



AHLSTRÖM CAPITAL

We develop leading businesses

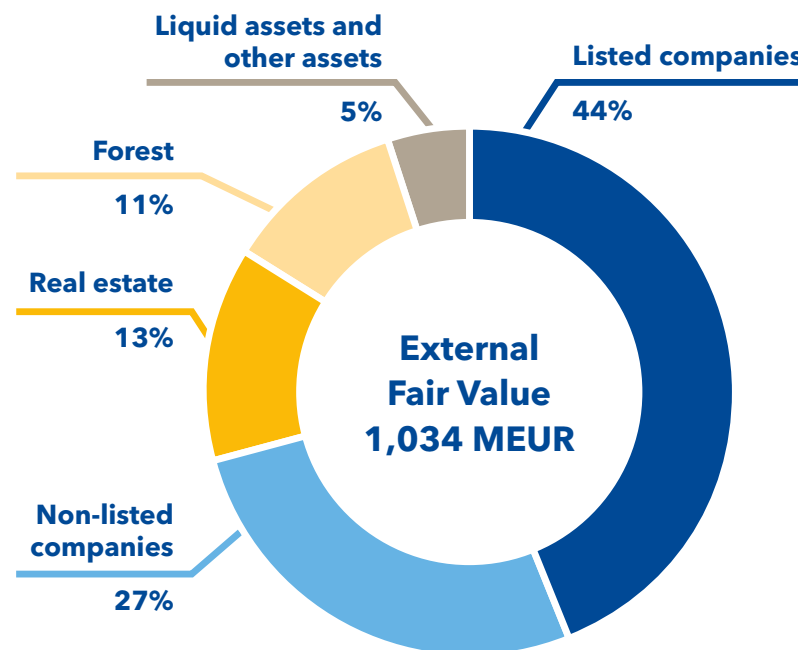
Annual Report 2017

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Ahlström Capital in brief

Ahlström Capital is a family-owned investment company that focuses its investment activity in industrial companies and real estate. We are one of the largest and most significant investment companies in Finland with a history of more than 160 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, as well as direct investments in non-listed companies Destia Group Oyj and Enics AG. In addition to industrial investments, Ahlström Capital has considerable real estate and forest holdings.



The scope of our portfolio companies

~ EUR **4** billion
revenue of portfolio
companies, total

~ **12,500**
employees in portfolio
companies

33
operating countries

Our portfolio

Listed companies

Revenue, MEUR

Ahlström Capital's shareholding



Ahlstrom-Munksjö is a global leader in fiber-based materials, supplying innovative and sustainable solutions to customers worldwide.



2,233



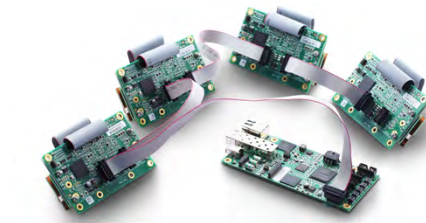
Suominen manufactures nonwovens as roll goods for wipes as well as for medical and hygiene products. Suominen is the global market leader in nonwovens for wipes.



426



Detection Technology is a global provider of X-ray imaging subsystems, components and services for medical, security and industrial applications.



89



Glaston is a frontrunner in glass processing technologies and services. The company responds to the most demanding glass processing needs of the architectural, solar, appliance and automotive industry.



110

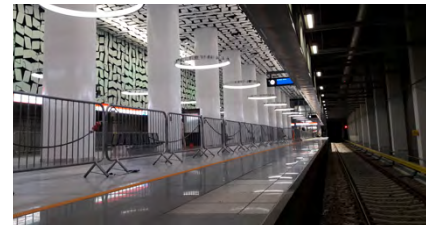


Our portfolio

Non-listed companies

DESTIA

Destia is a Finnish infrastructure and construction service company. The company builds, maintains and designs traffic routes, industrial and traffic environments, as well as complete living environments.



Revenue,
MEUR

479

Ahlström Capital's
shareholding



@ENICS

Enics is the partner of choice for professional electronics in the fields of energy, industrial automation, transportation, building automation and instrumentation.



544



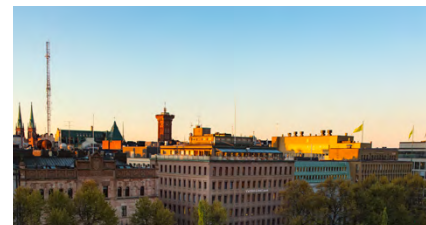
Real estate and forest



A.AHLSTRÖM

Real estate

Ahlström Capital's real estate portfolio includes office and logistics properties in central locations in Southern Finland.

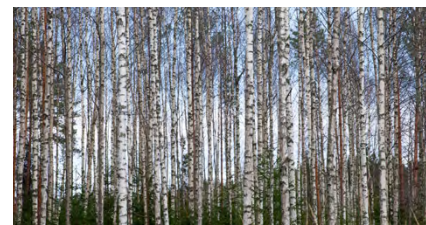


110,000 m²
Real estate area in total

142

Forest

Ahlström Capital focuses its forest holdings in the Satakunta region in Finland. We are one of the largest private forest owners in Finland.



33,000 ha
Forests in total

121

External fair value,
MEUR

Highlights in 2017

The merger of Ahlstrom and Munksjö

The merger of Ahlstrom and Munksjö took place in the second quarter of 2017, creating a global leader in sustainable and innovative fiber-based solutions. Ahlström Capital was a major shareholder in both companies and is now the largest owner of the new company, domiciled in Helsinki and headquartered in Stockholm.

As one company, Ahlstrom-Munksjö is increasingly international and in a better position to benefit from stronger growth opportunities. The merger improves competitiveness: together, the merged companies offer customers a broader range of solutions with a truly global reach. The merger has brought Ahlstrom's fiber-based materials and Munksjö's advanced paper products into one company. Ahlstrom-Munksjö aims to be the pioneer in sustainable and innovative fiber-based solutions, partnering with their customers towards global success.

The combined value of Ahlstrom and Munksjö at the time of the merger was EUR 1.2 billion and at the end of 2017, the company was worth EUR 1.7 billion. Value has been created both from a strong financial performance as well as an improved market position. The integration work following the merger is gaining momentum and Ahlstrom-Munksjö is fully confident that they can exceed the original target of EUR 35 million annual synergy benefits and estimate that benefits of above EUR 40 million can be reached by the second quarter of 2019.



Investment in Detection Technology

In June, Ahlström Capital announced the acquisition of shares representing approximately 39 per cent of Detection Technology Plc from Oy G.W. Sohlberg Ab, making Ahlström Capital the largest shareholder in Detection Technology.

Detection Technology is a global provider of X-ray imaging subsystems, components and services for medical, security and industrial applications. The company operates in Finland, China and in the USA.

Detection Technology, with a solid customer service approach and strong management, has had several years of impressive net sales growth. Ahlström Capital believes that the positive development will continue as the company focuses not only on customisation and flexible production, but also on cost-efficient product design with competitive manufacturing costs.

The acquisition price in June for the 38.8 per cent share in Detection Technology was EUR 95.1 million and the value of Ahlström Capital's shares (37.5 per cent) at the end of December was EUR 93.6 million.

Investment in Glaston

In June, Ahlström Capital announced the acquisition of approximately 18 per cent of Glaston Corporation, also from Oy G.W. Sohlberg Ab. Ahlström Capital is the largest owner of Glaston.

Glaston is an international pioneer in glass processing technology and a leading supplier of lifecycle solutions in glass processing machines. The company provides an advanced and wide range of glass processing heat treatment machines, maintenance and upgrade services, tools and expert services. Glaston has factories in Finland and China and the company has divided its market areas into EMEA (Europe, Middle East and Africa), America and Asia.

Glaston has a leading technological position and a global sales and service network well in place to benefit from a recovering market. The competitiveness of the company has improved thanks to actions taken by the management during recent years.

The acquisition price in June for the 17.5 per cent share in Glaston was EUR 14.9 million and the value of Ahlström Capital's shares at the end of December was EUR 15.9 million.



The development and sale of Kasarmikatu 21

Kasarmikatu 21 is a high-end office building located in Kaartinkaupunki, Helsinki. The building project was conducted in collaboration with Ahlström Capital, HGR Property Partners and YIT. In December, the developers announced that the office complex was sold for an undisclosed sum to CNP Assurances making its first investment in Finland.

Kasarmikatu 21 is a seven-floor building, which was completed in December 2017. It was fully let to a range of high-quality tenants. The building is the first newly-constructed office asset in Helsinki's central business district in three decades and will be LEED Platinum certified. One of the central objectives of Kasarmikatu 21 is to raise the profile of the Kaartinkaupunki neighbourhood and enliven the Kasarmitori surroundings together with the City of Helsinki.

The project was an excellent example of a real estate development project where Ahlström Capital was as a partner involved from the very beginning. The building was fully let by the most prestigious tenants with exceptionally long lease agreements in advance of the project's completion. Both as a development project and in financial terms, Kasarmikatu 21 was an exceptionally successful building project, raising the bar on quality criteria of office property to a new level.



AC Network Day focused on digitalisation

The second AC Network Day took place in November when Ahlström Capital's board members and management gathered together for networking with Ahlström Capital's portfolio companies' boards and management in Otaniemi, Espoo, at the Aalto Design Factory. The AC Network had over 20 new members this year, as our new acquisitions joined our network.

As the theme for the day was digitalisation, we invited Aalto University's strategy students to participate in Ahlström Capital's Digital Strategy Challenge. The Aalto students studied AC's portfolio companies from a digital disruption point of view and brought up both ideas and challenges with regards to the portfolio companies' business and markets.

The AC Network Day included interesting presentations, as well as an inspiring panel discussion entitled "Perspectives to digitalisation in industrial firms". The Ahlström Capital Network is an important platform for exchanging ideas and generating new business opportunities in our portfolio. This network, together with our vast network of professional partners, supports Ahlström Capital in developing leading businesses.

Enics acquisition of PKC Electronics

In January, Ahlström Capital's portfolio company Enics announced that it had acquired PKC Electronics, a business unit owned by the PKC Group. PKC Electronics had factories in Raahе, Finland and Suzhou, China. Both factories are providing services in testing, power solutions and design and manufacturing services in electronics, mechanics, software and test systems design. PKC Electronics matched perfectly with Enics' portfolio and strategic goal to be a strong and growing partner for its customers in the Electronic Manufacturing Services (EMS) market.

The integration of PKC Electronics into Enics' operations is proceeding as planned. The majority of Raahе's manufacturing will be transferred to manufacturing services in other locations within the global Enics Network, but mainly to the Lohja factory. In the future, Enics Raahе Oy will focus on the original design manufacturing (ODM) business and designing and manufacturing production testing equipment. In China, synergies are also realised between the manufacturing services factories.



Developing the investment portfolio according to our strategy

In 2017, Ahlström Capital's portfolio expanded, as we became the biggest shareholder in two new companies, Detection Technology and Glaston. The merger between Ahlstrom and Munksjö at the beginning of April made us the largest owner in a global leader of sustainable and innovative fiber-based solutions. Ahlström Capital also sold a major real estate project on Kasarmikatu 21 and acquired Kiinteistö Oy Hankasuontie 11 A, both in Helsinki.

In 2017, the dividend adjusted increase in the External Fair Value (EFV) of Ahlström Capital exceeded our target and was 12.3 per cent. At the end of December 2017, the EFV totalled EUR 1,033.7 million (beginning of 2017: 949.8).

Our total reported operating profit (EBIT) was EUR 129.8 million compared to EUR 36.6 million in 2016. Our EBIT in 2017 includes the result effect of EUR 44.1 million regarding the merger of Ahlstrom and Munksjö, the gain of EUR 32.8 million on the sale of holdings in Kasarmikatu 21 and changes in fair values of investment properties and forest assets.

Our comparable operating profit was EUR 46.5 million and exceeded the level of 2016 by 27.8 per cent. Our non-listed investments, Enics and Destia, significantly improved their comparable operating profit. Our new investments Detection Technology and Glaston also improved their profitability. Ahlstrom-Munksjö improved its performance in 2017, but the operative performance of Suominen was below 2016. Both real estate and the forest investment portfolio continued to provide a stable performance.



"We expanded our industrial portfolio with Detection Technology and Glaston", says President and CEO Hans Sohlström.

New investments in our industrial investment portfolio

In February, Enics acquired PKC Electronics with factories in Raahe, Finland and Suzhou, China. PKC Electronics matched perfectly to Enics' portfolio and their strategic goal to be a strong and growing partner for its customers in the EMS market.

In June, Ahlström Capital became the largest shareholder in Detection Technology and Glaston. Both companies fit well with Ahlström Capital and the investment broadened our portfolio with two attractive industrial technology businesses. Both companies have strong management and excellent development potential with sustainable value creation opportunities. Detection Technology has a strong customer oriented service approach, but also a cost-efficient product design and flexible production. Glaston has a leading technological position and a global sales network. We have taken an active ownership approach in both companies after the acquisitions.

Focus on developing leading businesses

Our strategy is to increase the value of our portfolio as an active and responsible owner. We support and develop the companies by forming effective boards that possess

Our dividend adjusted increase of EFV by 12% exceeded our target

in-depth industrial experience. Our approach differs depending on the portfolio company being private or listed. In private companies, we have a deeper insight and a stronger influence: we create value together. We support the management within different functions focusing on strategy, business development, mergers and acquisitions, finance, HR and communication. In listed companies, our role is to ensure that value is being created, mainly through board work.

I would like to thank everyone in Ahlström Capital and its portfolio companies for the good work done in 2017. I also wish to express my gratitude to our shareholders and the Board for their trust and support.

Hans Sohlström

President and CEO

Hans Sohlström will leave his position at Ahlström Capital on April 15, 2018 and become the President and CEO of Ahlstrom-Munksjö.



Lasse Heinonen has been appointed as the new President and CEO of Ahlström Capital

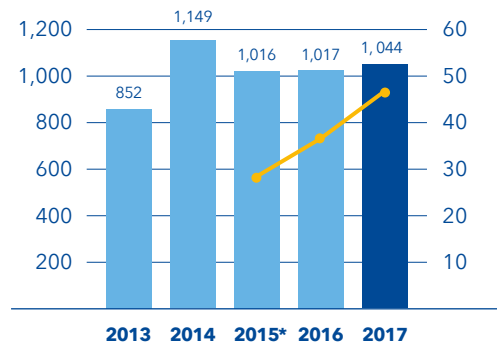
"Ahlström Capital is a long-term investor with a prominent role in many different fields of the society. I believe that my experience from leadership in different international companies is beneficial for Ahlström Capital during the coming years. I am excited about the opportunity to learn new things and to be part of developing an excellent company", Lasse Heinonen says.

YEAR 2017	OPERATING ENVIRONMENT & STRATEGY	INDUSTRIAL INVESTMENTS	REAL ESTATE INVESTMENTS	RESPONSIBILITY & HISTORY	CORPORATE GOVERNANCE
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Financial performance

The external fair value of Ahlström Capital's portfolio was EUR 1,033.7 million. The dividend adjusted increase in EFV was 12.3%. Our comparable operating profit increased by 27.8% to EUR 46.5 million.

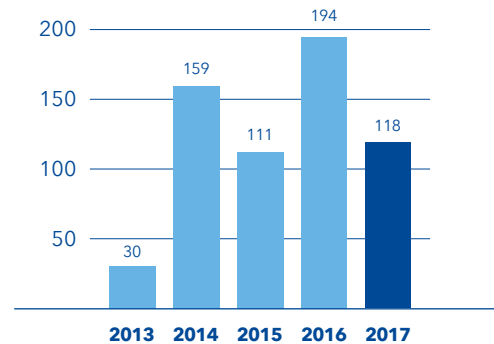
Revenue and comparable operating profit, MEUR



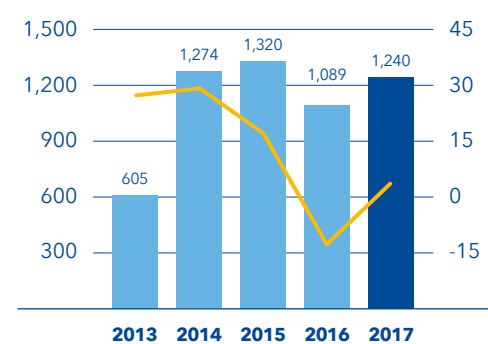
■ Revenue
— Comparable operating profit

* Restated due to discontinued operations

Profit for the period, MEUR

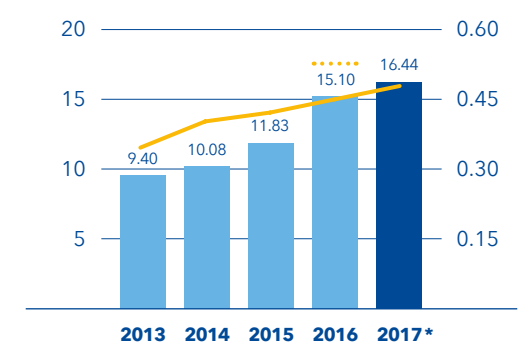


Balance sheet total, MEUR and net gearing, EFV-adjusted



■ Balance sheet total
— Net gearing, EFV-adjusted

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



■ External fair value (EFV) per share
— Dividend per share
... Extra dividend per share

* Board's dividend proposal
Number of shares was increased in 2017 (share issue without payment), comparative figures restated correspondingly.

Global megatrends drive business

Megatrends supporting the development of Ahlström Capital's portfolio companies include the growth and aging of the world's population, climate change and digitalisation.

Megatrends

**Demographic trends
& urbanisation**

Climate change

Digitalisation

Market transformation

**Aging & growth of
population and middle class**

Demographic changes require the development of urban infrastructure and safe, accessible environments. Increasing income and better living standards raise the purchasing power of consumers.

**Sustainable use
of scarce resources**

The mitigation of climate change requires energy- and resource-efficient production processes and responsible sourcing, minimising environmental impact. Sustainability includes an increased safety awareness.

Internet of Things

Digital tools and connectivity enable efficient processes, new services and personalised solutions. Expanding automation will further utilise information and artificial intelligence.

Our portfolio companies' solutions

Ahlstrom-Munksjö, Suominen, Detection Technology, Glaston, Destia, Enics, A. Ahlström Kiinteistöt

**Packaged goods and
health products**

Food packaging; medical equipment; safety and security electronics; X-ray imaging equipment; filtration, healthcare and hygiene products; urban environments and traffic solutions

**Recyclable and
renewable solutions**

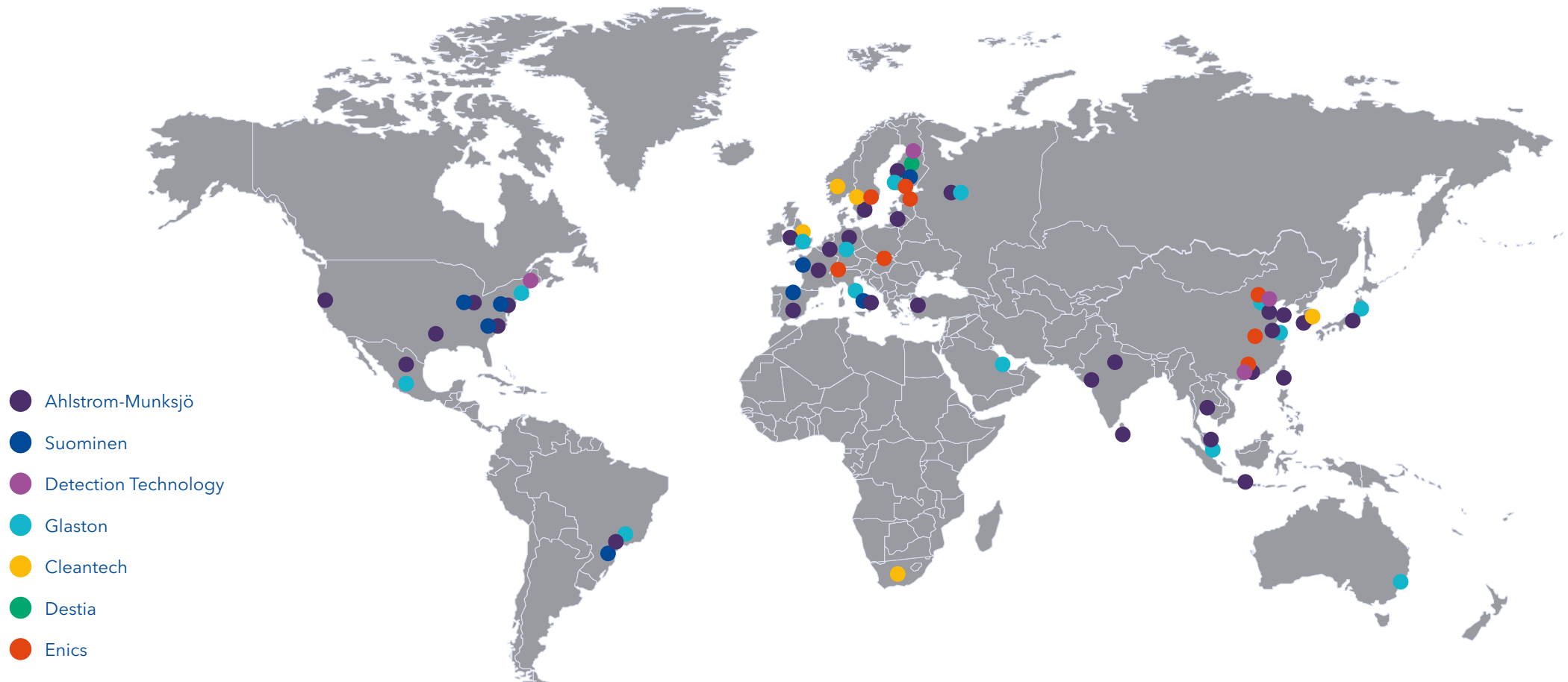
Recyclable and renewable products; energy-efficient electronics solutions; renewable energy; sustainable construction; energy-efficient glass technology; property lifecycle thinking, energy-efficient property management

**Automated,
intelligent solutions**

Production automation; intelligent electronics solutions; customised print designs; functional glass; digital X-ray imaging, forest information system

Global footprint

Our portfolio companies operate in growth industries, affected by various trends and market drivers in a global business environment.



The dots represent both factories and sales offices.

Purpose

Family investment company

Mission

Sustainable long-term shareholder value growth with attractive annual cash returns

Financial targets

- Annual external fair value (EFV) growth of 6-10%
- Steady dividend that increases over time

We develop leading businesses

Ahlström Capital is a family-owned investment company with the mission to create sustainable long-term shareholder value growth. We focus our investments on industrial holdings and real estate.

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 over the past 160 years. We hold significant financial resources as one of the largest investment companies in Finland, strong industrial expertise, efficient processes, and an attitude of an active

and responsible owner. We are a long-term owner that first and foremost seeks success and sustainable value for the companies we own, rather than short-term profits.

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. We are a recognised owner that leads our own and our companies' operations in a professional manner, fostering a good governance culture.

Our core focus is to develop our portfolio companies

We increase the value of our holdings as an active and responsible owner. We participate actively in developing our holdings, through 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 experience and can support the management to succeed in leading their business. We support our companies with in different functions focusing on strategy, business development, mergers and acquisitions, finance, HR and communication. Our approach differs both concerning the

insight we have and the impact we can make if the portfolio company is private or listed. With our private portfolio companies, we create value together, as our role in listed companies is to ensure that value is being created by management and boards.

We wish to be actively involved in developing portfolio companies as long as it genuinely benefits the company. When the companies succeed, the owner succeeds.

We use our significant financial resources to enable our companies to grow, and realise acquisitions that they would not be able to finance themselves. When expanding the existing businesses, we seek add-on acquisitions globally.

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. It is an arena where we exchange ideas, experience and innovations - a true source of collective competence.

