AHLSTRÖM CAPITAL

ANNUAL REPORT 2018

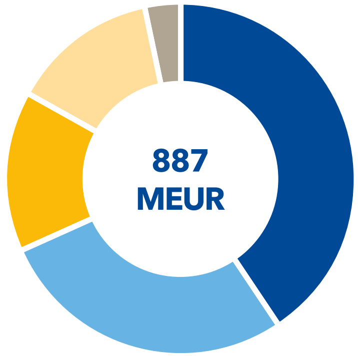
We develop leading businesses

Contents

Ahlström Capital in brief

Ahlström Capital focuses its investment activity on industrial companies, real estate and forest. We are a family-owned company with a history of more than 160 years, and we are one of the largest and most significant investment companies in Finland. Ahlström Capital creates long-term shareholder value by actively developing its portfolio. Our industrial investments include substantial holdings in the listed companies Ahlstrom-Munksjö Oyj, Detection Technology Plc, Glaston Corporation and Suominen Corporation. In addition, the portfolio includes direct investments in non-listed companies Destia Group Oyj and Enics AG as well as an investment in the AC Cleantech Fund. Ahlström Capital's considerable real estate and forest holdings are managed by its fully-owned subsidiary A. Ahlström Real Estate Ltd.

Our external fair value December 31, 2018



- Listed companies **41%**
- Non-listed companies **28%**
- Real estate **15%**
- Forest **13%**
- Liquid assets and other assets **3%**

The scope of our portfolio companies

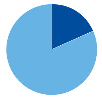
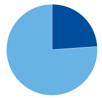
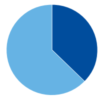
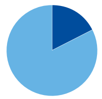
~EUR 5 billion
revenue of portfolio companies, total

~15,000
employees in portfolio companies

32
operating countries

Our portfolio

Listed companies

Company	Description		Revenue, MEUR	Ahlström Capital's shareholding
AHLSTROM MUNKSJÖ	Ahlstrom-Munksjö is a global leader in fiber-based materials, supplying innovative and sustainable solutions to customers worldwide.		2,997	 18.7%
Suominen	Suominen manufactures nonwovens as roll goods for wipes, hygiene products and medical applications. Suominen is the global market leader in nonwovens for wipes.		431	 24.0%
Detection Technology	Detection Technology is a global provider of X-ray detector solutions for medical, security and industrial applications.		94	 36.7%
glaston	Glaston is a frontrunner in glass processing technologies and services. The company responds globally to the most demanding glass processing needs of the architectural, solar, appliance and automotive industries.		101	 17.5%

Our portfolio

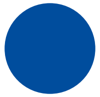
Non-listed companies

Revenue, MEUR | Ahlström Capital's shareholding

DESTIA

Destia is a Finnish infrastructure and construction service company. The company designs, builds and maintains traffic routes, industrial and traffic environments, as well as complete living environments.

550

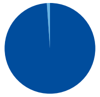


100%

enics

Enics is the partner of choice for industrial electronics in the fields of energy, industrial automation, transportation, building automation and instrumentation.

543



99.0%

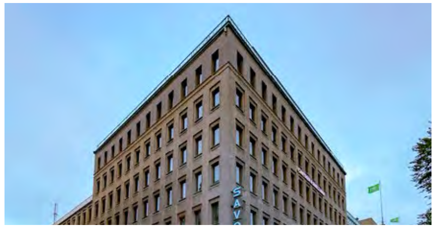
Real estate and forest

External fair value, MEUR

A.AHLSTRÖM

Real estate

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



76,000 m²
Real estate area in total

143

Forest

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

33,000 ha
Forests in total

128

Year 2018 in brief

New CEO at Ahlström Capital

Lasse Heinonen, M.Sc. (Econ.), started as Ahlström Capital's President & CEO on August 1, 2018. Previously, Lasse worked as the CFO of Tieto Corporation. Lasse has also worked as the CFO and Executive Vice President of Finnair Plc, as well as Head of Cargo & Aviation Services.

Ahlstrom-Munksjö

In October, Ahlstrom-Munksjö completed the acquisitions of U.S. specialty paper producer Expera Specialty Solutions and MD Papéis' Caieiras specialty paper mill in Brazil. Following the acquisitions, the company now has a more geographically balanced operating platform and can serve a wide range of customers.

We joined the United Nations Global Compact

In June 2018, Ahlström Capital Group committed to the United Nations ten principles of the Global Compact with respect to human rights, labour, environment and anti-corruption. The UNGC, the world's largest corporate initiative, has over 10,000 business and non-business participants in 162 countries.

New CEOs in portfolio companies

A number of our portfolio companies have seen recent management changes. Hans Sohlström started as the President & CEO of Ahlstrom-Munksjö on April 16 and Tero Kiviniemi began his tenure as the President & CEO of Destia on July 1. In 2019, Petri Suikkanen started as the interim CEO of Enics on January 1, and Petri Helsky became President & CEO of Suominen on January 7.

Challenging markets

The overall stock market in Finland was volatile throughout 2018 and this also had an impact on our listed portfolio companies. Our EFV declined in 2018 after a strong performance in the previous years.

Developing our portfolio companies

In 2018, our main priority was to further develop the companies in our portfolio. Ahlström Capital as the largest shareholder had a significant role in strategically important acquisitions announced by Ahlstrom-Munksjö during the summer 2018 and Glaston in January 2019. The value creation plans and strategies have been updated in many of our portfolio companies. The development of External Fair Value (EFV) of Ahlström Capital investments was negative in 2018, but comparable operating profit improved.

After strong performance in the previous years the EFV of Ahlström Capital declined in 2018. Value reduction took place in our listed companies mainly during the last quarter as the stock market was very volatile. The EFV was EUR 887 million at year-end 2018 (beginning of 2018: EUR 1,034 million). The dividend adjusted decrease in EFV was 11.3 per cent.

Our comparable operating profit was EUR 49.2 million and exceeded the level of 2017 by 7 per cent. Destia had an improvement in profitability and at year-end Destia's order book was at a record high level. Enics operating environment was twofold – good market demand but shortages in component supplies. Thus, revenue and comparable operating profit development at Enics was slightly above the previous year, but behind our expectations. Out of our listed companies Glaston improved the comparable operating profit supported by positive service business development. Detection Technology's profitability was above the company´s long-term guidance but slightly behind the previous year due to increased investments in R&D. Ahlstrom-Munksjö's underlying profitability was impacted by high raw material costs and non-recurring costs had a material effect on the net result. Suominen had a challenging year impacted also by high raw material costs and new production ramp up costs.

Lasse Heinonen started as the President & CEO of Ahlström Capital on August 1, 2018.

Both the real estate and forest investment portfolios continued to provide a stable performance. We proceeded with the development project of Hankasuontie 11A in Helsinki as planned and divestments of non-core real estate properties continued. The logging of timber was at the previous year's level and wood demand in the market developed favourably.

Enabling our portfolio companies in their growth strategies

Ahlstrom-Munksjö made two important acquisitions during 2018 including U.S. specialty paper producer Expera Specialty Solutions and Caieiras specialty paper mill in Brazil. Through these investments, Ahlstrom-Munksjö has a more geographically balanced operating platform and the company is in a better position to serve its end-user segments. Ahlström Capital participated in the rights offering during the last quarter conducted to finance the acquisition of Expera Speciality Solutions.

In January 2019, Glaston announced the acquisition of Bystronic glass, strengthening its position in the glass processing value chain and doubling the revenue base in the future. As a major owner we are actively supporting the company leadership in this acquisition including participating in the financing of the transaction.

Value creation by active ownership

We updated our strategy during autumn 2018. Our industrial assets will continue to be 70-80 per cent of our portfolio, offering opportunities for strong value growth with flexible holding periods. We look for the leading role in established companies holding strong positions in attractive markets. We want to invest in companies that offer further development and value creation potential. Our real estate and forest investments form the firm basis of our portfolio, that provides strong cash flow and solid value growth with a long holding period.

We have strong ownership positions and we exercise our influence through the boards and develop value creation plans for each company. We also integrate sustainability into our plans, as it is an integral part of long-term value creation. Our goal is to develop leading businesses, aspiring for all our companies to outperform their peers and reach their full potential. Our main priority is to further develop the companies in our portfolio, but at the same time we are actively screening new industrial and real estate investments.

Our third AC Network Day was arranged in January 2019, gathering together the board members and management from AC and its portfolio companies.

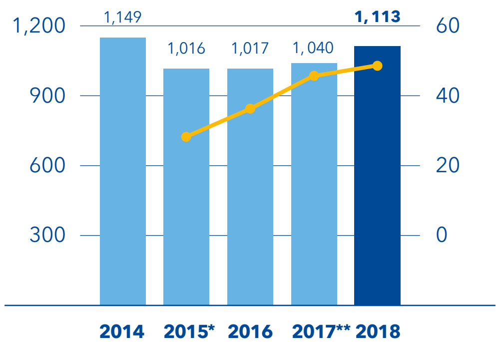
I would like to thank everyone in Ahlström Capital and its portfolio companies for the good work done in 2018. I also wish to express my gratitude to our shareholders and Board for their trust and support.

Lasse Heinonen
President and CEO

Financial performance

After strong performances in the previous years the external fair value of Ahlström Capital declined in 2018 due to the listed companies in the volatile stock market. Our comparable operating profit improved by 7 per cent.

Revenue and comparable operating profit, MEUR

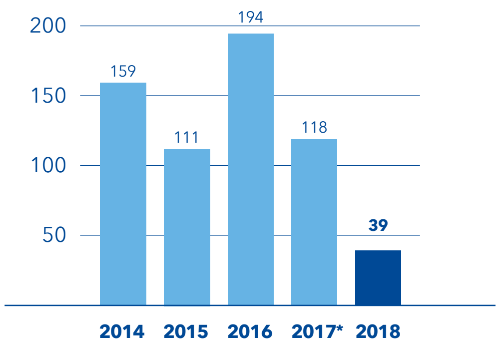


Revenue

Comparable operating profit

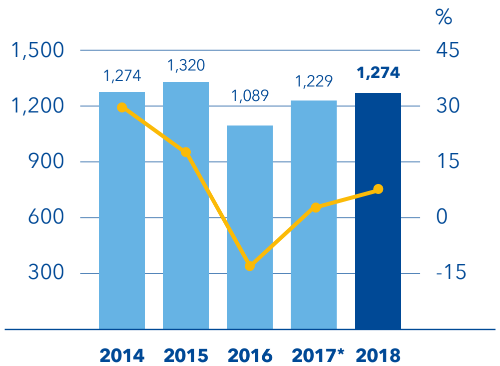
* Restated due to discontinued operations
** Restated due to the implementation of IFRS15

Profit for the period, MEUR



* Restated due to the implementation of IFRS15

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

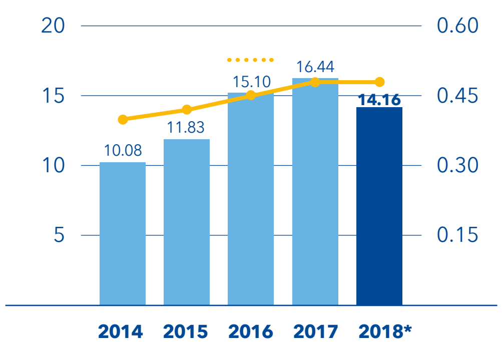


Balance sheet total

Net gearing, EFV-adjusted

* Restated due to the implementation of IFRS15

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



External fair value (EFV) per share

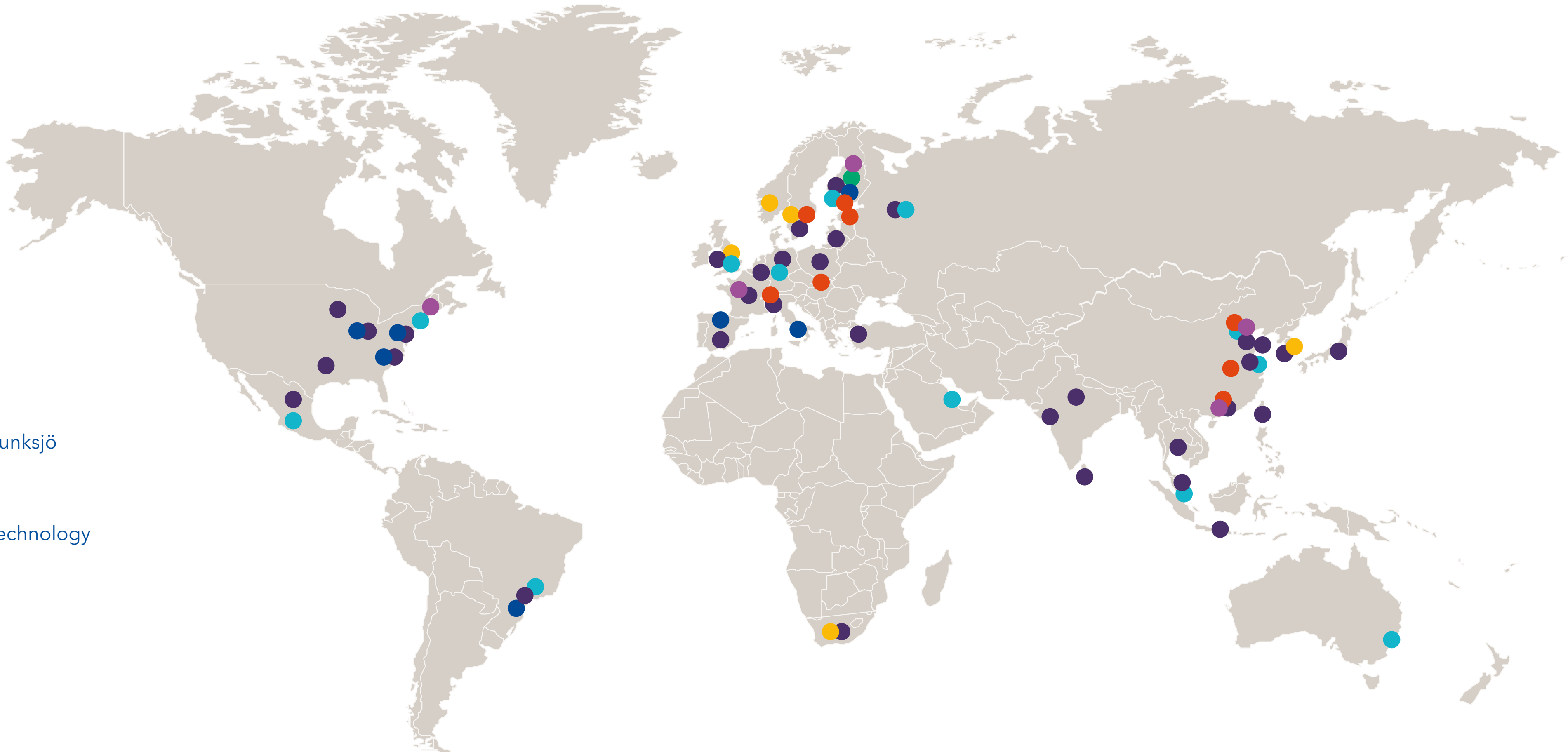
Dividend per share

Extra dividend per share

* Board´s dividend proposal
Number of shares was increased in 2017 (share issue without payment), comparative figures restated correspondingly.

Our global footprint today

Our portfolio companies are affected by megatrends such as globalisation, urbanisation, population growth and sustainability.



- Ahlstrom-Munksjö
- Suominen
- Detection Technology
- Glaston
- Cleantech
- Destia
- Enics

The dots represent both factories and sales offices.

Creating long-term value

Financial targets

- Annual external fair value (EFV) growth of 6–10% and an increasing dividend

Foundation

- Reputable owner with sustainable long-term approach
- Industrial traditions and expertise in fiber-based materials and industrial technologies
- Strong partner network

Ahlström Capital is a family-owned investment company. We focus our investments on industrial holdings, real estate and forests. We are an active, long-term owner.

Ahlström Capital combines the best features of an industrial company, an investment company and a family-owned company. We invest assets that the Ahlström family has accumulated over the past 160 years. We hold significant financial resources as one of the largest investment companies in Finland. We have strong industrial expertise, efficient processes and an attitude of an active and responsible owner. Our mission is to create sustainable long-term shareholder value growth with attractive cash returns.

Our industrial investments include substantial holdings in listed companies as well as direct investments in non-listed companies. They offer opportunities for strong value growth with flexible holding periods. Real estate and forest investments form the firm basis of our portfolio and they provide a strong cash flow and solid value growth. We also own and develop culturally and historically significant works in Noormarkku and Kauttua.

Guided by our values

The values of the Ahlström family – ambition and responsibility – guide all our operations. We have a long history and we want to continue that legacy and increase the company's value for future generations. We are a reputable owner that leads our own and our companies' operations in a professional manner, fostering a good governance culture.

Developing leading businesses

We develop our portfolio based on our industrial traditions and expertise, together with a strong partner network. Our vast network, consisting of our owners as well as the boards and management of Ahlström Capital and its portfolio companies, is our key strength. We aim to have the leading role in listed companies and to be the majority owner in non-listed companies. That said, we also welcome co-investment opportunities with investors who share our values.

We invest in established companies that have strong positions in attractive markets and offer further development and value creation potential. We have value creation plans for each company and participate actively in developing them. We develop them through active board work, putting special focus on strategy as well as mergers and acquisitions.

Our values are ambition and responsibility

Evaluation criteria

For screening potential new acquisition targets and for developing our existing businesses we apply a comprehensive set of evaluation criteria. Understanding business attractiveness, companies' strengths and weaknesses as well as the value creation potential is essential. Market characteristics like market growth, competitive intensity and market structures are analysed. The strengths and weaknesses of both the potential acquisition targets and our existing companies are evaluated. We evaluate the financial performance of the company, but we also assess customer and operations related issues and the leadership and management of the company. The environmental, social and governance related impact is also integrated in the value creation plans.

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

The value creation potential in our companies is analysed, both through organic growth possibilities as well as through structural potential including acquisitions and divestments.

Investing in and developing real estate

In real estate, we invest in prime location buildings in Southern Finland. We create value through active ownership and use our ability to execute real estate development and conversion projects.

We invest in forest assets in Western, Central and Eastern Finland. As a private forest owner, we are one of the largest in Finland.

Investment focus

Industrial holdings: 70-80% of EFV

ROLE: Strong value growth & solid cash flow with flexible holding period

FOCUS: Leading role in established companies holding strong positions in attractive markets and offering further development & value creation potential

Real estate & Forests: 20-30% of EFV

ROLE: Strong cash flow & solid value growth with typically long holding period

FOCUS: Prime location buildings in Southern Finland & forests in Finland

Special focus to take care of Heritage assets

VALUE CREATION:
AC WAY & AC NETWORK

Choose

Create

Capture

We develop leading businesses

Ahlstrom-Munksjö: Strengthening the global platform

In October 2018, Ahlstrom-Munksjö completed the acquisitions of U.S. specialty paper producer Expera Specialty Solutions and MD Papéis' Caieiras specialty paper mill in Brazil. These acquisitions were important milestones in the implementation of Ahlstrom-Munksjö's strategy. Critical size in the value chain enables operations on a global scale and a readiness to better meet the customer needs. Through the acquisitions, Ahlstrom-Munksjö has achieved a more balanced geographical sales mix, and the net sales increased from EUR 2.2 billion (2017) to EUR 3.0 billion (2018). The acquisitions also provide Ahlstrom-Munksjö cost synergies.

The transformative acquisition of Expera will further strengthen Ahlstrom-Munksjö's offering of advanced custom-made fiber-based materials and almost triple the company's net sales in the U.S. Expera is among the leading specialty paper producers in North America with four paper mills, two of which, in Wisconsin, U.S., incorporating integrated pulp production.

The acquisition of Caieiras significantly strengthens Ahlstrom-Munksjö's offering in South America. The Caieiras product offering is an excellent match for Ahlstrom-Munksjö, with 80 per cent of sales being in line with the company's current portfolio. The plant gives access to the local production of decor paper, thus strengthening the company's offering and partnership with existing customers. Ahlstrom-Munksjö is already a global leader in tape materials, serving both local and global customers and this position is further strengthened through the acquisition.

AHLSTROM MUNKSJÖ

FOUNDED
Ahlstrom 1851 (by Antti Ahlström), Munksjö 1862

DOMICILE
Helsinki, Finland

INDUSTRY
Fiber-based solutions

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

PERSONNEL IN 2018
8,196

PRODUCTS
Specialty papers, high-performance fiber-based materials

MARKET CAPITALISATION (31.12.2018)
1,397 MEUR

IN AHLSTRÖM CAPITAL'S PORTFOLIO:
Since 2014

Execution of growth strategy

Ahlstrom-Munksjö is a global leader in fiber-based materials, supplying innovative and sustainable solutions to its customers. The company made good progress towards its strategic targets in 2018. The acquisitions of Expera and Caieiras were important milestones in the strategic transformation towards global leadership in selected product categories. The acquisition of Expera tripled Ahlstrom-Munksjö's net sales in the U.S. and provided a platform for growth, while Caieiras significantly strengthened the company's South American operations.

Ahlstrom-Munksjö's pro forma net sales reached EUR 2,996.9 million (2,961.5) and comparable EBITDA of EUR 329.9 million (366.3). The increase was driven by higher prices, although delivery volumes were lower in all business areas. Profitability decreased mainly due to lower sales volumes.

Improvement measures

To improve competitiveness in the coated one-sided product segment within the Food Packaging business Ahlstrom-Munksjö proceeds with the plan to close one paper machine in Stenay, France and to rationalize its product offering. In the Decor business Ahlstrom-Munksjö has successfully restored gross margin for products and the company is progressing with its comprehensive plan to enhance efficiency and quality leadership. In the Beverage & Casing business, the new production line investment to improve capacity, product capability and efficiency is proceeding.

Confidence for the future

During the year Ahlstrom-Munksjö has completed investments which will improve customer value through product quality and expand the company's capacity in its Abrasive, Filtration and Food Packaging businesses. Ahlstrom-Munksjö has also decided on several new investments that will improve efficiency and environmental performance as well as expand and improve product quality and capacity. The company expects a gradual contribution from these investments in the coming years.

Ahlstrom-Munksjö expects to reap the benefits of its acquisitions and investments, as well as synergy and cost saving initiatives. In 2019, Ahlstrom-Munksjö will focus on integration and delivering on the promised synergies as well as on cash flow.

In 2018, Hans Sohlström started as the President and CEO of Ahlstrom-Munksjö on April 16 after Jan Åström retired.

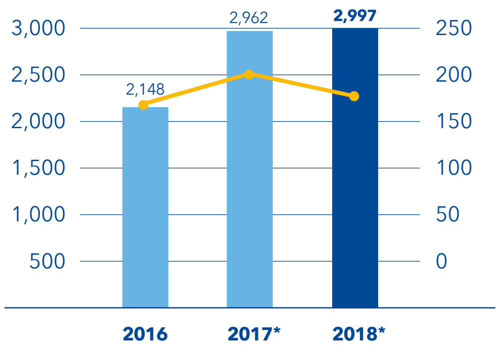
Outlook for 2019

As the company entered 2019, customers have reacted to signs of a slowing economic outlook. Although demand growth has slowed somewhat in certain product segments, and customers have reduced inventories, market fundamentals remain relatively solid. Ahlstrom-Munksjö will continue its efforts to improve performance and competitiveness. The gross margin for products increased during the course of 2018 and the targeted synergy benefits and cost reduction measures are expected to contribute positively to earnings in 2019.

www.ahlstrom-munksjo.com

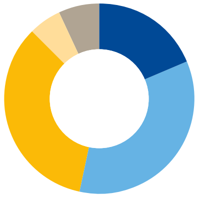
Revenue and Comparable Operating Profit, MEUR

(continuing operations)



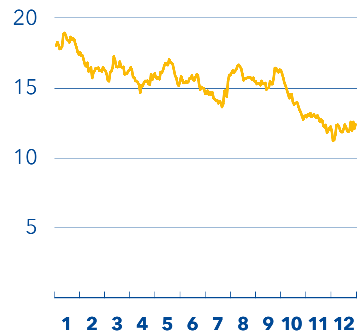
* Pro forma

Ownership, % December 31, 2018



- Ahlström Capital **19%**
- Finnish private investors **35%**
- Foreign holders **34%**
- Public sector institutions **5%**
- Others **7%**

Share price in 2018, EUR



Detection Technology: Investing in innovation

Detection Technology (DT), a global leader in X-ray detector solutions, seeks to grow through new product innovations. DT's broad mix of standard and customised solutions helps the company's customers better serve their customers.

