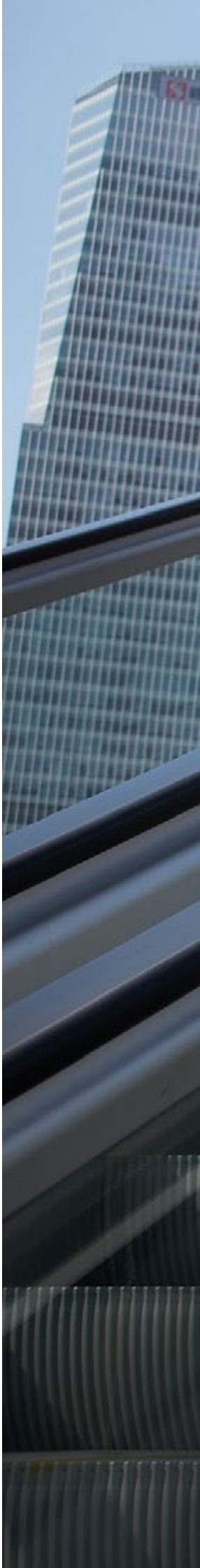
AHLSTRÖM CAPITAL

We develop leading businesses

Annual Report 2016

We develop leading businesses

We are an active owner with the skills and capabilities to increase the value of the companies we own. We turn our portfolio companies into leading businesses within their industries by entrepreneurial tradition, industrial expertise and sustainable long-term ownership. Expertise and an active approach to ownership are our most valuable assets that we can offer to our companies.

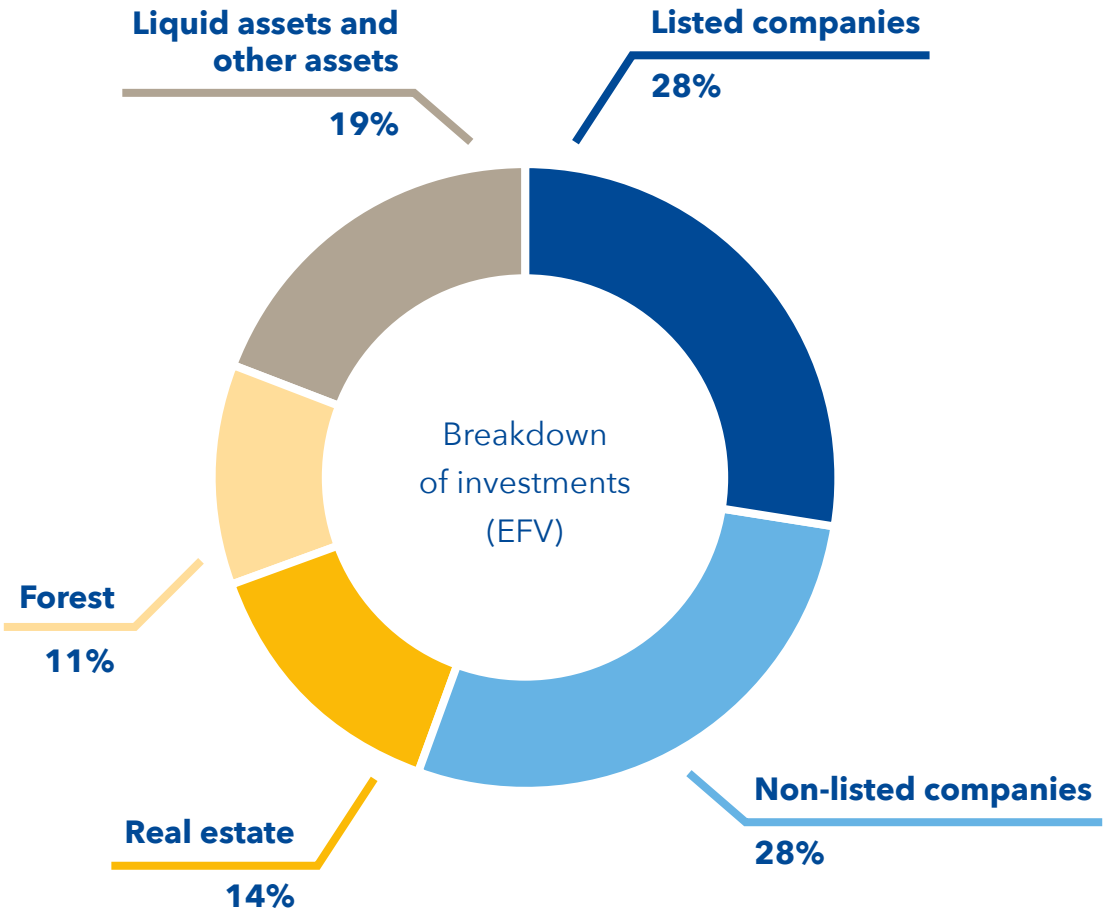


Elevators & escalators is one of the segments Enics operates in.

Contents

Ahlström Capital in brief

Ahlström Capital is a family-owned investment company that focuses its investment activity in industrial companies and real estate. Ahlström Capital is one of the largest and most significant investment companies in Finland with a history of more than 160 years. Ahlström Capital creates long-term shareholder value by actively developing its portfolio. Ahlström Capital's industrial investments include substantial holdings in the listed companies Ahlstrom Corporation, Munksjö Oyj and Suominen Corporation as well as direct investments in non-listed companies Destia Group Oyj and Enics AG. In addition to industrial investments, Ahlström Capital has considerable real estate and forest holdings. At year-end 2016 Ahlström Capital Group's balance sheet totaled EUR 1.1 billion and the Group's revenue for the year was EUR 1.0 billion.



Listed companies

	Revenue, MEUR	Ahlström Capital's shareholding
AHLSTROM is a high performance fiber-based materials company, the products of which are used in everyday applications such as filters, medical fabrics, life science and diagnostics, wallcoverings and food packaging.	1,086	11.7%
MUNKSJÖ is a world-leading manufacturer of advanced paper products developed with intelligent paper technology.	1,143	17.1%
SUOMINEN is the global market leader in nonwovens for wipes. The company manufactures nonwovens as roll goods for wipes, and for hygiene products and medical applications.	417	27.0%

Non-listed companies

	Revenue, MEUR	Ahlström Capital's shareholding
DESTIA is a Finnish infrastructure and construction service company. The company builds, maintains and designs traffic routes, industrial and traffic environments, as well as complete living environments.	493	100%
ENICS is the partner of choice for professional electronics in the fields of energy, industrial automation, transportation, building automation and instrumentation. Enics is one of the largest electronics manufacturing services (EMS) providers in the world in the Industrial Electronics segment.	501	99%

Real estate

Ahlström Capital's real estate portfolio includes industrial and commercial properties in Southern Finland.

114,000 m²
Of real estate area in total

140
External fair value of real estate, MEUR

Forest

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

33,000 ha
Forests in total

112
External fair value of forests, MEUR

CASE

AR Packaging: Increased value through active ownership

AR Packaging is one of the success stories that Ahlström Capital developed as a long-term active owner. In Ahlström Capital's hands, the company focused its operations, significantly improved its profitability, returned to profitable growth and evolved into one of the leading packaging companies in Europe.

AR Packaging, as well as its predecessors, were included in Ahlström Capital's portfolio since the very establishment of Ahlström Capital in 2001. With its industrial expertise, Ahlström Capital was actively involved in driving the company's development through the board of directors, supporting the new management in the development of the company. The operations were focused on producing unique folding carton and flexible packaging solutions, and non-core business areas were divested. Production capacity was optimised and a lean, decentralised organisation was introduced. These actions improved the margins significantly, and laid the ground for returning to profitable growth.

The acquisition of European packaging operations from MeadWestvaco in 2015 enhanced the company's position in selected strategic customer segments. Ahlström Capital actively supported the management in carrying out the acquisition that elevated AR Packaging to the top three position as a converter in the European folding carton market.

Strong customer relationships with successful companies accelerated AR Packaging's growth into a profitable business. During 2011–2016, the company's EBITDA increased from EUR 20 million to over EUR 70 million, and the margin improved from 5 per cent to over 12 per cent. Ahlström Capital assessed that in the future, the company would better develop in the hands of an owner with a global presence, and in 2016, the company was sold to CVC Capital Partners.

The Eteläesplanadi office building, designed by architecture company Jung & Jung, was completed in 1936.

Year 2016

Active development of our portfolio resulted in a strong financial performance.

A very successful year

Our financial performance was strong in 2016. The increase of the external fair value (EFV) of Ahlström Capital's investments was an all-time high. The EFV increased by 28 per cent compared with the year-end level in 2015. The profit for the period was EUR 194 million. We worked with growth and profit-improving measures in our portfolio companies, while realising substantial value increase through the divestment of AR Packaging. We create substantial value as an active owner through the combination of Ahlstrom and Munksjö, creating a global leader in sustainable and innovative fiber-based solutions.

Our financial performance was positively impacted by the successful divestment of AR Packaging. The divestment of AR Packaging was a notable example of how we, as a long-term owner, develop our investments into leading businesses. The sales gain of AR Packaging amounted to EUR 148 million and the divestment contributed to the EFV growth with EUR 101 million. The strong profitability and share price development of Ahlstrom and Munksjö has also had a positive impact on our EFV.

The comparable operating profit in 2016 exceeded the level of 2015 by EUR 8 million or 29 per cent. The comparable operating profits of Ahlstrom, Munksjö and Destia improved, while the performances of Suominen and Enics were below comparable levels from 2015. We initiated actions to improve profitability in both Enics and Destia and expect these actions to improve profitability in both companies in 2017. Also, Suominen has stated in their outlook that their comparable operating profit is estimated to improve from year 2016.

Our real estate and forest investment portfolio continued to provide a stable performance. The Kasarmikatu 21 project in Helsinki was started at the beginning of the year. The construction and leasing of the project continued as planned, and the complex was almost fully let at the end of 2016. Our divestment processes concerning the non-strategic real estates continued. The rental income was lower than last year mainly due to divestments of non-strategic assets. Increased harvesting activity improved the profitability of the forest business compared to the previous year.

As a result of our successful divestments during the year, we move into 2017 with a strong financial position.

We develop leading businesses

At the beginning of the year, the Board of Directors and the Management of Ahlström Capital carried out a strategy development process. Our investment focus was sharpened and the roles of our different asset classes defined. Real estate investments, including both buildings and forest, form the firm basis of our portfolio that provide steady returns with low risk. Industrial investments, including both listed and non-listed companies offer opportunities for stronger value growth with medium risk.

We focus our investments in advanced fiber-based materials, as well as in industrial technologies and services. We invest in companies that have substantial growth potential – the ones we can turn into leaders

President & CEO Hans Sohlström presented Ahlström Capital's strategy at AC Network Day (November 8, 2016).

in their own industry. We develop our investments with our industrial expertise, entrepreneurial traditions and a sustainable long-term approach. We develop leading businesses.

Strong competence both in our team and our networks

When looking for new investments, we are mainly considering companies based in the Nordic countries that comply with the Nordic governance model. This allows us to benefit from our extensive local networks built up during our long history. Our vast network of professional partners supports us in developing leading businesses.

In 2016, we gathered together board members and management from Ahlström Capital and its portfolio companies for our first Ahlström Capital Network Day. We will continue to work closely with this network to be able to exchange ideas and generate new business opportunities.

I would like to thank everyone in Ahlström Capital and its portfolio companies for the good work done in 2016. I also wish to express my gratitude to our shareholders and Board for their trust and support.

Hans Sohlström
President and CEO

The best financial performance in Ahlström Capital's history

Year in brief

Financial performance

2016 was the best financial year in Ahlström Capital's history, EFV increased 28 per cent and profit for the period was EUR 194 million.

New CEO

Hans Sohlström assumed his position as President and CEO on February 1, 2016.

AR Packaging

Ahlström Capital divested successfully its holding in AR Packaging.

Ahlstrom and Munksjö

Ahlstrom Corporation and Munksjö Oyj announced the combination of the two companies through a merger to create a global leader in sustainable and innovative fiber-based solutions.

Real estate

Ahlström Capital continued to adjust its real estate portfolio in accordance with its new strategy and several non-core properties were sold.

Kasarmitori project

Construction and leasing of Kasarmikatu 21 project in Helsinki proceeded as planned and its letting ratio was around 80 per cent in the end of 2016.

Forest business

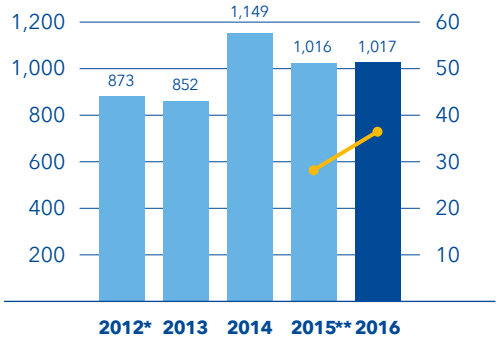
There was a greater volume of logging in comparison to 2015, and the net sales of the forest business increased.

AC Network Day

The first Ahlström Capital Network Day, held in November, gathered together board members and management from Ahlström Capital's portfolio companies.

Our external fair value (EFV) increased by 28% from 744 MEUR to 950 MEUR.

Revenue and comparable operating profit, MEUR

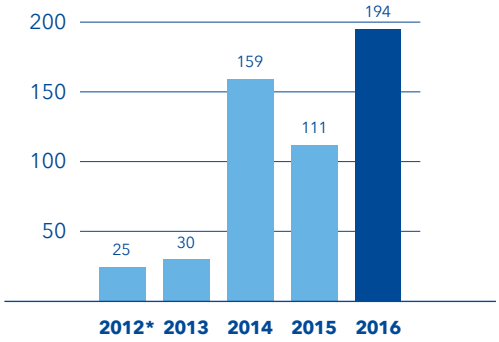


Revenue

Comparable operating profit

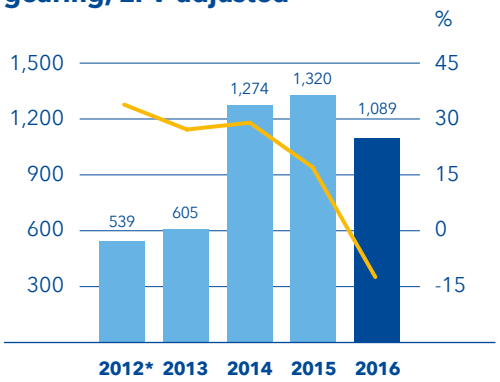
* 2012 igures are according to FAS.
** Restated due to discontinued operations.

Profit for the period, MEUR



* 2012 igures are according to FAS.

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

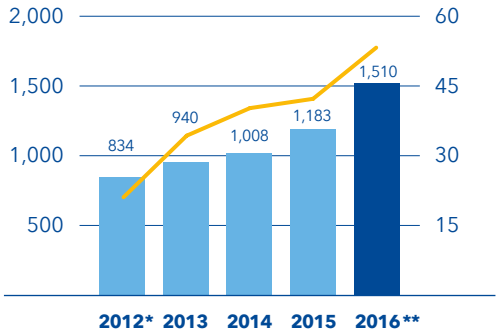


Balance sheet total

Net gearing, EFV-adjusted

* 2012 igures are according to FAS.

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



External fair value (EFV) per share

Dividend per share

* 2012 figures are according to FAS.
** Board's dividend proposal

CASE

Value creation focuses on active, long-term ownership

With its vast industrial expertise, Ahlström Capital is adept at identifying companies with strong potential for growth. Through active ownership, we develop our companies into leading businesses in their industries. Our investment process has three main stages:

Choose

We are continuously looking for potential acquisition targets, and have clearly defined processes for screening targets, making investment decisions and executing deals. Potential investments are identified through regular systematic market reviews, as well as leads through network contacts. We may screen dozens of targets each year, but only invest when the target closely fits our investment strategy. Initial target evaluation, which includes market and business review and a long-term sustainability evaluation, is conducted for potential targets meeting our size and industry criteria. This is followed by a more thorough due diligence, risk assessment and a value creation plan.

Create

We create value for our portfolio companies mainly through active board and strategy work. We form professional boards and improve the company's efficiency. Growth is promoted, both organically and through acquisitions, as well as by divesting non-core business if needed. We are a valuable sparring partner for our portfolio companies´ management. Our aim is to support the managements of the portfolio companies in their strategy work by bringing in our expertise, rather than dictating the decisions. In acquisitions, we facilitate the process through active involvement already before a final decision is made on the acquisition.

Capture

We capture value through dividends, and when we see that we are no longer the best possible owner for the company in question, we can reduce the ownership in the company through listing or selling the company. We may also capture value through mergers and other structural deals. As a long-term owner, we have the patience to wait for the optimal time to exit or to remain as the owner.

Strategy and business environment

We invest in companies with substantial growth potential, turning them to leaders in their own industry.

Our portfolio companies operate in growth industries

Ahlström Capital has identified four megatrends that are the key drivers for its portfolio companies' growth and support the demand for their products and services.

~EUR 4 billion
revenue of portfolio companies, total

~13,000
employees in portfolio companies

27
operating countries

Growing population and urban middle-class

The world's population already exceeds seven billion, and the total population is forecasted to increase by more than one billion in the next ten years. The population of cities will also grow by more than 700 million in the coming decade. Denser urban structures create a need for infrastructure. The increasing number of ever-wealthier middle-class consumers will drive the demand for consumables and commodities.

Some of our solutions:

- Ahlstrom and Munksjö: beverage and food packaging, décor papers for furniture and wallpapers
- Suominen: hygiene products and disposable cleaning cloths for households
- Enics: electronics for home automation and transport, safety and security
- Destia: efficient traffic solutions and urban environments
- Real estate investments: in growth centres in southern Finland

Aging population and increasing health focus

In developed countries, life expectancy has reached 80 years on average and continues to rise. Safeguarding welfare and providing services for the elderly is emphasised. Needs for healthcare are changing fast. The approach to health is moving beyond the delivery of health care to the management of health.

Some of our solutions:

- Ahlstrom and Munksjö: filtration products that purify air and liquids, materials for medical testing and diagnostics as well as protective medical fabrics
- Suominen: health care and hygiene products
- Enics: electronics for diagnostic and medical equipment

Climate change and resource scarcity

Scarce natural resources and climate change will cause major global challenges and require efficient use of resources. There is a growing concern over the securing of a safe and sustainable food and water supply. Experts predict that in ten years, billions of people will be impacted by periodic water shortages, and the energy, food and raw material consumption will increase significantly. Meanwhile, there is emphasis on sustainable development, which creates opportunities for sustainable products and services, where less raw material, energy and water is used.

Some of our solutions:

- Ahlstrom and Munksjö and also Suominen: recyclable, renewable, biodegradable and resource-efficient products that can replace non-renewable oil-based products and help to reduce carbon dioxide emissions.
- Enics: electronics for material recycling and improved energy efficiency of machines and transport equipment
- Cleantech Fund: biogas by Scandinavian Biogas and solar energy by Ripasso
- Real estate investments: sustainable and energy efficient construction aiming at environmental certifications

Digitalisation and automation

The Internet of Things (IoT), where different devices connected to the Internet, and to each other, collect data and communicate, will change the way businesses and individuals interact with the world. Experts predict that in ten years, the number of mobile internet users will double from two to four billion users and there will be 100 billion connected devices and a trillion sensors. Automation is set to expand with innovations in artificial intelligence, machine learning and sophisticated robotics.

Some of our solutions

- Enics: electronics for transportation, building automation, energy, industrial automation and instrumentation
- Munksjö: electrotechnical paper for insulation of power transmission equipment, décor paper
- Destia: model-based production automation in large infrastructure projects

Source: population growth figures are an estimate published by UNFPA, urbanisation estimates by WHO, life expectancy estimate by OECD, digitalisation estimates by World Economic Forum.

Focus on industrial investments and real estate

Ahlström Capital's strategy was further refined in 2016. The strategic targets were specified and focus areas for investments were defined. We focus our investments on real estate holdings and industrial investments in growth industries in our core areas of expertise. We invest in businesses that we can develop as a true long-term partner.

Ahlström Capital is a family-owned investment company with a mission to create sustainable long-term shareholder value growth with attractive annual cash returns. We invest assets that the Ahlström family has accumulated over the past 160 years through successful entrepreneurship and industrial activity.

Ahlström Capital combines the best features of an industrial company, an investment company and a family-owned company. We hold significant financial resources as one of the largest investment companies in Finland, strong industrial expertise, efficient processes, and an attitude of an active and responsible owner. We are a long-term owner that first and foremost seeks success and sustainable value for the companies it owns, rather than short-term profits.

The values of the Ahlström family – ambition and responsibility – guide all of our operations. We have a long history and we want to contin-

Investment focus

Real estate

20-30% of external fair value (EFV)

Role
Stable value growth with low risk

Focus
Prime location buildings and forests in Finland

Special mission
Heritage assets

Industrial holdings

70-80% of external fair value (EFV)

Role
Strong value growth with medium risk

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

Core
- Advanced fiber-based materials
- Industrial technology and services

Opportunity
- Other Nordic business

Purpose

Family investment company

Mission

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

Financial targets

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

Values: Ambition and Responsibility

ue that legacy and increase the company's value for future generations. We are a recognized owner that leads our own and our companies' operations in a professional manner, fostering a good governance culture.

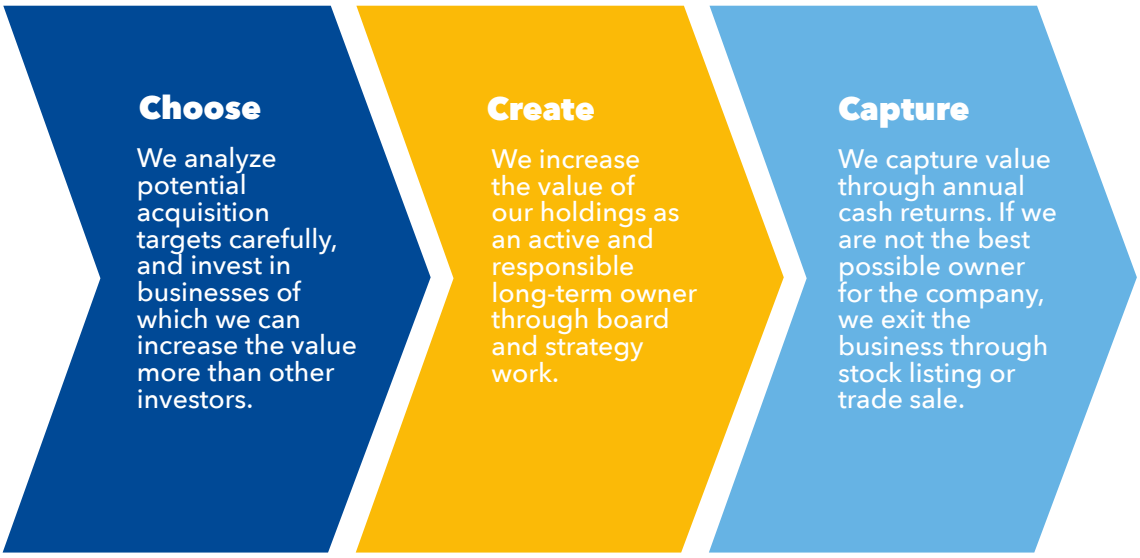
A balanced portfolio

Our portfolio consists of real estate and industrial investments. Real estate investments, consisting of holdings in both buildings and forests, form the firm basis of our portfolio that provide steady returns with low risk. Industrial investments include substantial holdings in listed companies as well as direct investments in non-listed companies, and offer opportunities for strong value growth with medium risk.

A foundation based on innovative growth areas

We focus our industrial investments on businesses providing innovative and advanced

Value creation process



We develop leading businesses

Strengths

- Entrepreneurial traditions
- Industrial expertise
- Sustainable long-term approach

fiber-based materials, as well as industrial technology and related services. Our strongest expertise and industrial traditions lie in these two areas, and there is world-class know-how in the Nordic countries that we can utilize in developing our portfolio companies.

We believe that the demand for advanced fiber-based materials will grow further, supported by global trends such as the focus on health and wellbeing, urbanization and the growing middle class. Products made from renewable, recyclable and biodegradable forest-based fibers are resource-efficient and sustainable, supporting the reduction of carbon dioxide emissions.

We also focus investments on companies that provide industrial technology products and services that build on advanced automation, digitalization, robotics and related software – the trends that are radically renewing industrial operations. The share of service business in these companies' revenues is steadily increasing, providing growth opportunities.

When looking for new investments, we are mainly considering companies with an annual turnover of EUR 100-500 million based in the Nordic countries that comply with the Nordic governance model. These factors allow us to benefit from our local networks and decrease the risks related to new investments. When expanding the existing businesses, we seek investments globally.

Real estate and forest holdings focus on prime locations in the growth centers in Southern Finland and forests mainly in the Satakunta region in Western Finland. We also own and develop culturally and historically significant works in Noormarkku and Kauttua.

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

Developing leading businesses with strong expertise

We are ambitious and set high goals. One of our primary goals is to gain substantial influence or control in companies we invest in. We aim to be the largest owner in listed companies and a majority owner in non-listed companies, however we welcome co-investment opportunities with reputable investors.

We invest in companies that have the best preconditions for growth - the ones that we can develop into the best companies in their field of business. We help companies to achieve their full potential.

