

**AHLSTRÖM
CAPITAL**



Annual Report 2003

Contents

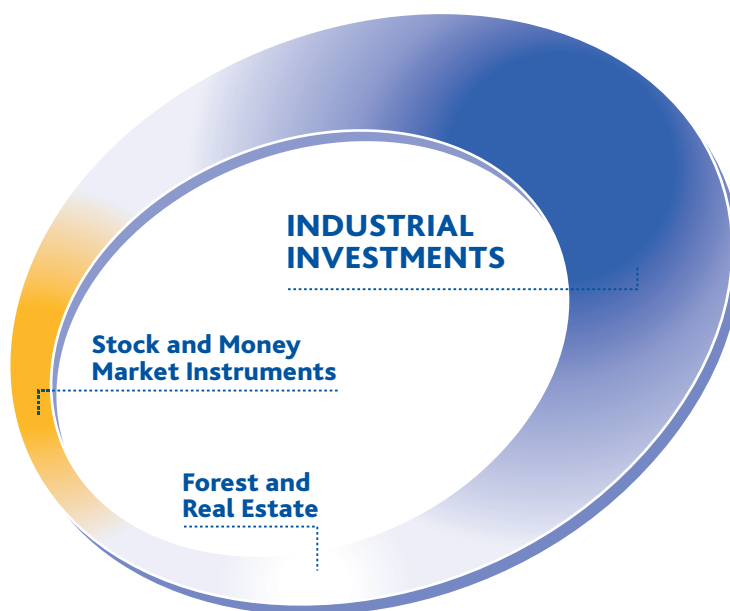
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**AHLSTRÖM
CAPITAL**



Ahlström Capital is a private investment company, creating value for its shareholders by focusing on industrial investments. With assets of over 150 million euros, Ahlström Capital is among the biggest private equity firms in Finland.

Ahlström Capital's strengths are based on solid industrial expertise, long entrepreneurial traditions and considerable financial resources.





Investments Being Directed to Industrial Companies

When we went into business three years ago, we were given the mission by our owners to continue Ahlström's successful business activities. We made it our aim to renew the investment portfolio entrusted to us in such a way that it will give our owners an opportunity for a good return and an increased share value. Two years ago we defined our strategy and turned the main thrust in our business more dynamically toward industry, the field in which our know-how is strongest.

During the past year we increased the number of our industrial investments in accordance with our strategy so that they account for just under half of our assets. By the end of 2005, industrial investments should constitute the majority of our holdings. This will be achieved by acquiring annually stakes in one or two companies, which will lead to a portfolio totaling 8–10 companies.

The focusing of our strategy has made our work more streamlined and systematic. Our team, which was reinforced during the previous year, operated efficiently and was able to recognize a number of suitable investment prospects for us, some of which led to an investment decision. Focusing our business has also led to further reinforcement of our position as a private equity investor in the industrial sector. In a survey of the sector carried out by Taloustutkimus in spring 2003, we were praised for our knowledge of the industrial sector as well as for our ability to develop management systems and support companies in their internationalization. Our rising profile also had the effect of boosting the number of contacts from industrial companies and investment banks.

Nordkalk off to a Good Start

Stock markets began to recover in the early months of the year in Finland and other parts of the world. The

recovery did not yet inspire private equity investors to have the companies they hold listed on stock exchanges; instead, investors exited their stakes by selling them to each other or to industrial buyers. During the year, Nordic funds with Sweden in the lead collected a large amount of fresh capital whereas Finnish private equity investors increased their investments in companies in traditional sectors.

In the early part of the year, we at Ahlström Capital concentrated on concluding the deal we had made at the end of the previous year for Nordkalk, Northern Europe's leading manufacturer of limestone-based products. Together with the other owners, we began the development of the company by refining its strategy and management system and by upgrading its financing structure. Year 2003 was a successful year for Nordkalk.

During the year, we expanded our holdings on two occasions in Vacon, a manufacturer of frequency converters, to a total of 15.1 percent, and we relinquished our entire stake in Paul Lippke Handels, which was not part of our core business. Our holdings remained unchanged in the carton board packaging manufacturer Å&R Carton and the electronics manufacturing services company Ahltronix.

All the portfolio companies managed to improve their profits relative to the previous year, with the exception of Å&R Carton, which was still in the red due to the continuing weak market in Western Europe. In other respects, our investments made progress as expected. Our financial position is steady and sales of forest holdings enabled us to post a profitable result.

New Investments Early in 2004

In 2004, we are continuing to shift our assets into industrial companies. We sold another part of our forest hold-



” In the early part of the year, we concentrated on developing Nordkalk, and toward the end of the year we focused on negotiating new investments. New agreements expand our network, reinforce our position in Finland and continental Europe, and open the door to the growing markets of Russia.

ings at the beginning of the year and we agreed on two new investments, thus increasing the number of our industrial investments to six. Our stakes in an electronics manufacturing services company and a manufacturer of electrical and electronic supplies expand our network, cementing our position in Finland and continental Europe as well as opening the door to the growing markets of Russia. The investments will be finalized shortly.

The current year is also bringing changes to our organization and our ownership structure. We are reinforcing our team to insure the active development of our portfolio companies. When Ahlström Capital was founded, our owners were given the opportunity to reconsider their holdings in the company at the beginning of 2004, and for this reason our ownership structure is likely to become more consolidated during the spring.

Industrial Expertise is the Foundation of Success

The business environment of Ahlström Capital and the companies we own is changing. The enlargement of the European Union will mean more labor and more job mobility. Furthermore, the East is considered attractive

in terms of lower labor costs. Thus, companies will have to choose increasingly often between countries with high and low cost levels.

The currently prevailing low rates of interest in the euro zone are keeping financing costs low, which may encourage capital expenditure by companies and persuade investors to invest in high-risk prospects. Industrial output and gross domestic product are likely to continue to grow faster in Asia and Russia than in Western Europe, which will make companies operating in these regions more attractive to investors.

In the private equity investment business, companies do well which have access to considerable amounts of investment capital or which are specialized in terms of their expertise. I am convinced that Ahlström Capital is able to infuse industrial expertise into the companies it owns, thus promoting both the portfolio companies' and Ahlström Capital's success. Our work is on a solid foundation. I thank our owners and business partners for the excellent work we have done together in the past year.

Helsinki, March 30, 2004

Jan Inbarr
President and CEO



Building Value through Active Development

Mission Statement

Ahlström Capital is a private investment company which makes active investments in medium-sized and large industrial companies. Ahlström Capital provides its shareholders with an opportunity to invest in prospects with a higher-than-average expected return and risk.

Target to Build an Investment Portfolio of 8–10 Companies

Ahlström Capital's strategy is to increase the number of its industrial investments to 8–10 companies by the end of 2005, by making one or two new invest-

ments of MEUR 5–25 per year in Finland or neighboring regions. The company will finance its investments by selling off the greater part of its forest holdings by the end of 2004, and by reducing the proportion of its investments in money and stock market instruments. By the end of 2005, industrial investments will constitute most of Ahlström Capital's investment portfolio.

Ahlström Capital makes investments both alone and together with other private equity investors. Collaboration between private equity investors makes it possible for Ahlström Capital to take part in developing bigger companies as well as sharing the risks of the investment between a number of owners.

Evolution of Ahlström Capital





” Ahlström Capital’s strategy is to increase the number of its industrial investments to 8–10 companies by the end of 2005, by making one or two new investments of MEUR 5–25 per year.

It is Ahlström Capital’s goal to provide its shareholders with a long-term annual return of 15–25 percent. The return will be realized for the owners in the form of Ahlström Capital’s share value appreciation and also through dividends when Ahlström Capital exits its industrial investments.

To safeguard its investments and its targeted level of return, Ahlström Capital complies with the investment policy determined by its Board of Directors, and it actively develops its portfolio companies’ business to boost their value.

Focusing on Established Companies

Investment banks, other private equity investors and industrial companies approach Ahlström Capital when they need partnership with an investor that can offer industrial expertise as well as capital. Ahlström Capital assesses about a hundred companies a year, of which it selects 10–20 to analyze in detail and of which usually one or two lead to an investment.

Ahlström Capital assesses prospective investments in accordance with the investment criteria determined by the company. On the basis of the criteria, Ahlström Capital invests in industrial companies that have already established a position in the market and operate in Finland or neighboring regions.

In selecting investment prospects, it is important for Ahlström Capital that both the prospect company and its business sector have growth potential and that the management has the will and ability to develop the company’s business in partnership with Ahlström Capital. The decision to invest follows an assessment of the risks and returns, i.e. the investment’s prospects for appreciation in value and how this can be realized.

Developing the Companies to Safeguard Returns

In order to support the investments it has made, Ahlström Capital plays an active role in developing its portfolio companies’ business operations and management systems. It also takes part in the work of the boards of directors and supports the companies’ growth and internationalization drives. The portfolio company not only benefits from the solid industrial expertise of Ahlström Capital’s representatives but also gains an extensive network in various fields of industry and the financial market.

The more strongly a company is growing, the more important it is for it to build itself a growth-driven strategy and the wherewithal to make it a reality. Ahlström Capital supports the portfolio companies’ management also in refining their strategies and putting them into practice.

Upswing Began Also in the Private Equity Market

A Mixed Year in 2003

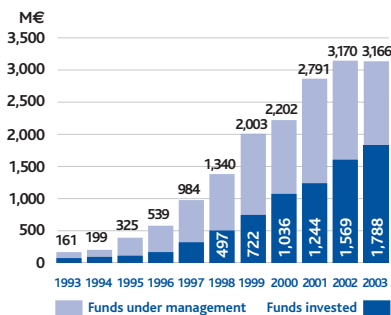
For the investment business, 2003 was a mixed year. The Iraqi crisis and the SARS epidemic meant more insecurity in the global economy, and interest rates continued to fall throughout the world. The stock market also made poor progress in Japan and the West alike. After the spring, the situation changed and the stock market began to rise. At the same time, the interest market went over to slightly rising rates, but the upturn topped out again at the beginning of 2004.

An improvement in the overall economy led to rising share prices worldwide, but there were very few stock issues. Investors' faith in Russia's and China's growth potential rose during the year, which encouraged Western investors to take part in financing com-

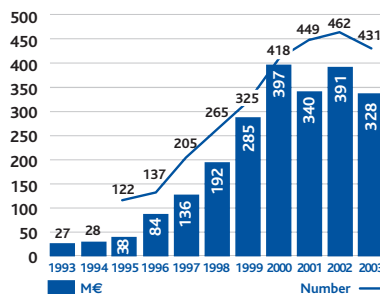
panies in these countries. Consumer demand grew in Russia faster than in the U.S. and Europe for the whole of 2003; Russia's GDP went up during the year by over 7 percent, compared to about 3 percent in the U.S. and less than 1 percent in the European Union.