Looking for new investments based in the Nordics

When looking for new investments, we are mainly considering companies with an annual turnover of EUR 100-500 million and based in the Nordic countries that comply with the Nordic governance model. This al-

lows us to benefit from our local networks and decrease the risks related to a new investment. Ahlström Capital's goal is to gain substantial influence or control in companies we invest in. We aim to be the largest owner in listed companies and a majority owner in non-listed companies.

When choosing our new investments, we look for exclusive and unique "win-win" deals.

Investing in and developing real estate

In real estate, we invest in office and logistics properties in central locations in South-

ern Finland. We create value through active ownership in real estate and through development and conversion projects.

We prefer to invest in properties that have a market value of between EUR 10-75 million. We focus our investments on prime office space mainly in the Helsinki and Tampere regions, as these are the key growth centres in Finland, and logistic properties in the Greater Helsinki region close to main highways in good logistic locations.

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

Investment focus

Real estate

20-30% of external fair value (EFV)



Role

Stable value growth with low risk

Focus

Prime location buildings and forests in Finland

Special mission

Heritage assets

Industrial holdings

70-80% of external fair value (EFV)

Role

Strong value growth with medium risk

Focus

Controlling stakes in established companies based in the Nordics with significant value creation potential

Core

Advanced fiber-based materials



Industrial technology and services

DESTIA

glaston

enics



Opportunity

Other Nordic business

We develop leading businesses



Ahlstrom-Munksjö: rethinking the role of fiber

During its first year as a merged entity, Ahlstrom-Munksjö made good progress in terms of financial performance and integration.

On April 1, 2017, Ahlstrom Corporation was merged into Munksjö Oyj, and the name of the combined company was changed to Ahlstrom-Munksjö Oyj. The combination created a global leader in innovative and sustainable fiber-based solutions. The company has around 41 production and converting facilities in 14 countries. Ahlström Capital was a major shareholder in both companies and is now the largest owner of the new company.

Ahlstrom-Munksjö's business is divided into four Business Areas: Decor, Filtration & Performance, Industrial Solutions and Specialties. The company's offerings include decor paper, filter media, release liners, abrasive backings, nonwovens, electro-

technical paper, glass fiber materials, food packaging and labelling, tape, medical fiber materials and solutions for diagnostics.

Good profitability development

In 2017, Ahlstrom-Munksjö demonstrated its ability to grow throughout the year and achieved a growth of almost five per cent at constant currency rates. Revenue for the full year increased by 3.9 per cent to EUR 2,232.6 million (2,147.9).

Ahlstrom-Munksjö's businesses also managed well in keeping the margin intact, even as cost increases in some of the company's key raw materials accelerated. This rapid increase is also reflected in its guidance for

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 2017: 5,903

Products: Specialty papers, high-performance fiber-based materials

Market capitalisation (31.12.2017): 1,746 MEUR

In Ahlström Capital's portfolio: As separate companies since 2014



YEAR 2017	OPERATING ENVIRONMENT & STRATEGY	INDUSTRIAL INVESTMENTS	REAL ESTATE INVESTMENTS	RESPONSIBILITY & HISTORY	CORPORATE GOVERNANCE
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2018, given the time-lag before prices rise to compensate for growing raw material costs.

The company's comparable EBITDA in 2017 was EUR 290.4 million (268.7), representing 13.0 per cent of revenue (12.5). The result was supported by higher sales volumes and selling prices, as well as an improved product mix and lower fixed costs.

Ahlstrom-Munksjö's Filtration business had a record year in 2017, its Release Liners posted robust growth and operations in Brazil made a good improvement. Going forward, the company expects to benefit

gradually from merging the coated one-sided papers business into its Food Packaging unit during 2018.

In December, it was announced that Ahlström Capital Oy's President and CEO Hans Sohlström will leave his position and become the President and CEO of Ahlstrom-Munksjö Oyj, effective June 30, 2018, at the latest.

Expected synergy benefits

Ahlstrom-Munksjö estimates that, as a result of the merger, annual synergies of above EUR 40 million be gradually realised and ful-

ly visible from the second quarter of 2019. The savings comprise mainly lower fixed costs as well as coordination of purchases and production following the merger. The plan also includes further business synergies, such as integrating the former Graphics and Packaging business area into the new Specialties business area, to develop a combined product and service offering.

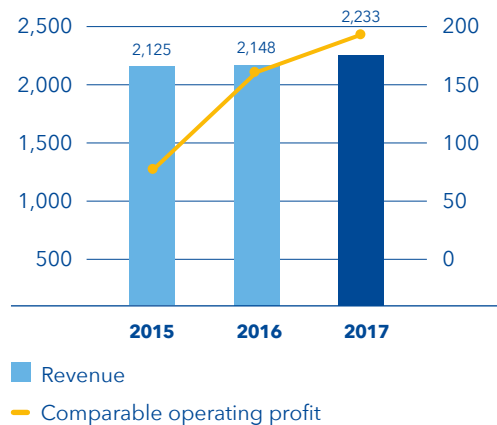
Considering the market outlook, the company expects demand for its fiber-based products to remain stable at the current good level for most of the product seg-

ments and to reflect the seasonal pattern. Selling price increases will continue to be implemented to mitigate cost inflation in raw materials.

Comparable EBITDA in 2018 is expected to be approximately at the previous year's level or slightly below. As long-term financial targets, Ahlstrom-Munksjö's Board of Directors has set an EBITDA margin above 14 per cent over a business cycle, net gearing below 100 per cent, and a stable and annually increasing dividend, to be paid biannually.

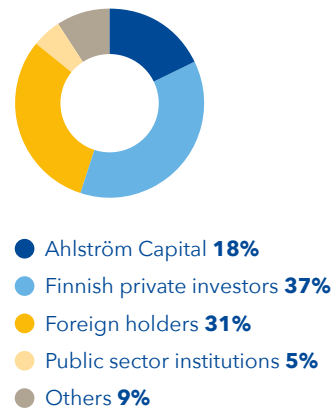
Revenue and Comparable Operating Profit*, MEUR

(continuing operations)

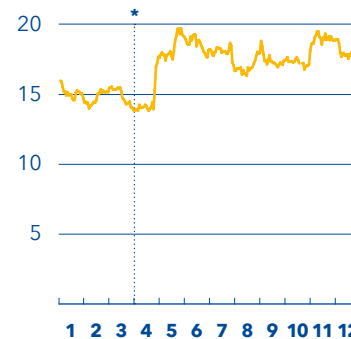


* 2017 figures as well as all comparison figures are presented on a pro forma basis to illustrate the financial impact of the merger between Ahlstrom and Munksjö as if it had been completed at the beginning of 2015.

Ownership, % December 31, 2017



Share price in 2017, EUR



* On April 1, 2017, Ahlstrom Corporation and Munksjö Oyj were merged into Ahlstrom-Munksjö Oyj.



Suominen: transforming the nonwoven market

In 2017, Suominen, the global market leader in nonwovens for wipes, continued to execute its new Changemaker strategy. The new wetlaid line in Bethune, USA, is expected to improve both net sales and profitability.

Suominen produces nonwoven fabrics as roll goods for wipes, hygiene products and medical applications. Wiping products made of Suominen's nonwovens include wipes for personal hygiene and baby care, as well as for household and workplace wiping. The company's hygiene product applications include sanitary pads, diapers and adult incontinence products. Surgical drapes and swabs are examples of the medical applications.

Throughout the year 2017, consumer confidence remained strong both in Europe and North America, the main market regions for Suominen. The demand for nonwovens continues to grow in all market regions. In Americas and Europe, demand for nonwovens used in wipes and in hy-

giene and medical products is increasing at an average annual rate of 3 per cent.

Launched in April, 2017, Suominen's new Changemaker strategy is based on the company vision of changing the way people think about nonwovens. The strategy is executed through the three cornerstones of being best in business, creating nonwovens that others cannot, and a community of changemakers. Suominen's purpose as a company is to make life better. Its sustainability agenda for 2018-2021 is also clearly linked with the business strategy, positioning Suominen as a caring company with low-impact manufacturing and the most sustainable nonwovens.

Founded: 1898 (J.W.Suominen Ltd)

Domicile: Helsinki, Finland

Industry: Manufacturing of nonwovens

Operating countries: Finland, France, Italy, Spain, Brazil and USA

Personnel in 2017: 663

Products: Nonwovens for wiping products, hygiene products and medical applications

Market capitalisation (31.12.2017): 254 MEUR

In Ahlström Capital's portfolio: Since 2014



YEAR 2017	OPERATING ENVIRONMENT & STRATEGY	INDUSTRIAL INVESTMENTS	REAL ESTATE INVESTMENTS	RESPONSIBILITY & HISTORY	CORPORATE GOVERNANCE
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Revenue increased, operating profit declined

In 2017, Suominen’s revenue increased by 2 per cent from the comparison period to EUR 426.0 million (416.9), mainly thanks to improved sales volumes. However, the transformation of Suominen’s product portfolio did not develop as expected in 2017, as the share of products with higher added value decreased in net sales.

The company’s operating profit decreased by 42 per cent and amounted to EUR 15.0 million (25.6). The largest factor impacting Suominen’s operating profit in

2017 was the challenges faced with the start-up and ramp-up of a new manufacturing line in Bethune, USA. The total negative impact of the costs of the growth investments on Suominen’s profitability was nearly EUR 5 million in 2017. In addition, the unfavourable development of sales prices due to the competitive situation in Europe, as well as product mix change, affected Suominen’s gross profit, and hence also the operating profit.

The very favourable impact of the US tax reform, enacted in December, 2017, raised Suominen’s profit for the period and earn-

ings per share close to last year’s level, to EUR 14.5 million and EUR 0.27 per share, respectively. The total impact of the changes in US taxation in 2017 was EUR 8.3 million, which turned the income taxes positive.

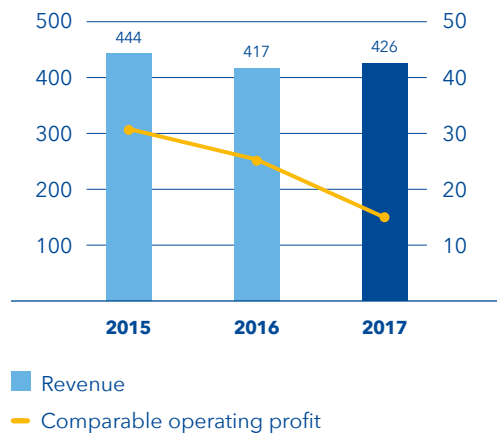
On the right path

Towards the end of 2017, the performance of the company’s new manufacturing line improved continuously. Suominen expects the line to contribute positively to the company’s gross profit as of the first quarter of 2018.

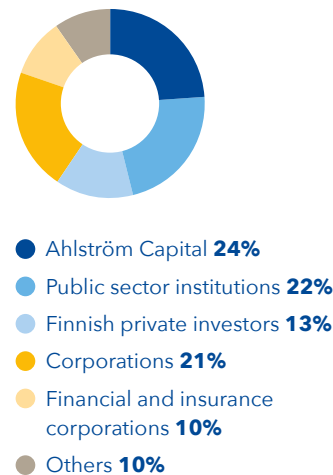
Suominen expects that in 2018, its revenue and comparable operating profit

will improve from 2017. In addition to this growth investment, enhanced capabilities, for example, in R&D and Sales and Product Management, will provide Suominen with key stepping stones as the company continues to execute its new strategy. If Suominen’s business develops positively in line with the strategy, its operating profit margin will exceed 10 per cent by 2021. While Suominen’s performance in the first year of its strategy period was below expectations, the company remains confident that it is on the right path.

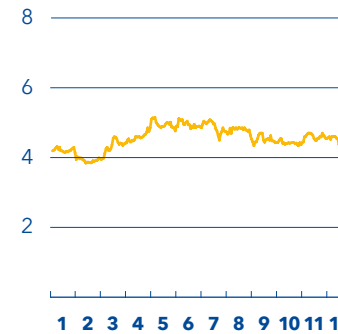
Revenue and Comparable Operating Profit, MEUR



Ownership, % December 31, 2017



Share price in 2017, EUR





Detection Technology: improving health and safety

Detection Technology, a global provider of X-ray imaging solutions, achieved an exceptionally good result in 2017, succeeding in a highly competitive market.

Last June, Ahlström Capital acquired shares representing approximately 39 per cent of Detection Technology Oy, a company providing X-ray imaging subsystems, components and services for medical, security and industrial applications.

Detection Technology offers off-the-shelf and customised solutions ranging from photodiodes to optimised detector subsystems with ASICs (Application-Specific Integrated Circuits), electronics, mechanics and software. The company has the world's widest line-scan X-ray detector portfolio and it provides end-to-end detector solutions utilising standard and scalable building blocks.

Operating in Finland, China and the US, Detection Technology succeeded in broad-

ening its customer base in 2017 by 30 new customers, and now has a total of 240 active clients.

Strong growth and excellent result

For Detection Technology, the year 2017 culminated with a record result and net sales in the last quarter. The good performance was the result of exceptional success in nearly every one of the company's key areas. Net sales grew particularly in critical infrastructure and industrial X-ray imaging applications in Asia.

Revenue for the full year increased by 17.9 per cent to EUR 89.0 million (75.5). The increase in operating profit (EBIT) to EUR

Founded: 1991

Domicile: Oulu, Finland

Industry: X-ray imaging solutions

Operating countries: Finland, China and USA

Personnel in 2017: 405

Products: X-ray imaging subsystems, components and services for medical, security and industrial applications.

Market capitalisation (31.12.2017): 250 MEUR

In Ahlström Capital's portfolio: Since 2017



YEAR 2017	OPERATING ENVIRONMENT & STRATEGY	INDUSTRIAL INVESTMENTS	REAL ESTATE INVESTMENTS	RESPONSIBILITY & HISTORY	CORPORATE GOVERNANCE
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19.9 million (14.8) resulted not only from sales growth, but also effective operations management. Revenue of the company's Medical Business Unit (MBU) grew significantly faster than the market, by 57.5 per cent, and totaled EUR 31.1 million (19.8). Revenue of the Security and Industrial Business Unit (SBU) increased by 3.8 per cent to EUR 57.9 million (55.8).

The company's R&D projects and investments in developing new technologies have proceeded as planned. In November, Detection Technology released the world's first, standard X-ray detector module that is tileable on all four sides, designed for the

most stringent medical computed tomography (CT) applications. During the first half of the year, the company also renewed its standard product portfolio in the industrial segment, releasing new versions of X-ray line detectors for product safety and quality inspection, material sorting and process control applications.

In November-December, Detection Technology's sites in Finland and China were certified according to the ISO 9001:2015 and ISO 14001:2015 environmental standards. The company's Beijing factory was expanded.

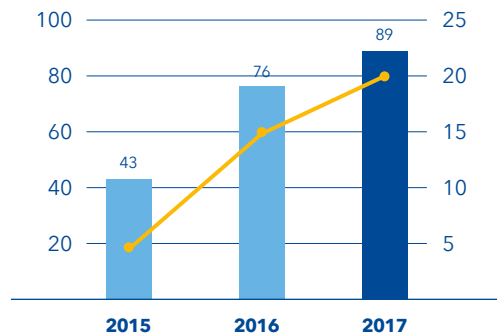
Progress according to strategy

Detection Technology will continue to develop its business in accordance with the company strategy to gain new projects and customers. The company believes in the long-term growth potential of both its business units. The aim is to increase sales by at least 15 per cent per annum and to achieve an operating margin at or above 15 per cent in the medium term.

The company sees that although it has, so far, been more successful than expected on the market and in developing its business, the year 2018 will be challenging in terms of growth. Detection Technology es-

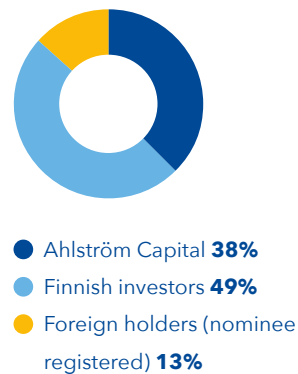
timates that sales will increase slightly in security and industrial applications. In terms of medical applications, the company estimates that sales will increase in the first half of 2018 and decrease in the second half of the year when a key customer stops manufacturing a device that uses one of DT's products. Price competition will be tougher in all of the company's markets in 2018. The company will continue to develop its business in order to gain new customers and projects, and it considers the growth outlook in both business units to be good in the longer term.

Revenue and Comparable Operating Profit, MEUR

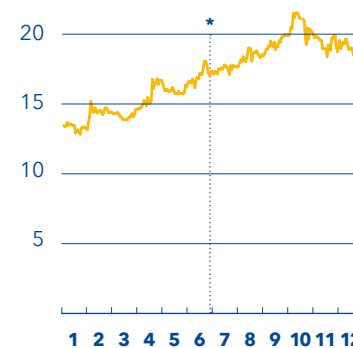


■ Revenue
— Comparable operating profit

Ownership, % December 31, 2017



Share price in 2017, EUR



* In June, 2017 Ahlström Capital acquired shares representing 38.8% of Detection Technology Plc.



Glaston: making glass outstanding

During 2017, glass processing company Glaston strengthened its position as a technology leader in its industry, investing heavily in digitalisation and emerging technologies.

Ahlström Capital became the largest shareholder of Glaston in June, 2017 by acquiring shares representing approximately 18 per cent of the company. Glaston is an international pioneer in glass processing technology and a leading supplier of lifecycle solutions in glass processing machines.

Glaston's operations are divided into the Machines and Services business areas. The Machines business product portfolio covers a wide and technologically advanced range of glass processing machines for flat tempering, bending, bending-tempering and laminating. Glaston's Services business provides glass processing machine maintenance services, machine upgrades and modernisations, spare parts and the tools required for high-quality glass processing.

Glaston's offering ensures uninterrupted production capacity for its customers and efficient usage throughout every machine's lifecycle. The company's comprehensive global service network is one of its most important competitive factors.

Maintaining a strong position

Throughout 2017, a positive note was maintained in Glaston's markets, and order intake grew steadily. The EMEA area strengthened its position as the company's biggest market area. In the North American market, demand remained at a relatively good level throughout the year, while the South American market remained quiet. The tempering machine markets in Australia and New Zealand remained active, and Glaston main-

Founded: 1970 (Tamglass)

Domicile: Helsinki, Finland

Industry: Glass processing

Operating countries: Finland, Italy, Russia, UK, Germany, China, Singapore, Australia, UAE, USA, Mexico, Brazil

Personnel in 2017: 402

Products: Machines and services for production of heat-treated glass

Market capitalisation (31.12.2017): 90 MEUR

In Ahlström Capital's portfolio: Since 2017



YEAR 2017	OPERATING ENVIRONMENT & STRATEGY	INDUSTRIAL INVESTMENTS	REAL ESTATE INVESTMENTS	RESPONSIBILITY & HISTORY	CORPORATE GOVERNANCE
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tained its strong position. In Southeast Asia, the machine market developed positively in Thailand, the Philippines and Indonesia. The first signs of a recovery in construction were evident in China, and demand for glass processing machines picked up slightly.

Compared to the previous year, Glaston's revenue in 2017 grew by 3 per cent to EUR 110.4 million (107.1). The company's comparable operating profit increased particularly strongly, nearly doubling to EUR 5.4 million (2.8).

Glaston established the Glaston Emerging Technologies unit in January, 2017. The new unit offers consulting and engineering services for smart glass and energy glass

window production as well as solar energy applications. The unit also sells and delivers the required production lines.

In February, Glaston initiated negotiations on the sale of pre-processing business operations in the USA and Canada, and the negotiations were finalised in May.

Continued product development

In accordance with the company's growth strategy, Glaston increased its investments in product development and emerging technologies during 2017. At the heart of product development is digitalisation, which facilitates the shift towards automatic glass processing.

The glass industry's emerging technologies are focused on reducing or completely removing the energy consumption of buildings and on enabling disruptive technologies related to mobility and transport.

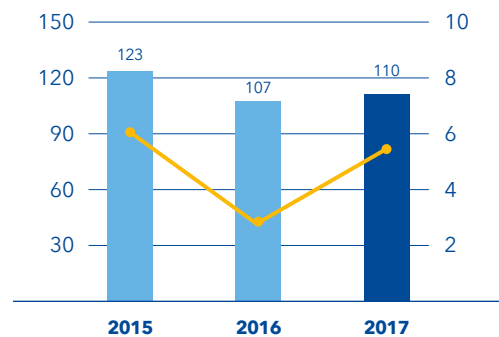
Glaston's product development with the Californian nanotechnology company Heliotrope Technologies continued in 2017 as part of the activities of its Emerging Technologies unit. A prototype line was approved on a preliminary basis at the end of the year, and engineering of a pilot line advanced towards the decision stage.

The development of the glass processing market gradually improved during 2017, and Glaston expects the positive develop-

ment to continue in the current year. The strong growth expectations for the world economy support this view. Customers continue to take time over their investment decisions, which may cause delays in orders and fluctuations in quarterly order intake.

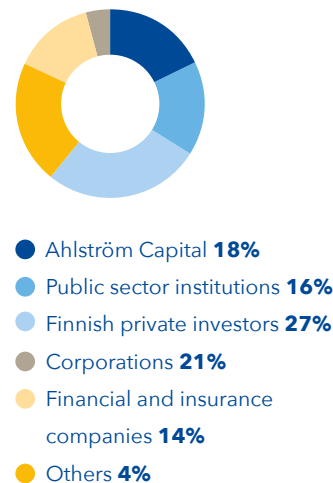
Although the order book at the end of 2017 was lower than the previous year, the good order intake of the second half of the year and positive market development create good conditions for profitable growth in 2018. Glaston expects the full-year comparable operating profit to improve from 2017.

Revenue and Comparable Operating Profit, MEUR

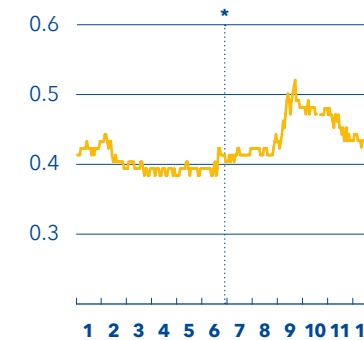


■ Revenue
— Comparable operating profit

Ownership, % December 31, 2017



Share price in 2017, EUR



* In June, 2017 Ahlström Capital acquired shares representing 17.5% of Glaston Corporation.



Founded: 2008 (previously The Finnish Road Enterprise)

Domicile: Vantaa, Finland

Industry: Infrastructure and construction services

Operating countries: Finland

Personnel in 2017: 1,572

Services: 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

Destia: building the bigger picture

Infrastructure and construction service company, Destia, builds, maintains and designs traffic routes, industrial and traffic environments, as well as complete living environments. During 2017, Destia's profitability improved clearly.

Destia's services cover subterranean construction, extensive overground operations, and range of demanding foundation engineering projects to highway maintenance. The company's customer base includes industrial and business companies, cities, municipalities and government agencies.

On 5 October, 2017, Destia announced it would establish a new Special Construction business unit that would become operational on 1 January, 2018. The new business unit will consist of Destia Rail, which focuses on railway construction and maintenance, and Destia Engineering, which specialises in demanding foundation and engineer construction, as well as the energy infrastructure, rock construction and aggregates businesses.

Focus on improving profitability

On 9 October, 2017, Tero Kiviniemi was appointed President and CEO of Destia. He will start in his new position this summer, by 1 July, 2018 at the latest. Arto Pohjonen will continue to serve as acting President and CEO until Kiviniemi takes up his post. Destia has entered a new phase in continuing company development and creating a collaborative, customer-centred corporate culture. The target is to considerably improve Destia's results and profitability in the future.