DT unveiled a fully digital detector product family called Aurora to deliver value in simplicity for X-ray imaging in the security and industrials market. The product family has the highest level of integration and a simplified system design. Less parts means less risks, more robustness, minimised interfaces and signal interferences, and a streamlined supply chain. Aurora's architecture is also extremely cost-effective.

Another significant product announcement during the review period was the launch of the X-Panel product family for the CMOS market. In addition to dental applications, the product family creates growth opportunities in other medical and industrial imaging.

In December, DT acquired the business of the French technology company MultiX S.A. The deal expands the technology base of DT, thereby strengthening its position in the security, industrial and medical X-ray imaging market. MultiX's specialties are direct conversion technology and related algorithm development. In addition, the technology synergies are significant.

Detection Technology

FOUNDED
1991

DOMICILE
Oulu, Finland

INDUSTRY
X-ray imaging solutions

OPERATING COUNTRIES
Finland, France, China, Hong Kong and USA

PERSONNEL IN 2018
507

PRODUCTS
X-ray imaging solutions for medical, security and industrial applications

MARKET CAPITALISATION (31.12.2018):
235 MEUR

IN AHLSTRÖM CAPITAL'S PORTFOLIO:
Since 2017

Sales driven by medical applications

In 2018, Detection Technology's net sales increased by 5.5 per cent to EUR 93.9 million (89.0). Net sales for the Medical Business Unit grew faster than the market by 23 per cent. Net sales for the Security and Industrial Business Unit decreased by -4.0 per cent. Detection Technology's operating profit, excluding non-recurring items, was EUR 19.0 million for January-December 2018 (19.9), representing 20.3 per cent of net sales.

During 2018, R&D expenses were 9.4 per cent (8.0) of sales. In 2019, the company expects its R&D expenses to increase by approximately 30 per cent.

Strategy implementation

Detection Technology made two significant product launches in 2018, the fully digital Aurora product family and the X-Panel product family for the CMOS market.

Detection Technology acquired the business of the French company MultiX. The asset purchase deal strengthens Detection Technology's technology base and competitiveness, and increases growth potential in both of the business units. The acquisition of MultiX adds to the company's expertise, especially in the fields of material knowledge, algorithms and software. The companies' technology synergies are significant. Detection Technology's goal is to start commercialisation of the technology in 2019 and launch new volume products in 2020.

The planning of a new production and service site in the Greater Shanghai area started in 2018. The goal is to improve customer service in Central and South China, increase end-product manufacturing capacity, and transfer some labour-intensive production processes from the Beijing plant to the new factory. The Beijing factory will be further developed as a centre for demanding manufacturing processes. The aim is to start production at the new site by the end of 2019. Detection Technology will also transfer part of its production for the U.S. market from China to Europe.

Business outlook

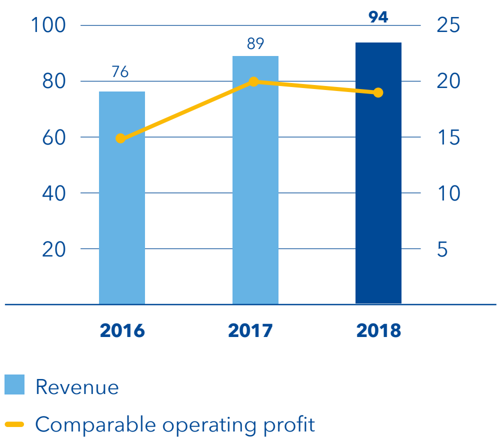
According to industry estimates, the average growth rate is around 5 per cent per year in the global medical X-ray imaging market, 7 per cent in the security X-ray equipment market and around 5 per cent in industrial X-ray imaging.

Detection Technology estimates that sales will increase in both business units during the first half of 2019, and revenue growth will slow down in the second half of the year. There is uncertainty regarding demand, and the intensification of competition might be reflected in product prices.

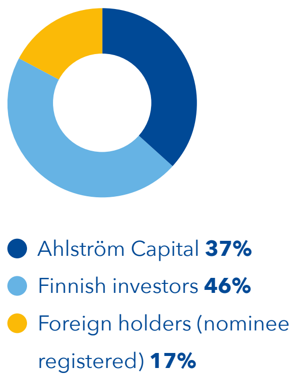
Detection Technology's medium-term business outlook is unchanged. Detection Technology aims to increase sales by at least 15 per cent per annum and to achieve an operating margin at or above 15 per cent in the medium term.

www.deetee.com

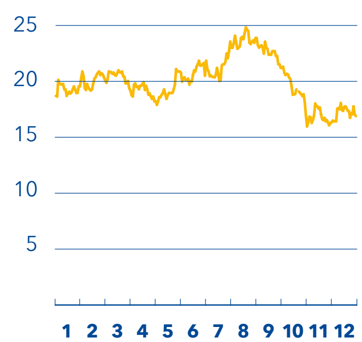
Revenue and Comparable Operating Profit, MEUR



Ownership, % December 31, 2018



Share price in 2018, EUR



Glaston: Becoming the leading player in glass processing

In January 2019, Glaston announced that it had signed an agreement to acquire the Bystronic glass Group, a globally operating high-end machinery, systems and services provider for the processing of flat glass. Bystronic glass has a comprehensive range of products, highly complementary to Glaston's, for the architectural, automotive and display markets.

Bystronic glass has strong brand recognition, based on more than 50 years of industry expertise and is a market leader with an unrivalled reputation for innovation and quality. Technology frontrunner Glaston provides glass processing technologies and services for the architectural, solar, appliance and automotive industries globally. The acquisition supports Glaston's goal of further strengthening its position in the glass processing value chain.

With the acquisition, Glaston will become a significant player in the glass machinery business providing a comprehensive product range offering from tempering, bending and laminating to insulating glass manufacturing and glass handling. Furthermore, the company will also be able to provide automotive and display glass pre-processing, as well as a broader scope of services. The combination of the companies creates for Glaston a unique opportunity to develop, for its customers' benefit, a comprehensive range of products and services that in the future will cover the entire value chain.

The closing of the transaction is expected by the end of the first quarter 2019, subject to regulatory approval.

glaston

FOUNDED
1970 (Tamglass)

DOMICILE
Helsinki, Finland

INDUSTRY
Glass processing

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

PERSONNEL IN 2018
357

PRODUCTS
Machines and services for production of heat-treated glass

MARKET CAPITALISATION (31.12.2018):
75 MEUR

IN AHLSTRÖM CAPITAL'S PORTFOLIO:
Since 2017

At the forefront of market development

Glaston is a frontrunner in glass industry technologies and services, responding globally to the glass processing needs of the architectural, solar, appliance and automotive industries. Demand for Glaston's products and services is dependent on the demand for glass and glass processors' capacity. Demand for glass is expected to grow by around 3–5 per cent annually in the coming years. Demand for smart glass is expected to grow by 12–15 per cent.

In 2018, Glaston's order intake grew by 4 per cent, while the company's order book grew by 12 per cent compared to the previous year. This created a good basis for further development in 2019 and future changes. While Glaston's net sales declined slightly, the company's comparable operating profit improved to EUR 5.2 million (5.0). Net sales totalled EUR 101.1 million (109.7).

At the end of November, Glaston divested its Tools business in accordance with the company's strategy. The sale of the business had a slightly positive impact on the Group's comparable operating profit.

In Glaston's strategy, updated in 2018, the company announced its goal to be at the forefront of market development, while creating added value for our customers through new technologies and business models. An indication of this was Glaston's announcement on 25 January 2019 of the acquisition of the Swiss-German company Bystronic glass.

Emerging Technologies looks for new businesses

Emerging glass technologies and value-adding glass products, such as intelligent glass, are making a strong entry into the market. Glaston's Emerging Technologies unit provides engineering and consultant services in the field of emerging glass technologies.

During 2018, negotiations progressed on new special projects for the needs of the automotive, solar energy and aviation industries. A long-running project under preparation with one customer received final approval at the end of the year and was confirmed as an order in January 2019.

Delivery plans for a GlastonAir™ tempering machine, ordered in 2017, were confirmed and the machine was delivered to China during 2018. The machine is particularly suited to the manufacture of thin solar panels.

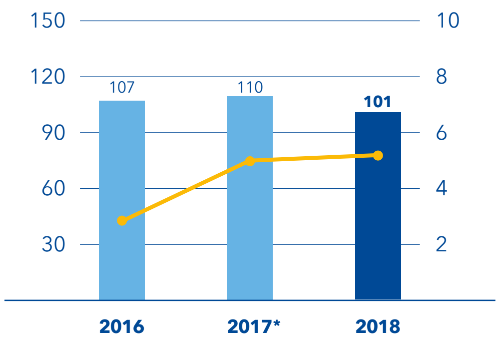
Outlook for 2019

The company's business is seasonal and, historically, the first quarter of the year is generally the weakest and the fourth quarter the strongest. Net sales and comparable operating profit are expected to be low for the first quarter of 2019, due to the low number of new orders received in the third quarter and the beginning of the fourth quarter of last year.

Deviating from Glaston's disclosure policy, and due to the timetable of the Bystronic glass acquisition, Glaston will disclose information on its outlook for the whole of 2019 at a later stage.

www.glaston.net

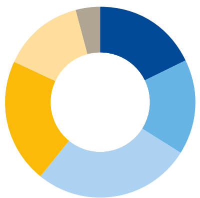
Revenue and Comparable Operating Profit, MEUR



Revenue
Comparable operating profit

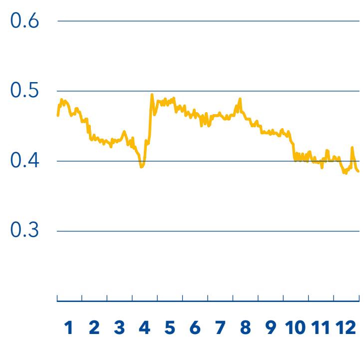
* Restated due to the implementation of IFRS15

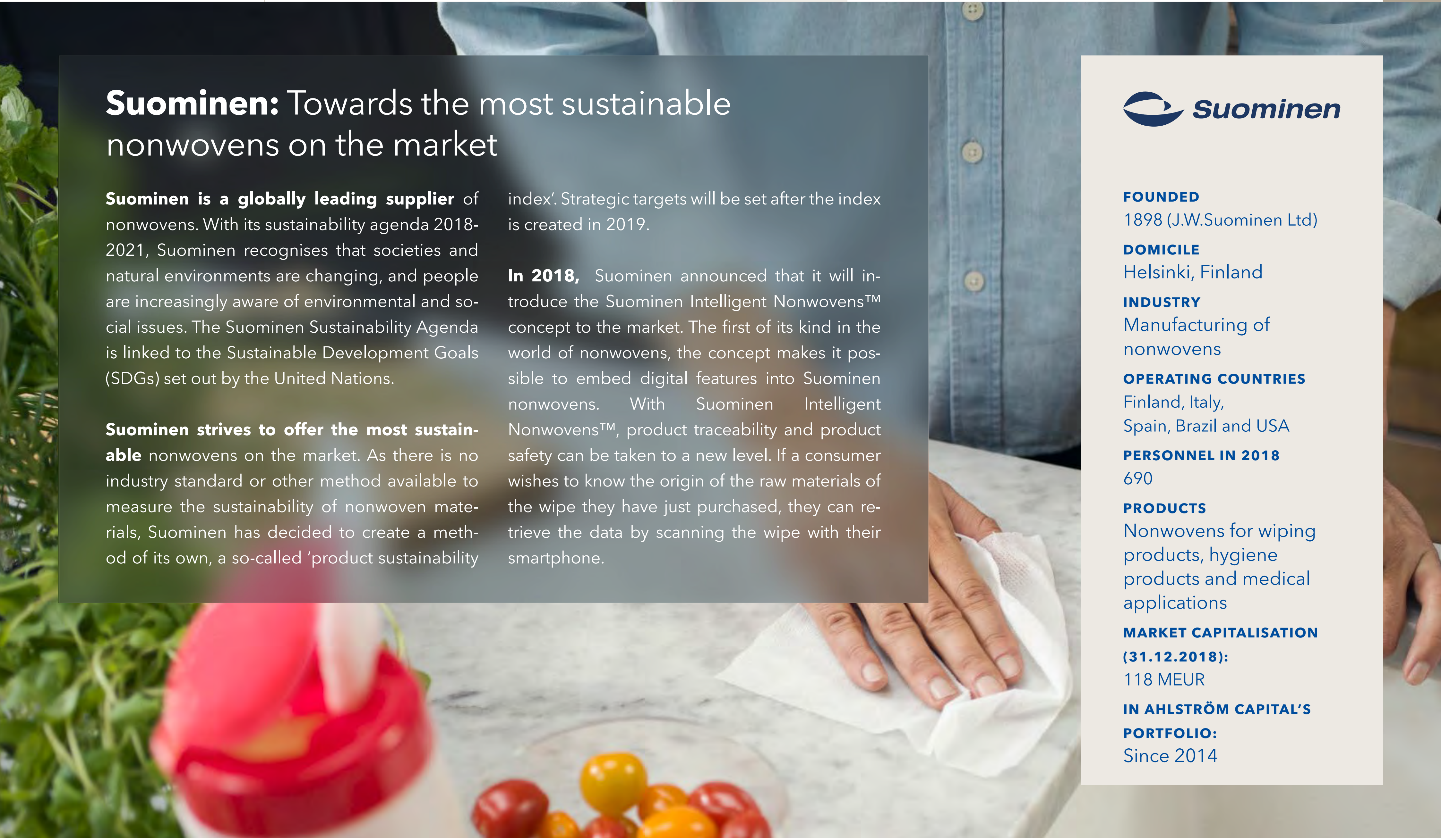
Ownership, % December 31, 2018



- Ahlström Capital **18%**
- Public sector institutions **16%**
- Finnish private investors **27%**
- Corporations **20%**
- Financial and insurance companies **15%**
- Others **4%**

Share price in 2018, EUR





Suominen: Towards the most sustainable nonwovens on the market

Suominen is a globally leading supplier of nonwovens. With its sustainability agenda 2018-2021, Suominen recognises that societies and natural environments are changing, and people are increasingly aware of environmental and social issues. The Suominen Sustainability Agenda is linked to the Sustainable Development Goals (SDGs) set out by the United Nations.

Suominen strives to offer the most sustainable nonwovens on the market. As there is no industry standard or other method available to measure the sustainability of nonwoven materials, Suominen has decided to create a method of its own, a so-called 'product sustainability index'. Strategic targets will be set after the index is created in 2019.

In 2018, Suominen announced that it will introduce the Suominen Intelligent Nonwovens™ concept to the market. The first of its kind in the world of nonwovens, the concept makes it possible to embed digital features into Suominen nonwovens. With Suominen Intelligent Nonwovens™, product traceability and product safety can be taken to a new level. If a consumer wishes to know the origin of the raw materials of the wipe they have just purchased, they can retrieve the data by scanning the wipe with their smartphone.

Suominen

FOUNDED
1898 (J.W.Suominen Ltd)

DOMICILE
Helsinki, Finland

INDUSTRY
Manufacturing of nonwovens

OPERATING COUNTRIES
Finland, Italy, Spain, Brazil and USA

PERSONNEL IN 2018
690

PRODUCTS
Nonwovens for wiping products, hygiene products and medical applications

MARKET CAPITALISATION (31.12.2018):
118 MEUR

IN AHLSTRÖM CAPITAL'S PORTFOLIO:
Since 2014

Nonwoven market development

Suominen's nonwovens are, for the most part, used in daily consumer goods, and in these target markets, the general economic situation and consumer confidence drive the development of consumer demand.

Suominen's main market areas are Europe and North America. In the euro area, the consumer confidence index declined throughout the year, and at year end the index remained roughly at the level of the beginning of 2017. In the United States, the consumer confidence index development was nearly flat in 2018, but remained strong, however.

Net sales grew, profitability declined

Suominen's net sales increased to EUR 431.1 million (426.0). The company's firm measures taken with regards to pricing had a positive impact on its topline, even though they were counteracted by the weakening of the USD compared to the euro.

Transforming Suominen's product portfolio is one of the key drivers of its strategy. In 2018, product portfolio development moved in the right direction, as the share of products with relatively higher added value in the company's portfolio increased to 61 per cent (58).

In 2018, Suominen's profitability development was clearly a disappointment, as operating profit decreased to EUR 4.6 million (15.0) and profit for the period was negative. The situation reflects the impact of both the significantly increased costs of several key resources and the tight price competition, particularly in two major product categories, baby wipes and flushables. On a positive note, Suominen's cash flow from operations remained strong in 2018, and totalled EUR 32.1 million.

In August, the President & CEO of Suominen changed as Nina Kopola left the company. Tapio Engström, Senior Vice President & CFO acted as interim President & CEO until Petri Helsky started as Suominen's President & CEO as of January 7, 2019.

New manufacturing lines and products

Suominen conducted successful trials at the new manufacturing line at the Bethune, U.S. plant, in relation to the planned extension of the line's products offerings. The Bethune line contributed positively to the company's gross profit in 2018. The ongoing growth investment initiative at Suominen's plant in Green Bay, WI, USA, proceeded as planned and the company anticipates the new capabilities will see full utilisation by the end of 2019.

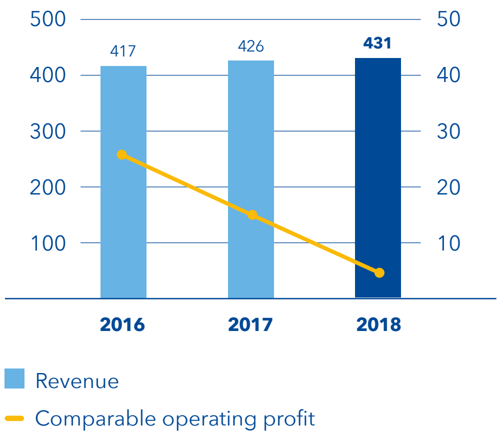
In 2018, Suominen introduced four new products or product concepts to the market: Suominen Intelligent Nonwovens™ and FIBRELLA® Cozy, BIOLACE® Move and BIOLACE® Cozy for absorbent hygiene products.

Outlook for 2019

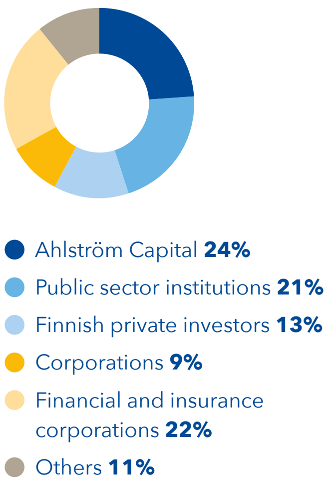
Suominen expects that in 2019, its net sales will be at the level of 2018 and comparable operating profit, excluding the positive effect of applying IFRS 16 Leases, will improve from 2018.

www.suominen.fi

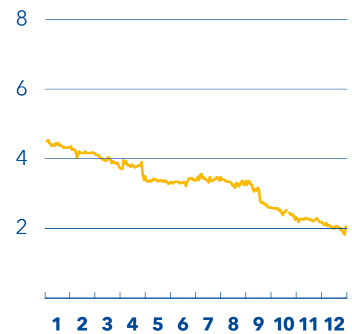
Revenue and Comparable Operating Profit, MEUR



Ownership, % December 31, 2018



Share price in 2018, EUR



Destia: Connecting northern life

Destia's goal for its new strategy for 2019–2023, is to grow into a stronger urban developer in a changing, increasingly demanding operating environment. Destia will also chart new business opportunities in Northern Sweden and Northern Norway. Destia's strategy is to "connect northern life".

Changes are taking place in the operating environment. In Finland, the economic trend in infrastructure construction is predicted to be more challenging than in the other Nordic countries. Destia's strategy is to secure the competitiveness of its core business and international growth in the selected strategic areas as well as to introduce more refined business and urban development together with its partners.

Destia's competitive advantage is built on customer orientation, a sense of infrastructure, smart production and inspiring leadership. The primary goal is to improve profitability. Renewable energy solutions are the spearhead of its geographical expansion.

In order to implement the aspired strategy, Destia will renew its organisational structure. The new, planned organisation will allow geographical expansion and developing new services and top expertise, as well as pursuing closer cooperation and securing competitiveness. A key change will be the shift from a regional to a service-specific organisation.

DESTIA

FOUNDED
2008 (previously The Finnish Road Enterprise)

DOMICILE
Vantaa, Finland

INDUSTRY
Infrastructure and construction services

OPERATING COUNTRIES
Finland

PERSONNEL IN 2018
1,658

PRODUCTS
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

Positive development

In 2018, Destia's revenue increased by 15 per cent to EUR 550.3 million (478.7). A growing order book and major ongoing projects enabled the positive development of revenues in most business units, especially in Eastern and Northern Finland.

Destia strengthened its position in the field of urban development: the construction of Kansalaistori square at Töölönlahti Bay and the foundation engineering of Siltasairaala hospital continued. Strong operational performance and several successful projects had a positive effect on profitability. The company's comparable operating profit improved from the previous year to EUR 17.1 million (13.1).

During 2018, safety at work improved at Destia. In order to improve occupational health, Destia has paid close attention to making observations regarding safety. In addition, safety at work was strengthened by implementing 'safety rules', basic instructions and checklists for occupational safety.

Record high order book

At year-end 2018, Destia's order book was at a record high level of EUR 732.7 million (696.2). The order book developed positively throughout the year as the company was successful in winning several large projects, such as the National Road 5 Mikkeli-Nuutilanmäki project. Also, new contract models were successfully introduced into the tendering process. Other significant winning offers included the rail maintenance area 3 project for 2019-2024, and the upgrading of National Road 4 near Oulu as well as to the north of Äänekoski.

One ongoing project is the construction of Finland's largest prestressed concrete bridges in Savonlinna. The bridges were introduced to traffic in December, and the construction work is due to be completed in 2019. The project will help to improve traffic in the Savonlinna city centre. 500 metres in length, the concrete bridges are an excellent demonstration of Destia's know-how in bridge construction.

Securing competitiveness

In 2018, Destia renewed the company strategy and is now looking for a more prominent role in the sector's value chain. Its strategy is to secure the competitiveness of its core business and international growth in the selected strategic areas as well as to introduce more refined business and urban development together with its partners.

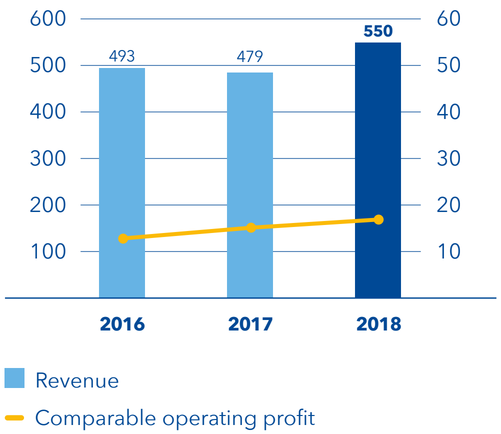
Destia's strong order book, the renewed strategy and the measures that have been taken in order to develop customer work and project management give a steady basis for improving profitability.

Changes in management

In 2018, Arto Pohjonen served as acting President & CEO until the end of June, when Tero Kiviniemi assumed his position as the new President and CEO of Destia.

www.destia.fi

Revenue and Comparable Operating Profit, MEUR



Ownership, % December 31, 2018

Enics: We drive the sustainable success of our customers

Enics is the partner of choice for professional electronics in the fields of energy, industrial automation, transportation, building automation and instrumentation. The company's strategy was updated to strengthen the focus on its customers, and to further enable the future growth and success of the company.

Enics continues to operate in a highly competitive industrial electronics marketplace. To succeed in this challenging environment, Enics has identified areas where the company can differentiate itself from the competition. Enics strategy is realised through three main elements: Customer Experience, Integrated Life-Cycle services and Digital Enics.

Enics also needs to ensure that certain enablers are in place:

- Operational excellence in quality, delivery and cost
- Secure and world-class supply chain
- People and competences
- Common processes and ways of working
- Global presence and technological expertise

These enablers are continuously improved to make sure the company can drive the sustainable success of its customers.