We increase the value of the companies we own by actively participating in developing them, through active board and strategy work, as well as mergers and acquisitions. We support and develop the companies by forming effective boards that possess in-depth indus-

External fair value is our most relevant long-term performance indicator

External fair value (EFV) is the most accurate way of measuring and monitoring the long-term development of our portfolio's value.

Ahlström Capital's portfolio includes holdings in listed companies, direct investments in non-listed companies and real estate and forest holdings. The external fair value of Ahlström Capital is the aggregate market value of these assets after liabilities. It is the estimate of the potential market value and the real value of the assets if they were sold at that specific day.

The valuation is made by external independent valuers, who follow the widely used and generally accepted valuation methods: IPEV guidelines in non-listed companies, EPRA guidelines in real-estate and IFRS standards in forest assets.

trial experience and can support the management to succeed in leading their business.

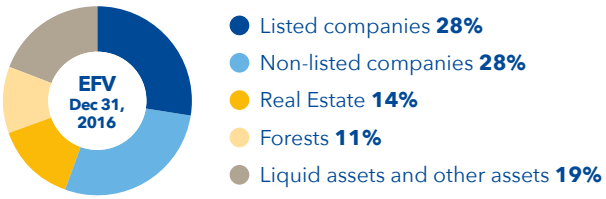
We use our significant financial resources to enable our companies to grow, and realize acquisitions that they would not be able to finance themselves.

We invest more than financial capital: industry expertise and knowledge are invested too. They are a unique result of 160 years of ownership and long entrepreneurial traditions. We understand what success in different industries requires.

Ahlström Capital's vast network, consisting of management and boards of Ahlström Capital and its portfolio companies, is our key strength. It is an arena where we exchange ideas, experience and innovations – a true source of collective competence. In addition, we have a comprehensive network of professional collaboration partners in various fields of expertise.

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

The distribution of assets



Listed companies
Valuated as per their market value (the current market price of one share multiplied by the number of company's shares outstanding).

Real estate
Estimated on the basis of its net yield (the rental income received deducted by the costs of running it) or comparable transactions in the market.

Non-listed companies
Based on the estimate for transaction price (considering current and projected operating performance, market conditions and valuations of similar transactions and businesses).

Forests
Valuated using the future expected cash flows based on the Group's forest management and harvesting plan.

CASE

Developing a global leader in fiber-based solutions

The merger of Munksjö and Ahlstrom, taking place in the second quarter of 2017, will create a global leader in sustainable and innovative fiber-based solutions. The annual net sales of the new company, Ahlstrom-Munksjö, will be approximately EUR 2.2 billion, making it one of the largest companies in its field. The company will have approximately 6,200 employees in 14 countries.

Ahlström Capital has been a major shareholder in both companies, and will be the largest owner of the new company, domiciled in Helsinki and headquartered in Stockholm. We see the great synergies in bringing the two together. As one company, Ahlstrom-Munksjö will be increasingly international and in a better position to benefit from stronger global growth opportunities. The merger will significantly improve competitiveness: together, the merged companies offer customers a broader range of solutions with a truly global reach. Munksjö has strong market position in Europe and South America, while Ahlstrom is strong in Europe, North America and Asia. The merger is a natural next step in the development of both companies.

The merger will bring Ahlstrom's fiber-based materials and Munksjö's advanced paper products into one company. About 90 per cent of Ahlstrom-Munksjö's products are made from renewable fibers. For Ahlström Capital, this is an important factor, as one of its strategic investment areas is focused on companies providing sustainable and advanced fiber-based solutions.

Ahlstrom develops high value added solutions for the most common single-serve capsule systems on the market.

Industrial investments

Our industrial investments, including both listed and non-listed companies, offer opportunities for strong value growth with medium risk.

Ahlstrom: Successful development

Ahlstrom has built an attractive market position and a worldwide presence in innovative and sustainable fiber-based materials. Customer-driven, lean and focused, Ahlstrom is well-prepared for its merger with Munksjö in 2017, a union designed to further strenghten its position as a world-leading company in its industry.

The fiber-based materials produced by Ahlstrom are used in a vast range of everyday applications such as filters, medical fabrics, life science and diagnostics, wallcoverings as well as food packaging. The company has unique know-how in combining natural and synthetic raw materials with chemistry and materials technology. The majority of fibers come from renewable sources, and the products are designed to minimise their environmental impact across the whole life cycle.

The company's strengths include customer focused solutions and tailor-made products, superior quality and leading technology, as well as global reach and local insight from locations in 22 countries. The company's key markets are Europe (47% of sales), North America (28%), the Asia-Pacific region (17%) and South America (6%). The market for many of Ahlstrom's products generally grows faster than the global economy, driven by the substitution of products that have traditionally been made from plastics, textiles or aluminum. Global megatrends, such as the increasing global population and changes in demographics steer the company's product offering and support growth.

Record high profitability, accelerated sales growth

Since 2014, Ahlstrom has executed a successful business turn-around by shedding costs and by emphasising commercial excellence. It has launched new products especially in compostable food and beverage packaging, medical diagnostics and water filtration. The redefined strategy announced in early 2016 is built on customer-focused solutions, leading technology and manufacturing platforms, global reach and local insight. The company's business structure was simplified and organised into two segments - Filtration & Performance and Specialties.

In 2016, Ahlstrom strengthened its leading position in Europe and achieved a breakthrough in North America as a supplier of fully compostable infusion materials for single-serve coffee capsules. The company showed its commitment to growth and strengthened its focus on North and South America by making a significant investment of EUR 23 million into engine and industrial filtration product capabilities in Kentucky, USA.

Ahlstrom achieved an all-time high profitability in the current structure of the company in 2016, and its balance sheet was much stronger than before. The margins increased thanks to improved commercial excellence, a leaner operating model, higher capacity utilization and the ability to capture new growth opportunities. The company came close to achieving its 2018 profitability target of above 8 per cent adjusted operating profit margin already in 2016, when the adjusted operating profit amounted to EUR 80.6 million (47.5) and was 7.4 per cent (4.4). Net sales grew by 2.6 per cent in 2016 at constant currencies, accelerating towards the end of the year.

The merger with Munksjö due to be completed at the beginning of the second quarter of 2017, will create an even stronger global leader in innovative and sustainable fiber-based solutions. The combination will also offer further opportunities for growth and improved operational efficiency.

AHLSTROM

Founded: 1851

Domicile: Helsinki, Finland

Industry: Fiber-based materials

Operating countries: 22 countries mainly in Europe, Americas and Asia-Pacific

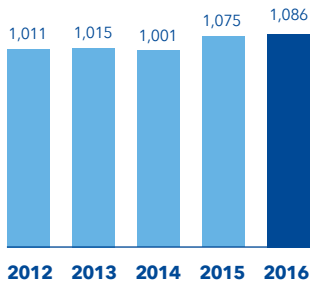
Personnel in 2016: 3,233

Products: High performance fiber-based materials, such as filters, medical fabrics, life science and diagnostics, wallcoverings as well as food packaging

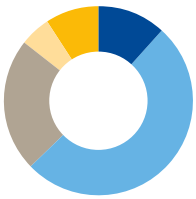
Market capitalisation (31.12.2016): 704.6 MEUR

In Ahlström Capital's portfolio: since 2014

Net sales, MEUR
(continuing operations)

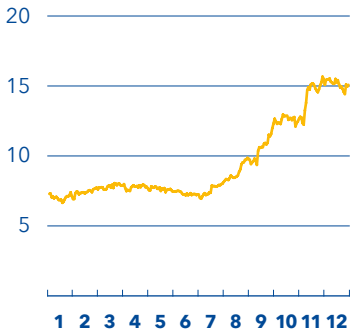


Ownership, %
December 31, 2016



- Ahlström Capital **12%**
- Finnish private investors **51%**
- Foreign holders **23%**
- Public sector institutions **5%**
- Others **9%**

Share price in 2016, EUR



Munksjö: Strong performance

After the successful integration of the label and processing business across the last few years and strong operating performance in 2016, the merger with Ahlstrom is a natural step in the execution of Munksjö's growth strategy as a leading supplier of specialty papers.

Munksjö is a world-leading manufacturer of advanced paper products developed with intelligent paper technology. The company offers specialty papers in areas ranging from flooring, kitchens and furnishings to release papers, consumer-friendly packaging and energy transmission. Products are divided into four business areas: Decor, Release Liners, Industrial Applications and Graphics & Packaging.

Munksjö is a global organisation with 15 production facilities in five European countries, as well as in Brazil and China. The ambition is to achieve further profitable growth in specialty papers both organically and strategically. The market for specialty papers is expected to grow 2-4 per cent annually, as the demand for several of the end-use applications of Munksjö's solutions is supported by global megatrends such as urbanisation, globalisation and the aspiration towards a sustainable society.

The transition to a sustainable society is a natural driving force for Munksjö's growth as the products can replace non-renewable materials. With solid expertise of pulp and paper technologies, Munksjö provides customised products that enable its customers to design and produce high-value products at lower costs and with low environmental impact.

Urbanisation and changes in demographics provides, among other things, increased demand for sustainable and efficient packaging, as well as for furniture and furnishings, where Munksjö's décor paper for high and low pressure laminate has a strong position. Demographic change drives the demand for energy, which implies a higher demand for Munksjö's electrotechnical paper for the insulation of power transmission equipment.

Record high results and cash flow

In 2016, market demand remained stable and at a good level. Some geographical markets, such as Brazil, were still impacted by macro-economic uncertainty during 2016, but this was compensated with exports to other markets.

Munksjö reached its ambitious profitability target, set in 2013, of an EBITDA margin of 12 per cent (8.3). Adjusted EBITDA reached EUR 136.7 million (93.6), an improvement of 46 per cent. The key drivers for the profitability improvement included continued operational efficiency, profitable growth, product and service quality leadership and utilising the position as a market and innovation leader. Net sales were at a record high at EUR 1,142.9 million (1,130.7), comparable operating profit was EUR 81.5 million (40.0) and cash flow was strong at EUR 114.3 million (55.5).

The merger with Ahlstrom in the second quarter of 2017 will further improve operational efficiency and create stronger global growth opportunities.

Founded: Munksjö started its operations in 1862. Munksjö Oyj was formed in 2013, when the combination of Munksjö AB and Ahlstrom's Label and Processing business area was completed.

Domicile: Helsinki, Finland

Industry: Specialty paper company

Operating countries: France, Sweden, Germany, Italy, Spain, Brazil and China

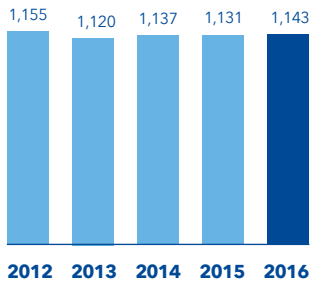
Personnel in 2016: 2,913

Products: Specialty papers such as dé-cor, release and electrotechnical paper, abrasive backings, graphic and industrial paper and interleaving paper

Market capitalisation (31.12.2016): 802 MEUR

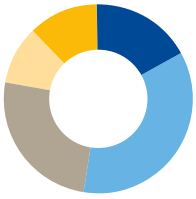
In Ahlström Capital's portfolio: since 2014

Pro-forma* net sales, MEUR



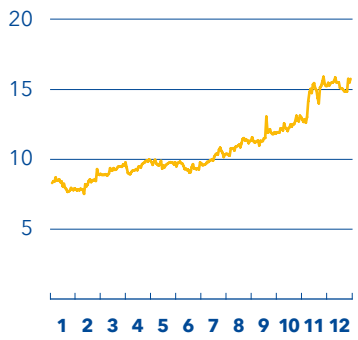
* Includes LP Europe and Coated Specialities from 1 January 2012. As the combination was completed during 2013, the pro forma information is only consolidated until the fourth quarter 2013. From the first quarter 2014 the reported figure is used.

Ownership, % December 31, 2016



- Ahlström Capital **17%**
- Foreign holders **36%**
- Finnish private investors **25%**
- Public sector institutions **10%**
- Others **12%**

Share price in 2016, EUR



Suominen: Significant investments

Suominen is a globally leading supplier of nonwovens. The company seeks growth from high value-added nonwovens. The installations of the new production line were completed in 2016 and will increase the manufacturing volumes for higher value-added products in 2017.

The company manufactures nonwovens as roll goods for wipes, hygiene products and medical applications. Products made of Suominen's nonwovens include, for example, wet wipes for personal hygiene and baby care, as well as for household and workplace wiping, diapers and surgical drapes.

Suominen is the global market leader in nonwovens for wipes, and the ninth-largest of all nonwovens suppliers. The company's main market areas are North America (59% of net sales in 2016) and Europe (39%). It also has a foothold in the growing South American markets.

Suominen is a market-driven product leader that operates in growing markets. Demand for nonwovens is increasing in all market areas as the standard of living climbs higher. The conditions for growth are favourable, as an appreciation of a healthy lifestyle, well-being, as well as efforts to achieve everyday comfort and convenience gain momentum. With an aging population, demand for nonwovens used in medical applications, for example, is increasing.

Improved product portfolio

Demand for nonwovens used in wipes and in hygiene and medical products is increasing at an annual rate of approximately 3 per cent in Suominen's selected segments. Exceeding this average growth rate organically has been one of the financial targets of the company's strategy for 2015–2017. The key goal of the strategy regarding the next five years, is to increase the share of products with higher added value, such as nonwovens for household and workplace wiping as well as for flushable applications. Demand for these products is expected to increase at a rate of 5-9 per cent annually, providing momentum for further growth for Suominen.

The equipment installations of the production line investment in Bethune, USA, completed in 2016, will play a key role in achieving this goal. The new line will serve several high value adding end-use applications based on the company's strong technology expertise. With a total value of more than EUR 50 million, it constitutes the largest project in the company's growth investment program.

The tightened competitive situation and pricing pressure affected Suominen's sales volumes in 2016. Net sales and comparable operating profit declined and amounted to EUR 416.9 million (444.0) and EUR 25.6 million (31.2) respectively. Although the financial development with regards to net sales and operating profit did not live up to expectations, the product portfolio improved, and the share of products with higher added value continued to grow. In 2016, these products, laying the groundwork for improving both net sales and profitability, already amounted to 62 per cent of the company's net sales.

If the company succeeds in the execution of its strategy, Suominen's net sales will be above EUR 600 million in 2021. Due to its investment program, strengthened commercial organisation and boosted product development processes, Suominen is in a better position than before as it heads into 2017.

Suominen

Founded: 1898 (J.W.Suominen Ltd)

Domicile: Helsinki, Finland

Industry: Manufacturing of nonwovens

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

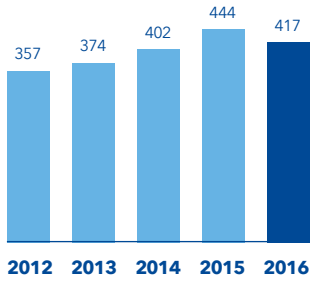
Personnel in 2016: 650

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

Market capitalisation (31.12.2016): 210.2 MEUR

In Ahlström Capital's portfolio: since 2014

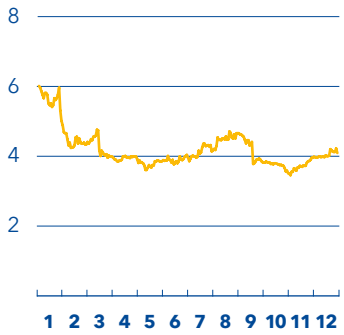
Net sales, MEUR



Ownership, % December 31, 2016

- Ahlström Capital **27%**
- Public sector institutions **21%**
- Finnish private investors **15%**
- Corporations **18%**
- Financial and insurance corporations **12%**
- Others **7%**

Share price in 2016, EUR



Destia: Growth in a recovering market

Destia's wide range of services cover the entire life cycle of infrastructure construction, from design and construction to maintenance.

Destia offers infrastructure construction services in Finland. It designs, builds and maintains not only traffic routes, railways and traffic and industrial environments, but also complete living environments. An extensive network of regional offices in Finland ensure that Destia is always close to its customers.

Large and demanding road projects and infrastructure maintenance represent Destia's core business. Due to its diverse expertise, the company is able to implement large-scale turnkey projects. Destia is especially strong in the maintenance of highways and roads, whereas street networks are often maintained by municipal operators.

In recent years, the company has improved its market position in rock construction and track construction. Destia became the market leader in railway network maintenance when it assumed responsibility for the maintenance of the Pohjanmaa and Savo tracks in 2016. In 2017, the company will service seven of Finland's twelve railway network maintenance areas.

Destia's core focus areas in the next few years will be on profitability improvement, personnel development, and strengthening the market position, especially in the capital region. The prerequisites for efficient production are ensured, for example, by digitalising operations – developing information model-based design and production, and the automatisation of work machines.

Increasingly urban

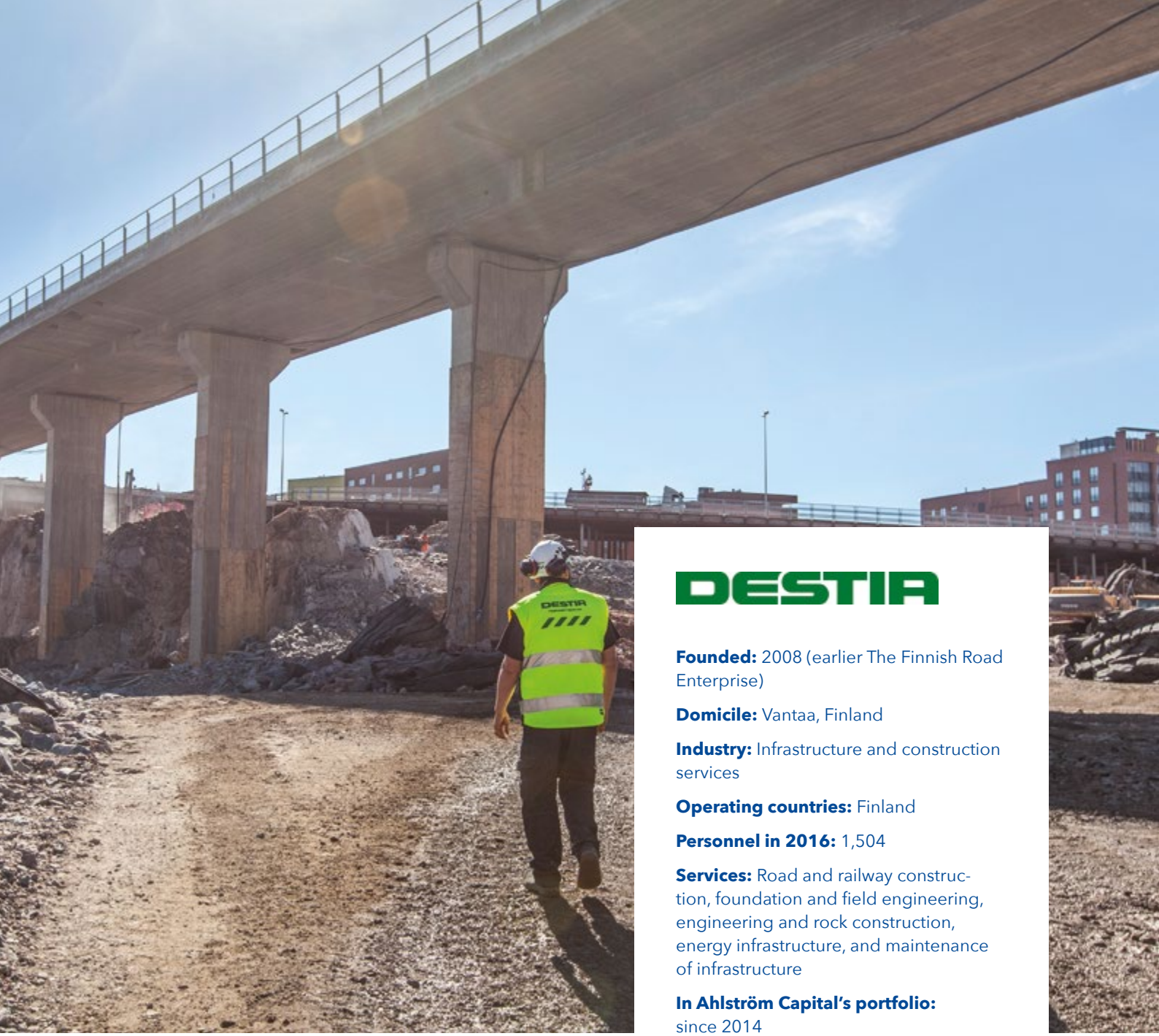
Urbanisation and the condensing of urban structures increases the need for foundation and engineering construction. In the capital region, Destia continued excavation and foundation works at the REDI site, the new residential, office, shopping and lifestyle hub in the Kalasatama district of Helsinki: the largest urban excavation site in Finland.

The Myllysaari underpass project in Tampere, completed in 2016, showcases Destia's versatile competence in implementing demanding foundation and railway construction in a busy urban environment. Destia also manages and maintains the Shoreside tunnel on National Road 12 in Tampere, one of the busiest highways outside the capital region.

The extension project worth approximately EUR 100 million at Helsinki Airport continued in 2016, and is expected to be completed in 2020. The project is an alliance between Finavia and Destia whereby the customer, designers and contractors cooperatively implement the project.

In 2016, Destia acquired the majority interest in ITS-Vahvistus, specialising in foundation, engineering and rock construction. The acquisition further enhances Destia's ability to serve customers in a more versatile way to create demanding infra-solutions.

Destia's revenue and operating result increased in 2016 as a result of successful operations in a recovering infrastructure market. The comparable operating profit was EUR 12.5 million (7.4). The number of large projects declined, but the company succeeded in increasing the number of private customers as a result of investments made in customer work.



Founded: 2008 (earlier The Finnish Road Enterprise)

Domicile: Vantaa, Finland

Industry: Infrastructure and construction services

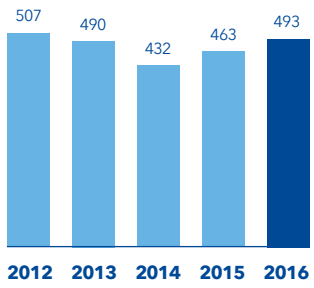
Operating countries: Finland

Personnel in 2016: 1,504

Services: Road and railway construction, foundation and field engineering, engineering and rock construction, energy infrastructure, and maintenance of infrastructure

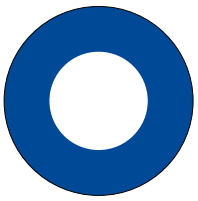
In Ahlström Capital's portfolio: since 2014

Net sales, MEUR



* The ownership of Destia was transferred to Ahlström Capital on July 1, 2014.

Ownership, % December 31, 2016



Ahlström Capital **100%**

Enics: Actions to improve competitiveness

Enics provides electronic manufacturing services with a clear focus on industrial electronics. The company serves customers in the fields of transportation, building automation, energy, industrial automation and instrumentation.

The company offers services throughout the product life cycle. The services range from engineering, prototyping and industrialisation to manufacturing, supply chain management and repair and maintenance. Enics has eight production plants in Europe and Asia, and almost 50 years of experience in electronics manufacturing services.

The cornerstone of Enics strategy is a strong focus on manufacturing services for industrial electronics and commitment to customer satisfaction. The company's aim is to optimise the value chain of its customers, and to improve their competitiveness through increased productivity and product reliability.

The operating model builds upon local presence and efficient operations. Units in Finland, Sweden and Switzerland offer services close to customers and serve as a gateway to the global manufacturing network. Volume units located in China, Estonia and Slovakia, provide production at optimised cost in less expensive regions.

Customer relations built to last

The business is characterised by long-lasting customer relationships with large industrial technology manufacturers. Providing premium quality, reliability and delivering products on time as well as at the right pricing are the keys to successful cooperation. Collaboration with customers and suppliers is an integral part of Enics' way of operating. In 2016, the company launched Enics Life, a web portal providing all of its partners easy access to business relevant information, data and reports.

Industrial electronics is a growth industry, largely driven by global megatrends such as urbanisation, population growth, an aging population and a growing middle class. Enics was able to grow its revenue for four consecutive years between from 2012 to 2015. In 2016, however, the general market situation was challenging, and as a result, the net sales remained at the previous year's level at EUR 501.1 million (505.3). The comparable operating profit amounted to EUR 15.2 million (18.1).

Due to challenging markets, improving profitability, productivity and flexibility became the company's core focus areas in 2016. Enics initiated actions to improve cost-efficiency and productivity and strengthen its future competitiveness by, among other things, re-structuring operations. The results of these actions are expected to be visible in 2017.

In Estonia, Enics decided to grow and sharpen its high-tech focus by expanding its Elva factory. The production facility in Elva concentrates on high volume production for leading industrial electronics customers, and the favorable demand for these products was a key rationale for the growth investment. The expansion will be ready for production in late 2017.

On January 27, 2017, Enics announced the acquisition of PKC Electronics with factories in Raahe, Finland and Suzhou, China.

