 1800s, Ahlström also acquires Kauttua, Leineperi and Strömfors works.

1896
Eva Ahlström (1848–1920) becomes one of Finland's first female industrialists.

1907
A papermill is established in Kauttua, marking the start of the paper industry in the area.

1908
A. Ahlström Osakeyhtiö is established. It later becomes the biggest industrial company in Finland.

1937
A. Ahlström Oy constructs the 'Industrial Palace' business and office building on Eteläesplanadi 14, Helsinki. The building is designed by architecture firm Jung & Jung.

1963
A. Ahlström Osakeyhtiö makes an investment in an Italian paper mill, Cartiere Giacomo Bosso S.p.A. A. Ahlström Osakeyhtiö is one of the first companies in Finland to expand their business abroad.

1968–
Internationalisation continues as A. Ahlström Osakeyhtiö acquires companies during 1968–2000 in Canada, Germany, USA, France, Sweden and Brazil. New companies are also established in Sweden and South Korea.

2001
A. Ahlström Osakeyhtiö

Ahlström Capital

Ahlstrom Corporation

Active value creation – Ahlström Capital

Ahlström Capital was established in **2001**, when A. Ahlström Osakeyhtiö was divided into Ahlstrom Corporation, Ahlström Capital Oy and A. Ahlström Osakeyhtiö. Ahlström Capital's portfolio consisted of Ahltronix (which later became Enics) and ÅR Carton (later ÅR Packaging).

At the end of **2019**, our portfolio included assets in Ahlstrom-Munksjö, Detection Technology, Glaston, Suominen, Destia and Enics, as well as considerable real estate and forest holdings and an investment in the AC Cleantech Growth Fund I.

2001
Investment in Vacon.

2003
Investment in Nordkalk.

2005
Acquisition of Wessen.

Investment in Salmisaari real estate.

2007
Investment in Elbi.

2007
Salmisaari real estate is sold.

2008
Wessen is sold.

2010
Establishment of the cleantech fund.

2010
Nordkalk is sold.

2013
Elbi is sold.

2014
Investments in Suominen and Outokumpu.

Acquisition of Destia.

Holdings in Ahlstrom and Munksjö as well as real estate and forest assets were added to our portfolio.

Investment in Kasarmikatu 21 real estate.

2014
Vacon is sold.

2015
Outokumpu is sold.

2016
ÅR Packaging is sold.

2017
Investments in Detection Technology and Glaston.

Merger of Ahlstrom and Munksjö.

2017
Kasarmikatu 21 real estate is sold.

Risk management

As an investment company, Ahlström Capital's key risks are related to its ability to create long-term shareholder value growth with steady returns. A diversified and balanced portfolio, consisting of forests, real estate holdings and industrial investments, reduces the overall risks, and is a key component of the company's risk management. As a family owned company, Ahlström Capital fosters the trust and reputation generated over decades through good corporate governance principles and processes in all its portfolio companies.

The Board of Directors is the governing body that oversees Ahlström Capital's risk management. The Audit Committee assists the board in ensuring that the company has appropriate systems of risk management and internal control.

Ahlström Capital maps and assesses the company's risks annually. These include strategic, financial, operational and hazard risks related to the company's business and operating environment. The company's risk profile is assessed according to risk impact, likelihood and the current risk management level. Risks that threaten the company's strategical objectives, compliance and sustainability are evaluated, and the financial impact of recognised risks is assessed. Based on the evaluation, key actions for risk management and mitigation are identified.

With regards to its portfolio companies, Ahlström Capital participates in, promotes and monitors internal risk management practices in each company through board work. Ahlström Capital gathers information on risks related to the portfolio companies and forms a view of their systemic risks.

In 2019, Ahlström Capital reviewed the risk assessment reports of portfolio companies in order to identify systematic risk items for the group. In addition, another focus area in Ahlström Capital's risk assessment in 2019 was liquidity and funding risks.

In February 2020, a syndicated secured financing facility up to EUR 200.0 million of which EUR 160.0 million is committed was signed between Ahlström Capital Oy, A. Ahlström Real Estate Ltd. and four external banks to secure availability of funding. Maturity of the financing facility is five years.

Ahlström Capital financial liquidity risks

Risk	Mitigation	Total impact on portfolio
Valuation risk due to global economic downturn or interest rate increase	Controlled and modest Leverage ratio Substancial head room to covenants	Medium
Availability of financing	Substancial committed facility in use	Medium
Financial market disturbance	Maintain mixed tenure in financing and multiple sources of financing	Low
Geopolitical instability	Diversified business footprint	Low
Cost of financing	Interest rate hedging in portfolio companies	Very low

Corporate Governance

Ahlström Capital Oy is a private limited liability company registered in Finland and the parent company of the Ahlström Capital Group. The company is committed to good corporate governance practices in accordance with the Finnish Limited Liability Companies Act, the company's Articles of Association and the principles of the Corporate Governance Code for Finnish listed companies. The company adheres to insider guidelines approved by the Board of Directors of the company. The company maintains its project-specific insider registers in the SIRE system of Euroclear Finland Ltd. The company's shares are incorporated in the Finnish book-entry system maintained by Euroclear Finland Ltd. Ahlström Capital has its registered office in Helsinki, Finland.

Ahlström Capital is responsible for the development of the Group's business, handles the Group's financial reporting, provides the Group and the associated companies with services relating to risk management, finance, legal affairs and governance and advises them in strategic and investment matters. The Group's structure is presented in the Report of the Board of Directors on page 41.

The Group consists of several independent companies, subgroups and separate associates. The company exercises its ownership through representatives that its Board annually proposes to the decision-making bodies of the company's subsidiaries and associates.

General Meeting of Shareholders

The highest decision-making body of Ahlström Capital Oy is the General Meeting. The Annual General Meeting decides on the composition of the Board of Directors, as well as on the fees payable to Board members, the Board's committees and the Shareholders' Nomination Board and to the auditors. In addition, the General Meeting has exclusive authority over matters such as amending the Articles of Association, adopting the financial statements, deciding on the distribution of profits, deciding on releasing the Board and President and CEO from liability and electing auditors.

In 2019, the Annual General Meeting was held on April 8 in Helsinki.

Board of Directors

According to the Articles of Association, the Board has five to eight ordinary members. The members are elected at the Annual General Meeting for a term ending at the close of the next Annual General Meeting. The Board elects a Chairman and, if it deems necessary, a Vice Chairman from among its members.

The Board represents the owners of the company. The duties and responsibilities of the Board are based on the Finnish Limited Liability Companies Act and other applicable legislation, as well as on the Articles of Association and the rules of procedure adopted by the Board. In cooperation with the President and CEO, the Board is also responsible for internal supervision, which includes risk management. Risk management is mainly carried out by the subsidiaries and associates, with regards to mitigating potential sources of risk. The Board confirms the company's and the Group's general targets and strategy, as well as approves the annual plan.

The Board of Directors can decide on establishing committees for preparing matters for which the Board is responsible. In 2019, the Board had an Audit Committee and a Compensation Committee.

According to the rules of procedure, the Board members must be independent of the company's and the Group's management and employees, as well as the competitors, significant contracting parties and Ahlström Capital's direct investment targets. A Board member does not represent any single shareholder or shareholder group. The members are independent of the major shareholders, except for Håkan Johansson and Kari Kauniskangas, who are Board members of Antti Ahlström Perilliset Oy.

The Board conducts an annual self-assessment study.

Audit Committee

The Audit Committee assists the Board in ensuring that Ahlström Capital's accounting and financial management are appropriately supervised and that the company has appropriate systems in place for risk management and internal control. It is also the Audit Committee's duty to monitor questions related to Ahlström Capital Oy's external fair value (EFV).

Compensation Committee

The Compensation Committee prepares, evaluates and advises the Board on matters related to the remuneration of the President and CEO, as well as other senior management; incentive plans; succession planning; principles of remuneration policies, as well as compensation development internationally with regards to businesses relevant for Ahlström Capital Oy.

Shareholders' Nomination Board

The role of the Nomination Board is to prepare proposals for the Annual General Meeting on the remuneration of the members of the Board of Directors, the Board committees and the Nomination Board; prepare a proposal on the number of the members of the Board of Directors as well as the members of the Board; and to seek for prospective successors for the Board members.

President and CEO

Ahlström Capital's President and CEO is appointed by the Board. The President and CEO organises and manages the company's and the Group's operations and is responsible for operational administration in compliance with the instructions and decisions of the Board. The President and CEO supervises and manages the analysis and appraisal of prospective investments, and the development and divestment of holdings.

Personnel and Management

At year-end 2019, the company had thirteen employees. They assist the President and CEO, actively monitor and develop the company's operations in accordance with the objectives set, handle reporting, and prepare decisions on investments and divestments for discussion by the Board of the company and the company's subsidiaries and associates.

The management also assists the President and CEO in preparing strategic issues and prepares issues to be considered and decided by the Board.

Salaries and remunerations

The Annual General Meeting decides on the remuneration of Board members. In compliance with the resolution of the Annual General Meeting of 2019, the Chairman receives an annual remuneration of EUR 105,000 and the members EUR 42,500. In addition, Board members residing outside of Finland receive an attendance fee of EUR 1,500 per meeting, members residing in Finland a fee of EUR 750 if the meeting is held outside Helsinki and EUR 1,500 if the meeting is held abroad. For the Shareholders' Nomination Board meetings, a fee of EUR 800 is paid. The Chairman of the Audit Committee receives an annual fee of EUR 10,000 and other members of the Audit Committee an annual fee of EUR 5,000. The Chairman of the Compensation Committee receives an annual fee of EUR 8,000 and other members EUR 4,000.

The Board decides on the President and CEO's salary and benefits and confirms the salaries, incentives and benefits of other members of the management. Selected members of the management are entitled to an additional pension scheme. The company's employees are entitled to incentives according to the company's incentive policy. Incentives are based on the company's value development, financial performance and specific individual goals.

Audit

The auditors supply the company's shareholders with the statutory auditor's report as part of the annual financial statements. They also report on their observations to the company's Board.

The Annual General Meeting of 2019 elected KPMG Oy Ab as the company's auditor, with Virpi Halonen, Authorised Public Accountant, as the auditor in charge. The Group's auditing fees in 2019 were EUR 399 thousand (413). In addition, the auditor was paid EUR 193 thousand for services not related to the audit (43).

Board of Directors

as of December 31, 2019

Fredrik Persson, Malin Persson, Kari Kauniskangas, Pekka Pajamo, Håkan Johansson, Mikael Lilius, Mats Danielsson and Marion Björkstén

Mikael Lilius

b. 1949, B.Sc. (Econ.)
Chairman of the Board March 24, 2015 –, Chairman of the Compensation Committee April 29, 2015–, Member of the Nomination Board October 26, 2015–

Current position
Board professional

Key positions of trust
Chairman of the Boards: Metso Corporation, Wärtsilä Corporation; Board member: Evli Bank Plc

Marion Björkstén

b. 1971, M.Sc. (Econ.)
Board member April 5, 2017–

Current position
BB Designs, Managing Director & Partner, 2017–

Key positions of trust
Board member: Experiri Oy, Pizzeria Dennis Oy, Dennis Food Factory Oy

Mats Danielsson

b. 1969, M.Sc. (Econ.)
Board member November 7, 2011–, Chairman of the Audit Committee April 29, 2015–, Member of the Compensation Committee April 5, 2017–

Current position
Founding Partner, Oy Nobsh Ab, 2019–

Håkan Johansson

b. 1969, B.Sc., LL.M.
Board member April 8, 2019–

Current position
Stronghold Invest AB, Executive Board Member, 2017–

Key positions of trust
Board member: Antti Ahlström Perilliset Oy, Niam AB, Newsec AB

Kari Kauniskangas

b. 1962, M.Sc. (Econ.)
Board member April 8, 2019–
Member of the Audit Committee April 8, 2019–

Current position
Board Professional

Key positions of trust
Chairman of the Boards: Terveystalo Oyj, Veho Group Oy Ab, Board member: Antti Ahlström Perilliset Oy, L-Fashion Group, Royal Design Group Holding AB, O. Mustad & Son A.S.

Fredrik Persson

b. 1968, M.Sc. (Econ.)
Board member April 7, 2016–, Member of the Compensation Committee April 7, 2016–

Current position
Board Professional

Key positions of trust
Chairman of the Boards: JM AB, Confederation of Swedish Enterprise; Board member: AB Electrolux, Hufvudstaden AB, ICA Gruppen AB

Malin Persson

b. 1968, M.Sc. (Eng.)
Board member March 26, 2014–

Current position
Board professional

Key positions of trust
Board member: Becker Industrial Coatings Ltd, Getinge AB, Hexatronic AB, HEXPOL AB, Peab AB, Ricardo Plc

Pekka Pajamo

b. 1962, M.Sc. (Econ.), Authorised Public Accountant, Board member April 7, 2016–, Member of the Audit Committee April 7, 2016–, Member of the Nomination Board April 5, 2017–

Current position
Varma Mutual Pension Insurance Company, CFO, Senior Vice President, Finance and Internal Services, 2012–

Key positions of trust
Chairman of the Board: Finnish National Theatre Ltd.; Vice-Chairman of the Board: Arek Oy, Board member: Leino Group Oy, LeinoCast Oy, Finnish National Opera and Ballet, Real Estate companies of Varma Group; Chairman of the Finnish Audit Board

Pasi Koota, Helena Staffans, Andreas Ahlström, Lasse Heinonen, Wilma Viertola, Outi Kaivo-oja, Tero Telaranta, Salla Viitikko, Camilla Sågbom, Sebastian Burmeister and Mikael Lilius. Emmi Kjerin and Albert van der Zee are absent from the photo.

Personnel as of 31 December 2019

Lasse Heinonen

b. 1968, M.Sc. (Econ.)
President & CEO

Andreas Ahlström

b. 1976, M.Sc. (Econ.)
Investment Director

Sebastian Burmeister

b. 1975, M.Sc. (Econ.)
Director, Finance and Investments

Emmi Kjerin

b. 1984, Bachelor of Hospitality Management
Executive Assistant

Pasi Koota

b. 1970, M.Sc. (Econ.)
Chief Financial Officer

Mikael Lilius

b. 1983, M.Sc. (Econ.)
Investment Manager

Helena Staffans

b. 1956, B.Sc.
Executive Assistant to CEO

Outi Kaivo-oja

b. 1972, M.Sc. (Admin., Econ.)
Head of HR

Camilla Sågbom

b. 1970, M.Sc. (Econ.)
Director, Corporate Communications and Responsibility

Tero Telaranta

b. 1971, M.Sc. (Eng.), M.Sc. (Econ.)
Director, Industrial Investments

Wilma Viertola

b. 1993, BBA
Communications Assistant
(Study leave substitute for Suvi Uoti)

Salla Viitikko

b. 1987, Master of Laws
Legal Counsel
(Maternity leave substitute for Sandra Wickström)

Albert van der Zee

b. 1959
General Manager, The Netherlands

Financial Statements and the Report of the Board of Directors

CONTENTS

Report of the Board of Directors

Ahlström Capital is a family-owned investment company with a mission to create sustainable long-term shareholder value growth with attractive annual cash returns. Ahlström Capital invests in industrial companies and real estate and forest holdings. The investment focus lies in growth industries in core areas of Ahlström Capital's expertise and in businesses that Ahlström Capital can develop as a true long-term partner.

In 2019, the total revenue of Ahlström Capital Group amounted to EUR 1.2 billion (1.1), the total balance sheet was EUR 1.3 billion (1.3), and the Group employed on average 5,276 people (5,120).

The key performance indicators of Ahlström Capital

External Fair Value, EFV

The development of the external fair value of the company is one of the most relevant long-term performance indicators. The External Fair Value (EFV) is defined as the aggregate market value of the company's assets net of liabilities.

When valuing its holdings, Ahlström Capital complies with generally accepted valuation methods, including the IPEV Standards for non-listed investments, the Best Practices Recommendations of the European Public Real Estate Association (EPRA) for real estate, IFRS for forest, and market quotes for listed shares. The company strives for an average annual increase in external fair value of 6–10% over time.

At year-end 2019, the total external fair value of Ahlström Capital's portfolio was EUR 965.1 million (887.1). The value increase in 2019 was EUR 108.0 million (-116.3) or 12.2% (-11.3), including the dividends paid during the period, in total EUR 30.1 million (30.2). The growth in EFV was mainly attributable to the increase in market values of listed shares, EUR 95.2 million. Forest assets also had a positive contribution of EUR 9.2 million on EFV. The value of non-listed investments decreased by EUR 5.7 million based on external valuation reports. At the end of 2019, the external fair value of Ahlström Capital Oy's share was EUR 15.46 (14.16).

Comparable Operating Profit

To evaluate the operative performance of Ahlström Capital's portfolio, the company monitors the development of comparable operating profit. Comparable operating profit is the reported operating profit (EBIT) adjusted for the impact of non-operational items that are considered to affect comparability between reporting periods. These adjustments consist of, among others, sales gains and losses, changes in fair value of investment properties and biological assets, provisions and reversal of provisions related to sales and restructuring costs. Listed companies, where Ahlström Capital has a significant influence, are consolidated as associated companies in Ahlström Capital Group and their share of result, based on profit for the period, affects Ahlström Capital's comparable operating profit.

The comparable operating profit for the year 2019 was EUR 34.1 million (48.8) and the decrease from the year 2018 was EUR 14.7 million or -30.2%. At Destia, comparable operating profit was clearly below the previous year due to margin deviation in a few large projects. At Enics, low material margins burdened profitability. Out of our listed portfolio companies, Ahlstrom-Munksjö's and Detection Technology's financial performance was below the previous year's level, but Suominen's and Glaston's comparable operating profit improved. However, integration costs notably decreased Glaston's net result and contribution to Ahlström Capital Group.

In 2019, items affecting comparability totalled EUR 8.9 million (8.3), of which the most significant item was an increase in fair value of forest assets, EUR 11.1 million. Destia's items affecting comparability were EUR 1.1 million and consisted mainly of sales gains net of restructuring costs. Enics reported items affecting comparability of EUR -3.0 million mainly consisted of restructuring costs.

Changes in the investment portfolio

During the year, Ahlström Capital actively evaluated several new investment opportunities, but no new investments were made.

In 2019, Ahlström Capital increased its shareholding in Glaston from 17.5% to 26.4% through the participation in a directed share issue and rights issue, which were conducted to finance the acquisition of Bystronic Glass.

In December 2019, Ahlström Capital signed an agreement on a new real estate development project in Vantaa, Finland. The construction work is expected to begin in spring 2020.

At year-end, the listed shares represented 47.2% (40.7), non-listed shares 22.9% (27.7), real estate 13.3% (14.9), forests 13.2% (13.4) and liquid and other assets 3.4% (3.3) of the external fair value.

Listed companies

Ahlstrom-Munksjö (18.7% shareholding)

Ahlstrom-Munksjö is listed on Nasdaq OMX Helsinki and Stockholm and had a market cap of EUR 1,650.9 million (1,397.3) at year-end 2019.

The following comparison figures are presented on a pro forma basis to illustrate the financial impact of acquisitions in 2018 and the merger between Ahlstrom and Munksjö as if they had been completed at the beginning of 2017.

In 2019, Ahlstrom-Munksjö's revenue decreased to EUR 2,916.3 million from EUR 2,996.9 million in 2018, showing a decline of 2.7%. In constant currency, revenue fell by 4.3%. Higher selling prices in all business areas except Industrial Solutions had a positive impact on revenue. Delivery volumes fell in all business areas. Ahlstrom-Munksjö's comparable EBITDA decreased to EUR 312.9 million (329.9), representing 10.7% of revenue (11.0) mainly due to lower volumes. The gross margin for products (per metric ton) improved as increased selling prices more than offset higher variable costs. Fixed costs increased slightly. The implementation of the IFRS 16 standard had a positive impact of EUR 16.3 million on the EBITDA.

The comparable operating profit totalled EUR 139.0 million (176.6). The share of depreciation and amortisation arising from PPA was EUR -52.1 (-48.9). Items affecting comparability totalled EUR -35.8 million (-47.3) and were mainly related to the integration of Expera Specialty Solutions as well as restructuring costs. The operating profit was EUR 103.2 million (129.4). Profit for the period was EUR 32.8 million (63.2).

Ahlstrom-Munksjö's cash flow was strong in 2019. Net cash flow from operating activities rose to EUR 286.7 million (91.6) and was driven by a reduction in net working capital. All net working capital items contributed to this improvement.

During the year, Ahlstrom-Munksjö continued to actively develop its business structure. The company signed a letter of intent to acquire a Chinese decor manufacturer with the aim to become a truly global leader in decor papers. Ahlstrom-Munksjö also made one acquisition to grow its Liquid Technologies business and announced two divestments. The company's strategic investment program, which has kept the capital expenditure at an exceptionally high level for the past two years, is nearing completion and the remaining four projects are expected to be completed by the end of 2021.

The Board of Directors of Ahlstrom-Munksjö proposes that a dividend totalling EUR 0.52 per share (0.52), be paid in four installments.

Ahlstrom-Munksjö's comparable EBITDA in 2020 is expected to be higher than in 2019.

