

# Ahlström Capital

*Annual Report* **2011**



# Ahlström Capital

*is a private equity investment company that creates added value for its owners by channeling its investments into industrial companies, real estate and cleantech growth companies. The company is one of Finland's biggest private equity investors, with the total net sales of its portfolio companies exceeding one billion euros.*

*Ahlström Capital's strengths are its solid industrial expertise, long entrepreneurial traditions, and substantial financial resources.*

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*Ahlström Capital's*

# year 2011

- Our operative result improved.
- The net asset value of our share rose substantially, but the result reported in the financial statements is negative due to write-downs.
- Together with the investment fund Accent Equity 2008 we formed a new player in the packaging industry, AR Packaging Group.
- We exited Symbicon.
- Our cleantech fund has invested in seven companies.
- Dr. Stig Gustavson is the new chairman of our Board of Directors.



*“The year was very much two-fold: it saw major write-downs that affected the result, but also an increase in the value of our portfolio.”*

PANU ROUTILA, PRESIDENT & CEO

## VALUE ENHANCEMENT THROUGH DEVELOPMENT

For Ahlström Capital, 2011 was a year of strong development. The value of our holdings increased substantially, but our financial statements show a loss mainly owing to impairment losses recorded for the year.

In the reporting year we managed to increase the fair value of our holdings by 9 percent. The Group's accounting results show a loss of EUR –34.9 million, which is due to the losses of A&R Carton, impairment losses recorded for the year and an exit loss. These measures streamlined the content and structure of our portfolio.

Ahlström Capital is about to change the company's holding structure by transferring the operations of the Finnish and Swedish holding companies to the Netherlands. In the future, our holdings will primarily be managed through the Netherlands, where we already have our own personnel managing the holding companies. The Netherlands

offer advantages over the previous holding structure in the sense that the Dutch corporate laws cover financial instruments more extensively than the equivalent legislation and practices in Finland and Sweden. Furthermore, the Netherlands is part of the Euro zone and presents an operating environment that generally enjoys the respect of our partners.

### Change in the Board chairmanship

We received sad news in August, when Morten Ahlström, the long-standing Chairman of our company's

Board, passed away due to severe illness. We miss Morten's commitment and positive mindset. During his chairmanship Ahlström Capital evolved into one of Finland's front-line private equity investors.

The Board elected Dr. Stig Gustavson as the new Chairman. His very extensive connections and long experience in the world of industry will mean a lot for the development and future of our company.

### **Strategic and operational development**

In 2011, we strived to define a direction for the strategy of our portfolio companies and to develop their operations. The results of our work could be seen: in operational terms, the business of our portfolio improved substantially last year.

Enics, the electronics solution provider, experienced strong growth and achieved its best result ever. In the packaging industry, we formed a new European force in the packaging business, AR Packaging Group, together with Accent Equity. Ahlström Capital's A&R Carton and Accent's Flextrus, a Swedish company focusing on flexible packaging, were joined under the new group's ownership. Elbi, Turkey's leading manufacturer of electrical installation accessories, enjoyed particularly substantial growth in its domestic markets and achieved a positive business result. Vacon, the listed company where we are the largest shareholder, has had a positive effect on the result of our industrial portfolio, due to our share of the company's result, and has also improved our cash flow, thanks to the dividends paid out by the company. We made an exit from



The results of our work could be seen: in operational terms, the business of our portfolio improved substantially last year.

Symbicon, the manufacturer of digital advertising and information displays.

Our real estate development scheme in Bragadiru, Romania took a major leap forward: the first two residential buildings were completed in May 2011.

Two of the promising young companies in our cleantech portfolio were especially successful, namely Ripasso, a company in the solar energy business, and Neapo, a construction industry company. However, a few of the others failed to meet their targets. Our cleantech fund still has means available for investments. We will keep a close eye on this field of the future and any opportunities arising within it.

One of our main objectives in the current year is to strengthen our industrial portfolio. We will examine our investments in a critical view, making them clearer and rationalizing them so that the development complies with our strategic targets. Our aim is to reduce the level of risk associated with our investments. We will keep our shareholders informed of the company's operations on a quarterly basis.

### **Into a new decade**

In 2011, a year of powerful development, Ahlström Capital celebrated its tenth anniversary. This is a young age compared with the altogether

160 years of business under the name Ahlström.

Our holdings were not affected in late 2011 by the growing economic uncertainty. However, cautiousness has increased across all fields of business, and this also reflects on industrial investments. The challenges faced by the financial sector will only become bigger this year, as the banking sector is burdened by the financial woes of different governments. We expect the situation to improve late in the year. Ahlström Capital's financing and banking connections have worked smoothly all along.

I would like to extend my warmest thanks to everyone at Ahlström Capital and in our portfolio companies for their diligent work, to the shareholders and Board for their trust and important support in the company's development, and also to all our partners for good and constructive cooperation.

Helsinki, March 2012

Panu Routila

# AN EQUITY INVESTOR WITH A LONG-TERM APPROACH PROVIDES SECURITY IN CHALLENGING TIMES

As the investment environment becomes challenging amid economic turbulence, an active equity investor provides substantial support and direction.

Emerging markets have continued to grow, but market fluctuations and uncertainty have become global phenomena.

Ahlström Capital, one of Finland's leading private equity investors, develops its business actively and aims to achieve international growth for the companies it invests in. We cooperate continuously with the management teams and the boards of our portfolio companies, which allows us to create opportunities even in economically challenging times.

The market underwent changes in 2011. During the first months of the year, the world economy continued to grow briskly, particularly in transitional economies. However, this growth began to slow down due to inflation pressures and tightened financial policies in developed economies.

The financial crisis in the euro zone grew worse late in the year. There is an increasing degree of uncertainty, which can also be seen in the way that companies operate: order books have shortened as customers operate on shorter time spans.

The supply of credit has become tighter, owing to the debt crisis in the euro zone as well as the more stringent regulations now in place. The stricter regulatory requirements

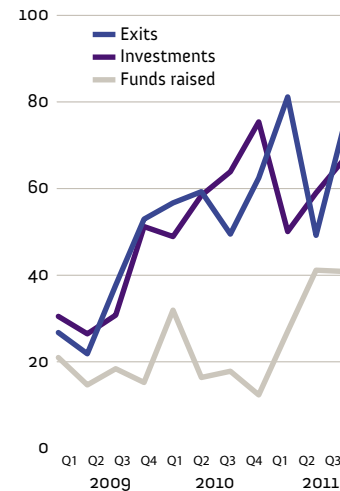
also effect the ability of financial institutions to participate in equity investment operations. With solidity requirements becoming more demanding, companies may find it challenging to acquire financing.

Stock markets were unstable throughout the year. This instability has mainly been fuelled by the continuing problems in the public and banking sectors of the euro zone, but also by the political changes in North Africa and the natural disaster in Japan.

Only modest growth is expected in the euro zone. The challenges faced by the credit markets, increasing unemployment and the measures undertaken by different governments to rein in their deficits will weaken consumer demand and restrain investments.

Private equity investments in Europe, 2009–2011

Index: Q1 2007=100



“ We cooperate continuously with the management teams and the boards of our portfolio companies, which allows us to create opportunities even in economically challenging times.

# DIVERSIFIED INVESTMENT STRATEGY CREATES NEW OPPORTUNITIES

Ahlström Capital is an active private equity investment company that acts as a professional and responsible owner aiming to provide long-term added value.

**O**ur goal is to annually make one or two acquisitions and exit from one or two investments. The size of each equity investment is typically EUR 5–25 million. We aim to realize return on our investments in five to seven years, but in some cases we hold on to our stake longer than that. We seek a return of 15 to 25 percent on our investments.

We are engaged in active development with the management

of the companies we invest in by participating in their Board work and strategy planning, giving assistance with cooperation agreements and acquisitions, and supporting the operations of our portfolio companies. Our investment activities are also supported by a broad network of advisers with professional experience in various fields, and we make our international network available to the companies we invest in.

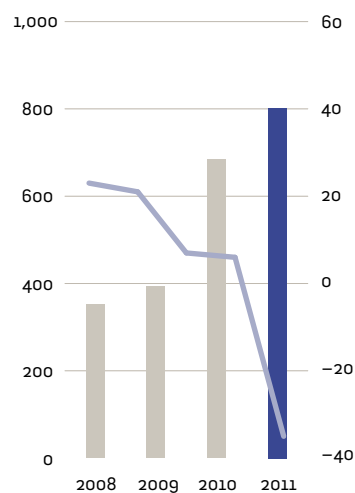
## Flexibility in investments

Our investments can be divided into industrial, real estate and clean technology investments, the latter being made through our cleantech fund. This fund also manages assets for third parties. Our operating method enables us to adopt a flexible approach to investments: we can tailor our investment activities and choose to acquire either majority or minority holdings in companies.

Our investment capital also includes liquid assets, which mainly consist of short-term money market instruments.

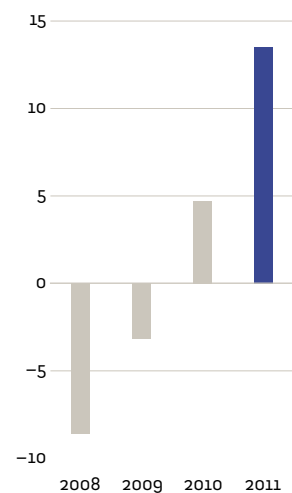
We aim to make realistic assessments of risk levels in relation to the expected returns and report any

Net sales and net income, M€



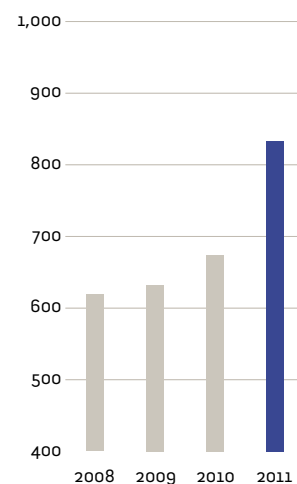
— Net income ■ Net sales

EBIT from operations, M€\*



\* Before non-recurring items and exits

Development of net asset value per share, €



developments to our shareholders transparently.

### Industrial investments

Our industrial investments include AR Packaging Group, a packaging producer; Enics, an electronics manufacturing services provider; Vacon, a stock-listed manufacturer of variable-speed AC-drives; Cencorp, a stock-listed provider of automation solutions for the electronics industry; and Elbi, a manufacturer of electrical installation accessories. Industrial investments account for 72 percent of our investment portfolio. During the year under review we exited from our investment in Symbicon.

### Real estate investments

Our real estate investments include office and industrial facilities in Finland, the Netherlands, and Estonia. We are also building and developing a new residential area in Bucharest, Romania, where the first residential



We aim to make realistic assessments of risk levels in relation to the expected returns.

buildings were completed in 2011. Real estate investments account for 19 percent of our portfolio.

### Cleantech investments

The cleantech fund that we manage invests in young clean technology companies, which offer considerable growth potential also on an international scale. We are an important investor in this growth capital fund alongside other institutional investors. The cleantech fund accounts for 3 percent of our investment portfolio.

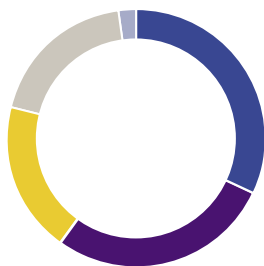
### Towards new investments

We are always on the lookout for new investment targets, focusing on

companies with good growth potential which we feel can benefit from our competence. In 2011, we looked into several dozen investment opportunities, including industrial companies, real estates and cleantech companies. Our search for new investments focuses mainly on the Nordic countries and Eastern Europe. We also use acquisitions to promote the development of our portfolio companies and help them become more international.

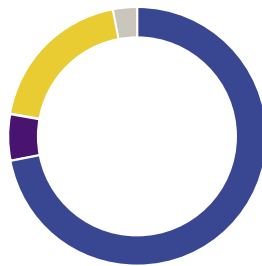
#### Change in the investments\*

July 1, 2001



Industrial investments	32%
Liquid funds	28%
Real estate	19%
Forest and land areas	19%
Others	2%

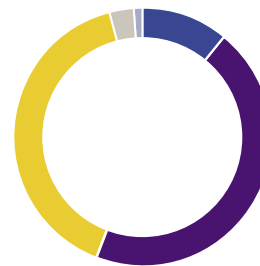
December 31, 2011



Industrial investments	72%
Liquid funds	6%
Real estate	19%
Cleantech	3%
Others	0%

#### Breakdown of industrial investments\*

December 31, 2011



AR Carton Packaging Group	11%
Enics	45%
Vacon	40%
Elbi	3%
Others	1%

\* of net asset value



# Ahlström Capital's *portfolio companies*

AHLSTRÖM CAPITAL'S INDUSTRIAL INVESTMENTS ON  
DECEMBER 31, 2011

**AR Packaging Group** .....>  
Paperboard and flexible packaging

NET SALES  
MEUR 401.8

HOLDING  
62%

**Enics** .....>  
Electronics manufacturing services

NET SALES  
MEUR 377.0

HOLDING  
96%

**Vacon** .....>  
AC drives

NET SALES  
MEUR 380.9

HOLDING  
20%

**Elbi** .....>  
Electrical accessories

NET SALES  
MEUR 18.9

HOLDING  
60%



“ Ahlström Capital and the Swedish investment fund Accent Equity 2008 consolidated their packaging businesses into a new group, AR Packaging Group

 PACKAGING [www.ar-carton.com](http://www.ar-carton.com) [www.flextrus.com](http://www.flextrus.com)

## A NEW FORCE IN THE EUROPEAN PACKAGING BUSINESS

Ahlström Capital and the Swedish investment fund Accent Equity 2008 consolidated their packaging businesses into a new group, AR Packaging Group. The arrangement bolsters the competitiveness of the consolidated companies, A&R Carton, the leading European manufacturer of paperboard packages, and Flextrus, the leading manufacturer of flexible packages in Northern Europe.