For private equity players, the year got off to a sluggish start, but the pace picked up toward the end of the year and deals were made briskly in Finland and other Nordic countries. Most funds were in buying mode and a record-breaking 4.5 billion euros of new risk capital was raised in the Nordic region. Most of the new capital went into Swedish funds, as many of Finland's major private equity funds raised a great deal of fresh capital in 2002, and the total for 2003 was only MEUR 114. Finnish private equity players had slightly

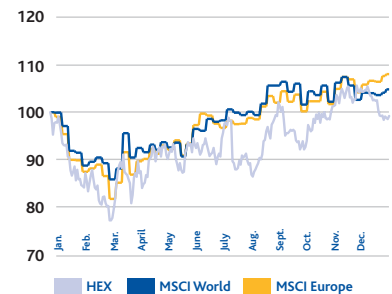
Funds managed by the Finnish private equity firms



Private equity investments in Finland



HEX, MSCI World and MSCI Europe indices 2003





” The private equity market is expected to make good progress in 2004. The number of transactions is rising for both acquisitions and exits.

less than one and a half billion euros in uninvested funds in January 2004.

In Finland, private equity players found new prospects in companies in traditional sectors of business, although the sums for investment were plainly smaller than around the millennium. Almost half of the investments made were management buyouts. Exits also picked up considerably. There were no new stock exchange listings; the main thrust was on refinancing and sales to industrial buyers.

Number of Transactions Rising

The private equity market is expected to make good progress in 2004. It is believed that there will be better dealflow than last year and that the main emphasis will be on medium-sized companies. Swedish private equity players in particular became active in Finland in 2003, so competition for the best prospects will intensify. This may boost the price of available investment targets, which in turn will lower the return obtainable from the investment. However, the number of good prospects is

expected to be enough that the market will not become unduly congested.

The number of exits is on the increase. Private equity players have a large number of companies ripe for divestment in their portfolios, but the overall state of the market has hindered sales for the time being. The first public listings may be seen before the end of 2004, although the real opening-up of IPO markets is not expected until 2005. Some degree of secondary sales between private equity players will also be seen when private equity funds' deadlines are reached or when the development of a portfolio company demands a different kind of owner. However, the main thrust will continue to be on trade sales and refinancing operations.

Specialization Gives Ahlström Capital a Competitive Edge

The assets managed by Ahlström Capital amount to more than MEUR 150, making it one of the biggest private equity players in Finland.

In the Nordic region, Ahlström Capital competes for prospective investments with less than ten other private equity companies, but when necessary it allies itself with the same competitors to acquire stakes of larger companies. Ahlström Capital is one of the major private equity companies in Finland which concentrate on owning and developing the business of industrial companies. Specialization gives Ahlström Capital a competitive edge, making it a sought-after partner for both target companies and other private equity players. Ahlström Capital believes that specialization and a sufficient amount of investable assets will be major factors of success in the future as they are today.

Industrial Investments Increased in Number

Ahlström Capital's investment portfolio consists mainly of investments in industrial companies. The company also has investments in buildings and forests as well as in money and stock market instruments. The company has placed its assets in investments which differ in terms of profit expectations, risks and investment horizons. The carefully considered spread of investments means security for the earnings aimed at by Ahlström Capital in the short and long term.

Additional Deployments in Industrial Targets

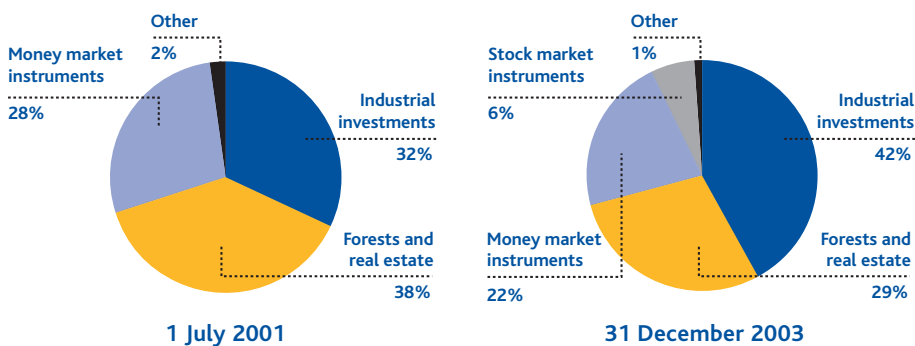
Ahlström Capital has gradually expanded its industrial investments to 42 percent of its investment portfolio. At the end of 2003, the company held stakes in four companies in different sectors of industry, having invested a total

of roughly MEUR 68 in them. Their parent companies are located in Finland and Sweden and their business area covers Europe, the former Soviet Union, the U.S. and China.

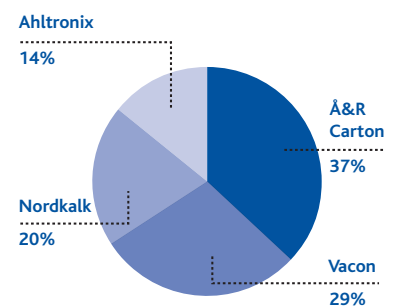
Ahlström Capital's industrial investment portfolio grew in February 2003 with a holding in Nordkalk Corporation, as agreed on in a contract signed in December 2002. In accordance with the contract, the ownership of Nordkalk was transferred to a holding company owned by Ahlström Capital, funds controlled by CapMan and a group of institutional investors. Ahlström Capital's stake in the holding company is 26.2 percent. The owners' aim is to develop Nordkalk's business and to expand its ownership base in 3–5 years.

In the course of the year, Ahlström Capital increased its stake in Vacon Plc from roughly 12 percent to 15.1 percent. The holding in Å&R Carton AB remained unchanged during the year at 44.9 percent, as did

Development of investment portfolio 2001–2003



Breakdown of industrial investments, 31 December 2003





” The target companies benefit from Ahlström Capital’s representatives’ solid expertise as well as its wide-reaching network in various sectors of industry and the financial market.

the holding in the wholly owned Ahltronix Oy. In December, the company sold the entire equity of the German marketing company Paul Lippke Handels-GmbH, which did not form part of Ahlström Capital’s core business, to its main principal, the NASDAQ-listed U.S. company Mocon Inc.

In the course of 2003, Ahlström Capital actively developed its target companies by taking part in their strategic work and enhancing their financing and treasury functions. Representatives of Ahlström Capital sit on the boards of Nordkalk, Vacon, Å&R Carton and Ahltronix.

All the target companies succeeded in improving their financial performance relative to the previous year, with the exception of Å&R Carton, whose business did not make the progress expected due to the continuing weak market in Western Europe. Vacon Plc, which is listed on the Helsinki Exchanges, made positive progress and the company share price rose by about 30 percent during the year.

Steady Income from Forests and Buildings

Ahlström Capital continued sales of its forest holdings to the National Board of Forestry under the preliminary

contract signed in 2001. In the course of 2003, the company reduced its forest holdings to 9,800 hectares. The value of the forests owned by Ahlström Capital was roughly MEUR 14 at the end of the year, comprising about 8 percent of the company’s investment portfolio. According to plan, Ahlström Capital will reduce its forest holdings to roughly 5,000 hectares by the end of 2004. Sales of forests generated MEUR 8.1 in capital gains for Ahlström Capital in 2003.

Since going into business, Ahlström Capital has owned two office buildings, one of which is at Eteläesplanadi 14 in Helsinki and the other is in Varkaus. The combined value of the buildings is roughly MEUR 35, which corresponds to about 20 percent of the company’s investment portfolio. In spite of the downturn in the market for business premises, the facilities in both properties were fully leased out on long-term agreements at the end of the year.

The buildings’ net rental income was in line with the market in general and with Ahlström Capital’s targets, although it declined slightly on the previous year due to improvements made at Eteläesplanadi 14.

Assets in Money and Stock Market Instruments Gradually Shifting to Industrial Investments

Ahlström Capital has invested about a fourth of its investment portfolio in short-term interest-bearing instruments and stock instruments. The short-term interest-bearing instruments bear a low risk and are therefore also a low-return investment. Their advantage is that they can be quickly realized whatever the state of the market when Ahlström Capital needs capital for corporate acquisitions in accordance with its strategy. Stock instruments are long-term investments with a higher rate of return and therefore also a higher risk. Ahlström Capital’s stock instruments are Morgan Stanley OPALS securities, based on MSCI World and MSCI Europe indices, which follow the trend of global stock markets.

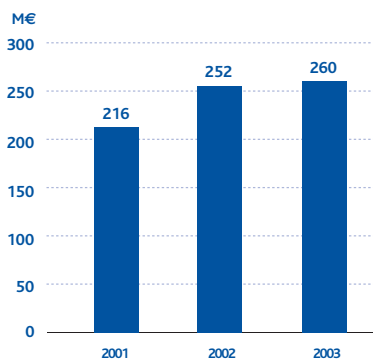
In 2003, Ahlström Capital redeployed capital invested in interest-bearing instruments for its corporate acquisitions, which reduced the value of the interest-bearing instruments from MEUR 38 to MEUR 35. The market value of the stock instruments rose by roughly 7 percent during the year due to a rising market. In accordance with its strategy, Ahlström Capital will gradually shift most of its investments in interest-bearing and stock instruments into industrial holdings, taking into account the trend in the investment market.



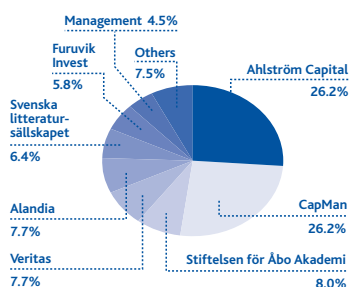
Rising demand for the industrial sector is expected to boost Nordkalk's net sales. The company's broad customer base evens out the impact of cyclic fluctuations.

- Net sales 260 MEUR
 - Personnel 1,310
 - President Christer Sundström
- www.nordkalk.com

Net sales 2001–2003



Ownership



Nordkalk Corporation

NORDKALK IN BRIEF Nordkalk is Northern Europe's leading manufacturer of limestone-based products. The company's products are used by sectors of industry including paper, steel, construction materials and the pulp industry, and they are also used in environmental care and agriculture.

Crushed, ground and screened limestone as well as burnt and slaked lime are marketed under the trademark Nordkalk. Nordkalk has operations in eight countries at more than 30 locations; it has production in Finland, Sweden, Poland and Estonia.

Nordkalk owns all its extraction rights, which secures the company's access to raw material for its products. Nordkalk extracts 11 million tons of minerals per year from its total of 18 quarries and 3 mines. The company's mineral deposits are of different geological types, and these diverse reserves of raw materials mean that Nordkalk is able to provide all grades of limestone in demand in the market.

Nordkalk's subsidiary in Lappeenranta, Suomen Karbonaatti Oy, produces GCC (Ground Calcium Carbonate) and is Finland's largest manufacturer of coating pigments for paper and cardboard.

THE BUSINESS CLIMATE Demand for limestone-based products depends largely on industrial customer's manufacturing volume. In spite of a downturn in the paper industry, Nordkalk's deliveries to the paper industry have risen, largely due to Suomen Karbonaatti Oy's expanded product range. Nordkalk's broad customer base mitigates the impact of cyclical fluctuations.