Detection Technology (36.7% shareholding)

Detection Technology is listed on NASDAQ OMX First North. The market cap of Detection Technology amounted to EUR 368.0 million (235.0) at year-end 2019.

In 2019, Detection Technology's revenue increased by 9.1%, exceeding the EUR 100 million milestone, and amounted to EUR 102.5 million (93.9). Security and Industrial Business Unit (SBU) outperformed the market with revenue growth of 24.0% and SBU's revenue totalled EUR 68.9 million (55.6). Revenue for Medical Business Unit (MBU) decreased by -12.4% to EUR 33.6 million (38.3). SBU's share of total revenue was 67.2% (59.2) and MBU's was 32.8% (40.8).

The comparable operating profit amounted to EUR 17.7 million (19.0), corresponding to 17.3% (20.3) of revenue. Items affecting comparability were EUR 0.7 million (0.5) related to the commissioning of the new production and service site in Wuxi in China, the ramp-down of a product significant for the company, and the reorganisation of the group structure. The operating profit (EBIT) was EUR 17.0 million (18.5), or 16.6% (19.7) of revenue. The profit for the period was EUR 12.5 million (14.9).

The financial performance for the year was in line with the company's targets, even though the financial outcome of the last quarter didn't meet the expectations due to the lower-than-expected demand in both business units.

In the SBU, the deliveries of the Aurora product family started in Q4 2019 and Aurora is expected to strengthen the company's competitiveness and market share in the line-scanning segment. The segment is known for its high price erosion, and is still the most commonly used imaging application in critical infrastructure. The main highlights of MBU business in 2019 were high interest in the X-Panel product family based on the CMOS technology in dental and other medical applications, as well as positive customer feedback for small-series production. Detection Technology expects sales for dental applications to start during spring 2020.

Detection Technology's Board of Directors proposes that a dividend of EUR 0.38 per share (0.38) be paid for the financial year 2019.

Detection Technology expects its revenue to grow in 2020 after the temporary market slowdowns have passed. There is some uncertainty regarding demand, and intense competition may reflect on pricing.

Glaston (26.4% shareholding)

Glaston is listed on NASDAQ OMX Helsinki. The market cap of Glaston amounted to EUR 105.8 million (73.7) at year-end 2019.

Glaston's acquisition of Bystronic glass was completed on April 1, 2019. The integration of Bystronic glass with Glaston has proceeded well and combining operations has progressed faster than expected. The planned integrations of operational functions have been completed, a new organisation has been published and overlapping functions have been removed. The figures in this report are presented in pro forma basis (unless stated otherwise) to illustrate the impact of the acquisition.

Glaston has a strong market position and demand, particularly for Bystronic glass's TPS (Thermo Plastic Spacer) technology, has been strong throughout the year. In contrast, challenges in heat treatment have continued and at the beginning of the fourth quarter the company initiated measures to improve operational profitability. Despite market and other challenges, Glaston's pro forma revenue remained at the previous year's level, while comparable (pro forma) EBITA improved in line with company's expectations.

In 2019, Glaston's revenue grew by 1% to EUR 204.6 million (201.8). Services business accounted for 33% (32) of Glaston's revenue. Glaston's orders received totalled EUR 184.6 million (216.7) and the order book stood at EUR 79.5 million (99.9) at year-end 2019.

In 2019, Glaston's comparable EBITA was EUR 12.1 million (11.5), i.e. 5.9% (5.7) of revenue. The purchase price allocation depreciation was EUR 2.8 million (2.8). In 2019, Glaston's comparable operating profit was EUR 7.5 million (6.7), i.e. 3.6% (3.3) of revenue. The Glaston segment's comparable operating profit was EUR 0.0 million (5.7) and the Bystronic glass segment's comparable operating profit was EUR 7.4 million (1.1). Items affecting comparability totalled EUR -7.2 million (-2.3), of which EUR -4.3 million was integration expenses, EUR -1.9 million transaction costs affecting the result and EUR -1.0 million other expenses affecting comparability, for example related to legal proceedings. In 2019, Glaston's operating profit was EUR 0.3 million (4.4). The loss for the period was EUR -5.6 million (0.9). Reported loss for the period totalled EUR -6.4 million (1.9).

Glaston's Board of Directors proposes that, no dividend, but a return of capital of EUR 1,685,798 be distributed, which is EUR 0.02 per share (0.03).

Glaston expects that in 2020 comparable pro forma EBITA will improve from the 2019 level. (In 2019, comparable pro forma EBITA was EUR 12.1 million).

Suominen (24.0% shareholding)

Suominen is listed on NASDAQ OMX Helsinki. The market cap of Suominen amounted to EUR 132.9 million (117.9) at year-end 2019.

In 2019, Suominen's revenue decreased by 4.6% from the comparison period to EUR 411.4 million (431.1). Sales volumes decreased from the comparison period, while sales prices increased slightly. The strengthening of USD compared to EUR increased the revenue by EUR 12.5 million.

Operating profit improved and amounted to EUR 8.1 million (4.6), mainly due to an improvement in gross profit, thanks to the positive development in raw material prices, sales prices and raw material efficiency.

In 2019, profit before income taxes was EUR 2.1 million (-1.0). Income taxes were EUR -1.9 million (-0.8), and the profit for the period improved to EUR 0.2 million (-1.7).

Suominen announced a new strategy at the beginning of January 2020 targeting growth by creating innovative and more sustainable nonwovens for its customers. The company will also improve profitability through more efficient operations and by building a high-performance culture. The vision is to be the frontrunner for nonwovens innovation and sustainability.

Petri Helsky started as the President & CEO of Suominen on January 7, 2019.

Suominen's Board of Directors proposes to the Annual General Meeting a dividend of EUR 0.05 per share (0.00) from the financial year 2019.

Suominen expects that in 2020, its comparable operating profit will improve from 2019.

Non-listed companies

Enics (99.8% shareholding)

Year 2019 was a year of organic growth for Enics. The company's customer portfolio is well-balanced and in 2019, Enics made an all-time high annual revenue of EUR 583.2 million (543.1), representing a growth of 7.4%.

The tight electronics component market situation, which started back in 2017, was still impacting both component availability and cost, as well as leading to higher inventories, especially during the first quarters of 2019.

Enics' profitability in 2019 was impacted by investments in growth, as well as additional resources and efforts taken to ramp-up new businesses to volume, especially during the early part of the year. Higher material costs as well as lower than targeted productivity in ramping up new businesses and responding to volatile demand especially burdened the Manufacturing Services' profitability in 2019. Comparable operating profit decreased compared to the previous year and was EUR 17.7 million (18.9) or 3.0% (3.5). Items affecting comparability totalled EUR -3.0 million (-1.3) and were mainly related to restructuring activities. The operating profit (EBIT) amounted to EUR 14.8 million (17.7). The profit for the period was EUR 7.3 million (10.5).

During 2019, Enics made investments in areas of capacity increase, modernisation and automation across its operations. Services businesses, including both Engineering Services and After Sales, approached record-high revenue levels and continued to be very profitable. According to its strategy, Enics is continuously building up capacity and competences to be able to meet customer demand and growth.

Elke Eckstein started as President and CEO of Enics as of April 1, 2019, and with her lead the strategy execution has been accelerated during 2019, and various improvement and optimisation activities have been started and completed.

Strategy implementation with the focus on operational excellence, as well as strengthening customer confidence and satisfaction, were key topics on the management agenda in 2019. A key part of these efforts was also the implementation of a customer-centric and process driven operating model. Enics' management team was also renewed during the year and key positions were filled with both internal and external hires.

All these activities, together with Enics' excellent customer base, provide good opportunities for further growth and the company is well placed as a key player in industrial electronics also for years to come.

Destia (100% shareholding)

In 2019, Destia's revenue totalled EUR 569.9 million (550.3). The increase in revenue was 3.6% compared to the previous year and was due to the strong order intake in 2018.

Destia's profitability developed unfavourably in 2019 and comparable operating profit ended up at EUR 11.2 million (16.7). Performance in Road Maintenance was good, but due to cost overruns in a few large projects in road construction, the company's profitability decreased. Actions to improve project management have been started and will be further in focus in 2020. Items affecting comparability amounted to EUR 1.1 million (0.0) and consisted mainly of sales gains net of restructuring costs. Operating profit (EBIT) amounted to EUR 12.3 million (16.7). The profit for the period was EUR 9.1 million (12.8).

At year-end 2019, Destia's order book amounted to EUR 763.6 million (732.7). Destia's order book developed positively through the year. The most significant new projects recorded in the orderbook were the execution phases of national road 4 Kirri-Tikkakoski and E18 Kausela-Kirismäki projects, as well as nine new area-wide maintenance contracts for the years 2019–2024.

Following the strategy renewal in 2018, Destia implemented a new service based organisation as of April 1, 2019.

Cleantech portfolio

Established in 2010, the AC Cleantech Growth Fund I Ky has invested in companies in the cleantech industry. In addition to Ahlström Capital, also Varma, Sitra and Stiftelsen för Åbo Akademi have invested in the fund. The commitments of each investor have been fully drawn down and the funds raised are fully invested. Ahlström Capital's ownership in the fund is 30%, and it is consolidated as an associate in the Ahlström Capital Group.

During 2019, the development of the cleantech portfolio companies continued with the main focus on Scandinavian Biogas Fuels International AB and Swedish Stirling AB (previously Ripasso Energy AB). No new investments were made in 2019. At Scandinavian Biogas, a rights issue and directed share issue were carried out in June and July 2019 and issue proceeds amounted to SEK 146 million.

Real estate

At year-end 2019, Ahlström Capital's real estate portfolio consisted of the Eteläesplanadi property, as well as industrial and commercial properties in Southern Finland.

In December 2019, Ahlström Capital signed an agreement on a new real estate development project in Vantaa, Finland. The construction work on a new logistics and operational centre is expected to begin in spring 2020.

During 2019, significant renovations were carried out in the Eteläesplanadi property in Helsinki. Two main tenants renovated their facilities and their lease contracts were extended. Ahlström Capital's own head office was also renovated and turned into an open-plan office. The property was fully leased out throughout the year 2019.

The development project in Hankasuontie 11 A property continued in 2019. The agreement on the final acceptance of the project was concluded in February 2020.

In 2019, the comparable operating profit of the real estate business amounted to EUR 4.3 million (4.5). Reported operating profit (EBIT) totalled EUR 2.8 million (-0.5). Items affecting comparability consisted mainly of changes in the fair values of real estate assets.

Forests

Ahlström Capital's forest assets are mainly located in Western Finland in the Satakunta region, and in Central and Eastern Finland. Ahlström Capital has some 34,000 hectares of forest holdings. In 2019, Ahlström Capital purchased over 500 hectares of forest.

In 2019, logging of the timber proceeded as planned with an increasing focus on delivery sales. During the year, Ahlström Capital delivered 183,000 m³ (182,000) of wood, of which the share of delivery sales was 75%.

In 2019, the comparable operating profit of the forest business totalled EUR 5.4 million (5.1). The reported operating profit (EBIT) was EUR 17.1 million (15.2). Items affecting comparability consisted mainly of an increase in value of forest assets. This was mainly due to the Finnish national growth model, which indicates higher forest growth volumes that have been explained mainly by sustainable forest management. The growth model was first updated in 2018 and further developed in 2019. The estimated annual growth for Ahlström Capital's forest assets, 187,000 m³, exceeds the annual loggings.

Group structure

Ahlström Capital Group consists of the parent company Ahlström Capital Oy, domiciled in Finland, and 44 subsidiaries. The industrial investments in both listed and non-listed companies are now mainly concentrated in the Netherlands under Ahlstrom Capital B.V. Through the structure, the Group can efficiently operate in an international environment. A Finnish holding company AC Infra Oy manages the Destia investment. In November 2019, all the real estate investments were merged into A. Ahlström Kiinteistöt Oy, except for the property at Eteläesplanadi, which is held by Ahlström Capital Oy. Ahlström Konsernipalvelut Oy provides accounting, ICT and HR services.

Suominen Corporation, Ahlstrom-Munksjö Oyj, Detection Technology Plc and Glaston Corporation are consolidated as associated companies in the Group. AC Cleantech Management Oy is the management company for AC Cleantech Growth Fund I Ky. The cleantech fund and the legal group that it constitutes are also consolidated as an associated company. In December 2019, Ahlström Capital signed an agreement to participate in a joint venture in relation to a real estate development investment. As a result, Åbyntie Gp Oy and Åbyntien Kiinteistöt Ky became associated companies in the Group.

Group earnings in 2019

The revenue of the Ahlström Capital Group was EUR 1,173.2 million (1,113.1), of which Enics accounted for EUR 583.2 million (543.1), Destia for EUR 569.9 million (550.3), the real estate business for EUR 7.6 million (7.3), the forest business for EUR 9.9 million (9.5), and other businesses for EUR 2.6 million (2.9). Other operating income amounted to EUR 21.2 million (22.2). Ahlström Capital's share of the results of its associates was EUR 6.2 million (9.9). This consists of shares in the results of Ahlstrom-Munksjö, Suominen, Detection Technology, Glaston and AC Cleantech Growth Fund.

The comparable operating profit of the Ahlström Capital Group amounted to EUR 34.1 million (48.8). The decrease from the previous year was 30.2%. Items affecting comparability totalled EUR 8.9 million (8.3), consisting of changes in fair value of forest and real estate assets, sales gains and restructuring costs. The reported operating profit (EBIT) was EUR 43.0 million (57.2). The return on capital employed was 5.3% (7.5).

The recurring administrative costs of the parent company Ahlström Capital Oy and the holding companies decreased, while investment related project costs increased. In total, costs amounted to EUR 9.1 million (5.0) in the reporting period, representing an average of 0.9% (0.6) of the EFV. The reversal of personnel related accruals impacted the comparison period significantly.

Financial income was EUR 9.8 million (9.9). Financial expenses totalled EUR 14.6 million (21.3). Pre-tax profit was EUR 38.2 million (45.8). Taxes recorded for the period were EUR -7.3 million (-7.3). The Group's profit for the period was EUR 30.9 million (38.5) and profit attributable to the equity holders of the parent company was EUR 30.8 million (38.4).

Financial position and financing

Ahlström Capital's financial position remained strong throughout the year. At the end of the year, the consolidated shareholders' equity was EUR 776.8 million (781.7). The equity ratio at the end of the year was 59.6% (61.6) and the EFV-adjusted net gearing stood at 13.9% (7.1). The company's return on equity (ROE) was 4.0% (4.9). At the end of December 2019, the interest-bearing liabilities amounted to EUR 219.2 million (153.9) and liquid assets to EUR 84.5 million (90.6). The Group had EUR 134.6 million (63.4) in net debt. Interest bearing liabilities increased by EUR 34.9 million due to the implementation of IFRS 16 in January 2019. Ahlström Capital Oy has issued a first-demand guarantee as security for certain subsidiaries' credit facilities.

Net cash flow from operating activities (cash flow after net financial income, taxes paid and change in net working capital) was EUR 46.5 million (58.9). EUR 33.3 million (39.7) was spent on investments in non-current assets and EUR 19.4 million (34.1) on new investments. EUR 11.4 million (12.0) was received from the sale of subsidiaries, non-current assets and other investments. Net cash flow used in financing activities was EUR -10.9 million (-0.6). Based on the Annual General Meeting's decision, the company paid for 62,661,600 shares a dividend of EUR 0.48 per share, totalling EUR 30,077,568.00. The dividend yield was 3.4% of the external fair value. In addition, EUR 3.0 million was spent on a share repurchase program to repurchase 251,677 shares in total.

Risk management

As an investment company, Ahlström Capital's key risks are related to its ability to create long-term shareholder value growth with steady returns. A diversified and balanced portfolio, consisting of forests, real estate holdings and industrial investments, reduces the overall risks, and is a key component of the company's risk management. As a family owned company, Ahlström Capital fosters the trust and reputation generated over decades through good corporate governance principles and processes in all its portfolio companies.

The Board of Directors is the governing body that oversees Ahlström Capital's risk management. The Audit Committee assists the Board in ensuring that the company has appropriate systems of risk management and internal control.

Ahlström Capital maps and assesses the company's risks annually. These include strategic, financial, operational and hazard risks related to the company's business and operating environment. The company's risk profile is assessed according to risk impact, likelihood and the current risk management level. Risks that threaten the company's strategical objectives, compliance and sustainability are evaluated, and the financial impact of recognised risks is assessed. Based on the evaluation, key actions for risk management and mitigation are identified.

With regards to its portfolio companies, Ahlström Capital participates in, promotes and monitors internal risk management practices in each company through board work. Ahlström Capital gathers information on risks related to the portfolio companies and forms a view of their systemic risks.

In 2019, Ahlström Capital reviewed the risk assessment reports of portfolio companies in order to identify systematic risk items for the group. In addition, another focus area in Ahlström Capital's risk assessment in 2019 was liquidity risks.

Research and development

Ahlström Capital's industrial portfolio companies have product development and other R&D functions of their own, but there is no such function at the Group level.

Corporate social responsibility

Ahlström Capital Group is committed to the United Nations ten principles of the Global Compact with respect to human rights, labour, environment and anti-corruption. The first report on our progress towards implementing the ten principles of the UN Global Compact was published in June 2019.

As a responsible investor, Ahlström Capital wants to impact ESG (environment, social and governance) policies and the performance in our own operations, as well as in the portfolio companies and real estate and forest investments on a continuous basis. Ahlström Capital's material ESG topics have been identified and they are incorporated into the screening processes and business development work. All Ahlström Capital portfolio companies need to manage, monitor and evaluate ESG risks, opportunities and value creation possibilities.

Personnel, administration, and auditors

The Ahlström Capital Group had an average of 5,276 employees during the financial year (5,120). Wages, salaries and fees paid amounted to EUR 218.9 million (208.0). At the end of the year, the parent company's personnel numbered 13 (13).

During the year, the Board of Directors of Ahlström Capital Oy consisted of Mikael Lilius (chairman), Thomas Ahlström (until April), Marion Björkstén, Mats Danielsson, Håkan Johansson (as of April), Kari Kauniskangas (as of April), Pekka Pajamo, Fredrik Persson and Malin Persson. In 2019, the Board convened nine times. In eight meetings, all board members attended and in one meeting one out of eight board members was absent.

The auditor was the audit firm KPMG Oy Ab, with Virpi Halonen, Authorised Public Accountant, as the auditor in charge.

The Board of Directors of Ahlström Capital had two committees: Audit Committee and Compensation Committee. The members of the Audit Committee were Mats Danielsson (chairman), Thomas Ahlström (until April), Kari Kauniskangas (as of April) and Pekka Pajamo and the members of the Compensation Committee, Mikael Lilius (chairman), Mats Danielsson and Fredrik Persson. The Audit Committee convened six times and the Compensation Committee three times during 2019.

The Shareholders' Nomination Board was until July composed as follows: Chairman Mikael Lilius with Christina Dahlblom, Mats Danielsson, Pekka Pajamo and Peter Seligson as members. As of July the composition of the Shareholders' Nomination Board was Johannes Gullichsen (chairman), Carl Ahlström, Christina Dahlblom, Mikael Lilius and Pekka Pajamo. The Shareholder's Nomination Board convened eight times during 2019.

Share repurchase program

The Annual General Meeting of Ahlström Capital Oy resolved to authorise the Board of Directors to decide on the repurchase of a maximum of 400,000 shares. The purchase price was the external fair value of the share on September 30, 2019 with a 20% discount. The authorisation is valid until the end of the next Annual General Meeting.

The Board of Directors resolved to commence the share repurchase program during October-December. The company repurchased 251,677 shares (0.4%). The repurchased shares were invalidated in January 2020 based on the Board of Directors' decision in December 2019.

Shareholders

At the end of 2019, Ahlström Capital Oy had 248 (248) shareholders. The largest individual shareholder is Antti Ahlström Perilliset Oy (6.2%). No other shareholder holds more than 5% of the shares.

Events after the reporting period

In February 2020, a syndicated secured financing facility up to EUR 200.0 million of which EUR 160.0 million is committed was signed for Ahlström Capital Oy and A. Ahlström Kiinteistöt Oy. The facility is secured by a mortgage on the real estate at Eteläesplanadi 14 owned by Ahlström Capital Oy and material part of the forest assets held by A. Ahlström Kiinteistöt Oy. There is a group level financial covenant on the facility, which restricts the indebtedness calculated as gross interest bearing debt in the group compared to gross fair value of assets (loan to value) of the group not to exceed 60%.

Outlook 2020

We expect the comparable operating profit to improve compared to the previous year. However due to the recent development in global economy the uncertainty has increased.

Proposal for the distribution of profits

According to Ahlström Capital's dividend policy, the company's target is to pay a steady dividend that increases over time, taking into consideration the company's investment and development needs. The Board of Directors proposes that as of this year, Ahlström Capital will pay dividends in two instalments of which the second instalment is subject to the Board's discretion. The Board of Directors proposes that in 2019 a dividend of EUR 0.36 per share be paid in April 2020. In addition, the Board of Directors proposes that the Annual General Meeting authorises the Board of Directors to resolve, at its discretion, on a second instalment of up to EUR 0.12 per share to be paid in October 2020.