AR Packaging Group has a personnel of 2,000 at 17 sites in eight European countries, and it is expected to reach net sales of approximately EUR 500 million.

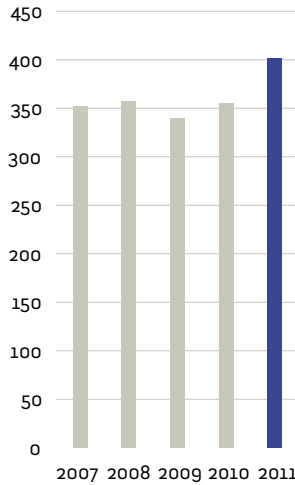
A&R Carton and Flextrus will continue to operate in the markets as two separate companies both with their own product brands, but will also utilise each other's know-how, product development, sourcing synergies and good customer rela-

tions. This strengthens their position amidst the structural transformation currently underway in the packaging markets.

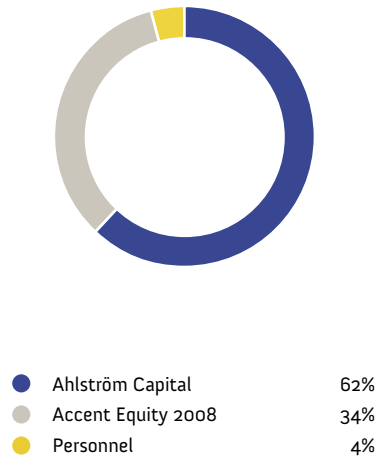
In conjunction with the transaction, CapMan made an exit from A&R Carton.

As a result of the consolidation, the company's net sales increased to EUR 401.8 million. Ahlström Capital has a 62 percent stake in the company.

AR Packaging Group –  
Net sales 2007–2011, M€



AR Packaging Group – Ownership 2011



During the year, the sales and order book of AR Packaging Group developed favorably. However, the prices of packaging industry raw materials increased substantially in 2011, burdening the company's result.

In conjunction with the arrangement, the Swedish operations were concentrated to Lund, where both companies already had existing plants, and the Norrköping plant that had been making losses for long was closed down.

In February 2012, Mr. Harald Schulz was elected the new CEO. He has been employed by the A&R Carton Group since 2001, most recently as Senior Vice President for its business area Branded Products.

#### Outlook

A majority of the customers of AR Packaging Group operate in the food processing industry, where demand

“ The two companies can be expected to produce innovations that create added value to industrial customers, retailers and consumers.

is expected to remain fairly stable despite the weakened business trends.

The first objective is to utilize synergies between the two companies, for example, by providing flexible packaging to the international customers of A&R Carton. Over the longer haul, the aim is to list the new packaging company on the stock exchange.

In line with our strategy, we are creating a concentration of packaging business to Lund, and innovative product development will play a particularly big role in our operations there. As people and societies are

becoming more and more conscious environmentally, companies are expected to take ecological factors into account, not only in their own raw material sourcing and production processes but also throughout the lifecycle of their products. Both of the two companies have already done plenty of solid work in this respect, and as they are now making strides to combine the best features of paperboard packages and flexible packaging, they can be expected to produce innovations that create added value to industrial customers, retailers and consumers.



*“ Enics provides life-cycle services for leading OEMs, ranging from product development support to after market services*

IO

**enics** [www.enics.com](http://www.enics.com)

## THE ELECTRONICS SOLUTION PROVIDER ENJOYED ITS BEST YEAR EVER

**E** nics is one of the biggest electronics manufacturing services (EMS) providers for professional industrial electronics, and the company's flexible operating model enables it to react quickly to changing market situations.

Enics has long experience in serving industrial electronics customers. The company provides life-cycle services for leading OEMs, ranging

from product development support to after market services.

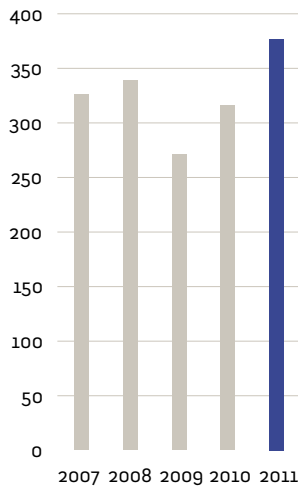
Headquartered in Zurich, Switzerland, Enics has a total of seven production plants in Finland, Sweden, Estonia, Switzerland, Slovakia, and China, as well as a sourcing office in Hong Kong. Additionally, Enics is in the process of establishing presence in Suzhou, China, enabling it to serve its customers more effectively also

in Eastern China. Enics has a staff of about 3,000.

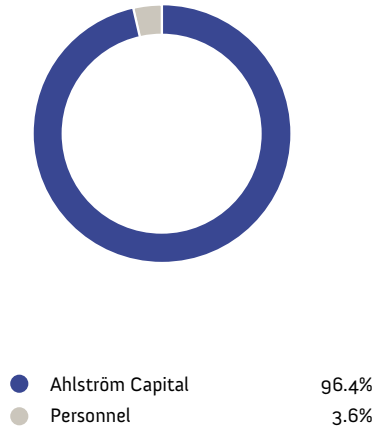
In 2011, the company's net sales were close to EUR 380 million. Ahlström Capital has a 96.4 percent stake in the company.

Global industrial investment activity continued to increase throughout 2011, and Enics was able to reach its all-time high in sales. Enics' uncompromised focus

Enics – Net sales 2007–2011, M€



Enics – Ownership 2011



on professional industrial electronics has proven to be more valuable than ever, and OEMs in the fields of energy, transportation, automation, and instrumentation increasingly rely on specialized EMS companies. The company also won several new customer relationships, which contributes positively to its future growth.

During 2011, Enics intensified cooperation between its Estonian unit in Elva, Swedish unit in Västerås and Finnish units. The new Multisite Business Unit (MBU) improves the flexibility of operations, quality of service and customer satisfaction.

#### Outlook

Enics' solid customer base and clear focus provide excellent growth opportunities for the foreseeable future, and the company is well placed to be a significant force in the industry's evolution. In the next five

“ The new Multisite Business Unit (MBU) improves the flexibility of operations, quality of service and customer satisfaction.

years, Enics aims to further improve its profitability and also expand its business and geographical footprint.

Enics expects to discover future opportunities in its existing and prospective customer base due to the fact that OEMs are increasingly optimizing their value chains also in the provision of more complex electronics systems. Additionally, OEMs are streamlining their supplier base, which is likely to have a consolidating effect that could benefit focused players like Enics. In response to this market development, Enics is

preparing itself to tap into these opportunities by enhancing its skill and service set.

Increasing efficiency requirements force OEMs to focus on technological innovations in the various segments of industrial electronics. Consequently, manufacturing and other non-core operations are increasingly outsourced to EMS companies. Professional industrial electronics is expected to maintain its position as one of the most interesting sectors in EMS for years to come.



*Vacon develops, manufactures and sells variable-speed AC drives used to control electric motors and produce renewable energy.*

I2



[www.vacon.com](http://www.vacon.com)

## VARIABLE-SPEED AC DRIVES CREATE ENERGY SAVINGS AND FACILITATE THE USE OF RENEWABLE ENERGY

Vacon develops, manufactures and sells variable-speed AC drives used to control electric motors and produce renewable energy.

Vacon's main customers are in the construction and mechanical industries, and also include suppliers of wind and solar power systems. The company's success is based on its customer-oriented approach and

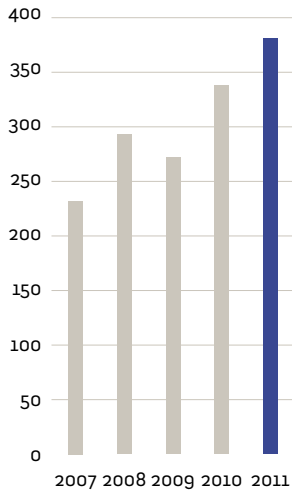
solid research and development, which has made the company one of the most cost-effective in the field. In 2010, Vacon's AC drives helped save an estimated 35 TWh of energy and reduce carbon dioxide emissions by about 17 million tons. Vacon's products enable reductions in energy consumption of up to 50 percent.

In 2011, the company's net sales were EUR 380.9 million. The

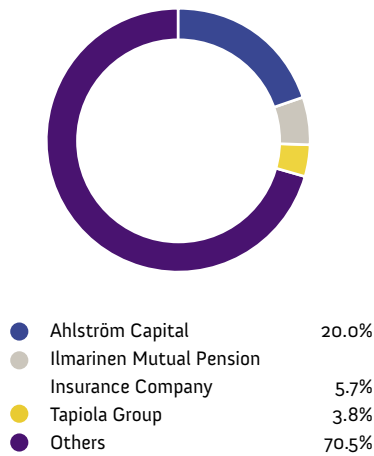
company has a staff of around 1,300 worldwide. Vacon's R&D and production units are located in Finland, the USA, China, and Italy. The company has sales offices in 27 countries and its shares are listed on the main list of the NASDAQ OMX Helsinki stock exchange.

With a stake of 20 percent, Ahlström Capital is the biggest single shareholder of Vacon.

Vacon – Net sales 2007–2011, M€



Vacon – Ownership 2011



### Outlook

Vacon foresees risks in the general outlook of the economy, particularly in Europe and North America. In late 2011 and early 2012, Vacon launched a number of new products, which will give the company opportunities to increase its sales despite the challenging market environment.

In December 2011, Vacon started statutory personnel negotiations as part of its global cost-savings plan. The negotiations concern approximately 420 employees at Vacon Group's parent company in Finland. The company estimates that it needs to cut 60 jobs at most. Additionally, temporary lay-offs and part-time work are expected to affect a maximum of 400 employees

The global market for variable-speed AC drives experienced buoyant growth during the first half of 2011. However, the growth slowed down during the second half of the year across all market areas.

The new wind power regulations in China have temporarily reduced the country's investments in wind power and consequently the demand for Vacon's products, but the company's customers selling wind power solutions in China are able to meet the new requirements. This guarantees Vacon a good competitive position as Chinese investments in wind power begin to pick up again.

### New plants and new products

In 2011, Vacon inaugurated a new plant in Suzhou, China. The new plant was built to meet the growing needs of the company. It also houses an R&D lab and the after-sales serv-



In late 2011 and early 2012, Vacon launched a number of new products, which will give the company opportunities to increase its sales.

ice centre for the Asia-Pacific region. In Italy, Vacon moved its manufacturing operations in Naturno to new premises near Merano.

The solar inverter developed by Vacon, the Vacon 8000 Solar, converts photovoltaic power captured by solar panels into AC for the general grid. In 2011, the solar inverter was granted approval for use in the power grids of several national operators. Additionally, Vacon launched a new product series designed for the needs of machine and equipment manufacturers.

at the company. Rationalization is required for economic and production-related reasons, as well as the possible re-organization of Vacon's operations, a reduced order intake and the poor predictability of market prospects in the future.

Source:  
Vacon press releases 2011–2012

“

*Elbi is a Turkish manufacturer of electrical installation accessories with a strong focus on quality.*



I4



[www.el-bi.com](http://www.el-bi.com)

## THE MANUFACTURER OF ELECTRICAL INSTALLATION ACCESSORIES ACHIEVED GROWTH IN ITS DOMESTIC MARKET

**E**lbi is a Turkish manufacturer of electrical installation accessories with a strong focus on quality

Elbi is based in Istanbul, where it has its own plant. The company has a staff of over 400, and it sells its products mainly in the Black Sea region, Turkey, Romania, Ukraine and Russia. In 2011, Elbi's net sales were EUR 18.9 million. Ahlström

Capital has a 60 percent stake in the company.

Elbi's competitive advantages are its impressive and comprehensive product range, an extensive distribution network, and efficient production.

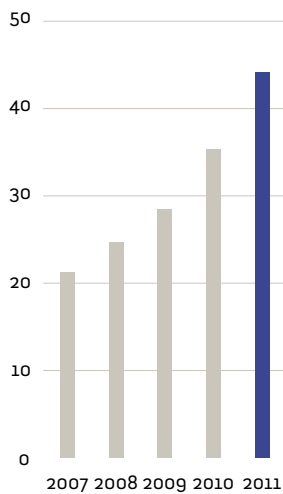
The quality system has been revamped in accordance with the TQM (Total Quality Management) thinking, and the company's total

quality improved substantially during the year. The Istanbul plant's manufacturing lines were modernised and the supply chain enhanced by introducing new data systems and processes.

