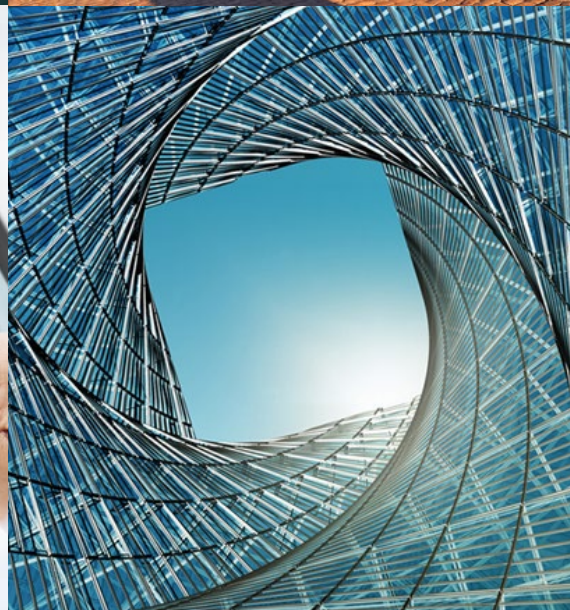
Annual Report 2020

AHLSTRÖM CAPITAL







Ahlström COLLECTIVE IMPACT for unicef

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Ahlström Capital in brief

Ahlström Capital is a family-owned company that focuses its investment activity on industrial companies, real estate and forest. We are one of the largest and most significant investment companies in Finland with a long history of 170 years.

Ahlström Capital creates long-term shareholder value by actively developing its portfolio. Our industrial investments include substantial holdings in the listed companies Ahlstrom-Munksjö Oyj, Detection Technology Plc, Glaston Corporation and Suominen Corporation. In addition, the portfolio includes privately held companies Destia Group Plc and Enics AG, as well as an investment in the AC Cleantech Growth Fund I. Ahlström Capital's real estate and forest holdings are managed by its fully owned subsidiary A. Ahlström Real Estate Ltd.

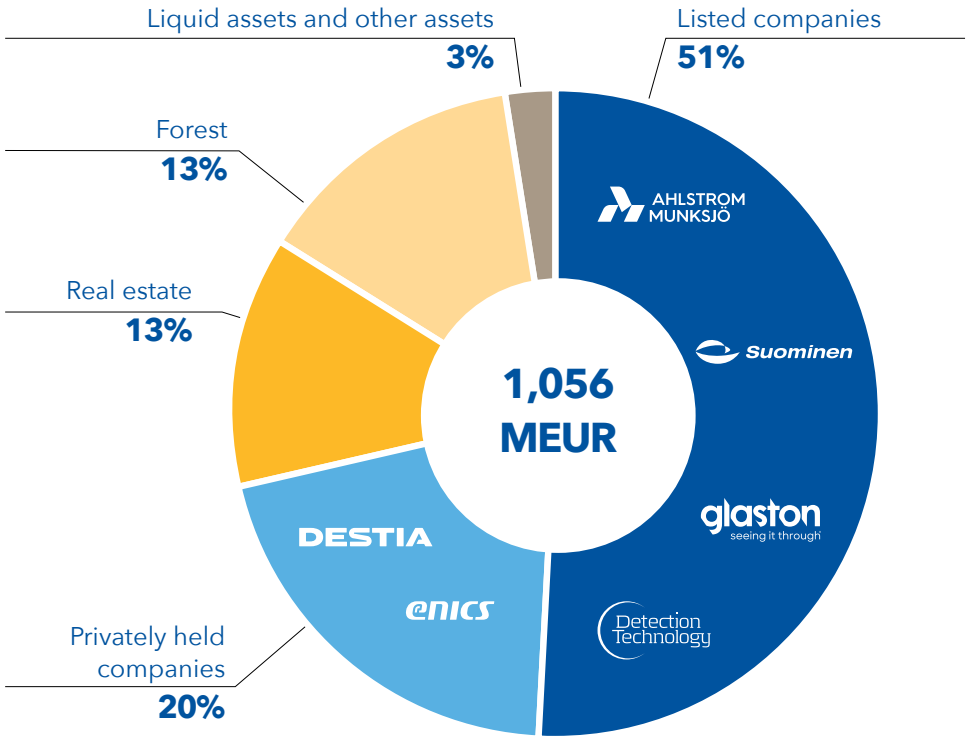
The scope of our portfolio companies

~EUR 4.5 billion
revenue of portfolio companies, total

30
operating countries

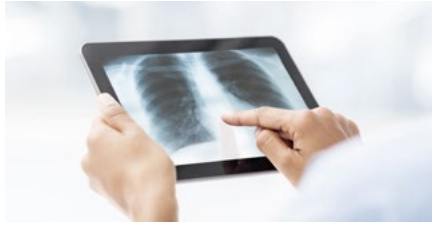
~14,600
employees in portfolio companies

External fair value (EFV); December 31, 2020



Our portfolio

Listed companies

			Revenue, MEUR	Ahlström Capital's shareholding (end of 2020)
AHLSTROM MUNKSJÖ	Ahlstrom-Munksjö is a global leader in fibre-based materials, supplying innovative and sustainable solutions to its customers. The company's mission is to expand the role of fibre-based solutions for sustainable everyday life.		2,683	18.7%
Detection Technology	Detection Technology is a global provider of X-ray detector solutions for medical, security, and industrial applications.		82	36.7%
glaston seeing it through	Glaston is the glass processing industry's innovative technology leader supplying equipment, services and solutions to the architectural, automotive, solar and appliance industries. The company also supports the development of new technologies integrating intelligence to glass.		170	26.4%
Suominen	Suominen manufactures nonwovens as roll goods for wipes and other applications. The company's vision is to be the frontrunner for nonwovens innovation and sustainability. The end products made of Suominen's nonwovens are present in people's daily life worldwide.		459	24.0%

Our portfolio

Privately held companies

		Revenue, MEUR	Ahlström Capital's shareholding (end of 2020)
DESTIA	Destia is a Finnish infrastructure and construction service company that creates tomorrow's infrastructure for its customers, society, and people in general. It creates urban construction innovations and smart infrastructure solutions that are built on a sustainable foundation.	564	100%
enics	Enics is the partner of choice for professional electronics in the fields of energy, industrial automation, transportation, building automation and instrumentation.	502	100%

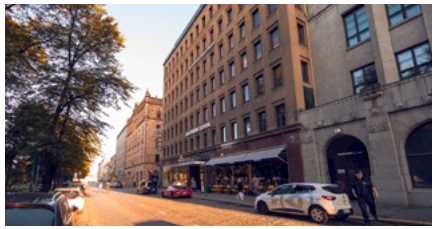

Photo: Seppo Kujanen

Real estate and forest

A.AHLSTRÖM

Real estate

Ahlström Capital's real estate portfolio includes prime location buildings in Southern Finland. Our portfolio also includes heritage assets in Noormarkku.



65,600 m²
Real estate area in total

External fair value, MEUR: **151**

Forest

Ahlström Capital's forest assets are mainly located in Western Finland in the Satakunta region, and in Central and Eastern Finland.

34,000 ha
Forests in total

External fair value, MEUR: **159**

Main events 2020

Developing Ahlstrom-Munksjö to its full potential

The strategy of Ahlström Capital is to actively develop its portfolio companies. Ahlstrom-Munksjö is the biggest asset in our portfolio with roots in the very beginning of the Ahlström industrial history. We believe in a great future for Ahlstrom-Munksjö, and see the best way to ensure that the company can develop to its full potential in a changing and competitive environment is taking it private, together with our partners. In September 2020, we announced a recommended public tender offer for all shares of Ahlstrom-Munksjö together with Bain Capital, Belgrano Inversiones and Viknum. Our partner, Bain Capital, adds valuable resources, expertise and networks for accelerating development, and we will, together with the company's management and employees, take Ahlstrom-Munksjö to the next level. The ownership of the Ahlström family and Ahlström Capital in Ahlstrom-Munksjö was consolidated through a share exchange. In a private domain, Bain Capital will become the majority owner with 55%, Ahlstrom Invest will hold 36% and Viknum 9%.

©UNICEF/UNI328444/DeJongh

Ahlström Collective Impact, a partnership with UNICEF Finland

Ahlström Collective Impact (ACI) is a responsibility initiative, that joins together the Ahlström Network companies Ahlström Capital, Ahlstrom-Munksjö, Destia and Glaston, with Eva Ahlström Foundation and Antti Ahlström Perilliset. Ahlström Collective Impact was launched in 2020 and is committed to creating change by investing in a better future for children in joint partnership with UNICEF Finland. ACI is a unique collaboration platform for our social responsibility work. By joining forces with portfolio companies, foundations and other family stakeholders within our network, we can make a greater impact.

An active deal flow in real estate investments

A new real estate development project for a logistics and operational centre for Cramo started in Vantaa. The new investment will be completed by mid-2021. We were planning also other real estate investment cases during autumn, and at the beginning of 2021 we announced a real estate development project in the city centre of Tampere and an investment for a 25% ownership in Avain Yhtiöt. This investment in Avain Yhtiöt is in the residential section and complements and diversifies our real estate portfolio.

CEO'S REVIEW

Strong performance during an exceptional year

In 2020, the Covid-19 crisis strongly impacted the global economy. Our portfolio companies were successful in mitigating the negative effects of the corona pandemic and at the same time we continued to further develop our portfolio. We decided to accelerate the development of the biggest asset, Ahlstrom-Munksjö, by a public tender offer together with key partners. In the real estate portfolio, we invested in a new project in Vantaa and authorised a few new investments at the beginning of 2021. Sustainability was in focus during the year and we began implementing a new corporate responsibility initiative together with our portfolio companies.

Developing Ahlstrom-Munksjö to its full potential

The strategy of Ahlström Capital is to actively develop its portfolio companies. To ensure that Ahlstrom-Munksjö can develop to its fullest potential in a changing competitive environment we decided to partner with Bain Capital Private Equity and develop the company in a private setting. Our new partner adds valuable resources, expertise and networks for accelerating development, and we will, together with the company's management and employees, take Ahlstrom-Munksjö to the next level. The ownership of the Ahlström family and Ahlström Capital in Ahlstrom-Munksjö was consolidated through a share exchange.

Resilient portfolio during the pandemic crisis

Our portfolio proved to be notably resilient and the financial impact of the pandemic on the Ahlström Capital portfolio was limited. The EFV development was good and the dividend adjusted EFV increased 12.5%. The increase was mainly driven by the strong share price development of Ahlstrom-Munksjö and Suominen.

Destia was awarded several big contracts such as the Kalasatama tramway alliance project, and several leading indicators related to quality, customer and employee satisfaction improved during the year. The financial performance of Destia was mixed. The maintenance business developed favourably, but the company had challenges in the road construction and earth & rock businesses.

At Enics, the "Back to Basics" program is showing good results with improvement in deliveries, quality and inventories. However, the electronic components market was strongly hit by Covid-19 and the company implemented longer-term cost mitigation actions during the year. At the same time, Enics is preparing for new business and will open a new factory in Malaysia in 2021.

The deal flow in the real estate business was active during 2020. A new real estate development project for a logistics and operational

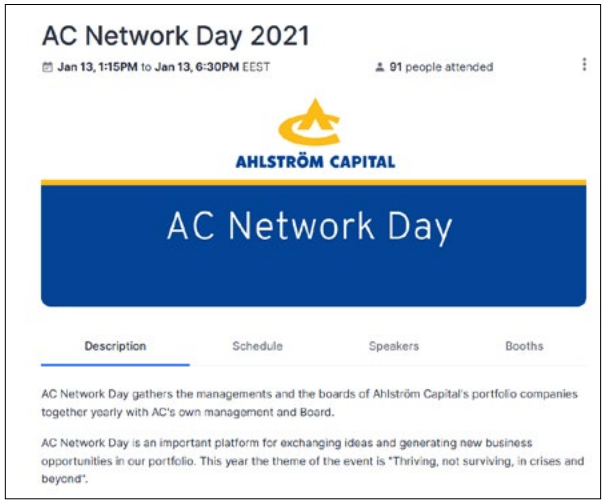
centre for Cramo started in Vantaa. After starting the processes for new investments in 2020, we announced a new office development project in Tampere and an investment in Avain Yhtiöt at the beginning of 2021. We continued to invest in the forest sector according to our long-term plan.

At Ahlstrom-Munksjö, profitability improved despite challenges caused by the Covid-19 pandemic. The company received excellent scores in its customer satisfaction survey and increased sales from new products.

At Detection Technology, the demand for medical tomography solutions was strong throughout the year, but the security market was heavily hit by the Covid-19 crisis. Several new products were launched during the year and production started at the new factory in Wuxi, China.

At Glaston, the demand for insulated glass solutions remained good, but demand in the heat treatment and automotive market was weak. Several measures were implemented during the year to adapt to market changes.

Suominen's performance was strong in 2020. The demand for wipes was strong due to the Covid-19 pandemic and Suominen increased production capacity in Italy and the US. A new strategy with updated financial and sustainability targets was launched in 2020.



AC Network Day gathers the boards and management of Ahlström Capital and its portfolio companies. In 2021, the theme of the virtual event was "Thriving, not surviving, in crises and beyond". The key note speech was held by IMD Professor Michael Wade about how to build and implement corporate hyper-resilience.

Sustainable value development

We published a Sustainability Policy to set the framework for the development of Ahlström Capital's and our portfolio companies' sustainability work. Our primary focus is on Business Ethics & Nordic Governance model, Climate & Resource Efficiency and Employee Well-being. We have implemented KPIs to measure the ESG impact in order to drive improvement in our portfolio. The progress of the sustainability work throughout the Ahlström Capital Group was also reported to the UN Global Compact in June 2020.

A corporate social responsibility initiative, Ahlström Collective Impact (ACI), to support UNICEF's work for a better future for children, was launched in 2020. ACI consists of Ahlström Capital and our portfolio companies in collaboration with Antti Ahlström Perilliset and Eva Ahlström Foundation.

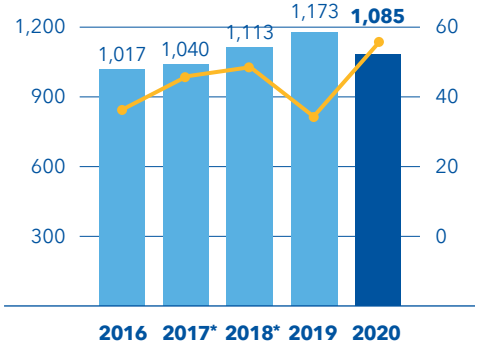
We are well positioned to improve our financial performance in 2021. I would like to thank all the employees for the hard work done and the shareholders and Board for the continued trust and support during this challenging year.

Lasse Heinonen
President and CEO

Financial performance

Our portfolio proved to be notably resilient and the financial impact of Covid-19 on the Ahlström Capital portfolio was limited. In 2020, the value growth in our portfolio was good and the dividend-adjusted increase of EFV was 12.5%. The profit development was significant, and the comparable operating profit increased to EUR 55.5 million driven by profit improvement in Ahlstrom-Munksjö, Suominen and Destia.

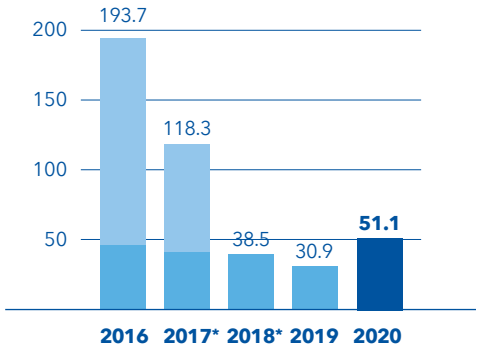
Revenue and comparable operating profit, MEUR



Revenue
Comparable operating profit

* Adjusted

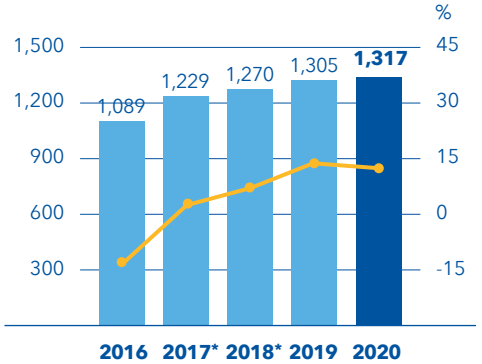
Profit for the period, MEUR



Profit for the period
Impact from divestments and Ahlstrom-Munksjö merger

* Adjusted

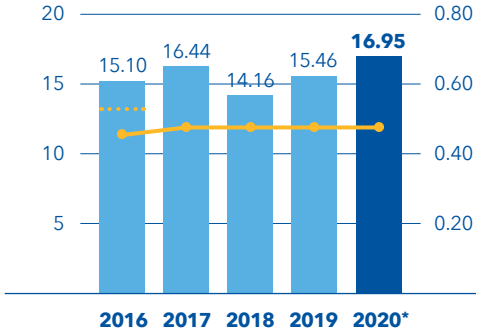
Balance sheet total, MEUR and net gearing, EFV-adjusted



Balance sheet total
Net gearing, EFV-adjusted

* Adjusted

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



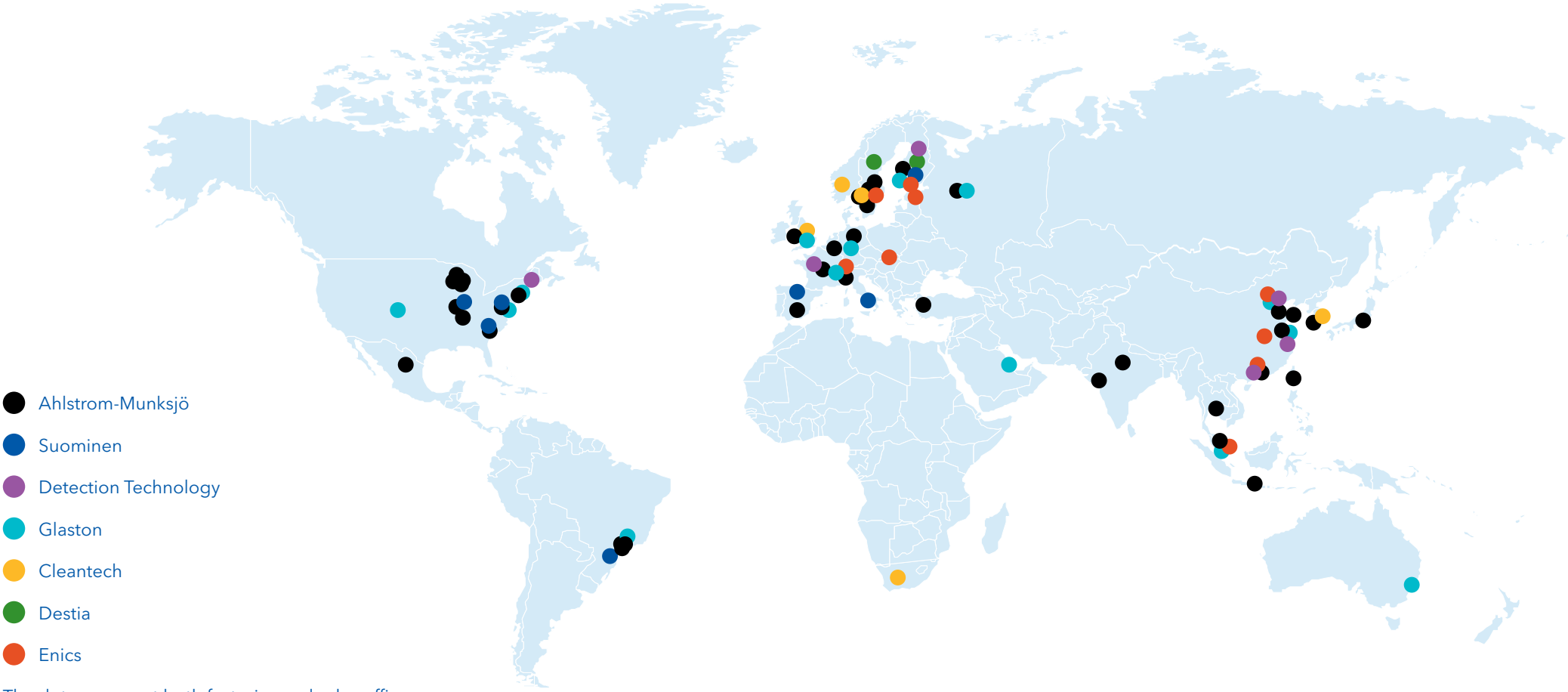
External fair value (EFV) per share
Dividend per share
Total dividend per share

* Board's dividend proposal: A Dividend of EUR 0.48 per share will be paid in two equal instalments. The first instalment of EUR 0.24 per share to be paid in April 2021 and the second instalment of EUR 0.24 per share to be paid in October 2021.

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

The global footprint of our portfolio companies

Ahlström Capital and our portfolio companies employ altogether 14,600 persons and operate on every continent and in 30 different countries.



The dots represent both factories and sales offices.

Ahlström Capital strategy

Way of working

- Asset-specific value creation plans as the basis of our efforts
- Constructive partner for portfolio company management
- Effective use of "AC network"
- Proactive proprietary deal generation

Industrial holdings

FOCUS: Lead investor position in Nordic companies with international presence or potential

- Listed and privately held
- Attractive business characteristics
- Organisation aiming to get to the next level
- Opportunity to have an impact through active ownership

MISSION

A better world for future generations through sustainable value creation

VALUES

Ambition and Responsibility

Real estate

FOCUS: Prime location buildings in southern Finland

- Core: Office buildings in Greater Helsinki
- Flexible: Various types of commercial buildings also in Tampere and Turku

Forests

FOCUS: Forests in Finland

Financial targets

- Annual EFV growth 6 – 10% and an increasing base dividend
- Steady and sustainable improvement in portfolio company performance metrics

Foundation

Reputable owner with Nordic governance approach

Industrial traditions & experience

Family investment company and custodian of family heritage assets

People make the difference

AHLSTRÖM CAPITAL STRATEGY

We develop leading businesses

Ahlström Capital combines the best features of an industrial company, an investment company, and a family-owned company. We invest assets that the Ahlström family has accumulated for 170 years. We hold significant financial resources as one of the largest investment companies in Finland. Our mission is to create a better world for future generations through sustainable value creation. The values of the Ahlström family – ambition and responsibility – guide all our operations. We have a long history, and we want to continue that legacy and increase the company's value for future generations.

What do we look for in industrial holdings?

When screening for new holdings, we focus on selective deal and business characteristics and always want to be able to have an impact on the development of the possible portfolio company. We typically invest EUR 50–150 million and look for lead investor positions. We invest in both listed and privately held companies and prefer companies with Nordic origins. While we do not have strict sector limitations, we are most familiar with industrial companies with a Fibre and Industrial technologies background.

The target company should operate in a healthy megatrend-driven market, have a sustainable value creation model and a favourable value chain position. Relatively low cyclicality is a plus. We look for companies with a proven competitive edge, evidenced by market share gains and solid profitability. The companies should also have identified growth potential in area(s) where they have the right to win.

What do we look for in real estate holdings?

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

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

How we think about value creation?

At Ahlström Capital, we always make a comprehensive analysis of the company during the investment process. It is important to have a thorough understanding of the company's markets, competitive strength, and leadership & organisation, as well as historic performance vs. peers, current momentum, and possible limitations to value maximisation. This sets the baseline for all value creation initiatives.

During Ahlström Capital's ownership, we support our portfolio companies' development mainly via active board work and support to management. Key value drivers include operational & commercial excellence programs, human capital development and ESG (environmental, social and governance) development. The main responsibility of these is with the portfolio company management and board. Also, mergers and acquisitions, divestments, and transformational investments to improve business profile are an integral part of our tool kit. In the value creation processes we also want to align interests towards a targeted end state. However, reaching the set goals does not necessarily mean an end to our ownership, as we have flexible ownership periods for our assets and are not obliged to exit within a predefined timeframe.