The Annual General Meeting 2020 is planned to be held on Wednesday, April 15, 2020 at Eteläesplanadi 14, in Helsinki, Finland.

Key figures

EUR million	2019	2018	2017[1]	2016	2015[2]
Revenue	1,173.2	1,113.1	1,040.2	1,016.9	1,016.0
Comparable operating profit	34.1	48.8	46.1	36.4	28.3
Operating profit (EBIT)	43.0	57.6	129.5	36.6	114.7
Profit for the period (continuing and discontinued operations)	30.9	38.5	118.3	193.7	111.4

	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017[1]	Dec. 31, 2016	Dec. 31, 2015[2]
External Fair Value, EFV, EUR million	965.1	887.1	1,033.7	949.8	743.7
Equity ratio	59.6%	61.7%	63.9%	67.2%	46.1%
Net gearing	17.3%	8.1%	3.3%	-17.6%	21.6%
Net gearing, EFV adjusted	13.9%	7.1%	2.5%	-13.2%	17.2%
Return on Capital Employed (ROCE)	5.3%	7.5%	27.8%	16.9%	29.2%
Return on Equity (ROE)	4.0%	4.9%	16.2%	31.1%	19.5%
Net debt(+)/Net cash (-), EUR million	134.6	63.4	25.8	-125.4	128.2
Equity per share, EUR[4]	12.45	12.68	12.48	11.32	8.86
External Fair Value per share, EUR[4]	15.46	14.16	16.44	15.10	11.83
Earnings per share, EUR[4]	0.49	0.61	1.88	2.96	1.67
Dividend per share, EUR[3,4]	0.36	0.48	0.48	0.53	0.42

1) Restated due to the implementation of IFRS15.
2) Restated due to discontinued operations.
3) 2019 figure is based on proposal by the Board. In addition, it is proposed that the Board of Directors will be authorised to resolve, at its discretion, on a second instalment of up to EUR 0.12 per share.
4) The number of shares was decreased in December 2019 and December 2018 through share repurchase. Comparative figures have not been restated due to these changes.
The number of shares in the company was increased in April 2017 by issuing new shares to the shareholders without payment in proportion to their current holdings, so that 99 new shares were given for each current share. The share issue without payment had the same effect as a share split (1:100). After the share issue the number of shares in the company was 62,887,600. Comparative figures of previous periods have been restated correspondingly.

Formulas for key figures

$$\text{Equity ratio} = \frac{\text{Total equity}}{\text{Total assets - Advances received}}$$

$$\text{Net gearing} = \frac{\text{Interest bearing liabilities - Cash and cash equivalents}}{\text{Total equity}}$$

$$\text{Net gearing, EFV adjusted} = \frac{\text{Interest bearing liabilities - Cash and cash equivalents}}{\text{External Fair Value}}$$

$$\text{Return on Capital Employed} = \frac{\text{Operating profit + Interest and other financial income}}{\text{Total assets - Current liabilities, on average for accounting period}}$$

$$\text{Return on Equity} = \frac{\text{Profit for the period}}{\text{Total equity (annual average)}}$$

Net debt = Interest bearing liabilities - Cash and cash equivalents

$$\text{Equity per share} = \frac{\text{Equity attributable to equity shareholders of the parent company}}{\text{Number of shares at the end of fiscal year}}$$

$$\text{External Fair Value per share} = \frac{\text{External Fair Value}}{\text{Number of shares at the end of fiscal year}}$$

$$\text{Earnings per share} = \frac{\text{Profit for the period - Non-controlling interest}}{\text{Number of shares at the end of fiscal year}}$$

Consolidated Financial Statements

Consolidated Statement of Income

MEUR	Note	2019	2018
Revenue	7	1,173.2	1,113.1
Other operating income	8	21.2	22.2
Materials and services	9	-821.0	-761.0
Depreciation, amortisation and impairment	18, 22	-33.4	-23.1
Employee benefits*	13	-218.9	-208.0
Other operating expenses	10	-84.5	-96.0
		-1,136.5	**-1,065.8**
Share in results of associated companies	24	6.2	9.9
Operating profit		**43.0**	**57.2**
Financial income	11	3.6	2.4
Financial expenses	12	-8.4	-13.8
Profit before tax		**38.2**	**45.8**
Income taxes *	16	-7.3	-7.3
Profit for the period		**30.9**	**38.5**
Profit for the period attributable to:			
Equity holders of the parent		30.8	38.4
Non-controlling interests			0.1
		30.9	**38.5**

* Figures for 2018 have been restated due to an error related to previous periods. See note 5 for more information on the correction.

Consolidated Statement of Comprehensive Income

MEUR	Note	2019	2018
Profit for the period *		**30.9**	**38.5**
Other comprehensive income			
Items that will not be reclassified subsequently to statement of income			
Remeasurement of defined benefit plans		-1.8	1.5
Income tax relating to remeasurements		0.5	-0.3
Share of other comprehensive income of associates		-2.0	0.1
		-3.3	**1.4**
Items that may be reclassified subsequently to statement of income			
Exchange differences on translation of foreign operations		-0.1	-1.3
Hedges - net change in fair value		0.1	-0.1
Share of other comprehensive income of associates		2.4	-1.3
		2.4	**-2.7**
Other comprehensive income for the period, net of tax	31	**-0.9**	**-1.3**
Total comprehensive income for the period, net of tax		**29.9**	**37.2**
Total comprehensive income attributable to:			
Equity holders of the parent		29.9	37.1
Non-controlling interests			0.1
		29.9	**37.2**

* Figures for 2018 have been restated due to an error related to previous periods. See note 5 for more information on the correction.

Consolidated Statement of Financial Position

MEUR	Note	December 31, 2019	December 31, 2018
Assets			
Non-current assets			
Goodwill	18, 19	84.5	84.5
Other intangible assets	18	6.2	7.8
Property, plant and equipment	22	144.6	109.4
Investment properties	20	141.1	135.9
Biological assets	21	124.7	113.4
Investments in associates	24	418.0	406.3
Non-current financial assets	28	10.8	10.4
Deferred tax assets *	17	7.6	7.3
		937.4	**875.1**
Current assets			
Inventories	25	134.0	152.6
Trade and other receivables *	7, 26	146.1	151.3
Tax receivable, income tax		2.8	0.8
Cash and cash equivalents	27	84.5	90.6
		367.5	**395.2**
Total assets		**1,304.8**	**1,270.3**

MEUR	Note	December 31, 2019	December 31, 2018
Equity and liabilities			
Equity attributable to owners of the parent company	31		
Share capital		38.8	38.8
Share premium		12.8	12.8
Unrestricted equity reserve		104.3	104.3
Treasury shares		-3.0	-2.9
Reserves		3.7	2.3
Translation differences		-10.2	-12.3
Retained earnings *		630.5	638.7
		776.8	**781.7**
Non-controlling interests		0.2	0.8
Total equity		**777.0**	**782.4**
Non-current liabilities			
Interest-bearing loans and borrowings	28	140.4	115.7
Net employee defined benefit liabilities	15	6.9	5.3
Provisions	32	15.6	16.2
Deferred tax liabilities	17	32.0	31.0
Other liabilities	28	2.7	1.4
		197.5	**169.6**
Current liabilities			
Interest-bearing loans and borrowings	28	78.8	38.2
Trade and other payables	33	241.9	269.1
Provisions	32	6.9	6.6
Current tax liability		2.6	4.4
		330.3	**318.3**
Total liabilities		**527.8**	**487.9**
Total equity and liabilities		**1,304.8**	**1,270.3**

* Figures for 2018 have been restated due to an error related to previous periods. See note 5 for more information on the correction.

Consolidated Statement of Changes in Equity

	Equity attributable to equity shareholders of the parent company										
MEUR	Share capital	Share premium	Reserve for invested non-restricted equity	Treasury shares	Hedging reserve	Legal reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
January 1, 2019	38.8	12.8	104.3	-2.9	-0.1	2.3	-12.3	638.7	781.7	0.8	782.4
Profit for the period								30.8	30.8		30.9
Other compehensive income					0.9		1.5	-3.3	-0.9		-0.9
Total comprehensive income					0.9		1.5	27.5	29.9		29.9
Acquisition of treasury shares				-3.0					-3.0		-3.0
Invalidation of treasury shares				2.9				-2.9	0.0		0.0
Dividends paid								-30.1	-30.1		-30.1
Reclassifications						0.5		-0.5	0.0		0.0
Share of direct equity entries in associates								-0.9	-0.9		-0.9
Other changes							0.6	-0.6	0.0		0.0
Change in non-controlling interests								-0.7	-0.7	-0.6	-1.2
December 31, 2019	**38.8**	**12.8**	**104.3**	**-3.0**	**0.8**	**2.9**	**-10.2**	**630.5**	**776.8**	**0.2**	**777.0**

MEUR	Share capital	Share premium	Reserve for invested non-restricted equity	Treasury shares	Fair value reserve	Hedge reserve	Legal reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
January 1, 2018	38.8	12.8	104.3	0.0	-2.0	0.2	1.7	-9.0	637.3	784.1	0.8	784.8
Impact of implementation of IFRS 9 and IFRS 2					1.1				-1.8	-0.7		-0.7
Adjustment to previous years *									-2.9	-2.9		-2.9
Restated January 1, 2018	**38.8**	**12.8**	**104.3**		**-0.9**	**0.2**	**1.7**	**-9.0**	**632.6**	**780.5**	**0.8**	**781.3**
Profit for the period*									38.4	38.4	0.1	38.5
Other compehensive income					0.9	-0.3		-3.3	1.4	-1.3		-1.3
Total comprehensive income					0.9	-0.3		-3.3	39.8	37.1	0.1	37.2
Acquisition of treasury shares				-2.9						-2.9		-2.9
Dividends paid									-30.2	-30.2	-0.1	-30.3
Reclassifications							0.7		-0.7	0.0		0.0
Other changes									-2.9	-2.9		-2.9
December 31, 2018	**38.8**	**12.8**	**104.3**	**-2.9**	**0.0**	**-0.1**	**2.3**	**-12.3**	**638.7**	**781.7**	**0.8**	**782.4**

* Figures for 2018 have been restated due to an error related to previous periods. See note 5 for more information on the correction.

Consolidated Statement of Cash Flows

MEUR	Note	2019	2018
Operating activities			
Profit for the period *		30.9	38.5
Adjustments to reconcile profit to net cash flows			
Depreciation, amortisation and impairment		33.4	23.1
Gains and losses on disposal of fixed and other non-current assets		-5.3	-12.3
Share in results of associated companies		-6.2	-9.9
Unrealised foreign exchange gains and losses		-3.1	-3.0
Change in fair value of investment properties and biological assets		-9.3	3.7
Financial income and expenses		6.2	13.8
Income taxes *		7.3	7.3
Other adjustments		-1.3	-0.1
Change in working capital			
Change in inventories		18.6	-15.3
Change in trade and other receivables *		3.6	-5.9
Change in trade and other payables		-24.7	22.7
Change in provisions		-1.1	-6.8
Interest paid		-6.2	-4.8
Dividends received		13.5	13.3
Interest received		0.3	0.3
Other financing items		0.1	-0.8
Income taxes paid		-10.1	-5.0
Net cash flows from operating activities		**46.5**	**58.9**

MEUR	Note	2019	2018
Investing activities			
Investment in associated companies		-19.4	-34.1
Proceeds from associated companies			0.1
Purchase of financial investments			-0.3
Proceeds from financial investments			2.7
Investments in tangible and intangible assets		-33.3	-39.7
Disposal of tangible and intangible assets		9.0	13.0
Loans granted			-7.2
Repayment of loan receivables		2.4	3.7
Net cash flows used in investing activities		**-41.4**	**-61.8**
Financing activities			
Loan withdrawals, non-current		29.9	77.6
Loan repayments, non-current		-20.6	-5.1
Loan withdrawals, current		55.2	45.1
Loan repayments, current		-39.3	-87.0
Change in current borrowings		8.9	3.2
Purchase of treasury shares		-3.2	-2.9
Acquisition of non-controlling interest		-1.1	
Payment of lease liabilities / finance lease liabilities		-10.6	-0.8
Dividends paid		-30.1	-30.7
Net cash flows used in financing activities	**28**	**-10.9**	**-0.6**
Net change in cash and cash equivalents		**-5.7**	**-3.4**
Cash and cash equivalents on January 1		90.6	95.0
Net foreign exchange difference		-0.3	-1.0
Cash and cash equivalents on December 31	**27**	**84.5**	**90.6**

* Figures for 2018 have been restated due to an error related to previous periods. See note 5 for more information on the correction.

Notes to the Consolidated Financial Statements

Note 1. Corporate information

Ahlström Capital is a family-owned investment company, founded in 2001. The company invests in listed and non-listed companies, real estate and forest assets. Non-listed companies, referred to as portfolio companies, operate as independent subgroups. Ahlström Capital is an active and responsible owner who develops the portfolio companies to create long-term shareholder value (see note 30). Ahlström Capital Oy is domiciled in Finland. The registered address is Eteläesplanadi 14, Helsinki.

The consolidated financial statements of Ahlström Capital Oy (parent company) and its subsidiaries (collectively, the Group) for the year ended December 31, 2019 were authorised for issue in accordance with a resolution of the Board of Directors on March 3, 2020. Under the Finnish Limited Liability Companies Act, shareholders may approve or reject the financial statements at the General Meeting held following their publication. The General Meeting may also take the decision to amend the financial statements.

The consolidated financial statements are available at www.ahlstromcapital.com and at the parent company's head office at Eteläesplanadi 14, Helsinki.

Information on the Group's structure is provided in note 6.

Note 2. Basis of preparation, consolidation and significant accounting policies

2.1 Basis of preparation

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) by applying IAS and IFRS standards and their SIC and IFRIC interpretations, which were in force as of December 31, 2019. International Financial Reporting Standards refer to the standards, and their interpretations, approved for application in the EU in accordance with the procedures stipulated in the EU's regulation (EC) No. 1606/2002 and embodied in Finnish accounting legislation and the statutes enacted under it. The notes to the consolidated financial statements also comply with the Finnish accounting and corporate legislation.

The consolidated financial statements have been prepared on a historical cost basis, except for the following items that have been measured at fair value: investment properties, standing forest, derivative financial instruments, financial assets recognised at fair value and contingent consideration. The Group's consolidated financial statements are presented in euro (EUR), which is also the parent company's functional currency. All values are presented in millions of euros (MEUR), except when otherwise indicated.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as per December 31, 2019. Control is achieved when the Group 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. Usually the control is formed when an entity holds 50% (or more) of the voting rights. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated statement of income and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:
- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interests;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in the statement of income; and
- reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 Summary of significant accounting policies

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is the aggregate of the consideration transferred at the fair value of the acquisition date and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in other operating expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as per the acquisition date.

If the business combination is achieved in stages, the previously held equity interest is remeasured at the fair value of its acquisition date and any resulting gain or loss is recognised in the statement of income.

Any contingent consideration (additional purchase price) related to the combination of businesses is measured at fair value on the date of acquisition. It is classified either as a liability or equity. Contingent consideration classified as a liability is measured at fair value on the last day of each reporting period, and the resulting loss or gain is recognised in statement of comprehensive income. Contingent consideration classified as equity is not remeasured.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of the net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit retained.

Ahlström Capital applied IFRS for the first time for the year ended December 31, 2014 and used the exemption for full retrospective application of IFRS 3, meaning that transactions taken place subsequent to January 1, 2013 are measured in accordance with IFRS 3.

Investment in associates and joint arrangements

An associate is an entity over which the Group has significant influence. Significant influence is the right to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Ahlström Capital's strategy for investments in listed companies is to have leading direct interest in the company and always have its representative or representatives participate in the board of directors, nomination committee, and actively exercise any other shareholder rights to maximise the value of the investment and it is generally a prerequisite for entering into any investment for Ahlström Capital. Through this involvement, Ahlström Capital views that in certain occasions it holds significant influence over the listed companies, even in situations where direct ownership is less than 20%.

In joint arrangements two or more parties exercise joint control. This is the contractually agreed sharing of control of an arrangement which exists only when decisions about the relevant activities require unanimous consent of the parties' distribution control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

A joint arrangement is a joint venture or a joint operation. A joint venture is an arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. In a joint operation the parties have rights and obligations related to assets and liabilities of the arrangement. The Group has joint operations in its Infrastructure and construction services.

The Group's investments in its associates and joint ventures are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of the net assets of the associate or joint venture as of the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of results of an associate and a joint venture is shown in the statement of income within operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as those of the Group. Associated and joint venture companies report to the Group according to IFRS accounting principles, except Detection Technology, which reports according to Finnish Accounting Standards. If and when necessary, the adjustments are done at the Group level when preparing the Group's financial reports.

At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group tests the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'share of profit of an associate and a joint venture' in the statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the statement of income.

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- expected to be realised or intended to be sold or consumed in a normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in a normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current. The fair values of derivative financial instruments not included in hedge accounting are presented as current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Fair value measurement

The Group measures financial instruments, such as derivatives and non-financial assets such as investment properties, at their fair value at each reporting date.

Fair value is the price that would be received when selling an asset or paid when transferring a liability in an orderly transaction between market participants at the measurement date. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure the fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether shifts have occurred between levels in the hierarchy by reassessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when a customer obtains control over the goods or services, when it is probable that the economic benefits will flow to the Group and when the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account expected returns, value-added tax, trade discounts and rebates.

The Group recognises the revenue from projects and from sale of goods and services based on timing of the transfer of the control either over time or at point in time. The revenue from contracts with customers is assessed according a five-step model determined in IFRS 15.

The Group recognises the revenue when one of the following criteria is met:

- The customer simultaneously receives and consumes the goods or services as the group provides it;
- The customer controls over an assets as it is created by the group; or
- The group's performance does not create an assets with an alternative use to the group and the group has a right to payment for performance.

If the Group does not satisfy its performance obligation over time, revenue is recognised at point in time. Revenue from sale of materials and services is recognised when the asset and the control over an asset are transferred to a customer. Usually this criteria is fulfilled at delivery of goods or services.

The revenue of Infrastructure and Construction Services is recognised as such over time, when the final financial result for the project can be estimated reliably enough. The timing of satisfaction is determined for each project based on cost-to-cost method as the share of the costs incurred from the work carried out by the review date compared with the total costs estimated for the project. If the expenditure incurred and recognised gains exceed the amount invoiced for the project, the difference is shown under trade and other receivables in the statement of financial position as contract assets. If the expenditure incurred and recognised gains are less than what is invoiced for the project, the difference is shown under trade payables and other debt as contract liabilities. When the end financial result of a long-term project cannot be reliably assessed, the project expenditure is recognised in the same period in which it is incurred, and the revenue from the project is only recognised up to the amount where a sum of money equivalent to the expenditure incurred is available. If it is probable that the overall expenditure incurred in completing the project will exceed total income from it, the estimated loss is fully provided.

Goods and services sold by Electronic manufacturing services are recognised at point in time. Revenue is recognised when the goods are shipped, control has been passed, the price to the buyer is fixed and determinable and recoverability is reasonably assured. The company assumes no significant obligations after shipment. If there are projects that meet the criteria of recognising the revenue over time, the revenue is recognised using the appropriate method.

Goods and services sold by Real estate and Forest businesses are recognised at point in time. Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of income due to its operating nature. Revenue from Forest business is recognised according to deliveries. Other revenue is recognised at point in time and is mainly revenue from services.

Interest income from interest bearing financial assets at amortised cost is recorded using the effective interest rate (EIR). Interest income is included in financial income in the statement of income. Revenue concerning dividends is recognised when the Group's right to receive the payment is established, generally when shareholders approve the dividend.

Government grants

Government or other grants are recognised as income on a systematic basis over the periods necessary to match them with the related costs which they are intended to compensate. Investment grants related to acquisitions of property, plant and equipment and intangible assets are deducted from the cost of the asset in question in the statement of financial position and recognised as income on a systematic basis over the useful life of the asset in the form of reduced depreciation expense.

Income taxes

Taxes shown in the consolidated statement of income include income taxes to be paid on the basis of local tax legislations, tax adjustments from previous years as well as the effect of the annual change in the deferred tax liability and deferred tax assets.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income. Current income tax relating to items recognised directly in equity is recognised in other comprehensive income. Each reporting date the Group evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax liabilities and deferred tax assets are calculated on temporary differences arising between the tax basis and the book value of assets and liabilities. The main temporary differences arise from unused tax losses, intangible assets, property, plant and equipment, biological assets, investment properties, provisions, defined benefit pension plans, inter-company inventory margin and fair valuation of derivative financial instruments. A deferred tax asset is recognised to the extent that it is probable that it can be utilised.

Deferred tax is not recognised for non-deductible goodwill on initial recognition. Also it is not recognised for an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. If the temporary differences arise from investments in subsidiaries and will probably be reversed in the foreseeable future, the deferred tax is not recognised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Foreign currencies

The Group's consolidated financial statements are presented in euro, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange ruling at the one day prior to the reporting date. Foreign currency differences of monetary items are recognised in statement of income. Foreign exchange gains and losses that are recognised in statement of income as financial income and expense are recognised at net amount. Monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation are recognised in other comprehensive income. When the net investment is disposed of, the cumulative amount is reclassified to statement of income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange ruling at the one day prior to the reporting date. Foreign currency differences of monetary items are recognised in statement of income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to statement of income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Foreign operations

The assets and liabilities of foreign operations are translated into euro at the rate of exchange ruling at the one day prior to the reporting date and their statements of income are translated at average rates of reporting period. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, accumulated translation differences relating to the component of other comprehensive income are recognised in the statement of income.