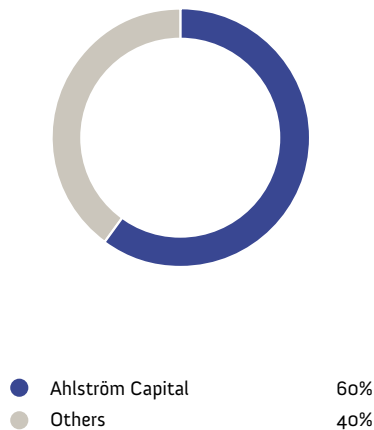
Elbi's development has been based on a flexible operating model and a constantly modified product range that meets the challenges of today. Comprehensive product



Elbi – Net sales 2007–2011, MTL



Elbi – Ownership 2011



development that takes customer needs into account has been one of the key factors in the company's success over the recent years. Critical improvements in production quality and delivery reliability have also been very important in this.

In 2011, Elbi introduced two new product families that have been designed with particular attention to the demands of modern residential and office environments. The official regulations and customer preferences that vary from one export country to another have also been considered in the development of these product families.

The company improved its customer service in 2011 by opening a new sales office in Istanbul to serve the company's Turkish and Central Asian customers, and sales companies in Moscow, Russia and in Kiev, Ukraine.

“ Elbi's competitive advantages are its impressive and comprehensive product range, an extensive distribution network, and efficient production.

The company expanded its domestic sales network by opening regional sales offices in Ankara, Adana and Izmir and establishing a new logistics centre in Istanbul. Elbi has clearly built up its market share in the Turkish market, and will challenge its competitors with its new products in the future.

The Turkish construction market has been active in comparison with the situation in the rest of Europe. Elbi's sales in Turkey grew by over 50 percent, whereas the growth of exports was more modest.

#### Outlook

In the future, Elbi's product development will focus on developing the latest electronic applications as part of the product range. This specific area is considered to have an important role in the future development of the electrical installation accessories markets.

In 2012, Elbi is expected to achieve growth in its export markets, primarily in the Black Sea region, Russia, Ukraine, Romania and Central Asia.



“ Ahlström Capital’s real-estate portfolio includes the premium property located at Eteläesplanadi 14 in Helsinki.

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## REAL ESTATE INVESTMENT FOCUS ON DEVELOPMENT

Maintenance and development of industrial and premium real estate is an essential part of Ahlström Capital’s investment activities. Real-estate investments balance out the risks associated with other investments and offer steady returns. Real estate accounts for 19 percent of our investments.

Ahlström Capital’s real-estate portfolio includes the premium property located at Eteläesplanadi 14 in Helsinki, two industrial buildings in

Estonia, an industrial building in the Netherlands and an industrial and office building in Varkaus. Additionally, the company is currently building and developing a new residential area in Romania. Ahlström Capital also owns a plot of land in Turkey, adjacent to Elbi’s factory.

The Eteläesplanadi property is fully leased out and, apart from a few tenant changes, the rental business is going as well as ever.

Of the industrial properties, the building located in Elva, Estonia is

used by Ahlström Capital’s portfolio company Enics, while the premises in Sneek, the Netherlands and Tabasalu, Estonia remain leased to AR Packaging Group.

The property in Varkaus has a few small business tenants, but the majority of the space has been vacant for some time. Ahlström Capital continues to actively seek alternative uses or exit opportunities in cooperation with the town of Varkaus and an external real estate agent.

### Real estate development continues in Romania

Ahlström Capital owns a plot of approximately two hectares in Bragadiru, Romania, near Bucharest. Ahlström Capital and its local partner are building a total of seven residential buildings on the plot, and these will have a total of 320 apartments. The first two buildings were completed in May 2011. Over 80 percent of the apartments have been sold. Construction on the third building commenced in June 2011, and it is scheduled to reach completion in summer 2012.

In Romania there is high demand for new residential buildings. Ahlström Capital therefore sees a lot of potential in its plot of land and will continue to develop it actively.

### Close observation of the international market

The Finnish real estate market continues to be sluggish: the number



Real-estate investments balance out the risks associated with other investments and offer steady returns.

of real-estate deals is low, and completion of transactions is slow. Demand for properties in popular locations has remained steady, whereas properties in unpopular locations are challenging, and their vacancy rates increase in line with decreasing demand. In Helsinki, investment demand focuses on the downtown area where only a handful of real estates are available for sale at any one time. The rental rates for residential buildings will go up in all major cities, and new construction is expected to slow owing to uncertain economic conditions.

Ahlström Capital is still actively considering the Russian real estate

market, but so far has made no investments there. This is mainly due to the difficulty in securing external financing.

We are constantly monitoring the real estate market in both Finland and abroad for new investment opportunities at the same time as we develop the properties in our portfolio.



The first two residential buildings in Bragadiru were completed in May 2011.

In Romania there is high demand for modern apartments.



# THE CLEANTECH FUND DEVELOPS CLEAN TECHNOLOGY GROWTH COMPANIES

Ahlström Capital's cleantech fund invests in clean technology companies. The cleantech sector is a very interesting target for private equity investments. The cleantech fund, which accounts for 3 percent of our investment portfolio, has so far invested in seven companies.

The cleantech fund, established in 2010, represents an unconventional investment avenue for Ahlström Capital: our venture capital investments are focused on young and emerging companies building new kinds of businesses. We want to have a strong involvement in the evolution of cleantech and make our competence in the industrial sector available to cleantech growth companies. We help them to industrialize and commercialize their operations. The principle guiding our participation in board work is that each of the portfolio companies' boards will have one member representing Ahlström Capital and one industrial advisor appointed by Ahlström Capital.

AC Cleantech Growth Fund I Ky finds and analyses interesting investment targets in the cleantech sector. The fund has collected assets from a group of investors, and it invests these assets in promising early- and growth-stage cleantech companies. Alongside Ahlström Capital, investments in the fund have also been made by Varma, Sitra and the Stiftelsen för Åbo

Akademi foundation. The fund has received investment commitments from its investors for a total of EUR 50 million, of which Ahlström Capital accounts for 30 percent. Funds were collected until the end of 2011. In most cases the fund has a minority interest in a given company, but can also have a majority holding.

## Active development of growth companies

The companies in our cleantech portfolio differ in terms of size and phase of development, but all of them show growth potential. At the end of 2011, the fund had investments in seven companies. The

fund aims to build up its portfolio to comprise 8–10 companies.

Our strategy is to develop the companies for about 5 years, during which time additional investments can be made in them. This is to be followed by a profitable exit. The predetermined life span of the fund is no more than 10 years.

In 2011, the fund did not increase the number of companies in its portfolio, but additional investments were made in most of the existing ones. Each of the portfolio companies has made progress: some of them are still at the product development stage while others are selling pilot products and a few are already starting industrial-scale production. During the next few years, the fund will concentrate on the further development of the portfolio companies.

The creation and management of the fund has proved beneficial for Ahlström Capital: it has boosted our profile and attracted proposals from potential new co-investors.

“ We want to have a strong involvement in the evolution of cleantech and make our competence in the industrial sector available to cleantech growth companies.

# CLEANTECH PORTFOLIO

The Cleantech fund has invested in seven cleantech companies that form Ahlström Capital's cleantech investment portfolio.

## MERVENTO

Mervento Oy is a Finnish company that develops and delivers advanced direct drive multi-megawatt turbine power plant solutions for onshore, nearshore, and offshore applications. The company also provides consulting based on its expertise in the area of wind turbine power plant solutions. Mervento's new technology focuses on quick, easy servicing and a long service life.

The fund's holding is 7.3 percent.  
[www.mervento.fi](http://www.mervento.fi)

## RIPASSO ENERGY

Ripasso Energy AB is a Swedish company that engineers technology to convert solar energy to electrical energy efficiently and cheaply using a stirling power converter. The technology is based on a concept that was developed in the early 1980s. The company's competence in stirling motor technology is second to none.

The fund's holding is 51.0 percent.  
[www.ripassoenergy.se](http://www.ripassoenergy.se)

## FRANGIBLE SAFETY POSTS

Frangible Safety Posts Ltd is a British company that focuses on the passive traffic safety market. It supplies reinforced composite posts that are designed to collapse in a controlled manner in a vehicle colli-

sion. They carry signs on motorways and other busy roads. Compared with steel posts, the new posts improve safety, provide cost-savings in maintenance and have a smaller environmental impact.

The fund's holding is 40.0 percent.  
[www.fsp-ltd.com](http://www.fsp-ltd.com)

## TD LIGHT SWEDEN

TD Light Sweden AB is a Swedish company that develops and sells LED-based tube lights to replace traditional fluorescent tubes. The biggest benefit of the new product is cost saving: LED-based tubes use up to 70 percent less energy and last 5 to 10 times longer than traditional tube lights. The company holds several patents for its new solution.

The fund's holding is 52.8 percent.  
[www.tdlight.se](http://www.tdlight.se)

## SCANDINAVIAN BIOGAS

Scandinavian Biogas Fuels AB is a Swedish company that produces renewable energy from organic waste, such as sewage sludge or animal and food waste. The digestion and gas cleaning process designed by the company enables efficient large-scale production of biogas. The company has established biogas plants in Sweden and South Korea.

The fund's holding is 2.2 percent. Additionally, the fund has invested

in the company's convertible bonds.  
[www.scandinavianbiogas.se](http://www.scandinavianbiogas.se)

## NEAPO

Neapo Oy is a Finnish company that provides innovative steel construction products for new buildings and repair projects to improve cost-efficiency and reduce the amount of work on building sites. Indoor production in a dry and warm environment ensures the high quality and precision of the products. Among the solutions offered by the company is one for industrial construction of apartment buildings, where modules comprising entire apartments are transported to the site and installed as a turnkey delivery, and another where elevators are retrofitted to buildings as separate tower elements.

The fund's holding is 18.3 percent.  
[www.neapo.fi](http://www.neapo.fi)

## UNITED WATERS

United Waters International AG is a Swiss company that owns and develops groundwater purification technology. This advanced biological water purification method provides a cost-effective means of producing high-quality drinking water. UWI is initially focusing on public sector operators in China and India.

The fund's holding is 5.5 percent.  
[www.uwiag.com](http://www.uwiag.com)

# BOARD OF DIRECTORS 2011



20

## Mats Danielsson

1969, MSc (Econ)  
CFO, Paulig Group

## Johannes Gullichsen

1964, BSc (Eng), MBA  
Partner, RAM Partners Oy  
Chairman of the Board:  
Alfakemist  
Kapitalförvaltning Ab  
Board member:  
RAM Partners Oy,  
RAM Partners Alternative  
Strategies Plc.,  
Walter Ahlström Foundation,  
Antti Ahlström Perilliset Oy

## Stig Gustavson

1945, MSc (Eng), Dr.Tech.  
(hon.)  
Chairman of the Board  
from Aug 30, 2011  
(Vice Chairman March 31–  
Aug 29, 2011)  
Chairman of the Board:  
Konecranes Plc, Cramo Plc,  
Handelsbanken Regional  
Bank Finland, Tamtron  
Corporation, Technology  
Academy Foundation  
Vice Chairman of the Board:  
Dynea Oy,  
Oy Mercantile Ab  
Board member:  
Vaisala Corporation  
Supervisory Board member:  
Varma Mutual Pension  
Insurance Company  
Senior Advisor:  
IK Investment Partners

## Jouko Oksanen

1951, MSc (Econ)  
CFO, Varma Mutual Pension  
Insurance Company  
Chairman of the Board:  
F-Musiikki Oy,  
Kyllikki ja Uolevi  
Lehikoinen Foundation  
Vice Chairman of the  
Board: The Finnish Diabetes  
Research Foundation  
Board member:  
If Skadeförsäkring AB (publ.),  
Arek Oy, HYKS Clinical  
Services, Finnish National  
Theatre Actors' Pension  
Fund

## Martti Saikku

1960, MSc (Econ)  
Director, SEB Wealth  
Management Finland Ltd  
Board member:  
Saastamoinen Foundation,  
SEB Fund Management  
Company Finland Ltd

# PERSONNEL 2011



**Leena Savolainen**

1948, BA  
Executive Assistant

**Henrik Mikander**

1949, MBA  
Investment Director

**Jasmiina Ojala**

1986, LL.M  
Assistant Legal Counsel  
(from Jan 1, 2012)

**Emmi Markkanen**

1984, Bachelor of Hospitality  
Management Assistant



**Helena Staffans**

1956, BSc  
Executive Assistant to CEO

**Kari Cederberg**

1947, BSc (Econ)  
Financial Director

**Andreas Ahlström**

1976, MSc (Econ)  
Investment Manager

**Johanna Raehalme**

1983, MSc (Econ)  
Investment Analyst



**Sebastian Burmeister**

1975, MSc (Econ)  
Investment Manager

**Jacob af Forselles**

1973, MSc (Econ), LL.M  
Investment Director

**Ulla Palmunen**

1974, LL.M  
General Counsel

**Panu Routila**

1964, MSc (Econ)  
President & CEO

**Olli Valtonen**

1978, MSc (Eng)  
Group Business Controller

# Report of operations and

# *financial statements* 2011

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# REPORT OF OPERATIONS

Ahlström Capital, founded in 2001, is a private equity investment company and an important industrial group. It uses both its own balance sheet and bank funding to make long-term investments in industrial companies and real estate and, via a cleantech fund, in growth-stage cleantech companies. Ahlström Capital actively participates in the management and development of its portfolio companies jointly with the companies' management in order to increase their value. The total net sales of Ahlström Capital's portfolio companies exceed one billion euros.