AHLSTROM-MUNKSJÖ

Developing Ahlstrom-Munksjö to its full potential

In 2020, Ahlstrom-Munksjö's net sales decreased by 8.0% to EUR 2,683.3 million (2,915.3). At constant currency rates, the decrease was 5.3%, driven mainly by lower selling prices and a more adverse product mix. Customer activity improved gradually during the second half of the year as countries and markets adapted to the disruption caused by the pandemic. New restrictions resulting from the pandemic no longer affected demand in the last quarter of the year.

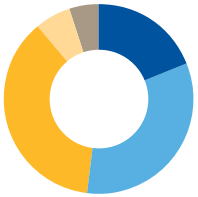
Comparable EBITDA increased to EUR 334.2 million (312.9), representing 12.5% of net sales (10.7). Lower variable costs more than offset the negative impact of lower selling prices. Variable costs were reduced due to both lower raw material prices and cost-saving measures. The net result was EUR 94.5 million (32.8).

The company's profitability improvement was supported by lower costs, partly driven by its own measures. Ahlstrom-Munksjö also made good progress in innovation as sales generated from new products increased to 12%, nearing the company's long-term target of 15%.

In 2020, Ahlstrom-Munksjö received a very positive Employee Engagement Index of 80 in its employee survey. The company also achieved a world-class rating for a manufacturer in business-to-business Net Promoter Score in an external business survey. The results indicate that Ahlstrom-Munksjö outperforms the competition particularly in personal contact and technical service as well as in innovation and sustainability.

In March 2020, Ahlstrom-Munksjö completed the sale of the fine art paper business ARCHES® to the Italian based F.I.L.A. Group for a debt and cash free price of EUR 43.6 million. Ahlstrom-Munksjö has been exploring to partner with a Chinese decor paper supplier and in late 2019 signed a non-binding letter of intent to acquire Hebei Minglian New Materials

Ownership, % December 31, 2020



- Ahlström Capital **19%**
- Finnish private investors **33%**
- Foreign holders **37%**
- Public sector institutions **6%**
- Others **5%**

AHLSTROM MUNKSJÖ

FOUNDED: Ahlstrom 1851 (by Antti Ahlström), Munksjö 1862

DOMICILE: Helsinki, Finland

INDUSTRY: Fibre-based solutions

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

PRODUCTS: Filter materials, release liners, food and beverage processing materials, decor papers, abrasive and tape backings, electrotechnical paper, glass fibre materials, medical fibre materials, diagnostics and energy storage solutions, as well as a range of specialty papers for industrial and consumer end-uses

IN AHLSTRÖM CAPITAL'S PORTFOLIO: Since 2014

The development of the company will continue under private ownership.

Technology Co., Ltd as part of this process. The disruption caused by Covid-19 is delaying the negotiation and the signing of the transaction is expected during the first half of 2021.

Strong demand for healthcare products

The ongoing pandemic has created an exceptional situation globally and a strong demand for healthcare goods in general, and particularly for protective medical products made from Ahlstrom-Munksjö's fabric. Thanks to the company's in-depth knowledge of filtration materials and common manufacturing platform, Ahlstrom-Munksjö was able to respond swiftly to growing demand by expanding the manufacture of face mask fabrics to lines normally used for producing other fibre-based materials. As of the second quarter of 2020, the company's offering includes a full range of protective face mask fabrics for civil, surgical and respiratory masks.

Public tender offer of all Ahlstrom-Munksjö shares

On September 24, 2020, a consortium consisting of Ahlström Capital, funds managed or advised by Bain Capital as well as Viknum and Belgrano Inversiones announced a public recommended cash tender offer for all shares in Ahlstrom-Munksjö. On February 9, 2021, it was announced that the consortium's holdings will exceed 90% and that it intends to initiate compulsory redemption proceedings and apply for the shares to be delisted.

The consortium believes that under private ownership Ahlstrom-Munksjö will be best placed to fulfil its potential due to its diversified product portfolio, substantial technical know-how as well as its leading positions in attractive niches. The consortium recognises that the sector is becoming increasingly competitive.

The consortium intends to invest significant time, resources and capital to support the company's strategy for long-term profitable growth, to maintain and further strengthen the company's existing market positions in its core areas, as well as to invest in new business opportunities. Under private ownership, the company would be ideally positioned to invest further and faster in initiatives to support organic growth as well as benefitting from additional expansionary capital expenditures and acquisitions to strengthen selected areas of the portfolio.

New sustainable products

Ahlstrom-Munksjö was awarded the EcoVadis Gold rating for the company's sustainability management and performance for the fourth consecutive year in June 2020.

As part of the company's continued focus on global sustainability leadership, Ahlstrom-Munksjö initiated its 'from Plastic to Purpose' campaign, and first highlighted its new brand of CelluSnack™ packaging papers. The campaign aims at raising awareness around the world regarding the possibility of fibre-based solutions as a renewable packaging option. New products were launched also in the Filtration and Performance business area, as FortiCell®, a new range of fibre-based solutions for energy storage applications was launched. Fibre-based materials play an essential role in the performance and development of advanced energy storage technologies. Materials are mainly used as separators in energy storage applications such as batteries. In the Advanced Solutions business area, Trustshield™ Biological, a personal protective apparel medical fabric designed to shield against hazardous pathogens, was launched during the year.

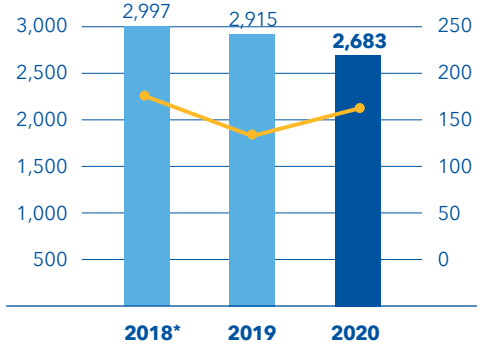
Outlook for Q1/2021

Ahlstrom-Munksjö expects demand for its products to remain at the current level.

www.ahlstrom-munksjo.com

Revenue and Comparable Operating Profit, MEUR

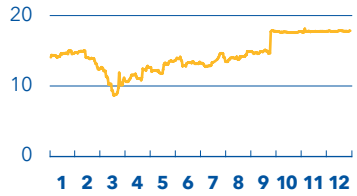
(continuing operations)



Revenue
Comparable operating profit

* Pro forma

Share price in 2020, EUR



Market capitalisation (31.12.2020)

2,081.3 meur

Personnel in 2020

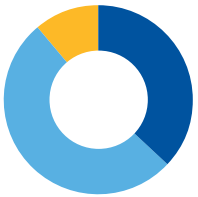
7,814

DETECTION TECHNOLOGY

Headwind in security and growth in medical

In 2020, Detection Technology's (DT) sales decreased significantly in security applications but were partly compensated by growth in the medical and industrial segments and ended up in EUR 81.6 million (102.5). Due to the Covid-19 pandemic, the demand increased in medical CT (computed tomography) applications and net sales totalled EUR 39.3 million (33.6). The substantial decline in air transport, restrictions on mass gatherings and uncertainty in the global economy stagnated the security market and net sales of Security Business Unit (SBU) decreased to EUR 42.3 million (68.9).

Ownership, % December 31, 2020



- Ahlström Capital **37%**
- Finnish investors **52%**
- Foreign holders (nominee registered) **11%**

The distribution of net sales between business units became more equal, with SBU at 52% compared to MBU's 48%. There were no significant changes in the geographical distribution of the company's sales: Asia was still by far the largest market. DT's research and development costs were 12.0% (10.4) of net sales.

Supported by cost-saving actions and lower employer contribution costs DT achieved a double-digit profit margin, and operating profit excluding non-recurring items in 2020 was EUR 8.9 million (17.7), 10.9% (17.3) of net sales. The profit for the period in 2020 was EUR 6.7 million (12.5).

Strategy implementation

DT continued developing its business on several fronts in line with the DT-2025 strategy in order to secure its competitiveness. In 2020, the number of active customers increased by 20%, and totalled 330 at the end of the year. DT acquired new customers in all businesses. Net growth was strongest in the industrial sector, which holds plenty of potential, although it is more fragmented than the security and medical markets dominated by larger-scale operators. DT also won product development

Detection Technology

FOUNDED: 1991

DOMICILE: Oulu, Finland

INDUSTRY: X-ray imaging solutions

OPERATING COUNTRIES: Finland, France, China and USA

PRODUCTS: X-ray imaging solutions for medical, security and industrial applications and solutions from photodiodes to optimized detector subsystems with ASICs, electronics, mechanics, software and algorithms

IN AHLSTRÖM CAPITAL'S PORTFOLIO: Since 2017

Strengthening the competitive position in all businesses.

projects that are important for its competitive position. The company was awarded security and medical CT projects that are important in terms of both strategy and sales, and DT also offered solutions for more demanding imaging needs in the industrial segment.

The year also saw a high number of product launches. DT launched new products in all its target markets. DT was the first in the field to introduce a standard CT detector product family – Aurora CT – for demanding security and industrial imaging systems. Another important event in terms of strategy and sales was the expansion of the X-Panel product family to cover surgical and industrial imaging needs. In addition, DT made progress in the commercialisation of multi-energy (ME) technology and introduced the X-Scan ME product family for demanding industrial environments. At the beginning of the year DT also started production at the new site in Wuxi, China.

DT's Beijing subsidiary was granted the High and New Technology (HNTE) classification. The HNTE status will significantly reduce the subsidiary's corporate income tax rate and offers a number of other benefits related to local innovation and the company's brand value.

DT also seeks to boost its growth by introducing a new organisational structure. DT split SBU into two separate business units at the end of the financial year. The renewed SBU focuses on security application sales and the Industrial Solutions Business Unit (IBU) champions the industrial segment. In this way, DT will be able to improve the scouting of market signals and build a more target market-oriented offering. DT's objective is to complement its industrial portfolio with higher-end detector solutions in which software and algorithms play a more significant role. The X-Scan ME series based on multi-energy technology serves as a good example: it received an enthusiastic welcome in the markets. In line with DT's "Beyond hardware" principle, the company is looking for opportunities to commercialise not only hardware but software and services, too.

Sustainability agenda and development targets

During 2020, DT continued to implement their Code of Conduct, to work on their sustainability agenda, and to develop the business model on the basis of the guidelines of the Responsible Business Alliance (RBA). The RBA Code of Conduct is a set of social, environmental and ethical industry standards that comply with international laws and practices. DT defined sustainability themes and targets in line with their Code of Conduct. The quality, environmental, business ethics, labour, and health and safety policies comprise the company's Code of Conduct. DT also received recognition from their customers related to reliable delivery of critical products under the state of emergency and their sustainable operations. The local government in China recognised the support during the Covid-19 pandemic.

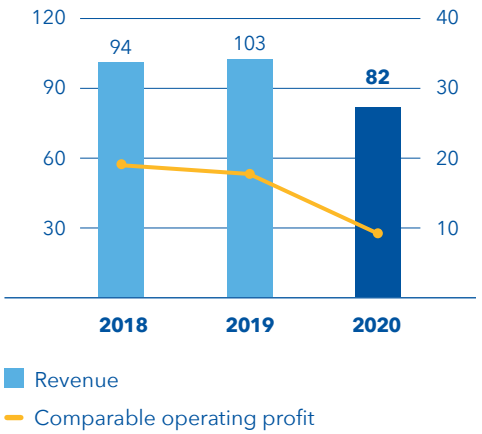
Outlook

DT expects growth in IBU sales and double-digit growth in MBU sales in H1 of 2021. Demand in the security market is expected to head for growth in Q2 of 2021 at the earliest. SBU sales will decrease in Q1 year-on-year, but will start to grow in Q2, although demand is still subject to uncertainty. Total net sales is expected to decrease in Q1 and grow in H1 of 2021.

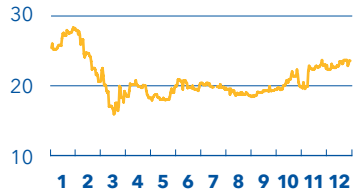
The Covid-19 pandemic creates extraordinary uncertainty for the global economy and the company's business, and the predictability of the company's target markets is still lower than usual. Detection Technology aims to increase sales by at least 10% per annum and to achieve an operating margin at or above 15% in the medium term.

www.deetee.com

Revenue and Comparable Operating Profit, MEUR



Share price in 2020, EUR



Market capitalisation (31.12.2020)

343.6 meur

Personnel in 2020

444

GLASTON

Insulating glass business driving growth during a challenging year

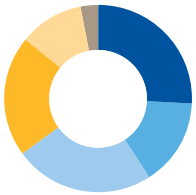
Glaston Group's orders received in 2020 totalled EUR 153.5 (pro forma 184.6) million. The demand for heat treatment equipment in particular increased towards the end of 2020, resulting in a higher-than-expected order intake in Q4. Recovery was also noted in the Automotive market. The insulating glass business continued to experience high demand driven by the necessity to improve the energy efficiency of buildings.

Glaston Group's net sales in 2020 totalled EUR 170.1 (pro forma 204.6) million. The Heat Treatment segment decreased and was 36% of net sales while the Insulating Glass segment clearly grew and was 48% of net sales. Net sales from the Automotive & Emerging Technologies segment decreased. The EMEA region developed positively whereas the Americas and Asia-Pacific declined in 2020.

Glaston Group's 2020 comparable EBITA amounted to EUR 7.7 (pro forma 12.1) million, i.e. 4.6% (pro forma 5.9) of net sales. The result for the review period was EUR -5.5 (pro forma 3.1) million.

Profitability in 2020 was impacted by low sales volumes in both Heat Treatment and Automotive equipment but considering the prevailing circumstances during the year, was at a satisfactory level. Glaston's prompt actions to adapt its operations to market demand significantly impacted the outcome. The realised synergy savings also played a clear role in the fixed cost reduction.

Ownership, % December 31, 2020



- Ahlström Capital **26%**
- Public sector institutions **15%**
- Finnish private investors **24%**
- Corporations **21%**
- Financial and insurance companies **11%**
- Others **3%**

glaston
seeing it through

FOUNDED: 1970 (Tamglass)

DOMICILE: Helsinki, Finland

INDUSTRY: Glass processing

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

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

IN AHLSTRÖM CAPITAL'S PORTFOLIO: Since 2017

Demand for more energy-efficient glass solutions is growing.

Covid-19 had a significant impact on Glaston

The economic crisis caused by the Covid-19 pandemic has had a significant impact on the business volume of Glaston. Mitigation of the Covid-19 pandemic-related near-term business disruptions has been a key priority throughout the year and Glaston has taken prompt action to safeguard the health and safety of its employees and also safeguard the company's financial stability. Because of all the preventive measures that were already introduced at an early stage, Glaston has been able to maintain all production operations throughout the pandemic.

Key management changes

A new Chairman of the Board of Directors, Veli-Matti Reinikkala, was elected in December 2020 and started in the position as of January 1, 2021. Anders Dahlblom, a new CEO started at Glaston as of January 1, 2021. The new CEO's first priority for 2021 is to review Glaston's long-term strategy and create a winning plan with customers, engaged employees and enhance shareholder value creation. Glaston will focus on realistic and carefully selected measures to successfully implement the strategy. Another key priority is focusing on how to utilise the full potential of the Bystronic integration and cover the commercial potential for both equipment and services and harmonise the ways of working globally to improve operational excellence.

Energy efficient glass solutions

As environmental awareness increases, the demand for more energy-efficient and environmentally sustainable glass solutions will continue to grow. Buildings will play a significant role in combating climate change as in the EU, for example, buildings account for 40% of total energy consumption, and 36% of carbon dioxide emissions. The greatest potential for reducing energy consumption lies in the renovation of existing buildings. According to the European Commission, 35 million buildings could be renovated by 2030. This will be a major driver for Glaston's business as double- or triple-glazed insulating glass units and coated, low-emissivity glass, both processed using Glaston's technology, are key solutions for energy-efficient window renovation.

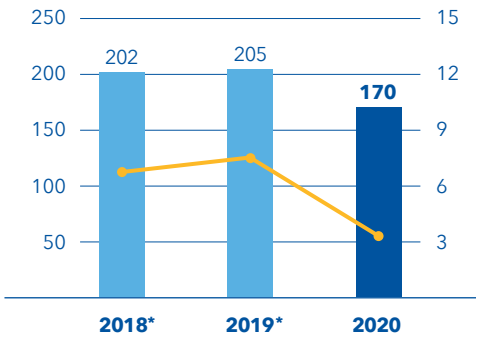
Outlook

The strong recovery in orders received towards the end of 2020 and continued positive market environment during the first weeks of 2021 indicate a positive development for both the machines and services business throughout 2021. However, reflecting the lower order intake in 2020 compared to the previous year, Glaston will start 2021 with a 20% lower order backlog than the previous year. This will impact on Glaston's net sales and comparable operating profit for the first half of 2021. The uncertainty related to the pace and extent of the market recovery continues to be higher than normal due to the Covid-19 pandemic and its implications on economic activity, investments and travel restrictions.

Based on the expected continued market recovery, Glaston Corporation estimates that its net sales and comparable EBITA will improve in 2021 from the levels reported for 2020. In 2020, Group net sales totalled EUR 170.1 million and comparable EBITA was EUR 7.7 million.

www.glaston.net

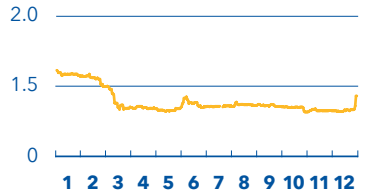
Revenue and Comparable Operating Profit, MEUR



Revenue
Comparable operating profit

* Pro forma

Share price in 2020, EUR



Market capitalisation (31.12.2020)

75.0 meur

Personnel in 2020

723

SUOMINEN

Record year

Suominen's nonwovens are, for the most part, used in daily consumer goods, such as wet wipes as well as in hygiene and medical products. In these target markets of Suominen, the general economic situation determines the development of consumer demand, even though the demand for consumer goods is not very cyclical in nature. North America and Europe are the largest market areas for Suominen.

Ownership, % December 31, 2020

- Ahlström Capital **24%**
- Public sector institutions **15%**
- Finnish private investors **17%**
- Corporations **9%**
- Financial and insurance corporations **25%**
- Others **10%**

In 2020, Suominen's net sales increased by 11.5% from the comparison period to EUR 458.9 million (411.4). Sales volumes increased with the pandemic-driven high demand for wipes, while sales prices decreased following lower raw material prices. Net sales of Americas business area were EUR 289.1 million (261.7) and net sales of Europe business area EUR 169.9 million (149.8).

Operating profit improved significantly and amounted to EUR 39.5 million (8.1) due to higher production and sales volumes, favourable raw material prices, and improved production and raw material efficiency.

The profit for the period was EUR 30.1 million (0.2). New products accounted for 25% of the net sales.

New investments

Suominen published its new strategy aiming for growth and improved profitability at the beginning of 2020. During the year, the company announced three investments supporting the new strategy, and a cooperation agreement with the Ahlstrom-Munksjö plant in Ställdalen, Sweden.

One of the investments in Italy was made in August 2020 when Suominen announced that it will increase its spunlace capacity in Europe by upgrading and restarting one of its

Suominen

FOUNDED: 1898 (J.W. Suominen Ltd)

DOMICILE: Helsinki, Finland

INDUSTRY: Manufacturing of nonwovens

OPERATING COUNTRIES: Finland, Italy, Spain, Brazil and USA

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

IN AHLSTRÖM CAPITAL'S PORTFOLIO: Since 2014

One of the cornerstones of the new strategy is sustainability.

existing production lines in Cressa, Italy. This investment, with a total value of approx. EUR 8 million, aimed to strengthen the company's capabilities in Europe and it was made in line with its strategy aiming for growth.

During Q4 2020, Suominen increased its capabilities in the Americas by upgrading one of its production lines in Bethune, South Carolina, USA. The investment widens Suominen's offering to its customers in the US in line with the Suominen strategy targeting growth and profitability. The total value of the investment is approx. EUR 6 million and the investment project will be finalised during the second half of 2021.

Progress in sustainability

One of the cornerstones of Suominen's strategy is sustainability. It published a new sustainability agenda, targets and KPIs in 2020. The agenda focuses on four themes: People and safety, Sustainable nonwovens, Low-impact manufacturing and Corporate citizenship.

Suominen has a strong focus on safety and accident prevention, and its long-term target is to have zero lost-time accidents. In 2020, Suominen had 1 (6) lost time accident. Increasing employee engagement is another of the company's key people-related targets. The company conducted a global employee engagement survey in 2020 and based on the results the employee engagement index is 69%, which is on par with global manufacturing companies. The index is a combination of questions concerning Suominen's people's retention, likelihood to recommend the company, organisational pride and commitment. The target is that the company's engagement index will be 73%.

Suominen is committed to continuously improving its production efficiency and the efficient utilisation of natural resources. Suominen's target is to reduce by 20% per ton of product by 2025 in energy consumption, greenhouse gas emissions, water consumption and also waste to landfill compared to the base year of 2019. In 2020, its energy consumption decreased by 8.0%, greenhouse gas emissions by 14.9%, water consumption by 12.2% and waste to landfill by 2.4% per ton of product compared to 2019. Suominen has concrete action plans to continue the work towards achieving the targets.

Regarding sustainable products, Suominen's target is to increase sales by 50% by 2025 and to have over 10 sustainable product launches per year. In 2020, Suominen launched nine sustainable products and the sales of sustainable product sales increased by 22.5% compared to the base year of 2019. These nonwovens are made of biodegradable, compostable and renewable plant-based fibres.

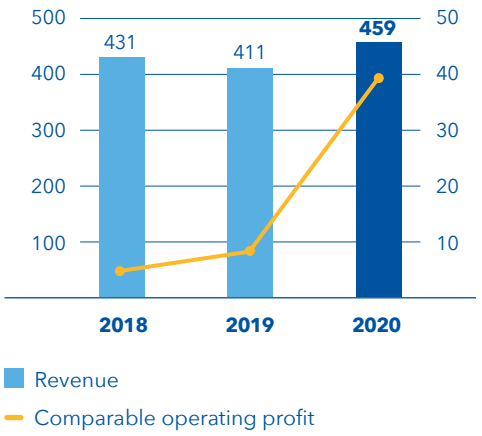
In the Corporate citizenship area, the company renewed its Code of Conduct in 2020 and training of the Code will be held for all employees during 2021.

Outlook

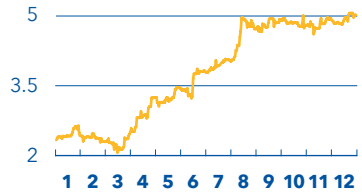
Suominen expects that its comparable EBITDA (earnings before interest, taxes, depreciation and amortisation) in 2021 will be in line with 2020. The demand for nonwovens is expected to remain strong, however the rising volatility in the raw material and transportation markets increases uncertainty and may impact the result negatively. In 2020, Suominen's comparable EBITDA was EUR 60.9 million.

www.suominen.fi

Revenue and Comparable Operating Profit, MEUR



Share price in 2020, EUR



Market capitalisation (31.12.2020)

292.4 meur

Personnel in 2020

691

DESTIA

Solid result for 2020

Destia posted a solid result in 2020, positively impacted by the success of the Maintenance Services business and strong development in the Urban Development and Design Services business. Destia's revenue remained stable, approximately at the same level as the previous year, and amounted to EUR 563.8 million (569.9). The Group's operating profit for the financial period improved to EUR 14.6 million (12.3).

The impact of the Covid-19 pandemic was felt in the infrastructure sector despite economic stimulus decisions. Due to successful preventive measures, the pandemic's direct effects on Destia's business and projects were relatively moderate.

However, the result was not achieved without challenges. Even though Destia has made progress in project management, profitability in some large projects deteriorated in 2020. In addition, the company had to adjust its operations by reducing personnel in order to ensure future competitiveness.

Seeking a broader role in the value chain

Destia's strategic goal is "Connecting northern life". Destia continued to implement its strategy to:

- ensure the competitiveness of its core business of infrastructure and the related design, construction and maintenance.
- improve the added value for its customers in design, construction and maintenance projects requiring special competences.