THE YEAR 2003 In recent years, Nordkalk has grown dynamically, mainly through corporate acquisitions and investments. The company's investments in the years 1998–2003 were MEUR 210. During 2003, Suomen Karbonaatti started up new capacity for the downstream processing of paper pigments.

In 2003, Nordkalk's net sales grew by three percent to MEUR 259.8. Operating profit was on a par with the previous year's figure at MEUR 35.3. Sales to the paper industry grew, whereas sales to the steel industry held steady at the previous year's level. Sales of environmental-care products continued to grow, but agricultural sales were down on the previous year. The upbeat trend in Poland continued.

OUTLOOK FOR THE FUTURE The positive trend is expected to continue in 2004. Sales will grow to the construction material industry and for road-building and civil engineering. The expanded product range will also boost sales to the paper industry. Sales of environmental-care products are showing ongoing growth, but the outlook for agricultural sales is uncertain. Nordkalk is further strengthening its position in Poland, whose forthcoming accession to the EU will stimulate demand for products for scrubbing flue gas emissions from coal-fired power plants in particular.

Vacon Plc

VACON IN BRIEF During its ten-year history, Vacon Plc has grown into a global, full-service supplier of frequency converters. Unlike almost all its competitors, Vacon focuses entirely on frequency converters.

Vacon operates on its own or through partners in 100 countries. Vacon's business areas are divided into component customers, solution customers, and OEM and brand label customers. Vacon's products are often tailored for individual customers.

Vacon's shares are quoted on the Helsinki Exchanges.

THE BUSINESS CLIMATE The frequency converter market in 2003 was worth EUR 5.8 billion. Vacon has 2 percent of the market.

The average annual rate of growth in the frequency converter market is estimated to be over 5 percent during the next five years. Frequency converters become more attractive as an investment as environmental values grow in importance. Rising energy costs also make investments in frequency converters more appealing.

Developments in different markets vary considerably. Investments in developed countries are mainly in modernization and replacements, whereas in Asia orders for frequency converters are mainly for new investments.

THE YEAR 2003 Vacon performed very successfully in difficult market conditions and increased its revenues by 15 percent from the previous year. Since the market grew in the corresponding period by 3 percent, Vacon boosted its market share. Vacon's operating profit was 11.8 million euros (10.5%).

The uncertainty in the market continued throughout the year and in many cases customers took longer over their investment decisions than in the past. The low volume of new project deliveries was a clear sign of this.

During 2003 Vacon's NX product family was taken into full-scale production. Towards the end of the year, its share of production rose to 80 percent. This year saw the completion of the changes to the production lines and the NX product selection expanded into new power ranges, and these factors contributed to this growth. During the year, Vacon received major orders from the power, shipbuilding and marine industries. Vacon also established its own subsidiary in China. The company has sales functions and a production and competence centre focusing on the Chinese market.

OUTLOOK FOR THE FUTURE The long-term frequency converter market growth is forecasted to be above five percent per year. At the start of 2004 it looks as if the general economic uncertainty is continuing and the market growth is expected to be 3–4 percent from 2003.

Vacon's key goals for 2004 are to increase revenues and profit, efficient use of working capital, increasing awareness of Vacon, and expanding the customer base. Growth will be achieved through organic growth. Revenues in 2004 are forecast to rise by 10–20 percent and profitability should improve from 2003.

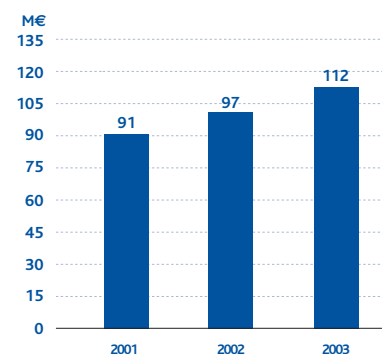


Vacon's market share increased. Further improvements of revenues and profitability are expected.

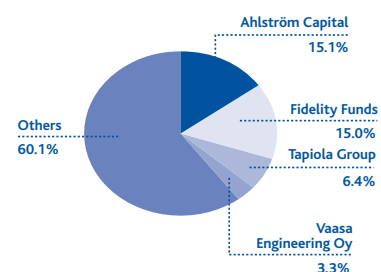
- Net sales 112 MEUR
- Personnel 436
- President Vesa Laihi

www.vacon.com

Net sales 2001–2003



Ownership



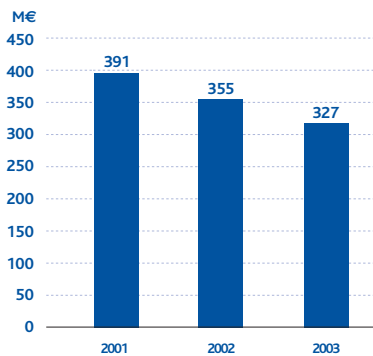
Å&R Carton AB



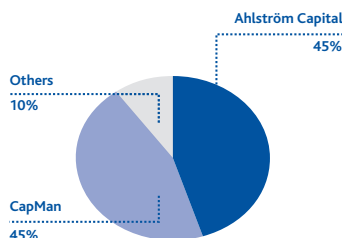
The market in Western Europe declined further. Growth can be expected in Eastern Europe, where volumes are rising and profitability is good.

- Net sales 327 MEUR
 - Personnel 2,040
 - President Per Lundeen
- www.ar-carton.com

Net sales 2001–2003



Ownership



Å&R CARTON IN BRIEF Å&R Carton develops, manufactures and markets board packaging and packaging machinery for the food industry and other consumer goods industries. Å&R Carton is one of the five biggest manufacturers of board packaging in Europe. The company concentrates on packaging for beer and soft drinks, confectionery and cigarette packs, consumer packages for the food industry, and special packaging.

The company serves customers operating both Europe-wide and locally. Its prime customers are blue-chip international companies in the food and tobacco industry, including Unilever, Heineken, Kraft, United Biscuits, Findus and Philip Morris.

Å&R Carton's head office is in Malmö, Sweden, and it has manufacturing in eight countries.

THE BUSINESS CLIMATE The market for board packaging in Europe is still fairly fragmented as there are many small manufacturers. There is excess capacity in the West European market, as a result of which price competition has been intense for many years. Moreover, the market went into a downswing at the end of 2002. On the other hand, the market is still growing strongly in Eastern Europe, particularly in Russia.

THE YEAR 2003 The market declined by 5–8 percent during the year. The fiscal year was therefore characterized by declining volumes, which had a knock-on effect on the entire processing chain from raw material suppliers to the packaging industry. For Å&R Carton, this meant keeping the emphasis on cost saving and on boosting productivity. Operations in the U.K. had been heavily loss-making for a long time, for which reason the company decided to close its factory in Chesterfield in November and to maintain only a fairly small sales company in the U.K. The expenses of closing the U.K. unit exert a considerable drag on the financial result for 2003.

The profitability of the beer and soft drink package and the confectionery and cigarette pack segments held steady, and growth in Russia continued strongly, as expected.

OUTLOOK FOR THE FUTURE Å&R Carton believes that the European packaging market will recover to some extent in 2004. The biggest growth is expected to come once again from the East European market, where the market is growing faster than gross domestic product, volumes are expanding and profitability is good. Å&R Carton will continue to expand its operations in Eastern Europe, with the aim of establishing a bridgehead in Ukraine before the end of 2004. The company believes that higher volumes, reduced costs and the elimination of loss-making operations will substantially improve its financial result for 2004.

Ahltronix Oy

AHLTRONIX IN BRIEF Ahltronix Oy is a contract manufacturer for the electronics industry (Electronics Manufacturing Services, EMS). The company manufactures circuit boards and assembles equipment for leading manufacturers of systems and equipment in the sectors of electrical power technology, data communications and industrial automation, utilizing industrial electronics. The company's customers also include manufacturers of medical equipment and leisure electronics.

Ahltronix's expertise is based on its mastery of the processes in manufacturing services for the electronics industry. The company has an efficient and lean process organization, founded on self-directing teams, a flexible business model, highly developed delegation of customer-specific responsibilities, and resource management. The continual improvement of productivity, promoting the smooth running of the manufacturing process, and efficient procurement are fundamental elements of Ahltronix's operations.

THE BUSINESS CLIMATE The EMS business is growing as the OEM's keep outsourcing their non-core business. Also the amount of electronics used in the end-products is increasing. Ahltronix focuses on high-mix low-volume products, which the OEM's will keep having manufactured locally also in the future.

THE YEAR 2003 The company's main deployments in 2003 were in Estonia. A development and expansion project was launched at the Elva plant during the early months of the year by extending the assembly line and at the same time increasing the range of components it can handle. An extension to the plant's premises was started in the fall. Toward the end of the year, production of circuit boards for an important new customer began at Elva.

In Varkaus, a highly sophisticated final assembly line came on stream to serve the manufacturing of products for a major client. In connection with this, the Varkaus plant obtained official calibration certification for these products.

With its new business model, Ahltronix has succeeded in raising its profile and visibility in the marketplace.

Practically all the customers' production volumes increased during the year, but a downward trend in prices of materials kept net sales on the same level as in the previous year. Due to improved cost-effectiveness and accelerated capital turnaround, profitability improved significantly.

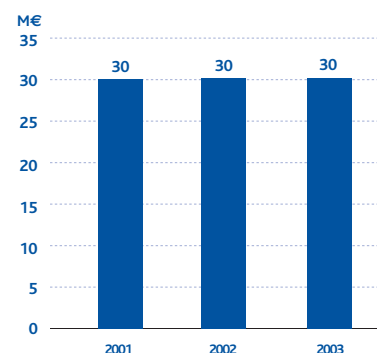
OUTLOOK FOR THE FUTURE Ahltronix expects net sales to increase in 2004 relative to 2003 due both to rising volumes with existing customers and to new customer relationships with new technologies coming on stream. Profitability is also expected to improve further.



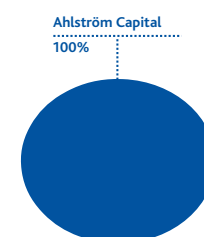
Main deployments were in Estonia. Ahltronix believes the upswing in demand will send the company's net sales into a rising curve in 2004.

- Net sales 30 MEUR
 - Personnel 257
 - President Markku Ahlbäck
- www.ahltronix.com

Net sales 2001–2003



Ownership



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The Mission and Purpose of Ahlström Capital

Established in 2001, Ahlström Capital holds and develops its investments, amounting to roughly MEUR 160, to expand the wealth of its shareholders. Ahlström Capital's goal is to achieve a long-term return of 15–25 percent on the capital it manages and to realize the value increase of its investments over a period of 5–7 years. This rise in value is realized by having the target company listed on the stock exchange, by selling it to an industrial buyer, or by refinancing it. For the shareholders, the return is realized in the form of the rising value of the shares and through dividends paid in connection with exits.