Founded: 2004

Domicile: Zürich, Switzerland

Industry: Electronics manufacturing services

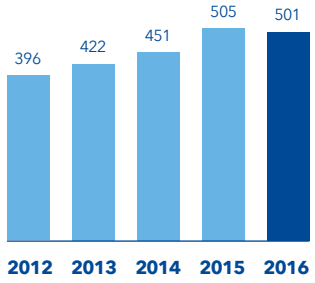
Operating countries: China, Estonia, Finland, Slovakia, Sweden, Switzerland and Hong Kong

Personnel in 2016: 3,088

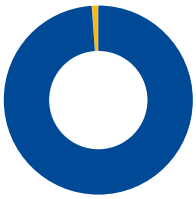
Services: Services for industrial electronics throughout the product lifecycle: engineering, manufacturing and after sales services

In Ahlström Capital's portfolio: since 2004

Net sales, MEUR



Ownership, % December 31, 2016



- Ahlström Capital **99%**
- Personnel **1%**

The growth fundaments for Cleantech are favourable, based on zero emissions targets and strong government support.

Cleantech fund focuses on renewable energy

AC Cleantech Growth Fund invests in sustainable business, with a particular focus on companies providing solutions for renewable energy: Scandinavian Biogas and Ripasso Energy.

AC Cleantech Growth Fund holds a 22 per cent share in Ripasso Energy, a solar panel system developer, 33 per cent in Scandinavian Biogas, a biogas producer, and 40 per cent in Frangible Safety Posts, a company focusing on passive traffic safety solutions. In addition to Ahlström Capital, also Varma, Sitra and Stiftelsen för Åbo Akademi have invested in the fund. Ahlström Capital's ownership in the fund is 30 per cent, and it is consolidated as an associate in the Ahlström Capital Group. The commitments are fully drawn down and the funds raised are fully invested.

Successful year for Scandinavian Biogas

Scandinavian Biogas is the largest private biogas producer in Sweden, with an ambition to also grow and gain market share in other Nordic countries. The company helps its customers to design and operate biogas plants, and assumes responsibility for the entire biogas process. Its expertise spans from engineering and constructing the plants, to the management, pre-treatment and digestion of organic material and the upgrading of biogas to vehicle-fuel. The company focuses on industrial-level production, while other operators in the market are typically engaged in smaller-scale production.

With growth and new investments, 2016 was a successful year for Scandinavian Biogas. The company's revenue increased by 38 per cent from the previous year, a result of both the strong production from the biogas plant in Södertörn and the Henriksdal expansion having commenced production. With the new expansion, the Henriksdal facility in Stockholm will become the largest biogas plant in the Nordic region.

Scandinavian Biogas has four plants in Sweden, and a plant in South Korea. The commissioning of a new production plant for liquid biogas in Skogn, Norway, in the second half of 2017, marks a strategically important development as the company's operations expand geographically to include another Nordic country.

Hybrid solar power provides opportunities

For Ripasso Energy, domiciled in Sweden, one of the key events in 2016 was the listing of the shares on the NGM exchange (Nordic Growth Market). The company develops and manufactures a solar power system based on a hybridised Stirling engine. The system provides electricity 24/7, on or off the grid, by combining the power of the sun and other available fuels. The hybrid solution is expected to be in demand because unlike existing technology, it is able to deliver electricity at a competitive price even when the sun is not shining. The solution is expected to be launched in 2017.

CASE

Kasarmikatu 21 – unique office premises

In 2015, Ahlström Capital, HGR Property Partners and YIT Construction agreed on a joint development project in the corner of Kasarmikatu 21 and Pohjoinen Makasiinikatu 9-11, Helsinki. A prime office building in the heart of Helsinki is consistent with Ahlström Capital's real estate strategy. The plan was to tear down the old building, which was occupied by the City of Helsinki's Public Works Department, and to build a new office building on the site. In addition to the office premises, there will also be a space for a restaurant and meeting facilities on the ground floor of the building. The construction work began in spring 2016.

The building is constructed in accordance with the standards of the LEED Platinum certification for green buildings, which is the highest rating when measuring building sustainability. Energy efficiency is taken into account: the recycling rate of the project is almost 100 per cent. The impact of the project is estimated to create up to 400 person-years of employment. The seven-storey building will accommodate up to 1,000 employees across 16,000 square metres of business premises. When completed, the building, with a Jura Travertino natural stone façade, will offer stylish office premises that meet modern requirements. Operating and investing in a responsible way is important for Ahlström Capital, which is why we also consider environmental questions to be essential in this project.

The project has proceeded as planned. By the end of 2016, the building was almost fully let, the largest tenants being the anchor tenant Roschier, Attorneys Ltd and Danske Bank. The new office building is estimated to be completed by the end of 2017.

The worksite of Kasarmikatu 21, photographed in November, 2016.

Real estate investments

Our real estate investments, including both buildings and forest, form the basis of our portfolio providing steady returns with low risk.

Real estate: Focus on prime office and logistics properties

Ahlström Capital's real estate strategy aims for the active development and holding of premium office and logistics properties in Southern Finland.

Ahlström Capital's real estate portfolio includes industrial and commercial properties in Southern Finland. In addition, Ahlström Capital holds the historically significant Noormarkku and Kauttua Works in the Satakunta region. The heritage real estate assets of the Ahlström family are significant landmarks of Finnish industrial and cultural history. The real estate and forest holdings are managed by A. Ahlström Kiinteistöt Oy, a subsidiary of Ahlström Capital Oy.

As a long-term owner, our investment horizon spans decades. Continuity is highly valued by many of our tenants. While a typical real estate investor may consider 10 years to be representative of a long-term investment, there are properties in our portfolio, such as our flagship building in Eteläesplanadi 14, Helsinki, that we have owned for more than 80 years.

Timing is of high importance. We take advantage of favourable market cycles when considering acquisitions or selling our properties. We have the patience to look for the right investment that will successfully fit into our portfolio.

Development projects create added value

Ahlström Capital updated its real estate strategy in 2016 in line with the company's overall strategy.

We proactively focus our investments on prime office and logistics properties in Southern Finland, as these are the property types and locations we know best. A clear focus is needed to retain the value of our portfolio. In practice, it also means a shift from a large number of different types of properties to a small number of prime properties. We prefer to invest in properties that have a market value of between EUR 10–75 million.

Our aim is to further decrease the number of rental properties in our portfolio, and create value through active ownership in real estate development and conversion projects. We are happy to partner with other parties in real estate projects, as we believe that different partners bring competences that adds value more than they would generate individually. We focus our investments on prime office space mainly in Helsinki and Tampere, as these are the key growth centres in Finland.

We seek logistics properties in the Greater Helsinki region, close to main highways in good logistic locations. Value creation in logistics properties is based on our ability to carry out development projects, where we ac-

External fair value of real estate assets is EUR 139.9 million (2015: 179.1), accounting for 14.1% of Ahlström Capital's total investments.

quire the land and develop the property together with the user. Our aim is to be involved in the project from the very beginning.

In addition to offices and logistics premises, Ahlström Capital is also open to other investment opportunities in Finland, if the yield and liquidity match our targets.

In 2016

- Ahlström Capital continued to adjust its portfolio to meet the new strategy.
- Three logistics properties were sold, as they no longer matched the portfolio targets.
- Ahlström Capital continued to further reduce the number of rental agreements in its portfolio. At the end of 2016, the total amounted to 260 rental agreements (2015: 391).
- Kasarmikatu 21 real estate development project, which is conducted in collaboration with HGR Property Partners and YIT Construction, proceeded according to plans. The construction and rental activity started in 2016. Upon completion, estimated at the end of 2017, the office building will provide workspace for up to a thousand employees. The property is being built taking into account the requirements of the LEED Platinum environmental certificate.
- An agreement to sell all the remaining apartments in Lahden Kulmala real estate development project was made in 2016.

Factors taken into account when selecting properties

- Prime locations in growth areas. With continuing urbanisation, areas are increasingly divided into regions that are showing growth or are in decline.
- Modern buildings that serve high requirements of tenants.
- Flexible premises that adjust to the needs of different users. In long-term agreements, the needs of the tenants often change. The trend of teleworking changes the demand for office properties.
- Sustainability and energy efficiency. All properties are managed in an energy-efficient manner, with an aim of getting environmental certificates (LEED, BREEAM) for them.
- Responsible subcontractors. We select projects where responsible operations throughout the subcontractor chain can be ensured and all parties fulfill the regulatory requirements.

Forests: Long traditions in sustainable business

Ahlström Capital is one of the largest private forest owners in Finland. Maintaining biodiversity is an important issue for us, alongside the profitable forest business.

Ahlström Capital focuses its forest holdings in the Satakunta region in Finland. Concentrating our holdings in one region creates economies of scale. When we operate locally, we are also able to plan loggings and sales better.

Wood is sold to nationwide forest industry companies, local sawmills and energy plants. The sales are conducted both in the form of delivery sales and standing sales. Ahlström Capital aims to increase the share of delivery sales up to 70 per cent. Delivery sales enable us to be an increasingly reliable and flexible partner for our customers. The high quality of our operations is guaranteed by our in-house staff as well as our trained and established contractors.

Sustainability at the core of our forest business

Ahlström Capital promotes ecologically and economically sustainable forestry. We comply with good forest management practices and take into account the multipurpose use of forests. Ahlström Capital's forests are included in various protection programmes, such as Natura 2000. In addition, ecologically diverse areas have been excluded from active forest management under the company's own decision. In 2016, two forest areas in Merikarvia and Hausjärvi, totalling 17 hectares, were included in the forest protection programme. These areas will remain in Ahlström Capital's ownership, but to protect the fragile diversity, logging or building is prohibited.

All of our forests have international PEFC Sustainable Forest Management certification. PEFC certification provides us with access to the global marketplace for certified products. The certification guarantees that the passage of raw materials and wood-based products are followed throughout the whole supply chain. To meet the certification requirements, the forest management must satisfy certain standards with regard to how the forests are maintained and managed, how subcontractors operate, how logging is conducted and how the wood is delivered to the customers.

Ahlström Capital is planning to reconstruct certain swamp areas and wetland habitats for birds and to return these wetland systems to their natural state. During the 20th century, many small water systems were dried to increase the arable land and at the same time, valuable water and wetland areas were lost by the species needing them. The restoration is achieved by filling ditches, removing trees and raising the water level. The first areas of approx. 20 hectares were restored in Noormarkku during 2016.

Multipurpose use of forest areas

Our forest areas are mainly used for wood production. However, the expansion of the income base to multipurpose use is one of

33,000 hectares of forest. 83% of investments in Western Finland and the Satakunta region.

our future goals. Ahlström Capital is currently investigating the possibilities of using its land areas also for peat and wind energy production in the Satakunta region.

Applications for environmental permits for peat production have been submitted for three swamp areas totaling 170 hectares, and Ahlström Capital has already been granted one permit in Pomarkku. When peat production is started, all necessary measures will be taken to minimise the impacts on the water system and the environment.

Forest information system enables better planning

Our goal is to benefit from the further digitalisation of the forest business. Ahlström Capital's forest information system supports us in our pursuit to increase the share of delivery sales. The system, drawing information from accurate stand database based on the Aerial Laser Scanning (ALS) inventory method, enables us to better plan our loggings and supports silvicultural works. It provides accurate information on the size and location of wood stocks and forest land, and allows us to see what needs to be done in our forests. The system also enables real-time connection with subcontractors. Ahlström Capital aims to constantly develop the system, and improving the stock monitoring is our next focus area.

In 2016

- We increased our logging, which totalled 177.000 m^3 in 2016 (2015: 141.000 m^3).
- A total of 500 hectares of new forest and water areas was purchased or swapped (2015: 150 hectares).
- External fair value of forests was EUR 112.0 million (2015: EUR 106.7 million).
- Net sales from the forest business EUR 8.2 million (2015: EUR 6.5 million).

Logging in 2016

- Delivery sales **112,000 m^3**
- Standing sales **39,000 m^3**
- Energy wood **26,000 m^3**

CASE

Heritage counts

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

One of the largest and most impressive ironwork areas in Finland, the Noormarkku works has been in the ownership of the Ahlström family for almost 150 years. Antti Ahlström (1827-1896) bought the works as well as its land and forest areas in 1870, after the previous owner faced financial difficulties. Three years after the acquisition of the Noormarkku Works, Antti Ahlström bought the Kauttua Works. After Antti Ahlström's death in 1896, his wife Eva Ahlström took over the reins of the business, as well as the two works. In the early 1900s, a new era began in Kauttua, when the new owner decided to focus on special forestry products, non-woven fabrics and industrial technology rather than iron production.

During the ownership of Ahlström, both works have risen to their current splendour. These days, the Noormarkku and Kauttua Works both provide well-known and high-quality hotel and restaurant services, as well as meeting services. There are three significant residential buildings located in the Noormarkku Works area: Isotalo, Havulinna and Villa Mairea. Villa Mairea, designed by Aino and Alvar Aalto and built in 1939, has attained world-wide recognition as one of the greatest masterpieces of 20th century architecture. Villa Mairea's unique architecture and impressive art collection attract visitors, both from Finland and abroad. The Noormarkku Works was nominated for the EU Prize for Cultural Heritage in 2016. The winner of the competition will be published in May 2017.

The Noormarkku Works is also the home of the headquarters of A. Ahlström Kiinteistöt Oy and Ahlström Konsernipalvelut Oy.

Noormarkku is the home of A. Ahlström Kiinteistöt Oy's and Ahlström Konsernipalvelut Oy's headquarters, located by the Noormarkunjoki River.

Responsibility

Our active ownership focusing on sustainable long-term development increases the company's value for future generations.

Sustainability is embedded in our operations

At Ahlström Capital, sustainability is a part of our active ownership. The ownership role must combine long-term sustainable development with shareholder value growth. As a family owned investment company, at Ahlström Capital, we want to continue the Ahlström family legacy and increase the company's value for future generations.

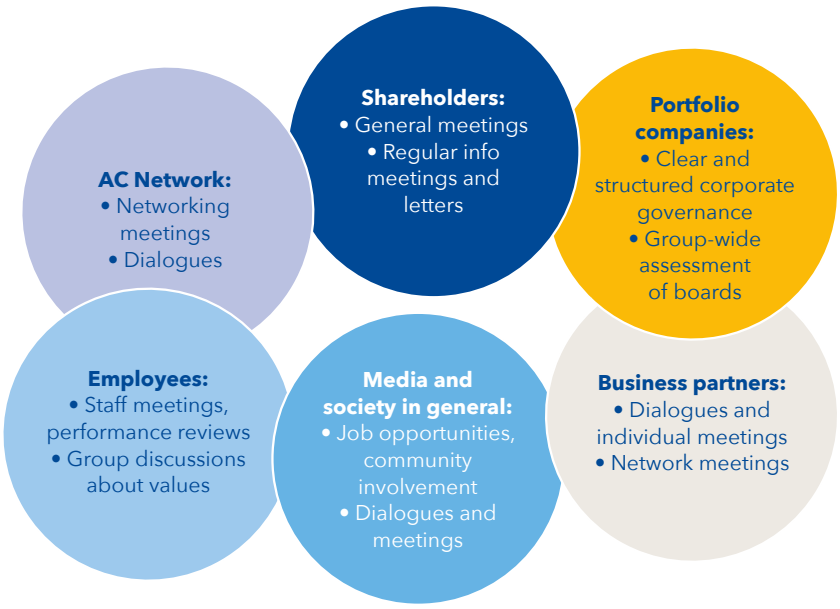
We take responsibility into account across all of our operations and we act as a persistent, solvent and trustworthy owner. The integration of sustainability throughout our portfolio companies is carried out during the acquisition process and through ongoing development work. The assessment of a potential acquisition includes an evaluation of long-term sustainability-related risks. We consider both social and environmental factors and business ethics in the initial target evaluation. Sustainability considerations also influence the choice of industries and companies in which we invest.

Ahlström Capital expects that responsibility is embedded in the operations of our portfolio companies. Through active board participation and guidance, we support our portfolio companies in their responsibility efforts. All portfolio companies are committed to environmental, social and economic responsibility. We also encourage our portfolio companies to engage in an open dialogue with stakeholders.

Sustainability in our activities

Ahlström Capital's direct impact on economic, social and environmental aspects in society is much smaller in relation to our portfolio companies' impact. Our work as a responsible investor and a long-term owner has top priority. Financial strength and resilience are a prerequisite for our ability to develop our

Stakeholders and our methods of interaction



portfolio companies both in the present and into the future.

We want to develop and involve our employees. We place importance on strategic talent development and acquisition and on the promotion of equal opportunities and diversity. We aim to continuously build upon a good level of occupational health, safety and work environment, including work-life balance. We have engaged our employees in workshops about our values and how we can integrate our values into our everyday business decisions.

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

We promote sound corporate governance and transparency in all of our companies. Sound corporate governance creates value and we aim for high transparency across our operations. We strive to continuously improve our corporate governance and communication to safeguard high quality and long-term confidence.

We operate our investments in a way that carefully evaluates environmental impacts. We take into account sustainability and energy efficiency when we select properties in our real estate portfolio. We maintain forest biodiversity and act responsibly in forest harvesting when operating with our forest investments. We also promote an environmental sustainability agenda in our industrial holdings.

Ahlström Capital supports the efforts of CMI to promote peace worldwide

In 2016, Ahlström Capital and the Eva Ahlström foundation supported the efforts of the Crisis Management Initiative (CMI) to promote peace worldwide. Former President of Finland, Martti Ahtisaari, founded the CMI in 2000 to both solve and prevent violent conflicts through negotiation and dialogue.

Ahlström Capital as a responsible owner

Industrial investments	Real estate investments	Forest investments
• Thorough analysis of potential investments and making responsible investments • Active board participation and close cooperation with the management of our portfolio companies • Developing our portfolio companies in a sustainable way with good corporate governance	• Properties are managed in an energy-efficient manner attaining environmental certificates (LEED, BREEAM) • Property life cycle thinking and using material and technical solutions that endure • Selecting projects where responsible operations throughout the subcontractor chain can be ensured	• Promoting ecologically and economically sustainable forestry, our forests are included in protection programmes i.e Natura 2000 • Sustainable forest harvesting and maintaining forest biodiversity • Managing forests according to PEFC forest certification objectives

Corporate governance and risk management

We promote sound corporate governance and transparency.

The first AC Network Day gathered together board members and management of Ahlström Capital's portfolio companies.

Corporate governance

Ahlström Capital Oy (hereinafter "Ahlström Capital" or the "company") is a private limited company registered in Finland. 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 Finnish Corporate Governance Code is available at www.cgfinland.fi/en/. 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 parent company of the Ahlström Capital Group (the "Group") is Ahlström Capital Oy, the administrative and executive bodies of which are the General Meeting of Shareholders, Board of Directors, the Board's Audit Committee and Compensation Committee, Shareholders' Nomination Board, the President as well as the Management Team.

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

The Group consists of several independent companies, subgroups and separate associates. Decisions concerning the operations of these are taken by their own decision-making bodies. The company exercises its ownership through representatives that its Board annually proposes to the decision-making bodies of the company's subsidiaries and associates.

The company's shares are incorporated in the Finnish book-entry system maintained by Euroclear Finland Ltd. Ahlström Capital has its registered office in Helsinki, Finland.

The company provides information to shareholders, employees, and the public on a regular basis. The company's website ahlstromcapital.com also provides information about the company and its operations.

General meeting of shareholders

The highest decision-making body of Ahlström Capital Oy is the General Meeting of Shareholders. The Annual General Meeting decides on the composition of the Board of Directors, as well as decides on the fees payable to members of the Board, the Board's committees and the Shareholders' Nomination Board and to the auditors. In addition, the General Meet-

ing of Shareholders has exclusive authority over matters such as amending the Articles of Association, adopting the financial statements, deciding on the distribution of profits, deciding on releasing the Board and President from liability and electing auditors.

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

In 2016, the Annual General Meeting was held on April 7 in Helsinki.

Board of Directors

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

The Board represents the owners of the company. The duties and responsibilities of the Board are based on the Finnish Limited Liability Companies Act and other applicable legislation, as well as on the Articles of Association and the rules of procedure adopted by the Board. The Board has general jurisdiction over all company affairs which under law, the Articles of Association or the Charter of the Shareholders' Nomination Board are not specifically to be decided or implemented by other bodies.

In cooperation with the President, the Board attends to internal supervision, which also includes risk management. Risk management is mainly carried out in the subsidiaries and associates, that is, in potential sources of risk. The Board confirms the company's and the Group's general targets and strategy, and approves the annual plan.

The Board of Directors can decide on establishing new committees for the purpose of preparing the matters for which the Board is responsible. The committee members are elected by the Board annually after the General Meeting of Shareholders. In 2016, the Board had an Audit Committee, a Compensation Committee and until April 7, a Nomination Committee. The Board has confirmed the tasks and duties of the Board's Committees.

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

During the period January 1 to April 7, the Board of Directors was composed as follows: Chairman Mikael Lilius, Vice Chairman Stig Gustavson, Thomas Ahlström, Mats Danielsson, Jouko Oksanen, Malin Persson and Peter Seligson. The Annual General Meeting of Shareholders held on April 7 elected Thomas Ahlström, Mats Danielsson, Mikael Lilius, Pekka Pajamo, Fredrik Persson, Malin Persson and Peter Seligson as Board members. At its constituent meeting, the Board elected Mikael Lilius as the Chairman. The Board has both genders represented.

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

In 2016, the Board held 12 meetings. The average attendance rate of its members was 96 percent.

The Board conducts annually a self-assessment study; this was also done in 2016.

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 of risk management and internal control. It is also the Audit Committee's duty to monitor questions related to Ahlström Capital Oy's external fair value (EFV).

In 2016, the Audit Committee was chaired by Mats Danielsson with Thomas Ahlström, Jouko Oksanen (until April 7) and Pekka Pajamo (as of April 7) as members. The Audit Committee convened six times in 2016 (attendance rate 100 per cent). The auditor was present in two Audit Committee meetings.

Compensation Committee

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

In 2016, the Compensation Committee was chaired by Mikael Lilius with Peter Seligson, Stig Gustavson (until April 7) and Fredrik Persson (from April 7) as members. The Compensation Committee convened three times in 2016 (attendance rate 100 per cent).

Nomination Committee (until April 7)

The role of the Nomination Committee is to prepare proposals on the remuneration of the members of the Board

of Directors and the Board committees; prepare a proposal on the composition of the Board of Directors and to seek for prospective successors for the Board members.

During the period January 1 to April 7, the Nomination Committee was chaired by Mikael Lilius with Thomas Ahlström, Robin Ahlström and Mats Danielsson as its members. The Committee convened once in 2016 (attendance rate 100 percent).

Shareholders' Nomination Board (as of April 7)

The Annual General Meeting held on April 7 established a permanent Shareholders' Nomination Board, which consists of four (4) members: company's Chairman of the Board of Directors chairs also the Nomination Board, two members are nominated by the Annual General Meeting of the Company and one member is nominated by the Company's Board of Directors.

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

In 2016, the Nomination Board was chaired by Mikael Lilius with Robin Ahlström, Thomas Ahlström and Mats Danielsson as members. The Shareholders' Nomination Board convened twice in 2016 (attendance rate 100 percent).

President and CEO

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

Jacob af Forselles, Chief Investment Officer, was the Acting CEO of the company until February 1, 2016, when Hans Sohlström, M.Sc. (Tech.), M.Sc. (Econ.) assumed the position of President and CEO.

The terms and conditions of the position of President are defined in written contract confirmed by the Board. Should the contract be terminated on Ahlström Capital's initiative, the severance pay is equivalent to twelve months' salary. Hans Sohlström has the right to retire at the age of 63.

Management Team

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

At year-end 2016, the Management Team was chaired by Hans Sohlström (President and CEO) with Jacob af Forselles (Chief Investment Officer), Sebastian Burmeister (CFO), Ulla Palmunen (General Counsel and HR Director), Camilla Sågbom (Director, Corporate Communications and Responsibility) and Tero Telaranta (Director, Industrial Investments) as members.

Personnel

At year-end 2016, the company had 16 employees. They assist the President and CEO, actively monitor and develop the company's operations in accordance with the objectives set, handle reporting, and prepare decisions on investments and divestments for discussion by the Management Team and the Boards of the company and the company's associates and subsidiaries.

Salaries and remunerations

The Annual General Meeting decides on the remuneration of Board members. In compliance with the resolution of the Annual General Meeting of 2016, the Chairman receives an annual remuneration of EUR 100,000 and the members EUR 40,000. No separate meeting fees are paid for board meetings apart from a daily allowance of EUR 1,500 for board members residing outside of Finland. For each committee and the Shareholders' Nomination Board meetings, a fee of EUR 800 is paid.

The Board decides on the President's salary and benefits and confirms the salaries, incentives and benefits of other members of the management. The Management Team members are entitled to an additional pension scheme after being a Management Team member for one year. The company's employees are entitled to incentives according to the company's incentive policy. Incentives are based on the company's value development and specific individual goals.

Audit

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

The Annual General Meeting of 2016 elected KPMG Oy Ab as the company's auditor, with Virpi Halonen, Authorised Public Accountant, as the auditor in charge.

The Group's auditing fees in 2016 were EUR 406 thousand (688). In addition, the auditor was paid EUR 137 thousand for services not related to the audit (437).

Risks managed through diversified portfolio

Ahlström Capital performs continuous mapping and assessment of its risks and manages the diversification of its portfolio.

