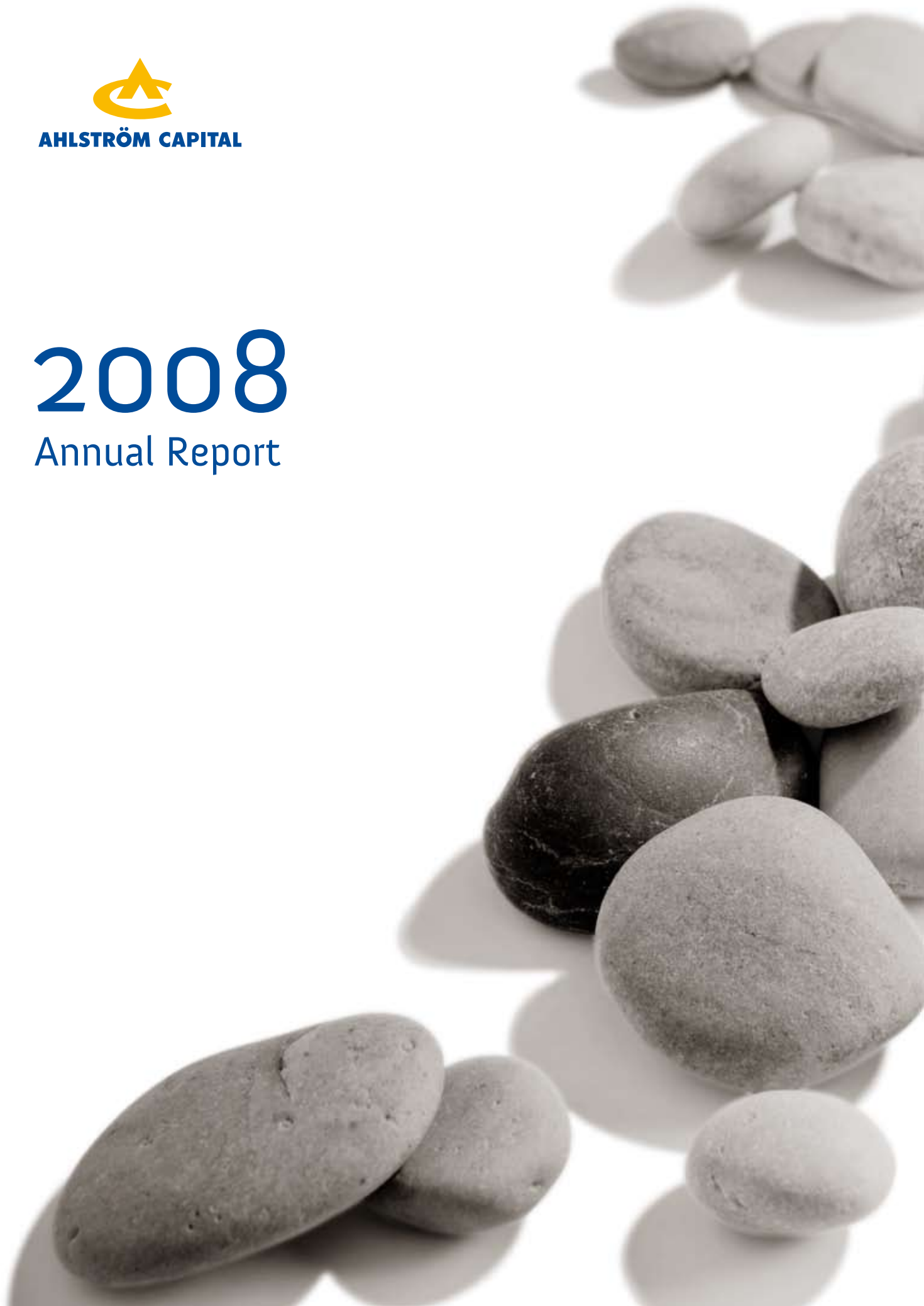




AHLSTRÖM CAPITAL

# 2008

Annual Report



# Ahlström Capital

Ahlström Capital is a private equity investment company that creates added value for its owners by channeling its investments primarily into industrial companies.

With roughly 190 million euros in capital, the company is one of Finland's biggest private equity investors.

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

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# Ahlström Capital in 2008

- The year was challenging, but Ahlström Capital's performance remained at a good level thanks to capital and exchange gains.
- We exited Wessen and the Kriftel industrial property successfully.
- The total earnings of the portfolio companies dropped from the previous year.
- Due to the general market trend, the value of our Vacon shares decreased by 35 percent.
- The financial and economic crisis is reflected in the prospects for our portfolio companies.



## Challenging Starting Point

The past year has been both hectic and challenging. In addition to two successful divestments, we made additional investments in existing assets and actively looked into several new investment options. The consolidated operational result of our portfolio was significantly weaker, although some of the companies were doing relatively well.

When I joined the company at the beginning of 2008 and assumed the post as Ahlström Capital's new President and CEO in April, we had no idea of the challenging conditions in store for us at year's end.

The change at the company's helm took place at a time when the initial funds of Ahlström Capital had been fully invested in industrial companies and real estate, and the first divestments had taken place. Exits continued at the beginning of the year when we sold the Russian portfolio company, Wessen. We also divested from two other smaller companies.

### Subject to economic uncertainty

The past year was characterized by increasing general economic uncertainty. What started as a financial crisis has evolved into a recession in the real economy, which shows no signs of abating. This makes it very difficult to prepare future forecasts. Private equity investors have been important to economic development in recent years, but they now face new obstacles in their path. It is more difficult to obtain external financing for new projects, and a considerably bigger share of transactions must be financed from investors' own funds. However, financing is still available for good investments, and interest expenses can be kept reasonable due to rate cuts. The price of acquisitions is likely to keep declining – and considerably so – before the buyer and seller

expectations meet. In the near future, we expect to come across investment targets that, though healthy under normal conditions, now need additional financing to keep their businesses going. On the other hand, it is unlikely that we will continue to divest as company valuations are low at the moment.

Considering the current conditions, it is of utmost importance to ensure a solid operational framework for the companies in our portfolio. Ahlström Capital is well equipped for this because well-timed exits have provided us with funds to invest and our industrial expertise helps us guide the portfolio companies through these challenging times.

### Freedom ensured by own funds

Unlike private equity investors in general, we make investments straight from our balance sheet.

Our investments efforts focus on companies in which we can leverage our solid industrial competence. We offer target companies both financing and expertise. Our investment decisions are based on our ability to identify the companies' business opportunities and managerial skills. With the target company's management, we can construct an interesting business case, the progress of which we closely monitor in the board, and we also support company management during different phases of company development.

Thus, we create value that will benefit the shareholders during divestments.



PRESIDENT &amp; CEO PANU ROUTILA



In geographic terms, our focus is on companies that operate in the Nordic region, Russia, and Eastern Europe, and whose marketing, industrial processes and management systems we can help to develop with our solid competence and experience.

#### Divestments boosted results

After the development phase, we sold Wessen, a Russian electric accessories manufacturer, to the French company

“The economic crisis has changed the operational landscape for private equity investors”.

Schneider Electric. Wessen attracted the attention of this large European conglomerate thanks to our having westernized its management practices and production, and adapted its sales system to Russian markets during our four years of ownership. What made Wessen particularly attractive to Schneider Electric was its strong market position and extensive marketing network. We also sold industrial facilities in the German town of Kriftel to a U.K. property investment fund. These sales had a positive impact on our earnings.

Our management tasks are made more challenging by our portfolio companies being at different phases of development and operating in different markets. Excellent results were posted by Vacon, which also did well in international competition, and the results of Enics and Nordkalk were satisfactory. However, we also experienced a few disappointments, with some of our portfolio companies falling clearly short of their targets.

We have been active in the development and improvement of real estate. The large extension project carried out at our Eteläesplanadi 14 facility will be completed in spring 2009. As a result of financial arrangements by our Turkish portfolio company, Elbi, land near Bucharest in Romania was added to our portfolio in fall 2008.

#### Focus on supporting portfolio companies

Our investment portfolio is built around long-term industrial investments, which include both mature companies and companies in need of

development. The latter include Elbi Elektrik, as well as Symbicon, still in its early phase of business. We have diversified our investments across different sectors to spread business risks. Securing the operations and growth of our portfolio companies will be particularly important in the prevailing economic climate.

The selection criteria for new investments will be further defined to meet the current market condition. Being an industrial investor with a strong cash position, we have good opportunities to add new target companies into our long-term industrial portfolio. Regarding real estate development projects, we are looking towards Finland and neighboring regions. To balance our investment risks, we will also investigate joint investment opportunities.

I wish to thank Jan Inborr, my predecessor, for developing the company, the Board for its excellent cooperation, the staff at Ahlström Capital and our portfolio companies for their contributions.

Panu Routila  
President & CEO

# International Investments and Industrial Competence

Ahlström Capital is a private equity investment firm that makes long-term investments in industrial companies and real estate in the Nordic countries, Russia, and Eastern Europe. Common to all of the portfolio companies is their aim to expand into international markets, as well as their active co-operation with Ahlström Capital.

## Mission

Ahlström Capital is a private equity investment company, whose long-term goal is to produce added value by acting as a professional, active, and responsible owner in selected industrial companies. To balance and diversify the portfolio the company also invests in real estate. Added value is generated through the acquisition, development, and divestment of investments.

## Strategy

Ahlström Capital is highly competent in investing activities, as well as in developing and internationalizing industrial business. It uses this competence when acquiring and developing industrial growth companies.

Ahlström Capital aims to manage and develop an investment portfolio with 8 to 10 companies. Its goal is to

found in industries that offer growth potential or are in need of structural reorganization. In geographical terms, Ahlström Capital focuses on industrial companies in the Nordic countries, Russia, and Eastern Europe.

Investment opportunities arise in conjunction with owner or generation changes, equity-intensive growth stages, structural changes, and internationalization. Ahlström Capital basically aims to realize the gains on its investments in 5–7 years, but may hold on to its stake longer if required.

Portfolio companies are developed through active participation in their operations and by giving support to the company management. Typical of the companies is their strive to expand into international markets. Ahlström Capital uses its expertise, on the one hand, to assist Nordic companies

“We are interested in companies that offer growth potential and strive to expand into international markets”.

make one to two acquisitions and to exit one or two investments annually. The size of a single investment is typically EUR 5–25 million. Ahlström Capital makes both minority and majority investments. Targets of interest are

with their entry into the Russian and Eastern European markets and, on the other hand, to help Russian and East European companies expand into the West and adopt Western management principles.

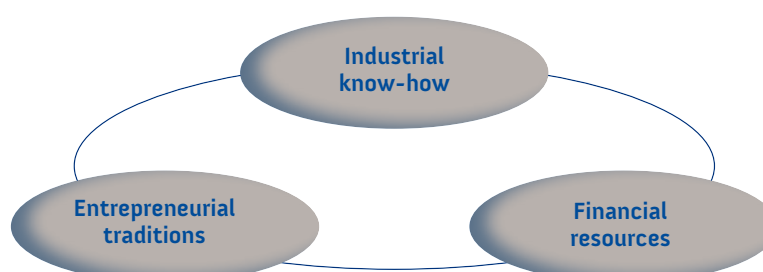


Real estate investments offer Ahlström Capital stable returns and spread the risk of the investment portfolio.

#### Targets

The company aims at a long-term annual return of 15–25 percent on the funds it manages, which enables the payment of dividends appropriate for each development phase.