Destia's objective is to grow as an increasingly strong urban developer together with partners and networks. With its strategy, Destia is aiming for a broader role in the sector's value chain. This will enable the company to provide services with more added value to its customers, for example, in urban and project development and in diverse solutions for construction and maintenance.

Ownership, %
December 31, 2020

● Ahlström Capital **100%**

Photo: Lauri Hänninen

DESTIA

FOUNDED: 2008 (previously The Finnish Road Enterprise)

DOMICILE: Vantaa, Finland

INDUSTRY: Infrastructure and construction services

OPERATING COUNTRIES: Finland and Sweden, projects also in a few other countries

SERVICES: Road and railway construction, foundation and field engineering, engineering and rock construction, energy infrastructure, maintenance of road and rail infrastructure, urban development, and design services

IN AHLSTRÖM CAPITAL'S PORTFOLIO: Since 2014

Growing as an urban developer together with partners.

Destia is investigating new business opportunities in Sweden and Norway, particularly in the northern regions, although the company's progress on new international strategic initiatives moved conservatively due to factors such as hindrances related to the Covid-19 pandemic.

Order book and the most significant new orders

Winning the Kalasatama tramway alliance and progressing the Kalasatama development phase with Helsinki City Transport HKL and other alliance partners was one of the highlights of 2020. Destia's multidisciplinary competence will be fully utilised in the project over the next four years as Destia brings together its earth and rock services, railway services and design services.

Destia's order book, which is spread over several years, amounted to EUR 708.6 million (763.6) at the end of December. The order book does not yet include the Kalasatama tramline alliance project. In 2020, 13 new road maintenance contracts began in Finland, of which Destia is responsible for six. They were included in the order book during the financial period.

Some of the key contracts signed in 2020 were road maintenance contracts for the 2020–2025 period throughout Finland, the construction phase of Hämeenkyrönväylä on national road 3, construction contracts for windpark infrastructure and the raw wood railway terminal in Akaa, and the development phase of the Kalasatama tramway alliance.

Destia is a responsible corporate citizen

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

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

Destia addresses sustainability from three different aspects: environmental responsibility, social responsibility and corporate responsibility. The key performance indicators for environmental responsibility are low carbon, circular economy, and biodiversity. The key performance indicators for social responsibility include health and safety, continuous learning, and diversity. The key performance indicators for corporate responsibility are responsible delivery chain, good governance and business continuity.

Other highlights from 2020

Destia is a leading service company in the infrastructure sector in Finland. The company has made excellent development in terms of its reputation: in T-Media's Reputation & Trust survey, the company's reputation took a leap forward. Of the construction sector companies included in the survey, Destia was able to develop its reputation the most. In addition, Destia's customers' satisfaction developed positively during 2020 and the year's Net Promoter Score was 53.

Destia builds its success on its corporate culture and people; the building blocks of its winning team are values, inspiring leadership and happy people. The company promotes value-based recruitment, well-functioning and results-based management and various practices related to human resources management that support Destia's development towards being the most sought-after and respected employer in the infrastructure sector. This work resulted in the eNPS (employee Net Promoter Score) average of 27 in 2020 based on quarterly pulse surveys.

Revenue and Comparable Operating Profit, MEUR

Personnel in 2020

1,626

Outlook

Destia is expecting stable demand and improved profitability in 2021.

www.destia.fi

ENICS

Creating foundations for the future

The electronic component market was strongly hit by the Covid-19 pandemic. In Enics' business in 2020, early challenges were seen in the availability of materials and logistics paired with high volatility in customer demand. All over the world, material and logistics providers were strongly affected by country lockdowns and other restrictions put in place. Many of Enics customers were also impacted by the pandemic and this was seen in the order books of certain customer segments.

Enics Group net sales were EUR 502.2 million in 2020, representing a reduction of 13.9% compared to the previous year. Lower net sales were mainly due to the impact of Covid-19 and reflected the pass-through from customers.

Strong cost-efficiency actions were taken at Enics in 2020 to control the situation. With improved efficiencies, Enics was able to defend the profit ratio and it even slightly improved at 3.1% (3.0) ending up with a comparable operating profit (EBIT) at EUR 15.4 million (17.7).

Enics showed good readiness and resilience in the ability to adapt to the unforeseen reality. As a result, trusted procedures and digital tools enabled a fast transition to remote work for a large proportion of the employees, and the rapid establishment of preventive measures on production sites that proved their efficiency in keeping the employees safe and operations running. Apart from initial factory shutdowns in China in February 2020, all Enics production sites have been able to stay open and running throughout the Covid-19 pandemic.

Demonstrating improvement in competencies

Enics focused on the Back to Basics elements of its strategy execution in 2020: This included bringing alive the new governance model and development and implementation of global

Ownership, % December 31, 2020

● Ahlström Capital **100%**

FOUNDED: 2004

DOMICILE: Zürich, Switzerland

INDUSTRY: Electronics manufacturing services

OPERATING COUNTRIES: China, Estonia, Finland, Slovakia, Sweden and Switzerland (Enics Malaysia established in 2020, factory starts operating in early 2021)

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

IN AHLSTRÖM CAPITAL'S PORTFOLIO: Since 2004

The new production site in Malaysia will open in 2021.

processes. Back to Basics activities prepared the ground for the next steps in strategy execution; Build the future and Shared Success that will develop Enics into a full turnkey service provider and will lift the share of value-added solutions. Enics way of defining the actions that support the strategy execution are the Key Improvement Priorities that in 2020 gave special focus to cost efficiency, the development of the Asian region setup – the highlight being the construction of a new production site in Malaysia - , the definition of Enics development plans for turnkey capabilities, kicking off change of the ERP system and the introduction of Sales & Operations planning processes. While the strong effect of the Covid-19 pandemic on the electronics industry challenged some of the financial KPI targets of these Key Improvement Priorities, Enics was able to advance significantly in all of these areas.

One of the significant changes in 2020 was the transition to a regional setup in operations in both Asia and Europe: a common management team oversees the production sites in Asia (covering the two production sites in China and the new site in Malaysia), in Central and East Europe (production sites in Slovakia and Estonia) and in West and North Europe (production sites in Sweden, Finland and Switzerland). Besides the benefits of a streamlined organisation and management, the regional setup also helps in ensuring secure and reliable supply chain to Enics customers. Enics presence is close to its customers: of Enics staff 70% are located in Europe and 30% in Asia. Another change in the location network was the transition of Enics Raahe unit to a pure engineering unit that develops Enics service offering. Enics Raahe engineering team also moved to new premises in Oulu, northern Finland, in 2020.

Customer-focused operation model

Enics has long-lasting relationships with its largest customers and has been able to expand its offering and deepen partnerships with them. The company is also working with tens of smaller customers with huge untapped opportunity. Enics ability to stay operational throughout 2020 increased the interest also from new customers. For Enics' customers, high quality and on-time-delivery (OTD) performance are the two most important factors. The company has worked to improve in these areas and the positive impact has already been seen. Enics' Net Promoter Score (NPS) improved in comparison to previous years and Enics is putting strong efforts into the further improvement of customer satisfaction with defined development projects and new teams. Enics development initiatives in innovation, technology and digitalisation are strongly coupled with improvements in the ability to serve customers even better across the product lifecycle.

Sustainability in focus

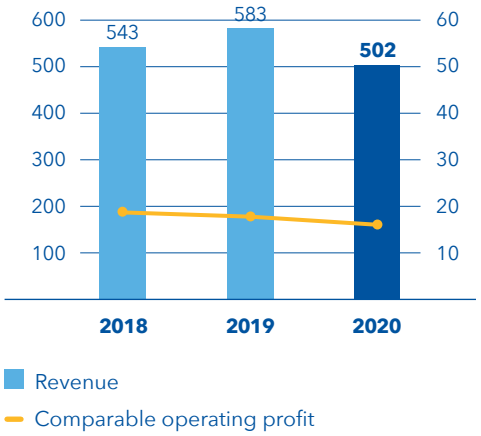
Sustainability was given special attention in 2020: Enics has been a member of the UNGC since 2011 and the company has strong structures in place especially in the areas of social and corporate responsibility. In 2020, the reporting, KPIs and systematic follow-up of environmental responsibility was developed, and the company joined the Ecovadis reporting system that increases transparency in sustainability efforts towards Enics' customers and stakeholders. A cross-functional team was established to ensure Enics efforts in sustainability in all areas of its operations and activities are developed with common standards and ambitions.

Outlook

Demand recovery and executed cost-reduction actions, both temporary and permanent, provide a good starting point for 2021.

www.enics.com

Revenue and Comparable Operating Profit, MEUR



Personnel in 2020

3,030

AC CLEANTECH GROWTH FUND

Growth in the Cleantech companies

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

Scandinavian Biogas

Scandinavian Biogas is the market leading producer of biogas in the Nordics and operates five plants in Sweden, Norway and South Korea. The company produces compressed biogas and liquid biogas.

In December 2020, Scandinavian Biogas carried out a SEK 586 million private placement of dark green shares. Subsequent to the private placement, the company also initiated a process to list its shares on Nasdaq First North Premier Growth Market in Stockholm. The listing facilitates the company's growth strategy, and provided an opportunity for AC Cleantech Fund to exit a substantial part of its holding in the company.

During the year, Scandinavian Biogas received a 100% Dark Green Shading, the highest possible rating from CICERO, a market-leading external assessment provider, on the company's revenue streams and investments.

Scandinavian Biogas finalised the acquisitions of the logistics service company Ekdalens Biotransporter AB, which is a market leader in the transport of organic material to and from biogas facilities in southern Sweden. The acquisition was part of Scandinavian Biogas's strategy to achieve greater integration across the entire value chain, from organic waste to produced biogas and bio-fertiliser.

Swedish Stirling

Swedish Stirling Group is a Swedish cleantech company with a mission to further refine the ability of the Stirling technology to convert thermal energy to electricity.

Since November, 2020, Swedish Stirling has been listed on the Nasdaq First North Premier Growth Market. At the beginning of December 2020, the company completed a directed issue of 5 million shares, raising proceeds of SEK 67.5 million.

Swedish Stirling and Samancor Chrome entered into a memorandum of understanding regarding the installation of up to 135 PWR BLOKs in South Africa. In addition, a letter of intent was signed with Richards Bay Alloys in South Africa for USD 18 million (18 PWR BLOK units).

In 2020, Swedish Stirling has continued cooperation with the major ferrochrome company Glencore as the companies entered into a letter of intent regarding installation of an electricity facility with up to 88 PWR BLOKs.

REAL ESTATE:

New investments in the real estate portfolio

Covid-19 hit the Finnish real estate market as the total property transaction volume amounted to EUR 5.6 billion in the Finnish property market in 2020, which represents a decline of 13% compared to the previous year, according to preliminary statistics of KTI (Kiinteistötieto Oy). Comparison of investment volumes for Q2 - Q4 2020 over the same period in 2019 in Finland recorded a notable 45% decline in volume. Foreign investors accounted for 52% of the total annual volume.

Several new development projects

A. Ahlström Real Estate Ltd. is a long-term investor who invests in commercial properties in the Helsinki metropolitan area and in growth centres.

In April, a construction project for a new logistics and operational centre in Vantaa was published. The new headquarters and hub of Cramo Finland Oyj, will be constructed in Vantaa, and will be implemented as a joint venture with A. Ahlström Real Estate Ltd. and Terrieri Kiinteistöt Ky. fund, administered by Fennia, as the investors. Jatke Oy is the contractor in the project. In total, the facility covers around 23,000 m². The construction work has started, and the project will be completed in spring 2021.

An agreement of a new real estate investment was signed in December 2020 where A. Ahlström Real Estate is the investor in a real estate project in Tampere next to the city centre, railway station and a new tram line. By 2023, a unique, high-quality, and modern office building of approximately 10,000 m² will be completed, for which LEED Platinum (Leadership in Energy and Environmental Design) certification is sought. In addition to the new office building, the area includes an old and protected cargo station, which was preserved from demolition by relocating it in 2020. Business premises will be created also in the old cargo station and the adjacent residential building, while respecting traditions. The anchor tenant of the office building block will be the growing Tampere-based listed company Gofore Oyj.

Energy efficient solutions were also implemented for our flagship building Eteläesplanadi 14.

Real estate project in Tampere.

Complementing the portfolio with apartments

At the beginning of February 2021, A. Ahlström Real Estate and Avain Yhtiöt agreed on an arrangement which states that A. Ahlström Real Estate Ltd becomes the part-owner of Avain Yhtiöt with a shareholding of approx. 25%. The rest of the ownership stays with the current shareholders.

This investment expands our real estate allocation in the residential sector. Avain Yhtiöt is a Finnish group specialising in building and owning apartments, producing housing services, construction contracting, construction and renovations. As a long-term investor we see that apartments complement and diversify our real estate portfolio, which at the moment comprises mainly of office properties and forest holdings.

Avain Yhtiöt site in Kivistö, Vantaa.

Energy efficient buildings

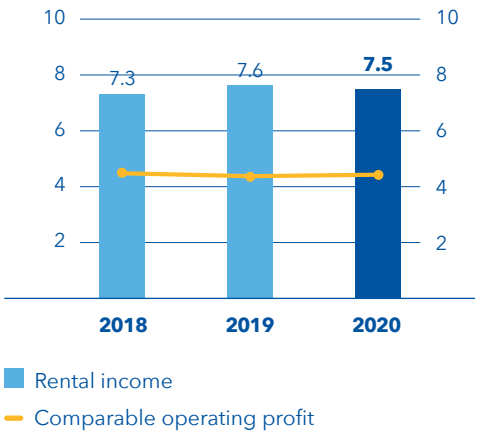
Sustainable operations are important for us also in the real estate business. In the acquisition of new properties, responsibility is a key decision-making criterion.

All buildings in our ownership are managed in an energy-efficient manner and they either have an environmental certificate (BREEAM, LEED) or we will apply for one. BREEAM (Building Research Establishment Environmental Assessment Method) classification is based on common European norms and is the leading sustainability assessment method for infrastructure and buildings in Europe.

In June 2020, our flagship building Eteläesplanadi 14 real estate received the BREEAM certificate with the level 'Good'. The Eteläesplanadi 14 real estate has been managed with a long-term plan by preferring energy efficient solutions. During 2020, an energy renovation commenced at the Eteläesplanadi 14 property. The aim of the renovation was to reduce the energy consumption of the property and to improve the indoor climate by modernising the old building services engineering by building an automated system for the whole building, as well as a new solar panel system.

The Eteläesplanadi 14 property was built by Ahlström in 1939, and we want to maintain the old, valuable property by carrying out regular renovations. The energy costs and emissions of the whole building are estimated to decrease by approx. 20% due to the renovation.

Rental income and Comparable Operating Profit, MEUR



FORESTS:

Increasing climate-positive forestry

In 2020, Ahlström Capital delivered 156,000 m³ (167,000) of industrial wood, of which the share of delivery sales was 84% and the share of standing sales was 16%. The revenue of the forestry business totalled EUR 9.8 million, and comparable operating profit was EUR 5.1 million. In comparison with 2019, the comparable operating profit decreased by 5.0%. Volumes of sold timber decreased by 6% compared to the previous year.

In 2020, timber prices decreased early in the year compared to the 2019 levels but took an upward turn in the autumn.

Strikes and Covid-19 affected the forest industry

The general declining demand for paper continued which also affects the pulp mill production. The strikes early in the year 2020 and Covid-19 slowed down the forest business even more. The demand however picked up during the year especially for sawn timber, and A. Ahlström Real Estate experienced steady demand for timber tree. In the end, the effects of the Covid-19 pandemic were smaller than expected. Less forest was logged in Finland in 2020 as was also for A. Ahlström Real Estate. On the other hand we harvested more logs to increasing price levels.

Vitality of the forests increases the carbon sink of the forest

Ahlström Capital has a long history as a responsible forest owner and manager. Sustainable and good forestry keeps forests vital and maintains growth, enabling forests to best sequester carbon. Sustainable and economical silviculture is an important value for us as a forest owner. The estimated annual growth for Ahlström Capital's forest assets, 189,000 m³, exceeds the annual loggings.

A carbon sink means that a forest stores more carbon dioxide than it releases into the atmosphere. As trees grow, they store carbon in their trunks, branches, roots and leaves. Plant litter stores carbon in the soil. Carbon is released back into the air as carbon dioxide when wood and plant litter decompose. When wood is being used, the carbon is stored or released, depending on what is being made from the wood. In 2020, the carbon sink of our forests, that is, the annual amount of carbon dioxide sequestered by our forests, was 113,000 tonnes. This corresponds to the carbon footprint of approximately 11,300 Finns. The growth of new trees increases the carbon sink. More seedlings were planted in 2020 than in the previous year, with the total number being around 440,000 seedlings.

The growth of our forests exceeds our loggings.

We also strive to preserve the carbon stock in the soil by transitioning to uneven-aged forest management on suitable sites. We began to use this method in our forests in 2018. In 2020, 70 hectares were logged with the objective being uneven-aged forest management, with a new objective set: logging aiming at uneven-aged management will be increased so that the level of 150 hectares per year will be reached in 2023, with at least 100 hectares of that on peat soil.

Forest adaptation to climate change

ESG themes are an essential part of our forestry business. Strategic measures to increase forest adaptation to climate change was approved by A. Ahlström Real Estate Ltd.'s Board of Directors. Climate change has both positive and negative effects on forests. The thermal growing season of forests will be longer and there will be more growth, but global warming will result in new pests finding their way into forests and natural disasters such as storms will occur more frequently. The aim is to take various measures to enable forests to adapt to climate change. These measures include, for example, increasing the shares of deciduous trees and the mix of deciduous and coniferous trees. The vitality of forests can be increased through good forestry and harvesting.

The nature monitoring project that was started in 2019 was continued last year. In the project, sites with nature values are identified in the company's forests. Such sites are areas that are important in terms of biodiversity, and they are mainly excluded from any forestry activities or managed so that the special features of the sites are maintained.

Sustainability at the workplace

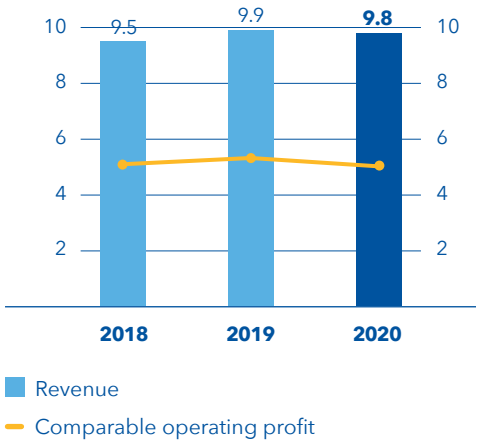
In addition to sustainable forestry, sustainability and safety are also important at the workplace. In autumn 2020, occupational safety training was organised for the entire organisation, which includes not only our own employees but also forest machine contractors, timber truckers and forestry service suppliers. The topics covered in the training were safe working methods, accident prevention, risk management and the identification of stress factors. After completing a test, all the participants received an occupational safety card as a certificate for the completed training.

All of our forests are certified

All forests in Ahlström Capital's ownership are certified. The Programme for the Endorsement of Forest Certification (PEFC) is an international non-profit, non-governmental organisation dedicated to promoting Sustainable Forest Management (SFM) through independent third-party certification. PEFC certification includes 32 criteria, all of which Ahlström Capital is committed to fulfilling.

In 2020, the HCV (High Conservation Value) areas in our forests were inventoried. In September 2020, we passed the HCV audit on our forests. The classification of HCV areas enables us to supply wood that meets the criteria specified by the Forest Stewardship Council (FSC).

Revenue and Comparable Operating Profit, MEUR



Industrial wood logging in total 156,000 m³

Roots of the Ahlström family and the company at Noormarkku

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

The roots of the family and the company have been at Noormarkku for already 150 years and we cherish the area by honouring traditions.

Busy summer

In 2020, as interest towards domestic tourism increased, the Noormarkku Works was featured in various media as an interesting destination where the visitors have the possibility to enjoy the hospitality, service, and unique surroundings. Summer 2020 was busy when tourists headed to Noormarkku Works for its culture, gastronomy, and nature experiences. Beautiful nature and a feeling of space is one of the Works' specialities. In summertime, visitors can among other things attend canoeing trips at the beautiful Noormarkku river and during winter one can try snowshoeing.

Noormarkku is a suitable destination for family holidays as well as for business groups' meeting days combined with different activities. At the renovated Noormarkku Club, guests can enjoy fresh food, with local ingredients as well as wild food with the Works' own wild game.

Environmental certification granted

In June 2020, the Works became a Green Key-certified tourist destination, as we want to ensure on our behalf that Finnish nature will continue to be among the cleanest and most remarkable in the world. Ahlström Works is one of Green Key's approximately 140 environmentally certified tourism companies in Finland. Green Key certified companies are committed to building sustainable tourism.

Noormarkku is constantly being developed. The Works is planning solar power, even though the area is already self-sufficient in electricity.

Historical buildings in the area: Isotalo and Villa Mairea.

Sustainable value creation

Ahlström Capital believes that sustainability is a prerequisite for creating long-term value. We are committed to promoting responsible business practices in our portfolio companies and to conducting sustainable asset management of our real estate and forest investments. The values of the Ahlström family – ambition and responsibility – guide all of our operations.

As a responsible investor, we continuously improve our environmental, social and governance (ESG) impact and performance in our own operations and in our investments. As an owner, we can contribute most to a sustainable ecology and the development of society through the capital we provide, the engaged ownership role we take and through the employment, innovations, products and services that our portfolio companies provide.

Read more about the sustainability work in our portfolio companies:

Ahlstrom-Munksjö
Detection Technology
Glaston
Suominen
Destia
Enics

Active ownership of our portfolio

As an owner, Ahlström Capital's (AC) primary influence is through board representation. Sustainability is integrated in the value creation plans developed for each portfolio company. Our material ESG topics have been identified and are incorporated in the screening processes and business development work of our portfolio companies. In addition to the ESG topics followed by Ahlström Capital, the portfolio companies have their own industry-specific ESG topics. All our portfolio companies need to manage, monitor and evaluate ESG risks, opportunities and value creation possibilities. We expect the Board of Directors of the portfolio companies to decide on relevant targets for each company.

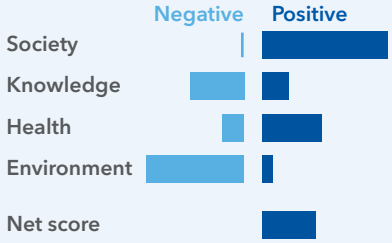
In 2020, we launched a Sustainability Policy that defines the framework for Ahlström Capital's sustainability work. We integrate sustainability in our role as an owner and a company by taking a broad business approach and by targeting three focus areas: Business Ethics & Nordic Governance model, Climate & Resource Efficiency and Employee Well-being.

Ahlström Capital is a signatory of the United Nations Global Compact and we support the United Nations Sustainable Development Goals. We are committed to the United Nations ten principles of the Global Compact with respect to human rights, labour, environment and anti-corruption. We report annually on the progress towards implementing the ten principles. The report describes the assessments, policies, targets and actions at Ahlström Capital, our direct holdings Destia and Enics and our subsidiary A. Ahlström Real Estate (our real estate and forest investments). You can find the report on our webpage Ahlström Capital Sustainability.