Most (42%) of Ahlström Capital's investments are comprised of holdings in companies in various fields of industry. Other assets are comprised of holdings of forest land and real estate plus stock and money market instruments. To secure the return it aims for, the company has invested its funds in objects which vary in terms of expected returns, risks and investment horizons. The investment objects also differ from each other in the size of the investment and whether Ahlström Capital invests in them alone or together with other equity investors.

It is Ahlström Capital's intention to increase the share of industrial investments in its portfolio by one or two companies a year so that these investments constitute the majority of Ahlström Capital's holdings by the end of 2005, at which time Ahlström Capital intends to own 8–10 companies wholly or partly. Ahlström Capital will finance the acquisition of new holdings by selling off most of its forest assets under an agreement signed with the National Board of Forestry in 2001 as well as by gradually divesting its stock and money market instruments.

Ahlström Capital acquires holdings in industrial companies in accordance with investment criteria determined by the Board of Directors. On the basis of these criteria, Ahlström Capital invests in industrial companies which have already established a position on the market and operate in Finland or neighboring regions. The sum invested by Ahlström Capital in a single company is typically MEUR 5–25.

In selecting its prospective investments, Ahlström Capital also emphasizes the growth potential of the companies and their business sector as well as the management's willingness and ability to develop the company's business with the support of Ahlström Capital. Ahlström Capital makes a decision on the investment after appraising the risks and future return involved as well as the investment's potential for appreciation in value and the possibilities to realize this appreciation.

The Business Climate

Global economic growth gathered momentum in 2003, particularly in the U.S. and Asia. Economic growth was rapid in Russia, while in the euro zone, growth was slower to get underway. The U.S. dollar was 20% lower in value against the euro at the end of the year than at the beginning, which reduced the competitiveness of European products.

The investment market experienced a mixed year in 2003. The three-year fall in share prices on stock markets ended in the first half of the year, and the recovery in the global economy began to make itself felt in the form of rising share prices during the second half of the year. On the interest market, a downward trend prevailed in the early months of the year. In mid-year, long-term interest rates began to rise, which presaged expectations of continuing economic growth, but there were no significant changes in short-term rates in the second half of the year. Liquidity remained high throughout the year.

The recovery of the stock market was not enough to facilitate equity investors' exits from their holdings. However, there were somewhat more exits than in 2002 as equity investors sold companies to corporate buyers in the same lines of business. Transactions between private equity investment funds gained in popularity in Western Europe; the reasons for this were high levels of liquidity, continuing low interest rates, and the funds' willingness to finance corporate acquisitions with debt.

The capital managed by Finnish private equity funds totaled EUR 3.2 billion at the end of 2003. Of this, 56 percent had been committed to target companies and the remainder was available for fresh deployments and for rounds of additional financing.

Investments and the Development of the Investment Portfolio

The total of Ahlström Capital's investment portfolio remained practically steady in 2003, at approximately MEUR 164. Of the portfolio at the end of 2003, MEUR 66.9 (42%) was invested in industrial companies, MEUR 14.2 (9%) was in forest holdings, MEUR 32.0 (20%) was in real estate, MEUR 34.5 (22%) was in money market instruments, and MEUR 10.0 (6%) was in stock market instruments.

Industrial Investments

During 2003, Ahlström Capital shifted the main thrust of its investment portfolio, in accordance with its strategy, to industrial investments, by increasing its holdings in Vacon Plc and



Report of the Board of Directors

by its placement in Nordkalk. At the end of the year, Ahlström Capital had holdings in four different industrial companies. The target companies' parent companies are located in Finland and Sweden, and their sphere of business embraces Europe.

The acquisition of Nordkalk Corporation took effect on February 12, 2003, in accordance with a contract signed in December, 2002. Nordkalk is Northern Europe's leading producer of limestone-based products, and it is owned by Ahlström Capital, CapMan and a group of institutional investors through NK-Holding Oy Ab. Ahlström Capital has a 26.2 percent interest in the holding company. It is the owners' intention to develop Nordkalk's business and to expand its ownership base in 3–5 years. Nordkalk's sales were up on the previous year's figures and its profitability remained good throughout the year. Nordkalk's net sales grew to MEUR 260 (MEUR 252), its operating profit was MEUR 35.3 (MEUR 38.3), and its net profit was MEUR 12.9 (MEUR 8.1). The interest expenses generated by the loan financing required for the acquisition, amortization of goodwill and other expenses totaled MEUR 6.5, so NK-Holding's consolidated net profit amounted to MEUR 6.4, of which Ahlström Capital's share was MEUR 1.6. In addition, Ahlström Capital booked MEUR 1.1 in interest income on its equity loan receivable from NK-Holding Oy Ab.

During the year, Ahlström Capital increased its holding in Vacon Plc, a manufacturer of frequency converters, from 12 to 15.1 percent. Vacon's upbeat trend continued in 2003: its net sales and market share were an improvement on 2002, while profitability also improved. The company's net sales were MEUR 112 (MEUR 97.5) and its operating profit was MEUR 11.8 (MEUR 9.9).

The holding in Å&R Carton AB remained unchanged during the year, at 44.9 percent. The market situation for Å&R Carton, which manufactures cardboard packaging, continued to be poor in its market area of Western Europe and its volume of sales declined relative to 2002. Its subsidiary based in the U.K., which had long been running at a loss, had to be wound up at the end of the year, which resulted in a non-recurring expense of roughly MEUR 13. The company's net sales were MEUR 327 (MEUR 355). Its net loss was MEUR -26.0, of which Ahlström Capital's share was a loss of MEUR -11.7.

The business of Ahlström Capital's wholly owned contract manufacturer for the electronics industry Ahltronix Oy made favorable progress, although it suffered from capacity underutilization. The targeted growth in net sales was not achieved, but the company won important new customers and considerably improved its profitability, due both to improved cost control and to improvements in capital

utilization. Ahltronix's financing was reorganized in February in such a way that the financing includes bank loans as well as equity investment from Ahlström Capital Oy. The refinancing freed up some MEUR 7 of liquid assets for Ahlström Capital Oy to use in new investments. The Ahltronix subgroup's net sales, including the earnings from Ahltronix Oy's real estate in Varkaus, were MEUR 30.5 (MEUR 30.4) and its operating profit was MEUR 1.0 (MEUR 0.6).

In the course of 2003, Ahlström Capital actively developed its target companies by participating in their strategic work as well as by supporting the development of their financing functions and finance management. Representatives of Ahlström Capital served on the boards of directors at Nordkalk, Vacon, Å&R Carton and Ahltronix throughout the fiscal year.

Exits

In December, Ahlström Capital agreed on the sale of the entire issued stock of the German marketing company Paul Lippke Handels-GmbH, which was not part of its core business, to an American corporation Mocon Inc, which is Paul Lippke Handel's main principal and is listed on NASDAQ. Ahlström Capital was the sole owner of the sold company. The price paid for the company, approximately MEUR 1.7, corresponds to the company's value on Ahlström Capital Oy's balance sheet. The final selling price will be partly determined by the profits for the period 2004–2006. The transaction went into effect in January, 2004.

Real Estate and Forestry

Since it went into business, Ahlström Capital has owned two office properties, one of which is located in Helsinki at Eteläesplanadi 14 and the other is in the city of Varkaus. At the end of the year, the premises in both properties were fully leased out on long-term leases. The net rental yield of the properties was still in line with the overall market level and with Ahlström Capital's objectives, although it declined slightly on the previous year due to renovations carried out at Eteläesplanadi 14. The rental earnings of the properties were MEUR 2.8 and their operating profit was MEUR 1.8.

Ahlström Capital continued to sell its forest holdings to the National Board of Forestry in accordance with the agreement made in 2001. In the course of 2003, the company reduced its forest holdings to 9,800 hectares. Earnings from sales of forest and land increased during the fiscal year to MEUR 8.1 (MEUR 5.3). Earnings from logging operations amounted to MEUR 0.6.

After the sales of forest land to the National Board of Forestry in the 2002–2003 period and in January, 2004, Ahlström Capital owns about 5,100 hectares of forests and land.

Money Market Instruments

The money market instruments owned by Ahlström Capital consist mainly of short-term interest-bearing securities. During the year, in accordance with its strategy, the company used capital invested in interest-bearing securities for new investments, which reduced the amount of the money market instruments from MEUR 38 to MEUR 35.

Stock Market Instruments

The stock market instruments held by Ahlström Capital are Morgan Stanley OPALS securities, the value of which is derived from the MSCI World and MSCI Europe indices which follow the trend of the world's stock markets. The market value of the OPALS securities went up by 7 percent during the year due to the improvement in the stock market, reaching MEUR 7.3.

Group Structure

Ahlström Capital Oy is the parent company of the Ahlström Capital Group. The Group was comprised at the end of the fiscal year of Ahltronix Oy together with its subsidiaries, Paul Lippke Handels-GmbH, and the forest ownership company Karhula Osakeyhtiö, all of which are wholly owned subsidiaries. Major holdings not forming part of the Group are Å&R Carton AB (44.9%), Vacon Plc (15.1%), and NK-Holding Oy Ab (26.2%), which owns Nordkalk Corporation.

In March, Ahltronix Oy acquired an approximately 7 percent minority shareholding in its subsidiary Ahltronix Rauma Oy, making it wholly owned by Ahltronix Oy.

Ahlström Capital Oy's holding in NK-Holding Oy Ab was 27.8% when the Nordkalk share transaction went into effect in February, 2003. In December, 2003, Ahlström Capital Oy and the other main owner of the company, CapMan, sold 1.6% of the shares in the company to Nordkalk executives as part of an agreed management incentive program, after which Ahlström Capital's and CapMan's interest in NK-Holding declined to 26.2 percent each. During the fiscal year, the boards of directors at NK-Holding Oy Ab and Nordkalk Corporation approved a plan for the merging of subsidiaries between the companies. After the merger takes effect in 2004, the name of the resulting company will be Nordkalk Corporation.

Financial Status and Financing

Ahlström Capital's third fiscal year covered the period January 1–December 31, 2003. The Group's financial status remained stable, although it was impacted by the heavy loss posted by Å&R Carton.

The Ahlström Capital Group's net sales were MEUR 38.2 (Jan. 1–Dec. 31, 2002: MEUR 38.7). Net sales were composed of the business operations of Ahltronix and Paul Lippke Handels-GmbH as well as the parent company's income from rents and timber harvesting. Other operating income amounted to MEUR 8.1 (MEUR 5.3). This came from gains on sale of forest land areas, as calculated from the historical acquisition cost. The revaluation included in the balance sheet values of the forest land sold has been reversed from the assets and shareholders' equity in the balance sheet, as a result of which the gains from the sale increased the Group's shareholders' equity by MEUR 4.5 after taxes are figured in.

The Group's operating profit was MEUR 8.7 (MEUR 6.5). Net financing income before the impact of associated companies was MEUR 2.8 (MEUR 2.3).