Non-current assets held for sale and discontinued operations

A discontinued operation is a substantial entity that either has been disposed of, or is classified as held for sale. The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use.

Classification as held for sale requires that the following criteria are met; the sale is highly probable, the asset is available for immediate sale in its present condition subject to usual and customary terms, the management is committed to the sale and the sale is expected to be completed within one year from the date of classification.

Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of income. The comparative figures are restated accordingly. The comparative figures for the statement of financial position are not restated.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. All other repair and maintenance costs are recognised in the statement of income as incurred. Grants received are reported as a reduction of costs. The property, plant and equipment of acquired subsidiaries are measured at their fair value at the acquisition date. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Buildings 25–50 years
- Heavy machinery 10–20 years
- Other machinery 3–10 years

Land is not depreciated, as its useful life is considered as infinite. The estimated useful lives and the residual values are reviewed at least at the end of each financial year, and if they differ significantly from previous estimates, depreciation periods are adjusted accordingly.

A gain or loss arising from the sale of property, plant and equipment is recognised in other operating income or other operating expenses in the statement of income.

Leases

The IFRS 16 Leases standard was implemented as of January 1, 2019 and it replaced IAS 17 standard. Ahlström Capital has applied the simplified method (modified retrospective method) in implementation of IFRS 16 and the comparative figures have not been restated.

When the Group is a lessee the asset is recognised as right-of-use asset and lease liability in the statement of financial position. It is assessed if the contract conveys the right to control the use of an identified asset for a certain period of time in exchange for consideration. When the conditions are met the right-of-use asset is measured at cost and the lease liability at the present value of future lease payments. The Group companies discount the present value by using the incremental borrowing rate, in case the internal discount rate for the lease contract cannot be determined.

On subsequent periods the right-of-use asset is measured at cost and depreciated for the leasing period. Lease liabilities are amortised during the leasing period and the interest is calculated for the outstanding amount by using the discount rate. Interest is recognised as financial expenses. Some of the Group's leasing contracts are classified to investment property and are reported according to IAS 40 Investment property. Investment properties are not depreciated but the corresponding amount is recognised as change in fair value through profit and loss. Leasing contracts that are short-term (less than 12 months) or with low-value assets are not recognised as right-of-use assets but as rental expenses in profit or loss.

The Group as a lessor leases the investment properties and some other properties it owns. All the relevant risks and rewards essential to underlying assets remain in the Group and these leasing contracts are classified as operating leases. Assets are recognised in the statement of financial position as investment property or as property, plant and equipment according to the definitions. The rental revenue from Group's investment and other properties is recognised according to IFRS 15 revenue recognition in the statement of income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to finalise for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur.

Biological assets

Biological assets are measured at their fair value less costs to sell. The Group's biological assets consist of growing stock of forest assets. The value of forest land is reported in investment properties and also measured at fair value. Gains or losses arising from changes in the fair values of biological assets are included in the statement of income in the period in which they arise, including the corresponding tax effect.

There are no existing active markets for forest assets as extensive as the Group's holdings. Therefore, the valuation is made by using the discounted future cash flows. The cash flows are based on Group's forest management and harvesting plan that include forestry costs and harvesting incomes of current growing stock until final cutting. The regeneration costs are included in forest land value, which is presented as investment property. Discount rate used is weighted average cost of capital separately calculated for forest assets. The discount rate is assessed annually. The cash flows are calculated on a pre-tax basis without inflation.

Investment properties

Investment properties are measured at their fair value which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect.

The investment property that is under construction is measured at cost. As the construction work has been completed such investment property is measured at fair value.

Fair values of the constructed investment properties are determined based on an annual evaluation performed by independent authorised appraiser. The fair value of forest land is based on discounted future cash flows of bare forest land from regeneration to final cutting. Discount rate used for forest land is the same as used in valuation of biological assets. The fair value of other land areas is based on the external reference information when possible.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of income in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either definite or indefinite. Intangible assets with definite lives are amortised on a straight-line basis over the useful economic life (3–5 years) and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a definite useful life are reviewed at least annually.

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 amortisation over the expected life of the intangible asset.

A gain or loss arising from the sale of intangible assets is recognised in other operating income or other operating expenses in the statement of income.

Intangible assets with indefinite useful lives are not amortised, and are tested for impairment at least annually and whenever there is an indication that the intangible asset may be impaired, either individually or at the cash-generating unit level.

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset;
- the ability to measure reliably the expenditure during development; and
- the ability to use the intangible asset generated.

Following the initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when the development is finalised and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Financial assets

Classification of certain financial assets was changed as of January 1, 2018 when IFRS 9 was implemented. Financial assets are classified, at initial recognition, as financial assets at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss. Financial assets are classified according to the Group's business model and contractual cash flows. All financial assets are recognised initially at fair value except the trade receivables if they do not contain a significant financing component. If financial assets are not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset are included in the initial carrying amount.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Financial assets at amortised cost

Financial assets are recognised at amortised cost if the objective is to hold the asset until maturity to collect contractual cash flows. The cash flows are solely payments of principal and interest on the principal amount outstanding. After initial measurement, such assets are measured at amortised cost using the effective interest rate (EIR) method, less impairment if any. The amortised cost is calculated by taking into account any discount or premium and fees or costs. The losses arising from impairment are recognised in the statement of income as financial costs in case of loan receivables and as cost of sales or other operating expenses in case of trade receivables.

Measurement at amortised cost generally applies to trade and other receivables. Trade receivables are recognised at their anticipated realisable value, which is the original invoiced amount less an estimated valuation allowance for impairment. Trade receivables may be sold to other lending institutions.

Financial assets at fair value through other comprehensive income

Financial assets that are held within business model whose objective is both to sell and to hold until maturity and whose cash flows are solely contractual cash flows are measured at fair value through other comprehensive income. Revaluation changes are recognised in fair value reserve. Interest income, impairments, exchange gains and losses as well as final sales gains and losses of these assets are recognised in the statement of income.

In case trade receivables are sold to financing institutions or held to collect the cash flows, they are measured at fair value through other comprehensive income.

An equity instrument which is qualified as a strategic investment according to Group's business model, may be classified irrevocably to be measured at fair value through other comprehensive income. Only the dividends will be recognised in profit or loss. Revaluation changes are recognised in other comprehensive income in fair value reserve and will never be derecognised in profit or loss even if instrument is impaired or sold.

Financial assets at fair value through profit or loss

Other equity instruments are measured at fair value through profit and loss. These assets are not held to collect contractual cash flows. Quoted shares, unquoted shares and other equity instruments are recognised at their fair value. Under limited conditions the acquisition cost may be the best estimate of fair value for unquoted shares and other equity instruments. The fair value changes are presented in the statement of income as negative or positive net changes of fair value in financial items.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairments

The Group assesses, at each reporting date, the expected credit losses for assets measured at amortised cost and assets measured at fair value through other comprehensive income. These are recognised as an allowance of the expected credit losses. If the credit risk has not increased significantly the group assesses the allowance to the amount equal to expected credit losses for 12 months. If the credit risk related to specific financial asset has increased significantly after initial recognition, the allowance is recognised in amount equal to expected credit losses for lifetime. The group assesses the expected credit losses of trade receivables and contract assets by asset groups and loan receivables individually.

Financial liabilities

The Group's financial liabilities are classified as at amortised cost or at fair value through profit and loss. Financial liabilities include trade and other payables and loans and borrowings including bank overdrafts. Derivatives designated as hedging instruments are classified as at fair value through other comprehensive income.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Financial liabilities recognised at fair value through the statement of income

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments that are not designated as hedging instruments in hedge relationships.

Gains or losses on liabilities held for trading are recognised in the statement of income as well as realised and unrealised gains and losses arising from changes in fair value of derivatives.

Financial liabilities measured at amortised cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss using the EIR method when the liabilities are derecognised. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs. The EIR amortisation is included in financial costs in the statement of income.

Financial guarantee contracts issued by the Group are contracts that require a payment to be made to compensate the holder for a loss it incurs because the specified debtor fails to make a payment when due under the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognising the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of income.

Derivative financial instruments and hedge accounting

Any derivative financial instruments are initially recognised at fair value at the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The gains or losses arising from changes in the fair value of derivatives are recognised in the statement of income, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to the statement of income when the hedge item affects profit or loss.

Hedge accounting refers to the method of accounting, which aims to assign one or several hedging instruments so that their fair value or cash flows offset completely or partly the changes in fair value or cash flows of the hedged item. At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve. The ineffective portion relating to hedging instruments is recognised based on their nature in the statement of income, either in the operating income and expense or as financial income and expense.

Amounts recognised in OCI are transferred to the statement of income when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- raw materials: purchase cost on a first in, first out basis or weighted-average cost method basis; and
- finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Properties that are built and held for sale in the ordinary course of business are reported and recognised in inventories and measured at the lower of cost or net realisable value.

Impairment of non-financial assets

The Group assesses, at each reporting date whether there is an indication of an asset being impaired. If any indication is shown, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of income in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the recoverable amount of the asset or CGU. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

- Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.
- Intangible assets with indefinite useful lives are tested for impairment when circumstances indicate that the carrying value may be impaired.

Cash and cash equivalents

Cash and current deposits in the statement of financial position comprise cash at banks and on hand and current deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and current deposits.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of income net of any reimbursement.

Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

Restructuring provisions are recognised only when the recognition criteria for provisions are fulfilled. The Group has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline. Furthermore, the employees affected have been notified of the plan's main features.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a financial cost.

Contingent liabilities

Contingent liabilities are present obligations that have arisen from past events, such as rental agreements, possible defaults of deliveries in the ordinary course of business for which the Group has guarantee commitments and sales of accounts receivable under factoring agreements. Contingent liabilities are not recognised in the statement of financial position because it is not probable that an outflow of recourses embodying economic benefits will be required to settle the obligations. However, since it cannot be precluded that an outflow of resources embodying economic benefits can be required to settle the obligations, the Group discloses the possible contingencies separately.

Pensions and other post-employment benefits

The Group operates defined benefit pension plans in some European countries, which requires contributions to be made to a separately administered fund. Most of the pension benefit plans in the Group are defined contribution plans (DCP) by nature. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Under defined benefit plans (DBP), a liability recognised in the statement of financial position equals the net of the present value of the defined benefit obligation less the fair value of the plan assets at the closing of the annual accounts. Actuarial gains and losses are recognised in the consolidated statement of comprehensive income as remeasurement items when they occur. Remeasurement recorded in the other comprehensive income is not recycled. Past service cost is recognised in the statement of income in the period of plan amendment. Net-interest is calculated by applying the discount rate to the net defined liability or asset. The Group presents service cost, past-service cost, gains and losses on curtailments and settlements and net interest expense or income as employee benefit expense.

Independent actuaries calculate the defined benefit obligation by applying the Projected Unit Credit Method (PUCM).

Past service costs are recognised in profit or loss on the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under cost of sales, administration expenses and selling and distribution expenses in the statement of income (by function):

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- net interest expense or income.

Share-based payments

Share based payments are arrangements between the entity and another party that entitles either:

- the other party to receive cash-settled or equity-settled share-based payments from the entity or another Group entity; or
- the other party to receive equity-settled share-based payments with specified vesting conditions that must be satisfied

See note 14 for further information.

Note 3. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Group's accounting policies, the management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are mentioned further in this document. The Group bases its assumptions and estimates on parameters available when the consolidated financial statements are prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur. The areas where judgments, assumptions and estimates are most significant to the Group and which may affect the financial statements if changed are described below.

Fair valuation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the profit or loss. The majority of fair values are determined based on an annual evaluation performed by an independent authorised appraiser. A minor part of the investment properties consists of forest land and other land areas and their fair value is derived from external sources to the extent possible. See note 20 for more details.

Biological assets

The Group's assessment is that no relevant market prices are available that can be used to value forest holdings as extensive as those held by Ahlström Capital. The valuation is therefore made by calculating the present value of future expected cash flows from the growing forests. The most significant estimates are related to future harvesting plans, changes in pulpwood and timber prices and discount rate used. Note 21 provides a sensitivity analysis for the valuation of changes in these estimates.

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 14.

Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits. Further details on taxes are disclosed in note 16.

Pension benefits

The cost of defined benefit pension plans and other post-employment benefits and the present value of the pension obligation are determined using independent external actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, changes in health care costs, inflation, future salary increases, retirement rates, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The mortality rate is based on publicly available mortality tables for the specific countries. Future salary increases and pension increases are based on expected future inflation rates for the respective countries. Further details about the assumptions used, including a sensitivity analysis, are given in note 15.

Fair value measurement of financial assets and liabilities

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See note 28 for further disclosures.

Revenue from contracts with customers

As described in the revenue recognition policies, the revenue and costs of a project are recognised over time as income and expenses on the basis of the timing of satisfaction, once the outcome of the project can be reliably estimated. Recognition associated with the timing of satisfaction is based on estimates of expected income and expenses of the project and reliable measurement of project progress. If estimates of the project's outcome change, the recognised income and profit/loss are amended in the period in which the change is first known about and can be estimated for the first time. Any loss expected from a project is directly recognised as an expense. See note 7 for more details.

Goodwill impairment testing

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. If goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in this circumstance is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

The goodwill impairment tests are performed annually. Impairment testing at Group level is based on external valuation reports. Key assumptions used in value in use calculations are that the value in use is sensitive to discount rates and growth rates used to extrapolate cash flows beyond the forecast period. In addition, customary valuation methods such as peer group valuation are used to support valuation of companies. Discount rates represent the current market assessment of the risks specific to each cash-generating-unit taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). Growth rate estimates are based on perceived long-term economic growth prospects, based on recorded historic average growth rates of the advanced economies. See note 19 for more details.

Segment information

Ahlström Capital Group elects not to disclose segment information in its consolidated financial statements. Disclosing segment information is not mandatory according IFRS 8 for Ahlström Capital Group hence the parent, Ahlström Capital Oy, does not have any publicly traded equity or debt instruments. . Voluntary, non-segment information will be disclosed instead.

External Fair Value (EFV) of the share

The primary objective of the Group's capital management is to maximise the shareholder value, meaning the External Fair Value of the share. The External Fair Value (EFV) of the share represents the expected market value of the asset in question that would be received in an orderly transaction between market participants, subtracting assumed transaction costs and other related liabilities. In effect, this means that the EFV of Ahlström Capital's share is the sum of the EFVs of the underlying net assets within Ahlström Capital Group. In order to determine the EFV of Ahlström Capital's share, the EFV of the underlying assets is appraised at each reporting date. See capital management in note 29 for more information.

Comparable Operating Profit

Comparable operating profit is the reported operating profit (EBIT) adjusted for the impact of non-operational items that are considered to affect comparability between reporting periods. These adjustments consist of, among others, sales gains and losses, changes in fair value of investment properties and biological assets, provisions and reversal of provisions related to sales and restructuring costs.

Note 4. New and amended IFRS standards

New and amended standards applied in financial year ended December 31, 2019

The Group has applied as from January 1, 2019 the following new and amended standards that have come into effect.

IFRS 16 Leasing

IFRS 16 standard replaced IAS 17 standard and related interpretations. IFRS 16 requires the lessees to recognise the lease agreements on the balance sheet as right-of-use assets and lease liabilities. The accounting model is similar to former finance lease accounting according to IAS 17. There have been two practical expedients available, which the Group has elected to use. This means that the right-of-use assets and lease liabilities related to either short term contracts in which the lease term is 12 months or less, or to low value items i.e. assets of value about USD 5,000 or less are not recognised. The lessor accounting has remained mostly similar to previous IAS 17 accounting and IFRS 16 have not had an impact on Group's accounting as a lessor.

Ahlström Capital has applied the simplified method (modified retrospective method) in implementation of IFRS 16 which means that the comparative figures have not been restated but the impact of IFRS 16 on the opening balance 2019 has been reported in corresponding notes. The Ahlström Capital group has recognised land areas, office and other premises and machinery as right-of-use assets based on its leasing contracts. A leased land area that is part of a property classified as an investment property, is recognised according to IAS 40. The lease liability is calculated by discounting the future lease payments. The discount rate used is the incremental borrowing rate for a company while for most of the contracts internal interest rate is not available. In transition the Group recognised an additional EUR 34.9 million in right-of-use assets and in lease liabilities in the statement of financial position. The net effect on deferred taxes has only a small impact. At the end of year 2018 the Group had recognised EUR 1.1 million as finance lease liability according IAS 17. These leasing contracts are reported with they initial values according IFRS 16.

Impact of implementation of IFRS 16 in the statement of financial position

MEUR	December 31, 2018	IFRS 16	January 1, 2019
Assets			
Property, plant and equipment	109.4	32.6	142.0
Investment properties	135.9	2.3	138.2
Other assets	1,025.0		1,025.0
Total assets	**1,270.3**	**34.9**	**1,305.2**
Equity	**782.4**		**782.4**
Liabilities			
Interest-bearing loans and borrowings	153.9	34.9	188.8
Deferred tax liabilities	31.0		31.0
Other liabilites	303.0		303.0
Total equity and liabilities	**1,270.3**	**34.9**	**1,305.2**

Reconciliation from operating lease to leasing liabilities according IFRS 16

MEUR	
Operating leases, January 1, 2019	**26.1**
Short-term leases	-0.5
Low-value leases	-1.8
Extended periods	7.6
Other adjustment in application of IFRS 16	-0.7
Operating lease obligations without discounting	**30.7**
Discounting	-2.3
Service components	-0.7
Changes in intepretation of lease liabilities	7.8
Other adjustments	-0.6
Lease liabilities from finance leases as of January 1	1.1
Lease liabilities on January 1, 2019	**36.0**

Impact of implementation of IFRS 16 in the statement of income and financial position in 2019

The implementation of IFRS 16 had an effect of EUR 0.6 million on the Group's operating profit and an effect of EUR -0.4 million on profit for the period in 2019. At the end of the year the effect on the statement of financial position was EUR 32.8 million.

Statement of income

MEUR	Reported 2019	Impact of implementation IFRS 16	Without IFRS 16 2019
Revenue	1,173.2		1,173.2
Depreciation, amortisation and impairment	-33.4	-10.3	-23.1
Other operating expenses	-84.5	10.9	-95.4
Other items in operating profit	-1,012.4		-1,012.4
Operating profit	**43.0**	**0.6**	**42.4**
Financial items and taxes	-12.1	-1.0	-11.1
Profit for the period	**30.9**	**-0.4**	**31.3**

Statement of financial position

MEUR	Reported 2019	Impact of implementation IFRS 16	Without IFRS 16 2019
Assets			
Property, plant and equipment	144.6	30.5	114.1
Investment properties	141.1	2.2	138.9
Deferred tax assets	7.6	0.1	7.5
Other assets	1,011.6		1,011.6
Total assets	**1,304.8**	**32.8**	**1,272.0**
Equity	**777.0**	**-0.4**	**777.5**
Liabilities			
Interest-bearing loans and borrowings	219.2	33.2	186.0
Deferred tax liabilities	32.0		32.0
Other non-current liabilites	276.6		276.6
Total equity and liabilities	**1,304.8**	**32.8**	**1,272.0**

Other new standards and amendments as IFRIC 23 Uncertainty over Income Tax Treatments and Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures, have not had any impact in Ahlström Capital Group.

Adoption of new and amended standards in future financial years

The new or amended standards or interpretations applicable from January 1, 2020 or later are assessed in the Ahlström Capital Group but they are not expected to be material for the Group.

Note 5. Correction to comparative figures

The Group has determined that the supplementary pension receivables reported in the balance sheet of a group company is not a receivable in accordance with IAS 19 and should therefore not be recorded as a receivable within the Group. Supplementary pension receivable and increase in receivable have been recognised annually in the statement of income by reducing pension expenses, whereas in accordance with IAS 19, these changes should be considered at the time when the related assets are paid to the company. The correction has been made according to IAS 8 in the statement of financial position by amending the receivables, deferred tax assets and retained earnings in the opening balance sheet and employee benefit expense and income tax in the income statement for the comparison year.