Success in these focus areas is measured by superior customer satisfaction, increased share of services, best place to work benchmarks and One Enics experience.

enics

FOUNDED
2004

DOMICILE
Zürich, Switzerland

INDUSTRY
Electronics manufacturing services

OPERATING COUNTRIES
China, Estonia, Finland, Slovakia, Sweden, Switzerland and Hong Kong

PERSONNEL IN 2018
3,783

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

IN AHLSTRÖM CAPITAL'S PORTFOLIO:
Since 2004

A stable year despite challenges

In 2018, Enics' revenue increased slightly and totalled EUR 543.1 million (539.9). The comparable operating profit improved from the previous year and amounted to EUR 18.9 million (18.3).

The operating environment was challenging for Enics. Electronics component availability and price development were not favourable, mainly driven by high demand for electronics components throughout various industries and applications. The incoming material supply with extended lead times could not be matched with the volatile demand for Enics products.

During 2018, Enics successfully executed business transfers between the company's units without major disturbances to its customers. As a result, Enics now has a more streamlined and competitive factory footprint, allowing it to more optimally serve its customers in the future. Costs and inefficiencies arising from business transfers were still impacting negatively on the profitability of the company during 2018.

Engineering and after sales services continued to grow during 2018. These value-added services produced 16 per cent of the company's total sales for the year and made a strong contribution towards the company's overall profitability. Enics offers extensive services, for example in the areas of design, NPI project management, DfX and testing, as well as in product life-cycle management, maintenance, repair, spare part manufacturing and product care. The company also has its own Original Design Manufacturer (ODM) products for electronics testing and power supply needs.

Focusing on customer experience

During 2018, Enics updated the company's strategy, which is built on increased customer centricity, and more emphasis on integrated life-cycle services and digitalisation, enabling Enics to help their customers achieve further success in the future.

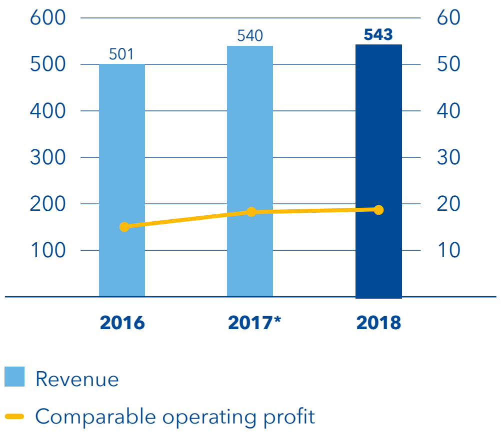
In October, Enics invited around 250 professionals throughout the whole value chain to Enics Partner Day in Shanghai, to discuss the most topical issues in the industry, e.g. global environmental questions, the state of the component markets, and the technology developments currently having a direct impact on the industry. By bringing the key people, from suppliers, customers and the company's own personnel together, Enics has created an eco-system able to solve short to long-term challenges with its partners.

Changes in management

President and CEO, Hannu Keinänen, left his position at Enics at the end of year 2018. Senior Vice President and Chief Financial Officer, Petri Suikkanen, was appointed interim President and CEO as of January 1, 2019. Elke Eckstein has been appointed as the new President and CEO of Enics as of April 1, 2019. Eckstein has been a member of the Board of Directors of Enics.

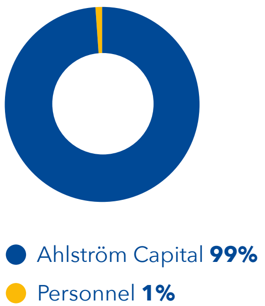
enics.com

Revenue and Comparable Operating Profit, MEUR



* Restated due to the implementation of IFRS15

Ownership, % December 31, 2018

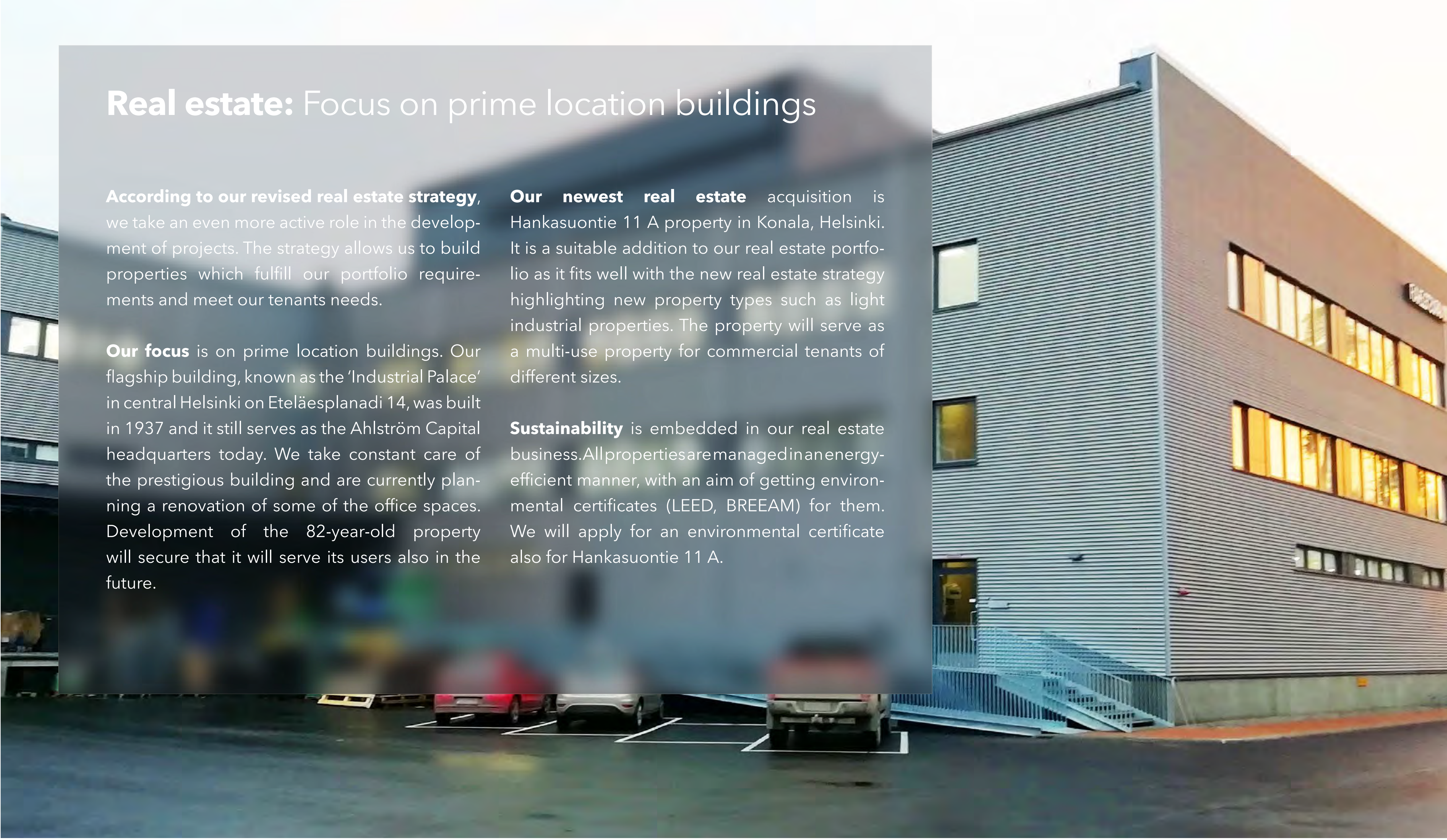


Solutions for renewable energy

Established in 2010, AC Cleantech Growth Fund has invested in sustainable business, targeting interesting companies in the cleantech industry. AC Cleantech Growth Fund holds a 16.9 per cent share in Ripasso Energy, a 27.6 per cent share in Scandinavian Biogas and a 40 per cent share in Frangible Safety Posts. Ahlström Capital Group's ownership in the fund is 30 per cent. Varma, Sitra and Stiftelsen för Åbo Akademi have also invested in the fund. The fund is consolidated as an associate in the Ahlström Capital Group.

Scandinavian Biogas is one of Sweden's largest private producers of biogas. The company has plants in Sweden, Norway and South Korea. The biogas plant located in Skogn, Norway, is the world´s largest factory for the production of liquefied biogas fuel and it has been delivering liquefied biogas to customers since September 2018. The liquid biogas is utilised as vehicle fuel in buses for public transportation and increasingly also for private sector heavy transportation haulers. Strategically, Scandinavian Biogas holds a significant first mover advantage in this vertical. The company believes that growth in the market will increasingly come from liquefied biogas for the heavy transportation sector.

Ripasso Energy is a Swedish cleantech company specialised in developing the technology of the Stirling engine, an engine with a long-recognised and impressive ability to convert heat energy into electricity. The PWR BLOK 400-F is a unique product developed by Ripasso in which the company's Stirling engines cost-efficiently convert industrial residual gases into climate-friendly electricity. In October 2018, Ripasso signed a letter of intent with Glencore for the installation of at least 44, and no more than 136, PWR BLOK units in South Africa. The value, in total, will be between EUR 22-68 million and the units will reduce carbon dioxide emissions by between 154,000 and 476,000 tonnes per year. If implemented, the project has the potential to become the largest waste-to-energy project of its kind in Africa.



Real estate: Focus on prime location buildings

According to our revised real estate strategy, we take an even more active role in the development of projects. The strategy allows us to build properties which fulfill our portfolio requirements and meet our tenants needs.

Our focus is on prime location buildings. Our flagship building, known as the 'Industrial Palace' in central Helsinki on Eteläesplanadi 14, was built in 1937 and it still serves as the Ahlström Capital headquarters today. We take constant care of the prestigious building and are currently planning a renovation of some of the office spaces. Development of the 82-year-old property will secure that it will serve its users also in the future.

Our newest real estate acquisition is Hankasuontie 11 A property in Konala, Helsinki. It is a suitable addition to our real estate portfolio as it fits well with the new real estate strategy highlighting new property types such as light industrial properties. The property will serve as a multi-use property for commercial tenants of different sizes.

Sustainability is embedded in our real estate business. All properties are managed in an energy-efficient manner, with an aim of getting environmental certificates (LEED, BREEAM) for them. We will apply for an environmental certificate also for Hankasuontie 11 A.

Active real estate market

In 2018, the real estate transaction market in Finland was almost as active as in the previous year. The entire year´s total transaction volume was EUR 9.3 billion, representing the second highest volume in Finland´s real estate market ever. Large acquisitions made by foreign buyers are a growing trend, and by the end of December approximately 65 per cent of the sales were concluded with foreign real estate investors. Currently, the real estate transaction market is highly active. With our recently revised real estate strategy, we aim to find the optimal position for us in the present market situation.

New real estate strategy

We have classified our current and potential real estate objects into two categories: Core and Flexible. The Core portfolio consists of office properties with a macro location in Helsinki, Espoo and Vantaa, in established office areas. We also look for Core+ office properties with long-term holding periods.

These properties have property-specific features and an excellent micro location. Eteläesplanadi 14 building is the main object in the Core+ portfolio. In our Core portfolio, we aim for direct ownership. The target asset size of the properties in our Core portfolio is EUR 10-75 million.

The Flexible portfolio comprises a variety of property types: office (secondary), hotel, retail, logistics, light industrial and data centre. These properties have their macro location mainly in Helsinki, Espoo and Vantaa, and in the hotel and office sectors also in Tampere and Turku.

To ensure the portfolio's future value creation, land areas or building rights can also be considered. The properties can be owned directly, but indirect or partial ownership too can be taken into consideration.

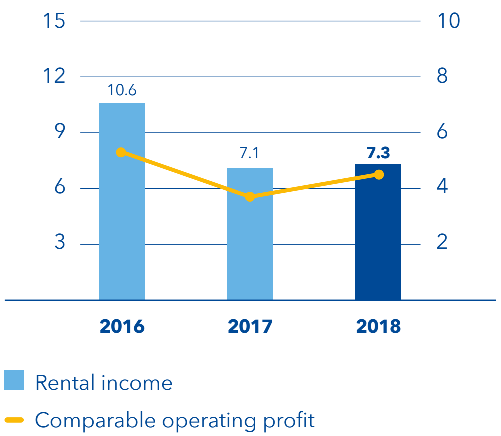
In order to be more agile, the target asset size of properties in our Flexible portfolio is EUR 5-35 million.

When it comes to construction, we expect the best possible quality. As a long-term owner, it is essential that the project being built meets our optimised targets regarding sustainability and efficiency, from the design to the entire life-cycle. Our real estate portfolio is managed by A. Ahlström Real Estate Ltd.

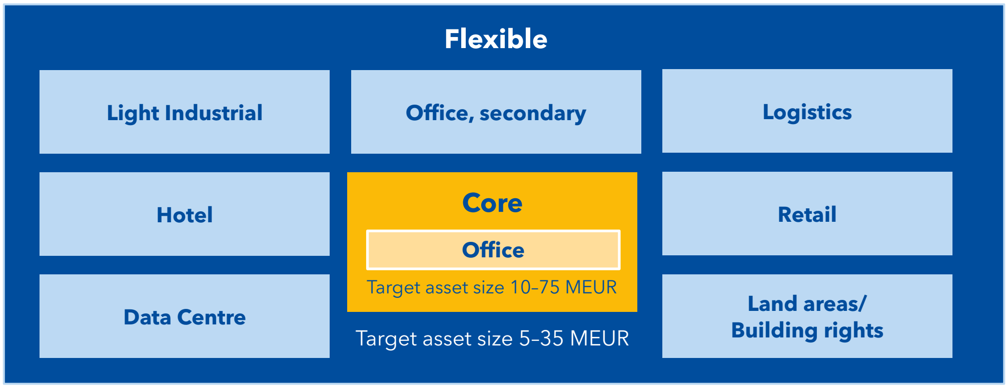
Concentrating on strategic targets

In addition to acquiring new real estate, the divestment process concerning non-strategic real estate property continued in 2018. The properties located in Kotka and Rauma were sold. In January 2019, also parts of the Kauttua Works in Western Finland were sold.

Rental income and Comparable Operating Profit, MEUR



Real Estate Investments



Forests: Managing the forest sustainably

With 33,000 hectares of forest, Ahlström Capital is one of the largest private forest owners in Finland. We have a long tradition in sustainable forest management.

In 2018, Ahlström Capital piloted a new way of logging, with some forests now cut according to uneven-aged management, which offers an alternative to clear cutting. This method is especially suitable for scenic destinations, as it keeps the forests looking well covered in appearance and more aesthetically pleasing. In Ahlström Capital's forests, uneven-aged management is now used in land that contains rocky soils as well as peatlands, forest areas that are characterised by low productivity. The method supports the multiformity of forests.

All Ahlström Capital's forests are certified. The Programme for the Endorsement of Forest Certification (PEFC) is an international non-profit, non-governmental organisation dedicated to promoting Sustainable Forest Management (SFM) through independent third-party certification. The PEFC is the world's leading forest certification organisation.

PEFC certification includes 32 criteria, all of which Ahlström Capital is committed to fulfilling. The criteria include a variety of topics including legislation, environmental protection, carbon sink, energy wood, endangered species and forest management in general. The actions in accordance with the criteria are reported annually.

Long-term forest owner

Ahlström Capital has a long tradition in forestry, as the basis of the company's forest assets was formed in the late 1800s. Our forests are concentrated in the Satakunta region, and in Central and Eastern Finland.

Higher demand for wood

Wood demand, especially softwood pulpwood, has grown as expected in Finland and is projected to increase, driven by the planned investments in the pulp industry. The positive global market outlook for sawn wood is seen to support the development of the Finnish sawmilling industry. The price of pine pulpwood has increased to a level higher than in the past, leading to a positive impact extending throughout Southern Finland. The spruce pulpwood price has also seen solid increases across recent years.

Increase in delivery sales

We sell wood to nationwide forest industry companies, local sawmills and energy plants. Our core forest assets are surrounded by strong private sawmills - creating a favourable market for sawlogs of high value. The sales are conducted both in the form of delivery sales and standing sales. In 2018, loggings proceeded well, due to favourable conditions and the positive development of the price of wood. This was evident as we delivered a record-high amount of 133,000 m^3 of wood in delivery sales, matching our target of increasing the share of delivery sales. Delivery sales capture a larger share of the forestry value chain and they also help us to ensure the high-quality of loggings, by allowing us to instruct our own contractors.

Higher operating profit

The comparable operating profit of the forest business totalled EUR 5.1 million (5.1) and the reported operating profit (EBIT) was EUR 15.2 million (8.5). This was mainly due to gains on the sale of other land areas as well as changes in fair value of forest assets.

Steady returns from sustainable management

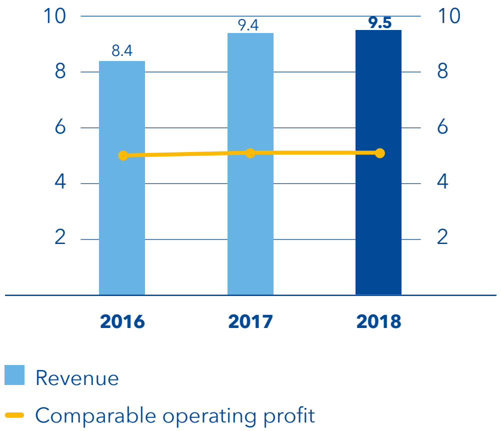
With sustainable forest management, we aim to secure both the biodiversity of our forests and to keep the forest business profitable. Responsible and sustainable usage of our forest resources help us to generate steady returns from our forest investments. Around 40 per cent of wood is timber tree, of which long-term products, such as houses, and high-quality wooden furniture are made. A decrease in the usage of non-durable consumer goods helps to support environmentally friendly consumption. Our forests are included in various protection programmes, such as Natura 2000.

Mitigating global warming

Forests represent an important carbon sink, especially in Finland, as it is the most forested country in Europe. Carbon sinks have a crucial role to play in mitigating the effects of global warming. A carbon sink absorbs more carbon than it releases as carbon dioxide. The carbon footprint of an average Finn per year is ca. 10,000kg CO_{2e} per year. Our forests sequester carbon for an amount equivalent to the carbon footprint of 16,000 Finns. We do not log the forests more than they grow, which leaves us in a neutral situation regarding carbon sequestration. However, approximately 40 per cent of the trees logged are heavy timber of which long-lasting products are made. These products sequester carbon for a long period of time.

Our 33,000 hectares of forest holdings contain a substantial amount of old forest and our focus is on long-term silviculture. Fossil fuels can be replaced with wood energy, and it's environmental benefits are clear: It is a renewable resource which also reduces pollution when used as fuel.

Revenue and Comparable Operating Profit, MEUR



Logging in total 182,000 m³

Culture and hospitality services in unique surroundings

One of the largest and most impressive ironwork areas in Finland, the Noormarkku Works, has been in the ownership of Ahlström for 150 years. Antti Ahlström bought the works as well as its land and forest areas in 1870. Only three years after the acquisition of the Noormarkku Works, Antti Ahlström bought the Kauttua Works.

The Noormarkku Works nowadays provides well-known and high-quality hospitality and conference 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. The Noormarkku Works is also a home to the headquarters of A. Ahlström Real Estate Ltd.

The Noormarkku Works offers accommodation for even more than 90 people in their elegant rooms. Guests may complete their visit by using the Works' culture and nature services. During Noormarkku Works tours, a guide will acquaint the guests with Villa Mairea, the Ahlström Voyage exhibition and the Makkarakoski sawmill. In addition, top-quality outdoor activities, such as fishing packages and hunting as well as canoe safaris, and wellness services are also available. Kauttua Works also provides hotel and restaurant services.

Sustainable value creation

As a family-owned investment company, we have a long-term approach and we develop our portfolio companies in a sustainable way. We at Ahlström Capital believe that sustainability is a prerequisite for creating long-term value. We are committed to promoting responsible business practices in our portfolio companies and to conducting sustainable management of our real estate and forest assets.

As a responsible investor, we want to improve our environmental, social and governance (ESG) impact and the performance of our own operations, as well as of the portfolio companies and real estate and forest investments on a continuous basis. In 2018, we joined the United Nations Global Compact (UNGC) as Ahlström Capital Group, which includes Destia, Enics and A. Ahlström Real Estate. We also expect that our other portfolio companies, Ahlstrom-Munksjö, Detection Technology, Glaston and Suominen will commit to the Global Compact's ten principles with respect to human rights, labour, environment and anti-corruption. Our first report to the UNGC will be published in June 2019.

We have identified Ahlström Capital's material ESG topics and we will incorporate them into the screening processes and business development work of our portfolio companies. In addition to these ESG topics, portfolio companies have their own industry-specific ESG topics, which they manage and develop similarly to those identified by Ahlström Capital.

Active ownership of portfolio companies

Our biggest impact on environment and society is created through our portfolio companies. Together, they account for approximately 70 per cent of our external fair value. At the end of 2018, we had six companies in our portfolio, with five in manufacturing and one in the infrastructure building industry. In total, these companies employ approximately 15,000 people in 32 countries.

We support our portfolio companies in their responsibility efforts through active board participation and guidance, as well as by cooperation with the management. As an active owner, we want to discuss ESG topics in the Boards of our portfolio companies. We also encourage our portfolio companies to engage in open dialogue with all stakeholders.

During 2018, we analysed the sustainability work undertaken in our portfolio companies. We have created investment tools to support the evaluation of the ESG topics in our investment targets, as well as the development of current portfolio companies' sustainability work. In the due diligence process of a potential acquisition we also evaluate long-term sustainability-related risks.

Active ownership of real estate and forests

We manage our real-estate and forest holdings in a sustainable way. We evaluate the environmental impact of our investments. The built environment has a significant role to play in decreasing the carbon footprint and waste. When we incorporate new properties into our real estate portfolio, we carefully consider the ESG impact of the new investment. All properties are managed in an energy efficient manner, with the aim of securing environmental certificates (e.g LEED, Leadership in Energy and Environmental Design and BREEAM, Building Research Establishment Environmental Assessment Method) for them.

We promote ecologically and economically sustainable forestry and take into account the multipurpose use of forests. Our forests are included in various protection programmes, such as Natura 2000. We have also excluded ecologically diverse areas from our active forest management. All our forests have PEFC Sustainable Forest management certification, which means, for

Donations in 2018

In 2018, Ahlström Capital donated EUR 25,000 to Arcada University of Applied Sciences. With this donation, the Ahlström family wanted to continue supporting Finnish education. Ahlström Capital also donated EUR 20,000 to Cancer Foundation Finland's jubilee year collection.

example, that the biodiversity of forest ecosystems is maintained or enhanced.

Sustainable way of working

We place considerable importance on delivering a positive and safe work environment, as well as advancing employee commitment, talent development, equality and diversity. We aim to continually develop employee health and deliver a sound occupational working environment, including work-life balance. As an owner, Ahlström Capital makes it clear that international conventions, human rights, and employee rights and conditions must be respected.

Our sustainability work is based on the Global Compact's ten principles for sustainable investments. In order to develop our sustainability work we have continuous dialogues with all of our stakeholders, including the Finnish organisation for sustainable business practices, FIBS, which we joined in 2016.

We aim to ensure that all our operations and employees comply with our Code of Conduct which addresses our values and ethical rules.

Examples of how ESG is incorporated in our work

	Industrial investments	Real estate and forest investments
Environment	• Considering environmental criteria in assessing new potential acquisitions • Bringing up environmental topics in the board work and in discussions with the management in our portfolio companies • Promoting environmental responsibility, including policies and management systems to ensure environmental impacts are managed • Promoting evaluation of environmental impact	• Managing properties in an energy-efficient manner (LEED, BREEAM certificates) • Property life-cycle thinking, using materials and techniques that endure • Committed to all PEFC certifications: 32 criteria • Sustainable forest harvesting, maintaining forest biodiversity, logging under uneven-aged management
Social	• Considering human and labour rights in assessing new potential acquisitions • Promoting policies and management systems to ensure human and labour rights are managed in the portfolio companies • Promoting of equal opportunities and diversity • Conducting open dialogue with the stakeholders of the companies	• Considering human and labour rights in selecting suppliers and partners • Promoting of equal opportunities and diversity • Conducting open dialogue with stakeholders i.e. authorities, customers • Multipurpose use of forests • Policies and management systems to ensure human and labour rights are managed
Governance	• Sound corporate governance and transparency, policies and management systems in place • Active board participation, close cooperation with management • Complying with all local and national legislation in each country of operation • Business is done with good ethics and when selecting business partners and suppliers ensuring that business is conducted in an ethical manner	• Selecting projects where responsible operations throughout the subcontractor chain can be ensured • Developing real estate projects with good corporate governance and anti-corruption • When selecting partners and suppliers ensuring that business is conducted in an ethical manner

Over 160 years of industrial traditions

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

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

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

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

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

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

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

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

2001

A. Ahlström Osakeyhtiö

Ahlström Capital

Ahlstrom Corporation

Active value creation – Ahlström Capital

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

At the end of **2018**, our portfolio included holdings in Ahlstrom-Munksjö, Detection Technology, Glaston, Suominen, Destia and Enics, as well as considerable real estate and forest holdings.