#### Ahlström Capital's Strategic Strengths



#### Ahlström Capital's industrial investments as at Dec. 31, 2008

Portfolio companies	Products/Services	Net sales 2008 MEUR	Ahlström Capital holding
Å&R Carton	Folding cartons	356.7	45%
Nordkalk	Limestone products	344.9	31%
Enics	Electronics manufacturing services	339.0	90%
Vacon	AC drives	293.2	15%
Symbicon	Digital display panels	–	43%
Elbi Elektrik	Electrical accessories	21.3	50%

# Financial Crisis Creates Both Challenges and New Opportunities

In 2008, the world was gripped by a global financial and economic crisis. The resulting credit crunch had a paralyzing effect on the acquisition markets. Equity has once again become a scarce commodity, with direct consequences for investing activities in 2009.

The 2008 recession started with the financial crisis, characterized by poor credit availability and a drop in asset values. Problems began to spread in the fall, leading to a full-blown economic crisis that spilled over into the real economy. Underlying the crisis was increased risk-taking by banks. As the crisis escalated, financial institutions went bankrupt, were taken over by governments, or found rescue in bailout packages. The resulting shock waves spread quickly in every direction, pushing the global economy into recession.

## Acquisition Markets Slow Down

The financial crisis made it increasingly difficult for companies to get loans as banks tightened their lending standards. Hiccups in the financial markets

The financial markets were characterized by increasing caution, which led to fewer transactions. Under the prevailing conditions, private equity investors focused on developing their portfolio companies. Nevertheless, the machinery and equipment investments of companies decreased, as investors held on to the funds under their management.

## Ailing Economy Creates New Opportunities

The recession is not expected to let up in the near future. Investors with liquid funds to invest, such as Ahlström Capital, may benefit from the current situation, which has made equity a scarce resource. Companies that previously turned to banks for financing are now willing to negotiate

“Ahlström Capital may benefit from the situation, which has made equity a scarce resource”.

put banks, companies, and investors face-to-face with liquidity problems.

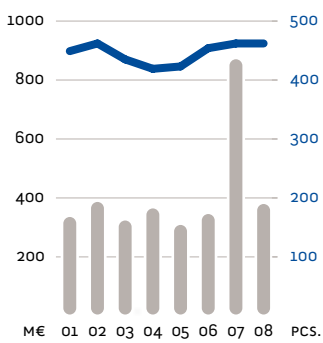
Private equity investors were forced to put up increasing amounts of equity for new acquisitions. In European acquisitions, the share of private equity exceeded 40 percent, the highest in ten years, and company valuations plummeted. Potential investments were scrutinized more closely than ever.

for equity financing. The financial crisis has forced or will force investors to divest their holdings to release equity. On the other hand, investors with good financial standing are likely to refrain from divesting their assets at the current low price levels.

Sources: EVCA, FVCA

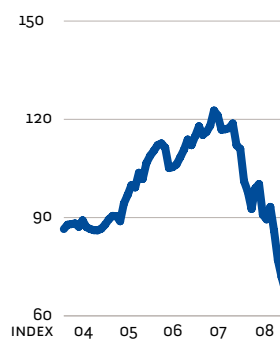


Private equity and venture capital investments in Finland 2001–2008



■ Million euros  
 ■ Number of deals  
 Source: FVCA

Development of global stock market 2004–2008



Source: mscibarra.com



# From Successful Exits to New Investments

By the end of 2007, Ahlström Capital had invested all of the funds entrusted to its management at the time of its founding in 2001. In 2008, Ahlström Capital divested successfully Wessen, a portfolio company, as well as industrial facilities located in Kriftel, Germany.

Towards the end of the year, the effects of the financial crises began to be felt by Ahlström Capital's portfolio companies. The need for owner financing increased and the preparation of forecasts became more complicated.

## Industrial Investments

In spring 2008, the company successfully sold Wessen, a Russian manufacturer of electrical accessories, to Schneider Electric, a French electrical conglomerate. Under Ahlström Capital's ownership, the net sales and production of Wessen had increased notably, and the company had achieved a solid market position in Russia. The acquisition brought a considerable increase to the liquid funds of Ahlström Capital.

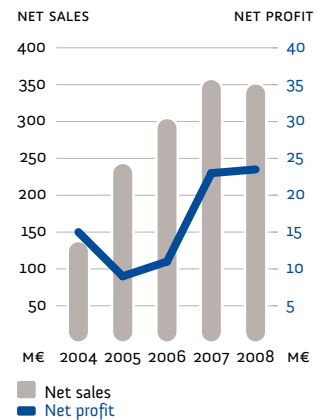
The CET group, supplier of multimedia and information technology networks, did not reach the strategic targets set for it, and was divested as a result.

Over the year, Ahlström Capital made additional investments in Å&R Carton, Elbi, and Symbicon, and was actively on the lookout for new, potential industrial investments. At the end of the year, the company had holdings in six industrial companies.

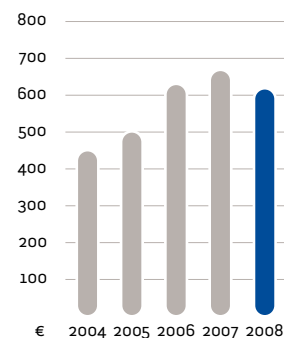
## Real Estate Investments

The extension and renovation of the facilities at Eteläesplanadi 14, in the Helsinki city center, continued according to plan. The building will get approximately 2,300 square meters of new office spaces and a restaurant.

## Ahlström Capital's net sales and net profit



## Trend in net asset value of the Ahlström Capital share



Moreover, the culturally and historically valuable Savoy Theater will also be renovated. The project is slated for completion in spring 2009, and rental agreements have already been signed for the new premises.

Enics stayed on as a tenant in the industrial facilities in Elva, Estonia, while the industrial premises in Varkaus, Finland, were leased to Andritz. The industrial facilities in the German town of Kriftel, leased to Å&R Carton, were sold to ThreadGreen LLP,

a property investor in the U.K., in October 2008.

At the end of the year, a plot of land near Bucharest in Romania was transferred to Ahlström Capital in conjunction with financial arrangements relating to Elbi. The roughly 1.7-hectare plot is earmarked for nine apartment blocks, which are to be constructed in phases and will have a total floor area of some 24,000 square meters. Plans are to build over 200 apartments on the site. Ahlström Capital continued to

look for interesting real estate options, especially in Russia.

At the end of 2008, its real estate investments comprised the Eteläesplanadi building in Helsinki, factory facilities in Finland and Estonia, as well as the plot in Romania.

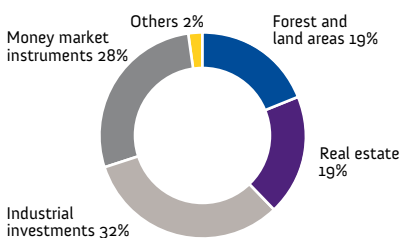
**Liquid Funds**

Ahlström Capital's liquid funds mainly consisted of short-term money market instruments. At the end of 2008, they totaled EUR 38 million.

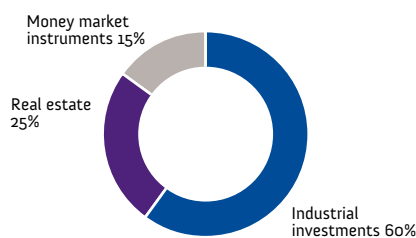
**Change in the investments 2001–2008\***

\*of capital employed

**July 1, 2001**



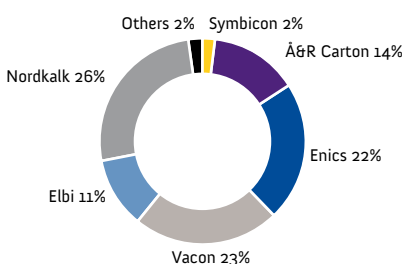
**December 31, 2008**



**Breakdown of industrial investments\***

\*of capital employed

**December 31, 2008**



# Nordkalk – High-Quality Limestone-Based Products

Nordkalk is a leading North-European manufacturer of high-quality limestone-based products, which are used in the paper, steel, and construction materials industries, in environmental management, and in agriculture.

Nordkalk increased its sales slightly over the previous year. Net sales rose by nearly 3 percent to EUR 345 million.

Nordkalk operates in eight countries and has mines and quarries in five of these. In Finland, the operations are spread over 14 localities. The company's headcount is approximately 1,350.

### Changeable Year

A new mill came on line at the Wolica grinding plant in Poland, and the construction of a new crushing plant started at the company's biggest mine in Miedzianka.

Nordkalk signed a multi-year agreement with Talvivaara, Europe's biggest nickel and zinc producer, on limestone deliveries to the Sotkamo mine.

The amendment to Norwegian legislation on emissions allowances had a negative impact on the profitability of the Verdal lime kiln. However, the Norwegian government later granted the kiln free allowances.

The rise in energy costs and the structural changes in the forest indus-

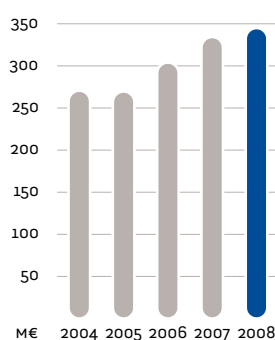
try led to codetermination talks at the Finnish sites in Kerimäki and Lappeenranta in the fall. As a result, the headcount in Kerimäki will be reduced from 51 to 20 in spring 2009.

Nordkalk applied for permission to open a new limestone quarry on Gotland, but the Swedish Environmental Court rejected the application at the end of the year. Nordkalk has lodged an appeal against the decision.

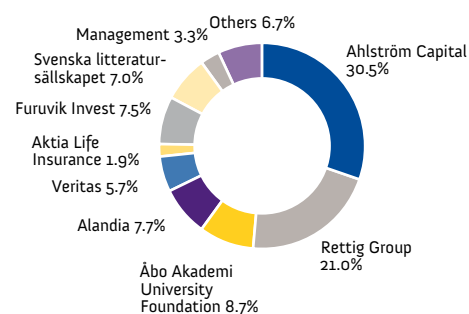
### Outlook

Net sales and profitability are expected to decrease. Changes in the paper industry will reduce the demand for Nordkalk's pigment products, and developments in the construction and steel industries will also affect product sales. The price of energy used by industry will increase, but the expenses cannot be fully transferred to product prices. Thanks to the company's wide customer base, Nordkalk's products will find demand in sectors that the economic situation does not directly affect.

### Net sales



### Ownership





*Nordkalk extracts limestone into tailor-made products for its customers.*



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

# Vacon – Clean Technology

Vacon designs, manufactures, and markets variable-speed AC drives used to control the speed of electric motors and in renewable energy production solutions. Vacon once again outperformed market growth in 2008.

Vacon's net sales increased by 22.5 percent to EUR 293 million. The markets grew strongest in Asia-Pacific, driven by China and India. North American and European product sales also met expectations. The U.S. company TB Wood's was integrated with Vacon's operations as planned.

Vacon AC drives are sold in over one hundred countries, and their market share is approximately 4 percent. The company's focus on a single product group gives it a competitive advantage on the worldwide growing markets.

### Numerous International Investments

Vacon's headcount increased by nearly 300 to 1,163 in 2008.

As a part of the product reform, Vacon introduced a new-generation AC drive for building automation industry in November.

The extension to the plant in Finland, completed in the autumn, ensures sufficient production capacity for the next few years. Vacon established a subsidiary in Denmark, which puts it closer to customers and enables it to expand

business into new regions. Offices were also opened in the East and South European markets in Cluj-Napoca, Romania, and in Kiev, Ukraine.