WE SUPPORT UN GLOBAL COMPACT

Measuring net impact with the Upright model

In 2020, AC evaluated the net impact of its portfolio using the Upright model. The Upright model's outside-in analysis was made on the basis of extensive external data of our portfolio companies' products and services, and evaluated the companies' impact on society, knowledge, health and environment. The overall net impact of our portolio is positive driven by the positive impact on society. Through our portfolio companies we create jobs, pay taxes and contribute positively to societal infrastructure. Read more: Upright Project



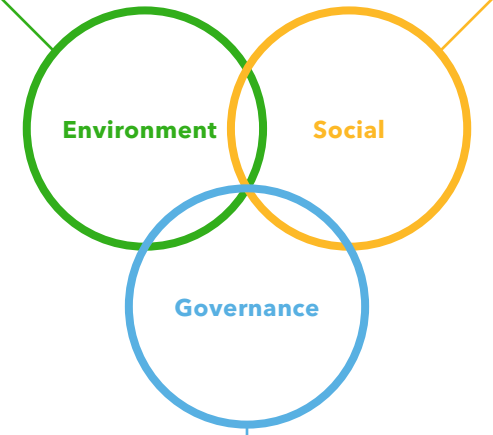
Our ESG focus areas:

Climate & Resource Efficiency

As an investor, Ahlström Capital acknowledges its role in accelerating the transition to a sustainable low-carbon economy. We believe that increasing resource efficiency and investing in new technologies are essential for our portfolio companies as they build and maintain leadership positions within their fields of industry. The built environment and the total amount of carbon stored in tree trunks have a significant role in decreasing our carbon footprint. We also integrate climate and resource efficiency considerations in our investment process and strive to improve the indirect environmental impact of our portfolio companies. We target climate neutrality, which means finding the balance between emissions and carbon sinks.

KPIs to follow up the environmental impact of the portfolio companies:

- energy intensity
- share of renewable energy
- CO_2 emissions (both direct and indirect).
- In addition, there are company specific KPIs to measure e.g. carbon sink, water consumption and the recycling of waste.



Business Ethics & Nordic Governance model

Business ethics and governance constitute the foundation for our ownership model with clear roles and responsibilities. We support universally recognised human rights and assume long-term accountability for ethical standards. We strive to comply with laws, rules, and ethical principles. AC's Sustainability guidelines define the expectations applicable to AC and all of its portfolio companies to conduct their operations in a responsible manner. AC and its portfolio companies need to ensure that sustainability is integrated into the business.

KPIs to follow up the governance impact of the portfolio companies:

- ESG management maturity
- Code of Conduct training (both new employees and existing employees)
- Supplier Code of Conduct coverage rate (both new suppliers and existing suppliers)
- established whistleblowing channel
- In addition, there are company specific KPIs to measure e.g. the number of, and ratings in customer audits and processes for sanctions monitoring.

Employee Well-being

We aim to provide a best-in-class working environment for our employees. We emphasise good leadership and strive to create an environment with a focus on health and safety as well as on the personal development of employees. AC requests that all employees in the portfolio companies are treated equally, fairly and with respect, regardless of ethnicity, nationality, gender, sexual orientation, faith, religion, age or any other characteristics protected by law. We respect the rights of all employees to form and join trade unions and to bargain collectively. The well-being of the employee is the key to new innovations and successful business and therefore also for developing leading businesses. We also believe that focusing on and improving employee satisfaction increases employee commitment and motivation as well as quality and customer satisfaction.

KPIs to follow up the social impact of the portfolio companies:

- employee satisfaction
- employee turnover
- accident frequency rate
- In addition, there are company specific KPIs to measure e.g. safety observations audits.

Ahlström COLLECTIVE IMPACT for unicef

Ahlström Collective Impact (ACI) is a corporate social responsibility initiative by Ahlström Network companies in partnership with UNICEF Finland. ACI consists of Ahlström Capital and its portfolio companies Ahlstrom-Munksjö, Destia and Glaston in collaboration with Antti Ahlström Perilliset and Eva Ahlström Foundation.

The ACI initiative was launched in August 2020 and is an important part of our continuous social responsibility work. By joining forces with the portfolio companies and other family stakeholders, Ahlström Capital and the whole family is able to make a greater impact in society. In 2020, ACI donated a total of EUR 240,000 to UNICEF of which Ahlström Capital's donation was EUR 50,000.

ACI is designed for strategic investments with an impact that supports the realisation of selected Sustainable Development Goals (SDGs) defined by the United Nations. We are committed to creating change by investing in a better future for children. In 2020, ACI focused on supporting the Covid-19 crisis aid to children, the hidden victims of the pandemic. In 2021, ACI will focus on education. Read more: ahlstromcollectiveimpact.com

In all of the Ahlström Network companies we want to engage the employees in our work with the initiative and share the common purpose. In November 2020, all companies and foundations in ACI participated in the World Children's Day with the ambition to inspire, engage and involve by giving the participating stakeholders a better understanding of ACI and Child Rights. The World Children's Day involved personnel in 14 countries and in 12 languages through internal and external activities to advocate, promote and celebrate children's rights. We believe the participation and actions taken will translate into discussions and new actions among the personnel in the Network companies and will help to build a better world for the future generations.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170 years of industrial traditions

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

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

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

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

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

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

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

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

2001

A. Ahlström Osakeyhtiö

Ahlström Capital

Ahlstrom Corporation

Active value creation – Ahlström Capital

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

At the end of **2020,** our portfolio included assets in Ahlstrom-Munksjö, Detection Technology, Glaston, Suominen, Destia and Enics, as well as considerable real estate and forest holdings and an investment in the AC Cleantech Growth Fund I.

2001
Investment in Vacon.

2003
Investment in Nordkalk.

2005
Acquisition of Wessen.

Investment in Salmisaari real estate.

2007
Salmisaari real estate is sold.

2007
Investment in Elbi.

2008
Wessen is sold.

2010
Establishment of the cleantech fund.

2010
Nordkalk is sold.

2013
Elbi is sold.

2014
Investments in Suominen and Outokumpu.

Acquisition of Destia.

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

Investment in Kasarmikatu 21 real estate.

2014
Vacon is sold.

2015
Outokumpu is sold.

2016
ÅR Packaging is sold.

2017
Investments in Detection Technology and Glaston.

Merger of Ahlstrom and Munksjö.

2017
Kasarmikatu 21 real estate is sold.

2018
Investment in Hankasuontie real estate.

2020
Ahlstrom-Munksjö take private project started in 2020.

Investments in real estate in Vantaa and Tampere.

Investment in Avain Yhtiöt (2021).

Risk management

As an investment company, Ahlström Capital's key risks are related to its ability to create long-term shareholder value growth with steady returns. In addition, as a family-owned company, Ahlström Capital fosters the trust and reputation generated over decades through good corporate governance principles and processes in all its portfolio companies.

A diversified and balanced portfolio, consisting of forests, real estate holdings and industrial investments, reduces the overall risks, and is a key component of the company's risk management. The company's stable performance during an extraordinary year impacted strongly by the Covid-19 pandemic is evidence of risk tolerance created through portfolio diversification.

Through risk management the company oversees and facilitates the assessment of risks related to investment and business environment, operations, assets and financial liquidity in order to limit unnecessary or excessive risks. The Board of Directors is the governing body that oversees Ahlström Capital's risk management. The Audit Committee assists the board in ensuring that the company has appropriate systems of risk management and internal control.

Annually, a more comprehensive risk assessment is performed in the form of self-assessment. The company's risk profile is assessed according to the impact on shareholder value and cash flow. Also, the likelihood of the risk occurence is evaluated. Risks that threaten the company's strategic objectives, compliance and sustainability are evaluated. Based on the evaluation, key actions for risk management and mitigation are identified and implemented. With regards to its portfolio companies, Ahlström Capital participates in, promotes, and monitors internal risk management practices in each company mainly through board work.

During 2020, the top-rated risks to Ahlström Capital identified in the risk assessment are illustrated on the risk map.

Risk map

		Total impact on portfolio	Likelihood
External	Failure of major financial mechanism	High	Unlikely
	Rapid and massive spread of infectious diseases	Medium	Possible
	Valuation risk due to economic downturn or interest rate increase	Medium	Possible
Strategic	Ahlstrom-Munksjö equity development	High	Possible
	Ahlstrom-Munksjö vendor note	High	Possible
	Failure to create investment opportunities through deal flow	Medium	Possible
Operational	Availability of financing	Medium	Unlikely
	Failure of M&A process	Low	Possible
	Cyber attack or data theft	Low	Possible

Corporate Governance

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

Ahlström Capital is responsible for the development of the Group's business, handles the Group's financial reporting, provides the Group and the associated companies with services relating to risk management, finance, legal affairs and governance and advises them in strategic and investment matters. The Group's structure is presented in the Report of the Board of Directors on page 42.

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

General Meeting of Shareholders

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

In 2020, the Annual General Meeting was held on April 15 in Helsinki.

Board of Directors

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

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

The Board of Directors can decide on establishing committees for preparing matters for which the Board is responsible. In 2020, the Board had an Audit Committee and a Compensation Committee.

According to the rules of procedure, the Board members must be independent of the company's and the Group's management and employees, as well as the competitors, significant contracting parties and Ahlström Capital's direct investment targets. A Board member does not represent any single shareholder or shareholder group.

The Board conducts an annual self-assessment study.

Audit Committee

The Audit Committee assists the Board in ensuring that Ahlström Capital's accounting and financial management are appropriately supervised and that the company has appropriate systems in place for risk management and internal control. The Audit Committee

oversees the used principles for determining fair value of investments and that valuations are performed according to the principles and at appropriate intervals.

Compensation Committee

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

Shareholders' Nomination Board

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

President and CEO

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

Personnel and Management

At year-end 2020, the company had twelve employees. They assist the President and CEO, actively monitor and develop the company's operations in accordance with the objectives set, handle reporting, and prepare proposals on investments and divestments for discussion by the Board of the company and the decision of the company's subsidiaries and associates.

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

Salaries and remunerations

The Annual General Meeting decides on the remuneration of Board members. In compliance with the resolution of the Annual General Meeting of 2020, the Chairman receives an annual remuneration of EUR 105,000 and the members EUR 42,500. In addition, Board members residing outside of Finland receive an attendance fee of EUR 1,500 per meeting, members residing in Finland a fee of EUR 750 if the meeting is held outside Helsinki and EUR 1,500 if the meeting is held abroad. For the Shareholders' Nomination Board meetings, a fee of EUR 800 is paid. The Chairman of the Audit Committee receives an annual fee of EUR 10,000 and other members of the Audit Committee an annual fee of EUR 5,000. The Chairman of the Compensation Committee receives an annual fee of EUR 8,000 and other members EUR 4,000.

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

Audit

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

The Annual General Meeting of 2020 elected KPMG Oy Ab as the company's auditor, with Kim Järvi, Authorised Public Accountant, as the auditor in charge. The Group's auditing fees in 2020 were EUR 491 thousand (399). In addition, the auditor was paid EUR 203 thousand for services not related to the audit (193).

Board of Directors

as of December 31, 2020

Kari Kauniskangas

b. 1962, M. Sc. (Econ.)
Chairman of the Board April 15, 2020–
Chairman of the Compensation Committee and Member of the Nomination Board April 15, 2020-

Current position
Board professional

Key positions of trust
Chairman of the Boards: Ahlstrom Invest B.V., Terveystalo Oyj, Veho Oy Ab; Board member: O.Mustad & Son A.S., CAP-Group Oy, Cura Of Sweden AB, L-Fashion Group Oy

Mats Danielsson

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

Current position
Founding Partner, Oy Nobsh Ab, 2019–

Håkan Johansson

b. 1969, B.Sc., LL.M.
Board member April 8, 2019–
Member of Compensation Committee April 15, 2020-

Current position
Board Professional

Key positions of trust
Vice-Chairman of the Board: Niam AB,
Board member: Stronghold Invest AB

Nelli Paasikivi-Ahlström

b. 1968, M. Sc.
Board member April 15, 2020-
Member of the Audit Committee April 15, 2020-

Current position
Partner, Brick Hill Advisors Oy

Pekka Pajamo

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

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

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

Fredrik Persson

b. 1968, M.Sc. (Econ.)
Board member April 7, 2016–,
Member of the Audit Committee April 15, 2020–

Current position
Board Professional

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

Malin Persson

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

Current position
Board professional

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

Peter Seligson

b. 1964, Lic. oec (HSG)
Board member April 15,2020-
Member of the Compensation Committee April 15, 2020-

Current position
CEO-e, Ahlstrom Invest B.V.

Key positions of trust
Chairman of the Board: Broadius Partners Ltd, Hercculia Oy Ab; Board member: Aurajoki Oy, Folkhälsan

Personnel as of December 31, 2020

Lasse Heinonen

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

Andreas Ahlström

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

Sebastian Burmeister

b. 1975, M.Sc. (Econ.)
Managing Director,
Ahlstrom Capital B.V.

Outi Kaivo-oja

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

Pasi Koota

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

Camilla Sågbom

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

Tero Telaranta

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

Maija Varpa

b. 1995, BBA
Assistant (Maternity
leave substitute for Anna
Eklund)

Wilma Viertola

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

Visa Virintie

b. 1987, M.Sc. (Econ.)
Investment Manager

Emmi Vähäsöyrinki

b. 1989, BBA
Executive assistant to
CEO

Sandra Wickström

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

Albert van der Zee

b. 1959
General Manager,
Ahlstrom Capital B.V./
Ahlstrom Invest B.V.

Financial Statements and the Report of the Board of Directors

CONTENTS

Report of the Board of Directors

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

In 2020, the total revenue of Ahlström Capital Group amounted to EUR 1.1 billion (1.2), the total balance sheet was EUR 1.3 billion (1.3), and the Group employed on average 4,912 people (5,276).

The year was strongly impacted by the global Covid-19 pandemic and its negative impact on global markets and the business environment. As a whole, the Ahlström Capital portfolio proved notably resilient to the external shocks seen throughout the year and the financial impact of the pandemic on the portfolio was limited.

The key performance indicators of Ahlström Capital

External Fair Value

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

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

At year-end 2020, the total EFV of Ahlström Capital's portfolio was EUR 1056.1 million (965.1). The value increase in 2020 was EUR 121.0 million (108.0) or 12.5% (12.2), including the dividends paid during the period, in total EUR 30.0 million (30.1). The growth in EFV was mainly attributable to the EUR 100.5 million increase in the market values of listed shares. Forest assets also had a positive contribution of EUR 17.5 million on EFV. The value of non-listed investments, based on external valuation reports, decreased by EUR 5.9 million, a result mainly related to restructuring costs at Enics. At the end of 2020, the EFV of Ahlström Capital Oy's share was EUR 16.95 (15.46).

Cash Flow

Cash flow in the Ahlström Capital Group and in the Ahlström Capital investment entity are indicators of portfolio business performance and Ahlström Capital's capability for further investments and future dividend distribution to its owners.

In 2020, the net cash flow from operating activities in the Ahlström Capital Group was EUR 77.9 million (46.5).

Comparable Operating Profit

To evaluate the operative performance of Ahlström Capital's portfolio, the company monitors the development of comparable operating profit. Comparable operating profit is the reported operating profit (EBIT) adjusted for the impact of non-operational items that are considered to affect comparability between reporting periods.

These adjustments consist of, among others, sales gains and losses, changes in fair value of investment properties and biological assets, provisions and reversal of provisions related to sales and restructuring costs. Listed companies, where Ahlström Capital has a significant influence, are consolidated as associated companies in the Ahlström Capital Group and their share of result, based on profit for the period, affects Ahlström Capital's comparable operating profit.

The comparable operating profit for the year 2020 was EUR 55.5 million (34.1) and the increase from the year 2019 was EUR 21.4 million or 62.6%. At Destia, comparable operating profit increased compared to the previous year. Enics' relative profitability remained stable compared to the previous year despite weak demand as a result of the pandemic. Out of Ahlström Capital's listed portfolio companies, Ahlstrom-Munksjö's and Suominen's comparable operating profit improved, but Detection Technology's and Glaston's financial performance was below the previous year's level.

In 2020, items affecting comparability totalled EUR 11.7 million (8.9), of which the most significant item was a EUR 16.2 million increase in the fair value of forest assets. In real estate, items affecting comparability were EUR 1.2 million of which EUR 0.9 million was due to an increase in the fair value of assets. Destia's items affecting comparability were EUR -1.8 million and consisted mainly of restructuring costs. Enics reported items affecting comparability of EUR -4.2 million mainly consisted of restructuring costs.

Changes in the investment portfolio

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

In September 2020, Ahlström Capital, Bain Capital Private Equity, Viknum and Belgrano Inversiones announced a public tender offer for all shares in Ahlstrom-Munksjö. To ensure that Ahlstrom-Munksjö can develop further in an evolving and competitive environment, Ahlström Capital has partnered with Bain Capital Private Equity and are targeting to continue the development of the company in a private setting. Under private ownership Ahlstrom-Munksjö will be best placed to fulfil its

potential from its diversified product portfolio, substantial technical know-how as well as its leading positions in attractive niches. In addition, the company will be ideally positioned to invest further and faster in initiatives to support organic growth as well as benefiting from additional expansionary capital expenditures and acquisitions to strengthen selected areas of the portfolio.

The completion of the tender offer was announced on January 18th, 2021 and the subsequent tender offer on February 5th, 2021. A targeted 90% acceptance of the tender offer was achieved.

In 2020, a new real estate construction project in Vantaa, Finland was started. The property is being constructed as a joint venture with a co-investor. The construction work is expected to be completed in summer 2021.

At year-end, listed shares represented 51.1% (47.2), non-listed shares 22.7% (22.9), forests 13.4% (13.2), real estate 11.0% (13.3), and liquid and other assets 1.8% (3.4) of the EFV.

Listed companies

Ahlstrom-Munksjö (18.7% shareholding)

Ahlstrom-Munksjö is listed on NASDAQ OMX Helsinki and Stockholm and had a market cap of EUR 2,081.3 million (1,650.9) at year-end.

In 2020, Ahlstrom-Munksjö's revenue decreased by 8.0% to EUR 2,683.3 million (2,915.3). At constant currency rates, the decrease was 5.3%, driven mainly by lower selling prices and a more adverse product mix. Deliveries increased significantly in healthcare and life science-related end uses and grew modestly in consumer goods-related end uses. Deliveries decreased in transportation and industrial-related applications and fell slightly in home building and furniture-related end uses. Ahlstrom-Munksjö's comparable EBITDA increased to EUR 334.2 million (312.9), representing 12.5% of revenue (10.7). Lower variable costs more than offset the negative impact of lower selling prices. Variable costs were reduced due to both lower raw material prices and cost-saving measures.

EBITDA was EUR 354.5 million (279.4). Items affecting comparability (IACs) in EBITDA totalled EUR 20.3 million (-33.4) and included a capital gain of EUR 32.0 million from the sale of the fine arts paper business, as well as costs related to the tender offer. The operating result was EUR 176.2 million (103.2). Depreciation, amortisation and impairment amounted to EUR -178.4 million (-176.2), including depreciation and amortisation arising from PPA of EUR -51.0 million (-52.1), and an impairment loss of EUR -9.2 million (-2.4), which is an item affecting comparability in the operating result.

Ahlstrom-Munksjö's cash flow remained strong in 2020. Net cash flow from operating activities amounted to EUR 255.1 million (286.7) and was mainly supported by the improved result. Working capital decreased, although not as significantly as in the comparison period.

In 2020, the financial implications of the Covid-19 pandemic were relatively limited for Ahlstrom-Munksjö. The company completed the sale of its fine art paper business for a debt and cash free price of EUR 43.6 million. In 2019, the company signed a letter of intent to acquire a Chinese decor manufacturer with the aim to become a truly global leader in decor papers. Coronavirus related lockdowns and travel restrictions delayed the negotiation, and the signing of the transaction is expected during the first half of 2021. During the year, Ahlstrom-Munksjö continued to actively develop its business structure.

The Board of Directors' dividend proposal to the Annual General Meeting will be decided after the Extraordinary General Meeting to be held on February 19, 2021.

Ahlstrom-Munksjö expects demand for its products to remain at the current level.

In 2020, Ahlström Capital's share of result of Ahlstrom-Munksjö was EUR 17.4 million (5.9).

Detection Technology (36.7% shareholding)

Detection Technology is listed on NASDAQ OMX First North. The market cap of Detection Technology amounted to EUR 343.6 million (368.0) at year-end.

In 2020, Detection Technology's revenue decreased by 20.4% (9.1) to EUR 81.6 million (102.5). Revenue for Medical Business Unit (MBU) increased by 16.9% to EUR 39.3 million (33.6), while the revenue of the Security and Industrial Business Unit (SBU) decreased by 38.6%, totalling EUR 42.3 million (68.9). SBU's share of total revenue was 51.9% (67.2) and MBU's was 48.1% (32.8).

The operating profit (EBIT) excluding non-recurring items (NRI) amounted to EUR 8.9 million (17.7), corresponding to 10.9% (17.3) of revenue. Non-recurring items were EUR 0.2 million (0.7) related to the reorganisation of the group structure. The operating profit (EBIT) was EUR 8.7 million (17.0), or 10.7% (16.6) of revenue. The profit for the period was EUR 6.7 million (12.5).

The impact of the Covid-19 pandemic on the development of the company's revenue in 2020 varied for each market segment. In security applications demand declined significantly, and accordingly, company sales halved in the segment. The industrial segment grew, but the growth remained below the typical annual growth rate in the field. In medical applications, demand grew strongly, driven by investments in healthcare. Although the company's revenue decreased, the company's profit-making ability remained good in particularly challenging markets.

The company completed the High and New Technology (HNTE) certification process started in China at the end of 2018, and the company's Beijing subsidiary was granted the HNTE classification. The HNTE status will reduce the subsidiary's corporate income tax rate. In addition to lower taxation, it will increase innovation at the local level thanks to a simpler patenting process, cooperation with universities and other local operators will become easier, and the company will be able to apply for public funding for its research projects.

Detection Technology's Board of Directors proposes that a dividend of EUR 0.28 per share (0.38) will be paid for the financial year 2020.

Detection Technology expects its revenue to decrease in Q1 and grow in H1 2021. The medical growth prospect has improved, but the market disruption caused by the pandemic will continue in the security market. The latest estimates in market research indicate that post-pandemic growth will compensate for the lower demand during the pandemic, and as a result, the security segment will grow more strongly after the temporary market disruption and will reach the pre-pandemic market estimate around 2025.

In 2020, Ahlström Capital's share of result of Detection Technology was EUR 0.0 million (2.2).

Glaston (26.4% shareholding)

Glaston is listed on NASDAQ OMX Helsinki. The market cap of Glaston amounted to EUR 75.0 million (105.8) at year-end.

Glaston's acquisition of Bystronic glass was completed on April 1, 2019. The comparative

figures in this report are presented in pro forma basis (unless stated otherwise) to illustrate the impact of the acquisition. In 2020, Glaston's revenue totalled EUR 170.1 million (204.6). Glaston's orders received totalled EUR 153.5 million (184.6) and the order book stood at EUR 63.9 million (79.5) at the end of the year.

In 2020, Glaston's comparable EBITA was EUR 7.7 million (12.1), a figure representing 4.6% (5.9) of revenue. In 2020, Glaston's comparable operating result (EBIT) was EUR 3.2 million (7.5), representing 1.9% (3.7) of revenue. Items affecting comparability totalled EUR -3.8 million (-7.2). In 2020, Glaston's operating result was EUR -0.5 million (0.3). The loss for the period was EUR -5.5 million (3.1).

Glaston's profitability during the year was impacted by low sales volumes in both Heat Treatment and Automotive equipment, but considering the prevailing circumstances during the year, was at a satisfactory level. The year finished on a positive note with a strong recovery in orders received in the final quarter of the year. Throughout 2020, Glaston continued investing in product development and emerging glass technologies in line with the company's growth strategy.

Glaston's Board of Directors proposes that no dividend, but a return of capital of EUR 1,685,798 be distributed, which is EUR 0.02 per share (0.00).

Glaston expects that in 2021 its revenue and comparable EBITA will improve from the 2020 level. (In 2020, revenue totalled EUR 170.1 million and comparable EBITA was EUR 7.7 million).

Ahlström Capital's share of result of Glaston was EUR -1.5 million (-1.6) in 2020.

Suominen (24.0% shareholding)

Suominen is listed on NASDAQ OMX Helsinki. The market cap of Suominen amounted to EUR 292.4 million (132.9) at year-end.

Suominen achieved the highest ever net sales and operating profit in 2020. Suominen's revenue increased by 11.5% from the comparison period to EUR 458.9 million (411.4). Sales volumes increased, while sales prices decreased following lower raw material prices. Currencies impacted net sales negatively by EUR 11.7 million.