2001
Investment in Vacon.

2003
Investment in Nordkalk.

2005
Acquisition of Wessen.

Investment in Salmisaari real estate.

2007
Investment in Elbi.

2007
Salmisaari real estate is sold.

2008
Wessen is sold.

2010
Nordkalk is sold.

2012
Elbi is sold.

2014
Investments in Suominen and Outokumpu.

Acquisition of Destia.

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

Investment in Kasarmikatu 21 real estate.

2014
Vacon is sold.

2015
Outokumpu is sold.

2016
ÅR Packaging is sold.

2017
Investments in Detection Technology and Glaston.

Merger of Ahlstrom and Munksjö.

2017
Kasarmikatu 21 real estate is sold.

Risk management

Ahlström Capital's risks are managed through a diversified portfolio.

As an investment company, Ahlström Capital's key risks are related to its ability to create long-term shareholder value growth with steady returns. A diversified and balanced portfolio, consisting of forests, real estate holdings and industrial investments reduces the overall risks, and is a key component of the company's risk management.

As a family-owned company, Ahlström Capital fosters the trust and reputation generated over decades through good corporate governance principles and processes in all of its portfolio companies.

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

Group and portfolio risks

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

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

In 2018, Ahlström Capital directed its risk assessment to especially focus on information security. Ahlström Capital carried out a cyber maturity assessment to gain a deeper understanding of the company's ability to manage and protect its information assets and to identify key areas of improvement.

The aim is to continuously strengthen risk management processes, both internally and within portfolio companies.

Ahlström Capital Group level risks*

1. Increasing competition	Mitigation: Ensure through board work that companies maintain a broad and accurate view on markets, customers and competitors.
2. Economic shock or significant slowdown in the world economy	Mitigation: Diversification of the portfolio with companies with different business cycles, maintaining a strong balance sheet.
3. Failure in merger or acquisition	Mitigation: Have a thorough due diligence process and maintain a wide network of partners with high-quality references.
4. Failure in strategic partnership	Mitigation: Maintain a wide network of partners with verified backgrounds.
5. Adequate resources and skills in operational development, transactions and financing	Mitigation: Ensure the right knowledge and skills in companies' board of directors and management, through candidate screening, selection and assessment.

*Ahlström Capital group level risks is based on Enterprise Risk Management (ERM) evaluation process performed together with our insurance partner.

Corporate Governance

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

Ahlström Capital is responsible for the development of the Group's business, handles the Group's financial reporting, provides Group and associated companies with services relating to risk management, finance, legal affairs and governance and advises them in strategic and investment matters. The Group's structure is presented in the Report of the Board of Directors on page 48.

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

General Meeting of Shareholders

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

In 2018, the Annual General Meeting was held on April 11 in Helsinki.

Board of Directors

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

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

The Board of Directors can decide on establishing committees for preparing matters for which the Board is responsible. In 2018, the Board had an Audit Committee and a Compensation Committee.

According to the rules of procedure, the Board members must be independent of the company's and the Group's management and employees, as well as the competitors, significant contracting parties and Ahlström Capital's direct investment targets. A Board member does not represent any single shareholder or shareholder group. The members are independent of the major shareholders, except for Thomas Ahlström, who is Managing Director of Antti Ahlström Perilliset Oy.

The Board conducts an annual self-assessment study.

Audit Committee

The Audit Committee assists the Board in ensuring that Ahlström Capital's accounting and financial management are appropriately supervised and that the company has appropriate systems in place for risk management and internal control. It is also the Audit Committee's duty to monitor questions related to Ahlström Capital Oy's external fair value (EFV).

Compensation Committee

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

Shareholders' Nomination Board

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

President and CEO

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

Personnel and Management

At year-end 2018, the company had thirteen 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 Board of the company and the company's subsidiaries and associates.

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

Salaries and remunerations

The Annual General Meeting decides on the remuneration of Board members. In compliance with the resolution of the Annual General Meeting of 2018, the Chairman receives an annual remuneration of EUR 105,000 and the members EUR 42,500. In addition, board members residing outside of Finland receive an attendance fee of EUR 1,500 per meeting, members residing in Finland a fee of EUR 750 if the meeting is held outside Helsinki and EUR 1,500 if the meeting is held abroad. For each committee and the Shareholders' Nomination Board meetings, a fee of EUR 800 is paid. The meeting fee of the chairman of the audit committee is EUR 1,600 and EUR 800 to ordinary members.

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

Audit

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

The Annual General Meeting of 2018 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 2018 were EUR 413 thousand (447). In addition, the auditor was paid EUR 43 thousand for services not related to the audit (198).

Board of Directors

as of December 31, 2018

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 Board October 26, 2015–

Current position
Board professional

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–

Current position
Antti Ahlström Perilliset Oy, Managing Director, 2011–

Key positions of trust
Board member: Ursviken Holding Oy

Mats Danielsson, Pekka Pajamo, Malin Persson, Mikael Lilius, Thomas Ahlström, Fredrik Persson and Marion Björkstén.

Marion Björkstén

b. 1971, M.Sc. (Econ.)
Board member April 5, 2017–

Current position
BB Designs, Managing Director & Partner, 2017–

Mats Danielsson

b. 1969, M.Sc. (Econ.)
Board member November 7, 2011–, Chairman of the Audit Committee 29 April 2015– , Member of the Nomination Board October 26, 2015–, Member of the Compensation Committee April 5, 2017–

Current position
Paulig Ltd, CFO, 2010-2019

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–, Member of the Nomination Board April 5, 2017–

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

Key positions of trust
Chairman of the Board: Finnish National Theatre Ltd.; Board member: Arek Oy, Kaleva Mutual Insurance Company, Leino Group Oy, LeinoCast Oy, 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–

Current position
Miscellaneous positions of trust 2015–

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

Malin Persson

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

Current position
Accuracy AB, CEO, 2012–

Key positions of trust
Board member: Becker Industrial Coatings Ltd, Evry AS, Getinge AB, Hexatronic AB, HEXPOL AB, Mekonomen AB, Peab AB, Ricardo Plc, Silver Life AB

Mikael Lilius, Sandra Wickström, Sebastian Burmeister, Albert van der Zee, Lasse Heinonen, Tanja Seppä, Tero Telaranta, Helena Staffans, Andreas Ahlström, Pasi Koota, Suvi Uoti and Camilla Sågbom.

Personnel as of 31 December 2018

Lasse Heinonen

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

Andreas Ahlström

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

Sebastian Burmeister

b. 1975, M.Sc. (Econ.)
Director, Finance and Investments

Pasi Koota

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

Mikael Lilius

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

Tanja Seppä

b. 1989, BBA
Assistant (maternity leave substitute for Emmi Kjerin)

Helena Staffans

b. 1956, B.Sc.
Executive Assistant to CEO

Camilla Sågbom

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

Tero Telaranta

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

Suvi Uoti

b. 1987, BBA
Communications Assistant

Sandra Wickström

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

Albert van der Zee

b. 1959
General Manager, The Netherlands

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 and forest 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 2018, the total revenue of Ahlström Capital Group amounted to EUR 1.1 billion (1.0), the total balance sheet was EUR 1.3 billion (1.2), and the Group employed on average 5,120 people (5,002).

The key performance indicators of Ahlström Capital

External Fair Value, EFV

The development of the external fair value of the company is one of the most relevant long-term performance indicators. For Ahlström Capital, it is 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% over time.

At year-end 2018, the total external fair value of Ahlström Capital's portfolio was EUR 887.1 million (1,033.7). The value decrease in 2018 was EUR 116.3 million (+117.3) or -11.3% (+12.3), including the dividends paid during the period, in total EUR 30.2 million (33.4). The negative change was mainly attributable to the decrease in market values of listed shares, EUR -124.0 million. The value of real estate investments also decreased by EUR -4.7 million. Non-listed investments, forest and other investments contributed positively by EUR 13.2 million in total. At the end of 2018, the external fair value of Ahlström Capital Oy's share was EUR 14.16 (16.44).

Comparable Operating Profit

To evaluate the operative performance of Ahlström Capital's portfolio, the company monitors the development of comparable operating profit. Comparable operating profit is the reported operating profit (EBIT) adjusted for the impact of non-operational items that are considered to affect comparability between reporting periods. These adjustments consist of, among others, sales gains and losses, changes in fair value of investment properties and biological assets, provisions and reversal of provisions related to sales and restructuring costs. Listed companies, where Ahlström Capital has a significant influence, are consolidated as associated companies in Ahlström Capital Group and their share of result, based on profit for the period, affects Ahlström Capital's comparable operating profit.

The comparable operating profit for the year 2018 was EUR 49.2 million (46.1) exceeding the level of 2017 by EUR 3.0 million or 6.6%. The comparable operating profit of Destia improved from 2017. In Enics, comparable operating profit was slightly above the previous year's level. Detection Technology and Glaston contributed positively to Ahlström Capital's comparable operating profit. Ahlstrom-Munksjö improved its performance in 2018. However, the significant non-recurring costs related i.e. to the Expera acquisition impacted negatively on the share of result in Ahlström Capital Group. The operative performance of Suominen was clearly below the comparable level of 2017.

In 2018, items affecting comparability totalled EUR 8.3 million (83.4), of which the most significant items were the gain on sale of land areas, EUR 5.3 million, increase in fair value of forest assets, EUR 4.8 million, decrease in fair value of real estate, EUR -8.5 million, reversal of provisions related to previous real estate sales, EUR 3.6 million, and gain on sale of shares in Steveco, EUR 2.3 million. The comparative figure of 2017 includes the result effect of the merger of Ahlstrom and Munksjö, EUR 44.1 million and the gain on sale of holdings in Kasarmikatu 21, EUR 32.8 million.

Changes in the investment portfolio

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

Ahlström Capital increased its investment in Ahlstrom-Munksjö through participating in the rights offering conducted to finance the acquisition of Expera Specialty Solutions. During the year, Ahlström Capital also slightly increased its holding in Ahlstrom-Munksjö from 18.4% to 18.7%.

In April 2018, Ahlström Capital sold its non-strategic holding in Steveco.

In December 2018, Ahlström Capital's 37.5% shareholding in Detection Technology decreased by 1.2 percentage points due to the directed share issue of new shares in accordance with share incentive programs. Ahlström Capital also made a small additional investment in Detection Technology and increased its holding by 0.4 percentage points to 36.7%.

At year-end, the listed shares represented 40.7% (44.0), non-listed shares 27.7% (27.2), real estate 14.9% (12.7), forests 13.4% (10.8) and liquid and other assets 3.3% (5.3) of the external fair value.

Listed companies

Ahlstrom-Munksjö (18.7% shareholding)

Ahlstrom-Munksjö is listed on Nasdaq OMX Helsinki and Stockholm and had a market cap of EUR 1,397.3 million (1,745.7) at year-end 2018.

In 2018, Ahlstrom-Munksjö completed two important acquisitions, Expera Specialty Solutions in the U.S. and the Caieiras specialty paper mill in Brazil and strengthened its presence in the Americas.

Ahlstrom-Munksjö's actual revenue in 2018 amounted to EUR 2,438.0 million (1,959.9) and comparable operating profit to EUR 151.4 million (141.7). Items affecting comparability totalled EUR -62.7 million (-38.1) and were related to acquisitions and cost saving initiatives. Profit for the period amounted to EUR 42.9 million (66.5).

The following figures are presented on a pro forma basis to illustrate the financial impact of acquisitions in 2018 and the merger between Ahlstrom and Munksjö as if they had been completed at the beginning of 2017. Ahlstrom-Munksjö's pro forma revenue in 2018 amounted to EUR 2,996.9 million, showing an increase of 1.2%. Growth was driven by significantly higher selling prices. Lower delivery volumes in all business areas and an adverse currency effect had a negative impact on revenue.

Pro forma comparable EBITDA was EUR 329.9 million (366.3) representing 11.0% (12.4) of revenue. Profitability decreased mainly due to lower sales volumes. Clearly higher selling prices almost mitigated increased variable costs. Higher raw material cost burdened the result by approximately EUR 145 million. An adverse currency had a negative impact on profitability. Targeted synergy benefits and cost reduction measures were achieved according to plan, however these were offset by higher fixed costs in production.

In December 2018, Ahlstrom-Munksjö successfully conducted a rights issue worth approximately EUR 150 million. The proceeds were used to partly finance the acquisition of Expera.

Ahlstrom-Munksjö's Board of Directors proposes that a dividend totalling EUR 0.52 per share be paid in two installments in April and in October 2019.

Ahlstrom-Munksjö's pro forma comparable EBITDA reached EUR 330 million in 2018. As we entered 2019, customers have reacted to signs of a slowing economic outlook. Although demand growth has slowed somewhat in certain product segments and customers have reduced inventories, market fundamentals remain relatively solid. Ahlstrom-Munksjö will continue its efforts to improve performance and competitiveness. The gross margin for products increased during the course of 2018 and targeted synergy benefits and cost reduction measures are expected to contribute positively to earnings in 2019.

Suominen (24.0% shareholding)

Suominen is listed on NASDAQ OMX Helsinki. The market cap of Suominen amounted to EUR 117.9 million (253.6) at year-end 2018.

In 2018, Suominen's revenue increased by 1.2% from the comparison period to EUR 431.1 million (426.0), mainly thanks to improved sales prices. Sales volumes for the full year remained at the level of 2017. Operating profit decreased and amounted to EUR 4.6 million (15.0). The continued rise of the costs of Suominen's raw materials, the experienced issues with the delivery efficiency in the United States as well as the costs related with the planned trials conducted at the Bethune plant during the fourth quarter burdened profitability. The increased average sales prices did not fully compensate the effect of the continued increase in the costs of Suominen's raw materials. In 2018 and 2017 Suominen had no items affecting the comparability of the operating profit.

In 2018, profit before income taxes was EUR -1.0 million (12.4). Income taxes were EUR -0.8 million (+2.0), and the loss for the period to EUR -1.7 (14.5) million.

Transforming the company's product portfolio is one of the key drivers of Suominen's strategy. In 2018, the product portfolio developed in the right direction, as the share of products with relatively higher added value in the portfolio increased to 61% (58).

In August 2018, the President & CEO of Suominen changed as Nina Kopola left the company. Tapio Engström, Senior Vice President & CFO acted as Suominen's interim President & CEO. Petri Helsky was appointed Suominen's President and CEO and he started with the company on January 7, 2019.

Suominen's Board of Directors proposes that no dividend will be distributed and no capital will be returned from the reserve for invested unrestricted equity for the financial year 2018.

Suominen expects that in 2019, its revenue will be at the level of 2018 and comparable operating profit, excluding the positive effect of applying IFRS 16 Leases, will improve from 2018.

Detection Technology (36.7% shareholding)

Detection Technology is listed on NASDAQ OMX First North. The market cap of Detection Technology amounted to EUR 235.0 million (249.9) at year-end 2018.

In 2018, Detection Technology's revenue grew by 5.5% to EUR 93.9 million (89.0). Revenue for Medical Business Unit (MBU) grew faster than the market, by 23.1%, and totalled EUR 38.3 million (31.1). Revenue for Security and Industrial Business Unit (SBU) decreased by -4.0% to EUR 55.6 million (57.9). MBU's share of total revenue was 40.8% (35.0%) and SBU's was 59.2% (65.0%).

The comparable operating profit totalled EUR 19.0 million (19.9). Items affecting comparability were EUR 0.5 million (0.0) related to business development projects. The operating profit (EBIT) was EUR 18.5 million (19.9), or 19.7% (22.4) of revenue. The profit for the period was EUR 14.9 million (15.2).

In December 2018, Detection Technology acquired the business of the French company MultiX. The asset purchase deal strengthens the company's technology base and competitiveness, and increases the growth potential in both business units.

Detection Technology's Board of Directors proposes that a dividend of EUR 0.38 per share be paid for the financial year 2018.

Detection Technology estimates that sales will increase in both business units during the first half of 2019, and revenue growth will slow down in the second half of the year. There is uncertainty regarding demand, and the intensification of competition might be reflected in product prices.

Glaston (17.5% shareholding)

Glaston is listed on NASDAQ OMX Helsinki. The market cap of Glaston amounted to EUR 75.2 million (90.3) at year-end 2018.

In 2018, Glaston's revenue declined by 8% and totalled EUR 101.1 million (109.7, taking into account sold business operations 106.7). Taking into account the divestment of the pre-processing business in 2017 and the Tools business last year, the decline was 5%. Glaston's order book at the end of 2018 stood at EUR 38.2 million (34.1), up 12% compared with corresponding period of the previous year.

Glaston's comparable operating profit was EUR 5.2 million (5.0), i.e. 5.2% (4.6) of revenue. The lower revenue of the Machines business and the lower volume and profitability on non-core pre-processing and tools business operations had a negative impact on profitability. Despite this, operating profit was better than the previous year, due to the good development of the profitability of heat treatment machines and related service business and, to some extent, lower fixed costs. Items affecting comparability recognised during the year totalled EUR 1.8 million (0.4), which related primarily to the divestment of the company's Tools business and the closure of the production operations of the Chinese joint venture Glaston Tools (Sanhe) Co., Ltd. Glaston's operating profit was EUR 3.4 million (4.6) and profit for the period EUR 2.0 million (2.6).

On January 25, 2019, Glaston announced that it had signed an agreement to acquire Bystronic glass with a value of EUR 68 million. The acquisition supports Glaston´s goal of further strengthening its position in the glass processing value chain.

The Extraordinary General Meeting held on February 26, 2019 resolved on a reverse share split and that a return of capital of EUR 0.006 per share be paid before the reverse share split, which is equivalent to approximately EUR 0.03 per share after the reverse share split.

Glaston's business is seasonal and, historically, the first quarter of the year is generally the weakest and the fourth quarter the strongest. Revenue and comparable operating profit are expected to be low for the first quarter of 2019, due to the low number of new orders received in the third quarter and the beginning of the fourth quarter of last year. Deviating from Glaston's disclosure policy and due to the timetable of the Bystronic glass acquisition, Glaston will disclose information on its outlook for the whole of 2019 at a later stage.

Non-listed companies

Destia (100% shareholding)

In 2018, Destia's revenue totalled EUR 550.3 (478.7). The increase in revenue was 15.0 % compared to the previous year. A high order book and ongoing large projects enabled positive development of revenues in the majority of business units, especially in the East and North.

Comparable operating profit improved from the previous year and amounted to EUR 17.1 million (15.1). Strong operational performance and several well-performed projects impacted positively on the result, while expenses related to ending the long-term incentive program diluted the effect. There were no items affecting comparability recorded for the period compared to EUR -2.1 million in the previous year. Operating profit (EBIT) amounted to EUR 17.1 million (13.1). The profit for the period was EUR 13.1 million (12.6).

At year-end 2018, Destia's order book was at a record high level of EUR 732.7 million (696.2). Destia's order book developed positively through the year as the company succeeded in winning some large projects such as National Road 5 Mikkeli-Nuutilanmäki, but also met with success in tendering executed with new contract models.

Tero Kiviniemi assumed his position as the new President and CEO of Destia as of July 1, 2018.

Enics (99.0% shareholding)

In 2018, the operating environment was challenging for Enics. Electronics component availability and price development were not favourable, mainly driven by high demand for electronics components throughout various industries and applications. Enics' demand development was strong but at the same time volatile, partly reflecting the challenging component market situation and the changes in production footprint. At the end of 2018, the order backlog was record-high.

In 2018, Enics' revenue increased slightly and was EUR 543.1 million (539.9). The comparable operating profit improved from the previous year and amounted to EUR 18.9 million (18.3) or 3.5% (3.4). Costs and inefficiencies arising from business transfers were still impacting negatively on the profitability during the year. Items affecting comparability totalled EUR -1.3 million (-7.6) and were mainly related to restructuring activities regarding Enics Sweden and PKC Electronics. The operating profit (EBIT) amounted to EUR 17.7 million (10.7). The profit for the period was EUR 10.5 million (1.4).

President and CEO Hannu Keinänen left his position in Enics at the end of year 2018. Senior Vice President and Chief Financial Officer Petri Suikkanen was appointed as interim President and CEO as of January 1, 2019.

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%, and it is consolidated as an associate in the Ahlström Capital Group.

During 2018, 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 in 2018.

Real estate

Ahlström Capital's real estate strategy was refined in 2018. The real estate investments are classified into two portfolios: Core and Flexible. The Core portfolio consists of office properties with a macro location in Helsinki, Espoo and Vantaa, in established office areas. The Flexible portfolio comprises a variety of property types: office (secondary), hotel, retail, logistics, light industrial and data centre. These properties have their macro location mainly in Helsinki, Espoo and Vantaa, and in the hotel and office sectors also in Tampere and Turku.

In 2018, Ahlström Capital continued divesting properties outside the strategic focus. Properties located in Kotka and Rauma were sold. At year-end 2018, Ahlström Capital's real estate portfolio consisted of the Eteläesplanadi property as well as industrial and commercial properties in Southern Finland.

The development project in Hankasuontie 11 A property in Helsinki continued in 2018. The construction work of the multi-use property proceeded mainly on schedule and the leased areas were handed over in July to the main tenants. The final acceptance of the construction project was delayed to Q1 2019.

The Eteläesplanadi property in Helsinki was fully leased out throughout the year 2018. In the city of Lahti, the Lahden Kulmala development project continued.

In 2018, the comparable operating profit of the real estate business amounted to EUR 4.5 million (3.7). Reported operating profit (EBIT) totalled EUR -0.5 million (49.2). Items affecting comparability consist mainly of changes in fair values of real estate assets and reversal of provisions related to previous years' real estate sales.

Forests

Ahlström Capital's forest assets are mainly located in Western Finland in the Satakunta region, and in Central and Eastern Finland. Ahlström Capital has some 33,000 hectares of forest holdings. In 2018, logging of the timber proceeded as planned with an increasing focus on delivery sales. During the year, Ahlström Capital delivered 182,000 m³ (185,600) of wood in total: 27,200 m³ (39,300) consisted of standing sales, 132,800 m³ (127,200) consisted of delivery sales and 21,900 m³ (19,100) consisted of energy wood.

In 2018, the comparable operating profit of the forest business totalled EUR 5.1 million (5.1). The reported operating profit (EBIT) was EUR 15.2 million (8.5). Items affecting comparability consisted mainly of gains on sale of forest land and other land areas as well as changes in fair value of forest assets. The increase in fair value was mainly due to the updated Finnish national growth model, which indicates higher forest growth volumes that have been explained mainly by sustainable forest management. In addition, the estimated long-term wood prices have increased slightly.

Group structure

Ahlström Capital Group consists of the parent company Ahlström Capital Oy, domiciled in Finland, and 47 subsidiaries. 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. Ahlström Konsernipalvelut Oy provides accounting, ICT and HR services.

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

Group earnings in 2018

The revenue of the Ahlström Capital Group was EUR 1,113.1 million (1,040.2), of which Enics accounted for EUR 543.1 million (539.9), Destia for EUR 550.3 million (478.7), the real estate business for EUR 7.3 million (9.6), the forest business for EUR 9.5 million (9.4), and other businesses for EUR 2.9 million (2.6). Other operating income amounted to EUR 22.2 million (55.5). Ahlström Capital's share of the results of its associates was EUR 9.9 million (62.4). This consists of shares in the results of Ahlstrom-Munksjö, Suominen, Detection Technology and Glaston, but also the share in the result of the AC Cleantech Growth Fund I. The comparative figure includes the result effect of EUR 44.1 million from the merger of Ahlstrom and Munksjö.

The comparable operating profit of the Ahlström Capital Group amounted to EUR 49.2 million (46.1). The increase from the previous year was 6.6%. Items affecting comparability totalled EUR 8.3 million (83.4), consisting of gain on sale of land areas, other sales gains net of related provisions, reversal of provisions related to the previous real estate sales, changes in fair value and restructuring costs. The reported operating profit (EBIT) was EUR 57.6 million (129.5). The return on capital employed was 7.5% (16.6).

The administrative costs of the parent company Ahlström Capital Oy and holding companies amounted to EUR 5.0 million (13.4) in the reporting period, representing an average of 0.6% (1.3) of the EFV. The significant decrease in administrative costs was mainly attributable to the change in personnel related accruals and lower project costs.