As an investment company the key risks of Ahlström Capital are related to the management of investments and the diversification of its portfolio. Diversified and balanced portfolio, consisting of forests and real estate holdings and industrial investments, reduces the overall risks, and is a key component of Ahlström Capital's risk management.

The success of Ahlström Capital is built on trust and operations in accordance to the principles of good governance. This trust translates into good reputation that the company's name has been associated with for decades. To secure this good reputation also for the future generations, the trust is carefully fostered in every situation across the entire Group. The management of Ahlström Capital is active in the boards of the portfolio companies, making sure that the principles of good governance and the trustworthiness are ensured also in the operations of these companies.

Ahlström Capital's External Fair Value is dependent on the development of the portfolio companies and the ability to increase their value through active ownership. The success depends, among other things, on the skills and expertise of the investment organisation and each company's management group and board of directors. It is essential for Ahlström Capital to attract and retain expertise in business development, transactions and financing. The development of the portfolio's value is also dependent on external factors such as the macroeconomic climate and market development.

Ahlström Capital's risks are divided into Group level risks as an investment company, and systemic risks related to the operations of the portfolio companies.

Portfolio risks

Ahlström Capital manages risks related to its own operations and processes, and by overseeing the composition of its portfolio. Every portfolio company is responsible for its own risk management and reporting its risks to Ahlström Capital. Ahlström Capital gathers the risks and has an overview of the systemic risks related to portfolio companies. It also promotes and monitors internal risk management practices in each of its portfolio companies through board work.

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. The management, the Board of Directors and the Audit Committee of Ahlström Capital map and assess the company's risks annually. The focus areas for continuous risk monitoring and mitigation measures are identified based on this risk evaluation.

Ahlström Capital Group level risks

Finance and investment risks

Reduced ability to execute investments, exits and restructuring of portfolio companies as planned on value adding valuation levels. Failure to meet performance targets as a result of portfolio companies' weaker results.

Mitigation

- Quick corrective actions, flexible exit rules
- Good planning, constant monitoring and reporting
- Diversified portfolio and asset allocation
- Active ownership in portfolio companies
- Participation in all financing negotiations of the Group companies

Human resource risk

Relatively small organisation in the head office that is dependent on its people.

Mitigation

- Organisational development
- Succession planning
- Network of expertise

Corporate Governance risk

Insufficient control mechanisms and governance resulting in reputational risk and risk of losing trust.

Mitigation

- Company guidelines and controls
- Ahlström Capital's management and external experts in portfolio companies' boards

Systemic risks related to portfolio companies

Risk	Mitigation	Total impact on portfolio
1. Economic and political situation in Finland	• Diversification of the portfolio, companies with different business cycles, companies with global business	Medium
2. Economic shock or significant slowdown in the world economy	• Diversification of the portfolio companies with different business cycles	Medium
3. USD currency fluctuations and appreciation	• Effective hedging policy for short to mid-term • Flexilibility in manufacturing and sourcing platform • Various hedging instruments for short to mid-term	Low
4. Increase in energy and oil pricing	• Various hedging instruments for short to mid-term • Energy efficiency as a part of process improvement	Low
5. Increase in pulp pricing and pulp availability	• Several sources and suppliers • Reasonable stock size • Long-term supplier agreements • Own forest assets	Very low
6. Availability and cost of funding	• Strong balance sheet • Good treasury policy • Diversification of banking contacts • Good reputation in bond markets	Very low

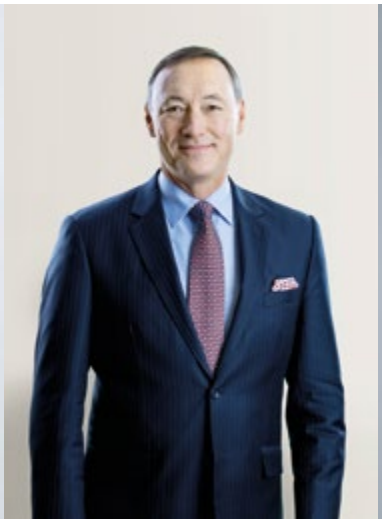
Risk impact

Medium Low Very low

The total impact on portfolio is calculated based on the risk probability for each individual holding, and the companies' relative share of Ahlström Capital's external fair value. The calculation includes listed and non-listed companies and real estate holdings.

Board of Directors

as of December 31, 2016



Mikael Lilius

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

Chairman of the Board March 24, 2015–, Chairman of the Compensation Committee April 29, 2015–, Chairman of the Nomination Committee October 26, 2015– April 7, 2016, Chairman of the Nomination Board April 7, 2016–

Primary working experience

Fortum Corporation, CEO 2000–2009; Gambro AB, CEO 1998–2000; Incentive AB, CEO 1991–1998; KF Industri AB, CEO 1989–1991; Huhtamäki Oyj, President of the Packaging Division 1986–1989

Key positions of trust

Chairman of the Boards: Metso Corporation, Wärtsilä Corporation; Board member: Evli Bank Plc; Supervisory Board member: Ab Kelonia Oy

Thomas Ahlström

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

Board member August 22, 2013–, Member of the Audit Committee April 29, 2015–, Member of the Nomination Committee October 26, 2015– April, 7 2016, Member of the Nomination Board April 7, 2016–

Primary working experience

Antti Ahlström Perilliset Oy, Managing Director 2011–; Helmi Capital Ltd., Founder 2007–2011; SEB 1991–2007: Various senior executive positions in London and Helsinki, including Managing Director, SEB Merchant Banking, Finland Scandinavian Bank plc, London, various positions1985–1990

Key positions of trust

Board member: Ursviken Holding Oy

Mats Danielsson

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

Board member November 7, 2011–, Chairman of the Audit Committee 29 April 2015–, Member of the Nomination Committee October 26, 2015– April 7, 2016, Member of the Nomination Board April 7, 2016–

Primary working experience

Paulig Ltd, CFO 2010-; Martela Corporation, CFO 2007–2010; Axfood AB, Group Business Controller 2001–2007; Delphi Finanz AG, Managing Director 1999–2001; Wärtsilä Corporation, Controller 1995–1999

Key positions of trust

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

Pekka Pajamo

b. 1962, M.Sc. (Econ.), Authorised Public Accountant

Board member April 7, 2016–, Member of the Audit Committee April 7, 2016–

Primary working experience

Varma Mutual Pension Insurance Company, Senior Vice-President, Finance 2012–; KPMG Oy Ab Head of Audit 2002–2004; Development director for the audit 1999–2002; Partner 1998–2012; Authorised Public Accountant 1993–2012; Auditor 1988–1993; Pekka Pajamo has acted as the responsible auditor e.g. in the following listed companies: Comptel Corporation, Elisa Corporation, Kemira Oyj, Rautaruukki Corporation, Sanoma Corporation, Tikkurila Oyj, Vacon Plc and Wärtsilä Corporation.

Key positions of trust

Chairman of the Board: Finnish National Theatre Ltd.; Vice Chairman of the Board: Arek Oy; Board member: Kaleva Mutual Insurance Company, Foundation of the Finnish National Opera and Ballet, Real estate Companies of Varma Group

Fredrik Persson

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

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

Primary working experience

Miscellaneous positions of trust 2015–; Axel Johnson AB, President and CEO 2007–2015; EVP and CFO 2000–2006; Aros Securities AB, Head of research 1998–2000; ABB, Financial Services 1992-1998

Key positions of trust

Chairman of the Board: Svensk Handel; Vice Chairman of the Boards: Svenskt Näringsliv, ICC Sweden; Board member: AB Electrolux, Beijer Invest AB, Hufvudstaden AB; Member, Listing Committee: NASDAQ OMX Stockholm AB

Malin Persson

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

Board member March 26, 2014–

Primary working experience

Accuracy AB, CEO 2012–; Chalmers University of Technology; Foundation, President and CEO 2013–2014; Volvo Technology Corporation, President and CEO 2007–2011; AB Volvo, Vice President, Corporate Strategy and Business Development 2000–2007; Volvo Transport Corporation, Vice President, Business & Logistics Development 1995-2000

Key positions of trust

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

Peter Seligson

b. 1964, Lic. oec. (HSG)

Board member August 22, 2013–, Member of the Compensation Committee April 29, 2015–

Primary working experience

Seligson & Co Oyj, Partner 1997–; Alfred Berg Finland, Managing Director 1991–1997; Arctos Securities, Head of Sales and Trading 1987–1991

Key positions of trust

Chairman of the Boards: Aurajoki Oy, Broadius Partners Ltd, Hercculia Oy Ab, Munksjö Oyj; Board member: Seligson & Co Oyj

Other positions of trust

Chairman: Skatte- och Företagsekonomiska Stiftelsen; Member: Folkhälsan

Personnel

as of 31 December 2016

Personnel on secondment, maternity leave or starting in 2017

Hans Sohlström

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

President & CEO

Andreas Ahlström

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

Investment Director

Sebastian Burmeister

b. 1975, M.Sc. (Econ.)

CFO until March 31, 2017

Director, Finance and Investments as of April 1, 2017

Anna Eklund

b. 1980, Bachelor of Hospitality Management

Receptionist

Jacob af Forselles

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

Chief Investment Officer

Mikael Lilius

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

Investment Manager

Anu Löfhjelm

b. 1959, HSO Secretary

Assistant

Maternity leave substitute for Emmi Kjerin

Ulla Palmunen

b. 1974, LL.M

General Counsel and HR Director

Sandra Sandholm

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

Legal Counsel

Camilla Sågbom

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

Director, Corporate Communications and Responsibility

Helena Staffans

b. 1956, B.Sc.

Executive Assistant to CEO

Tero Telaranta

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

Director, Industrial Investments

Suvi Uoti

b. 1987, BBA

Assistant

Albert van der Zee

b. 1959

General Manager, Netherlands

Emmi Kjerin

b. 1984, Bachelor of Hospitality Management

Assistant

On maternity leave as of March 1, 2016

Pasi Koota

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

CFO as of April 1, 2017

Johanna Raehalme

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

Finance Manager

On maternity leave as of November 15, 2016

Olli Valtonen

b. 1978, M.Sc. (Eng.)

Director, Group Control & Services

Destia secondment assignment as of November 1, 2016, Business Controlling and Reporting Development Director

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 and real estate holdings. The investment focus lies in growth industries in core areas of Ahlström Capital's expertise and in businesses that Ahlström Capital can develop as a true long-term partner.

In 2016, the total revenue of Ahlström Capital Group amounted to EUR 1.0 billion (1.0), the balance sheet total was EUR 1.1 billion (1.3), and the Group employed on average 4,649 people (4,780). The most significant change in the portfolio during 2016 was the divestment of AR Packaging. Hence, AR Packaging is classified as discontinued operations and figures are restated accordingly (except for the statement of financial position 2015).

The key performance indicators of Ahlström Capital

External Fair Value, EFV

For an investment company like Ahlström Capital, the development of the external fair value of the company's share is the most relevant long-term performance indicator and the most accurate way of measuring and monitoring the development of the value of investments. The External Fair Value (EFV) is defined as the aggregate market value of the company's assets net of liabilities. When valuing its holdings, Ahlström Capital complies with generally accepted 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 external fair value of 6-10 percent over time.

At year-end 2016, the total external fair value of Ahlström Capital's portfolio was EUR 949.8 million (743.7). The value increase in 2016 was EUR 232.6 million (137.9) or 31.3 percent (21.4), including the dividends paid during the period, in total EUR 26.4 million (26.2). The increase was attributable to the divestment of AR Packaging EUR 101 million, increase in market values of listed shares EUR 86 million, value increase of non-listed investments EUR 38 million and other change EUR 7 million. At the end of 2016, the external fair value of Ahlström Capital Oy's share was EUR 1,510.36 (1,182.57).

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 and restructuring costs.

The comparable operating profit for the year 2016 was EUR 36.4 million (28.3) exceeding the level of 2015 by EUR 8.1 million or 29 percent. The comparable operating profits of Ahlstrom, Munksjö and Destia improved, while the performance of Suominen and Enics were below comparable levels from 2015. In 2016, items affecting comparability totaled EUR 0.2 million (86.3). The most significant individual item in 2015 was the gain on sale of shares in Outokumpu.

Investments and portfolio development

Ahlström Capital's strategy was further developed in 2016. During the strategy process the focus areas for investments were defined. Ahlström Capital invests in industrial companies and real estate holdings. The investment focus lies in growth industries in core areas of Ahlström Capital's expertise and in businesses that Ahlström Capital can develop as a true long-term partner.

During the year, Ahlström Capital actively evaluated several new investment opportunities. The most significant change in the portfolio was the divestment of AR Packaging. Development of the real estate portfolio continued by selling non-strategic properties. The Kasarmikatu 21 real estate development project continued according to plans and at the end of 2016, the property was almost fully let.

On November 7, 2016, Ahlstrom and Munksjö announced their intention to combine. The combination will be implemented as a statutory absorption merger whereby Ahlstrom will be merged into Munksjö. The merger is expected to be completed at the beginning of the second quarter of 2017. Based on the ownership structure on December 31, 2016, Ahlström Capital Group would be the major shareholder of the combined company with an ownership of 14.59 percent.

At year-end, the listed shares represented 28.0 percent (20.1), non-listed shares 27.6 percent (38.3), real estate 14.1 percent (21.3), forests 11.3 percent (12.6) and liquid and other assets 19.0 percent (7.7) of the external fair value.

Investments

During 2016, Ahlström Capital increased its holdings in listed portfolio companies. Shareholding in Ahlstrom was increased from 11.0 percent to 11.7 percent, in Munksjö from 14.5 percent to 17.1 percent and in Suominen from 26.8 percent to 27.0 percent.

Exits

Ahlström Capital sold its 65 percent holding in AR Packaging to funds advised by CVC Capital Partners. The transaction was completed in September 2016. Ahlström Capital was the main shareholder in AR Packaging and its predecessor A&R Carton since 2001. During those years, Ahlström Capital had, through active ownership, worked together with the management to build AR Packaging into a leading speciality packaging company.

Following the updated real estate investment strategy, Ahlström Capital continued adjusting the real estate portfolio by divesting several properties outside the strategic focus.

Listed companies

Ahlstrom (11.66% shareholding)

Ahlstrom is a high performance fiber-based materials company, partnering with leading businesses around the world. The company aims to grow with a product offering for a clean and healthy environment. Ahlstrom's materials are used in everyday applications, such as filters, medical fabrics, life science and diagnostics, wall coverings and food packaging. Ahlstrom has around 3,300 employees in 22 countries on four continents. The company is listed on NASDAQ OMX Helsinki and had a market cap of EUR 704.6 million (336.8) at the year-end 2016.

Ahlstrom's revenue in January-December 2016 totaled EUR 1,085.9 million, showing an increase of 1.0 percent from the EUR 1,074.7 million in the comparison period. At constant currency rates, sales growth was 2.6 percent. Higher sales volumes had a positive impact on revenue. This was partially offset by an adverse product mix and lower average selling prices.

Operating profit was EUR 70.8 million (EUR 21.9 million), and adjusted operating profit amounted to EUR 80.6 million (EUR 47.5 million). The adjustment items affecting the operating profit totaled EUR -9.8 million (EUR -25.6 million). Major adjustment items in 2016 were approximately EUR 6.3 million in costs related to the merger with Munksjö. The figure includes costs of about EUR 1.8 million related to the early termination of the company's share-based incentive plan. In addition, some restructuring costs related to the new operating model were booked. Profit for the period was EUR 34.9 million (EUR 8.6 million).

Higher sales volumes, particularly in the Filtration & Performance business area, had a positive impact on operating profit. Also, operational efficiency improved through lower production waste. Selling, general and administrative expenses (adjusted) declined further during the reporting period. Operating profit was also supported by margin and product mix management in an environment where energy and raw material costs for pulp, chemicals and synthetic fibers were lower. Adverse currency rate fluctuations had a slight negative impact on operating profit.

Ahlstrom does not provide an outlook for the year 2017 due to the planned merger with Munksjö, which is expected to be completed at the beginning of the second quarter of 2017.

Munksjö (17.11% shareholding)

Munksjö is a world-leading manufacturer of advanced paper products developed with intelligent paper technology. Munksjö offers and develops customer-specific innovative design and functionality in areas ranging from flooring, kitchens and furnishings to release papers, consumer-friendly packaging and energy transmission. The transition to a sustainable society is a natural driving force for Munksjö's growth as the products can replace non-renewable materials. Given Munksjö's global presence and a way of integrating with the customers, the company forms a worldwide service organisation with approximately 2,900 employees and 15 facilities. The company is listed on NASDAQ OMX Helsinki and Stockholm and had a market cap of EUR 802.0 million (436.5) at the year-end 2016.

In 2016, Munksjö's revenue increased to EUR 1,142.9 million (1,130.7), as higher volumes compensated for the lower average price, mainly driven by the lower sales price for long fibre specialty pulp and different product mix compared to the last year. EBITDA adjusted for items affecting comparability increased to EUR 136.7 million (93.6) and the adjusted EBITDA margin was 12.0 percent (8.3). All four business areas have executed on their respective profitability improvement plans and approximately half of the result improvement is based on Munksjö's own actions to increase efficiency. The rest was mainly attributable to favourable cost conditions.

Items affecting comparability amounted to EUR -6.6 million (-7.3), whereof approximately EUR 4 million were related to the planned merger with Ahlstrom. Furthermore, approximately EUR 2 million were related to the terminated long-term share-value-based incentive program. The operating profit was EUR 74.9 million (32.7) and profit for the period EUR 43.3 million (22.8).

Munksjö's profitability target, set in 2013, to reach an EBITDA margin of 12 percent at the end of 2016 was achieved according to plan.

The demand outlook for 2017 for Munksjö's specialty paper products is expected to remain stable at the current good level and to reflect the seasonal pattern. The outlook for the financial year 2017 is given for Munksjö as a stand-alone company with its current operations.

Ahlstrom and Munksjö to combine

On November 7, 2016, Ahlstrom Corporation and Munksjö Oyj announced a plan merge the two companies. The combination will create a global leader in sustainable and innovative fiber-based solutions. The combination is expected to create significant value for the stakeholders in the combined company through stronger global growth opportunities and improved operational efficiency. The combined company's growth ambitions will be supported by a strong balance sheet and strong cash flow generation.

Ahlstrom and Munksjö will merge through an absorption merger whereby Ahlstrom's shareholders will receive Munksjö shares as merger consideration. Ahlstrom's shareholders will receive 0.9738 new shares in Munksjö for each share held in Ahlstrom as merger consideration, corresponding to an ownership in the combined company of approximately 47.2 percent for current Ahlstrom shareholders and approximately 52.8 percent for current Munksjö shareholders. The Extraordinary General Meetings of both companies have approved the merger in January 2017.

In connection with the merger, Ahlstrom and Munksjö propose to distribute funds of the total amount of approximately EUR 23 million each, corresponding to EUR 0.49 per share in Ahlstrom and EUR 0.45 per share in Munksjö, to their respective shareholders before the combination is completed in lieu of the companies' ordinary annual distribution.

Based on the ownership structure on December 31, 2016, Ahlström Capital would be the major shareholder of the combined company with an ownership of 14.59 percent.

The merger is expected to be completed at the beginning of the second quarter of 2017. Financial targets for the planned combined company are expected to include an EBITDA margin above 14 percent over a business cycle, a net gearing below 100 percent, as well as a stable and annually increasing dividend.

Suominen (27.01% shareholding)

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

employs approximately 600 people in Europe and the Americas. Wiping products made of Suominen's nonwovens include, for instance, wet wipes for personal hygiene and baby care, as well as for household and workplace wiping. The company's hygiene product applications include, for example, sanitary pads, diapers and adult incontinence products. Surgical drapes and swabs are examples of the medical applications. Suominen is listed on NASDAQ OMX Helsinki. The market cap of Suominen amounted to EUR 210.2 million (311.9) at year-end 2016.

In 2016, Suominen's revenue fell by 6.1 percent from the comparison period to EUR 416.9 million (444.0). Tightened competition decreased the demand and had an impact on pricing in selected product groups. Comparable operating profit decreased by 18.0 percent and amounted to EUR 25.6 million (31.2). Operating profit was EUR 25.6 million (31.8). The decline in the operating profit was due to lowered sales volumes and pricing pressure created by tightened competition. Moreover, the efforts made to improve R&D resources, to build the new production line at the Bethune plant, and to renew the ICT systems increased Suominen's costs and therefore decreased the operating profit by approximately EUR 3 million. In 2016, profit before income taxes was EUR 22.4 million (26.5), and profit for the period was EUR 15.2 million (17.0).

Suominen's Board of Directors proposes to the Annual General Meeting EUR 0.11 per share dividend distribution from the financial year 2016.

Suominen expects that for the full year 2017, its revenue will improve from year 2016. Also, the comparable operating profit is estimated to improve from year 2016, provided that the new production line at the Bethune plant will be started up as planned.

Non-listed companies

Destia (100% shareholding)

Destia is a Finnish infrastructure and construction service company. The company builds, maintains and designs traffic routes, industrial and traffic environments, as well as complete living environments. Destia's services cover the whole spectrum, from comprehensive overground operations to subterranean construction.

In 2016, Destia's revenue totaled EUR 493.2 (462.8). Revenue was increased by the construction volume of the reporting period, which was greater than the previous year. Comparable operating profit was EUR 12.5 million (7.4). Items affecting comparability totaled EUR 1.6 million (5.5) and were related to business and property transactions. Operating profit amounted to EUR 14.1 million (12.9). The result for the reporting period was improved by an easier winter season than the previous year in terms of maintenance and individual ongoing projects that were successful. However, the result was weakened by two ongoing projects with overrun costs, one of them with significant impact. The result for the financial year was EUR 5.7 million (6.7). Financial costs were exceptionally high due to the repayment of the Bond, which led to a decrease in the net result compared to the previous year. At the year-end 2016, Destia's order book was at a good level and amounted to EUR 708.0 million (717.4).

In April 2016, Destia acquired a majority 51 percent interest in ITS-Vahvistus Oy. As a result of the transaction, the company's name was changed to Destia Engineering Ltd. Since 1 April, 2016, the company has been consolidated 100 percent into Destia Group.

Destia's revenue and comparable operating profit for 2017 are expected to grow slightly from the previous year.

Enics (99.0% shareholding)

Enics is one of the biggest electronics manufacturing service providers of industrial electronics. Enics serves its customers in the fields of transportation, building automation, energy, industrial automation and instrumentation to optimize its customers' value chains and improve their competitiveness.

Enics' revenue was EUR 501.1 million (505.3) in 2016, representing a slight decrease of 0.8 percent compared to the previous year. The comparable operating profit was lower than the previous year and amounted to EUR 15.2 million (18.1). The decrease in comparable operating profit was mainly attributable to lower sales combined with mix changes in customers and services. The operating profit amounted to EUR 14.6 million (18.1).

Year 2016 was a challenging year for Enics in terms of growth. Overall, the industry and many of company's customers were facing challenges with their sales volumes and this fact also had an impact on Enics' volumes. That said, the company achieved solid growth rates with some of its existing and new customers. Enics continued its initiatives and efforts in the areas of productivity and cost management and was able to compensate a significant part of the adverse impact of lower volumes to profitability.

Supported by growing end markets, industry-leading customers, positive trend towards further outsourcing, improving operational efficiency and strong new sales activities, Enics has good elements in place for improved profitability in 2017.

Cleantech portfolio

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

The cleantech portfolio currently comprises Scandinavian Biogas Fuels International AB, Ripasso Energy AB and Frangible Safety Posts Ltd. During 2016, the development of the cleantech portfolio companies continued with the main focus on Scandinavian Biogas Fuels International AB and Ripasso Energy AB. No new investments were made during 2016. AC Cleantech Growth Fund's holding in Ripasso Energy decreased to 22 percent. Ripasso Energy was listed at NGM Nordic MTF in November 2016.

Real estate

Ahlström Capital's real estate strategy, defined during 2016, aims for active development and holding of prime office and logistics properties in Southern Finland. During 2016, Ahlström Capital divested several properties outside the strategic focus. Ahlström Capital's current real estate investments consist mainly of the Eteläesplanadi property as well as industrial and commercial properties in Southern Finland.

In 2016, the comparable operating profit of the real estate business amounted to EUR 6.3 million (7.0). Divestments in 2015 and 2016 decreased the rental income. Reported operating profit totaled EUR 4.7 million (25.9). Items affecting comparability consist of effects from divestments and changes in valuations.

The Eteläesplanadi property in Helsinki was fully leased out throughout the year 2016. The development of the Kasarmikatu 21 property in Helsinki continued in collaboration with Ahlström Capital, HGR Property Partners and YIT Construction. The construction works and rental activity of the new office property

started in 2016 and proceeded according to plan. At the end of the year, the property was almost fully let. The construction work is estimated to be completed at the end of 2017.

In the city of Lahti, Ahlström Capital is engaged in the Lahden Kulmala real estate project. In November 2016, Ahlström Capital agreed to sell all the remaining apartments and the transaction is expected to be completed during the first quarter of 2017. The rental market for retail space remained challenging in 2016, mostly due to the general economic situation.