Ahlström Capital's share in the losses of associated companies during the fiscal year was MEUR -10.1 (loss of MEUR -3.4), which resulted from the share in Å&R Carton's loss, MEUR -11.7, and the share in the NK-Holding Group's profit, MEUR 1.6. The MEUR -0.2 item for extraordinary expenses posted during the fiscal year arose from the negative difference between Å&R Carton's final results for 2002 and the preliminary result used in Ahlström Capital's consolidated financial statements for 2002.

The costs of Ahlström Capital Oy's management and administration during the fiscal year were MEUR 2.4, which averages 1.5% of the Group's shareholders' equity.

During the fiscal year, Ahlström Capital Oy effected a write-down in the amount of MEUR 21.4 on its investment in Å&R Carton AB, which corresponded to the accumulated losses to the end of August, 2003. These losses have been figured into Ahlström Capital's financial statements for previous fiscal years in accordance with the equity method as they arose. A favorable advance decision by the Tax Office for Major Corporations was received on the tax-deductibility of the write-down. As a result of the write-down, Ahlström Capital Oy's net loss was MEUR -7.7. A deferred tax asset in the amount of MEUR 2.3 for the loss to be confirmed for the fiscal year has not been entered in the financial statements.

Taxes for the fiscal year were MEUR 1.3 positive. This is due principally to the fact that the parent company's taxes for 2003 are zero because of the write-down on shares in Å&R Carton AB. In addition to this, a deferred tax liability of MEUR 1.5 booked on revaluation of sold forest real estate was reversed in the parent company during the year.

The Group's net profit was MEUR 2.5 (MEUR 4.7).

At the end of December 2003, interest-bearing debts amounted to MEUR 3.9 (MEUR 2.5 at the end of 2002). At the end of the year, the equity ratio was 88% (92%) and the

gearing ratio was -21% (-27%). A deferred tax liability on the revaluation included in the balance sheet value of the property on Eteläesplanadi, MEUR 6.6, was booked in the financial statements. The entry had no effect on the result.

Ahlström Capital's financing situation remained favorable throughout the fiscal year. The cash flow from operating activities, including the effect of sales of forest land, was MEUR 15.7, before new investments and cash flow from financing activities.

MEUR 16.8 was used for new investments during the fiscal year, of which MEUR 13.5 was in shares and equity loans in NK-Holding Oy Ab and MEUR 3.3 was in shares in Vacon Plc. The investments made in industrial activities and real estate amounted to MEUR 1.4, of which the building on Eteläesplanadi accounted for MEUR 0.6 and Ahltronix for MEUR 0.3. As a result of the refinancing of Ahltronix, MEUR 7.0 was freed up from investments.

Dividend income, mostly received from Vacon Plc, amounted to MEUR 0.7. Dividends paid amounted to EUR 3.50 per share, totaling MEUR 1.3 in all.

Trend in the Balance Sheet and Net Asset Values of the Ahlström Capital Share

The balance sheet value per share of Ahlström Capital Oy's shares at the end of the year was EUR 430.51. The net asset value of the shares at the end of the year was EUR 430.76, i.e. EUR 0.25 above the balance sheet value.

The investments in Vacon Plc shares and in OPALS are of a long-term nature and they are included in Ahlström Capital's financial statements at the acquisition cost.

In the calculation of net asset value, investments in shares in Vacon Plc and OPALS securities are valued at their market value at the end of the fiscal year, with the deferred tax asset on the difference between the investments' balance sheet values and their market value also figured in. Ahlström Capital's other assets and liabilities have been assessed at their balance sheet value for the calculation of the net asset value.

Because of the favorable trend in the stock market, the net asset value of Ahlström Capital's Vacon Plc shares was MEUR 21.6, which is MEUR 2.0 higher than the balance sheet value. The net asset value of the OPALS was MEUR 8.1, which is MEUR 1.9 lower than the balance sheet value.

Comparison of balance sheet value and net asset value of shares, 1,000 euros

	31 Dec. 2003	31 Dec. 2002
Balance sheet value of AC Oy's shareholders' equity	156,482	168,437
Balance sheet value per share of AC Oy's shareholders' equity (euros)	430.51	463.40
Differences in the balance sheet value and net asset value:		
Balance sheet value of the Eteläesplanadi property	28,462	34,749
Net asset value of the Eteläesplanadi property	28,462	27,116
Balance sheet value of Vacon Plc's shares	19,646	16,307
Net asset value of Vacon Plc's shares	21,617	14,359
Balance sheet value of OPALS securities	9,985	9,985
Net asset value of OPALS securities	8,106	7,675
Difference between balance sheet and net asset values, total	92	-11,891
Net asset value of AC Oy's shareholders' equity	156,574	156,546
Net asset value per share of AC Oy's shareholders' equity (euros)	430.76	430.68

Comparison of balance sheet value and net asset value, adjusted with dividends paid and deferred tax for Eteläesplanadi:

	31 Dec. 2003	31 Dec. 2002
Balance sheet value per share, adjusted (euros)	437.51	445.90
Net asset value per share, adjusted (euros)	437.76	434.18

Return on Investment According to Business Area

The capital employed per business area has been calculated on the consolidated balance sheet book values as averages for the end of quarters. The returns are comprised of the revenue from different types of investment made in the business sector booked in the financial statements (operating profit, financing income, share in profits/losses of associated companies) with intra-Group items eliminated. Income also includes a deferred tax asset in the amount of MEUR 3.9 on a write-down of Å&R Carton AB shares, being the portion which was entered in the financial statements for 2003, as well as the change in the market values of Vacon shares and OPALS during the fiscal year. The income items for each business sector included in the calculation, as well as the method for calculating the return on investment, are explained in the notes to the financial statements. The figures for 2002 are presented in a way comparable with those of 2003.

Return on investment according to business area

	Return, MEUR		Average capital employed, MEUR		Return on investment, %	
	2003	2002	2003	2002	2003	2002
Å&R Carton	-7.9	-1.3	31.0	36.9	-25.4%	-3.6%
Nordkalk	2.7		12.2		21.8%	
Ahltronix	0.7	0.3	10.5	15.6	6.7%	2.0%
Forestry	0.3	0.7	14.3	21.4	2.4%	3.2%
Real estate	1.8	1.9	31.7	34.4	5.5%	5.5%
Money market instruments	1.1	1.4	35.0	41.2	3.1%	3.3%
Vacon shares	6.0	-3.3	19.4	13.4	30.9%	-24.3%
OPALS	0.7	-3.1	10.0	8.5	7.4%	-36.7%
Other	-2.0	-1.5	-0.6	2.3		
Ahlström Capital total	3.4	-4.9	163.5	173.7	2.1%	-2.8%

Personnel, Administration and Auditors

Ahlström Capital Oy had eight employees at the end of the fiscal year. There were no changes in the number of personnel during the year. The company's present personnel is able to handle the entire investment process independently.

Jan Inbarr, B.Sc. (Econ.) has served as the company's President and CEO since the company went into business on June 30, 2001.

Morten Ahlström has served as the chairman of the Board of Directors since June 30, 2001. The ordinary members of the Board, as of the same date, have been Thomas Ahlström, Karl Grotenfelt, Johannes Gullichsen and Jouko Oksanen.

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

Post Balance Sheet Events

In January, the company sold the approximately 3,700 hectare section of its forest holdings agreed on with the National Board of Forestry for sale in 2004. The price was MEUR 6.5.

The sale of Paul Lippke Handels-GmbH to the American company Mocon Inc came into effect on January 30, 2004.

Share Redemption Procedure in 2004

At the end of 2003, the company's entire issued stock, 363,482 shares, was composed of series A shares. According to the articles of association, a share in series A may, upon request by the shareholder, be converted into a series B share

in compliance with a specified procedure during the period February 1–June 30, 2004. The number of series B shares may not exceed 181,741. The company is entitled and obliged to buy back all the series B shares by lowering the share capital, in compliance with the procedure specified in the articles of association. The Board of Directors will notify the shareholders of details of the conversion and buyback procedures by letter.

The Outlook for 2004

The global economic growth which gathered momentum during 2003 is expected to continue at a brisk pace in 2004, particularly in the U.S. and Asia. Economic activity is expected to continue to recover also in the euro zone, albeit sluggishly. However, structural difficulties and problems of balance overshadow the long-term prospects for the global economy.

Ahlström Capital continues actively to develop its target companies and to acquire new ones. The overall trend in the global economy will affect companies' success and the return from investments in money market instruments and shares. Ahlström Capital's strong financial status and broad-based industrial expertise will continue to form a stable foundation for the company's operations.

Proposal by the Board of Directors for the Distribution of Profits

The Board will propose to the Annual General Meeting to be held on June 4, 2004, that a dividend of EUR 4.00 per share be paid.¹

¹) The date has been changed to June 3, 2004.



Consolidated Income Statement

EUR 1,000	Note	1 Jan.–31 Dec. 2003	1 Jan.–31 Dec. 2002
Net Sales	1	38,243	38,734
Other operating income	2	8,159	5,262
Materials and services		-23,661	-23,342
Personnel costs	3	-8,466	-8,304
Depreciation and amortization	8	-2,365	-2,146
Other operating expense		-3,196	-3,683
Operating profit		8,714	6,521
Financing income and expense	5		
Share in losses of associated companies		-10,096	-3,430
Interest and other financing income		3,210	2,580
Interest and other financing expense		-413	-301
		-7,299	-1,151
Result before extraordinary items		1,415	5,370
Extraordinary income	6	0	1,489
Extraordinary expense	6	-252	0
Result before appropriations and taxes		1,163	6,859
Income taxes	7	1,305	-2,131
Result before minority interest		2,468	4,728
Minority interest		0	-28
Net result for the period		2,468	4,700



Consolidated Statement of Cash Flows

EUR 1,000	1 Jan.–31 Dec. 2003	1 Jan.–31 Dec. 2002
Cash flow from operating activities		
Operating profit	8,714	6,521
Depreciation and amortization	2,365	2,146
Other adjustments	1,335	-457
Cash flow from operating activities before change in net working capital	12,414	8,210
Change in net working capital	2,818	4,013
Cash flow from operating activities	15,232	12,223
Interest and other financing income	1,752	3,179
Interest and other financing expense	-1,010	-1,407
Income taxes	-272	-285
Net cash flow from operating activities	15,702	13,710
Cash flow used in investing activities		
Capital expenditure	-1,477	-1,206
Other investments	-4,520	-27,250
Proceeds from sales of non-current assets	2,195	5,489
Dividends received	783	358
Change in other receivables and notes receivable	-16,791	-1,759
Net cash flow used in investing activities	-19,810	-24,368
Cash flow from financing activities		
Change in financial investments	3,199	10,133
Change in long-term liabilities	1,369	-1,102
Change in short-term debt	92	2,866
Dividends paid	-1,272	-1,272
Other adjustments	-4	9
Net cash flow from financing activities	3,384	10,634
Change in cash and bank	-724	-24
Cash and bank at beginning of period	3,162	3,186
Cash and bank at end of period	2,438	3,162