Ahlström Capital seeks an average return of 15–25 percent on managed capital over the long term. To achieve return at the said level, the company has made investments into targets that are different in terms of their return expectations, risks and investment horizons. The company aims to carry out 1–2 business acquisitions per year. Ahlström Capital aims to realize the gain on its industrial investments over a time span of five to seven years.

## Business environment

In 2011, Ahlström Capital's business environment was generally challenging and fluctuating. During the first months of the year, world economy continued to grow briskly, particularly in transitional economies. However, this growth began to slow down, affected by general inflation pressures and tightened financial policies in developed economies. The financial crisis in the Euro zone grew worse late in the year. The debt woes of governments and the related uncertainty concerning the state of the financial markets particularly in Europe have deteriorated the outlook of international economic development. This can also be seen in the operations of companies: the order books are now shorter, as customers operate on shorter time spans. Also many of our portfolio companies have adjusted and rationalised their operations.

Development of the stock market was unstable throughout the year. This

instability has been fuelled particularly by the continuing problems in the public sector and banking sector of the Euro zone, but also by the political changes in North Africa and the natural disaster in Japan. Availability of credit has become tighter, owing to the debt crisis in the Euro zone as well as the more stringent regulation now in place. The stricter regulatory requirements also affect the possibilities of financial institutions to participate in equity investment operations.

Only modest growth is expected in the Euro zone. The challenges faced by the credit markets, increasing unemployment and the measures undertaken by different governments to curb their debt growth will deteriorate consumer demand and restrain investments. Economic growth in emerging markets has continued so far, but market fluctuations and uncertainty have become global phenomena.

## Investments and portfolio development

2011 was a year of powerful development for Ahlström Capital. We made one exit from an investment and considerably expanded our packaging industry business through a corporate transaction. The net asset value of our investments increased, even though the Group's accounting results show a loss, which is mainly due to impairment losses recorded in the book values of some of our investments.

At year-end, industrial investments accounted for 72 percent (69), real estate for 19 percent (24), the cleantech fund for 3 percent (2), and liquid funds for 6 percent (5) of our investments.

## Exits

Late in 2011, Ahlström Capital made an exit from Symbicon, the manufacturer of digital advertising and information displays, by selling its holding to the company's CEO. The initial investment in Symbicon was made in 2006, and the holding was later raised to 42 percent.

## New investments

In August, Ahlström Capital formed a new European force in the packaging business, AR Packaging Group, together with Accent Equity, a Swedish investment fund. Ahlström Capital's A&R Carton and Accent's Flextrus were joined under the new group's ownership.

During the year, the cleantech fund made additional investments to most of the companies already in the portfolio.

## Industrial investments

Ahlström Capital has spread its industrial investments over different sectors. The company is an important industrial main owner in AR Packaging Group, Enics, and Elbi, and is also the largest individual shareholder of Vacon Plc. Additionally, Ahlström Capital has a 5.1% holding in Cencorp Corporation.

In general, 2011 was a challenging year for our portfolio companies, and their financial performance was uneven. However, their total result, excluding the impact of capital gains from exits, improved from last year and was a positive one. The extremely positive development of Enics had a favorable effect on the Group's result, whereas Elbi's substantial financial expenses and currency translation losses in particular ate up a part of the good result achieved by the industrial companies.

**AR Packaging Group** (Ahlström Capital's holding is 62%) In 2011, Ahlström Capital and the Swedish investment fund Accent Equity consolidated their packaging businesses into a new group, AR Packaging Group. The purpose of the transaction was to bolster the competitiveness of the consolidated companies, A&R Carton, manufacturer of paperboard packaging, and Flextrus, the leading manufacturer of flexible packages in North Europe.

In conjunction with the transaction, CapMan, a shareholder in A&R Carton since 2000, made an exit from the company.

The new AR Packaging Group has a staff of 2,000 at 17 manufacturing sites in eight European countries. A&R Carton and Flextrus will continue to operate in the markets as two separate companies both with their own product brands, but will also utilise each other's know-how, product development, sourcing synergies and good customer relations. This gives both of them better opportunities in the development of new innovative packaging solutions and strengthens their position amidst the structural transformation currently underway in the packaging markets. During the year, the sales and order book of AR Packaging Group developed favorably. However, the prices of packaging industry raw materials increased substantially in 2011. The company failed to reach the result targets set. In consequence of the restructuring, some operations were combined with those at Lund and a decision was made to close down the Norrköping plant that had been making losses for long. AR Packaging Group posted net sales of EUR 401.8 million (355.5).

**Enics** (96.4%) In 2011, the electronics manufacturing services business continued on a positive note throughout the year. Enics reached its all-time high in sales and enjoyed considerable growth. This was both due to increasing business with existing customers and new business from new customers. Enics made use of closer cooperation between its Estonian (Elva), Swedish (Västerås) and Finnish units. The new Multisite Business Unit concept (MBU) improves the level of service as well as customer satisfaction. It also adds flexibility to the services and helps to reduce costs. Enics aims to optimize the management of its working capital throughout the organization and initiate new business activities. At the same time, the company pays attention to customer satisfaction. Enics posted net sales of EUR 377.0 million (315.9).

**Vacon** (20.0%) Growth of the global market for variable-speed AC drives slowed down particularly in Europe in the final quarter of 2011 compared with the strong first half of the year and the previous year's comparison period.

As a whole, 2011 was very much a two-fold year for Vacon. In the first half of the year, demand was strong in all market areas and almost all industries. In the second half, demand decreased particularly with respect to wind power products. In the year's last quarter, it could be clearly seen that the demand for products related to electric motor controls decreased in Europe from the first half of the year, as a result of the debt crisis. However, orders received for these products did increase compared with the last quarter of 2010.

Vacon's net sales increased by 12.7 percent year-over-year to EUR 380.9 million (338). Products intended for the production of renewable energy accounted for 13% of Vacon's net sales in 2011 (18% in 2010). The unfavorable development of net sales in the second year-half resulted from the company's weak order intake in products intended for the production of renewable energy and deterioration of the European demand for products related to electric motor controls in the final quarter of the year. China's new wind power regulations have temporarily reduced the country's investments in wind power. However, on a positive note, Vacon's European customers that sell wind power solutions to China are able to meet the new requirements. This guarantees Vacon's customers a good competitive position as Chinese investments in wind power begin to pick up.

The operating profit in January–December excluding non-recurring items was EUR 34.8 million, which is 9.1% of net sales (EUR 32.4 million and 9.6% in 2010). Vacon recorded non-recurring items totalling EUR 10.1 million, which resulted from a matured receivable from a solar energy customer and a court-ordered compensation payment to Vacon's Chinese company.

The market value of Vacon's share decreased by 21 percent in 2011.

In December 2011, Ahlström Capital Oy and its subsidiary Karhula Osakeyhtiö sold their Vacon Plc shares to AC Invest Three B.V., a wholly-owned subsidiary of Ahlström Capital Oy.

**Elbi Elektrik** (60%) Elbi, the Turkey-based manufacturer of electrical installation accessories, improved its position notably, particularly in its domestic markets. The company's sales in Turkey increased by over 50%, whereas the growth of exports was more modest. Elbi's net sales in liras increased by 25%, but the substantial weakening of the lira shrunk the growth figures in euros and resulted in currency translation losses related to bank loans. The net sales in euros were EUR 18.9 million (17.6)

In 2011, Elbi introduced two new product families. The company improved its customer service by opening a new office in Istanbul in 2011 to serve the company's Turkish and Central Asian customers and established sales companies in Russia and Ukraine. Elbi's loans from external providers were replaced in December with Group-internal financing, as a result of which any currency translation losses arising from possible weakening of the Turkish lira can be avoided at the Group level in the future. In this context, the guarantees given by Ahlström Capital Oy on behalf of Elbi were released.

**Mint Capital II** Mint Capital is a private equity fund that invests in companies operating in Russia and former Soviet republics. The fund aims to make use of the strong consumption-driven economic growth in Russia. Ahlström Capital acts as a passive investor and has invested 3.8 million U.S. dollars in the fund. In all, Ahlström Capital has pledged to invest five million U.S. dollars. The fund has now advanced to the exit stage and will make no more new investments. Nevertheless, additional investments can still be made during

the exit stage in companies currently in the portfolio.

### Cleantech portfolio

In 2010, Ahlström Capital launched a cleantech fund, AC Cleantech Growth Fund I Ky, which identifies and analyses interesting investment targets in the field. The fund collected assets from a group of investors and invested them in altogether seven growth-stage cleantech companies. In addition to Ahlström Capital, investments in the fund have been made by Varma Mutual Pension Insurance Company, the Finnish Innovation Fund Sitra, and Stiftelsen för Åbo Akademi, all of them institutional investors.

In 2011, the fund did not increase the number of companies in its portfolio, but additional investments were made in most of the existing ones. Each of the portfolio companies made progress during 2011: some of them are still at the product development stage, while others are selling pilot products and a few are already starting industrial-scale production. During the next years, the fund's main task is to make inputs in the development of the portfolio companies.

The cleantech portfolio currently consists of the following companies:

**Mervento Ltd** designs and delivers advanced direct drive multi-megawatt wind turbine power plant solutions for onshore, nearshore and offshore applications. The company also provides comprehensive know-how in the area of wind turbine power plant solutions. Mervento's new technology pays special attention to easy and fast servicing as well as long service life.

**Ripasso Energy AB** engineers technology that can convert solar energy to electrical energy efficiently and with low costs by means of a stirling motor. The company made its first installation in Turkey, and another one will be installed South Africa.

**Frangible Safety Posts Ltd** operates on the passive traffic safety market. It supplies reinforced composite posts that are designed to collapse in a controlled man-

ner in a vehicle collision. The posts carry signs on motorways and other busy roads. Compared with steel posts, the new posts improve safety, provide cost-savings in maintenance and have a smaller environmental impact.

**TD Light Sweden AB** develops and sells LED-based light tubes to replace traditional fluorescent light tubes. The biggest benefit of the new product is cost-savings: LED-based tubes use up to 70 percent less energy and last 5 to 10 times longer than traditional light tubes. The company holds several patents for its new solution.

**Scandinavian Biogas Fuels AB** produces renewable energy from organic waste, such as sewage sludge or animal and food waste. The digestion and gas cleaning process designed by the company enables efficient large-scale production of biogas. The company has established biogas plants in Sweden and South Korea.

**Neapo Oy** provides innovative steel construction products for new buildings and repair projects to improve cost-efficiency and reduce the amount of work on site. Indoor production in a dry and warm environment ensures the high quality and precision of the products. In 2011, Neapo delivered a three-storey office building to Turku. Altogether four residential buildings are currently under construction in Vantaa and Helsinki.

**United Waters International AG** owns and develops groundwater purification technology. This advanced biological water purification method provides cost-effective means for producing high-quality drinking water.

### Real estate investments

The premium property at Eteläesplanadi 14 in Helsinki is fully leased out, and apart from a few tenant changes the rental business went on as before.

Only a small part of the industrial and office building in Varkaus, Finland is leased out, and alternative uses or exit opportunities are actively sought together with the town of Varkaus and an external real estate agent.

The real estate in Elva, Estonia, is used by Ahlström Capital's portfolio company Enics.

The industrial premises in Sneek, the Netherlands, and Tabasalu, Estonia, remain leased to AR Packaging Group.

In Bragadiru, Romania, two residential buildings constructed on a plot owned by Ahlström Capital were completed in May 2011. Over 80 percent of the apartments have been sold. The third building is currently under construction, and is scheduled for completion in spring 2012.

Ahlström Capital also owns a plot of land in Turkey, located adjacent to Elbi's plant.

### Liquid funds

Ahlström Capital Oy and the holding companies owned by it have liquid funds available for additional investments, and these funds mainly consist of short-term money market instruments. Their value at the end of 2011 totalled EUR 14.7 million (14.5).

### Group structure

Ahlström Capital Oy is the parent company of the Ahlström Capital Group. At the end of the reporting period, the Group comprised ACEMS AB, AC Kosmo AB, Second Kosmo AB, Dekad AB, ACPack AB, AC Finance B.V., AC Real Estate B.V. and AC Kiinteistö Oy, the subsidiaries of all the previous companies, as well as Karhula Osakeyhtiö, Elva Holding Oy, AC Cleantech Management Oy, Capbe AB, Capkap AB, Sulma Fastigheter AB, Capetra AB, Delmatis AB, Prosyx AB and AC Verwaltungs-GmbH. An important shareholding outside the Group is Vacon Plc (20%). The companies in the cleantech portfolio are not included in Ahlström Capital's consolidated financial statements. The Group structure was changed for business reasons by transferring some of the operations of the Finnish and Swedish holding companies to the Netherlands. In 2011, the Group increased its holding in Enics from 91 percent to 96 percent, as Enics AG redeemed its own shares.