Financial income was EUR 9.9 million (8.5). Financial expenses totalled EUR 21.3 million (11.9). Pre-tax profit was EUR 46.2 million (126.1). Taxes recorded for the period were EUR -7.4 million (-7.8). The Group's profit for the period was EUR 38.8 million (118.3) and profit attributable to the equity holders of the parent company was EUR 38.7 million (118.3).

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 784.9 million (784.1). The equity ratio at the end of the year was 61.7% (63.9) and the EFV-adjusted net gearing stood at 7.1% (2.5). The company's return on equity (ROE) was 6.0% (16.2). At the end of December 2018, the interest-bearing liabilities amounted to EUR 153.9 million (120.8) and liquid assets to EUR 90.6 million (94.8). The Group had EUR 63.4 million (25.8) in net debt. Ahlström Capital Oy has issued a first-demand guarantee as security for certain subsidiaries' credit facilities.

Net cash flow from operating activities (cash flow after net financial income, taxes paid and change in net working capital) was EUR 58.9 million (28.5). EUR 39.7 million (28.2) was spent on investments in non-current assets and EUR 34.1 million (182.6) on new investments. EUR 13.0 million (61.3) was received from the sale of subsidiaries, non-current assets and other investments. Net cash flow from financing activities was EUR -0.5 million (12.6). Based on the Annual General Meeting's decision, the company paid for 62,887,600 shares a dividend of EUR 0.48 per share, totalling EUR 30,186,048.00. The dividend yield was 2.9% of the external fair value. In addition, EUR 2.9 million was spent on share repurchase program to repurchase 226,000 shares in total.

Risk management

As an investment company, Ahlström Capital's key risks are related to its ability to create long-term shareholder value growth with steady returns. A diversified and balanced portfolio, consisting of forests, real estate holdings and industrial investments, reduces the overall risks, and is a key component of the company's risk management. As a family owned company, Ahlström Capital fosters the trust and reputation generated over decades through good corporate governance principles and processes in all its portfolio companies.

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

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

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

In 2018, Ahlström Capital chose its risk assessment to especially focus on information security. Ahlström Capital carried out a cyber maturity assessment to gain a deeper understanding of the company's ability to manage and protect its information assets and to identify key areas of improvements.

The aim is to continuously strengthen risk processes both internally and within portfolio companies. Five risk exposures were identified in Ahlström Capital's most recent risk position evaluation: 1) increasing competition, 2) economic shock or significant slowdown in the world economy, 3) failure in merger or acquisition, 4) failure in strategic partnership, 5) inadequate resources and skills in operational development, transactions and financing.

Research and development

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

Corporate social responsibility

In June 2018, Ahlström Capital Group committed to the United Nations ten principles of the Global Compact with respect to human rights, labour, environment and anti-corruption.

As a responsible investor, Ahlström Capital wants to impact ESG (environment, social and governance) policies and the performance in our own operations as well as in the portfolio companies and real estate and forest investments on a continuous basis. Ahlström Capital's material ESG topics have been identified and they will be incorporated into the screening processes and business development work of the portfolio companies. In addition to these common ESG topics, portfolio companies have their own industry-specific ESG topics, which they manage and develop similarly to those identified by Ahlström Capital.

Personnel, administration, and auditors

The Ahlström Capital Group had an average of 5,120 employees during the financial year (5,002). Wages, salaries and fees paid amounted to EUR 209.1 million (213.8). At the end of the year, the parent company's personnel numbered 13 (15).

During the year, the Board of Directors of Ahlström Capital Oy consisted of Mikael Lilius (chairman), Thomas Ahlström, Marion Björkstén, Mats Danielsson, Pekka Pajamo, Fredrik Persson and Malin Persson. In 2018, the Board convened thirteen times. In twelve meetings, all board members were attending and in one meeting one out of seven board members was absent.

On April 15, 2018 Hans Sohlström left his position as the President and CEO of Ahlström Capital. Lasse Heinonen was appointed as the new President and CEO and he assumed his position as of August 1, 2018. Chief Financial Officer Pasi Koota acted as an interim President and CEO as of April 15 until July 31, 2018.

The auditor was the audit firm KPMG Oy Ab, with Virpi Halonen, Authorised 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, and Pekka Pajamo and the members of the Compensation Committee Mikael Lilius (chairman), Mats Danielsson and Fredrik Persson. The Audit Committee convened five times and the Compensation Committee three times during 2018.

The Shareholders' Nomination Board was composed as follows: Chairman Mikael Lilius with Christina Dahlblom, Mats Danielsson, Pekka Pajamo and Peter Seligson as members. The Shareholder's Nomination Board convened three times during 2018.

Share repurchase program

The Annual General Meeting of Ahlström Capital Oy resolved to authorise the Board of Directors to decide on the repurchase of a maximum of 400,000 shares. The purchase price was the external fair value of the share on September 30, 2018 with a 20% discount. The authorisation is valid until the end of the next Annual General Meeting.

The Board of Directors resolved to commence the share repurchase program during October-December. The company repurchased 226,000 shares (0.36%). The repurchased shares were invalidated in January 2019 based on the Board of Directors' decision in December 2018.

Shareholders

At the end of 2018, Ahlström Capital Oy had 248 (246) shareholders. The largest individual shareholder is Antti Ahlström Perilliset Oy (6.1%). No other shareholder holds more than 5% of the shares.

Events after the reporting period

On January 25, 2019 Glaston Corporation announced the acquisition of Bystronic glass. The closing of the transaction is expected by the end of the first quarter 2019, subject to regulatory approval. Ahlström Capital and certain other investors have secured the financing for the acquisition by committing to participate in both a directed share issue and rights issue. In addition, Ahlström Capital has agreed to issue a guarantee for the bridge facility and provide necessary financing to refinance the bridge facility in the event the rights issue would not be fully subscribed for.

Outlook for 2019

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

Proposal for the distribution of profits

According to Ahlström Capital's dividend policy the company's target is to pay a steady dividend that increases over time, taking into consideration the company's investment and development needs. The Board of Directors proposes that a dividend of EUR 0.48 per share be paid for 2018.

The Annual General Meeting 2019 is to be held on Monday, April 8, 2019 at 5 p.m. at Restaurant Savoy, in Helsinki.

Key figures

MEUR	2018	2017[1]	2016	2015[2]	2014
Revenue	1,113.1	1,040.2	1,016.9	1,016.0	1,149.1
Comparable operating profit	49.2	46.1	36.4	28.3	
Operating profit (EBIT)	57.6	129.5	36.6	114.7	186.6
Profit for the period (continuing and discontinued operations)	38.8	118.3	193.7	111.4	159.2

	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
External Fair Value, EFV, EUR million	887.1	1,033.7	949.8	743.7	634.0
Equity ratio	61.7%	63.9%	67.2%	46.1%	43.6%
Net gearing	8.1%	3.3%	-17.6%	21.6%	34.5%
Net gearing, EFV adjusted	7.1%	2.5%	-13.2%	17.2%	29.5%
Return on Capital Employed (ROCE)	7.5%	16.6%	27.8%	16.9%	29.2%
Return on Equity (ROE)	6.0%	16.2%	31.1%	19.5%	44.9%
Net debt(+)/Net cash (-), EUR million	63.4	25.8	-125.4	128.2	187.0
Equity per share, EUR[4]	12.68	12.48	11.32	8.86	8.17
External Fair Value per share, EUR[4]	14.16	16.44	15.10	11.83	10.08
Earnings per share, EUR[4]	0.74	1.88	2.96	1.67	2.44
Dividend per share, EUR[3,4]	0.48	0.48	0.53	0.42	0.40

[1] Restated due to the implementation of IFRS15. [2] Restated due to discontinued operations. [3] 2018 figure is based on proposal by the board. [4] The number of shares was decreased in December 2018 through share repurchase. The number of shares in the company was 62,661,600 at the year end 2018. The number of shares in the company was increased in April 2017 by issuing new shares to the shareholders without payment in proportion to their current holdings, so that 99 new shares were given for each current share. The share issue without payment had the same effect as a share split (1:100). After the share issue the number of shares in the company was 62,887,600. Comparative figures of previous periods have been restated correspondingly.

Formulas for key figures

Net debt = Interest bearing liabilities - Cash and cash equivalents

$$\text{Equity ratio} = \frac{\text{Total equity}}{\text{Total assets - Advances received}}$$

$$\text{Net gearing} = \frac{\text{Interest bearing liabilities - Cash and cash equivalents}}{\text{Total equity}}$$

$$\text{Net gearing, EFV adjusted} = \frac{\text{Interest bearing liabilities - Cash and cash equivalents}}{\text{External Fair Value}}$$

$$\text{Earnings per share} = \frac{\text{Profit for the period - Non-controlling interest}}{\text{Number of shares at the end of fiscal year}}$$

$$\text{Equity per share} = \frac{\text{Equity attributable to equity shareholders of the parent company}}{\text{Number of shares at the end of fiscal year}}$$

$$\text{External Fair Value per share} = \frac{\text{External Fair Value}}{\text{Number of shares at the end of fiscal year}}$$

$$\text{Return on Capital Employed} = \frac{\text{Operating profit + Interest and other financial income}}{\text{Total assets - Current liabilities, on average for accounting period}}$$

$$\text{Return on Equity} = \frac{\text{Profit for the period}}{\text{Total equity (annual average)}}$$

Consolidated Financial Statements

Consolidated Statement of Income

MEUR	Note	2018	Restated 2017
Revenue	4,7	1,113.1	1,040.2
Other operating income	8	22.2	55.5
Materials and services	9	-761.0	-702.3
Depreciation, amortisation and impairment	18,22	-23.1	-22.5
Employee benefits	13	-207.6	-213.8
Other operating expenses	10	-96.0	-90.2
		-1,065.4	**-973.1**
Share in results of associated companies	23	9.9	62.4
Operating profit		**57.6**	**129.5**
Financial income	11	9.9	8.5
Financial expenses	12	-21.3	-11.9
Profit before tax		**46.2**	**126.1**
Income taxes	16	-7.4	-7.8
Profit for the period		**38.8**	**118.3**
Profit for the period attributable to:			
Equity holders of the parent		38.7	118.3
Non-controlling interests		0.1	
		38.8	**118.3**

Consolidated Statement of Comprehensive Income

MEUR	Note	2018	Restated 2017
Profit for the period		**38.8**	**118.3**
Other comprehensive income			
Items that will not be reclassified subsequently to statement of income			
Remeasurement of defined benefit plans		1.5	2.0
Income tax relating to remeasurements		-0.3	-0.5
Share of other comprehensive income of associates		0.1	1.1
		1.4	**2.6**
Items that may be reclassified subsequently to statement of income			
Exchange differences on translation of foreign operations		-1.3	-1.9
Available-for-sale financial assets - net change in fair value			-0.9
Income tax relating to changes in available-for-sale financial assets			0.2
Cash flow hedges - net change in fair value		-0.1	
Share of other comprehensive income of associates		-1.3	-12.6
		-2.7	**-15.3**
Other comprehensive income for the period, net of tax	30	-1.3	-12.6
Total comprehensive income for the period, net of tax		**37.5**	**105.6**
Total comprehensive income attributable to:			
Equity holders of the parent		37.4	105.6
Non-controlling interests		0.1	
		37.5	**105.6**

Consolidated Statement of Financial Position

MEUR	Note	December 31, 2018	Restated December 31, 2017
Assets			
Non-current assets			
Goodwill	18,19	84.5	84.6
Other intangible assets	18	7.8	9.0
Property, plant and equipment	22	109.4	110.9
Investment properties	20	135.9	131.4
Biological assets	21	113.4	108.3
Investments in associates	23	406.3	378.9
Non-current financial assets	27	10.4	12.4
Deferred tax assets	17	6.5	7.8
		874.3	**843.2**
Current assets			
Inventories	24	152.6	137.3
Trade and other receivables	7,25	155.3	152.4
Tax receivable, income tax		0.8	1.1
Cash and cash equivalents	26	90.6	95.0
		399.2	**385.7**
Total assets		**1,273.5**	**1,228.9**

MEUR	Note	December 31, 2018	Restated December 31, 2017
Equity and liabilities			
Equity attributable to equity shareholders of the parent company	30		
Share capital		38.8	38.8
Share premium		12.8	12.8
Unrestricted equity reserve		104.3	104.3
Treasury shares		-2.9	
Reserves		2.3	-0.1
Translation differences		-12.3	-9.0
Retained earnings		641.9	637.3
		784.9	**784.1**
Equity attributable to equity of non-controlling holders		0.8	0.8
Total equity		**785.6**	**784.8**
Non-current liabilities			
Interest-bearing loans and borrowings	27	115.7	49.4
Net employee defined benefit liabilities	15	5.3	6.9
Provisions	31	16.2	21.9
Deferred tax liabilities	17	31.0	32.9
Other liabilities	27	1.4	8.7
		169.6	**119.7**
Current liabilities			
Interest-bearing loans and borrowings	27	38.2	71.4
Trade and other payables	32	269.1	239.5
Provisions	31	6.6	11.8
Tax liability, income tax		4.4	1.7
		318.3	**324.4**
Total liabilities		**487.9**	**444.1**
Total equity and liabilities		**1,273.5**	**1,228.9**

Consolidated Statement of Changes in Equity

	Equity attributable to equity shareholders of the parent company											
MEUR	Share capital	Share premium	Unrestricted equity reserve	Treasury shares	Available-for-sale reserve	Cash flow hedge reserve	Legal reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
January 1, 2018	**38.8**	**12.8**	**104.3**		**-2.0**	**0.2**	**1.7**	**-9.0**	**637.3**	**784.1**	**0.8**	**784.8**
Implementation of IFRS 9 and IFRS 2					1.1				-1.8	-0.7		-0.7
Restated equity January 1, 2018	**38.8**	**12.8**	**104.3**		**-0.9**	**0.2**	**1.7**	**-9.0**	**635.5**	**783.4**	**0.8**	**784.1**
Profit for the period									38.7	38.7	0.1	38.8
Other compehensive income					0.9	-0.3		-3.3	1.4	-1.3		-1.3
Total comprehensive income					0.9	-0.3		-3.3	40.1	37.4	0.1	37.5
Acquisition of treasury shares				**-2.9**						-2.9		-2.9
Dividends paid									-30.2	-30.2	-0.1	-30.3
Reclassifications							0.7		-0.7	0.0		0.0
Other changes									-2.9	-2.9		-2.9
December 31, 2018	**38.8**	**12.8**	**104.3**	**-2.9**	**0.0**	**-0.1**	**2.3**	**-12.3**	**641.9**	**784.9**	**0.8**	**785.6**

MEUR	Share capital	Share premium	Unrestricted equity reserve	Treasury shares	Available-for-sale reserve	Cash flow hedge reserve	Legal reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
January 1, 2017	**38.8**	**12.8**	**104.3**		**-1.2**	**0.4**	**1.1**	**5.2**	**550.3**	**711.7**	**0.8**	**712.5**
Implementation of IFRS 15									-0.2	-0.2		-0.2
Restated January 1, 2017	**38.8**	**12.8**	**104.3**		**-1.2**	**0.4**	**1.1**	**5.2**	**550.1**	**711.5**	**0.8**	**712.3**
Profit for the period									118.3	118.3		118.3
Other compehensive income					-0.7	-0.3		-14.3	2.6	-12.6		-12.6
Total comprehensive income					-0.7	-0.3		-14.3	120.9	105.6		105.6
Dividends paid									-33.3	-33.3		-33.3
Reclassifications							0.6		-0.6	0.0		0.0
Other changes									0.3	0.3		0.3
December 31, 2017	**38.8**	**12.8**	**104.3**		**-2.0**	**0.2**	**1.7**	**-9.0**	**637.3**	**784.1**	**0.8**	**784.8**

Consolidated Statement of Cash Flows

MEUR	Note	2018	Restated 2017
Operating activities			
Profit for the period		38.8	118.3
Adjustments to reconcile profit to net cash flows			
Depreciation and impairment		23.1	20.5
Gains and losses on disposal of fixed and other non-current assets		-12.3	-34.7
Share in results of associated companies		-9.9	-62.4
Unrealised foreign exchange gains and losses		-3.0	3.1
Change in fair value of investment properties and biological assets		3.7	-15.7
Financial income and expenses		13.8	1.4
Income taxes		7.4	7.8
Other adjustments		-0.1	3.1
Change in working capital			
Change in inventories		-15.3	-20.1
Change in trade and other receivables		-6.3	-13.7
Change in trade and other payables		22.7	13.2
Change in provisions		-6.8	4.5
Interest paid		-4.8	-3.6
Dividends received		13.3	13.7
Interest received		0.3	0.8
Other financing items		-0.8	-4.8
Income taxes paid		-5.0	-2.9
Net cash flows from operating activities		**58.9**	**28.5**

MEUR	Note	2018	Restated 2017
Investing activities			
Acquisition of subsidiaries, net of cash	6		-7.8
Disposal of subsidiaries, net of cash			0.1
Investment in associated companies	6	-34.1	-174.8
Proceeds from associated companies		0.1	35.8
Purchase of financial investments		-0.3	
Proceeds from financial investments		2.7	0.3
Investments in tangible assets and intangible assets		-39.7	-28.2
Disposal of tangible and intangible assets		13.0	4.9
Loans granted		-7.2	-0.7
Repayment of loan receivables		3.7	21.0
Net cash flows from / used in investing activities		**-61.8**	**-149.5**
Financing activities			
Loan withdrawals, non-current		77.6	
Loan repayments, non-current		-5.1	-0.2
Loan withdrawals, current		45.1	48.9
Loan repayments, current		-87.0	-15.0
Change in current borrowings		3.2	12.7
Purchase of treasury shares		-2.9	
Finance lease payments		-0.8	-0.5
Dividends paid		-30.7	-33.4
Net cash flows from / used in financing activities	**28**	**-0.6**	**12.6**
Net increase in cash and cash equivalents		**-3.4**	**-108.4**
Cash and cash equivalents on January 1		95.0	204.1
Net foreign exchange difference		-1.0	-0.7
Cash and cash equivalents on December 31	**27**	**90.6**	**95.0**

Notes to the Consolidated Financial Statements

Note 1. Corporate information

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

The consolidated financial statements of Ahlström Capital Oy (parent company) and its subsidiaries (collectively, the Group) for the year ended December 31, 2018 were authorised for issue in accordance with a resolution of the Board of Directors on March 5, 2019. 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.

Note 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, 2018. International Financial Reporting Standards refer to the standards, and their interpretations, approved for application in the EU in accordance with the procedures stipulated in the EU's regulation (EC) No. 1606/2002 and embodied in Finnish accounting legislation and the statutes enacted under it. The notes to the consolidated financial statements also comply with the Finnish accounting and corporate legislation.

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

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as per December 31, 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Usually the control is formed when an entity holds 50% (or more) of the voting rights. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

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

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

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

2.3 Summary of significant accounting policies

Business combinations and goodwill

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

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

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

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

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

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

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 arrangements

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

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

A joint arrangement is a joint venture or a joint operation. A joint venture is an arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. In joint operation the parties have rights and obligations related to assets and liabilities of the arrangement. The Group has joint operations in its Infrastructure and construction services.

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

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

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

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

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

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

Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

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

Fair value measurement

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

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

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

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

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

Revenue from contracts with customers

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

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

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

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

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

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

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

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

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

Government grants

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

Income taxes

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

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

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

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

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

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

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

Foreign currencies

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

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange ruling at the one day prior to the reporting date. Foreign currency differences of monetary items are recognised in statement of income 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 the statement of income as incurred. Grants received are reported as a reduction of costs. The property, plant and equipment of acquired subsidiaries are measured at their fair value at the acquisition date. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

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

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

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

Leases

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 extensive as the Group's holdings. Therefore, the valuation is made by using the discounted future cash flows. The cash flows are based on Group's forest management and harvesting plan that include forestry costs and harvesting incomes of current growing stock until final cutting. The regeneration costs are included in forest land value, which is presented as investment property. Discount rate used is weighted average cost of capital separately calculated for forest assets. The discount rate is assessed annually. The cash flows are calculated on a pre-tax basis without inflation.

Investment properties

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

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

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

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

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

Intangible assets

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

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

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

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

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

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

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

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

Financial assets

Classification of certain financial assets was changed as of January 1, 2018 when IFRS 9 was implemented. Financial assets are classified, at initial recognition, as financial assets at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss. Financial assets are classified according to the Group's business model and contractual cash flows. All financial assets are recognised initially at fair value except the trade receivables if they do not contain a significant financing component. If financial assets are not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset are included in the initial carrying amount.

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

Financial assets at amortised cost

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

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

Financial assets at fair value through other comprehensive income

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

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

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

Financial assets at fair value through profit or loss

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

Derecognition of financial assets

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

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

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

Impairments
The Group assesses, at each reporting date, the expected credit losses for assets measured at amortised cost and assets measured at fair value through other comprehensive income. These are recognised as an allowance of the expected credit losses. If the credit risk has not increased significantly the group assesses the allowance to the amount equal to expected credit losses for 12 months. If the credit risk related to specific financial asset has increased significantly after initial recognition, the allowance is recognised in amount equal to expected credit losses for lifetime. The group assesses the expected credit losses of trade receivables and contract assets by asset groups and loan receivables individually.

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

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

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

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

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

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

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

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

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

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

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

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

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

Inventories
Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:
- raw materials: purchase cost on a first in, first out basis or weighted-average cost method basis; and
- finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

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

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

Impairment of non-financial assets

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

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

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

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

The following assets have specific characteristics for impairment testing:

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

Cash and cash equivalents

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

Provisions

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

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

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

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

Contingent liabilities

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

Pensions and other post-employment benefits

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

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

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

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

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

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

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

Share-based payments

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

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

See Note 14 for further information.

Note 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 20 for more details.

Biological assets

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

Share-based payments

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

Income taxes

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

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

Pension benefits

The cost of defined benefit pension plans and other post-employment benefits and the present value of the pension obligation are determined using independent external actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, changes in 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 15.

Fair value measurement of financial assets and liabilities

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

Revenue from contracts with customers

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

Goodwill impairment testing

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

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

Segment information

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

External Fair Value (EFV) of the share

The primary objective of the Group's capital management is to maximise the shareholder value, meaning the External Fair Value 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 29 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 related to sales and restructuring costs.

Note 4. New and amended IFRS standards

New and amended standards applied in financial year ended

The Ahlström Capital Group has applied as from January 1, 2018 the following new and amended standards that have come into effect. The 2017 financial statements have been restated according to IFRS 15. The impact of IFRS 9 on the opening balance 2018 has been reported in corresponding notes (Consolidated Statement of Changes in Equity, 17, 25, 27, 28).

IFRS 15 Revenue from contracts with customers

The new standard has replaced earlier 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 has also introduced extensive new disclosure requirements.

Ahlström Capital Group has applied the new IFRS 15 standard partly retrospectively with practical expedients with effect on January 1, 2018. The revised statement of income and statement of financial position has been prepared for 2017. In Infrastructure and construction business, IFRS 15 has mainly had an effect in more precise review of revenue. The revenue recognition has not changed significantly. In the Electronics manufacturing services the new standard has had some impacts on the statement of income and revenue streams. Certain types of testing services are provided by using the customer owned testers. Due to the change in definition of control in IFRS 15, these services are no longer recognised as revenue. These items also have an impact on Group's property, plant and equipment and interest-bearing liabilities. In real estate and forest business, the IFRS 15 has not had an effect on revenue recognition. Goods and services sold by real estate and forest businesses are recognised at point in time. In addition, IFRS 15 has had an effect on the Group's share in results of associated companies. The application of the new standard decreased the Group's share in results of associated companies and the Group's investments in associates in the statement of financial position decreased accordingly.