Although Destia's revenue for 2017 declined compared to the previous year, the comparable operating profit improved clearly. Destia's revenue reached EUR 478.7

YEAR 2017	OPERATING ENVIRONMENT & STRATEGY	INDUSTRIAL INVESTMENTS	REAL ESTATE INVESTMENTS	RESPONSIBILITY & HISTORY	CORPORATE GOVERNANCE
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million (493.2) and the company’s comparable operating profit was EUR 15.1 million (12.5). The intensified competition especially in major projects in the capital area impacted Destia’s revenue. The improved performance in project execution and maintenance contracts impacted positively to Destia’s result.

During 2017, contracts signed by Destia included, among others, the upgrading of National Road 4 near Oulu in the road construction business and the renovation contract for the Oulu-Kontiomäki section in railway construction. At the end of the year, two major

deals were awarded as Design & Build (D&B) projects, allowing Destia to combine its versatile know-how from both designing and construction, and demanding work stages requiring special expertise. One of the deals includes road construction on National Road 5 between Mikkeli and Nuutilanmäki. The highway is the main route in Eastern Finland servicing both passenger traffic and the local business and industry. The construction work has been planned to begin in April, 2018, with completion expected in 2021. The other D&B contract involves the construction of the southern ring road in Lahti.

Developing company culture

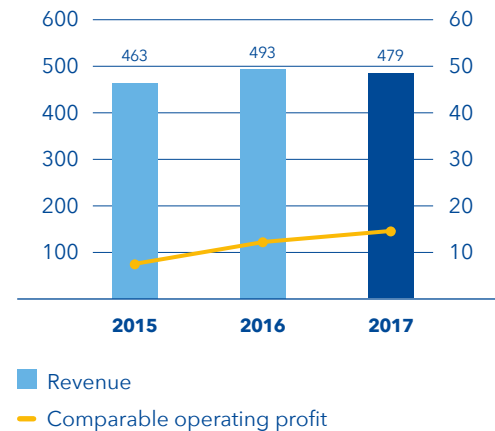
At the beginning of August, Destia’s Management Team launched a programme, which is aimed at sharpening the focus of Destia’s strategic development programmes. The focus is on developing management culture and internal collaboration, improving Destia’s customer orientation and market approach, improving procurement and early identification of business opportunities and risks.

Going forward, further development of Destia’s world-class expertise, efficient processes and a well-functioning organisation

will support the continued evolution of Destia’s strong culture of getting things done. The company has set the target of being number one in the infrastructure sector, and becoming more customer-oriented.

According to Destia’s strategy, large road projects requiring special expertise and infrastructure maintenance constitute its core business. This strategy is supported by Destia’s strong expertise and the Destia spirit - the company’s harmonised, ethically sustainable and responsible way of doing business.

Revenue and Comparable Operating Profit, MEUR



**Ownership, %
December 31, 2017**





Founded: 2004

Domicile: Zürich, Switzerland

Industry: Electronics manufacturing services

Operating countries: China, Estonia, Finland, Slovakia, Sweden, Switzerland and Hong Kong

Personnel in 2017: 3,348

Services: Services for industrial electronics throughout the product lifecycle: engineering, manufacturing and after sales services

In Ahlström Capital's portfolio: since 2004



Enics: pure industrial electronics

Enics aims to challenge old ways of working to achieve better performance. This results in lean, adjustable and profitable solutions in industrial electronics. The acquisition of PKC Electronics contributed to revenue growth in 2017.

Enics is one of the largest industrial electronics manufacturing services (EMS) providers in the world, operating in the fields of energy, industrial automation, transportation, building automation and instrumentation. Enics helps industrial companies optimise their value chains and improve their competitiveness through increased productivity and product reliability, as well as decreased time-to-money and total cost of ownership.

The company provides end-to-end EMS services ranging from engineering, full-scale manufacturing and after sales services to sourcing and supply chain management. Enics' world-class offering includes fast prototyping, new product introduction,

cost reduction services, test system development, printed circuit board assembly, box build, system assembly, as well as repair and maintenance.

Improving profitability

In January, 2017, in line with its strategic plan to focus on growth in industrial electronics and related services, Enics announced the acquisition of PKC Electronics with factories in Raahe, Finland and Suzhou, China. Following the acquisition, most of the manufacturing operations were transferred from the factory in Raahe to Enics' plant in Lohja. The Raahe plant now focuses on Original Design Manufacturing (ODM) business and designing and manufacturing

YEAR 2017	OPERATING ENVIRONMENT & STRATEGY	INDUSTRIAL INVESTMENTS	REAL ESTATE INVESTMENTS	RESPONSIBILITY & HISTORY	CORPORATE GOVERNANCE
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production testing equipment, while EMS operations will be provided through Enics' global network. Also, former PKC operations in China will be integrated with Enics' existing plant in Suzhou.

These actions were part of Enics' aim to improve overall competitiveness and profitability, a focus area during 2017. With regards to Enics' operations in Sweden, securing sustainable and long-term profitability resulted in the transfer of the Malmö factory business to other Enics Business Units, the consolidation of the Swedish operations to Västerås and the ramp-down of operations in Malmö.

Also, as part of improving the efficiency of operations in the group functions, a new

Capability Group based operating model was introduced in 2017, allocating responsibilities to the company's Business Units.

Strong customer orientation

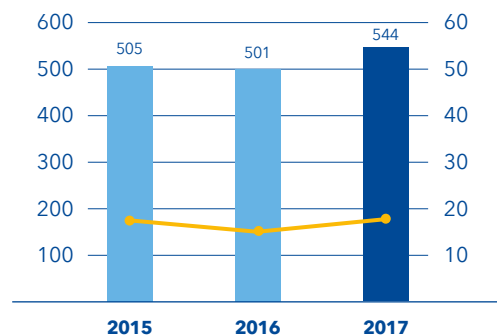
In September, Enics opened its new plant extension - in total 3,900 square metres of additional space - in Elva, Estonia. The company invested altogether EUR 5 million in the construction project and state-of-the-art technology, enabling further automated and efficient work processes. The factory focuses mainly on higher volume production for leading industrial electronics customers.

Another focus area in 2017 concentrated on customer orientation. Enics' business

is characterised by long-lasting customer relationships with large industrial technology manufacturers. The company places strong emphasis on deep customer understanding and focus. As a demonstration of customer satisfaction, Enics was presented with Supplier of the Year 2017 awards in the categories of Sustainable Business and Technology by Vaisala, a global leader in environmental and industrial measurement. In 2017, Enics received KONE Quality award for 2016, which is their most significant award for the suppliers. Enics also received two awards from ABB, both from ABB Robotics in China and ABB Grid Automation Products.

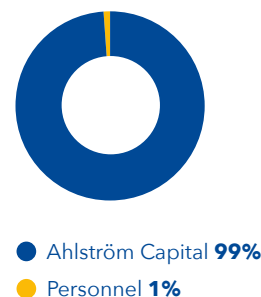
Providing reliable collaboration has resulted in continued growth and success during the past decade. In 2017, the company's revenue reached EUR 543.5 million (501.1). The comparable operating profit amounted to EUR 18.4 million (15.2). Revenue was positively impacted by the acquisition of PKC Electronics, which contributed 6.4 percentage points of the total revenue growth. The increase in comparable operating profit was mainly attributable to a combination of higher revenue, cost savings, as well as a higher share of engineering services.

Revenue and Comparable Operating Profit, MEUR



■ Revenue
— Comparable operating profit

**Ownership, %
December 31, 2017**



Cleantech companies: renewable, efficient, reliable

AC Cleantech Growth Fund has continued to develop Scandinavian Biogas, producing renewable energy from organic waste, and Ripasso Energy, which offers solutions to produce electricity from heat energy.

AC Cleantech Growth Fund is an investment fund managed by Ahlström Capital that has investments in growth stage companies in the cleantech industry. The fund holds a 21.9 per cent share in Ripasso Energy, and a 27.6 per cent share in Scandinavian Biogas. The portfolio also includes Frangible Safety Posts Ltd., a company focusing on the passive traffic safety market, in which the fund holds a 40 per cent share. Other investors in the fund include Varma, Sitra and Stiftelsen för Åbo Akademi.


New biogas plant and further opportunities evaluated

Scandinavian Biogas is one of Sweden's largest private producers of biogas. The company is a leading player in large-scale biogas production, with expertise in the design and operation of biogas facilities to optimise biogas production, mainly from waste and residual products. The company

also provides leading expertise in the purification process for upgrading biogas to vehicle fuel quality.

In addition to four plants in Sweden and a plant in South Korea, a new biogas plant in Skogn, Norway, was taken into operation at the end of 2017. The plant has the yearly capacity to produce 12 million Nm³ of liquefied vehicle fuel from waste provided by the local fish and forest industry. The upgraded gas is mainly planned for use as bus fuel, but liquefied gas is also well suited for shipping and heavy, land-based traffic.

At the end of 2017, as a part of the strategic plan of Scandinavian Biogas, the board of directors and management announced a prospective listing of the company's share in a suitable marketplace. Also, under evaluation are various strategic and capital structure alternatives to create and realise the value of business opportunities as well as to maximise shareholder value.



The purification process upgrades biogas to vehicle fuel quality

New product launch and first major deal signed

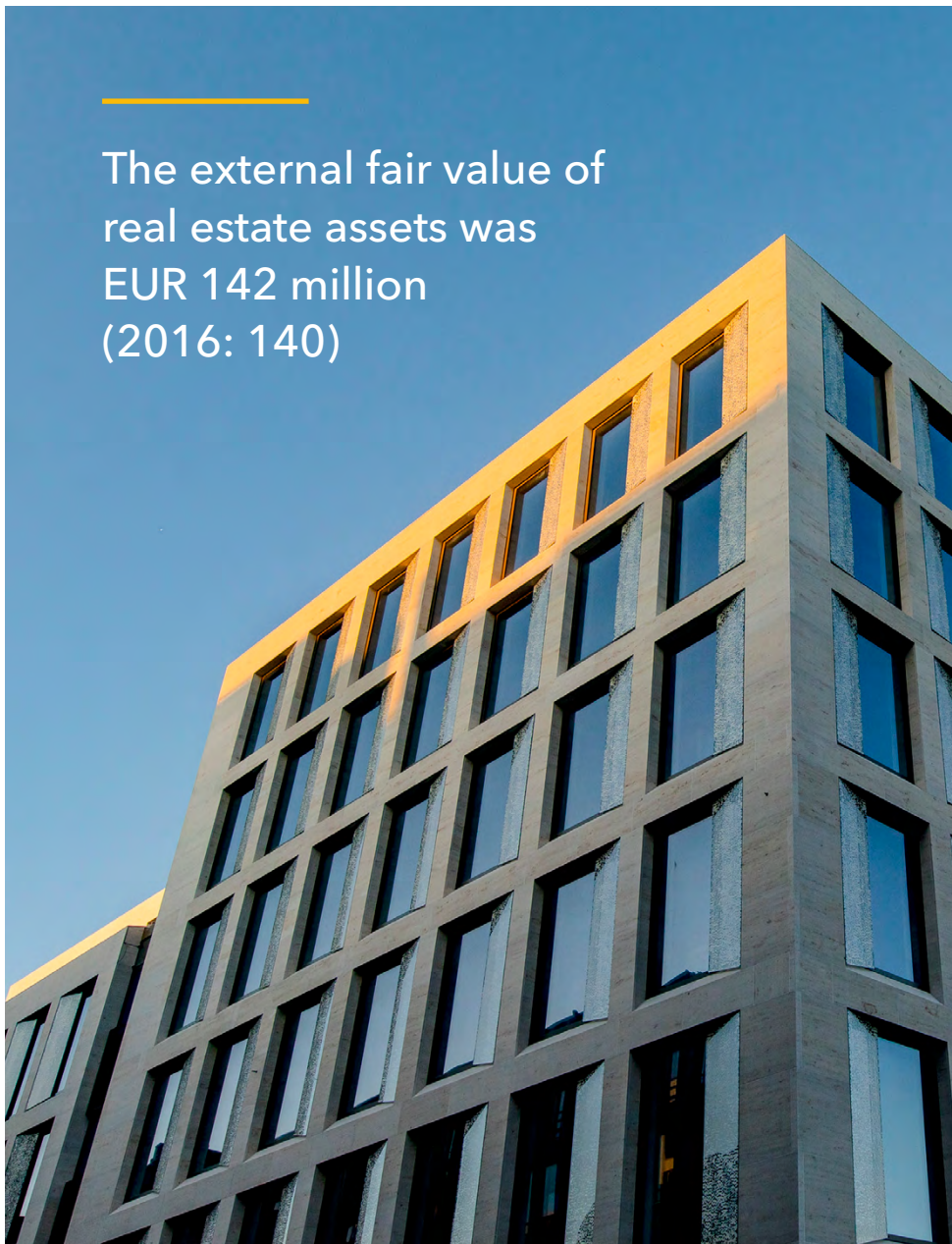
Swedish cleantech company, Ripasso Energy, was founded in 2008 to further develop the technology of the Stirling engine, which has an outstanding ability to convert heat energy into electricity. Since its IPO in late 2016, the company has gained significant investments that have enabled Ripasso to go forward with its expansion strategy.

In 2017, Ripasso introduced PWR BLOK to the market, a container-based solution with the company's Stirling engines, enabling industrial residual gas to be effectively converted into electricity, allowing significant

electricity and cost savings to industries.

In December, 2017, just three months after the product launch, the company signed its first deal, an agreement with the South African ferrochrome producer, Afarak Morgale, for the sale of seven PWR BLOK 400-F units. The delivery includes a total of 98 Stirling engines that Ripasso Energy will deliver within 12 months, with a value of over EUR 3.8 million. The company sees the agreement as concrete evidence that Stirling technology can play a significant role in the future generation of climate-friendly energy.

The external fair value of real estate assets was EUR 142 million (2016: 140)



Real estate: developing prime properties

The aim of Ahlström Capital's strategy for real estate is to develop and hold office and logistics properties in central locations in Southern Finland. The total return of our real estate portfolio was clearly above market average in 2017.

Ahlström Capital focuses its real estate investments in prime office properties mainly in Helsinki and Tampere – the key growth centres in Finland – and logistics properties in the Greater Helsinki region, close to main highways in good logistic locations.

Active real estate market ensured Kasarmikatu 21 success

In 2017, the real estate market in Finland was highly active, with the volume of transactions reaching a record level. The value of realised deals was approximately EUR 10 billion, compared to the previous record result of EUR 7.2 billion in 2016. One remarkable individual transaction in this total volume was the sale of Kasarmikatu 21

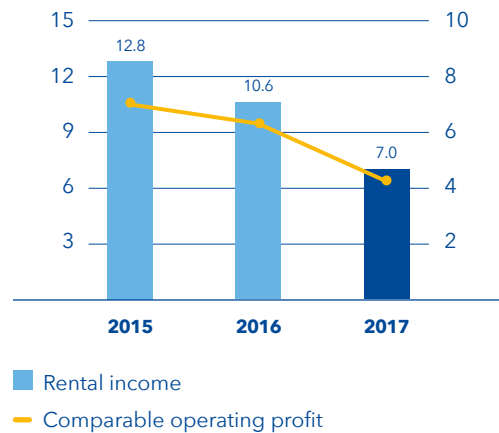
office building, a high-end development project in Helsinki. The seven-floor building is a project jointly developed by HGR Property Partners, YIT and Ahlström Capital. The sale agreement was signed in August and the sale was closed in December when the ownership of the property was transferred to CNP Assurances, making its first investment in Finland. In 2017, this sale was also the main event in Ahlström Capital's real estate portfolio.

Kasarmikatu 21 has been fully let, with average lease durations of over ten years. This is a remarkable achievement in the current letting market situation where the vacancy rate of office space has remained at a 14 per cent level in central Helsinki and the Metropolitan area.

YEAR 2017	OPERATING ENVIRONMENT & STRATEGY	INDUSTRIAL INVESTMENTS	REAL ESTATE INVESTMENTS	RESPONSIBILITY & HISTORY	CORPORATE GOVERNANCE
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Kasarmikatu 21 is an exceptionally successful building, raising the bar on quality criteria of office properties to a new level

Rental income and Comparable Operating Profit, MEUR



In 2017, the total return, including value change, of Ahlstrom Capital's real estate portfolio was approximately 18% which is clearly above market average*

* KTI Kiinteistötieto Oy, data 2017

In the office space market, the yield requirements for prime office property in Helsinki fell to a historically low level of 4.3 per cent in 2017 (previously 4.5 per cent). In the sale of Kasarmikatu 21, a significantly lower yield was achieved. Both as a development project and in financial terms, Kasarmikatu 21 was an exceptionally successful building project, raising the bar on quality criteria of office properties to a new level. It is the first newly-constructed office asset in Helsinki's central business district in three decades and will be LEED Platinum certified.

Portfolio development based on the real estate strategy

In 2017, in line with the previously updated company strategy, Ahlström Capital continued its divestment processes concerning non-strategic real estate property. Sales of non-core assets are expected to continue in 2018. The aim is to further decrease the number of rental properties in our portfolio, and create value through active ownership in real estate development and conversion projects.

One new property was added to the portfolio. A transaction completed in November, 2017 involved Ahlström Capital

acquiring Kiinteistö Oy Hankasuontie 11 A, a real estate company holding a property in Konala, Helsinki, and signing a construction contract agreement with Lehto Group on the construction project to be implemented on the site. To be completed in the summer of 2018, the property is suitable for production, storage and retail business, flexibly serving various functions for commercial tenants of different sizes. Kalevala Koru will be the main tenant in the property.

As modern, flexible locations in growth areas, the property projects in both Kasarmikatu and Hankasuontie offer a good fit with Ahlström Capital's real estate strategy, and fulfill the criteria for selecting properties. It is important for Ahlström Capital to be involved in development projects from the very beginning, allowing us to select projects where responsible operations throughout the subcontractor chain can be ensured. Also, it is crucial that all properties are managed in an energy-efficient manner.

Long-term ownership

As a real estate investor, our strength lies in continuity and in the ability to time potential acquisitions or sales according to fa-

vourable market cycles, and an investment horizon that spans decades. For example, we have owned our flagship building in Eteläesplanadi 14, Helsinki, for more than 80 years. In 2017, the continuity of this valuable property was further ensured by extending the lease agreements with the main tenants of the building.

Treasuring family heritage

In addition to the industrial and commercial properties in Ahlström Capital's real estate portfolio, the company owns two historical works in the Satakunta region. One of the largest works areas in Finland, the Noormarkku Works has been in the ownership of the Ahlström family since 1870. Three years later, Antti Ahlström bought the Kauttua Works. During Ahlström's ownership, both works have risen to their current splendour, offering high-quality accommodation, restaurant and meeting services. In 2017, major renovation of the air-conditioning and electricity systems was carried out at the historical Villa Mairea in Noormarkku. Also, an old playschool was renovated based on the needs of the tenant: the City of Pori.

Forests: steady returns from sustainable forest management

As one of the largest private forest owners in Finland, Ahlström Capital has a long tradition in sustainable forest management. Our forest investments generate steady returns, forming a secure base for Ahlström Capital's financial income.

The forest holdings of Ahlström Capital, around 33,000 hectares in total, are concentrated in the Satakunta region, and in Central and Eastern Finland. Operating locally enables the efficient planning of loggings and sales. Wood is sold to nationwide forest industry companies, local sawmills and energy plants.

The sales are conducted both in the form of delivery sales and standing sales. Ahlström Capital aims to increase the share of delivery sales, because they capture a larger share of the forestry value chain and allow us to instruct our own contractors, ensuring the high quality of loggings. This is especially important with regards to thinning, since the quality and density of the remaining wood resource is crucial for further growth. When conducting standing sales, the buyer defines the timing and quality of loggings according to their own criteria.

The thinning of our forests is done according to models that optimise their growth

potential. Since sawtimber is significantly more valuable than pulpwood, the thinning should be timed so that the growing stock becomes sufficiently sturdy quickly and delivers a substantial yield. Regeneration felling will be carried out when the growth slows down, beginning with the forests that are expected to offer less value growth.

Choosing the right logging locations at the right time is equally important. On peatland, for example, logging can only be carried out during dry weather or when the ground is frozen, so that the tree roots are not damaged. The high quality of our operations is guaranteed by our in-house staff and established contractors. Ahlström Capital organises yearly trainings for our group of around 20 contractors. In 2017, the training concentrated especially on quality assurance, in addition to the topics of certification and biodiversity.



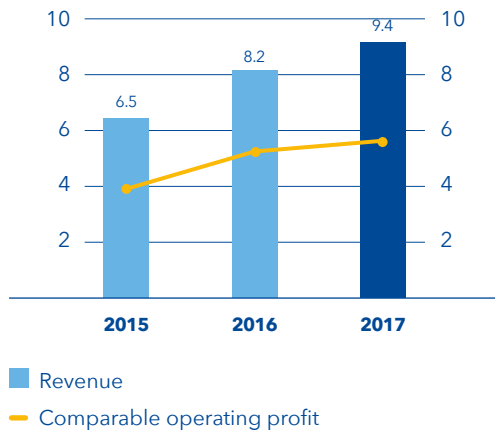
The external fair value of forests was EUR 121 million (2016: 112)

YEAR 2017	OPERATING ENVIRONMENT & STRATEGY	INDUSTRIAL INVESTMENTS	REAL ESTATE INVESTMENTS	RESPONSIBILITY & HISTORY	CORPORATE GOVERNANCE
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Logging in total 185,600 m³



Revenue and Comparable Operating Profit, MEUR



Sustainable practices

As a valuable resource of renewable raw material, the Finnish forests have attracted major investments in recent years. This will lead to an increase in loggings to around 80 million cubic metres per year. However, the yearly growth of forests is approximately 110 million cubic metres, ensuring that their crucial role as a carbon sink will not be endangered.

Ahlström Capital manages and utilises its forests in an ecologically, financially and socially sustainable manner. Maintaining biodiversity is an important principle alongside the profitable forest business. We comply with good forest management practices and take into account the multi-purpose use of forests, including hunting and game management activities.

Our forests are included in various protection programmes, such as Natura 2000. In addition, ecologically diverse areas have been excluded from active forest management based on decisions made by the company. We have also restored certain swamp areas and wetland habitats for birds, returning these systems to their natural state.

Expanding multipurpose use

All of our forests comply with the international PEFC Sustainable Forest Management certification. PEFC certification provides us with access to the global marketplace for

certified products. The certification guarantees that the passage of raw materials and wood-based products are followed throughout the whole supply chain.

Our forest areas are mainly used for wood production. However, the expansion of the income base to multipurpose use is one of our future goals. Ahlström Capital is currently in the process of expanding the utilisation of its land to include the production of peat and wind energy. In 2017, a tentative permit was granted for peat production in Ulvila, in addition to an environmental permit granted in Pomarkku the previous year. Ahlström Capital has also investigated the use of rock material, with the first permit for the extraction of resources granted in Muurame this year.

Careful planning

During 2017, the supply of forest property increased, although demand still exceeds availability. The average size of private holdings in Finland is only around 30 hectares, which corresponds with the size of forest property on offer. Also, the price level has risen due to forest funds entering the market. Ahlström Capital aims to increase the area of its forest holdings yearly by around 500 hectares, and achieved this goal in 2017.

An essential element of the management of Ahlström Capital's forest holdings is our

forest information system. The system enables us to better plan our loggings and supports silvicultural works. It provides accurate information on the size and location of wood stocks and forest land and enables real-time connection with subcontractors.

Celebrating 100 years of independence

In 2017, in celebration of the centenary of Finland's independence, we planted a stand of 100 trees in the Noormarkku Works area, offering a chance for future generations to follow their growth. The stand consists of ten different wood species naturally occurring in Finland: pine, spruce, silver birch, oak, maple, small-leaved lime, wych elm, ash, common alder and rowan.

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Developing leading businesses in a long-term, sustainable way

Ahlström Capital is a family-owned investment company, which develops its portfolio companies in a sustainable, long-term manner. We believe there is a strong link between long-term profitability and sustainability. 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.