### Group earnings in 2011

The comparative figures are for the same period in 2010, unless stated otherwise.

Ahlström Capital's eleventh reporting period, extending from January 1 to December 31, 2011 was challenging, similarly to the previous year. Operating profit, excluding the effect of exits from investments and recording of impairment losses, improved from the previous year and was EUR 10.4 million (3.7). However, the accounting result was clearly negative, due to the impairment losses recorded to the book values of certain investments. Return on capital employed was negative at -0.5 percent (4.0 percent). The decrease from previous year was mainly due to the recording of impairment losses, totalling EUR 20 million in the consolidated income statement.

The net asset value of Ahlström Capital Oy's share increased by EUR 47.91 (7.1%) to EUR 721.92 in the reporting period. Including the dividends paid, the increase was 9.0 percent. The net asset value increased particularly due to the increase in the fair value of the Enics investment, but was negatively affected by write-downs of A&R Carton and Elbi. The dividend-adjusted net asset value of Ahlström Capital Oy's share totalled EUR 833 (773) at the end of the period.

The net sales of the Ahlström Capital Group increased year-over-year to EUR 801.9 million (683.8). The packaging business accounted for EUR 401.8 million (355.5) and the EMS business for 377.0 million (315.9) of this. Other operating income amounted to EUR 5.1 million (9.0), and mainly arose from the restoration of the previous years' impairment losses in the result in conjunction with the exits from investments.

Ahlström Capital's share of the results of its associates was EUR 2.2 million (1.3), mainly consisting of the company's share of Vacon's result. The improvement over the previous year was due to Elbi being reported as subsidiary as from August 1, 2010.

The Group's operating loss was EUR -2.2 million (11.1). The difference compared with the previous year was mainly due to the recording of non-recurring impairment losses. Financial income was EUR 0.5 million (0.9). Financial expenses, including currency translation losses related to bank loans, were EUR 27.0 million (7.1). Financial expenses include EUR 11.2 million of impairment losses recorded in the carrying amounts of a number of investments.

The administrative costs of parent company Ahlström Capital Oy and international holding companies amounted to EUR 4.4 million (4.8) in the reporting period, representing an average of 1.3% (1.3%) of the Group's capital employed. Part of the holding company structure was transferred from Sweden to the Netherlands during the year, resulting in some non-recurring expenses.

Pre-tax loss was EUR -28.7 million (4.9). Taxes recorded for the period totalled EUR 7.2 million (1.3). They consisted of the taxes for the period worth EUR 4.1 million and an EUR 3.1 million decrease in deferred tax assets. The Group's net loss was EUR -35.0 million (6.5).

### Financial position and financing

Ahlström Capital's financial position remained stable during the financial year, although the equity ratio and gearing weakened considerably from the previous year.

At the end of the year, consolidated shareholders' equity was EUR 141.2 million (183.4). The equity ratio at the end of the year was 31 percent (41), and gearing stood at 86 percent (42). Interest-bearing liabilities totalled EUR 192.6 million (111.4) at the end of December 2011. The increase from last year was mainly due to the bank loans used for the refinancing of Elbi and the bank loans transferred to the Group in conjunction with the establishment of AR Packaging Group.

At year-end, parent company Ahlström Capital Oy and the holding companies in its ownership had EUR 14.5

million (14.7) available for new investments, while interest-bearing liabilities totalled EUR 64.1 million (14.9). The guarantees issued by Ahlström Capital Oy on behalf of its portfolio companies totalled EUR 8.0 million (31.6) on December 31, 2011. The decrease in guarantees from the previous year was due to the release of guarantees given on behalf of Elbi in the context of Elbi's refinancing in December 2011.

Net cash flow from operating activities (cash flow after net financial income, taxes paid, and change in net working capital) was negative at EUR -12.9 million (-1.6). EUR 43.6 million (20.3) was spent on investments in fixed assets and on new investments. Most of these consisted of the fixed assets transferred to the Group in connection with the AR Packaging Group transaction, Enics' and Elbi's investments in fixed assets and investments in the construction project in Romania.

Net cash flow from financing activities was EUR 72.9 million (-6.1). The significant change from the previous year is due to the bank loans drawn for new investments and investments in fixed assets and to the debts transferred to the Group in conjunction with the AR Packaging Group transaction.

At year-end, the Group had liquid funds of EUR 48.7 million (32.2).

Based on the Annual General Meeting's decision, the company paid a dividend of EUR 12.50 per share, totaling EUR 4.5 million.

### Accounting principles

No changes were made to the accounting principles in the review period. The calculation principles of key figures presented in the report of operations were changed during the accounting period so that the return on capital employed is now calculated directly from the figures of the consolidated financial statements. In previous years, the effect of unrealized changes in the values of publicly quoted investments was also considered in the calculation of the said key figure. The figures for the preceding accounting periods have been changed to make them comparable.

### Risk management

Ahlström Capital aims to reduce the risk related to investments and to increase the return on investments by employing a carefully considered investment strategy and a multi-stage decision-making process for investments, as well as by diversifying its investments by choosing assets that differ in terms of their expected returns, risks, and investment horizons. Moreover, risks are managed and potential returns increased by actively participating in the development of the target companies' operations through Board activities and support given to operational activities.

### Personnel, management and auditors

The Ahlström Capital Group had an average of 5,277 (4,704) employees over the period. In January, Ahlström Capital strengthened its personnel by appointing Johanna Raehalme, M.Sc. (Econ.) as Investment Analyst. Johan Borgström, who served as Ahlström Capital's General Counsel since 2001, retired at the end of June. He was succeeded by Ulla Palmunen, LL. M., who joined the company as Assistant General Counsel in April 2010. At the end of the year, the company's personnel numbered 12. Panu Routila is the company's President and CEO.

Morten Ahlström, Chairman of Ahlström Capital Oy's Board of Directors since 2001, passed away on August 29, 2011. Ahlström Capital's Board elected Stig Gustavson as the new Chairman as from August 30, 2011.

Johannes Gullichsen and Jouko Oksanen, who have served as Board members since June 30, 2001, and Martti Saikku, Board member since the 2007 Annual General Meeting, were re-elected by the Annual General Meeting on March 31, 2011. After Karl Grotenfelt had announced that he was no longer available for election to the Board, Dr. Stig Gustavson, was elected as a new Board member, and in the Board's inaugural meeting, he was elected Vice Chairman of the Board. Ahlström Capital Oy's Extraor-

dinary General Meeting that convened on November 7, 2011 to complement the composition of the Board elected Mats Danielsson, M.Sc. (Econ.) and CFO of the Paulig Group, as the fifth member of the Board.

The auditor was the auditing firm Ernst & Young Oy, with Kunto Pekkala, Authorized Public Accountant, as the auditor in charge.

### Court proceedings and disputes

In December, Ahlström Capital Oy and its subsidiary Karhula Osakeyhtiö together with A. Ahlström Osakeyhtiö filed a claim for damages in the Helsinki District Court due to the price cartel that existed in the Finnish timber markets between 1997 and 2004. During those years, the companies were part of substantial transactions involving sale of timber and forest estates, and the cartel most probably had a negative effect on price formation in these transactions. The maximum aggregate amount of damages claimed together by the Ahlström companies is approximately EUR 19.8 million.

### Outlook for 2012

The growth outlook of many of our portfolio companies has weakened following the overall deterioration of the economic situation, and the operating environment is expected to remain extremely challenging. The macro-economy is overshadowed by obvious threats, and the risk of recession has

continued to increase particularly in Europe, in an economic situation that poses the global markets with problems such as instability, weak demand in developed markets and uncertainty in emerging markets. The portfolio companies are expected to perform somewhat better than in the previous year. Ahlström Capital continues to actively develop its target companies and to examine new investment opportunities. Thanks to its strong equity position, Ahlström Capital can make new investments, while focusing primarily on ensuring the success of its current portfolio companies and on developing the cleantech portfolio.

### Events after the review period

In January 2012, Ahlström Capital together with HGR Property Partners acquired a majority of shares in the company Fastighets Ab Lönnrotsgatan 3. The company owns a real estate at Lönnrotinkatu 3, Helsinki, currently mainly in office use.

The building has four storeys and an attic plus two cellar floors, one of which is partly above street level. The building's floor area is 4,400 sq.m.

The aim is to restore the building back to residential use while also utilizing the opportunity to build additional residences in the attic.

The office and industrial real estate in Varkaus, which had been operating at a high vacancy rate for quite some time, was sold in February.

### Major shareholders on December 31, 2011

At the end of 2011, Ahlström Capital Oy had 214 shareholders.

	Number of shares	Percentage of shares
Antti Ahlström Perilliset Oy	37,585	10.4
Varma Mutual Pension Insurance Company	23,490	6.5
Mona Huber	14,327	4.0
Jacqueline Tracewski	10,076	2.8
Estate of Morten Ahlström	8,557	2.4
Kaj Nahi	8,191	2.3
Johan Gullichsen	7,537	2.1
Anneli Studer	7,372	2.0
Niklas Lund	6,953	1.9
Kim Kymälä	6,630	1.8
Others	230,201	63.8
Total	360,919	100.0

# CONSOLIDATED INCOME STATEMENT

EUR 1,000	Note	2011	2010
<b>Net Sales</b>	1	<b>801,929</b>	683,844
Other operating income	2	5,113	8,962
Share in results of associated companies		2,208	1,343
Materials and services		-502,888	-407,713
Personnel costs	3	-171,129	-151,946
Depreciation, amortization and reduction in value	8	-40,644	-21,545
Other operating expense		-96,787	-101,838
<b>Operating profit</b>		<b>-2,198</b>	11,107
<i>Financing income and expense</i>	5		
Interest and other financing income		505	892
Interest and other financing expenses		-27,038	-7,077
		-26,533	-6,185
<b>Result before appropriations and taxes</b>		<b>-28,731</b>	4,922
Income taxes	7	-7,193	1,347
<b>Result before minority interest</b>		<b>-35,924</b>	6,269
Minority interest		935	220
<b>Net result for the period</b>		<b>-34,989</b>	6,489

# CONSOLIDATED STATEMENT OF CASH FLOWS

EUR 1,000	2011	2010
<b>Cash flow from operating activities</b>		
Operating profit	-2,198	11,107
Share in results of associated companies	-2,208	-1,343
Depreciation and amortization	40,644	21,545
Other adjustments	2,188	-5,607
<b>Cash flow from operating activities before change in net working capital</b>	<b>38,426</b>	<b>25,702</b>
Change in net working capital	-23,756	-19,774
<b>Cash flow from operating activities</b>	<b>14,670</b>	<b>5,928</b>
Interest and other financing income	3,576	3,032
Interest and other financing expenses	-27,038	-7,077
Income taxes	-4,141	-3,469
<b>Net cash flow from operating activities</b>	<b>-12,933</b>	<b>-1,586</b>
<b>Cash flow used in investing activities</b>		
Capital expenditure	-47,873	-29,056
Other investments	-4,738	-14,058
Redemption of company shares	-2,909	-2,175
Proceeds from sales of non-current assets	8,614	16,290
Change in notes receivable and other receivables	3,354	8,733
<b>Net cash flow used in investing activities</b>	<b>-43,552</b>	<b>-20,266</b>
<b>Cash flow from financing activities</b>		
Change in long-term liabilities	69,360	-367
Change in short-term debt	11,495	7,509
Dividends paid	-4,511	-6,316
Other adjustments	-3,415	-6,932
<b>Net cash flow from financing activities</b>	<b>72,929</b>	<b>-6,106</b>
<b>Change in cash and financial investments</b>	<b>16,444</b>	<b>-27,958</b>
Cash and financial investments at beginning of period	32,215	60,173
<b>Cash and financial investments at end of period</b>	<b>48,659</b>	<b>32,215</b>

# CONSOLIDATED BALANCE SHEET

## ASSETS

EUR 1,000	Note	Dec. 31, 2011	Dec. 31, 2010
<b>Non-current assets</b>			
<i>Intangible assets</i>			
	8		
Intangible rights		1,842	1,989
Goodwill		614	1,514
Group consolidation goodwill		18,467	5,759
Other intangible assets		5,984	4,746
Advances paid		13	451
		<b>26,920</b>	<b>14,459</b>
<i>Tangible assets</i>			
	8		
Land and water areas		33,013	36,738
Buildings and constructions		45,198	48,554
Machinery and equipment		69,500	52,023
Other tangible assets		2,437	962
Advances paid and construction in progress		9,924	8,022
		<b>160,072</b>	<b>146,299</b>
<i>Investments</i>			
	9		
Shares in associated companies		37,261	38,224
Receivables from associated companies			4,617
Other shares		13,779	9,702
Other receivables		2,713	2,847
		<b>53,753</b>	<b>55,390</b>
<b>Current assets</b>			
<i>Inventories</i>			
Materials and supplies		72,620	60,422
Work in process		19,731	14,739
Finished goods		38,799	29,890
Advances paid		101	328
		<b>131,251</b>	<b>105,379</b>
<i>Receivables</i>			
<i>Long-term</i>			
Accounts receivable		1,013	1,269
Notes receivable		3,643	1,853
Receivables from associated companies	18		200
Deferred tax assets	15	10,571	14,727
Other receivables		405	426
Prepaid expenses and accrued income	10	20	19
		<b>15,652</b>	<b>18,494</b>
<i>Short-term</i>			
Accounts receivable		84,442	63,713
Receivables from associated companies	18	1,301	1,216
Deferred tax assets	15	455	79
Notes receivable		4,380	4,182
Other receivables		11,941	6,705
Prepaid expenses and accrued income	10	9,115	9,616
		<b>111,634</b>	<b>85,511</b>
Financial investments		892	881
Cash and bank		47,767	31,334
<b>TOTAL ASSETS</b>		<b>547,941</b>	<b>457,747</b>