In preparation for growing demand in South America, Vacon signed an agreement with ELO, one of the biggest distributors in Brazil. In the U.S., the construction of new office and production facilities was launched in Pennsylvania at the year-end.

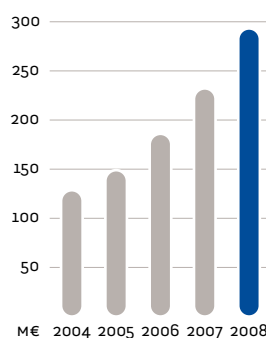
### Outlook

The estimates on developments in AC drive markets in 2009 contain uncertainties.

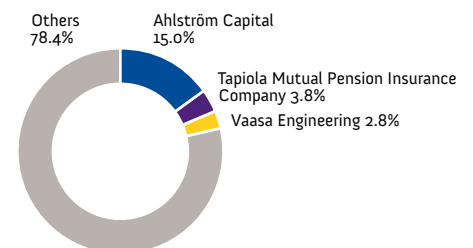
The global sales network, the renewal of the product selection, and the relatively low market share, coupled with a flexible organization support the development of Vacon's business even in a difficult market situation.

Vacon forecasts that revenues in 2009 will remain at the same level as in previous year. Profitability and earnings per share will slightly decrease from the year 2008.

### Net sales



### Ownership



Source: Vacon's disclosures 2008–2009

# VACON

DRIVEN BY DRIVES



*The need to improve the energy efficiency of electric motor drives and increasing investments in renewable energy generation are boosting the demand for Vacon's products.*



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

# Å&R Carton – Special Packaging for Consumer Products

Å&R Carton is Europe’s leading manufacturer of folding cartons and packaging systems, whose products are used in the food and consumer goods industries.

Å&R Carton’s sales and production volumes remained at a good level overall. The company’s net sales were EUR 357 million. Å&C Carton strengthened its position as the supplier to big European brands. However, the 2008 operational result was down on the previous year due to problems in the Nordic markets. The result was also strained by exchange rate changes over the year. The company continued its internal development programs aimed at improving profitability and efficiency.

In addition to its headquarters in Malmö, Sweden, Å&R Carton has 14 plants in eight European countries, as well as sales networks in Europe and the U.S. The company’s paperboard conversion capacity is some 240,000 tons, and its staff numbered 1,800 in 2008.

### Uneven Results

The profitability of Å&R Carton’s French operations improved thanks to the plant merger carried out in 2007. The business areas Speciality Packaging and Beer & Beverages, and the Cen-

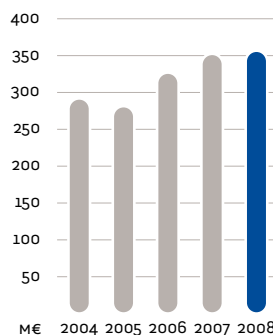
tral European and Russian operations achieved their targets. In Russia, the rise in demand partly compensated for the negative effects from inflation and the weaker ruble.

Ahlström Capital made an additional investment of EUR 10 million in Å&R Carton to support the company’s development, mainly the investment program relating to new printing technology.

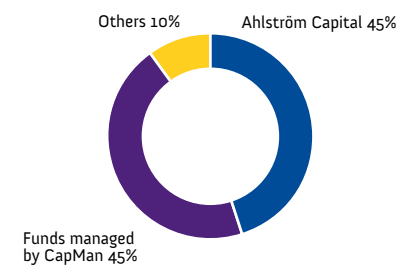
### Outlook

Owing to the uncertain economic climate, it is difficult to make growth predictions for Å&R Carton. The primary goal is to turn the Nordic units profitable. New product innovations and increasing environmental awareness are expected to keep up the demand for folding cartons.

### Net sales



### Ownership





# AR CARTON



*Å&R Carton promotes sustainable development and responsible business by focusing on the development of environmentally friendly packages.*



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

# Enics – A Leading Contract Manufacturer of Electronics

Enics is one of the leading manufacturing service providers of industrial and medical electronics. It caters to the energy and transport industries, as well as to equipment manufacturers in the fields of building technologies, factory automation, instrumentation, and medical electronics.

The demand for electronics manufacturing services in industrial electronics continued to grow, as manufacturers outsourced non-core operations. Enics increased its sales to existing customers, while also acquiring new customers. The general market sentiment led to a decline in customer orders in the latter half of the year. The company's net sales in 2008 were up 4 percent to EUR 339 million.

Enics is headquartered in Baden, Switzerland. It has nine production plants close to its customers in Europe and Asia. The company has approximately 2,500 employees.

### Stronger Presence in Asia

The Nová Dubnica plant in Slovakia, acquired in 2007, had a promising start and boosted sales.

To strengthen its competence and presence in the Asian supplier markets, Enics set up a purchasing office in Hong Kong. The office handles material and information flows between the Enics units and Chinese suppliers.

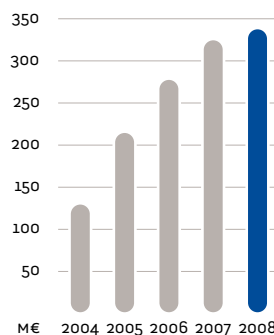
It also provides a base for expanding procurement in Asia.

Enics continued its comprehensive development program aiming to strengthen the competitiveness of the Finnish plants. Operations and production were enhanced by centralizing some of the production and administrative duties at the new facilities in Lohja. As a result of the changes, the company's headcount was reduced during the year.

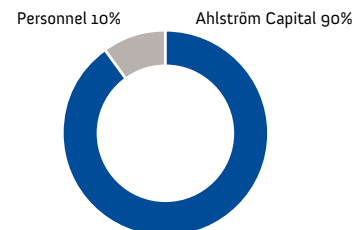
### Outlook

Enics is on the lookout for new markets and examines structural development opportunities. The company aims to maintain its profitability and improve its productivity by boosting operational efficiency. The company's business is not particularly sensitive to economic fluctuations, since its customer relations are basically long-term by nature. However, in the current market situation a decline in industrial investments may have an impact on Enics's operations.

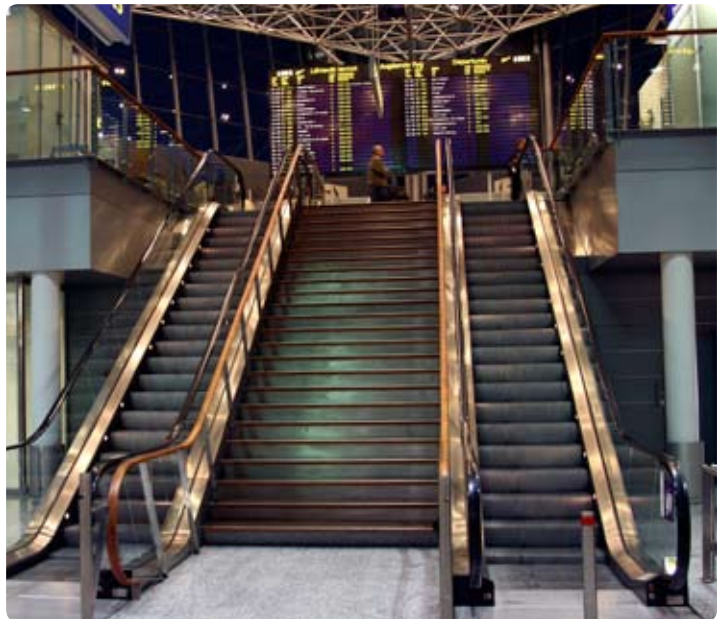
### Net sales



### Ownership



# @ENICS



*Enics provides end-to-end solutions from design-support and manufacturing to after-sales services for the whole lifecycle of customers' products.*



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

# Symbicon – Advertising Displays for Demanding Conditions

Symbicon develops, manufactures, and sells large digital LCD advertising and information displays for demanding environments both indoors and outdoors.

Symbicon's third year of operations was a challenging one. The company's net sales and result fell short of the targeted figures. Based in Kajaani and Vantaa, Symbicon had an average of 21 employees over the year.

### The market opened up

Symbicon focused on developing its marketing activities and selling individual digital projects. The market is developing but it is difficult to secure big agreements.

The company supplied Clear Channel Suomi Oy with its first displays, set up at the Helsinki-Vantaa airport and Citycon's shopping centers. Symbicon's displays have also been installed in the Helsinki city center.

International deliveries got underway and the most important projects included deliveries to Dubai, Austria, Italy, and Switzerland.

### Expanding distribution network

Further expansions were made to the distribution network, which now encompasses 35 retailers worldwide.

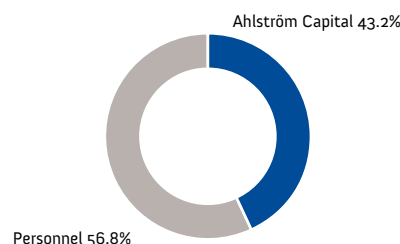
Symbicon conducts ongoing product development, which remains an important focus area also in the future. Product development is partly financed by Tekes, the Finnish Funding Agency for Technology and Innovation.

### Outlook

Although digital outdoor media is expected to see rapid growth, the current global economic situation has delayed the decision making related to ongoing projects and caused reductions in existing orders.

During the coming years, Symbicon will focus on its main products and on serving carefully selected customers.

### Ownership



# symbicon



*The images and content of Symbicon's digital displays designed for indoor and outdoor use can be changed wirelessly.*



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

# Elbi Elektrik – A Leading Turkish Manufacturer of Electrical Accessories

Elbi is one of Turkey’s leading manufacturers of electrical installation materials. It sells its products home and abroad, especially in the Black Sea region.

Elbi faced a challenging year in 2008. It reported net sales of EUR 21.3 million and remained far from its sales and performance targets. The Turkish lira weakened and raised financial expenses, which also strained the company’s result. Elbi needed continuous support from its shareholders to retain liquidity. Towards the end of the year, extensive measures were taken to improve the efficiency of operations.

Elbi has one manufacturing plant near Istanbul in Turkey and approximately 400 employees.

### Competitiveness in Neighboring Markets

Elbi has a representative and comprehensive range of electrical installation products, as well as an extensive distributor network. The new product line introduced at the end of 2008

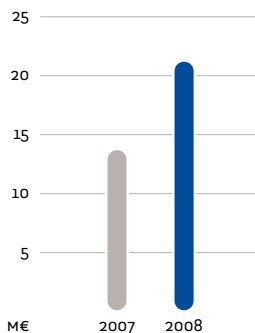
has been received very well. More new products will be added to complement the range in the near future.

Elbi has a strong position in its domestic market in Turkey and also imports significant volumes to Romania, Ukraine, and Russia in particular. Elbi aims to strengthen its market position in these countries further by developing the distributor network and enhancing logistics.