We are committed to improving our own, our portfolio companies', our real estate investments' and our forests environment, social and governance (ESG) policies and performance on a continuous basis. Our biggest impact to environment and society is created through our portfolio companies, which form approximately 70 per cent of our investments.

Active ownership of portfolio companies

The integration of sustainability throughout our portfolio companies is carried out during the acquisition process and through ongoing development work. Our ambition as an owner is that our portfolio companies

will establish a good standard for sustainability and continuously improve their sustainability agenda. Our portfolio companies are expected to follow Nordic governance standards and to have management teams that are committed to transparent operating principles. Through active board work and guidance and through cooperation with the management, we support our portfolio companies in their responsibility efforts and address ESG issues.

When assessing a new potential acquisition, we include an evaluation of long-term sustainability-related risks. We consider both social and environmental issues and business ethics already in the initial target evaluation. Sustainability aspects also influ-

ence the choice of industries and companies in which we invest.

At the end of 2017, we had six companies in our portfolio, with five in manufacturing and one in the infrastructure building industry. These companies employ totally approximately 12,500 people in 33 countries.

Active ownership of real estate and forests

We operate our investments in a way that carefully evaluates environmental impacts. The build environment has a significant role in decreasing the carbon footprint and waste. When we select new properties into our real estate portfolio we consider sustainability and energy efficiency. All prop-

Donations to top universities

In 2017, Ahlström Capital made donations to three top Finnish universities to support national research and education. Hanken School of Economics, Aalto University and Åbo Akademi University received donations worth EUR 250,000 in total. Through the donations, the Ahlström family wished to contribute to the development of both Finland's international competitiveness and high-level education. The Ahlström family has actively supported education in Finland from the era of forefather Antti Ahlström, when Ahlström, as a member of the legislative Diet of Finland, made great efforts to develop the elementary school system in the 1800s.

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erties are managed in an energy efficient manner, with the aim of minimising energy utilisation while providing tenant satisfaction. Many of our properties have environmental certificates (e.g LEED, Leadership in Energy and Environmental Design and BREEAM, Building Research Establishment Environmental Assessment Method). We also select the subcontractors in our projects carefully, ensuring responsible operations throughout the subcontractor chain.

We promote ecologically and economically sustainable forestry and take into account the multipurpose use of forests. Our forests are included in various protection programmes, such as Natura 2000. We have also excluded 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. At the

end of 2017, we had some 33 000 hectares of forest holdings.

Sustainable way of working

We want to develop and involve our employees. We place importance on strategic talent development and want to promote equal opportunities and diversity. We aim to build up a sound and healthy occupational environment, which includes a positive work-life balance.

Our strong reputation and the opportunity to do sound business rests on good business ethics. We will ensure that our values and ethical rules are followed in all operations and that all employees understand and comply with them. When we select business partners we choose the ones that conduct their business in an ethical way and act in accordance with Ahlström family values.

Industrial investments

Environment

- Evaluating environmental aspects when assessing a new potential acquisition
- Evaluating environmental impacts when operating our investments

Social

- Evaluating social aspects when assessing potential acquisitions
- Developing and engaging employees
- Promotion of equal opportunities and diversity
- Having a dialogue with the stakeholders of our portfolio companies i.e. BoD, management

Governance

- Sound corporate governance and transparency
- Active board participation, close cooperation with management
- Complying with all local and national legislation in each country of operation
- Business is done with good ethics, including anti-corruption
- Carefully selecting business partners ensuring that business is conducted in an ethical manner

Real estate and forest investments

- Managing properties in an energy-efficient manner
- Property life-cycle thinking, using materials and techniques that endure
- Promoting ecologically sustainable forestry
- Sustainable forest harvesting, maintaining forest biodiversity

- Developing and engaging employees
- Promotion of equal opportunities and diversity
- Having a dialogue with stakeholders i.e. authorities, co-investors and customers
- Multipurpose use of forests
- Maintaining two historical works in the Satakunta region

- Selecting projects where responsible operations throughout the subcontractor chain can be ensured
- Developing real estate projects with good corporate governance
- Carefully selecting partners ensuring that business is conducted in an ethical manner

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Over 160 years of industrial traditions



Foundation 1851-1900

Antti Ahlström starts business in the fields of shipping and sawn goods. In 1870, he acquires the Noormarkku Works, which later becomes his home and the centre of the company's businesses. He also acquired three other Works: Kauttua in 1873, Leineperi in 1877 and Strömfors in 1886. Along with the acquisition of the Works, Ahlström received significant forest holdings which still form the basis of the company's forest assets today.



Expansion 1900-1950

Ahlström becomes a forerunner in the paper, glass and engineering industries. A. Ahlström Osakeyhtiö becomes the biggest industrial company in Finland. First steps of internationalisation: Karhula Works begins the manufacturing of pumps for the forest industry, with the licences from the American company Nash, Swiss company Sulzer and Swedish company Laval.

1851

Antti Ahlström starts business.

1896

Eva Ahlström became one of the first female industrialists in Finland after Antti Ahlström's death in 1896.

1907

Papermill is established in Kauttua.

1908

A. Ahlström Osakeyhtiö is established.

1937

A. Ahlström Oy constructs the "Industrial Palace" business and office building by Helsinki's Esplanadi.

1877

Antti Ahlström promoted public education and founded many Finnish-speaking elementary schools around the country. He was a member of the legislative Diet of Finland in 1877-1878 and 1894 as a representative of the Estate of the Burgesses. He believed in equal opportunities to attend school, raised the issue of gender inequality and favoured women's rights.

1910

Acquisition of the Varkaus Works in Eastern Finland and in 1915, the Karhula Works in South-Eastern Finland.

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Internationalisation 1950-2000

A. Ahlström Osakeyhtiö becomes one of the first Finnish companies to expand their business abroad - a major milestone for Finnish industry. Starting with an investment in an Italian paper mill in 1963, today Ahlström Capital's portfolio companies are active in 33 countries. The investment in Cartiere Giacomo Bosso S.p.A was the first significant international corporate acquisition by a Finnish company.



Active value creation 2001-

We develop our portfolio through active board and strategy work. Our successful investments have resulted in value creation to shareholders. The company's external fair value has increased from around EUR 200 million (2001) to over EUR 1 billion (2017). We have paid out more than EUR 150 million as dividend since 2001.

1968

Acquisition:
Ahlstrom
Canada Ltd.,
Canada

1976

Acquisition:
Kämmerer Paper Works, Germany,
Pierre Hanssen & Cie Works, Germany

1990

Acquisition:
Sibille-Dalle,
France

1995

Acquisitions:
Taylorville,
U.S.A. & Louveira,
Brazil

2001

A. Ahlström Osakeyhtiö
is divided into Ahlstrom
Corporation, Ahlström
Capital Oy and
A. Ahlström Osakeyhtiö.

2017

Ahlström Capital is one of the
largest and most significant in-
vestment companies in Finland,
with a portfolio that consists
of real estate and industrial
investments.

1963

Acquisition:
majority share of
Cartiere Giacomo
Bosso S.p.A., Italy

1969

New company
established:
Ahlström
Svenska Industrier,
Sweden

1977

Acquisition:
Ahlstrom
Machinery Inc.,
USA

1988

New company
established
together with On
Yang Pulp Co.:
Ahlström
Korea Ltd.
South Korea

1994

Acquisition:
Åkerlund & Rausing,
Sweden

2014

Management and development of the financial
and industrial assets of the Ahlström family are
concentrated in Ahlström Capital.

Corporate Governance

Ahlström Capital Oy (hereinafter “Ahlström Capital” or the “company”) is a private limited liability company registered in Finland and the parent company of the Ahlström Capital Group (the “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.

Ahlström Capital is responsible for the development of the Group’s business, handles the Group’s financial reporting, provides Group and associate companies with services relating to risk management, finance, legal affairs and governance and advises them in strategic and investment matters.

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.

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.

General meeting of shareholders

The highest decision-making body of Ahlström Capital Oy is the General Meeting of Shareholders. 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 of Shareholders 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 from liability and electing auditors.

According to the Articles of Association, the notice of a general meeting is delivered to shareholders by registered mail or published in the Official Gazette no earlier than two months and no later than one week prior to the general meeting’s record date. To participate in a general meeting, shareholders must register by the date indicated in the notice, which day may not be earlier than 10 days prior to the meeting. The general meetings shall be held in the domicile of the company or in Noormarkku, City of Pori.

In 2017, the Annual General Meeting was held on April 5 in Helsinki.

Board of Directors

According to the Articles of Association, the Board has five to seven ordinary members.

The members are elected at the Annual General Meeting of Shareholders 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. The Board has general jurisdiction over all company affairs which under law, the Articles of Association or the Charter of the Shareholders’ Nomination Board are not specifically assigned to other bodies.

In cooperation with the President, the Board is responsible for attending to internal supervision, which also includes risk management. Risk management is mainly carried out in the subsidiaries and asso-

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ciates, that is, in potential sources of risk. The Board confirms the company's and the Group's general targets and strategy, and approves the annual plan.

The Board of Directors can decide on establishing new committees for preparing matters for which the Board is responsible. The committee members are elected by the Board annually after the General Meeting of Shareholders. In 2017, the Board had an Audit Committee and a Compensation Committee. The Board has confirmed the tasks and duties of the Board's Committees.

During the period January 1 to April 5, the Board of Directors was composed as follows: Chairman Mikael Lilius, Thomas Ahlström, Mats Danielsson, Pekka Pajamo, Fredrik Persson, Fredrik Persson, Malin Persson and Peter Seligson. The Annual General Meeting of Shareholders held on April 5 elected Thomas Ahlström, Marion Björkstén, Mats Danielsson, Mikael Lilius, Pekka Pajamo, Fredrik Persson and Malin Persson as Board members. At its constituent meeting, the Board elected Mikael Lilius as the Chairman.

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 of competitors, significant contracting parties and Ahlström Capital's direct investment targets. A Board member does not represent any

single shareholder or shareholder group. All Board members are independent of Ahlström Capital. The members are independent of the major shareholders except Thomas Ahlström, who is Managing Director of Antti Ahlström Perilliset Oy.

In 2017, the Board held 13 meetings. The average attendance rate of its members was 97 per cent.

The Board annually conducts a self-assessment study; this was also done in 2017.

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).

In 2017, the Audit Committee was chaired by Mats Danielsson with Thomas Ahlström and Pekka Pajamo as members. The Audit Committee convened five times in 2017 (attendance rate 100 per cent). The auditor was present in two Audit Committee meetings.

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; equity-based plans and incentive plans; succession planning; principles of remuneration policies, as well as compensation development internationally within businesses relevant for Ahlström Capital Oy.

In 2017, the Compensation Committee was chaired by Mikael Lilius with Mats Danielsson and Fredrik Persson as members. The Compensation Committee convened three times in 2017 (attendance rate 100 per cent).

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.

During the period from January 1 to April 5, the Nomination Board was composed as follows: Chairman Mikael Lilius with Robin Ahlström, Thomas Ahlström and Mats Danielsson as members. During the period of April 5 to June 30 the Nomination Board was chaired by Mikael Lilius with Robin Ahlström, Thomas Ahlström, Mats Danielsson

and Pekka Pajamo as members. As of July 1, the Nomination Board was chaired by Mikael Lilius with Thomas Ahlström, Mats Danielsson, Pekka Pajamo and Peter Seligson as members. The Shareholders' Nomination Board convened three times in 2017 (attendance rate 100 per cent).

President and CEO

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

The company's President and CEO is Hans Sohlström, M.Sc. (Eng.), M.Sc. (Econ.), who has held the position since February 1, 2016. Hans Sohlström has announced that he will leave his position by June 29, 2018, at the latest.

The terms and conditions of the position of President are defined in written contract confirmed by the Board. Should the contract be terminated on Ahlström Capital's initiative, the severance pay is equivalent to twelve months' salary.

Management Team

The role of the Management Team is to assist the President and CEO in preparing strategic issues, coordinating the company's operations and in preparing and implementing operative matters that are significant in nature. The Management Team prepares issues to be considered and decided by the Board.

At year-end 2017, the Management Team was chaired by Hans Sohlström (President and CEO) with Jacob af Forselles (Chief Investment Officer), Pasi Koota (Chief Financial Officer), Camilla Sångbom (Director, Corporate Communications and Responsibility) and Tero Telaranta (Director, Industrial Investments) as members.

Personnel

At year-end 2017, the company had fifteen 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 Management

Team and the Boards of the company and the company's associates and subsidiaries.

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 2017, the Chairman receives an annual remuneration of EUR 100,000 and the members EUR 40,000. 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 meeting is held outside Helsinki and EUR 1,500 if the meeting is held abroad. For each committee and the Shareholders' Nomination Board meetings, a fee of EUR 800 is paid. The meeting fee of the chairman of the audit committee is EUR 1,600.

The Board decides on the President's salary and benefits and confirms the salaries, incentives and benefits of other members of the management. The Management Team members are entitled to an additional pension scheme after being a Management

Team member for one year. The company's employees are entitled to incentives according to the company's incentive policy. Ahlström Capital Oy currently has a short-term incentive programme for the whole personnel and a long-term incentive programme for selected members of the team. Incentives are based on the company's value development 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 2017 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 2017 were EUR 447,000 (406,000). In addition, the auditor was paid EUR 198,000 for other services (137,000).

Risk management

Ahlström Capital's risks are managed through a diversified portfolio.

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.

Group and portfolio risks

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 current risk management level. Risks that threaten the company's strategic 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.

The aim is to continuously strengthen risk processes both internally and within portfolio companies.

Ahlström Capital Group level risks

1. Increasing competition

Mitigation: Ensure through board work that companies maintain a broad and accurate view on markets, customers and competitors.

2. Economic shock or significant slowdown in the world economy

Mitigation: Diversification of the portfolio with companies with different business cycles, maintaining strong balance sheet.

3. Failure in merger or acquisition

Mitigation: Have a thorough due diligence process and maintain wide network of partners with high-quality references.

4. Failure in strategic partnership

Mitigation: Maintain wide network of partners with verified backgrounds.

5. Adequate resources and skills in operational development, transactions and financing

Mitigation: Ensure right knowledge and skills in companies' board of directors and management through candidate screening, selection and assessment.

Board of Directors

as of December 31, 2017

Mikael Lilius

b. 1949, B.Sc. (Econ.)

Chairman of the Board March 24, 2015-, Chairman of the Compensation Committee April 29, 2015-, Chairman 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; Supervisory Board member: Ab Kelonia Oy

Thomas Ahlström

b. 1958, M.Sc. (Econ.)

Board member August 22, 2013-, Member of the Audit Committee April 29, 2015-, Member of the Nomination Board October 26, 2015-

Current position

Antti Ahlström Perilliset Oy, Managing Director, 2011-

Key positions of trust

Board member: Ursviken Holding Oy



Pekka Pajamo, Malin Persson, Mikael Lilius, Fredrik Persson, Thomas Ahlström, Marion Björkstén and Mats Danielsson

Marion Björkstén

b. 1971, M.Sc. (Econ.)

Board member April 5, 2017-

Current position

M&W DDC (Design, Development and Construction), Managing Director & Partner, 2017-

Mats Danielsson

b. 1969, M.Sc. (Econ.)

Board member November 7, 2011-, Chairman of the Audit Committee 29 April 2015-, Member of the Nomination Board October 26, 2015- April 7, 2016, Member of the Compensation Committee April 5, 2017-

Current position

Paulig Ltd, CFO, 2010-

Key positions of trust

Member of the Advisory Council of Corporate & Investment Banking Finland: Nordea Bank Finland

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, Senior Vice President, Finance and International Services, 2012-

Key positions of trust

Chairman of the Board: Finnish National Theatre Ltd.; Board member: Arek Oy, Kaleva Mutual Insurance Company, Leino Group Oy, LeinoCast Oy, Finnish National Opera and Ballet, real estate companies of Varma Group

Fredrik Persson

b. 1968, M.Sc. (Econ.)

Board member April 7, 2016-, Member of the Compensation Committee April 7, 2016-

Current position

Miscellaneous positions of trust 2015-

Key positions of trust

Chairman of the Board: ICC Sweden, JM AB, Svenskt Näringsliv; Board member: AB Electrolux, Hufvudstaden AB; Chairman, Listing Committee: NASDAQ OMX Stockholm AB

Malin Persson

b. 1968, M.Sc. (Eng.)

Board member March 26, 2014-

Current position

Accuracy AB, CEO, 2012-

Key positions of trust

Board member: Becker Industrial Coatings Ltd, Getinge AB, Hexatronic AB, HEXPOL AB, Konecranes Plc, Magnora AB, Mekonomen AB, Peab AB, Ricardo Plc

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Management team as of 31 December 2017



Hans Sohlström

b. 1964, M.Sc. (Eng.),
M.Sc. (Econ.)

President & CEO



Jacob af Forselles

b. 1973, M.Sc. (Econ.),
LL.M.

Chief Investment
Officer



Pasi Koota

b. 1970, M.Sc. (Econ.)

Chief Financial Officer



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

Other personnel as of 31 December 2017



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

Assistant



Mikael Lilius

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

Investment Manager



Helena Staffans

b. 1956, B.Sc.

Executive Assistant
to CEO



Suvi Uoti

b. 1987, BBA

Communications
Assistant



Sandra Wickström

b. 1988, LL.M., M.Sc.
(Econ.)

Legal Counsel



Albert van der Zee

b. 1959

General Manager,
The Netherlands

Financial Statements and the Report of the Board of Directors



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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 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 2017, the total revenue of Ahlström Capital Group amounted to EUR 1.0 billion (1.0), the balance sheet total was EUR 1.2 billion (1.1), and the Group employed on average 5,002 people (4,649).

The key performance indicators of Ahlström Capital

External Fair Value, EFV

The development of the external fair value of the company's share is one of the most relevant long-term performance indicators. For Ahlström Capital, it is the most accurate way of measuring and monitoring the development of the value of investments. 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 valua-

tion 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 percent over time.

At year-end 2017, the total external fair value of Ahlström Capital's portfolio was EUR 1,033.7 million (949.8). The value increase in 2017 was EUR 117.3 million (232.6) or 12.3 percent (31.3), including the dividends paid during the period, in total EUR 33.4 million (26.4). The increase was attributable to the increase in market values of listed shares, EUR 52.7 million, value increase of non-listed investments, EUR 24.6 million, the effect of Kasarmikatu 21 development project, EUR 32.8 million, and other changes totalling EUR 7.2 million. At the end of 2017, the external fair value of Ahlström Capital Oy's share was EUR 16.44 (15.10)*.

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 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 2017 was EUR 46.5 million (36.4) exceeding the level of 2016 by EUR 10.1 million or 27.8 per cent. The comparable operating profits of Enics and Destia improved significantly from 2016. Detection Technology and Glaston contributed positively to Ahlström Capital's comparable operating profit as of the acquisition in June 2017. Ahlstrom-Munksjö improved its performance in 2017. However, the non-recurring costs related to the merger had a negative impact on the share of result in Ahlström Capital Group. The operative performance of Suominen was below comparable level from 2016.

In 2017, items affecting comparability totalled EUR 83.4 million (0.2), of which the most significant items were the result effect of the merger of Ahlstrom and Munksjö, EUR 44.1 million, the gain on sale of holdings in Kasarmikatu 21, EUR 32.8

million, and changes in fair values of investment properties and forest assets, EUR 15.7 million.

Changes in the investment portfolio

During the year, Ahlström Capital actively evaluated several new investment opportunities.

At the end of February, 2017, Enics completed the acquisition of PKC Electronics Oy with factories in Raahe, Finland and Suzhou, China.

The merger of Ahlstrom and Munksjö was completed at the beginning of April, 2017. During the year Ahlström Capital increased its holdings first in both Ahlstrom Corporation and Munksjö Oyj and then in the combined Ahlstrom-Munksjö, to the ownership of 18.4 per cent at the year-end 2017.

In June, 2017, Ahlström Capital acquired shares representing 38.8 per cent of Detection Technology Plc and 17.5 per cent of Glaston Corporation. The acquisition price was EUR 110 million in total. Ahlström Capital consequently became the largest shareholder in both companies.

In November, 2017, Ahlström Capital acquired Kiinteistö Oy Hankasuontie 11 A in Helsinki.

In December, 2017, Ahlström Capital together with YIT and HGR Property Partners completed the sale of the Kasarmikatu 21 property to CNP Assurances.

* The number of shares was increased in April 2017 by issuing new shares to the shareholders without payment in proportion to their holdings, so that 99 new shares were given for each existing share. The share issue without payment had the same effect as a share split (1:100). Comparative value of 2016 has been restated correspondingly.

During the year, Ahlström Capital's shareholding in Suominen decreased from 27.0 per cent to 24.0 per cent. The dilution in the ownership was due to the increase in the number of Suominen shares in connection with the conversion of Suominen's hybrid bond notes into new Suominen shares. The number of shares owned by Ahlström Capital remained unchanged.

In December, 2017, Detection Technology shareholding decreased from 38.8 per cent to 37.5 per cent due to the directed share issue of new shares in accordance with share incentive programs. The number of shares owned by Ahlström Capital remained unchanged.

At year-end, the listed shares represented 44.0 percent (28.0), non-listed shares 27.2 per cent (27.6), real estate 12.7 per cent (14.1), forests 10.8 per cent (11.3) and liquid and other assets 5.3 per cent (19.0) of the external fair value.

Advanced fiber based materials, listed companies

Ahlstrom-Munksjö (18.4% shareholding)

Ahlstrom-Munksjö is listed on Nasdaq OMX Helsinki and Stockholm and had a market cap of EUR 1,745.7 million at year-end 2017.

On 1 April 2017, Ahlstrom Corporation was merged into Munksjö Oyj and the name of the combined company was changed to Ahlstrom-Munksjö Oyj. Ahlstrom-Munksjö estimates that annual synergies of above EUR 40 million will be gradually realised and fully visible from the second quarter of 2019. The savings comprise mainly lower fixed costs as well as coordination of purchases and production following the merger. At the end of the reporting period, the annual synergy achievement run rate was approximately EUR 19.3 million. Non-recurring costs to achieve

the synergy savings amounted to EUR 19.1 million at the end of the reporting period. The full cost related to the achievement of synergies within two years from the merger is about EUR 30 million.

In 2017, Ahlstrom-Munksjö's revenue amounted to EUR 2,232.6 million, showing an increase of 3.9 per cent from the EUR 2,147.9 million reported in the comparison period. At constant currency rates, growth was 4.6 per cent, led by higher volumes and selling prices, as well as an improved product mix.

Comparable EBITDA in 2017 was EUR 290.4 million (268.7), representing 13.0 per cent of revenue (12.5). The result was supported by higher sales volumes and selling prices, as well as an improved product mix and lower fixed costs. Higher raw material costs, such as pulp and titanium dioxide, had a negative impact of about EUR 40 million on comparable EBITDA. Operating profit excluding fair valuation of EUR 11 million inventory adjustment was EUR 140.0 million (104.7). Further items affecting comparability totaled EUR -23.8 million (-28.8) and were mainly related to achieving the synergy benefits as well as the integration costs of the merger. The profit for the period was EUR 88.5 million (49.8).

In December, 2017, the Board of Directors of Ahlstrom-Munksjö appointed Hans Sohlström President and CEO of Ahlstrom-Munksjö, effective as of June 30, 2018, at the latest.

The Board of Directors of Ahlstrom-Munksjö proposes that the Annual General Meeting resolves on the dividend payment in the amount of EUR 0.52 per share. The dividend will be paid in two instalments, in April and in September.

In 2018, the demand for Ahlstrom-Munksjö's fiber-based products is expected to remain stable at the current good level for most of the product segments and to reflect the seasonal pattern. Selling price increases will continue to be imple-

mented to mitigate cost inflation in raw materials. Comparable EBITDA in 2018 is expected to be approximately at the previous year's level (pro forma EUR 290.4 million), or slightly below. In the first-half of 2018, comparable EBITDA is expected to be lower than in the comparison period and to gain momentum in the second half of the year. The complete outlook for Ahlstrom-Munksjö is available on the company's website.