## SHAREHOLDERS' EQUITY AND LIABILITIES

EUR 1,000	Note	Dec. 31, 2011	Dec. 31, 2010
<b>Shareholders' equity</b>	11		
Share capital		36,092	36,092
Capital in excess of par value		12,774	12,774
Retained earnings		127,363	128,011
Net result for the period		-34,989	6,489
		141,240	183,366
<b>Minority interest</b>		26,329	4,114
<b>Provisions</b>	14	15,233	8,939
<b>Liabilities</b>			
<i>Long-term</i>	13		
Loans from financial institutions		113,093	39,924
Other liabilities		25,595	29,722
Deferred tax liabilities	15	11,942	12,762
Accrued expenses and deferred income	16	829	1,182
		151,459	83,590
<i>Short-term</i>			
Loans from financial institutions		54,705	47,006
Advances received		1,454	1,533
Accounts payable		111,692	88,317
Other liabilities		13,652	11,877
Deferred tax liabilities	15	92	
Accrued expenses and deferred income	16	32,085	29,005
		213,680	177,738
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		547,941	457,747

# NOTES TO FINANCIAL STATEMENTS

## ACCOUNTING PRINCIPLES

The financial statements of the Ahlström Capital Group and the parent company Ahlström Capital Oy have been prepared in accordance with the Finnish Accounting Act and other regulations in force in Finland. These comply with the European Union directives on financial statements and good accounting practices. In reporting to the Group, all Group companies adhere to these uniform accounting principles.

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

Ahlström Capital Oy was formed when A. Ahlstrom Corporation demerged into three companies on June 30, 2001. The official financial statements for 2011 have been prepared for the eleventh financial year of the company and Group, spanning the period from January 1, 2011 to December 31, 2011.

No changes were made to the accounting principles during the accounting period, but certain aspects of the accounting principles were specified in more detail.

The calculation principles of key figures presented in the Report of Operations were changed during the accounting period so that the return on capital employed is now calculated directly from the figures of the consolidated financial statements. In previous years, the effect of unrealized changes in the values of publicly quoted investments was also considered in the calculation of the said key figure. The figures for the preceding accounting periods have been changed to make them comparable.

## Consolidated financial statements

The consolidated financial statements include the accounts of the parent company and all companies in which it owns, directly or indirectly, more than 50 percent of the voting rights.

Associates, in which the Group has 20 to 50 percent of the voting rights, are consolidated using the equity method.

Companies acquired during the year are included in the consolidated financial statements from the date of acquisition, and companies that have been sold during the year are included up to the date of sale.

Intragroup transactions are eliminated when preparing the consolidated financial statements. Cross-shareholdings are eliminated using the purchase method. The difference between the subsidiary's acquisition price and equity on the date of acquisition is recognized in assets with respect to those items whose fair values exceed the carrying amounts. The remaining difference is recorded in the balance sheet as goodwill.

The portions of the purchase price allocated to assets are depreciated or recognized as income at the same rate as the asset items in question. Goodwill is amortized over a maximum of 20 years.

## Revenue recognition

Income from the sale of goods and services is recognized 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 period-end rate. Translation differences in receivables and liabilities are recognized 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 capitalizations).

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

Foreign subsidiaries' income statements are translated into euros at the average rate of the period and balance sheets at the period-end rate.

The exchange differences arising from translation of the equity of subsidiaries and of associated companies is included in the Group's equity.

## Research and development expenditure

Research and development costs are recognized as an expense in the year they were incurred. Development costs can be capitalized if the conditions laid down in the Decree of the Ministry of Employment and the Economy (1066/2008) are met. The conditions are based on the IAS 38 accounting standard.

## Pension costs

In Finland, the statutory pension liability and supplementary pension benefits are funded through insurance policies and recognized in accordance

with actuarial calculations. In other countries, pension plans and their treatment comply with local legislation and practice. Pension insurance premiums and changes in pension liabilities are recognized in profit or loss.

#### **Inventories**

Inventories are stated at the lower of cost or market.

#### **Investments**

Investments that are intended to generate income for more than one accounting period are recognized 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 amortization.

Depreciation and amortization 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 recognized 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.

Deferred taxes are calculated on timing differences between book and taxable income.

Deferred tax liabilities or assets are calculated on temporary differences in the financial statements, applying the tax rate confirmed for subsequent years at the end of the reporting period. Deferred tax assets are stated in the balance sheet as estimated probable benefit. Deferred tax assets arising from confirmed losses can be recognized in the financial statements to the extent that it is probable that taxable profit will be available against which the losses can be utilised.

#### **Extraordinary items**

Non-recurring, material revenue and expense items not related to normal business operations are disclosed as extraordinary items in the income statement.

#### **Net asset value of Ahlström Capital Oy's shares**

The net asset value of shares differs from the carrying amount as follows: when calculating the net asset value, investments are measured at fair values which, with respect to publicly quoted shares, are based on period-

end share prices and, with respect to other investments, are based on valuations by independent experts, whereby the deferred tax portion attributable to the difference between the carrying amount and market value of investments is also taken into account. Net liabilities are measured at the carrying amount when calculating the net asset value.

NOTES TO FINANCIAL STATEMENTS

EUR 1,000

<b>1. NET SALES</b>	<b>Group 2011</b>	<b>Group 2010</b>	<b>Parent 2011</b>	<b>Parent 2010</b>
Distribution of net sales by country				
Sweden	161,398	119,877	12	12
Germany	94,193	96,027		
Russia	79,192	71,664		
Finland	70,470	68,192	4,089	3,763
France	70,021	57,305		
Switzerland	56,623	54,040		
China	40,600	34,312		
Netherlands	40,180	34,467		
Belgium	22,580	16,419		
United Kingdom	21,476	15,908		
Ireland	18,717	15,015		
Italy	17,531	15,926		
Others	108,948	84,692		
<b>Total</b>	<b>801,929</b>	<b>683,844</b>	<b>4,101</b>	<b>3,775</b>

**2. OTHER OPERATING INCOME**

Gain on sale of non-current assets	4,406	7,420	52,587	13,490
Others	707	1,542	86	860
<b>Total</b>	<b>5,113</b>	<b>8,962</b>	<b>52,673</b>	<b>14,350</b>

<b>3. PERSONNEL COSTS</b>	<b>Group 2011</b>	<b>Group 2010</b>	<b>Group 2009</b>	<b>Parent 2011</b>	<b>Parent 2010</b>	<b>Parent 2009</b>
Wages and salaries	133,105	113,750	76,355	1,672	1,561	1,491
Pension costs	18,902	15,367	9,137	283	261	237
Other wage related costs	19,122	22,829	10,578	50	52	89
<b>Total</b>	<b>171,129</b>	<b>151,946</b>	<b>96,070</b>	<b>2,005</b>	<b>1,874</b>	<b>1,817</b>

Salaries for managing directors	1,924	1,560	1,804	379	308	341
of which bonuses	57	133	102	52	49	23
Remunerations to Board members	555	494	354	180	168	201

**4. AVERAGE NUMBER OF PERSONNEL**

Salaried	1,467	1,304	1,174	11	10	9
Blue-collar	3,810	3,400	2,972			
<b>Total</b>	<b>5,277</b>	<b>4,704</b>	<b>4,146</b>	<b>11</b>	<b>10</b>	<b>9</b>

<b>5. FINANCING INCOME AND EXPENSE</b>	<b>Group 2011</b>	<b>Group 2010</b>	<b>Parent 2011</b>	<b>Parent 2010</b>
Dividend income from others	15	14	15	14
Dividend income from associated companies			2,298	1,609
Interest and financing income from Group companies			1,715	1,109
Interest and financing income from associated companies	22	344		340
Interest and financing income from others	468	534	290	2,488
<b>Total</b>	<b>505</b>	<b>892</b>	<b>4,318</b>	<b>5,560</b>

Interest and financing expenses to Group companies			-5,604	-20,764
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Interest and financing expenses to others				
Interest expenses	-8,603	-5,061	-582	-628
Exchange losses	-6,580	-600	-17	-378
Other financing expenses	-11,855	-1,416	-3,714	
<b>Total</b>	<b>-27,038</b>	<b>-7,077</b>	<b>-4,313</b>	<b>-1,006</b>
<b>Total interest and financing expenses</b>	<b>-27,038</b>	<b>-7,077</b>	<b>-9,917</b>	<b>-21,770</b>

EUR 1,000

	Group 2011	Group 2010	Parent 2011	Parent 2010
<b>6. EXTRAORDINARY INCOME AND EXPENSE</b>				
Gain on liquidation			1,173	
Group contribution, received			7,265	
Group contribution, given			-16,500	
Total			-8,062	

#### 7. INCOME TAXES

Taxes for current and previous years	-4,141	-3,746		289
Change in deferred taxes	-3,052	5,093	-4,406	4,800
Income taxes in the income statement	-7,193	1,347	-4,406	5,089

#### 8. INTANGIBLE AND TANGIBLE ASSETS

Group	Group goodwill	Goodwill	Intangible rights	Other intangible assets	Land and water areas	Buildings and construc- tions	Machinery and equipment	Other tangible assets	Advances paid and in progress
Acquisition cost at Jan. 1	32,874	13,252	6,086	13,203	36,877	62,528	174,984	2,494	8,489
Increases	28,187		152	2,194	89	1,377	59,369	14,418	12,974
Decreases			-277	-5	-958	-6,273	-5,646	-87	-512
Other changes	115	119	46	271	-265	-580	907	-100	-302
Reclassifications			1,028	-66	102	4,529	5,297	-162	-10,712
Acquisition cost at Dec. 31	61,176	13,371	7,035	15,597	35,845	61,581	234,911	16,563	9,937
Accumulated depreciation and amortization at Jan. 1	27,120	11,738	4,097	8,457	139	13,974	122,961	1,532	16
Increases							30,089	12,272	
Decreases			-277	-5			-4,943	-55	
Other changes	-10	98	33	186	1	-50	1,066	-42	-16
Reclassifications			220	-220			123	-123	
Write-downs	15,000				2,667				
Depreciation and amortiza- tion for the period	599	921	1,120	1,195	25	2,459	16,115	542	
Accumulated depreciation and amortization at Dec. 31	42,709	12,757	5,193	9,613	2,832	16,383	165,411	14,126	0
Book value at Dec. 31, 2011	18,467	614	1,842	5,984	33,013	45,198	69,500	2,437	9,937
Book value at Dec. 31, 2010	5,759	1,514	1,989	4,746	36,738	48,554	52,023	962	8,473
Parent company			Intangible rights	Other intangible assets	Land and water areas	Buildings and construc- tions	Machinery and equipment	Other tangible assets	Advances paid and in progress
Acquisition cost at Jan. 1			203		26,254	35,780	2,253	57	1,506
Increases									435
Decreases									-1,525
Reclassifications						62	15		-77
Acquisition cost at Dec. 31			203	0	26,254	35,842	2,268	57	339
Accumulated depreciation and amortization at Jan. 1			6			4,450	888		
Decreases									
Depreciation and amortization for the period						1,198	138		
Accumulated depreciation and amortization at Dec. 31			6	0	0	5,648	1,026	0	0
Book value at Dec. 31, 2011			197	0	26,254	30,194	1,242	57	339
Book value at Dec. 31, 2010			197	0	26,254	31,330	1,365	57	1,506

NOTES TO FINANCIAL STATEMENTS

EUR 1,000

**9. LONG-TERM INVESTMENTS**

Group	Shares in associated companies	Receivables from associated companies	Other shares	Other receivables
Book value at Jan. 1	38,224	4,617	9,702	2,847
Share of profits	3,567			
Increases	13		4,725	
Decreases	-135	-4,617		
Other changes	-4,408		-648	-134
Book value at Dec. 31, 2011	37,261	0	13,779	2,713
Book value at Dec. 31, 2010	38,224	4,617	9,702	2,847

Parent company	Shares in Group companies	Shares in associated companies	Receivables from Group companies	Receivables from associated companies	Other shares	Other receivables
Book value at Jan. 1	67,986	19,758	0	3,056	7,238	2,848
Increases	28,678				3,915	65
Decreases	-2,191	-19,758		-3,056		-200
Liquidation	-7,106					
Book value at Dec. 31, 2011	87,367	0	0	0	11,153	2,713
Book value at Dec. 31, 2010	67,986	19,758	0	3,056	7,238	2,848