Consolidated Balance Sheet

EUR 1,000	Note	31 Dec. 2003	31 Dec. 2002
ASSETS			
Non-current assets			
Intangible assets	8		
Intangible rights		250	358
Goodwill		2,066	2,127
Other intangible assets		93	107
		2,409	2,592
Tangible assets	8		
Land and water areas		43,821	50,914
Buildings and constructions		9,838	10,220
Machinery and equipment		2,991	4,009
Other tangible assets		416	559
Advances paid and construction in progress		986	8
		58,052	65,710
Investments	9		
Shares in associated companies		3,960	8,448
Receivables from associated companies	18	36,220	24,022
Other shares		30,324	26,993
		70,504	59,463
Current assets			
Inventories			
Materials and supplies		2,922	2,639
Work in process		522	463
Finished goods		619	662
		4,063	3,764
Receivables			
Long-term			
Receivables from associated companies	18	0	4,829
Other receivables		2,022	0
Deferred tax assets	15	0	110
		2,022	4,939
Short-term			
Accounts receivable		1,345	3,903
Receivables from associated companies	18	1,181	0
Deferred tax assets	15	108	124
Other receivables		166	254
Prepaid expenses and accrued income	10	909	758
		3,709	5,039
Financial investments		34,531	37,730
Cash and bank		2,438	3,162
TOTAL ASSETS		177,728	182,399

EUR 1,000	Note	31 Dec. 2003	31 Dec. 2002
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	11		
Share capital		36,348	36,348
Capital in excess of par value		12,526	12,526
Retained earnings		105,141	114,863
Net result for the period		2,468	4,700
		156,483	168,437
Minority interest		0	20
Provisions	14	1,869	534
Liabilities			
Long-term	13		
Loans from financial institutions		2,814	1,361
Other long-term liabilities		115	104
Deferred tax liabilities	15	10,010	4,881
Accrued expenses and deferred income	16	51	228
		12,990	6,574
Short-term			
Loans from financial institutions		989	897
Advances received		84	20
Accounts payable		2,992	2,912
Other liabilities		868	737
Accrued expenses and deferred income	16	1,453	2,268
		6,386	6,834
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		177,728	182,399

ACCOUNTING PRINCIPLES

The financial statements of the Ahlström Capital Group and Ahlström Capital Oy, the parent company, are 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 except for revaluations included in the book values of certain items included in non-current assets.

Ahlström Capital Oy was formed when A. Ahlstrom Corporation was demerged into three companies as of June 30, 2001. Official financial statements for 2003 have been produced for the third financial year of the company and the Group, January 1–December 31, 2003.

A difference to the accounting principles of the previous financial statements is that the deferred tax liability on the revaluation of the Eteläesplanadi real estate which is included in the balance sheet value, estimated at MEUR 6.6, has been entered in the financial statements. Also, the method for calculating the returns per business area of capital employed has been altered so that the returns include the deferred tax asset arising from the write-down of Å&R Carton AB shares to the extent that such deferred tax asset is included in the financial statements, and so that the changes in the market values of Vacon shares and OPALS-securities during the fiscal year have been figured in. There have been no other changes in the accounting principles.

The Consolidated Financial Statements

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

The equity method of accounting 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 consolidation 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 in consolidation.

Acquisitions are accounted for under the purchase method of accounting, 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 on the balance sheet as goodwill.

The sections 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 financing income and expenses.

Items Denominated in Foreign Currency

Assets and liabilities denominated in foreign currency are translated in the financial statements 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 shareholders' equity.

Research & Development Expenditure

Research and development costs are expensed as incurred.

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 basis.

Investments

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

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

Non-current Assets

Intangible and tangible assets are presented in the balance sheet at cost less accumulated depreciation and amortization. The book values of certain forest and land areas include revaluations which are based on fair market values prevailing

at the time the revaluations were made. If the basis for a revaluation subsequently declines or is no longer valid, the revaluation is adjusted correspondingly. The revaluations applied to sold areas of forest have been reversed from the non-restricted equity.

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

The depreciation periods are as follows:

Buildings	25–40 years
Heavy machinery	10–20 years
Other machinery and equipment	3–10 years
Land and water areas	are not depreciated.

Taxes

Income taxes are comprised of current taxes paid and payable on taxable income for 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 financial statements' temporary differences, applying the tax rate confirmed for subsequent years as of the date of the financial statements. The deferred tax liability attributable to revaluations of forest land and of the Eteläesplanadi real estate is included in the balance sheet. The estimated probable benefit of the deferred tax assets is included in the balance sheet.

Extraordinary Items

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

The Net Asset Value of Ahlström Capital Oy's Shares

The net asset value of the shares differs from the balance sheet value in that, in the calculation of the net asset value, long-term investments in publicly quoted shares and stock market instruments are valued at the market value at the end of the fiscal year, whereupon the tax share applied to the difference between the investments' balance sheet value and their market value is also figured in. Other assets and liabilities were assessed at the balance sheet value in calculating the net asset value.

Return on Investment per Business Area

The calculations of return on investment are given both for the business areas and for the entire Group. Gains on sales of land and forest areas are not included in the calculation.

The returns used to calculate the return on investment are for the entire fiscal year and they consist of the different types of return applicable to each business area, with inter-company items within the Group eliminated. Also, the returns include the deferred tax asset arising from the write-down of Å&R Carton AB shares to the extent that such deferred tax asset is included in the financial statements for 2003. Also, the changes in the market values of Vacon shares and OPALS securities during the fiscal year have been figured in. The returns are proportioned to the average capital employed in the business areas, which is calculated on the average consolidated book values for the ends of the quarters (March, June, September and December). In respect of the entire Group, the figures are similarly calculated from the figures in the consolidated financial statements.

The components of returns in the calculation for the business areas are as follows:

- Real estate business and forestry: operating profit
- Ahltronix: operating profit from contract manufacturing operations
- Money market instruments: interest and other financing income
- Associated companies: the share of the companies' result and the interest income received from the companies. For Å&R Carton, the return includes the extraordinary income booked in Ahlström Capital's consolidated financial statements for 2002 as a correction to the share of result for 2001. In addition, for Å&R Carton, the return includes the extraordinary expense booked in Ahlström Capital's consolidated financial statements for 2003 as a correction to the share of result for 2002. Also for Å&R Carton, the return for 2003 includes MEUR 3.9 of the MEUR 6.2 deferred tax liability to Ahlström Capital Oy arising from a write-down of Å&R Carton AB shares, being the part which is included in the financial statements for 2003.
- Vacon Plc shares and OPALS securities: dividends received and the change in the market value of these shares and securities during the fiscal year.



Notes to the Financial Statements

EUR 1,000

	Group 1 Jan.–31 Dec. 2003	Group 1 Jan.–31 Dec. 2002	Parent 1 Jan.–31 Dec. 2003	Parent 1 Jan.–31 Dec. 2002
1. Net sales				
Distribution of net sales by country				
Finland	31,779	31,985	2,989	3,282
Germany	1,346	1,055		
Other Nordic countries	1,299	1,435		
Belgium	869	254		
Italy	837	666		
France	625	546		
UK	422	625		
Switzerland	395	424		
Rest of Europe	349	562		
Spain	246	363		
Ireland	2	676		
Others	74	143		
Total	38,243	38,734	2,989	3,282
2. Other operating income				
Gain on sale of non-current assets	8,136	5,261	8,057	5,218
Other	23	1		
Total	8,159	5,262	8,057	5,218
3. Personnel costs				
Wages and salaries	6,756	6,779	1,061	931
Pension costs	1,110	1,146	250	320
Other wage related costs	600	379	85	46
Total	8,466	8,304	1,396	1,297
Salaries for managing directors of which bonuses	690 145	1,001 55		
Remunerations to Board members	172	61	67	61
4. Average number of personnel				
Salaried	77	79	8	8
Blue-collar	201	195		
Total	278	274	8	8
5. Financing income and expense				
Dividend income from Group companies			1,382	1,312
Dividend income from others	1,045	449	1,045	449
Interest and financing income from Group companies			440	959
Interest and financing income from associated companies	1,238	634	1,238	634
Interest and financing income from others	927	1,497	938	1,711
Total	3,210	2,580	5,043	5,065
Write-downs in short-term financial investments				-17
Write-downs in long-term financial investments			-21,405	
Interest and financing expenses to Group companies			-138	-125
Interest and financing expenses to others	-413	-301	-164	-457
Total	-413	-301	-21,707	-599
6. Extraordinary income and expense				
Adjustment of the net result of an associated company	- 252	1,489		
Group contribution			870	-260
Total	-252	1,489	870	-260
7. Income taxes				
Taxes for current and previous years	-25	-3	203	434
Change in deferred taxes	1,330	-2,128	1,358	-1,946
Income taxes in the income statement	1,305	-2,131	1,561	-1,512

EUR 1,000

8. Intangible and tangible assets

Group	Goodwill	Intangible rights	Other intangible assets	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and construction in progress
Acquisition cost at 1 Jan.	3,160	682	266	8,337	13,176	8,577	612	8
Increases	285	18	9	107	22	319	15	988
Decreases		-9		-2,138		-38	-14	-2
Other changes						-48		-2
Reclassifications		6	41			-276	235	-6
Acquisition cost at 31 Dec.	3,445	697	316	6,306	13,198	8,534	848	986
Accumulated depreciation and amortization at 1 Jan.	1,033	324	159		2,956	4,568	53	
Decreases						-19	-3	
Reclassifications			16			-169	153	
Other changes	-3		-1			-48		
Depreciation and amortization for the period	349	123	49		404	1,211	229	
Accumulated depreciation and amortization at 31 Dec.	1,379	447	223		3,360	5,543	432	
Revaluations at 1 Jan.				42 577				
Decreases				-5 062				
Revaluations at 31 Dec.				37 515				
Book value at 31 Dec. 2003	2,066	250	93	43,821	9,838	2,991	416	986

Parent company	Intangible rights	Other intangible assets	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and construction in progress
Acquisition cost at 1 Jan.	26		4,574	9,585	862	22	0
Increases			79		2		964
Decreases	-9		-423				
Acquisition cost at 31 Dec.	17		4,230	9,585	864	22	964
Accumulated depreciation and amortization at 1 Jan.		1		1,149	216	6	
Decreases							
Depreciation and amortization for the period		1		301	77	2	
Accumulated depreciation and amortization at 31 Dec.		2		1,450	293	8	
Revaluations at 1 Jan.			42,460				
Decreases			-5,062				
Revaluations at 31 Dec.			37,398				
Book value at 31 Dec. 2003	15		41,628	8,135	571	14	964