Operating profit amounted to EUR 39.5 million (8.1) due to higher production and sales volumes, favourable raw material prices, and improved production and raw material efficiency.

Currencies impacted operating profit negatively by EUR 2.2 million. In 2020, profit before income taxes was EUR 33.9 million (2.1). Income taxes of EUR -3.8 million (-1.9) were impacted by recognition of additional deferred tax assets from the previous years' losses as the possibility to utilise the losses increased. The corporate income taxes were also positively impacted in the first quarter by the US tax reliefs enacted as a result of the Covid-19 pandemic. The profit for the period was EUR 30.1 million (0.2).

As a nonwovens manufacturer, Suominen is an integral part of the supply chain, making disinfecting and cleaning products for fighting the coronavirus. The authorities have classified the company's nonwovens production as essential in the jurisdictions where other business activities have been shut down. The pandemic has increased the demand for Suominen's products in all markets and the higher demand is expected to continue at least for the coming months. In the long term, Covid-19 may lead to a sustained increase in the demand for nonwovens for cleaning and disinfection products. Both Suominen's financial position and cash flow have remained strong throughout the pandemic.

Suominen's Board of Directors proposes that a dividend of EUR 0.10 per share (0.05) and in addition a return of capital of EUR 0.10 per share shall be distributed for the financial year 2020.

Suominen expects that in 2021 its comparable EBITDA will be in line with 2020. The demand for nonwovens is expected to remain strong, however the rising volatility in the raw material and transportation markets increases uncertainty and may impact the result negatively.

In 2020, Ahlström Capital's share of result of Suominen was EUR 7.2 million (0.1).

Non-listed companies

Enics (100% shareholding)

In 2020, Enics' revenue decreased by 13.4% compared to 2019 due to weak demand as a direct result of the Covid-19 pandemic. The revenue totalled EUR 502.2 million (583.2).

Despite the reduction in revenue, comparable operating profit was 3.1% (3.5) of revenue. Enics continued implementation of various efficiency improvement initiatives and mitigated Covid-19 pandemic impacts to safeguard profitability. Comparable operating profit decreased compared to the previous year and amounted to EUR 15.4 million (17.7). Items affecting comparability totalled EUR -4.2 million (-3.0) and were mainly related to restructuring activities. The operating profit (EBIT) amounted to EUR 11.1 million (14.8). The profit for the period was EUR 2.9 million (7.3).

In 2020, a new financing arrangement was negotiated and Enics' covenant level was increased. Finnvera participated in the new arrangement. During the year, Enics' financial position did not notably weaken.

Enics is expanding its presence in Asia with a new high-volume manufacturing site to be opened in Malaysia by mid-2021. The company's strategy execution with the focus on operational excellence, as well as strengthening customer confidence and satisfaction, has continued as planned. In addition, a new company-wide sustainability programme was introduced in Q3.

Destia (100% shareholding)

In 2020, Destia's revenue decreased slightly from 2019 and totalled EUR 563.8 million (569.9). The company's revenue increased in road and rail maintenance and declined in road construction and earth- and rock services. The financial impact of the Covid-19 pandemic on Destia's businesses in 2020 were modest.

Comparable operating profit increased from the previous year and totalled EUR 16.4 million (11.2). The profitability improvement was contributed by a strong performance in maintenance services and in urban development and consulting services. The year, however, was challenging in road construction where profitability deteriorated in a few large projects. Items affecting comparability amounted to EUR -1.8 million (1.1) and consisted mainly of restructuring costs and project expenses. Operating profit (EBIT) amounted to EUR 14.6 million (12.3). The profit for the period was EUR 10.9 million (9.1).

Destia's cash flow in 2020 was strong and the company's financial position remained solid.

At year-end, Destia's order book amounted to EUR 708.6 million (763.6). The most significant new projects recorded in the orderbook were a contract for the construction of a cycle and pedestrian tunnel in Helsinki city centre, a wind power plant infrastructure project, and a large contract with the Kalasatama tramway alliance that has been recorded in the order backlog only for the design phase of the contract.

During 2020, several leading indicators related to quality, customer and employee satisfaction improved positively. Destia is looking for a more prominent role in the sector's value chain. Its strategy is to secure the competitiveness of its core business and international growth in the selected strategic areas, as well as to introduce more refined business and urban development, together with its partners.

Cleantech portfolio

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

During 2020, the development of the cleantech portfolio companies continued with the main focus on Scandinavian Biogas Fuels International AB and Swedish Stirling AB. Both Swedish Stirling AB and Scandinavian Biogas Fuels International AB were listed on Nasdaq First North Premier Growth Market in 2020. In December 2020, AC Cleantech Growth Fund I Ky sold the main part of its shares in Scandinavian Biogas Fuels International AB. No new investments were made in 2020.

Real estate

At year-end, Ahlström Capital's real estate portfolio consisted of the Eteläesplanadi property, as well as industrial and commercial properties in Southern Finland. The Covid-19 pandemic did not have a significant impact on the vacancy rates or the rental income of the real estate properties.

In spring 2020, a new real estate development project in Vantaa was started with a co-investor. The construction work on a new logistics and operational centre for Cramo Finland Oy is expected to be completed in summer 2021.

During the year, investments to improve energy efficiency in Eteläesplanadi 14 started and the target is to achieve a neutral carbon footprint in 2021.

The deal flow has been very active throughout the year and several development projects have been evaluated. During 2020, a new development project was started with two co-investors and agreement is expected to be signed during Q1 2021. Ahlström Capital had an opportunity during the year to commit to investing into a new real estate development project in Tampere. The city of Tampere ratified the agreement in January 2021 and construction will start in 2021.

At the end of year 2020, a conditional agreement to acquire 25% ownership in Avain Yhtiöt was signed. A binding agreement was signed in February 2021. Avain Yhtiöt is a Finnish group specialising in building and owning apartments. The company owns more than 9,000 apartments, and more than 1,000 apartments are currently under construction.

In 2020, the comparable operating profit of the real estate business amounted to EUR 4.4 million (4.3). Reported operating profit (EBIT) totalled EUR 5.4 million (2.8). Items affecting comparability consisted mainly of changes in the fair values of real estate assets.

Forests

Ahlström Capital's forest assets are mainly located in Western Finland in the Satakunta region, and in Central and Eastern Finland. Ahlström Capital has some 34,000 hectares of forest holdings. In 2020, Ahlström Capital purchased around 300 hectares of forest.

The annual logging of the timber proceeded as planned with an increasing focus on delivery sales. During the year, Ahlström Capital delivered 156,000 m³ (167,000) of industrial wood, of which the share of delivery sales was 84%. The amount of energy wood delivered was 18,000 m³ (16,000) of which delivery sales represented 95%. In 2020, the comparable operating profit of the forest business totalled EUR 5.1 million (5.4). The reported operating profit (EBIT) was EUR 21.6 million (17.1). Items affecting comparability consisted mainly of an increase in the fair value of forest assets. This was mainly due to the Finnish national growth model, which indicates higher forest growth volumes that have been explained mainly by sustainable forest management. The growth model was first updated in 2018 and further developed in 2019 and 2020. The estimated annual growth for Ahlström Capital's forest assets, 189,000 m³, exceeds the annual loggings.

During the year, a new target was set to increase climate-positive forestry through increasing the area of both mixed-species forest and continuous-cover forests, especially on peatlands.

Group structure

Ahlström Capital Group consists of the parent company Ahlström Capital Oy, domiciled in Finland, and 42 subsidiaries. The industrial investments in both listed and non-listed companies are mainly concentrated in the Netherlands under Ahlstrom Capital B.V. Through the structure, the Group can efficiently operate in an international environment. A Finnish holding company AC Infra Oy manages the Destia investment. All the real estate investments are concentrated in A. Ahlström Kiinteistöt Oy, except for the property at Eteläesplanadi, which is held by Ahlström Capital Oy. Ahlström Konsernipalvelut Oy provides accounting, ICT and HR services.

Suominen Corporation, Ahlstrom-Munksjö Oyj, Detection Technology Plc and Glaston Corporation are consolidated as associated companies in the Group. AC Cleantech Management Oy is the management company for AC Cleantech Growth Fund I Ky. The cleantech fund and the legal group that it constitutes are also consolidated as an associated company. Åbyntie Gp Oy and Åbyntien Kiinteistöt Ky are consolidated as joint ventures in the Group.

Group earnings in 2020

The revenue of the Ahlström Capital Group in 2020 was EUR 1,085.3 million (1,173.2), of which Enics accounted for EUR 502.2 million (583.2), Destia for EUR 563.8 million (569.9), the real estate business for EUR 7.5 million (7.6), the forest business for EUR 9.8 million (9.9), and other businesses for EUR 2.0 million (2.6). Other operating income amounted to EUR 28.3 million (21.2), consisting mainly of fair value changes in forest assets, EUR 16.2 million, fair value changes in real estate assets, EUR 1.7 million, and sales gains of EUR 4.7 million. Ahlström Capital's share of the results of its associates and joint ventures was EUR 24.5 million (6.2). This consists of shares in the results of Ahlstrom-Munksjö, Suominen, Detection Technology, Glaston, AC Cleantech Growth Fund and Åbyntien Kiinteistöt Ky.

The comparable operating profit of the Ahlström Capital Group amounted to EUR 55.5 million (34.1). The increase from the previous year was 62.6%. Items affecting comparability totalled EUR 11.7 million (8.9), consisting of changes in the fair value of forest and real estate assets, sales gains and restructuring costs. The reported operating profit (EBIT) was EUR 67.3 million (43.0). The return on capital employed was 7.5% (5.3).

The recurring administrative costs of the parent company Ahlström Capital Oy and the holding companies increased, while investment related project costs decreased. In total, costs amounted to EUR 9.0 million (9.1) in the reporting period, representing an average of 0.9% (0.9) of the EFV.

Financial income was EUR 1.7 million (3.6). Financial expenses totalled EUR 7.7 million (8.4). Pre-tax profit was EUR 61.3 million (38.2). Taxes recorded for the period were EUR -10.2 million (-7.3). The Group's profit for the period was EUR 51.1 million (30.9) and profit attributable to the

equity holders of the parent company was EUR 51.1 million (30.8).

Financial position and financing

Ahlström Capital's financial position remained strong throughout the year. At the end of the year, the consolidated shareholders' equity was EUR 777.4 million (776.8). The equity ratio at the end of the year was 59.0% (59.6) and the EFV-adjusted net gearing stood at 12.6% (13.9). The company's return on equity (ROE) was 6.7% (4.0). At the end of December 2020, the interest-bearing liabilities amounted to EUR 226.9 million (219.2) and liquid assets to EUR 94.2 million (84.5). The Group had EUR 132.7 million (134.6) in net debt. Ahlström Capital Oy has issued a first-demand guarantee as security for certain subsidiaries' credit facilities.

In February 2020, a syndicated secured financing facility up to EUR 200.0 million, of which EUR 160.0 million is committed, was signed for Ahlström Capital Oy and A. Ahlström Kiinteistöt Oy. The facility is secured by a mortgage on the real estate at Eteläesplanadi 14 owned by Ahlström Capital Oy and material part of the forest assets held by A. Ahlström Kiinteistöt Oy. There is a group level financial covenant on the facility, which restricts the indebtedness calculated as gross interest-bearing debt in the group compared to gross fair value of assets (loan to value) of the group not to exceed 60%. At year-end 2020 the loan to value was 17.5% (17.8%). At the beginning of 2021, the extension option of the facility was used and the uncommitted part was committed. Hence, the total syndicated secured financing facility is fully committed up to EUR 200.0 million until February 2026.

Net cash flow from operating activities (cash flow after net financial items, taxes paid and change in net working capital) was EUR 77.9 million (46.5). EUR 21.5 million (33.3) was spent on investments in non-current assets and EUR 6.1 million (19.4) on new investments. EUR 6.8 million (9.0) was received from the sale of non-current assets and EUR -14.1 million (2.4) was related to granted loans and repayments of loan receivables. Other changes in investments totalled EUR -0.4 million. Net cash flow used in financing activities was EUR -32.2 million (-10.9). Based on the Annual General Meeting's decision, the company paid for 62,409,923 shares a dividend of EUR 0.48 per share, totalling EUR 29,956,763.04. The dividend yield was 3.1% of the EFV. In addition, EUR 1.5 million was spent on a share repurchase program to repurchase 114,774 shares in total.

Risk management

As an investment company, Ahlström Capital's key risks are related to its ability to create long-term shareholder value growth with steady returns.

A diversified and balanced portfolio, consisting of forests, real estate holdings and industrial investments reduces the overall risks, and is a key component of the company's risk management. As a family-owned company, Ahlström Capital fosters the trust and reputation generated over decades through good corporate governance principles and processes in all its portfolio companies.

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

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

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

Research and development

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

Corporate social responsibility

Ahlström Capital Group is committed to the United Nations ten principles of the Global Compact with respect to human rights, labour, environment and anti-corruption. The report on the company's progress towards implementing the ten principles of the UN Global Compact has been published.

Ahlström Collective Impact (ACI), a joint responsibility initiative by Ahlström Network companies, formed a partnership with UNICEF Finland. ACI consists of Ahlström Capital and its portfolio companies Ahlstrom-Munksjö, Destia and Glaston in collaboration with Antti Ahlström Perilliset and Eva Ahlström Foundation. The Ahlström Collective Impact is designed for strategic investments with impact that support the realisation of selected Sustainable Development Goals (SDGs) defined by the United Nations.

As a responsible investor, Ahlström Capital wants to impact ESG (environment, social and governance) policies and the performance in its own operations, as well as in the portfolio companies and real estate and forest investments on a continuous basis. A Sustainability Policy defining the framework for Ahlström Capital's sustainability work was published. The policy and new KPIs to measure the sustainability development in the portfolio were introduced to the portfolio companies. All Ahlström Capital portfolio companies need to manage, monitor and evaluate ESG risks, opportunities and value creation possibilities.

Personnel, administration, and auditors

The Ahlström Capital Group had an average of 4,912 employees during the financial year (5,276). Wages, salaries and fees paid amounted to EUR 206.4 million (218.9). At the end of the year, the parent company employed 12 persons (13).

During 2020, the Board of Directors of Ahlström Capital Oy consisted of Mikael Lilius (chairman until April), Kari Kauniskangas (chairman as of April), Marion Björkstén (until April), Mats Danielsson, Håkan Johansson, Nelli Paasikivi-Ahlström (as of April), Pekka Pajamo, Fredrik Persson, Malin Persson and Peter Seligson (as of April). In 2020, the Board convened twenty times. In seventeen meetings, all board members attended and in three meetings one out of eight board members was absent.

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

The Board of Directors of Ahlström Capital Oy had two committees, an Audit Committee and a Compensation Committee. The members of the Audit Committee were Mats Danielsson (chairman),

Kari Kauniskangas (until April), Nelli Paasikivi-Ahlström (as of April), Pekka Pajamo and Fredrik Persson (as of April) and the members of the Compensation Committee, Mikael Lilius (chairman until April), Kari Kauniskangas (chairman as of April), Håkan Johansson (as of April), Malin Persson (as of April) and Peter Seligson (as of April). The Audit Committee convened nine times and the Compensation Committee four times during 2020.

The Shareholders' Nomination Board was until July composed as follows: Johannes Gullichsen (chairman), Carl Ahlström, Christina Dahlblom, Mikael Lilius and Pekka Pajamo. As of July, the composition of the Shareholders' Nomination Board was Johannes Gullichsen (chairman), Robin Ahlström, Kari Kauniskangas, Pekka Pajamo, Martti Saikku (as of October) and Peter Seligson (until October). The Shareholder's Nomination Board convened ten times during 2020.

Share repurchase program

The Annual General Meeting of Ahlström Capital Oy resolved to authorise the Board of Directors to decide on the repurchase of a maximum of 400,000 shares. The purchase price was the EFV of the share on September 30, 2020 with a 20% discount. The authorisation is valid until the end of the next Annual General Meeting.

The Board of Directors resolved to commence the share repurchase program during November. The company repurchased 114,774 shares (0.2%). The repurchased shares were invalidated in January 2021 based on the Board of Directors' decision in December 2020.

Shareholders

At the end of 2020, Ahlström Capital Oy had 268 (254) shareholders. The largest individual shareholder is Antti Ahlström Perilliset Oy (6.2%). No other shareholder holds more than 5% of the shares.

Events after the reporting period

In September 2020, Ahlström Capital, Bain Capital Private Equity, Viknum and Belgrano Inversiones made a public tender offer for all shares in Ahlstrom-Munksjö. The tender offer was completed in accordance with its terms and conditions in February 2021. As part of the transaction a share exchange between Ahlstrom-Munksjö and Ahlstrom Invest BV shares was arranged to Ahlström family members and as a result, Ahlström Capital has 23.7% of the shares of Ahlstrom Invest BV, which indirectly owns 36.4% of Ahlstrom-Munksjö.

In 2020, Ahlström Capital had an opportunity to invest in a new real estate development project in Tampere. In January 2021, the city of Tampere ratified the agreement. The construction work is expected to start in 2021.

At the end of year, a conditional agreement to acquire 25% ownership in Avain Yhtiöt was signed. A binding agreement was signed in February 2021. Avain Yhtiöt is a Finnish group specialising in building and owning apartments. The company owns more than 9,000 apartments, and more than 1,000 apartments are currently under construction.

Expectations for 2021

Ahlström Capital is well positioned to improve its overall financial performance in 2021.

Proposal for the distribution of profits

According to Ahlström Capital's dividend policy, the company's target is to pay a steady dividend that increases over time, taking into consideration the company's investment and development needs. The Board of Directors proposes that in 2020 a dividend of EUR 0.48 per share will be paid in two instalments; the first payment of EUR 0.24 per share in April 2021 and the second payment of EUR 0.24 per share in October 2021.

The Annual General Meeting 2021 is to be held on Monday, April 12, 2021 at 5 p.m. at Restaurant Savoy, in Helsinki. Due to the prevailing Covid-19 pandemic the Annual General Meeting will take place only if the meeting can be arranged within the restrictions set by the authorities. Therefore, and in order to ensure the health and safety of Ahlström Capital's shareholders, employees and other stakeholders, it is recommended that shareholders do not participate in person but rather enjoy the remote access and opportunity to authorise a person to represent themselves at the meeting.

Key figures

EUR million	2020	2019	2018	2017[1]	2016
Revenue	1,085.3	1,173.2	1,113.1	1,040.2	1,016.9
Comparable operating profit	55.5	34.1	48.8	46.1	36.4
Operating profit (EBIT)	67.3	43.0	57.6	129.5	36.6
Profit for the period	51.1	30.9	38.5	118.3	193.7

	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017[1]	Dec. 31, 2016
External Fair Value (EFV) EUR million	1,056.1	965.1	887.1	1,033.7	949.8
Equity ratio	59.0%	59.6%	61.7%	63.9%	67.2%
Net gearing	17.1%	17.3%	8.1%	3.3%	-17.6%
Net gearing, EFV adjusted	12.6%	13.9%	7.1%	2.5%	-13.2%
Return on Capital Employed (ROCE)	7.5%	5.3%	7.5%	27.8%	16.9%
Return on Equity (ROE)	6.7%	4.0%	4.9%	16.2%	31.1%
Loan-to-value ratio (LTV)	17.5%	17.8%			
Net debt(+)/Net cash (-), EUR million	132.7	134.6	63.4	25.8	-125.4
Equity per share, EUR[3]	12.48	12.45	12.68	12.48	11.32
External Fair Value per share, EUR[3]	16.95	15.46	14.16	16.44	15.10
Earnings per share, EUR[3]	0.82	0.49	0.61	1.88	2.96
Dividend per share, EUR[2,3]	0.48	0.48	0.48	0.48	0.53

[1] Restated due to the implementation of IFRS15.
[2] 2020 figure is based on proposal by the board. In addition, it is proposed that a dividend will be paid in two instalments; the first payment of EUR 0.24 per share in April and the second payment of EUR 0.24 per share in October.
[3] The number of shares was decreased in December 2020, December 2019 and December 2018 through a share repurchase. Comparative figures have not been restated due to these changes.
The number of shares in the company was increased in April 2017 by issuing new shares to the shareholders without payment in proportion to their current holdings, so that 99 new shares were given for each current share. The share issue without payment had the same effect as a share split (1:100). After the share issue the number of shares in the company was 62,887,600. Comparative figures of previous periods have been restated correspondingly.

Formulas for key figures

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

Consolidated Financial Statements

Consolidated Statement of Income

MEUR	Note	2020	2019
Revenue	6	1,085.3	1,173.2
Other operating income	7	28.3	21.2
Materials and services	8	-756.7	-821.0
Depreciation, amortisation and impairment	18, 22	-35.5	-33.4
Employee benefits	13	-206.4	-218.9
Other operating expenses	9	-72.3	-84.5
Share in results of associated companies	24	24.5	6.2
Operating profit		**67.3**	**43.0**
Financial income	11	1.7	3.6
Financial expenses	12	-7.7	-8.4
Profit before tax		**61.3**	**38.2**
Income taxes	16	-10.2	-7.3
Profit for the period		**51.1**	**30.9**
Profit for the period attributable to:			
Equity holders of the parent		51.1	30.8
Non-controlling interests		0.0	0.0
		51.1	**30.9**

Consolidated Statement of Comprehensive Income

MEUR	Note	2020	2019
Profit for the period		**51.1**	**30.9**
Other comprehensive income			
Items that will not be reclassified subsequently to statement of income			
Remeasurement of defined benefit plans		1.0	-1.8
Related tax			0.5
Share of other comprehensive income of associates		0.5	-2.0
		1.5	**-3.3**
Items that may be reclassified subsequently to statement of income			
Exchange differences on translation of foreign operations		-1.2	-0.1
Hedges - net change in fair value			0.1
Share of other comprehensive income of associates		-18.4	2.4
		-19.6	**2.4**
Other comprehensive income for the period, net of tax	31	**-18.1**	**-0.9**
Total comprehensive income for the period, net of tax		**33.0**	**29.9**
Total comprehensive income attributable to:			
Equity holders of the parent		33.0	29.9
Non-controlling interests			
		33.0	**29.9**

Consolidated Statement of Financial Position

MEUR	Note	December 31, 2020	December 31, 2019
Assets			
Non-current assets			
Goodwill	18, 19	84.5	84.5
Other intangible assets	18	4.5	6.2
Property, plant and equipment	22	137.7	144.6
Investment properties	20	149.9	141.1
Biological assets	21	134.9	124.7
Investments in associates	24	418.2	418.0
Non-current financial assets	28	12.1	10.8
Deferred tax assets	17	7.0	7.6
		948.8	**937.4**
Current assets			
Inventories	25	122.6	134.0
Trade and other receivables	6, 26	151.1	146.1
Tax receivable, income tax		0.7	2.8
Cash and cash equivalents	27	94.2	84.5
		368.6	**367.5**
Total assets		**1,317.3**	**1,304.8**

MEUR	Note	December 31, 2020	December 31, 2019
Equity and liabilities			
Equity attributable to owners of the parent company	31		
Share capital		38.8	38.8
Share premium		12.8	12.8
Reserve for invested non-restricted equity		104.3	104.3
Treasury shares		-1.5	-3.0
Reserves		4.5	3.7
Foreign currency translation reserve		-30.2	-10.2
Retained earnings		648.7	630.5
		777.4	**776.8**
Non-controlling interests			0.2
Total equity		**777.4**	**777.0**
Non-current liabilities			
Interest-bearing loans and borrowings	28	157.2	140.4
Net employee defined benefit liabilities	15	9.6	6.9
Provisions	32	15.8	15.6
Deferred tax liabilities	17	36.5	32.0
Other liabilities	28	3.1	2.7
		222.3	**197.5**
Current liabilities			
Interest-bearing loans and borrowings	28	69.7	78.8
Trade and other payables	33	237.7	241.9
Provisions	32	6.3	6.9
Current tax liability		3.9	2.6
		317.7	**330.3**
Total liabilities		**540.0**	**527.8**
Total equity and liabilities		**1,317.3**	**1,304.8**