**10. PREPAID EXPENSES AND ACCRUED INCOME**

	Group Dec. 31, 2011	Group Dec. 31, 2010	Parent Dec. 31, 2011	Parent Dec. 31, 2010
<i>Long term</i>				
Periodization of costs	20	19		
<i>Short-term</i>				
Accrued interest income	1,013	41	7	
Periodization of costs	7,698	4,902	13	63
Current tax receivable	270	967		
Other	134	3,706	106	471
Total	9,115	9,616	126	534

**11. SHAREHOLDERS' EQUITY**

Shareholders' equity at Jan. 1	183,366	190,097	176,775	184,122
Dividends paid	-4,511	-6,316	-4,511	-6,316
Translation adjustment	3,550	2,498		
Changing associated company to subsidiary		-6,068		
Other changes	-6,176	-3,334		
Net income	-34,989	6,489	11,389	-1,031
Shareholders' equity at Dec. 31	141,240	183,366	183,653	176,775
Retained earnings			123,397	128,940
Net result			11,389	-1,031
Distributable shareholders' equity			134,786	127,909

**12. SHARE CAPITAL, DEC. 31, 2011**

Parent company	Number of shares	EUR
1 vote/share, with redemption clause	360,919	36,091,900

**13. MATURITIES OF LONG-TERM LIABILITIES**

Group	2013	2014	2015	2016	2017-	Total
Loans from financial institutions	11,813	51,970	6,512	5,665	37,133	113,093
Deferred tax liabilities	972	581	326	466	9,597	11,942
Pension liabilities	1,369	1,306	1,324	1,592	19,173	24,764
Other long-term liabilities	908	229	175	175	173	1,660
Total	15,062	54,086	8,337	7,898	66,076	151,459

EUR 1,000

<b>14. PROVISIONS</b>	<b>Group Dec. 31, 2011</b>	<b>Group Dec. 31, 2010</b>	<b>Parent Dec. 31, 2011</b>	<b>Parent Dec. 31, 2010</b>
Personnel costs	1,075	1,374	956	1,243
Other	14,158	7,564	1,367	1,719
<b>Total</b>	<b>15,233</b>	<b>8,938</b>	<b>2,323</b>	<b>2,962</b>

#### 15. DEFERRED TAX ASSETS AND LIABILITIES

Long-term assets	10,571	14,727		4,800
Short-term assets	455	79		
Long-term liabilities	-11,942	-12,762	-6,431	-6,825
Short-term liabilities	-92			
<b>Total</b>	<b>-1,008</b>	<b>2,044</b>	<b>-6,431</b>	<b>-2,025</b>

*Arising from*

Depreciation difference	-1,027	-2,693		
Tax losses	6,865	11,145		4,800
Other timing differences	-6,846	-6,408	-6,431	-6,825
<b>Total</b>	<b>-1,008</b>	<b>2,044</b>	<b>-6,431</b>	<b>-2,025</b>

#### 16. ACCRUED EXPENSES AND DEFERRED INCOME

*Long-term*

Interest expense		484		484
Other	829	698		
<b>Total</b>	<b>829</b>	<b>1,182</b>	<b>0</b>	<b>484</b>

*Short-term*

Personnel costs	17,485	16,527	247	285
Interest expense	2,205	95	42	5
Current tax payable	478	1,041		
Other	11,917	11,342	83	20
<b>Total</b>	<b>32,085</b>	<b>29,005</b>	<b>372</b>	<b>310</b>

#### 17. RECEIVABLES FROM AND LIABILITIES TO GROUP COMPANIES

Notes receivable			95,720	25,000
Accounts receivable			2,665	1,195
Other receivables			7,265	16,309
Prepaid expenses and accrued income			512	889
<b>Total</b>			<b>106,162</b>	<b>43,393</b>

Other long-term debt			2,828	4,243
Other short-term debt			21,890	17,842
Accrued expenses and deferred income			103	339
<b>Total</b>			<b>24,821</b>	<b>22,424</b>

#### 18. RECEIVABLES FROM AND LIABILITIES TO ASSOCIATED COMPANIES

Notes receivable	520	5,727		3,806
Accounts receivable	759	155		
Prepaid expenses and accrued income	22	151		47
<b>Total</b>	<b>1,301</b>	<b>6,033</b>	<b>0</b>	<b>3,853</b>

#### 19. COLLATERALS

*For own liabilities*

Loans from financial institutions	92,998	27,792	57,000	5,000
Amount of mortgages and pledges	92,750	70,512	55,000	22,000

For other own commitments	34,434	28,777		
For commitments of Group companies	114,062	110,104		

EUR 1,000

20. CONTINGENT LIABILITIES	Group	Group	Parent	Parent
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
<i>Leasing commitments</i>				
Current portion	10,723	14,369	74	78
Long-term portion	27,817	39,571	132	28
Commitments on behalf of Group companies	21,956	45,555	7,993	31,592
Commitments on behalf of associated companies	193	377		
Commitments on behalf of others	10,005	10,635	1,028	1,318
Contingent liabilities for real estate investment's VAT			5,159	5,145

## 21. SHARES

Subsidiaries	Country	Holding %	Subsidiaries	Country	Holding %
AC-Kiinteistö Oy	Finland	100	Flextrus Group AB*	Sweden	
AC Kinnistute AS	Estonia	100	Flextrus AB*	Sweden	
Karhula Osakeyhtiö	Finland	100	Flexmed AB*	Sweden	
AC Cleantech Management Oy	Finland	97	Flextrus Ltd*	United Kingdom	
ACEMS AB	Sweden	100	Flexopac AB*	Sweden	
Enics AG	Switzerland	96	Dekad AB	Sweden	100
Enics Schweiz AG	Switzerland		Remad AB	Sweden	100
Enics Eesti AS	Estonia		BDY Invest S.R.L	Romania	100
Enics Sweden AB	Sweden		Capkap AB	Sweden	100
Enics Electronics (Beijing) Ltd.	China		Capbe AB	Sweden	100
Enics Finland Oy	Finland		Capetra AB	Sweden	100
Enics Slovakia s.r.o.	Slovakia		Prosyxs AB	Sweden	100
Enics Hong Kong	China		Delmatis AB	Sweden	100
AC Kosmo AB	Sweden	100	AC Finance B.V.	Netherlands	100
CETup AB	Sweden	100	ACPack B.V.	Netherlands	100
Elva Holding Oy	Finland	100	DutchCo Alpha Holding B.V.	Netherlands	100
AC Verwaltungs-GmbH	Germany	100	DutchCo Delta Holding B.V.	Netherlands	100
Sulma Fastigheter AB	Sweden	100	AC Invest B.V.	Netherlands	100
ACPack AB	Sweden	100	AC Invest Two B.V.	Netherlands	100
AR Packaging Group AB	Sweden	62	AC Invest Three B.V.	Netherlands	100
A&R Carton AB	Sweden		ACEMS B.V.	Netherlands	100
A&R Carton A/S	Norway		Waspel B.V.*	Netherlands	100
Å&R Carton Norrköping AB	Sweden		Elbi Elektrik International	Turkey	60
A&R Carton Holding B.V.	Netherlands		Elmas Elektrik	Turkey	
A&R Carton B.V.	Netherlands		Elbi Ukraine*	Ukraine	
A&R Carton Bremen GmbH	Germany		Elbi Russia*	Russia	
A&R Carton NA Inc.	United States		AC Real Estate B.V.	Netherlands	100
Å&R Carton Lund AB	Sweden		A&R Finance and Real Estate B.V.	Netherlands	100
A&R Carton Ltd	United Kingdom		Waspel Real Estate A.S.	Turkey	100
A&R Carton SA	France		AC Tabasalu Kinnistute OÜ	Estonia	100
A&R Carton Cdf SA	France		AC Bucharest Real Estate Holding B.V.*	Netherlands	100
A&R Carton Beteteiligungen GmbH	Germany		West Residential Park S.R.L.*	Romania	50
A&R Carton GmbH	Germany		Second Kosmo AB	Sweden	100
A&R Carton Frankfurt GmbH	Germany		Ahlstrom Capital Solar PVT Ltd	India	100
A&R Carton Oy	Finland				
A&R Carton Holding GmbH	Germany		* new company		
ZAO A&R Carton Kuban	Russia		Associated companies		
A&R Carton AS	Estonia		Vacon Plc	Finland	20
CC Pack Holding AB	Sweden	70	Holding 3,064,844 shares, book value EUR 37,0 million, market value EUR 94.7 million at Dec. 31, 2011		
CC Pack AB	Sweden		Selas AB	Sweden	Liquidated
Combi Craft AB	Sweden		Kapon AB	Sweden	Liquidated
SP Container	United Kingdom	67	Waspel AB	Sweden	Liquidated
EMI Corp SA	Belgium	50			



# INCOME STATEMENT, PARENT COMPANY

EUR 1,000	Note	2011	2010
<b>Net Sales</b>	1	<b>4,101</b>	3,775
Other operating income	2	<b>52,673</b>	14,350
Personnel costs	3	<b>-2,005</b>	-1,874
Depreciation, amortization and reduction in value	8	<b>-1,336</b>	-1,303
Other operating expense		<b>-23,826</b>	-4,551
<b>Operating profit</b>		<b>29,607</b>	10,397
<i>Financing income and expense</i>	5		
Interest and other financing income		<b>4,318</b>	5,560
Interest and other financing expenses		<b>-9,917</b>	-21,770
		<b>-5,599</b>	-16,210
<b>Result before extraordinary items</b>		<b>24,008</b>	-5,813
Extraordinary items	6	<b>-8,062</b>	
<b>Result before appropriations and taxes</b>		<b>15,946</b>	-5,813
Change in depreciation difference		<b>-151</b>	-307
Income taxes	7	<b>-4,406</b>	5,089
<b>Net result for the period</b>		<b>11,389</b>	-1,031

# STATEMENT OF CASH FLOWS, PARENT COMPANY

EUR 1,000	2011	2010
<b>Cash flow from operating activities</b>		
Operating profit	<b>28,968</b>	10,397
Depreciation and amortization	<b>1,336</b>	1,303
Other adjustments	<b>-2,611</b>	-709
Cash flow from operations before change in net working capital	<b>27,693</b>	10,991
Change in net working capital	<b>23,814</b>	-16,320
Cash flow from operations	<b>51,507</b>	-5,329
Interest and other financing income	<b>5,021</b>	5,163
Interest and other financing expenses	<b>-1,185</b>	-21,374
Income taxes		290
<b>Net cash flow from operating activities</b>	<b>55,343</b>	-21,250
<b>Cash flow from investing activities</b>		
Capital expenditure	<b>-435</b>	-1,710
Other investments	<b>-32,593</b>	-27,567
Proceeds from sales of non-current assets	<b>23,474</b>	5,199
Change in notes receivable and other receivables	<b>-76,170</b>	42,828
<b>Net cash flow from investing activities</b>	<b>-85,724</b>	18,750
<b>Cash flow from financing activities</b>		
Change in long-term debt	<b>25,476</b>	
Change in short-term debt	<b>10,419</b>	-9,238
Dividends paid	<b>-4,511</b>	-6,316
<b>Net cash flow from financing activities</b>	<b>31,384</b>	-15,554
<b>Change in cash and financial investments</b>	<b>1,003</b>	-18,054
Cash and financial investments at beginning of period	<b>9,081</b>	27,135
<b>Cash and financial investments at end of period</b>	<b>10,084</b>	9,081

# BALANCE SHEET, PARENT COMPANY

## ASSETS

EUR 1,000	Note	Dec. 31 2011	Dec. 31 2010
<b>Non-current assets</b>			
<i>Intangible assets</i>			
	8		
Intangible rights		197	197
		197	197
<i>Tangible assets</i>			
	8		
Land and water areas		26,254	26,254
Buildings and constructions		30,194	31,330
Machinery and equipment		1,242	1,365
Other tangible assets		57	57
Advances paid and construction in progress		339	1,506
		58,085	60,513
<i>Investments</i>			
	9		
Shares in Group companies		87,367	67,986
Shares in associated companies			19,758
Receivables from associated companies			3,056
Other shares		11,153	7,238
Other receivables		2,713	2,848
		101,233	100,886
<b>Current assets</b>			
<i>Receivables</i>			
<i>Long-term</i>			
Receivables from Group companies	17		11,003
Notes receivable			
Deferred tax assets	15		4,800
		0	15,803
<i>Short-term</i>			
Accounts receivable		179	96
Receivables from Group companies	17	106,162	32,390
Receivables from associated companies	18		797
Notes receivable		360	405
Other receivables		7	39
Prepaid expenses and accrued income	10	126	534
		106,834	34,261
Financial investments		892	881
Cash and bank		9,192	8,200
<b>TOTAL ASSETS</b>		<b>276,434</b>	<b>220,740</b>

## SHAREHOLDERS' EQUITY AND LIABILITIES

EUR 1,000	Note	Dec. 31 2011	Dec. 31 2010
<b>Shareholders' equity</b>			
	11		
Share capital		36,092	36,092
Capital in excess of par value		12,774	12,774
Retained earnings		123,397	128,940
Net result for the period		11,389	-1,031
		183,653	176,775
<b>Accumulated appropriations</b>			
Depreciation difference		1,042	891
Provisions	14	2,323	2,962
<b>Liabilities</b>			
<i>Long-term</i>			
	13		
Loans from financial institutions		27,217	326
Deferred tax liabilities	15	6,431	6,825
Liabilities to Group companies	17	2,828	4,243
Other liabilities			3,784
Accrued expenses and deferred income	16		484
		36,477	15,661
<i>Short-term</i>			
Loans from financial institutions		30,109	5,109
Advances received			4
Accounts payable		121	297
Liabilities to Group companies	17	21,993	18,181
Other liabilities		346	551
Accrued expenses and deferred income	16	372	310
		52,940	24,451
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>276,434</b>	<b>220,740</b>

# AUDITOR'S REPORT

## TO THE ANNUAL GENERAL MEETING OF AHLSTRÖM CAPITAL OY

We have audited the accounting records, the financial statements, the Report of Operations, and the administration of Ahlström Capital Oy for the year ended December 31, 2011. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement and notes to the financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

### Responsibility of the Board of Directors and the President and CEO

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements and the Report of Operations that give a true and fair view in accordance with laws and regulations governing the preparation of the financial statements and Report of Operations in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the Report of Operations based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accord-

ance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the Report of Operations are free from material misstatement, and whether the members of the Board of Directors of the parent company or the President and CEO are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the Report of Operations. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and Report of Operations that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of Report of Operations.