9. Long-term investments

Group	Shares in associated companies	Other shares	Other receivables	
Book value at 1 Jan.	8,448	26,993	24,022	
Share of profits	-10,096			
Increases	877	3,331	20,852	
Decreases	-16		-2,154	
Reclassifications	6,508		-6,500	
Other changes	-1,761			
Book value at 31 Dec. 2003	3,960	30,324	36,220	
Parent company	Shares in group companies	Shares in associated companies	Other shares	Other receivables
Book value at 1 Jan.	16,336	24,744	26,964	24,022
Increases		877	3,311	25,152
Reclassifications	-8	6,508		-6,500
Write-downs				
Decreases		-16		-2,154
Book value at 31 Dec. 2003	16,328	10,708	30,275	40,520



Notes to the Financial Statements

EUR 1,000

10. Prepaid expenses and accrued income	Group		Parent	
	31 Dec. 2003	31 Dec. 2002	31 Dec. 2003	31 Dec. 2002
Short-term				
Accrued interest income	25	26	25	26
Periodization of social costs	259			
Current tax receivable	440	368	440	368
Other	185	364		2
Total	909	758	465	396

11. Shareholders' equity				
Shareholders' equity at 1 Jan.	168,437	169,576	190,482	188,053
Change in revaluations	-5,062	-3,636	-5,062	-3,636
Dividends paid	-1,272	-1,272	-1,272	-1,272
Translation adjustment	-1,055	-427		
Other	-7,033	-504	-6,585	
Net income	2,468	4,700	-7,707	7,337
Shareholders' equity at 31 Dec.	156,483	168,437	169,856	190,482
Retained earnings	107,609	119,563	120,990	141,616
Depreciation difference net deferred tax liability	-283	-252		
Distributable shareholders' equity	107,326	119,311	120,990	141,616

12. Share capital by type of share, 31 December 2003, parent company

Shares are divided into two series, A and B. The par value of all shares is EUR 100.		Number of shares	EUR
Series A, 1 vote/share, with redemption and conversion clause		363,482	36,348,200
Series B, 1 vote/share, with redemption clause			
Total		363,482	36,348,200

13. Maturities of long-term liabilities, Group

	2005	2006	2007	2008	2009–	Total
Loans from financial institutions	929	666	542	542	135	2,814
Deferred tax liabilities	100	100	100	100	9,610	10,010
Other long-term liabilities	49	46	39	13	19	166
Total						12,990

14. Provisions	Group		Parent	
	31 Dec. 2003	31 Dec. 2003	31 Dec. 2003	31 Dec. 2003
Personnel costs	811	151	726	63
Other	1,058	383	1,020	316
Total	1,869	534	1,746	379

15. Deferred tax assets and liabilities

Long-term assets		110		110
Short-term assets	108	124		
Long-term liabilities	-10,010	-4,881	-9,894	-4,777
Total	-9,902	-4,647	-9,894	-4,667
Arising from:				
Depreciation difference	-116	-104		
Revaluations	-9,894	-4,777	-9,894	-4,777
Tax losses	108	124		
Other timing differences		110		110
Total	-9,902	-4,647	-9,894	-4,667

A deferred tax asset in the amount of MEUR 2,3 for the loss to be confirmed for the year 2003 has not been entered in the financial statements of Ahlström Capital Oy.

16. Accrued expenses and deferred income

Long-term				
Other	51	228	51	60
Total	51	228	51	60
Short-term				
Personnel costs	1,234	1,350	202	203
Interest expense	22	39	20	39
Current tax payable	17	714	0	644
Other	180	165	8	8
Total	1,453	2,268	230	894

EUR 1,000

	Group 31 Dec. 2003	Group 31 Dec. 2002	Parent 31 Dec. 2003	Parent 31 Dec. 2002
17. Receivables from and liabilities to Group companies				
Notes receivable			4,300	11,879
Prepaid expenses and accrued income			1,169	6
Total			5,469	11,885
Accrued expenses and deferred income				260
Other short-term debt			5,627	4,162
Total			5,627	4,422

18. Receivables from and liabilities to associated companies				
Notes receivable	36,220	24,022	36,220	24,022
Other long-term receivables		4,829		4,829
Other short-term receivables	1,181		1,181	
Total	37,401	28,851	37,401	28,851

19. Collaterals				
For own liabilities				
Loans from financial institutions	1,261	2,218	1,261	2,102
Amount of mortgages	1,850	3,134	1,850	3,027
For other own commitments	147	21		
For commitments of Group companies	1,650		1,650	

20. Contingent liabilities				
Leasing commitments				
Current portion	62	77	6	
Long-term portion	88	70	7	
Other commitments		17		17

21. Shares		
Subsidiaries	Country	Percentage held
Ahltronix Oy	Finland	100
Ahltronix Varkaus Oy	Finland	100
Ahltronix Rauma Oy	Finland	100
Ahltronix Eesti As	Estonia	100
Finesat Oy	Finland	100
Karhula Osakeyhtiö	Finland	100
Paul Lippke Handels-GmbH	Germany	100
Associated companies		
Å&R Carton AB	Sweden	44.9
NK-Holding Oy Ab	Finland	26.2
Oy Kvantett-Invest Ab	Finland	45
Rauman MO-Kiinteistö Oy	Finland	47

Other significant shareholdings

Vacon Plc
 Holding 2,377,996 shares, ownership 15.1%
 Book value TEUR 19,646, market value TEUR 22,422 at 31 Dec. 2003

OPALS MSCI World
 Holding 15,586 shares
 Book value TEUR 7,985, market value TEUR 5,560 at 31 Dec. 2003

OPALS MSCI Europe
 Holding 6,138 shares
 Book value TEUR 2,000, market value TEUR 1,778 at 31 Dec. 2003



Income Statement, Statement of Cash Flows, Parent Company

Income Statement			
EUR 1,000	Note	1 Jan.–31 Dec. 2003	1 Jan.–31 Dec. 2002
Net Sales	1	2,989	3,282
Other operating income	2	8,057	5,218
Materials and services		-57	-72
Personnel costs	3	-1,396	-1,297
Depreciation and amortization	8	-380	-326
Other operating expense		-2,611	-1,979
Operating profit		6,602	4,826
Financing income and expense	5		
Interest and other financing income		5,043	5,066
Interest and other financing expense		-21,707	-599
		-16,664	4,466
Result before extraordinary items		-10,062	9,292
Group contribution	6	870	-260
Result before appropriations and taxes		-9,192	9,032
Change in depreciation difference		-76	-183
Income taxes	7	1,561	-1,512
Net result for the period		-7,707	7,337

Statement of Cash Flows			
EUR 1,000		1 Jan.–31 Dec. 2003	1 Jan.–31 Dec. 2002
Cash flow from operating activities			
Operating profit		6,575	4,826
Depreciation and amortization		381	326
Other adjustments		1,367	-479
Cash flow from operations before change in net working capital		8,323	4,673
Change in net working capital		148	2,693
Cash flow from operations		8,471	7,366
Interest and other financing income		1,626	3,034
Interest and other financing expense		-294	-375
Income taxes		203	82
Net cash flow from operating activities		10,006	10,107
Cash flow from investing activities			
Capital expenditure		-1,045	-547
Other investments		-4,188	-27,250
Proceeds from sales of non-current assets		449	1,811
Dividends received		1,987	1,492
Change in other receivables and notes receivable		-9,465	-1,759
Net cash flow from investing activities		-12,262	-26,253
Cash flow from financing activities			
Change in financial investments		3,199	13,560
Change in long-term liabilities		-841	-841
Change in short-term debt		1,465	3,431
Dividends paid		-1,272	-1,272
Group contribution		-260	0
Net cash flow from financing activities		2,291	14,878
Change in cash and bank		35	-1,268
Cash and bank at beginning of period		450	1,718
Cash and bank at end of period		485	450



Balance Sheet, Parent Company

Balance Sheet

EUR 1,000	Note	31 Dec. 2003	31 Dec. 2002
ASSETS			
Non-current assets			
Intangible assets	8		
Intangible rights		15	25
		15	25
Tangible assets	8		
Land and water areas		41,628	47,035
Buildings and constructions		8,135	8,436
Machinery and equipment		571	646
Other tangible assets		14	16
Advances paid and construction in progress		964	0
		51,312	56,133
Investments	9		
Shares in Group companies		16,328	16,336
Shares in associated companies		10,708	24,744
Receivables from Group companies	17	4,300	0
Receivables from associated companies	18	36,220	24,022
Other shares		30,275	26,964
		97,831	92,066
Current assets			
Receivables			
Long-term			
Receivables from associated companies	18	0	4,829
Other receivables		2,000	0
Deferred tax assets	15	0	110
		2,000	4,939
Short-term			
Accounts receivable		158	69
Receivables from Group companies	17	1,169	11,885
Receivables from associated companies	18	1,181	0
Other receivables		29	0
Prepaid expenses and accrued income	10	465	396
		3,002	12,350
Financial investments		34,531	37,730
Cash and bank balances		485	450
TOTAL ASSETS		189,176	203,693

EUR 1,000	Note	31 Dec. 2003	31 Dec. 2002
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	11	36,348	36,348
Capital in excess of par value		12,518	12,518
Retained earnings		128,697	134,279
Net result for the period		-7,707	7,337
		169,856	190,482
Accumulated appropriations			
Depreciation difference		386	309
Provisions	14	1,747	378
Liabilities			
Long-term	13		
Loans from financial institutions		420	1,261
Deferred tax liabilities	15	9,894	4,777
Other long-term liabilities		0	0
Accrued expenses and deferred income	16	51	60
		10,365	6,098
Short-term			
Loans from financial institutions		841	841
Advances received		2	0
Accounts payable		86	146
Liabilities to Group companies	17	5,627	4,422
Other liabilities		36	121
Accrued expenses and deferred income	16	230	895
		6,822	6,425
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		189,176	203,693



Proposal for the Distribution of Profits

Proposal for the Distribution of Profits

According to the consolidated balance sheet as of December 31, 2003, the Group's retained earnings and net result for the accounting period are:

	EUR
Retained earnings	105,141,000
Net income for the period	2,468,000
Total	<u>107,609,000</u>
of which distributable funds	107,326,000

According to the parent company's balance sheet as at December 31, 2003, the Group's retained earnings and net result for the accounting period are:

Retained earnings	128,696,578
Net income for period	-7,707,377
Total distributable funds	<u>120,989,201</u>

The Board of Directors proposes that

a dividend of 4.00 euros per share be paid on the 363,482 outstanding shares, 1,453,928
and the remainder to be retained.

Helsinki, February 16, 2004

Morten Ahlström

Thomas Ahlström

Karl Grotenfelt

Johannes Gullichsen

Jouko Oksanen

Jan Inbarr
President and CEO



To the Shareholders of Ahlström Capital Oy

We have audited the accounting, the financial statements and the administration of Ahlström Capital Oy for the year ended 31 December 2003. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets, cash flow statements and notes to the financial statements, have been prepared by the Board of Directors and the President and CEO. Based on our audit we express an opinion on these financial statements and on administration.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of administration is to examine that the Board of Directors and the President and CEO have complied with the rules of the Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations, as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the President and CEO of the parent company can be discharged from liability for the period audited by us. The proposal made by the Board of Directors on how to deal with the profit is in compliance with the Companies Act.