Consolidated statement of income

MEUR	Reported 2018	Correction	Adjusted 2018
Employee benefits	207.6	0.4	208.0
Income taxes	7.4	-0.1	7.3
Profit for the period	38.8	-0.3	38.5

Consolidated statement of financial position

MEUR	Reported December 31, 2018	Correction	Adjusted December 31, 2018
Current trade and other receivables	155.3	-4.0	151.3
Deferred tax assets	6.5	0.8	7.3
Accumulated earnings	641.9	-3.2	638.7

Consolidated statement of financial position

MEUR	Reported December 31, 2017	Correction	Adjusted December 31, 2018
Current trade and other receivables	152.4	-3.6	148.8
Deferred tax assets	9.5	0.7	8.5
Accumulated earnings	637.5	-2.9	634.5

Note 6. Group information

Information about subsidiaries and associated companies

The consolidated financial statements of the Group include:

Subsidiaries	Country of incorporation	Activities	% equity interest 2019	2018
A. Ahlström Kiinteistöt Oy	Finland	Real Estate	100	100
H11 Holding Oy	Finland	Holding	100	100*
Kiinteistö Oy Hankasuontie 11A	Finland	Real Estate	100	100*
Keskinäinen Kiinteistöosakeyhtiö Uudenmaankatu 24	Finland	Real Estate	100	100
Kiinteistö Oy Lahden Kulmala	Finland	Real Estate	100	100
Rakennus Oy Kivipalatsi	Finland	Holding	100	100*
Ahlström Konsernipalvelut Oy	Finland	Holding	100	100
AC Cleantech Management Oy	Finland	Holding	100	100
AC Infra Oy	Finland	Holding	100	100
Destia Group Oyj	Finland	Holding	100	100
Destia Oy	Finland	Production and sales	100	100
Destia Rail Oy	Finland	Production and sales	100	100
Finnroad Oy	Finland	Production and sales	100	100
Destia International Oy	Finland	Production and sales	100	100
Zetasora Oy	Finland	Dormant	100	100
Destia Nesta Oy	Finland	Dormant	100	100
Destia Eesti OÜ	Estonia	Dormant	100	100
Destia Sverige AB	Sweden	Dormant	100	100
Destia Engineering Oy	Finland	Production and sales	50.8	50.8
Its-Forsterkning AS	Norway	Production and sales	100	100
Ahlstrom Capital B.V.	Netherlands	Holding	100	100
AC Invest Two B.V.	Netherlands	Holding	100	100
AC Invest Five B.V.	Netherlands	Holding	100	100
AC Invest Seven B.V.	Netherlands	Holding	100	100
AC Invest Eight B.V.	Netherlands	Holding	100	100
AC Invest Nine B.V.	Netherlands	Holding	100	100
ACEMS B.V.	Netherlands	Holding	100	100
Enics AG	Switzerland	Holding	99.8	99.0
Enics Eesti AS	Estonia	Production and sales	100	100
Enics Electronics (Beijing) Ltd.	China	Production and sales	100	100
Enics Electronics (Suzhou) Ltd.	China	Production and sales	100	100
Enics Finland Oy	Finland	Production and sales	100	100
Enics Hong Kong Ltd.	China	Production and sales	100	100

Name	Country of incorporation	Activities	% equity interest 2019	2018
Enics Raahe Oy	Finland	Production and sales	100	100
EKC Electronics (Suzhou) co, Ltd	China	Dormant	100	100
Enics Schweiz AG	Switzerland	Production and sales	100	100
Enics Slovakia s.r.o.	Slovakia	Production and sales	100	100
Enics Sweden AB	Sweden	Production and sales	100	100
DutchCo Alpha Holding B.V.	Netherlands	Holding	100	100
AC Bucharest Real Estate Holding B.V.	Netherlands	Holding	100	100*
BDY Invest S.R.L	Romania	Real Estate	100	100*
Kasarmi Real Estate Holding B.V.	Netherlands	Holding	100	100*
DutchCo Epsilon Holding B.V.	Netherlands	Holding	100	100

Associated companies	Country	Activities	% equity interest 2019	2018
AC Cleantech Growth Fund I Ky	Finland	Holding	29.0	29.0
Ahlstrom-Munksjö Oyj **	Finland	Production and sales	18.7	18.7
Detection Technology Plc	Finland	Production and sales	36.7	36.7
Glaston Corporation	Finland	Production and sales	26.4	17.5
Suominen Corporation	Finland	Production and sales	24.0	24.0
Åbyntie Gp Oy	Finland	Holding	50.0	
Åbyntien Kiinteistöt Ky	Finland	Holding	50.0	

Divestments, liquidations, mergers	Country	2019
AC Real Estate B.V.*	Netherlands	Merged
AC Real Estate Holding B.V.*	Netherlands	Merged
Helsinki Real Estate Holding B.V.*	Netherlands	Merged
ITS-Infra Grupp OU	Estonia	Liquidated

* During 2019, internal restructurings were carried out in the Group. The ownership of Finnish real estate companies was concentrated in A. Ahlström Kiinteistöt Oy through mergers of AC Real Estate B.V. and its subsidiaries.

** An associate is an entity over which the Group has significant influence. Ahlström Capital views that in certain occasions it holds significant influence over the listed companies, even in situations where direct ownership is less than 20% (note 24).

Note 7. Revenue from contracts with customers

Revenue recognition

Revenue from contracts with customers is recognised when a customer obtains control over the goods or services, when it is probable that the economic benefits will flow to the Group and when the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account expected returns, value-added tax, trade discounts and rebates.

Revenue from Infrastructure and construction engineering services including contruction projects, maintenance contracts and consulting services is recognised over time, when the final financial result for the project can be estimated reliably enough. Revenue is recognised on percentage of completion basis. Revenue from aggregate sales is recognised at point in time.

Revenue from Electronics manufacturing services is mostly recognised at point in time. The sale of manufacturing services is recognised when the goods are shipped, control has been passed, the price to the buyer is fixed and determinable and recoverability is reasonably assured. Revenue and earnings from certain Engineering contracts (Tester or Design projects) are recognised over time using percentage of completion basis.

Distribution of revenue by business

MEUR	2019	2018
Infrastructure and construction	569.9	550.3
Electronics manufacturing services (EMS)	583.2	543.1
Forestry	9.7	9.4
Real estate	8.4	8.2
Others	2.1	2.1
	1,173.2	**1,113.1**

Distribution of revenue by area

2019 MEUR	Electronics manufacturing services (EMS)	Infrastructure and construction	Forestry	Real estate	Others	Total
Finland	104.2	563.8	9.7	8.4	2.1	688.2
Other Europe	312.7	4.8				317.5
Rest of the world	166.3	1.2				167.5
	583.2	**569.9**	**9.7**	**8.4**	**2.1**	**1,173.2**

2018 MEUR	Electronics manufacturing services (EMS)	Infrastructure and construction	Forestry	Real estate	Others	Total
Finland	91.6	548.9	9.4	8.2	2.1	660.2
Other Europe	276.1	1.3				277.4
Rest of the world	175.5					175.5
	543.1	**550.3**	**9.4**	**8.2**	**2.1**	**1,113.1**

Timing of the revenue recognition

2019 MEUR	Electronics manufacturing services (EMS)	Infrastructure and construction	Forestry	Real estate	Others	Total
At a point in time	577.2	14.4	9.7	8.4	2.1	611.8
Over time	6.0	555.5				561.4
	583.2	**569.9**	**9.7**	**8.4**	**2.1**	**1,173.2**

2018 MEUR	Electronics manufacturing services (EMS)	Infrastructure and construction	Forestry	Real estate	Others	Total
At a point in time	541.0	19.8	9.4	8.2	2.1	580.5
Over time	2.1	530.4				532.5
	543.1	**550.3**	**9.4**	**8.2**	**2.1**	**1,113.1**

Transaction price allocated to the remaining obligation

MEUR	2019	2018
Within one year	324.4	363.3
More than one year	441.1	369.7
	765.5	**733.0**

Contract balances

MEUR	2019	2018
Contract assets	20.0	15.4
Contract liabilities	-35.5	-36.3
	-15.4	**-20.9**

Change in contract assets and liabilities is due to invoicing of ongoing projects and ordinary project allocations.

Note 8. Other operating income

MEUR	2019	2018
Gain on sale of investments		4.3
Gain on sale of other tangible and intangible assets	5.4	8.3
Change in fair value of investment properties	2.3	
Change in fair value of biological assets	9.2	3.1
Other	4.4	6.5
	21.2	**22.2**

Note 9. Materials and services

MEUR	2019	2018
Purchases during the period	-494.7	-483.0
External services	-307.7	-292.6
Change in raw material inventories	-21.4	13.1
Change in inventories of finished goods and work in progress	2.9	1.6
	-821.0	**-761.0**

Note 10. Other operating expenses

MEUR	2019	2018
IT-expenses	-11.4	-10.8
External services	-9.4	-7.9
Non-statutory employee benefits	-6.4	-7.1
Rental expenses	-1.9	-11.2
Change in fair value of investment properties	-2.2	-6.9
Other expense items	-53.2	-52.1
	-84.5	**-96.0**

Following the adoption of IFRS 16, Leases, rental expenses have decreased. This is due to recognition of right-of-use assets and related depreciations.

Other expense items mainly consist of travelling costs, maintenance and repair costs of real estate and variable other expenses as energy and leased manpower.

Research and development costs recognised in the statement of income amount to EUR -2.6 million (-1.9) in 2019. The research and development costs relate to personnel and other costs. There were no capitalised development expenditures during the reporting period (0.1).

Auditor's fee

MEUR	2019	2018
Audit fee	-0.4	-0.4
Other services	-0.2	
	-0.6	**-0.5**

Note 11. Financial income

MEUR	2019	2018
Interest income	0.7	1.1
Dividends		0.3
Foreign exchange net change	0.6	0.9
Gain on assets at fair value through profit and loss	1.6	
Change in fair value, derivatives	0.1	
Other financial income	0.5	
	3.6	**2.4**

Note 12. Financial expenses

MEUR	2019	2018
Interest expenses from financial liabilities	-5.2	-4.6
Interest expenses on leases	-1.1	-0.1
Other financial expenses	-1.9	-1.8
Change on assets at fair value through profit and loss	-0.2	-7.3
	-8.4	**-13.8**

Interest expenses on leases have been recognised in 2019 in accordance with IFRS 16 and in 2018 in accordance with IAS 17.

Note 13. Employee benefits and number of employees

Employee benefits

MEUR	2019	2018
Wages and salaries and other remunerations	-178.6	-171.0
Pension costs *	-22.8	-21.7
Other wage-related costs	-17.4	-15.3
	-218.9	**-208.0**
CEO's salaries	-0.5	-0.6
of which variable compensation		-0.2
Remunerations to Board members	-0.5	-0.5

Salaries and other benefits for CEO and remunerations to Board members refer to the parent company only.

* Figures for 2018 have been restated due to an error related to previous periods. See note 5 for more information on the correction.

Average number of personnel

	2019	2018
Salaried	2,815	1,910
Blue-collar	2,461	3,210
	5,276	**5,120**

LTI program in Ahlström Capital Oy

The Board of Directors (the Board) of Ahlström Capital Oy (the Company) implemented a long-term incentive program (the LTI) for the management of the Company in 2015.

The purpose of the LTI is to align the objectives of the shareholders and the management, in order to increase the value of the Company in the long-term, to commit the management to the Company's long-term business goals and guarantee competitive and comparative total compensation to the management.

The Company's LTI includes three consecutive and overlapping three-year performance periods: 2016–2018, 2017–2019 and 2018–2020. The rewards of the first two performance periods have been paid. The reward for the last period will be payable during the year 2021.

The Board has decided the required performance criterion, the participants and amount of reward separately for each performance period. For all the three performance periods the approved key earning criteria are based on the development of the external fair value (EFV) of the Ahlström Capital Oy's share. The rewards of the performance periods are capped at 133% of the participant's annual salary.

LTI program at Destia Group Oyj

At Destia, there are two long-term incentive programs for the management covering years 2018–2020 and 2019–2021. The purpose of the programs is to commit certain key persons to the company and offer them a competitive reward scheme. Destia's Board of Directors decides on the long-term incentive programs and persons covered by them. The criteria for the long-term incentive program are the same for all people belonging to the program. These criteria apply to the whole of Destia Group and differ from the bonus scheme criteria. The earnings criterion is the value increase of the company.

The program for 2018–2020 covered some 50 persons (44). Earnings period is 2018–2020. Remuneration accumulated in the earnings period will be paid in cash no later than in 2021. The program for 2019–2021 covers 59 persons. Earnings period is 2019–2021. Remuneration accumulated in the earnings period will be paid in cash no later than in 2022.

The Group has a synthetic option arrangement granted to the Chairman of the Board of Destia Group by AC Infra Oy in 2015. The program ended in 2019 and the remuneration is payable during the year 2020.

The effect of the above mentioned LTI programs in Ahlström Capital Group's employee benefits expense in 2019 was EUR 1.6 million (3.5) and related liability at the end of 2019 was EUR 3.3 million (13.3).

Note 14. Share-based payments

In Ahlström Capital Group the share-based payment plans are in use at Enics.

Number of options	2019	2018
Outstanding on January 1	109,657	119,157
Granted during the year		23,000
Purchased from participants	-20,157	-17,000
Returned to the company		-15,500
Outstanding on December 31	89,500	109,657
Exercisable on December 31	89,500	109,657

Option plan 2010

The option plan was changed in 2014. Part of the granted options were settled in cash with certain participants during 2014. All remaining options have been purchased from the participants during year 2019. The plan is closed.

Option Plan 2015 (Enics Share Awards Plan)

The Group has an additional option plan for certain management and key employees effective from January 1, 2015. The option awards are granted to participants free of charge. The company has the possibility to purchase the options from participants at Fair Market Value minus deemed strike price on December 31, 2018. Participants are entiled to cash compensation of Fair Market Value minus deemed strike price on December 31, 2020 for all unvested options. The options can also vest earlier should there be significant changes in company's ownership. The deemed stike price can be determined by the Board of Directors and will be adjusted in proportion of material capital injections or capital distributions during the vesting period.

A liability of EUR 0.3 million for the granted options has been recognised to full extent. Expenses recognised during 2019 amounted to EUR 0.4 million. In 2018, an income of EUR 1.1 million was recognised related to options returned to the Group after some participants of the option plans had left the Group. These options are available for further use.

During the years 2019 and 2018 no options have been converted to original shares.

Note 15. Pension and other post-employment benefit plans

Net employee defined benefit liability

MEUR	2019	2018
Finland	2.7	3.3
Switzerland	4.2	2.0
	6.9	**5.3**

Most of the pension benefit plans in the Group are defined contribution plans (DCP) by nature. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Certain pension benefit plans are defined benefit plans (DBP), whereby a liability recognised in the statement of financial position equals the net of the present value of the defined benefit obligation less the fair value of the plan assets at the statement of financial position date. Actuarial gains and losses are recognised in the other comprehensive income as remeasurement items when they occur.

Remeasurement recorded in other comprehensive income is not recycled. Past service cost is recognised in the statement of income in the period of plan amendment. Net-interest is calculated by applying the discount rate to the net defined liability or asset. The Group presents service cost, past-service cost, gains and losses on curtailments and settlements and net interest expense or income as employee benefit expense.

Note 15. Pension and other post-employment benefit plans (cont.)

Changes in the defined benefit obligation and fair value of the plan assets

MEUR	2019	2018
January 1	5.3	6.9
Cost charged to statement of income		
Service cost of current period	0.9	1.0
Jubilee plans	0.1	-0.1
Remeasurement gains/losses in other comprehensive income		
Acturial gains/losses	1.6	-1.6
Benefits paid	-1.2	-1.1
Exchange difference	0.1	0.1
December 31	**6.9**	**5.3**

The expected benefit payments for the following financial year are EUR 1.3 million (1.2).

The main actuarial assumptions

	2019	2018
Discount rate	0.4%	1.2%
Future salary increases	0.9%	1.2%
Future pension increases *	1.3%	1.9%

* Future pension increases relate to Destia and A. Ahlström Kiinteistöt

The sensitivity of the overall pension liability to changes in the most significant weighted assumptions

	2019		2018	
	Change in assumption %	Impact on net pension provision MEUR	Change in assumption %	Impact on net pension provision MEUR
Discount rate	+ 0.25	- 2.6	+ 0.25	- 2.2
	- 0.25	+ 2.8	- 0.25	+ 2.3
Future salary increases*	+/- 0.25	+ / - 0.1	+/- 0.25	+/- 0.1
Future pension increases*	+/- 0.25	+ / - 1.0	+/- 0.25	+/- 1.0

* Sensitivity to salary and pension increases relate to Finnish pension liability only.

Note 16. Income tax

The major components of income tax expense

MEUR	2019	2018*
Consolidated statement of income		
Current income tax		
Current tax expense	-5.6	-7.2
Taxes from previous years	-0.7	-0.3
Deferred tax		
Change in deferred taxes	-1.1	0.3
Income tax expense reported in the statement of income	**-7.3**	**-7.3**
Consolidated statement of other comprehensive income		
Deferred tax related to items recognised in OCI during the year		
Related to remeasurements of defined benefit plans	0.4	-0.2
Income tax charged to other comprehensive income	**0.4**	**-0.2**

Reconciliation of tax expense and the accounting profit multiplied by Finland's domestic tax rate

MEUR	2019	2018*
Profit before tax	38.2	45.8
Tax calculated using Finnish tax rates (20%, 2018: 20%)	-7.6	-9.2
Difference between Finnish and foreign tax rates	0.5	
Share in results of associated companies	1.3	2.0
Non-taxable income	0.7	0.9
Non-deductible expenses	-0.6	-2.3
Recognition of previously non-deducted expenses		2.1
Utilisation of previously unrecognised tax losses	0.1	0.4
Loss for the period, for which no deferred tax asset is recognised	-0.5	-0.5
Adjustments of previous years current income tax	-0.7	-0.3
Other	-0.5	-0.4
Effective income tax 19.2% (15.9)	**-7.3**	**-7.3**
Total income tax for the period	**-7.3**	**-7.3**

* Figures for 2018 have been restated due to an error related to previous periods. See note 5 for more information on the correction.

Note 17. Deferred tax

Change in deferred tax assets

2019 MEUR	January 1	Recognised in the statement of income	Recorded directly into equity	Translation difference	December 31, 2019
Pension benefits	0.6	-0.1	0.3		0.8
Provisions	1.4	0.5			1.9
Inventories internal margin	0.1				0.1
Investment properties	0.4				0.4
Interest	1.7				1.7
Other	3.2	-0.4		-0.1	2.7
	7.3	**0.1**	**0.2**	**-0.1**	**7.6**

2018 MEUR	January 1	Impact of IFRS 9 January 1, 2018 recorded directly into equity	Recognised in the statement of income	Recorded directly into equity	Translation difference	December 31, 2018
Unused tax losses	0.4		-0.4			0.0
Pension benefits	1.0		-0.1	-0.3		0.6
Provisions	2.1		-0.7			1.4
Inventories internal margin	0.1					0.1
Available-for-sale financial assets	0.3		-0.3			0.0
Investment properties			0.3			0.4
Derivatives			0.1			0.1
Interest	1.6		0.1			1.7
Other *	3.1	0.2	0.1		-0.1	3.1
	8.5	**0.2**	**-1.0**	**-0.3**	**-0.1**	**7.3**

* Figures for 2018 have been restated due to an error related to previous periods. See note 5 for more information on the correction.

Note 17. Deferred tax (cont.)

Change in deferred tax liabilities

2019 MEUR	January 1	Recognised in the statement of income	Translation difference	December 31
Intangible assets and property, plant and equipment	3.5	-0.2	-0.1	3.2
Investment properties	9.8	0.6		10.4
Biological assets	16.7	1.8		18.5
Other	1.0	-1.2		-0.2
	31.0	**1.1**	**-0.1**	**32.0**

2018 MEUR	January 1	Recognised in the statement of income	Recorded directly into equity	Business arrangements	Translation difference	December 31
Intangible assets and property, plant and equipment	3.5					3.5
Investment properties	10.7	-0.6		-0.3		9.8
Biological assets	16.2	0.6				16.7
Other	2.6	-1.3	-0.2		-0.1	1.0
	32.9	**-1.3**	**-0.2**	**-0.3**	**-0.1**	**31.0**

Reflected in the Statement of Financial Position

MEUR	2019	2018
Deferred tax assets	7.6	7.3
Deferred tax liabilities	32.0	31.0
Deferred tax assets/liabilities, net	**-24.5**	**-23.7**

On December 31, 2019 the Group had tax loss carry forwards of EUR 12.6 million in total of which EUR 1.3 million has no expiration period. Regarding losses amounting to EUR 12.6 million no deferred tax asset was recognised due to the uncertainty of utilisation of these tax loss carry forwards.

Note 18. Intangible assets

2019 MEUR	Goodwill	Intangible rights	Development costs	Other intangible assets	Total
Acquisition cost					
January 1	84.5	28.8	0.1	0.8	114.2
Additions		0.2			0.3
Disposals		-0.5			-0.6
Reclassification		5.2			5.2
Exchange differences		0.5			0.5
December 31	84.5	34.1	0.1	0.8	119.6
Accumulated amortisation and impairment					
January 1		-21.5		-0.4	-21.9
Amortisation for the year		-4.0		-0.2	-4.2
Disposals		0.4			0.4
Reclassification		-2.7			-2.7
Exchange differences		-0.4			-0.4
December 31		-28.3		-0.6	-28.9
Net book value					
December 31, 2019	**84.5**	**5.9**	**0.1**	**0.2**	**90.7**

2018 MEUR	Goodwill	Intangible rights	Development costs	Other intangible assets	Advances paid	Total
Acquisition cost						
January 1	84.6	26.5		0.8	0.1	111.9
Additions		0.3	0.1		0.1	0.6
Disposals		-1.4				-1.4
Reclassification		2.8			-0.2	2.7
Exchange differences	-0.1	0.5				0.5
December 31	84.5	28.8	0.1	0.8	0.0	114.2
Accumulated amortisation and impairment						
January 1		-18.2		-0.2		-18.4
Amortisation for the year		-4.2		-0.2		-4.4
Disposals		1.4				1.4
Exchange differences		-0.4				-0.4
December 31		-21.5		-0.4		-21.9
Net book value						
December 31, 2018	**84.5**	**7.3**	**0.1**	**0.4**	**0.0**	**92.3**

Note 19. Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to Ahlström Capital's Portfolio companies regarded as CGUs.