Impacts of IFRS 15 on Statement of Financial Position on January 1 and December 31, 2017

MEUR	December 31, 2016	Impact of IFRS 15	Restated January 1, 2017
Assets			
Property, plant and equipment	127.4	-11.1	116.3
Deferred tax assets	12.6	-2.3	10.3
Inventories	108.0	-0.4	107.6
Total impact on assets		**-13.8**	
Equity and liabilities			
Total equity	712.5	-0.2	712.3
Interest-bearing loans and borrowings	78.8	-11.3	67.5
Deferred tax liabilities	34.4	-2.3	32.1
Total impact on equity and liabilities		**-13.8**	

MEUR	December 31, 2017	Impact of IFRS 15	Restated December 31, 2017
Assets			
Property, plant and equipment	120.0	-9.1	110.9
Investments in associates	379.2	-0.3	378.9
Deferred tax assets	9.5	-1.7	7.8
Inventories	137.6	-0.3	137.3
Total impact on assets		**-11.3**	
Equity and liabilities			
Total equity	785.0	-0.1	784.8
Interest-bearing loans and borrowings	130.3	-9.5	120.8
Deferred tax liabilities	34.6	-1.7	32.9
Total impact on equity and liabilities		**-11.3**	

Impacts of IFRS 15 on Statement of Income on 2017

MEUR	Impact of IFRS 15
Revenue	-3.5
Depreciation, amortisation and impairment	3.3
Other changes in operating profit	-0.1
Impact on operating profit	**-0.4**
Financial items and taxes	0.5
Impact on profit for the period	**0.1**

IFRS 9 Financial instruments

IFRS 9 replaces the earlier 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 changed the classification of financial assets according to the IFRS 9. Financial assets are classified as at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through statement of income (FVPL). The classification is based on the business model and the contractual cash flows. The new standard has no impact on classification or recognition of financial liabilities. The more detailed description can be found in accounting principles regarding financial assets and liabilities. Due to the classification according IFRS 9, the changes of available for sale assets recognised in the fair value reserve were reclassified to retained earnings. Total effect on the Group was EUR 1.1 million. In the future, the changes will be recognised through statement of income.

The new impairment model of IFRS 9 is based on the expected credit losses. According to the former IAS 39 the credit losses were recognised according to the realised credit losses. New model is applied in all financial assets recognised as at amortised cost or at fair value through other comprehensive income. The three-phase model in IFRS 9 assess the credit risk volume and the change in it. The Group assess the credit risk in trade receivables in related groups and credit risk of loan receivables individually. The application of IFRS 9 effected an increase of EUR 0.7 million in impairment of trade receivables, which was recognised as a deduction in retained earnings. In addition, the share in result of associated companies had an effect of EUR -0.3 million on retained earnings.

IFRS 9 enables more derivatives to be classified as hedging instruments. Derivatives can be examined in parts and net position hedging is allowed. The Group has not changed the hedging policy or the recognition of derivatives in group financial statements after applying IFRS 9.

Classification of financial assets in first adoption of IFRS 9 on January 1, 2018

MEUR	IAS 39 On December 31, 2017	IFRS 9 On January 1, 2018	Change in MEUR
Assets			
Other shares and securities*	At fair value through OCI and at cost	At fair value through statement of income	0.0
Loans and receivables			
Interest-bearing loan receivables and financial assets	At amortised cost	At amortised cost	0.0
Trade and other non-interest bearing receivables	At cost or at amortised cost	At amortised cost	-60.4
Trade and other receivables, for sale and to keep	At cost or at amortised cost	At fair value through OCI	59.7
Cash and cash equivalents	At cost or at amortised cost	At amortised cost	0.0
Derivatives	At fair value through statement of income	At fair value through statement of income	0.0
			-0.7

* Group has named Available-for-sale financial assets as Other shares and securities after IFRS 9 adoption.

Other amendments

Amendments to IFRS 2 - Clarification and Measurement of Share-based Payment Transactions: 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. Amendments have had an effect on Group through the share in results of associates. The 2018 opening balance has been restated accordingly.

Amendments to IAS 40 - Transfers of Investment Property: 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. Amendments have no impact on Ahlström Capital Group.

IFRIC 22 Interpretation Foreign Currency Transactions and Advance Consideration: 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 -standard 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. Amendment has no impact in Ahlström Capital Group.

Annual Improvements to IFRSs (2014-2016 cycle): 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 amendments relate to IFRS 1 and IAS 28.

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

The Ahlström Capital 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 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 right-of-use assets and lease liabilities. The rental expenses recognised in the statement of income will decrease and depreciation and amortisation as well as interest expenses will increase. 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 about USD 5 000 or less. The lessor accounting remains mostly similar to current IAS 17 accounting. The Ahlström Capital Group will implement modified retrospective application with easements in IFRS 16 and the comparative figures from earlier years will not be restated. The Group has leased office and other premises, machinery, cars and land areas. The easements are used for small devices. The impact in assets and liabilities in the statement of financial position is approximately EUR 33.0 million.
- IFRIC 23 Uncertainty over Income Tax Treatments (effective for financial years beginning on or after January 1, 2019): The interpretation brings clarity to the accounting for income tax treatments that have yet to be accepted by tax authorities. The key test is whether the tax authority will accept the tax treatment chosen by the company. When considering this the assumption is that tax authorities will have full knowledge of all relevant information in assessing a proposed tax treatment. The Ahlström Capital Group will review the possible effects of the interpretations. No significant impact is estimated.
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective for financial years beginning on or after January 1, 2019): The amendments enable entities to measure at amortised cost some prepayable financial assets with so-called negative compensation. Amendments have no impact on Ahlström Capital Group.
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures* (effective for financial years beginning on or after January 1, 2019): The amendments clarify that a company applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. Amendments have no impact on Ahlström Capital Group.
- Plan amendment, Curtailment or Settlement (Amendments to IAS 19)* (effective for financial years beginning on or after January 1, 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, an entity uses updated actuarial assumptions to determine its current service cost and net interest for the period. The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). Amendments have no impact on Ahlström Capital Group.
- Annual Improvements to IFRSs (2015-2017 cycle)* (effective for financial years beginning on or after January 1, 2019): 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 amendments relate to IFRS 3, IFRS 11, IAS 12 and IAS 23.
- Definition of a Business (Amendments to IFRS 3)* (effective for financial years beginning on or after January 1, 2020): The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.
- Definition of Material (Amendments to IAS 1 and IAS 8)* (effective for financial years beginning on or after January 1, 2020): The amendments clarify the definition of material and include guidance to help improve consistency in the application of that concept across all IFRS Standards. In addition, the explanations accompanying the definition have been improved.

* = not yet endorsed for use by the European Union as of December 31, 2018.

Note 5. Group information

Information about subsidiaries and associated companies

The consolidated financial statements of the Group include:

Name	Country of incorporation	Activities	% equity interest 2018	2017
A. Ahlström Kiinteistöt Oy	Finland	Real Estate	100	100
Keskinäinen Kiinteistöosakeyhtiö Uudenmaankatu 24	Finland	Real Estate	100	100
Kiinteistö Oy Lahden Kulmala	Finland	Real Estate	100	100
Ahlström Konsernipalvelut Oy	Finland	Holding	100	100
AC Cleantech Management Oy	Finland	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 OÜ	Estonia	Dormant	100	0
Destia Sverige AB	Sweden	Dormant	100	100
Destia Engineering Oy	Finland	Production and sales	51	51
Its-Forsterkning AS	Norway	Dormant	100	100
ITS-Infra Grupp OU	Estonia	Dormant	100	100
Ahlstrom Capital 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 Seven B.V.	Netherlands	Holding	100	100
AC Invest Eight B.V.	Netherlands	Holding	100	100
AC Invest Nine B.V.	Netherlands	Holding	100	0
ACEMS B.V.	Netherlands	Holding	100	100
Enics AG	Switzerland	Holding	99	99
Enics Eesti AS	Estonia	Production and sales	100	100
Enics Electronics (Beijing) Ltd.	China	Production and sales	100	100
Enics Electronics (Suzhou) Ltd.	China	Production and sales	100	100
Enics Finland Oy	Finland	Production and sales	100	100
Enics Hong Kong Ltd.	China	Production and sales	100	100
Enics Raahe Oy	Finland	Production and sales	100	100
EKC Electronics (Suzhou) co, Ltd	China	Production and sales	100	100
Enics Schweiz AG	Switzerland	Production and sales	100	100
Enics Slovakia s.r.o.	Slovakia	Production and sales	100	100
Enics Sweden AB	Sweden	Production and sales	100	100
DutchCo Alpha Holding B.V.	Netherlands	Holding	100	100
DutchCo Epsilon Holding B.V.	Netherlands	Holding	100	0
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
AC Real Estate Holding BV	Netherlands	Holding	100	0
Helsinki Real Estate Holding B.V.	Netherlands	Holding	100	100
H11 Holding Oy	Finland	Holding	100	100
Kiinteistö Oy Hankasuontie 11A	Finland	Real Estate	100	100
Kasarmi Real Estate Holding B.V.	Netherlands	Holding	100	100
Rakennus Oy Kivipalatsi	Finland	Holding	100	100

Associated companies	Country	Activities	% equity interest 2018	2017
AC Cleantech Growth Fund I Ky	Finland	Holding	29	29
Ahlstrom-Munksjö Oyj *	Finland	Production and sales	19	18
Detection Technology Plc	Finland	Production and sales	37	37
Glaston Corporation *	Finland	Production and sales	18	18
Suominen Corporation	Finland	Production and sales	24	24

* An associate is an entity over which the Group has significant influence. Ahlström Capital views that on certain occasions it holds significant influence over the listed companies, even in situations where direct ownership is less than 20% (note 23).

Note 5. Group information (cont.)

Divestments, liquidations, mergers	Country	Activities	2018
A. Ahlström Rakennus Oy	Finland	Holding	Liquidated
AC Pack BV	Netherlands	Holding	Liquidated
Destia Eesti AS	Estonia	Dormant	Merged
Kiinteistö Oy Riihimäen Lasi	Finland	Real Estate	Liquidated
Rauman MO-Kiinteistö Oy	Finland	Real Estate	Sold
Turgel Grupp AS	Estonia	Dormant	Merged

Note 6. Business combinations and acquisitions

Acquisitions in 2017

On February 28, 2017 Enics AG acquired 100% of shares of PKC Electronics Oy, an unlisted company based in Finland and its fully owned subsidiary PKC Electronics (Suzhou) Co. Ltd based in China. The acquisition of PKC Electronics is in line with Enics' strategic plan to focus on growth in industrial electronics and related services. The total consideration was EUR 12.7 million. The fair values of the acquired net assets were EUR 14.6 million. The fair value of the acquired net assets exceeded the purchase consideration by EUR 1.9 million. This amount is presented as other operating income.

Investments in associated companies in 2017

On June 21, 2017 Ahlström Capital acquired shares representing 38.8% of Detection Technology Plc and 17.5% of Glaston Corporation from Oy GW Sohlberg Ab. Ahlström Capital became hence the largest shareholder in both companies. The total acquisition price for Detection Technology shares was EUR 95.1 million and the total acquisition price for Glaston shares was EUR 14.9 million. Based on the significant influence that Ahlström Capital holds through its involment, both companies are presented as associated companies. More detailed information on associated companies is presented in Note 23.

Note 7. Revenue from contracts with customers

Revenue recognition

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

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

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

Distribution of revenue by business

MEUR	2018	2017
Infrastructure and construction	550.3	478.7
Electronics manufacturing services (EMS)	543.1	539.9
Forestry	9.4	9.2
Real estate	8.2	10.4
Others	2.1	2.0
	1,113.1	**1,040.2**

Distribution of revenue by area

2018 MEUR	Electronics manufacturing services (EMS)	Infrastructure and construction	Forestry	Real estate	Others	Total
Finland	91.6	548.9	9.4	8.2	2.1	660.2
Other Europe	276.1	1.3				277.4
Rest of the world	175.5					175.5
	543.1	**550.3**	**9.4**	**8.2**	**2.1**	**1,113.1**

2017 MEUR	Electronics manufacturing services (EMS)	Infrastructure and construction	Forestry	Real estate	Others	Total
Finland	92.8	478.7	9.2	10.4	1.8	592.9
Other Europe	304.4				0.2	304.6
Rest of the world	142.7					142.7
	539.9	**478.7**	**9.2**	**10.4**	**2.0**	**1,040.2**

Timing of the revenue recognition

2018 MEUR	Electronics manufacturing services (EMS)	Infrastructure and construction	Forestry	Real estate	Others	Total
At a point in time	541.0	62.5	9.4	8.2	2.1	623.1
Over time	2.1	487.8				489.9
	543.1	**550.3**	**9.4**	**8.2**	**2.1**	**1,113.1**

2017 MEUR	Electronics manufacturing services (EMS)	Infrastructure and construction	Forestry	Real estate	Others	Total
At a point in time	537.7	56.5	9.2	10.4	2.0	615.8
Over time	2.2	422.2				424.4
	539.9	**478.7**	**9.2**	**10.4**	**2.0**	**1,040.2**

Transaction price allocated to the remaining obligation

MEUR	2018	2017
Within one year	363.3	320.2
More than one year	369.7	350.6
	733.0	**670.8**

Contract balances

MEUR	2018	2017
Contract assets	15.4	8.0
Contract liabilities	-36.3	-25.4
	-20.9	**-17.4**

Change in contract assets and liabilities is due to invoicing of ongoing projects and ordinary project allocations.

Note 8. Other operating income

MEUR	2018	2017
Gain on sale of investments	4.3	32.7
Gain on sale of other tangible and intangible assets	8.3	2.0
Change in fair value of investment properties		7.1
Change in fair value of biological assets	3.1	8.7
Recognition of negative goodwill		1.9
Other	6.5	3.1
	22.2	**55.5**

Note 9. Materials and services

MEUR	2018	2017
Change in inventories of finished goods and work in progress	1.6	7.1
Purchases during the period	-483.0	-475.5
Change in raw material inventories	13.1	21.9
External services	-292.6	-255.8
	-761.0	**-702.3**

Note 10. Other operating expenses

MEUR	2018	2017
Rental expenses	-11.2	-10.9
External services	-7.9	-8.8
Change in fair value of investment properties	-6.9	
Other expense items	-70.0	-70.4
	-96.0	**-90.2**

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 in the Statement of Income amount to EUR -1.9 million in 2018 (-1.7). The research and development costs relate to personnel and other costs. The activated development expenditures during the reporting period amount to EUR 0.1 million (0).

Note 10. Other operating expenses (cont.)

Auditor's fee

MEUR	2018	2017
Audit fee	-0.4	-0.4
Tax consultancy		-0.1
Other services		-0.1
	-0.4	**-0.6**

Note 11. Financial income

MEUR	2018	2017
Interest income	1.1	1.3
Dividends	0.3	1.2
Foreign exchange gain	8.4	3.6
Gain on assets at fair value through profit and loss		2.4
	9.9	**8.5**

Note 12. Financial expenses

MEUR	2018	2017
Interest expenses from financial liabilities	-4.6	-4.0
Interest expenses from financial leasing contracts	-0.1	-0.1
Other financial expenses	-1.8	-1.9
Loss on assets at fair value through profit and loss	-7.3	
Foreign exchange loss	-7.5	-6.0
	-21.3	**-11.9**

Note 13. Employee benefits and number of employees

Employee benefits

MEUR	2018	2017
Wages and salaries and other remunerations	-171.0	-172.8
Pension costs	-21.3	-23.4
Other wage-related costs	-15.3	-17.6
	-207.6	**-213.8**
CEO's salaries	-0.6	-0.8
of which variable compensation	-0.2	-0.3
Remunerations to Board members	-0.5	-0.4

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

Average number of personnel

	2018	2017
Salaried	1,910	1,852
Blue-collar	3,210	3,150
	5,120	**5,002**

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: 2016–2018, 2017–2019 and 2018-2020. The Board has decided the required performance criterion, the participants and amount of reward separately for each performance period.

For all the three performance periods the approved key earning criteria are based on the development of the external fair value (EFV) of the Ahlström Capital Oy's share. The rewards of the performance periods are capped at 133% of participant's annual salary. The rewards of the first performance period 2015-2017 were paid during 2018 and the rest are payable during 2019-2021 respectively.

LTI program in Destia Group Oyj

Destia's Board of Directors has initiated personnel long-term incentive programs for 2014−2018 and 2018-2020. The purpose of the programs is to commit certain key persons to the company and offer them a competitive reward scheme. Destia's Board of Directors decides on the long-term incentive programs and persons covered by them. The criteria for the long-term incentive program are the same for all people belonging to the program. These criteria apply to the whole Destia Group and differ from the bonus scheme criteria. The earnings criterion is the value increase of the company.

Note 13. Employee benefits and number of employees (cont.)

The program for 2014-2018 covered some 70 persons. Earnings period was 2014-2018. Remuneration accumulated in the earnings period will be paid in cash in 2019. The program for 2018-2020 covers some 50 persons. Earnings period is 2018-2020. Remuneration accumulated in the earnings period will be paid in cash no later than in 2021.

The Group has a 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 2018 was EUR 3.5 million (4.8) and related liability at the end of 2018 EUR 13.3 million (11.1).

Note 14. Share-based payments

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

Number of options	2018	2017
Outstanding on January 1	119,157	119,157
Granted during the year	23,000	
Purchased from participants	-17,000	
Returned to the company	-15,500	
Outstanding on December 31	109,657	119,157
Exercisable on December 31	**109,657**	**119,157**

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 strike 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 of EUR 1.3 million for the granted options has been recognised to full extent. An income of EUR 1.1 million (0.0) has been recognised during 2018 related to options returned to the Group after some participants of the option plans had left the Group. These options are available for further use.

During the years 2018 and 2017 no options have been converted to original shares.

Note 15. Pension and other post-employment benefit plans

Net employee defined benefit liability

MEUR	2018	2017
Finland	3.3	3.5
Switzerland	2.0	3.4
	5.3	**6.9**

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

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

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

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

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

MEUR	2018	2017
Carrying amount on January 1	6.9	9.8
Cost charged to statement of income		
Service cost of current period	1.0	1.1
Jubilee plans	-0.1	-0.4
Remeasurement gains/losses in other comprehensive income		
Acturial gains/losses	-1.6	-2.2
Benefits paid	-1.1	-1.0
Exchange difference	0.1	-0.4
Carrying amount on December 31	**5.3**	**6.9**

The expected benefit payments for the following financial year are EUR 1.2 million (1.2).

The main actuarial assumptions

	2018	2017
Discount rate	1.2%	1.1%
Future salary increases	1.2%	1.0%
Future pension increases *	1.9%	1.8%

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

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

	2018		2017	
	Change in assumption %	Impact on net pension provision MEUR	Change in assumption %	Impact on net pension provision MEUR
Discount rate	+/- 0.25	+ / - 0.2	+/- 0.25	+ / - 1.7
Future salary increases	+/- 0.25	+ / - 0.1	+/- 0.25	+ / - 0.1

Note 16. Income tax

The major components of income tax expense

MEUR	2018	2017
Consolidated statement of income		
Current income tax		
Current tax expense	-7.3	-5.1
Taxes from previous years	-0.3	0.8
Deferred tax		
Change in deferred taxes	0.3	-3.6
Income tax expense reported in the statement of income	**-7.4**	**-7.8**
Consolidated statement of other comprehensive income		
Deferred tax related to items recognised in OCI during the year		
Related to changes in available-for-sale financial assets		0.2
Related to remeasurements of defined benefit plans	-0.3	-0.5
Income tax charged to other comprehensive income	**-0.2**	**-0.3**

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

MEUR	2018	2017
Profit before tax	46.2	126.1
Tax calculated using Finnish tax rate (20%, 2017: 20%)	-9.2	-25.2
Difference between Finnish and foreign tax rates		-0.9
Share in results of associated companies	2.0	12.5
Non-taxable income	0.9	7.3
Non-deductible expenses	-2.3	-1.0
Recognition of previously non-deducted expenses	2.1	
Utilisation of previously unrecognised tax losses	0.4	1.7
Loss for the period, for which no deferred tax asset is recognized	-0.5	-2.1
Adjustments of previous years current income tax	-0.3	0.8
Other	-0.4	-1.0
Effective income tax 15.9% (6.2)	**-7.4**	**-7.8**
Total income tax for the period	**-7.4**	**-7.8**

Note 17. Deferred tax

Changes in deferred tax assets

MEUR	January 1, 2018	Impact of IFRS 9 recorded directly into equity	Recognised in the statement of income	In other comprehensive income	Recorded directly into equity	Business arrangements	Translation difference	December 31, 2018
Unused tax losses	0.4		-0.4					
Pension benefits	1.0		-0.1		-0.3			0.6
Provisions	2.1		-0.7					1.4
Inventories internal margin	0.1							0.1
Available-for-sale financial assets	0.3		-0.3					
Investment properties			0.3					0.4
Derivatives			0.1					0.1
Other	3.9	0.2	0.1				-0.1	4.1
	7.8	**0.2**	**-1.1**		**-0.3**		**-0.1**	**6.5**

MEUR	January 1, 2017	Recognised in the statement of income	In other comprehensive income	Recorded directly into equity	Business arrangements	Translation difference	December 31, 2017
Unused tax losses	0.4	-0.2			0.2		0.4
Pension benefits	1.5		-0.5	0.1		-0.1	1.0
Provisions	1.5	0.6					2.1
Inventories internal margin	0.1						0.1
Available-for-sale financial assets	0.1		0.2				0.3
Investment properties	3.5	-3.4					
Other	3.3	0.4			0.2		3.9
	10.3	**-2.6**	**-0.3**	**0.1**	**0.4**	**-0.2**	**7.8**

Note 17. Deferred tax (cont.)

Changes in deferred tax liabilities

MEUR	January 1, 2018	Recognised in the statement of income	Recorded directly into equity	Business arrangements	Translation difference	December 31, 2018
Intangible assets and property, plant and equipment	3.5					3.5
Investment properties	10.7	-0.6		-0.3		9.8
Biological assets	16.2	0.6				16.7
Other	2.6	-1.3	-0.2			1.0
	32.9	**-1.3**	**-0.2**	**-0.3**	**-0.1**	**31.0**

MEUR	January 1, 2017	Recognised in the statement of income	Recorded directly into equity	Business arrangements	Translation difference	December 31, 2017
Intangible assets and property, plant and equipment	3.1	0.4				3.5
Investment properties	6.4	4.2		0.1		10.7
Biological assets	19.2	-3.0				16.2
Other	3.4	0.5	-0.5	-0.6	-0.1	2.6
	32.1	**2.0**	**-0.5**	**-0.5**	**-0.1**	**32.9**

Reflected in the Statement of Financial Position

	2018	2017
Deferred tax assets	6.5	7.8
Deferred tax liabilities	31.0	32.9
Deferred tax assets/liabilities, net	**-24.5**	**-25.2**

On December 31, 2018 the Group had tax loss carry forwards of EUR 22.2 million in total of which EUR 1.3 million has no expiration period. Regarding losses amounting to EUR 22.2 million no deferred tax asset was recognised due to the uncertainty of utilisation of these tax loss carry forwards.

Note 18. Intangible assets

MEUR	Goodwill	Intangible rights	Development costs	Other intangible assets	Advances paid	Total
Acquisition cost						
January 1, 2018	84.6	26.5		0.8	0.1	111.9
Additions		0.3	0.1		0.1	0.6
Disposals		-1.4				-1.4
Reclassifications		2.8			-0.2	2.7
Exchange differences	-0.1	0.5				0.5
December 31, 2018	**84.5**	**28.8**	**0.1**	**0.8**	**0.0**	**114.2**
Accumulated amortisation and impairment						
January 1, 2018		-18.2		-0.2		-18.4
Amortisation for the year		-4.2		-0.2		-4.4
Disposals		1.4				1.4
Exchange differences		-0.4				-0.4
December 31, 2018		**-21.5**		**-0.4**		**-21.9**
Net book value						
December 31, 2018	**84.5**	**7.3**	**0.1**	**0.4**	**0.0**	**92.3**

MEUR	Goodwill	Intangible rights	Other intangible assets	Advances paid	Total
Acquisition cost					
January 1, 2017	84.6	23.5		0.4	107.5
Additions		0.1		0.2	0.3
Disposals		-0.5			-0.5
Business combinations		0.5	0.8		1.3
Reclassifications		4.1		-0.5	3.6
Exchange differences	-0.1	-1.2			-0.3
December 31, 2017	**84.6**	**26.5**	**0.8**	**0.1**	**111.9**
Accumulated amortisation and impairment					
January 1, 2017		-15.6			-15.6
Amortisation for the year		-4.0	-0.2		-4.1
Disposals		0.5			0.5
Exchange differences		0.9			0.9
Impairments		-0.1			-0.1
December 31, 2017		**-18.2**	**-0.2**		**-18.4**
Net book value					
December 31, 2017	**84.6**	**8.2**	**0.6**	**0.1**	**93.5**

Note 19. Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to Ahlström Capital's Portfolio companies regarded as CGUs.

Carrying amount of goodwill allocated to the CGUs

MEUR	2018	2017
Destia	83.6	83.6
Enics	0.8	0.9
	84.5	**84.6**

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

Key assumptions used in value in use calculations

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

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

WACC rates are defined by external valuers as part of the valuation processes. The discount rates used were the following: Enics 9.3% and Destia 8.4%.