Consolidated Statement of Cash Flows

MEUR	Note	2020	2019
Operating activities			
Profit for the period		51.1	30.9
Adjustments to reconcile profit to net cash flows			
Depreciation, amortisation and impairment		35.5	33.4
Gains and losses on disposal of fixed and other non-current assets		-4.8	-5.3
Share in results of associated companies		-24.5	-6.2
Unrealised foreign exchange gains and losses		0.5	-3.1
Change in fair value of investment properties and biological assets		-8.1	-9.3
Other non-cash items		-8.9	
Financial income and expenses		6.2	6.2
Income taxes		10.2	7.3
Other adjustments		0.1	-1.3
Change in working capital			
Change in inventories		11.4	18.6
Change in trade and other receivables		7.1	3.6
Change in trade and other payables		-5.0	-24.7
Change in provisions		3.7	-1.1
Interest paid		-4.7	-6.2
Dividends received		11.9	13.5
Interest received			0.3
Other financing items		-1.6	0.1
Income taxes paid		-2.0	-10.1
Net cash flows from operating activities		**77.9**	**46.5**

MEUR	Note	2020	2019
Investing activities			
Investment in associated companies		-6.1	-19.4
Proceeds from associated companies		0.7	
Purchase of financial investments		-0.4	
Investments in tangible and intangible assets		-21.5	-33.3
Disposal of tangible and intangible assets		6.1	9.0
Loans granted		-14.4	
Repayment of loan receivables		0.3	2.4
Net cash flows from / used in investing activities		**-35.2**	**-41.4**
Financing activities	28		
Loan withdrawals, non-current		35.4	29.9
Loan repayments, non-current		-0.2	-20.6
Loan withdrawals, current		74.0	55.2
Loan repayments, current		-69.3	-39.3
Change in current borrowings		-28.7	8.9
Purchase of treasury shares		-0.2	-3.2
Acquisition of non-controlling interest		-1.7	-1.1
Payment of lease liabilities		-11.2	-10.6
Dividends paid		-30.1	-30.1
Net cash flows from / used in financing activities		**-32.2**	**-10.9**
Net change in cash and cash equivalents		**10.5**	**-5.7**
Cash and cash equivalents on January 1		84.5	90.6
Net foreign exchange difference		-0.9	-0.3
Cash and cash equivalents on December 31	**27**	**94.2**	**84.5**

Consolidated Statement of Changes in Equity

	Equity attributable to owners of the parent company											
MEUR	Share capital	Share premium	Reserve for invested non-restricted equity	Treasury shares	Fair value reserve	Hedging reserve	Legal reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
January 1, 2020	**38.8**	**12.8**	**104.3**	**-3.0**	**0.0**	**0.8**	**2.9**	**-10.2**	**630.5**	**776.8**	**0.2**	**777.0**
Profit for the period									51.1	**51.1**		**51.1**
Other compehensive income					0.2	0.3		-20.0	1.5	**-18.1**		**-18.1**
Total comprehensive income					0.2	0.3		-20.0	52.5	**33.0**		**33.0**
Acquisition of treasury shares				-1.5						**-1.5**		**-1.5**
Invalidation of treasury shares				3.0					-3.0	**0.0**		**0.0**
Dividends paid									-30.1	**-30.1**		**-30.1**
Reclassifications							0.4		-0.4	**0.0**		**0.0**
Share of direct equity entries in associates									-0.8	**-0.8**		**-0.8**
Change in non-controlling interests										**0.0**	-0.2	**-0.2**
December 31, 2020	**38.8**	**12.8**	**104.3**	**-1.5**	**0.2**	**1.1**	**3.3**	**-30.2**	**648.7**	**777.4**	**0.0**	**777.4**

MEUR	Share capital	Share premium	Reserve for invested non-restricted equity	Treasury shares	Fair value reserve	Hedging reserve	Legal reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
January 1, 2019	**38.8**	**12.8**	**104.3**	**-2.9**	**0.0**	**-0.1**	**2.3**	**-12.3**	**638.7**	**781.7**	**0.8**	**782.4**
Profit for the period									30.8	**30.8**		**30.9**
Other compehensive income						0.9		1.5	-3.3	**-0.9**		**-0.9**
Total comprehensive income						0.9		1.5	27.5	**29.9**		**30.0**
Acquisition of treasury shares				-3.0						**-3.0**		**-3.0**
Invalidation of treasury shares				2.9					-2.9	**0.0**		**0.0**
Dividends paid									-30.1	**-30.1**		**-30.1**
Reclassifications							0.5		-0.5	**0.0**		**0.0**
Share of direct equity entries in associates									-0.9	**-0.9**		**-0.9**
Other changes								0.6	-0.6	**0.0**		**0.0**
Change in non-controlling interests									-0.7	**-0.7**	**-0.6**	**-1.2**
December 31, 2019	**38.8**	**12.8**	**104.3**	**-3.0**	**0.0**	**0.8**	**2.9**	**-10.2**	**630.5**	**776.8**	**0.2**	**777.0**

Notes to the Consolidated Financial Statements

1. Corporate information

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

The consolidated financial statements of Ahlström Capital Oy (parent company) and its subsidiaries (collectively, the Group) for the year ended December 31, 2020 were authorised for issue in accordance with a resolution of the Board of Directors on March 2, 2021. Under the Finnish Limited Liability Companies Act, shareholders may approve or reject the financial statements at the General Meeting held following their publication. The General Meeting may also take the decision to amend the financial statements.

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

Information on the Group's structure is provided in Note 5.

2. Basis of preparation, consolidation and significant accounting policies

2.1 Basis of preparation

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) by applying IAS and IFRS standards and their SIC and IFRIC interpretations, which were in force as at December 31, 2020. International Financial Reporting Standards refer to the standards, and their interpretations, approved for application in the EU in accordance with the procedures stipulated in the EU's regulation (EC) No. 1606/2002 and embodied in Finnish accounting legislation and the statutes enacted under it. The notes to the consolidated financial statements also comply with the Finnish accounting and corporate legislation.

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

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as per December 31, 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Usually the control is formed when an entity holds 50% (or more) of the voting rights. Specifically, the Group controls an investee if and only if the Group has:

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interests;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in the statement of income; and
- reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 Summary of significant accounting policies

Business combinations and goodwill

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

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

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

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

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

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

Investment in associates and joint arrangements

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

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

A joint arrangement is a joint venture or a joint operation. A joint venture is an arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. In

joint operation the parties have rights and obligations related to assets and liabilities of the arrangement. The Group has joint operations in its Infrastructure and construction services.

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

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

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

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

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

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

Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

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

Fair value measurement

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

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

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

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

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

Revenue from contracts with customers

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

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

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

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

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

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

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

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

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

Government grants

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

Income taxes

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

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

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

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

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

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

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

Foreign currencies

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

Foreign currency transactions

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

Foreign operations

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

Non-current assets held for sale and discontinued operations

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

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

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

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

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

Property, plant and equipment

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

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

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

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

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

Leases

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

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

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

Borrowing costs

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

Biological assets

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

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

Investment properties

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

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

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

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

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

Intangible assets

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

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

Other intangible assets, e.g. customer relationships, acquired in business combinations are recorded at fair value at the acquisition date. These intangible assets have a definite useful life and are carried at cost less accumulated straight-line amortisation over the expected life of the intangible asset.

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

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

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

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

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

Financial assets

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

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

Financial assets at amortised cost

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

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

Financial assets at fair value through other comprehensive income

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

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

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

Financial assets at fair value through profit or loss

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

Derecognition of financial assets

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

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

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

Impairments

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

Financial liabilities

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

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

Financial liabilities recognised at fair value through the statement of income

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

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

Financial liabilities measured at amortised cost

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

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

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

Derivative financial instruments and hedge accounting

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

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

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

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

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

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

Inventories

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

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

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

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

Impairment of non-financial assets

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

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

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

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such an indication exists, the Group estimates the recoverable amount of the asset or CGU. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is

limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

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

Cash and cash equivalents

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of income net of any reimbursement. Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

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

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

Contingent liabilities

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

Pensions and other post-employment benefits

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

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

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

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

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

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

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

Share-based payments

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

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

See Note 14 for further information.

3. Significant accounting judgements, estimates and assumptions

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

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

Fair valuation of investment properties

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

Biological assets

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

Share-based payments

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

Income taxes

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

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

Pension benefits

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

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

Fair value measurement of financial assets and liabilities

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

Revenue from contracts with customers

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

Goodwill impairment testing

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

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

Segment information

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

External Fair Value (EFV) of the share

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

Loan-to-value ratio (LTV)

The Loan-to-value ratio (LTV) measures the relationship between indebtedness and the fair value of the assets, to which loans and other liability adjustments, such as deferred tax liabilities, minority interest and other relevant adjustments that have been applied to the EFV have been returned. LTV ratio is appraised at each reporting date. The LTV ratio is also used as a financial covenant between Ahlström Capital Group and financial institutions.

Comparable Operating Profit

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

Note 4. New and amended IFRS standards

New and amended standards applied in financial year ended December 31, 2020

The Group has assessed the new and amended standards that have come into effect as from January 1, 2020. These standards have not had any impact on the Ahlström Capital Group.

Adoption of new and amended standards in future financial years

The new or amended standards or interpretations as amendments to IAS 1 Presentation of Financial Statements and annual improvements to IFRS Standards applicable from January 1, 2021 or later are assessed in the Ahlström Capital Group. These standards and interpretations are adopted if applicable to the Group.

Note 5. Group information

Information about subsidiaries and associated companies

The consolidated financial statements of the Group include:

Subsidiaries	Country of incorporation	Activities	% equity interest 2020	% equity interest 2019
A. Ahlström Kiinteistöt Oy	Finland	Real Estate	100	100
A. Ahlström Asunnot Oy	Finland	Holding	100	
H11 Holding Oy	Finland	Holding	100	100
Kiinteistö Oy Hankasuontie 11A	Finland	Real Estate	100	100
Keskinäinen Kiinteistöosakeyhtiö Uudenmaankatu 24	Finland	Real Estate	100	100
Kiinteistö Oy Lahden Kulmala	Finland	Real Estate	100	100
Rakennus Oy Kivipalatsi	Finland	Holding	100	100
Ahlström Konsernipalvelut Oy	Finland	Holding	100	100
AC Cleantech Management Oy	Finland	Holding	100	100
AC Infra Oy	Finland	Holding	100	100
AC Infra PPP Oy	Finland	Holding	100	100
Destia Group Oyj	Finland	Holding	100	100
Destia Oy	Finland	Production and sales	100	100
Destia Rail Oy	Finland	Production and sales	100	100
Finnroad Oy	Finland	Production and sales	100	100
Destia International Oy	Finland	Production and sales	100	100
Zetasora Oy	Finland	Dormant	100	100
Destia Nesta Oy	Finland	Dormant	100	100
Destia Eesti OÜ	Estonia	Dormant	100	100
Destia Sverige AB	Sweden	Dormant	100	100
Its-Forsterkning AS	Norway	Production and sales	100	100
Ahlstrom Capital B.V.	Netherlands	Holding	100	100
Ahlstrom Invest B.V.	Netherlands	Holding	100	100
AC Invest Nine B.V.	Netherlands	Holding	100	100
ACEMS B.V.	Netherlands	Holding	100	100
Enics AG	Switzerland	Holding	100	99.8
Enics Eesti AS	Estonia	Production and sales	100	100
Enics Electronics (Beijing) Ltd.	China	Production and sales	100	100
Enics Electronics (Suzhou) Ltd.	China	Production and sales	100	100
Enics Finland Oy	Finland	Production and sales	100	100
Enics Hong Kong Ltd.	China	Production and sales	100	100
Enics Malaysia SDN BHD	Malaysia	Production and sales	100	
Enics Raahe Oy	Finland	Production and sales	100	100

Name	Country of incorporation	Activities	% equity interest 2020	% equity interest 2019
EKC Electronics (Suzhou) co, Ltd	China	Dormant	100	100
Enics Schweiz AG	Switzerland	Production and sales	100	100
Enics Slovakia s.r.o.	Slovakia	Production and sales	100	100
Enics Sweden AB	Sweden	Production and sales	100	100
DutchCo Alpha Holding B.V.	Netherlands	Holding	100	100
AC Bucharest Real Estate Holding B.V.	Netherlands	Holding	100	100
BDY Invest S.R.L	Romania	Real Estate	100	100
Kasarmi Real Estate Holding B.V.	Netherlands	Holding	100	100
DutchCo Epsilon Holding B.V.	Netherlands	Holding	100	100

Associated companies and joint ventures	Country	Activities	% equity interest 2020	% equity interest 2019
AC Cleantech Growth Fund I Ky	Finland	Holding	29.0	29.0
Ahlstrom-Munksjö Oyj *	Finland	Production and sales	18.7	18.7
Detection Technology Plc	Finland	Production and sales	36.7	36.7
Glaston Corporation	Finland	Production and sales	26.4	26.4
Suominen Corporation	Finland	Production and sales	24.0	24.0
Åbyntie Gp Oy	Finland	Holding	50.0	50.0
Åbyntien Kiinteistöt Ky	Finland	Holding	50.0	50.0

Divestments, liquidations, mergers	Country	2020
AC Invest Two B.V.**	Netherlands	Merged
AC Invest Seven B.V.**	Netherlands	Merged
AC Invest Eight B.V.**	Netherlands	Merged
Destia Engineering Oy	Finland	Merged

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

** During 2020, internal restructurings were carried out in the Group. The ownership of Detection Technology Plc, Glaston Corporation and Suominen Corporation was concentrated through mergers of AC Invest Two B.V., AC Invest Seven B.V. and AC Invest Eight B.V. to Ahlström Capital B.V.

Note 6. Revenue from contracts with customers

Revenue recognition

The Group generates revenue primarily from the sales of Infrastructure and construction services as well as Electronics manufacturing services. Other sources of revenue include mainly forestry and real estate income.

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

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

Distribution of revenue by business

MEUR	2020	2019
Infrastructure and construction	563.8	569.9
Electronics manufacturing services (EMS)	502.2	583.2
Forestry	9.7	9.7
Real estate	8.3	8.4
Others	1.3	2.1
	1,085.3	**1,173.2**

Distribution of revenue by area

2020 MEUR	Electronics manufacturing services (EMS)	Infrastructure and construction	Forestry	Real estate	Others	Total
Finland	90.4	557.5	9.7	8.3	1.3	667.1
Other Europe	267.4	5.9				273.3
Rest of the world	144.5	0.4				144.9
	502.2	**563.8**	**9.7**	**8.3**	**1.3**	**1,085.3**

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

Timing of the revenue recognition

2020 MEUR	Electronics manufacturing services (EMS)	Infrastructure and construction	Forestry	Real estate	Others	Total
At a point in time	499.4	17.5	9.7	8.3	1.3	536.2
Over time	2.8	546.3				549.1
	502.2	**563.8**	**9.7**	**8.3**	**1.3**	**1,085.3**

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

Transaction price allocated to the remaining obligation

MEUR	2020	2019
Within one year	358.3	324.4
More than one year	352.2	441.1
	710.5	**765.5**

Contract balances

MEUR	2020	2019
Contract assets	15.9	20.0
Contract liabilities	-42.2	-35.5
	-26.3	**-15.4**

Change in contract assets and liabilities is due to invoicing of ongoing projects and ordinary project allocations. The contract assets primarily relate to the Group's rights to consideration for work completed but not invoiced at the reporting date. The contract assets are transferred to receivables when they are invoiced. The contract liabilities relate to the advance consideration received from customers.

Note 7. Other operating income

MEUR	2020	2019
Gain on sale of other tangible and intangible assets	4.7	5.4
Change in fair value of investment properties	9.0	2.3
Change in fair value of biological assets	8.9	9.2
Other	5.7	4.4
	28.3	**21.2**

Note 8. Materials and services

MEUR	2020	2019
Purchases during the period	-438.7	-494.7
External services	-306.6	-307.7
Change in raw material inventories	-5.8	-21.4
Change in inventories of finished goods and work in progress	-5.7	2.9
	-756.7	**-821.0**

Note 9. Other operating expenses

MEUR	2020	2019
IT-expenses	-12.3	-11.4
External services	-7.3	-9.4
Non-statutory employee benefits	-6.0	-6.4
Rental expenses	-2.5	-1.9
Change in fair value of investment properties	-0.9	-2.2
Other expense items	-43.3	-53.2
	-72.3	**-84.5**

Other expense items mainly consists of travelling costs, maintenance and repair costs of real estate and variable other expenses as energy and leased manpower. Rental expenses consist of expenses related to short-term contracts or assets of low value items to which the Group has elected to apply IFRS 16 practical expedients.

Research and development costs recognised in the Statement of Income amount to EUR -3.6 million in 2020 (-2.6). The research and development costs relate to personnel and other costs. There were no capitalised development expenditures during the reporting period (0.1).

Auditor's fee

MEUR	2020	2019
Audit fee	-0.4	-0.4
Audit related services	-0.1	
Tax consultancy	-0.1	
Other services	-0.1	-0.2
	-0.7	**-0.6**

Note 10. Government grants

The government grants in the statement of income total EUR 1.9 million (0.2). In 2020, government grants were mainly received to cover certain social security costs and compensation for Covid-19. In 2019, government grants mainly relate to export compensation, employment related items and credit insurance from the Government. There are no unfulfilled conditions or contingencies attached to these grants.

Note 11. Financial income

MEUR	2020	2019
Interest income	0.7	0.7
Dividends	0.7	
Foreign exchange net change	0.2	0.6
Gain on assets at fair value through profit and loss		1.6
Change in fair value, derivatives		0.1
Other financial income		0.5
	1.7	**3.6**

Note 12. Financial expenses

MEUR	2020	2019
Interest expenses from financial liabilities	-4.0	-5.2
Interest expenses on leases	-1.0	-1.1
Other financial expenses	-2.0	-1.9
Change on assets at fair value through profit and loss	-0.7	-0.2
	-7.7	**-8.4**

Note 13. Employee benefits and number of employees

Employee benefits

MEUR	2020	2019
Wages and salaries and other remunerations	-170.6	-178.6
Pension costs	-19.3	-22.8
Other wage-related costs	-16.4	-17.4
	-206.4	**-218.9**
CEO's salaries	-0.5	-0.5
Remunerations to Board members	-0.5	-0.5

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

Average number of personnel

	2020	2019
Salaried	1,890	2,815
Blue-collar	3,022	2,461
	4,912	**5,276**

LTI program in Ahlström Capital Oy

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

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

The Company's LTI program currently includes three consecutive and overlapping three-year performance periods: 2018–2020, 2019–2021 and 2020–2022. The first program ending 2020 did not result in any reward. The reward for the performance period will be payable the year after the period ends.

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

LTI program in Destia Group Oyj

At Destia, there are three long-term incentive programs for the management covering years 2018–2020, 2019–2021 and 2020–2022. The purpose of the programs is to commit certain key persons to the company and offer them a competitive reward scheme. Destia's Board of Directors decides on the long-term incentive programs and persons covered by them. The criteria for the long-term incentive program are the same for all people belonging to the program. These criteria apply to the whole Destia Group and differ from the bonus scheme criteria. The earnings criterion is the value increase of the company.

The program for 2018–2020 covered 42 persons. Earnings period is 2018–2020. Remuneration accumulated in the earnings period will be paid in cash no later than in 2021. The program for 2019–2021 covers 56 persons. Earnings period is 2019–2021. Remuneration accumulated in the earnings period will be paid in cash no later than in 2022. The program for 2020–2022 covers 54 persons. Earnings period is 2020–2022. Remuneration accumulated in the earnings period will be paid in cash no later than in 2023.

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

The effect of the above mentioned LTI programs in Ahlström Capital Group's employee benefits expense in 2020 was EUR 2.7 million (1.6) and related liability at the end of 2020 was EUR 5.2 million (3.3).

Note 14. Share-based payments

The Group had an option plan at Enics for certain management and key employees effective from 1.1.2015. The option plan was closed at the end of December 2020. Expenses recognised during 2020 amounted to EUR 0.3 million. During the years 2020 and 2019 no options were converted to original shares.

Option plan 2010

An old option plan was closed during the previous financial year when all remaining options were purchased from the participants.

Option Plan 2015 (Enics Share Awards Plan)

The Group had an additional option plan for certain management and key employees effective from 1.1.2015. The option awards were granted to participants free of charge. Participants were entitled to cash compensation of fair market value minus deemed strike price on December 31, 2020 for all unvested options. The options can also vest earlier should there be significant changes in company's ownership.

The Enics Share Awards Plan was closed at year end 2020. The fair market value has declined due to Covid-19 and therefore the option plan has lost its value. All remaining options have been forfeited and the remaining liability has been released to income statement.

Note 15. Pension and other post-employment benefit plans

Net employee defined benefit liability

MEUR	2020	2019
Finland	5.6	2.7
Switzerland	4.0	4.2
	9.6	**6.9**

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

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

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

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

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

MEUR	2020	2019
January 1	6.9	5.3
Cost charged to statement of income		
Service cost of current period	1.0	0.9
Jubilee plans	-0.2	0.1
Remeasurement gains/losses in other comprehensive income		
Actuarial gains/losses	-1.2	1.6
Benefits paid	-1.1	-1.2
Exchange difference		0.1
Other changes		
Contributions made to the liability	4.1	
December 31	**9.6**	**6.9**

The expected benefit payments for the following financial year are EUR 1.1 million (1.3).

The main actuarial assumptions

	2020	2019
Discount rate	0.5%	0.4%
Future salary increases	1.0%	0.9%
Future pension increases *	1.2%	1.3%

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

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

	2020		2019	
	Change in assumption %	Impact on net pension provision MEUR	Change in assumption %	Impact on net pension provision MEUR
Discount rate	+ 0.25	- 2.7	+ 0.25	- 2.6
	- 0.25	+ 2.9	- 0.25	+ 2.8
Future salary increases*	+/- 0.25	+ / - 0.1	+/- 0.25	+ / - 0.1
Future pension increases*	+/- 0.25	+ / - 1.0	+/- 0.25	+ / - 1.0

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

Note 16. Income tax

The major components of income tax expense

MEUR	2020	2019
Consolidated statement of income		
Current income tax		
Current tax expense	-5.4	-5.6
Taxes from previous years	-0.1	-0.7
Deferred tax		
Change in deferred taxes	-4.8	-1.1
Income tax expense reported in the statement of income	**-10.2**	**-7.3**
Consolidated statement of other comprehensive income		
Deferred tax related to items recognised in OCI during the year		
Related to remeasurements of defined benefit plans		0.5
Income tax charged to other comprehensive income		**0.4**

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

MEUR	2020	2019
Profit before tax	61.3	38.2
Tax calculated using Finnish tax rates (20%, 2019: 20%)	-12.3	-7.6
Difference between Finnish and foreign tax rates	-0.5	0.5
Share in results of associated companies	4.9	1.3
Non-taxable income	0.2	0.7
Taxable income not included in the profit	-0.4	
Non-deductible expenses	-1.2	-0.6
Utilisation of previously unrecognised tax losses	0.1	0.1
Loss for the period, for which no deferred tax asset is recognized	-1.2	-0.5
Adjustments of previous years current income tax	-0.1	-0.7
Other	0.1	-0.5
Effective income tax 16.7% (19.2)	**-10.2**	**-7.3**
Total income tax for the period	**-10.2**	**-7.3**

Note 17. Deferred tax

Change in deferred tax assets

2020 MEUR	January 1	Recognised in the statement of income	Recorded directly into equity	Translation difference	December 31
Pension benefits	0.8	0.8	-0.2		1.4
Provisions	1.9	0.1			2.0
Inventories internal margin	0.1				0.1
Investment properties	0.4				0.4
Interest	1.7	-0.5			1.1
Other	2.7	-0.7		-0.1	2.0
	7.6	**-0.3**	**-0.2**	**-0.1**	**7.0**

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

Change in deferred tax liabilities

2020 MEUR	January 1	Recognised in the statement of income	December 31
Intangible assets and property, plant and equipment	3.2	0.1	3.3
Investment properties	10.4	2.2	12.6
Biological assets	18.5	1.8	20.3
Other	-0.2	0.4	0.2
	32.0	**4.5**	**36.5**

2019 MEUR	January 1	Recognised in the statement of income	Translation difference	December 31
Intangible assets and property, plant and equipment	3.5	-0.2	-0.1	3.2
Investment properties	9.8	0.6		10.4
Biological assets	16.7	1.8		18.5
Other	1.0	-1.2		-0.2
	31.0	**1.1**	**-0,1**	**32.0**

Reflected in the Statement of Financial Position

MEUR	2020	2019
Deferred tax assets	7.0	7.6
Deferred tax liabilities	36.5	32.0
Deferred tax assets/liabilities, net	**-29.5**	**-24.4**

On December 31, 2020, the Group had tax loss carry forwards of EUR 19.3 million in total of which EUR 1.5 million has no expiration period. Regarding losses amounting to EUR 19.3 million no deferred tax asset was recognised due to the uncertainty of utilisation of these tax loss carry forwards.