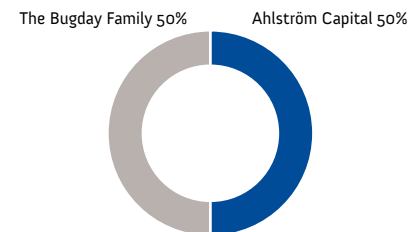
### Outlook

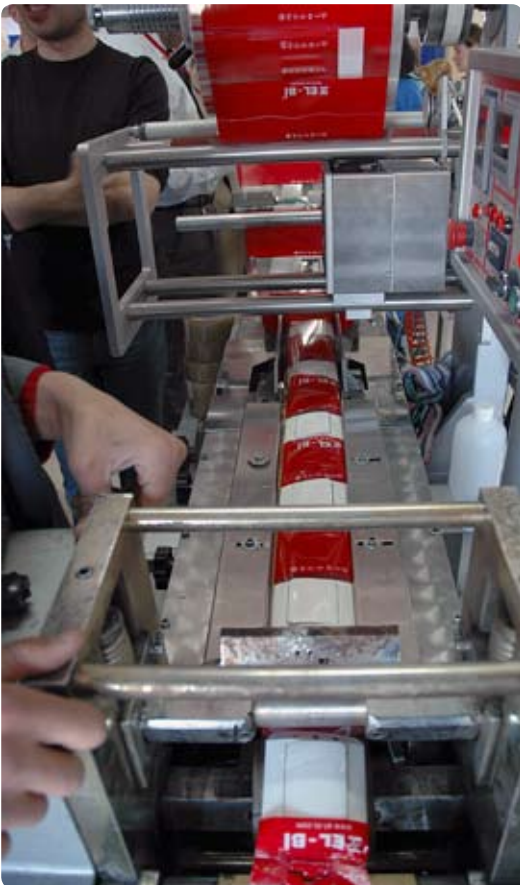
The demand for electrical accessories mirrors the development of the construction sector. Since construction is strongly affected by the international financial crisis, the outlook is still highly uncertain. Elbi is likely to continue to be in need of financial support from its owners while taking measures to adapt the operations to demand.

### Net sales



### Ownership





*Elbi Elektrik has a comprehensive and competitive range of electrical installation products that, apart from national markets, are sold to Romania, Ukraine and Russia.*



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

## Ready For New Development Projects

Ahlström Capital uses real estate investments to balance the risks of its industrial investments. Real estate generates steady returns and, when leased to the portfolio companies, releases the companies' assets for core operations.

The economic crisis did not leave the Finnish real estate market unaffected. The expectations on real estate returns went up, and return demands on high-risk assets surged. Acquisitions have been increasingly troublesome since fall 2008, due to the difficulty of getting loan financing for investments. International investors have also remained cautious, and only a few transactions were carried out in the latter part of the year. The investors who remained active were those not dependent on bank financing.

### **Eteläesplanadi Expansion Close to Completion**

Real estate accounted for 25 percent of Ahlström Capital's investments. The Eteläesplanadi office and commercial building in central Helsinki is the most important of these. Other real estate investments include the Elva facilities in Estonia, where Enics, a portfolio

company, operates as a tenant, and the industrial facilities in Varkaus, which were used by Andritz, an engineering company, until the end of 2008. Various alternative purposes are being sought for the Varkaus facilities.

The expansion of the Eteläesplanadi 14 facilities remained on schedule despite a number of challenges.



“Thanks to our strong capital structure, we will be able to make new real estate investments even in difficult market conditions”.



Ahlström Capital's rental income dropped slightly over the year, as some of the tenants moved out due to the expansion. New tenants will move into the building in spring 2009.

The restoration of the Savoy Theater, an important cultural icon, was completed in October. It, along with the courtyard restaurant rented to Royal Restaurants, will be opened to the public in April 2009.

The expansion project in the centre of the city, involving a steel framework assembled over the theater hall and three floors of offices built on top of it, was challenging both technically and

was ThreadGreen LLP from the U.K. Ahlström Capital had owned the facilities for three years. Å&R Carton, a portfolio company, stays on in the building as a tenant.

#### Sights Set on St Petersburg

Ahlström Capital actively surveyed new investment targets, especially in St Petersburg, which has good growth potential. Although the city offers plenty of industrial facilities and offices, the overall offering in relation to the population is still clearly lower than that in Western cities or in Moscow.

developing market area that offers big potential returns as well as big risks. The economic and financial crisis is expected to affect the St Petersburg real estate market and to significantly slow down trading. This, on the other hand, opens up opportunities to a company like Ahlström Capital.

“The Kriktel industrial facilities in Germany were sold to a U.K. property investor”.

logistically. After the expansion, the construction rights at Eteläesplanadi 14 have been fully used.

#### Changes in Ownership

In the fall, as a part of the financing arrangements for the portfolio company Elbi, a plot of land near Bucharest, Romania, was transferred to Ahlström Capital from the other owner of Elbi. Ahlström Capital plans to phase-wise construct nine apartment blocks, with an overall floor area of some 24,000 square meters, on the site. Owing to the housing shortage in Romania, the 200 apartments are expected to meet with good demand.

The Kriktel facilities near Frankfurt, Germany, were divested at the end of the year as planned. The buyer

#### Outlook

Challenging times are expected to continue in the real estate market. The value of property will fall, while financing for new investments will become more expensive and harder to get.

The number of real estate deals in Finland is expected to remain low also in 2009. However, thanks to its strong capital structure Ahlström Capital will be able to make new investments in real estate even in the prevailing difficult market conditions.

Ahlström Capital's goal is to continue to invest in industrial and prestigious real estate. The focus of investments is in the Nordic countries and in Russia, especially in St Petersburg, where facilities may be very large and span entire blocks. Russia is a

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# Report of Operations

Ahlström Capital, founded in 2001, is a private equity investment company and an industrial group that manages capital of approximately EUR 190 million. It makes long-term investments in industrial companies, actively helping them to grow and develop. Real estate investments with stable returns are used to balance the risks in the investment portfolio.

Ahlström Capital actively surveys new target companies with the goal to selectively invest in one or two companies a year. It looks for possible investments among companies that offer growth opportunities but also a good balance between risks and returns. A single investment is typically in the range of EUR 5–25 million. The company aims at a long-term annual return of 15–25 percent on the capital it manages. To achieve this goal, the company has invested its funds in assets that differ from one another in terms of the expected return, risks, and time span.

Ahlström Capital aims to realize the value appreciation on its investments in 5–7 years, but is also prepared to keep its holdings longer. The value appreciation is realized by listing the target company, selling it to an industrial buyer, or by refinancing it. On the other hand, Ahlström Capital can also act as a long-term industrial owner for the target company. For shareholders, return means an increase in share value and dividends paid when the investments are realized.

The goal of Ahlström Capital is to acquire investments in the Nordic countries, as well as in Russia and neighboring regions, in which the company has acquired special com-

petence. The target companies operate in industrial sectors with growth opportunities or reorganization needs. Investment decisions are also affected by the target company's markets, the capabilities and commitment of management, and return expectations. Ahlström Capital actively participates in the operations of its portfolio companies jointly with the companies' management.

## Business Environment

The uncertainty that had been haunting the U.S. financial markets for about a year deteriorated in the fourth quarter and turned into a worldwide crisis affecting both the financial markets and the real economy. Massive and wide-ranging support measures adopted in the fall brought calm to the short-term interbank money markets, but have not done much to alleviate the credit markets, much less the credit crunch affecting corporate customers.

Among other things, the financial crisis led to a slump in general confidence, difficulties in getting credit, and a drop in the value of assets. All this, in turn, has caused global trade and investments to decline and production to slow down abruptly in both developed and developing countries. Owing to the global nature of trade and finance, the downturn hit all economic regions at the same time, sending share prices tumbling.

Mistrust between banks made business credit considerably more difficult to come by, while at the same time the need for financing increased, as did its price. The effects were felt in the credit negotiations of some of Ahlström

Capital's existing portfolio companies and also led to difficulties in getting bank financing for new investment projects.

Overall, transactions between private equity investors, as well as the refinancing and divestment of investments, became more complicated. Banks adopted increasingly strict criteria for financing sought for investments. Investors, in turn, expected bigger returns, seeing as they upped their equity and mezzanine financing, with more and more acquisitions being financed with equity. Exits decreased in number and grew longer in duration.

In the Finnish private equity market, investor borrowing decreased in the early part of the year, and the total value of acquisitions dropped. The market slowed down toward the end of the year, and development became once again difficult to predict.

Nevertheless, the financial position and liquidity of parent company Ahlström Capital Oy remained good.

## Investments and Portfolio Development

Over the year, Ahlström Capital exited two industrial investments and one real estate investment. It also made one new real estate investment. Industrial investments accounted for 60 (70) percent, real estate for 25 (26) percent, and liquid funds for 15 (4) percent of the capital employed.

## Exits

In June 2008, Ahlström Capital successfully divested its holding in Wessen, a Russian manufacturer of electrical accessories acquired in 2004, which was sold to Schneider Electric, a

French conglomerate, subsequent to approval of the competition authorities.

Driven by strong growth in the Russian construction industry, Wessen had doubled its net sales in four years. It employed around 1,800 people at the plant in Kozmodemiansk and in seven sales offices around Russia. Ahlström Capital first acquired 51 percent of the company and later increased its holding to 70 percent. Wessen had achieved a leading market position and was the biggest Russian producer in its field.

In October, Ahlström Capital divested its holding in the Kriktel industrial property, located near Frankfurt in Germany, by selling it to ThreadGreen LLP, a property investor in the U.K. Ahlström Capital's portfolio company, Å&R Carton, stayed on as a tenant in the building.

In September–October, Ahlström Capital exited the loss-making business of CET group, a supplier of multimedia and IT networks to residential, commercial, and industrial properties, when the parent company, CET group AB, sold its subsidiaries in Norway and Finland, as well as its business in Sweden, to the key employees of the companies.

### New Investments

In November, Ahlström Capital made an investment in the developing real estate markets by purchasing land in Bucharest, Romania, earmarked as a site for new residential buildings. The property came to be owned by Ahlström Capital in conjunction with financing arrangements related to Elbi, an associated company. Additional investments were also made in the

existing portfolio companies Elbi, Å&R Carton, and Symbicon.

### Industrial Investments

Ahlström Capital has spread its industrial investments over different sectors. The products and services of its portfolio companies include electronics contract manufacturing, electrical accessories, carton packages, limestone products, digital advertising displays, and AC drives. The financial performance of the industrial portfolio companies was uneven, and the overall result fell short of the previous year's figures.

**ENICS** (Ahlström Capital's holding 90.3% at the end of 2008) Enics continued to grow at a stable pace in the reporting period. Sales to existing customers increased, and new customers were acquired. However, the demand for contract manufacturing services in industrial electronics fell away toward the end of the year. Net sales rose to EUR 339 (327) million.

The Nová Dubnica plant, acquired in Slovakia in 2007, came on line and increased sales. At the beginning of the year, Enics set up an Asian office in Hong Kong to coordinate orders and deliveries in the Greater China Region. Owing to the start-up of the new plant and the structural reorganization carried out in Finland, profitability dropped from the previous year.

The wide-ranging development program that was set up in Finland in fall 2007, with the aim to enhance competitiveness, led to operations in the Lohja plant being moved to new, more spacious facilities, which now house most of the automated assembly

operations in Finland. Customer service and final assembly were centralized in the facilities in Vaasa, while the operations at the Varkaus unit were merged with the company's other service sites in Finland. These changes led to 250 jobs being cut at the plants in Vaasa and Varkaus.

**NORDKALK** (30.5%) The demand for limestone-based products remained good in the first three quarters of 2008, but the general economic woes began to take their toll in the fall, leading to a clear drop in sales in Nordkalk's three biggest customer segments: the paper, steel, and construction materials industries. High energy expenses put a heavy strain on the profitability of lime kilns, which is why Finnish operations were reorganized to optimize the use of capacity. Russian operations suffered from production interruptions.

Nordkalk's net sales increased by 3 percent to EUR 344.9 (334.4) million. Operating profit was down 10%, totaling EUR 39.4 (43.6) million. Net income was EUR 15.8 (20.7) million, of which Ahlström Capital's share was EUR 4.3 million (5.8).