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 20. Investment properties

MEUR	2018	2017
January 1	131.4	111.7
Additions	16.3	0.8
Acquisition through business combination		0.8
Disposals	-5.0	-2.3
Reclassifications		13.3
Change in fair value	-6.9	14.4
Change in valuation principles		-7.3
December 31	**135.9**	**131.4**

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, 2018, the fair values of the investment properties are mostly based on valuations performed by an accredited external independent valuer covering the total value of built investment properties. The rest of the investment properties consists of forest land and other land areas.

Ahlström Capital Group started construction project in Kiinteistö Oy Hankasuontie 11 A's property in 2017. The construction project is essentially completed and the property is for accounting purposes classified as investment properties in 2018.

Forest land is valued as a part of forest assets by an external independent valuer. In 2017 there has been a change for valuation principle of forest land. More information about this change in Note 21.

Profit arising from investment properties carried out at fair value

MEUR	2018	2017
Rental income derived from investment properties	7.3	7.3
Direct operating expenses generating rental income	-2.8	-3.3
	4.5	**3.9**

Note 20. Investment properties (cont.)

Specification by use of the investment properties

MEUR	Office and retail properties	Factory and logistics properties	Forest land	Unbuilt land	Other properties
January 1, 2018	112.0	2.7	6.5	5.6	4.6
Additions	0.7	14.3	0.2	1.0	
Disposals		-0.1	-0.4	-0.5	-3.9
Reclassifications			0.4	-0.3	
Change in fair value	-7.6	-0.6	1.7		-0.4
December 31, 2018	**105.1**	**16.3**	**8.3**	**5.8**	**0.4**

MEUR	Office and retail properties	Factory and logistics properties	Forest land	Unbuilt land	Other properties
January 1, 2017	83.3	2.0	13.6	5.8	7.0
Additions	0.1		0.2		0.5
Acquisition through business combination		0.8			
Disposals			-0.1	-1.4	-0.8
Reclassifications	13.4				
Change in fair value	15.2	-0.1		1.3	-2.0
Change in valuation principles			-7.3		
December 31, 2017	**112.0**	**2.7**	**6.5**	**5.6**	**4.6**

Sensitivity analysis

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

The sensitivity analysis results

MEUR	2018	2017
Yield -0,5 percentage point	127.7	124.2
Yield +/-0 percentage point	121.4	118.1
Yield +0,5 percentage point	115.0	111.7

Approximately 76% of Group's investment properties have been utilised as collateral for own commitments. Commitments are disclosed in Note 33.

Note 21. Biological assets

The Group's biological assets consist of growing stock. Its forest assets are approximately 33 thousand hectares. The total volume of growing stock in the company's forests is slightly over 5.0 million m³. In 2018 the harvested amount was approximately 160,000 m³ (166,000). In 2018 Group purchased round 530 hectares of forest. Total effect in forest assets was EUR 2.5 million.

The valuation of forests assets is prepared by using the discounted future cash flows that are based on the Group's forest management and harvesting plan. In 2018 the Finnish national growth model for forests was updated to a new model which reflects more accurately the current real growth. The growth of forests has increased based on good and sustainable forestry. This change results in higher harvesting yields and related cashflows. Besides the growth models, same assumptions were applied in both valuations. The fair value effect is specified in the table below. Currently, the cashflows include growing stock until final cutting and the value of bare forest land is discounted from all cashflows from regeneration until final cutting.

The discount rate used for valuation is 4.6% (4.6) real weighted-average-cost-of-capital (WACC). The discount rate is the same than used in the previous valuations and the study of the used discount rate was made by an external valuer in 2017. The WACC incorporates the capital structure of the forest owning company as well as the cost of different financing types. The cashflows are calculated without inflation and the discount rate used is pre-tax real WACC.

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

The land of forest areas is reported as investment property according to IAS 40 (Note 20). The value of forest land is EUR 8.3 million in 2018 (6.5). The total value of growing stock and forest land is EUR 121.7 million in 2018 (114.8).

The change in the value of the growing forests

MEUR	Biological assets	Forest land*	Forest total
January 1, 2018	108.3	6.5	114.8
Additions	2.2	0.2	2.5
Disposals	-0.3	-0.4	-0.7
Reclassifications		0.4	0.4
Change due to harvesting	-5.5		-5.5
Change due annual growth	5.2		5.2
Change in fair value	3.4	1.7	5.0
December 31, 2018	**113.4**	**8.3**	**121.7**

MEUR	Biological assets	Forest land*	Forest total
January 1, 2017	98.4	13.6	112.0
Additions	1.6	0.2	1.8
Disposals	-0.3	-0.1	-0.4
Change due to harvesting	-5.6		-5.6
Change due annual growth	4.7		4.7
Change in fair value	9.5	-7.3	2.2
December 31, 2017	**108.3**	**6.5**	**114.8**

*Forest land reported according IAS 40 as investment property, see note 20

Sensitivity analysis

A sensitivity analysis for the value of growing stock was made 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. When comparing sensitivity analysis between years it is essential to take the change in calculation method on account.

The sensitivity analysis results

2018	Discount rate		
MEUR	3.6%	4.6%	5.6%
Timber prices -10%	123.7	100.7	84.6
Timber prices +10%	154.6	126.0	106.0
Stable prices and costs	139.1	113.4	95.3
Costs -10%	140.6	114.6	96.4
Costs +10%	137.7	112.1	94.2

2017	Discount rate		
MEUR	3.6%	4.6%	5.6%
Timber prices -10%	118.2	96.2	80.7
Timber prices +10%	147.8	120.4	101.2
Stable prices and costs	133.0	108.3	91.0
Costs -10%	134.4	109.5	92.0
Costs +10%	131.6	107.1	89.9

Note 22. Property, plant and equipment

MEUR	Land and water areas	Buildings and constructions	Buildings and constructions finance lease	Machinery and equipment	Machinery and equipment finance lease	Other tangible assets	Advances paid and construction in progress	Total
Acquisition cost								
January 1, 2018	7.0	37.9	0.5	129.9	15.5	25.8	3.5	220.0
Additions		0.5		10.0	0.7	0.4	11.8	23.6
Disposals		-1.5	-0.2	-13.5	-13.3	-0.4	-0.1	-29.0
Reclassifications		1.2		8.5		0.1	-12.6	-2.7
Exchange differences				-0.2				-0.2
December 31, 2018	**6.9**	**38.2**	**0.4**	**134.7**	**2.8**	**26.0**	**2.7**	**211.6**
Accumulated depreciation and impairment								
January 1, 2018		-15.3	-0.2	-74.8	-14.6	-4.2		-109.1
Depreciation for the year		-2.1	-0.1	-13.7	-0.5	-1.5		-17.9
Impairments				-0.8				-0.8
Disposals		1.4	0.2	10.6	13.2			25.4
Exchange differences				0.1	0.1			0.1
December 31, 2018		**-16.0**	**-0.1**	**-78.5**	**-1.9**	**-5.7**		**-102.2**
Net book value								
December 31, 2018	**6.9**	**22.2**	**0.2**	**56.2**	**0.9**	**20.3**	**2.7**	**109.4**

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

MEUR	Land and water areas	Buildings and constructions	Buildings and constructions finance lease	Machinery and equipment	Machinery and equipment finance lease	Other tangible assets	Advances paid and construction in progress	Total
Acquisition cost								
January 1, 2017	8.9	34.1	0.7	114.8	15.1	25.8	13.5	213.9
Additions		0.3	0.2	11.0	0.8	0.4	14.4	27.2
Disposals		-0.1	-0.3	-2.2	-0.1	-0.5	-0.1	-3.3
Business combinations		0.7		3.4				4.1
Reclassifications	-2.0	3.6		5.5			-24.2	-17.0
Exchange differences		-0.7		-2.6	-0.4		-0.1	-3.8
December 31, 2017	**7.0**	**37.9**	**0.5**	**129.9**	**15.5**	**25.8**	**3.5**	**220.0**
Accumulated depreciation and impairment								
January 1, 2017		-13.8	-0.4	-64.9	-14.6	-2.9		-96.6
Depreciation for the year		-2.2	-0.2	-13.7	-0.5	-1.2		-17.8
Impairments				-0.4				-0.4
Disposals			0.3	2.1	0.1			2.5
Reclassifications		0.2						0.1
Exchange differences		0.6		2.1	0.4			3.1
December 31, 2017		**-15.3**	**-0.2**	**-74.8**	**-14.6**	**-4.2**		**-109.1**
Net book value								
December 31, 2017	**7.0**	**22.6**	**0.3**	**55.1**	**0.8**	**21.6**	**3.5**	**110.9**

On December 31, 2018 the Group had contractual commitments EUR 2.9 million (2.2) in total of which EUR 0.3 million (1.7) was recognised in 2018 in property, plant and equipment.

Note 23. Investments in associated companies

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

Ahlstrom-Munksjö

At the end of 2018 the Group had a 18.7% interest in Ahlström-Munksjö. Ahlström-Munksjö is a global leader in fiber-based materials, supplying innovative and sustainable solutions to its customers. Ahlstrom-Munksjö made two important acquisitions during 2018 including U.S. specialty paper producer Expera Specialty Solutions and MD Papéis' Caieiras specialty paper mill in Brazil. Ahlström Capital participated in the rights offering during the last quarter conducted to finance the acquisition of Expera Speciality Solutions.

In 2017 the share in result of Ahlstrom-Munksjö includes the effect of EUR 44.1 million from the merger of Ahlstrom Corporation into Munksjö Oyj. This was due to the fair value valuation of assets of Ahlstrom. Prior to the merger Ahlström Capital had a 12.1% interest in Ahlstrom and a 18.1% interest in Munksjö. Ahlström Capital became the major shareholder in the merged company with 15.3% share.

Suominen

At the end of the 2018 the Group had a 24.0% interest in Suominen. 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.

Detection Technology

At the end of 2018 the Group had a 36.7% interest in Detection Technology. Detection Technology is a global provider of X-ray detector solutions for medical, security and industrial applications. Share in result of Detection Technology has been recorded in the Group since the third quarter of 2017. Detection Technology prepares its Financial Statements according to Finnish Accounting Act.

Glaston

At the end of 2018 the Group had a 17.5% interest in Glaston. Glaston is a frontrunner in glass processing technologies and services, responding globally to the glass processing needs of the architectural, solar, appliance and automotive industries. Share in result of Glaston has been recorded in the Group since the third quarter of 2017.

On January 25, 2019 Glaston Corporation announced the acquisition of Bystronic glass. The closing of the transaction is expected by the end of the first quarter 2019, subject to regulatory approval.

Cleantech Fund

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

Changes in investments in associates

MEUR	2018	Restated 2017
January 1	378.9	169.9
Share of profit/loss	9.9	62.4
Share of other comprehensive income items	-1.2	-11.5
Share of direct adjustments to equity	-3.1	
Dividends and return of equity	-13.0	-12.5
Additions	34.1	174.8
Disposals		-3.5
Reclassifications	0.7	
December 31	**406.3**	**378.9**

Note 23. Investments in associated companies (cont.)

Summarised financial information for associates

Summarised Statement of Comprehensive Income

	Ahlstrom-Munksjö *		Suominen		Detection Technology		Glaston		AC Cleantech Growth Fund	
		Restated		Restated				Restated		
MEUR	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenue	2,438.0	1,959.9	431.1	426.0	93.9	89.0	101.1	109.7		
Operating profit/loss	88.7	103.5	4.6	15.0	18.5	19.9	3.4	4.6	-2.7	-2.9
Profit/loss for the period	**42.9**	**66.5**	**-1.7**	**14.5**	**14.9**	**15.2**	**2.0**	**2.6**	**-2.7**	**-3.0**
Other comprehensive income										
Items that will not be reclassified to statement of income	0.6	5.9								
Items that may be reclassified subsequently to statement of income	-13.9	-55.1	2.5	-15.5				-0.8		
Total comprehensive income for the period	**29.8**	**17.2**	**0.7**	**-1.0**	**14.9**	**15.2**	**2.0**	**1.8**	**-2.7**	**-3.0**

Summarised Statement of Financial Position

	Ahlstrom-Munksjö *		Suominen		Detection Technology		Glaston		AC Cleantech Growth Fund	
		Restated		Restated				Restated		
MEUR	2018	2017	2018	2017	2018	2017	2018	2017	2017	2018
Current assets	957.9	792.6	146.5	141.7	62.3	56.5	40.0	45.7	0.2	0.3
Non-current assets	2,276.9	1,604.2	174.2	180.3	8.7	5.9	50.8	50.9	11.8	13.9
Current liabilities	778.4	594.6	96.3	74.3	19.7	20.7	44.5	46.6		
Non-current liabilities	1,294.3	764.1	93.9	110.9			9.2	12.9	3.5	2.6
Equity	**1,162.2**	**1,038.1**	**130.5**	**136.8**	**51.4**	**41.6**	**37.2**	**37.1**	**8.6**	**11.5**

Investments in associates

	Ahlstrom-Munksjö *		Suominen		Detection Technology		Glaston		AC Cleantech Growth Fund	
		Restated		Restated				Restated		
MEUR	2018	2017	2018	2017	2018	2017	2018	2017	2017	2018
Group's share of the profit/loss for the period	7.7	55.5	-0.4	3.8	3.1	2.2	0.4	0.2	-0.8	-1.0
Group's share of the other comprehensive income	-1.5	-8.0	0.6	-4.0	-0.2					
Carrying amount of the investment	245.6	217.7	46.9	48.3	98.4	97.4	15.1	15.1	0.4	0.5
Fair value of the investment	262.3	321.8	28.6	61.7	86.3	93.6	13.1	15.9		
Interest held	18.7%	18.4%	24.0%	24.0%	36.7%	37.5%	17.5%	17.5%	29.0%	29.0%
Dividend received	9.3	8.2	1.5	1.5	1.8		0.3			

* The Group's share of Ahlstrom Oyj's profit prior to merger in 2017 was EUR 2.3 million and Groups's share of other comprehensive income was EUR 0.5 million. The dividend received amounted EUR 2.8 million. Shareholding prior to the merger, on March 31, 2017 was 12.1%.

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

Note 24. Inventories

MEUR	2018	2017
Raw materials	115.7	102.1
Work in progress	19.3	16.6
Finished goods	17.2	18.4
Advance payments for inventories	0.3	0.2
	152.6	**137.3**

Inventories are valued at the lower of cost and net realisable values. In 2018, EUR 3.2 million (4.0) impairment for obsolete inventories has been recognised in the consolidated statement of income.

Note 25. Current trade and other receivables

MEUR	2018	2017
Trade receivables	116.2	120.2
Trade receivables from associates	0.9	2.0
Contract assets	15.4	8.0
Other receivables	8.3	6.3
Loan receivables	2.7	4.7
Accrued receivables	10.7	10.6
Derivatives	1.1	0.7
	155.3	**152.4**

Trade receivables are non-interest-bearing and generally payments terms of 30 to 90 days. Portfolio companies asses their credit risk independently according to their business and credit policy. Part of the receivables are covered with a credit insurance when considered necessary. Some receivables are sold on a non-recourse basis. There are no significant risk concentration in receivables. Expected credit losses are assessed independently by portfolio companies. See Note 29 for more information.

Individually impared trade receivables and contract assets

MEUR	2018	2017
January 1	1.9	1.1
Adjustment on initial application of IFRS 9	0.7	
Restated January 1	**2.6**	
Addition of provisions for expected losses	1.2	1.9
Unused amounts reversed	-2.5	-1.1
Other changes	-0.4	
December 31	**1.0**	**1.9**

Ageing analysis of trade receivables and contract assets

Expected credit losses by ageing classes

	Trade receivables		Expected credit losses	Percentage of expected credit losses
MEUR	2018	2017	2018	2018
Neither past due nor impaired	119.9	120.2	0.1	0.1%
Past due but not impaired				
< 30 days	10.8	7.5	0.2	1.4%
30-60 days	0.8	1.5	0.1	12.8%
61-90 days	0.7	0.5	0.1	12.3%
> 90 days	0.3	0.5	0.5	64.3%
	132.5	**130.1**	**1.0**	

Note 26. Cash and cash equivalents

MEUR	2018	2017
Cash in hand and at bank	90.6	95.0
	90.6	**95.0**

Note 27. Financial assets and liabilities

2018 MEUR	At amortised cost	At fair value through statement of income	At fair value through OCI	Total carrying amount
Non-current financial assets				
Other shares and securities		6.0		6.0
Interest-bearing loan receivables and financial assets	1.4			1.4
Interest bearing loan receivables from associates	2.8			2.8
Other receivables	0.2			0.2
Current financial assets				
Trade and other receivables	91.5		60.0	151.5
Interest-bearing loan receivables and financial assets	2.5			2.5
Non-interest-bearing loan receivables and financial assets	0.2			0.2
Derivatives		1.1		1.1
Cash and cash equivalents	90.6			90.6
	189.1	**7.1**	**60.0**	**256.3**
Non-current financial liabilities				
Interest-bearing loans and borrowings				
Loans from financial institutions	111.6			111.6
Obligations under finance lease contracts	0.6			0.6
Other liabilities	3.3			3.3
Derivatives			0.2	0.2
Other financial liabilities	1.4			1.4
Current financial liabilities				
Interest-bearing loans and borrowings				
Loans from financial institutions	17.3			17.3
Obligations under finance lease contracts	0.5			0.5
Other liabilities	20.4			20.4
Derivatives		1.6		1.6
Trade and other payables	267.5			267.5
	422.6	**1.6**	**0.2**	**424.4**

2017 MEUR	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	2.3			4.6	6.9
Interest-bearing loan receivables and financial assets		2.6			2.6
Loan receivables from associates		2.7			2.7
Other receivables	0.2				0.2
Current financial assets					
Trade and other receivables	146.8	0.1			146.9
Interest-bearing loan receivables and financial assets		4.2			4.2
Non-Interest-bearing loan receivables and financial assets	0.5				0.5
Derivatives			0.7		0.7
Cash and cash equivalents	95.0				95.0
	244.7	**9.6**	**0.7**	**4.6**	**259.6**
Non-current financial liabilities					
Interest-bearing loans and borrowings					
Loans from financial institutions		40.4			40.4
Obligations under finance lease contracts		0.5	0.2		0.6
Other liabilities		8.3			8.3
Derivatives			0.1		0.1
Other financial liabilities	8.7				8.7
Current financial liabilities					
Interest-bearing loans and borrowings					
Loans from financial institutions		42.3			42.3
Bank overdraft		8.4			8.4
Obligations under finance lease contracts		0.5			0.5
Other liabilities		20.2			20.2
Derivatives			0.9		0.9
Trade and other payables	238.6				238.6
	247.3	**120.5**	**1.1**		**369.0**

Note 27. Financial assets and liabilities (cont.)

Changes in liabilities arising from financing activities

			Non-cashflow effect					
2018 MEUR	**January 1**	**Cash flows**	**Changes in foreign exchange rates**	**Changes in fair values**	**Acquisition of subsidiaries**	**Reclassification**	**New leases**	**December 31**
Non-current interest bearing loans	48.7	72.2				-6.0		114.9
Current interest bearing loans	70.9	-39.0	-0.1			6.0		37.8
Obligations under finance lease contracts	1.1	-0.8					0.8	1.1
Other changes from financing activities		0.6						
Dividends paid		-30.7						
Purchase of treasury shares		-2.9						
	120.7	**-0.6**	**-0.1**			**0.0**	**0.8**	**153.8**

			Non-cashflow effect					
2017 MEUR	**January 1**	**Cash flows**	**Changes in foreign exchange rates**	**Changes in fair values**	**Acquisition of subsidiaries**	**Reclassification**	**New leases**	**December 31**
Non-current interest bearing loans	47.5	-0.2		1.4				48.7
Current interest bearing loans	19.2	47.1	-1.2		3.7	2.2		70.9
Obligations under finance lease contracts	0.8	-0.5					0.8	1.1
Other changes from financing activities		-0.5						
Dividends paid		-33.4						
	67.4	**12.6**	**-1.2**	**1.4**	**3.7**	**2.2**	**0.8**	**120.7**

Note 28. Fair values and fair value measurement

2018 MEUR	Carrying amount	Fair Value Level 1	Level 2	Level 3	Total
Assets measured at fair value					
Investment properties	135.9			135.9	135.9
Biological assets	113.4			113.4	113.4
Other shares and securities	6.0			6.0	6.0
Derivatives not designated as hedges	1.1		1.1		1.1
Assets for which fair values are disclosed					
Loan receivables	6.9			6.9	6.9
	263.3		**1.1**	**262.2**	**263.3**
Liabilities measured at fair value					
Derivative financial liabilites	0.2		0.2		0.2
Derivatives not designated as hedges	1.6		1.6		1.6
Liabilities for which fair values are disclosed					
Interest-bearing loans and borrowings					
Floating rate borrowings	81.3		0.4	80.9	81.3
Fixed rate borrowings	47.6		40.0	7.6	47.6
Other interest-bearing	23.7		3.3	20.4	23.7
Obligations under finance lease contracts	1.1		0.2	0.9	1.1
	155.5		**45.7**	**109.8**	**155.5**

2017 MEUR	Carrying amount	Fair Value Level 1	Level 2	Level 3	Total
Assets measured at fair value					
Investment properties	131.4			131.4	131.4
Biological assets	108.3			108.3	108.3
Available-for-sale financial assets	6.9			6.9	6.9
Derivatives not designated as hedges	0.7		0.7		0.7
Assets for which fair values are disclosed					
Loan receivables	10.0			10.0	10.0
	257.4		**0.7**	**256.7**	**257.4**
Liabilities measured at fair value					
Derivative financial liabilites	0.1		0.1		0.1
Derivatives not designated as hedges	0.9		0.9		0.9
Liabilities for which fair values are disclosed					
Interest-bearing loans and borrowings					
Floating rate borrowings	102.4		0.5	61.9	102.4
Fixed rate borrowings	5.0		40.0	5.0	5.0
Other interest-bearing	3.8		3.3	0.5	3.8
Bank overdarfts	8.4			8.4	8.4
Obligations under finance lease contracts	1.1		0.3	0.9	1.1
	121.7		**45.1**	**76.6**	**121.7**

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.

Note 28. Fair values and fair value measurement (cont.)

Reconciliation of level 3 fair values of other shares and securities

MEUR	2018	2017
January 1	6.9	7.2
Remeasurement recognised through profit or loss	-0.7	-0.9
Additions	0.7	0.8
Disposals	-0.3	-0.1
Reclassification	-0.5	-0.1
December 31	**6.0**	**6.9**

Note 29. Financial risk management

Ahlström Capital Oy is a family owned investment company, which invests primarily in listed and non-listed industrial companies, as well as in commercial real estate and forest assets. Non-listed industrial companies Enics and Destia, referred to as portfolio companies, operate as independent operational subgroups. Holding companies manage investments in listed companies, real estates and forest assets. Note 5 Group information shows the list of all group companies and their main activities.
The Group is exposed through its operations to different types of financial risks. The overall objective of financial risk management is to minimise the unfavourable effects of financial market fluctuations. Financial and capital market risk cannot be completely eliminated through diversification, however, it can partly be hedged against.

The Group's treasury policy defines the way of managing the Group's finance related issues and risks related to it. Treasury policy sets the guidelines for all group companies. Each portfolio company has its own treasury policy that focuses 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 in its capacity as mother company of the group oversees the optimal financing structure on group level.

Financing risk

The Group's financing risk related to the availability of necessary credit is not considered to be material 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 has diverse and strong financing sources and is not dependent on any single financing source or instrument.

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

Ahlström Capital Oy and its Holding companies have utilised certain real estate, forest and shares as collateral for financing facilities. Utilisation of listed shares contains the risk of margin calls depending on the development of the share values in question. Ahlström Capital Oy as parent company monitors the share and collateral value developments related to these financing facilities closely. Diversity in 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. Majority of the Groups revenue is in euros. In Portfolio companies there is some exposure to other major currencies such as the US dollar, the Swiss franc and the Chinese renminbi, which may result in 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 taking into account each company's own net position in different currencies. Since the currency forward hedging is used in portfolio companies the impact of changing currency rates is reduced also on Group level.

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

Interest rate risk

Interest rate risk is considered 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.

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 at low level during the year.

Credit Risk

The risk of credit losses due to third parties' inability to service their liabilities towards the Group is not a significant risk at the Group level, due to the relatively small amount of receivables from others. Ahlström Capital Oy is responsible for managing credit risk of the financial instruments and transactions on a Group level. The main principle is that the financial institution's credit rating is to be checked and approved

Note 29. Financial risk management (cont.)