Note 18. Intangible assets

2020 MEUR	Goodwill	Intangible rights	Development costs	Other intangible assets	Total
Acquisition cost					
January 1	84.5	34.1	0.2	0.8	119.6
Additions		0.1			0.1
Disposals		-0.4	-0.1		-0.5
Reclassification		1.7			1.7
December 31	84.5	35.5	0.1	0.8	120.9
Accumulated amortisation and impairment					
January 1		-28.3		-0.6	-28.9
Amortisation for the year		-3.2	-0.1	-0.2	-3.5
Disposals		0.4			0.4
Reclassification		0.1			0.1
December 31		-31.0	-0.1	-0.8	-31.9
Net book value December 31, 2020	**84.5**	**4.4**	**0.0**	**0.0**	**89.0**

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

Note 19. Impairment testing of goodwill

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

Carrying amount of goodwill allocated to the CGUs

MEUR	2020	2019
Destia	83.6	83.6
Enics	0.9	0.8
	84.5	**84.5**

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

Key assumptions used in value in use calculations

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

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

WACC rates are defined by external valuers as part of the valuation processes. The discount rates used were the following: Destia 8.3% and Enics 10.3%.

Growth rate estimates - Rates are based on perceived long-term economic growth prospects, which are based on recorded historic average growth rates of the advanced economies, which are generally around 2% per annum. Our companies are expected to grow organically, generally in tandem with the economy. Due to the slower long-term economic growth expectations, the growth rate used in value in use calculations is 1.6% per annum.

Sensitivity to changes in assumptions

Sensitivity analysis on Destia with a 0% long-term growth will not imply a writedown; higher growth rates imply increased values in use. Similarly higher discount rates will yield a writedown need only at unrealistically high levels. The sensitivity analysis with assumptions of WACC with +1.0 per cent point higher and terminal year EBIT margin with -1.0 per cent point change gives the valuation still significantly above values in use.

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

Note 20. Investment properties

MEUR	2020	2019
January 1	141.1	135.9
Impact of implementation of IFRS 16		2.3
Additions	1.2	2.9
Disposals	-0.4	-0.2
Change in fair value	8.1	0.1
December 31	**149.9**	**141.1**

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

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

On December 31, 2020, the fair values of the investment properties are mostly based on valuations performed by an accredited external independent valuer covering the total value of built investment properties. The rest of the investment properties consists of forest land and other land areas.

In 2020, Ahlström Capital Oy started investments to improve energy efficiency in Eteläesplanadi 14. The target is to achieve a neutral carbon footprint in 2021. Additionally, the agreement on the final acceptance of the development project in Hankasuontie 11 A property was concluded in February 2020.

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

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

Profit arising from investment properties carried out at fair value

MEUR	2020	2019
Rental income derived from investment properties	7.2	7.6
Direct operating expenses generating rental income	-2.9	-3.1
	4.3	**4.6**

Note 20. Investment properties (cont.)

Specification by use of the investment properties

2020 MEUR	Office and retail properties	Factory and logistics properties	Forest land	Unbuilt land and other properties
January 1	105.6	18.9	10.5	6.1
Additions	1.0		0.2	0.1
Disposals				-0.4
Change in fair value	0.5	0.3	7.2	0.1
December 31	**107.1**	**19.2**	**17.9**	**5.8**

2019 MEUR	Office and retail properties	Factory and logistics properties	Forest land	Unbuilt land and other properties
January 1	105.1	16.3	8.3	6.2
Impact of implementation of IFRS 16		2.3		
Additions	2.6		0.3	
Disposals				-0.1
Change in fair value	-2.1	0.3	1.9	
December 31	**105.6**	**18.9**	**10.5**	**6.1**

Sensitivity analysis

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

MEUR	2020	2019
Yield -0.5 percentage point	131.4	129.6
Yield +/-0 percentage point	126.3	124.5
Yield +0.5 percentage point	121.4	120.0

Note 21. Biological assets

The Group's biological assets consist of growing stock. Its forest assets are approximately 34,000 hectares. The total volume of growing stock in the company's forests is 5.4 million m3. In 2020 the harvested industrial wood quantity was approximately 156,000 m3 (167,000). The harvested energy wood quantity was 18,000 m3 (16,000). In 2020, the Group purchased around 315 hectares of forest. Total effect in forest assets was EUR 1.6 million.

The valuation of forests assets is prepared by using the discounted future cash flows that are based on the Group's forest management and harvesting plan. The timber prices assumed in the cash flow model were estimated with the use of the 5-year regional averages during 2015–2020. In 2020 the Finnish national growth model was updated which reflects more accurately the current real growth. These are the main reasons for the increase in both land and biological asset value. The growth of forests has increased based on good and sustainable forestry. This change results in higher harvesting yields and related cashflows. Besides the growth models, the same assumptions were applied in both simulations. The fair value effect is specified in the table on the following page. The cashflows from biological assets include growing stock until final cutting and the value of bare forest land is discounted from all cashflows from regeneration until final cutting.

The discount rate used for valuation is 4.6% (4.6) real weighted-average-cost-of-capital (WACC). The discount rate is the same than used in the previous valuations and the study of the used discount rate was made by an external valuer in 2020. The WACC incorporates the capital structure of the forest owning company as well as the cost of different financing types. The cashflows are calculated without inflation and the discount rate used is pre-tax real WACC.

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

The land of forest areas is reported as investment property according to IAS 40 (Note 20). The value of forest land was EUR 17.9 million in 2020 (10.5). The total value of growing stock and forest land was EUR 152.8 million in 2020 (135.2).

Note 21. Biological assets (cont.)

The change in the value of the growing forests

2020 MEUR	Biological assets	Forest land*	Forest total
January 1	124.7	10.5	135.2
Additions	1.4	0.2	1.6
Disposals	-0.1		-0.1
Change due to harvesting	-5.9		-5.9
Change due annual growth	6.2		6.2
Change in fair value	8.7	7.2	15.9
December 31	**134.9**	**17.9**	**152.8**

2019 MEUR	Biological assets	Forest land*	Forest total
January 1	113.4	8.3	121.7
Additions	2.3	0.3	2.6
Disposals	-0.2		-0.2
Change due to harvesting	-5.8		-5.8
Change due annual growth	6.7		6.7
Change in fair value	8.4	1.9	10.3
December 31	**124.7**	**10.5**	**135.2**

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

Sensitivity analysis

A sensitivity analysis for the value of growing stock has been conducted to reflect the uncertainties in future development. The analysis show that changes in timber prices and discount rates have a relevant effect on the value of forest assets. Changes in operational costs have a minor effect.

2020	Discount rate		
MEUR	3.6%	4.6%	5.6%
Timber prices -10%	147.5	117.9	96.9
Timber prices +10%	183.1	146.6	120.8
Stable prices and costs	165.3	134.9	108.9
Costs -10%	166.4	133.3	109.8
Costs +10%	164.2	131.3	108.0

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

Note 22. Property, plant and equipment

2020 MEUR	Land and water areas	Land areas, right-of-use	Buildings and constructions	Buildings, right-of-use	Machinery and equipment	Machinery and equipment, right-of-use	Other tangible assets	Advances paid and construction in progress	Total
Acquisition cost									
January 1	6.6	0.5	41.2	28.5	150.8	14.5	26.6	3.6	272.2
Additions		0.2		8.2	4.5	3.1	1.0	12.4	29.4
Disposals	-0.1		-0.8	-1.7	-6.1	-1.2	-0.2	-0.1	-10.2
Revaluation		-0.1		-1.2					-1.4
Reclassification			0.4		6.9		0.2	-9.3	-1.8
Exchange differences			-0.2	0.1	-0.1				-0.3
December 31	6.5	0.5	40.6	33.9	156.1	16.3	27.6	6.6	288.1
Accumulated depreciation and impairment									
January 1		-0.1	-21.1	-7.4	-87.2	-5.3	-6.6		-127.7
Depreciation for the year		-0.1	-1.9	-7.8	-16.4	-3.7	-1.0		-31.0
Impairment	-0.1		-0.2		-0.6				-1.0
Disposals			0.5	1.6	5.8	1.1			9.0
Exchange differences			0.1						0.1
December 31	-0.1	-0.2	-22.6	-13.6	-98.4	-7.9	-7.6		-150.4
Net book value									
December 31, 2020	**6.4**	**0.3**	**17.9**	**20.2**	**57.7**	**8.4**	**20.0**	**6.6**	**137.7**

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

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

On December 31, 2020, the Group had contractual commitments EUR 3.5 million total (1.8) and recognised relating to these commitments EUR 1.3 million (1.6) in advances paid and constructions in progress. The Group had 2.0 million (1.2) unrecognised IFRS 16 leasing commitments mainly related to buildings, right-of-use, for future periods, on December 31, 2020.

Note 23. Leases

The Ahlström Capital Group has recognised land areas, office and other premises and machinery as right-of-use assets based on its leasing contracts. A leased land area that is part of a property classified as an investment property, is recognised according to IAS 40. Right-of-use assets are presented in asset groups in note 22. At the end of December 2020 the Group had 2.0 million (1.2) unrecognised IFRS 16 leasing commitments for future periods.

Right-of-use assets*

MEUR	2020	2019
January 1	32.9	
Impact of implementation of IFRS 16		35.0
Reclassification of IAS 17 assets		1.1
Additions	11.5	9.4
Disposals	-0.2	-1.3
Depreciation	-11.7	-10.8
Revaluation	-1.4	-0.5
Change in fair value	-0.1	-0.1
Exchange differences	0.1	
December 31	**31.2**	**32.9**

*Including leasing contract classified to investment property

The value of right-of-use assets is discounted by using the incremental borrowing rate for the company or the internal rate of return on leasing contracts if available. The discount rate is among other things affected by the leased asset, leasing period, location and currency. The discount rates used in the Group range from 1.1% to 6.0%.

Lease liabilities

MEUR	2020	2019
Non-current lease liabilities	21.5	23.2
Current lease liabilities	10.6	10.3
	32.2	**33.5**

IFRS 16 has an impact on profit and loss through depreciations, material and services, other operating expenses and financial expenses. Assets which are classified as investment property are not depreciated but the revaluation is recognised as change in fair value in other operating expenses. Short-term and low-value leases are recognised in profit and loss. Other leasing expenses consist mainly service components of leased assets such as management fees. The total expenses of right-of-use assets and other leases in the statement of income is EUR 25.2 million (24.8). Total cash outflow from leasing contracts is EUR 24.6 million (25.2).

Amounts recognised in profit and loss

MEUR	Note	2020	2019
Depreciation right-of-use assets	22	-11.7	-10.9
Change in fair value of investment properties	20	-0.1	-0.1
Expenses related to short-term leases		-4.6	-5.0
Expenses related to low-value leases		-6.2	-7.0
Other leasing expenses		-1.6	-0.7
Interest on lease liabilities	12	-1.0	-1.1
		-25.2	**-24.8**

Note 24. Investments in associated companies and joint ventures

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

Ahlstrom-Munksjö

At the end of December 2020, the Group had an 18.7% interest in Ahlstrom-Munksjö Oyj. Ahlstrom-Munksjö is a global leader in fibre-based materials, supplying innovative and sustainable solutions to its customers.

The voluntary public tender offer of all Ahlstrom-Munksjö shares was announced in September 2020. In February 2021, 90% of all shares had tendered.

Suominen

At the end of December 2020, the Group had an 24.0% interest in Suominen Oyj. Suominen is a globally leading supplier in the nonwovens industry. The company manufactures nonwovens as roll goods for wipes and for hygiene products and medical applications.

Detection Technology

At the end of December 2020, the Group had an 36.7% interest in Detection Technology. Detection Technology is a global provider of X-ray imaging subsystems, components and services for medical, security and industrial applications. Detection Technology prepares its Financial Statements according to the Finnish Accounting Act.

Glaston

At the end of December 2020, the Group had an 26.4% interest in Glaston. Glaston is the glass processing industry's innovative technology leader supplying equipment, services and solutions to the architectural, automotive, solar and appliance industries. The company also supports the development of emerging technologies integrating intelligence to glass.

Cleantech Fund

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

Åbyntien Kiinteistöt

In December 2019, Ahlström Capital signed an agreement to participate in a joint venture in relation to a real estate development investment. Subsequently, Åbyntie GP Oy and Åbyntien Kiinteistöt Ky became joint ventures to the Group. In December 2020, the carrying amount of the investment was EUR 6.1 million. The investment is expected to be completed during 2021.

New Investments

At the end of year 2020, a conditional agreement to acquire 25% ownership in Avain Yhtiöt was signed. A binding agreement was signed in February 2021. Avain Yhtiöt is a Finnish group specialising in building and owning apartments. The company owns more than 9,000 apartments, and more than 1,000 apartments are under construction.

Changes in investments in associates

MEUR	2020	2019
January 1	418.0	406.3
Share of profit/loss	24.5	6.2
Share of other comprehensive income items	-17.9	0.4
Share of direct adjustments to equity	-0.8	-0.9
Dividends and return of equity	-11.1	-13.5
Additions	6.1	19.4
Disposals	-0.6	
December 31	**418.2**	**418.0**

Note 24. Investments in associated companies (cont.)

Summarised financial information for associates

Summarised Statement of Comprehensive Income

	Ahlstrom-Munksjö		Suominen		Detection Technology		Glaston		AC Cleantech Growth Fund	
MEUR	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue	2,683.3	2,915.3	458.9	411.4	81.6	102.5	170.1	181.0		
Operating profit/loss	176.2	103.2	39.5	8.1	8.7	17.0	-0.5	-1.3	5.6	-1.9
Profit/loss for the period	**94.5**	**32.8**	**30.1**	**0.2**	**6.7**	**12.5**	**-5.5**	**-6.4**	**5.6**	**-1.9**
Other comprehensive income										
Items that will not be reclassified to statement of income	1.1	-8.3		0.1			1.9	-0.9		
Items that may be reclassified subsequently to statement of income	-77.0	10.4	-14.9	1.4			-1.1	-0.3		
Total comprehensive income for the period	**18.6**	**34.9**	**15.2**	**1.7**			**-4.7**	**-7.6**		

Summarised Statement of Financial Position

	Ahlstrom-Munksjö		Suominen		Detection Technology		Glaston		AC Cleantech Growth Fund	
MEUR	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Current assets	951.4	840.4	153.8	132.1	65.7	66.7	93.8	98.3	9.7	0.1
Non-current assets	2,172.0	2,360.8	163.5	178.0	10.1	10.3	113.5	118.4	7.1	11.0
Current liabilities	894.8	755.6	57.8	70.3	17.3	18.6	79.2	86.6		
Non-current liabilities	1,044.0	1,213.5	113.7	107.4			59.2	56.6	3.8	3.7
Equity	**1,184.6**	**1,232.0**	**145.9**	**132.5**	**58.5**	**58.4**	**68.9**	**73.4**	**12.9**	**7.3**

Investments in associates

	Ahlstrom-Munksjö		Suominen		Detection Technology		Glaston		AC Cleantech Growth Fund	
MEUR	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Group's share of the profit/loss for the period	17.4	5.9	7.2	0.1		2.2	-1.5	-1.6	1.3	-0.4
Group's share of the other comprehensive income	-14.1	0.4	-3.6	0.3	-0.4		0.2	-0.3		
Carrying amount of the investment	233.5	239.7	50.6	47.4	96.2	98.6	31.1	32.3	0.7	
Fair value of the investment	388.5	309.6	70.9	32.2	126.2	135.2	19.8	27.9		
Interest held	18.7%	18.7%	24.0%	24.0%	36.7%	36.7%	26.4%	26.4%	29.0%	29.0%
Dividend received	8.4	11.2	0.7		2.0	2.0		0.2		

Note 25. Inventories

MEUR	2020	2019
Raw materials	88.3	94.2
Work in progress	17.3	19.0
Finished goods	16.4	20.4
Advance payments for inventories	0.5	0.4
	122.6	**134.0**

Inventories are valued at the lower of cost and net realisable value. In 2020, EUR 2.3 million (2.2) impairment for obsolete inventories has been recognised in the consolidated statement of income.

Note 26. Current trade and other receivables

MEUR	2020	2019
Trade receivables	95.4	107.4
Trade receivables from associates	0.9	0.9
Contract assets	15.9	20.0
Other receivables	7.2	5.8
Loan receivables	17.7	4.1
Accrued receivables	13.7	6.5
Derivatives	0.3	1.3
	151.1	**146.1**

Trade receivables are non-interest-bearing and generally payments terms of 30 to 90 days. Portfolio companies asses their credit risk independently according to their business and credit policy. Part of the receivables are covered with a credit insurance when considered necessary. Some receivables are sold on a non-recourse basis. Covid-19 has not had any significant impact on portfolio companies' customer payment behaviour and there are no big increases in credit losses. Those receivables that are sold on a non-recourse basis, affect no credit losses to the Group. There is no significant risk concentration in receivables. Expected credit losses are assessed independently by portfolio companies. See Note 30 for more information.

Individually impaired trade receivables and contract assets

MEUR	2020	2019
January 1	0.8	1.0
Addition of provisions for expected losses	1.3	0.5
Unused amounts reversed	-1.1	-0.7
December 31	**1.0**	**0.8**

Ageing analysis of trade receivables and contract assets

Expected credit losses by ageing classes

	Trade receivables		Expected credit losses		Percentage of expected credit losses	
MEUR	2020	2019	2020	2019	2020	2019
Neither past due nor impaired	99.6	114.6	0.1	0.1	0%	0%
Past due but not impaired						
< 30 days	9.0	11.2	0.1	0.1	1%	1%
30–60 days	2.1	0.9	0.2	0.1	9%	9%
61–90 days	0.6	0.2	0.2	0.1	27%	23%
> 90 days	0.9	1.5	0.3	0.5	28%	25%
	112.2	**128.3**	**1.0**	**0.8**		

Note 27. Cash and cash equivalents

MEUR	2020	2019
Cash in hand and at bank	94.2	84.5
	94.2	**84.5**

Note 28. Financial assets and liabilities

2020 MEUR	At amortised cost	At fair value through profit and loss	At fair value through OCI	Total carrying amount
Non-current financial assets				
Other shares and securities		5.2		5.2
Interest-bearing loan receivables and financial assets	1.6	1.1		2.7
Interest-bearing loan receivables from associates	3.0			3.0
Other receivables	1.2			1.2
Current financial assets				
Trade and other receivables	77.6		55.5	133.1
Interest-bearing loan receivables and financial assets	14.4			14.4
Non-interest-bearing loan receivables and financial assets	3.3			3.3
Derivatives		0.3		0.3
Cash and cash equivalents	94.2			94.2
	195.3	**6.6**	**55.5**	**257.4**
Non-current financial liabilities				
Interest-bearing loans and borrowings				
Loans from financial institutions	129.1	6.6		135.7
Lease liabilities	21.5			21.5
Other financial liabilities	3.1			3.1
Current financial liabilities				
Interest-bearing loans and borrowings				
Loans from financial institutions	33.3	0.3		33.6
Bank overdrafts	15.7			15.7
Lease liabilities	10.6			10.6
Other liabilities	9.8			9.8
Derivatives		1.0		1.0
Trade and other payables	236.7			236.7
	459.8	**8.0**		**467.8**

2019 MEUR	At amortised cost	At fair value through profit and loss	At fair value through OCI	Total carrying amount
Non-current financial assets				
Other shares and securities		5.8		5.8
Interest-bearing loan receivables and financial assets	0.3	1.1		1.4
Interest bearing loan receivables from associates	2.9			2.9
Other receivables	0.6			0.6
Current financial assets				
Trade and other receivables	85.2		55.5	140.7
Interest-bearing loan receivables and financial assets	1.6			1.6
Non-interest-bearing loan receivables and financial assets	2.5			2.5
Derivatives		1.3		1.3
Cash and cash equivalents	84.5			84.5
	177.6	**8.3**	**55.5**	**241.4**
Non-current financial liabilities				
Interest-bearing loans and borrowings				
Loans from financial institutions	116.6			116.6
Lease liabilities	23.2			23.2
Other liabilities	0.5			0.5
Other financial liabilities	2.6			2.6
Current financial liabilities				
Interest-bearing loans and borrowings				
Loans from financial institutions	51.6			51.6
Lease liabilities	10.3			10.3
Other liabilities	17.0			17.0
Derivatives		2.0		2.0
Trade and other payables	239.9			239.9
	461.7	**2.0**		**463.7**

Note 28. Financial assets and liabilities (cont.)

Changes in liabilities arising from financing activities

2020 MEUR	January 1	Cash flows	Non-cashflow effect Changes in foreign exchange rates	Changes in fair values	Reclassification	New leases	Terminations of leasing contracts	December 31
Non-current interest bearing loans	117.2	35.2	-0.1		-16.5			135.7
Current interest bearing loans	68.5	-24.0	-0.4		15.0			59.1
Lease liabilities	33.5	-11.2	0.1			11.2	-1.4	32.2
	219.2	**-0.1**	**-0.5**		**-1.6**	**11.2**	**-1.4**	**226.9**

2019 MEUR	January 1	Cash flows	Non-cashflow effect Changes in foreign exchange rates	Changes in fair values	Reclassification	IFRS 16 implementation	New leases	Terminations of leasing contracts	December 31
Non-current interest bearing loans	114.9	9.3	0.1	-1.2	-5.9				117.2
Current interest bearing loans	37.7	24.8	0.1		5.9				68.5
Lease liabilities	1.1	-10.6			-0.4	34.9	9.4	-1.0	33.5
	153.7	**23.5**	**0.2**	**-1.2**	**-0.4**	**34.9**	**9.4**	**-1.0**	**219.2**

Note 29. Fair values and fair value measurement

2020 MEUR	Carrying amount	Fair Value Level 1	Level 2	Level 3	Total
Assets measured at fair value					
Investment properties	149.9			149.9	149.9
Biological assets	134.9			134.9	134.9
Other shares and securities	5.2			5.2	5.2
Derivatives not designated as hedges	0.3		0.3		0.3
Loan receivables at fair value	2.4			2.4	2.4
Assets for which fair values are disclosed					
Loan receivables at amortised cost	21.0			21.0	21.0
	313.6		**0.3**	**313.3**	**313.6**
Liabilities measured at fair value					
Derivatives not designated as hedges	1.0		1.0		1.0
Liabilities for which fair values are disclosed					
Interest-bearing loans and borrowings					
Floating rate borrowings	158.6		72.2	86.3	158.6
Fixed rate borrowings	20.0		20.0		20.0
Other interest-bearing	0.5			0.5	0.5
Bank overdrafts	15.7			15.7	15.7
Lease liabilities	32.2		15.4	16.7	32.1
	228.0		**108.6**	**119.3**	**227.9**

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

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

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

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

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

Reconciliation of level 3 fair values of other shares and securities

MEUR	2020	2019
January 1	5.8	6.0
Remeasurement recognised through profit or loss	-0.7	-0.2
December 31	**5.2**	**5.8**

Note 30. Financial risk management

Ahlström Capital Oy is a family-owned investment company, which invests primarily in listed and non-listed industrial companies, as well as in commercial real estate and forest assets. Non-listed industrial companies Enics and Destia, referred to as portfolio companies, operate as independent operational subgroups. Holding companies manage investments in listed companies, real estates and forest assets. Note 5 Group information shows the list of all group companies and their main activities.