Forests

Ahlström Capital's forest investments are mainly located in Western Finland in the Satakunta region, and in Central and Eastern Finland. Today, Ahlström Capital has some 33,000 hectares of forest holdings. In 2016, Ahlström Capital slightly increased the volume of wood deliveries with the growing focus on delivery sales. Logging of the timber proceeded as planned. During the year, Ahlström Capital delivered 177,000 m^3 (141,000) of wood in total, of which 39,000 m^3 (29,000) constituted standing sales, 112,000 m^3 (95,000) constituted delivery sales and 26,000 m^3 (17,000) constituted energy wood.

In 2016, the comparable operating profit of the forest business totaled EUR 5.3 million (3.9). The reported operating profit was EUR 9.5 million (4.6). Items affecting comparability consisted mainly of gains on sale and swaps of forest land as well as changes in fair value due to an updated discount rate and re-estimated prices and costs used in valuation.

Group structure

Ahlström Capital Group consists of the parent company Ahlström Capital Oy, domiciled in Finland, and 49 subsidiaries in 11 countries. The industrial investments in both listed and non-listed companies are now mainly concentrated in the Netherlands under Ahlstrom Capital B.V. Through the structure, the Group can efficiently operate in an international environment. A Finnish holding company AC Infra Oy manages the Destia investment. Except for the property at Eteläesplanadi, real estate investments are held by AC Real Estate B.V. and A. Ahlström Kiinteistöt Oy. A. Ahlström Kiinteistöt Oy also provides real estate management services for the Group. Ahlström Konsernipalvelut Oy provides accounting, IT and HR services for some group companies. Suominen Corporation, Ahlstrom Corporation and Munksjö Oyj are associated companies in the Group. AC Cleantech Management Oy is the management company for AC Cleantech Growth Fund I Ky. The cleantech fund and the legal group that it constitutes are consolidated as an associated company. Since March 2016, Kasarmikatu Holding Oy has also been an associated company.

Group earnings in 2016

Following the divestment, AR Packaging was classified as discontinued operations. Comparative statement of income figures from 2015 have been restated correspondingly. However, the divestment affects the comparability between items in the statement of financial position of 2015 and 2016.

The revenue of the Ahlström Capital Group was EUR 1,016.9 million (1,016.0), of which Enics accounted for EUR 501.1 million (505.3), Destia for EUR 493.2 million (462.8), the real estate business for EUR 12.5 million (39.6), forest business for EUR 8.2 million (6.5), and other businesses for EUR 1.9 million (1.8). Other operating income amounted to EUR 9.0 million (92.5). Ahlström Capital's share of the results of its associates was EUR 10.2 million (6.5).

The comparable operating profit of the Ahlström Capital Group amounted to EUR 36.4 million (28.3). Items affecting comparability totaled EUR 0.2 million (86.3), consisting of sales gains, changes in fair value, changes in provisions and restructuring costs. The most significant individual item in 2015 was the gain on sale of shares in Outokumpu. The total reported EBIT was EUR 36.6 million (114.7).

The return on capital employed was 26.9 percent (17.1). Financial income was EUR 13.6 million (11.6). Financial expenses totaled EUR 22.5 million (25.1). The administrative costs of the parent company Ahlström Capital Oy and holding companies amounted to EUR 14.0 million (12.4) in the reporting period, representing an average of 1.5 percent (1.7) of the EFV. Pre-tax profit was EUR 27.7 million (101.2). Taxes recorded for the period were EUR 2.7 million (9.7). Profit from discontinued operations amounted to EUR 168.7 million (20.0) including the gain on sale of AR Packaging. The Group's profit for the period was EUR 193.7 million (111.4) and profit attributable for the equity holders of the parent company was EUR 186.4 million (104.9).

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 712.5 million (593.3). The equity ratio at the end of the year was 67 percent (46) and the EFV-adjusted net gearing stood at -13 percent (17). The company's return on equity (ROE) was 29 percent (20). At the end of December 2016, the interest-bearing liabilities amounted to EUR 78.8 million (313.7) and liquid assets to EUR 204.1 million (185.5). The Group had EUR 125.4 million in net cash compared to the net debt of EUR 128.2 million at the end of December 2015. The guarantees issued by Ahlström Capital Oy on behalf of its subsidiaries or portfolio companies totaled EUR 0.5 million (4.0) on December 31, 2016. In addition, Ahlström Capital Oy has issued a first-demand guarantee as security for certain subsidiaries' overdraft credit lines.

Net cash flow from operating activities (cash flow after net financial income, taxes paid and change in net working capital) was EUR 62.7 million (100.0). EUR 65.4 million (123.1) was spent on investments in non-current assets and on new investments, and EUR 186.9 million (112.3) was received from the sale of subsidiaries, non-current assets and other investments. Net cash flow from financing activities was EUR -164.2 million (-55.9). Based on the Annual General Meeting's decision, the company paid for 628,876 shares a dividend of EUR 42.00 per share, totaling EUR 26,412,792.00. The dividend yield was 3.6 percent of the external fair value.

Accounting principles

Ahlström Capital's consolidated financial statements for 2016 are prepared in accordance with the International Financial Reporting Standards (IFRS).

Risk management

To manage its risks, Ahlström Capital performs annual mapping and assessment and risk management of the portfolio. These are compiled and assessed by the management, Audit Committee and Board of Directors. Ahlström Capital also maintains a continuous risk quantification related to its assets. In addition to these self-performed risk analyses and monitoring, Ahlström Capital promotes and monitors internal risk management practices in each of its subsidiaries. To limit its risks, ring fencing is generally applied to its subsidiaries' liabilities, and Ahlström Capital participates in all financing negotiations of the Group companies.

Ahlström Capital's risks arise on the one hand from portfolio companies, which might become systemic on group level. On the other hand certain risks relate to Ahlström Capital as an investment company. Five systemic risk exposures were identified in the most recent risk position evaluation: weaker economic development in Finland, slowdown in the world economy, appreciation of USD, increase in oil and energy price and increase in pulp price. Three main risks from the investment activities are corporate governance risk, human resource risk and finance and investment risks.

Ahlström Capital mitigates systemic risks mainly by diversifying the investment portfolio. The investment company related risks are mitigated by rigid processes and guidelines, continuous monitoring and reporting, organisational development and network of expertise.

Research and development

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

Personnel, administration, and auditors

The Ahlström Capital Group had an average of 4,649 employees during the period (4,780). Wages, salaries and fees paid amounted to EUR 197.3 million (191.3). These figures refer only to continuing operations. At the end of the year, the parent company's personnel numbered 16 (13).

During the year, the Board of Directors of Ahlström Capital Oy has consisted of Mikael Lilius (Chairman), Thomas Ahlström, Mats Danielsson, Stig Gustavson (until April), Jouko Oksanen (until April), Pekka Pajamo (as of April), Fredrik Persson (as of April), Malin Persson, and Peter Seligson.

Hans Sohlström assumed his position as President and CEO on February 1, 2016. Until then, Chief Investment Officer Jacob af Forselles worked as the Acting CEO.

The auditor was the audit firm KPMG Oy Ab, with Virpi Halonen, Authorized Public Accountant, as the auditor in charge.

The Board of Directors of Ahlström Capital had two committees: Audit Committee and Compensation Committee. The Members of the Audit Committee were Mats Danielsson (chairman), Thomas Ahlström, Jouko Oksanen (until April), and Pekka Pajamo (as of April) and members of the Compensation Committee Mikael Lilius (chairman), Fredrik Persson, and Peter Seligson. Until April, the Board of Directors also had the Nomination Committee with Mikael Lilius (chairman), Robin Ahlström, Thomas Ahlström, and Mats Danielsson as members. The Shareholders' Nomination Board was established in April and Mikael Lilius (chairman), Robin Ahlström, Thomas Ahlström, and Mats Danielsson were nominated as its members.

Court proceedings and disputes

Ahlström Capital Oy is a plaintiff in the case concerning the price cartel that existed in the Finnish timber market between 1997 and 2004. Preparations for the legal proceedings at the District Court of Helsinki continue.

Shareholders

At the end of 2016, Ahlström Capital Oy had 241 (238) shareholders. The largest individual shareholder is Antti Ahlström Perilliset Oy (6.1%). No other shareholder holds more than 5 percent of the shares.

Events after the reporting period

On January 11, 2017, the Extraordinary General Meetings of Ahlstrom and Munksjö approved the planned merger.

On January 27, 2017, Enics announced the acquisition of PKC Electronics with factories in Raahe, Finland and Suzhou, China, providing services in testing, power solutions and design and manufacturing services in electronics, mechanics, software and test systems design. The completion of the transaction is subject to customary regulatory clearances.

Ahlström Capital Oy has appointed Pasi Koota as Chief Financial Officer. Pasi Koota, (M.Sc. Econ.), will start in his new position on April 1, 2017 and will be a member of the management team of Ahlström Capital.

Outlook for 2017

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

Proposal for the distribution of profits

The Board of Directors has approved a new dividend policy for the company according to which Ahlström Capital'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 an ordinary dividend of 45.00 euros per share and extra dividend of 8.00 euros per share be paid for 2016. The total proposed dividend for 2016 is 53.00 euros per share.

Proposal for the share issue without payment

The Board of Directors proposes to the Annual General Meeting that the number of shares in the company is increased by issuing new shares to the shareholders without payment in proportion to their current holdings, so that 99 new shares will be given for each current share. The share issue without payment has the same effect as a share split (1:100).

The Annual General Meeting 2017 is to be held on Wednesday, April 5, 2017 at 5 p.m. at Restaurant Savoy.

Key figures

	IFRS				FAS[2]	
EUR million	2016	2015[1]	2014	2013	2013	2012
Revenue	1,016.90	1,016.00	1,149.10	852.2	861	873.2
Comparable operating profit	36.4	28.3				
Operating profit (EBIT)	36.6	114.7	186.6	52.5	38.1	37.7
Profit for the period (continuing and discontinued operations)	193.7	111.4	159.2	30.2	27.7	24.9

	IFRS				FAS[2]	
	Dec. 31 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2013	Dec. 31, 2012
External Fair Value, EFV, EUR million	949.8	743.7	634	339.4	339.4	301.1
Equity ratio	67%	46%	44%	35%	39%	36%
Net gearing	-18%	22%	35%	45%	33%	53%
Net gearing, EFV adjusted	-13%	17%	29%	28%	20%	34%
Return on Capital Employed (ROCE)	27%	17%	29%	15%	12%	11%
Return on Equity (ROE)	29%	29%	44%	15%	14%	16%
Net debt(+)/Net cash (-), EUR million	-125.4	128.2	187	93.5	68.9	103.9
Equity per share, EUR	1,131.75	885.80	816.64	506.58	509.61	468.84
External Fair Value per share, EUR	1,510.36	1,182.57	1,008.14	940.29	940.29	834.16
Earnings per share, EUR	296.38	166.87	243.65	76.26	70.21	68.95
Dividend per share, EUR[3]	53.00	42.00	40.00	34.08	34.08	20.85

1) Restated due to discontinued operations.
2) 2012 figures are according to FAS and thus non-comparable to IFRS figures of 2013–2016.
3) 2016 figure is based on proposal by the board and consists of ordinary dividend of 45.00 eur/share and extra dividend of 8.00 eur/share. 2013 amount consists of dividend of 28.20 eur/share for 360,191 shares and extra dividend of 5.88 eur/share for 628,876 shares.

Formulas for key figures

Net debt	Interest bearing liabilities - Cash and cash equivalents
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
Earnings per share	Profit for the period - Non-controlling interest / Number of shares at the end of fiscal year
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
Return on Capital Employed	Operating profit (including continuing and discontinued opertions) + Interest and other financial income / Total assets - Non-interest bearing liabilities (annual average)
Return on Equity	Profit for the period / Total equity (annual average)

Consolidated Statement of Income

TEUR	Note	2016	2015
Revenue	8	1,016,867	1,015,963
Other operating income	9	9,046	92,499
Materials and services	11	-690,322	-699,811
Depreciation, amortisation and impairment	20, 24	-24,488	-24,301
Personnel expenses	15	-197,315	-191,308
Other operating expenses	12	-87,387	-84,859
		-990,466	-907,779
Share of results of associated companies	25	10,212	6,497
Operating profit		**36,613**	**114,682**
Financial income	13	13,600	11,635
Financial expenses	14	-22,513	-25,112
Profit before tax		**27,700**	**101,205**
Income taxes	18	-2,718	-9,743
Profit for the period from the continuing operations		**24,982**	**91,462**
Profit for the period from the discontinued operations		**168,730**	**19,984**
Profit for the period		**193,711**	**111,446**
Profit for the period attributable to:			
Equity holders of the parent		186,384	104,940
Non-controlling interests		7,327	6,506
		193,711	**111,446**

Consolidated Statement of Comprehensive Income

TEUR	Note	2016	2015
Profit for the period		**193,711**	**111,446**
Other comprehensive income			
Other comprehensive income not to be reclassified to statement of income in subsequent periods:			
Remeasurement losses on defined benefit plans		-432	-2,543
Income tax relating to items not to be reclassified to statement of income		258	571
Share of other comprehensive income of associates		-1,059	-206
		-1,234	-2,178
Other comprehensive income that may be reclassified to statement of income in subsequent periods:			
Exchange differences on translation of foreign operations		793	3,175
		793	3,175
Available-for-sale financial assets - net change in fair value		-544	27,391
Available-for-sale financial assets - reclassified to statement of income		-285	-61,788
Income tax relating to available-for-sale items to be reclassified to statement of income		166	589
		-663	-33,808
Cash flow hedges - net change in fair value		177	446
Cash flow hedges - reclassified to statement of income		2,439	698
Income tax relating to cash flow hedges to be reclassified to statement of income		-523	-229
		2,093	915
Share of other comprehensive income of associates		4,633	-3,149
		4,633	-3,149
Net other comprehensive income to be reclassified to statement of income in subsequent periods		6,856	-32,867
Other comprehensive income for the period, net of tax	32	**5,623**	**-35,045**
Total comprehensive income for the period, net of tax		**199,334**	**76,401**
Total comprehensive income attributable to:			
Equity holders of the parent		192,441	69,369
Non-controlling interests		6,893	7,033
		199,334	**76,401**

Consolidated Statement of Financial Position

TEUR	Note	December 31, 2016	December 31, 2015
Assets			
Non-current assets			
Goodwill	20, 21	84,639	98,100
Other intangible assets	20	8,242	13,468
Property, plant and equipment	24	127,429	229,428
Investment properties	22	111,738	153,424
Biological assets	23	98,361	93,257
Investments in associates	25	169,887	134,986
Non-current financial assets	29	35,116	19,196
Deferred tax assets	19	12,584	30,249
		647,996	**772,107**
Current assets			
Inventories	26	107,993	169,527
Trade and other receivables	27	127,665	190,091
Tax receivable, income tax		976	2,746
Cash and cash equivalents	28	204,112	185,488
		440,745	**547,852**
Total assets		**1,088,741**	**1,319,960**
Equity and liabilities			
Equity attributable to equity shareholders of the parent company	32		
Share capital		38,771	38,771
Share premium		12,774	12,774
Unrestricted equity reserve		104,336	104,336
Reserves		298	742
Translation differences		5,242	537
Retained earnings		550,312	399,896
		711,734	**557,057**
Equity attributable to equity of non-controlling holders		**774**	**36,288**
Total equity		**712,508**	**593,346**
Non-current liabilities			
Interest-bearing loans and borrowings	29	56,139	254,043
Net employee defined benefit liabilities	17	9,837	43,922
Provisions	33	25,281	22,818
Deferred tax liabilities	19	34,382	40,208
Other liabilities	29	6,609	5,069
		132,247	**366,061**
Current liabilities			
Interest-bearing loans and borrowings	29	22,617	59,637
Trade and other payables	34	213,418	291,081
Provisions	33	6,908	6,864
Tax liability, income tax		1,043	2,972
		243,986	**360,554**
Total liabilities		**376,233**	**726,614**
Total equity and liabilities		**1,088,741**	**1,319,960**

Consolidated Statement of Cash Flows

TEUR	Note	2016	2015
Operating activities			
Profit for the period		193,711	111,446
Adjustments to reconcile profit to net cash flows			
Depreciation and impairment		36,872	47,603
Gains and losses on disposal of fixed assets and other non-current assets		-152,972	-77,998
Share in results of associated companies		-10,212	-6,497
Unrealised foreign exchange gains and losses		1,094	-792
Change in fair value of investment properties and biological assets		-661	-10,892
Financial income and expenses		16,947	23,841
Income taxes		8,274	16,455
Other adjustments		-3	36
Change in working capital			
Change in inventories		-6,014	21,822
Change in trade and other receivables		-28,922	4,409
Change in trade and other payables		27,553	2,034
Change in provisions		-1,378	-5,910
Interest paid		-17,586	-15,414
Dividends received		6,665	3,647
Interest received		1,269	286
Other financing items		1,690	-317
Income taxes paid		-13,632	-13,719
Net cash flows from operating activities		**62,696**	**100,040**
Investing activities			
Acquisition of subsidiaries, net of cash	6	-1,338	-70,677
Sale of subsidiaries, net of cash		173,007	2,472
Investment in associated companies		-23,129	-15,596
Sale of associated companies			3,514
Purchase of financial investments		-641	-417
Sale of financial investments		3,800	96,568
Investments in tangible and intangible assets		-40,963	-36,789
Sale of tangible and intangible assets		11,155	10,825
Loans granted		-915	-3,383
Repayment of loan receivables		500	2,691
Net cash flows from / used in investing activities		**121,478**	**-10,790**
Financing activities			
Loan withdrawals, non-current		190,000	63,156
Loan repayments, non-current		-274,781	-30,880
Loan withdrawals, current			53,269
Loan repayments, current		-51,438	-101,380
Change in current borrowings		3,528	-6,821
Sale of treasury shares			366
Purchasing shares from non-controlling owners		-2,320	-1,208
Finance lease payments		-2,717	-7,284
Dividends paid		-26,448	-25,155
Net cash flows from / used in financing activities		**-164,175**	**-55,936**
Net increase in cash and cash equivalents		**19,998**	**33,313**
Cash and cash equivalents on January 1		185,488	152,425
Net foreign exchange difference		-1,375	-250
Cash and cash equivalents on December 31	28	**204,112**	**185,488**

Consolidated Statement of Changes in Equity

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

TEUR	Share capital	Share premium	Unrestricted equity reserve	Available-for-sale reserve	Cash flow hedge reserve	Legal reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
January 1, 2015	**38,771**	**12,774**	**104,336**	**35,105**	**-3,051**	**2,303**	**-645**	**323,970**	**513,563**	**27,911**	**541,474**
Profit for the period								104,940	104,940	6,506	111,446
Other compehensive income				-35,671	1,196		1,182	-2,279	-35,572	527	-35,045
Total comprehensive income				-35,671	1,196		1,182	102,661	69,369	7,033	76,401
Dividends paid								-25,155	-25,155		-25,155
Change in non-controlling interests								-928	-928	662	-266
Other changes						860		-653	208	683	891
December 31, 2015	**38,771**	**12,774**	**104,336**	**-566**	**-1,855**	**3,163**	**537**	**399,895**	**557,057**	**36,288**	**593,346**

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 33). 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, 2016 were authorised for issue in accordance with a resolution of the Board of Directors on February 17, 2017. Under the Finnish Limited Liability Companies Act, shareholders may approve or reject the financial statements at the General Meeting held following their publication. The General Meeting may also take the decision to amend the financial statements.

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

Information on the Group's structure is provided in Note 5. Information on other related party relationships of the Group is provided in Note 38.

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, 2016. International Financial Reporting Standards refer to the standards, and their interpretations, approved for application in the EU in accordance with the procedures stipulated in the EU's regulation (EC) No. 1606/2002 and embodied in Finnish accounting legislation and the statutes enacted under it. The notes to the consolidated financial statements also comply with the Finnish accounting and corporate legislation.

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties, derivative financial instruments, available-for-sale (AFS) financial assets, contingent consideration and standing forest that have been measured at their fair value. The Group's consolidated financial statements are presented in euro (EUR), which is also the parent company's functional currency. All values are rounded to the nearest thousand (TEUR), except when otherwise indicated.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as per December 31, 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Usually the control is formed when an entity holds 50% (or more) of the voting rights. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

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

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

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

2.3 Summary of significant accounting policies

Business combinations and goodwill

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

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

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

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

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

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

Ahlström Capital applied IFRS for the first time for the year ended December 31, 2014 and used the exemption for full retrospective application of IFRS 3, meaning that transactions taken place subsequent to January 1, 2013 are measured in accordance with IFRS 3.

Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the right to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Ahlström Capital's strategy for investments in listed companies is to have between 10-30% direct interest in the company and always have its representative or representatives participate in the board of directors, nomination committee, and actively exercise any other shareholder rights to maximise the value of the investment and it is generally a prerequisite for entering into any investment for Ahlström Capital. Through this involvement, Ahlström Capital views that in certain occasions it holds significant influence over the listed companies, even in situations where direct ownership is less than 20%.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement which exists only when decisions about the relevant activities require unanimous consent of the parties' distribution control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in its associates and joint ventures are accounted for using the equity method.

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

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

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

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

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

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

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

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

Fair value measurement

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

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

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

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

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

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The specific recognition criteria described below must also be met before revenue is recognised.

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

The revenue of long-term projects is recognised as such with reference to the stage of completion, when the final financial result for the project can be estimated reliably. The stage of completion is determined for each project as the share of the costs incurred from the work carried out by the review date compared with the total costs estimated for the project. Expenditure that relates to a project still not entered as income is recognised as long-term projects in progress under inventories. If the expenditure incurred and recognised gains exceed the amount invoiced for the project, the difference is shown under trade and other receivables in the statement of financial position. If the expenditure incurred and recognised gains are less than what is invoiced for the project, the difference is shown under trade payables and other debt. When the end financial result of a long-term project cannot be reliably assessed, the project expenditure is recognised in the same period in which it is incurred, and the revenue from the project is only recognised up to the amount where a sum of money equivalent to the expenditure incurred is available. If it is probable that the overall expenditure incurred in completing the project will exceed total income from it, the expected loss is entered as a direct cost.

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of income due to its operating nature.

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available-for-sale financial assets, interest income is recorded using the effective interest rate (EIR). Interest income is included in financial income in the statement of income.

Revenue concerning dividends is recognised when the Group's right to receive the payment is established, generally when shareholders approve the dividend.

Government grants

Government or other grants are recognized 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 recognized as income on a systematic basis over the useful life of the asset in the form of reduced depreciation expense.

Income taxes

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

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates

taxable income. Current income tax relating to items recognised directly in equity is recognised in other comprehensive income. Each reporting date the Group evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

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

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

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

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

Foreign currencies

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

Foreign currency transactions

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

Foreign operations

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

Non-current assets held for sale and discontinued operations

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

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

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

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

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

Property, plant and equipment

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

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

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

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

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

Leases

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

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

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

Borrowing costs

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

Biological assets

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

There are no existing active markets for forest assets as large as the Group's. 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 and are calculated for a period of 80 years which is the estimated harvesting cycle for the Group's forests. Discount rate used for valuation is weighted average cost of capital calculated for forests. Discount rate is reviewed 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 properties that are under construction are measured at cost. After the investment properties under construction are finished, they are reclassified as investment properties.

Fair values of the built investment properties are determined based on an annual evaluation performed by independent authorized appraiser. The rest of the investment properties consists of forest land and other land areas. Their fair value 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 amortization over the expected life of the intangible asset.

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

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

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

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

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

Financial assets

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value. If financial assets are not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset are included in the initial carrying amount.

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Loans and receivables generally applies to trade and other receivables. Trade receivables are recognised at their anticipated realisable value, which is the original invoiced amount less an estimated valuation allowance for impairment. Trade receivables are measured individually. Credit losses are expensed immediately when indication exists that the Group is not able to collect its trade receivables according to initial agreements. Trade receivables may be sold to other lending institutions.

Available-for-sale financial assets

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

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

Derecognition of financial assets

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

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

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

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

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

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

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

If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the state-

ment of income, the impairment loss is reversed through the statement of income.

Financial liabilities

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

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

Financial liabilities recognised at fair value through the statement of income

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

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

Financial liabilities recognised at amortised cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss using the EIR method when the liabilities are derecognised. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in financial costs in the statement of income. For more information, see Note 31.

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

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

Derivative financial instruments and hedge accounting

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

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

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

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

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

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

Inventories

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

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

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

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

Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken

into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the recoverable amount of the asset or CGU. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

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

Cash and cash equivalents

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of income net of any reimbursement.

Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

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

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

Contingent liabilities

Contingent liabilities are present obligations that have arisen from past events, such as rental agreements, possible defaults of deliveries in the ordinary course of business for which the Group has guarantee commitments and sales of accounts receivable under factoring agreements. Contingent liabilities are not recognised in the statement of financial position because it is not probable that an outflow of 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 18 for further information.

3. Significant accounting judgments, estimates and assumptions

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

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

Fair valuation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the profit or loss. Majority of fair values are determined based on an annual evaluation performed by independent authorised appraiser. Minor part of the investment properties consists of forest land and other land areas and their fair value is derived from external sources to the extent possible. See note 24 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 material estimates are related to future harvesting plans, changes in pulpwood and timber prices and discount rate used. Note 25 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 18.

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 20.