Suominen (24.0% shareholding)

Suominen is listed on NASDAQ OMX Helsinki. The market cap of Suominen amounted to EUR 253.6 million (210.2) at year-end 2017.

In 2017, Suominen's revenue increased by 2 per cent from the comparison period to EUR 426.0 million (416.9), mainly thanks to improved sales volumes. Operating profit decreased by 42 per cent and amounted to EUR 15.0 million (25.6). The costs related to the growth investments, the unfavourable development of product mix and lower gross profit affected the operating profit. In 2017, profit before income taxes was EUR 12.4 million (22.4). Income taxes were positive by EUR 2.0 million, which increased the profit for the period to EUR 14.5 million (15.2). The total positive impact of the changes in US taxation in 2017 was EUR 8.3 million, which turned the income taxes positive.

Suominen's Board of Directors proposes to the Annual General Meeting that a return of capital of EUR 0.11 per share shall be distributed for the financial year 2017.

Suominen expects that in 2018, its revenue and comparable operating profit will improve from 2017.

Industrial technology and services, listed companies

Detection Technology (37.5% shareholding)

Detection Technology is listed on NASDAQ OMX First North. The market cap of Detection Technology amounted to EUR 249.9 million (187.7) at year-end 2017.

Detection Technology's revenue for January-December 2017 grew by 17.9 per cent to EUR 89.0 million (75.5). Revenue of Medical Business Unit (MBU) grew significantly faster than the market, by 57.5 per cent, and totaled EUR 31.1 million (19.8). Revenue of Security and Industrial Business Unit (SBU) increased by 3.8 per cent to EUR 57.9 million (55.8). MBU's share of total revenue was 35.0 per cent (26.2) and SBU's 65.0 per cent (73.8).

The operating profit for the review period January-December 2017 was EUR 19.9 million (14.8), 22.3 per cent (19.6) of revenue. The increase in operating profit resulted not only from sales growth but also from effective operations management. As a whole, the company's fixed costs were lower than expected. Exceptionally, R&D costs were only 8 per cent of revenue due to higher sales, and successful projects, as well as the timing of projects. Detection Technology estimates that R&D costs will increase to nearly 10 per cent in 2018. During the review period, the company had no NRI to be reported. The profit for the period was EUR 15.2 million (10.9).

The Board of Directors of Detection Technology proposes to the Annual General Meeting that, based on the balance sheet adopted for 2017, a dividend of EUR 0.35 per share be paid.

Detection Technology expects sales for security and industrial applications to increase slightly in 2018. In terms of medical applications, the company estimates that sales will increase in the first half

of 2018 and decrease in the second half of the year when a key customer stops manufacturing a device that uses one of DT's products. Price competition will be tougher in all of the company's markets in 2018. The company will continue to develop its business in order to gain new customers and projects, and it considers the growth outlook in both business units to be good in the longer term.

Glaston (17.5% shareholding)

Glaston is listed on NASDAQ OMX Helsinki. The market cap of Glaston amounted to EUR 90.3 million (77.2) at year-end 2017.

Glaston's revenue rose by 3 per cent compared with 2016 and totalled EUR 110.4 million (107.1). Revenue grew by 5 per cent, when the sold pre-processing machine business is eliminated from the comparison data. The comparable operating profit was EUR 5.4 million (2.8), i.e. 4.8 per cent (2.6) of revenue. In addition to increased revenue, the good development of the operating profit was impacted by better gross margin and slightly lower fixed costs. Items affecting comparability totalled EUR 0.4 million (0.5). Glaston's operating profit in January-December was EUR 5.0 million (2.3). The profit for the period was EUR 2.9 million (1.0).

The Board of Directors of Glaston proposes that a return of capital of EUR 0.01 per share be distributed for 2017.

Although Glaston's order book at the end of 2017 was lower than the previous year, the good order intake of the second half of the year and positive market development create good conditions for profitable growth in 2018. Glaston expects the full-year comparable operating profit to improve from 2017.

Industrial technology and services, non-listed companies

Destia (100% shareholding)

In 2017, Destia's revenue totalled EUR 478.7 (493.2). Revenue declined 2.9 per cent compared to the previous year. The intensified competition, especially in major projects in the capital area impacted Destia's revenue.

Comparable operating profit improved from the previous year and amounted to EUR 15.1 million (12.5). Items affecting comparability totalled EUR -2.1 million (1.6) and were related to change of CEO and CFO. Operating profit (EBIT) amounted to EUR 13.1 million (14.1). The improved performance in project execution and maintenance contracts affected positively to Destia's result. The profit for the period was EUR 12.6 million (5.7).

At year-end 2017, Destia's order book stood at EUR 696.2 million (708.0). Destia's order book developed positively towards the year-end as the company won some major projects such as National Road 12 Lahti southern ring road.

In October, 2017, Tero Kiviniemi was appointed as the President and CEO of Destia. Kiviniemi will start in his new position by July 1, 2018 at the latest.

Enics (99.0% shareholding)

At the end of February, 2017, Enics completed the acquisition of PKC Electronics Oy, with factories in Raahe, Finland and Suzhou, China. The acquired company provides services in testing, power solutions and design and manufacturing services in electronics, mechanics, software and test systems design. The integration of acquired businesses proceeded well during the year 2017.

Enics' revenue was EUR 543.5 million (501.1) in 2017, representing an increase of 8.4 percent compared to the previous year. Revenue was

positively impacted by the acquisition of PKC Electronics, which contributed 6.4 percentage points of the total revenue growth. The comparable operating profit improved from the previous year and amounted to EUR 18.4 million (15.2). The increase in comparable operating profit was mainly attributable to a combination of higher revenue, cost savings, as well as a higher share of engineering services. Items affecting comparability totalled EUR -7.6 million (0.0) and were mainly related to the actions to improve profitability and competitiveness in Enics units in Finland and Sweden. The operating profit (EBIT) amounted to EUR 10.8 million (15.2). The profit for the period was EUR 1.0 million (9.0).

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 has been fully drawn down and the funds raised are fully invested. Ahlström Capital's ownership in the fund is 30 per cent, and it is consolidated as an associate in the Ahlström Capital Group.

During 2017, the development of the cleantech portfolio companies continued with the main focus on Scandinavian Biogas Fuels International AB and Ripasso Energy AB. No new investments were made in 2017.

Real estate

Ahlström Capital's real estate strategy aims for active development and holding of prime office and logistics properties in Southern Finland. During 2017, Ahlström Capital continued divesting properties outside the strategic focus. Sale of non-core assets continues during 2018. At year-end 2017, Ahlström Capital's real estate portfolio

consisted mainly of the Eteläesplanadi property as well as industrial and commercial properties in Southern Finland.

The development project, the Kasarmikatu 21 office building in Helsinki CBD, continued in collaboration with Ahlström Capital, YIT and HGR Property Partners. Following the agreement signed in August 2017, the developers completed the sale of the property to CNP Assurances in December 2017.

In November, 2017 Ahlström Capital acquired Kiinteistö Oy Hankasuontie 11 A in Helsinki, and signed a turnkey construction agreement with Lehto Group on the construction project to be implemented on the site. The construction work of the property suitable for production, storage and retail business is estimated to be completed in the summer of 2018.

The Eteläesplanadi property in Helsinki was fully leased out throughout the year 2017 and rental agreements with major tenants were renewed during the year. In the city of Lahti, Ahlström Capital is engaged in the Lahden Kulmala real estate project. In March, 2017, Ahlström Capital completed the sale of the remaining apartments in Kulmala.

In 2017, the comparable operating profit of the real estate business amounted to EUR 4.2 million (6.3). Divestments has decreased the rental income from the previous years' level. Reported operating profit (EBIT) totalled EUR 49.7 million (4.7). Items affecting comparability consist of gain on sale of holdings in Kasarmikatu 21, effects from other divestments and changes in valuations.

Forests

Ahlström Capital's forest investments are mainly located in Western Finland in the Satakunta region, and in Central and Eastern Finland. Today, Ahlström Capital has some 33,000 hectares of

forest holdings. In 2017, Ahlström Capital increased the volume of wood deliveries by 5 per cent with the growing focus on delivery sales. Logging of the timber proceeded as planned. During the year, Ahlström Capital delivered 185,600 m³ (177,000) of wood in total, of which 39,300 m³ (39,000) constituted standing sales, 127,200 m³ (112,000) constituted delivery sales and 19,100 m³ (26,000) constituted energy wood.

In 2017, the comparable operating profit of the forest business totalled EUR 5.7 million (5.3). The reported operating profit (EBIT) was EUR 9.1 million (9.5). Items affecting comparability consisted mainly of gains on sale of forest land and other land areas as well as changes in fair value mainly due to a change in valuation principle.

Group structure

Ahlström Capital Group consists of the parent company Ahlström Capital Oy, domiciled in Finland, and 49 subsidiaries in nine countries. 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. Except for the property at Eteläesplanadi, real estate investments are held by AC Real Estate B.V. and A. Ahlström Kiinteistöt Oy. A. Ahlström Kiinteistöt Oy also provides real estate management services for the Group. Ahlström Konsernipalvelut Oy provides accounting, ICT and HR services for some group companies.

Suominen Corporation, Ahlstrom-Munksjö Oyj, Detection Technology Plc and Glaston Corporation are 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 consolidated as an associated company. Until November, 2017, Kasarmikatu Holding Oy was also an associated company.

Group earnings in 2017

The revenue of the Ahlström Capital Group was EUR 1,043.8 million (1,016.9), of which Enics accounted for EUR 543.5 million (501.1), Destia for EUR 478.7 million (493.2), the real estate business for EUR 9.6 million (11.7), the forest business for EUR 9.4 million (8.2), and other businesses for EUR 2.6 million (2.7). Other operating income amounted to EUR 55.5 million (9.0). Ahlström Capital's share of the results of its associates was EUR 62.6 million (10.2). This consists of shares in the results of Ahlstrom (until March), Munksjö (until March), Ahlstrom-Munksjö (from April), Suominen, Detection Technology (from July) and Glaston (from July), but also the share in the result of the AC Cleantech Growth Fund I. The amount also includes the result effect of EUR 44.1 million from the merger of Ahlstrom and Munksjö. This was due to the fair value valuation of assets of Ahlstrom.

The comparable operating profit of the Ahlström Capital Group amounted to EUR 46.5 million (36.4). The increase from the previous year was 27.8 per cent. Items affecting comparability totalled EUR 83.4 million (0.2), consisting of gain on sale of holdings in Kasarmikatu 21, EUR 32.8 million in total, other sales gains net of related provisions, changes in fair value and restructuring costs. The amount also includes the result effect of EUR 44.1 million from the merger of Ahlstrom and Munksjö. This was due to the fair value valuation of assets of Ahlstrom. The total reported operating profit (EBIT) was EUR 129.9 million (36.6).

The return on capital employed was 16.0 per cent (27.8). Financial income was EUR 8.5 million (13.6). Financial expenses totalled EUR 12.4 mil-

lion (22.5). The administrative costs of the parent company Ahlström Capital Oy and holding companies amounted to EUR 13.4 million (14.0) in the reporting period, representing an average of 1.3 per cent (1.4) of the EFV. Pre-tax profit was EUR 126.0 million (27.7). Taxes recorded for the period were EUR -7.8 million (-2.7). Profit from discontinued operations amounted to EUR 0.0 million (168.7). The comparative figure of 2016 includes the gain on sale of AR Packaging. The Group's profit for the period was EUR 118.2 million (193.7) and profit attributable for the equity holders of the parent company was EUR 118.2 million (186.4).

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 785.0 million (712.5). The equity ratio at the end of the year was 65 per cent (67) and the EFV-adjusted net gearing stood at 3 per cent (-13). The company's return on equity (ROE) was 16 per cent (31). At the end of December 2017, the interest-bearing liabilities amounted to EUR 130.3 million (78.8) and liquid assets to EUR 94.8 million (204.1). The Group had EUR 35.5 million in net debt compared to the net cash of EUR 125.4 million at the end of December 2016. Ahlström Capital Oy has issued a first-demand guarantee as security for certain subsidiaries' overdraft credit lines.

Net cash flow from operating activities (cash flow after net financial income, taxes paid and change in net working capital) was EUR 31.1 million (62.7). EUR 28.2 million (41.0) was spent on investments in non-current assets and EUR 182.6 million (24.5) on new investments. EUR 61.4 million (186.9) was received from the sale

of subsidiaries, non-current assets and other investments. Net cash flow from financing activities was EUR 9.5 million (-164.2). Based on the Annual General Meeting's decision, the company paid for 628,876 shares an ordinary dividend of EUR 45.00 per share and extra dividend of EUR 8.00 per share, totalling EUR 53.00 per share or EUR 33,330,428.00. The dividend yield was 3.5 per cent of the external fair value.

Accounting principles

Ahlström Capital's consolidated financial statements for 2017 are prepared in accordance with the International Financial Reporting Standards (IFRS).

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 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. The aim is to continuously strengthen risk processes both internally and within portfolio companies.

Five risk exposures were identified in Ahlström Capital's most recent risk position evaluation: 1) increasing competition, 2) economic shock or significant slowdown in the world economy, 3) failure in merger or acquisition, 4) failure in strategic partnership, 5) inadequate resources and skills in operational development, transactions and financing.

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.

Personnel, administration, and auditors

The Ahlström Capital Group had an average of 5,002 employees during the period (4,649). Wages, salaries and fees paid amounted to EUR 213.8 million (197.3). These figures refer only to continuing operations. At the end of the year, the parent company's personnel numbered 15 (16).

During the year, the Board of Directors of

Ahlström Capital Oy consisted of Mikael Lilius (Chairman), Thomas Ahlström, Marion Björkstén (as of April), Mats Danielsson, Pekka Pajamo, Fredrik Persson, Malin Persson, and Peter Seligson (until April).

Ahlström Capital's President and CEO was Hans Sohlström. In December, 2017 it was announced that Hans Sohlström will leave his position by June 29, 2018, at the latest and become the President and CEO of Ahlstrom-Munksjö Oyj.

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, and Pekka Pajamo and members of the Compensation Committee Mikael Lilius (chairman), Mats Danielsson (as of April), Fredrik Persson, and Peter Seligson (until April).

During the period from January 1 to April 5, the Shareholders' Nomination Board was composed as follows: Chairman Mikael Lilius with Robin Ahlström, Thomas Ahlström and Mats Danielsson as members. During the period of April 5 to June 30 the Nomination Board was chaired by Mikael Lilius with Robin Ahlström, Thomas Ahlström, Mats Danielsson and Pekka Pajamo as members. As of July 1, the Nomination Board was chaired by Mikael Lilius with Thomas Ahlström, Mats Danielsson, Pekka Pajamo and Peter Seligson as members.

Court proceedings and disputes

Ahlström Capital Oy withdrew from the case concerning the price cartel that existed in the Finnish timber market between 1997 and 2004.

Share issue without payment

Ahlström Capital's Annual General Meeting resolved that the number of shares in the company was increased by issuing new shares to the shareholders without payment in proportion to their holdings, so that 99 new shares was given for each existing share. The share issue without payment had the same effect as a share split (1:100). After the share issue, registered in April, 2017, the number of shares of the company is 62,887,600.

Shareholders

At the end of 2017, Ahlström Capital Oy had 246 (241) shareholders. The largest individual shareholder is Antti Ahlström Perilliset Oy (6.1%). No other shareholder holds more than 5 per cent of the shares.

Outlook for 2018

We expect the comparable operating profit to improve compared to the previous year.

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 a dividend of 0.48 euros per share be paid for 2017.

The Annual General Meeting 2018 is to be held on Wednesday, April 11, 2018 at 5 p.m. at Restaurant Savoy.

Key figures

EUR million	2017	2016	2015 ¹⁾	2014	2013
Revenue	1,043.8	1,016.9	1,016.0	1,149.1	852.2
Comparable operating profit	46.5	36.4	28.3		
Operating profit (EBIT)	129.8	36.6	114.7	186.6	52.5
Profit for the period (continuing and discontinued operations)	118.2	193.7	111.4	159.2	30.2
	Dec. 31	Dec. 31,	Dec. 31,	Dec. 31,	Dec. 31,
	2017	2016	2015	2014	2013
External Fair Value, EFV, EUR million	1,033.7	949.8	743.7	634.0	339.4
Equity ratio	65%	67%	46%	44%	35%
Net gearing	5%	-18%	22%	35%	45%
Net gearing, EFV adjusted	3%	-13%	17%	29%	28%
Return on Capital Employed (ROCE)	16.0%	27.8%	16.9%	29.2%	14.9%
Return on Equity (ROE)	16.2%	31.1%	19.5%	44.9%	15.0%
Net debt (+)/Net cash (-), EUR million	35.3	-125.4	128.2	187.0	93.5
Equity per share, EUR ³⁾	12.47	11.32	8.86	8.17	5.07
External Fair Value per share, EUR ³⁾	16.44	15.10	11.83	10.08	9.40
Earnings per share, EUR ³⁾	1.88	2.96	1.67	2.44	0.76
Dividend per share, EUR ^{2),3)}	0.48	0.53	0.42	0.40	0.34

¹⁾ Restated due to discontinued operations.

²⁾ 2017 figure is based on proposal by the board.

³⁾ The number of shares was increased in April 2017, by issuing new shares to the shareholders without payment in proportion to their holdings, so that 99 new shares were given for each existing 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

Net debt	$\frac{\text{Interest bearing liabilities - Cash and cash equivalents}}{\text{Total equity}}$	Equity per share	$\frac{\text{Equity attributable to equity shareholders of the parent company}}{\text{Number of shares at the end of fiscal year}}$
Equity ratio	$\frac{\text{Total equity}}{\text{Total assets - Advances received}}$	External Fair Value per share	$\frac{\text{External Fair Value}}{\text{Number of shares at the end of fiscal year}}$
Net gearing	$\frac{\text{Interest bearing liabilities - Cash and cash equivalents}}{\text{Total equity}}$	Return on Capital Employed	$\frac{\text{Operating profit + Interest and other financial income}}{\text{Total assets - Non-current liabilities, on average for accounting period}}$
Net gearing, EFV adjusted	$\frac{\text{Interest bearing liabilities - Cash and cash equivalents}}{\text{External Fair Value}}$	Return on Equity	$\frac{\text{Profit for the period}}{\text{Total equity (annual average)}}$
Earnings per share	$\frac{\text{Profit for the period - Non-controlling interest}}{\text{Number of shares at the end of fiscal year}}$		

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Consolidated Statement of Income

TEUR	Note	2017	2016
Continuing operations			
Revenue	8	1,043,767	1,016,867
Other operating income	9	55,546	9,046
Materials and services	10	-702,415	-690,322
Depreciation, amortisation and impairment	19, 23	-25,735	-24,488
Employee benefits	14	-213,770	-197,315
Other operating expenses	11	-90,169	-87,387
		-976,543	-990,466
Share in results of associated companies	24	62,624	10,212
Operating profit		129,848	36,613
Financial income	12	8,540	13,600
Financial expenses	13	-12,416	-22,513
Profit before tax		125,972	27,700
Income taxes	17	-7,783	-2,718
Profit for the period from continuing operations		118,189	24,982
Profit for the period from the discontinued operations			168,730
Profit for the period		118,189	193,711
Profit for the period attributable to:			
Equity holders of the parent		118,179	186,384
Non-controlling interests		10	7,327
		118,189	193,711

Consolidated Statement of Comprehensive Income

TEUR	Note	2017	2016
Profit for the period		118,189	193,711
Other comprehensive income			
Items that will not be reclassified subsequently to statement of income			
Remeasurement of defined benefit plans		2,012	-432
Income tax relating to remeasurements		-497	258
Share of other comprehensive income of associates		1,130	-1,059
		2,645	-1,234
Items that may be reclassified subsequently to statement of income			
Exchange differences on translation of foreign operations		-1,885	793
Available-for-sale financial assets - net change in fair value		-936	-544
Available-for-sale financial assets - reclassified to statement of income			-285
Income tax relating to changes in available-for-sale financial assets		187	166
		-749	-663
Cash flow hedges - net change in fair value		-19	177
Cash flow hedges - reclassified to statement of income			2,439
Income tax relating to changes in cash flow hedges		4	-523
		-15	2,093
Share of other comprehensive income of associates		-12,641	4,633
Other comprehensive income to be reclassified to statement of income in subsequent periods		-15,290	6,856
Other comprehensive income for the period, net of tax	31	-12,645	5,623
Total comprehensive income for the period		105,544	199,334
Total comprehensive income attributable to:			
Equity holders of the parent		105,545	192,441
Non-controlling interests		-1	6,893
		105,544	199,334

Consolidated Statement of Financial Position

TEUR	Note	December 31, 2017	December 31, 2016
Assets			
Non-current assets			
Goodwill	19, 20	84,555	84,639
Other intangible assets	19	8,955	8,242
Property, plant and equipment	23	120,013	127,429
Investment properties	21	131,441	111,738
Biological assets	22	108,311	98,361
Investments in associates	24	379,155	169,887
Non-current financial assets	28	12,380	35,116
Deferred tax assets	18	9,466	12,584
		854,276	647,996
Current assets			
Inventories	25	137,551	107,993
Trade and other receivables	26	152,377	127,665
Tax receivable, income tax		1,082	976
Cash and cash equivalents	27	94,961	204,112
		385,971	440,745
Total assets		1,240,248	1,088,741

TEUR	Note	December 31, 2017	December 31, 2016
Equity and liabilities			
Equity attributable to equity shareholders of the parent company			
	31		
Share capital		38,771	38,771
Share premium		12,774	12,774
Unrestricted equity reserve		104,336	104,336
Reserves		-144	298
Translation differences		-9,023	5,242
Retained earnings		637,490	550,312
		784,204	711,734
Equity attributable to equity of non-controlling holders		778	774
Total equity		784,982	712,508
Non-current liabilities			
Interest-bearing loans and borrowings	28	55,715	56,139
Net employee defined benefit liabilities	16	6,866	9,837
Provisions	32	21,854	25,281
Deferred tax liabilities	18	34,582	34,382
Other liabilities	28	8,678	6,609
		127,694	132,247
Current liabilities			
Interest-bearing loans and borrowings	28	74,578	22,617
Trade and other payables	33	239,536	213,418
Provisions	32	11,782	6,908
Tax liability, income tax		1,676	1,043
		327,572	243,986
Total liabilities		455,266	376,233
Total equity and liabilities		1,240,248	1,088,741

Consolidated Statement of Changes in Equity

Equity attributable to equity shareholders of the parent company

TEUR	Share capital	Share premium	Unrestricted equity reserve	Available-for-sale reserve	Cash flow hedge reserve	Legal reserve	Foreign currency	Retained earnings	Total	Non-controlling interests	Total equity
							translation reserve				
January 1, 2017	38,771	12,774	104,336	-1,229	426	1,100	5,242	550,312	711,734	774	712,508
Profit for the period								118,179	118,179	10	118,189
Other comprehensive income				-749	-258		-14,265	2,638	-12,634	-11	-12,645
Total comprehensive income				-749	-258		-14,265	120,817	105,545	-1	105,544
Dividends paid								-33,330	-33,330		-33,330
Reclassifications						566		-566	0		0
Other changes								257	257	5	262
December 31, 2017	38,771	12,774	104,336	-1,978	168	1,666	-9,023	637,490	784,204	778	784,982

TEUR	Share capital	Share premium	Unrestricted equity reserve	Available-for-sale reserve	Cash flow hedge reserve	Legal reserve	Foreign currency	Retained earnings	Total	Non-controlling interests	Total equity
							translation reserve				
January 1, 2016	38,771	12,774	104,336	-566	-1,855	3,163	537	399,895	557,057	36,288	593,346
Profit for the period								186,384	186,384	7,327	193,711
Other comprehensive income				-663	2,281		4,705	-265	6,057	-434	5,623
Total comprehensive income				-663	2,281		4,705	186,119	192,441	6,893	199,334
Dividends paid								-26,413	-26,413		-26,413
Change in non-controlling interests								-1,658	-1,658	-985	-2,643
Disposal of subsidiary						-205		-6,401	-6,606	-41,733	-48,339
Reclassifications						-1,699		1,699	0		0
Other changes						-158		-2,929	-3,087	311	-2,776
December 31, 2016	38,771	12,774	104,336	-1,229	426	1,100	5,242	550,312	711,734	774	712,508

Consolidated Statement of Cash Flows

TEUR	Note	2017	2016	TEUR	Note	2017	2016
Operating activities				Investing activities			
Profit for the period		118,189	193,711	Acquisition of subsidiaries, net of cash	6	-7,753	-1,338
Adjustments to reconcile profit to net cash flows				Disposal of subsidiaries, net of cash		54	173,007
Depreciation and impairment		23,814	36,872	Investments in associated companies	6	-174,804	-23,129
Gains and losses on disposal of fixed assets and other non-current assets		-34,721	-152,972	Proceeds from associated companies		35,788	
Share in results of associated companies		-62,624	-10,212	Purchase of financial investments		-10	-641
Unrealised foreign exchange gains and losses		3,129	1,094	Proceeds from financial investments		277	3,800
Change in fair value of investment properties and biological assets		-16,319	-661	Investments in tangible and intangible assets		-28,196	-40,963
Other non-cash items		577		Disposal of tangible and intangible assets		5,021	11,155
Financial income and expenses		1,894	16,947	Loans granted		-745	-915
Income taxes		7,783	8,274	Repayment of loan receivables		21,015	500
Other adjustments		3,109	-3	Net cash flows from / used in investing activities		-149,353	121,478
Change in working capital				Financing activities			
Change in inventories		-19,916	-6,014	Loan withdrawals, non-current			190,000
Change in trade and other receivables		-13,677	-28,922	Loan repayments, non-current		-164	-274,781
Change in trade and other payables		13,192	27,553	Loan withdrawals, current		48,880	
Change in provisions		4,451	-1,378	Loan repayments, current		-14,960	-51,438
Interest paid		-4,145	-17,586	Change in current borrowings		12,689	3,528
Dividends received		13,689	6,665	Purchasing shares from non-controlling owners			-2,320
Interest received		792	1,269	Finance lease payments		-3,617	-2,717
Other financing items		-5,142	1,690	Dividends paid		-33,374	-26,448
Income taxes paid		-2,934	-13,632	Net cash flows from / used in financing activities	28	9,455	-164,175
Net cash flows from operating activities		31,141	62,696	Net increase in cash and cash equivalents		-108,757	19,998
				Cash and cash equivalents on January 1		204,112	185,488
				Net foreign exchange difference		-394	-1,375
				Cash and cash equivalents on December 31	27	94,961	204,112

Notes to the Consolidated Financial Statements

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, 2017 were authorised for issue in accordance with a resolution of the Board of Directors on March 2, 2018. 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 5. Information on other related party relationships of the Group is provided in Note 35.