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

The Group's treasury policy defines the way of managing the Group's finance related issues and risks related to it. Treasury policy sets the guidelines for all group companies. Each portfolio company has its own treasury policy that focuses in more detail on company's own business specific issues. The portfolio companies are responsible for managing operational risks, following the guidelines set at group level.

Financing risk

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

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

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

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

Market risk

Currency risk

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

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

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

Interest rate risk

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

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

Credit Risk

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

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

Note 30. Financial risk management (cont.)

Liquidity risk

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

At the end of the year existing facilities in Ahlström Capital Oy and in its Holding companies included credit facilities (RCF and committed overdrafts) amounting to EUR 190.0 million (140.0) of which EUR 154.3 million (140.0) was unused. In February 2020, a syndicated secured financing facility up to EUR 200.0 million of which EUR 160.0 million is committed was signed for Ahlström Capital Oy and A. Ahlström Kiinteistöt Oy. The facility is secured by mortgage on the real estate at Eteläesplanadi 14 owned by Ahlström Capital Oy and material part of the forest assets held by A. Ahlström Kiinteistöt Oy. There is a group level financial covenant on the facility, which restricts the indebtedness calculated as gross interest-bearing debt in the Group compared to gross fair value of assets (loan to value) of the Group not to exceed 60%. There have been no breaches in the financial covenant in the current period. At the beginning of 2021, the extension option of the facility was used and the uncommitted part was committed. Hence the total syndicated secured financing facility is fully committed up to EUR 200.0 million until February 2026.

The portfolio companies are responsible for monitoring their own liquidity position and cash flows. They maintain financing facilities that may be utilised if needed. At the end of the year existing facilities in the portfolio companies included credit facilities (RCF and committed overdrafts) amounting to EUR 93.1 million (93.5) of which EUR 88.8 million (66.3) was unused.

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

2020

MEUR	< 1 year	2–3 years	4–5 years	> 5 years	Total
Interest-bearing loans and borrowings	57.7	123.3	19.6		200.6
Lease liabilities	11.4	16.2	4.9	2.1	34.6
Other financial liabilities	120.8	3.1			123.9
Trade payables	113.4				113.4
Derivatives	1.0				1.0
	304.3	**142.6**	**24.5**	**2.1**	**473.5**

2019

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

Derivatives not designated as hedging instruments

	Fair values		Nominal amounts	
MEUR	2020	2019	2020	2019
Assets				
Foreign currency forward contracts		1.1		
Interest rate derivatives	0.3	0.2	0.1	
Other derivatives not designated as hedges			0.4	0.7
Liabilities				
Foreign currency forward contracts	0.4	1.3	19.2	21.7
Interest rate derivatives	0.6	0.6	30.0	34.0

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

Note 30. Financial risk management (cont.)

Capital management

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

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

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

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

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

MEUR	2020	2019
Non-current interest-bearing loans and borrowings (Note 28)	157.2	140.4
Current interest-bearing loans and borrowings (Note 28)	69.7	78.8
Less: cash and short-term deposits (Note 27)	-94.2	-84.5
Net cash (-)/ net debt (+)	**132.7**	**134.6**
External Fair Value	1,056.1	965.1
Shareholders equity (incl. non-controlling interest)	777.4	777.0
EFV adjusted net gearing	12.6%	13.9%
Net gearing (IFRS / Book value based)	17.1%	17.3%

Note 31. Share capital and reserves

2020 MEUR	Share capital	Share premium	Reserve for invested non-restricted equity	Treasury shares	Legal reserve	Total
January 1	38.8	12.8	104.3	-3.0	2.9	155.7
Acquisition of treasury shares				-1.5		-1.5
Invalidation of treasury shares				3.0		3.0
Reclassifications					0.4	0.4
December 31	**38.8**	**12.8**	**104.3**	**-1.5**	**3.3**	**157.6**

2019 MEUR	Share capital	Share premium	Reserve for invested non-restricted equity	Treasury shares	Legal reserve	Total
January 1	38.8	12.8	104.3	-2.9	2.3	155.3
Acquisition of treasury shares				-3.0		-3.0
Invalidation of treasury shares				2.9		2.9
Reclassifications					0.5	0.5
December 31	**38.8**	**12.8**	**104.3**	**-3.0**	**2.9**	**155.7**

Note 31. Share capital and reserves (cont.)

The registered share capital of Ahlström Capital Oy totals EUR 38,771,470. The number of registered shares in the company on December 31, 2020 was 62,409,923. Ahlström Capital has one series of shares. Each share has one vote in the General Meeting of the shareholders and all the shares have equal rights to dividend or other distribution of equity.

The Annual General Meeting of Ahlström Capital Oy held on April 15, 2020, resolved to authorise the Board of Directors to decide on the repurchase of a maximum of 400,000 shares. The purchase price is the external fair value of the share at the end of September with a 20% discount. The authorisation is valid until the end of the next Annual General Meeting. The Board of Directors resolved to commence the repurchase of shares in November.

On December 31, 2020, Ahlström Capital held 114,774 treasury shares (0.2%) following the share repurchase program. The repurchased shares were invalidated in January 2021 based on the Board of Directors' decision in December 2020.

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

On December 31, 2019, Ahlström Capital held 251,667 treasury shares (0.4%) following the share repurchase program. Repurchased shares were invalidated in January 2020.

Other comprehensive income, net of tax

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

2020 MEUR	Fair value reserve	Hedging reserve	Translation reserve	Retained earnings	Total OCI
Exchange differences on translation of foreign operations			-1.2		-1.2
Remeasurement of defined benefit plans				1.0	1.0
Share of other comprehensive income of associates	0.2	0.3	-18.9	0.5	-17.9
Changes of OCI	**0.2**	**0.3**	**-20.0**	**1.5**	**-18.1**

2019 MEUR	Hedging reserve	Translation reserve	Retained earnings	Total OCI
Exchange differences on translation of foreign operations		-0.1		-0.1
Hedges - net change in fair value	0.1			0.1
Remeasurement of defined benefit plans			-1.3	-1.3
Share of other comprehensive income of associates	0.7	1.6	-2.0	0.4
Changes of OCI	**0.9**	**1.5**	**-3.3**	**-0.9**

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

Note 32. Provisions

2020 MEUR	Warranty provision	Restructuring provision	Environmental provisions	Other provisions	Total
January 1	3.3	1.2	13.4	4.6	22.6
Arising during the year	1.7	2.8	0.5	2.9	8.5
Utilised	-0.4	-2.8		-1.9	-5.1
Unused amounts reversed	-1.1		-1.0	-1.0	-3.8
December 31	**3.4**	**1.3**	**12.9**	**4.6**	**22.2**
Non-current	**1.9**		**12.3**	**1.6**	**15.8**
Current	**1.5**	**1.3**	**0.6**	**3.0**	**6.3**

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

Warranty provisions

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

Restructuring provision

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

Environmental provisions

The Group has environmental provisions for land areas that are obligated to restore to their original condition. In addition, the Group has a provision booked for cleaning costs of a contaminated land area.

Other provisions

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

Note 33. Trade and other payables

MEUR	2020	2019
Trade payables	113.4	125.0
Contract liabilities	42.2	35.5
Other payables	24.6	20.5
Accrued liabilities	56.6	59.0
Derivatives	1.0	2.0
	237.7	**241.9**

Note 34. Commitments and contingencies

Capital commitments

The Group has entered into contract regarding a new real estate development project. Committed investments amounted to approximately EUR 50.0 million at the end of December 2020.

Commitments and contingencies on own behalf

MEUR	2020	2019
Secured loans		
Loans from financial institutions and others	136.6	124.1
Pledged assets		
Real estate mortgages	188.8	109.9
Pledged shares	356.1	157.8
Guarantees	149.5	134.2

Pledges are used as collaterals for certain credit facilities. A substantial part of Group's investment properties (Note 20) and forest assets (Note 21) have been utilised as collaterals for these credit facilities and reported as real estate mortgages in commitments.

Ahlström Capital Group has a contingent VAT liability on real estate investments EUR 4.6 million (5.2) on December 31, 2020.

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

Commitments on behalf of others

Ahlström Capital Group has guarantees given on behalf of others EUR 6.1 million (0.1) on December 31, 2020.

Note 35. Related party transactions

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

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

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

MEUR	2020	2019
Sales to the entity with significant influence over the group	0.1	0.2

Compensation of personnel belonging to the related party of the group

MEUR	2020	2019
Wages and other short-term employee benefits	1.0	0.9
Post-employment benefits	0.1	0.1
	1.1	**1.0**

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

Note 36. Events after the reporting period

In September 2020, Ahlström Capital, Bain Capital Private Equity, Viknum and Belgrano Inversiones made a public tender offer for all shares in Ahlstrom-Munksjö. The tender offer was completed in accordance with its terms and conditions in February 2021. As part of the transaction a share exchange between Ahlstrom-Munksjö and Ahlstrom Invest BV shares was arranged to Ahlström family members and as a result, Ahlström Capital has 23.7% of the shares of Ahlstrom Invest BV, which indirectly owns 36.4% of Ahlstrom-Munksjö .

In 2020, Ahlström Capital had an opportunity to invest in a new real estate development project in Tampere. In January 2021, the city of Tampere ratified the agreement. The construction work is expected to start in 2021.

At the end of year 2020, a conditional agreement to acquire 25% ownership in Avain Yhtiöt was signed. A binding agreement was signed in February 2021. Avain Yhtiöt is a Finnish group specialising in building and owning apartments. The company owns more than 9,000 apartments, and more than 1,000 apartments are under construction.

Income Statement, Parent Company (FAS)

TEUR	Note	2020	2019
Net Sales	2	**5,631**	**5,566**
Other operating income	3	**1**	**23**
Personnel costs	4	-3,577	-2,967
Depreciation, amortisation and impairment	9	-1,119	-966
Other operating expense	6	-3,564	-4,101
Operating profit / loss		**-2,628**	**-2,445**
Financing income and expenses	7		
Interest and other financing income		3,076	40,997
Interest and other financing expenses		-990	-517
		2,086	**40,480**
Result before appropriations and taxes		**-542**	**38,035**
Appropriations	8		
Change in depreciation difference		-85	-68
Group contributions		3,630	2,865
Net result for the period		**3,003**	**40,832**

Balance Sheet, Parent company (FAS)

TEUR	Note	December 31, 2020	December 31, 2019
Assets			
Non-current assets			
Intangible assets	9		
Intangible rights		197	197
		197	**197**
Tangible assets			
Land and water areas	9	26,254	26,254
Buildings and constructions		24,602	23,900
Machinery and equipment		1,355	844
Other tangible assets		70	70
Advances paid and construction in progress		224	1,592
		52,505	**52,660**
Investments			
Holdings in Group companies		407,557	412,117
Other shares	10	65	65
		407,622	**412,182**
Total non-current assets		**460,324**	**465,039**
Current assets			
Long-term receivables			
Notes receivable		81	81
		81	**81**
Short-term receivables			
Accounts receivable		117	28
Receivables from Group companies	15	3,634	2,865
Other receivables		1	93
Prepaid expenses and accrued income	11	36	29
		3,788	**3,015**
Cash and bank		11,950	14,491
Total current assets		**15,819**	**17,587**
Total assets		**476,144**	**482,627**

TEUR	Note	December 31, 2020	December 31, 2019
Shareholders' equity and liabilities			
Shareholders' equity	12		
Share capital		38,771	38,771
Capital in excess of par value		12,774	12,774
Reserve for invested non-restricted equity		104,336	104,336
Retained earnings (loss)		291,461	282,112
Net result for the period		3,003	40,832
		450,345	**478,825**
Accumulated appropriations			
Depreciation difference		1,808	1,723
		1,808	**1,723**
Liabilities			
Long-term liabilities			
Loans from financial institutions	16	10,000	
Accrued expenses and deferred income	14	712	202
		10,712	**202**
Short-term liabilities			
Advances received		23	1
Accounts payable		2,123	998
Liabilities to Group companies	15	10,039	
Other liabilities		112	81
Accrued expenses and deferred income	14	981	796
		13,278	**1,876**
Total liabilities		**23,990**	**2,078**
Total shareholder's equity and liabilities		**476,144**	**482,627**

Statement of Cash Flows, Parent Company (FAS)

TEUR	2020	2019
Cash flow from operating activities		
Profit/loss for the period	3,003	40,832
Adjustments:		
Depreciation, amortisation and impairment	1,119	966
Financial income and expenses	-2,086	-40,480
Other adjustments	-3,545	-2,797
Cash flow from operations before change in net working capital	-1,509	-1,479
Change in net working capital		
Increase (-) / decrease (+) of short-term receivables	-7	189
Increase (+) / decrease (-) of short-term non-interest-bearing debts	27	-257
Cash flow from operating activities before financing items and taxes	-1,489	-1,547
Interest and other financing income	3,000	40,900
Interest and other financing expenses	-898	-420
Net cash flow from operating activities	**613**	**38,933**
Cash flow from investing activities		
Other investments	4,560	-7,300
Proceeds from sales of non-current assets	-419	-2,087
Net cash flow used in investing activities	**4,141**	**-9,387**

TEUR	2020	2019
Cash flow from financing activities		
Change in long-term debt	10,000	
Change in short-term debt	10,039	
Dividends paid	-29,957	-30,078
Group contribution	2,865	6,460
Purchase of treasury shares	-242	-3,048
Net cash flow used in financing activities	**-7,295**	**-26,666**
Change in cash and financial investments	**-2,541**	**2,880**
Cash and financial investments at beginning of period	14,491	11,611
Cash and financial investments at end of period	**11,950**	**14,491**

Notes to the Financial Statements, Parent Company

Note 1. Accounting principles

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

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

Revenue recognition

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

Items denominated in foreign currency

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

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

Investments

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

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

Non-current assets

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

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

The estimated useful lives are as follows:

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

Land and water areas are not depreciated.

Leasing

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

Taxes

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

Note 2. Net sales

Distribution of net sales by country

TEUR	2020	2019
Finland	4,720	4,810
Netherlands	911	756
	5,631	**5,566**

Distribution of net sales by business

TEUR	2020	2019
Real estate	4,301	4,385
Others	1,330	1,181
	5,631	**5,566**

Note 3. Other operating income

TEUR	2020	2019
Others	1	23
	1	**23**

Note 4. Personnel costs

TEUR	2020	2019
Wages and salaries	3,003	2,439
Pension costs	517	493
Other wage related costs	57	35
	3,577	**2,967**

Salaries for CEOs	461	467
of which bonuses	38	47
Remunerations to Board members	508	456

Note 5. Average number of personnel

	2020	2019
Salaried	13	13

Note 6. Other operating expenses

TEUR	2020	2019
Real estate expenses	1,325	1,841
External services	1,515	1,592
Other	724	668
	3,564	**4,101**

Note 7. Financing income and expenses

Financing income

TEUR	2020	2019
Dividend income from Group companies	3,000	40,900
Interest and financing income from Group companies	51	97
Interest and financing income from others	25	
	3,076	**40,997**

Financing expenses

TEUR	2020	2019
Interest expenses	-60	-10
Other financing expenses	-929	-507
	-989	**-517**
Total financing income and expenses	**2,087**	**40,480**

Note 8. Appropriations

TEUR	2020	2019
Change in depreciation difference	-85	-68
Group contribution, received	3,630	2,865
	3,545	**2,797**

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

2020 TEUR	Intangible rights	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and construction in progress
January 1	1,598	26,254	37,307	2,515	70	1,592
Increases			7			957
Decreases						
Reclassification between classes			1,676	649		-2,325
December 31	1,598	26,254	38,990	3,164	70	224
Accumulated depreciation and amortisation on January 1	1,401		13,407	1,671		
Depreciation and amortisation for the period			980	139		
Accumulated depreciation and amortisation on December 31	1,401		14,387	1,810		
Book value on December 31, 2020	**197**	**26,254**	**24,603**	**1,354**	**70**	**224**

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

Note 10. Long-term investments

2020 TEUR	Holdings in Group companies	Other shares
January 1	412,117	65
Increases	8,000	
Decreases	-12,560	
December 31	**407,557**	**65**

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

Note 11. Prepaid expenses and accrued income

TEUR	2020	2019
Short-term		
Periodisation of costs	36	30
	36	**30**

Note 12. Shareholders' equity

TEUR	2020	2019
Restricted shareholders' equity		
Shareholders' equity on January 1	38,771	38,771
Shareholders' equity on December 31	**38,771**	**38,771**
Capital in excess of par value on January 1	12,774	12,774
Capital in excess of par value on December 31	**12,774**	**12,774**
Restricted shareholders' equity, total	**51,545**	**51,545**
Unrestricted shareholders' equity		
Reserve for invested non-restricted equity	104,336	104,336
Profit from previous financial years on January 1	322,944	315,238
Distribution of profits	-29,957	-30,078
Acquisition of own shares	-1,526	-3,048
Profit from previous financial years on December 31	**291,461**	**282,112**
Net profit for the period	**3,003**	**40,832**
Unrestricted shareholders' equity, total	**398,800**	**427,280**
Shareholders' equity, total	**450,345**	**478,825**

Note 13. Share capital

	Number of shares	EUR
Shares January 1	62,661,600	38,771,470
Invalidated shares	-251,677	
Shares December 31	**62,409,923**	**38,771,470**

1 vote / share, with redemption clause

The Annual General Meeting of Ahlström Capital Oy resolved to authorise the Board of Directors to decide on the repurchase of a maximum of 400,000 shares. The purchase price is the external fair value of the share at the end of September with a 20% discount. The authorisation is valid until the end of the next Annual General Meeting. The Board of Directors resolved to commence the share repurchase program during November. The company repurchased 114,774 shares (0.2%). The repurchased shares were invalidated in January 2021 based on the board of directors' decision in December 2020.

Note 14. Accrued expenses and deferred income

TEUR	2020	2019
Long-term		
Personnel costs	712	202
Short-term		
Personnel costs	938	628
Other	43	167
	1,693	**997**

Note 15. Receivables from and liabilities to Group companies

Receivables from Group companies

TEUR	2020	2019
Prepaid expenses and accrued income	3,634	2,865
	3,634	**2,865**

Liabilities to Group companies

TEUR	2020	2019
Other short-term liabilities	10,039	
	10,039	

Note 16. Collaterals

TEUR	2020	2019
For own liabilities		
Credit facilities (RCF)	160,000	100,000
of which in use	10,000	
Amount of mortgages and pledges	130,000	100,000

In February 2020, a syndicated secured financing facility up to EUR 200.0 million of which EUR 160.0 million is committed was signed for Ahlström Capital Oy and A. Ahlström Kiinteistöt Oy. The facility is secured by mortgage on the real estate at Eteläesplanadi 14 owned by Ahlström Capital Oy and material part of the forest assets held by A. Ahlström Kiinteistöt Oy. There is a group level financial covenant on the facility, which restricts the indebtedness calculated as gross interest-bearing debt in the Group compared to gross fair value of assets (loan to value) of the Group not to exceed 60%. There have been no breaches in the financial covenant in the current period. At the beginning of 2021, the extension option of the facility was used and the uncommitted part was committed. Hence, the total syndicated secured financing facility is fully committed up to EUR 200.0 million until February 2026.

Note 17. Contingent liabilities

TEUR	2020	2019
Leasing and rental commitments		
Current portion	9	9
	9	**9**

Commitments on behalf of Group companies

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

Other commitments

TEUR	2020	2019
Guarantees given on behalf of others	6,100	100
Contingent liabilities for Real Estate investment's VAT	470	207

Auditor's report

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

To the Annual General Meeting of Ahlström Capital Oy

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ahlström Capital Oy (business identity code 1670034-3) for the year ended December 31, 2020. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the President and CEO are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the President and CEO are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the President and CEO's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Reporting Requirements

Other Information

The Board of Directors and the President and CEO are responsible for the other information. The other information that we have obtained prior to the date of this auditor's report is the report of the Board of Directors. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other opinions

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

Helsinki March 2, 2021
KPMG OY AB

KIM JÄRVI
Authorised Public Accountant, KHT

Proposal for the Distribution of Profits

According to the parent company's balance sheet as at December 31, 2020, the total distributable funds are:

	EUR
Reserve for invested non-restricted equity	104,335,800.65
Retained earnings	291,460,721.83
Profit for the period	3,002,795.55
Total distributable funds	398,799,318.03

The Board of Directors proposes that a dividend of EUR 0.48 per share be paid on the 62,295,149 shares and the remainder retained. The total proposed dividend for 2021 is EUR 29,901,671.52. The dividend is proposed to be paid in two instalments; the first payment of EUR 0.24 per share in April 2021 and the second payment of EUR 0.24 per share in October 2021.

Helsinki, March 2, 2021

Kari Kauniskangas
Chairman of the Board

Mats Danielsson

Håkan Johansson

Pekka Pajamo

Fredrik Persson

Malin Persson

Nelli Paasikivi-Ahlström

Peter Seligson

Lasse Heinonen
President and CEO

Shares and shareholders

Shares and share capital

Ahlström Capital's registered share capital on December 31, 2020 was EUR 38,771,470. The Company has one series of shares. Each share entitles the holder to one vote in the general meeting of shareholders. The Articles of Association include a redemption clause as defined in Chapter 3, section 7 of the Limited Liability Companies Act.

Shareholdings

At the end of 2020, Ahlström Capital had 268 shareholders. More information on shareholders is presented in the Report of the Board of Directors.

Shareholdings of the Board of Directors

On December 31, 2020, members of the Board of Directors held 626,100 shares in Ahlström Capital Oy, which represents 1.0% of the shares and voting rights.

Shareholders by group on December 31, 2020

	Number of Shares	Percentage of capital stock
Companies	3,996,057	6.4
Financial and insurance institutions	392,650	0.6
Public sector entities and mutual pension insurance companies	2,349,000	3.8
Households	44,368,995	71.1
Non-profit organisations	618,944	1.0
Foreign owners	10,559,003	16.9
Total	**62,284,649**	**99.8**

Distribution of shareholdings on December 31, 2020

Number of shares	Number of shareholders	Percentage of shareholders	Number of shares and votes	Percentage of shares and votes	Average number of shares held
1–10,000	84	31.3	223,153	0.4	2,657
10,001–50,000	49	18.3	1,486,784	2.4	30,343
50,001–100,000	31	11.6	2,175,701	3.5	70,184
100,001–500,000	65	24.3	16,586,553	26.8	255,178
500,001-	39	14.6	41,812,458	67.0	1,072,114
total	**268**	**100.0**	**62,284,649**	**100.0**	**232,405**

On December 31, 2020, the number of issued shares was 62,409,923, of which 10,500 shares were on the waiting list and 114,774 shares were repurchased and waiting to be invalidated.

Information for shareholders

Annual general meeting

The Annual General Meeting 2021 is to be held on Monday, April 12, 2021 at 5 p.m. at Restaurant Savoy, in Helsinki. Due to the prevailing Covid-19 pandemic the Annual General Meeting will take place only if the meeting can be arranged within the restrictions set by the authorities. Therefore, and in order to ensure the health and safety of Ahlström Capital's shareholders, employees and other stakeholders, it is recommended that shareholders do not participate in person but rather enjoy the remote access and opportunity to authorise a person to represent themselves at the meeting.

Financial information

Ahlström Capital's Annual Report 2020 is available on the company's website at ahlstromcapital.com.

In 2021, the company will inform the shareholders about the development of its performance on a quarterly basis.

The company's Annual Report 2021 is estimated to be published in March 2022.

Ahlström Capital in co-operation with Miltton. Photo credits: Destia image on the cover and on page 5 by Seppo Kujanen, Ahlström Collective Impact image on page 6 by Unicef/UNI328444/DeJongh and on page 33 by UNICEF/UN0339412/DeJongh, photo of the CEO on page 7 by Tomi Parkkonen and Destia image on page 21 by Lauri Hänninen.