Pension benefits

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

The mortality rate is based on publicly available mortality tables for the specific countries. Future salary increases and pension increases are based on expected future inflation rates for the respective countries. Further details about the assumptions used, including a sensitivity analysis, are given in Note 19.

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 32 for further disclosures.

Long-term projects

As described in the revenue recognition policies, the revenue and costs of a long-term project are recognised as income and expenses on the basis of the stage of completion, once the outcome of the project can be reliably estimated. Recognition associated with the stage of completion is based on estimates of expected income and expenses of the project and reliable measurement of project progress. If estimates of the project's outcome change, the recognised income and profit/loss are amended in the period in which the change is first known about and can be estimated for the first time. Any loss expected from a projects is directly recognised as an expense. See Note 10 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 supported by 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 23 for more details.

Segment information

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

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

External Fair Value (EFV) of the share

The primary objective of the Group's capital management is to maximise the shareholder value, meaning the External Fair Value of the share. The External Fair Value (EFV) of the share represents the expected market value of the asset in question that would be received in an orderly transaction between market participants, subtracting assumed transaction costs and other related liabilities. In effect, this means that the EFV of Ahlström Capital's share is the sum of the EFVs of the underlying net assets within Ahlström Capital Group. In order to determine the EFV of Ahlström Capital's share, the EFV of the underlying assets is appraised at each reporting date. See capital management in note 33 for more information.

Comparable Operating Profit

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

4. IFRS amendments

New and amended standards applied in financial year ended

The Group has applied as from January 1, 2016 the following new and amended standards that have come into effect.

- Annual Improvements to IFRSs (2012-2014 cycle) (effective for financial years beginning on or after January 1, 2016): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The cycle contains amendments to four standards. Their impacts vary standard by standard but are not significant.
- Amendment to IAS 1 Presentation of Financial Statements: Disclosure Initiative (effective for financial years beginning on or after January 1, 2016). The amendments clarify the guidance in IAS 1 in relation to applying the materiality concept, disaggregating line items in the statement of financial position and in the statement of income, presenting subtotals and to the structure and accounting policies in the financial statement. The amendments have had no significant impact on presentation in Group's consolidated financial statements.

The other new and amendment standards have no impact on Group's consolidated financial statements.

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

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

- IFRS 15 Revenue from Contracts with Customers (effective for financial years beginning on or after January 1, 2018): The new standard replaces current IAS 18 and IAS 11 -standards and related interpretations. In IFRS 15 a five-step model is applied to determine when to recognise revenue, and at what amount. Revenue is recognised when (or as) a company transfers control of goods or services to a customer either over time or at a point in time. The standard introduces also extensive new disclosure requirements. Amendments to IFRS 15 - Clarifications to IFRS 15 Revenue from Contracts with Customers* (effective for financial years beginning on or after January 1, 2018). The amendments include clarifications and further examples on how to apply certain aspects of the five-step recognition model. The Group is currently assessing the impact of IFRS 15.
- IFRS 9 Financial Instruments (effective for financial years beginning on or after January 1, 2018): IFRS 9 replaces the existing guidance in IAS 39. The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group is currently assessing the impact of IFRS 9.
- IFRS 16 Leases* (effective for financial years beginning on or after January 1, 2019): The new standard replaces the current IAS 17 –standard and related interpretations. IFRS 16 requires the lessees to recognise the lease agreements on the balance sheet as a right-of-use assets and lease liabilities. The accounting model is similar to current finance lease accounting according to IAS 17. There are two exceptions available, these relate to either short term contacts in which the lease term is 12 months or less, or to low value items i.e. assets of value USD 5 000 or less. The lessor accounting remains mostly similar to current IAS 17 accounting. The Group is currently assessing the impact of IFRS 15.
- Amendments to IAS 7 Statement of Cash Flows- Disclosure Initiative* (effective for financial years beginning on or after January 1, 2017). The changes were made to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The Group is currently assessing the impact of amendments
- Amendments to IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses* (effective for financial years beginning on or after January 1, 2017). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The Group is currently assessing the impacts of the amendments.
- Amendments to IFRS 2 Share-based payments - Clarification and Measurement of Share-based Payment Transactions* (effective for financial years beginning on or after January 1, 2018). The amendments clarify the accounting for certain types of arrangements. Three accounting areas are covered: measurement of cash-settled share-based payments; classification of share-based payments settled net of tax withholdings; and accounting for a modification of a share-based payment from cash-settled to equity-settled. The amendments have no significant impact on Group's consolidated financial statements.
- Amendments to IFRS 4 Insurance Contracts - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (effective for financial years beginning on or after January 1, 2018). The amendments respond to industry concerns about the impact of differing effective dates by allowing two optional solutions to alleviate temporary accounting mismatches and volatility. The amendments have no impact on Group's consolidated financial statements.
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Join Venture* (the effective date has been postponed indefinitely). The amendments address to clarify the requirements in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments have no impact on Group's consolidated financial statements.
- IFRIC 22 Interpretation Foreign Currency Transactions and Advance Consideration* (effective for financial years beginning on or after January 1, 2018). When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 The Effects of Changes in Foreign Exchange Rates is not clear on how to determine the transaction date for translating the related item. The interpretation clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The Group is currently assessing the impacts of the interpretation.
- Amendments to IAS 40 Investment Property - Transfers of Investment Property* (effective for financial years beginning on or after January 1, 2018). When making transfers of an investment property, the amendments clarify that a change in management's intentions, in isolation, provides no evidence of a change in use. The examples of evidences of a change in use are also amended so that they refer to property under construction or development as well as to completed property. The Group is currently assessing the impacts of the interpretation.
- Annual Improvements to IFRSs (2014-2016 cycle)* (effective for financial years beginning on or after January 1, 2017 for IFRS 12 and on or after January 1, 2018 for IFRS 1 and IAS 28). The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The cycle contains amendments to three standards. Their impacts vary standard by standard but are not significant.

* = Not yet endorsed for use by the European Union as of December 31, 2016.

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 2016	2015
A. Ahlström Kiinteistöt Oy	Finland	Real Estate	100	100
A. Ahlström Rakennus Oy	Finland	Holding	100	100
Keskinäinen Kiinteistöosakeyhtiö Uudenmaankatu 24	Finland	Real Estate	100	100
Kiinteistö Oy Lahden Kulmala	Finland	Real Estate	100	100
Kiinteistö Oy Riihimäen Lasi	Finland	Real Estate	100	100
Rauman MO-Kiinteistö Oy	Finland	Real Estate	100	100
Ahlström Konsernipalvelut Oy	Finland	Holding	100	100
AC Cleantech Management Oy	Finland	Holding	100	100
AC Verwaltungs-GmbH	Germany	Holding	100	100
AC Infra 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 AS	Estonia	Production and sales	100	100
Turgel Grupp AS	Estonia	Production and sales	100	100
Destia Sverige AB	Sweden	Production and sales	100	100
Destia Engineering Oy	Finland	Production and sales	51	-
Its-Forsterkning AS	Norway	Dormant	100	-
ITS-Infra Grupp OU	Estonia	Dormant	100	-
Ahlstrom Capital B.V.	Netherlands	Holding	100	100
ACPack B.V.	Netherlands	Holding	100	100
DutchCo Alpha Holding B.V.	Netherlands	Holding	100	100
Ahlstrom Capital Solar PVT Ltd	India	Holding	100	100
DutchCo Delta Holding B.V.	Netherlands	Holding	100	100
AC Invest Two B.V.	Netherlands	Holding	100	100
AC Invest Five B.V.	Netherlands	Holding	100	100
AC Invest Six B.V.	Netherlands	Holding	100	100
AC Invest Seven B.V.	Netherlands	Holding	100	100
ACEMS B.V.	Netherlands	Holding	100	100
Enics AG	Switzerland	Holding	99	99
Enics Eesti AS	Estonia	Production and sales	100	99
AC Kinnistute AS*	Estonia	Holding	100	100*
Enics Electronics (Beijing) Ltd.	China	Production and sales	100	99
Enics Electronics (Suzhou) Ltd.	China	Production and sales	100	99
Enics Finland Oy	Finland	Production and sales	100	99
Enics Hong Kong Ltd.	China	Production and sales	100	99
Enics Schweiz AG	Switzerland	Production and sales	100	99
Enics Slovakia s.r.o.	Slovakia	Production and sales	100	99
Enics Sweden AB	Sweden	Production and sales	100	99
AC Real Estate 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
Rakennus Oy Kivipalatsi	Finland	Holding	100	100
Helsinki Real Estate Holding B.V.	Netherlands	Holding	100	67
Kasarmi Real Estate Holding B.V.	Netherlands	Holding	100	100

* Sold during 2016 from Ahlstrom Capital B.V. to Enics Eesti AS.

Associated companies	Country	Activities	% equity interest 2016	2015
AC Cleantech Growth Fund I Ky	Finland	Holding	29	29
Ahlstrom Oyj	Finland	Production and sales	12	11
Kasarmikatu Holding Oy	Finland	Real Estate	40	100
Munksjö Oyj	Finland	Production and sales	17	14
Suominen Oyj	Finland	Production and sales	27	27

Divestments, liquidations, mergers	Country	2016
Kiinteistö Oy Hämeenlinnan Taipaleentie 6	Finland	Sold
Morpac Oy	Finland	Sold
ÅR Packaging Group AB	Sweden	Sold
Å&R Carton AB	Sweden	Sold
A&R Carton A/S	Norway	Sold
A&R Carton NA Inc.	United States	Sold
Å&R Carton Lund AB	Sweden	Sold
CC Pack AB	Sweden	Sold
A&R Carton Ltd	United Kingdom	Sold
A&R Carton SA	France	Sold
A&R Carton CdF SA	France	Sold
A&R Carton Beteiligungen GmbH	Germany	Sold
A&R Carton GmbH	Germany	Sold
A&R Carton Oy	Finland	Sold
A&R Carton Holding GmbH	Germany	Sold
ZAO A&R Carton Kuban	Russia	Sold
A&R Carton AS	Estonia	Sold
SP Containers Ltd	United Kingdom	Sold
Flextrus Group AB	Sweden	Sold
Flextrus AB	Sweden	Sold
Flextrus Halmstad AB	Sweden	Sold
Flextrus Ltd	United Kingdom	Sold
A&R Carton Austria GmbH	Austria	Sold
A&R Carton Graz GmbH	Austria	Sold
AR Carton Krakow sp z.o.o.	Poland	Sold
A&R Carton Russia Holding GmbH	Austria	Sold
AR Carton Moscow LLC	Russia	Sold
Waspel Real Estate A.S.	Turkey	Liquidated
Ahlström Pihlava Oy	Finland	Liquidated
Asunto Oy Varkauden Kommilanranta	Finland	Liquidated
Kiinteistö Oy Egantti	Finland	Liquidated

Note 6. Business combinations and acquisitions

Acquisitions in 2016

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

Note 7. Assets held for sale and discontinued operations

In May 2016, Ahlström Capital announced the sale of its holdings in ÅR Packaging Group AB to CVC Capital Partners. The transaction was completed in September 2016. Prior to the sale Ahlström Capital had 65 percent shareholding in AR Packaging.

Profit for the year from the discontinued operations

TEUR	2016	2015
Revenue	376,236	513,517
Expenses	-350,000	-486,821
	26,236	**26,696**
Profit on sale of shares	148,050	
Profit before tax for the year from discontinued operations	**174,286**	**26,696**
Income taxes	-5,556	-6,712
Profit for the year from discontinued operations	**168,730**	**19,984**

The net cash flows from discontinued operations

TEUR	2016	2015
Net cash flow from operating activities	22,611	67,013
Net cash flow from/used in investing activities	126,939	-81,991
Net cash flow from/used in financing activities	-28,984	39,466
Net cash inflow	**120,566**	**24,488**

Discontinued operations, effect on the statement of financial position

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

Note 8. Revenue

TEUR	2016	2015
Revenue	1,004,414	976,352
Rental income	11,413	13,893
Revenue from properties constructed for sale	1,039	25,719
	1,016,867	1,015,963
Distribution of revenue by area		
Finland	579,169	577,372
Other Europe	322,304	324,080
Rest of the world	115,394	114,511
	1,016,867	1,015,963
Distribution of revenue by business		
Electronics manufacturing services (EMS)	501,137	505,332
Infrastructure and construction	493,216	462,758
Real estate	12,451	39,611
Forestry	8,201	6,469
Others	1,861	1,794
	1,016,867	1,015,963

Note 9. Other operating income

TEUR	2016	2015
Gain on sale of investments	1,960	3,764
Gain on sale of other tangible and intangible assets	2,470	5,878
Gain on sale of available-for-sale financial assets		68,455
Change in fair value of investment properties and biological assets	661	10,892
Other	3,955	3,510
	9,046	92,499

In 2015 other operating income included also the available-for-sale (AFS) incomes.

Note 10. Construction contracts in progress

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

Construction contracts in progress are presented in the statement of income and statement of financial position as follows:

TEUR	2016	2015
Statement of income		
Revenue recognised under the percentage of completion method	444,319	421,012
Statement of financial position		
Aggregate amount of costs incurred and profits recognised (less recognised losses)	767,169	745,732
Advance payments received for unfinished projects	27,355	30,300

Revenue Recognition

Destia

Revenue is recorded mainly from project business of infrastructure and construction services. Destia´s business is to build, maintain and design traffic routes, industrial and traffic environments, as well as complete living environments. Services cover the whole spectrum, from comprehensive overground operations to subterranean construction.

Enics

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

Note 11. Materials and services

TEUR	2016	2015
Change in inventories of finished goods and work in progress	1,097	-24,180
Purchases during the period	-420,689	-425,765
Change in raw material inventories	2,421	426
External services	-273,151	-250,292
	-690,322	-699,811

Note 12. Other operating expenses

TEUR	2016	2015
Rental expenses	-10,307	-10,860
External services	-9,316	-7,825
Other expense items	-67,764	-66,174
	-87,387	-84,859

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

Research and development costs recognised at Destia amount to EUR -916 thousand (-934) in 2016. The research and development costs relate to personnel and other costs. Development costs are expensed when incurred.

Auditor's fee

TEUR	2016	2015
Audit fee	-406	-688
Other services	-137	-437
	-543	-1,125

Note 13. Financial income

TEUR	2016	2015
Other financial income	6,753	66
Foreign exchange gain	4,262	10,410
Dividends	1,352	32
Interest income	1,233	1,127
	13,600	11,635

Note 14. Financial expenses

TEUR	2016	2015
Interest expenses from financial liabilities	-10,402	-9,557
Interest expenses for financial leasing contracts	-654	-757
Other financial expenses	-7,626	-4,898
Foreign exchange loss	-3,831	-9,899
	-22,513	-25,112

Note 15. Employee benefits and number of employees

TEUR	2016	2015
Wages and salaries and other remunerations	-157,879	-153,794
Pension costs	-19,821	-16,737
Post-employment benefits other than pensions	-6	-11
Other wage-related costs	-19,610	-20,766
Total employee benefits expense	-197,315	-191,308
CEOs' salaries	-481	-1,016
of which variable compensation		-600
Remunerations to Board members	-377	-382

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

Average number of personnel	2016	2015
Salaried	1,839	1,879
Blue-collar	2,810	2,900
	4,649	4,780

Figures above does not include any numbers concerning AR Packaging.

LTI program in Ahlström Capital Oy

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

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

The Company's LTI includes three consecutive and overlapping three-year performance periods: 2015–2017, 2016–2018 and 2017–2019. The Board decides the required performance criterion, the participants and amount of reward separately for each performance period.

For the performance periods 2015–2017 and 2016–2018 the approved key earning criteria is based on the development of the external fair value (EFV) of the Ahlström Capital Oy's share. The rewards of the first and the second performance period are capped at 133% of participant's annual salary and are payable during 2018 and 2019 respectively.

LTI program in Destia Group Oyj

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

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

The effect of the above mentioned LTI programs in Ahlström Capital Group's employee benefits expense in 2016 was EUR 2.8 million (2.6) and related liability at the end of 2016 EUR 6.5 million (3.7).

Note 16. Share-based payments

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

Number of options	2016	2015
Outstanding on January 1	110,657	22,157
Granted during the year	8,500	88,500
Outstanding on December 31	119,157	110,657
Exercisable on December 31	119,157	110,657

Option plan 2010

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

Option Plan 2015 (Enics Share Awards Plan)

The Group has a new option plan for certain management and key employees effective from January 1, 2015. The option awards are granted to participants free of charge. The company has the possibility to purchase the options from participants at Fair Market Value minus deemed strike price on December 31, 2018. Participants are entiled to cash compensation of Fair Market Value minus deemed strike price on December 31, 2020 for all unvested options. The options can also vest earlier should there be significant changes in company's ownership. The deemed stike price can be determined by the Board of Directors and will be adjusted in proportion of material capital injections or capital distributions during the vesting period.

A liability for the granted options has been recognised to full extent. Expenses recognised during 2016 has been EUR 602 thousand (160). During the year 2016 and 2015 no options have been converted to original shares.

Note 17. Pension and other post-employment benefit plans

Net employee defined benefit liability

TEUR	2016	2015
Finland	4,778	4,107
Germany		27,896
Austria		5,626
Switzerland	5,059	4,688
Other countries		1,605
	9,837	43,922

In 2015 figures concerning Germany, Austria and other countries relates to AR Packaging that is sold during 2016.

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.

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

TEUR	2016	2015
Carrying amount on January 1	43,922	36,620
Business combination		5,739
Discontinued operations	-35,127	
Reclassification from provision		1,590
Cost charged to statement of income		
Service cost of current period	1,531	1,528
Net interest expense	74	813
Service cost of past periods	-214	-2,081
Plan settlement	-1,057	
Jubilee plans	183	182
Remeasurement gains/losses in other comprehensive income		
Acturial gains/losses	1,815	2,503
Benefits paid	-1,334	-3,146
Exchange difference	44	174
Carrying amount on December 31	9,837	43,922

The expected benefit payments for the following financial year are EUR 1,287 thousand (3,185).

The main actuarial assumptions*

	2016	2015
Discount rate	1.9%	2.3%
Future salary increases	1.9%	2.5%
Future pension increases	1.4%	1.7%
Life expectation for pensioners at the age of 65 years	-	21 years

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

	2016		2015	
	Change in assumption	Impact on net pension provision	Change in assumption	Impact on net pension provision
	%	TEUR	%	TEUR
Discount rate	+/- 0.25	+/- 2,329	+/- 0.5	+/- 1,798
Future salary increases	+/- 0.25	+/- 20	+/- 0.5	+/- 157
Future pension increases	+/- 0.25	+/- 1,157	+/- 0.5	+/- 1,823
	Years	TEUR	Years	TEUR
Life expectation for pensioners at the age of 65	-	-	+/- 1	+/- 1,279

* The main actuarial assumptions and sensitivity analysis calculated above cover the total amount of the reported defined benefit plan liability in 2016 (Germany 64% in 2015).

Note 18. Income tax

The major components of income tax expense

TEUR Consolidated statement of income	2016	2015
Current income tax		
Current tax expense	-7,356	-3,572
Taxes from previous years	895	-249
Deferred tax		
Change in deferred taxes	3,743	-5,922
Income tax expense reported in the statement of income	**-2,718**	**-9,743**
Consolidated statement of other comprehensive income		
Deferred tax related to items recognised in OCI during the year		
Unrealised gain/loss on available-for-sale financial assets	166	589
Actuarian gain/loss on defined benefit plan	258	756
Unrealised gain/loss on hedging	-523	-229
Income tax charged to other comprehensive income	**-99**	**1,116**

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

TEUR	2016	2015
Profit before tax	27,700	101,205
Tax calculated using Finnish tax rate (20%)	-5,540	-20,241
Difference between Finnish and foreign tax rates	-2,772	-4,868
Non-taxable income	2,479	13,610
Non-deductible expenses	1,329	-810
Utilisation of previously unrecognised tax losses	958	2,703
Adjustments of previous years current income tax	895	-249
Other	-68	112
Effective income tax (9.8%, 2015: 9.6%)	**-2,718**	**-9,743**
Total income tax for the period	**-2,718**	**-9,743**

Note 19. Deferred tax

Change in deferred tax assets during 2016

TEUR	Statement of financial position on December 31, 2015	Recog-nised in the state-ment of income	In other compre-hensive income	Recorded directly into equity	Discontin-ued operations	Business combina-tions	Translation difference	Statement of financial position on December 31, 2016
Unused tax losses	11,382	113			-11,059		1	437
Pension benefits	6,070	-196	258	89	-4,752		8	1,478
Provisions	1,702	-221						1,481
Inventories internal margin	44	8						51
Available-for-sale financial assets			93					93
Investment properties	3,672	-216						3,457
Derivatives	531		-522					9
Other	6,847	-148			-1,046		-73	5,579
	30,249	-661	-171	89	-16,857		-65	12,584

Change in deferred tax liabilities during 2016

TEUR	Statement of financial position on December 31, 2015	Recog-nised in the state-ment of income	In other compre-hensive income	Recorded directly into equity	Discontin-ued operations	Business combina-tions	Translation difference	Statement of financial position on December 31, 2016
Intangible assets and property, plant and equipment	6,367	-609		1,321	-1,777			5,303
Available-for-sale financial assets	72		-72					0
Investment properties	9,005	-2,635						6,371
Biological assets	18,570	635						19,205
Other	6,193	-1,795		181	-1,222	282	-136	3,504
	40,208	-4,404	-72	1,503	-2,999	282	-136	34,382

Change in deferred tax assets during 2015

TEUR	Statement of financial position on December 31, 2014	Recognised in the statement of income	In other comprehensive income	Business combination	Translation difference	Statement of financial position on December 31, 2015
Unused tax losses	12,374	-1,886		822	72	11,382
Pension benefits	4,902	-774	571	1,353	18	6,070
Provisions	1,733	-31				1,702
Inventories internal margin	59	-15				44
Available-for-sale financial assets	57	-57				0
Investment properties	4,236	-564				3,672
Derivatives	760		-229			531
Other	5,175	1,192		281	199	6,847
	29,296	-2,135	342	2,456	289	30,249

Change in deferred tax liabilities during 2015

TEUR	Statement of financial position on December 31, 2014	Recognised in the statement of income	In other comprehensive income	Business combination	Translation difference	Statement of financial position on December 31, 2015
Intangible assets and property, plant and equipment	5,860	-237			743	6,367
Available-for-sale financial assets	346		-274			72
Investment properties	7,113	1,892				9,005
Biological assets	18,597	-27				18,570
Other	4,342	2,190	-296	690	-733	6,193
	36,258	3,819	-571	690	11	40,208

Reflected in the statement of financial position

	2016	2015
Deferred tax assets	12,584	30,249
Deferred tax liabilities	34,382	40,208
Deferred tax assets/liabilities, net	-21,798	-9,959

On December 31, 2016 The Group had tax loss carry forwards of EUR 8.7 million in total of which EUR 1.4 million has no expiration period. Regarding losses amounting to EUR 6.5 million no deferred tax asset was recognised due to the uncertainty of utilisation of these tax loss carry forwards.

Note 20. Intangible assets

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

TEUR	Goodwill	Intangible rights	Other intangible assets	Advances paid	Total
Acquisition cost					
On January 1, 2015	98,020	27,079	11,081	673	136,853
Additions		377	894	239	1,511
Disposals	-618	-269	-484	-1	-1,372
Business combinations		1	2,599		2,600
Reclassification		3,155	102	-310	2,947
Exchange differences	698	2,185	215	24	3,121
On December 31, 2015	98,100	32,528	14,407	625	145,660
Accumulated amortisation and impairment					
On January 1, 2015		-20,768	-8,101		-28,869
Amortisation for the year		-2,660	-701		-3,361
Disposals		245	484		729
Exchange differences		-1,842	-155		-1,997
Impairments			-585		-585
On December 31, 2015	0	-25,037	-9,057	0	-34,094
Net book value					
On December 31, 2015	**98,100**	**7,492**	**5,350**	**625**	**111,567**

Note 21. Impairment testing of goodwill

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

Carrying amount of goodwill allocated to each of the CGUs

TEUR	2016	2015
Destia	83,649	82,829
Enics	990	1,057
AR Packaging		14,214
	84,639	98,100

The annual impairment tests are supported by valuation reports prepared by external independent valuer. The recoverable amounts from the CGUs are determined through value-in-use calculations.

Key assumptions used in value in use calculations

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

Discount rates

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

WACC rates are defined by external valuers as part of the valuation processes. The discount rates used were the following: Enics 9.3% and Destia 9.0%.

Growth rate estimates

Rates are based on perceived long term economic growth prospects, which are based on recorded historic average growth rates of the advanced economies, which are generally roughly 2% per annum. Our companies are expected to grow organically, generally in tandem with the economy. Due to the slower long term economic growth expectations, the growth rate used in value in use calculations is 1% per annum.

Sensitivity to changes in assumptions

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

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

Note 22. Investment properties

TEUR	2016	2015
On January 1	153,424	149,475
Additions	276	49
Disposals	-39,511	-7,162
Reclassification	427	201
Change in fair value	-2,879	10,861
On December 31	111,738	153,424

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, 2016, the fair values of the investment properties are mostly based on valuations performed by an accredited external independet valuer – covering the total value of built investment properties. The rest of the investment properties consists of forest land and other land areas.