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 at December 31, 2017. 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 investment properties, derivative financial instruments, available-for-sale (AFS) financial assets, contingent consideration and standing forest that have been measured at their fair value. The Group's consolidated financial statements are presented in euro (EUR), which is also the parent company's functional currency. All values are rounded to the nearest thousand (TEUR), 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, 2017. 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 of 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.

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 ventures

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 between 10-30% 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%.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control 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 in-

fluence or joint control are similar to those necessary to determine control over subsidiaries. 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 recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and 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 specific recognition criteria described below must also be met before revenue is recognised.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

The revenue of long-term projects is recognised as such with reference to the stage of completion, when the final financial result for the project can be estimated reliably. The stage of completion 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. Expenditure that relates to a project still not entered as income is recognised as long-term projects in progress under inventories. 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. 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. 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 expected loss is entered as a direct cost.

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.

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available-for-sale financial assets, interest income 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 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 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

Leases related to property, plant and equipment in which all material rewards and risks of ownership have been transferred to Group are classified as finance lease. When the Group is the lessee, finance leases are recognised at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Finance leases are arrangements that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of income.

The leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

The lease agreements that are not fulfilling the criteria of financial leases are dealt as operating leases. Operating lease payments are recognised as an operating expense in the statement of income on a straight-line basis over the lease term.

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 Groups 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.

REPORT OF THE BOARD OF DIRECTORS	KEY FIGURES	FINANCIAL STATEMENTS	AUDITOR'S REPORT	PROPOSAL FOR THE DISTRIBUTION OF PROFITS	SHARES AND SHAREHOLDERS
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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

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value. 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 fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as financial items (negative or positive net changes in fair value) in the statement of income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in financial income in the statement of income. The losses arising from impairment are recognised in the statement of income in financial costs for loans

and in cost of sales or other operating expenses for receivables.

Loans and receivables 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 are measured individually. Credit losses are expensed immediately when indication exists that the Group is not able to collect its trade receivables according to initial agreements. Trade receivables may be sold to other lending institutions.

Available-for-sale financial assets

Available-for-sale (AFS) financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial investments are measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the AFS reserve. Accumulated gains or losses are reclassified from the AFS reserve to the statement of income.

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.

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For AFS financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. The Group determines that if the investment, which has to pass the materiality threshold, has impaired continuously for longer than 12 months, impairment loss has to be recognised. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of income – is removed from OCI and recognised in the statement of income. Impairment losses on equity investments are not reversed through statement of income; increases in their fair value after impairment are recognised in OCI. If the AFS investment is sold, the fair value recognised in OCI is recognised in the statement of income.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of income.

If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of income, the impairment loss is reversed through the statement of income.

Financial liabilities

The Group's financial liabilities are classified as financial liabilities at fair value through profit and loss, trade and other payables, loans and borrowings including bank overdrafts, or as derivatives designated as hedging instruments.

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 as defined by IAS 39.

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 recognised 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 that are an integral part of the EIR. The EIR amortisation is included in financial costs in the statement of income. For more information, see note 31.

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 resources embodying economic benefits will be required to settle the obligations. However, since it can-

not 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 18 for further information.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires the Management to make judgements, 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 judgements, 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 judgements, 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. Majority of fair values are determined based on an annual evaluation performed by independent authorised appraiser. 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 21 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 22 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 15.

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 judgement 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 17.

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 16.

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 judgement is required in establishing fair values. Judgements 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 29 for further disclosures.

Long-term projects

As described in the revenue recognition policies, the revenue and costs of a long-term project are recognised as income and expenses on the basis of the stage of completion, once the outcome of the project can be reliably estimated. Recognition associated with the stage of completion 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 projects is directly recognised as an expense. See note 8 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 20 for more details.

Segment information

IFRS applies to both the separate or individual financial statements of an entity and the consolidated financial statements of a group to provide information to the users of financial statements so that they can objectively evaluate the entity's business operations and the nature and the effects of the economic operational environment. IFRS 8 has to be applied if the entity's or group's debt or equity instruments are traded in a public market, or that files, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in the public market.

Disclosing segment information is not mandatory for Ahlström Capital Group hence the parent, Ahlström Capital Oy, does not have any publicly traded equity or debt instruments. Therefore, Ahlström Capital Group elects not to disclose segment information in its consolidated financial statements. 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 33 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.

4. IFRS amendments

New and amended standards applied in financial year ended

The Group has applied as from 1 January 2017 the following new and amended standards that have come into effect.

- Amendments to IAS 7 Disclosure Initiative (effective for financial years beginning on or after 1 January 2017). The changes were made to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments have an impact on the disclosures in Ahlström Capital Group's consolidated financial statements.
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (effective for financial years beginning on or after 1 January 2017). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments have no impact on Ahlström Capital Group's consolidated financial statements.
- Amendments to IFRS 12*, Annual Improvements to IFRSs (2014-2016 cycle) (effective for financial years beginning on or after 1 January 2017). The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments have no impact on Group's consolidated financial statements.

* Not yet endorsed for use by the European Union as of 31 December 2017.

Adoption of new and amended standards and interpretations applicable in future financial years

The Ahlström Capital Group has not yet adopted the following new and amended standards and interpretations already issued by the IASB. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

- IFRS 9 Financial Instruments (effective for financial years beginning on or after 1 January 2018): IFRS 9 replaces the existing guidance in IAS 39. The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The impacts of IFRS 9 on Ahlström Capital Group's consolidated financial statements have been assessed and the expected impacts are minor. The expected credit losses will be recognised earlier and the presentation of financial instruments will change slightly.
- IFRS 15 Revenue from Contracts with Customers, Effective date of IFRS 15 and Clarifications to IFRS 15 (effective for financial years beginning on or after 1 January 2018): The new standard replaces current IAS 18 and IAS 11 -standards and related interpretations. In IFRS 15 a five-step model is applied to determine when to recognise revenue, and at what amount. Revenue is recognised when (or as) a com-

pany transfers control of goods or services to a customer either over time or at a point in time. As the definition of control has somewhat changed the group will not control some customer owned assets and these will not be capitalised when the new standard is implemented. The standard introduces also extensive new disclosure requirements. The impacts of IFRS 15 on the Group's consolidated financial statements have been assessed as follows:

- Key concepts of IFRS 15 are that the Group will recognise the majority of construction and maintenance as well as alliance projects over time which is mainly similar to the current IAS 11 revenue recognition practice.
- Transition method and transition options to be used are partly retrospectively with practical expedients.
- Applying the new standards will reduce 1.1.2017 retained earnings by EUR 0.3 million. Value of the PPE will decrease by EUR 11.1 million, liabilities will reduce by EUR 11.3 million and inventories by EUR 0.4 million. The 2017 revenue will be reduced by EUR 3.5 million and depreciations by EUR 3.3 million in the 2018 financial statements. The total impact to the Group's net profit will be positive about EUR 0.4 million.
- IFRS 16 Leases (effective for financial years beginning on or after 1 January 2019): The new standard replaces the current IAS 17 -standard and related interpretations. IFRS 16 requires the lessees to recognise the lease agreements on the balance sheet as a right-of-use assets and lease liabilities. The accounting model is similar to current finance lease accounting according to IAS 17. There are two exceptions available, these relate 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. The lessor accounting remains mostly similar to current IAS 17 accounting. The impacts of IFRS 16 on the Group's consolidated financial statements have been assessed as follows:
 - The impacts are expected to be significant to Groups income statement and financial position as all factory premises and leased machinery and vehicles will need to be capitalised and depreciated over the lease term instead of monthly leasing payments. Many of the current leasing contracts on premises are coming to maturity and Group is currently re-negotiating them. Based on the current contract base the impact to Group assets is material, estimated to be excess of EUR 10 million.
 - Several leasing contracts will be also included in the easements, either they are short-term lease agreements or the underlying assets value is not significant.
- Amendments to IFRS 2 - Clarification and Measurement of Share-based Payment Transactions* (effective for financial years beginning on or after 1 January 2018). The amendments clarify the accounting for certain types of arrangements. Three accounting areas are covered: measurement of cash-settled share-based payments; classification of share-based payments settled net of tax withholdings; and accounting for a modification of a share-based payment from cash-settled to equity-settled. The amendments have no significant impact on Group's consolidated financial statements.
- IFRIC 22 Interpretation Foreign Currency Transactions and Advance Consideration* (effective for financial years beginning on or after 1 January 2018). When foreign currency consideration is paid or received in advance of the item it relates to - which may be an asset, an expense or income - IAS 21 The Effects of Changes in Foreign Exchange Rates -standard is not clear on how to determine the

transaction date for translating the related item. The interpretation clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation has no impact on Group's consolidated financial statements.

- Amendments to IAS 40 - Transfers of Investment Property* (effective for financial years beginning on or after 1 January 2018). When making transfers of an investment property, the amendments clarify that a change in management's intentions, in isolation, provides no evidence of a change in use. The examples of evidences of a change in use are also amended so that they refer to property under construction or development as well as to completed property. The amendments have no impact on Group's consolidated financial statements.
- IFRIC 23 Uncertainty over Income Tax Treatments* (effective for financial years beginning on or after 1 January 2019). The interpretation brings clarity to the accounting for income tax treatments that have yet to be accepted by tax authorities. The key test is whether the tax authority will accept the company's chosen tax treatment. When considering this the assumption is that tax authorities will have full knowledge of all relevant information in assessing a proposed tax treatment. The interpretation has no impact on Group's consolidated financial statements.
- Amendments to IFRS 9: Prepayment Features with Negative Compensation* (effective for financial years beginning on or after 1 January 2019). The amendments enable entities to measure at amortised cost some prepayable financial assets with so-called negative compensation. The amendments have no impact on Group's consolidated financial statements.
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures* (effective for financial years beginning on or after 1 January 2019). The amendments clarify that a company applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. The amendments have no impact on Group's consolidated financial statements.

* Not yet endorsed for use by the European Union as of 31 December 2017.

Note 5. Group information (cont.)

<u>Divestments, liquidations, mergers</u>	<u>Country</u>	<u>Activities</u>	<u>2017</u>
AC Invest Six B.V.	Netherlands	Holding	Merged
AC Kinnistute AS	Estonia	Holding	Merged
AC Verwaltungs-GmbH	Germany	Holding	Liquidated
Ahlstrom Capital Solar PVT Ltd	India	Holding	Sold
Kasarmikatu Holding Oy	Finland	Real Estate	Sold

Note 6. Business combinations and acquisitions

Acquisitions in 2017

On February 28, 2017 Enics AG acquired 100% of shares of PKC Electronics Oy with factories in Raahe, Finland and Suzhou, China. The acquisition of PKC Electronics is in line with Enics' strategic plan to focus on growth in industrial electronics and related services. The total consideration was EUR 12.7 million. The fair values of the acquired net assets were EUR 14.6 million. The fair value of the acquired net assets exceeded the purchase consideration by EUR 1.9 million. This amount is presented as other operating income.

Investments in associated companies in 2017

On June 21, 2017 Ahlström Capital acquired shares representing 38.8% of Detection Technology Plc and 17.5% of Glaston Corporation from Oy GW Sohlberg Ab. Ahlström Capital became hence the largest shareholder in both companies. The total acquisition price for Detection Technology shares was EUR 95.1 million and the total acquisition price for Glaston shares was EUR 14.9 million. Based on the significant influence that Ahlström Capital holds through its involvement, both companies are presented as associated companies. More detailed information on associated companies is presented in note 24.

Acquisitions in 2016

Through a corporate acquisition completed on April 1, 2016, Destia acquired a majority 51% interest in ITS-Vahvistus Oy from the company's executive management. Along with the acquisition, Destia gained control in the company. As a result of the transaction, the company's name was changed to Destia Engineering Oy. Since April 1, 2016, the company has been consolidated 100% into Destia Group. The total purchase price is expected to be EUR 3.6 million. The transaction increased the Group's liabilities by EUR 2.8 million, of which the unpaid purchase price for the additional share in the company was valued at EUR 1.9 million at the reporting date December 31, 2016. The amount of the additional purchase price is affected by the company's future value creation. In other respects, the combined figures have not had a fundamental impact on the Group. The allocation of the corporate acquisition is targeted at fixed assets and intangible rights. EUR 0.8 million of goodwill resulted from the transaction. In year end 2017 the unpaid purchase price for the additional share was valued at EUR 3.3 million.

Note 7. Assets held for sale and discontinued operations

In 2017, there were no assets held for sale or discontinued operations. In September 2016, Ahlström Capital sold its 65 per cent shareholding in ÅR Packaging Group AB to CVC Capital Partners.

Profit for the year from discontinued operations

TEUR	2016
Revenue	376,236
Expenses	-350,000
	26,236
Profit on sale of shares	148,050
Profit before tax for the year from discontinued operations	174,286
Income taxes	-5,556
Profit for the year from discontinued operations	168,730

The net cash flows from discontinued operations

TEUR	2016
Net cash flow from operating activities	22,611
Net cash flow from/used in investing activities	126,939
Net cash flow from/used in financing activities	-28,984
Net cash inflow	120,566

Discontinued operations, effect on the statement of financial position

TEUR	August 31, 2016
Non-current assets	143,845
Inventories	65,721
Other receivables	90,528
Cash and cash equivalents	41,812
Financial liabilities	-105,105
Trade payables and other liabilities	-144,638
Net assets	92,163
Purchase price less costs to sell	202,656
Purchase price paid as vendor loan	-19,500
Cash and cash equivalents of discontinued operations	-41,812
Total cash flow effect of the transaction	141,344

Note 8. Revenue and construction contracts

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and 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 contractually defined terms of payment and excluding taxes or duty.

Construction contracts in progress

Revenue from long-term construction contracts is recognised in accordance with the percentage of completion method when the outcome of the contract can be estimated reliably. The majority of construction contracts in progress arise from Destia. In addition, there are some minor projects recognised on percentage of completion basis in Enics.

In Destia revenue from separately defined, long-term engineering service projects are recorded as sales under the percentage of completion method. The percentage of completion is defined as the proportion of total accumulated costs incurred to the date from the total estimated costs. The amount of project revenue and cost is based on the latest project estimates.

In Enics revenue and earnings from certain Engineering contracts are recognised on percentage of completion basis when the outcome of the project can be reliably measured. The outcome of the project can be measured reliably, when total contract revenues, costs and earnings as well as the progress of the project can be measured reliably and it is probable that the economic benefits associated with the project will flow to the Group.

Distribution of revenue by business

TEUR	2017	2016
Electronics manufacturing services (EMS)	543,460	501,137
Infrastructure and construction	478,682	493,216
Real estate	10,394	12,451
Forestry	9,202	8,201
Others	2,028	1,861
	1,043,767	1,016,867

Distribution of revenue by area

TEUR	2017	2016
Finland	593,774	579,169
Other Europe	304,473	322,304
Rest of the world	145,520	115,394
	1,043,767	1,016,867

Note 8. Revenue and construction contracts (cont.)

Construction contracts in progress

TEUR	2017	2016
Statement of income		
Revenue recognised under the percentage of completion method	424,395	444,319
Statement of financial position		
Aggregate amount of costs incurred and profits recognised (less recognised losses)	699,035	767,169
Advance payments received for unfinished projects	24,914	27,355
	55,546	9,046

Note 9. Other operating income

TEUR	2017	2016
Gain on sale of investments	32,737	1,960
Gain on sale of other tangible and intangible assets	1,999	2,470
Change in fair value of investment properties and biological assets	15,742	661
Recognition of negative goodwill	1,921	
Other	3,148	3,955
	55,546	9,046

Note 10. Materials and services

TEUR	2017	2016
Change in inventories of finished goods and work in progress	6,939	1,097
Purchases during the period	-475,455	-420,689
Change in raw material inventories	21,947	2,421
External services	-255,847	-273,151
	-702,415	-690,322

Note 11. Other operating expenses

TEUR	2017	2016
Rental expenses	-10,940	-10,307
External services	-8,794	-9,316
Other expense items	-70,435	-67,764
	-90,169	-87,387

Other expense items mainly consists of travelling, IT-expenses, maintenance and repair costs of real estate, non-statutory employee benefits, energy and leased manpower.

Research and development costs recognised at Destia and Enics amount to EUR -1,736 thousand in 2017 (-916). The research and development costs relate to personnel and other costs. There are no activated development expenditures during the reporting period.

Auditor's fee

TEUR	2017	2016
Audit fee	-447	-406
Audit related services	-17	-5
Tax consultancy	-59	-84
Other services	-122	-48
	-645	-543

Note 12. Financial income

TEUR	2017	2016
Interest income	1,341	1,233
Dividends	1,166	1,352
Foreign exchange gain	3,606	4,262
Gain on assets at fair value through profit and loss	2,393	
Other financial income	34	6,753
	8,540	13,600

Note 13. Financial expenses

TEUR	2017	2016
Interest expenses from financial liabilities	-3,950	-10,402
Interest expenses for financial leasing contracts	-593	-654
Other financial expenses	-1,886	-7,626
Foreign exchange loss	-5,986	-3,831
	-12,416	-22,513

The interest expenses from financial liabilities and other financial expenses in 2016 include the interest and expenses from Destia's redemption of bond.

Note 14. Employee benefits and number of employees

Employee benefits

TEUR	2017	2016
Wages and salaries and other remunerations	-172,783	-157,879
Pension costs	-23,428	-19,821
Other wage-related costs	-17,559	-19,615
	-213,770	-197,315
CEO's salaries	-775	-481
of which variable compensation	-275	
Remunerations to Board members	-398	-377

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

Average number of personnel

	2017	2016
Salaried	1,852	1,839
Blue-collar	3,150	2,810
	5,002	4,649

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: 2015-2017, 2016-2018 and 2017-2019. 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 participant's annual salary and are payable during 2018, 2019 and 2020 respectively.

LTI program in Destia Group Oyj

In 2014, Destia Group Oyj's Board of Directors initiated personnel long-term incentive program for 2014-2018. The purpose of the program 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 program and persons covered by it. The program covers some 75 persons. The earnings period is 2014-2018, and the earnings criterion is the value increase of the company. The criteria for the long-term incentive program are the same for all people belonging to the program. These criteria apply to the whole Destia Group and differ from the bonus scheme criteria. Remuneration accumulated in the earnings period will be paid in cash no later than in 2019.

The Group has noted the synthetic option arrangement granted to the Chairman of the Board of Destia Group by AC Infra Oy in 2015.

The effect of the above mentioned LTI programs in Ahlström Capital Group's employee benefits expense in 2017 was EUR 4.8 million (2.8) and related liability at the end of 2017 EUR 11.1 million (6.5).

Note 15. Share-based payments

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

Number of options	2017	2016
Outstanding on January 1	119,157	110,657
Granted during the year		8,500
Outstanding on December 31	119,157	119,157
Exercisable on December 31	119,157	119,157

Option plan 2010

The option plan was changed in 2014. Part of the granted options were settled in cash with certain participants during 2014. Regarding the remaining granted options under the amended option plan 2010, amendment agreements have been executed. These options can be settled in cash after December 31, 2020. A liability for granted options has been recognised in full extent.

Option Plan 2015 (Enics Share Awards Plan)

The Group has a new 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 entitled 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 strike 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 EUR 2,551 thousand for the granted options has been recognised to full extent. During 2017 no expenses has been recognised (2016: EUR 602 thousand). During the years 2017 and 2016 no options have been converted to original shares.

Note 16. Pension and other post-employment benefit plans

Net employee defined benefit liability

TEUR	2017	2016
Finland	3,512	4,778
Switzerland	3,354	5,059
	6,866	9,837

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

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

TEUR	2017	2016
Carrying amount on January 1	9,837	43,922
Discontinued operations		-35,127
Cost charged to statement of income		
Service cost of current period	1,080	1,531
Net interest expense	43	74
Service cost of past periods		-214
Plan settlement		-1,057
Jubilee plans	-449	183
Remeasurement gains/losses in other comprehensive income		
Actuarial gains/losses	-2,188	1,815
Benefits paid	-1,029	-1,334
Exchange difference	-428	44
Carrying amount on December 31	6,866	9,837

The expected benefit payments for the following financial year are EUR 1,160 thousand (1,287).