**Å&R CARTON** (44.9%) The positive performance development that started in 2007 fizzled due to the unprofitable operations of some Nordic units. Positive development continued in packaging systems, beer and beverage packages, and in the German and French operations. Å&R Carton boosted its position as a supplier of big European brands. The exchange rate losses caused by the weaker Swedish krona and the Russian ruble reduced the company's net result.

Å&R Carton posted net sales of EUR 356.7 (352.5) million. The company recorded a net loss of EUR -7.8 (-1.7) million, of which Ahlström Capital's share was EUR -3.5 (-1.2) million.

**VACON (15.0%)** Vacon, a listed company, continued to grow, and its market share is on the rise in all major markets. According to surveys, the global market for AC drives grew by 10 percent in 2008.

In January, Vacon acquired the AC drives business of TB Wood's, which belonged to the U.S.-based Altra Holdings Group. The transaction also included plants in the U.S. and Italy and sales companies in India and Germany.

In 2008, Vacon set up sales companies in South Korea, Mexico, Denmark, and the Czech Republic, as well as representative offices in Romania and Ukraine. At the end of the year, Vacon's own sales network encompassed 21 subsidiaries, as well as representative offices in Brazil, the United Arab Emirates, Thailand, Romania, and Ukraine.

Net sales increased by 22.5 percent to EUR 293.2 (232.2) million, while operating profit was EUR 34.6 (29.2) million. Owing to the general trend in the stock market, the market value of Vacon shares held by Ahlström Capital dropped EUR 22.3 million, or 34.6 percent.

**SYMBICON (43.2%)** The past year was challenging for Symbicon. The company got two big orders in early 2008, but fell clearly short of its targets set for orders in the latter part of the year. Symbicon focuses on providing selected key customers with a suitable

product range. The company's net sales grew slightly from the previous year, but its result was still in the red.

**ELBI ELEKTRIK (50%)** The company has achieved a significant position in Turkey and in the main export markets. The international financial crisis hit Turkey hard, weakening the finances of Elbi's customers. Sales to export customers approached the objectives set, but domestic sales fell clearly short of budgeted targets. Elbi's financial position was also strained by an increase in payment times. Sales denominated in Turkish lira, increased over the previous year, but were lower in euro due to the Turkish lira weakening by 25 percent in 2008.

The company posted net sales of EUR 21.3 million, and the result remained clearly in the red. Elbi needed continuous support from its shareholders to retain liquidity. Wide-ranging measures were adopted at the end of the year to develop the company's operations.

**MINT CAPITAL II** Mint Capital II is a private equity fund that invests in companies that operate in Russia and former Soviet republics and aim to benefit from Russia's strong, consumption-driven economic growth. Ahlström Capital acts as a passive investor and has pledged to invest five million U.S. dollars in the fund. The fund has made seven investments to date. Ahlström Capital made an additional investment in the fund in 2008.

#### Real Estate Investments

Ahlström Capital's real estate investments include the facilities at

Eteläesplanadi 14 in Helsinki, as well as an industrial and office building in Varkaus, Finland, the factory building used by Enics in Estonia, as well as a plot of land in Bucharest, Romania, which was acquired in 2008.

The expansion of the Eteläesplanadi 14 facilities progressed as planned and will be completed in spring 2009. The expansion will result in some 3,000 square meters of new, high-quality office and restaurant space. The Savoy Theater, a cultural icon located in the building, will also be refurbished. The new spaces have already been leased.

The rental agreement made with Andritz, an engineering company, on the industrial facilities in Varkaus expired in December 2008. Alternative uses are now sought for the premises.

#### Liquid Funds

Ahlström Capital's liquid funds available for additional investments mainly consisted of short-term money market instruments. Their value was EUR 38 million (11) at the close of 2008.

#### 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 and its subsidiaries, Krasno AB and its subsidiaries, AC Kosmo AB and its subsidiaries, Dekad AB and its subsidiaries, ACPack AB and its subsidiaries, Saciv AB, Sulma Fastigheter AB, Karhula Osakeyhtiö, AC-Kiinteistö Oy and its subsidiaries, and AC Verwaltungs-GmbH. Important shareholdings outside the Group include those in Elbi Elektrik (50%), Å&R Carton AB (44.9%), Symbicon Ltd

(43.2%), Nordkalk Corporation (30.5%), and Vacon Plc (15.0%).

### Group Earnings in 2008

*The comparative figures are for the same period in 2007, unless stated otherwise.*

Ahlström Capital's eighth reporting period, stretching from January 1 to December 31, 2008, was very challenging. The Group's financial performance remained at a good level, similar to the previous year, thanks to the capital gains recognized in conjunction with the divestments. However, the aggregate earnings of the portfolio companies dropped clearly from the previous year.

Return on capital employed was 3.4 percent (11.3). The main reason for the year-over-year drop was the decrease in the market value of Vacon's share, following the negative development in the stock market.

The net asset value of Ahlström Capital Oy's share decreased by EUR 50.45 (-7.5%) to EUR 618.90 in the reporting period. Adjusted for dividends paid, the drop amounted to -2.5 percent. It rose as a result of the exit gains recorded, but decreased due to the drop in the market value of the Vacon holding (see development of net asset value, p. 46). The dividend-adjusted net asset value of Ahlström Capital Oy's share totaled EUR 684.90 at the end of the period.

The net sales of the Ahlström Capital Group decreased slightly year-over-year to EUR 352.1 (358.3) million, with the EMS business accounting for EUR 339.4 (327.4) million. The drop resulted from the exits made over the year. Other operating income amounted to EUR 30.6 (17.3) million, and mainly arose from the capital gains generated by divestments.

Ahlström Capital's share of the results of its associates was EUR 15.2 million negative (1.8 positive). The Elbi share was particularly negative, but losses were also recorded for Å&R Carton and Symbicon. Elbi's and Å&R Carton's negative results were partly caused by big exchange losses.

The Group's operating profit was EUR 15.4 (29.0) million. Financial income totaled EUR 16.5 (3.4) million, most of which resulted from exchange gains on liquid fund investments. Financial expenses were EUR 2.2 (3.4) million.

The administrative costs of parent company Ahlström Capital Oy amounted to EUR 4.2 (3.7) million in the reporting period, representing an average of 2.9 percent (2.5) of the Group's capital employed. Administrative costs also include the expenses of foreign holding companies.

Result before taxes was EUR 29.7 (29.0) million. Taxes recorded for the period totaled EUR -5.8 (-4.6) million and consisted of the subsidiaries' taxes. Ahlström Capital Oy paid no income tax in 2008.

The Group's net income was EUR 23.5 (23.4) million.

### Financial Position and Financing

Ahlström Capital's financial position remained strong thanks to the capital gains on its divestments. At the end of the year, consolidated shareholders' equity was 191.4 (191.1) million. The equity ratio at the end of the year was 67 percent (65), and gearing stood at -21 percent (7). Interest-bearing liabilities totaled EUR 17.4 (34.2) million at the end of December 2008. The decrease resulted from the divested companies' bank loans being eliminated from the consolidated balance sheet after the exits made.

Parent company Ahlström Capital Oy had no external interest-bearing liabilities at the end of the year. It had EUR 38 (11) million available for new investments. The guarantees issued by Ahlström Capital Oy on behalf of its portfolio companies totaled EUR 16.1 million on December 31, 2008.

Net cash flow from operating activities (cash flow after net financial income, taxes paid, and change in net working capital) totaled EUR 86.6 (8.6) million. Most of the year-over-year growth came from the release of capital employed in the Salmisaari facilities divested in 2007 and the companies divested in 2008.

EUR 35.1 (26.6) million was spent on capital expenditure and on new investments. The most significant of these were the capital expenditure in Enics, the investment in the expansion of the Eteläesplanadi property, the investments in Elbi Elektrik's and Å&R Carton's shareholder loans, as well as Symbicon's convertible loans.

Net cash flow from financing activities was EUR 28.9 million negative (EUR 6.6 million negative). It consisted of amortizations of loans taken out by the portfolio companies and of dividends paid. At the end of the year, money market instruments and cash at bank of the Group totaled EUR 57.2 (20.3) million.

Based on the Annual General Meeting's decision, the company paid a dividend of EUR 16.50 per share, or a total of EUR 5.9 million. Based on a decision made by the extraordinary general meeting held in December, the company paid an additional dividend of the same size.

### Accounting Principles

In the past reporting period, a change was made to the way in which the share in associates' results is presented in the income statement. The share is now reported before operating profit, instead of being reported under financial income and expenses, as was previously the case. The change did not affect the net result or shareholders' equity of the Ahlström Capital Group. The presentation was changed correspondingly for previous reporting periods.

### 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 operational involvement.

### Personnel, Management and Auditors

The Ahlström Capital Group had an average of 2,563 (4,302) employees over the period. Ahlström Capital Oy's personnel remained unchanged in the reporting period, totaling eight at the end of the year.

The company's President and CEO is Panu Routila, M.Sc. (Econ.), who took up the post on April 1, 2008. Jan Inborr, B.Sc. (Econ.), who had acted as President and CEO since the company's establishment on June 30, 2001, retired, as stipulated in his contract, on

### Largest Shareholders December 31, 2008

At the end of 2008, Ahlström Capital Oy had 216 shareholders.

	Number of shares	Percentage of shares
Antti Ahlströmin Perilliset Oy	37,351	10.4
Varma Mutual Pension Insurance Company	23,490	6.5
Mona Huber	14,327	4.0
Jacqueline Tracewski	10,076	2.8
Kaj Nahi	8,191	2.3
Morten Ahlström	7,569	2.1
Anneli Studer	7,372	2.0
Johan Gullichsen	7,037	2.0
Niklas Lund	6,953	1.9
Kim Kylmälä	6,630	1.8
Others	231,923	64.2
Total	360,919	100.0

March 31, 2008, after a 36-year career in the Ahlström companies.

The Board of Directors of Ahlström Capital Oy has been chaired by Morten Ahlström since June 30, 2001. Karl Grotenfelt, Johannes Gullichsen, and Jouko Oksanen have served as Board members since the same date, and Martti Saikku has been on the Board since the Annual General Meeting of 2007.

The auditor was the auditing firm KPMG Oy Ab, with Sixten Nyman, Authorized Public Accountant, as the auditor in charge.

### Events After the Reporting Period

In January, Ahlström Capital acquired an additional 230,976 shares in Vacon Plc for a total sum of EUR 3.9 million, increasing its holding in the company to 16.5 percent.

### Outlook for 2009

The business environment is expected to remain very challenging, with the global downturn generally predicted to deepen. The extensive measures taken by countries to revitalize their economies are not expected to show any effect until late 2009, at the earliest, but it is very difficult to make more specific forecasts at the moment. The growth prospects of many of our portfolio companies have weakened as a result of the financial and economic crisis.

Ahlström Capital continues to actively develop its target companies and acquire new targets. The liquid funds released as a result of the exits carried out, as well as the company's strong equity position, enable new investments also in difficult times. The drop in the value of property may bring up new, interesting targets for investment. The primary goal, however, is to ensure the success of current portfolio companies.