A. Ahlström Kiinteistöt Group has started significant renovation work in Lahti in 2014. Last part of the premises will be finished in 2017 after agreeing lease contracts. In the 2016 Financial Statements, Kiinteistö Oy Lahden Kulmala's property is reported according to IAS 16 as property, plant and equipment. After renovation, Kiinteistö Oy Lahden Kulmala's property is valued at fair value and reclassified as investment property. In the 2016 Financial Statements, Asunto Oy Lahden Kulmala's storage premises, which are essential part of the premises of Kiinteistö Oy Lahden Kulmala, are valued at fair value and reclassified to investment properties. The apartments of Asunto Oy Lahden Kulmala are for sale and reported according to IAS 2 as current assets.

Profit arising from investment properties carried out at fair value

TEUR	2016	2015
Rental income derived from investment properties	10,081	12,698
Direct operating expenses generating rental income	-4,514	-3,547
	5,567	9,151

Specification by use of the investment properties

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

TEUR	Office properties	Factory properties	Other properties	Unbuilt land
On January 1, 2015	73,500	39,541	15,302	21,133
Change in fair value	12,900	-121	-1,429	-489
Additions			1	48
Disposals		-2,000	-4,433	-728
Reclassification			201	
On December 31, 2015	**86,400**	**37,420**	**9,642**	**19,963**

Sensitivity analysis

A sensitivity analysis for the value of investment properties was conducted 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 each property. The sensitivity analysis is based on valuations performed by an external valuer and it covers the total value of built investment properties.

The sensitivity analysis results

TEUR	2016	2015
Yield -1 percentage point	98,600	144,100
Yield +/-0 percentage point	91,800	118,300
Yield +1 percentage point	85,500	102,000

Approximately 69% of Group's investment properties have been utilised as collateral for own commitments. Commitments are disclosed in note 35.

Note 23. Biological Assets

The Group's biological assets consist of growing stock. Its forest assets are approximately 33 000 hectares. The total volume of growing stock in the company's forests is about 5.0 million m³. In 2016 the harvested amount was approximately 151,000 m³ (124,000). In addition, 26,000 m³ (17,000) was delivered as energy wood. In 2016 Group purchased forest and made land plot swaps round 500 hectares. Total effect in forest assets was EUR 1.9 million.

The valuation for forests assets is made by using the discounted future cash flows that are based on the Group's forest management and harvesting plan. In 2016 some changes were made in calculations and assumptions. The fair value effect of these changes is specified in table below. Harvesting plans are calculated for a period of 100 years instead of 80 years while more detailed calculations and planning possibilities came available. The timber prices and operational costs are assumed to be constant in the long run. Fixed costs were re-estimated based on the historical costs and future estimates. Price estimate is based on 5-year average prices instead of 10-year average prices. This is seen sufficient level in current situation. Geographical price regions are used for calculations. The operational costs are based on average prices.

The discount rate used for valuation is 4.6% (5.0) real weighted-average-cost-of-capital (WACC). In annual review it was shown that the reference rates indicate a lower discount rate. The study was made by an external valuer. The WACC incorporates the capital structure of the forest owning company as well as the cost of different financing types. The cashflows are calculated without inflation and the discount rate used is pre-tax real WACC.

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

The land of forest areas is reported as investment property according to IAS 40 (Note 22). The value of forest land is EUR 13.6 million in 2016 (13.4). The total value of growing stock and forest land is EUR 112.0 million in 2016 (106.7).

TEUR	Biological assets	Forest land*	Forest total
On January 1, 2016	93,257	13,444	106,701
Additions	1,929	217	2,146
Disposals	-344	-39	-383
Reclassification	-21	61	40
Change due to harvesting	-4,904		-4,904
Change in fair value due annual growth	5,001		5,001
Change in fair value due changes in prices and costs	-3,767		-3,767
Change in fair value due change in WACC	7,210		7,210
Other change in fair value		-34	-34
On December 31, 2016	98,361	13,649	112,010

TEUR	Biological assets	Forest land*	Forest total
On January 1, 2015	92,982	13,366	106,348
Additions	408	48	456
Disposals	-164	-27	-191
Change due to harvesting	-3,814		-3,814
Change in fair value due annual growth	3,845		3,845
Other change in fair value		57	57
On December 31, 2015	93,257	13,444	106,701

*Forest land reported according to IFRS 40 as investment property, see note 22.

A sensitivity analysis for the value of growing stock was conducted to find out the uncertainties in future development. The results show that changes in timber prices and discount rates have a major effect on the value of forest assets. Changes in operational costs have a minor effect.

The sensitivity analysis results

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

2015	Discount rate		
TEUR	4.0%	5.0%	6.0%
Timber prices -10%	97,605	82,171	70,907
Timber prices +10%	124,377	104,568	90,112
Stable prices and costs	110,991	93,257	80,510
Costs -10%	113,449	95,403	82,232
Costs +10%	108,533	91,336	78,787

At the end of the year Group has no forest assets utilised as collateral. Commitments are disclosed in note 35.

Note 24. Property, plant and equipment

TEUR	Land and water areas	Buildings and constructions	Buildings and construc-tions, finance lease	Machinery and equipment	Machinery and equipment, finance lease	Other tangible assets	Advances paid and construction in progress	Total
Acquisition cost								
On January 1, 2016	23,110	71,026	743	326,562	77,346	29,087	15,840	543,713
Additions	19	1,724	50	19,737	5,543	1,631	14,291	42,994
Disposals	-429	-465	-139	-5,958	-794	-189	-731	-8,706
Business disposals	-13,761	-36,636		-241,251	-17,467	-4,972	-4,810	-318,897
Business combinations	30	386		2,270		10		2,696
Reclassification		-1,772		14,968	-7,600	252	-11,073	-5,225
Exchange differences	-29	-196		-2,649	-1,409	16	-49	-4,317
On December 31, 2016	8,939	34,067	653	114,826	55,619	25,834	13,467	253,406
Accumulated depreciation and impairment								
On January 1, 2016	-294	-32,854	-325	-221,277	-54,344	-5,191		-314,285
Depreciation for the year		-2,393	-199	-12,139	-5,253	-1,385		-21,368
Disposals		131	139	4,456	538			5,264
Business disposals	284	19,292		165,937	10,227	3,534		199,274
Reclassification		1,949		-3,656	3,972	121		2,386
Exchange differences	10	63		1,799	897	-17		2,752
On December 31, 2016	0	-13,812	-385	-64,879	-43,963	-2,938		-125,977
Net book value on December 31, 2016	**8,939**	**20,255**	**268**	**49,947**	**11,656**	**22,896**	**13,467**	**127,429**
Acquisition cost								
On January 1, 2015	15,684	41,036	13,248	280,144	74,368	26,821	13,118	464,420
Additions	341	348	54	16,485	5,815	1,301	17,054	41,398
Disposals	-3,501	-248		-9,403	-4,176	-104	-103	-17,535
Business combinations	10,574	11,094		19,056		397	35	41,156
Reclassification		17,932	-12,559	12,189	714	645	-14,560	-83,968
Exchange differences	11	865		8,091	626	25	295	9,912
On December 31, 2015	23,110	71,026	743	326,562	77,346	29,087	15,840	543,713
Accumulated depreciation and impairment								
On January 1, 2015	-3,700	-14,109	-11,571	-183,032	-52,931	-3,525		-268,868
Depreciation for the year		-3,663	-219	-25,906	-7,419	-1,464		-38,671
Impairment	-38			-4,947				-4,985
Disposals	3,452	106		5,605	4,035	79		13,277
Reclassification		-14,383	11,465	-6,431	2,233	-256		-7,372
Exchange differences	-8	-805		-6,565	-263	-25		-7,666
On December 31, 2015	-294	-32,854	-325	-221,277	-54,344	-5,191		-314,285
Net book value on December 31, 2015	**22,816**	**38,172**	**417**	**105,286**	**23,002**	**23,896**	**15,840**	**229,428**

On December 31, 2016 the Group had contractual commitments EUR 3.1 million total of which EUR 0.6 million was recognised in property, plant and equipment.

Note 25. Investments in associated companies

Ahlström Capital's strategy for investments in listed companies is to have between 10–30% direct interest in the company and always have its representative or representatives participate in the Board of Directors and nomination committee, and actively exercise any other shareholder rights to maximise the value of the investment. This is generally a prerequisite for entering into any investment for Ahlström Capital. Through this involvement, Ahlström Capital views that in certain occasions it holds significant influence over the listed companies, even in situations where direct ownership is less than 20%.

Ahlstrom

At the end of the 2016 the Group has a notable 11.66% interest in Ahlstrom Oyj. Ahlstrom is a high performance fiber-based materials company, partnering with leading businesses around the world. The company aims to grow with a product offering for a clean and healthy environment. Ahlstrom's materials are used in everyday applications, such as filters, medical fabrics, life science and diagnostics, wall coverings and food packaging.

Munksjö

At the end of the 2016 the Group has a notable 17.11% interest in Munksjö Oyj. Munksjö is an international specialty paper company. Munksjö produces select specialty papers which are central elements in the design and manufacturing processes for its customers. The unique product offering includes, for example, decor paper, release paper, electrotechnical paper, abrasive backings, graphic and industrial paper and interleaving paper. The different types of paper are used in several industrial applications and consumer driven products, including those within the furniture and interior design industry and they are also used to develop a more sustainable system for energy distribution.

Ahlstrom and Munksjö to combine

On November 7, 2016 Ahlstrom and Munksjö announced their intention to combine. The combination will create a global leader in sustainable and innovative fiber-based solutions with preliminary combined annual revenue of approximately EUR 2.2 billion and adjusted EBITDA of EUR 249 million. The combined company will have approximately 6,200 employees as well as production in 14 countries. The combination will be implemented as a statutory absorption merger whereby Ahlstrom will be merged into Munksjö. Ahlstrom's shareholders will receive as merger consideration 0.9738 new shares in Munksjö for each share in Ahlstrom owned by them, corresponding to an ownership in the combined company following the completion of the combination of approximately 52.8% for Munksjö shareholders and approximately 47.2% for Ahlstrom shareholders. The combination is expected to be completed in the beginning of the second quarter of 2017. Based on the holdings in Ahlstrom and Munksjö on December 31, 2016 Ahlström Capital's shareholding in the combined company would be 14.59 % and Ahlström Capital would be the major shareholder of the combined company.

Suominen

At the end of the 2016 the Group has a 27.01% interest in Suominen Oyj. Suominen is the global market leader in nonwovens for wipes. The company manufactures nonwovens as roll goods for wipes and for hygiene products and medical applications.

Cleantech Fund

The Group has a 29% interest in the AC Cleantech Growth Fund Group. The Cleantech fund invests in clean technology companies allowing them to industrialise and commercialise their operations and develop their processes.

West Residential Park

At the beginning of the 2015 the Group had a 50% interest in West Residential Park S.R.L, a residential building company in Bucharest, Romania. The carrying amount of the investment was EUR 500 thousand. The shares of West Residential Park S.R.L. were sold in December 2015. Group's share of the loss for 2015 was EUR -461 thousand.

Kasarmikatu 21

Since March 2016, Ahlström Capital have had a 40% interest in Kasarmikatu Holding Oy, through which Kasarmikatu 21 property is developed in collaboration with Ahlström Capital, HGR Property Partners and YIT Construction.

Summarised financial information for associates

Summarised statement of comprehensive income

	Ahlstrom Oyj		Munksjö Oyj		Suominen Oyj		AC Cleantech Growth Fund	
TEUR	2016	2015	2016	2015	2016	2015	2016	2015
Revenue	1,085,900	1,074,700	1,142,900	1,130,700	416,862	444,042	56	110
Operating profit/loss	70,800	21,900	74,900	32,700	25,622	31,778	-12,272	-1,095
Profit/loss for the period from continuing operations	34,900	8,600	43,300	22,800	15,233	17,020	-14,757	-1,947
Profit/loss for the period	34,900	8,600	43,300	22,800	15,233	17,020	-14,757	-1,947
Other comprehensive income								
Items that will not be reclassified to the statement of income	-4,600	-2,600	-3,300	600	-93	-18		
Items that may be reclassified subsequently to the statement of income	5,600	-9,900	12,400	-19,900	7,644	1,514		
Total comprehensive income for the period	36,000	-4,000	52,400	3,500	22,784	18,516		
Group's share of the profit/loss for the period	**3,838**	**468**	**6,708**	**2,874**	**4,031**	**4,570**	**-4,280**	**-953**
Group's share of the other comprehensive income	**139**	**-1,385**	**1,428**	**-2,377**	**2,007**	**407**		

Summarised statement of financial position

	Ahlstrom Oyj		Munksjö Oyj		Suominen Oyj		AC Cleantech Growth Fund	
TEUR	2016	2015	2016	2015	2016	2015	2016	2015
Current assets	285,600	318,500	444,200	415,200	136,929	149,585	501	1,377
Non-current assets	492,100	519,200	742,300	758,200	178,698	142,165	17,347	33,671
Held for sale assets	50,400							
Current liabilities	294,300	308,400	317,100	306,500	73,590	59,889	26	2,603
Non-current liabilities	167,900	230,000	431,700	465,600	99,214	106,144	2,590	1,052
Liabilities associated with held for sale assets	50,100							
Equity	315,800	299,300	437,700	401,300	142,824	125,716	15,232	31,393
Carrying amount of the investment	42,621	36,348	73,055	50,410	48,830	42,627	1,466	5,601
Interest held	11.66%	10.98%	17.11%	14.49%	27.01%	26.83%	29.00%	29.00%
Fair value of the investment	82,302	37,118	138,061	63,610	57,767	83,978		
Dividend received	1,589	1,527	2,369	1,410	1,354	677		

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

In 2015 Ahlstrom Oyj sold shares in Munksjö Oyj to AC Invest Five B.V., a company within the Ahlström Capital Group. A non-recurring gain bookings related to these two transactions have been eliminated.

Changes in investments in associates

TEUR	2016	2015
On January 1	134,986	120,923
Translation difference		-3
Share of profit/loss	10,212	6,497
Share of other comprehensive income items	3,574	-3,355
Dividends	-5,313	-3,615
Additions	23,129	15,596
Disposals	-700	-850
Reclassifications*	4,000	-207
On December 31	169,887	134,986

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

Note 26. Inventories

TEUR	2016	2015
Raw materials	79,912	97,365
Work in progress	14,383	24,889
Finished goods	13,669	47,156
Advance payments for inventories	29	118
Total inventories at the lower of cost and net realisable value	**107,993**	**169,527**

Inventories include also properties constructed for sale of total value EUR 1.8 million in 2016 (2.1).

In 2016, EUR 2.6 million (4.7) impairment for obsolete inventories has been recognised in the consolidated statement of income.

Note 27. Trade and other receivables

TEUR	2016	2015
Trade receivables	104,333	149,384
Other receivables	5,415	9,801
Loan receivables	321	3,775
Accrued receivables	17,060	26,710
Derivatives	535	421
	127,665	190,091

Trade receivables are non-interest-bearing and generally on terms of 30 to 90 days. Some of the Group companies have internal credit policies and credit insurance is in use, also some receivables are sold on a non-recourse basis. See Note 31 for more information.

Individually impaired

TEUR	2016	2015
On January 1	721	1,207
Addition of provisions for expected losses	1,292	647
Realised losses		-137
Unused amounts reversed	-229	-1,043
Translation difference to opening balance	-5	12
Changes through business arrangements	-634	35
On December 31	1,145	721

Ageing analysis of trade receivables

TEUR	2016	2015
Neither past due nor impaired	91,438	137,660
Past due but not impaired		
< 30 days	8,253	9,324
30-60 days	1,081	1,366
61-90 days	590	255
> 90 days	2,970	778
	104,333	149,384

Note 28. Cash and cash equivalents

TEUR	2016	2015
Cash in hand and at bank	204,112	185,488
	204,112	185,488

Note 29. Financial assets and liabilities

2016 TEUR	At cost	At amortised cost	At fair value through statement of income	At fair value through OCI	Total carrying amount
Non-current financial assets					
Available-for-sale financial assets	3,863			3,342	7,205
Interest-bearing loan receivables and financial assets		25,022			25,022
Loan receivables from associates		2,632			2,632
Other receivables	157	100			257
Current financial assets					
Trade and other receivables	126,809				126,809
Interest-bearing loan receivables and financial assets		321			321
Derivatives			535		535
Cash and cash equivalents	204,112				204,112
	334,941	**28,075**	**535**	**3,342**	**366,893**
Non-current financial liabilities					
Interest-bearing loans and borrowings					
Loans from financial institutions		40,522			40,522
Obligations under finance lease contracts		8,660			8,660
Other liabilities		6,957			6,957
Derivatives				39	39
Other financial liabilities	6,570				6,570
Current financial liabilities					
Interest-bearing loans and borrowings					
Loans from financial institutions		2,376			2,376
Obligations under finance lease contracts		3,454			3,454
Other liabilities		16,787			16,787
Derivatives			152		152
Trade and other payables	213,266				213,266
	219,836	**78,756**	**152**	**39**	**298,783**

2015 TEUR	At cost	At amortised cost	At fair value through statement of income	At fair value through OCI	Total carrying amount
Non-current financial assets					
Available-for-sale financial assets	6,933			4,425	11,358
Interest-bearing loan receivables and financial assets		7,551			7,551
Other receivables	87	200			287
Current financial assets					
Trade and other receivables	185,895				185,895
Loan receivables and financial assets					
Interest-bearing		2,369			2,369
Non-interest-bearing	1,406				1,406
Derivatives			421		421
Cash and cash equivalents	185,488				185,488
	379,809	**10,120**	**421**	**4,425**	**394,775**
Non-current financial liabilities					
Interest-bearing loans and borrowings					
Bond		177,685			177,685
Loans from financial institutions		57,539			57,539
Obligations under finance lease contracts		12,187			12,187
Other liabilities		5,302			5,302
Derivatives				2,655	2,655
Other financial liabilities	3,745				3,745
Current financial liabilities					
Interest-bearing loans and borrowings					
Loans from financial institutions		29,651			29,651
Bank overdrafts		5,192			5,192
Obligations under finance lease contracts		3,949			3,949
Other liabilities		20,845			20,845
Derivatives			342		342
Trade and other payables	290,739				290,739
	294,484	**312,350**	**342**	**2,655**	**609,831**

Note 30. Fair values and fair value measurement

2016 TEUR	Carrying amount	Fair Value Level 1	Level 2	Level 3	Total
Assets measured at fair value					
Investment properties					
Office properties	83,300			83,300	83,300
Factory properties	2,000			2,000	2,000
Other properties	7,021			7,021	7,021
Unbuilt land	19,417			19,417	19,417
Biological assets	98,361			98,361	98,361
Available-for-sale financial assets					
Unquoted equity shares	7,205			7,205	7,205
Derivatives not designated as hedges	535		535		535
Assets for which fair values are disclosed					
Loan receivables	27,975			27,975	27,975
	245,814		**535**	**245,279**	**245,814**
Liabilities measured at fair value					
Derivative financial liabilites	39		39		39
Derivatives not designated as hedges	152		152		152
Liabilities for which fair values are disclosed					
Interest-bearing loans and borrowings					
Floating rate borrowings	42,942		40,733	2,209	42,942
Fixed rate borrowings	5,000			5,000	5,000
Other interest-bearing	18,700		1,935	16,765	18,700
Obligations under finance lease contracts	12,114		284	13,123	13,407
	78,947		**43,142**	**37,097**	**80,240**

2015					
Assets measured at fair value					
Investment properties					
Office properties	86,400			86,400	86,400
Factory properties	37,420			37,420	37,420
Other properties	9,642			9,642	9,642
Unbuilt land	19,963			19,963	19,963
Biological assets	93,257			93,257	93,257
Available-for-sale financial assets					
Quoted equity shares	621	621			621
Unquoted equity shares	10,737			10,737	10,737
Derivatives not designated as hedges	421		421		421
Assets for which fair values are disclosed					
Loan receivables	11,326			11,326	11,326
	269,787	**621**	**421**	**268,745**	**269,787**
Liabilities measured at fair value					
Derivative financial liabilites	2,655		2,655		2,655
Derivatives not designated as hedges	342		342		342
Liabilities for which fair values are disclosed					
Interest-bearing loans and borrowings					
Floating rate borrowings	156,102		118,802	40,302	159,104
Fixed rate borrowings	134,920		78,477	56,443	134,920
Bank overdrafts	5,192		809	4,383	5,192
Obligations under finance lease contracts	16,136		2,959	13,177	16,136
	315,347		**204,044**	**114,305**	**318,349**

Items where the carrying amount equals to the fair value are categorised to three levels.
Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2: Fair value determined by observable parameters
Level 3: Fair value determined by non-observable parameters
Unquoted AFS assets that are not reliably measured are recognised at cost and reported at level 3.

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

TEUR	2016	2015
On January 1	10,737	12,527
Remeasurement recognised in OCI	-463	-1,451
Business combination	18	
Additions	13	856
Disposals	-3,126	-1,400
Impairment	-3	-2
Reclassification	28	207
On December 31	7,205	10,737

Note 31. 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 unfavorable effects of financial market fluctuations. Financial market risk cannot be eliminated through diversification, however, it can partly be hedged against.

The Groups treasury policy defines the way to manage Groups finance related issues and risks related to them. Treasury policy sets the guidelines for all group companies. Each Portfolio company has its own treasury policy that focuses more detailed in company's own business specific issues. The Portfolio companies are responsible for managing operational risks, following the guidelines set at group level. Ahlström Capital Oy as a mother company oversees the optimal financing structure in group level.

Financing risk

The Group's financing risks related to the availability of necessary credit are seen as minor in the current environment. To maintain this position, Ahlström Capital strives to uphold a good reputation among market participants. This objective includes management of the Group companies' financial structure and financing negotiations, in order to maintain healthy statement of income conditions throughout the Group. The ability to cover financing costs is monitored across the group and supported by the avoidance of excess indebtedness and leverage. Ahlström Capital Group is not dependent on any specific counterparty or financing instrument.

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

Ahlström Capital Oy and its Holding companies have utilised certain real estates, forests 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. The risk of margin calls is seen as minimal and Ahlström Capital Oy as parent company monitors the share and collateral value developments related to these financing facilities closely. Diversity in Groups assets reduces the risk of insufficient collaterals for financing facilities.

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

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. Around 80% of the Groups revenue is in euro. In Portfolio companies there is some exposure to other major currencies such as the US dollar, the Swiss franc or the Chinese yuan renminbi, which may result limited fluctuations in the euro value of any such cash flows.

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

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

Interest rate risk

Interest rate risk is seen as low in the current environment of prolonged central bank assistance to the economy. This period of ultra-low interest rates is however expected to end eventually, which would result in higher financing costs to the Group. To manage the Group's interest rate risk, leverage across the Group is kept at a moderate level and policy is to utilise hedging against interest rate risk. Speculative trading for profit without underlying exposure is not allowed. Portfolio companies are responsible for managing interest rate risk independently and reporting to the Group. The Portfolio companies must ensure, that the hedging decisions are in line with the Group's net financing position.

At the end of the year there are no issued corporate bonds in the Group. The Portfolio company Destia redeemed the Bond for the full outstanding amount in accordance with the terms and conditions of the Bond. Some refinancing arrangements have been settled in the Group and interest rate hedging is used against interest rate changes according treasury policies. Interest rate level has remained low during the year. Ahlström Capital's relationship banks are passing through the effect of European Central Banks negative deposit rate to the liquid funds of the Group.

Credit Risk

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

In Portfolio companies the receivables risk can be considerable, with significant variations in the amount and age structure of receivables between companies. Portfolio companies manage credit risk by their credit policies and their ways vary depending 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' business.

Liquidity risk

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

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

At the end of the year existing facilities in Group included credit facilities (RCF) amounting to EUR 148 million of which EUR 146 million was unused.

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

2016 TEUR	< 1 year	2-3 years	4-5 years	> 5 years	Total
Interest-bearing loans and borrowings	20,193	47,052	2,148	93	69,485
Other financial liabilities	101,969	12,343	2,633	837	117,781
Trade and other payables	115,461				115,461
Derivatives	217	192			408
	237,839	**59,586**	**4,781**	**929**	**303,135**
2015					
Interest-bearing loans and borrowings	60,492	180,140	72,305	23	312,960
Other financial liabilities	142,702	9,008	3,223	797	155,729
Trade and other payables	152,989				152,989
Derivatives	1,477	1,090	10		2,577
	357,660	**190,238**	**75,538**	**821**	**624,256**

Derivatives designated as hedging instruments

	Fair values		Nominal amounts	
TEUR	2016	2015	2016	2015
Liabilities				
Interest rate swaps	39	2,655	40,000	106,850

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

Derivatives not designated as hedging instruments

	Fair values		Nominal amounts	
TEUR	2016	2015	2016	2015
Assets				
Foreign currency forward contracts	437	421	22,428	25,097
Commodity derivatives	98		565	
Liabilities				
Foreign currency forward contracts	152	84	9,282	14,922
Interest rate swaps		60		16,875
Commodity derivatives		198		603

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

Capital management

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

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

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

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

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The targeted dividend yield is three to five percent of the external fair value.