Carrying amount of goodwill allocated to the CGUs

MEUR	2019	2018
Destia	83.6	83.6
Enics	0.8	0.8
	84.5	**84.5**

The annual impairment tests are based on valuation reports prepared by external independent valuer.

Key assumptions used in value in use calculations

The calculation of value in use is sensitive to discount rates and growth rates used to extrapolate cash flows beyond the forecast period.

Discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Industrial-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

WACC rates are defined by external valuers as part of the valuation processes. The discount rates used were the following: Enics 8.6% and Destia 9.0%.

Growth rate estimates – Rates are based on perceived long term economic growth prospects, which are based on recorded historic average growth rates of the advanced economies, which are generally roughly 2% per annum. Our companies are expected to grow organically, generally in tandem with the economy. Due to the slower long-term economic growth expectations, the growth rate used in value in use calculations is 1% per annum.

Sensitivity to changes in assumptions

Sensitivity analysis on Enics with a 0% long term growth rate will not imply a writedown; higher growth rates imply increased values in use. Similarly higher discount rates will yield a writedown need only at unrealistically high levels.

Sensitivity analysis on Destia with a 0% long term growth will not imply a writedown; higher growth rates imply increased values in use. Similarly higher discount rates will yield a writedown need only at unrealistically high levels.

Note 20. Investment properties

MEUR	2019	2018
January 1	135.9	131.4
Impact of implementation of IFRS 16	2.3	
Additions	2.9	16.3
Disposals	-0.2	-5.0
Change in fair value	0.1	-6.9
December 31	**141.1**	**135.9**

The Group's investment properties consist of land areas and buildings that are held to earn rentals or capital appreciation or both. Properties that are used in production or supply of goods or services or for administrative purposes are reported according to IAS 16. Ahlström Capital Group has chosen a fair value model to measure investment properties.

The property at Eteläesplanadi 14 is included in the investment properties. A small part of this property is used as Ahlström Capital Oy's premises. The Management has deemed such own use to be minimal, and therefore the entire property has been recognised as an investment property and measured at fair value.

On December 31, 2019, the fair values of the investment properties are based on valuations performed by an accredited external independent valuer. The rest of the investment properties consists of forest land and other land areas.

A leased land area that is part of a property classified as an investment property, is recognised according IAS 40. The value of leased land area is calculated based on IFRS 16. For more information see note 23.

Forest land is valued as a part of Forest assets by an external independent valuer. More information about the valuation principles in note 21.

Profit arising from investment properties carried out at fair value

MEUR	2019	2018
Rental income derived from investment properties	7.6	7.3
Direct operating expenses generating rental income	-3.1	-2.8
	4.6	**4.5**

Note 20. Investment properties (cont.)

Specification by use of the investment properties

2019 MEUR	Office and retail properties	Factory and logistics properties	Forest land	Unbuilt land	Other properties
January 1	105.1	16.3	8.3	5.8	0.4
Impact of implementation of IFRS 16		2.3			
Additions	2.6		0.3		
Disposals				-0.1	
Change in fair value	-2.1	0.3	1.9	0.0	
December 31	**105.6**	**18.9**	**10.5**	**5.7**	**0.4**

2018 MEUR	Office and retail properties	Factory and logistics properties	Forest land	Unbuilt land	Other properties
January 1	112.0	2.7	6.5	5.6	4.6
Additions	0.7	14.3	0.2	1.0	
Disposals		-0.1	-0.4	-0.5	-3.9
Reclassification			0.4	-0.3	
Change in fair value	-7.6	-0.6	1.7		-0.3
December 31	**105.1**	**16.3**	**8.3**	**5.8**	**0.4**

Sensitivity analysis

A sensitivity analysis for the value of investment properties has been conducted to reflect the uncertainties in future development. The lease agreements have been examined by change in yield rate. The primary yield rate varies and the rate is defined separately for each property. The sensitivity analysis is based on valuations performed by an external valuer and it covers the built investment properties.

The sensitivity analysis results

MEUR	2019	2018
Yield -0.5 percentage point	127.4	126.1
Yield +/-0 percentage point	122.3	121.4
Yield +0.5 percentage point	117.8	116.6

Approximately 73% of the Group's investment properties have been utilised as collateral for liabilities. Commitments are disclosed in note 34.

Note 21. Biological assets

The Group's biological assets consist of growing stock. Its forest assets are approximately 34,000 hectares. The total volume of growing stock in the Group's forests is 5.3 million m^3. In 2019, the harvested industrial wood quantity was approximately 167,000 m^3 (160,000). The harvested energy wood quantity was 16,000 m^3 (22,000). In 2019, the Group purchased round 522 hectares of forest. Total effect in forest assets was EUR 2.6 million.

The valuation of forests assets is prepared by using the discounted future cash flows that are based on the Group's forest management and harvesting plan. In 2018, the Finnish national growth model was updated to a new model, which reflects more accurately the current real growth and it was further developed in 2019. The growth of forests has increased based on good and sustainable forestry. This change results in higher harvesting yields and related cashflows. Besides the growth models, same assumptions were applied in both simulations. The fair value effect is specified in the table below. The cashflows from biological assets include growing stock until final cutting and the value of bare forest land is discounted from all cashflows from regeneration until final cutting.

The discount rate used for valuation is 4.6% (4.6) real weighted-average-cost-of-capital (WACC). The discount rate is the same than used in the previous valuations and the study of the used discount rate was made by an external valuer in 2019. The WACC incorporates the capital structure of the forest owning company as well as the cost of different financing types. The cashflows are calculated without inflation and the discount rate used is pre-tax real WACC.

The changes in fair value are recognised in the statement of income.

The land of forest areas is reported as investment property according to IAS 40 (note 20). The value of forest land was EUR 10.5 million (8.3) in 2019. The total value of growing stock and forest land was EUR 135.2 million (121.7) in 2019.

Note 21. Biological assets (cont.)

The change in the value of the growing forests

2019

MEUR	Biological assets	Forest land*	Forest total
January 1	113.4	8.3	121.7
Additions	2.3	0.3	2.6
Disposals	-0.2		-0.2
Change due to harvesting	-5.8		-5.8
Change due annual growth	6.7		6.7
Change in fair value	8.4	1.9	10.3
December 31	**124.7**	**10.5**	**135.2**

2018

MEUR	Biological assets	Forest land*	Forest total
January 1	108.3	6.5	114.8
Additions	2.2	0.2	2.5
Disposals	-0.3	-0.4	-0.7
Reclassification		0.4	0.4
Change due to harvesting	-5.5		-5.5
Change due annual growth	5.2		5.2
Change in fair value	3.4	1.7	5.0
December 31	**113.4**	**8.3**	**121.7**

* Forest land reported according to IAS 40 as investment property, see note 20.

Sensitivity analysis

A sensitivity analysis for the value of growing stock was made to find out the uncertainties in future development. The analysis show that changes in timber prices and discount rates have a major effect on the value of forest assets. Changes in operational costs have a minor effect. When comparing sensitivity analysis between years it is essential to take the change in calculation method on account.

The sensitivity analysis results

2019	Discount rate		
MEUR	3.6%	4.6%	5.6%
Timber prices -10%	137.5	110.7	91.5
Timber prices +10%	172.0	138.7	114.9
Stable prices and costs	154.7	124.7	103.2
Costs -10%	156.3	126.1	104.4
Costs +10%	153.1	123.3	102.0

2018	Discount rate		
MEUR	3.6%	4.6%	5.6%
Timber prices -10%	123.7	100.7	84.6
Timber prices +10%	154.6	126.0	106.0
Stable prices and costs	139.1	113.4	95.3
Costs -10%	140.6	114.6	96.4
Costs +10%	137.7	112.1	94.2

Note 22. Property, plant and equipment

2019 MEUR	Land and water areas	Land areas, right-of-use	Buildings and constructions	Buildings, right-of-use	Machinery and equipment	Machinery and equipment right-of-use	Other tangible assets	Advances paid and construction in progress	Total
Acquisition cost									
January 1*	6.9		38.2	0.4	134.7	2.8	26.0	2.7	211.6
Impact of implementation of IFRS 16		0.3		26.9		5.4			32.7
Additions		0.2	0.1	2.8	13.9	6.4	1.3	14.0	38.7
Disposals	-0.4		-3.0	-1.2	-5.8	-0.1	-0.7		-11.1
Revaluation		-0.1		-0.3		-0.1			-0.5
Reclassification			5.7		7.6	-0.1		-13.1	0.1
Exchange differences			0.1		0.4	0.1			0.6
December 31	6.6	0.5	41.2	28.5	150.8	14.5	26.6	3.6	272.2
Accumulated depreciation and impairment									
January 1*			-16.0	-0.1	-78.5	-1.9	-5.7		-102.2
Depreciation for the year			-2.0	-7.3	-15.3	-3.4	-0.9		-29.0
Impairment		-0.1			-0.1				-0.2
Disposals			1.4	0.1	5.2				6.9
Reclassification			-4.5		1.9	0.1			-2.6
Exchange differences			-0.1		-0.3				-0.5
December 31		-0.1	-21.1	-7.4	-87.2	-5.3	-6.6		-127.7
Net book value									
December 31, 2019	**6.6**	**0.4**	**20.1**	**21.1**	**63.6**	**9.2**	**20.0**	**3.6**	**144.6**

*The right-of use assets in the beginning balance on January 1, 2019 are booked in accordance with IAS 17.

Note 22. Property, plant and equipment (cont.)

2018 MEUR	Land and water areas	Buildings and constructions	Buildings, finance lease	Machinery and equipment	Machinery and equipment finance lease	Other tangible assets	Advances paid and construction in progress	Total
Acquisition cost								
January 1	7.0	37.9	0.5	129.9	15.5	25.8	3.5	220.0
Additions		0.5		10.0	0.7	0.4	11.8	23.6
Disposals		-1.5	-0.2	-13.5	-13.3	-0.4	-0.1	-29.0
Reclassification		1.2		8.5		0.1	-12.6	-2.7
Exchange differences				-0.2				-0.2
December 31	6.9	38.2	0.4	134.7	2.8	26.0	2.7	211.6
Accumulated depreciation and impairment								
January 1		-15.3	-0.2	-74.8	-14.6	-4.2		-109.1
Depreciation for the year		-2.1	-0.1	-13.7	-0.5	-1.5		-17.9
Impairment				-0.8				-0.8
Disposals		1.4	0.2	10.6	13.2			25.4
Exchange differences				0.1	0.1			0.1
December 31		-16.0	-0.1	-78.6	-1.9	-5.7		-102.3
Net book value								
December 31, 2018	**6.9**	**22.2**	**0.2**	**56.2**	**0.9**	**20.3**	**2.7**	**109.4**

On December 31, 2019 the Group had contractual commitments EUR 1.8 million (2.9) in total of which EUR 1.6 million (0.3) was recognised in 2019 in property, plant and equipment. The Group had 1.2 million unrecognised IFRS 16 leasing commitments for future periods on December 31, 2019.

Note 23. Leases

The Ahlström Capital Group has recognised land areas, office and other premises and machinery as right-of-use assets based on its leasing contracts. A leased land area that is part of a property classified as an investment property, is reported according to IAS 40. Right-of-use assets are presented in asset groups in note 22. At the year end 2019 the Group had 1.2 million unrecognised IFRS 16 leasing commitments for future periods.

Right-of-use assets*

MEUR	2019
January 1	
Impact of implementation of IFRS 16	35.0
Reclassification of IAS 17 assets	1.1
Additions	9.4
Disposals	-1.3
Depreciation	-10.8
Revaluation	-0.5
Change in fair value	-0.1
December 31	**32.9**

*Including leasing contract classified to investment property

The value of right-of-use assets is discounted by using the incremental borrowing rate for the company or the internal rate of return on leasing contracts if available. The discount rate is among other things affected by the leased asset, leasing period, location and currency. The discount rates used in the Group range from 1.2% to 6.0%.

Lease liabilities**

MEUR	IFRS 16 2019	IAS 17 2018
Non-current lease liabilities	23.2	0.6
Current lease liabilities	10.3	0.5
	33.5	**1.1**

** Finance lease liabilities in accordance with IAS 17 in 2018

IFRS 16 has an impact on proft and loss through depreciations, material and services, other operating expenses and financial expenses. Assets which are classified as investment property are not depreciated but the revaluation is recognised as change in fair value in other operating expenses. The total expenses of right-of-use assets and other leases in the statement of income is EUR 24.8 million. Total cash outflow from leasing contracts is EUR 25.2 million.

Amounts recognised in profit and loss

MEUR	Note	2019
Depreciation right-of-use assets	22	-10.9
Change in fair value of investment properties	20	-0.1
Expenses related to short-term leases		-5.0
Expenses related to low-value leases		-7.0
Other leasing expenses		-0.7
Interest on lease liabilities	12	-1.1
		-24.8

Note 24. Investments in associated companies

Ahlström Capital's strategy for investments in listed companies is to have leading direct interest in the company and always have its representative or representatives participate in the Board of Directors and nomination committee, and actively exercise any other shareholder rights to maximise the value of the investment. This is generally a prerequisite for entering into any investment for Ahlström Capital. Through this involvement, Ahlström Capital views that in certain occasions it holds significant influence over the listed companies, even in situations where direct ownership is less than 20%.

Ahlstrom-Munksjö

At the end of 2019, the Group had a 18.7% interest in Ahlström-Munksjö. Ahlström-Munksjö is a global leader in fiber-based materials, supplying innovative and sustainable solutions to its customers.

Suominen

At the end of the 2019, the Group had a 24.0% interest in Suominen. Suominen is the global market leader in nonwovens industry. The company manufactures nonwovens as roll goods for wipes and for hygiene products and medical applications.

Detection Technology

At the end of 2019, the Group had a 36.7% interest in Detection Technology. Detection Technology is a global provider of X-ray imaging subsystems, components and services for medical, security and industrial applications. Detection Technology prepares its Financial Statements according to Finnish Accounting Act.

Glaston

At the end of 2019, the Group had a 26.4% interest in Glaston. Glaston is an international frontrunner in glass processing technologies and services, responding globally to the glass processing needs of the architectural, solar, appliance and automotive industries. In 2019, Ahlström Capital increased its shareholding in Glaston from 17.5% to 26.4% through participating in a directed share issue and rights issue, which were conducted to finance the acquisition of Bystronic glass. The acquisition of Bystronic glass was completed on April 1, 2019.

Cleantech Fund

The Group has a 29.0% interest in the AC Cleantech Growth Fund Group. The Cleantech fund invests in clean technology companies allowing them to industrialise and commercialise their operations and develop their processes

New Investments

In December 2019, Ahlström Capital signed an agreement to participate in a joint venture in relation to real estate development investment. As a result, Åbyntie GP Oy and Åbyntien Kiinteistöt Ky became associated companies to the Group.

Changes in investments in associates

MEUR	2019	2018
January 1	406.3	378.9
Share of profit/loss	6.2	9.9
Share of other comprehensive income items	0.4	-1.2
Share of direct adjustments to equity	-0.9	-3.1
Dividends and return of equity	-13.5	-13.0
Additions	19.4	34.1
Reclassifications		0.7
December 31	**418.0**	**406.3**

Note 24. Investments in associated companies (cont.)

Summarised financial information for associates

Summarised Statement of Comprehensive Income

	Ahlstrom-Munksjö		Suominen		Detection Technology		Glaston		AC Cleantech Growth Fund	
MEUR	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue	2,916.3	2,438.0	411.4	431.1	102.5	93.9	181.0	101.1		
Operating profit/loss	103.2	88.7	8.1	4.6	17.0	18.5	-1.3	3.4	-1.4	-3.7
Profit/loss for the period	**32.8**	**42.9**	**0.2**	**-1.7**	**12.5**	**14.9**	**-6.4**	**2.0**	**-1.4**	**-3.7**
Other comprehensive income										
Items that will not be reclassified to statement of income	-8.3	0.6	0.1				-0.9			
Items that may be reclassified subsequently to statement of income	10.4	-13.9	1.4	2.5			-0.3			
Total comprehensive income for the period	**34.9**	**29.8**	**1.7**	**0.7**			**-7.6**	**2.0**		

Summarised Statement of Financial Position

	Ahlstrom-Munksjö		Suominen		Detection Technology		Glaston		AC Cleantech Growth Fund	
MEUR	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Current assets	840.4	957.9	132.1	146.5	66.7	62.3	98.3	40.0	1.3	0.2
Non-current assets	2,360.8	2,276.9	178.0	174.2	10.3	8.7	118.4	50.8	9.3	10.9
Current liabilities	755.6	778.4	70.3	96.3	18.6	19.7	86.6	44.5	0.3	
Non-current liabilities	1,213.5	1,294.3	107.4	93.9			56.6	9.2	3.6	3.5
Equity	**1,232.0**	**1,162.2**	**132.5**	**130.5**	**58.4**	**51.4**	**73.4**	**37.2**	**6.8**	**7.6**

Investments in associates

	Ahlstrom-Munksjö		Suominen		Detection Technology		Glaston		AC Cleantech Growth Fund	
MEUR	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Group's share of the profit/loss for the period	5.9	7.7	0.1	-0.4	2.2	3.1	-1.6	0.4	-0.4	-0.8
Group's share of the other comprehensive income	0.4	-1.5	0.3	0.6		-0.2	-0.3			
Carrying amount of the investment	239.7	245.6	47.4	46.9	98.6	98.4	32.3	15.1		0.5
Fair value of the investment	309.6	262.3	32.2	28.6	135.2	86.3	27.9	13.1		
Interest held	18.7%	18.7%	24.0%	24.0%	36.7%	36.7%	26.4%	17.5%	29.0%	29.0%
Dividend received	11.2	9.3		1.5	2.0	1.8	0.2	0.3		

The impact of the hybrid bond of Ahlstrom-Munksjö has been considered.

Note 25. Inventories

MEUR	2019	2018
Raw materials	94.2	115.7
Work in progress	19.0	19.3
Finished goods	20.4	17.2
Advance payments for inventories	0.4	0.3
	134.0	**152.6**

Inventories are valued at the lower of cost and net realisable value. In 2019, EUR 2.2 million (3.2) impairment for obsolete inventories has been recognised in the consolidated statement of income.

Note 26. Current trade and other receivables

MEUR	2019	2018
Trade receivables	107.4	116.2
Trade receivables from associates	0.9	0.9
Contract assets	20.0	15.4
Other receivables	5.8	8.3
Loan receivables	4.1	2.7
Accrued receivables *	6.5	6.7
Derivatives	1.3	1.1
	146.1	**151.3**

* Figures for 2018 have been restated due to an error related to previous periods. See note 5 for more information on the correction.

Trade receivables are non-interest-bearing and generally payments terms of 30 to 90 days. Portfolio companies assess their credit risk independently according to their business and credit policy. Part of the receivables are covered with a credit insurance when considered necessary. Some receivables are sold on a non-recourse basis. There is no significant risk concentration in receivables. Expected credit losses are assessed independently by portfolio companies. See note 30 for more information.