The main actuarial assumptions

	2017	2016
Discount rate	1.1%	1.0%
Future salary increases	1.0%	0.9%
Future pension increases *	1.8%	1.4%

* 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

	2017		2016	
	Change in assumption %	Impact on net pension provision TEUR	Change in assumption %	Impact on net pension provision TEUR
Discount rate	+/- 0.25	+ / - 1,740	+/- 0.25	+/- 2,329
Future salary increases	+/- 0.25	+ / - 125	+/- 0.25	+/- 20

Note 17. Income tax

The major components of income tax expense

TEUR	2017	2016
Consolidated statement of income		
Current income tax		
Current tax expense	-5,129	-7,356
Taxes from previous years	846	895
Deferred tax		
Change in deferred taxes	-3,501	3,743
Income tax expense reported in the statement of income	-7,783	-2,718
Consolidated statement of other comprehensive income		
Deferred tax related to items recognised in OCI during the year		
Related to changes in available-for-sale financial assets	187	166
Related to remeasurements of defined benefit plans	-497	258
Related to changes in cash flow hedges	4	-523
Income tax reported in other comprehensive income	-306	-99

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

TEUR	2017	2016
Profit before tax	125,972	27,700
Tax calculated using Finnish tax rates (20%, 2016: 20%)	-25,194	-5,540
Difference between Finnish and foreign tax rates	-912	-2,772
Non-taxable income	19,873	2,479
Non-deductible expenses	-1,038	1,329
Utilisation of previously unrecognised tax losses	-381	958
Adjustments of previous years current income tax	846	895
Other	-977	-68
Effective income tax 6.2% (9.8)	-7,783	-2,718
Total income tax for the period	-7,783	-2,718

Note 18. Deferred tax

Changes in deferred tax assets

2017 TEUR	January 1, 2017	Recognised in the statement of income	Recognised in other comprehensive income	Recorded directly into equity	Discontinued operations	Business combinations	Translation difference	December 31, 2017
Unused tax losses	437	-233				212	-40	376
Pension benefits	1,478	20	-497	77			-123	954
Provisions	1,481	583					2	2,066
Inventories internal margin	51	41				25		118
Available-for-sale financial assets	93		187					280
Investment properties	3,457	-3,426						30
Derivatives	9		3					12
Other	5,579	-33				170	-86	5,631
	12,584	-3,047	-307	77		407	-248	9,466

2016 TEUR	January 1, 2016	Recognised in the statement of income	Recognised in comprehensive income	Recorded directly into equity	Discontinued operations	Business combinations	Translation difference	December 31, 2016
Unused tax losses	11,382	113			-11,059		1	437
Pension benefits	6,070	-196	258	89	-4,752		8	1,478
Provisions	1,702	-221						1,481
Inventories internal margin	44	8						51
Available-for-sale financial assets			93					93
Investment properties	3,672	-216						3,457
Derivatives	531		-523					8
Other	6,847	-148			-1,046		-72	5,580
	30,249	-661	-172	89	-16,857		-64	12,584

Note 18. Deferred tax (cont.)

Changes in deferred tax liabilities

2017 TEUR	January 1, 2017	Recognised in the statement of income	Recognised in other comprehensive income	Recorded directly into equity	Discontinued operations	Business combinations	Translation difference	December 31, 2017
Intangible assets and property, plant and equipment	5,303	-158				13	-55	5,104
Investment properties	6,371	4,209				87		10,667
Biological assets	19,205	-3,041						16,164
Other	3,504	-557		-516		356	-138	2,648
	34,383	453		-516		456	-193	34,582

2016 TEUR	January 1, 2016	Recognised in the statement of income	Recognised in other comprehensive income	Recorded directly into equity	Discontinued operations	Business combinations	Translation difference	December 31, 2016
Intangible assets and property, plant and equipment	6,367	-609		1,321	-1,777			5,303
Available-for-sale financial assets	72		-72					0
Investment properties	9,005	-2,635						6,371
Biological assets	18,570	635						19,205
Other	6,193	-1,795		181	-1,222	282	-136	3,504
	40,208	-4,404	-72	1,503	-2,999	282	-136	34,382

Reflected in the statement of financial position

	2017	2016
Deferred tax assets	9,466	12,584
Deferred tax liabilities	34,582	34,382
Deferred tax assets/liabilities, net	-25,115	-21,798

On December 31, 2017 the Group had tax loss carry forwards of EUR 25.0 million in total of which EUR 1.4 million has no expiration period. Regarding losses amounting to EUR 23.0 million no deferred tax asset was recognised due to the uncertainty of utilisation of these tax loss carry forwards.

Note 19. Intangible assets

TEUR	Goodwill	Intangible rights	Other intangible assets	Advances paid	Total
Acquisition cost					
January 1, 2017	84,639	35,595		409	120,643
Additions		136		168	305
Disposals	-4	-523			-527
Business combinations		487	800		1,287
Reclassification		4,068		-467	3,601
Exchange differences	-80	-2,195		-24	-2,299
December 31, 2017	84,555	37,570	800	86	123,011
Accumulated amortisation and impairment					
January 1, 2017		-27,762			-27,762
Amortisation for the year		-3,964	-167		-4,131
Disposals		535			535
Exchange differences		1,942			1,942
Impairment		-85			-85
December 31, 2017		-29,334	-167		-29,501
Net book value					
December 31, 2017	84,555	8,236	633	86	93,597

TEUR	Goodwill	Intangible rights	Other intangible assets	Advances paid	Total
Acquisition cost					
January 1, 2016	98,100	32,528	14,407	625	145,660
Additions		254	861	87	1,202
Disposals		-154			-154
Business disposals	-13,422	-593	-14,975		-28,990
Business combinations	820	704			1,524
Reclassification		2,710	15	-293	2,432
Exchange differences	-859	146	-308	-11	-1,032
December 31, 2016	84,639	35,595	0	409	120,643
Accumulated amortisation and impairment					
January 1, 2016		-25,037	-9,057		-34,094
Amortisation for the year		-3,120			-3,120
Disposals		46			46
Business disposals		501	8,869		9,370
Exchange differences		-151	188		37
December 31, 2016		-27,762	0		-27,762
Net book value					
December 31, 2016	84,639	7,833	0	409	92,881

Note 20. Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to Ahlström Capital's Portfolio companies regarded as CGUs, which are also operating and reportable segments for impairment testing.

Carrying amount of goodwill allocated to each of the CGUs

TEUR	2017	2016
Destia	83,649	83,649
Enics	907	990
	84,555	84,639

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 9.0% and Destia 8.6%.

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 21. Investment properties

TEUR	2017	2016
January 1	111,738	153,424
Additions	816	276
Acquisition through business combination	801	
Disposals	-2,308	-39,511
Reclassification	13,344	427
Change in fair value	14,376	-2,879
Change in valuation principles	-7,325	
December 31	131,441	111,738

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, 2017, the fair values of the investment properties are mostly based on valuations performed by an accredited external independent valuer - covering the total value of built investment properties. The rest of the investment properties consists of forest land and other land areas.

A. Ahlström Kiinteistö Group started significant renovation work in Kiinteistö Oy Lahden Kulmala's property in 2014. The renovation work is mostly completed and the property was classified as investment properties in 2017.

In 2017, the valuation principle of forest land was changed. More information about this change is presented in note 22.

Profit arising from investment properties carried out at fair value

TEUR	2017	2016
Rental income derived from investment properties	6,983	10,081
Direct operating expenses generating rental income	-2,869	-4,514
	4,115	5,567

Note 21. Investment properties (cont.)

Specification by use of the investment properties

TEUR	Office and retail properties	Factory and logistics properties	Other properties	Unbuilt land
January 1, 2017	83,300	2,000	7,021	19,417
Additions	54	9	523	229
Acquisition through business combination		801		
Disposals			-849	-1,460
Reclassification	13,436		-43	-49
Change in fair value	15,203	-100	-2,023	1,295
Change in valuation principles				-7,325
December 31, 2017	111,993	2,710	4,629	12,109

TEUR	Office and retail properties	Factory and logistics properties	Other properties	Unbuilt land
January 1, 2016	86,400	37,420	9,642	19,963
Additions			20	257
Disposals		-35,420	-2,711	-1,379
Reclassification	407		10	11
Change in fair value	-3,507		60	567
December 31, 2016	83,300	2,000	7,021	19,417

Sensitivity analysis

A sensitivity analysis for the value of investment properties was made to find out the uncertainties in future development. The lease agreements are examined by change in yield rate. The primary yield rate varies and the rate is defined separately for the properties. The sensitivity analysis is based on valuations performed by an external valuer and it covers the total value of built investment properties.

Results of the sensitivity analysis

TEUR	2017	2016
Yield -1 percentage point	128,000	98,600
Yield +/-0 percentage point	118,900	91,800
Yield +1 percentage point	109,900	85,500

Approximately 68% of Group's investment properties have been utilised as collateral for own commitments. Commitments are disclosed in note 34.

Note 22. Biological Assets

The Group's biological assets consist of growing stock. Its forest assets are approximately 33,000 hectares. The total volume of growing stock in the company's forests is about 5.0 million m³. In 2017 the harvested amount was approximately 166,000 m³ (151,000). In 2017 Group purchased round 450 hectares of forest. Total effect in forest assets was EUR 1.8 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 2017 the valuation principle of growing stock and forest land was changed. The fair value effect of these changes is specified in the table below. Currently, the cashflows include growing stock until final cutting, whereas in previous years also the regeneration costs and future incomes and costs were included for a 100 year period. In 2017 the value of bare forest land is discounted from all cashflows from regeneration until final cutting. In previous years the value of forest land was based on a table value available for bare forest land. The same discount rate is used for both valuations with the new valuation principle.

The discount rate used for valuation is 4.6% (4.6) real weighted-average-cost-of-capital (WACC). In an annual review it was shown that the average of the reference rates is the discount rate in use. The study was made by an external valuer. 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 21). The value of forest land is EUR 6.5 million in 2017 (13.6). The total value of growing stock and forest land is EUR 114.8 million in 2017 (112.0).

The change in the value of the growing forests

TEUR	Biological assets	Forest land*	Forest total
January 1, 2017	98,361	13,649	112,010
Additions	1,557	202	1,759
Disposals	-297	-53	-350
Reclassification	-1		-1
Change due to harvesting	-5,554		-5,554
Change due to annual growth	4,705		4,705
Change in fair value	9,540	-7,326	2,214
December 31, 2017	108,311	6,472	114,783

TEUR	Biological assets	Forest land*	Forest total
January 1, 2016	93,257	13,444	106,701
Additions	1,929	217	2,146
Disposals	-344	-39	-383
Reclassification	-21	61	40
Change due to harvesting	-4,904		-4,904
Change due to annual growth	5,001		5,001
Change in fair value	3,443	-34	3,409
December 31, 2016	98,361	13,649	112,010

* Forest land reported according IAS 40 as investment property, see note 21.

Sensitivity analysis

A sensitivity analysis for the value of growing stock was made to find out the uncertainties in future development. The results 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.

Results of the sensitivity analysis

2017 TEUR	Discount rate		
	3.6%	4.6%	5.6%
Timber prices -10%	118,189	96,186	80,737
Timber prices +10%	147,776	120,436	101,213
Stable prices and costs	132,982	108,311	90,975
Costs -10%	134,390	109,518	92,028
Costs +10%	131,574	107,104	89,922

2016 TEUR	Discount rate		
	3.6%	4.6%	5.6%
Timber prices -10%	105,117	86,034	72,750
Timber prices +10%	135,593	110,768	93,502
Stable prices and costs	120,355	98,361	83,126
Costs -10%	123,669	101,039	85,301
Costs +10%	117,041	95,763	80,951

At the end of the year Group has no forest assets utilised as collateral. Commitments are disclosed in note 34.

Note 23. Property, plant and equipment

TEUR	Land and water areas	Buildings and constructions	Buildings and constructions, finance lease	Machinery and equipment	Machinery and equipment, finance lease	Other tangible assets	Advances paid and construction in progress	Total
Acquisition cost								
January 1, 2017	8,939	34,067	653	114,826	55,619	25,834	13,467	253,406
Additions	33	285	167	11,045	2,533	447	14,354	28,864
Disposals	-8	-53	-326	-2,244	-273	-509	-67	-3,480
Business combinations		726		3,395				4,122
Reclassification	-2,010	3,599		5,489		46	-24,160	-17,037
Exchange differences		-728		-2,636	-1,546		-104	-5,015
December 31, 2017	6,955	37,895	494	129,875	56,333	25,818	3,490	260,860
Accumulated depreciation and impairment								
January 1, 2017		-13,812	-385	-64,879	-43,963	-2,938		-125,977
Depreciation for the year		-2,195	-155	-13,722	-3,817	-1,235		-21,125
Impairment		-42		-352		-1		-395
Disposals		22	326	2,092	138			2,578
Reclassification		162		-13		-6		143
Exchange differences		613		2,094	1,222			3,928
December 31, 2017		-15,252	-214	-74,781	-46,421	-4,180		-140,847
Net book value								
December 31, 2017	6,955	22,643	280	55,095	9,912	21,638	3,490	120,013

Acquisition cost

Note 23. Property, plant and equipment (cont.)

TEUR	Land and water areas	Buildings and constructions	Buildings and constructions, finance lease	Machinery and equipment	Machinery and equipment, finance lease	Other tangible assets	Advances paid and construction in progress	Total
January 1, 2016	23,110	71,026	743	326,562	77,346	29,087	15,840	543,714
Additions	19	1,724	50	19,737	5,543	1,631	14,291	42,994
Disposals	-429	-465	-139	-5,958	-794	-189	-731	-8,706
Business disposals	-13,761	-36,636		-241,251	-17,467	-4,972	-4,810	-318,897
Business combinations	30	386		2,270		10		2,696
Reclassification		-1,772		14,968	-7,600	252	-11,073	-5,225
Exchange differences	-29	-196		-2,649	-1,409	16	-49	-4,317
December 31, 2016	8,939	34,067	653	114,826	55,619	25,834	13,467	253,406
Accumulated depreciation and impairment								
January 1, 2016	-294	-32,854	-325	-221,277	-54,344	-5,191		-314,286
Depreciation for the year		-2,393	-199	-12,139	-5,253	-1,385		-21,368
Disposals		131	139	4,456	538			5,264
Business disposals	284	19,292		165,937	10,227	3,534		199,274
Reclassification		1,949		-3,656	3,972	121		2,386
Exchange differences	10	63		1,799	897	-17		2,752
December 31, 2016	0	-13,812	-385	-64,879	-43,963	-2,938		-125,977
Net book value								
December 31, 2016	8,939	20,255	268	49,947	11,656	22,896	13,467	127,429

On December 31, 2017 the Group had contractual commitments EUR 2.2 million in total of which EUR 1.7 million was recognised in property, plant and equipment.

Note 24. Investments in associated companies

Ahlström Capital's strategy for investments in listed companies is to have between 10-30% 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

On April 1, 2017, Ahlstrom Corporation was merged into Munksjö Oyj, and the name of the company was changed to Ahlström-Munksjö Oyj. The combination created a global leader in innovative and sustainable fiber-based materials with combined pro forma revenue of approximately EUR 2.15 billion, around 6,000 employees, and 41 production and converting facilities in 14 countries.

Prior to the merger Ahlström Capital had a notable 12.1% interest in Ahlstrom and a notable 18.1% interest in Munksjö. Ahlström Capital became the major shareholder in the merged company with 15.3% share. During the year, the Group increased its holding in Ahlstrom-Munksjö to 18.4%.

The share in result of Ahlstrom-Munksjö includes the effect of EUR 44.1 million from the merger. This was due to the fair value valuation of assets of Ahlstrom.

Suominen

At the end of 2017 the Group had a 24.0% interest in Suominen Oyj. Suominen is the global market leader in nonwovens for wipes. The company manufactures nonwovens as roll goods for wipes and for hygiene products and medical applications.

Detection Technology

From June 21, 2017 the Group had a notable 38.77% interest in Detection Technology. In December, 2017, Ahlström Capital's shareholding was diluted to 37.5%. Detection Technology is a global provider of X-ray imaging subsystems, components and services for medical, security and industrial applications. Share in result of Detection Technology has been recorded in the Group since the third quarter of 2017. Detection Technology prepares its Financial Statements according to Finnish Accounting Act.

Glaston

Since June 21, 2017 the Group has had a notable 17.52% interest in Glaston. Glaston is an international frontrunner in glass processing technologies and services. The company provides a wide and advanced range of glass processing heat treatment machines, maintenance and upgrade services, tools, and expert services. Share in result of Glaston has been recorded in the Group since the third quarter of 2017.

Cleantech Fund

The Group has a 29% 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.

Kasarmikatu 21

Since March 2016, Ahlström Capital has had a 40% interest in Kasarmikatu Holding Oy, through which Kasarmikatu 21 property was developed in collaboration with Ahlström Capital, HGR Property Partners and YIT. In December, 2017, the developers completed the sale of the property to CNP Assurances. The gain on sale amounted to EUR 32.8 million.

Changes in investments in associates

TEUR	2017	2016
January 1	169,887	134,986
Share of profit/loss	62,624	10,212
Share of other comprehensive income items	-11,511	3,574
Share of direct adjustments to equity	-624	
Dividends and return of equity	-12,523	-5,313
Additions	174,804	23,129
Disposals	-3,501	-700
Reclassifications*		4,000
December 31	379,155	169,887

* Following the business arrangements Kasarmikatu Holding Oy became an associated company in March 2016 being until then a subsidiary.

Note 24. Investments in associated companies (cont.)

Summarised financial information for associates

Summarised statement of comprehensive income

TEUR	Ahlstrom		Ahlstrom-Munksjö Oyj		Suominen		Detection Technology		Glaston		AC Cleantech Growth Fund	
	Q1 2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenue	272,700	1,085,900	1,959,900	1,142,900	426,000	416,862	89,003	75,509	110,400	107,100		56
Operating profit/loss	32,400	70,800	103,500	74,900	15,000	25,622	19,892	14,808	5,000	2,300	-2,876	-12,917
Profit/loss for the period from continuing operations	19,600	34,900	66,500	43,300	14,500	15,233	15,152	10,890	2,900	1,000	-2,958	-15,393
Profit/loss for the period from discontinued operations												
Profit/loss for the period	19,600	34,900	66,500	43,300	14,500	15,233	15,152	10,890	2,900	1,000	-2,958	-15,393
Other comprehensive income												
Items that will not be reclassified to the statement of income	1,700	-4,600	5,900	-3,300	11	-93						
Items that may be reclassified subsequently to the statement of income	2,600	5,600	-55,200	12,400	-15,510	7,644			-800			
Total comprehensive income for the period	23,900	36,000	17,200	52,400	-15,500	22,784			2,100	1,000		
Group's share of the profit/loss for the period	2,307	3,838	55,475	6,708	3,778	4,031	2,240		438		-1,005	-4,280
Group's share of the other comprehensive income	494	139	-7,958	1,428	-4,012	2,007			-35			

Summarised statement of financial position

TEUR	Ahlstrom		Ahlstrom-Munksjö Oyj		Suominen		Detection Technology		Glaston		AC Cleantech Growth Fund	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Current assets		285,600	792,600	444,200	145,318	136,929	56,516	47,874	45,600	48,100	307	501
Non-current assets		492,100	1,604,200	742,300	180,349	178,698	5,856	6,346	50,000	52,900	13,877	16,703
Held for sale assets		50,400										
Current liabilities		294,300	594,600	321,800	78,304	73,590	20,733	22,627	44,600	56,100	27	27
Non-current liabilities		167,900	764,100	427,000	111,246	99,214		683	13,000	9,100	2,633	2,696
Liabilities associated with held for sale assets		50,100										
Equity		315,800	1,038,000	437,700	136,117	142,824	41,639	30,909	38,000	35,900	11,524	14,481
Carrying amount of the investment		42,621	217,744	73,055	48,250	48,830	97,363		15,336		461	1,466
Interest held	12.1%*	11.66%	18.37%	17.11%	23.95%	27.01%	37.45%		17.52%		29.00%	29.00%
Fair value of the investment		82,302	321,807	138,061	61,674	57,767	93,589		15,948			
Dividend received		2,752	1,589	8,236	2,369	1,354						

* Shareholding prior to the merger, on March 31, 2017.

The impact of the hybrid bonds of Suominen Oyj and Ahlstrom Oyj have been considered.

Note 25. Inventories

TEUR	2017	2016
Raw materials	102,135	79,912
Work in progress	16,863	14,383
Finished goods	18,359	13,669
Advance payments for inventories	195	29
Total inventories at the lower of cost and net realisable value	137,551	107,993

In 2017, EUR 4.0 million (2.6) impairment for obsolete inventories has been recognised in the consolidated statement of income.

In 2016 inventories include also properties constructed for sale of total value EUR 1.8 million.

Note 26. Current trade and other receivables

TEUR	2017	2016
Trade receivables	122,120	104,333
Other receivables	6,278	5,415
Loan receivables	4,707	321
Accrued receivables	18,583	17,060
Derivatives	690	535
	152,377	127,665

Trade receivables are non-interest-bearing and generally payment terms of 30 to 90 days. Some of the Group companies have internal credit policies and credit insurance is in use, also some receivables are sold on a non-recourse basis. See note 30 for more information.

Trade receivables individually impaired

TEUR	2017	2016
January 1	1,145	721
Addition of provisions for expected losses	1,907	1,292
Unused amounts reversed	-1,132	-229
Translation difference to opening balance	-6	-5
Changes through business arrangements		-634
December 31	1,914	1,145

Ageing analysis of trade receivables

TEUR	2017	2016
Neither past due nor impaired	112,149	91,438
Past due but not impaired		
< 30 days	7,488	8,253
30-60 days	1,477	1,081
61-90 days	500	590
> 90 days	505	2,970
	122,120	104,333

Note 27. Cash and cash equivalents

TEUR	2017	2016
Cash in hand and at bank	94,961	204,112
	94,961	204,112

Note 28. Financial assets and liabilities

2017 TEUR	At cost	At amortised cost	At fair value through statement of income	At fair value through OCI	Total carrying amount	2016 TEUR	At cost	At amortised cost	At fair value through statement of income	At fair value through OCI	Total carrying amount
Non-current financial assets						Non-current financial assets					
Available-for-sale financial assets	2,278			4,638	6,916	Available-for-sale financial assets	3,863			3,342	7,205
Interest-bearing loan receivables and financial assets		2,600			2,600	Interest-bearing loan receivables and financial assets		25,022			25,022
Interest-bearing loan receivables from associates		2,711			2,711	Interest-bearing loan receivables from associates		2,632			2,632
Other receivables	153				153	Other receivables	157	100			257
Current financial assets						Current financial assets					
Trade and other receivables	146,880	100			146,980	Trade and other receivables	126,809				126,809
Interest-bearing loan receivables and financial assets		4,200			4,200	Interest-bearing loan receivables and financial assets		321			321
Non-interest-bearing loan receivables and financial assets	507				507	Derivatives			535		535
Derivatives			690		690	Cash and cash equivalents	204,112				204,112
Cash and cash equivalents	94,961				94,961		334,941	28,075	535	3,342	366,893
	244,779	9,611	690	4,638	259,718						
Non-current financial liabilities						Non-current financial liabilities					
Interest-bearing loans and borrowings						Interest-bearing loans and borrowings					
Loans from financial institutions		40,380			40,380	Loans from financial institutions		40,522			40,522
Obligations under finance lease contracts		6,778	187		6,965	Obligations under finance lease contracts		8,660			8,660
Other liabilities		8,312			8,312	Other liabilities		6,957			6,957
Derivatives			58		58	Derivatives				39	39
Other financial liabilities	8,678				8,678	Other financial liabilities	6,570				6,570
Current financial liabilities						Current financial liabilities					
Interest-bearing loans and borrowings						Interest-bearing loans and borrowings					
Loans from financial institutions		42,330			42,330	Loans from financial institutions		2,376			2,376
Bank overdrafts		8,380			8,380	Obligations under finance lease contracts		3,454			3,454
Obligations under finance lease contracts		3,676			3,676	Other liabilities		16,787			16,787
Other liabilities		20,191			20,191	Derivatives			152		152
Derivatives			898		898	Trade and other payables	213,266				213,266
Trade and other payables	238,638				238,638		219,836	78,756	152	39	298,783
	247,316	130,047	1,143		378,506						

Note 28. Financial assets and liabilities (cont.)