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

### Opinion on the company's financial statements and the Report of Operations

In our opinion, the financial statements and the Report of Operations give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the Report of Operations. The information in the Report of Operations is consistent with the information in the financial statements.

### Opinions based on assignment of the Board of Directors

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the distributable equity shown in the balance sheet for the parent company is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the President and CEO of the parent company should be discharged from liability for the financial period audited by us.

Helsinki, February 24, 2012

Ernst & Young Oy  
Authorized Public Accountant Firm

Kunto Pekkala  
Authorized Public Accountant

# PROPOSAL FOR THE DISTRIBUTION OF PROFITS

According to the parent company's balance sheet as at December 31, 2011, the retained earnings and net result for the accounting period are:

	EUR
Retained earnings	123,397,445.16
Net profit for the period	11,389,089.25
Total distributable funds	134,786,534.41

The Board of Directors proposes that  
a dividend of 12.50 euros per share be paid on the 360,919 shares  
and the remainder be retained. 4,511,487.50

Helsinki, February 14, 2012

Stig Gustavson

Mats Danielsson

Johannes Gullichsen

Jouko Oksanen

Martti Saikku

Panu Routila  
President and CEO

# KEY FIGURES

MEUR	2011	2010	2009	2008	2007
Net sales	<b>801.9</b>	683.8	392.8	352.1	358.3
Other income from operations	<b>5.1</b>	9.0	18.4	30.6	17.3
Share of associated companies' results	<b>2.2</b>	1.3	-3.9	-15.2	1.8
Operating profit	<b>-2.2</b>	11.1	11.4	15.4	29.0
Net result for the period	<b>-35.0</b>	6.5	7.0	23.5	23.4

	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007
Equity ratio, %	<b>31</b>	41	45	67	65
Gearing, %	<b>86</b>	42	22	-21	7
Equity/share, EUR	<b>391.33</b>	508.05	526.70	530.33	529.10
Net asset value/share, EUR	<b>721.92</b>	674.01	632.12	618.90	669.36
Equity/share, EUR*	<b>502.33</b>	606.55	607.70	563.33	562.10
Net asset value/share, EUR*	<b>832.92</b>	772.51	713.12	684.90	702.36
Net result of the period/share, EUR	<b>-96.94</b>	17.98	19.51	65.08	63.23
Dividend/share, EUR	<b>12.50**</b>	12.50	17.50	15.00	33.00

\* adjusted with dividends paid

\*\* proposal by the Board of Directors

# FORMULAS FOR KEY FIGURES

Equity ratio	$\frac{\text{Shareholders' equity} + \text{Minority interest}}{\text{Balance sheet total} - \text{Advances received}} \times 100$
Gearing	$\frac{\text{Interest bearing debts} - \text{Money market instruments} - \text{Cash and bank}}{\text{Shareholders' equity} + \text{Minority interest}} \times 100$
Earnings per share	$\frac{\text{Profit before extraordinary items and taxes} - \text{Taxes on regular operations} \pm \text{Minority interest}}{\text{Number of shares on average for accounting period}}$
Equity per share	$\frac{\text{Shareholders' equity at the end of fiscal year}}{\text{Number of shares at the end of fiscal year}}$

# BOOK VALUE AND NET ASSET VALUE OF THE SHARES

MEUR if not otherwise stated	Dec. 31, 2011	Dec. 31, 2010
<b>BOOK VALUE</b>		
Book value of Ahlström Capital Group's shareholders' equity	141.2	190.1
Shareholders' equity, per share, euro	391.30	526.70
<b>NET ASSET VALUE*</b>		
Industrial investments	237.0	202.7
Cleantech	10.8	6.8
Real Estate	61.7	67.9
Interest bearing debt and other	-48.9	-34.1
Net asset value of Ahlström Capital Group's shareholders' equity, total	260.6	243.3
Shareholders' equity, per share, euro	721.92	674.01

\*Net asset value is the fair value adjusted for the deferred taxes

## RETURN ON CAPITAL EMPLOYED

The return on capital employed has been computed as follows:

$$\frac{\text{Operating profit + interest and other financial income}}{\text{Total assets - non-current liabilities, on average for accounting period}} \times 100$$

# SHARES AND SHAREHOLDERS

## Shares and share capital

Ahlström Capital Oy's registered share capital on December 31, 2011 was EUR 36,091,900.

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 2011, Ahlström Capital had 214 shareholders.

## Shareholdings of the Board of Directors

On December 31, 2011 members of the Board of Directors held 4,807 shares in Ahlström Capital Oy, which represents 1.3 percent of the voting rights and shares.

## SHAREHOLDERS BY GROUP ON DECEMBER 31, 2011

	Number of shares	Percentage of shares
Companies	38,137	10.6
Financial and insurance institutions	3,750	1.0
Public corporations	23,490	6.5
Finnish households	235,667	65.3
Foreign households	54,611	15.1
Others	5,264	1.5
<b>Total</b>	<b>360,919</b>	<b>100.0</b>

## DISTRIBUTION OF SHAREHOLDINGS ON DECEMBER 31, 2011

Number of shares	Number of shareholders	Percentage of shareholders	Number of shares and votes	Percentage of shares	Average number of shares held
1–100	67	31.3	1,912	0.5	29
101–500	36	16.8	7,803	2.2	217
501–1,000	26	12.2	20,456	5.7	787
1,001–2,500	41	19.2	61,064	16.9	1,489
2,501–5,000	27	12.6	100,710	27.9	3,730
over 5,000	17	7.9	168,974	46.8	9,940
	<b>214</b>	<b>100.0</b>	<b>360,919</b>	<b>100.0</b>	<b>1,687</b>

# GOVERNANCE PRINCIPLES

Ahlström Capital Oy is a private limited company registered in Finland. The company follows good corporate governance practices in accordance with the Finnish Limited Liability Companies Act, the company's Articles of Association, and the Corporate Governance code for Finnish listed companies.

Ahlström Capital is a member of the European Private Equity & Venture Capital Association (EVCA) and the Finnish Venture Capital Association.

The company provides information to shareholders, employees, and the public on a regular basis. The company's website [www.ahlstromcapital.com](http://www.ahlstromcapital.com) also provides information about the company and its operations.

The work of the Board of Directors is also governed by rules of procedure, which define the responsibilities and working methods of the Board of Directors and management, and document the company's reporting practices.

Ahlström Capital Oy is the parent company of the Group and has significant minority interests in associates. It 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. Decisions concerning the operations of these are taken by their own decision-making bodies.

The company exercises its ownership through representatives that its Board annually elects to the decision-making bodies of the company's subsidiaries and associates.

## General Meeting of Shareholders

The highest authority in Ahlström Capital is exercised by the shareholders at general meetings of shareholders. The Annual General Meeting decides on the number of members on the Board of Directors and elects the Board members. 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, and electing auditors.

In 2011, the Annual General Meeting was held on March 31 in Helsinki. In addition, an Extraordinary General Meeting took place on November 7.

To participate in a general meeting, shareholders must submit advance notification by no later than the date indicated in the notice, which day may not be earlier than 10 days prior to the meeting.

Notices of general meetings are published in the Official Gazette or delivered to shareholders by registered mail no earlier than two months and no later than two weeks prior to the last date of advance notification.

Notifications to shareholders are delivered by e-mail or in writing by mail.

## Board of Directors

The Annual General Meeting elects no fewer than five and no more than seven ordinary members to the Board of Directors. The term of Board members ends at the close of the next Annual General Meeting following the election. The Board chooses a Chairman and, if it deems necessary, a Vice Chairman from among its members. The current Board has five members, of whom Johannes Gullichsen and Jouko Oksanen have been on the Board since the company was founded on June 30, 2001, Martti Saikku since March 26, 2007, Stig Gustavson since March 31, 2011 and Mats Danielsson since November 7, 2011. After Morten Ahlström, who had served as the Board Chairman since the company's founding, passed away on August 29, 2011 due to a severe illness, the Board elected Stig Gustavson, the then-Vice Chairman of the Board, as its Chairman.

All Board members are independent except Johannes Gullichsen, who is serving also as a member of the Board of Antti Ahlström Perilliset Oy, the company's biggest shareholder, since January 19, 2012.

The Board has no women 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



or the Articles of Association are not specifically to be decided or implemented by other bodies.

In cooperation with the President, the Board attends to internal supervision, which also includes risk management. Risk management is mainly carried out in the subsidiaries and associates, 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.

In 2011, the Board held 15 meetings, 13 of which were attended by all the members. The Board only had four members between August 30 and November 7.

Members of the Nomination and Compensation Committee were Morten Ahlström (until August 29; Chairman), Karl Grotenfelt (until March 31), Stig Gustavson (as from April 1; Chairman as from August 30) and Jouko Oksanen. Additionally, Carl Ahlström, who represents Antti Ahlström Perilliset Oy, attends the Committee meetings when election and remuneration of Board members are handled. The Committee prepares proposals regarding the company's and Group's administration, salaries and incentives applicable within the company, and management's terms of employment for the consideration of the Board. In 2011, the Committee held five meetings.

The Board annually reviews its operations and working methods using an internal self-evaluation.

### **President and personnel**

Ahlström Capital's President is appointed by the Board. The President plans and manages the company's and Group's business operations and bears responsibility for the company's and Group's 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 is Panu Routila, M.Sc.(Econ.), who has held the position since April 1, 2008.

Panu Routila chairs the Boards of Directors of Enics AG, Elbi Electric International Trade & Industry Corporation and AC Cleantech Management Oy, and serves as a member of the Boards of Vacon Plc, AR Packaging Group AB and Ripasso Energy AB. He holds 12,688 shares in the portfolio company AR Packaging Group AB and 75 shares in AC Cleantech Management Oy.

Panu Routila is entitled to retire at the age of 63 and has the right to severance pay equal to 6 month's salary in the event of termination of employment.

In addition to the President, the company has 12 employees. They assist the President, 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 Boards of the company and the company's associates and subsidiaries.

### **Salaries and remuneration**

The Annual General Meeting confirms the remuneration of Board members. The remuneration in 2011–2012 is EUR 2,000 per month and EUR 600 per meeting. The Chairman receives a double monthly fee. The meeting fee is also paid for Committee meetings. The Board decides on the President's salary and benefits and confirms the salaries, incentives, and benefits of other members of the management.

The company's employees are entitled to incentives according to the company's incentive policy. Incentives are based on the company's financial performance and individual targets set for each employee.

### **Supervision**

Ahlström Capital's auditor is the auditing firm Ernst & Young Oy, with Kunto Pekkala, Authorized Public Accountant, as the auditor in charge. 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 Group's auditing fees in 2011 were EUR 879 thousand (751).

The company adheres to insider guidelines. However, as an unlisted company, it does not have insider administration in place.

# INFORMATION FOR SHAREHOLDERS

## Annual General Meeting

Ahlström Capital Oy's Annual General Meeting will be held in Helsinki, at Eteläesplanadi 14, on Thursday, March 29, 2012 at 5:00 pm.

The Notice of the Annual General Meeting has been published in the Official Gazette No. 28/March 7, 2012.

## Financial information

Ahlström Capital's annual report 2011 is published in Finnish, Swedish, and English.

In 2012, the company will inform the shareholders about the development of its performance on a quarterly basis by arranging result briefings on February 16, April 24 and October 26, and sending on August 7 by letter a financial review for the period Janu-

ary 1 to June 30. The financial result of the final quarter of 2012 will be published on February 18, 2013. The shareholders also receive the quarterly reports by e-mail or letter.

The company's annual report for 2012 is estimated to be completed in March 2013.

The annual report is available on the company's website at [www.ahlstromcapital.com](http://www.ahlstromcapital.com).

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.

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*Heritage counts...*



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