Individually impaired trade receivables and contract assets

MEUR	2019	2018
January 1	1.0	1.9
Adjustment on initial application of IFRS 9		0.7
Restated January 1	1.0	2.6
Addition of provisions for expected losses	0.5	1.2
Unused amounts reversed	-0.7	-2.5
Other changes		-0.4
December 31	**0.8**	**1.0**

Ageing analysis of trade receivables and contract assets

Expected credit losses by ageing classes

	Trade receivables		Expected credit losses		Percentage of expected credit losses	
MEUR	2019	2018	2019	2018	2019	2018
Neither past due nor impaired	114.6	119.9	0.1	0.1	0%	0%
Past due but not impaired						
< 30 days	11.2	10.8	0.1	0.2	1%	1%
30–60 days	0.9	0.8	0.1	0.1	9%	13%
61–90 days	0.2	0.7	0.1	0.1	23%	12%
> 90 days	1.5	0.3	0.5	0.5	25%	64%
	128.3	**132.5**	**0.8**	**1.0**		

Note 27. Cash and cash equivalents

MEUR	2019	2018
Cash in hand and at bank	84.5	90.6
	84.5	**90.6**

Note 28. Financial assets and liabilities

2019 MEUR	At amortised cost	At fair value through statement of income	At fair value through OCI	Total carrying amount
Non-current financial assets				
Other shares and securities		5.8		5.8
Interest-bearing loan receivables and financial assets	0.3	1.1		1.4
Interest-bearing loan receivables from associates	2.9			2.9
Other receivables	0.6			0.6
Current financial assets				
Trade and other receivables	85.2		55.5	140.7
Interest-bearing loan receivables and financial assets	1.6			1.6
Non-interest-bearing loan receivables and financial assets	2.5			2.5
Derivatives		1.3		1.3
Cash and cash equivalents	84.5			84.5
	178.7	**7.2**	**55.5**	**241.4**
Non-current financial liabilities				
Interest-bearing loans and borrowings				
Loans from financial institutions	116.6			116.6
Lease liabilities	23.2			23.2
Other liabilities	0.5			0.5
Other financial liabilities	2.6			2.6
Current financial liabilities				
Interest-bearing loans and borrowings				
Loans from financial institutions	51.6			51.6
Lease liabilities	10.3			10.3
Other liabilities	17.0			17.0
Derivatives		2.0		2.0
Trade and other payables	239.9			239.9
	461.7	**2.0**		**463.7**

2018 MEUR	At amortised cost	At fair value through statement of income	At fair value through OCI	Total carrying amount
Non-current financial assets				
Other shares and securities		6.0		6.0
Interest-bearing loan receivables and financial assets	0.3	1.1		1.4
Interest bearing loan receivables from associates	2.8			2.8
Other receivables	0.2			0.2
Current financial assets				
Trade and other receivables *	87.5		60.0	147.5
Interest-bearing loan receivables and financial assets	2.5			2.5
Non-interest-bearing loan receivables and financial assets	0.2			0.2
Derivatives		1.1		1.1
Cash and cash equivalents	90.6			90.6
	185.1	**7.1**	**60.0**	**252.3**
Non-current financial liabilities				
Interest-bearing loans and borrowings				
Loans from financial institutions	111.6			111.6
Finance lease liabilities	0.6			0.6
Other liabilities	3.3			3.3
Derivatives			0.2	0.2
Other financial liabilities	1.4			1.4
Current financial liabilities				
Interest-bearing loans and borrowings				
Loans from financial institutions	17.3			17.3
Finance lease liabilities	0.5			0.5
Other liabilities	20.4			20.4
Derivatives		1.6		1.6
Trade and other payables	267.5			267.5
	422.7	**1.6**	**0.2**	**424.5**

* Figures for 2018 have been restated due to an error related to previous periods. See note 5 for more information on the correction.

Note 28. Financial assets and liabilities (cont.)

Changes in liabilities arising from financing activities

			Non-cashflow effect						
2019 MEUR	January 1	Cash flows	Changes in foreign exchange rates	Changes in fair values	Re-classification	IFRS 16 implemen-tation	New leases	Terminations of leasing contracts	December 31
Non-current interest bearing loans	114.9	9.3	0.1	-1.2	-5.9				117.2
Current interest bearing loans	37.7	24.8	0.1		5.9				68.5
Lease liabilities	1.1	-10.6			-0.4	34.9	9.4	-1.0	33.5
Dividends paid		-30.1							-30.1
Acquisition of non-controlling interest		-1.1							-1.1
Purchase of treasury shares		-3.2							-3.2
	153.7	**-10.9**	**0.2**	**-1.2**	**-0.4**	**34.9**	**9.4**	**-1.0**	**184.8**

			Non-cashflow effect			
2018 MEUR	January 1	Cash flows	Changes in foreign exchange rates	Re-classification	New leases	December 31
Non-current interest bearing loans	48.7	72.2		-6.0		114.9
Current interest bearing loans	70.9	-39.0	-0.1	6.0		37.7
Finance lease liabilities	1.1	-0.8			0.8	1.1
Other changes in financing activities		0.6				
Dividends paid		-30.7				
Purchase of treasury shares		-2.9				
	120.7	**-0.6**	**-0.1**	**0.0**	**0.8**	**153.7**

Note 29. Fair values and fair value measurement

2019 MEUR	Carrying amount	Fair Value Level 1	Level 2	Level 3	Total
Assets measured at fair value					
Investment properties	141.1			141.1	141.1
Biological assets	124.7			124.7	124.7
Other shares and securities	5.8			5.8	5.8
Derivatives not designated as hedges	1.3		1.3		1.3
Loan receivables at fair value	1.1			1.1	1.1
Assets for which fair values are disclosed					
Loan receivables at amortised cost	7.3		2.5	4.8	7.3
	281.4		**3.8**	**277.6**	**281.4**
Liabilities measured at fair value					
Derivatives not designated as hedges	2.0		2.0		2.0
Liabilities for which fair values are disclosed					
Interest-bearing loans and borrowings					
Floating rate borrowings	156.3		96.4	59.9	156.3
Fixed rate borrowings	27.3		20.0	7.3	27.3
Other interest-bearing	2.1			2.1	2.1
Lease liabilities	33.5		15.5	17.9	33.5
	221.1		**133.9**	**87.2**	**221.1**

2018 MEUR	Carrying amount	Fair Value Level 1	Level 2	Level 3	Total
Assets measured at fair value					
Investment properties	135.9			135.9	135.9
Biological assets	113.4			113.4	113.4
Other shares and securities	6.0			6.0	6.0
Derivatives not designated as hedges	1.1		1.1		1.1
Loan receivables at fair value	1.1			1.1	1.1
Assets for which fair values are disclosed					
Loan receivables at amortised cost	5.8			5.8	5.8
	263.3		**1.1**	**262.2**	**263.3**
Liabilities measured at fair value					
Derivative financial liabilites	0.2		0.2		0.2
Derivatives not designated as hedges	1.6		1.6		1.6
Liabilities for which fair values are disclosed					
Interest-bearing loans and borrowings					
Floating rate borrowings	101.7		0.4	101.3	101.7
Fixed rate borrowings	47.6		40.0	7.6	47.6
Other interest-bearing	3.3		3.3		3.3
Finance lease liabilities	1.1		0.2	0.9	1.1
	155.5		**45.7**	**109.8**	**155.5**

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Note 29. Fair values and fair value measurement (cont.)

Reconciliation of level 3 fair values of other shares and securities

MEUR	2019	2018
January 1	6.0	6.9
Remeasurement recognised through profit or loss	-0.2	-0.7
Additions		0.7
Disposals		-0.3
Reclassification		-0.5
December 31	**5.8**	**6.0**

Note 30. Financial risk management

Ahlström Capital Oy is a family-owned investment company, which invests primarily in listed and non-listed industrial companies, as well as in commercial real estate and forest assets. Non-listed industrial companies Enics and Destia, referred to as portfolio companies, operate as independent operational subgroups. Holding companies manage investments in listed companies, real estates and forest assets. Note 6, Group information, shows the list of all group companies and their main activities.

The Group is exposed through its operations to different types of financial risks. The overall objective of financial risk management is to minimise the unfavourable effects of financial market fluctuations. Financial and capital market risks are managed through diversification and hedging.

The Group's treasury policy defines the way of managing the Group's finance related issues and risks related to it. Treasury policy sets the guidelines for all group companies. Each portfolio company has its own treasury policy that focuses more detailed in company's own business specific issues. The portfolio companies are responsible for managing operational risks, following the guidelines set at group level. Ahlström Capital Oy in its capacity as mother company of the Group oversees the optimal financing structure on group level.

Financing risk

The Group has a solid financial position which is secured by sufficient committed credit lines to support its business and investment activities. To maintain this position, Ahlström Capital strives to uphold a good reputation among market participants. This objective includes management of the Group companies' financial structure and financing negotiations, in order to maintain healthy statement of income conditions throughout the Group. The ability to cover financing costs is monitored across the Group and supported by the avoidance of excess indebtedness and leverage. Ahlström Capital Group has diverse and strong financing sources and is not dependent on any single financing source or instrument.

The portfolio companies are responsible for maintaining their ring-fenced financing supporting their operations according to their own treasury policy. Ahlström Capital participates actively on the strategic level of financing related to its subsidiaries. The portfolio companies independently make sure that they have adequate credit limits for operational and cash management purposes. Ahlström Capital Oy together with holding companies hold adequate amount of credit limits for cash management purposes and to seize investment opportunities.

Ahlström Capital Oy and its holding companies have utilised certain real estate, forest and shares as collateral for financing facilities. Utilisation of listed shares contains the risk of margin calls depending on the development of the share values in question. Ahlström Capital Oy as parent company monitors the share and collateral value developments related to these financing facilities closely. Diversity in Group's assets reduces the risk of insufficient collaterals for financing facilities.

The portfolio companies have a possibility to utilise a variety of real estates and shares as collateral for their own generally ring-fenced financing arrangements.

Market risk

Currency risk

Ahlström Capital Group has a relatively limited exposure to exchange rate risks, as the overwhelming majority of its businesses operate with the euro. The majority of the Group's revenue is received in euro. In the portfolio companies there is some exposure to other major currencies such as the US dollar, the Chinese renminbi, the Swedish krona and the Swiss franc, which may result in limited fluctuations in the euro value of any such cash flows.

The portfolio companies are responsible for managing operational currency risk, following the guidelines set at group level. The portfolio companies utilise hedging against currency risks. Hedging is made individually in portfolio companies taken into account each company's own net position in different currencies. Since the currency forward hedging is used in portfolio companies the impact of changing currency rates is reduced also on group level.

In real estate operations, the Group's exposure to currency risk is minimal. Forest assets are situated in Finland and operational currency is the euro.

Interest rate risk

To manage the Group's interest rate risk, leverage across the Group is kept at a moderate level and policy is to utilise hedging against interest rate risk. Speculative trading for profit without underlying exposure is not allowed. The portfolio companies are responsible for managing interest rate risk independently and reporting to the Group. The portfolio companies must ensure, that the hedging decisions are in line with the Group's net financing position.

Some refinancing arrangements have been settled in the Group and interest rate hedging is used against interest rate changes according treasury policies. Interest rate level has remained at low level during the year.

Credit Risk

The risk of credit losses due to third parties' inability to service their liabilities towards the Group is not a significant risk at the group level, due to the relatively small amount of receivables from others. Ahlström Capital Oy is responsible for managing credit risk of the financial instruments and transactions on a group level. The main principle is that the financial institution's credit rating is to be checked and approved before entering into an agreement or transaction. Ahlström Capital maintains a counterparty list and separate rules and principles are in force when investing excess liquidity. At year end it was mainly deposited at European reputable banks that are relationship banks to Ahlström Capital Group.

In portfolio companies the receivables risk can be considerable, with significant variations in the amount and age structure of receivables between companies. The portfolio companies manage credit risk by their credit policies and their ways vary depending on the type of the business. E.g. limitations for the outstanding credits and terms are used, credit insurances have been applied and prepayments and collaterals are asked when needed. Analysing the new and existing business relationships and investigating the creditworthiness regularly are common to real estate, forest as well as portfolio companies' businesses.

Liquidity risk

Liquidity risk materialises if a group company ceases to have cash or has insufficient credit limits and borrowing facilities to meet its contractual obligations. The Group's liquidity risk is managed by the maintenance of several potential financing facilities, backed by the Group's assets and supplemented by a considerable amount of assets that have good value as security (e.g. listed shares). The Group maintains sufficient liquidity resources and borrowing facilities in order to secure the availability of liquidity needs arising from new investment opportunities to the Group.

At the end of the year existing facilities in Ahlström Capital Oy and in its holding companies included credit facilities (RCF and committed overdrafts) amounting to EUR 140.0 (140.0) million of which all was unused. In February 2020, a syndicated secured financing facility up to EUR 200.0 million of which EUR 160.0 million is committed was signed for Ahlström Capital Oy and A. Ahlström Kiinteistöt Oy. The facility is secured by mortgage on the real estate at Eteläesplanadi 14 owned by Ahlström Capital Oy and material part of the forest assets held by A. Ahlström Kiinteistöt Oy. There is a group level financial covenant on the facility, which restricts the indebtedness calculated as gross interest-bearing debt in the Group compared to gross fair value of assets (loan to value) of the Group not to exceed 60%.

The portfolio companies are responsible for monitoring their own liquidity position and cash flows. They maintain financing facilities that may be utilised if needed. At the end of the year existing facilities in the portfolio companies included credit facilities (RCF and committed overdrafts) amounting to EUR 93.5 million (63.6) of which EUR 66.3 million (50.4) was unused.

The maturity profile of the Group's financial liabilities based on contractual undiscounted payments

2019 MEUR	< 1 year	2-3 years	4-5 years	> 5 years	Total
Interest-bearing loans and borrowings	55.3	70.7	63.7		189.8
Lease liabilities	10.9	16.5	7.6	2.3	37.3
Other financial liabilities	112.9	2.4			115.2
Trade payables	125.0				125.0
Derivatives	2.0				2.0
	306.1	**89.7**	**71.3**	**2.3**	**469.3**

2018 MEUR	< 1 year	2-3 years	4-5 years	> 5 years	Total
Interest-bearing loans and borrowings	39.1	54.0	63.7		156.9
Finance lease liabilities	0.5	0.6			1.2
Other financial liabilities	127.9	0.9			128.9
Trade payables	138.1				138.1
Derivatives	14.9	0.1			15.0
	320.7	**55.6**	**63.7**		**440.0**

Derivatives designated as hedging instruments

	Fair values		Nominal amounts	
MEUR	2019	2018	2019	2018
Liabilities				
Interest rate swaps		0.2		40.0

At the time of a new investment or refinancing, non-current loans relating to the investments may be hedged over the planned investment period. Interest rate derivatives or fixed interest rates are used to hedge against interest rate changes.

Derivatives not designated as hedging instruments

	Fair values		Nominal amounts	
MEUR	2019	2018	2019	2018
Assets				
Foreign currency forward contracts	1.1	0.9		16.2
Interest rate derivatives	0.2	0.2		
Other derivatives not desingated as hedges			0.7	0.7
Liabilities				
Foreign currency forward contracts	1.3	1.0	21.7	15.1
Interest rate swaps	0.6	0.5	34.0	38.0
Other		0.1		

Ahlström Capital Group has no master netting agreements under ISDA to report.

Note 30. Financial risk management (cont.)

Capital management

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent.

The primary objective of the Group's capital management is to maximise the shareholder value, meaning the External Fair Value of the share. The External Fair Value (EFV) of the share represents the expected market value of the asset in question that would be received in an orderly transaction between market participants, subtracting assumed transaction costs and other related liabilities. In effect, this means that the EFV of Ahlström Capital's share is the sum of the EFVs of the underlying assets within Ahlström Capital Group less the relevant liabilities. In order to determine the EFV of Ahlström Capital's share, the EFV of the underlying assets is appraised at each measurement date, using external valuation experts as per end of September each year.

Listed shares are measured at the market rate. Regarding investments in non-listed shares, Ahlström Capital's valuation policies comply with the IPEV guidelines (International Private Equity and Venture Capital Valuation Guidelines), according to which external fair value is a price at which the ownership of an investment could be transferred between market parties on the reporting date. Regarding the investments in real estate, Ahlström Capital's valuation policies comply with the EPRA guidelines (European Public Real Estate Association). International Financial Reporting Standards (IFRS) are applied to valuing forest and other holdings.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims at ensuring that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. To manage the financial risk, the financing of subsidiaries and subgroups are, to the extent possible, financed as ring-fenced entities without recourse on other entities. There are financial covenants on certain outstanding loans. The levels are generally agreed in advance with sufficient headroom to the plans combined with pre-agreed remedy mechanisms. These are closely monitored. Breach of these covenants would in some cases limit the companies' ability to finance their operations or permit the creditor to call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowings in the current period.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The dividend policy is a stable and over time increasing dividend.

MEUR	2019	2018
Non-current interest-bearing loans and borrowings (note 28)	140.4	115.7
Current interest-bearing loans and borrowings (note 28)	78.8	38.2
Less: cash and short-term deposits (note 27)	-84.5	-90.6
Net cash (-)/ net debt (+)	**134.6**	**63.4**
External Fair Value	965.1	887.1
Shareholders equity (incl. non-controlling interest)	777.0	782.4
EFV adjusted net gearing	13.9%	7.1%
Net gearing (IFRS / Book value based)	17.3%	8.1%

Note 31. Share capital and reserves

2019 MEUR	Share capital	Share premium	Reserve for invested non-restricted equity	Treasury shares	Legal reserve	Total
January 1	38.8	12.8	104.3	-2.9	2.3	155.3
Acquisition of treasury shares				-3.0		-3.0
Invalidation of treasury shares				2.9		
Reclassifications					0.5	0.5
December 31	**38.8**	**12.8**	**104.3**	**-3.0**	**2.9**	**152.8**

2018 MEUR	Share capital	Share premium	Reserve for invested non-restricted equity	Treasury shares	Legal reserve	Total
January 1	38.8	12.8	104.3	0.0	1.7	157.5
Acquisition of treasury shares				-2.9		-2.9
Reclassifications					0.7	0.7
December 31	**38.8**	**12.8**	**104.3**	**-2.9**	**2.3**	**155.3**

Note 31. Share capital and reserves (cont.)

The registered share capital of Ahlström Capital Oy totals EUR 38,771,470. The number of registered shares in the company on December 31, 2019 was 62,661,600. Ahlström Capital has one series of shares. Each share has one vote at the General Meeting of the shareholders and all the shares have equal rights to dividend or other distribution of equity.

The Annual General Meeting of Ahlström Capital Oy held on April 8, 2019, resolved to authorise the Board of Directors to decide on the repurchase of a maximum of 400,000 shares. The purchase price was the external fair value of the share at the end of September with a 20% discount. The authorisation is valid until the end of the next Annual General Meeting. The Board of Directors resolved to commence the repurchase program during October-December 2019.

On December 31, 2019 Ahlström Capital held 251,677 treasury shares (0.4%) following the share repurchase program. Repurchased shares were invalidated in January 2020.

The Annual General Meeting of Ahlström Capital Oy, held on April 11, 2018, resolved to authorise the Board of Directors to decide on the repurchase of a maximum of 400,000 shares. The purchase price was the external fair value of the share at the end of September with a 20% discount. The authorisation was valid until the end of the following Annual General Meeting. The Board of Directors resolved to commence the repurchase program during October-December 2018.

On December 31, 2018 Ahlström Capital held 226,000 treasury shares (0.36%) following the share repurchase program. Repurchased shares were invalidated in January 2019.

Other comprehensive income, net of tax

The disaggregation of changes of OCI by each type of reserve in equity

2019 MEUR	Hedging reserve	Foreign currency translation reserve	Retained earnings	Total
Foreign exchange translation differences		-0.1		-0.1
Cash flow hedges - net change in fair value	0.1			0.1
Remeasurement gains/losses on defined benefit plans			-1.3	-1.3
Share of other comprehensive income of associates	0.7	1.6	-2.0	0.4
	0.9	**1.5**	**-3.3**	**-0.9**

2018 MEUR	Fair value reserve	Hedging reserve	Foreign currency translation reserve	Retained earnings	Total
Foreign exchange translation differences			-1.3		-1.3
Cash flow hedges - net change in fair value		-0.1			-0.1
Remeasurement gains/losses on defined benefit plans				1.3	1.3
Share of other comprehensive income of associates	0.9	-0.2	-2.0	0.1	-1.2
	0.9	**-0.3**	**-3.3**	**1.4**	**-1.3**

The total shareholders' equity consists of share capital, share premium, unrestricted equity reserve, treasury shares, legal reserve, fair value reserve, hedging reserve, foreign currency translation reserve and retained earnings. The share premium account includes the value of shares in excess of the accounting par value of the shares. Treasury shares consist of the repurchased own shares. Legal reserves consist of amounts created from retained earnings due to specific legislation in certain countries. Fair value reserve includes changes in the fair values of financial assets at available-for-sale instruments. Hedging reserve include changes in the fair values of derivative financial instruments used to hedge operational cash flows. Foreign currency translation reserve includes the differences resulting from the translation of foreign subsidiaries.

Note 32. Provisions

2019 MEUR	Warranty provision	Restructuring provision	Environmental provisions	Other provisions	Total
January 1	4.5	1.1	11.8	5.3	22.7
Arising during the year	0.7	2.0	0.2	2.0	4.9
Utilised	-0.7	-1.9		-1.1	-3.7
Unused amounts reversed	-1.1		-0.1	-0.7	-1.9
Reclassifications			0.5	-0.5	0.0
Effect of discounting			1.1		1.1
Other changes				-0.5	-0.5
December 31	**3.3**	**1.2**	**13.4**	**4.6**	**22.6**
Non-current	**1.5**		**12.0**	**2.2**	**15.6**
Current	**1.8**	**1.2**	**1.4**	**2.4**	**6.9**

2018 MEUR	Warranty provision	Restructuring provision	Environmental provisions	Other provisions	Total
January 1	5.2	4.9	12.5	11.1	33.6
Exchange differences		-0.2			-0.2
Arising during the year	1.1	0.6		1.9	3.6
Utilised	-0.5	-4.1	-0.2	-2.4	-7.2
Unused amounts reversed	-1.3	-0.1	-0.1	-5.3	-6.7
Effect of discounting			-0.4		-0.4
December 31	**4.5**	**1.1**	**11.8**	**5.3**	**22.7**
Non-current	**2.0**		**11.1**	**3.1**	**16.2**
Current	**2.5**	**1.1**	**0.7**	**2.2**	**6.6**

Warranty provisions

Warranty provisions have been booked to cover any obligations during the warranty period of contractual agreements. They are based on experiences from previous years.