Net debt and EFV

TEUR	2016	2015
Non-current interest-bearing loans and borrowings (Note 29)	56,139	254,043
Current interest-bearing loans and borrowings (Note 29)	22,617	59,637
Less: cash and short-term deposits (Note 28)	-204,112	-185,488
Net cash (-)/net debt (+)	-125,356	128,192
External Fair Value	949,827	743,690
Shareholders equity (incl. non-controlling interest)	711,509	592,404
EFV adjusted net gearing	-13%	17%
Net gearing (IFRS / Book value based)	-18%	22%

Note 32. Share capital and reserves

TEUR	Amount of shares	Share capital	Share premium	Unrestricted equity reserve	Legal reserve	Total
On January 1, 2015	628,876	38,771	12,774	104,336	2,303	158,184
Other changes					860	860
On December 31, 2015	628,876	38,771	12,774	104,336	3,163	159,044
Other changes					-2,063	-2,063
On December 31, 2016	628,876	38,771	12,774	104,336	1,100	156,981

OCI, net of tax

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

2016 TEUR	Available-for-sale-reserve	Cash flow hedge reserve	Foreign currency translation reserve	Retained earnings	Non-controlling interests	Total
Foreign currency translation differences			260		534	793
Available-for-sale financial assets - net change in fair value	-450					-450
Available-for-sale financial assets - reclassified to statement of income	-213					-213
Cash flow hedges - net change in fair value		177				177
Cash flow hedges - reclassified to statement of income		1,916				1,916
Remeasurement gains/losses on defined benefit plans				794	-968	-174
Share of other comprehensive income of associates		188	4,445	-1,059		3,574
	-663	**2,281**	**4,705**	**-265**	**-434**	**5,623**
2015						
Foreign currency translation differences			2,750		425	3,175
Available-for-sale financial assets - net change in fair value	27,665					27,665
Available-for-sale financial assets - reclassified to statement of income	-61,473					-61,473
Cash flow hedges - net change in fair value		357				357
Cash flow hedges - reclassified to statement of income		558				558
Remeasurement gains/losses on defined benefit plans				-2,074	102	-1,972
Share of other comprehensive income of associates	-1,863	282	-1,568	-206		-3,355
	-35,671	**1,196**	**1,182**	**-2,279**	**527**	**-35,045**

The total shareholders' equity consists of share capital, share premium, unrestricted equity reserve, legal reserve, available for sale reserve, cash flow hedge reserve, foreign currency translation reserve and retained earnings. The share premium account includes the value of shares in excess of the accounting par value of the shares. Legal reserves consist of amounts created from retained earnings due to specific legislation in certain countries.

Available-for-sale reserve include changes in the fair values of available-for-sale instruments. Cash flow hedge reserve include changes in the fair values of derivative financial instruments used to hedge operational cash flows. Foreign currency translation reserve includes the differences resulting from the translation of foreign subsidiaries.

.

Note 33. Provisions

TEUR	Warranty provisions	Restructuring provisions	Environmental provisions	Other provisions	Total
On January 1, 2015	**10,738**	**283**	**11,399**	**14,636**	**37,056**
Exchange differences	51	3		-20	34
Arising during the year	1,255		70	5,044	6,369
Utilised	-731	-221	-239	-8,893	-10,084
Unused amounts reversed	-1,643	-39	-2	-658	-2,342
Reclassifications	-5,685		1,585	2,510	-1,590
Effect of discounting	20		219		239
On December 31, 2015	**4,005**	**26**	**13,033**	**12,618**	**29,681**
Exchange differences	-10				-10
Discontinued operations	-260	-26		-226	-512
Arising during the year	2,831	838	112	7,744	11,525
Utilised	-516	-138	-1,064	-4,941	-6,659
Unused amounts reversed	-22		-2	-2,902	-2,925
Effect of discounting	106		983		1,090
On December 31, 2016	**6,134**	**700**	**13,063**	**12,293**	**32,189**
Non-current, on December 31, 2015	**3,104**	**0**	**12,798**	**6,916**	**22,818**
Current, on December 31, 2015	**901**	**26**	**235**	**5,702**	**6,864**
Non-current, on December 31, 2016	**4,363**	**0**	**12,566**	**8,352**	**25,281**
Current, on December 31, 2016	**1,771**	**700**	**497**	**3,941**	**6,908**

Warranty provisions

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

Restructuring provisions

Provisions relate to cost for personnel affected and notified by structural changes in the Group.

Environmental provisions

The Group has land areas that is obligated to restore to their original condition. The present value of estimated landscaping costs has been activated to the acquisition cost of the areas and presented as a provision. In addition, the Group has a provision for cleaning a contaminated land area, made for cleaning the former asphalt plant.

Other provisions

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

Note 34. Trade and other payables

TEUR	2016	2015
Trade payables	115,461	152,932
Other payables	43,610	58,754
Accrued liabilities	54,195	79,053
Derivatives	152	342
	213,418	291,081

Note 35. Commitments and contingencies

Operating lease commitments – Group as lessee

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

Future minimum rentals payable under non-cancellable operating leases on December 31 are presented below.

TEUR	2016	2015
Within 1 year	8,817	8,358
Between 1 and 5 years	10,496	10,921
More than 5 years	1,463	2,098
	20,776	21,377

Commitments and contingencies on own behalf

TEUR	2016	2015
Secured loans		
Loans from financial institutions and others	5,673	90,390
Bonds		114,350
Pledged assets		
Real estate mortgages	82,859	144,308
Pledged shares	48,225	89,583
Other pledged assets	780	36,610
Pledged securities	16,135	29,670
Guarantees	137,410	167,992

Pledges are used as collaterals for stand-by or revolving credit facilities, of which EUR 137 million is secured and EUR 10 million unsecured. At the year end EUR 2 million was in use.

Approximately 69% of Group's investment properties (note 22) have been utilised as collateral for own debts and reported as real estate mortgages in commitments. On December 31, 2016 none of company´s forest assets (note 23) are used as pledges.

Ahlström Capital Group has a contingent VAT liability on real estate investments EUR 1,719 thousand (5,530) on December 31, 2016.

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

Commitments on behalf of others

Ahlström Capital Group has guarantees given on behalf of others EUR 1,048 thousand (1,185) on December 31, 2016.

Note 36. Related party transactions

The Group's related parties includes Ahlström Capital's Board of Directors and committees, its Acting CEO (until February 1, 2016) and CEO (since February 1, 2016), 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 25. Also loan transaction with associated companies in 2016 are dealt with in the note 29.

The profit claw back clause concerning the sales gain of the 66,666,666 Suominen Oyj shares aquired from Ahlstrom Oyj expired on October 7, 2016.

Salaries for CEO and remunerations to Board members are listed in note 15.

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

TEUR	2016	2015
Sales to the entity with significant influence over the group	102	101

Compensation of personnel belonging to the related party of the group

TEUR	2016	2015
Wages and other short-term employee benefits	835	1,398
Post-employment benefits	96	192
Total compensation paid to key management personnel	**931**	**1,590**

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 37. Events after the reporting period

On January 11, 2017 the Extraordinary General Meetings of Ahlstrom and Munksjö approved the planned merger.

On January 27, 2017 Enics announced the acquisition PKC Electronics with factories in Raahe, Finland and Suzhou, China providing services in testing, power solutions and design and manufacturing services in electronics, mechanics, software and test systems design. The completion of the transaction is subject to customary regulatory clearances.

Ahlström Capital Oy has appointed Pasi Koota as Chief Financial Officer. Pasi Koota, (M.Sc. Econ.), will start in his new position on April 1, 2017 and will be a member of the management team of Ahlström Capital.

Income Statement, Parent Company

TEUR	Note	2016	2015
Net Sales	1	**6,495**	**5,845**
Other operating income	2	**221**	**215**
Personnel costs	3	-5,520	-4,279
Depreciation, amortisation and impairment	7	-1,008	-1,450
Other operating expense		-7,112	-5,412
Operating profit / loss		**-6,924**	**-5,081**
Financing income and expenses	5		
Interest and other financing income		120,060	56,061
Impairments		-4,685	-14,608
Interest and other financing expenses		-3,734	-2,079
		111,641	39,374
Result before appropriations and taxes		**104,717**	**34,293**
Appropriations	6		
Change in depreciation difference		-78	-162
Group contributions		5,065	8,658
Income taxes		-114	0
Profit for the period		**109,590**	**42,789**

Balance Sheet, Parent company

TEUR	Note	December 31, 2016	December 31, 2015
Assets			
Non-current assets			
Intangible assets	7		
Intangible rights		197	3,452
		197	**3,452**
Tangible assets	7		
Land and water areas		26,254	26,254
Buildings and constructions		25,710	26,646
Machinery and equipment		812	884
Other tangible assets		70	70
		52,846	**53,854**
Investments	8		
Holdings in Group companies		256,577	211,267
Other shares		5,579	10,366
		262,156	**221,633**
Total non-current assets		**315,199**	**278,939**
Current assets			
Long-term receivables			
Notes receivable from Group companies	14	12,661	28,217
Notes receivable		421	393
		13,082	**28,610**
Short-term receivables			
Accounts receivable		119	89
Receivables from Group companies	14	8,297	12,055
Notes receivable		180	336
Other receivables		22	22
Prepaid expenses and accrued income	9	46	230
		8,664	**12,732**
Cash and bank		**97,485**	**34,514**
Total current assets		**119,231**	**75,856**
Total assets		**434,430**	**354,795**

Balance Sheet, Parent Company

TEUR	Note	December 31, 2016	December 31, 2015
Shareholders' equity and liabilities			
Shareholders' equity	10		
Share capital		38,771	38,771
Capital in excess of par value		12,774	12,774
Retained earnings (loss)		154,381	138,005
Reserve for invested non-restricted equity		104,336	104,336
Profit for the period		109,590	42,789
		419,852	**336,675**
Accumulated appropriations			
Depreciation difference		1,647	1,570
Taxation-based reserves		2,332	0
		3,979	**1,570**
Provisions	12	909	932
Liabilities			
Long-term liabilities			
Loans from financial institutions		5,000	5,000
Accrued expenses and deferred income	13	2,663	926
		7,663	**5,926**
Short-term liabilities			
Loans from financial institutions		0	7,000
Accounts payable		88	216
Liabilities to Group companies	14	25	30
Other liabilities		263	338
Accrued expenses and deferred income	13	1,651	2,108
		2,027	**9,692**
Total liabilities		**9,690**	**15,618**
Total shareholder's equity and liabilities		**434,430**	**354,795**

Statement of Cash Flows, Parent Company

TEUR	2016	2015
Operating activities		
Operating profit / loss	-6,924	-5,081
Depreciation and amortisation	1,008	1,450
Other adjustments	3,058	117
Cash flow from operations before change in net working capital	-2,858	-3,514
Change in net working capital		
Increase (-) / decrease (+) of short-term receivables	1,248	-1,466
Increase (+) / decrease (-) of short-term non-interest-bearing debts	1,903	-257
Cash flow from operating activities before financing items and taxes	293	-5,237
Interest and other financing income	118,104	55,297
Interest and other financing expenses	-3,344	-1,644
Net cash flow from operating activities	**115,053**	**48,416**
Investing activities		
Capital expenditure	-145	-22
Other investments	-30,310	-3,494
Proceeds from sales of non-current assets	444	2,095
Change in notes receivable and other receivables	533	-2,242
Net cash flow used in investing activities	**-29,478**	**-3,663**
Financing activities		
Change in long-term debt		-17,000
Change in short-term debt	-4,849	-5,322
Dividends paid	-26,413	-25,155
Other changes	8,658	
Net cash flow used in financing activities	**-22,604**	**-47,477**
Change in cash and financial investments	**62,971**	**-2,724**
Cash and financial investments at beginning of period	34,514	37,238
Cash and financial investments at end of period	97,485	34,514

Notes to the financial statements, parent company

1. Accounting principles

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

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

Ahlström Capital Oy was formed when A. Ahlström Osakeyhtiö demerged into three companies on June 30, 2001. The official financial statements for 2016 have been prepared for the sixteenth financial year of the company, spanning the period from January 1, 2016 to December 31, 2016.

No changes were made to the accounting policies in the accounting period.

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.

Pension costs

In Finland, the statutory pension liability and supplementary pension benefits are funded through insurance policies and recognised in accordance with actuarial calculations. Pension insurance premiums and changes in pension liabilities are recognised in profit or loss.

Derivative instruments

The fair value of liabilities arising from the derivative agreements that have been made in order to hedge currency risks and interest rate risks and the par value of hedged benefits of liabilities have been reported in the notes to the financial statements.

Inventories

Inventories are stated at the lower of cost or market.

Investments

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

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

Non-current assets

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

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

The estimated useful lives are as follows:

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

Land and water areas are not depreciated.

Leasing

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

Taxes

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

2. Net sales

Distribution of net sales by country

TEUR	2016	2015
Finland	5,152	4,887
Netherlands	1,343	958
	6,495	5,845

Distribution of net sales by business

TEUR	2016	2015
Real estate	4,421	4,394
Others	2,074	1,451
	6,495	5,845

3. Other operating income

TEUR	2016	2015
Gain on sale of non-current assets	199	
Others	22	215
	221	215

4. Personnel costs

TEUR	2016	2015
Wages and salaries	4,496	3,370
Pension costs	902	766
Other wage related costs	122	143
	5,520	4,279
Salaries for CEOs	481	1,016
of which bonuses		600
Remunerations to Board members	377	382

5. Average number of personnel

	2016	2015
Salaried	16	14

6. Financing income and expenses

Financing income

TEUR	2016	2015
Dividend income from others	21	19
Dividend income from Group companies	115,000	52,500
Interest and financing income from Group companies	2,312	3,500
Interest and financing income from others	2,727	42
	120,060	56,061

Financing expenses

TEUR	2016	2015
Impairment on investments from associates	-4,685	-4608
Impairment on investments from Group companies		-10000
Interest and financing expenses to Group companies		-67
Interest and financing expenses to others		
Interest expenses	-399	-1,400
Other financing expenses	-3,335	-612
	-8,419	-16,687
Total financing income and expenses	111,641	39,374

7. Appropriations

TEUR	2016	2015
Change in depreciation difference	-78	-162
Group contribution, received	5,065	8,658
	4,987	8,496

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

2016 TEUR	Intangible rights	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and construction in progress
Acquisition cost on January 1	4,853	26,254	36,365	2,268	70	
Decreases	-3,255					
Reclassification between classes						
Acquisition cost on December 31	1,598	26,254	36,365	2,268	70	
Accumulated depreciation and amortisation on January 1	1,401		9,719	1,384		
Depreciation and amortisation for the period			936	72		
Accumulated depreciation and amortisation on December 31	1,401		10,655	1,456		
Book value on December 31, 2016	**197**	**26,254**	**25,710**	**812**	**70**	
2015						
Acquisition cost on January 1	4,853	26,254	35,958	2,268	70	389
Increases			22			
Decreases						-4
Reclassification between classes			385			-385
Acquisition cost on December 31	4,853	26,254	36,365	2,268	70	0
Accumulated depreciation and amortisation on January 1	936		8,805	1,313		
Depreciation and amortisation for the period	465		914	71		
Accumulated depreciation and amortisation on December 31	1,401		9,719	1,384		
Book value on December 31, 2015	**3,452**	**26,254**	**26,646**	**884**	**70**	**0**

9. Long-term investments

2016 TEUR	Holdings in Group companies	Other stock and shares
Book value on January 1	211,267	10,366
Increases	45,310	145
Decreases		-247
Impairments		-4,685
Book value on December 31	246,577	5,579
2015		
Book value on January 1	210,927	15,069
Increases	10,340	
Decreases		-95
Impairments	-10,000	-4,608
Book value on December 31	211,267	10,366

10. Prepaid expenses and accrued income

TEUR	2016	2015
Short-term		
Accrued interest income	28	23
Periodisation of costs	18	14
Other		193
	46	230

11. Shareholders' equity

TEUR	2016	2015
Restricted shareholders' equity		
Shareholders' equity on January 1	38,771	38,771
Increase of shareholders' equity		
Shareholders' equity on December 31	**38,771**	**38,771**
Capital in excess of par value on January 1	12,774	12,774
Capital in excess of par value on December 31	**12,774**	**12,774**
Restricted shareholders' equity, total	51,545	51,545
Unrestricted shareholders' equity		
Profit from previous financial years on January 1	180,794	163,160
Distribution of profits	-26,413	-25,155
Reserve for invested non-restricted equity	104,336	104,336
Other changes		
Profit from previous financial years on December 31	**258,717**	**242,341**
Net profit for the period	109,590	42,789
Unrestricted shareholders' equity, total	368,307	285,130
Shareholders' equity, total	419,852	336,675

12. Share capital on Dec. 31, 2016

	Number of shares	EUR
1 vote / share, with redemption clause	628,876	38,771,470

13. Provisions

TEUR	2016	2015
Personnel costs	909	932

14. Accrued expenses and deferred income

TEUR	2016	2015
Long-term		
Personnel costs	2,663	926
Short-term		
Personnel costs	1,478	1,372
Interest expense	58	732
Other	115	4
	4,314	**3,034**

15. Receivables from and liabilities to Group companies

Receivables from group companies

TEUR	2016	2015
Notes receivable	15,156	29,787
Accounts receivable	802	1,827
Prepaid expenses and accrued income	5,000	8,658
	20,958	40,272

Liabilities to group companies

TEUR	2016	2015
Other short-term liabilities	25	30
	25	30

16. Collaterals

TEUR	2016	2015
For own liabilities		
Loans from financial institutions	5,000	12,000
Credit facilities (RCF)	70,000	35,000
of which in use	0	0
Amount of mortgages and pledges	80,000	62,000

17. Contingent liabilities

TEUR	2016	2015
Leasing and rental commitments		
Current portion	63	59
Non-current portion	74	79
	137	138
Commitments on behalf of Group companies	520	3,993
Contingent liabilities for Real Estate investment's VAT	757	1,240
Investment commitments		145

Auditor's report

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

To the Annual General Meeting of Ahlström Capital Oy

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ahlström Capital Oy (business identity code 1670034-3) for the year ended 31 December, 2016. 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 performance, financial position and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for Opinion

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

er 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 comprises information included in 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 information included in the report of the Board of Directors and, in doing so, consider whether the information included in the report of the Board of Directors is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. 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, we conclude that there is a material misstatement in the information included in the report of the Board of Directors, we are required to report this fact. We have nothing to report in this regard.

Other opinions

We support the adoption of the financial statements. 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 17 February 2017

KPMG OY AB

Virpi Halonen
Authorized Public Accountant, KHT

Proposal for the Distribution of Profits

According to the parent company's balance sheet as at December 31, 2016, the total distributable funds are:

	EUR
Reserve for invested non-restricted equity	104,335,800.65
Retained earnings	154,380,154.70
Profit for the period	109,590,105.01
Total distributable funds	368,306,060.36

The Board of Directors proposes that an ordinary dividend of EUR 45.00 per share and extra dividend of EUR 8.00 per share, in total EUR 53.00 per share, be paid on the 628,876 shares and the remainder retained. The total proposed dividend for 2016 is EUR 33,330,428.00.

Helsinki, February 17, 2017

Mikael Lilius
Chairman of the Board

Thomas Ahlström

Mats Danielsson

Pekka Pajamo

Fredrik Persson

Malin Persson

Peter Seligson

Hans Sohlström
President and CEO

Shares and shareholders

Shares and share capital

Ahlström Capital's registered share capital on December 31, 2016 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 2016, Ahlström Capital had 241 shareholders. More information on shareholders is presented in the Report of the Board of Directors.

Shareholdings of the Board of Directors

On December 31, 2016 members of the Board of Directors held 7,964 shares in Ahlström Capital Oy, which represents 1.27 percent of the shares and voting rights.

Shareholders by group on December 31, 2016*

	Number of shares	Percentage of capital stock
Companies	40,140	6.4
Financial and insurance institutions	3,750	0.6
Public sector entities and mutual pension insurance companies	23,490	3.7
Households	460,810	73.3
Non-profit organisations	5,568	0.9
Foreign owners	94,938	15.1
Others	180	0.0
Total	628,876	100.0

Shareholders by group on December 31, 2016*

Number of shares	Number of shareholders	Percentage of shareholders	Number of shares and votes	Percentage of capital stock	Average number of shares held
1–100	71	29.5	2,089	0.3	29
101–500	33	13.7	8,870	1.4	269
501–1,000	30	12.4	21,572	3.4	719
1,001–5,000	67	27.8	162,998	25.9	2,433
5,001–10,000	25	10.4	174,401	27.7	6,976
10,001–	15	6.2	258,766	41.1	17,251
Total	241	100.0	628,696	100.0	2,609

* On December 31, 2016, the number of issued shares was 628,876, of which 180 shares were on the waiting list or joint accounts.

Information for shareholders

Annual general meeting

Ahlström Capital Oy's Annual General Meeting of Shareholders will be held in Helsinki at Eteläesplanadi 14 on Wednesday, April 5, 2017 at 5:00 p.m. The Notice of the Annual General Meeting has been published in the Official Gazette No. 30/March 13, 2017.

Financial information

Ahlström Capital's Annual Report 2016 is published in Finnish, Swedish and English and it is available on the company's website at ahlstromcapital.com.

In 2017, the company will inform the shareholders about the development of its performance on a quarterly basis.

Information on listed companies is based on publicly available sources.

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

Ahlström Capital in co-operation with Miltton. Photos on pages 5, 7, 8 (AC Network Day photo), 33, 42, and on 48-50 by Tomi Parkkonen, except for Malin Persson's photo, which has been taken by Heidi Strengell. Photos on pages 37 and 39 by Tiina Rajala. Print: Libris Oy

History timeline

Ahlström Capital Oy is one of Finland's largest investment companies and a part of the Ahlström family heritage – one of the most significant industrial families in Finland from the 1850s onwards.

The early decades: 1850–1900

Shipbuilding, shipping, sawn goods, iron and mechanical engineering, paper

Expansion: 1900–1950

Paper, sawn goods, cellulose, cardboard, plywood, fiberboard, art and packaging glass, electrical accessories, glass wool, iron and mechanical engineering, shipbuilding

Internationalisation: 1950–2000

Paper, sawn goods, cardboard and flexible packaging, cellulose, nonwoven fabrics, plywood, fiberboard, art and packaging glass, electrical accessories, glass wool, fiberglass, mechanical engineering, shipbuilding, production control systems

2016

Fiber-based materials, specialty paper, nonwoven fabrics, cardboard and flexible packaging, infra construction and maintenance, industrial electronics, cleantech investment, real estate and forest

1851

The Beginning
Antti Ahlström starts business in 1851.

1870

Noormarkku works
Antti Ahlström buys Noormarkku works in 1870 – today an important part of Finnish industrial history.

1908

A. Ahlström Osakeyhtiö
A. Ahlström Osakeyhtiö is established in 1908, marking the start of the of the Ahlström industrial era.

2001

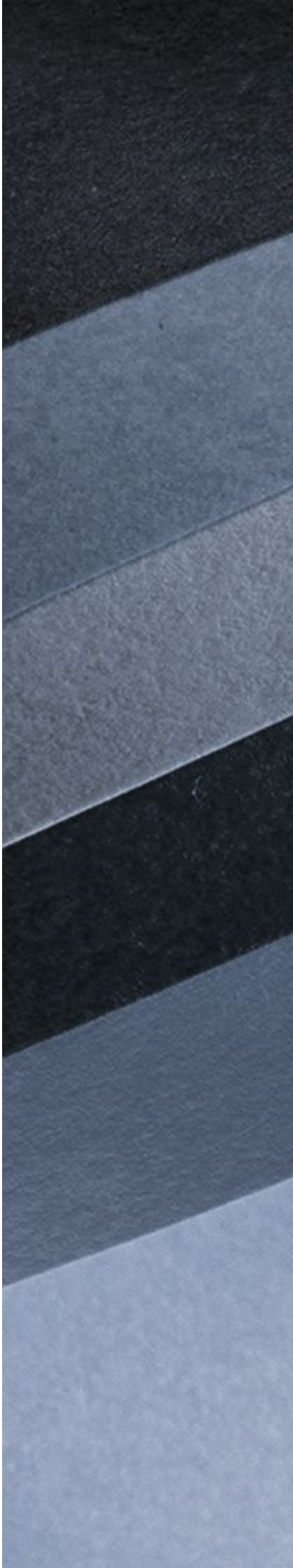
Ahlström Capital
Ahlström Capital established: A. Ahlström Osakeyhtiö divided into Ahlstrom Corporation, Ahlström Capital Oy and A. Ahlström Osakeyhtiö.

2014

Restructuring
Restructuring of the companies Antti Ahlström Perilliset Oy, A. Ahlström Osakeyhtiö and Ahlström Capital Oy in 2014. Management and development of the Ahlström family's financial and industrial assets are concentrated in Ahlström Capital Oy.

2017

Portfolio today
Ahlström Capital's portfolio consists of the listed companies Ahlstrom Corporation, Munksjö Oyj and Suominen Corporation as well as of the non-listed companies Destia Group Oyj and Enics AG, cleantech fund and real estate and forest investments.



AHLSTRÖM CAPITAL

AHLSTRÖM CAPITAL OY
Eteläesplanadi 14
P.O.Box 169
FI-00131 Helsinki
Telephone +358 10 888 18
Fax +358 10 888 4249

www.ahlstromcapital.com