Helsinki, February 20, 2004
KPMG WIDERI OY AB

Sixten Nyman
Authorized Public Accountant



Key Figures

Key figures

	1 Jan.–31 Dec. 2003	1 Jan.–31 Dec. 2002	1 Jan.–31 Dec. 2001*	1 July–31 Dec. 2001
Net sales, MEUR	38.2	38.7	40.1	19.3
Other income from operations, MEUR	8.2	5.3	3.4	2.9
Operating profit, MEUR	8.7	6.5	5.3	1.9
Share of associated companies' losses	-10.1	-3.1	-8.7	-5.6

* Pro forma

Key figures	31 Dec. 2003	31 Dec. 2002	31 Dec. 2001	1 July 2001
Equity ratio	88%	92%	86%	90%
Gearing	-21%	-23%	-30%	-28%
Equity/share, EUR	430.51	463.40	466.53	478.25
Net asset value/share, EUR	430.76	430.68	445.49	457.25
Equity/share, EUR, adjusted**	437.51	445.90	445.53	457.25
Net asset value/share, EUR, adjusted**	437.76	434.18	445.49	457.25
Net result of the period/share EUR***	6.79	12.93	-6.96	
Dividend/share, EUR	4.00 ****	3.50	3.50	

** adjusted with dividends paid and deferred tax for Eteläesplanadi

*** incl. gains on sale of forest land

**** proposal by the Board of Directors

Return on investment in 2003 according to business sector

	MEUR
Å&R Carton	-7.9
Nordkalk	2.7
Ahltronix	0.7
Forestry	0.3
Real estate	1.8
Money market instruments	1.1
Vacon shares	6.0
OPALS securities	0.7
Other	-2.0
Ahlström Capital, total	3.4

Reconciliation with the consolidated financial statements:

Result before extraordinary items	1.4
+ interest and other financial expenses	0.4
- extraordinary expenses	-0.3
- gains on sale	-8.2
Result in the financial statements before gains on sale, interest expenses, appropriations and taxes	-6.6

Calculatory items:

Deferred tax asset	3.9
Change in market value of Vacon shares	5.5
Change in market value of OPALS securities	0.6
Calculatory items, total	10.0

Ahlström Capital, total	3.4
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Formulas for Key Figures

Formulas for Key Figures

$$\text{Equity ratio} = \frac{\text{Shareholders' equity} + \text{Minority interest}}{\text{Balance sheet total} - \text{Advances received}} \times 100$$

$$\text{Gearing ratio} = \frac{\text{Interest-bearing debts} - \text{Securities included in financial assets} - \text{Cash and bank}}{\text{Shareholders' equity} + \text{Minority interest}} \times 100$$

$$\text{Earnings per share} = \frac{\text{Profit before extraordinary items and taxes} - \text{Taxes on regular operations} \pm \text{Minority interest}}{\text{Number of shares on average for accounting period}}$$

$$\text{Equity per share} = \frac{\text{Shareholders' equity}}{\text{Number of shares at the end of fiscal year}}$$



Governance Principles

The corporate governance of Ahlström Capital complies with high standards. It is based on the Finnish Companies Act, the company's articles of association and, where applicable, on the recommendations on corporate governance in listed companies issued by HEX, the Finnish Central Chamber of Commerce and the Confederation of Finnish Industry and Employers, entering into force on July 1, 2004.

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

The company provides on a regular basis information to shareholders, employees and the public.

The responsibilities and working methods of the Board of Directors and the management as well as the company's reporting practices are defined and documented in the Rules of Procedure of the Board of Directors.

General Meeting of Shareholders

Responsibility for the administration and operations of Ahlström Capital is held by the General Meeting of Shareholders, the Board of Directors, and the President. The highest authority in Ahlström Capital is exercised by the shareholders at the General Meeting of Shareholders. The Annual General Meeting decides on the number of members on the Board of Directors and elects the members to the Board. In addition to this, the General Meeting of Shareholders has exclusive authority over matters including amending the company's articles of association, adopting the financial statements, deciding on the distribution of profits, and electing auditors.

The Annual General Meeting was held in Helsinki on March 28, 2003, in addition to which two extraordinary general meetings were held. At the Extraordinary General Meeting of April 25, D.Sc. (Econ.) h.c. Eric Haglund was elected to be the appraiser referred to in art. 6 par. 4 of the articles of association. An Extraordinary General Meeting was convened to November 11 to handle payment of an extra dividend and raising of a capital loan. However, the proposal of the Board was withdrawn before the meeting.

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 (Board) for a term of one year at a time. The Board chooses a chairman from among its members.

Ahlström Capital Oy's Board represents the owners of the company. The duties and responsibilities of the Board are based on the Finnish Companies Act and other applicable legislation, as well as on the articles of association and the Rules of



Morten Ahlström

*born 1943, M.Sc. (Econ.)
Chairman of the Board of Directors
Chairman of the Board of Directors,
Lexel A/S*



Thomas Ahlström

*born 1958, M.Sc. (Econ.)
Managing Director,
SEB Merchant Banking
Helsinki*



Karl Grotenfelt

*born 1944, LL.M.
Chairman of the
Board of Directors,
Famigro Oy*



Johannes Gullichsen

born 1964, B.Sc. (Eng.)



Jouko Oksanen

*born 1951, M.Sc. (Econ.)
Director,
Varma Mutual Pension
Insurance Company*

Procedure adopted by the Board. The Board has general jurisdiction in all company affairs that are not specified by law or the articles of association to be decided or implemented by other bodies.

The Board confirms the company's general targets and strategy and approves its annual plans. The Board decides on direct investments and divestments. The Board also defines the guidelines and principles of other investments.

The Board had 12 meetings during the year.



Jan Inborr
born 1948, B.Sc. (Econ.)
President and CEO



Kari Cederberg
born 1947, B.Sc. (Econ.)
Financial Director



Kai Becker
born 1970, M.Sc. (Econ.)
Investment Director



Henrik Mikander
born 1949, MBA
Investment Director



Johan Borgström
born 1948, LL.M.
General Counsel



Leena Savolainen
born 1948, BA
Executive Assistant



Sebastian Burmeister
born 1975, M.Sc. (Econ.)
Investment Manager



Helena Staffans
born 1956, B.Sc. (commerce
and languages)
Executive Assistant to CEO

The President

Ahlström Capital's President is appointed by the Board. The President plans and manages the company's business operations and bears responsibility for the company's operative administration in compliance with the directions and decisions of the Board. He supervises and manages the analysis and appraisal of prospective investments, and the development and divestiture of holdings.

Jan Inborr has served as the company's President since its incorporation on 30 June 2001.

In his duties the President is supported by a team of seven professionals. They assist the President, monitor and develop actively the operations of the company in accordance with the objectives set, handle reporting and prepare decisions on investments for discussion by the Board.

Salaries and Remuneration

The General Meeting of Shareholders confirms the remuneration of the members of the Board annually in advance. The Board confirms the President's salary and benefits and it also decides on the salaries and benefits for the other senior management.

Supervision

Ahlström Capital's auditor is the auditing firm KPMG Wideri 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. The auditors also report on their observations to the company's Board.



Shares and Shareholders

Shares and Share Capital

Ahlström Capital Oy's minimum share capital is EUR 9,090,000 and its maximum share capital is EUR 36,348,200, within which limits the share capital may be raised or lowered without amending the articles of association. The company's registered share capital on 31 December 2003 was EUR 36,348,200, divided into 363,482 shares with a par value of EUR 100 each.

Ahlström Capital has two series of shares. Series A and B shares each entitle the holder to one vote at general meetings of shareholders. At the end of 2003, the company's entire issued stock, comprising 363,482 shares, were series A shares.

A share of series A may, according to the articles of association, upon request by the shareholder be converted into a series B share in compliance with a specified procedure during the period 1 February–30 June 2004. The number of series B shares may not exceed 181,741. The company is entitled and obliged to redeem all the series B shares following the procedure specified in the articles of association, by lowering the share capital.

The procedure to convert and redeem shares has been commenced. The Board of Directors has decided that conversion demands, if any, shall be presented to the company no later than on April 16, 2004, 4.30 p.m. The converted B shares are redeemed and the redemption is registered in April–May. The shareholders have been informed of the details of the conversion and redemption procedure by letter.

The articles of association include a redemption clause as referred to in chapter 3 section 3 of the Companies Act.

Shareholdings

At the end of 2003, Ahlström Capital Oy had 249 shareholders.

Major shareholders on December 31, 2003

	Number of shares	Percentage of shares
Antti Ahlströmin Perilliset Oy	32,940	9.1
Varma Mutual Pension Insurance Company	14,075	3.9
Mona Huber	10,799	3.0
Jacqueline Tracewski	10,076	2.8
Krister Ahlström	9,415	2.6
Kaj Nahi	7,191	2.0
Irma Bojesen estate	7,056	1.9
Niklas Lund	6,953	1.9
Börje Ahlström estate	6,893	1.9
Kim Kylmä	6,630	1.8
Others	251,519	69.1
Total	363,482	100.0

Shareholders by group on December 31, 2003

	Number of shares	Percentage of shares
Companies	35,823	9.9
Financial and insurance institutions	3,750	1.0
Public corporations	14,075	3.9
Finnish households	242,999	66.8
Foreign households	61,306	16.9
Others	5,529	1.5
Total	363,482	100.0

Distribution of shareholdings on December 31, 2003

Number of shares	Number of owners	Percentage of owners	Number of shares and votes	Percentage of shares	Number of average ownership
1–100	89	35.7	2,474	0.7	28
101–500	45	18.1	10,640	2.9	236
501–1,000	20	8.0	15,931	4.4	797
1,001–2,500	48	19.3	69,796	19.2	1,454
2,501–5,000	27	10.9	95,891	26.4	3,552
over 5,000	20	8.0	168,750	46.4	8,438
	249	100.0	363,482	100.0	1,460

Shareholding by the Board of Directors

On December 31, 2003 the members of the Board of Directors held 7,621 shares in Ahlström Capital Oy, representing 2.1% of the voting rights and shares.



Information for Shareholders

Annual General Meeting

Ahlström Capital Oy's Annual General Meeting will be held in Helsinki, Eteläesplanadi 14, on Thursday, June 3, 2004, at 5 p.m.

The Notice convening the Annual General Meeting will be published in the Official Gazette No. 56/May 14, 2004.

Financial Information

Ahlström Capital's annual report for 2003 is published in English, Swedish and Finnish.

In 2004 the company will issue a financial review to its shareholders for the period January 1–June 30.

The company's annual report for 2004 is estimated to be completed in March 2005.

The annual report is available on the Internet at 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 materially differ from those expressed in such expectations and statements.



AHLSTRÖM CAPITAL

Ahlström Capital Oy
P.O.Box 329, Eteläesplanadi 14
FI-00101 Helsinki, Finland
Tel. +358 10 888 18
Fax +35810 888 4769
www.ahlstromcapital.com