# Consolidated Income Statement

EUR 1,000	Note	2008	2007
<b>Net Sales</b>	1	352,132	358,333
Other operating income	2	30,637	17,262
Share in results of associated companies		-15,185	1,784
Materials and services		-216,092	-200,580
Personnel costs	3	-87,902	-85,594
Depreciation, amortization and reduction in value	7	-10,395	-10,486
Other operating expense		-37,793	-51,693
<b>Operating profit</b>		15,402	29,026
<i>Financing income and expense</i>	5		
Interest and other financing income		16,501	3,384
Interest and other financing expenses		-2,169	-3,361
		14,332	23
<b>Result before appropriations and taxes</b>		29,734	29,049
Income taxes	6	-5,848	-4,591
<b>Result before minority interest</b>		23,886	24,458
Minority interest		-399	-1,069
<b>Net result for the period</b>		23,487	23,389



# Consolidated Statement of Cash Flows

EUR 1,000	2008	2007
<b>Cash flow from operating activities</b>		
Operating profit	15,402	29,026
Share in results of associated companies	15,185	-1,784
Depreciation and amortization	10,395	10,486
Other adjustments	-666	2,178
Cash flow from operating activities before change in net working capital	40,316	39,906
Change in net working capital	46,187	-27,671
Cash flow from operating activities	86,503	12,235
Interest and other financing income	7,693	3,430
Interest and other financing expenses	-2,169	-3,455
Income taxes	-5,409	-3,657
<b>Net cash flow from operating activities</b>	<b>86,618</b>	<b>8,553</b>
<b>Cash flow used in investing activities</b>		
Capital expenditure	-24,136	-11,944
Other investments	-10,937	-14,654
Redemption of company shares	222	0
Proceeds from sales of non-current assets	21,489	181
Change in notes receivable and other receivables	-7,422	-8,676
<b>Net cash flow used in investing activities</b>	<b>-20,784</b>	<b>-35,093</b>
<b>Cash flow from financing activities</b>		
Change in long-term liabilities	-13,340	-3,684
Change in short-term debt	-3,821	408
Dividends paid	-11,910	-3,609
Other adjustments	147	292
<b>Net cash flow from financing activities</b>	<b>-28,924</b>	<b>-6,593</b>
<b>Change in cash and financial investments</b>	<b>36,910</b>	<b>-33,133</b>
Cash and financial investments at beginning of period	20,281	53,414
<b>Cash and financial investments at end of period</b>	<b>57,191</b>	<b>20,281</b>

# Consolidated Balance Sheet

## ASSETS

EUR 1,000	Note	Dec. 31, 2008	Dec. 31, 2007
<b>Non-current assets</b>			
<i>Intangible assets</i>			
	7		
Intangible rights		1,438	753
Goodwill		4,773	6,786
Group consolidation goodwill		316	9,453
Other intangible assets		2,105	2,053
Advances paid		46	85
		8,678	19,130
<i>Tangible assets</i>			
	7		
Land and water areas		30,680	32,364
Buildings and constructions		12,381	19,548
Machinery and equipment		12,525	13,500
Other tangible assets		1,026	1,218
Advances paid and construction in progress		19,430	6,286
		76,042	72,916
<i>Investments</i>			
	8		
Shares in associated companies		27,196	37,005
Receivables from associated companies	17	11,409	0
Other shares		23,183	22,310
		61,788	59,315
<b>Current assets</b>			
<i>Inventories</i>			
Materials and supplies		35,637	39,679
Work in process		9,546	8,593
Finished goods		6,164	7,331
Advances paid		59	176
		51,406	55,779
<i>Receivables</i>			
<i>Long-term</i>			
Notes receivable		1,689	98
Receivables from associated companies	17	2,886	19,298
Deferred tax assets	14	482	81
Other receivables		128	161
Prepaid expenses and accrued income		14	0
		5,199	19,638
<i>Short-term</i>			
Accounts receivable		8,546	20,275
Receivables from associated companies	17	13,841	3,572
Deferred tax assets	14	14	468
Notes receivable		0	583
Other receivables		1,939	23,429
Prepaid expenses and accrued income	9	4,202	1,716
		28,542	50,043
Financial investments		1	5,215
Cash and bank		57,190	15,066
<b>TOTAL ASSETS</b>		<b>288,846</b>	<b>297,102</b>

## SHAREHOLDERS' EQUITY AND LIABILITIES

EUR 1,000	Note	Dec. 31, 2008	Dec. 31, 2007
<b>Shareholders' equity</b>	10		
Share capital		36,092	36,092
Capital in excess of par value		12,774	12,774
Retained earnings		119,053	118,808
Net result for the period		23,487	23,389
		191,406	191,063
<b>Minority interest</b>		2,036	3,226
<b>Provisions</b>	13	4,939	5,319
<b>Liabilities</b>			
<i>Long-term</i>	12		
Loans from financial institutions		14,035	25,759
Other liabilities		1,976	388
Deferred tax liabilities	14	9,123	8,396
Accrued expenses and deferred income	15	9	17
		25,143	34,560
<i>Short-term</i>			
Loans from financial institutions		3,269	8,043
Advances received		2,218	615
Accounts payable		33,557	32,094
Other liabilities		7,179	4,826
Deferred tax liabilities	14	0	29
Accrued expenses and deferred income	15	19,099	17,327
		65,322	62,934
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>288,846</b>	<b>297,102</b>

# Notes to Income Statement and Balance Sheet

## Accounting Principles

The financial statements of the Ahlström Capital Group and Ahlström Capital Oy, the parent company, have been prepared and presented in accordance with the Finnish Accounting Act and other regulations in force in Finland. The financial statements are presented in euros and are prepared under the historic cost convention.

Ahlström Capital Oy was formed when A. Ahlstrom Corporation was demerged into three companies as of June 30, 2001. The official financial statements for 2008 have been prepared for the eighth financial year of the company and the Group, January 1–December 31, 2008.

### Changes in accounting principles

In the past reporting period, a change was made to the way in which the share in associates' results is presented in the income statement. The share is now reported before operating profit, instead of being reported under financial income and expenses, as was previously the case. The change did not affect the net result or shareholders' equity of the Ahlström Capital Group. The presentation was changed correspondingly for previous reporting periods.

### 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.

The equity method is used to account for investments in associated companies in which the Group has 20 to 50 percent of the voting rights.

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

All intercompany transactions and accounts are eliminated on consolidation. Acquisitions are accounted for under the purchase method, and accordingly, in each case, the purchase price is allocated to the assets acquired and the liabilities assumed based upon their estimated fair values at the date of the acquisitions. The excess of the purchase price over the fair values of the assets acquired is recorded in the balance sheet as goodwill.

The portions of the purchase price allocated to assets are depreciated or charged to 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 income when the goods are delivered or the services are rendered. Net sales are shown net of indirect taxes and discounts. Exchange gains and losses related to sales are included in financial income and expenses.

### Items Denominated in Foreign Currency

In the financial statements, assets and liabilities denominated in foreign currency are translated into euros at the year-end rate. Exchange rate differences in receivables and liabilities are credited or charged to income.

The income statements of foreign subsidiaries are translated into euros at the average exchange rate for the accounting period, and the balance sheets at the year-end rate. The effect of such translation is included in the Group's shareholders' equity.

### Research and Development Expenditure

Research and development costs are expensed as incurred. Research and development expenditure can be capitalized if the requirements of Decision 50/1998 of the Ministry of Trade and Industry are met. These requirements are based on IAS 38.

### Pension Costs

In Finland, the statutory pension liability and supplementary pension benefits are funded through insurance policies and accounted for in accordance with actuarial calculations. In other countries, the pension liabilities are funded and accounted for in accordance with local legislation and practice. The Group companies' own liability for pensions is included in long-term liabilities or provisions in the balance sheet. Pension insurance premiums and changes in pension liabilities are charged to income.

### Inventories

Inventories are stated at the lower of cost or market.

### Investments

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

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

### Non-current Assets

Non-current assets are presented in the balance sheet at cost less accumulated depreciation and amortization.

Depreciation is calculated on the cost or revaluated amounts of non-current assets using the straight-line method over the estimated useful lives of the 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.

### Taxes

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

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

Deferred tax assets or liabilities have been calculated on the temporary differences in the financial statements, applying the tax rate confirmed for subsequent years as of the balance sheet date. The estimated probable benefit of the deferred tax assets is stated in the balance sheet.

### Extraordinary Items

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

### Net Asset Value of Ahlström Capital Oy's Shares

The net asset value of the shares differs from the balance sheet value. In making the NAV calculation, long-term investments in publicly quoted shares, Nordkalk shares and the Eteläesplanadi property are measured at the market value at the end of the fiscal year, whereby the applicable tax portion of the difference between the balance sheet value of investments and their market value is also included in the calculation. Other assets and liabilities were assessed at the balance sheet value in calculating the net asset value.

## Notes to Income Statement and Balance Sheet

EUR 1,000

### 1. Net sales

Distribution of net sales by country	Group 2008	Group 2007	Parent 2008	Parent 2007
Finland	91,494	110,182	1,164	3,862
Sweden	83,798	92,945	5	23
Switzerland	58,308	50,872	5	46
Germany	18,528	13,437		
Italy	18,492	13,164		
Belgium	13,787	13,490		
China	12,833	11,123		
United Kingdom	12,821	141		
Denmark	11,303	14,425		
Russia	9,526	21,586		
Others	21,242	16,968		
<b>Total</b>	<b>352,132</b>	<b>358,333</b>	<b>1,174</b>	<b>3,931</b>

### 2. Other operating income

Gain on sale of non-current assets	30,634	17,151	1	79
Others	3	111	2	
<b>Total</b>	<b>30,637</b>	<b>17,262</b>	<b>3</b>	<b>79</b>

### 3. Personnel costs

	Group 2008	Group 2007	Group 2006	Parent 2008	Parent 2007	Parent 2006
Wages and salaries	65,178	63,474	57,796	1,677	1,418	1,352
Pension costs	8,016	6,721	6,642	270	193	219
Other wage related costs	14,708	15,399	13,596	104	104	109
<b>Total</b>	<b>87,902</b>	<b>85,594</b>	<b>78,034</b>	<b>2,051</b>	<b>1,715</b>	<b>1,680</b>

Salaries for managing directors	2,323	1,294	1,215	639	510	530
of which bonuses	320	154	61	198	96	32
Remunerations to Board members	282	277	173	143	137	53

### 4. Average number of personnel

Salaries	692	938	791	8	8	8
Blue-collar	1,871	3,364	3,018			
<b>Total</b>	<b>2,563</b>	<b>4,302</b>	<b>3,809</b>	<b>8</b>	<b>8</b>	<b>8</b>

### 5. Financing income and expense

	Group 2008	Group 2007	Parent 2008	Parent 2007
Dividend income from others	1,748	1,578	1,748	1,578
Dividend income from Group companies			1,783	2,089
Interest and financing income from Group companies			2,427	2,035
Interest and financing income from associated companies	1,454	1,069	170	127
Interest and financing income from others	13,299	737	4,732	904
<b>Total</b>	<b>16,501</b>	<b>3,384</b>	<b>10,860</b>	<b>6,733</b>

Interest and financing expenses to Group companies			-1,077	-474
Interest and financing expenses to others	-2,169	-3,361	-2,399	-846
<b>Total</b>	<b>-2,169</b>	<b>-3,361</b>	<b>-3,476</b>	<b>-1,320</b>

EUR 1,000

	Group 2008	Group 2007	Parent 2008	Parent 2007
<b>6. Income taxes</b>				
Taxes for current and previous years	-5,379	-3,657		-109
Change in deferred taxes	-469	-934		
Income taxes in the income statement	-5,848	-4,591	0	-109