Changes in liabilities arising from financing activities in 2017

TEUR	January 1	Cash flows	Non-cashflow effect				December 31	
			Changes in foreign exchange rates	Changes in fair values	Acquisition of subsidiaries	Reclassification		
Non-current loans from financial institutions	40,522	-142					40,380	
Non-current other liabilities	6,957	-21		1,376			8,312	
Current loans from financial institutions	2,376	38,030	-233			2,157	42,330	
Current other liabilities	16,787	687	-952		3,669		20,191	
Bank overdrafts		8,380					8,380	
Obligations under finance lease contracts	12,114	-3,617	-390				2,535	
Other changes arising from financing activities		-488						
Dividends paid		-33,374						
	78,756	9,455	-1,575	1,376	3,669	2,157	2,535	130,234

Note 29. Fair values and fair value measurement

2017 TEUR	Carrying amount	Fair Value Level 1	Level 2	Level 3	Total
Assets measured at fair value					
Investment properties	131,441			131,441	131,441
Biological assets	108,311			108,311	108,311
Available-for-sale financial assets					
Unquoted equity shares	6,916			6,916	6,916
Derivatives not designated as hedges	690		690		690
Assets for which fair values are disclosed					
Loan receivables	10,018			10,018	10,018
	257,377		690	256,686	257,377
Liabilities measured at fair value					
Derivative financial liabilities	58		58		58
Derivatives not designated as hedges	898		898		898
Liabilities for which fair values are disclosed					
Interest-bearing loans and borrowings					
Floating rate borrowings	102,402		40,547	61,855	102,402
Fixed rate borrowings	5,000			5,000	5,000
Other interest-bearing	3,812		3,312	500	3,812
Bank overdrafts	8,380			8,380	8,380
Obligations under finance lease contracts	10,641		286	10,356	10,641
	132,147		46,056	86,091	132,147

2016 TEUR	Carrying amount	Fair Value Level 1	Level 2	Level 3	Total
Assets measured at fair value					
Investment properties	111,738			111,738	111,738
Biological assets	98,361			98,361	98,361
Available-for-sale financial assets					
Unquoted equity shares	7,205			7,205	7,205
Derivatives not designated as hedges	535		535		535
Assets for which fair values are disclosed					
Loan receivables	27,975			27,975	27,975
	245,814		535	245,279	245,814
Liabilities measured at fair value					
Derivative financial liabilities	39		39		39
Derivatives not designated as hedges	152		152		152
Liabilities for which fair values are disclosed					
Interest-bearing loans and borrowings					
Floating rate borrowings	42,942		40,733	2,209	42,942
Fixed rate borrowings	5,000			5,000	5,000
Other interest-bearing	18,700		1,935	16,765	18,700
Obligations under finance lease contracts	12,114		284	13,123	13,407
	78,947		43,142	37,097	80,240

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 fair value measurement of available-for-sale financial assets in unquoted equity shares

TEUR	2017	2016
January 1	7,205	10,737
Remeasurement recognised in OCI	-936	-463
Business combination		18
Additions	848	13
Disposals	-105	-3,126
Impairment		-3
Reclassification	-95	28
December 31	6,916	7,205

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 5 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 risk cannot be eliminated through diversification, however, it can partly be hedged against.

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's financing risk related to the availability of necessary credit is not considered to be material in the current environment. 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. 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 Groups 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.

Note 30. Financial risk management (cont.)

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 Groups revenue is in euro. In Portfolio companies there is some exposure to other major currencies such as the US dollar, the Swiss franc and the Chinese renminbi, which may result in limited fluctuations in the euro value of any such cash flows.

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 in group level.

In Real Estate operations the Groups exposure to currency risk is minimal. Forest assets are situated in Finland and the operational currency is the Euro.

Interest rate risk

Interest rate risk is considered low in the current environment of prolonged central bank assistance to the economy. This period of ultra-low interest rates is however expected to end eventually, which would result in higher financing costs to the Group. 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. 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.

At the end of the year there are no issued corporate bonds in the Group. The Portfolio company Destia redeemed the Bond for the full outstanding amount in accordance with the terms and conditions of the Bond in 2016. 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. Portfolio companies manage credit risk by their credit policies and their ways vary depending 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 business.

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.

Portfolio companies are responsible for monitoring their own liquidity position and cash flows. They maintain financing facilities that may be utilised if the need arises, and may additionally be supported by the parent company if necessary.

At the end of the year existing facilities in the Group included credit facilities (RCF) amounting to EUR 150.8 million (147.8) of which EUR 100.2 million (145.7) was unused.

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

2017 TEUR	< 1 year	2-3 years	4-5 years	> 5 years	Total
Interest-bearing loans and borrowings	71,447	46,469	3,444	20	121,380
Other financial liabilities	109,407	15,048	1,919	688	127,061
Trade payables	136,726				136,726
Derivatives	963	222			1,185
	318,543	61,739	5,363	707	386,352
2016					
Interest-bearing loans and borrowings	20,193	47,052	2,148	93	69,485
Other financial liabilities	101,969	12,343	2,633	837	117,781
Trade payables	115,461				115,461
Derivatives	217	192			408
	237,839	59,586	4,781	929	303,135

Note 30. Financial risk management (cont.)

Derivatives

Derivatives designated as hedging instruments

TEUR	Fair values		Nominal amounts	
	2017	2016	2017	2016
Liabilities				
Interest rate swaps	58	39	40,000	40,000

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

Derivatives not designated as hedging instruments

TEUR	Fair values		Nominal amounts	
	2017	2016	2017	2016
Assets				
Foreign currency forward contracts	634	437	3,173	22,428
Commodity derivatives	56	98	601	565
Liabilities				
Foreign currency forward contracts	898	152	23,754	9,282

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

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 the parent company. In order to determine the EFV of Ahlström Capital's share, the EFV of the underlying assets is appraised at each measurement date.

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 sub-groups 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.

Net debt and EFV

MEUR	Note	2017	2016
Non-current interest-bearing loans and borrowings	28	55.7	56.1
Current interest-bearing loans and borrowings	28	74.6	22.6
Less: cash and short-term deposits	27	-95.0	-204.1
Net cash (-)/ net debt (+)		35.3	-125.4
External Fair Value		1,033.7	949.8
Shareholders equity (incl. non-controlling interest)		785.0	712.5
EFV adjusted net gearing		3%	-13%
Net gearing (IFRS / Book value based)		5%	-18%

Note 31. Share capital and reserves

TEUR	Amount of shares	Share capital	Share premium	Unrestricted equity reserve	Legal reserve	Total
January 1, 2016	628,876	38,771	12,774	104,336	3,163	159,044
Other changes					-2,063	-2,063
December 31, 2016	628,876	38,771	12,774	104,336	1,100	156,981
Other changes					566	566
December 31, 2017	62,887,600	38,771	12,774	104,336	1,666	157,547

Ahlström Capital's Annual General Meeting resolved that the number of shares in the company was increased by issuing new shares to the shareholders without payment in proportion to their holdings, so that 99 new shares was given for each existing share. The share issue without payment had the same effect as a share split (1:100). After the share issue, registered in April, 2017, the number of shares of the company is 62,887,600.

OCI, net of tax

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

2017 TEUR	Available-for-sale-reserve	Cash flow hedge reserve	Foreign currency translation reserve	Retained earnings	Non-controlling interests	Total
Foreign exchange translation differences			-1,867		-18	-1,885
Available-for-sale financial assets - net change in fair value	-749					-749
Cash flow hedges - net change in fair value		-15				-15
Remeasurement gains/losses on defined benefit plans				1,508	7	1,515
Share of other comprehensive income of associates		-243	-12,398	1,130		-11,511
	-749	-258	-14,265	2,638	-11	-12,645
2016						
Foreign exchange translation differences			260		534	793
Available-for-sale financial assets - net change in fair value	-450					-450
Available-for-sale financial assets - reclassified to statement of income	-213					-213
Cash flow hedges - net change in fair value		177				177
Cash flow hedges - reclassified to statement of income		1,916				1,916
Remeasurement gains/losses on defined benefit plans				794	-968	-174
Share of other comprehensive income of associates		188	4,445	-1,059		3,574
	-663	2,281	4,705	-265	-434	5,623

The total shareholders' equity consists of share capital, share premium, unrestricted equity reserve, legal reserve, available for sale reserve, cash flow hedge 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. Legal reserves consist of amounts created from retained earnings due to specific legislation in certain countries. Available-for-sale reserve include changes in the fair values of available-for-sale instruments. Cash flow hedge 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

TEUR	Warranty provisions	Restructuring provisions	Environmental provisions	Other provisions	Total
January 1, 2016	4,005	26	13,033	12,618	29,681
Exchange differences	-10				-10
Discontinued operations	-260	-26		-226	-512
Arising during the year	2,831	838	112	7,744	11,525
Utilised	-516	-138	-1,064	-4,941	-6,659
Unused amounts reversed	-22		-2	-2,902	-2,925
Effect of discounting	106		983		1,090
December 31, 2016	6,134	700	13,063	12,293	32,189
Exchange differences	-41	-59			-100
Arising during the year	863	7,028		6,701	14,592
Utilised	-1,362	-2,503	-3	-5,095	-8,964
Unused amounts reversed	-367	-294	-98	-2,823	-3,583
Effect of discounting			-499		-499
December 31, 2017	5,227	4,871	12,462	11,075	33,635
Non-current, on December 31, 2016	4,363		12,566	8,352	25,281
Current, on December 31, 2016	1,771	700	497	3,941	6,908
Non-current, on December 31, 2017	2,746		11,817	7,291	21,854
Current, on December 31, 2017	2,481	4,871	645	3,785	11,782

Warranty provisions

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

Restructuring provisions

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

Environmental provisions

The Group has land areas that is 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 for cleaning a contaminated land area, made for cleaning the former asphalt plant.

Other provisions

Other provisions include dispute and litigation provisions, project loss provisions and other provisions.

Note 33. Trade and other payables

TEUR	2017	2016
Trade payables	136,726	115,461
Other payables	39,309	43,610
Accrued liabilities	62,603	54,195
Derivatives	898	152
	239,536	213,418

Note 34. Commitments and contingencies

Operating lease commitments – Group as lessee

The Group leases various manufacturing and office premises, machinery and vehicles under operating leases.

Future minimum rentals payable under non-cancellable operating leases

TEUR	2017	2016
Within 1 year	10,377	8,817
Between 1 and 5 years	11,180	10,496
More than 5 years	394	1,463
	21,951	20,776

Commitments and contingencies on own behalf

TEUR	2017	2016
Secured loans		
Loans from financial institutions and others	52,560	5,673
Pledged assets		
Real estate mortgages	80,350	82,859
Pledged shares	69,251	70,792
Other pledged assets	780	780
Pledged securities	16,028	16,135
Guarantees	130,292	137,410

Pledges are used as collaterals for stand-by or revolving credit facilities, of which EUR 140.8 million (137.5) is secured and EUR 10.0 million (10.0) unsecured. At the year end EUR 50.6 million (2.1) was in use.

Approximately 68% of Group's investment properties (note 21) have been utilised as collateral for own debts and reported as real estate mortgages in commitments. On December 31, 2017 none of company's forest assets (note 22) are used as pledges.

Ahlström Capital Group has a contingent VAT liability on real estate investments EUR 3.5 million (1.7) on December 31, 2017.

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 0.9 million (1.0) on December 31, 2017.

Note 35. Related party transactions

The Group's related parties include Ahlström Capital's Board of Directors and committees, its 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. Also loan transactions with associated companies in 2017 are dealt with in the note 28.

Salaries for CEO and remunerations to Board members are listed in note 14.

Business transactions with the associated companies and entities with significant influence over the Group

TEUR	2017	2016
Sales to the entity with significant influence over the Group	102	102

Compensation of personnel belonging to the related party of the Group

TEUR	2017	2016
Wages and other short-term employee benefits	1,173	835
Post-employment benefits	135	96
	1,308	931

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.

Income Statement, Parent Company

TEUR	Note	2017	2016
Net Sales	2	5,544	6,495
Other operating income	3	49	221
Personnel costs	4	-6,290	-5,520
Depreciation, amortisation and impairment	8	-1,001	-1,008
Other operating expense		-3,389	-7,112
Operating profit / loss		-5,087	-6,924
Financing income and expenses	6		
Interest and other financing income		48,969	120,060
Impairments		10,000	-4,685
Interest and other financing expenses		-1,451	-3,734
		57,518	111,641
Result before appropriations and taxes		52,431	104,717
Appropriations	7		
Change in depreciation difference		-30	-78
Group contributions		6,190	5,065
Income taxes		3	-114
Net result for the period		58,594	109,590

Balance Sheet, Parent company

TEUR	Note	December 31, 2017	December 31, 2016
Assets			
Non-current assets			
Intangible assets	8		
Intangible rights		197	197
		197	197
Tangible assets	8		
Land and water areas		26,254	26,254
Buildings and constructions		24,780	25,710
Machinery and equipment		741	812
Other tangible assets		70	70
		51,845	52,846
Investments	9		
Holdings in Group companies		410,757	256,577
Other shares		5,579	5,579
		416,336	262,156
Total non-current assets		468,378	315,199
Current assets			
Long-term receivables			
Notes receivable from Group companies	15	11,112	12,661
Notes receivable		81	421
		11,193	13,082
Short-term receivables			
Accounts receivable		80	119
Receivables from Group companies	15	6,805	8,297
Notes receivable		180	180
Other receivables		3	22
Prepaid expenses and accrued income	10	76	46
		7,144	8,664
Cash and bank		3,324	97,485
Total current assets		21,661	119,231
Total assets		490,039	434,430

TEUR	Note	December 31, 2017	December 31, 2016
Shareholders' equity and liabilities			
Shareholders' equity	11		
Share capital		38,771	38,771
Capital in excess of par value		12,774	12,774
Retained earnings (loss)		230,640	154,381
Reserve for invested non-restricted equity		104,336	104,336
Net result for the period		58,594	109,590
		445,115	419,852
Accumulated appropriations			
Depreciation difference		1,677	1,647
Taxation-based reserves			2,332
		1,677	3,979
Provisions	13		909
Liabilities			
Long-term liabilities			
Loans from others		5,000	5,000
Accrued expenses and deferred income	14	2,264	2,663
		7,264	7,663
Short-term liabilities			
Loans from financial institutions		31,000	
Advances received		5	
Accounts payable		168	88
Liabilities to Group companies	15	22	25
Other liabilities		310	263
Accrued expenses and deferred income	14	4,478	1,651
		35,983	2,027
Total liabilities		43,247	9,690
Total shareholder's equity and liabilities		490,039	434,430

Statement of Cash Flows, Parent Company

TEUR	2017	2016
Cash flow from operating activities		
Operating profit / loss	-5,088	-6,924
Depreciation and amortisation	1,001	1,008
Other adjustments	1,458	3,058
Cash flow from operations before change in net working capital	-2,629	-2,858
Change in net working capital		
Increase (-) / decrease (+) of short-term receivables	155	1,248
Increase (+) / decrease (-) of short-term non-interest-bearing liabilities	183	1,903
Cash flow from operating activities before financing items and taxes	-2,291	293
Interest and other financing income	51,494	118,104
Interest and other financing expenses	-1,321	-3,344
Income taxes	-111	
Net cash flow from operating activities	47,771	115,053
Cash flow from investing activities		
Capital expenditure		-145
Other investments	-144,244	-30,310
Proceeds from sales of non-current assets		444
Change in notes receivable and other receivables	1,802	533
Net cash flow used in investing activities	-142,442	-29,478
Cash flow from financing activities		
Change in short-term debt	28,818	-4,849
Dividends paid	-33,373	-26,413
Other changes	5,065	8,658
Net cash flow used in financing activities	510	-22,604
Change in cash and financial investments	-94,161	62,971
Cash and financial investments at beginning of period	97,485	34,514
Cash and financial investments at end of period	3,324	97,485

Notes to the Financial Statements, Parent Company

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 euro 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.

2. Net sales

Distribution of net sales by country

TEUR	2017	2016
Finland	4,763	5,152
Netherlands	781	1,343
	5,544	6,495

Distribution of net sales by business

TEUR	2017	2016
Real estate	4,426	4,421
Others	1,118	2,074
	5,544	6,495

3. Other operating income

TEUR	2017	2016
Gain on sale of non-current assets		199
Others	49	22
	49	221

4. Personnel costs

TEUR	2017	2016
Wages and salaries	5,204	4,496
Pension costs	1,036	902
Other wage related costs	49	122
	6,289	5,520

Salaries for CEOs	775	481
of which bonuses	275	
Remunerations to Board members	398	377

5. Average number of personnel

	2017	2016
Salaried	17	16

6. Financing income and expenses

Financing income

TEUR	2017	2016
Dividend income from others		21
Dividend income from Group companies	47,800	115,000
Interest and financing income from Group companies	1,164	2,312
Interest and financing income from others	5	2,727
	48,969	120,060

Financing expenses

TEUR	2017	2016
Impairment on investments	10,000	-4,685
Interest and financing expenses to others		
Interest expenses	-925	-399
Other financing expenses	-526	-3,335
	8,549	-8,419

Total financing income and expenses	57,518	111,641
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7. Appropriations

TEUR	2017	2016
Change in depreciation difference	-30	-78
Group contribution, received	6,190	5,065
	6,160	4,987

8. Intangible and tangible assets, appreciations, depreciations and write-offs

2017 TEUR	Intangible rights	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets
Acquisition cost on January 1	1,598	26,254	36,365	2,268	70
Acquisition cost on December 31	1,598	26,254	36,365	2,268	70
Accumulated depreciation and amortisation on January 1	1,401		10,656	1,456	
Depreciation and amortisation for the period			929	71	
Accumulated depreciation and amortisation on December 31	1,401		11,585	1,527	
Book value on December 31, 2017	197	26,254	24,780	741	70
2016					
Acquisition cost on January 1	4,853	26,254	36,365	2,268	70
Decreases	-3,255				
Acquisition cost on December 31	1,598	26,254	36,365	2,268	70
Accumulated depreciation and amortisation on January 1	1,401		9,719	1,384	
Depreciation and amortisation for the period			937	72	
Accumulated depreciation and amortisation on December 31	1,401		10,656	1,456	
Book value on December 31, 2016	197	26,254	25,709	812	70

9. Long-term investments

2017 TEUR	Holdings in Group companies	Other shares
January 1, 2017	256,577	5,579
Increases	153,350	
Decreases	-9,170	
Impairments	10,000	
December 31, 2017	410,757	5,579
2016		
January 1, 2016	211,267	10,366
Increases	45,310	145
Decreases		-247
Impairments		-4,685
December 31, 2016	246,577	5,579

10. Prepaid expenses and accrued income

TEUR	2017	2016
Short-term		
Accrued interest income	33	28
Periodisation of costs	43	18
	76	46

11. Shareholders' equity

TEUR	2017	2016
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		
Profit from previous financial years on January 1	263,970	180,794
Dividends paid	-33,330	-26,413
Reserve for invested non-restricted equity	104,336	104,336
Profit from previous financial years on December 31	334,976	258,717
Net profit for the period	58,594	109,590
Unrestricted shareholders' equity, total	393,570	368,307
Shareholders' equity, total	445,115	419,852

12. Share capital on December 31, 2017

	Number of shares	EUR
1 vote / share, with redemption clause	62,887,600	38,771,470

Ahlström Capital's Annual General Meeting resolved that the number of shares in the company was increased by issuing new shares to the shareholders without payment in proportion to their holdings, so that 99 new shares was given for each existing share. The share issue without payment had the same effect as a share split (1:100). After the share issue, registered in April, 2017, the number of shares of the company is 62,887,600.

13. Provisions

TEUR	2017	2016
Personnel costs		909

14. Accrued expenses and deferred income

TEUR	2017	2016
Long-term		
Personnel costs	2,264	2,663
Short-term		
Personnel costs	4,167	1,478
Interest expense	310	58
Other		115
	6,741	4,314

15. Receivables from and liabilities to Group companies

Receivables from group companies

TEUR	2017	2016
Notes receivable	10,000	15,156
Accounts receivable	615	802
Prepaid expenses and accrued income	7,302	5,000
	17,917	20,958

Liabilities to group companies

TEUR	2017	2016
Other short-term liabilities		25
Trade payables	22	
	22	25

16. Collaterals

TEUR	2017	2016
For own liabilities		
Loans	5,000	5,000
Credit facilities (RCF)	70,000	70,000
of which in use	31,000	
Amount of mortgages and pledges	80,000	80,000

17. Contingent liabilities

TEUR	2017	2016
Leasing and rental commitments		
Current portion	60	63
Non-current portion	45	74
	105	137
Commitments on behalf of Group companies		520
Contingent liabilities for Real Estate investment's VAT	288	757

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 31 December, 2017. 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 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 on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 un-

certainty 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 2, 2018

KPMG OY AB

Virpi Halonen
Authorised Public Accountant, KHT

Proposal for the Distribution of Profits

According to the parent company's balance sheet as at December 31, 2017, the total distributable funds are:

	EUR
Reserve for invested non-restricted equity	104,335,800.65
Retained earnings	230,639,831.71
Profit for the period	<u>58,593,862.85</u>
Total distributable funds	<u>393,569,495.21</u>

The Board of Directors proposes that a dividend of EUR 0.48 per share be paid on the 62,887,600 shares and the remainder retained. The total proposed dividend for 2017 is EUR 30,186,048.00.

Helsinki, March 2, 2018

Mikael Lilius
Chairman of the Board

Thomas Ahlström

Marion Björkstén

Mats Danielsson

Pekka Pajamo

Fredrik Persson

Malin Persson

Hans Sohlström
President and CEO

Shares and shareholders

Shares and share capital

Ahlström Capital's registered share capital on December 31, 2017 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 2017, Ahlström Capital had 246 shareholders. More information on shareholders is presented in the Report of the Board of Directors.

Shareholdings of the Board of Directors

On December 31, 2017 members of the Board of Directors held 528,600 shares in Ahlström Capital Oy, which represents 0.84 per cent of the shares and voting rights.

Shareholders by group on December 31, 2017*

	Number of shares	Percentage of capital stock
Companies	4,024,000	6.4
Financial and insurance institutions	375,000	0.6
Public sector entities and mutual pension insurance companies	2,349,000	3.7
Households	46,045,574	73.2
Non-profit organisations	557,444	0.9
Foreign owners	9,513,182	15.1
Others	23,400	0.0
Total	62,887,600	100

Distribution of shareholdings on December 31, 2017*

Number of shares	Number of shareholders	Percentage of shareholders	Number of shares and votes	Percentage of capital stock	Average number of shares held
1-100	75	30.5	213,762	0.34	2,850
101-500	33	13.4	900,200	1.43	27,279
501-1,000	31	12.6	2,305,256	3.67	74,363
1,001-5,000	67	27.2	16,284,082	25.89	243,046
5,001-10,000	25	10.2	17,274,300	27.47	690,972
10,001-	15	6.1	25,886,600	41.16	1,725,773
Total	246	100	62,864,200	100	255,546

* On December 31, 2017, the number of issued shares was 62,887,600, of which 23,400 shares were on the waiting list or joint account.

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 11, 2018 at 5:00 p.m. The Notice of the Annual General Meeting has been published in the Official Gazette No. 32/March 16, 2018 and sent by post to Ahlström Capital's shareholders.

Financial information

Ahlström Capital's Annual Report 2017 is available on the company's website at ahlstromcapital.com.

In 2018, the company will inform the shareholders about the development of its performance on a quarterly basis.

The company's annual report 2018 is estimated to be published in March 2019.

Information on listed companies is based on publicly available sources. Certain statements herein are not based on historical facts, including, without limitation, those regarding expectations for market growth and development, returns, and profitability. Phrases containing expressions such as "believes", "expects", "anticipates" or "foresees" are forward-looking statements. Since these are based on forecasts, estimates, and projections, they involve an element of risk and uncertainty, which may cause actual results to differ from those expressed in such expectations and statements.