Restructuring provision

Restructuring provision relates to cost for personnel affected and notified by structural changes in the Group.

Environmental provisions

The Group has environmental provisions for land areas that are obligated to restore to their original condition. The present value of estimated landscaping costs has been activated to the acquisition cost of the areas and presented as a provision. In addition, the Group has a provision booked for cleaning costs of a contaminated land area.

Other provisions

Other provisions include dispute and litigation provisions, project loss provisions, provision for employee benefits and other provisions.

Note 33. Trade and other payables

TEUR	2019	2018
Trade payables	125.0	138.1
Contract liabilities	35.5	36.3
Other payables	20.5	20.6
Accrued liabilities	59.0	72.5
Derivatives	2.0	1.6
	241.9	269.1

Note 34. Commitments and contingencies

Capital commitments

The Group has entered into a contract regarding a new real estate development project. Committed investments amounted to EUR 6.1 million at the end of December 2019.

Operating lease commitments – Group as lessee (IAS 17)

The Group leases various manufacturing and office premises, machinery and vehicles under operating leases. Until 2018, these agreements have been reported according to IAS 17 and as of 2019 according to IFRS 16 as right-of-use assets, see note 23.

Future minimum rentals payable under non-cancellable operating leases according to IAS 17

MEUR	2018
Within 1 year	10.2
Between 1 and 5 years	14.9
More than 5 years	1.0
	26.1

Commitments and contingencies on own behalf

MEUR	2019	2018
Secured loans		
Loans from financial institutions and others	124.1	87.0
Pledged assets		
Real estate mortgages	109.9	110.2
Pledged shares	157.7	103.8
Other pledged assets		0.7
Guarantees	134.2	126.0

Pledges are used as collaterals for certain credit facilities.

Approximately 73% of the Group's investment properties (note 20) have been utilised as collateral for own debts and reported as real estate mortgages in commitments. On December 31, 2019 none of company's forest assets (note 21) were used as pledges.

Ahlström Capital Group had a contingent VAT liability on real estate investments EUR 5.2 million (2.9) on December 31, 2019.

As founder shareholder Ahlström Capital Group has certain commitments according to Finnish act of Housing Transactions. Provisions have been made to cover the commitments.

Commitments on behalf of others

Ahlström Capital Group has guarantees given on behalf of others EUR 0.1 million (0.1) on December 31, 2019.

Note 35. Related party transactions

The Group's related parties include Ahlström Capital's Board of Directors and committees, Shareholders' Nomination Board, CEO, subsidiaries and associated companies and also Antti Ahlström Perilliset Oy, which holds a significant influence in Ahlström Capital Oy. The transactions with associated companies are listed in a separate note 24. Loan transaction with associated companies are presented with in the note 28.

Salaries for CEO and remunerations to board and committee members are listed in note 13.

Business transactions with the associated companies and entities with significant influense over the group

MEUR	2019	2018
Sales to the entity with significant influence over the group	0.2	0.2

Compensation of personnel belonging to the related party of the group

MEUR	2019	2018
Wages and other short-term employee benefits	0.9	1.1
Post-employment benefits	0.1	0.1
	1.0	**1.2**

The amounts disclosed in the table are those recognised as an expense during the reporting period related to personnel belonging to the related party of the Group.

Note 36. Events after the reporting period

In February 2020, a syndicated secured financing facility up to EUR 200.0 million, of which EUR 160.0 million is committed, was signed for Ahlström Capital Oy and A. Ahlström Kiinteistöt Oy. The facility is secured by mortgage on the real estate at Eteläesplanadi 14 owned by Ahlström Capital Oy and material part of the forest assets held by A. Ahlström Kiinteistöt Oy. There is a group level financial covenant on the facility, which restricts the indebtedness calculated as gross interest bearing debt in the group compared to gross fair value of assets (loan to value) of the group not to exceed 60%.

Income Statement, Parent Company (FAS)

TEUR	Note	2019	2018
Net Sales	2	**5,566**	**5,435**
Other operating income	3	**23**	**2,360**
Personnel costs	4	-2,967	204
Depreciation, amortisation and impairment	9	-966	-1,000
Other operating expense	6	-4,101	-3,968
Operating profit / loss		**-2,445**	**3,031**
Financing income and expenses	7		
Interest and other financing income		40,997	50,255
Interest and other financing expenses		-517	-708
		40,480	**49,547**
Result before appropriations and taxes		**38,035**	**52,578**
Appropriations	8		
Change in depreciation difference		-68	22
Group contributions		2,865	6,460
Net result for the period		**40,832**	**59,060**

Balance Sheet, Parent company (FAS)

TEUR	Note	December 31, 2019	December 31, 2018
Assets			
Non-current assets			
Intangible assets	9		
Intangible rights		197	197
		197	**197**
Tangible assets	9		
Land and water areas		26,254	26,254
Buildings and constructions		23,900	23,802
Machinery and equipment		844	670
Other tangible assets		70	70
Advances paid and construction in progress		1,592	
		52,660	**50,796**
Investments	10		
Holdings in Group companies		412,117	404,817
Other shares		65	65
		412,182	**404,882**
Total non-current assets		**465,039**	**455,875**
Current assets			
Long-term receivables			
Notes receivable		81	81
		81	**81**
Short-term receivables			
Accounts receivable		28	11
Receivables from Group companies	15	2,865	6,670
Other receivables		93	2
Prepaid expenses and accrued income	11	29	117
		3,015	**6,800**
Cash and bank		14,491	11,611
Total current assets		**17,587**	**18,492**
Total assets		**482,627**	**474,368**

TEUR	Note	December 31, 2019	December 31, 2018
Shareholders' equity and liabilities			
Shareholders' equity	12		
Share capital		38,771	38,771
Capital in excess of par value		12,774	12,774
Reserve for invested non-restricted equity		104,336	104,336
Retained earnings		282,112	256,178
Net result for the period		40,832	59,060
		478,825	**471,119**
Accumulated appropriations			
Depreciation difference		1,723	1,655
		1,723	**1,655**
Liabilities			
Long-term liabilities			
Accrued expenses and deferred income	14	202	
		202	
Short-term liabilities			
Advances received		1	1
Accounts payable		998	245
Other liabilities		81	140
Accrued expenses and deferred income	14	796	1,207
		1,876	**1,593**
Total liabilities		2,078	1,593
Total shareholder's equity and liabilities		**482,627**	**474,368**

Statement of Cash Flows, Parent Company (FAS)

TEUR	2019	2018
Cash flow from operating activities		
Profit/loss for the period	40,832	59,060
Adjustments:		
Depreciation, amortisation and impairment	966	1,000
Financial income and expenses	-40,480	-49,547
Other adjustments	-2,797	-8,418
Cash flow from operations before change in net working capital	-1,479	2,095
Change in net working capital		
Increase (-) / decrease (+) of short-term receivables	189	401
Increase (+) / decrease (-) of short-term non-interest-bearing debts	-257	-5,338
Cash flow from operating activities before financing items and taxes	-1,547	-2,842
Interest and other financing income	40,900	51,383
Interest and other financing expenses	-420	-949
Net cash flow from operating activities	**38,933**	**47,592**
Cash flow from investing activities		
Other investments	-7,300	5,940
Increase (-) / decrease (+) in non-current assets	-2,087	49
Change in notes receivable and other receivables		17,578
Net cash flow from/used in investing activities	**-9,387**	**23,567**

TEUR	2019	2018
Cash flow from financing activities		
Change in long-term debt		-5,000
Change in short-term debt		-31,000
Dividends paid	-30,078	-30,191
Group contribution	6,460	6,190
Purchase of treasury shares	-3,048	-2,870
Net cash flow used in financing activities	**-26,666**	**-62,872**
Change in cash and financial investments	**2,880**	**8,287**
Cash and financial investments at beginning of period	11,611	3,324
Cash and financial investments at end of period	**14,491**	**11,611**

Notes to the Financial Statements, Parent Company

Note 1. Accounting principles

The financial statements of the parent company Ahlström Capital Oy have been prepared in accordance with the Finnish Accounting act and other regulations in force in Finland. They comply with the European Union directives on financial statements and good accounting practices.

The financial statements are presented in euros and are prepared under the historic cost convention.

Revenue recognition

Income from the sale of goods and services is recognised as revenue when the goods are delivered or the services rendered. Net sales are shown net of indirect taxes and discounts. Translation differences attributable to sales are reported as part of net sales.

Items denominated in foreign currency

In the financial statements, receivables and liabilities denominated in foreign currency are translated into euros at the functional currency spot rate of exchange ruling at the one day prior to the reporting date. Translation differences in receivables and liabilities are recognised in profit or loss. Exchange differences attributable to sales are reported as part of net sales. Exchange differences arising from translation of accounts payable are shown as adjustment items under purchase expenses (annual costs or capitalisations).

Exchange differences arising from translation of financial items are shown as financial income or financial expenses.

Investments

Investments that are intended to generate income for more than one accounting period are recognised in non-current assets at cost.

Securities included in the financial assets are stated at the lower of cost or market.

Non-current assets

Non-current assets are disclosed at original cost in the balance sheet, less accumulated depreciation and amortisation.

Depreciation and amortisation is calculated from the original cost or revaluated amounts of non-current assets using the straight-line method over the useful lives of assets.

The estimated useful lives are as follows:

• Buildings	25–40 years
• Heavy machinery	10–20 years
• Other machinery and equipment	3–10 years
• Intangible assets	3-5 years

Land and water areas are not depreciated.

Leasing

Payments of operating leases and financial leases are recognised as rental expenses. Leased assets are not shown on the balance sheet as fixed assets, and future lease payments are not shown as liabilities. The notes to the financial statements show the liabilities arising from currently valid leases.

Taxes

Income taxes consist of taxes paid and payable on taxable income for the most recent and previous accounting periods in accordance with local tax laws, plus deferred taxes.

Note 2. Net sales

Distribution of net sales by country

TEUR	2019	2018
Finland	4,810	4,701
Netherlands	756	734
	5,566	**5,435**

Distribution of net sales by business

TEUR	2019	2018
Real estate	4,385	4,344
Others	1,181	1,091
	5,566	**5,435**

Note 3. Other operating income

TEUR	2019	2018
Gain on sale of non-current assets		2,323
Others	23	37
	23	**2,360**

Note 4. Personnel costs

TEUR	2019	2018
Wages and salaries	2,439	160
Pension costs	493	-400
Other wage related costs	35	36
	2,967	**-204**

The significant decrease in personnel costs for the fiscal year 2018 was mainly attributable to the lower costs for the LTI program due to the reversal of provision related to the changes in the management and revised accounting practices for pension expenses as well as negative EFV development during the year 2018.

Salaries for CEOs	467	573
of which bonuses	47	159
Remunerations to Board members	456	529

Note 5. Average number of personnel

	2019	2018
Salaried	13	13

Note 6. Other operating expenses

TEUR	2019	2018
Real estate expenses	1,841	1,336
External services	1,592	1,668
Other	668	964
	4,101	**3,968**

Note 7. Financing income and expenses

Financing income

TEUR	2019	2018
Dividend income from Group companies	40,900	49,530
Interest and financing income from Group companies	97	720
Interest and financing income from others		5
	40,997	**50,255**

Financing expenses

TEUR	2019	2018
Impairment of receivables		-52
Interest expenses	-10	-149
Other financing expenses	-507	-507
	-517	**-708**
Total financing income and expenses	**40,480**	**49,547**

Note 8. Appropriations

TEUR	2019	2018
Change in depreciation difference	-68	22
Group contribution, received	2,865	6,460
	2,797	**6,482**

Note 9. Intangible and tangible assets, appreciations, depreciations and write-offs

2019 TEUR	Intangible rights	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and construction in progress
January 1	1,598	26,254	36,317	2,268	70	
Increases						2,829
Reclassification between classes			990	247		-1,237
December 31	1,598	26,254	37,307	2,515	70	1,592
Accumulated depreciation and amortisation on January 1	1,401		12,514	1,598		
Depreciation and amortisation for the period			893	73		
Accumulated depreciation and amortisation on December 31	1,401		13,407	1,671		
Book value on December 31, 2019	**197**	**26,254**	**23,900**	**844**	**70**	**1,592**

2018 TEUR	Intangible rights	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets
January 1	1,598	26,254	36,365	2,268	70
Increases					
Decreases			-48		
Reclassification between classes					
December 31	1,598	26,254	36,317	2,268	70
Accumulated depreciation and amortisation on January 1	1,401		11,585	1,527	
Depreciation and amortisation for the period			929	71	
Accumulated depreciation and amortisation on December 31	1,401		12,514	1,598	
Book value on December 31, 2018	**197**	**26,254**	**23,803**	**670**	**70**

Note 10. Long-term investments

2019 TEUR	Holdings in Group companies	Other shares
January 1	404,817	65
Increases	17,000	
Decreases	-9,700	
December 31	**412,117**	**65**

2018 TEUR	Holdings in Group companies	Other shares
January 1	410,757	5,579
Increases	8,660	
Decreases	-14,600	-14,807
Impairments		9,293
December 31	**404,817**	**65**

Note 11. Prepaid expenses and accrued income

TEUR	2019	2018
Short-term		
Periodisation of costs	30	116
	30	**116**

Note 12. Shareholders' equity

TEUR	2019	2018
Restricted shareholders' equity		
Shareholders' equity on January 1	38,771	38,771
Shareholders' equity on December 31	**38,771**	**38,771**
Capital in excess of par value on January 1	12,774	12,774
Capital in excess of par value on December 31	**12,774**	**12,774**
Restricted shareholders' equity, total	**51,545**	**51,545**
Unrestricted shareholders' equity		
Reserve for invested non-restricted equity	104,336	104,336
Profit from previous financial years on January 1	315,238	289,234
Distribution of profits	-30,078	-30,186
Acquisition of own shares	-3,048	-2,870
Profit from previous financial years on December 31	**282,112**	**256,178**
Net profit for the period	40,832	59,060
Unrestricted shareholders' equity, total	**427,280**	**419,574**
Shareholders' equity, total	**478,825**	**471,119**

Note 13. Share capital

	Number of shares	EUR
Shares January 1, 2019	62,887,600	38,771,470
Invalidated shares	-226,000	
Shares December 31, 2019	**62,661,600**	**38,771,470**

1 vote / share, with redemption clause

The Annual General Meeting of Ahlström Capital Oy resolved to authorise the Board of Directors to decide on the repurchase of a maximum of 400,000 shares. The purchase price is the external fair value of the share at the end of September with a 20% discount. The authorisation is valid until the end of the next Annual General Meeting. The company repurchased 251,677 shares (0,40%). The repurchased shares were invalidated in January 2020 based on the Board of Directors' decision.

Note 14. Accrued expenses and deferred income

TEUR	2019	2018
Long-term		
Personnel costs	202	
Short-term		
Personnel costs	628	1,207
Interest expense	167	
	997	**1,207**

Note 15. Receivables from and liabilities to Group companies

Receivables from Group companies

TEUR	2019	2018
Accounts receivable		210
Prepaid expenses and accrued income	2,865	6,460
	2,865	**6,670**

Liabilities to Group companies

TEUR	2018
Accounts payable	88
	88

Note 16. Collaterals

TEUR	2019	2018
For own liabilities		
Credit facilities (RCF)	100,000	100,000
of which in use		
Amount of mortgages and pledges	100,000	100,000

Note 17. Contingent liabilities

TEUR	2019	2018
Leasing and rental commitments		
Current portion	9	30
Non-current portion		9
	9	**39**

Commitments on behalf of Group companies

Ahlström Capital Oy has provided guarantees for the credit facilities of certain subsidiaries.

TEUR	2019	2018
Contingent liabilities for Real Estate investment's VAT	207	71

Note 18. Events after the financial year

In February 2020, a syndicated secured financing facility up to EUR 200.0 million, of which EUR 160.0 million is committed, was signed for Ahlström Capital Oy and A. Ahlström Kiinteistöt Oy. The facility is secured by mortgage on the real estate at Eteläesplanadi 14 owned by Ahlström Capital Oy and material part of the forest assets held by A. Ahlström Kiinteistöt Oy. There is a group level financial covenant on the facility, which restricts the indebtedness calculated as gross interest bearing debt in the group compared to gross fair value of assets (loan to value) of the group not to exceed 60%.

Auditor's report

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

To the Annual General Meeting of Ahlström Capital Oy

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ahlström Capital Oy (business identity code 1670034-3) for the year ended December 31, 2019. 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, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows 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 financial statements in Finland and comply with statutory requirements.

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 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.

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

Responsibilities of the Board of Directors and the President and CEO for the Financial Statements

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, 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 President and CEO 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 President and CEO are responsible for assessing the parent company's and the group's ability to continue as a 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 Financial Statements

Our objectives are to obtain reasonable assurance about 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 the financial statements.

As part of an audit in accordance with 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 President and CEO'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.

Other Reporting Requirements

Other Information

The Board of Directors and the President and CEO are responsible for the other information. The other information that we have obtained prior to the date of this auditor's report is the report of the Board of Directors.

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 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 and 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 other information that we obtained prior to the date of this auditor's report, 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.

Other opinions

The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the President and CEO be discharged from liability for the financial period audited by us.

Helsinki March 3, 2020

KPMG OY AB

VIRPI HALONEN
Authorised Public Accountant, KHT

Proposal for the Distribution of Profits

According to the parent company's balance sheet as of December 31, 2019, the total distributable funds are:

	EUR
Reserve for invested non-restricted equity	104,335,800.65
Retained earnings	282,112,043.96
Profit for the period	40,831,870.84
Total distributable funds	427,279,715.45

The Board of Directors proposes that a dividend of EUR 0.36 per share be paid on the 62,409,923 shares and the remainder retained. The total proposed dividend for 2019 is EUR 22,467,572.28. In addition, the Board of Directors proposes that the Annual General Meeting authorises the Board of Directors to resolve, at its discretion, on a second instalment of up to EUR 0.12 per share to be paid in October 2020.

Helsinki, March 3, 2020

Mikael Lilius
Chairman of the Board

Marion Björkstén

Mats Danielsson

Håkan Johansson

Kari Kauniskangas

Pekka Pajamo

Fredrik Persson

Malin Persson

Lasse Heinonen
President and CEO

Shares and shareholders

Shares and share capital

Ahlström Capital's registered share capital on December 31, 2019 was EUR 38,771,470. The Company has one series of shares. Each share entitles the holder to one vote in the general meeting of shareholders.

The Articles of Association include a redemption clause as defined in Chapter 3, section 7 of the Limited Liability Companies Act.

Shareholdings

At the end of 2019, Ahlström Capital had 248 shareholders. More information on shareholders is presented in the Report of the Board of Directors.

Shareholdings of the Board of Directors

On December 31, 2019 members of the Board of Directors held 397,800 shares in Ahlström Capital Oy, which represents 0.63 per cent of the shares and voting rights.

Shareholders by group on December 31, 2018

	Number of Shares	Percentage of capital stock
Companies	3,857,923	6.2%
Financial and insurance institutions	527,767	0.8%
Public sector entities and mutual pension insurance companies	2,349,000	3.7%
Households	44,508,477	71.0%
Non-profit organisations	618,944	1.0%
Foreign owners	10,438,402	16.7%
Total	**62,300,513**	**99.4%**

Distribution of shareholdings on December 31, 2019

Number of shares	Number of shareholders	Percentage of shareholders	Number of shares and votes	Percentage of shares and votes	Average number of shares held
1-10,000	70	28.2	224,204	0.4%	3,203
10,001-50,000	39	15.7	1,140,361	1.8%	29,240
50,001-100,000	31	12.5	2,177,201	3.5%	70,232
100,001-500,000	69	27.8	16,992,533	27.3%	246,269
500,000-	39	15.7	41,766,214	67.0%	1,070,929
Total	**248**	**100**	**62,300,513**	**100%**	**251,212**

On December 31, 2019 the number of issued shares was 62,661,600, of which 109,410 shares were on the waiting list and 251,677 shares were repurchased and waiting to be invalidated.

Information for shareholders

Annual general meeting

Ahlström Capital Oy's Annual General Meeting of Shareholders will be held in Helsinki at Eteläesplanadi 14 on Wednesday, April 15, 2019 at 5:00 p.m. The Notice of the Annual General Meeting has been published on the company's website at ahlstromcapital.com.

Financial information

Ahlström Capital's Annual Report 2019 is available on the company's website at ahlstromcapital.com.

In 2020, the company will inform the shareholders about the development of its performance on a quarterly basis.

The company's annual report 2020 is estimated to be published in March 2021.

Ahlström Capital in co-operation with Miltton. Photos on the cover and on pages 2, 5 (real estate), 7, 8, 34 and 40 by Tomi Parkkonen. Photos on pages 5 (forest) and 28 by Mikael Laine. Photos on pages 6 (photo of Lasse Heinonen), 38 and 39 by Joel Forsman. Photo on page 26 by Sanna Sianoja. Photos on page 30 (Villa Mairea and Havulinna) by Tiina Rajala. Photo on page 30 (Kauttuan Klubi) by Esa Kyyrö. Photo on page 33 from A. Ahlström's historical photo archive.