**7. Intangible and tangible assets**

Group	Group goodwill	Goodwill	Intangible rights	Other intangible assets	Land and water areas	Buildings and con- structions	Machinery and equipment	Other tangible assets	Advances paid and construction in progress
Acquisition cost at Jan. 1	13,934	13,525	2,613	4,275	32,364	26,744	37,729	2,905	6,371
Increases			441	730	4,258	26	3,152	253	17,972
Decreases	-10,619		-212		-5,939	-6,404	-8,184	-275	-1,284
Other changes		-308	95	24	-3	-31	1,241	24	153
Reclassifications			1,007	260			2,327	232	-3,736
Acquisition cost at Dec. 31	3,315	13,217	3,944	5,289	30,680	20,335	36,265	3,139	19,476
Accumulated depreciation and amortization at Jan. 1	4,481	6,738	1,860	2,222		7,196	24,229	1,687	
Decreases	-2,458		-60			-1,049	-5,533	-205	
Other changes	227	-151	80	-33		959	897	31	
Depreciation and amortization for the period	749	1,857	626	995		848	4,147	600	
Accumulated depreciation and amortization at Dec. 31	2,999	8,444	2,506	3,184	0	7,954	23,740	2,113	0
Book value at Dec. 31	316	4,773	1,438	2,105	30,680	12,381	12,525	1,026	19,476
Parent company			Intangible rights	Other intangible assets	Land and water areas	Buildings and con- structions	Machinery and equipment	Other tangible assets	Advances paid and construction in progress
Acquisition cost at Jan. 1			15		26,254	10,527	1,209		4,455
Increases								57	14,265
Decreases									-904
Reclassifications									-53
Acquisition cost at Dec. 31			15	0	26,254	10,527	1,209	57	17,763
Accumulated depreciation and amortization at Jan. 1			6			2,639	593		
Depreciation and amortization for the period						280	81		
Accumulated depreciation and amortization at Dec. 31			6	0	0	2,919	674	0	0
Book value at Dec. 31			9	0	26,254	7,608	535	57	17,763

## Notes to Income Statement and Balance Sheet

EUR 1,000

8. Long-term investments	Shares in associated companies	Receivables from associated companies	Other shares
Group			
Book value at Jan. 1	37,005	0	22,310
Share of profits	-15,185		
Increases	7,715	11,409	873
Other	-2,339		
Book value at Dec. 31	27,196	11,409	23,183

	Shares in Group companies	Shares in associated companies	Other receivables	Other shares
Parent company				
Book value at Jan. 1	71,932	9,337	21,641	22,274
Increases	42	65	20,887	743
Decreases	-1,505		-17,577	
Book value at Dec. 31	70,469	9,402	24,951	23,017

9. Prepaid expenses and accrued income	Group Dec. 31, 2008	Group Dec. 31, 2007	Parent Dec. 31, 2008	Parent Dec. 31, 2007
<i>Long term</i>				
Periodization of costs	14			
<i>Short-term</i>				
Accrued interest income	7	71		9
Periodization of costs	2,499	1,443	42	19
Current tax receivable		53		53
Other	1,696	149		16
Total	4,202	1,716	42	97

### 10. Shareholders' equity

Shareholders' equity at Jan. 1	191,063	173,131	169,807	170,277
Change in revaluations		-235		-235
Dividends paid	-11,910	-3,609	-11,910	-3,609
Translation adjustment	-11,109	-1,080		
Other	-125	-533		-1
Net income	23,487	23,389	1,406	3,375
Shareholders' equity at Dec. 31	191,406	191,063	159,303	169,807
Retained earnings			109,031	117,566
Net result			1,406	3,375
Distributable shareholders' equity			110,437	120,941

### 11. Share capital, Dec. 31, 2008

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

### 12. Maturities of long-term liabilities

Group	2010	2011	2012	2013	2014-	Total
Loans from financial institutions	3,236	3,236	3,236	3,236	1,091	14,035
Deferred tax liabilities		183	176	273	8,491	9,123
Other long-term liabilities	41	32	7		1,905	1,985
Total						25,143



EUR 1,000

	Group Dec. 31, 2008	Group Dec. 31, 2007	Parent Dec. 31, 2008	Parent Dec. 31, 2007
<b>13. Provisions</b>				
Personnel costs	1,939	1,711	1,939	1,711
Other	3,000	3,608	1,650	1,650
Total	4,939	5,319	3,589	3,361

**14. Deferred tax assets and liabilities**

Long-term assets	482	81		
Short-term assets	14	468		
Long-term liabilities	-9,123	-8,396	-6,825	-6,825
Short-term liabilities		-29		
Total	-8,627	-7,876	-6,825	-6,825

*Arising from*

Depreciation difference	-156	-205		
Tax losses	2,050	17		
Other timing differences	-10,521	-7,688	-6,825	-6,825
Total	-8,627	-7,876	-6,825	-6,825

**15. Accrued expenses and deferred income***Long-term*

Other	9	17	9	17
Total	9	17	9	17

*Short-term*

Personnel costs	10,118	9,996	219	186
Interest expense		295		
Current tax payable	569	469		
Other	8,412	6,567	40	9
Total	19,099	17,327	259	195

**16. Receivables from and liabilities to Group companies**

Notes receivable			39,604	35,520
Accounts receivable			1,660	20
Other receivables				33
Prepaid expenses and accrued income			1,673	1,967
Total			42,937	37,540
Other short-term debt			41,061	13,094
Accrued expenses and deferred income			731	260
Total			41,792	13,354

**17. Receivables from and liabilities to associated companies**

Notes receivable	27,486	21,952	3,191	1,153
Accounts receivable	159	124	159	124
Other receivables		9		9
Prepaid expenses and accrued income	491	635	119	5
Total	28,136	22,720	3,469	1,291

**18. Collaterals***For own liabilities*

Loans from financial institutions	16,190	24,030		
Amount of mortgages and pledges	16,213	14,975		
For other own commitments	414	80		
For commitments of Group companies	15,693	81,392		

## Notes to Income Statement and Balance Sheet

EUR 1,000

	Group Dec. 31, 2008	Group Dec. 31, 2007	Parent Dec. 31, 2008	Parent Dec. 31, 2007
<b>19. Contingent liabilities</b>				
<i>Leasing commitments</i>				
Current portion	8,760	7,678	29	9
Long-term portion	17,052	19,747	48	8
Commitments on behalf of Group companies		3,545		3,545
Commitments on behalf of associated companies	12,950		12,950	
Commitments on behalf of others	3,057	46,762	3,057	46,762

### 20. Shares

Subsidiaries	Country	Holding, %
AC-Kiinteistö Oy	Finland	100
AC Kinnistute AS	Estonia	100
Karhula Osakeyhtiö	Finland	100
ACEMS AB	Sweden	100
Enics AG	Switzerland	90
Enics Schweiz AG	Switzerland	
Enics Eesti AS	Estonia	
Enics Sweden AB	Sweden	
Enics Electronics (Beijing) Ltd.	China	
Enics Finland Oy	Finland	
Enics Slovakia s.r.o.	Slovakia	
Enics Hong Kong	China	
AC Kosmo AB	Sweden	100
CETup AB	Sweden	100
Waspel AB	Sweden	100
Elbi Elektrik International	Turkey	50
Elmas Elektrik	Turkey	
Krasno AB	Sweden	100
Kuban AB	Sweden	100
Elva Holding Oy	Finland	100
AC Verwaltungs-GmbH	Germany	100
Sulma Fastigheter AB	Sweden	100
Symbihold AB	Sweden	100
Symbicon Ltd	Finland	43
Saciv AB	Sweden	100
Å&R Carton AB	Sweden	45
Dekad AB	Sweden	100
Remad AB	Sweden	100
BDY Invest S.R.L.	Romania	100
Capkap AB	Sweden	100
Capbe AB	Sweden	100
ACPack AB	Sweden	100
ÅRC Holding AB	Sweden	100
Associated companies		
Nordkalk Corporation	Finland	31
Oy Kvantett Invest AB	Finland	45

#### Other significant shareholdings

Vacon Plc

Holding 2,297,996 shares, ownership 15%

Book value EUR 19.8 million, market value EUR 42.1 million at Dec. 31, 2008

## Income Statement, Parent Company

EUR 1,000	Note	2008	2007
<b>Net Sales</b>	1	1,174	3,931
Other operating income	2	3	79
Personnel costs	3	-2,051	-1,715
Depreciation, amortization and reduction in value	7	-362	-355
Other operating expense		-4,706	-3,783
<b>Operating profit</b>		-5,942	-1,844
<i>Financing income and expense</i>	5		
Interest and other financing income		10,860	6,733
Interest and other financing expenses		-3,476	-1,320
		7,384	5,413
<b>Result before appropriations and taxes</b>		1,442	3,569
Change in depreciation difference		-36	-86
Income taxes	6	0	-109
<b>Net result for the period</b>		1,406	3,375

## Statement of Cash Flows, Parent Company

EUR 1,000	2008	2007
<b>Cash flow from operating activities</b>		
Operating profit	-5,942	-1,844
Depreciation and amortization	362	356
Other adjustments	228	566
Cash flow from operations before change in net working capital	-5,352	-922
Change in net working capital	-2,846	-1,397
Cash flow from operations	-8,198	-2,319
Interest and other financing income	8,467	6,327
Interest and other financing expenses	-1,084	-914
Income taxes	0	-109
<b>Net cash flow from operating activities</b>	-815	2,985
<b>Cash flow from investing activities</b>		
Capital expenditure	-14,334	-2,451
Other investments	-42	-36,837
Proceeds from sales of non-current assets	1,234	20,544
Change in notes receivable and other receivables	-6,185	-9,476
<b>Net cash flow from investing activities</b>	-19,327	-28,220
<b>Cash flow from financing activities</b>		
Change in short-term debt	29,140	-2,830
Dividends paid	-11,910	-3,609
<b>Net cash flow from financing activities</b>	17,230	-6,439
<b>Change in cash and financial investments</b>	-2,912	-31,674
Cash and financial investments at beginning of period	10,683	42,357
<b>Cash and financial investments at end of period</b>	7,771	10,683

# Balance Sheet, Parent Company

ASSETS		Dec. 31	Dec. 31	SHAREHOLDERS' EQUITY AND LIABILITIES		Dec. 31	Dec. 31
EUR 1,000	Note	2008	2007	EUR 1,000	Note	2008	2007
<b>Non-current assets</b>				<b>Shareholders' equity</b>			
<i>Intangible assets</i>	7				10		
Intangible rights		9	9	Share capital		36,092	36,092
		9	9	Capital in excess of par value		12,774	12,774
<i>Tangible assets</i>	7			Retained earnings		109,031	117,566
Land and water areas		26,254	26,254	Net result for the period		1,406	3,375
Buildings and constructions		7,608	7,888			159,303	169,807
Machinery and equipment		535	616	<b>Accumulated appropriations</b>			
Other tangible assets		57	0	Depreciation difference		583	548
Advances paid and construction in progress		17,763	4,455	<b>Provisions</b>	13	3,589	3,361
		52,217	39,213	<b>Liabilities</b>			
<i>Investments</i>	8			<i>Long-term</i>			
Shares in Group companies		70,469	71,932	Deferred tax liabilities	14	6,825	6,825
Shares in associated companies		9,402	9,337	Accrued expenses and deferred income	15	9	17
Receivables from Group companies	16	24,951	21,641			6,833	6,842
Other shares		23,017	22,274	<i>Short-term</i>			
		127,839	125,184	Accounts payable		360	658
<b>Current assets</b>				Liabilities to Group companies	16	41,792	13,353
Receivables				Other liabilities		154	107
<i>Long-term</i>				Accrued expenses and deferred income	15	259	195
Receivables from Group companies	16	11,671	13,880			42,564	14,313
Other receivables		0	98	<b>TOTAL SHAREHOLDERS' EQUITY</b>			
		11,671	13,977	<b>AND LIABILITIES</b>			
<i>Short-term</i>						212,873	194,871
Accounts receivable		13	1,810				
Receivables from Group companies	16	6,315	2,020				
Receivables from associated companies	17	3,469	1,292				
Notes receivable		0	583				
Other receivables		3,528	3				
Prepaid expenses and accrued income	9	42	97				
		13,367	5,805				
Financial investments							
		1	5,215				
Cash and bank							
		7,770	5,468				
<b>TOTAL ASSETS</b>							
		212,873	194,871				

# 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 financial period 1 January – 31 December 2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

## The 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 and fair presentation of the financial statements and the Report of Operations in accordance with the laws and regulations governing the preparation of the financial statements and the 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 perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the Report of Operations based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 and the President and CEO have complied with the Limited Liability Companies Act.