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 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 needed.

At the end of the year existing facilities in Group included credit facilities (RCF and committed overdrafts) amounting to EUR 203.6 million (150.8) of which EUR 190.4 million (100.2) was unused.

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

2018 MEUR	< 1 year	2-3 years	4-5 years	> 5 years	Total
Interest-bearing loans and borrowings	39.1	54.0	63.7		156.9
Other financial liabilities	128.5	1.5			130.0
Trade payables	138.1				138.1
Derivatives	14.9	0.1			15.0
	320.7	**55.6**	**63.7**		**440.0**

2017 MEUR	< 1 year	2-3 years	4-5 years	> 5 years	Total
Interest-bearing loans and borrowings	71.4	46.5	3.4		121.4
Other financial liabilities	105.8	10.7			116.6
Trade payables	136.7				136.7
Derivatives	1.0	0.2			1.2
	315.0	**57.4**	**3.5**		**375.9**

Derivatives designated as hedging instruments

	Fair values		Nominal amounts	
MEUR	2018	2017	2018	2017
Liabilities				
Interest rate swaps	0.2	0.1	40.0	40.0

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	
MEUR	2018	2017	2018	2017
Assets				
Foreign currency forward contracts	0.9	0.6	16.2	3.2
Commodity derivatives	0.2		0.7	0.6
Liabilities				
Foreign currency forward contracts	1.0	0.9	15.1	23.8
Interest rate swaps	0.5		38.0	

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

Note 29. Financial risk management (cont.)

Capital management

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

The primary objective of the Group's capital management is to maximise the shareholder value, meaning the External Fair Value 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 order to determine the EFV of Ahlström Capital's share, the EFV of the underlying assets is appraised at each measurement date, using external valuation experts as per end of September each year.

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

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

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

MEUR	2018	2017
Non-current interest-bearing loans and borrowings (Note 27)	115.7	49.4
Current interest-bearing loans and borrowings (Note 27)	38.2	71.4
Less: cash and short-term deposits (Note 26)	-90.6	-95.0
Net cash (-)/ net debt (+)	**63.4**	**25.8**
External Fair Value	887.1	1,033.7
Shareholders equity (incl. non-controlling interest)	785.6	784.8
EFV adjusted net gearing	7.1%	2.5%
Net gearing (IFRS / Book value based)	8.1%	3.3%

Note 30. Share capital and reserves

MEUR	Share capital	Share premium	Unrestricted equity reserve	Treasury shares	Legal reserve	Total
January 1, 2017	**38.8**	**12.8**	**104.3**		**1.1**	**157.0**
Other changes					0.6	0.6
December 31, 2017	**38.8**	**12.8**	**104.3**		**1.7**	**157.5**
Acquisition of treasury shares				-2.9		-2.9
Other changes					0.7	0.7
December 31, 2018	**38.8**	**12.8**	**104.3**	**-2.9**	**2.3**	**155.3**

The registered share capital of Ahlström Capital Oy totals 38,771,470 euros. The number of registered shares in the company on December 31, 2018 was 62,887,600 shares. The company held a total of 226,000 own shares on December 31, 2018 and the number of outstanding shares was 62,661,600. Ahlström Capital has one series of shares. Each share has one vote in the General Meeting of the shareholders and all the shares have equal rights to dividend or other distribution of equity.

The Annual General Meeting of Ahlström Capital Oy resolved to authorise the Board of Directors to decide on the repurchase of a maximum of 400,000 shares. The purchase price is the external fair value of the share at the end of September with a 20% discount. The authorisation is valid until the end of the next Annual General Meeting. The Board of Directors resolved to commence the repurchase program during October-December. The company repurchased 226,000 shares (0.36%). The repurchased shares were invalidated in January 2019 based on the board of directors' decision in December 2018.

In 2017 Ahlström Capital's Annual General Meeting resolved that the number of shares in the company was increased by issuing new shares to the shareholders without payment in proportion to their holdings, so that 99 new shares was given for each existing share. The share issue without payment had the same effect as a share split (1:100). After the share issue, registered in April, 2017, the number of shares of the company is 62,887,600.

Note 30. Share capital and reserves (cont.)

Other comprehensive income, net of tax

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

2018 MEUR	Available-for-sale-reserve	Cash flow hedge reserve	Foreign currency translation reserve	Retained earnings	Total
Foreign exchange translation differences			-1.3		-1.3
Cash flow hedges - net change in fair value		-0.1			-0.1
Remeasurement gains/losses on defined benefit plans				1.3	1.3
Share of other comprehensive income of associates		-0.2	-2.0	0.1	-1.2
	0.9	**-0.3**	**-3.3**	**1.4**	**-1.3**

2017 MEUR	Available-for-sale-reserve	Cash flow hedge reserve	Foreign currency translation reserve	Retained earnings	Total
Foreign exchange translation differences			-1.9		-1.9
Available-for-sale financial assets - net change in fair value	-0.7				-0.7
Remeasurement gains/losses on defined benefit plans				1.5	1.5
Share of other comprehensive income of associates		-0.2	-12.4	1.1	-11.5
	-0.7	**-0.3**	**-14.3**	**2.6**	**-12.6**

The total shareholders' equity consists of share capital, share premium, unrestricted equity reserve, treasury shares, legal reserve, investments designated as at FVOCI (since implementation of IFRS 9), available-for-sale reserve (until 2017), 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. Treasury shares consist of the repurchased own shares. Legal reserves consist of amounts created from retained earnings due to specific legislation in certain countries. Investments designated as at FVOCI consist of fair value changes in certain equity instruments. Available-for-sale include changes in the fair values of available-for-sale instruments (until 2017). 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 31. Provisions

MEUR	Warranty provision	Restructuring provision	Environmental provisions	Other provisions	Total
January 1, 2018	5.2	4.9	12.5	11.1	33.6
Exchange differences		-0.2			-0.2
Arising during the year	1.1	0.6		1.9	3.6
Utilised	-0.5	-4.1	-0.2	-2.4	-7.2
Unused amounts reversed	-1.3	-0.1	-0.1	-5.3	-6.7
Effect of discounting			-0.4		-0.4
December 31, 2018	**4.5**	**1.1**	**11.8**	**5.3**	**22.7**

MEUR	Warranty provision	Restructuring provision	Environmental provisions	Other provisions	Total
January 1, 2017	6.1	0.7	13.1	12.3	32.2
Exchange differences		-0.1			-0.1
Arising during the year	0.9	7.0		6.7	14.6
Utilised	-1.4	-2.5		-5.1	-9.0
Unused amounts reversed	-0.4	-0.3	-0.1	-2.8	-3.6
Effect of discounting			-0.5		-0.5
December 31, 2017	**5.2**	**4.9**	**12.5**	**11.1**	**33.6**
Non-current, on December 31, 2018	**2.0**		**11.1**	**3.1**	**16.2**
Current, on December 31, 2018	**2.5**	**1.1**	**0.7**	**2.2**	**6.6**
Non-current, on December 31, 2017	**2.7**		**11.8**	**7.3**	**21.9**
Current, on December 31, 2017	**2.5**	**4.9**	**0.6**	**3.8**	**11.8**

Note 31. Provisions (cont.)

Warranty provision

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 provision

Provision relates 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 liabilities

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

Note 32. Trade and other payables

MEUR	2018	2017
Trade payables	138.1	136.7
Contract liabilities	36.3	25.4
Other payables	20.6	14.1
Accrued liabilities	72.5	62.5
Derivatives	1.6	0.9
	269.1	**239.5**

Note 33. 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

MEUR	2018	2017
Within 1 year	10.2	10.4
Between 1 and 5 years	14.9	11.2
More than 5 years	1.0	0.4
	26.1	**22.0**

Commitments and contingencies on own behalf

MEUR	2018	2017
Secured loans		
Loans from financial institutions and others	87.0	52.6
Pledged assets		
Real estate mortgages	110.2	80.4
Pledged shares	106.5	69.3
Other pledged assets	0.7	0.8
Pledged securities		**16.0**
Guarantees	**126.0**	**130.3**

Pledges are used as collaterals for certain credit facilities.

Approximately 76% of Group's investment properties (note 20) have been utilised as collateral for own debts and reported as real estate mortgages in commitments.

Ahlström Capital Group has a contingent VAT liability on real estate investments EUR 2.9 million (3.5) on December 31, 2018.

As founder shareholder Ahlström Capital Group has certain commitments according 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 0.1 million (0.9) on December 31, 2018.

Note 34. Related party transactions

The Group's related parties include Ahlström Capital's Board of directors and committees, its CEO, subsidiaries and associated companies and also Antti Ahlström Perilliset Oy, which holds a significant influence in Ahlström Capital Oy. The transactions with associated companies are listed in a separate note 23. Loan transaction with associated companies are dealt with in the note 27. Salaries for CEO and remunerations to Board members are listed in note 13.

Business transactions with the associated companies and entities with significant influence

MEUR	2018	2017
Sales to the entity with significant influence over the group	0.2	0.2

Compensation of personnel belonging to the related party of the group

MEUR	2018	2017
Wages and other short-term employee benefits	1.1	1.2
Post-employment benefits	0.1	0.1
	1.2	**1.3**

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 35. Events after the reporting period

On January 25, 2019 Glaston Corporation announced the acquisition of Bystronic glass. The closing of the transaction is expected by the end of the first quarter 2019, subject to regulatory approval. Ahlström Capital and certain other investors have secured the financing for the acquisition by committing to participate in both directed share issue and rights issue. In addition, Ahlström Capital has agreed to issue a guarantee for the bridge facility and provide necessary financing to refinance the bridge facility in the event the rights issue would not be fully subscribed for.

Income Statement, Parent Company (FAS)

TEUR	Note	2018	2017
Net Sales	2	**5,435**	**5,544**
Other operating income	3	**2,360**	**49**
Personnel costs	4	204	-6,290
Depreciation, amortisation and impairment	9	-1,000	-1,001
Other operating expense	6	-3,968	-3,389
Operating profit / loss		**3,031**	**-5,087**
Financing income and expenses	7		
Interest and other financing income		50,256	48,969
Impairments			10,000
Interest and other financing expenses		-708	-1,451
		49,547	**57,518**
Result before appropriations and taxes		**52,578**	**52,431**
Appropriations	8		
Change in depreciation difference		22	-30
Group contributions		6,460	6,190
Income taxes			3
Net result for the period		**59,060**	**58,594**

Balance Sheet, Parent company (FAS)

TEUR	Note	December 31, 2018	December 31, 2017
Assets			
Non-current assets			
Intangible assets	9		
Intangible rights		197	197
		197	**197**
Tangible assets	9		
Land and water areas		26,254	26,254
Buildings and constructions		23,802	24,780
Machinery and equipment		670	741
Other tangible assets		70	70
		50,796	**51,845**
Investments	10		
Holdings in Group companies		404,817	410,757
Other shares		65	5,579
		404,882	**416,336**
Total non-current assets		**455,875**	**468,378**
Current assets			
Long-term receivables			
Loan receivables from Group companies	15		11,112
Loan and interest receivables		81	81
		81	**11,193**
Short-term receivables			
Accounts receivables		11	80
Receivables from Group companies	15	6,670	6,805
Loan receivables			180
Other receivables		2	3
Prepaid expenses and accrued income	11	117	76
		6,800	**7,144**
Cash and bank		**11,611**	**3,324**
Total current assets		**18,492**	**21,661**
Total assets		**474,368**	**490,039**

TEUR	Note	December 31, 2018	December 31, 2017
Shareholders' equity and liabilities			
Shareholders' equity	12		
Share capital		38,771	38,771
Capital in excess of par value		12,774	12,774
Reserve for invested non-restricted equity		104,336	104,336
Retained earnings (loss)		256,178	230,640
Net result for the period		59,060	58,594
		471,119	**445,115**
Accumulated appropriations			
Depreciation difference		1,655	1,677
		1,655	**1,677**
Liabilities			
Long-term liabilities			
Loans from others			5,000
Accrued expenses and deferred income	14		2,264
			7,264
Short-term liabilities			
Loans from financial institutions			31,000
Advances received		1	5
Accounts payable		245	168
Liabilities to Group companies	15		22
Other liabilities		140	310
Accrued expenses and deferred income	14	1,207	4,478
		1,593	**35,983**
Total liabilities		1,593	43,247
Total shareholder's equity and liabilities		**474,368**	**490,039**

Statement of Cash Flows, Parent Company (FAS)

TEUR	2018	2017
Cash flow from operating activities		
Profit/loss for the period	59,060	58,594
Adjustments:		
Depreciation, amortisation and impairment	1,000	1,001
Financial income and expenses	-49,547	-57,518
Tax on income from operations		-3
Other adjustments	-8,418	-4,703
Cash flow from operations before change in net working capital	**2,095**	**-2,629**
Change in net working capital		
Increase (-) / decrease (+) of short-term receivables	401	155
Increase (+) / decrease (-) of short-term non-interest-bearing liabilities	-5,338	183
Cash flow from operating activities before financing items and taxes	**-2,842**	**-2,291**
Interest and other financing income	51,383	51,494
Interest and other financing expenses	-949	-1,321
Income taxes		-111
Net cash flow from operating activities	**47,592**	**47,771**
Cash flow from investing activities		
Other investments	5,940	-144,244
Proceeds from sales of non-current assets	49	
Change in notes receivable and other receivables	17,578	1,802
Net cash flow used in investing activities	**23,567**	**-142,442**

TEUR	2018	2017
Cash flow from financing activities		
Change in long-term debt	-5,000	
Change in short-term debt	-31,000	28,818
Dividends paid	-30,191	-33,373
Purchase of treasury shares	-2,870	
Other changes	6,189	5,065
Net cash flow used in financing activities	**-62,872**	**510**
Change in cash and financial investments	**8,286**	**-94,161**
Cash and financial investments at beginning of period	3,324	97,485
Cash and financial investments at end of period	**11,611**	**3,324**

Notes to the Financial Statements, Parent Company

Note 1. Accounting principles

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

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

Revenue recognition

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

Items denominated in foreign currency

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

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

Investments

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

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

Non-current assets

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

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

The estimated useful lives are as follows:

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

Land and water areas are not depreciated.

Leasing

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

Taxes

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

Note 2. Net sales

Distribution of net sales by country

TEUR	2018	2017
Finland	4,701	4,763
Netherlands	734	781
	5,435	**5,544**

Distribution of net sales by business

TEUR	2018	2017
Real estate	4,344	4,426
Others	1,091	1,118
	5,435	**5,544**

Note 3. Other operating income

TEUR	2018	2017
Gain on sale of non-current assets	2,323	
Others	37	49
	2,360	**49**

Note 4. Personnel costs

TEUR	2018	2017
Wages and salaries	160	5,204
Pension costs	-400	1,036
Other wage related costs	36	49
	-204	**6,289**

The significant decrease in personnel costs was mainly attributable to the lower costs for the LTI program due to the reversal of provision related to the changes in the management and revised accounting practices for pension expenses as well as negative EFV development during the year.

Salaries for CEOs	573	775
of which bonuses	159	275
Remunerations to Board members	529	398

Note 5. Average number of personnel

	2018	2017
Salaried	14	17

Note 6. Other operating expenses

TEUR	2018	2017
Real estate expenses	1,198	1,287
External services	1,532	1,502
Other	1,238	600
	3,968	**3,389**

Note 7. Financing income and expenses

Financing income

TEUR	2018	2017
Dividend income from Group companies	49,530	47,800
Interest and financing income from Group companies	720	1,164
Interest and financing income from others	5	5
	50,255	**48,968**

Financing expenses

TEUR	2018	2017
Impairment on investments		10,000
Impairment on receivables	-52	
Interest expenses	-149	-925
Other financing expenses	-507	-526
	-708	**8,549**
Total financing income and expenses	**49,547**	**57,518**

Note 8. Appropriations

TEUR	2018	2017
Change in depreciation difference	22	-30
Group contribution, received	6,460	6,190
	6,482	**6,160**

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

2018 TEUR	Intangible rights	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets
Acquisition cost on January 1	1,598	26,254	36,365	2,268	70
Decreases			-48		
Acquisition cost on December 31	**1,598**	**26,254**	**36,365**	**2,268**	**70**
Accumulated depreciation and amortization on January 1	1,401		11,585	1,527	
Depreciation and amortisation for the period			929	71	
Accumulated depreciation and amortisation on December 31	**1,401**		**12,514**	**1,598**	
Book value on December 31, 2018	**197**	**26,254**	**23,803**	**670**	**70**

2017 TEUR	Intangible rights	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets
Acquisition cost on January 1	1,598	26,254	36,365	2,268	70
Acquisition cost on December 31	**1,598**	**26,254**	**36,365**	**2,268**	**70**
Accumulated depreciation and amortisation on January 1	1,401		10,656	1,456	
Depreciation and amortisation for the period			929	71	
Accumulated depreciation and amortisation on December 31	**1,401**		**11,585**	**1,527**	
Book value on December 31, 2017	**197**	**26,254**	**24,780**	**741**	**70**

Note 10. Long-term investments

2018 TEUR	Holdings in Group companies	Other shares
January 1	410,757	5,579
Increases	8,660	
Decreases	-14,600	-14,807
Impairments		9,293
December 31, 2018	**404,817**	**65**

2017 TEUR	Holdings in Group companies	Other shares
January 1	256,577	5,579
Increases	153,350	
Decreases	-9,170	
Impairments	10,000	
December 31, 2017	**410,757**	**5,579**

Note 11. Prepaid expenses and accrued income

TEUR	2018	2017
Short-term		
Accrued interest income		33
Periodisation of costs	116	43
	116	**76**

Note 12. Shareholders' equity

TEUR	2018	2017
Restricted shareholders' equity		
Shareholders' equity on January 1	38,771	38,771
Shareholders' equity on December 31	**38,771**	**38,771**
Capital in excess of par value on January 1	12,774	12,774
Capital in excess of par value on December 31	**12,774**	**12,774**
Restricted shareholders' equity, total	**51,545**	**51,545**
Unrestricted shareholders' equity		
Profit from previous financial years on January 1	289,234	263,970
Distribution of profits	-30,186	-33,330
Share repurchase	-2,870	
Reserve for invested non-restricted equity	104,336	104,336
Profit from previous financial years on December 31	**360,514**	**334,976**
Net profit for the period	59,060	58,594
Unrestricted shareholders' equity, total	**419,574**	**393,570**
Shareholders' equity, total	**471,119**	**445,115**

Note 13. Share capital on December 31, 2018

The registered share capital of Ahlström Capital Oy totals 38,771,470 euros. The number of registered shares in the company on December 31, 2018 was 62,887,600 shares. The company held a total of 226,000 own shares on December 31, 2018 and the number of outstanding shares was 62,661,600. Ahlström Capital has one series of shares. Each share has one vote in the General Meeting of the shareholders and all the shares have equal rights to dividend or other distribution of equity.

The Annual General Meeting of Ahlström Capital Oy resolved to authorize the Board of Directors to decide on the repurchase of a maximum of 400,000 shares. The purchase price is the external fair value of the share at the end of September with a 20% discount. The authorisation is valid until the end of the next Annual General Meeting. The Board of Directors resolved to commence the repurchase program during October-December. The company repurchased 226,000 shares (0.36%). The repurchased shares were invalidated in January 2019 based on the board of directors' decision in December 2018.

Note 14. Accrued expenses and deferred income

TEUR	2018	2017
Long-term		
Personnel costs		2,264
Short-term		
Personnel costs	1,207	4,167
Interest expense		310
	1,207	**6,741**

Note 15. Receivables from and liabilities to Group companies

Receivables from Group companies

TEUR	2018	2017
Notes receivable		10,000
Accounts receivable	210	615
Prepaid expenses and accrued income	6,460	7,302
	6,670	**17,917**

Liabilities to Group companies

TEUR	2018	2017
Accounts payables	88	22
	88	**22**

Note 16. Collaterals

TEUR	2018	2017
For own liabilities		
Loans from financial institutions		5,000
Credit facilities (RCF)	100,000	70,000
of which in use		31,000
Amount of mortgages and pledges	100,000	80,000

Note 17. Contingent liabilities

TEUR	2018	2017
Leasing and rental commitments		
Current portion	30	60
Non-current portion	9	45
	39	**105**
Contingent liabilities for Real Estate investment's VAT	71	288

Commitments on behalf of Group companies

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

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, 2018. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

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

Basis for Opinion

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of Financial Statements

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

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

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

Other Reporting Requirements

Other Information

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

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

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

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

Other opinions

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

Helsinki March 5, 2019

KPMG OY AB

VIRPI HALONEN
Authorised Public Accountant, KHT

Proposal for the Distribution of Profits

According to the parent company's balance sheet as at December 31, 2018, the total distributable funds are:

	EUR
Reserve for invested non-restricted equity	104,335,800.65
Retained earnings	256,177,717.60
Profit for the period	59,059,884.04
Total distributable funds	419,573,402.29

The Board of Directors proposes that a dividend of EUR 0.48 per share be paid on the 62,661,600 shares and the remainder retained. The total proposed dividend for 2018 is EUR 30,077,568.00.

Helsinki, March 5, 2019

Mikael Lilius
Chairman of the Board

Thomas Ahlström

Marion Björkstén

Mats Danielsson

Pekka Pajamo

Fredrik Persson

Malin Persson

Lasse Heinonen
President and CEO

Shares and shareholders

Shares and share capital

Ahlström Capital's registered share capital on December 31, 2018 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 2018, Ahlström Capital had 248 shareholders. More information on shareholders is presented in the Report of the Board of Directors.

Shareholdings of the Board of Directors

On December 31, 2018 members of the Board of Directors held 483,600 shares in Ahlström Capital Oy, which represents 0.77 per cent of the shares and voting rights.

Shareholders by group on December 31, 2018

	Number of Shares	Percentage of capital stock
Companies	4,082,300	6.5%
Financial and insurance institutions	375,000	0.6%
Public sector entities and mutual pension insurance companies	2,349,000	3.7%
Households	45,663,844	72.6%
Non-profit organisations	566,144	0.9%
Foreign owners	9,609,612	15.3%
Others	15,700	0.0%
Total	**62,661,600**	**99.6%**

Distribution of shareholdings on December 31, 2018

Number of shares	Number of shareholders	Percentage of shareholders	Number of shares and votes	Percentage of shares and votes	Average number of shares held
1-10,000	74	29.8	227,388	0.4%	3,073
10,001-50,000	38	15.3	1,131,860	1.8%	29,786
50,001-100,000	29	11.7	2,181,956	3.5%	75,240
100,001-500,000	67	27.0	16,134,612	25.8%	240,815
500,001-1,000,000	25	10.1	17,079,784	27.3%	683,191
1,000,001- 5,000,000	15	6.0	25,890,300	41.3%	1,726,020
Total	**248**	**100**	**62,645,900**	**100%**	**252,604**

On December 31, 2018 the number of issued shares was 62,887,600, of which 15,700 shares were on the waiting list and 226,000 shares were repurchased and waiting to be invalidated.

Information for shareholders

Annual general meeting

Ahlström Capital Oy's Annual General Meeting of Shareholders will be held in Helsinki at Eteläesplanadi 14 on Monday, April 8, 2019 at 5:00 p.m. The Notice of the Annual General Meeting has been published on the company's website at ahlstromcapital.com.

Financial information

Ahlström Capital's Annual Report 2018 is available on the company's website at ahlstromcapital.com.

In 2019, the company will inform the shareholders about the development of its performance on a quarterly basis.

The company's annual report 2019 is estimated to be published in March 2020.

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 profitability. Phrases containing expressions such as "believes", "expects", "anticipates" or "foresees" are forward-looking statements. Since these are based on forecasts, estimates, and projections, they involve an element of risk and uncertainty, which may cause actual results to differ from those expressed in such expectations and statements.

Ahlström Capital in co-operation with Miltton. Photos on the cover and on pages 2, 5 (real estate), 7, 8, 34 and 40 by Tomi Parkkonen. Photos on pages 5 (forest) and 28 by Mikael Laine. Photos on pages 6 (photo of Lasse Heinonen), 38 and 39 by Joel Forsman. Photo on page 26 by Sanna Sianoja. Photos on page 30 (Villa Mairea and Havulinna) by Tiina Rajala. Photo on page 30 (Kauttuan Klubi) by Esa Kyyrö. Photo on page 33 from A. Ahlström's historical photo archive.