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 of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. 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 Operations.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

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 in Finland. The information in the Report of Operations is consistent with the information in the financial statements.

The financial statements can be adopted and the members of the Board of Directors of the parent company and the President and CEO can be discharged from liability for the financial period audited by us. The proposal by the Board of Directors on how to deal with the result for the financial period is in compliance with the Limited Liability Companies Act.

Helsinki, 4 March 2009

KPMG OY AB  
Sixten Nyman  
Authorized Public Accountant

# Proposal for the Distribution of Profits

According to the parent company's balance sheet as at December 31, 2008, the retained earnings and net result for the accounting period are:

	EUR
Retained earnings	109,030,765.78
Net income for the period	1,406,170.89
Total distributable funds	110,436,936.67

The Board of Directors proposes that  
 a dividend of 15.00 euros per share be paid on the 360,919 shares  
 and the remainder be retained. 5,413,785.00

Helsinki, March 3, 2009

Morten Ahlström

Karl Grotenfelt

Johannes Gullichsen

Jouko Oksanen

Martti Saikku

Panu Routila  
 President and CEO

## Key Figures

MEUR	2008	2007	2006	2005	2004
Net sales	352.1	358.3	305.2	244.2	138.3
Other income from operations	30.6	17.3	4.0	9.7	7.3
Operating profit	15.4	27.2	10.5	11.4	11.7
Share of associated companies' results	-15.2	1.8	4.1	-1.2	0.5
Net result for the period	23.5	23.4	10.5	8.6	15.2

	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Equity ratio, %	67	65	59	60	69
Gearing, %	-21	7	1	-10	-4
Equity/share, EUR	530.33	529.10	479.69	453.96	461.06
Net asset value/share, EUR	618.90	669.36	630.56	501.85	471.11
Equity/share, EUR*	563.33	562.10	482.69	470.96	472.06
Net asset value/share, EUR*	684.90	702.36	653.56	518.85	482.11
Net result of the period/share, EUR	65.08	63.23	29.12	23.93	42.11
Dividend/share, EUR	15.00**	33.00	10.00	6.00	6.00

\* 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

EUR 1,000 if not otherwise stated	Dec. 31, 2008	Dec. 31, 2007
Book value of Ahlström Capital Oy's		
shareholders' equity	191,406	191,063
shareholders' equity, per share, EUR	530.33	529.38
<i>Differences in the book value and net asset value</i>		
Book value of shares in Vacon Plc	19,758	19,758
Net asset value of shares in Vacon Plc*	36,256	52,762
Book value of the Eteläesplanadi real estate	45,211	31,452
Net asset value of the Eteläesplanadi real estate*	47,357	33,590
Book value of the shares in Nordkalk Corporation	26,950	24,929
Net asset value of the shares in Nordkalk Corporation*	40,271	40,271
Differences in the book value and net asset value, total	31,965	50,523
Net asset value of Ahlström Capital Oy's		
shareholders' equity	223,371	241,586
shareholders' equity, per share, EUR	618.90	669.36

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

## Return on Capital Employed

The return on capital employed has been computed as follows:

$$\frac{\text{Operating profit + share of profit (loss) of associated companies + interest and other financial income + changes in the market value of Vacon shares + changes in the market value of Nordkalk shares}}{\text{Total assets – non-current liabilities + difference between the market and book value of Vacon shares + difference between the market and book value of Nordkalk shares, on average for accounting period}} \times 100$$



# Shares and Shareholders

## Shares and Share Capital

Ahlström Capital Oy's registered share capital on December 31, 2008 was EUR 36,091,900.

The company has one series of shares. All shares entitle the holder to one vote in the general meeting of shareholders.

The Articles of Association include a redemption clause referred to in Chapter 3 Section 7 of the Limited Liability Companies Act.

## Shareholdings

At the end of 2008, Ahlström Capital Oy had 216 shareholders.

## Shareholding by the Board of Directors

On December 31, 2008 members of the Board of Directors held 11,874 shares in Ahlström Capital Oy, representing 3.3 percent of the voting rights and shares.

Morten Ahlström holds 967 shares in Nordkalk Corporation and 1,030 shares in Å&R Carton AB.

## Shareholders by Group on December 31, 2008

	Number of shares	Percentage of shares
Companies	37,903	10.5
Financial and insurance institutions	3,750	1.0
Public corporations	23,493	6.5
Finnish households	237,946	65.9
Foreign households	52,566	14.6
Others	5,264	1.5
Total	360,919	100.0

## Distribution of Shareholdings on December 31, 2008

Number of shares	Number of shareholders	Percentage of shareholders	Number of shares and votes	Percentage of shares	Average number of shares held
1-100	66	30.5	2,007	0.6	30
101-500	38	17.6	8,241	2.3	217
501-1,000	26	12.0	20,436	5.7	786
1,001-2,500	41	19.0	60,904	16.9	1,485
2,501-5,000	28	13.0	102,079	28.2	3,645
over 5,000	17	7.9	167,252	46.3	9,838
	216	100.0	360,919	100.0	1,671

# Governance Principles

Ahlström Capital Oy is a private limited company registered in Finland. The company follows good corporate governance practices based on 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 on the company and its operations.

The work of the Board of Directors is 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, and supports Group and associated companies in risk management, financial, legal, and management matters.

The Group consists of several independent subgroups and associates. Decisions concerning their operations are taken by each company's own decision-making bodies.

Ahlström Capital exercises its ownership through representatives that its Board annually elects to the decision-making bodies of its subsidiaries and associates.

## General Meeting of Shareholders

The highest authority in Ahlström Capital is exercised by the shareholders at general shareholders' meetings. 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 2008, the Annual General Meeting was held on March 27 in Helsinki. In addition, an Extraordinary General Meeting was held on December 1, 2008.

To participate in the Annual General Meeting, shareholders must submit advance notification at the latest on the date indicated in the notice, which date may not be earlier than 10 days prior to the meeting.

The notice of a General Meeting is 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 in writing by mail.

## The 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 from among its members. The cur-

rent Board has five members, four of whom – Morten Ahlström (Chairman), Karl Grotenfelt, Johannes Gullichsen, and Jouko Oksanen – have been on the Board since the company was founded on June 30, 2001. Martti Saikku has been on the Board since March 26, 2007.

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 plans. The Board decides on direct investments and divestments.

In 2008, the Board held 14 meetings, eight of which were attended by all the members and six of which by four members.

Members of the Governance and Compensation Committee are the Chairman of the Board Morten Ahlström and Board members Karl Grotenfelt and Jouko Oksanen. The Committee prepares issues regarding the company's and Group's administra-

tion, salaries and incentives applicable within the company, and management's terms of employment for the consideration of the Board. In 2008, the Committee held 6 meetings, all of which were attended by the full Committee.

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 the 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 assumed the position on April 1, 2008, when Jan Inborr retired, as stipulated in his contract, after turning 60.

Panu Routila serves on the Boards of Nordkalk Corporation, Symbicon Ltd, Å&R Carton AB, and Elbi Elektrik.

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

Jan Inborr continues to act as the Chairman of the Board of Enics AG, Vacon Plc, and Symbicon Ltd, and Vice Chairman of the Board of Å&R Carton AB. Jan Inborr has the following holdings in portfolio companies: Å&R Car-

ton AB 1,250 shares, Enics AG 25,000 shares, and Symbicon Ltd 1,250 shares.

In his duties, the President is supported by a team of seven professionals. 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 Board.

#### Salaries and Remuneration

The Annual General Meeting confirms the remuneration of Board members for one year at a time. The remuneration in 2008–2009 is EUR 1,500 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.

#### Supervision

Ahlström Capital's auditor is the auditing firm KPMG Oy Ab, with Sixten Nyman, 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 2008 were EUR 0.5 million.

## Board of Directors



**MORTEN AHLSTRÖM** 1943, M.Sc. (Econ.) • Chairman of the Board

CHAIRMAN OF THE BOARD: Å&R Carton AB, Quartona Oü  
VICE CHAIRMAN OF THE BOARD: Elbi Elektrik, EOS Russia AB  
MEMBER OF THE BOARD: Nordkalk Corporation, Enics AG  
Managing Director of Antti Ahlströmin Perilliset Oy



**KARL GROTENFELT** 1944, LL.M.

CHAIRMAN OF THE BOARD: Famigro Oy  
MEMBER OF THE BOARD: UPM-Kymmene Corporation, Fiskars Corporation



**JOHANNES GULLICHSEN** 1964, B.Sc. (ENG.), MBA

Partner, RAM Partners Oy  
CHAIRMAN OF THE BOARD: Alfakemist Kapitalförvaltning Ab  
MEMBER OF THE BOARD: RAM Partners Oy, RAM Partners Alternative Strategies Plc., Equal Dreams Oy, Walter Ahlström Foundation



**JOUKO OKSANEN** 1951, M.Sc. (Econ.)

CFO, Varma Mutual Pension Insurance Company  
CHAIRMAN OF THE BOARD: F-Publishing Ltd, F-Musiikki Oy, Kyllikki and Uolevi Lehtikoinen Foundation  
VICE CHAIRMAN OF THE BOARD: The Finnish Diabetes Research Foundation  
MEMBER OF THE BOARD: Arek Oy, Tamfelt Corp.



**MARTTI SAIKKU** 1960, M.Sc. (Econ.)

Head of Institutional Business, SEB Gyllenberg Asset Management  
MEMBER OF THE BOARD: Saastamoinen Foundation, SEB Gyllenberg Funds

# Personnel

**JOHAN BORGSTRÖM**

1948, LL.M.  
General Counsel

**PANU ROUTILA**

1964, M.Sc. (Econ.)  
President and CEO from April 1, 2008



**LEENA SAVOLAINEN**

1948, BA  
Executive Assistant

**KARI CEDERBERG**

1947, B.Sc. (Econ.)  
Financial Director

**JACOB AF FORSELLES**

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



**SEBASTIAN BURMEISTER**

1975, M.Sc. (Econ.)  
Investment Manager

**HELENA STAFFANS**

1956, B.Sc. (Commerce and languages)  
Executive Assistant to CEO

**HENRIK MIKANDER**

1949, MBA  
Investment Director



# Information for Shareholders

## Annual General Meeting

Ahlström Capital Oy's Annual General Meeting will be held in Helsinki, Eteläesplanadi 14, on Thursday, March 26, 2009, at 5 p.m.

The Notice of the Annual General Meeting has been published in the Official Gazette No. 25 / February 27, 2009.

## Financial Information

Ahlström Capital's annual report for 2008 is published in English, Swedish and Finnish.

In 2009, the company will issue a financial review to its shareholders for the period January 1 – June 30.

The company's annual report for 2009 is estimated to be completed in March 2010.

The annual report is available on the internet 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 developments, returns and profitability. Phrases containing "believes", "expects", "anticipates", "foresees", or similar expressions, 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 more or less from those expressed in such expectations and statements.

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## *Heritage counts...*



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